

Embargoed until 0900 EAT (0600 UTC) 4 December 2019

Stanbic Bank Uganda PMI™

Companies take on extra staff amid rising workloads

Key findings

Employment continues to increase

Expansions of output and new orders

Output prices raised

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.

Improving demand conditions were again a feature of the Uganda PMI in November, helping support further increases in new orders, output and employment. Meanwhile, input costs increased, with companies responding accordingly by raising their selling prices.

The headline PMI increased for the second month running to 58.6 in November from 56.3 in October. The latest reading was above the series average.

As has been the case in each of the past 34 months, firms in Uganda posted a rise in business activity during November. Some respondents attributed higher output to

PMI

sa, >50 = improvement since previous month



Sources: Stanbic Bank, IHS Markit.

competitive pricing, while improving customer demand was also reported. The agriculture, construction, industry, services and wholesale & retail sectors all recorded higher activity.

The aforementioned improvement in demand was also evident with regards to new orders, which expanded during November.

Despite new business continuing to increase, companies were able to reduce backlogs of work thanks to hiring activities. Employment has risen throughout the three-and-a-half year survey history so far.

Ugandan firms registered a rise in input prices in November. Purchase prices, staff costs and utilities including electricity were all reported to be up. Companies increased their selling prices in response.

Business expansion plans and the opening of new branches are expected to lead to growth of output over the coming year.

Higher new orders and confidence around the future path of demand led firms to increase their purchasing activity and inventories. Efforts to expand stocks were aided by shortening suppliers' delivery times. Prompt payments and competition among suppliers were behind faster deliveries.

Comment

Jibran Qureishi, Regional Economist E.A., Global Markets at Stanbic Bank commented:

“The PMI continues to indicate solid activity in November rising to 58.6 from 56.3 in the previous month. The latest reading remains above the historical series average. A stable exchange rate, lower input costs for firms and the ongoing coffee season has largely anchored the private sector.”

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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.

November 2019 data were collected 12-28 November 2019.

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. To learn more go to 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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