

Economy Overview

Uganda has substantial natural resources, including fertile soils, regular rainfall, and sizable mineral deposits of copper and cobalt. Agriculture is the largest sector of the economy, employing over 80% of the work force. Coffee accounts for the bulk of export revenues. The government of Uganda (GOU)- with the support of foreign countries and international agencies - is undertaking currency reform, raising producer prices on export crops, increasing prices of petroleum products, and improving civil service wages. The policy changes are especially aimed at dampening inflation and boosting production and export earnings. An upturn in Uganda's export markets reflected solid growth in 2003-04. Plans underway for a common market with neighboring countries Kenya and Tanzania by the end of the decade should further increase economic output.

Investment & Banking Overview

Government policies facilitate the free flow of financial resources to support the factors of production and economic development. Capital markets are open to foreign investors. There is a 15% withholding tax on interest and dividends. Credit is allocated on market terms, but lending to the private sector is rather limited, as the treasury bill rates are relatively high prompting banks to skew their asset portfolios toward GOU treasury bills. The Uganda Capital Markets Authority regulates broker/dealers of the Uganda Security Exchange (USE). Currently, the USE has seven listed companies with plans underway for more listings. At the end of 2004, total market capitalization was USD 1.06 billion. In 2004, the Bank of Uganda successfully issued 2-, 3-, 5-, and 10-year government bonds totalling USD 110 million. The GOU hopes that by creating a benchmark yield curve, private companies will be encouraged to access the debt markets. The banking industry, under tight supervision of Uganda's central bank - Bank of Uganda (BOU), is generally sound, well capitalized and without serious non-performing loan problems. The total size of the commercial banking system is about USD 1.6 billion. Most banks are foreign owned, including major international institutions such as Citigroup, Barclays, and Standard Chartered. Standard Chartered, the largest bank in Uganda, has assets of over USD 900 million, followed by Stanbic with assets of nearly USD 800 million. Ugandan banks remain conservative and primarily lend to the blue-chip companies.

Selected Economic Parameters (2004)

- ▶ Gross Domestic Product – per purchasing power parity: *USD 39.39 billion*
- ▶ Gross Domestic Product – real growth rate: *5.0 percent*
- ▶ Gross Domestic Product – by sector: *agriculture 35.8 percent; industry 20.8 percent; services 43.6 percent*
- ▶ Industrial Production Growth Rate: *5.6 percent*
- ▶ Inflation Rate: *3.5 percent*
- ▶ Labor Force: *12.41 million*
- ▶ Population: *27.27 million*
- ▶ Population Growth Rate: *3.31 percent*
- ▶ Exports: *USD 621.7 million*
- ▶ Export Commodities & Natural Resources: *coffee, fish and fish products, tea; gold, cotton, flowers, horticultural products, copper, cobalt, hydropower, limestone & salt*
- ▶ Export Partners: *Kenya 13.6 percent, Switzerland 11.2 percent, Netherlands 9.8 percent, Belgium 8.6 percent, France 4.2 percent*
- ▶ Imports: *USD 1.306 billion*
- ▶ Import Commodities: *capital equipment, vehicles, petroleum, medical supplies*
- ▶ Import Partners: *Kenya 27.9 percent, India 8 percent, UAE 7.4 percent, South Africa 6.9 percent, UK 5.9 percent, China 5.6 percent, Japan 5.1 percent, US 4.6 percent*
- ▶ Corporate Tax Rate: *30 percent*
- ▶ Value Added Tax Rate: *17 percent*
- ▶ Interest & Dividend Tax Rate: *15 percent*
- ▶ Capital Gains Tax Rate: *zero*

Sources: *The World Fact Book by CIA; Investment Climate Statement by U.S. State Department; and information provided by Bank of Uganda. Source material is believed to be reliable and is presented without warranties of any kind.*