



NATIONAL PLANNING AUTHORITY

MONTHLY ECONOMIC UPDATE



NOVEMBER 2019



Key Economic Highlights

- ▷ Overall economic growth is projected to be in the range of 5.5-6.0 percent in 2019 and the pace sustained into 2020.
- ▷ There was an improvement in level of economic activity according to the Purchasing Managers' Index (PMI) which increased to 58.6 in November from 56.3 in September and Composite Index of Economic Activity increased to 145.8 in November from 145.7 in October.
- ▷ Annual Headline Inflation rose to 3 percent in November 2019 from 2.5 percent in October. This was largely attributed to an increase in annual core inflation to 2.9 percent in November from 2.6 percent in October, 2019
- ▷ The Ugandan Shilling remained relatively stable against the US Dollar, trading at an average midrate of Ushs. 3697.4 for the year ending November 2019.
- ▷ A fiscal deficit of Ushs. 342.41 billion was recorded, which was lower than the programmed Ushs. 898.15 billion in the month of November 2019.
- ▷ The merchandise trade deficit widened on a monthly basis, but narrowed on an annual basis. The monthly deficit widened by 0.3 percent to USD 224.20 million, following a higher increase in imports that offset the export earnings.



1.0 State of the Economy

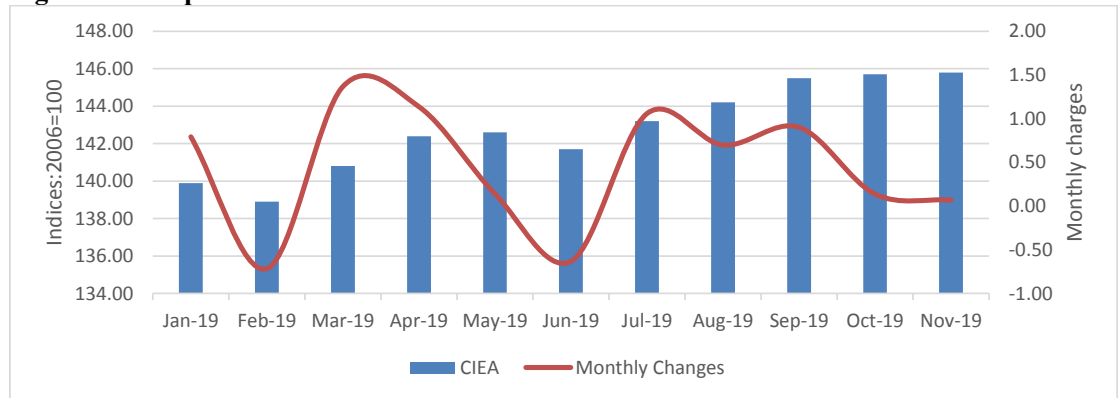
1.1. Real Sector Development

The Uganda Bureau of Statistics (UBOS) rebased the Gross Domestic Product (GDP) from 2009/10 to 2016/17 base year, and this changed a number of key economic statistics. Rebasing is where the old base year used for compiling GDP is replaced with a new more recent base year. **For example**, as a result of the compilation of SUT 2016/17, GDP for 2016/17 was estimated at UGX 108,518 billion, an upward revision of 18.3 percent from the previously published GDP estimate of UGX 91,718 billion. Following the rebasing process, the economy is estimated to have grown by 6.5 percent in 2018/19. This growth is 0.3 percentage points higher than the growth of 6.2 percent registered in FY 2017/18.

There was positive growth rate in all the major economic sectors. Agricultural production is estimated to have increased at 0.3 percent in the three months to October 2019, compared to 0.2 percent in the three months to July 2019. On an annual basis, agricultural output grew by 1.7 percent in the 12 months to October 2019. Industrial activity in the quarter to October 2019 grew at a rate of 1.1 percent higher than 0.1 percent growth in the quarter to July 2019, but lower than 2.0 percent in the quarter to October 2018; due to increased activity in the manufacturing sub-sector. On an annual basis, industrial activity grew by 3.9 percent. In the three months to October 2019, activity in the services sector increased at a higher rate of 2 percent compared to 1.2 percent in the three months to July 2019, but lower than 2.7 percent in the three months to October 2018; mainly driven by growth from transport and communication, and government services sub-sectors. On an annual basis, the sector grew by 6 percent.

The Composite Index of Economic Activity (CIEA) increased. According to Bank of Uganda, the Composite Index of Economic Activity (CIEA), the short-term indicator of economic activity, increased slightly to 145.8 in November 2019 from 145.7 in October 2019 as seen in **(Figure 1)**, which indicated growth of 0.53% in (CIEA).

