

Introduction

The Uganda Macroeconomic Digest for December 2023 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 Annual Inflation, held steady at 2.6% for the 12 months ending December 2023, maintaining the same rate as November 2023. This was largely attributed to the Annual Core Inflation, which increased to 2.3% in the year ending December 2023, up from 2.0% in November 2023. The main contributor to Annual Core Inflation was Annual Services Inflation, which rose to 3.7% in the year ending December 2023, from 2.8% in November 2023.

The surge in Annual Services Inflation was influenced by a notable increase in Annual Passenger transport by road fares, rising to 4.3% in December 2023 from a negative 4.4% in November 2023. Furthermore, Annual Passenger transport by airfares also increased, reaching minus 3.1% in the year ending December 2023, from minus 5.1% in the year ended November 2023.

Annual Energy Fuel and Utilities (EFU) inflation saw an uptick, reaching 6.4% in the year ending December 2023, compared to 4.3% in November 2023. This increase was driven by a 24.7% rise in the price of charcoal in December 2023, compared to 16.7% in November 2023. Additionally, petrol prices increased by 0.6% in December 2023, contrasting with a decrease of minus 3.9% in November 2023.

On the other hand, Annual Food Crops and Related Items Inflation decreased to 2.5% in the year ending December 2023, down from 6.4% registered in the year ended November 2023.

Geographically, Arua experienced the highest inflation at 5.5% in December 2023 compared to 3.7% in November 2023. This was primarily driven by increased inflation in 'Food and non-alcoholic beverages' (4.3% from 1.4%) and 'Transport' (5.3% from -0.8%) in December 2023 compared to November 2023. Conversely, Kampala Middle-Income areas reported the lowest annual inflation at 1.1% in December 2023 compared to 1.3% in November 2023. This can be attributed to lower inflation in 'Food and Non-Alcoholic Beverages' (-2.0% from 0.5%) and annual Alcoholic beverages, Tobacco, and Narcotics' inflation (1.5% from 2.8%) in December 2023 versus November 2023.

While the modest annual inflation suggests relief for consumers with lower price growth in essential goods, the upward trend in Energy Fuel and Utilities (EFU) inflation raises concerns about potential escalations in transport and production costs.

2.6%

Headline Inflation remained the same at 2.4% in Dec 2023

2.3%

Core Inflation rose from 2.0% in Nov to 2.3% in Dec-2023

2.5%

Food Crops and Related Items inflation declined from 6.4% in Nov to 2.5% in Dec-2023

