

Past

OUTLOOK

Future

Fiscal Risks 6

Economic Growth 1

Fiscal Operations 5



Inflation 2

External Sector 4

Financial Sector 3



Economic Growth

- Global growth is projected at **5.5 percent** in **2021** as consumption strengthens gradually and investment firms up. Subsequently, growth in the Sub-Saharan region is projected at **3.2 percent**.
- The **Ugandan economy** is expected to grow by **3.1 percent** in the Financial Year **2020/21** and peak at 7.0 percent in the medium term. This growth will be mainly driven by expected increase in production and productivity in agriculture and manufacturing.



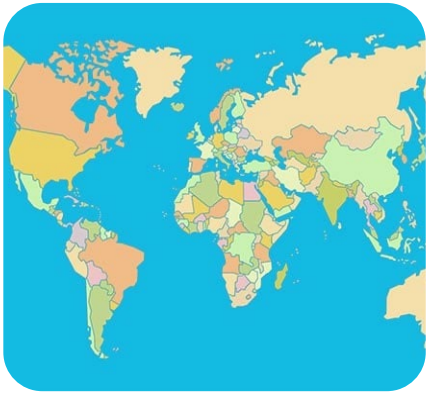
Inflation

- The outlook to inflation in the Financial Year 2020/21 is stable, with **core inflation** expected to remain close to BOU's medium-term target of **5+/-3 percentage points**.
- The main downside risks to inflation include adverse weather shocks that could cause an upsurge in food crop prices and the direction of the exchange rate which is sometimes affected by externally uncontrollable factors.



Financial Sector

- Private Sector Credit is expected to **continue performing well** as; the monetary policy rate continues to be accommodating. A stable, sound and improving financial sector coupled with increased economic activity are expected to support favourable lending conditions.
- With risks to inflation minimal in the medium term, **monetary policy should continue to be supportive** of economic activity and growth. The banking sector is also expected to remain stable and resilient throughout the Financial Year 2020/21.



External Sector

- The exchange rate is largely expected to **remain stable** nonetheless under a bit of pressure in the short to medium term; due to increased domestic dollar demand as private sector imports continue to recover.
- The relative stability of the exchange rate is expected to boost trade and manufacturing. A Strong rebound in performance from tourism, remittances, and Foreign Direct Investments is expected to continue supporting the positive performance of the overall balance of payment position.



Fiscal Operations

- The pandemic has necessitated **additional expenditure** in health; security; support to vulnerable groups of people; payment of domestic arrears; as well as capitalising Uganda Development Bank and Uganda Development Corporation, among other initiatives to support the private sector.
- This has created additional expenditure pressure on the budget deficit and public debt over the medium term. The fiscal balance (including grants) is therefore projected to **average at 5.4 percent** over the medium term.



Fiscal Risks

- Currently the global economy faces threats from the impact of the COVID-19 pandemic. Risks related to the path of the pandemic, the needed public health response, and the associated domestic activity disruptions. Subsequently, the global spill overs from soft demand, weaker tourism, and lower remittances are likely to pose a risk to economic activity and the national budgets.
- The proportion of domestic debt maturing in one year was 36.5 percent by June 2020 which is considerably high. Additionally, the current practice of rolling over maturing debt, implies that Government faces a risk of being unable to refinance its maturing domestic debt.