

## Introduction

The Uganda Macroeconomic Digest for April 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:

The headline inflation in the economy experienced a slight decline, dipping from 3.3% in March 2024 to 3.2% in April 2024. This shift was primarily driven by the Annual Food Crops and Related Items Inflation, which dropped to minus 2.4% in April 2024 from minus 0.4% in March 2024. Notable decreases were observed in various food items, such as Cooking Bananas, which saw its inflation rate plummet from 8.2% in March 2024 to minus 11.7% in April 2024. Similarly, Dry Beans and Sweet Potatoes experienced significant reductions in inflation rates, with Dry Beans dropping to minus 8.5% in April 2024 from minus 3.4% in March 2024, and Sweet Potatoes decreasing to minus 19.9% in April 2024 from minus 12.0% in March 2024.

Conversely, the annual Core inflation rate saw a marginal increase from 3.4% in March 2024 to 3.5% in April 2024. Within the services sector, notable spikes were observed in the inflation rates of Domestic flights and Hotel and Lodging Accommodation Services. Domestic flights, for instance, saw a substantial rise in inflation from 5.5% in March 2024 to 14.5% in April 2024, indicating increased costs for this mode of transportation. Similarly, Hotel and Lodging Accommodation Services experienced a significant uptick in inflation, climbing to 7.6% in April 2024 from 1.9% in March 2024, suggesting higher costs for lodging and related services.

Furthermore, the Annual Energy Fuel and Utilities (EFU) Inflation rate also witnessed a slight increase, rising to 7.9% in April 2024 from 7.6% in March 2024. This was largely fueled by notable increases in the inflation rates of Electricity, Petrol, and Charcoal. Electricity shifted from a negative inflation rate of minus 1.0% in March 2024 to a positive 1.4% in April 2024, signaling higher costs for this essential utility. Similarly, both Petrol and Charcoal experienced noticeable upticks in inflation rates, with Petrol rising to 6.9% in April 2024 from 5.4% in March 2024, and Charcoal increasing to 18.8% in April 2024 from 17.7% in March 2024.

Inflation remains influenced by factors such as the shilling exchange rate, supply-side shocks, global inflation, and domestic food supply. The Bank of Uganda forecasts that short-term inflation may rise to 5.5%-6% within 12 months, with a return to the medium-term target of 5% expected in the second half of 2025.

**3.2%**

Headline Inflation declined from 3.3% in March 2024 to 3.2% in April 2024

**3.5%**

Core Inflation rose from 3.4% in March 2024 to 3.5% in April 2024

**-2.4%**

Food Crops and Related Items inflation declined from -0.4% in March 2024 to -2.4% in April 2024

