

A) **Microeconomic Developments:** This Section provides a summary commentary on the eight focus microeconomic themes of the MIND based on the statistical figures reported in the Dashboard on page 4.

Thematic Issue	Market Updates
Employment	The second wave of COVID-19 and subsequent lockdown negatively affected both formal and informal employment. Formal employment captured under the PAYE Register declined from 653,066 employees in June 2021 to 612,726 employees in July 2021. Similarly, migrant labour declined to 7,566 migrants in July from 8,830 in June 2021, with Saudi Arabia accounting for 93% of the country's migrant labour in the reference period.
Living Standards	Monthly food inflation decreased to 0.1% in July 2021 compared to 0.8% in June 2021 due a drop in most of the food prices. EFU Inflation was constant over same period
Equity and Economic Inclusion	The volume of Agent Banking transactions more than doubled between 2019 (12.3 million) and 2020 (34.2 million). This is a positive trend in financial deepening and inclusion, particularly in rural areas where there is a dearth in coverage of commercial bank branches. In the Retirement Benefits Sector, registered members of the National Social Security Fund (NSSF) increased from 1,954,787 in 2019 to 2,054,933 members in 2020, with the share of active NSSF members increasing from 34.2% in 2019 to 39.5% in 2020 in spite of the disruptions occasioned by the COVID-19 pandemic (URBRA, 2020).
Environmental Sustainability	Air quality deteriorated between June and July 2021 from 66ug/m <sup>3</sup> to 103ug/m <sup>3</sup> respectively. This is the lowest quality level for the first seven months of 2021. Noise pollution equally increased in the same period to the pre-lockdown levels of 63.6 decibels in May 2021.
Productivity	The average national incidence of malaria decreased to 2.5 per 1,000 persons in July 2021, down from 3.04 per 1,000 persons in June 2021. The highest monthly incidences of malaria were reported in districts of Nabilatuk, Pader, Alebtong and Yumbe.
Competitiveness	In line with the Government Policy of achieving a power tariff of US\$ 5 cents per KWH for industries and macroeconomic indicator trends, the Electricity Regulatory Authority reduced electricity tariffs for the period between July and September 2021, for all three categories of industries: medium industries (526.9), large industries (355.0) and extra-large industries (300.2). The reduction is a positive development for competitiveness of small and medium scale industries which make up the largest share of the industrial base in the country.
Markets & Regulation	International commodity prices steadily rose by 2.7% between June 2021 and July 2021. This rise was characterised by the steep rise in industrial inputs (agricultural raw materials) and metals. On the other hand, the All Share Price Index exhibited robust performance, registering a 2.94% rise from 1,490.4 in June 2021 to 1534.19 in July 2021. Still, this was lower than the 5.25% recorded between May and June 2021. This performance is on account of enhanced share prices and increased trade volumes.
Local Content	The trade balance deficit widened further by 56% from US\$ 322.2m in May 2021 to US\$ 481.8m in June 2021 <sup>1</sup> . This was mainly driven by growth in the monthly import bill, particularly mineral and petroleum products. An increase in coffee exports receipts from US\$ 47.16m in May to US\$58.56m in June <sup>2</sup> , helped to mitigate against further widening of the trade balance deficit.

<sup>1</sup> Bank of Uganda, "Monthly Macroeconomic Indicators."

<sup>2</sup> Bank of Uganda, "Composition of Exports."

**B) Policy Response Measures:** Following the onset of the second wave of COVID-19 pandemic in May 2021, Government announced several microeconomic related measures to support employers and employees and households in general during the Pandemic. The policy response focus of this MIND edition is accordingly on measures to boost employment and household incomes.

