



United Nations  
Economic Commission for Africa



# Trading in Pandemic Times: Implications for Uganda



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## OUTLINE

### 01 **MACROECONOMIC SNAPSHOT of Eastern Africa**

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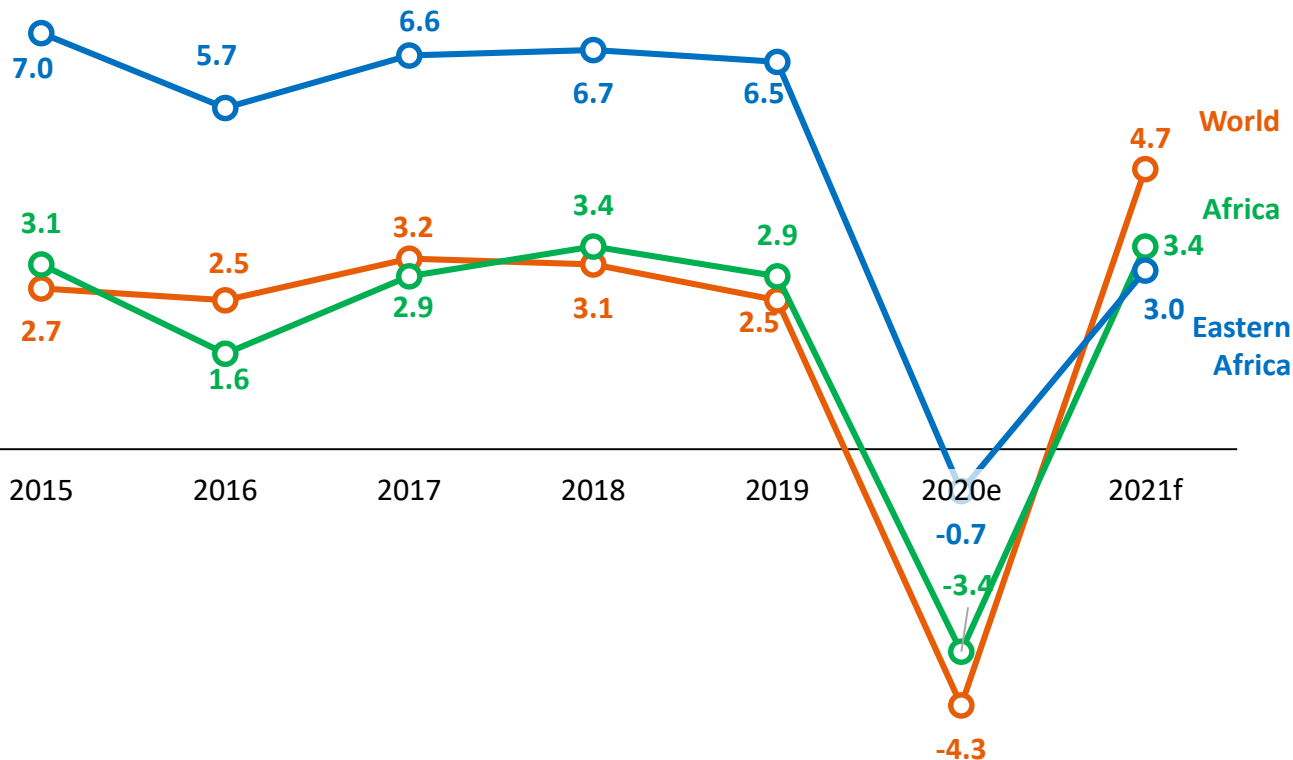
### 02 **TRADE IMPACT of COVID**

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### 03 **BENEFITS OF THE AFCFTA**

