

Growth robust, despite weak commodity prices



General Information

GDP	USD26.3bn (World ranking 103, World Bank 2014)
Population	38.85mn (World ranking 34, World Bank 2014)
Form of state	Republic
Head of government	Yoweri Kaguta MUSEVENI
Next elections	2016, presidential and legislative



Strengths

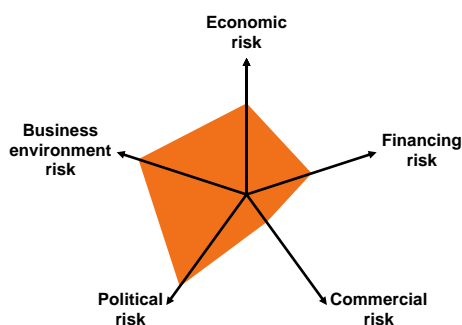
- The political system is relatively stable, compared with a chequered history, and transition to a multi-party democracy is being instituted.
- Good record of GDP growth in recent years, albeit from a low base.
- First country to reach its completion point under the Heavily Indebted Poor Countries initiative (HIPC) and awarded significant debt reduction.
- Reasonable relations with the IFIs and donor community, despite periodic concerns relating to achievement of some economic targets and perceptions of corruption.
- Oil and gas potential.

Weaknesses

- Trade and communication links are vital because the country is landlocked. Disruption to these can have detrimental effects on business and the overall economy.
- There are perceptions that President Museveni is becoming increasingly autocratic.
- Failure to achieve a negotiated settlement with the Lord's Resistance Army in the north.
- Dependence on the primary sector exposes economic development to the vagaries of climatic changes, including periodic drought, and to internationally-determined commodity prices.
- Periodic energy shortages.
- Fiscal and current account deficits.

Country Rating

C3



Source: Euler Hermes

Trade Structure

By destination/origin (% of total)

Exports	Rank	Imports
Rwanda	11% 1 16%	Kenya
Kenya	10% 2 14%	India
Dem. Rep. of the Congo	10% 3 12%	United Arab Emirates
United Arab Emirates	10% 4 12%	China
Sudan	7% 5 4%	Japan

By product (% of total)

Exports	Rank	Imports
Coffee, tea, cocoa, spices, and manufactures thereof	24% 1 19%	Petroleum, petroleum products and related materials
Telecommunication and sound	8% 2 8%	Road vehicles
Fish, crustaceans, molluscs and preparations thereof	5% 3 5%	Specialised machinery
Textiles fibres and their wastes	5% 4 5%	Medicinal and pharmaceutical products

Source: UNCTAD

Economic Overview

Political Overview

President Yoweri Museveni heads the National Resistance Movement (NRM), a grass roots entity that has dominated politics since its inception. The international community (including key donors) sometimes criticise Museveni's record in relation to extension of his period in office and perceptions of corruption within the country, but is likely to remain supportive. Military action against the Lord's Resistance Army (LRA) in the north of the country has directed resources away from other productive uses. Regional relations centre on the East African Community (EAC). General elections are scheduled for February 2016.

General Economy

Average annual GDP growth in the ten-years up to end-2014 was strong at +6.7%, resulting in a marked reduction in poverty levels, although the starting point was very low. Agriculture remains the cornerstone of the economy, accounting for around 23% of GDP. Coffee is the principal crop and generator of export receipts (around 20% of the total). However, the discovery of oil in the Lake Albert region to the west is transforming the economy. Although commercial production is not expected before 2017-18 (or later), investment in the energy sector is already driving GDP growth; annual GDP expansion is forecast at over +5% in 2015-17. The oil reserves are considered to be some of the largest discovered in the Sub-Saharan Africa region. It remains to be seen if the "resource curse", evident elsewhere in Africa, will be avoided. Meanwhile, the government has to manage high expectations associated with nascent oil wealth.

External deficits and debt

The current account records large deficits (see chart) and we forecast a shortfall of -9% of GDP in 2015 and -10% in 2016. Deficits of such magnitude partly reflect large capital imports for investment in the oil and hydro-electricity sectors. External debt ratios are low but again increasing (see chart).

Challenging business environment

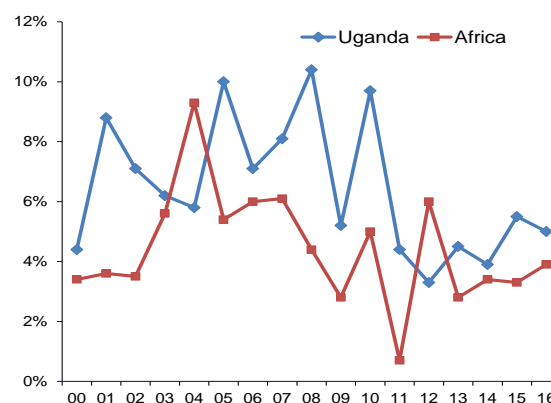
The business environment is below average of the countries we assess. The Heritage Foundation's Index of Economic Freedom (IEF) indicates that business is particularly hampered by regulatory problems (including perceptions of corruption and inefficient government services) and insufficient property rights (including a judicial system that is not independent). The 2015 IEF ranks Uganda 92 out of 178 countries, below Morocco but above Namibia and Lebanon. The World Bank's Doing Business 2016 report ranks Uganda 122 out of 189 economies for the overall ease of doing business, below Iran and Argentina but above Egypt.

Key Economic Forecasts

	2014	2015f	2016f	2017f
GDP growth (% change)	3.9	5.5	5.0	6.0
Inflation (% end-year)	1.8	6.2	5.0	5.0
Fiscal balance (% of GDP)	-2.8	-2.8	-2.5	-2.5
Public debt (% of GDP)	29.7	33.8	30.0	27.0
Current account (% of GDP)	-7.7	-9.2	-10.0	-9.5
External debt (% of GDP)	15.9	16.5	17.5	18.0

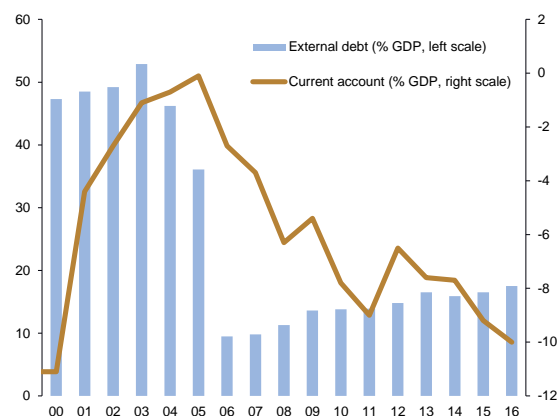
Sources: National Sources, IHS, Euler Hermes

GDP Growth (%)



Sources: National sources, IHS, Euler Hermes

Current Account Balance and External Debt (% of GDP)



Sources: National sources, IHS, Euler Hermes

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