



# UDB

Inspiring Development



## BUSINESS HEALTH INDEX (BHI) REPORT

Quarter 4, 2025

# Table of Contents

|            |   |           |
|------------|---|-----------|
| <b>1.0</b> | <b>Executive Summary</b>  | <b>3</b>  |
| <b>2.0</b> | <b>Data and Methods</b>   | <b>4</b>  |
|            | Calculation and Interpretation of the Business Health Index (BHI)   | 4         |
| <b>3.0</b> | <b>Key Findings</b>   | <b>6</b>  |
|            | <b>3.1 Overall Business Health and Outlook</b>  | <b>6</b>  |
|            | <b>3.2 Key Drivers of Business Health and Outlook in Uganda</b>   | <b>7</b>  |
|            | 3.2.1 Availability of Raw Materials and Outlook   | 7         |
|            | 3.2.2 Enterprise Production Conditions and Outlook  | 8         |
|            | 3.2.3 Enterprise Sales Performance and Outlook  | 9         |
|            | 3.2.4 Enterprise Profitability Trends and Outlook   | 9         |
|            | 3.2.5 Enterprise-Driven Job Growth and Outlook  | 10        |
|            | <b>3.3 Business Health Index (BHI) by Sector in Uganda</b>  | <b>11</b> |
|            | 3.3.1 Agriculture Business Health and Outlook   | 11        |
|            | 3.3.2 Agro-processing Business Health and Outlook   | 12        |
|            | 3.3.3 Manufacturing Business Health and Outlook   | 13        |
|            | 3.3.4 Tourism Business Health and Outlook   | 14        |
|            | 3.3.5 Education Business Performance and Outlook  | 15        |
|            | 3.3.6 Health Sector Business Performance and Outlook  | 16        |
|            | 3.3.7 Wholesale Trade Performance and Outlook   | 17        |
|            | 3.3.8 Other Services Performance and Outlook  | 18        |
|            | <b>3.4 Business Health Index (BHI) by region in Uganda</b>  | <b>19</b> |
|            | <b>3.5 Comparative Analysis of Business Health and Outlook Between UDB-funded and non-UDB-funded Entities</b> | <b>20</b> |
| <b>4.0</b> | <b>Critical Challenges Affecting Business Health in Uganda</b>  | <b>21</b> |

## Figures

|  |    |
|--|----|
| Figure 1: Overall Business Health and Outlook Indices, Q1 2025- Q4 2025                              | 7  |
| Figure 2: Raw Materials Availability and Outlook, Q1 2025 to Q4 2025                                 | 7  |
| Figure 3: Production and Outlook, Q1 2025 to Q4 2025   | 8  |
| Figure 4: Enterprise Sales Performance and Outlook, Q1 2025 to Q4 2025                               | 9  |
| Figure 5: Profitability and Outlook, Q1 2025 to Q4 2025  | 10 |
| Figure 6: Job Growth and Outlook, Q1 2025 to Q4 2025   | 11 |
| Figure 7: Business Health and Outlook for Agriculture Sector, Q1 2025 to Q3 2025                     | 11 |
| Figure 8: Business Health and Outlook for Agro-processing Sector, Q1 2025 to Q4 2025                 | 12 |
| Figure 9: Business Health and Outlook for Manufacturing Sector, Q1 2025 to Q4 2025                   | 13 |
| Figure 10: Business Health and Outlook for Tourism Sector, Q1 2025 to Q4 2025                        | 14 |
| Figure 11: Business Health and Outlook for Education Sector, Q1 2025 to Q4 2025                      | 15 |
| Figure 12: Business Health and Outlook for Health Sector, Q1 2025 to Q4 2025                         | 16 |
| Figure 13: Business Health and Outlook for Wholesale Sector, Q1 2025 to Q4 2025                      | 17 |
| Figure 14: Business Health and Outlook for Other Services, Q1 2025 to Q4 2025                        | 18 |
| Figure 15: Business Health and Outlook by region, Q3 2025 to Q4 2025                                 | 19 |
| Figure 16: Business Health and Outlook of UDB-Funded and Non-UDB-Funded Entities, Q2 2025 to Q4 2025 | 21 |
| Figure 17: Business Constraints Impacting Enterprises in Uganda, Q3 2025-Q4 2025                     | 23 |



## Executive Summary

The Business Health Survey (BHS) for Q4 2025 highlights the resilient performance of enterprises across Uganda, reflecting both the seasonal boost from the festive period and the cautious anticipation of the post-election economic environment. The Business Health Index (BHI) for the quarter rose to 53.38 from 48.62 in Q3 2025, indicating an improvement in current business conditions as perceived by enterprise owners and managers compared with the previous quarter. This improvement was primarily driven by increased production and sales, as firms responded to heightened market demand, particularly in the agro-processing, manufacturing, and service sectors. The Production Index improved to 51.30 in Q4 2025 from 47.00 in Q3 2025, while the Sales Index surged to 60.41 from 51.08 during the same period, reflecting expanded operations and stronger market engagement.

Forward-looking sentiment declined, with the Business Health Outlook Index falling to 44.39 in Q4 2025 from 59.04 in Q3 2025. Enterprises anticipate lower demand and potential cost pressures in Q1 2026, driven by post-festive season normalization, rising input costs, and broader economic uncertainties. This divergence between current and forward-looking indices highlights the cautious stance enterprises are taking as they navigate a complex business environment.

Key drivers of business health in Q4 2025 included raw material availability, production efficiency, sales performance, profitability, and enterprise-driven job growth. Production conditions improved, with the Capacity Utilization Index rising to 59.79 in Q4 2025 from 48.94 in Q3 2025, while the Total Production Volume Index increased to 65.29 in Q4 2025 from 55.88 in Q3 2025. However, raw material constraints persisted, reflected in a Raw Material Availability Index of 46.32. Sales performance remained strong, supported by higher volumes and stable selling prices, which boosted the Profitability Index to 56.69

in Q4 2025 from 45.19 in Q3 2025. Employment also recorded modest growth, with the Job Growth Index at 52.19. However, outlook indicators signal caution, with the Profitability Outlook Index at 39.04 and the Job Growth Outlook Index at 50.11, reflecting expected moderation in business conditions in Q1 2026.

Performance across sectors in Q4 2025 varied, with some doing well and others facing challenges. The Agro-processing and Manufacturing sectors recorded robust current conditions, with BHI values of 56.40 and 54.62, supported by high production volumes, strong sales, and improved profitability. Agriculture and Tourism recorded current BHI values of 49.70 and 50.85, respectively. Agriculture's slightly below-neutral score reflects moderate performance influenced by seasonal production variations, while Tourism remains above the neutral threshold, signaling relatively stable business conditions. Forward-looking indices for these sectors remain subdued, indicating that enterprises anticipate potential challenges in sustaining production, sales, and profitability in Q1 2026. Education and Health sectors remained stable, while Wholesale Trade and Other Services rebounded strongly; however, their Business Health Outlook Index indicates caution for the upcoming quarter.

Regional performance showed the Western region leading in current conditions with a BHI of 58.87, followed by the Central (53.60) and Eastern (52.18) regions. The Northern region, although improving, remained below neutral at 45.14. Across all regions, forward-looking sentiment remained cautious, indicating anticipated challenges in sustaining sales, profitability, and employment in Q1 2026.

Comparative analysis of UDB-funded and non-UDB-funded enterprises highlighted continued recovery across both groups. UDB-funded enterprises maintained a stable current BHI above neutral at 53.28, supported by higher production volumes, sales, and

profitability. Non-UDB-funded enterprises also showed improvement, with the current BHI rising to 53.06, driven by rebounds in production, sales, and the Job Growth Index. However, forward-looking indices for both groups indicate anticipated cost pressures and market uncertainties in Q1 2026.

Constraints continued to affect enterprise performance across sectors. Limited access to raw materials, rising input costs, logistical challenges, and supply chain disruptions

were frequently cited as barriers to sustaining production and profitability. These constraints were particularly pronounced in agriculture, agro-processing, and manufacturing segments, limiting the potential for immediate expansion despite strong current performance. The Raw Material Availability Index of 46.32 highlights the ongoing supply-side challenges, while forward-looking indices suggest enterprises are factoring these constraints into cautious planning for the next quarter.

## ▶ 2.0 Data and Methods

The Business Health Survey (BHS) covered 456 enterprises, i.e., 162 UDB customers and 294 non-UDB customers. The study employed a stratified random sampling approach covering small and medium-sized enterprises (SMEs) and large-scale entities in key growth sectors. The survey captured data from primary agriculture, agro-processing, manufacturing, tourism, human capital development (including education and health), wholesale trade, and other services such as transportation, the creative industry, and financial services, covering all the regions: central, eastern, northern, and western areas.

