Standard Bank

AFRICA TRADE BAROMETER

Highlights
of the current
cross-border
trade landscape
in Uganda

Uganda

COUNTRY FOCUS

September 2023 | Issue 3

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EXECUTIVE SUMMARY

Being Africa's largest bank, Standard Bank (trading in Uganda as Stanbic Bank) has leveraged its presence and expertise across the continent to create the Stanbic Bank Africa Trade Barometer (SB ATB). The SB ATB was launched in 2022 with the intent of creating Africa's leading trade index to address the information vacuum of reliable African trade data and to support and enable the growth of intra-Africa trade. Availability of trade data remains a challenge across Africa and the SB ATB aims to fill part of this data gap through up-to-date survey data on the views of African businesses on the environment they operate in, their trade behaviour, trading activities and their perceptions on trade.

This is Issue 3 of the SB ATB. The SB ATB focuses on 10 countries: Angola, Ghana, Kenya, Mozambique, Namibia, Nigeria, South Africa, Tanzania, Uganda and Zambia.

In order to construct the SB ATB index rankings, seven broad thematic categories of data are collected from both primary and secondary data sources. These thematic categories are trade openness, access to finance, macroeconomic stability, infrastructure, foreign trade, governance and economy and traders' financial behaviour.

From a primary data perspective, the Stanbic Bank Firm Survey Trade Barometer (SB STB) is constructed. The SB STB scores and ranking by country are the averages of all the data collected only from the primary research surveys conducted with over 2,500 businesses across the 10 countries of interest.

From a secondary research perspective, the Stanbic Bank 3-Year Quantitative Trade Barometer (SB QTB) is constructed. The SB QTB scores and ranking by country are the averages of all the selected indicators collected only from existing secondary data sources.

The SB ATB is an aggregate of the SB QTB and the SB STB.

This is the country report for Uganda. It contains analysis of the primary and secondary data gathered specifically for Uganda between March and May 2023 and showcases trends and opportunities in trade within the country.

Uganda's position in the overall SB ATB ranking fell from position 4 in September 2022 to position 8. This drop is partly due to the country falling drastically in the SB STB ranking from position 3 to position 9. Uganda also fell from position 8 to position 9 in the SB QTB.

Uganda has declined in the overall SB ATB ranking from position 4 in September 2022 to position 8.

The table below shows Uganda's relative performance in the seven broad thematic categories of the SB ATB.

Kampala Road. Source: Destination Uganda (destinationuganda.com)

SB STB ranking for Uganda across seven thematic areas

Thematic category	Indicator	Ranking out of 10 countries
Macroeconomic Stability	Business Confidence 54 57	5↓ (-3)
Governance and Economy	Government Support on Trade 52 52	6↓ (-1)
Infrastructure	Quality of infrastructure 40 35	10↓ (-2)
	Infrastructure obstacles 52 54	7↓ (-1)
Access to Finance	Access to Credit 49 42	6↓ (-3)
Traders' Financial Behaviour	Credit Terms Extended to Clients 64 67	1 (unchanged)
	Credit Terms Advance from Suppliers 59 63	3↓ (-2)
Foreign Trade	Ease of Trade 42 38	10↓ (-4)
Trade Openness	Trade openness 48 47	10↓ (-2)

Sep'22 May'23

Note: All indicators have an index score ranging from 0 to 100, where 0 represents a low score and 100 the highest score.

Uganda's overall macroeconomic conditions are average with a slight positive outlook relative to the other countries in the Stanbic Bank Africa Trade Barometer. As such, Uganda's macroeconomic conditions have a moderate to positive impact (i.e., neither too positive nor too negative) on its overall tradability attractiveness. Uganda's increasing current GDP and FDI net inflows, which have been recovering from the worst effects of the COVID-19 pandemic and a relatively low inflation rate (although this has increased recently due to global inflation arising from the Russia-Ukraine war) compared to other countries in the SB ATB. These factors have had a positive impact on the country's tradability attractiveness. On the other hand, notable variables that have had a negative impact on Uganda's tradability attractiveness include merchandise trade, which still forms a relatively small portion of Uganda's GDP and thereby signals a low level of trade openness as well as a low share of exports as a percentage of GDP.

Business confidence amongst surveyed Ugandan businesses is relatively positive. Although businesses in Uganda are optimistic about the future performance of their economy, Uganda's business confidence score of 57 remains slightly below the average of 58 for SB ATB markets. The positive outlook adopted by Ugandan businesses is likely a reflection of the expected positive economic growth rate that is relatively higher than the average for Sub-Saharan Africa.

The perception of the Government's role in supporting trade amongst surveyed businesses remains mixed - relatively consistent with results in the September 2022 survey. To improve these perceptions, surveyed businesses indicated that the Government should support their cross-border trade activities by lowering taxes and customs duties, and improving efficiency of customs clearance procedures.

The perception of infrastructure among Ugandan businesses is low with a score of 35 (out of a 100) relative to the average of 46 (out of 100) for SB ATB markets. In this iteration of the survey, businesses perceive the quality of infrastructure in the country has depleted significantly, particularly road and rail infrastructure as well as power supply, and as a result has posed a significant obstacle to businesses operations and cross-border trade. To address these challenges, the Ugandan Government has been prioritising the upgrading of transport infrastructure in the country. Government has also committed to the construction of the standard gauge railway (SGR) to connect Kampala with Kenya and provide direct access to the seaport of Mombasa.

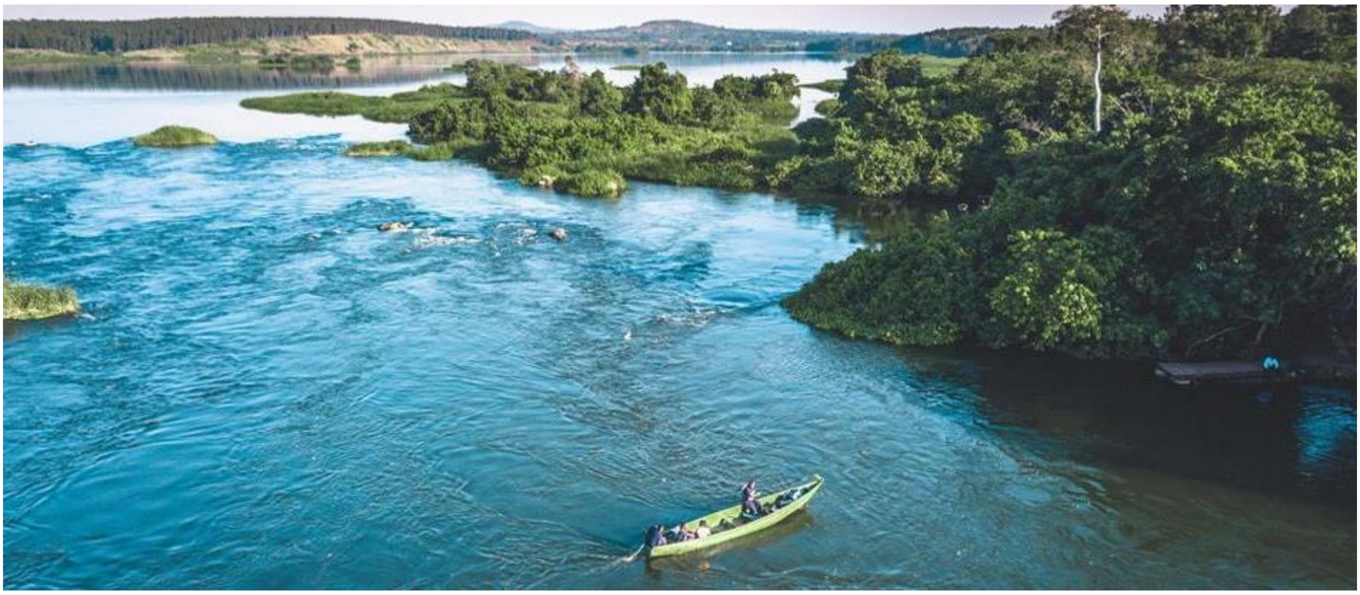
In addition to poor infrastructure, businesses identified high tariffs, lack of market knowledge and import/export bans as key obstacles to their cross-border activities. Compared to the September 2022 survey, the proportion of businesses that find it difficult to trade with other African countries increased by eight percentage points to 48%. As a result, Uganda's ease of trade index score decreased from 42 in September 2022 (and position 6 out of 10 countries) to 38 in May 2023, causing the country to rank 10th, a drop by 4 positions.

In terms of access to credit, the proportion of businesses that perceive access to credit as being difficult increased in May 2023 relative to September 2022. This finding was particularly pronounced for small businesses and aligns with the current economic climate post-pandemic, where rising interest rates have significantly lowered the volume of credit extended to businesses.

Despite several obstacles to trade, businesses are optimistic that cross-border trade will increase over the next few years. The majority of importers and exporters expect the scale of their foreign trade activity to increase—signalling businesses' intent to increasingly engage in trade with other markets. This is because they expect relations with established partners such as China, Kenya, Tanzania and Rwanda to continue improving.

Uganda is one of the 54 signatories to the African Continental Free Trade Agreement (AfCFTA). Awareness of the AfCFTA amongst surveyed Ugandan businesses has improved, increasing from 23% in September 2022 to 33% in May 2023. Businesses expect that the implementation of AfCFTA will rectify some of the obstacle to trade they face by easing of the movement of goods and services across borders and providing a larger market for their goods and services.

Looking forward, an aspect that will be interesting to track in future issues of the SB ATB in Uganda is the impact of the forthcoming standard gauge railway project. The Uganda Standard Gauge Railway is expected to link Uganda to neighbouring Kenya, Democratic Republic of Congo, Rwanda, and South Sudan. Critically, it will also provide a direct linkage from Uganda to the Port of Mombasa - providing traders with greater access to distant markets such as Asia and Europe. Evaluating how this affects perceptions of businesses in future iterations of the SB ATB, particularly around whether it has any demonstrable influence on the enabling environment for trade and its subsequent effect on the strength of trade relationships with other East African and foreign markets.



Jinja, Uganda. Source iStock

1. INTRODUCTION

Being Africa's largest bank, Standard Bank (trading in Uganda as Stanbic Bank) has leveraged its presence and expertise across the continent to create the Stanbic Bank Africa Trade Barometer (SB ATB). The SB ATB was conceived with the intent of creating Africa's leading trade index to address the information vacuum of reliable African trade data and to support and enable the growth of intra-Africa trade.

Definition of trade in the context of the SB ATB

> Trade—in the context of the SB ATB—should be understood as the process of production and transfer of goods and services that is enabled by solutions that effectively connect the supply chain domestically and internationally to create economic value.

