

Introduction

The Uganda Macroeconomic Digest for March 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, as measured by the Consumer Price Index (CPI), declined slightly to 2.8 percent in March 2026 from 2.9 percent in February 2026, indicating a marginal easing in overall price pressures. The moderation in headline inflation was largely driven by declines in core and food crops inflation, despite a notable increase in Energy, Fuel, and Utilities (EFU) inflation.

Annual core inflation eased to 2.9 percent in March 2026 from 3.0 percent in February 2026, reflecting reduced underlying inflationary pressures. Services inflation declined to 4.0 percent from 4.1 percent, mainly due to a slowdown in Restaurants and Accommodation Services inflation, which decreased to 3.7 percent from 4.0 percent. Similarly, core goods inflation moderated to 2.0 percent in March 2026 from 2.1 percent in February 2026, driven by lower price increases in key items such as maize flour (8.3 percent from 10.8 percent), dried fish (5.2 percent from 8.5 percent), live chicken (-0.3 percent from 4.5 percent), and refined oil (2.2 percent from 4.1 percent).

Annual food crops and related items inflation declined to 1.0 percent in March 2026 from 1.8 percent in February 2026, largely reflecting falling prices of several food items. Notably, fresh milk inflation decreased to -4.0 percent from 3.7 percent, passion fruits to -4.7 percent from 7.7 percent, pineapples to -0.7 percent from 19.4 percent, and onions to 1.4 percent from 4.4 percent, indicating improved supply conditions and easing seasonal pressures.

However, annual EFU inflation increased significantly to 4.1 percent in March 2026 from 2.7 percent in February 2026, driven by rising energy costs, partly reflecting global oil market pressures associated with the US-Israel-Iran conflict. Solid fuels inflation rose to 10.5 percent from 7.3 percent, particularly charcoal (8.1 percent from 6.0 percent) and firewood (16.2 percent from 10.3 percent). In addition, liquid energy fuel inflation increased to 2.8 percent in March 2026 from 1.7 percent in February 2026, supported by higher petrol inflation (4.4 percent from 3.4 percent) and diesel (3.0 percent from 0.8 percent).

Looking ahead, core inflation is projected by the Bank of Uganda to remain slightly below the medium-term target, within the range of 3.8 to 4.3 percent in 2026, before gradually stabilising around the 5 percent target. This outlook is supported by continued prudent monetary policy, with the Central Bank Rate maintained at 9.75 percent to sustain economic activity while anchoring inflation expectations amid persistent global uncertainty. Upside risks of the inflation outlook include stronger domestic demand, partly driven by higher government spending, a persistently weaker exchange rate, and escalating geopolitical tensions that could disrupt global supply chains. On the downside, inflation could be moderated by declining global commodity prices, and slower global growth arising from trade-related shocks and heightened uncertainty.

2.8%



Headline inflation declined from 2.9% in February to 2.8% in March 2026

2.9%



Core inflation declined from 3.0% in February to 2.9% in March 2026

1.0%



Food Crops and Related Items inflation declined from 1.8% in February to 1.0% in March 2026

