Uganda Macroeconomic Digest

October 2026

Introduction

The Uganda Macroeconomic Digest for October 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 5.8 percent in October 2026 from 4.6 percent in September 2026. The increase was mainly driven by a sharp rise in food crops and related items inflation and higher core inflation, alongside further increases in energy costs. These developments indicate strengthening consumer price pressures, with food, transport and fuel costs adding to household living expenses and business operating costs.

Annual core inflation increased to 4.4 percent in October from 3.7 percent in September. Within the core basket, annual core goods inflation rose to 3.7 percent from 3.1 percent, largely due to higher inflation for maize flour, rice, beef, refined oil and cassava flour. For example, maize flour inflation increased to 6.2 percent from 1.1 percent, while rice inflation rose to 8.2 percent from 6.1 percent. Annual services inflation also increased to 5.3 percent from 4.6 percent. This was attributed to higher passenger transport services inflation, which rose to 14.6 percent from 11.2 percent, and restaurants and accommodation services inflation, which increased to 2.8 percent from 2.3 percent. Refuse collection charges also contributed, with annual inflation rising to 40.3 percent from 27.4 percent.

Annual food crops and related items inflation increased sharply to 10.7 percent in October 2026 from 4.5 percent in September 2026. The increase was driven by stronger annual price changes for dry beans, tomatoes, sweet potatoes, matoke and pineapples. Dry beans inflation rose to 22.5 percent from 5.6 percent, while sweet potatoes inflation increased to 15.1 percent from 0.6 percent. Tomato prices increased by 3.9 percent year on year, compared with a decline of 13.8 percent in September, while pineapple prices increased by 25.5 percent, compared with a decline of 6.4 percent. These pressures particularly affect households that devote a substantial share of their expenditure to food.

Meanwhile, annual Energy, Fuels and Utilities (EFU) inflation increased to 15.4 percent in October 2026 from 14.5 percent in September 2026, mainly due to higher inflation for petrol, diesel and firewood. Annual petrol inflation rose to 34.3 percent from 30.9 percent, while diesel inflation increased to 49.2 percent from 42.5 percent. Firewood inflation also rose to 15.5 percent from 14.1 percent. These increases continued to exert pressure on household energy expenses and business costs, particularly through transport, production and distribution.

Looking ahead, the Bank of Uganda projects headline inflation to average 7.0–7.5 percent and core inflation 5.5–6.0 percent over the next 12 months, reflecting elevated global energy prices, pressure on the shilling and rising domestic food prices. Higher costs could weaken household purchasing power, squeeze business margins and increase working capital needs, while tighter monetary policy could make credit more expensive.

↑ 5.8%

Headline inflation increased from 4.6% in September to 5.8% in October 2026

↑ 4.4%

Core inflation increased from 3.7% in September to 4.4% in October 2026

↑ 10.7%

Food Crops and Related Items inflation increased from 4.5% in September to 10.7% in October 2026

