

# Uganda Macroeconomic Digest

May 2026



## Introduction

The Uganda Macroeconomic Digest for May 2026 provides an overview of developments in Uganda's macroeconomic environment. The report analyzes key economic indicators, including inflation, business sentiment and economic activity, exchange rates, interest rates, domestic credit, merchandise trade performance (exports and imports), as well as the country's economic outlook and associated risks.

## Annual Inflation:

Uganda's annual headline inflation, as measured by the Consumer Price Index (CPI), increased slightly to 3.2 percent in the 12 months ending May 2026, up from 3.0 percent recorded in April 2026. The increase was largely driven by rising prices for energy-related items and transport services, which outweighed the moderation in food crop inflation.

Energy, Fuel and Utilities (EFU) inflation recorded a significant increase to 9.1 percent in May 2026 from 6.1 percent in April 2026, thereby remaining the principal driver of headline inflation. The increase was largely attributed to higher liquid fuel prices, with annual liquid energy fuel inflation rising sharply to 16.6 percent in May 2026 from 7.7 percent in April 2026. Petrol inflation increased to 16.6 percent from 8.7 percent, diesel inflation rose to 21.5 percent from 10.8 percent, kerosene inflation climbed to 25.4 percent from 7.5 percent, while cooking gas inflation increased to 1.1 percent from -0.1 percent over the same period. In addition, charcoal inflation accelerated to 10.9 percent in May 2026 from 9.0 percent in April 2026, further increasing pressure on household energy costs.

Core inflation remained unchanged at 3.0 percent in May 2026, indicating relatively stable underlying inflationary pressures. However, within core inflation, annual services inflation increased to 4.6 percent from 4.1 percent in April 2026. This was mainly driven by a sharp increase in passenger transport services inflation, which rose to 10.6 percent in May 2026 from 2.2 percent in April 2026, reflecting the pass-through effects of higher fuel costs to transport charges. On the other hand, annual core goods inflation moderated to 1.7 percent from 2.0 percent in April 2026, supported by slower price increases for items such as maize flour, rice, fish and other seafood, and sugar.

Food crops and related items inflation eased further to 0.2 percent in May 2026 from 0.6 percent in April 2026, reflecting

improving food supply conditions and lower prices for several staple food items. The moderation was mainly attributed to a decline in matooke inflation to -3.4 percent from 14.1 percent, sweet potatoes inflation to -10.5 percent from -13.3 percent, fresh beans inflation to -30.1 percent from -13.8 percent, and dry beans inflation to -2.6 percent from -0.7 percent. In addition, fresh cassava inflation slowed to 17.7 percent in May 2026 from 23.6 percent in April 2026, further contributing to the easing of food price pressures

According to the Bank of Uganda (2026), Uganda's inflation outlook remains tilted to the upside in the near term, mainly reflecting the pass-through effects of higher global oil prices arising from the conflict in the Middle East. The Bank of Uganda projects core inflation to range between 5.0 and 5.3 percent over the next 12 months, reflecting the expected transmission of higher fuel and energy costs through the economy. The Bank further noted a strong likelihood that the oil price shock will continue to exert upward pressure on the prices of goods and services through both direct and indirect channels in the coming months.

Over the medium term, inflation is expected to gradually stabilise around the 5.0 percent target, based on the assumption that global oil prices have peaked and will steadily decline towards pre-conflict levels by 2027. However, significant upside risks persist, particularly from a prolonged conflict in the Middle East, sustained increases in global oil prices, exchange rate depreciation, and adverse weather conditions that could disrupt food production and supply. Conversely, weaker global demand, lower international commodity prices, and favourable weather conditions could help moderate inflationary pressures and support a faster return of inflation towards the target level.

