

October 2025

## Introduction

The Uganda Macroeconomic Digest for October 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:

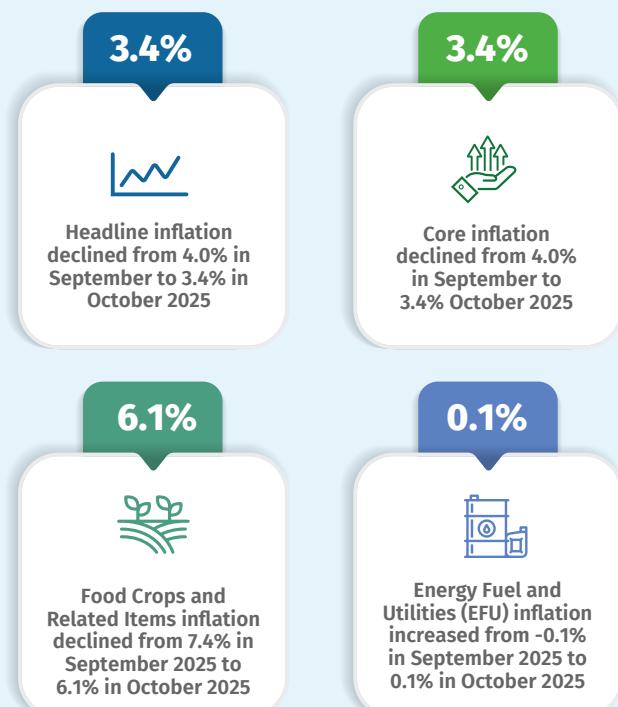
Uganda's annual headline inflation eased to 3.4 percent in October 2025, down from 4.0 percent in September 2025, reflecting broad moderation across food, core, and services. The decline was supported by improved domestic food supply in October 2025, a stable exchange rate through September–October, and reduced imported inflation as global commodity prices, especially oil and cereals, continued to soften.

Annual Core Inflation fell to 3.4 percent in October 2025 from 4.0 percent in September 2025. Core Goods Inflation declined to 2.6 percent in October 2025 from 3.0 percent in September 2025, driven by lower sugar inflation (8.9 percent vs. 15.0 percent) and beef inflation (11.6 percent vs. 13.3 percent) during the same months. Annual Services Inflation dropped to 4.5 percent in October 2025 from 5.1 percent in September 2025, reflecting reduced inflation for accommodation services (3.2 percent vs. 4.2 percent), labour for motor vehicle servicing (0.4 percent vs. 33.3 percent), and transport (1.0 percent vs. 3.3 percent) between September and October 2025. However, education services inflation rose to 7.6 percent in October 2025 from 6.3 percent in September 2025, reflecting higher tuition and related costs.

Annual Food Crops and Related Items Inflation moderated to 6.1 percent in October 2025 from 7.4 percent in September 2025. The easing was supported by lower inflation in October 2025 for key items such as dry beans (1.8 percent vs. 3.4 percent in September), sweet potatoes (18.9 percent vs. 23.6 percent), tomatoes (18.8 percent vs. 30.4 percent), onions (-4.5 percent vs. 1.8 percent), pineapples (23.2 percent vs. 44.6 percent), and papaya (7.2 percent vs. 18.5 percent). This reflects improved domestic supply following favourable weather conditions over September–October in major food-producing regions.

Annual Energy, Fuel, and Utilities (EFU) inflation rose slightly to 0.1 percent in October 2025, from -0.1 percent in September 2025. The increase was driven by higher charcoal inflation, at 6.3 percent in October 2025 compared to 5.5 percent in September 2025, and a slower decline in petrol inflation, at -2.0 percent compared to -3.6 percent, as well as liquefied gas inflation, at -2.1 percent compared to -4.6 percent during the same period.