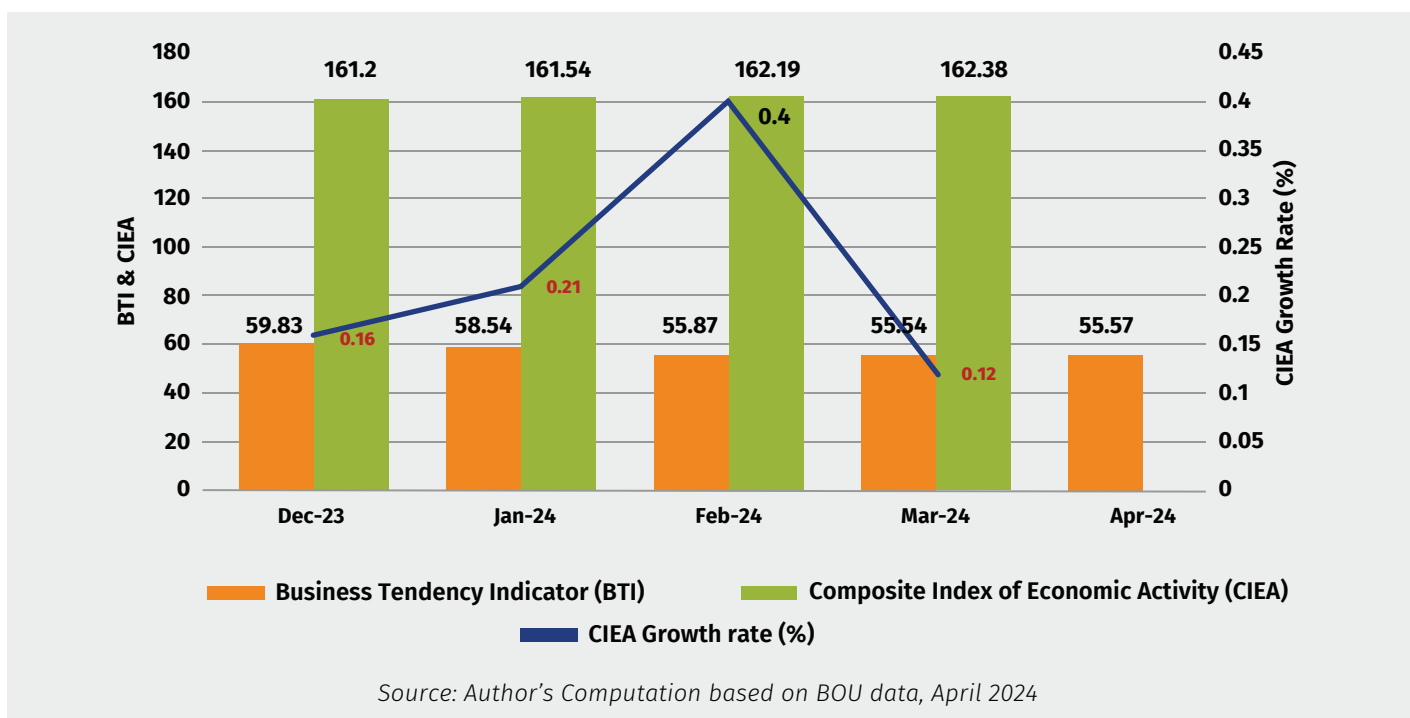
**7.9%**

Energy Fuel and Utilities (EFU) inflation rose from 7.6% in March 2024 to 7.9% in April 2024

## Business Perceptions and Economic Activity:

In April 2024, Uganda's Business Tendency Index (BTI) surged to 55.57, surpassing the pivotal 50-mark, reflecting improved confidence among investors and business operators. This slight rise from March's 55.54 reflects a modest boost in optimism. At the same time, the Stanbic Bank's Purchasing Managers Index (PMI) increased from 49.3 in March 2024 to 52.6 in April 2024. This growth was driven by heightened output and new orders, spurred by a resurgence in consumer demand. The latest Stanbic Bank PMI report shows Ugandan firms raised output prices in April 2024, with staffing expenses also climbing. Some companies expanded their workforce, while others increased wages to attract talent. Input prices also rose. Despite these cost pressures, businesses remain optimistic about future demand and output over the next 12 months. Additionally, March 2024 saw a 0.12% increase in the Composite Index of Economic Activity (CIEA) to 162.38 from February's 162.19, indicating continued economic activity improvement.

**Figure 1 : Business Tendency Indicator (BTI) and CIEA, November 2023 to March 2024**



## Exchange Rate Movements:

The exchange rate has remained relatively stable, despite the recent issuance of high-interest government treasury bonds in Kenya causing a temporary weakening of the Ugandan shilling. This occurred as some portfolio investors in government securities moved from Uganda to Kenya, where yields were higher, reducing the supply of US dollars in the market. However, this shock has already begun to abate. The shilling traded at an average mid-rate of Shs 3,895.8/USD in March 2024, down from Shs 3,873.6/USD in February 2024, indicating a depreciation of 0.6%.

Notably, the Ugandan shilling appreciated by 1.9% against the US dollar in April 2024, trading at an average mid-rate of Shs 3,822.7/USD, compared to Shs 3,895.8/USD the previous month. This appreciation was supported by remittance inflows and earnings from commodities. However, according to the latest report from the Bank of Uganda (2024), shilling remains vulnerable due to the outflow of short-term foreign investor funds from the domestic market and strong domestic demand from corporations.

**UGX 3,822.7/USD**  
Average exchange rate  
for April 2024

## Interest Rate Movements:

Bank of Uganda increased the Central Bank Rate (CBR) to 10.25% in April 2024 from 10.00% in March 2024. The aim was to stabilize the shilling exchange rate and control potential inflationary pressures resulting from the Shilling's weakening and its impact on domestic prices.

