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**PAPER ON THE STATE OF THE ECONOMY FOR THE THIRD QUARTER 2022/23**

**PRESENTED TO**

**THE ADVISORY COUNCIL OF PRIVATE SECTOR FOUNDATION UGANDA**

**PREPARED**

**BY**

**POLICY, ADVOCACY AND BUSINESS DEVELOPMENT DEPARTMENT**  
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*Business growth is our business*

**APRIL 2023**

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## 1. Introduction

The current business environment shows further improvement and promising amongst the business community and the citizenry. The outlook of Uganda's economic growth has been averaging at **6.8%** for the first half of the year (Q1 and Q2) for Financial Year FY 2022/23 compared to **3.7%** the same period last financial year having been projected to grow at 5.5% in 2023. Uganda's projected economic growth is **5.5%** which is **0.8%** higher than the previous year at which was at **4.7%** in the previous financial year and further predicted to hit 6% in 2024. The business environment improved due to the functioning of supply chains and stronger recovery in services and agricultural output. However, the recent Sudan conflict has affected some of our exports including tea and coffee.

Sentiments about doing business in Uganda over the last 3 months remained optimistic in March 2023 as the Business Tendency Index improved to **54.73** from **52.34** registered in February 2023. Bank of Uganda maintained the Central Bank Rate (CBR) at **10%** in April 2023. This was done in response to the easing inflationary pressures. The CBR of **10%** was estimated to be sufficient to support the reduction and stabilization of inflation around the medium-term target of **5%** by the end of 2023. Shilling-denominated lending rates increased to a weighted average of **20.24%** in February 2023, up from **18.54%** January 2023. This was on account of a tight monetary stance and end of the period of substantial borrowing by large corporate firms which are considered less risky by the commercial banks. This is one of the highest rates in years and is likely to affect borrowing. During the month of February 2023, borrowers were mainly from manufacturing, personal loans and household loans who are charged relatively high rates.

## 2. Global Economic Update

The world economic outlook is complex, given the high persistence of global inflation and hawkish monetary policies by the main central banks. The April 2023 International Monetary Fund (IMF) projections indicate that the baseline forecast is for growth to fall from 3.4 % in 2022 to 2.8% in 2023, before settling at **3.0%** in 2024. Advanced economies are expected to see an especially pronounced growth slowdown, from **2.7%** in 2022 to 1.3% in 2023. In a likely alternative scenario with further financial sector stress, global growth declines may decline to about 2.5% in 2023 with advanced economy growth falling below 1%.

The tighter financial conditions; the gas crisis associated with the war in Ukraine; the humanitarian costs arising from displaced Ukrainians in the Europe; mistakes - under- or overtightening monetary policy; intensification of geopolitical fragmentation; could impede trade and capital flows (IMF, 2023) and higher oil prices following production cuts by the Organization of the Petroleum Exporting Countries (OPEC) and Russia.

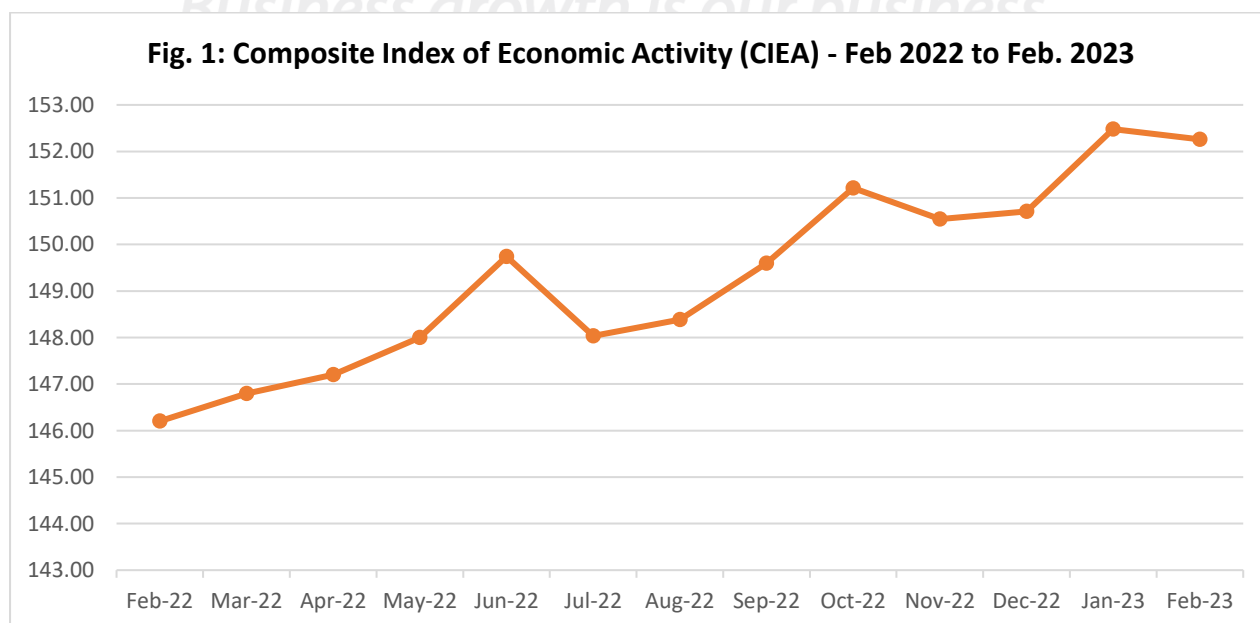
The global slowdown foretells a contraction in demand for Uganda’s exports and tightening global financial conditions means reduced financial support and debt distress to developing economies, and depreciation pressures on currencies of these economies. These would complicate both fiscal and monetary policies in these economies including Uganda.

