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## Stanbic Bank Uganda PMI™

### Third successive rise in new orders

#### Key findings

Output and new orders expand

Renewed increase in staffing levels

Input costs continue to rise

Business conditions in the Ugandan private sector were unchanged at the start of the fourth quarter of the year, following two months of improvement. On a positive note, output, new orders and employment all expanded, the latter for the first time in five months. Less positive were reductions in purchasing activity and inventories.

Meanwhile, input costs continued to rise, with firms increasing their own selling prices in response.

The headline figure derived from the survey is the Purchasing Managers' Index™ (PMI™). 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 posted in line with the 50.0 no-change mark in October, signalling stable business conditions over the month. The reading was down from 51.6 in September and below the average since the survey began in June 2016.

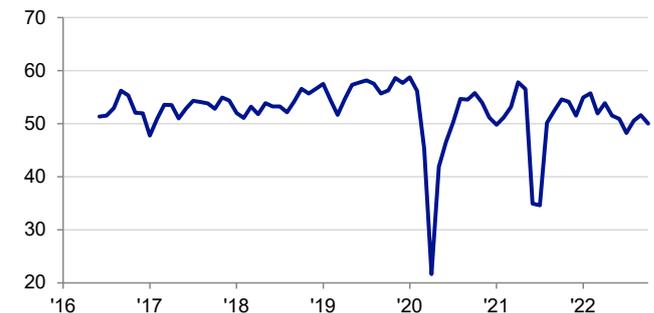
New orders increased for the third month running in October. A number of firms reported having been able to price competitively, helping to boost new business in an environment where money was sometimes in short supply.

The improvement in demand led companies to expand their business activity. In line with the picture for new orders, the rise in output was the third in as many months. Sector data signalled that the overall increase in activity was centred on service providers, with output down in agriculture, construction, industry and wholesale & retail.

Higher new orders were also a factor behind a renewed expansion in employment, the first in five months. There were still some reports, however, of firms remaining cautious with regards to hiring. Spare capacity remained

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sa, >50 = improvement since previous month



Sources: Stanbic Bank, S&P Global.

Data were collected 12-28 October 2022.

#### Comment

Mulalo Madula, Economist at Standard Bank commented:

*“Business activity remained stable in October, with the current wave of expansion extending to three months of increased output, new orders and a renewed increase in employment. But then, despite an increase in new orders, reluctance to hold inventories underpinned the recent decline in both purchasing activity and inventories for the second month in a row.”*

*“The economy could continue to face supply driven inflation pressures exacerbated by dry weather conditions and depreciating exchange rates which will stifle demand. Total input costs continued to rise in October, attributed to rising electricity, fuel and water prices, and staff costs. Firms that increased output charges associated this with higher input costs. Although the inflation outlook is highly uncertain, risks to the inflation outlook are to the upside.”*

evident in the private sector, with backlogs of work falling again.

Companies displayed a reluctance to hold inputs at the start of the final quarter of the year, with both purchasing activity and inventories decreasing for the second month running.

Overall input costs rose further in October, with companies reporting increases in charges for electricity, fuel and water alongside higher purchase and staff costs. The rise in purchase prices often reflected increases in cost for a range of construction-related materials and various food products.

In line with higher input costs, companies raised their own selling prices. That said, some firms reported having lowered their charges as part of efforts to attract customers.

Companies remained optimistic that output will increase over the coming year, with optimism centred on expectations of ongoing growth of new orders.

## Contact

Mulalo Madula  
 Economist  
 Stanbic Bank  
 T: +27 11 415 4552  
[mulalo.madula@standardbank.co.za](mailto:mulalo.madula@standardbank.co.za)

David Kamugisha  
 Head of Trading, Global Markets  
 Stanbic Bank  
 T: +256 31 222 4969  
[kamugishad@stanbic.com](mailto:kamugishad@stanbic.com)

Andrew Harker  
 Economics Director  
 S&P Global Market Intelligence  
 T: +44 1491 461 016  
[andrew.harker@spglobal.com](mailto:andrew.harker@spglobal.com)

Sabrina Mayeen  
 Corporate Communications  
 S&P Global Market Intelligence  
 T: +44 7967 447 030  
[sabrina.mayeen@spglobal.com](mailto:sabrina.mayeen@spglobal.com)

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### Survey methodology

The Stanbic Bank Uganda PMI™ is compiled by S&P Global 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. Data were first collected June 2016.

Survey responses are collected in the second half of each month and indicate the direction of change compared to the previous month.

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 series is inverted so that it moves in a comparable direction to the other series.

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.

For further information on the PMI survey methodology, please contact [economics@ihsmarkit.com](mailto: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](http://ihsmarkit.com/products/pmi.html)

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