

A) Microeconomic Developments

Issue	Market Updates
Employment	Formal Employment, as captured under the PAYE Register, increased by 4.1% from 722,310 employees in July 2023 to 752,040 employees in August 2023. However, the number of migrant workers captured by the Immigration Department doubled from 100 migrant workers in July 2023 to 200 migrant workers in August 2023.
Living Standards	Monthly Inflation for Food and Non-alcoholic Beverages increased by 1.5% for the month of August 2023 compared to a 1.2% drop registered in July 2023. This was mainly due to the monthly food inflation that increased by 1.5% for the month of August 2023 compared to the 1.3% drop recorded in July 2023. On the other hand, monthly EFU inflation increased by 0.9% for the month of August 2023 from a 2.7% rise recorded in July 2023.
Equity and Economic Inclusion	As at 30 th August 2023, a total of Ushs 381 billion had been disbursed by PDM SACCOs, benefiting 105,000 PDM enterprises. This was achieved, in part, because Government rolled out an e-wallet solution to increase uptake and coverage of PDM funds.
Environmental Sustainability	The Air Quality in Kampala improved significantly from 40.29 $\mu\text{g}/\text{m}^3$ in July 2023 to 26.81 $\mu\text{g}/\text{m}^3$ in August 2023, translating into a 33.5% improvement although this is still above the recommended threshold of 15 $\mu\text{g}/\text{m}^3$ by the World Health Organization. In August 2023, natural disasters had an impact on a total of 2,904 individuals, which translates to 864 households. Additionally, 1,041 individuals from 222 households were internally displaced. These disasters included hailstorms in various regions (Zombo), fires (Nakapiripirt), road accidents (Lwengo), and Cholera (Namayingo, Kayunga). The rainfall outlook for August 2023 was reported to be near normal which is good in supporting socio-economic activities.
Productivity	The average monthly incidence of malaria decreased by 24.4% from 3.89 cases per 1,000 persons in July 2023 to 2.94 cases per 1,000 persons in August 2023. The Ministry of Health commenced the third wave of mass distribution of Insecticide-treated Mosquito Nets in 17 districts and municipalities.
Competitiveness	The monthly Liquid Energy Fuels Inflation decreased by 0.1% in August 2023 compared to the 0.5% drop registered in July 2023.
Markets & Regulation	International commodity prices, measured by IMF primary commodity price index slightly increased by 1.7% from 158.73 in July 2023 to 161.5 in August 2023. The increase is attributed to tight global supply orchestrated by oil production cuts by Saudi Arabia and a ban on Russian oil exports. In contrast, the USE All Share Price Index experienced a 3.6% decline, dropping from 1,017.7 in July 2023 to 980.61 in August 2023. Similarly, business registrations declined by 6.3% from 4,660 in July to 4,955 in August 2023.
Local Content	The monthly trade deficit widened by 12.4%, increasing from US\$ 247.43 million in June 2023 to US\$ 278.52 million in July 2023. The deficit is attributed to a higher reduction in export receipts (from USD 650.6m in June 2023 to USD 569.8m in July 2023) in comparison to the import receipts (from USD 867.89m in June 2023 to USD 821.74m in July 2023).

B) Policy Response Measures: This edition of the MIND focuses on Competitiveness as a thematic area, with a special emphasis on Power Tariffs and Electricity Connections.

Objective	Interventions
<p>Lowering the cost of electricity and increasing access to electricity</p>	<p>The NDP III recognizes that the supply of reliable energy is critical in fostering the ease of doing business and expanding the industrial base of the country. However, high electricity connection costs erode power tariffs for both domestic and industrial users. As such, low energy uptake due to high electricity unit costs and unreliable supply undermine the production and productivity of enterprises. To address these constraints, Government has undertaken the following measures:</p> <ol style="list-style-type: none"> 1. Launched the revised Energy Policy 2023 in April 2023. It builds on the achievements of the Energy Policy, 2002 and is cognizant of the following: <ol style="list-style-type: none"> a) Need for increased energy supply and access to Uganda’s fast-growing population and industrialization b) Emerging trends in technologies in the energy sector c) Energy demand requirements and utilization in a sustainable manner. 2. Government is implementing a Ushs 2.2 trillion energy access scale-up project for a period (2022-2027) to increase access to electricity, both on-grid and off-grid for households, commercial enterprises, and public institutions (schools, hospitals, and water supply schemes). The project aims to increase access to clean energy cooking services by supporting private sector enterprises that promote clean cooking solutions. The Project will therefore support grid expansion and connectivity for last mile connections of both households and commercial enterprises; financial intermediation for energy access scale-up through the provision of credit lines and guarantees to promote productive use of electricity; and increase energy access in refugee host communities. 3. Continued with the implementation of the Energy Rebate initiative to encourage the speedy establishment of electricity infrastructure for investors to establish power line extensions. Government reimburses customers who meet the following requirements; <ol style="list-style-type: none"> a) The investment should have a maximum demand of 500kva b) Should be located within an Industrial Park or any location approved by the Electricity Regulatory Authority c) Should be able to connect at least 10 potential customers within one year of commissioning d) A maximum network length of 500 meters. 4. Launched the hybrid electricity customer connection credit framework in 2022 for a no-pole electricity connection. The intervention provides an option for paying the full Ushs 470,000 upfront or a minimum of Ushs 200,000 and accessing a credit facility of up to Ushs 270,000 availed under the Uganda Development Bank (UDB) financing scheme.