3.2%

Headline inflation increased from 3.0% in April to 3.2% in May 2026

3.0%

Core inflation remained the same at 3.0% in May 2026

0.2%

Food Crops and Related Items inflation declined from 0.6% in April to 0.2% in May 2026

9.1%

Energy Fuel and Utilities (EFU) inflation increased from 6.1% in April to 9.1% in May 2026

## Business Perceptions and Economic Activity:

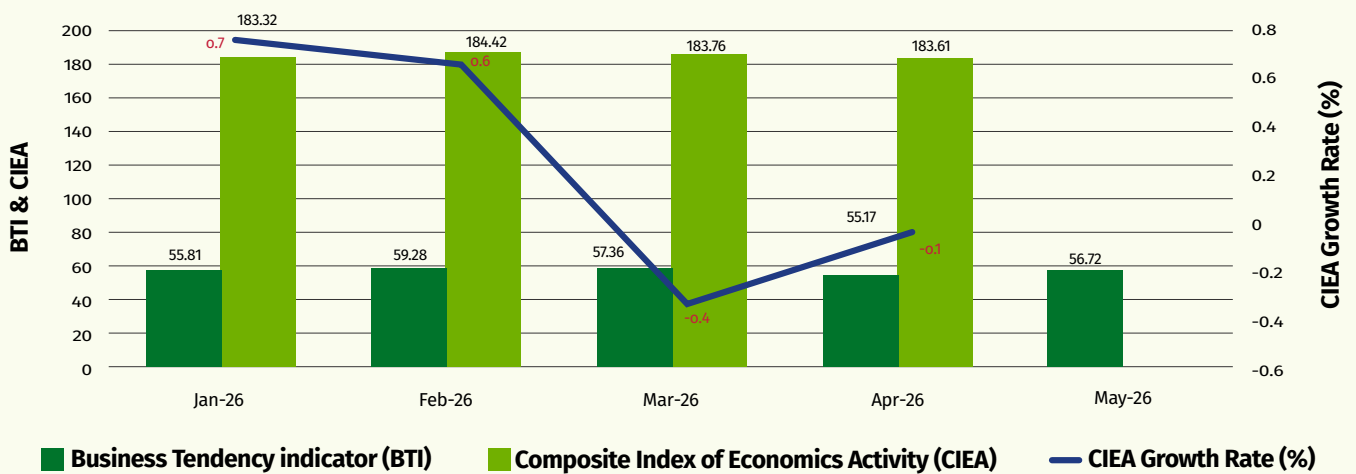
In May 2026, business sentiment improved, reflecting increased confidence among private sector enterprises and strengthening demand conditions. The Business Tendency Indicator (BTI) increased from 55.17 in April 2026 to 56.72 in May 2026, indicating growing optimism about the business environment, supported by expectations of higher sales, stronger customer demand, and improved business prospects.

Supporting this positive outlook, the Stanbic Bank Uganda Purchasing Managers' Index (PMI) remained firmly above the 50-point threshold at 54.1 in May 2026, signalling a continued improvement in private sector business conditions. Growth in output and new orders was sustained by strong customer demand and increased client referrals, while firms continued to expand employment and increase purchases of inputs to meet rising business activity. Business confidence remained positive, reflecting expectations of stronger demand and an expanding customer base. However, higher fuel costs associated with the conflict in the Middle East continued to

increase purchase prices, transportation costs, and overall input costs, leading firms to raise selling prices.

Economic activity remained resilient despite a slight moderation in the pace of growth. The Composite Index of Economic Activity (CIEA) declined slightly by 0.1 percent, from 183.76 in March 2026 to 183.61 in April 2026. Despite the slight decline, the index remained elevated, indicating sustained economic activity supported by strong private sector demand, increased investment, export growth, tourism activity, and ongoing implementation of government programmes. This outlook is consistent with the Ministry of Finance's projection of 6.6 percent economic growth in FY2025/26, attributed to strong aggregate demand, investments, exports, tourism, oil and gas activities, favourable weather conditions, and a stable macroeconomic environment. Nonetheless, downside risks remain, particularly from supply chain disruptions, exchange rate depreciation, and rising fuel prices associated with ongoing geopolitical tensions.

**Figure 1: Business Tendency Indicator (BTI) and Composite Index of Economic Activity (CIEA), January to May 2026**



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

## Exchange Rate Movements:

The Uganda Shilling depreciated by 1.3 percent against the US Dollar in May 2026, weakening from an average exchange rate of UGX 3,716.7/USD in April 2026 to UGX 3,764.1/USD in May 2026, thereby reversing the appreciation recorded in April 2026. The depreciation was mainly attributed to increased demand for the US Dollar by importers and corporate entities, particularly those involved in the importation of fuel, machinery, raw materials, and other merchandise. The heightened demand for foreign exchange was reinforced by elevated global oil prices arising from geopolitical tensions in the Middle East, which increased Uganda's petroleum import bill and foreign currency requirements. Additionally, uncertainty in global financial markets strengthened the US Dollar against many currencies, including the Uganda Shilling, as investors shifted towards safe-haven assets.