Commercial banks' weighted average lending rates on shilling-denominated credit stood at 17.34% in March 2024, a slight decrease from the 18.09% recorded in February 2024. This decline is partly attributed to the improving quality of loans in the financial sector amid economic recovery. Loan quality has steadily improved over the past year, with Non-Performing Loans (NPL) declining from 5.82% in Q1 2023 to 4.6% in Q4 2023 (Bank of Uganda, 2024). Commercial banks adjust lending rates as loan quality improves and risks decrease. However, lending rates on foreign currency-denominated credit rose from 8.83% in February 2024 to 9.20% in March 2024, driven partly by increased demand for dollar-denominated loans. A sustained decrease in shilling-denominated lending rates could boost private sector credit growth, enhancing overall economic activity.

**10.25%**

Central Bank Rate (CBR) for April 2024

**17.34%**

Lending Rates for UGX Loans for March 2024

**9.20%**

Lending Rates for foreign currency loans for March 2024

## Outstanding Private Sector Credit and Net Credit to Government:

In March 2024, the total outstanding Private Sector Credit remained stable at UGX23.68 trillion, while Net Credit to Government (NCG) decreased by 0.83% from UGX17.39 trillion in February 2024 to UGX17.25 trillion in March 2024. A continued decline in government domestic borrowing may reduce the crowd-out effect on private-sector credit, potentially lowering lending rates to bolster private-sector credit for economic growth and development. This reflects the central bank's efforts to stimulate economic expansion and promote private-sector investment.

**Ush. 42.22 trillion**

Domestic Credit rose by 0.82% in February 2024

**Ush. 17.39 trillion**

Net credit to the government declined by 0.08% in February 2024

**Ush. 23.68 trillion**

Private Sector credit rose by 0.81% in February 2024

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

In March 2024, Uganda's trade balance worsened, witnessing a 45.9% increase in the trade deficit, soaring to \$403 million from \$277 million in February 2024. This shift was primarily driven by a significant 14.1% surge in total imports of goods, escalating from \$910 million in February to \$1,038 million in March 2024. On the other hand, total exports of goods experienced a 0.2% increase, climbing from \$633 million in February 2024 to \$634 million in March 2024. The terms of trade index (TOT) saw a modest increase of 3.8%, climbing from 114 in February 2024 to 118 in March 2024. This rise signifies an enhancement in the value of Uganda's exports relative to its imports.

