HALF YEAR MACROECONOMIC & FISCAL PERFORMANCE REPORT

FINANCIAL YEAR 2024/25

FEBRUARY 2025

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HALF YEAR MACROECONOMIC & FISCAL PERFORMANCE REPORT FINANCIAL YEAR 2024/25

MINISTRY OF FINANCE, PLANNING AND ECONOMIC DEVELOPMENT

February 2025

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Foreword

Under Section 17 of the Public Finance Management Act (PFMA) 2015 as amended, the Minister responsible for Finance is required to submit a fiscal performance report to Parliament by the end of February and October each Financial Year. In accordance with this requirement, the Ministry of Finance, Planning and Economic Development has prepared the Half Year Macroeconomic and Fiscal Performance Report for FY 2024/25. This report incorporates analysis of Uganda's fiscal and economic performance as well as projections as at 31st December 2024.

Government's well-coordinated fiscal and monetary policies managed to keep prices stable and promote a competitive exchange rate. Government also remained committed to supporting initiatives which accelerate inclusive economic growth, boost production in key growth sectors and support export growth. These initiatives include the implementation of the Parish Development Model, "Emyooga", Agricultural Credit Facility (ACF), provision of support to Small and Medium Enterprises (SMEs) through the Small Business Recovery Fund (SBRF) and capitalisation of Uganda Development Bank. Furthermore, the Government has prioritized investments in research and innovation within the pathogen economy, focusing on vaccine development in order to strengthen Uganda's health sector, which in turn will boost productivity.

As a result, economic activity increased in the period under review as reflected by the 6.7 percent growth in real GDP recorded in the first quarter of the financial year as well as the growth of key high frequency indicators of economic activity. The economic environment also remained favourable for private sector activity and investment as inflation remained low, the Shilling remained strong and stable while interest rates declined in November and December 2024. In addition, the stock of private sector credit increased by 4.2 percent during the first half of the financial year.

Therefore, economic growth is projected to increase to 6.4 percent in FY 2024/25 as projected at budget time, from 6.1 percent the previous financial year.

Going forward, Government will aim at maintaining higher real economic growth rates of 7 to 10 percent as it undertakes the 10-fold economic growth strategy which is underpinned by the goal of full monetization and formalization of the economy through focusing on four key growth areas of agro-industrialisation, tourism development, mineral development including oil and gas, and Science, Technology and Innovation (STI).

Matia Kasaija (MP)

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
CBR	Central Bank Rate
CFR	Charter for Fiscal Responsibility
CIEA	Composite Index of Economic Activity
COVID-19	Coronavirus Disease 2019
DSA	Debt Sustainability Analysis
EAC	East African Community
EFU	Energy, Fuel and Utilities
FDI	Foreign Direct Investments
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
IMF	International Monetary Fund
KShs	Kenyan Shillings
MDA	Ministries, Departments and Agencies
MOFPED	Ministry of Finance, Planning and Economic Development
NTR	Non-Tax Revenue
OPEC	Oil Producing and Exporting Countries
PAYE	Pay as You Earn
PMI	Purchasing Managers Index
R.Franc	Rwandan Franc
SBRF	Small Business Recovery Fund
TShs	Tanzanian Shillings
Shs	Ugandan Shilling
UNOC	Uganda National Oil Company
UNRA	Uganda National Roads Authority
USD	United States Dollars
VAT	Value Added Tax

Executive Summary

The Ugandan economy is on course to achieving the real GDP growth rate of 6.4 percent in FY 2024/25 as projected at budget time. For the first half of the financial year, economic activity picked up significantly. This was echoed through the 6.7 percent growth recorded for the first quarter of the financial year which was higher than the 5.6 percent recorded in the same period of FY 2023/24.

High frequency indicators of economic activity also affirmed growth with all three indices i.e. the Business Tendency Index (BTI), Composite Index of Economic Activity (CIEA) and Purchasing Managers' Index (PMI), trending upwards in the first half of the financial year, highlighting sound economic activity and better prospects for the economy.

Domestic prices were low and stable in the first half of the Financial Year with headline and core inflation averaging at 3.3 percent and 3.9 percent respectively. This was supported by sufficient food supply amidst favourable weather conditions, stability in the shilling, prudent macroeconomic management and reduced global inflation. These factors shaped a stable outlook on inflation and created room for monetary policy easing. Consequently, Bank of Uganda reduced the Central Bank Rate (CBR) from 10.25 percent in June 2024 to 9.75 percent in December 2024.

The Ugandan Shilling appreciated by 1.1 percent in the first half of the financial year, registering an average mid-rate of Shs. 3,664.08/USD in December 2024 from Shs. 3,705.85/USD in July 2024. It also appreciated by 3.4 percent when comparing period averages of the first half of FY 2023/24 and the second half of FY 2024/25. This appreciation was largely driven by increased inflows from export receipts (particularly coffee), remittances, amidst increased demand for the dollar from the energy, oil & gas, telecom, and manufacturing sectors.

The good macroeconomic environment stimulated economic activity in the private sector and encouraged actors in the sector to borrow leading to an increased demand for credit. Consequently, the stock of outstanding private sector credit grew by 4.2

percent to Shs 22,818.96 billion in December 2024, from Shs 21,905.82 billion recorded at the end of June 2024.

Meanwhile, an improvement in the global economic environment partly facilitated increases in tourism receipts, Foreign Direct Investment (FDI), and remittances. Tourism earnings rose to USD 283.4 million in the first quarter of FY 2023/24 up from USD 245.4 million in the same period last year; remittances increased to USD 389.1 million compared to USD 360.1 million in the same period last year; while FDI surged by 21.9 percent to USD 924.3 million, up from USD 758.5 million in the same period last year. The increase in tourism receipts was largely driven by the Government's efforts to promote both international and domestic tourism through targeted marketing initiatives and the implementation of tourism development programs, such as MICE Uganda (Meetings, Incentives, Conferences, and Exhibitions), aimed at positioning Uganda as a leading tourist destination, while the growth in FDI was mainly due to increased activity in the oil and gas sector.

Exports increased significantly from USD 3,788.8 million in H1 of FY 2023/24 to USD 4,401.6 million in H1 of FY 2024/25, reflecting a growth of 16.2 percent. This was driven by an increase in the average coffee price to USD 4.51 per kilogram from USD 2.75 in the previous year, as well as an increase in coffee volumes. Imports as well increased from USD 5,424.8 million to USD 6,582.9 million over the same period, reflecting a 21.3 percent rise. This translated into a widening of the merchandise trade balance as the increase in the import bill outpaced the growth in export earnings.

Overall, during the first half of FY 2024/25, Government operations resulted in a fiscal deficit of Shs 3,848.42 billion with total spending amounting to an estimated Shs 17, 835.04 billion and revenues collected amounting to an estimated Shs 16,161.37 billion. The resulting fiscal deficit was lower than the projected deficit for the period by Shs 2,599.84 billion, mainly on account of tax revenues which were above the target as well as lower than planned expenses and net acquisition of non-financial assets. Improvements in tax administration and the increase in economic activity were the key drivers behind the higher tax revenues.

MACRO-ECONOMIC DEVELOPMENTS

Chapter I: Macro-Economic Developments

Economic Growth

Economic activity increased in the first half of FY 2024/25, supported by continued implementation of Government initiatives aimed at fostering private sector development, an increase in oil and gas activities, favourable weather conditions and growth in investments and exports. This is reflected in the growth of the economy by 6.7 percent in the first quarter, compared to 5.6 percent recorded in the same period of FY 2023/24.

Some of the Government initiatives such as the Parish Development Model (PDM), Emyooga, and funding to Uganda Development Bank (UDB) played a key role in boosting production in agriculture, supporting small service providers, and providing affordable credit to manufacturers and businesses, respectively. In the first half of FY 2024/25, Shs 80 billion was disbursed for the Emyooga program, while Shs 20 billion was used to capitalize the teacher's SACCO. In addition, Shs 41.8 billion was disbursed to support the capitalization of the UDB, out of the planned Shs 82 billion for the financial year. Government continued to prioritise the Parish Development Model as funds were disbursed to SACCOs during the period under review and there was strict monitoring for efficient utilisation of the resources.

Economic Growth in Q1

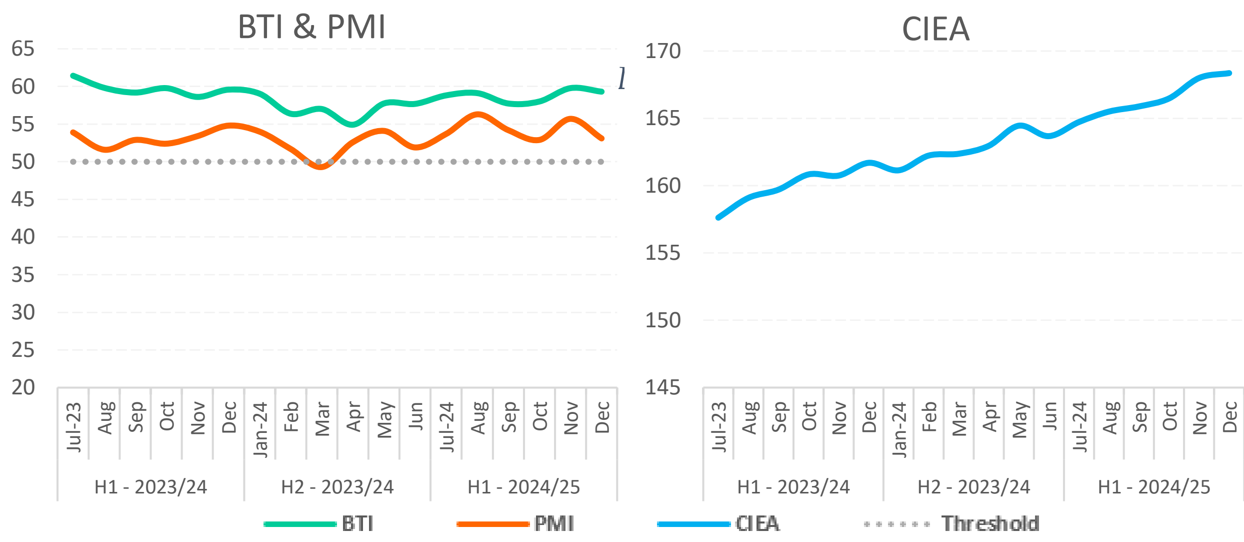
6.7%

All key sectors of the economy registered growth in the first quarter of FY 2024/25. The agriculture, forestry, and fishing sector grew by 8.7 percent due to higher production in cash crops, food crops, and livestock. The industry sector grew by 5.9 percent mainly on account of higher production in manufacturing and increased construction activities. The services sector grew by 5.6 percent mainly driven by wholesale and retail trade, transportation and storage, and financial and insurance services.

High frequency indicators of economic activity such as the Composite Index of Economic Activity (CIEA), Purchasing Managers' Index (PMI), and

Business Tendency Index (BTI), were also on an upward trend in the first half of the financial year, highlighting sound economic activity and better prospects for the economy. The CIEA increased to an average of 166.49 from an average of 159.95 in H1 FY 2023/24 while the PMI and BTI remained above the 50-mark threshold averaging 54.32 and 58.91 in the first half of FY 2024/25, compared to 53.17 and 59.79 in H1 FY 2023/24, respectively. **Figure 1** shows the movements of the PMI, BTI and CIEA from July 2023.

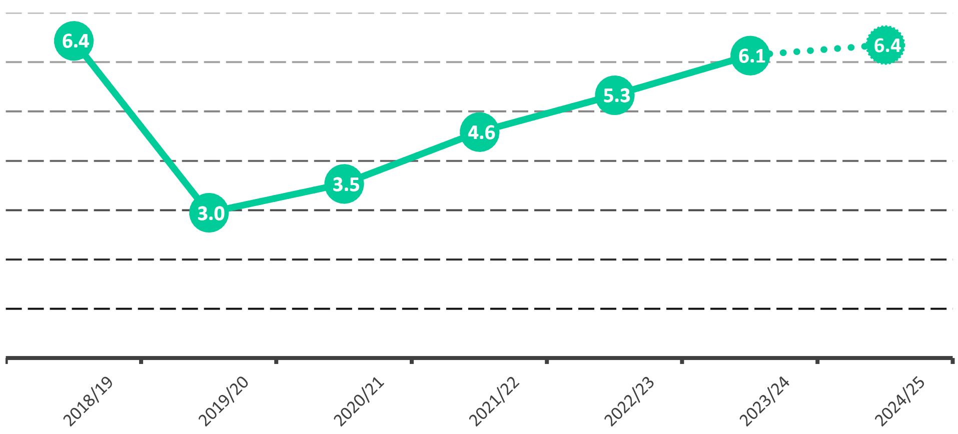
Figure 1 : High Frequency Indicators of Economic Activity



Sources: Bank of Uganda for CIEA and BTI; Stanbic Bank for PMI

Going forward, economic activity is projected to continue strengthening and attain an average GDP growth of 6.4 percent in this FY 2024/25. This is on account of the effective implementation of wealth creation initiatives and infrastructure projects, increased investments particularly in the oil and gas sector, higher export volumes supported by expanding regional trade, rising household consumption and investment, as well as increased production across the services, industry and agriculture sectors. **Figure 2** shows real GDP growth rates.

