Uganda's Emerging Middle Class and its Potential Economic Opportunities

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Preface

There is a famous story that in the nineteenth century, two shoe manufacturers sent senior employees to Africa to assess the market potential for their product. The first reported back that the situation was hopeless as no one wore shoes. The other returned excited with the message that the opportunities for them were enormous because the locals did not yet have any shoes. So is the question today: what opportunities does Africa offer? A profound change has taken hold in Africa, with a fast emerging middle class. According to the World Bank, 600m people in Africa earn an income of US$3,000 a year. This number is estimated to reach 100m in 2015 (the Economist December 3rd 2011).

In June 2010, the McKinsey Institute published a report, entitled, "Lions on the Move: The progress and potential of African economies", in which it asserts that long–term growth in Africa will be the outcomes of social and demographic trends, particularly the growing labour force, urbanization and the rise of the middle class consumers. The demographic dividend and an emerging middle class are contributing to greater economic diversification and a trillion dollar market opportunities in consumer goods and services. In addition, foreign multinationals are increasingly looking to Africa for growth as major component of their global expansion strategy. This new FDI flow is driving important shift from traditional aid assistance to innovative near partnership for development relations (involving both the public and the private sector).

The emergence of large middle class is known to be a key element of any strategy seeking not only to boost economic growth, but also to make it sustainable and long lasting. Most countries in Africa now accept that to sustain growth and tackle poverty effectively, their development efforts must focus on job creation, foreign direct investment, trade and private sector development. Ireland sees this as an opportunity to build on its development cooperation experience in Africa through the new *Africa Strategy.* [1] 'Africa Strategy' incorporates a greater role for Irish businesses, a role that can help create new investment and a more two-way trade between Africa and the rest of the world, including the EU and Ireland. In this context, the Embassy of Ireland in Uganda developed its *Economic Strategy 2011–2014*, aimed at strengthening Ireland's engagement in the area of economic development.

It is important from a decision making perspective for all economic agents be it government, investors, real estate developers, banks, insurers or importers to have a clear picture of Uganda's emerging middle class. Emergence of a large and dynamic middle class can raise Uganda's profile as an attractive investment and market destination for range of consumer goods and services. This study, therefore, aimed at providing evidence of Uganda's emerging middle class and its potential economic opportunities. The study was conducted by the Institute of Policy Research and Analysis.

[1] *Africa Strategy* was launched in September 13, 2011 by the Department of Foreign Affairs and Trade. It provides a framework for Ireland's engagement with the countries of Africa in the period ahead.

The specific objectives of the study were to

1) define “middle class” in the Uganda’s context;
2) document the trend and size in numbers of Ugandans belonging to the middle class for the last 20 years, or any period for which data is available;
3) estimate the current market potential (purchasing power) of Uganda’s middle class;
4) identify the drivers of the development of the middle class in Uganda and how these have changed and are likely to change over the years, and what might be the implications for future investments;
5) Based on the observed trends and assumptions on future growth trends and oil production, provide scenarios of Uganda’s middle class’ capacity in terms of size and market potential for a 5-10 years time horizon, and how this is likely to relate to business opportunities: i.e. will increased demand be met through domestic, regional or global supply?
6) Investigate the likely spatial dimensions of growth in Uganda’s middle class; will it be an urban phenomenon, Kampala focused or is it likely to be regional hubs of development (linking say into oil exploitation or trade routes)?

This paper is structured into six sections. Section 1 begins with a brief overview of Uganda’s economy, and outlines research methodology and approach. Section 2 focuses on the main theme of this research: Who is middle class in Uganda? Section 3 and 4 extend the theme introduced in section 2 to analysing the trends and size, and market potential of Uganda’s middle class. Section 5 then discusses the key drivers of development of the middle class in Uganda, with sections 6 looking at how oil production will influence growth, internal trade geography and spatial distribution of Uganda’s middle class. Section 7 concludes with policy recommendations and suggests area of future research.

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Abbreviations and Acronyms

Abbreviation	Meaning
AfDB	The African Development Bank
BPO	Business Process Outsourcing
CPI	Consumer Price Index
DRC	Democratic Republic of Congo
EAC	East African Community
EU	European Union
FDI	Foreign Direct Investment
GDP	Gross Domestic Product
GNI	Gross National Income
ICT	Information and Communication Technology
IHS	Integrated Household Survey
IMF	International Monetary Fund
IT	Information Technology
KNBS	Kenya National Bureau of Statistics
MS	Monitoring Survey
MFPED	Ministry of Finance, Planning and Economic Development
NRM	National Resistance Movement
ODA	Official Development Assistance
OECD	Organisation of Economic Cooperation and Development
PEAP	Poverty Eradication Action Plan
PPP	Purchasing Power Parity
PSI	Policy Support Instrument
RMB	Renminbi (Chinese currency)
SSA	Sub–Saharan Africa
UBOS	Uganda Bureau of Statistics
UNHS	Uganda National Household Surveys
USD	United States Dollar
USE	Uganda Security Exchange
URA	Uganda Revenue Authority
UTL	Uganda Telecom Ltd
UWEAL	Uganda Women Entrepreneurs Association

Exchange Rates:

1 EURO = 3,400 Ush

1 USD = 2,500 Ush

Acknowledgements

This work was initiated (commissioned) by the Embassy of Ireland in Kampala. A special note of appreciation goes to Keith Gristock, Peter Michael Oumu, Moses Wakisati and Cate Najjuma for the excellent technical and administrative support to this project, and to all stakeholders who made their time available to this work and discussed with us patiently. Dan Opio, a member of the research team organized and conducted key informant interviews. This paper also benefited substantially from the incisive observations and very constructive comments of the staff of the Embassy of Ireland during the meeting on 28 February 2012. However, responsibility for the views expressed and for any errors of facts or judgment remains with the author.

Executive Summary

This paper provides evidence of Uganda's emerging middle class and its potential economic opportunities. Using various sources of information, including key informant interviews, national household surveys data, and case studies, the paper establishes that although Uganda's emerging middle class is less than two decades old and is, still in many ways inchoate, the importance of the middle class comes from the fact that it is growing at a faster pace than the overall population. The growth in middle class both in terms of size and its purchasing power over the past ten years has been the outcomes of population and economic growth, tertiary education expansion, advancement in information and communication technology, and innovation in financial services.

Middle class is defined in Uganda's context to consist of individuals who spend between USh1.0 million and USh5 million (i.e. approx. USD 400 – 2000) per month. They are known by their life style and aspiration: live in 2- 3 bed room housing (secure home), like to shop in supermarket, and aspire to own a property (a home, a car, land, and stock). They have medical insurance, and send their children to the best schools. The middle class comprises government civil servants and employees of the state-financed agencies, technical and middle level managerial and administrative personnel in large companies, owners of small business enterprises, NGO employees, and professionals (lawyers, doctors, consultants, business professionals, etc), politicians and commercial farmers. It also comprises over 1,000 individuals operating businesses in Owino, Kikubu, and other busy markets around Kampala and major urban centres i.e. the 'trading middle class'. Many of them live in less secure homes in the middle of urban slums, but send their children to the best schools. Majority of them do not own a car, a computer or even a bank account and may not visit a supermarket.
.
The number of people belonging to the middle class – measured by per capita expenditure between Ush 1.0 million and 5.0 million (USD 400 and 2000) per month – increased from 1 percent of the population in 1992/93 to 4.1 percent in 2009/10. However, growing inflationary tendencies witnessed since 2005 means that while the middle class is expanding, its effective demand is, in reality, decreasing. GDP is predicted to grow at an average of 6.7 percent per annum between 2011/12 and 2015/16. For the next five years, growth will be concentrated in three sectors: transport and communication services (growing at a rate of 16 percent per annum), financial services (at a rate of 23.5 percent per annum) and the construction sector (7 percent). These findings (above) highlights Uganda's potential to achieve high economic growth in the next years to come, even without oil. It highlights many avenues for growth and creating middle class jobs that have not yet been exploited such as development of industrial parks and agriculture clusters, tourism, ICT, textiles, and petroleum, which have been identified to have the most attractive investment opportunities in Uganda. Overall, improvements in infrastructure (energy/electricity, roads) and in productivity through increased investment in human capital—remain the foundation for Uganda's economic growth for the coming decades.

In 2010, about 53 percent of goods and services consumed by the middle class were supplied domestically, i.e. education services, health care, housing and utility, and mobile phone airtime; while 46 percent was imported/import substitution products. Up to 42 percent of imports were from Asia, 15.8 percent from the Middle East and 15.4 percent from the EU. The upcoming urban centres where we expect to see rise of the middle class in the coming 3 –10 years are Gulu (in northern Uganda), Mbarara and Hoima (in the west), Mbale and Jinja (in the east). Even so, the middle class will, for the next five to ten years remain an urban phenomenon. Currently, Kampala alone hosts over 65 percent of Uganda's middle class, reflecting Uganda's geographically uneven development.

The following conclusions derive from the study:

First, Uganda's middle class is a diverse and complex group of people, known by their life style as shown by the type of goods they buy, the houses they live in, and their expenditures, among other indicators. Yet, there also exists a silent group: the trading middle class who quite often, lives very simple life style.

Second, Uganda's middle class has grown both in terms of size and its purchasing power over the past ten years as evidenced by 3.1 percentage point increase in number of people with consumption expenditure between Ush 1 million and Ush 5million per month (between 1992/93 and 2009/10) and by growth in demand for a range of consumer goods and services. Evidence points to population and economic growth, tertiary education expansion, advancement in information and communication technology, and innovation in financial services as the key drivers of the development of the middle class in Uganda. However, sustainability of Uganda's middle will depend on Uganda's success to control population growth, improve productivity through investment in human resource development and addressing problem of corruption, poor infrastructure and low savings. It will also depend on ability to widen economic options to absorb the emerging middle as majority (over 42 percent of Uganda's middle class) still depend primarily on wage employment (jobs for their survival).

Fourth, if Uganda continues to grow as projected, the economy will secure long-term capital inflow to the level of US$1.4 billion in the next three years. In the next 5–10 years, Uganda's economy could produce a middle class comparable in number to what has been achieved in the last two to three decades. Had it not been for high rate of population growth, the increase in investment and economic growth could move additional 4 percent of the population into the middle class by year 2015. Uganda's geographically uneven development means that the middle class will, for the next five to ten years remain an urban phenomenon. But upcoming urban centres (e.g. Gulu, Hoima, Mbarara) will be important contributors to growth of middle class in the next 3 – 5 years, spreading development to areas outside of Kampala. Increased demand of the middle class shall be met through domestic supply and import substitution production as well global supply (at least 30 percent of demand), mainly from Asia and the Middle East. Finally, the fact that Ugandans will rely on oil related industries and services industries for job creation, highlights the need to focus on infrastructure development and environment that will attract investment in such industries.

1. Uganda's Economy and Emerging Middle Class

1.1 The regional economic context

This Africa, which *The Economist* labelled "the hopeless continent" ten years ago, is changing. Over the last one decade, a number of countries in Africa have become centres of strong economic growth (Table 1), which has made them become increasingly important players on the international stage. The African Economic Outlook (AfDB and OECD, 2011) estimated Africa's growth at 4.5 percent in 2010 and 5.2 percent in 2011, with Sub Saharan Africa (SSA) recording growth of about 4.7 percent in 2010, up from 1.6 percent in 2009. According to the World Bank, in eight of the past ten years, Sub–Saharan Africa has grown at much faster rate than East Asia (excluding Japan) and is expected to expand by 5.8 percent in 2012. Africa's foreign debt has decreased by one–quarter and the budget deficits by two–thirds. Its labour productivity is growing at an average rate of 2.7 percent a year. Among the 30 economies that most improved the ease of doing business in the last five years, a third of them are in Sub–Saharan Africa: Burkina Faso, Ghana, Madagascar, Malawi, Mali, Mauritius, Mozambique, Nigeria, Rwanda, Senegal, and Sierra Leone.[2] Among the 10 economies worldwide that most improved the ease of doing business for local firms in 2010, three of them are SSA, i.e. Rwanda, Cape Verde, and Zambia (World Bank, 2011).

In the past, 27 economies in Sub–Saharan Africa (SSA) implemented 49 regulatory reforms to improve their business environment. Rwanda became the fastest reforming economy, worldwide according to the IFC – World Bank Doing Business 2011 report, where business regulations are now easier in Rwanda than the average economy in Eastern Europe, Asia, and Latin America. It marks the first time a SSA country is a top reformer. In a number of countries in SSA, the rate of investment has been rising steadily, even going beyond traditional resource extraction activities. The private sector in SSA has also managed to attract significant investment from industrialized and emerging economies e.g. China, India and Brazil and from domestic investors.[3]

Despite the setback of the recent global financial crisis, the flow of international investment (in the last three years) almost doubled ODA flows, which also remains below international remittances. Use of technology is also spreading rapidly in Africa, harnessing economic growth. Africa has more than 600million mobile-phone users – more than America or Europe. The proportion of Africa's land mass covered by mobile-internet services (at 10 percent) is higher than in India (The Economist, December 3rd – 9th 2011).

Underpinning these achievements is improvement in political and macroeconomic policy and business environment in many countries in Africa, China's investment in Africa and a large

[2] Among the top ten countries (of ease of doing business) in the world are Singapore, Hong Kong, New Zealand, the United Kingdom, the United States, Denmark, Canada, Norway, Ireland and Australia.
[3] China's investment in Africa could rise to US$50 billion by 2015. Bilateral trade between China and Africa could also reach US$300 billion by 2015 (from US$100 billion in 2010).

emerging middle class, which has driven up consumption. The African Development Bank estimates that by 2030, Africa's emerging middle class (comprising more than 300 million people) will spend USD2.2 trillion a year, which is equivalent to about 3 percent of worldwide consumption. Africa has a market size of over 1 billion people, with over 841 million in Sub–Saharan Africa (Table 1). Two-thirds of a billion people are under the age of 23. This demographic dividend offers huge opportunity to Africa today, as much as it supported the growth of East Asian economies 40 years ago.

Table 1 The East and Southern Africa market

Country	Population (m) 2009	GDP at constant (2000) prices			GDP per capita at constant (2000) prices	GNI per capita (current $)*
		$ million 2009[a]	*Annual growth (%), 2008*	*Annual average growth (%) (2000 – 2009)*	*$ 2009[a]*	2009
Sub – Saharan Africa	**841.0**	**520,086**	**5.1**	**5.1**	**618**	**1,131**
All Africa	**1,007.7**	**885,368**	**5.1**	**5.0**	**879**	**1,487**
Burundi	8.3	930	4.5	3.0	112	150
Kenya	39.8	17,985	1.6	4.4	452	760
Rwanda	10.0	3,343	11.2	7.6	334	490
Tanzania	43.7	18,652	7.4	7.1	426	490
Uganda	32.7	11,973	8.7	7.2	366	460
Botswana	1.9	7,959	3.1	4.4	4,082	6,260
Congo, Dem. Rep.	66.0	6,379	5.6	5.2	97	160
Ethiopia	82.8	16,623	10.8	8.5	201	330
Malawi	15.3	2,562	8.6	5.3	168	290
Mauritius	1.3	6,271	5.1	3.7	4,917	7,250
Namibia	2.2	5,804	4.3	5.3	2,673	4,270
South Africa	49.3	181,923	3.7	4.1	3,689	5,760
Swaziland	*1.2*	*1,840*	*2.4*	*2.6*	*1,553*	*2,470*

Source: The World Bank (2011) Africa Development Indicators
*Note: 2009[a] provisional. * GNI per capital, World Bank Atlas method*

According to the World Bank (as cited in The Economist December 3rd–9th 2011), about 60 million people in Africa have an income of US$3,000 a year, and this number will increase to 100 million in 2015, presenting a trillion dollar market opportunities in consumer goods and services. One of the regions expected to lead in growth of the middle class in Africa is East Africa. This paper provides empirical evidence about Uganda's emerging middle class and its potential economic opportunities.

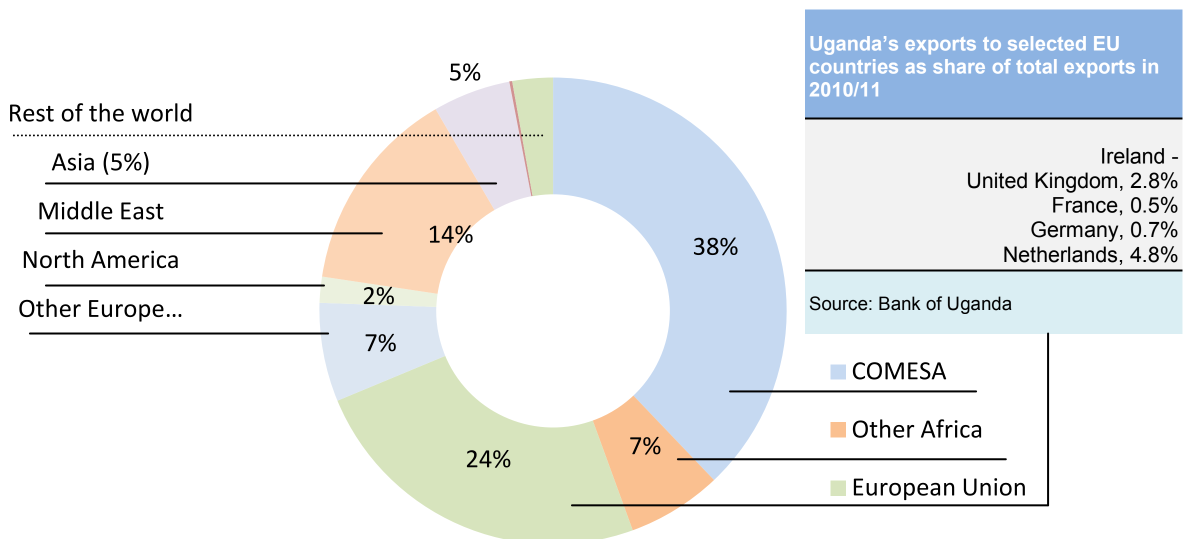
1.2 Uganda's regional markets, macroeconomic environment and trends

Uganda's central location in the Great Lakes region and link through the Northern Corridor (Kampala being a transportation hub) into South Sudan, Northeastern Democratic Republic of Congo (DRC), Rwanda and Burundi, affords it a unique economic opportunities. An estimated 80 million people in the great lakes region (approximately 10% of SSA's total population) consume goods transported through Kampala (the Northern Corridor). More importantly, being a member of the East African Community (EAC)[4], Uganda, like other

[4] In January 2012, the EAC customs union entered its 8th year, having come into force on 1January 2005. A protocol establishing a common market for EAC, signed on 19 Nov 2009, came into effect on 1 July 2010.

EAC partner states has access to a market of about 130 million people. With South Sudan likely to join the EAC in future, and a connection to the DRC through the Northern Corridor and Ethiopia (with a population of 84 million), through the Lamu Corridor (in Northern Kenya), Uganda could (in the near future) have access to a regional market of over 220 million people. In 2010, Uganda's exports to COMESA accounted for 38 percent of total exports (Figure 1), which shows the importance of the regional market.

