

Introduction

The Uganda Macroeconomic Digest for November 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:

In November 2024, Uganda's headline inflation was 2.9%, the same as the previous month. Annual core inflation declined from 3.9% in October 2024 to 3.8% in November 2024 due to annual services inflation, which decreased from 6.2% to 5.9% during the same period. The main driver of service inflation was passenger transport service inflation, which decreased from 3.8% in October to 2.4% in November 2024. The other driver was Inpatient Care Services Inflation, which dropped from 17.9% to 6.6% during the same period.

Likewise, the Annual Energy Fuel and Utilities (EFU) Inflation decreased from 3.3% in October 2024 to 2.2% in November 2024. Liquid energy fuels inflation declined from -5.4% in October 2024 to -7.8% in November 2024, primarily due to a decrease in petrol and diesel inflation from -5.9% to -9.4% and from -7.5% to -8.3%, respectively, during the same period. Moreover, the decline in solid fuel inflation from 15.5% in October 2024 to 14.5% in November 2024 was primarily due to a decrease in charcoal inflation from 17% to 13.9% in the same period.

However, the annual food crop and related item inflation increased from -5.3% in October 2024 to -4.0% in November 2024. Specifically, tomato annual inflation rose from -27.1% in October 2024 to -14.2% in November 2024, while carrot annual inflation increased from -11.2% in October 2024 to -4.7% in November 2024.

The Bank of Uganda expects core inflation to remain below 5% over the next year. This is mainly due to increased capital inflows into the mining and oil sectors, which are likely to sustain the strength of the shilling. Global trade disruptions, tight global financial conditions, higher shipping and commodity costs, and extreme weather events could raise inflation. Factors that could lower inflation include strengthening the Uganda shilling and low global economic growth and inflation.

2.9%



Headline Inflation remained the same at 2.9% in October 2024

3.8%



Core Inflation declined from 3.9% in October 2024 to 3.8% in November 2024

-4.0%



Food Crops and Related Items inflation increased from -5.3% in October 2024 to -4.0% in November 2024

2.2%

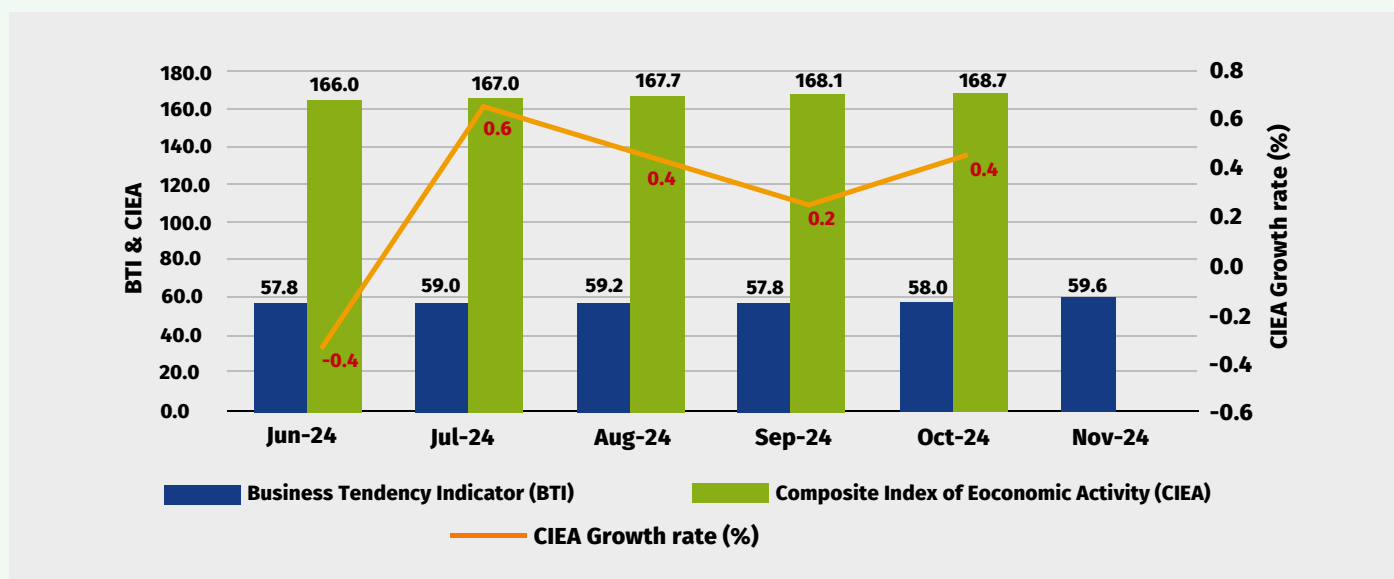


Energy Fuel and Utilities (EFU) inflation declined from 3.3% in October 2024 to 2.2% in November 2024

