



Stanbic Bank Uganda PMI™

Third successive increase in new orders

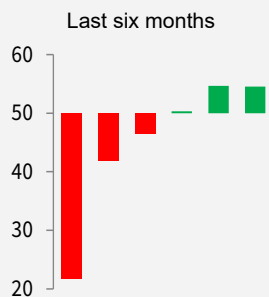
Key findings

Further growth of output and new orders

Employment rises for second month running

Wage costs increase for first time in seven months

Uganda PMI



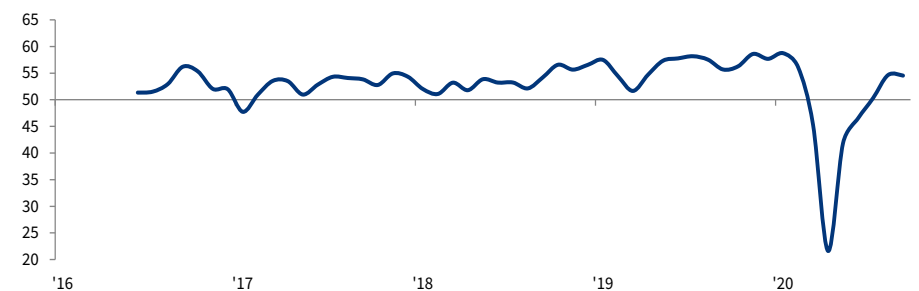
This report contains the latest analysis of data collected from the monthly survey of business conditions in the Ugandan private sector. The survey, sponsored by Stanbic Bank and produced by IHS Markit, has been conducted since June 2016 and covers the agriculture, industry, construction, wholesale & 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.

PMI
sa, >50 = improvement since previous month



Business activity expanded in each month of the third 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.

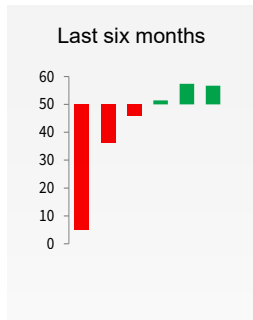
Improvements in customer demand led companies to expand their purchasing activity and inventory holdings. Meanwhile, suppliers' delivery times were broadly unchanged.

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.

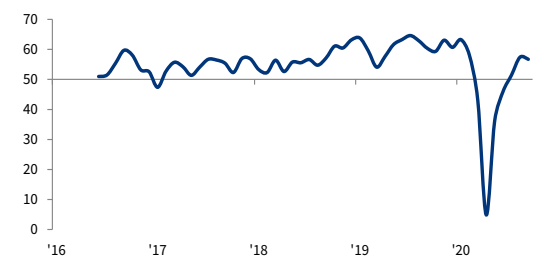
Output



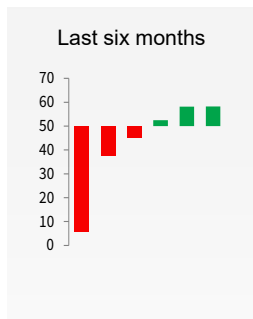
The resumption of economic activity following the COVID-19 lockdown led to a third successive increase in business activity in the Ugandan private sector during September. The construction, industry, services and wholesale & retail sectors posted rises in output, with only the agriculture category seeing a fall.

Output

sa, >50 = growth since previous month



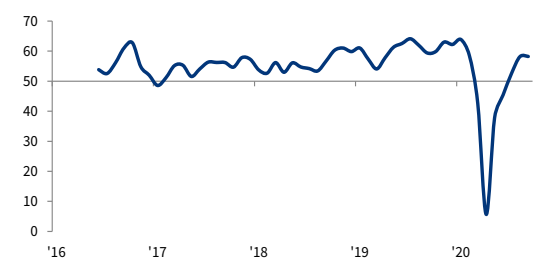
New Orders



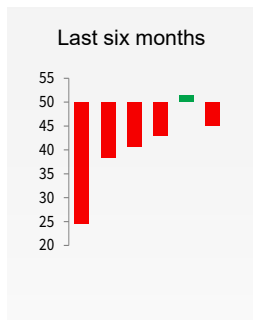
Companies in Uganda posted a further rise in new orders during September, extending the current sequence of growth to three months. Respondents indicated that customer numbers had improved following the easing of lockdown restrictions. As was the case with output, only the agriculture sector posted a reduction in new business.

