



UDB
Inspiring Development

Uganda Economic Insights

**Resilience and Expanding
Opportunities Ahead**

March 2026

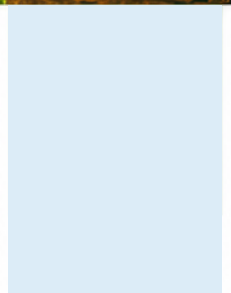
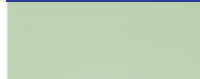
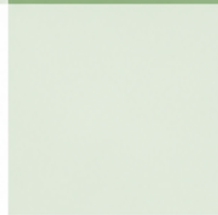
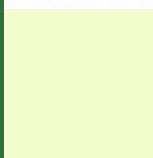


Table of Contents

1.0	External Economic Environment	6
1.1	Global Economic Activity And Outlook	6
1.2	East African Community (Eac) Economic Activity And Outlook	8
1.3	Key Upside Drivers And Potential Downside Risks In The Global Economic Outlook	9
1.4	Global Commodity Market Situation	10
1.5	Global Inflation And Outlook	11
2.0	Domestic Developments	12
2.1	Uganda's Economic Activity And Outlook	12
2.1.1	Uganda's Economic Structure And Progress Toward Structural Transformation	13
2.1.2	Employment Structure And Progress Toward Economic Transformation	14
2.2	Uganda's Inflation And Outlook	15
2.3	Exchange Rate Dynamics	16
2.4	Interest Rate Movements	17
2.5	Uganda's Domestic Credit Trends	18
2.5.1	Private Sector Credit As A Percentage Of GDP	19
2.5.2	Quality Of Loans In Uganda	20
2.6	Uganda's Merchandise Trade Balance And Terms Of Trade	21
3.0	Fiscal Health, Revenue Performance, And Debt Sustainability	22
4.0	Business Health And Outlook In Uganda	24
4.1	Quarter 4, 2025 Sectoral Business Health And Outlook	25
4.2	Quarter 4, 2025 Business Health Index (Bhi) And Outlook By Region In Uganda	26
4.3	Critical Challenges Affecting Business Health In Uganda	27
5.0	Other Major Developments And Structural Shifts In Uganda	30
5.1	Coffee Price Surge	30
5.2	Tea Price Collapse	31
5.3	Gold Export Boom	32
5.4	Elections and Uganda's Economy	33
6.0	Uganda's Economic Outlook: Upside Factors And Downside Risks	34
7.0	References	35

List of Tables

Table 1:	Global Real GDP Growth and Projections (%), 2024-2027	7
Table 2:	Real GDP Growth Rates for Selected East African Countries (2024–2027, Percent)	8
Table 3:	Global Commodity prices and outlook, 2022-2026	10
Table 4:	Uganda’s Domestic Credit Developments, 2022 to 2025	18
Table 5:	Uganda’s Merchandise Trade Balance (US\$ millions) and Terms of Trade, 2022 to 2025	21
Table 6:	Monthly Coffee Export Performance for Uganda, January to December 2025	30
Table 7:	Monthly Tea Export Performance for Uganda, January to December 2025	31

List of Figures

Figure 1:	Global and Regional Inflation Performance and Outlook (2024–2027)	11
Figure 2:	Uganda’s GDP Growth Rate and Outlook by Sector (%), FY2023/24–FY2025/26	12
Figure 3:	Sectoral Contribution to GDP (%), FY2023/24–2024/25	13
Figure 4:	Employment by Sector in Uganda (% of Total Employment), 2023–2025	14
Figure 5:	Uganda’s Inflation and Outlook (%), 2022 to 2026	15
Figure 6:	Uganda’s Average Exchange Rate and Outlook (UGX/USD), 2021–2026	16
Figure 7:	Uganda’s Central Bank Rate and Lending Rates (%) and Outlook (2023–2026)	17
Figure 8:	Private Sector Credit as a Percentage of GDP: 2022–2024	19
Figure 9:	Non-Performing Loans (NPLs) as a Share of Total Gross Loans (%) in Uganda, 2024–2025	20
Figure 10:	Uganda Public Debt Indicators (Percent of GDP), 2024-2025	22
Figure 4:	Business Health and Outlook in Uganda, Q1–Q4 2025	24
Figure 11:	Sectoral Business Health & Outlook, Q4 2025	25
Figure 12:	Business Health and Outlook by region, Q3 2025 to Q4 2025	26
Figure 13:	Business Constraints Impacting Enterprises in Uganda, Q3 2025–Q4 2025	28
Figure 14:	Monthly Gold Export Performance (US\$ Million) for Uganda, January to December 2025	32

Acknowledgments

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The report draws on data and analysis from multiple credible sources, including the Bank of Uganda, Uganda Bureau of Statistics, and the Ministry of Finance, Planning and Economic Development, as well as international institutions such as the International Monetary Fund and the World Bank. It is further enriched by analysis of primary data generated through the Uganda Development Bank’s internal surveys and analytical products, including the Business Health Index (BHI) reports and other institutional research outputs, which provide real-time insights into enterprise performance, market conditions, and emerging economic trends.

The findings, interpretations, and conclusions expressed in this report are those of the authors and do not necessarily represent the official views of the Uganda Development Bank or its stakeholders.



1.0 External Economic Environment

1.1 Global Economic Activity and Outlook

Global economic growth is slowing but remains broadly steady. Growth moderated to 2.7 percent in 2025 from 2.8 percent in 2024, reflecting post-pandemic recovery challenges, geopolitical tensions, and cautious investment across major markets. The outlook points to a further slight easing to 2.6 percent in 2026, amid softer global demand and tighter financial conditions, before improving to 2.7 percent in 2027 as global trade stabilises and investment gradually strengthens (World Bank, 2026).

Advanced economies grew by 1.7 percent in 2025, the same as in 2024, and are expected to slow to 1.6 percent in both 2026 and 2027, reflecting ageing populations, structural constraints, and persistent inflationary pressures. The United States' growth slowed to 2.1 percent in 2025 from 2.8 percent in 2024 amid moderating consumer spending and tighter monetary policy, with growth projected at 2.4 percent in 2026 before easing to 2.0 percent in 2027 as labour markets tighten. The Euro area improved to 1.5 percent in 2025 from 0.9 percent in 2024, supported by fiscal stimulus and improved energy supply, and is projected to 1.3 percent in 2026 and 1.4 percent in 2027. Japan rebounded to 1.1 percent in 2025 from -0.2 percent in 2024, but growth is expected to slow to 0.7 percent in 2026 and 0.6 percent in 2027 due to demographic pressures and weak domestic demand.

Emerging Markets and Developing Economies (EMDEs) continue to drive global activity, though at a slightly slower pace. Growth increased to 4.4 percent in 2025 from 4.3 percent in 2024 and is forecast at 4.2 percent in 2026 and 4.1 percent

in 2027 amid weaker global demand and tighter financial conditions. China recorded 5.0 percent growth in 2025 and is projected to grow at 4.5 percent in 2026 and 4.0 percent in 2027. India's growth rate accelerated to 7.3 percent in 2025 from 6.5 percent in 2024, supported by strong consumption and infrastructure spending, with growth projected at 6.4 percent in 2026 and 6.4 percent in 2027. Russia's growth slowed sharply to 0.6 percent in 2025 from 4.3 percent in 2024, with a modest recovery forecast at 0.8 percent in 2026 and 1.0 percent in 2027, reflecting sanctions and limited capital inflows. Brazil grew 2.3 percent in 2025, down from 3.4 percent in 2024, with growth projected at 2.0 percent in 2026 before rebounding to 2.3 percent in 2027.

In Sub-Saharan Africa, growth increased to 4.0 percent in 2025 from 3.7 percent in 2024 and is projected to reach 4.3 percent in 2026 and 4.5 percent in 2027, supported by fiscal reforms, commodity recovery, and stronger investment. Nigeria recorded 4.1 percent growth in 2024 and 4.2 percent in 2025, with growth projected at 4.4 percent in 2026 and 4.4 percent in 2027 due to oil sector recovery. South Africa expanded to 1.3 percent in 2025 from 0.6 percent in 2024 and is projected to grow by 1.4 percent in 2026 and 1.5 percent in 2027, supported by improving business confidence and gradual progress in the energy sector.

Table 1: Global Real GDP Growth and Projections (%), 2024-2027

Countries	Actual		Projections	
	2024	2025	2026	2027
World Output	2.8	2.7	2.6	2.7
Advanced Economies	1.7	1.7	1.6	1.6
United States	2.8	2.1	2.2	1.9
Euro Area	0.9	1.4	0.9	1.2
Japan	-0.2	1.3	0.8	0.8
Emerging Market and Developing Economies (EMDEs)	4.3	4.2	4.0	4.1
China	5.0	4.9	4.4	4.2
India	6.5	7.2	6.5	6.6
Russia	4.3	0.9	0.8	1.0
Brazil	3.4	2.3	2.0	2.3
Sub-Saharan Africa	3.7	4.0	4.3	4.5
Nigeria	4.1	4.2	4.4	4.4
South Africa	0.6	1.3	1.4	1.5

Source: World Bank, Macroeconomic Indicators, December 2025

Implication for Uganda: Slower global growth and tighter financial conditions in 2025–2026 may constrain Uganda's export demand and reduce foreign investment inflows. However, resilient growth in Emerging Markets and Developing Economies (EMDEs), particularly in Sub-Saharan Africa, is expected to support trade and create regional investment opportunities.



1.2 East African Community (EAC) Economic Activity and Outlook

Economic activity in the East African Community (EAC) remained strong in 2025, supported by resilient domestic demand, infrastructure investment, and recovery in agriculture and services. Rwanda recorded the highest growth at 7.0 percent, driven by strong services activity and infrastructure development. Growth is projected to increase to 7.2 percent in 2026 and 7.6 percent in 2027 as investment reforms and infrastructure spending continue. Uganda's economy expanded by 6.3 percent in 2025, reflecting improved performance in agriculture, services, and public investment. Growth is projected to rise from 6.4 percent in 2026 to 9.8 percent in 2027 following the commencement of oil production, alongside continued infrastructure development and expansion in services and industry. Tanzania recorded growth of 6.0 percent in 2025, supported by infrastructure development and expanding services activity, and is forecast to grow from 6.2 percent in 2026 to 6.5 percent in 2027, reflecting sustained public investment, improved energy supply, and expansion in manufacturing and tourism.