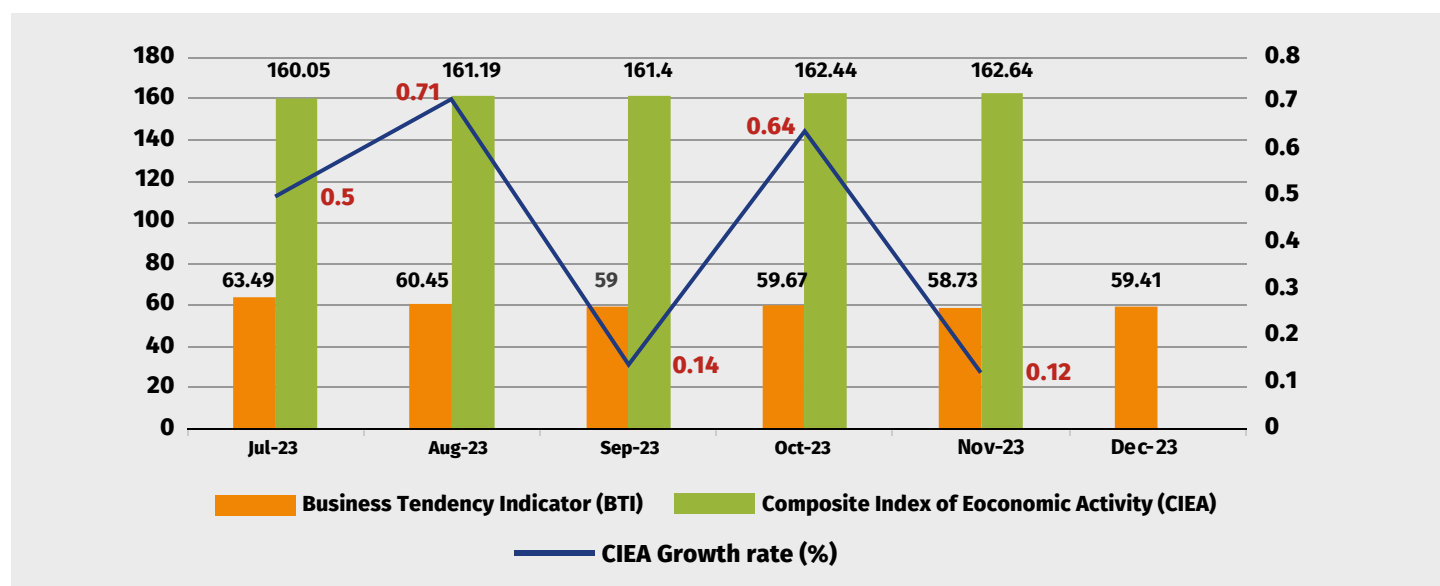
6.4%

Energy Fuel and Utilities (EFU) inflation rose from 4.3% in Nov to 6.4% in Dec-2023

Business Perceptions and Economic Activity:

As of December 2023, business sentiment remained positive, surpassing the 2022 average of 54.20, with the Business Tendency Indicator (BTI) consistently above 50, reflecting an optimistic outlook. Notably, the BTI rose from 58.73 in November to 59.41 in December 2023, showcasing a positive trend. Recent statistics from the Bank of Uganda highlighted increasing optimism in sectors like construction, Wholesale Trade, Agriculture, and services, with key indicators pointing towards a more favorable economic outlook. Conversely, the Composite Index of Economic Activities (CIEA) displayed growth, increasing by 0.12% from 162.44 in October 2023 to 162.64 in November 2023, indicating sustained improvement in economic activity.

Figure 1: Business Tendency Indicator (BTI) and CIEA, July-December 2023



Source: Author's Construct based on BOU data (December 2023)

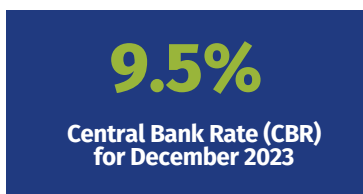
Exchange Rate Movements:

In December 2023, the Ugandan Shilling strengthened by 0.04% against the US dollar, maintaining an average exchange rate of Shs. 3,780.66/USD, in contrast to the preceding month's Shs. 3,782.03/USD. The appreciation was partly driven by reduced demand for dollars in the manufacturing and telecom sectors. While this benefits Uganda with lower import costs, aiding inflation control, it poses challenges for exporters, potentially affecting trade and tourism with costlier goods for foreign buyers.

Shs 3,780.66/USD
Average exchange rate
for December 2023

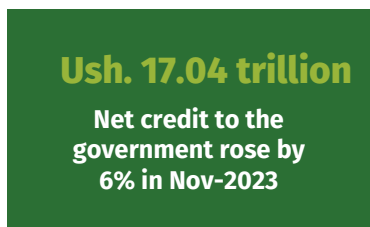
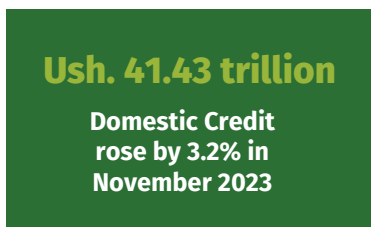
Interest rate Movements:

In December 2023, the Central Bank sustained the Central Bank Rate (CBR) at 9.5% for the fifth straight month. This measure was aimed at stabilizing inflation near the target over the medium term and facilitate private-sector investment and socioeconomic development. Notably, the weighted average commercial bank lending rate decreased to 16.8% in November 2023, down from the preceding month's 18.9%. However, the lending rate for foreign currency-denominated credit saw a slight increase, rising from 8.7% to 9.0% during the same period, attributed to heightened demand for dollar-denominated loans. A sustained decrease in lending rates for Uganda shillings by commercial banks could potentially stimulate private sector credit, thereby encouraging increased investment and contributing to overall economic growth.



