



Stanbic Bank Uganda PMI™

Business conditions decline for first time in seven months

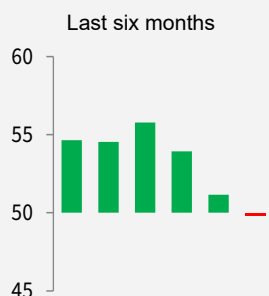
Key findings

New orders and employment fall

Business activity continues to rise

Companies optimistic regarding 12-month outlook

Uganda PMI



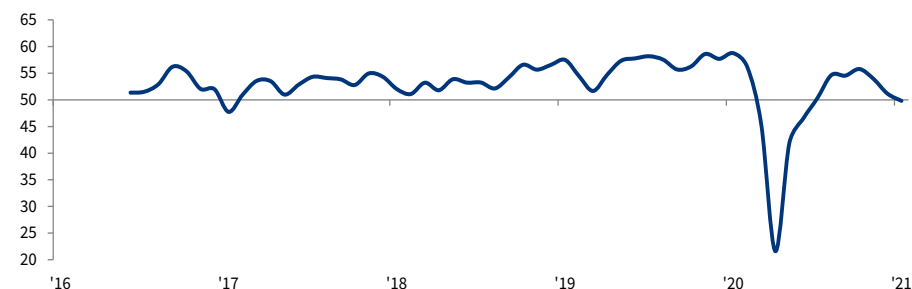
This report contains the latest analysis of data collected from the monthly survey of business conditions in the Ugandan private sector. The survey, sponsored by Stanbic Bank and produced by IHS Markit, has been conducted since June 2016 and covers the agriculture, industry, construction, wholesale &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

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.

PMI
sa, >50 = improvement since previous month



New orders dropped in January, thereby ending a six-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.

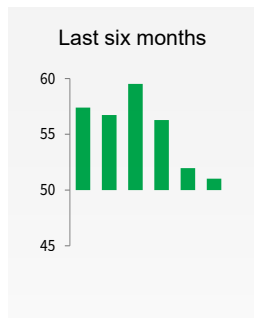
With new orders down, companies scaled back their staffing levels and purchasing activity. In line with lower employment, firms also noted a drop in staff costs.

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.

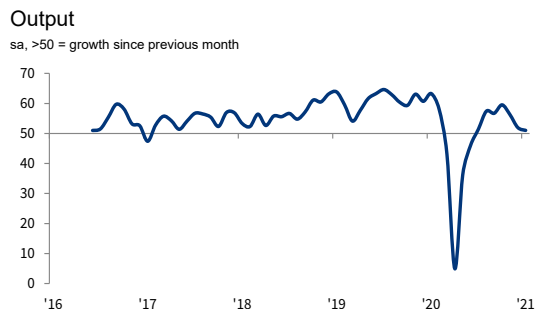
Stocks of purchases rose, increasing for the sixth time in the past seven months. The latest increase in part reflected the fall in new orders, which meant that fewer inputs were used to support output.

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.

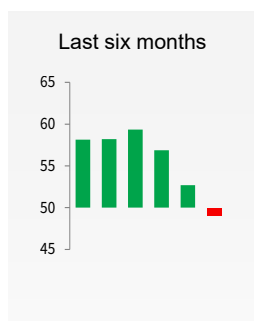
Output



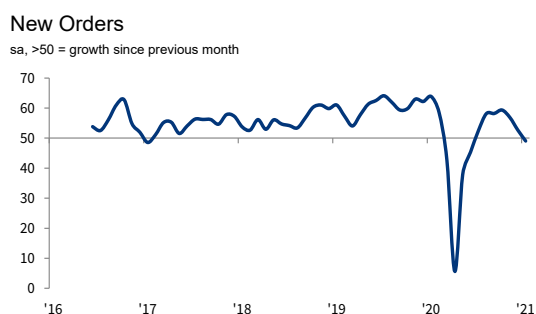
Ugandan companies posted an increase in business activity during January, extending the current period of growth to seven months. Some panellists indicated that their new orders had risen, helping lead to higher output. That said, other companies reported that the election period had dampened their activity. Output rose in the agriculture and industry sectors, but decreased in construction, services and wholesale & retail.