Kenya's economy grew by 4.9 percent in 2025 due to a recovery in agriculture and services. Growth is expected to remain stable at 4.9 percent in 2026 before increasing slightly to 5.0 percent in 2027, supported by agricultural recovery, services expansion, and infrastructure spending. Burundi expanded by 4.6 percent in 2025 due to improvements in agricultural production and continued donor support, and growth is projected to strengthen from 4.9 percent in 2026 to 5.5 percent in 2027, supported by higher agricultural productivity and development assistance. The Democratic Republic of the Congo grew by 5.1 percent in 2025, reflecting strong mining activity and infrastructure development, and is forecast to maintain at 5.1 percent in 2026 and to expand to 5.3 percent in 2027 due to sustained mining investment and infrastructure expansion. South Sudan's economy contracted sharply by 23.8 percent in 2025 due to disruptions in oil production and ongoing political and security challenges. Growth is projected to rebound significantly to 48.8 percent in 2026 following the restoration of oil production, before moderating to 0.8 percent in 2027.

Table 2: Real GDP Growth Rates for Selected East African Countries (2024–2027, Percent)

Countries	Actual		Projections	
	2024	2025	2026	2027
Uganda	6.1	6.3	6.4	9.8
Kenya	4.7	4.9	4.9	5
Tanzania	5.5	6.0	6.2	6.5
Rwanda	7.2	7.0	7.2	7.6
Burundi	3.9	4.6	4.9	5.5
DR Congo	6.5	5.1	5.1	5.3
South Sudan	-7.2	-23.8	48.8	0.8

Source: World Bank, Macroeconomic Indicators, December 2025

Implication for Uganda: Uganda stands to benefit from strong EAC growth through expanded regional trade, investment flows, and economic integration. Improved infrastructure and services across the region create cross-border trade opportunities, boosting Uganda's industry, services, and oil sectors.

1.3 Key Upside Drivers and Potential Downside Risks in the Global Economic Outlook

The global economy is expected to remain resilient in the medium term, with growth projected at 2.6 percent in 2026 and 2.7 percent in 2027 (World Bank, 2026). This steady performance reflects a balance of divergent forces. Key drivers include technological investment, particularly in digital infrastructure, automation, and artificial intelligence, which is boosting productivity, especially in North America and Asia. For example, AI-related investment in the United States contributed about 0.3 percentage points to GDP growth in early 2025 (IMF, 2025). Monetary easing in major economies, declining global inflation from 4.1 percent in 2025 to 3.8 percent in 2026, and fiscal stimulus through infrastructure projects and tax incentives further support consumption, investment, and trade. Resilient growth in emerging and developing economies, such as China, India, and sub-Saharan Africa, also strengthens global momentum. China is expected to grow at 4.5 percent in 2026, supported by trade trade benefits and stimulus measures, while India is projected to grow at 6.4 percent due to strong domestic demand (IMF, 2026).

Despite these positive drivers, the global outlook is exposed to significant risks. Geopolitical tensions, including conflicts in the Middle East and Ukraine or trade disputes between major economies, could disrupt supply chains, raise commodity prices, and increase uncertainty in financial markets. High public debt and fiscal deficits in several economies may limit investment and raise borrowing costs. Volatility in energy markets, particularly oil, can increase production costs for countries dependent on imports. Slower growth in advanced economies may reduce global demand, affecting exports and investment flows to developing regions. These vulnerabilities are especially significant for countries such as Uganda, which are closely linked to global trade, commodity markets, and international financial flows. Policymakers should focus on fiscal sustainability, price stability, and targeted interventions to manage risks while leveraging innovation and investment to enhance resilience and medium-term growth potential.



1.4 Global Commodity Market Situation

Global commodity markets experienced significant price shifts in 2025, shaped by supply conditions, weather events, and changing global demand. Crude oil (Brent) prices fell to US\$69.04 per barrel in 2025 from US\$80.7 in 2024, reflecting increased supply, softer demand growth, and easing geopolitical risk premiums. Prices are expected to decline further to US\$60 per barrel in 2026 amid persistent surplus, rising non-OPEC production, and slower consumption by major importers.

In agricultural markets, cocoa prices rose to US\$7.8 per kilogram in 2025 from US\$7.33 in 2024 due to adverse weather, crop diseases, and tight supply in Côte d'Ivoire and Ghana, but are projected to ease to US\$7.5 in 2026 as output recovers. Arabica coffee surged to US\$8.47 per kilogram in 2025 from US\$5.62 in 2024, driven by drought in Brazil, low global inventories, and strong premium market demand, with prices expected to moderate to US\$7.25 in 2026. Robusta coffee increased to US\$4.86 per kilogram in 2025 from US\$4.41 per kilogram in 2024, reflecting tight supply from Vietnam and sustained demand, and is projected to ease to US\$4.7 in 2026.

The global tea prices declined to US\$2.91 per kilogram in 2025 from US\$3.04 per kilogram in 2024, supported by higher output in Kenya, India, Sri Lanka, and Malawi, and are expected to rise slightly to US\$2.95 in 2026 amid climate variability and production costs. Soybean price fell to US\$414.34 per metric ton in 2025 from US\$462.49 per metric ton in 2024, reflecting bumper South American harvests, and is expected to be at US\$410 per metric ton in 2026. Maize price rose to US\$203.2 per metric ton in 2025 from US\$190.6 per metric ton in 2024 due to droughts, high input costs, and strong industrial demand, projected to ease to US\$195 per metric ton in 2026.

Staple and industrial commodity prices also shifted in 2025: rice declined to US\$407.83 from US\$588.42, wheat to US\$243.33 from US\$268.67, sugar to US\$0.37 from US\$0.45, and cotton to US\$1.71 from US\$1.91 per kilogram. These changes were driven by increased supply, robust production, and subdued demand. The outlook for 2026 suggests slight moderation or stabilization across these commodities as production recovers and global demand steadies.

Table 3: Global Commodity Prices and Outlook, 2022-2026

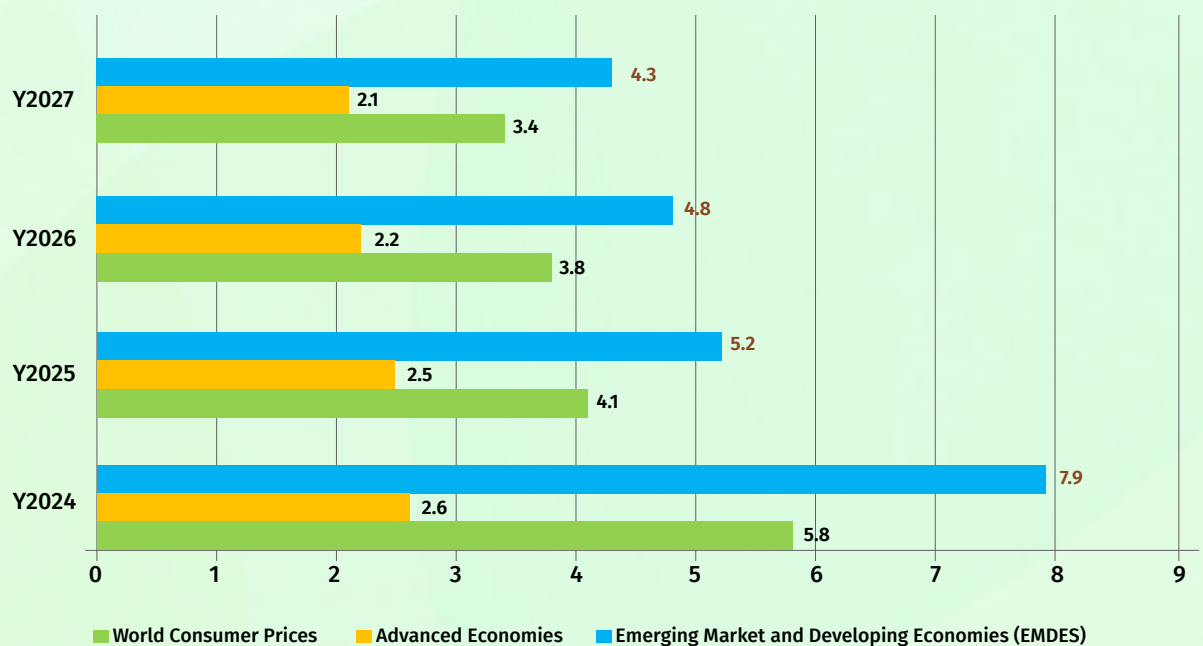
Year	Actual				Projection
	2022	2023	2024	2025	2026
Crude oil, Brent (\$/bbl)	99.82	82.62	80.70	69.04	60.00
Cocoa (\$/kg)	2.39	3.28	7.33	7.80	7.50
Coffee, Arabica (\$/kg)	5.63	4.54	5.62	8.47	7.25
Coffee, Robusta (\$/kg)	2.29	2.63	4.41	4.86	4.70
Tea, avg 3 auctions (\$/kg)	3.05	2.74	3.04	2.91	2.95
Soybeans (\$/mt)	675.40	597.90	462.49	414.34	410.00
Maize (\$/mt)	318.81	252.66	190.60	203.20	195.00
Rice, Thai 5% (\$/mt)	436.75	553.67	588.42	407.83	401.00
Wheat, US HRW (\$/mt)	429.97	340.43	268.67	243.33	258.00
Sugar, world (\$/kg)	0.41	0.52	0.45	0.37	0.37
Cotton (\$/kg)	2.86	2.09	1.91	1.71	1.75

Source: World Bank Commodity Markets Outlook Statistics, 2025

1.5 Global Inflation and Outlook

Global inflation is projected to continue moderating over the medium term as supply pressures ease and energy prices decline. According to the International Monetary Fund World Economic Outlook Update (January 2026), global consumer price inflation declined from 5.8 percent in 2024 to 4.1 percent in 2025, largely reflecting lower commodity prices, improving supply chains, and moderating demand following earlier monetary policy tightening. Inflation is projected to decline further to 3.8 percent in 2026 and 3.4 percent in 2027, supported by softer global demand and easing energy costs. In advanced economies, inflation is expected to decline from 2.6 percent in 2024 to 2.2 percent in 2026 and 2.1 percent in 2027, reflecting the continued effects of tighter monetary policy and weakening domestic demand. In emerging markets and developing economies, inflation fell from 7.9 percent in 2024 to 5.2 percent in 2025 and is projected to moderate to 4.8 percent in 2026 and 4.3 percent in 2027, supported by stabilizing food and fuel prices and improved exchange rate stability.

Figure 1: Global and Regional Inflation Performance and Outlook (2024–2027)



Source: Computation Based on IMF data, January 2026

Implication for Uganda: Moderating global inflation, driven by easing commodity prices and supply pressures, supports Uganda's price stability, lowers import costs, and enhances purchasing power, creating a conducive environment for investment and sustainable economic growth.

