COUNTRY PROFILE
Quarterly update
July 2016

United Nations
Economic Commission for Africa

UGANDA

Introduction

The main objective of this document is to provide an update to the 2015 Ugandan Country Profile, with a particular focus on the recently released annual data for 2015.

Recent developments: Key highlights

- The Ugandan economy continued to grow relatively rapidly in 2015, registering real GDP growth of 5.5 per cent in 2015, up from 4.7 per cent in 2014. This performance was achieved amid growing regional and global economic uncertainties. In the first half of 2016, the conflict in South Sudan escalated, which may have a negative impact on the trade balance (exports to the Sudan and South Sudan accounted for 16 per cent of total exports in 2015). Despite the sustained focus on infrastructure development by the Government, there have been some setbacks, such as the cancellation of the US$ 4 billion oil refinery deal with the Russian Technologies State Corporation in June 2016.

- The economy's performance in 2015 was mainly driven by growth in the industrial sector, which grew by 7.9 per cent in 2015. Within the industrial sector, the fastest growing subsectors were manufacturing and mining, which grew by 10.1 per cent and 18.6 per cent respectively. The services sector grew by 5.4 per cent, mainly due to the performance of the information and communications technology (ICT) subsector, which grew by 14.8 per cent, a strong performance compared to the zero growth registered by the ICT sector in 2014. The agriculture sector grew by 3 per cent, partly due to the performance of the cash crop subsector, which grew by 9.7 per cent. From the perspective of expenditure, consumption was the main driver of GDP growth in 2015, led by government consumption, which increased by 8.3 per cent.

- Export earnings were also dynamic, increasing by 16.9 per cent over the course of the year, while imports increased more moderately, by 8.0 per cent. The rapid expansion of exports was facilitated by the sharp depreciation (-24.6 per cent) of the Ugandan shilling against the United States dollar over the same period. As a result, the current account balance improved, from US$ -2.6 billion in 2014 to US$ -2.3 billion in 2015.

- Fiscal policy remained expansionary over the fiscal year 2015/2016 due to both greater investment in infrastructure and election-related expenditure. Government expenditure increased to 21.1 per cent of GDP, compared to 18.3 per cent of GDP in the financial year 2014/2015. This growth in spending was underpinned by only a marginal increase in tax revenue in 2015/2016, to 12.9 per cent of GDP, up from 12.4 per cent the previous year. As a result, the fiscal balance deteriorated from -4.2 per cent of GDP in 2014/2015 to -6.3 per cent of GDP in 2015/2016. At present, the deficit is largely being funded by external loans, with the majority of the loans on concessional terms (IMF, 2016, p. 35).

- The central bank began easing monetary policy early in 2016. The central bank rate was reduced from 17 per cent in December 2015 to 15 per cent by June 2016, due to expectations of a declining rate of inflation. However, commercial bank lending rates remained relatively unresponsive to these changes, declining by only 0.4 per cent over the same period to stand at 24.2 per cent by June 2016. Regarding the performance of the Ugandan shilling in 2016 against the United States dollar, it recovered some of the ground lost in 2015, with an appreciation of 2.0 per cent in the aftermath of the general elections in February 2016.

- Foreign direct investment inflows declined by 7.8 per cent to US$ 1.1 billion in 2015. The largest contribution to total foreign direct investment inflows was from mining (mainly driven by investment in oil exploration activities). In 2015 the Russian Technologies State Corporation announced new planned investments in Uganda's oil refineries worth US$ 4 billion, but the deal was cancelled in June 2016. According to the Ministry of Energy, the Russian consortium had "failed to negotiate in good faith" and had "failed to execute" a shareholders' agreement (The East African, 1 July 2016).

ANNEX

Economic performance[1]

Macroeconomic performance

	Value	Year
GDP, current prices (US$ millions)	25,994	2015
Real GDP growth rate (%)	5.5	2015
Inflation rate (%)	5.5	2015

Fiscal policy

(% of GDP)	Value	Year
Revenue (incl. grants)	14.8	FY 2015/16
Tax revenue	12.9	FY 2015/16
Non-tax revenue	0.5	FY 2015/16
Grants	1.4	FY 2015/16
Expenditure and net lending	21.1	FY 2015/16
Recurrent expenditure	10.2	FY 2015/16
of which: wages and salaries	3.2	FY 2015/16
of which: interest payments	1.9	FY 2015/16
Other recurrent expenditure	5.1	FY 2015/16
Development expenditure	8.0	FY 2015/16
Net lending/repayments	2.8	FY 2015/16
Domestic arrears	0.1	FY 2015/16
Overall fiscal balance (incl. grants)	-6.3	FY 2015/16

Monetary policy

(%)	Value	Year
Central bank reference rate	17.0	(Dec) 2015
Interbank rate	14.2	(Dec) 2015
Lending interest rate	24.6	(Dec) 2015
Deposit interest rate (average)	4.2	(Dec) 2015
Spread	20.4	(Dec) 2015

Current account

(US$ millions)	Value	Year
Imports of goods and services	7601.6	2015
Exports of goods and services	4828.7	2015
Trade balance	-2773.0	2015
Current account	-2265.5	2015

Capital and financial accounts

(US$ millions)	Value	Year
Direct investment	1057.0	2015
Portfolio investment	229.1	2015
Other investment	653.1	2015
Financial account balance	1,939.3	2015
Total external reserves (end of period) in future months of imports of goods and services	4.05	2015

1 Data in Ugandan shillings were converted to US$ using the 2015 annual average exchange rate (3,241).

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