

# Stanbic Bank Uganda PMI™

## Ugandan private sector returns to growth as lockdown measures are eased

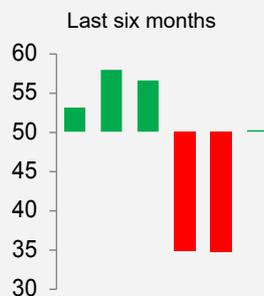
### Key findings

Renewed increases in output and new orders

Purchasing and employment continue to fall

Input costs rise following reduction in July

### 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.

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 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.

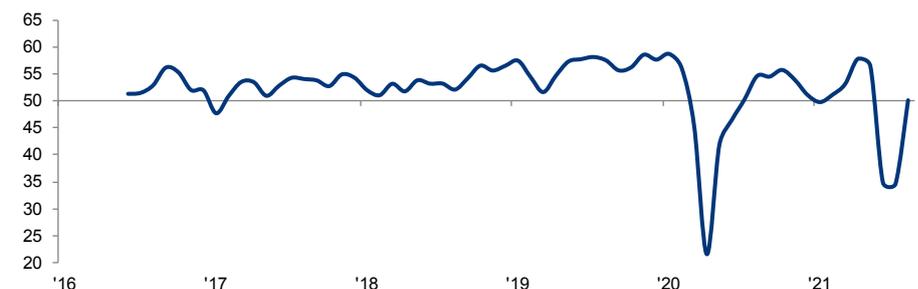
A rise in overall input prices was recorded in August, following a reduction in July. This trend matched the picture seen for purchase costs where product shortages led to higher prices for a range of materials. Meanwhile, staff costs continued to fall.

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.

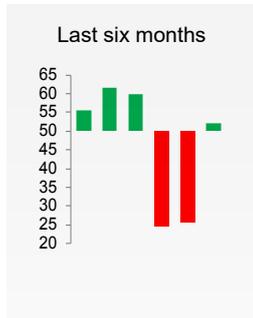
The lifting of the lockdown is expected to lead to further growth in business activity over the coming year. More than 82% of respondents were optimistic in the year-ahead outlook.

### PMI

sa, >50 = improvement since previous month



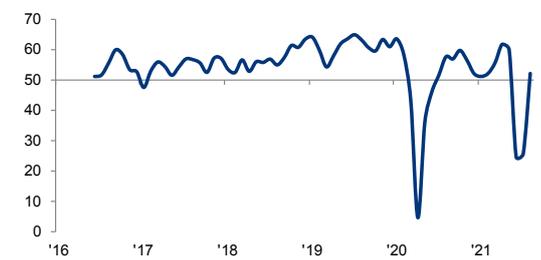
## Output



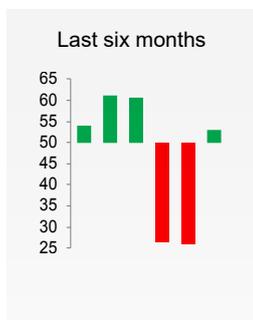
Business activity returned to growth in August amid the partial easing of the COVID-19 lockdown and higher customer numbers. The rise in output was the first in three months. Despite the partial reopening, a number of respondents indicated that demand remained weak amid a lack of funds at clients. Construction was the only sector to post a reduction in activity midway through the third quarter.

### Output

sa, >50 = growth since previous month



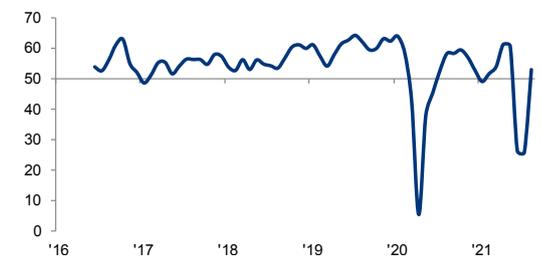
## New Orders



The partial lifting of the 42-day lockdown in Uganda resulted in a renewed expansion of new business following two months of decline. The agriculture, industry, services and wholesale & retail categories all saw new orders increase, while construction new business continued to fall.

