Uganda Macroeconomic Digest

June 2026

UDB
Inspiring Development

Introduction

The Uganda Macroeconomic Digest for June 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 to 3.7 percent in the 12 months ending June 2026, up from 3.2 percent recorded in May 2026. The increase was mainly driven by higher core inflation and Energy, Fuel and Utilities (EFU) inflation, reflecting rising prices for transport services, education services, and liquid fuels. Despite the increase, headline inflation remained relatively low, indicating broadly stable price conditions in the economy.

Energy, Fuel and Utilities (EFU) inflation increased significantly to 11.9 percent in June 2026 from 9.1 percent in May 2026, thereby remaining one of the principal drivers of headline inflation. The increase was largely attributed to higher liquid fuel prices, reflecting elevated global oil prices amid geopolitical tensions in the Middle East and their pass-through effects on domestic fuel markets. Annual liquid energy fuel inflation rose sharply from 16.6 percent in May 2026 to 26.2 percent in June 2026. Petrol inflation increased from 16.6 percent to 26.3 percent, diesel inflation rose from 21.5 percent to 37.3 percent, kerosene inflation increased from 25.4 percent to 31.7 percent, while cooking gas inflation rose from 1.1 percent to 5.4 percent over the same period.

Core inflation increased to 3.4 percent in June 2026 from 3.0 percent in May 2026, indicating a modest rise in underlying inflationary pressures. Within core inflation, annual services inflation increased from 4.6 percent in May 2026 to 4.9 percent in June 2026. This was mainly driven by higher passenger transport services' inflation, which increased from 9.9 percent to 11.9 percent, reflecting the pass-through effects of higher fuel prices on transport costs. Education services inflation also rose from 4.1 percent in May 2026 to 5.7 percent in June 2026. In addition, annual inflation for other goods increased from 1.7 percent to 2.2 percent over the same period, largely driven by higher prices of rice and beef.

Food crops and related items inflation remained broadly stable at 0.0 percent in June 2026 compared to 0.2 percent in May 2026, reflecting favorable food supply conditions and improved availability of several staple food items. The stability was mainly attributed to a decline in matooke inflation from -3.4 percent in May 2026 to -6.6 percent in June 2026, dry beans inflation from -2.6 percent to -7.2 percent, onion inflation from 14.3 percent to -4.7 percent, and carrot inflation from 0.9 percent to -7.6 percent over the same period. In addition, avocado inflation moderated from 14.4 percent in May 2026 to 9.1 percent in June 2026, further contributing to the easing of food price pressures.

Looking ahead, the Bank of Uganda projects core inflation to range between 5.0 and 5.3 percent over the next 12 months, reflecting the gradual pass-through of higher energy prices to transportation, production, and other consumer goods and services. Inflation is expected to rise moderately during the second half of 2026 before stabilising around the medium-term target of 5.0 percent as the effects of the oil price shock gradually dissipate and global oil prices return to more normal levels by 2027.

The balance of risks to the inflation outlook remains tilted to the upside. Key upside risks include a prolonged escalation of geopolitical tensions that could sustain elevated global oil prices, further depreciation of the Uganda shilling, and tighter global financial conditions. Conversely, downside risks stem from weaker global economic growth and favourable weather conditions that support food supply.