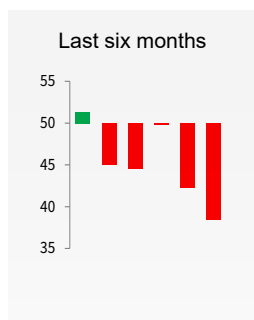
New Orders



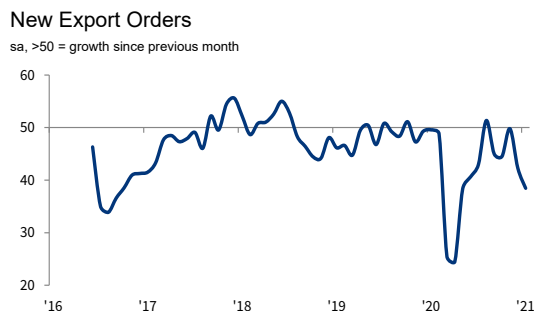
New orders decreased in January, thereby ending a six-month period of improving new business volumes. Uncertainty and a lack of customer activity around the election reportedly led to the reduction in new orders. On the other hand, some panellists saw their customer numbers increase. The industry, services and wholesale & retail categories all saw new orders decline.



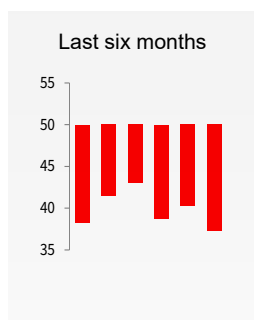
New Export Orders



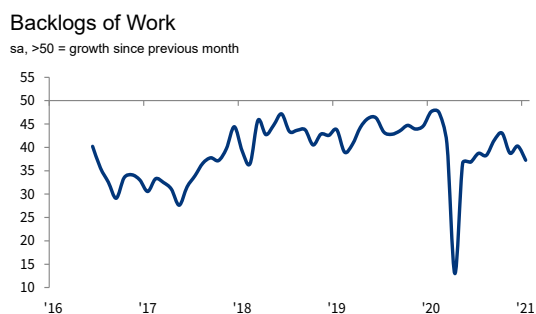
In line with the picture for total new business, new export orders also decreased at the start of 2021. New business from abroad has now fallen in each of the past five months.



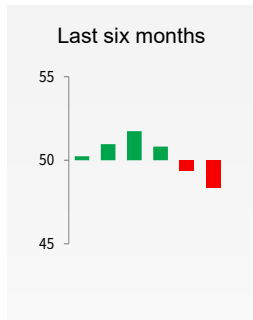
Backlogs of Work



The reduction in new orders during January meant that companies in Uganda had sufficient resources to complete new business and work through outstanding projects. As a result, backlogs of work decreased, as has been the case throughout the history of the survey which began in June 2016.

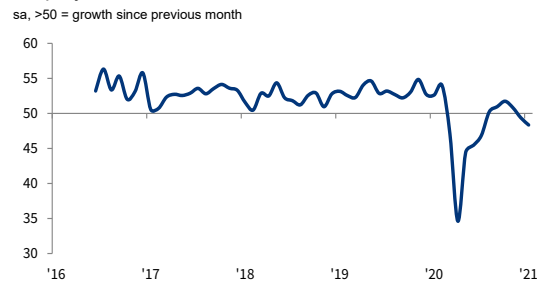


Employment

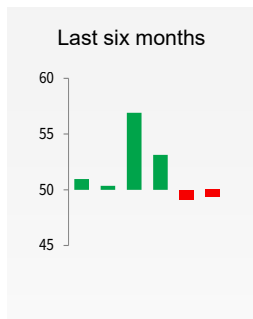


January data signalled a second successive monthly reduction in employment in the Ugandan private sector. According to respondents, falling workloads was the main factor leading to lower staffing levels. Of the five monitored sectors, only wholesale & retail registered an increase in employment.

Employment

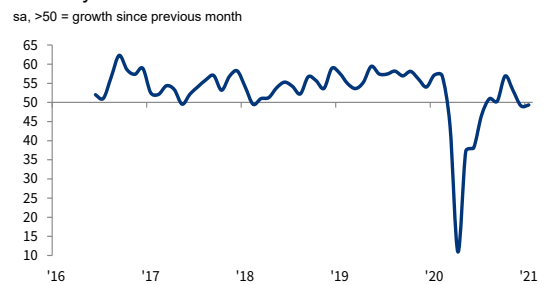


Quantity of Purchases

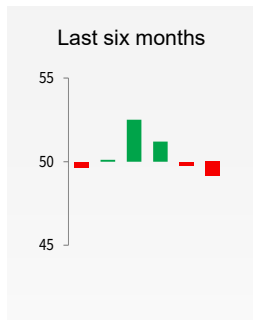


As was the case in the final month of 2020, purchasing activity decreased at the start of 2021. Lower demand and general uncertainty led some firms to delay making purchases. Agriculture companies raised input buying, but falls were seen in the construction, industry and wholesale & retail categories.

