

Uganda Macroeconomic Digest

September 2025



Introduction

The Uganda Macroeconomic Digest for September 2025 provides insights into the country's economic performance. The report covers Uganda's Key Macroeconomic Indicators, including inflation, Business confidence, Exchange Rates, Interest Rates, Domestic Credit, Merchandise Trade (Exports and Imports), and Economic Outlook and Risks.

Annual Inflation:

Uganda's annual headline inflation rose slightly to 4.0 percent in September 2025 from 3.8 percent in August 2025. The mild increase was mainly driven by stronger inflationary pressures in food-related categories, which outweighed modest declines in energy and core goods inflation. Annual Food Crops and Related Items inflation surged to 7.4 percent in September 2025 from 3.0 percent in August 2025, largely due to higher inflation for tomatoes (30.4 percent from -6.4 percent), pineapples (44.6 percent from 9.4 percent), mangoes (9.6 percent from -6.1 percent), and fresh leafy vegetables (2.7 percent from -9.3 percent). In addition, matooke inflation remained elevated at 14.8 percent in September 2025, despite easing from 32.5 percent in August 2025, while onion inflation turned positive at 1.8 percent from -31.3 percent.

Annual Core inflation stood at 4.0 percent in September 2025, slightly lower than 4.1 percent in August 2025, indicating stable underlying demand-side pressures. Core Goods inflation eased to 3.0 percent from 3.2

percent, mainly due to lower inflation for dried fish (-7.3 percent from -5.7 percent) and cooking oil (4.5 percent from 5.9 percent). Services inflation remained steady at 5.1 percent in both months, supported by moderate increases in transport services inflation (3.3 percent from 3.0 percent) and outpatient care inflation (9.3 percent from 8.8 percent). Annual Energy, Fuel, and Utilities (EFU) inflation declined slightly to -0.1 percent in September 2025 from 1.1 percent in August 2025, driven by slower inflation in charcoal (5.5 percent from 8.3 percent) and a reversal in firewood inflation (-1.2 percent from 2.7 percent).

Looking ahead, Uganda's inflation is expected to remain contained over the near term, supported by a stable exchange rate, improved food supply, and lower global oil prices. The Bank of Uganda projects core inflation to range between 4.5 and 4.8 percent in the FY2025/26, stabilizing around the medium-term target of 5 percent.

4.0%



Headline inflation rose slightly from 3.8% in August to 4.0% in September 2025

4.0%



Core inflation declined from 4.1% in August to 4.0% September 2025

7.4%



Food Crops and Related Items inflation increased from 3.0% in August 2025 to 7.4% in September 2025