Global headline inflation in the baseline is set to fall from **8.7%** in 2022 to **7.0%** in 2023 on the back of lower commodity prices but underlying (core) inflation is likely to decline more slowly. Inflation’s return to target is unlikely before 2025 in most cases.

### 3.0 Domestic Economic Activity

#### 3.1 Composite Index of Economic Activity (CIEA)

Economic Activity has continued to recover from the shocks experienced over the past two years, the Composite Index of Economic Activity (CIEA) marginally declined by **0.22%** from 152.48 in January to 152.26 in February 2023. This was due to weaker growth particularly in the industry sector on account of lower output from manufacturing and mining and quarrying sub sectors during the month.

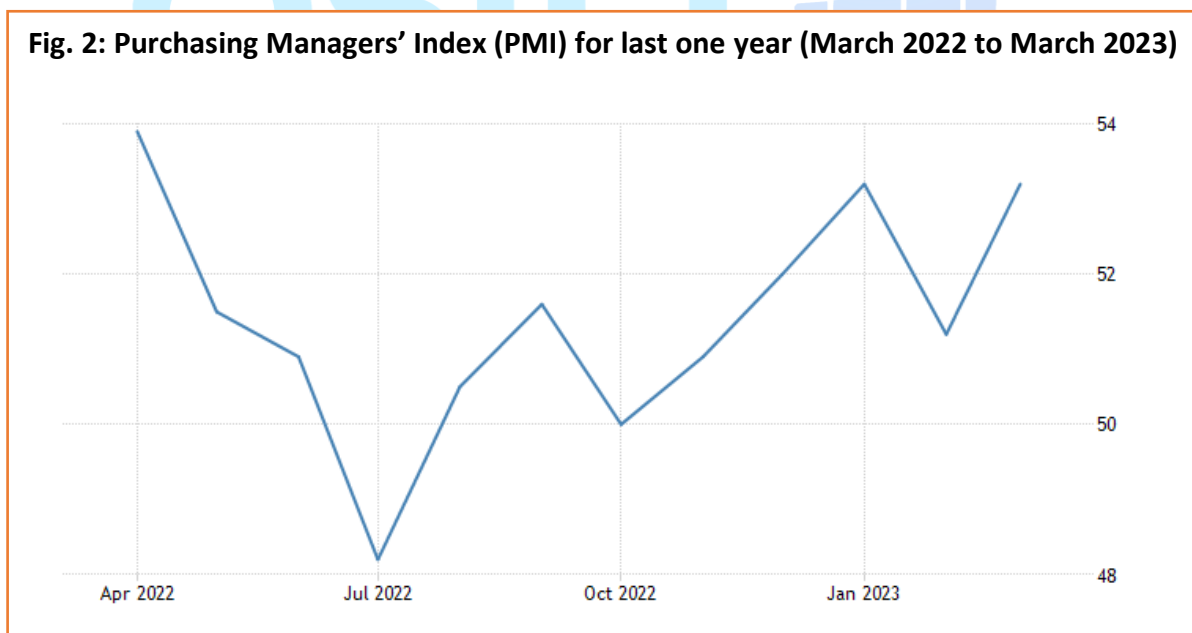


Source: Bank of Uganda – April 2023

### 3.2 Purchasing Manager Index

The Purchasing Managers' Index (PMI) in March 2023 was recorded at 53.2, up from the 51.2 recorded in February 2023 and marking an improvement in business activity, as increases were sustained for the eighth consecutive month in both output and new orders. Business activity increased in each of the agriculture, construction, industry, services, and wholesale and retail sectors. The continuous improvement in business conditions was mainly driven by increased output by firms and new orders from customers amid improving demand. This was supported by relatively stable economic conditions and price discounts by firms as output charges were reduced for the first time in over a year.

On the price front, input prices advanced for the twentieth consecutive month, mainly due to higher purchase costs and increased prices for utilities & construction materials. None the less, the private sector remains optimistic that output will further improve over the course of 2023 with confidence supported by predictions of ongoing improvements in customer demand.

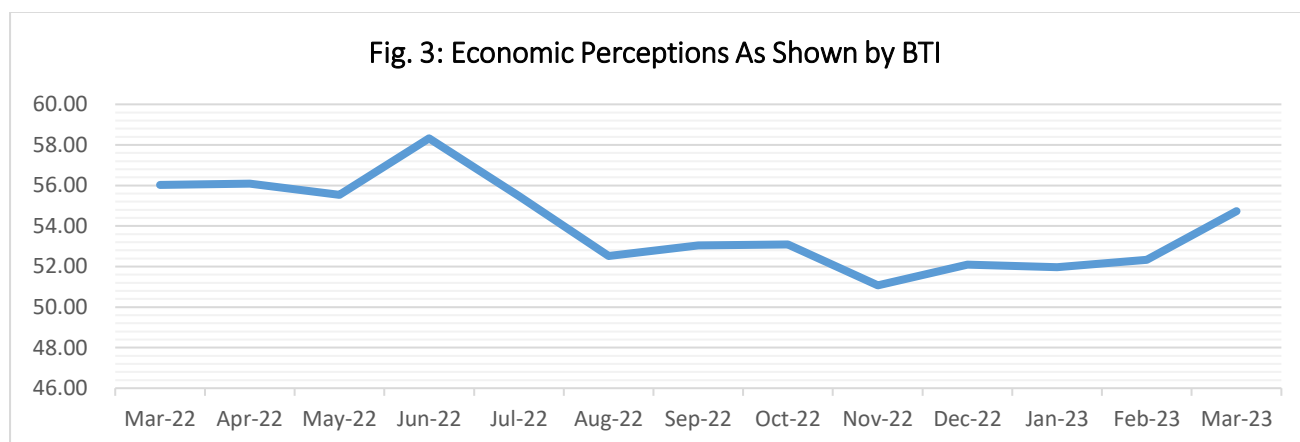


Source: Stanbic Bank Uganda, April 2023

### 3.3 Business Perceptions

Sentiments about doing business in Uganda over the last 3 months remained optimistic in March 2023 as the Business Tendency Index improved to 54.73 from 52.34 registered in February 2023. Optimism was mainly expressed in the

construction, wholesale trade, agriculture and other services sectors signalled by improvements in key indicators like present business conditions, order volumes with suppliers, financial situation, and access to credit.



