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Stanbic Bank Uganda PMI™

Second successive expansion of new orders

Key findings

Rising new orders support further output growth

Firms optimistic of further increases in coming months

Higher purchase prices recorded

Data were collected 12-30 March 2021

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.

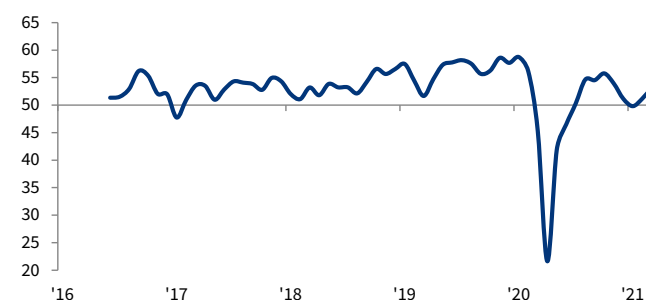
Signs of a gradual return to normal getting underway supported further growth of the Ugandan private sector at the end of the first quarter of the year.

The headline PMI posted 53.2 in March, up from 51.2 in February and signalling an improvement in business conditions for the second month running. The latest reading was the highest since last November and just above the series average (52.9).

New orders increased for the second successive month, with a number of respondents signalling a rise in customer numbers.

PMI

sa, >50 = improvement since previous month



Sources: Stanbic Bank, IHS Markit.

This expansion in new business, allied to signs of a return to a more normal economic environment and the reopening of schools, contributed to a ninth successive increase in output. All five broad sectors covered by the survey recorded growth of activity for the first time since last October.

Firms also remained optimistic regarding the 12-month outlook for output, with companies expecting further improvements in new business in coming months.

Increases in new orders led to rises in both employment and purchasing activity during March, in each case for the second month running. Although material shortages caused delays in the receipt of purchased items from suppliers, inventories increased for the third month in a row.

Higher purchase costs drove a rise in overall input prices, with increases in electricity and water charges also reported. A range of items contributed to the rise in purchase costs, including cement and various food products. In contrast to the picture for purchase prices, staff costs decreased.

The passing on of higher input costs to customers meant that output prices were increased for the third consecutive month at the end of the first quarter.

Comment

Ferishka Bharuth, Economist - Africa Regions at Stanbic Bank commented:

“The private sector’s business conditions continue to improve, signaling that the economic recovery is gaining momentum as conditions gradually return to normal. Notably, after five months, March’s PMI reading of 53.2 is supported by increases across all 5 sub-components of the index. Moreover, companies participating in this survey expect further improvements in new orders in the coming months. Already in March, an increase in new orders spurred higher employment and purchasing activity. That said, as purchasing activity picks up, the ongoing material shortages could amplify delays in local supply chains.”

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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.

March data were collected 12-30 March 2021.

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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