Figure 2: Real GDP Growth Rates



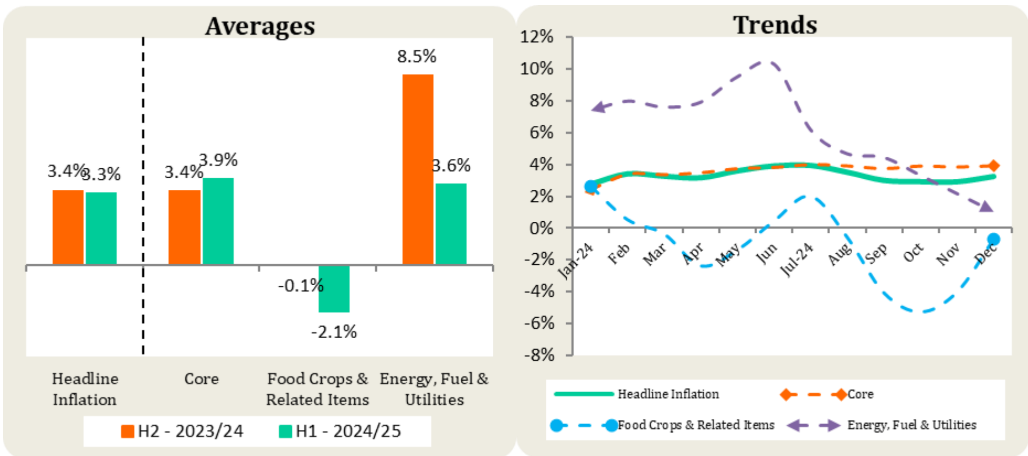
Source: Uganda Bureau of Statistics and Ministry of Finance, Planning and Economic Development

Inflation

Headline Inflation rose to 3.3%

During H1 FY 2024/25, inflation remained low and stable with headline inflation averaging 3.3 percent from a 3.4 percent average in H2 FY 2023/24, and core inflation averaging 3.9 percent from a 3.4 percent average in H2 FY 2023/24 as shown in **Figure 3**. This was within the Central Bank's medium-term target of 5 percent. The low inflation was mainly supported by the effectiveness of Government's fiscal and monetary policies, stability in the exchange rate, good crop harvests amidst favourable weather and reduced global inflation for commodities such as fuel.

Figure 3: Annual Inflation breakdown by Sub-components.



Source: Uganda Bureau of Statistics

Sub-components of Headline Inflation.

Annual Core inflation increased to a six- month average of 3.9 percent in H1 FY 2024/25 from an average of 3.4 percent in H2 FY 2023/24. Nonetheless, this remained within the Central Bank target of 5 percent indicating a slow progression in price increases. The rise in core inflation was partially driven by an increase in prices of meats such as beef and offals, chicken, and some fish categories like tilapia, Mukene. The rise was also attributed to an increase in transportation costs which was most dominant for medium to long distance travel. This followed restrictions imposed on the use of the Karuma bridge by UNRA in order to undertake renovations. Consequently, vehicles to and from northern Uganda had to use longer alternative routes for three months and hence increased transport costs.

Annual Food crops and related items inflation. Food crops registered a six- month average deflation of 2.1 percent in H1 FY 2024/25. This was larger than the deflation of 0.1 percent recorded in H2 FY 2023/24. This implies that general prices of food crops in H1 FY 2024/25 continued to decline albeit at a faster pace compared to H2 FY 2023/24. The deflation was on account of sufficient food harvests as weather conditions remained favourable. Food harvests were also boosted by Government's interventions to support the private sector which largely focus on enhancing production in the agricultural sector.

Annual Energy Fuel and Utilities (EFU) inflation declined to a six-month average of 3.6 percent in H1 FY 2024/25 from 8.5 percent in H2 FY 2023/24. This was mainly attributed to a decline in prices of petrol, diesel, liquified gas, paraffin, charcoal and electricity charges. The decline in prices of liquid fuels followed a decline in international oil prices as well as Government's efforts to stabilize fuel supply through the enactment of the Petroleum Supply Act. This Act made UNOC the sole importer and distributor of fuel within the country - a move that has ensured steady supply of fuel, managed volatility and eliminated middlemen who were a key factor in driving up fuel costs.

Inflation across the East African Community

In H1 FY 2024/25, the EAC Partner States displayed mixed outcomes in headline inflation. From the previous half year, inflation in H1 FY 2024/25 increased in Rwanda, Burundi, and South Sudan. Inflation however declined in Uganda and Kenya but remained stable in Tanzania and Somalia.

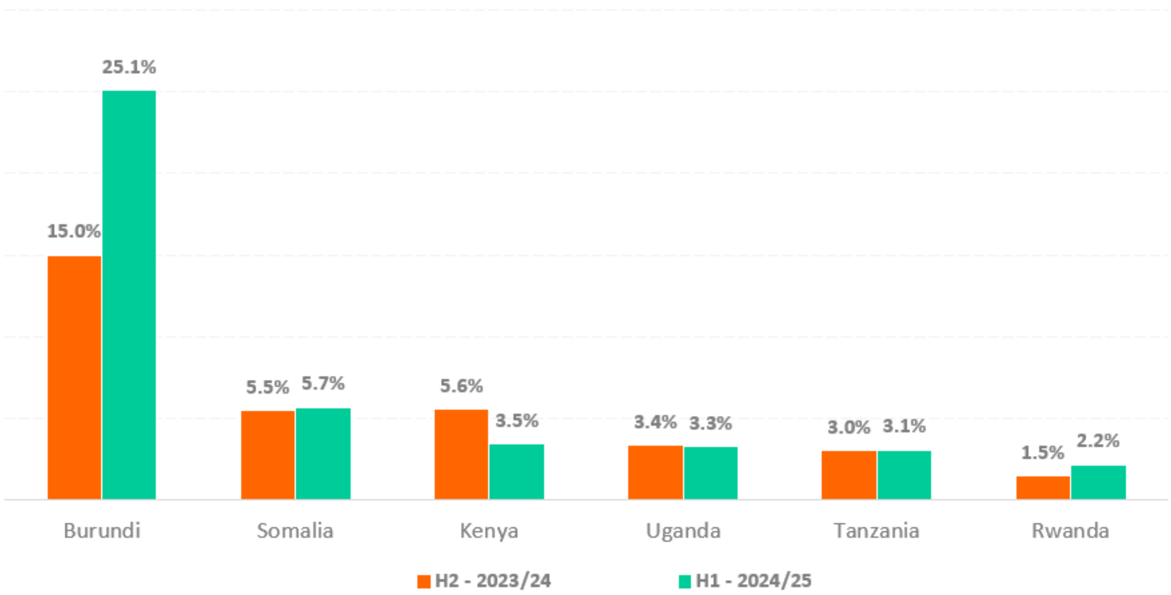
Notably, South Sudan[1] experienced a sharp rise in inflation, rising from 107.3 percent in July 2024 to 112.6 percent in October 2024. This was significantly higher than the East African convergence target of 8 percent. This inflation was a spill-over effect from the war in neighbouring Sudan as the closed oil pipeline significantly reduced South Sudan's oil revenues leading to a significant depreciation in its currency and a significant hike in inflation.

Burundi's inflation, also increased to a six-month average of 25.2 percent from 15 percent the previous half- similarly lying above the EAC target. This increase was on account of shortage in foreign currency that has led to currency depreciation, shortage in import commodities and rise in import prices.

Tanzania on the other hand displayed stability in inflation within the two halves with an average of 3 percent. This was on account of Government's prudent fiscal and monetary policy management, stability of the Tanzanian Shilling, and the stable agricultural production. **Figure 4** shows annual headline inflation across EAC Partner States in H1 2024/25 versus H2 2023/24.

[1] South Sudan's inflation data for November 2024 and December 2024 was not readily available at the time of producing this report.

Figure 4: Average annual inflation rates among EAC partner states.



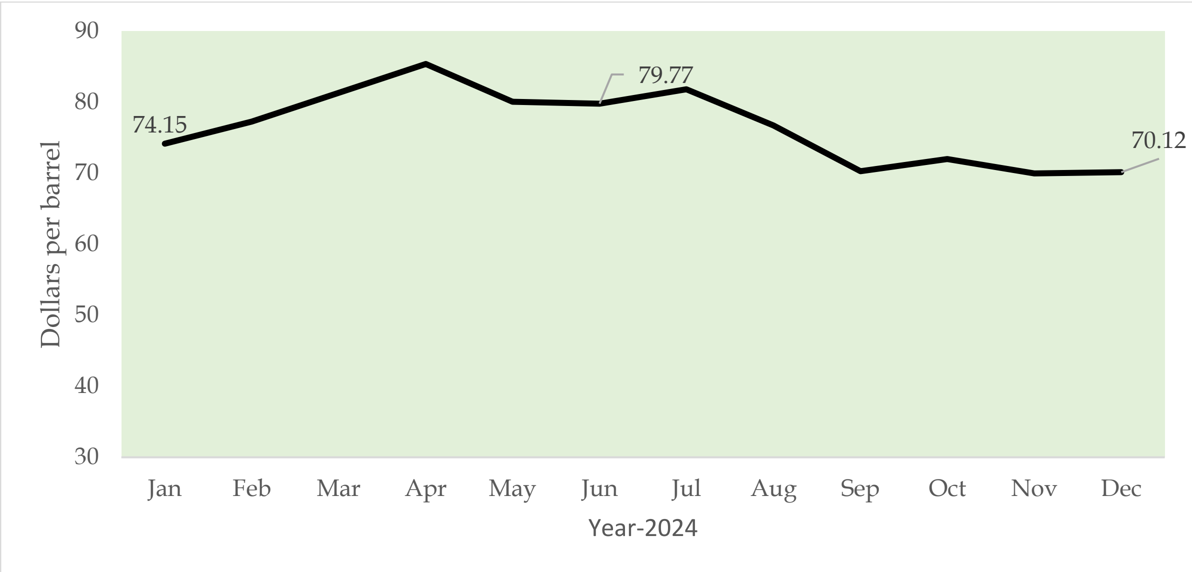
Source: Respective National Bureaux of Statistics.

Global Commodity Prices.

Oil Prices

Global oil prices averaged USD 73.46 per barrel in H1 FY 2024/25, below an average of USD 79.64 per barrel registered in H2 FY 2023/24. Sluggish demand and relatively high supply outside of the OPEC+ countries contributed to the relatively narrow trading range for crude oil despite geopolitical tensions in the Middle East, shipping disruptions in the Red Sea and OPEC+ production cuts. Production growth from non-OPEC+ members continued to increase, offsetting OPEC+ production cuts, in addition to weakening global economic growth which downplayed pressure on the prices of Brent. Moreover, slowing economic activity and reduced fuel demand in China further limited upward price momentum. **Figure 5** shows monthly trends in international oil prices in 2024.

Figure 5: Trends in international oil prices in 2024.



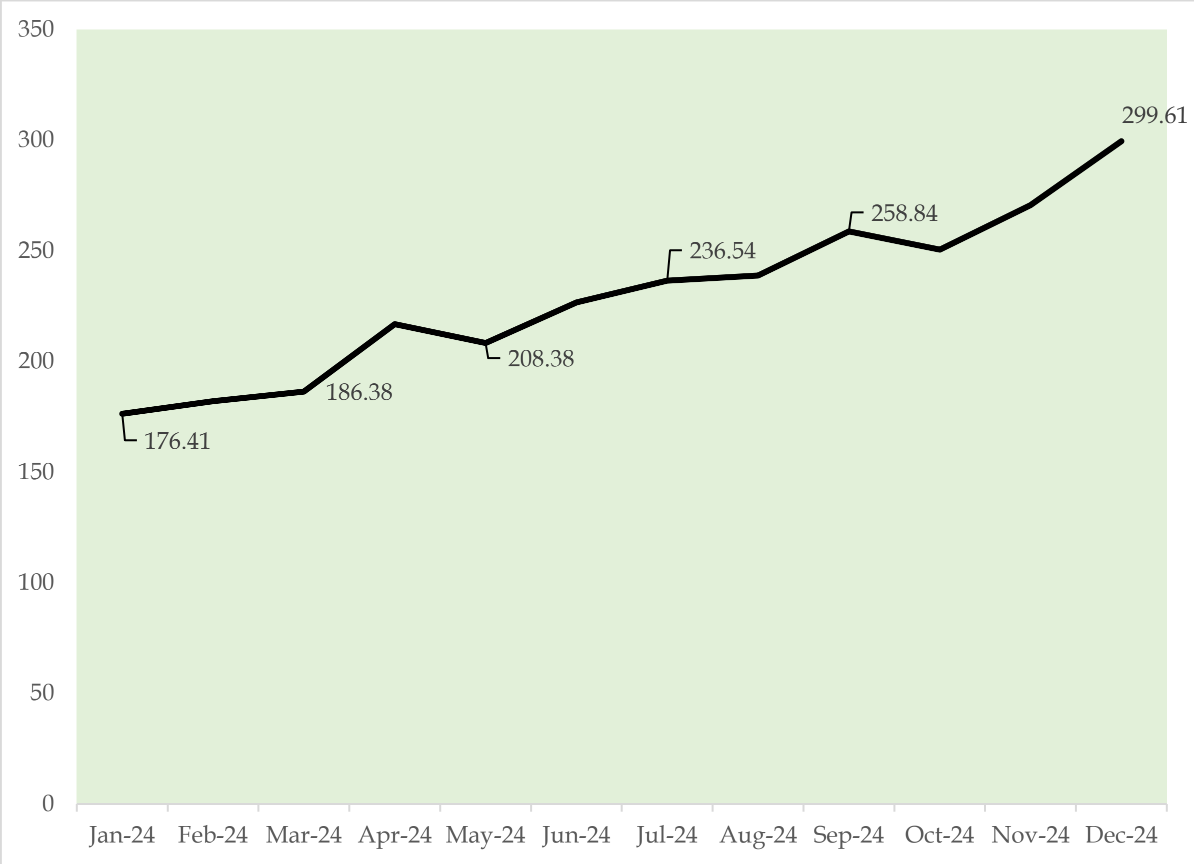
Source: US Energy Information Administration

Coffee prices

As shown in **Figure 6**, the coffee composite price index published by the International Coffee Organization (ICO) trended upwards to an average of 259.2 in the first half of FY 2024/25 from an average of 199.5 in the second half of FY 2023/24, reflecting a rise in the international coffee price.

