Economic Overview - 2019

Economic Outlook - 2020

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Section 1: Foreword

Foreword

Greetings from Grant Thornton Uganda!

2019 displayed an appreciation in the economy with a registered growth of 6.1% which has created a greater level of optimism for the next year. Despite this growth, with one year to the 2021 general elections, there is a noted development of uncertainty regarding the political situation in the country. Bank of Uganda has indicated this might be a risk to the country given its ability to discourage investment during the year and business activity overall. Nonetheless, the economy's development in 2019 has shown that there is great potential for the country to continue its projected growth.

It is estimated that the economy grew by 6.1% in FY 2018/19 versus a projected 6.2% growth anticipated for the same period. This was mainly attributable to a lower growth than expected being realized in the agriculture, industry and services sectors. Nonetheless, growth was still registered throughout the economy giving us a more positive outlook for 2020. Additionally, business confidence improved in 2019 with noted improvement in business conditions which was evidenced by the expansion in business activity, increased employment and generally stronger demand in the market.

Going forward, we expect to see such expansion continue given greater demand in the market. Firms remain confident that output will continue to increase over the coming years with many reflecting business expansion plans. On a macroeconomic level, growth is expected to stem from public investment in infrastructure, higher agricultural output due to generally better weather conditions forecast for the year and more substantial government efforts in improving agriculture. Furthermore, export opportunities have increased due to the improvement in peace and security in the Democratic Republic of Congo and South Sudan.

With this in mind, we hope that you will probe further into this report to gain a better understanding of our economy. This report should help you reflect on key business decisions and plans you may wish to execute this year.

Finally, we take this opportunity to acknowledge our relationship which we believe has been fruitful over the past years. We aspire to see this relationship grow as we support and work hard to see your goals and visions achieved this coming year. We, at Grant Thornton Uganda have always had the drive to constantly improve ourselves in ways that cater to your needs and this initiative is stronger than ever. We wish you luck, prosperity and health this year as we look forward to continue serving you to our fullest potential.

Anil Patel

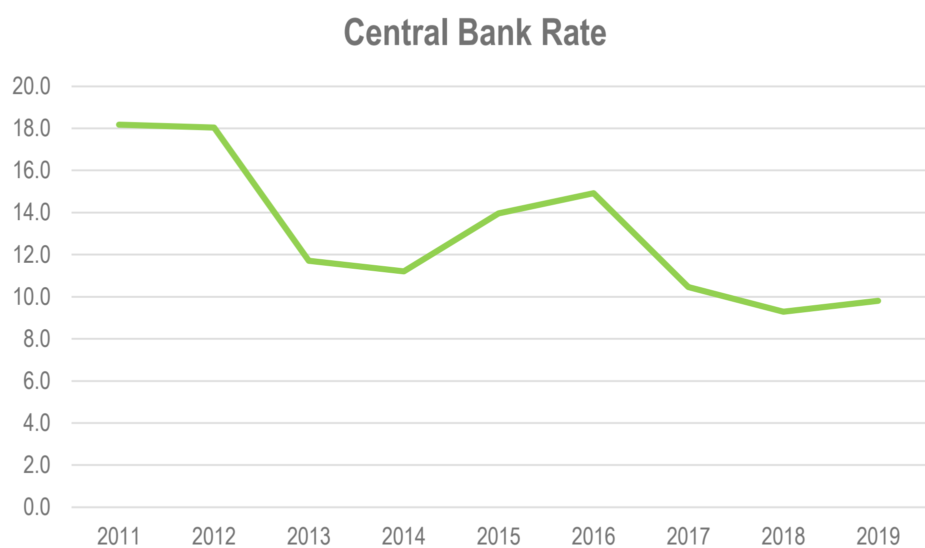
Managing Partner

Section 2: Macroeconomic Analysis

Macroeconomic Analysis

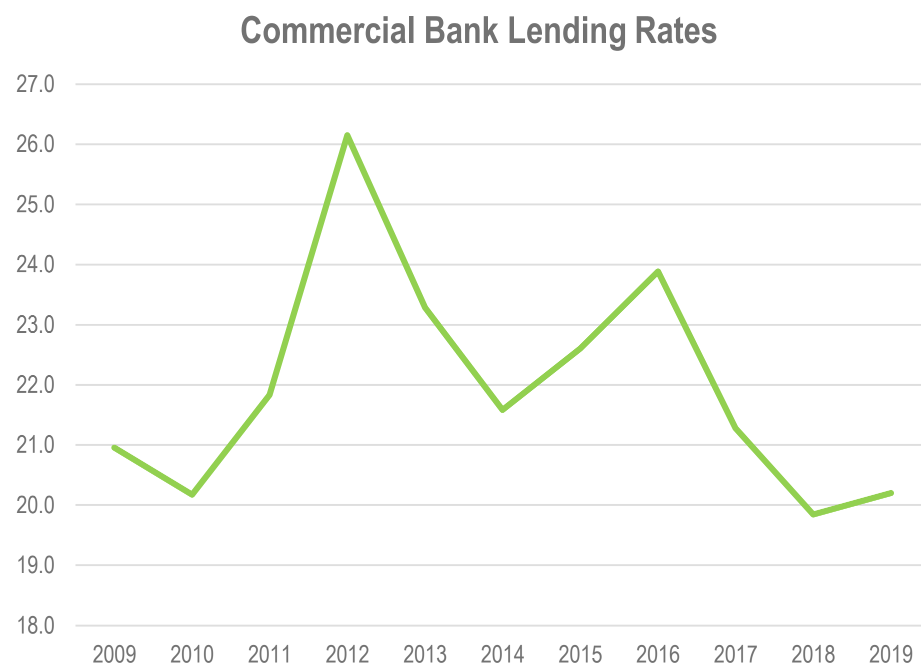
Monetary Policy

The Bank of Uganda (BoU) has maintained its monetary easing policy stance set in 2018 and has subsequently maintained the Central Bank Rate (CBR) at below 10% with the year closing at a CBR of 9%. This is in the quest to stabilize inflation and accommodate economic growth by encouraging borrowing and investment.