Figure 1 Share of regions as destinations for Uganda's exports, 2010 (PERCENT)



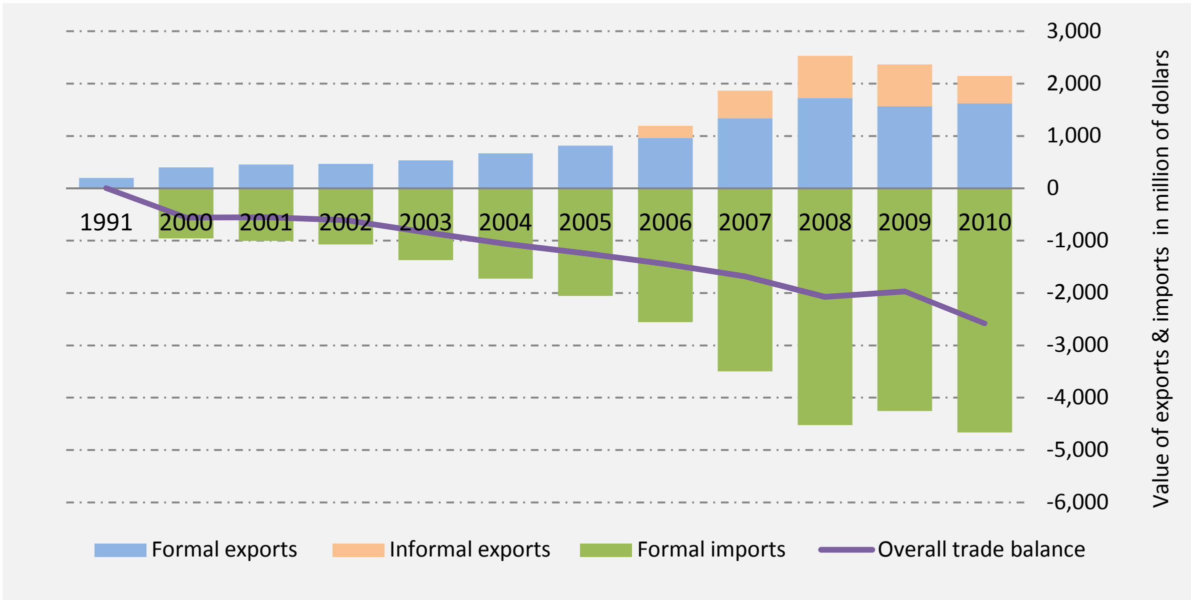
Source: Uganda Bureau of Statistics

In addition, the prospects of Uganda becoming an oil producer before 2015 imply new frontiers for businesses and an opportunity for emerging middle class. Uganda's past reforms have, over the last 25 years, led to the restoration of macroeconomic stability and high economic growth of 5-7 percent per annum in the 1990s and an average of 6 percent per annum since 2000, which is far above the average of 2.2 percent that Sub-Saharan Africa as a whole has achieved during the same period. The fast economic growth has contributed to decline in the population living below the poverty line from over 55 percent in the beginning of the 1990s to 35 percent in 2002 and below 30 percent in 2011. The impressive growth and improvement in living conditions of the population through implementation of the Poverty Eradication Action Plan (PEAP) signaled to the International Monetary Fund (IMF) that Uganda was ready to graduate to the Policy Support Instrument (PSI) facility in 2006.[5]

On the trade front, Uganda's formal exports rose from US$ 196 million in 1991 to US$ 1.6 billion in 2010 (Figure 2), which in turn has generated a new optimism about Uganda's potential for accelerating economic growth and for reducing poverty. However, with Uganda's exports lagging behind its imports, which rose from US$ 1.73 billion in 2004 to US$ 4.7 billion in 2010, Uganda's trade balance continues to deteriorate.

[5] The PSI facility addresses the needs of low-income member countries that no longer require financial assistance from the IMF but still need its advice, monitoring and endorsement of their economic policies.

Figure 2 Uganda's external trade (exports and imports), 2000 – 2010 (million US$)



Source of data: Uganda Bureau of Statistics

On price stability, for over 10 years (up until 2011), government succeeded to control inflationary tendencies, maintaining the annual rate within the single digit. In 2011, the country experienced headline inflation of over 30 percent. The exchange rate volatility witnessed in 2011 was also among the worst ever seen in past three decades. The election spending of 2010 and early 2011 left the economy in a very vulnerable state. Prices of food rose to unprecedented levels. High cost of transport accelerated by the rise in international oil prices and depreciation of the shilling compounded the problem. Inflation pressure only began to ease in early February 2012, when the rate dropped to 25.7 percent.

Uganda has made progress in establishing conducive legal framework, streamlining procedure, reducing red–tape and improving access to credit (by establishing a credit reference bureau). Improvement in efficiency of the court system has reduced the time to file and serve a claim. As a result, it is easier to do business in Uganda today than it was 10 years ago. The Ease of Doing Business report 2011 ranked Uganda 122nd out of 183 countries (Table 2). It is easier to do business in Uganda than in Tanzania or Burundi. Uganda scores relatively well in the area of regulatory quality and rule of law categories, but had worse score than the regional average in the control of corruption category. Uganda's performance in the *trading across borders* subcategory deteriorated from 141st position (out of 178 countries) the previous year to 148th position (out of 183 countries) in 2011, but was much better than the 2006 ranking (162nd position out of 178 countries). The customs administration reform program under the URA modernization program partly attributed to this improvement. Due to improvement in investment climate, inflows of FDI (excluding workers' remittances) rose from less than US$ 100 million in 1990 to US$ 848m in 2010.

Table 2 **Ease of doing business ranking and the business competitiveness index**

Country	Business Competitiveness Index	Doing Business Ranking			
	2003/04	2005	2006	2010	2011
Kenya	67	80	83		98
Uganda	74	103	107	112	122
Tanzania	68	150	142	142	128
Rwanda	na	158	158	158	58
Burundi	na	160	166	166	181
South Africa	27	28	29	29	34
Mauritius	44	32	32	32	20
Namibia	55	39	42	42	69
Botswana	54	44	48	48	52

Source: The World Bank. Note: Doing Business rankings covered 175 – 178 countries between 2005 and 2010 and 183 countries in 2011. The Business Competitiveness Index, prepared by the World Economic Forum, covers 171 countries.

1.3 Measuring the middle class: Methodology and approach

1.3.1 Review of related literature

Who is middle class?

When politicians, technocrats, economists, academics and journalists try to talk about helping "Uganda's middle class," the debate often begins with a question that some concede they do not have the right answer to: Who, exactly, is middle class in Uganda today?

No single accepted definition of middle class exists in theoretical or empirical literature. A growing strand of literature on the middle class use income or consumption levels as the sole defining measure (Frank, 2007; Isaacs, *et al.*, 2008), such as absolute income levels; consumption levels relative to the poverty line; income levels relative to median household income; fixed portions of the income distribution (*e.g.*, quartiles or quintiles); consumption in value terms or relative to the percentile of the consumption distribution.

Using monetary poverty line, the department of Economic Development Policy and Research of the Uganda's Ministry of Finance (MFPED) has developed a framework in which social mobility within the welfare groups (Table 3) can be discerned. Yet, drawing a line that defines who belongs to the middle class based on this framework is difficult. For example, it would be misleading to assume that consumption expenditure twice the poverty line i.e. about US$ 110 per month or US$ 4 per day fall within the middle class.

Several studies e.g. Kharas (2010) and others acknowledge that drawing a strict line that defines who belongs to the middle class is difficult, especially when the definition has to apply across countries. Recently, a number of case studies have tried to define middle class based on the local context of individual countries. In Kenya, the National Bureau of Statistics (KNBS) uses absolute definition, defining Kenya's middle class as those earning between KSh8,000 and KSh25,000 (i.e. USD 100—314) per month.

Table 3 Changes in Uganda's population relative to poverty line

Position relative to poverty line		Proportion of the population (%)				
		1992	1999	2002	2006	2009
Well above poverty line		10	22	21	29	33
	2 x Poverty line					
Just above poverty line		33	44	40	40	43
	Poverty line					
Just below poverty line		39	28	32	27	21
	½ x Poverty line					
Well below poverty line		17	6	7	4	3

Source: Economic Development Policy & Research, Ministry of Finance, Planning & Economic Development
Monetary poverty line is the cost of a fixed basket of basic needs.

China's National Bureau of Statistics defines China's urban middle class as households with per-capita disposable income of RMB 8,900 to RMB 16,386 (i.e. USD 1,300–2,400). Tracking the population falling into this range of income, Kharas (2010) found that all urban households of six persons in China owned a car, 54 percent owned a computer, 97 percent owned a washing machine, and every household had more than one mobile phone and colour TV set – associating middle class with ability to own an asset. According to McKinsey Global Institute (2007), a lower middle class household in India earns between USD 8,000 and 15,000 annually (or USD 667—1250 per month). In Thailand, the Asian Development Bank (ADB, 2010) defines middle class to comprise individuals living on approximately US USD 2–20 per day (i.e. a household income of about 7,200 - 72,000 baht per month, for a household of four people).

Bhalla (2009) defines middle class to comprise individuals with annual income exceeding USD 3,900 in purchasing power parity (PPP) terms; which differs from alternative definition suggested by Banerjee and Duflo (2007) of those with daily per capita expenditure of USD 2–4 and those with daily per capita expenditures of USD 6 to USD 10. Kharas (2010) defines global middle class as all those living in households with daily per capita incomes of between USD10 and USD100 in purchasing power parity terms.

AfDB (2011) uses per capita daily consumption of USD 2–20 in 2005 purchasing power parity (PPP) US dollars to define the middle class in Africa. AfDB (2011) places middle class into three sub-categories: (1) the "floating class" with per capita consumption of USD 2–4 per day, which is slightly above the poverty line of USD2 per person per day (the second poverty line used in some studies in developing-world). This group is by definition, very susceptible to exogenous shocks that could very easily push them back into poverty, and cannot be considered middle class. (2) The "lower-middle" class with per capita consumption of USD 4–10 per day is assumed by AfDB (2011) to have enough money to save and to buy non essential goods although it has not been supported by empirical evidence. (3) the "upper-middle class" with per capita consumption levels of USD 10–20 per day.

The AfDB (2011) definition falls short of ideal for characterizing Uganda's middle class for two reasons. First the per capita consumption thresholds suggested do not reflect the cost of living or a modest life style in Uganda (housing, food, utilities, transport, medical, children schooling, etc.). Uganda's perception of a middle class, like that found else where in the world (e.g. Kharas, 2010) portrays a comfortable life style, with decent housing, healthcare and educational opportunities for the children, reasonable retirement and job security, and disposable income that can be spent on vacation and leisure pursuits. Second, AfDB's (2011) characterization seems to place the population with per capita consumption above USD 4–10 or USD 10–20 per day among the upper income group or the wealthy, which would suggest a huge upper class in the order of about 20 percent of the population. This is unusual by any consideration. Again, it would make no sense to compare those in Botswana earning over USD20 per day with Ugandans earning USD2 per day and claim that both are comparable in terms of purchasing power, and as drivers of economic growth, because both are middle class. A practical approach would be to use consumption levels that reflect local context of individual countries.

Other authors e.g. Easterly (2000) and Birdsall, Graham and Pettinato (2000) define middle class in relative terms to include individuals or households that fall between the 20th and 80th percentile of the consumption distribution or between 0.75 and 1.25 times median per capita income, respectively. The short coming with this approach is that it assumes a symmetrical normal distribution of mean consumption of the population with a percentile points (lower and upper bounds) accounting for the group below monetary poverty line and the rich. This is far from reality, in most of the cases. Ravallion (2009) takes a hybrid approach to define a "developing world middle class" as a group with one range of incomes (between the median poverty line of countries in the developing world and that of the USA). The World Bank (2007) also defines middle class in absolute terms as those with incomes ranging between the mean level in Brazil and Italy, or USD4000 to USD17000 in 2000 purchasing power parity terms. However, data limitation, differences in definitions (e.g. poverty line) and computation methods and other factors e.g. nominal exchange rate and purchasing power parity present challenges to applying a single level of income to define middle class across countries.

1.3.2 Conceptual approach, estimation procedure and data

As Kharas (2010) and others have mentioned, the choice between the various approaches to characterize middle class depends on the purpose at hand. This paper takes an absolute expenditure levels to define Uganda's middle class as those spending between USh 1 million (USD 400) and USh 5million (USD 2000) per month. This consumption level was established through a wide consultation with key informants in government institutions, the private sector, academia, research institutions, the media and the general public (Appendix II), who also provided other perspectives on the emerging middle class in Uganda. Table 4 highlights the characteristics that an individual needs to have to be classified as belonging to a middle–class.

The lower end of consumption (i.e. Ush 1million threshold consumption expenditure) could support lifestyle of the lowest category of the middle class in Uganda in 2011. For example, a civil servant who spent Ush 450,000 per month on housing; Sh80,000 on energy (electricity and charcoal) per month; Sh 6,000 daily (Sh 126,000 monthly) on transport to work; Sh

6,000 daily (Sh 126,000 monthly) on lunch at work and Sh 150,000 monthly on food at home, and Sh 50,000 monthly on medical, spent in total, Ush 982,000 by the end of the month (excluding school fees, etc.,). Consumption level below Ush1m could not support his life style as some important needs would not be met. An individual who owns a home or is living in free housing (paid by employers) might be able to live comfortably on Ush1million per month. However, as the purchasing power of Uganda shillings continues to be eroded by inflation, the per capita consumption of Ush1m per month is unlikely to support lifestyle of a lower middle class in Uganda beyond 2011 (or at best, beyond 2012).

Using the consumption level that defines Uganda's middle class (Ush1million–Ush5million per month), the study employed data from Integrated Household Survey (IHS) 1992-93 and from Uganda household surveys 1999/2000, 2002/2003, 2005/06 and 2009/10 to estimate the number of people belonging to the middle–class in Uganda. The study eliminated from the sample, households whose expenditure on food, as a share of total expenditure is 50 percent and above. Non–food expenditure is what distinguishes a middle class from those below middle class status. This assumption reflects the long established fact (Eigen's Law) that richer individuals tend to spend less of their budget on food than do the poorer people (middle class consumers are likely to have a larger percentage of their expenditures on non-food items).

With regards to unit of analysis, the study focuses on individuals who are the head of households, but not the adults residing in the household or household as a unit. This choice is supported by several authors who maintain that it does not matter whether you investigate middle class households (as represented by their head) or adults residing in middle class households because changes over time in the characteristics of the head of the household are very similar to the changes in the adult population.

Estimating GDP growth

Analysis assumes a constant-returns-to-scale Cobb-Douglas production function with growth dependent on capital accumulation, labour force growth, and technological improvements. That is,

$$Y_t = AK_t^{1-\alpha}L_t^{\alpha} \qquad \text{A} > 0,\ 0 < \alpha < 1$$

where Y is output (GDP), 'A' represents technological improvement, K capital stock and L, labour input. In year t, total investment in the economy is represented by

$$I_t = sY_t \qquad \textit{where } I_t \textit{ is investment and s is constant fraction of output economy saves}$$

Capital accumulation is determined by investment which is assumed to remain at the average rate of the ten years, 2001-2010. In year t+1 total capital stock in the economy would be

$$K_{t+1} = (1-\delta)K_t + I_t = (1-\delta)K_t + sY_t\ , \quad \text{where } \delta \textit{ is rate of depreciation of capital stock}$$

$$\Rightarrow \quad K_{t+1} = (1-\delta)K_t + sF(K_t, L_t) \qquad (1)^6$$

Labour force growth is taken from Uganda Bureau of Standards' labour force survey. Factor productivity growth rate was used as a proxy for technological improvements. The base year was taken as the three-year average GDP in 2009 to 2011. The results generated (growth under no oil scenario, for the next five years) is presented in Table A2.

Also considered is a scenario where the discovered oil begins to generate revenue for government. The results presented in Table A3 depict economic growth in the first three years of Uganda becoming an oil producing country. With commercial oil production assumed to commence in 2013/14, the oil revenue would impact on aggregate output through increased government expenditure (equation 2). For a must robust result, projections were limited to 3 years as high public expenditure over long-run depresses aggregate consumption and current output.

$$Y_t = C_t + I_t + G_t \qquad (2)$$

where G denotes government expenditure. The rise in public expenditure would increase output by stimulating aggregate demand (but it is also important to bear in mind that there is a potential crowding out effect of greater public spending on private spending). In equation (3), an increase in government expenditure g can have a multiplying effect on output (m_g is fiscal multiplier and y is change in output).

$$y = m_g g + m_\tau \tau \qquad (3)$$

Data on real GDP/GDP growth rates for the last 20 years and data on capital stock, used to project GDP was obtained from the Ministry of Finance and Uganda Bureau of Statistics.

1.3.3 Data limitations

No specific survey of the middle class has yet been carried out. The only reliable source of data that can be used to estimate the size of the middle class is the national household survey. However, these surveys do not provide time series data, and the results from the 1992/93 Monitoring Survey and the 1999/2000, 2002/2003, 2005/06 and 2009/10 UNHS surveys may not be able to give us a real trend. Secondly, the national household survey is continually evolving. Some data appear in the 2009/10 or 2005/06 surveys, which are not in the earlier surveys e.g. household income, assets and expenditure on certain items. These surveys also tend to be too much aggregated when it comes to some expenditure items. The surveys do not capture households with consumption spending above Ush 3.5 million per month as the observations

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[6] The labour force, L_t evolves as $L_{t+1} = (1+\mu)L_t$. Dividing equation (1) by L_{t+1}, making use of constant returns to scale, and linearizing around steady state we get,

$$k_{t+1} = k^* + \underbrace{\left(1 - \frac{\alpha(\mu+\delta)}{1+\mu}\right)}_{\phi}(k_t - k^*) \quad \text{where } k_t = \frac{K_t}{L_t} \text{ denotes capital intensity, } 0 < \phi < 1$$

were extremely few. This is surprising. Because of this, it was not possible to present the middle class into the three groups that were suggested by key informants.

2. Defining Uganda's Middle Class

The best way to know who, is middle class in Uganda is to ask people themselves. Table 4 summarizes the description of a Uganda's middle class. The description is based on the key informant interviews that were conducted in Kampala between November and December 2011 involving government civil servants, private sector/business employees, corporate managers, academia, researchers, and a section of the public.

Table 4 Characterising Uganda's middle class

	Description /indicator
What the middle class owns and type of goods & services it consumes	Has a car and drives to work
	Lives in 2- 3 bed room apartments (semi detached secure home in a perimeter wall)
	Owns a house in an urban location, enclosed and secure homes
	Television, phone, cooker, refrigerator, high class furniture costing not less than UGX 1 million, digital TV, etc.
	Invests in stocks, shares, land, royalties
	Consistent in his/her spending and is likely to save some income
	Buys branded items and luxury goods like phones, computers, toys for children
	Can afford a family holiday at least once a year
	Sends children to the best schools /Educates children in a private school
	Is on private health care scheme (likely to be on medical insurance)
	Has or is willing to purchase other insurance schemes like house, car, life
	Is likely to go to cinemas, operas, theatres for entertainment
	Most likely to engage in a fitness program
	Has undeclared income (likely to have more than one source of income)
Job/Occupation	Mostly managerial and professional jobs, in formal employment, self-employed
Education?	Is educated up to diploma or university level
Age?	Aged, at least 30 years
Household size	Has 5 children or less
Networking	Has access to business and business contacts
Shopping	Shops in supermarkets
Food	Eats mainly above average food (rice, meat, etc). Eats out in restaurants
Interest	Does not want to vote
	Less likely to engage in activities that are seen to be risky to his/her life
	Interested in social causes that have academic impact, e.g. the environment

Source: Key informant interviews, Kampala (November – December 2011)

Informants defined middle class more broadly by taking into account monetary and non – monetary measures. All informants perceive the middle class to consist of individuals who are neither wealthy nor poor; they are not at the top or the bottom of the social hierarchy. They generally have enough income to meet their basic needs, including food, education for their children, quality health care, decent housing (whether rented or owned) with some money left over for recreation, savings or investment.

The middle class, as portrayed in Table 4, is known by their life style and aspiration. The middle class attach great importance to quality housing, education, health care, convenient shopping, comfort, assets (a home, a car, land, and stock), and infrastructure (e.g. roads). Any government that is able to deliver such goods and services will retain the support of the middle class. They hold managerial or supervisory position in the firm where they work or are owner of business employing at least five people. Evidence from Tables 5 and 6 confirm these findings. Yet, it is important to bear in mind that Uganda's middle class is a diverse and complex group of people. Some may not be noticed easily. Consider for example, those who operate businesses that bring them a lot of money, but live in less secure homes in the middle of urban slums, and send their children to the best schools. These are the 'trading middle class'. It is believed that over 1,000 people working in market stalls, retail and wholesale stores – in Owino, Kikubu, and other busy markets around Kampala belong to 'trading middle class'. Majority of them do not own a car, a computer or even a bank account and may not visit a supermarket yet they could be earning more than a highly paid Ugandan in a managerial job.

One would also expect that majority of the middle class have attained tertiary level of education, but the results reported in Table 5 do not show significant differences across education levels.