**Source: Bank of Uganda – April 2023**

To sustain the existing positive trajectory, and stimulate effective demand within the economy, economic policy measures need to focus more on the right monetary – fiscal policy mix with succinct concertation on interventions aimed at prioritization of investment in value chain development, to deliver quick benefits to the economy. Some of the critical interventions to pursue include:

- i. Consider structuring demand for goods and services through well-regulated and administered buffer stocks for products such as fuel, critical food products- as per the basket of goods defined by UBOS, and key industrial seasonal crops to build the resilience of the economy against external shocks and better manage excessive increase in prices. More concertation should go to proper management system to achieve efficiency. Furthermore, government needs to prioritize investment in irrigation systems especially in areas that are food baskets to sustain food production.
- ii. Prioritize investment in the selected production sectors to excessive increase food supply which will eventually contribute to the reduction of inflation, spur exports thus checking the foreign exchange volatility. This if implored to support Government generate more tax revenue used in meeting existing debt obligations.
- iii. The interventions above should be based on a value chain basis and at sector level but driven by leaders in the chain (facilitate business linkage among big and smaller

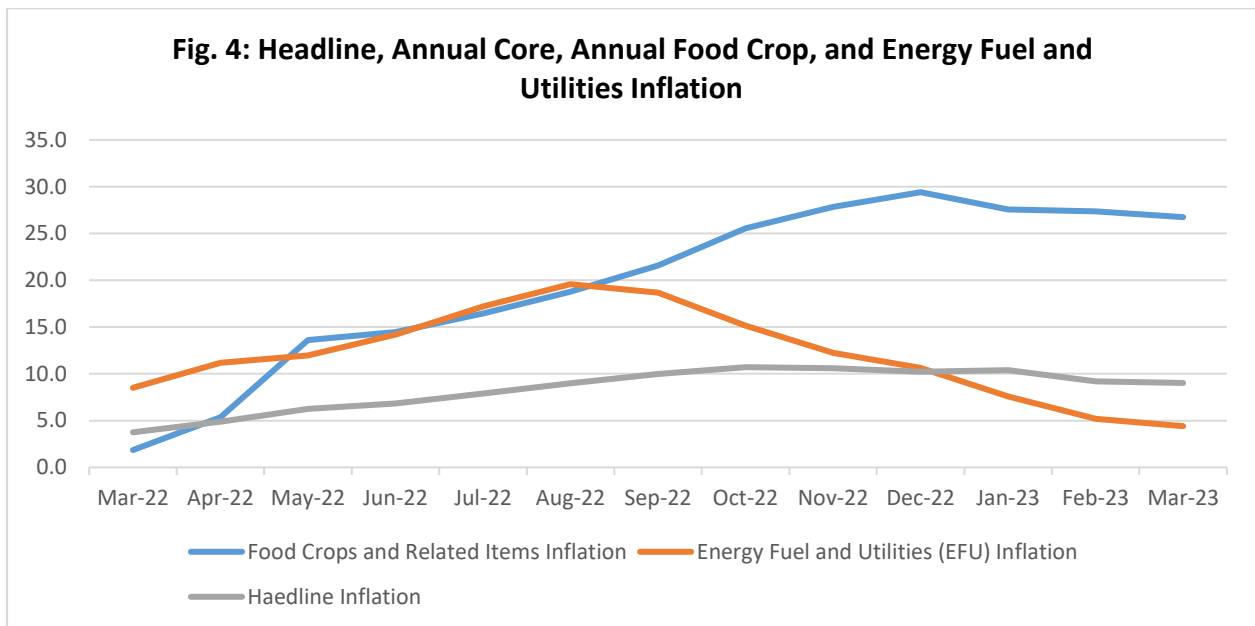
enterprises including informal producers) and supported by both government and development partners in such a way that will be sustainable.

#### 4.0 Inflation

The headline inflation during the month of March 2023 further declined to **9.0%** from the **9.2%** registered in the previous month. **This was largely driven by a slowdown of price increases in the annual Core inflation basket particularly for goods like sugar, iron sheets, refined cooking oil, laundry bar soap, among others during the month.** Additionally, the other two components of annual headline inflation i.e., Energy, Fuels and Utilities (EFU) and Food crops and related items inflation also declined during the month, contributing to the decline in the headline inflation.

Annual Energy, Fuels and Utilities inflation declined to 4.4% in March from 5.2% in February 2023. This was mainly due to a reduction in price increases for solid fuels particularly charcoal which registered a 7.7% rate in March 2023 compared to 10.2% in February 2023. In addition, there was further reduction in the prices for liquid fuels with prices for Petrol and Diesel averaging at Shs 5,138 and Shs 5,075 respectively in March from Shs 5,139 and Shs 5,109 per litre in February 2023.

