UGANDA

Table 1	2023
Population, million	48.6
GDP, current US$ billion	42.0
GDP per capita, current US$	864.3
International poverty rate ($2.15)[a]	42.1
Lower middle-income poverty rate ($3.65)[a]	71.8
Upper middle-income poverty rate ($6.85)[a]	91.1
Gini index[a]	42.7
School enrollment, primary (% gross)[b]	105.5
Life expectancy at birth, years[b]	62.7
Total GHG emissions (mtCO2e)	58.9

Source: WDI, Macro Poverty Outlook, and official data.
a/ Most recent value (2019), 2017 PPPs.
b/ WDI for School enrollment (2017); Life expectancy (2021).

Continued investment momentum, lower inflation, and improved global supply conditions have supported a modest acceleration of GDP growth expected at 6.0 percent in FY24. A sustained fiscal consolidation will yield a primary fiscal surplus of 0.2 percent of GDP in FY26 and ease pressure on debt. GDP growth will accelerate beyond 6 percent in FY25–FY26, if not derailed by a global slowdown, disruptions to oil production, and weather shocks. Poverty will fall as incomes recover.

Key conditions and challenges

Increased shocks and less momentum behind policy reform create challenges for sustaining economic growth and reducing poverty in Uganda. Rapid population growth has kept a large share of the population below the poverty line, while human capital and infrastructure deficits have limited the country's growth potential and social welfare improvement. The challenge of creating productive jobs for the almost one million working age Ugandans entering the labor market every year is enormous. Although services constitute a large share of GDP, it has created a few jobs, mainly informal and low-skilled. Most of the jobs are in the agriculture sector which is prone to natural disasters that climate change is making more frequent and severe—and adapting to which is hampered by low adaptive capacity.

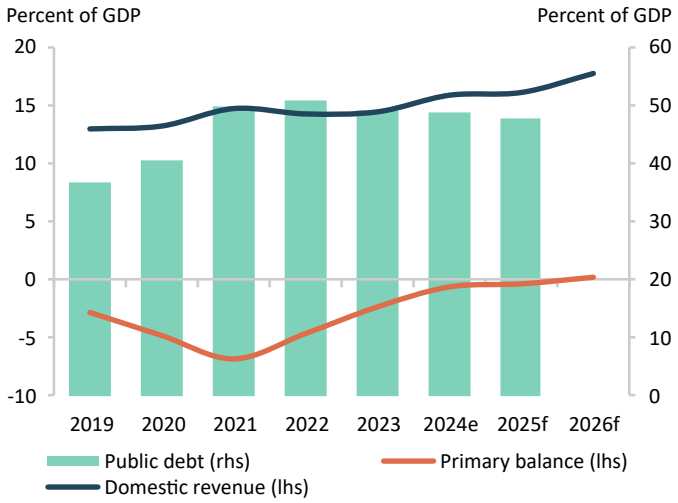
To promote economic growth and reduce poverty over the medium term, the Ugandan economy needs to structurally transform and shift labor into a more productive employment, ahead of oil revenue flows. The first required reform is to shift investments towards the private sector by reducing the cost of doing business and fostering access to finance. Second, the government must invest more strongly in human capital by shifting spending into social sectors, alongside measures to reduce inequality and strengthen resilience, and promoting uptake of digital and other innovative technologies. Finally, is to maintain prudent macroeconomic management alongside structural policies to avoid the 'Dutch' disease and to build resilience to climate shocks.

Recent developments

Economic growth accelerated slightly to an estimated 6.0 percent in FY24 despite external shocks. The Uganda Bureau of Statistics estimates that GDP grew by 5.3 percent during the first quarter of FY24. The industrial sector grew by 11.9 percent during this period, thanks to an oil-related construction boom as FDI grew over 56 percent. Agriculture, too, accelerated despite volatile weather conditions. An uptick in private investments and employment growth reinforced domestic demand deeper into the year - despite a slight reduction in February 2024 to 51.7, Uganda's Purchasing Managers' Index has for the sixteenth consecutive month signaled a strengthening of private sector activity, with sustained increases in output, new orders, and employment. While Uganda's exports surged with increased volumes of production and improvement in terms of trade, resumption of gold trade, and recovery of tourism, imports grew stronger, supported by demand from oil investments.

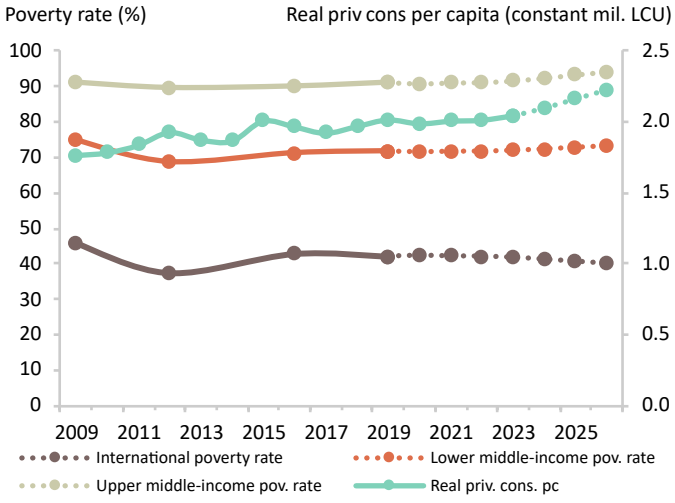
The Bank of Uganda (BoU) tightened monetary policy in March 2024 to curb possible passthrough of a fast-depreciating shilling. Low inflation, averaging 2.9 percent during the first half of FY24 benefitted both investments and the poor households. During the second half of

FIGURE 1 **Uganda** / Fiscal adjustment



Source: Ministry of Finance, Planning and Economic Development.

