

Introduction

The Uganda Macroeconomic Digest for July 2024 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, trade (exports and imports), and economic outlook.

Annual Inflation:

Uganda's annual inflation rate, as measured by the Consumer Price Index (CPI), rose slightly to 4.0% for the 12 months ending in July 2024, up from 3.9% in June 2024. This increase was primarily driven by a rise in Annual Core Inflation, which reached 4.0% in July 2024, compared to 3.8% in June 2024. A significant factor in this uptick was the Annual Services Inflation, which climbed to 6.5% in July 2024, up from 6.1% the previous month. Notably, Passenger Transport Services Inflation surged to 8.2% in July 2024, from 7.0% in June 2024. Similarly, Accommodation Services Inflation increased to 4.8% in July 2024, up from 4.4% in June 2024, while Recreation, Sports, and Culture Services Inflation rose to 7.2% from 5.8% over the same period.

The Annual Food Crops and Related Items Inflation also saw a substantial rise, reaching 2.0% in July 2024, up from 0.5% in June 2024. This increase was largely due to a sharp rise in cooking bananas inflation, which jumped to 3.6% in July 2024 from -10.4% in June 2024. Additionally, Irish potatoes inflation surged to 17.2% in July 2024 from 1.6% in June 2024, and cabbage inflation soared to 32.5% from 14.4%. However, dry beans inflation, though still negative, improved to -5.2% in July 2024 from -7.2% in June 2024.

In contrast, Annual Energy, Fuel, and Utilities (EFU) Inflation decreased to 6.2% in July 2024, down from 10.3% in June 2024. This decline was mainly due to a drop in liquid energy fuel inflation, which fell to 5.1% in July 2024 from 5.3% in June 2024. Specifically, petrol inflation edged down to 8.8% in July 2024 from 9.0% in June 2024, and diesel inflation decreased to 1.5% from 2.0%. Solid fuels inflation also fell, with charcoal inflation dropping to 12.5% in July 2024 from 20.6% in June 2024, and firewood inflation declining to 15.9% from 23.7% during the same period.

Looking ahead, the Bank of Uganda (BOU) projects that inflation will remain below the 5% target for the fiscal year 2024/25, supported by stable demand conditions, lower imported inflation, and a stable exchange rate. However, uncertainties persist, including potential geopolitical escalations in the Middle East that could drive energy prices higher, unfavorable weather patterns affecting food production, and the possibility of a stronger-than-expected increase in domestic demand.

4.0%



Headline Inflation rose from 3.9% in June 2024 to 4.0% in July 2024

4.0%



Core Inflation rose from 3.8% in June 2024 to 4.0% in May 2024

2.0%



Food Crops and Related Items inflation rose from 0.5% in June 2024 to 2.0% in July 2024

