UGANDA DEBT NETWORK · UDN · DEBT IS SLAVERY

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PERFORMANCE OF THE ECONOMY REPORT JULY 2024

INTRODUCTION

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Uganda's economy has demonstrated significant growth in FY2023/24 reaching 202 trillion from 184 trillion. According to the budget speech FY2024/25 its expected to improve further with enforcement of the tenfold agenda and effective revenue mobilization. As we look at performance of the various sectors of the economy in July 2024 and the effectiveness of the policy reforms.

Real Sector

Annual headline inflation increased marginally to 4.0% in July 2024 up from 3.9% in June 2024. This was attributed to a rise in prices for passenger transport services, accommodation services, recreation, sports and culture services. In addition, prices for foodstuffs such as matooke, irish potatoes and cabbages rose. This in the long run can potentially reduce investment and slow economic growth.

According to the EAC partners, annual headline inflation trended differently in Uganda and Rwanda increasing by 1.9 and 0.5 respectively.

Financial Sector

In July 2024, the Ugandan Shillings appreciated by 1.1% against the US Dollar to an average mid-rate of Shs 3,705.85/USD, compared to Shs 3,747.19/USD in June 2024. This appreciation was on account of increased supply of dollars which outstripped its demand. All other EAC partner currencies faced a depreciation against the dollar except Uganda.

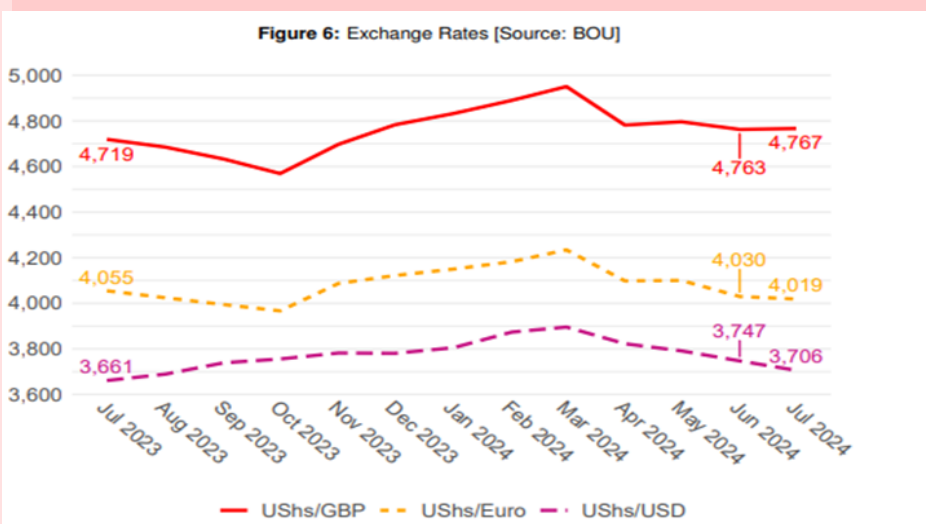


Figure 6: Exchange Rates [Source: BOU]

The weighted average lending rates for Shilling-denominated credit decreased from 18.85% in May 2024 to 17.64% in June 2024. This was partly driven by increased lending to prime borrowers, who secured loans at favorable rates due to their lower risk profile.

