



Stanbic Bank Uganda PMI™

Growth of new orders sustained, but employment decreases

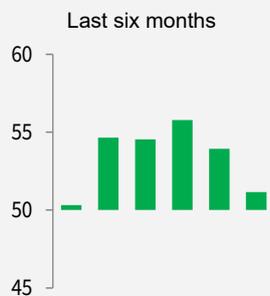
Key findings

Sixth successive rise in new business

Staffing levels down for first time in five months

Output prices lowered despite higher costs

Uganda PMI



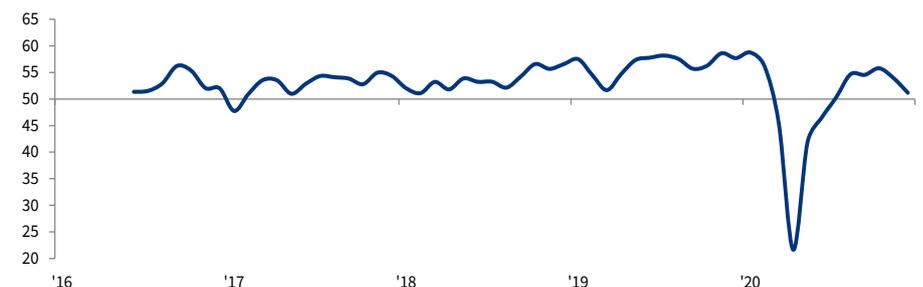
This report contains the latest analysis of data collected from the monthly survey of business conditions in the Ugandan private sector. The survey, sponsored by Stanbic Bank and produced by IHS Markit, has been conducted since June 2016 and covers the agriculture, industry, construction, wholesale & 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.

Although output and new orders continued to rise in December, there were some signs of weakness in the Ugandan private sector at the end of 2020 as both employment and purchasing activity decreased. That said, companies remained optimistic that activity will expand over the coming year.

The headline PMI fell for the second month running in December, registering at 51.2 from 53.9 in November. The reading continued to signal an improvement in business conditions, but was below its average of 53.0.

PMI
sa, >50 = improvement since previous month



New orders increased for the sixth month running, with growth supported by the securing of new customers. As a result, business activity also rose, despite reports from some firms that a scarcity of money had limited their output. Activity increased in the agriculture and service sectors, but decreased in construction, industry and wholesale & retail.

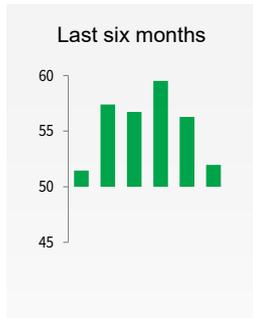
Employment decreased for the first time in five months, with firms often linking this to voluntary resignations. Companies also scaled back their purchasing activity as they deemed current inventory levels to be sufficient to deal with workloads. The use of inventories to support output growth also led stocks of purchases to decrease.

Suppliers' delivery times lengthened amid material shortages and delays when importing goods. Meanwhile, purchase costs rose, with higher prices for electricity, transportation and water also feeding through to higher overall input costs. In contrast, wages and salaries were lowered for the first time in four months.

Despite higher overall cost burdens, companies in Uganda reduced their selling prices for the first time since June amid efforts to attract customers.

Expectations of a pick-up in business in 2021, particularly after the upcoming elections have concluded, supported optimism in the outlook for output.

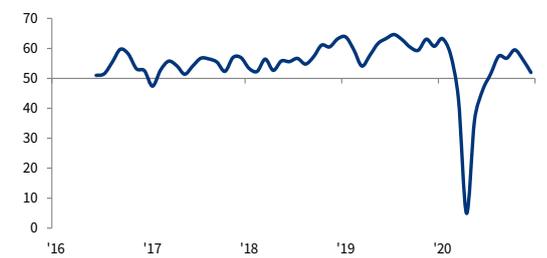
Output



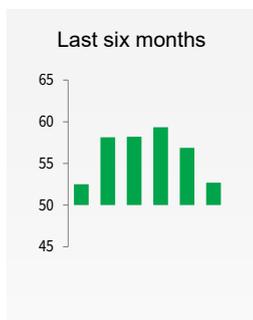
Business activity increased for the sixth successive month during December. Where growth was recorded, firms mentioned improving business conditions and higher new orders. That said, some respondents indicated that a scarcity of money had led activity at their units to fall. The agriculture and service sectors posted increases in output, while declines were seen in construction, industry and wholesale & retail.

