



UDB
Inspiring Development

BUSINESS HEALTH INDEX (BHI) REPORT

QUARTER 2, 2026

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Executive Summary:

The Business Health Survey (BHS) for Q2 2026 indicates a recovery in enterprise performance across Uganda. The Business Health Index (BHI) improved to 45.52 in Q2 2026 from 37.20 in Q1 2026. However, the Index remained below the neutral benchmark of 50, indicating that overall business conditions were still subdued compared with the preceding quarter. The recovery was supported by stronger production, sales and profitability as enterprises emerged from the slowdown experienced in Q1 2026. Nevertheless, high production and input costs, insufficient demand and operational constraints continued to affect performance. External pressures arising from the United States–Israel–Iran conflict and disruptions around the Strait of Hormuz also increased fuel, freight and imported input costs.

Production conditions improved but remained constrained. The Production Index increased to 39.70 in Q2 2026 from 33.56 in Q1 2026, supported by a rise in capacity utilisation to 47.20 from 30.09 and total

production volumes to 53.24 from 42.25. However, the Cost of Production Index declined to 18.65 from 28.34, showing that elevated costs continued to limit production. Raw material conditions also remained weak, with the Raw Material Availability Index broadly unchanged at 36.22, compared with 36.23 in Q1 2026. The Cost of Raw Materials Index declined to 17.57 from 25.13, indicating continued pressure on the affordability of production inputs. Sales recorded the strongest recovery during the quarter. The Sales Index increased to 53.95 in Q2 2026 from 40.08 in Q1 2026, moving above the neutral benchmark. This improvement was supported by an increase in sales volumes to 51.60 from 34.52 and average selling prices to 60.49 from 51.43. Consequently, the Sales Revenue Index rose to 49.75 from 34.29. Profitability also improved significantly to 47.33 from 31.23, although it remained slightly below 50. The Job Growth Index increased to 50.40 from 44.92, indicating a modest recovery in enterprise-driven employment as sales and profitability strengthened.

Looking ahead, enterprise sentiment remained positive. The Business Health Outlook Index increased to 57.81 in Q2 2026 from 55.45 in Q1 2026, signalling optimism regarding business conditions in Q3 2026. The Sales Outlook Index strengthened to 69.09 from 66.27, supported by expectations of higher sales volumes, which rose to 74.07 from 70.36, and sales revenues, which increased to 75.19 from 67.50. The Raw Material Availability Outlook Index improved to 50.41 from 40.91, while the Profitability Outlook Index rose slightly to 64.61 from 64.23. However, the Production Outlook Index eased marginally to 51.80 from 52.05, and the Job Growth Outlook Index declined slightly to 53.14 from 53.81, reflecting continued caution regarding production expansion and hiring.

Sectoral performance improved across most sectors. Health recorded the strongest current performance, increasing to 54.53 in Q2 2026 from 46.10 in Q1 2026, followed by Wholesale Trade, which rose to 53.65 from 45.56. Other Services including financial, transport, professional and creative-industry services—improved to 51.52 from 40.93. Education increased to 49.95 from 43.45, while Manufacturing recorded a strong recovery to 48.18 from 32.10. Agro-processing rose to 45.14 from 39.26, and Tourism improved to 43.49 from 37.09. Agriculture declined slightly to 42.74 from 42.99, reflecting persistent input and production cost pressures.

All sectoral outlook indices remained above 50, although expectations varied. Wholesale Trade recorded the strongest outlook at 67.18, followed by Health at 64.81, Tourism at 64.60 and Other Services at 63.19. Manufacturing's outlook improved to 57.65 from 53.06, while Agriculture strengthened to 56.96 from 53.49. The Education Outlook Index stood at 56.16, while Agro-processing recorded 55.23. These results indicate that enterprises across all sectors expected improved conditions in Q3 2026, particularly through stronger sales and revenues, although production costs remained a concern.

Regional performance was mixed but generally improved. The Central region recorded the strongest current performance, with its BHI increasing to 47.42 in Q2 2026 from 35.37 in Q1 2026. The Eastern region improved to 43.72 from 35.11, while the Northern region rose to 40.89 from 35.47. In contrast, the Western region declined to 43.52 from 45.93, reflecting weaker production and raw material availability. All regional outlook indices remained above 50. The Central region recorded the strongest outlook at 58.39, followed by the Northern region at 57.26, the Eastern region at 57.11 and the Western region at 56.16.

Business conditions improved among both UDB-funded and non-UDB-funded enterprises. The BHI for UDB-funded enterprises increased to 42.48 in Q2 2026 from 37.58 in Q1 2026, supported by improved sales and profitability, although production remained subdued. The BHI for non-UDB-funded enterprises increased to 47.52 from 36.67, reflecting a stronger recovery in production, sales and profitability. The variation in performance between the two groups partly reflects differences in sector composition, production cycles and exposure to prevailing business conditions. The Outlook Index for UDB-funded enterprises increased to 57.11 from 56.51, while that of non-UDB-funded enterprises rose to 58.72 from 54.98. Both groups therefore remained optimistic about Q3 2026. Notably, UDB-funded enterprises recorded a Job Growth Outlook Index of 56.41, higher than the 51.63 recorded for non-UDB-funded enterprises, highlighting the contribution of UDB-supported investments to productive activity and employment creation.

Business constraints remained significant. Respondents who reported that their businesses were affected by high financing costs declined to 47 percent in Q2 2026 from 54 percent in Q1 2026, while those affected by high energy costs decreased to 44 percent from 45 percent. Respondents affected by high labour costs also declined to 26 percent from 32 percent. However, those affected by insufficient demand increased to 56 percent from 52 percent, while those affected by high water costs rose to 32 percent from 30 percent. Respondents affected by high transport costs remained unchanged at 35 percent. Other constraints affected 68 percent of respondents in both quarters and included high taxes, delayed payments, elevated input costs, exchange-rate fluctuations, adverse weather conditions and infrastructure gaps. Despite these challenges, the positive outlook suggests that stronger sales, revenues and profitability will support continued business recovery in Q3 2026.

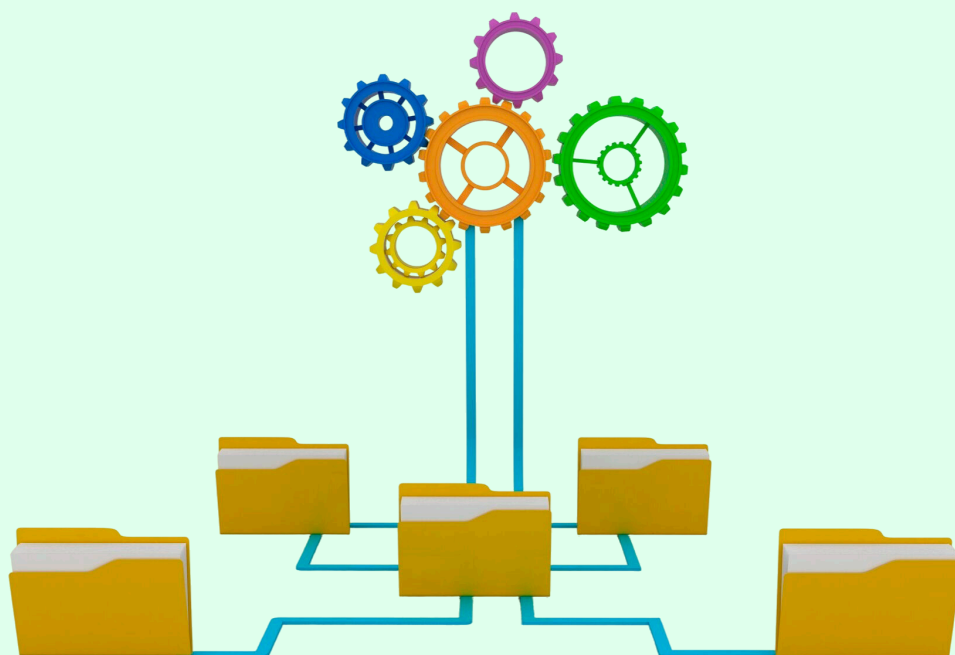
2.0 Data and Methods



The Business Health Survey (BHS) covered 494 enterprises, i.e., 156 UDB customers and 338 non-UDB customers. The study employed a stratified random sampling approach covering small and medium-sized enterprises (SMEs) and large-scale entities in key growth sectors. The survey captured data from primary agriculture, agro-processing, manufacturing, tourism, human capital development (including education and health), wholesale trade, and other services such as transport, the creative industry, and financial services, covering all the regions: central, eastern, northern, and western areas.

The Business Health Survey (BHS) generated perceptions among business owners and managers regarding the current state of their businesses' performance and outlook. The study on present business health captured the perceptions of business owners and managers on the performance of their enterprises during the just-ended quarter (Q2 2026) compared to the previous quarter (Q1 2026), while the business health outlook captured the expectations on the business performance for the next quarter (Q3 2026) compared to the just-ended quarter (Q2 2026). This process involved assessment of business owners' and managers' perceptions on key business health indicators, including raw material and input availability, production, sales, profitability, and job creation, to generate the Business Health Index (BHI) that is sensitive to direction as opposed to the magnitude of the change in business conditions.

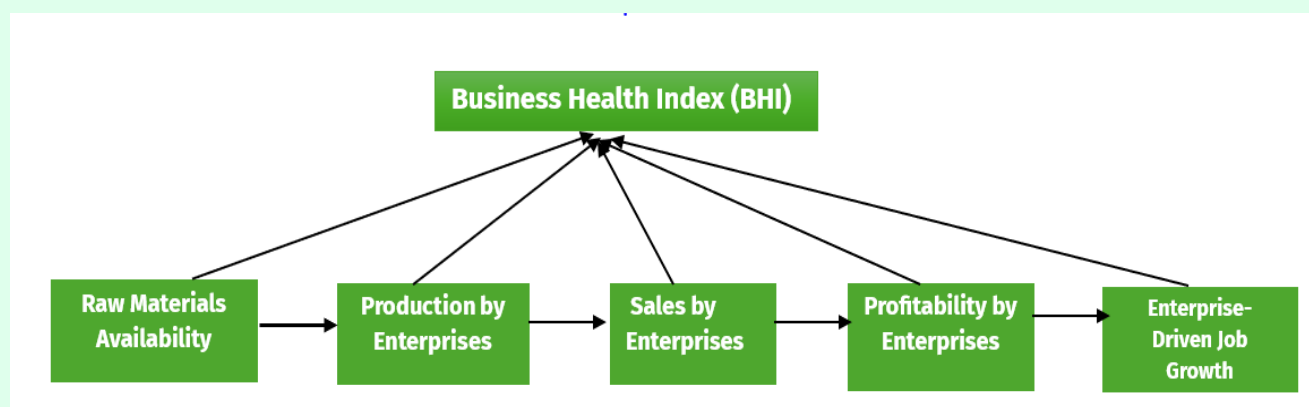
The study also covered the critical challenges that affected businesses during Q2 2026. The survey identified critical business constraints on which respondents confirmed whether they were affected or not, including high costs of financing, high costs of utilities (water and energy), high labor costs, insufficient demand, and high transport expenses. We also asked them to share any other challenges that impacted their business environment during the analyzed quarter.



