



# CSBAG BUDGET NEWS BRIEF



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Advocating for a People Centered Budget that Dignifies Humanity



## Central Bank cautions on risks to projected rise in economic growth

“The escalating global trade frictions and lower than anticipated global growth may not only subdue external demand ...”



Central Bank Governor, Emmanuel Tumusiime Mutebile speaks at a past event. He said that challenges relating to the financing of public investment programmes among others could affect the projected rise in economic growth. | @CSBAG2019

Central Bank Governor, Emmanuel Tumusiime Mutebile has said that there are risks to the country’s economic growth momentum despite the projected growth rate of 6.3 percent in FY 2018/19. In last week’s Monetary Policy statement for February 2019, Mutebile said, “the escalating global trade frictions and lower than anticipated global growth may not only subdue external demand thereby weakening Uganda’s external position, but could also lead to volatility in the domestic foreign exchange markets.” All these could hurt the country’s economic growth prospects. He also singled out weather-related constraints to agricultural production and challenges relating to the financing of public investment programmes. Recently, renown economist, Dr Fred Muhumuza asked Government to exercise caution in its estimation of the country’s economic growth prospects. This followed the Finance ministry’s projections that forecast a positive trajectory for the country’s economic growth prospects.

“There are factors that should be considered...for instance the trade war between China and the US, Brexit and the more recent lingering effects of the US government shutdown among others,” he said. Still, according to the Monetary Policy Statement for February 2019, although private sector credit growth has been on a recovery path since January 2018, it remains below its historical trend and its contribution to economic growth could be weighed down by the relatively weak performance of foreign currency denominated loans.

for 2019, the Ugandan economy is now on a path of rapid and sustained growth, however, the number of new jobs arising from this growth has been disappointingly low. Sustained growth of the economy was expected to create jobs, drive poverty reduction and make growth more inclusive. According to the PWC report, this lack of growth in jobs has retarded poverty reduction in the country.

### Risks exist

“Politically it makes sense to be upbeat about the trajectory of the economy but in reality, we must realise that there are downturn risks that we need to be aware of,” said Dr Fred Muhumuza, an economist and development policy analyst during an interview with CSBAG. “You cannot judge growth in such a short time, especially in an agrarian economy...which still relies heavily on rain. Of course the risk of downturns still exists,” said Dr Muhumuza. He added that the ministry also needs to note developments within the global context, arguing that these have potential of influencing our growth prospects.

### Growth contributors

Making reference to the contributors towards the projected 6.3 percentage economic growth rate, the Monetary Policy Statement highlighted an accommodative monetary policy stance and the resultant favourable financial conditions, fiscal impetus and multiplier effects of infrastructure investments coupled with ensuing strong domestic demand conditions and improved agricultural performance. Relatedly, according to the PWC economic outlook report

### Infrastructure spend

The report also cautions that the current surge by government investment in public infrastructure may deny or undercut funding in the other growth-promoting sectors of the economy. It also states that external debt is expected to rise as the government continues to borrow to fund its infrastructure. The report adds that Uganda should be very careful and not aim to solve all its infrastructure problems at once. Instead, the country should focus on how achieving the highest socio-economic returns from its infrastructure investments.

### OUR WORK IN PICTURES



Members of Civil Society Organizations including CSBAG attending a meeting with the Tax policy department to present the CSO tax proposals for the FY 2019/20 in Kampala last week. | CSBAG2019



Officials from Civil Society Organizations and other stakeholders attending a discussion about the state of Uganda’s civic space during a meeting at the Kampala Serena Hotel last week. | CSBAG2019



Economist, Dr Fred Muhumuza (extreme left), Oxfam’s Sophie Kyagulanyi (middle) during the FY2019/20 CSO pre-budget dialogue that was organized by CSBAG in Kampala recently. | @CSBAG2019