



Stanbic Bank Uganda PMI™

COVID-19 lockdown causes decline in business conditions

Key findings

Output down amid lower new orders

Lack of work leads to drop in employment

Charges lowered to stimulate demand

Uganda PMI



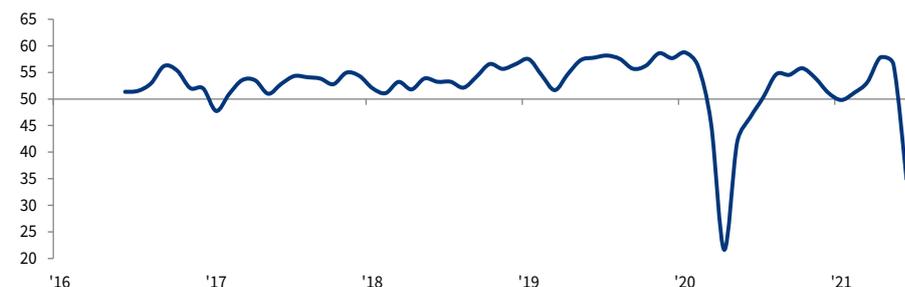
This report contains the latest analysis of data collected from the monthly survey of business conditions in the Ugandan private sector. The survey, sponsored by Stanbic Bank and produced by IHS Markit, has been conducted since June 2016 and covers the agriculture, industry, construction, wholesale & 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 imposition of a 42-day lockdown in Uganda to try and slow the spread of the COVID-19 pandemic impacted negatively on business conditions in June. Falls were seen in output, new orders and employment, while companies lowered their selling prices to try and attract business.

The headline PMI dropped to 34.9 in June from 56.5 in May. The reading signalled a deterioration in business conditions for the first time in five months, and was below the series average of 52.8.

PMI
sa, >50 = improvement since previous month



The COVID-19 lockdown impacted a range of indicators across the private sector. Falling customer numbers meant a lack of new orders, while business activity also declined.

Reductions in output and new orders were seen across each of the five sectors covered by the survey.

With workloads down amid the lockdown, companies scaled back their employment and purchasing activity, in both cases for the first time in five months. The reduction in employment meant that staff costs also fell.

Restrictions on travel meanwhile resulted in longer suppliers' delivery times. Lower input buying and delays in the delivery of materials fed through to a reduction in inventories.

Companies lowered their selling prices as part of efforts to attract customers. This was despite a further increase in purchase costs, which largely reflected higher raw material prices amid product shortages. Construction and industry each saw purchase costs increase, while falls were recorded in the agriculture, services and wholesale & retail sectors.

There were hopes that business activity will rebound once the lockdown measures are lifted, supporting optimism in the 12-month outlook for output. That said, some firms were cautious amid worries that the impact of the COVID-19 pandemic will be extended.

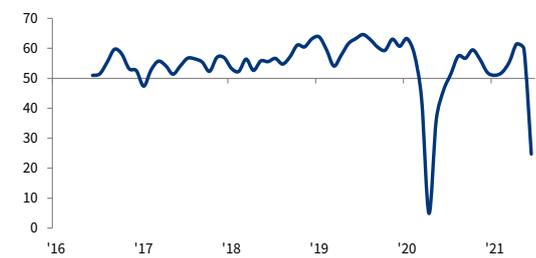
Output



The imposition of a lockdown to try and slow the spread of the COVID-19 pandemic in Uganda resulted in a fall in business activity in the private sector during June, with around two-thirds of respondents recording a decline. The reduction ended an 11-month sequence of expansion. Activity decreased across each of the five monitored sectors.

Output

sa, >50 = growth since previous month



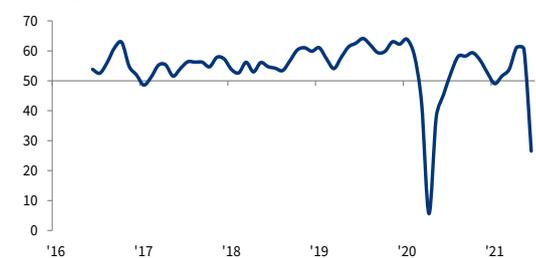
New Orders



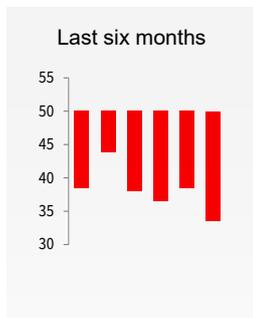
In line with the picture for output, new orders decreased in June. The fall in new business was the first in five months. Where a reduction was posted, panellists principally linked this to the lockdown restrictions, which resulted in lower customer numbers. Falls were recorded across all five broad sectors covered.