2.0 DOMESTIC DEVELOPMENTS

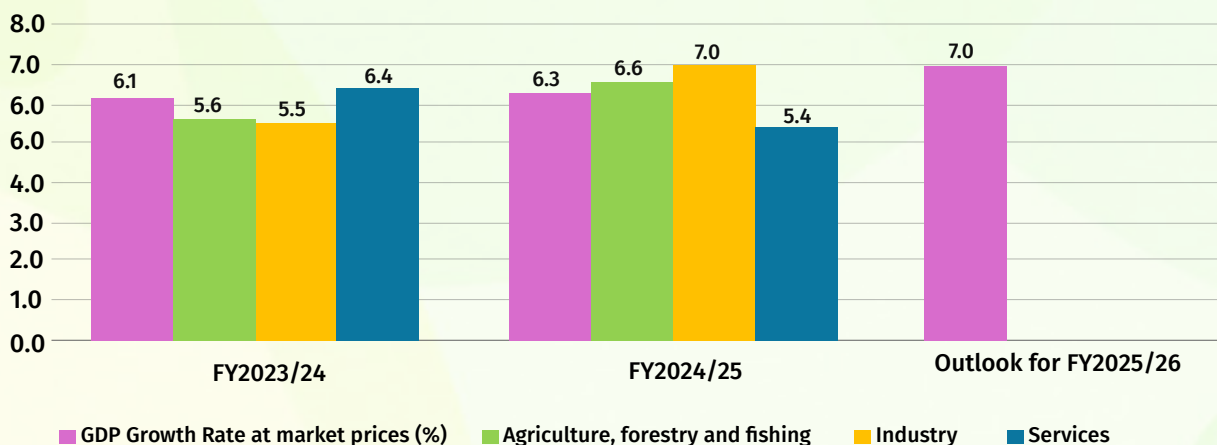
2.1 Uganda’s Economic Activity and Outlook

Uganda’s economy grew by 6.3 percent in FY2024/25, slightly higher than the 6.1 percent recorded in FY2023/24 (MoFPED, 2025a). This performance was driven by stronger agricultural and industrial activity, which helped offset slower growth in services. The agriculture sector grew by 6.6 percent in FY2024/25, up from 5.6 percent in FY2023/24, while industry grew by 7.0 percent in FY2024/25 compared to 5.5 percent in FY2023/24, reflecting increased manufacturing and construction activity. However, growth in the services sector slowed to 5.4 percent in FY2024/25 from 6.4 percent in FY2023/24. Favourable weather conditions, high international prices for export commodities such as coffee, and sustained investment in infrastructure supported overall economic expansion. Regional markets, including South

Sudan, Rwanda, and the Democratic Republic of Congo, also absorbed a significant share of Uganda’s manufactured and agro-processed exports, reinforcing domestic production and trade flows.

The outlook for FY2025/26 remains positive, with the GDP growth rate projected to rise to 7.0 percent, driven by expanding agricultural output, continued infrastructure development, stronger industrial production, and increasing regional trade (BOU, 2025). This projection reflects resilience despite external uncertainties and highlights the impact of government efforts to maintain macroeconomic stability and promote long-term structural transformation.

Figure 2: Uganda’s GDP Growth Rate and Outlook by Sector (%), FY2023/24–FY2025/26



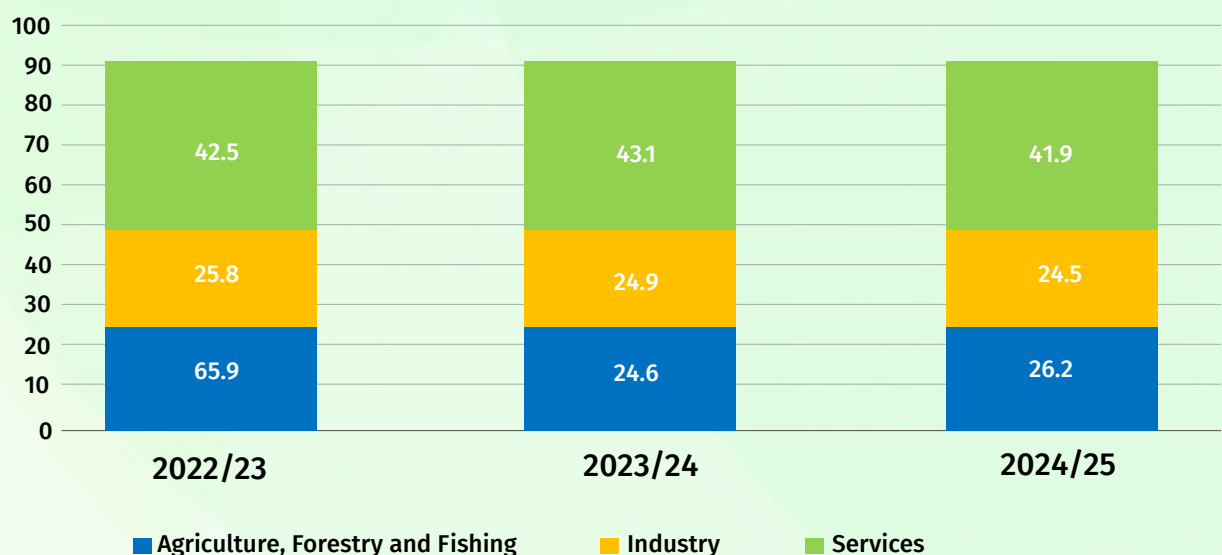
Source: Computation based on MoFPED Data, 2025/26



2.1.1 Uganda's Economic Structure and Progress Toward Structural Transformation

Uganda's economic structure in FY2024/25 reflects gradual but important shifts across sectors. Agriculture's share of GDP increased from 24.6 percent in FY2023/24 to 26.2 percent, indicating strengthened performance in crops, livestock, and fisheries. Industry's share declined slightly from 24.9 percent to 24.5 percent, despite strong construction and manufacturing activity, signalling persistent structural challenges in scaling industrialisation. The services sector experienced a modest reduction in its share, falling from 43.1 percent in FY2023/24 to 41.9 percent, due to a slower recovery in ICT, real estate, and financial services, even though trade and transport activities remained resilient (MoFPED, 2025a). These shifts highlight Uganda's structural transformation challenge: the economy remains heavily dependent on agriculture and services, while the industrial sector continues to underperform relative to national targets of increasing manufacturing and value addition to above 35 percent to achieve upper middle income status (Twinomugisha, 2022).

Figure 3: Sectoral Contribution to GDP (%), FY2023/24–2024/25



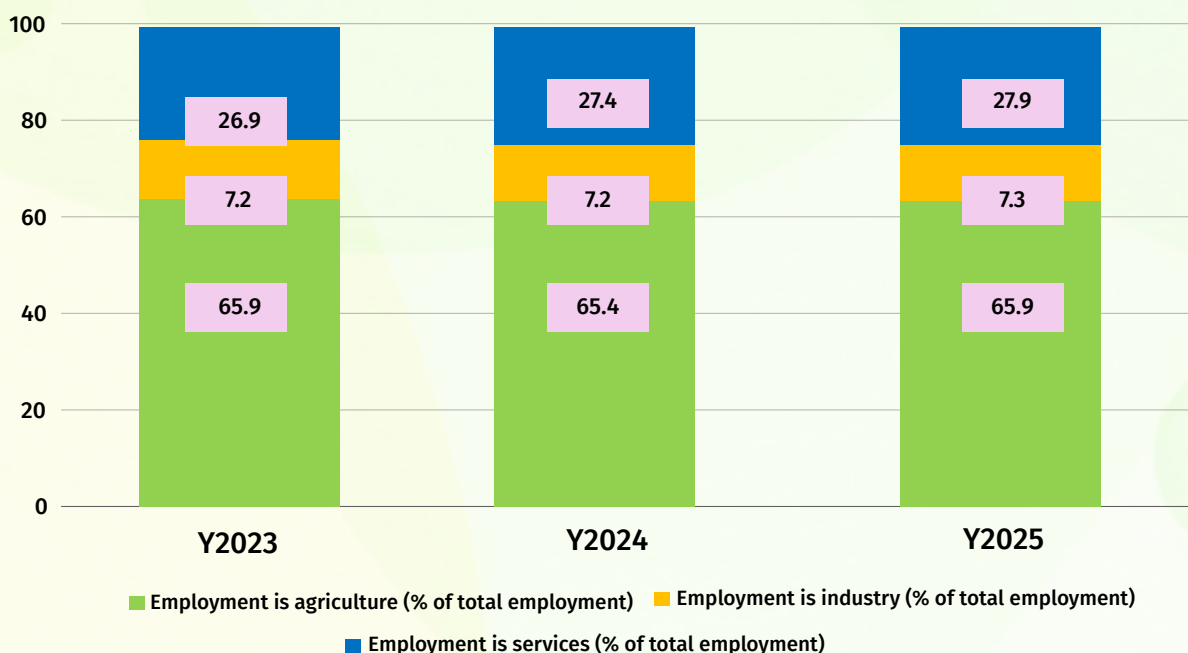
Source: Computation based on data from the Background to the Budget, FY2025/26



2.1.2 Employment Structure and Progress Toward Economic Transformation

The labour market continues to show gradual signs of structural transformation. Employment in agriculture declined slightly from 65.4 percent in 2024 to 64.9 percent in 2025, indicating a slow but steady movement away from subsistence farming. Industry’s share of employment increased only slightly from 7.2 percent to 7.3 percent, reflecting the gradual pace of industrial job creation. The services sector expanded its share of employment from 27.4 percent to 27.9 percent, supported by rising opportunities in trade, transport, finance, ICT, and other urban-based services. These patterns demonstrate that Uganda is progressing towards a more diversified economy. However, transformation remains modest and will require sustained investment in agro-industrialisation, value addition, skills development, and targeted support to labour-intensive manufacturing and services.