Launched in 2022, this is Issue 3 of the SB ATB. Issue 1 and Issue 2 were published in June 2022 and November 2022 respectively. The SB ATB focuses on 10 countries: Angola, Ghana, Kenya, Mozambique, Namibia, Nigeria, South Africa, Tanzania, Uganda, and Zambia.

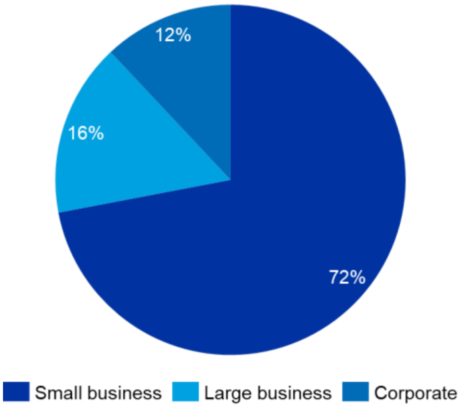
The objective of the SB ATB is to provide dynamic and insightful analysis that can intelligently inform and grow Africa's trade ecosystem. Updated annually, the data enables stakeholders to take the pulse of African trade in near real-time to measure improvements or declines in business confidence, track operational challenges, and identify shifts in overall tradability. To do so, the SB ATB covers seven broad thematic categories of data that impact trade. These are: trade openness, access to finance, macroeconomic stability, infrastructure, foreign trade, governance and economy, and traders' financial behaviour. These are the seven variables on which the trade barometer scores for each country are constructed.

The SB ATB is based on primary and secondary data sources. Primary research is gathered through a survey of over 2 500 firms representing small businesses, large businesses, and corporates across the 10 countries.[1] The survey is augmented by in-depth interviews (IDIs) with select thought leaders in respective countries, and secondary data from sources such as the World Bank, the International Monetary Fund (IMF) and central banks of the respective countries.

This is the country report for Uganda. It contains analysis of the primary and secondary data gathered specifically for Uganda and showcases trends and opportunities in trade within the country. Primary and secondary data was gathered in Uganda between March and May 2023 for this third issue of the SB ATB.

A total of 252 businesses were surveyed in Uganda in order to be representative, the majority of these (72%) were small businesses (see **Figure 1**) given that most businesses in the country fall in this category. The reader should bear this in mind as it has a commensurate impact on the insights highlighted in this report. That said, because the majority of businesses in our sample are small businesses, the results presented here potentially represent a more realistic picture of trade on the ground. The surveyed businesses were located in Kampala, Gulu, Mbale, Arua, Lira, Mbarara and Wakiso.

Figure 1: Breakdown of surveyed businesses in Uganda by business segment



Source: Stanbic Bank Africa Trade Barometer Issue 3

The fact that the majority of surveyed businesses were small businesses is the central value-add of the Stanbic Bank Africa Trade Barometer (SB ATB). Aggregate trade data and information on the African continent is skewed by large businesses who trade specific commodities in large volumes. The trading activities and behaviour of small businesses is therefore not adequately represented. The SB ATB is different because, due to the underlying sample composition being majority small businesses, the emphasis and findings relate to small businesses, their trade behaviour, trading activities and their perceptions on trade.

[1] The business size definitions by turnover bands, as used in the context of the SB ATB, can be found in the 'About the Research' section later in this report.

The SB ATB also makes a contribution in understanding the trade perceptions of small businesses in Africa that do not necessarily engage in cross-border trade. This is important because this understanding is helpful in the quest for Africa to transform herself from a poorly integrated trade environment to more trade integration where a large diversity and scope of the overall economy trades with each other.

Because of the intentional bias of the SB ATB on smaller businesses, the reader may notice that in certain instances the survey findings may differ from data at the aggregate level. This is to be expected as in many cases data at the aggregate level (from sources such as the Statistics Bureaus of individual countries, World Bank, etc.) is skewed by a few large businesses (multinationals, etc.) that trade large volumes of specific commodities. This is pointed out in the report, as relevant.

There were three IDIs conducted in Uganda as part of this third issue. One interview was with a representative from the Ministry of Trade, another with a representative from the Uganda National Renewable Energy Efficiency Alliance (UNREEEA), and finally with a representative from the Ministry of Finance.

Please note that although this is Issue 3 of the SB ATB and hence there are three data points for all variables from the surveys conducted so far (January 2022, September 2022 and now May 2023), this report predominantly compares September 2022 and May 2023 data points in most cases. This is done for ease of analysis and comparison with recent market trends in order to make contextual sense of the data. That said, all data points from the last three surveys of the SB ATB are available on request.

2. COUNTRY RANKINGS

Uganda has fallen four positions in the Stanbic Bank Africa Trade Barometer ranking, from position 4 to position 8

In order to construct the Stanbic Bank Africa Trade Barometer (SB ATB) index rankings, seven broad thematic categories of data are collected from both primary and secondary data sources. These thematic categories are trade openness, access to finance, macroeconomic stability, infrastructure, foreign trade, governance and economy, and traders' financial behaviour.

From a secondary research perspective, the Stanbic Bank 3-Year Quantitative Trade Barometer (SB QTB) is constructed. The SB QTB scores and ranking by country are the averages of all the selected indicators collected only from existing secondary data sources / reported facts.

From a primary data perspective, the Stanbic Bank Firm Survey Trade Barometer (SB STB) is constructed. The SB STB scores and ranking by country are the averages of all the data collected only from the primary research surveys conducted with 2,636 businesses.

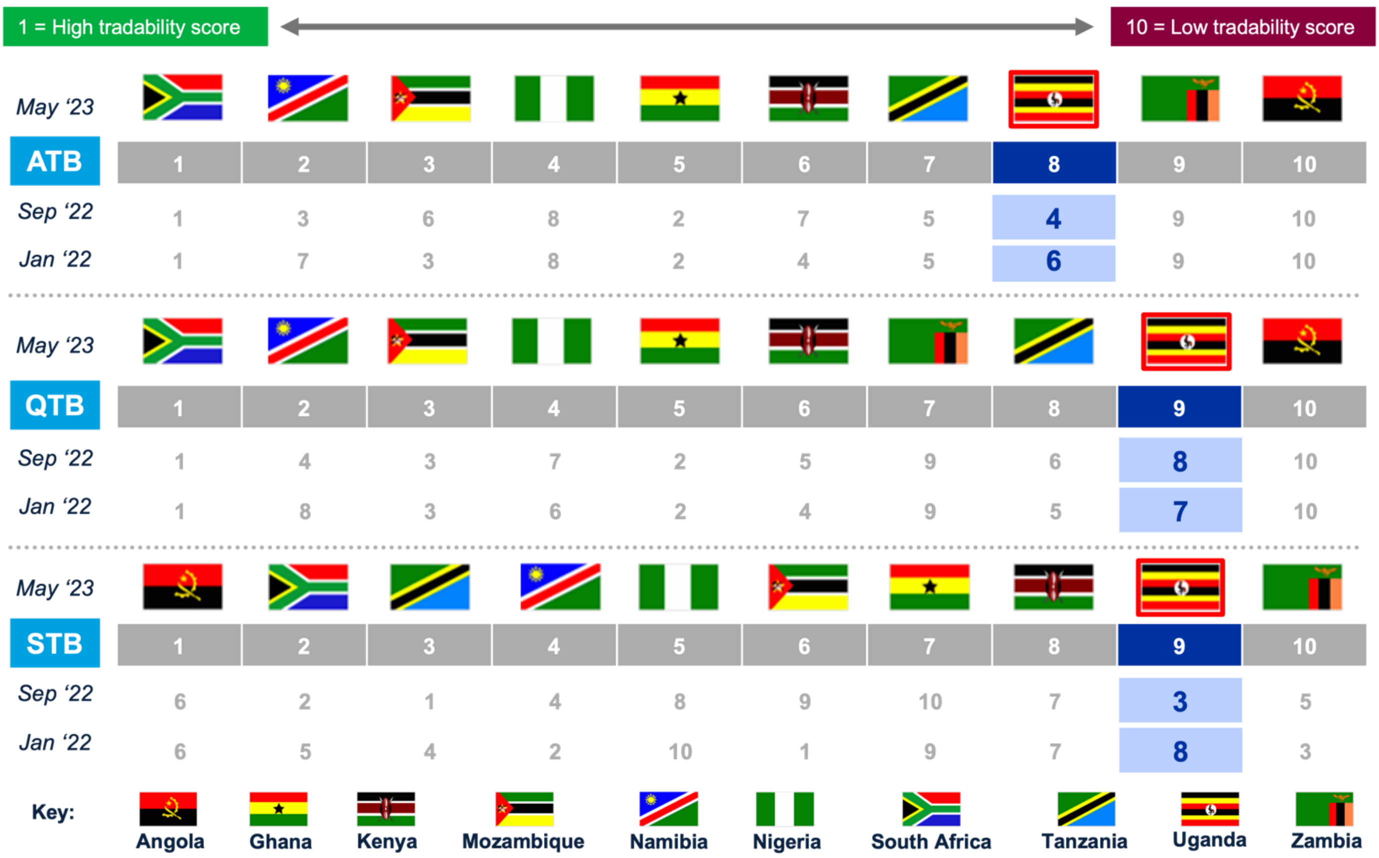
The SB ATB is an aggregate of the SB QTB and the SB STB. Changes in a country's ranking on the three indices (SB ATB, SB QTB and SB STB) are driven by changes in both the aggregate score for that country, as well as their relative ranking against the other countries included. Changes in the SB ATB rankings over the past 6 months are driven mostly by the changes in the SB STB scores.

It is important to emphasise that the SB ATB ranking of countries is relative to the 10 countries themselves. In other words, countries are ranked against each other i.e., relative scores to each other. This is pegged on a scale of 0 - 100. When indexed between this range, South Africa has the highest Tradability Index while Angola has the lowest. This does not imply that one cannot trade in Angola or that South Africa is perfect, it only implies that at a common starting point of 0 and maximum point of 100, this is how the two markets fared.

Uganda has fallen from position 4 to position 8 in the SB ATB (see **Figure 2**). This drop is partly due to the country falling drastically in the SB STB ranking from position 3 to position 9. Uganda also fell from position 8 to position 9 in the SB QTB.

Uganda's SB STB ranking drastically declined partly due to a significant relative decline in the perceptions of businesses around the future growth of exports. In other words, relative to the other nine countries in the SB ATB, businesses in Uganda have relatively low confidence that their exports will increase in the medium term.
The rest of this report unpacks Uganda's performance in the Stanbic Bank Africa Trade Barometer Issue 3 from both a primary and secondary research perspective, in line with the seven broad thematic areas referenced earlier.

