UGANDA MACROECONOMIC DIGEST JULY 2025

Introduction

The Uganda Macroeconomic Digest for July 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 and Risks.

Annual Inflation:

In July 2025, Uganda's headline inflation rate decreased to 3.8% from 3.9% in June 2025, mainly driven by a fall in the inflation of food crops and related items, from 4.7% to 3.2% during the same period. Specifically, the inflation rate for tomatoes declined to -8.1% in July 2025 from 0.9% in June 2025, while the dry beans inflation rate decreased to 8.3% in July 2025 from 12.1% in June 2025. Fresh unskimmed milk inflation fell to 3.6% in July 2025 from 8.9% in June 2025, while Irish potato inflation declined to -4.6% in July 2025 from -0.6% in June 2025. The matoke inflation decreased to 35.3% from 37.7% during the same period.

Additionally, core inflation declined from 4.2% in June 2025 to 4.1% in July 2025. The main driver of annual core inflation was the annual services inflation that decreased to 4.6% in July 2025 from 4.7% in June 2025. The annual inflation rate for passenger transport services fell to -3.5% in July 2025, from -2.7% in June 2025.

Accommodation services inflation declined to 3.5% in July 2025 from 3.6% in June 2025. However, Annual Energy Fuel and Utilities (EFU) inflation increased to 0.0% in July 2025 from -0.2% in June 2025. Specifically, electricity inflation increased to 4.3% in July 2025 from -5.7% in June 2025, while charcoal inflation increased to 5.5% in July 2025 from 4.6% in June 2025. The water (NWSC) inflation increased to 2.3% in July 2025 from 1.9% in June 2025. The petrol inflation rose slightly to -6.2% in July 2025 from -6.6% in June 2025, while diesel inflation increased to -3.4% in July 2025 from -4.7% in June 2025.

According to the Bank of Uganda's latest report, core inflation is expected to average between 4.5% and 4.8% in FY2025/26 and is expected to stabilize around the medium-term target of 5.0%. This outlook is supported by a cautious monetary policy amid elevated uncertainty, stable exchange rate conditions, an improved food supply, and lower global oil prices.

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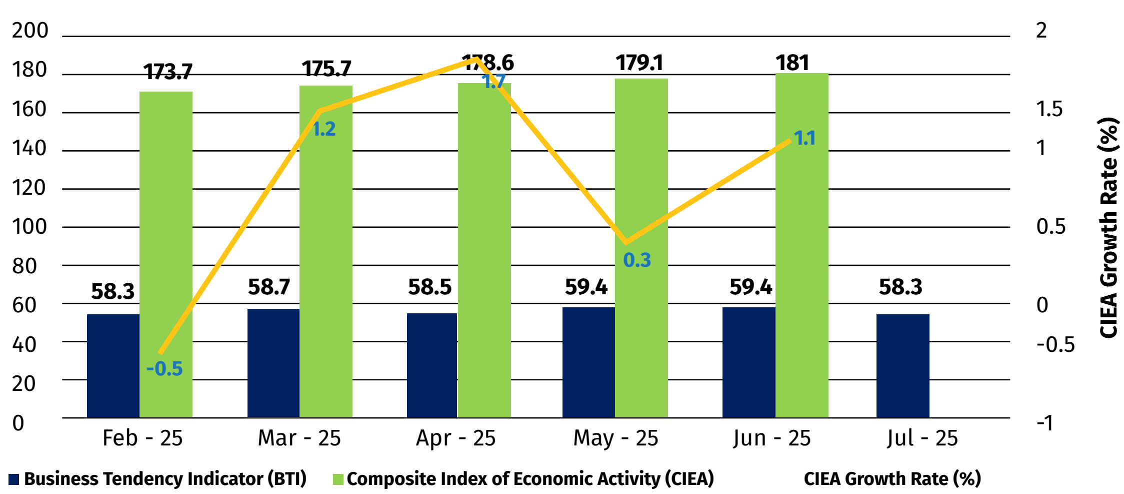
Business Perceptions and Economic Activity:

Despite the decline in the Business Tendency Index (BTI) from 59.4 in June 2025 to 58.3 in July 2025, the sentiments about doing business remained positive, as shown by the Business Tendency Index (BTI), which remained above the 50-mark threshold. The investors expressed optimism regarding the business situation, mainly driven by the anticipated strong consumer demand. According to the Bank of Uganda's latest BTI statistics, sentiments were mostly positive in the Construction, Manufacturing, Agriculture, and wholesale trade sectors. Likewise, the Composite Index of Economic Activity (CIEA) increased by 1.1% to 181.0 in June 2025, from 179.1 in May 2025, indicating an improvement in economic activity.

Figure 1 : Business Tendency Indicator (BTI) and Composite Index of Economic Activity (CIEA), January to June 2025



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

Exchange Rate Movements:

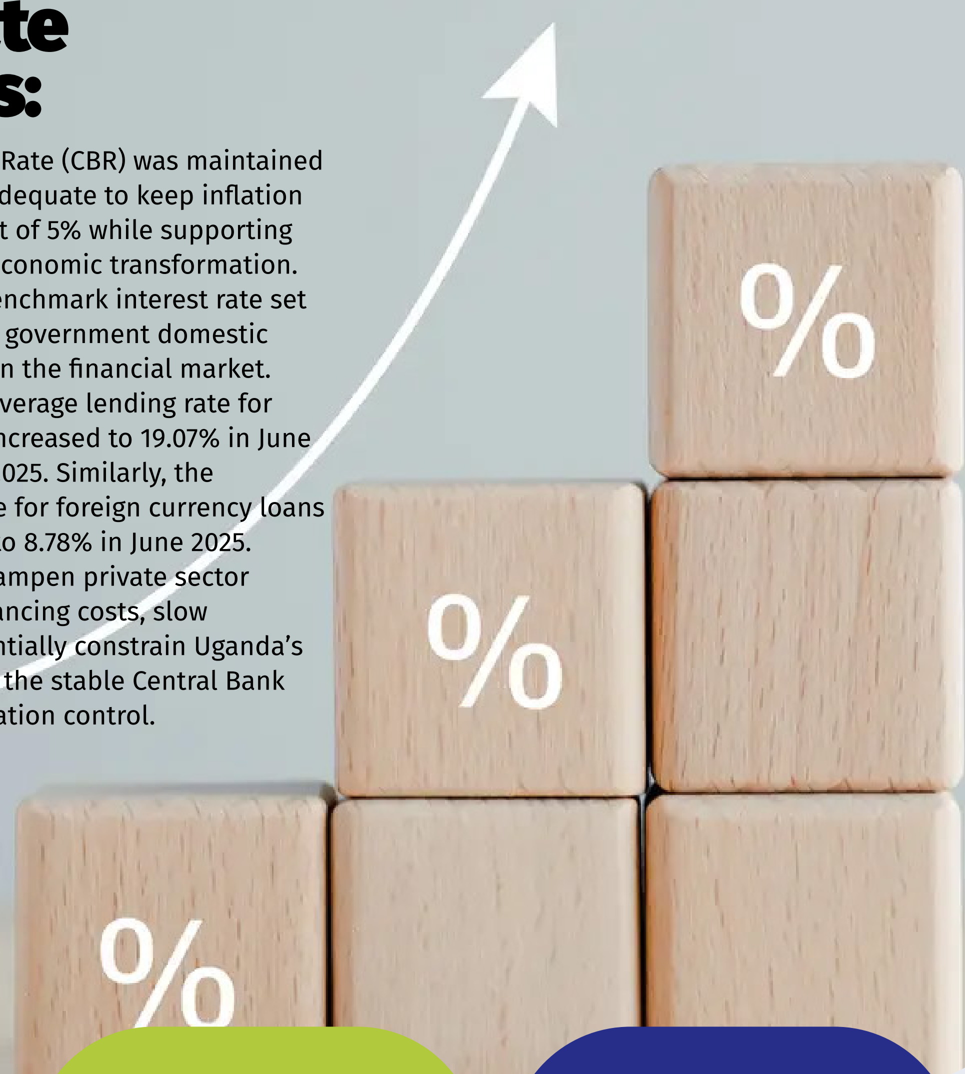
In July 2025, the Uganda shilling continued to strengthen against the dollar, trading at an average midrate of Shs 3,586.6 compared to Shs 3,605.8 in June 2025. This 0.5 percent appreciation was largely driven by increased dollar inflows from coffee exports, higher remittances, offshore portfolio investments, and Foreign Direct Investment (FDI). The shilling's appreciation is expected to lower import costs, ease inflationary pressures, and improve purchasing power.

