MACROECONOMIC & FISCAL PERFORMANCE REPORT

FINANCIAL YEAR 2023/24

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MINISTRY OF FINANCE, PLANNING AND ECONOMIC DEVELOPMENT

October 2024

Foreword

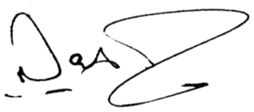
In accordance with Section 18 of the Public Finance Management Act (PFMA) 2015, the Minister of Finance, Planning & Economic Development is required to present to Parliament a bi-annual Macroeconomic and Fiscal Performance Report by the end of February and October each year. This annual report provides an in-depth analysis of Uganda's economic performance and projections as of 30th June 2024.

The fiscal year 2023/24 was marked by strong economic recovery and resilience despite significant global and domestic challenges. Uganda's economy grew by 6.1 percent, an increase from 5.3 percent in 2022/23, driven by robust performance in the services, agriculture, forestry, and fishing sectors, alongside steady industrial growth. In nominal terms, the economy expanded to UShs 202.7 trillion (US$ 53.6 billion) from UShs 183 trillion (US$ 48.8 billion) the previous financial year, reflecting increased demand, rising investments, and export growth. This places Uganda among Sub-Saharan Africa's fastest-growing economies.

Uganda's macroeconomic stability was maintained despite global inflationary pressures. Annual headline inflation was successfully managed below the Bank of Uganda's 5 percent core target, ending the fiscal year at an average of 3.2 percent, due to well-coordinated monetary and fiscal policies. Despite these gains, global challenges, including the ongoing geo-political conflicts, continue to impact supply chains and commodity prices, particularly petroleum and agricultural inputs. The government remains vigilant in addressing these risks through expansion of domestic production and diversification of exports while seeking new export markets.

A cornerstone of the Government's strategy for wealth creation has been to revitalize private sector activity and increase household incomes through inclusive and sustainable economic transformation. Key initiatives, including the EMYOOGA program, Parish Development Model and the Small Business Recovery Fund, have been pivotal in shifting Ugandans from subsistence activities into the formal economy. These programs empower small businesses and households, promote entrepreneurship, and support socio-economic development across communities, with a particular focus on youth and women to ensure that growth benefits all. Recognizing the importance of climate resilience, the government has integrated sustainable practices within these initiatives, helping communities adapt to climate challenges and enhance long-term productivity. Additionally, Uganda Development Bank continued to provide affordable credit to priority sectors, further supporting growth and resilience within the economy.

Looking ahead, Uganda's medium-term growth prospects remain robust, with average GDP growth projected between 8 percent and 9 percent, and expected to reach double digit growth thereafter. Ongoing developments in the oil and gas sector, combined with major investments in infrastructure, are set to be pivotal drivers of this growth, boosting foreign exchange earnings and employment opportunities. The Government remains steadfast in its commitment to fiscal discipline, prioritizing efficient public investments and fostering a supportive environment for private sector-led growth. Over the next 15 years, Uganda's economy is projected to expand tenfold, growing from US$ 50 billion to US$ 500 billion. This ambitious growth trajectory will be driven by strategic efforts focused on sustainable development and comprehensive socio-economic transformation, laying a foundation for inclusive prosperity and improved quality of life for all Ugandans.



Matia Kasaija (M.P)

HON. MINISTER OF FINANCE, PLANNING AND ECONOMIC DEVELOPMENT

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List of Acronyms and Abbreviations

AIA	Appropriations in Aid
B.Franc	Burundian Franc
BOP	Balance of Payments
BOU	Bank of Uganda
BTI	Business Tendency Index
C.Franc	Congolese Franc
CBR	Central Bank Rate
CFR	Charter for Fiscal Responsibility
CIEA	Composite Index of Economic Activity
DSA	Debt Sustainability Analysis
EAC	East African Community
EFU	Energy, Fuel and Utilities
FDI	Foreign Direct Investment
FOB	Free on Board
FY	Financial Year
GDP	Gross Domestic Product
H1	First Half of the Financial Year
H2	Second Half of the Financial Year
HS	Harmonized Commodity Description and Coding System
ICO	International Coffee Organisation
IMF	International Monetary Fund
KShs	Kenyan Shillings
MDAs	Ministries, Departments and Agencies
MOFPED	Ministry of Finance, Planning and Economic Development
NPLs	Non-Performing Loans
NTR	Non-Tax Revenue
PAYE	Pay as You Earn
PDM	Parish development Model
PMI	Purchasing Managers Index
R.Franc	Rwandan Franc
SoShs	Somali Shillings
SS.Pound	South Sudanese Pound
TzShs	Tanzanian Shillings
UBOS	Uganda Bureau of Statistics
UN Comtrade	United Nations Commodity Trade Statistics Database
UShs	Ugandan Shilling
US$	United States Dollars
VAT	Value Added Tax

Executive Summary

Uganda recorded strong economic growth of 6.1 percent in FY 2023/24, an increase from 5.3 percent the previous year, expanding the economy to UGX 202.7 trillion (US$ 53.6 billion). This strong performance was driven by several key factors, including continued recovery in domestic demand and investment levels, as well as significant export growth. Additionally, strategic government interventions such as the Parish Development Model (PDM), EMYOOGA and Small Business Recovery Fund (SBRF) among others were pivotal in supporting agriculture production, empowering small businesses, and stimulating the private sector.

The agriculture, industry, and services sectors all saw notable increases in output, underpinned by government policies that focused on stabilizing the macroeconomic environment. Agriculture grew by 5.4 percent, driven by increased production of food and cash crops, favorable weather conditions, and ongoing support from government initiatives aimed at improving productivity. The industry sector expanded by 4.9 percent, with significant growth in manufacturing, particularly in agro-processing and construction activities, which benefited from increased investment in industrial parks and infrastructure projects. Meanwhile, the services sector recorded a substantial 6.8 percent growth, led by strong performance in trade, tourism, and information and communication technology (ICT), which all benefited from improved consumer demand and an expanding digital economy.

Inflation remained low, averaging 3.2 percent in FY 2023/24, a significant improvement from 8.8 percent in FY 2022/23 due to government strategic intervention, good agriculture production and lower global inflation. In terms of monetary policy, the Bank of Uganda maintained an average policy rate of 9.8 percent, effectively stabilizing inflation within the Central Bank's target range. As such, commercial lending rates declined to an average of 17.89 percent, supporting a steady growth of 7.3 percent in private sector credit, reflecting resilience within the sector. To further support affordable lending, the Government has steadily introduced initiatives like the Parish Development Model (PDM), the EMYOOGA and the Small Recovery Fund (SBRF) which provided essential support to small businesses and promoted inclusive economic transformation. These programs are playing a critical role in helping the private sector access alternative financing options, encouraging entrepreneurship, and ensuring that economic growth remains broad-based and resilient. These initiatives over the last three years have cumulatively provided affordable financing estimated at between 0.5 to 1 percent of GDP.

Uganda's export earnings increased by 45.7 percent in FY 2023/24, driven by impressive growth in coffee, mineral products, maize, tea and base metals, coupled with good international commodity prices. This strong export performance reflects the government's commitment to diversifying exports and expanding markets for key commodities. Additionally, tourism earnings showed a steady rebound, contributing US$ 1.4 billion to the economy as the sector continues to recover from the effects of the COVID-19 pandemic. Foreign Direct Investment (FDI) grew to an all-time high of US$ 3.034 billion, with much of this investment directed towards the oil and gas sector, highlighting Uganda's progress towards commercial oil production and increased investor confidence. While diaspora remittances were recorded at US$ 1.29 billion, slightly below the previous year, this still represents a recovery surpassing pre-COVID levels, bolstering household incomes and supporting domestic consumption. To further facilitate remittance flows, the government has implemented measures to enhance digital financial inclusion and streamline remittance channels, ensuring that this key source of foreign exchange remains resilient.

Overall, Uganda's balance of payments reflected a deficit in FY 2023/24 because of increased imports used for investment and production particularly in the oil and gas sector. Nonetheless, prospects for the external sector remain highly encouraging with increasing FDI inflows, rising trade volumes, and a diversified export base. This positive outlook, reinforced by government support for trade expansion and targeted economic reforms, is expected to strengthen Uganda's external position.

On the fiscal side, Uganda's deficit reduced to UShs 9.49 trillion (4.7 percent of GDP) in FY 2023/24, down from 5.5 percent in FY 2022/23, reflecting effective fiscal consolidation efforts. The deficit was financed through a prudent mix of domestic and external borrowing, which increased public debt to US$ 25.55 billion by June 2024. This amounts to 46.7 percent of GDP, which is below the 50 percent threshold. Although the debt level has risen, it remains within a sustainable level, supported by the country's robust economic growth prospects and fiscal discipline. The government remains committed to its Charter for Fiscal Responsibility, ensuring that debt remains sustainable and public investments continue to be efficient and impactful, thereby securing fiscal stability for Uganda's medium to long-term economic prospects.

Looking ahead, Uganda's medium-term growth outlook remains optimistic, with GDP growth projected to reach 6.4 percent in FY 2024/25 and 7.0 percent in FY 2025/26. This growth will be driven by increased activity from the oil sector, higher agricultural productivity, ongoing public infrastructure investments and focusing expenditure on growth enhancing sectors like Agro industry, Tourism, Mineral development including oil and gas, and Science, technology & innovation (ATMS). The Parish Development Model is anticipated to play a vital role in driving economic transformation, empowering households, and expanding the domestic economy. Moreover, regional trade expansion is expected to bolster economic resilience, particularly as Uganda strengthens ties with key trade partners across East Africa.

While the outlook is positive, Uganda faces certain risks that could affect its medium-term growth trajectory. These include; commodity price volatility, global financial uncertainties, and the risk of slow implementation of public investment projects, as well as climate change shocks particularly unfavorable weather conditions that could impact agricultural output and damage infrastructure. The Government remains committed to addressing these challenges by investing in climate resilient infrastructure and promoting sustainable agricultural practices, supporting the private sector through provision of affordable credit, and ensuring efficient implementation of public projects.

In summary, Uganda's economic growth strategy for the coming years is built on fiscal responsibility, investing in growth enhancing sectors i.e. (ATMS), private sector empowerment, inclusive policies targeting youth, women, and rural communities. With continued focus on sustainable growth and resilience-building across key sectors, Uganda is well-positioned to achieve its goal of multiplying the economy tenfold over the next 15 years, paving the way for broad-based prosperity and socio-economic transformation.

MACRO-ECONOMIC DEVELOPMENTS

Chapter I: Macro-Economic Developments

Economic Growth

The size of the economy increased to UShs 202.7 trillion (US$ 53.6 billion) in FY 2023/24 from UShs 183 trillion (US$ 48.8 billion) in FY 2022/23. In real terms, GDP grew by 6.1 percent from 5.3 percent the previous financial year. This was mainly on account of increased investments and exports, reflected in the growth of agriculture, industry and services sectors of the economy. Economic activity was supported by continued implementation of strategic government interventions geared towards expanding the private sector, an increase in oil and gas activities, better weather conditions throughout the year and good economic management.

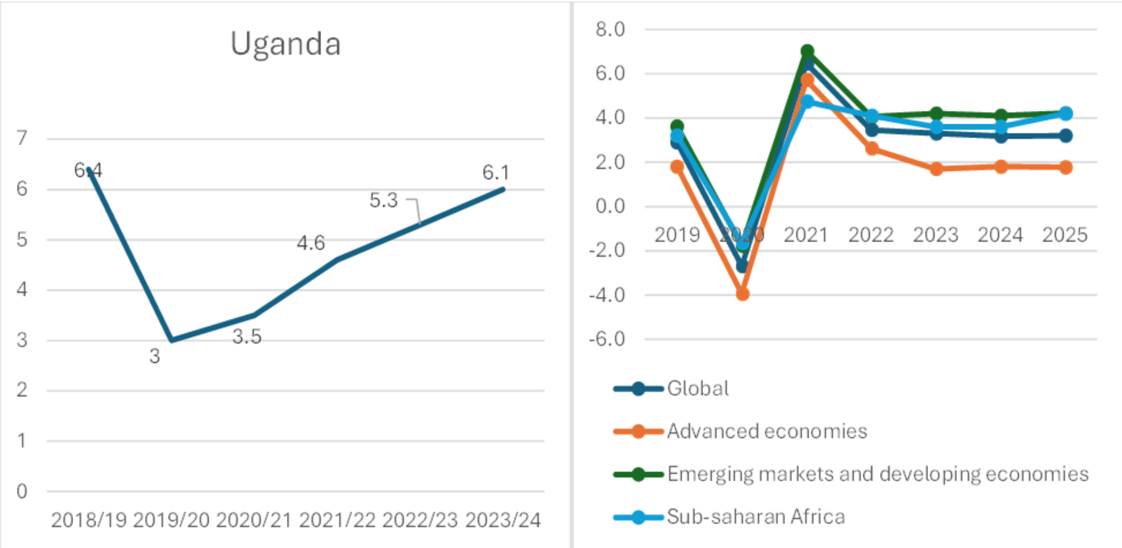
Economy Grew by

6.1%

Some of the strategic interventions included; the Parish Development Model where 10,589 PDM SACCOs were capitalized with UShs 1,058.5 billion in FY 2022/23 and UShs 1,058.9 billion in FY 2023/24 to drive production and productivity in agriculture and industry; Emyooga which received UShs 110 billion in FY 2023/24 to support small service providers; Uganda Development Bank which was capitalized with UShs 53.05 billion in FY 2023/24 to offer affordable credit to manufacturers, among others.

Within the global context, Uganda's economy has demonstrated resilience and sustained growth, partly supported by stable global economic conditions and strong regional trade within sub-Saharan Africa. Global economic activity and trade have strengthened, largely driven by significant technology exports from Asia, including semiconductors, electronics, and artificial intelligence-related products. The global economy grew by 3.3 percent in 2023, and a modest growth of 3.2 percent is projected for 2024 and 2025, despite various risks such as geopolitical tensions and conflicts, disruptions to commodity production, and extreme weather events affecting key regions like the Middle East, Central Asia, and sub-Saharan Africa. While advanced economies, particularly in Europe, have seen downgrades in their growth forecasts, emerging Asia has bolstered global performance through its tech-driven economic expansion. Sub-Saharan Africa’s growth has remained resilient, underpinned by stronger regional trade, infrastructure investments, and gradual economic diversification. The Sub-Saharan economy is projected to grow by 3.6 percent in 2024, with further acceleration to 4.2 percent in 2025, this is expected to further support Uganda's regional trade and growth prospects. Figure 1 shows real GDP Growth rates.

Figure 1: Real GDP Growth Rate (% change)



Source: Uganda Bureau of Statistics; International Monetary Fund

On the domestic scene, GDP estimates by expenditure show that aggregate demand and investments grew by 2.2 percent and 5.5 percent in FY 2023/24 respectively compared to 3.7 percent growth in both during FY2022/23, while exports grew by 45.7 percent compared to 42.1 percent growth the previous financial year. GDP estimates by production show that the services sector grew by 6.8 percent accounting for 43.1 percent of total GDP, while the industry sector grew by 4.9 percent accounting for 24.9 percent of total GDP. The agriculture, forestry, and fishing sector grew by 5.4 percent accounting for 24.7 percent of total GDP.