Table 5 Middle class' demography, 1992-2010

	Percentage of the middle class					Number of middle class (% of the population)
	1992/93	1999/00	2002/03	2005/06	2009/10	2009/10
Level of education						
University degree						1.24
Tertiary	20.7	26. 7	27.0	34.3	26.7	0.63
Secondary	28.7	24.4	28.9	25.5	16.9	2.21
Below secondary	16.1	22.2	17.3	16.9	26.7	
Specialized training	34.5	26.7	26.8	23.4	29.7	
Gender						
Male	72.4	87.8	77.6	81.5	76.9	3.04
Female	27.6	12.2	22.4	18.5	23.1	1.05
Age						
30 years and below	6.9	3.3	8.2	6.7	14.6	0.63
31 – 45 years	55.2	54.4	34.9	47.8	45.5	1.77
Above 45 years	37.9	42.2	56.9	45.5	39.9	1.68
Household size						
1 – 3 people	0.0	5.3	18.1	13.2	18.0	0.83
4 – 5 people	4.6	14.9	25.4	16.4	30.6	1.20
Above 5 people	95.4	79.8	56.5	70.5	51.4	2.06

Source: Based on Uganda National Household Survey data, Uganda Bureau of Statistics

Slightly less than one third of the middle class in 2009/10 attained tertiary education; equal to the percentage of the middle class with less than secondary education. The reason is that those who graduate from tertiary education institutions take long to find jobs (at least well paid jobs) or a number of years before they can succeed as self employed individuals. That explains why majority of the Uganda's middle class are above the age of 30 (Table 5); which also confirms the findings of key informant interviews. With proliferation of education institutions (Table 12) and massive enrolments and turn over of graduates every year, we would expect the percentage of the middle class with less than a secondary education to decline over time. This is not happening. Instead, there seems to be faster social progress among those with less formal education than those with higher education attainment. This highlights the growing rate of unemployment and self employment (small and medium enterprises) that tend to be dominated by people with less formal education (i.e. those who opt for business than to continue with their education).

As is evident from Table 6, majority of the middle class (at least 75 percent) live in 2–3 bed room – detached or semi detached housing, with 73 percent owning a home in 2009/10, which confirms the findings of the key informant interviews (in Table 4). Home ownership and housing with modern sanitation facilities, clean drinking water, clean energy for lighting and cooking, etc., is the hallmarks of a middle class status. At least 60 percent of the middle class captured by the Uganda household survey can be classified as having reached such modern standard of living.

Table 6 Middle class' housing, 1992 – 2010

	Proportion of the middle class					Number of the middle class (% of the population)
Housing conditions	1992/93	1999/00	2002/03	2005/06	2009/10	2009/10
Detached /semi detached	65.5	74.5	90.4	86.3	74.8	2.98
Flat/Apartment	33.3		--	--	9.4	0.41
Owner occupied	48.3	77.7	74.4	69.2	73.1	2.85
Rented	42.5	18.1	21.5	25.0	21.0	0.94
Free/other	9.2	4.3	4.1	5.9	5.9	0.28
1 Bed-room					6.3	0.37
2 Bed-rooms					31.4	1.14
3 Bed-rooms & above			--	--	62.2	2.57
Flush Toilette	57.5	43.6	35.8	25.7	32.5	1.30
Tap Water	69.0	60.6	68.7	67.6	60.7	2.63
Electricity for lighting	87.4	74.5	79.9	79.0	71.5	2.91
Elec./gas for cooking	26.4	22.3	21.1	9.9	12.2	0.62
Charcoal for cooking	73. 6	77.7	78.9	90.1	87.8	3.30

Source: Author's calculations based on Uganda National Household Survey data, Uganda Bureau of Statistics

What the middle class owns

For many people, home ownership (in urban area) itself, is a true test of having attained middle–class status. Results from the household surveys (Table 7) reveal that 73 percent of the middle class in 2009/10 owned the house they were living in although it was difficult to distinguish between the qualities of housing.

Table 7 Uganda's middle class, owning selected assets, 1992 – 2010

	Proportion (%) of the middle class			Number of middle class (% of the survey population)		
	2002 /03	2005 /06	2009/10	1992/93	1999 /00	2009/10
House	77.73	77.87	83.87	4.93	3.38	--
Land	56.29	--	77.86	4.88	3.11	--
Other buildings	32.99	48.03	38.47	1.64	1.43	--
TV Set	98.5	97.66	92.65			
Generator	--	5.8	11.27	0.22	0.46	--
Solar panel/electric inverters	--	4.34	9.85	0.19	0.41	--
Motor cycle	9.33	14.58	15.4	1.22	0.66	--
Motor vehicle	57.34	--	41.2	0.38	1. 70	--
Mobile phone	77.85	97.82	97.36	6.08	3.99	--

Source of data: Uganda Bureau of Statistics, Uganda National Household Surveys

Beside home ownership, increasing number of middle class population owned a plot of land (78 percent), and motor vehicle (41 percent), and some are holding financial security e.g. shares and government bonds. Since the Stanbic Bank, DFCU Bank and other leading companies opened their doors to Ugandan investors through initial public offers (IPO), a number of Uganda's middle class have acquired shares in one or several companies operating in Uganda. The Uganda Security Exchange (USE) puts the number of people holding shares in Uganda at close to 40,000 compared to 1 million in Kenya. Out of the 40,000 people holding shares, 10,000 are Kenyans. This reflects the small size of Uganda's middle class (not withstanding the fact that asset markets are still new in Uganda). It also highlights how difficult it is for companies to raise capital in Uganda.

Middle class's expenditure

People interviewed in Kampala all agree that income could not be a good measure of true life style. Income is not regarded as a binding constraint on consumption in most of the cases. There is evidence of an increased reliance on credit (in particular personal loans) to finance consumption. Per capita expenditure is considered as a more robust measure of social status than income. Middle class is defined in Uganda's context to consist of individuals who spend between USh1.0 million and USh5 million (i.e. approx. USD 400 – 2000) per month.

With internal diversity among the middle class, Uganda's middle class is thought of as comprising three sub–groups: (i) those spending between Ush 1.0 million (USD 400) and Ush2.5m (USD 1000) per month – loosely referred to as lower middle class (ii) those spending more than Ush 2.5m but not exceeding Ush 3.5m (USD 1400) per month – the middle-middle class; and (iii) those spending more than Ush 3.5m but not exceeding Ush 5m (USD 2000) per month – the upper middle class.

Occupation of Uganda's middle class

Uganda's middle class consists of government civil servants (considered to be in lower middle class) and employees of the state-financed agencies, middle management, and owners of small business enterprises, technical and middle level managerial and administrative personnel in large companies, NGO employees, as well as professionals (lawyers, doctors, consultants, business professionals, etc), politicians and commercial farmers (the middle-middle class). The upper middle class comprises company senior managers and top executives in large companies. Civil servants earning at least Ush 0.5 million (USD 200) in salary per month are perceived to be middle class because they receive other benefits (e.g. allowances), which if monetized could exceed Ush 1.5m per month. Many of them can afford to send their children to the best schools and a number of them own a home. While there is a common perception that civil servants thrive on corruption, there is evidence of increased reliance on personal loans among civil servants to finance consumption. Since jobs in civil service are perceived to be more secure than jobs in private sector, financial institutions are giving priority to civil servants to access salary–loans.

Uganda's civil service has about 263,900 employees (UBOS, 2011) [7], with slightly less than 40 percent earning at least USh 500,000 in basic pay, per month. There are about 300 Members of Parliament, earning at least Ush 8 million per month and about 60 Ministers. The formal sector has about 300,000 individuals that contribute to National Social Security Fund (NSSF), 50 percent of which can be considered middle class. Data from the 2009/10 household survey shows that 43 percent of the middle class had professional (and managerial) jobs while 35 percent were self–employed (Table 8). The number of people who are self employed is increasing. They are engaged in event management, printing, automobile spares, car importation, retail trade, etc., majority remaining in the informal sector.[8]

Table 8 Middle class's occupation

	Proportion of the middle class (%)					Number of the middle class (% of the population)
	1992/93	1999/00	2002/03	2005/06	2009/10	2009/10
Professional/managerial	32.18	37.8	57.2	40.9	42.9	0.30
Service workers	9.2	8.9	16.1	22.6	21.9	0.40
Others	50.57	51.1	26.7	36.5	35.1	0.20
Employer	--	--	--	3.5	--	0.30
Own account worker	--	--	--	50.2	--	0.58
Employee	--	--	--	45.8	--	0.74

Source of data: Uganda Bureau of Statistics, Uganda National Household Survey data
Note: -- data not available

[7] The civil service consists of those persons in government employment. It excludes employees of government semi autonomous institutions and parastatals.
[8] Any business employing 5 and more persons is considered to be formal.

3. Trends and Size of Uganda's middle class

This section provides evidence on trends and size of Uganda's middle class. It makes the case that although Uganda's emerging middle class is less than two decades old and is, still in many ways inchoate, the importance of the middle class comes from the fact that it is growing at a faster pace than the overall population. In order to understand these developments, a brief account of the historical background is helpful.

3.1 Historical perspective

From 1962 – 1970 (Post independence, Obote I)

At the time of Uganda's independence in 1962, Uganda's population was about 8 million. The economy was at par with then Malaysia's and Singapore's. For the next eight years of self-rule, the rate of unemployment in Uganda was below 5 percent. About 5 percent of the workforce was employed in the pubic sector and over 85 percent in the vibrant agricultural sector, with dynamic export market. Many new schools were built, including the flagship Makerere University and new medical school at Mulago. Government modernized transportation network, and built infrastructure e.g. the Owen Falls hydroelectric power generation at Jinja, and a strong manufacturing sector e.g. Nyanza Textiles – one of the biggest textiles industry in Africa at that time. All formal sector employees were called middle income. The size of the middle-class comprising indigenous Ugandan professionals, Asian and European business people, doctors, lawyers, teachers and farmers was estimated at 10 percent of the population. The mushrooming number of iron–roofed houses in the 1960s was a good proxy indicator of the presence of middle class in rural Uganda.

From 1971 – 1985 (Amin' s Regime to Obote II)

Idi Amin took over power in 1971, and by the time he was overthrown in April 1979, Uganda's population was about 12 million. Most the middle class professionals and businesses had left for other countries. Amin did his best to run the economy into the ground: with soaring inflation and scarcity of essential commodities, and growing rate of unemployment that eroded the middle class. Amin had expelled the Asian, the bulk of the nation's trading middle class; and went ahead to expropriate their wealth, as he nationalized foreign businesses. A lot of capital left the country. A few traders who remained, amassed wealth through open manipulation of illegal economic activities or the black-market activities, referred to as *magendo*, carried out by the so–called *mafuta mingi* (literally meaning, oil is abundant). In 1980s Government set up a Departed Asian Custodian Board to organize the return of the properties that Amin expropriated. The *mafuta mingis* left the Indian shops and the Indian community began to return to Uganda.

From 1986 – 1996 (First ten years of NRM administration)

When the NRM Government took over power in January 1986, it inherited a document entitled *Revised Recovery Programme for the Economy of Uganda*, which was indeed a recovery plan for the economy that was in ruin due to economic mismanagement and decades of civil wars. Economic and political hardship had forced many middle class professionals to leave the country for the Diasporas. Government implemented drastic reforms to stabilize the economy and to put it on a sound growth path. Nearly all state–owned enterprises were privatized, the economy was liberalized, the public service downsized, service delivery decentralized (to local governments) and measures to deepen democracy through constitutional rule that provided for a system of electing leaders were put in place.[9]

Market responded favourable with increase in investment and the economy began to grow. The middle class began to grow as new jobs and opportunities were created in the private sector. Unfortunately, the public sector was still poorly financed. Civil servants would sometimes go for months without pay. Many civil servants resorted to holding more than one job and running small businesses, breeding inefficiency and corruption in government system. Middle-class workers and farmers, on the other hand, were struggling just to provide for their families. By 1992, Uganda's economy had picked up, with an annual growth rate of over 7 percent. Domestic revenue collection had improved, following establishment of Uganda Revenue Authority in 1991.

3.2 Empirical trends, 1992 – 2011

3.2.1 Proxy indicators for expanding middle class

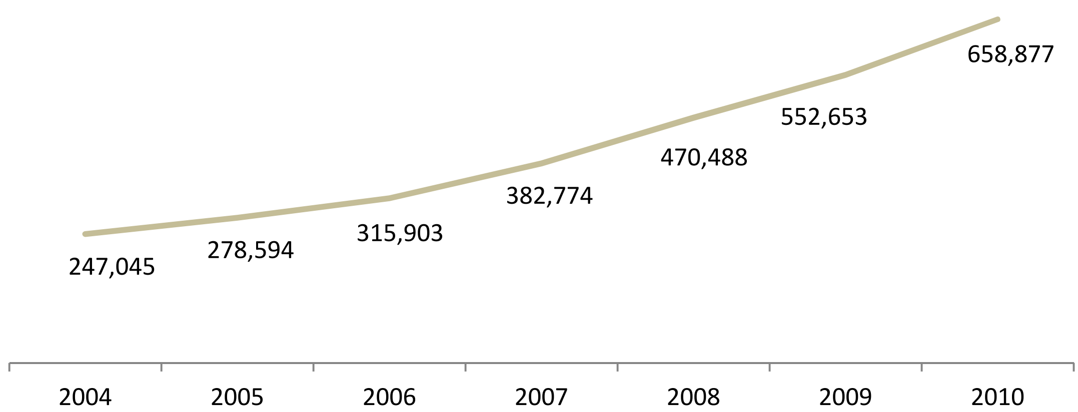
"Do we really need data to prove that the middle class is growing?" One of the key informants asked. His views are shared by many others who think that one way to gauge the size of Uganda's middle class is to look at proxy indictors such as trends in acquisition of used cars, consumer loans, demand for 2–3 bedroom apartments and proliferation of housing estates (targeting the middle class), increase in branches of supermarkets, etc. It is imperative to look at a few of these examples.

Acquisition of used cars

Reconditioned cars of all makes mainly from Japan have become increasingly popular means of transport for the middle class. The growth in the number of vehicles over the last several years (Figure 3) is largely attributed to the growing middle class. The number of cars in Uganda has doubled over the last six years, from 59,786 to 104,269 in 2010, with over 7,000 new ones registered every year (Figure 4). Some car dealers attributed the surging sales of reconditioned cars to the growing number of 'young' people who after getting the first job, immediately want to own a car. According to a car dealer in Kampala, many buyers of reconditioned cars today are younger than 40, five to 10 years younger than those we used to have 10-15 years ago. According to some credit agency, the primary target for reconditioned vehicles is not the rich elite (wealthy), but the ascendant middle class in their 30 – 40s who are buying their first cars on credit. About 15 years ago, Kampala hardly had 5 reconditioned car dealers, but sales have grown so fast that an increasing number of foreign car dealers see Uganda as one of their top markets.

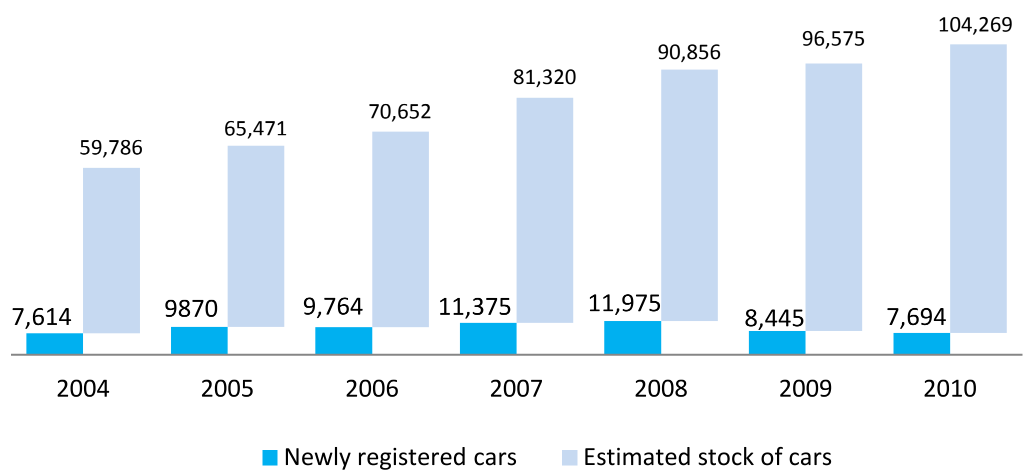
[9] A new constitution was adopted in 1995, and the first direct presidential elections held in 1996.

Figure 3 Estimated number of motor vehicles on the road, 2004 – 2010



Source: Uganda Bureau of Statistics (2009 and 2011 Statistics Abstracts)

Figure 4 Acquisition of cars in Uganda, 2004 – 2010



Source: Uganda Revenue Authority

Growth in consumer loans

The growth in the use of a new range of financial services products such as salary loans, school fees loans, and executive banking that are geared towards the middle class consumers is an indication of emerging middle class. The retail banking market offering unsecured personal loans has grown tremendously, and introduction of credit cards (following development of credit reference bureau) will fuel consumption.

Growth in mortgages and real estates

For the last five to ten years, demand for housing (especially 2 bed–roomed housing) has led to tremendous investment in residential houses. Real estate activities are among the fast growing businesses in the services sector, growing at 5.7 percent per annum since 2005. In 2009, they accounted for 13.9 percent of service sector and 6.2 percent of GDP. Twenty years ago, National Housing Corporation was the only real estate developer. Today, they are several: Akright Projects, Canaansites, Green Top Villas, Jomayi Property Consultants, Kensington, National Housing, Pearl Estate, Royal Palms and Tirupati Development, among others. In less than ten years, these companies have put up new residential housing estates in several locations around Kampala: Butabika, Kakungulu, Kisaasi, Lubowa, Naalya, Namanve, Namugongo, Seguku, etc. Lending for personal mortgages has increased tremendously (the amount of mortgage loans outstanding grew by over 25% between 2006 and 2010) and land estates advice, is being geared towards the middle class.

Health insurance and education

Growing demand for better healthcare and education has resulted into emergence of new fields such as medical insurance and school fees schemes (geared towards the middle class population). Increasingly, purchase of health care services is shifting from cash payment to insurance based arrangement. At Kadic Hospital in Ntinda, and at St. Katherine clinic on Buganda Road, for example, majority of people (most likely to be middle class) were seen to carry along, an insurance card on their visit to these facilities. Ten years ago, no insurance company was interested in providing medical cover, but now they could be five or more e.g. Jubilee Insurance, AAR, and Kadic Health Foundation.

Proliferation of shopping malls and supermarket outlets

Ten years ago, we never had a single supermarket in Kampala. Uganda saw a modern supermarket in November 2000 when Shoprite (from South Africa) opened its first store, Shoprite Clock Tower, in Kampala. On 24 June 2004, Shoprite opened its second supermarket branch in Lugogo. Ochumi followed in 2007 with a store in Garden city and then Nakumatt, in 2009; both of them from Kenya. The latest branch of Shoprite along the Northern bypass opened in November 2011, and it targets the middle class who use the Northern bypass. Besides Uchumi, Nakumatt, and Shoprite, other big players such as Capital Shoppers, Quality Supermarket, and Tuskys are equally busy spreading to all viable centres. These supermarkets have taken over the outskirts of Bugolobi, Ntinda, Nakulabye, Kitintale, Nakawa and Makerere and are beginning to move to up country towns (e.g. Nakumatt now has a branch in Gulu).

In Ntinda alone, one has access to Capital Shoppers, Tuskys, Quality Supermarket, and Kenjoy as well as other small players such as G&R and Cynibel. This is a good indication that the customer base, the middle class is growing. At each of these big supermarkets is automatic teller machine (ATM), which is fueling consumption. Some people may argue that any body can shop in supermarket, which is true, but if you think about the turn over in supermarkets for almost every item including those whose price is beyond the reach of most Ugandans e.g. fridges, cookers, washing machines, furniture, and golf-kits, it should convince you that the majority of people you see entering the supermarkets are indeed the middle class. If you were to visit GAME when the sport section is fully stalked with sets of golf-kits (priced at USD 250), you would probably think that the stock is going to last one year. Check there, a month later, you would find them already sold. Who can afford to spend USD 250 on sport equipment, if not the middle class?

Beside supermarket chains, other international conglomerates are increasing their footprints in Uganda's market. In October 2011, a South Africa company, Woolworths opened its first store in Kampala, at the Tirupati Mazima Mall in Nsambya. On Tuesday 20th December 2011, it opened its second store, the largest Woolworths store in Africa outside South Africa at Metroplex Naalya Shopping Mall in Kampala. This appears to be a vote of confidence in the Uganda's markets.

