



BANK OF UGANDA

Over view of Financial Markets in Uganda

by

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Mission: To Foster Price Stability and a Sound Financial System



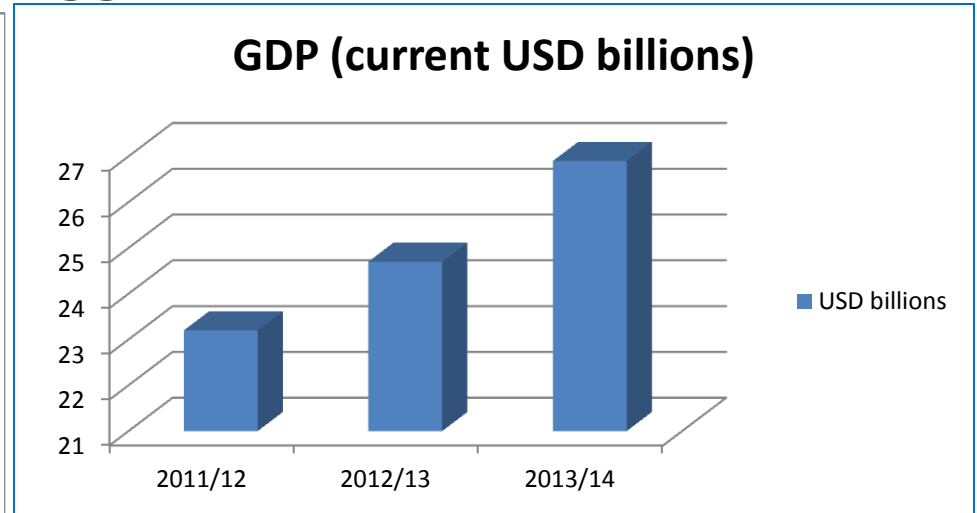
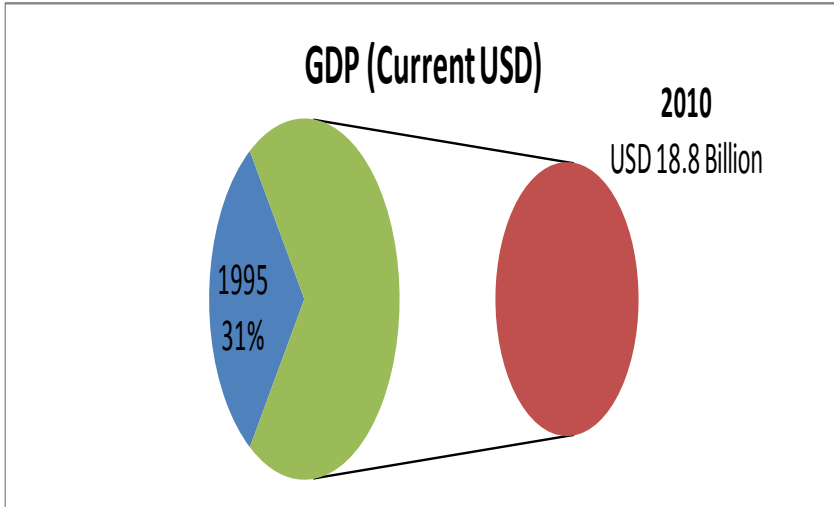
Outline

- ❑ State of Uganda's financial markets
- ❑ Key Challenges
- ❑ Untapped Opportunities & Key risks
- ❑ Conclusion