Table 1 shows breakdown of Uganda's Economic Performance by sector.

Table 1: Breakdown of Economic Performance by Sector (% change)

% growth rates	2019/20	2020/21	2021/22	2022/23	2023/24
GDP at market prices	**3.0**	**3.5**	**4.6**	**5.3**	**6.1**
Agriculture, forestry and fishing	**4.8**	**4.3**	**4.2**	**4.5**	**5.4**
Cash crops	7.8	12.5	5.7	0.7	10.0
Food crops	4.6	4.1	3.5	4.7	5.1
Livestock	7.9	7.8	8.3	8.8	7.9
Forestry	3.3	2.9	3.2	3.1	3.1
Fishing	0.3	-8.8	0.3	3.4	-0.8
Industry	**3.2**	**3.5**	**5.1**	**4.0**	**4.9**
Mining & quarrying	16.5	6.9	18.3	5.0	2.4
Manufacturing	1.3	2.2	3.8	3.1	4.7
Electricity	10.9	11.6	3.1	8.4	8.9
Water	4.1	4.8	6.3	4.2	3.9
Construction	3.8	3.6	5.2	4.9	5.3
Services	**2.5**	**2.8**	**4.0**	**5.9**	**6.8**
Trade and Repairs	-1.3	-0.6	3.4	3.8	9.5
Transportation and Storage	-1.7	-0.3	-3.8	-5.4	7.4
Accommodation and Food Service Activities	-8.6	-0.6	-2.5	12.4	13.5
Information and Communication	19.6	11.8	7.4	10.3	13.3
Financial and Insurance Activities	9.6	8.0	4.5	0.6	2.5
Real Estate Activities	5.1	3.9	9.0	7.4	7.3
Public Administration	16.2	12.6	3.5	1.1	6.8
Education	-2.0	-4.2	1.5	3.4	4.4
Human Health and Social Work Activities	1.0	7.1	9.6	4.4	4.4
Arts, Entertainment and Recreation	-8.1	-13.7	-2.2	4.1	7.9
Taxes on products	**-1.6**	**6.2**	**7.5**	**9.2**	**8.9**

Source: Uganda Bureau of Statistics

The services sector grew by 6.8 percent from 5.9 percent recorded the previous Financial Year. This was on account of higher growth in wholesale and retail trade, Hotel and tourism services, information and communication services as well as public administration. In addition, financial and transport services strongly recovered compared to the previous financial year. Good performance in the services sector was supported by an uptick in private sector activity and trade following a decline in inflation.

The industry sector grew by 4.9 percent from 4.0 percent registered the previous financial year, largely due to higher output from manufacturing and construction activities. These grew by 4.7 percent and 5.3 percent compared to 3.1 percent and 4.9 percent, respectively. Growth in manufacturing was on account of higher output from grain milling and starch (11.1%), cement, lime and plaster (16.3%), beer (20.6%), sugar (4.2%), furniture (5.3%), plastics (3.1%), edible oil and fats (1.2%) and pharmaceuticals (0.2%); while increase in public construction led to growth in the construction sector. Likewise, electricity production also grew by 8.9 percent, on account of increased demand from large industries. Other factors like government interventions in establishment and operationalization of industrial parks, markets and provision of affordable credit continue to support industry sector growth.

The agriculture, forestry and fishing sector grew by 5.4 percent from 4.5 percent on account of increased food, cash crop and livestock production. Cash crops grew by 10 percent largely due to increased production of Robusta coffee (7.9%) and sugarcane (20.0%). Overall growth in the sector was supported by better weather conditions experienced during year and continued implementation of various government programs like the Parish Development Model, Agricultural Credit Facility, among others to support increase in agriculture production and productivity. Government has also continued to ensure provision of extension services to farmers, good quality seedlings, water for production and pesticides.

Employment

Data from Uganda Bureau of Statistics (UBoS)[1], as of May 2023 shows that 23.5 million people, or 55 percent of Uganda's population, are of working age. Of this working-age population[2], 87 percent (20.5 million) are actively employed, either producing goods and services for others or for personal use. Most of the working population is involved in paid or profit-generating activities (49%), while 40 percent are engaged in subsistence agriculture. Only a small fraction of the population (0.3%) is involved in volunteer work. These employment figures reflect the strong participation of Ugandans in the labour force, although a significant portion remains tied to subsistence agriculture, highlighting both the potential and challenges for broader economic transformation.

The Government has implemented several programs, like the Parish Development Model, to move households from the subsistence economy (*preliminary results from recently concluded 2024 census, show that the number of households in the subsistence economy are estimated to have declined to 33 percent*). This includes targeted financial programs[3] designed to stimulate private sector investment, boost economic output, and increase employment opportunities, to help absorb the growing workforce. Furthermore, private sector activity has rebounded, as indicated by the

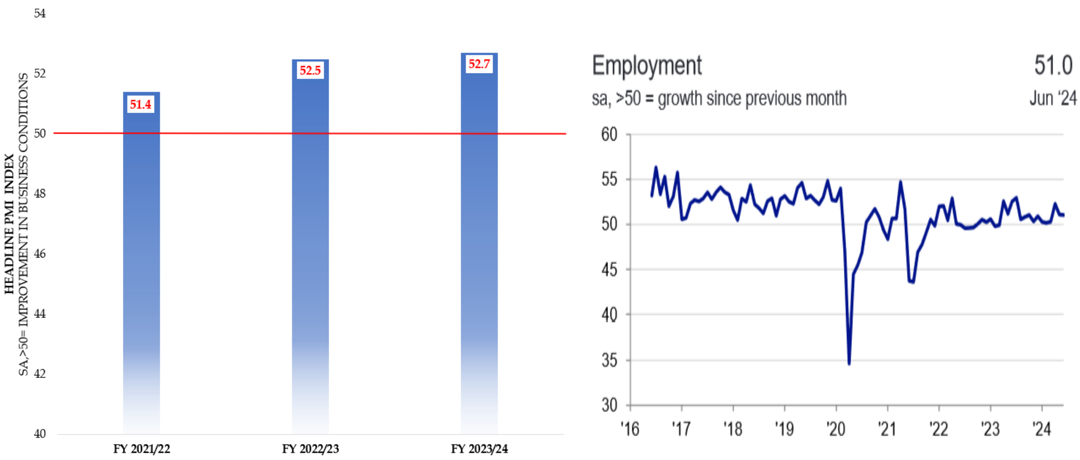
[1] Labour Day Brief May 2023

[2] Working age population is the share of 14- to 64-year-olds in the total Ugandan population. It is a basic indicator for employment and includes both the economically active and inactive population.

[3] Among these are: Emyooga, and the recapitalization of Uganda Development Bank.

Purchasing Managers' Index (PMI)[4], which reveals an increase in output and new orders for the second consecutive year since the COVID-19 pandemic. This growth has been driven by strong consumer demand. ultimately leading to higher employment levels to meet the growing demand. Figure 2 highlights consistent growth in the headline PMI, which has prompted Ugandan businesses to expand their workforce for the 15th straight month, by hiring both permanent and temporary workers across all the five monitored sectors i.e., agriculture, mining, manufacturing, construction, wholesale and retail services.

Figure 2: PMI Employment Index FY 2021/22 to FY 2023/24



Source: Stanbic Bank Uganda, Purchasing Managers' Index™ (PMI)

Employment growth is further demonstrated by an increase in Pay As You Earn (PAYE) collections, which saw the largest surplus within the income tax category, rising by 109.2 percent compared to FY 2022/23. This increase is primarily attributed to higher staffing levels, particularly in the manufacturing, banking, and oil & gas sectors. The surge in PAYE collections underscores the broader economic expansion and rising labour demand in key industries.

With projected economic growth of between 8 to 9 percent in the medium term, Uganda's employment prospects are expected to improve, creating more job opportunities, across key sectors like oil and gas production, and agro-industrialization, thereby reducing reliance on subsistence activities.

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[4] The PMI is a weighted average of five indices: New Orders (30%), Output (25%), Employment (20%), Suppliers' Delivery Times (15%) and Stocks of Purchases (10%). Readings above 50.0 signal an improvement in business conditions, while readings below 50.0 show a deterioration in relation to the previous period.

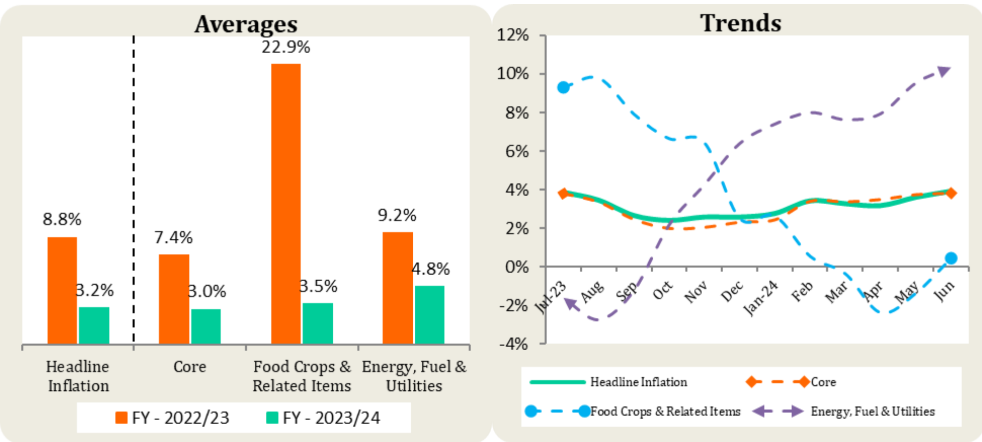
Inflation

Overall, price levels declined significantly in FY 2023/24, with annual average headline inflation falling to 3.2 percent from 8.8 percent in FY 2022/23, well below the Central Bank's core target rate of 5 percent. All inflation components registered a decline, with the most significant drop observed in food crops and related items, followed by core inflation and energy, fuel, and utilities (See Fig. 3).

Headline Inflation declined to **3.2%**

The decline in inflation is largely attributed to lower food prices due to better weather conditions that boosted food supplies, a reduction in imported inflation especially for energy products as global commodity prices eased after earlier spikes caused by the Russia-Ukraine war, and the monetary policy stance which moderated aggregate demand and helped stabilize the Ugandan shilling.

Figure 3: Annual Inflation broken down by Sub-Components



Source: Uganda Bureau of Statistics

Sub-components of headline inflation.

Annual core inflation averaged 3.0 percent in FY 2023/24, down from 7.4 percent the previous financial year**,** following a significant drop in other goods and services inflation. Other goods inflation, which mostly includes traded goods declined to an average of 2.2 percent from a high of 10.4 percent, largely reflecting a decline in imported inflation. This was supported by the relative stability of the Ugandan shilling. Prices of processed foods like sugar, rice, maize, cassava, and wheat flour also registered significant price declines during the year.

Services inflation, on the other hand, declined marginally to an average of 3.7 percent, from 3.9 percent in FY 2022/23. This was mainly attributed to lower transportation costs for long-distance buses, taxis, and motorcycles, due to lower fuel prices.

Food crops and related items inflation declined significantly to 3.5 percent in FY 2023/24, from 22.9 percent in FY 2022/23. This sharp decline was largely attributed to a rise in food crop production, driven by favourable weather conditions throughout the financial year and government interventions aimed at enhancing agricultural production and productivity.

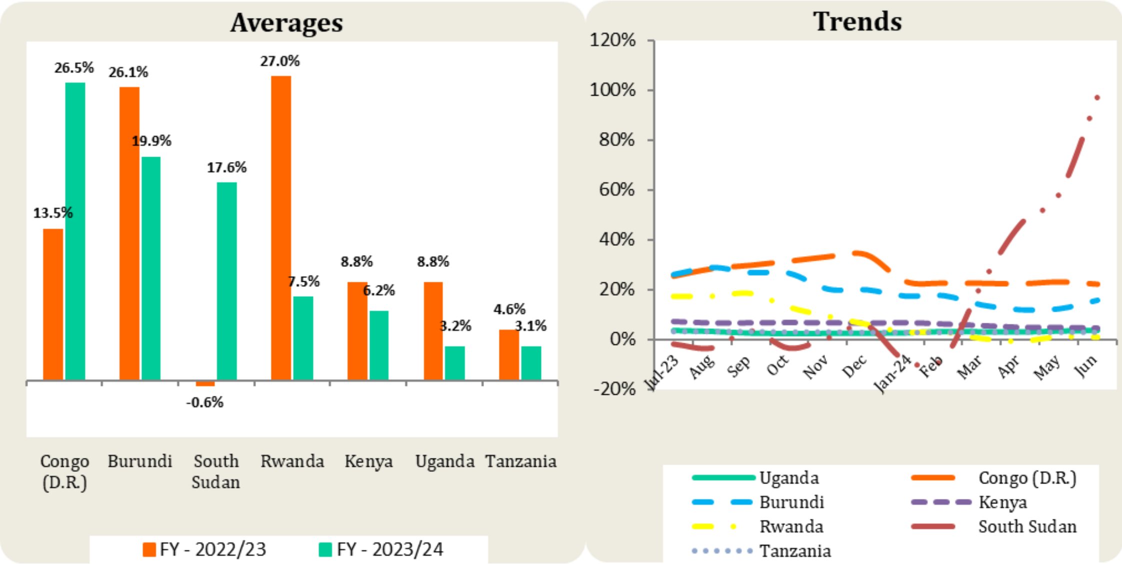
Notable price declines were recorded for several food crops, including matooke (-2.0%), cassava (-10.8%), sweet potatoes (-15.4%), Irish potatoes (-1.0%), groundnuts (-1.6%), and cucumber (-4.9%). Additionally, there was a slowdown in the rate at which prices for tomatoes (5.2% vs. 20.2%), small bananas (1.7% vs. 16.6%), cabbages (1.2% vs. 26.3%), green leafy vegetables like nakati (4.1% vs. 12.3%), and beans (6.5% vs. 34.6%), increased during the year.

Annual Energy, Fuels, and Utilities (EFU) inflation decreased to an average of 4.8 percent in FY 2023/24 from 9.2 percent in FY 2022/23. The decline is mainly attributed to lower domestic petrol and diesel prices, driven by reduced imported inflation for energy products as global commodity prices eased after previous spikes caused by the Russia-Ukraine war. However, prices for charcoal and firewood have been rising since October 2023, following a ban on charcoal trade aimed at combating deforestation and supporting national climate change mitigation efforts.

Inflation across the East African Community

Except for South Sudan and Democratic Republic of Congo, annual headline inflation amongst all other EAC Partner States was on a declining trend in FY 2023/24. Uganda, Tanzania, Kenya, Rwanda, Burundi, and Somalia's inflation reduced to 3.2 percent, 3.1 percent, 6.2 percent, 7.5 percent, 19.9 percent and 5.8 percent in FY 2023/24 compared to 8.8 percent, 4.6 percent, 8.8 percent, 27.0 percent, 26.1 percent and 6.5 percent, respectively in FY 2022/23 (see Fig. 4). Easing inflationary pressures in the region were attributed to a reduction in fuel prices, which contributed to lower transport costs, and decreased food prices due to increased supply resulting from improved weather conditions.