The supermarket growth will benefit Uganda's agricultural sector, which is dominated by smallholders. Most of the farmers participating as direct suppliers to supermarket channels currently are a group of commercial farms managed by well-educated farmers. Their heavy reliance on hired workers benefits small farmers *via* the labor market. In future, small growers will have a chance to supply the supermarket channels if they can be supported to improve quality, organize themselves into producer society and have access to irrigation infrastructure to sustain production.

3.2.2 Size in number of people belonging to the middle class

Data from the national household surveys (Table 9) show that the number of people belonging to the middle class – measured by per capita expenditure between Ush 1.0 million and 5.0 million (USD 400 and 2000) per month – increased from 1 percent of the population in 1992/93 to 4.1 percent in 2009/10. In 1992/93, a total of 36,733 head of households were estimated to be in middle class compared to 283,276 households in 2009/10 (representing close to 1 million people).

Table 9 Trend in number of Uganda's middle class, 1999 –2010

	Monthly per capita expenditure (Ush)	Estimated number of middle class (households)				
		1992/93	1999/00	2002/03	2005/06	2009/10
Below middle class	500,000 –999,999	90,777	116,237	124,425	255,175	482,084
Middle Class	1,000,000 and above	36,733	39,732	47,985	106,407	283,276
		Number of the middle class as % of the population				
Below middle class	500,000 –999,999	2.3	2.5	2.5	4.9	7.0
Middle Class	1,000,000 and above	0.9	0.9	1.1	2.0	4.1

Source of data: Uganda Bureau of Statistics, Uganda national household surveys

Although this number (4.1 percent of the population) might appear small, the importance of Uganda's emerging middle class comes from the fact that it is growing at a faster pace than the overall population. The number of people attaining the level of consumption between Ush500,000 and Ush 999,999 represented about 7 percent of the population in 2009/10, up from 2.3 percent in 1992/93 and continues to grow at faster rate than overall population. As observed from Table 9, significant development of Uganda's middle begun in 2005. However, growing inflationary tendencies witnessed since 2005 means that while the middle class is expanding, its effective demand is, in reality, decreasing. People in the middle class are either consuming less goods and services today, than they did before as their purchasing power is steadily getting eroded by inflation, or they are borrowing more and saving less than they used to in the past, so as to sustain their life style.

Furthermore, as is evident from Table 10, the middle class is concentrated in central region. Over 70 percent of the middle class in 2009/10 was in the central region, with Kampala alone being a home to over 95 percent of the middle class in the central, and to over 65 percent of the middle class in Uganda (total population of Kampala is about 1.6 million). This alone shows that the size of the middle class, relative to the total population is still very small. The middle class is growing much faster in western region than in other regions of the country (Table 10). A little sign of growth can also be seen in northern Uganda, brought about by the revived cross–border trade with South Sudan, and seems to confirm what one informant said, that, "if you visited Gulu (municipality) today, you would be amazed at the rate in which development is picking up in northern Uganda".

Table 10 Regional distribution of Uganda's middle class, 1992—2010

	Share of the middle class (percent)					Number of middle class (% of the population)		
	1992/93	**1999/00**	**2002/03**	**2005/06**	**2009/10**	**1999/00**	**2002/03**	**2009/10**
Total	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**	**1.1**	**1.1**	**4.1**
Central	66.67	54.26	79.4	75.1	70.3	0.6	3.7	2.9
Eastern	20.69	23.4	9.9	10.8	9.3	0.3	0.5	0.4
Northern	4.6	3.19	1.0	3.3	4.1	0.0	0.0	0.2
Western	8.05	19.15	9.7	10.8	16.3	0.2	0.5	0.6
	Regional share (%) of the population spending between Sh500 000–999 999							
Total	100.0	100.0	100.0	100.0	100.0	**2.5**	**2.5**	**7.0**
Central	49.3	44.36	58.3	58.8	57.8	1.5	1.5	4.1
Eastern	23.26	26.18	17.0	11.3	15.0	0.6	0.5	0.9
Northern	12.56	3.64	3.3	3.6	8.0	0.1	0.2	0.8
Western	14.88	25.82	21.4	26.3	19.2	0.3	0.3	1.3

Source: Author calculations based on Uganda National Household Survey data, Uganda Bureau of Statistics

As we saw in Table 5, 77 percent of the middle class (individuals who are head of households) surveyed in 2009/10, were men. Although this survey only captures the behavior of head of households (it conceals important facts as expenditures of the spouses are not captured), it nevertheless gives a rough picture of the gap between women and men in attaining middle class status. The number of women occupying managerial positions is still small compared to that of men (43 percent of the middle class in 2009/10 were professionals and in managerial jobs). However, results from Table 5 suggest that women are moving to the middle class status at a much faster rate than men.

4 Market potential /purchasing power of Uganda's middle class

Purchasing power, as many people in Uganda understand it, depends on disposable income, but only to a degree. The ambition to maintain a certain life style drives up expenditures in Uganda. Not all these expenditures are financed by personal income; some are financed through borrowing, and other sources. This section uses practical examples to gauze market potential (purchasing power) of Uganda's middle class before drawing our attention to its income.

4.1 Gauging purchasing power from demand for consumer goods and services

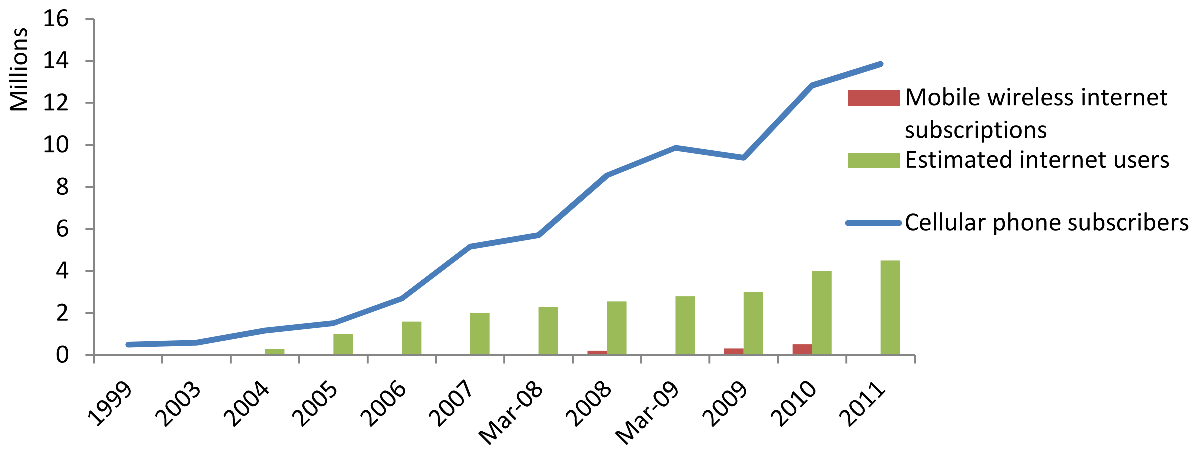
The past few years have seen dramatic increase in number of people acquiring property (including more expensive homes), and using a wide range of goods and services, some of which did not exist a decade ago, or until fairly recently, may have been viewed as luxury items. The consumption boom that we see in the examples below is the outcomes of economic growth, urbanization and the rising purchasing power of the middle class.

Consumption of communication services

Communication services comprise mobile phone airtime, fixed line telephones and internet services. Ten years ago, communication services were not considered to be part of the basic consumer basket. It is now part of the basic needs of an average household in Uganda – along side other items such as food, housing, water and electricity, clothing, health, education, etc., and it is assigned a weight of 6 percent in overall consumer price index (CPI). According to Uganda Bureau of Statistics, reduction in mobile phone charges in 2009/2010 resulted into a 9 percentage point reduction in inflation rate. Again in October 2011 when the mobile call charges went down by 45 percent due to market competition, it led to a 0.3 percent fall in CPI (hence inflation that month), which suggests that substantial amount of money is spent on mobile phone airtime every month. The fact that households have managed to sustain these expenditures over several years, and is growing, highlights significant growth potential of this market. There are five telecom services providers operating in Uganda (MTN, UTL, Airtel, Warid, and Orange) hosting approximately 14 million subscribers, 60 percent of whom were registered over the last four years (Figure 5).

For every 100 inhabitants in Uganda, 27 have a mobile phone, compared with 31 in Tanzania, 42 in Kenya, 14 in Rwanda, 6 in Burundi and 2 in Ethiopia. In March 2003 Uganda only had 595,996 cellular mobile phone subscribers and 166,552 fixed telephone network connections (0.6 fixed telephone-lines per 100 people). The number rose to 5,704,506 mobile telephone subscribers by end of March 2008, with national telephone penetration of 20 lines per 100 inhabitants.

Figure 5 Number of cellular mobile phone subscribers, 1999 - 2011



Source: Uganda Communication Commission and Uganda Bureau of Statistics

The MTN story (summarized below) highlights how companies that try to associate growth potential of a market with level of income, per capita income for example, can get it wrong. It is illustrative of the importance community attach to mobile communication services in environment where communication infrastructures such as transport infrastructure (roads, rails networks) are poor.

In 1998, MTN Uganda underestimated Uganda's market potential

On October 21 1998, MTN Uganda launched commercial services in Uganda, six months after acquiring the license. In just one year, MTN Uganda connected over 400,000 customers. Two to three years later, MTN was overwhelmed by the surging numbers of subscribers as compared to their infrastructure that was envisaged to be sufficient for at least five years. Between 2006 and 2007 MTN faced network problems because of the huge subscriber numbers. It had to spend close to $50 million to upgrade its network. Today MTN is servicing in excess of 3.5million customers, and covers over 90 percent of the urban population. It serves over 150 towns and villages and their neighbourhoods, with over 10,000 outlets around the country.

Cognizant of the market potential, an increasing number of products (value-added services) are being geared towards the middle class population. Mobile money, mobile internet service, interactive services like lottery and opinion polls, TV on the phone through 3G, and sending pictures via phone, and use of black berry for email have become integrated part of the lives of the people of Uganda. In March 2008, there were 175,568 active mobile internet users who either accessed the internet through data enabled handsets or at fixed wireless hotspots. In 2010, the number had reached 510,000 – indicating significant growth potential of ICT sector and growing purchasing power of Uganda consumers.

Use of financial services

The use of banking services by the middle class has increased significantly although the number of people using banking services (less than 40 percent of the population) is still far below regional average. There are more people today who are able to take mortgages than it was the case 10 years ago. The middle class is increasing its share of financial investments and thus providing new sources of capital for companies. People in middle class are placing their savings in shares and treasury bills, which also provide business opportunities for brokers and personal financial advisors. For decades, more sophisticated financial services such as investment advice have generally been geared towards the wealthy, but this trend is also changing. In the next five to ten years, these products will increasingly be geared towards the middle class.

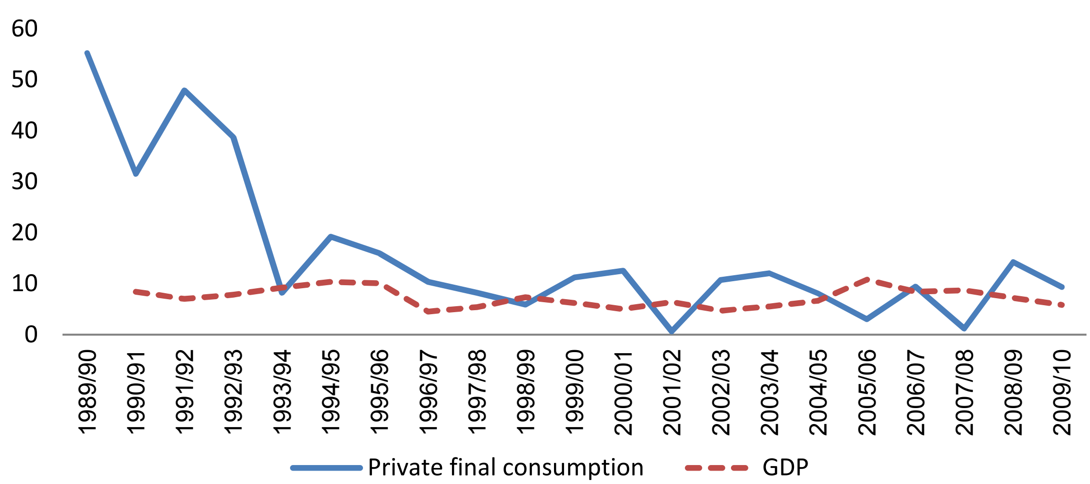
Use of expensive private schools

It costs Ush1m to 1.5m per child per term in a private primary school in Kampala (i.e. only school fees and transport). It is mostly middle class parents who can afford to send their children to private schools. To be able to sustain a large and increasing number of children in private schools means that there is a large number of Ugandan citizens who can afford such discretionary spending. More to these examples, there is significant increase in use of paid TV services (e.g. DStv, StarTimes TV, etc), which ten years ago used to be viewed as luxury items, surge in mobile phone usage, sales of refrigerators, television sets, washing machines, cars, construction materials, etc.

4.2 Gauging purchasing power from the trend in private consumption

In absolute value terms, real private consumption (by households) increased eight-fold over the past twenty years (between 1990/91 and 2009/10) (Table A6), and is intrinsically linked with overall increase in purchasing of the population. Real private consumption (including both households and private companies) accounts for over 50 of GDP, and it tends to grow faster that GDP (Figure 6).

Figure 6 Growth in GDP and private final consumption (PERCENTAGE), 1989 - 2010



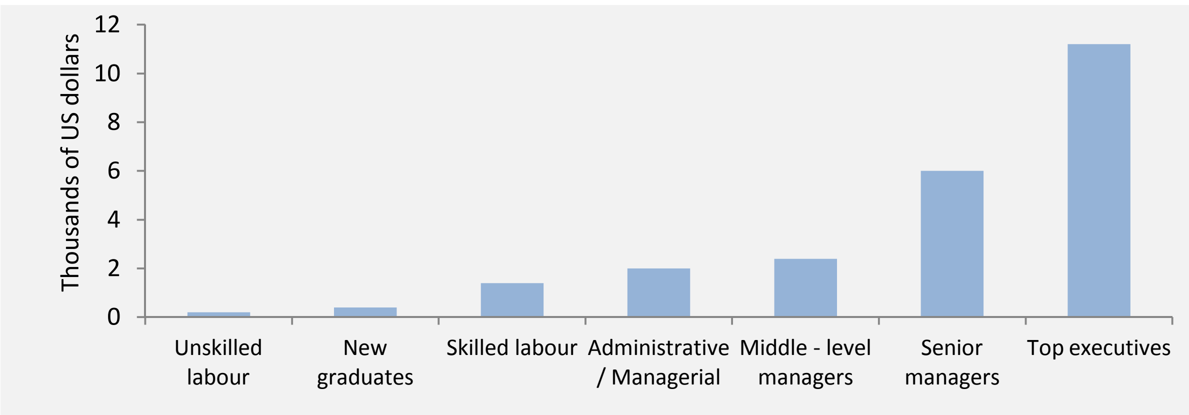
Source: Background to the Budget

Household final consumption expenditure on GDP grew at average of 10 percent per annum in the last three years (compared with a rate of 2.6 percent growth in capital stock p.a.).

4.3 The secret of the temple: More sources of income than we know

Figure 7 gives a rough picture of the monthly earnings for different professional levels, from unskilled labour to company top executives in Uganda. It shows that employees with the right set of skills, in managerial positions and above, are relatively well paid compared with those of the same caliber in other comparator countries in the region. Moreover, many Ugandans who are in formal employment also run family businesses from which they earn additional income. The fact that such sources of income are not disclosed means that official statistics are bound to underestimate the purchasing power of the working class particularly the middle class.

Figure 7 Average monthly salaries for different professional levels (estimates), 2011



Evidence from Uganda household surveys shows that over 50 percent of the middle class received income (on regular basis) from two or more sources in 2009/10. It is by relying on a combination of two or more sources of income (salary, allowances, property e.g. rental income, and business income) that seems to sustain many people in the middle class. Results in Table 11 put the average monthly income for Uganda's middle class at Ush 1,778,535 (USD 711), with salary accounting for 44 percent of the income in 2009/2010, followed by enterprises (40 percent) and property (18 percent).

Table 11 Sources and level of income of Uganda's middle class, 2009/10

Source of income	% of the population	Average monthly income, Ush	
	2009/10	Below Middle Class	Middle class
Total		**683,295**	**1,778,535**
Property	2.85	83,552	324,313
Transfer	1.74	31,318	137,851
Enterprises	2.29	207,154	716,036
Salary	2.38	179,086	779,903

Source of data: Uganda Bureau of Statistics, Uganda National Household Surveys
Below Middle Class include individuals (head of household) spending between Ush 500,000 – 999, 999 per month. Middle class include those spending between Ush 1m and 5m

The average monthly income is higher than the threshold expenditure of Ushs1.0m, which means that there are many people in the middle class that could be spending more than Ush1.5m.

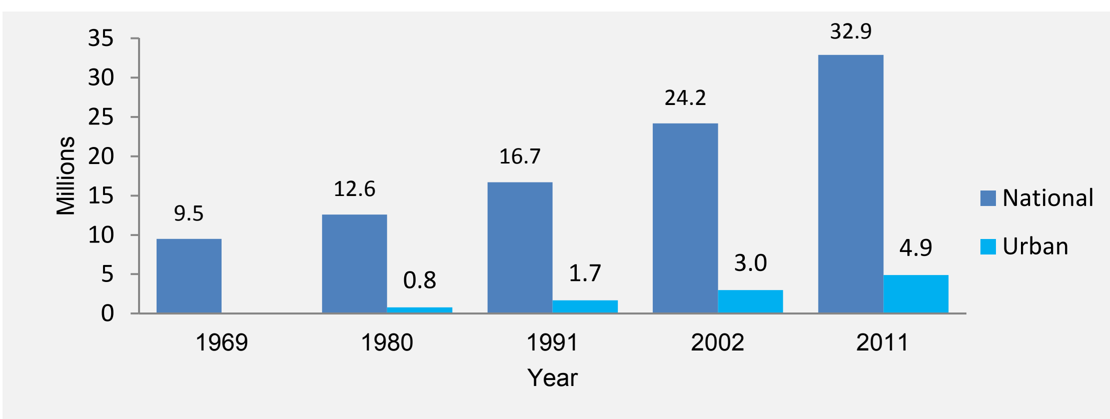
5 Drivers of the Development of Middle Class in Uganda

Uganda's emerging middle class consists of some who got there through private enterprise or entrepreneurship, others who joined via education achievement and jobs in the formal sector, and increasingly, the professionals (lawyers, doctors, consultants, academia, accountants, business professionals, etc.). Therefore, knowing the drivers of the development of the middle class in Uganda requires an understanding of the factors that propel growth of formal sector employment, private enterprises, as well as professionals. This section presents evidence which suggests that population and economic growth, tertiary education expansion, advancement in information and communication technology, and innovation in financial services have influenced the development of the middle class in Uganda.

5.1 Population and economic growth

Uganda has one of the highest population growth rates in the world (at about 3.2 percent per annum), bringing the population up to 33 million in 2011 from 16.7 million in 1991 (Figure 8). This has translated into increasing demand for goods and services – with close to thousand of private schools, and private health care facilities established in the last 10 years. More businesses have expanded and new ones have taken root, with more and more people who cannot find jobs, venturing into self entrepreneurship. This has meant increased revenues, investment and trade, along with other opportunities such as infrastructure development.

