

KEY HIGHLIGHTS: UGANDA MACROECONOMIC DIGEST FOR OCTOBER 2024

Inflation Trends: Uganda's annual headline inflation fell from 3.0% in September 2024 to 2.9% in October 2024, with food and energy prices driving this decline. Conversely, core inflation rose slightly from 3.7% in September to 3.9% in October 2024 due to higher service costs.

Business Sentiment: Business confidence dropped, with the Business Tendency Index decreasing from 57.8 in September to 57.5 in October 2024. Construction, manufacturing, and wholesale trade showed reduced optimism, while agriculture saw improved sentiment due to favorable weather.

Exchange Rate Stability: The Uganda shilling appreciated by 1.2% against the US dollar to an average mid-rate of Shs 3,667.93 per US dollar in October 2025, attributed to strong capital inflows and softer global inflation pressures.

Interest Rates Movement: The Central Bank Rate declined to 9.75% due to an improved inflation outlook. Shilling-denominated lending rates decreased, but demand for dollar-denominated loans raised foreign currency rates slightly.

Domestic Credit Trends: Net Credit to Government decreased by 1.9% amid reduced external support, while private sector credit declined marginally, reflecting fiscal consolidation and prudent lending practices.

Trade Balance and Commodities: Uganda's trade deficit increased by 33.8% in September 2024, with notable declines in coffee and gold exports. Maize and cotton exports rose, driven by increased global demand.

Economic Outlook: Growth is expected to stabilize at 6.0-6.5% for FY2024/25, potentially reaching 7% in 2-3 years. Key drivers include government initiatives, oil investments, and lower inflation, though global disruptions pose risks.

Key Message: Uganda's macroeconomic environment remains stable with controlled inflation and supportive policy measures. Continued economic reforms and investment are crucial for achieving sustainable growth and resilience amidst global uncertainties.