

Stanbic Bank Uganda PMI™

New orders increase for twenty-second successive month

Key findings:

- Sustained growth of output and new business
- Rising staffing levels help lead to backlog depletion
- Output prices increase in line with higher input costs

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 services 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 headline PMI was at 55.7 in November, down from the reading of 56.6 in October but still pointing to an improvement in the health of the private sector. The latest figure was also above the two-and-a-half year survey average of 53.1.

Business activity continued to expand in November, the twenty-second successive month in which growth has been recorded. Four of the five broad sectors covered by the survey saw output rise, the exception being construction.

In line with the picture for activity, new orders rose for the twenty-second month running in November. In both cases, panellists linked growth to improving customer demand.

Companies responded to higher new orders by increasing their staffing levels, while hiring also reflected efforts to work through outstanding business. As a result, backlogs of work decreased again. Employment growth was recorded in the agriculture, services and wholesale & retail sectors. Meanwhile, construction firms saw staffing levels decrease and industrial employment was unchanged.

Rising customer demand also encouraged companies to engage in purchasing activity midway through the fourth quarter of the year. Input buying rose for the ninth consecutive month, with stocks of purchases accumulating as a result.

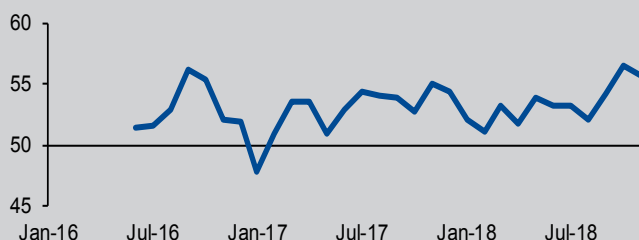
As has been the case throughout the two-and-a-half years of data collection so far, overall input costs increased during November. Data pointed to rises in both purchase prices and staff costs. Anecdotal evidence suggested that higher fuel prices and increased costs for materials such as stationery were behind the rise in purchase prices.

Companies responded to higher input costs by raising their output prices over the month. Charges have increased continuously since the survey began in June 2016. Construction was the only sector not to record a rise in output prices.

Finally, suppliers' delivery times shortened, as has been the case throughout the past two-and-a-half years.

Stanbic Bank Uganda Purchasing Managers' Index™ (PMI™)

sa, >50 = improvement since previous month



Purchasing Managers' Index

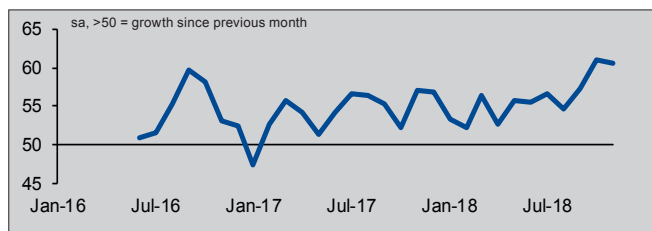
		Unadj.	Seas. Adj.
2018	Sep	55.8	54.2
	Oct	57.6	56.6
	Nov	57.4	55.7

The Stanbic Bank Uganda Purchasing Managers' Index™ (PMI™) is a composite indicator designed to provide an overall view of economic trends in the Ugandan economy. The indicator is derived from individual sub-components which signal changes in output, new orders, employment, suppliers' delivery times and stocks of goods purchased. A reading of the PMI below 50.0 indicates a decline; above 50.0 an expansion. A reading of 50.0 signals no change. Purchasing Managers' Index™ and PMI™ are either registered trade marks of Markit Economics Limited or licensed to Markit Economics Limited. Stanbic Bank use the above marks under licence. IHS Markit is a registered trade mark of IHS Markit Limited and/or its affiliates.

Output

Q. Please compare your production/output this month with the situation one month ago.

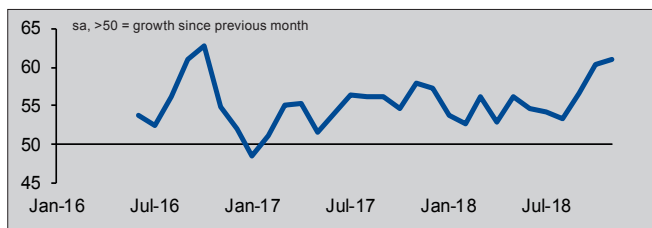
As has been the case in each of the past 22 months, output in the Ugandan private sector increased in November. Panellists generally linked the latest rise to stronger customer demand. Four of the five broad sectors covered saw business activity expand, the exception being construction where no change was recorded.