Figure 8 Uganda's population, 1969 – 2011

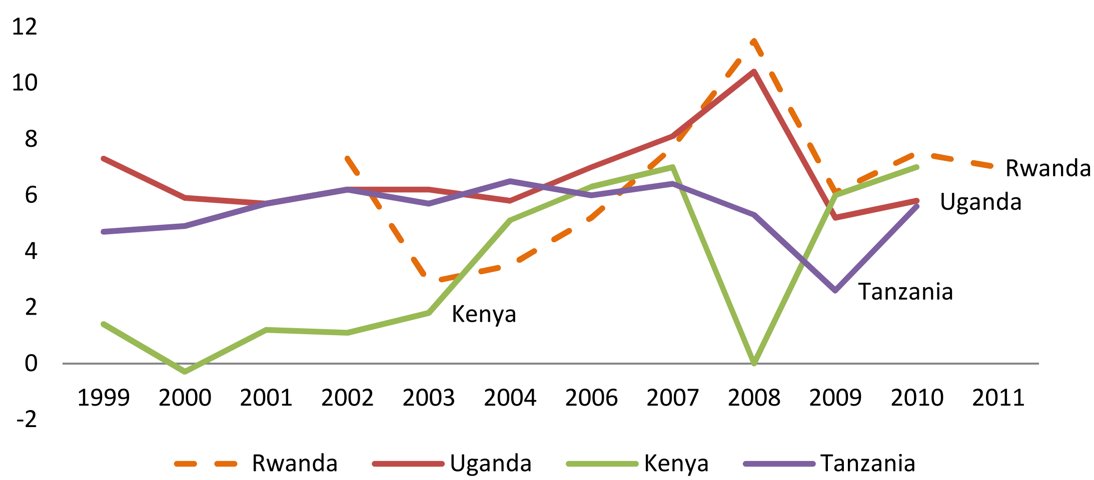


Note: Figures for 1969, 1980, 1991 and 2002 represent census population. Figure for 2011 is population estimate.
Source: Uganda Bureau of Statistics

Expanding population has also translated into increased labour force, estimated at 12 million in 2010/11, and is growing at annual rate of 4.7 percent. About 20 percent of the labour force is resident in urban area and about 2 percent consists of individuals that have attained tertiary level of education. The labour force participation rate was 79 percent in 2009/10.[10] As the population becomes more educated (skilled) and urbanized, Uganda's labour force participation rates could rise to 85 percent, and push up the middle class from less than 10 per cent of Uganda's population today to 15–25 percent in 10 to 15 years. However, this seems unattainable at the current rate of population growth.

The second factor that has influenced the development of the middle class in Uganda is economic growth (Figure 10). Economic growth is cited in several studies to have contributed to poverty reduction and the rise of middle class in Asia through increased employment and investment opportunities. Uganda's strong economic growth (Figure 9) reflects the economy's potential to increasingly provide some employment for the growing population.

Figure 9 Recent trends in Uganda's GDP (% growth) as compared with other EAC countries

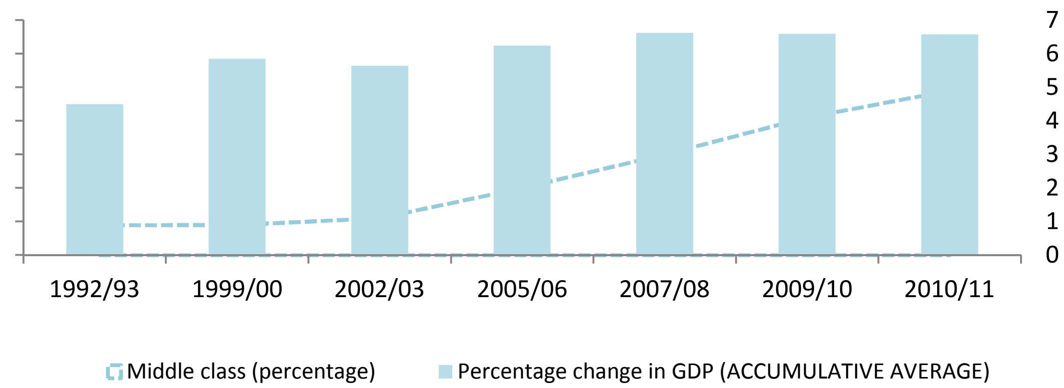


The overall GDP has been driven by investment particularly in the service sector. Investment/GDP ratio increased to an average of over 10 percent between 1987 and 2011. Foreign direct investment increased from US$133 million in 2000/2001 to US$202 million in 2003/2004 and about US$883.8 million in 2010/2011 (GOU, 2011). Several multinational enterprises have opened shops in Kampala, and using Uganda as a spring board to serve the EAC market - including South Sudan and DR Congo.

In 2009/10 and 2010/11, Uganda Investment Authority licensed 734 private sector investment projects (59.4 of which were by foreign investors) in various sectors with estimated planned investment of US$ 3.8 billion and expected 234,915 jobs to be created.

[10] The labour force participation rate is the number of persons in the labour force expressed as percentage of the working-age population.

Figure 10 As economy expands, the middle class follows



If Uganda continues to grow as projected (and with energy crisis coming to an end) the economy will secure long-term capital inflow (foreign direct investment could reach US$1.4 billion in 2014/2015, which is twice FDI flow in 2010/11), and real economic growth of at least 10 percent from 2014 for the next 3 years, is envisaged. This would move additional 4 percent of the population into the middle class by year 2015. The service sector is expected to remain the key driver of overall GDP growth for the next three to five years. It accounted for 52.4 percent of total GDP in 2010/11 and nearly half of the total economic growth (at least 2 percent of the 6.3 percent GDP growth). In 2010/11, the services sector expanded by 8 percent; with the telecommunication sub sector, growing by over 21 percent and financial services by 18 percent in the same year. The boom in the telecommunications, which saw the entry of two additional firms (Warid and Orange), helped many Ugandans to find employment either directly as company workers or indirectly as vendors in mobile phone air time business and mobile money.

Another key driver of GDP growth has been the construction sector, which grew at a rate of 9.4 percent per annum. Employment and business opportunities to over 150,000 Ugandans across the supply chains (from importation of construction materials) to labour force employed directly in construction work. [11]

5.2 Tertiary education expansion

The third factor that has contributed to the development of the middle class in Uganda is the expansion of tertiary education. Uganda's universities have turned out tens of thousands of graduates every year, and it was not like that ten years ago when there were only two public universities, and one private university. Today, there are over 26 universities accredited by National Council for Higher Education (Table 12), with a total enrolment of over 100,000

[11] Construction includes construction of buildings (real estates e.g. residential houses, commercial buildings and warehouses, industrial estates or factory buildings), roads, railways and bridges, etc.

students. Out of which, over 40,000 graduates enter the labour market every year. Although they take long to find jobs, they have contributed to growth in number of people in formal employment and small and medium enterprises (SMEs) providing informal employment.

Table 12 Uganda's higher education institutions and enrolment, 2006–2007

Country	Number of education institutions	Total enrolment	
	2006	2006	2007
Universities	26	81,187	97,049
University colleges	12	81,224	20,033
Technical Colleges	6	1,980	1,960
Commercial Colleges	48	18,839	17,183
Management	8	4,156	3,835
Health/ Medical	15	3,132	3,283
Agricultural & Forestry	6	1,651	1,712
Theological Colleges	2	1,098	1,088
Law Development Centre	1	800	800
Grand Total	**124**	**194,067**	**146,943**

Source: National Council for Higher Education

If you consider a single profession, law. Ten years ago, it was only Makerere University offering Law Degree, but now there are eight universities accredited by the Law Council that offer Law Degree. These universities turn out over 1000 graduates every year, with about 500 entering the Law Development Centre every year, of which 300 qualify to join the legal practice. There are altogether, 1700 practicing lawyers today, up from 700 six years. Of course if you compared this with the Kenya's 8,000 lawyers, obviously, Uganda is still along way, but it is very impressive that this growth has been achieved in only six years. Business has grown ten-fold. A law firm that employed only one lawyer ten years ago (specialized in say, criminal law) is now employing forty lawyers, handling several aspects of law.

A certain professional firm in Kampala that used to have less than 40 employees five years ago is now employing 130 people, and its business has grown substantially over the last three to five years. The synergy created through joint collaboration with sister firms in the East African region is helping to strengthen local capacity.

5.3 ICT driving the middle class in Uganda

The Internet's rapid growth is unprecedented. During a short span of 10 years, the number of Internet users in Uganda has exceeded 5 million, of which over 2 million use email, over 1 million, mainly the youth, have joined face book and twitter, and about 0.1 million people have their own blogs. Uganda's professionals are members of various professional networks. Social networks are providing business opportunities globally. There are testimonies of Ugandans in the diaspora, who found opportunities through such social network. Cyber café, computer shops and distribution of ICT products, and ICT related services such as web design, web hosting, e-advertising, etc. are employing hundreds of Ugandans and pushing some of them to middle class status. In only about 10 years, more mobile cell phones were deployed in the country than the number of fixed lines laid in the last century (there were altogether about 14m telephone lines in 2011). Over 90 percent of Uganda's land area is covered by telephone signals, easing communication across the country.

5.4 Innovation in financial services

At last, banks have woken up with innovations and business models that serve the needs of Uganda people. Bank branches have moved to centre of concentration of businesses, and a range of new products such as business loans, mortgages, salary loans, school fees loans, and mobile banking are customized to different needs. Other financial institutions such as micro finance institutions e.g. Micro Deposit Taking Institutions (MDIs), Savings and Credit Cooperative (SACCOs) have also been very instrumental in affording access to financial services for some segments of the society. These services have given rise to more housing, and employment in small and medium enterprises, and more consumption.

5.5 Binding constraints to development of the middle class

As much as growth potentials arising from the emerging middle class are evident, there are plenty of challenges embedded in these opportunities. The first binding constraint to economic growth and development of the middle class is poor infrastructure (power, and transport infrastructure). Driving through Kampala highlights the dilapidated state of roads network in Uganda. If there were rail transport, it would help mitigate the rising costs of doing business and improve the competitiveness of Uganda's products. Investment in infrastructure will raise economic growth by boosting non-traditional sectors (flowers and fish) and the activity of small and medium enterprises that depend on electricity.

The ongoing power crisis (which intensified in 2005 and became worse in 2011/12) uncovered a latent infrastructure deficiency. The shortage of power, which has caused rolling blackouts, increased load shedding and tariff hikes due to the higher cost of thermal power has brought to the fore the need for urgent solutions to the current demand for energy. The manufacturing sector, which is severely affected by the power shortages and had to resort to using diesel-powered generators, contracted by 3.5 percent in 2005/06, and 4.1 percent in 2009/10. In February 2012, Government commissioned the first turbine at the new power facility at Bujugali, with promises that the energy crisis will be eased by June 2012.

The second binding constraint to growth is human capital (skill deficiency). The tertiary institutions are producing tens of thousands of graduates, who unfortunately, lack the necessary skills to be effective in the marketplace. There is a high rate of graduate unemployment because employers in the private sector believe that Uganda trained graduates have the wrong set of skills. Uganda is said to have lower productivity per worker than its Kenya's neighbor. If the quality of university education is compromised, establishing quality assurance, while opening up the field to foreign universities for investment could help redeem Uganda's education quality.

The third binding constraint to growth is corruption. The cost of doing business, which ordinarily is high in Uganda due to energy and transport costs and low labour productivity, is heightened by an endemic corruption. The forth binding constraint to growth and development of the middle class in Uganda is low level of savings. Uganda's gross domestic savings (about 12.5 percent of GDP) is below the average for Sub-Saharan Africa (15.5 percent). To the extent that most people in middle class take loans to finance their consumption expenditures other than investment ventures, and are dependent on employment (jobs) for a living, some informants think that that Uganda's middle class is very fragile.

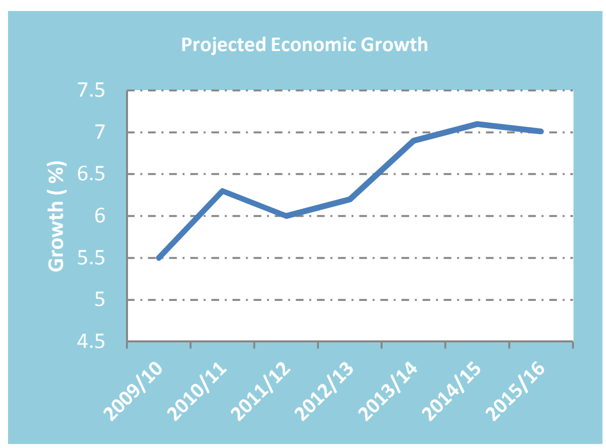
6 Middle Class' Capacity Potential for the Next 5–10 Years

In any economy in the world, a middle class tends to emerge and expand as the economy expands. This section presents two scenarios of Uganda's economic growth in the next 5 years, one in which we assume that there is no oil, and the second one including oil contribution [12]. It then highlights how the increased demand for goods and services arising from the growing middle class shall be met: domestic supply, regional and global supply.

6.1 GDP growth projections

6.1.1 Growth, without the contribution of oil

GDP is predicted to grow at an average of 6.7 percent per annum between 2011/12 and 2015/16 (Table A2). For the next five years, growth will be concentrated in three sectors: transport and communication services (growing at a rate of 16 percent per annum), financial services (at a rate of 23.5 percent per annum) and the construction sector (7 percent). Telecommunication services are predicted to grow at an average rate of 23 percent per annum between 2011/12 and 2015/16, agriculture at an average rate of 0.97 percent per anuum, manufacturing 7.7 percent, real estate 5.3 percent, and electricity supply 14.2 percent.



The economy is likely to become more monetized as shown by 2.5 percentage point change in monetary GDP, from 86.1 percent of GDP in 2010/11 to 88.6 percent in 2015/16, partly explained by fall in share of value added from agriculture and increase in industrial output. The contribution of agriculture to GDP is predicted to decline from 22.5 percent in 2010/11 to 19.6 percent in 2014/15, and about 18.5 percent in 2015/16. Services'

[12] We based our projections on a constant-returns-to-scale Cobb-Douglas production function with growth dependent on capital accumulation, growth of labour force, and technological improvements as explained under section 1.3.4.

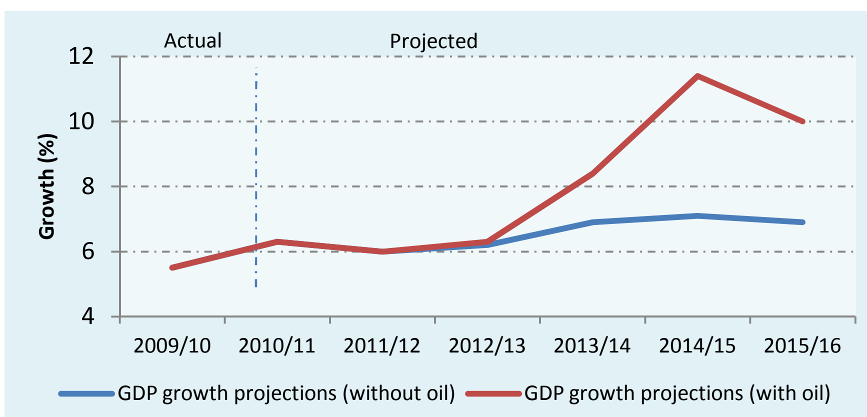
contribution to GDP is likely to stagnate at around 46 percent between 2010/11 and 2014/2015. Manufacturing sector is expected to shrink by 1.5 percentage point of GDP between 2010/11 and 2014/15 (i.e. from 8.6% to 7.1% of GDP), but improve slightly to 7.5 percent of GDP in 2015/16. Share of value added from financial services is expected to increase from the present 3.2 percent (2010/11) to about 4.8 percent in 2014/2015.

These findings highlights Uganda's potential to achieve high economic growth in the next years to come, even without oil. Overall, improvements in infrastructure (energy/electricity, roads) and in productivity through increased investment in human capital—remain the foundation for Uganda's economic growth for the coming decades.

6.1.2 Growth and investment prospects, with oil production

GDP growth could reach 11.4 percent in the second year of government's increased spending (with commercial oil production and if some of the binding constraints highlighted in the previous section are addressed). Growth is likely to slow down to 9.9 percent in the third year of government's increased spending (Table A3). The high growth promised by oil revenue is likely to lead to more FDI as well as domestic investment, which in turn will spur economic growth, employment and growth of the middle class, creating more opportunities for the business community in a wide range of products e.g. consumer goods and services.

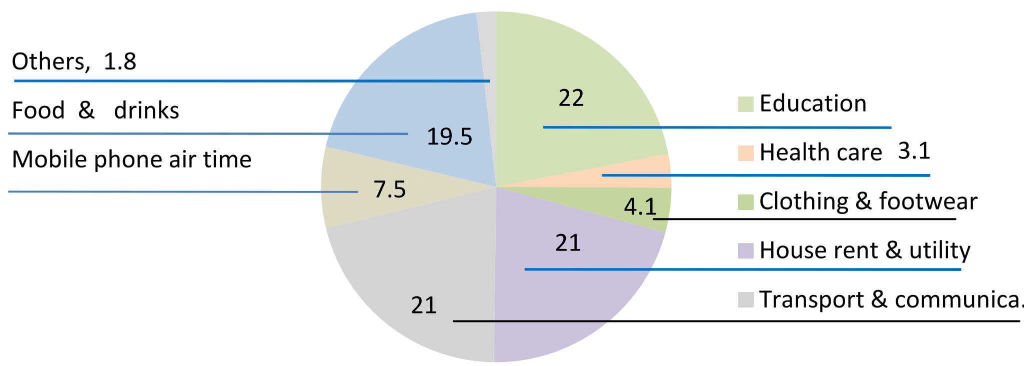
However, oil production presents potentially enormous consequence for other economic sectors. It might lead to a contraction of traditional industries such as agriculture as Rybczynski theorem would predict. The so-called, 'Dutch Disease', where industries making use of oil expand at the expense of other industries, has the potential to alienate rural producers, making their life more miserable (oil–induced poverty). The remedy is to increase investment in infrastructure and human resource development, which would allow private sector to redevelop other sectors of the economy, and strategic interventions aimed at helping struggling sectors such as agriculture. While the capacity of the middle class is envisaged to increase in the first 5-10 years of oil production, it doesn't come necessarily as a result of oil jobs, but as a result of investments in industries that make use of oil/oil products and services industries that have the capacity to create jobs. This calls for the need to focus on infrastructure development and in creating an environment that supports the development of such industries.



6.2 Meeting demand of the middle class: Where will supplies come from?

As is evident from Figure 11, about 53 percent of consumption demand of the middle class is met through domestic supply i.e. education services, health care, housing and utility, and mobile phone airtime. About 46 percent is met through imports and import substitution sources i.e. transport and communication related goods and services e.g. petrol, diesel, etc., car tires, tubes, spares, taxi (25 percent of total expenditure) as well as food and beverages, sports items, hotels, saloon and health fitness services and beauty products.

Figure 11 Distribution of total consumption by expenditure items, 2009/10 (PERCENTAGES)



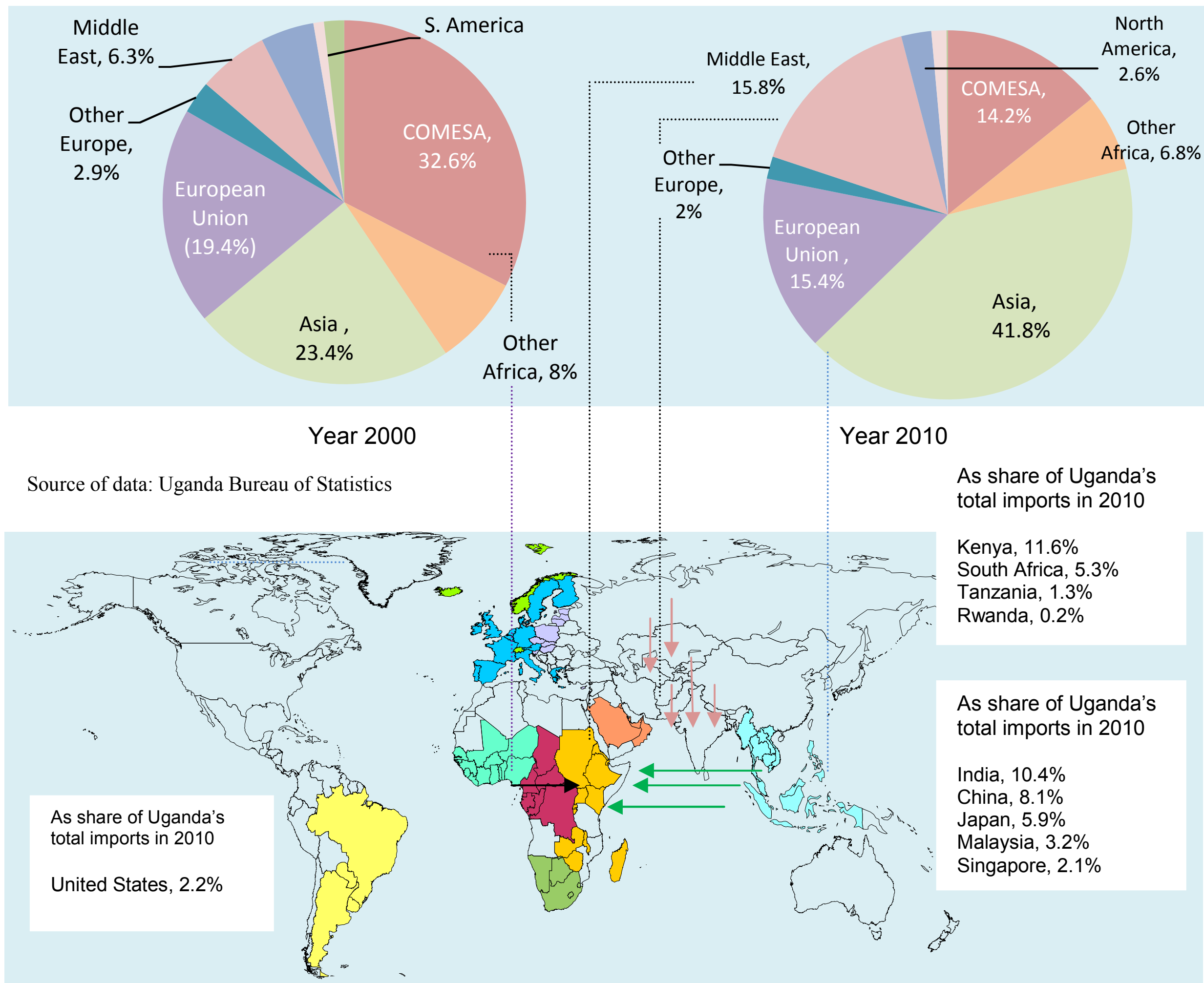
Source of data: Uganda Bureau of Statistics

The largest percentage of consumption by expenditure item is education (accounting for 22 percent of total expenditure by middle class in 2009/10), rent (21 percent), food and beverages (19.5 percent), transport and communication (21 percent) and mobile phone air time (7.5 percent).