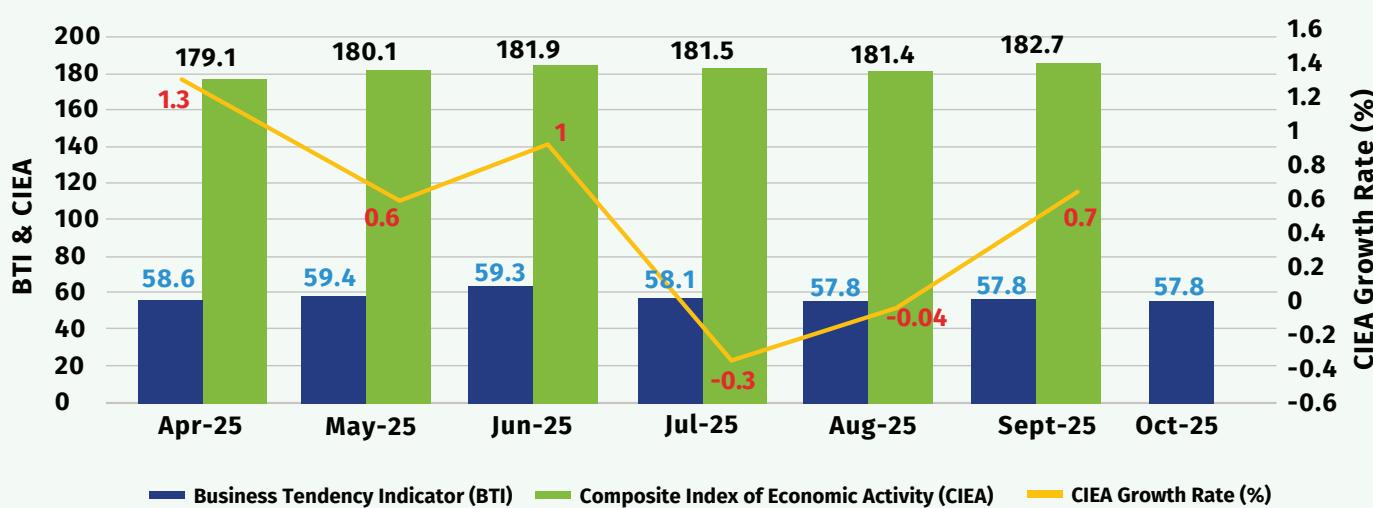
According to the Bank of Uganda's latest Monetary Policy Statement (2025), core inflation is projected to range between 4.0 percent and 4.5 percent over the next 12 months, remaining close to the medium-term target of 5 percent. This outlook is supported by a prudent monetary policy stance, a stronger and more stable exchange rate, favourable weather conditions enhancing food supply, easing global inflation, and lower international oil prices.



# Business Perceptions and Economic Activity:

The Business Tendency Indicator (BTI) remained above the 50-mark threshold, signaling continued optimism among private sector businesses, though confidence weakened. The BTI declined to 57.8 in October 2025 from 59.1 in September 2025, reflecting reduced business optimism partly driven by rising operational costs. Despite the decline, the BTI's position above 50 shows that businesses remained generally positive about near-term prospects, supported by expectations of increased political spending and end-of-year demand. The Composite Index of Economic Activity (CIEA) continued to improve, rising from 181.4 in August 2025 to 182.7 in September 2025, translating into a 0.7 percent growth rate. The increase reflects sustained recovery in domestic economic activity.

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



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

## Exchange Rate Movements:



**Shs 3,463.9/USD**

**Average exchange rate for October 2025**

In October 2025, the Ugandan shilling maintained its strengthening trend against the US dollar, appreciating by 1.3 percent to an average mid-rate of UGX 3,463.9 per USD, from UGX 3,507.8 per USD in September 2025. The appreciation was supported by increased offshore investor participation in local financial markets and sustained foreign-exchange inflows from remittances, Foreign Direct Investment (FDI), and coffee exports. These inflows provided an adequate supply of foreign currency in the interbank market, reinforcing the shilling's stability. However, the pace of appreciation moderated from the 1.6 percent gain recorded in September 2025, reflecting a gradual balancing of foreign exchange flows as import demand rose slightly ahead of the festive season. The continued appreciation of the shilling enhances Uganda's external position by easing import costs, stabilizing inflation, and supporting monetary policy credibility, though it may slightly reduce export competitiveness.



