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Stanbic Bank Uganda PMI™

Employment falls amid difficulties paying staff

Key findings

Employment down for fourth month running

Further falls in output and new orders

Overall input prices rise for first time in three months

Data were collected 12-29 June 2020

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.

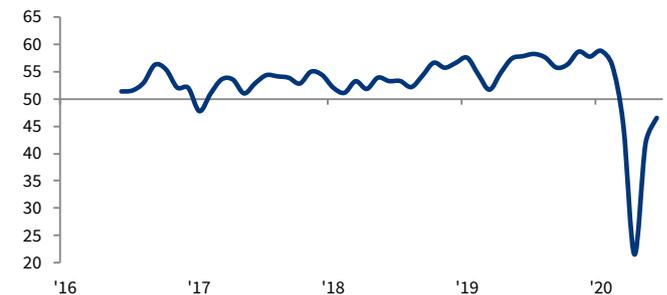
The Ugandan private sector moved towards stabilisation during June amid some loosening of restrictions around the coronavirus disease 2019 (COVID-19) pandemic. That said, business conditions continued to deteriorate during the month.

The headline PMI posted 46.5 in June, up from 41.9 in May but still below the 50.0 no-change mark and well short of the series average. Business conditions have now deteriorated in each of the past four months.

Both business activity and new orders decreased for the fourth month running in June as COVID-19 continued to

PMI

sa, >50 = improvement since previous month



Sources: Stanbic Bank, IHS Markit.

impact the private sector. Although some companies had been able to reopen during the month amid a loosening of lockdown restrictions, others remained closed or had only just reopened at the time when the survey was conducted. The construction and services sectors posted rises in both output and new orders, but falls were recorded elsewhere.

Companies often reported difficulties in paying staff in June due to a lack of funds. This resulted in a combination of job cuts and a reduction in salaries.

Overall input prices increased for the first time in three months as purchased costs moved higher. Respondents highlighted rises in transportation costs as well as higher prices for utilities and materials such as fertiliser and paper.

Despite a rise in overall input costs, firms continued to lower their selling prices amid a lack of demand and spending power at customers.

Restrictions on transportation and delays at the border due to the testing of drivers meant that suppliers' delivery times continued to lengthen during June.

Firms were confident that business activity will increase over the coming year amid hopes of a gradual return to normality in the economy.

Comment

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

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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.

June data were collected 12-29 June 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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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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