The Business Health Survey (BHS) generated perceptions among business owners and managers regarding the current state of their businesses' performance and outlook. The study on present business health captured the perceptions of business owners and managers on the performance of their enterprises during the just-ended quarter (Q4 2025) compared to the previous quarter (Q3 2025), while the business health outlook

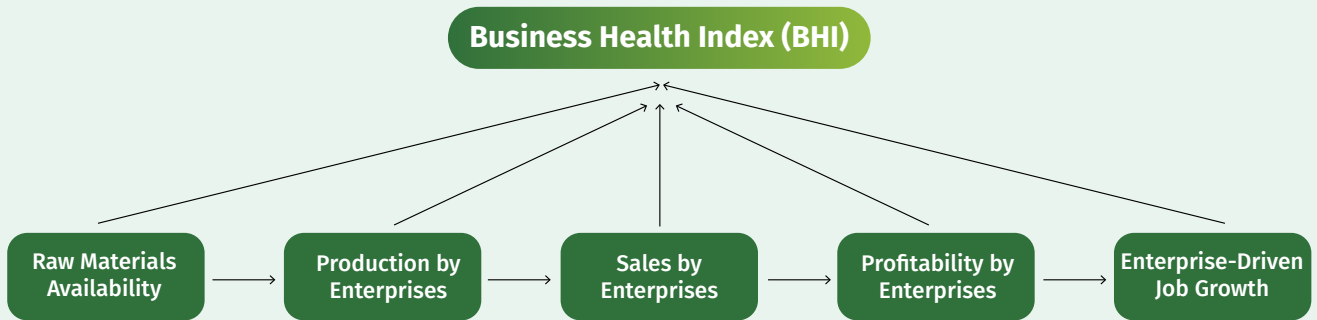
captured the expectations on the business performance for the next quarter (Q1 2026) compared to the just-ended quarter (Q4 2025). This process involved assessment of business owners' and managers' perceptions on key business health indicators, including raw material and input availability, production, sales, profitability, and job creation, to generate the Business Health Index (BHI) that is sensitive to direction as opposed to the magnitude of the change in business conditions.

The study also covered the critical challenges that affected businesses during Q4 2025. The survey identified critical business constraints on which respondents confirmed whether they were affected or not, including high costs of financing, high costs of utilities (water and energy), high labor costs, insufficient demand, and high transport expenses. We also asked them to share any other challenges that impacted their business environment during the analyzed quarter.

## 2.1 Calculation and Interpretation of the Business Health Index (BHI)

The Business Health Index (BHI) is calculated using five core indicators: raw materials availability, production, sales, profitability, and enterprise-driven job growth. These indicators reflect critical aspects of business performance and resilience. Respondents rated their perceptions on a Likert scale: “higher,” “same,” “lower,” or “improve,” “same,” and “worsen” for each indicator.

**Figure 1: The five Business Health Index (BHI) components.**



Source: author's construction based on the critical components of the Business Health Conditions

Sub-indices are derived from responses to sub-variables within each component. Responses are weighted as follows: 0 for negative performance or outlook, 0.5 for neutral or unchanged perceptions, and 1 for positive performance or outlook. The sub-indices are averaged to calculate the component indices, which are then averaged to derive the overall BHI.

For the current Business Health Index (BHI), a value above 50 signifies an improvement in business health, as perceived by business

owners and managers. At the same time, an index below 50 implies a decline in business health as perceived by the respondents. The value of 50 shows no change in business health between the quarters. Looking ahead, a business health index outlook value above 50 indicates optimism or positive expectations among business owners and managers. On the other hand, an outlook index value below 50 indicates respondents' pessimism about the next quarter. The outlook index value of 50 implies a neutral outlook with no anticipated changes.

# 3.0 Key Findings

## 3.1 Overall Business Health and Outlook

In Q4 2025, Uganda’s Business Health Index (BHI) rose to 53.38 from 48.62 in Q3 2025, moving above the neutral benchmark of 50 and reflecting an overall improvement in business conditions.

The increase was largely supported by stronger production and sales activities, as enterprises responded to higher market demand during the festive season and pre-election period. The Production Index improved from 47.00 in Q3 2025 to 51.30 in Q4 2025, demonstrating that enterprises expanded operations to meet market needs.

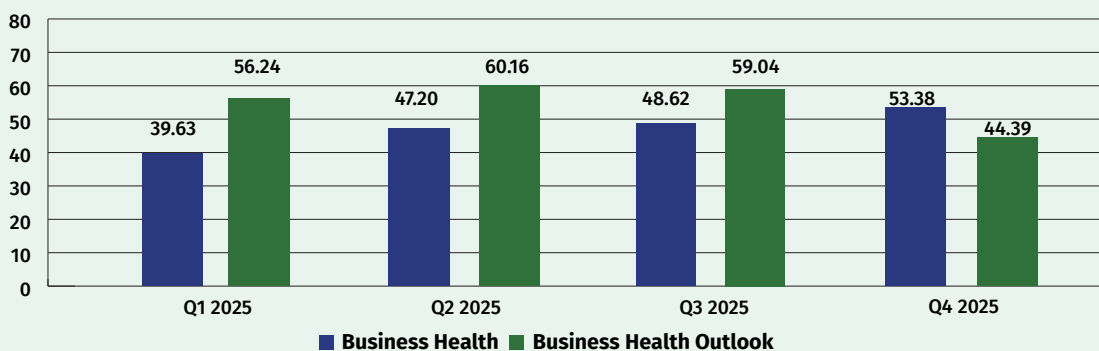
Similarly, the Sales Index remained robust above neutral, increasing from 51.08 in Q3 2025 to 60.41 in Q4 2025, supported by higher

volumes (61.33 in Q4 2025 from 50.81 in Q3 2025) and steady selling prices (57.35 in Q4 2025 from 49.86 in Q3 2025).

Despite the improvement in business activities and the BHI in Q4 2025, the Business Health Outlook Index for the next quarter eased sharply to 44.39 from 59.04 in Q3 2025. This moderation likely reflects expectations of lower demand following the festive season and prevailing uncertainties associated with the post-election period.

The forward-looking indicators suggest that while enterprises capitalized on short-term opportunities in Q4 2025, cautious planning is expected as they prepare for potential market adjustments in Q1 2026.

Figure 1: Overall Business Health and Outlook Indices, Q1 2025- Q4 2025



Source: Computation Based on Business Health Survey Data, January 2026



## 3.2 Key Drivers of Business Health and Outlook in Uganda

### 3.2.1 Availability of Raw Materials and Outlook

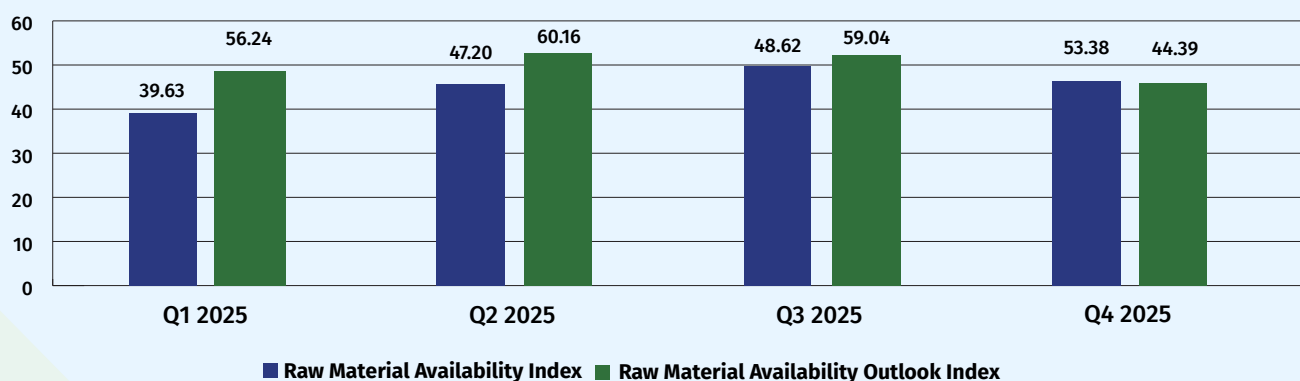
The Raw Material Availability Index declined to 46.32 in Q4 2025 from 49.71 in Q3 2025, indicating that access to raw materials, while still adequate, faced increased constraints.

The index remained slightly below the neutral mark of 50, suggesting that shortages were more pronounced compared to the previous quarter. This situation was largely driven by rising demand during the festive season and pre-election period, which put pressure on supply chains and increased costs.

Looking ahead, optimism among enterprises weakened, as shown by the Raw Material Availability Outlook Index, which declined to 45.88 in Q4 2025 from 52.21 in Q3 2025, falling below the neutral mark.

This indicates that firms expected a decline in raw material availability in the next quarter. The drop reflects continued supply chain pressures and rising input costs, which constrained businesses' ability to secure sufficient raw materials despite ongoing production.

