

Bank of Uganda



Remarks by
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*23rd Ordinary Meeting of the East African Community
Monetary Affairs Committee*

Kigali Serena Hotel

30th July 2019

Fellow Governors

The IMF Resident Representative for Uganda
Representatives of the EAC Secretariat
Ladies and gentlemen

Good afternoon,

First, let me take this opportunity to thank Governor, John Rwangombwa; management; and staff of the National Bank of Rwanda for the warm hospitality and the excellent organizational arrangements. I am pleased to be here in Kigali for this 23rd Ordinary Meeting of the East African Community Monetary Affairs Committee (MAC).

Allow me to give you an overview of the economic prospects back home. Uganda's economy remains strong, with growth projected at 6.3 percent in FY 2019/20, largely driven by the accommodative monetary policy stance and the ongoing public infrastructure investments. Inflation over the last 5 years has averaged 4.4 percent, which is well below the inflation target of the EAC Macroeconomic convergence criteria. Private sector credit extension grew by 12.6 percent in FY 2018/19 compared to 6.8 percent in FY 2017/18 and non-performing loans as a percentage of total loans have declined from a peak of 10.5 percent in December 2016 to about 3.8 percent in March 2019.

Governors, notwithstanding these achievements on the domestic scene, allow me to underscore the consequences of the fragile international economic environment for our economies. The medium to long-term prospects for the global economy remain very uncertain. Just last week, the IMF reduced its global growth outlook, already the lowest since the financial crisis to 3.2 percent, and suggested that policy "missteps" on trade and Brexit could derail

a projected rebound. The hazy global economic outlook coupled with the continuing uncertainty in global financial markets and financial risks may lead exchange rate volatility with adverse consequences for investment and growth in our economies.

As we deliberate, we need to be aware that these external vulnerabilities, emphasize more than ever, the need for the EAC to build resilience by strengthening policy co-ordination and intra-regional trade, which I am happy to note, is picking-up.

Governors allow me to reiterate the significant progress made towards the operationalization of the EAMU Protocol. We have made strides on harmonization of: monetary policy frameworks, exchange rate policies, rules and practices governing bank supervision, financial accounting principles, payment systems and policies and standards on statistics. A number of national laws are also being harmonised.

However, there have been delays in realising targets set out in the EAMU road map and that there are several challenges that could further impede the full implementation of EAMU protocol. It is therefore imperative that we assess the realism in the timelines embedded in the EAMU road map and do things right.

Going forward, I want to re-iterate BOU's full support to the EAMU process. I fully believe that there are huge pay-offs for our economies if we harmonise and integrate our monetary, financial and payments systems, even before we actualize a single currency system for the Community. May we work steadily towards the realization of the EAMU.

Thank you for your attention.