



****Coronavirus Covid-19 Update****

The risks associated with doing business are likely to be negatively impacted by the global coronavirus pandemic. Severe disruption to supply chains caused by lockdown procedures in many countries will affect country risk ratings. Demand will also be lower than initially anticipated as export earnings will be reduced amid a global economic slowdown and falls in both business and consumer confidence, as well as lower investment due to decreasing corporate earnings. We advise clients to monitor the containment efforts, as the adverse economic and supply chain effects will persist until the outbreak is controlled.

Country Insight Snapshot

Uganda

June 2020





OVERVIEW

OVERALL COUNTRY RISK RATING: DB5c

High risk: Considerable uncertainty associated with expected returns. Businesses are advised to limit their exposure and/or select high return transactions only.



Rating Outlook: Deteriorating

CORE OUTLOOK

- + International firms remain committed to oil-sector projects, including production facilities, an export pipeline and an oil refinery, despite some short-term project disruption.
- The Ugandan economy will contract in 2020 as a direct result of policies implemented at home and abroad to tackle the Covid-19 pandemic.
- Uganda has severe infrastructure bottlenecks which, together with enhanced border controls to contain Covid-19, pose a serious challenge to import-export operations.
- Widespread corruption among officials and uncertainty over the application of rules and regulations will continue to create a difficult business operating environment.

KEY DEVELOPMENT

Dun & Bradstreet downgrades Uganda's country risk rating as the Covid-19 pandemic hits travel, trade and investment.

CREDIT ENVIRONMENT OUTLOOK



Trend: Deteriorating

Key Development has had a negative impact on the outlook.

SUPPLY ENVIRONMENT OUTLOOK



Trend: Deteriorating

Key Development has had a negative impact on the outlook.

MARKET ENVIRONMENT OUTLOOK



Trend: Deteriorating

Key Development has had a negative impact on the outlook.

POLITICAL ENVIRONMENT OUTLOOK



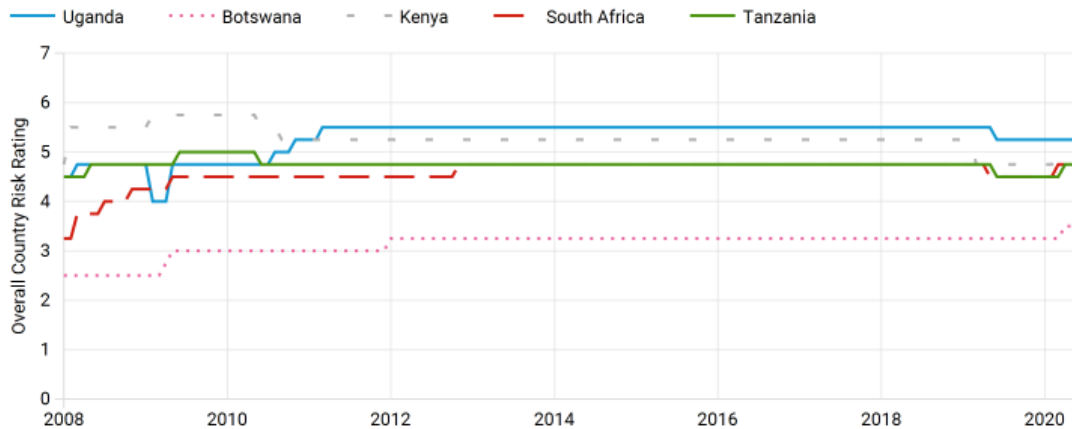
Trend: Stable

Key Development has had a negative impact on the outlook.



