

## Introduction

The Uganda Macroeconomic Digest for January 2024 provides insights into the country's economic performance. The report covers Uganda's key macroeconomic indicators, including inflation, exchange rates, interest rates, outstanding credit, trade (exports and imports), and economic outlook.

## Annual Inflation:

Uganda's headline inflation for the 12 months to January 2024 rose to 2.8%, up from 2.6% in the year ending December 2023. The key contributor was the Annual Core inflation, which increased by 2.4% in the year ending January 2024, compared to 2.3% in December 2023. Notably, Annual Services inflation played a significant role, escalating to 3.9% in January 2024 from 3.7% in December 2023. The latest CPI report by the Uganda Bureau of Statistics for January 2024 highlights specific drivers. Annual Passenger transport by taxi and hired car inflation surged to 5.6%, up from 2.1% in December 2023. Annual Domestic flight charges rose by 2.3%, reversing the previous minus 1.0% in December 2023. Church wedding fees experienced a notable increase of 30.7% in January 2024, compared to 9.5% in December 2023.

Annual Energy Fuel and Utilities (EFU) inflation rose to 7.4% in the year ending January 2024, up from 6.4% in December 2023. This increase was driven by a notable surge in petrol prices, rising by 4.4% in January 2024 compared to 0.6% in December 2023. Additionally, Firewood prices saw an uptick, increasing by 9.4% in January 2024, compared to 7.3% in December 2023. Notably, Diesel prices also increased to minus 6.6% in January 2024, contrasting with the minus 9.1% recorded in December 2023.

Annual Food Crops and Related Items Inflation rose to 2.6% in the year ending January 2024, up from 2.5% in December 2023. The increase is primarily attributed to a surge in Annual Vegetables, tubers, plantains, cooking bananas, and pulses inflation, which reached 2.2% in January 2024, compared to 1.4% in December 2023. Noteworthy price fluctuations include cooking bananas, up by 1.4% in January 2024 from the previous minus 11.4% in December 2023; Sweet Potatoes, recording minus 16.5% in January 2024 compared to minus 23.3% in December 2023; Green cabbage, with a 10.7% increase in January 2024 compared to the previous minus 0.7% in December 2023; and green pepper, rising by 4.0% in January 2024, contrasting with the prior minus 6.6% in December 2023.

The geographical and income-based analysis highlights Arua with the highest inflation at 5.6% for the 12 months ending January 2024, up from 5.5% in December 2023. This rise is chiefly attributed to a 3.2% increase in 'Food and non-alcoholic beverages' inflation compared to December's 4.3%. Moreover, 'Housing, Water, Electricity, Gas, and other fuels' inflation surged to 11.5% in January 2024, up from 7.9% in December 2023. Conversely, Kampala Middle Income recorded the lowest annual inflation at 1.6% for the year ending January 2024, slightly higher than the 1.1% in December 2023.

**2.8%**

Headline Inflation rose from 2.6% in Dec-23 to 2.8% in Jan-2024

**2.4%**

Core Inflation rose from 2.3% in Dec-23 to 2.4% in Jan-2024

**2.6%**

Food Crops and Related Items inflation rose from 2.5% in Dec-23 to 2.6% in Jan-2024

**7.4%**

Energy Fuel and Utilities (EFU) inflation rose from 6.4% in Dec-23 to 7.4% in Jan-2024

