

Uganda Macroeconomic Digest

February 2026

Introduction

The Uganda Macroeconomic Digest for February 2026 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 inflation, measured by the Consumer Price Index, declined to 2.9 percent in the 12 months ending February 2026, down from 3.2 percent in the 12 months ending January 2026. The fall in headline inflation was mainly driven by lower core and food crops inflation, despite a rise in Energy, Fuel, and Utilities (EFU) inflation.

Annual core inflation decreased to 3.0 percent in February 2026 from 3.3 percent in January 2026, primarily due to a slowdown in services inflation. Services inflation eased to 4.1 percent in February 2026 from 4.8 percent in January 2026, largely reflecting a sharp decline in passenger air transport inflation, which fell to 0.5 percent in February 2026 from 8.8 percent in January 2026, and health services inflation, which decreased to 2.8 percent in February 2026 from 3.8 percent in January 2026.

Annual food crops and related items inflation dropped to 1.8 percent in February 2026 from 3.0 percent in January 2026, mainly due to lower horticulture prices. Tomato inflation fell to -17.6 percent in February 2026 from -10.1 percent in January 2026, dry beans inflation to -1.1 percent in February 2026 from 1.0 percent in January 2026, and fresh leafy vegetables inflation to -0.2 percent in February 2026 from 7.5 percent in January 2026. Passion fruit inflation eased to 7.7 percent in February 2026 from 11.2 percent in January 2026, while green pepper inflation declined to 12.7 percent in February 2026 from 33.7 percent in January 2026.

However, annual Energy, Fuel, and Utilities (EFU) inflation rose to 2.7 percent in February 2026 from 1.7 percent in January 2026, driven by higher liquid and solid fuel prices. Liquid fuel inflation increased to 1.7 percent in February 2026 from 0.2 percent in January 2026, supported by petrol inflation rising to 3.4 percent in February 2026 from 1.3 percent in January 2026 and diesel to 0.8 percent in February 2026 from -0.7 percent in January 2026. Solid fuel inflation climbed to 7.3 percent in February 2026 from 5.3 percent in January 2026, reflecting higher charcoal inflation, which rose to 6.0 percent in February 2026 from 4.6 percent in January 2026, and firewood inflation, which increased to 10.3 percent in February 2026 from 6.9 percent in January 2026.

Looking ahead, Uganda's inflation is projected to range between 3.8 and 4.3 percent in 2026, with expectations to stabilize around the 5 percent target over the medium to long term (Bank of Uganda, 2026). Upward pressures may arise from stronger domestic demand, driven partly by increased government spending, geopolitical tensions disrupting global supply chains, and adverse weather affecting agricultural output. On the other hand, declining global commodity prices and weaker global growth due to trade shocks and heightened uncertainty could help ease inflation.

2.9%



Headline inflation declined from 3.2% in January to 2.9% in February 2026

3.0%



Core inflation declined from 3.3% in January to 3.0% in February 2026

1.8%



Food Crops and Related Items inflation declined from 3.0% in January to 1.8% in February 2026

