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Stanbic Bank Uganda PMI™

Third successive increase in new orders

Key findings

Further growth of output and new orders

Employment rises for second month running

Wage costs increase for first time in seven months

Data were collected 11-29 September 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.

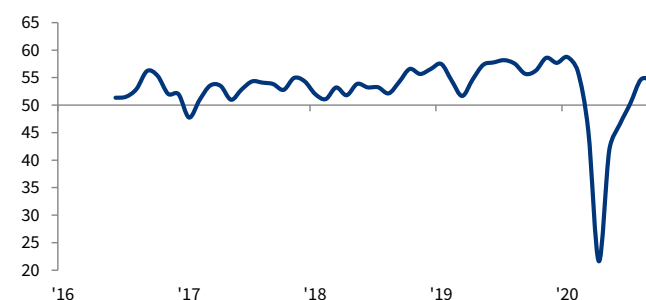
Growth was sustained in the Ugandan private sector during September, with further increases in output, new orders and employment all recorded. Meanwhile, companies remained optimistic that activity will continue to rise over the coming year.

The headline PMI registered 54.5 in September, little-changed from the reading of 54.6 in August and above the 50.0 no-change mark for the third month running. The latest figure was above the average since the survey began in June 2016.

Business activity expanded in each month of the third

PMI

sa, >50 = improvement since previous month



Sources: Stanbic Bank, IHS Markit.

quarter amid a loosening of coronavirus disease 2019 (COVID-19) lockdown restrictions. Growth was registered in four of the five monitored sectors, the exception being agriculture.

Matching the trend in activity, new orders increased for the third successive month in September. Firms were still able to keep on top of workloads, however, partly thanks to a rise in staffing levels. Employment increased for the second month running, contributing to a first rise in staff costs for seven months.

Improvements in customer demand led companies to expand their purchasing activity and inventory holdings. Meanwhile, suppliers' delivery times were broadly unchanged.

Overall input costs rose amid reports of higher prices for electricity and water alongside increasing purchase prices and staff costs. Purchase price inflation reflected higher costs for raw materials including construction and stationery items.

Companies increased their selling prices for the third month running, due to the passing on of higher input costs and efforts to protect profit margins.

Business sentiment remained positive, with two-thirds of respondents predicting a rise in activity over the coming year. The reopening of the border was among the factors supporting optimism.

Comment

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

“Private sector activity continues to find impetus from the earlier lifting of Covid-19 restrictions as well as a recovery in external demand. However, as risks of a second wave appear in some advanced economies, we ought to be cautious, as this could potentially derail the recent recovery in external demand.”

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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 11-29 September 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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