KEY INDICATORS

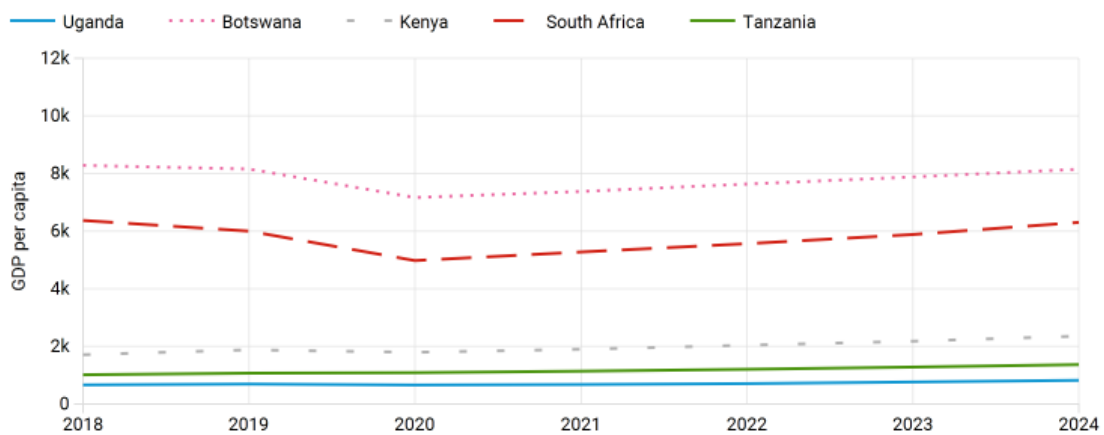
Rating History and Comparison



Source: Dun & Bradstreet

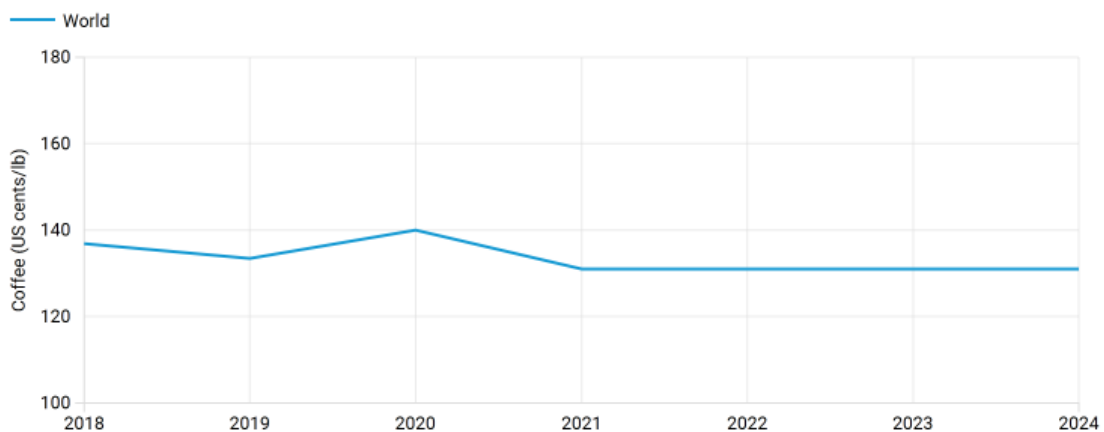
Note: 1 = Low Risk, 7 = High Risk

Regional Comparisons



Source: Haver Analytics/Dun & Bradstreet

Coffee (US cents/lb)



Source: World Bank/Dun & Bradstreet



Economic Indicators

Indicator	2017	2018	2019	2020f	2021f	2022f	2023f	2024f
C/A balance % GDP	-5.6	-8.1	-7.6	-10.0	-9.1	-8.5	-7.5	-6.1
Debt Service Ratio, %	3.7	12.2	13.0	14.0	12.0	11.0	8.0	6.0
Govt balance, % GDP	-3.2	-3.8	-6.7	-7.0	-6.9	-6.0	-4.8	-4.0
Inflation, annual avge %	5.6	2.6	2.9	3.1	4.0	5.0	5.3	5.3
Real GDP Growth, %	5.0	6.3	4.9	-3.5	3.5	4.5	5.9	5.8