Figure 4: Employment by Sector in Uganda (% of Total Employment), 2023–2025



Source: World Bank Development Indicators, 2025

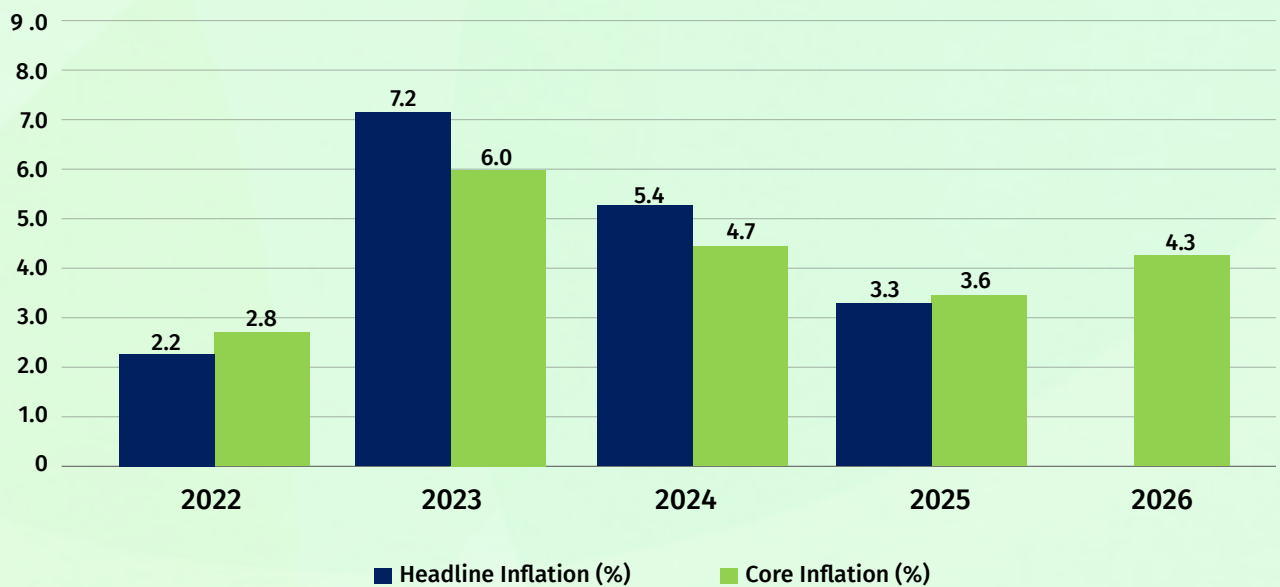
2.2 Uganda's Inflation and Outlook

Uganda experienced a significant moderation in inflation in 2025, with headline inflation declining to 3.3 percent from 5.4 percent in 2024. Core inflation also eased to 3.6 percent from 4.7 percent, reflecting stable prices in services and non-traded goods, supported by favorable food production, steady exchange rates, and contained domestic demand (Bank of Uganda, 2025). This experience provided households and businesses with more predictable costs, enhancing confidence and creating a conducive environment for investment and economic activity.

Looking ahead to 2026, core inflation is projected to rise slightly to 4.3 percent, reflecting slightly higher price pressures as domestic demand strengthens and investment activity expands (Bank of Uganda,

2025). Despite this increase, inflation is expected to remain near the medium-term target of 5 percent, maintaining stability in purchasing power. Upward pressures may arise from stronger domestic demand, driven partly by increased government spending, potential disruptions in global supply chains due to geopolitical tensions, and adverse weather affecting agricultural output. Notably, declining global commodity prices and weaker global growth due to trade shocks and heightened uncertainty could help ease inflation, producing a balanced outlook in which the net effect on prices depends on the interaction of domestic and external factors.

Figure 5: Uganda's Inflation and Outlook (%), 2022 to 2026



Source: Bank of Uganda Macroeconomic Indicators, 2025

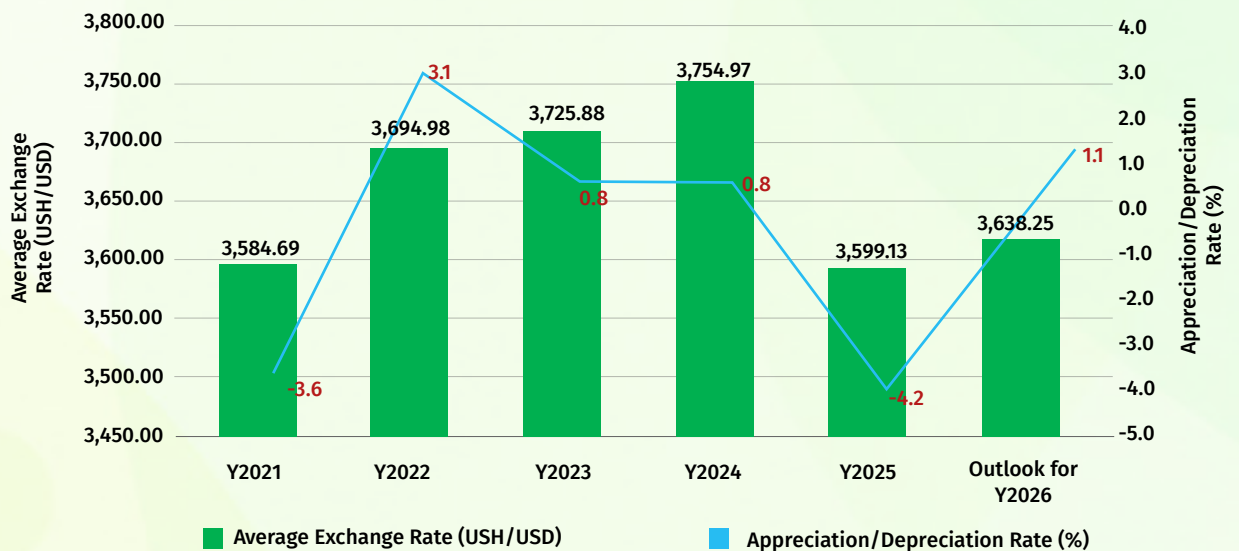
Implication: Uganda's low and stable inflation environment reduces uncertainty, lowers production costs for firms, and improves household welfare through more affordable food and energy. It strengthens investor confidence, supports monetary policy credibility, and provides a solid foundation for accelerating structural transformation in manufacturing, agro-processing, and services.

2.3 Exchange Rate Dynamics

The Uganda Shilling strengthened by 4.2 percent in 2025, appreciating from UGX 3,754.97 per USD in 2024 to UGX 3,599.13 per USD, supported by robust foreign exchange inflows, policy credibility, and a stable macroeconomic environment. Key drivers included record coffee exports, which rose by 59 percent to US\$2.46 billion (18.3% of total exports) in 2025 from US\$1.55 billion (17.8%) in 2024, boosted by high global prices following weather disruptions in Brazil and Vietnam. In addition, remittances increased by 11.8 percent to US\$1.57 billion in FY2024/25, while FDI grew to US\$3.57 billion in FY2024/25 from US\$2.97 billion in FY2023/24, mainly in oil, manufacturing, and infrastructure

sectors. Strong offshore demand for government securities, supported by attractive Treasury yields and a stable 9.75 percent Central Bank Rate, further reinforced the Shilling. This appreciation lowered import costs, eased external debt servicing, and anchored inflation expectations, benefiting households and import-dependent industries. Looking ahead, the shilling is projected to depreciate moderately in 2026, with the annual average expected at UGX 3,638.25 per USD, up from 3,599.13 in 2025, driven partly by higher import demand and potential upward pressure from global oil prices (Bank of Uganda, 2025).

Figure 6: Uganda’s Average Exchange Rate and Outlook (UGX/USD), 2021–2026



Source: Bank of Uganda’s Macroeconomic Indicators, 2025

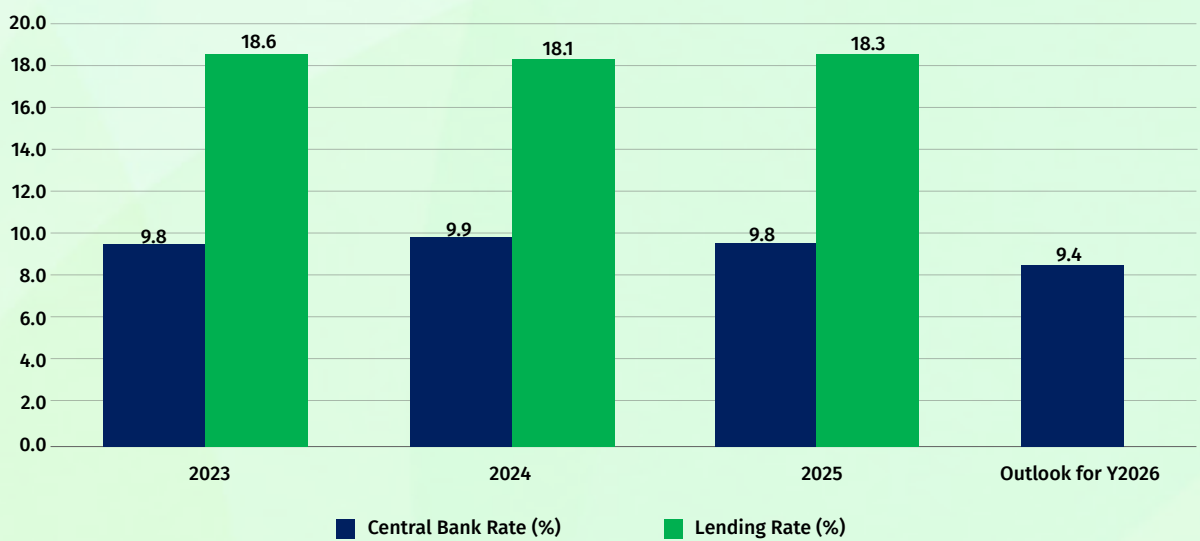


2.4 Interest Rate Movements

Uganda’s interest rate developments in 2025 reflect a cautious but supportive monetary stance aimed at sustaining macroeconomic stability while allowing space for growth. The Central Bank Rate (CBR) averaged 9.9 percent in 2024 and eased slightly to 9.8 percent in 2025, supported by moderating inflation, improved foreign exchange liquidity, and a relatively stable Uganda shilling (Bank of Uganda, 2025). The projected decline to 9.4 percent in 2026 reflects expectations of

continued price stability, stable external conditions, and scope for gradual monetary easing amid a slowdown in global inflation pressures. Despite stable policy rates, commercial lending rates remain elevated, averaging 18.3 percent in 2025 compared to 18.1 percent in 2024. This persistence of high lending rates reflects structural constraints in the financial sector, including high operational costs and continued credit risk concerns.

Figure 7: Uganda’s Central Bank Rate and Lending Rates (%) and Outlook (2023–2026)



Source: Bank of Uganda’s Macroeconomic Indicators, October 2025

Implication: The persistence of high commercial lending rates despite a stable and gradually easing policy rate environment suggests that Uganda must address structural inefficiencies in its financial system to unlock affordable credit. Improving credit conditions is essential for stimulating private investment, accelerating industrial growth, and supporting the broader economic transformation agenda.