Business Perceptions and Economic Activity:

The Business Tendency Index (BTI) shows that the sentiments about doing business improved, rising from 58.0 in October 2024 to 59.6 in November 2024, above the 50-mark threshold, indicating more optimism about business conditions. Notably, manufacturing experienced an improvement in optimists, rising from 53.14 in October 2024 to 55.70 in November 2024. The Composite Index of Economic Activity (CIEA) grew by 0.4% to 168.7 in October 2024, compared to 168.1 in September 2024, indicating an improvement in economic activity.

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



Source: Author's Computation based on Bank of Uganda data, November 2024

Exchange Rate Movements:

In November 2024, the Uganda shilling depreciated by 0.3% to an average mid-rate of Shs 3,678.65 per US dollar from 3,667.93 per US dollar the previous month. Corporates and traders' more substantial demand for the dollar partly drove the depreciation of the shilling. In addition, the increased outflow of dollars through import receipts contributed to the weakening of the Uganda shilling against the dollar.

Shs 3,678.65/USD

Average exchange rate for November 2024



Interest Rate Movements:

The Bank of Uganda maintained the Central Bank Rate (CBR) at 9.75% in November 2024. The current CBR level supports price stability while fostering sustainable economic growth. The weighted average lending rates for the shilling-denominated credit increased from 18.84% in September 2024 to 19.43% in October 2024, driven by the lagged effects of the central bank's tight monetary policy, the rise in interbank interest rates, and increased demand for credit ahead of the festive season. On the other hand, the weighted average lending rates for foreign currency-denominated credit decreased from 8.79% in September 2024 to 8.63% in October 2024. Notably, law makers passed the Tier 4 Microfinance Institutions and Money Lenders Bill, 2024, in November, imposing a cap on the interest rates charged by money lenders. The government has set a cap of 2.8% on the interest rate that money lenders can charge.



Domestic Credit:

The decline in domestic credit from UGX 47.99 trillion in September 2024 to UGX 47.30 trillion in October 2024 was due to a 3.7% decrease in net credit to government (NCG) from UGX 22.17 trillion to UGX 21.35 trillion during the same period. On the other hand, private sector credit rose by 0.3% from UGX 24.75 trillion in September 2024 to UGX 24.82 trillion in October 2024, indicating an improvement in business activity and potentially driving economic growth.



Uganda's Trade Balance and Terms of Trade:

In October 2024, Uganda traded at a deficit of USD 534.66 million compared to the previous month's deficit of USD 368.84 million, indicating a 45% rise. The 21.7% rise in import receipts from USD 1.05 billion in September 2024 to USD 1.28 billion in October 2024 contributed to this deterioration in trade. The export revenues rose by 9.1% from USD 682.7 million to USD 744.9 million during the same period. The terms of trade index fell by 3.5% from 147.1 in September 2024 to 141.9 in October 2024, reflecting unfavorable pricing for Uganda's exports relative to imports.

Trade deficit
increased by

45%

in October 2024

Total Exports
of Goods - fob
increased by

9.1%

in October 2024

Total Imports
of Goods - fob
increased by

21.7%

in October 2024

Terms of Trade
Index declined by

3.5%

in October 2024

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

In October 2024, Uganda recorded a trade deficit of \$123.07 million within the East African Community (EAC), with exports totaling \$155.22 million and imports amounting to \$278.28 million.

Uganda's most significant trade deficit was with Tanzania, where exports were \$15.53 million, while imports were significantly higher at \$186.06 million, resulting in a trade deficit of \$170.52 million—the most considerable negative trade balance within the EAC during this period. Similarly, Uganda faced a trade deficit with Kenya, exporting goods worth \$40.29 million and importing goods valued at \$82.44 million, leading to a deficit of \$42.15 million.

