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Stanbic Bank Uganda PMI™

Output rises for fourth month in a row

Key findings

Ongoing improvements in output and new orders

Job creation sustained

Firms confident in 12-month outlook

Data were collected 12-29 October 2020

This report contains the latest analysis of data collected from the monthly survey of business conditions in the Ugandan private sector. The survey, sponsored by Stanbic Bank and produced by IHS Markit, has been conducted since June 2016 and covers the agriculture, industry, construction, wholesale & retail and service sectors. The headline figure derived from the survey is the Purchasing Managers' Index™ (PMI™) which provides an early indication of operating conditions in Uganda.

The PMI is a composite index, calculated as a weighted average of five individual sub-components: New Orders (30%), Output (25%), Employment (20%), Suppliers' Delivery Times (15%) and Stocks of Purchases (10%). Readings above 50.0 signal an improvement in business conditions on the previous month, while readings below 50.0 show a deterioration.

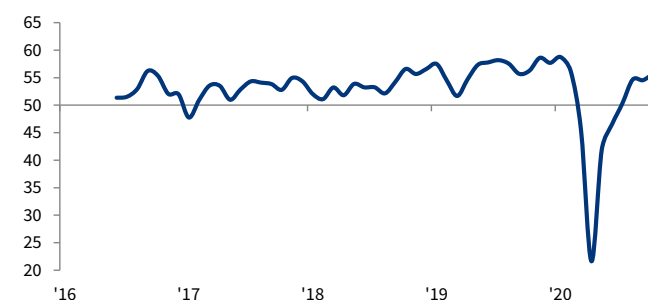
The Ugandan private sector continued to recover from the downturn caused by the coronavirus disease 2019 (COVID-19) pandemic during October. Demand improved again following the easing of restrictions, leading to further expansions in output, new orders and employment.

The headline PMI rose to 55.8 in October, up from 54.5 in September and above the 50.0 no-change mark for the fourth successive month. The latest reading was also above the series average of 53.1.

Companies indicated that more normal business conditions and greater customer numbers helped support

PMI

sa, >50 = improvement since previous month



Sources: Stanbic Bank, IHS Markit.

an increase in new orders during October. In turn, business activity expanded, the fourth month running in which this has been the case. All five monitored sectors saw output increase.

Growth of new orders encouraged firms to take on extra staff, which they did for the third month running in October. This expansion of capacity meant that companies were able to keep on top of workloads and reduce outstanding business.

Purchasing activity also increased, with prompt deliveries by suppliers helping to support a rise in inventory holdings.

Costs of purchases increased for the fifth month running, with higher prices for a range of raw materials mentioned. Staff costs also rose, while there were reports of higher prices for utilities such as electricity and water. As a result, overall input cost inflation was recorded.

The covering of higher input costs led to a further rise in selling prices, the fourth in as many months.

Less stringent COVID-19 restrictions and predictions of further improvements in business conditions supported confidence that output will continue to rise over the coming year. Optimism was signalled at more than 80% of firms.

Comment

Jibran Qureishi, Head of Africa Research at Stanbic Bank commented:

“The PMI trend and other leading economic indicators all point to a recovery in GDP growth in the third quarter of 2020 from the contraction in the previous quarter. Of course, in addition to second wave risks both nationally and globally which could result in further domestic containment measures, there is always the risk that private sector economic activity could ease ahead of the February 2021 elections.”

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Methodology

The Stanbic Bank Uganda PMI™ is compiled by IHS Markit from responses to questionnaires sent to purchasing managers in a panel of around 400 private sector companies. The panel is stratified by detailed sector and company workforce size, based on contributions to GDP. The sectors covered by the survey include agriculture, mining, manufacturing, construction, wholesale, retail and services.

Survey responses are collected in the second half of each month and indicate the direction of change compared to the previous month. A diffusion index is calculated for each survey variable. The index is the sum of the percentage of 'higher' responses and half the percentage of 'unchanged' responses. The indices vary between 0 and 100, with a reading above 50 indicating an overall increase compared to the previous month, and below 50 an overall decrease. The indices are then seasonally adjusted.

The headline figure is the Purchasing Managers' Index™ (PMI). The PMI is a weighted average of the following five indices: New Orders (30%), Output (25%), Employment (20%), Suppliers' Delivery Times (15%) and Stocks of Purchases (10%). For the PMI calculation the Suppliers' Delivery Times Index is inverted so that it moves in a comparable direction to the other indices.

Underlying survey data are not revised after publication, but seasonal adjustment factors may be revised from time to time as appropriate which will affect the seasonally adjusted data series.

October data were collected 12-29 October 2020.

For further information on the PMI survey methodology, please contact economics@ihsmarkit.com.

About PMI

Purchasing Managers' Index™ (PMI™) surveys are now available for over 40 countries and also for key regions including the eurozone. They are the most closely watched business surveys in the world, favoured by central banks, financial markets and business decision makers for their ability to provide up-to-date, accurate and often unique monthly indicators of economic trends.

ihsmarkit.com/products/pmi.html

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About Stanbic Bank

Stanbic Bank Uganda is a member of the Standard Bank Group, Africa's largest bank by assets. Standard Bank Group reported total assets of R1,98 trillion (about USD128 billion) at 31 December 2015, while its market capitalisation was R184 billion (about USD11,8 billion).

The group has direct, on-the-ground representation in 20 African countries. Standard Bank Group has 1 221 branches and 8 815 ATMs in Africa, making it one of the largest banking networks on the continent. It provides global connections backed by deep insights into the countries where it operates.

Stanbic Bank Uganda provides the full spectrum of financial services. Its Corporate & Investment Banking division serves a wide range of requirements for banking, finance, trading, investment, risk management and advisory services. Corporate & Investment Banking delivers this comprehensive range of products and services relating to: investment banking; global markets; and global transactional products and services.

Stanbic Bank Uganda personal & business banking unit offers banking and other financial services to individuals and small-to-medium enterprises. This unit serves the increasing need among Africa's small business and individual customers for banking products that can meet their shifting expectations and growing wealth.

For further information go to www.stanbicbank.co.ug

About IHS Markit

IHS Markit (NYSE: INFO) is a world leader in critical information, analytics and solutions for the major industries and markets that drive economies worldwide. The company delivers next-generation information, analytics and solutions to customers in business, finance and government, improving their operational efficiency and providing deep insights that lead to well-informed, confident decisions. IHS Markit has more than 50,000 business and government customers, including 80 percent of the Fortune Global 500 and the world's leading financial institutions.

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