

A) Microeconomic Developments

Issue	Market Updates
Employment	Formal Employment, as captured under the PAYE Register, registered a 14.2% decrease from 691,514 employees in May 2023 to 593,503 employees in June 2023. The number of registered Migrant Workers increased by 21.8% from 1,087 workers in May 2023 to 1,325 workers in June 2023.
Living Standards	Monthly Inflation for Food and Non-alcoholic Beverages decreased by 1.3% for the month of June 2023, compared to the 0.8% decrease registered in May 2023. On the other hand, monthly EFU Inflation decreased by 0.4% in June 2023, compared to the 0.1% decrease registered in May 2023. In addition, the Residential Property Price Index (RPPI) for Greater Kampala Metropolitan Area (GKMA) increased by 5.8% in Q4 FY 2022/23, compared to the modest rise of 0.3% registered in Q3 FY 2022/23. The increase is attributed to the rise in residential properties inflation for Central & Makindye area, which increased by 7.8% in Q4 FY 2022/23, compared to the 1.8% rise recorded in Q3 FY 2022/23.
Equity and Economic Inclusion	In a bid to enhance financial inclusion through the Parish Development Model (PDM), a total of 10,585 SACCOs out of the 10,594 SACCOs have been capitalized each with Ushs 100 million as at June 2023. Ushs 23.876 billion has been disbursed to 108,869 households across the country as at June 2023.
Environmental Sustainability	Air quality deteriorated by 4.52%, worsening from 26.79 $\mu\text{g}/\text{m}^3$ in May 2023 to 28.0 $\mu\text{g}/\text{m}^3$ in June 2023 in Kampala. During the month of June 2023, natural disasters had an impact on a total of 1,413 individuals, accounting for 393 households. Additionally, 346 individuals from 100 households were internally displaced. Notably, there was a 92.68% significant reduction in the impact, extent and intensity of disasters in June 2023 compared to previous months. A total of 90,226 individuals have been affected by disasters between January to June 2023.
Productivity	The average monthly incidence of malaria increased by 11.1% from 3.5 cases per 1,000 persons in May 2023 to 3.89 cases per 1,000 persons in June 2023. The increase is attributed to the rise in severe malaria cases due to late presentation or detection.
Competitiveness	Liquid Energy Fuel Inflation decreased by 0.9% in June 2023 compared to the 0.8% drop registered in May 2023.
Markets & Regulation	New business registrations reduced by 7.7% from 5,047 businesses in May 2023 to 4,660 businesses in June 2023. The USE All Share Price Index reduced by 2.68% from 1,057.0 in May 2023 to 1,028.7 in June 2023. In addition, the IMF Primary Commodity Price Index remained unchanged (at 158.3) for the month of June 2023.
Local Content	Uganda's trade balance deficit widened by 28.5% from US\$ 219.4 million in April 2023 to US\$ 282.1 million in May 2023, largely on account of an increase in the import bill, from US\$ 753.2 million in April 2023 to US\$ 867.9 million in May 2023. The value of contracts awarded by Government to local service providers increased by 26.4% from 61% in 2021 to 77.12% in 2022.

B) Policy Response Measures: This edition of the MIND focuses on Trade Balance as a thematic area.