Private Sector Lending

Average commercial bank interest rates remained unchanged in the quarter to October 2019 averaging 20% as in the quarter to July 2019. However, average lending rates on US dollar denominated loans declined slightly to 6.8% from 7.0% in the same period.



Growth in private sector credit remains robust but has slackened when compared to the beginning of 2019. Average year-on-year private sector credit growth was 12.6 % in the quarter to October 2019 relative to 14.3 % in the quarter to July 2019.

Local currency loans grew by 16.6% in 2019 while forex-denominated loans grew by 5.0% down from 6.6% in the same period. A sectoral decomposition shows that lending has generally declined across all sectors except Agriculture.

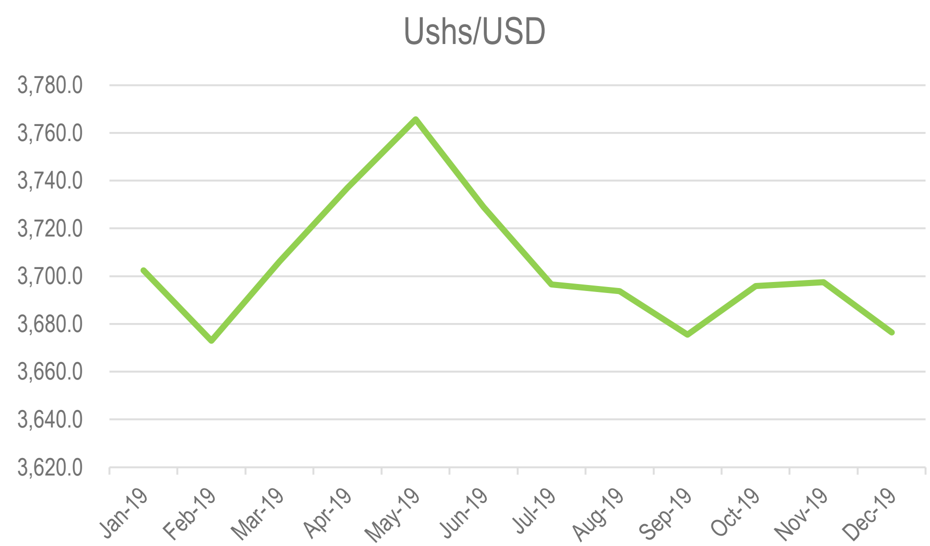
Macroeconomic Analysis

Exchange Rate

The Uganda Shilling remained relatively stable with an appreciation trend against the US Dollar despite the strengthening of the US Dollar against major international currencies. In the three months to November, the shilling appreciated by 0.5% compared to the previous quarter. Similarly, on a year-on-year basis, the shilling appreciated by 1% in November 2019 to Ushs 3,697 per US Dollar.

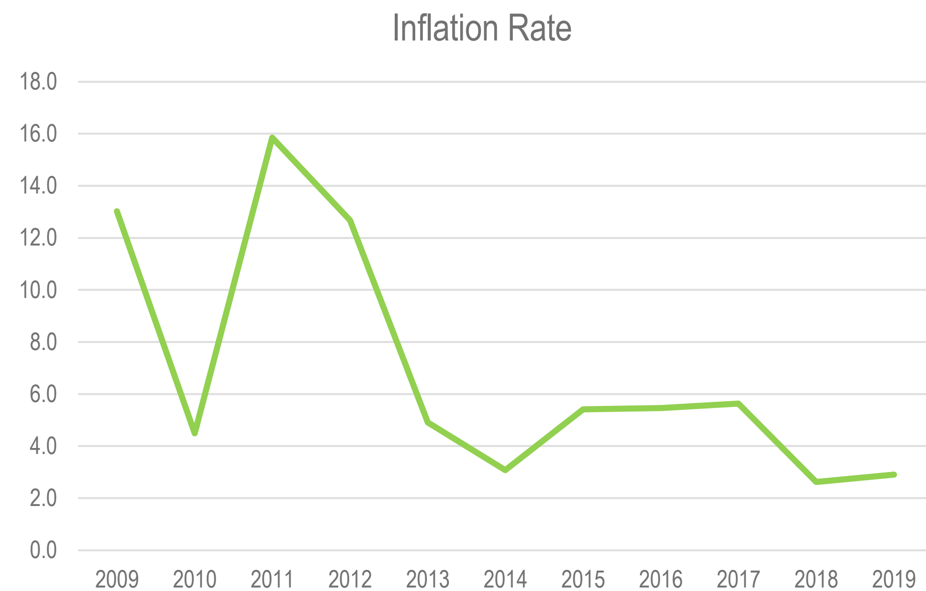
The relative stability is attributed to net forex supply in the Interbank Foreign Exchange Market (IFEM) due to export receipts, strong inflows from offshores, NGOs as well as relatively subdued demand.

Going forward, the exchange rate may remain relatively stable in the short run with a bias towards an appreciation on account of the expected high remittances particularly in December and January. However, in the medium term the exchange rate may weaken on account of the weakening current account balance. This could arise due to the possible increase in inflation due to the commencement of election campaigns later on this year.



Inflation

Since 2012, the inflation rate has been minimal remaining below 6%. Over the course of 10 years, the inflation rate has averaged 6.9% but this rate has reduced significantly since 2017 due to the monetary easing policy by Bank of Uganda which reduced the Central Bank Rate to below 10%.



Inflation remains subdued largely on account of a relatively stronger exchange rate, benign domestic demand conditions, favourable weather conditions leading to low food prices and weak global inflation. Nonetheless, the annual headline and core inflation edged up slightly to 3.0 and 2.9% in November 2019 from 2.5 and 2.6% in October 2019, respectively. The rise in headline inflation was on account of continued rise in the energy fuel and utilities (EFU) inflation and recovery in food crops and related inflation.