3.7%
Headline inflation increased from 3.2% in May to 3.7% in June 2026

3.4%
Core inflation increased from 3.0% in May to 3.4% in June 2026

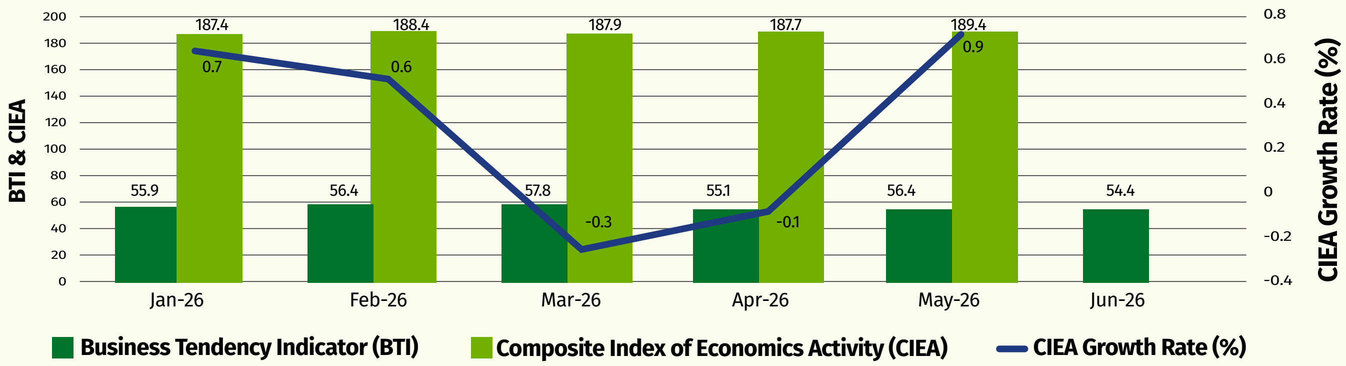
0.0%
Food Crops and Related Items inflation declined from 0.2% in May to 0.0% in June

11.9%
Energy Fuel and Utilities (EFU) inflation increased from 9.1% in May to 11.9% in June 2026

Business Perceptions and Economic Activity:

The Business Tendency Index (BTI) declined to 54.4 in June 2026 from 56.4 in May 2026, although it remained above the threshold of 50, indicating that businesses continued to maintain a positive outlook on economic conditions. The decline suggests a moderation in business confidence during the month, reflecting increased uncertainty arising from global economic developments, heightened commodity price volatility, and geopolitical tensions associated with the United States–Israel–Iran conflict, which affected business expectations. The Composite Index of Economic Activity (CIEA) increased by 0.9 percent from 187.7 in April 2026 to 189.4 in May 2026, indicating continued expansion in economic activity. This suggests that economic activity remained resilient during the month, supported by sustained growth across key sectors of the economy despite prevailing external uncertainties.

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



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

Exchange Rate Movements:

The Uganda Shilling appreciated by 1.4 percent against the US Dollar in June 2026, strengthening from an average exchange rate of UGX 3,764.1/USD in May 2026 to UGX 3,710.6/USD in June 2026, thereby reversing the depreciation recorded in the previous month. The appreciation was mainly driven by increased foreign exchange inflows from key export commodities, particularly coffee and gold, alongside improved investor confidence ahead of the commencement of commercial oil production. Additional support came from offshore investor inflows, prudent monetary policy by the Bank of Uganda, and easing global financial and geopolitical pressures, partly reflecting the ceasefire and renewed diplomatic negotiations in the Middle East, which improved foreign exchange market conditions.

UGX 3,710.6/USD

Average exchange rate (UGX/USD) for June 2026

Interest rate Movements:

The Central Bank Rate (CBR) remained unchanged at 9.75 percent in both May and June 2026, reflecting the Bank of Uganda's cautious monetary policy stance amid heightened global uncertainty and emerging inflationary pressures arising from elevated fuel prices and 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.

Although inflation increased during the period, it remained below the medium-term target of 5.0 percent, providing room for the Bank of Uganda to maintain its accommodative policy stance. Meanwhile, the weighted average lending rate on Uganda Shilling-denominated loans declined from 18.26 percent in April 2026 to 18.00 percent in May 2026. The decline was mainly attributed to improved liquidity conditions in the banking sector, stable monetary policy, and well-anchored inflation expectations. Lower lending rates supported access to credit by businesses and households, thereby facilitating private sector investment, consumption, and overall economic activity.

9.75%
Central Bank Rate (CBR) for June 2026

18.00%
Lending Rates for UGX Loans for May 2026

Domestic Credit:

Domestic credit increased by 4.8 percent, rising from UGX 52.24 trillion in April 2026 to UGX 54.77 trillion in May 2026. This growth was driven mainly by an 8.8 percent increase in Net Credit to Government (NCG), which rose from UGX 21.38 trillion in April 2026 to UGX 23.26 trillion in May 2026, reflecting higher government borrowing from the domestic financial system. Private sector credit also expanded by 2.0 percent, increasing from UGX 29.42 trillion in April 2026 to UGX 30.01 trillion in May 2026, indicating improved lending to businesses and households during the period. The increase in domestic credit supported economic activity through higher private sector lending. However, the stronger growth in government borrowing could increase pressure on domestic financial resources and constrain private sector credit expansion.