4.1%

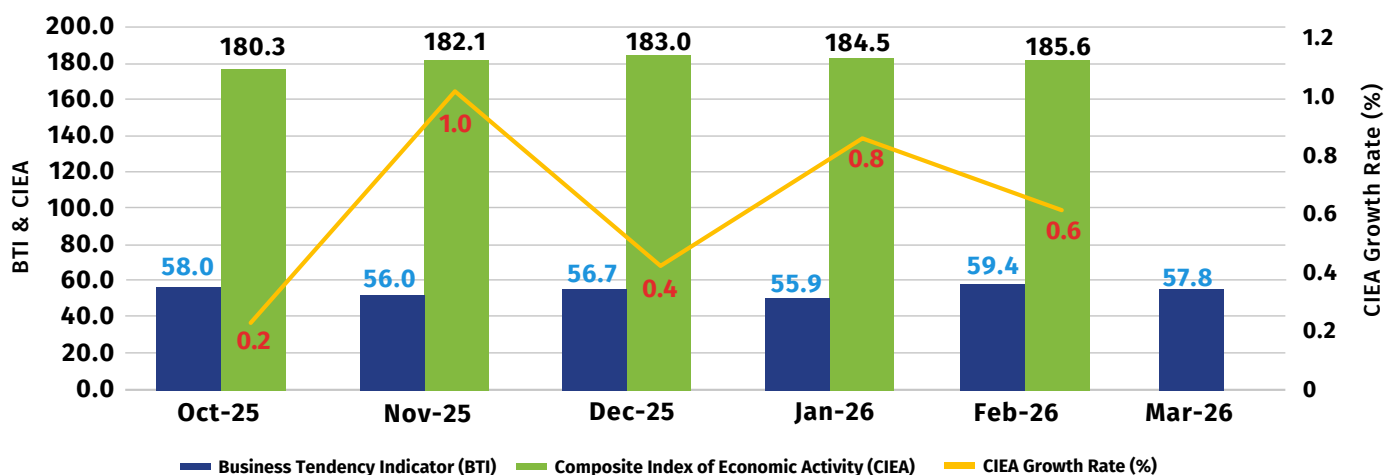


Energy Fuel and Utilities (EFU) inflation increased from 2.7% in February to 4.1% in March 2026

Business Perceptions and Economic Activity:

The Business Tendency Index (BTI) declined to 57.8 in March 2026, down from 59.4 in February 2026; nonetheless, it remained well above the 50 threshold, reflecting sustained business optimism. This outlook continued to be supported by stable macroeconomic conditions, easing inflationary pressures, and resilient private sector activity. The Composite Index of Economic Activity (CIEA) increased by 0.6 percent to 185.6 in February 2026, up from 184.5 in January 2026, marking continued expansion in economic activity, albeit at a slightly slower pace than the 0.8 percent growth recorded in the previous month.

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



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

Exchange Rate Movements:

In March 2026, the Ugandan shilling depreciated by 4.5 percent against the US dollar, averaging UGX 3,730.5 per USD, up from UGX 3,568.2 per USD in February 2026. The depreciation was driven by strong dollar demand from the energy, manufacturing, and telecommunications sectors, coupled with a decline in government bond yields that prompted offshore investors to exit. Additionally, rising tensions in the Middle East led investors to seek safer assets, reducing the appeal of frontier market currencies such as the Ugandan shilling.

Shs 3,730.5/USD

Average exchange rate (UGX/USD) for March 2026





Interest Rate Movements:

The Central Bank Rate (CBR) remained unchanged at 9.75 percent in both February and March 2026, maintaining the same level observed since October 2024. This stance continues to support economic activity while ensuring inflation stabilizes around the 5 percent target. Lending rates on shilling-denominated credit increased from 18.33 percent in January 2026 to 18.73 percent in February 2026, reflecting higher risk perceptions by commercial banks, particularly for new borrowers in sectors such as agriculture. On the other hand, lending rates on foreign-currency-denominated loans declined from 7.21 percent in January to 7.09 percent in February 2026, partly due to reduced demand for foreign-currency credit.

9.75%

Central Bank Rate (CBR) for March 2026

18.73%

Lending Rates for UGX Loans for February 2026

7.09%

Lending Rates for foreign currency loans for February 2026

Domestic Credit:

Domestic credit increased by 3.1 percent, rising from UGX 50.88 trillion in January 2026 to UGX 52.48 trillion in February 2026. This growth was driven by a 7.4 percent increase in Net Credit to Government (NCG), which rose from UGX 20.98 trillion to UGX 22.54 trillion, reflecting increased government borrowing from the domestic financial system. However, private sector credit declined slightly by 0.1 percent, from UGX 28.61 trillion to UGX 28.58 trillion, indicating subdued lending to businesses and households during the period.

UGX 52.48 Trillion

Domestic Credit increased by 3.1% in February 2026

UGX 28.58 Trillion

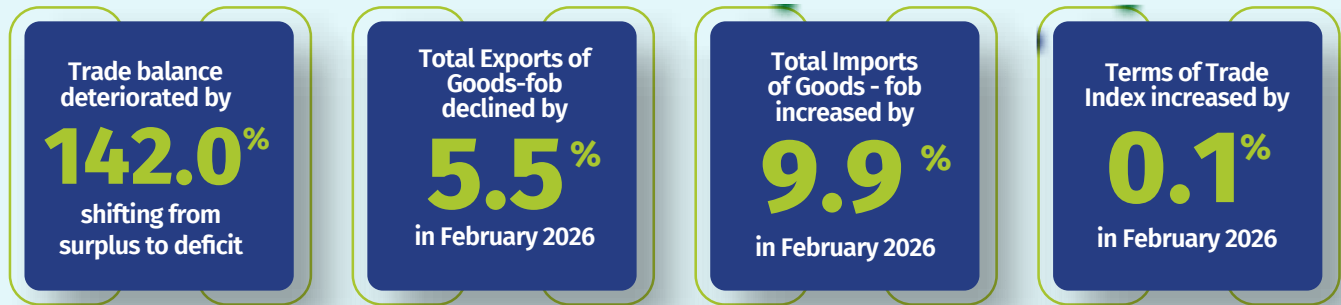
Private Sector Credit declined slightly by 0.1% in February 2026