<b>Objective</b>	<b>Interventions</b>
<b>SME development and Employment</b>	<p>Supporting SMEs to grow from small to large firms is one of the undertakings identified in NDP III to unlock employment opportunities and household incomes. This is planned to be achieved through promoting Foreign Direct Investment and supporting SMEs to access export markets by negotiating for more market access. To support the recovery of SMEs from the adverse effects of the COVID-19 pandemic, Government:</p> <ul style="list-style-type: none"> <li>a) Proposed implementation of a Small Business Recovery Fund (SBRF) to provide low interest rate credit to the SMEs. The Private Sector and Government will contribute an equal share of Ushs.100 bn to the Fund. Once the operational modalities of the Fund are finalised, it will be operational and accessible to all SMEs.</li> <li>b) Supported its Export Promotion and Import Replacement agenda by offering concessionary measures such as tax waivers to domestic industries to enable them manufacture previously imported essential medical supplies such as PPEs, testing kits and drugs.</li> <li>c) Pledged to extend low-cost credit worth Ushs.20bn to the Teachers’ Savings and Credit Cooperative Organisation (SACCO). As one of the most affected categories of employees by the pandemic, teachers will be able to access low-cost credit to support their livelihoods through the Microfinance Support Center (MSC) as they wait for schools to reopen.</li> </ul>
<b>Inclusive Growth</b>	<p>To restore livelihoods and business activity in the economy, Government has committed to implementing the following programmes in FY2021/22.</p> <ul style="list-style-type: none"> <li>a) Actualise the Area-Based Commodity Development Strategy through the Parish Development Model (PDM) by promoting value chain development of the eighteen area-based priority commodities (coffee, tea, cotton, cocoa, cassava, vegetable oils/oil palm, maize, rice, fish, dairy, beef, beans, bananas, sugarcane, beans, avocado, shea nuts and macadamia nuts). This will be supplemented by a Revolving Fund targeting subsistence households to improve their on-farm production and productivity.</li> <li>b) Provision of seed capital to special interest enterprising groups through EMYOOGA funding. These specialized enterprises include Boda bodas; Women Entrepreneurs; Carpenters; Salon Operators; Taxi; Operators; Restaurant Owners; Welders; Market Vendors; Youth Leaders; Persons with Disabilities; Produce dealers; Mechanics; Tailors; Journalists; Performing Artists; Veterans; Fishermen; Elected Leaders.</li> <li>c) Fast-track the National Health Insurance Policy; the National Ambulance Systems and salary enhancement of health workers to reduce the cost of medical services on Ugandans.</li> <li>d) Implement climate change mitigation actions such as protection and reforestation of encroached forest land; protection and restoration of encroached wet lands.</li> </ul>

**C) Microeconomic Outlook:**

At the onset of a second wave of COVID-19 in June, 2021, a total lockdown was instituted, all through July 2021. This has inevitably had a significant impact on employment and household incomes. The prospects of recovery to pre-COVID levels are dependent on continued adherence to SOPs and uptake of vaccines in view of a possible third wave.

<b>Migrant Labour</b>	<p>The Middle East has continued to provide job opportunities to Ugandans even during the Covid-19 pandemic. Saudi Arabi has remained the main destination of the largely semiskilled migrant labour from Uganda during the pandemic. Housemaids and Labourers form the highest number of migrant labour force to Saudi Arabia. In July 2021, out of the 7,566 migrant workers, 6,689 were housemaids and 248 workers were labourers.</p> <p>Low skilled labour force is synonymous with low incomes<sup>3</sup>. This in turn, results into comparably low household incomes for workers and low remittances at the macro level because the base from which the workers save is already limited. Emphasis on vocational training to skill Ugandans, as prioritised by NDP III, is the main preoccupation of the new the Technical Vocational Education and Training Policy<sup>4</sup> and the ongoing review of the technical vocational studies curriculum<sup>5</sup>. Implementation of this Policy will lead to an improvement in the skills set of the migrant workers.</p>
<b>Market Access</b>	<p>Households in the sugarcane growing areas such as Busoga and Bunyoro have suffered falling prices for their produce despite an increase in the land tilled. The average price of sugarcane has reduced by 66% from Ushs.180,000 per metric tonne in 2017 to Ushs.60,000 in 2021<sup>6</sup>. This has significantly affected household incomes in the sugarcane growing regions resulting in high income poverty rates in those regions.</p> <p>Trade disputes between Uganda and Kenya have led to a reduction on sugarcane exports to Kenya, affecting Uganda's export earnings. Kenya has reduced Uganda's sugar imports by about 71,077 tonnes, which represents a massive reduction of 79 per cent<sup>7</sup>. This has led to a reduction in the value of sugar exports from US\$ 13.6m in May 2021 to US\$ 6.76m in July 2021<sup>8</sup>.</p> <p>Given that sugarcane is one of the eighteen commodities identified under the Parish Development Model, Government is committed to developing its value chain and to negotiating greater market access with the various export destinations. This will encourage and support improvements in production and productivity, leading to higher incomes for farmers and job opportunities for the youth in the sugarcane growing areas.</p>

