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PUBLIC PERCEPTIONS OF UGANDA'S ECONOMY: IN CRISIS?

by Jeremy Liebowitz and Robert Sentamu

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Introduction

After many years of crisis in the 1970s and 1980s, reforms to the Ugandan economy ensured that it gained a reputation for slow but steady growth, macroeconomic stability, and sound economic fundamentals. Since 2000 Uganda's per capita GDP growth has averaged close to two percent per year. During the same period, Uganda maintained single digit inflation (with the exception of 2009 when inflation was 14 percent). Throughout its recent history, analysts have praised Uganda's sound macroeconomic management and relatively business-friendly environment.

This changed dramatically in 2011 with the convergence of several factors that sent inflation shooting up and the shilling depreciating. Inflation reached a 30 percent annual rate in October 2011, driven partly by high food costs, which had increased by 45 percent. Rising fuel costs also contributed to the high levels of inflation. By February 2012, inflation had decreased slightly to 26 percent annually. While inflation raged, the shilling also lost 19 percent of its value between January and September 2011.

During this time of crisis, the government also attracted the ire of its critics by passing a supplementary budget of 1.5 trillion Uganda shillings in April 2011, part of which was to purchase fighter jets and meet the cost of a swearing-in ceremony for the president. This supplementary budget and the high levels of campaign expenditure prior to the 2011 presidential election added to the perception that the government was engaging in fiscal irresponsibility and contributing to the economic crisis.