# EA was one of the fastest growing regions before COVID-19

Average Growth Rates (%), 2015 – 2021<sup>f</sup>



In 2021, the **Uganda** grew faster than the world average



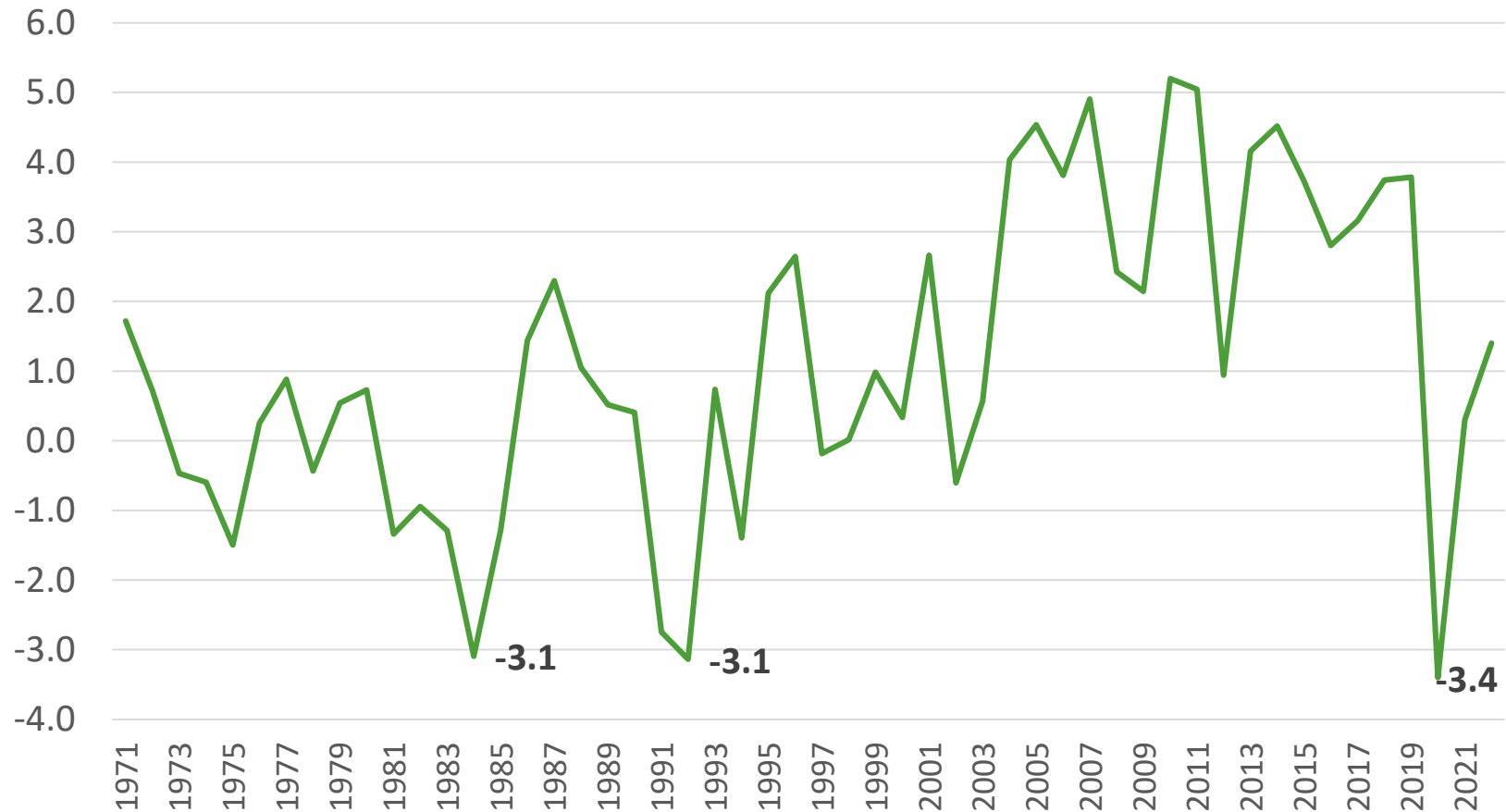
**Uganda: 4.9%**

Source: National sources, UNDESA WESP mid-2020, UNECA calculations

\*Ethiopia and Uganda used fiscal year data 2014/15 to 2019/20

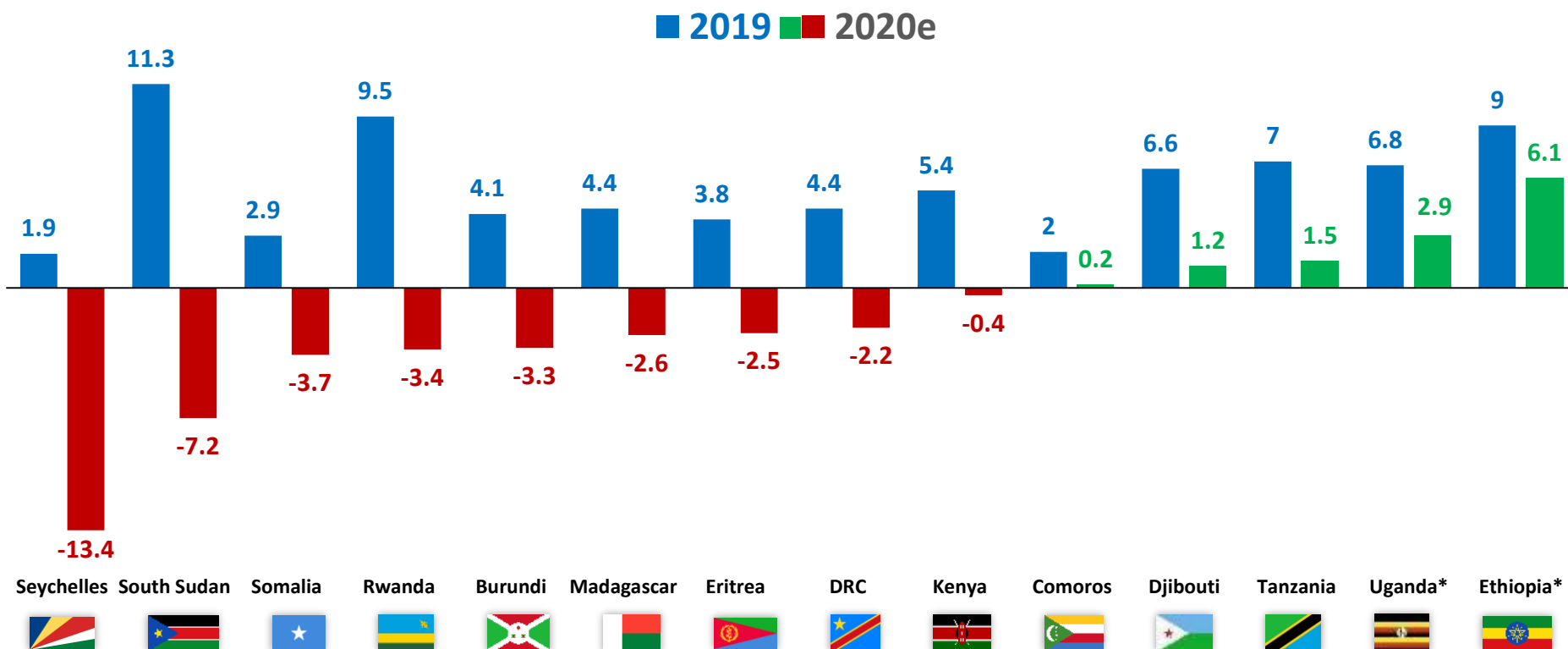
# Per capita incomes experienced largest decline in the last 50 years

Eastern Africa GDP per capita growth (%), 1971 – 2022<sup>f</sup>



# Many economies experienced their first contraction in recent years

GDP Growth Rates (%), 2019 and 2020<sup>e</sup>



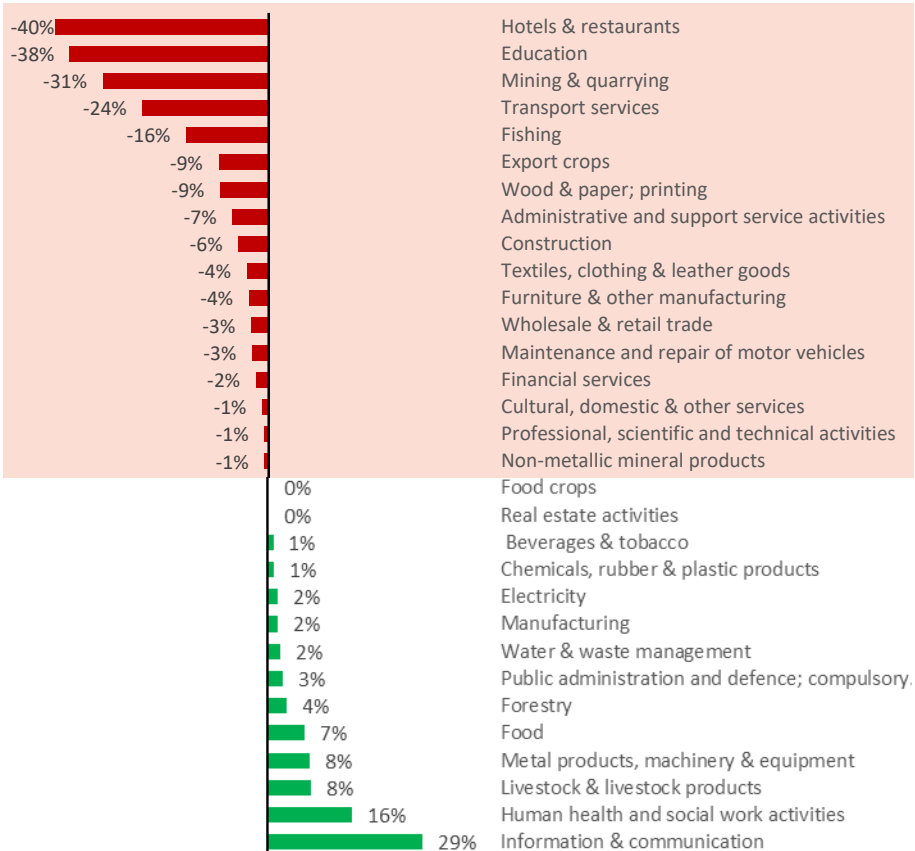
Source: National sources, UNDESA WESP mid-2020, UNECA calculations