6.2%

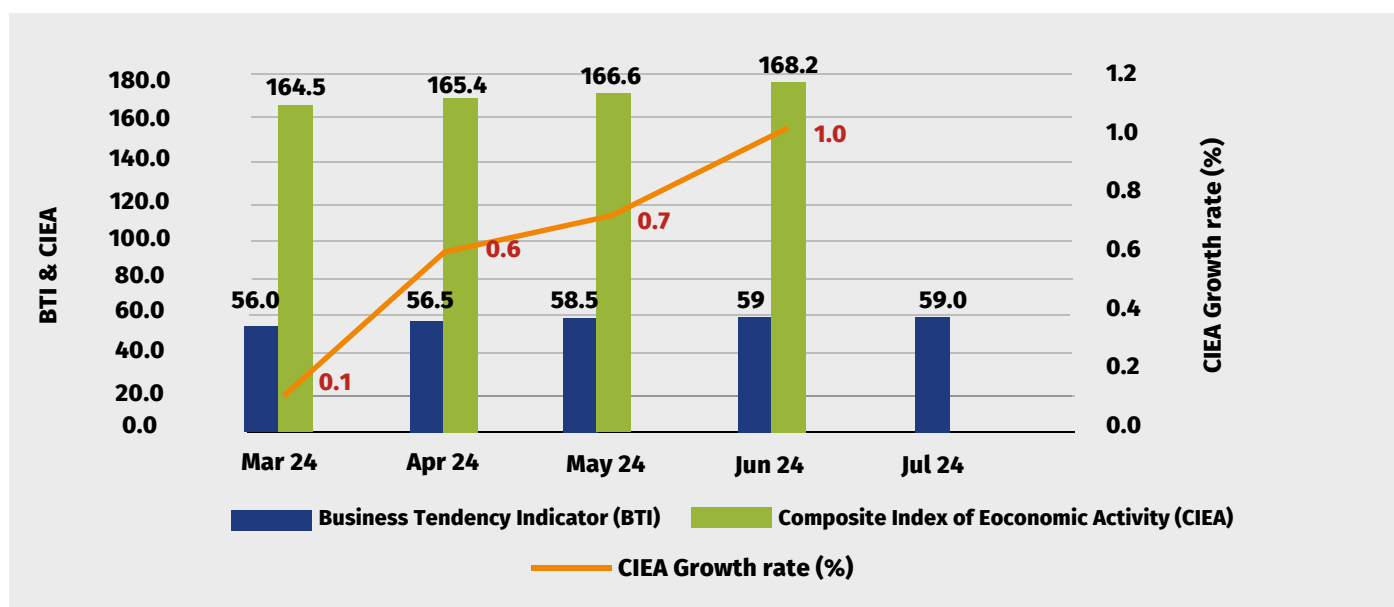


Energy Fuel and Utilities (EFU) inflation declined from 10.3% in June 2024 to 6.2% in July 2024

Economic Activity and Business Perceptions:

The private sector sentiments about doing business in the Ugandan economy, as reflected by the Bank of Uganda's Business Tendency Index (BTI), remained positive and steady in July 2024. The BTI stood at 59.0 in both July and June 2024, comfortably above the critical threshold of 50. Optimism was particularly strong in the Wholesale Trade and Other Services sectors. The Composite Index of Economic Activity (CIEA) increased by 1.0% to 168.2 in June 2024, up from 166.6 in May 2024, continuing an upward trend observed over the last four months, signaling sustained economic growth.

Figure 1: Business Tendency Indicator (BTI) and CIEA, March to July 2024



Source: Author's Computation based on BOU data, July 2024

Exchange Rate Movements:

In July 2024, the Ugandan Shilling traded at an average mid-rate of Shs 3,705.85 per USD, appreciating by 1.1% from Shs 3,747.19 per USD in June 2024. This appreciation was primarily due to tight monetary conditions and increased foreign currency inflows from Non-Governmental Organizations, offshore investors, remittances, and export revenues, particularly from coffee.

Shs 3,705.85/USD

Average exchange rate for July 2024





Interest Rate Movements:

In July 2024, the Bank of Uganda's Monetary Policy Committee maintained the Central Bank Rate (CBR) at 10.25% for the fourth consecutive month, considering it sufficient to keep annual inflation within the medium-term target of 5%. Meanwhile, the weighted average lending rates for Shilling-denominated credit declined to 17.64% in June 2024, down from 18.85% in May 2024, reflecting market anticipation that the Bank of Uganda might lower the CBR due to an improved inflation outlook and the recovery of the Shilling. The Ugandan Shilling, which had reached a record low in March 2024, has appreciated by more than 5% against the U.S. dollar since then, reducing concerns that the recent inflation rise will be persistent. Conversely, lending rates for foreign currency-denominated credit increased to 9.23% in June 2024, up from 8.87% in May 2024, driven by higher demand for dollar-denominated loans.

10.25%

Central Bank Rate (CBR)
for July 2024

17.64%

Lending Rates for
UGX Loans for June 2024

9.23%

Lending Rates for foreign
currency loans for June 2024

Domestic Credit:

Overall domestic credit increased by 3.2%, rising from Shs 43.80 trillion in May 2024 to Shs 45.18 trillion in June 2024. This growth was primarily driven by a significant 4.6% increase in net credit to the government (NCG), which surged from Shs 19.20 trillion to Shs 20.08 trillion. The rise in domestic borrowing is attributed to a fiscal deficit, reduced external financing, and a shift in debt management strategy. Additionally, private sector credit experienced a modest increase of 1.5%, growing from Shs 23.69 trillion in May to Shs 24.04 trillion in June 2024. This uptick indicates a moderate recovery in lending to businesses, reflecting a cautiously optimistic outlook among financial institutions and borrowers during this period in 2024.

