Uganda Macroeconomic Digest

April 2025

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Inspiring Development

Introduction

The Uganda Macroeconomic Digest for April 2025 provides insights into the country's economic performance. The report covers Uganda's key macroeconomic indicators, including Inflation, Business Confidence, Exchange Rates, Interest Rates, Domestic Credit, Merchandise Trade (exports and imports), and Economic outlook.

Annual Inflation:

The headline inflation rate in Uganda experienced a slight increase to 3.5% in April 2025 from 3.4% in March 2025 due to core inflation growth. The annual core inflation rate for April 2025 reached 3.9%, rising from 3.6% in March 2025 because of increasing service expenses.

Services inflation experienced a slight increase to 5.0% in April 2025 from 4.9% in March 2025, while food and beverage serving services inflation rose from 3.7% to 4.5% during the same period. The prices for housing rentals increased by 2.1% during April 2025, which was higher than the 1.3% price hike recorded in March 2025.

The annual rate of inflation for food crops and related items fell to 2.4% in April 2025, down from 3.1% in March 2025. The decline was mainly driven by significant price drops in key items. Onion inflation dropped to -44.6% in April 2025 from -28.6% in March 2025, while Irish potatoes inflation decreased to -6.0% in March 2025 from 11.2% in April 2025. Pineapple inflation fell to -8.5% in Aril 2025 from 12.9% in March 2025, and passion fruit inflation declined to -5.9% in April 2025 from 1.3% in March 2025.

In April 2025, the annual inflation rate for Energy, Fuel, and Utilities (EFU) reached zero percent after decreasing from 0.4% which occurred in the previous month. The decrease in energy and utility costs originated from a steeper reduction in electricity rates during April 2025 which showed a 5.7% decrease relative to the 2.0% drop in March 2025. However, the extra spending on solid fuels counteracted the general price decline. The charcoal inflation rose from 6.8% in March 2025 to 8.5% in April 2025 while the firewood inflation rose from 9.6% to 9.7% during the same period.

The Bank of Uganda's economic analysis indicates that core inflation will stay within the 4.0% to 5.0% range throughout 2025, before gradually stabilizing at the 5.0% target over the next 2 to 3 years. The path of inflation faces numerous risks that could cause deviations from the projected trajectory. Increasing geopolitical tensions that might interfere with international supply networks stand as one of the major risks alongside adverse weather conditions which could reduce food output and a potential strong rise in the value of the US dollar. On the other hand, the Ugandan shilling might gain strength from oil-based investments or declining worldwide oil prices that would result from an international economic weakening, thus leading to lower inflation levels.

3.5%

Headline Inflation increased from 3.4% in March 2025 to 3.5% in April 2025

3.9%

Core Inflation increased from 3.6% in March 2025 to 3.9% in April 2025

2.4%

Food Crops and Related Items Inflation declined from 3.1% in March 2025 to 2.4% in April 2025

0.0%

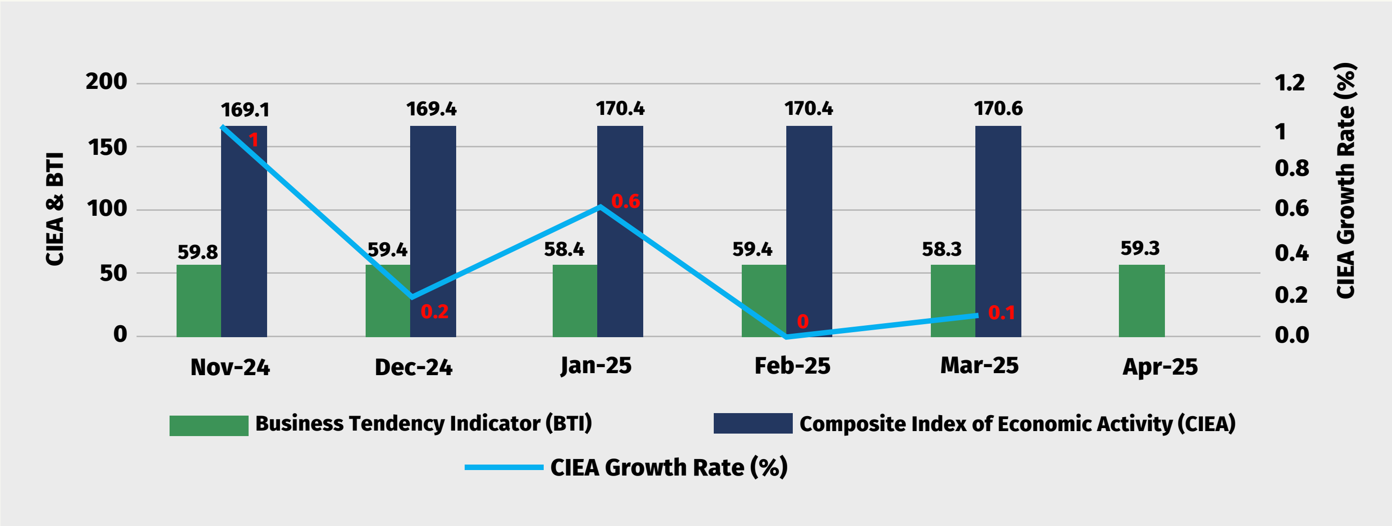
Energy Fuel and Utilities (EFU) Inflation declined from 0.4% in March 2025 to 0.0% in April 2025

