

Uganda Macroeconomic Digest

September 2026



Introduction

The Uganda Macroeconomic Digest for September 2026 provides an overview of developments in Uganda's macroeconomic environment. The report analyzes key economic indicators, including inflation, business confidence 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.

Inflation Developments:

Uganda's annual headline inflation, as measured by the Consumer Price Index (CPI), increased to 4.6 percent in September 2026 from 4.1 percent in August 2026. The increase was mainly driven by higher food crops and related items inflation and core inflation, alongside a slight increase in Energy, Fuels and Utilities (EFU) inflation. These developments indicated a further increase in consumer price pressures, with elevated food and energy costs adding to household living expenses and business operating costs.

Annual core inflation increased to 3.7 percent in September 2026 from 3.5 percent in August 2026. Within the core inflation basket, annual core goods inflation rose to 3.1 percent from 2.7 percent, largely reflecting higher prices for laundry soap, rice, fresh meat, mukene and maize flour. Annual services inflation also increased slightly to 4.6 percent in September 2026 from 4.5 percent in August 2026. This increase was partly attributed to cultural services inflation, which rose to 3.4 percent from 1.4 percent, and restaurant and café services inflation, which increased to 2.1 percent from 2.0 percent. Dental services inflation also rose to 1.8 percent from -0.2 percent over the same period.

Annual food crops and related items inflation increased to 4.5 percent in September 2026 from 2.1 percent in August 2026, indicating stronger food price pressures. The increase was mainly driven by higher prices for dry beans, milk, fresh cassava, sweet potatoes and green cabbage. These

developments added to household living expenses, particularly for households that allocate a substantial share of their expenditure on food.

Meanwhile, annual Energy, Fuels and Utilities (EFU) inflation increased to 14.5 percent in September 2026 from 14.3 percent in August 2026, reflecting higher inflation for petrol, diesel and firewood. Annual petrol inflation rose to 30.9 percent from 28.5 percent, while diesel inflation increased to 42.5 percent from 40.1 percent. Firewood inflation also rose to 14.1 percent from 13.0 percent over the same period. Elevated EFU inflation continued to exert pressure on household living expenses and business operating costs, with potential effects on transportation, production and distribution expenses.

Looking ahead, the Bank of Uganda projects core inflation to average between 4.0 percent and 4.5 percent over the next 12 months, while headline inflation is projected to average between 5.5 percent and 6.0 percent. Risks to this outlook remained tilted to the upside. Escalating geopolitical tensions, particularly in the Middle East, could disrupt global supply chains, raise international oil prices and increase domestic energy and transportation costs. Other upside risks included depreciation pressure on the Shilling arising from tighter monetary conditions in major economies, adverse weather conditions that could reduce agricultural output and raise food prices, and domestic demand expanding faster than the economy's productive capacity. Conversely, favourable weather conditions and weaker domestic demand could ease inflationary pressures.

4.6%

Headline inflation increased from 4.1% in August to 4.6% in September 2026

3.7%

Core inflation increased from 3.5% in August to 3.7% in September 2026

4.5%

Food Crops and Related Items inflation increased from 2.1% in August to 4.5% in September 2026

14.5%

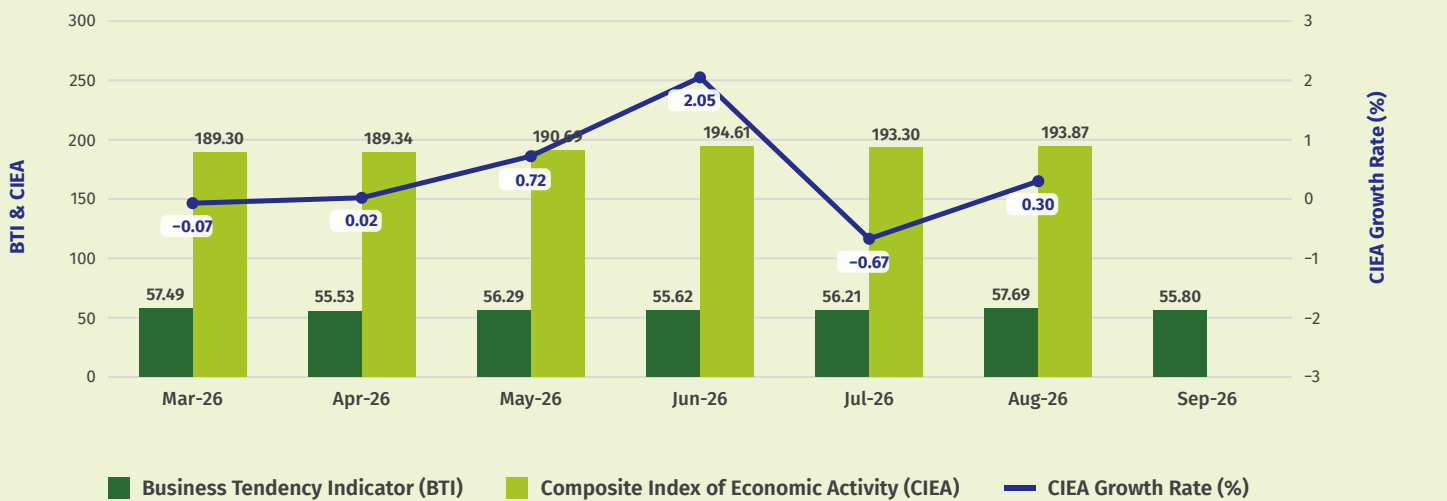
Energy Fuel and Utilities (EFU) inflation increased from 14.3% in August to 14.5% in September 2026

