

CSBAG BUDGET NEWS



Uganda's economy shows signs of sustained growth in March



Part of Kampala city aerial view. Photo: International Finance

Uganda's economy continued to exhibit signs of improvement in March 2025 according to the Ministry of Finance's Performance of the Economy monthly report, with various indicators pointing towards sustained growth and optimism.

The Purchasing Managers' Index (PMI) rose to 52.9 from 52.6 in the previous month, signaling enhanced economic activity. The Composite Index of Economic Activity (CIEA) remained steady at 170.4 in February 2025, maintaining the same level as January 2025.

Business sentiments also remained positive, with the Business Tendency Index (BTI) recording 58.41 in March 2025. Business players expressed optimism about the upcoming quarter, particularly in the agricultural sector, wholesale trade, and other industries.

On the inflation front, Uganda witnessed a decline in annual headline inflation, which dropped to 3.4 percent in March 2025 from 3.7 percent in February 2025.

This decrease was largely driven by a reduction in core inflation, attributed to easing prices of services and non-food goods.

These positive trends suggest a promising outlook for Uganda's economy, with growth and stability expected to continue in the coming months.

Shilling appreciation continues

The Ugandan Shilling continued its strengthening trend against the US Dollar in March 2025, appreciating by 0.3 percent to an average mid-rate of Shs 3,667.63/USD, up from Shs 3,677.46/USD in February 2025.

This performance was partly attributed to increased dollar inflows from portfolio investors, remittances, and foreign direct investment, particularly in the oil sector.

In the lending market, interest rates rose, with the weighted average lending rate for shilling-denominated loans increasing to 18.76 percent in February 2025 from 16.50 percent in January 2025. This hike was driven by more lending to short-term, higher-risk borrowers, particularly in the trade and personal/household sectors.

Government fundraising efforts were successful, with Shs 1,847.41 billion raised from securities sales in March 2025. Of this amount, Shs 715.80 billion came from Treasury Bills, while Shs 1,131.61 billion was raised from Treasury Bonds. The funds were utilized for budget financing (Shs 1,360.18 billion) and refinancing maturing securities (Shs 487.23 billion).

Private sector credit growth remained steady, with outstanding credit reaching Shs 23,121.38 billion in February 2025, representing a 1.1 percent increase.

This growth was primarily driven by an increase in foreign currency-denominated credit, particularly in the trade and business sectors.

Fiscal sector update

Government operations in March 2025 resulted in a gross operating deficit of Shs 811.13 billion, exceeding the projected deficit of Shs 513.23 billion.

This variance was attributed to revenue shortfalls and higher-than-expected expenses during the month. Revenue collections fell short of the target, with combined tax and non-tax revenue amounting to Shs 2,342.70 billion against a target of Shs 2,509.66 billion, representing a shortfall of Shs 166.96 billion.

A breakdown of the revenue collections shows that Direct taxes contributed Shs 775.92 billion, Indirect taxes Shs 614.02 billion, international trade transactions taxes Shs 875.99 billion, and non-tax revenue Shs 136.27 billion. All sub-categories failed to meet their targets for the month.

On the expenditure side, government spending rose to Shs 3,163.84 billion, surpassing the programmed amount of Shs 3,128.67 billion.

The increase was primarily driven by higher-than-planned expenses in compensation of employees, interest payments, and grants.

Despite the higher deficit, net borrowing was lower than expected at Shs 919.81 billion compared to the programmed Shs 950.78 billion. This was attributed to slower-than-expected spending on the acquisition of non-financial assets due to delayed project implementation.

East African community update

Inflation rates rose in most East African Community (EAC) partner states in March 2025, except for Uganda. Kenya's headline inflation edged up to 3.6 percent from 3.5 percent in February 2025, while Tanzania's increased to 3.3 percent from 3.2 percent. Rwanda saw a more significant jump, with inflation rising to 4.9 percent from 3.8 percent over the same period.

In currency markets, the Ugandan shilling appreciated against the US dollar, while the Kenyan shilling remained relatively stable.

In contrast, the Tanzanian shilling, Rwandan franc, and Burundi franc depreciated by 2.6 percent, 0.8 percent, and 0.2 percent, respectively, in March 2025.

Uganda's trade deficit with other EAC partner states widened in February 2025, reaching USD 16.92 million, down from a surplus of USD 12.2 million in the previous month.

This decline was driven by a 10.3 percent drop in export earnings, coupled with a 2.3 percent increase in imports from the region.

Read more details of the Performance of the Economy monthly report (March 2025) [here](#).

CSBAG IN THE NEWS

1. Record debt levels point to dark future, [Read more here](#).
2. Dollar dilemma: How Capital Markets missed Umeme moment, [Read more here](#).
3. CSOs Advocate Joint Action to End malnutrition among Children in Uganda, [Read more here](#).



#PARTICIPATORYBUDGETING

Last week, we held a community dialogue on gender and equity in education service delivery in Odravu subcounty, Yumbe district. The event brought together local government officials, school representatives, and community members to discuss challenges and opportunities for promoting inclusive education. Key discussions focused on addressing disparities in service delivery and identifying strategies for improvement.

During the month of March 2025, inflation remained below the Bank of Uganda target of 5.0 percent. Annual headline inflation declined to 3.4 percent in March 2025 from 3.7 percent registered in February 2025. This decline was mainly attributed to annual core inflation which dropped to 3.6 percent in March 2025 from 3.9 percent in February 2025.

Source: Performance of the Economy monthly report by MoFPED (March 2025)