Figure 4: Headline Inflation among EAC Partner States



Source: Respective National Bureaux of Statistics

Global Commodity Price Trends

International Oil Prices

Brent crude oil prices eased to US$ 79.79 per barrel (bbl) on average in FY 2023/24, down from US$ 81.03/bbl in FY 2022/23, respectively (See Fig 5). This was partly on account of subdued oil demand, increased global inventories, and easing of geopolitical risks.

Global oil demand growth is losing momentum, reflecting challenges in the global macroeconomic environment, particularly the growth slowdown in China. Approximately three-fourths of global consumption growth in 2024 is expected to come from five countries (Brazil, China, India, Indonesia, and Saudi Arabia), while consumption in advanced economies is expected to be marginally lower ((see Figure 5).

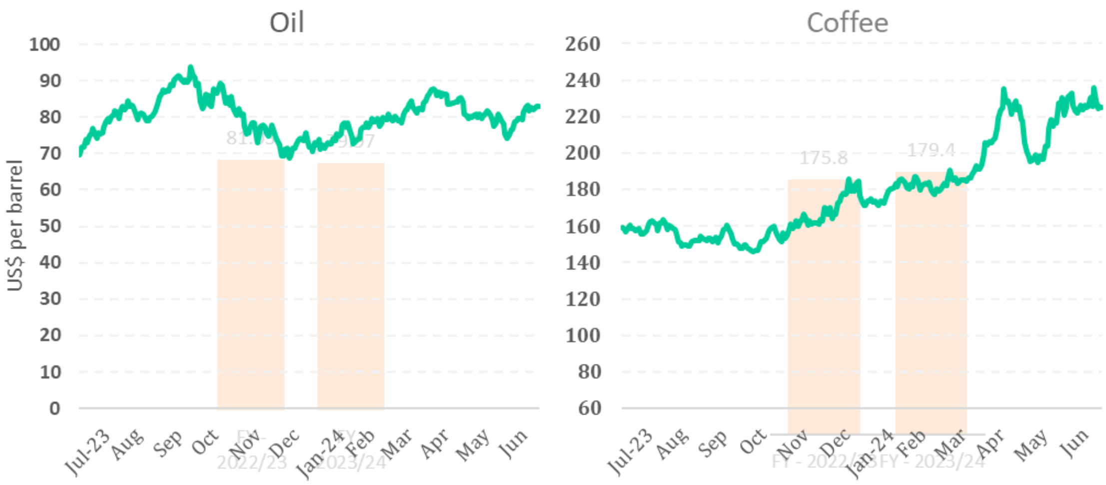
Uganda's oil and gas sector holds transformative potential, especially as emerging markets like India and Indonesia drive global demand growth. However, timely project completion is crucial; minimizing delays will help Uganda avoid rising costs and ensure alignment with current demand. By strategically tapping into resilient markets and investing oil revenues into sustainable development, Uganda can secure significant economic benefits and build a stable, diversified future amidst an evolving energy landscape.

International Coffee Prices

In the Financial Year 2023/24, the International Coffee Organization's (ICO) composite price indicator trended upwards to an average of 179.5 from an average of 175.8 in FY 2022/23, as shown by Figure 5. Prices of all four groups of coffee recorded a substantial increase, particularly the groups of Arabica coffee during May and June 2023. The upward movement in the composite price indicator was primarily due to warmer than normal weather conditions experienced in Brazil and Vietnam that adversely affected production.

Global coffee trends show rising demand for quality and sustainable products, driven by consumers who prioritize value and ethical sourcing. With coffee prices increasing due to production challenges in key growing regions, Uganda has a valuable opportunity to boost its coffee sector by focusing on value addition. Investments in processing, branding, and eco-friendly practices can help Uganda capture higher prices and tap into niche markets. This approach will lead to increased export revenues, job creation, and a stronger, more resilient coffee industry for Uganda.

Figure 5: Movements in the International Oil Prices and Coffee Composite Price Indicator, FY 2022/23 vs FY 2023/24



Source: US Energy Information Administration; International Coffee Organisation (ICO)

Financial Sector Developments

In FY 2023/24, the Monetary Policy Committee (MPC) of the BOU deployed measures to maintain low and stable inflation, exchange rate stability, ease pressures on foreign exchange reserves and support economic growth. Among these was the moderate reduction in the Central Bank Rate (CBR) in the first half of the year, a decrease in vault cash ratios applied on eligible reserves for certain financial institutions and adjustments in Cash Reserve Requirement

(CRR). In August 2023, the BOU lowered the CBR to 9.5 percent to stimulate economic activity as the inflation outlook at the time was favorable. In addition, the Cash Reserve Requirement (CRR) was also lowered by 50 basis points to 9.5 percent.

However, in February 2024, several upside risks to inflation including heightening depreciation pressures on the exchange rate, in addition to the increase in the international oil price on account of geopolitical conflicts began to materialize. The depreciation pressures were in part caused by the outflow of offshore investor funds from the domestic market in pursuit of more attractive yields available in other markets, strong domestic dollar demand partly as a hedging mechanism against further depreciation, and seasonal factors. This triggered the need for monetary policy to be tightened. As such, during March and April 2024, the BOU increased the CBR twice, first to 10.0 percent in March 2024 and later to 10.25 percent in April 2024 which was maintained to the end of the FY 2023/24. The CBR increase in the latter part of the financial year helped to stabilize inflation as well as moderate exchange rate pressures.

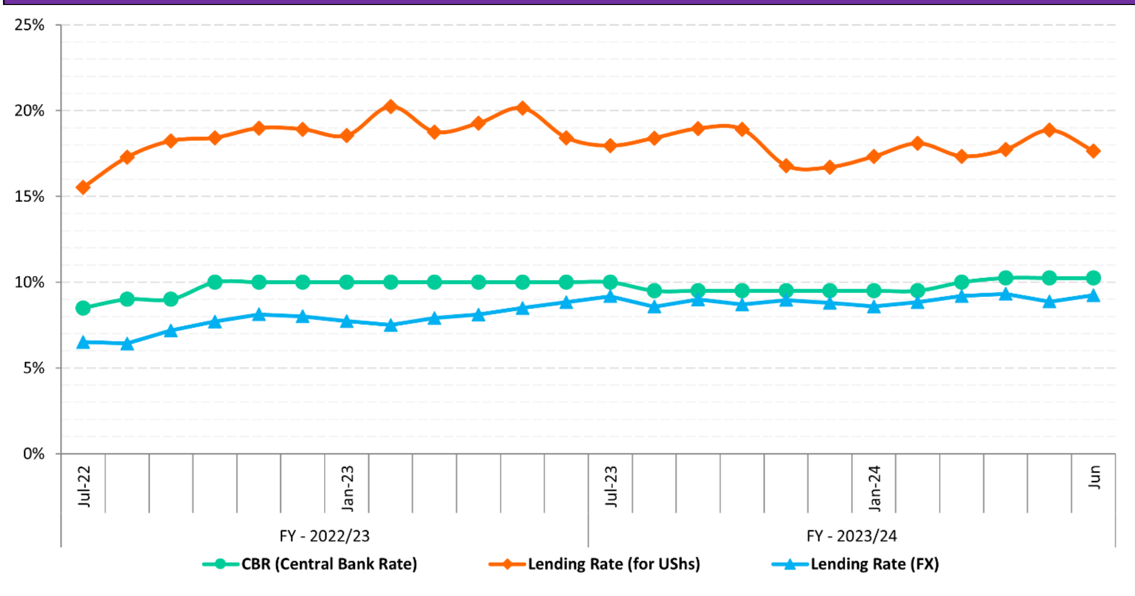
Lending Rates (weighted average)

Weighted average lending rates for shilling-denominated loans declined over the year ending June 2024, averaging 17.89 percent compared to 18.56 percent registered the previous financial year. This was mainly driven by the monetary policy loosening cycle at the beginning of FY 2023/24 where the CBR was revised from 10.0 percent in July 2023 to 9.5 percent in August, and maintained at that level till March 2024. By sector, significant declines were noted in Trade, as well as the Building, Mortgage, Construction, and Real Estate sectors. This was largely driven by prime corporate borrowers, who generally benefit from lower risk premiums and, as a result, enjoy lower lending rates. Additionally, the reduction in lending rates over the fiscal year was supported by a 14 percent decline in the share of non-performing loans (NPLs) to total gross loans, falling from 5.73 percent in FY 2022/23 to 4.95 percent in FY 2023/24.

average
Commercial
bank
lending
rate of
17.89%

In contrast, the average weighted lending rates for foreign-denominated credit rose to 8.94 percent in FY 2023/24, up from 7.71 percent in the previous fiscal year, reflecting tighter lending conditions for foreign currency loans despite the general easing in domestic lending rates. This increase was mainly on account of the lagged effects of monetary policy tightening. Figure 6 shows Central Bank Rate and Commercial Bank Lending Rates Movements.

Figure 6 : Central Bank Rate and Commercial Bank Lending Rates Movements

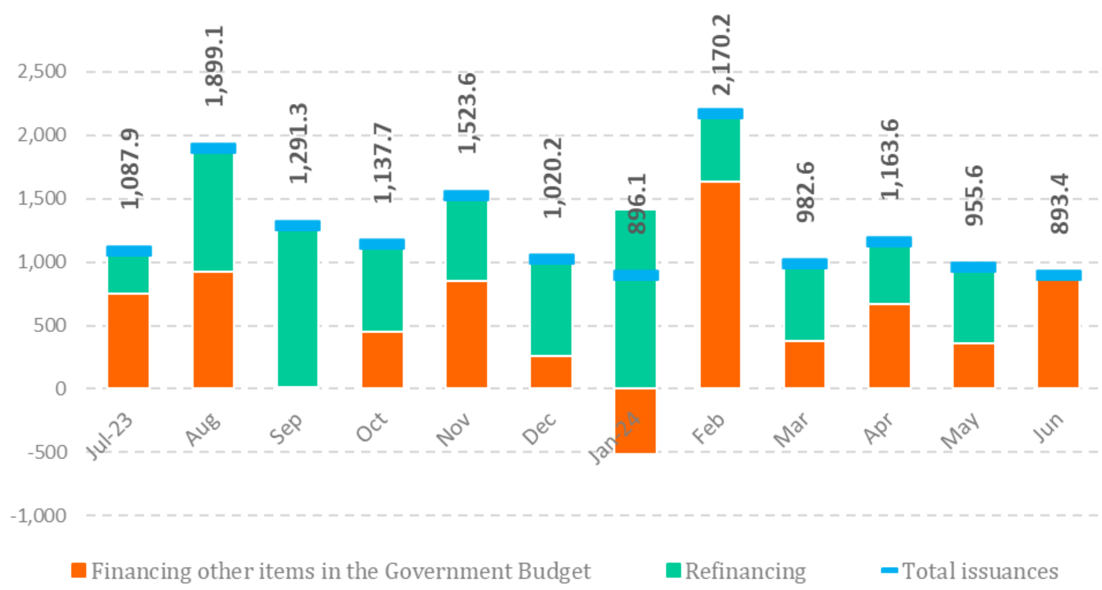


Source: Bank of Uganda

Government Securities

In FY 2023/24, government raised a total of Shs. 15,021.3 billion from the issuance of government securities. Of this, Shs. 8,358.5 billion was used to refinance maturing securities while Shs. 6,662.8 billion was used to finance other items in the budget, as shown by Figure 7.

Figure 7: Breakdown of utilisation of resources from Government Securities in Billion UShs



Source: Ministry of Finance, Planning and Economic Development

Yields (interest rates) on Treasury Bills

Annualized yields on treasury bills were generally lower in FY 2023/24 compared to the previous financial year that saw yields peak in October and November 2022 due to high inflation. Compared to the previous financial year**,** yields edged downwards on average to 9.8, 12.3 and 13.0 percent from 10.4, 11.4 and 13.2 percent for the 91-, 182- and 364-day tenor bills (see table 2). This is attributed to the decline in inflation and subsequent easing of monetary policy.

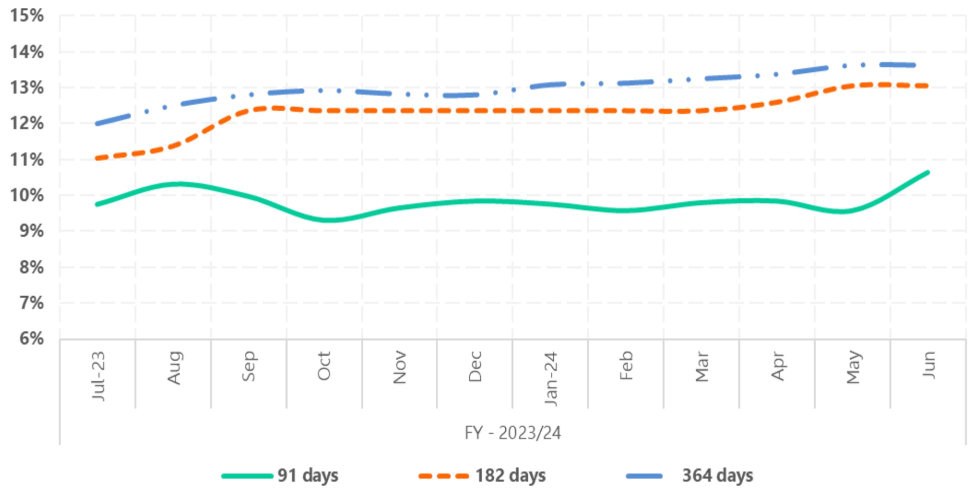
Table 2: Average Annualised Yields on Treasury Bills (%)

	2017/18	2018/19	2019/20	2020/21	2021/22	2022/23	2023/24
91-Days	9.1	10.3	9.2	7.8	7	10.4	9.8
182-Days	9.5	11.7	11	10.2	8.6	11.4	12.3
364-Days	10.1	12.7	12.2	12.1	9.9	13.2	13.0

Source: Bank of Uganda

Figure 8 Shows Movement of Treasury Bill Yields (interest rates)

Figure 8: Movement of Treasury Bill Yields (interest rates)

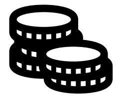


Source: Bank of Uganda

Lending to the Private Sector

The stock of outstanding private sector credit amounted to UShs 21,905.8 billion by the end of June 2024, up from UShs 20,407.3 billion at the end of June 2023, registering 7.34 percent growth. This is higher than 3.02 percent registered over the same period the previous Financial Year, reflecting the uptick in economic activity as shown by GDP growth for the FY 2023/24.