Quantity of Purchases

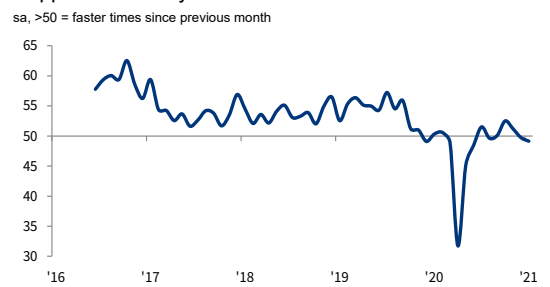


Suppliers' Delivery Times

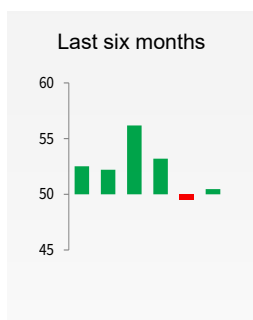


Suppliers' delivery times lengthened in January, the second month running in which this has been the case. Anecdotal evidence suggested that material shortages and disruption during the election period had been behind longer lead times.

Suppliers' Delivery Times

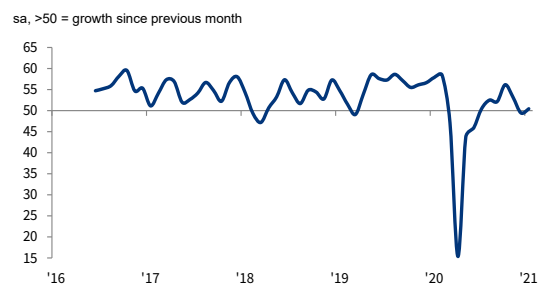


Stocks of Purchases

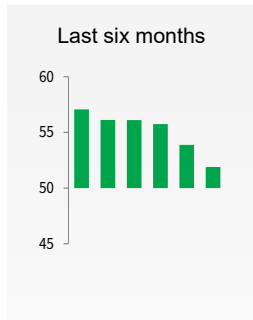


Companies in Uganda recorded an increase in stocks of purchases in January, reversing the decline seen in December. Inventories have now risen in six of the past seven months. Respondents indicated that a reduction in sales meant that more inputs were held in stock rather than used to supplement output.

Stocks of Purchases



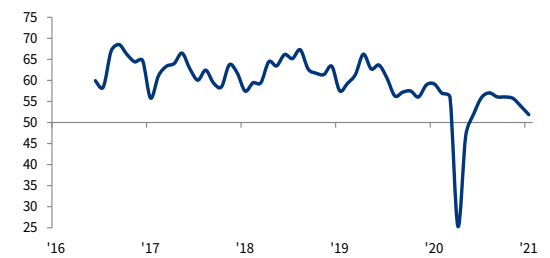
Overall Input Prices



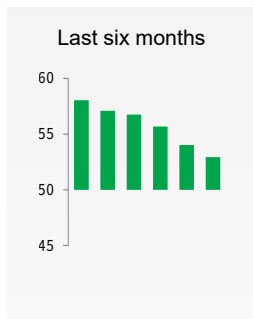
Overall input costs increased for the eighth consecutive month in January. Panellists reported rises in transportation costs as well as higher raw material prices. On the other hand, staff costs decreased. Overall input costs rose in the agriculture, construction, industry and wholesale & retail sectors, but fell at service providers.

Overall Input Prices

sa, >50 = inflation since previous month



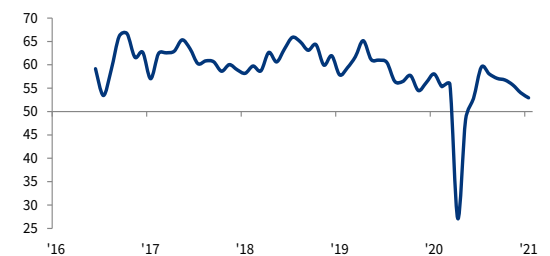
Purchase Prices



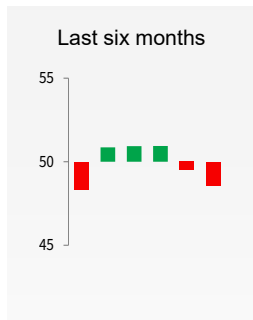
As has been the case in each of the past eight months, purchase costs rose in the Ugandan private sector at the start of 2021. A range of raw materials reportedly cost more in January, including cement, paper, stationery, sugar and other food products.