**Figure 2: Raw Materials Availability and Outlook, Q1 2025 to Q4 2025**



Source: Computation by the author based on Business Health Survey (BHS) data, January 2026

### 3.2.2 Enterprise Production Conditions and Outlook

In Q4 2025, the Production Index increased to 51.30 from 47.00 in Q3 2025, moving above the neutral mark of 50. This improvement suggests that production conditions have strengthened, and enterprises have experienced better operational performance compared to the previous quarter.

Notably, the Capacity Utilization Index rose to 59.79 in Q4 2025 from 48.94 in Q3 2025, indicating firms deployed a higher proportion of their available capacity.

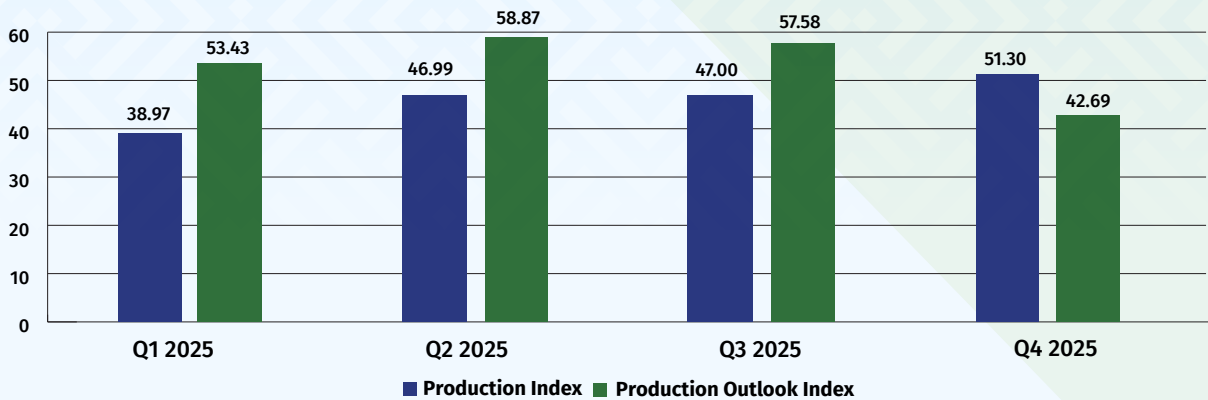
The Total Production Volume Index also increased to 65.29 from 55.88, reflecting robust output despite persistent operational constraints. Meanwhile, cost pressures

remained, as the Cost of Production Index stayed relatively low at 28.82, down slightly from 36.18 in Q3 2025, suggesting that production costs continued to weigh on enterprises, even as output expanded.

Looking ahead, the production outlook weakened sharply. The Production Outlook Index fell to 42.69 in Q4 2025 from 57.58 in Q3 2025, signaling a decline in business confidence regarding future production.

Expectations for output growth were subdued, as enterprises anticipated potential challenges related to raw material availability, cost fluctuations, and demand pressures.

**Figure 3: Production and Outlook, Q1 2025 to Q4 2025**



Source: Computation by the author based on Business Health Survey (BHS) data, January 2026

### 3.2.3 Enterprise Sales Performance and Outlook

The Sales Index rose sharply from 51.08 in Q3 2025 to 60.41 in Q4 2025, indicating strong improvement in sales performance and increased market activity.

The Sales Volume Index also increased, reaching 62.14 in Q4 2025 from 50.81 in Q3 2025, reflecting higher quantities of goods sold as enterprises experienced stronger demand.

The Average Selling Price Index improved modestly to 50.27 in Q4 2025 from 49.86 in Q3 2025, suggesting some recovery in pricing conditions after a subdued performance in the previous quarter. Meanwhile, the Sales Revenue Index rose to 66.38 from 52.57, signaling that enterprises generated higher

revenues, supported by both increased volumes and modest price improvements.

Looking ahead, the Sales Outlook Index fell sharply to 44.22 in Q4 2025 from 66.31 in Q3 2025, indicating a notable decline in business confidence regarding future sales. Expectations for sales volumes were also more cautious, with the Sales Volume Outlook Index moderating to 52.88 from 73.17, while the Sales Revenue Outlook Index declined to 49.56 from 71.27.

Pricing expectations softened, with the Average Selling Price Outlook Index dropping to 45.33 from 54.47, reflecting uncertainties in market demand and competitive conditions expected in the next quarter.

**Figure 4: Enterprise Sales Performance and Outlook, Q1 2025 to Q4 2025**



Source: Computation by the author based on Business Health Survey (BHS) data, January 2026

### 3.2.4 Enterprise Profitability Trends and Outlook

The Profitability Index rose sharply to 56.69 in Q4 2025 from 45.19 in Q3 2025, moving closer to the neutral mark of 50 and indicating a notable improvement in profitability. The gains were supported by strong performance in both sales and production.

The Sales Index increased to 60.41 in Q4 2025 from 51.08 in Q3 2025, while the Production Index also strengthened to 51.30 from 47.00, signaling improved operational performance.

Higher revenues contributed to profitability, as the Sales Revenue Index rose to 66.38 in Q4 2025 from 52.57 in Q3 2025.

Cost pressures persisted but remained secondary, with the Cost of Production Index declining slightly to 28.82 from 36.18, suggesting production costs continued to weigh on firms, though overall profitability benefited from higher sales and output.

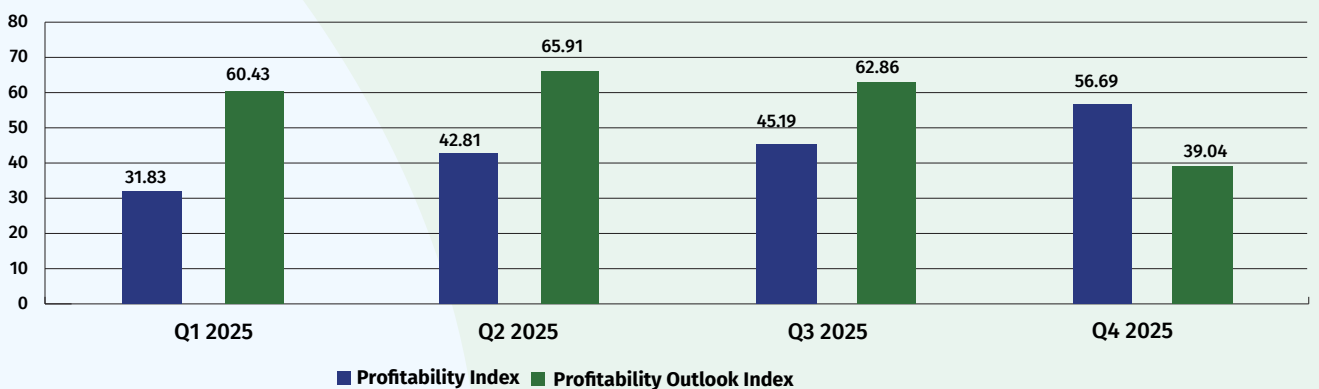
Looking ahead, the Profitability Outlook Index fell sharply to 39.04 in Q4 2025 from 62.86 in Q3 2025, signaling that enterprises expected weaker profitability in the next quarter.

Expectations were moderated by uncertainties in market demand and competitive conditions, despite continued optimism for sales and production.

The Sales Outlook Index declined to 44.22 from 66.31, and the Production Outlook Index softened to 42.69 from 57.58, reflecting a more cautious view of future revenue and output. Cost concerns remained a factor, reinforcing the softer profitability outlook for the coming quarter.



Figure 5: Profitability and Outlook, Q1 2025 to Q4 2025



Source: Computation by the author based on Business Health Survey (BHS) data, January 2026

### 3.2.5 Enterprise-Driven Job Growth and Outlook

The Job Growth Index rose to 52.19 in Q4 2025 from 50.11 in Q3 2025, moving further above the neutral mark of 50 and indicating a modest acceleration in job creation. This improvement was supported by stronger performance across key business indicators.

The Production Index increased to 51.30 in Q4 2025 from 47.00 in Q3 2025, helping firms expand staffing levels.