Public Perceptions of an Economy in Crisis

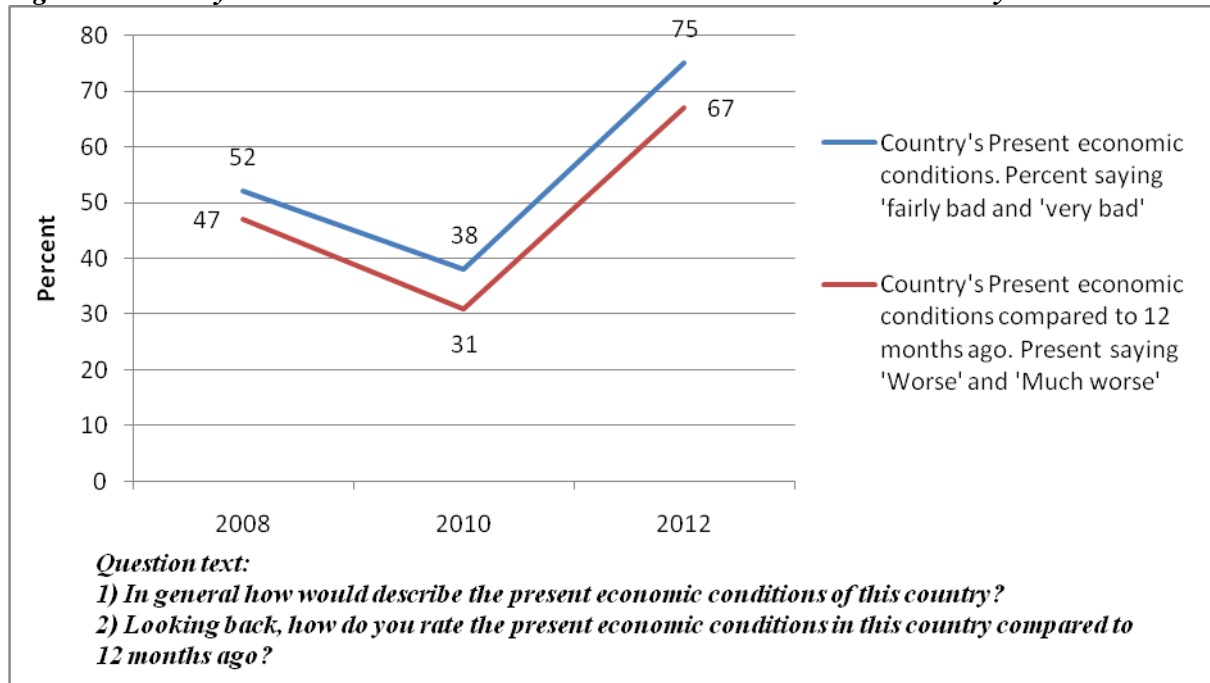
Perceived Economic Decline

Just one year after a landslide election granting another five-year mandate to the ruling National Resistance Movement (NRM), 74 percent of Ugandans think that the country is "heading in the wrong direction," according to the Jan/Feb 2012 Afrobarometer Round 5 Survey in Uganda. This figure represents a dramatic reversal in the number of Ugandans who think that the country is headed in the wrong direction compared to the January 2011 survey, when 64 percent thought the country was headed in the right direction. Preliminary analysis of the data from Round 5 suggests that much of the popular dissatisfaction about the direction of the country can be traced to dissatisfaction with the economy.

Despite an economic growth rate of 6.4 percent in 2011, Ugandans are increasingly concerned about the economy. A startling 75 percent rate the economy as doing "fairly" or "very badly", and 68 percent feel that it is doing worse now than it was 12 months ago. In December 2010, only 38 percent of the population believed that the economy was performing poorly, and only 31 percent of the population believed that the situation was getting worse, while the same number actually thought it was improving. These sharp declines over just 12

months reflect a perception of crisis in the economy for the first time in the 12-year period in which Afrobarometer surveys have been conducted in Uganda. In previous rounds, the highest percentage of Ugandans indicating that the economy was doing poorly was 52 percent, in November 2008.

Figure 1: Country’s Present Economic Conditions: Evaluations over Three Survey Rounds

