



Uganda business trends in 2018

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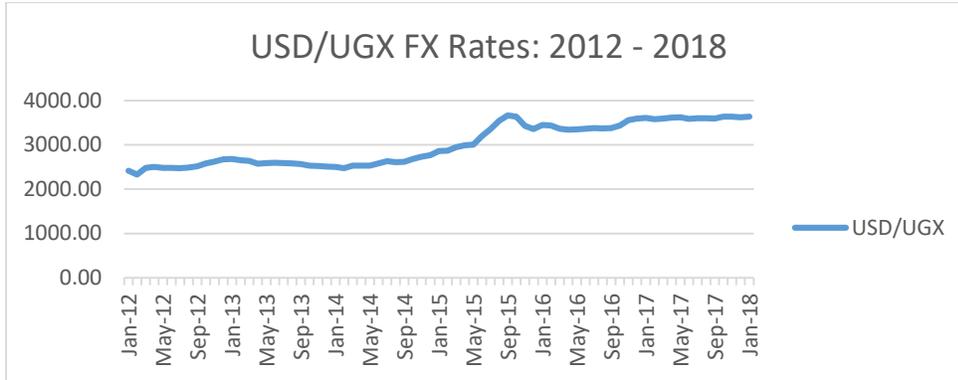
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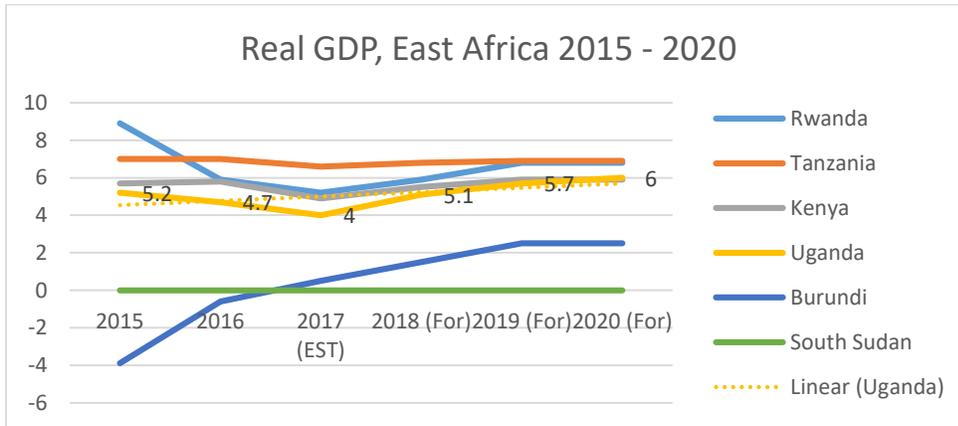
Key stats

A: Exchange rates continue to rise in 2018



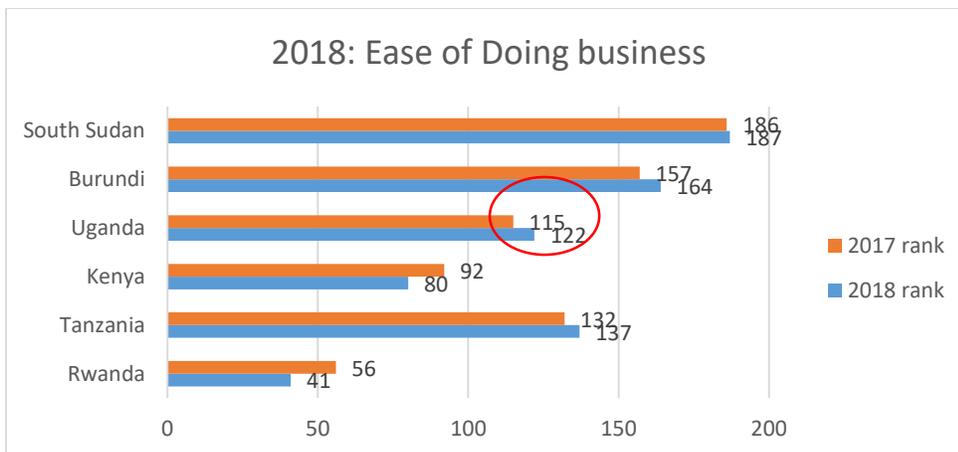
Source: [Bank of Uganda](#)

B: Real Gross Domestic Product (GDP) will start to slowly rise in 2018



Source: [World Bank](#)

