MACRO-FISCAL PROFILE

UGANDA

May 2016

Key Indicators	
Population (2014)	37.8 million
Per capita GDP (2014, current USD)	$715
Average population growth rate (2010–2014)	3.3%
Government revenue as % of GDP (2014)	11.7%
Country income classification	Low

Sources: World Bank, 2015; AEO, 2015.

Country Policy and Institutional Assessment Ratings (1 = low, 6 = high), 2014	National	SSA Mean
Efficiency of revenue mobilization	3.5	3.5
Equity of public resource use	4	3.3
Fiscal policy	4	3.1
Macroeconomic management	4	3.5
Quality of budgetary and financial management	3.5	3.1

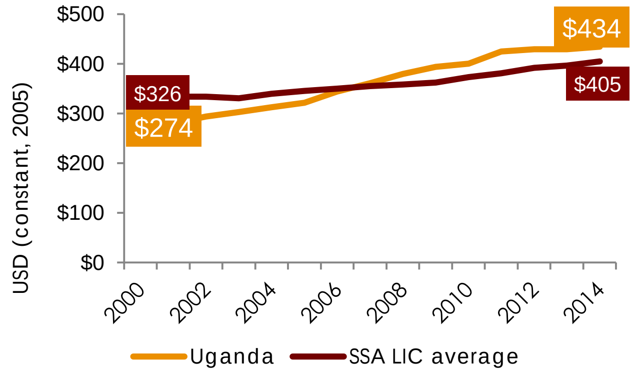
Source: World Bank, 2014.

Macroeconomic Forecasts

Indicator	2013	2014 (est.)	2015 (proj.)	2016 (proj.)	2020 (proj.)
Real GDP growth	3.3	4.5	6.1	6.2	6.8
Real GDP per capita growth	1.4	2.6	3.0	3.3	–
CPI inflation	5.8	6.7	5.0	5.0	5.0
Budget balance % GDP	-3.6	-3.8	-6.8	-5.5	-4.5
Current account % GDP	-7.6	-7.9	-10.3	-9.4	-14.0

Source: AEO, 2015.

Figure 1: GDP per Capita Growth



Overview

After a slowing of economic growth between 2011 and 2014, Uganda's macroeconomic outlook has improved somewhat in recent years. The country has strengthened public investment and economic policies to spur public demand, thus driving a rebound of consumption. The government of Uganda aims to further promote growth through strong investment in infrastructure. Despite significant government spending on infrastructure, tight monetary policy has kept inflation at around 5%, where it is expected to stay for the medium term. The budget deficit for 2015 was expected to be below previous projections, due to higher than expected revenues; however, overall debt burden remains a concern for Uganda. The current level of external debt, around the average for low-income countries (LICs) in sub-Saharan Africa (SSA), is expected to rise to nearly 50% of gross domestic product (GDP) by 2020. In addition, Uganda's current account deficit in 2014 was 9.9% of GDP. With rents from natural resources accounting for just 13% of GDP, Uganda is not considered a resource-dependent country and has not been affected as strongly as other countries by recent declines in global commodity prices and growth rates (IMF, 2015; AEO, 2015).

Political Economy

Indicators regarding policy response and governance efficiency for Uganda present stronger than average values for an SSA country. Occasional slippages and inconsistencies occur in the country's ability to meet the requirements to weather macroeconomic and fiscal shocks. Fiscal expenditure levels meet public wage needs and generally meet investment needs for medium-term growth. Uganda has eliminated many tax exemptions and there are operational deficiencies in tax administration. A significant portion of government spending is extrabudgetary and managed by the executive branch (World Bank, 2014).

GDP and Economic Growth

Uganda's economic growth slowed between 2011 and 2014, with GDP per capita in constant U.S. dollars not growing at all between 2012 and 2013 (Figure 1). The economy since has recovered; the International Monetary Fund estimates GDP growth at around 6% during fiscal year (FY) 2015/16 and projects it will continue to climb steadily over the next five years. GDP per capita growth has also rebounded, surpassing 3%; it also is expected to continue growing at a similar pace (AEO, 2015).

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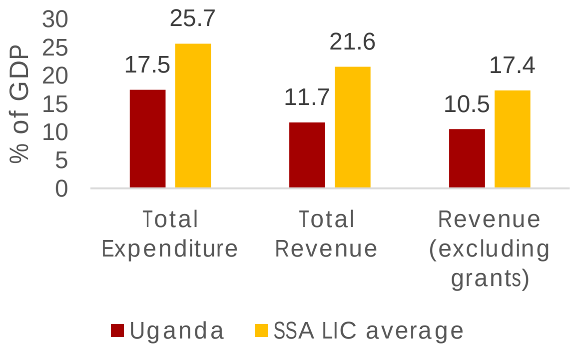
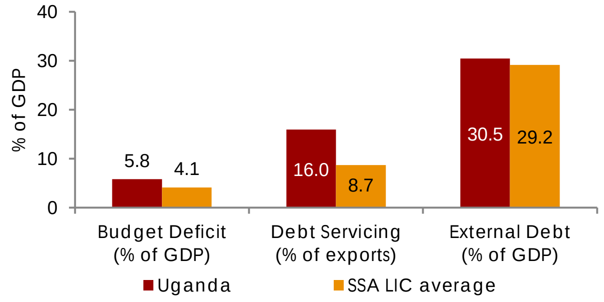
Figure 2: Government Revenue and Expenditure (FY 2013/14)



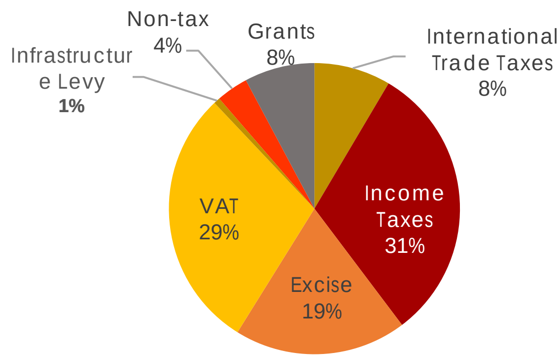
Source: AEO, 2015.

Figure 3: Government Borrowing (FY 2013/14)



Source: AEO, 2015.

Figure 4: Revenue (2013/14)



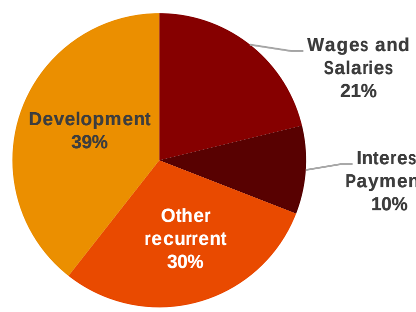
Source: AEO, 2015.

Government Revenue and Expenditure

Uganda's budget deficit (Figure 3) is driven by low public revenues. Despite improved performance and sharp rises in tax revenues, revenues remain well below regional averages (Figure 2). This is partially due to the large informal sector not being incorporated into the tax-paying portion of the economy, and existing tax evasion and loopholes. Grants account for about 8% of revenue. Domestic revenue sources are diversified, with the value-added tax (VAT) and income tax each representing about 30% (Figure 4). Excise taxes and those on international trade are also significant sources of revenue, at 19%.

Uganda's public expenditure emphasizes development projects and capital accumulation. Wages and salaries represent 21% of government expenditure, which is slightly lower than the share seen in Tanzania (28%), but on par with other neighboring countries such as Kenya (Figure 5). Uganda's debt servicing obligations are a significant burden on the national budget, representing 10% of public expenditure (IMF, 2015).

Figure 5: Expenditure (2013/14)



Source: AEO. 2015.

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