

## Introduction

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

## Annual Inflation:

The annual inflation rate for Uganda, as measured by the Consumer Price Index (CPI), rose to 3.9% for the 12 months ending June 2024, up from 3.6% in May 2024. This increase is mainly due to the annual core inflation climbing to 3.8% in June 2024 from 3.7% in May 2024. Laundry bar soap inflation improved to -4.6% in June 2024 from -7.6% in May 2024.

Food crops and related items inflation rose to 0.5% in June 2024, up from -1.4% in May 2024. Cooking bananas inflation improved to -10.4% in June 2024 from -16.3% in May 2024. Dry beans inflation increased to -7.2% in June 2024 from -10.7% in May 2024. Pumpkin inflation improved significantly to -0.1% in June 2024 from -21.0% in May 2024. Sweet potatoes inflation increased to -7.3% in June 2024 from -12.3% in May 2024.

Annual energy, fuel, and utilities (EFU) inflation rose to 10.3% in June 2024, up from 9.5% in May 2024. This rise was mainly due to a surge in solid fuel inflation to 21.1% in June 2024 from 18.8% in May 2024. Firewood inflation sharply increased to 23.7% in June 2024 from 13.8% in May 2024. Liquid energy fuels inflation rose to 5.3% in June 2024 from 4.8% in May 2024, with petrol inflation rising to 9.0% from 8.1% and diesel inflation increasing to 2.0% from 1.1% over the same period.

The Bank of Uganda revised inflation projections slightly downward in June 2024, forecasting a rise to an average of 5.0% to 5.4% in the short term, stabilizing around 5% by the second half of 2025. Potential risks include geopolitical tensions, energy price hikes, unfavorable weather, and production capacity pressures.

**3.9%**



**Headline Inflation** rose from 3.6% in May 2024 to 3.9% in June 2024

**3.8%**



**Core Inflation** rose from 3.7% in May 2024 to 3.8% in June 2024

**0.5%**



**Food Crops and Related Items** inflation rose from -1.4% in May 2024 to 0.5% in June 2024

**10.3%**



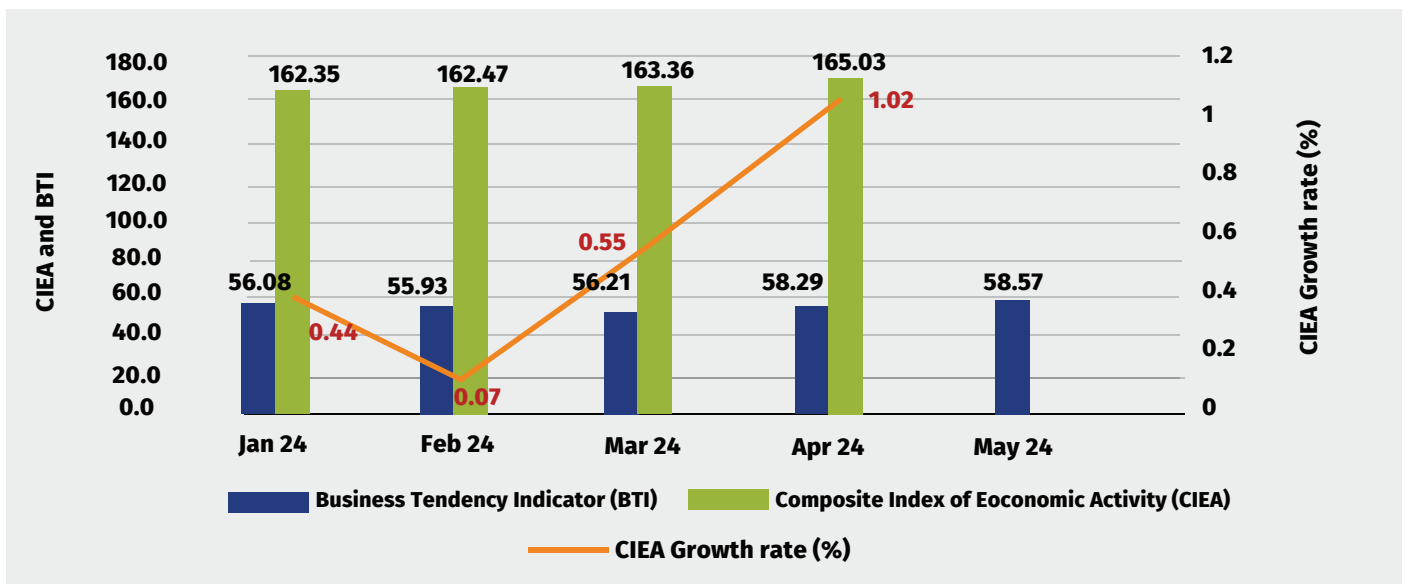
**Energy Fuel and Utilities (EFU)** inflation rose from 9.5% in May 2024 to 10.3% in June 2024