Shs 3,586.6 /USD

AVERAGE EXCHANGE RATE FOR JULY 2025

Interest Rate Movements:

In July 2023, the Central Bank Rate (CBR) was maintained at 9.75%, a level considered adequate to keep inflation within its medium-term target of 5% while supporting economic growth and socio-economic transformation. Despite the stability of the benchmark interest rate set by the Bank of Uganda, rising government domestic borrowing exerted pressure on the financial market. Consequently, the weighted average lending rate for shilling-denominated loans increased to 19.07% in June 2025, up from 18.64% in May 2025. Similarly, the weighted average lending rate for foreign currency loans rose from 8.36% in May 2025 to 8.78% in June 2025. Elevated lending rates may dampen private sector borrowing, raise business financing costs, slow investment growth, and potentially constrain Uganda's economic expansion, even as the stable Central Bank Rate continues to anchor inflation control.



9.75%
Central Bank Rate (CBR) for July 2025

19.07%
Lending Rates for UGX Loans for June 2025

8.78%
Lending Rates for foreign currency loans for June 2025

Domestic Credit:

The domestic credit rose by 2.0% from Shs 49.84 trillion in May 2025 to Shs 50.83 trillion in June 2025. This growth was driven by a 3.0% increase in Net Credit to the Government (NCG) to Shs 22.98 trillion in June 2025, from Shs 22.31 trillion in May 2025, and a 1.6% rise in private sector credit from Shs 26.36 trillion to Shs 26.79 trillion during the same period. The increase in government domestic borrowing may strain resources for private borrowers, while rising private sector credit supports business expansion and economic activity in Uganda

Ush. 50.83 trillion
Domestic Credit increased by 2.0% in June 2025

Ush. 26.79 trillion
Private Sector Credit increased by 1.6% in June 2025

Ush. 22.98 trillion
Net Credit to the Government (NCG) increased by 3.0% in June 2025

Merchandise Trade Balance and Terms of Trade:

Uganda's merchandise trade balance deteriorated, as indicated by the increase in the trade deficit from US$114.5 million in May 2025 to US$272.9 million in June 2025. The rise in trade deficit was driven by the 8.8% increase in merchandise import receipts to US$1.43 billion in June 2025 from US$1.31 billion in May 2025, and the fall in export revenues by 3.6% from US$1.20 billion in May 2025 to US$1.15 billion in June 2025. Notably, Uganda's export pricing declined compared to imports, as shown by the 10.4% drop in the terms of trade index to 152.1 in June 2025 from 169.8 in May 2025.