2.1 Calculation And Interpretation Of The Business Health Index (BHI)

The Business Health Index (BHI) is calculated using five core indicators: raw materials availability, production, sales, profitability, and enterprise-driven job growth. These indicators reflect critical aspects of business performance and resilience. Respondents rated their perceptions on a Likert scale: “higher,” “same,” “lower,” or “improve,” “same,” and “worsen” for each indicator.

Figure 1: The five Business Health Index (BHI) components.



Source: Authors' construction based on the critical components of business health conditions

Sub-indices are derived from responses to sub-variables within each component. Responses are weighted as follows: 0 for negative performance or outlook, 0.5 for neutral or unchanged perceptions, and 1 for positive performance or outlook. The sub-indices are averaged to calculate the component indices, which are then averaged to derive the overall BHI.

For the current Business Health Index (BHI), a value above 50 signifies an improvement in business health, as perceived by business owners and

managers. At the same time, an index below 50 implies a decline in business health as perceived by the respondents. The value of 50 shows no change in business health between the quarters. Looking ahead, a business health index outlook value above 50 indicates optimism or positive expectations among business owners and managers. On the other hand, an outlook index value below 50 indicates respondents' pessimism about the next quarter. The outlook index value of 50 implies a neutral outlook with no anticipated changes.



3.0 Key Findings

3.1 Overall Business Health and Outlook

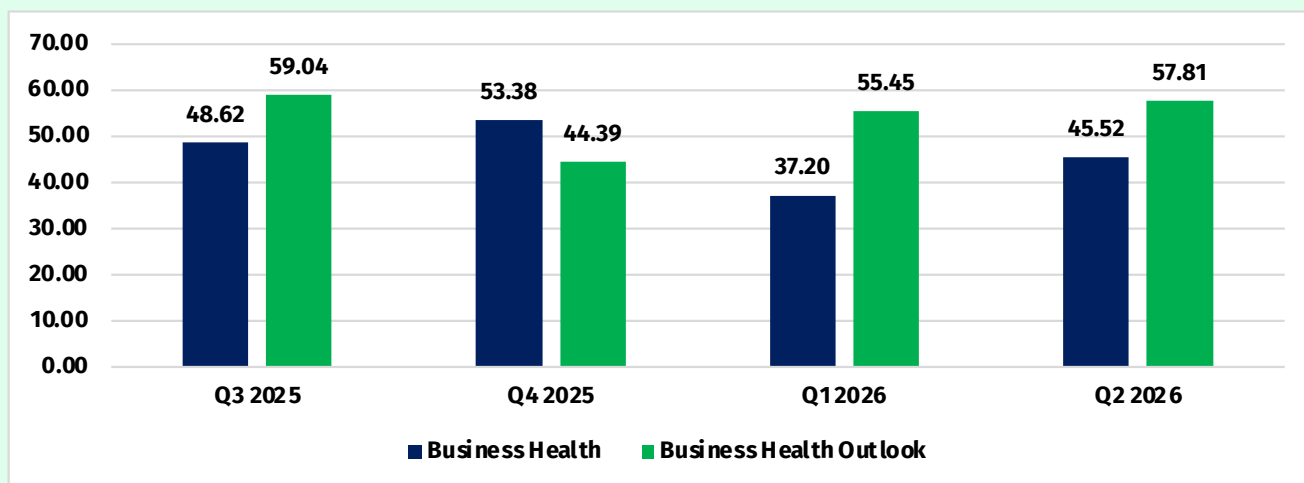
In Q2 2026, Uganda's Business Health Index (BHI) improved to 45.52 from 37.20 in Q1 2026, indicating a recovery in business activity. However, the Index remained below the neutral benchmark of 50, suggesting that overall business conditions were still subdued. The improvement was largely driven by a recovery in production and sales. The Production Index increased to 39.70 from 33.56, supported by higher capacity utilisation (47.20 from 30.09) and total production volumes (53.24 from 42.25). Nevertheless, the cost of production deteriorated further to 18.65 from 28.34, indicating continued pressure from rising production expenses.

The Sales Index rose significantly to 53.95 in Q2 2026 from 40.08 in Q1 2026, moving above the neutral benchmark of 50. This improvement was supported by a recovery in sales volumes to 51.60 from 34.52, average selling prices to 60.49 from 51.43, and sales revenues to 49.75 from 34.29. Profitability also improved markedly to 47.33 from 31.23, although it remained slightly below the neutral benchmark. Enterprise-driven job growth increased to 50.40 from 44.92, suggesting a modest recovery in employment. However, raw material availability

remained weak at 36.22, broadly unchanged from 36.23 in Q1 2026.

Looking ahead, the Business Health Outlook Index strengthened to 57.81 in Q2 2026 from 55.45 in Q1 2026, indicating increased optimism regarding business conditions in Q3 2026. The outlook was supported by a strong Sales Outlook Index, which increased to 69.09 from 66.27. Enterprises expected further growth in sales volumes (74.07 from 70.36) and sales revenues (75.19 from 67.50), reflecting expectations of stronger demand. The Raw Material Availability Outlook index also improved to 50.41 from 40.91, while the Profitability Outlook index rose slightly to 64.61 from 64.23. However, the Production Outlook Index eased slightly to 51.80 from 52.05, reflecting continued concerns about high production and raw material costs. The Employment Outlook Index also declined slightly to 53.14 from 53.81, suggesting that enterprises remained cautious about expanding their workforce despite expectations of improved business activity. Overall, enterprises remained optimistic that business conditions would continue to improve in Q3 2026, particularly through stronger sales, revenues and profitability.

Figure 1: Overall Business Health and Outlook Indices, Q3 2025- Q2 2026



Source: Computation Based on UDB Business Health Survey Data, July 2026

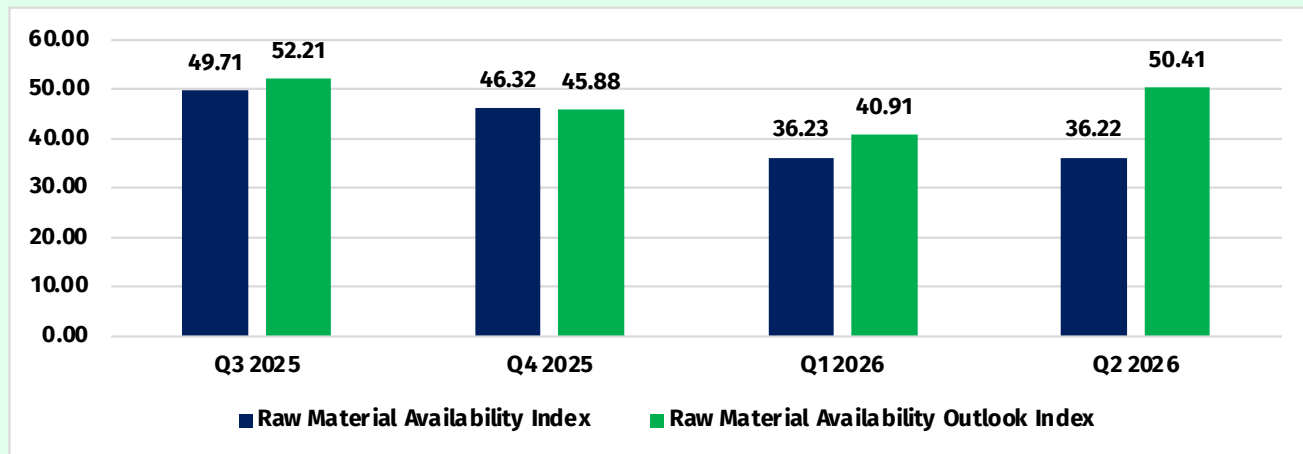
3.2 Key Drivers of Business Health and Outlook in Uganda

3.2.1 Availability of Raw Materials and Outlook

The Raw Material Availability Index remained nearly unchanged at 36.22 in Q2 2026, compared with 36.23 in Q1 2026, and remained significantly below the neutral benchmark of 50. This indicates that enterprises continued to experience difficulty in obtaining raw materials on affordable and reliable terms. The weakness was particularly reflected in the Cost of Raw Materials Index, which declined to 17.57 from 25.13, showing that high input costs remained a major constraint to production. Looking ahead, the Raw Material Availability

Outlook Index improved significantly to 50.41 in Q2 2026 from 40.91 in Q1 2026, moving slightly above the neutral benchmark. The improvement reflects expectations of more reliable access to raw materials in Q3 2026. The Cost of Raw Materials Outlook Index also increased to 32.16 from 22.46, indicating that enterprises expect some moderation in cost pressures. However, because the cost index remained below 50, raw material affordability is likely to remain a challenge during the next quarter.

Figure 2: Raw Materials Availability and Outlook, Q3 2025 to Q2 2026



Source: Computation by the author based on UDB Business Health Survey (BHS) data, July 2026



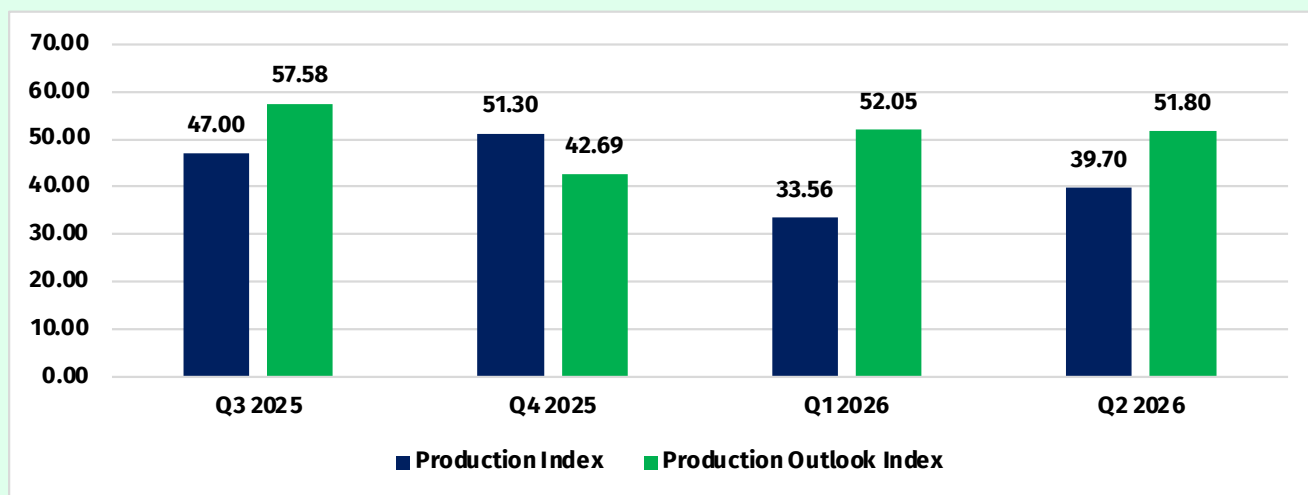
3.2.2 Enterprise Production Conditions and Outlook

In Q2 2026, the Production Index improved to 39.70 from 33.56 in Q1 2026, indicating a recovery in enterprise production conditions. However, the Index remained below the neutral benchmark of 50, suggesting that production activity was still subdued. The improvement was supported by a rise in the Capacity Utilisation Index to 47.20 from 30.09 and an increase in the Total Production Volume Index to 53.24 from 42.25. Nevertheless, the Cost of Production Index declined to 18.65 from 28.34, indicating that elevated production costs continued to constrain enterprise operations and limited the overall recovery in production.

