News Release

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Stanbic Bank Uganda PMI™

COVID-19 lockdown causes decline in business conditions

Key findings

Output down amid lower new orders

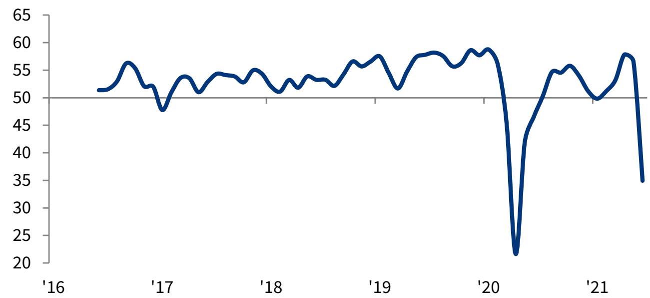
Lack of work leads to drop in employment

Charges lowered to stimulate demand

Data were collected 11-29 June 2021

PMI

sa, >50 = improvement since previous month



Sources: Stanbic Bank, IHS Markit.

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 imposition of a 42-day lockdown in Uganda to try and slow the spread of the COVID-19 pandemic impacted negatively on business conditions in June. Falls were seen in output, new orders and employment, while companies lowered their selling prices to try and attract business.

The headline PMI dropped to 34.9 in June from 56.5 in May. The reading signalled a deterioration in business conditions for the first time in five months, and was below the series average of 52.8.

The COVID-19 lockdown impacted a range of indicators across the private sector. Falling customer numbers meant a lack of new orders, while business activity also declined.

Reductions in output and new orders were seen across each of the five sectors covered by the survey.

With workloads down amid the lockdown, companies scaled back their employment and purchasing activity, in both cases for the first time in five months. The reduction in employment meant that staff costs also fell.

Restrictions on travel meanwhile resulted in longer suppliers' delivery times. Lower input buying and delays in the delivery of materials fed through to a reduction in inventories.

Companies lowered their selling prices as part of efforts to attract customers. This was despite a further increase in purchase costs, which largely reflected higher raw material prices amid product shortages. Construction and industry each saw purchase costs increase, while falls were recorded in the agriculture, services and wholesale & retail sectors.

There were hopes that business activity will rebound once the lockdown measures are lifted, supporting optimism in the 12-month outlook for output. That said, some firms were cautious amid worries that the impact of the COVID-19 pandemic will be extended.

Comment

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

"Private sector business conditions deteriorated sharply in June, as the government implemented stricter lockdown restrictions, with the headline PMI slipping to 34.9 from 56.5 in May. The lockdown underpinned declines in the new orders, output, and employment sub-components of PMI. Despite an increase in purchase costs, which largely captured higher raw material prices due to global shortages, companies lowered their selling prices to attract customers. However, the impact of the lockdown on the headline PMI is likely to be transitory, and fade as lockdown measures are eased. That said, there is the risk that some lockdown restrictions may be extended, which could delay the rebound in economic activity amidst the recent spike in Covid-19 cases."

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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 11-29 June 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.

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.