New Orders

sa, >50 = growth since previous month



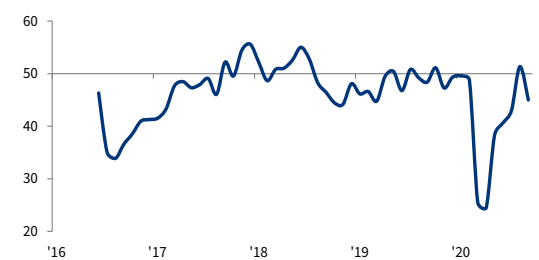
New Export Orders



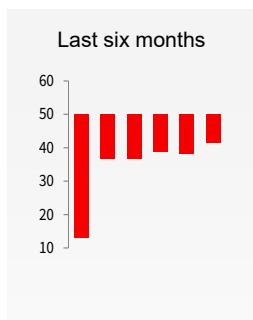
After having risen for the first time in ten months during August, new export orders decreased at the end of the third quarter. Anecdotal evidence suggested that the COVID-19 pandemic continued to hinder export trade, with the border closure remaining in force into September.

New Export Orders

sa, >50 = growth since previous month



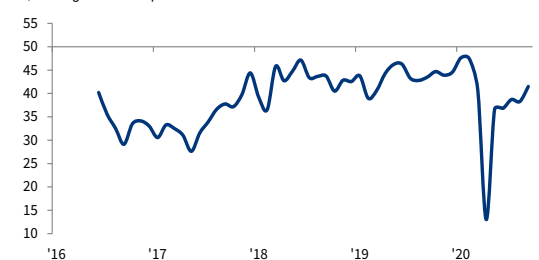
Backlogs of Work



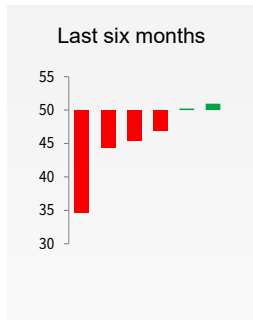
In line with the trend since the survey began in June 2016, Ugandan companies reduced their backlogs of work during September. Some panellists reported that they had been able to complete all outstanding business over the month. More than 29% of respondents noted a reduction in backlogs, against 14% that posted an increase.

Backlogs of Work

sa, >50 = growth since previous month



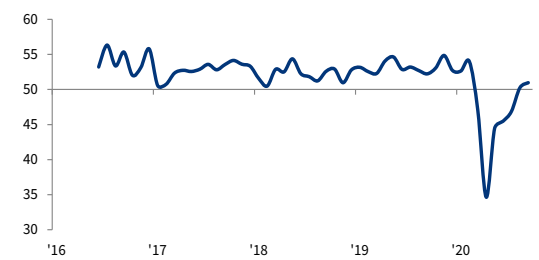
Employment



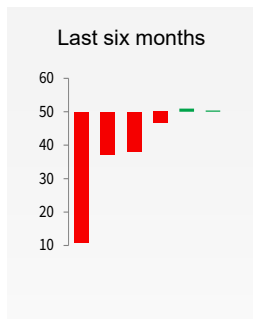
Employment increased for the second month running during September, after having returned to growth in August following a five-month sequence of job cuts. Efforts to keep on top of workloads and respond to growth of new orders were behind the increase in staffing levels. Overall job creation was centred on the construction, services and wholesale & retail sectors.

Employment

sa, >50 = growth since previous month



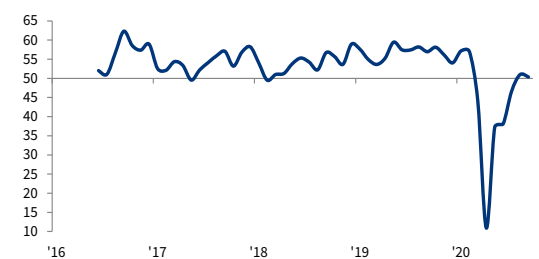
Quantity of Purchases



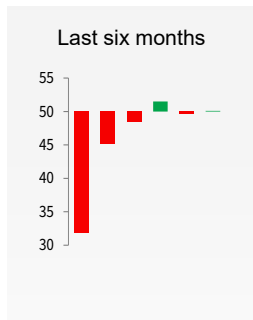
September data pointed to a second successive monthly rise in purchasing activity in the Ugandan private sector. According to respondents, input buying had been increased in line with stronger customer demand. The wholesale & retail sector drove the overall rise in purchasing.