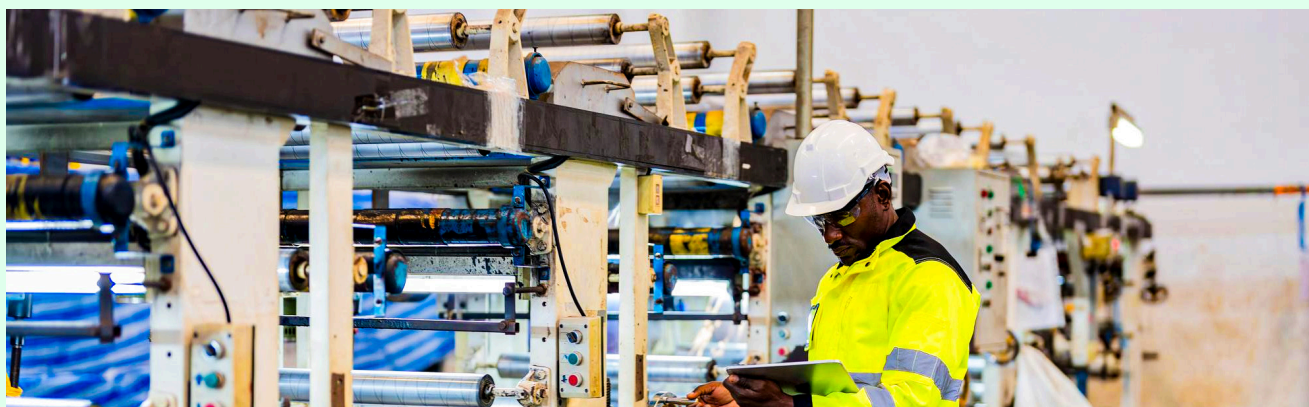
Looking ahead, the Production Outlook Index

eased slightly to 51.80 in Q2 2026 from 52.05 in Q1 2026 but remained above the neutral benchmark of 50, indicating continued optimism regarding production conditions in Q3 2026. This positive outlook was supported by an improvement in the expected Capacity Utilisation Index to 62.15 from 61.50 and an increase in the expected Total Production Volume Index to 68.92 from 66.31. However, the Cost of Production Outlook Index declined to 24.32 from 28.34, suggesting that enterprises expect production costs to remain a significant constraint. Overall, businesses anticipate continued growth in production, although persistent cost pressures may moderate the pace of recovery.

Figure 3: Enterprise Production and Outlook, Q3 2025 to Q2 2026



Source: Computation by the author based on UDB Business Health Survey (BHS) data, July 2026

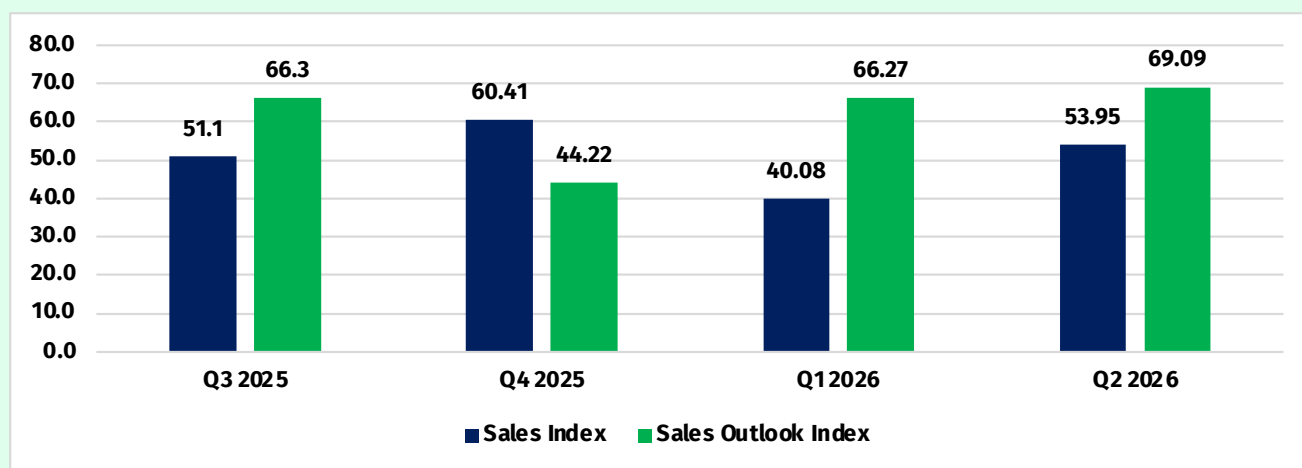


3.2.3 Enterprise Sales Performance and Outlook

In Q2 2026, the Sales Index increased significantly to 53.95 from 40.08 in Q1 2026, moving above the neutral benchmark of 50 and indicating a strong recovery in sales performance and market activity. The Sales Volume Index rose to 51.60 from 34.52, showing an increase in the quantities sold by enterprises. The Average Selling Price Index also increased to 60.49 from 51.43, indicating stronger selling prices during the quarter. Consequently, the Sales Revenue Index improved to 49.75 from 34.29, although it remained slightly below the neutral benchmark. These movements indicate that the recovery in sales performance was supported by both increased sales volumes and higher average selling prices.

Looking ahead, the Sales Outlook Index strengthened further to 69.09 in Q2 2026 from 66.27 in Q1 2026, remaining well above the neutral benchmark of 50 and signalling strong optimism regarding sales performance in Q3 2026. This improvement was supported by an increase in the Sales Volume Outlook Index to 74.07 from 70.36 and a rise in the Sales Revenue Outlook Index to 75.19 from 67.50. However, the Average Selling Price Outlook Index declined moderately to 58.02 from 60.95 but remained above 50, indicating continued expectations of favourable pricing conditions. Overall, enterprises anticipate stronger demand, increased sales volumes and higher revenues in the next quarter.

Figure 4: Enterprise Sales Performance and Outlook, Q3 2025 to Q2 2026



Source: Computation by the author based on UDB Business Health Survey (BHS) data, July 2026

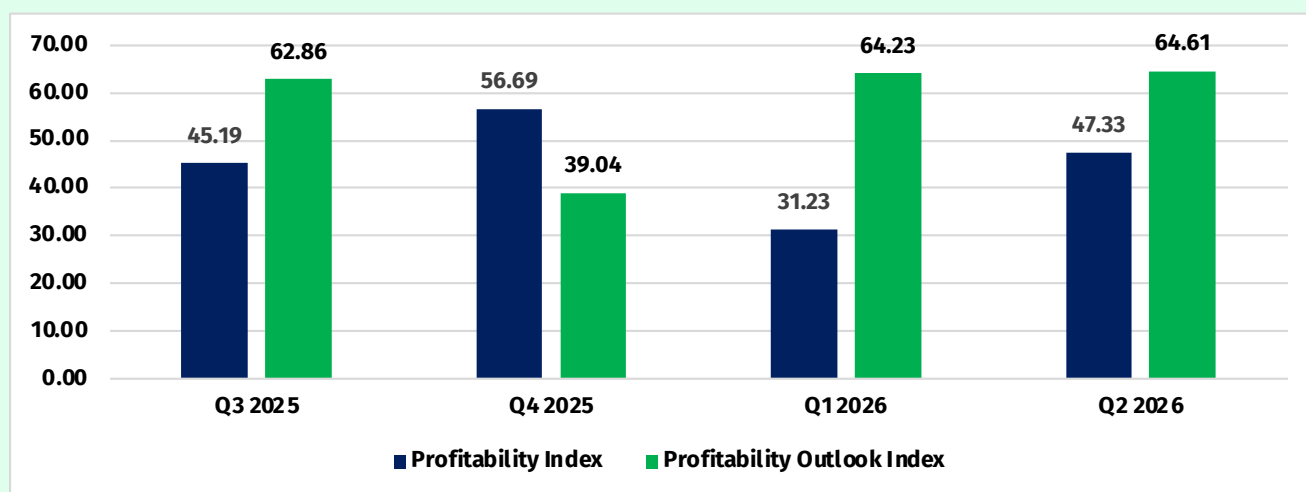


3.2.4 Enterprise Profitability Trends and Outlook

In Q2 2026, the Profitability Index improved significantly to 47.33 from 31.23 in Q1 2026, indicating a recovery in enterprise profitability. However, the Index remained slightly below the neutral benchmark of 50, suggesting that profitability conditions were still subdued. The improvement was largely supported by stronger sales and production performance. The Sales Index increased to 53.95 from 40.08, while the Production Index rose to 39.70 from 33.56. Sales revenues also recovered, with the Sales Revenue Index increasing to 49.75 from 34.29. Nevertheless, the Cost of Production Index declined to 18.65 from 28.34, indicating that elevated production costs continued to constrain profit margins despite the recovery in sales and production activity.

Looking ahead, the Profitability Outlook Index increased slightly to 64.61 in Q2 2026 from 64.23 in Q1 2026, remaining well above the neutral benchmark of 50 and signalling continued optimism regarding profitability in Q3 2026. This positive outlook was supported by a further improvement in the Sales Outlook Index to 69.09 from 66.27 and expectations of stronger sales revenues, with the Sales Revenue Outlook Index rising to 75.19 from 67.50. Although the Production Outlook Index eased slightly to 51.80 from 52.05, it remained above the neutral benchmark. Overall, enterprises expect stronger sales and revenues to support profitability, although persistent production costs may continue to limit the extent of improvement.