Further, Annual Food and related items inflation declined to **26.7%** in March 2023 compared to **27.4%** registered in February 2023. This was mainly driven by the slowdown in price increases for foodstuffs such as tomatoes, matooke, cassava, onions, and sweet potatoes among others. However, prices for food crops remain high partly on account of high transportation costs and increased demand from Uganda's neighbours particularly Kenya.



**Source: Uganda Bureau of Statistics, April 2023**

The PSFU proposes the following short term, medium term, and long-term proposals which Government should consider addressing the issues of rising commodity prices. They include:

- i. Prioritize investment for infrastructure for water for production to improve access to water required for irrigation amongst the population. Other affiliated services such as commercialization, water testing and extension should also be aligned.
- ii. Maintain a market-based determination of prices to support a continuous supply of the goods and services intended to ensure that demand does not outstrip supply.
- iii. Government should control the production of illicit agro-inputs such as chemicals and fertilizers. Furthermore, there is need to ensure constant supply of quality fertilizers and subsidisation of the same to manage the costs of production.

## 5.0. Sector Developments

### 5.1 Trade and Commerce Sector

Uganda's trade deficit with the rest of the world during February 2023 widened to **US\$ 293.0 million**, from **US\$ 231.8 million** registered in January 2023. This was on account of a reduction in export earnings and increased import bill over this period. Compared to February 2022, the merchandise trade deficit slightly narrowed from **US\$ 300.9 million** to **US\$ 293.0 million**



owing to an increase in export receipts which more than offset the increase in the import bill between the two periods.

Exports declined by 13.6% from **US\$ 404.46million** in January 2023 to **US\$ 349.44million** in February 2023. This was explained by lower export earnings from base metals and products, maize, beans, and coffee registered during the month. Coffee exports during the month amounted to US\$ 66.03 million, a 1.97% decline from the US\$ 67.35 million in January 2023. However, exports of some items such as gold, fish, tea, and cotton increased during the month.

The EAC remained the top destination of Uganda's exports in February 2023, accounting for 54.4% of the total exports for the month. This was followed by the European Union at 15.4% and Asia at 11.3%.

PSFU proposes the following recommendation required to facilitate and grow exports in the economy.

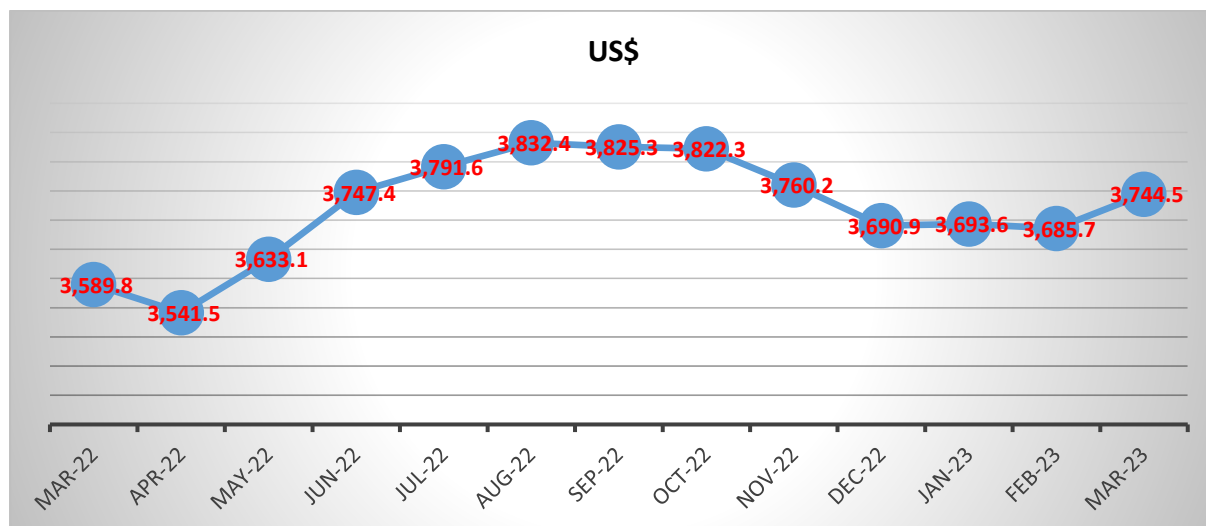
- i. Invest in addressing the constraints which limit supply of exported products through promotion of standards, value chain development, traceability systems and cold chain related export infrastructure.
- ii. Invest on export market information studies for key identified markets such as DRC, South Sudan, Ghana, Algeria among others under the AfCFTA to inform the private sector on the existing market opportunities.
- iii. Address the challenges which impact competitiveness of manufacturing and agriculture sector to support exports.
- iv. Invest in small-scale manufacturing to further promote value addition.
- v. Invest in irrigation schemes, good quality agricultural inputs and standardization by supporting the Uganda National Bureau of Standards to meet the needs of the fast-growing private sector.

## **5.1. FINANCIAL SECTOR DEVELOPMENTS**

### **5.1.1. Exchange rates**

During March 2023, the Ugandan Shilling traded at a period average of Shs 3,744.52/US\$

compared to a period average of Shs 3,685.72/US\$ in February 2023. This represents a depreciation of **1.6%** largely on account of global strengthening of the US Dollar against major currencies and increased corporate demand for the dollar particularly to pay dividends to foreign investors.



**Source: Bank of Uganda, April - 2023**

While Government has mostly focused on the monetary policy to stabilize the economy, the cost of monetary policy to the economy is close to 9% of the GDP- this is equivalent to the investment in Karuma, Hydropower dam. Consistently the economy is not sustainably impacted. The current risen commodity prices have even worsened the situation. Government needs to concentrate more on required Fiscal Policy interventions to stimulate production of goods and services as a more permanent and sustainable solution to the country's economic challenges.