Quantity of Purchases

sa, >50 = growth since previous month



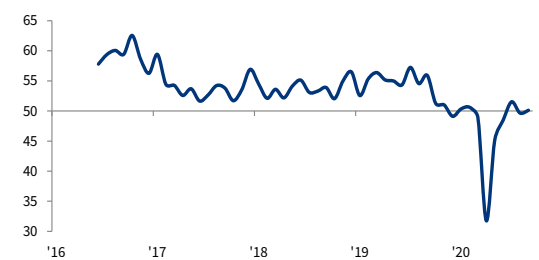
Suppliers' Delivery Times



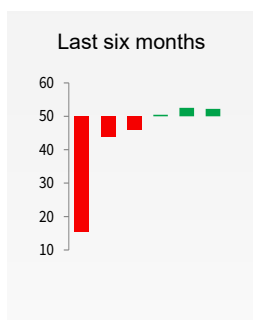
Suppliers' delivery times were broadly unchanged during September, following longer lead times in August. Looser restrictions and competition among vendors led some firms to report faster deliveries. On the other hand, delays at the border resulted in longer lead times at other respondents.

Suppliers' Delivery Times

sa, >50 = faster times since previous month



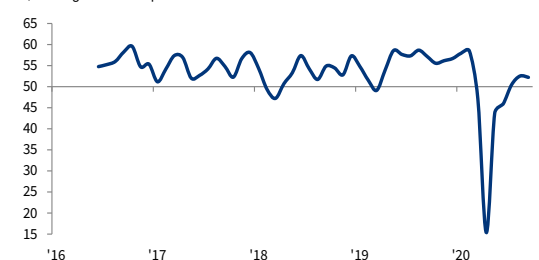
Stocks of Purchases



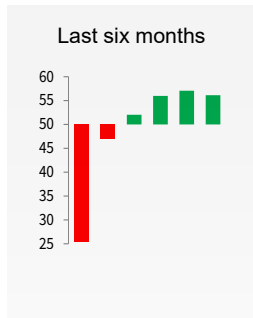
Efforts to adjust stocks in line with customer demand meant that inventories increased during September. The rise was the third in as many months. Around 26% of panellists reported an increase in stocks of purchases, against 17% that posted a decrease.

Stocks of Purchases

sa, >50 = growth since previous month



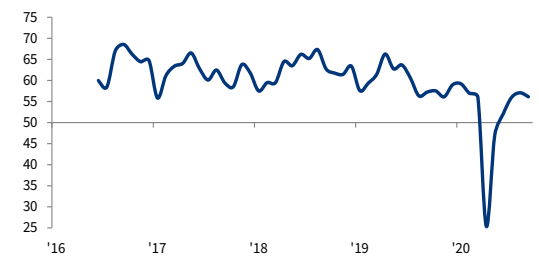
Overall Input Prices



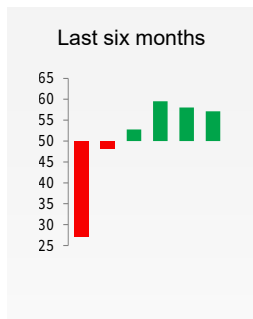
Overall input prices increased for the fourth successive month in September, with rises registered across all five monitored sectors. Purchase prices and staff costs increased, while there were reports of higher prices for electricity and water.

Overall Input Prices

sa, >50 = inflation since previous month



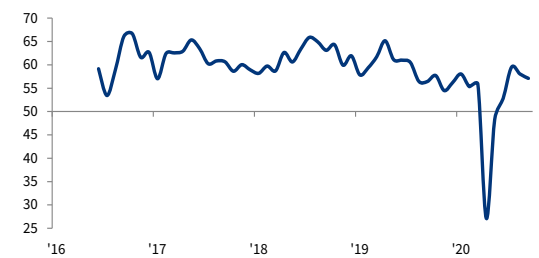
Purchase Prices



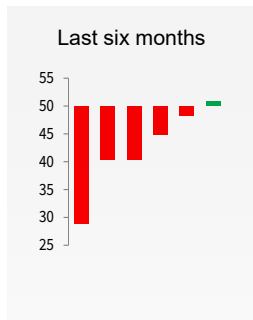
Companies in Uganda recorded a fourth consecutive monthly rise in purchase costs at the end of the third quarter of the year. Increases in prices for raw materials were mentioned. Construction items such as cement and stationery including paper were highlighted as costing more. Rising purchase prices were recorded across the agriculture, construction, industry, services and wholesale & retail sectors.