Figure 2: ATB, QTB and STB ranking, by country



Source: Stanbic Bank Africa Trade Barometer Issue 3
Note: All values are shown so that a higher value is 'better' for trade, with the best to least ranking economies being ranked 1, 2, 3, etc., and how this has changed over time. Note: Red border indicates that the country has lowered their position since Sep 2022 and grey border indicates that the country has maintained the same position as September 2022.

3. MACROECONOMIC ENVIRONMENT

Uganda's macroeconomic conditions have a moderate to positive impact on her tradability attractiveness

A country's macroeconomic environment plays an important role in how attractive it is with regards to trading activities. A country has a high tradability attractiveness if it is characterised by: high GDP (many goods and services are produced in the country); high GDP per capita (residents have a high spending power); stable inflation (a stable local currency so that it does not disadvantage importers, for instance); high foreign direct investment (FDI) (generally conducive for business and investment); high merchandise trade as a percentage of GDP (imports and exports are high); and so on.

> Macroeconomic conditions are improving although negatively affected by global inflation contributing to rising domestic inflation

As part of the calculation of the SB QTB, a tradability attractiveness score is calculated for each country using relevant macroeconomic indicators, including those highlighted in Table 1. The three-year average (2020, 2021 and 2022) of each relevant indicator in a country is first normalised which allows for the relative impact of each indicator on overall tradability attractiveness to be compared and converted to a score. The same macroeconomic indicators can be used to understand the macroeconomic environment of a country, which is done in this section of the report.

The overall macroeconomic conditions in Uganda are average with a slightly positive outlook hence having moderate to positive impact (i.e., neither too positive nor too negative) on her overall tradability attractiveness (see **Table 1**). Notable variables that have a positive impact on tradability attractiveness include positive GDP growth, as well as increasing current GDP and FDI net inflows that have recovered from the worst effects of the COVID-19 pandemic. FDI net inflows into Uganda have been on an upward trajectory, overtaking Kenya in 2019 and recording the second highest FDI inflows among other East African countries. In 2022, FDI net inflows into Uganda increased by 39% - driven by investments in extractive industries.[2] Compared to other countries in the Stanbic Bank Africa Trade Barometer, Uganda has a relatively low inflation rate. Relatively low inflation has a positive impact on Uganda's tradability attractiveness. On the other hand, notable variables that have a significant negative impact on Uganda's tradability attractiveness include merchandise trade - which still forms a relatively small portion of Uganda's GDP and thereby signals low trade openness - and the low level of exports as a share of GDP.

Table 1: Uganda's macroeconomic indicators and their impact on tradability attractiveness

Variable	2018	2019	2020	2021	2022
GDP (current USD)	USD 33 billion	USD 35 billion	USD 38 billion	USD 41 billion	USD 46 billion
Real GDP growth (%)	6.3%	6.4%	3.0%	3.5%	4.7%
Inflation (annual, period average, %)	2.6%	2.9%	3.8%	2.2%	7.2%
Lending interest rate (%)	19.9%	19.9%	19.1%	18.5%	18.2%
Exchange rate (UGX:USD, period average)	3727	3704	3718	3587	3690
FDI net inflows (BoP, current USD)	USD 1.1 billion	USD 1.3 billion	USD 874 million	USD 1.1 billion	USD 1.5 billion
Merchandise trade (% of GDP)	30%	31%	33%	32%	29%
Imports of goods & services (% of GDP)	22%	22%	22%	26%	23%
Exports of goods & services (% of GDP)	15%	17%	15%	16%	12%

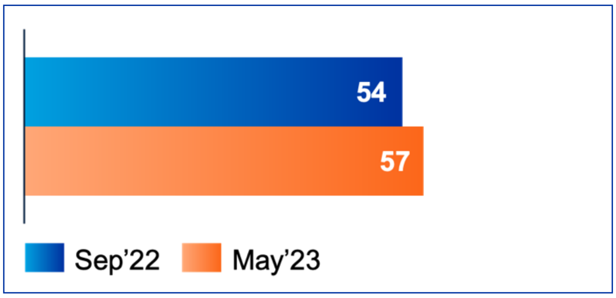
Source: Uganda Bureau of Statistics (UBOS)
Note: Percentages and figures are rounded to the nearest whole number

[2] UNCTAD, 2023. Available here.

4. MACROECONOMIC STABILITY

Confidence in the economy is relatively positive supported by improving macroeconomic conditions

Uganda's business confidence index score



Business confidence can vary between 0 and 100, where 0 indicates an extreme lack of confidence, 50 neutrality and 100 extreme confidence. In the May 2023 SB ATB survey results, Uganda's business confidence index score increased from 54 to 57. This means that compared to September 2022, surveyed businesses in Uganda had more confidence in the performance of the economy in relation to business in this iteration of the survey.

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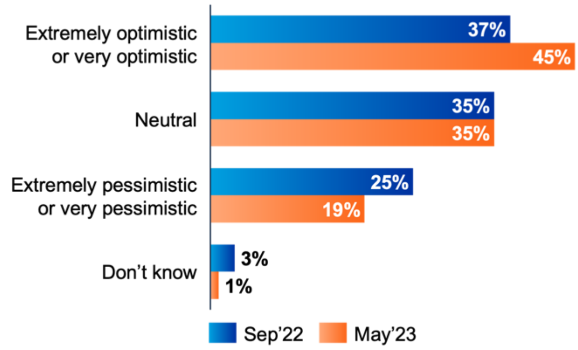
Positive perceptions on the performance of the economy in relation to business have slightly increased among businesses in Uganda, regardless of their size (see **Figure 3**). 45% of the surveyed businesses are optimistic about Uganda's economic performance over the next three years, compared to 37% of the businesses surveyed in September 2022. At the same time, the proportion of businesses with negative sentiments over the performance of the economy decreased to 19% from 25%.

> **45%** *of surveyed businesses are optimistic about the future performance of the economy*

Figure 3: Outlook of businesses on the performance of the Ugandan economy over the next three years

Question: Please indicate how you feel about the performance of the economy in relation to business in the next 3 years.



Source: Stanbic Bank Africa Trade Barometer Issue 3

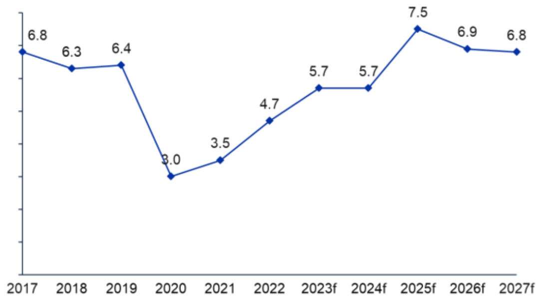
The positive posture adopted by Ugandan businesses possibly reflects the projected performance of the economy at the aggregate country level (see **Figure 4**). Uganda's economy is projected to grow at 6.2% in 2023, an increase from 4.6% recorded in 2022. This is relatively higher than the projected growth rate for the Sub-Saharan Africa region, and comes despite tighter financial conditions fuelled by Russia's invasion of Ukraine, continued global supply chain disruptions, and local factors such as drought in some parts of the country.[3] Economic growth is expected to remain above 6% over the next five years. That said, these positive growth prospects are underpinned by the assumptions that the ongoing global growth slowdown will be short-lived, and that global supply chain disruptions will cease as the Chinese economy continues to ease lockdowns.[4]

Truck carrying bananas crosses over the Kazinga channel bridge, Katunguru, Uganda

[3] AfDB, 2023. Available here

[4] AfDB, 2023. Available here

Figure 4: Real GDP growth (%, 217 - 2027)



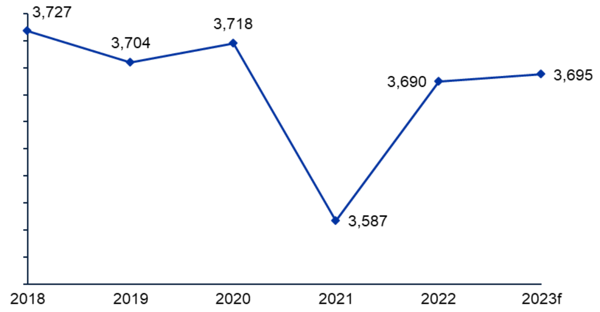
Note: 'f' represents forecasted data points
Source: Uganda Bureau of Statistics | Fitch Solutions | IMF

Respondents who hold optimistic views on the immediate outlook of the Ugandan economy (45%) most commonly cited business growth (16%) as the main factor to their optimism. Business perceptions also indicate the waning effects of the COVID-19 pandemic as the majority of the optimistic businesses stated that they expect higher demand from their customers (17%) and economic stability (12%) to boost economic performance in relation to business.

On the other hand, among the businesses (19%) that expressed a negative outlook on the future performance of the economy, the most commonly cited reasons were a poor economy (31%), high taxes (23%), and corruption (15%). While this is the case, it is worth highlighting that Uganda has made significant improvements compared to its neighbours (Kenya, Tanzania, Rwanda and the Democratic Republic of Congo) in improving transparency in the country's taxation and regulatory regime and enforcement of legal contracts, as well as the state of its macroeconomic environment.[5] Therefore, it is likely that optimistic views of Uganda's macroeconomic conditions will continue to improve given these changes. Furthermore, increased scrutiny and the implementation of aggressive tax collection methods by the Uganda Revenue Authority in 2023 is likely to have negatively affected the sentiments of most businesses.[6]

Although the volatility of the Ugandan Shilling was cited as a contributing factor to the pessimistic views observed among some businesses, in reality the local currency has been relatively stable against the US dollar as of 2022 (see Figure 5). The Ugandan Shilling registered a standard deviation of only UGX 88 for the period January 2019 to February 2023.[7] In addition, with the rise in foreign investment in Uganda's nascent oil sector, high inflow of foreign capital is expected which may result in the further appreciation of the Ugandan Shilling. While this is good for businesses (i.e., cheaper imports), exporting businesses might find it harder to sell their products overseas as a result of the stronger exchange rate.