2.5 Uganda's Domestic Credit Trends

Uganda's domestic credit expanded to US\$ 50.23 trillion in 2025 from US\$ 48.13 trillion in 2024, a 4.3% increase, reflecting sustained credit demand driven by rising business activity and continued government financial interventions (Bank of Uganda, 2025). Net Credit to Government (NCG) fell by 4.6%, from US\$ 21.59 trillion to US\$ 20.61 trillion, indicating reduced reliance on domestic borrowing and a modest easing of fiscal pressure. Meanwhile, private sector credit grew robustly by 12.0% from US\$ 25.55 trillion in 2024 to US\$ 28.62 trillion in 2025, highlighting renewed private investment activity and strengthening business confidence (Bank of Uganda, 2025). The outlook suggests continued growth in domestic credit, supported by expected monetary easing, stable inflation, and increased financing needs linked to oil-sector development, infrastructure, and regional trade expansion. Private sector credit is expected to gain further momentum if lending rates gradually decline and financial sector reforms continue to improve credit risk assessment.

Table 4: Uganda's Domestic Credit Developments, 2022 to 2025

Year	Actual		Projections		
	2022	2023	2024	2025	% Change
Domestic Credit (US\$ trillion)	37.39	42.32	48.13	50.23	4.3
Net Credit to Government (NCG) (US\$ trillion)	14.71	17.14	21.59	20.61	-4.6
Private sector credit (US\$ trillion)	21.80	23.92	25.55	28.62	12.0

Source: Bank of Uganda's Macroeconomic Indicators, 2025

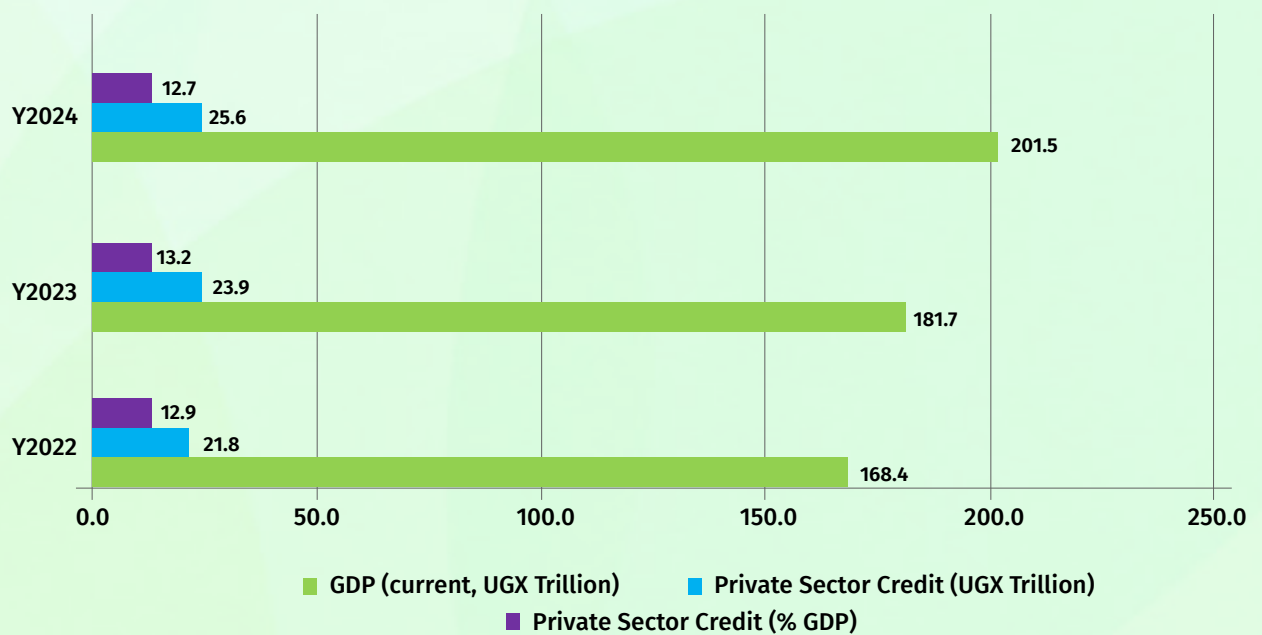
Implication: The steady growth in domestic credit shows that Uganda's financial sector is deepening and confidence in the economy is improving, but to sustain this momentum, there is a need to lower borrowing costs, strengthen long-term financing options, and ensure that credit is directed toward productive sectors such as manufacturing, agro-processing, and export-oriented businesses to drive structural transformation.



2.5.1 Private Sector Credit as a Percentage of GDP

Uganda's private sector credit continues to expand but remains shallow relative to the size of the economy. Private sector credit rose from UGX 21.8 trillion in 2022 to UGX 23.9 trillion in 2023 and further to UGX 25.6 trillion in 2024. However, its share of GDP stayed low, increasing slightly from 12.9 percent in 2022 to 13.2 percent in 2023 before declining to 12.7 percent in 2024, even as GDP grew from UGX 168.4 trillion in 2022 to UGX 201.5 trillion in 2024. This pattern points to persistent structural constraints, including high lending rates, collateral constraints, limited long-term financing, and low financial inclusion in rural and informal sectors, reinforcing the need for deeper financial intermediation.

Figure 8: Private Sector Credit as a Percentage of GDP: 2022–2024



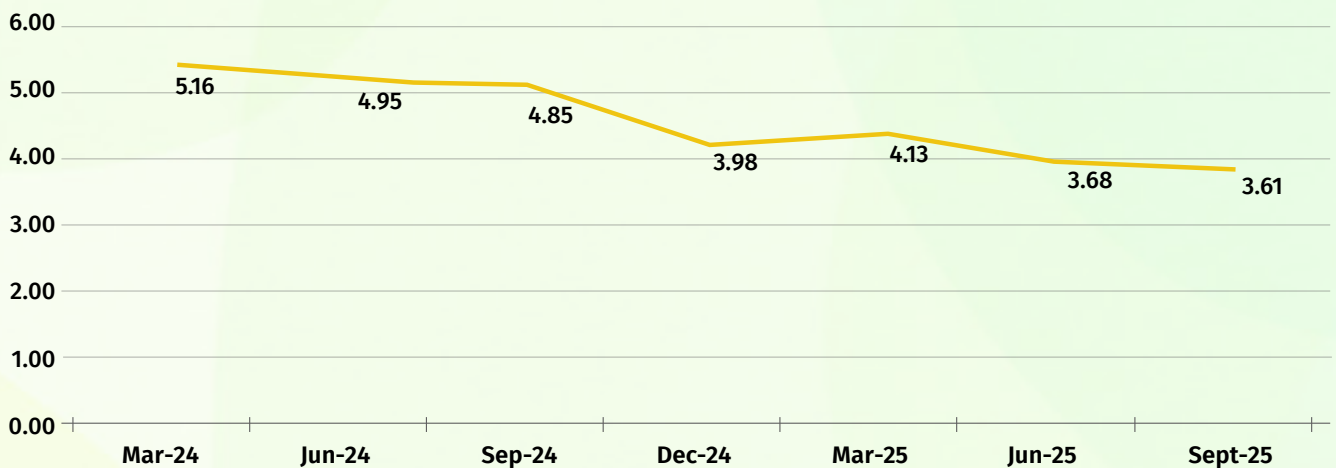
Source: Bank of Uganda's Macroeconomic Indicators, October 2025



2.5.2 Quality of Loans in Uganda

Uganda’s non-performing loans (NPLs) to total gross loans ratio continued to improve in 2025, reflecting strengthening portfolio quality in the banking sector (Bank of Uganda, 2025). The ratio declined from 4.13% in March 2025 to 3.61% by September 2025, building on the 3.98% recorded at the end of 2024 (Bank of Uganda, 2025). This improvement was supported by a continued cautious lending approach by supervised financial institutions (SFIs), with banks prioritizing credit to lower-risk borrowers and closely managing exposures amid ongoing government borrowing and liquidity considerations. The strengthening of loan quality was further reinforced by macro-financial stability and targeted monetary policy interventions.

Figure 9: Non-Performing Loans (NPLs) as a Share of Total Gross Loans (%) in Uganda, 2024–2025



Source: Bank of Uganda’s Macroeconomic Indicators, 2025

Implication: The declining NPL ratio signals improved risk management and greater resilience in the banking sector, contributing to overall financial stability. Sustaining this trend will require continued prudent lending practices, careful management of exposures, vigilant monitoring of emerging credit risks, and ongoing macroeconomic stability supported by consistent monetary policy guidance.

2.6 Uganda's Merchandise Trade Balance and Terms of Trade

Uganda's merchandise trade position in 2025 reflects a mix of resilience and structural vulnerabilities, shaped by global commodity trends, strong regional demand, and persistent reliance on imported inputs. The merchandise trade deficit narrowed from US\$3,005.7 million in 2024 to US\$2,308.5 million in 2025, supported by robust export growth and a moderate slowdown in import expansion.

Export performance strengthened markedly, rising from US\$8,668.4 million in 2024 to US\$13,433.6 million in 2025, underpinned by high global coffee prices following production shortfalls in Brazil and Vietnam, and sustained gold exports as investors sought safe-haven assets amid global uncertainty. Regional markets provided strong support, with South Sudan, DRC, Rwanda, and Burundi continuing to absorb Uganda's processed foods, beverages, cement, steel products, sugar, and household consumables, driven by reconstruction activity in eastern DRC and rising urban demand in Juba and Goma.

Imports remained substantial, rising from US\$11,674.1 million in 2024 to US\$15,742.1 million in

2025, reflecting increased domestic demand for petroleum products, machinery, pharmaceuticals, and industrial raw materials such as packaging, chemicals, and steel inputs. While global fuel prices eased in the latter half of 2025 and shipping bottlenecks improved, Uganda's import structure continues to highlight the economy's limited domestic production capacity.

The terms of trade strengthened from 135.8 in 2024 to 141.6 in 2025, signalling increasingly favourable export prices relative to imports. This improvement was driven by strong global coffee and gold prices, which offset higher costs of fuel and capital goods and helped support Uganda's external buffers. However, the export performance remained uneven: tea earnings declined due to rising production in Kenya and India, fish exports were constrained by reduced catches and tighter Sanitary and Phytosanitary (SPS) regulations in Europe, and horticulture faced higher freight costs and logistical challenges. Even so, regional markets continued to anchor Uganda's external stability, with East African Community (EAC) and COMESA countries providing reliable demand for agro-processed and manufactured products.