Domestic Credit:

In November 2023, Uganda's Domestic Credit showed an increase of 3.2%, to Ush. 41.43 trillion from Ush. 40.14 trillion in October 2023. On the other hand, Net Credit to Government (NCG) witnessed a rise of 6.0%, increasing from Ush.16.08 trillion to Ush.17.04 trillion during the same period. The private Sector Credit grew by 1.5%, increasing from Ush. 22.95 trillion in October to Ush. 23.29 trillion in November 2023, reflecting the central bank's efforts to stimulate economic expansion and encourage private-sector investment.



Uganda's Trade Balance, and Terms of Trade:

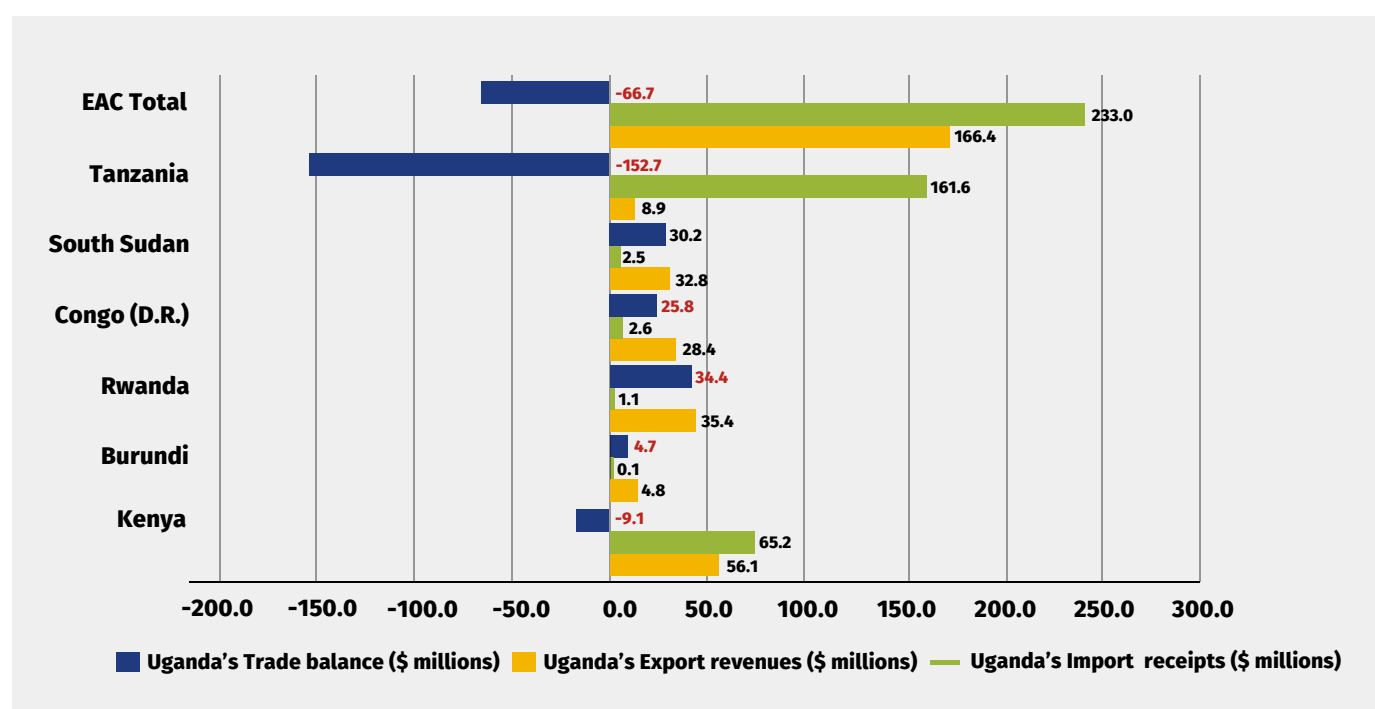
Uganda's trade deficit worsened, rising by 55% from \$189.4 million in October 2023 to \$293.73 million in November 2023. This negative shift was attributed to a noteworthy 10.7% decline in export revenues, from \$688.69 million in October to \$615.1 million in November 2023, coupled with a 3.5% surge in total imports of goods for the month, escalating from \$878.41 million in October to \$908.78 million in November 2023. Concurrently, the terms of trade index exhibited marginal stability, inching up by 0.8 points from 109.64 in October 2023 to 110.49 in November 2023, indicating potential positive implications for Uganda's economic competitiveness.



