

Recent Economic Developments and Outlook: Uganda in a Global and Regional Context

Ana Lucía Coronel
IMF Senior Resident Representative

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Outline



- World and Regional Outlook
- Uganda: Recent Developments and Prospects



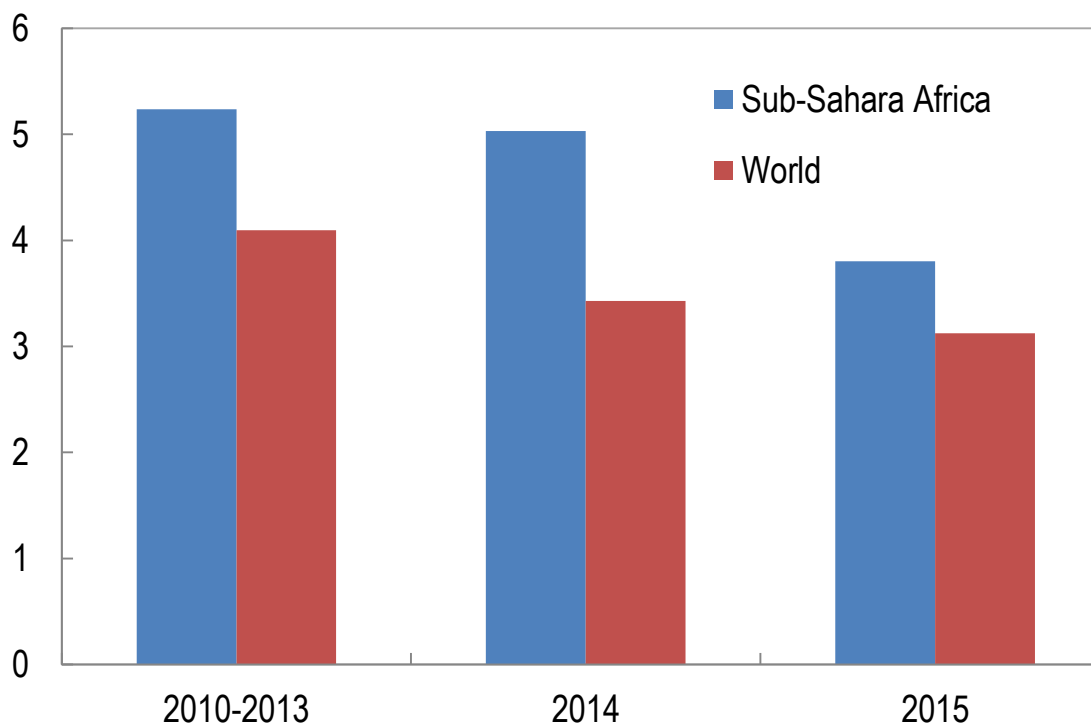
Uneven recovery in the global economy

- Global growth remains weak this year
 - Weak recovery in advanced economies
 - Slowdown in emerging economies
- Medium-term growth prospects are weaker.
 - The “new mediocre” – risk of low growth for a long time – looms closer.
- Uneven prospects across the main countries and regions
 - **Improving prospects in advanced economies.** Moderate strengthening in the Euro Area; return to positive growth in Japan; and robust activity in the US and the UK.
 - **Lower growth in emerging market and developing economies.** Weaker prospects in commodity exporters; a slowdown in China; and more difficult external conditions

Growth in SSA is softening although it remains above world average

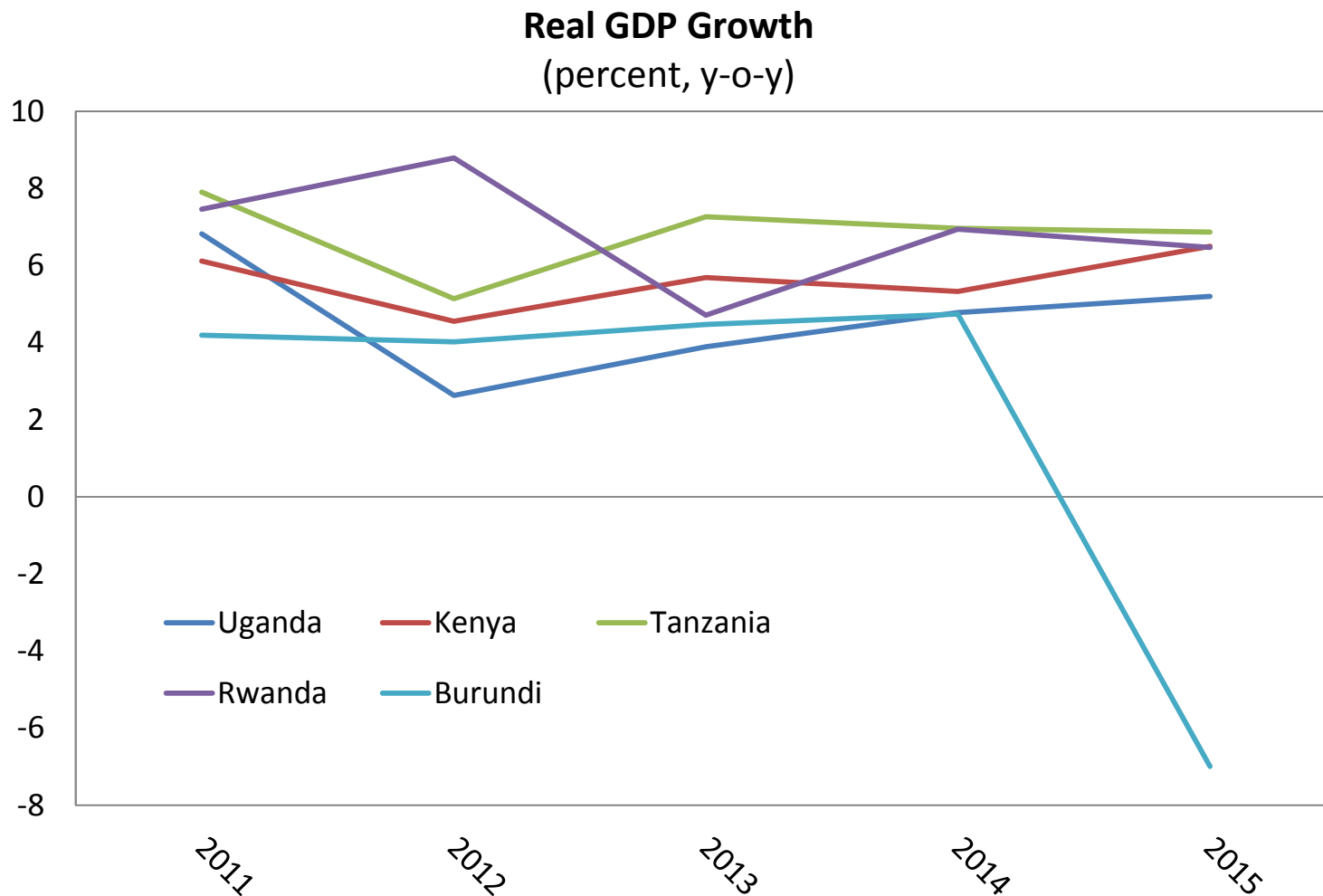


Sub-Saharan Africa and World: Real GDP Growth
(Percent)