### 5.1.2. Interest rates movements

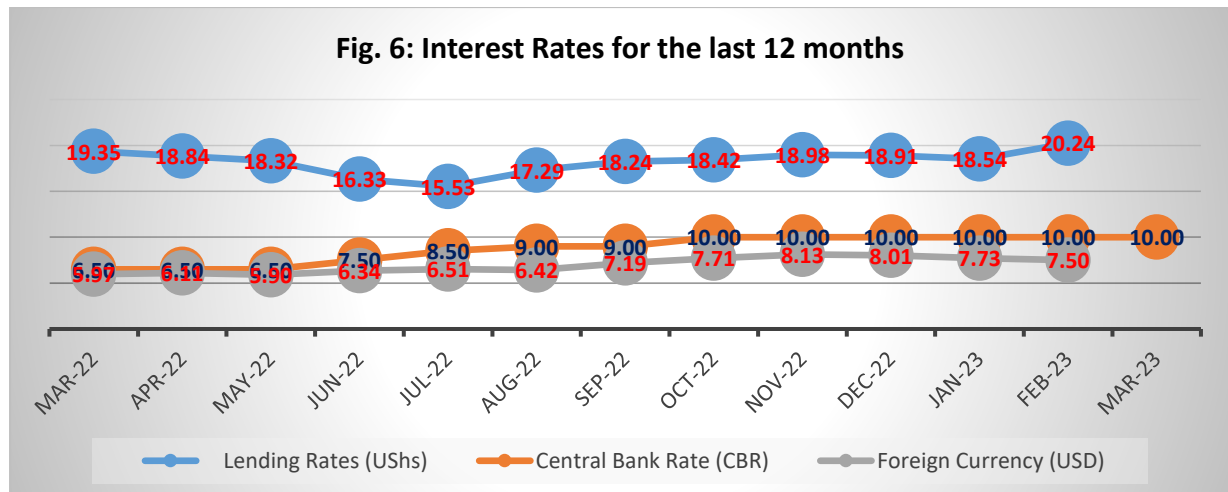
#### 5.1.3. Central Bank Rate (CBR)

Bank of Uganda maintained the Central Bank Rate (CBR) at **10%** in April 2023. This was done in response to the easing inflationary pressures. The CBR of **10%** was estimated to be sufficient to support the reduction and stabilization of inflation around the medium-term target of **5%** by the end of 2023.

#### 5.1.4 Lending Rates

Shilling denominated lending rates increased to a weighted average of **20.24%** in February.

2023, up from **18.54%** January 2023. This was on account of a tight monetary stance and end of the period of substantial borrowing by large corporate firms which are considered less risky by the commercial banks. During the month of February 2023, borrowers were mainly from manufacturing, personal loans and household loans who are charged relatively high rates. On the other hand, interest rates charged on foreign currency denominated credit remained relatively stable at 7.50% in February 2023, from 7.73% during January 2023.



**Source: Bank of Uganda Statistics, April 2023**

Uganda therefore needs to develop its own local long-term savings that can be used to address oligopolistic tendencies in the financial structure. This can only happen through requisite laws in amendment to the NSSF Act and Government Pensions Act to support mobilization of long-term savings in the economy. Other specific proposals include:

- i. Amend the current Government Pensions Law to promote long term savings in the economy. The Pensions law needs to be amended in tandem with the NSSF Act to enable government employees to save with NSSF. This will grow the fund to enable both private sector and government borrowing.
- ii. Create a risk guarantee schemes for about 7 prioritized sectors including agriculture, manufacturing, education and health, real estate, oil and gas, Information, Communication, and Technology (ICT) and tourism. This will achieve a reduction in lending rates from an average of 18.9% to between 10% and 15% depending on the sector.

### 5.1.5 Outstanding Private Sector Credit

The stock of outstanding private sector credit in February 2023 was Shs 20,103.6 billion, a 0.2% decline from Shs 20,138.9 billion in January 2023 partly driven by the tight monetary policy stance and increased lending rates. During the month, shilling denominated credit accounted for 69.4% (Shs 13,955.72 billion), while foreign currency denominated credit was 30.6% (Shs 6,147.85 billion) of the total stock.

### 5.1.6 Credit Extensions

The value of credit approved for disbursement during February 2023 amounted to Shs 1,268.1 billion, an increase from Shs 1,250.1 billion registered the previous month. During February 2023, personal and household loans accounted for the largest share of credit extended to the private sector at **38.0%** (Shs 481.7 billion), this was followed by manufacturing and trade at **15.7%** (Shs 199.0 billion) and **13.3%** (Shs 193.7 billion) respectively. Other notable recipients included agriculture at **10.4%**, community, social and other services at **9.2%**, transport, water, communication & electricity at **3.6%** and mining and quarrying at **1.4%** of total credit extended to the private sector.

## 5.2 Developments in the trade and commerce sector

### 5.2.1 Merchandise Trade Balance

During February 2023, Uganda's trade deficit with the rest of the world widened to **US\$ 293.0 million**, from **US\$ 231.8 million** registered in January 2023. This was on account of a reduction in export earnings and increased import bill over this period. Compared to February 2022, the merchandise trade deficit slightly narrowed from **US\$ 300.9 million to US\$ 293.0 million** owing to an increase in export receipts which more than offset the increase in the import bill between the two periods.