UGX 22.54 Trillion

Net Credit to the Government (NCG) increased by 7.4% in February 2026

Merchandise Trade Balance and Terms of Trade:

Uganda's trade balance deteriorated by 142.0 percent to a USD 61.9 million deficit in February 2026, from a USD 147.3 million surplus in January 2026. This was driven by a 5.5 percent decline in export earnings, from USD 1,453.5 million to USD 1,374.2 million, and a 9.9 percent increase in import payments, from USD 1,306.3 million to USD 1,436.1 million. The terms of trade index improved slightly, rising from 147.4 in January 2026 to 147.6 in February 2026, indicating an increase in export prices relative to import prices.



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

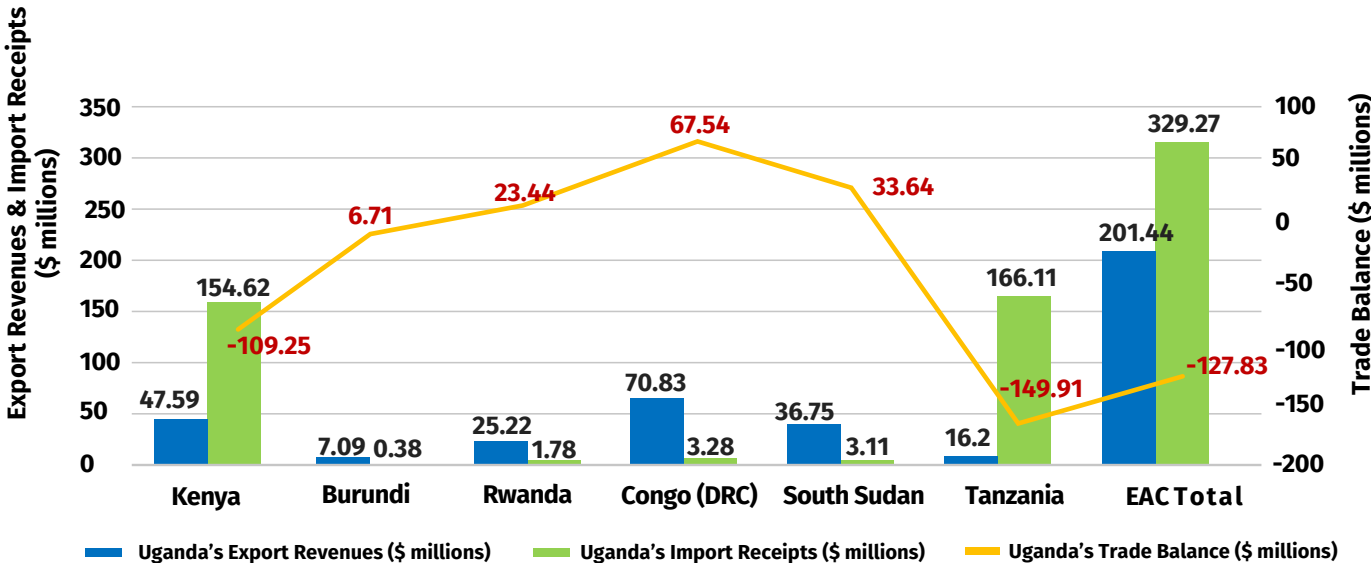
In February 2026, Uganda's trade position with the East African Community (EAC) recorded a US\$127.83 million deficit, as imports totaled US\$329.27 million, exceeding export earnings of US\$201.44 million. The overall deficit was largely driven by significant trade imbalances with Kenya and Tanzania, which accounted for the largest share of Uganda's EAC trade shortfall.

Trade with Tanzania registered the largest deficit of US\$149.91 million, with imports valued at US\$166.11 million compared to exports of US\$16.20 million, reflecting strong reliance on Tanzania for petroleum products and manufactured goods. Similarly, trade with Kenya resulted in a deficit of US\$109.25 million, as imports totaled US\$154.62 million while exports amounted to US\$45.36 million, driven by continued demand for processed goods, pharmaceuticals, and industrial inputs.