Figure 5: Profitability and Outlook, Q3 2025 to Q2 2026



Source: Computation by the author based on UDB Business Health Survey (BHS) data, July 2026

3.2.5 Enterprise-Driven Job Growth and Outlook

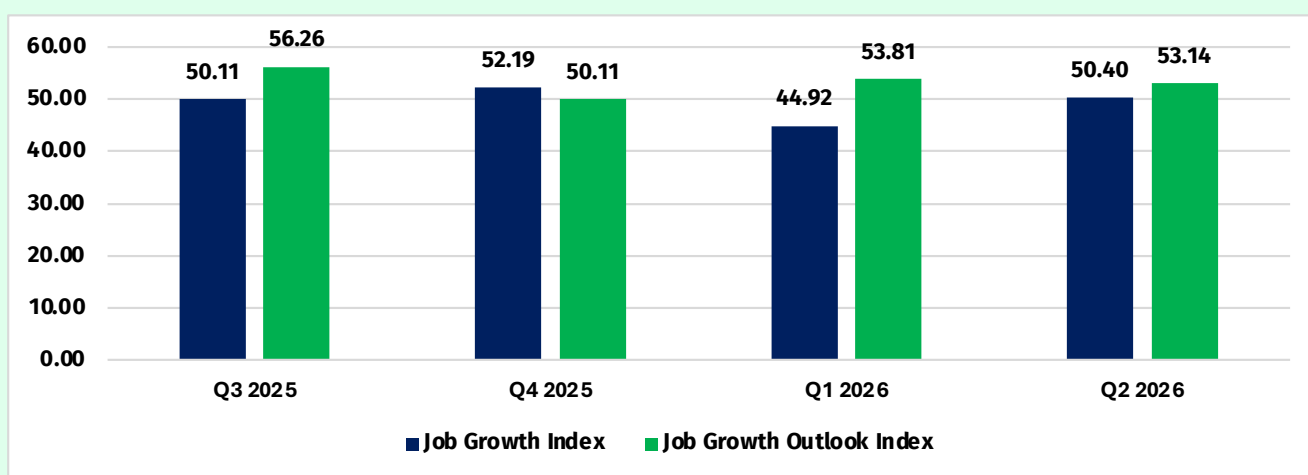


In Q2 2026, the Job Growth Index increased to 50.40 from 44.92 in Q1 2026, moving slightly above the neutral benchmark of 50 and indicating a modest recovery in employment creation. This improvement was supported by stronger business performance across key indicators. The Production Index rose to 39.70 from 33.56, while the Sales Index increased significantly to 53.95 from 40.08. Similarly, the Profitability Index improved to 47.33 from 31.23, strengthening enterprises' financial capacity to retain employees and gradually expanding their workforce. Collectively, these developments supported the modest improvement in enterprise-driven job growth during the quarter.

Looking ahead, the Job Growth Outlook Index

declined slightly to 53.14 in Q2 2026 from 53.81 in Q1 2026 but remained above the neutral benchmark of 50, indicating that enterprises continued to anticipate employment growth in Q3 2026. The slight moderation suggests that firms remained cautious about expanding their workforce despite stronger expectations for sales and profitability. The Sales Outlook Index increased to 69.09 from 66.27, while the Profitability Outlook Index rose marginally to 64.61 from 64.23. Overall, enterprises expect improved business performance to support further job creation, although hiring is likely to remain gradual as enterprises assess whether the recovery in sales and profitability can be sustained.

Figure 6: Job Growth and Outlook, Q3 2025 to Q2 2026



Source: Computation based on UDB Business Health Survey (BHS) data, July 2026



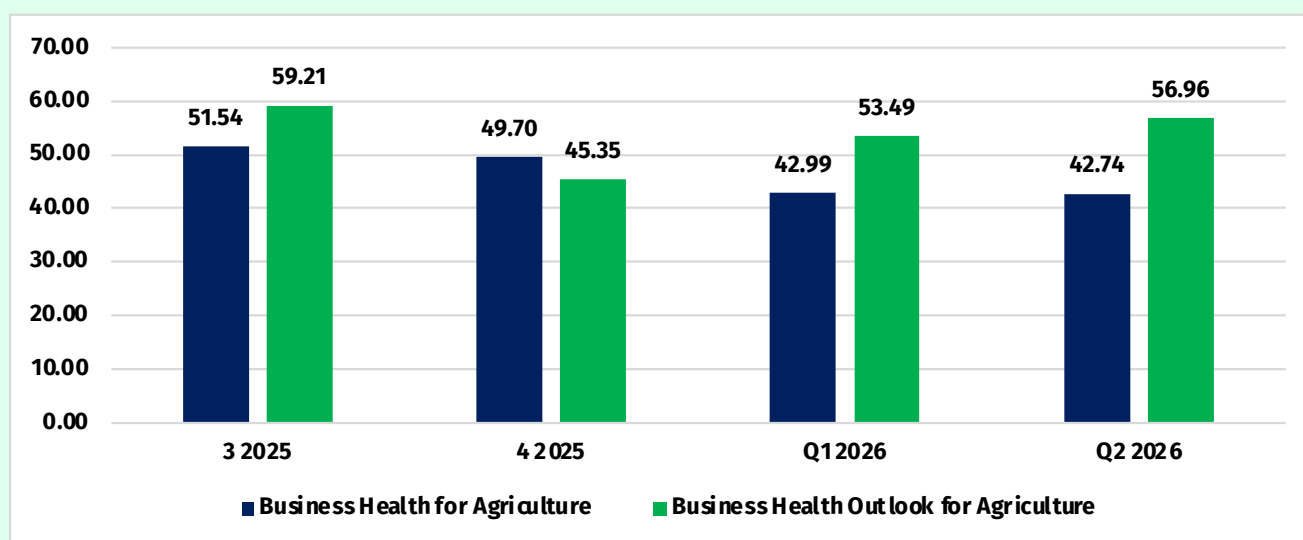
3.3 Business Health Index (BHI) by Sector in Uganda

3.3.1 Agriculture Business Health and Outlook

In Q2 2026, the Business Health Index (BHI) for Agriculture declined marginally to 42.74 from 42.99 in Q1 2026, remaining below the neutral benchmark of 50 and indicating continued weakness in the sector. This performance was largely attributed to deteriorating input and production conditions. The Agricultural Inputs Availability Index declined to 36.03 from 41.42, while the Cost of Agricultural Inputs Index fell sharply to 18.38 from 28.36, indicating that high input costs remained a major constraint. Similarly, the Production Index declined to 35.29 from 40.67. The Cost of Production Index also fell to 18.38 from 33.58, further constraining sector performance. However, sales conditions improved, with the Sales Index increasing to 52.89 from 47.97, while profitability rose to 44.74 from 38.16. These improvements were insufficient to offset the persistent input and production cost pressures affecting the sector.

Looking ahead, the Business Health Outlook for Agriculture improved to 56.96 in Q2 2026 from 53.49 in Q1 2026, remaining above the neutral benchmark and signalling increased optimism for Q3 2026. This improvement was supported by the Agricultural Inputs Availability Outlook Index, which rose to 52.21 from 44.03, and the Sales Outlook Index, which increased to 68.22 from 60.36. The Sales Volume Outlook Index rose to 72.67 from 66.22, while the Sales Revenue Outlook Index increased significantly to 72.67 from 57.43. The Profitability Outlook Index also strengthened to 62.50 from 59.87. However, the Production Outlook Index declined to 45.96 from 49.25, reflecting continued concerns about production costs, whose Outlook Index fell to 27.94 from 31.34. Overall, agricultural enterprises expect stronger input availability, sales and profitability to support improved sector performance in Q3 2026, despite continuing production cost pressures.

Figure 7: Business Health and Outlook for Agriculture Sector, Q3 2025 to Q2 2026



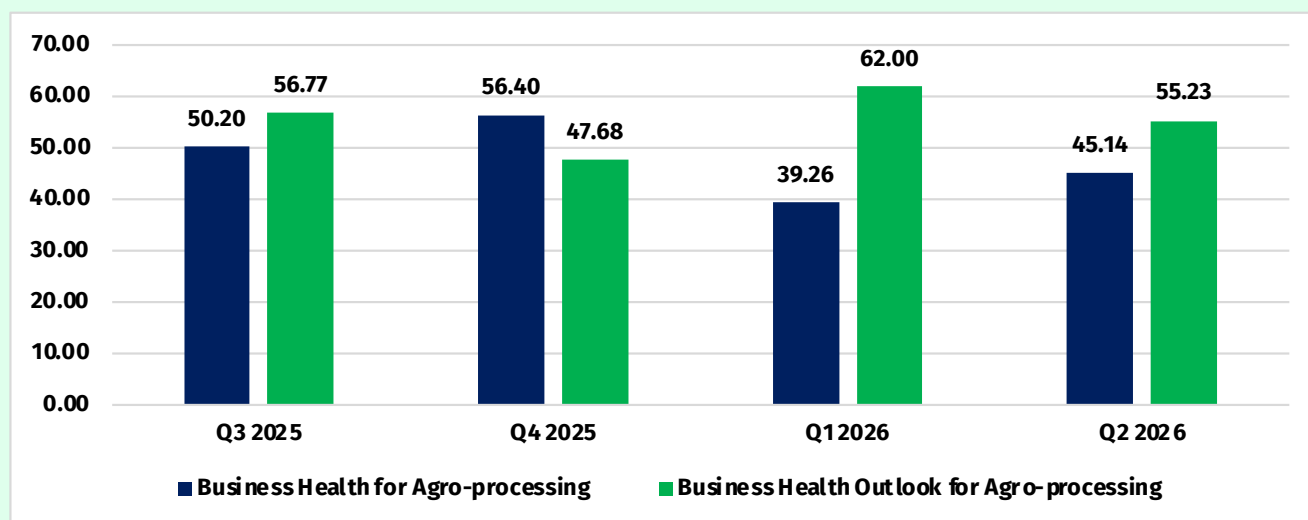
Source: Computation by the author based on UDB Business Health Survey (BHS) data, July 2026

3.3.2 Agro-processing Business Health and Outlook

In Q2 2026, the Business Health Index for the Agro-processing sector improved to 45.14 from 39.26 in Q1 2026, although it remained below the neutral benchmark of 50, indicating that overall business conditions were still subdued. The improvement was mainly supported by a recovery in production, sales and profitability. The Production Index increased to 35.86 from 31.43, while the Total Production Volume Index rose to 44.83 from 35.71. Sales performance improved significantly, with the Sales Index increasing to 56.11 from 45.40 and the Sales Volume Index rising to 53.33 from 39.66. Consequently, the Sales Revenue Index increased to 53.33 from 34.48, while profitability strengthened to 53.33 from 37.93. However, the Raw Material Availability Index declined to 37.07 from 40.18, indicating continued input constraints. Enterprise-driven job growth also remained weak at 43.33 in Q2 2026, despite improving slightly from 41.38 in Q1 2026.

Looking ahead, the Business Health Outlook for Agro-processing declined to 55.23 in Q2 2026 from 62.00 in Q1 2026 but remained above the neutral benchmark, signalling continued optimism for Q3 2026. The moderation was largely driven by weaker production expectations, with the Production Outlook Index declining to 47.07 from 60.48 and the Total Production Volume Outlook Index falling to 62.07 from 78.57. The Sales Outlook Index also eased to 64.06 from 66.67, while the Sales Revenue Outlook Index declined to 60.00 from 68.97. Similarly, the Profitability Outlook Index decreased to 61.67 from 74.14, and the Job Growth Outlook Index fell to 53.33 from 62.07. Overall, agro-processing enterprises remained optimistic about future business conditions, although expectations for production, sales, profitability and employment were more cautious than in the previous quarter.