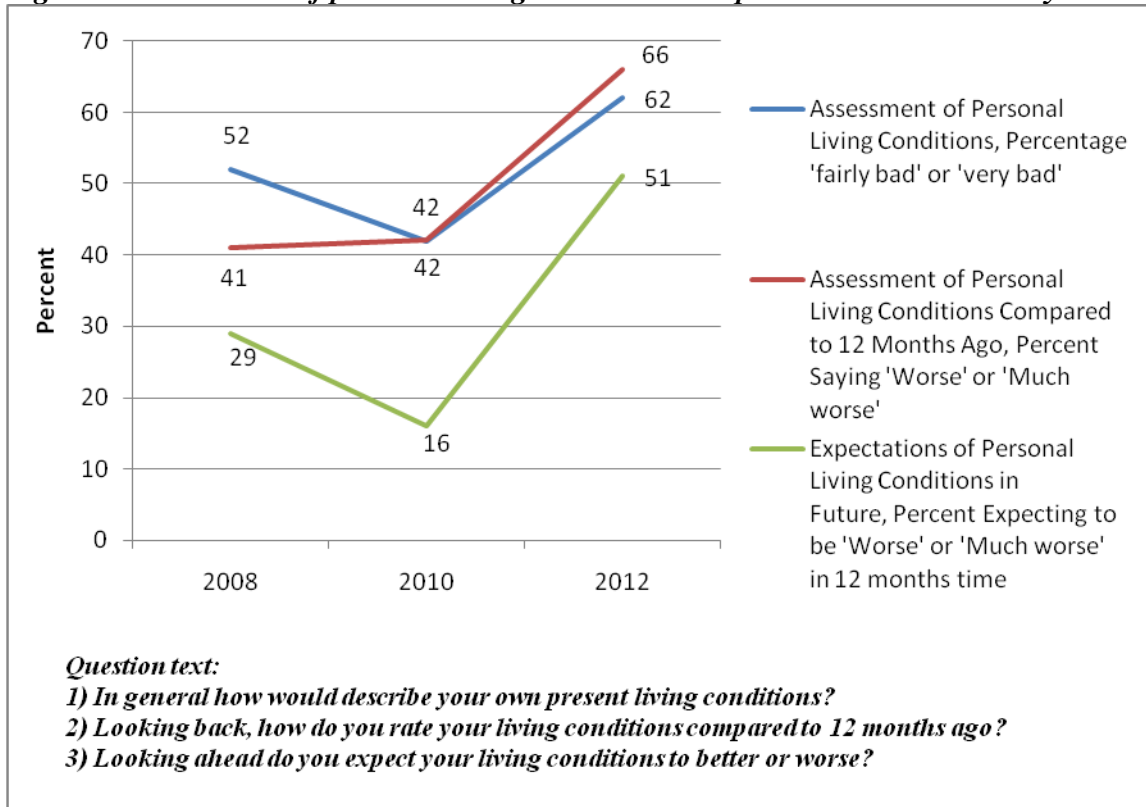


The Impact on Personal Living Conditions

Individuals are also feeling greater economic stress. : 64 percent rate their personal living conditions as “fairly” or “very bad”, compared to 42 percent in December 2010. Although a majority rate their personal living conditions as bad everywhere except Western Uganda, those living in Central Uganda seem most dissatisfied: only 18 percent rate their living conditions as “fairly” or “very good”, compared to 38 percent in Western Uganda.

Ugandans are also reporting a decline in personal living conditions, with 65 percent claiming to be worse off than they were 12 months ago. In December 2010, only 32 percent claimed to be worse off than they were 12 months earlier. This figure is particularly striking for Central Uganda and Kampala, where 88 percent and 81 percent respectively indicate that they are worse off than they were 12 months ago—possibly reflecting that inflation is hitting hardest in these regions. Ugandans are also less optimistic about their personal economic future: 51 percent expect their living conditions to be worse in 12 months. Notably, this is the first time in all the rounds of Afrobarometer in Uganda in which a majority of respondents have indicated that they expect things to be worse in the future. For example, in December 2010, only 16 percent took this negative view, and even in 2008 when 52 percent indicated that the economy was doing badly, only 28 percent expected their living conditions to be worse in 12 months.

Figure 2: Assessment of personal living conditions. Responses over three survey rounds



Perceptions of the weakening economy and the decline in personal economic conditions are evidenced in increased levels of deprivation in people’s everyday lives. There are significant increases in the number of respondents who indicate that they have gone without food “many times” or “always” in the past year, from 9 percent in December 2010 to 14 percent in Jan/Feb 2012. People are also more likely to go without water, with the number of those who have gone without water “many times” or “always” increasing from 12 percent in December 2010 to 18 percent in January 2012. This deprivation is particularly noticeable in Eastern and Northern Uganda, where 20 percent and 15 percent, respectively, report going without food “many times” or “always” in the past year.

Changing Policy Priorities

The perception that there is an economic crisis in the country is reflected in other ways as well. For example, popular assessments of which problems the government should address most urgently have shifted. In particular, the proportion mentioning economic issues has risen dramatically compared to other issues.¹ For example, in January 2012 survey, 21 percent of citizens mentioned management of the economy as one of the top three problems that the government should address, compared to only 12 percent in the December 2010 survey. Ugandans also were more likely to name other specific economic issues among the most urgent problems, including unemployment (22 percent in January 2012 versus 18 percent in December 2010), poverty (28 percent versus 23 percent), rates and taxes (28 percent versus 4 percent), and food shortage (10 percent versus 6 percent). Social policy priorities generally declined in importance. For example, mentions of health care went down to 30 percent in 2012 from 50 percent in 2010, infrastructure/roads dropped to 26 percent in 2012 from 38 percent in 2010, and references to education declined to 20 percent in 2012 from 32 percent

¹ Respondents could give up to three responses. Percentages reported are the share of all substantive responses.

in 2010. In sum, economic issues comprised 40% of all responses about the country’s most important problems in the 2012 survey, compared to 24% in Dec. 2010.