Source: Haver Analytics/Dun & Bradstreet

TRADE AND COMMERCIAL ENVIRONMENT

The Ugandan economy is expected to contract in 2020 owing to the effects of policies implemented nationally and internationally to contain the Covid-19 pandemic. Most sectors of the economy will be hit hard in 2020, especially travel and tourism, import-export trade, non-essential retail and some construction projects - together with related supply chains. The government began a process of gradual and phased re-opening of the economy in May and intends to continue to lift restrictions in June and July. Enhanced border controls, public health protocols and social distancing guidelines will affect some businesses through to the end of the year, at least. Trading and investment conditions could improve towards the end of 2020 and in 2021, which will help spur a return to growth for most sectors. The fiscal and external deficits will be much larger than previously anticipated, and stretched national finances will weigh on public and private sector project priorities and execution in the short term. The Ugandan shilling will remain susceptible to heightened volatility and depreciation against major trading currencies.

TRADE TERMS AND TRANSFER SITUATION

Minimum Terms: LC

The minimum form of documentation or trading method that Dun & Bradstreet advises its customers to consider when pursuing export trade with the stated country.

Recommended Terms: CLC

Dun & Bradstreet's recommended means of payment. The use of recommended terms, which are generally more stringent than minimum terms, is appropriate when a customer's payment performance cannot be easily assessed or when an exporter may wish to limit the risk associated with a transaction made on minimum terms.

Usual Terms: 90-120 days

Normal period of credit associated with transactions with companies in the stated country.

Local Delays: 0-2 months

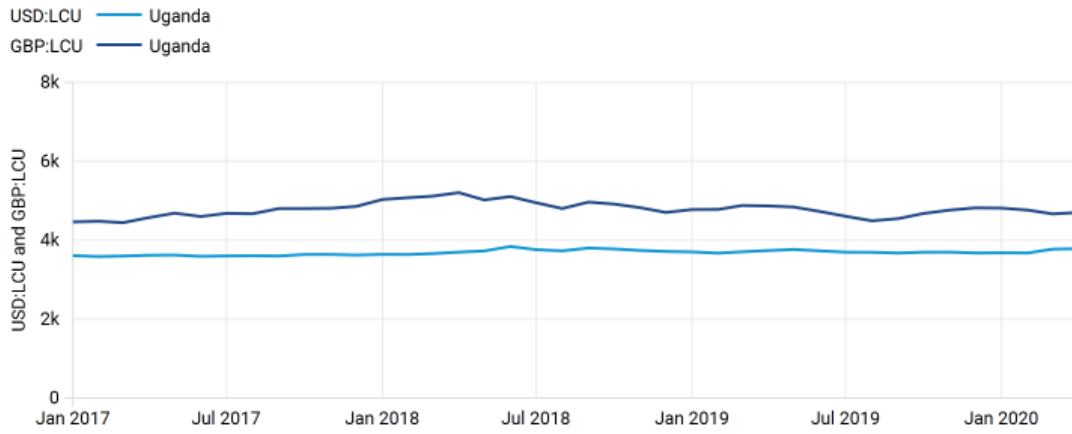
The time taken beyond agreed terms for a customer to deposit money in their local bank as payment for imports.

FX/Bank Delays: 0-1 month

The average time between the placement of payment by the importer in the local banking system and the receipt of funds by the exporter. Such delays may be dependent on FX controls, FX availability and the efficiency of the local banking system.



