# New exports pay off

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Uganda's export diversification efforts are steadily paying off. New export products are beginning to cushion the country as the traditional foreign exchange earners struggle on the international market.

The industrial sector – manufacturing and mining – is steadily gaining an edge as a foreign exchange earner over some traditional exports such as cotton, tea and tobacco. In the last financial year, tea plunged to 8th position, cotton to 15th and Tobacco to the 16th position.

Coffee alone has clung to the number one slot, fetching $490.41m (sh1.7 trillion) in the financial year 2016/17. The other three which used to be in the same league with it brought in a combined $163.09m (sh580b) with tea accounting for $67.83m (sh241.5b), cotton for $48.31m (sh172b) and tobacco $46.95m (sh167.1b).




Coffee remains Uganda's top export




## Emerging export products

The emerging top export products include gold, which is now the country's second export product, followed by fish and fish products in the third position and oil re-exports in the fourth place.

Uganda earned $339.09m (sh1.2 trillion) from gold exports in the 2016/17 financial year, $131.04m (sh466.6b) from fish and fish products and $124.12m (sh441.9b) from oil re-exports.

The other products fetching the country high export revenue are sugar at $117.34m (sh417.8b), base metals and products at $106.31m (sh378.5b) and maize at $72.26m (sh257.3b).

This shows that more products are becoming competitive enough to be exported, thus, reducing the country's over-dependence on few export items.

Cement is also steadily shifting to the country's top list of exports.

An official from the National Planning Authority recently said cement has great potential and could greatly surpass the traditional exports.

Uganda exported cement worth $50.2m (sh178.7b) in the 2016/17 financial year, compared to cotton's $48.31m (sh172b) and tobacco's $46.95m (sh167.1b). The country used not to export cement prior to 2006.

The Uganda Export Promotions Board (UEPB) executive director, Elly Twineyo Kamugisha, said the diversification of exports is expected to quicken Uganda's economic development.

"Uganda is slowly becoming an export country; we are increasingly adding value to products. Exporting value-added products helps economies grow faster than exporting raw products," Kamugisha said. He said manufactured goods now make 50% of Uganda's exports.

However, he noted that there is need to organise the gold mining and export sub-sector to earn more.

Gold mining in Uganda is done by artisanal miners, who sell it to middlemen. These then sell to the Chinese to refine and export or sell to local jewellery dealers.

The chairman of the Uganda Chamber of Mines and Petroleum, Elly Karuhanga, recently urged Turkish investors to invest in minerals, saying the sector is still largely unexploited due to limited funds.

It should be recalled that in February this year, President Yoweri Museveni commissioned a $15m (sh53.6b) gold African Gold Refinery in Entebbe.

## Balance of trade

According to Kamugisha, export diversification will help narrow Uganda's trade deficit, as demonstrated by the $4.56b (sh16.2 trillion) export earnings in 2016/17 compared to $3.16b (sh11.2 trillion) the previous year.

He was also optimistic that the traditional exports will also pick up, but noted that the emerging export items will be the ones to propel the country's 2020 middle income status target.

However, BMI Research, a global firm that provides macroeconomic, industry and financial market analysis, says Uganda's current account deficit may widen in 2017 and 2018.

It blames this on demand for capital imports for government-led infrastructure investments.

It also says although exports will continue rising, they will not outpace imports. It said the trade imbalance will further be impacted by the repatriation of profits by foreign firms implementing government projects.

A National Planning Authority official who preferred anonymity also said the widening trade deficit is being driven by government's huge imports, whose bill grew by 120% last year. "That cannot be avoided," he said.

## Challenges

Experts blame the woes of traditional export products on poor co-ordination of the various policies, low production, land fragmentation and poor quality products.

A 2015 Economic Policy Research Centre (EPRC) study indicated that the country's exports have stagnated at 50,000 metric tonnes over the last six years due to the above reasons.

It noted that although an estimated 200,000 hectares of Uganda's land are suitable for tea production, only 28,000 hectares (about 14%), are being utilised.

The Uganda Tea Association also indicated that tea production between 2015 and 2016 dropped from 58,588,208 kilogrammes to 39,298,960 kilogrammes.

For cotton, the Cotton Development Organisation managing director Jolly Sabune lamented the high cost of inputs and low value addition. She said 95% of the lint is exported raw affecting the earnings.

But she said interventions to boost the product are being implemented. They include use of quality enhancing inputs and development of new high-yielding cotton varieties that are resistant to drought, disease and pests.

The Government has set UEPB an ambitious target to grow Uganda's export earnings to $8b (sh28.4 trillion) by 2020.



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