Objective	Interventions
<p>Boosting Export Growth for Improved Terms of Trade</p>	<p>The third National Development Plan (NDP III) highlights export-oriented growth as one of the strategic approaches for ensuring macroeconomic stability and economic growth. Despite overall growth in exports, Uganda continues to post a widening trade deficit, mainly on account of the faster pace at which imports are expanding compared to exports. Government has undertaken a number of interventions to improve its trade balance. These include:</p> <ul style="list-style-type: none"> a) Promotion of Domestic Manufacturing for Import Replacement. Government is implementing the ‘Buy Uganda Build Uganda’ (BUBU) Policy to proactively encourage private sector investment to invest in import-substituting ventures to reduce importation of products that have the potential to be produced domestically as well as increase forward and backward linkages within the economy. Promotion of domestic manufacturing has yielded positive results. For example, the import bill of foot wear reduced by 19% from US\$ 56.2 million in FY 2015/16 to US\$ 45.7 million in FY 2021/22. In addition, the import bill of furniture reduced by 13% from US\$ 18.9 million in FY 2015/16 to US\$ 16.4 million in FY 2021/22. Exports for both foot wear and furniture increased by 1287% and 202% respectively over the same period. Furthermore, Government has continued to promote the Local Content Policy to increase production and support of the local entrepreneurs. The value of contracts awarded by Government to local service providers increased by 26.4% from 61% in 2021 to 77.12% in 2022. b) Product Focusing and Market Development in order to address the constraint of low levels of production. Government has intensified and widened the scope of free distribution of seedlings and seeds for specific crops especially coffee, cocoa, cotton, maize, beans, tea, rice, and fruit trees to boost their production for export. In addition, Government will strengthen the value chains of these crops under the Parish Development Model (PDM) to increase their value and volume for export growth. c) Infrastructure Development. Government has prioritized Infrastructure development to boost Uganda’s trade competitiveness. The first phase of construction for Gulu Logistics Hub has been completed. The Hub is expected to handle 20,000 metric tons of cargo from Kenya and serve the trade corridors of Kampala-Gulu-Elegu/Nimule-Juba and Gulu-Pakwach Goli/Pader/Lira/Vurra-DRC. This hub will link and facilitate trade between Uganda and the Kenyan, South Sudan and DRC markets. In addition, construction works of the Mpondwe Border Export Zone (BEZ) are at 96% completion rate. The Mpondwe BEZ will enable Uganda to further penetrate the DRC market. d) New Market Development. Uganda penetrated two new markets in 2023 (Algeria and Serbia) to facilitate export growth of Ugandan commodities especially processed coffee. e) Enhanced Trade Finance. Government has continued to facilitate affordable financing options for traders through Uganda Development Bank and Commercial Banks. The value of new credit extension approved for trade and related activities expanded by 67.9% from Ushs 1,268.1 billion (15.3%) in February 2023 to Ushs. 1,496.6 billion (15.9%) in March 2023. In addition, Parliament approved the Investment for Industrial Transformation and Employment (INVITE) Project in May 2023. The Project will facilitate manufacturers and exporters with export finance, among others.

C) Microeconomic Outlook: Effective Implementation of the African Continental Free Trade Area (AfCFTA) Agreement is expected to increase access to continental market, which would allow Uganda to realize economies of scale, attract foreign direct investment, increase exports and create jobs. According to World Bank 2020, Uganda’s total exports are expected to rise by 10.4% by 2035 with full implementation of the AfCFTA.

MICROECONOMIC ISSUES IN THE NEWS & REPORTS

JUNE 2023
TRADE BALANCE IN UGANDA
**Performance of
NDP III Priority
Export
Commodities**

In FY 2021/22, the East African Community (EAC) was the leading destination of Uganda's exports within Africa, accounting for 65% of total exports in the continent. Although COMESA reported a higher share (92%), this was because of export trade by EAC Partner States who are members of both Regional Economic Cooperations. Excluding EAC Partner States significantly lowered the share of COMESA (32%). Exports to the rest of Africa (outside EAC and COMESA) accounted for only 3%.

