News Release

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Stanbic Bank Uganda PMI™

New orders rise for first time in five months

Key findings

Output and new business return to growth

Staffing levels scaled back again

First increase in output prices since March

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 start of the third quarter of 2020 saw the Ugandan private sector return to growth following a downturn caused by the coronavirus disease 2019 (COVID-19) pandemic. Output and new orders both increased, but employment continued to fall.

The headline PMI rose to 50.3 in July, up from 46.5 in June. This was the first above-50.0 reading since February. That said, the index was still below its average of 52.9. The easing of COVID-19 lockdown measures and reopening of public transport contributed to an increase in new orders during July, the first since February. Output also returned to growth during the month, again helped by looser restrictions. The overall increase in activity was centred on the services and wholesale & retail sectors, with agriculture, construction and industry posting declines.

Although new orders increased in July, the recent period of decline meant that spare capacity remained present in the private sector. As a result, firms were able to deplete backlogs of work again and continued to scale back staffing levels and purchasing activity.

Lower demand for inputs helped suppliers to speed up delivery times during the month. The improvement in vendor performance was the first since February.

A second consecutive rise in overall input costs was recorded, with higher prices for purchases, transportation and utilities signalled. The overall increase was registered in spite of a reduction in staff costs, as financial pressures led companies to lower employment levels and cut wages.

Selling prices increased for the first time in four months as companies passed on higher cost burdens to their customers.

Business sentiment remained positive, with hopes that the COVID-19 outbreak will subside and business conditions return to normal supporting confidence.
Jibran Qureishi, Head of Africa Research at Stanbic Bank commented:

“This is the first reading above the 50 mark since February and it doesn’t come as a surprise given that domestic containment measures have been eased while external demand has also modestly picked up. The outlook still remains uncertain amidst the Covid-19 pandemic.”

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.

July data were collected 13-30 July 2020.

For further information on the PMI survey methodology, please contact economics@ihsmarkit.

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) as 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

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