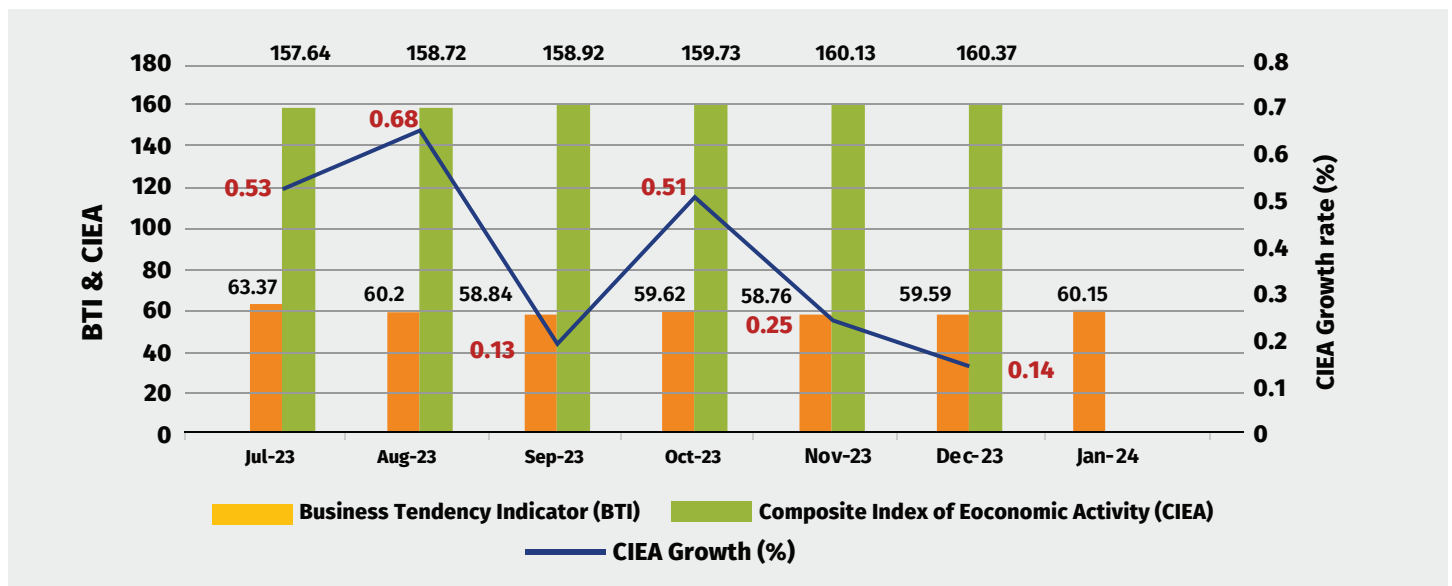


## Business Perceptions and Economic Activity:

During January 2024, there were improved sentiments about doing business in the Ugandan economy as shown by the Business Tendency Index (BTI). The BTI was recorded at 60.15 which is higher than the 59.58 recorded for December 2023. The index being above the 50 no-change mark implies positive sentiments investors and businesspeople have in the economy. The improved optimism in January 2024 was recorded in the sectors of construction, Manufacturing, Wholesale Trade, and Other Services (BOU, 2024).

There was a general improvement in the level of economic activity in December 2023 as shown by the high frequency indicators. The Composite Index of Economic Activity (CIEA) increased by 0.14% from 160.13 in November 2023 to 160.37 in December 2023. This was the eighth consecutive month that the CIEA was on an upward trajectory, implying a sustained improvement in the level of economic activity in the country.

**Figure 1: Business Tendency Indicator (BTI) and CIEA, July-January 2024**



Source: Author’s Computation based on BOU data (January 2024)

## Exchange Rate Movements:

In January 2024, the Ugandan Shilling saw a 0.6% depreciation against the US dollar, averaging Shs. 3,805.03/USD, compared to the prior month's Shs. 3,780.66/USD. The depreciation is primarily linked to robust demand for foreign currency from corporate and interbank entities. A sustained dollar appreciation could elevate import costs for items like raw materials and agricultural inputs. On a positive note, the depreciation of the Uganda shilling may boost Uganda’s export competitiveness and make Uganda an attractive and cost-effective destination for foreign tourists.

**Shs 3,805.03/USD**  
Average exchange rate  
for January 2024

## Interest rate Movements:

In January 2024, the Central Bank Rate (CBR) was held steady at 9.5% by the Bank of Uganda's Monetary Policy Committee. This decision aligns with the objective of maintaining inflation around the 5% medium-term target while fostering economic stability to stimulate growth. Commercial banks reflected a marginal decline in lending rates, with a December 2023 weighted average of 16.70%, down from November's 16.79%, partly influenced by alleviating inflationary pressures. Furthermore, lending rates for foreign currency-denominated credit saw a reduction from 8.96% in November 2023 to 8.79% in December 2023. This trend, if sustained, may encourage private-sector borrowing, potentially catalyzing economic activity in the country.