### New Orders

sa, >50 = growth since previous month



## New Export Orders



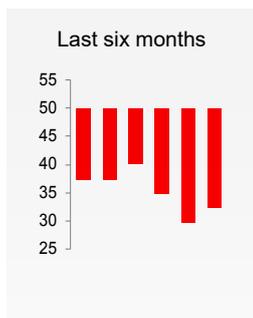
In contrast to the picture for total new business, new export orders fell further during August as the COVID-19 pandemic continued to hit demand in export markets and affect the ability of companies to deliver goods abroad. New export orders have decreased on a monthly basis throughout the past year.

### New Export Orders

sa, >50 = growth since previous month



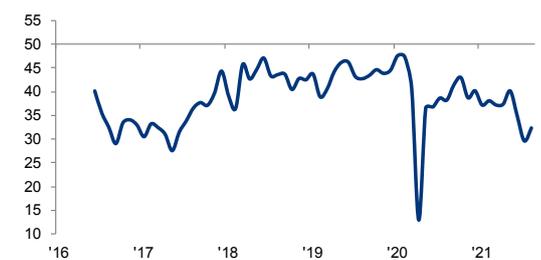
## Backlogs of Work



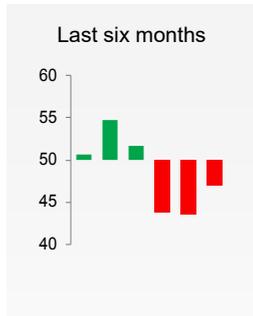
Although new orders returned to growth in August, the effects of the drop in new business during the lockdown meant that companies maintained a degree of spare capacity. As a result, backlogs of work decreased, as has been the case throughout the history of the survey which began in June 2016.

### Backlogs of Work

sa, >50 = growth since previous month



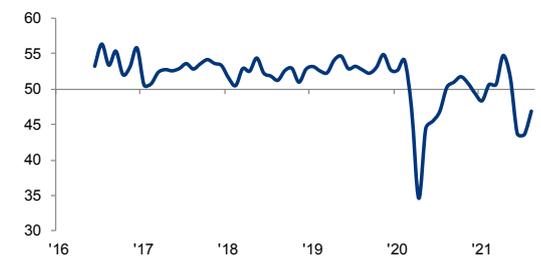
## Employment



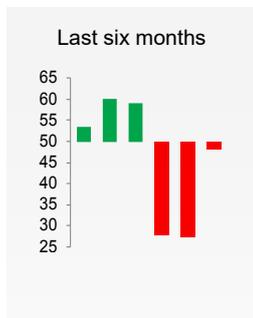
Despite the loosening of lockdown restrictions, companies continued to lower their staffing levels during August, thereby extending the current sequence of job cuts to three months. Where employment decreased, panellists indicated that demand had yet to recover sufficiently to warrant additional staff members. The agriculture sector bucked the wider trend and posted a rise in workforce numbers.

### Employment

sa, >50 = growth since previous month



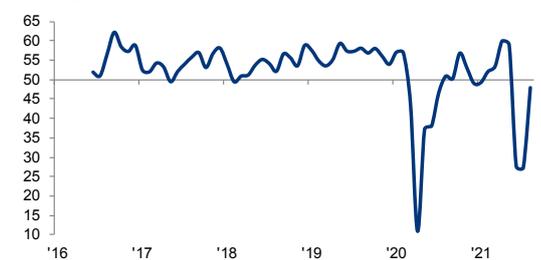
## Quantity of Purchases



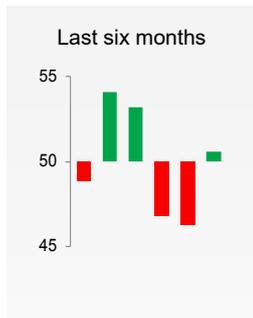
Although some companies expanded their purchasing activity midway through the third quarter in response to renewed new order growth, others remained reluctant to commit to increasing input buying. Overall, purchasing declined for the third successive month, despite an expansion recorded in industry.

