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Stanbic Bank Uganda PMI™

Rising customer numbers support ongoing new order growth

Key findings

Higher new orders feed through to increased output

Companies respond to rising orders by taking on extra staff

Input costs and output prices increase

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.

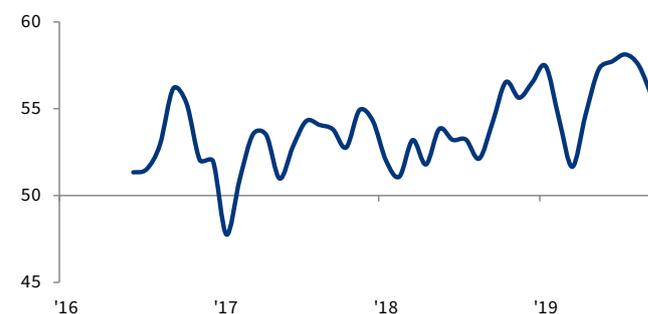
The PMI is a composite index, calculated as a weighted average of five individual sub-components: New Orders (30%), Output (25%), Employment (20%), Suppliers' Delivery Times (15%) and Stocks of Purchases (10%). Readings above 50.0 signal an improvement in business conditions on the previous month, while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

The Ugandan private sector remained in growth territory at the end of the third quarter of the year. The ability of firms to secure additional customers resulted in higher new orders and a subsequent expansion of business activity. Meanwhile, both input costs and output prices continued to increase.

The headline PMI was at 55.7 in September, down from 57.5 in August, but still above the 50.0 no-change mark. Business conditions have now strengthened in each of the past 32 months, with the latest reading above the series average.

PMI

sa, >50 = improvement since previous month



Sources: Stanbic Bank, IHS Markit.

New orders increased in September, with a number of panellists indicating that they had been able to secure new customers during the month.

This expansion in demand, alongside successful marketing, led to a thirty-second successive monthly rise in business activity. All five broad sectors saw growth of output.

Efforts to deliver to customers on time in the face of continued new order growth led companies to expand staffing levels. As a result, backlogs of work fell.

Purchasing activity continued to rise, extending the current sequence of expansion to 19 months. Faster suppliers' delivery times meant that the increase in input buying fed through to an accumulation of inventories.

Overall input prices increased, with panellists reporting higher costs for electricity and purchased items including cement, food products and stationery.

Companies responded to higher input costs by raising their output prices accordingly. Selling prices have increased throughout the 40-month survey so far.

The likelihood of continued new order growth and business expansion plans led to optimism among firms that output will rise over the coming year. Over 74% of panellists were confident regarding the outlook.

Comment

Benoni Okwenje, Fixed Income Manager at Stanbic Bank commented:

“Private sector activity remains solid at the end of the third quarter of 2019. Despite the PMI declining to 55.7 in September from 57.5 in August, overall activity remains robust. Domestic demand continues to improve, partially driven by private sector credit growth over the last year. Despite higher input costs, the rise in new orders has supported overall output. It has now been 32 months in a row of improving business conditions and we suspect this trend will carry through for the rest of the year.”

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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 2019 data were collected 12-27 September 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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