This increase in global coffee prices resulted from a global supply deficit after dry conditions in Brazil and Vietnam affected coffee yields.

Figure 6: Movements in the Monthly International Coffee Composite Price Indicator in 2024.



Source: International Coffee Organisation (ICO)

Monetary and Financial Sector Developments.

During the first half of FY 2024/25, the Bank of Uganda progressively lowered the Central Bank Rate (CBR), with an aim to support economic growth while maintaining price stability. The CBR was lowered from 10.25 percent in July 2024 to 10 percent in August, and then to 9.75 percent in October, where it remained unchanged for the rest of the period under review. This decision was guided by a steady decline in annual headline inflation, partly driven by the fading impact of global shocks such as the Russia-Ukraine war and the relative stability of the Ugandan Shilling against the US Dollar. Given these conditions, the Bank of Uganda considered the monetary policy stance appropriate to keep inflation around its medium-term target of 5 percent while supporting economic growth and socio-economic transformation.

Following the reductions in the CBR, interest rates in the interbank market declined. The overall interbank rate fell from 11.12 percent in the second half of FY 2023/24 to 10.94 percent in the first half of FY 2024/25. Specifically, the overnight and seven-day interbank rates declined from 11.03 percent and 11.43 percent to 10.84 percent and 11.18 percent, respectively.

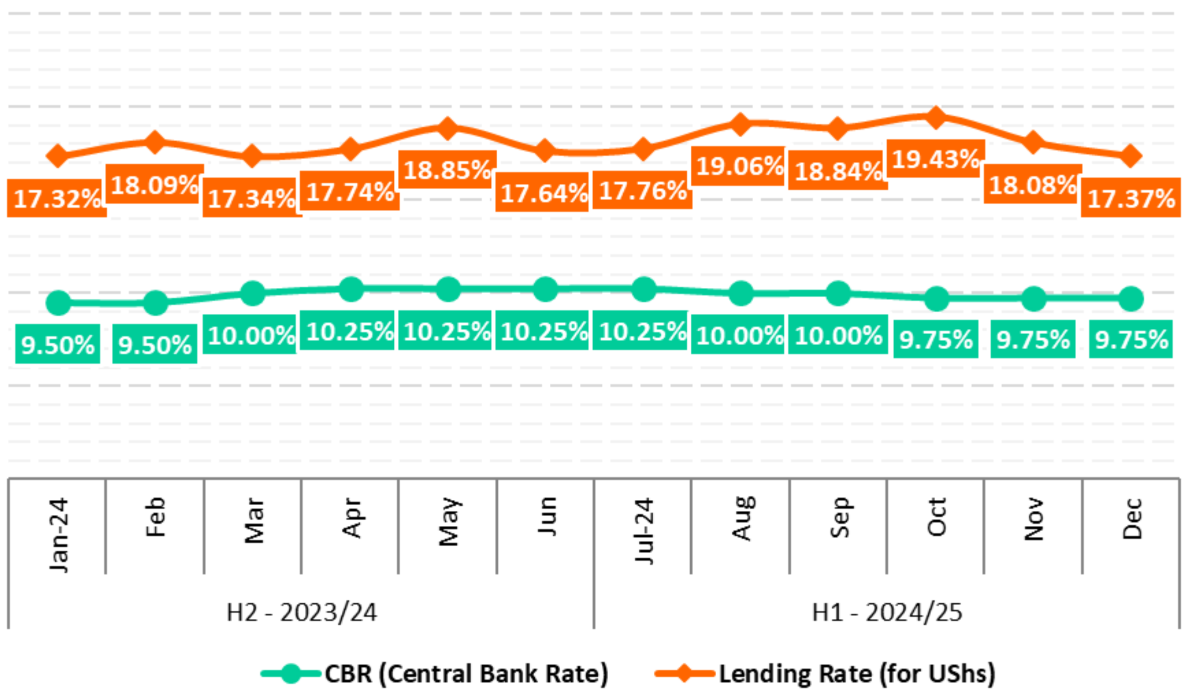
Lending Rates (weighted average)

average Commercial bank lending rate of 18.42%

Despite the reductions in the CBR and lower interbank rates, the weighted average lending rates for Shilling-denominated credit increased to 18.42 percent in the first half of FY 2024/25, compared to 17.83 percent in the second half of FY 2023/24. This increase was partly driven by rising demand for credit as economic activity continued to improve. However, lending rates began to decline from 19.43 percent in October 2024 to 18.08 percent and 17.37 percent in November and December 2024, respectively. This reduction was partly attributed to the gradual easing of the monetary policy stance aimed at stimulating economic activity.

On the other hand, the weighted average lending rates for foreign-denominated credit decreased from 9.01 percent in the second half of FY 2023/24 to 8.85 percent in the first half of FY 2024/25. Specifically, foreign lending rates declined from 9.62 percent in July 2024 to 7.86 percent in December 2024. This decline was influenced by the easing of global monetary policy, particularly by the Federal Reserve, which lowered interest rates in response to slowing global inflation. **Figure 7** shows the trend in CBR and commercial bank lending rates.

Figure 7: Central Bank Rate and Commercial Bank Lending Rates Movements

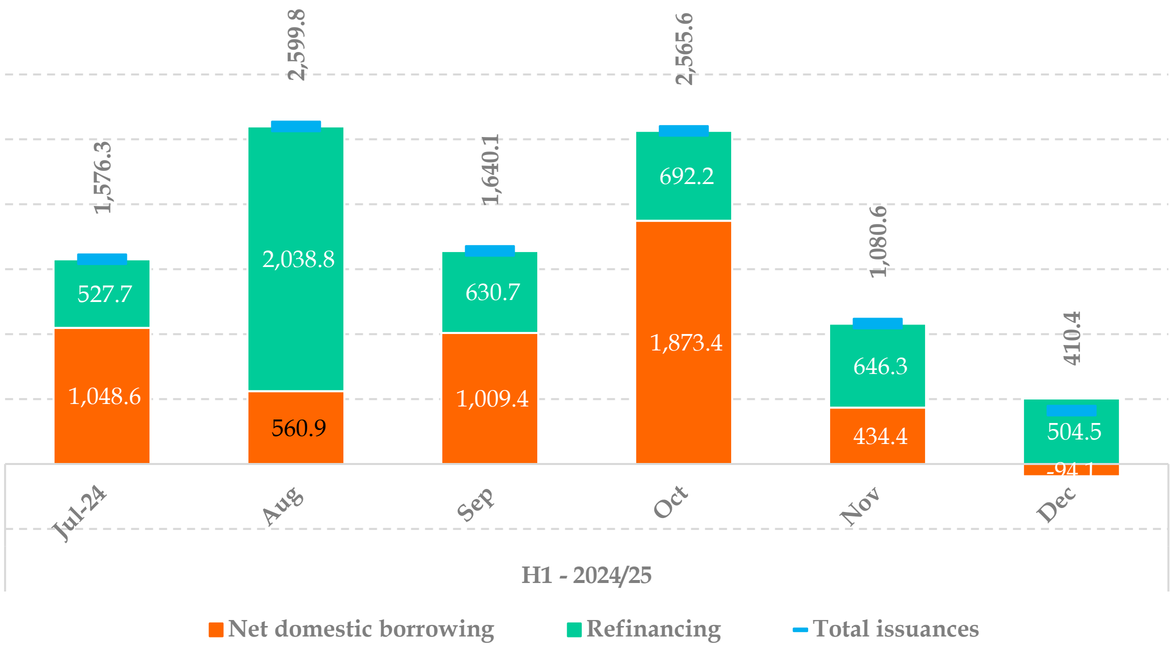


Source: Bank of Uganda

Government Securities

Government raised Shs. 9,872.86 billion from the issuance of Government securities in the first half of FY 2024/25. Of the total amount raised, Shs. 5,040.25 billion was used for refinancing maturing securities while Shs. 4,832.61 billion was used for financing other items in the budget. This implies that as at December 2024, Government had already acquired 54 percent of the total amount to be raised from the sale of domestic securities for budget support. **Figure 8** shows a breakdown of Government securities during H1 FY 2024/25.

Figure 8: Breakdown of Government Securities in Billion Shs



Source: Ministry of Finance, Planning and Economic Development

Yields (interest rates) on Treasury Bills

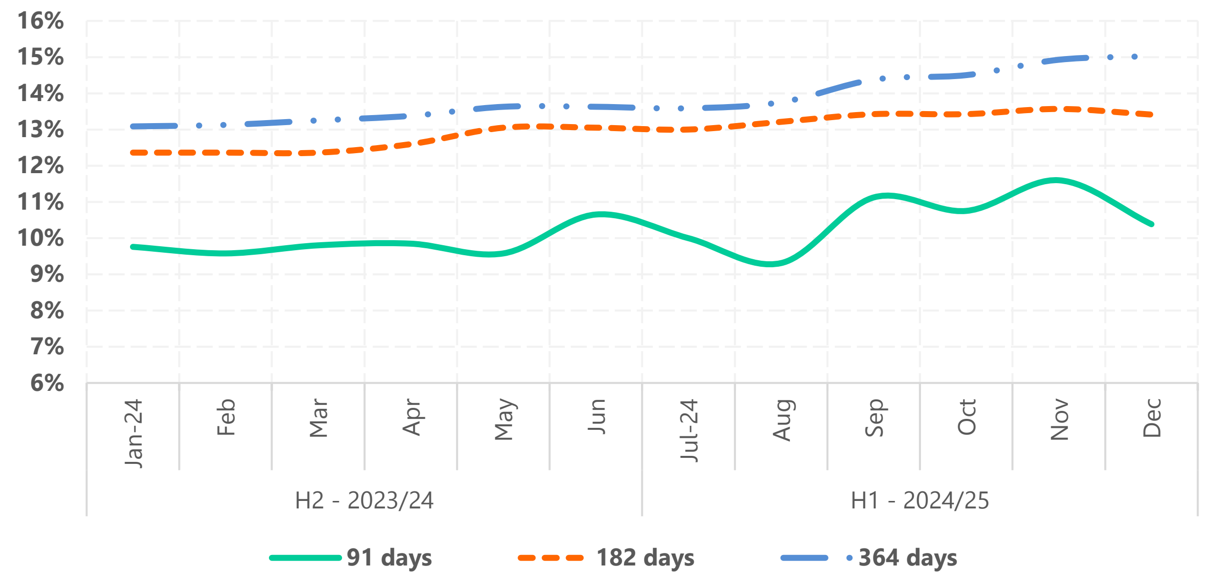
Yields (interest rates) on Treasury Bills edged upwards in H1 FY 2024/25 compared to the last half of the previous financial year. Yields on the 91-day, 182-day, and 364-day tenors averaged 10.5 percent, 13.3 percent and 14.4 percent in H1 FY 2024/25 compared to 9.9 percent, 12.6 percent and13.3 percent registered in H2 FY 2023/24, respectively. Despite the decline in the CBR, yields on Treasury Bills remained on an upward trend partly due to the increased Government borrowing needs. **Table 1** shows the average annualised yields on Treasury Bills since H1 FY 2022/23.

Table 1: Average Annualised Yields on Treasury Bills (%)

	H1 2022/23	H2 2022/23	H1 2023/24	H2 2023/24	H1 2024/25
91 Days	10.4	10.3	9.8	9.9	10.5
182 Days	12.0	10.8	12.0	12.6	13.3
364 Days	14.1	12.4	12.6	13.3	14.4

Source: Bank of Uganda

Figure 9: Movement of Treasury Bill Yields (interest rates)



Source: Bank of Uganda

Lending to the Private Sector

Private Sector Credit

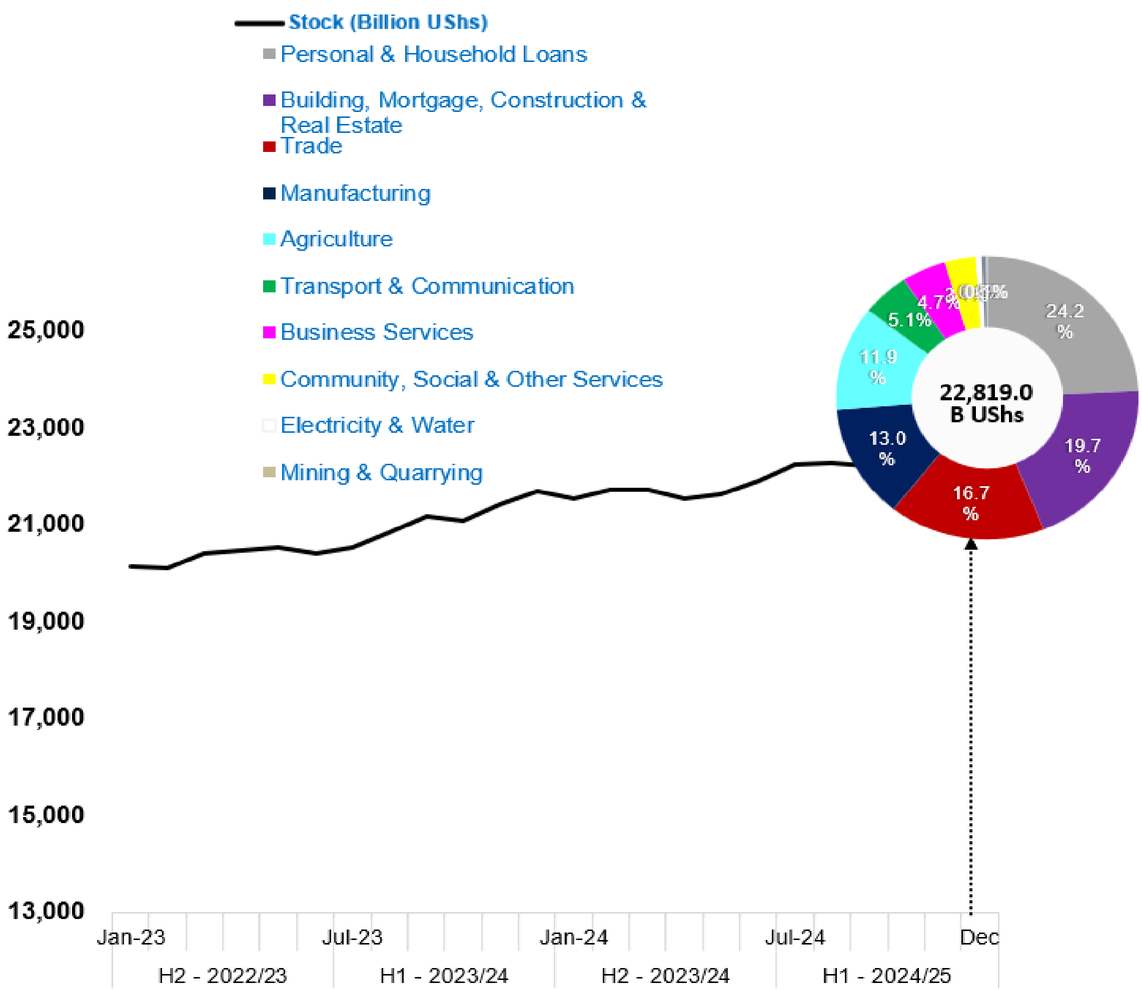
grew by

4.2%

The stock of private sector credit increased by 4.2 percent to Shs 22,818.96 billion in December 2024 from Shs 21,905.82 billion recorded at the end of June 2024. This was higher than the growth rate of 0.9 percent recorded in June 2024 when compared to December 2023, partly attributed to higher demand for credit following an improvement in economic activity.