Figure 5: Foreign exchange (UGX:USD, period average, 2017 - 2023)



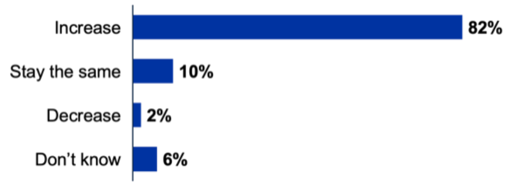
Source: Bank of Uganda; African Markets Revealed Report
Note: 'f' represents forecasted data points

The Stanbic Bank Uganda Purchasing Managers' Index (PMI) echoes the findings of the SB ATB survey, indicating a rise in positive business sentiments. The headline PMI rose to 57.4 in May, up from 55.4 in April driven by an increase in demand from customers. This enabled firms to secure greater volumes of new orders. Alongside the increase in new orders, economic stability reportedly helped firms to expand their business activity midway through the second quarter of the year.

Businesses in Uganda are optimistic about the future performance of their individual businesses (see **Figure 6**). The majority of businesses (82%) believe that their revenue will increase over the next year primarily due to the perception that demand for their goods or services will increase in the near-future. This overall sense of optimism reflects the waning effect of the COVID-19 pandemic on the operations of businesses. Furthermore, a stable political environment and financial stability were identified by businesses as key contributors to their positive views on the future performance of their businesses. At the same time, the increased optimism despite somewhat negative conditions suggests that businesses have managed to adapt and operate in unfavourable conditions and believe that the current situation cannot get worse.

Figure 6: Businesses revenue expectations over the next year

Question: Thinking ahead, do you expect business turnover to increase, decrease or remain the same.



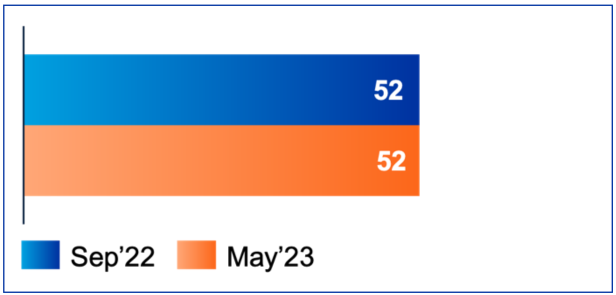
Source: Stanbic Bank Africa Trade Barometer Issue 3

[5] OMFIF, 2022. Available here
[6] Monitor, 2023. Available here
[7] Uganda Bureau of Statistics, 2023. Available here | Bank of Uganda, 2023. Available here

5. GOVERNMENT SUPPORT

Perceptions of government support on trade remain mixed

Uganda's government support index score



Government support index can vary between 0 and 100, where 0 indicates an extreme lack of Government support, 50 neutrality and 100 indicates extreme Government support. In the May 2023 SB ATB survey results, Uganda's Government support index retained a score of 52. This means that compared to September 2022, surveyed businesses in Uganda feel the Government has been equally supportive of cross-border trade activities in this iteration of the survey.

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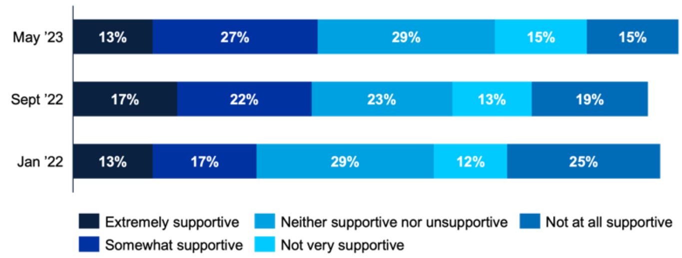
Business in Uganda continue to have mixed (both positive and negative) views on the role the Government is currently playing to support cross-border trade activities (see **Figure 7**). Sentiments on Government support have remained relatively consistent in this iteration of the SB STB compared to the September 2022 survey. However, there has been a notable increase in the share of firms who stated that the Government was supportive (either extremely supportive or somewhat supportive) of their cross-border trading activities in May 2023 (40%) relative to January 2022 (30%). Improved positive perceptions possibly reflect improvements in the macroeconomic environment as a result of Government policies, as well as the sensitisation of the public to the Government's continued commitment to supporting export-oriented businesses through projects. At the same time, the trend in Government Support could be a reflection of organic trade support due to Uganda's geographic location which has resulted in most goods imported through or manufactured in Kenya that are intended for the Eastern DRC, South Sudan and Rwanda being transited through Uganda.

Figure 7: The extent the Government has supported cross-border trade activities as identified by businesses

Question: Please indicate how supportive your government is with regards to cross-border trading activities.



Source: Stanbic Bank Africa Trade Barometer Issue 3

Larger businesses on average have a more positive perception of the Government's support for cross-border trade relative to smaller businesses. 54% of corporate businesses and 40% of big businesses reported that the Government was supportive (either extremely supportive or somewhat supportive) of their cross-border trading activities, compared to 37% of small businesses. This difference may be explained by larger businesses having better access to information about Government programs, more resources and capacity to navigate complex regulatory environments, and Government support being more accessible and tangible to larger businesses. In addition, the Ugandan Government provides a tax holiday of ten years to exporters who export at least 80% of their produce of finished goods (subject to certain conditions).[8] Exporting businesses that are likely able to meet these requirements are predominantly large corporations, and hence find the Government to be more supportive than small businesses as they are the main beneficiaries of Government support.

> Businesses find custom duties on imports and business taxes to be high, and require Government Support in these areas to boost their cross-border activities

[8] PWC, 2023. Available here

Respondents noted that they would like the Government to support cross-border trade by lowering taxes and customs duties. Businesses find that taxes and customs duties are high, thereby impeding their ability to engage in cross-border trade. However, it is unlikely the Ugandan Government will lower taxes and customs duty considering its commitment to mobilise domestic revenue in the financial year 2023 / 24. Currently, the Government does not intend to lower any form of tax and intends to increase its tax base.[9]

Another key area businesses in Uganda require Government support is the customs clearance process. Delays associated with customs procedures have a significant negative impact on imports and exports: increasing the cost of trade for businesses and the government and damaging the competitiveness of Ugandan goods in international markets. In addition, businesses stated there is lack of clarity on customs payable. This increases time taken to move goods between borders as businesses incur additional time delays to rectify the amount of duty payable with authorities. Currently, the Uganda Revenue Authority (URA) has engaged the private sector to understand and determine mechanisms that can be implemented to relax import clearance procedures to facilitate trade and support importers.[10]

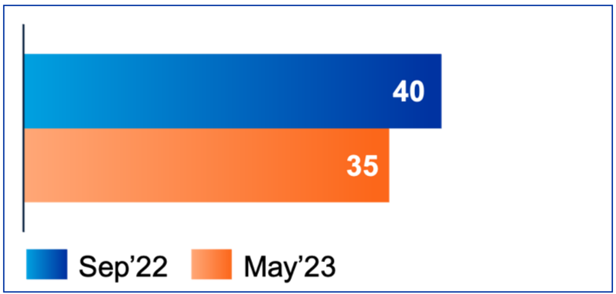
[9] Monitor, 2023. Available here

[10] URA, 2023. Available here

6. INFRASTRUCTURE CONSTRAINTS AND ENABLERS

The perceived quality of infrastructure in Uganda has slightly decline

Uganda's quality of transport-related infrastructure index score

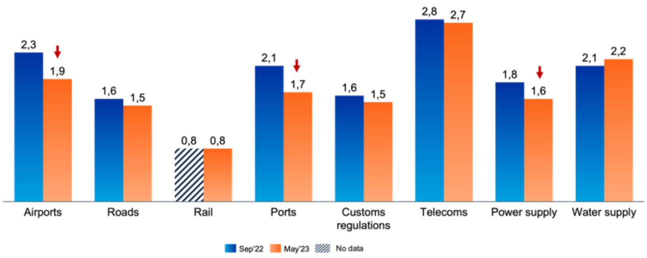


The quality of transport-related infrastructure index can vary between 0 and 100, where 0 indicates poor quality, 50 indicates fair quality and 100 indicates excellent quality. In the May 2023 SB ATB survey results, Uganda's quality of transport-related infrastructure index score declined from 40 to 35.

The perceived quality of infrastructure by Ugandan businesses has slightly declined on average relative to the survey conducted in September 2022 (see **Figure 8**). This was mainly driven by significant decreases in the perceived quality of the country's airport, port and power supply infrastructure.

Figure 8: The perceived quality of various infrastructural aspects by businesses (5-point scale)

Question: How would you rate the quality of each of the following aspects in your market?



Source: Stanbic Bank Africa Trade Barometer Issue 3.
Note: Rating is on a 5-point scale, where 5 = excellent quality and 1 = poor quality. Arrows denote whether the value of the variable is significantly higher/lower than in the previous survey.

Ugandan businesses perceive the country's road infrastructure to be of poor quality (see **Figure 8**) **and identified it to be the largest infrastructural constraint.** This corresponds with secondary data where Uganda ranks 89th out of 141 countries in the Road Quality Index.[11] Insights from interviews with thought leaders in Uganda reveal that road quality is particularly an issue in city centres; and less so with roads upcountry. The poor quality of the road network is a particularly salient issue given that a large proportion of Ugandan small businesses are in the agricultural sector; where the lack of road infrastructure and access roads to rural areas has made it difficult for traders to market their produce.[12]

> "The poor quality of roads, including main roads like the roads of Kabale, Kisoro, and then Kanungu prevents farmers from delivering their produce to markets."

Representative from the Ministry of Trade

The state of the rail infrastructure in Uganda is perceived to be of poor quality too. In fact, rail is the infrastructural aspect that was reported by Ugandan businesses to be of the poorest quality at 16% (see **Figure 8**).

To address issues around the transportation of exports and imports, the Government has made upgrading transport infrastructure in Uganda a priority. Specific

initiatives include the construction of the country's second international airport - which the Government hopes will facilitate exports of petroleum products - is almost complete despite several delays.[13] The Government has also signalled its intention to improve the country's rail network: with the announcement that the construction of the standard gauge railway (SGR) is to commence in August 2023. The 273-kilometre line will connect the capital of Kampala to the country's border with Kenya and provide direct access to the seaport of Mombasa. It is envisioned that the construction of this railway will lower the costs of exporting and importing for Ugandan businesses; and lower the burden on the country's road networks.[14] Additionally, a significant road-improvement project known as the Kampala Flyover Project is nearing completion. This project is intended to decongest routes leading into as well as within the city, and significantly reduce travel times.