Ush. 54.77 trillion
Domestic Credit increased by 4.8% in May 2026

Ush. 30.01 trillion
Private Sector Credit increased by 2.0% in May 2026

Ush. 23.26 trillion
Net Credit to the Government (NCG) increased by 8.8% in May 2026

Merchandise Trade Balance and Terms of Trade:

Uganda's trade balance deteriorated by 11.1 percent to a deficit of USD 115.7 million in May 2026, from a deficit of USD 104.1 million in April 2026. This was mainly driven by a 4.2 percent decline in export earnings, from USD 1,405.1 million to USD 1,346.1 million, which outweighed the 3.1 percent reduction in import payments from USD 1,509.3 million to USD 1,461.8 million. Despite the widening trade deficit, the terms of trade index improved slightly by 0.5 percent, increasing from 123.2 in April 2026 to 123.8 in May 2026, indicating a slight improvement in export prices relative to import prices.

11.1%
Trade deficit increased May 2026

4.2%
Total Exports of Goods-fob declined May 2026

3.1%
Total Imports of Goods May 2026

0.5%
Terms of Trade Index increased May 2026

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

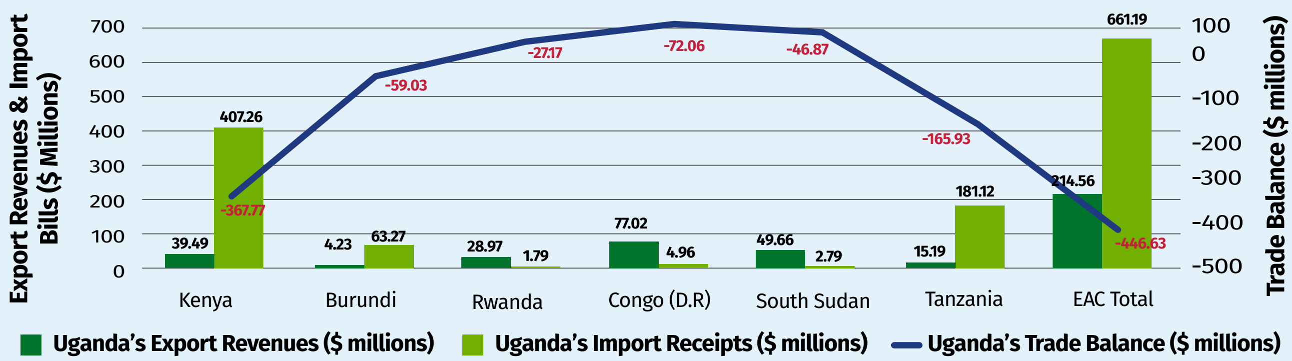
In May 2026, Uganda recorded total export revenues of USD 214.56 million from the East African Community (EAC) region, while import payments to the bloc amounted to USD 661.19 million, resulting in an overall trade deficit of USD 446.63 million. The trade deficit was largely driven by high import expenditures on goods from Kenya, Tanzania, and Burundi.

Uganda's imports from Kenya amounted to USD 407.26 million against export revenues of USD 39.49 million, resulting in the largest bilateral trade deficit of USD 367.77 million. Similarly, imports from Tanzania totaled USD 181.12 million compared to export revenues of USD 15.19 million, leading to a trade deficit of USD 165.93 million. These trade patterns continue to reflect Uganda's dependence on Kenya and Tanzania for petroleum products, manufactured goods, industrial raw materials, machinery, and other strategic imports within the EAC region.

Uganda also recorded a trade deficit of USD 59.03 million with Burundi, with import payments amounting to USD 63.27 million compared to export revenues of USD 4.23 million. The deficit reflects imports of scrap iron and steel, raw hides and skins, recovered paper and wood pulp, aluminium products, and manmade staple fibres. These products are mainly used as inputs in Uganda's manufacturing, construction, leather-processing, paper, packaging, and textile industries. The continued importation of such products suggests strengthening regional value chains, growing cross-border trade linkages, and increasing industrial integration between Uganda and Burundi.