C: Uganda worsens in World Bank's doing business index in 2018



Source: [World Bank](#)

Introduction

2017 and the start of 2018 has been a year of political change. Removal of age limit in Uganda, Removal of Mugabe and Zuma in Zimbabwe and South Africa respectively and so on. It seemed a dire year and it is not helped with the ever increasing public debt burden which is projected to exceed the threshold of 50% of the GDP by 2020. This means funds will increasingly be allocated to pay debt than long term projects. Infact as one [PwC Uganda report noted](#):

“While economic output as measured by GDP has doubled over the past five years, poverty incidence has only fallen slightly. In addition to this, the number of poor people has risen in line with the population growth.”

It seems that the Uganda economy will continue to be sluggish but then start growing (see GDP chart in key stats). We are not sure the World bank growth forecasts will however be realised, seeing the FX rates will continue to rise and that Uganda is doing worse on the World Bank doing business index. Oil and China investment could however tip up to growth as explained later.

The up side of the public debt we take on though is that the bulk of the debt was incurred for public infrastructure expenditure (roads etc) which if successfully implemented would stimulate sectors like agriculture and trade which rely on infrastructure for transportation to market. This will also create employment.

We are now 2 months into another year has started and so we ask, what does the future bring for business?

In this article, I explore the key themes and articles we shared with you over the course of the year via the [“advanced thinking newsletter”](#) and also provide insights on some of the most important areas for you to focus on during 2018.

Summary of 2018 trends

This year, we have introduced a “key stats” page at the start as this usually gives a “big picture”.

The key trends in 2018 are expected to be:

1. **Continued drop in economy** – what businesses thrive in tough times?
2. **Tech trends will change the way Africans do business**
3. **Oil could be a game changer** – The much desired kick start to economy?
4. **China investments in energy and agriculture** – how do you prepare for this?

What is behind the above trends and how can you prepare for them? The detailed analysis is on the **next page**.

Previous years’ assessment?

Over the last few years we have pushed for common trends like:

- **Do a technology disruption analysis.** What technology trends COULD DISRUPT your business? Is your business model vulnerable to technology from start-ups? If so, how do you manage it? You must innovate or be disrupted – even in Uganda.
- **Build your awareness of the Uganda business environment risks.** What can you do to protect your business from losses driven by the Shilling performance? How about the aspects like reputable supplies, quality inputs?

I summarise the trends from 2014 – 2017 on further **pages** (with links to original articles).

Looking forward: Trends for 2018 to watch out for.

Trend #1: Continued drop in economy – what businesses thrive in tough times?

Background

From the key stats page, we have shown that:

The Uganda economy according to World Bank is expected to have declined to 4% growth in 2017 and will rise to 5.1% in 2018 and 5.7% in 2019.

While the economy is projected to grow, this might not necessarily be a good year for business. The key stats show:

- Foreign exchange rates will continue to rise (we heavily depend on imports) – so cost of living will rise
- Uganda worsened on the world bank doing business index from number 115 in 2017 to 122 in 2018 (New Zealand is number one). We only fare better than Burundi and Sudan in East Africa.

Which businesses thrive?

Given slow or challenging situation, what kind of businesses thrive in tough times? Some of these are:ⁱ

- **Accounting services.** During tough times, businesses feel more confident having an accountant or business advisor to help them.
- **Bulk food sales.** When economic times are tough, many people buy food in bulk. They buy large quantities of items like flour, sugar
- **Car repairs.** People don't make a large purchase like a car. They try to keep their current cars running instead.
- **Affordable luxury items.** During a recession, people tend to feel deprived. Starting a small retail operation that sells for example an ice cream shop that sells a cut above regular ice cream, but in small quantities, might prosper.
- **Personal/home security.** With increase in poverty comes an increase in crime. Security services will grow (burglar proof, CCTV et al) but in additional, personal protection like tasers will rise. Mobile apps for security can be considered.

A surprising business idea for tough times.

During tough times, people tend to resort to “escapism”.

Escapism is the use of imagination, entertainment, art, music, celebration and recreation to transcend the mundane or unpleasant realities of daily life.

In 2017, according to [Google trends](#), the number one Uganda search was not on the “togikwatako” political campaign but rather on something called “[Ugandan knuckles](#)” – a meme (“do you know the way” which has its origins in a *Wakaliwood* (Uganda cinema) movie called “Who Killed Captain Alex”.