\*Ethiopia and Uganda used fiscal year data 2014/15 to 2019/20

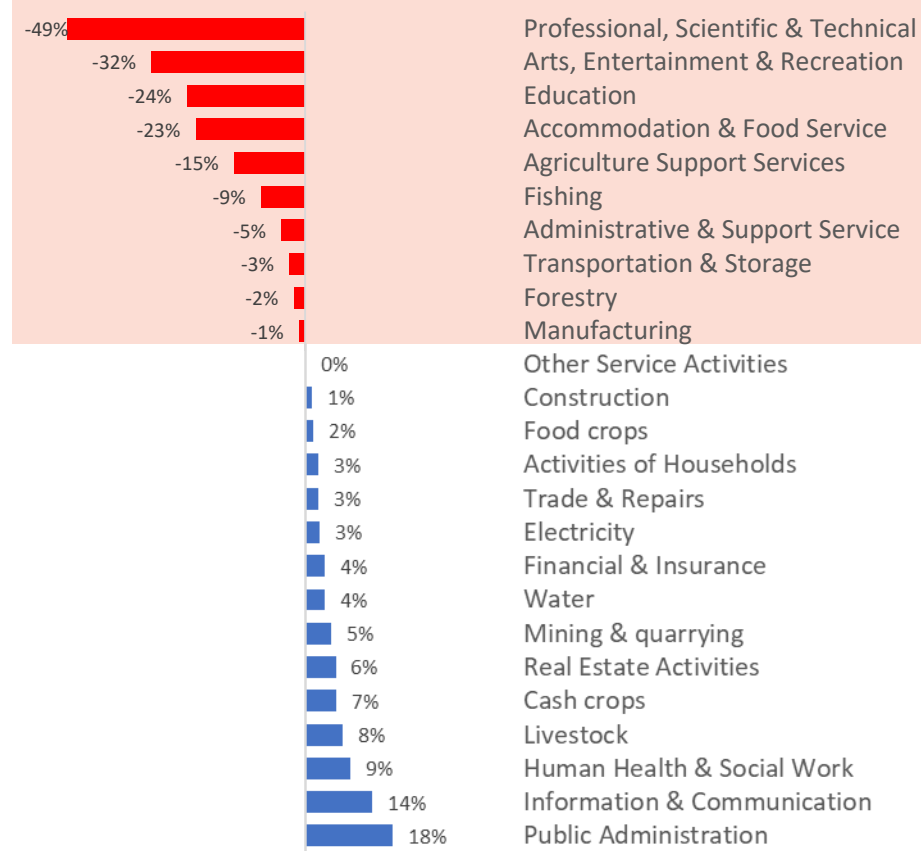
# The economic crisis has had an uneven impact across sectors