Despite the overall regional trade deficit, Uganda registered strong trade surpluses with several EAC partner states during May 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 77.02 million compared to imports valued at USD 4.96 million, resulting in a trade surplus of USD 72.06 million, the highest within the region. Exports to South Sudan totaled USD 49.66 million against imports worth USD 2.79 million, generating a trade surplus of USD 46.87 million. Uganda also recorded a trade surplus of USD 27.17 million with Rwanda after exporting goods worth USD 28.97 million and importing goods valued at USD 1.79 million. Notably, the large trade deficit with the EAC, driven mainly by imports from Kenya, Tanzania, and Burundi, may exert pressure on Uganda's foreign exchange reserves, current account balance, and exchange rate stability. However, strong export performance to the D.R.C., South Sudan, and Rwanda highlights opportunities to expand regional exports and strengthen external sector resilience.

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



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

Uganda's Export Revenues from Selected Commodities:

Coffee remained Uganda's leading export earner, although export revenues declined to USD 151.70 million in May 2026 from USD 155.54 million in April 2026, representing a 2.5 percent decrease. This decline was recorded despite a 4.5 percent increase in export volumes to 617,491 sixty-kilogram bags in May 2026 from 590,800 bags in April 2026. The reduction in earnings was mainly attributed to lower international coffee prices, particularly Arabica coffee prices, which declined from US$7.30/kg in April 2026 to US$6.95/kg in May 2026 due to improved production prospects in major coffee-producing countries, especially Brazil.

Cotton export revenues increased significantly to USD 3.71 million in May 2026 from USD 2.99 million in April 2026, representing a 24.2 percent increase. The growth was supported by a 17.1 percent increase in export volumes to 13,798.59 bales (185 kilograms each) in May 2026 from 11,781.50 bales in April 2026. The increase was further supported by stronger international cotton prices, which rose from US$1.90/kg in April 2026 to US$2.03/kg in May 2026 due to improving global textile demand, particularly from major manufacturing economies such as China, Bangladesh, and Vietnam.

Tea export revenues increased to USD 4.40 million in May 2026 from USD 3.86 million in April 2026, representing a 14.1 percent increase. This growth was driven by a 15.3 percent increase in export volumes to 5,093.63 tons in May 2026 from 4,419.22 tons in April 2026. The increase was also supported by higher international tea prices, which increased from US$2.83/kg in April 2026 to US$3.00/kg in May 2026 due to lower auction supplies from key producing countries such as Kenya and Sri Lanka.

Fish and fish product exports (excluding regional markets) declined to USD 10.59 million in May 2026 from USD 10.95 million in April 2026, representing a 3.3 percent decrease. This decline was attributed to an 11.7 percent reduction in export volumes, which fell to 1,247.46 tons in May 2026 from 1,412.90 tons in April 2026, reflecting lower export supplies and weaker shipments to international markets.

Simsim (sesame seed) export revenues declined to USD 1.36 million in May 2026 from USD 1.51 million in April 2026, representing a 10.3 percent decrease. The decline was driven by an 11.0 percent reduction in export volumes to 831.79 tons in May 2026 from 934.64 tons in April 2026, indicating reduced exportable supplies during the month.

Maize export revenues increased to USD 7.40 million in May 2026 from USD 7.05 million in April 2026, representing a 5.0 percent increase. This growth occurred despite a 13.0 percent decline in export volumes to 16,877.65 tons in May 2026 from 19,406.94 tons in April 2026. The increase in earnings was attributed to improved export prices, supported by an increase in international maize prices from US$214.0/mt in April 2026 to US$216.2/mt in May 2026 and strong regional demand, particularly from neighboring East African markets.

Beans export revenues increased significantly to USD 2.74 million in May 2026 from USD 1.97 million in April 2026, representing a 39.4 percent increase. The growth was driven by an 80.4 percent increase in export volumes to 8,005.74 tons in May 2026 from 4,437.68 tons in April 2026. The increase reflected stronger regional demand and improved availability of exportable supplies following favorable harvest conditions.

Sugar export revenues increased slightly to USD 1.50 million in May 2026 from USD 1.49 million in April 2026, representing a 1.1 percent increase. This growth was recorded despite a 26.3 percent decline in export volumes to 28,113.50 tons in May 2026 from 38,161.31 tons in April 2026. The increase in earnings was attributed to stronger international sugar prices, which rose from US$0.32/kg in April 2026 to US$0.34/kg in May 2026 due to concerns over production prospects in major sugar-producing countries such as Brazil, India, and Thailand, as well as expectations of tighter global supplies.

