

Emerging Microeconomic Trends and Patterns for Policy Attention in FY 2020/21 and the Medium Term

A) Microeconomic Developments: This Section provides an updated commentary on the eight focus issues of the MIND.

Issue	Microeconomic Developments by end September, 2020
Employment	Formal jobs registered a monthly increase of 4% growth in Sep 2020 but active PAYE jobs remain below the pre-COVID19 level of 729,531 persons in Feb 2020. The share of households receiving income was higher across all income sources in Jul/Aug compared to Mar/Apr 2020 (47% from 42% for non-farm family business income; 76% from 71% for agriculture income and 19% from 16% for family transfers).
Living Standards	Annual food inflation dropped to a low of 0.2% in September 2020. Monthly inflation figures indicate a drop of 0.4% for the month of Sep 2020, from the 0.6% increase recorded in Aug 2020. Relatedly, findings from Uganda's first Food Balance Sheets (FBS) report for the period 2013-2018 indicate that Uganda's domestic food production was insufficient to bridge its domestic utilization. The country's Self-Sufficiency Ratio (SSR) and Import Dependency Ratio (IDR) stood at 95.4% and 7.2% respectively. Undesirably, A concerning development over the same period is increase in the Prevalence of Undernourishment (PoU) from 27.1% to 43.0%.
Equity and Economic Inclusion	While NSSF declared an unexpected double-digit interest rate of 10.75% for the FY 2019/2020, the number of the Fund's Active Members declined by 4% over the same period to 644,000. Private Time and Savings Deposits were up by 0.5% between Jul and Aug 2020 continuing the positive trend witnessed between Mar and Jun (10.5).
Environmental Sustainability	The rainfall outlook for Sep to Dec shows "an increased likelihood of near normal to above normal (wetter than average) rainfall over several parts of the country" (UNMA). Places most affected by floods between Apr and Sep 2020 include the surrounding areas of Lake Kyoga. For example, 6,000 people were rendered homeless in Ndaiga sub-county and over 8,700 were displaced in Kaberamaido district.
Productivity	The average National monthly incidence of malaria declined further in Sep,2020 to 4.6 per 1,000 populations compared to 4.82 in Aug, 2020.
Competitiveness	Government started implementing its requirement for Truck drivers to pay US\$ 65 to test for Coronavirus on 1 st Sep, 2020. Resistance to this requirement has created traffic jam at border points and increased transit times and costs for Uganda destined cargo. The Shippers Council of East Africa indicates that these delays have increased transport costs between Mombasa and key East Africa transit destinations by between US\$300 and US\$ 1,000. Truck turn-around time between Mombasa and Kampala has increased from an average of 3.7 days pre-COVID19 to about 10 days. Uganda accounts for 83.2% of transit cargo through the port of Mombasa, into the hinterland via the Northern Corridor, with South Sudan taking up 9.9%.
Markets & Regulation	The recovery in the USE All Share Index continued in Sep 2020 closing the month 3.1% higher than at the end of Aug, 2020.
Local Content	The Trade Balance widened by USD -42 million (23%) between Jul and Aug 2020. The highest increase in monthly export revenues during this period were Simsim (134%) and Maize (54%) exports compared to cotton (-13%) and flowers (-11%). Hotel occupancy rate is estimated to fluctuate between 10-20% until end Dec 2020. In the hotel segment, 57.2% of staff are on unpaid leave; 34.5% have experienced pay cuts; and 1% of staff have been laid off. The opening of the Entebbe International Airport raises the prospects for improved hotel occupancy rate.

B) Policy Response Measures: Government has seized the social and economic changes triggered by the COVID19 pandemic as an opportunity to refine and consolidate in agenda for inclusive employment and higher incomes for the Ugandan population as summarized below.