### 5.2.2 Merchandise Exports

In February 2023, Uganda exported merchandise worth **US\$ 349.44 million**. This was a **13.6%** decline when compared to **US\$ 404.46 million** exported during January 2023. This decline was mainly on account of lower export earnings from base metals & products, maize, beans, and coffee registered during the month. Coffee exports during the month amounted to **US\$ 66.03 million**, a **1.97%** decline from the **US\$ 67.35 million** in January 2023. However, exports of some items such as gold, fish, tea, and cotton increased during the month.

### 5.2.3 Destination of Exports

The EAC remained the top destination of Uganda's exports in February 2023, accounting for **54.4%** of the total exports for the month. This was followed by the European Union at **15.4%** and Asia at **11.3%**.

### 5.2.4 Merchandise Imports

The value of merchandise imports increased by **1.0%** to **US\$ 642.43 million** in February 2023 from **US\$ 636.26 million** the previous month. This growth was mainly on account of higher value and volumes of oil related imports by the private sector during the month. **Other private sector imports with notable increases include mineral products (excluding petroleum products), machinery, vehicles and accessories, and vegetable products.** Comparison with the same month last year shows that merchandise imports grew by **2.0%** from **US\$ 629.66 million** in February 2022, to **US\$ 642.43 million** in February 2023 mainly driven by increased import volumes for petroleum products, machinery, equipment, and vehicles among others.

### 5.3. Developments in Agriculture Sector

Coffee exports during the month of February 2023 amounted to **US\$ 66.03 million**, a **1.97%** decline from the **US\$ 67.35 million** in January 2023. However, exports of some items fish, tea, and cotton increased during the month. Exports value for maize, fruits and vegetables, cotton, tobacco, simsim and cocoa beans have been increasing steadily from the beginning of the FY2022/23 as shown in table1. On the other hand, exports for tea, fish, and its products, hides and skins, beans and edible oils reduced in the period under review. Specifically, Maize exports registered a value worth **US\$ 89.65 million** from January to March 2023, a value which is over **180%** higher than the total maize exports value registered in the FY21/22. The presidential directive on boosting food security in 2022 significantly contributed to increase in maize production and hence the exports. Cotton, cocoa beans, flowers and fresh fruits and vegetables exports increased to a figure higher than ever recorded in the FY21/22 and among the contributors is the Uganda Airlines that has enabled Ugandan exporters to deliver their order to different global destinations.

**Table 1: showing the value of agricultural commodities from Q<sub>1</sub> FY 21/22 to Q<sub>3</sub> FY 22/23**

Commodity (Value US\$ million)	Q <sub>1</sub> 21/22	Q <sub>2</sub> 21/22	Q <sub>3</sub> 21/22	Q <sub>4</sub> 21/22	Q <sub>1</sub> 22/23	Q <sub>2</sub> 22/23	Q <sub>3</sub> 22/23
Coffee	211.65	207.78	215.14	227.66	225.90	190.78	204.92
Cotton	1.63	4.76	12.37	11.44	0.84	2.04	<b>12.38</b>
Tea	16.86	23.81	19.99	24.83	17.62	25.91	21.42
Tobacco	11.09	11.31	9.55	9.97	9.77	13.88	<b>20.02</b>
Fish & its prod. (excl. regional)	24.39	38.94	35.50	36.44	33.47	43.89	36.20
Hides & skins	3.51	3.17	3.39	2.62	3.10	4.10	2.97
Simsim	3.82	6.93	12.81	6.61	4.61	6.15	<b>11.65</b>
Maize	8.93	7.03	17.95	14.97	23.76	29.71	<b>86.65</b>
Beans	28.63	33.77	32.12	18.58	17.12	43.79	17.09
Flowers	20.05	13.91	16.86	16.83	14.65	12.20	<b>17.53</b>
Cocoa Beans	20.37	23.00	28.69	25.54	10.48	17.20	<b>32.59</b>
Edible Fats & Oils	5.47	3.27	4.27	4.74	0.95	0.68	0.53
Fruits & Vegetables	11.58	11.82	11.18	12.46	14.01	15.91	<b>16.83</b>

Source: Bank of Uganda Statistics, May 2023

The PSFU recommends that to increase exports and increase foreign exchange earnings, government should prioritise:

- i. investments that will **increase production and productivity**, reduce post-harvest losses, improve on post-harvest handling and storage, increase agro-processing and value addition to increase the value of the agricultural export.
- ii. Deliberate decisions to increase equitable access and utilization of Agricultural Finance will further grow the agricultural sector.
- iii. investment in **infrastructure for water for production to the level of road**. The government should ensure that water reaches the farm level to support the farmer. In the meantime, the government should plan well organised water harvesting strategies for both the public and private sector actors. This intervention will increase Uganda's irrigation coverage to a figure above **0.5%**<sup>1</sup> and boost Uganda's utilisation of the arable land from the current **35%**<sup>2</sup> and major in agriculture which is Uganda comparative advantage given that **48%**<sup>3</sup> of East Africa's arable land is in Uganda.

<sup>1</sup> PSFU Platform for Action 2022, Volume 18.

<sup>2</sup> <https://www.trade.gov/country-commercial-guides/uganda-agricultural-sector#:~:text=Eighty%20percent%20of%20Uganda's%20land,only%2035%25%20is%20being%20cultivated.>

<sup>3</sup> [https://www.youtube.com/watch?v=Nw\\_d\\_EmKCNO](https://www.youtube.com/watch?v=Nw_d_EmKCNO)

- iv. Further, the government should develop a horticulture policy together with its implementation plan to guide the stakeholders in the sector.
- v. Government investment in support services such as training and research and basic infrastructure to make private investment in production and marketing worthwhile.