2.7%



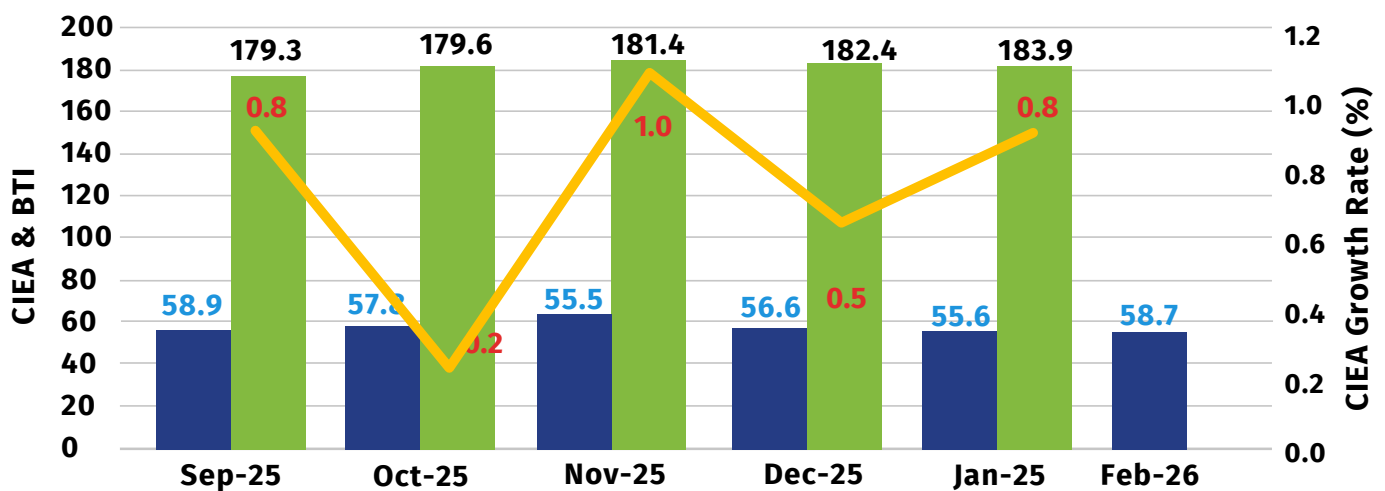
Energy Fuel and Utilities (EFU) inflation increased from 1.7% in January to 2.7% in February 2026

Business Perceptions and Economic Activity:

The Business Tendency Index (BTI) in Uganda rose to 58.7 in February 2026, up from 55.6 in January 2026, supported by strengthened economic resilience, easing inflationary pressures, and a steady increase in private sector activity. This positive outlook was reinforced by higher investor confidence, improved export earnings, particularly in gold and coffee, and a generally stable exchange rate. Improved performance in the Wholesale Trade and Agriculture sectors contributed to this growth, driven by higher supply chain orders, stronger demand, and increased sales volumes.

The Business Tendency Index for Wholesale Trade stood at 54.7 in February 2026, up from 52.0 in January 2026, while Agriculture recorded 59.5 in February 2026, unchanged from January 2026, indicating sustained optimism for the coming months. The Composite Index of Economic Activity (CIEA) increased by 0.8 percent to 183.9 in January 2026 from 182.4 in December 2025, marking the sixth consecutive monthly rise and signaling continued economic expansion.

Figure 1 : Business Tendency Indicator (BTI) and Composite Index of Economic Activity (CIEA), September 2025 to February 2026



Source: Bank of Uganda's Macroeconomic Indicators, February 2026

Exchange Rate Movements:

In February 2026, the Ugandan shilling depreciated by 0.2 percent against the US dollar, averaging UGX 3,568.2 per USD, up from UGX 3,562.1 per USD in January 2026. The depreciation was driven by high dollar demand from the energy, manufacturing, and telecom sectors, coupled with a decline in government bond yields that prompted offshore investors to exit.

Despite these pressures, the shilling remained relatively stable before this period, supported by strong coffee and gold export earnings.

Additionally, growing tensions in the Middle East led investors to seek safer assets, reducing the appeal of emerging market currencies such as the shilling.





Interest Rate Movements:

The Central Bank Rate (CBR) remained unchanged at 9.75 percent in February 2026, marking the seventeenth consecutive month at this level since October 2024. This rate is considered appropriate to ensure that inflation stabilizes around the 5 percent policy target over the medium to long term.

Lending rates on shilling-denominated credit increased in January 2026, with the weighted average rate rising to 18.33 percent from 18.00 percent in December 2025. This increase was driven partly by heightened risk perceptions among commercial banks amid global economic uncertainty. On the other hand, lending rates on foreign currency-denominated credit decreased to an average of 7.21 percent in January 2026 from 7.32 percent in December 2025, partly driven by lower demand for dollar-denominated loans.