### Quantity of Purchases

sa, >50 = growth since previous month



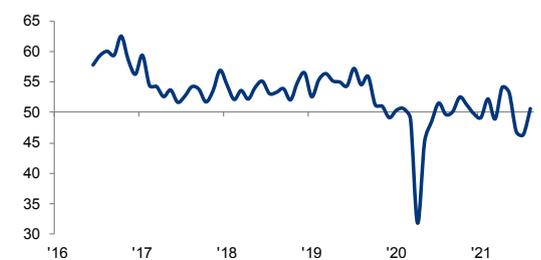
## Suppliers' Delivery Times



Suppliers' delivery times shortened in August as the lifting of movement restrictions enabled vendors to deliver products more easily. The improvement in delivery times was the first in three months. Shorter lead times were reported in the construction, industry and wholesale & retail sectors, but agriculture firms continued to report delays.

### Suppliers' Delivery Times

sa, >50 = faster times since previous month



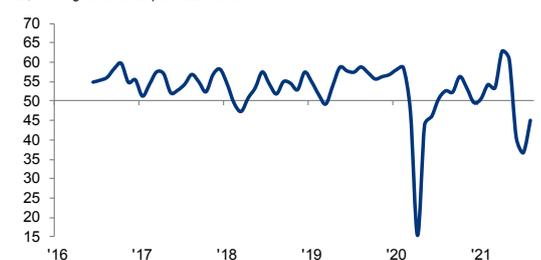
## Stocks of Purchases



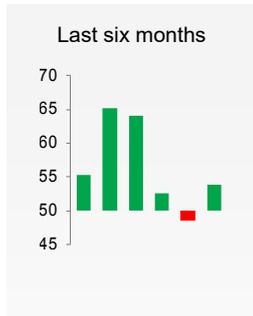
Companies in Uganda lowered their stocks of purchases for the third time in as many months during August. Anecdotal evidence suggested that the latest drop in inventories largely reflected ongoing reductions in purchasing activity. Agriculture stocks decreased, but rises were seen in industry and wholesale & retail.

### Stocks of Purchases

sa, >50 = growth since previous month



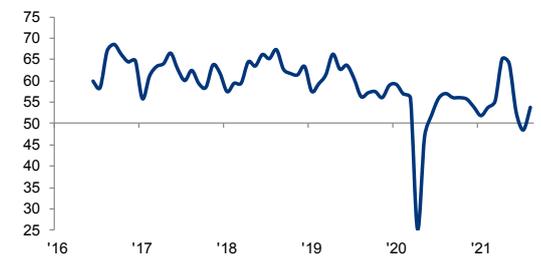
## Overall Input Prices



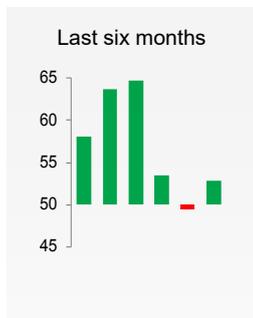
Overall input prices increased in August, after having fallen for the first time in 14 months during July. With companies restarting operations, they indicated that their utility bills had increased. Purchase prices were also up, but staff costs continued to fall.