New Orders

sa, >50 = growth since previous month



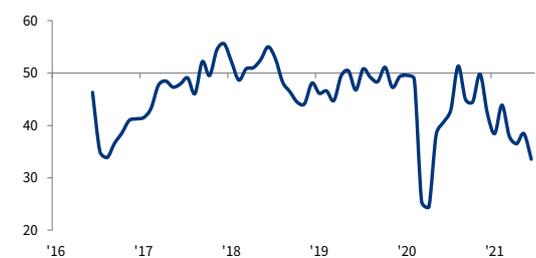
New Export Orders



The current wave of the COVID-19 pandemic in Uganda also impacted export trade at the end of the second quarter of the year. New business from abroad decreased for the tenth successive month.

New Export Orders

sa, >50 = growth since previous month



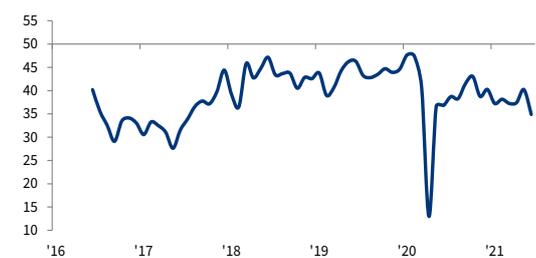
Backlogs of Work



As has been the case in each month since the survey began in June 2016, backlogs of work decreased in the latest survey period. Anecdotal evidence suggested that a drop in new work meant that firms were able to keep on top of workloads.

Backlogs of Work

sa, >50 = growth since previous month



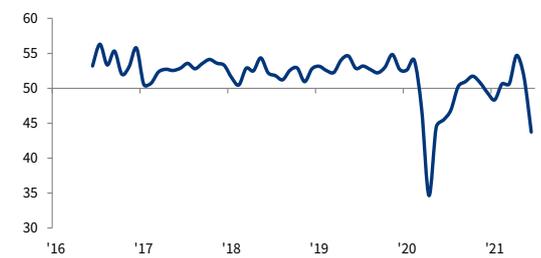
Employment



With the country in lockdown and workloads down, firms lowered their staffing levels during June, often on a temporary basis. Employment decreased for the first time in five months. As was the case with output and new orders, job reductions were seen in the agriculture, construction, industry, services and wholesale & retail sectors.

Employment

sa, >50 = growth since previous month



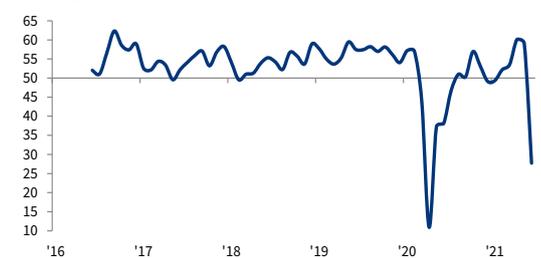
Quantity of Purchases



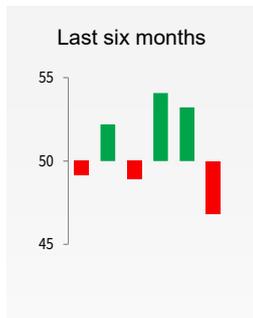
Companies in Uganda lowered their purchasing activity during June, thereby ending a four-month sequence of expansion. Panellists reported decreasing their input buying due to the imposition of the lockdown and subsequent lack of work.