Figure 3: Most Important Problems: Increasing Emphasis on Economic Problems*

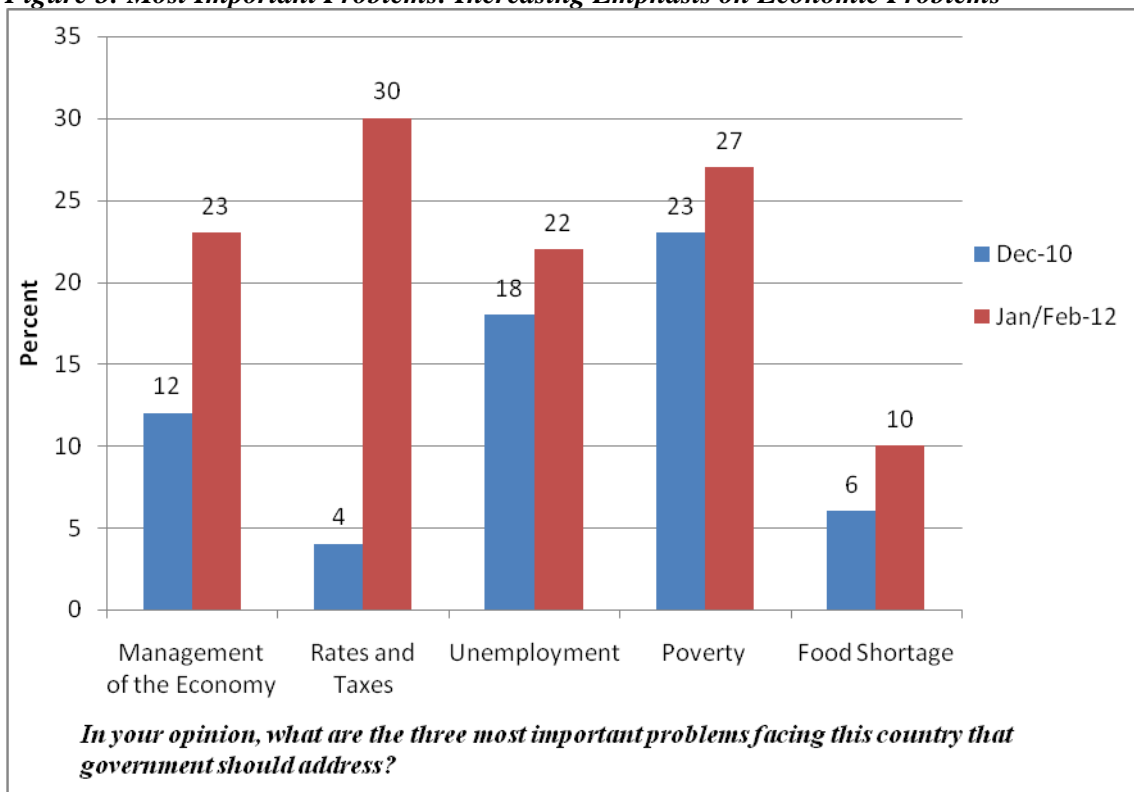
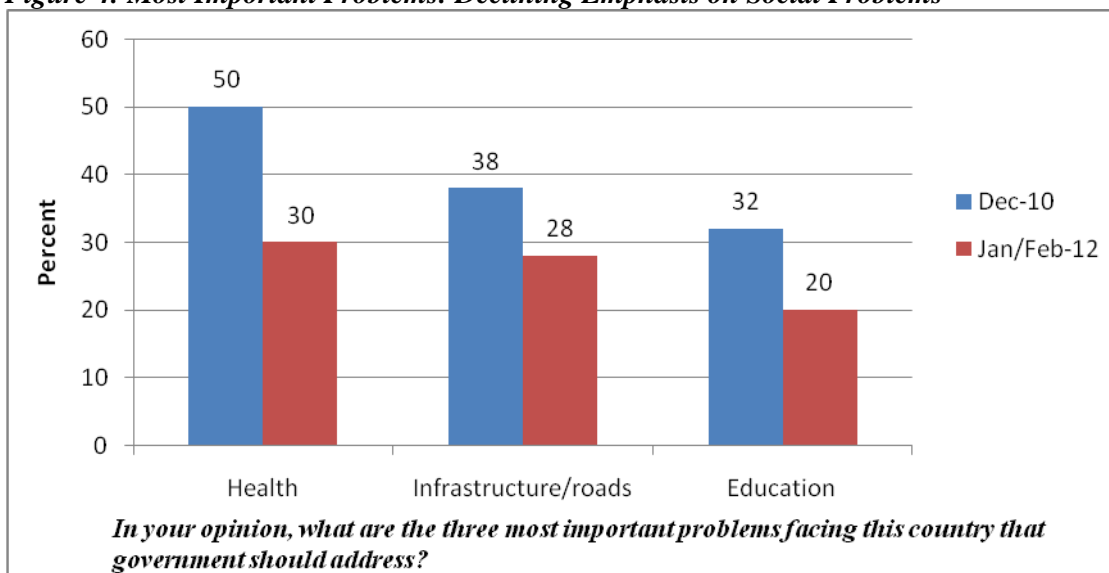