↑ 15.4%

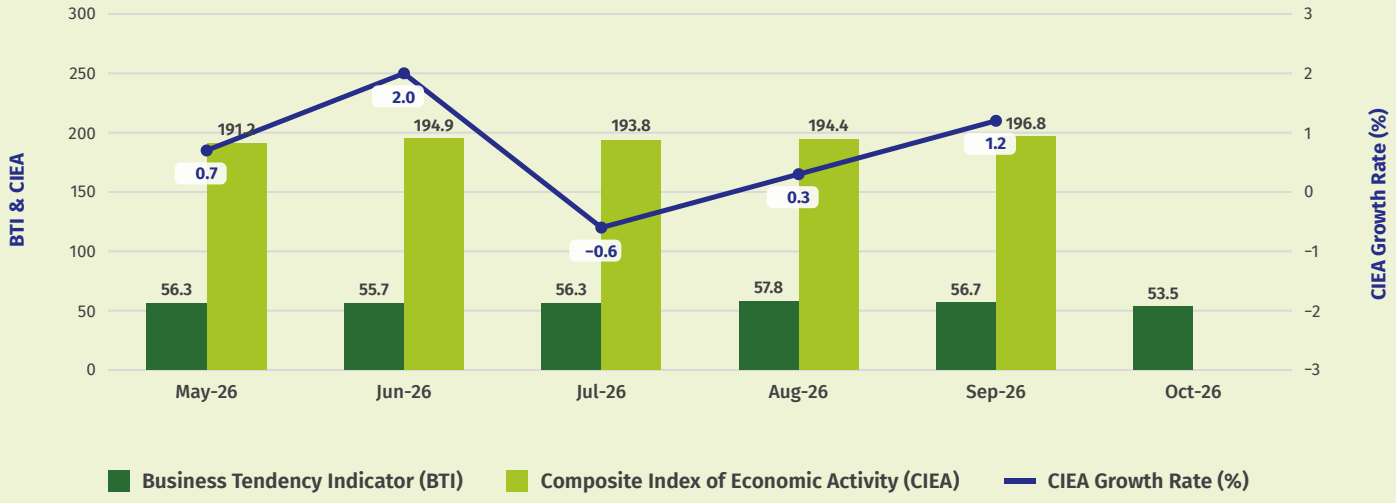
Energy Fuel and Utilities (EFU) inflation increased from 14.5% in September to 15.4% in October 2026

Business Confidence and Economic Activity:

The Business Tendency Indicator (BTI) declined from 56.7 in September 2026 to 53.5 in October 2026. It remained above the neutral threshold of 50, indicating that businesses maintained a positive outlook on economic conditions. The decline suggests a moderation in business confidence, 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 1.2 percent from 194.4 in August 2026 to 196.8 in September 2026, reflecting a continued improvement in economic activity. Weaker business confidence signals greater caution about near-term operating conditions, despite the acceleration in economic activity in September.

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



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

Exchange Rate Movements:

The Uganda Shilling depreciated by 7.8 percent against the US Dollar in October 2026, weakening from an average exchange rate of UGX 3,868.9/USD in September to UGX 4,170.5/USD. This followed depreciation of 3.7 percent in September, indicating an acceleration in currency pressures. According to the Bank of Uganda's October 2026 Monetary Policy Statement, these pressures reflected higher foreign-exchange demand alongside weaker inflows. Elevated international oil prices and shipping costs increased Dollar requirements for imports, while lower agricultural commodity prices, particularly coffee and cocoa, and reduced tourism receipts weakened foreign-exchange earnings. Heightened global uncertainty and higher interest rates in advanced economies also constrained capital inflows.

UGX 4,170.5/USD

Average exchange rate (UGX/USD) for October 2026

Interest rate Movements:

The Bank of Uganda increased the Central Bank Rate (CBR) by 225 basis points, from 9.75 percent in September to 12.0 percent in October 2026, to contain rising inflationary pressures and anchor inflation expectations. The decision reflected elevated international energy prices, Shilling depreciation and the risk of higher fuel and food costs spreading to other prices.

The weighted average lending rate on Shilling-denominated loans declined to 17.19 percent in September 2026 from 17.90 percent in August 2026, a reduction of 0.71 percentage point. The decline came amid stronger competition among banks for creditworthy borrowers as lenders sought to expand their loan portfolios.

↑ 12.0%

Central Bank Rate (CBR) for October 2026

↓ 17.19%

Lending Rates for UGX Loans for September 2026

Domestic Credit:

Domestic credit increased by 2.7 percent, from UGX 56.46 trillion in August to UGX 58.00 trillion in September 2026, largely driven by growth in private-sector credit. Private-sector credit rose by 3.9 percent, from UGX 32.07 trillion to UGX 33.32 trillion, while net credit to Government increased slightly by 0.6 percent, from UGX 23.16 trillion to UGX 23.30 trillion. The stronger expansion in private-sector credit indicates an increase in credit outstanding to private borrowers, reinforcing the importance of financing productive investment and working capital to sustain economic activity and employment.