FIGURE 2 **Uganda** / Actual and projected poverty rates and real private consumption per capita



Source: World Bank. Notes: see Table 2.

FY24, inflation increased – gradually to 3.4 percent in February 2024, but forecast to accelerate towards the target of 5 percent as the Ugandan currency depreciated due to intensified portfolio outflows. Hence, on March 6, 2024, BoU raised its policy rate to 10 percent, from the 9.5 percent maintained since August 2023.

The fiscal consolidation has steadily reduced the primary fiscal deficit, estimated at 0.6 percent of GDP in FY24. While challenged by persistent shortfalls, estimated at about 12 percent below plans during the seven months to January, government revenues share in GDP continued to increase. The shortfall has been partially offset by underspending due to cuts and delays in the development projects, which may have implications to growth. The fiscal deficit was mainly financed through external borrowing.

Consistent with accelerated economic growth and low inflation, household perceptions on current and future economic wellbeing are positive. According to the October/November 2023 phone survey, respondents also experienced improved access to essential products. Nevertheless, about 41 percent of households continued to be moderately food insecure and four percent were severe food insecure. About 40 percent respondents were certain to experience extreme weather events during next 12 months with higher negative expectations among respondents from the poorest Northern and Eastern regions.

Outlook

Real GDP growth is expected to accelerate to 6.6 percent by FY26, mainly driven by investments in the oil sector. With the progressed preparation of the Tilenga and Kingfisher drilling project areas, supportive infrastructure (including Kabaale airport), and the pipeline construction, oil exports are expected to commence by end of 2025. However, timing may slip if the 60 percent of the pipeline financing, anticipated from external creditors, delays. The investments and exports of oil will support government's other promotion efforts for tourism, export diversification, and agro-industrialization. Lower inflation will enable BOU to ease its stance, which combined with reduced fiscal pressures under a fiscal consolidation, augurs well for both foreign and domestic investment. Nonetheless, the slowdown of global growth and disruptions in global financial conditions remain major downward risks.

The primary fiscal balance is expected to evolve into a surplus of 0.2 percent of GDP by FY26, through more efficient spending and implementation of the Domestic Revenue Mobilization Strategy. This fiscal consolidation aims to continue reducing non-priority capital expenditures while maintaining the share of social spending, crucial especially to poor households. Rationalization of exemptions and revenue administration modernization to improve compliance are expected to yield revenues of approximately 0.5 percent of GDP in FY25. The reduction in the fiscal deficit will modestly reduce debt below 50 percent of GDP through 2026, keep debt service manageable, and reduce crowding out of private sector investment.

Accelerated growth may reduce poverty (measured at the $2.15/day international poverty line) from 41.3 percent in 2024 to 40.1 percent by 2026. But given that households have limited adaptive capacity, the pace of poverty reduction will ultimately depend on how food access and affordability evolve, and on the incidence of weather and any environmental shocks. The trickle-down effect of oil for the poor will depend on adopting the right set of policies and strengthening existing and setting up new institutions.

TABLE 2 Uganda / Macro poverty outlook indicators (annual percent change unless indicated otherwise)

	2021	2022	2023e	2024f	2025f	2026f
Real GDP growth, at constant market prices	3.4	4.7	5.2	6.0	6.2	6.6
Private consumption	4.2	3.4	4.4	5.4	5.8	5.6
Government consumption	6.1	-17.4	18.3	2.0	-3.7	5.3
Gross fixed capital investment	5.1	20.1	1.8	9.5	10.6	9.9
Exports, goods and services	2.6	-18.6	7.0	7.7	8.3	8.4
Imports, goods and services	8.6	-8.9	3.2	8.6	8.7	8.8
Real GDP growth, at constant factor prices	3.4	4.7	5.2	6.0	6.2	6.6
Agriculture	3.8	4.4	4.8	4.9	5.0	5.1
Industry	3.4	5.4	3.8	6.2	6.5	6.5
Services	3.3	4.4	6.2	6.4	6.6	7.4
Inflation (consumer price index)	2.5	3.7	8.8	3.1	4.5	5.0
Current account balance (% of GDP)	-10.2	-7.9	-8.2	-8.1	-7.4	-6.9
Net foreign direct investment inflow (% of GDP)	2.1	3.1	5.9	8.7	10.9	9.9
Fiscal balance (% of GDP)	-9.5	-7.4	-5.5	-3.9	-3.7	-3.1
Revenues (% of GDP)	14.7	14.2	14.4	15.8	16.1	17.7
Debt (% of GDP)	49.6	50.7	49.1	48.5	47.8	41.9
Primary balance (% of GDP)	-6.8	-4.6	-2.3	-0.6	-0.3	0.2
International poverty rate ($2.15 in 2017 PPP)[a,b]	42.2	42.1	41.8	41.3	40.7	40.1
Lower middle-income poverty rate ($3.65 in 2017 PPP)[a,b]	71.7	71.8	72.0	72.4	72.8	73.2
Upper middle-income poverty rate ($6.85 in 2017 PPP)[a,b]	90.9	91.0	91.5	92.3	93.2	94.1
GHG emissions growth (mtCO2e)	3.2	3.1	3.2	3.4	3.4	3.6
Energy related GHG emissions (% of total)	15.5	16.2	17.2	18.1	18.9	19.7

Source: World Bank, Poverty & Equity and Macroeconomics, Trade & Investment Global Practices. Emissions data sourced from CAIT and OECD.
Notes: e = estimate, f = forecast.
a/ Calculations based on 2016-UNHS and 2019-UNHS. Actual data: 2019. Nowcast: 2020-2023. Forecasts are from 2024 to 2026.
b/ Projection using point-to-point elasticity (2016-2019) with pass-through = 0.7 based on private consumption per capita in constant LCU.