Table 5: Uganda's Merchandise Trade Balance (US\$ millions) and Terms of Trade, 2022 to 2025

Months	2023	2024	2025	% Change
Trade Balance (US\$ millions)	- 2,822.56	-3,005.66	- 2,308.48	-23.2
Total Exports of Goods - fob (US\$ millions)	6,879.46	8,668.44	13,433.64	55.0
Total Imports of Goods - fob (US\$ millions)	9,702.02	11,674.10	15,742.12	34.8
Terms of trade index	102.50	135.78	141.58	4.3

Source: Bank of Uganda's Macroeconomic Indicators, 2025

3.0 Fiscal Health, Revenue Performance, and Debt Sustainability

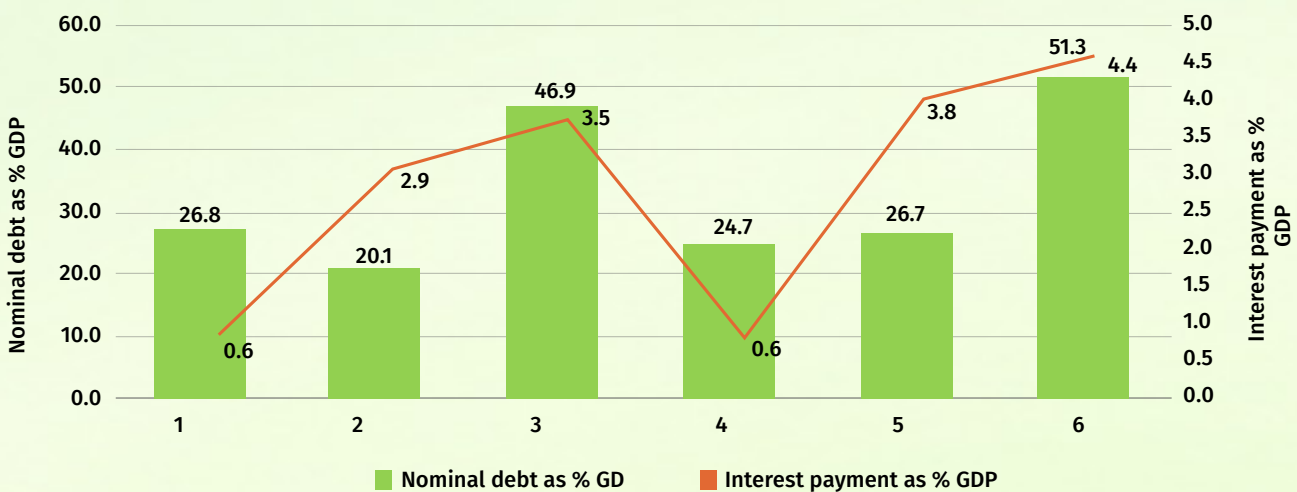
Uganda’s fiscal health remained under pressure in 2025 as expenditure obligations continued to rise faster than available resources. Although the FY2025/26 resource envelope increased to Shs 72.38 trillion, growing demands in infrastructure, human capital development, and debt servicing limited the Government’s flexibility. Interest payments increased to 4.4 percent of GDP from 3.5 percent in 2024, absorbing a larger share of the budget (MoFPED, 2025b). This left fewer resources for development priorities and reduced the Government’s ability to cushion the economy during shocks. The rising cost of domestic borrowing and the frequent re-financing of short-term instruments further intensified fiscal pressures.

Revenue performance improved but remained below what is required to meet national development needs. Domestic revenue rose to Shs 37.55 trillion from Shs 34.24 trillion in FY2024/25. However, the Tax-to-GDP ratio remained at 14 percent, well below the East African Community average of 17 to 19 percent (MoFPED, 2025a). High informality, limited monetisation of the agricultural

sector, and a narrow base of formal taxpayers continued to constrain revenue mobilisation. Despite efforts to strengthen tax administration, revenue growth did not keep pace with the increasing cost of service delivery in sectors such as agro-industrialisation, social services, and energy (ISER, 2024).

Debt sustainability concerns continued to grow. Public debt increased to Shs 116 trillion, equivalent to 51.3 percent of GDP, up from 46.9 percent in 2024. The composition of debt shifted toward domestic borrowing as access to external concessional financing remained constrained. External debt declined from 26.8 percent to 24.7 percent of GDP, while domestic debt rose from 20.1 percent to 26.7 percent. This shift increased fiscal risks because domestic borrowing carries higher interest rates. Domestic interest payments increased from 2.9 percent to 3.8 percent of GDP, while external interest costs remained low at 0.6 percent. The greater reliance on domestic markets, combined with high yields averaging about 14.4 percent, raised the overall cost of debt and heightened refinancing pressures (MoFPED, 2025b).

Figure 10: Uganda Public Debt Indicators (Percent of GDP), 2024-2025



Source: Computation based on Debt Sustainability data by MoFPED, 2025



4.0 Business Health and Outlook in Uganda

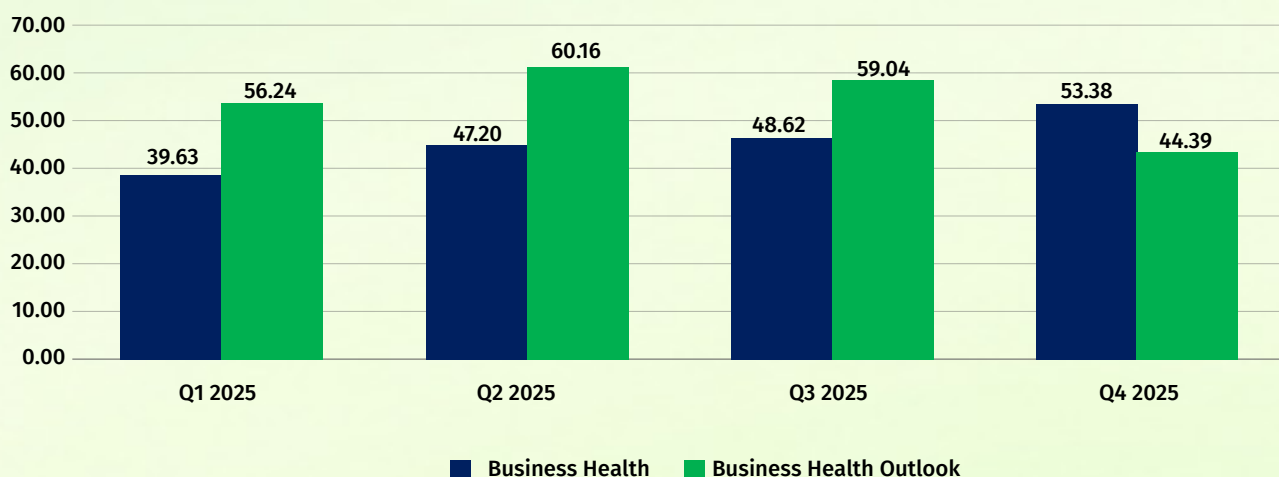
Uganda’s Business Health Index (BHI) shows that business conditions gradually improved over the course of 2025, demonstrating resilience despite a challenging operating environment. The year began under significant pressure, with the Business Health Index (BHI) at 39.63 in the first quarter, reflecting subdued production levels, high operating costs, and weak domestic demand. Conditions strengthened in the second quarter as the business health index rose to 47.20, supported by improved availability of raw materials, higher production activity, and a gradual recovery in sales. Stabilisation continued in the third quarter, with the index reaching 48.62, signalling ongoing recovery, although overall performance remained slightly below the neutral benchmark of 50.

A stronger recovery emerged in the fourth quarter, with the Business Health Index rising to 53.38, moving above the neutral threshold and indicating expansion in business activity. This improvement reflects the resilience of the private sector, supported by stronger end-of-year demand, improved sales volumes, and increased production across several sectors. Nevertheless, enterprises continued to face structural constraints, including high energy and transport costs, limited access to affordable credit, and rising input prices, all of which weighed on profitability and operational efficiency.

Looking ahead, the business expectations during most of 2025 remained positive, reflecting confidence in improving economic conditions. The Business Health Outlook Index stood at 56.24 in the first quarter and strengthened further to 60.16 in the second quarter, indicating strong expectations of higher sales, increased production, and improved profitability.

Although optimism moderated slightly in the third quarter to 59.04, expectations remained well above the neutral threshold, signalling sustained confidence and resilience in business sentiment. The outlook weakened significantly in the fourth quarter, with the business health index declining to 44.39, falling below the neutral level. The decline reflects growing caution among enterprises regarding near-term economic conditions, including persistent operating costs, financing uncertainties, and concerns about the sustainability of demand. This cautious sentiment was further influenced by the election season, adding uncertainty to business planning. While businesses demonstrated resilience and stronger performance toward the end of 2025, expectations for the immediate future became more cautious.

Figure 4: Business Health and Outlook in Uganda, Q1–Q4 2025



Source: Computation Based on UDB Business Health Survey Data, 2025

Implication: The Uganda Business Health Index shows gradual recovery in 2025, indicating resilience and growth potential. However, high costs, limited credit, and economic uncertainties signal cautious business planning and potential constraints on investment and expansion.

4.1 Quarter 4, 2025 Sectoral Business Health and Outlook

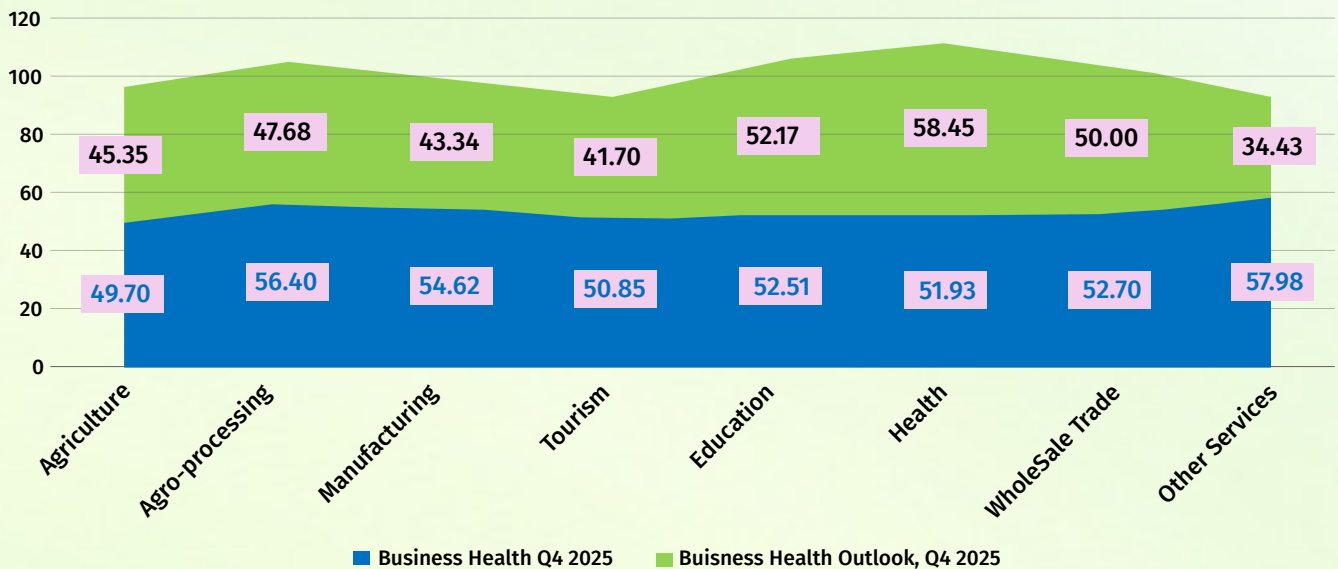
Sectoral performance in the fourth quarter of 2025 shows a mixed recovery, with some sectors demonstrating resilience while others face cost and structural pressures. Agriculture recorded a business health index value of 49.70, reflecting stable operations amid moderate input cost pressures and seasonal production fluctuations. Agro-processing improved to 56.40, supported by steady demand and stronger production activity, although rising energy costs and high input prices continue to constrain performance. The manufacturing sector posted a business health index of 54.62, indicating modest recovery due to improved local demand and efficiency gains, but reliance on imported inputs and elevated operational expenses remain challenges (UDB, 2025).