Figure 4: Most Important Problems: Declining Emphasis on Social Problems

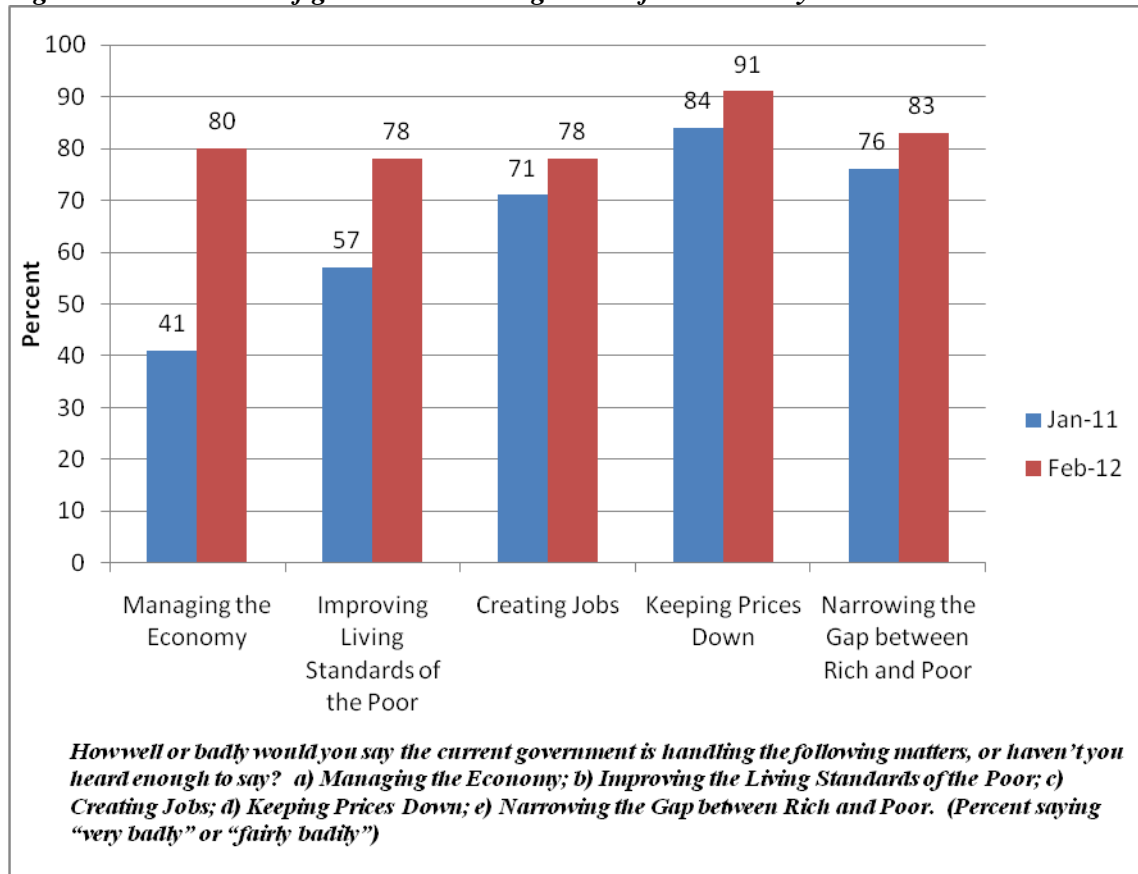


Perceived Economic Mismanagement

Ugandans also express significant concerns about how the government is managing the economy. According to the Afrobarometer Round 5 Survey, 80 percent feel that the government is doing poorly in the management of the economy, and the ratings are similarly negative for improving living standards of the poor (77 percent “fairly” or “very badly”); creating jobs (78 percent negative); and narrowing the gap between rich and poor (83 percent). Most strikingly: a resounding 91 percent give the government poor ratings for

“keeping prices down”, a sharp reminder that anxiety over inflation rates is a critical source of this economic discontent. In contrast, in January 2011, only 40 percent felt that the government was managing the economy poorly, and 57 percent said the same about improving living standards of the poor. There are also smaller but still substantial declines since January 2011 in public assessments of government performance on other aspects of economic management as well.