Performance of the economy in relative terms

☐ Size of economy is much bigger

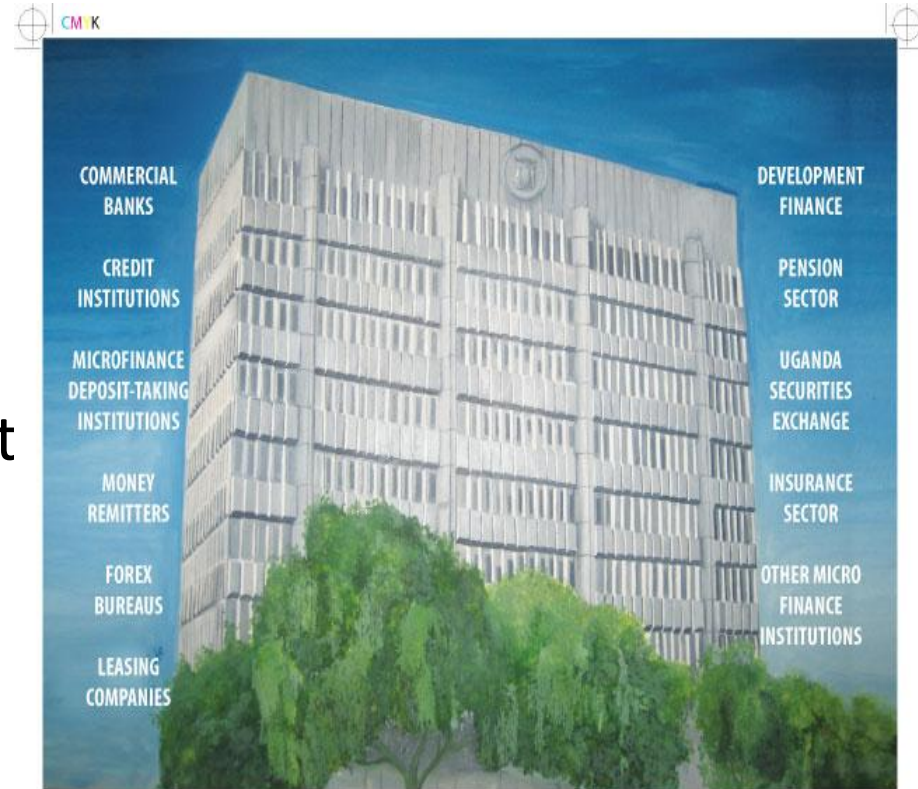


- ☐ Diaspora contribution to Uganda's economic development
 - ✓ *Remittances of USD 1 billion in 2014 (AfDB AEO report, 2015)*
 - ✓ *Support to Household expenditure on education, health, construction*



State of Financial Sector in Uganda

- ❑ Significant transformation over the last two decades.
- ❑ Underpinned by prudent macroeconomic management and market oriented economic reforms.
- *Adoption of a liberalised foreign exchange regime*

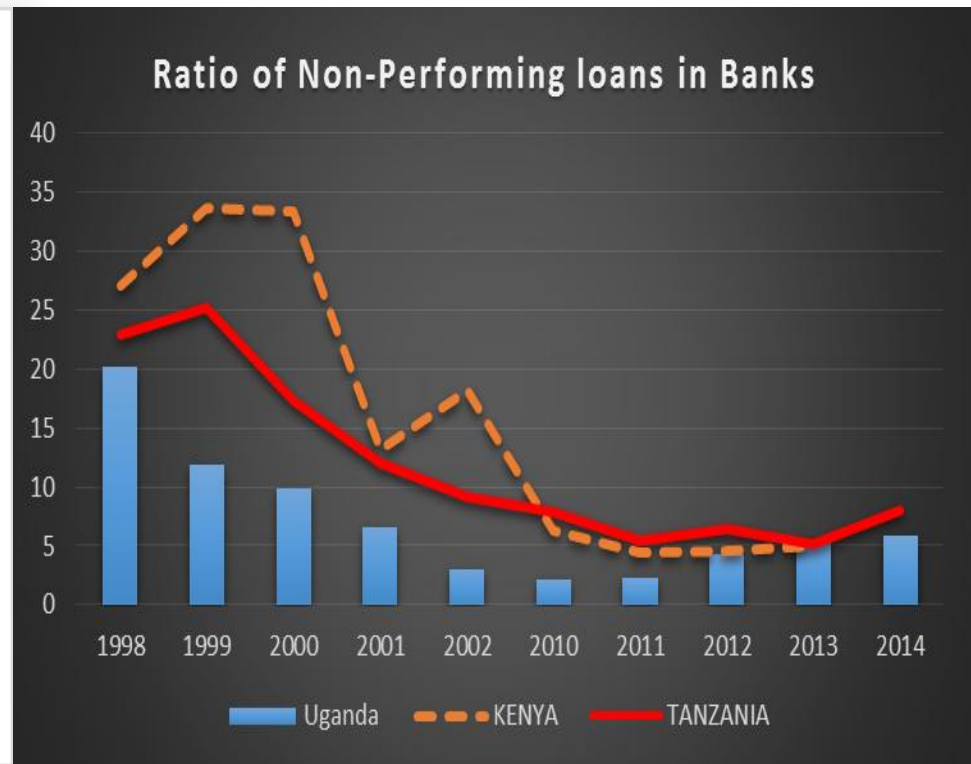
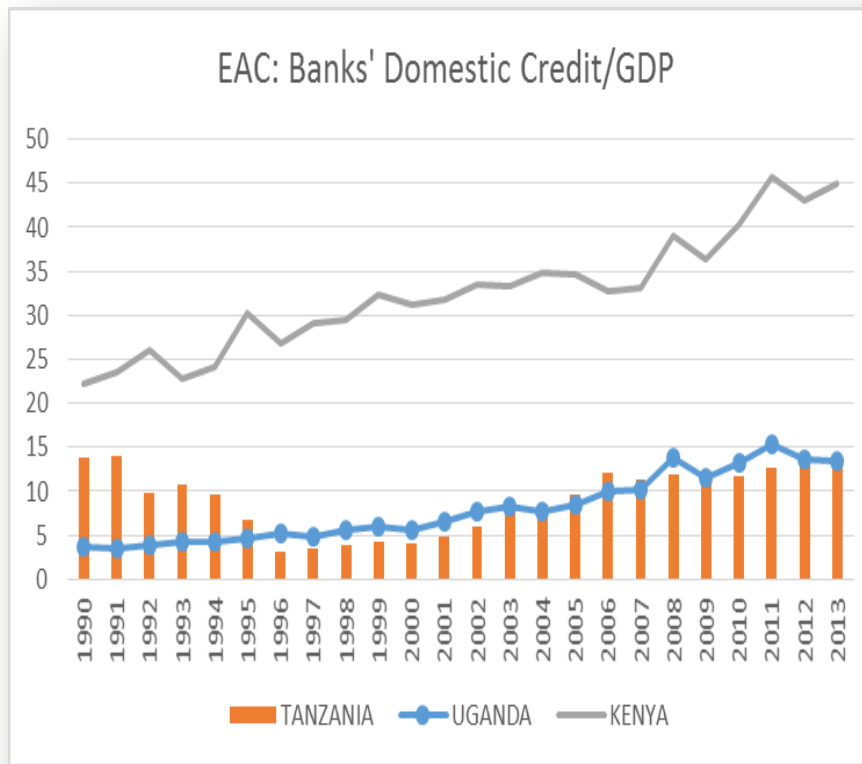