Tourism recorded a business health index value of 50.85, benefiting from steady visitor activity and gradual revenue improvement, though recovery remains uneven. The health sector performed solidly, with a business health index of 51.93, supported by sustained service demand and stable revenue flows. Notably, wholesale

trade reached 52.70, and other services recorded 57.98, reflecting resilience in specific areas but continued caution due to rising overheads and uncertain consumer demand. Education posted the business health index of 52.51, indicating stable operations and modest revenue growth potential.

Looking ahead, sectoral outlook indicators show varied optimism. The health sector leads with an outlook index of 58.45, reflecting expectations of continued strong demand and revenue growth. Education follows at the outlook index of 52.17, supported by stable enrolment prospects. Wholesale trade projects moderate optimism at 50.00, while agriculture (45.35) and agro-processing (47.68) reflect cautious expectations due to ongoing input and cost pressures. Manufacturing’s outlook is subdued at an outlook index of 43.34, and other services anticipate challenges with an outlook index of 34.43. Tourism shows a notably low outlook index of 4.70, reflecting uncertainty from seasonal demand fluctuations and external travel trends (UDB, 2025).

Figure 11: Sectoral Business Health & Outlook, Q4 2025



Source: Computation Based on UDB Business Health Index Data, January 2025

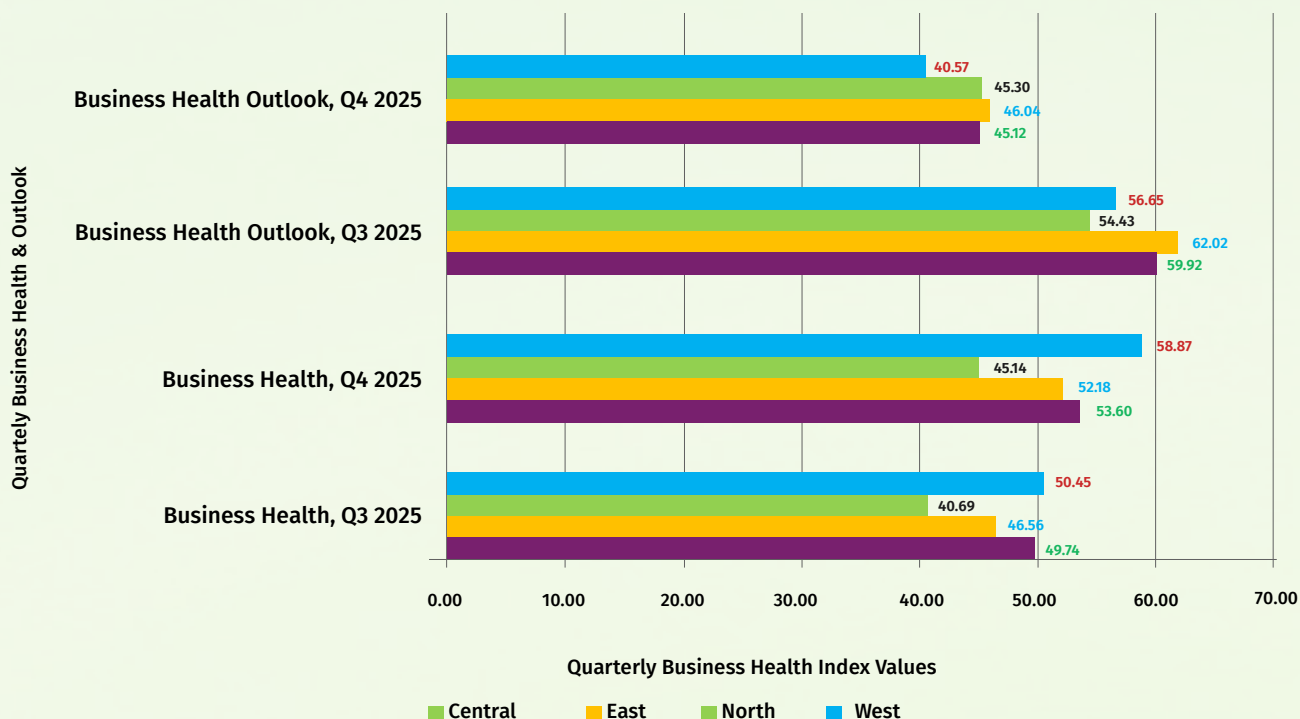
Implications: Sectoral performance shows signs of recovery, though progress remains uneven across. To translate current positive business health into sustained growth, it will be critical to address rising input and energy costs, enhance access to credit, and strengthen supply chains. Doing so will support improved productivity, higher profitability, and more inclusive private-sector development.

4.2 Quarter 4, 2025 Business Health Index (BHI) and Outlook by Region in Uganda

Regional Business Health in Q4 2025 improved across all regions compared to Q3 2025, but the pace and strength of recovery varied by region. 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 in Q4 2025, rising from 49.74 in Q3 2025, supported by improved sales and moderate gains in enterprise profitability. The Eastern region business health index increased to 52.18 in Q4 2025 from 46.56 in Q3 2025, reflecting stronger production and sales activity despite persistent cost pressures. The northern region, while still below the neutral threshold, improved to a business health index of 45.14 in Q4 2025 from 40.69 in Q3 2025, 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 outlook index fell to 45.12 from 59.92 in Q3 2025, reflecting concerns about cost increases and potential demand fluctuations. The Eastern region’s outlook index eased to 46.04 from 62.02, signaling tempered optimism despite stable production. The Northern region’s outlook index remained subdued at 45.30 in Q4 2025 from 54.43 in Q3 2025, highlighting uncertainty over input costs and market recovery. The Western region’s outlook index dropped sharply to 40.57 in Q4 2025 from 56.65 in Q3 2025, suggesting that while current business health remained strong, enterprises expected challenges ahead in maintaining profitability and sustaining sales in the next quarter.

Figure 12: 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

Implications: The regional results indicate a recovery path that remains uneven across regions. While some regions demonstrate resilience and improved business activity, others continue to face challenges, including subdued demand, rising operational costs, and limited production capacity. Strengthening regional infrastructure, reducing transport and energy costs, and expanding access to affordable credit will be critical to narrowing regional disparities and supporting a more balanced and sustained improvement in business conditions nationwide.

4.3 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 (UDB, 2025).

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 enterprises 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

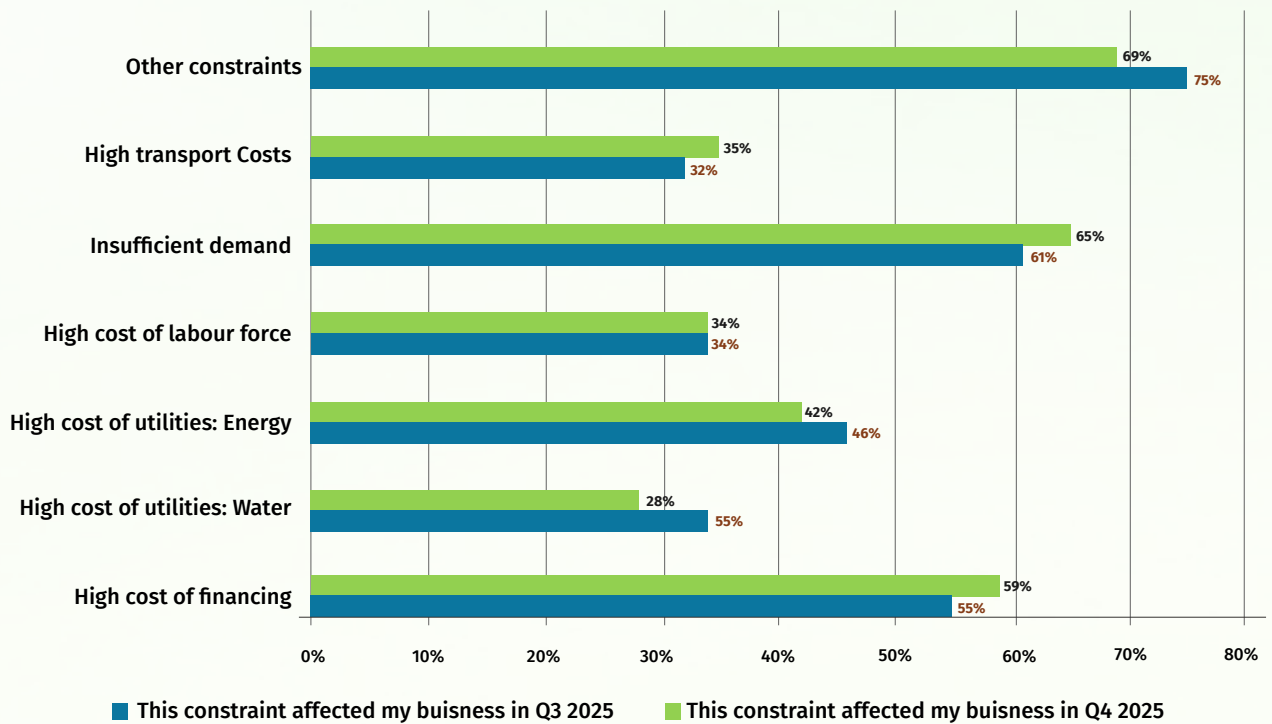
Transport costs remained elevated in Q4 2025, affecting 35 percent of businesses, up from 32 percent in Q3 2025. Firms reported that fuel prices remained high, and poor road conditions, particularly in rural production areas, increased vehicle maintenance costs and extended delivery times. Agro-traders 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 13: Business Constraints Impacting Enterprises in Uganda, Q3 2025-Q4 2025



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



5.0 Other Major Developments and Structural Shifts in Uganda

This chapter presents the major developments, shocks, and emerging issues that influenced Uganda's economic, social, political, and structural landscape during the year. It brings together significant changes across commodity markets, sectoral performance, climate conditions, poverty and welfare dynamics, governance and election-related processes, as well as external spillovers that shaped domestic activity. By capturing both sudden disruptions and longer-term structural shifts, the chapter provides an integrated view of the forces affecting economic performance, stability, and resilience. This broad analysis helps explain annual fluctuations and highlights the risks, opportunities, and evolving trends likely to influence Uganda's trajectory in the year ahead.