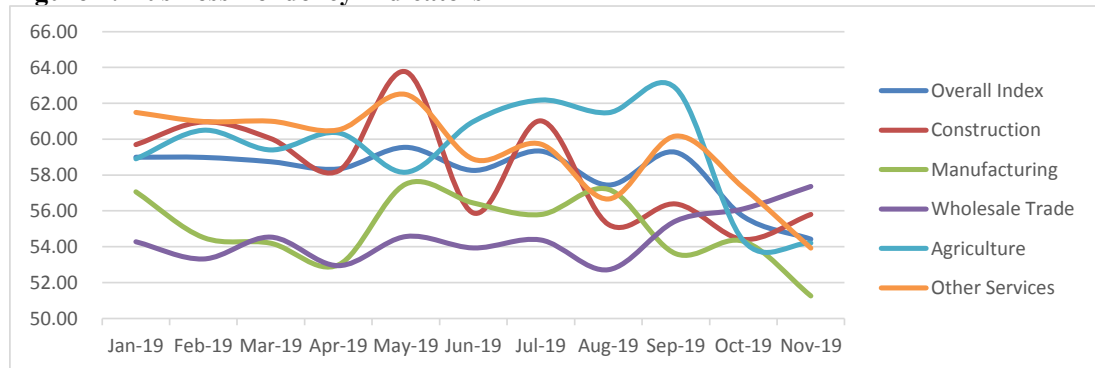
Figure 1: Composite Index of Economic Activities



¹Source: Bank of Uganda

The Purchasing Manager’s Index (PMI) increased. The Purchasing Manager’s Index (PMI) increased to 58.6 in November 2019 from 56.3 in September; as a result of increased demand, further increasing new orders and output. Investor sentiments about doing business in Uganda remained positive in November 2019, as illustrated by the Business Tendency Index (BTI), remaining above the threshold of 50. Nonetheless, the BTI recorded a lower value of 54.4 in November 2019, compared to 55.7 recorded in the preceding month as seen in **(Figure 2)**. This shows that investors are less optimistic about investing since the festive season had approached.

Figure 2: Business Tendency Indicators



Source: Bank of Uganda

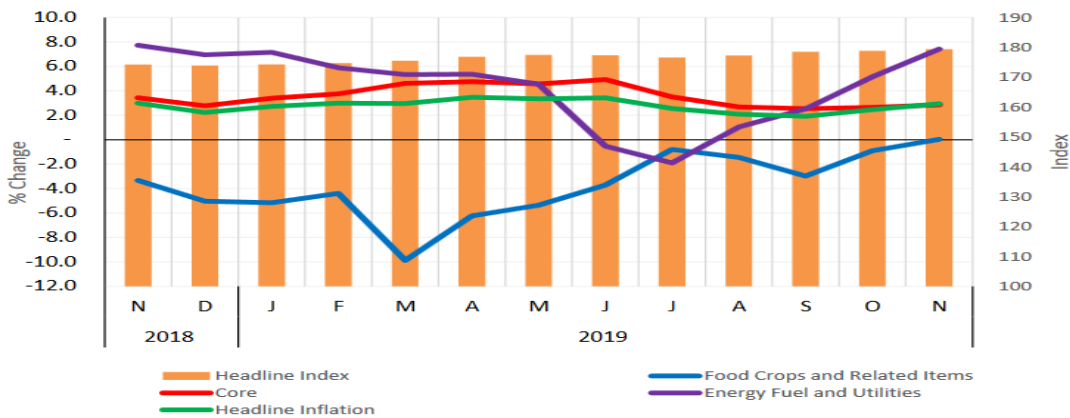
1.2. Inflation Developments

¹ BTI index less than 50 implies negative expectations
BTI index greater than 50 implies positive expectations

The Annual Headline Inflation for the year ending November 2019 is recorded at 3.0 percent compared to the 2.5 percent recorded during the year ended October 2019. The increase in annual headline inflation is largely attributed to the Annual Core Inflation, which increased to 2.9 percent for the year ending November 2019 compared to the 2.6 percent registered for the year ended October 2019. In addition, the Annual Energy, Fuels and Utilities (EFU) Inflation increased to 7.4 percent for the year ending November 2019 compared to the 5.1 percent recorded for the year ended October 2019 as result of increase in solid fuels as seen in (Figure 3).

The monthly headline inflation for November 2019 increased by 0.3 percent in November 2019 from the 0.2 percent rise recorded in October 2019. The increase in the monthly headline inflation was attributed to the monthly core inflation that increased by 0.2 percent for the month of November 2019, from the earlier 0 percent recorded in October 2019. The increase in core inflation was due to the monthly other goods’ inflation that rose by 0.3 percent during the month of November 2019 from the 0.1 percent drop recorded for the month of October 2019.