Business Confidence and Economic Activity:

The Business Tendency Indicator (BTI) declined to 55.80 in September 2026 from 57.69 in August 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, potentially reflecting uncertainty surrounding global economic developments, commodity price volatility and geopolitical tensions associated with the United States–Israel–Iran conflict.

The Composite Index of Economic Activity (CIEA) increased by 0.3 percent, from 193.30 in July 2026 to 193.87 in August 2026, indicating a modest recovery following a 0.67 percent decline in July 2026. These developments suggest that economic activity improved in August, while business expectations remained positive but weakened in September 2026.

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



Source: Bank of Uganda’s Macroeconomic Indicators, September 2026

Exchange Rate Movements:

The Uganda Shilling depreciated by 3.7 percent against the US Dollar in September 2026, weakening from an average exchange rate of UGX 3,730.3/USD in August 2026 to UGX 3,868.9/USD. This followed a depreciation of 0.7 percent in August, indicating an acceleration in currency depreciation. Based on the reported market developments, the weakening reflected heightened corporate and importer demand for US Dollars to finance petroleum products, machinery, industrial inputs and merchandise. Businesses purchasing foreign currency ahead of the peak end-of-year import season added to this pressure, while elevated global energy costs increased foreign currency requirements for fuel imports. These pressures compounded Uganda’s persistent trade deficit, keeping demand for foreign exchange high relative to available inflows. Consequently, the depreciation could increase import costs, transportation and production expenses, and the Shilling cost of servicing US Dollar-denominated debt, while potentially increasing local currency earnings for exporters.

Shs 3,868.9/USD

Average exchange rate
(UGX/USD) for September
2026



Interest rate Movements:

The Central Bank Rate remained unchanged at 9.75 percent in August and September 2026, reflecting the Bank of Uganda's cautious monetary policy stance amid risks that higher food, fuel and other input prices could translate into broader inflationary pressures. Meanwhile, the weighted average lending rate on UGX-denominated loans increased to 17.90 percent in August 2026 from 17.32 percent in July, indicating higher borrowing costs despite the unchanged policy rate. Looking ahead, banks anticipating further lending rate increases attributed these expectations to higher funding costs, persistent liquidity pressures and heightened credit risks among businesses and households. These pressures could constrain access to credit, investment and borrowers' debt-servicing capacity.



9.75%

Central Bank Rate (CBR) for August 2026



17.90%

Lending Rates for UGX Loans for August 2026

Domestic Credit:

Domestic credit increased by 2.9 percent, from UGX 54.53 trillion in July to UGX 56.09 trillion in August 2026, mainly driven by a 4.8 percent rise in net credit to government, from UGX 21.75 trillion to UGX 22.79 trillion. Private-sector credit grew by 1.7 percent, from UGX 31.54 trillion to UGX 32.07 trillion, supporting business investment, working capital and household consumption. However, the faster expansion in government credit could intensify competition for domestic financing and potentially crowd out private borrowers.



Ush. 56.09 trillion

Domestic Credit increased by 2.9% in August 2026



Ush. 32.07 trillion

Private Sector Credit increased by 1.7% in August 2026



Ush. 22.79 trillion

Net Credit to the Government (NCG) increased by 4.8% in August 2026

Merchandise Trade Balance and Terms of Trade:

Uganda's merchandise trade deficit widened significantly by 263.5 percent, from US\$224.78 million in July to US\$817.03 million in August 2026. The deterioration was driven by a 42.0 percent increase in import payments, from US\$1,626.47 million to US\$2,309.12 million, which outpaced the 6.4 percent increase in export earnings, from US\$1,401.69 million to US\$1,492.09 million. Despite the widening trade deficit, the terms-of-trade index improved by 1.5 percent, from 125.23 in July 2026 to 127.16 in August 2026, indicating that export prices strengthened relative to import prices.

