

## Services snapshot

# Uganda



### KEY SERVICES DATA<sup>1</sup>, 2013

Services<sup>2</sup> share of industry value added 2012: **68%**  
 Services share of employment 2009: **28%**  
 Trade in services<sup>3</sup> contribution to GDP: **23%**  
 Services share of total exports: **45%**  
 Services export composition: **travel (55%), other commercial services (33%), transportation (12%)**  
 Services import composition: **transportation (46%), other commercial services (37%), travel (17%)**  
 Services exports: **US\$ 2.2 billion**  
 Services imports: **US\$ 2.6 billion**  
 Services trade deficit: **US\$ 434 million**

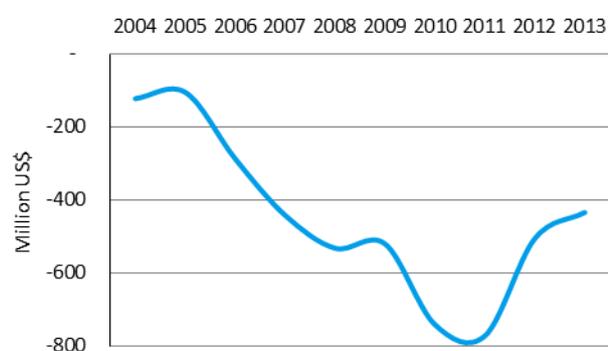
### SERVICES AT A GLANCE

During and after implementation of the Poverty Eradication Action Plan 1997-2007, Uganda experienced impressive growth. Average GDP growth over the last decade was around 7% pa<sup>4</sup> and this is expected to be sustained over the next 2 years.<sup>5</sup> Services accounted for 68% of GDP in value added terms in 2012, followed by agriculture at 23%.<sup>6</sup> Services are also the fastest growing sector with an average annual growth rate of its value-added of 8% over the last decade, whereas agriculture value-added growth rate was 2% between 2012 and 2013.<sup>4</sup> This has not translated equally into employment. In 2013, less than 16% of the population was employed in services, compared with 72% in agriculture.<sup>7</sup>

In 2013, services trade contributed as much as 23% to GDP, a 13% decrease from 2011.<sup>4</sup>

**Uganda traditionally runs a net services trade deficit, though the deficit has been shrinking since 2011** thanks to an increase in the net trade surplus on travel services and a decrease in the net trade deficit on transport services and financial services. In 2013, Uganda had a trade deficit of US\$ 434 million (see Figure 1).<sup>8</sup>

Figure 1. Services trade deficit



Travel services accounted for the largest share of services exports in 2013 at 55%, reflecting the importance of tourism. This share is gradually decreasing, as transportation exports pick up. Transport services accounted for the largest share of services imports in 2013 at 46%.<sup>8</sup>

## SERVICES SUBSECTORS

### Financial services

The sector is relatively well developed and has witnessed exponential growth, especially as a result of the success of services provided via mobile phones since 2009. This success has witnessed a close collaboration between the banking and telecoms sectors.<sup>9</sup> However, 62% of the population remains without access to financial services and only 33% of potential bank clients hold bank accounts (this corresponds to 10% of the population).<sup>10</sup> Uganda's Ministry of Finance, Planning and Economic Development commented in 2014 that "there are now more people registered on mobile money in three years than Ugandans with bank accounts in over five decades".<sup>9</sup>

In 2013, insurance and financial services accounted for 2% of services exports and 3% of services imports (see Figure 2). **Uganda is a net importer of financial services** with a trade deficit of US\$ 35 million.<sup>8</sup>

### Communication services

The average annual growth rate of the communications sector was 26% over the period of 2006 to 2010. The positive performance of the sector can be explained by the increase in FDI inflows to communication services and the increase in the access to ICT services, leading to a rise in consumption and a consequent rise in tax revenues.<sup>11</sup> Mobile phones are more popular than