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

Uganda's formal private sector import bill (in value terms) declined by 3.3 percent to US$1.44 billion in May 2026, down from US$1.49 billion in April 2026. The decline was largely driven by lower imports of mineral products (excluding petroleum products), machinery and equipment, base metals, and other manufactured goods, reflecting reduced demand for industrial inputs, construction materials, and capital goods.

Imports of machinery, equipment, vehicles and accessories declined by 7.3 percent to US$261.89 million in May 2026 from US$282.43 million in April 2026, suggesting a moderation in private sector investment and imports of capital goods. Similarly, mineral products (excluding petroleum products) decreased by 11.9 percent to US$480.36 million from US$545.33 million, reflecting lower imports of industrial raw materials and construction-related inputs. Base metals and their products also declined significantly by 18.6 percent to US$88.23 million from US$108.42 million, indicating weaker demand from the construction and manufacturing sectors.

Miscellaneous manufactured articles fell by 5.3 percent to US$38.68 million from US$40.83 million, while wood and wood products declined by 3.8 percent to US$16.17 million from US$16.81 million, reflecting subdued construction-related activity. Textile and textile product imports also declined slightly by 0.8 percent to US$29.18 million from US$29.42 million.

Despite the overall decline in the import bill, several key import categories recorded growth during the month. Imports of petroleum products increased significantly by 33.3 percent to US$193.58 million in May 2026 from US$145.26 million in April 2026. The increase was partly driven by higher fuel import requirements and elevated global oil prices, with average crude oil prices remaining high at about US$100.4 per barrel in May 2026 amid geopolitical tensions in the Middle East.

Imports of animal and animal products rose sharply by 57.5 percent to US$8.36 million from US$5.31 million, reflecting stronger domestic demand. Similarly, vegetable products, animal fats, beverages and oils increased by 3.5 percent to US$119.27 million from US$115.28 million, indicating continued demand from households and agro-processing industries. Prepared foodstuffs, beverages and tobacco imports grew by 5.5 percent to US$40.44 million from US$38.32 million.

Chemical and related products increased marginally by 0.5 percent to US$91.08 million from US$90.60 million, suggesting stable industrial demand. Plastics, rubber and related products also rose by 2.0 percent to US$74.34 million from US$72.87 million, reflecting continued activity in manufacturing, packaging, and construction-related sectors. Notably, electricity imports remained broadly unchanged at US$0.35 million during the period.

Uganda's Economic Outlook and Risks:

Uganda's economic outlook remains favorable, supported by strong macroeconomic fundamentals, ongoing structural reforms, and the anticipated commencement of commercial oil production in FY2026/27. Economic activity continues to be driven by resilient performance across the agriculture, industry, and services sectors, supported by favorable weather conditions, rising private sector activity, increasing investment, and continued government interventions aimed at enhancing productivity and household incomes.

According to the Ministry of Finance, Planning and Economic Development (MoFPED), Uganda's economy is projected to grow by 10.2 percent in FY2026/27, with GDP expected to reach approximately USD 75.7 billion. Growth is expected to be driven by the commencement of First Oil production, continued investments in the oil and gas sector, agricultural industrialization, tourism development, expansion in manufacturing, ICT investments, and ongoing infrastructure development. In addition, deeper regional integration under the East African Community (EAC), COMESA, and the African Continental Free Trade Area (AfCFTA) is expected to support export growth and market access.

The medium-term outlook is further strengthened by the Government's Tenfold Growth Strategy and NDP IV, which prioritize investments in Agro-industrialization, Tourism, Minerals and Oil & Gas, and Science, Technology and Innovation (ATMS). Commercial oil production is expected to boost export earnings, attract foreign direct investment, strengthen the external sector, and increase government revenues.

Despite the positive outlook, risks remain. Heightened geopolitical tensions in the Middle East could sustain elevated global oil prices, increase production and transport costs, and disrupt trade and supply chains. Other risks include commodity price volatility, tighter global financial conditions, adverse weather conditions, and disease outbreaks. However, stronger-than-expected investments in oil and gas, accelerated infrastructure development, improved export performance, and deeper regional trade integration could support growth above current projections.

UDB
Inspiring Development

Disclaimer

This report draws information from reliable sources such as the BOU, UBOS, MoFPED, IMF, World Bank, EIU, UN, etc. Please note that it is for informational purposes only, and feedback and comments can be sent to:

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