[11] World Economic Forum, 2019. Available here
[12] AfDB, 2020. Available here
[13] Ashaba, 2023. Available here
[14] Reuters, 2023. Available here

The state of the power supply was also identified to be a significant obstacle constraining the operations of Ugandan businesses. The poor state of the power supply has been attributed to poor access—only 45% of Uganda's population have access to electricity, and only 36% in the rural areas.[15] Additionally, even for Ugandan businesses and households that are able to access electricity, the relatively high costs represent a challenge. Indeed, the World Bank reports that Uganda has some of the highest electricity tariffs in Africa - making it difficult for businesses to operate and engage in production in an affordable manner.[16]

Uganda is working toward improving the affordability of and access to electricity. The Government has set a target of achieving universal access to electricity by 2030. To this end, the Government plans to connect an additional 1.5 million households to the grid and diversify its energy mix increasingly toward renewables.[17]

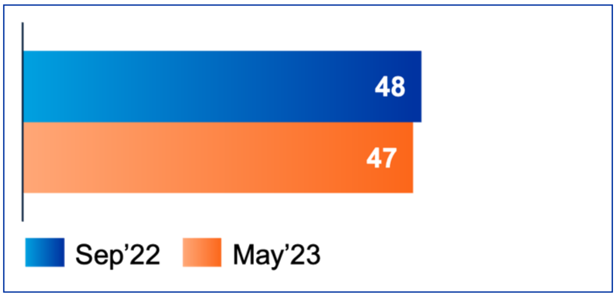
Entebbe International Airport.

[15] World Bank, 2020. Available here
[16] Mugabe, 2023. Available here
[17] Mugabe, 2023. Available here

7. TRADE OPENNESS

EAC member countries and China remain important cross-border trade partners of smaller businesses in Uganda

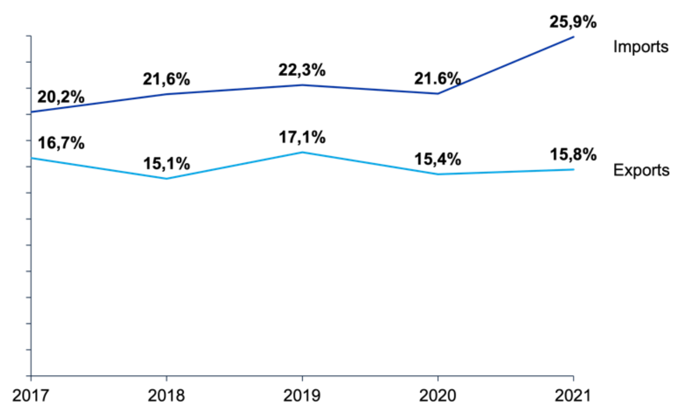
Uganda's trade openness index score



The trade openness index score can vary between 0 and 100, where 0 indicates a high burden of obstacles inhibiting trade, 50 indicates a moderate burden of obstacles inhibiting trade and 100 indicating a low burden of obstacles inhibiting trade. In the May 2023 SB ATB survey results, Uganda's trade openness index score declined slightly from 48 to 47.

41% of surveyed businesses in Uganda import their inputs. This is a relatively large proportion compared to most of the comparator countries in the Stanbic Bank Africa Trade Barometer.[18] For those that import, the majority operate in the consumer goods sector and purchase their goods from international wholesalers. This reflects data at the aggregate country level, where imports represent a relatively large share of GDP (see **Figure 9**).

Figure 9: Imports and exports (% of GDP, 2017 - 2021)



Source: World Bank

The majority of Ugandan importers (70%) source their inputs from Asia—particularly China (48%). Chinese imports also account for the largest share (28%) of the average importer's gross imports, suggesting that those businesses who do trade with China exhibit deep import relationships with them. This reflects data at the aggregate country level where China is the country's most significant bilateral import partner, accounting for 16% of all Ugandan imports.[19] The large share of imports from China is also more concentrated toward businesses in capital-intensive (industrial) sectors. This suggests that most imports from China tend to be capital goods such as machinery.

East African markets are also integral input sources for many Ugandan importers. 39% of surveyed importers import from neighbouring East African countries, primarily from Kenya (35%). This proportion increases significantly to 67% when considering only businesses in the agricultural sector, suggesting that much of the imports from neighbouring East African countries are agricultural inputs. Businesses that import from East African countries tend to have a deep import relationship with these countries. A relatively large proportion (19%) of these businesses' gross imports originate from Kenya, for instance. The high level of imports from other East African countries is not surprising, given Uganda's membership in the East African Community (EAC) Customs Union. This union, a key component of the EAC's regional integration process, has established a framework that facilitates trade between member states by allowing for most goods to be traded duty-free between member states and imposing uniform customs procedures.[20]

> "One of the key contributors to regional cross-border trade has been the trade agreements such as the EAC Customs Union that reduce tariffs and apply a preferential tariff scheme that promotes cross-border trade by offering preferential access to the regional markets."

Representative from the Ministry of Finance

The majority of importers believe that the scale of their imports will increase over the next two years (see **Figure 10**). 65% of Ugandan importers expect the scale of their imports to increase over the next two years, similar to the sentiments shared in September 2022. This sentiment may signal that businesses expect the scale of their production to increase over the next two years, complementing the aforementioned belief that economic activity and demand for their goods will increase in the forthcoming years.

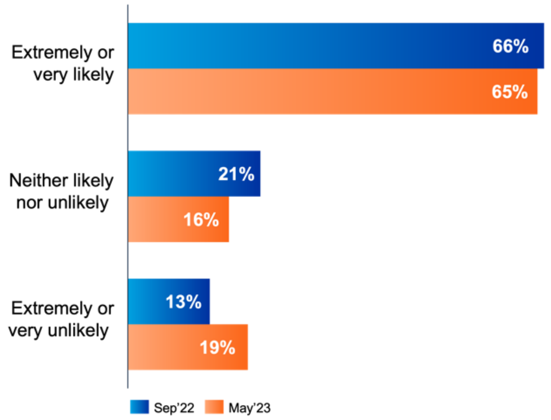
[18] The share of importers is larger in only one out of the nine other countries in the Stanbic Bank Africa Trade Barometer (Nigeria).

[19] WITS, 2020. Available here

[20] European Commission, 2022. Available here

Figure 10: Importers perceptions on their likelihood to increase import volumes over the next 2 years (%)

Question: How likely are you to increase the volume of imports in the next 2 years?



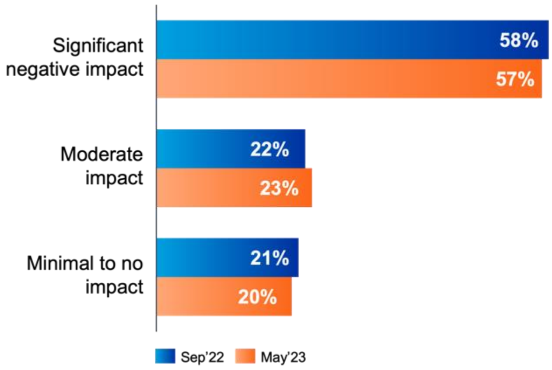
Source: Stanbic Bank Africa Trade Barometer Issue 3
Note: Arrows denote whether the value of the variable is significantly higher / lower than in the previous survey

Importers primarily expect the scale of imports from established exporters to increase. Specifically, 44% of surveyed importers feel that their import volumes from China will increase by an average of 42% of their current volumes. Similarly, 18% of surveyed importers believe that import volumes from Kenya will increase by an average of 39% of their current volumes. This points toward a deepening of Uganda's bilateral import relationship with incumbent exporters over the coming years rather than a diversification toward other input sources.

Most Ugandan importers feel that importation-related taxes have a significant negative impact on their capacity to grow (see **Figure 11**). These sentiments have remained relatively consistent compared to those recorded in September 2022. The reported high burden of tariffs is somewhat surprising, given that a significant proportion of imports originate from other East African Community and Common Market for Eastern and Southern Africa (COMESA) countries which do not attract any duties.[21] This may however be driven by the significant number of businesses which import from China; with imports from China subject to the EAC Common External Tariff which averages around 10% for Chinese imports.[22]

Figure 11: The impact of importation-related taxes on importers

Question: To what extent do importation-related taxes, including tariffs, impact your business growth**?**



Source: Stanbic Bank Africa Trade Barometer Issue 3
Note: Sample includes importers only. Arrows denote whether the value of the variable is significantly higher/lower than in the previous survey

In terms of businesses selling activity, 9% of surveyed Ugandan businesses export their goods to foreign markets. For those businesses that export, the majority operate in the consumer goods and service sectors, and sell directly to international end consumers.

Other East African countries are important markets for many Ugandan exporters. 71% of surveyed exporters sell their products to at least one East African market. The most popular markets for exporters are Kenya (62% of exporters), Rwanda (38% of exporters) and Tanzania (29% of exporters). In addition, exporters who sell goods in these markets tend to have deep export relationships with these countries. Specifically, 40% of the average exporter's export basket is sold to other East African countries.

Other regions in Africa are also important markets for many Ugandan exporters. For example, 24% and 19% of surveyed exporters sell their products to Central and North Africa respectively.

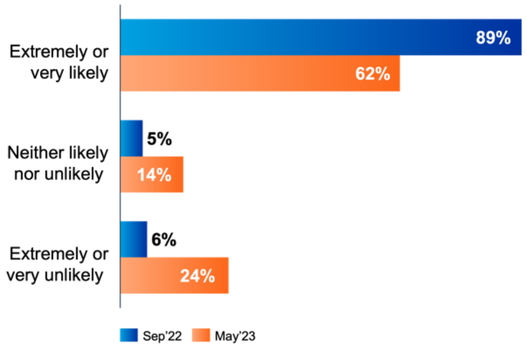
Most Ugandan exporters expect the scale of their exports to increase over the next two years. Specifically, 62% of exporters feel that it is extremely or very likely that they will increase their export volumes over the next two years (see **Figure 12**). These exporters primarily expect volumes toward established markets—primarily Kenya, Tanzania and Rwanda—to increase.

[21] Chien, Conron, Edwards & Kamutando, 2022. Available here

[22] WITS, 2020. Available here

Figure 12: Exporters perceptions on their likelihood to increase export volumes over the next 2 years (%)

Question: How likely are you to increase the volume of exports in the next 2 years?



Source: Stanbic Bank Africa Trade Barometer Issue 3

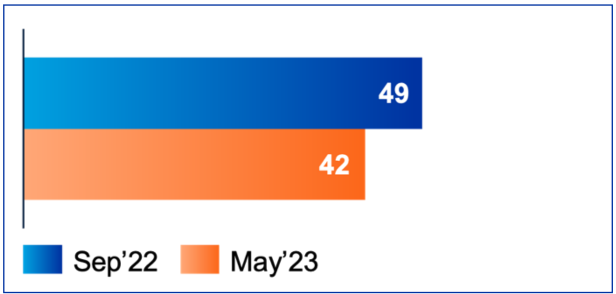
Note: Arrows denote whether the value of the variable is significantly higher / lower than in the previous survey

Kampala, Uganda

8. TRADERS' FINANCIAL BEHAVIOUR & ACCESS TO FINANCE

Ugandan businesses prefer digital payment methods for cross-border transactions and cash for domestic transactions

Uganda's access to finance index score



Access to finance can vary between 0 and 100, where 0 indicates an extreme difficulty in accessing finance, 50 neutrality and 100 indicates no difficulty in accessing finance. In the May 2023 SB ATB survey results, Uganda's access to finance index score declined to 42 from 49 in September 2022. This means surveyed businesses in Uganda found it more difficult to access finance compared to September 2022.