According to the UBOS QGDP Report of June 2023, exports grew by 37.3% in Q3 FY 2022/23, compared to the 19.7% decline registered in Q3 FY 2021/22. Below is the detailed performance of NDP III's priority export commodities for Q2 and Q3 FY 2022/23:

Export Commodity	Q2 FY 2022/23 (USD million)	Q3 FY 2022/23 (USD million)	% Change (Growth)
Coffee	190.8	204.9	7.4%
Tea	25.9	21.4	-17.4%
Fish	43.9	36.2	-17.5%
Maize	29.7	86.7	191.9%
Gold	16.2	279.9	1627.8%

**Uganda and
China unveil the
Special
Preferential
Tariff Treatment
for Uganda's
Exports to China**

On 18th November 2022, Uganda and China unveiled the Special Preferential Tariff Treatment for Uganda's Exports to China. Trade volumes between China and Uganda have been on an upward trajectory in favour of China. The value of the country's exports to China, consisting mainly of unprocessed agricultural products, has increased from US\$0.28million in 2000 to US\$36.19million in 2022. On the other hand, the value of imports from China's increased from US\$31.4million in 2000 to US\$ 1.3billion in 2022, consisting mainly of industrial machinery and construction. With enhanced Duty Free and Quota Free access of Ugandan goods to the Chinese market, Uganda has the opportunity to harness a market that boasts of a population of 1.4 billion people and an average annual import bill of about US\$ 2.7trillion. The 98% coverage of tariff lines by China to Uganda is an indication of renewed commitment to further boost the bilateral trade relations.

**Manufacturing
Standards
Framework for
NDP III's
Import
Replacement
Strategy**

A Study by EPRC assessed Uganda's legal, regulatory and institutional standards framework in pursuit of the third National Development Plan's import replacement/export promotion strategies. Results from the Study indicate that despite efforts to create the legal, regulatory and institutional framework for standards, several challenges still exist in implementation. These include outdated laws, corruption, inadequate funding to Uganda National Bureau of Standards (UNBS) and the lack of awareness about standards among stakeholders. The study recommends regular evaluation of laws, regulations and policies related to standards to address gaps in their implementation; understanding what the manufacturers/traders need and how they can be supported to adhere to standards; increasing training and staffing for UNBS to address human resource gaps, and empowering the local authorities to know what standards are, and to report the culprits who do not meet the basic requirements for standards as a way of strengthening enforcement.