**9.5%**

Central Bank Rate (CBR) for January 2024

**16.70%**

Lending Rates for UGX Loans for Dec-2023

**8.79%**

Lending Rates for foreign currency loans for Dec-2023

to 23.569 trillion, reflecting the central bank's efforts to stimulate economic expansion and encourage

## Domestic Credit:

Domestic Credit showed an increase of 1.2%, to Ush 41.952 trillion from 41.434 trillion in November 2023. On the other hand, Net Credit to Government (NCG) witnessed a rise of 0.5%, increasing from 17.043 trillion to 17.129 trillion during the same period. The private Sector Credit grew by 1.2%, increasing from 23.292 trillion to 23.569 trillion, reflecting the central bank's efforts to stimulate economic expansion and encourage private sector investment. The growth in private-sector credit has the potential to spur investment, positively impacting Uganda's economic growth.

**Ush. 41.95 trillion**

Domestic Credit rose by 1.2% in December 2023

**Ush. 17.13 trillion**

Net credit to the government rose by 0.5% in December 2023

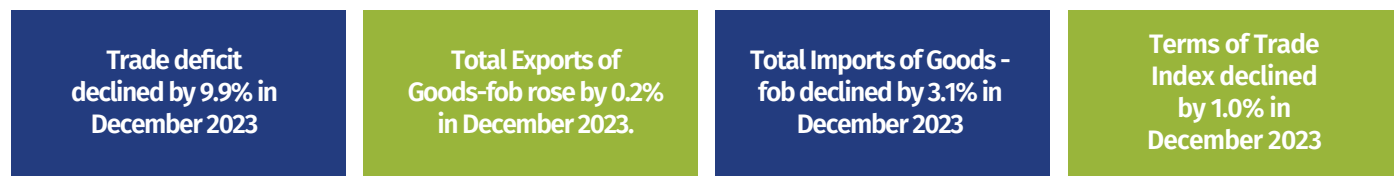
**Ush. 23.57 trillion**

Private Sector credit increased by 1.2% in December 2023



## Uganda's Trade Balance, and Terms of Trade:

In December 2023, Uganda's trade balance improved as the trade deficit decreased by 9.9% to \$269.87 million from \$299.65 million in November 2023. This decline was driven by a 0.2% increase in export revenues, rising from \$615.05 million in November to \$616.36 million in December 2023, coupled with a 3.1% decrease in import receipts from \$914.70 million to \$886.24 million during the same period. However, there was a slight deterioration in Uganda's economic competitiveness as indicated by a 1.0% decline in the terms of trade index from 110.49 in November 2023 to 109.41 in December 2023

