

Good weather to boost Uganda's economic growth by 5%

By Benon Ojiambo

Uganda's economy is projected to grow at a rate of 5% in this financial year, up from 4% last financial year.

The projection was based on the good weather that supports the agricultural productivity which the country has enjoyed since the financial year started in July.

The projection was revealed by the International Monetary Fund (IMF) in its latest regional economic outlook for sub-Saharan Africa that was released at Statistics House in Kampala yesterday.

This is higher than the sub-Saharan Africa region in general that is projected to grow at 2.6% this financial year, an increase from 1.4% last year. The region is also projected to post growth rates of up to 5% in the subsequent years.

Growth in the sub-Saharan region was attributed to general increase in prices of general commodities like oil and iron in the global market.

Clara Mira, the IMF country representative in Uganda, explained that last financial



Mira interacting with Kasekende during the launch of the Regional Economic Outlook report at Statistics House in Kampala yesterday. Photo by Lawrence Mulondo

year, economic growth was low at 4% owing to bad climatic conditions characterised by drought that affected agricultural productivity, huge infrastructure spending and spillover from political uncertainty in Kenya, South Sudan and Burundi.

She, however, warned that for this to be achieved,

there is need to implement the budget to the dot and improve implementation of infrastructural projects.

She also said the economy faces challenges such as slow growth in the private sector credit growth, which have undermined its growth.

The IMF also warned Uganda about its increased

infrastructure spending that has led to a higher external debt. Currently, Uganda's public debt to GDP ratio stands at 38%.

The report also warned that the country needs to improve its domestic revenue mobilisation as it remains lower than that of regional peers. Uganda's tax to GDP ratio is

estimated at about 13%, lower than Rwanda and Kenya whose ratios stand at about 15% and 16% respectively.

Mira also noted that though Bank of Uganda has appropriately continued easing cycle of the monetary policy since last year partly to drive private sector credit and economic growth, it (private sector credit growth) has remained muted. Since April last year, Bank of Uganda has successively reduced its Central Bank Rate from 17% in February last year.

In October this year, the central bank reduced the CBR by 0.5% points to 9.5 from 10% in August this year, a reduction from 17% in February last year.

However, this has not translated into growth in private sector credit from the commercial banks to support economic growth, according to Mira but blames this on the banks and the general public.

Stephen Kaboyo, the chief executive officer of Alpha Capital Partners Uganda Ltd, said the 5% prediction is realistic considering the factors behind the projection.

"The weather conditions have bounced back compared to nine months ago, the global financial conditions have also improved. There is stability in the regional geo-political climate because Kenyan and Rwandan elections have ended," Kaboyo explained.

He allayed fears of a high public debt to GDP ratio saying the current ratio which stands at 38% is still below the 50% threshold compared with other regional players like Kenya whose public debt ratio stands at 54% of GDP.

Louis Kasekende, the deputy Governor of Bank of Uganda, appreciated the fact that there is some 'good news' coming from the global market characterised by increased commodity prices.

Kasekende warned that though growth in the region is recovering, it will still be very weak compared to the boom which took place earlier in this century.

"Between 2004 and 2014, per capita real GDP growth in sub-Saharan Africa averaged about 3% per annum, it is forecast in the outlook to be only 0.3% this year and 1% next year," he cautioned.