### **5.3. Developments in the Skills (Health and Education) Sector**

**In Education subsector,** Uganda National Examinations Board (UNEB) released the 2022 examination results were A total of 832,654 candidates from 14,691 centres (schools) registered PLE in 2022 and 85.8% passed the examinations<sup>4</sup>. In the Uganda Certificate of Education, a total of 333,396 candidates sat examinations representing a 4.8% increase compared to the previous year and among the candidates, 98.9% passed the examinations. in the Uganda Advanced certificate of Education (UACE), a total of 97,890 candidates registered for the examinations which was a reduction by 502 candidates from the previous year and got 70.3% got two principle passes.

**In the Health Subsector,** malaria continues to be the leading cause of death (5,989) 2020, followed by Pneumonia (3,350). Additionally, Haemorrhage is a leading cause of maternal illness and mortality in the country accounting for 42% of the deaths in 2020/21 and among the cancers, breast and prostate cancer were the leading type of cancer recorded in patients in the FY 2020/21. The Private sector recommends the following:

- i. That the government speeds up the implementation of the National Health Insurance given that many Ugandans are struggling with high out-of-pocket health expenditures, which have forced some people to sell their properties to pay for healthcare.
- ii. Strengthening of the Public Private Partnerships the achieve Universal Health coverage. Through these partnerships, services can be brought closer to people and offered at subsidized prices.
- iii. The private sector also recommends that government supports the private sector to kick off the medical credit facility to improve health service delivery especially in the private sector facilities.

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<sup>4</sup> <https://www.independent.co.ug/wp-content/uploads/2023/01/2022-PLE-STATEMENT-OF-RELEASE-OF-RESULTS.pdf>

#### **5.4. Developments in Logistics and Transport Sector**

In the Logistics and Transport sector, Uganda rivied the use of water transport by transporting 4.5 million litres of fuel on Lake Victoria from the Port of Kisumu<sup>5</sup>. The development sees the replacement of the transport of fuel by an equivalent of 150 trucks on road with less transport costs incurred. PSFU recommends continuous developments geared towards water transport because it is the cheapest source of transport. For instance, on a similar distance where on pays 24 shillings on road, a person using water transport pays 2 shillings which is far cheaper and profitable for the business community.

#### **5.5. Developments in Oil and Gas Sector**

The Organization of the Petroleum Exporting (OPEC) announced reduction in oil output cuts of around 1.6 million barrels per day (bpd)<sup>6</sup>, in a surprise move that would cause that may cause a rise in prices. The pledges bring the total volume of cuts by OPEC+, which groups the Organization of the Petroleum Exporting Countries with Russia and other allies, to 3.66 million bpd (including the 2 million bpd of cuts already in place until the end of 2023) and according to Reuters calculations, this is equal to 3.7% of global demand. Oil prices in February 2023 fell towards US\$70 a barrel, the lowest in 15 months, and following the latest reductions, oil prices could increase by US\$10 per barrel. The decision is likely to change the liquid fuel prices for Petrol and Diesel which averaged at which had reduced from Shs 5,138 and Shs 5,075 respectively in March from Shs 5,139 and Shs 5,109 per litre in February 2023 reduction in the prices.

#### **5.6. Developments in Professional Services Sector.**

The overall services sector activities value added grew by 4.1% in the FY2021/22, compared to 2.8% in the FY2020/21. The main contributors to the growth in the services sector were real estate, information and communication, health, and social work, financial and insurance and other service activities. The sector contributed 41.6% to GDP in the FY2021/22, compared to 41.8% in the FY2020/21. Due to the widespread informal economy, Ugandan workers face challenges in practising their labour rights, leading many employers and workers to loopholes in business and labour regulations, often due to a lack of awareness or incentives.

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<sup>5</sup> <https://www.theeastafican.co.ke/tea/business/uganda-ships-maiden-fuel-cargo-from-kisumu-port--4074300>

<sup>6</sup> <https://www.reuters.com/business/energy/why-is-opec-cutting-oil-output-2023-04-03/>



PSFU therefore recommends government to speed up the signing of the draft bills to improve the status of the labour market.

## **5.7. Developments in Tourism and Hospitality Sector**

Tourism brings in US\$1.6 Billion, contributing about 8% to GDP and over 500,000 jobs. (WTTC, 2020) Before COVID-19, Uganda had been ranked the 6<sup>th</sup> most popular destination in Africa for hosting international conferences and events (ICCA, 2019) All this was reversed with the onset of the pandemic presenting the tourism sector as the most affected. The effects of the pandemic registered massive business loss characterized by private business shutdown, tourists' bookings, cancellations, business closure with the resultant jobs and livelihoods loss. Tourism is important for increasing forex earnings, creating jobs and alleviating poverty. It contributes towards inclusive growth and development of the country by bringing numerous economic value and benefits; and, helping in building the country's brand value, image, and identity.

Government through the ministry of tourism wildlife and antiquities at the beginning of the year launched a campaign to promote Explore Uganda-The Pearl of Africa aiming at revamping and re-imaging the sector as well as put Uganda in a competitive position as internationally recognised tour destination. The campaign is among the many interventions by government has put up to see that the sector comes back to its glory in the next five (5) years strategy to bring and contribute more than USD 1.6 billion to the country' GDP and international tourist recovery at 52.8%.

Developments or initiatives within the sector by largely government and to an extent by the private sector are in place to improve the sector growth beyond the effects of COVID-19 pandemic and the faced economic shocks as well as build the country' brand value. These include the following.

1. Explore Uganda, the Pearl of Africa campaigns promoting domestic tourism as regional level to revamp the sector contribution to the GDP, investment, job creation, recognition as the number one destination etc.
2. Registration and licensing of all tourism value chain businesses to adhere to international standards as well as create a system that has the capacity to trace unprofessionalism within the sector.