UGX 3,764.7/USD

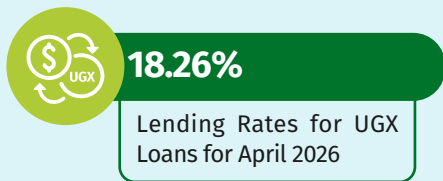
Average exchange rate (UGX/USD) for May 2026



## Interest rate Movements:

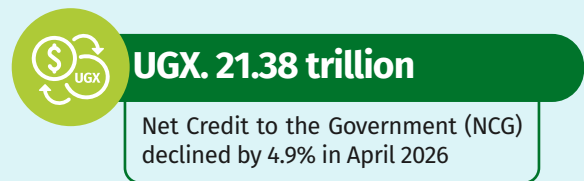
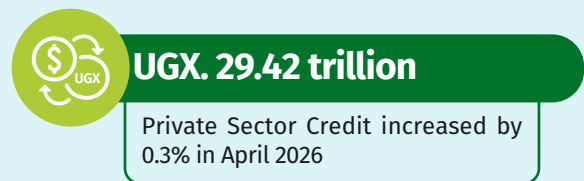
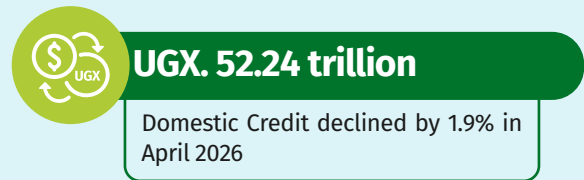
The Central Bank Rate (CBR) remained unchanged at 9.75 percent in both April and May 2026, reflecting the Bank of Uganda's cautious monetary policy stance amid heightened global uncertainty and rising inflationary risks associated with geopolitical tensions in the Middle East. The decision to maintain the policy rate signalled the Bank's commitment to preserving price stability while supporting macroeconomic stability and sustainable economic growth. Despite emerging inflationary pressures arising from higher global oil prices, inflation remained below the medium-term target of 5.0 percent, allowing the Bank of Uganda to maintain its policy stance.

Notably, the weighted average lending rate on Uganda Shilling-denominated loans declined from 18.89 percent in March 2026 to 18.26 percent in April 2026. The decline was mainly attributed to improved liquidity conditions in the domestic money market and well-anchored inflation expectations, which contributed to lower financing costs within the banking sector. Lower lending rates supported access to credit by businesses and households, thereby facilitating private sector investment, consumption, and overall economic activity.



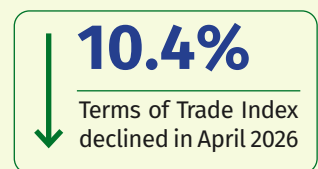
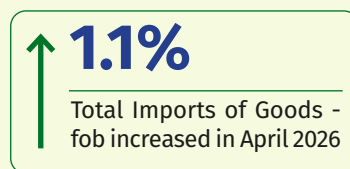
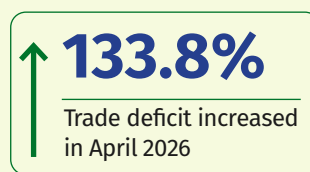
## Domestic Credit:

Domestic credit declined by 1.9 percent, decreasing from UGX 53.23 trillion in March 2026 to UGX 52.24 trillion in April 2026. The contraction was mainly driven by a 4.9 percent decline in Net Credit to Government (NCG), which fell from UGX 22.48 trillion to UGX 21.38 trillion during the month. Notably, the private sector credit increased by 0.3 percent, rising from UGX 29.34 trillion in March 2026 to UGX 29.42 trillion in April 2026, indicating continued access to credit by businesses and households. The growth in private sector lending was attributed to lower lending rates, improving economic activity, and sustained demand for credit amid positive business conditions.



