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Stanbic Bank Uganda PMI™

Growth of new orders sustained, but employment decreases

Key findings

Sixth successive rise in new business

Staffing levels down for first time in five months

Output prices lowered despite higher costs

Data were collected 04-22 December 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.

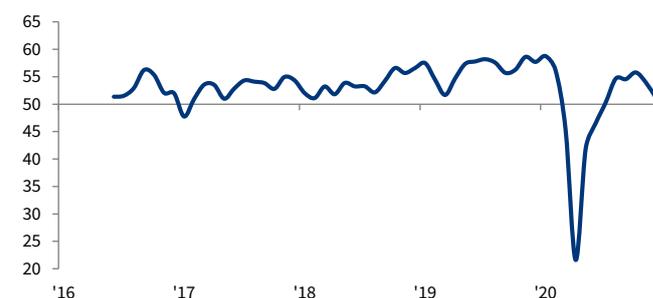
Although output and new orders continued to rise in December, there were some signs of weakness in the Ugandan private sector at the end of 2020 as both employment and purchasing activity decreased. That said, companies remained optimistic that activity will expand over the coming year.

The headline PMI fell for the second month running in December, registering at 51.2 from 53.9 in November. The reading continued to signal an improvement in business conditions, but was below its average of 53.0.

New orders increased for the sixth month running, with

PMI

sa, >50 = improvement since previous month



Sources: Stanbic Bank, IHS Markit.

growth supported by the securing of new customers. As a result, business activity also rose, despite reports from some firms that a scarcity of money had limited their output. Activity increased in the agriculture and service sectors, but decreased in construction, industry and wholesale & retail.

Employment decreased for the first time in five months, with firms often linking this to voluntary resignations. Companies also scaled back their purchasing activity as they deemed current inventory levels to be sufficient to deal with workloads. The use of inventories to support output growth also led stocks of purchases to decrease.

Suppliers' delivery times lengthened amid material shortages and delays when importing goods. Meanwhile, purchase costs rose, with higher prices for electricity, transportation and water also feeding through to higher overall input costs. In contrast, wages and salaries were lowered for the first time in four months.

Despite higher overall cost burdens, companies in Uganda reduced their selling prices for the first time since June amid efforts to attract customers.

Expectations of a pick-up in business in 2021, particularly after the upcoming elections have concluded, supported optimism in the outlook for output.

Comment

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

“While the PMI still indicates expansion, with companies largely positive that economic activity is likely to expand over the coming year, underlying weaknesses remain. Output and new orders continued to rise in December, with employment and purchasing activity decreasing. Notably, new orders increased for the sixth consecutive month, with many firms attracting new customers. Notwithstanding higher cost burdens, for the first time since June, companies reduced their selling prices to attract new customers. Moreover, many firms linked the decrease in employment in December to voluntary resignations.”

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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.

December data were collected 04-22 December 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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