Financial Sector is Growing



Steady expansion of the Banking sector

- ✓ *Credit/GDP now about 15% compared to Below 5% in 1990*
- ✓ *Improved soundness: NPLs down to an average of 4% (2010-2014) from 20% in 1998*



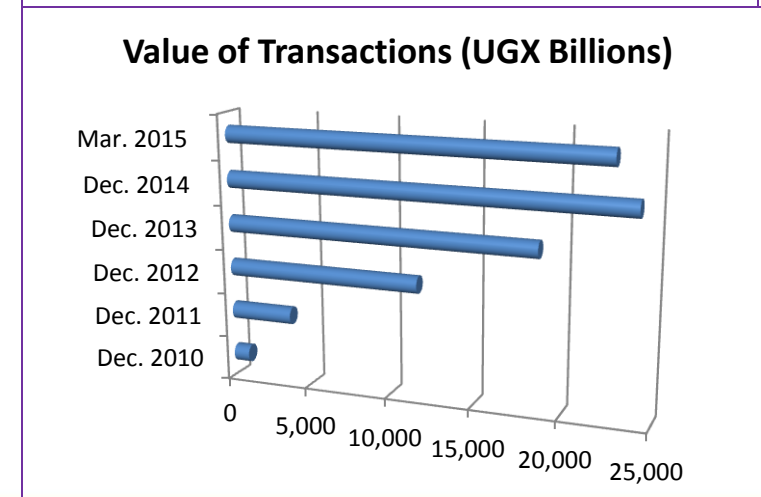
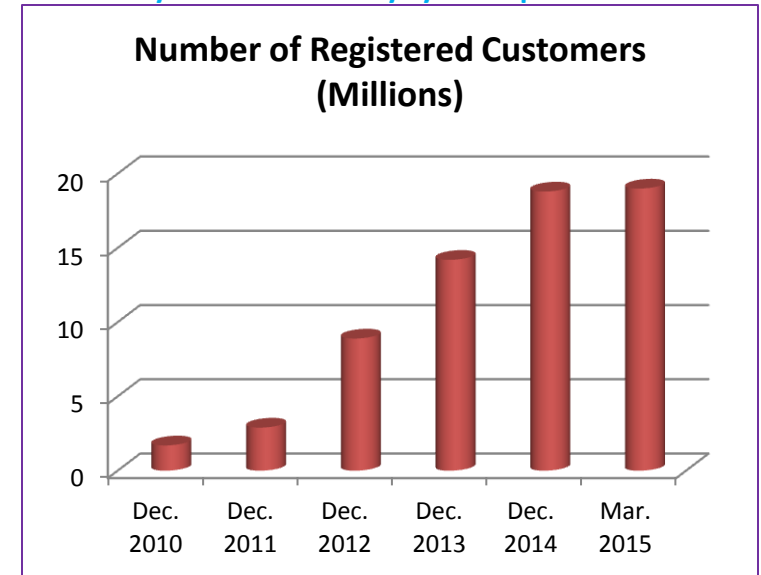


Payments Systems

- ❑ The use of **mobile money payment** services continues to grow strongly,
- ✓ *Increasing financial inclusion and access, especially for the unbanked population.*

