

Introduction

The Uganda Macroeconomic Digest for October 2024 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, trade (exports and imports), and economic outlook.

Annual Inflation:

In October 2024, Uganda's annual headline inflation dropped to 2.9% from 3.0% in September 2024, primarily due to a decrease in the inflation of food crops and related items from -4.1% in September 2024 to -5.3% in October 2024. Specifically, cooking banana's annual inflation declined from 4.9% in September 2024 to -8% in October 2024. The annual inflation of tomatoes decreased from -4.1% in September 2024 to -14.2% in October 2024, while the annual inflation of beans decreased from -2.5% to -4.4% during the same period. The Irish potato inflation declined from 26% in September 2024 to 11.8% in October 2024.

Similarly, the Energy Fuel and Utilities (EFU) annual inflation declined from 4.5% in September 2024 to 3.3% in October 2024 due to liquid energy fuel inflation that decreased from -2% to -5.4% during the same period, driven mainly by petrol and diesel annual inflation that declined from -2.2% in September to -5.9% in October 2024 and from -2.6% to -7.5%, respectively. Liquefied gas (propane) inflation decreased from -1.5% in September 2024 to -4.2% in October 2024.

However, core inflation increased from 3.7% in September 2024 to 3.9% in October 2024 due to annual services inflation that recorded 6.2% in October 2024 compared to 5.8% for September 2024. The main driver of service inflation was accommodation service inflation, which rose to 5.7% in October 2024 from 5.0% in September 2024. Additionally, passenger transport's road inflation increased from 3.4% in September 2024 to 3.8% in October 2024.

The Bank of Uganda Monetary Policy report for October 2024 predicts that Uganda's inflation will remain below 5% for the next 12 months, but it will return to the target in the next 2 to 3 years. Global trade disruptions, potential energy price hikes, a higher-than-expected increase in demand, and extreme weather events could drive up inflation. Factors that could lower inflation include lower demand, lower cost of imported goods, bumper harvests, which would result in lower food crop prices, and a stronger Uganda shilling.