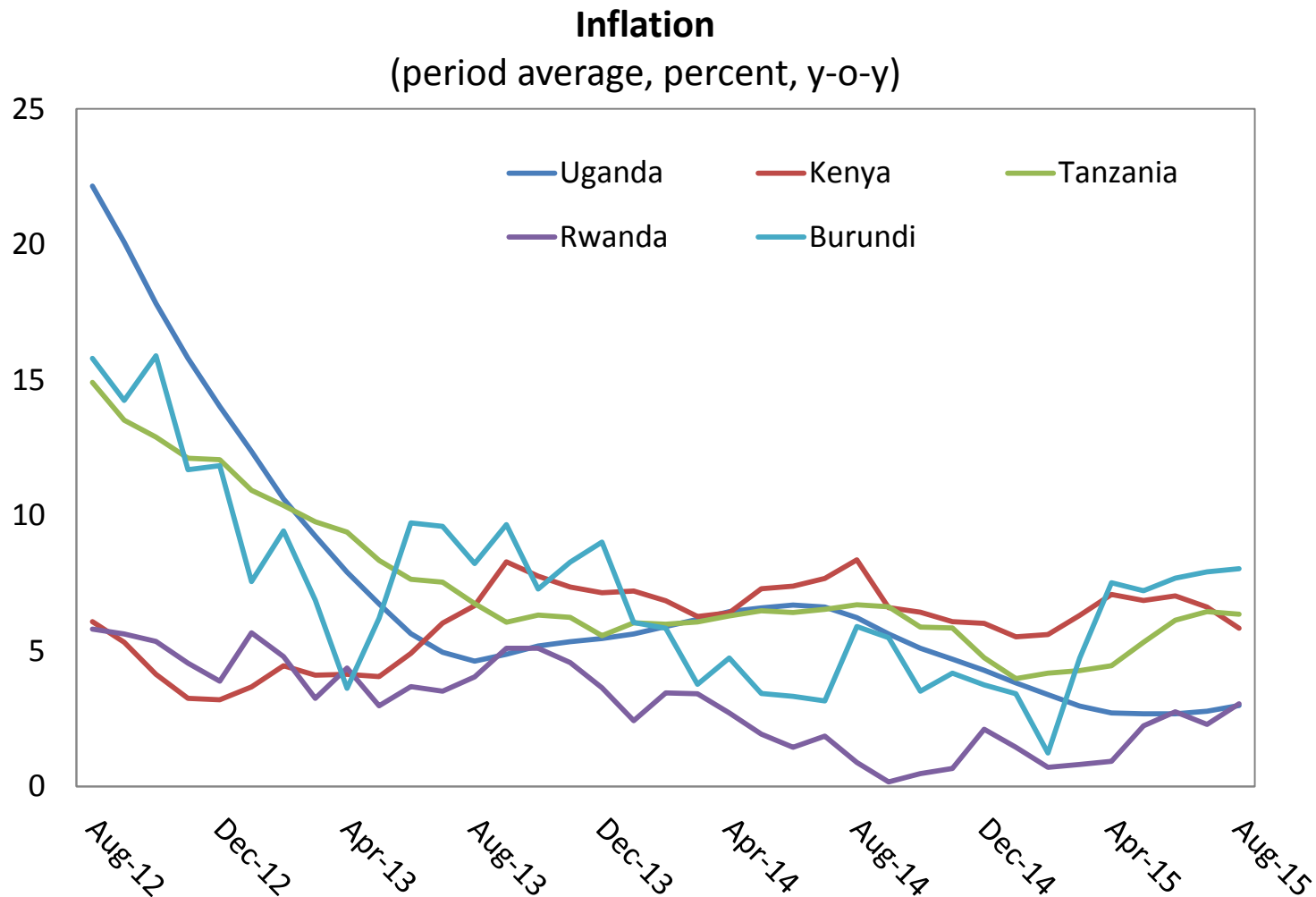


Sources: IMF, World Economic Outlook (WEO) database.

Growth in the EAC region remains above SSA average



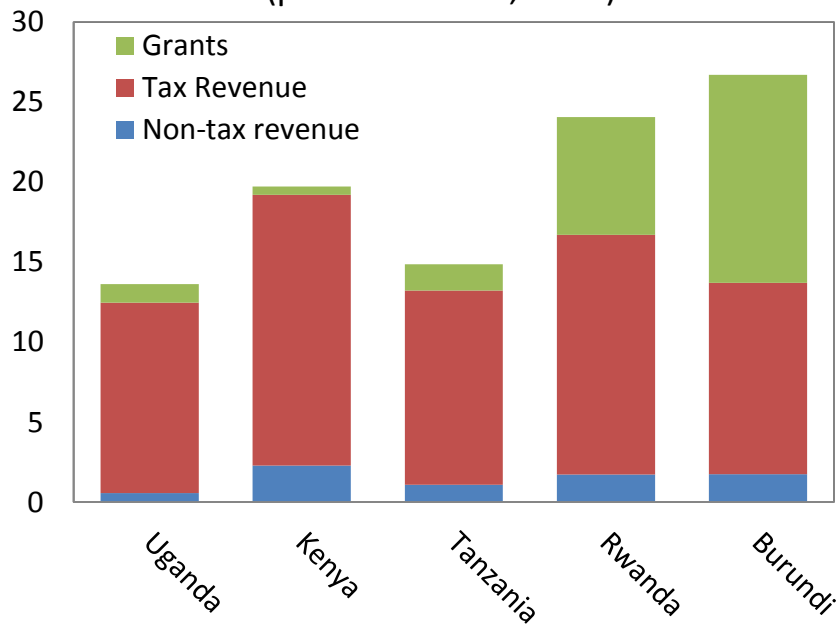
Inflation in the EAC has substantially declined



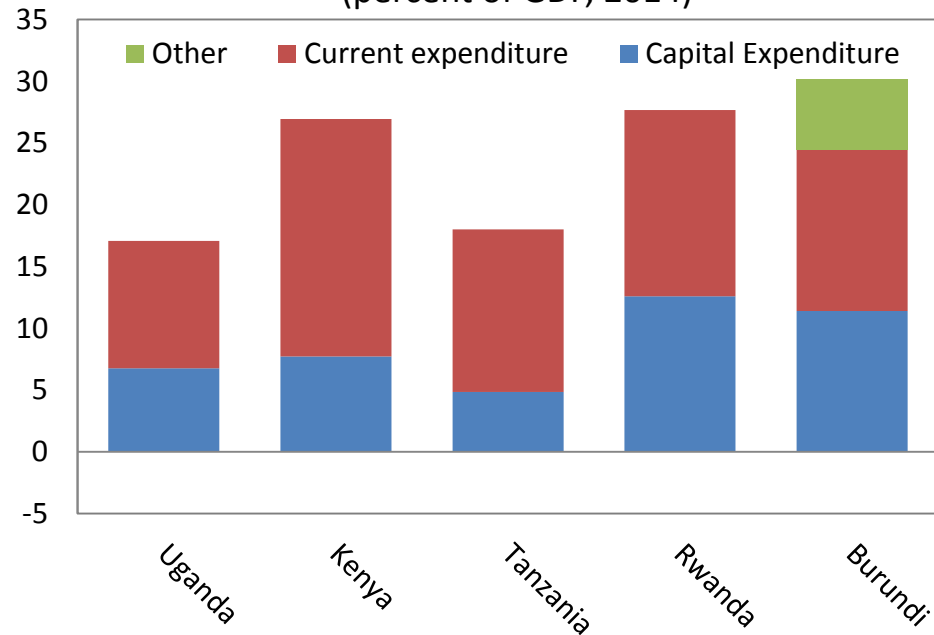
Tax revenue and capital expenditure in the EAC are still low



Total Revenue Decomposition
(percent of GDP, 2014)



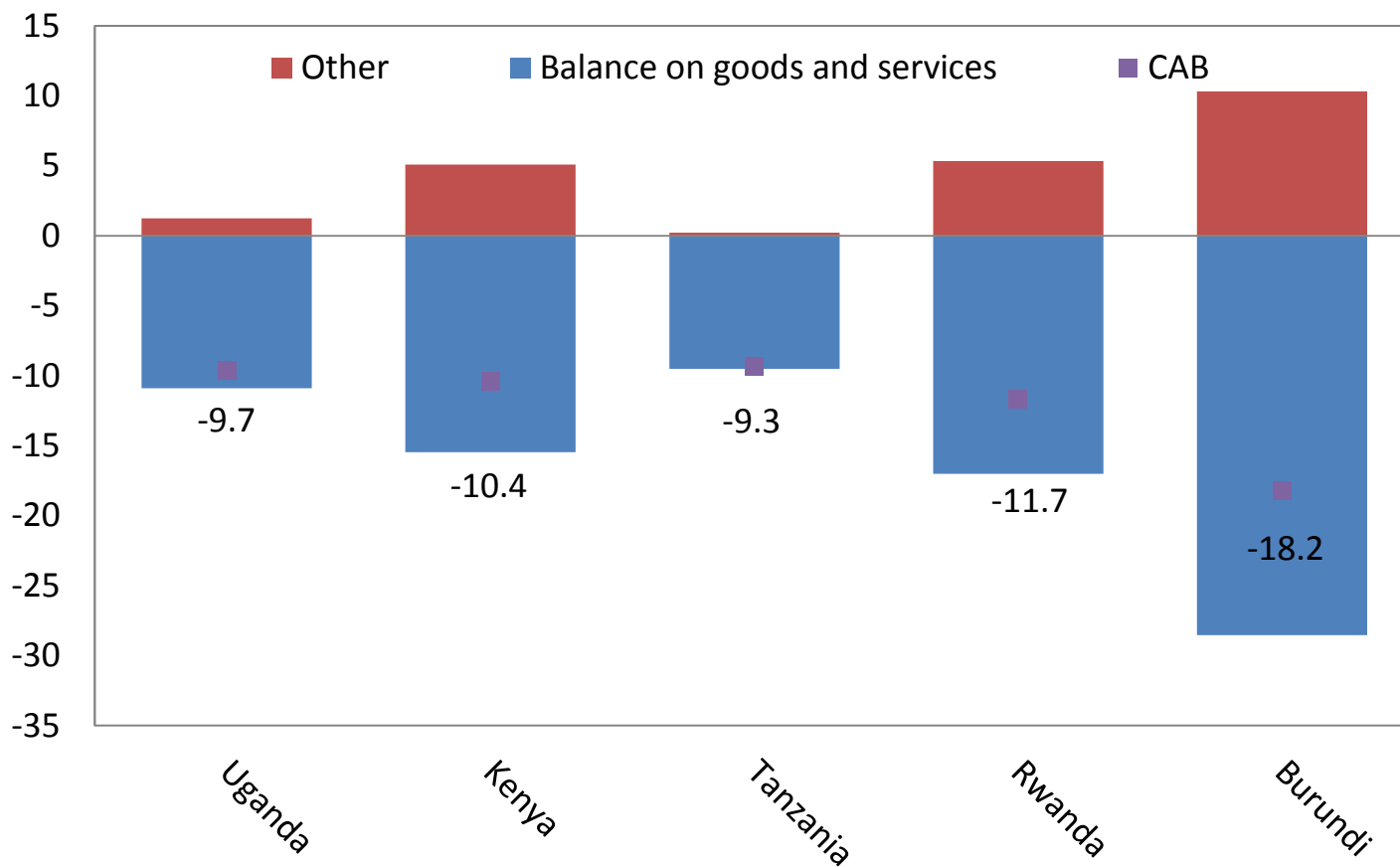
Total Expenditure Decomposition
(percent of GDP, 2014)