The value of credit approved for extension to the private sector in the first half of FY 2024/25 amounted to Shs 9,899.84 billion, which is a 33.6 percent growth compared to the total of Shs 7,407.73 billion approved in the second half of FY 2023/24. This followed an increase in the credit extended to most sectors, such as Transport & Communication; Electricity & Water; Manufacturing; Agriculture; Personal & Household Loans; Trade as well as Building, Construction & Real Estate. **Figure 10** shows the stock of private sector credit.

Figure 10: Stock of Private Sector Credit



Source: Bank of Uganda

Exchange Rates

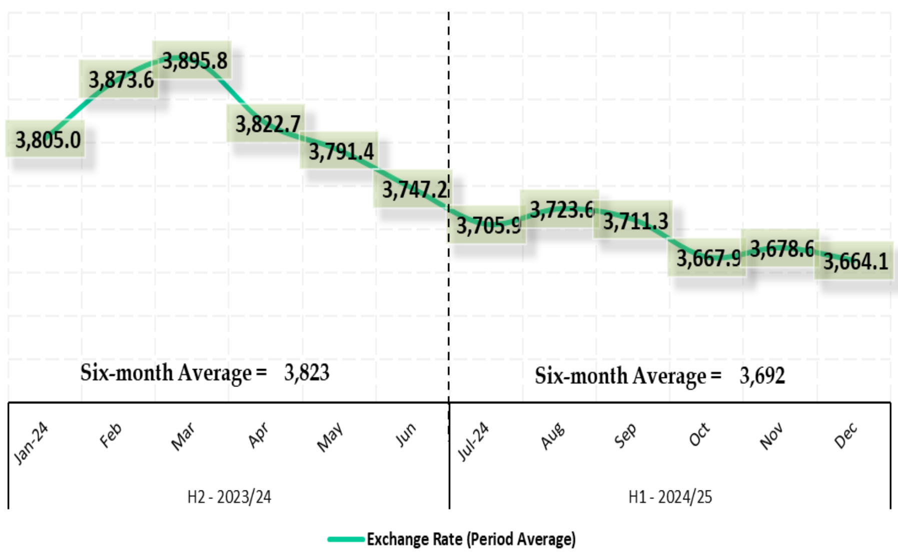
Shilling appreciated

by **1.1%** **per USD** to **3,664.1**

The Ugandan Shilling appreciated by 1.1 percent against the United States Dollar (USD) in the first half of FY 2024/25, moving from an average mid-rate of Shs. 3,705.85/USD in July 2024 to Shs. 3,664.08/USD in December 2024, as shown in **Figure 11**. Similarly, when compared to H2 2023/24, the Shilling strengthened by 3.4 percent, lowering from a period average of Shs. 3,822.61/USD to Shs. 3,691.91/USD in H1 2024/25. This appreciation was partly driven by increased inflows from export receipts (particularly coffee), remittances, amidst increased demand for the dollar from the energy, oil & gas, telecom, and manufacturing sectors.

Key reforms in the Interbank Foreign Exchange market also contributed to the appreciation of the Shilling. Among these reforms was the adoption of the Global Foreign Exchange Code, which aimed to enhance transparency, ethical conduct, and market integrity so as to strengthen investor confidence and increase foreign participation in Uganda's forex market. These reforms have partly facilitated an increase in foreign currency inflows, thereby contributing to the growth of foreign exchange supply in the domestic market.

Figure 11 : Exchange Rate Movement (Shs against USD)

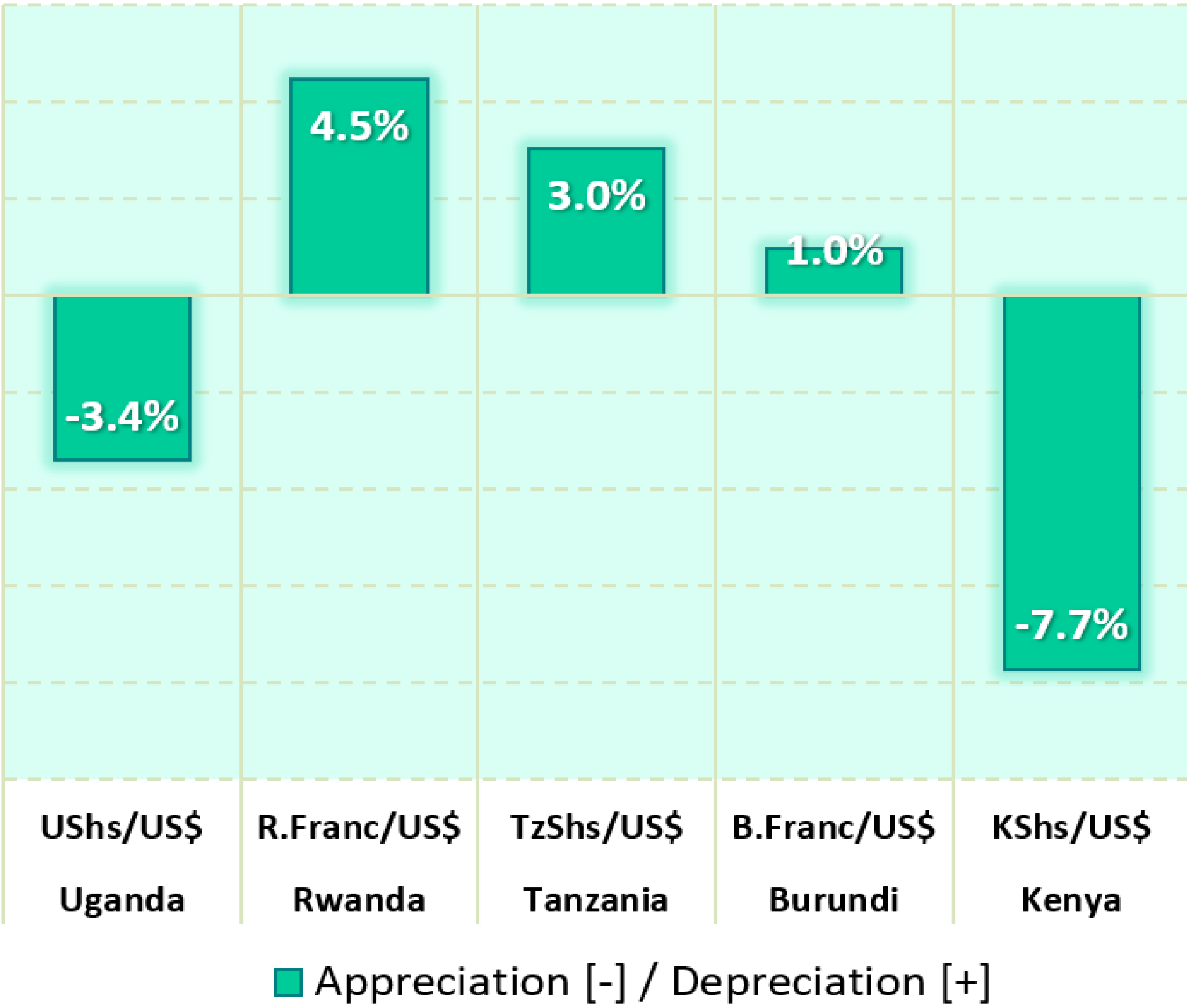


Source: Bank of Uganda

Exchange Rates within the EAC[2]

The currencies of the EAC Partner States showed varying trends against the US Dollar in the first half of FY 2023/24 compared to H2 FY 2024/25, as illustrated in **Figure 12**. The Kenyan and Ugandan Shillings appreciated by 7.7 percent and 3.4 percent, respectively, while the Tanzanian Shilling, Rwandan Franc, and Burundian Franc depreciated by 3.0 percent, 4.5 percent, and 1.0 percent, respectively, against the US Dollar.

Figure 12: Change in Exchange Rates (Period Average) in EAC for H1 2024/25



Source: Respective Central Banks

[2] Data on Exchange Rates for South Sudan, Somalia and D.R.C is available with a lag.

External Sector

Uganda's trade deficit with the Rest of the World widened by 33.3 percent to USD 2,181.2 million in the first half of FY 2024/25 compared to H1 FY 2023/24, driven by a growth in imports which more than offset growth in exports. Specifically, imports grew by 21.3 percent, outpacing the 16.2 percent increase in export earnings. Key contributors to the rise in imports included: vegetable products, beverages, fats & oils; base metals and their products; as well as mineral products (excluding petroleum). Asia remained Uganda's largest source of imports, followed by the East African Community (EAC).

In December 2024, Uganda's international reserves declined to USD 3,302.8 million, equivalent to 3.0 months of future imports of goods and services compared to USD 3,733.9 million recorded in December 2023.

Meanwhile, tourism receipts, Foreign Direct Investment (FDI), and remittances all increased. Tourism earnings rose to USD 283.4 million in the Q1 FY 2024/25 compared to USD 245.4 million in Q1 FY 2023/24. This growth was partly explained by the Government's efforts to promote both international and domestic tourism through targeted marketing initiatives and the implementation of tourism development programs, such as MICE Uganda (Meetings, Incentives, Conferences, and Exhibitions), aimed at positioning Uganda as a leading tourist destination. Remittances grew to USD 389.1 million in Q1 FY 2024/25 compared to USD 360.1 million in Q1 FY 2023/24. FDI grew by 21.9 percent to USD 924.3 million in Q1 FY 2024/25 compared to USD 758.5 million in Q1 FY 2023/24, largely due to increased activities in the oil & gas sector.

Merchandise Trade Balance

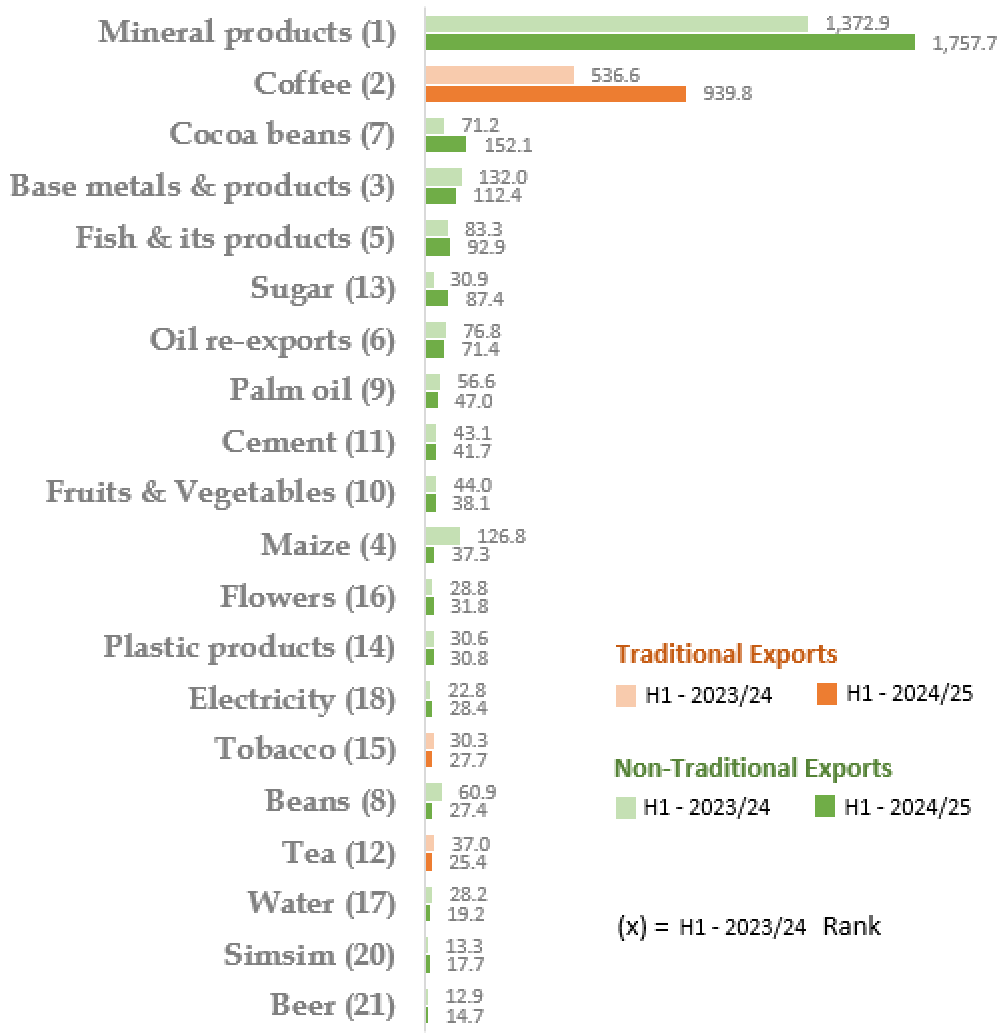
In the first half of FY 2024/25, Uganda's trade with the rest of the world resulted in a deficit of USD 2,181.2 million widening from the USD 1,636.0 million deficit recorded in the first half of FY 2023/24. This was on account of a bigger rise in the import bill relative to the growth in export earnings.

