



CSBAG BUDGET NEWS BRIEF



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Advocating for a People Centered Budget that Dignifies Humanity



Is Uganda's economy in recession?

"Experts have indicated that a number of economic shocks have exacerbated the post-election slowdown of the economy!"



The public debate about the poor health of Uganda's economy has refused to go away

towards recession. In many recessions, people lose their properties to banks when they cannot afford to pay interests for their loans.

Realities in Uganda's economy

Now, what are the realities in Uganda as far as these indicators of a recession are concerned? In recent articles, in these very pages, I wrote about some of these realities in August 2016 and in November same year and explained why the situation had deteriorated so fast. All the indicators above are prevalent in Uganda. The World Bank, in its 8th Uganda Economic Update issued last month, indicated that in recent times, several economic shocks had exacerbated post-election slowdown of the economy.

In its analysis, the World Bank indicated that in the past five years, Uganda's GDP has experienced five quarters of negative growth. The trend has been in such a way that a quarter of negative growth occurred, followed by positive growth in the next quarters, and then another quarter of negative growth. This is in line with what some economists today consider as one of the symptoms of an economy in recession. Without delving much into details that have been given again and again, a big majority of Ugandans are broke, aggregate demand is low, inventories have been piling up, businesses are struggling to stay up, banks are struggling to recover loans, government is struggling to collect taxes and thus cannot pay its bills. The list of undebatable facts goes on and on.

The Bank of Uganda's Business Tendency Index (used to measure the level of optimism business owners and executives have about the prevailing and expected business environment) shows that level of business optimism is waning.

Wrong diagnosis, wrong medicine

Another key indicator, the "Leading Economic Index" (LEI) – a metric used by economists to forecast future economic activity; ranging between 0 (worst prospects) and 1 (best prospects) -shows that there are bad prospects in Uganda's economy going forward. Most of the earlier economic projections have been revised downwards. Uganda's credit rating has also been downgraded by Moody's from B1 to B2, which is expected to negatively impact both portfolio and FDI inflows.

Economists are taught not to make judgment about whether one's preferences are "better" or "worse" than another person's preferences. They do not even spend much time asking why different individuals have different views on these matters. They leave these (important) issues to psychologists and sociologists. To me, this is the mistake we make; the failure to incorporate psychology and sociology in economics. If we did, like some behavioural economists have done, we would be having better opinions, conclusions and recommendations coming out of our economists at Finance and BOU.

We cannot prescribe the right medicine for an ailment we cannot agree upon. If physicians did this, they would give us paracetamol to treat anemia. Uganda could be suffering from the latter and yet put on the former treatment!

*The Writer: Ramathan Ggoobi, an Economic.
Source: [The Sunrise](#)*

UPCOMING CSO EVENTS

Event: Releasing CSO Budget Performance Monitoring Report Q1 FY 2016/17

Date: 10th March 2017

Time: 8:00AM-1:00PM | Venue: Eureka Place Hotel

CSBAG IN MEDIA



CSBAG Coordinator on Morning@NTV as part of CSBAG media work to amplify debate about the existing financing gaps for the Office of Auditor General and IGG. Other discussions were held on KFM, UBC TV among others.



This week on 28th Feb 2017, CSBAG and SEATINI together with CSOs and Revenue official from select LGs met with the Parliament Committee on Finance to discuss tax proposals for FY 2017/18.