## Merchandise Trade Balance and Terms of Trade:

Uganda's trade balance deteriorated significantly in April 2026, with the trade deficit widening by 133.8 percent, from USD 46.27 million in March 2026 to USD 108.17 million in April 2026. The deterioration was mainly attributed to a 3.1 percent decline in export earnings, from USD 1,446.12 million in March 2026 to USD 1,401.11 million in April 2026, alongside a 1.1 percent increase in import payments, from USD 1,492.39 million to USD 1,509.28 million over the same period. The trade balance was further weakened by a 10.4 percent decline in the terms of trade index, from 134.22 in March 2026 to 120.30 in April 2026, indicating a deterioration in the prices of Uganda's exports relative to its imports. Consequently, Uganda earned lower export revenues while incurring higher import costs in April 2026, particularly for fuel and other internationally traded goods, reflecting the effects of ongoing geopolitical tensions and global supply chain disruptions.

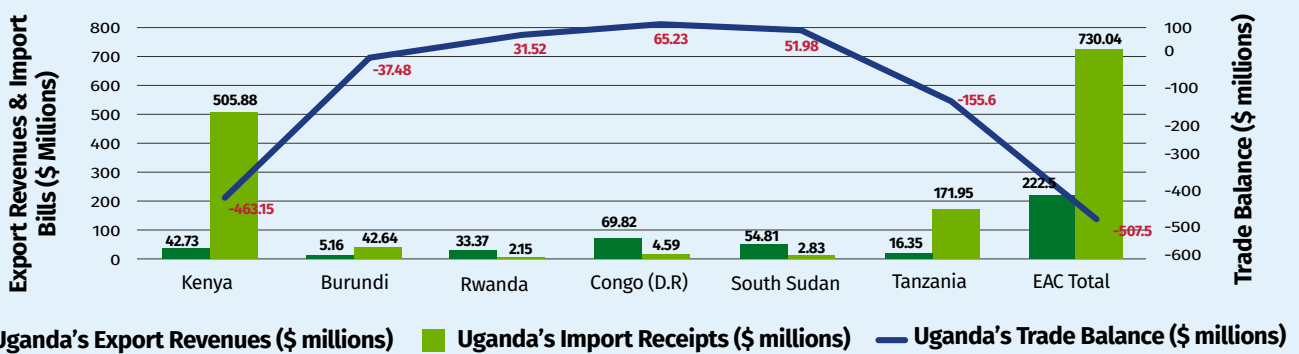


## Uganda's Trade Balance with the East African Community (EAC):

In April 2026, Uganda recorded total export revenues of USD 222.55 million from the East African Community (EAC) region, while import payments to the bloc amounted to USD 730.04 million, resulting in an overall trade deficit of USD 507.50 million. The trade deficit was largely driven by high import expenditures on goods from Kenya and Tanzania. Uganda's imports from Kenya amounted to USD 505.88 million against export revenues of USD 42.73 million, resulting in the largest bilateral trade deficit of USD 463.15 million. Similarly, imports from Tanzania totaled USD 171.95 million compared to export revenues of USD 16.35 million, leading to a trade deficit of USD 155.60 million. These trade patterns continued to reflect Uganda's dependence on Kenya and Tanzania for petroleum products, manufactured goods, industrial inputs, and other strategic imports within the EAC region.

Despite the overall regional trade deficit, Uganda registered strong trade surpluses with several EAC partner states during April 2026, particularly the Democratic Republic of Congo (D.R.C.), South Sudan, and Rwanda. Uganda's export revenues to the D.R.C. amounted to USD 69.82 million compared to imports valued at USD 4.59 million, resulting in a trade surplus of USD 65.23 million, the highest within the region. Exports to South Sudan totaled USD 54.81 million against imports worth USD 2.83 million, generating a trade surplus of USD 51.98 million. Uganda also recorded a trade surplus of USD 31.52 million with Rwanda after exporting goods worth USD 33.37 million and importing goods valued at USD 2.15 million. However, the trade with Burundi resulted in a deficit of USD 37.48 million, with import payments amounting to USD 42.64 million compared to export revenues of USD 5.16 million.