Trade deficit increased by 45.9% in March 2024

Total Exports of Goods-fob increased by 0.2% in March 2024

Total Imports of Goods - fob increased by 14.1% in March 2024

Terms of Trade Index rose by 3.8% in March 2024



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

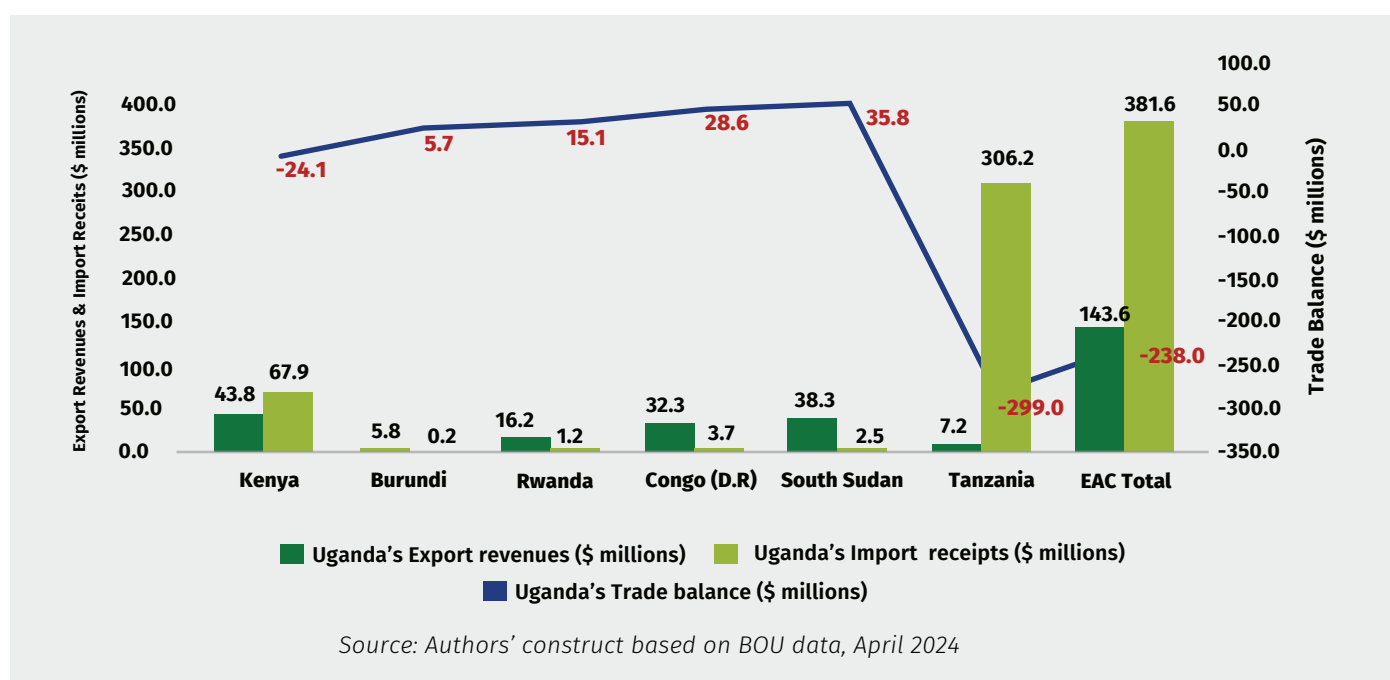
In March 2024, Uganda faced a trade deficit within the East African Community (EAC), exporting goods valued at \$143.61 million while importing goods worth \$381.58 million from EAC countries. This marked a significant trade deficit of \$237.98 million, showing a notable trade deficit rise from the previous month's trade deficit of \$79.81 million.

Specifically, Uganda's trade balance with Kenya in March 2024 saw exports totaling \$43.76 million, while imports amounted to \$67.87 million, resulting in a deficit of \$24.11 million. Similarly, with Tanzania, Uganda exported goods worth \$7.17 million but imported goods valued at \$306.16 million, leading to a substantial deficit of \$298.99 million.

On a positive note, Uganda recorded surpluses in trade with other EAC countries. For instance, Uganda exported goods worth \$5.83 million to Burundi and imported negligible goods (\$0.15 million), resulting in a surplus of \$5.68 million. Additionally, Uganda enjoyed a surplus of \$15.06 million with Rwanda, exporting goods worth \$16.22 million and importing goods worth \$1.17 million.

Moreover, Uganda maintained a surplus in trade with the Democratic Republic of Congo, exporting goods totaling \$32.33 million and importing goods valued at \$3.70 million, resulting in a surplus of \$28.62 million. Similarly, Uganda's trade with South Sudan showed a surplus, with exports amounting to \$38.30 million and imports at \$2.53 million, leading to a surplus of \$35.78 million.

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



## Uganda's Export Revenues from Selected Commodities:

In March 2024, export revenues from the trade of commodities exhibited a mixed trend. Simsim saw an increase of 4% in export revenues, rising from \$5.3 million in February 2024 to \$5.5 million in March 2024. This rise was attributed to the increase in export prices of Simsim from \$1.96 per kg to \$2.09 per kg during the same period. Similarly, Cocoa Beans witnessed a significant increase in export revenues, rising by 51% from \$26.0 million in February 2024 to \$39.3 million in March 2024. This was due to the rise in both export volumes from 10623.7 tonnes to 6876.3 tonnes and export prices from \$4.7 per kg in February 2024 to \$6.4 per kg in March 2024.

However, Coffee export revenues experienced a decline of 22%, dropping from \$82.6 million in February 2024 to \$64.7 million in March 2024. This decline was primarily due to a 24% decrease in export volumes from 434,582 (60 kg bags) to 329,686 (60 kg bags) during the same period. Cotton export revenues also saw a significant decline, dropping by 40% from \$5.9 million in February 2024 to \$3.5 million in March 2024, attributed to a 46% decrease in cotton export volumes from 20,673.8 (185 kg Bales) to 11,128.0 (185 kg Bales).