On the positive side, Uganda recorded substantial trade surpluses with several EAC partner states, supported by strong regional export performance. Trade with the Democratic Republic of Congo (D.R.C.) generated the largest surplus of US\$67.54 million, with exports of US\$70.83 million compared to imports of US\$3.28 million, reflecting strong demand for Ugandan food products, cement, beverages, and other manufactured goods.

Uganda also registered a surplus of US\$33.64 million with South Sudan, where exports stood at US\$36.75 million compared to imports of US\$3.11 million. Similarly, trade with Rwanda remained favorable, generating a surplus of US\$23.44 million, with exports valued at US\$25.22 million against imports of US\$1.78 million. Trade with Burundi recorded a surplus of US\$6.71 million, supported by exports of US\$7.09 million in February 2026 compared to imports of US\$0.38 million in January 2026.

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



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

Uganda's Export Revenues from Selected Commodities:

Coffee remained one of Uganda's leading export earners, with revenues increasing to USD 180.98 million in February 2026 from USD 161.00 million in January 2026, a 12.4 percent rise. This growth was driven by higher export volumes, which rose by 15.1 percent to 651,933 sixty-kilogram bags in February 2026 from 566,278 bags in January 2026, reflecting improved seasonal supply.

Cotton export revenues increased slightly to USD 0.78 million in February 2026 from USD 0.76 million in January 2026, up 2.4 percent. The rise was supported by a 1.6 percent increase in export volumes to 3,002.94 bales (185 kilograms each) in February 2026 from 2,956.15 bales in January 2026.

Tea export revenues declined to USD 4.07 million in February 2026 from USD 4.72 million in January 2026, representing a 13.8 percent decrease. This decline was attributed to a 9.8 percent reduction in export volumes, which fell from 5,151.68 tons to 4,644.38 tons over the same period, as well as softer prices at international tea auctions.

Fish and fish product exports (excluding regional markets) fell to USD 11.28 million in February 2026 from USD 13.09 million in January 2026, representing a 13.9 percent decline. This was driven by a 17.2 percent drop in export volumes to 1,366.49 tons in February 2026 from 1,649.46 tons in January 2026.

Simsim (sesame seed) export revenues declined to USD 1.35 million in February 2026 from USD 1.68 million in January 2026, down 19.8 percent. This decrease was attributed to a 23.7 percent reduction in export volumes to 748.76 tons in February 2026 from 981.55 tons in January 2026, indicating a lower supply.

Maize export revenues increased to USD 10.01 million in February 2026 from USD 7.91 million in January 2026, representing a 26.5 percent rise. This growth was driven by improved prices in regional markets, despite a decline in export volumes from 28,325.07 tons in January 2026 to 20,885.63 tons in February 2026.

Beans export revenues dropped significantly to USD 4.58 million in February 2026 from USD 9.22 million in January 2026, a 50.3 percent decline. This sharp fall was driven by a 39.0 percent decrease in export volumes to 7,272.07 tons in February 2026 from 11,925.15 tons in January 2026.

Cocoa bean export revenues decreased to USD 39.08 million in February 2026 from USD 45.98 million in January 2026, a 15.0 percent decline. This was recorded despite a 3.0 percent increase in export volumes to 7,911.60 tons in February 2026 from 7,680.36 tons in January 2026, reflecting the decline in international prices.

Rice export revenues declined to USD 0.07 million in February 2026 from USD 0.11 million in January 2026, representing a 38.6 percent decrease. This was due to a 49.1 percent fall in export volumes to 85.40 tons in February 2026 from 167.82 tons in January 2026.

Sugar export revenues increased slightly to USD 12.39 million in February 2026 from USD 12.29 million in January 2026, up 0.8 percent. The growth was supported by a 5.7 percent rise in export volumes to 19,010.76 tons in February 2026 from 17,983.04 tons in January 2026, indicating stable regional demand.





Uganda's Import Receipts for Selected Commodities:

Uganda's formal private sector import bill (in value terms) increased by 10.6 percent to US\$1.42 billion in February 2026, up from US\$1.28 billion in January 2026. The increase was largely driven by higher imports of mineral products (excluding petroleum), vegetable products, and manufactured goods, reflecting stronger domestic demand and improved industrial activity.

