

Uganda Business Forecast Report Q2 2014

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Abstracts

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Core Views

The Ugandan economy is poised for strong growth over the next few years. A combination of heavy public investment in infrastructure, surging foreign investment into the nascent oil sector and a buoyant consumer segment will see the economy grow by an average of 7.1% annually between 2014 and 2018. We believe monetary policymakers will continue to view the balance of risks as evenly weights over the coming months. This view is predicated on a relatively contained outlook for inflation in H114 and an economy still in recovery. President Museveni will face political challenges on a number of fronts over the coming months, with Uganda's military involvement in South Sudan and a contentious 'anti-homosexuality' bill chief among them. **Major Forecast Changes No Major Forecast Changes**

Key Risks To Outlook

Weather always poses risks to our outlook, as the Ugandan economy is heavily reliant on agriculture. Adverse weather conditions could seriously hamper economic output and stoke inflationary pressures, while favourable weather could boost productivity. If there are further delays to oil production – currently scheduled to begin in 2017 – or if the industry moves more quickly than we anticipate, we would adjust our medium-to-long term forecasts accordingly. Although Uganda remains largely peaceful, infighting within the National Resistance Movement ruling party, as well as ongoing grievances from opposition groups and civil society, pose a threat to Uganda's long-standing stability if underlying concerns are not adequately addressed.

The ongoing crisis in South Sudan poses a risk to our forecasts. In addition to

heightened border insecurity, the conflict could impact Uganda's economic ties with its northern neighbour, notably through reduced export demand and supply chain disruption.

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President Museveni will face political challenges on a number of fronts over the coming months, with Uganda's military involvement in South Sudan and a contentious 'anti-homosexuality' bill chief among them. That said, the president continues to cut a strong figure, and a recovering economy will prove a timely tonic to the simmering social grievances felt by many Ugandans.

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Challenges For Museveni

Uganda will face several challenges over the coming decade, including a presidential succession as well as the need to overcome the legacy of civil war in the north and create jobs for its youthful population. That said, we maintain a positive outlook on Uganda and foresee a relatively successful resolution of these challenges.

CHAPTER 2: ECONOMIC OUTLOOK

SWOT Analysis

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Growth To Quicken As Consumer Sector Picks Up the Ugandan economy is poised for strong growth over the next few years. A combination of heavy public investment in infrastructure, surging foreign investment into the nascent oil sector and a buoyant consumer segment will see the economy grow by an average of 7.1% annually between 2014 and 2018.

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Uganda will sustain a sizeable, albeit narrowing, current account deficit over the coming years driven in large part by surging demand for capital and consumer goods imports. We believe, however, over the medium term this shortfall will be mostly offset by financial account inflows on the back of rising foreign investment into the nascent oil sector and, from 2017, by oil exports as production begins.

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