Purchase Prices

sa, >50 = inflation since previous month



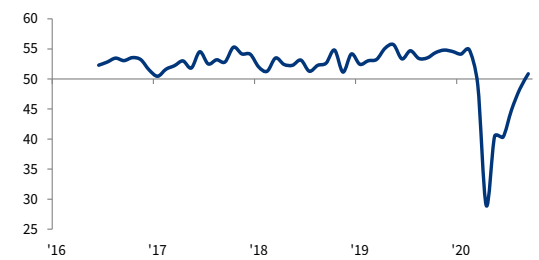
Staff Costs



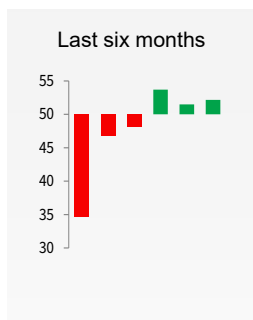
Staff costs increased in September, thereby ending a six-month sequence of falling wages and salaries. The construction, services and wholesale & retail sectors saw staff costs rise, while reductions were seen in agriculture and industry. The hiring of additional staff and salary increases to motivate employees were mentioned as factors behind the rise.

Staff Costs

sa, >50 = inflation since previous month



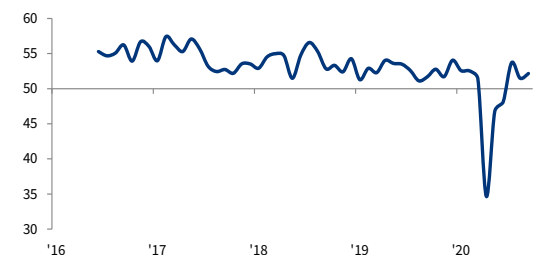
Output Prices



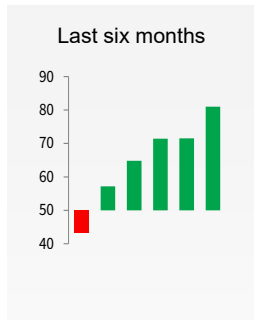
Ugandan companies raised their selling prices for the third successive month in September. Panellists reported that charges had been increased in response to higher input costs, and as part of efforts to protect profit margins. Output prices rose across all monitored sectors, except for services.

Output Prices

sa, >50 = inflation since previous month



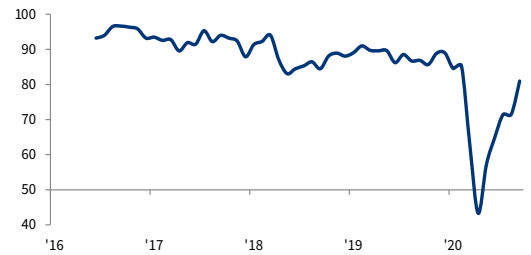
Future Output



Firms operating in the Ugandan private sector remained optimistic regarding the 12-month outlook for business activity, with around two-thirds of respondents forecasting an expansion. Companies predicted further improvements in new business in the coming months, with the reopening of the border and schools among the factors supporting optimism.