Shs 45.18 trillion

Domestic credit increased
by **3.2%** in June 2024

Shs 24.04 trillion

Private Sector Credit
rose by **1.5%** in June 2024

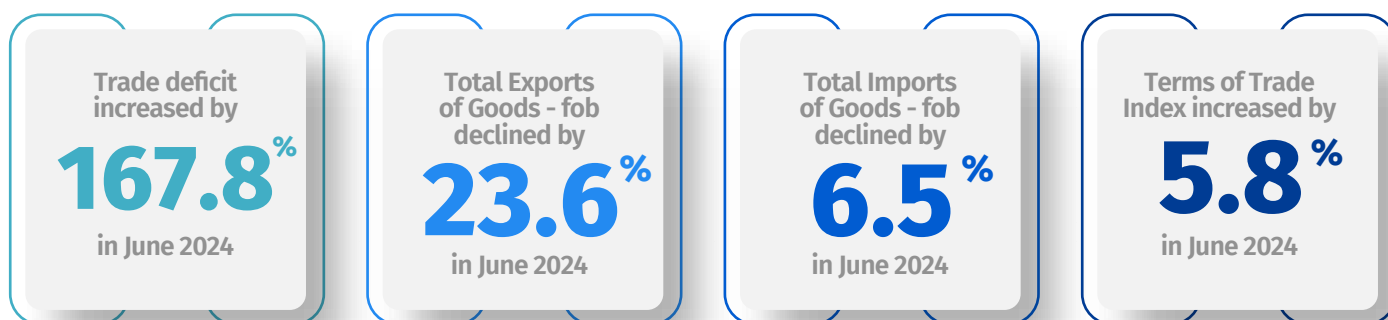
Shs 20.08 trillion

Net Credit to the Government
(NCG) rose by **4.6%** in June 2024

Uganda's Trade Balance, and Terms of Trade:

Uganda's trade balance deteriorated significantly, with the deficit widening by 167.8%, from US\$92.6 million in May 2024 to US\$247.9 million in June 2024. This sharp increase is primarily attributed to a substantial 23.6% decline in total goods exports, which fell from US\$940.9 million to US\$718.6 million during the same period. Meanwhile, total goods imports saw a smaller decline of 6.5%, falling from US\$1,033.5 million in May 2024 to US\$966.5 million in June 2024.

The terms of trade (TOT) index, which measures the ratio of export prices to import prices, improved by 5.8%, rising from 132.7 in May 2024 to 140.3 in June 2024. This indicates a more favorable value for Uganda's exports relative to its imports, despite the overall decline in export volumes.



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

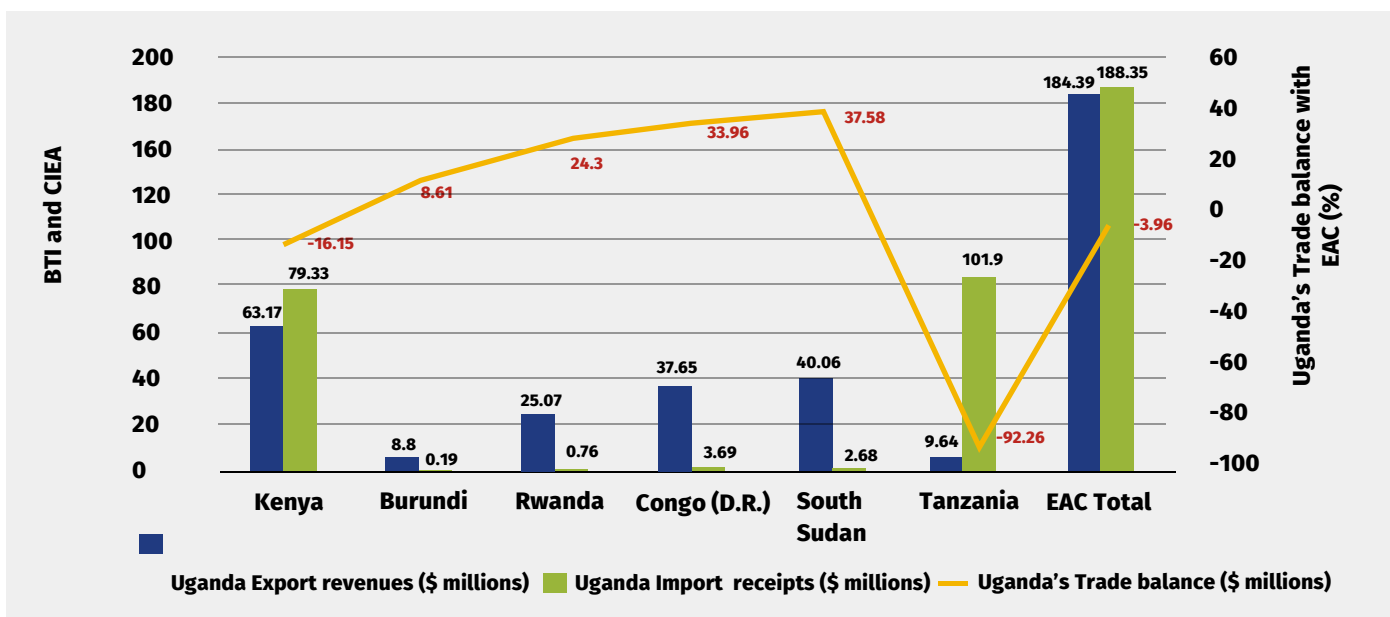
In June 2024, Uganda recorded a trade deficit of \$3.96 million within the East African Community (EAC), with exports totaling \$184.39 million and imports amounting to \$188.35 million. This represents a significant improvement from the previous month when the deficit stood at \$345.04 million.