Section 3: Sector wise Analysis

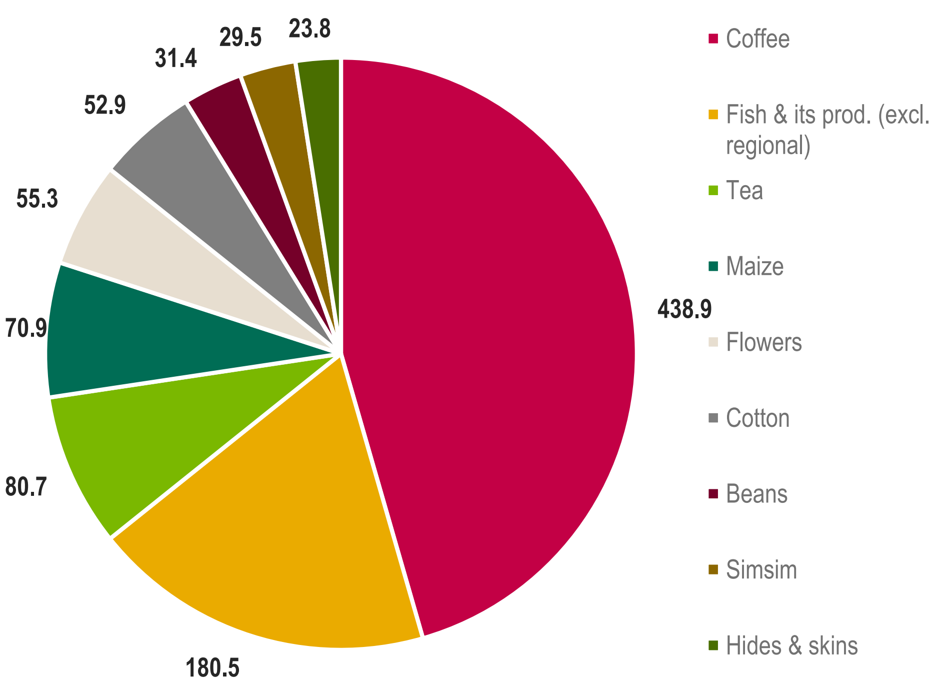
Agriculture

Overview

Agriculture remains the backbone of the economy contributing 70% of the country's GDP. Coffee continues as the main cash crop with an export value of close to USD 440 million from November 2018 to October 2019. Coffee exports made up over 46% of all agricultural exports in the period as seen in the table below.

Maize exports increased during the period predominantly due to greater demand from Kenya. Maize exports increased by over 300% from USD 2.9 million in November 2018 to USD 13 million in December 2019.

Agricultural Product by Export value (million USD)

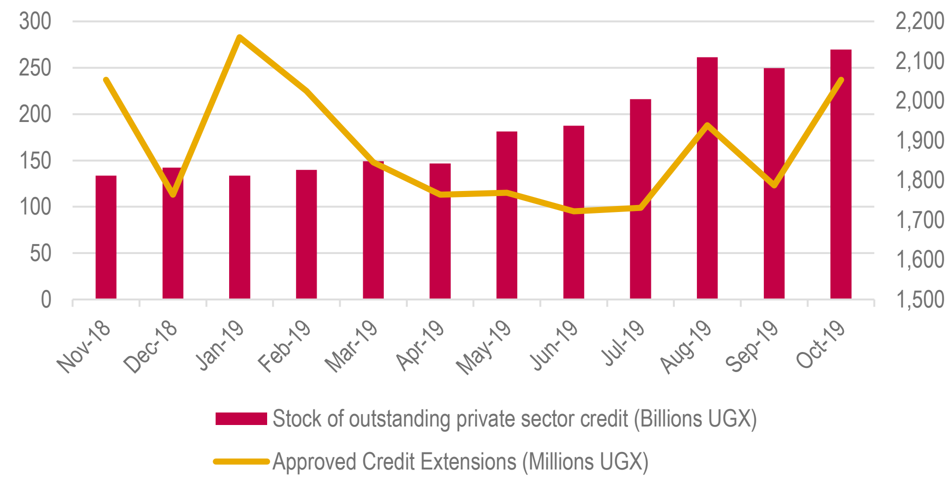


Private Sector Lending to the Sector

There has been a noted increase in the stock of outstanding private sector credit to the agricultural industry. The stock of outstanding private sector credit rose by 17% from Ushs 1.8 trillion in November 2018 to Ushs 2.12 trillion in October 2019.

Credit extensions to the sector fluctuated throughout the year with a noted slump between January 2019 to June 2019, however, credit extensions increased from July 2019 to October 2019 closing at Ushs 237 million.

Private Sector Lending to Agriculture



Weaknesses

- The industry remains largely dependent on about 500,000 smallholder farmers with 90% of the farms averaging between 0.5 and 2.5 hectares.
- The low mechanization and infrequent use of fertilizers make Uganda's agricultural sector very dependent on weather conditions.
- Some of the country's crops, especially coffee, have been vulnerable to disease outbreaks that farmers have not always been able to control.

Construction in Uganda

Overview

The construction market in Uganda will record strong construction growth over the years in line with the development of the emerging oil industry which requires the capacity for new infrastructure. Furthermore, the expected revenues from oil exploration and processing provides the government with increased room for spending on infrastructure projects. In general, ongoing improvements to power and transport infrastructure will support overall industry growth.

Trends

- Real forecast growth has been stated to be 6.9% in 2019 and will increase to 7.7% in 2020 as economic activity in the oil, transport and power sectors continue to improve.
- Forecasts from 2019 to 2028, state that construction growth is expected to peak in 2022 by 10.1%, due to the completion of the Hoima-Tanga export pipeline. The increased revenue from oil exports will relieve the constrained budget and enable thus spurring spending on wider infrastructure developments.
- Market analysts project that the construction industry will grow by an average annual rate of 8.1% in real terms over the coming 10 years.