### Overall Input Prices

sa, >50 = inflation since previous month



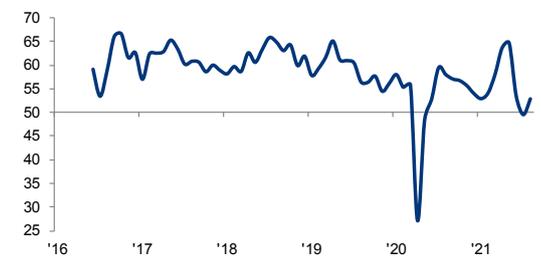
## Purchase Prices



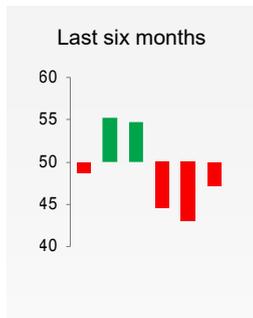
A renewed increase in purchase prices was recorded in August. Respondents cited higher costs for a range of items including cement, food, fuel, stationery and timber. Higher prices often reflected product shortages. All five monitored sectors posted rises in purchase costs.

### Purchase Prices

sa, >50 = inflation since previous month



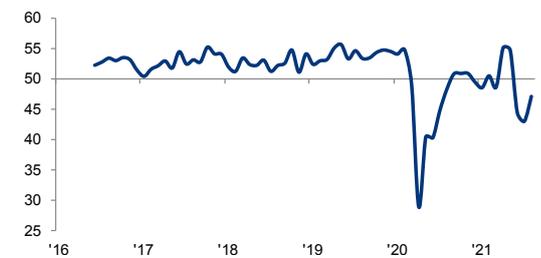
## Staff Costs



August data pointed to a third successive monthly reduction in staff costs in the Ugandan private sector. According to respondents, the reduction in wages and salaries was reflective of ongoing declines in workforce numbers. Agriculture was the only sector to post a rise in staff costs.

### Staff Costs

sa, >50 = inflation since previous month



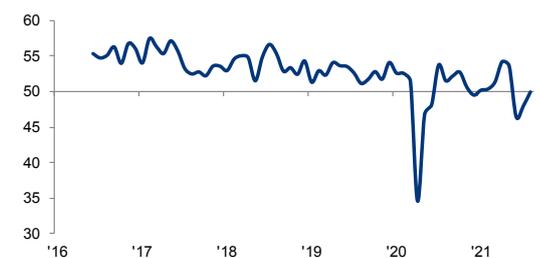
## Output Prices



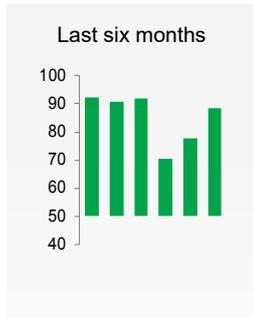
Despite a renewed increase in overall input prices during August, companies continued to lower their own selling prices. That said, broadly similar proportions of panellists raised their output prices as lowered them. Soft demand and a lack of money at customers encouraged some firms to lower charges, while others raised selling prices in response to higher input costs.

### Output Prices

sa, >50 = inflation since previous month



## Future Output



Firms were optimistic that business activity will expand over the coming year, with the partial lifting of the COVID-19 lockdown set to support growth in the months ahead. More than 82% of respondents predicted a rise in output, with optimism recorded across each of the broad sectors covered by the survey.

