

- A) **Microeconomic Developments:** This Section provides a summary commentary on the eight thematic areas under the Micro-Economic Indicator (MIND) framework. The indicators are provided in the Dashboard on page 4.

Issue	Market Updates
<b>Employment</b>	Formal sector employment has improved slightly by 1.3% from 677,588 employees in October 2021 to 686,097 in November 2021 <sup>1</sup> . Migrant labour has continued to register a positive trend with a 55.5% increase from 6,808 workers in October 2021 to 10,586 workers in November 2021 <sup>2</sup> . This increase is still explained by the backlog of trained workers before lockdown. Training institutions will resume training of migrant workers after COVID-19 restrictions are lifted in the education sector in 2022.
<b>Living Standards</b>	The quarterly inflation for Residential Property Index (RPPI) for Greater Kampala Metropolitan Area (GKMA) registered a 12.6% drop for Q1 2021/22 from the 5.6% increase registered for Q4 2020/21. The decrease was attributed to a reduction in prices of all residential properties around Kampala due to reduced demand.
<b>Equity and Economic Inclusion</b>	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.
<b>Environmental Sustainability</b>	The air quality declined from 70.04 µg/m <sup>3</sup> in October 2021 to 77.5 µg/m <sup>3</sup> in November 2021. The Air Quality Index indicated below average quality of air (above 100 µg/m <sup>3</sup> ) for areas around Rubaga, Kawempe, Bweyogerere and Namugongo. This air quality is unhealthy especially for sensitive groups like children and the elderly.
<b>Productivity</b>	The average proficiency in numeracy reduced by 1.7% from 52.6% in FY 2018/19 to 50.9% in FY 2019/20 <sup>3</sup> . This is still below the NDP III target of 79%. The decline is attributed to the COVID-19 pandemic that led to the continued closure of schools.
<b>Competitiveness</b>	Customs clearance time and transit time has greatly improved on account of regional initiatives aimed at upgrading systems and improving coordination through a single window tracking system. Time taken to clear goods at the port of Mombasa marginally reduced from 1.5 days in July 2021 to 1.45 days in September 2021. Similarly, transit time from Mombasa to Kampala averaged 4.6 days for the period between (July to September 2021), an improvement from 6.8 days in same period in 2020 <sup>4</sup> .
<b>Markets &amp; Regulation</b>	Global commodity prices declined by 4.68% in November 2021 after two consecutive months of increase led by significant decrease in prices of energy products (8.42%), metals (9.02%) and industrial inputs (6.76%). The All Share Index experienced a downward movement on account of slower trade activities at the Uganda Securities resulting in the dampening of the share value to 8.27% in November 2021. Market Capitalisation declined by 2.9% from 21 trillion in September 2021 to 20.4 trillion in October 2021. However, the listing of MTN on the stock exchange will provide a resumption of prospects to increase market capitalisation.
<b>Local Content</b>	The trade balance deficit reduced further by 1.8% from US\$ -227.1m in September 2021 to US\$ -222.9m in October 2021 <sup>5</sup> . The deficit is mainly due to increased import values of Machinery Equipments, Vehicles & Accessories; Petroleum Products; Vegetable Products, Animal, Beverages, Fats & Oil; and Chemical & Related Products in October 2021. Export values stagnated in October 2021.

<sup>1</sup> Uganda Revenue Authority (URA) Pay as You Earn, November 2021

<sup>2</sup> Ministry of Gender, Labour & Social Development, Ugandan Migrant Workers Deployed per Job Category and Destination Countries for November 2021

<sup>3</sup> Government Annual Performance Report (GAPR) FY 2020/21

<sup>4</sup> Northern Corridor Transit and Transportation Coordination Authority Observatory Report 2021

<sup>5</sup> Bank of Uganda, Monthly Macroeconomic Indicators, November 2021

**B) Policy Response Measures:** This edition of the MIND will focus on Living Standards as a thematic area, with particular emphasis on housing as a basic need.