Figure 8: Business Health and Outlook for Agro-processing Sector, Q3 2025 to Q2 2026



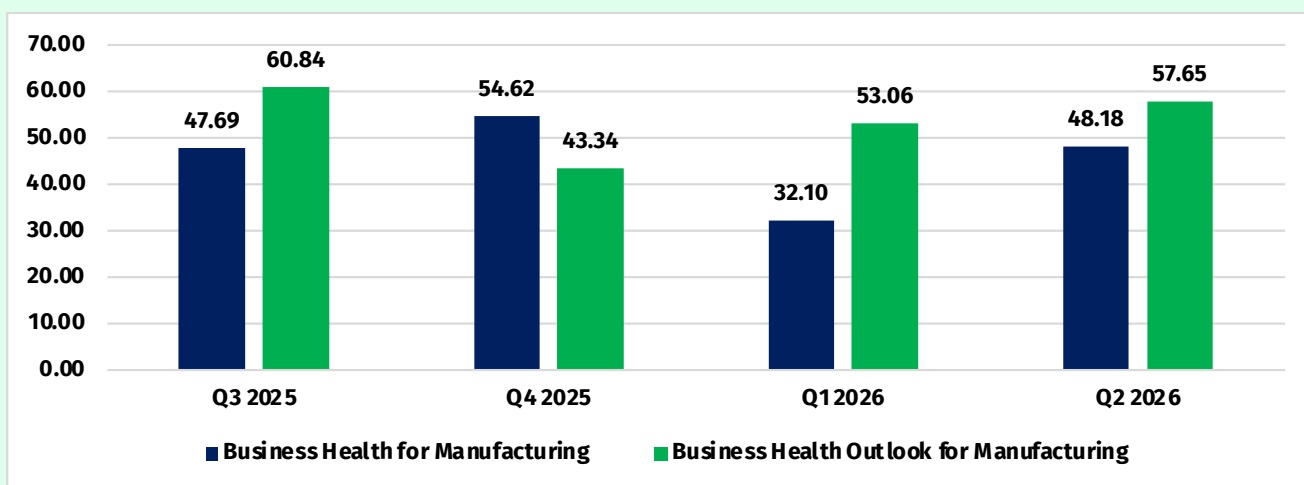
Source: Computation by the author based on UDB Business Health Survey (BHS) data, July 2026

3.3.3 Manufacturing Business Health and Outlook

In Q2 2026, the Business Health Index for Manufacturing improved significantly to 48.18 from 32.10 in Q1 2026, indicating a strong recovery in sector performance. However, the Index remained slightly below the neutral benchmark of 50, suggesting that overall manufacturing conditions were still subdued. The recovery was supported by improved production and sales performance. The Production Index increased to 40.01 from 30.59, supported by a rise in Capacity Utilisation to 51.28 from 28.24 and an increase in the Total Production Volume Index to 54.38 from 40.00. Sales performance strengthened considerably, with the Sales Index rising to 59.50 from 38.58 and the Sales Volume Index increasing to 56.40 from 33.71. The Average Selling Price Index also rose to 67.44 from 52.25, while Sales Revenue improved significantly to 54.65 from 29.78. Consequently, the Profitability Index increased to 51.74 from 22.22, while the Enterprise-Driven Job Growth Index rose to 54.65 from 40.00. Nevertheless, raw material conditions remained challenging, despite the Raw Material Availability Index improving to 35.00 from 29.12.

Looking ahead, the Business Health Outlook for Manufacturing improved to 57.65 in Q2 2026 from 53.06 in Q1 2026, remaining above the neutral benchmark and signalling increased optimism for Q3 2026. This improvement was supported by the Raw Material Availability Outlook Index, which rose to 48.75 from 35.59, and the Production Outlook Index, which increased to 53.46 from 47.84. The Total Production Volume Outlook Index strengthened to 74.38 from 60.00, indicating expectations of increased output. The Profitability Outlook Index also rose to 66.86 from 62.22, while the Job Growth Outlook Index improved marginally to 51.74 from 51.67. Although the Sales Outlook Index eased slightly to 67.44 from 67.98, it remained well above 50, while the Sales Revenue Outlook Index increased to 76.16 from 68.54. Overall, manufacturing enterprises anticipate stronger production, revenues and profitability in Q3 2026, supported by improved raw material availability and stronger demand.

Figure 9: Business Health and Outlook for Manufacturing Sector, Q3 2025 to Q2 2026



Source: Computation by the author based on UDB Business Health Survey (BHS) data, July 2026

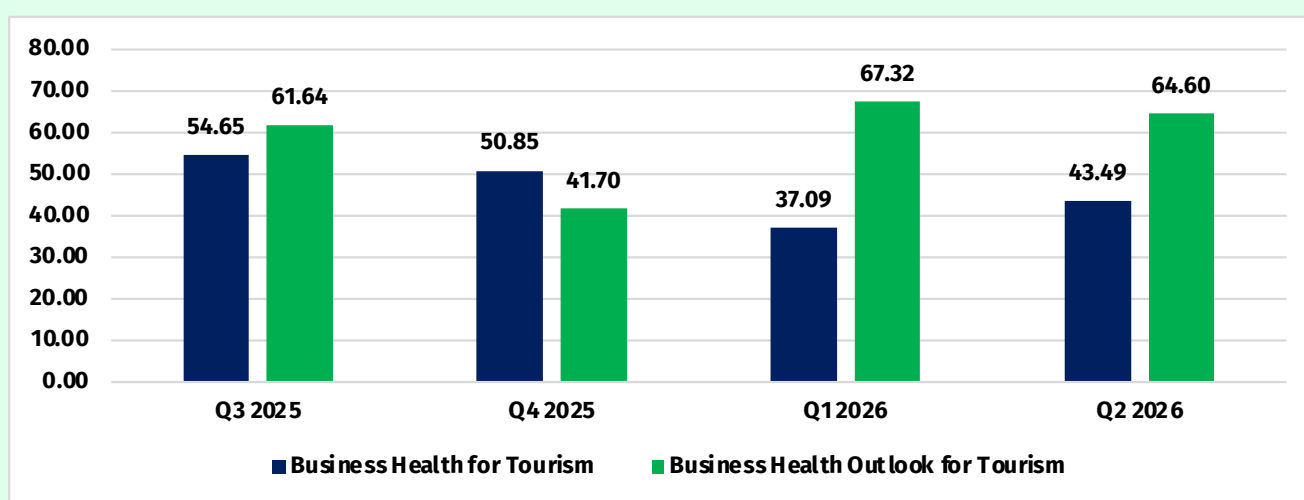
3.3.4 Tourism Business Health and Outlook

In Q2 2026, the Business Health Index for the Tourism and Hospitality sector improved to 43.49 from 37.09 in Q1 2026, indicating a recovery in sector performance. However, the Index remained below the neutral benchmark of 50, suggesting that business conditions were still subdued. The improvement was supported by a recovery across key performance indicators. The Sales Index increased to 44.76 from 28.92, while the Sales Volume Index rose to 45.71 from 22.06, indicating improved customer activity and bookings. The Average Selling Price Index increased to 44.29 from 41.18, while the Sales Revenue Index rose significantly to 44.29 from 23.53. Profitability also improved markedly to 44.29 from 17.65. Nevertheless, all these indicators remained below the neutral benchmark, indicating that the recovery was not yet sufficient to restore favourable business conditions. The Job Growth Index increased slightly to 42.86 from 41.18, reflecting continued caution in employment

expansion.

Looking ahead, the Business Health Outlook for Tourism declined moderately to 64.60 in Q2 2026 from 67.32 in Q1 2026 but remained well above the neutral benchmark, signalling continued optimism for Q3 2026. The moderation was reflected in the Sales Outlook Index, which declined slightly to 68.10 from 69.61, and the Sales Revenue Outlook Index, which eased to 75.71 from 77.94. The Profitability Outlook Index also declined to 72.86 from 76.47, while the Job Growth Outlook Index decreased to 52.86 from 55.88. However, the Sales Volume Outlook Index increased to 75.71 from 75.00, indicating expectations of stronger customer activity. Overall, tourism enterprises remained optimistic about sales, revenues and profitability in Q3 2026, although expectations were slightly more cautious than in the previous quarter.

Figure 10: Business Health and Outlook for Tourism Sector, Q3 2025 to Q2 2026



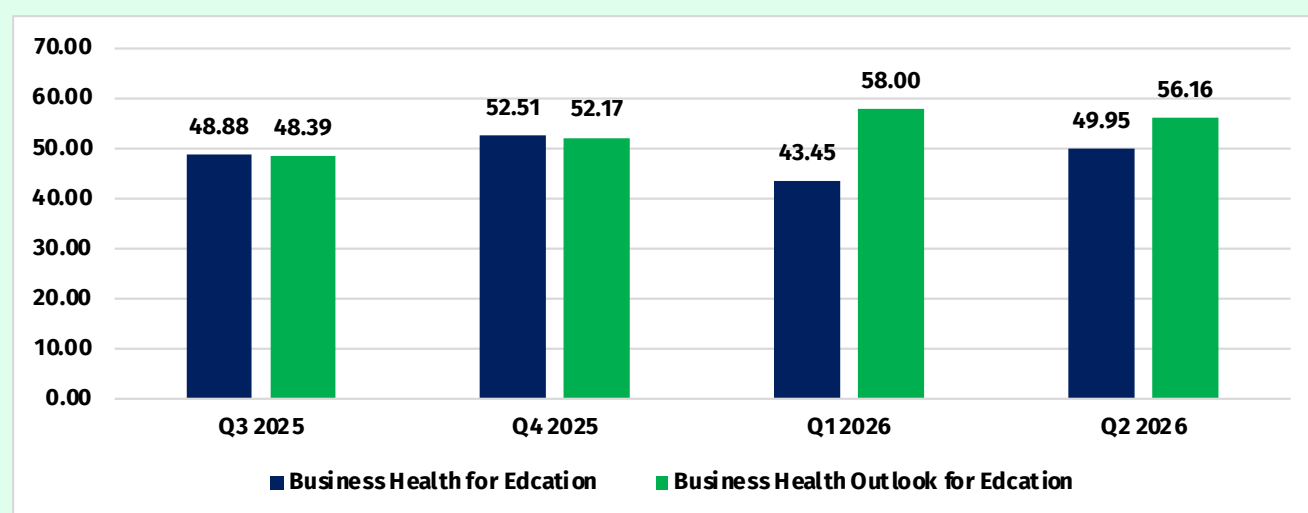
Source: Computation by the author based on UDB Business Health Survey (BHS) data, July 2026

3.3.5 Education Business Performance and Outlook

In Q2 2026, the Business Health Index for the Education sector improved to 49.95 from 43.45 in Q1 2026, moving close to the neutral benchmark of 50 and indicating a substantial recovery in sector performance. The improvement was supported by stronger performance across key indicators. The Education Services Sales Index increased to 51.16 from 44.35, reflecting improved demand for education services. The Tuition Revenue Index also rose significantly to 52.91 from 41.67, indicating stronger income flows within the sector. Meanwhile, the Tuition Fees Index increased to 49.42 from 47.02, remaining slightly below the neutral benchmark. Profitability improved to 46.99 from 38.24, although it remained below 50, suggesting that financial pressures persisted despite the recovery in revenues. The Enterprise-Driven Job Growth Index increased to 51.69 from 47.78, indicating a modest expansion in employment.