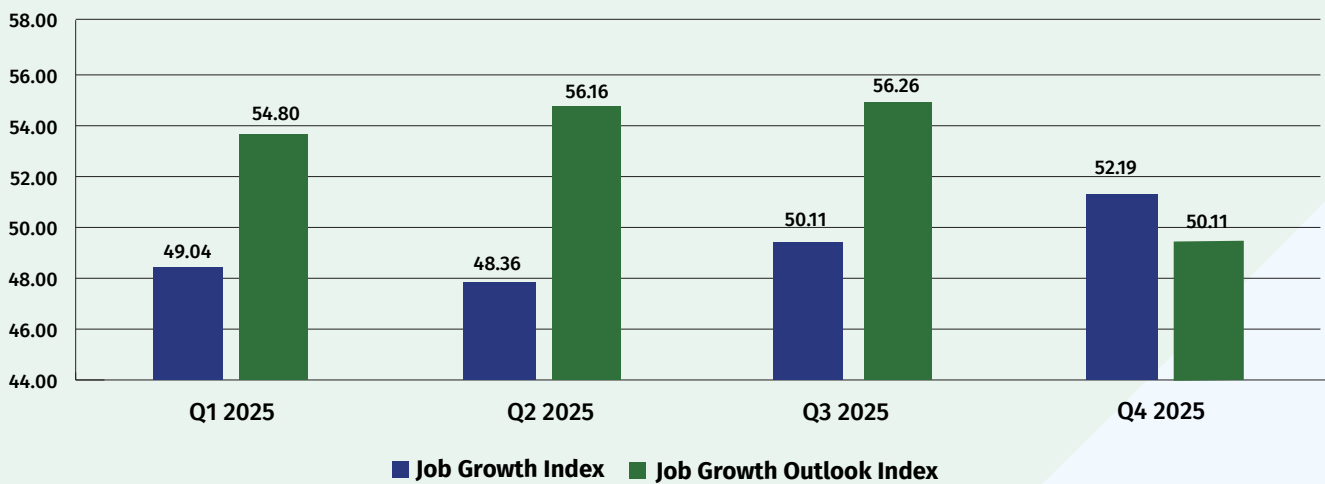
The Sales Index strengthened to 60.41 from 51.08, while the Profitability Index improved to 56.69 from 45.19, easing financial constraints and enabling more hiring. Collectively, these positive developments contributed to better employment conditions.

The Job Growth Outlook Index fell to 50.11 in Q4 2025 from 56.26 in Q3 2025, signaling more cautious expectations for hiring in the next quarter.

This softer outlook reflects the anticipated decline in profitability, as the Profitability Outlook Index dropped sharply to 39.04 in Q4 2025 from 62.86 in Q3 2025, highlighting concerns over future financial performance.

Despite the expected weakening in profits, the Job Growth Outlook Index remained above the neutral threshold of 50, indicating that employment is likely to maintain modest gains, since the impact of low profitability on hiring is not immediate.

Figure 6: Job Growth and Outlook, Q1 2025 to Q4 2025



Source: Computation based on Business Health Survey (BHS) data, January 2026



### 3.3 Business Health Index (BHI) by Sector in Uganda

#### 3.3.1 Agriculture Business Health and Outlook

In Q4 2025, the Business Health Index (BHI) for Agriculture declined to 49.70 from 51.54 in Q3 2025, falling just below the neutral mark of 50. This indicates that agricultural enterprises experienced slightly weaker conditions compared to the previous quarter.

The decline was driven by softer performance across key sub-indices. The Agricultural Inputs Availability Index decreased to 44.53 in Q4 2025 from 51.98 in Q3 2025, while the Total Production Volume Index eased to 60.94 from 60.94 (stable) – reflecting slower growth in production activity relative to expectations.

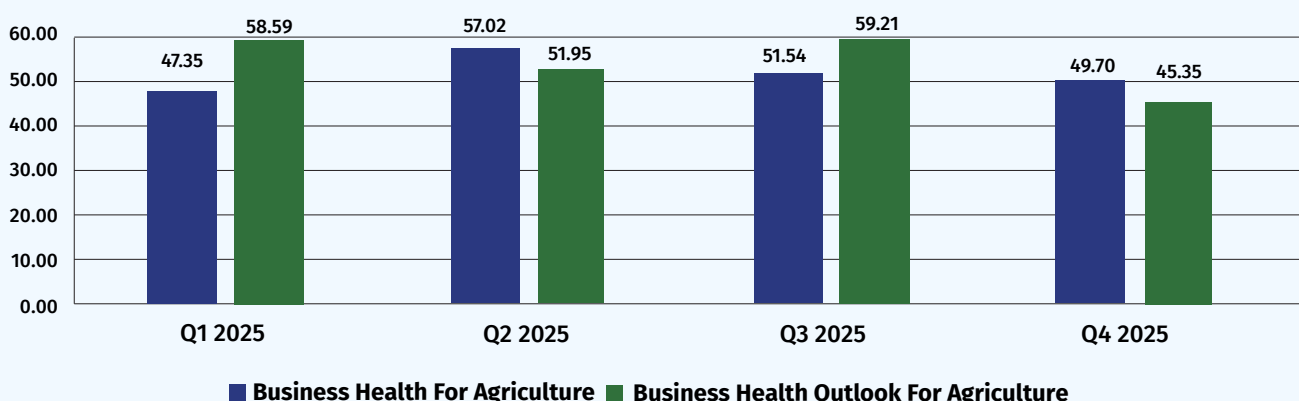
Profitability also softened, with the Profitability Index falling to 47.26 from 55.97, while Sales Revenue moderated slightly to

56.94 from 63.64.

Looking ahead, the Business Health Outlook for Agriculture softened sharply in Q4 2025, falling to 45.35 from 59.21 in Q3 2025, signaling more cautious expectations among enterprises for the next quarter.

Forward-looking indicators showed broad-based declines: the Total Production Volume Outlook Index eased to 49.22 from 75.40, while Sales Revenue Outlook and Sales Volume Outlook fell to 45.83 and 57.03, respectively, compared to 72.73 and 73.48 in Q3 2025. This indicates that enterprises anticipate slower demand growth and more constrained output in the coming quarter.

**Figure 7: Business Health and Outlook for Agriculture Sector, Q1 2025 to Q3 2025**



Source: Computation by the author based on Business Health Survey (BHS) data, January 2026

#### 3.3.2 Agro-processing Business Health and Outlook

In Q4 2025, the Business Health Index for the Agro-processing sector strengthened to 56.40 from 50.20 in Q3 2025, moving further above the neutral mark of 50 and indicating a notable improvement in business conditions. The stronger performance was driven by gains across key sub-indices.

The Raw Material Availability Index decreased to 46.55 from 51.67, while production activity improved, with the Production by Enterprises Index rising to 52.70 from 51.02.

Total Production Volume remained robust at 65.52, slightly lower than the previous quarter but still indicating strong output levels. Sales activity also improved, with the Sales by Enterprises Index rising to 67.24 from 51.67, supported by higher volumes and average selling prices.

Profitability saw a marked improvement, climbing to 63.79 from 40.00, signaling healthier margins for enterprises. Enterprise-driven job growth remained positive at 51.72,

reflecting stable employment conditions within the sector.

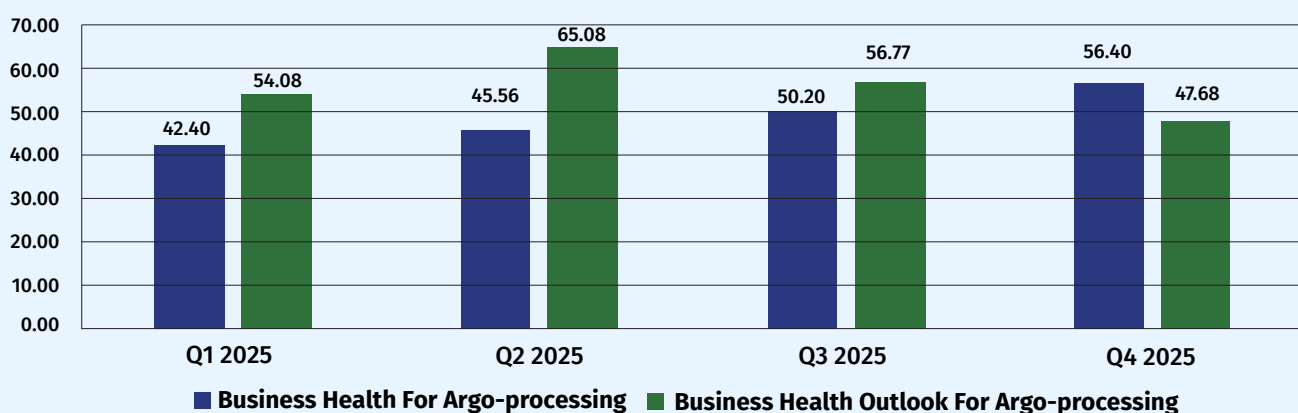
Looking ahead, the Business Health Outlook for Agro-processing softened to 47.68 in Q4 2025 from 56.77 in Q3 2025, falling below the neutral threshold of 50 and signaling cautious expectations among enterprises. Forward-looking indices reflected moderation across key areas.

The Production by Enterprises Outlook Index eased to 41.55 from 53.83, while the Sales

Outlook Index declined to 49.43 from 65.00. Profitability expectations also moderated, with the Profitability Outlook Index falling to 44.83 from 56.67.

These trends suggest that while operational performance in Q4 2025 remains strong, businesses anticipate slower growth in production, sales, and profitability in the coming quarter, likely due to uncertainties in input costs, market demand, and broader economic conditions.