↑ UGX 58.0 trillion

Domestic Credit increased by 2.7% in September 2026

↑ UGX 33.2 trillion

Private Sector Credit increased by 3.9% in September 2026

↑ UGX 23.3 trillion

Net Credit to the Government (NCG) increased by 0.6% in September 2026

Banking Sector Asset Quality:

The ratio of non-performing loans (NPLs) to gross loans declined by 0.40 percentage points, from 3.01% in Q1 2026 to 2.61% in Q2 2026. Resilient economic activity supported borrowers' ability to repay, while loan recoveries, write-offs and changes in gross lending also influenced the ratio. Improved asset quality can strengthen banks' resilience and give them more scope to finance private-sector working capital and investment.

↓ 2.61%

NPLs to total gross loans (%) for quarter 2, 2026

Merchandise Trade Balance and Terms of Trade:

Uganda's merchandise trade deficit narrowed by 15.0 percent, from US$817.03 million in August to US$694.32 million in September 2026. The improvement reflected an 8.3 percent decline in import payments, from US$2,309.12 million to US$2,116.30 million, which exceeded the 4.7 percent decline in export earnings, from US$1,492.09 million to US$1,421.98 million. Despite the narrower deficit, the terms-of-trade index deteriorated by 6.2 percent, from 127.16 in August to 119.23 in September, indicating that export prices weakened relative to import prices.

↓ 15.0%

Trade deficit declined by 15.0%, in September 2026

↓ 4.7%

Total Exports of Goods-fob declined by 4.7% in September 2026

↓ 8.3%

Total Imports of Goods - fob declined by 8.3% in September 2026

↓ 6.2%

Terms of Trade Index declined by 6.2% in September 2026

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

In September 2026, Uganda earned US$224.7 million from exports to the EAC partners, while imports amounted to US$1,017.7 million, resulting in a trade deficit of US$793.0 million. The deficit reflected substantial bilateral 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, importing goods worth US$694.3 million against export earnings of US$32.7 million, resulting in a deficit of US$661.6 million. Kenya accounted for approximately 68.2 percent of imports from the selected EAC partners, making it Uganda's largest regional import source and the principal contributor to the regional deficit.

Uganda also recorded a substantial deficit with Tanzania. Imports amounted to US$202.5 million, while exports stood at US$15.3 million, resulting in a bilateral deficit of US$187.2 million. Tanzania accounted for approximately 19.9 percent of imports from the selected regional partners, retaining its position as the second-largest source.

Similarly, imports from Burundi amounted to US$88.9 million, compared with exports of US$7.5 million, resulting in a trade deficit of US$81.4 million. This reflected the considerably higher value of imports from Burundi relative to Uganda's exports to that market.

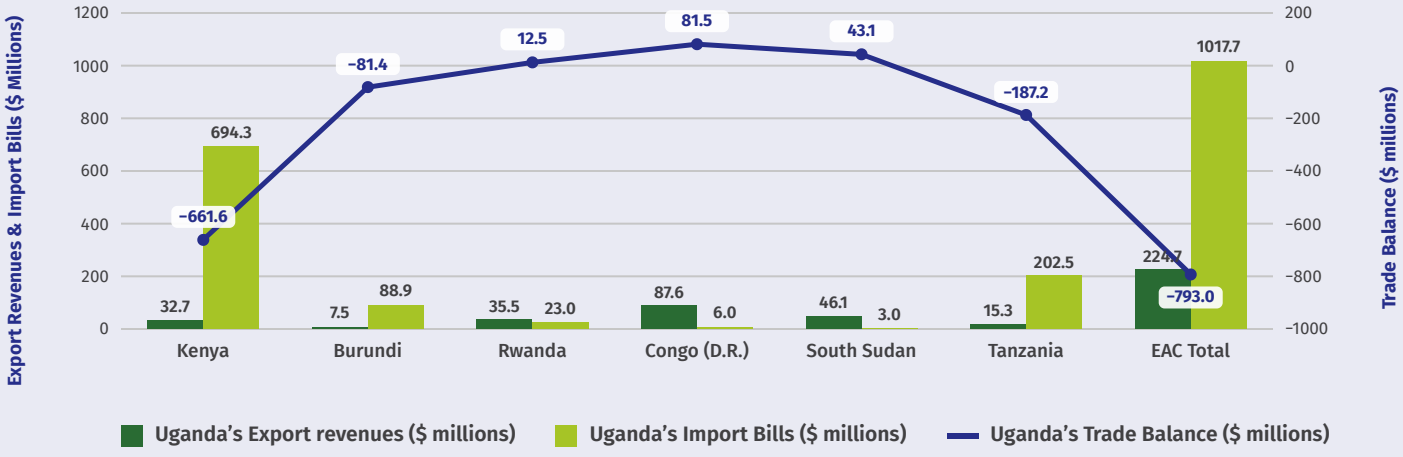
Despite the overall deficit, Uganda recorded its largest bilateral surplus with the Democratic Republic of Congo. Export earnings amounted to US$87.6 million, while imports stood at US$6.0 million, resulting in a reported surplus of US$81.5 million. The country accounted for approximately 39.0 percent of exports to the selected EAC partners, making it Uganda's largest export destination within this group.