Terms of Trade Index declined by **10.4%** in June 2025

Trade Deficit increased by **6.9%** in June 2025

Total Exports of Goods-fob declined by **6.0%** in June 2025

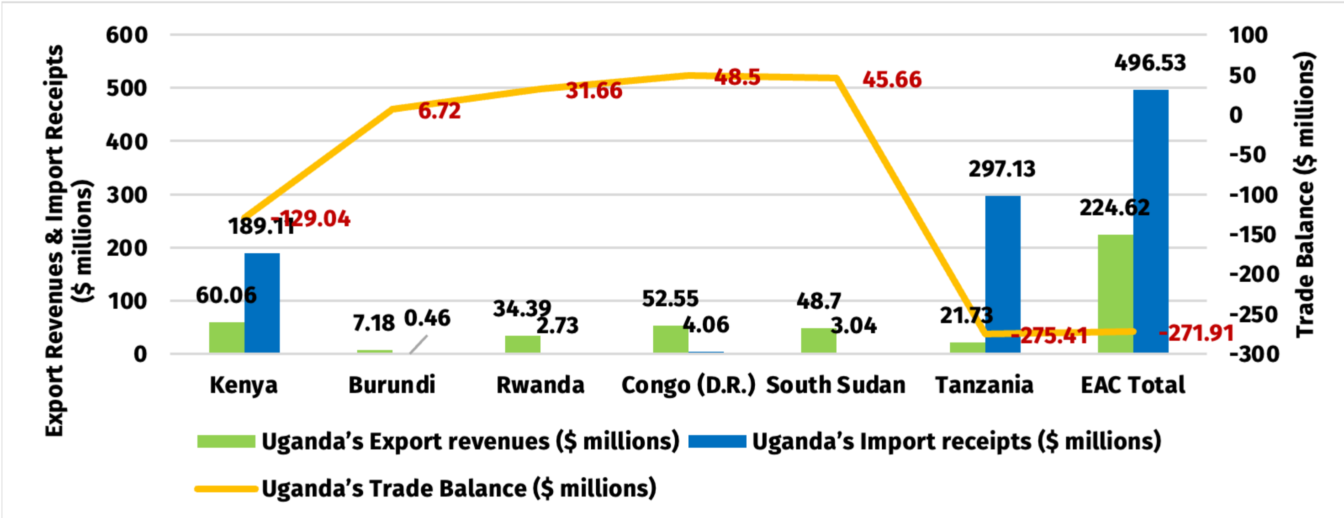
Total Imports of Goods - fob increased by **6.0%** in June 2025

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

Uganda recorded a US$271.91 million trade deficit with the East African Community (EAC) in June 2025, primarily due to higher import receipts of US$496.53 million compared to export revenues of US$224.68 million. With a US$275.41 million trade deficit with Tanzania, Uganda imported commodities valued at US$297.13 million while exporting US$21.73 million. Similarly, Uganda registered a significant trade deficit with Kenya of US$129.04 million in June 2025, having imported goods worth US$189.11 million against US$60.06 million in export revenues.

On the other hand, Uganda traded a surplus with Burundi, Rwanda, DR. Congo, and South Sudan in June 2025. It exported goods worth US$7.18 million to Burundi, against imports of US$0.46 million, resulting in a trade surplus of US$6.72 million. Likewise, Uganda exported goods worth US$34.39 million to Rwanda, against imports worth US$2.73 million, resulting in a trade surplus of US$31.66 million. Similarly, Uganda registered a trade surplus of US$48.50 million with DR. Congo, having exported goods worth US$52.55 million against imported goods worth US$40.6 million. Relatedly, Uganda registered a trade surplus of US$45.66 million with South Sudan, having exported goods worth US$48.70 million against imports worth US$3.04 million.

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



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

Uganda's Export Revenues from Selected Commodities:

The export revenues from coffee increased by 18.7% to US$289.6 million in June 2025, from US$243.95 million in May 2025, due to a 27.8% rise in coffee export volumes to 1,014,062 (60 kg bags) in June 2025, from 793,445 (60 kg bags) in May 2025. The cotton export revenues increased to US$1.13 million in June 2025, from US$0.07 million in May 2025, attributed to the rise in cotton export volumes to 4,799.85 (185 kg bales) in June 2025, from 271 (185 kg bales) in May 2025 Tea export revenues declined by 16.5% to US$5.45 million in June 2025 from US$6.53 million in May 2025 due to the fall in tea export volumes by 15.8% to 5,321.55 tons in June 2025 from 6,319.01 tons in May 2025. The fish export volumes rose by 17.2% to 1,771.42 tons in June 2025 from 1,511.84 tons in May 2025. However, the fish export revenue decreased by 8.9% to US$12.73 million in June 2025, from US$13.97 million in May 2025.

The sim sim export revenues decreased by 30.9% to US$2.24million in June 2025 from US$3.24 million in May 2025, attributed to the fall in sim sim export volumes by 25.0% to 1,131.59 tons in June 2025 from 1,509.33 tons in May 2025.