## Sectoral composition of growth\* (%), 2020<sup>e</sup>

### Rwanda



### Uganda

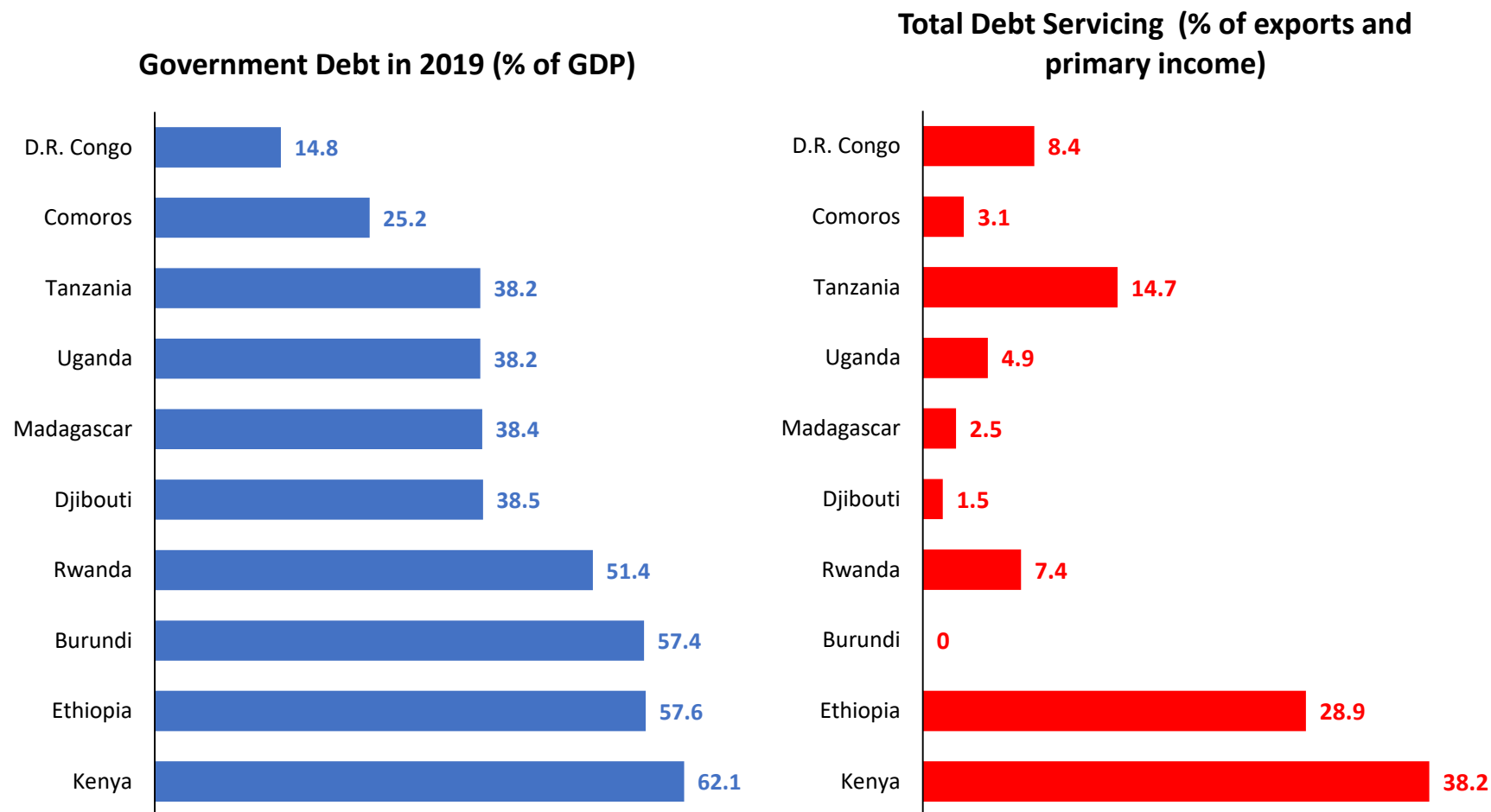


**Hospitality and education** are consistently among the worse hit sectors, while **ICT** thrived

Source: National Institute of Statistics Rwanda, Bank of Uganda

\*Selected sectors presented; see report for full list

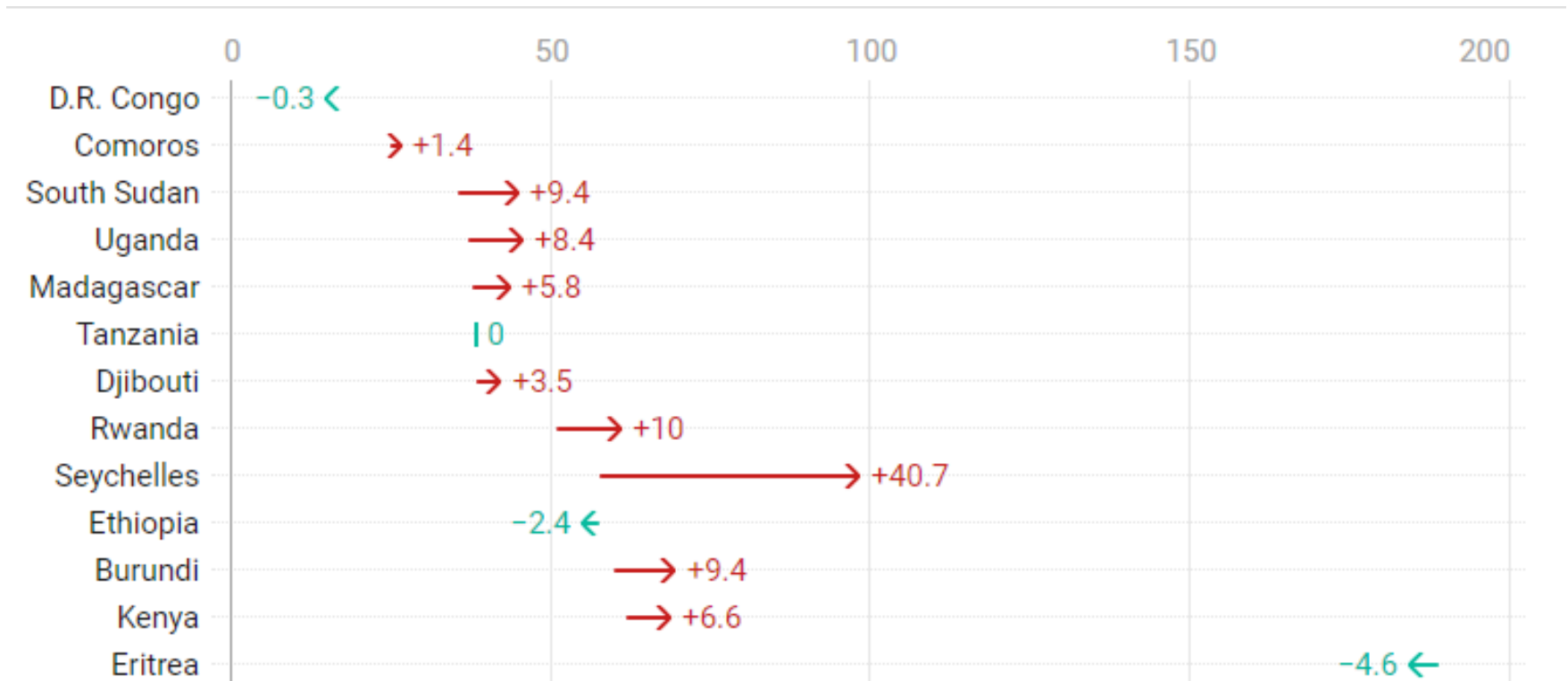
# Prior to the crisis, debt levels were already elevated for some



Source: IMF, World Bank

# Regional debt sustainability faces heightened risks

## National Debt Statistics (% of GDP and %-pt change), 2021 latest available



Source: IMF WEO (April 2021), World Bank



# Inbound financial flows did not decline as expected

## 2020 Trends in Main Foreign Financial Inflows

### Cross-Border Investment

Foreign direct investment into East Africa declined by

↓16%

However this was uneven across sectors and countries

Tourism sector FDI project numbers declined by

↓67%

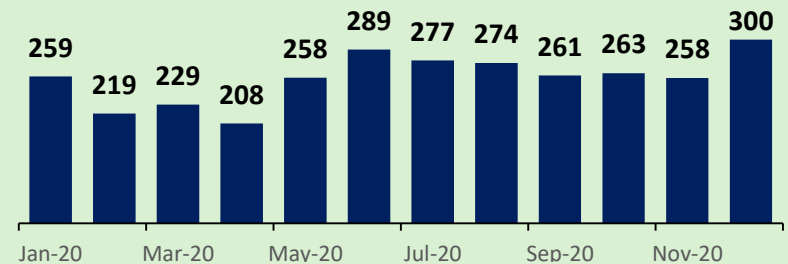
Communications sector cross-border capital investments grew by

↑41%

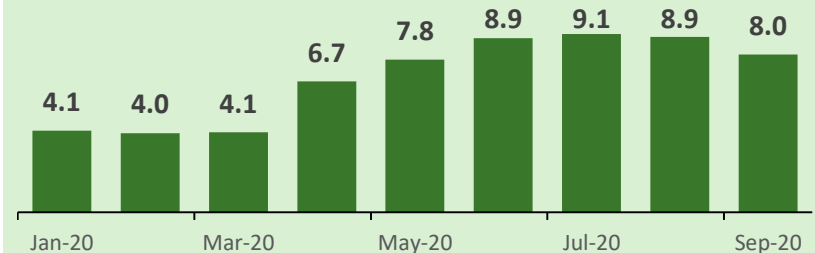
### Remittances

Remittances fell in some countries and were resilient in others

Kenya (USD million)

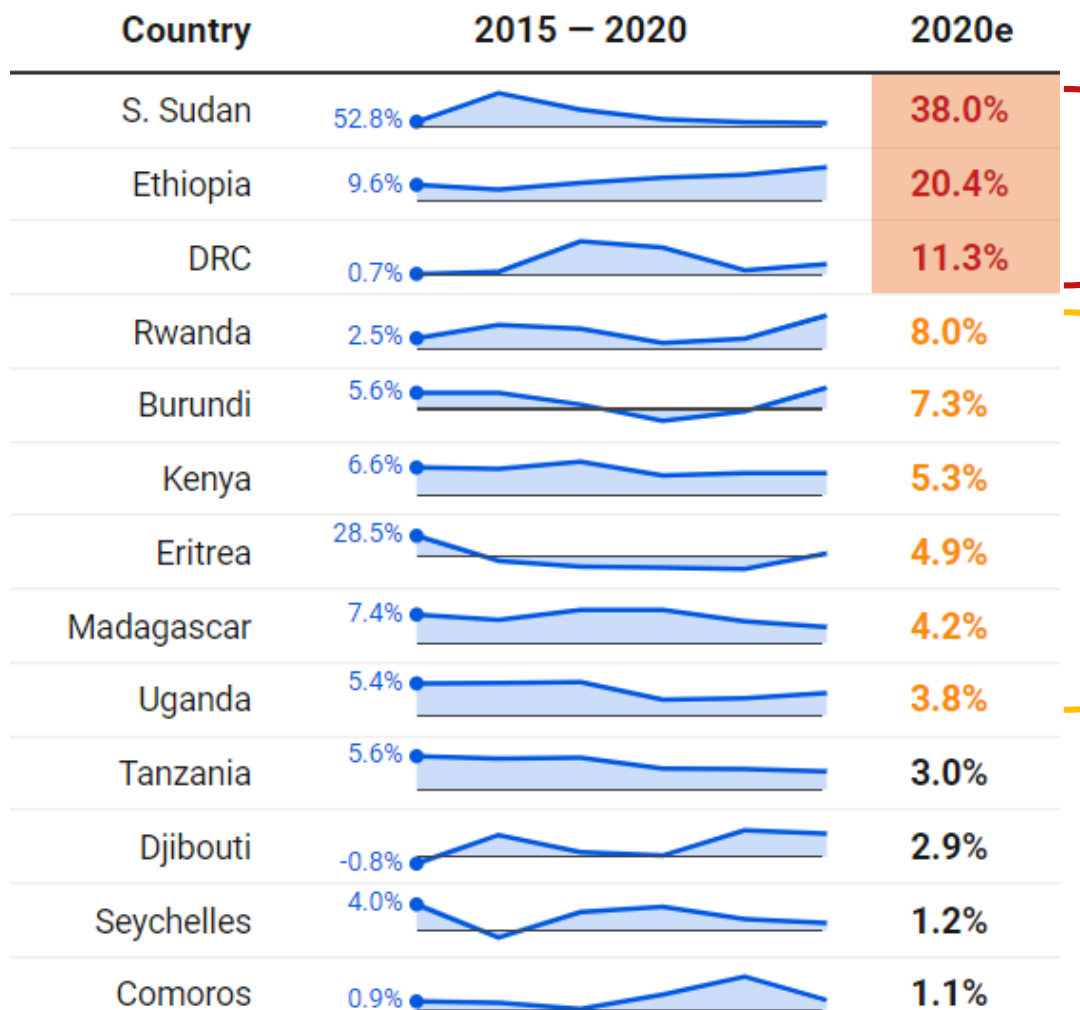


Comoros (KMF billion)