Objective	Interventions
<p><b>Improved Urban Housing Market and Decent Housing for All</b></p>	<p>Uganda is urbanizing rapidly with a 5.2% urban growth rate per annum. Uganda has a deficit of 2.1 million housing units. This deficit is expected to reach 3 million and 8 million by 2030 and 2040 respectively. The country requires about 300,000 housing units per year to reduce the growing deficit and rising cost of housing<sup>6</sup>. This housing deficit is a great prospect for investors in the real estate business.</p> <p>The right type of real estate is a catalyst for development. To promote development of the urban housing market and provide decent housing for all Ugandans, Government has continued to:</p> <ul style="list-style-type: none"> <li>a) Promote access to land with registrable interest in order at affordable prices in order to enhance housing development. Government introduced the National Land Information Systems (NLIS) at National, Regional and Municipal levels in order to facilitate land market operations for sustainable housing development programs. This system has made a profound contribution to the improvement of service delivery across the land sector with a substantial reduction in the time required for land transactions.</li> <li>b) Develop an inclusive housing finance mechanism, including capitalization of Housing Finance Bank to provide affordable mortgages. Housing Finance Bank has partnered with financial institutions to provide affordable finances (mortgages) to support purchase or completion of residential properties.</li> <li>c) Incentivize real estate companies to undertake affordable housing projects. Government facilitated the enacting of the condominium titling system. The system facilitates fractional sales of property hence making real estate more affordable. In FY 2020/21, Government carried out training on the Condominium law and regulations to promote densification in 11 Municipalities i.e. Soroti, Ntugamo, Rukungiri, Fort Portal, Kasese, Mbale, Busia, Hoima, Masaka and Iganga.</li> <li>d) Create an enabling policy, legal and regulatory environment to support real estate operations. Government developed a comprehensive Real Estates Bill to regulate real estate developers, managers and agents. The enactment of this Bill into law will contribute to organized real estate developments and improved land use, among other provisions. Government also strengthened the Commercial Division of the High Court to handle real estate related cases.</li> </ul>

### **C) Microeconomic Outlook:**

Average input prices for the whole construction sector (covering material prices, wage rates and equipment hire rates) decreased by 0.2% in October after an increase of 0.4% in September, 2021. This reversal may reflect easing of logistical constraints associated with COVID-19 restrictions both globally and locally. The

<sup>6</sup> Uganda National Household Survey (UNHS) 2019/20

reduction in the construction index should provide real estate investors confidence to continue their capital investments in the economy.

## MEDIA WATCH POST

# MICROECONOMIC ISSUES IN THE NEWS & REPORTS

NOV 2021

## Real Estate Sector in Uganda

### NSSF Lubowa Housing Project Wins International Property Award

On 11th October 2021, the National Social Security Fund (NSSF) won the five-star award for the Africa and Arabia Property awards for their real estate project in Lubowa. This was during a virtual awards ceremony in London that brought together the best property professionals from Africa and Arabia. The awards are part of the prestigious International Property Awards that celebrate the highest levels of achievement by companies operating in all sectors of the property and real estate industry worldwide. NSSF's Solana Lifestyle and Residences project has also been further nominated as the best residential development project in Africa and will compete with top real estate residential projects globally during the grand finale scheduled for December 2021. Solana Lifestyle and Residences project lies on the Fund's 600 acres in Lubowa, an upmarket destination in Wakiso district. It is being implemented in ten phases over a period of 10 years.

These awards are a testimony that Uganda's real estate projects are beginning to meet global standards.

### H1 2021 Kampala Market Performance Review by Knight Frank

According to the Report, Uganda's real estate industry exhibited some resilience during the first six months of 2021 in spite of painful lockdown measures. Average rental prices in high-end office premises fell by 3% during the first six months of this year compared to the same period in 2020. Occupancy levels in Knight Frank managed malls increased by 1.63% in June 2021 to an average occupancy level of 86.72%, which was 0.42% above the same period in 2019. This increase was attributed to increased retailer activity and stimulus measures introduced by landlords in a bid to attract and retain tenants. The report anticipates that occupancy levels will remain subdued throughout the year with the current lockdown already impacting on tenants as landlords are unable to issue any further concessions.

### URA Introduces New Measures to Widen the Tax Base

Uganda Revenue Authority set a new rule effective 6<sup>th</sup> December 2021 requiring both the purchasers and sellers of land valued at Ushs 10 million and above to have Tax Identification Numbers(TINs). This measure is intended to register all potential taxpayers and ensure that URA has visibility in land transactions to grow the tax base.

Uganda Revenue Authority (URA) will in the next three months seek to identify about 2,000 rental income tax payers. The rental income tax segment continues to see a lot of non-compliance with only 8% of landlords fully remitting what is due in taxes. URA has deployed the Rental Tax Compliance System in a pilot project as a preparatory measure to close leakages in the Rental Income tax segment. The software-based system seeks to enhance tax compliance and will be important in determining priority individuals or corporations that are likely to underpay rental income tax. This system is part of the larger plan that seeks to widen the tax base. URA has been implementing a number of digital based solutions, among which include Digital Tax Stamps and e-invoice and e-receipts in a bid to enhance tax mobilisation.