Future Output

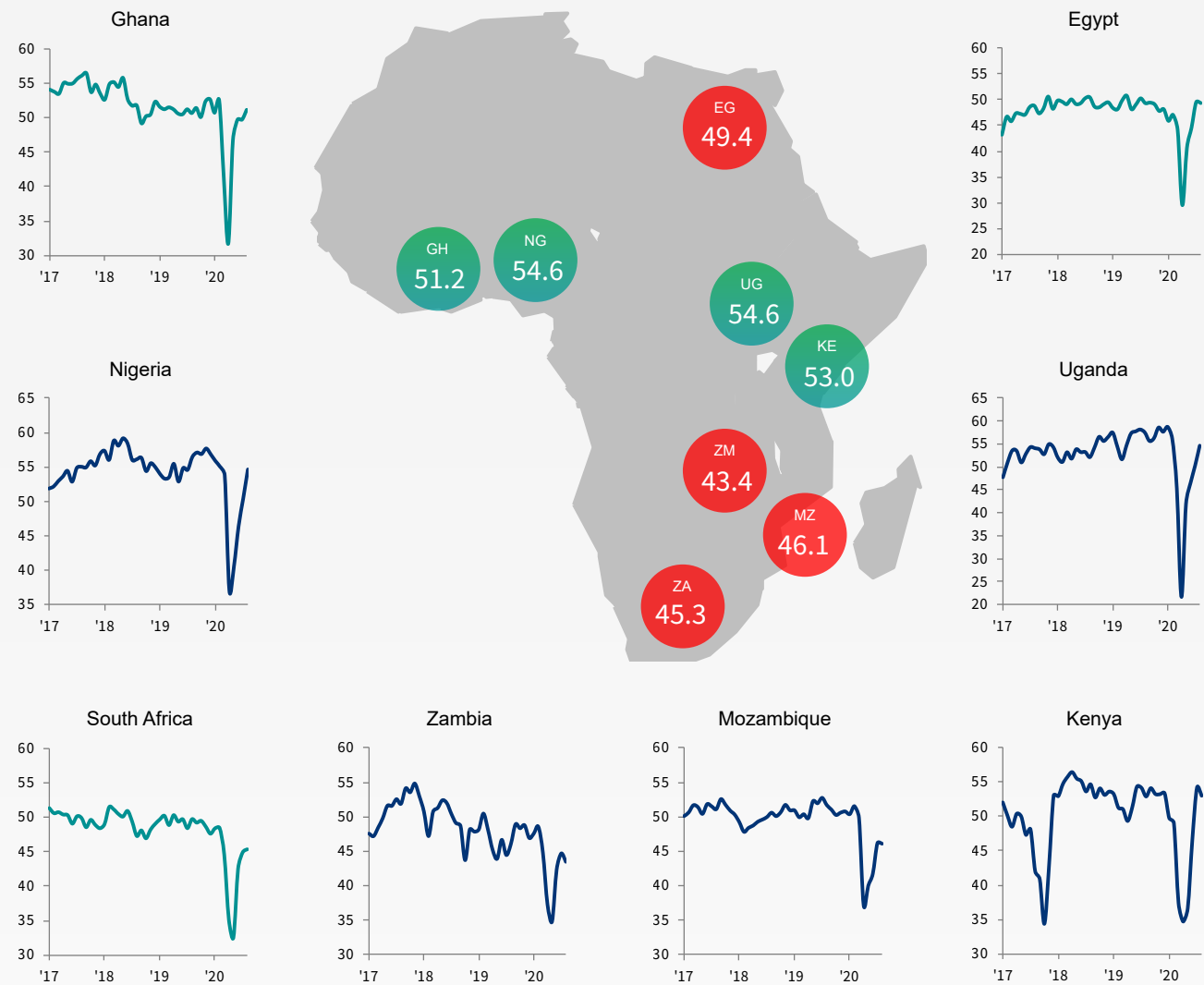
>50 = growth expected over next 12 months