**Figure 8: Business Health and Outlook for Agro-processing Sector, Q1 2025 to Q4 2025**



Source: Computation by the author based on Business Health Survey (BHS) data, January 2026



### 3.3.3 Manufacturing Business Health and Outlook

In Q4 2025, the Business Health Index for Manufacturing increased to 54.62 from 47.69 in Q3 2025, indicating a significant improvement in the overall sector's performance. The Raw Material Availability Index rose marginally to 47.57 from 47.46, suggesting steadier access to inputs.

The Volume of Raw Materials Index strengthened to 68.06 from 59.42, supporting production capabilities. The Production by Enterprises Index moved up to 50.07 from 47.09, while Capacity Utilization improved to 57.14 from 49.24, reflecting more efficient use of resources.

Total Production Volume Index rose sharply to 67.36 from 56.52, indicating higher output levels. Sales by Enterprises Index increased to 60.74 from 51.50, supported by a higher Average Selling Price Index of 55.77 from 54.49. Profitability Index jumped to 60.90 from 43.67,

showing a notable recovery in margins.

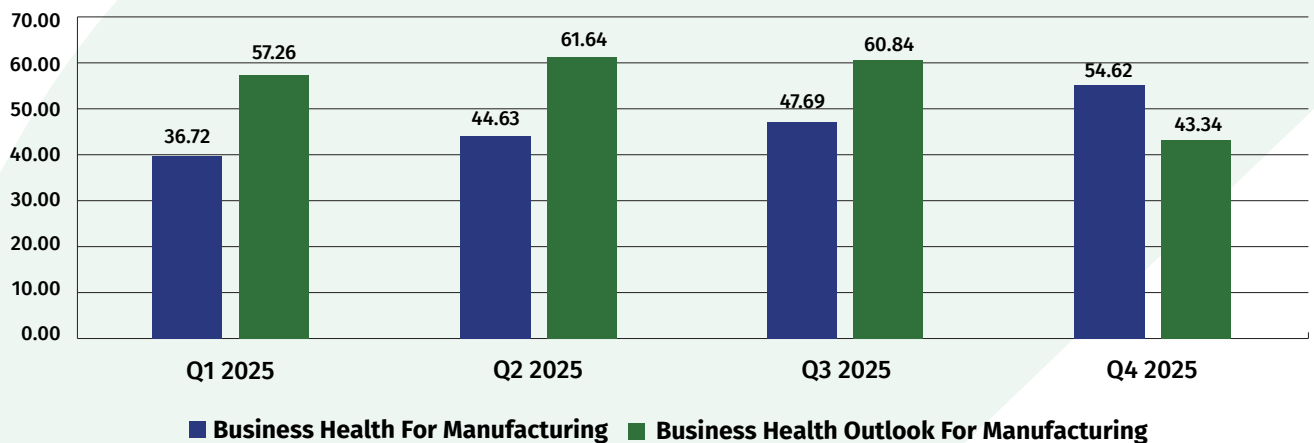
Enterprise-Driven Job Growth Index rose to 53.85 from 48.73, signaling moderate employment expansion.

The Business Health Outlook Index for the Manufacturing sector fell sharply to 43.34 from 60.84 in Q3 2025, reflecting more pessimistic expectations.

The Raw Material Availability Outlook Index decreased to 45.79 from 55.07, the Production by Enterprises Outlook Index eased to 42.72 from 58.37, and the Profitability Outlook Index moderated to 37.18 from 64.56.

These trends indicate that manufacturers anticipate tighter supply conditions, slower production growth, and reduced profitability in the upcoming quarter, despite strong current performance.

**Figure 9: Business Health and Outlook for Manufacturing Sector, Q1 2025 to Q4 2025**



Source: Computation by the author based on Business Health Survey (BHS) data, January 2026

### 3.3.4 Tourism Business Health and Outlook

In Q4 2025, the Business Health Index (BHI) for the Tourism and Hospitality sector declined to 50.85 from 54.65 in Q3 2025, reflecting a slight moderation in perceived business performance.

The decline signals that business owners and managers viewed sector performance as slightly weaker compared to the previous quarter, although it remained close to the neutral 50 Index threshold. Key drivers of this moderation include changes in sales, profitability, and employment.

Sales by Enterprises Index eased to 55.13 from 58.08, while the Sales Volume Index moderated to 57.69 from 59.09, indicating a slight slowdown in customer activity and bookings.

The Average Selling Price Index remained stable at 50.00, reflecting steady pricing, while the Sales Revenue Index slightly decreased to 57.69 from 63.64, suggesting that lower sales volumes impacted overall earnings. Profitability by Enterprises Index declined marginally to 52.56 from 52.94, showing that margins were positive but less robust. Meanwhile, the Enterprise-Driven Job Growth

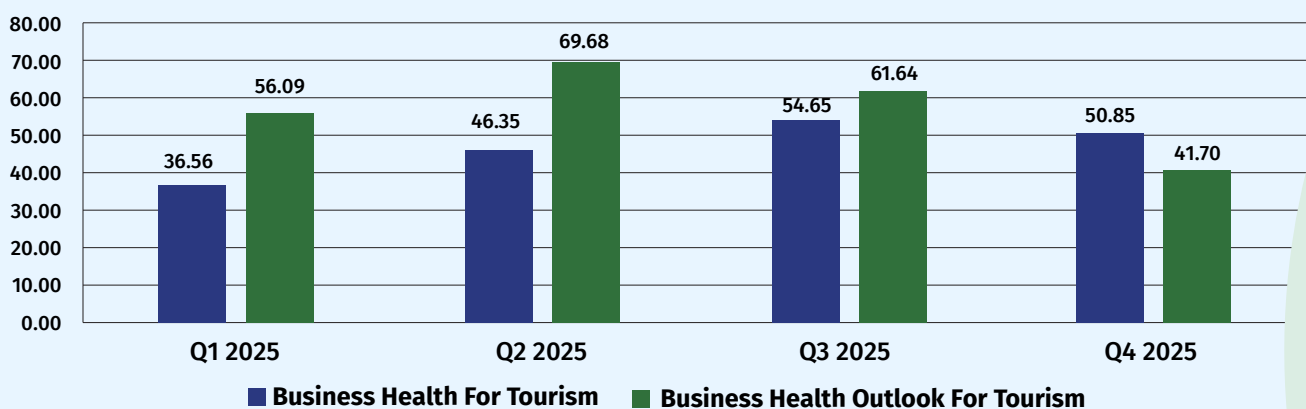
Index fell to 48.72 from 52.94, indicating slower employment expansion in the sector.

Looking ahead, the Business Health Outlook Index for Tourism and Hospitality fell sharply to 41.70 Index in Q4 2025 from 61.64 Index in Q3 2025. This indicates reduced optimism among business owners for the next quarter. Expectations across all sub-indices were subdued.

The Profitability Outlook Index declined to 34.62 from 64.71, reflecting anticipated pressure on margins. The Sales Outlook Index eased to 39.22 from 64.35, while the Sales Volume Outlook Index decreased to 35.90 from 70.31, suggesting expectations of lower customer activity.

The Sales Revenue Outlook Index moderated to 38.16 from 68.18, highlighting reduced earnings expectations. Finally, the Enterprise-Driven Job Growth Outlook Index declined to 51.28 from 55.88, indicating limited anticipated hiring in the next quarter. The decline in optimism is mainly due to concerns over market conditions, demand fluctuations, and potential cost pressures.

**Figure 10: Business Health and Outlook for Tourism Sector, Q1 2025 to Q4 2025**



Source: Computation by the author based on Business Health Survey (BHS) data, January 2026

### 3.3.5 Education Business Performance and Outlook

In Q4 2025, the Business Health Index for the Education sector rose to 52.51 from 48.88 in Q3 2025, moving above the neutral level of 50 and signaling an overall recovery in sector performance.

Improvements were observed across several key indicators: the Education Services Sales Index increased to 52.16 from 51.00, the Tuition Fees Index rose to 51.83 from 49.33, and the Tuition Revenue Index remained strong at 52.50.