Purchase Prices

sa, >50 = inflation since previous month



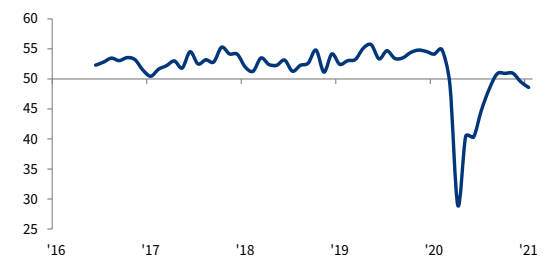
Staff Costs



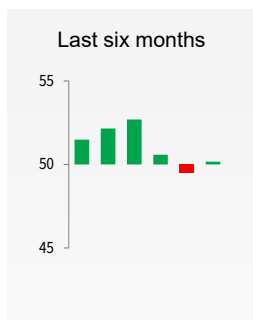
Ugandan companies recorded a reduction in staff costs for the second month running during January, often linked by panellists to lower staffing levels. Consistent with the picture for employment, wholesale & retail was the only monitored sector to record a rise in staff costs.

Staff Costs

sa, >50 = inflation since previous month



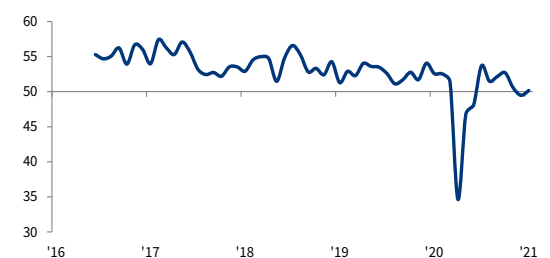
Output Prices



After having fallen in December, output prices increased during January. The rise was the sixth in the past seven months. Where charges increased, panellists linked this to the passing on of higher input costs to customers. On the other hand, some respondents lowered charges in order to help secure sales.

Output Prices

sa, >50 = inflation since previous month



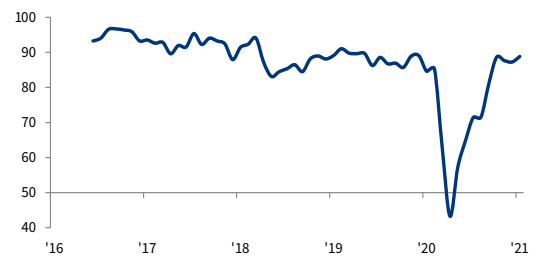
Future Output



As has been the case in each of the past nine months, companies in Uganda expressed optimism in the 12-month outlook for business activity. Around 84% of panellists predicted a rise in output, largely reflecting confidence around new business inflows. A number of respondents expect a rise in new work following the election period.