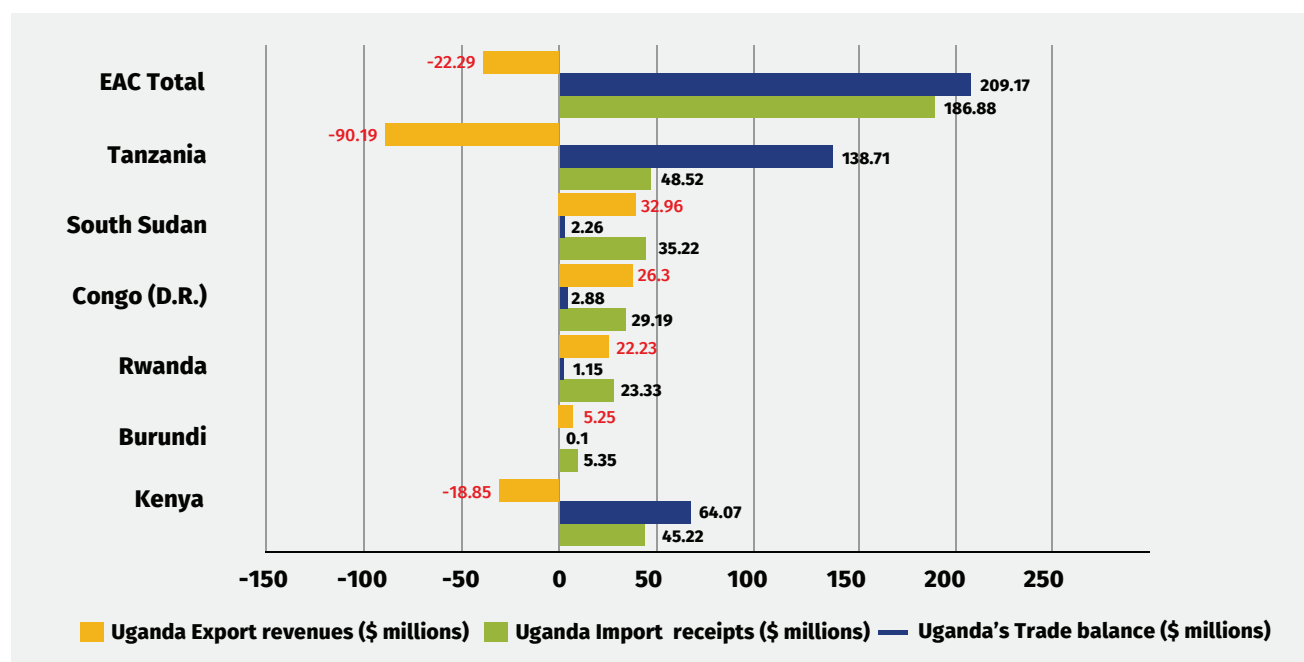


## Uganda's Trade Balance with the East African Community (EAC):

In December 2023, Uganda encountered a trade deficit within the East African Community (EAC), exporting goods valued at \$186.88 million and importing goods worth \$209.17 million from EAC countries. This marked a deficit of \$22.29 million, a notable improvement from the previous month's deficit of \$66.65 million. Uganda sustained surpluses with most EAC nations, excluding Kenya and Tanzania. Specifically, in December 2023, Uganda exported \$45.22 million worth of goods to Kenya but imported goods valued at \$64.07 million, resulting in a deficit of \$18.85 million. Similarly, to Tanzania, Uganda exported \$48.52 million worth of goods but imported goods valued at \$138.71 million, leading to a substantial deficit of \$90.19 million.

On a positive note, Uganda achieved a surplus with other EAC countries. For example, Uganda exported \$5.35 million worth of goods to Burundi, with negligible imports (\$0.10 million), resulting in a surplus of \$5.25 million. Additionally, Uganda experienced a surplus of \$22.23 million with Rwanda, exporting \$23.38 million and importing \$1.15 million. Furthermore, Uganda's trade with the Democratic Republic of Congo showed a surplus, with exports totaling \$29.19 million and imports at \$2.88 million, resulting in a surplus of \$26.30 million. Similarly, Uganda exported \$35.22 million worth of goods to South Sudan and imported goods worth \$2.26 million, leading to a surplus of \$32.96 million.

**Figure 2: Uganda's Trade Balance with the EAC in December 2023 (Million, USD): Exports Vs Imports**



Source: Authors' construct based on BOU data (December 2023)





## Uganda's Export Revenues from Selected Commodities:

In December 2023, export revenues displayed diverse trends across various commodities, with significant declines observed in coffee, tea, maize, beans, and sugar. Coffee's export value decreased by 7%, falling from \$70.68 million in November 2023 to \$65.94 million in December. This decline was influenced by a 6% decrease in coffee export volumes, from 424,886 (60 kg bags) to 401,336 (60 kg bags), along with a reduction in coffee export values from \$2.77 per kg to \$2.74 per kg during the same period.

Tea export revenues also experienced a 19% decrease, dropping from \$5.96 million in November to \$4.82 million in December 2023, attributed to an 11% decline in tea export volumes from 6,107 tonnes to 5,448 tonnes during the same period. Meanwhile, maize export revenues witnessed a substantial 47% decrease, declining from \$23.05 million in November to \$12.27 million in December 2023, linked to a 50% decline in maize export value from \$0.45 per kg to \$0.23 per kg during the same period.

Beans export revenues contracted by 4%, decreasing from \$12.40 million in November to \$11.89 million in December 2023, attributed to a 9.9% decline in beans export value from \$0.71 per kg to \$0.64 per kg during the same period. Sugar export revenues experienced a 7% decrease, declining from \$1.11 million in November to \$1.04 million in December 2023, attributed to a 51% decline in sugar export volumes from 916 tonnes to 447 tonnes during the same period.

Conversely, export revenues for cotton, sim sim, cocoa beans, and rice witnessed growth due to increased export volumes. Cotton export revenues surged significantly by 42,840%, escalating from \$0.003 million in November 2023 to \$1.32 million in December 2023, primarily fueled by a remarkable 28,199% increase in cotton export volumes from 16 tonnes to 4,436 tonnes.

Sim sim export revenues observed a 70% increase, rising from \$1.85 million in November to \$3.15 million in December 2023, driven by an 80% increase in sim sim export volumes from 807 tonnes to 1,461 tonnes during the same period. Cocoa beans export revenues recorded a 31% increase, climbing from \$15.33 million in November to \$20.02 million in December 2023, fueled by a 26% increase in cocoa beans export volumes from 4,143 tonnes to 5,220 tonnes during the same period.