3. Quality assurance training to enlighten local government officials in the tourism sector value chain, health inspectors and commercial officers to support regulation efforts with a view to making the sector competitive at all levels.
4. Leverage on the digital marketing platforms which introduce tourists, and players along the value chain to new destinations.
5. Increased employment opportunities at community level through the community-based tourism enterprises across the country which have employed local people.
6. Increased visibility of some destinations through the development of a global village for example in Mubuku village.
7. Capacity building in the birding sub-sector through training of the birding guides as an initiative to widen the tourism product line.

Of late, the sector has seen a lot of cancelations due to the legislation on Homosexuality. However, reports indicate that the sector is not at an upward trajectory following the interventions of the private sector sectors in marketing the country.

#### 5.8. Developments in Creative Arts Sector

In the year 2002-2008, Uganda 'exports of cultural goods and services were valued at US\$239 million (approximately ug. Shs.427 billion) The sector contributed US\$6.7 Million (Approximately ug.shs.12.6 billion) 2009 and 2014 mapping study indicated that the culture and creative sector is among the dynamic emerging sectors in the world trade, Uganda inclusive. The study indicated that the sector' contribution to direct employment is a merger 4.5% of employment. This could be explained by the reality that many operators are unregistered enterprises operating an informal level (45% of the enterprises) according to National Action Plan on Culture Industries of Uganda 2015/16-2019/20.

The culture and creative industries have long been side lined from mainstream sectors of growth in Uganda even though they are recognised as a significant contributor to the development of the economy. Although the sector is largely informal its potential to contribute to the economic growth, employment creation and income generation is being addressed with developments including.

1. Engagements between the sector players and government to review the copyright and neighboring rights act 2006 with the Ministry of Justice are under way.
2. Consultations with the sector players on the review of the National Culture Policy took place capturing the private sector proposals presented to the Parliamentary Committee of Gender.
3. Stakeholders' mapping survey to identifying stakeholders of the Arts and Creative sector along the value chain to shape the development and growth.

Currently, the sector is marred with copy right challenges and poor government implementation of existing laws on the same. Sector players are demanding for robust copy right legislation and consequent implementation of the same.

### **5.9. Developments in the Manufacturing Sector**

GDP from manufacturing in Uganda decreased to 53334.82UGX Billion in the fourth quarter of 2022 from 5402.28 UGX Billion in the third quarter of 2022. (Uganda Bureau of statistics. Uganda has witnessed sustained macroeconomic stability underpinned by low and stable inflation averaging five percent. the volume of production of the manufacturing sector increased by three percent for Calendar year 2020.

Currently, the manufacturing sector is being faces by market uncertainties such as the recently introduced 25% duty remission on industrial sugar and the regional export NTBS including in Kenya, Rwanda and South Sudan where Ugandan products such as milk, maize, and spirits are being denied access to such markets.

## **6.0 Other Policy Updates**

### **6.1 Private Sector Position on the Competition Bill 2022**

On 17<sup>th</sup> January 2023, PSFU was invited by the Parliamentary Committee on Trade, Industry and Tourism for presentation of the Private Sector position on the Bill. The PSFU delegation was led by the Chief Membership Officer Mr. Francis Kisirinya who was accompanied by Mr. Sam Watasa, Ms. Phiona Wall, Mr. Rogers Karebe among others.

## **6.2 Private Sector Position Paper on Tax Amendment Bills 2023**

on 19<sup>th</sup> April 2023, PSFU was invited by the Parliamentary Committee on Finance, Planning and Economic Development for presentation of the Private Sector position in the tax Bills. The PSFU delegation was led by the Chairman Policy Advocacy Committee Mr. Issa Sekitto.

**Members of PSFU advisory council and BOD are requested to note the progress made and provide any other necessary advice.**

## **6.3 Prevalence of climate change.**

During the period, the economy has registered severe climate change related challenges which has contributed to rising food prices for maize, beans, tomatoes, among others. It has also increased the risk associated to food insecurity especially in Northern Eastern part of the country but also our key trade partners issuing permits to import maize out of EAC. This has far reached implications related to potential dumping which reduces the market opportunities for Ugandan maize. In addition, H.E the President directive in July 2022 to support NEC, Prisons, and large farmers to produce and address food insecurity issues distorts the market for the private sector. Besides, it is not being sustainable.

PSFU proposes that in a short run, Government should develop an emergency plan under the PDM to focus on food insecurity for short-term crops. In the medium term, priority of the next FY budget strategy should be promoting market driven agriculture with priority investment in infrastructure for water for production to facilitate irrigation, storage, and market guarantees.

**PSFU Advisory council and the Board are requested to provide guidance and direction on how the issues of climate change can be holistically addressed while promoting commercial agriculture to cushion of inflation, promote exports and grow the economy. For example,**

- i. advising Government on how the Parish Development Model can be leveraged and aligned to create employment and,
- ii. advising the Ministry of Agriculture Animal Industry and Fisheries on the most feasible short-term interventions to undertake to address food insecurity issues. Such interventions might include (but not limited to); providing subsidized good quality seeds, fertilizers, tractors, investing in irrigation for sustainable food production and

identifying the niche products for Uganda as opposed to the current system of haphazard advises given to Ugandan farmers.

**7.0 Conclusion:**

The business environment is optimistic given the increasing consumer demand. However, the Government will need revise the economic growth strategy by considering structuring demand to stimulate production and improve purchasing power- amongst the population. The PSFU Advisory Council and its members are therefore called upon to take note of these matters and to offer any guidance they deem necessary.

**END**