New Orders

Q. Please compare the level of new orders received this month with the situation of one month ago.

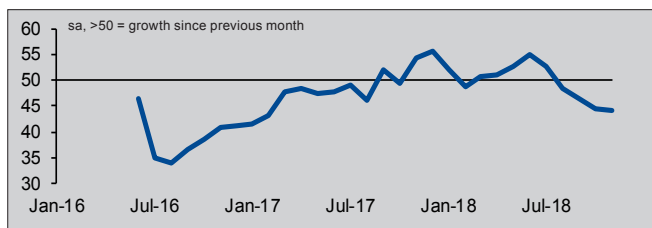
Ugandan companies continued to record growth of new business during November, extending the current sequence of expansion to 22 months. In fact, new orders have fallen just once in the two-and-a-half year survey history so far. More than 41% of respondents signalled an increase in new orders, against 15% that posted a reduction.



New Export Orders

Q. Please compare the level of new export orders received this month with the situation of one month ago.

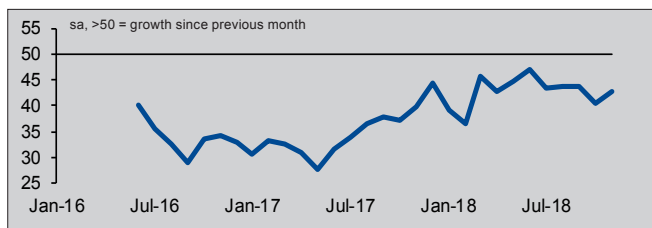
November data pointed to a fourth consecutive monthly reduction in new export orders at Ugandan private sector firms. This contrasted with growth of total new business. Exactly one-quarter of panellists saw new business from abroad fall during the month, against 17% that registered a rise.



Backlogs of Work

Q. Please compare the level of outstanding business in your company this month with the situation one month ago.

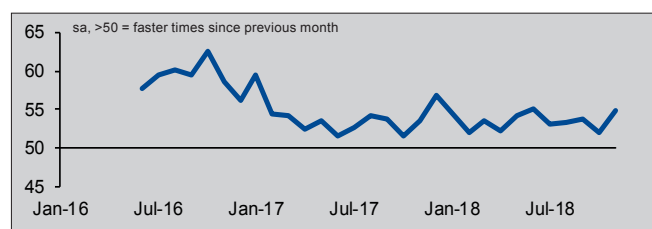
As has been the case throughout the survey's 30-month history, backlogs of work decreased in November. Respondents indicated that the hiring of additional staff had contributed to the reduction in outstanding business. The wholesale & retail sector was the only one to see a rise in unfinished work.



Suppliers' Delivery Times

Q. Please compare your suppliers' delivery times (volume weighted) this month with the situation one month ago.

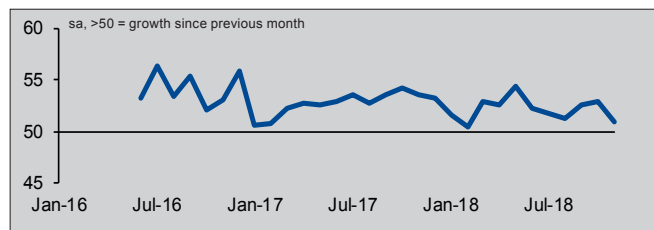
Ugandan companies pointed to a further shortening of suppliers' delivery times during November. The latest improvement in vendor performance was the thirtieth in as many months, with 13% of panellists seeing quicker deliveries.



Employment

Q. Please compare the level of employment at your unit with the situation one month ago.

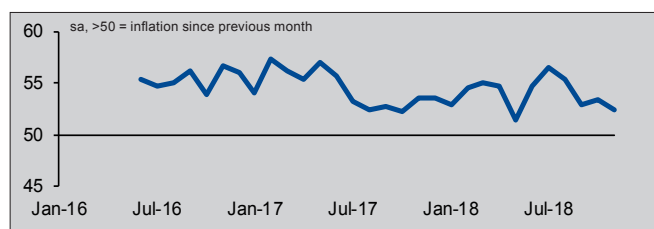
Continuing the trend seen since the survey began in June 2016, employment increased during November. Panellists linked hiring to higher new orders and efforts to reduce backlogs of work. The agriculture, services and wholesale & retail sectors saw staffing levels increase, with construction posting a decrease. Industry registered no change in employment.