Figure 5: Evaluations of government management of the economy

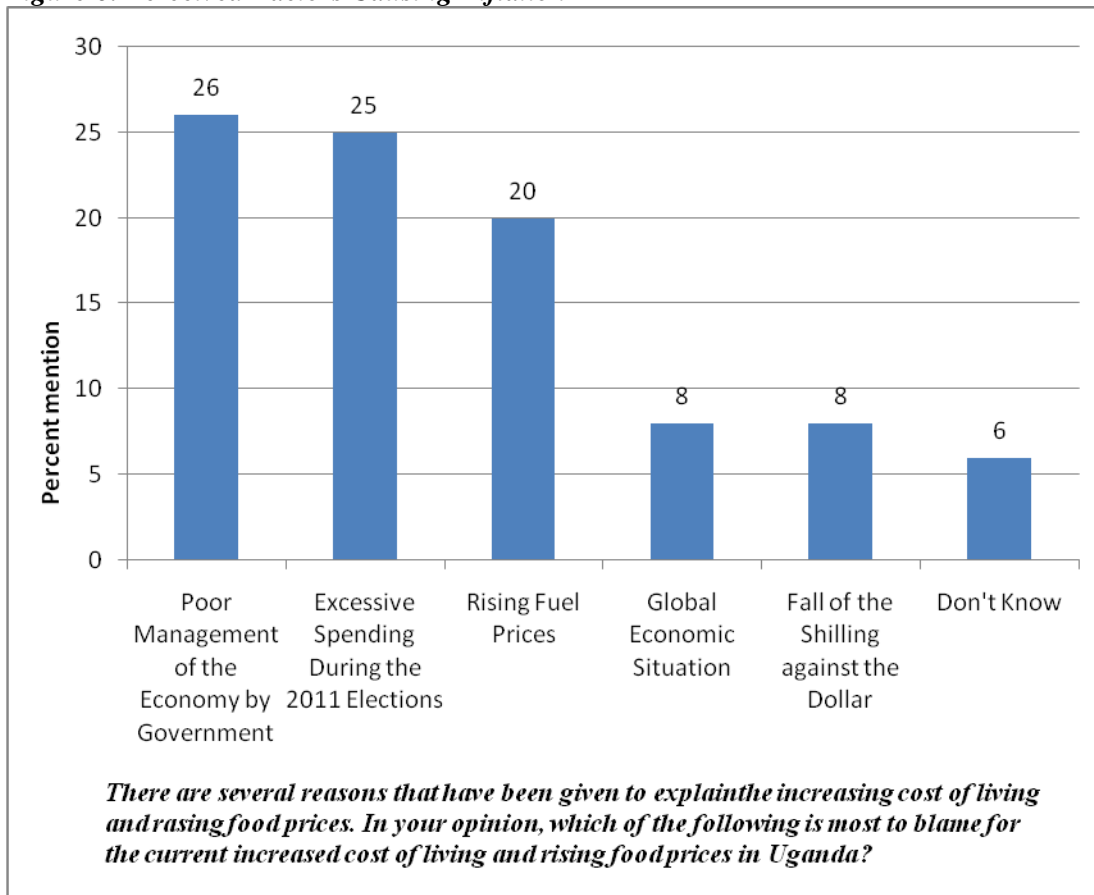


Perceived Causes of Inflation

As noted, much of the popular dissatisfaction with the economy probably stems from the impacts of an annual inflation rate of 26 percent by January 2012. When asked whether the cost of living and food had gone up over the last six months, 79 percent said that the prices had “gone up” and another 11 percent said that they had at least “gone up somewhat”. In terms of what factors were most to blame for the increased cost of living, many Ugandans trace excessive spending on election campaigns by the government, which allegedly dipped deep into the treasury to fund President Museveni’s re-election campaign. Twenty-five percent identified this as the main factor causing inflation, while another 26 percent attributed it to poor management