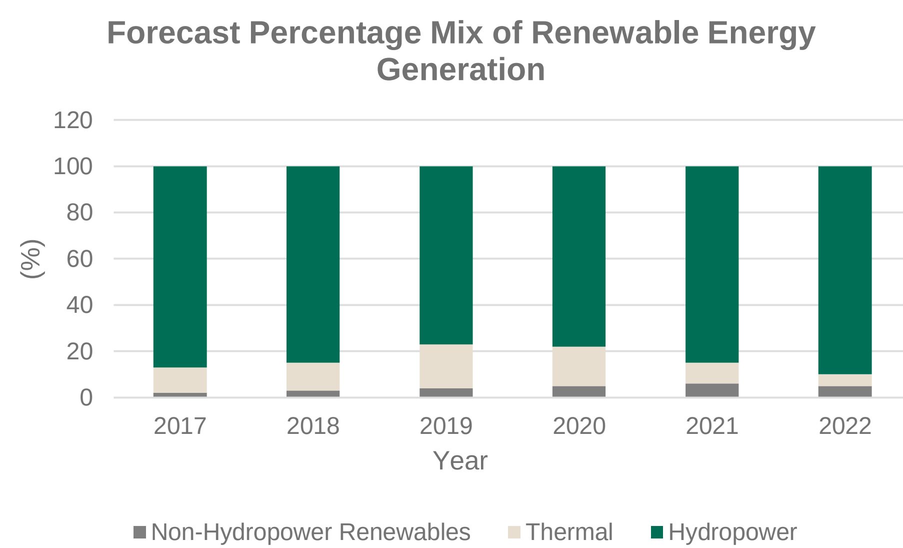
Nature of market

- Uganda is stated to be a risky market to develop infrastructure in comparison to the rest of Sub-Saharan Africa, this has been linked to inadequate project preparation which lengthen project timelines, as well as concerns around the transparency of the tendering processes.
- According to the Business Monitor International (BMI) - Infrastructure Risk/Reward Index, Uganda's Risk/Reward Index score is 45.9/100 and it ranked eighth out of 18 countries in the region.
- As such, the opportunities for investors with a high tolerance for risk will bear fruit primarily from the high-value oil infrastructure projects currently underway as Uganda works to bring online its untapped reserves to deliver to international markets.

Power Generation

The government has been increasing its emphasis on improving the local power generation capacity as acute power shortages and low levels of electrification across the country weigh in on the productivity of firms as well as the competitiveness of local goods and services. The government is also eager to reduce its dependence on fuel imports from Kenya, which carry the risk of inflated prices and supply chain disruptions.

As such, hydropower plants (HPPs) will dominate the electricity supply projects, despite the unreliability of this source owing to the occurrence of drought across most of Sub-Saharan Africa. HPPs remain an attractive option given their cheap operating costs (once sunk costs have been paid off), which allow for more affordable electricity. Underlining the attractiveness of HPPs is their long operating lifespan of 40 to 50 years. The sector is also boosted by China's involvement with the cheap credit available to Chinese state-owned companies compared to other foreign companies ensuring these projects can be completed at lower costs.



Real Estate in Uganda

Overview

The real estate sector in Uganda has benefited from improved financing as loans to the sector increased by 14.2% year on year in October 2019. The improving economy and increasing youth population seem to impact the trends in the industry, spurring change in retail, residential and office real estate.

Market analysists were able to record a 28% year on year increment in valuation instructions in the industry. The growth has been mainly attributed to a 45% increase in commercial instructions which was higher than the residential instructions received. Furthermore, the overall increase in instructions is in correlation with the 8% annual growth in private sector credit lent by commercial banks to mortgage borrowers in 2019.

Residential space

Research states that occupancy rates for prime residential suburbs such as; Nakasero, Kololo, Naguru, Mbuya and Bugolobi have increased from 69% recorded in 2018 to 78% in 2019 and a 7% increase in rents for serviced and furnished two-bedroom apartments to an average USD 2,250 in the first half of 2019 from 2018. This is due to demand outstripping supply as evidenced by an increase in expatriate and young adult accommodation for singles and couples for two-bedroom units.

Residential space forecast

An average decline of 2% in residential rents for apartments is expected, especially for three-bedroom units as supply continues to exceed demand in prime residential areas. The increase in enquires for modern standalone houses registered in 2019 is expected to push up demand for the limited stock of existing modern standalone houses which is expected to positively impact house prices by 5% to 10%.

Office space

The office segment registered a 2% growth in occupancy rates from 2018 to 2019. This growth has been mainly attributed to tenants taking advantage of the current soft state of the office segment, by driving harder bargains for lower rentals, particularly in less prime properties.

Office space forecast

A 3% to 5% reduction in occupancy rates for Grade A office space is forecasted due to the addition of approximately 20,000 sqm of lettable space. However, net rents and yields are expected to remain stable at an average of USD 15.5 per sqm and 9.5% respectively. Core drivers in the segment will continue to gravitate towards the location and building amenities.

Retail space

Retail rental rates have remained stable in the past 12 months as growth in flow through rentals in city suburban developments have increased by 4.6% to USD 22.86 per sqm in 2019. This relates to secondary space in shopping malls achieving slightly higher rentals as consumers continue to transit away from city center shopping into retail stores in suburban malls.

Retail space forecast

Consumer spending could be affected by increased tax duties that pass on to the consumer, resulting in a deterrence from retail stores to cheaper alternatives. It is still to be seen how the consumer will be impacted by the additional costs that could be levied onto them, thus retail space can be expected to still gain some growth.

Overall Outlook

It is estimated that the majority of real estate activity in terms of new developments and property leasing in later 2019 and beyond will depend on the impacts of the Landlord-Tenant bill if signed into law in its current state. As a result, a reduction is expected in the intensity of leasing activity and pipeline development completions for the entire real estate sector as the bill in its current form, bans rental income streams in USD, negatively impacting investors, landlords, and developers with foreign currency debt. The Bank of Uganda statistics state that Uganda's real estate industry had an equivalent of approximately Ushs 1.3 trillion of debt in mid 2019, as such it can be argued that investors, landlords, and developers could struggle to repay debt if they are unable to generate foreign currency incomes.

Banking

Overview

2019 was a positive year for most banks in Uganda as they continued exploring the best practices through utilizing the latest technologies which saw the operating costs of these banks drop.

Bank Performance

The aggregate profitability of the banking industry improved in 2019 as compared to 2018 as the sector's aggregate net profit after tax increased by 5.3% to approximately Ushs 777 billion in FY 2018/19 from Ushs 738 billion in FY 2017/18. This was largely driven by interest income on advances and treasury securities that increased by 9.3% and 8.3% respectively.