Quantity of Purchases

sa, >50 = growth since previous month



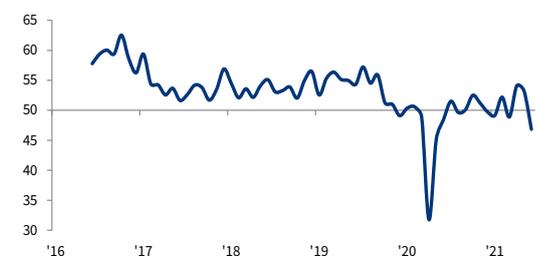
Suppliers' Delivery Times



Suppliers' delivery times lengthened for the first time in three months midway through the year. Restrictions on travel during the COVID-19 lockdown were responsible for delivery delays. Longer lead times were widespread across the private sector.

Suppliers' Delivery Times

sa, >50 = faster times since previous month



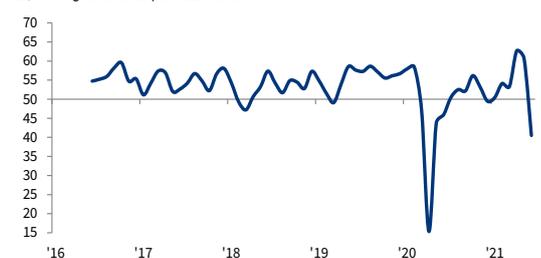
Stocks of Purchases



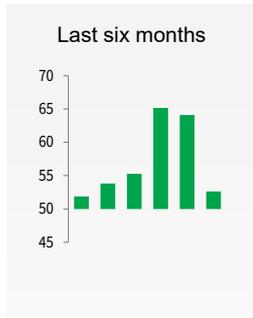
With purchasing activity down and delays in the delivery of items, companies registered a reduction in stocks of purchases during June. The fall in inventories was the first in six months, with each of the agriculture, industry and wholesale & retail sectors posting reductions.

Stocks of Purchases

sa, >50 = growth since previous month

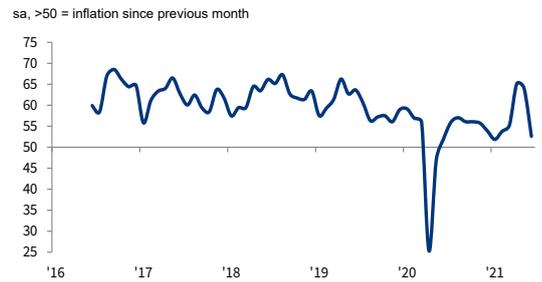


Overall Input Prices

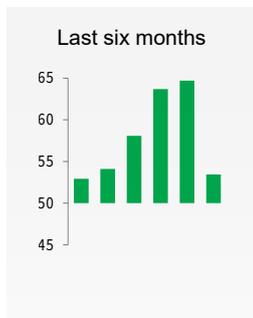


As has been the case in each of the past 13 months, Ugandan companies recorded a rise in overall input prices during June. Higher fuel costs were widely mentioned by those panellists seeing input prices rise. On the other hand, some respondents indicated that lower demand for inputs had led to reduced costs.

Overall Input Prices

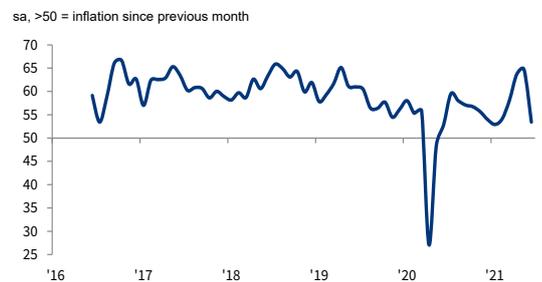


Purchase Prices



Purchase costs continued to increase during June, thereby extending the current sequence of inflation to 13 months. Panellists often reported higher prices for raw materials due to shortages. The construction and industry sectors saw purchase costs increase, but falls were seen in agriculture, services and wholesale & retail.

Purchase Prices

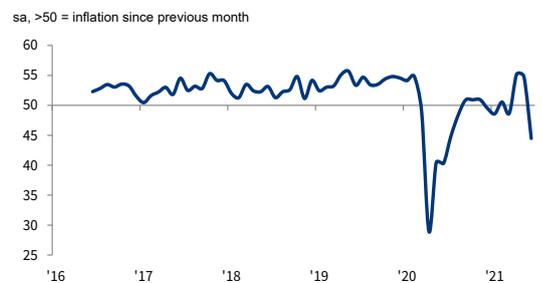


Staff Costs



The reduction in workforce numbers during the COVID-19 lockdown resulted in a drop in staff costs in June. The fall in wages was the first in three months. Lower staff costs were signalled across each of the five broad sectors covered by the survey.

