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Business Daily
A NATION MEDIA PUBLICATION

Nedbank officials in Uganda over NCBA deal: Nedbank and NCBA Group officials on Tuesday visited Bank of Uganda Governor Atingi-Ego to discuss Nedbank's proposed acquisition of a 66 percent stake in NCBA, pending regulatory approval. The meeting, Bank of Uganda said, highlighted the role of strong oversight in maintaining financial stability and supporting sustainable economic activity in Uganda.



Inflation under control, pressure building

Markets.

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At first glance, inflation appears well contained. Uganda Bureau of Statistics (Ubos) data shows that core inflation eased slightly to 2.9 percent in March from 3 percent in February, while overall price pressures remain modest.

Food crop inflation slowed to 1 percent from 1.8 percent, helping to anchor headline inflation at low levels. This has reinforced the view that inflation is under control, for now. Inflation remains under Bank of Uganda's 5 percent target. However, beneath the stable readings, the forward-looking picture is beginning to shift.

Food is holding inflation down

The main stabilizing force at the moment is food. Ubos data shows that food crop inflation at 1 percent year-on-year reflects declines in several key items. Fresh milk prices fell by 4 percent, passion fruits by 4.7 percent, and pineapples by 0.7 percent, all contributing to softer food inflation. As a result, monthly food inflation remained subdued at around 0.3 percent in March, down from 0.4 percent in February.

This has helped offset broader cost pressures across the economy.

But this support is starting to weaken.

Some food items are already reversing course. Tomatoes rose to 6.6 percent from 3 percent, Irish potatoes to 5.2 percent from 2.4 percent, and watermelons surged to 12.9 percent from just 2.1 percent, partly due to higher transport costs.

Energy pressures are building

The more important story for the outlook lies in energy and external pressures. Ubos data shows that energy, fuel, and utilities inflation accelerated to 4.1 percent in March from 2.7 percent in February, marking a clear upward shift.

Within this category, solid fuels inflation rose to 10.5 percent from 7.3 percent, driven by charcoal, which increased by 16.2 percent, and firewood at 8.1 percent. At the same time, liquid fuels also picked up, with petrol rising to 4.4 percent from 3.4 percent and diesel increasing to 3 percent from 0.8 percent.



Rising fuel prices are emerging as the key inflation risk, with higher petrol and diesel costs beginning to feed into transport, production, and overall consumer prices. PHOTO / EDGAR R BATTE

These are still early-stage pressures, but they are significant because energy costs feed directly into transport, production, and distribution across the economy.

Oil and the dollar are adding pressure

External developments are reinforcing these domestic trends.

Ubos data shows that global crude oil prices increased by nearly 40 percent between February and March, while liquefied natural gas prices rose sharply and fertilizer prices increased by close to 50 percent. These increases are already feeding into Uganda's import bill and local fuel pricing.

At the same time, exchange rate dynamics are adding further strain. The shilling has remained under pressure, opening at around Shs3,751.41, weakening to about Shs3,760 on Tuesday, before recovering slightly to Shs3,747.62 on Wednesday. This follows a more stable position below Shs3,600 in January.

The trend reflects sustained demand for dollars, particularly from importers such as fuel dealers. A weaker shilling raises the local cost of imports, reinforcing inflation through fuel and other imported goods.

Key drivers

4.1%

Ubos data shows that energy, fuel, and utilities inflation accelerated to 4.1 percent in March from 2.7 percent in February, marking a clear upward shift.

1%

Food crop inflation slowed to 1 percent from 1.8 percent, helping to anchor headline inflation at low levels.

Two opposing forces

Inflation is currently being shaped by two opposing dynamics.

On one side, food price moderation is keeping overall inflation contained. On the other, rising energy costs, increasing fuel prices, and exchange rate weakness are building upward pressure. For now, the stabilizing forces remain stronger, but the balance is gradually shifting.

The likely path

In the near term, inflation is expected to remain relatively low, supported by food prices and contained core inflation. However, early signs of rising food prices, combined with sustained increases in fuel costs, suggest that this stability may not last.

Over the medium term, inflation is likely to trend upward gradually. The pass-through from fuel inflation, already at 4.4 percent for petrol and 3 percent for diesel, will increasingly feed into transport costs and broader consumer prices. Exchange rate pressures will amplify this effect.

If the shilling weakens further beyond the Shs3,760–Shs3,800 range, imported inflation is likely to become more pronounced. Inflation is not rising sharply yet, but pressures are building.

Low food inflation is currently offsetting rising energy costs. The result is a stable inflation environment in the short term, but with a clear upward bias in the months ahead.

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