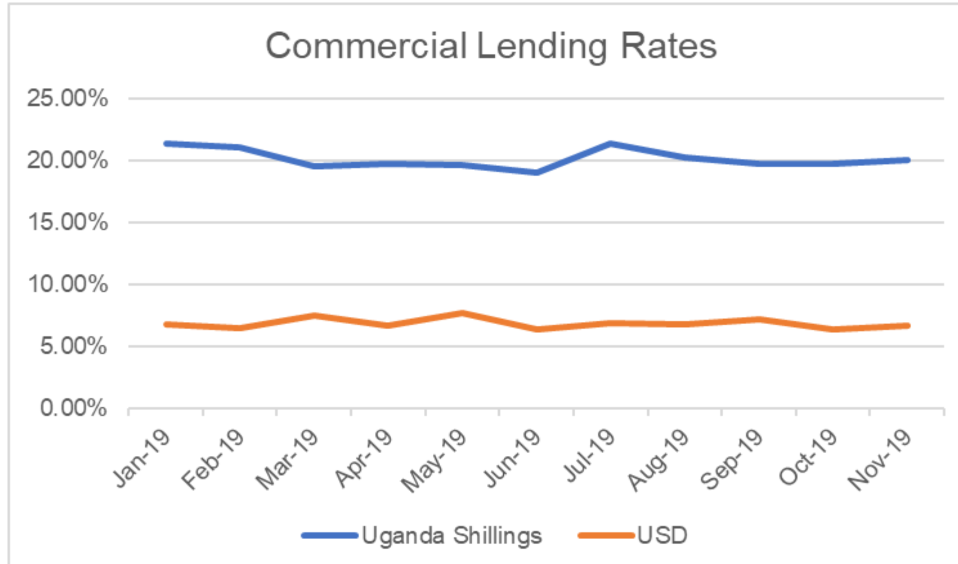
Ushs 777 Billion
Net profit portfolio
(FY 2018/19)

This performance can also be attributed to the 5.2% reduction in the banking industry's stock of non-performing loans (NPLs) to Ushs 514.9 billion in 2019, from Ushs 542.8 billion registered in the same period of the previous year, according to Bank of Uganda (BOU).

The industry's return on assets (ROA) and return on Equity (ROE) however reduced from 2.8% and 16.7% in 2018 to 2.7% and 15.9% respectively, in 2019. This was attributed to an increase in total assets, of 10.5%, and shareholders' equity, of 10.8%, compared to the 5.3% increase in net profits after tax.

The aggregate industry retail deposits increased by 8.8% over the year ended June 2019, to Ushs 21 trillion. However, as noted by BOU, the growth was slower compared to a 12.5% increase registered over the prior year ended June 2018. Shilling deposits grew at a faster rate of 13.0% than foreign currency deposits, that grew at 8.0%, over the year under review.

The commercial lending rates on Uganda shillings denominated loans averaged at 20% and those of a USD denominated nature averaged at 7%. These rates were majorly stable for the significant part of the year as they were reflective of the accommodative monetary policy stance and the Central Bank Rate (CBR) which was maintained at 10% with the exception of October to December 2019 where the rate was 9%. The weighted average shilling deposit rate trended at approximately 10% while that of the foreign currencies averaged at 2.8%, which was lower than the 3.4% registered in the quarter to April 2019.