Figure 2. Financial services share in services trade

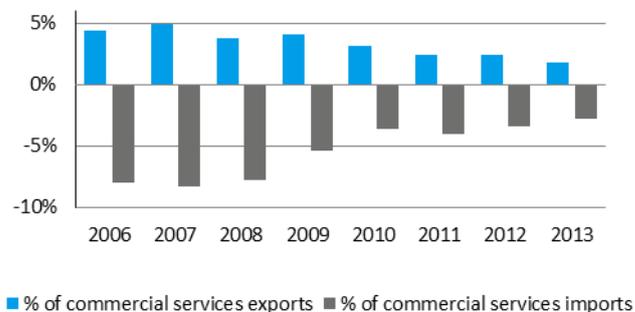


Figure 3. Communication services share in services trade

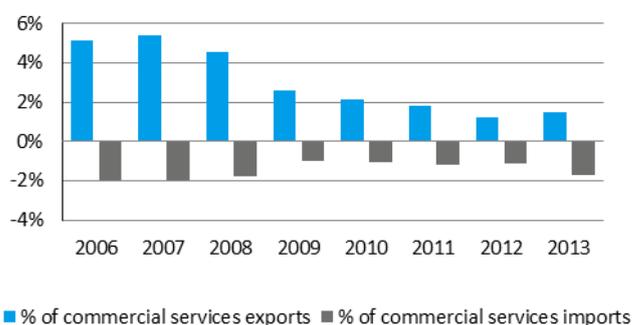
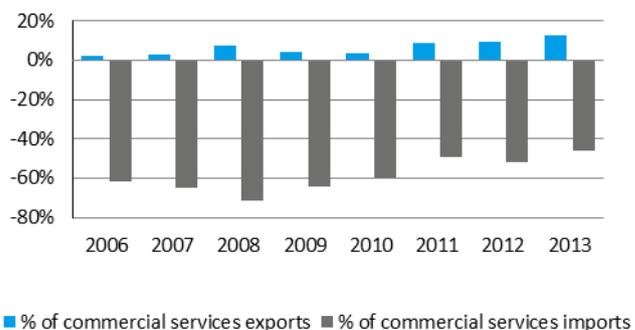


Figure 4. Transport services share in services trade



Internet with 44% of the population having subscribed in 2013, compared to only 16 internet users per 100 inhabitants.<sup>4</sup> Moreover, only 5% of households own a computer and have Internet access at home.<sup>12</sup> Airtel, Orange, I-Tel, MTN Uganda, Warid are the main providers in the mobile market.<sup>11</sup>

Since 2012, trade in communication services has recorded an increasing net trade deficit, compared with trade surpluses recorded in previous years. Between 2012 and 2013, the communication services trade deficit almost tripled from US\$ 3 million to US\$ 11.8 million. In 2013, communication services accounted for 1.5% of services exports (see Figure 3).<sup>8</sup>

### Transport services

Trade in transport services is traditionally in net trade deficit: in 2013 the trade deficit was US\$ 930 million.<sup>8</sup> The sector is characterized by poor transport infrastructure. Only 33% of roads are paved. However, the sector has been growing gradually. Road, rail and water transport recorded annual average growth of 6% over 2006-2011, and air transport and auxiliary services grew by 7% over the same period.<sup>11</sup>

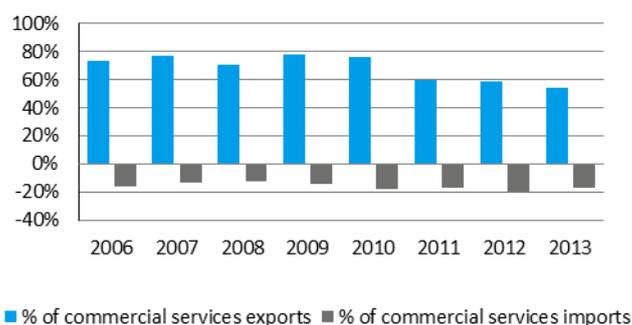
Transport services share of services exports has increased to reach 12.5% in 2013. Transport services accounted for the largest share of services imports in 2013 at 46% (see Figure 4).<sup>8</sup>

### Tourism

Tourism is the major foreign exchange earner.<sup>11</sup> In 2012, visitor expenditure generated 22.3% of total export earnings. The number of tourist arrivals has been increasing progressively. In 2012, the country welcomed over 1.2 billion international arrivals, up from 536 million in 2008.<sup>4</sup> The biggest number of tourists, as many as 70%, came from Africa (mainly from Kenya, Rwanda and Tanzania). European tourists accounted for 12%, followed by Americans and Asians.<sup>11</sup>

Travel services accounted for the largest part of services exports in 2013 at US\$ 1.2 billion (55% of services exports). Trade in travel services is traditionally in surplus: in 2013, Uganda had a travel services trade surplus of US\$ 747 million (see Figure 5).<sup>8</sup>

Figure 5. Travel services share in services trade



## FOREIGN DIRECT INVESTMENT (FDI)

Inflows of FDI have been increasing since the 90s. In 2013 FDI amounted to US\$ 1.1 billion, accounting for 5% of GDP.<sup>4</sup>

The sectors receiving the most investment are mining, manufacturing and financial services. The main sources of FDI are Australia (34.5%) and the UK (17%). Additional inflows of FDI come from African countries, Mauritius (9%) and Kenya (15%) being at the top of the list.<sup>9</sup>

Uganda ranks 150<sup>th</sup> out of 189 economies in the 2014 World Bank Ease of Doing Business index.<sup>13</sup>

## FOOTNOTES / SOURCES

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1. The services percentage of industry value added includes construction and utilities.
2. All trade data is for commercial services. Data for all figures derived from Trade Map (ITC, UNCTAD, WTO joint dataset).
3. Key data derived from: UN statistics division – National Accounts Official Country Data, ILO - Key Indicators of the Labour Market (KILM), WTO Trade Profile, ITC Trade Map.
4. World Bank - World Development Indicators.
5. World Bank – Global Economic Prospects.
6. UN statistics division – National Accounts Official Country Data.
7. International Labour Organization - ILOSTAT - Uganda National Household Survey (2013).
8. ITC Trade Map.
9. UNCTAD Services Policy Review, Uganda (2014).
10. African Development Bank - African Economic Outlook, Uganda (2014).
11. WTO Secretariat, Trade Policy Review (TPR), Uganda (2012).
12. ITU, Country Profile, Uganda (2013).
13. World Bank Group – Doing Business Index (June 2014).



### For additional information

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