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Stanbic Bank Uganda PMI™

Ugandan private sector returns to growth as lockdown measures are eased

Key findings

Renewed increases in output and new orders

Purchasing and employment continue to fall

Input costs rise following reduction in July

Data were collected 12-27 August 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.

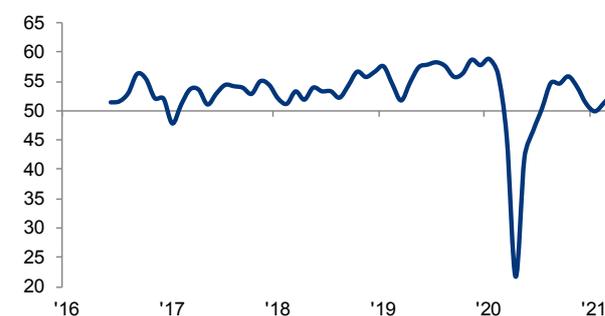
The partial lifting of the 42-day COVID-19 lockdown in Uganda supported returns to growth of both business activity and new orders in August, with companies confident of further growth over the coming year. That said, there remained a reluctance to raise staffing levels or input purchases.

The headline PMI moved back above the 50.0 no-change mark in August, posting 50.2 from 34.6 in July. That said, the reading was still below the series average.

Both business activity and new orders returned to growth in August following the loosening of some of the

PMI

sa, >50 = improvement since previous month



Sources: Stanbic Bank, IHS Markit.

COVID-19 lockdown measures. The expansions followed two successive months in which the lockdown had caused reductions in output and new business.

Construction was the only sector to remain in contraction territory, with growth recorded elsewhere.

Despite the lifting of the lockdown and renewed increases in output and new orders, companies continued to lower their staffing levels, purchasing activity and inventory holdings during the month. There was little sign of capacity coming under pressure, meanwhile, as backlogs of work fell again.

A rise in overall input prices was recorded in August, following a reduction in July. This trend matched the picture seen for purchase costs where product shortages led to higher prices for a range of materials. Meanwhile, staff costs continued to fall.

Output prices decreased for the third month running. Although some companies raised charges in line with higher input costs, others lowered selling prices as demand remained relatively soft.

The lifting of the lockdown is expected to lead to further growth in business activity over the coming year. More than 82% of respondents were optimistic in the year-ahead outlook.

Comment

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

“Headline PMI has returned to expansionary territory at 50.2 in August from 34.6 in July and 34.9 in June, as the country’s lockdown restrictions were partially eased. As lockdown restrictions are eased further, this is likely to spur growth in business activity in the coming months. Within the PMI, output and new orders have returned to growth. Notably, the employment sub-index is yet to recover. While demand is recovering post the June lockdown, it remains weak, with little indication that capacity is under pressure. It is likely that stronger demand would be consistent with the recovery of the employment sub-index.”

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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 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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