263.5%

Trade deficit increased by 263.5%, in August 2026

6.4%

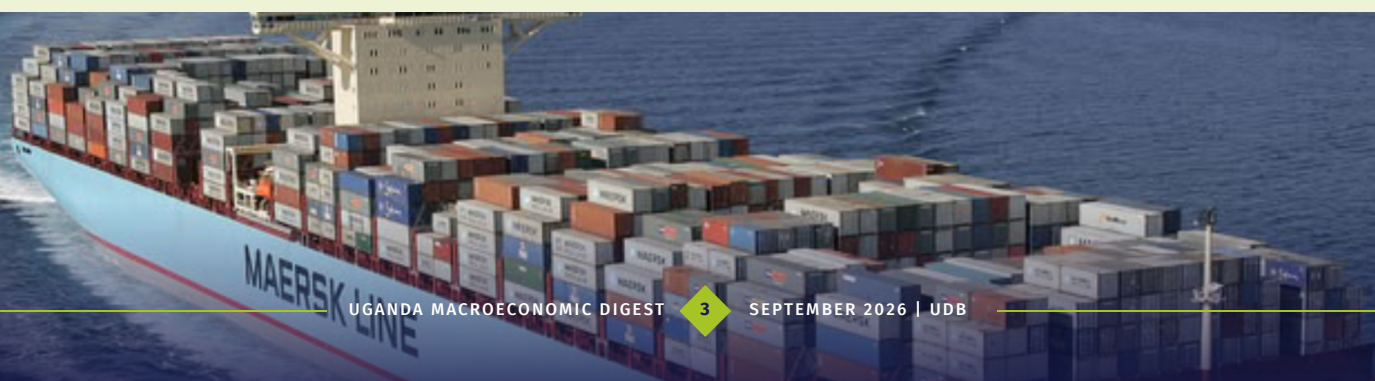
Total Exports of Goods-fob increased by 6.4% in August 2026

42.0%

Total Imports of Goods - fob increased by 42.0% in August 2026

1.5%

Terms of Trade Index increased by 1.5% in August 2026



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

In August 2026, Uganda earned US\$241.29 million from exports to the East African Community, while imports from the region amounted to US\$1,050.26 million, resulting in an overall trade deficit of US\$808.97 million. The regional deficit was mainly attributed to substantial bilateral trade deficits with Kenya, Tanzania and Burundi, which outweighed the surpluses recorded with the Democratic Republic of Congo, South Sudan and Rwanda.

Uganda recorded its largest bilateral trade deficit with Kenya. Imports from Kenya amounted to US\$714.47 million, while exports to the country were valued at US\$41.05 million, resulting in a trade deficit of US\$673.42 million. Kenya accounted for approximately 68.0 percent of Uganda's total imports from the EAC, confirming its position as Uganda's largest regional source of imported goods and the principal contributor to the regional trade deficit.

Uganda also recorded a substantial trade deficit with Tanzania. Imports from Tanzania amounted to US\$203.61 million, while exports to the country were valued at US\$13.81 million, resulting in a bilateral trade deficit of US\$189.80 million. Tanzania was Uganda's second-largest source of imports among the regional partners accounting for approximately 19.4 percent of total EAC imports.

Similarly, Uganda imported goods worth US\$110.97 million from Burundi and exported goods valued at US\$9.55 million to the country, resulting in a reported bilateral trade deficit of