Private Sector Credit

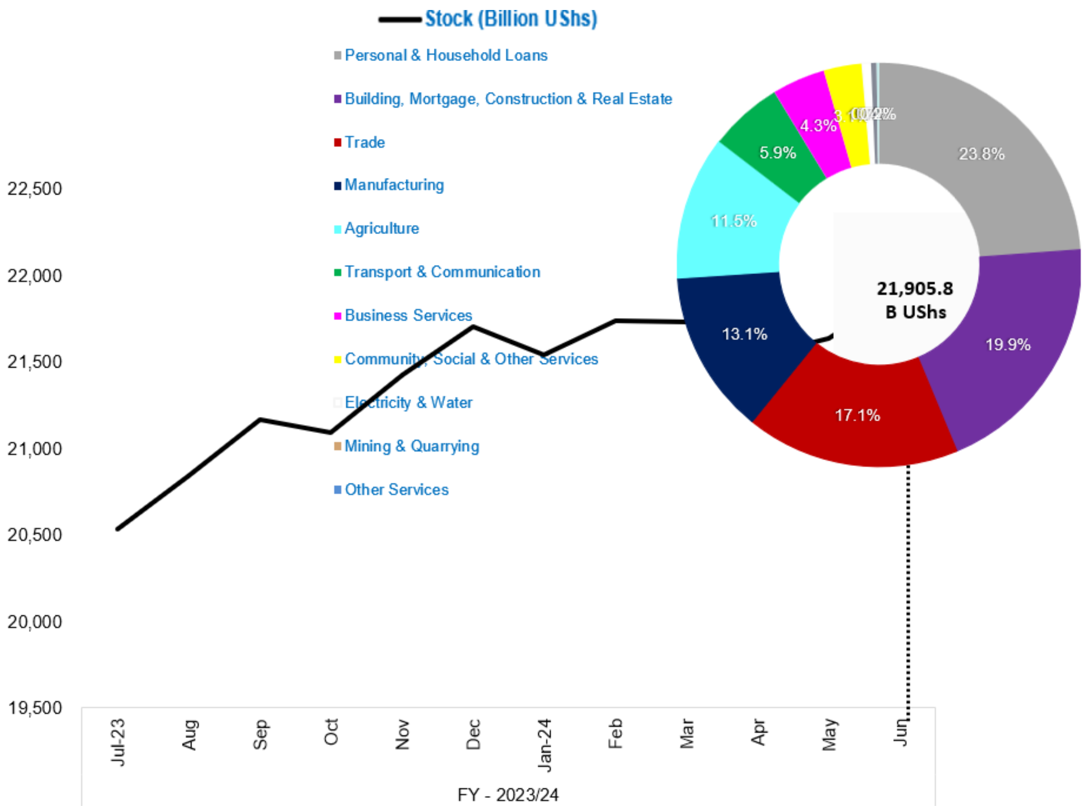


grew by

7.34%

Additionally, Government through various intervention programs such as the Parish Development Model (PDM), Emyooga, etc; and other sources of financing such as fintech, have supplemented credit available to the private sector. Cumulatively, Government intervention programs have provided credit amounting to 0.5-1 percent of GDP, re-echoing Government's commitment to support private sector growth. Figure 9 shows the breakdown of the Stock of Private Sector Credit

Figure 9: Stock of Private Sector Credit



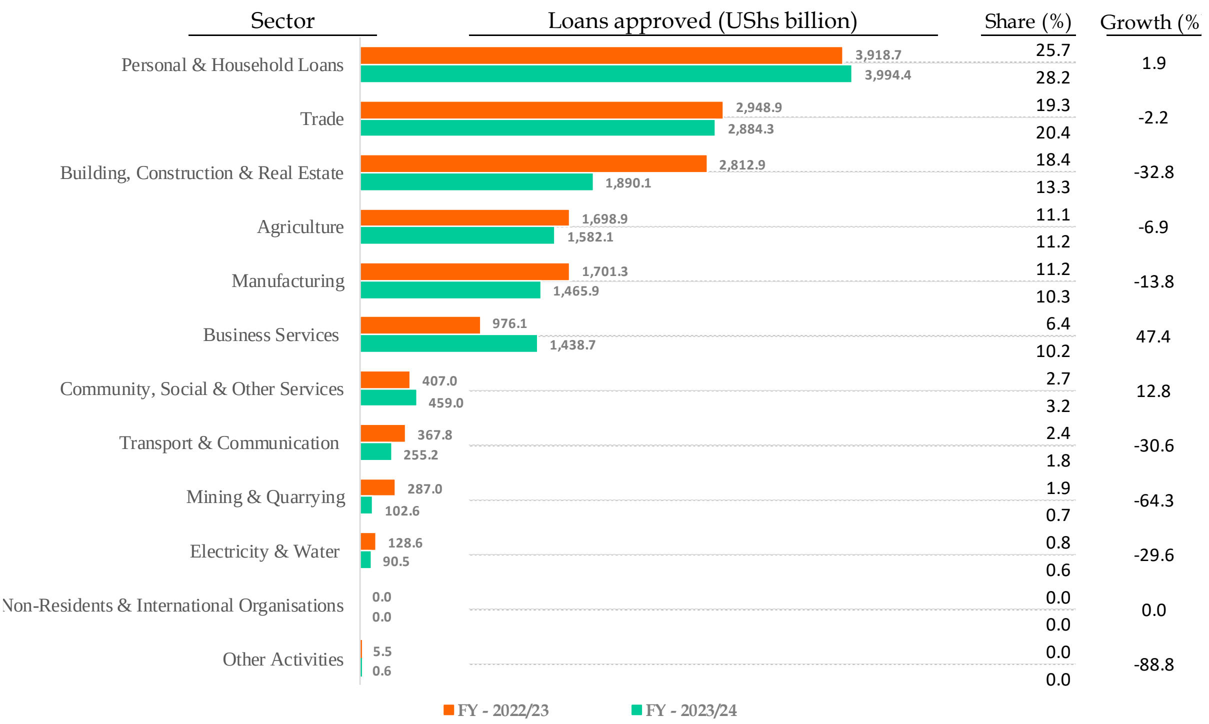
Source: Bank of Uganda

Credit Extension (credit applications and approvals)

In FY 2023/24, a total of Shs. 22,201.5 billion was demanded by the private sector (loan applications) from the domestic creditors, and 63.8 percent (Shs.14,163.5 billion) of this was approved. The largest share of credit approved was for Personal loans and Household loans accounting for 28.2 percent, of which 4.4 percent was Electronic Money Credit (Digital Credit).

Other sectors that received new credit were Trade at 20.4 percent of total credit approved, Building, Construction and Real Estate at 13.3 percent, Agriculture at 11.2 percent, Manufacturing at 10.3 percent and Business services at 10.2 percent. Figure 10 shows the value of new loans approved by sector.

Figure 10: Value of New Loans Approved by Sector



Source: Bank of Uganda

Non-Performing Loans (NPLs)

The average ratio of non-performing loans to total gross loans fell to 4.95 percent over FY 2023/24 compared to an average of 5.73 percent recorded over fiscal year 2022/23, as various measures to anchor the banking sector were put in place including a reduction in the cash reserve ratio for commercial banks from 10 percent to 9.5 percent which availed more money for lending allowing for loan restructuring. In addition, the easing of monetary policy towards the end of the financial year, meant a reduction in the price of credit (lending rates) which consequently lowered the risk of default.

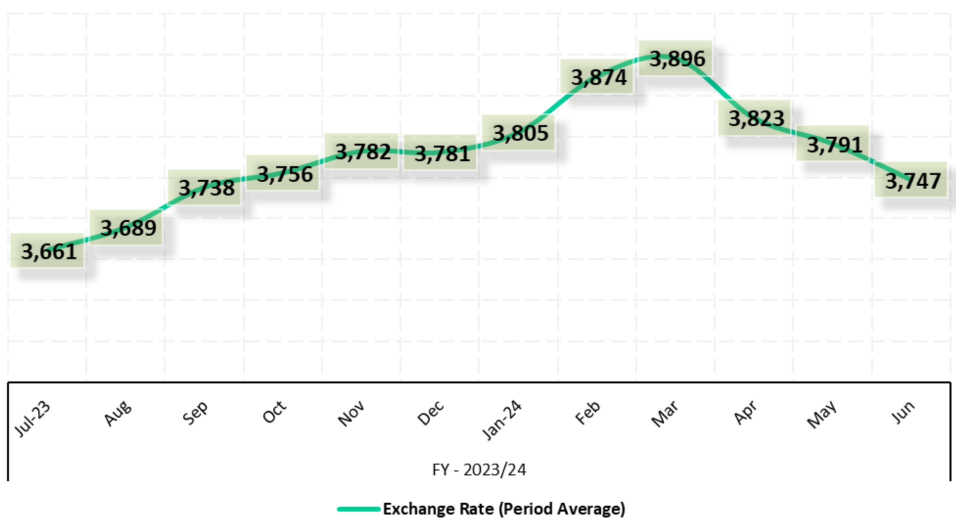
Exchange Rate

Compared to the previous financial year, the Uganda shilling depreciated by 0.7 percent, with the average midrate shifting from UShs 3,752.5 to UShs 3,778.5 in FY 2023/24. Overall, the shilling depreciated by 2.3 percent from an opening midrate of UShs 3,661.2/US$ at the start of FY 2023/24 to UShs 3,747.2/US$ by the fiscal year's end. This was largely due to offshore fund outflows following Kenya's issuance of a US$ 1.5 billion bond on the international market at a high yield of 10.375 percent. However, the shilling regained strength in the fourth quarter, boosted by increased inflows from coffee exports, remittances, tourism, and Foreign Direct Investment (FDI) in the oil and gas sector. Figure 11 shows the official exchange rate movement of UShs against US$ in FY 2023/24.

Shilling depreciated

by **0.7%** **per US$** to **3,778.5**

Figure 11: Official Exchange Rate Movement of UShs against US$



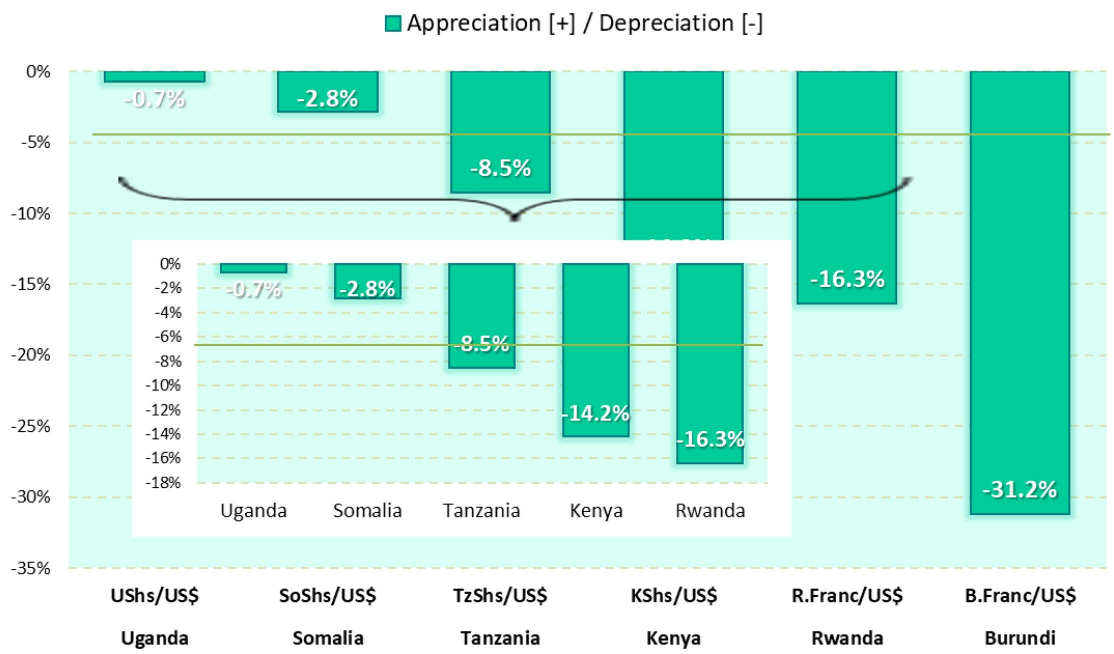
Source: Bank of Uganda

Exchange Rates within the EAC

In FY 2023/24, local currencies within EAC partner states registered losses against the US Dollar compared to the previous year. The Burundian Franc recorded the biggest loss of 31.2 percent against the US Dollar while the Ugandan Shilling registered the least loss of 0.7 percent. The Kenyan and Tanzanian shillings depreciated by 14.2 and 8.5 percent respectively. Similarly, the Rwandan Franc and the Somali shilling depreciated by 16.3 and 2.8 percent, respectively (See Figure 12).

The exchange rate shifts are primarily due to monetary policy tightening in advanced economies. On the other hand, the exchange rate depreciation in South Sudan was mainly attributed to disruptions in supply of petroleum, which is a major foreign exchange earner for the country.

Figure 12: Change in Exchange Rates (Period Average) in EAC for 2022/23 Vs 2023/24



Source: Respective Central Banks

Note: South Sudan data was extracted from IMF – International Financial Statistics database.

External Sector

Merchandise Trade Balance

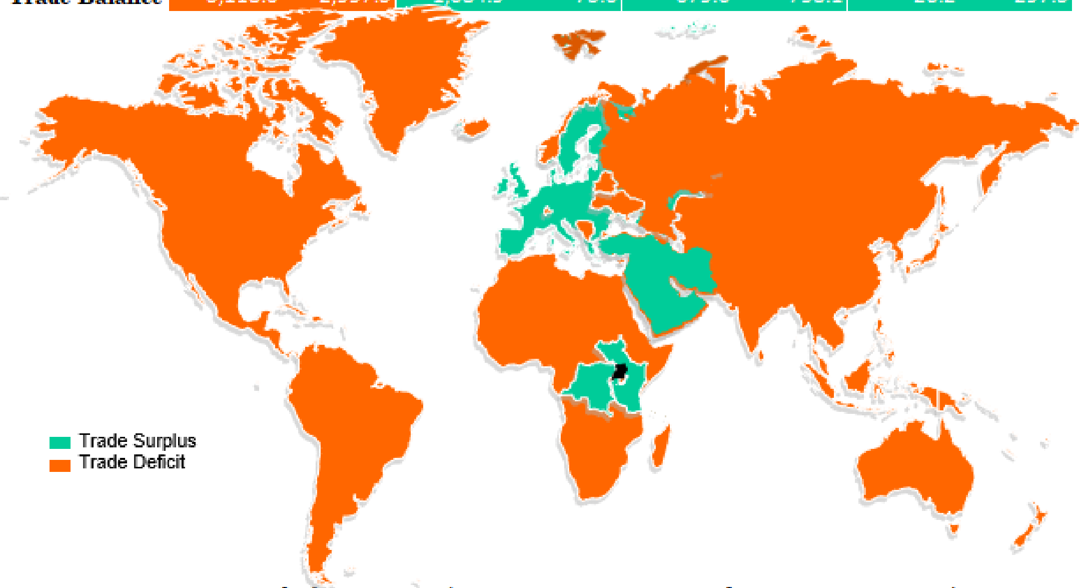
The merchandise trade deficit narrowed during the period under review, as the increase in export receipts more than offset the increase in the import bill. Export receipts increased by US$ 2,489.53 million while the import bill increased by US$ 1,918.26 million. The merchandise trade deficit was recorded at US$ 2,841.87 million in FY 2023/24, lower than the deficit of US$ 3,413.14 million recorded a year ago.

