

# Spend resources on critical sectors , Nuwagaba tells government

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Senior economist Augustus Nuwagaba from Makerere University has called on government to spend resources on critical sectors like infrastructure, agriculture, manufacturing among others to grow the economy in the New Year, 2013.

The central bank recently said the economy grew at 5.2% for the period ending December 2012 from just 3.2%, in 2011/2012.

Nuwagaba made the remarks in an interview with The Independent on Jan. 10. He said that for the rest of 2013, he expects no serious changes on the economy because the country's export performance, the financial management, aggregate demand are all constrained.

He added that the country needed to fight corruption to avoid incidents like donor aid cuts which recently weakened the shilling against the major foreign currencies especially the US dollar. He added that if the banks' interest rates remain high, production will remain constrained.

The central bank raised the central bank rate-a rate that influences the direction of interest rates in the market to 23% in 2011 before it eased to the current 12.0% level in line with the reducing inflation rate.

Uganda's year-on-year inflation rate went up to 30.4% in 2011 before abating to single digits in the last quarter of 2012. The inflation increase forced the central bank to tight monetary policy using the CBR tool which in the end pushed up commercial bank lending rates hence constraining economic growth.

"You cannot have the economy growing at good levels without balancing economic indicators like the exchange rate performance, inflation levels, and balancing interest rates performance," he said.

The economist urges Ugandans to get involved in production activities so they can be termed as producers and not consumers. "That would be healthy for the economy as well," he said.



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