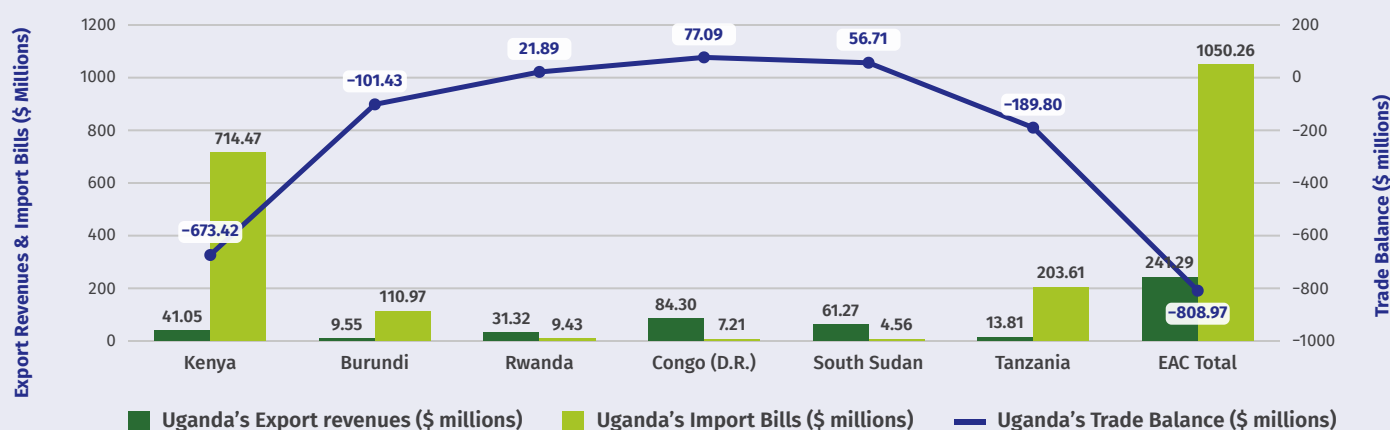
US\$101.43 million. The deficit reflected the considerably higher value of Uganda's imports from Burundi relative to its exports to that market.

Despite the overall regional trade deficit, Uganda recorded its largest bilateral trade surplus with the Democratic Republic of Congo. Exports to the country amounted to US\$84.30 million, while imports were valued at US\$7.21 million, resulting in a trade surplus of US\$77.09 million. The Democratic Republic of Congo remained Uganda's largest export market among the EAC partners.

Uganda also earned US\$61.27 million from exports to South Sudan, while imports from the country amounted to US\$4.56 million, resulting in a trade surplus of US\$56.71 million. The surplus reflected the substantially higher value of Uganda's exports to South Sudan compared with imports from that market.

Similarly, exports to Rwanda were valued at US\$31.32 million, while imports amounted to US\$9.43 million, resulting in a bilateral trade surplus of US\$21.89 million. Although the surpluses recorded with the Democratic Republic of Congo, South Sudan and Rwanda supported Uganda's regional trade position, they were insufficient to offset the larger deficits recorded with Kenya, Tanzania and Burundi.

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



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

Uganda's Export Revenues from Selected Commodities:

Coffee remained Uganda's leading agricultural export earner, although revenues declined by 10.99 percent from US\$204.08 million in July to US\$181.65 million in August 2026. The decline was mainly associated with a 12.86 percent reduction in export volumes, from 846,686.20 to 737,766.00 sixty-kilogram bags. The smaller decline in earnings relative to volumes indicated an increase in average export prices, which partially cushioned the reduction in revenues.

Similarly, cotton export revenues declined sharply by 59.51 percent from US\$1.80 million in July to US\$0.73 million in August 2026. The decline was driven by a 59.67 percent reduction in export volumes, from 6,376.90 to 2,571.60 bales of 185 kilograms each. Tea export revenues also declined by 9.81 percent from US\$5.43 million to US\$4.90 million. This reduction was associated with a 14.28 percent fall in export volumes, from 5,966.63 tonnes to 5,114.41 tonnes, although higher average export prices partially offset the volume decline.

In contrast, fish and fish-product export revenues, excluding regional markets, increased by 14.38 percent from US\$10.02 million in July to US\$11.46 million in August 2026. The improvement was supported by a 6.72 percent increase in export volumes, from 1,274.14 tonnes to 1,359.79 tonnes, alongside higher average export prices.

Among other agricultural commodities, simsim export revenues declined by 38.53 percent from US\$1.20 million in July to US\$0.74 million in August 2026. The decline was mainly associated with a 48.22 percent reduction in export volumes, from 773.40 tonnes to 400.43 tonnes, partly offset by higher

average export prices. Maize recorded stronger performance, with export revenues increasing by 13.91 percent from US\$11.68 million to US\$13.30 million. This growth was supported by a 6.14 percent increase in export volumes, from 19,625.12 tonnes to 20,831.00 tonnes, alongside higher average export prices. However, bean export revenues declined by 25.75 percent from US\$4.87 million in July to US\$3.61 million in August 2026. The decline was mainly associated with a 28.58 percent reduction in export volumes, from 6,141.04 tonnes to 4,386.23 tonnes. Higher average export prices provided a partial cushion against the decline in volumes



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

Uganda's formal private sector import bill increased by 43.5 percent, from US\$1.59 billion in July to US\$2.28 billion in August 2026. The increase was mainly driven by higher import payments for mineral products, petroleum products, chemicals, plastics and rubber, machinery and equipment, wood products and textiles. These increases were partly offset by lower imports of base metals, miscellaneous manufactured articles and electricity.