Domestic Credit:

Domestic credit declined by 0.8 percent, from UGX 50.73 trillion in November 2025 to UGX 50.30 trillion in December 2025, largely due to a 1.9 percent reduction in Net Credit to Government (NCG), which fell from UGX 21.35 trillion to UGX 20.95 trillion over the same period, reflecting lower government borrowing from the domestic financial system, while private sector credit increased by 1.2 percent, from UGX 28.03 trillion in November 2025 to UGX 28.36 trillion in December 2025, signaling continued lending to businesses and households for working capital and investment activities.



Merchandise Trade Balance and Terms of Trade:

Uganda's trade deficit narrowed by 171.3 percent to USD 147.3 million in January 2026, down from USD 206.4 million in December 2025. This improvement was driven by an increase in export revenues from USD 1,395.1 million in December 2025 to USD 1,453.5 million in January 2026, alongside a decline in import payments from USD 1,601.5 million to USD 1,306.3 million over the same period. The terms of trade index fell by 2.8 percent from 151.6 in December 2025 to 147.4 in January 2026, reflecting lower relative export prices compared to imports.

Trade deficit
declined by
171.3%
in January 2026

Total Exports of
Goods-fob
increased by
4.2%
in January 2026

Total Imports
of Goods - fob
declined by
18.4%
in January 2026

Terms of Trade Index
declined by
2.8%
in January 2026



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

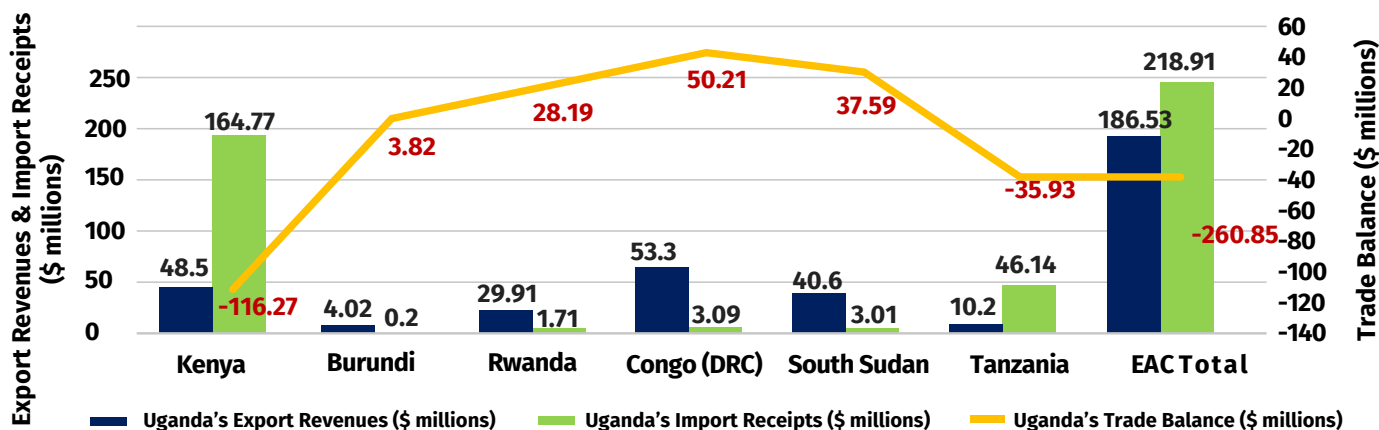
In January 2026, Uganda's trade position with the East African Community (EAC) recorded a deficit of US\$32.38 million, as import receipts totaled US\$218.91 million in January 2026, exceeding export earnings of US\$186.53 million in January 2026. The overall deficit was mainly driven by trade imbalances with Kenya and Tanzania, which accounted for the largest share of Uganda's EAC trade shortfall.

Trade with Kenya registered the largest deficit of US\$116.27 million in January 2026, with imports valued at US\$164.77 million in January 2026 compared to exports of US\$48.50 million in January 2026, reflecting Uganda's continued reliance on Kenya for processed goods, pharmaceuticals, and industrial supplies. Similarly, trade with Tanzania resulted in a deficit of US\$35.93 million in January 2026, as imports totaled US\$46.14 million in January 2026 while exports amounted to US\$10.20 million in January 2026, largely driven by imports of petroleum products and manufactured goods.