Looking ahead, the Business Health Outlook for Education declined to 56.16 in Q2 2026 from 58.00 in Q1 2026 but remained above the neutral benchmark, signalling continued optimism for Q3 2026. The Education Services Sales Outlook Index remained broadly stable at 61.37, compared with 61.36 in Q1 2026, while the Tuition Revenue Outlook Index increased to 62.21 from 61.90. However, the Tuition Fees Outlook Index declined marginally to 60.53 from 60.81, while the Profitability Outlook Index fell to 55.42 from 57.65. The Job Growth Outlook Index also declined to 51.69 from 55.00, suggesting greater caution regarding employment expansion. Overall, education service providers remained optimistic about future demand and revenue, although expectations for profitability and job creation moderated.

Figure 11: Business Health and Outlook for Education Sector, Q3 2025 to Q2 2026



Source: Computation by the author based on UDB Business Health Survey (BHS) data, July 2026

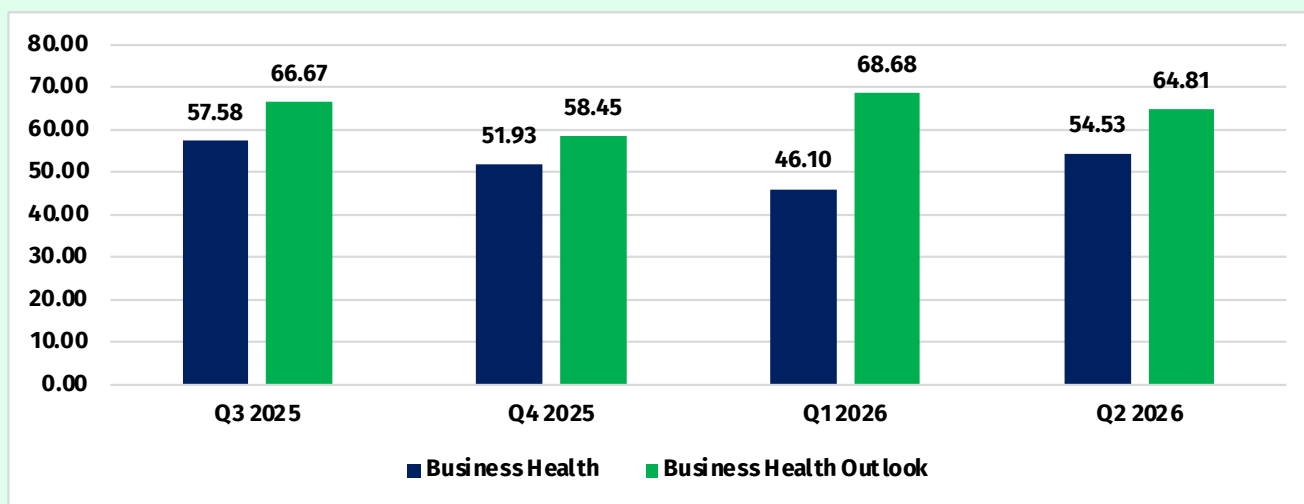
3.3.6 Health Sector Business Performance and Outlook



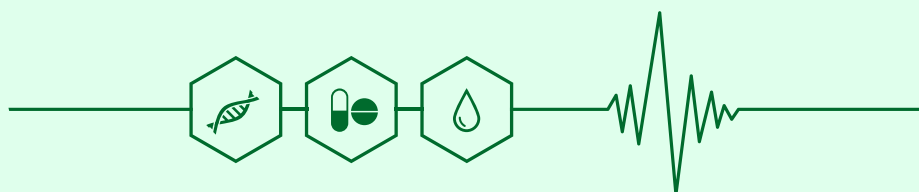
In Q2 2026, the Business Health Index for the Health sector increased to 54.53 from 46.10 in Q1 2026, moving above the neutral benchmark of 50 and indicating an improvement in sector performance. The recovery was supported by stronger outcomes across key indicators. The Sales Index increased to 56.17 from 46.00, while the Sales Volume Index rose significantly to 62.96 from 42.00, reflecting increased uptake of health services. The Average Selling Price Index remained broadly stable at 53.70, compared with 54.00 in Q1 2026. The Sales Revenue Index increased to 51.85 from 42.00, indicating improved income flows within the sector. Profitability also recovered to the neutral level of 50.00 from 42.31, while the Enterprise-Driven Job Growth Index increased to 57.41 from 50.00, indicating increased employment creation as sector performance improved.

Looking ahead, the Business Health Outlook for the Health sector declined to 64.81 in Q2 2026 from 68.68 in Q1 2026 but remained well above the neutral benchmark, signalling continued optimism for Q3 2026. The moderation was mainly reflected in the Profitability Outlook Index, which declined to 64.81 from 80.77, and the Sales Revenue Outlook Index, which eased to 79.63 from 84.00. The Sales Outlook Index also declined slightly to 72.22 from 73.33, while the Average Selling Price Outlook Index fell to 57.41 from 62.00. However, the Sales Volume Outlook Index increased to 79.63 from 74.00, indicating expectations of stronger demand for health services. The Job Growth Outlook Index also rose to 57.41 from 51.92. Overall, health service providers remained optimistic about future demand, revenues and employment, although profitability expectations moderated from the previous quarter.

Figure 12: Business Health and Outlook for Health Sector, Q3 2025 to Q2 2026



Source: Computation by the author based on UDB Business Health Survey (BHS) data, July 2026

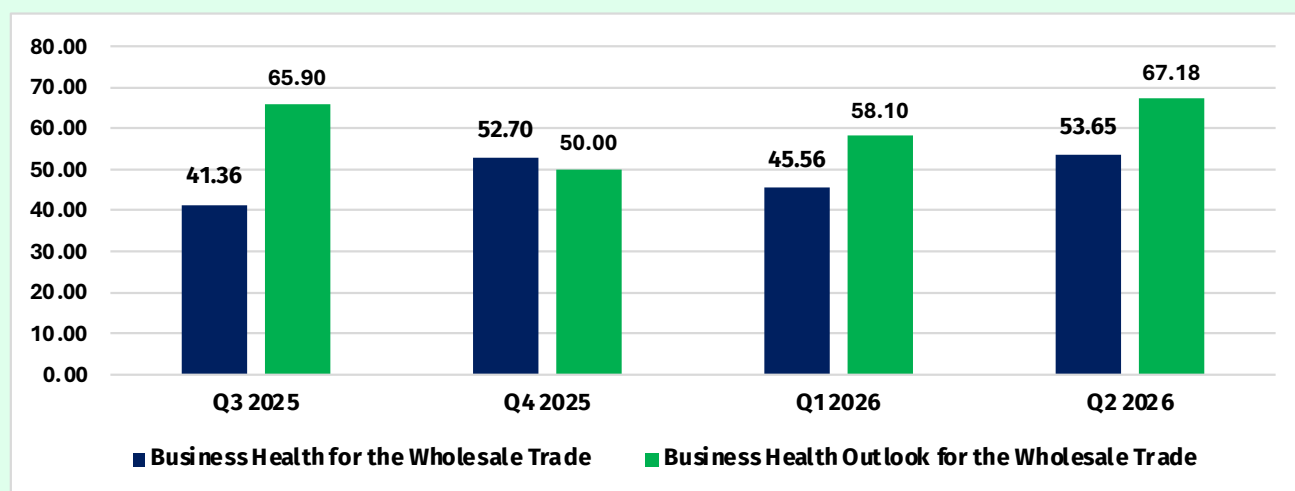


3.3.7 Wholesale Trade Performance and Outlook

In Q2 2026, the Business Health Index for the Wholesale Trade sector increased to 53.65 from 45.56 in Q1 2026, moving above the neutral benchmark of 50 and indicating an improvement in sector performance. The recovery was supported by stronger outcomes across key indicators. The Sales Index rose to 58.33 from 50.00, while the Sales Volume Index increased to 52.63 from 43.02, reflecting stronger trading activity and improved demand. The Average Selling Price Index also increased to 65.79 from 62.79. Consequently, the Sales Revenue Index rose significantly to 56.58 from 44.19, indicating improved earnings across the sector. Profitability increased to 51.32 from 40.00, while the Job Growth Index rose to 51.32 from 46.67, suggesting a modest expansion in employment as business conditions improved.

Looking ahead, the Business Health Outlook for Wholesale Trade strengthened significantly to 67.18 in Q2 2026 from 58.10 in Q1 2026, remaining well above the neutral benchmark and signalling increased optimism for Q3 2026. This improvement was supported by the Sales Outlook Index, which increased to 72.59 from 63.18, and the Sales Volume Outlook Index, which rose to 75.68 from 63.95, indicating expectations of stronger trading activity and demand. The Sales Revenue Outlook Index increased substantially to 73.68 from 56.98, while the Profitability Outlook Index rose to 73.68 from 58.89, reflecting expectations of stronger earnings and margins. The Job Growth Outlook Index also increased to 55.26 from 52.22, indicating moderate expectations for further employment growth as sector conditions strengthen.