Specifically, Uganda's trade balance with Kenya in June 2024 saw exports totaling \$63.17 million, while imports amounted to \$79.33 million, resulting in a deficit of \$16.15 million. Similarly, with Tanzania, Uganda exported goods worth \$9.64 million but imported goods valued at \$101.90 million, leading to a substantial deficit of \$92.26 million.

On a positive note, Uganda recorded surpluses in trade with other EAC countries. For instance, Uganda exported goods worth \$8.80 million to Burundi and imported negligible goods (\$0.19 million), resulting in a surplus of \$8.61 million. Additionally, Uganda enjoyed a surplus of \$24.30 million with Rwanda, exporting goods worth \$25.07 million and importing goods worth \$0.76 million.

Moreover, Uganda maintained a surplus in trade with the Democratic Republic of Congo, exporting goods totaling \$37.65 million and importing goods valued at \$3.69 million, resulting in a surplus of \$33.96 million. Similarly, Uganda's trade with South Sudan showed a surplus, with exports amounting to \$40.06 million and imports at \$2.48 million, leading to a surplus of \$37.58 million.



Figure 2: Uganda's Trade Balance with the EAC in April 2024 (Million, USD): Exports Vs Imports

Source: Authors' construct based on BOU data (June 2024)

Uganda's Export Revenues from Selected Commodities:

Coffee export revenues experienced a 27.5% surge, rising from \$127.3 million in May 2024 to \$162.4 million in June 2024. This increase was fueled by a 20.5% growth in export volumes, which went up from 553,802 to 667,288 (60 kg bags). Additionally, Uganda's coffee export prices rose by 6%, from \$3.83 per kg in May to \$4.06 per kg in June 2024.

In contrast, cotton export revenues plummeted by 76.2%, dropping from \$1.3 million in May 2024 to \$0.3 million in June 2024. This sharp decline was driven by a 73.3% reduction in export volumes, which fell from 3,840.3 to 1,024.2 (185 kg bales). Similarly, tea export revenues decreased by 17.6%, from \$5.8 million in May 2024 to \$4.8 million in June 2024, accompanied by a 17.2% drop in export volumes, from 6,355.0 tonnes to 5,262.8 tonnes.

The fish and fish products sector also saw a decline, with export revenues decreasing by 6.8%, from \$11.6 million in May 2024 to \$10.9 million in June 2024, alongside a 13.9% reduction in fish export volumes, which fell from 1,618.3 tonnes to 1,393.7 tonnes.

Sim sim export revenues dropped significantly by 63.6%, from \$3.4 million in May 2024 to \$1.2 million in June 2024, with export volumes plummeting by 59.8%, from 1,446.3 tonnes to 581.1 tonnes. Maize export revenues saw a slight decrease of 3.0%, from \$10.5 million in May 2024 to \$10.2 million in June 2024, as maize export volumes declined by 9.1%, from 27,432.5 tonnes to 24,932.1 tonnes.