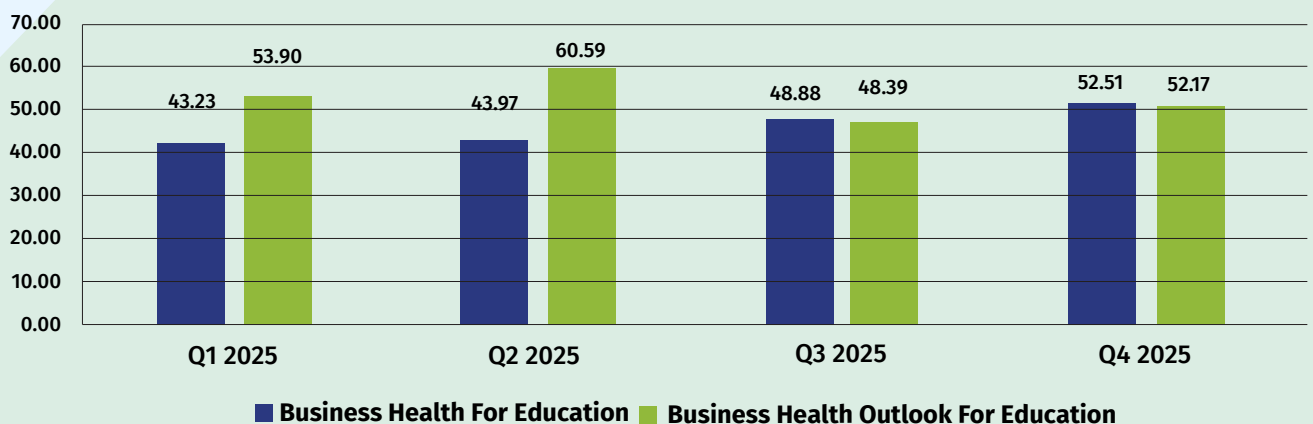
The Profitability Index saw a notable improvement to 52.98 from 42.50, reflecting better cost management, while the Enterprise-Driven Job Growth Index remained stable at 52.38, indicating steady expectations for employment in the sector.

Looking ahead, the Business Health Outlook Index improved to 52.17 from 48.39 in Q3 2025, reflecting growing optimism among education service providers.

Forward-looking indicators strengthened, with the Education Services Sales Outlook Index rising to 54.72, the Tuition Fees Outlook Index increasing to 55.07, and the Tuition Revenue Outlook Index improving to 54.38, signaling higher confidence in future inflows.

The Profitability Outlook Index also improved to 51.19, while the Education Job Growth Outlook Index edged up to 50.60, suggesting cautious optimism for employment expansion.

**Figure 11: Business Health and Outlook for Education Sector, Q1 2025 to Q4 2025**



Source: Computation by the author based on Business Health Survey (BHS) data, January 2026



### 3.3.6 Health Sector Business Performance and Outlook

In Q4 2025, the Business Health Index for the Health sector stood at 51.93, slightly below the previous quarter's 57.58, signaling that while overall sector performance remained positive, the pace of improvement moderated.

Key performance indicators showed mixed trends: the Sales by Enterprises Index fell to 49.28 from 59.09, and the Sales Volume Index decreased to 50.00 from 61.36, reflecting a slight slowdown in service uptake. The Average Selling Price Index declined to 47.83, while Sales Revenue eased to 50.00, suggesting that earnings were largely stable but less robust than in Q3.

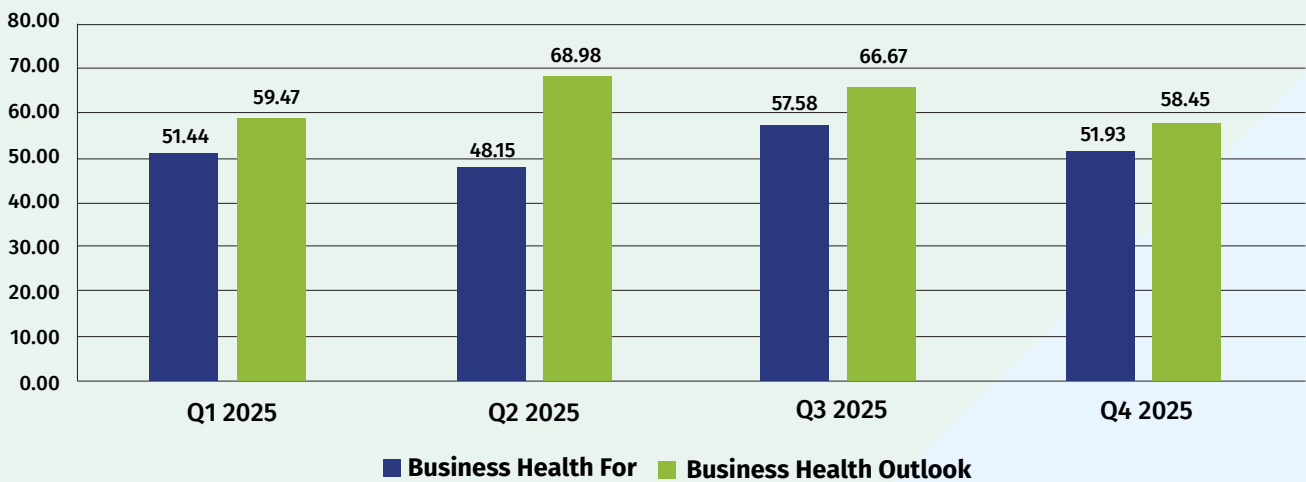
Profitability rebounded to 56.52, indicating that health facilities maintained positive margins. The Enterprise-Driven Job Growth Index remained steady at 50.00, showing

cautious hiring amid moderated business activity.

Looking ahead, the Business Health Outlook Index for Q4 2025 declined to 58.45 from 66.67 in Q3, though it remained above the neutral level of 50, reflecting sustained optimism in the sector. Forward-looking indicators moderated slightly: the Sales Outlook Index dropped to 55.80, the Sales Volume Outlook Index to 56.52, and the Sales Revenue Outlook Index to 63.04, showing tempered expectations for revenue and service growth.

The Profitability Outlook Index eased to 58.70, while the Job Growth Outlook Index remained relatively strong at 60.87, indicating that health providers anticipated moderate expansion in staffing supported by stable margins.

**Figure 12: Business Health and Outlook for Health Sector, Q1 2025 to Q4 2025**



Source: Computation by the author based on Business Health Survey (BHS) data, January 2026

### 3.3.7 Wholesale Trade Performance and Outlook

In Q4 2025, the Business Health Index for the Wholesale Trade sector rose sharply to 52.70 from 41.36 in Q3 2025, moving above the neutral level of 50 and indicating a notable improvement in overall performance. The recovery was supported by stronger results across key indicators.

The Sales by Enterprises Index increased to 56.38 from 40.74, while the Sales Volume Index improved to 55.17 from 38.89, reflecting higher trading activity and stronger demand. The Sales Revenue Index rose to 58.62 from 40.28, signaling improved earnings.

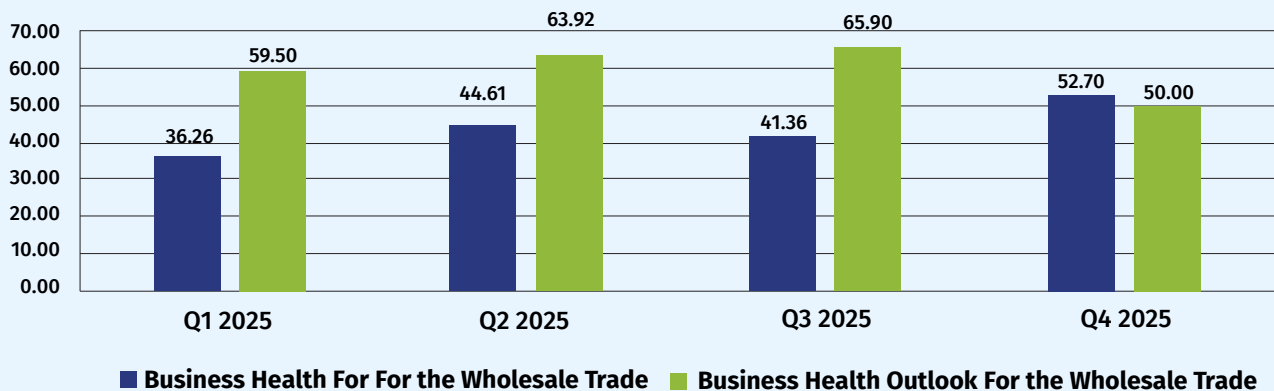
Profitability also recovered, with the Profitability Index reaching 50.00 compared to 31.94 in Q3, showing reduced pressure on margins. The Enterprise-Driven Job Growth Index edged up slightly to 51.72 from 56.94, indicating moderate expansion in hiring as

wholesalers adapted to improved conditions.

Looking forward, the Business Health Outlook Index for Wholesale Trade moderated to 50.00 in Q4 2025 from 65.90 in Q3, reflecting a neutral stance and more cautious optimism among traders for the coming quarter. Forward-looking indicators showed mixed signals: the Sales Outlook Index eased slightly to 55.17, and the Sales Volume Outlook Index moderated to 53.45, indicating measured expectations for trading activity.

The Sales Revenue Outlook Index remained positive at 60.34, while the Profitability Outlook Index declined to 48.28, suggesting that traders anticipated tighter margins. The Job Growth Outlook Index was at 46.55, showing slightly cautious expectations for hiring.

**Figure 13: Business Health and Outlook for Wholesale Sector, Q1 2025 to Q4 2025**



Source: Computation by the author based on Business Health Survey (BHS) data, January 2026

### 3.3.8 Other Services Performance and Outlook

In Q4 2025, the Business Health Index for Other Services increased to 57.98 from 46.58 in Q3 2025, moving above the neutral level of 50 and indicating a significant improvement in sector performance.