2.9
%



Headline Inflation
declined from 3.0%
in September 2024 to
2.9% in October 2024

3.9
%



Core Inflation
increased from 3.7%
in September 2024 to
3.9% in October 2024

-5.3
%



**Food Crops and
Related Items inflation**
declined from -4.1%
in September 2024 to
-5.3% in October 2024

3.3
%

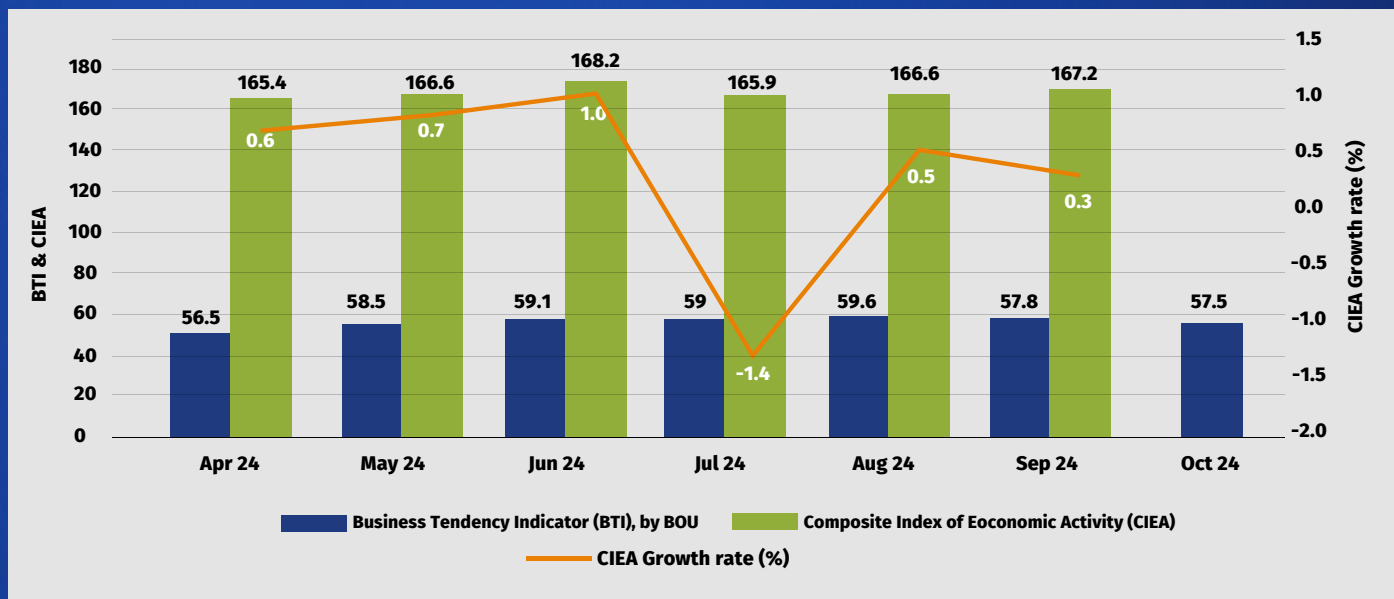


**Energy Fuel and
Utilities (EFU) inflation**
declined from 4.5%
in September 2024 to
3.3% in October 2024

Business Perceptions and Economic Activity:

The sentiments about doing business declined, as shown by the slight decrease in the Business Tendency Index (BTI) from 57.8 in September 2024 to 57.50 in October 2024, reflecting less optimism by the investors during the month compared to the previous month. According to the Bank of Uganda’s latest BTI statistics, business confidence declined in construction (from 61.47 to 60.86), Manufacturing (from 54.85 to 52.92), and Wholesale Trade (from 57.90 to 56.93), while Confidence improved in the agriculture sector (from 53.96 to 54.91) due to good weather conditions. The Composite Index of Economic Activity (CIEA) increased by 0.3% from 166.6 in August 2024 to 167.2 in September 2024, indicating improvement in economic activity.

Figure 1: Business Tendency Indicator (BTI) and Composite Index of Economic Activity (CIEA), April to October 2024



Source: Author’s Computation based on Bank of Uganda data, October 2024

Exchange Rate Movements:

The Uganda shilling appreciated stably against the US dollar during October 2024, with an appreciation of 1.2% month-on-month to an average mid-rate of Shs 3,667.93 per US dollar. The appreciation of the shilling is partly due to stronger capital inflows coupled with softer global inflation

Shs 3,667.93/USD

Average exchange rate for October 2024



Interest Rate Movements:

The Central Bank Rate (CBR) declined by 25 basis points from 10% in September 2024 to 9.75% in October 2024 due to an improved inflation outlook. The easing of global shocks, a stable exchange rate against major currencies, and prudent monetary policy, which effectively balanced economic growth recovery with the need to maintain price stability, largely drove the improvement in the inflation outlook.

The weighted average lending rates for the shilling-denominated credit declined from 19.06% in August 2024 to 18.84% in September 2024 due to favorable macroeconomic conditions and the anticipated stability of the Central Bank rate. On the other hand, the weighted average lending rates for foreign currency-denominated credit increased from 8.66% in August 2024 to 8.79% in September 2024 due to the rise in demand for dollar-denominated loans.



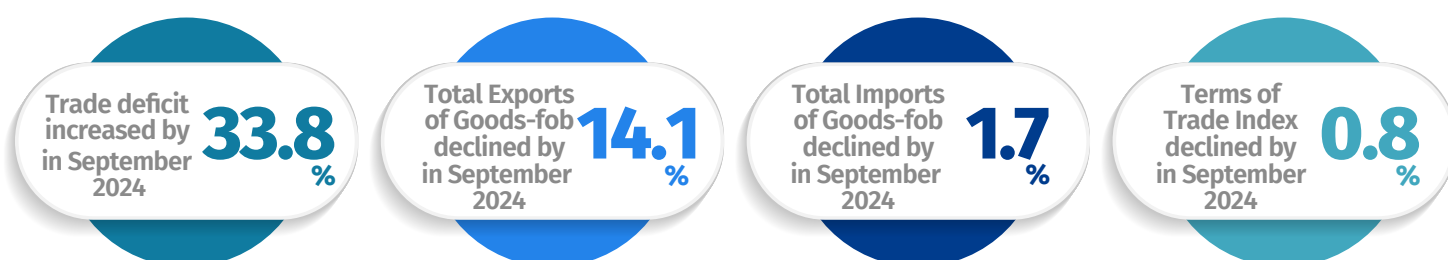
Domestic Credit:

Net Credit to Government (NCG), which has been increasing since April 2024 due to fiscal pressures and the need for domestic financing amid reduced external support, declined by 1.9% from UGX 22.59 trillion in August 2024 to UGX 22.17 trillion in September 2024. The private sector credit declined slightly by 0.3% from UGX 24.37 trillion in August 2024 to UGX 24.29 trillion in September 2024. As a result, domestic credit fell by 1.2% from UGX 48.09 trillion to UGX 47.53 trillion over the same period.



Uganda's Trade Balance, and Terms of Trade:

Uganda's trade balance worsened by 33.8%, shifting from a trade deficit of USD 275.67 million in August 2024 to USD 368.83 million in September 2024. This decline was due to a 14.1% drop in export revenues, falling from USD 794.52 million in August 2024 to USD 682.69 million in September 2024, largely because of lower coffee and gold earnings. Import receipts also decreased slightly by 1.7%, from USD 1,070.19 million in August 2024 to USD 1,051.53 million in September 2024. The terms of trade index fell by 0.8% from 148.22 in August 2024 to 147.07 in September 2024, reflecting unfavorable pricing for Uganda's exports relative to imports.





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

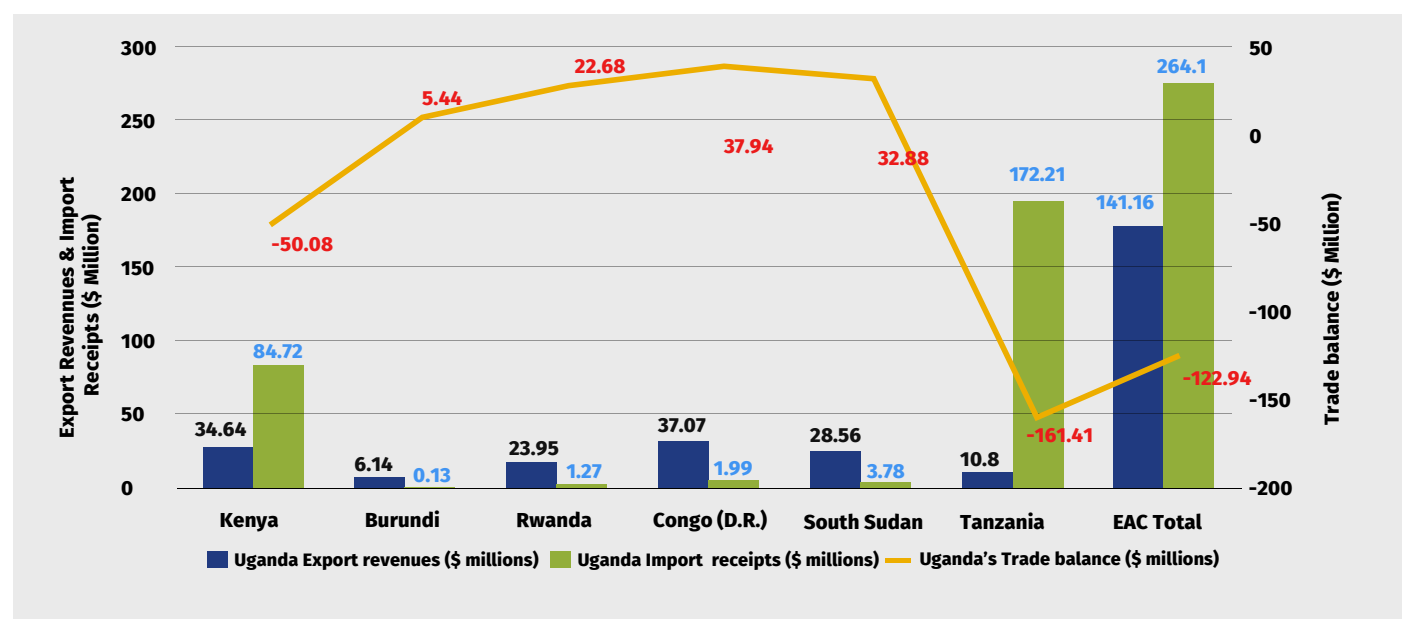
In September 2024, Uganda recorded a trade deficit of \$122.94 million within the East African Community (EAC), with exports totaling \$141.16 million and imports amounting to \$264.10 million.

