



Casa África – Business Opportunities

Uganda Republic

With the arrival of the current pandemic, containment measures have affected all sectors of the economy, reducing activity and income. Economic growth is projected to slow to 2.5% in 2020 and partially recover to 3.5% in 2021, at best. The situation could worsen if the pandemic drags on with GDP growth decreasing to 1.6% but recovering to 4.2% by 2021, predictably. Economic activity in services, manufacturing and construction is expected to remain weak, with moderate aggregate demand. Prices will also remain relatively stable and annual inflation is expected to increase slightly to 4.6% in 2020. Fiscal and current account deficits are expected to deteriorate due to lower tax revenues as well as increased spending, while cash inflows from trade, remittances and foreign direct investment are likely to decline. Thus, it is foreseen that the fiscal deficit in 2020 will deteriorate between 1.1% and 1.4% in relation to previous projections to the COVID-19; for the case of the current account deficit the deterioration is less, between 0.4% and 0.8% in relation to previous estimates.

The pre-pandemic projections expected that retail, construction and telecommunications would drive the economy, and that mining, transportation and hospitality would grow as new investments in oil and gas were made. Now, the sectors will be affected by the crisis and investments will come to a standstill, so all of the above will be disrupted. On the other hand, urban development, increasing population density, growing market size and access, clustering of skills and technology, and proximity to financial institutions provide opportunities for business development, enterprise creation and new jobs. Until 2019, Kampala was Uganda's only conurbation classified as a city. The reclassification of other municipalities as cities could also promote new opportunities. However, the new cities will be undergoing a process by which they will have to expand their infrastructure through the creation of paved roads, energy distribution, water and sanitation services and waste management, so these sectors may present business opportunities in the near future.

Most of Uganda's exports were destined for the common market in East and Southern Africa, although in recent years their share has declined in favour of the European Union. Kenya, Democratic Republic of Congo and Southern Sudan were the main destinations in 2016. In terms of imports, Asia continues to top the list with China as the main supplier. It is followed by Kenya and South Africa. Coffee is its most important export source, followed by fish, fishery products, tea, cotton and horticultural products, among others. Capital goods, vehicles, oil and cereals represent its main imports.

Low global growth affected by trade tensions and weak demand from Europe risks reducing Uganda's exports, which are also now affected by the pandemic. At the national level, adverse weather may reduce agricultural production, damaging the trade balance given the importance for the country of exporting food to the East African region. Other domestic risks include weak income mobilization and weak private sector credit growth. However, poverty is expected to increase with the current crisis situation as the self-employed lose their income and sales revenues decline. Further disruptions are expected to increase poverty, and in order to limit expenditures it is likely that enterprises will lay off workers, increasing unemployment. All of this hinders the country's transition to a service economy.

AEO: <https://www.afdb.org/en/documents/african-economic-outlook-2020>

AEO (Suplemento COVID-19): <https://www.afdb.org/en/documents/african-economic-outlook-2020-supplement>

MAEC: http://www.exteriores.gob.es/Documents/FichasPais/UGANDA_FICHA%20PAIS.pdf

ANNEX: Economic tables

Table 1: Macroeconomic indicators

	2017	2018	2019	2020 (p)
Real GDP growth	-	-	-	6,2
Real per capita GDP growth	1,1	2,2	2,5	2,8
Inflation	-	-	-	3,8
Budget balance (% GDP)	-3,9	-5,0	-5,8	-7,2
Current account (% GDP)	-5,5	-8,6	-9,8	-10,4

Source: African Development Bank, predictions before the COVID-19