The rebound was supported by gains across several key indicators. The Sales by Enterprises Index strengthened to 66.01 from 46.80, while the Sales Volume Index rose sharply to 68.32 from 47.47, reflecting stronger demand across professional, financial, creative industry, and transport services.

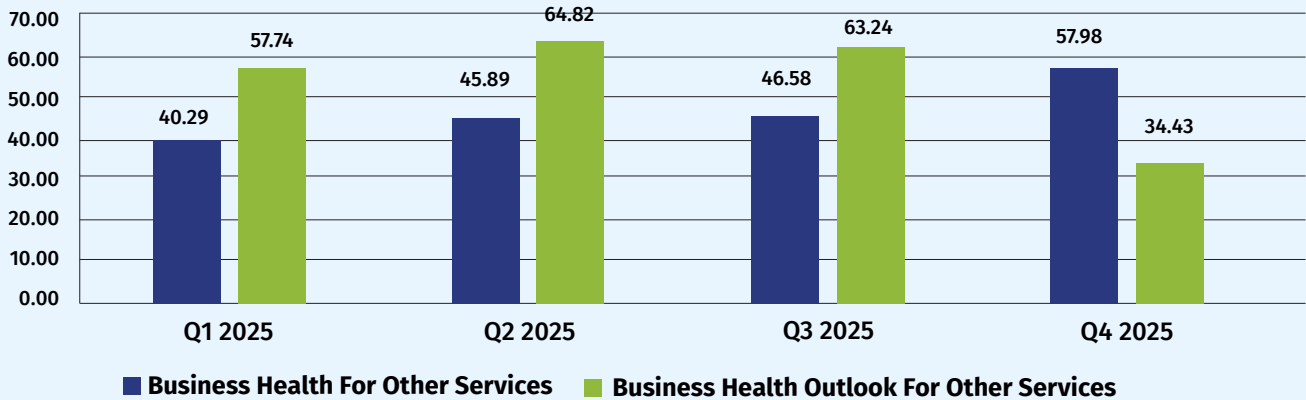
The Sales Revenue Index also improved to 70.30 from 46.46, signaling healthier earnings. Profitability rebounded significantly, with the Profitability Index climbing to 66.83 from 40.91, showing improved margins. The Enterprise-Driven Job Growth Index increased to 53.96

from 46.46, indicating that service providers were cautiously expanding staffing in line with higher demand.

Looking ahead, the Business Health Outlook Index for Other Services fell sharply to 34.43 in Q4 2025 from 63.24 in Q3 2025, moving well below the neutral threshold and signaling growing pessimism among service providers for the coming quarter.

Forward-looking indicators reflected subdued expectations: the Profitability Outlook Index declined to 22.77 from 68.69, the Sales Revenue Outlook Index fell to 25.25 from 69.19, and the Sales Volume Outlook Index dropped to 29.70 from 71.72. The Job Growth Outlook Index also weakened to 47.52 from 57.07, suggesting restrained hiring expectations.

**Figure 14: Business Health and Outlook for Other Services, Q1 2025 to Q4 2025**



Source: Computation by the author based on Business Health Survey (BHS) data, January 2026



### 3.4 Business Health Index (BHI) by region in Uganda

In Q4 2025, the Business Health Index (BHI) showed improvement across all regions compared to Q3 2025, though with differing strengths.

The Western region led with an index of 58.87, up from 50.45 in Q3 2025, driven by higher production volumes, better capacity utilization, and strong profitability. The Central region followed with a BHI of 53.60, rising from 49.74, supported by improved sales and moderate gains in enterprise profitability.

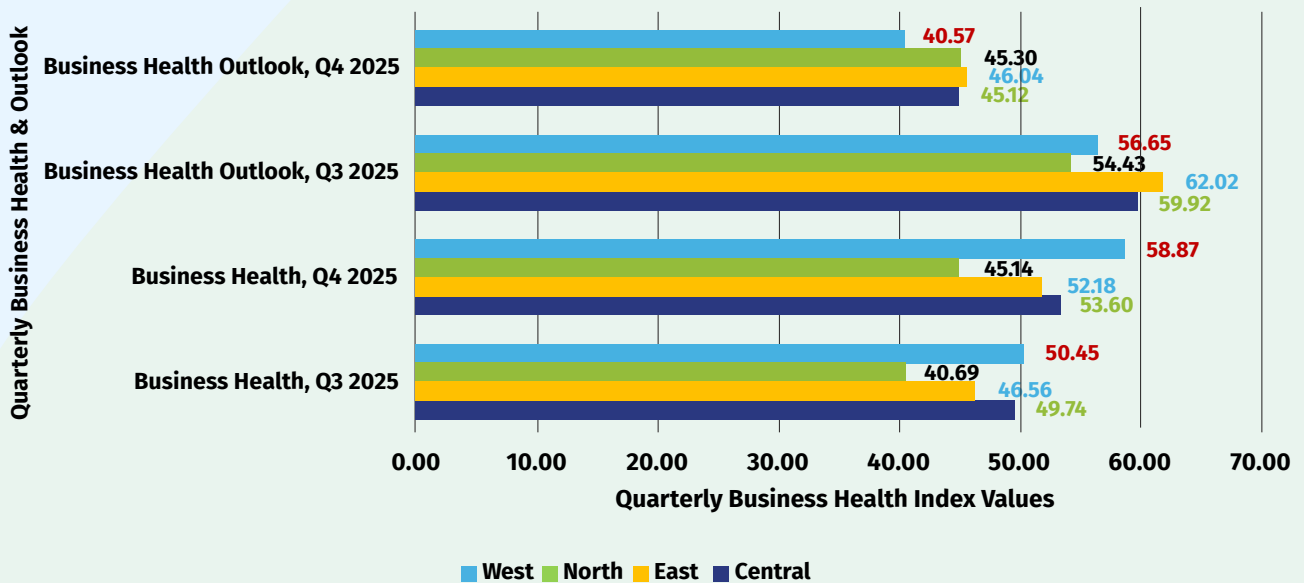
The Eastern region increased to 52.18 from 46.56, reflecting stronger production and sales activity despite persistent cost pressures. The Northern region, while still below the neutral threshold, improved to 45.14 from 40.69, as modest gains in sales and profitability partially offset challenges from rising input costs.

Looking ahead, the Business Health Outlook Index for Q4 2025 indicated more cautious sentiment across regions. The Central region index fell to 45.12 from 59.92 in Q3 2025, reflecting concerns about cost increases and potential demand fluctuations.

The Eastern region index eased to 46.04 from 62.02, signaling tempered optimism despite stable production. The Northern region's index remained subdued at 45.30 from 54.43, highlighting uncertainty over input costs and market recovery.

The Western region's outlook index dropped sharply to 40.57 from 56.65, suggesting that while current business health remained strong, enterprises expected challenges ahead in maintaining profitability and sustaining sales in the next quarter.

Figure 15: Business Health and Outlook by region, Q3 2025 to Q4 2025



Source: Computation by the author based on Business Health Survey (BHS) data, January 2026

### 3.5 Comparative Analysis of Business Health and Outlook Between UDB-funded and non-UDB-funded Entities

In Q4 2025, the Business Health Index (BHI) showed continued recovery for both UDB-funded and non-UDB-funded enterprises, though with differing performance. UDB-funded entities maintained a strong index of 53.28, slightly down from 53.66 in Q3 2025, staying above the neutral threshold of 50.

This performance was supported by higher production volumes, which increased to 66.13 in Q4 2025 from 60.33 in Q3 2025, and stronger sales revenue at 60.74, up from 60.36, reflecting resilient demand and stable operations. Profitability remained robust at 55.25, supported by improved capacity utilization and gradual moderation of input costs.

Non-UDB-funded entities saw a more pronounced improvement in their index to 53.06 in Q4 2025 from 45.12 in Q3 2025, driven by a rebound in production volume from 50.64 to 64.29, higher sales revenue from 47.82 to 63.72, and better enterprise-driven job growth from 47.80 to 53.57, reflecting stronger operational confidence and recovery in trading and small-scale manufacturing activities.