The EAC current account balances remain in deficit

Current Account Balance Decomposition
(percent of GDP, 2014)



Outline



- World and Regional Outlook
- **Uganda: Developments and Prospects**



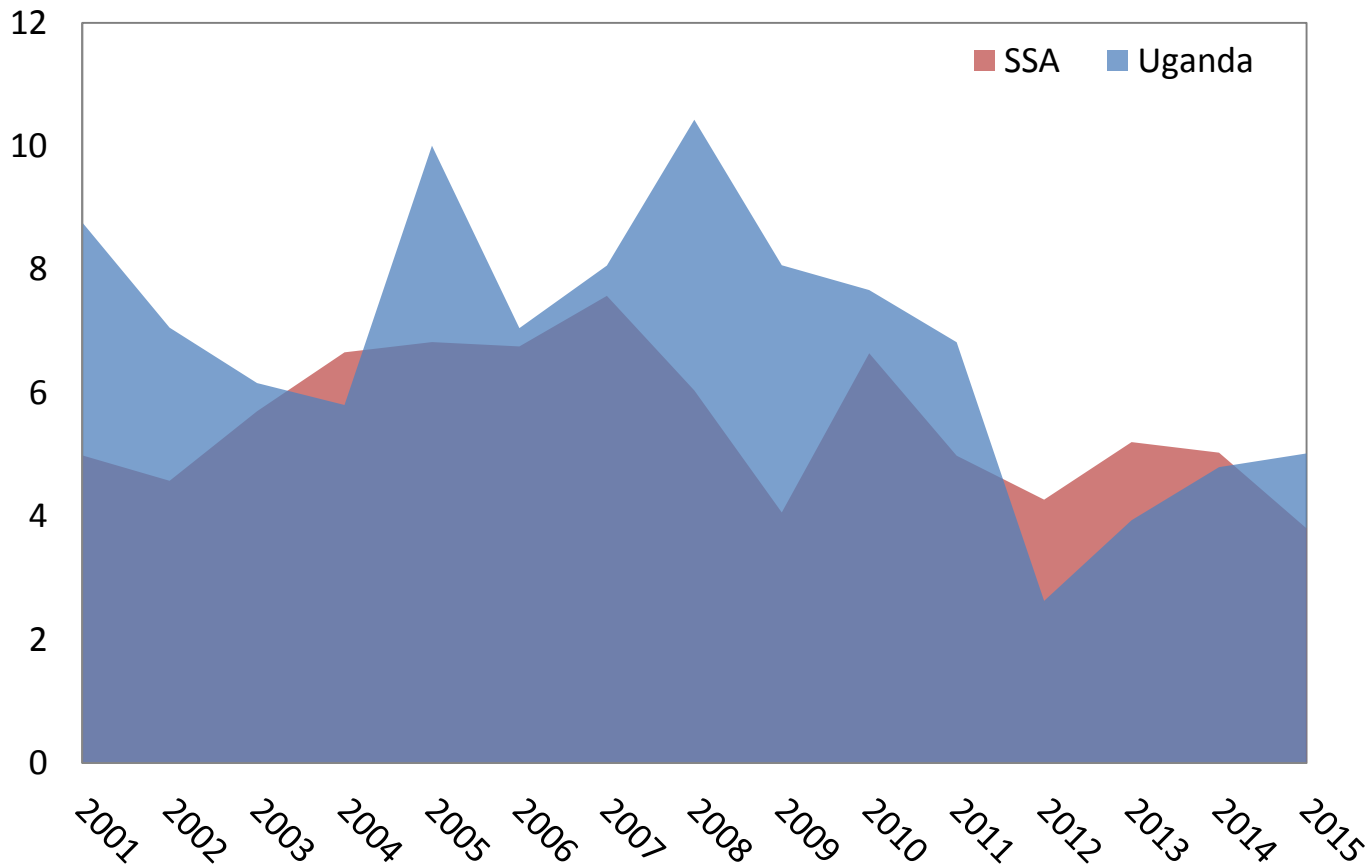
1. Uganda: Economic Buffers

- Relatively high growth
- Low inflation
- Adequate international reserves
- Sustainable external debt
- Sound financial system

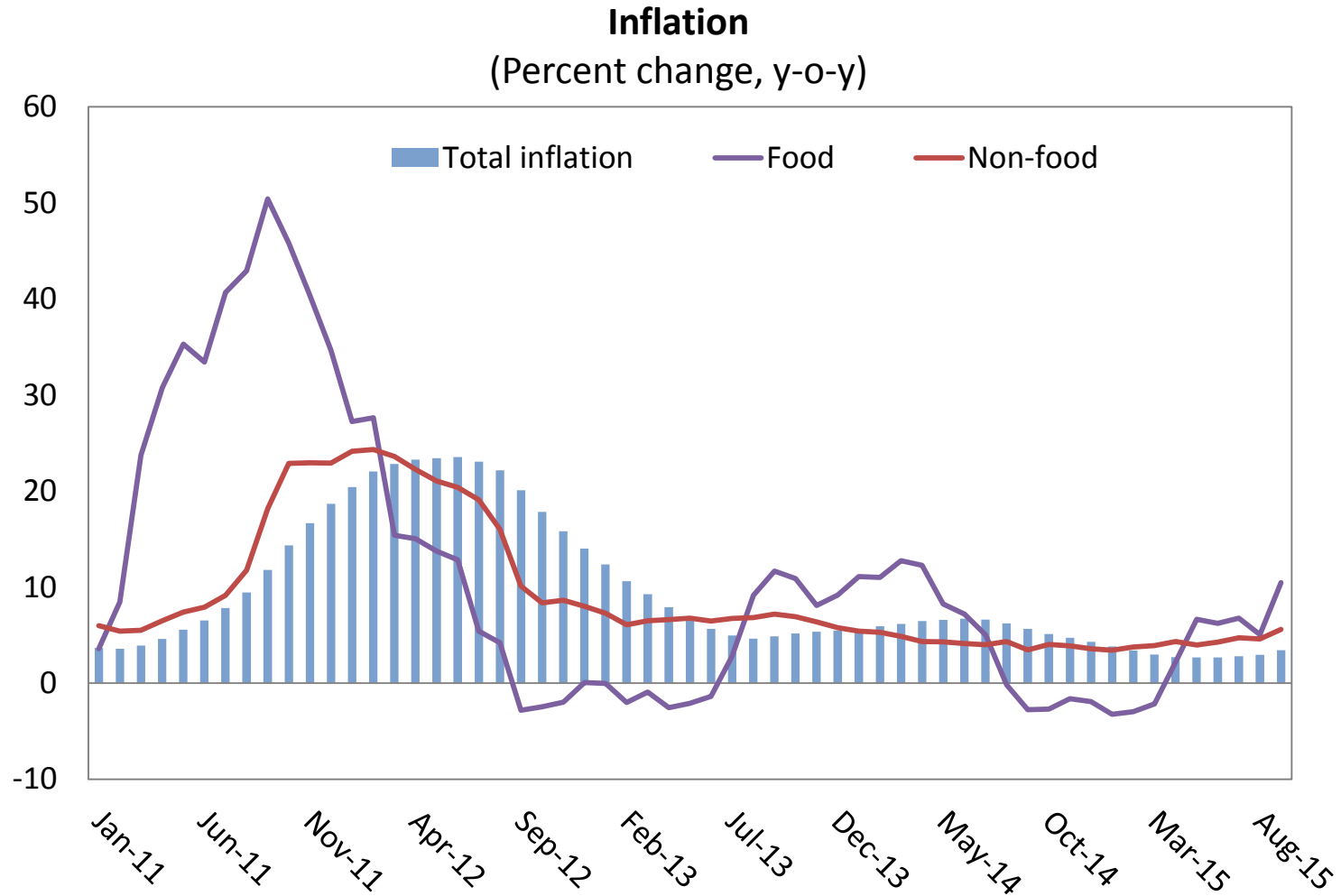
Real GDP growth above Sub-Saharan Africa average