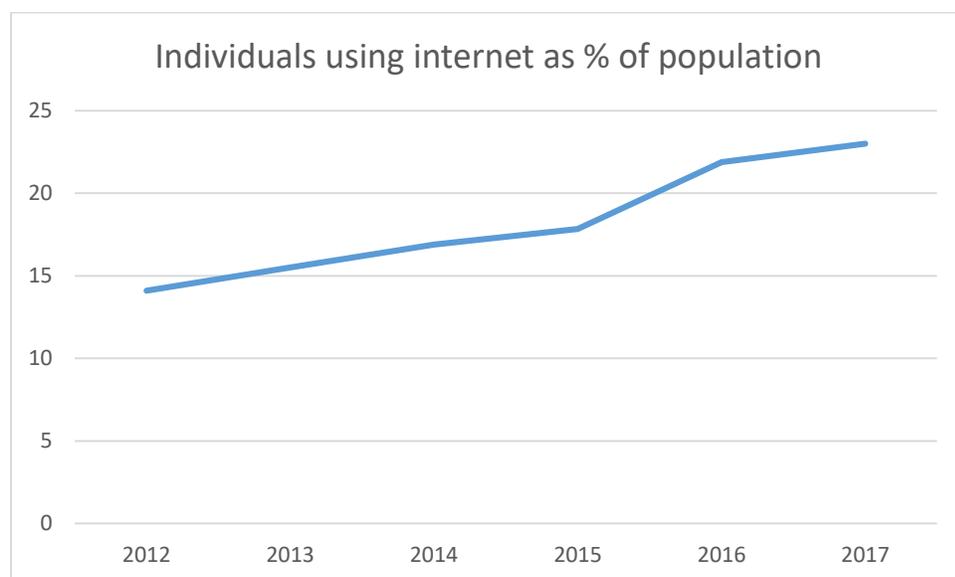
Whatsapp and other social media from Ugandan increasingly specialise in making a parody of what are ordinarily serious matters, did you notice? When the Inspector General of Police was removed, memes and humour were the order of the day. It was no longer as important that this was actually serious news.

Don't you likewise notice how comedians in Uganda are big business? Dealing with political matters, albeit through humour?

For a business entrepreneur, this is a market (or vein) to tap into. What business will you start to enable people to escape?

Trend #2. Tech trends will continue to change the way Africans do business

As in previous years, the number of Ugandans on the internet continues to rise.



As a result, online businesses, forums and the like have continued to grow (as we indicated in 2017). What will continue to change in 2018 in this area will be the impact of technology on business – especially as we see our neighbours (like Rwanda and Tanzania) use technology to change their population's lives for example. ⁱⁱ

- *Cybersecurity company WISEKey* (in partnership with Microsoft) is using blockchain technology to digitalise the land registry in Rwanda. This can ease a lot of the land disputes which often affect African businesses especially for agriculture.
- *The logistics company Zipline* runs drones which can deliver small packages like blood, vaccines and anti-venom. The world's first drone port opened in Rwanda in October 2016 and Zipline announced it was going to expand to Tanzania.
- *Peg Africa* is one of the companies that sells solar panels to people who are not on the national electricity grid. Solar panels are just too expensive for lots of people so they pay it back in instalments through small payments on mobile money when they want electricity.

How do you tap into the technology sector for your Uganda business?

Many of these companies listed above are always looking for franchise partners to aid in their expansion. Why not contact them to be the Uganda partner? Franchises are a good idea to grow with in business as systems are already in place, including marketing referrals.

Trend #3: Oil could be the game changer for the Uganda economy

2017 saw a significant increase in activity around the oil sector.

General Electric (GE) was for [example picked to build the 60,000 barrels a day refinery](#). Starting in 2020, the plant will be supplied by fields with 6.5 billion barrels of resources, developed by Total, London-based Tullow and China's Cnooc Ltd.

This means the oil dream will really start and this all starts now.

Many Ugandans are seemingly excited about the year, even Ernest Rubondo, the Executive Director, Petroleum Authority of Uganda (PAU), is optimistic 2018 will be big for Uganda's oil industry. He said:

["The sector will be felt in 2018."](#)

There is now even a website dedicated to [oil in Uganda](#).

What does this mean for you and your business? Now is the time to start networking, for example attend oil forums, just like [French investors are already doing](#).