Asia maintained its position as Uganda's main trading partner in FY 2023/24, with total trade of US$ 5,681.64 million, up from US$ 4610.3 million in FY 2022/23. The East African Community, the Middle East, the European Union and the Rest of Africa followed in that order. Uganda registered a trade surplus with the Middle East, the European Union and the EAC while a trade deficit was recorded with the other regional blocks.

Efforts to diversify the export base and boost competitiveness have been supported by several strategies, including: the establishment of export promotion zones and industrial parks; promoting agro-processing and value addition; providing export credit facilities and insurance through institutions like the Uganda Development Bank (UDB); and expanding markets beyond East Africa. Additionally, Government of Uganda, through Uganda National Bureau of Standards (UNBS) is focusing on certifying quality standards of products and ensuring that all export consignments have a certificate of compliance on aflatoxin levels to address non-tariff barriers on products to the region. Figure 13 shows Uganda's Trade Balance across Regional Blocs in FY 2023/24.

Figure 13: Uganda's Trade Balance across Regional Blocs in FY 2023/24 (US$ Million)

	Asia		EAC		Middle East		European Union	
	FY-22/23	FY-23/24	FY-22/23	FY-23/24	FY-22/23	FY-23/24	FY-22/23	FY-23/24
Total Trade	4,610.3	5,681.6	4,115.7	5,396.1	2,405.4	3,423.8	1,591.0	1,842.2
Trade Balance	-3,118.0	-2,557.3	1,084.9	73.6	-679.0	758.1	-20.2	297.3



	Rest of Africa		The Americas		Rest of Europe		Others	
	FY-22/23	FY-23/24	FY-22/23	FY-23/24	FY-22/23	FY-23/24	FY-22/23	FY-23/24
Total Trade	951.6	1,828.4	382.1	383.7	216.9	158.1	38.5	10.2
Trade Balance	-445.8	-1,200.7	-166.6	-172.2	-62.8	-38.8	-24.8	-1.8

Source: MOFPED calculations based on data from BOU

Note: Total Trade is equal to merchandise exports plus merchandise imports, and Trade Balance is equal to merchandise exports minus merchandise imports.

Merchandise Exports

Uganda's export receipts during FY 2023/24 increased by 45.7 percent to US$ 7,941.14 million from US$ 5,450.84 million in FY 2022/23, largely driven by the increase in gold receipts. In FY 2023/24, gold export earnings nearly tripled, rising to US$ 3,092.12 million from US$ 1,135.33 million the previous year. This is partly attributed to an improvement in monitoring within the sector, which has reduced gold smuggling. Despite this impressive performance in gold export earnings, the country relies heavily on imports of raw gold from neighboring countries for value addition in the gold refineries. In FY 2023/24, the net export value (exports minus imports) of gold was US$ 478.29 million.

Exports

Increased by

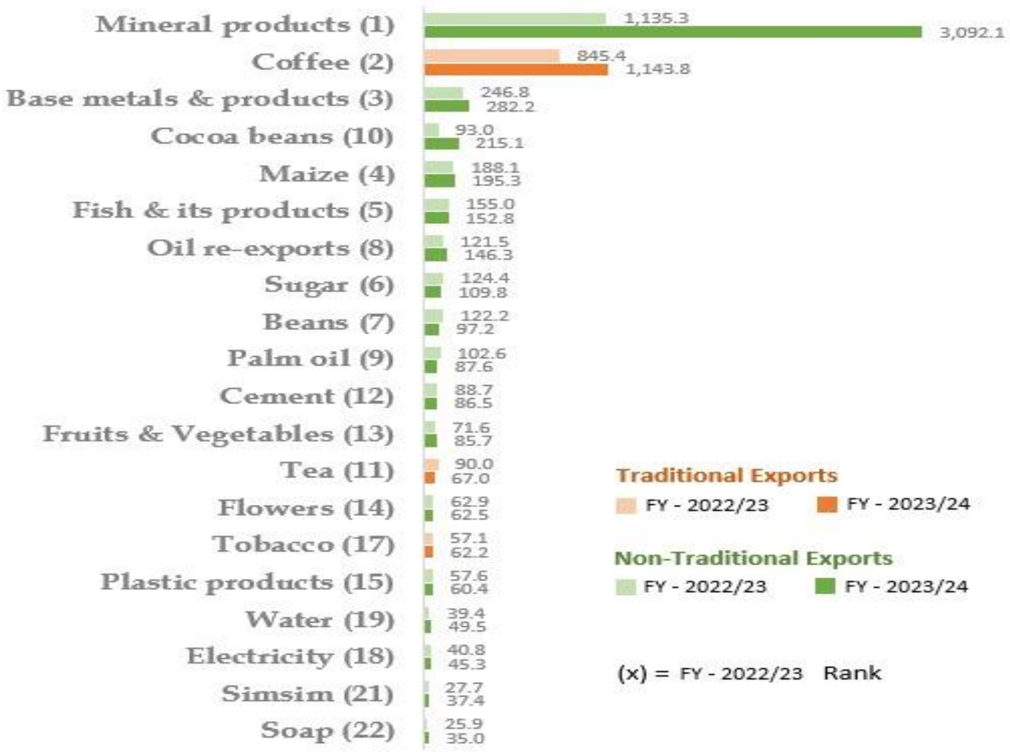
45.7%

Similarly, coffee export earnings increased to US$ 1,143.82 million in the financial year. This was a 35.3 percent increase in its earnings compared to US$ 845.41 million in FY 2022/23. Coffee exports in FY 2023/24 totaled 6.12 million (60 kg bags) up from 5.76 million (60 kg bags) recorded the previous year. The increase in earnings was largely attributed to an increase in the unit price of coffee, which rose from US$ 2.45 in FY 2022/23 to US$ 3.11 in FY2023/24. Coffee prices have soared in the last year due to warmer than normal weather conditions experienced in Brazil and Vietnam. Brazil, which is the world's largest coffee producer, accounts for 39 percent of global supply, while Vietnam accounts 17 percent of global coffee supply. Heavy reliance of the industry on these two nations sent global coffee prices soaring due to severe drought.

Other commodities that recorded an increase in earnings include cocoa beans, electricity, simsim, oil re-exports, tobacco, light manufactured goods, among others.

Figure 14 shows the top 20 commodity exports of Uganda in FY 2023/24 (US$ Million).

Figure 14: Top 20 Commodity Exports of Uganda in 2023/24(US$ Million)



Source: MOFPED calculations based on data from BOU

Note: X – denotes the rank of the commodity in the previous Financial Year.

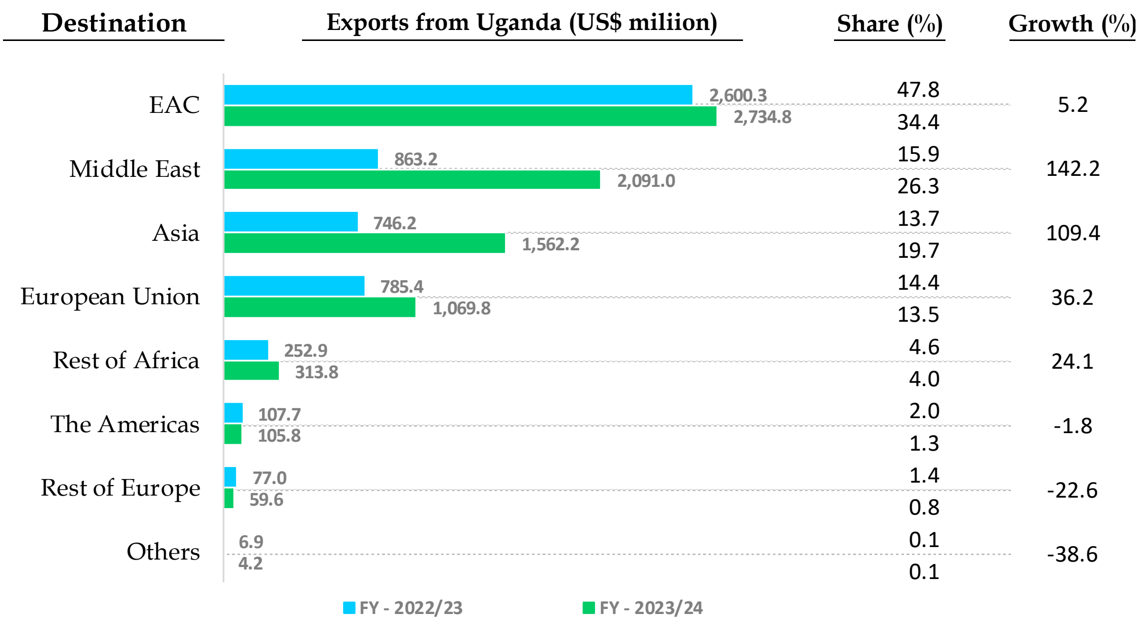
Traditional Exports are listed according to the Uganda Trade Policy.

Destination of Exports

During the FY 2023/24, the East African Community (EAC) was the main destination of Uganda's merchandise exports, followed by the Middle East, Asia and the European Union. Exports to the Middle East more than doubled, growing from US$ 863.17 million last year to US$ 2,090.96 million this financial year. The increment follows growth in gold trade.

During FY 2023/24, Uganda's exports to EAC partners amounted to US$ 2,734.80 million accounting for 34.4 percent of overall exports, which was an increase from the previous year's value of US$ 2,612.35 million. The Middle East bloc came in second accounting for 26.3 percent, followed by Asia and the European Union accounting for 19.7 percent and 13.5 percent of overall total exports respectively. See Figure 15 below.

Figure 15: Destination of Uganda's Exports to different Regional Blocs

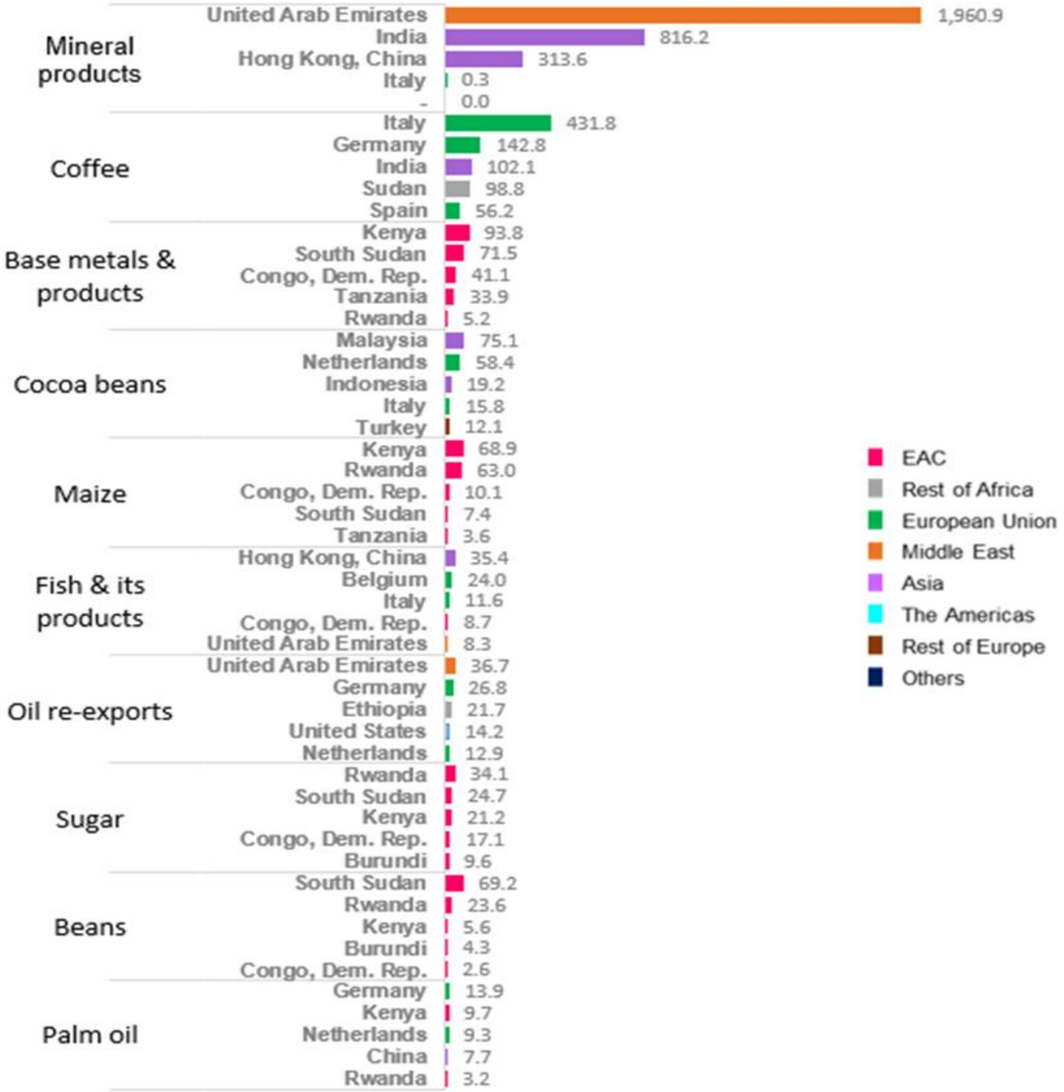


Source: MOFPED calculations based on data from BOU

Country Destination of Uganda's Merchandise Exports

United Arab Emirates and India were the main destinations of Uganda's mineral exports, while Italy and Germany were the main destinations of Uganda's coffee. The East African Community (EAC) was the main destination of products like; base metals, maize, sugar and beans, in the FY 2023/24, as shown in Figure 16.

Figure 16: Top 5 country destination of Uganda's main exports in FY 2023/24 (US$ million)



Source: MOFPED calculations based on data from BOU

Merchandise Imports

Merchandise worth US$ 11,078.08 million was imported into Uganda during FY 2023/24 representing an increase of 24.87 percent, from US$ 8,871.85 million worth of import receipts the previous year (Refer to Table 3). During the financial year under review, imports of mineral products, machinery equipment, vehicles and accessories, petroleum products and vegetable products, animal, beverages, fats and oils registered an increase.