Africa PMI

PMI, Aug '20

sa, >50 = improvement since previous month

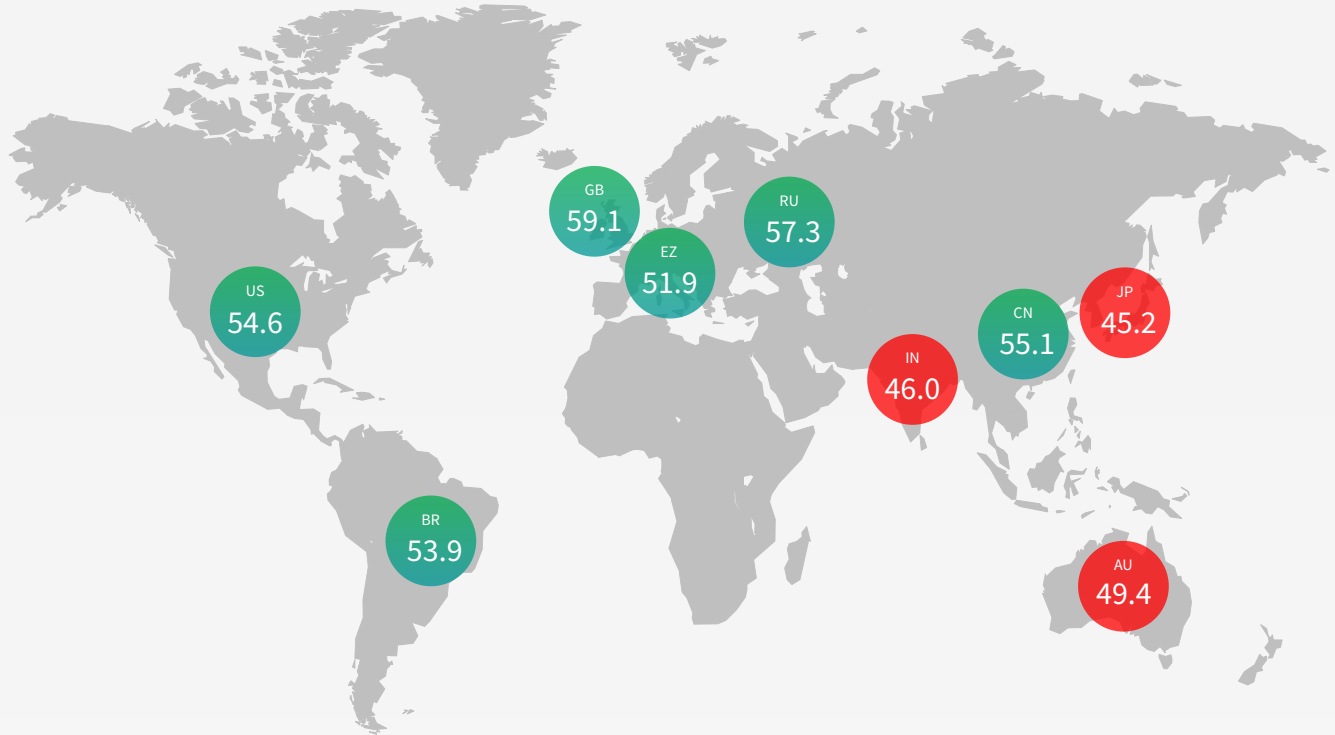


International PMI

Composite Output Index, Aug '20

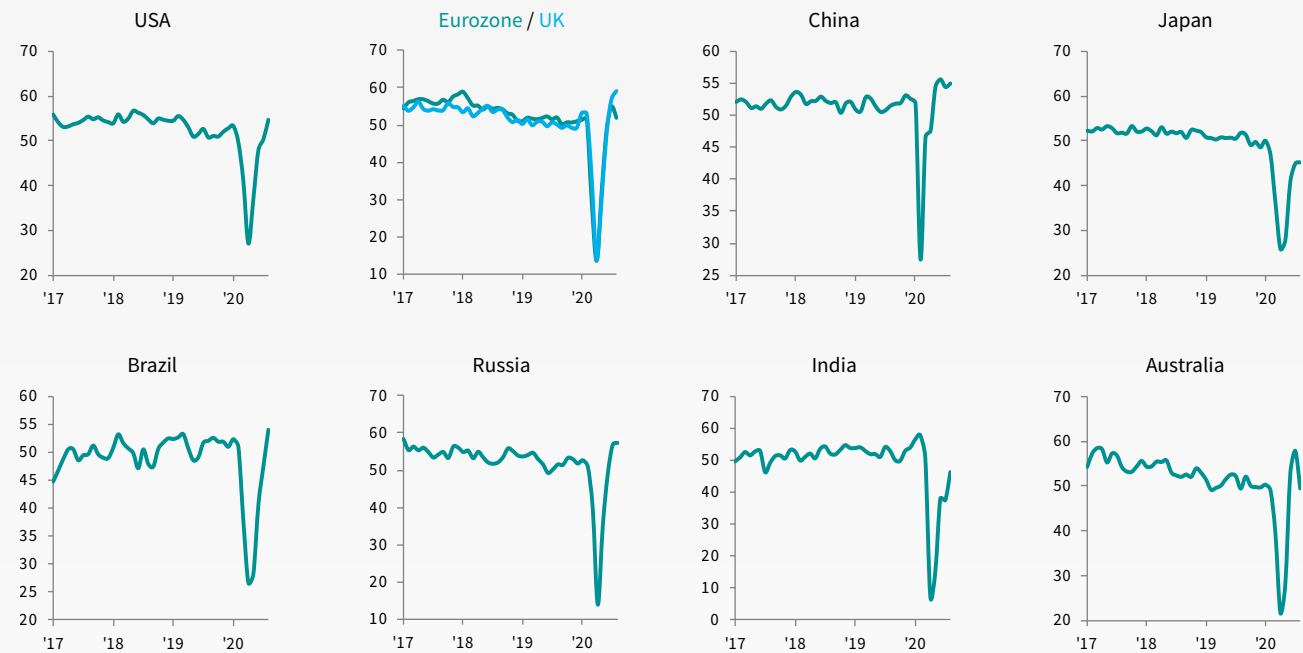
sa, >50 = growth since previous month

The Composite Output Index is a GDP-weighted average of the Manufacturing Output Index and the Services Business Activity Index.



Composite Output Index

sa, >50 = growth since previous month



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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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

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