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Stanbic Bank Uganda PMI™

Activity rises for second month running

Key findings

Recovery from COVID-19 downturn continues

Second successive rise in new orders

Employment increases for first time in six months

Data were collected 12-27 August 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.

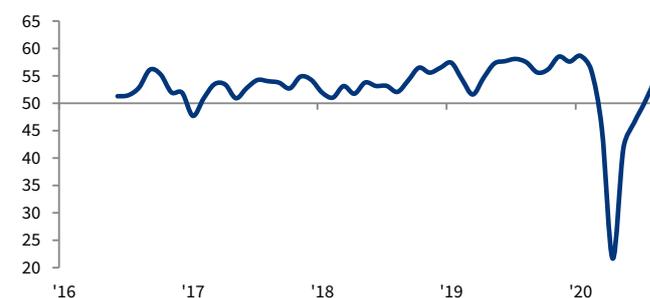
The recovery in the Ugandan private sector from the coronavirus disease 2019 (COVID-19) downturn continued in August as business conditions improved for the second month running.

The headline PMI posted 54.6, up from 50.3 in July and the highest since prior to the COVID-19 outbreak. The latest reading was also above the series average.

Looser restrictions related to the pandemic were largely responsible for the improvement in the health of the private sector as they helped to support expansions in both activity and new business. In both cases, growth

PMI

sa, >50 = improvement since previous month



Sources: Stanbic Bank, IHS Markit.

was recorded across all five monitored sectors.

Rising new orders encouraged companies to expand their staffing levels and purchasing activity midway through the third quarter, in both cases for the first time in six months. The increase in employment was recorded in spite of some firms indicating that the COVID-19 downturn had left residual spare capacity at their units, thereby reducing the need for additional staff.

Growth of purchasing activity helped to support a second successive increase in inventories. Suppliers' delivery times lengthened, however, following an improvement in vendor performance in July. Issues with transportation were often mentioned.

Higher transport costs contributed to an increase in overall input prices, with higher costs for electricity, water and purchases also signalled. On the other hand, staff costs continued to fall.

Selling prices rose for the second successive month amid the passing on of higher input costs to clients.

Companies remained optimistic that output will rise over the coming year, with expectations of a gradual return to normal business conditions supporting confidence.

Comment

Jibran Qureishi, Head of Africa Research at Stanbic Bank commented:

“Business confidence is gradually returning to the market, amidst looser lockdown restrictions nationally. However, input costs for firms continue to remain elevated, primarily due to rising transport prices. But then again, we suspect that these prices pressures could prove to be temporary, especially as the exchange remains stable and economic activity, despite recovering since June, still remains moderate.”

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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.

August data were collected 12-27 August 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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