Imports

Increased by

24.87%

Table 3: Performance of Imports in US$ million

	FY 2022/23	FY 2023/24	Difference (value)	Growth Rate
Total Imports (f.o.b)	8,871.9	11,078.1	2,206.2	24.9%
Government Imports	227.8	190.2	-37.6	-16.5%
Project	215.4	167.8	-47.6	-22.1%
Non-Project	12.5	22.4	9.9	79.4%
Formal Private Sector Imports	8,520.0	10,770.2	2,250.2	26.4%
Oil imports	1,638.2	1,783.6	145.4	8.9%
Non-oil imports	6,881.8	8,986.6	2,104.8	30.6%
Estimated Private Sector Imports	124.1	117.7	-6.3	-5.1%
Total Private Sector Imports	8,644.0	10,887.9	2,243.9	26.0%

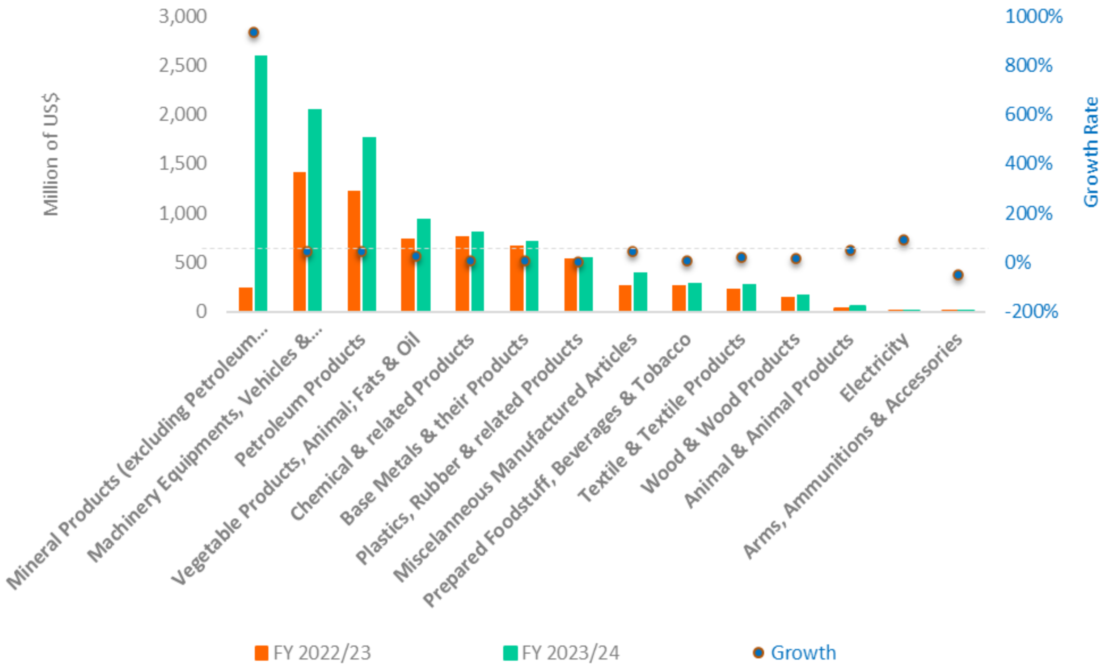
Source: Bank of Uganda

Government imports continued a downward trend, falling from US$ 227.84 million in FY 2022/23 to US$ 190.19 million in FY 2023/24, mainly on account of reduced government project imports.

The value of oil imports rose from US$ 1,638.19 million in FY 2022/23 to US$ 1,783.60 million in FY 2023/24. The value of oil imports increased because of the higher volumes imported, as shown by the BOU oil volume index which rose to 533.58 in FY 2023/24 from 478.13 the previous year. The increase in volume of imports more than offset the fall in oil prices as shown by the oil price index which fell from 163.09 in FY 2022/23 to 159.11 in FY 2023/24.

Figure 17 shows composition of formal private sector imports by category.

Figure 17: Composition of Formal Private Sector Imports by Category



Source: Bank of Uganda

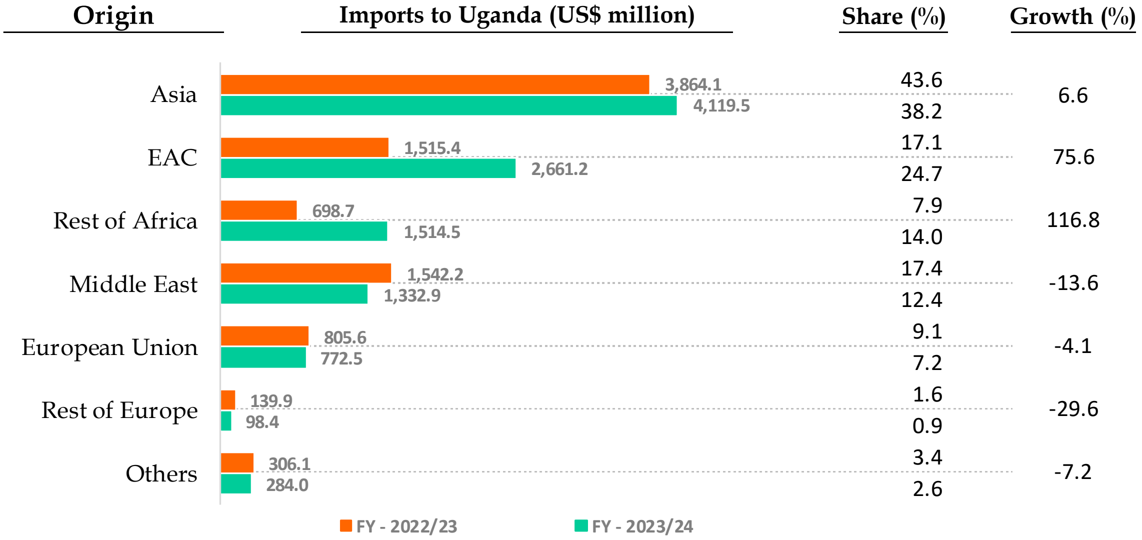
Note: Commodity category is according to the Harmonised Coding System

Origin of Imports

Asia maintained its position as the major source of Uganda's merchandise imports in FY 2023/24, accounting for 38.20 percent of the total imports, followed by the East African Community (24.68%), the Rest of Africa (14.0%), and the Middle East (12.36%). Imports from Asia have remained on an upward trend, rising from US$ 3,861.27 million to US$ 4,119.46 million in the year under review. (Refer to Figure 18).

About 68.8 percent of imports from Asia were sourced from China and India. Some of the imports from Asia include machinery and transport equipment, medical and pharmaceutical products, electronics, plastics among others. Tanzania accounted for 66.8 percent of total imports from EAC, while the United Arab Emirates accounted for 71.2 percent of total imports to the Middle East in the same period. The main imports from the United Arab Emirates were petroleum fuels, lubricants and related materials.

Figure 18: Origin of Uganda's Imports from different Regional Blocs



Source: MOFPED calculations based on data from BOU

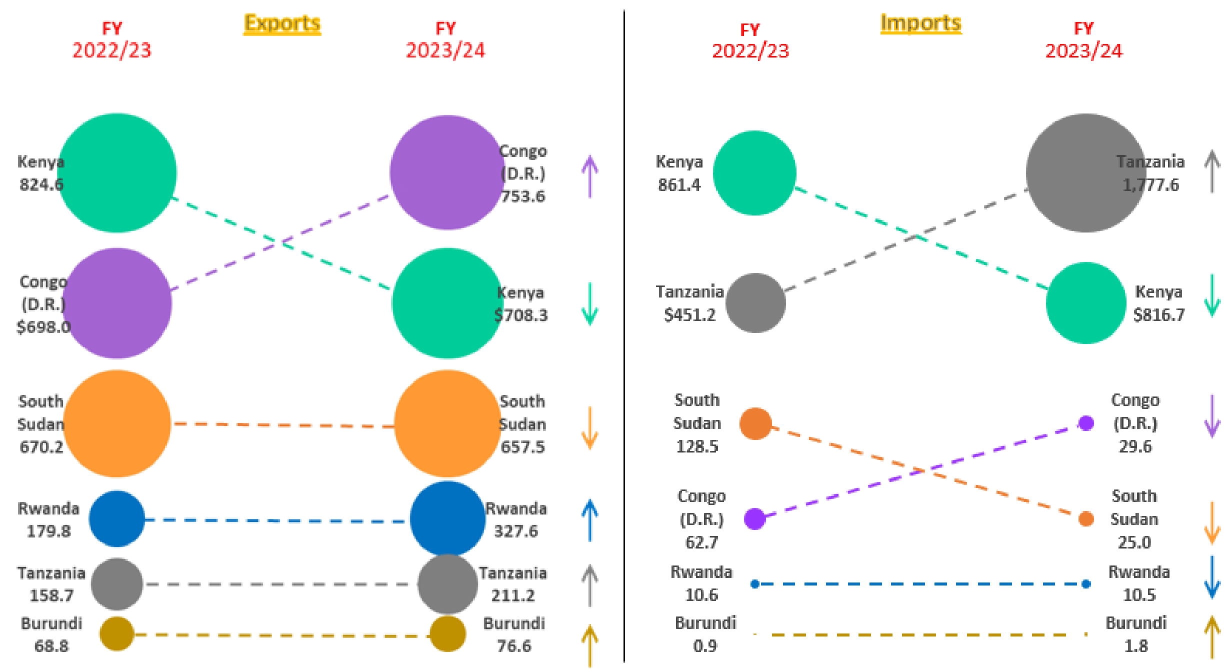
Trade with the EAC

During FY 2023/24, Uganda's merchandise trade balance with the EAC resulted in a surplus of US$ 73.56 million, which represents a decline of 93.3 percent when compared with last year's surplus of US$ 1,098.65 million. Total trade with the region increased from US$ 4,126.06 million in FY 2022/23 to 5,396.05 million in FY 2023/24, owing to a significant increase in both imports and exports.

Merchandise exports to the region rose from US$ 2,612.35 million in FY 2022/23 to US$ 2,734.80 million in FY 2023/24. Most of these exports were directed to the DRC, Kenya, and South Sudan, which contributed 27.6 percent, 25.9 percent, and 24.0 percent of regional export earnings, respectively. Excluding Kenya and South Sudan, exports to East African Community countries saw significant increases, with growth of 76.7 percent to Rwanda, 11.3 percent to Burundi, and 10.1 percent to the DRC.

Imports from the region grew by 75.8 percent, owing to a growth in imports from Tanzania and Burundi. Particularly, imports from Tanzania grew by 294 percent, from US$ 450.46 million to US$ 1,777.60 million, owing largely to imports of mineral products. (See Figure 19)

Figure 19: Uganda's Trade with EAC Partner States (US$ Million)



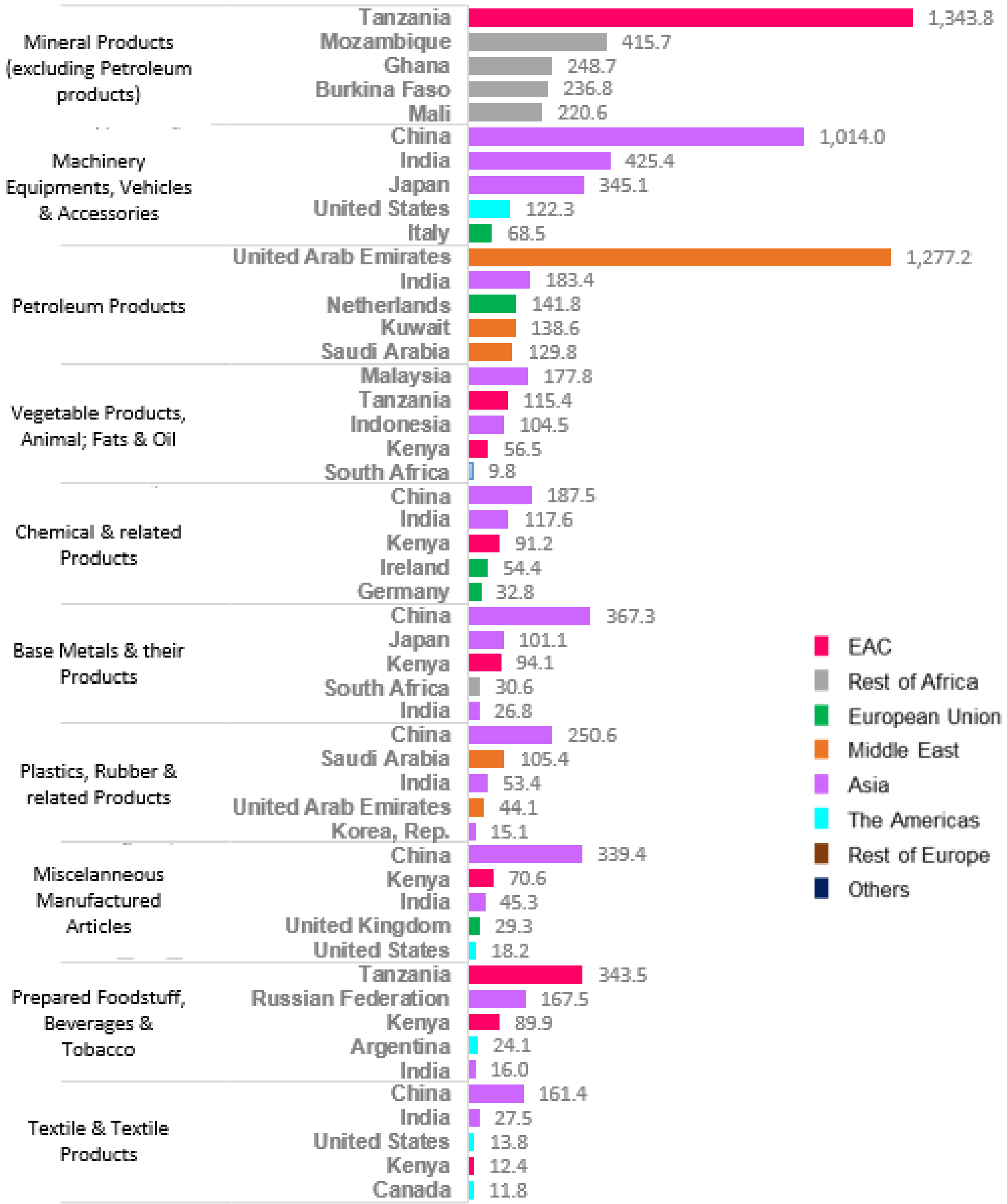
Source: Bank of Uganda

Country Origin of Uganda's Merchandise Imports

Tanzania and Mozambique were the main source of Uganda's mineral products imports while China and India were the main source of Uganda's machinery equipment's, vehicles and accessories; in the FY 2023/24, as shown in Figure 20.

Asia was the main source of imports like machinery equipment's, vehicles and accessories; base metals and their products; and plastics, rubber and related products, with China having the highest percentage in those imports to the country.

Figure 20: Top 5 country origin of Uganda's main Imports in FY 2023/24 (US$ million)



Source: Bank of Uganda

Other Balance of Payments (BOP) transactions

Overall, Balance of Payments: Developments in the external sector resulted in an overall balance of payments deficit of US$ 995.27 million in FY 2023/24, compared to a deficit of US$ 50.45 million the previous financial year. This was attributed to a deterioration in the current account deficit to US$ 4,150.54 million in FY 2023/24 from US$ 3,859.70 million in FY 2022/23.

International reserves: As at end of June 2024, the stock of international reserves stood at US$ 3,234.03 million. The reserve cover in future months of imports (excluding oil project-related imports) was equivalent to 3.0 months, lower than the 3.8 months of import cover recorded at the same time, the preceding year.

