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# Stanbic Bank Uganda PMI™

## Business activity continues to fall in May

### Key findings

COVID-19 pandemic leads to further drop in output

Employment reduced

Companies optimistic regarding year-ahead outlook

Data were collected 12-28 May 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.

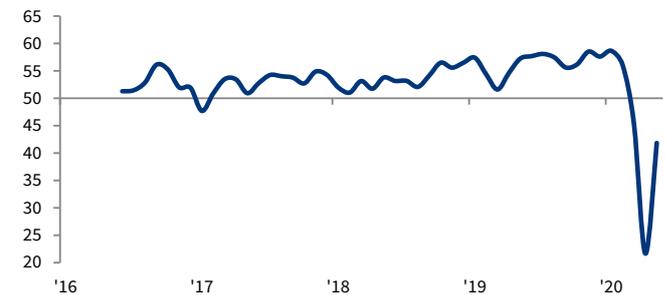
The PMI is a composite index, calculated as a weighted average of five individual sub-components: New Orders (30%), Output (25%), Employment (20%), Suppliers' Delivery Times (15%) and Stocks of Purchases (10%). Readings above 50.0 signal an improvement in business conditions on the previous month, while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

The downturn in the Ugandan private sector as a result of the coronavirus disease 2019 (COVID-19) continued in May, with further reductions in output, new orders and employment registered. That said, business sentiment returned to positive territory amid hopes of an improvement in activity once the pandemic subsides.

The headline PMI rose to 41.9 in May from the reading of 21.6 in April. Although higher than in the previous month, the figure still represented a deterioration in business conditions across the private sector. The reading was also below the average since the survey began four

### PMI

sa, >50 = improvement since previous month



Sources: Stanbic Bank, IHS Markit.

years ago.

Business activity decreased for the third month running, with panellists linking the latest fall to COVID-19 and associated lockdown measures. That said, there were some reports of conditions starting to return to normal. A lack of customers and temporary company closures contributed to a further decline in new orders.

Staffing levels were scaled back in line with lower workloads and efforts to reduce costs. Data showed that these attempts were generally successful as both staff costs and purchase prices decreased in May. This was despite some panellists reporting that a scarcity of materials had led to price rises for certain items.

Companies lowered their own selling prices for the second month running as part of attempts to attract new business.

Firms signalled a reluctance to purchase additional materials and suggested that current inventory levels were sufficient for output requirements. As a result, both input buying and stocks of purchases fell. Where purchases were made, companies had to wait longer to receive items amid delays caused by restrictions on transportation.

Finally, optimism was signalled regarding the 12-month outlook for activity. This followed negative sentiment in April.

## Comment

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

*“Following the sharp decline in April, the PMI rebounded to 41.9 in May. Crucially, underlying domestic demand still remains weak. However, business sentiment has been boosted, by the gradual easing of lockdown restrictions. That being said, disruptions to supply chains and regional cross border transport complications, will still remain challenges for private sector firms over the coming months.”*

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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 12-28 May 2020.

For further information on the PMI survey methodology, please contact [economics@ihsmarkit.com](mailto: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](https://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](http://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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