***

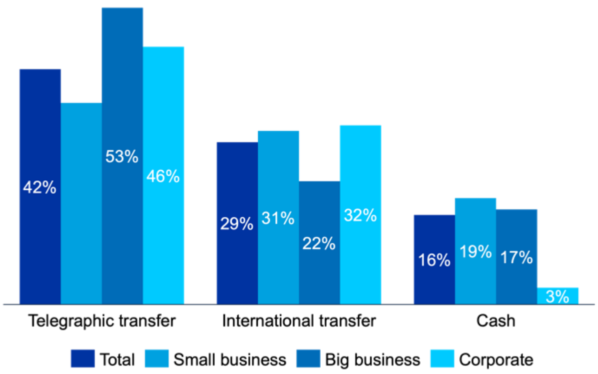
Telegraphic transfers (TT) and cash remain the primary method of payment for facilitating cross-border sales in Uganda. 40% and 27% of surveyed businesses receive payments in TTs and cash, respectively. While small businesses show relatively equal preference between TTs and cash payments, larger businesses primarily receive cross-border payments in TTs. 52% and 40% of big businesses and corporations, respectively, use TTs to receive cross-border payments. Insights from thought leaders indicate that the widespread reliance on cash for cross-border transactions might not accurately reflect the true value of trade with neighbouring countries such as the Democratic Republic of Congo (DRC) and Sudan. A recent study on informal cross-border trade (ICBT) reveals that informal trade constitutes a substantial portion, accounting for 25%-35% of total exports to Uganda.[23] Many of these transactions are conducted in cash, often using foreign currency. This phenomenon has the potential to enhance Uganda's foreign exchange stability by increasing the availability of foreign currency liquidity in the market.

52% *of cross-border sales of big businesses surveyed are facilitated through Telegraphic transfers*

TTs and international transfers are the preferred payment methods for cross-border purchases (see **Figure 13**). TTs are the most preferred payment method, with 42% of businesses utilising this method. 29% of businesses use international transfers—which facilitates the direct movement of funds between two banks located in different countries. The prevalence of digital payment solutions, accounting for over 75% of each business segment's cross-border purchase transactions, highlights the widespread adoption of digital payment methods among businesses of all sizes. Given Ugandan businesses' inclination toward trading within the EAC, the prominence of digital payment solutions is unsurprising. Despite the limited adoption of the East African Payment System (EAPS) by Ugandan enterprises since its inception in 2014, the EAC's pursuit of a unified currency is poised to enhance regional trade.[24] This aspiration holds the potential to address ongoing concerns associated with the EAPS, including reservations surrounding the receipt of payments in other regional currencies.[25]

Figure 13: The proportion of cross-border purchases by method of payment

Question: Thinking of your purchases, how do you pay for your goods or services when trading with suppliers in other countries?



Source: Stanbic Bank Africa Trade Barometer Issue 3

As businesses grow in size, so does their appetite for digital payment solutions such as EFTs

[23] FSDU, Available here
[24] The East African, Available here
[25] East African Community, Available here

Cash remains the dominant payment method for domestic transactions in Uganda. 65% of surveyed businesses prefer cash for domestic sales, and 60% prefer it for domestic purchases. This preference is particularly strong among small businesses, where 70% of them prefer cash for domestic transactions. The evolving digital payment landscape in Uganda shows a shift towards electronic fund transfers (EFT)—especially as businesses grow in size—as 48% of corporations use EFTs for domestic transactions. However, limited internet access remains a significant constraint to the widespread adoption of digital financial services. While the percentage of the Ugandan population using the internet has grown significantly since the onset of COVID-19, from 6% in 2020 to 10% in 2021, Uganda's digital footprint remains relatively low compared to the rest of sub-Saharan Africa, which stands at 36%.[26]

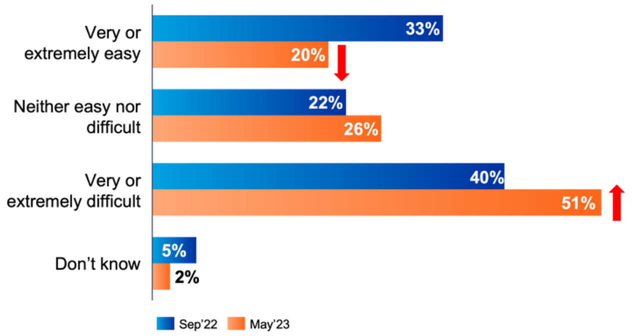
Businesses—particularly small businesses—perceive access to credit as becoming more difficult. Small businesses that perceive accessing credit as being difficult (either very difficult or extremely difficult) increased from 40% in September 2022 to 51% in May 2023 (see **Figure 14**). This outcome aligns with the current economic climate post-pandemic, which has been marked by rising interest rates. The Central Bank rate (CBR) has progressively increased from 6.5% in April 2022 to 10% by July 2023, resulting in increased cost of borrowing for businesses.[27] Our survey findings reveal that larger businesses are increasingly using credit arrangements with their suppliers as a means of accessing credit in this difficult climate. The percentage of big businesses and corporations engaging in such arrangements rose from 50% and 53% in September 2022 to 68% and 63% in May 2023, respectively.

> "Financial Institutions should offer advisory services to the enterprises, especially to the SMEs, so that they can enhance their understanding of trade finance and the market opportunities out there."

A representative from the Ministry of Finance

Figure 14: The level of difficulty in accessing credit by small businesses

Question: Please indicate how difficult or easy it is to get credit from financial institutions



Source: Stanbic Bank Africa Trade Barometer Issue 3
Note: Bars will not add up to 100% as 'Refused' has been excluded from the graph

In terms of support from financial institutions in facilitating cross-border trade, businesses highlighted the need for assistance in funding. Particularly, businesses emphasised the importance of flexible loan terms with less stringent clearance requirements, along with quicker access to funds. Between September 2022 and May 2023, the most significant change in financial institution support needs among businesses was the demand for assistance in introducing them to suppliers in other countries, increasing by 3 percentage points during the period. This further highlights the positive outlook of Ugandan businesses, as they anticipate increased economic activity and demand for their goods in the next two years.

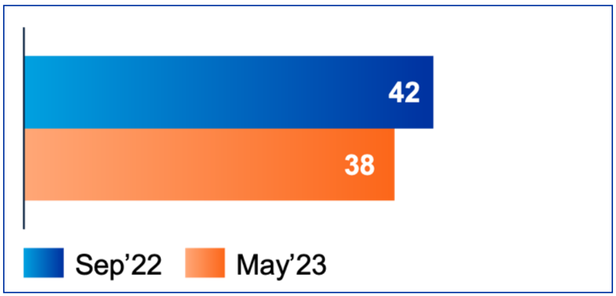
[26] World Bank. Available here

[27] Trading Economics. Available here

9. FOREIGN TRADE & TRADING IN AFRICA

Initiatives to create awareness of the AfCFTA appear to be bearing fruit — although businesses still find trading with the rest of Africa difficult

Uganda's ease of trade index score



Ease of trade can vary between 0 and 100, where 0 indicates an extreme difficulty when trading with other countries, 50 neutrality and 100 indicates no difficulty when trading with other countries. In the May 2023 SB ATB survey results, Uganda's ease of trade index score declined to 38 from 42 in September 2022. This means surveyed businesses in Uganda found it more difficult to trade compared to September 2022.

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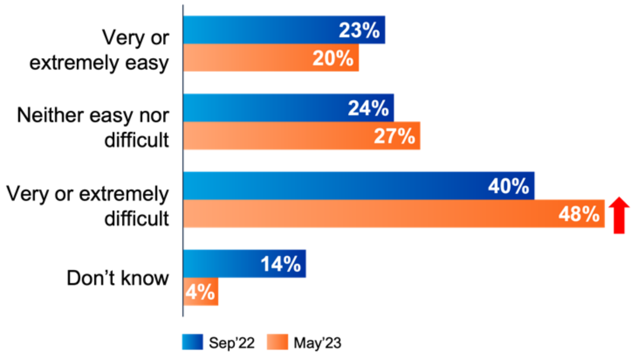
Ugandan businesses prioritise a partner country's quality of goods (29%), the market prices (27%), and market accessibility (19%) when considering which partners to conduct cross-border trade with. This explains the strong preference for China as a source of inputs, representing 28% of the gross import proportion. On the other hand, survey results indicate that Ugandan exporters mainly export to African markets. 63% of exporters export to fellow African countries, primarily due to their market accessibility. There was a significant increase in the prioritisation of a partner country's market accessibility when considering cross-border trade, rising from 3% in January 2022 to 19% in May 2023. Ugandan exports to African markets show a notable shift towards the services sector, as the percentage of service sector exporters grew from 22% in September 2022 to 52% in May 2023. This highlights the growing importance of service-oriented industries in Uganda's export activities.

The survey findings suggest that barriers, such as complex business policies and limited trade knowledge in neighbouring countries, have negatively impacted the perception of Ugandan businesses with regard to the ease of trading with other African countries. The percentage of firms reporting trade with the rest of Africa to be difficult (either very difficult or extremely difficult) increased significantly from 40% in September 2022 to 48% in this iteration of the survey (see **Figure 15**). More granular analysis reveals that this is driven by the percentage of businesses reporting obstacles such as tariffs (36%), road infrastructure (37%), lack of market knowledge (38%) and import / export bans (39%).

Figure 15: Businesses perceptions of the ease of trading with other African countries

Question: In your view would you say trading with the rest of Africa is…?



Source: Stanbic Bank Africa Trade Barometer Issue 3
Note: Arrows denote whether the value of the variable is significantly higher / lower than in the previous survey

Uganda is one of 54 signatories to the African Continental Free Trade Agreement (AfCFTA). AfCFTA is an initiative which looks to, amongst other things, improve the level of intra-African trade by creating a single market for goods and services and lower some of these aforementioned trade barriers. To this end, members of the AfCFTA are committed to eliminating tariffs on most goods and services that are traded between African countries over a given period following the AfCFTA entering its operational phase in July 2019.