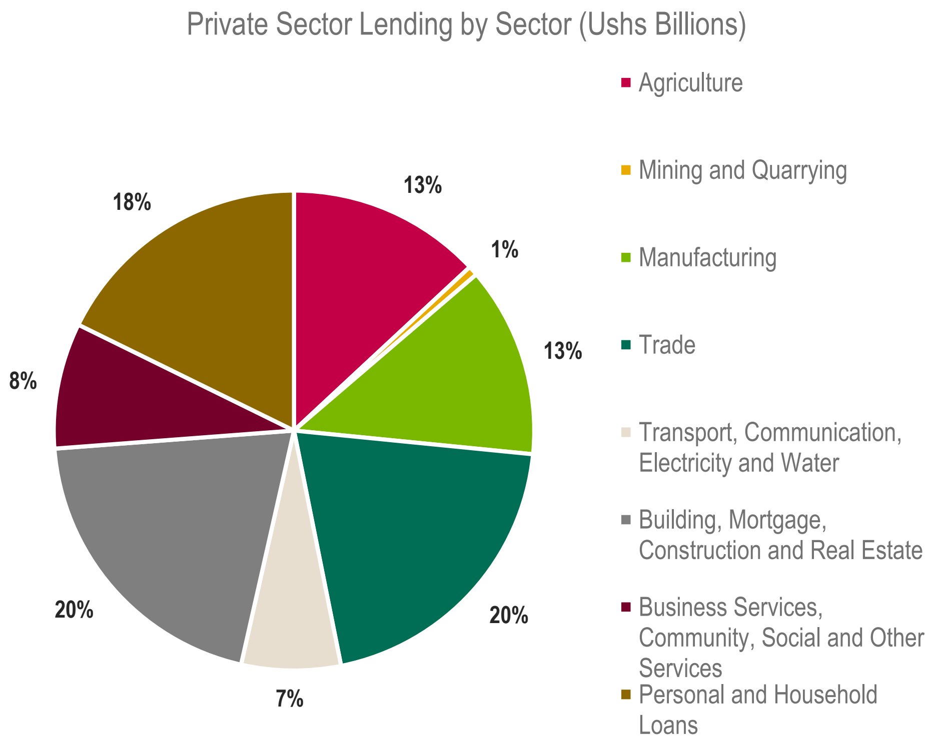


Private Sector Credit

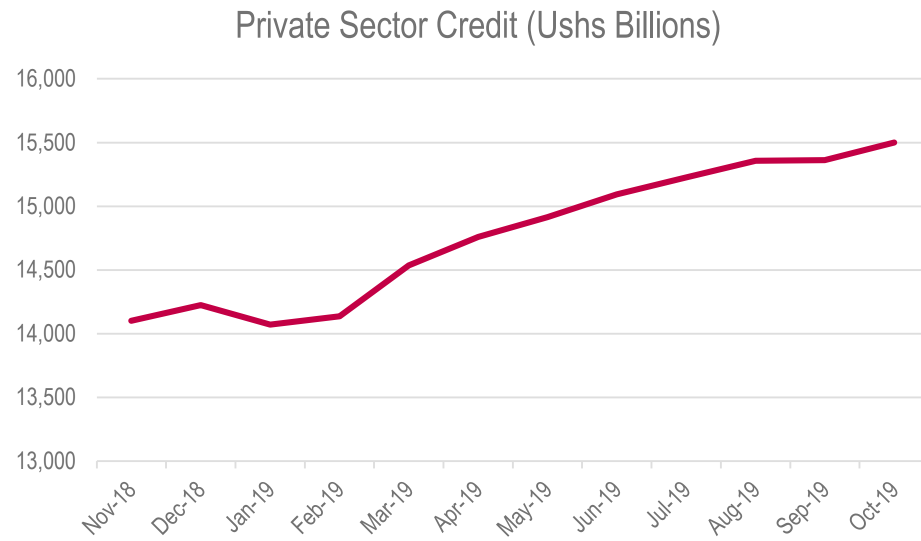
The country's growth in the private sector uptake has continued on a recovery path to its historical levels as signified in the 12.6% growth from 6.8% in the FY2018/19 and FY2017/18 respectively. This is partly attributed to the recovery in economic activity, improvement in asset quality which has been evidenced by the reduction in non-performing loans as well as continued recovery in foreign currency lending.

Banking (*Continued)*

Private sector credit



Private Sector Lending was greatest to the Trade, Building, Mortgage, Construction and Real Estate sectors with both sectors taking up 40% of total private sector credit. 18% of private sector credit was disbursed to individuals and households. Agriculture and Manufacturing took 26% of private sector lending throughout the year with each receiving 13%.



Private Sector Credit increased throughout the year growing from Ushs 14.1 trillion in November 2018 to Ushs 15.5 trillion in October 2019. This was a 10% increase over the course of a year.

The increase indicates a growth in optimism in business in the sector with banks willing to lend more than before.

Going forward, credit to the private sector is poised to improve further on account of lower risk aversion which is reflected in the decline in non-performing loans, strong economic activity and lower cost of borrowing.

Conclusion

Overall, it is envisaged that the banking sector will flourish and this will be supported by the government infrastructure agenda that will see the creation of new businesses and new jobs that will translate into businesses for Banks.

Insurance

Overview

Insurers in the country in the year 2019 continued to employ diverse distribution channels to sell insurance as brokers continued to dominate the distribution channels. The top ten insurance companies that dominated the insurance market in 2019 include; Jubilee insurance, UAP General Insurance, Sanlam General Insurance, Britam Insurance, Goldstar Insurance, ICEA General Insurance, MUA Insurance, Statewide Insurance, NIC General and APA Insurance.

Life Insurance

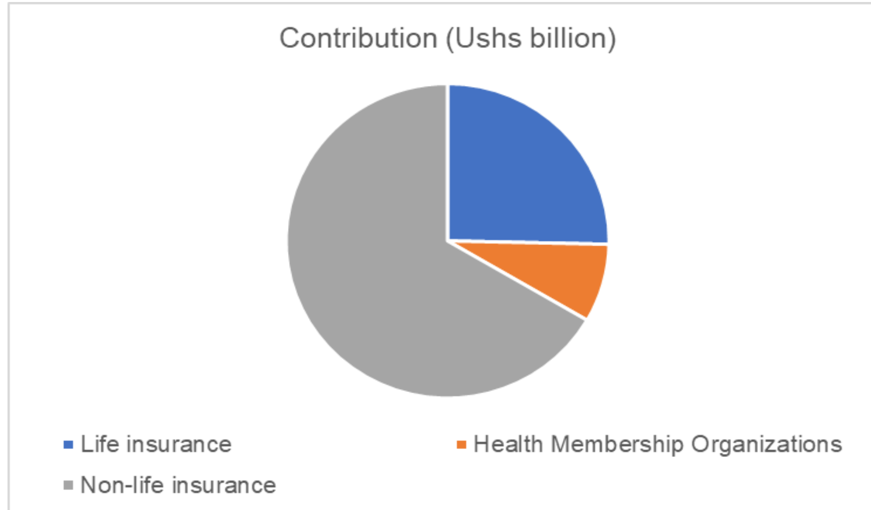
Uganda's life insurance segment remained a significant contributor to the industry's gross written premium as it accounted for Ushs 217 billion representing approximately 25%, Health Membership Organizations (HMOs) accounted for Ushs 69 billion representing 8%. These figures signify an improvement in the industry performance and this can be attributed to the segregation of composite insurance companies from the industry and increased demand for individual life insurance products, supported by the rise in individuals' disposable incomes. Business Monitor International (BMI) predicts that premiums will rise by an average of approximately 7.3% in local currency terms and 4.8% in USD terms per annum for the period to 2022.

7.3% and 4.8% annual rise in both local and USD currency terms by 2022

Non-life Insurance

Non-life insurance sector continued dominating the insurance sector and it has considerable scope for further growth. Motor insurance was and is still the biggest component of the non-life market. According to BMI, the motor insurance sector accounted for approximately 28% share of non-life market. The health and personal accident insurance segment accounted for approximately 21% ahead of property insurance whose share was 20.5%.

According to IRA's 2019 industry performance figures, non-life insurance accounted for approximately Ushs 570 billion representing 66.6% of the total insurance market.



Outlook

Uganda's life insurance premiums are forecasted to rise by an average of 10.3% in local currency terms to Ushs 263 billion in 2020. Non-life premiums are expected to rise by an average of 7% in local currency terms and 4.4% in USD terms over the medium term forecast horizon to 2025. This growth will be driven primarily by the motor vehicle and property sub-segments. Motor vehicle segment is set to experience a 5.9% increase in this year in local currency terms, which will take the nominal value of premiums to approximately Ushs 165.8 billion.