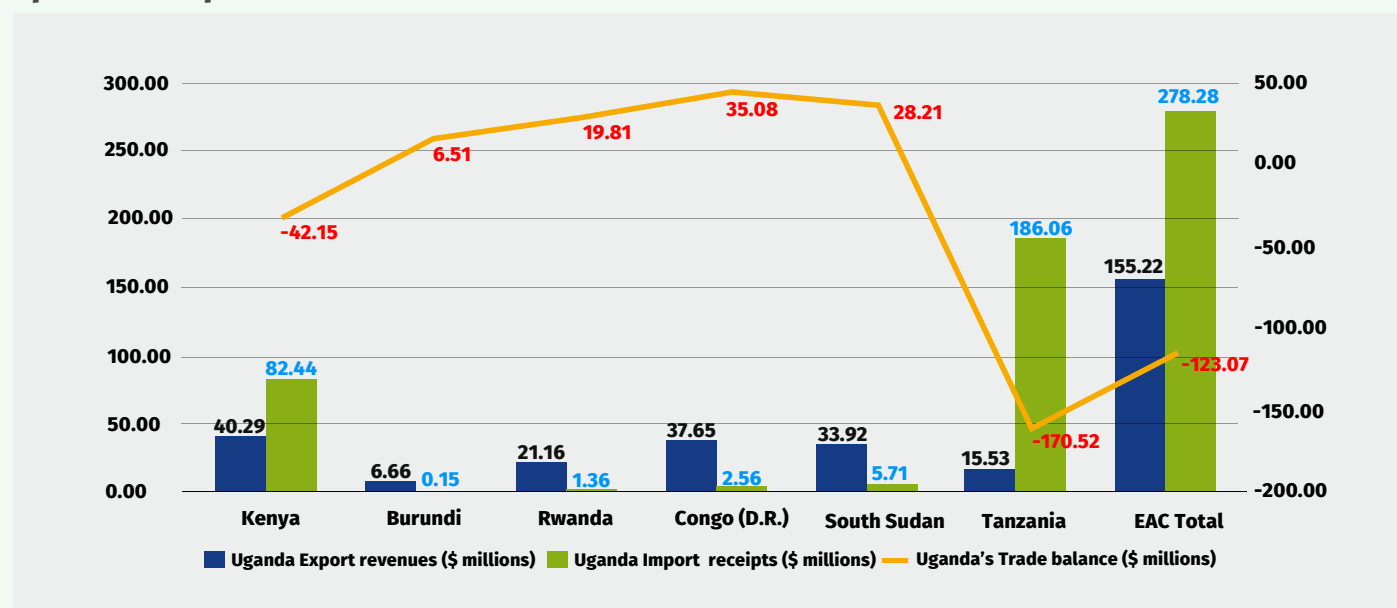
On a positive note, Uganda recorded trade surpluses with several EAC member countries. For instance, Uganda enjoyed a surplus of \$6.51 million with

Burundi, exporting \$6.66 million worth of goods while importing only \$0.15 million. Uganda's trade with Rwanda resulted in a surplus of \$19.81 million, with exports valued at \$21.16 million and imports at \$1.36 million.

Additionally, Uganda maintained a substantial trade surplus with the Democratic Republic of Congo (D.R.C.), exporting goods worth \$37.65 million and importing only \$2.56 million, leading to a surplus of \$35.08 million. Trade with South Sudan also provided a favorable balance, with Uganda exporting \$33.92 million worth of goods and importing \$5.71 million, resulting in a surplus of \$28.21 million.



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



Source: Authors' construct based on Bank of Uganda data, October 2024

Uganda's Export Revenues from Selected Commodities:

Uganda's coffee export earnings declined by 3.9% from \$144.71 million in September 2024 to \$139.05 million, driven by the fall in coffee export volumes by 6.6% from 532,212 (60 kg bags) to 496,820 (60 kg bags) during the same period. On the other hand, Uganda's coffee export prices increased by 2.9% from \$4.53 per kg in September 2024 to \$4.66 per kg in October 2024.

Uganda's gold export earnings rose by 16.9%, from USD 271.83 million in September 2024 to USD 317.76 million in October 2024. This increase is due to increased demand for Uganda's gold in the United Arab Emirates and India, now the country's most prominent export destinations.

Uganda's cotton export earnings declined by 18%, from USD 0.57 million in September 2024 to USD 0.04 million in October 2024 due to the decline in global cotton prices. Weakening global demand and strong production prospects for the 2024-25 crop season, which has just begun, are the reasons for this decline.

Uganda's tea export earnings rose by 37.5%, from USD 3.26 million in September 2024 to USD 4.49 million in October 2024, due to improved tea export prices at the Mombasa auction center, where Uganda sells her tea. According to the World Bank's latest statistics (2024), the average price of tea in Mombasa increased from \$2.07 per kg in September 2024 to \$2.24 per kg in October 2024. Improving production quality could double Uganda's tea volumes and earnings.

