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Stanbic Bank Uganda PMI™

PMI down to 21.6 in April

Key findings

COVID-19 lockdown leads to falls in output and new orders

Staffing levels and purchasing scaled back

Sentiment turns negative

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.

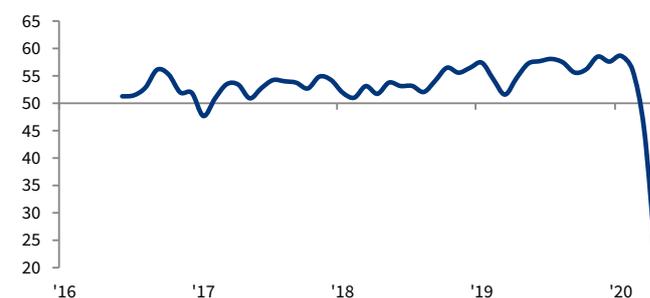
The PMI is a composite index, calculated as a weighted average of five individual sub-components: New Orders (30%), Output (25%), Employment (20%), Suppliers' Delivery Times (15%) and Stocks of Purchases (10%). Readings above 50.0 signal an improvement in business conditions on the previous month, while readings below 50.0 show a deterioration.

The lockdown brought in to try and prevent the spread of the coronavirus disease 2019 (COVID-19) in Uganda led to a deterioration in business conditions in April. Company closures, a lack of new orders and restrictions on travel were all highlighted. Moreover, business sentiment turned negative for the first time amid concerns over how long the impacts of the pandemic will last.

The headline PMI registered 21.6 in April, down from 45.3 in March and the lowest reading since the survey began in June 2016. Deteriorating business conditions have now been signalled for two consecutive months.

PMI

sa, >50 = improvement since previous month



Sources: Stanbic Bank, IHS Markit.

Company shutdowns amid the COVID-19 lockdown led to a drop in output during April, with the vast majority of respondents signalling a fall. All five broad sectors covered by the survey recorded decreases in business activity.

Falling demand was also highlighted by respondents, and new orders decreased accordingly.

With output requirements down, companies looked to scale back employment and purchasing activity, in each case for the second month running.

Restrictions on travel meant that those companies that did order inputs during April faced lengthening delivery times.

Overall input costs decreased for the first time in the survey's history, with both purchase prices and staff costs down. Ugandan companies also reduced their own selling prices for the first time on record amid a lack of demand.

Finally, companies were pessimistic regarding the outlook for business activity for the first time in April. A number of respondents expressed concerns around the lasting impacts of COVID-19 on the economy. That said, some panellists expect a return to normality once the pandemic is brought under control.

Comment

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

“Owing to the ongoing cross border travel restrictions, domestic lockdown to flatten the curve and subdued external demand, the PMI declined sharply to 21.6 in April from 45.3 in March. The biggest uncertainty facing private sector firms, is the fact that planning has become awfully difficult, especially when you don’t know how long the Covid-19 pandemic will last.”

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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.

April data were collected 07-29 April 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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