### Future Output

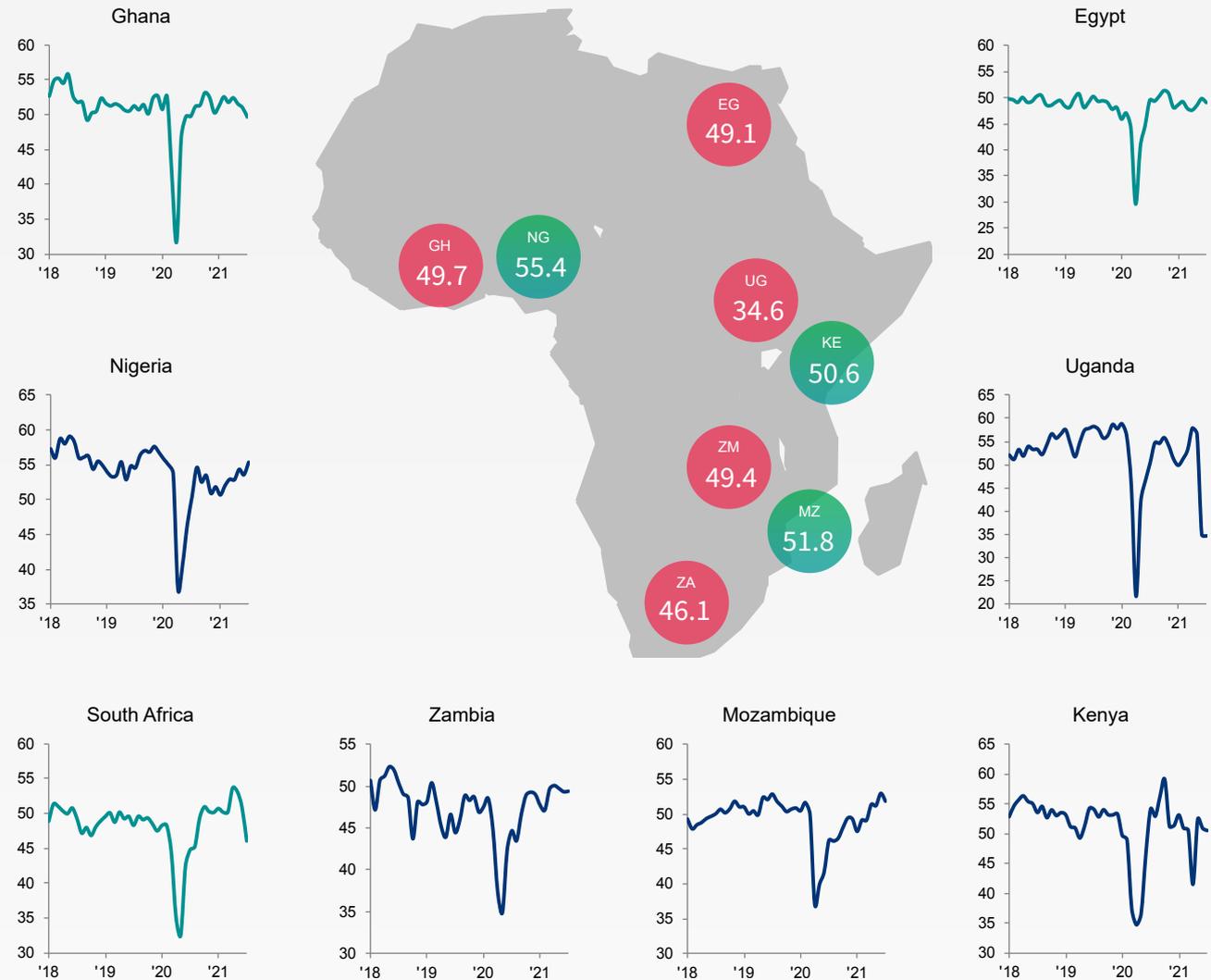
>50 = growth expected over next 12 months