Staff Costs

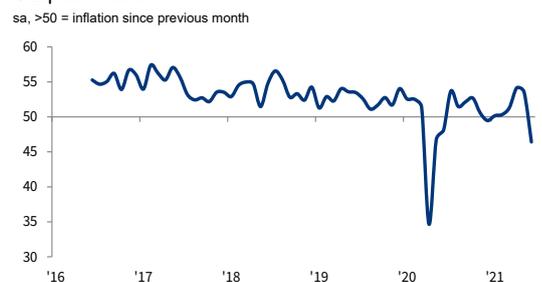


Output Prices

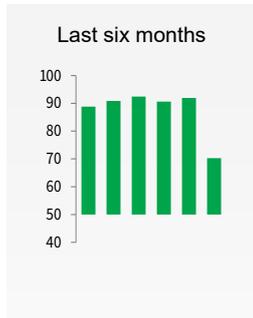


With customer numbers falling during the lockdown, companies offered discounts as part of efforts to stimulate demand. Output prices decreased for the first time in six months, despite ongoing increases in input costs. The agriculture, services and wholesale & retail sectors saw selling prices fall, while increases were registered in the construction and industry categories.

Output Prices



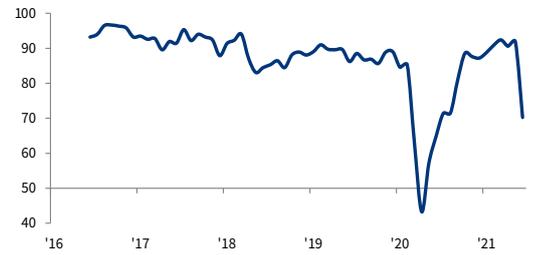
Future Output



Companies in Uganda remained confident that output will increase over the coming year, with firms expecting a rebound in activity once the current COVID-19 lockdown comes to an end. That said, some respondents expressed concern that the pandemic will continue to cause disruption to operations over the year ahead.

Future Output

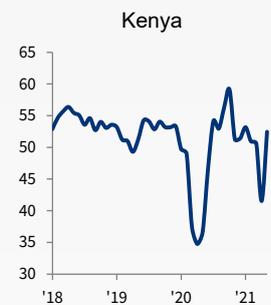
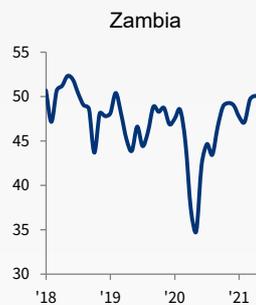
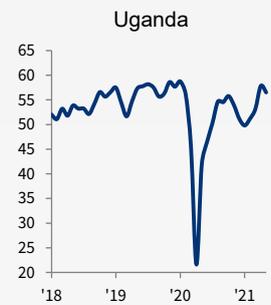
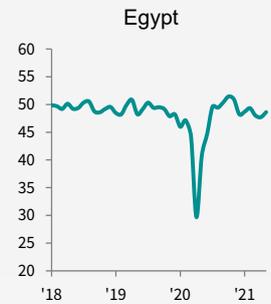
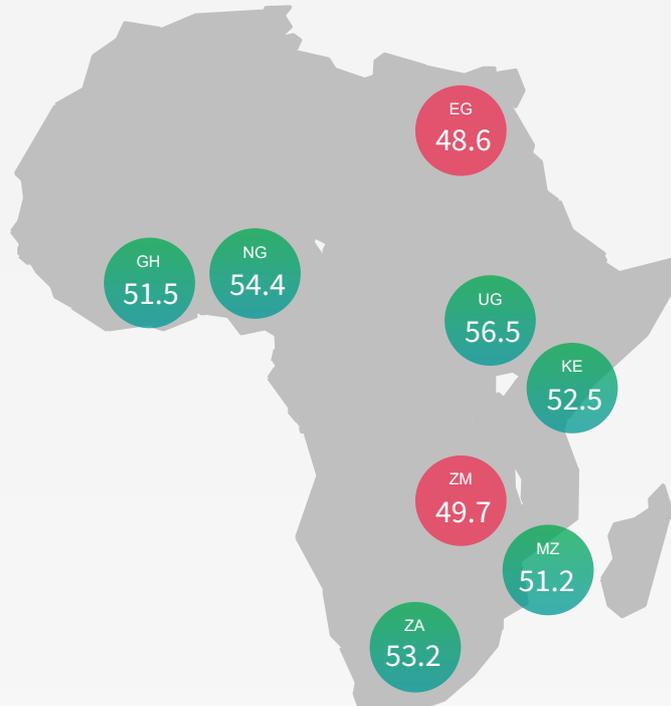
>50 = growth expected over next 12 months