Future Output

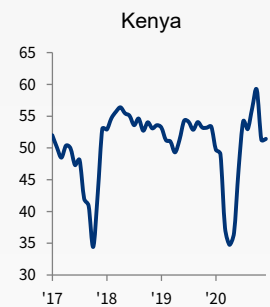
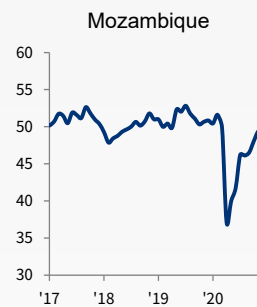
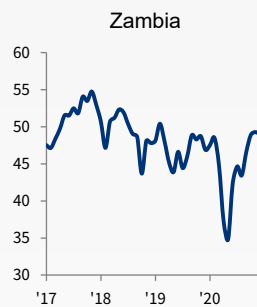
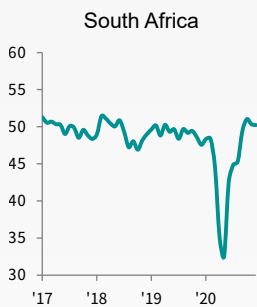
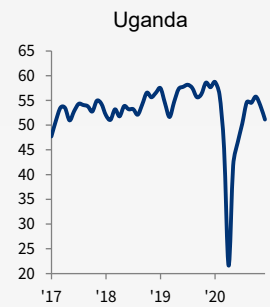
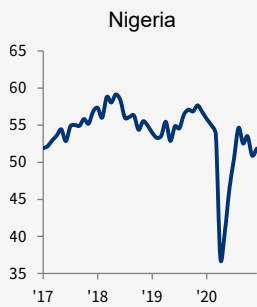
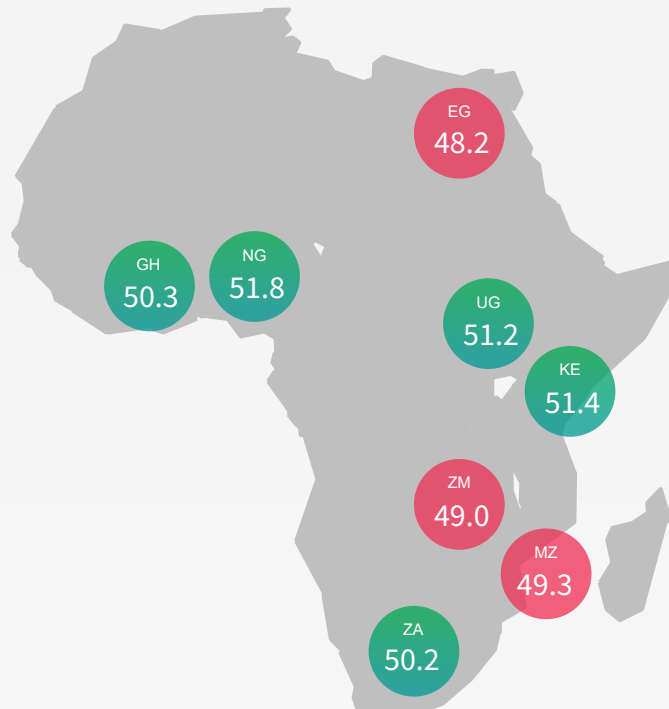
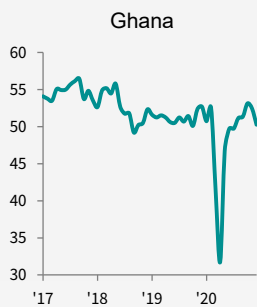
>50 = growth expected over next 12 months