Business Perceptions and Economic Activity:

The Business Tendency Index (BTI) experienced an upward trend from 58.3 in March 2025 to 59.3 in April 2025. The Construction sector demonstrated heightened confidence as shown by the latest Bank of Uganda business tendency index that increased from 55.41 in March 2025 to 59.34 in April 2025 and Manufacturing from 54.65 in March 2025 to 57.1 in April 2025. The wholesale trade business tendency index increased from 56.69 in March 2025 to 58.33 in April 2025 while other services business tendency index improved from 58.54 in March 2025 to 62.76 in April 2025. The agricultural sector experienced decreased market optimism as shown by its business tendency index which fell from 61.71 in March 2025 to 56.31 in April 2025 because of falling agricultural selling prices that affected farmer profitability.

Economic activity saw a 0.1% increase in the Composite Index of Economic Activity (CIEA) that reached 170.6 in March 2025 from 170.4 in February 2025. Business activity grew slightly due to service sector recovery and better credit extension towards private-sector businesses since lending rates dropped during the month.

Figure 1: Business Tendency Indicator (BTI) and Composite Index of Economic Activity (CIEA), November 2024 to April 2025



Source: Computation based on Bank of Uganda data, April 2025

Exchange Rate Movements:

The Ugandan Shilling depreciated by 0.05% against the US Dollar, with the average mid-rate rising to Shs 3,669.6/USD in April 2025 from Shs 3,667.9/USD in March 2025, driven by demand for dollars from energy firms and traders.

Depreciation implies that goods from Uganda become cheaper to export and it becomes more affordable for foreigners (tourists) to visit Uganda. However, the cost of imported goods such as raw materials and agricultural inputs like fertilizers may rise as the dollar strengthens.

Shs 3,669.6/USD

Average exchange rate for April 2025

Interest Rate Movements:

The Central Bank Rate (CBR) remained unchanged at 9.75% for seven consecutive months. The current policy stance is appropriate to maintain inflation around the 5% target while supporting sustainable economic growth and socio-economic transformation. Shilling-denominated credit experienced a decrease in its weighted average lending rate from 18.76% in February 2025 to 17.74% in March 2025 as loan quality improved and credit risks decreased.

The financial industry showed improved stability with lower Non-Performing Loans (NPLs) which dropped from 4.85% in Q3 2024 to 3.98% in Q4 2024. However, foreign currency-denominated credit experienced an increased average lending rate to 8.51% during March 2025 compared to 8.30% in February due to the rise in demand for dollar denominated loans.

9.75%
Central Bank Rate (CBR) for April 2025

17.74%
Lending Rates for UGX Loans for March 2025

8.51%
Lending Rates for Foreign Currency Loans for March 2025

Domestic Credit:

The Domestic Credit rose by 0.4% from UGX 49.16 trillion in February 2025 to UGX 49.35 trillion in March 2025. The private sector experienced credit growth of 0.7%, resulting in an increase from UGX 25.85 trillion to UGX 26.02 trillion over the same period. Meanwhile, Net Credit to the Government (NCG) declined by 0.4%, falling from UGX 22.34 trillion to UGX 22.24 trillion, indicating a reduction in government borrowing. The rising private sector lending demonstrates enhanced economic operations and investment, and lower government borrowing helps to lower interest rates which encourages private sector growth.