On the positive side, Uganda maintained significant trade surpluses with several EAC partner states, reflecting strong regional export performance. Trade with the Democratic Republic of Congo (DRC) generated the largest surplus of US\$50.21 million in January 2026, with exports of US\$53.30 million in January 2026 compared to imports of US\$3.09 million in January 2026, supported by strong demand for Ugandan food products, cement, beverages, and manufactured goods.

Uganda also recorded a surplus of US\$37.59 million with South Sudan in January 2026, where exports stood at US\$40.60 million in January 2026 compared to imports of US\$3.01 million in January 2026. Similarly, trade with Rwanda remained favorable, generating a surplus of US\$28.19 million in January 2026, with exports valued at US\$29.91 million in January 2026 against imports of US\$1.71 million in January 2026. Trade with Burundi also recorded a surplus of US\$3.82 million in January 2026, supported by exports of US\$4.02 million in January 2026 compared to imports of US\$0.20 million in January 2026.

Figure 2: Uganda's Merchandise Trade Balance with the EAC in January 2026 (Million USD): Exports Vs. Imports



Source: Bank of Uganda's Macroeconomic Indicators, January 2026

Uganda's Export Revenues from Selected Commodities:

Coffee remained one of Uganda's leading export earners, with revenues increasing to USD 161.0 million in January 2026 from USD 149.87 million in December 2025, a 7.4 percent rise. This growth was driven by higher export volumes, which rose by 12.7 percent to 566,278 sixty-kilogram bags in January 2026 from 502,582 bags in December 2025, reflecting improved seasonal production.

Cotton export revenues rose to USD 0.76 million in January 2026 from USD 0.68 million in December 2025, up 11.9 percent. The increase was supported by a 12.1 percent rise in export volumes, which grew to 2,956.15 bales (185 kilograms each) from 2,636.23 bales, reflecting stronger regional demand.

Tea exports earned USD 4.72 million in January 2026, up 7.0 percent from USD 4.41 million in December 2025. This increase occurred alongside an 8.6 percent rise in export volumes, which climbed to 5,151.68 tons from 4,745.81 tons, supported by competitive international prices at the Mombasa auction. Fish and fish product exports (excluding regional markets) declined to USD 13.09 million in January 2026 from USD 16.63 million in December 2025, a 21.3 percent decrease. This was largely due to a 31.5 percent fall in export volumes to 1,649.46 tons from 2,408.87 tons, reflecting lower international demand and supply constraints.

Simsim (sesame seed) export revenues rose sharply to USD 1.68 million in January 2026 from USD 0.73 million in December 2025, a 130.4 percent increase. This surge was supported by a 115.9 percent increase in export volumes, which grew to 981.55 tons from 454.69 tons, reflecting higher production and strong market demand.

Maize exports increased to USD 7.91 million in January 2026 from USD 5.19 million in December 2025, a 52.5 percent rise. The increase was driven by higher volumes, which surged 48.1 percent to 28,325.07 tons from 19,129.3 tons, reflecting robust supply for export markets.

Beans export revenues declined to USD 9.22 million in January 2026 from USD 11.11 million in December 2025, down 17.0 percent. This fall was due to a 25.2 percent reduction in export volumes to 11,925.15 tons from 15,946.01 tons, despite steady prices in key markets.

Cocoa bean exports fell to USD 45.98 million in January 2026 from USD 55.18 million in December 2025, a 16.7 percent decline. The decrease was largely driven by a 14.1 percent drop in export volumes to 7,680.36 tons from 8,940.32 tons, reflecting softer global demand.

Rice export revenues rose to USD 0.11 million in January 2026 from USD 0.09 million in December 2025, an 18.7 percent increase. This growth was supported by a 12.3 percent rise in export volumes to 167.82 tons from 149.43 tons, reflecting stronger regional demand.