# The pandemic itself has not been especially inflationary...

## Average Annual Inflation Rate (%), 2015 – 2020



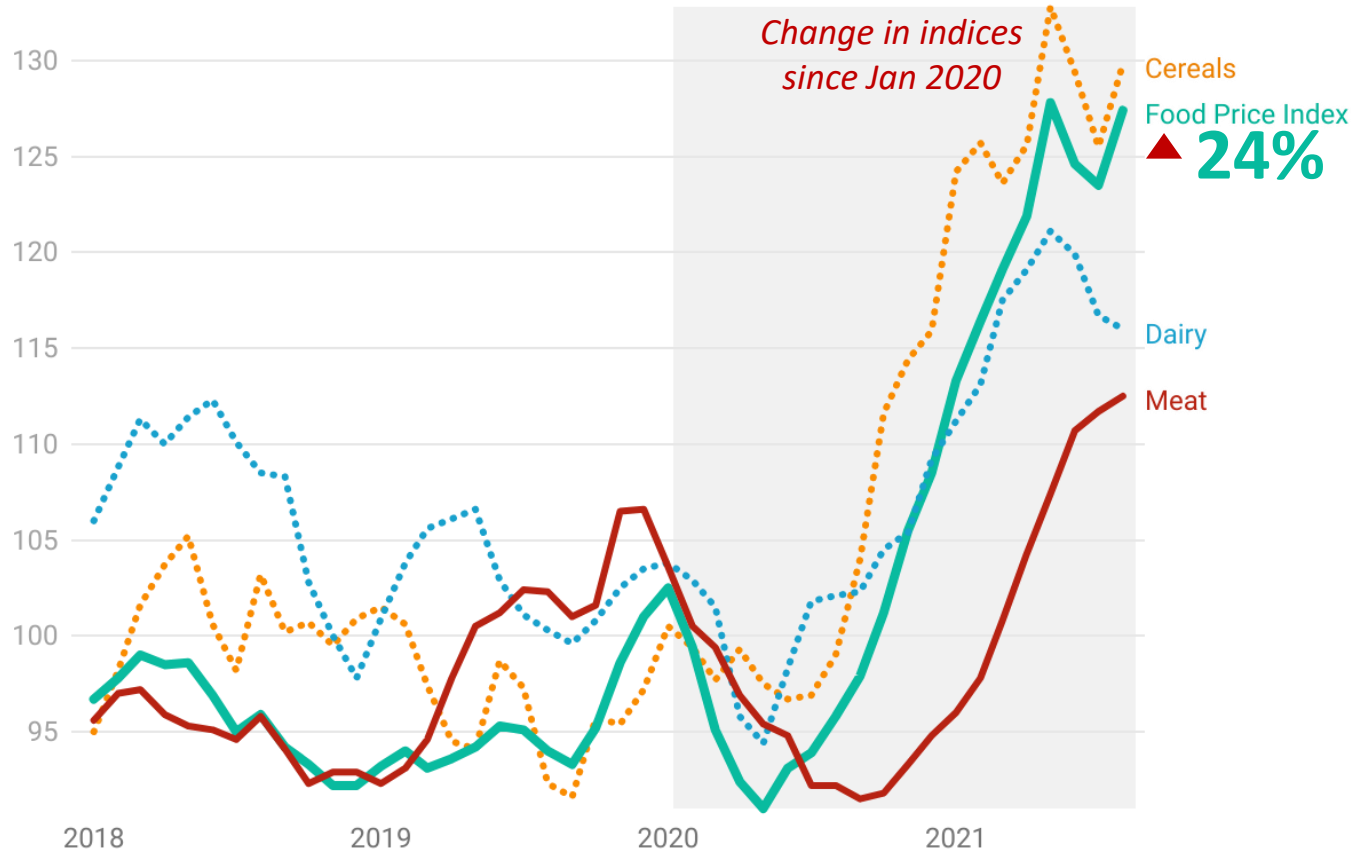
## 2020 Inflation Rate



...But it has been conducive to inflationary pressures in some sub-sectors (food, transport, etc.)

# Food prices are a particular concern...

## Global Food Price Indices, 2018 – August 2021



Prices in Eastern Africa generally rose for:



Transport



Housing



Utilities



Food

Source: FAO, Federal Reserve Bank of St. Louis, COMESA

Note: For food index, 2014–2016 = 100; energy index, 2016 = 100



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# Merchandise trade recovered strongly in the second half of 2020

## Merchandise Trade (% annual change), 2020

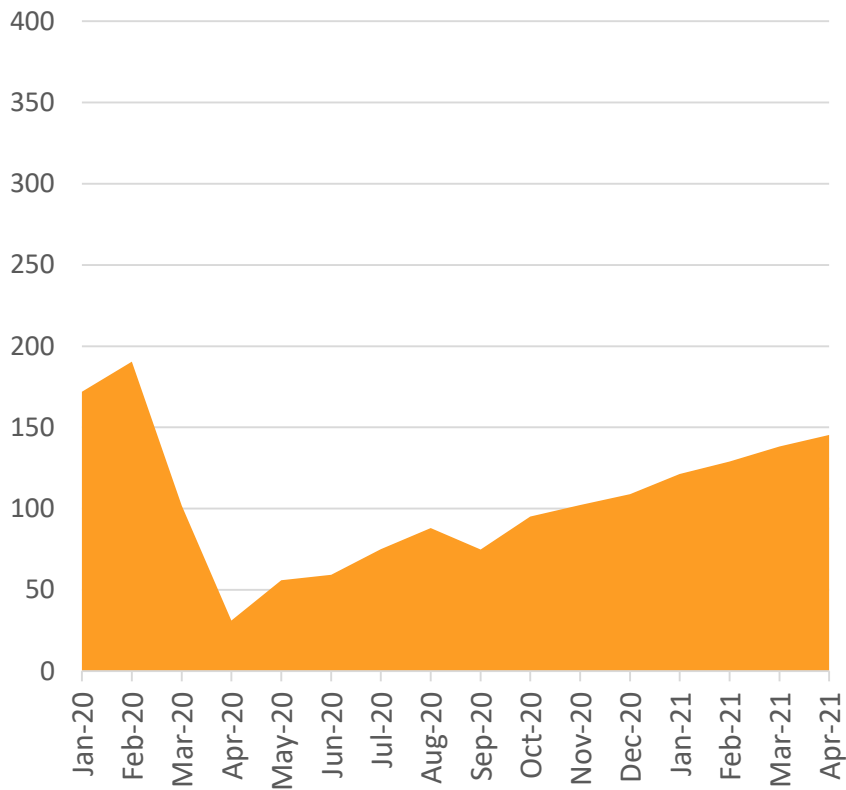
	Exports	Imports
Seychelles	41%	6%
Tanzania	21%	-10%
Eritrea	19%	8%
Rwanda	14%	11%
Djibouti	14%	-2%
Kenya	8%	-9%
Uganda	5%	-1%
DRC	3%	-54%
Ethiopia	1%	-10%
Burundi	-6%	6%
Somalia	-14%	73%
Comoros	-20%	8%
Madagascar	-23%	-22%
South Sudan	-56%	12%