Uganda's largest trade deficit was with Tanzania, where exports were \$10.80 million, while imports were significantly higher at \$172.21 million, resulting in a trade deficit of \$161.41 million. This represents Uganda’s most considerable negative trade balance within the EAC in September 2024. Similarly, Uganda faced a trade deficit with Kenya, exporting goods worth \$34.64 million and importing goods valued at \$84.72 million, leading to a deficit of \$50.08 million.

However, Uganda recorded trade surpluses with several EAC member countries. For instance, Uganda enjoyed a surplus of \$6.01 million with Burundi, exporting \$6.14 million worth of goods while importing only \$0.13 million. Uganda's trade with Rwanda resulted in a surplus of \$22.68 million, with exports valued at \$23.95 million and imports at \$1.27 million.

Additionally, Uganda maintained a substantial trade surplus with the Democratic Republic of Congo (D.R.C.), exporting goods worth \$37.07 million and importing only \$1.99 million, leading to a surplus of \$35.09 million. Trade with South Sudan also provided a favorable balance, with Uganda exporting \$28.56 million worth of goods and importing \$3.78 million, resulting in a surplus of \$24.78 million.

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



Source: Authors’ construct based on Bank of Uganda data, September 2024

Uganda's Export Revenues from Selected Commodities:

In September 2024, Uganda's coffee export earnings fell significantly compared to the record highs of the previous three months. Export revenues dropped by 34.7%, from USD 221.63 million in August 2024 to USD 144.71 million in September 2024, with export volumes also lower than the previous year. This decline was especially notable for Arabica coffee due to its biannual off-year cycle and poor flowering in the Mt. Elgon region. According to the UCDA report for September 2024, coffee export volumes amounted to 532,212 60-kilo bags, down from 837,915 bags in August 2024 (UCDA, 2024). Despite these lower volumes, global coffee prices continued to rise due to dry conditions affecting yields in Brazil and Vietnam, the world's largest Arabica and Robusta producers, signaling a likely supply deficit in 2024/25. Uganda's coffee export price increased by 2.8% to USD 4.53 per kg in September 2024 from USD 4.41 per kg in August (Bank of Uganda, 2024). Additionally, gold export earnings declined by 11.3%, from USD 306.51 million in August to USD 271.83 million in September 2024.

Uganda's cotton export earnings grew by 18%, from USD 0.48 million in August 2024 to USD 0.57 million in September 2024, partly due to increased global prices amid concerns about the U.S. hurricane season. Global cotton prices rose by 3.2%, from USD 1.76 in August to USD 1.82 per kg in September 2024, according to the World Bank commodity market outlook report for October 2024.

Despite ongoing production and quality challenges, Uganda's tea export earnings rose by 7.7%, from USD 3.03 million in August to USD 3.26 million in September 2024, due to improved tea export prices. The average auction price for Uganda tea was USD 0.99 (UGX 3,713) per kg in September 2024, a slight increase from USD 0.83 (UGX 3,113) per kg in August 2024. A marketing mission by the Uganda Export Promotions Board (UEPB) to the United Arab Emirates revealed buyer interest in Ugandan tea for its affordability, though there is a need to focus on improving yield and quality for a more significant international market share.