Shs 49.35 trillion
Domestic Credit increased by 0.4% in March 2025

Shs 26.02 trillion
Private Sector Credit increased by 0.7% in March 2025

Shs 22.24 trillion
Net Credit to the Government (NCG) declined by 0.4% in March 2025

Merchandise Trade Balance and Terms of Trade:

Uganda recorded a significant trade imbalance increase which reached USD 213.6 million in March 2025 from USD 48.9 million deficit in February 2025, representing a 337.0% rise in trade deficit. The main reason behind this development came from a surge in import expenses, which increased by 25.4% from USD 887.1 million in February 2025 to USD 1.11 billion in March 2025. The export revenue increased by 7.3% which enabled the sector to generate USD 899.1 million export earnings in March 2025 compared to USD 838.2 million earned in February 2025. The trade balance experienced a negative shift, yet the terms of trade index increased by 4.3% from 151.5 in February 2025 to 158.0 in March 2025 which demonstrates better relative export pricing against import costs.

Trade deficit increased by **337.0%** in March 2025

Total Exports of Goods - fob increased by **7.3%** in March 2025

Total Imports of Goods - fob increased by **25.4%** in March 2025

Terms of Trade Index increased by **4.3%** in March 2025

Uganda's Trade Balance with the East African Community (EAC):

In March 2025, Uganda recorded a trade deficit of USD 209.2 million within the East African Community (EAC). Total export revenues to EAC partner states amounted to USD 124.6 million, while import receipts from the same region reached USD 333.8 million, reflecting a widening imbalance in intra-regional trade.

The largest trade deficit was registered with Tanzania, where Uganda exported goods worth USD 3.49 million against imports of USD 193.34 million, resulting in a substantial trade gap of USD 189.85 million. This deficit was the highest among all EAC member states during the month, highlighting a persistent trade imbalance in Uganda-Tanzania relations.

Uganda also registered a significant trade deficit with Kenya, amounting to USD 109.82 million. Export revenues from Kenya stood at USD 17.76 million, while imports were valued at USD 127.59 million, pointing to high dependency on Kenyan imports such as fuel, machinery, and processed goods.

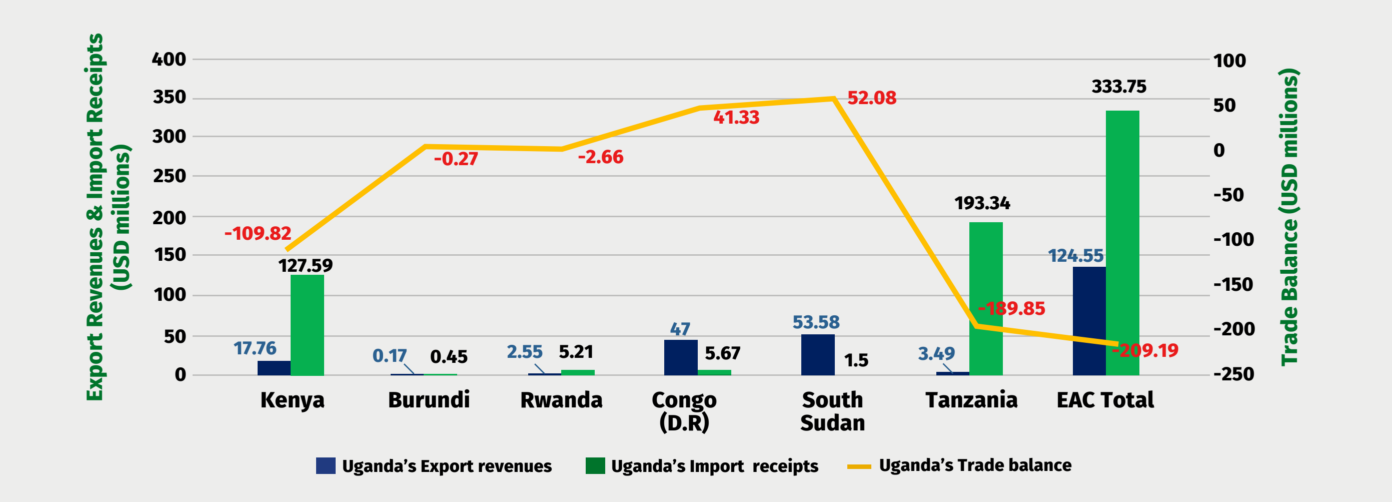
Trade with Rwanda and Burundi also resulted in deficits, though on a smaller scale. Uganda exported USD 2.55 million worth of goods to Rwanda and imported USD 5.21 million, resulting in a USD 2.66 million deficit. In the case of Burundi, exports amounted to USD 0.17 million while imports were USD 0.45 million, translating into a USD 0.27 million trade gap.