## Interest Rate Movements:

The Central Bank Rate (CBR) remained unchanged at 9.75 percent in October 2025. This level was deemed adequate to maintain core inflation within the Bank of Uganda's medium-term target of 5 percent while supporting economic growth and driving socio-economic transformation. Shilling-denominated lending rates remained broadly stable, averaging 18.45 percent in September 2025 compared to 18.46 percent in August 2025, reflecting improved liquidity and competition among commercial banks. Foreign currency-denominated lending rates eased to 8.15 percent in September 2025 from 8.34 percent in August 2025, largely due to favourable exchange rate movements and sustained foreign inflows that enhanced dollar liquidity in the banking system. The stable policy rate and easing lending conditions support Uganda's economic growth by enhancing credit access for businesses and households, stimulating investment, production, and employment, thereby advancing inclusive socio-economic transformation and private-sector-led recovery.



## Domestic Credit:

Domestic credit increased by 0.54 percent, from UGX 49.80 trillion in August 2025 to UGX 50.07 trillion in September 2025, reflecting continued recovery in credit activity. Net Credit to Government (NCG) increased by 0.36 percent, from UGX 21.60 trillion in August 2025 to UGX 21.68 trillion in September 2025. Private sector credit expanded by 0.66 percent, from UGX 26.96 trillion in August 2025 to UGX 27.14 trillion in September 2025, signaling improved business confidence and sustained demand for working capital and investment financing.



## Merchandise Trade Balance and Terms of Trade:

Uganda's merchandise trade balance deteriorated further in September 2025, with the deficit widening by 54.1 percent to US\$511.21 million from US\$331.81 million in August 2025. The deterioration reflected a decline in export earnings alongside rising import expenditures. Merchandise exports fell by 10.3 percent from US\$1,056.37 million in August 2025 to US\$947.33 million in September 2025, mainly due to lower receipts from gold and other non-coffee commodities, despite a stronger coffee export performance. Imports increased by 5.1 percent, rising from US\$1,388.18 million in August 2025 to US\$1,458.54 million in September 2025, driven by higher volumes of fuel, capital goods, and intermediate inputs.

Despite the widening deficit, Uganda's terms of trade index improved by 16.3 percent, rising from 118.28 in August 2025 to 137.51 in September 2025, reflecting better export prices relative to import prices. Nonetheless, the overall trade position remained weak, indicating persistent external pressures from elevated import demand and subdued export performance.