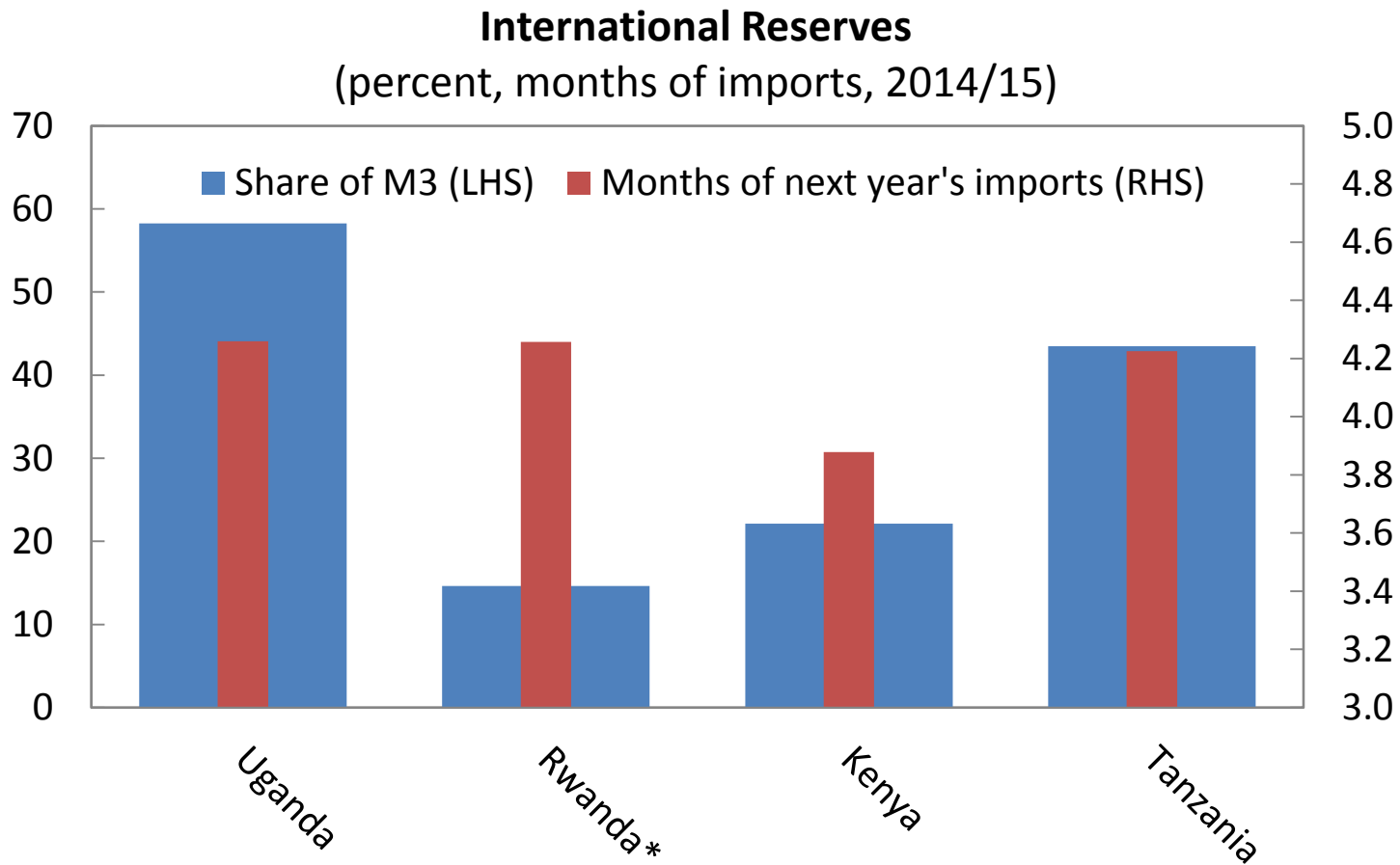
Uganda and SSA: Real GDP Growth
(Percent)



Inflation is volatile but under control

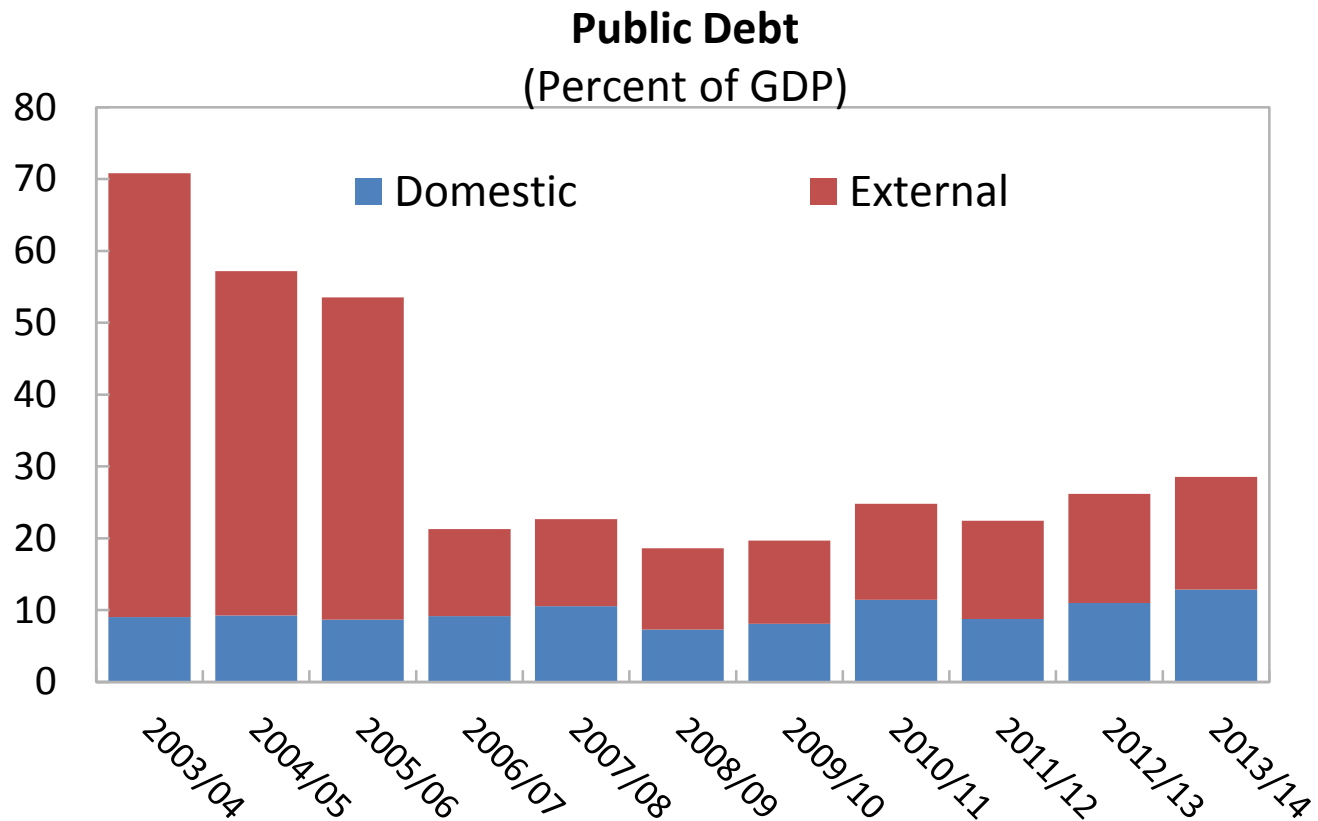


Strong international reserve position



*FY 2014/15 for Rwanda was calculated by averaging across CY2014 and CY2015

Sustainable public debt



Sources: Ugandan authorities and IMF staff calculations.