On a positive note, Uganda achieved trade surpluses with two EAC countries. The highest surplus was with South Sudan, where Uganda exported goods worth USD 53.58 million, compared to imports of only USD 1.50 million, leading to a USD 52.08 million surplus. This underscores the importance of South Sudan as a strategic export market for Uganda's manufactured and agricultural products.

Trade with the Democratic Republic of Congo (D.R.C.) also yielded a substantial surplus. Uganda's exports to D.R.C. stood at USD 47.00 million, while imports were relatively low at USD 5.67 million, resulting in a positive trade balance of USD 41.33 million. This reflects Uganda's expanding trade footprint in the Congolese market.

Despite strong export performance in select markets, Uganda's trade engagement within the EAC in March 2025 remained tilted toward imports, reflecting structural imbalances and underscoring the need to strengthen export competitiveness and deepen integration into regional value chains, particularly through value-added production and intra-EAC supply linkages.

Figure 2: Uganda's Merchandise Trade Balance with the EAC in March 2025 (Million, USD): Exports Vs. Imports



Source: Computation based on Bank of Uganda data, March 2025

Uganda's Export Revenues from Selected Commodities:

Coffee maintained its position as Uganda's top agricultural export, with export earnings rising by 18.5%, from USD 167.7 million in February to USD 198.6 million in March 2025. This performance was supported by a 15.7% increase in export volumes, from 555,756 to 642,981 sixty-kilogram bags. The growth reflects a combination of improved harvests, favourable global market conditions, and competitive pricing, reinforcing Uganda's strong foothold in international coffee trade. Notably, Uganda's coffee export prices rose by 2.4%, from USD 5.03 per kg in February 2025 to USD 5.15 per kg in March 2025. This price improvement was partly driven by global supply constraints, including drought in Brazil affecting Arabica production and shipping disruptions in Vietnam impacting Robusta supply factors that tightened global availability and supported higher prices.

Cotton exports declined significantly. Export volumes dropped by 36.7%, from 13,075.9 (185 kg Bales) in February 2025 to 8,280 (185 kg bales) in March 2025, resulting in a 15.8% fall in export earnings from USD 2.6 million to USD 2.2 million during the same period. The contraction reflects subdued international demand and price pressures in global cotton markets, amid U.S.-China trade tensions.

Tea exports also underperformed during the period. Export volumes fell by 8.8% to 3,545.7 tons in March 2025 from 3,889.2 tons in February 2025, while export values declined by 5.8% to USD 3.8 million in March 2025 from USD 4.1 million in February 2025. The downturn is attributed to softer demand from key regional buyers and lower international prices.

Fish and fish product exports (excluding regional markets) showed marginal improvement. Volumes grew by 10.6% to 1,548.1 tons in March 2025, up from 1,399.5 tons in February 2025. However, export earnings only edged up by 0.7%, from USD 11.9 million in February 2025 to USD 12.0 million in March 2025, suggesting that gains in volume were offset by modest price declines in international markets. **Simsim (sesame seed) exports** recorded mixed performance. Export volumes grew by 5.2% to 3,798.3 tons in March 2025, up from 3,609.9 tons in February 2025. However, export earnings declined by 7.8% to USD 6.1 million from USD 6.6 million, indicating a drop in export prices.

Maize exports showed a remarkable rise in earnings despite a significant volume drop. Export volumes declined by 31.3%, from 15,537.3 tons in February 2025 to 10,676.0 tons in March 2025, yet export earnings nearly doubled, rising by 91.5% from USD 4.5 million to USD 8.6 million during the same period. This sharp increase in value suggests substantial improvements in export prices. Notably, global average maize prices rose by 3%, from USD 207.41 per ton in February to USD 215.00 in March 2025, driven by reduced U.S. stockpiles during a seasonal decline, according to World Bank commodity market outlook report for April 2025.

Bean exports recorded a sharp decline in March 2025, driven by a significant drop in export volumes. Volumes fell by 40.5%, from 6,583.9 tons in February 2025 to 3,917.0 tons in March 2025, leading to an 8.7% reduction in export earnings from USD 3.9 million to USD 3.5 million.

Cocoa beans remained a major export, though performance slightly dipped. Volumes rose strongly by 31.0%, from 7,929.6 tons in February 2025 to 10,391.1 tons in March 2025. However, earnings slipped by 1.9%, from USD 68.7 million to USD 67.4 million, suggesting falling global prices for Uganda despite robust global demand and increased volumes.