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

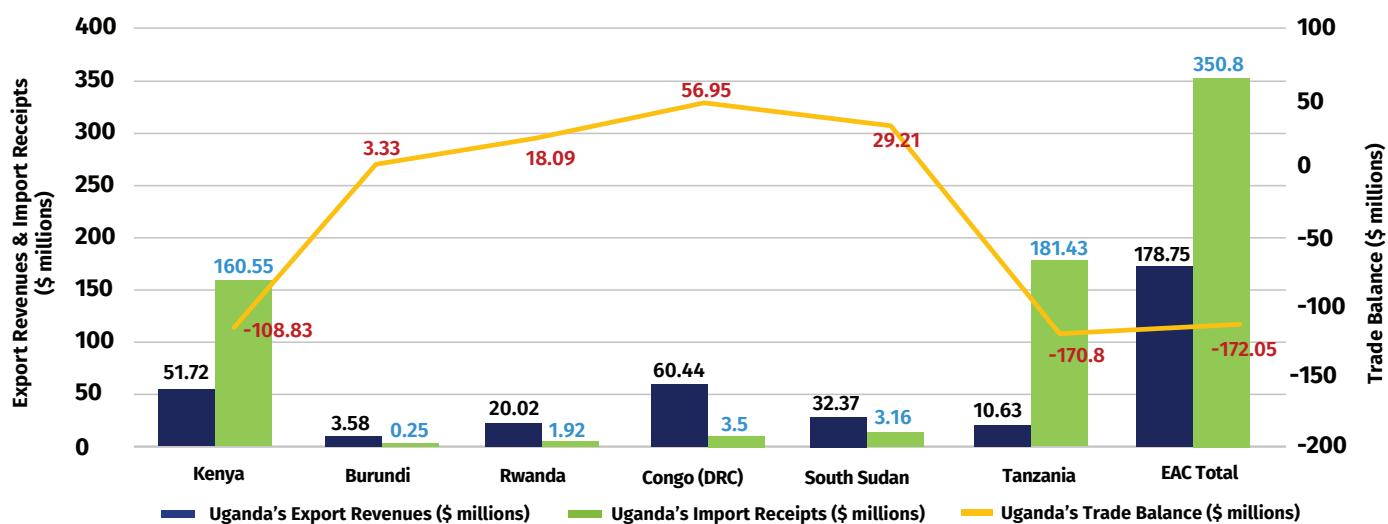
Uganda's trade position with the East African Community (EAC) in September 2025 registered a deficit of US\$172.05 million, as import receipts amounted to US\$350.80 million, exceeding export earnings of US\$178.75 million. The overall deficit was primarily driven by substantial trade imbalances with Tanzania and Kenya, which together accounted for nearly all of Uganda's total EAC trade shortfall.

Uganda's trade with Tanzania recorded the largest deficit, estimated at US\$170.80 million, resulting from imports worth US\$181.43 million compared to exports of US\$10.63 million. This reflects Uganda's heavy reliance on petroleum products, machinery, iron and steel, and manufactured goods from Tanzania. Likewise, trade with Kenya resulted in a deficit of US\$108.83 million, with imports totaling US\$160.55 million against exports valued at US\$51.72 million, mainly driven by high importation of processed goods and industrial inputs.

On a positive note, Uganda maintained surpluses with other EAC partner states, reflecting growing export competitiveness in regional markets. Trade with the Democratic Republic of Congo (DRC) generated the largest surplus, valued at US\$56.95 million, as exports to the DRC reached US\$60.44 million while imports from the country were only US\$3.50 million. A surplus of US\$29.21 million was recorded with South Sudan, where exports stood at US\$32.37 million compared to imports of US\$3.16 million, supported by strong demand for Ugandan-manufactured and agricultural goods. Uganda's exports to Rwanda amounted to US\$20.02 million, exceeding imports of US\$1.92 million, resulting in a trade surplus of US\$18.09 million and reflecting the continued strengthening of cross-border trade. Trade with Burundi also remained favorable, with exports valued at US\$3.58 million against imports of US\$0.25 million, yielding a surplus of US\$3.33 million.

The persistent trade deficit with Kenya and Tanzania highlights Uganda's continued dependence on imported petroleum and industrial goods, which weakens regional competitiveness. On the other hand, trade surpluses with the DRC, South Sudan, Rwanda, and Burundi reflect expanding market opportunities for Uganda's manufactured and agricultural exports.

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



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

## Uganda's Export Revenues from Selected Commodities:

Coffee export earnings increased by 7.8 percent from US\$202.7 million in August 2025 to US\$218.6 million in September 2025, despite a 1.2 percent decline in export volumes from 855,441 (60-kg bags) in August 2025 to 844,949 (60-kg bags) in September 2025. Higher global prices, supported by tight supply in Brazil and Vietnam, drove this improvement.