Beans export revenues fell by 14.7%, from \$5.5 million in May 2024 to \$4.7 million in June 2024, despite an 11.5% increase in export volumes, which rose from 7,159.5 tonnes to 7,980.2 tonnes. However, Uganda's export prices for beans decreased from \$0.76 per kg in May 2024 to \$0.58 per kg in June 2024.

In contrast, the cocoa beans sector experienced a substantial increase in export revenues by 58.6%, rising from \$11.6 million in May 2024 to \$18.4 million in June 2024. This growth was driven by a 32.9% rise in cocoa beans export volumes, which increased from 3,010.0 tonnes to 3,999.5 tonnes. Rice export revenues also rose by 32.0%, from \$0.2 million in May 2024 to \$0.3 million in June 2024, supported by a 66.1% increase in export volumes, from 205.5 tonnes to 341.4 tonnes.

However, sugar export revenues declined by 18.3%, dropping from \$18.9 million in May 2024 to \$15.5 million in June 2024, with export volumes decreasing by 14.3%, from 26,809.8 tonnes to 22,974.3 tonnes.



Uganda's Import Receipts for Commodities:

In June 2024, Uganda's formal private sector import receipts for selected commodities showed a noticeable decline compared to May 2024. The total import receipts decreased by 7.8%, from \$1,013.13 million in May to \$933.78 million in June 2024. Various categories exhibited mixed trends during this period.

Animal & Animal Products saw a decline of 7.1%, with import receipts falling from \$4.94 million in May to \$4.59 million in June 2024. The most significant decrease was observed in the import receipts for Vegetable Products, Animals, Beverages, Fats & Oil, which dropped by 32.0%, from \$109.13 million in May to \$74.20 million in June 2024. Similarly, Mineral Products (excluding Petroleum products) experienced a 17.8% decline, with import receipts decreasing from \$288.62 million in May to \$237.18 million in June 2024. Plastics, Rubber, & Related Products also saw a decline of 6.6%, from \$52.55 million in May to \$49.08 million in June 2024.

Miscellaneous Manufactured Articles saw a decrease of 7.3%, with receipts dropping from \$34.12 million in May to \$31.64 million in June 2024. Base Metals & their Products recorded a decline of 4.1%, with import receipts falling from \$60.37 million to \$57.88 million. Textile & Textile Products experienced a slight decline of 2.3%, decreasing from \$23.46 million to \$22.91 million.

However, some categories saw increases. Prepared Foodstuff, Beverages & Tobacco experienced a slight increase of 1.9%, rising from \$29.39 million in May to \$29.94 million in June 2024. Petroleum Products saw a modest rise of 0.8%, climbing from \$153.95 million to \$155.19 million. Chemical & Related Products recorded a significant increase of 20.1%, with receipts rising from \$70.51 million in May to \$84.71 million in June 2024. Wood & Wood Products saw a slight increase of 2.3%, growing from \$11.95 million to \$12.23 million. Machinery Equipment, Vehicles & Accessories remained almost stable with a marginal increase of 0.1%, from \$173.75 million to \$173.85 million. Electricity import receipts saw a modest increase of 0.4%, rising from \$0.386 million in May to \$0.388 million in June 2024.

Uganda's Economic Outlook:

According to the latest forecast report from the Bank of Uganda, the country's economic growth for FY 2024/25 is expected to range between 6.0% and 6.5%. Over the medium term, growth is anticipated to exceed 7%, driven by increased private sector investment and government initiatives, particularly in agriculture, alongside a recovery in global economic growth.

However, the growth outlook faces several vulnerabilities. Internationally, there is a persistent risk of higher commodity prices and disruptions to trade flows due to developments in the Middle East and other significant geopolitical uncertainties, which could dampen global economic activity and fuel inflationary pressures. Additionally, the resurgence of protectionist policies could strain the international trading system, potentially impacting domestic growth through reduced exports of goods and services. A stronger depreciation of the shilling could also suppress domestic demand, as capital and other intermediate goods comprise about 75% of imports.

On a more positive note, favorable weather conditions leading to good food crop harvests, increased investment in the extractive industry by both the government and the private sector, and effective government intervention programs could stimulate economic activity. Moreover, if global economic growth exceeds current projections, rising net exports could further boost domestic growth. The Bank of Uganda assesses the risks to this forecast as broadly balanced.



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

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