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

In November 2023, Uganda encountered a trade deficit of \$66.65 million within the East African Community (EAC), marking a substantial shift from the previous month's \$8.6 million surplus. Uganda exported goods worth \$166.37 million but imported goods amounting to \$233.02 million from EAC countries. Notably, Uganda maintained surpluses with most EAC nations except Kenya and Tanzania. The trade balance with Kenya revealed a deficit of \$9.12 million, as Uganda exported \$56.07 million and imported \$65.20 million. The deficit with Tanzania was even more significant, reaching \$152.67 million, with exports at \$8.88 million and imports at \$161.55 million. Nevertheless, Uganda enjoyed surpluses with Burundi, Rwanda, the Democratic Republic of Congo, and South Sudan. Notably, the surplus with Rwanda was \$34.37 million, with exports and imports at \$35.42 million and \$1.05 million, respectively. Uganda's positive trade balance with the Democratic Republic of Congo amounted to \$25.80 million, while the surplus with South Sudan reached \$30.24 million.

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



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

Uganda's Export Revenues from Selected Commodities:

In November 2023, export revenues experienced varied trends across commodities. Coffee exports declined by 10%, from \$78.96 million to \$70.68 million, attributed to a 10.1% decrease in export volumes. Cotton export revenues plummeted by 99%, dropping from \$0.39 million to \$0.003 million due to a 99% export volume decrease. Tea exports saw a 14% decline, falling from \$6.88 million to \$5.96 million, linked to an 8% export volume decrease. Rice trade earnings decreased by 55%, from \$0.21 million to \$0.10 million, tied to a 28% export volume decrease. Sugar exports dropped by 54%, from \$2.40 million to \$1.11 million, with a 63% export volume decrease. Conversely, maize, beans, and cocoa beans export revenues increased, with maize growing by 8% to \$23.05 million, beans surging by 185% to \$12.40 million, and cocoa beans rising by 82% to \$15.33 million, driven by increased export volumes.





Uganda's Import Receipts for Commodities:

In November 2023, import receipts exhibited diverse trends across categories. Animal & Animal Products saw a 20% increase, rising from \$4.45 million to \$4.76 million. Mineral Products (excluding Petroleum) surged by 27%, reaching \$251.52 million from \$197.39 million. Petroleum Products increased by 16%, climbing to \$161.94 million from \$139.53 million. Electricity imports rose by 22%, reaching \$0.57 million in November 2023 from \$0.47 million in October 2024. Conversely, Vegetable Products, Animal, Beverages, Fats & Oil imports dropped by 21% from \$62.87 million to \$49.55 million. Prepared Foodstuff, Beverages & Tobacco declined by 9%, falling from 26.19 million to \$23.72 million. Chemical & Related Products decreased by 7%, reaching \$63.30 million from \$68.06 million. Plastics, Rubber, & Related Products fell by 5% from \$47.15 million to \$44.95 million. Textile & Textile Products dropped by 14% from \$27.40 million to \$23.27 million. Base Metals & their Products declined by 23% from \$61.76 million to \$47.47 million. Machinery Equipment, Vehicles & Accessories decreased by 10% from \$166.16 million to \$150.32 million. Arms & Ammunitions & Accessories registered a significant 77% decrease, falling to \$0.001 million from \$0.04 million in October 2023.

Economic Outlook:

According to the latest forecasts from the Bank of Uganda (December 2023), Uganda anticipates a 6% economic growth in FY 2023/24. The growth is driven by investments in the oil and gas sector, increased demand for exports due to higher growth in Sub-Saharan African countries, and sustained personal money transfers and tourism inflows. A low inflationary environment is expected to support household income recovery and stimulate consumer spending. However, uncertainties loom, including a potential global growth slowdown affecting exports, geopolitical tensions causing supply chain disruptions, and tighter borrowing conditions limiting household consumption and private sector investments.



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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:

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