Kenya, South Africa and South Asian countries (India, China, Japan, Malaysia, and Singapore) and United Arab Emirates are the main source of supply of a wide range of imported consumer goods demanded by middle class consumers in Uganda (clothing and footwear, bags, electronics, cars, furniture, watches, refrigerators, TV set, mobile phone, sport kits, etc.). The largest percentage of Uganda's imports is from Asia (42 percent of total imports in 2010), followed by the Middle East (15.8 percent) and the European Union (15.4 percent) – Figure 12. United Arab Emirates and Saudi Arabia remain Uganda's top importers from the Middle East. With the fast flow of imports from the Middle East and Asia, Uganda's reliance on regional imports is decreasing. Imports from COMESA as a share of total imports declined significantly from 32.6 percent in 2000 to 14 percent in 2010. Between 2006 and 2010, imports from COMESA grew by 27.4 percent, while imports from the Middle East grew by 53 percent and that from Asia, by 164 percent (with 227.5 percent growth of imports from China and 200 percent growth from India).

Chinese imports into Uganda include footwear, telecommunications equipment, textiles, electronic equipment, medical equipment, batteries, bags and cases, motorcycles and parts, fabric and textiles, pharmaceuticals, bicycles, rubber items, furniture, blankets, padlocks and keys.

Figure 12. Share of regions as origins of Uganda's imports, 2000 and 2010 (PERCENTAGES)

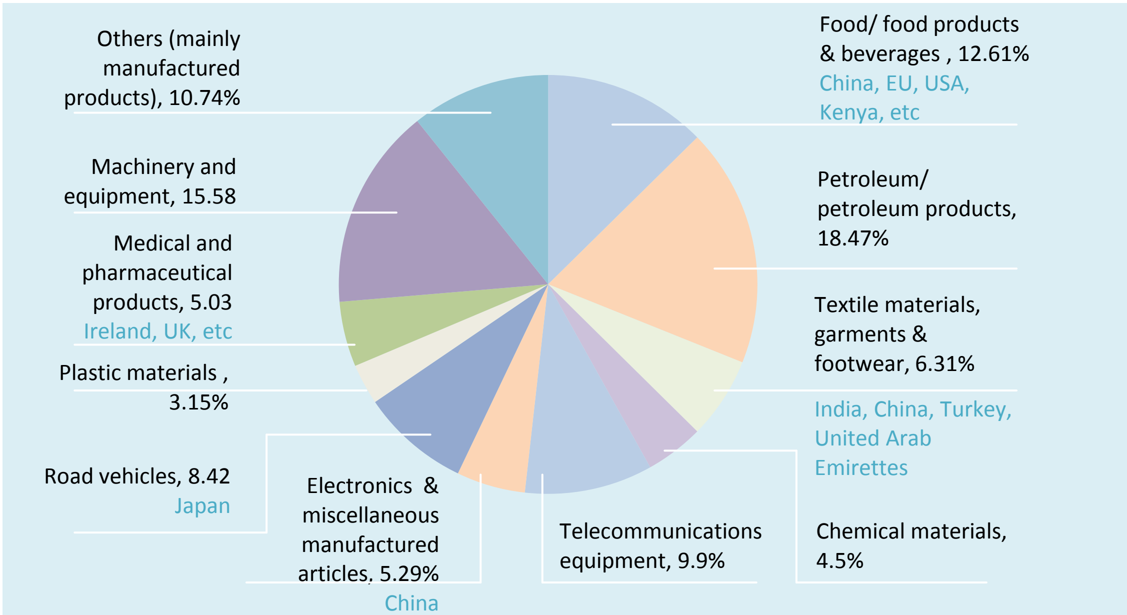


Source of data: Uganda Bureau of Statistics

Imports from selected EU countries as share of Uganda's imports in 2010/11
Ireland, 0.32%
United Kingdom, 2.79%
France, 1.4%
Germany, 2.6%
Netherlands, 3.09%
Source: Bank of Uganda

Uganda's recorded trade with China amounted to US$382.9 million in 2008, compared with US$37.5 million in 2001. The total trade volume between China and the five East African countries combined, amounted to US$2.2 billion in 2008, up from US$230 million in 2001 (a 8.6-fold increase in eight years). The importance of COMESA and domestic source of supplies of goods and services used by the middle class consumers in Uganda is likely to be reduced to supply of services and limited range of goods in which they possess unique comparative advantages over global suppliers, e.g. agricultural products. In 2007 food accounted for a substantial 12.6 percent of Uganda's import bills (Figure 13) and the share continues to grow despite the fact that Uganda produces enough and several varieties of food.

Figure 13. Structure of Uganda's imports, 2007 (PERCENTAGES)



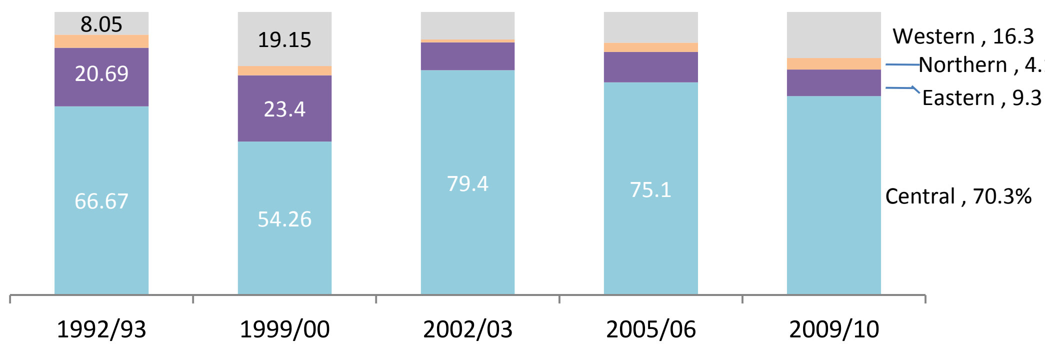
Middle class consumers choose what they will consume rather than be driven by the necessities of life. As income levels continue to rise, the middle class consumers will continue to diversify their spending, but also increasingly demand more quality and innovation in the goods that they purchase: better food, fancy clothing, nice furniture, new model of automobile, Smartphone, iPod, etc. This will continue to drive competition amongst suppliers and the opportunity to target goods to specific niches of consumers. As noted by Murphy, Shleifer and Vishny (1989), the middle class consumer are willing to pay a little extra for quality as a force that encourages product differentiation and thereby feeds investment in production and marketing of new goods.

6.3 Where to find them: Perspective on spatial dimensions in growth of the middle class

Figure 14 (derived from data on Table 10) helps us to understand whether or not growth in Uganda's middle class will remain an urban phenomenon, Kampala focused or regional hubs of development, especially when you relate this development to the trade routes linking point of production of oil with other regions of Uganda. Two major observations can be made. The middle class is concentrated in the central region i.e. Kampala and the neighboring towns of Mukono, Mpigi, Entebbe, Wakiso and Luwero, reflecting Uganda's geographically uneven development. Kampala alone is a home to over 65 percent of the middle class in Uganda. The gaps in access to quality education between urban and rural areas, and between central and other regions, deprive a large number of poorly educated children in remote areas, of the chances to seek upward social mobility (and limit intergenerational mobility), thereby keeping people especially in remote regions from joining the middle classes.

Second, a middle class is emerging in Northern and Western Uganda, and if this trend continues for the next three to five years, the share of the middle class in Kampala will fall below its 1999/2000 figure of 54 percent – with middle class spreading to other centres, outside Kampala as economic opportunities expand in those areas.

Figure 14. Regional distribution of the middle class (PERCENTAGE)



Future development of the middle class will be closely linked to the development taking place in the country at the moment, and the country demographic changes. The upcoming urban centres where one expects to see rise of the middle class in the coming 3 –10 years are Gulu (in northern Uganda), Mbarara and Hoima (in the west), Mbale and Jinja (in the east).

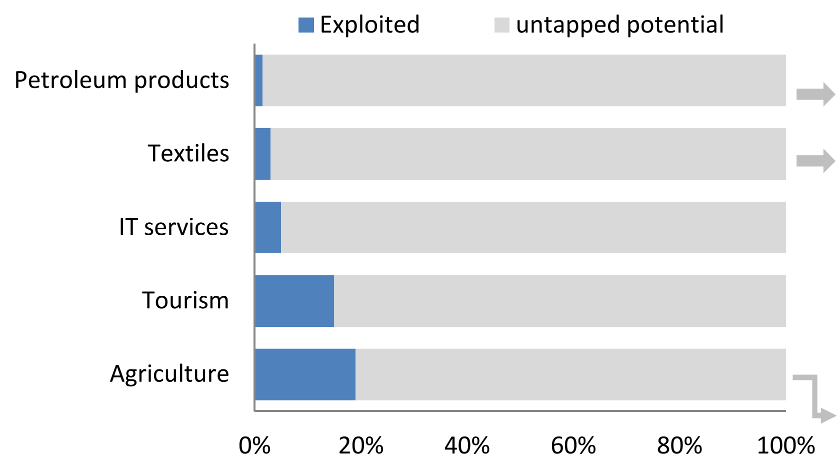
Gulu will rise because of cross border trade between Uganda and South Sudan. Gulu has grown into a hub, facilitating cross border movement of goods, services and people. The number of trading middle class in Gulu is likely to double in the next three years as trade become more entrenched between Uganda and South Sudan. Many development agencies have also established bases in Gulu, providing middle class jobs. Hoima will rise because of its proximity to oil exploitation and the oil refinery to be built in Kibale (as proposed by government). The ongoing effort to revive Jinja might see it rise again as an industrial town, while Mbale will thrive on the cross-border trade activities with Kenya.

Figure 18 shows the main trade routes for agriculture, which will be linking point of production of oil along Lake Albert (through Hoima, Masindi and Kibale) with other regions of Uganda. Crude oil will be produced in Hoima and transported by pipe for refinery in Kibale, and the refined product by pipe to Kampala for distribution. As such, potential benefits to the transport industry as a whole and the trade routes will be very limited. Apart from Hoima and Kibale where activities will be concentrated, not many townships can be expected to develop as a result of oil. The rise in middle class in Kampala due to new business opportunities will more than compensate for the growth in middle class in emerging towns such as Hoima, Kibale and Gulu. Uganda's middle class will (for the next 5 – 10 year) remain an urban phenomenon as the potential channels for reaching middle class: jobs in formal sector, private enterprises, and professional development are linked with opportunities (more available) in urban areas.

6.4 Areas of opportunities that will grow the middle class

After all has been said, the natural way to end this discussion on Uganda's emerging middle class is to highlight some of the areas that have been identified to have the most attractive investment opportunities in Uganda – important for future economic growth and a robust middle class. The five areas area: agriculture, tourism, ICT, textiles, and petroleum (Figure 15).

Figure 15. The most important investment opportunities in Uganda by industrial sectors



External trade, 2010/11, US$ m	
Imports	Exports
854.699	72,388
157.136	82.952[a]
--	--
--	--
Coffee	371.044
Horticulture	47.838
Grains	25.594
Edible oil	-
Fisheries	144.452*
Agro–processing	--

Note: * Fish and fish products, [a] cotton
- Data not available

Agriculture

When politicians talk about industrialization as the only way to develop Uganda, many of them are referring to the kind of industrialization that seeks to enhance agriculture: reviving hundreds of cotton ginneries, spinning mills, textile industries and coffee processing factories that were very crucial for performance of agriculture in the past.

Uganda exports labour intensive primary products, and when enhanced has a positive effect on employment and livelihoods. Because indigenous small and medium enterprises are struggling to survive, very little local value addition is happening. Coffee, cotton, tea, tobacco, sugar cane, cut flowers and fish are produced for exports mainly to European markets (especially EU). Tea is exported to UK, Iran, Egypt, Yemen, Sudan, Russia, Pakistan, Afghanistan, Kazakhstan, Poland, Iraq, and Canada. There is also a steady demand for food both at home and on regional market. Livestock, oil seeds, fruits, vegetables, spices, and a number of food crops, are increasingly being produced with export market in mind. Commercial floriculture is a new industry dating back only to 1993, but is growing rapidly. Roses are the main flowers being cultivated and principal export destinations are the Netherlands and Norway. In 2010, exports from roses and cut flowers amounted to US$22.5 billion. Table A10 provides monetary values of commodity exports for the last five consecutive years.

Among leading players in Uganda's agricultural businesses are Bwindi Passion Fruit Farmers, East African Oil Mill, GBK Dairy Ltd, Eagle Holdings Ltd, Igara Growers Tea Factory Ltd, Jesa Dairy Farm, Mariye Estates, Mukwano Industries, Kakira Oil and Soap Factory, Osu Ltd, Paramount Dairies, Poultry Breeders, Liberty Dairy Services, Reco Industries, RoseBud, Ugachick, Uganda Feeds Ltd, van Zanten (U) Ltd, and Ziwa Horticultural Exporters Ltd.

Cotton and textiles

There is a lot of potential in manufacturing of textiles and clothing. Ugandans spend over 4 percent of their total consumption on clothing and footwear (UBOS, 2011). Almost 95 percent of the textiles sold in Uganda today are imported from India, China and other Asian countries. Uganda's textiles industry relies on cotton grown by small scale farmers. Two varieties of cotton are produced: the long–staple Bukalasa Pedigree Abler (BPA) and the medium secure type Uganda (SATU). Uganda produces high quality organic cotton, which enables it to compete favourably in the world market. In the 1960s (up to early 1970s), Uganda produced about 86 thousand metric tons of cotton annually and about 40 percent of foreign exchange earnings was from cotton. Today Uganda is producing less than 15 thousand metric tons of cotton and earning less than 5 percent of foreign exchange (3% in 2011) from cotton. The textile sector awaits investments to help consolidate the sector and broaden the manufacturing base. The leading players in the sector are Nytil Picfare Industry Ltd and African Textile Mills whose performance has been very disappointing. Revamping the cotton sectors requires rehabilitation of ginneries, spinning mills, and textile mills. Opportunities along the value chain ranging from cotton to textile production, edible oils, soaps, and livestock feed would spread income to over 18 percent of Uganda's population. Most of Uganda's cotton is exported to Western Europe, but the US market is another possibility for growth, given Uganda's eligibility for benefits under the US African Growth and Opportunity Act (AGOA), which provides improved access to the US market.

Agro-industry

Other business areas in which Uganda offers the biggest opportunities for investment are agro-industry (processing of fruits and vegetables, edible oil, dairy products, and precooked foodstuffs). These import substitution industries have the potential to boost exports, create thousand of jobs and save Uganda billion of dollars in imports (Table A9b).

Tourism

The former Prime Minister, Sir Winston Churchill called Uganda "*The Pearl of Africa*" after his many journeys across Africa:

> "For magnificence, for variety of form and colour, for profusion of brilliant life – plant, bird, reptile, beasts – for vast scale, Uganda is truly the Pearl of Africa."
>
> *–Winston Churchill*

Uganda natural beauty and diversity has remained. Investment opportunities exist in the property development e.g. the creation of luxury villas of high standing and first class amenities and facilities, hotels and ancillary facilities, including, up–market business hotels, health tourism facilities, amusement parks, and museum industry linked to our rich history. In the 1960s, used to be the largest tourism destination in East Africa (it now ranks third after Kenya and Tanzania).

ICT and Digital media

Opportunities also exist in ICT and digital media and entertainment, including establishment of information and communication infrastructure and broadband services, hardware repair training facilities, software development, assembly of computer components, and laptops, and other electronic products. It also includes business process outsourcing services, ICT training facilities of an international standard, setting up of studios and processing laboratories, the development of locations for film shooting, the training of artists and technicians and film dubbing.

Business Process Outsourcing (BPO) activities are now at the forefront of the development of the ICT sector and government's strategy for job creation. With 500 university graduates that have undergone BPO skills training already, Uganda is ahead to establish itself as a major (future) recipient of foreign outsourced jobs, ranging from payroll administration, processing of receivables and payables, capture of accounting data and accounts preparation, to innovative projects in areas such as financial analysis, market research, insurance underwriting and claims processing, biomedical research and web design. Government has invested massively in the latest technological infrastructure: backbone infrastructure and has put in place appropriate legal and regulatory framework for the ICT sector (Cyber laws), e.g. Computer Misuse Act, the Electronic Transaction Act and the Electronic Signatures Act. Also in place is legal framework governing copyright ownership, the validity of electronic transactions and infringements to laws involving computer misuse and cyber crime.

Construction and forestry products

Investments opportunities exist in construction (residential houses or real estates development, industrial parks/estates, and warehouses); leather industry; and wood products (timber processing for export, manufacture of high quality furniture/wood products and various packaging materials); infrastructure development (energy: solar, geothermal, and wind energy, and industrial parks).

Oil and gas

While the prospect of Uganda becoming an oil producer delivers a sense of financial security and holds out a promise of a large middle class, many Ugandans seem not to be excited about this. A sector that of late has not entirely unfairly become a byword for corruption dealings, not many are very optimistic about how oil is going to benefit ordinary Ugandans.

Oil, as an extractive industry, does not create many jobs, but has the potential to trigger investments in oil related industries such as

"Oil does not create jobs. Oil will not make us rich. Oil creates a mentality of rent-seeking"

Ngozi Okonjo–Iweala, Nigerian Former Minister of Finance pharmaceuticals and chemical industry e.g. foam industry, plastic industry, etc. and supporting services such as financial services, hotels, and air transport (provided government invests in oil refinery). These industries are the ones that will create jobs for Ugandans, while revenue from oil could help Uganda's fiscal consolidation as it covers the country fiscal deficits, improve trade balance and ease exchange rate pressures. However, informants reckon that building local skills in the area of oil and gas will continue to be a pressing need for years to come.

At the projected rates of economic growth (Table A2), the size of Uganda's middle class are expected to reach 8 percent of the population by the year 2015 as labour productivity increases, the industrial bases expand and formal sector employment and wages increase. The large and dynamic middle class (estimated at close to 3.2 million in 2014/15) will help to foster private sector growth through increased effective demand for range of consumer goods and services. Although it is difficult to estimate how many jobs are likely to be created as the industrial base expands with the entry of oil and industries making use of oil and oil products, the growth of the middle class is envisaged to cause reorganization in industrial value chain to meet the taste of the middle class customers. This reorganization is inevitable if businesses are to continue to be competitive more so as regional integration deepens.

Potential for indigenous innovations

Further to the five areas (agriculture, tourism, ICT, textiles, and petroleum) — Uganda is rich in indigenous innovations. Coffee prepared by Bancafe (a coffee house in Kampala) is unique. With required support, Bancafe coffee can contribute to greater economic diversification, and could become the 'Starbucks' of Africa. There are many such models (e.g. the 1990s Nakatunya Restaurant in Soroti and Hotel Margherita in Kasese) providing services /products that are distinct from the rest within the same industry across the region. Deliberate policy geared towards identifying indigenous innovations that work (local champions), with potential for scaling up (through existing regimes e.g. franchise) will increase Uganda's chance of benefiting from deeper regional integration.