Rice exports, though small in absolute terms, posted the highest relative growth. Volumes surged by 128.4% from 53.3 tons in February 2025 to 121.7 tons in March 2025, while export earnings soared by 276.3%, from USD 0.04 million in February 2025 to USD 0.15 million in March 2025. This sharp increase is attributed to higher prices and penetration into new niche export markets, particularly in countries such as South Sudan, Rwanda, and the Democratic Republic of Congo, where demand for affordable staple imports has grown.

Sugar exports performed strongly in March 2025. Volumes rose by 30.0%, from 16,115.4 tons in February 2025 to 20,946.2 tons in March 2025. Export earnings increased by 22.9%, from USD 12.5 million in February 2025 to USD 15.4 million in March 2025. This performance reflects strong regional demand and favorable production conditions, with the sector benefiting from ongoing government support initiatives.

Uganda's Import Receipts for Selected Commodities:

Uganda's formal import receipts surged by 25.0%, rising from USD 867.76 million in February 2025 to USD 1,084.83 million in March 2025, reflecting a notable expansion in external purchases across a broad spectrum of commodities. This growth suggests a rebound in domestic demand and production activity, particularly in sectors reliant on intermediate and capital goods.

Significant increases were recorded in several product categories. Imports of Prepared Foodstuff, Beverages & Tobacco nearly doubled, registering a 92.7% increase from USD 20.20 million to USD 38.92 million, pointing to rising consumption and possibly restocking ahead of seasonal demand. Similarly, Plastics, Rubber & Related Products rose sharply by 75.4% to USD 61.43 million, up from USD 35.03 million, indicating higher demand for industrial and packaging materials.

The category of Chemical & Related Products posted a robust 60.8% growth, rising from USD 49.17 million to USD 79.07 million, likely reflecting increased importation of fertilizers, pharmaceuticals, and industrial chemicals. Mineral Products (excluding petroleum) saw a substantial 40.6% increase from USD 255.72 million to USD 359.44 million, signaling continued investments in manufacturing and construction.

Imports of Vegetable Products, Animal Products, Beverages, Fats & Oils grew by 18.7%, reaching USD 78.66 million from USD 66.27 million, while Animal & Animal Products rose by 24.5%, from USD 3.89 million to USD 4.84 million, reflecting increased demand in the food supply chain.

Meanwhile, Wood & Wood Products imports increased by 35.0%, and Miscellaneous Manufactured Articles and Base Metals & Their Products both expanded by 41.1%, indicating stronger activity in sectors such as construction, trade, and consumer goods. The category of Textile & Textile Products, however, recorded a slight decline of 1.5%, down to USD 29.07 million, possibly due to seasonal adjustments or inventory optimization.

On the downside, Petroleum Products fell by 7.5%, from USD 130.91 million to USD 121.09 million, likely due to reduced volumes or softening global prices. Likewise, Electricity imports declined by 8.7%, possibly reflecting improved domestic generation. Marginal reductions were also observed in Machinery, Equipment, Vehicles & Accessories, which declined slightly by 0.8%, suggesting stability in capital goods imports.

Uganda's Economic Outlook and Risks:

Uganda's economic growth for **FY2024/25** is projected to remain within the range of **6.0%** to **6.5%,** with prospects of reaching **7.0%** in the outer years, according to the Bank of Uganda latest forecasts. This positive outlook is underpinned by sustained recovery in agriculture and industrial activity, increased investment flows particularly in the extractive sector and continued implementation of government programs such as the Parish Development Model (PDM).

Despite the robust growth momentum, the balance of risks remains tilted to the downside. Key downside risks include disruptions to global supply chains due to geoeconomic fragmentation, trade tensions, or shifts in shipping routes; weaker external demand from major trading partners; and a potential tightening of global financial conditions, reversing the easing observed in late 2024. On the upside, faster investment in the extractive sector, supportive government interventions, and improved domestic financial conditions could further bolster growth. Additionally, positive trade negotiations, stronger tourism inflows, and pro-growth policies in major economies offer potential tailwinds. Nonetheless, increased uncertainty and the threat of lower-than-expected commodity prices continue to pose significant risks to Uganda's economic trajectory.

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This report draws information from reliable sources such as the BOU, UBOS, MOFPED, IMF, World Bank, EIU, UN, etc. Please note that it is for informational purposes only, and feedback and comments can be sent to:

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