Figure 3: CPI and Inflation rates

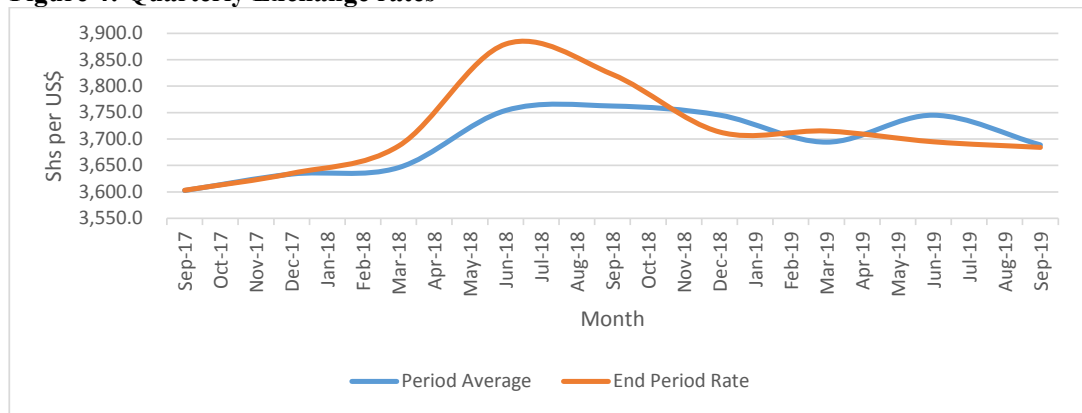


Source: UBOS (2019)

1.3. Exchange rate Developments

In the financial market, foreign exchange remained relatively stable during the month. The Ugandan shilling depreciated marginally against the US Dollar from Ushs.3696.2 in October to Ushs. 3697.4 in November 2019. This is depicted in (Figure 4).

Figure 4: Quarterly Exchange rates



Source: BOU 2019

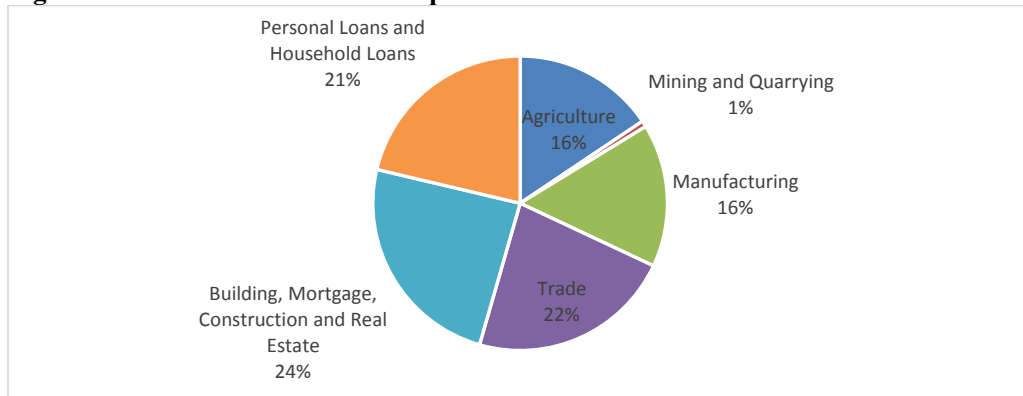
1.4. Private Sector Credit (PSC)

A favorable monetary policy was adopted by Bank of Uganda so as to enhance economic growth. The Central Bank Rate (CBR) was revised downward from 10.0% to 9.0% in October. The Shilling denominated lending rates remained stable reducing slightly from 19.8% in September to 19.8% in October 2019. This led to an increase in PSC by 0.9% from Ushs 15,362.94 billion in September to Ushs. 15,498.68 billion in October 2019. The growth is partly attributed to the continued recovery in lending supported by a more accommodating monetary policy stance.

Growth in private sector credit (PSC) remains robust, although it slackened slightly in the recent past. The year-on-year growth in PSC averaged 12.6 percent in the three months to October 2019, lower than the 14.3 percent recorded in the three months to July 2019. This PSC comprises mainly Shilling denominated loans, which grew by 16.6 percent from 18.6 percent. Similarly, year-on-year growth in foreign currency denominated loans averaged 5.0 percent relative to 6.6 percent during the previous period. On a quarter-on-quarter basis, PSC grew at a lower rate of 2.3 percent in the three months to October 2019, compared to 4.2 percent in the three months to July 2019. The lower growth in PSC in the quarter to October 2019 may partly be reflective of the moderating economic activity and an increase in NPLs in September 2019 relative to June 2019.