## Economic Activity and Business Perceptions:

In June 2024, investors were more optimistic about the business environment, especially in Construction, Wholesale Trade, and Agriculture. This is reflected in the Business Tendency Index (BTI), which remained above the 50-mark threshold, increasing to 58.57 in June 2024 from 58.29 the previous month, according to the Bank of Uganda's latest statistics. Notably, the Purchasing Managers' Index (PMI) by Stanbic Bank remained above the critical mark of 50, at 51.9 in June 2024, despite a slight decline from 54.1 in May 2024. This indicates an improvement in business conditions due to expansions in output and new orders, implying better health for the Ugandan private sector. Stanbic Bank attributes the rise in new business to increased client numbers and favorable demand trends, as per their latest PMI report.

Overall, economic activity strengthened, and prospects for business conditions were optimistic as shown by high-frequency indicators of economic activity (CIEA and BTI). According to the Bank of Uganda's latest statistics, the Composite Index of Economic Activity (CIEA) increased by 1.02% from 163.36 in April 2024 to 165.03 in May 2024, signaling an improvement in economic activity. The rise in the CIEA was primarily due to increased activity in the agriculture and construction sectors.

**Figure 1: Business Tendency Indicator (BTI) and CIEA, January to May 2024**



Source: Author’s Computation based on BOU data, May 2024

## Exchange Rate Movements:

In June 2024, the Ugandan Shilling traded at an average mid-rate of Shs 3,747.19/USD, appreciating by 1.2% from Shs 3,791.40/USD in May 2024. The relative stability of the Ugandan Shilling against the US dollar has benefited from recent Central Bank Rate (CBR) increases and inflows from robust coffee exports due to favorable international coffee prices.

**Shs 3,747.19/USD**

**Average exchange rate for June 2024**





## Interest Rate Movements:

In June 2024, the Central Bank Rate (CBR) remained at 10.25%, underscoring the Bank of Uganda's efforts to stabilize the Shilling and manage inflation. This rate is designed to keep inflation within the medium-term target of 5%.

Shilling-denominated lending rates at commercial banks rose significantly from 17.74% in April to 18.85% in May, reflecting a tighter monetary policy and increased risk aversion among creditors due to a rise in non-performing loans from 4.6% in December 2023 to 5.13% in March 2024. In contrast, lending rates for foreign currency-denominated loans decreased from 9.32% in April to 8.87% in May, partly due to reduced demand for dollar-denominated loans.

**10.25%**

Central Bank Rate (CBR)  
for June 2024

**18.85%**

Lending Rates for  
UGX Loans for May 2024

**8.87%**

Lending Rates for foreign  
currency loans for May 2024

## Domestic Credit:

In May 2024, Uganda's Domestic Credit increased by 4.4% to UGX43.81 trillion from UGX41.96 trillion in April 2024. This growth was driven primarily by a significant rise in Net Credit to Government (NCG), which surged by 10.0% from UGX17.46 trillion in April 2024 to UGX19.20 trillion in May 2024. Meanwhile, Private Sector Credit showed a modest increase, growing by 0.4% from UGX23.60 trillion in April 2024 to UGX23.71 trillion in May 2024. This reflects the central bank's ongoing efforts to stimulate economic expansion and promote private-sector investment.