Figure 13: Business Health and Outlook for Wholesale Sector, Q3 2025 to Q2 2026



Source: Computation by the author based on UDB Business Health Survey (BHS) data, July 2026

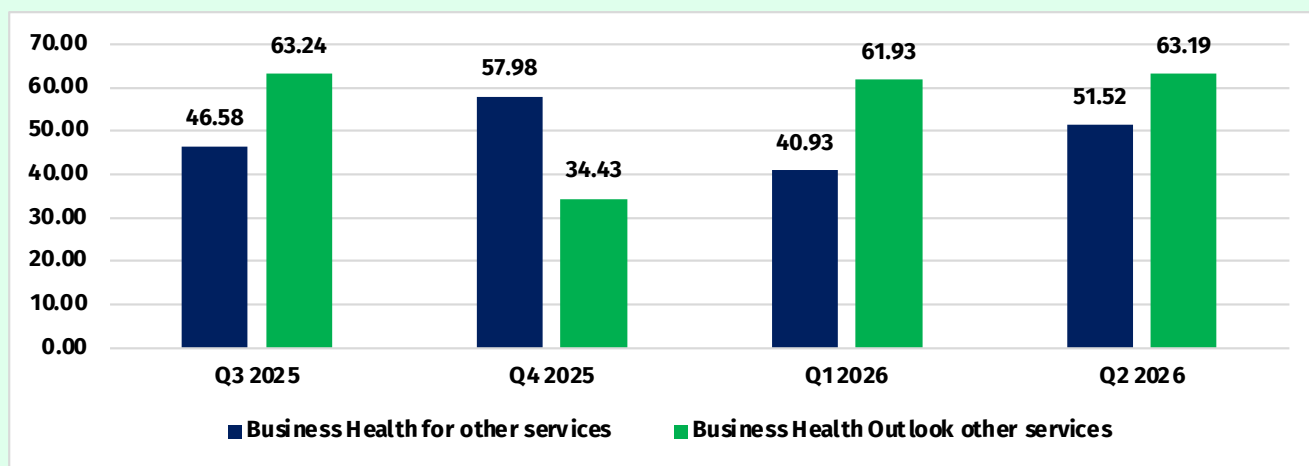


3.3.8 Other Services Performance and Outlook

In Q2 2026, the Business Health Index for Other Services, including financial, transport, professional and creative-industry services improved significantly to 51.52 from 40.93 in Q1 2026. The Index moved above the neutral benchmark of 50, indicating improved performance. The Sales Index increased to 50.15 from 31.82, while the Sales Volume Index rose to 46.43 from 23.14, reflecting a recovery in demand. The Average Selling Price Index strengthened to 57.14 from 45.45, while the Sales Revenue Index increased to 46.88 from 26.86. Profitability also improved to 43.30 from 25.21, although it remained below the neutral benchmark. The Job Growth Index rose to 52.21 from 45.49, indicating renewed employment growth as business activity recovered.

Looking ahead, the Business Health Outlook Index for Other Services increased to 63.19 in Q2 2026 from 61.93 in Q1 2026, remaining well above the neutral benchmark and signalling stronger optimism for Q3 2026. The Sales Outlook Index rose to 71.28 from 67.22, supported by increases in the Sales Volume Outlook Index to 78.57 from 72.31 and the Sales Revenue Outlook Index to 79.91 from 70.66. The Profitability Outlook Index also increased to 66.52 from 65.70. However, the Job Growth Outlook Index eased slightly to 51.77 from 52.87 but remained above 50, indicating continued expectations of employment growth. Overall, enterprises anticipated stronger demand, sales revenues and profitability in Q3 2026.

Figure 14: Business Health and Outlook for Other Services, Q3 2025 to Q2 2026



Source: Computation by the author based on UDB Business Health Survey (BHS) data, July 2026



3.4 Business Health Index (BHI) by Region in Uganda

In Q2 2026, business performance improved in the Central, Eastern and Northern regions but weakened in the Western region. Nevertheless, all regional indices remained below the neutral benchmark of 50, indicating that business conditions were still generally subdued. The Central region recorded the strongest improvement, with its Business Health Index rising to 47.42 from 35.37 in Q1 2026. This recovery was supported by an increase in the Production Index to 43.29 from 32.86, the Sales Index to 57.48 from 39.50 and the Profitability Index to 48.39 from 29.40. The Eastern region's Index also improved to 43.72 from 35.11, supported by a rise in the Production Index to 40.95 from 24.92, the Sales Index to 49.44 from 35.96 and the Profitability Index to 45.39 from 30.67.

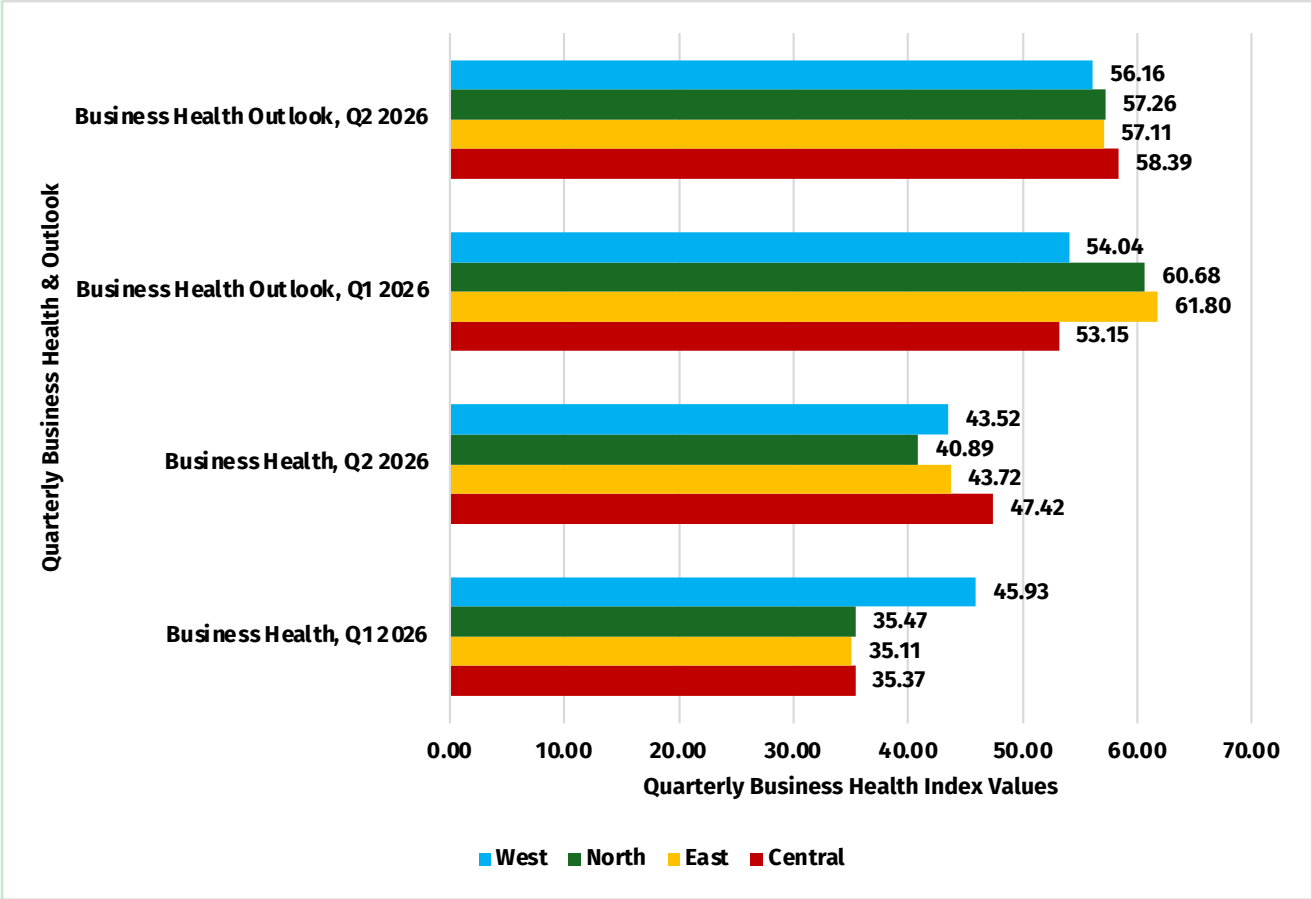
The Northern region's Business Health Index increased to 40.89 in Q2 2026 from 35.47 in Q1 2026. This improvement was mainly supported by the Sales Index, which rose to 51.63 from 36.06, and the Profitability Index, which increased to 47.50 from 22.31. However, the Production Index declined to 27.89 from 32.54, while the Raw Material Availability Index fell to 28.25 from 40.28, constraining the region's overall recovery. In contrast, the Western region's Business Health Index declined to 43.52 from 45.93. This deterioration reflected a decline in the Production Index to 31.00 from 43.89 and the Raw Material Availability Index to 38.04 from 50.81. The Sales Index also remained below the neutral benchmark at 49.16, despite improving slightly from 47.33. Overall, the Central region recorded the

strongest current performance in Q2 2026, followed by the Eastern, Western and Northern regions. Looking ahead, the Business Health Outlook Index remained above the neutral benchmark across all regions, signalling continued optimism for Q3 2026. The Central region recorded the strongest outlook, increasing to 58.39 in Q2 2026 from 53.15 in Q1 2026. This improvement was supported by a rise in the Production Outlook Index to 53.62 from 47.91, the Sales Outlook Index to 68.52 from 67.53 and the Profitability Outlook Index to 65.26 from 57.71. The Western region's Outlook Index also improved to 56.16 from 54.04, supported by stronger expectations for raw material availability, sales, revenues and profitability.

However, the Outlook Index for the Northern region declined to 57.26 in Q2 2026 from 60.68 in Q1 2026, while that of the Eastern region decreased to 57.11 from 61.80 during the same period. In the Northern region, moderation reflected a decline in the Production Outlook Index to 49.13 from 55.16 and the Profitability Outlook Index to 69.17 from 85.38. Similarly, the Eastern region's Production Outlook Index declined to 48.96 from 62.14, while the Profitability Outlook Index fell to 62.50 from 74.00. Despite these declines, the strong Sales Outlook Indices of 74.18 in the Northern region and 70.34 in the Eastern region indicate expectations of improved demand. Overall, enterprises across all regions remained optimistic about business conditions in Q3 2026, although expectations moderated in the Eastern and Northern regions.



Figure 15: Business Health and Outlook by region, Q1 2026 to Q2 2026



Source: Computation by the author based on UDB Business Health Survey (BHS) data, July 2026



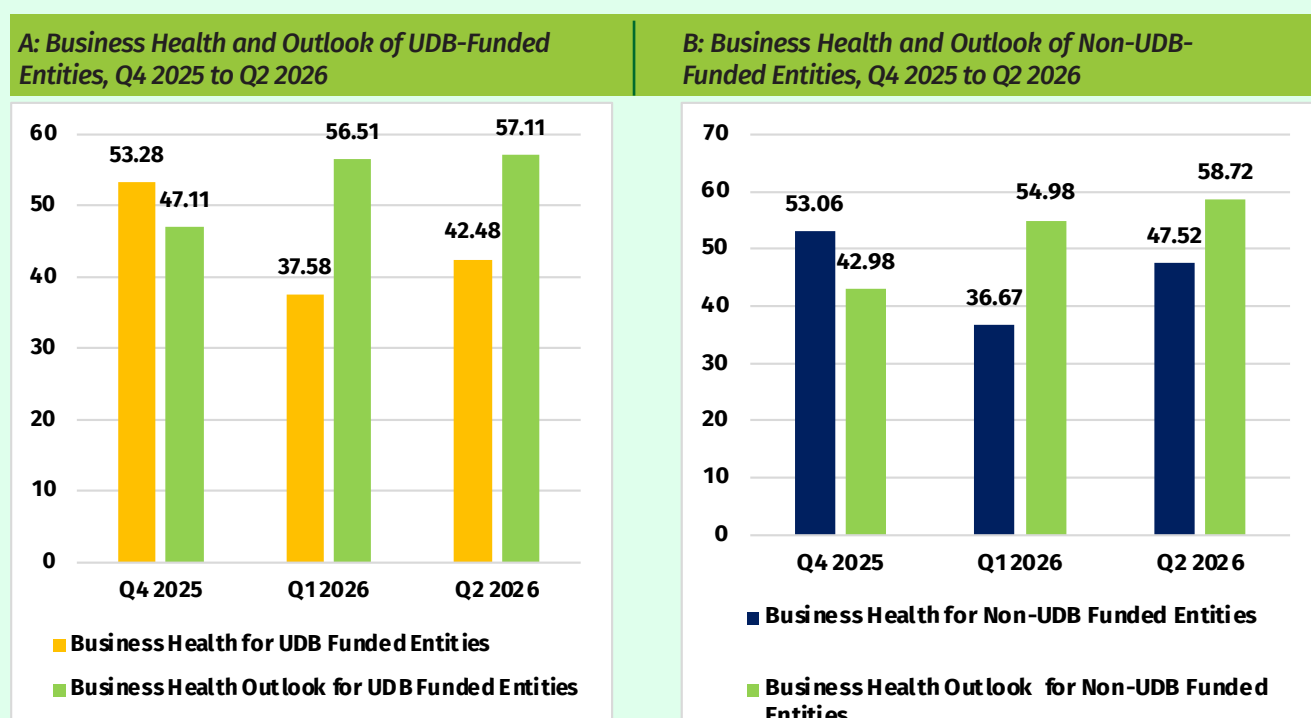
3.5 Comparative Analysis Of Business Health And Outlook Between UDB-Funded And Non-UDB-Funded Entities