The property segment which is the second biggest sub-sector of the non-life insurance market, is set to experience growth of 7.2% in nominal local currency terms, which will take the gross value of premiums to approximately Ushs 123 billion by end of 2020.

Oil and Gas

Overview

Business Monitoring Intelligence (BMI) predicts that crude oil production will commence in 2024 as this remains contingent on the successful completion of the Hoima-Tanga pipeline as well as the progress on the planned Hoima Refinery. The production has as well been stalled by the ongoing tax dispute between Tullow and the government following Tullow's sale of its stake in the production of oil in Uganda.

Latest Updates and Key Forecasts

With reserves of 2.5bn barrels of crude, Uganda has SSA's fourth-largest crude reserves behind Nigeria, Angola and South Sudan.

Uganda has SSA's fourth largest crude oil reserves

- In May 2019, Uganda launched its second competitive bidding round for oil and gas exploration, with five new blocks up for grabs in the Albertine Graben basin. It is anticipated that international oil companies will show more interest compared to Uganda's previous licensing round, supported by higher oil prices and a relatively attractive investment climate. Increased involvement from international oil companies should provide some level of exploration activity in the medium term, as well as upside to Uganda's hydrocarbon production in the longer term.\
- In February 2019, Uganda's Ministry of Energy declared that Tullow Oil received conditional approval to farm out a 21.57% stake in the EA-1, EA-1A, EA-2, and EA-3A blocks to be split equally between Total and China National Offshore Oil Company(CNOOC), provided that USD 167 mn is paid in tax on the transaction. Negotiations were reportedly still ongoing as of July 2019, with Tullow threatening to sell all its Uganda assets as a result
- In the first quarter of FY 19/20 oil production in Uganda was delayed by another two years, with oil production now targeted by 2024 compared to the previous forecast of 2022. In September Tullow failed to secure an extension of the sale and purchase agreement with Total and CNOOC after negotiations with the Ugandan government officials failed to reach an agreement on the tax treatment for related capital gains.
- In turn, with Total no longer having a clear mandate for equalising stakes in the Lake Albert developments, which would have determined ownership shares of the pipeline, Total has now suspended all work on the pipeline. Tullow will now restart the farm-down process again and with the suspension of the EACOP pipeline work we forecast further delays to first oil in Uganda.

Key Attributes of oil sector in Uganda

- With the confirmed 2.5 billion barrels as well as substantial area still to be explored, this presents great opportunities for regional and international crude oil and refined fuel exports once this commences in the forecast period.
- The ongoing licensing round presents new opportunities associated with further investment in infrastructure which will be beneficial to other business and the economy as a whole.
- Key weaknesses in the sector include high level of state intervention, lack of existing infrastructure, limited local services capacity and a challenging operating environment including pervasive corruption and a bloated bureaucracy.
- These are further escalated by ongoing tax disputes between government and private oil companies and slow recovery in capital spending following the global oil price rout.

Tourism

Overview and performance

Tourism remained one of the country's largest economic sectors as it continued to create jobs and generate prosperity across the economy. The sector registered revenue of approximately USD 1.6 billion in the FY2018/19, an increase from USD 1.45 billion registered in FY2017/18.

The sector registered revenue of approximately USD 1.6 billion in the FY2018/19

The number of visitors (tourists) increased from 1,402,409 in FY2017/18 to 1,505,669 in the FY2018/19. The sector contributed over 7% of the total National Gross Domestic Product as well as up to over 6% of the total national employment.

Contribution to GDP - 7%

This growth can partly be attributed to Uganda Tourism Board's industrious marketing drive. The country's tourism regulator (UTB) continued to effectively utilize some of the most efficient marketing channels, which have continued to subsequently put Uganda on the world tourism map.

The tourism sector's growth has also been driven by a number of other factors such as enhanced infrastructure, revitalization of the country's aviation sector (Uganda Airlines), favorable government policies as well as the country's general hospitality towards visitors (tourists).

The government of Uganda has earmarked the sector to earn over USD 2.7 billion per annum by attracting over 4 million tourists. However, for this sector to achieve the forecast figures, it has to employ measures to combat competition from the neighboring countries of Rwanda, Kenya and Tanzania.

Section 4: Future Outlook

Economic Forecast -2020

Global Outlook

Global economic conditions have slagged substantially, with risks tilted towards the downside, in part driven by the United States (US)-China trade and technology disputes. The recent global growth projections by the International Monetary Fund (IMF)) downgraded growth for 2019 to 3.0%, which is 0.3 percentage points lower than the earlier projections of April 2019. Growth forecasts for both Advanced Economies (AEs) and Emerging Markets and Developing Economies (EMDEs) have been projected to be 1.7% and 3.9%, respectively. Growth in Sub Saharan Africa (SSA) is expected to be 3.6% in 2020.

3.6% - Growth in SSA

In emerging market and developing economies (EMDEs), lackluster investment is a key concern. Investment growth in these economies is expected to remain weak and below historical averages, held back by sluggish global growth; limited fiscal space; and structural constraints that misallocate or discourage investment such as poor business environments, labour and product market controls, and weak governance. Subdued investment weakens the foundations for the sustained growth that is needed to alleviate extreme poverty and advance shared prosperity.

In addition, increased protectionist policy considerations particularly in Advanced Economies (AEs) remain potential sources of disruption to global trade and output. Crude oil prices have remained subdued, in part reflecting important supply-side developments and lower growth in global demand and there is a risk that oil prices could fall further.

Uganda Outlook

The current external economic environment presents both opportunities and challenges for the Ugandan economy. Global economic conditions have weakened further, on the back of declining trade and heightened uncertainty. Slower global economic growth coupled with global tensions and uncertainty could translate to lower domestic growth for Uganda.

Being a small open economy, slow global growth coupled with weak demand is likely to have a negative impact on Uganda's export earnings, remittances and Foreign Direct Investment (FDI), which will not only cause instability in the foreign exchange market but could also impede growth.

The geopolitical risks mainly in the Middle East and Africa remain elevated with negative implications on consumer and business confidence, such that investors and consumers hold back on spending. This could lead to reductions in aggregate demand and eventually constrain global growth going forward with adverse implications for Ugandan exports.