Sugar exports declined to USD 12.29 million in January 2026 from USD 14.27 million in December 2025, down 13.9 percent. This fall was driven by a 10.8 percent reduction in export volumes to 17,983.04 tons from 20,155.85 tons, partly due to slightly lower domestic production, while regional demand remained stable.





Uganda's Import Receipts for Selected Commodities:

In January 2026, Uganda's formal private sector import receipts declined by 18.5 percent, from US\$1.57 billion in December 2025 to US\$1.28 billion, largely driven by lower imports of mineral products (excluding petroleum), vegetable products, machinery, and several manufactured goods.

Imports of animal and animal products increased by 10.7 percent, from US\$7.31 million in December 2025 to US\$8.09 million in January 2026, reflecting stronger demand for food and livestock-related inputs. However, vegetable products, beverages, fats, and oils declined by 18.2 percent, from US\$100.75 million in December 2025 to US\$82.43 million in January 2026.

Imports of prepared foodstuffs, beverages, and tobacco fell sharply by 29.3 percent, from US\$38.32 million in December 2025 to US\$27.11 million in January 2026, reflecting reduced demand for processed food imports. Similarly, mineral products (excluding petroleum) declined by 27.7 percent, from US\$667.18 million in December 2025 to US\$482.39 million in January 2026, largely due to lower imports of construction materials and other industrial inputs.

Petroleum product imports increased by 9.6 percent, rising from US\$145.63 million in December 2025 to US\$159.53 million in January 2026, reflecting higher fuel procurement to meet energy and transport demand. Imports of chemical and related products declined slightly by 4.0 percent, from US\$81.94 million in December

2025 to US\$78.63 million in January 2026, indicating stable but slightly lower industrial demand.

Imports of plastics, rubber, and related products decreased by 16.2 percent, from US\$65.82 million in December 2025 to US\$55.14 million in January 2026, signaling softer manufacturing and packaging activity. Wood and wood products dropped significantly by 36.9 percent, from US\$25.23 million in December 2025 to US\$15.92 million in January 2026, reflecting lower construction and furniture-related imports.

Similarly, textile and textile products declined by 26.6 percent, from US\$36.21 million in December 2025 to US\$26.57 million in January 2026, while miscellaneous manufactured articles fell by 13.0 percent, from US\$41.17 million in December 2025 to US\$35.83 million in January 2026. Base metals and their products also declined by 16.9 percent, from US\$93.80 million in December 2025 to US\$77.97 million in January 2026, reflecting weaker demand for metal inputs in construction and manufacturing.

Imports of machinery, equipment, vehicles, and accessories fell by 13.8 percent, from US\$271.33 million in December 2025 to US\$233.89 million in January 2026, suggesting lower capital goods imports during the period. Electricity imports declined by 27.6 percent, from US\$0.26 million in December 2025 to US\$0.19 million in January 2026, reflecting lower cross-border power purchases

Uganda's Economic Outlook and Risks:

Uganda's economic growth for FY2025/26 is projected to range between 6.5 and 7.0 percent, with growth expected to average around 8.0 percent over the medium term, according to the latest projections by the Bank of Uganda (2026). This outlook reflects continued resilience in domestic economic activity and improving economic conditions.

The growth outlook is supported by large-scale infrastructure projects and sustained private sector investment. However, risks remain. Growth could be constrained by geopolitical tensions disrupting trade and supply chains, higher global commodity prices, and weak global demand, which may affect exports and investment. Nonetheless, stronger investment in key sectors such as oil and continued government initiatives could support growth above current projections.



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

Dr. Francis Mwesigye

Chief Economist.

Email: fmwesigye@udbl.co.ug



Address:

HEAD OFFICE

UDB Tower, Plot 22
Hannington Road,
P.O. Box 7210,
Kampala, Uganda.

REGIONAL OFFICES

- **Gulu City:** Plot 67, Lower Churchill Drive
- **Mbale City:** Plot 1, Masaba Road
- **Hoima City:** Plot 5, Kyaruhanga Road

Tel: +256 312 355 500 | Email: info@udbl.co.ug

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