Tourism/Travel: Tourism inflows recorded in FY 2023/24 were at US$ 1,388.12 million, up 22.3 percent in comparison with last year's inflows of US$ 1,135.11 million. Analysis shows that the recovery of the sector has mainly been driven by steady growth of wildlife-based tourism[5]. The sector has remained on a positive trajectory from the post-covid period with earnings rising from 54.8 percent to 92.6 percent of the pre-covid numbers, in FY 2020/21 and FY 2023/24 respectively.

Remittances: After hitting an all-time high in FY 2022/23 of US$ 1,457.51 million, remittances declined to US$ 1,292.76 million in FY 2023/24. Despite this decline, remittance earnings are back to pre-covid levels. This was mainly attributed to the recovery of the job markets in high-income countries.

Foreign Direct Investment: FDI inflows in FY 2023/24 reached a record high of US$ 3,034.11 million, from US$ 2,950.60 million recorded in FY 2022/23. FDI inflows have increased steadily year on year, largely reflecting the ongoing activity in the oil and gas sector.

Portfolio Investments: Portfolio investments registered a net capital outflow of 341.93 in FY 2023/24, attributed to higher interest rates in advanced economies which prompted investors to shift their investments. Nonetheless, the net capital outflow declined in comparison to the US$ 502.46 million registered in FY 2022/23.

[5] Source: Uganda Tourism Trends and Outlook Report-2024.

FISCAL PERFORMANCE

Chapter II: Fiscal Performance

Overview

The fiscal policy strategy in FY 2023/24 aimed at achieving Uganda's third National Development Plan (NDPIII) primary goal of enhancing household incomes and the overall quality of life for Ugandans by promoting sustainable industrialization, inclusive growth, employment, and wealth creation.

Fiscal
deficit
4.7%
of GDP

Consequently, the budget for the financial year was anchored on the theme "Full Monetization of Uganda's Economy through Commercial Agriculture, Industrialization, Expanding and Broadening Services, Digital Transformation, and Market Access".

Considering the above, the budget for FY 2023/24 was set at Shs **52,736.79 billion**. Expenditure, excluding debt refinancing and expenditures related to local government revenue, was estimated at Shs 39,948.40 billion while total revenue and grants were estimated to be Shs 32,751.20 billion. This implies that the overall deficit was programmed to be Shs 7,197.20 billion (equivalent to 3.5 percent of GDP).

FY 2023/24 Fiscal Outturns

Fiscal operations in FY 2023/24 resulted in an overall fiscal deficit that was higher than planned, mainly on account of lower-than-expected domestic revenues and grants and higher than programmed expenditure. The overall fiscal deficit in FY 2023/24 was Shs 9,486.99 billion, equivalent to 4.7 percent of GDP. Domestic revenues were Shs 27,806.29 billion, registering a shortfall of Shs 1,866.07 billion against the target for the year. Grants received by Government amounted to Shs 1,014.58 billion against a target of Shs 3,078.83 billion.

Total Government expenditure was lower than planned for the financial year by 4.1 percent mainly due to externally financed development projects which performed at only 50.4 percent during the financial year. Expenditure on recurrent items as well as domestically financed development expenditure was above budget by 6.7 percent and 16.4 percent respectively.

Table 4: Shows fiscal operations (Ushs Billion).

Table 4: Fiscal Operations (UShs Billion)

Billion Shs	Budget	Outturn	erformance	Deviation	%age of GDP
Total revenue and grants	**32,751.20**	**28,820.87**	**88.0%**	**- 3,930.32**	**14.2%**
Revenue	29,672.36	27,806.29	93.7%	- 1,866.07	13.7%
Tax revenue	27,424.24	25,719.59	93.8%	- 1,704.65	12.7%
Non-tax revenue	2,248.12	2,086.70	92.8%	- 161.42	1.0%
Grants	**3,078.83**	**1,014.58**	**33.0%**	**- 2,064.25**	**0.5%**
Budget support	69.65	49.99	71.8%	- 19.66	0.0%
Project grants	3,009.19	964.59	32.1%	- 2,044.59	0.5%
Expenditures and net lending	**39,948.40**	**38,307.87**	**95.9%**	**- 1,640.53**	**18.9%**
Recurrent expenditures	**25,158.56**	**26,838.81**	**106.7%**	**1,680.25**	**13.2%**
Wages and salaries	7,289.97	7,437.10	102.0%	147.13	3.7%
Non-wage	11,807.07	13,179.97	111.6%	1,372.89	6.5%
Interest payments	6,061.52	6,221.75	102.6%	160.22	3.1%
o/w: domestic	4,978.00	4,877.37	98.0%	- 100.63	2.4%
o/w: foreign	1,083.52	1,344.38	124.1%	260.85	0.7%
Development expenditures	**13,870.64**	**11,020.61**	**79.5%**	**- 2,850.03**	**5.4%**
External	7,762.50	3,913.70	50.4%	- 3,848.79	1.9%
o/w: concessional	6,403.71	3,162.62	49.4%	- 3,241.09	1.6%
o/w: non-concessional	1,358.79	751.08	55.3%	- 607.71	0.4%
Domestic	6,108.15	7,106.91	116.4%	998.76	3.5%
Net lending and investment	**703.38**	**252.42**	**35.9%**	**- 450.96**	**0.1%**
O/w HPP	486.05	35.12	7.2%	- 450.93	0.0%
O/w BoU Repitalisation	217.33	217.30	100.0%	- 0.03	0.1%
Arrears Payments	215.81	196.02	90.8%	- 19.79	0.1%
Overall balance	**- 7,197.20**	**- 9,486.99**	**131.8%**	**- 2,289.79**	**-4.7%**
Excluding grants	**- 10,276.03**	**- 10,501.57**	**102.2%**	**- 225.54**	**-5.2%**
Financing	**7,197.20**	**9,486.99**	**131.8%**	**2,289.79**	**4.7%**
External financing (net)	5,312.65	989.80	18.6%	- 4,322.85	0.5%
Disbursement	7,951.28	3,524.39	44.3%	- 4,426.88	1.7%
Budget support	2,711.91	592.10	21.8%	- 2,119.81	0.3%
Project Support	5,239.36	2,932.29	56.0%	- 2,307.07	1.4%
Concesional loans	3,394.52	2,146.08	63.2%	- 1,248.44	1.1%
HPPs	486.05	35.12	7.2%	- 450.93	0.0%
Other non-concessional loans	1,358.79	751.08	55.3%	- 607.71	0.4%
Amortisation (-)	- 2,638.63	- 2,534.60	96.1%	104.03	-1.3%
Domestic financing (net)	1,884.55	8,498.07	450.9%	6,613.52	4.2%
Bank Financing	299.88	4,197.58	1399.8%	3,897.70	2.1%
Central Bank	- 1,278.47	2,800.33	-219.0%	4,078.80	1.4%
Commercial banks	**1,578.35**	**1,397.25**	**88.5%**	**- 181.09**	**0.7%**
o/w: securities for fiscal purposes	1,578.35	1,397.25	88.5%	- 181.09	0.7%
Non Bank	**1,584.67**	**4,300.49**	**271.4%**	**2,715.82**	**2.1%**
Errors and Ommissions	**0**	**- 0.88**			

Source: Ministry of Finance, Planning and Economic Development

Revenues and Grants

Total revenue and grants amounted to Shs 28,820.87 billion against a target of Shs 32,751.20 billion for the financial year, implying a performance of 88.0 percent. Both grants and domestic revenue were short of their respective targets for the year by 67.0 percent and 6.3 percent respectively.

Domestic Revenues

A total of Shs 27,806.29 billion was collected in FY2023/24 with Shs 25,719.59 billion being tax revenue while Shs 2,086.70 billion was Non-Tax Revenue (NTR). Both tax and non-tax revenue were short of their respective targets for the year by 6.2 percent and 7.2 percent respectively, mainly on account of challenges in tax administration which affected indirect domestic taxes as well as taxes on international trade.

Taxes on international trade

Taxes on international trade registered the biggest shortfall amongst all the subcategories of tax. Government had anticipated to collect Shs 10,853.37 billion during the financial year. However, only Shs 9,553.63 billion was collected during the financial year, implying a performance of 88.0 percent and a shortfall of Shs 1,299.75 billion. Compared to the previous year, taxes on international trade transactions grew by 2.4 percent which is significantly lower than the 5-year average growth of 8.3 percent.

The poor performance of this tax category was partly attributed to tax administration challenges as well as the increase in the amount of merchandise imports that do not attract import taxes. These include goods from the EAC partner states, goods imported for projects under the special operation framework, intermediate goods, etc. Additionally, there was revenue expected to be collected from the exportation of gold which did not materialize due to the fact that statutory instruments were still under review on the Export levy of Gold.

Indirect Domestic Taxes

Taxes on consumption of goods and services registered the second biggest shortfall. Indirect taxes amounted to Shs 6,078.80 billion in FY2023/24, this was against a target of Shs 6,871.09 billion implying a shortfall of Shs 792.30 billion thus a performance of 88.5 percent. Both excise duty and Value Added Tax were short of their respective targets and therefore contributed to the total shortfall under this subcategory.

Government targeted to collect Shs 4,432.52 billion in the form of Value Added Tax but only Shs 3,907.63 billion was collected during the financial year. This was attributed to tax administration challenges, especially non-compliance to the Electronic Fiscal Receipting and Invoicing Solution (EFRIS). This was exacerbated by the traders' strike towards the end of the financial year. That notwithstanding, higher input costs for some of the major VAT payers such as MTN Uganda, Airtel Uganda, Hima Cement, etc coupled with reduced production of some goods such as sugar also affected collections.

Excise duty collections amounted to Shs 2,171.17 billion against a target of Shs 2,438.57 billion and thus a shortfall of Shs 267.40 billion. This was partly attributed to lower-than-projected growth in production and sales volumes of some key goods such as beer, cosmetics, and plastics, among others.

Direct Domestic Taxes

On a positive note, income taxes registered a surplus of Shs 424.53 billion recording Shs 10,077.55 billion against the Shs 9,653.02 billion target for the financial year. Pay As You Earn (PAYE) registered the highest surplus of Shs 417.39 billion as there was more recruitment than projected especially under manufacturing, banking and oil & gas sectors. Similarly, increased profitability of various firms especially in the financial sector resulted in a Shs 52.02 billion surplus in Corporate Income Tax while improvements in the rental income tax collecting systems resulted in a surplus of Shs 30.00 billion.

Table 5 shows the details of domestic revenue performance in FY2023/24.

Table 5: Details of Domestic Revenue in UShs Billion

	Budget	Outturn	Difference	Performance
Overall net revenue	**29,671.98**	**27,806.29**	**(1,865.69)**	**93.7%**
Total NTR	**2,248.11**	**2,086.70**	**(161.41)**	**92.8%**
Net Tax Revenue	**27,423.87**	**25,719.59**	**(1,704.28)**	**93.8%**
Direct Domestic Taxes	**9,653.02**	**10,077.55**	**424.53**	**104.4%**
O/w -PAYE	4,542.35	4,959.74	417.39	109.2%
-Corporate Tax	2,195.27	2,247.29	52.02	102.4%
-Presumptive Tax	20.62	17.73	(2.89)	86.0%
-Withholding Tax	1,622.99	1,566.69	(56.30)	96.5%
-Rental Income Tax	245.69	275.69	30.00	112.2%
-Tax on Bank Interest	164.07	174.03	9.96	106.1%
-Treasury bills and bonds (BoU)	669.78	652.24	(17.55)	97.4%
-Casino Tax	97.78	98.31	0.53	100.5%
Net Indirect Domestic Taxes	**6,871.09**	**6,078.80**	**(792.30)**	**88.5%**
Excise duty:	**2,438.57**	**2,171.17**	**(267.40)**	**89.0%**
O/w Cigarettes	25.24	19.22	(6.02)	76.1%
Beer	469.61	423.48	(46.13)	90.2%
Spirits/Waragi	282.01	214.65	(67.36)	76.1%
Phone Talk time	350.72	325.28	(25.43)	92.7%
Sugar	72.51	49.35	(23.16)	68.1%
Bottled Water	69.57	47.87	(21.70)	68.8%
Cement	60.75	43.76	(16.99)	72.0%
Mobile Money Transfers	210.84	196.12	(14.72)	93.0%
Bank Charges	143.14	126.98	(16.16)	88.7%
Levy on Mobile money	233.20	213.93	(19.27)	91.7%
Internet data	130.70	144.64	13.94	110.7%
Net Value Added Tax:	**4,432.52**	**3,907.63**	**(524.89)**	**88.2%**
O/w Manufacturing	**2,945.29**	**2,578.57**	**(366.72)**	**87.5%**
Services	**816.92**	**780.72**	**(36.20)**	**95.6%**
Construction	170.55	146.76	(23.79)	86.1%
Wholesale & retail trade; repairs	577.90	490.18	(87.72)	84.8%
Hotels & restaurants	139.91	121.38	(18.53)	86.8%
Transport & communications	55.01	54.53	(0.48)	99.1%
Real estate activities	216.78	207.63	(9.15)	95.8%
Public administration & defence	28.89	18.32	(10.57)	63.4%
Mining & quarrying	38.20	26.71	(11.49)	69.9%
Oil and gas	0.63	8.71	8.07	1377.3%
Taxes on International Trade	**10,853.37**	**9,553.63**	**(1,299.75)**	**88.0%**
O/w Petroleum duty	3,294.84	3,205.15	(89.68)	97.3%
Import duty	1,833.41	1,961.30	127.90	107.0%
Excise duty	365.66	241.30	(124.36)	66.0%
VAT on Imports	4,247.71	3,413.37	(834.34)	80.4%
Withholding Taxes	292.78	206.01	(86.77)	70.4%
Surcharge on imports	352.53	272.17	(80.36)	77.2%
Temporary Road Licenses	203.49	116.38	(87.11)	57.2%
Infrastructure Levy	183.32	120.27	(63.05)	65.6%
Export levy	79.64	17.66	(61.98)	22.2%
Stamp duty & Embossing Fees	**126.01**	**121.01**	**(4.99)**	**96.0%**

Source: Ministry of Finance, Planning and Economic Development

Non-Tax Revenue

Government projected to collect Shs 2,248.11 billion in the form of non-tax revenue during FY 2023/24. However, by the end of the financial year, only Shs 2,086.70 billion had been realized implying a shortfall of Shs 161.41 billion and a performance of 92.8 percent. Despite the below target performance, NTR registered a growth of 13.6 percent compared to the previous financial year.

Grants

Grants received by Government from development partners in FY2023/24 amounted to a total Shs 1,014.58 billion of which Shs 49.99 billion was for supporting general activities in the budget while Shs 964.59 billion was for specific projects. The amount received by Government was considerably lower than what had been projected at the start of the financial year. Whereas the total amount expected was Shs 3,078.83 billion, only 33.0 percent was realized. This is mainly due to implementing MDAs not fully meeting all the requirements for disbursement of funds for the various projects in the budget, especially those funded by the World Bank.