Objective	Intervention
<p>Productivity-centered and Investment-driven Growth for Inclusive Employment</p>	<p>Government’s employment agenda over the NDP III period has both supply-side and demand-side dimensions organized around the following four major pillars:</p> <p>a) ABCD Pillar (Area-Based Commodity Development): Government has prioritized the development of 14 commodity value chains as part of its efforts to build an integrated and self-sustaining economy. Nine¹ of these 14 commodities are covered under the Public Investment Management for Agro-Industry (PIMA) Strategy which aims to support households and communities with jobs and incomes while supplying much needed inputs for agro-industry. Community-based public investments under the PIMA Strategy include Water for Production; Rural Electrification; District, Urban and Community Access Roads (DUCAR); Input Access; Extension Services; Post-harvest Handling Infrastructure; Standard and Quality Assurance Infrastructure amongst others. These community level investments are supported by the national level infrastructure agenda that currently covers Electricity Generation and Transmission; Multimodal Transport Infrastructure; National Backbone Infrastructure; and Industrial and Business Parks. Under the NDP3, the National level infrastructure agenda and the ABCD pillar have converged into a set of growth corridors known as the Growth Triangle. H.E the President highlighted the Growth Triangle in his Independence Day Speech on 9th October, 2002, describing it as the “three growth and investment corridors which will guide public investment in the country”. These include the Eastern Growth Corridor that is aligned to the Meter Gauge Railway from Tororo to Gulu (with a spur to Arua and Karamoja); the Albertine Growth Corridor and the Northern Growth Corridor that runs along Lake Victoria’s shoreline. The ABCD pillar is pivotal in tackling the challenge of subsistence agriculture.</p> <p>b) BEEDS Pillar (Business Environment and Enterprise Development Services): This pillar brings together the range of initiatives and services that improve the country’s competitiveness for businesses and investors. They include Business Licensing Reform; Business Development Services; Financial Services and Regional and International Economic Cooperation.</p> <p>c) SKILLS Pillar (Skilling Uganda): This pillar covers measures to increase the productivity and employability of the country’s labour force. Key measures under this pillar include: reform of the Technical and Vocational Education and Training; Apprenticeship Access; Internship Access; Digital Skills and Talent Promotion.</p> <p>d) EXIM Pillar (Export Promotion and Import Replacement): This is the demand-side of Government’s employment agenda. It features measures to consolidate existing external markets, penetrate new external markets and drive import replacement at industry level. Priority industry sectors for import replacement include: Automotive; Iron and Steel; Oil and Gas; Pharmaceuticals; Electronics; Textile and Leather; Processed Foods and Construction.</p>

c) Microeconomic Outlook: Uganda’s recent gains in closing its foundational infrastructure gaps have increased the country’s visibility as a competitive investment destination. These micro and meso-level gains coupled with sustained stability in the macroeconomic environment, trade facilitation and continuous institutional reform make a good trigger for higher momentum in the country’s progress towards productivity-centered and investment-driven economic growth for inclusive employment.

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PIMA Commodity Exports and Household Incomes	<p>PIMA commodities¹ accounted for over 20% of Uganda’s export earnings in the first eight months of the year 2020, up from 17% by June 2020. The greatest proportion of these earnings (84%) was from Coffee, Fish and Tea exports. Export performance of PIMA commodities has a strong bearing on household jobs and incomes. Nine out of every 10 agricultural households (AgHHs) in Uganda grow crops compared to 8 in 10 for livestock and less than 1% for Aquaculture. Of the 5.94 million AgHHs in 2018, more than half were involved in the production of at least one PIMA Commodity: Maize (55.4%), Cassava (54.4%), Coffee (28.6%), Cotton (3.1%) and Tea (0.5%). The Area-Based Commodity Development (ABCD) pillar of Government’s employment agenda clearly remains central to the NDP III’s goal of “Increased household incomes and improved quality of life of Ugandans”.</p> <p>Total annual budget allocations to PIMA-related investments contracted by nearly 13% in FY2020/21. Total allocations under the current set of PIMA interventions reduced from over 3 trillion to about 2.6 trillion. This contraction was on account of reduced allocations to the rural electrification programme by over 36% (from Ushs 1.060 trillion in FY2019/20 to Ushs 674.7 billion in FY2020/21).</p>
Buy Ugandan, Build Uganda	<p>The presence of Ugandan-made products on supermarket shelves has significantly improved from 30% in 2017 to 48% in 2020. This is mainly attributed to the improved business environment that has attracted investors into value addition including manufacturing. Within the context of COVID19, the numbers of industries producing hand sanitizers have rapidly increased from 2 to 107 and the number of those producing masks has equally increased.</p>
Pensions and Income Security	<p>Despite rising NPLs in the banking sector, the pension sector was able to generate a decent return on investment from its investments. The sector performed reasonably well compared to the previous year. NSSF, the largest scheme in the industry by both members and size of assets, declared nearly the same interest rate to savers in 2020 (10.75%) as in 2019 (11.0%).</p> <p>The level of savings in Uganda is on the rise. Savings-to-GDP stood at 21.14% in 2019 compared to an average of 15.32% for the period 1982 to 2019, with a minimum of 3.08 percent in 1987 and a maximum of 25.32 percent in 2014. In order to improve this rate, the players in the pension sector intend to integrate savings in the lifestyle of Ugandans through technology, financial literacy and customer experiences.</p> <p>The number of public pension beneficiaries increased by 1,718 persons from 76,314 beneficiaries in August to 78,032 beneficiaries in September 2020. Pension income is an important the country’s social protection framework.</p>

MIND is compiled by Economic Development Policy and Research Department (EDP&RD), Ministry of Finance, Planning and Economic Development

EDPRD: Simplified, seamless and speedy knowledge services for monitoring, assessment and communication of Uganda’s economic development policy and its results

¹ Beef, Cassava, Coffee, Fish, Maize, Milk, Palm Oil, Cotton (Raw) and Tea