Cotton exports declined sharply, with earnings falling by 54.1 percent from US\$1.2 million in August 2025 to US\$0.5 million in September 2025, as export volumes reduced from 3,873 to 1,946 (185-kg bales) over the same period. The decline reflected reduced import demand from Asian textile industries, particularly Pakistan and Bangladesh.

Tea export revenues decreased by 4.0 percent from US\$3.7 million in August 2025 to US\$3.5 million in September 2025, even though export volumes rose by 3.3 percent from 4,112.9 tons to 4,247.3 tons. Increased production in Kenya and India expanded global supply and weakened prices.

Fish exports fell, with earnings decreasing by 7.2 percent from US\$11.9 million in August 2025 to US\$11.0 million in September 2025, consistent with a 54.2 percent contraction in export volumes from 3,109.6 tons to 1,425.2 tons. Reduced catches at major landing sites and continued enforcement of fishing regulations contributed to the decline.

Simsim exports performed strongly, with earnings rising by 14.7 percent from US\$1.6 million in August 2025 to US\$1.8 million in September 2025, supported by a 43.2 percent increase in export volumes from 816.0 tons to 1,168.7 tons. Maize exports weakened, with revenues dropping by 8.8 percent from US\$7.8 million in August 2025 to US\$7.1 million in September 2025, as export volumes fell by 43.5 percent from 34,926.0 tons to 19,729.8 tons. Reduced regional import demand followed good harvests in Kenya.

Bean exports showed exceptional gains, with earnings rising by 121.9 percent from US\$2.6 million in August 2025 to US\$5.8 million in September 2025, despite a 22.0 percent reduction in export volumes from 8,668.0 tons to 6,764.1 tons. Higher prices amid tight supply supported this increase.

Cocoa bean exports fell by 14.5 percent, declining from US\$18.3 million in August 2025 to US\$15.6 million in September 2025, driven by an 18.4 percent drop in export volumes from 2,648.4 tons to 2,160.8 tons. The global price environment also softened. According to World Bank statistics (2025), cocoa prices decreased by 7.6 percent from USD 7.60 per kilogram in August 2025 to USD 7.03 in September 2025, reflecting improved weather conditions in West Africa.

Rice exports performed strongly, with earnings rising by 81.1 percent from US\$0.1 million in August 2025 to US\$0.2 million in September 2025, despite a 9.7 percent reduction in export volumes from 261.8 tons to 236.4 tons. Higher global rice prices, following weather-related supply disruptions in Asia, supported the increase.

Sugar exports declined, with earnings decreasing by 15.6 percent from US\$19.0 million in August 2025 to US\$16.0 million in September 2025, as export volumes fell by 24.8 percent from 27,716.7 tons to 20,829.7 tons.





## **Uganda's Import Receipts for Selected Commodities:**

In September 2025, Uganda's formal private sector import receipts increased by 4.7 percent, rising from US\$1.37 billion in August 2025 to US\$1.44 billion in September 2025, mainly driven by higher inflows of petroleum products and capital goods. Petroleum product imports rose sharply by 22.7 percent, from US\$142.55 million in August 2025 to US\$174.94 million in September 2025, reflecting increased domestic fuel demand and restocking ahead of the year-end period. Similarly, machinery, equipment, vehicles, and accessories imports expanded by 12.8 percent, from US\$240.69 million in August 2025 to US\$271.46 million in September 2025, signaling continued investment in infrastructure and manufacturing. Growth was also observed in wood and wood products, which increased by 16.9 percent, from US\$17.85 million in August 2025 to US\$20.86 million in September 2025, and textiles and textile products, which rose by 6.7 percent, from US\$34.03 million in August 2025 to US\$36.31 million in September 2025, supported by stronger consumer and industrial demand. Likewise, imports of prepared foodstuffs, beverages, and tobacco increased by 7.1 percent, from US\$36.42 million in August 2025

to US\$38.99 million in September 2025, reflecting sustained household consumption.