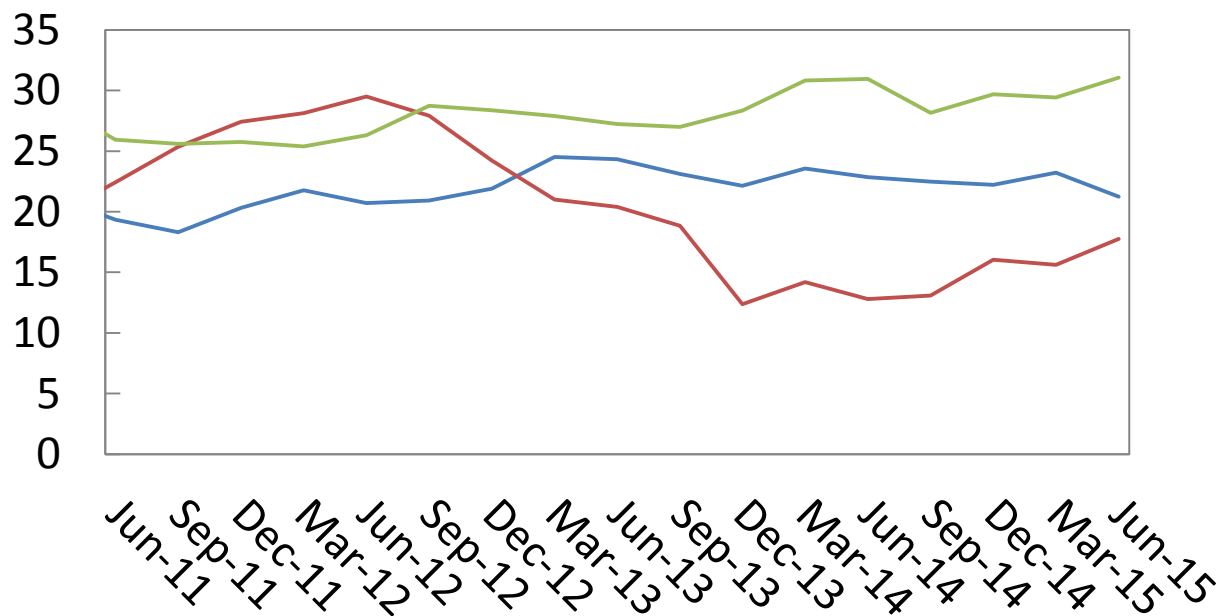
Note: External debt is defined as foreign-currency denominated debt.



A sound financial system

Selected Financial Sector Indicators (percent)

- Regulatory capital (percent of risk-weighted assets)
- Return on equity (percent)
- Liquid assets to total assets





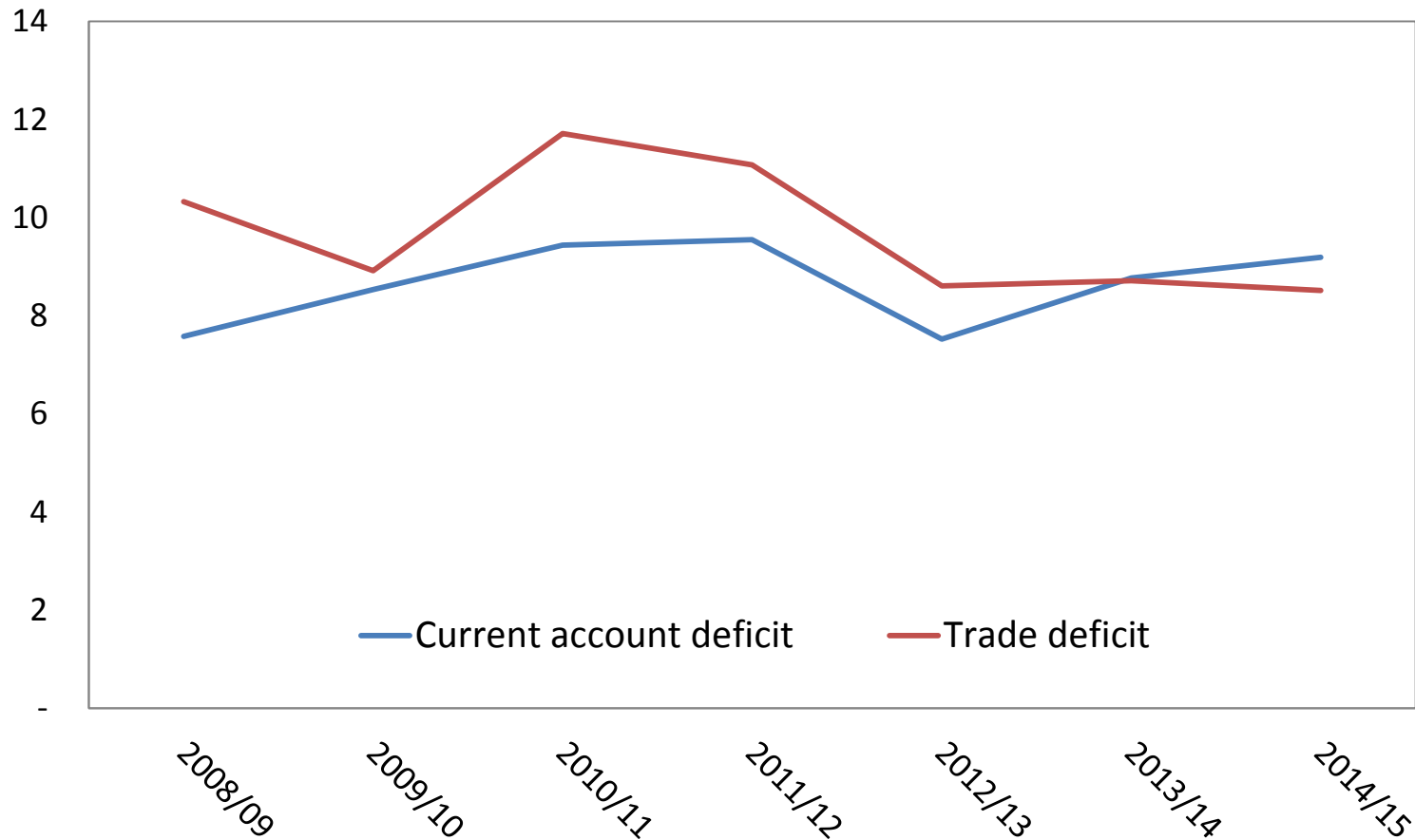
2. Uganda: Dealing with shocks

- Global and regional shocks:
 - Sluggish exports to South Sudan
 - Depressed tourism
 - Higher repatriation of profits
 - Less FDI and portfolio inflows
- Election-related nervousness:
 - Speculation
 - Currency substitution