Output

sa, >50 = growth since previous month



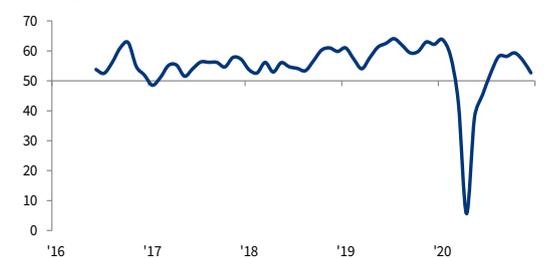
New Orders



As has been the case in each of the past six months, Ugandan companies posted a rise in new orders during December. A number of firms reported having secured orders from new customers over the course of the month. The agriculture, services and wholesale & retail categories supported growth, while reductions in new orders were seen in the construction and industry sectors.

New Orders

sa, >50 = growth since previous month



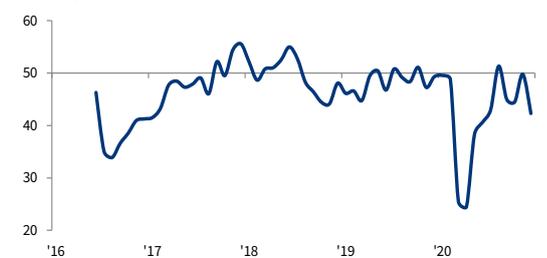
New Export Orders



The expansion in overall new business was recorded in spite of a further reduction in new export orders in the final month of 2020. New business from abroad decreased for the fourth consecutive month.

New Export Orders

sa, >50 = growth since previous month



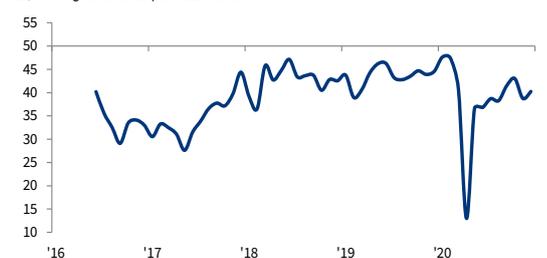
Backlogs of Work



December data pointed to a further reduction in backlogs of work. Outstanding business has fallen in each month since the survey began in June 2016. Anecdotal evidence suggested that some signs of weakening new orders meant that they were able to transfer resources to work on outstanding projects.

Backlogs of Work

sa, >50 = growth since previous month



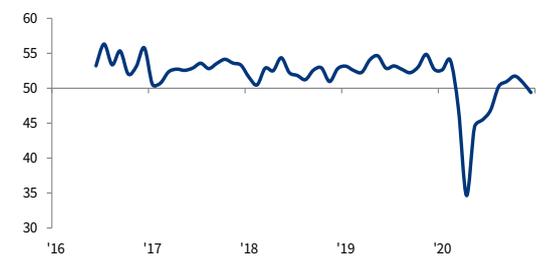
Employment



Companies in Uganda posted a reduction in staffing levels in December, thereby ending a four-month sequence of job creation. According to respondents, the drop in employment often reflected voluntary resignations. Industry was the only sector to buck the overall trend and post an increase in staffing levels.