Merchandise Exports

Uganda's exports reached USD 4,401.6 million in the first half of FY 2024/25, reflecting a 16.2 percent increase from USD 3,788.8 million in H1 FY 2023/24. This significant growth in export earnings was largely driven by a 75.1 percent increase in coffee receipts, supported by an increase in the average coffee price to USD 4.51 per kilogram from USD 2.75 in the previous year. Additionally, the volume of coffee exports rose from 3,262,724 to 3,502,155 sixty-kilogram bags during this period partly supported by Government's deliberate interventions to boost coffee production.

Other exports which recorded notable increases in earnings were: mineral products rising by 28.0 percent, cocoa beans by 113.7 percent, sugar by 178.9 percent, and fish by 123.3 percent.

Figure 13: Top 22 Commodity Exports of Uganda in H1 2021/22 VS H1 2020/21 (USD Million)



Source: MOFPED calculations based on data from BOU

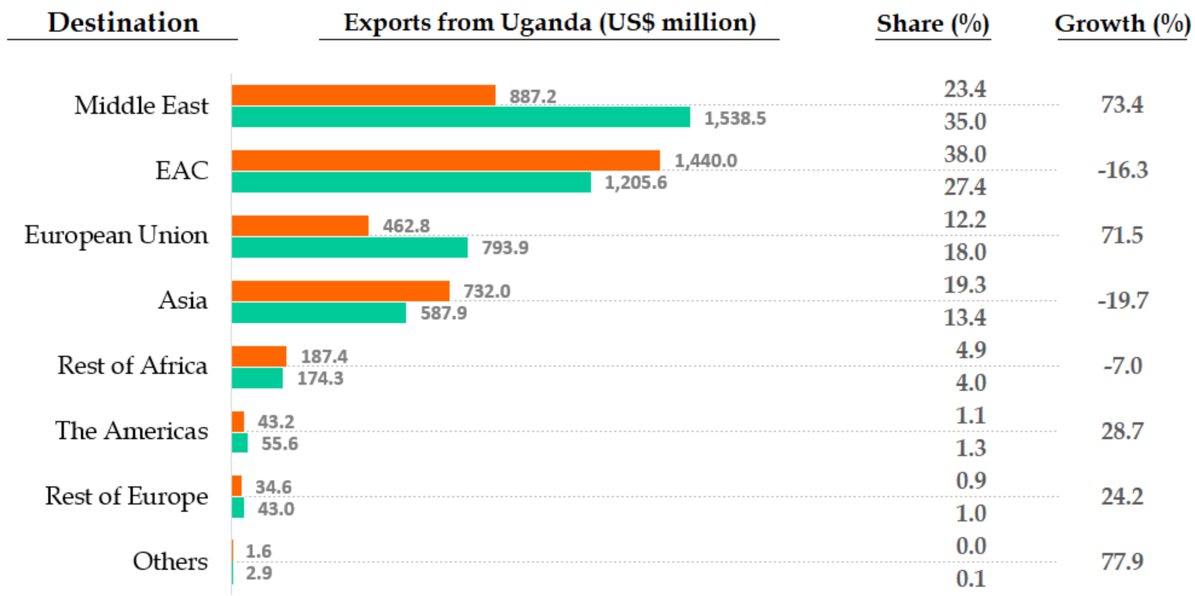
Note: X – denotes the rank of the commodity in the previous Financial Year
Traditional Exports are listed according to the Uganda Trade Policy

Destination of Exports

In the first half of FY 2024/25, the Middle East emerged as Uganda's largest export market, accounting for 35.0 percent of total exports. This marked a shift from the previous year when the East African Community (EAC) was the dominant destination. EAC became the second-largest market, representing 27.4 percent of Uganda's exports, followed by the European Union at 18.0 percent and Asia at 13.4 percent.

The specific commodities exported to the Middle East were mineral products; base metals and sugar were the main exports to the EAC; coffee was the main export to the European Union; and mineral products and coffee were the key exports to Asia.

Figure 14: Destination of Uganda's Exports to different Regional Blocs



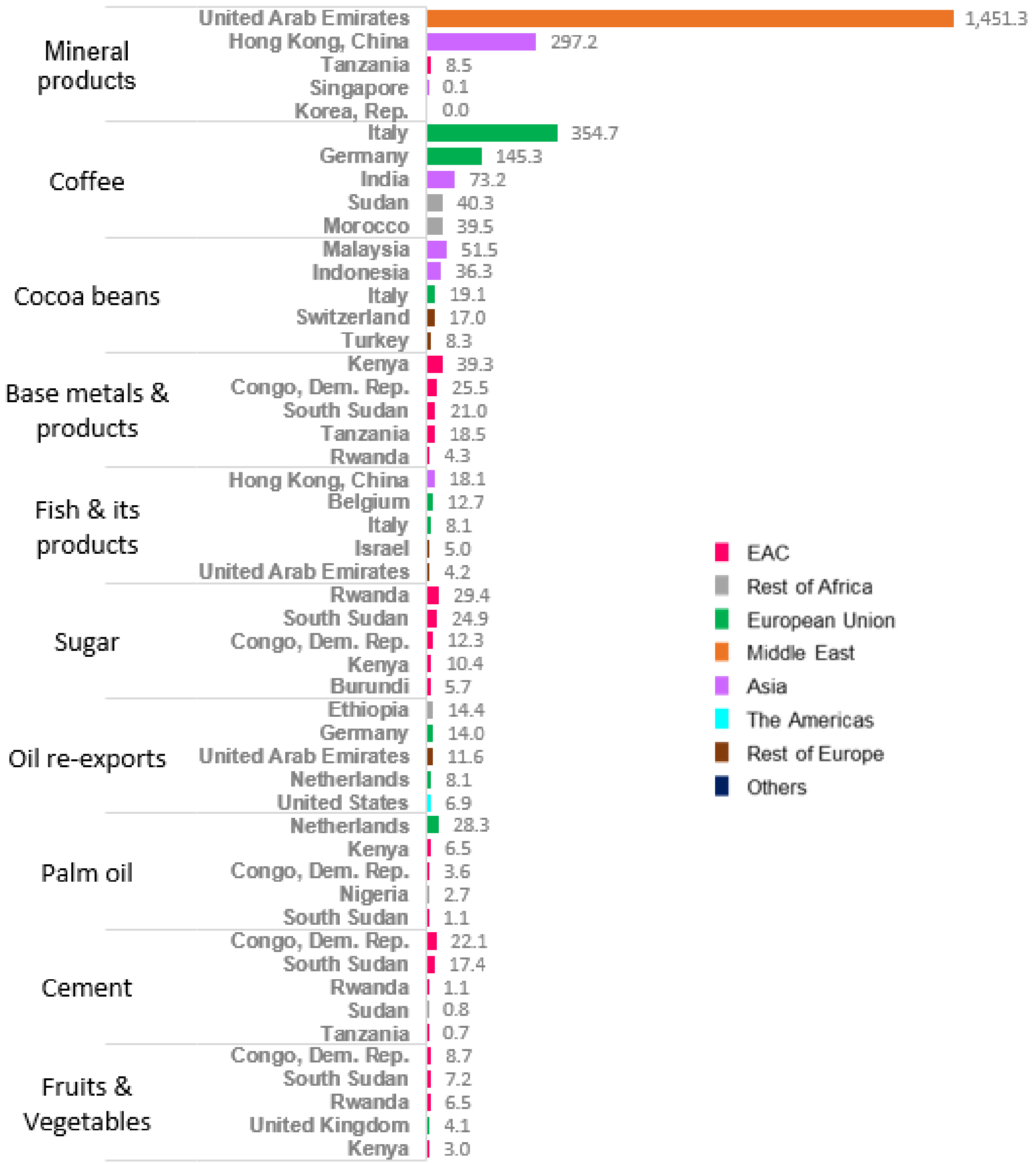
Source: MOFPED calculations based on data from BOU

Country Destination of Uganda's Merchandise Exports

Uganda's mineral exports mainly went to the United Arab Emirates and India, while its coffee exports mainly went to Italy and Germany.

The East African Community (EAC) was the main destination of products like; Base metals, Fruits & Vegetables, Sugar and Beans, in the H1 2024/25, as shown in **Figure 15.**

Figure 15: Top 5 Country Destination of Uganda's Main Exports in H1 2024/25 (USD Million)



Source: MOFPED calculations based on data from BOU

Merchandise Imports

Uganda's merchandise imports increased to USD 6,582.9 million in the first half of FY 2024/25, reflecting a 21.3 percent rise from USD 5,424.8 million in H1 FY 2023/24. This growth was driven by higher Government sector imports for both project and non-project purposes, as well as increased non-oil imports by the private sector. The rise in non-oil imports offset a 13.5 percent decline in oil imports.

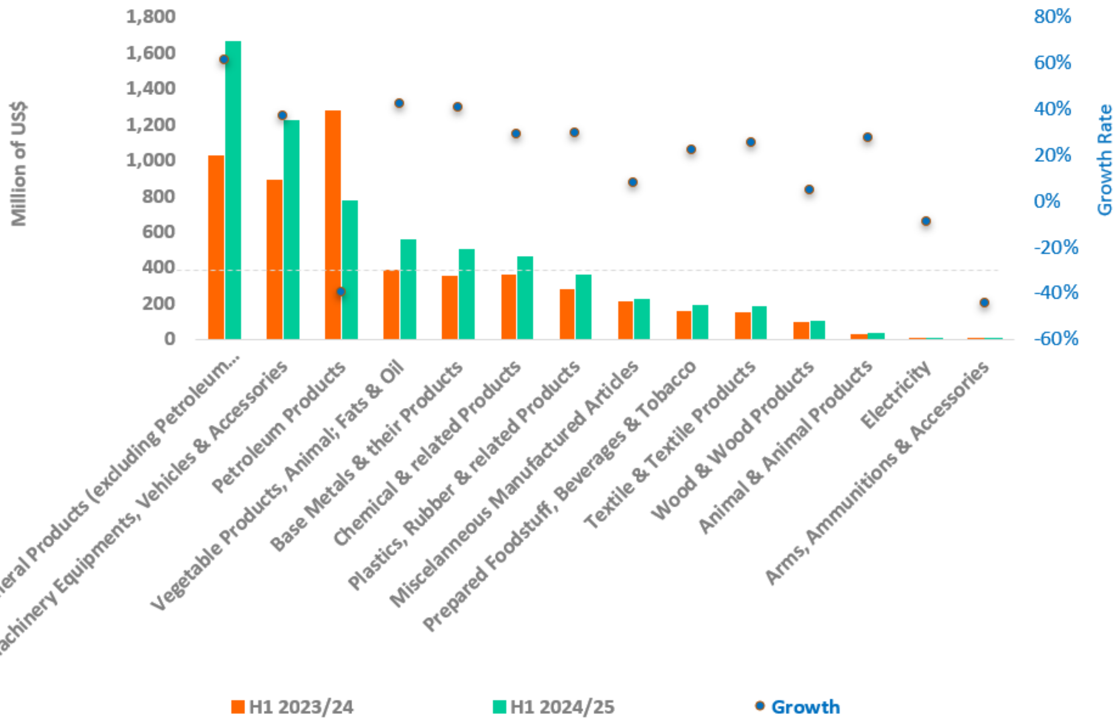
Table 2: Performance of Imports in USD million

	H1 2023/24	H1 2024/25	Difference (value)	Growth Rate
Total Imports (fob)	5,424.8	6,582.9	1,158.1	21.3%
Government Imports	104.1	198.9	94.8	91.0%
Project	96.8	162.2	65.4	67.6%
Non-Project	7.3	36.7	29.3	399.7%
Formal Private Sector Imports	5,260.4	6,328.6	1,068.2	20.3%
Oil imports	897.7	776.4	-121.3	-13.5%
Non-oil imports	4,362.7	5,552.2	1,189.5	27.3%
ICBT Imports	60.2	55.4	-4.8	-8.0%
Total Private Sector Imports	5,320.7	6,384.0	1,063.3	20.0%

Source: Bank of Uganda

The growth in non-oil imports was primarily due to a rise in import volumes of vegetable products, animal, beverages, fats & oils; base metals and their products; and mineral products (excluding petroleum); among others as shown in Figure 16. This rise in imports reflects a broader trend of expanding economic activity and rising domestic demand during the review period.