MIND is compiled by Economic Development Policy and Research Department (EDP&RD) in the 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

<sup>3</sup> Maxwell, 'Wage Differentials, Skills, and Institutions in Low-Skill Jobs'; Lee and Clarke, "Do Low-Skilled Workers Gain from High-Tech Employment Growth?"

<sup>4</sup> Ministry of Education and Sports, 'The Technical Vocational Education and Training (TVET) Policy

<sup>5</sup> Mukhaye, 'Gov't Starts Reviewing Technical, Vocational Studies Curriculum.'

<sup>6</sup> Mbowa, 'A Call to Rethink the Sugarcane Sub-Sector to Address Rural Poverty in Uganda.'

<sup>7</sup> Nakaweesi, 'Kenya Cuts Uganda's Sugar Export Quota by 79 percent.'

<sup>8</sup> Bank of Uganda, 'Composition of Exports.'

Issues	Indicators		Frequency	Status		Issues	Indicators		Frequency	Status	
Employment	Jobs	Formal Sector <sup>1</sup>	Monthly	612,726(-6.2%)	▼	Productivity	Literacy Rate (Grade 6)		Yearly (-1)	76.1%(24.2%)	▲
		Informal Sector	Yearly (-3)	8,824,252	▲		Numeracy Rate (Grade 6)		Yearly (-1)	52.6%(1.3)	▲
		Migrant Workers	Monthly	7,566 (-14.3%)	▼		Morbidity Rate (Malaria Incidence) <sup>a</sup>		Monthly	2.1 (-16%)	▼
		LIPW <sup>2</sup> (Average)	Monthly	98,783 (-)	▲		PIP Budget Absorption (GoU, IFMS %)		Yearly	86% (19.6%)	▲
	Incomes	Per-capita GDP (US\$): 2020/21	Yearly	932(1.7%)	▲		Power Tariff (Ushs per Unit)	Medium	Quarterly	526 (-5.23%)	▲
		Income Poverty (%)	Yearly (-1)	20.3% (1.1)	▼	Large		355 (-1.66%)		▲	
		Remittances (US\$,M)	Yearly	1,456 (11.4%)	▲	Extra Large		300.2(-0.49%)		▲	
Living Standards	Utilities (Retail Tariff Rates)	Water (M <sup>3</sup> )	Quarterly	3,516 (0%)	▲	Av. Freight Costs (US\$, Mom-Kla, 40ft)		Monthly	3,800 (0%)	▲	
		Power/Domestic	Quarterly	747.5 (-0.5%)	▼	Commercial Case Backlog <sup>c</sup>		Yearly (-2)	1,122 (36%)	▼	
		Data (Ushs, 1GB)	Monthly	5,000*	▲	Fuel Prices (Liquid Energy Fuel Inflation)		Monthly	0(1%)	▼	
	Education Expenditure <sup>3</sup> (HH,Ushs)	Yearly (-1)	1,338,000(13%)	▼	Competitiveness	Customs Clearance (Hours)		Monthly	5.13 (0%)	▲	
	Healthcare Expenditure (HH, Ushs)	Yearly (-1)	15,000(-95%)	▼		Transit Times (Mom-Kla, Days)		Monthly	9 (0%)	▲	
	Food Inflation <sup>1</sup> (%)	Monthly	-0.1 (0.7)	▼		Investment Registration (Days)		Yearly	2	▲	
	EFU <sup>4</sup> Inflation (%)	Monthly	0.0 (-0.9)	▼		Business Registration (Days)		Yearly	1	▼	