- ❑ *EAPS, COMESA REPS, Money remitters,*

Summary of mobile money systems performance





Developments in the Government Securities Market

- ❑ The increase of non-competitive auction amounts from UGX10M to UGX200M starting FY2014-15; hence increased success for the retail segment
- ❑ Implemented yield-based pricing for bonds in Dec 2013
- ❑ The Government securities Calendar and yield curve on the BOU website to guide investor participation, pricing and valuation of portfolios

Treasury Bills	Treasury Bonds
Short term (91 days, 182 days and 364 days)	Long term (2, 5, 10 and 15 years)
Issued bi-weekly	Issued once a month

Yields on selected Uganda Government securities as at September 02, 2015

91 Day	2 Year	5 Year	10 Year	15 Year
18.8%	18.72%	17.80%	18.04%	18.17%



Recent milestones & work in progress

- ❑ Primary Dealer Shared Gateway (PDSG) system in final stages of being tested; to enable retail investors (including the Diaspora) access to online bidding & account statements.
- ❑ The EAC Capital Markets Infrastructure to go live in February 2016.
- ✓ link the EAC financial markets and enable the realisation of a single market for financial markets products.
- ✓ link the securities exchanges to the Central Securities Depositories at the Central Bank.
- ❑ Anti-Money Laundering Act- *integrity of the financial sector*
- ❑ Amendments to FIA 2004 (*to allow Islamic & agent banking, Bancassurance*)








Uganda Securities Exchange (USE)

☐ Listed equities now over 16;
plus some corporate bonds

☐ From a manual trading “open outcry” system to an Automated Trading System

✓ *more efficient price discovery mechanism*

	Stock	Current Price (UGX)
	BATU	8,700
	BOBU	155
	CENT	1,701
	DFCU	955
	EABL	9,696
	EBL	1,428
	JHL	19,040
	KA	200
	KCB	1,551
	NIC	13
	NMG	5,817
	NVL	600
	SBU	33
	UCHM	299
	UCL	14
	UMEM	600

Mission: To Foster Price Stability and a Sound Financial System.



Key Challenges

- ❑ Dominance of Commercial banks (accounts for about 80% of total assets in the financial system)
- ✓ *Inadequate diversification of financial products.*
- ✓ *Paucity of specialised non-bank financial institutions to facilitate mobilisation and investment of medium and long-term savings.*

- ❑ FIs unable to attain economies of *scale-High intermediation margins*

- ❑ Capital markets remain under-developed thus limiting opportunities to invest in financial assets beyond government bonds.

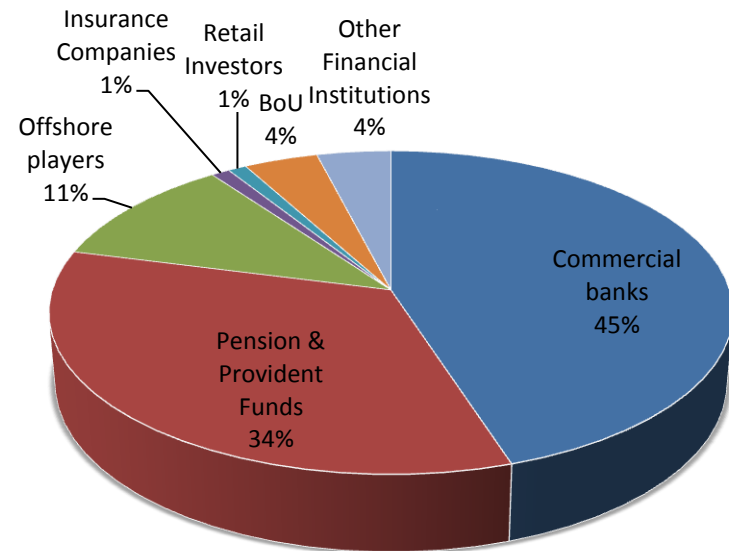


Untapped Opportunities

- Increase uptake of financial assets by retail investors.
- ✓ Retail investors not active in the government securities market,
- ✓ Only about 10% of total remittances invested in financial assets

- Develop the market for pensions and life assurance products (*liberalise the pension sector in Uganda*)
- Encourage corporations in Uganda to access the capital markets

Holder of GoU securities (June 2015)





Key risks to Financial sector development

- ❑ Unintended consequences of anti-money laundering legislation.
- ❑ Contagion from the volatility in advanced and emerging markets
- ❑ Risk of macroeconomic instability especially the current volatility of the exchange rate (*External sector vulnerability-Current Account*).
- ❑ Ineffective prudential regulation of the financial sector, with key lessons from the 2007/08 global financial crisis.



Conclusion

- ❑ Bank of Uganda's commitment to the maintenance of price stability and a sound financial system remains unequivocal.