-0.1%

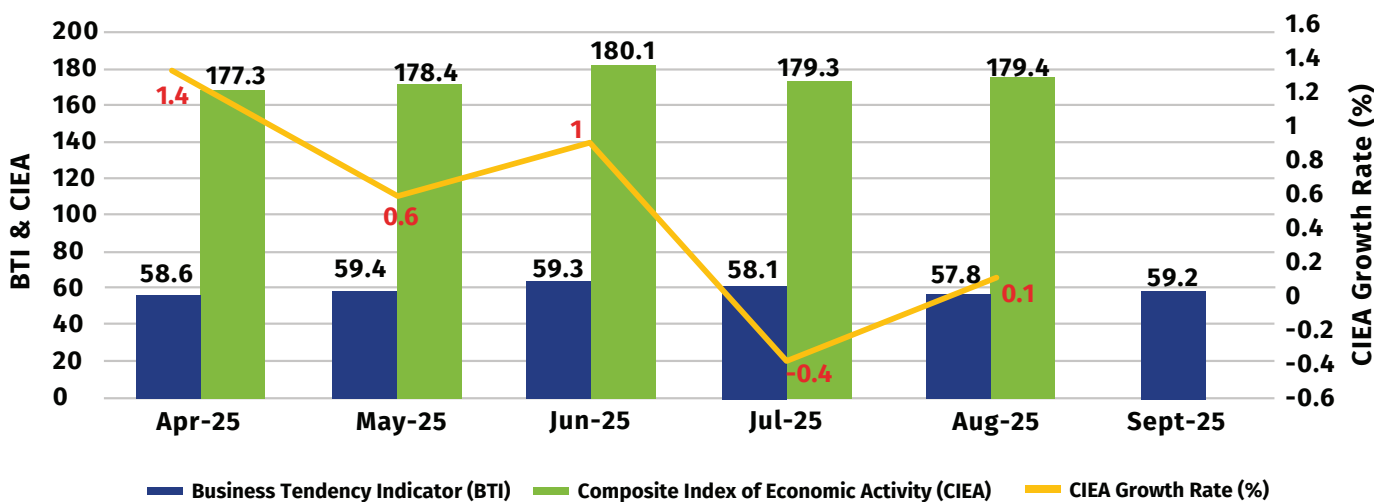


Energy Fuel and Utilities (EFU) inflation declined from 1.1% in August 2025 to -0.1% in September 2025

Business Perceptions and Economic Activity:

The Business Tendency Index (BTI) remained above the 50-mark threshold, indicating optimism among private sector players about business conditions. The BTI rose to 59.2 in September 2025 from 57.8 in August 2025, indicating growing confidence in the business environment. This improvement was driven by improved demand toward the end of the third quarter of 2025 and expectations of increased political spending. Anticipated political spending was expected to stimulate demand, resulting in increased business activity and new orders. Similarly, the Composite Index of Economic Activity (CIEA) maintained an upward trend, rising slightly to 179.4 in August 2025 from 179.3 in July 2025, signaling continued economic expansion.

Figure 1 : Business Tendency Indicator (BTI) and Composite Index of Economic Activity (CIEA), April to September 2025



Source: Computation based on Bank of Uganda data, September 2025



Shs 3,507.79/USD

Average exchange rate for September 2025

Exchange Rate Movements:

In September 2025, the Ugandan Shilling appreciated by 1.58 percent against the US dollar, trading at an average mid-rate of UGX 3,507.79 per USD compared to UGX 3,563.93 per USD in August 2025. The appreciation was supported by higher export earnings and a weaker US dollar globally. According to the Ministry of Finance, Planning, and Economic Development, Uganda’s stable macroeconomic environment continued to attract strong external inflows, including remittances and offshore investments in government securities, which boosted the supply of foreign exchange. The Shilling’s appreciation signals improved investor confidence and strong export performance. It lowers import costs, supports price stability, and reflects Uganda’s resilience amid global economic uncertainty.



Interest Rate Movements:

In September 2025, the Bank of Uganda maintained the Central Bank Rate (CBR) at 9.75 percent, the same level as in August 2025. This decision was considered appropriate to keep inflation within the medium-term target of 5 percent while supporting economic growth. Commercial banks' Shilling-denominated lending rates declined to a weighted average of 18.46 percent in August 2025 from 19.65 percent in July 2025 due to market demand and supply dynamics. Similarly, foreign currency-denominated lending rates marginally declined from a weighted average of 8.35 percent to 8.34 percent over the same period.

9.75%

Central Bank Rate (CBR)
for September 2025

18.46%

Lending Rates for
UGX Loans for August 2025

8.34%

Lending Rates for foreign
currency loans for August 2025

Domestic Credit:

Domestic credit rose by 0.96 percent to UGX 49.61 trillion in August 2025 from UGX 49.14 trillion in July 2025, reflecting a steady recovery in lending activity. Net Credit to Government (NCG) increased by 0.48 percent to UGX 21.41 trillion in August 2025 from UGX 21.30 trillion in July 2025. Private sector credit also grew by 1.03 percent to UGX 26.96 trillion in August 2025 from UGX 26.68 trillion in July 2025, indicating renewed borrowing by businesses as demand for working capital and investment financing improved. The expansion in credit highlights improved liquidity conditions and strengthening private sector confidence in the economy.