Imports of machinery, equipment, vehicles and accessories increased by 3.7 percent, from US\$286.64 million in July to US\$297.20 million in August 2026. Mineral products, excluding petroleum products, increased sharply by 104.3 percent, from US\$567.77 million to US\$1,160.21 million. Mineral products remained the largest import category, accounting for approximately 50.8 percent of the formal private sector import bill in August and made the largest contribution to the overall increase.

Petroleum-product imports increased by 21.9 percent, from US\$200.70 million in July to US\$244.59 million in August 2026. The increase added to the overall import bill and Uganda's foreign exchange requirements for fuel purchases.

Miscellaneous manufactured-article imports declined by 1.5 percent, from US\$54.32 million in July to US\$53.52 million in August 2026. In contrast, textile and textile-product imports increased by 13.2 percent, from US\$28.32 million to US\$32.07 million, while wood and wood-product imports rose by 39.2 percent, from US\$16.76 million to US\$23.33 million. Base-metal imports declined by 7.7 percent, from US\$110.24 million to US\$101.76 million.

Chemical and related-product imports increased by 30.1 percent, from US\$93.01 million in July to US\$120.99 million in August 2026. Imports of plastics, rubber and related products rose by 16.7 percent, from US\$72.02 million to US\$84.05 million. Prepared foodstuffs, beverages and tobacco imports also increased by 3.6 percent, from US\$44.55 million to US\$46.17 million.

Imports of vegetable products, animal products, beverages, fats and oils remained broadly stable, increasing by 0.1 percent from US\$108.73 million in July to US\$108.85 million in August 2026. Meanwhile, imports under the separate animal and animal-products category increased by 39.3 percent, from US\$7.21 million to US\$10.04 million.

Electricity imports declined by 39.8 percent, from US\$0.41 million in July to US\$0.25 million in August 2026. Despite the sizeable percentage decline, electricity remained the smallest import category and had a limited effect on the overall movement in the formal private sector import bill.

The higher import bill widened Uganda's trade deficit and increased foreign exchange demand, potentially exerting pressure on the Shilling. However, increased imports of machinery, chemicals and other production inputs could support investment, manufacturing activity and the expansion of domestic productive capacity over time.

Uganda's Economic Outlook and Risks:

Uganda's economic outlook remains positive, supported by resilient domestic activity despite persistent global headwinds. According to the Bank of Uganda's report for August 2026, economic growth in FY2025/26 was at 6.4 percent, supported by increased private-sector credit, household consumption, investment and government spending. The external position also strengthened, with the overall balance of payments recording a surplus of US\$2.4 billion in the 12 months to June 2026, contributing to a corresponding increase in foreign exchange reserves.

Looking ahead, economic growth is projected to accelerate to between 7.0 percent and 7.5 percent in FY2026/27 and around 8.0 percent over the medium term. This outlook is supported by prudent monetary and fiscal policies, remittance inflows, higher investment and the anticipated commencement of oil production and exports. Continued implementation of the Government's Tenfold Growth Strategy is also expected to stimulate activity in strategic sectors, strengthen value addition and expand agricultural production and exports.

The balance of risks to the growth outlook remains tilted to the downside. Elevated and uncertain global energy prices, alongside persistent supply-chain pressures, could weaken global growth and external demand for Uganda's exports. Geopolitical tensions, particularly in the Middle East, could also disrupt trade and investment flows, increase business operating costs and constrain domestic economic activity. Increased protectionism and trade disruptions could further weaken supply chains, limit market access and constrain production and investment.

Growth could exceed projections if investment in the extractive sector is stronger than anticipated, supporting production, exports and related business activity. De-escalation of geopolitical tensions could improve global economic conditions and strengthen external demand for Uganda's goods and services. Furthermore, stronger credit flows and continued government investment in infrastructure could stimulate private investment and economic activity beyond current expectations.





Disclaimer

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

Bob Twinomugisha

Senior Economist – Macroeconomics and
Trade
Email: btwinomugisha@udbl.co.ug

Dr. Francis Mwesigye

Chief Economist
Email: fmwesigye@udbl.co.ug

Head Office

UDB Tower, Plot 22 Hannington Road, P. O.
Box 7210, Kampala, Uganda.

Gulu City:

Plot 67, Lower Churchill Drive

Mbale City:

Plot 1, Masaba Road

Hoima City:

Plot 5, Kyaruhanga Road