5.1 Coffee Price Surge

Uganda's coffee sector recorded a strong performance in 2025, driven by high prices and increased export volumes. Export monthly earnings rose from US\$156.5 million in January 2025 to a peak of US\$289.6 million in June 2026, supported by the highest monthly export volume of 1,014,062 60 kg bags. Total earnings for the year reached approximately US\$2,462.87 million, compared to US\$1,547.14 million in 2024, while total export volumes increased from 6,359,586 60 kg bags in 2024 to 8,775,383 60 kg bags in 2025. The average export price also increased from US\$4.00 per kg in 2024 to US\$4.73 per kg in 2025. During the first half of 2025, unit values remained above US\$5 per kg between February and May, contributing to higher export revenues. Earnings peaked in June 2026 alongside strong export volumes, reflecting the combined effect of elevated prices and production. Although unit values declined to US\$4.18 per kg in July and US\$3.95 per kg in August, high export volumes helped sustain overall performance.

The strong performance was influenced by global supply disruptions, including severe droughts in Brazil, the world's largest coffee producer, and production challenges in Vietnam, which kept international coffee prices high. This combination of elevated prices and larger export volumes strengthened incomes for exporters, cooperatives, processors, and farming households. It also improved liquidity across the coffee value chain and contributed to foreign exchange inflows (UCDA, 2025).



Table 6: Monthly Coffee Export Performance for Uganda, January to December 2025

Month	Export Value (US\$ m)	Volume (60-kg bags)	Avg. Unit Value (US\$/kg)
January	156.5	550,341	4.74
February	167.68	555,756	5.03
March	198.62	642,981	5.15
April	214.38	694,318	5.15
May	243.95	793,445	5.12
June	289.6	1,014,062	4.76
July	249.87	997,105	4.18
August	202.75	855,441	3.95
September	218.55	844,949	4.31
October	185.1	640,333	4.51
November	186	502,582	4.84
December	149.87	566,278	4.97

Source: Bank of Uganda's Macroeconomic Indicators, 2025

5.2 Tea Price Collapse

While coffee performed strongly, Uganda’s tea sector experienced a difficult year marked by weak and volatile export performance. Global oversupply, driven by increased production from major producers such as India, Sri Lanka, and Kenya, exerted downward pressure on prices at the Mombasa auction throughout 2025. Uganda’s tea export earnings reflected this trend, declining from US\$5.75 million in January to below US\$4 million between March and April, alongside reduced export volumes. Although a temporary recovery was recorded in May (US\$6.53 million; 6,319 tons) and June (US\$5.45 million; 5,322 tons), this momentum

was not sustained. From August to September, export values again dropped to around US\$3.51–3.65 million despite relatively stable volumes, indicating subdued international prices. The final quarter showed only a modest recovery, with export earnings averaging just above US\$4 million between October and December. Overall, the combination of weak prices and fluctuating volumes significantly reduced export revenues, constrained liquidity among processors, and forced some factories to operate below capacity, with occasional temporary shutdowns reported due to limited leaf supply.

Table 7: Monthly Tea Export Performance for Uganda, January to December 2025

Month	Export Value (US\$ m)	Volume (Tons)
January	5.75	5,669
February	4.07	3,889
March	3.83	3,546
April	3.77	3,659
May	6.53	6,319
June	5.45	5,322
July	5.13	5,138
August	3.65	4,113
September	3.51	4,247
October	4.08	4,836
November	4.19	4,945
December	4.41	4,746

Source: Bank of Uganda’s Macroeconomic Indicators, 2025

Implications for Uganda: The collapse in global tea prices reduced export earnings, weakened liquidity for processors, and pushed factories to operate below capacity or temporarily close. Some farmers in western Uganda abandoned tea for more profitable enterprises, worsening raw-leaf shortages and reducing rural incomes. The fall in tea-related foreign exchange inflows has further narrowed Uganda’s non-coffee export base, increasing vulnerability to commodity price shocks and reducing overall sector resilience

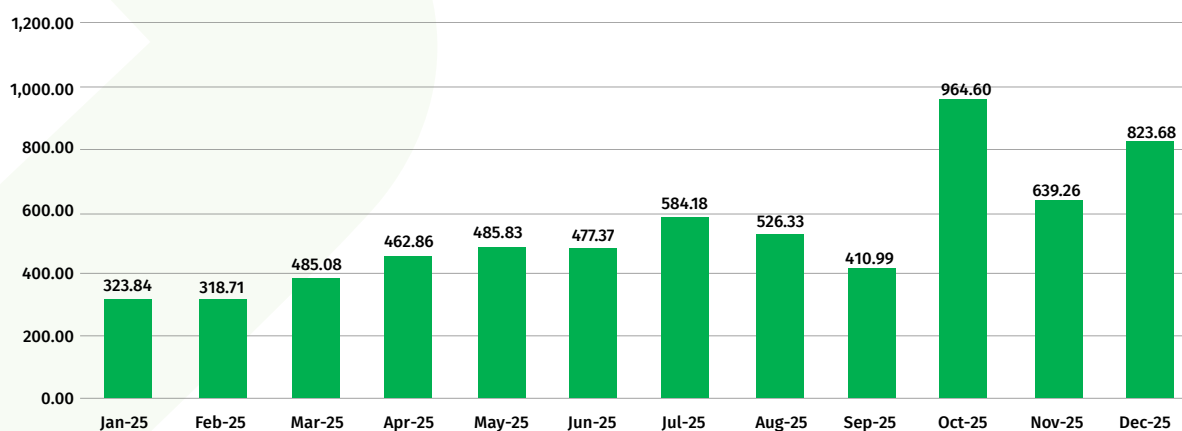
5.3 Gold Export Boom

Gold remained one of Uganda’s strongest export performers throughout 2025, with a clear upward trend in earnings over the year. Export receipts started at about US\$323.84 million in January 2025 and remained relatively stable in February before rising steadily to US\$462.86 million in April and US\$485.83 million in May 2025. This growth was driven by firm global prices and sustained export volumes through domestic refining channels.

The positive momentum continued into mid-year, with exports reaching US\$584.18 million in July. Although earnings moderated slightly to US\$410.99 million in September, they remained significantly higher than early-year levels, reflecting continued demand in

international markets. A sharp increase was recorded in October, when exports surged to US\$964.60 million, the highest level in the year before remaining strong in November (US\$639.26 million) and December (US\$823.68 million). Overall, the 2025 performance reflects a combination of high global gold prices, strong safe-haven demand amid global economic uncertainty, and increased regional gold inflows for refining and re-export (Bank of Uganda, 2025). This sustained strength in gold exports provided critical support to Uganda’s foreign exchange market, especially as traditional exports such as tea and cotton underperformed. As a result, gold played a key role in stabilizing the shilling and cushioning pressures on the trade balance.

Figure 14: Monthly Gold Export Performance (US\$ Million) for Uganda, January to December 2025



Source: Bank of Uganda’s Macroeconomic Indicators, 2025

5.4 Elections and Uganda's Economy

Election cycles in Uganda have a strong influence on economic activity through changes in public spending, business behaviour, and inflation expectations. In FY2025/26, government expenditure increased significantly as preparations for the 2026 elections intensified, including larger allocations for electoral operations, security, and administrative logistics. This expansion of spending reduced fiscal space and increased reliance on domestic borrowing, raising short-term financing pressures. At the same time, heightened political activity in 2025 created a more cautious operating environment, with many firms delaying investment plans and scaling back growth strategies as they adopted a clear wait-and-see approach while seeking greater certainty on demand patterns and future policy direction. Past experiences, especially the sharp rise in inflation after the 2011 elections, reinforced concerns about possible price pressures during this cycle.

Despite these challenges, strong export earnings from coffee and gold played a stabilising role by supporting foreign-exchange reserves and helping maintain shilling stability throughout a period of rising political uncertainty. Looking ahead to 2026, government operations and public investment processes are expected to return to a normal rhythm once election activities conclude. Business confidence is also expected to strengthen as uncertainty fades, enabling firms to resume decisions that had been postponed. Restoring fiscal balance will, however, be essential after elevated election-season spending. Sustaining overall economic stability will require prudent fiscal management, clear and consistent policy communication, and continued resilience in key export sectors.



6.0 Uganda's Economic Outlook: Upside Factors and Downside Risks

Uganda's economic outlook remains broadly positive, supported by strong growth fundamentals and improved macroeconomic stability. Real GDP is projected to grow between 6.5 and 7.0 percent in FY2025/26, rising toward an average of about 8 percent in the medium term (BOU, 2025). Confidence in Uganda's economic direction was reinforced on 7 November 2025, when S&P Global Ratings affirmed the country's long-term foreign-currency rating at B- and upgraded the outlook from Stable to Positive. This revision reflects strengthening external buffers, sustained export performance, a stable exchange rate, and improved fiscal management. The positive outlook signals an increased likelihood of a future upgrade should current reforms, revenue efforts, and macroeconomic stability be maintained.

Despite this progress, several risks may influence the outlook. Externally, rising geopolitical tensions, tighter global financial conditions, and fluctuations in global commodity prices could affect export earnings, capital flows, and external financing. Higher global uncertainty may also disrupt supply chains and increase import costs. Domestically, elevated public debt now stands at Shs 116 trillion (51.3% of GDP) and heavy reliance on domestic borrowing poses refinancing and interest-rate risks, while delays in oil sector timelines and adverse weather could weaken growth momentum. Structural challenges, including high production and transport costs, limited long-term financing, and climate-related shocks, may also constrain private investment. Overall, while opportunities remain substantial, safeguarding Uganda's positive rating outlook will require disciplined fiscal management, strengthened export competitiveness, and continued progress on structural reforms to enhance resilience and sustain robust growth.



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