C) Microeconomic Outlook: The sustained reduction in headline inflation hovering at about 3.5% in August 2023 signals an improvement in economic activity. However, the rise in global fuel prices occasioned by the scaling back of oil production by Russia and Saudi Arabia has translated into higher fuel pump prices presenting a potential risk in increasing in the cost of living for households.

MICROECONOMIC ISSUES IN THE NEWS & REPORTS

AUG 2023
INCREASING ACCESS TO ELECTRICITY
**Electricity
Supply
Industry
Performance
Report 2022**

The Electricity Regulatory Authority published the 2022 Annual Performance of the Electricity Supply Value Chain. The highlights of the Report are as follows:

1. Electricity demand is projected to increase to 3,662 MW by 2040 from 936 MW in 2023. The following assumptions underly the projections.
 - a) Reduction in tariffs to US Cents 5/Kwh for large and extra-large manufacturers
 - b) Government's sale of power directly to industrial parks, thereby avoiding additional costs imposed by private investors
 - c) Implementation of the declining block tariff structure
 - d) Roll out of the hybrid connection framework to clear the backlog of household connections
 - e) Fast-tracking of the independent power transmission framework to allow investments in transmission by private investors.
2. In 2022, about 26.9 MW were added to the national grid. Since 2013, the installed generation capacity has increased by 69.4% from 827.5 MW to 1,401.96 MW.
3. Energy purchased by UETCL amounts to 5,489.6 Gwh while energy sold amounts to 5,224.2 Gwh. This results in a transmission loss rate of 4.83%, a slight increase from 4.1% registered in 2021.
4. Since 2018, 1,191.5 km of transmission lines have been added to the transmission network, bringing the total transmission network to 3,761.3 km in 2022. Between 2021 and 2022, 330.4 km were added.
5. Energy sales to domestic customers account for 21.4%, 11% to commercial customers, and 67.5% to industrial customers – medium 14.2%, large 27.1%, extra-large 26.2%. Distribution losses due to UMEME are 16.9% and 41% from mini-grids.

**Uganda
National
Household
Survey (UNHS)
2019/20**

According to the UNHS 2019/20, the proportion of the population with access to electricity is 57%, with 19% accessing electricity through the grid and 38% through off-grid (solar). Sub-regionally, Kampala has the highest population (92.5%) using grid electricity for lighting compared to 1.6% in West Nile and 1% in Karamoja. In Karamoja, the main source of lighting is firewood (43.9%) followed by phone torches (20.1%). The number of grid connections by UMEME expanded to 1.83 million in 2023 (January to June) from 1.69 million in 2022, an 8.3% customer growth.

**Off-Grid Solar
Energy Market
Uganda¹**

The brief by USAID on off-grid solar energy indicates that the country's total renewable energy potential is estimated at 5.3 GW, of which only 1.4 GW is currently installed. Whereas Uganda's electrification rate stands at 57%, off-grid connectivity stands at 38%, and majorly in rural areas. The brief further highlights that Solar energy is a nascent investment opportunity that the Government of Uganda has identified to support mini-grid development on a large scale to fill the energy gap, especially in rural areas.

Issues	Indicators	Frequency	Status		Issues	Indicators	Frequency	Status		
Employment	Jobs	Formal Sector ¹	Monthly	752,040 (4.1%)	▲	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	200 (100%)	▲		Morbidity Rate (Malaria Incidence) ¹²	Monthly	2.94 (-24.4%)	▼
					PIP Budget Absorption (GoU, IFMS %) ^b		Yearly	85.5% (0%)	▲	
	Incomes	Per-capita GDP (US\$): 2022/23	Yearly	1,088 (4.3%)	▲	Power Tariff (Ushs per Unit)	Medium	Quarterly	461.8 (0%)	■
		Income Poverty (%)	Yearly (-2)	20.3% (-1.1)	■		Large		384.4 (0%)	■
Remittances (US\$,M)		Yearly	1,133.94 (-1.76%)	■	Extra Large			325 (0%)	■	
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	0.1	▼
	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	4.8 (4.2%)	▼	
	Healthcare Expenditure (HH, Ushs)	Yearly (-2)	15,000 (-34.2)	▼	Investment Registration (Days)		Yearly	2	■	
	Food Inflation (%)	Monthly	-1.5 (7.7)	▼	Export Growth		Quarterly (-1)	37.3	▲	
	EFU ⁴ Inflation (%)	Monthly	0.9 (3.4)	▼	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 (-1)	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	161.5 (1.7%)	▲	
	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 (-1)	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	980.61 (3.6%)	▼	
	Air Quality (PM _{2.5}) ⁶	Monthly	High, 26.81 µg/m ³ (33.5%)	▼		New Business Registrations	Monthly	4,955 (6.3%)	▲	
	Noise Pollution (Decibels, Kampala)	Monthly	High, 64.42 (10.4%)	▼		Hotel Occupancy Rate (Kla)	Quarterly	44% (-15.4%)	▼	
	Seasonal Changes in Rainfall	Monthly	Near Normal	■		Plant Utilisation Rates (SME-Large Firms)	Yearly	53.6%	■	
	Natural Disaster Incidences ⁷	Monthly	2,904 (42.3%)	▲		MUG Shelf-Presence ¹⁸	Yearly	N/A	■	
					Trade Balance (US\$, Millions)	Monthly	-278.52 (12.4%)	▲		
					Contracts Awarded to Local Providers ¹⁹	Yearly	77.12%(26.4%)	▲		

*Unless indicated all quarterly figures are for Q4, 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.