Conversely, several import categories declined during the period. Animal and animal products imports fell by 14.9 percent, from US\$8.34 million in August 2025 to US\$7.10 million in September 2025. Vegetable products, animal products, beverages, fats, and oils declined by 5.7 percent, from US\$103.38 million in August 2025 to US\$97.52 million in September 2025, while chemical and related products decreased by 8.3 percent, from US\$87.94 million in August 2025 to US\$80.62 million in September 2025, reflecting moderated industrial demand. Similarly, plastics, rubber, and related products fell by 3.5 percent, from US\$60.85 million in August to US\$58.73 million in September 2025, and base metals and their products dropped slightly by 1.1 percent, from US\$104.51 million in August to US\$103.33 million in September 2025, indicating cautious procurement by manufacturers. Electricity imports declined sharply by 78.2 percent, falling from US\$0.78 million in August 2025 to US\$0.17 million in September 2025.

## **Uganda's Economic Outlook and Risks:**

Uganda's economic outlook remains strong, supported by solid growth fundamentals and improving domestic conditions. Real GDP is projected to expand between 6.5 and 7.0 percent in FY2025/26, driven by robust agricultural output, rising industrial activity, and increased investment in oil and gas. Over the medium term, growth is expected to average about 8 percent, according to the Bank of Uganda (2025), reflecting broad resilience and the sustained build-up of productive capacity.

Government programmes such as the Parish Development Model and Emoya continue to lift household incomes and strengthen small business activity. Ongoing oil and gas developments are stimulating investment across related sectors, while the Tenfold Growth Strategy is expanding opportunities in agriculture, manufacturing, and extractive industries. Deeper regional integration through the East African Community and participation in the African Continental Free Trade Area are widening export markets and enhancing value addition. Strong coffee export performance, together with steady foreign exchange inflows from remittances and offshore participation in government securities, has further supported external stability and reinforced investor confidence.

Despite this positive trajectory, risks persist. External risks include global geopolitical tensions, supply chain disruptions, and shifts in international interest rate policies that may influence trade and investment flows. Volatility in global commodity prices presents an additional challenge for Uganda's export earnings. Domestically, delays in oil project timelines, lower-than-expected investment inflows, and adverse weather conditions could undermine agricultural performance and weaken overall growth momentum.

Amid these developments, confidence in Uganda's economic direction is reflected in its sovereign credit rating. On 7 November 2025, S&P Global Ratings affirmed Uganda's long-term foreign-currency rating at "B-" and revised the outlook from Stable to Positive. Previously, Uganda held the same "B-" rating with a Stable outlook for several years, following earlier assessments that downgraded the rating from "B" to "B-" due to fiscal and debt-related pressures. Maintaining the "B-" rating while shifting the outlook to Positive indicates stronger economic prospects and a higher likelihood of an upgrade if current progress continues, signalling improved external investor confidence.



This report draws information from reliable sources such as the BOU, UBOS, MOFPED, IMF, World Bank, EIU, UN, Fitch Solutions, etc. Please note that it is for informational purposes only, and feedback and comments can be sent to:

**Bob Twinomugisha**  
Senior Economist-Macroeconomics and Trade.  
Email: [btwinomugisha@udbl.co.ug](mailto:btwinomugisha@udbl.co.ug)

**Dr. Francis Mwesigye**  
Chief Economist.  
Email: [fmwesigye@udbl.co.ug](mailto:fmwesigye@udbl.co.ug)



#### Address:

**HEAD OFFICE**  
Plot No. 22, Hannington Road, UDB Towers  
P.O. BOX 7210, Kampala, Uganda  
Tel: +256 312 355 500,  
Email: [info@udbl.co.ug](mailto:info@udbl.co.ug)

#### Disclaimer

The views expressed in this publication are those of the authors and do not necessarily represent the views of the Uganda Development Bank Limited or its management.

Copyright © 2025