Furthermore, rice export revenues saw a substantial 145% increase, rising from \$0.10 million in November to \$0.24 million in December 2023, propelled by a 79% increase in rice export volumes from 110 tonnes to 197 tonnes during the same period.

## Uganda's Import Receipts for Commodities:

In December 2023, import receipts displayed diverse trends across categories, showcasing both positive and negative growth. Positive trends included a 9% increase in Vegetable Products, Animal, Beverages, Fats & Oil, rising from \$49.55 million in November to \$54.16 million. Textile & Textile Products import receipts surged by 11%, reaching \$26.16 million from \$23.47 million in November. Base Metals & their Products import receipts experienced an 11% increase, climbing from \$47.47 million in November 2023 to \$52.53 million in December 2023. Machinery Equipment, Vehicles & Accessories import receipts saw a substantial 16% increase, escalating from \$150.32 million in November 2023 to \$174.11 million in December 2023. Furthermore, Arms & Ammunitions & Accessories import receipts notably rose by 140%, reaching \$0.02 million in December 2023, up from \$0.01 million in November 2023.

Conversely, certain categories faced declines in import receipts. Animal & Animal Products import receipts decreased by 19%, dropping from \$4.76 million in November to \$3.84 million in December 2023. Prepared Foodstuff, Beverages & Tobacco import receipts decreased by 9%, falling from \$23.72 million in November to \$21.48 million in December 2023. Mineral Products (excluding Petroleum products) import receipts saw an 8% decrease, dropping from \$251.52 million in November to \$230.76 million in December 2023. Petroleum Products import receipts experienced a 19% decline, falling from \$161.94 million in November to \$131.14 million in December 2023. Chemical & Related Products import receipts witnessed a 4% decrease, dropping from \$63.30 million in November to \$60.88 million in December 2023. Plastics, Rubber, & Related Products import receipts also saw a 3% decrease, falling from \$44.95 million in November to \$43.47 million in December 2023. Wood & Wood Products import receipts experienced a significant 52% decrease, dropping from \$28.84 million in November to \$13.78 million in December 2023. Additionally, Miscellaneous Manufactured Articles import receipts decreased by 15%, falling from \$37.77 million in November to \$32.13 million in December 2023. Electricity import receipts decreased by 32%, dropping from \$0.57 million in November to \$0.39 million in December 2023.

## Economic Outlook:

GDP growth is expected to range between 6.0%-6.1% in FY2023/24, expanding to 6.0%-6.5% in FY2024/25, and further reaching 6.5%-7% in subsequent years, according to the Bank of Uganda's January 2024 report. The recovery in external demand, coupled with a low inflationary environment, has stimulated growth, bolstered by rising household incomes and increased investment expenditure.

However, persistent downside risks exist, encompassing external and domestic financing constraints, subdued Private Sector Credit (PSC), potential crowding out of the private sector due to increased government borrowing, geopolitical tensions impacting commodity prices, and a depreciated exchange rate affecting imports for investments. Additionally, lower global growth and its potential impact on export demand pose identified risks.

Conversely, upside factors could materialize through more favorable weather conditions leading to robust harvests and increased investment in the extractive industry. These factors serve as potential positive catalysts for economic growth.







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

**Bob Twinomugisha,**  
Senior Economist-Macroeconomics,  
and Trade.  
Email: [btwinomugisha@udbl.co.ug](mailto:btwinomugisha@udbl.co.ug)

**Dr. Francis Mwesigye**  
Chief Economist.  
Email: [fmwesigye@udbl.co.ug](mailto:fmwesigye@udbl.co.ug)

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#### HEAD OFFICE

Plot 6 Nakasero Road, Rwenzori Towers, Wing B, 1st Floor.  
P.O.Box 7210, Kampala, Uganda  
Contact Us: 0312 355 500 / 0312 355 509  
Email: [clientrelations@udbl.co.ug](mailto:clientrelations@udbl.co.ug)

#### GULU

Plot 67, Lower Churchill Drive, Gulu City.  
Contact Us: 0312 355 500 / 0312 355 509  
Phone: +256414 355500  
Email: [info@udbl.co.ug](mailto:info@udbl.co.ug)