**Shs 23.71 trillion**

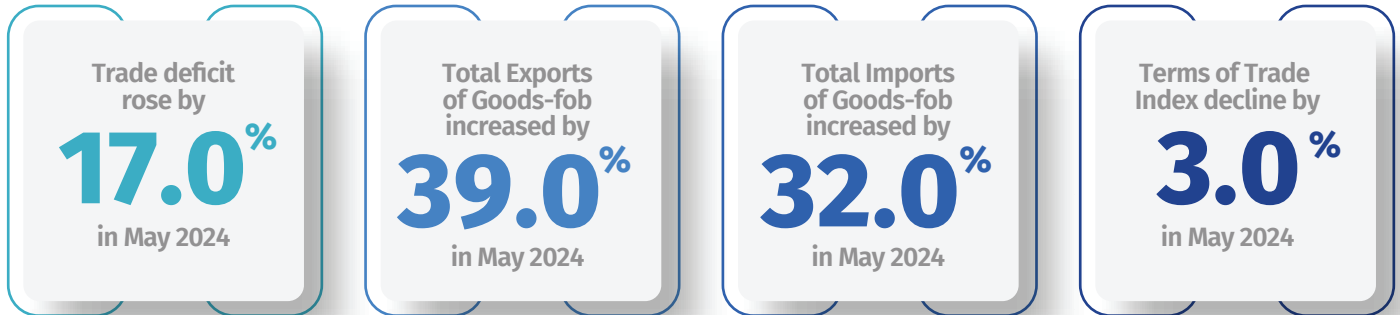
Private Sector credit rose by  
**0.4%** in May 2024

**Shs 19.20 trillion**

Net Credit to the Government  
(NCG) rose by **10.0%** in May 2024

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

In May 2024, Uganda's trade balance worsened, with a 17% increase in the deficit, rising to \$362.8 million from \$309.0 million in April 2024. This shift was driven by a 32% surge in total imports, escalating from \$948.8 million to \$1.254.8 billion. Meanwhile, total exports increased by 39%, climbing from \$639.9 million to \$892.0 million. However, the terms of trade index (TOT) dropped by 3%, from 124.1 to 120.7, indicating that the value of Uganda's exports relative to its imports became less favorable in May 2024.