Shs 49.61 Trillion

Domestic Credit
increased by **0.96%** in
August 2025

Shs 26.96 Trillion

Private Sector Credit
increased by **1.03%** in
August 2025

Shs 21.41 Trillion

Net Credit to the Government
(NCG) increased by **0.48%** in
August 2025

Merchandise Trade Balance and Terms of Trade:

Uganda's merchandise trade balance deteriorated, with the deficit increasing by 694.8 percent to US\$336.2 million in August 2025 from US\$42.3 million in July 2025. The larger deficit was mainly driven by a sharp decline in export revenues alongside a rise in imports. Merchandise export receipts fell by 15.4 percent, from US\$1,248.0 million in July 2025 to US\$1,056.4 million in August 2025, reflecting weaker external demand for key commodities. For instance, according to the Bank of Uganda's latest statistics, coffee export revenues declined by 18.8 percent, from US\$249.87 million in July 2025 to US\$202.75 million in August 2025, while gold export revenues decreased by 9.9 percent, from US\$584.18 million to US\$526.33 million over the same period. Likewise, fish export revenues declined by 13.5 percent, from US\$13.78 million in July 2025 to US\$11.91 million in August 2025.

Meanwhile, import payments rose by 7.9 percent, from US\$1,290.3 million in July 2025 to US\$1,392.5 million in August 2025, driven mainly by stronger inflows of capital goods and intermediate inputs. According to the Bank of Uganda's latest statistics, capital goods imports, particularly machinery, equipment, vehicles, and accessories, increased by 19.9 percent, reflecting higher investment activity and renewed business confidence. Intermediate goods also registered notable growth, with petroleum products rising by 33.3 percent, base metals and their products by 36.6 percent, chemicals and related products by 13.6 percent, and plastics and rubber products by 17.6 percent, signaling stronger demand for industrial inputs in manufacturing and construction. However, the terms of trade (TOT) index declined by 2.9 percent, from 121.8 in July 2025 to 118.3 in August 2025, indicating that Uganda faced less favorable trade conditions as it needed to export more goods to finance the same level of imports.

Trade deficit
increased by

694.8%

in August 2025

Total Exports
of Goods-fob
declined by

15.9%

in August 2025

Total Imports
of Goods - fob
increased by

7.9%

in August 2025

Terms of Trade
Index declined by

2.9%

in August 2025



Uganda's Trade Balance with the East African Community (EAC):

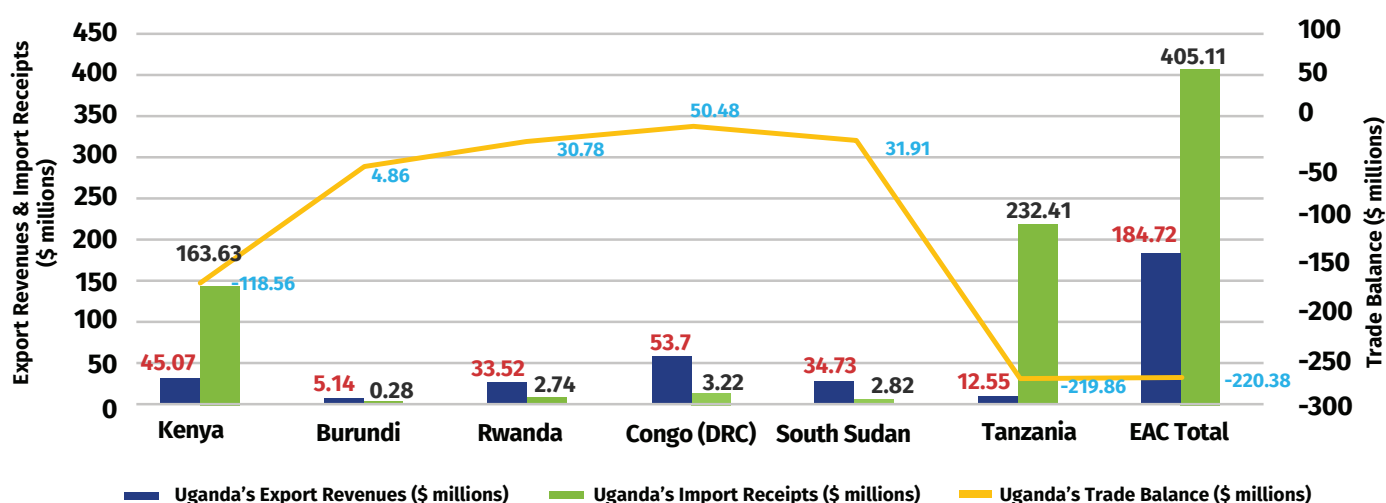
Uganda recorded a trade deficit of US\$220.38 million with the East African Community (EAC) in August 2025, resulting from higher import receipts of US\$405.11 million compared to export revenues of US\$184.72 million. The overall deficit was largely driven by substantial trade imbalances with Tanzania and Kenya, which together accounted for over 90 percent of Uganda's total EAC trade deficit.