Imports of animal and animal products rose by 22.2 percent to US\$9.89 million from US\$8.09 million. Similarly, vegetable products, beverages, fats, and oils increased by 22.1 percent to US\$100.62 million, up from US\$82.43 million, indicating stronger consumption and agro-processing activity.

Prepared foodstuffs, beverages, and tobacco grew by 15.5 percent to US\$31.32 million from US\$27.11 million. Mineral products (excluding petroleum) recorded a notable increase of 23.7 percent, rising to US\$596.73 million from US\$482.39 million, driven by higher imports of construction materials and industrial inputs.

In contrast, petroleum product imports declined by 7.8 percent to US\$147.15 million from US\$159.53 million. Chemical and related products increased slightly by 2.0 percent to US\$80.19 million, suggesting stable industrial demand.

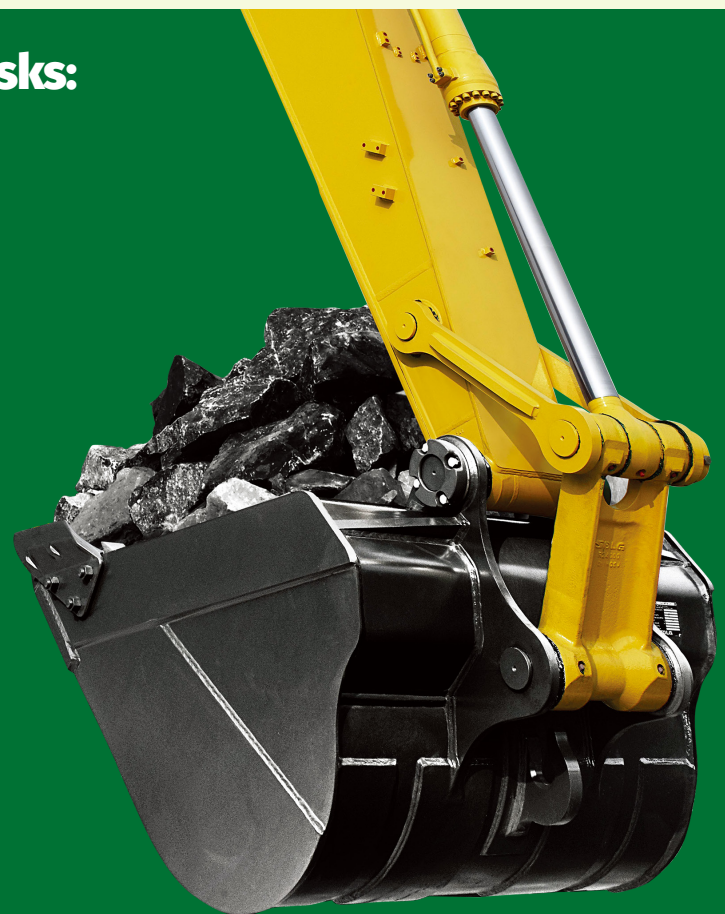
Plastics, rubber, and related products rose modestly by 4.2 percent to US\$57.46 million. However, wood and wood products declined by 12.7 percent to US\$13.90 million in February 2026 from US\$15.92 million in January 2026. Textile and textile products increased by 14.5 percent to US\$30.42 million, while miscellaneous manufactured articles declined by 5.4 percent to US\$33.88 million.

Base metals and their products rose by 13.2 percent to US\$88.27 million, indicating improved activity in construction and manufacturing. Meanwhile, imports of machinery, equipment, vehicles, and accessories declined slightly by 1.9 percent to US\$229.43 million, while electricity imports fell by 29.4 percent to US\$0.13 million.

Uganda's Economic Outlook and Risks:

Uganda's economy is projected to remain resilient, supported by stable macroeconomic conditions. According to the Bank of Uganda's latest projections for 2026, economic growth is expected to range between 6.5 and 7.0 percent in FY2025/26, with medium-term growth projected at 8.0 percent, driven by strong consumption, public investment, and private sector activity.

The outlook is supported by several upside factors. Large-scale infrastructure investments and oil-related developments are expected to stimulate economic activity. Sustained private sector investment and improving global financial conditions are also likely to enhance credit growth, strengthen production, and support overall economic expansion. However, downside risks persist. Ongoing geopolitical tensions, including the US-Israel-Iran conflict, could disrupt global trade and supply chains increasing uncertainty and affecting external demand. Potential increases in global oil prices may raise import and production costs, contributing to inflationary pressures and exchange rate volatility. In addition, weaker global demand could dampen export performance and slow economic activity.





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

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