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Stanbic Bank Uganda PMI™

Business conditions decline for first time in seven months

Key findings

New orders and employment fall

Business activity continues to rise

Companies optimistic regarding 12-month outlook

Data were collected 12-28 January 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.

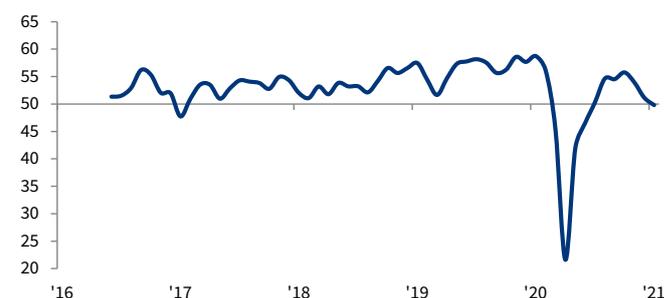
Business conditions deteriorated in the Ugandan private sector during January amid a reduction in new orders. Employment also fell, although business activity continued to rise. Despite some signs of weakness at the start of the year, firms remained confident that output will rise over the next 12 months.

The headline PMI dipped below the 50.0 no-change mark in January, posting 49.8 from 51.2 in December. This was the first deterioration in business conditions for seven months.

New orders dropped in January, thereby ending a six-

PMI

sa, >50 = improvement since previous month



Sources: Stanbic Bank, IHS Markit.

month sequence of expansion. A lack of client activity around the election period was one factor acting to reduce new business, according to respondents.

The election period also dampened activity at some monitored companies, but overall output continued to increase. Growth was recorded in the agriculture and industry categories, but falls were seen in construction, services and wholesale & retail.

With new orders down, companies scaled back their staffing levels and purchasing activity. In line with lower employment, firms also noted a drop in staff costs.

Purchase prices continued to rise, meanwhile, driving an eighth successive monthly increase in overall input costs. Efforts to pass on higher cost burdens to customers resulted in a rise in selling prices, following a fall in the previous month.

Stocks of purchases rose, increasing for the sixth time in the past seven months. The latest increase in part reflected the fall in new orders, which meant that fewer inputs were used to support output.

Confidence around new order inflows, particularly following the election period, supported optimism that business activity will increase over the coming year. Close to 84% of respondents expressed a positive outlook at the start of the year.

Comment

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

“Uganda’s PMI dipped below 50 as new orders temporarily declined in January due to the election period, which weighed down on the overall PMI. Companies also reduced their staffing component consistent with lower levels of purchasing activity, limiting employment. Moreover, as uncertainty around the election period dissipates, economic activity and business conditions should also recover. Capturing uncertain and weakening external conditions, new export orders declined for the fifth consecutive month. Nonetheless, as vaccinations are rolled out in Uganda’s key export markets, we expect new export orders to start recovering.”

Contact

Stanbic Bank

Ferishka Bharuth
Economist - Africa Regions
T: +27 11 415 4553
ferishka.bharuth@standardbank.co.za

Ronald Muyanjar
Head Trading, Global Markets
T: +256 31 222 4969
muyanjar@stanbic.com

IHS Markit

Andrew Harker
Economics Director
T: +44 1491 461 016
andrew.harker@ihsmarkit.com

Katherine Smith
Public Relations
T: +1 781 301 9311
katherine.smith@ihsmarkit.com

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.

January data were collected 12-28 January 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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