33% *of surveyed businesses are aware of AfCFTA, increasing from 23% in September 2022.*

Awareness of the AfCFTA amongst Ugandan businesses has significantly increased (see **Figure 16**). The percentage of respondents that are aware of the AfCFTA increased to 33% from 23% in September 2022—a statistically significant change. This result may have been partly driven by a three-month awareness campaign spearheaded by the Private Sector Foundation Uganda (PSFU) which concluded on the 29th of March 2022. The main objective of this campaign was to unlock Uganda's potential in the African Continental Free Trade Market. The initiative involved conducting a Capacity Needs Analysis

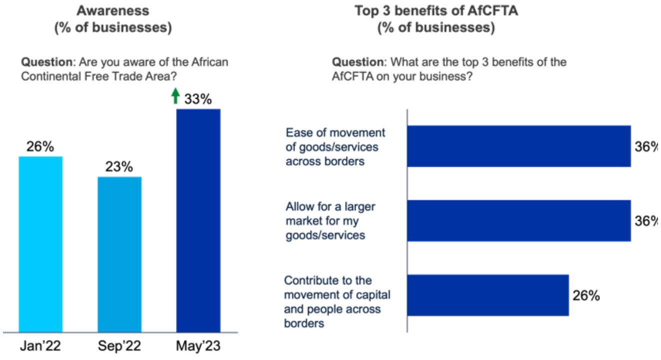
Survey, organising a Training of Trainers session for member association representatives and PSFU staff, launching a regional media campaign, and facilitating training for 250 enterprises across various sectors to maximise the opportunities presented by the AfCFTA.[28]

> "African countries have got to come together and trade amongst themselves so that we can ensure seamless trade across all African countries, grow our economies, earn more foreign exchange and then be able to move from least developed countries (LDCs) to the middle-income status through trade."

Representative from the Ministry of Trade

Most Ugandan businesses believe that the implementation of the AfCFTA will reap benefits for their businesses (see **Figure 16**). The most commonly identified benefits are easing the movement of goods and services across borders, the provision of access to larger markets for goods and services and the easing of movement of capital and people across African borders.

Figure 16: Businesses awareness and expected benefits of the African Continental Free Trade Area



Source: Stanbic Bank Africa Trade Barometer Issue 3
Note: Arrows denote whether the value of the variable is significantly higher/lower than in the previous survey.

Port Bell Pier

[28] PSFU. Available here

10. MAIN OBSTACLES TO TRADE

Ugandan businesses continue to face significant obstacles to trade

Road infrastructure was identified as one of the largest obstacles constraining the ability of Ugandan businesses to engage in cross-border trade. Insights from the interviews indicate that this poor infrastructure undermines the competitiveness of Ugandan exports and significantly increases the costs of receiving imports.[29] This view is supported by data, where transport and logistics are estimated to comprise an average of 35% to 42% of production costs in Uganda, relative to 8% in Asian countries.[30] As such, the standard of road and other transport infrastructure is a critical component of intra-African trade. An improvement in the transport and logistics infrastructure in Uganda may therefore be an important enabling factor that allows Ugandan businesses to realise the benefits of increased intra-African trade through the implementation of the AfCFTA.

"High production costs impact the competitiveness of Ugandan products, and these are caused by the unreliable electricity supply and poor infrastructure."

Representative from the Ministry of Finance

Trade barriers such as tariffs and customs regulations were also identified as a significant obstacle undermining trade with other African countries as well as the rest of the World. Specifically, 61% of businesses identified tariffs as a major or severe obstacle that constrains their ability to engage in trade with other countries in Africa. Similarly, 51% of businesses identified prohibitive customs requirements as major or severe constraints on their ability to trade with the rest of Africa.

61% *of surveyed businesses identified tariffs as a major or severe obstacle that constrains their ability to engage in trade with other countries in Africa.*

[29] Representative from the Ministry of Finance

[30] Uganda National Roads Authority, 2022. Available here

11. CONCLUSION

In conclusion, and looking forward, an aspect that will be interesting to track in future issues of the Stanbic Bank Africa Trade Barometer (SB ATB) in Uganda will be examining how the forthcoming completion of the standard gauge railway (SGR) influences the scale and composition of trade in Uganda. The Uganda SGR is a planned railway system linking Uganda to neighbouring Kenya, Democratic Republic of Congo (DRC), Rwanda and South Sudan as part of the East African Railway Master Plan. It is envisioned that this railway line will ease the movement of goods between East African countries, and thereby facilitate regional trade. In addition, the railway aims to improve the access of Ugandan businesses to global markets such as Asia, Europe and America by providing a direct linkage between Uganda and the Port of Mombasa.

As such, it will be interesting to evaluate how the standard gauge railway influences a variety of variables in future iterations of the Stanbic Bank Africa Trade Barometer. The first point of interest will be how perceptions of rail infrastructure—which is perceived particularly poorly in this iteration of the SB ATB in Uganda—evolves in the wake of this development. In addition, by introducing an attractive alternative to roads for transporting goods to neighbouring East African countries, the new railway system may lower the extent to which the country's road infrastructure represents a challenge to Ugandan traders. Then, by lowering the cost of transporting goods to foreign markets, the SGR may increase the proportion of businesses who engage in cross-border trade. Finally, the SGR may influence the composition of trade partners for Ugandan businesses, as providing a more efficient and competitive linkage to the Port of Mombasa may significantly increase trade with distant markets such as Asia and Europe. Monitoring how these factors evolve over future iterations of the survey, as well as how they may interact with one another, will be of interest in future issues of the SB ATB.

12. APPENDIX

Appendix 1: Stanbic Bank Africa Trade Barometer (SB ATB) Country Ranking for Issue 3, 2023

The Stanbic Bank Africa Trade Barometer (SB ATB) scores are an aggregate of the Stanbic Bank 3-Year Quantitative Trade Barometer (SB QTB) scores and the Stanbic Bank Survey Trade Barometer (SB STB) scores. Countries are ranked against each other, i.e., relative scores to each other. This is pegged on a scale of 0 - 100. When indexed between this range, South Africa has the highest Tradability Index while Angola has the lowest. This does not imply that one cannot trade in Angola or that South Africa is perfect, it only implies that at a common starting point of 0 and maximum point of 100, this is how the two markets fared.

SB ATB scores remained the same for Angola, South Africa and Zambia, while the majority of ranks for other countries have increased from September 2022 (see **Table 2**).

Countries that have retained their ranking from September 2022:

- South Africa (1st position)
- Zambia (9th position)
- Angola (10th position)

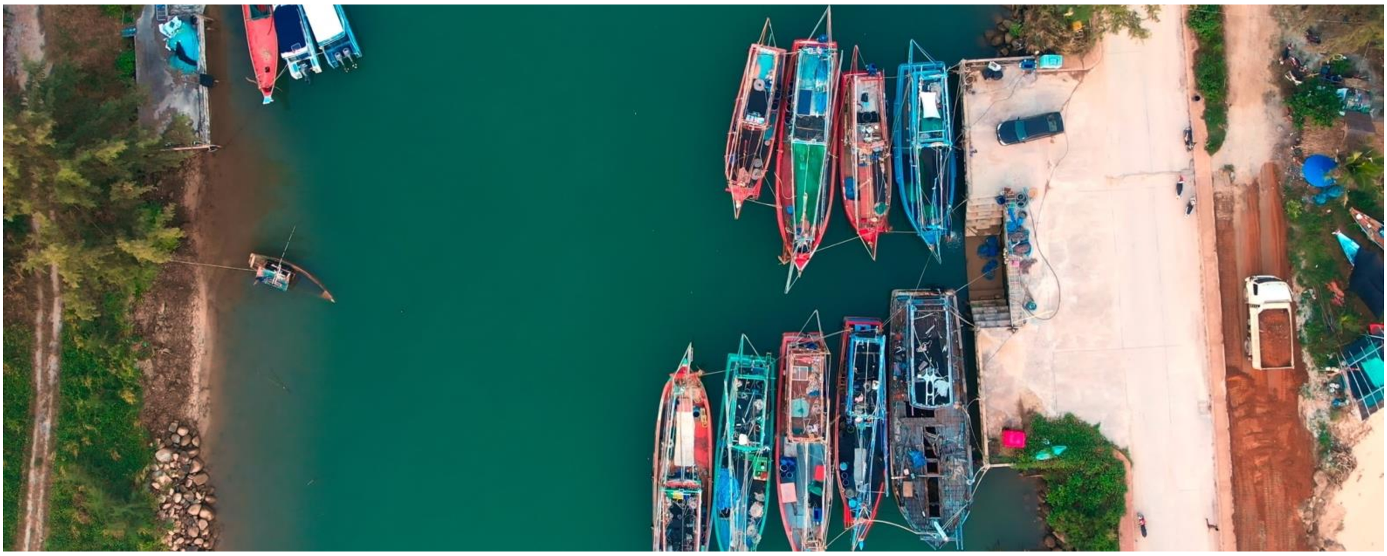
Countries that have improved in their ranking from September 2022:

- Namibia (3rd to 2nd position)
- Mozambique (6th to 3rd position)
- Nigeria (8th to 4th position)
- Kenya (7th to 6th position)

Countries that have declined in their ranking from September 2022:

- Ghana (2nd to 5th position)
- Tanzania (5th to 7th position)
- Uganda (4th to 8th position)

As can be seen in the table below, actual scores for all countries are significantly lower in May 2023 compared to September 2022 (except for South Africa and Angola). Although it is correct to interpret this result as a general decline in tradability across most countries, this is not the whole story. The lower scores in May 2023 compared to September 2022 are also a result of how the SB ATB scores are calculated. The overall tradability score of a country is arrived at through a calculation that compares the country's average score across all the variables in the SB ATB to the lowest and highest average scores recorded across the 10 countries included in the SB ATB. To this end, Angola received a score of 0 (since it had the lowest average score) and South Africa received a score of 100 (since it had the highest average score). In this iteration of the survey, most countries' average scores were closer to the lowest average score observed (Angola), which skewed their overall tradability scores towards that low value.