Source: IMF DOTS, national sources (see paper)

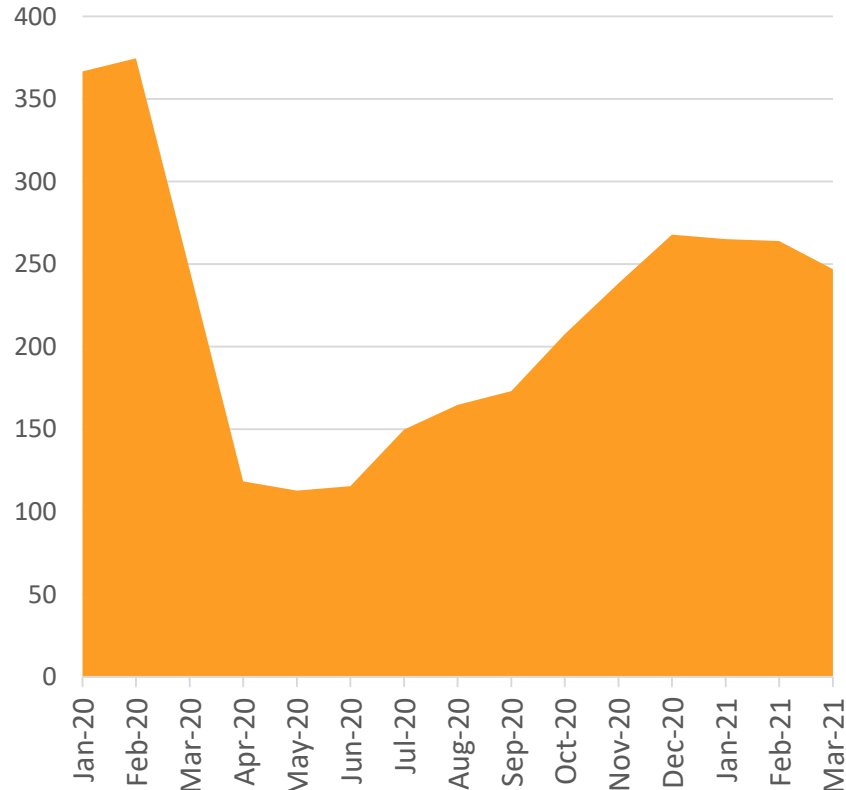
# Services trade remains severely depressed

Services Exports (USD millions), January 2020 – latest month

Uganda



Tanzania

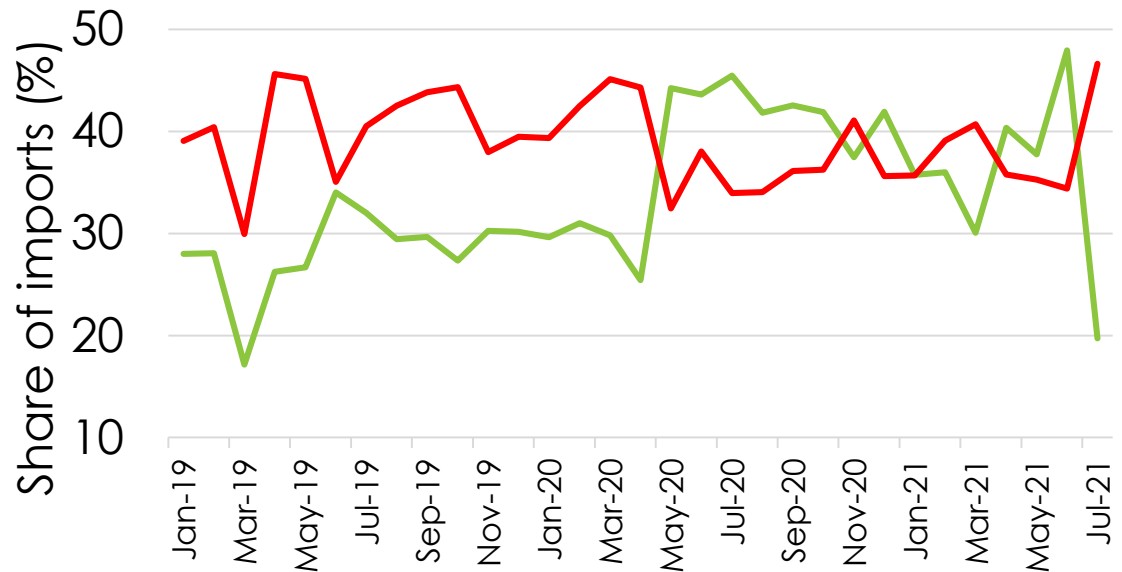


Source: National sources (see paper)



Uganda sourced  
more imports from  
within Africa after  
the COVID-19  
outbreak

## Uganda's intra regional imports increased after covid





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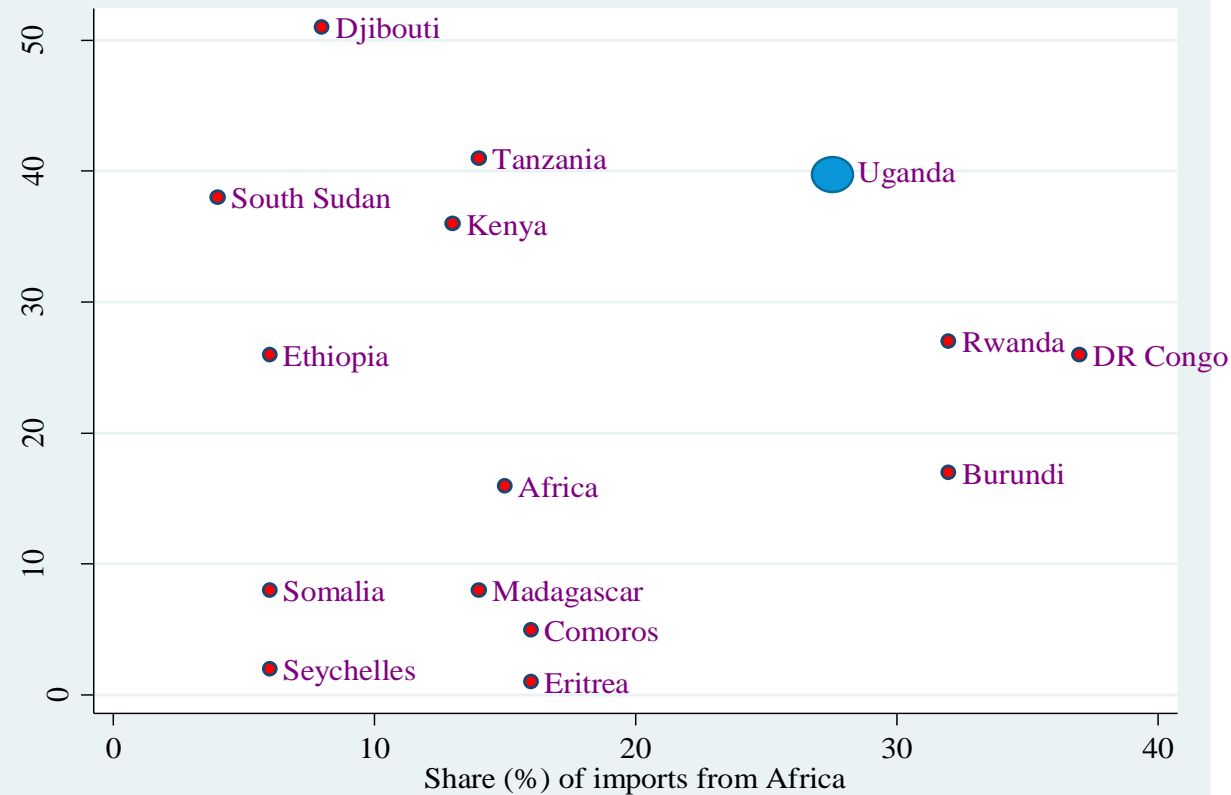