In Q2 2026, the Business Health Index for UDB-funded enterprises improved to 42.48 from 37.58 in Q1 2026, supported by an increase in the Sales Index to 51.16 from 41.97 and the Profitability Index to 46.47 from 29.00. However, the Production Index remained subdued at 33.20, partly reflecting UDB's significant exposure to manufacturing and infrastructure projects. These projects depend on imported raw materials, intermediate inputs, machinery, equipment and construction materials and were therefore affected by the United States-Israel-Iran conflict and disruptions around the Strait of Hormuz, which increased freight, fuel and input costs. The Index for non-UDB-funded enterprises increased to 47.52 in Q2 2026 from 36.67 in Q1 2026, reflecting a stronger recovery in production, sales and profitability and differences in sector composition and exposure to external supply disruptions.

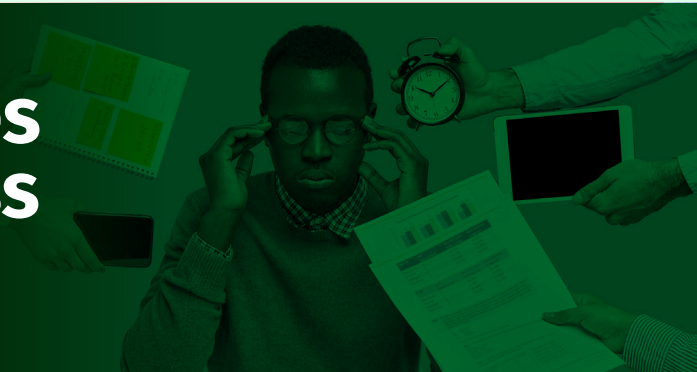
Looking ahead, the Business Health Outlook Index for UDB-funded enterprises increased to 57.11 in Q2 2026 from 56.51 in Q1 2026, while that of non-UDB-funded enterprises rose to 58.72 from 54.98. Both groups therefore remained optimistic about business conditions in Q3 2026. Notably, the Job Growth Outlook Index for UDB-funded enterprises increased to 56.41 from 55.00 and remained higher than the 51.63 recorded for non-UDB-funded enterprises, demonstrating the continued contribution of UDB-supported investments to productive activity and employment creation.

Figure 16: Business Health and Outlook of UDB-Funded and Non-UDB-Funded Entities, Q4 2025 to Q2 2026



Source: Computation by the author based on UDB Business Health Survey (BHS) data, April 2026

4.0 Critical Challenges Affecting Business Health in Uganda



Survey results for Q2 2026 indicate that businesses continued to face financing, cost and demand-related constraints. Although the current Business Health Index improved to 45.52 in Q2 2026 from 37.20 in Q1 2026, it remained below the neutral benchmark of 50. The percentage of respondents who reported financing, energy and labour costs as constraints declined, while those citing insufficient demand and high-water costs increased. Nevertheless, the Business Health Outlook Index rose to 57.81 from 55.45, indicating that enterprises expected stronger business conditions in Q3 2026, supported by anticipated improvements in sales, input availability and profitability. The percentages presented below represent respondents who reported that each constraint affected their businesses during Q2 2026.

High Cost of Financing: Businesses reporting high financing costs declined to 47 percent in Q2 2026 from 54 percent in Q1 2026, indicating some easing in financing pressures. Nevertheless, respondents continued to cite high borrowing costs, limited working capital, collateral requirements and lengthy financing processes. Delays in receiving feedback on loan applications also affected access to timely funding. These challenges constrained enterprises' ability to purchase inputs, finance seasonal production and undertake business expansion. However, the reduction in the percentage of affected businesses suggests a gradual improvement in financing conditions.

High Cost of Utilities (Water and Energy): Respondents identifying high water costs as a constraint increased to 32 percent in Q2 2026 from 30 percent in Q1 2026. Businesses attributed this increase to unreliable supply, dry weather conditions and dependence on alternative sources such as boreholes, storage tanks and water delivery services. These pressures were particularly evident in agriculture, education, hospitality and health services, where reliable water supply is essential for operations. On the other hand, businesses reporting

high energy costs declined marginally to 44 percent in Q2 2026 from 45 percent in Q1 2026. Despite this slight improvement, respondents continued to highlight high electricity tariffs, unstable power supply and frequent outages. Power interruptions slowed production and damaged machinery and specialised equipment, while reliance on generators increased fuel expenses. The United States–Israel–Iran conflict and disruptions around the Strait of Hormuz also contributed to higher and more volatile fuel and transport costs. Nevertheless, the marginal reduction suggests that energy pressures did not intensify further during the quarter.

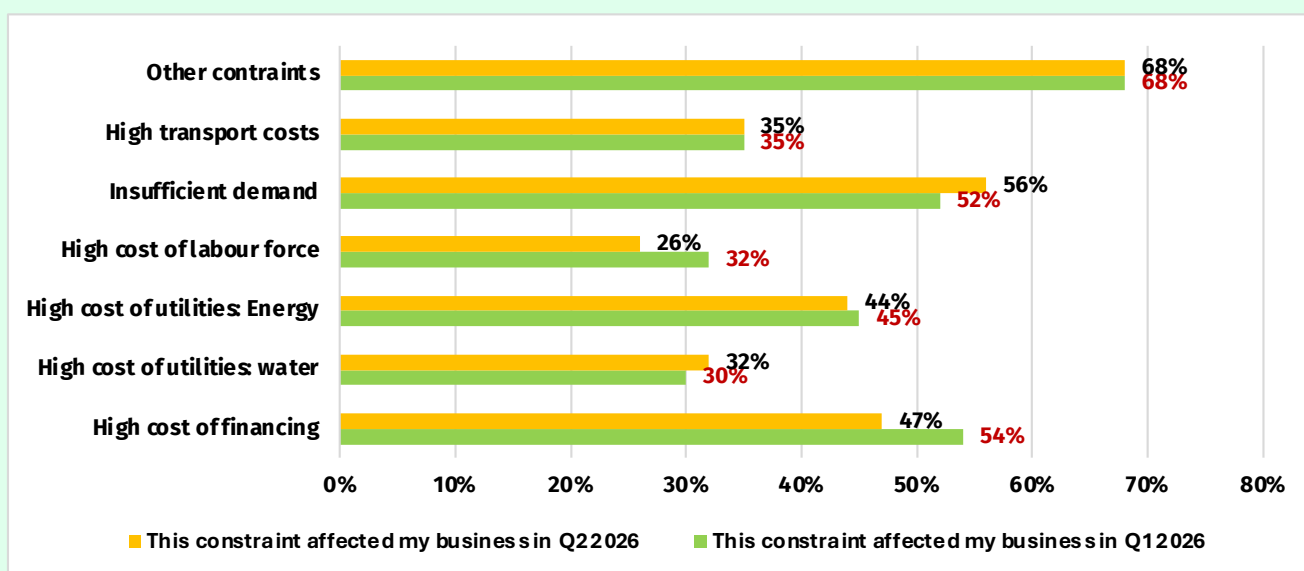
High Cost of Labour: Businesses citing high labour costs declined to 26 percent in Q2 2026 from 32 percent in Q1 2026, indicating an easing in labour-related pressures. This was consistent with cautious recruitment and the maintenance of lean staffing levels as enterprises managed operating costs. However, education, health and other specialised activities continued to face costs associated with attracting, training and retaining skilled employees. The lower percentage suggests that labour costs became less widespread as a constraint during the quarter.

Insufficient Demand: Respondents reporting insufficient demand increased to 56 percent in Q2 2026 from 52 percent in Q1 2026, making it one of the leading constraints. Businesses attributed weak demand to limited consumer purchasing power, increased prices, competition from cheaper alternatives and seasonal changes in domestic and export markets. Delayed payments by institutional and government clients also affected enterprise cash flows. However, demand conditions varied across sectors, with some manufacturers reporting increased demand for chemicals, metal products, plastics and packaging materials. The Sales Outlook Index of 69.09 indicates that enterprises expected a broader improvement in demand and market activity in Q3 2026.

High Transport Costs: Businesses reporting high transport costs remained unchanged at 35 percent in Q2 2026. Respondents cited elevated fuel prices, poor road conditions and high vehicle maintenance costs as the main drivers. Bad roads delayed the transportation of agricultural produce, raw materials and finished goods, while some enterprises incurred additional costs from vehicle breakdowns and difficulties accessing remote markets. Higher freight charges also increased the cost of imported raw materials and production inputs. The unchanged percentage indicates that transport pressures persisted but did not become more widespread during the quarter.

Other Constraints: Other constraints remained the most widely reported, cited by 68 percent of businesses in both Q1 and Q2 2026. Respondents highlighted high and multiple taxes, delayed payments, elevated input prices, exchange-rate fluctuations and limited working capital. Businesses also reported poor-quality agricultural inputs, pests and diseases, adverse weather conditions, unreliable electricity, poor roads and other infrastructure gaps. These challenges continued to raise operating costs and disrupt production. Despite these constraints, the Business Health Outlook Index remained above 50, indicating that enterprises generally expected stronger sales, revenues and profitability in Q3 2026.

Figure 17: Business Constraints Impacting Enterprises in Uganda, Q1 2026-Q2 2026



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





This Report Draws Information From Reliable Sources Such As The BOU, UBOS, MOFPED, IMF, World Bank, EIU, Fitch Solutions Etc. Please Note That It Is For Informational Purposes Only, And Feedback And Comments Can Be Sent To:

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