	Residential Property Price Index (RPPI) for GKMA	Quarterly	114.8 (5.6%)	▼		Electricity Connection (Days)		Monthly	30 (0%)	▲	
	Crime Rate (per 100,000):2020	Yearly	502(8.9%)	▼		Water Connection (Days)		Monthly	3 (0%)	▲	
							Tax Refund (Months)		Monthly	N/A	
							Communication Rates	Voice (Ushs Per Sec)	Quarterly	4 (33.3%)	▲
						Data <sup>d</sup> (Unlimited)	Monthly	550.000(0%)	▲		
Equity and Economic Inclusion	Private Pension: Active Members <sup>f</sup>		Quarterly	811,699 (39.5%)	▲	Markets and Regulations	IMF Primary Commodity Price Index		Monthly	166.2(-2.78%)	▼
	Private Pension: Registered Members		Yearly	2,054,933 (5.1%)	▲		Average Monthly Net Salary (After Tax)		Yearly	N/A	
	Public Pension (Beneficiaries)		Monthly	83,320 (-0.06%)	▼		Retail Sales/EFRI <sup>5</sup>		Monthly	N/A	▲
	SAGE (Beneficiaries)		Quarterly	304,555 (0%)	▲		USE All Share Price Index		Monthly	1534.2(2.9%)	▲
	Agent Banking (Transactions) <sup>g</sup> (2020)		Yearly	34,200,000 (178%)	▲		New Business Registrations		Monthly	1,877 (-42.2%)	▼
Environmental Sustainability	Water Quality (PM <sub>2.5</sub> ) <sup>8</sup>		Monthly	Low, 13.7 (-13.9%)	▼	Local Content	Hotel Occupancy Rate (Kla)		Monthly	9% (-40%)	▼
	Air Quality (PM <sub>2.5</sub> ) <sup>8</sup>		Monthly	High, 103 (56.1%)	▼		Plant Utilisation Rates (SME-Large Firms)		Quarterly	30-50%	▼
	Noise Pollution (Decibels, Kampala)		Monthly <sup>f</sup>	High, 63.6(4.09%)	▲		MUG Shelf-Presence <sup>6</sup>		Yearly	48% (8.0)	▲
	Seasonal Changes in Rainfall		Monthly	Normal Plus	▲		Trade Balance <sup>e</sup> (US\$, Millions)		Monthly	-481.8(56%)	▼
	Natural Disaster Incidences		Monthly	N/A			Contracts Awarded to Local Providers <sup>7</sup>		Yearly	74%	▲

\*Unless indicated all quarterly figures are for Q4, FY2020/21 and annual figures for FY2020/21 | <sup>1</sup> Active PAYE Register Jobs | <sup>2</sup> Labour Intensive Public Works | <sup>3</sup> Primary Education | <sup>4</sup> Energy, Fuel and Utilities | <sup>5</sup> Electronic Fiscal Receipting and Invoicing System | <sup>6</sup> Made in Uganda (MUG) | <sup>7</sup> By Value | <sup>8</sup> Particulate Matter (April 2021) | <sup>a</sup> Cases per 1,000 population | <sup>b</sup> Cumulative Absorption in Q1 (31<sup>st</sup> Sep, 2020) | <sup>c</sup> 2019 | <sup>d</sup> Average monthly price of data bundles for MTN (170GB) and Smile (150GB). Source: kompare.ug | <sup>e</sup> July 2021 | <sup>f</sup> NSSF: As at December 2020 | <sup>g</sup> As at December