Figure 16: Composition of Formal Private Sector Imports by Category

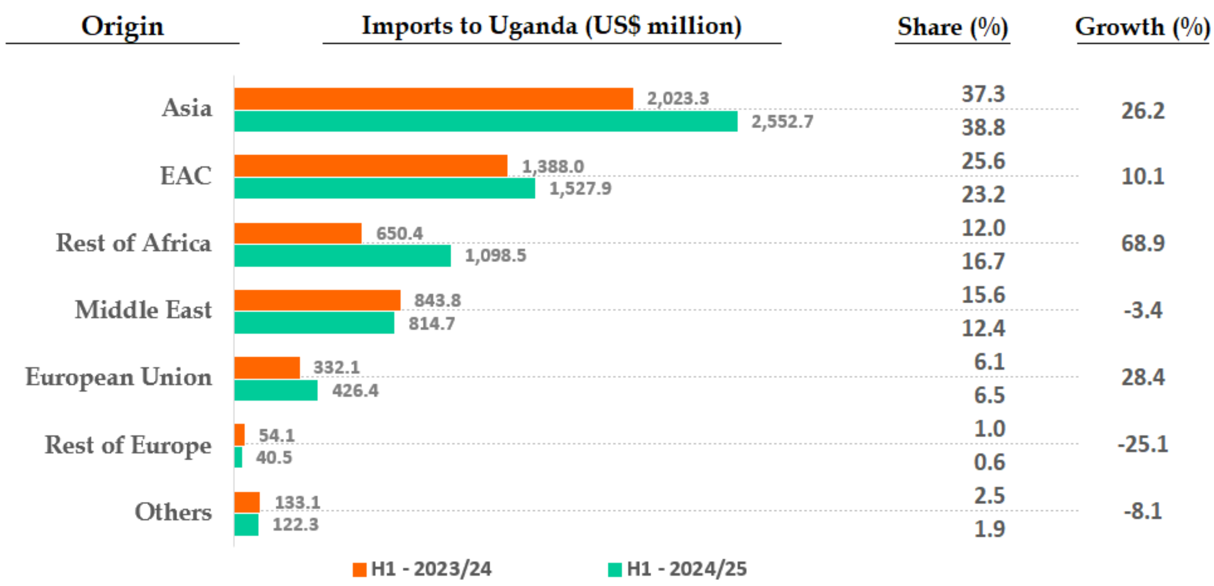


Source: Bank of Uganda
Note: Commodity category is according to the Harmonised Coding System, (BOU)

Origin of Imports

Asia remained Uganda's leading source of merchandise imports during the period under review, accounting for 38.8 percent of total imports. Notably, 83.2 percent of these imports were sourced from China, India, and Japan. The East African Community (EAC), the rest of Africa and the Middle East followed, accounting for 23.2 percent, 16.7 percent and 12.4 percent of total imports, respectively.

Figure 17: Origin of Uganda's Imports from different Regional Blocs



Source: MOFPED calculations based on data from BOU

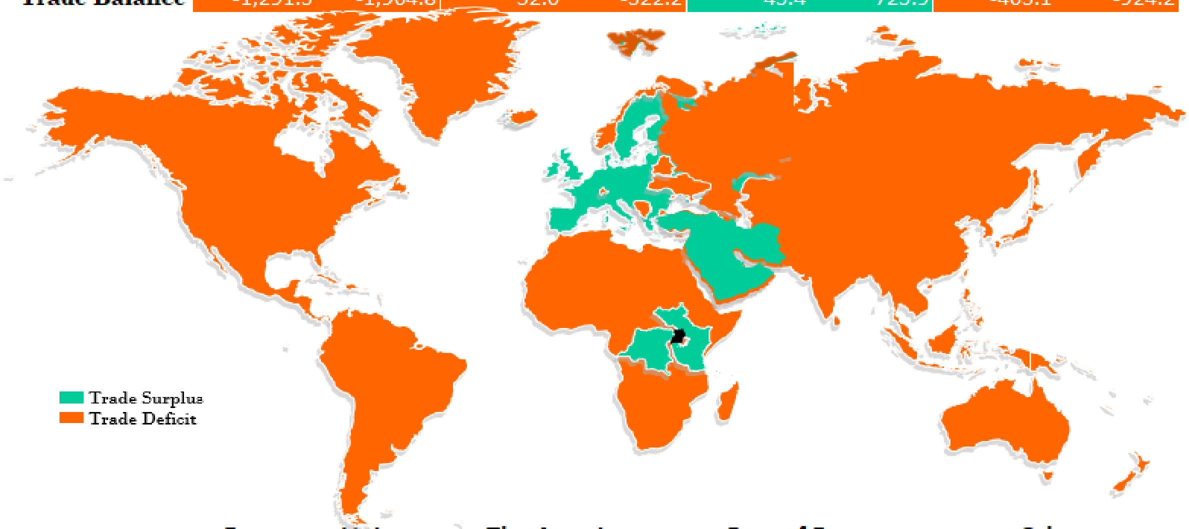
Main Trade Partners

In the first half of Fiscal Year 2024/25, Asia remained Uganda's leading trading partner, with total trade rising by 14.0 percent to USD 3,140.6 million from USD 2,733.5 million in the same period of FY 2023/24. This growth was primarily driven by a significant increase in imports from the region.

Uganda recorded a trade surplus with both the European Union and the rest of Europe during this period. However, trade with the East African Community (EAC) resulted in a deficit of USD 322.2 million, reversing from a surplus of USD 52.0 million in the corresponding period of the previous year. Uganda also continued to register trade deficits with Asia, the rest of Africa, and other regions.

Figure 18: Uganda's Trade Balance across Regional Blocs in H1 FY 2023/24 VS H1 FY 2024/25 (USD Million)

	Asia		EAC		Middle East		Rest of Africa	
	H1-23/24	H1-24/25	H1-23/24	H1-24/25	H1-23/24	H1-24/25	H1-23/24	H1-24/25
Total Trade	2,755.3	3,140.6	2,828.1	2,733.5	1,731.0	2,353.2	837.8	1,272.7
Trade Balance	-1,291.3	-1,964.8	52.0	-322.2	43.4	723.9	-463.1	-924.2



	European Union		The Americas		Rest of Europe		Others	
	H1-23/24	H1-24/25	H1-23/24	H1-24/25	H1-23/24	H1-24/25	H1-23/24	H1-24/25
Total Trade	793.7	1,220.3	171.1	171.6	78.6	83.5	6.8	9.2
Trade Balance	131.9	367.5	-84.7	-60.4	-29.6	2.4	-3.5	-3.4

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

Trade with the EAC

Uganda's trade with the East African Community (EAC) during the first half of FY 2024/25 resulted in a deficit of USD 322.2 million, reversing from a surplus of USD 52.0 million in HI FY 2023/24. This shift was driven by a 10.1 percent increase in imports and a 16.3 percent decline in export earnings from the region compared to H1 FY 2023/24.

Imports from Tanzania, Kenya, and South Sudan grew by 15.3 percent, 6.2 percent and 60.5 percent, respectively. Tanzania remained Uganda's largest source of imports within the EAC, amounting to USD 1,017.9 million, followed by Kenya at USD 461.2 million.

Among Uganda's EAC trading partners, the Democratic Republic of Congo (DRC) was the only country where export earnings increased, rising to USD 416.6 million from USD 381.1 million in H1 FY 2023/24. In contrast, exports to other EAC Partner States declined, with Tanzania experiencing the largest drop at 35.5 percent, followed by Rwanda (33.1 percent), South Sudan (29.5 percent), Burundi (15.7 percent), and Kenya (14.6 percent).

Table 3: Uganda's Trade with EAC Partner States (USD Million)

Country	Particulars	H1 2023/24	H1 2024/25	Growthrate
Kenya	Exports	351.52	300.16	-14.6%
	Imports	434.43	461.18	6.2%
	Trade Balance	-82.91	-161.02	94.2%
Burundi	Exports	40.91	34.48	-15.7%
	Imports	0.73	1.10	49.5%
	Trade Balance	40.18	33.38	-16.9%
Rwanda	Exports	193.38	129.41	-33.1%
	Imports	9.81	7.15	-27.2%
	Trade Balance	183.57	122.26	-33.4%
Congo (D.R.)	Exports	381.11	416.63	9.3%
	Imports	43.84	14.81	-66.2%
	Trade Balance	337.27	401.81	19.1%
South Sudan	Exports	329.49	232.28	-29.5%
	Imports	16.00	25.68	60.5%
	Trade Balance	313.49	206.60	-34.1%
Tanzania	Exports	143.60	92.69	-35.5%
	Imports	883.23	1,017.9	15.3%
	Trade Balance	-739.63	-925.26	25.1%
EAC Exports		1,440.01	1,205.65	-16.3%
EAC Imports		1,388.05	1,527.86	10.1%
EAC Trade Balance		51.97	-322.21	-720.0%

Source: Bank of Uganda

Other Balance of Payments (BOP) transactions[3]

International Reserves: As of December 2024, Uganda's international reserves amounted to USD 3,302.8 million, sufficient to cover 3.0 months of projected imports of goods and services. This marked a decline from USD 3,733.9 million recorded in December 2023, which was equivalent to 3.6 months of import cover.

Tourism: Revenue from tourism reached USD 283.4 million in the first quarter of FY 2024/25, up from USD 245.4 million recorded in Q1 FY 2023/24. This growth was partly explained by the Government's efforts to promote both international and domestic tourism through targeted marketing initiatives and the implementation of tourism development programs, such as MICE Uganda (Meetings, Incentives, Conferences, and Exhibitions), partly explained by Government's implementation of tourism development programs such as MICE Uganda (Meetings, Incentives, Conferences and Exhibitions), aimed at positioning Uganda as a leading tourist destination.

Remittances (Personal Transfers): Personal remittances continued to rise in the first quarter of FY 2024/25, totaling USD 389.1 million, compared to USD 360.1 million in Q1 FY 2023/24.

Foreign Direct Investment: Foreign Direct Investment (FDI) rose by 21.9 percent to USD 924.3 million in Q1 FY 2024/25, from USD 758.5 million in Q1 FY 2023/24. The surge in FDI was primarily attributed to increased investment activity in the oil & gas sector.

[3] Analysis on tourism, remittances and FDI is based on Q1 of FY 2024/25 numbers as Q2 numbers were not available at the time of drafting this report.

FISCAL PERFORMANCE

Chapter II: Fiscal Performance

Overview

The overarching goal of the fiscal strategy in FY 2024/25 and the medium term is to attain inclusive economic growth, while maintaining a stable macroeconomic environment and preserving debt sustainability. This is being attained through continued investment in public infrastructure for inclusive growth and implementation of the Domestic Revenue Mobilization Strategy (DRMS) which targets revenue to GDP growth of 0.5 percentage points every fiscal year.

To achieve the required fiscal balance without compromising fiscal and debt sustainability, Government is undertaking a two-pronged fiscal consolidation approach that aims at harnessing revenue mobilization while ensuring efficiency in public expenditure. Furthermore, Government is prioritizing sectors with high investment multipliers and households in the subsistence economy to promote socio-economic transformation.

In tandem with the above, Government projected to receive total revenue amounting to Shs 16,626.69 billion in the first half of FY 2024/25. On the other hand, expenditure, excluding debt refinancing, was planned to be Shs 23,074.95 billion. This would translate into a planned fiscal deficit (net borrowing) of Shs 6,448.26 billion.

Overview Of Fiscal Outturns in H1 FY 2024/25

During the first half of FY 2024/25, Government operations resulted in a fiscal deficit (net borrowing) of Shs 3,848.42 billion. This was significantly lower than the projected deficit for the period, mainly on account of higher than projected tax revenues collected as well as lower than planned expenses and net acquisition of non-financial assets during the period.

Tax revenues amounted to Shs 14,335.88 billion which was 2.4 percent higher than the target for the half year on account of improvements in tax administration as well as improvements in the level of economic activity. Expenses by Government were short of the Shs 18,631.25 billion programmed for the half year by 4.3 percent (Shs 796.21 billion) while net acquisition of non-financial assets amounted to Shs 2,174.75 billion which was 48.9 percent of the planned Shs 4,443.70 billion for the period. **Table 4** shows the detailed fiscal operations of Government in FY 2024/25.