Output Prices

Q. Please compare the average prices you charged this month with the situation one month ago.

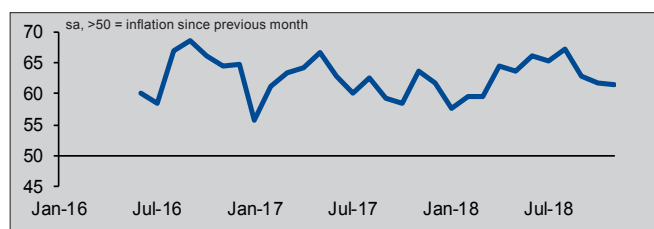
The passing on of higher input costs to clients led to a further increase in prices charged by Ugandan companies in November. Around twice as many respondents noted a rise in output prices as signalled a fall. Charge inflation was recorded across each broad sector, with the exception of construction where output prices were unchanged.



Overall Input Prices

Q. Please compare your overall average input prices this month with the situation one month ago.

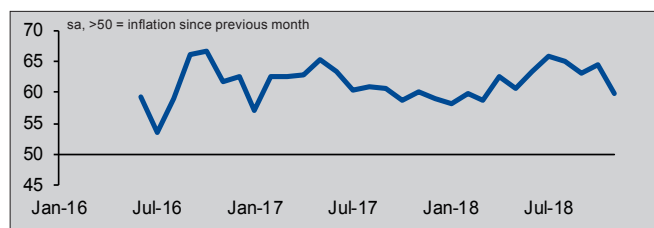
As has been the case throughout the survey's two-and-a-half year history so far, overall input prices increased during November. Data pointed to rises in both purchase prices and staff costs. Overall input prices increased in the agriculture, construction, industry, services and wholesale & retail categories.



Input Costs: Purchase Prices

Q. Please compare the price of your purchases (volume-weighted) this month with the situation one month ago.

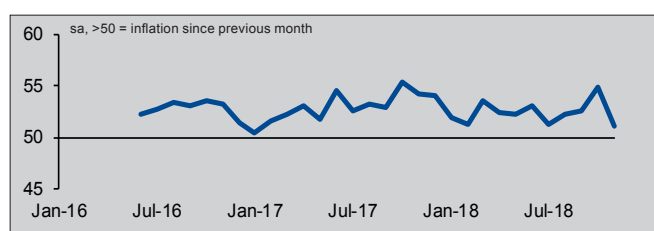
All five broad sectors covered by the survey saw purchase prices increase during November. As a result, purchase costs rose again across the Ugandan private sector as a whole. Panellists reported higher fuel costs, as well as increases in prices for materials such as stationery.



Input Costs: Staff Costs

Q. Please compare the average prices you paid for salaries/wages this month with the situation one month ago.

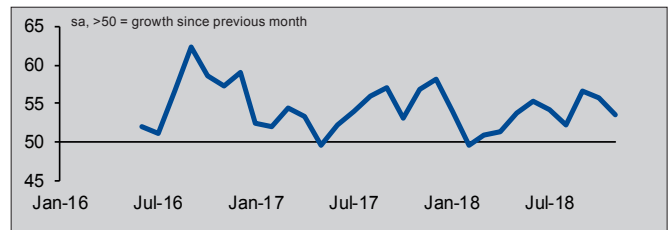
Ugandan private sector firms saw another monthly increase in staff costs during November, extending the current sequence of inflation to two-and-a-half years. Wages and salaries rose in the agriculture, industry and services sectors, but fell in construction and wholesale & retail.