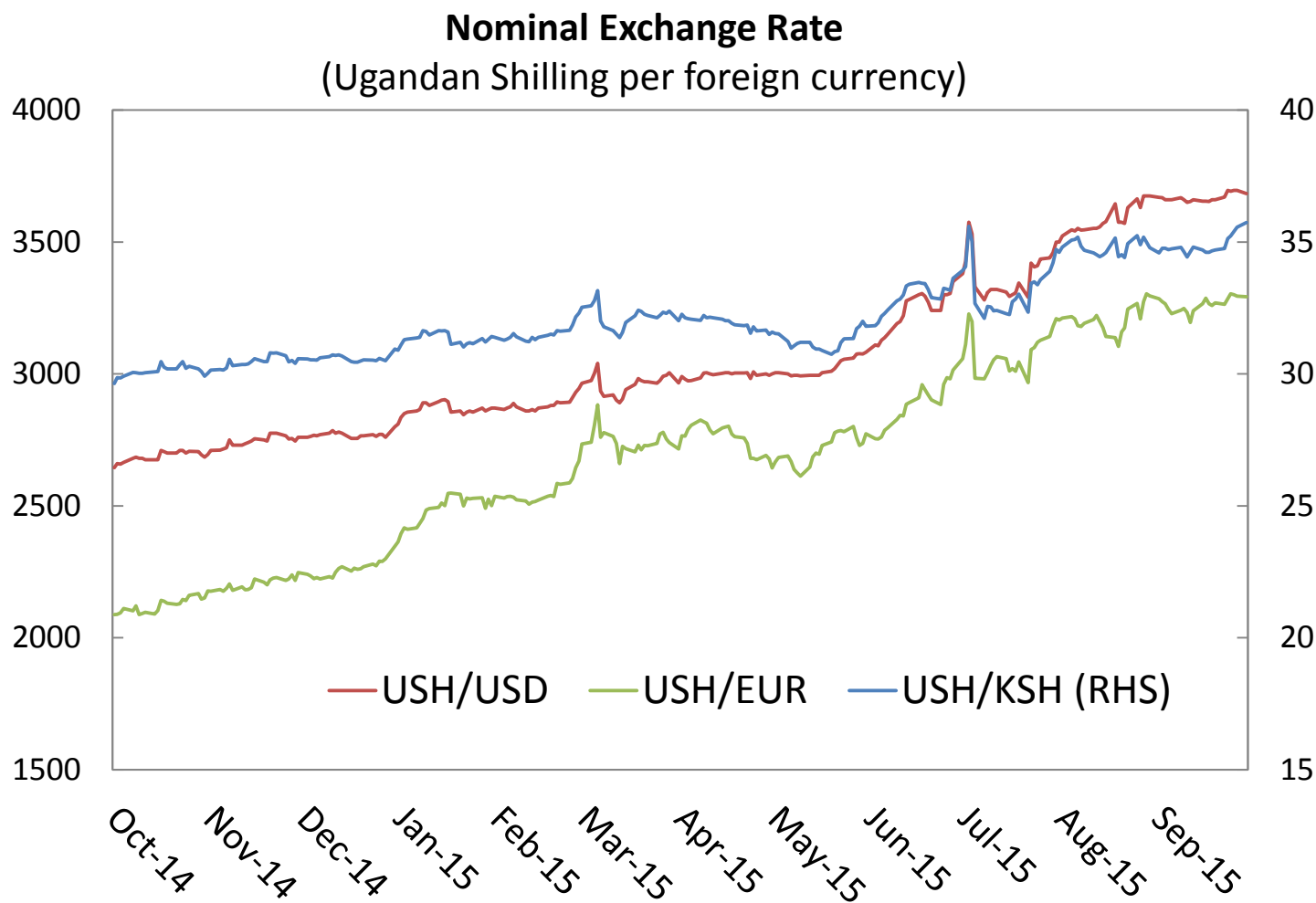
A widening current account deficit



Current Account Deficit and Trade Deficit
(Percent of GDP)



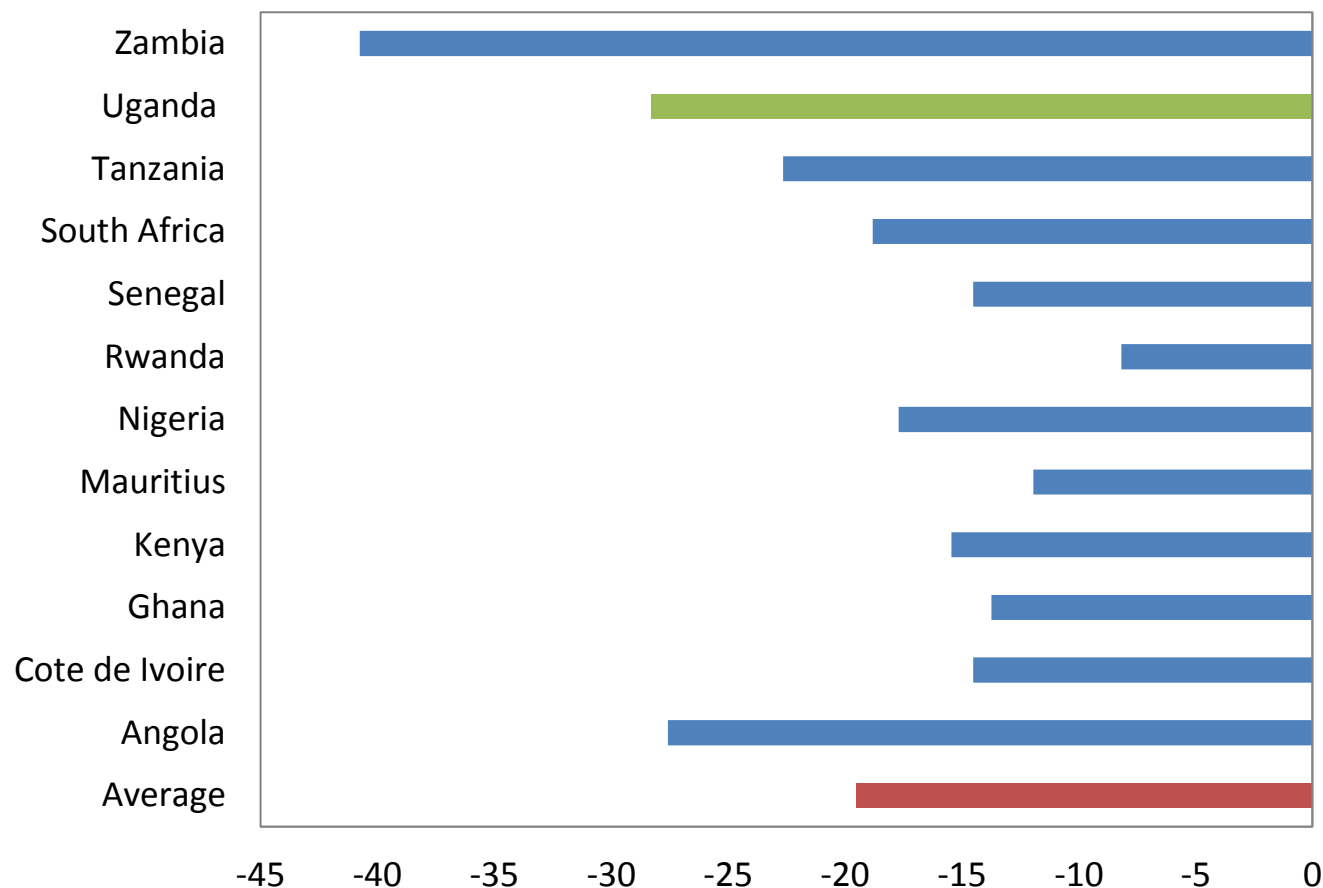
Significant exchange rate depreciation



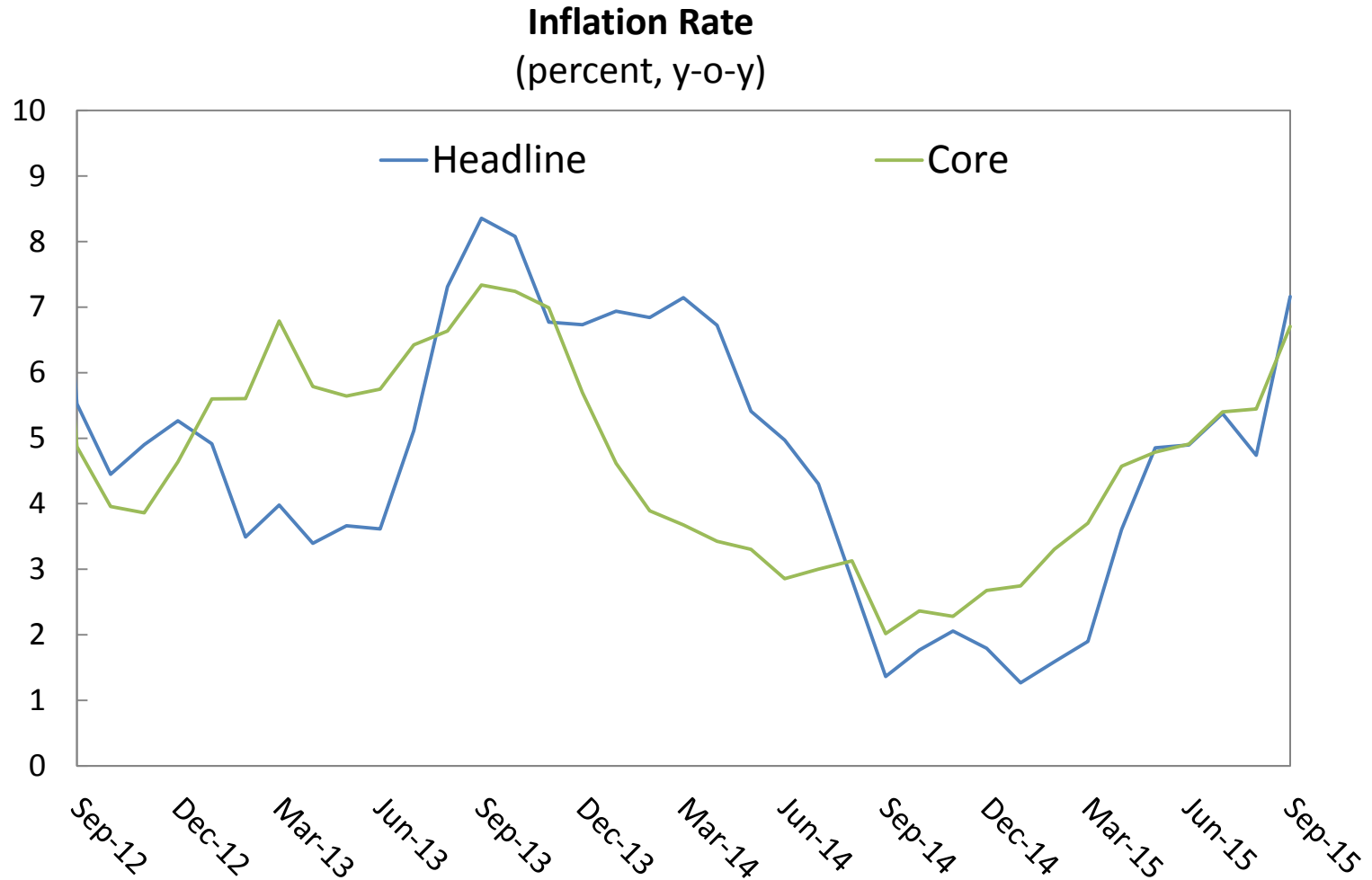
Larger depreciation than in other countries