Table 4: Fiscal Operations H1 FY 2024/25 (Shs Billion)

H1 FY2024/25	Budget	Outturn	Performance	Deviation
Revenue	**16,626.69**	**16,161.37**	**97.2%**	**- 465.32**
Taxes	13,993.16	14,335.88	102.4%	342.71
Grants	1,620.49	828.31	51.1%	- 792.18
Budget support	8.74	116.14	1329.1%	107.40
Project grants	1,611.75	712.17	44.2%	- 899.58
Other revenue	1,013.04	997.18	98.4%	- 15.86
Expense	**18,631.25**	**17,835.04**	**95.7%**	**- 796.21**
Compensation of employees	2,611.91	2,537.18	97.1%	- 74.73
Wages And Salaries	1,790.79	1,796.54	100.3%	5.75
Allowances	425.97	342.70	80.5%	- 83.28
Employers' social contributions	395.15	397.94	100.7%	2.79
Purchase of goods and services	4,138.23	4,229.87	102.2%	91.64
Consumption of fixed capital	-	0.50		0.50
Interest	4,445.51	3,858.19	86.8%	- 587.32
o/w: domestic	3,679.13	3,204.68	87.1%	- 474.44
o/w: foreign	766.38	653.50	85.3%	- 112.88
Grants	6,236.29	6,273.46	100.6%	37.17
Social benefits	162.14	268.30	165.5%	106.16
Other expense	1,037.16	667.55	64.4%	- 369.62
Gross operating balance	- 2,004.56	- 1,673.17	83.5%	331.39
Net operating balance	**- 2,004.56**	**- 1,673.67**	**83.5%**	**330.89**
TRANSACTIONS IN NONFINANCIAL ASSETS:	-	-		-
Net Acquisition of Nonfinancial Assets	**4,443.70**	**2,174.75**	**48.9%**	**- 2,268.95**
Fixed assets	4,253.17	2,143.80	50.4%	- 2,109.37
Nonproduced assets	190.53	30.95	16.2%	- 159.58
Fiscal Deficit (Net Borrowing)	**- 6,448.26**	**- 3,848.42**	**59.7%**	**2,599.84**
TRANSACTIONS IN FINANCIAL ASSETS AND LIABILITIES (	-	-		-
Domestic	**- 4,226.45**	**- 4,667.74**	**110.4%**	**- 441.29**
Bank financing	- 6,160.00	- 1,457.27	23.7%	4,702.73
Bank of Uganda	- 14,119.60	- 1,117.07	7.9%	13,002.53
Commercial Banks	7,959.60	- 340.21	-4.3%	- 8,299.81
Non Bank Financing	1,571.66	- 3,402.07	-216.5%	- 4,973.74
Other Financing (Onlending e.g Karuma	161.89		0.0%	- 161.89
Other accounts payable	200.00	191.60	95.8%	- 8.40
Foreign	**- 2,221.81**	**- 524.35**	**23.6%**	**1,697.46**
Disbursement	- 3,816.68	- 2,067.19	54.2%	1,749.50
Project loans	- 3,816.68	- 1,848.12	48.4%	1,968.56
Concessional project loans	- 2,082.00	- 1,634.81	78.5%	447.19
Non-concessional borrowing (other)	- 1,572.80	- 213.31	13.6%	1,359.49
Non-concessional borrowing (HPPs)	- 161.89	-	0.0%	161.89
Budget Support loans	-	- 219.07		- 219.07
Amortization (-)	**1,594.87**	**1,542.84**	**96.7%**	**- 52.03**
Errors and Ommissions	**0.00**	**1,343.67**		**1,343.67**

Source: Ministry of Finance, Planning and Economic Development

Revenues and Grants

Revenues

Total revenues received by Government in the first half of FY 2024/25 amounted to Shs 16,161.37 billion. This was against a target of Shs 16,626.69 billion implying a performance of 97.2 percent. The lower than target performance was on account of grants from development partners which performed at only 51.1 percent of the target for the period, thereby offsetting the surplus registered under tax revenues.

Tax Revenue

Total tax revenue of Shs 14,335.88 billion was collected in the first half of FY 2024/25 against a target of Shs 13,993.16 billion for the period, resulting in a surplus of Shs 342.71 billion. This performance was mainly on account of improved tax administration as well as higher than projected profitability of some firms in the first half of the financial year.

Direct Domestic Taxes

Overall, income taxes (direct domestic taxes) registered a surplus of Shs 404.19 billion against a target of Shs 5,301.33 billion for the first half of the financial year. Corporation tax registered the highest surplus of Shs 387.97 billion during the period, mainly on account of increased profitability of firms especially in the manufacturing and financial sectors. Additionally, there was some one-off capital gains tax payments arising from the sale of Himcem Holdings Ltd and Cementia Holding Limited's shares in Hima Cement to Rwimi Holdings. Improvement in tax administration, especially through the arrears' management initiative, also contributed to the surplus as corporation tax arrears were recovered from several companies.

Several other subcategories under direct domestic taxes that registered surpluses included rental income tax due to enhanced compliance initiatives put in place by URA, withholding tax and presumptive taxes among others.

Indirect Domestic Taxes

Taxes on consumption of goods and services (indirect domestic taxes) amounted to Shs 3,477.02 billion, registering a shortfall of Shs 95.18 billion against the target of Shs 3,572.20 billion for H1 FY 2024/25. This followed both excise duty and Value Added Tax registering shortfalls of Shs 29.26 billion and Shs 65.92 billion respectively, against their targets. This was mainly attributed to lower than projected sales for items like spirits/waragi, soft drinks, cement and services like phone talk time and international calls as more people shift to use of data calls. High input costs were also highlighted as a major factor for the underperformance of VAT during the half year especially for products like cement, soft drinks and bottled water among others.

Taxes on International Trade and Transactions

Taxes on international trade also registered a modest shortfall of Shs 18.32 billion with collections amounting to Shs 5,436.41 billion against a target of Shs 5,454.72 billion. Whereas import duty as well as excise duty on imports registered a combined surplus of Shs 89.26 billion, this was offset by deficits recorded under petroleum duty (Shs 52.83 billion), VAT on imports (Shs 38.05 billion) and withholding taxes (Shs 15.04 billion) among others.

The underperformance of petroleum duty was due to lower than targeted growth in import volumes of petrol, diesel and kerosene. This was attributed to limits and quotas introduced by the Vessel Scheduling Committee on fuel volumes imported through Mombasa and Dar-es-salaam. Additionally, the energy mix among households has enabled many Ugandans to substitute kerosene with solar contributing to lower than targeted imports, thus lower than projected petroleum duty.

On the other hand, the deficit registered under VAT on imports was mainly due to the increased share of non-VATable items as compared to VATable items. The consistent dominance of non-VATable imports highlights the influence of exemptions and zero-rated goods and their potential implications for revenue generation. Between July and December 2024, the total value of imports was Shs 25,470.16 billion of which Vatable imports accounted for Shs 10,253.77 billion (40.26 percent), while Non-Vatable imports accounted for Shs 15,216.39 billion (59.74 percent).

Inspite of the shortfalls in the above subcategories, there were some positives in other subcategories. There was notable increase in the tax yield of key imported dutiable and excisable goods, resulting in surpluses under both import duty and excise duty on imports. Similarly, there was a surplus of Shs 14.47 billion recorded under export levy primarily driven by growth in exports of gold, which accounted for 69 percent of the collections, followed by fish maws (23 percent).

Non-Tax Revenue (NTR)

The Government projected to collect Shs 1,013.04 billion in the form of non-tax revenue during the first half of FY 2024/25. However, by the end of December 2024, only Shs 997.18 billion had been realized implying a shortfall of Shs 15.86 billion and a performance of 98.4 percent. The shortfall in non-tax revenue collections was partly due to delays in the provision of additional funds to collecting entities to enhance their revenue collection efforts.

Table 5: Details of Domestic Revenue in Shs Billion

	H1 FY2024/25 Target	H1 FY2024/25 Outturn	Difference	Performance	Growth
Total Net Revenues (Net Tax+NTR)	**15,006.21**	**15,333.04**	**326.83**	**102.18%**	**▲14.5%**
Total NTR	**1,013.04**	**997.16**	**(15.88)**	**98.43%**	**▼5.8%**
Net Tax Revenues	**13,993.16**	**14,335.88**	**342.71**	**102.45%**	**▲16.3%**
DIRECT DOMESTIC	**5,301.33**	**5,705.52**	**404.19**	**107.62%**	**▲20.2%**
PAYE	2,507.77	2,501.55	(6.22)	99.75%	▲10.0%
Corp tax	1,179.19	1,567.16	387.97	132.90%	▲48.0%
Presumptive Tax	7.75	9.01	1.26	116.29%	▲14.0%
Other non-PAYE	51.84	62.01	10.18	119.63%	▲32.3%
WHT	876.88	895.12	18.24	102.08%	▲16.3%
Rental Income	160.24	162.93	2.69	101.68%	▲20.1%
Tax on bank interest	101.07	101.95	0.88	100.87%	▲20.4%
Treasury bills	358.36	333.00	(25.36)	92.92%	▼0.1%
Casino & Lottery	58.24	72.79	14.55	124.99%	▲96.0%
INDIRECT DOMESTIC	**3,572.20**	**3,477.02**	**(95.18)**	**97.34%**	**▲8.8%**
Excise	**1,192.25**	**1,162.99**	**(29.26)**	**97.55%**	**▲10.5%**
O/w Beer	228.13	226.75	(1.38)	99.39%	▲8.3%
Spirits/Waragi	129.58	126.18	(3.40)	97.37%	▲19.7%
Soft Drinks	138.19	126.22	(11.98)	91.33%	▲6.7%
Phone Talk time	189.89	162.17	(27.72)	85.40%	▼1.5%
Cement	25.68	23.93	(1.75)	93.17%	▲13.7%
Money transfer	104.33	111.80	7.47	107.16%	▲19.5%
International Calls	14.28	11.16	(3.11)	78.20%	▼13.8%
Bank charges	68.64	65.59	(3.05)	95.55%	▲4.3%
Levy on Cash Withdrawals	118.24	116.54	(1.70)	98.56%	▲12.6%
Internet Data	70.06	86.52	16.46	123.49%	▲24.4%
Value Added Tax (VAT)	**2,379.95**	**2,314.03**	**(65.92)**	**97.23%**	**▲8.0%**
O/w Manufacturing	**1,370.40**	**1,202.15**	**(168.25)**	**87.72%**	**▼4.1%**
Services	**419.22**	**460.74**	**41.52**	**109.90%**	**▲23.0%**
Agriculture	11.99	11.43	(0.57)	95.28%	▲11.8%
Construction	79.24	84.56	5.32	106.71%	▲16.8%
Wholesale & retail trade; repairs	260.11	246.18	(13.93)	94.64%	▲6.9%
Hotels & restaurants	66.33	66.67	0.34	100.51%	▲14.9%
Transport & communications	29.46	105.20	75.74	357.14%	▲268.3%
Real estate activities	119.59	120.95	1.36	101.14%	▲23.9%
Public administration & defence	9.93	8.59	(1.34)	86.51%	▼2.7%
Mining & quarrying	20.89	10.47	(10.42)	50.11%	▼26.9%
Oil and Gas	4.77	8.52	3.75	178.59%	▲102.9%
INTERNATIONAL TRADE	**5,454.72**	**5,436.41**	**(18.32)**	**99.66%**	**▲17.0%**
Petroleum	1,835.31	1,782.48	(52.83)	97.12%	▲15.6%
Import Duty	1,140.70	1,225.57	84.86	107.44%	▲35.6%
Excise Duty	136.80	141.20	4.40	103.22%	▲12.2%
VAT	1,908.54	1,870.49	(38.05)	98.01%	▲10.2%
WHT	123.81	108.77	(15.04)	87.85%	▼1.1%
Surchage	164.83	156.93	(7.90)	95.21%	▲9.6%
Temporary road license	67.56	58.70	(8.86)	86.88%	▲3.7%
Infrastructure levy	68.14	68.78	0.64	100.94%	▲15.9%
Export levy	9.04	23.51	14.47	260.06%	▲206.4%
STAMP DUTY & EMBOSSING FEES	**67.29**	**63.31**	**(3.99)**	**94.08%**	**▲8.6%**
TAX REFUNDS	**(402.38)**	**(346.37)**	**56.00**	**86.08%**	**▲8.7%**

Source: Uganda Revenue Authority & Ministry of Finance, Planning and Economic Development

Grants

The total grants disbursed during the first half of FY 2024/25 amounted to Shs 828.31 billion. This was against a projection of Shs 1,620.49 billion implying a performance of 51.1 percent. The underperformance was wholly recorded under project support grants where only Shs 712.17 billion out of the expected Shs 1,611.75 billion was realized. These disbursements were primarily impacted by delays in the approval process for certain projects, despite their inclusion in the budget, as well as a halt in some World Bank funded projects due to un-met pre-disbursement conditions.

On the other hand, general budget support grants disbursement amounted to Shs 116.14 billion which was way higher than the Shs 8.74 billion that had been programmed for the period. This was due to higher-than programmed budget support grant from USAID to support National Referral Hospitals.

Expenditure

During the first half of FY 2024/25, total Government expenses amounted to Shs 17,835.04 billion against a plan of Shs 18,631.25 billion, implying a performance of 95.7 percent. The underperformance was majorly observed under compensation of employees as well as the other expenses category.

Expenses on compensation of employees amounted to Shs 2,537.18 billion in H1 FY 2024/25 against a plan of Shs 2,611.91 billion implying a 97.1 percent performance. The below 100 percent performance was entirely on account of allowances which were lower than planned by 19.5 percent due to the ongoing expenditure rationalization where some funds are being reallocated to more productive and growth supporting budget items. On the other hand, wages and salaries performed at 100.3 percent of the plan for the period. Similarly, employer's social contributions also performed at 100.7 percent of the plan.

Expenses on purchase of goods and services, social benefits, and grants to local Governments, hospitals and tertiary institutions were higher than planned for the period due to supplementary expenditure requirements for the period.

Acquisition of Non-Financial Assets

Government spent Shs 2,174.75 billion on acquisition of non-financial assets. This was lower than the Shs 4,443.70 billion that had been initially projected for the period. This was partly due to some of the externally funded projects being primarily impacted by delays in the approval process despite their inclusion in the budget. Additionally, some new projects in the budget were affected by the suspension of funding from the World Bank, change of project scope from approved plans and delays in acquisition of right of way for infrastructure projects. These factors continued to impact overall performance of projects hence slowing down Government's acquisition of non-financial assets.

Financing

During the first half of FY 2024/25, the Government's fiscal deficit (net borrowing) amounted to a total of Shs 3,848.42 billion. This deficit was financed through borrowing from the domestic financial markets as well as from external sources. Disbursements from external financiers amounted to Shs 2,067.19 billion while the principal amount due for amortization in H1 FY 2024/25 was Shs 1,542.84 billion which was duly paid. As such, the net external borrowing for the period was Shs 524.35 billion. From the domestic market, a total of Shs 4,667.74 billion was mobilized from both the banking and non-banking sectors.