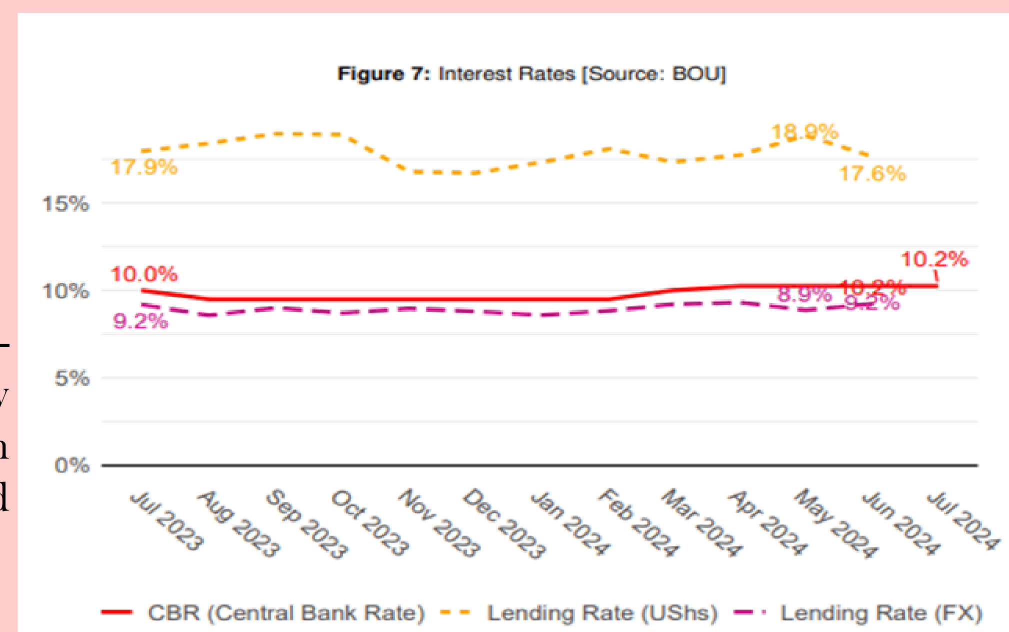


Figure 7: Interest Rates [Source: BOU]

Fiscal Sector

URA registered a revenue surplus of Shs. 124.00 billion in the first month of FY2024/25, total revenue was Shs. 2,233.73 billion, surpassing the target of Shs. 2,181.48 billion. This was largely due to an improved tax performance, with surpluses registered in taxes on income, profits, and capital gains (Shs. 21.00 billion), taxes on goods and services (Shs. 2.40 billion), and international trade taxes (Shs. 34 billion)

Expenses in July 2024 amounted to Shs. 2,198.50 billion against the program of Shs. 2,846.59 billion. This was due to all expense categories, except for social benefits, performing below their respective targets.

During July 2024, Shs. 65.18 billion was used to acquire non-financial assets against a target of Shs 310.44 billion. This was due to longer than anticipated procurement processes at the beginning of the financial year which delayed the execution of acquisition of non-financial assets and lower-than-expected external disbursements.

In July 2024, the Government raised a total of Shs. 1,576.33 billion from issuance of treasury instruments. Particularly, Shs. 823.00 billion was from issuance of T-Bills while Shs.753.33 billion was from issuance of T-Bonds. Shs.527.73 billion went towards refinancing maturing treasury instruments, while the remaining amount of Shs. 1,048.60 billion was used for financing other items of the budget (domestic borrowing for budget).

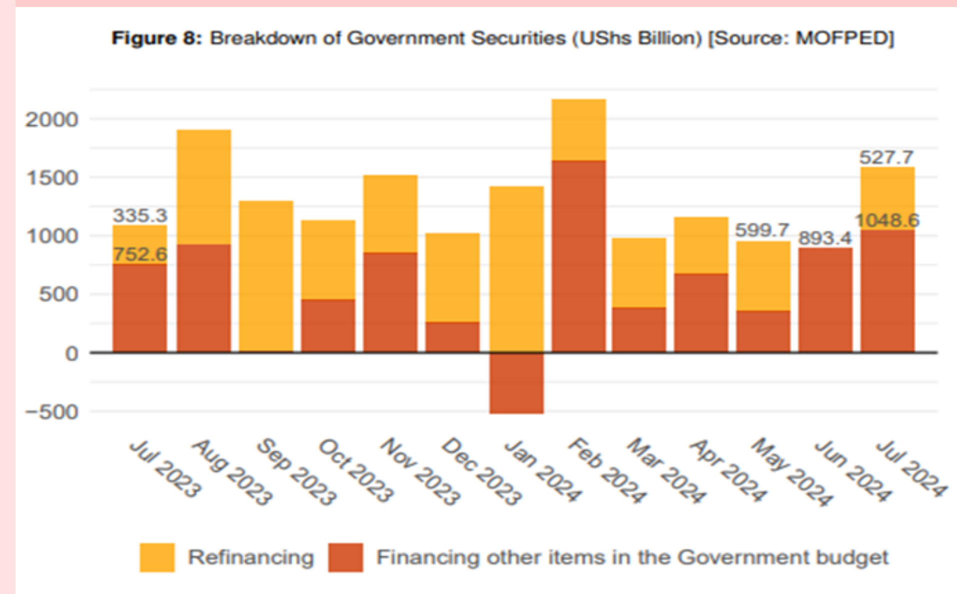


Figure 8: Breakdown of Government Securities (UShs Billion) [Source: MOFPED]

Most of the money generated from government securities is directed towards refinancing of maturing instruments. This signals increase in domestic debt if the new instruments have higher interest rates or less favorable terms. Funds raised from instruments in July 2024 towards budget financing and refinancing of maturing instruments has increased by 296 billion and 192.4 billion respectively compared to July 2023.