If you haven't made it to the National Suppliers Database (NDS), perhaps you could still reach out to those already on the list in your sector. I expect they will want partners to support them.

Trend #4: China investments in energy and agriculture – how do you prepare for this?

I attended a conference in Amsterdam in October 2017 and I met a colleague from an accounting firm in Africa. He gave me a useful insight. He said that his firm had had a significant increase in Chinese business coming to them when they took on a Mandarin speaking business liaison.

China is investing significantly in Africa as it has been in the last few years and with the announcement in 2015 of a\$60 bn.

Many Chinese firms as many as 10,000 are operating in Africa and many also reported earning juicy returns, [in some cases enough to pay back their investments in less than a year](#).

In Uganda, China is our second largest trading partner and [Uganda is deemed the strategic East African outpost](#) for their "One belt, One road plan. Uganda being a base for the rest of East Africa.

The Chinese investment in Africa is primarily via loans and it would seem to me that to tip into this, it helps to partner with a Chinese firm or individual to take advantage of the opportunities.

Tensions with Chinese traders and "abandoned babies" aside, perhaps start by registering with the [China Africa Friendship association Uganda](#).

Looking back: What did we say mattered in the past?

Every year we predict a number of trends that will be important. What did we say in the last 4 years?

2017 trends

[\(Full article/analysis is here\)](#)

Summary of 2017 trends

1. **Power shift in global economy** - a desire for fairness and sustainability
2. **A reduction in Uganda government expenditure** – Worrying information from World Bank and Moody's rating.
3. **Improvement in access to credit for business.** Exciting trends from Mobile Money, FinTech and the FY 16/17 Budget.
4. **Improvement in ease of doing business.** Improvement in our global ranking as well as reforms at the land registry and other changes are driving this.
5. **A shift to online shopping/activities.** Online platforms like *olx*, *Jumia*, *Kaymu* and *betpawa* are dominating searches by Ugandans. You should pay attention to this shift for retail activity.

2016 trends

[\(Full article/analysis is here\)](#)

1. **Get your business online.** There are 8 million Ugandans or 23% of the population waiting to hear from you!
2. **Build your awareness of the Uganda business environment risks.** What can you do to protect your business from losses driven by the Shilling performance? How about the aspects like reputable supplies, quality inputs?
3. **Do a technology disruption analysis.** What technology trends COULD DISRUPT your business? Is your business model vulnerable to technology from start-ups? If so, how do you manage it? You must innovate or be disrupted – even in Uganda.
4. **Quickly develop a high performance team.** It is worth you asking your team to take the [high performance team survey](#).
5. **Diversify your investment portfolio.** You could start by considering some of the options to invest in other businesses via online platforms for African businesses and start-ups.

2015 trends

[\(Full article/analysis is here\)](#)

1. **The rise of technology disrupters like *Uber* and *AirbnB*.** The pace of change of technology continues with traditional business models being disrupted by technology led innovation.
2. **The continued rise of cloud solutions, mobile internet and mobile innovations.** The bulk of internet users in Uganda are accessing the internet using mobile internet devices You need a mobile friendly model (e.g mobile friendly website)
3. **Foreign exchange** effects on business in light of the fluctuating shilling. The Uganda shilling has continually depreciated against the USD and this will not change.
4. **Team dynamics – the young Uganda population.** Business leaders needs to be able to understand the mind-set of this generation. They for example expect everything instantly (as a result of growing up in the digital era where communication, emails, et al is instant).
5. **Increased aggressiveness from Uganda Revenue Authority.** With a new URA boss, you can expect she will be looking to leave her own footprint particularly with recent revenue shortfalls.

2014 trends

([Full article/analysis is here](#))

1. **Start marketing online.** There are 6 million users online. This is 17% of the population.
2. **Register and start paying taxes.** Uganda Revenue Authority (URA) is increasingly becoming aggressive in its drive to meet its revenue targets, which per the 2013/2014 budget are that 81% of the government's expenditure is to come from domestic revenues.
3. **Think of your business as a franchise.** Can your business survive without you?
4. **Turn your team into a high performing one.**
5. **Try permission based marketing.** Customers are increasingly being bombarded with marketing information. This means that the immediate sale rarely works. Lead generation is the way to go.

END

About the Writer

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ⁱ <https://www.thebalance.com/best-small-businesses-to-start-in-a-recession-393554>

ⁱⁱ <http://www.bbc.co.uk/news/world-africa-41899173>