

Uganda and regional economies showing signs of recovery

Kampala, Uganda June 23/07...A globally acclaimed Investment Economist has expressed optimism that regional economies including Uganda will make a quick recovery following a period of economic downturn mainly occasioned by cautious election period and re-emergence of regional conflicts in hot spots such as Southern Sudan.

Sanlam Group Investment Economist, Mr Arthur Kamp in an analytical presentation noted that the Uganda and regional economies are exhibiting resilience and there are positive signs of the upturn will begin sooner than later.

“There is optimism that market conditions will improve and this should hopefully be a good time to make your capital markets and related structured investments as the market is seemingly on an artificial lull” Kamp said at an event organised by Sanlam Uganda.

“In my estimation, GDP growth should remain amongst the light of SSA economies in the next few years as outlined in the Vision 2040 National Development Plan are maintained with zero tolerance for corruption and other investment limiting barriers,” Kamp said.

The local economy, Kamp said, will continue to enjoy moderate growth in the medium term if East African economies continue pursuing productivity enhancing measures such as the Standard Gauge railway projects in Kenya, Uganda and Tanzania.

Based on external macro-economic factors, Kamp, outlined the need to exercise caution to avoid raising the national investment ratios to unsustainable levels as such developments lead to "tears".

He expressed regret that developing countries, will continue to walk a tight rope seeking to reduce their debt burden on one end while experiencing weak growth. Fundamentally, Kamp, stressed the need to progressively reduce the rate of external borrowing for non-productive economic programmes while raising domestic investment ratios.

While articulating his argument for growth, Kamp, said the envisaged growth will need to be anchored on a growth model that is focused on sound economic governance and human capital. The growth model, which does not pick up on natural resource endowment he said, helps to enhance investments in the capital markets among other economic prospects.

The execution of economic production enhancing strategies he said, is likely to raise the return on investment for foreign and local investors, in an environment where the capital stock does not appear excessive relative to the size of GDP.

"At Sanlam, we are positive and optimistic that the regional economies will continue to enjoy moderate fixed investment ratios against a backdrop of moderate capital stock levels," Kamp said, adding that, "the East Africa economies will enjoy significant foreign investment inflows if they continue pursuing productivity enhancing measures."

He urged Uganda to continue working on implementing policies that will ensure high level of financial inclusion in the population because this would provide the necessary growth impetus for local and regional economies. "Countries that have managed to actively bridge the financial access gap such as Kenya, South Africa and Namibia, he pointed out will continue to enjoy significant economic growth".

On the African Continent, Kamp noted that the East Africa region has continued to enjoy a stellar growth track record since the global financial crisis.

While proposing the need to adopt a long-term economic structure to accelerate growth, Kamp, stressed the need for a manufacturing economy as envisaged in Uganda's National Development Plan.

A transition from a primarily agricultural oriented economic production to a manufacturing economy, he said, will provide significant gains.

"Productivity gains as countries shift from primarily agricultural production to manufacturing where productivity gains are higher," Kamp said. " Such a manufacturing economy also promotes urbanisation, which encourages development of manufacturing and services sectors with ICT imports adding to the overall productivity gains."

Arthur has been an investment economist at Sanlam since 2005, providing economics input on the South African and global economy to the asset allocation team. Before Sanlam, Arthur worked as an Economics Consultant at Eskom from 1990 to 1995 and thereafter spent 10 years working as an economist at stock broking firm Simpson McKie, which was later bought by global investment bank HSBC. **Ends**

Note to editors:

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