Uganda's fish and fish products (excluding regional) export earnings declined by 16.3%, from USD 10.37 million in August 2024 to USD 8.68 million in September 2024. Fish dealers have raised concerns about the decreasing Nile perch population. Fishermen under the Association of Fishers and Lake Users of Uganda are advocating for increased efforts within the fishing industry to address the declining numbers of Nile perch in Lake Victoria. Fish dealers report that Uganda's fish exports have drastically fallen due to various industry irregularities. According to the Association, illegal fishing, poor methods, unauthorized gear, and other issues have resulted in only 6.6% of Nile perch caught from Lake Victoria being mature enough for processing.

The earnings from maize exports increased by 113.2%, from USD 3.68 million in August 2024 to USD 7.84 million in September 2024. This increase was partly due to the rise in global demand and the impact of low water levels on key transportation routes in Brazil and the US, i.e., the Amazon River and Mississippi River, respectively. Similarly, the earnings from U.S. cocoa bean exports surged by 56.2%, from USD 12.7 million in August 2024 to USD 19.84 million in September 2024. This increase is due to rising global cocoa prices amid reduced production in Côte d'Ivoire and Ghana, impacted by pests, disease, and climate effects like El Niño (World Bank, 2024).

Uganda's rice export earnings decreased by 27%, from USD 0.07 million in August 2024 to USD 0.05 million in September 2024. This decline reflects a broader trend in global rice prices, which dropped by 11.2% from USD 580.00 per metric ton in September 2024 to USD 515.00 per metric ton in October 2024. Expectations of increased competition among exporters following India's removal of export restrictions on non-broken rice drive the price decrease.

Uganda's sugar export earnings increased by 5.4%, from USD 15.28 million in August 2024 to USD 16.11 million in September 2024, driven by rising sugar demand in the region, particularly in Kenya.





Uganda's Import Receipts for Commodities:

In September 2024, Uganda's formal private sector import receipts for selected commodities experienced a decline of 1.6%, decreasing from \$1,003.17 million in August 2024 to \$986.71 million in September 2024. Various categories showed mixed trends during this period.

Imports of Animal & Animal Products saw a slight increase of 2.5%, with receipts rising from \$5.33 million in August 2024 to \$5.46 million in September 2024. In contrast, vegetable products, animals, beverages, fats, and oils experienced a 7.1% decline, with receipts falling from \$82.87 million to \$76.98 million.

Prepared foodstuffs, beverages, and tobacco imports decreased by 1.5%, from \$28.46 million in August 2024 to \$28.04 million in September 2024. Mineral Products (excluding petroleum) saw a significant decrease of 12.1%, with import receipts dropping from \$284.39 million to \$249.96 million.

Petroleum Products imports rose by 3.2%, increasing from \$134.78 million in August 2024 to \$139.05 million in September 2024. Chemical & Related Products experienced a substantial rise of 9.0%, with import receipts climbing from \$76.96 million to \$83.86 million over the same period.

Plastics, rubber, and related product imports grew by 4.1%, reaching \$56.75 million from \$54.51 million. However, Wood & Wood Products recorded a decline of 7.7%, with receipts falling from \$16.72 million to \$15.43 million.

Textile & Textile Products imports increased by 9.8%, rising from \$27.86 million in August 2024 to \$30.60 million in September 2024. Miscellaneous Manufactured Articles also saw a slight increase of 2.9%, reaching \$33.88 million.

Base Metals and Their Products experienced a slight decline of 0.3%, with receipts decreasing from \$75.49 million to \$75.23 million. Machinery equipment, vehicle, and accessory imports increased by 4.7%, from \$182.54 million to \$191.13 million.

Imports of arms, ammunition, and accessories plummeted by 99.4%, dropping from \$0.03 million in August 2024 to nearly zero in September 2024. Conversely, electricity imports grew by 13.3%, increasing from \$0.29 million to \$0.33 million.

Uganda's Economic Outlook:

According to the Bank of Uganda's Monetary Policy Report (October 2024), economic growth for FY2024/25 is projected to remain between 6.0% and 6.5%, potentially reaching 7% in the next 2 to 3 years. Growth is expected to be supported by lower inflation, government initiatives, increased investment in oil and minerals, and supportive monetary policy. However, growth could be constrained by global supply chain disruptions and tighter financial conditions.



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