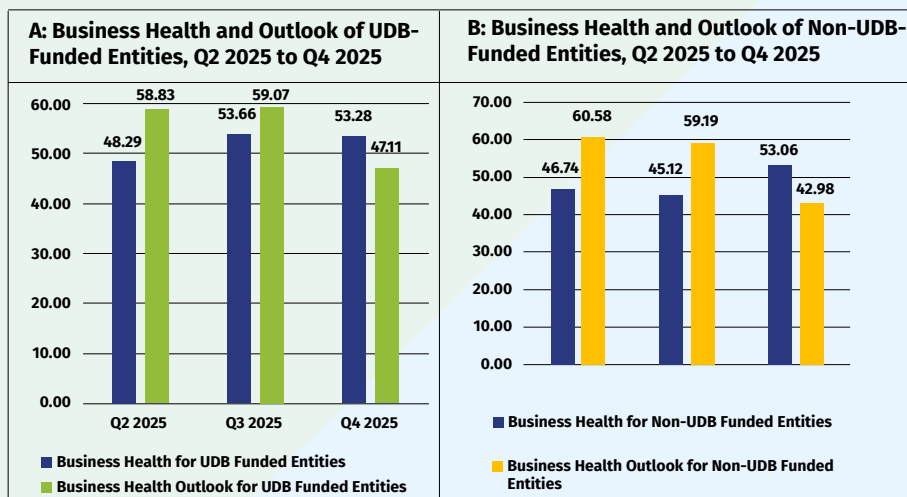
Looking ahead, the Business Health Outlook Index indicated more cautious sentiment for

Q4 2025. For UDB-funded enterprises, the Outlook Index declined to 47.11 in Q4 2025 from 59.07 in Q3 2025, reflecting rising input and production costs as well as moderate concerns over market demand, which tempered optimism despite solid performance in the previous quarter. Production expectations remained relatively strong at 51.08, while sales revenue and capacity utilization were projected at 45.64 and 43.18, respectively.

Profitability and enterprise-driven job growth Outlook Indexes eased to 44.75 and 54.94, highlighting potential margin pressures and a cautious approach to employment expansion. Similarly, non-UDB-funded entities experienced a sharper decline in the Outlook Index, falling to 42.98 in Q4 2025 from 59.19 in Q3 2025.

This decline reflects the anticipated volatility in raw material availability, production costs, and demand fluctuations. While sales revenue expectations remained moderate at 38.27, production volume and profitability Outlook Indexes eased to 48.70 and 35.88, respectively, signaling tighter margins and cautious operational plans despite a recovery in the current quarter.

**Figure 16: Business Health and Outlook of UDB-Funded and Non-UDB-Funded Entities, Q2 2025 to Q4 2025**



Source: Computation by the author based on Business Health Survey (BHS) data, January 2026



## 4.0 Critical Challenges Affecting Business Health in Uganda

The survey results for Q4 2025 indicate that enterprises continued to face high cost and demand-related pressures, even as some sectors reported modest improvements in overall business performance. While certain cost-related constraints eased slightly compared to Q3 2025, challenges related to financing, demand, and structural inefficiencies intensified, sustaining risks to business performance. These findings reflect the direct experiences and perspectives of business owners and managers across Uganda.

### High Cost of Financing

High financing costs remained a major constraint in Q4 2025, affecting 59 percent of businesses, up from 55 percent in Q3 2025. Respondents highlighted that elevated interest rates, stringent collateral requirements, and slow loan approval processes restricted access to affordable working capital and investment finance. Many businesses reported continued reliance on expensive short-term credit to manage daily operations, increasing unit costs, and eroding profit margins. In sectors such as manufacturing, agro-processing, and hospitality, high interest costs combined with multiple taxes constrained expansion plans and delayed project implementation, even where market demand existed. Several respondents also noted that delays in disbursements from financial institutions further disrupted operations.

### High Cost of Utilities: Water and Energy

Utility costs eased slightly in Q4 2025. The proportion of businesses reporting high water costs fell to 28 percent from 34 percent in Q3 2025, while those citing high energy costs declined to 42 percent from 46 percent. Nevertheless, enterprises continued to experience frequent power outages and

irregular water supply. Manufacturers, agro-processors, schools, and health facilities often relied on backup generators and water trucking, which are significantly more expensive than grid-supplied utilities. Respondents explained that these additional costs not only reduced profitability but also disrupted production schedules and service delivery, particularly in rural and up-country areas where infrastructure remains weak. Other issues highlighted included high costs of IT equipment, licensing fees, and operational overheads, which further constrained business efficiency.

### High Cost of Labour

Labour costs remained a notable challenge, affecting 34 percent of businesses in both Q3 and Q4 2025. Business owners emphasized rising wage expectations, statutory obligations, and the need to retain skilled staff in a competitive labour market. Many firms managed costs by maintaining a lean core workforce, increasing reliance on temporary or part-time employees, or delaying recruitment for vacant positions. Education and health service providers stressed that retaining qualified teachers, medical personnel, and technical staff required higher pay and non-wage benefits, which continued to pressure operating margins. Some respondents also highlighted staff shortages, recruitment challenges, and language barriers, especially in technical and vocational sectors, which compounded labour-related costs.

### Insufficient Demand

Insufficient demand intensified in Q4 2025, affecting 65 percent of businesses, up from 61 percent in Q3 2025. Respondents across wholesale and retail trade, tourism, hospitality, and some manufacturing sectors cited subdued household purchasing power and delayed payments from institutional clients, including government agencies.

Customers prioritized essentials such as food, rent, and school fees, limiting spending on manufactured goods, services, and leisure. Enterprises also reported stiff competition, cheaper imported products, and reduced support from NGOs and development projects, all of which further constrained the customer base and sales volumes. Businesses in the education and hospitality sectors additionally highlighted high rates of school fee defaulters and reduced tourist numbers during the political season, which directly affected cash flow and operational planning.

### High Transport Costs

Transport costs remained elevated in Q4 2025, affecting 35 percent of businesses, up from 32 percent in Q3 2025. Firms reported that fuel prices remained high, and poor road conditions, particularly in rural production areas, increased vehicle maintenance costs and extended delivery times. Agro-traders and farmers experienced higher spoilage of perishable goods and lower farm-gate prices due to long distances to markets. Service and tourism enterprises noted limited domestic flights and high fares, which restricted visitor numbers and increased operating costs, although some respondents observed modest improvements where road infrastructure projects had advanced. Other transport-related challenges included limited rural roads, impassable routes during heavy

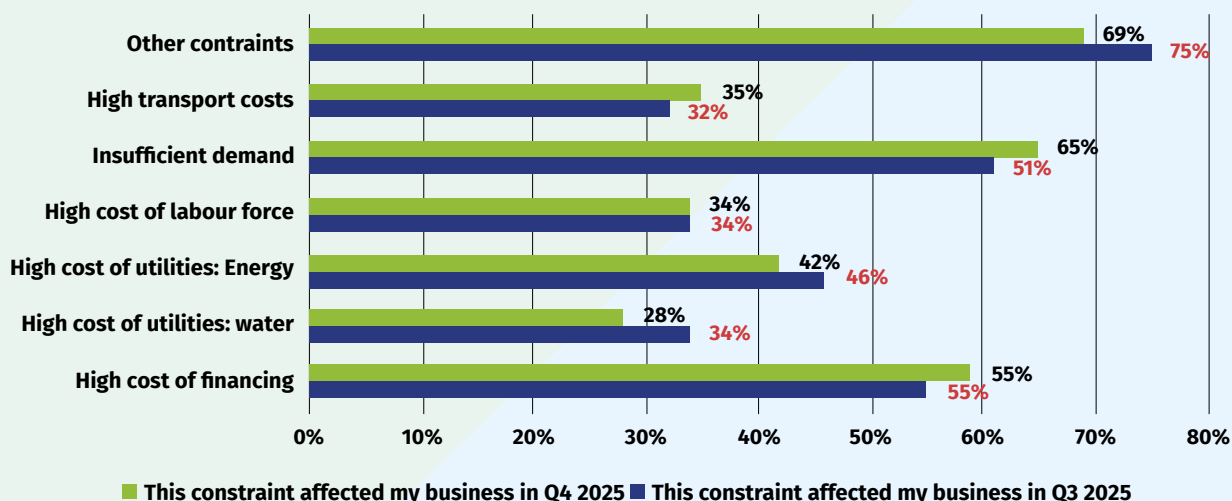
rain, and unreliable logistics networks, which collectively reduced operational efficiency.

### Other Constraints

In Q4 2025, 69 percent of businesses reported being affected by other constraints, slightly lower than the 75 percent recorded in Q3 2025. Respondents identified multiple challenges, including numerous taxes, delayed payments from clients and government, regulatory bottlenecks, intense competition, climate-related shocks, and operational inefficiencies. Enterprises in the education, hospitality, health, and construction sectors particularly noted chronic late payments, which created cash-flow shortages and forced some to borrow at high interest rates or delay payments to suppliers and staff.

Additional challenges cited included droughts, heavy rains and flooding, unpredictable weather patterns, crop and livestock diseases, poor road networks, unreliable electricity, high operational costs, limited access to capital, stiff competition, and price fluctuations. Respondents also highlighted high taxes, including URA, PAYE, NSSF, licensing, and hotel levies, limited infrastructure, inadequate storage or accommodation, political cycle impacts on customer turnout, withdrawal of donor and NGO support, and high costs of raw materials and inputs.

**Figure 17: Business Constraints Impacting Enterprises in Uganda, Q3 2025-Q4 2025**



Source: Authors' construction based on Business Health Survey (BHS) data, January 2026

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