Trade with Tanzania registered the largest deficit, amounting to US\$219.86 million, as Uganda imported goods worth US\$232.41 million against exports of US\$12.55 million. The second-largest deficit was recorded with Kenya, standing at US\$118.56 million, following import receipts of US\$163.63 million and exports of US\$45.07 million. These persistent deficits mainly reflected Uganda's heavy importation of petroleum products, machinery, iron and steel, and manufactured goods from both Tanzania and Kenya, which outweighed the value of Uganda's agricultural and manufactured exports to the two countries.

On the other hand, Uganda maintained positive trade balances with the rest of the EAC member states. Trade with the Democratic Republic of Congo (DRC) yielded the largest surplus, estimated at US\$50.48 million, as Uganda exported goods worth US\$53.70 million while importing only US\$3.22 million. Similarly, Uganda's trade with South Sudan generated a surplus of US\$31.91 million, with exports valued at US\$34.73 million and imports at US\$2.82 million. A surplus of US\$30.78 million was recorded with Rwanda, supported by exports worth US\$33.52 million and imports of US\$2.74 million, reflecting a strengthening cross-border trade recovery. Trade with Burundi also remained positive, posting a surplus of US\$4.86 million, with exports of US\$5.14 million compared to imports of US\$0.28 million.

Uganda's trade deficit with Tanzania and Kenya signals dependency on imports, weakening its competitiveness and draining foreign exchange. However, surpluses with DR Congo, Rwanda, Burundi, and South Sudan reveal untapped export potential, underscoring the need to diversify production and enhance regional market penetration.

Figure 2: Uganda's Merchandise Trade Balance with the EAC in August 2025 (Million USD): Exports Vs. Imports



Source: Computation based on Bank of Uganda data, August 2025

Uganda's Export Revenues from Selected Commodities:

In August 2025, Uganda's export performance weakened as earnings from several traditional commodities declined. Coffee export revenues fell by 18.9 percent, from US\$249.87 million in July 2025 to US\$202.75 million, largely reflecting a 14.2 percent reduction in export volumes, which declined from 997,105 (60-kg bags) to 855,441 (60-kg bags). Tea exports also dropped sharply by 28.9 percent, to US\$3.65 million from US\$5.13 million, corresponding with a 19.9 percent fall in export volumes, from 5,137.85 tons to 4,112.92 tons.

Similarly, fish export revenues declined by 13.6 percent, from US\$13.78 million in July 2025 to US\$11.91 million in August 2025, following a 17 percent contraction in export volumes. Cocoa bean exports also registered a notable decline of 33.2 percent, from US\$27.34 million to US\$18.25 million, in line with a 27.7 percent fall in volumes. Rice exports dropped by 28.2 percent, from US\$0.14 million to US\$0.10 million, despite a 51.6 percent increase in export volumes, reflecting a decline in global rice prices from US\$392.00 per metric ton in July 2025 to US\$375.00 per metric ton in August 2025. Sugar exports fell equally sharply by 38.5 percent, from US\$30.88 million to US\$19.00 million, driven by a 33.2 percent decrease in volumes to 27,716.75 tons.