Expenditure

Total government expenditure (excluding debt refinancing and appropriation in aid) in FY2023/24 was Shs 38,307.87 billion. This was against a budget of Shs 39,948.40 billion implying a performance of 95.9 percent. The lower than programmed performance was mainly on account of externally financed projects which performed at only 50.4 percent of their budget, as recurrent expenditure as well as domestically financed development expenditure were higher than their respective budgets by 6.7 percent and 16.4 percent respectively.

Expenditure on recurrent items totalled to Shs 26,838.81 billion against a budget of Shs 25,158.56 billion. The higher than programmed expenditure under this category was mainly on account of supplementary budgets approved to cover wage and other non-wage shortfalls that came up during budget implementation. More specifically, there were more requirements to cover salary increments of scientists as well as a section of soldiers. Additionally, there was need to reinstate the funds that had been invertedly dropped from the budget during the budget approval processes. These included UGIFT financing, wage and non-wage for remand homes, special grant for Persons with Disabilities, etc.

Similarly, expenditure on domestically financed development projects was higher than its budget on account of supplementary budgets issued during the financial year to cater for unforeseen events during implementation. Some of this supplementary expenditure was towards preparatory activities for the national population census as well as procurement of the new National Security Information System (NSIS) by National Identification and Registration Authority (NIRA), among others.

Financing

Fiscal operations in FY2023/24 resulted in a deficit of Shs 9,486.99 billion. This was financed by borrowing from both the domestic market and external sources. From external sources, a total sum of Shs 3,524.39 billion was disbursed of which Shs 592.10 billion was to support general activities in the budget while Shs 2,932.29 billion was tagged to specific projects. The remainder was sourced from domestic markets.

During the financial year, Government also paid out an equivalent of Shs 2,534.60 billion in clearance of outstanding external debt (amortization), implying that the net external financing for FY2023/24 was Shs 989.80 billion.

Compliance with the Charter for Fiscal Responsibility

FY2023/24 was the third year of implementation of Uganda's second Charter for Fiscal Responsibility (CFR). The second CFR aims at providing Government's fiscal policy objectives in the period FY2021/22 - FY2025/26 that will ensure sustainable delivery of the country's goal of socioeconomic transformation resulting in increased household income and improved quality of life of all Ugandans.

The Charter has two overarching goals which include;

i. Total public debt in nominal terms be reduced to below 50 percent of GDP by financial year 2025/26.
ii. The overall fiscal deficit is reduced to a deficit not exceeding 3.0 percent of non-oil GDP by financial year 2025/26.

To achieve those two overarching goals, paths for various fiscal variables were set against which progress is measured annually. In FY2023/24, total public debt in nominal terms was 46.7 percent of GDP which is well below the path target ceiling of 52.4 percent. The performance of public debt is within the set path for the debt trajectory necessary to meet the measurable objective on public debt by the end of the Charter period.

On the other hand, the set path for fiscal deficit had a target of 4.6 percent for FY2023/24 which was slightly missed since the outturn was 4.7 percent of GDP. This was mainly explained by challenges in domestic revenue mobilization. Nonetheless, Government remains committed to realising the deficit targets by the end of the charter period.

Status of the Petroleum Fund

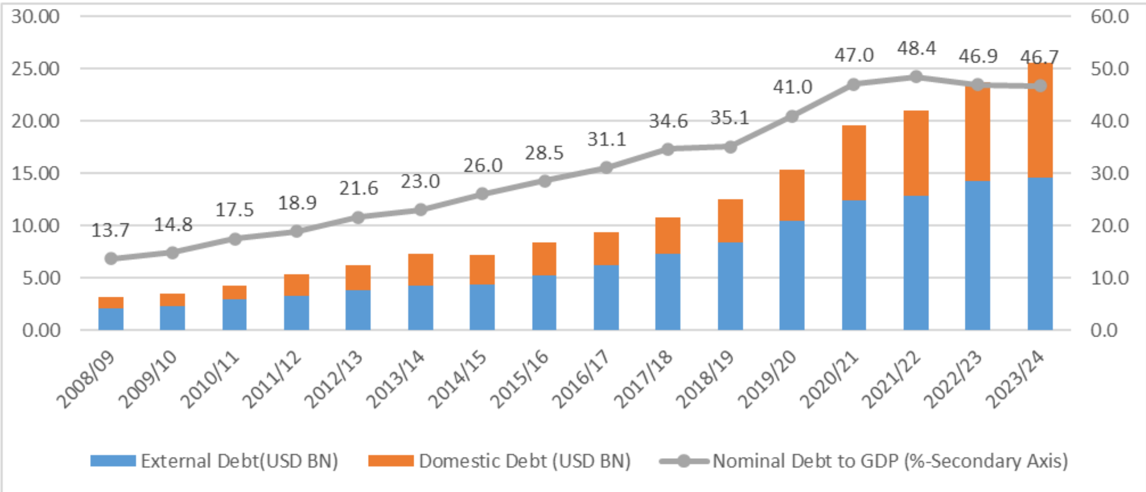
The opening balance on the Petroleum Fund at the start of FY2023/24 was Shs 246.7 billion. During the financial year, a total of Shs 284.6 billion was withdrawn and transferred to the Consolidated Fund to support the Budget. Additionally, there were deposits made into the fund from tax and non-tax revenues of Shs 180.97 billion and Shs 3.04 billion respectively making a total revenue of Shs 184.01 billion. Ultimately, the closing balance on the petroleum fund as at end June 2024 was Shs 146 billion.

Debt Sustainability Analysis

The stock of total public debt amounted to US$ 25.555 billion (UGX 94,723.41 billion) by end June 2024, of which US$ 14.592 billion (UGX 54,090.03 billion) was external and US$ 10.96 billion (UGX 40,633.38 billion) was domestic. This translates into a nominal debt to GDP ratio of 46.7 percent, which is below the charter limit of 52.4 percent for FY2023/24.

Debt is projected to remain sustainable over the medium and long term majorly supported by robust GDP growth and a general reduction in borrowing following the realization of oil revenues in the medium to long term, coupled with enhanced domestic revenue mobilization efforts. Figure 21 shows the evolution of public debt in billions of US Dollars and the trends in nominal debt to GDP over the recent years.

Figure 21: Evolution of Uganda's Debt



Source: MoFPED

Contingency Fund

In line with Section 18 (1) (d) of the Public Finance Management (PFM) Act 2015, the Contingency Fund was allocated Shs 171 billion by Parliament for the FY 2023/24. By the end of June 2024, Shs 88.86 billion had been transferred to the fund.

Of the amount transferred to the fund, Shs 88.51 billion was spent, as follows;

I. Shs 35.0 billion to cater for the emergency of foot and mouth disease across the country.
II. Shs 53.51 billion for Sezibwa, Katonga and Karuma bridge repairs.

Virement Report

Detailed report in the Annual Budget Performance Report FY2023/24, attached as Annex to that report.

Donations By Vote

Detailed report in the Annual Budget Performance Report FY2023/24.

OUTLOOK ON THE ECONOMY

Chapter III: Outlook on the Economy

Economic Growth

Real GDP growth is projected to continue increasing to 6.4 percent in FY 2024/25 and 7.0 percent next FY 2025/26. The key drivers of this growth include;

i. Higher production in agriculture and agro-processing supported by continued implementation of the Parish Development Model, provision of irrigation equipment and machinery, extension services, good quality seedlings and establishment of markets.
ii. Continued investment in industrial parks and freezones, infrastructure like roads, railway, highways, bridges and affordable electricity as well provision of affordable credit to manufacturers through the Uganda Development Bank.
iii. Increased oil and gas activities in anticipation for first oil production in FY 2025/26. The oil and gas sector is expected to have backward and forward linkages with other sectors like manufacturing, construction, transport, real estate, tourism, the financial sector and agriculture sector.
iv. Increased investment in tourism infrastructure and sites as well as attracting global meetings, conferences and games will support expansion of the services sector.
v. Deepening of regional integration, joining of other trade blocs in Africa and implementation of the export promotion strategy which focuses on value addition and diversifying Uganda's exports to capture more markets.
vi. Continued inflows from FDI and remittances are expected to boost private investments and growth.

High frequency indicators highlight continued increase in economic activity so far and better prospects as shown in Figure 20. The PMI and BTI averaged 54.7 and 58.8 respectively, in the first quarter of FY 2024/25, while the CIEA has continued on an upward trend. Figure 22 shows high frequency indicators of economic activity.

Figure 23: High frequency indicators of economic activity

*Source; Bank of Uganda, Stanbic Bank Uganda

Over the medium term, GDP growth is projected to increase to more than 7 percent per annum as Government implements the 10-fold growth strategy which is focused on increasing production and productivity in agro-industrialization, tourism, minerals development including oil and gas, and science and technology including research & development.

While the economic outlook is positive, Government is aware of the downside risks. These risks include; unpredictable weather patterns affecting agricultural production and infrastructure, supply chain distortions due to regional and global geopolitical tensions, tighter global financial conditions leading to higher borrowing costs and debt repayment, as well as fluctuation in global commodity prices.

To mitigate these risks and support economic growth, the following measures are being taken.

i. The Government aims to boost household incomes and small and medium enterprises (SMEs) through initiatives such as the Parish Development Model, which focuses on improving agricultural productivity, promoting rural industrialization, and enhancing access to financial services for small-scale businesses.
ii. To ensure debt sustainability and prioritize development priorities, Government is focused on fiscal consolidation and increasing revenue mobilization through effective implementation of the Domestic Revenue Mobilization Strategy (DRMS) and expenditure rationalisation.
iii. To reduce the cost of doing business for the private sector, Government has provided affordable capital through the Uganda Development Bank, Emyooga, the Agricultural Credit Facility and the Small Business

Recovery Fund to large, medium, small, and micro enterprises respectively.

iv. Continued investment in infrastructure like roads, railway, industrial parks and cheaper electricity to support economic activity.

v. Government is also focused on improving early warning systems about the weather to support farmers and policy makers.

Financial Sector

The Central Bank reduced the Central Bank Rate by 25 basis points to 9.75 percent in October 2024. This is expected to boost private sector credit and economic activity as lending rates are anticipated to remain stable. The current monetary policy stance balances the need to contain inflation within the 5 percent medium term target while supporting sustainable economic growth, which is essential for Uganda's socio-economic transformation.

Inflation is therefore projected to remain within the 5 percent core target in the short to medium term, largely due to anticipated reduction in global oil prices and the relaxation of sanctions that had been imposed following the unrest between Russia and Ukraine. Continued Government interventions in the agriculture sector will also bolster food production and thus contribute to the reduction in food crop inflation. In addition, the reduction in inflation will be supported by implementation of prudent monetary and fiscal policies.

Upside risks to this inflation forecast include a greater-than-expected weakening of the shilling due to global financial market uncertainties, further disruptions in global supply chains from escalating geopolitical conflicts and severe domestic weather conditions.

External Sector

The Uganda Shilling is expected to remain stable against other major currencies in the short to medium term supported by higher exports, offshore inflows and foreign direct flows especially to the oil and gas sector. However, risks to the outlook are likely to arise from tighter Global financial conditions leading to high cost of external borrowing and debt repayment, softer global growth and elevated inflation in advanced economies.

Uganda's external sector outlook remains positive, underpinned by the strong growth in export earnings driven by strong performances in key commodities such as coffee. Additionally, the continued recovery in tourism earnings and a sustained rise in Foreign Direct Investment (FDI)—largely directed toward the oil and gas sector—highlights promising trends in foreign exchange inflows. While diaspora remittances remain slightly below previous highs, they have stabilized above pre-pandemic levels, contributing to household incomes and foreign reserves. These positive developments, coupled with government initiatives to diversify exports and strengthen trade ties within the region, provide a strong foundation for Uganda's external sector, enhancing its resilience against global economic shifts.

Fiscal Operations

In FY 2025/26, government revenues are projected to grow substantially, supported by the commencement of oil production, enhancements in tax administration, and ongoing efforts under the Domestic Revenue Mobilisation Strategy. These efforts are expected to drive a significant increase in revenue collection, contributing to fiscal stability and expanding the country's resource base. Government expenditure in FY 2025/26 will decrease in line with the fiscal consolidation strategy, aligning with efforts to streamline spending and focus on high-impact investments. Consequently, the fiscal deficit is expected to narrow from its current level in the FY 2024/25 budget, aligning with the fiscal targets outlined in the Charter for Fiscal Responsibility. This fiscal approach will support debt sustainability, strengthen Uganda's macroeconomic stability, and enhance resilience to future economic challenges. Refer to Table 6.

Table 6: Medium Term Fiscal Framework

Projected fiscal operations (Shs bn)	Budget	Proj.	Proj.	Proj.	Proj.	Proj.
	2024/25	2025/26	2026/27	2027/28	2028/29	2029/30
Total revenue and grants	**34,867**	**36,745**	**49,057**	**57,109**	**65,322**	**73,982**
Revenue	31,982	33,682	47,393	55,658	64,053	72,903
Tax revenue	29,373	30,573	38,764	45,000	52,463	60,893
Non-tax revenue (including AIA)	2,609	2,609	2,971	3,456	3,961	4,379
Oil revenues (including capital gains tax)	0	500	5,658	7,202	7,629	7,631
Grants	2,885	3,063	1,664	1,451	1,269	1,079
Budget support	39	30	0	0	0	0
Project grants	2,845	3,033	1,664	1,451	1,269	1,079
Expenditures and net lending	**48,481**	**46,504**	**58,055**	**64,644**	**72,445**	**81,816**
Recurrent expenditures	32,277	28,253	34,794	39,667	44,112	48,841
Wages and salaries	7,926	9,856	10,084	11,899	13,406	15,122
Interest payments and commitment fees	9,606	9,245	9,929	10,519	10,687	10,934
o/w: domestic	7,993	7,643	8,243	8,742	8,805	9,052
o/w: foreign and commitment fees	1,613	1,602	1,686	1,777	1,882	1,882
Other recurrent spending	14,745	9,152	14,781	17,249	20,019	22,784
Development expenditures	15,718	17,882	21,740	22,768	27,440	32,759
External	9,298	12,812	13,539	13,184	14,678	16,325
Domestic	6,420	5,070	8,200	9,583	12,762	16,435
Net lending and investment	286	0	721	209	393	215
Others	200	369	800	2,000	500	0
Overall balance	**-13,614**	**-9,758**	**-8,997**	**-7,535**	**-7,123**	**-7,833**
Primary balance	-4,008	-513	931	2,984	3,565	3,101
Financing	**13,614**	**9,758**	**8,997**	**7,535**	**7,123**	**7,833**
External financing (net)	**4,984**	**5,747**	**7,306**	**6,795**	**6,876**	**8,382**
Disbursement	8,092	9,779	11,875	11,733	13,587	15,246
Budget support	1,354	0	0	0	0	0
Concessional project loans	3,676	4,966	5,916	6,556	7,365	8,287
Non-concessional borrowing	3,062	4,813	5,959	5,178	6,222	6,959
Amortisation (-)	-3,109	-4,032	-4,569	-4,939	-6,711	-6,865
Domestic financing (net)	**8,631**	**4,011**	**1,691**	**740**	**246**	**-548**

Source: Ministry of Finance, Planning and Economic Development

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