Issues	Indicators	Frequency	Status		Issues	Indicators	Frequency	Status		
Employment	Jobs	Formal Sector ¹	Monthly	593,503 (14.2%)	▼	Productivity	Literacy Rate (Grade 6) ¹¹	Yearly	21.7%(66.8%)	▼
		Informal Sector	Yearly (-1)	8,796,480	■		Numeracy Rate (Grade 6)	Yearly	41.2% (-19.1)	▼
		Migrant Workers	Monthly	1,325 (21.8%)	▲		Morbidity Rate (Malaria Incidence) ¹²	Monthly	3.89 (11.1%)	▲
	Incomes	Per-capita GDP (US\$): 2022/23	Yearly	1,088 (4.3%)	▲		PIP Budget Absorption (GoU, IFMS %) ^b	Yearly	85.5% (-0.5%)	▲
		Income Poverty (%)	Yearly (-2)	20.3% (-1.1)	■	Power Tariff (Ushs per Unit)	Medium	Quarterly	461.8 (2.2%)	▲
		Remittances (US\$,M)	Yearly	1,133.94 (-1.76%)	■		Large	384.4 (0.5%)	▲	
				Extra Large	325 (0.5%)		▲			
Living Standards	Utilities (Retail Tariff Rates)	Water (M ³)	Quarterly	3,727(0.2%)	▼	Competitiveness	Av. Freight Costs (US\$, Mom-Kla, 40ft)	Monthly	3,500	■
		Power/Domestic	Quarterly	805.0 (-0.48%)	▼		Commercial Case Backlog ¹⁴	Yearly (-1)	6,178 (1.38%)	▲
		Data (Ushs, 1GB)	Monthly	4,000	■		Fuel Prices (Liquid Energy Fuel Inflation) ¹⁵	Monthly	0.9	▼
	Household Expenditure (HFCE), Ushs Bn	Quarterly	29,096 (1.6%)	▲	Customs Clearance (Hours)		Monthly	5.13 (0%)	■	
	Education Expenditure ³ (HH,Ushs)	Yearly (-2)	440,000(13%)	▲	Transit Times (Mom-Kla, Days)		Monthly	5 (41.1%)	■	
	Healthcare Expenditure (HH, Ushs)	Yearly (-2)	15,000 (-34.2)	▼	Investment Registration (Days)		Yearly	2	■	
	Food Inflation (%)	Monthly	-1.3 (11.0)	▼	Export Growth		Quarterly	37.3	▲	
	EFU ⁴ Inflation (%)	Monthly	-0.4 (0.8)	▼	Electricity Connection (Days)		Monthly	28 (-6.7%)	▲	
	Residential Property Price Index (RPPI) for GKMA	Quarterly	104.54(5.8%)	▲	Water Connection (Days)		Monthly	3 (0%)	■	
	Crime Rate (per 100,000):2022	Yearly	523(18%)	▼	Investment Growth (GFCF)		Quarterly	10.2%	▲	
Equity and Economic Inclusion	Private Pension: Active Members	Yearly	1,088,658 (48.27%)	▲	Markets and Regulations	Communication Rates	Voice (Ushs Per Sec)	Quarterly	4 (33.3%)	▲
	Private Pension: Registered Members	Yearly	2,213,257 (2.9%)	▲		Data ¹⁶ (Unlimited)	Monthly	550,000(0%)	■	
	Public Pension (Beneficiaries)	Monthly	85,651 (0%)	■		IMF Primary Commodity Price Index	Monthly	158.3	■	
	SAGE (Beneficiaries)	Yearly	332,793(-3.78%)	▼		Average Monthly Net Salary (After Tax)	Yearly	628,611	■	
	Agent Banking (Agents)	Yearly	26,858(16.8%)	▲		Retail Sales/EFRIS ¹⁷	Quarterly	63.9% (16.1%)	▲	
Environmental Sustainability	Water Quality (PM _{2.5}) ⁵	Quarterly	Low, 20.97 (31.1%)	■	Local Content	USE All Share Price Index	Monthly	1,028.7 (-2.68%)	▼	
	Air Quality (PM _{2.5}) ⁶	Monthly	Low, 268.0µg/m ³ (75.55%)	▼		New Business Registrations	Monthly	4,660 (-7.7%)	▼	
	Noise Pollution (Decibels, Kampala)	Monthly	High, 58.33 (60.7%)	▼		Hotel Occupancy Rate (Kla)	Quarterly	44% (-15.4%)	▼	
	Seasonal Changes in Rainfall	Monthly	Normal Plus	■		Plant Utilisation Rates (SME-Large Firms)	Yearly	53.6%	■	
	Natural Disaster Incidences ⁷	Monthly	1,413 (92.68%)	▼		MUG Shelf-Presence ¹⁸	Yearly	N/A	■	
					Trade Balance (US\$, Millions)	Monthly	-282.1 (28.5%)	▲		
					Contracts Awarded to Local Providers ¹⁹	Yearly	77.12%(26.4%)	▲		

*Unless indicated all quarterly figures are for Q3, FY2022/23. ¹ Active PAYE Register Jobs | ² Labour Intensive Public Works | ³ Average household expenditure on Primary education | ⁴ Energy, Fuel and Utilities | ⁵ Particulate Matter (July 2022) | ⁶ 0-50 is good | ⁷ Total number of individuals affected by Natural Hazards | ¹¹ Persons aged 10 years and above | ¹² Cases per 1,000 population | ¹³ Cumulative Absorption in Q2 (31st Dec 2022) | ¹⁴ December 2021 | ¹⁵ Percentage Average change | ¹⁶ Average monthly price of data bundles for MTN (1705GB) and Smile (150GB) | ¹⁷ Electronic Fiscal Receipting and Invoicing System | ¹⁸ Made in Uganda (MUG) | ¹⁹ By Value.