AfCFTA presents  
potential  
opportunities for  
recovery from  
pandemic

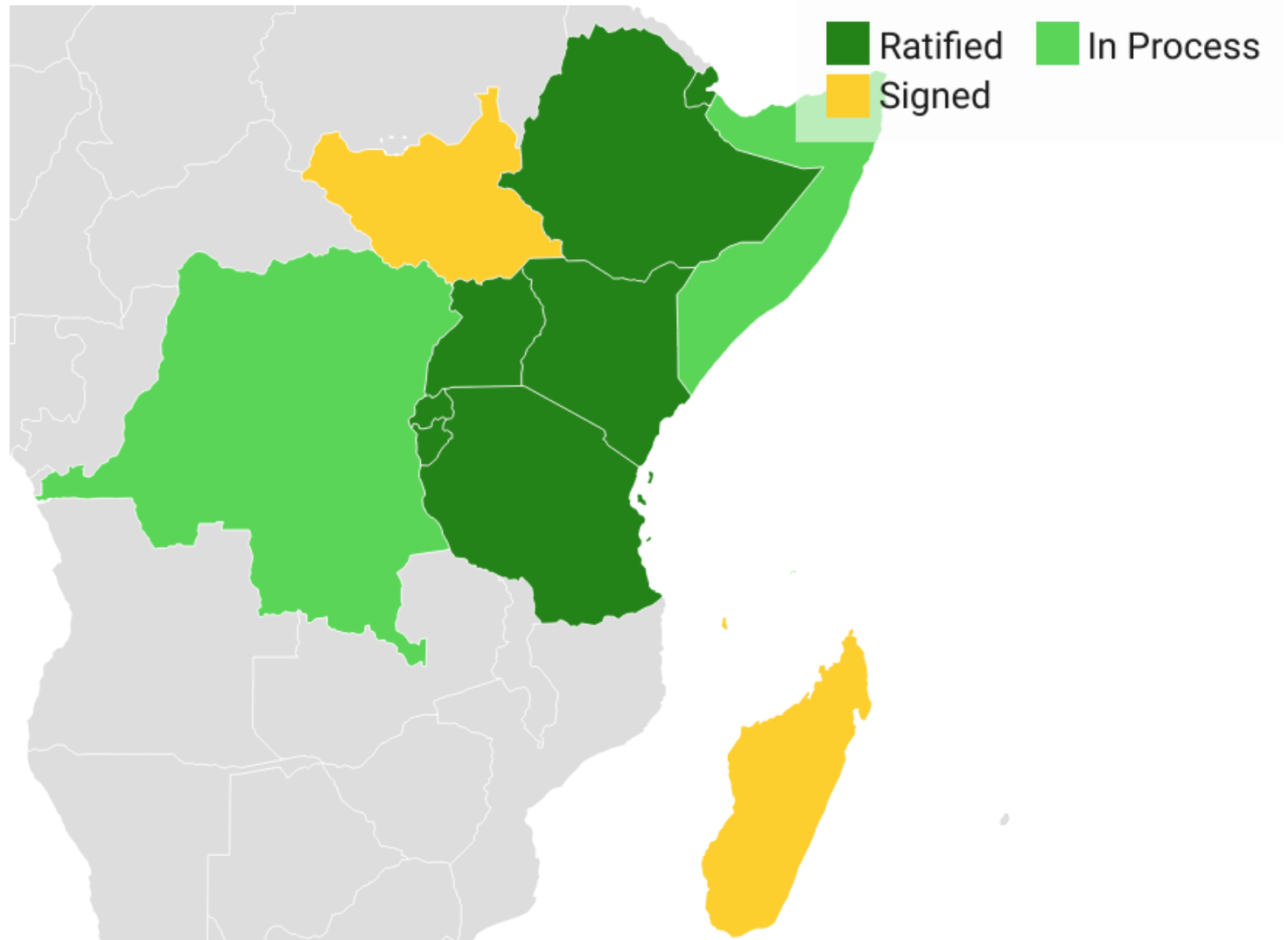
**Intra-Africa exports and imports for Eastern Africa: 2018-2020 average**