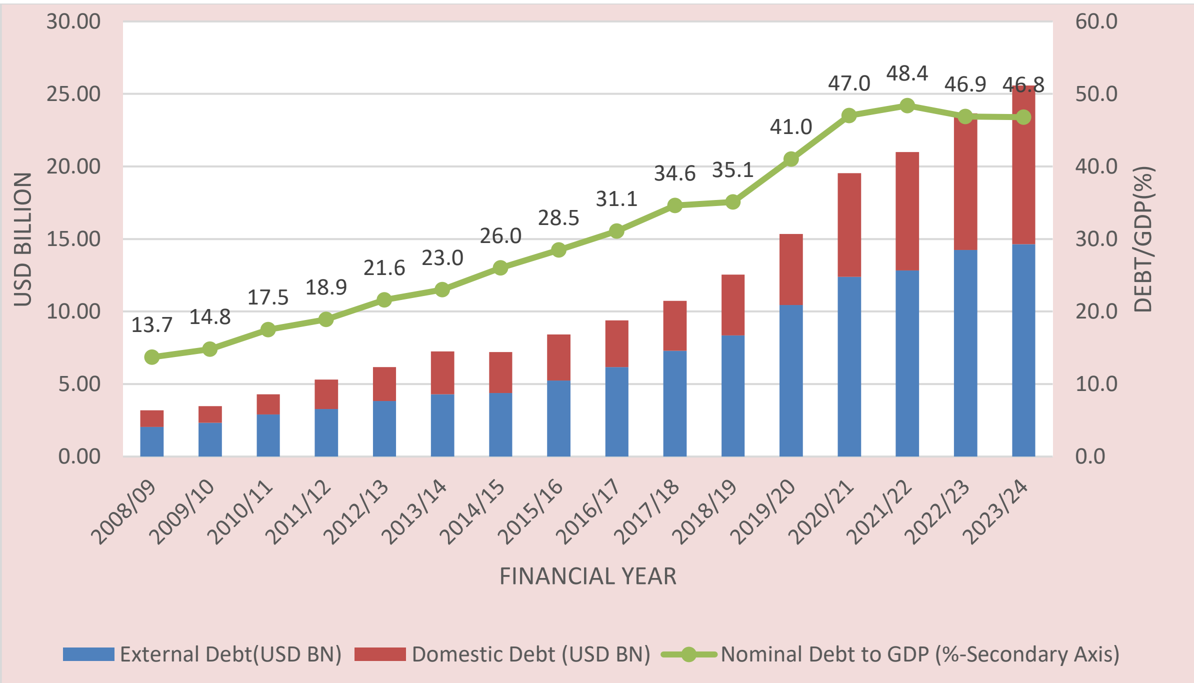
Debt Sustainability Analysis

According to the Debt Sustainability Analysis Report (December 2024), Uganda's total public debt increased from USD 23.66 billion (Shs 86,779.87 billion) in FY 2022/23 to USD 25.59 billion (Shs 94,869.5 billion) in FY 2023/34. The country's external debt stock rose from USD 14.24 billion (Shs 52,206.07 billion) to USD 14.63 billion (Shs 54,236.13 billion) between June 2023 and June 2024, while domestic debt grew from USD 9.43 billion (Shs 34,573.80 billion) to USD 10.96 billion (Shs 40,633.37 billion) over the same period.

As a percentage of GDP, public debt continued on a downward trend slightly decreasing from 47.4 percent in June 2023 to 46.8 percent in June 2024. However, when measured in present value terms the stock of public debt amounted to 40.4 percent of GDP, up from 36.7 percent the previous financial year largely explained by the significant increase in domestic debt. Over the medium term, Uganda's debt-to-GDP ratio is expected to peak at 53.0 percent in FY 2025/26 before starting to gradually decline. The present value of debt is also expected to increase to a peak of 46.8 percent of GDP in FY 2025/26 remaining below the 50 percent stipulated under the East Africa Monetary Union (EAMU) convergence criteria.

The Debt Sustainability Analysis (DSA) indicates that Uganda's public debt is sustainable in the medium to long term, supported by factors such as expected robust GDP growth, the onset of oil production contributing to domestic revenue and a decrease in the borrowing need. However, there is moderate risk of debt distress, mainly due to slow export growth and a rising debt service burden, which amounted to 31.5 percent of revenue as of June 2024. **Figure 19** below shows the evolution of public debt over the past few years.

Figure 19: Evolution of Public Debt



Source: Ministry of Finance, Planning and Economic Development

Compliance with the Charter for Fiscal Responsibility

FY 2024/25 is the fourth 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 FY 2021/22 – FY 2025/26 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 FY 2025/26.
ii. The overall fiscal deficit is reduced to a deficit not exceeding 3.0 percent of non-oil GDP by FY 2025/26.

To achieve those two overarching goals, paths for various fiscal variables were set against which progress is measured annually. According to the Charter path, debt to GDP is supposed to be not more than 51.2 percent in FY 2024/25. The most recent Debt Sustainability Analysis showed that the Debt to GDP ratio was 46.8 percent as at June 2024. The target on the fiscal deficit may be affected by Government operations in the second half of the financial year. Whereas revenues are expected to perform well, the need to finance critical infrastructure, e.g. infrastructure critical for first oil production could affect the achievement of the of target set in the Charter, of fiscal responsibility.

Status of the Petroleum Fund

The opening balance on the Petroleum Fund at the start of FY 2024/25 was Shs 145.979 billion. During the first half of the financial year, a total of Shs 105.034 billion was deposited on the fund. There were no withdrawals from the Petroleum fund between July 2024 and December 2024. However, there were foreign exchange losses[4] amounting to Shs 322 million during the period.

[4] These are as a result of translating USD denominated transactions to UGX for reporting purposes.

As a result, the closing balance on the petroleum fund at the end of December 2024 was Shs 250.691 billion. **Table 6** shows a summary of the petroleum fund in H1 FY 2024/25

Table 6: Summary of the Petroleum Fund in H1 FY 2024/25

	H1 FY 2024/25
Net worth Last Year (B/F)	145,979,319,219
Revaluation Reserve (Unrealised gains/losses)	(322,341,026)
Adjustment for understated cash balances	0
Add: Excess of revenue over expenditure for the Year *(See Statement of Financial Performance)*	105,034,781,451
Closing Net Financial Worth	**250,691,759,644**

Source: Office of the Accountant General

Status of the Contingency Fund

In line with Section 18 (1) (d) of the Public Finance Management (PFM) Act 2015, the Contingency Fund was allocated Shs 169 billion by Parliament for the FY 2024/25. By the end of December 2024, Shs 75 billion had been transferred to the fund.

Of the amount transferred to the fund, Shs 15.375 billion has been spent, as follows;

I. Shs 8.437 billion was released to the Office of the Prime Minister (OPM) for disaster responses in the flood affected districts.
II. Shs 0.374 billion to Ministry of Works and Transport
III. Shs 0.07 billion to Ministry of Gender, Labor and Social Development,
IV. Shs 4.916 billion to Kampala Capital City Authority to manage the after-effects of the Kiteezi landfill disaster,
V. Shs 1.077 billion to Uganda Police to manage security at Kiteezi,
VI. Shs 0.5 billion to Ministry of Kampala Metropolitan Affairs to coordinate disaster responses at Kiteezi.

Virement Report

Detailed report in the Semi-Annual Budget Performance Report FY 2024/25, attached as an Annex to that report.

Donations by Vote

Detailed report in the Semi-Annual Budget Performance Report FY 2024/25, attached.

OUTLOOK ON THE ECONOMY

Chapter III: Outlook on the Economy

Economic Growth;

The economy is projected to grow by 6.4 percent in FY 2024/25 and 7.0 percent in FY 2025/26, on account of increased output in Services, Industry and Agriculture, forestry and fishing sectors, supported by;

i. Continued implementation of strategic Government interventions like the PDM, Emyooga and capitalisation of UDB aimed to enhance agricultural production & productivity, support small businesses & service providers, and provide affordable credit to manufacturers, respectively. Government in Q3 released Shs 529 billion for the PDM and Shs 20.08 billion for UDB.
ii. Increased investment in the oil and gas sector, which is expected to stimulate economic activity, boost the services sector, and drive aggregate demand through job creation.
iii. Public investment in infrastructure, including roads, highways, industrial parks, and electricity, to enhance economic activity.
iv. Increased regional trade to support investments and export growth.
v. Increased investment in tourism infrastructure and attractions, along with efforts to host international conferences, meetings, and sporting events to boost the services sector.

The external environment is expected to see a moderate rise in economic activity as global inflationary pressures reduce. This will in turn support an increase in tourist inflows, FDI and remittances into the country. Already, tourism inflows, Foreign Direct Investments (FDI), and remittances experienced significant growth in the first quarter of FY 2024/25, growing by 13.5 percent, 21.9 percent, and 8.0 percent, respectively, compared to the same period in FY 2023/24, indicating positive prospects for investment and aggregate demand in the economy.

Going forward, Uganda's economy is expected to sustain higher growth rates over the medium term, as real GDP is projected to lie between 7 to 10 percent. This outlook is on account of implementation of the 10-fold growth strategy which is focused on increasing production and productivity in the key sectors of Agro-industrialization, Tourism, Mineral development including oil and gas, and Science, technology & innovation (ATMS).

On the other hand, there are downside risks to real GDP growth and these include; unpredictable weather patterns which could affect agricultural production and infrastructure, supply chain distortions due to regional and global geopolitical tensions, tighter global financial conditions which could lead to higher borrowing costs and debt repayment and lastly fluctuation in the global commodity prices which could affect domestic inflation as well as export volumes.

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

i. Government aims to boost household incomes and Small and Medium Enterprises (SMEs) through initiatives such as the Parish Development Model (PDM) and Emyooga which focus on enhancing agriculture production productivity and improving access to financial services for small- scale businesses.
ii. To ensure debt sustainability and prioritize development priorities, Government's focus is strategic fiscal consolidation and increasing revenue mobilization through effective implementation of the Domestic Revenue Mobilization Strategy.
iii. To reduce the cost of doing business for the private sector, Government has provided affordable capital through the Uganda Development Bank, Emyooga, Agricultural Credit Facility, youth livelihood fund 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.

Inflation;

For the rest of the FY 2024/25, annual core inflation is expected to remain below the medium-term target of 5 percent as weather conditions remain favourable, the shilling remains strong supported by increased capital flows into the oil and gas sector and global inflationary pressures continue to decline.

Inflation however could go above expectations, if weather conditions suddenly become unfavourable and disrupt food supply or if global inflation reverses its downward trend.

Financial Sector;

The financial sector in Uganda remained resilient in the first half of FY 2024/25, supported by favourable monetary policy and improving macroeconomic conditions. The Bank of Uganda (BoU) progressively lowered the Central Bank Rate (CBR) from 10.25 percent in July to 9.75 percent in October, where it remained stable. This easing was aimed at stimulating economic growth while maintaining price stability. Private sector credit showed signs of recovery, growing by 4.2 percent to Shs 22,818.96 billion in December 2024, up from Shs 21,905.82 billion in June 2024. This growth was notably higher than the 0.9 percent recorded in the previous six months, reflecting improved economic activity and demand for credit. Lower borrowing costs, supported by the reduction in CBR and declining interbank rates, have encouraged banks to expand credit to key sectors such as agriculture, manufacturing, and SMEs.

As such, the outlook points to a pickup in private sector credit growth as demand for credit improves, supported by favourable macroeconomic conditions and ongoing monetary policy easing. Government initiatives like Emyooga, the Small Business Recovery Fund (SBRF), Uganda Development Bank (UDB), and the Agricultural Credit Facility (ACF) are expected to further support private sector credit growth by addressing financing gaps for smallholder farmers, women entrepreneurs, and youth-led businesses. Additionally, increased foreign direct investment, particularly in oil and mining, is anticipated to drive demand for credit.

Despite the positive outlook, risks to the financial sector persist. Geopolitical tensions and global market volatility could weaken the Shilling, increasing external debt costs and inflationary pressures. A sharp depreciation may necessitate tighter monetary policy, raising interest rates and constraining credit growth.

Fiscal Operations;

Government remains committed to promoting economic growth while maintaining fiscal and debt sustainability. This is to be achieved through: enhancing domestic revenue mobilisation, focusing expenditure on interventions that have high multiplier effects on the economy and public debt management.

Therefore, domestic revenues are projected to increase from UGX.15,333 billion in the first half of FY 2024/25 to UGX. 31,490 billion by the end of FY 2024/25 and will increase further UGX. 35,693 billion (14.3 percent of GDP) in FY 2025/26. This is to be supported by increase in economic growth, tax revenue measures and strengthening the capacity of the Uganda Revenue Authority's (URA) capacity to enforce compliance effectively. Over the medium-term, domestic revenues are projected to grow by at least 0.5 percent of GDP following the commencement of oil production. In addition, Government expenditure and net lending projected to reduce from 22.3 percent in FY 2024/25 to 20.5 percent in FY 2025/26. As a result, the fiscal deficit is expected to gradually decline to below 3 percent of GDP over the medium term, in accordance with the requirements of the Charter for Fiscal Responsibility.

Fiscal Risks

The risks that could undermine the implementation of the Budget for FY 2025/26 and the mitigation measures include:

I. Global factors resulting in high interest rates, high cost of debt, external trade shocks, tourism and FDI disruptions as well as lower than projected performance by URA. The mitigation measures include continuing efforts to increase domestic revenue mobilization, and implementation of economic and commercial diplomacy for sustaining trade, tourism and FDI flows.

II. Climate change effects which impact on economic growth and therefore revenue. The mitigation measures include; continuing to implement the climate change adaptation and mitigation measures across the various programmes.

III. Inefficiency and limited effectiveness of public institutions especially those that relate to implementation of Government programmes and revenue collection. The mitigation measures include; effective implementation of public sector efficiency reforms including the ongoing rationalization of Government institutions, digitization of tax administration, increasing audits of public funds and programmes, and intensifying the fight against corruption.

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FEBRUARY 2025

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