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## Stanbic Bank Uganda PMI™

### New orders rise for third month running, but employment continues to fall

#### Key findings

Further increases in output and new orders

Purchasing activity returns to growth

Employment down amid cost pressures

Data were collected 12-28 October 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.

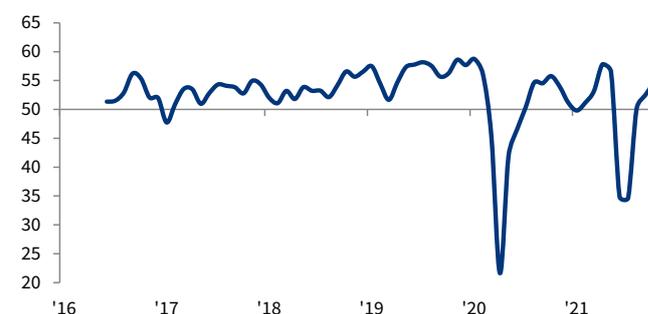
Companies in Uganda signalled further improvements in output and new orders at the start of the final quarter of the year, although cost pressures led to ongoing caution with regards to hiring activity.

The headline PMI rose to 54.6 in October from 52.5 in September and signalled a third successive improvement in business conditions following the COVID-19 lockdown earlier in the year. Moreover, the latest reading was above the average since the series began in June 2016.

Both output and new orders increased for the third month running in October as customer numbers improved and

#### PMI

sa, >50 = improvement since previous month



Sources: Stanbic Bank, IHS Markit.

business conditions returned closer to normality. In both cases, growth was widespread across each of the five broad sectors covered by the survey.

Rises in new orders encouraged companies to expand their purchasing activity for the first time in five months, in turn leading to an accumulation of inventories.

On the other hand, employment continued to fall in October as some firms were reluctant to hire additional staff amid cost pressures. Workforce numbers decreased for the fifth month running, with employee expenses also down.

Higher price pressures were reflective of increased costs for purchases including cement, food products and stationery, as well as higher charges for electricity, fuel and water.

In response to rising cost burdens, and as part of efforts to protect profit margins, firms increased their selling prices for the second month running. Charges rose in the agriculture, industry and wholesale & retail sectors, but fell in construction and services.

The prospect of further increases in new business supported ongoing confidence in the 12-month outlook for activity. Close to 88% of respondents expressed optimism in October.

## Comment

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

*“Uganda’s headline PMI rose to 54.6 in October from 52.5 in September, which marks the third successive improvement in business conditions. Both the output and new orders sub-indices continued to rise, as more customers returned with business conditions normalizing. The prospect of additional increases in new business is supported by growing confidence in the outlook for the next year. Notably, cost pressures were more pronounced this month with prices of key inputs like cement, electricity, fuel, and water on the rise.”*

## Contact

### Stanbic Bank

Ferishka Bharuth  
Economist - Africa Regions  
T: +27 11 415 4553  
[ferishka.bharuth@standardbank.co.za](mailto:ferishka.bharuth@standardbank.co.za)

Ronald Muyanja  
Head Trading, Global Markets  
T: +256 31 222 4969  
[muyanjar@stanbic.com](mailto:muyanjar@stanbic.com)

### IHS Markit

Andrew Harker  
Economics Director  
T: +44 1491 461 016  
[andrew.harker@ihsmarkit.com](mailto:andrew.harker@ihsmarkit.com)

Joanna Vickers  
Corporate Communications  
T: +44 207 260 2234  
[joanna.vickers@ihsmarkit.com](mailto:joanna.vickers@ihsmarkit.com)

### 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 12-28 October 2021.

For further information on the PMI survey methodology, please contact [economics@ihsmarkit.com](mailto: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](https://ihsmarkit.com/products/pmi.html)

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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](http://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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