The Building, Mortgage’ construction and real estate sector received the largest share of credit approved in November 2019 at 24 percent, others sectors like trade, agriculture, building, construction and followed respectively as illustrated in **Figure 5**.

Figure 5: Sector shares of credit to private sector in November 2019



Source: Bank of Uganda

1.5. Fiscal Sector Developments

Preliminary estimates from the Ministry of Finance Planning and Economic Development recorded a fiscal deficit of Ushs. 342.41 billion which was lower than the programmed Ushs. 898.15 billion. The deficit was as a result of lower revenues and grants which fell short by 22 percent and underperformance by expenditure and net lending recorded at 65.7% of the programmed level. All tax heads registered shortfalls in the month of November 2019. Direct domestic taxes were Ushs. 79.26 billion (17.7%) short of the targeted Ushs.449.08 billion.

The lower expenditure and net lending mainly resulted from underperformance by expenditure and net lending recorded at 65.7% than the planned, which is all illustrated in the table 1.

Table 1: Summary Table of Fiscal Operations, November 2019

Billions	Program	Prel. Outturn	Performance	Deviation
Revenues and grants	1,875.67	1,479.61	78.9%	-396.05
Revenues	1,624.93	1,429.20	88.0%	-195.73
Tax	1,483.89	1,294.43	87.2%	-189.46
Non tax	141.04	134.77	95.6%	-6.28
Grants	250.74	50.42	20.1%	-200.32
Budget Support	14.03	-	0.0%	-14.03
Project Support	236.70	50.42	21.3%	-186.28
Expenditure and lending	2,773.82	1,822.02	65.7%	-951.80
Current expenditure	1,165.51	1,075.81	92.3%	-89.70
Wages and Salaries	362.74	389.86	107.5%	27.12
Interest payments	258.60	174.31	67.4%	-84.29
o/w domestic	239.66	154.74	64.6%	-84.92
o/w external	18.94	19.57	103.3%	0.63
Other recurrent expenditure	544.17	511.64	94.0%	-32.53
Development expenditure	1,485.66	724.12	48.7%	-761.54
Domestic	622.32	445.45	71.6%	-176.87
External	863.33	278.66	32.3%	-584.67
Net lending repayment	54.52	4.71	8.6%	-49.81
Domestic arrears repayment	68.13	17.38	25.5%	-50.75
Overall fiscal balance (includ. grants)	898.15	342.41	-	-

Source: MoFPED²

1.6. External Sector Developments

The overall balance of payments position weakened in the 12 months to October 2019. The current account deficit increased by 45.1 percent to USD 3,290.2 million, largely driven by higher private sector imports, that grew by USD 801.9 million during the year. The trade deficit rose by 21.7 percent to USD 2,783.9 million, largely on account of the USD 850.2 million increase in the import bill that surpassed the USD 352.9 million growth in exports receipts. Consequently, Uganda's export earnings increased on a monthly basis, but declined on an annual basis. This was mainly because the value of merchandise imports increased by 2.7 percent to USD 535.85 million, in October 2019 from USD 521.55 million registered the previous month. This increase was majorly on account of non-oil private sector import volumes and prices increased.

On a quarterly basis, the current account deficit widened slightly by USD 9.3 million to a deficit of USD 820.5 million during the quarter ended October 2019. This was mainly driven by increased services deficit, largely on account of payments for technical services (public infrastructural projects).

The capital account increased by USD 20.7 million to USD 28.4 million in the quarter ended October 2019. The financial account inflows increased by USD 1,119 million in the 12 months to October 2019 supported mainly by an increase in FDI inflows and a significant drawdown of deposits abroad by banks and the private sector. However, on a quarterly basis, the financial account surplus deteriorated by USD 203.3 million in the quarter ended October 2019. This decline was largely on account of lower direct and other investment flows; specifically, lower loan disbursements to both the private and government sector. The financial account surplus was insufficient to finance the deficit on the current account, resulting in a drawdown in reserve assets of USD 32.8 million during the quarter to October 2019. On an annual basis, the increased financial account surplus in the 12 months to October 2019 was also insufficient to finance the high current and capital account deficit recorded in the year, leading to a drawdown in reserve assets by USD 34.6 million. The stock of reserves as at the end of October 2019 stood at USD 3,155.5 million –equivalent to 4.1 months of future imports of goods and services.

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² Fiscal Data is highly preliminary



The **National Planning Authority** was established by the **NPA Act (15 of 2002)** in accordance with Article 125 of the 1995 Constitution of the Republic of Uganda to produce comprehensive and integrated development plans for the country, elaborated in terms of the perspective Vision, long and medium-term plans.



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