

Emmanuel Tumusiime-Mutebile: Endorsing price stability and financial sector soundness in the Ugandan economy

Remarks by Mr Emmanuel Tumusiime-Mutebile, Governor of the Bank of Uganda, at the Official Opening of the Standard Chartered Bank, Bugolobi Village Mall Branch, Bugolobi, 12 February 2016.

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Members of the Board of Directors of Standard Chartered Bank Uganda,
Chief Executive Officer,
Regional Head, Retail Banking for Africa and Middle East,
Senior Management and Staff of Standard Chartered Bank,
Invited Guests,
Ladies and gentlemen.

It is an honour to be invited to officiate as Guest of Honour at the official opening of this new branch of Standard Chartered Bank at the Village Mall in Bugolobi. The wisdom behind the opening of a new Stanchart branch in Bugolobi is self-evident.

This prime location and its immediate neighbourhood, is not only home this outstanding mall, but also hosts a number of small and medium sized enterprises. Here you find a university, government departments, industrial establishments, a market, health service providers, major retailers, schools, hotels, restaurants; not to mention the large number of residents. The bustling local economy here will thank you for bringing banking services closer.

The opening of this new bank branch is a very strong endorsement of the stability of Uganda's financial sector. It indicates that the prospects for the sector as well as the economy as a whole remain good.

Indeed, only last month, Standard and Poor's Ratings Services affirmed its "B/B" long and short term foreign and local currency sovereign credit ratings on the Republic of Uganda; with a stable outlook.

I am reminded of the words of Alan Greenspan – a former head of the central Bank of the United States of America – who described "price stability", in the perspective of central bankers as, "When economic agents no longer take account of the prospective change in the general price level in their economic decision-making".

As you are aware, in their latest Press Release, the Uganda Bureau of Statistics reported that both annual and monthly inflation declined from December 2015 to January 2016. On an annual basis, overall inflation declined to 7.6 percent in January 2016 from 8.4 percent in the previous month. Over the same period, core inflation reduced to 7.1 percent from 7.6 percent. Similarly, overall monthly inflation declined to 0.1 percent in January from 0.2 percent previously.

What is more, our latest Financial Stability soundness indicators for the period ended December 2015, indicate that Uganda's banking sector continues to be resilient and financially sound. The supportive financial infrastructure also remains safe and efficient. The banking sector registered a strong asset and capital base with the capital adequacy ratio of 18.6 percent as of December 2015, far higher than the statutory minimum of 8 percent. The sector's asset quality remains good with the ratio of non-performing loans to total loans recorded at 5.3 percent during the period under review.

Just like the bustling economic activity of the Bugolobi area established the right context for a new Stanchart branch here; the timing of this branch opening is a resounding endorsement of the durability of price stability and financial sector soundness in the Ugandan economy.

It is the synergetic combination of forward-looking and pre-emptive monetary policy, through our inflation targeting *lite* monetary policy framework, together with risk-based regulation and supervision of banks as well as macroprudential financial stability management that have enabled the Bank of Uganda to foster the evident price and financial sector stability. In this effort, we acknowledge the supportive fiscal environment that has been established through implementation of the Public Finance Management Act.

The institutional framework exists, to ensure long-term macroeconomic stability in Uganda. The public has good grounds to have confidence in the economy; just like Standard Chartered is demonstrating by expanding its branch network today. This is the sort of stability that Alan Greenspan advocated.

With these few remarks, let me conclude by congratulating the Shareholders, Board of Directors, Management, and Staff of Standard Chartered Bank Uganda for opening a branch in this Village Mall of Bugolobi.

I encourage you to use your growing branch network as well as technological innovation to boost financial inclusion and take advantage of the imminent introduction of bancassurance, agency banking, and Islamic finance.

It is now my honour to officially open the Bugolobi branch of Standard Chartered at the Village Mall. I wish you great success at this new location.

Thank you for listening to me.