## Africa PMI

### PMI, Jul '21

sa, >50 = improvement since previous month

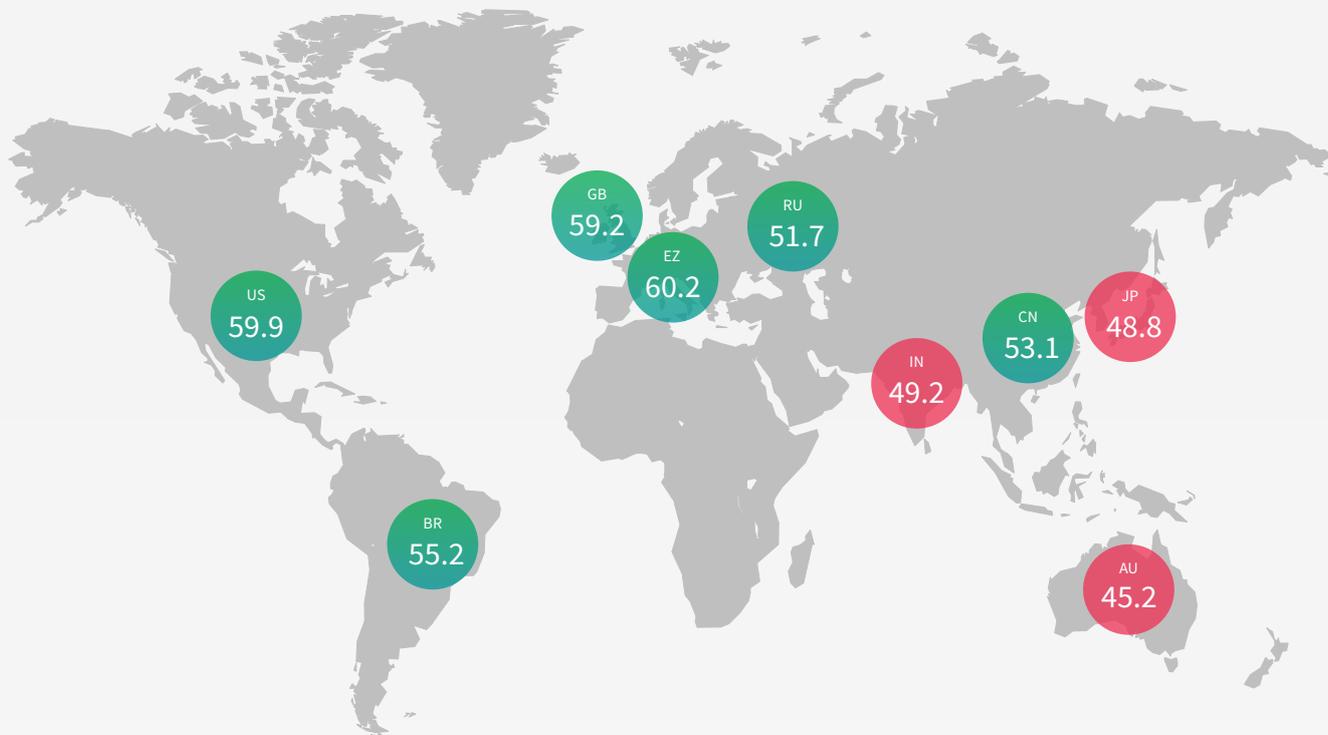


## International PMI

### Composite Output Index, Jul '21

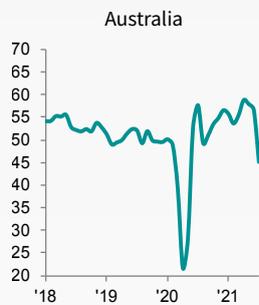
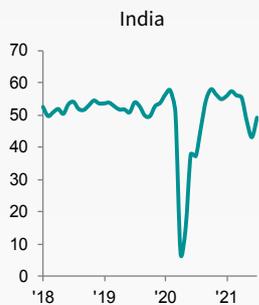
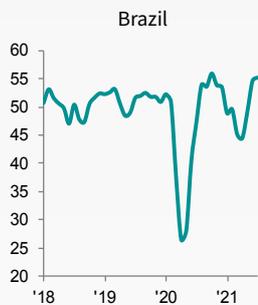
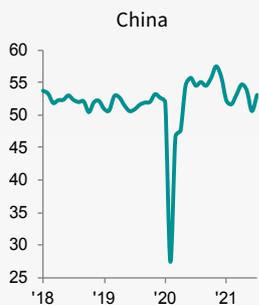
sa, >50 = growth since previous month

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.

August data were collected 12-27 August 2021.

For further information on the PMI survey methodology, please contact [economics@ihsmarkit.com](mailto: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](https://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](http://www.stanbicbank.co.ug)

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