Africa PMI

PMI, Apr '21

sa, >50 = improvement since previous month

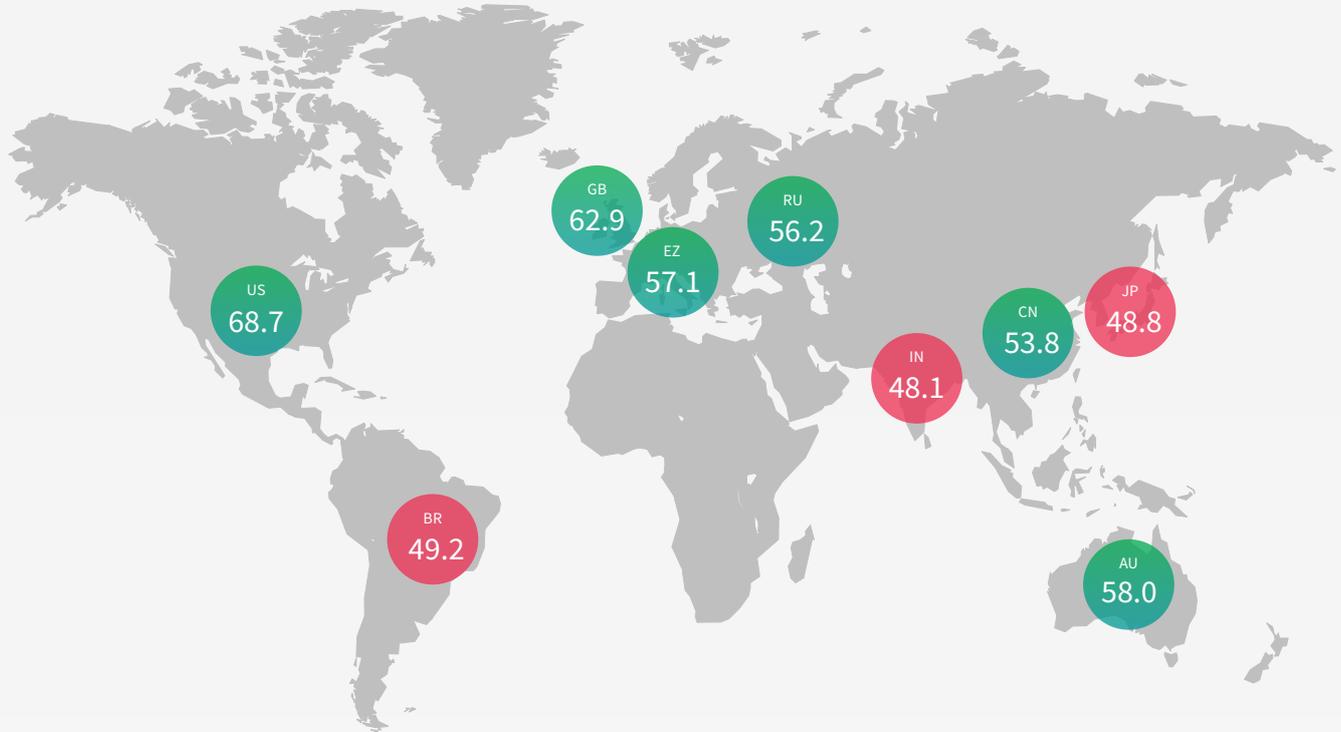


International PMI

Composite Output Index, May '21

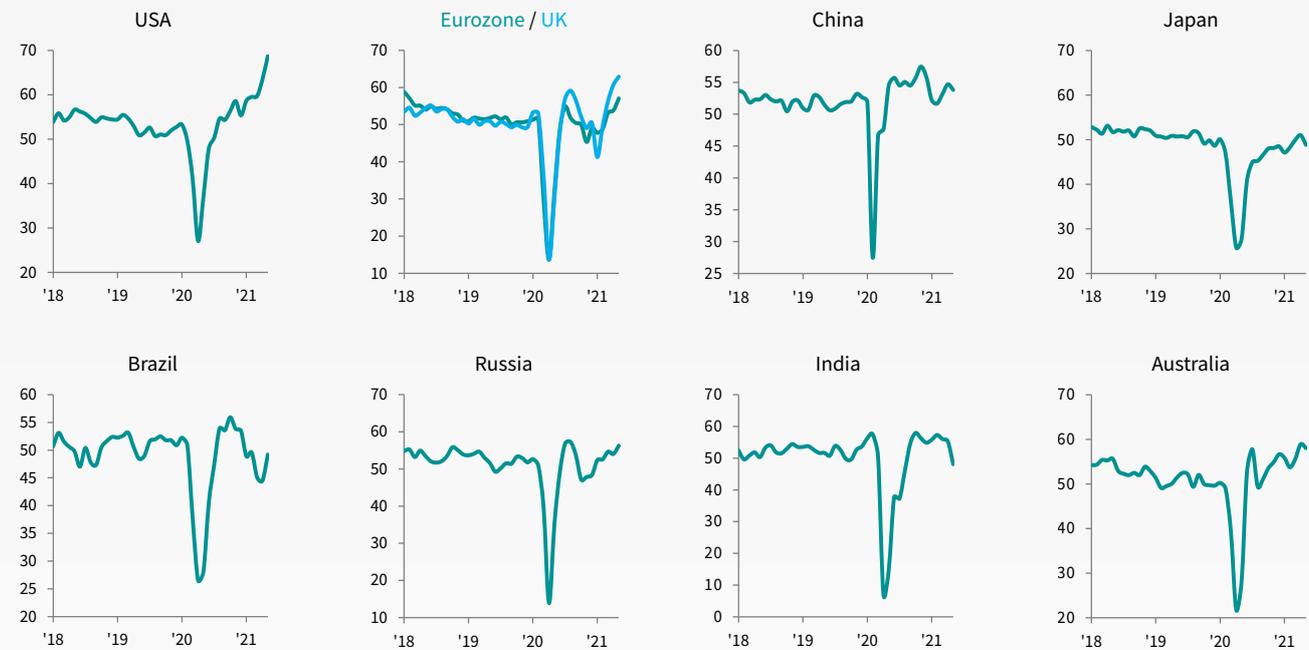
sa, >50 = growth since previous month

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



Summary

sa, 50 = no change over previous month. *50 = no change over next 12 months.

	PMI	Output	New Orders	New Export Orders	Backlogs of Work	Employment	Quantity of Purchases	Suppliers' Delivery Times	Stocks of Purchases	Input Prices	Purchase Prices	Staff Costs	Output Prices	Future Output*
01 '21	49.8	51.0	49.0	38.5	37.2	48.4	49.4	49.1	50.5	51.9	52.9	48.6	50.2	88.8
02 '21	51.2	52.0	51.6	43.9	38.1	50.6	52.2	52.2	54.1	53.8	54.1	50.5	50.3	90.9
03 '21	53.2	55.5	53.9	37.9	37.2	50.7	53.5	48.9	53.3	55.3	58.1	48.7	51.3	92.4
04 '21	57.8	61.5	61.2	36.5	37.4	54.7	60.1	54.1	62.7	65.1	63.7	55.2	54.2	90.6
05 '21	56.5	59.7	60.6	38.4	40.2	51.7	59.1	53.2	60.7	64.1	64.7	54.8	53.6	91.9
06 '21	34.9	24.7	26.5	33.6	34.9	43.7	27.7	46.8	40.5	52.6	53.4	44.5	46.4	70.2

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.

June data were collected 11-29 June 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

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