Risks including slower global economic growth, increased protectionist policies, low commodity prices and inflation stemming from politically motivated spending may negatively impact the economy this year

While low global inflation and declining commodity prices will keep domestic inflation in check, at least in the short-term, low commodity prices may worsen Uganda's trade deficit by keeping export revenues at bay, which may more than offset its impact on the oil import bill.

The year 2020 will feature a lot of politically motivated expenditure as is the norm whenever an election year is close by (which in this case is 2021). Given various political players and the high cash outflow brough about by the highly monetized politics within the country, there is likely to be a noted increase in inflation in the year as the value of the currency diminishes.

Economic Forecast -2020

Growth is forecast to remain strong within the range of 5.5% to 6% in FY2019/20 with growth projections of 6% in the outer years (2020-2024).

6% - Projected growth for FY 19/20

This projection is lower than the earlier projection of 6.5% partly reflecting the effects of global developments. There are a number of risks related to the growth projection including the increase in global tensions and uncertainty, coupled with the deceleration of world growth and a decrease in trade volumes. In addition, the slowdown in private sector credit, lower imports, and capital and raw material imports could put downward pressure on growth. Investment in the agricultural sector could expand at a moderate pace in FY2019/20 - FY2020/21.

Growth prospects are expected to emanate from strengthening private sector activity; public investment in infrastructure; higher agricultural output due to favorable weather and government efforts in improving agriculture. In addition, improvements in regional security particularly in the Democratic Republic of Congo and South Sudan following the signing of the revitalized peace agreement could provide an incentive to Uganda's exports, and in turn, boost growth.

The forecasted oil production will provide additional boost to overall GDP over the long term. Continued strong growth in services, industry, and construction will provide the needed impetus to sustain strong overall growth. Growth in services (7-7.5% a year) will continue to rely on strong performance in information and communication, transport, and tourism. Industrial growth (5%) will be supported by the expansion of industrial parks, while construction (7-8%) will be driven by public investment projects. Agriculture is expected to grow on average 3% a year and is facing downside risks from the increasing severity and frequency of unfavorable weather events which could occur over the medium term due to climate change.

Risks

The growth outlook, however, remains subject to a variety of risks, which include continued slow execution of public investments which could moderate the expected support from Government investment and the multiplier effect on growth.

Political and policy uncertainty which has increased significantly in several major economies with global growth continuing to decline. Currently, there are a number of indicators pointing to a global recession. Heightened uncertainty and declining international trade that have contributed to lower global growth and slower growth in foreign demand are expected to negatively impact domestic export volumes, particularly for services such as tourism, and could be an obstruction on growth going forward. Locally, there is uncertainty in the run-up to the 2021 election which may discourage investment in 2020.

Persistently high non-performing loans (NPLs) in the agricultural sector, averaging about 9% in FY2018/19 compared to an industry average of 4.0% that could restrain further investment in the sector and in effect, hinder the anticipated strong GDP growth.

9% NPLs in agricultural sector

The overly ambitious projected domestic revenues made by the government may widen fiscal deficits and associated financing risks. Government revenues underperformed in the first month of the FY 2019/20 prompting it to borrow Ushs 1.5 trillion from the Bank of Uganda. Moreover, if the revenue shortfall observed in July 2019 persists, this could potentially hinder growth. Delays in oil production are also an obstacle to the growth levels expected. The decision to postpone the Financial Investment Decision (FID) could have an impact on the investment in the oil sector which could hinder economic growth in the outer years.

Section 5: About Us

About Grant Thornton

We're a network of independent assurance, tax and advisory firms, made up of over 56,000 people in over 140 countries. And we're here to help dynamic organisations unlock their potential for growth.

A focus on Uganda

Grant Thornton in Uganda is a leading provider of national audit, tax and advisory services. With over two offices in Uganda and above 120 people, we apply strong technical guidance and breadth of experience to ensure that clients receive a truly different experience.

Our teams have more experience built into them because of a tighter leverage model than our competition. Specifically, our operating model ensures that approximately 25% of our assignment engagement time is provided by experienced partners, directors and managers. Clients recognize this difference through our understanding of their business and ability to bring meaningful ideas to address specific needs.

15
Partners, Directors and Managers

+250
Dynamic Clients

Office location
Kampala, Uganda

ICPAU
Licensed firm

Large international client base
Our clients include both international and local businesses. We have extensive experience in servicing foreign clients in Uganda.

Services we offer:

Audit and Assurance Services

- Limited Reviews
- Statutory and contractual audits
- Voluntary Statutory audits
- Public sector audits
- Grant audits
- Project audits
- Stock audits
- Special purpose audits
- Certification & compliance
- IFRS services
- Preparation of IFRS compliant Financial Statements

Taxation Services

Compliance services

- Tax Registration and deregistration
- Individual and Corporate tax returns
- VAT and PAYE compliance
- Withholding tax compliance

Consulting Services

- Tax Health Checks
- Tax Audit assistance
- Tax Opinion
- Expatriate tax solutions
- International tax consulting
- Tax planning and structuring
- Tax Refunds
- Tax Exemptions

Advisory Services

- Debt Advisory
- Business Valuations
- Mergers & Acquisitions
- Feasibility studies
- Financial Due Diligence
- Business Process Reviews
- Enterprise Resource Planning implementation
- Business Transformation
- Operations Improvement
- Transfer Pricing
- Information Technology Advisory
- ITGC and ITAC Audits
- Data Privacy Compliance Audit
- ICT Post Implementation Review

Business Process Solutions

- Accounting and book keeping
- Monthly management accounts
- BPO (where we run all or part of your finance / accounting department)
- Payroll processing and global mobility
- Wealth management
- Fund management

Business Risk Services

- Internal & Management Audits
- Regulatory services
- Risk modeling services
- Forensic investigations
- Accounting irregularity/misconduct
- Expert dispute resolution and advisory
- AML/CFT Compliance Audits

Secretarial Services

- Company Incorporation/entity setup
- Secretarial compliance and consulting
- Liquidations
- Agreements and MOUs
- Business licenses
- Work permit processing

Key Advisory Services Team

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