In March 2024, the export revenues of Tea remained the same at \$4.3 million, although tea export volumes declined by 4% from 4,994.8 tonnes in February 2024 to 4787.8 in March 2024. Fish & its products export revenues witnessed a decline of 5% from \$10.3 million in February 2024 to \$9.8 million in March 2024, attributed to a 25% decrease in fish export volumes from 2,137.6 tonnes to 1612.1 tonnes during the same period.

Furthermore, Maize export revenues dropped by 22% from \$8.4 million in February 2024 to \$6.5 million in March 2024, attributed to a decrease in maize export prices from \$0.2 per kg to \$0.1 per kg during the same period. Beans export revenues also declined by 9% from \$4.6 million in February 2024 to \$4.1 million in March 2024, reflecting a decrease in beans export volumes from 10,623.7 tonnes to 6,876.3 tonnes during the same period.

Rice export revenues experienced a significant decline of 53%, dropping from \$0.1 million in February 2024 to \$0.04 million in March 2024, attributed to a decrease in rice export prices from \$0.47 per kg in February 2024 to \$0.20 per kg in March 2024. Similarly, Sugar export revenues witnessed a decline of 6% from \$12.5 million in February 2024 to \$11.7 million in March 2024, owing to a decrease in Uganda's sugar export prices from \$0.83 per kg in February to \$0.6 per kg in March 2024.



## Uganda's Import Receipts for Commodities:

In March 2024, import receipts for commodities exhibited a mixed trend. While there was an overall increase in import receipts, certain categories witnessed declines. Import receipts for Animal & Animal Products dropped by 4% from \$4.9 million in February 2024 to \$4.7 million in March 2024. Similarly, import receipts for Prepared Foodstuff, Beverages & Tobacco declined by 16% from \$22.8 million in February 2024 to \$19.1 million in March 2024. The import receipts for Petroleum Products also decreased by 10% from \$151 million in February 2024 to \$135.4 million in March 2024. Additionally, the import receipts for Textile & Textile Products declined by 11% from \$23.5 million in February 2024 to \$21.0 million in March 2024. Similarly, the import receipts for Base Metals & their Products declined by 5% from \$68.8 million in February 2024 to \$65.1 million in March 2024. Additionally, the import receipts for Arms & Ammunitions & Accessories witnessed a substantial decline of 84%, dropping from \$0.04 million in February 2024 to \$0.01 million in March 2024.

On the other hand, some categories saw notable increases in import receipts. Vegetable Products, Animal, Beverages, Fats & Oil recorded a significant rise of 130%, soaring from \$70.1 million in February 2024 to \$161.2 million in March 2024. Similarly, import receipts for Mineral Products (excluding Petroleum products) rose by 23% from \$219.9 million in February 2024 to \$270.7 million in March 2024. Import receipts for Chemical & Related Products increased by 3% from \$67.5 million in February 2024 to \$69.6 million in March 2024. Additionally, Plastics, Rubber, & Related Products witnessed a 21% increase, rising from \$38.2 million in February 2024 to \$46.1 million in March 2024. Wood & Wood Products import receipts grew by 13% from \$13.5 million to \$15.3 million, while Miscellaneous Manufactured Articles rose by 1% from \$33.7 million to \$34.1 million. Import receipts for Machinery equipment, Vehicles & Accessories increased by 3%, reaching \$177.7 million in March 2024 compared to \$171.8 million in February 2024. Finally, Electricity import receipts surged by 17%, climbing from \$0.3 million in February 2024 to \$0.4 million in March 2024.

## Economic Outlook:

While the economy remains resilient, uncertainty surrounding the global economic outlook, shilling depreciation, and tight domestic financial conditions could dampen domestic demand. Nonetheless, economic growth for FY2023/24 is projected at approximately 6%, and subsequent years are expected to hover between 5.5% and 6.5%, according to Bank of Uganda's latest forecasts.

However, the potential rise in inflation poses challenges to household real incomes, possibly dampening consumer spending. Furthermore, heightened import costs of raw materials may hinder investment expenditure. Additionally, if tax revenue falls short of expectations, it could result in increased domestic financing, crowding out private sector credit and dampening economic activity. External factors such as a weak global economy or escalated global geopolitical conflicts could further impede growth through disruptions to supply chains and reduced export demand.



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