Employment

sa, >50 = growth since previous month



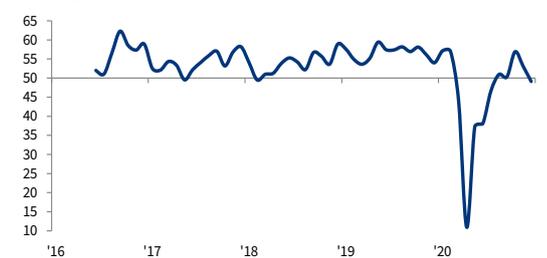
Quantity of Purchases



After having risen in each of the previous four months, purchasing activity fell during December. Although some companies increased input buying in line with higher new orders, others reported that current inventories were sufficient to deal with workloads and therefore lowered purchasing.

Quantity of Purchases

sa, >50 = growth since previous month



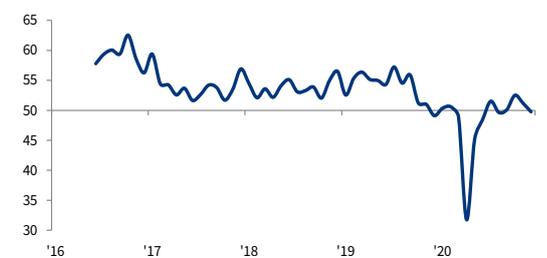
Suppliers' Delivery Times



Supply shortages contributed to a lengthening of the time taken to receive purchased items in December, with delays at the border also impacting efforts to secure items from abroad. The lengthening of delivery times was the first in four months.

Suppliers' Delivery Times

sa, >50 = faster times since previous month



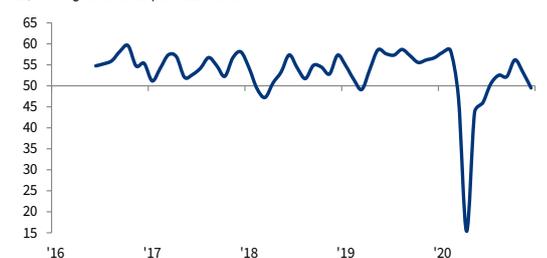
Stocks of Purchases



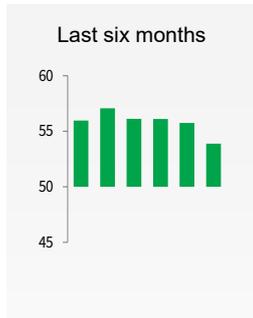
In line with the picture for purchasing activity, stocks of inputs in the Ugandan private sector decreased at the end of the year. The fall was the first recorded in six months. The agriculture, industry and wholesale & retail categories all saw inventories decline over the month.

Stocks of Purchases

sa, >50 = growth since previous month

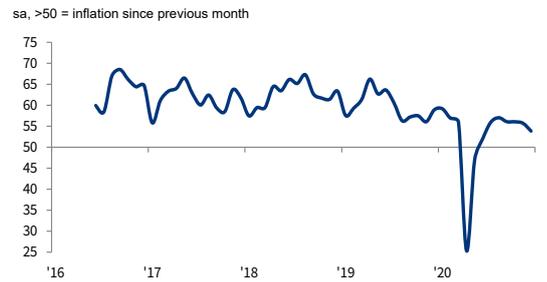


Overall Input Prices

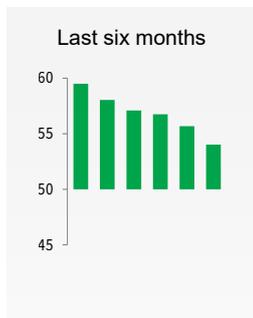


Overall input prices increased for the seventh successive month in December. Data showed that purchase prices rose, but staff costs fell. Alongside higher purchase prices, respondents also mentioned that increases in electricity, transportation and water costs had contributed to the rise in overall input prices.