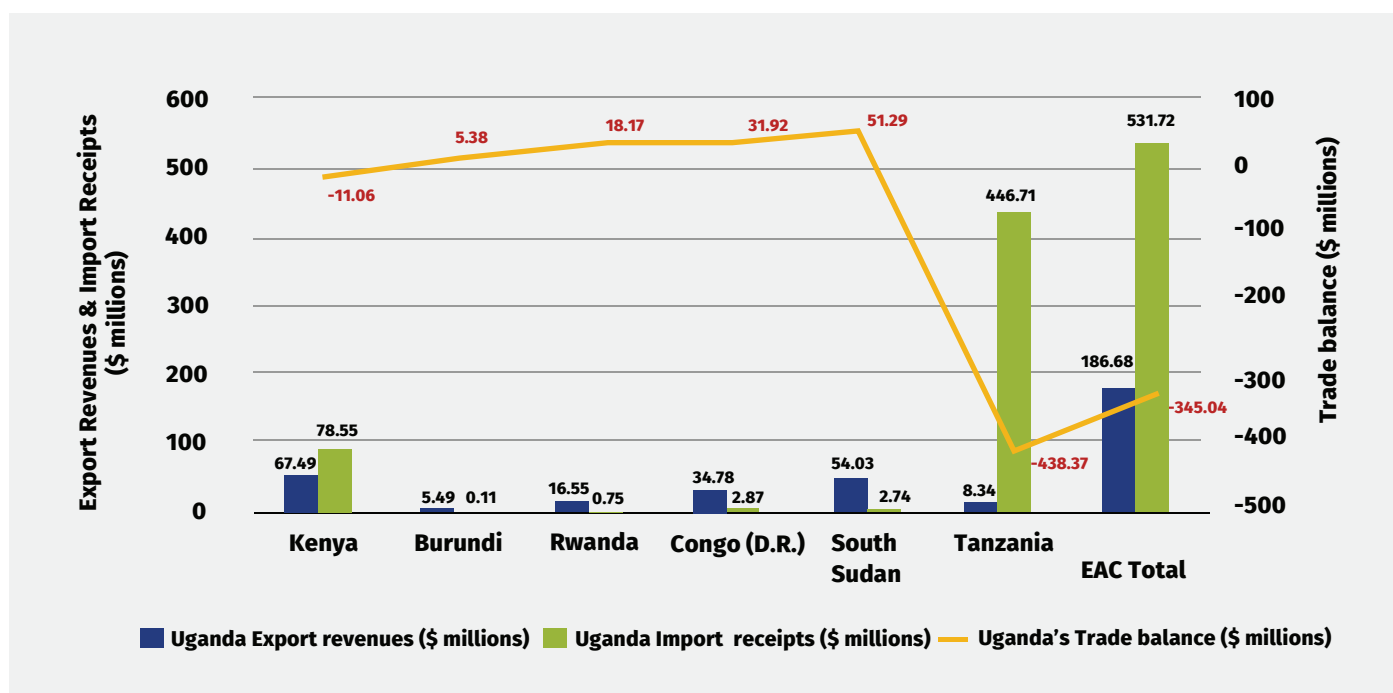


## Uganda's Trade Balance with the East African Community (EAC):

In May 2024, Uganda faced a notable trade deficit within the East African Community (EAC), exporting goods valued at \$186.68 million while importing goods worth \$531.72 million from EAC countries. This marked a significant trade deficit of \$345.04 million.

Specifically, Uganda's trade balance with Kenya in May 2024 saw exports totaling \$67.49 million, while imports amounted to \$78.55 million, resulting in a deficit of \$11.06 million. Similarly, with Tanzania, Uganda exported goods worth \$8.34 million but imported goods valued at \$446.71 million, leading to a substantial deficit of \$438.37 million..



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

Source: Authors' construct based on BOU data (April 2024)

## Uganda's Export Revenues from Selected Commodities:

In May 2024, export revenues across various commodities showed mixed trends. Coffee export revenues surged by 50.3%, from \$84.70 million in April 2024 to \$127.30 million in May 2024, driven by a 16.1% rise in export volumes from 390,487 (60 kg bags) to 453,169 (60 kg bags) and an increase in prices from \$3.62 to \$3.83 per kg.

Conversely, cotton export revenues dropped by 43.1%, from \$1.99 million in April 2024 to \$1.13 million in May 2024, due to a 5.2% reduction in volumes from 6,959.13 (185 kg bales) to 6,600.19 (185 kg bales). Tea export revenues experienced a modest 1.8% increase, rising from \$5.63 million in April 2024 to \$5.73 million in May 2024. This growth was driven by a substantial 41.4% rise in tea export volumes, which increased from 6,247.49 tons to 8,834.87 tons during the same period.

Fish export revenues saw a slight 0.7% increase, from \$10.50 million in April 2024 to \$10.57 million in May 2024, with a 30.5% rise in volumes from 1,543.31 tons to 2,014.00 tons. Simsim revenues declined by 18.2%, from \$4.16 million in April 2024 to \$3.40 million in May 2024, due to a 66.3% drop in volumes from 1,961.65 tons to 660.32 tons.

