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Stanbic Bank Uganda PMI™

Second successive rise in output in September

Key findings

Sustained growth of output and new orders

Staffing levels continue to fall

Output prices rise for first time in four months

Data were collected 13-29 September 2021

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.

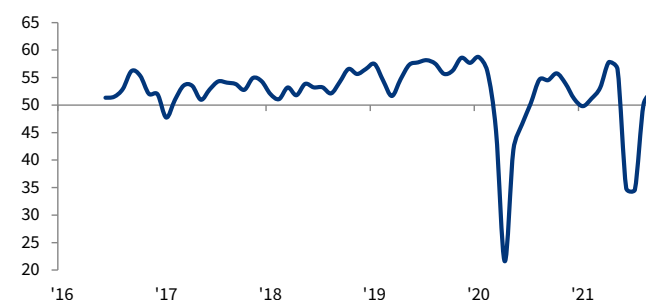
The Ugandan private sector was able to build on the return to growth seen during August at the end of the third quarter, registering second consecutive rises in output and new orders. That said, employment and purchasing activity continued to fall.

The headline PMI posted 52.5 in September, up from 50.2 in August and above the 50.0 no-change mark for the second month running following the easing of COVID-19 lockdown restrictions. The latest reading was in line with the average since the survey began in June 2016.

New orders increased for the second consecutive month

PMI

sa, >50 = improvement since previous month



Sources: Stanbic Bank, IHS Markit.

amid a loosening of lockdown restrictions feeding through to higher customer numbers and improving demand. In turn, business activity also expanded in September after having returned to growth in August. Four of the five broad sectors covered by the survey signalled increases in output, the exception being wholesale & retail.

Despite increases in output and new orders, companies lowered their staffing levels for the fourth successive month and continued to reduce their purchasing activity and inventory holdings.

Overall input prices rose on the back of higher purchase costs and increased utility charges. Where purchase prices rose, panellists linked this to a range of items, most notably cement, food products and stationery. Wage costs continued to fall, however, in line with the trend in staffing levels.

The passing on of higher overall input costs to customers resulted in a first increase in selling prices since May.

Finally, companies were confident in further output growth over the coming year amid expectations of improvements in customer numbers and new order volumes. Some 89% of respondents predicted a rise in activity over the next 12 months, with just 4% pessimistic.

Comment

Ferishka Bharuth, Economist - Africa Regions at Stanbic Bank commented:

“Uganda’s PMI has continued to expand for the second consecutive month, benefitting from less stringent public health care restrictions. PMI reached 52.5 in September from 50.2 in August. Though the output and new orders sub-indices remained in expansion, for the fourth consecutive month staffing levels continued to contract. With firms confident in further output growth during the next year and as the economy continues to recover, employment levels are likely to improve too. Firms increased selling prices for the first time in 4-m in September as purchase costs and utility charges increased their overall input costs.”

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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.

September data were collected 13-29 September 2021.

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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