Uganda's fish and fish products (excluding regional) export earnings increased by 51.3%, from USD 8.68 million in September 2024 to USD 13.14 million in October 2024, driven by a robust recovery in global demand.

Uganda's sim sim export earnings rose by 4.1%, from USD 1.99 million in September 2024 to USD 2.07 million in October 2024, due to increased global prices and demand. For example, China's demand for sim sim seeds increased prices due to low local stock.

Earnings from maize exports decreased by 23.1%, from USD 7.84 million in September 2024 to USD 6.03 million in October 2024, partly due to the fall in Uganda's maize export prices. However, Uganda's bean export earnings rose by 67.5%, from USD 1.44 million in September 2024 to USD 2.41 million in October 2024, due to increased export volumes.

In October 2024, Uganda's cocoa bean export earnings increased by 13.6% to USD 22.55 million from USD 19.84 million in September 2024, driven by the rise in global cocoa prices due to poor weather in Côte d'Ivoire. The global cocoa prices rose by 2.0% from \$6.52/kg in September 2024 to \$6.66/kg in October 2024.

Uganda's rice export earnings increased by 31.8%, from USD 0.05 million in September 2024 to USD 0.07 million in September 2024, due to increased demand in the region, especially Kenya and South Sudan.

Uganda's sugar export earnings decreased by 6.7%, from USD 16.11 million in September 2024 to USD 15.04 million in October 2024, due to reduced sugar export volumes caused by trade disputes between Uganda and Kenya, including Kenya's unilateral ban on imported sugar. Kenya's frequent policy changes and restrictive permit issuance regime have hindered Uganda's market access.

Uganda's Import Receipts for Selected Commodities:

In October 2024, Uganda's formal private sector import receipts for selected commodities increased significantly by 27.6%, rising from \$986.71 million in September 2024 to \$1,258.64 million in October 2024. Various categories showed notable trends during this period.

Imports of animals and animal products increased by 15.1%, with receipts rising from \$5.46 million in September 2024 to \$6.28 million in October 2024. Vegetable products, animals, beverages, and fats & oils recorded a growth of 28.5%, with import receipts increasing from \$76.98 million to \$98.90 million.

Prepared foodstuff, beverages, & tobacco imports experienced a sharp rise of 64.2%, growing from \$28.04 million in September 2024 to \$46.04 million in October 2024. Mineral Products (excluding Petroleum Products) showed a growth of 13.1%, with receipts increasing from \$249.96 million to \$282.75 million.

Conversely, petroleum products imports declined by 3.3%, falling from \$139.05 million in September 2024 to \$134.48 million in October 2024. Chemical & Related Products imports rose by 6.1%, increasing from \$83.86 million to \$88.99 million.

Plastics, rubber, and related products imports grew significantly (48.4%), rising from \$56.75 million to \$84.20 million. Wood and wood products imports surged by 58.2%, with receipts increasing from \$15.43 million in September 2024 to \$24.41 million in October 2024.

Textile & Textile Products recorded a notable increase of 48.4%, with receipts rising from \$30.60 million to \$45.40 million. Miscellaneous manufactured articles grew by 61.3%, from \$33.88 million in September 2024 to \$54.64 million in October 2024.

Base Metals and their Products experienced a rise of 60.9%, with import receipts increasing from \$75.23 million to \$121.05 million. Similarly, imports of machinery, vehicles, and accessories increased by 41.9%, from \$191.13 million to \$271.17 million. However, electricity imports recorded a slight decline of 5.2%, decreasing from \$0.33 million to \$0.31 million.

Uganda's Economic Outlook:

The Bank of Uganda has projected Uganda's economic growth for FY2024/25 to be between 6.0% and 6.5% and between 7.0% and 7.5% over the next three years. However, geopolitical tensions or trade policy changes could disrupt supply chains and raise oil prices, leading to a slowdown in growth. Additionally, persistently tight domestic financial conditions could increase borrowing costs. Furthermore, the government's increased domestic borrowing could crowd out the private sector, further restricting private sector credit growth and limiting the government's ability to respond to emerging global shocks.

On the other hand, growth could improve if government interventions improve productivity growth, investment in the mining and oil sectors strengthens, the global economy picks up, supporting exports, remittances, tourism, and foreign direct investment, and good weather conditions lead to better crop harvests.



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