7 Conclusion and implications for policy

This paper set out to document Uganda's emerging middle class and its potential economic opportunities, specifically, who the middle class is, in the Uganda's context; the trends and size in number of people belonging to the middle class; the market potential (purchasing power), and drivers of the middle class. Using various sources of information, including key informant interviews as well as past studies and literature on middle class, national household surveys data, and case studies, the paper derived results that have been discussed in sections 2–6. From the discussions, the following conclusions can be made:

First, Uganda's middle class is a diverse and complex group of people, known by their life style as shown by the type of goods they buy, the houses they live in, and their expenditures, among other indicators. Yet, there also exists a silent group: the trading middle class who quite often, lives very simple life style, the 'trading middle class'.

Second, Uganda's middle class has grown both in terms of size and its purchasing power over the past ten years as evidenced by 3.1 percentage point increase in the number of people with consumption expenditure falling between Ush 1 million and Ush 5million per month, between 1992/93 and 2009/10 and by growth in demand for a range of consumer goods and services. Evidence points to population and economic growth, tertiary education expansion, advancement in information and communication technology, and innovation in financial services as the key drivers of the development of the middle class in Uganda. However, sustainability of Uganda's middle will depend on Uganda's success to control population growth, improve productivity through investment in human resource development and addressing problem of corruption, poor infrastructure and low savings. It will also depend on ability to widen economic options to absorb emerging middle as over 42 percent of Uganda's middle class still depend primarily on wage employment (jobs).

Fourth, if Uganda continues to grow as projected, the economy will secure long-term capital inflow to the level of US$1.4 billion in the next three years. In the next 5–10 years, Uganda's economy could produce a middle class comparable in number to what has been achieved in the last two to three decades. Had it not been because of high rate of population growth, the increased investment and trade could see an additional 4 percent of the population move into the middle class by year 2015. However, due to Uganda's geographically uneven development, the middle class will, for the next five to ten years remain an urban phenomenon. The upcoming urban centres, outside Kampala that will contribute to growth of the middle class in the coming 3–10 years are Gulu (in northern Uganda), Mbarara and Hoima (in the west), Mbale and Jinja (in the east) as seen from the development taking place in those areas at the moment. Increased demand of the middle class shall be met through domestic supply and import substitution sources (about 60 percent). Most of the global supply (at least 30 percent of demand) shall come from Asia and the Middle East as evident from the growing trend in imports.

Finally, the fact that Ugandans will rely on oil related industries and services industries for job creation, highlights the need to focus on infrastructure development and business environment that will attract investment in such industries.

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Table 13 Uganda: Sectoral growth in GDP (%), 1996 - 2011

Industry group	1996/97	1997/98	1998/99	1999/00	2000/01	2001/02	2002/03	2003/04	2004/05	2005/06	2006/07	2007/08	2008/09	2009/10	2010/11
Total GDP	**4.5**	**5.4**	**7.3**	**6.2**	**5.0**	**6.4**	**4.7**	**5.5**	**6.6**	**10.8**	**8.4**	**8.7**	**7.3**	**5.5**	**6.3**
Monetary	**6.3**	**6.5**		**6.1**	**5.1**	**7.5**	**5.4**	**6.4**	**7.7**	**6**	**9.2**	**8.7**	**7.2**	**5.5**	**6.3**
Agriculture	3.8	2.5	6.6	5.2	4.5	5.7	3.9	0.9	2.6	0.2	0.1	0.5	2.4	2.1	-0.5
Mining and quarrying	50.2	27.7	14.5	6.3	10.1	11	1.2	8.6	11.6	-1.5	19.4	3.0	4.3	15.8	15.8
Manufacturing	13.4	14.4	14.2	3.6	8.9	5.3	4.2	4.5	11.1	-1.6	5.6	7.3	10.0	6.6	6.5
Electricity /1	10.1	7	5.3	7.9	8.2	5.3	4.5	6.7	5.9	-1.2	-4.0	5.4	10.6	14.5	13.1
Water										2.4	3.5	3.8	5.7	4.4	4.1
Construction	7.7	8	10.9	7.1	1.3	13.4	11.6	13.8	11.9	13.7	13.5	10.7	3.7	6.0	7.9
Wholesale, retail trad	2.3	6.3	10.5	1.9	6.5	6.2	4.7	3.3	9.1	4.2	10.4	14.7	9.7	0.7	3.0
Hotels & restaurants	9.1	4.4	7.3	18.7	7.1	18.1	7.5	19.1	4.5	21.8	11.3	10.7	4.5	4.5	4.1
Transport & com.	10.6	10	6.9	8.5	9.6	12.3	16.8	21.2	21.4	20.7	17.7	21.3	14.3	17.5	13.9
o/w Air transport /2										6.9	13.8	17.8	-3.6	0.9	2.1
Post & telecom										26.2	29.1	22.6	19.8	23.7	21.2
Financial services										31.7	-11.9	17.1	25.4	36.1	10.3
Real estate activities										4.9	4.9	4.9	4.9	4.9	4.9
Community services	6.3	6.0	4.4	8.6	2.4	7.0	2.6	6.0	5.0	6.2	13.4	12.8	12.3	11.8	11.4
Non-Monetary	**-0.7**	**2**	**5.4**	**6.3**	**5.1**	**2.6**	**1.3**	**1.7**	**1.2**	**1.4**	**2.6**	**4.0**	**4.1**	**4.2**	**4.2**
Agriculture	-1.9	1.2	4.9	6.1	4.6	1.7	0.1	0.7	0	0.6	0.2	2.6	2.7	2.8	2.8
Construction	2.8	2.7	3.4	3.4	3.3	3.3	3.3	3.3	3.3	3.3	3.0	3.0	3.0	3.0	3.0
Owner-occupied dwellings	8	7	8.5	8	8	7	6.5	6	6	4	6.0	6.0	6.0	6.1	6.1
Per capita GDP	**1.7**	**2.7**	**3.8**	**2.6**	**1.5**	**3.0**	**1.4**	**2.2**	**3.2**	**1.9**	**4.8**	**5.0**	**3.5**	**1.7**	**2.6**

Notes: 1996/97 – 2005/06 GDP at factor cost at constant (1991) prices. 2006/07 – 2010/11 GDP at constant (2002) prices
/ 1 Figures for 1996/97 – 2005/06 includes electricity and water. Figures for 2006/07 – 2010/11 include electricity only
/2 Air transport and support services
Source: Abstract (2001 to 2006) Uganda Bureau of Statistics

Table 14 Uganda's sectoral GDP growth projections (%), 2011/12 – 2016/17 (Non oil scenario)

Industry group	2009/10	2010/11	2011/12	2012/13	2013/14	2014/15	2015/16	2016/17
	Actual		Projected					
Total GDP	**5.5**	**6.3**	**6.0**	**6.2**	**6.9**	**7.1**	**6.9**	**7.0**
Total Monetary	**5.5**	**6.3**	5.9	6.2	6.8	6.8	6.8	6.8
Agriculture	2.1	-0.5	1.3	1.0	0.6	1.1	0.9	0.9
Mining and quarrying	15.8	15.8	11.2	15.0	15.6	15.7	16.0	15.7
Manufacturing	6.6	6.5	7.2	7.1	7.7	8.3	8.0	8.0
Electricity	14.5	13.1	11.9	13.9	14.4	15.1	14.9	14.8
Water	4.4	4.1	4.4	4.5	4.8	5.2	5.0	5.0
Construction	6.0	7.9	5.5	6.8	7.5	7.4	7.5	7.5
Wholesale & retail trade	0.7	3.0	4.2	2.8	3.7	4.0	3.6	3.8
Hotels & restaurants	4.5	4.1	4.1	4.5	4.7	5.0	4.9	4.8
Transport & communication	17.5	13.9	14.3	16.0	16.4	17.5	17.2	17.0
o/w Air transport and support services	0.9	2.1	-0.2	1.0	1.1	0.7	1.0	0.9
Post & telecommunication	23.7	21.2	20.2	22.8	23.8	25.0	24.7	24.5
Financial services	36.1	10.3	22.4	24.2	21.1	25.3	24.3	23.6
Real estate activities	4.9	4.9	4.6	5.1	5.4	5.6	5.5	5.5
Community services	11.8	11.4	11.1	12.0	12.8	13.5	13.2	13.1
			0.0	0.0	0.0	0.0	0.0	0.0
Total Non-Monetary	**4.2**	**4.2**	**3.9**	**4.3**	**4.6**	**4.8**	**4.7**	**4.7**
Agriculture	2.8	2.8	2.6	2.9	3.1	3.2	3.1	3.1
Construction	3.0	3.0	2.8	3.1	3.3	3.4	3.4	3.4
Owner-occupied dwellings	6.1	6.1	5.7	6.3	6.7	7.0	6.9	6.9

Notes: 2009/10 – 2010/11: GDP at factor cost at constant GDP at constant (2002) prices
Source: 2009/10 – 2010/11: Abstract (2001 to 2006) Uganda Bureau of Statistics
20011/10 – 2016/17: Author's calculations

Table 15 Uganda's sectoral GDP growth projections (%), 2011/12 – 2016/17 (with contribution of oil)

Industry group	Actual		Projected				
	2009/10	2010/11	2011/12	2012/13	2013/14	2014/15	2015/16
Total GDP	**5.5**	**6.3**	**6.0**	**6.2**	**8.4**	**11.4**	**10.0**
Total Monetary	**5.5**	**6.3**	**5.9**	**6.2**	**8.1**	**8.1**	**9.8**
Agriculture	2.1	-0.5	1.3	1.0	0.7	**-0.1**	**-0.3**
Mining and quarrying	15.8	15.8	11.2	15.0	15.7	**1.9**	**10.0**
Manufacturing	6.6	6.5	7.2	7.1	10.2	**13.5**	**11.2**
Electricity	14.5	13.1	11.9	13.9	14.7	**14.4**	**10.0**
Water	4.4	4.1	4.4	4.5	4.9	**4.5**	**4.9**
Construction	6.0	7.9	5.5	6.8	9.9	**-3.3**	**8.2**
Services						**4.6**	**9.8**
Wholesale & retail trade	0.7	3.0	4.2	2.8	2.9	**3.8**	**8.3**
Hotels & restaurants	4.5	4.1	4.1	4.5	8.4	**0.7**	**7.3**
Transport & communication	17.5	13.9	14.3	16.0	17.0	**19.7**	**12.1**
o/w Air transport and support services	0.9	2.1	-0.2	1.0	2.9	**3.5**	**8.3**
Post & telecommunication	23.7	21.2	20.2	22.8	23.9	**16.6**	**14.0**
Financial services	36.1	10.3	22.4	24.2	24.6	**9.5**	**7.1**
Real estate activities	4.9	4.9	4.6	5.1	5.3	**-14.9**	**5.7**
Community services	11.8	11.4	11.1	12.0	11.0	**-12.1**	**6.7**
Oil and gas	--	--	--	--			
Total Non-Monetary	**4.2**	**4.2**	**3.9**	**4.3**	**4.0**	**2.6**	**10.8**
Agriculture	2.8	2.8	2.6	2.9	2.9	**-0.2**	**8.4**
Construction	3.0	3.0	2.8	3.1	5.3	**-2.3**	**0.8**
Owner-occupied dwellings	6.1	6.1	5.7	6.3	6.9	**-1.7**	**-5.7**

The results presented in Table A3 depict economic growth in the first three years of Uganda becoming an oil producing country (beginning 2013/14).

Notes: 2009/10 – 2010/11: GDP at factor cost at constant GDP at constant (2002) prices

Source: 2009/10 – 2010/11: Abstract (2001 to 2006) Uganda Bureau of Statistics

20011/10 – 2016/17: Author's calculations

Table 16 Uganda’s imports by region and country of origin, (‘000 US$), 2000 – 2007

Region/Country	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
COMESA	312,246	295,695	337,711	389,630	434,154	565,011	450,419	560,321	668,684	657,915	671,248	
Other Africa	76,708	82,455	84,968	101,047	160,139	177,881	188,853	242,712	380,982	299,882	321,647	
Asia	224,127	259,761	292,580	382,110	499,396	540,808	749,982	1,174,968	1,573,959	1,612,387	1,976,768	
European Union	185,566	198,181	183,573	243,734	314,496	387,158	481,209	717,642	877,988	752,757	727,490	
Other Europe	27,920	34,643	27,921	24,325	11,793	21,703	69,894	66,049	152,685	97,875	93,210	
Middle East	60,270	69,319	73,904	101,707	121,883	206,879	489,218	566,592	740,652	688,784	747,827	
North America	45,454	38,439	43,149	88,031	122,926	105,723	98,615	128,779	144,896	138,271	124,563	
South America	8,823	7,457	2,175	5,521	26,092	31,550	11,557	32,407	53,730	78,639	62,333	
Rest of the World	17,316	20,607	27,752	38,999	35,250	17,424	17,561	5,921	10,398	13,113	5,747	
Selected COMESA countries												
Egypt	5,936	4,582	4,534	6,430	8,957	14,962	16,241	26,826	38,017	38,773	44,952	
Kenya	296,033	281,472	312,870	357,327	399,152	520,686	400,965	495,687	551,954	545,913	549,061	
Mauritius	965	561	1,319	2,484	3,149	1,202	1,752	2,587	2,981	7,270	9,669	
Rwanda	694	352	1,367	536	636	498	488	3,786	4,044	5,047	8,855	
Sudan	595	140	59	2	170	208	79	182	9,651	6,160	6,993	
Swaziland	4,931	5,231	8,209	10,003	16,841	17,882	27,919	25,221	24,436	18,403	20,714	
Zambia	811	1,596	576	12	481	839	980	1,576	973	879	613	
Zimbabwe	1,642	1,296	695	53	899	921	383	871	1,135	910	508	
Other	11,152	8,959	8,081	1,774	3,869	7,812	1,612	3,583	35,493	34,560	29,884	
Other Africa	76,708	82,455	84,968	101,047	160,139	**177,881**	188,853	242,712	381,080	299,882	321,647	
South Africa	65,915	72,850	83,665	98,984	140,749	143,676	156,272	207,191	305,182	245,274	250,384	
Other	1,947	1,550	1,303	2,063	19,390	4,112	3,872	4,721	14,434	8,171	9,664	
Selected Asian countries												
China	29,457	36,227	44,026	70,248	103,093	109,217	138,260	274,268	365,783	379,211	414,658	
Hong Kong	14,086	19,652	17,447	16,805	13,393	16,511	20,513	40,264	46,865	37,097	35,555	
India	48,101	66,555	71,913	102,160	121,682	131,813	208,987	341,394	470,490	521,084	684,410	
Japan	67,598	75,018	87,312	90,361	121,791	146,552	174,470	229,920	268,728	269,967	305,533	
South Korea	5,860	4,913	4,757	6,970	11,823	16,368	26,306	29,062	47,568	65,160	80,660	
Malaysia	20,005	23,161	32,058	42,062	67,133	47,214	48,871	63,215	145,951	76,891	100,507	
Pakistan	5,006	5,699	9,983	18,294	11,963	10,115	9,862	19,639	18,649	20,998	26,500	
Singapore	8,542	5,133	6,245	11,368	12,150	9,798	37,268	60,089	94,234	89,685	89,947	
Thailand	7,255	8,651	5,290	8,773	14,159	14,765	17,430	28,822	27,268	39,166	49,003	
Other	12,801	10,736	9,754	15,069	22,207	38,455	68,016	88,296	88,423	113,129	189,995	

Source: Uganda Bureau of Statistics

Table A4 (cont'd). Uganda's imports by region and country of origin, *continues*

Region/Country	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
European Union	**185,566**	**198,181**	**183,573**	**243,734**	**314,493**	387,158	**481,209**	**717,642**	**877,988**	**752,757**	**727,490**	
Belgium	18,990	15,938	16,587	23,087	35,551	31,073	**35,812**	**49,362**	52,831	35,893	34,839	
Denmark	9,542	7,023	7,410	10,985	8,580	17,919	**15,064**	**40,786**	43,077	36,425	18,928	
Finland	928	970	1,934	1,912	2,995							
France	13,962	24,450	11,693	15,596	35,862	35,317	**37,155**	**99,923**	179,163	158,180	64,500	
Germany	23,816	38,212	30,306	39,151	36,410	49,256	74,869	81,144	88,424	95,899	128,578	
Italy	14,232	17,748	25,030	23,320	21,868	49,222	33,127	45,097	87,467	56,634	69,132	
Netherlands	18,525	14,840	18,842	25,015	37,101	43,875	51,672	55,985	75,457	87,325	133,198	
Spain	2,198	3,170	3,957	15,885	7,610	5,582	**5,653**	**16,972**	12,361	20,938	9,675	
Sweden	4,709	18,105	9,148	8,811	30,241	22,643	31,863	98,707	96,535	40,308	45,508	
United Kingdom	80,931	72,252	67,738	86,411	84,419	99,405	124,021	117,897	137,642	140,319	134,469	
Other	3,370	4,548	20,852	4,284	47,091	23,901	71,972	111,768	105,030	80,837	88,663	
Other Europe	**27,920**	**34,643**	**27,921**	**24,325**	**11,796**	**21,703**	**69,894**	**66,049**	**152,685**	**97,875**	**93,210**	
Norway	7,840	4,479	2,038	1,036	3,441	1,773	1,376	7,245	50,736	5,836	2,655	
Switzerland	9,649	6,623	8,922	7,056	6,724	7,555	29,272	28,183	22,641	18,387	19,012	
Turkey						5,486	15,827	15,188	46,826	42,479	23,098	
Middle East	**60,270**	**69,319**	**73,904**	**101,707**	**121,883**	**206,879**	489,218	566,592	**740,652**	**688,784**	**747,827**	
Israel	1,491	1,793	1,707	4,035	8,703	16,728	10,337	11,557	13,802	10,078	7,787	
Saudi Arabia	6,682	8,089	7,332	12,270	14,876		52,277	45,720	115,665	169,472	239,295	
United Arab Emirates	47,032	56,258	61,917	80,416	84,891		325,253	412,356	515,527	416,552	391,040	
Other	5,064	3,178	2,949	4,986	13,414		101,352	13,898	20,931	40,622	30,503	
North America	45,454	38,439	43,149	88,031	122,926	105,723	98,615	128,779	**144,896**	**138,271**	**124,563**	
Canada	9,317	8,846	6,698	8,283	18,949		7,745	25,124	25,651	31,654	16,708	
Mexico	2,816	177	29	166	37		59		225	184	964	
United States	30,813	28,133	35,842	78,129	103,499	78,143	89,720	100,939	117,360	91,722	105,530	
Other	2,508	1,284	580	1,453	442		1,091	2,717	1,660	14,710	1,361	
South America	8,823	7,457	2,175	5,521	26,092		11,557	32,407	**53,730**	**78,639**	**62,333**	
Argentina	1,932	862	230	2,191	17,838		2,323	18,660	47,443	25,068	759	
Brazil	4,092	3,832	1,508	3,115	8,171		9,100	8,289	5,560	49,973	50,325	
Uruguay							10	3,895	590	1,329	2,684	
Colombia	1,637	2,559	26	8	3		-	-				
Rest of the World	17,316	20,607	27,752	38,999	35,250		17,561	5,921	**10,398**	**13,113**	**5,747**	
Total	**958,464**	**1,006,557**	**1,073,732**	**1,375,106**	**1,726,128**	2,054,137	2,557,308	3,495,391	**4,603,973**	**4,339,623**	**4,730,833**	