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

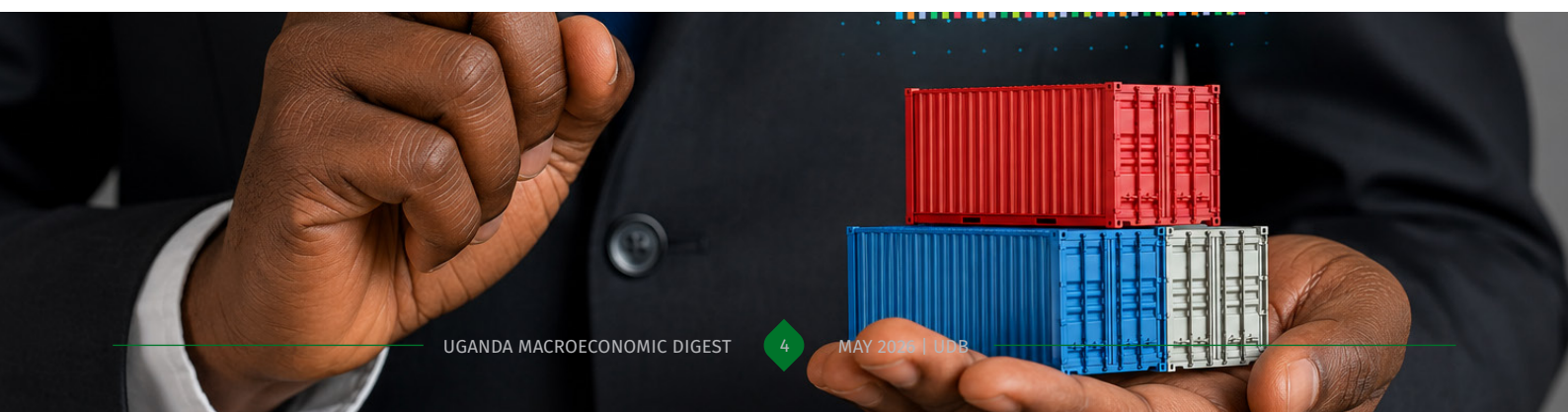


Source: Bank of Uganda's Macroeconomic Indicators, April 2026

## Uganda's Export Revenues from Selected Commodities:

Export earnings from Uganda's key agricultural commodities registered mixed performance in April 2026. Coffee export earnings declined by 13.0 percent, from USD 173.37 million in March 2026 to USD 150.81 million in April 2026, attributed to a 12.0 percent reduction in export volumes from 671,152.0 bags to 590,800.1 bags (60 kg) over the same period. Similarly, tea export earnings decreased by 11.3 percent, from USD 4.35 million in March 2026 to USD 3.86 million in April 2026, due to a 6.4 percent decline in export volumes from 4,723.0 metric tons to 4,419.2 metric tons. Maize export earnings also declined by 3.4 percent, from USD 7.30 million in March 2026 to USD 7.05 million in April 2026, despite an 8.4 percent increase in export volumes from 17,911.0 metric tons to 19,406.9 metric tons, reflecting lower average export prices during the month. Likewise, sugar export earnings fell by 15.9 percent, from USD 1.77 million in March 2026 to USD 1.49 million in April 2026, following a 6.7 percent reduction in export volumes from 40,899.0 metric tons to 38,161.3 metric tons.

Meanwhile, cotton export earnings increased by 22.0 percent, from USD 2.45 million in March 2026 to USD 2.99 million in April 2026, supported by a 20.5 percent increase in export volumes from 9,776.0 metric tons to 11,781.5 metric tons. Similarly, fish and fish products export earnings rose by 6.2 percent, from USD 10.31 million in March 2026 to USD 10.95 million in April 2026, attributed to a 12.3 percent increase in export volumes from 1,258.0 metric tons to 1,412.9 metric tons. Simsim export earnings also increased by 3.7 percent, from USD 1.46 million in March 2026 to USD 1.51 million in April 2026, driven by a 7.3 percent rise in export volumes from 871.0 metric tons to 934.6 metric tons. In addition, beans export earnings grew by 1.5 percent, from USD 3.24 million in March 2026 to USD 3.29 million in April 2026, despite a 31.5 percent decline in export volumes from 6,480.0 metric tons to 4,437.7 metric tons, reflecting higher average export prices during the month.