Maize export revenues declined by 28.8% to US$5.69 million in June 2025, from US$7.99 million in May 2025, due to the drop in maize export volume by 2.7% to 15,282.83 tons in June 2025 from 11,051.53 tons in May 2025.
The beans export revenues increased by 102.9% to US$6.35 million in June 2025, from US$3.13 million in May 2025, attributed to a significant rise in beans export volumes by 153.7% to 7,136.23 tons in June 2025, from 2,813.98 tons in May 2025.

The cocoa export revenues decreased by 63.8% to US$39.29 million in June 2025, from US$108.58 million in May 2025, due to a 50.1% drop in cocoa bean export volumes to 4,919.66 tons in June 2025, from 9,867.21 tons in May 2025.
In June 2025, rice export revenues increased significantly by 211.6% to US$0.50 million from US$0.16 million in May 2025 due to the rise in rice export volumes by 232.8% from US$134.4 million in May 2025 to US$447.29 million in June 2025.

The sugar export revenues decreased by 36.7% to US$15.62 million in June 2025, from US$24.67 million in May 2025, due to a 26.1% decline in sugar export volume to 22,818.86 tons in June 2025, compared to 30,874 tons in May 2025.

Uganda's Import Receipts for Selected Commodities:

In June 2025, Uganda's formal private sector reported a 7.8% increase in import receipts, reaching US$1.39 billion compared to US$1.29 billion in May 2025. The formal sector's petroleum product import receipts experienced a substantial 14.9% growth to US$184.38 million in June 2025 compared to US$160.47 million the previous month. The import receipts for Machinery, Equipment, Vehicles & Accessories showed a 5.0% decrease to US$198.52 million compared to the May 2025 value of US$209.02 million, and Miscellaneous Manufactured Articles rose by 13.1% to reach US$41.06 million compared to US$36.29 million in the previous month. Wood & Wood Products experienced a 7.5% decline to US$17.67 million during June 2025 compared to its May 2025 figure of US$19.10 million.

Base metals and their products delivered higher import receipts by 9.4% reaching US$103.81 million during June 2025, compared to May 2025 figures of US$94.8 million, while chemical and related products showed an 18.4% growth to US$90.32 million from US$76.29 million. The import receipts for Vegetable Products, along with Animal, Beverages, and fats and oils, grew by 14.2% to US$156.05 million from US$136.66 million. Textiles and textile products experienced a 10.4% increase to US$28.25 million from US$25.59 million. Prepared foods, beverages, & tobacco rose to US$45.28 million from US$36.53 million, reflecting a 23.9% increase.

The import receipts for mineral products (excluding petroleum products) increased by 5.3% to US$454.82 million in June 2025 from US$432.0 million in May 2025. Animals and animal products rose sharply by 53.6% to US$7.71 million from US$5.02 million, while plastics, rubber, and related products increased by 8.7% to US$57.61 million from US$53.0 million. Electricity import receipts increased by 21.8% to US$0.43 million in June 2025 from US$0.36 million in May 2025.

Uganda's Economic Outlook and Risks:

Persistent global economic uncertainty, driven by recurring geopolitical tensions and new trade tariffs, continues to shape the external environment. Nonetheless, Uganda's economic activity has remained resilient, supported by stable business confidence and steady growth momentum. The Uganda Bureau of Statistics estimates GDP growth at 6.3% in FY2024/25, up from 6.1% the previous year, while the Bank of Uganda projects growth between 6.0% and 6.5% in FY2025/26, with further strengthening expected in the medium term. This outlook is underpinned by increased agricultural and industrial production, steady export expansion, infrastructure investment, and rising investments in the extractive sector, alongside government programs such as the Parish Development Model (PDM).

However, the projected growth faces various risks, including potential declines in commodity prices, disruptions to global supply chains, tightening of international borrowing conditions, and adverse weather patterns affecting agricultural output. On the other hand, easing global geopolitical tensions, expanded infrastructure development, and stronger private sector confidence could lead to higher-than-expected growth outcomes

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

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