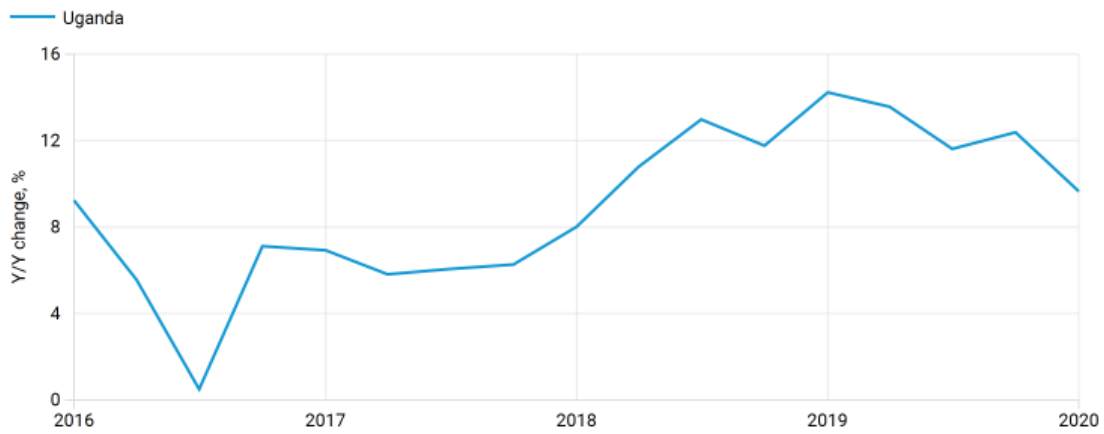
Exchange Rate



Source: International Monetary Fund/Dun & Bradstreet

LCU (local currency unit) = Ugandan shilling

Bank Lending to the Private Sector



Source: IMF, Central Banks, Haver Analytics



RISKS AND OPPORTUNITIES

Short-Term Economic Outlook

Risk rating downgraded

Dun & Bradstreet has downgraded Uganda's rating by one quartile to DB5c and set the rating outlook to 'deteriorating'. The outlooks for the credit, supply and market environments are also all 'deteriorating', with 'red' statuses. Real GDP is forecast to contract by 3.5% in 2020 owing to policies implemented in Uganda, neighbouring countries and abroad to contain the Covid-19 pandemic. Ugandan measures include restricted non-essential travel, closed non-essential business premises, closed schools and universities, and a nighttime curfew. Also, there are restrictions on international arrivals at airports and the movement of people across land borders, as well as enhanced border controls for the movement of freight. Containment measures were tightened during March and April, but some easing occurred in May as the government began a process of gradual, staged reopening. In the absence of a resurgence in Covid-19 transmission in the region the government intends to lift almost all restrictions during June and July.

International trade and tourism industries will be hard hit during H1 2020 and gain little momentum during H2 2020. Other sectors will experience a combination of subdued demand, supply chain disruption and capacity constraints created by public health protocols and social distancing. In addition to this, agricultural output will be affected by a severe desert locust infestation in northern parts of the country. On the assumption that trading and investment conditions begin to improve in Q4 2020 we forecast a return to growth in most sectors of the economy and anticipate an expansion of real GDP in the region of 3.5% in 2021.

Business Continuity

Enhanced border controls

The Ugandan government is concerned about a possible resurgence of Covid-19 cases brought about by the movement of people across its land borders, especially from South Sudan and Kenya. Consequently, land borders (and airports) will retain restrictions on arrivals that could last into Q3 2020 and possibly until the end of 2020. In addition to this, the government will retain an enhanced border control regime for cargo truck drivers crossing the border into Uganda. Only drivers that test negative for Covid-19 are allowed to enter the country and this is likely to remain the case over the next few months, which will add delay, cost and uncertainty to import-export operations. More stringent controls and full border closure with South Sudan will remain an ongoing risk. The government will continue to encourage rail and water transport for fuel and other dry cargo.

FX Risk

Economic support and stimulus

The government and central bank will continue to implement an economic stimulus and relief package to help mitigate the financial impact of Covid-19 containment measures on households and businesses. In April the central bank cut its policy rate from 9% to 8% and announced various measures for financial institutions and consumers that entails capital, credit and liquidity support. Public finances are stretched but the government passed an emergency budget to increase health spending and support critical sectors through the provision of subsidised loans and grants, and credit relief on existing lines of credit.