**Uganda exported 40% to Africa and imported 28% from Africa (UNCTADStats)**

# Implementing the AfCFTA can catalyze regional economic recovery



## Stage of AfCFTA Ratification as at 10 September 2021



Source: TRALAC

# AfCFTA estimated benefits across the continent

## OTHER BENEFITS INCLUDE:

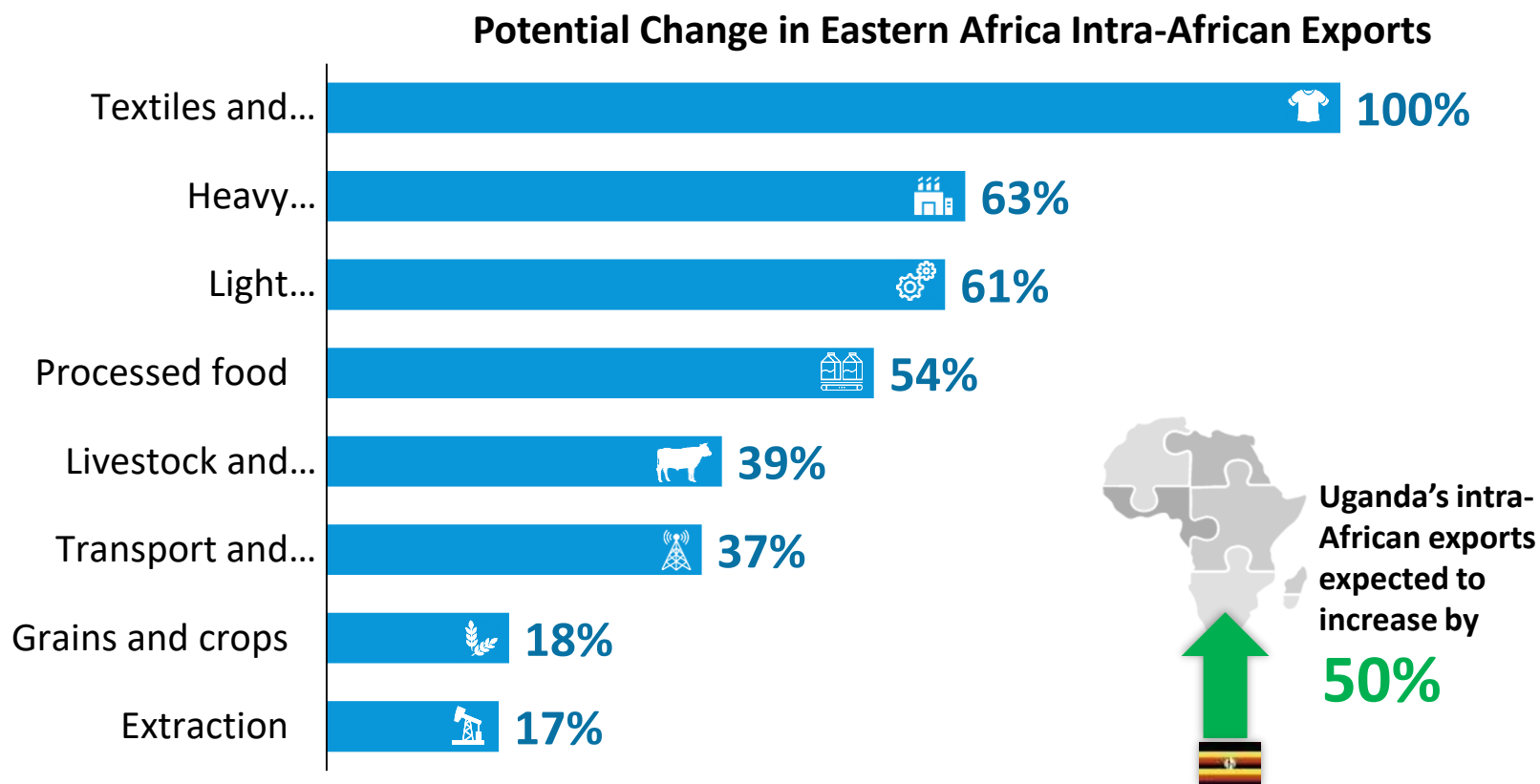
-  **Increasing trade diversity** – since most of intra-African trade is **not extractive**
-  **Protecting women traders** – especially the women making up 70% of informal trade
-  **Growing the SME sector** – opening trade for SME businesses that are 80% of the private sector
-  **Boosting sustainable growth** – contributing to SDGs, Africa 2063 and other goals



Source: AU, UNECA

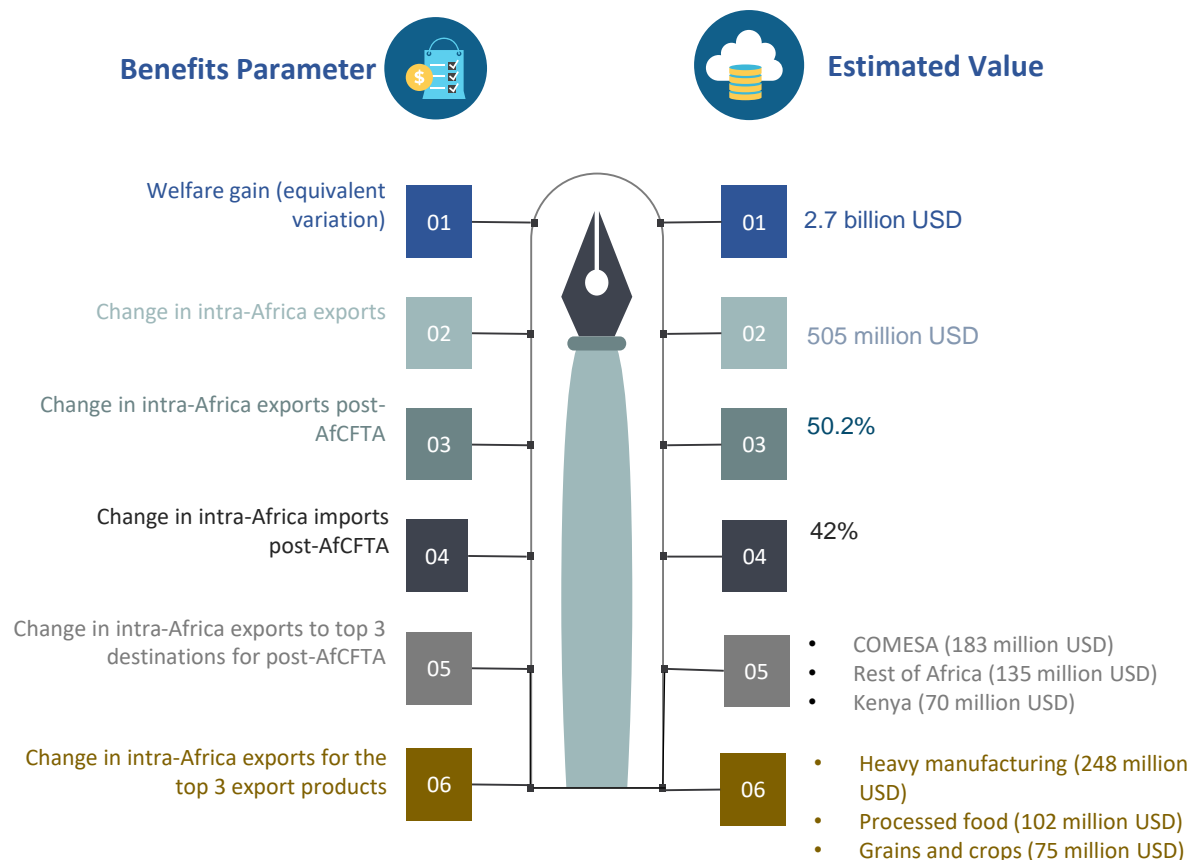


# In Eastern Africa, the AfCFTA will boost manufacturing exports



Source: ECA simulations






# Uganda's potential benefits from AfCFTA could help in trade recovery from pandemic

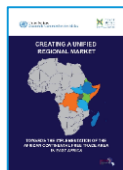


Predicted potential benefit from AfCFTA for Uganda (UNECA, 2021)

# For a small price in terms of fiscal revenues...

## Tariff Revenue Losses (%)

	As proportion of total tariff revenue	As proportion of total government revenue
 Tanzania	6.2%	1.3%
 Ethiopia	6.1%	0.7%
 Uganda	8.4%	0.6%
 Kenya	3.2%	0.6%
 Rwanda	4.0%	0.3%



Note: Tariff revenue is the sum of import tariff rate times the value of imports by the type of import and source.

Source: Author calculations based on GTAP 10.0 database.

## **In the final analysis the AfCFTA gains will not be automatic for EAC and Uganda**

- Ongoing EAC common external tariff review needs to be finalized.
- AfCFTA market access offers for goods and services need to be finalized in an offensive way that positions EAC and Uganda to benefit.
- Regional industrialisation strategy needs to be aligned with appropriate industrial and investment policies.
- EAC rules of origin need to be revised to reflect industrialisation realities.
- As AfCFTA rules of origin are being finalized, development of value chains to optimize on the deal breaking sectors need to start (textiles and apparel, automobiles)

# Thank You

UNECA



**Name of presenter**  
Title of presenter