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Stanbic Bank Uganda PMI™

Rise in business activity supported by employment growth

Key findings

Increase in workforce numbers helps output to grow

New orders continue to rise

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.

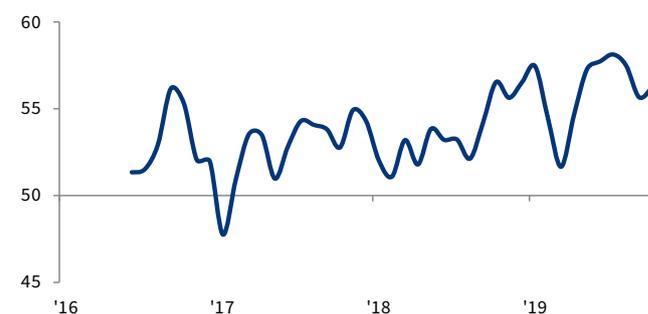
Ugandan companies continued to secure greater volumes of new business in October, expanding output with the help of increased staffing levels in response. Meanwhile, input costs rose again, leading to ongoing output price inflation.

The headline PMI posted 56.3 in October, up slightly from 55.7 in September and above the series average.

New orders expanded for the thirty-third month running, with panellists linking the rise to increased customer numbers, marketing and competitive pricing.

PMI

sa, >50 = improvement since previous month



Sources: Stanbic Bank, IHS Markit.

Companies responded to higher new orders by increasing their business activity, aided by a further expansion in staffing levels. The rise in employment helped firms keep on top of workloads, with backlogs of work declining again.

Growth of both output and new orders was recorded across each of the five broad sectors covered by the survey.

Input costs increased in October, amid rises in purchase prices, staff costs and utility rates. According to respondents, inflation of purchase costs reflected higher prices for items including foodstuffs, cement, fuel and iron bars.

With input costs rising, companies in Uganda increased their output prices accordingly. Some panellists reported that improving customer demand enabled them to raise their selling prices. Charge inflation was recorded in all monitored sectors, except for agriculture which saw no change in output prices.

Purchasing activity increased for the twentieth successive month in October amid higher new orders, with inventories also expanding.

Further improvements in demand are expected over the coming year, contributing to confidence among companies regarding the 12-month outlook for business activity.

Comment

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

“The short rains seem to have started early this season which should thus bode well for agricultural productivity in H1:2020. In fact, we still expect the government continue investing in oil related infrastructure which will probably continue to anchor GDP growth to remain more or less around the 5.8%-6.0% level over the coming 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.

October 2019 data were collected 11-30 October 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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