of the economy by the government, and 20 percent blamed rising fuel prices. The global economic situation and the fall of the shilling against the dollar accounted for eight percent each. Furthermore, 53 percent of the population claimed that the government was doing “far too little” to address the current increase in the cost of living and food prices. Overall, only nine percent of respondents thought that the government was doing well in keeping prices down, a new low for Uganda in the 12 years of the Afrobarometer survey. Therefore, despite acknowledgement of the impact of the global economic crisis, a

majority of respondents in the survey clearly hold their government primarily responsible for the state of the economy.

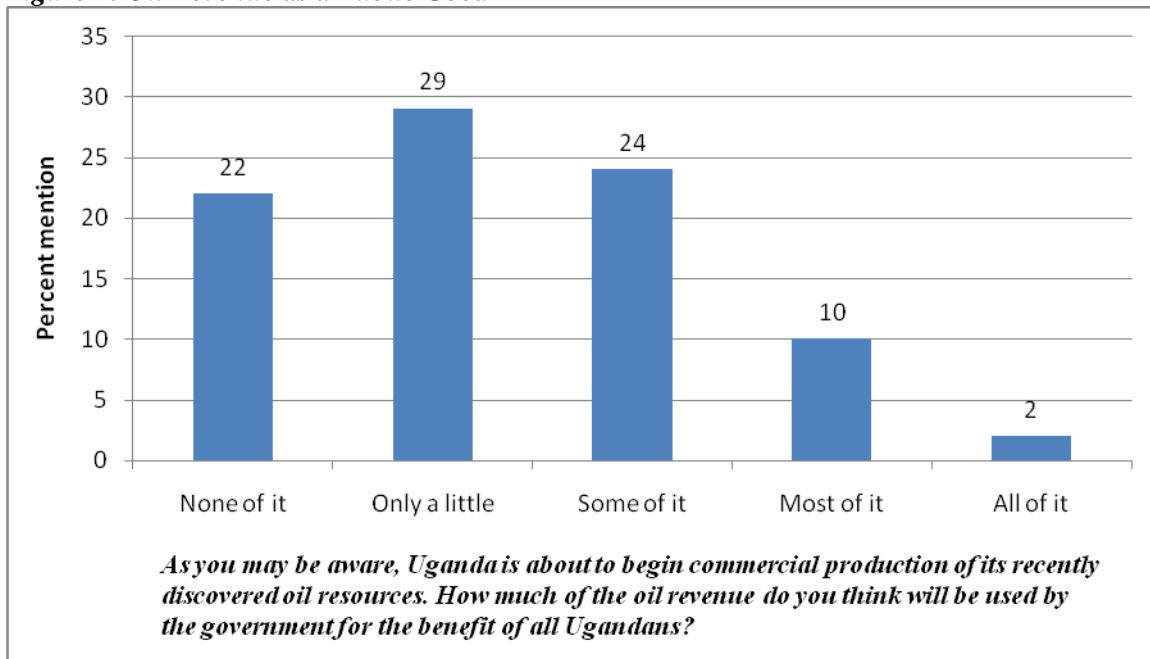
Figure 6: Perceived Factors Causing Inflation



In what direction is the economy expected to go?