Overall Input Prices

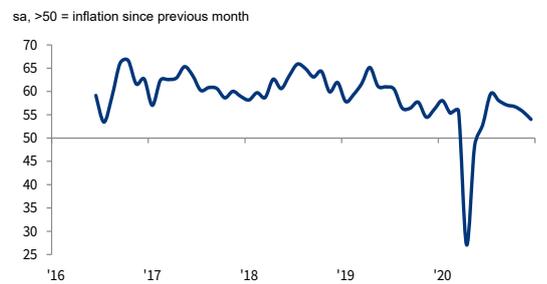


Purchase Prices



December data pointed to a further increase in purchase prices in the Ugandan private sector, extending the current sequence of inflation to seven months. Panellists noted higher prices for materials, while rising food costs were also mentioned. Construction was the only sector to buck the wider trend and see a reduction in purchase prices.

Purchase Prices

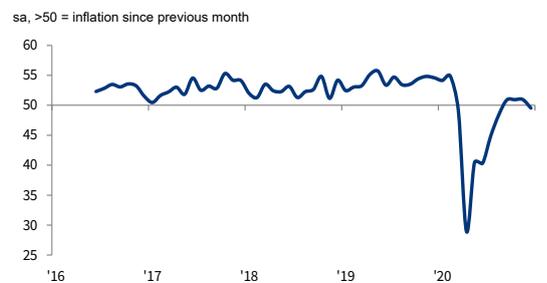


Staff Costs



Ugandan companies posted a reduction in staff costs for the first time in four months during December, in part reflecting lower workforce numbers. Wages and salaries decreased in the agriculture, services and wholesale & retail sectors, but rose in construction and industry.

Staff Costs

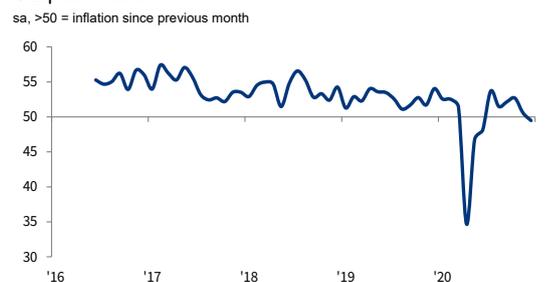


Output Prices

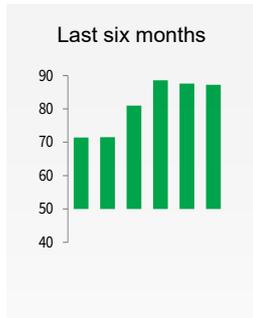


Efforts to attract customers led companies to lower their output prices in December, in spite of an increase in input costs. The reduction in charges was the first since June. Falls in selling prices were widespread across the five broad sectors covered by the survey.

Output Prices



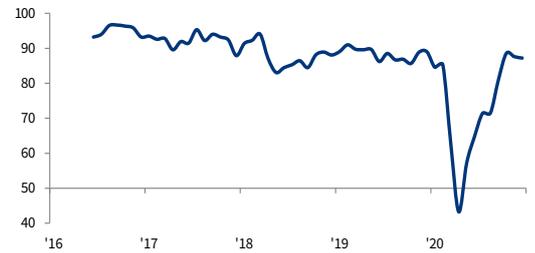
Future Output



Companies in Uganda were optimistic that output will increase over the coming year. Positive sentiment reflected expected improvements in business conditions and new orders, as well as predictions that activity would pick up following the upcoming elections. More than 81% of panellists posted an optimistic outlook at the end of 2020.