Uganda's exports to South Sudan amounted to US$46.1 million, against imports of US$3.0 million, resulting in a surplus of US$43.1 million. South Sudan remained the second-largest export destination among the selected partners, accounting for approximately 20.5 percent of export earnings.

Exports to Rwanda amounted to US$35.5 million, while imports stood at US$23.0 million, generating a surplus of US$12.5 million. Although the surpluses with Rwanda, South Sudan and the Democratic Republic of the Congo supported Uganda's regional trade position, they remained insufficient to offset the larger deficits with Kenya, Tanzania and Burundi.

The regional trade deficit highlights Uganda's substantial import requirements, particularly from Kenya and Tanzania. Surpluses with the Democratic Republic of Congo, South Sudan and Rwanda demonstrate the importance of these export markets. Strengthening competitiveness, value addition and regional market access remains essential to expanding export earnings and improving Uganda's regional trade balance.

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



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

Uganda's Export Revenues from Selected Commodities:

Coffee remained Uganda's leading agricultural export earner, with revenues increasing by 2.9 percent, from US$181.7 million in August to US$186.9 million in September 2026. This improvement occurred despite a 0.3 percent decline in export volumes, from 737,766 to 735,435 sixty-kilogram bags. The increase in earnings alongside slightly lower volumes indicates higher average export prices, which more than offset the volume decline.

In contrast, cotton export revenues declined sharply by 82.0 percent, with earnings falling from approximately US$0.7 million in August to US$0.1 million in September 2026. The decline was primarily driven by an 81.6 percent reduction in export volumes, from 2,571.6 to 472.7 bales of 185 kilograms each. Tea export revenues also declined by 13.3 percent, from US$4.9 million to US$4.2 million, reflecting both lower volumes and weaker average export prices. Tea export volumes fell by 9.4 percent, from 5,114.4 tonnes to 4,632.8 tonnes.

Fish and fish-product export revenues, excluding regional markets, increased by 18.7 percent, from US$11.5 million in August to US$13.6 million in September 2026. The improvement was driven by a 31.1 percent increase in export volumes, from 1,359.8 tonnes to 1,782.2 tonnes. Similarly, simsim export revenues increased by 42.4 percent, from approximately US$0.7 million in August to US$1.0 million in September 2026. This growth was supported by a 53.3 percent increase in export volumes, from 400.4 tonnes to 614.0 tonnes.

Maize export revenues declined substantially by 65.7 percent, from US$13.3 million in August to US$4.6 million in September 2026. The deterioration reflected a 52.6 percent reduction in export volumes, from 20,831.0 tonnes to 9,865.6 tonnes. Bean export revenues declined by 21.4 percent, from US$3.6 million in August to US$2.8 million in September 2026. This reduction reflected an 18.0 percent fall in export volumes, from 4,386.2 tonnes to 3,597.0 tonnes.



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

Uganda's formal private sector import bill declined by 8.6 percent, from US$2.28 billion in August to US$2.09 billion in September 2026. The reduction was mainly driven by lower payments for mineral products, petroleum products, chemicals and miscellaneous manufactured articles. These declines were partly offset by increased imports of prepared foodstuffs, beverages and tobacco; vegetable products, fats and oils; wood products; and electricity.