In light of current concerns about the economy, what other predictions do Ugandans have regarding the country’s future? One of the major economic events on the horizon is the beginning of oil extraction and the flow of oil wealth into the country’s coffers. To what extent do citizens expect to benefit from this considerable resource when it comes on line? Most Ugandans are skeptical about the extent to which oil resources will benefit ordinary citizens. A mere 12 percent predict that all or most of the revenues will benefit ordinary Ugandans. A majority (51 percent) is much more pessimistic, and believes most funds will not be devoted to the public good.

Figure 7: Oil Revenue as a Public Good



These fairly pessimistic predictions on oil wealth align with generally negative sentiments on the future of the economy. When asked to look 12 months into the future, 51 percent expect to be personally worse off, and 55 percent expected the economy to be worse. These negative findings are particularly striking in a country where optimism about the economic future has been the norm in past surveys.

Conclusion

The findings of the 2012 Afrobarometer Survey in Uganda paint a bleak picture of public attitudes on the economy. Citizens give very poor ratings to the economy, indicate a considerable impact on their personal livelihoods, and criticize government's management of the economy. There are some positive signs that inflation may be on the decline and the shilling may be stabilizing. However, judging from public attitudes, controlling inflation, reducing unemployment, improving social protection for the least well off, and demonstrating to the public that the economy is headed in the right direction should be high priorities for the government in the immediate future.

About the Afrobarometer and the Uganda Round 5 Survey

The Afrobarometer is a comparative series of public attitude surveys on democracy, governance and living conditions in Africa. It works through a collaborative effort of researchers in over 20 African countries. The Jan/Feb 2012 Survey was based on a randomly selected national probability sample of 2400 respondents representing a cross-section of Ugandans aged 18 and older. Interviews were conducted in 84 out of Uganda's 112 districts, covering both urban and rural areas as well as all four administrative regions of the country. All interviews were conducted face-to-face by trained interviewers in a language of the respondent's choice. Wilsken Agencies Ltd, Afrobarometer's Uganda national partner, conducted the fieldwork for the survey between December 2, 2011, and February 27, 2012.

Earlier Afrobarometer surveys have been conducted in Uganda in August-September 2002, April-May 2005, July-September 2008, November 2008, November/December 2010, and January 2011.

The margin of error for the survey is +/- 2 percent at a 95% confidence level.

The Demographic distribution of the survey sample is shown in the table below.

Sample Breakdown

N = 2400	% (Weighted)		% (Weighted)
Gender		Education	
Male	50	No formal education	12
Female	50	Primary	40
Residence Locale		Secondary	33
Urban	14.2	Post Secondary	15
Rural	85.5	Age	
Region		18 - 24	21
Central	21.7	25 - 34	37
West	25.5	35 - 44	21
North	22	45 - 54	12
East	24.7	55 - 64	5
Kampala	6	65+	4
		Religion	
		Christian	88
		Muslim	12
		Other	1

This Briefing Paper was prepared by Jeremy Liebowitz and Robert Sentamu of the Centre for Democratic Governance and Wilsken Agencies Ltd.

The **Afrobarometer** is produced collaboratively by social scientists from 20 African countries. Coordination is provided by the Center for Democratic Development (CDD-Ghana), the Institute for Democracy in South Africa (Idasa), the Institute for Empirical Research in Political Economy (IREEP) in Benin and the Institute for Development Studies (IDS) University of Nairobi. Data collection, Survey management, coordination and preparation was done by Wilsken Agencies Ltd; Afrobarometer Uganda national partner. We gratefully acknowledge the generous support of the United States Agency for International Development (USAID) Uganda Mission for Afrobarometer Round 5 Uganda Survey.

For more information and further requests of analysis or Uganda results please visit the Afrobarometer website: www.afrobarometer.org or contact Wilsken Agencies ltd
 Robert Sentamu
 Off: +256 414 266111/0779 034034906/0772528503
 E-mail: robert.sentamu@gmail.com / Wilsken@africaonline.co.ug