COUNTRY PROFILE AND STATISTICS

Overview

Uganda is a landlocked country in East Africa, which has land borders with Kenya, Tanzania, Rwanda, DR Congo and South Sudan. Uganda is a member of the East African Community, which is one of Africa's leading free-trade blocks. The economy relies heavily on the agricultural sector and related industries, but has a nascent oil sector which will attract FDI from international oil companies during the early 2020s. The economy is burdened by high levels of public debt. Physical infrastructure deficiencies and poor international connectivity create a difficult business operating environment. Transport and power infrastructure are subject to upgrade and expansion plans involving public investment, foreign investment and public-private partnership arrangements. President Yoweri Museveni and the National Resistance Movement (NRM) have ruled Uganda since 1986 and retain a firm grip on power, which includes control of the security forces and judiciary.

Key Facts

Key Fact	Detail
Head of state	President Lt. Gen. Yoweri Kaguta MUSEVENI
Capital	Kampala
Timezone	GMT +03-00
Official language	English
Population (millions)	44.3
GDP (USD billions)	30.7
GDP per capita (USD)	693
Life expectancy (years)	62.1
Literacy (% of adult pop.)	76.5
Surface area (sq km)	241,040

Source: Various sources/Dun & Bradstreet

Historical Data

Metric	2015	2016	2017	2018	2019
Real GDP growth (%)	5.7	2.3	5.0	6.3	4.9
Nominal GDP in USDbn	25	26	27	28	31
Nominal GDP in local currency (bn)	79,804	87,405	96,152	105,266	113,445
GDP per Capita in USD	646	646	645	662	693
Population (year-end, m)	38.2	39.6	41.2	42.7	44.3
Exchange rate (yr avge, USD-LCU)	3,234.1	3,414.2	3,619.5	3,718.8	3,699.2
Current Account in USDbn	-1.7	-0.8	-1.5	-2.3	-2.3
Current Account (% of GDP)	-6.8	-3.3	-5.6	-8.1	-7.6
FX reserves (year-end, USDbn)	2.9	3.1	3.7	3.4	3.2
Import Cover (months)	4.8	5.7	6.2	4.7	4.0
Inflation (annual avge, %)	3.7	5.2	5.6	2.6	2.9
Govt Balance (% GDP)	-3.9	-4.1	-3.2	-3.8	-6.7

Source: Haver Analytics/Dun & Bradstreet



Forecasts

Metric	2020f	2021f	2022f	2023f	2024f
Real GDP growth (%)	-3.5	3.5	4.5	5.9	5.8
Nominal GDP in USDbn	30	32	34	38	42
Nominal GDP in local currency (bn)	112,992	121,466	133,005	147,902	164,319
GDP per Capita in USD	659	677	708	763	822
Population (year-end, m)	45.7	47.1	48.4	49.7	51.0
Exchange rate (yr avge, USD-LCU)	3,750.0	3,810.0	3,880.0	3,900.0	3,920.0
Current Account in USDbn	-3.0	-2.9	-2.9	-2.9	-2.6
Current Account (% of GDP)	-10.0	-9.1	-8.5	-7.5	-6.1
FX reserves (year-end, USDbn)	2.8	2.6	3.0	3.3	3.5
Import Cover (months)	3.5	3.2	3.7	4.0	4.2
Inflation (annual avge, %)	3.1	4.0	5.0	5.3	5.3
Govt Balance (% GDP)	-7.0	-6.9	-6.0	-4.8	-4.0

Source: Haver Analytics/Dun & Bradstreet

Comparative Market Indicators

Indicator	Uganda	Botswana	Kenya	S. Africa	Tanzania
Income per Capita (USD)	659	7,166	1,794	4,978	1,087
Country Population (m)	45.7	2.4	53.8	59.3	59.7
Internet users (% of population)	21.9	39.4	26.0	54.0	13.0
Real GDP Growth (% p.a., 2020 - 2029)	5.4 - 6.6	3.5 - 5.5	5.0 - 6.3	1.7 - 2.8	5.5 - 7.0

Source: Various sources/Dun & Bradstreet



LINKS

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