Future Output

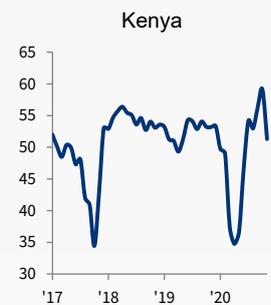
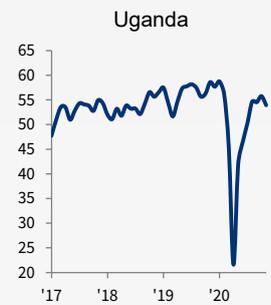
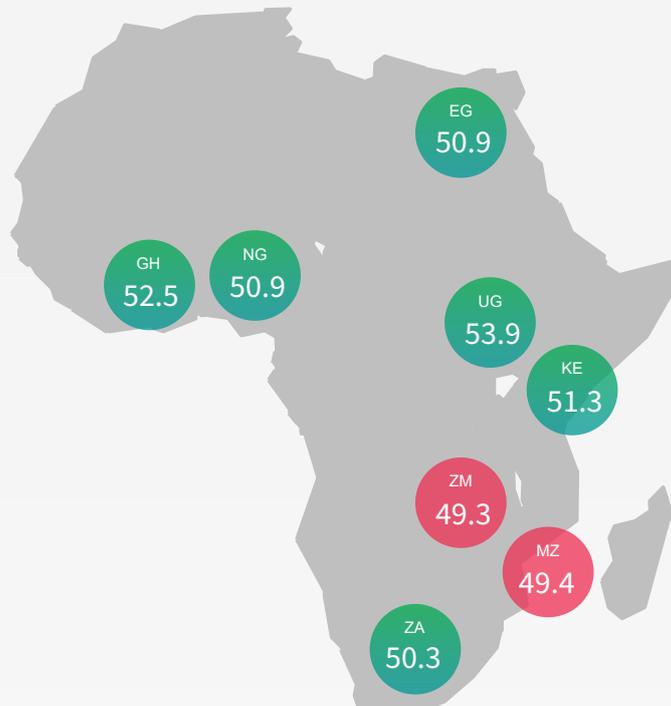
>50 = growth expected over next 12 months