Change in Exchange Rate (NC/USD) for Select SSA Countries
Change from previous year as of September 23, 2015 (percent)



The depreciation pass-through has pushed up inflation





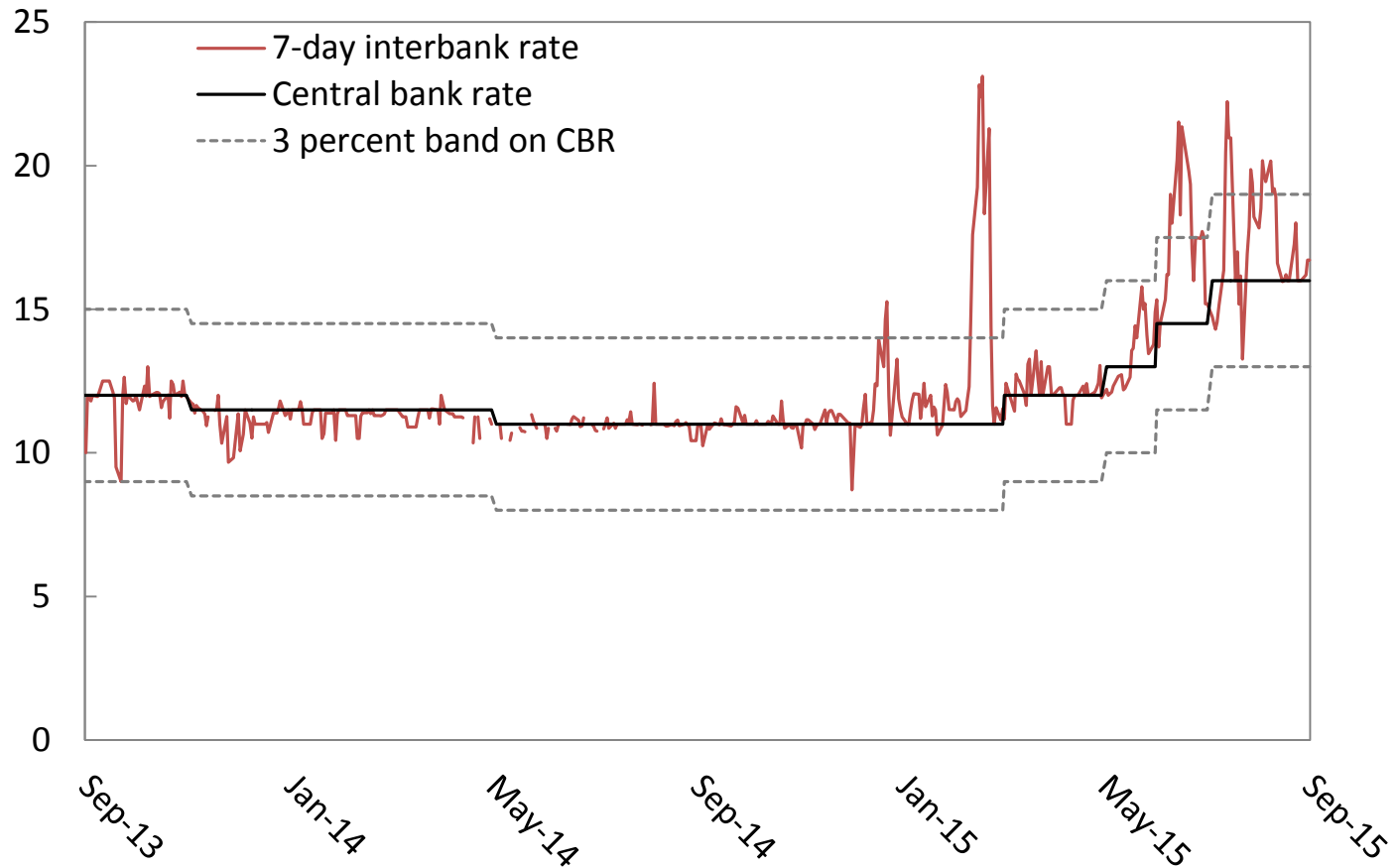
3. Uganda: Policy response

- Monetary tightening
- Lower-than-anticipated fiscal expansion
- Re-profiling of infrastructure investments