Source: Uganda Revenue Authority and Uganda Bureau of Statistics

Table 17 Structure of demand, Uganda and selected Sub–Saharan African countries

Country	As Share of GDP (%)															
	Household consumption expenditure			General government consumption expenditure			Gross fixed capital formation			Exports of goods and services			Imports of goods and services			Gross national savings
	1990	**2000**	**2009**	**1990**	**2000**	**2009**	**1990**	**2000**	**2009**	**1990**	**2000**	**2009**	**1990**	**2000**	**2009**	**2000**
Sub –Saharan Africa	65.3	68.5	66.9	17.5	15.7	17.6	18.2	16.3	22.3	26.4	32.4	29.8	25.6	30.8	33.5	15.5
Excluding S. Africa	72.5	73.5	..	15.6	13.4	..	17.4	17.4	22.0	28.0	35.7	31.7	30.5	35.1	37.6	15.2
All Africa	64.7	65.1	65.2	16.4	15.1	15.7	21.1	18.1	23.5	26.4	30.7	30.7	28.4	28.5	34.7	17.2
Burundi	94.5	88.5	..	10.8	17.5	..	15.2	6.1	..	7.9	7.8	..	27.8	19.9	..	4.4
Kenya	62.8	77.7	75.9	18.6	15.1	16.3	20.6	16.7	20.1	25.7	21.6	25.2	31.3	31.7	38.3	13.5
Rwanda	83.7	87.7	81.1	10.1	11.0	14.6	14.6	18.3	21.8	5.6	8.7	11.7	14.1	25.7	29.2	12.9
Tanzania	80.9	78.3	62.3	17.8	11.7	19.8	25.8	16.4	29.3	12.6	13.4	23.2	37.5	20.1	35.2	12.7
Uganda	91.9	77.5	76.1	7.5	14.5	11.4	12.7	19.2	23.5	7.2	10.7	23.4	19.4	22.1	34.6	14.4
Botswana	33.2	30.8	62.8	24.1	25.4	24.2	32.4	25.8	28.2	55.1	53.3	33.6	49.8	41.2	44.6	41.4
Congo, Dem. Rep.	79.1	88.0	74.4	11.5	7.5	7.9	12.8	3.5	29.8	29.5	22.4	9.6	29.2	21.4	21.7	..
Djibouti	78.9	76.8	..	31.5	29.7	..	14.1	8.8	..	53.8	35.1	..	78.4	50.4	..	5.4
Ethiopia	77.2	73.8	87.7	13.2	17.9	8.2	12.9	20.3	22.4	5.6	12.0	10.6	8.8	24.0	28.8	15.9
Lesotho	123.3	83.3	78.8	25.8	41.7	50.4	57.0	42.5	31.5	18.1	34.2	51.2	123.2	103.4	111.7	24.1
Malawi	71.5	81.6	61.9	15.1	14.6	20.9	20.1	12.3	21.8	23.8	25.6	30.0	33.4	35.3	37.7	9.5
Mauritius	63.4	60.3	74.6	13.6	14.1	14.6	30.6	22.9	26.2	65.0	61.4	48.4	72.2	61.9	59.1	26.3
Mozambique	92.3	80.6	84.4	13.5	9.0	13.4	22.1	31.0	21.0	8.2	16.5	25.1	36.1	37.0	43.8	10.4
Namibia	51.2	63.1	61.9	30.6	23.5	24.2	21.2	16.6	24.7	51.9	40.9	46.6	67.4	44.5	59.9	25.4
South Africa	57.1	63.0	60.4	19.7	18.1	21.0	19.1	15.1	22.6	24.2	27.9	27.3	18.8	24.9	28.1	15.8
Swaziland	80.4	78.0	72.8	14.3	18.7	27.0	14.5	17.4	16.9	59.0	76.1	59.8	68.9	90.1	76.5	12.4
Zambia	64.4	87.4	61.3	19.0	9.5	13.1	13.5	16.0	22.1	35.9	27.1	35.6	36.6	41.5	32.2	–1.4

Source: The World Bank (2011) Africa Development Indicators
Note: 2009 provisional.

Table 18 FDI inflows to Uganda and selected Southern and East African countries, 2005 – 2010 (million of dollars)

Country	FDI inflows						FDI outflows					
	2005	**2006**	**2007**	**2008**	**2009**	**2010**	**2005**	**2006**	**2007**	**2008**	**2009**	**2010**
Burundi	1	0	1 a	14 a	10 a	14 a	--	--	--	--	--	--
Kenya	21	51	729	96	141	133a	10	24	36	44	46	18a
Rwanda	14	31	82	103	119	42	-	-	13	-	-	-
Tanzania	494	597	647	679	645	700a	--	--	--	--	--	--
Uganda	380	644	792	729	816	848	--	--	--	--	--	--
Ethiopia	265	545	222	109	221a	184a	--	--	--	--	--	--
Djibouti	22	108	195	229	100	27	--	--	--	--	--	--
Botswana	279	486	495	528	579a	529a	56	50	51	- 91	- 65a -	38a
Congo, Dem. Rep.	-	256	1 808	1 727	664	2 939	13	18	14	54	35	7
Lesotho	57	89	97	56	48	55	-	-	-	-	-	-
Malawi	52	72	92	9	60a	140a	1	1	1	25	1a	1a
Mauritius	42	105	339	383	257	430	48	10	58	52	37	129
Mozambique	108	154	427	592	893	789	0	0	-0	-0	- 3	1
Namibia	348	387	733	720	516	858	- 13	- 12	3	5	- 3	- 4
South Africa	6 647	- 527	5 695	9 006	5 365	1 553	930	6 063	2 966	- 3 134	1 151	450
Swaziland	- 46	121	37	106	66	93a	21	1	- 23	8	- 7	8a
Zambia												

Source: UNCTAD, World Investment Report 2011
[a] Estimates.

Table 19 Trends in private final consumption, 1988 – 2010

Fiscal Year	1988/89	1989/90	1990/91	1991/92	1992/93	1993/94	1994/95	1995/96	1996/97	1997/98	1998/99
Private consumption (Ush billion)	824.14	1278.97	1682.25	2487.61	3449.49	3730.98	4447.23	5154.11	5686.72	6152.77	6517.66
Fiscal Year	**1999/00**	**2000/01**	**2001/02**	**2002/03**	**2003/04**	**2004/05**	**2005/06**	**2006/07**	**2007/08**	**2008/09**	**2009/10**
Private consumption (Ush billion)	7247.54	8157.06	8202.03	9082.00	10171.84	11000.00	11334.00	12397.00	12542.00	14328.00	15659.00

Source: Background to the Budget

Table 20 **Distribution of total consumption by expenditure item and number of middle class spending on the consumer items (PERCENTAGE)**

Consumption item	Share of expenditure (%)	Share of middle class (%)
	2009/10	2009/10
Education	22.0	89.5
Health care	3.1	72.9
House furnishings /1	1.0	61.4
Home appliances & equipment		65.0
Clothing & footwear	4.1	96.0
House rent & utility	21.0	
Transport & communication		
Petrol, diesel, etc	15.0	45.1
Car tires, tubes, spares	2.5	20.9
Taxi fares	2.5	59.9
Bus fares	0.0	10.5
Boda – Boda fares*	1.0	49.1
Mobile phone air time	7.5	94.9
Newspapers and magazines		43.3
Food & drinks	19.5	0.0
Sports, theaters, etc	0.1	11.9
Hotels, lodging		7.6
Barber and beauty shops	0.1	89.2

Source data: Uganda Bureau of Statistics, Uganda National Household Surveys
Notes: /1 furniture, carpet, etc

Table 21 Imports into Uganda ('000 US$) by SITC groupings, 2007 - 2010

SITC2	LABEL	2007	2008	2009	2010
00	Live animals other than animals of division 03	861.615	1,244	1,304	2,663
01	Meat and meat preparations	933.215	1,242	1,277	1,719
02	Dairy products and bird's eggs	5,589.087	5,727	3,978	4,426
03	Fish, crustaceans and molluscs and preparations thereof	698.387	839	759	1,486
04	Cereals and cereal preparations	158,778.628	173,226	203,044	187,126
05	Vegetables and fruit	20,303.309	19,705	15,205	13,809
06	Sugars, sugar preparations and honey	71,349.464	71,457	75,216	90,556
07	Coffee, tea, cocoa, spices, and manufactures thereof	5,031.751	6,801	6,335	7,755
08	Feeding stuff for animals (not including unmilled cereals)	1,172.422	758	949	1,082
09	Miscellaneous edible products and preparations	12,884.611	22,558	21,220	22,960
11	Beverages	19,294.425	40,012	43,875	35,888
12	Tobacco and tobacco manufactures	9,282.903	10,669	11,895	11,952
21	Hides, skins and furskins, raw	68.676	9	4	33
22	Oil-seeds and oleaginous fruits	5,084.855	5,377	3,850	1,955
23	Crude rubber (including synthetic and reclaimed)	394.056	296	306	199
24	Cork and wood	2,020.839	7,248	4,390	2,562
25	Pulp and waste paper	59.218	213	66	201
26	Textile fibres (other than wool tops), wastes; not manufactured	28,581.993	34,768	34,556	41,892
27	Crude fertilizers and minerals (excl. coal, petrol, precious stones)	17,974.467	26,866	24,519	27,927
28	Metalliferous ores and metal scrap	1,225.260	1,487	4,034	8,316
29	Crude animal and vegetable materials, nes	4,489.083	4,578	4,430	5,320
32	Coal, coke and briquettes	2,229.899	4,339	2,354	63
33	Petroleum, petroleum products and related materials	645,587.467	837,091	728,624	916,981
34	Gas, natural and manufactured	6,163.240	6,703	7,123	8,903
35	Electric current	14,837.490	15,517	5,577	6,414
41	Animal oils and fats	28.459	74	162	199
42	Fixed vegetable fats and oils, crude, refined or fractionated	103,324.816	195,529	126,277	179,921
43	Anim. or veg. fats and oils, processed; animal or vegetable waxes	21,771.307	31,846	13,132	15,321
51	Organic chemicals	31,927.066	48,271	50,393	49,260
52	Inorganic chemicals	18,544.777	31,894	28,616	26,649
53	Dyeing, tanning and colouring materials	11,056.633	15,912	13,136	16,115
54	Medical and pharmaceutical products	175,778.015	246,202	213,797	204,424
55	Essential oils, perfume materials; toilet cleaning preparations	52,785.792	71,679	60,274	65,662
56	Fertilizers , manufactured (other than those of group 272)	12,140.287	36,930	40,877	20,596
57	Plastics in primary forms	96,070.721	117,752	96,370	116,069
58	Plastics in non-primary forms	14,187.635	19,862	17,566	19,900
59	Chemical materials and products, nes	30,976.326	50,819	37,397	55,860
61	Leather, leather manufactures, nes, and dressed furskins	92.091	77	119	98
62	Rubber manufactures, nes	36,078.125	50,646	45,500	51,696
63	Cork and wood manufactures (excl. furniture)	4,203.323	4,352	5,034	3,730
64	Paper, paperboard, and articles of paper pulp, paper or paperboard	69,126.927	99,416	97,758	96,748
65	Textile yarn, fabrics, made-up articles, nes, and related products	73,979.273	73,378	66,164	102,248
66	Non-metallic mineral manufactures, nes	117,534.744	146,703	158,186	151,215
67	Iron and steel	173,423.408	309,514	220,021	228,822
68	Non-ferrous metals	22,948.229	25,765	22,880	22,135
69	Manufactures of metals, nes	74,106.493	102,390	145,400	112,739
71	Power generating machinery and equipment	50,709.272	116,904	93,052	98,252
72	Machinery specialized for particular industries	101,525.377	149,685	198,508	232,054
73	Metal working machinery	8,431.262	11,313	11,024	16,521
74	General industrial machinery and equipment, nes, machine parts, nes	69,687.936	105,951	114,442	124,539

Table A9 (cont'd) Imports in Uganda ('000 US$) by SITC groupings, 2007

SITC2	LABEL	2007	2008	2009	2010
75	Office machines and automatic data-processing machines	70,706.543	84,504	64,176	86,560
76	Telecommunications and sound recording/reproducing apparatus, etc	349,159.682	300,634	228,982	227,932
77	Electrical machinery, apparatus and appliances, nes	112,604.426	130,035	174,802	145,406
78	Road vehicles (including air-cushion vehicles)	294,309.948	338,433	369,810	418,822
79	Other transport equipment	6,728.807	12,484	14,166	49,593
81	Prefabricated buildings; sanitary, plumbing, etc, fixtures and fittings	15,371.774	11,844	15,804	18,549
82	Furniture & parts thereof; bedding, mattresses, mattress supports, etc	21,950.254	16,122	15,514	18,297
83	Travel goods, handbags and similar containers	5,808.647	8,928	8,630	7,835
84	Articles of apparel and clothing accessories	48,813.085	56,978	46,879	47,731
85	Footwear	38,242.996	43,849	38,659	40,765
87	Professional, scientific and controlling instruments and apparatus, nes	45,647.645	46,026	47,193	53,255
88	Photographic apparatus, equipment & supplies, optical goods; watches	6,232.531	7,519	6,195	12,238
89	Miscellaneous manufactured articles, nes	72,442.398	106,899	135,572	124,370
96	Coin (excl. gold coin), not being legal tender	0.084	2	17	23
97	Gold, non-monetary (excl. gold ores and concentrates)	2,037.624	8	10,226	0.53905
	Total	3,495,391.095	**4,525,859**	**4,257,597**	**4,664,338**

Source: Uganda Bureau of Statistics, *Statistical Abstract 2011*

Table A9b. Selected commodity imports, 2001/02 – 2010/11

Products	Imports (million US$)					
	2001/02	2006/07	2007/08	2008/09	2009/10	2010/11
Animal/vegetable fats & oil	179.850	299.296	370.821	379.930	381.411	423.261
Prepared foodstuff, beverages & tobacco	39.829	111.340	142.353	182.437	181.772	192.575
Textile & textile products	67.828	130.258	142.437	142.734	139.283	157.136
Wood & wood products	51.144	92.739	126.544	163.447	173.182	161.289
Chemical & related products	114.180	289.199	355.205	445.016	397.843	468.395
Plastics, rubber & related products	54.687	151.879	191.699	191.437	203.823	242.637
Petroleum products	146.092	482.687	650.397	643.629	631.184	854.699

Bank of Uganda, Annual Report 2010/2011

Table 22 Formal Exports by value ('000 US $), 2006 – 2010

	Commodity	2006	2007	2008	2009	2010
	Traditional Exports					
01	Coffee	189,830	265,853	403,179	280,209	283,891
02	Cotton	20,474	19,571	13,214	23,186	19,919
03	Tea	50,873	47,629	47,222	59,761	68,263
04	Tobacco	26,964	66,301	66,448	57,170	68,662
05	**Non-traditional exports**					
06	Fish and Fish Products	145,837	124,711	124,436	103,372	127,651
07	Petroleum Products	36,401	38,553	48,183	99,314	72,388
08	Cement	5,774	19,104	77,504	82,796	71,358
09	Telephones for Cellular	19	40,720	69,209	58,846	78,687
11	Iron and Steel	22,458	40,469	64,394	55,787	52,656
12	Animal/Vegetable Fats & Oils	17,088	62,850	46,121	49,519	55,181
21	Sugar & Sugar Confectionary	11,760	33,451	39,611	45,224	60,169
22	Beer	8,835	23,049	40,032	30,203	20,914
23	Maize	24,114	23,816	18,250	29,066	38,206
24	Cocoa Beans	10,016	15,936	22,834	27,829	35,121
25	Roses and Cut Flowers	20,987	22,782	28,790	26,275	22,474
26	Gold and Gold Compounds	122,579	65,783	50,746	23,097	30,077
27	Rice	4,335	6,950	10,435	16,736	16,456
28	Beans and Other Legumes	8,162	10,099	17,630	14,720	10,200
29	Sesame Seeds	4,547	5,447	15,884	13,369	12,882
32	Electric Current	4,855	8,696	10,870	13,172	12,505
33	Cobalt	18,063	17,325	20,033	11,748	18,120
34	Soap	5,530	14,324	17,003	10,878	18,835
35	Plastic Products	5,473	9,724	13,099	10,188	10,096
41	Water	1,667	6,124	8,916	7,500	7,404
42	Cattle hides	8,032	18,114	12,518	5,996	17,061
43	Vegetables	3,293	3,187	4,375	5,148	4,290
51	Vanilla	4,808	6,262	3,039	4,908	4,352
52	Live Animals	28	1,551	1,822	3,908	3,985
53	Soya beans	609	1,331	1,536	1,076	294
54	Fruits	1,167	1,976	5,332	932	722
55	Hoes and Hand Tools	518	1,117	649	780	545
56	Pepper	189	256	580	617	496
57	Other Precious Compounds	117	43	481	166	429
58	Bananas	127	430	211	118	128
59	Groundnuts	8	148	28	69	88
61	Other products (1)	176,657	312,987	419,686	393,931	374,099
62	**Traditional exports**	**288,141**	**399,354**	**530,063**	**420,326**	**440,734**
63	**Non-traditional exports**	**674,052**	**937,314**	**1,194,237**	**1,147,288**	**1,177,870**
64	**Total**	**962,193**	**1,336,668**	**1,724,300**	**1,567,614**	**1,618,604**

Source: Uganda Bureau of Statistics, *Statistical Abstract 2011*

Figure 16 Trade routes

Appendix B People consulted

Name	Position	Organization
Dr. Albert Musisi	Ag. Commissioner, Economic Development Policy and Research	Ministry of Finance, Planning & Economic Development (MFPED)
Dr. Frederick Mugisha	Technical Officer	Ministry of Finance, Planning & Economic Development
Dr. Peter Ngategize	National Coordinator	Competitiveness & Investment Climate Strategy, MFPED
Professor Emmanuel Mutebile	Governor	Bank of Uganda
Mr. Ben Paul Mungyereza	Deputy Executive Director	Uganda Bureau of Statistics
Mr. James Muwonge	Manager, Socio Economic Surveys	Uganda Bureau of Statistics
Mr. Patrick Okello	Principal Statistician	Uganda Bureau of Statistics
Dr. Chris Ndatira Mukiza	Director Macroeconomic Statistics	Uganda Bureau of Statistics
Dr. Marios Obwona	Head, Macroeconomic Dept	National Planning Authority
Rebecca Nalumu Wamono	Investment Executive Research	Uganda Investment Authority
Mr. Jared M. Osoro	Senior Research Economist	East African Development Bank
Rachel Sebudde	Economist	World Bank
Chris Musoke	Private Sector and Growth Advisor	UK Dept for International Development (DFID)
Per Dans	First secretary/ Senior Program Manager	Embassy of Sweden
John Nakedde	Program Manager, Trade, Private Sector & Rural Development	Embassy of Sweden
USAID	Team Leader Economic Growth	USAID
Mr. John Nzure	Second Counselor	Kenya High Commission
Mr. Simon M. Kamanu	Commercial Attache	Kenya High Commission
Mr. Alex Warren – Rodriquez	Senior Economist	United Nations Development Programme
Plaxeda Namirimu	Tax Senior manager	PriceWaterhouseCoopers
Dr. Fred Ggoloba	Acting Executive Director	Makerere Institute of Social Research
Dr. Josephine Atukire	Exective Director	Center for Basic Research
Ms Grace Babihuga	Executive Director	Uganda Law Society
Plaxeda Namirimu	Tax Senior manager	PriceWaterhouseCoopers
Mr. Fred Okwiri	Partner, Audit	Deloitte & Touche
Mr. Mulungi Sseruwo	Senior Consultant, Corporate Finance Services	Deloitte & Touche
Dennis Kakonge	Legal & Regulatory Director	Airtel Uganda Ltd
Mr. Charles Ocici	Executive Director	Enterprise Uganda
Mr. Gideon Badagawa	Executive Director	Private Sector Foundation Uganda
Mr. Sebaggala M. Kigozi	Executive Director	Uganda Manufacturers Association
Mr. Geoffrey Bazira	Finance and Administration Manager	Uganda Women Entrepreneur Association
Mr. Philip Odera	Managing Director	Stanbic Bank Uganda

Standard Chartered Bank	Managing Director (CEO)	Standard Chartered Bank
Housing Finance Bank	Managing Director	Housing Finance Bank
Wilbrod H. Owor	Head of Consumer Banking	dfcu Bank Ltd
Ms. Rudo Kwaramba	National Director	World Vision
Dr. Arthur Bainomugisha	Director, Research	Advocates Coalition for Development & Environment
Mr. Robert Kabushenga	Chief Executive Officer	New Vision Publications
Fred Kawuma	Managing Director	ACLAIM Africa Ltd
Mr. Edward Gaamuwa	Director	ACLAIM Africa Ltd
Mr. Andrew Kadenge	Accountant	ACLAIM Africa Ltd
Ms. Jannet Opio	Business Manager/ OD Consultant	ACLAIM Africa Ltd
Susan Birungi	Manager	DABB Insurance Agency