Quantity of Purchases

Q. Please compare the quantity of items purchased (in units) this month with the situation one month ago.

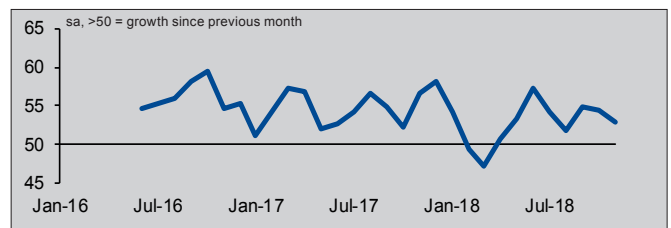
November data pointed to a ninth successive monthly increase in purchasing activity by companies in Uganda. Respondents indicated that higher input buying generally reflected improved client demand. Exactly 30% of panellists reported a rise in purchasing, compared with 17% that posted a fall.



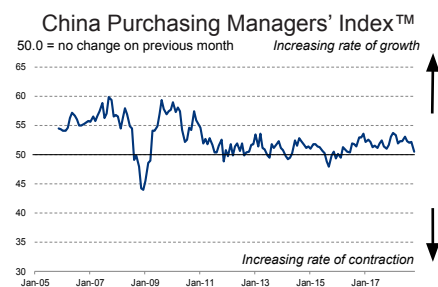
Stocks of Purchases

Q. Please compare your stocks of purchases (in units) with the situation one month ago.

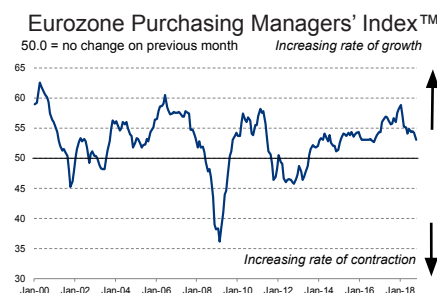
Rising input buying fed through to an increase in stocks of purchases midway through the fourth quarter of the year. Inventories have now been accumulated in eight successive months, with one-quarter of all respondents registering a rise during November.



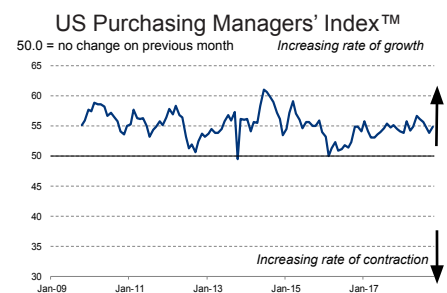
International PMI summary



Sources: IHS Markit, Caixin



Source: IHS Markit



Source: IHS Markit

The latest Caixin China Composite PMI data (which covers both manufacturing and services) signalled only a marginal increase in overall Chinese business activity at the start of the fourth quarter of 2018. Furthermore, the Composite Output Index fell from 52.1 in September to a 28-month low of 50.5.

October saw the euro area economy expand at its slowest rate for more than two years, according to the IHS Markit Eurozone PMI Composite Output Index. October's reading of 53.1 was down from the previous month's 54.1 to the lowest since September 2016.

At 54.9 in October, the seasonally adjusted IHS Markit U.S. Composite PMI Output Index picked up from 53.9 in September. The upturn was supported by robust expansions in both the manufacturing and service sectors.

Notes on the Data and Method of Presentation

The Purchasing Managers' Index™ is based on data compiled from monthly replies to questionnaires sent to purchasing executives in approximately 400 private sector companies, which have been carefully selected to accurately represent the true structure of the Ugandan economy, including agriculture, industry, construction, services and wholesale & retail. The panel is stratified by GDP and company workforce size. Survey responses reflect the change, if any, in the current month compared to the previous month based on data collected mid-month. For each of the indicators the 'Report' shows the percentage reporting each response, the net difference between the number of higher/better responses and lower/worse responses, and the summary unadjusted and seasonally adjusted values. The unadjusted summary value is calculated as the sum of the positive responses plus a half of those responding 'the same'.

The Purchasing Managers' Index™ (PMI™) is a composite index based on five of the individual sub-components with the following weights: New Orders - 0.3, Output - 0.25, Employment - 0.2, Suppliers' Delivery Times - 0.15, Stock of Items Purchased - 0.1, with the Suppliers' Delivery Times sub-component inverted so that it moves in a comparable direction.

The headline PMI and individual summary values for each question have the properties of leading indicators and are convenient summary measures showing the prevailing direction of change. A reading above 50 indicates an overall increase in that variable, below 50 an overall decrease. IHS Markit do not revise underlying survey data after first publication, but seasonal adjustment factors may be revised from time to time as appropriate which will affect the seasonally adjusted data series.

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