Imports of machinery, equipment, vehicles and accessories declined slightly by 0.3 percent, from US$297.20 million in August to US$296.31 million in September 2026. Mineral products, excluding petroleum products, decreased by 11.7 percent, from US$1,160.21 million to US$1,024.25 million. Despite the decline, mineral products remained the largest import category, accounting for approximately 49.1 percent of the formal private sector import bill in September. The category recorded the largest absolute reduction, at US$135.96 million.

Petroleum-product imports declined by 19.5 percent, from US$244.59 million in August to US$196.91 million in September 2026. The reduction of US$47.68 million made the second-largest contribution to the overall decline in import payments and reduced the foreign exchange required for this category during the month.

Miscellaneous manufactured-article imports declined by 15.1 percent, from US$53.52 million to US$45.44 million, while textile and textile-product imports fell by 7.0 percent, from US$32.07 million to US$29.82 million. Base-metal imports also declined slightly by 0.8 percent, from US$101.76 million to US$100.93 million. In contrast, wood and wood-product imports increased by 1.3 percent, from US$23.33 million to US$23.63 million.

Chemical and related-product imports declined by 11.6 percent, from US$120.99 million in August to US$106.95 million in September 2026. Imports of plastics, rubber and related products decreased by 4.8 percent, from US$84.05 million to US$80.04 million. However, prepared foodstuffs, beverages and tobacco imports increased by 14.1 percent, from US$46.17 million to US$52.70 million.

Imports of vegetable products, animal products, beverages, fats and oils increased by 11.6 percent, from US$108.85 million in August to US$121.49 million in September 2026. Meanwhile, imports under the separate animal and animal-products category declined by 17.8 percent, from US$10.04 million to US$8.25 million. Electricity imports increased by 19.5 percent, from approximately US$0.25 million in August to US$0.29 million in September 2026.

The lower formal private sector import bill reduced import-related foreign exchange requirements and contributed to the narrowing of Uganda's merchandise trade deficit. However, reduced payments for chemicals, plastics and other industrial inputs warrant monitoring because these categories supply domestic production.

Uganda's Economic Outlook and Risks:

Economic growth is projected at 6.0–6.5 percent in FY2026/27, revised down from the earlier forecast of 7.0–7.5 percent, before strengthening to an average of approximately 8.0 percent over the medium term (Bank of Uganda, 2026). The downward revision reflects tighter domestic and global financial conditions, Shilling depreciation, elevated international energy prices and heightened geopolitical uncertainty. Nevertheless, private investment, stronger exports and anticipated oil-sector developments are expected to support medium-term expansion, with associated opportunities for construction, transport, energy and business services. Continued implementation of the Government's Tenfold Growth Strategy is expected to reinforce this expansion through investment in productive sectors and increased domestic value addition.

However, risks to growth remain tilted to the downside. Prolonged geopolitical tensions, particularly the conflict in the Middle East, threaten energy supplies and international trade routes. Higher fuel, freight, insurance and input costs would increase production and transportation expenses for Ugandan businesses, while shipping disruptions would delay deliveries of machinery, industrial materials and other essential inputs. These pressures would weigh on business profitability and investment, particularly among enterprises dependent on imported inputs.

Tighter domestic and external financing conditions present an additional risk by increasing financing costs and restricting access to working capital and investment funding. Further Shilling depreciation would raise the domestic cost of imported equipment, raw materials and foreign-currency debt obligations. Adverse weather also threatens agricultural production, rural incomes and the supply of raw materials to agro-processing industries.

Growth will exceed current projections if private investment strengthens more than anticipated, weather conditions support higher agricultural output and global tensions ease. Faster progress in oil-sector developments would provide additional demand for construction, logistics and locally supplied goods and services. Timely implementation of productive investments, stronger export competitiveness and sustained financing for viable enterprises remain important to broadening employment and production while reducing Uganda's vulnerability to external shocks.



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