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

Issues	Indicators	Frequency	Status		Issues	Indicators	Frequency	Status			
Employment	Jobs	Formal Sector <sup>1</sup>	Monthly	686,097 (1.3%)		Productivity	Literacy Rate (Grade 6) <sup>9</sup>	Yearly (-1)	76.1%(24.2%)		
		Informal Sector	Yearly (-3)	8,824,252			Numeracy Rate (Grade 6)	Yearly (-1)	50.9%(-1.7%)		
		Migrant Workers	Monthly	10,586(55.5%)			Morbidity Rate (Malaria Incidence) <sup>a</sup>	Monthly	2.9 (20.8%)		
		LIPW <sup>2</sup> (Average)	Monthly	98,783 (-)			PIP Budget Absorption (GoU, IFMS %) <sup>b</sup>	Yearly	86% (19.6%)		
	Incomes	Per-capita GDP (US\$): 2020/21	Yearly	954(5.4%)		Competitiveness	Power Tariff (Ushs per Unit)	Medium	Quarterly	500.6(4.99%)	
		Income Poverty (%)	Yearly (-1)	20.3% (-1.1)				Large	355 (0%)		
Remittances (US\$,M)		Yearly	1,102.03 (-14.7%)		Extra Large			300.2(0%)			
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%)		Commercial Case Backlog <sup>c</sup>	Yearly (-2)	1,122 (36%)			
		Data (Ushs, 1GB)	Monthly	5,000		Fuel Prices (Liquid Energy Fuel Inflation)	Monthly	1.9(375%)			
	Education Expenditure <sup>3</sup> (HH,Ushs)	Yearly (-1)	1,338,000(13%)		Customs Clearance (Hours)	Monthly	5.13 (0%)				
	Healthcare Expenditure (HH, Ushs)	Yearly (-1)	15,000 (-34.2)		Transit Times (Mom-Kla, Days)	Monthly	9 (0%)				
	Food Inflation (%)	Monthly	-0.3 (4.6)		Investment Registration (Days)	Yearly	2				
	EFU <sup>4</sup> Inflation (%)	Monthly	0.2 (0.1)		Business Registration (Days)	Yearly	1				
	Residential Property Price Index (RPPI) for GKMA	Quarterly	100.36 (-12.6%)		Electricity Connection (Days)	Monthly	30 (0%)				
	Crime Rate (per 100,000):2020	Yearly	502(8.9%)		Water Connection (Days)	Monthly	3 (0%)				
	Equity and Economic Inclusion	Private Pension: Active Members <sup>f</sup>	Quarterly	811,699 (39.5%)		Tax Refund (Months)	Monthly	N/A			
Private Pension: Registered Members		Yearly	2,054,933 (5.1%)		Communication Rates	Voice (Ushs Per Sec)	Quarterly	4 (33.3%)			
Public Pension (Beneficiaries)		Monthly(-1)	86,289 (3.34%)		Data <sup>d</sup> (Unlimited)		Monthly	550,000(0%)			
SAGE (Beneficiaries)		Quarterly	345,867 (13.56%)		IMF Primary Commodity Price Index	Monthly	183.8 (-4.68%)				
Agent Banking (Transactions) (2020)		Yearly (-1)	34,200,000 (178%)		Average Monthly Net Salary (After Tax)	Yearly	628,611				
Environmental Sustainability	Water Quality (PM <sub>2.5</sub> ) <sup>8</sup>	Monthly	Low, 20.69 (26.44%)		Retail Sales/EFRIS <sup>5</sup>	Monthly	19.07%				
	Air Quality (PM <sub>2.5</sub> )	Monthly	Moderate, 77.5 (9.6%)		USE All Share Price Index	Monthly	1450.09 (-2.6%)				
	Noise Pollution (Decibels, Kampala)	Monthly	High, 59.48 (7.25%)		New Business Registrations	Monthly	2,152 (-8.27)				
	Seasonal Changes in Rainfall	Monthly	Normal Plus		Hotel Occupancy Rate (Kla)	Quarterly	18% (100%)				
	Natural Disaster Incidences	Monthly	N/A		Plant Utilisation Rates (SME-Large Firms)	Quarterly	53.6%				
Markets and Regulations	Local Content	MUG Shelf-Presence <sup>6</sup>	Yearly	N/A		Trade Balance <sup>e</sup> (US\$, Millions)	Monthly	-222.9 (-1.8%)			
		Contracts Awarded to Local Providers <sup>7</sup>	Yearly	74%(26.7%)							

\*Unless indicated all quarterly figures are for Q1, FY2021/22. <sup>1</sup> Active PAYE Register Jobs | <sup>2</sup> Labour Intensive Public Works | <sup>3</sup> Primary Education expenditure in Kampala | <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>9</sup> Persons aged 10 years and above | <sup>a</sup> Cases per 1,000 population | <sup>b</sup> Cumulative Absorption in Q1 (31<sup>st</sup> Sep, 2020) | <sup>c</sup> December 2020 | <sup>d</sup> Average monthly price of data bundles for MTN (170GB) and Smile (150GB). Source: kompare.ug | <sup>e</sup> September 2021 | <sup>f</sup> NSSF: As at December 2020