Credit Extensions

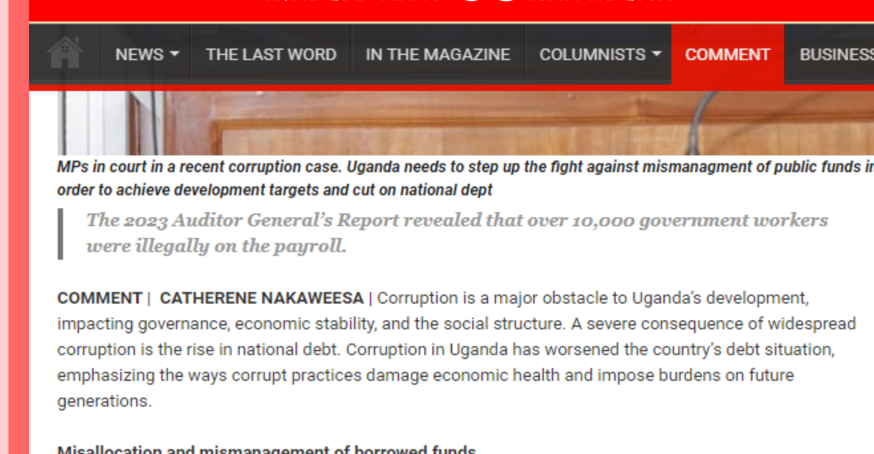
In June 2024, a total of Shs 1,360.87 billion was extended to the private sector by lending institutions, an increase from Shs 1,331.47 billion in the previous month. The trade sector accounted for the biggest share of the loans extended to the private sector, accounting for 29.0% of the total credit approved. This was followed by the personal and household loans at 22.7% and building, mortgage, construction & real estate at 15.2%.

Table summarizing fiscal operations for the month of July 2024

Table 4: Summary Table of Fiscal Operations July 2024 (UShs Billion) [Source: MOFPED]

Shs Billion	Program	Outturn	Performance	Deviation
Revenue	**2,181.48**	**2,233.73**	**102.4%**	**52.25**
Taxes	1,978.41	2,102.71	106.3%	124.3
Social contributions	0	0	0.0%	0
Grants	74.09	12.1	16.3%	-61.99
Project support	74.09	12.1	16.3%	-61.99
Other revenue	128.98	118.92	92.2%	-10.06
Expense	**2,846.59**	**2,198.5**	**77.2%**	**-648.09**
Compensation of employees	551.05	337.69	61.3%	-213.36
Purchase of goods and services	432.34	222.58	51.5%	-209.76
Consumption of fixed capital	0	0	-	0
Interest	841.19	816.05	97.0%	-25.14
o/w: domestic	597	597	100.0%	0
o/w: foreign	244.19	219.05	89.7%	-25.14
Subsidies	0	0	-	0
Grants	768	759.75	98.9%	-8.25
Social benefits	451.21	505.19	112.0%	53.97
Other expense	21.48	22.69	105.6%	1.21
Gross operating balance	**232.53**	**39.74**	**17.1%**	**-192.79**
Transactions in non-financial assets:	-	-	-	-
Net Acquisition of Nonfinancial Assets	310.44	65.18	21.0%	-245.26
Net lending/borrowing	**-975.55**	**-29.95**	**-**	**-**

MEDIA CORNER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MPs in court in a recent corruption case. Uganda needs to step up the fight against mismanagment of public funds in order to achieve development targets and cut on national dept

> *The 2023 Auditor General's Report revealed that over 10,000 government workers were illegally on the payroll.*

COMMENT | CATHERENE NAKAWEESA | Corruption is a major obstacle to Uganda's development, impacting governance, economic stability, and the social structure. A severe consequence of widespread corruption is the rise in national debt. Corruption in Uganda has worsened the country's debt situation, emphasizing the ways corrupt practices damage economic health and impose burdens on future generations.

Misallocation and mismanagement of borrowed funds

https://www.independent.co.ug/corruption-in-uganda-a-catalyst-for-increased-national-debt/

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