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Stanbic Bank Uganda PMI™

Rising customer numbers support further output expansion

Key findings

Output and new orders continue to grow

Extra staff hired to keep on top of workloads

Input costs and output prices rise

Data were collected 12-27 May 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.

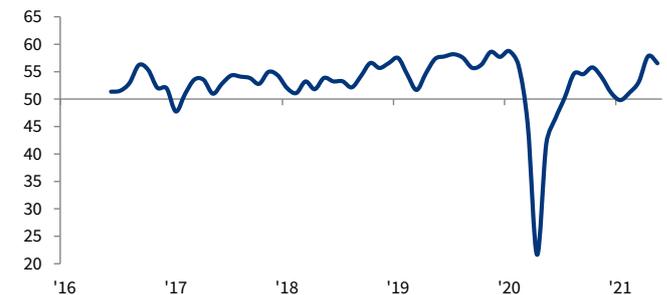
Growth was recorded again in the Ugandan private sector during May, with output, new orders and employment all rising over the course of the month. Firms remained confident that activity will expand further over the coming year.

The headline PMI posted 56.5 in May, down from April's reading of 57.8 but still above the 50.0 no-change mark. The latest reading was also higher than the average over the course of the five years of data collection so far.

A range of factors supported the latest rise in business activity, which was the eleventh in as many months.

PMI

sa, >50 = improvement since previous month



Sources: Stanbic Bank, IHS Markit.

Panellists reported increases in sales amid higher client numbers, advertising work and good customer care.

New orders also expanded, with growth recorded across all five monitored sectors.

Despite ongoing increases in new orders, companies were able to keep on top of workloads and deplete backlogs. Efforts to ensure the timely completion of projects were helped by a fourth successive rise in staffing levels.

Firms also responded to improving client demand by expanding their purchasing activity and stocks of inputs. Meanwhile, supplier lead times shortened for the second month in a row as vendors speeded up deliveries to try and secure more work.

Input costs increased, with items such as cement, fuel, maize and metals reportedly up in price. Higher electricity and water charges were also recorded, alongside rising staff costs. In turn, companies raised their own selling prices, with improving customer demand enabling firms to increase their charges.

May saw continued optimism in the 12-month outlook for output as 88% of respondents predicted an expansion. Confidence was generally centred on expectations of further rises in new orders.

Comment

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

“Though Uganda’s headline PMI is marginally lower at 56.5 in May from 57.8 in April, business conditions for the private sector continue to expand, with the PMI remaining above 50 since February. Many firms mentioned that customer numbers have increased. Notably, as demand conditions improved, firms were able to raise their selling prices passing through higher input costs to their customers. Confidence within the private sector is predicated on further increases in new orders. The risk of the government imposing more stringent public healthcare restrictions remains considering that there have been new Covid-19 variants detected in the country and the pace of the vaccination roll-out.”

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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.

May data were collected 12-27 May 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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