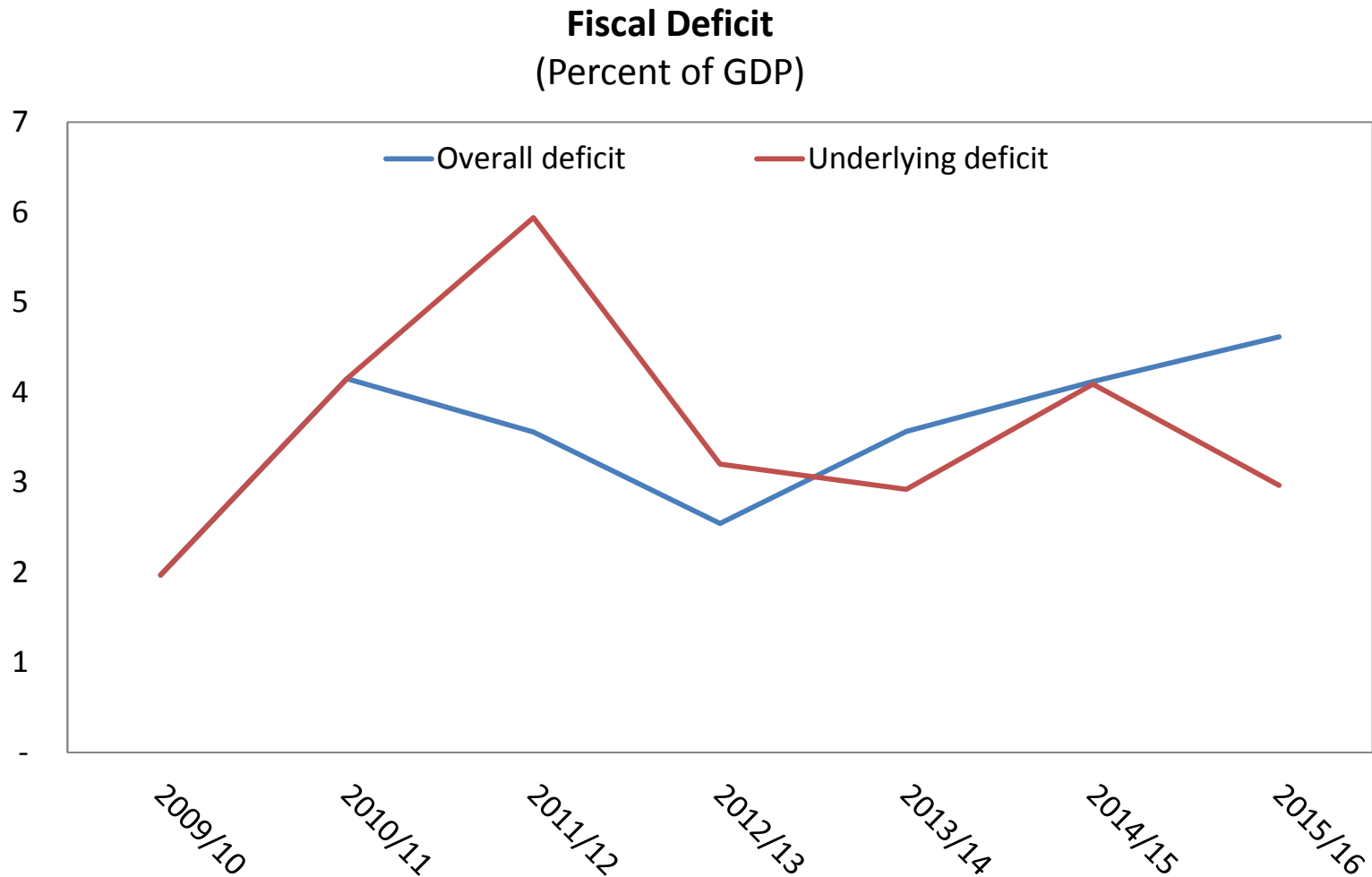
Policy rates have increased sharply



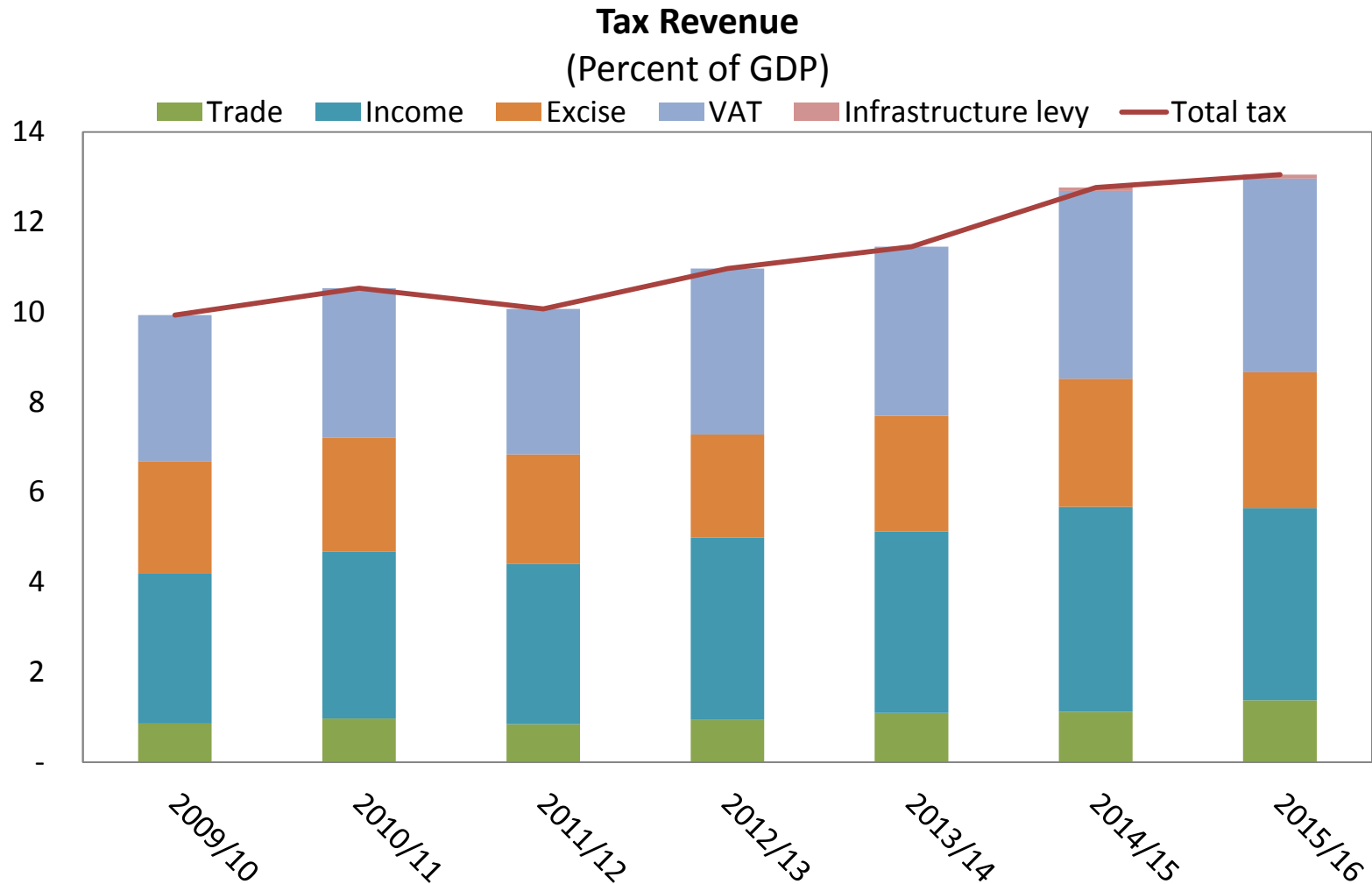
Central Bank and Interbank Rate
(percent)



The underlying fiscal deficit is declining



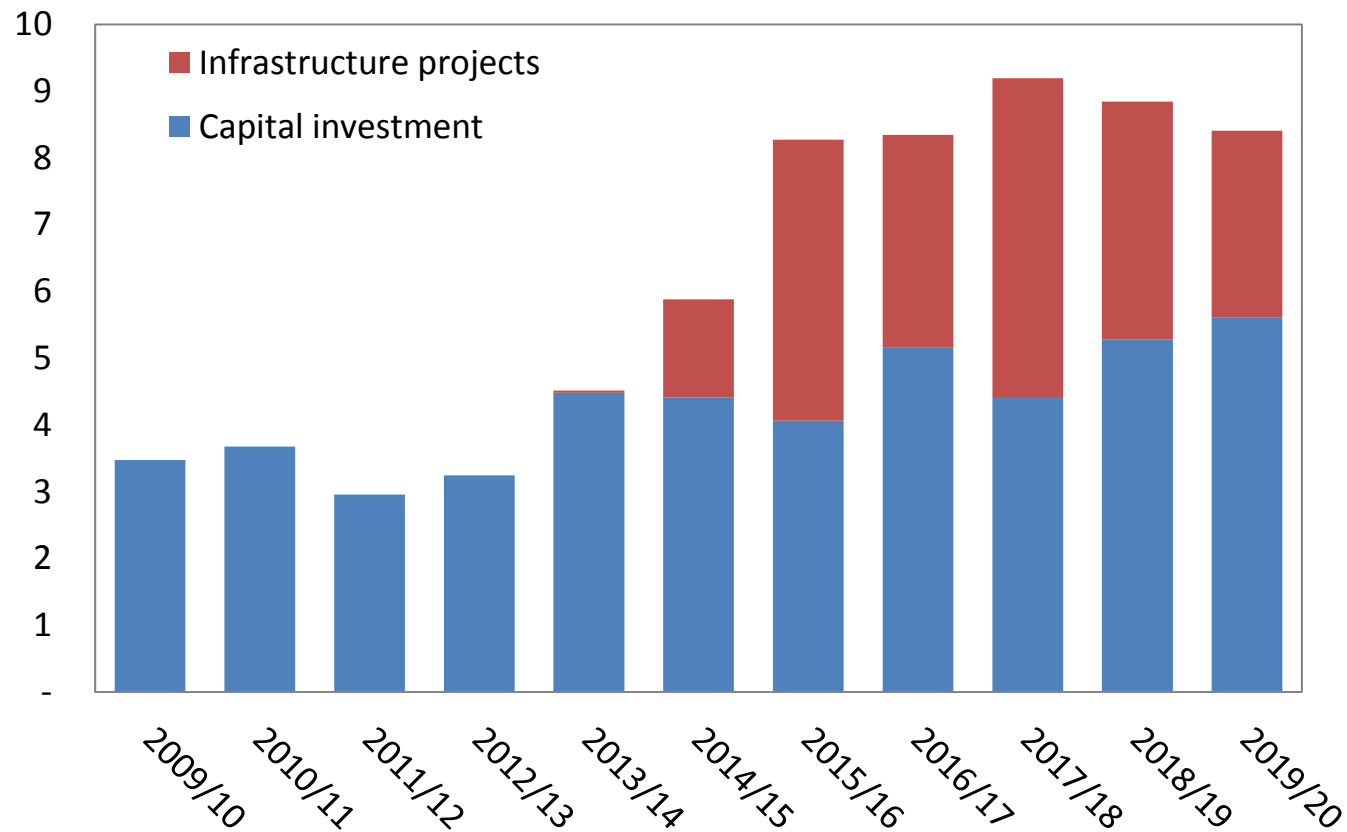
The tax-to-GDP ratio is increasing



Re-profiling of some infrastructure projects



Development Expenditure
(Percent of GDP)





4. Uganda: Medium term prospects

Favorable factors:

- Oil production
- Regional integration
- Improvements in infrastructure

Challenges:

- Improve productivity
- Strengthen governance
- Protect the poor

Domestic savings need to increase



- **Improving public savings**
 - Phasing out remaining tax exemptions
 - Improvements in tax administration
- **Improving private savings**
 - Growth-enhancing reforms
 - Develop financial instruments and the non-bank sector
 - Improve culture of precautionary saving



Building institutions

Better public financial management

New Public Finance Management Act to improve budget credibility, integrity and predictability

An independent central bank

Fully capitalized

Accountable for ensuring low and stable inflation

A financial sector that contributes to development

Not only sound, but deep and inclusive

Very high potential



- Fertile land and qualified human resources
- Planned reforms are set to encourage investment, production, and export opportunities
- The ultimate objective is to create jobs and reduce poverty

Thank you!

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