Aerial view of Uganda harbor

Table 2: Stanbic Bank Africa Trade Barometer (SB ATB) scores by country

Country	Africa Trade Barometer (ATB) Score	ATB Ranking	
		September 2022	May 2023
Angola	0 0	10	10
Ghana	74,3 19,5	2	5
Kenya	55,8 19,3	7	6
Mozambique	57,5 30,5	6	3
Namibia	60,2 43,1	3	2
Nigeria	48,4 25,9	8	4
South Africa	100 100	1	1
Tanzania	58,9 15,3	5	7
Uganda	58,9 14,8	4	8
Zambia	43,2 14,1	9	9

Sep'22 May'23

Note: The scores denote the performance of each country relative to the full country list on the specified measures

Appendix 2: Stanbic Bank 3-Year Quantitative Trade Barometer (SB QTB) Country Ranking for Issue 3, 2023

The Stanbic Bank 3-Year Quantitative Trade Barometer (SB QTB) scores and ranking by country are the averages of all the selected indicators collected only from existing secondary data sources / reported facts.

SB QTB scores remained the same for Angola, Mozambique and South Africa, while the majority of ranks for other countries have dropped from September 2022 (see **Table 3**).

Countries that have retained their ranking from September 2022:

- South Africa (1st position)
- Mozambique (3rd position)
- Angola (10th position)

Countries that have improved in their ranking from September 2022:

- Namibia (4th to 2nd position)
- Nigeria (7th to 4th position)
- Zambia (9th to 7th position)

Countries that have declined in their ranking from September 2022:

- Ghana (2nd to 5th position)
- Kenya (5th to 6th position)
- Tanzania (6th to 8th position)
- Uganda (8th to 9th position)

As can be seen in the table below, actual scores for all countries are significantly lower in May 2023 compared to September 2022 (except for South Africa and Angola). Although it is correct to interpret this result as a general decline in tradability across most countries, this is not the whole story. The lower scores in May 2023 compared to September 2022 are also a result of how the SB QTB scores are calculated. The overall tradability score of a country is arrived at through a calculation that compares the country's average score across all the variables in the SB QTB to the lowest and highest average scores recorded across the 10 countries included in the SB QTB. To this end, Angola received a score of 0 (since it had the lowest average score) and South Africa received a score of 100 (since it had the highest average score). In this iteration of the survey, most countries' average scores were closer to the lowest average score observed (Angola), which skewed their overall tradability scores towards that low value.

Table 3: Stanbic Bank 3-Year Quantitative Trade Barometer (SB QTB) scores by country

Country	Africa Quantitative Barometer (QTB) Score (Sep'22 / May'23)	QTB Ranking	
		September 2022	May 2023
Angola	0 / 0	10	10
Ghana	86,2 / 26,6	2	5
Kenya	63,9 / 26,4	5	6
Mozambique	67,4 / 36,9	3	3
Namibia	64,7 / 46,2	4	2
Nigeria	56,1 / 32,4	7	4
South Africa	100 / 100	1	1
Tanzania	59,2 / 23,1	6	8
Uganda	51,8 / 17,6	8	9
Zambia	51,8 / 23,1	9	7

Sep'22 May'23

Note: The scores denote the performance of each country relative to the full country list on the specified measures

Appendix 3: Stanbic Bank Survey Trade Barometer (SB STB) Country Ranking for Issue 3, 2023

The Stanbic Bank Firm Survey Trade Barometer (SB STB) scores and ranking by country are the averages of all the data collected only from the primary research surveys conducted with 2,636 businesses.

Except for South Africa and Namibia, SB STB ranks have changed in this wave for all countries (see **Table 4**).

Countries that have retained their ranking from September 2022:

- South Africa (2nd position)
- Namibia (4th position)

Countries that have improved in their ranking from September 2022:

- Angola (6th to 1st position)
- Nigeria (8th to 5th position)
- Mozambique (9th to 6th position)
- Ghana (10th to 7th position)

Countries that have declined in their ranking from September 2022:

- Tanzania (1st to 3rd position)
- Kenya (7th to 8th position)
- Uganda (3rd to 9th position)
- Zambia (5th to 10th position)

Table 4: Stanbic Bank Survey Trade Barometer (SB STB) scores by country

Country	Africa Survey Barometer (STB) Score	STB Ranking	
		September 2022	May 2023
Angola	22,6 100	6	1
Ghana	0 18,4	10	7
Kenya	10,3 18,2	7	8
Mozambique	1,2 21,6	9	6
Namibia	34,1 52,7	4	4
Nigeria	8,4 22,5	8	5
South Africa	84,0 66,8	2	2
Tanzania	100 65,2	1	3
Uganda	57,0 12,2	3	9
Zambia	26,6 0	5	10

Sep'22 May'23

Note: The scores denote the performance of each country relative to the full country list on the specified measures

Appendix 4: The relative impact of selected macroeconomic indicators on the tradability attractiveness of Stanbic Bank Africa Trade Barometer Countries for Issue 3, 2023

In the table below, the ranking (between position 1 and position 10) as well as the respective colour coding highlight the impact of a specific macroeconomic indicator (e.g., FDI net inflows) on the tradability attractiveness of the respective country. To arrive at this ranking, the three-year average (2020, 2021 and 2022) of each indicator in a country is first normalised[31] which allows for the relative impact (relative to the other nine countries) of each indicator on overall tradability attractiveness for that country to be arrived at.

Table 5: Country ranking on the impact of macroeconomic indicators on tradability attractiveness

	Merchandise trade (% of GDP)	GDP (Current USD)	GDP growth (%, average annual)	Imports (% of GDP)	Exports (% of GDP)	Inflation	Lending interest rate (%)	FDI Net Inflows
Angola	4	4	10	9	2	10	8	10
Ghana	6	5	4	5	6	9	10	3
Kenya	9	3	1	7	9	6	3	7
Mozambique	2	9	6	1	4	5	6	2
Namibia	1	10	9	2	3	2	1	8
Nigeria	10	1	7	10	10	8	4	4
South Africa	5	2	8	4	5	4	2	1
Tanzania	8	6	3	8	7	1	5	6
Uganda	7	7	2	6	8	3	7	5
Zambia	3	8	5	3	1	7	9	9

Key: Negative relative trade impact Positive relative trade impact

31 Normalisation here means calculating the deviation of a particular macroeconomic indicator in a specific country from the mean of that indicator in all 10 SB ATB countries

13. ABOUT THE RESEARCH

The Stanbic Bank Africa Trade Barometer is based on both primary and secondary research sources. This is Issue 3 of the SB ATB. Issue 1 was released in June 2022 and Issue 2 was released in November 2022. The data collection (both primary and secondary research) for Issue 3 happened between March and May 2023 in all 10 countries of interest.

The primary research component involves the administration and analysis of a firm survey (i.e., a survey of sample businesses in the countries of interest) and holding of in-depth interviews (IDIs) with key stakeholders. The sample is stratified by size (small, big and corporate), region and industry. For Issue 3, 2 636 businesses were surveyed and 30 IDIs were conducted across the 10 countries.

In Uganda, 252 businesses were surveyed. 53% of these businesses were in Kampala, 11% in Gulu, 11% in Mbale, 10% in Arua, 8% in Lira, 5% in Mbarara and 1% in Wakiso. The breakdown of surveyed businesses in Uganda by business segment was as follows:

- 72% were small businesses
- 16% were big businesses
- 12% were corporates

In the context of the SB ATB, small businesses are defined as those with a turnover of less than UGX 9 billion, large businesses as those with a turnover of between UGX 9 billion and UGX 71 billion and corporates as those with a turnover of more than UGX 71 billion.

The breakdown of surveyed businesses in Uganda by industry was as in **Table**

Table 2: Breakdown of surveyed businesses in Uganda by industry

Industry	%	Industry	%
Wholesale and retail trade; repair of motor vehicles and motorcycles	**20%**	Other service activities	**4%**
Human health and social work activities	**9%**	Education	**3%**
Agriculture, forestry and fishing	**9%**	Mining and quarrying (includes oil & gas)	**2%**
Manufacturing	**8%**	Activities of extraterritorial organisations	**2%**
Construction	**7%**	Arts, entertainment and recreation	**2%**
Accommodation and food service activities	**7%**	Water supply; sewerage, waste management and remediation activities	**2%**
Information and communication	**6%**	Electricity, gas, steam and air conditioning supply	**1%**
Transportation and storage	**5%**	Public administration and defence; compulsory social security	**1%**
Financial and insurance activities	**4%**	Real estate activities	**0%**
Administrative and support service activities	**4%**	Activities of households as employers; undifferentiated goods- and services-producing activities of households for own use	**0%**
Professional, scientific and technical activities	**4%**		

The breakdown of surveyed businesses by staff complement was as follows:

- 27% had below 5 employees
- 31% had 5 - 10 employees
- 16% had 11 - 20 employees
- 11% had 21 - 50 employees
- 8% had 51 - 100 employees
- 7% had 101 - 1,000 employees
- 1% had 1,001 - 5,000 employees

With regards to individual respondent characteristics within the businesses, 61% were male and 39% were female. The breakdown by their job titles is as follows:

- 31% were general managers
- 18% were owners
- 15% were heads of departments
- 13% were chief executive officers (CEOs)
- 8% were managing directors
- 7% were chief accountants
- 3% were treasurers
- 1% were deputies directors general
- 1% were executive directors
- 1% were directors general
- 1% were deputy chief executives
- 1% were financial directors
- 1% were chief financial officers
- 1% held other job titles

Further details by region, business segment, industry, staff complement, age of firm, the firms' corporate and strategic decision-making structures as well as individual respondent characteristics (gender, job title, etc.) are available on request.

There were three IDIs conducted in Uganda as part of Issue 3. One interview was with a representative from the Ministry of Trade, another with a representative from the Uganda National Renewable Energy Efficiency Alliance (UNREEEA), and finally with a representative from the Ministry of Finance. These interviews are quoted in this report, as relevant.

The survey and IDIs were conducted on a confidential basis.

The secondary research component involves the gathering and analysis of quantitative data. This data is primarily collected from World Bank sources, although additional data is obtained from the International Monetary Fund (IMF), the International

Trade Centre and individual country central banks and statistics bureaus.

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In-depth details on how the Stanbic Bank Africa Trade Barometer scores for each country are calculated, and the resultant country rankings, are available on request.

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The research was produced by Standard Bank Business and Commercial Banking Research and Insights. For any questions or information requirements on this report please contact tradebarometer@standardsbg.com.

14. ENDNOTES

The secondary sources used in drafting this report are listed below in alphabetical order.

1. Africa Development Bank (AFDB). Available here

2. Bank of Uganda Statistics

3. Fitch Uganda Country Risk Report Available here

4. Ministry of ICT and National Guidance. Available here

5. Uganda Bureau of Statistics (UBOS):
    a. Available here
    b. Available here
    c. Available here

6. Uganda National Roads Authority. Available here

7. UNCTAD. Available here

8. World Bank:
    a. Available here
    b. Available here
    c. Available here
    d. Available here

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