## Uganda's Formal Private Sector Import Bill for Selected Commodities:

Uganda's formal private sector import bill increased by 1.6 percent, from USD 1,468.32 million in March 2026 to USD 1,491.22 million in April 2026, reflecting continued demand for investment goods, industrial inputs, and petroleum products. Mineral products excluding petroleum products remained the largest import category despite declining by 1.9 percent, from USD 555.94 million in March 2026 to USD 545.33 million in April 2026. Similarly, vegetable product imports declined by 7.3 percent, from USD 124.40 million to USD 115.28 million, while chemical and related product imports decreased by 6.8 percent, from USD 97.25 million to USD 90.60 million. Imports of miscellaneous manufactured articles fell by 10.7 percent, from USD 45.71 million to USD 40.83 million, whereas textile and textile product imports declined by 12.0 percent, from USD 33.42 million to USD 29.42 million. In addition, imports of prepared foodstuffs, beverages and tobacco decreased by 3.9 percent, from USD 39.88 million to USD 38.32 million, while wood and wood products registered a 3.3 percent decline, from USD 17.38 million to USD 16.81 million. Animal and animal product imports also decreased significantly by 16.5 percent,

from USD 6.36 million in March 2026 to USD 5.31 million in April 2026.

Despite these declines, several key import categories recorded growth during the month. Imports of machinery, equipment, vehicles and accessories increased by 10.0 percent, from USD 256.85 million in March 2026 to USD 282.43 million in April 2026, signalling sustained private sector investment in production, transport, and infrastructure-related activities. Similarly, base metals and related products imports rose by 28.7 percent, from USD 84.24 million to USD 108.42 million, reflecting increased demand from the construction and manufacturing sectors. Imports of plastics, rubber and related products increased by 14.3 percent, from USD 63.72 million to USD 72.87 million, while petroleum product imports rose by 1.6 percent, from USD 142.95 million to USD 145.26 million, partly reflecting continued demand for fuel and higher import costs associated with elevated global energy prices. Furthermore, electricity imports increased by 58.9 percent, from USD 0.22 million in March 2026 to USD 0.35 million in April 2026.

## Uganda's Economic Outlook and Risks:

Uganda's economic outlook remains positive, supported by resilient performance across the agriculture, industry, and services sectors. According to the Ministry of Finance, Planning and Economic Development (MoFPED, 2026), economic growth during the first half of FY2025/26 remained strong, averaging 6.7 percent, driven by increased aggregate demand, private investment, and export growth. MoFPED projects the economy to expand by 6.6 percent in FY2025/26, supported by strong domestic demand, rising investments, export growth, tourism recovery, ongoing oil and gas developments, favourable weather conditions, and a stable macroeconomic environment.

The medium-term outlook remains favourable, with economic growth expected to accelerate further as investment in productive sectors gathers momentum. The Bank of Uganda (BoU, 2026) projects economic growth to rise and average about 8.0 percent over the medium term, largely supported by increased investments in the oil and gas sector, expansion of export-oriented activities, continued infrastructure development, and stronger private sector participation. Government programmes aimed at enhancing production, enterprise development, and household incomes, including the Parish Development Model (PDM), Emyooga Programme, and development financing initiatives, are also expected to support economic activity. Furthermore, implementation of the Government's Ten-Fold Growth Strategy, deeper regional trade integration, and improvements in productive capacity

are expected to contribute to sustained economic expansion and structural transformation.

Despite the favourable outlook, Uganda's growth prospects remain exposed to both domestic and external risks. According to MoFPED (2026) and the Bank of Uganda (2026), heightened geopolitical tensions in the Middle East pose a significant downside risk through their impact on global oil prices. Sustained increases in energy prices could raise production and transportation costs, disrupt global supply chains, weaken household purchasing power, and dampen private sector investment. In addition, exchange rate pressures, adverse global economic conditions, and potential delays in strategic investments, particularly within the extractive sector, could moderate the pace of economic expansion over the medium term.

On the upside, stronger-than-expected investments in the oil and gas sector, accelerated implementation of major infrastructure projects, and improved performance of export sectors could support higher economic growth than currently projected. Moreover, a faster resolution of global geopolitical tensions, moderation in international oil prices, improved global trade conditions, and stronger external demand could enhance business confidence, reduce production costs, stimulate investment, and further strengthen Uganda's growth trajectory over the medium term.





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