Africa PMI

PMI, Dec '20

sa, >50 = improvement since previous month

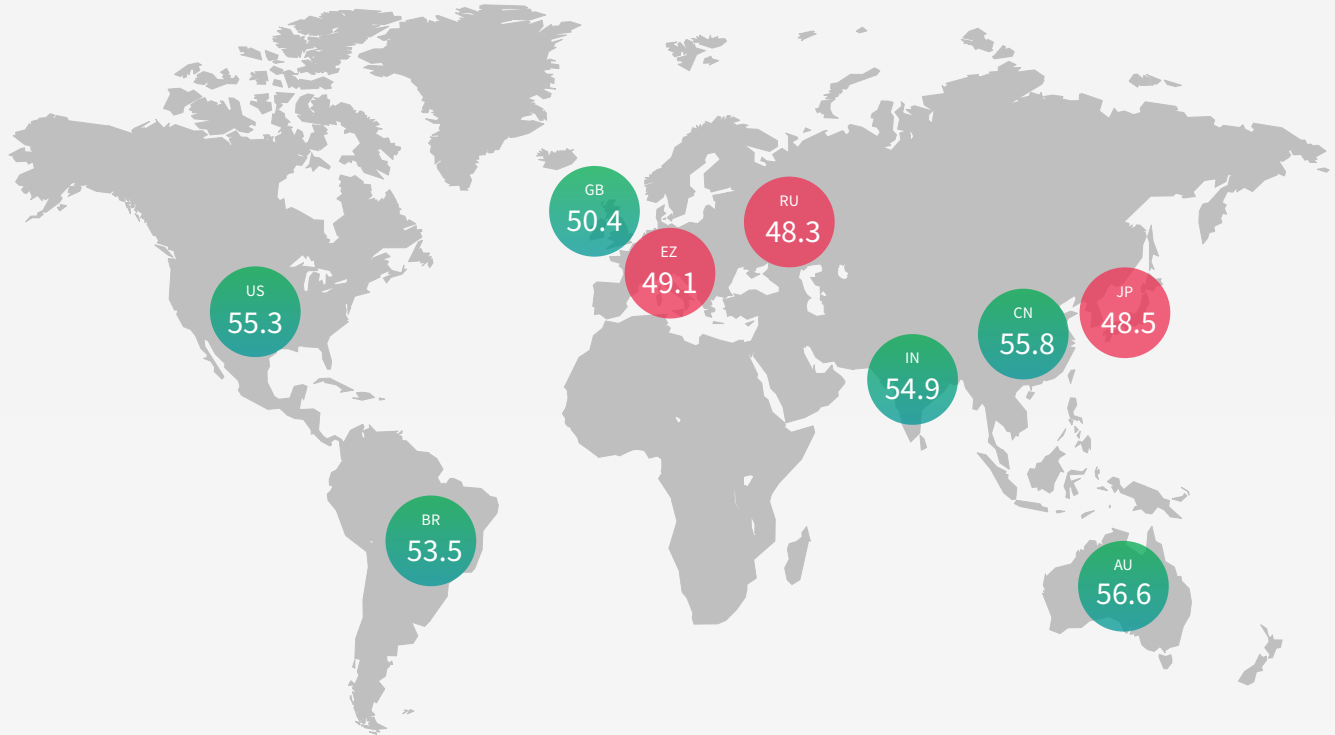


International PMI

Composite Output Index, Dec '20

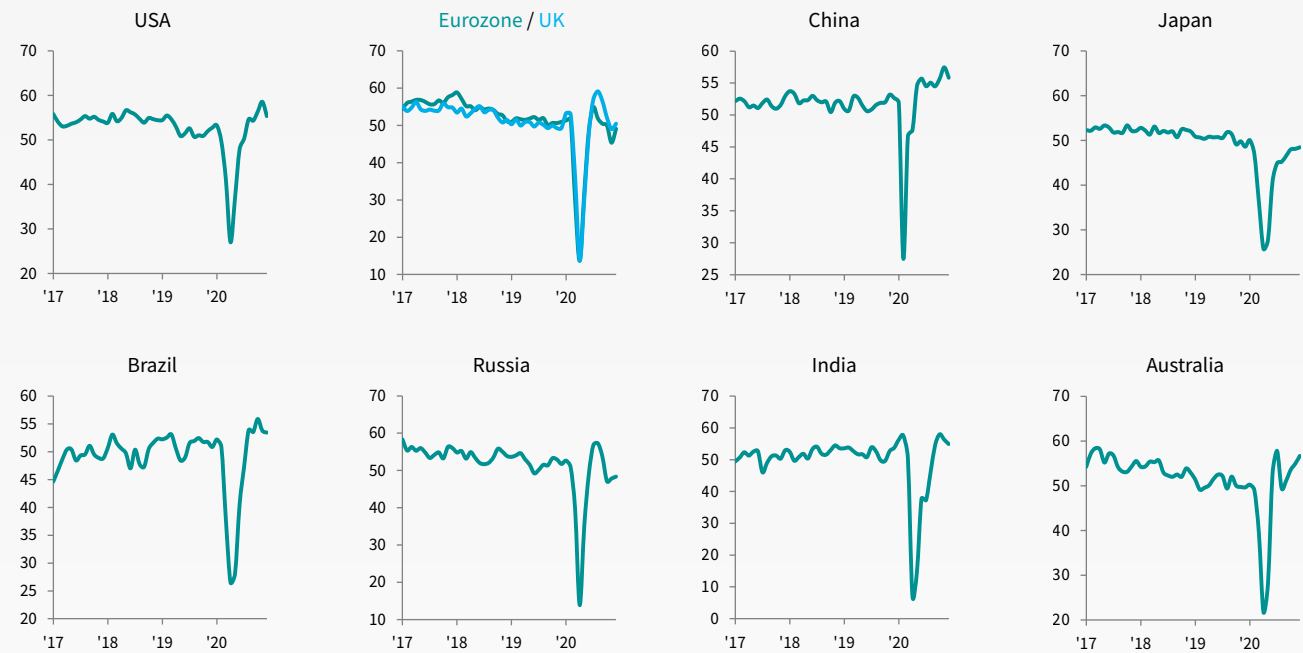
sa, >50 = growth since previous month

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.

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

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