Conversely, some agricultural exports registered positive growth during the month. Cotton export revenues increased by 7.7 percent, from US\$1.08 million in July 2025 to US\$1.17 million in August 2025, supported by improved international prices in Uganda's key export destinations such as Pakistan, Bangladesh, and Vietnam, despite a 9.6 percent decline in export volumes. The stronger lint prices in these markets helped sustain earnings from the cotton sub-sector. Simsim exports also performed well, with revenues rising by 17.4 percent to US\$1.57 million, from US\$1.34 million, driven by a 17.8 percent increase in volumes. Maize exports recorded the strongest performance, with revenues growing by 24.9 percent, from US\$6.25 million to US\$7.80 million, as export volumes nearly doubled by 93.6 percent, from 18,037.83 tons to 34,925.97 tons.

However, bean exports declined by 39.2 percent, from US\$4.31 million in July 2025 to US\$2.62 million in August 2025, despite a 5.9 percent increase in volumes, reflecting weaker global prices. Overall, Uganda's merchandise export performance in August 2025 was weighed down by declines in traditional exports, particularly coffee, tea, and gold, despite the strong performance in maize, simsim, and cotton exports.





Uganda's Import Receipts for Selected Commodities:

In August 2025, Uganda's formal private sector import receipts increased by 8.3 percent to US\$1.37 billion, from US\$1.27 billion in July 2025, mainly due to higher inflows of capital and intermediate goods. Imports of machinery, equipment, vehicles, and accessories rose by 19.9 percent, from US\$200.76 million in July 2025 to US\$240.69 million in August 2025, reflecting stronger investment activity. Similarly, base metals and their products increased by 36.6 percent, from US\$76.51 million to US\$104.51 million, while petroleum products rose by 33.3 percent, from US\$106.97 million to US\$142.55 million. Growth was also recorded in wood and wood products, which increased by 38.7 percent to US\$17.85 million, and vegetable products, animal products, beverages, fats, and oils, which rose by 46.5 percent to US\$103.38 million. Chemical and related products grew by 13.6 percent to US\$87.94 million, while plastics, rubber, and related products increased by 17.6 percent to US\$60.85 million, signaling stronger industrial activity.

However, some import categories registered declines during the period. Mineral products (excluding petroleum products) fell by 12.4 percent, from US\$564.94 million in July 2025 to US\$494.86 million in August 2025, reflecting lower importation of cement, lime, and clinker. Imports of prepared foodstuffs, beverages, and tobacco edged up slightly by 1.3 percent to US\$36.42 million, while arms and ammunition imports dropped to zero from US\$0.02 million in July 2025. Conversely, electricity imports almost doubled, increasing by 97.6 percent from US\$0.39 million to US\$0.78 million, reflecting higher regional power purchases. Overall, the rise in imports was driven by strong demand for industrial and capital goods, indicating continued momentum in domestic investment and production activities

Uganda's Economic Outlook and Risks:

Uganda's economic growth is projected to range between 6.0 and 6.5 percent in FY2025/26, with the medium-term outlook averaging about 8.0 percent, according to the Bank of Uganda (2025). The positive growth trajectory will be supported by rising oil and gas investments, strong agricultural performance, and the continued implementation of government programs such as the Parish Development Model (PDM) and Emyooga, aimed at improving household incomes and supporting small enterprises. In addition, deeper regional integration within the East African Community (EAC) and opportunities under the African Continental Free Trade Area (AfCFTA) are expected to open new export markets and stimulate industrial expansion.

However, the outlook is not without risks. Declining global commodity prices could weaken export earnings, and tight global and domestic financing conditions may constrain private investment and credit growth. Rising geopolitical tensions and supply chain disruptions could further increase import costs and dampen industrial performance. Election-related uncertainty in the lead-up to 2026 may prompt a wait-and-see stance among businesses, weighing on confidence and slowing investment decisions. Nonetheless, if oil and gas projects advance as planned, agriculture remains resilient, and regional trade opportunities are effectively harnessed, Uganda's growth could exceed current projections, reinforcing its trajectory toward sustained, inclusive, and private sector-led economic transformation.



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