Maize revenues decreased by 10.3%, from \$5.08 million in April 2024 to \$4.55 million in May 2024, primarily because of a price drop from \$0.14 to \$0.12 per kg, even though volumes increased by 3.5% from 35,782.32 tons to 37,028.89 tons. Beans revenues fell by 21.5%, from \$3.31 million in April 2024 to \$2.60 million in May 2024, with a 35.0% reduction in volumes from 6,704.23 tons to 4,361.05 tons.

Cocoa beans revenues declined by 42.3%, from \$25.22 million in April 2024 to \$14.55 million in May 2024, due to a 16.6% decrease in volumes from 5,204.32 tons to 4,342.16 tons. Rice revenues increased by 88.2%, from \$0.02 million in April 2024 to \$0.03 million in May 2024, attributed to a price rise from \$0.18 to \$0.38 per kg, despite a 9.5% drop in volumes from 84.36 tons to 76.37 tons.

Lastly, sugar revenues fell by 11.8%, from \$16.75 million in April 2024 to \$14.78 million in May 2024, as prices dropped from \$0.62 to \$0.53 per kg, although volumes slightly increased by 2.6% from 27,175.92 tons to 27,869.19 tons.



## Uganda's Import Receipts for Commodities:

In May 2024, Uganda's import receipts for commodities demonstrated a significant overall increase compared to the previous month, April 2024. The total import receipts rose by 32.1%, from \$926.44 million in April to \$1,224.28 million in May 2024. Various categories exhibited mixed trends during this period.

The most substantial increase was observed in the import receipts for Vegetable Products, Animals, Beverages, Fats & Oil, which surged by 208%, rising from \$97.64 million in April to \$300.75 million in May 2024. Textile & Textile Products also saw a significant increase of 27.9%, climbing from \$18.77 million in April to \$24.00 million in May 2024. Prepared Foodstuff, Beverages & Tobacco experienced a 25% rise, increasing from \$24.25 million in April to \$30.32 million in May 2024.

Mineral Products (excluding Petroleum products) exhibited a notable 20.6% increase, with import receipts growing from \$243.96 million in April to \$294.28 million in May 2024. Import receipts for Animal & Animal Products saw an 11.5% increase, from \$4.52 million in April to \$5.04 million in May 2024. Additionally, Plastics, Rubber, & Related Products experienced a 9.6% rise, increasing from \$48.96 million in April to \$53.67 million in May 2024. Petroleum Products saw a modest rise of 7.5%, climbing from \$143.20 million in April to \$153.95 million in May 2024.

Machinery Equipment, Vehicles & Accessories experienced a 5.8% rise, increasing from \$169.71 million in April to \$179.53 million in May 2024. Base Metals & their Products recorded a 4.4% rise, increasing from \$59.69 million in April to \$62.32 million in May 2024. Electricity experienced a 13.2% rise, increasing from \$0.35 million in April to \$0.39 million in May 2024. Miscellaneous Manufactured Articles saw a notable 43.1% increase, rising from \$25.02 million in April to \$35.82 million in May 2024.

However, not all categories saw increases. Import receipts for Wood & Wood Products experienced a significant decline of 21.1%, dropping from \$15.60 million in April to \$12.31 million in May 2024. Chemical & Related Products also saw a decline of 3.8%, decreasing from \$74.76 million in April to \$71.91 million in May 2024.

## Economic Outlook:

The economic growth for FY2024/25 is projected between 6.0% and 6.5%, with expectations of rising above 7% in subsequent years, according to the Bank of Uganda's latest forecasts. This growth is anticipated to be supported by higher government and private sector investments in the extractive industry, alongside government intervention programs like the Parish Development Model. Favorable weather conditions and increased investments are also expected to boost economic activity.

However, several factors could constrain this growth. A weakening shilling could dampen domestic demand, while supply chain disruptions and reduced export demand pose significant risks. Additionally, global economic uncertainties and tighter domestic financing conditions may impact private sector credit growth and overall demand.



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