Africa PMI

PMI, Nov '20

sa, >50 = improvement since previous month

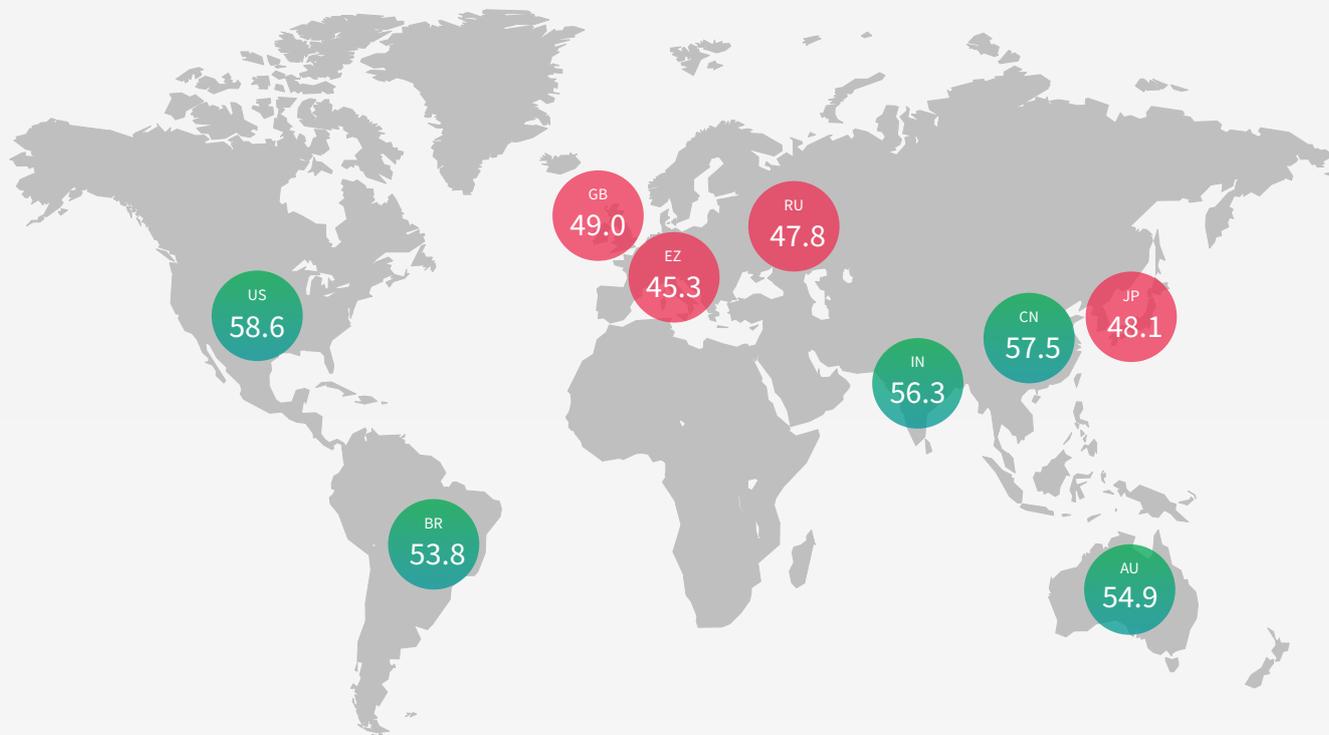


International PMI

Composite Output Index, Nov '20

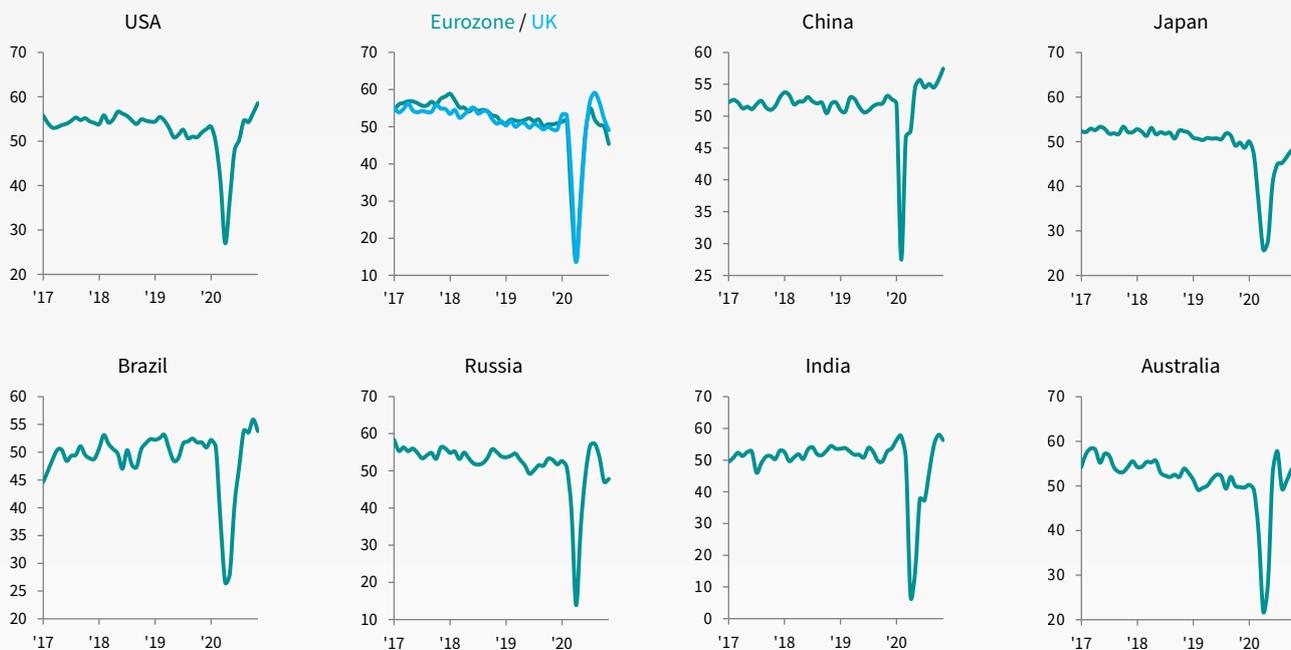
sa, >50 = growth since previous month

The Composite Output Index is a GDP-weighted average of the Manufacturing Output Index and the Services Business Activity Index.



Composite Output Index

sa, >50 = growth since previous month



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.

December data were collected 04-22 December 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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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

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