MACROECONOMIC & FISCAL PERFORMANCE REPORT

FINANCIAL YEAR 2025/26

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HALF YEAR MACROECONOMIC & FISCAL PERFORMANCE REPORT FINANCIAL YEAR 2025/26

MINISTRY OF FINANCE, PLANNING AND ECONOMIC DEVELOPMENT

Foreword

In accordance with Section 17 of the Public Finance Management Act (PFMA), Cap. 171, the Minister of Finance, Planning and Economic Development is mandated to present a bi-annual Macroeconomic and Fiscal Performance Report to Parliament by the end of February and October each year. This annual report provides an in-depth assessment of Uganda's economic performance and outlook as of 30th June 2026.

The fiscal year 2025/26 marked an important milestone in Uganda's development agenda, being the first year of implementation of the Fourth National Development Plan (NDP IV), which provides the framework for advancing the Ten-Fold Growth Strategy aimed at expanding the economy to US$ 500 billion by 2040. The year also marked the conclusion of the second Charter for Fiscal Responsibility (FY 2021/22–2025/26), providing an opportunity to assess progress in strengthening fiscal discipline, maintaining debt sustainability and safeguarding macroeconomic stability as Government pursues its long-term development ambitions.

Despite a challenging global environment characterised by heightened geopolitical tensions, elevated international fuel prices and domestic public health challenges, Uganda's economy demonstrated remarkable resilience. Real GDP growth is estimated at 6.4 percent in FY 2025/26, compared to 6.3 percent in the preceding financial year, supported by sustained growth across agriculture, industry and services. Consequently, the size of the economy expanded to UShs 250.4 trillion (US$ 69.3 billion). Government continued to prioritise wealth creation and structural economic transformation through the Parish Development Model, which supported the shift from subsistence to commercial production, alongside Emyooga and GROW, which strengthened entrepreneurship and expanded economic opportunities, particularly for women and youth. Affordable financing through the Uganda Development Bank further supported productive investment and enterprise growth. Together with investments in infrastructure, agriculture and industrialization, these interventions continued to lay the foundation for a more productive, diversified and inclusive economy, creating jobs and improving household incomes.

Macroeconomic fundamentals remained stable and broadly positive during the financial year, supported by low inflation, stronger private sector credit growth, a stable exchange rate and an improving external position. Inflation averaged 3.3 percent, while private sector credit growth accelerated to 16.1 percent. The Uganda Shilling appreciated by 1.9 percent against the US Dollar on an annual average basis, supported by increased foreign exchange inflows.

Merchandise exports grew by 46.4 percent to a record US$ 15.8 billion, contributing to a 16.7 percent reduction in the trade deficit. Increased remittances and an overall balance of payments surplus further supported the accumulation of international reserves to US$ 6.7 billion, strengthening Uganda's resilience to external economic shocks.

Fiscal performance remained favourable, with tax revenue growing by 14.0 percent and the fiscal deficit of 6.0 percent of GDP remaining below budget. Government achieved five of the eight targets under the second Charter for Fiscal Responsibility. The forthcoming Charter will build on these gains while addressing challenges relating to fiscal deficits, public debt, and domestic interest payments, with renewed emphasis on fiscal consolidation, prudent borrowing, and expenditure efficiency to safeguard debt sustainability and support development priorities.

Looking ahead, Uganda's economic prospects remain positive, underpinned by continued investment in productive sectors, improvements in infrastructure, private sector development and the anticipated commencement of commercial oil production in 2027. These developments present significant opportunities to accelerate economic transformation, expand the revenue base, create employment and improve household welfare.

Nevertheless, global economic shocks continue to cause significant risks to economic performance. To mitigate these risks, government will undertake several strategies including the revenue led fiscal consolidation and the tenfold growth strategy to ensure economic resilience which will enable the economy to navigate global vulnerabilities and structural bottlenecks.

Government will continue to prioritise macroeconomic stability, fiscal consolidation and the efficient allocation of public resources to strategic interventions that support the Ten-Fold Growth Strategy. Particular emphasis will be placed on strengthening domestic revenue mobilisation, maintaining debt sustainability, enhancing agricultural productivity and industrialisation, promoting export competitiveness and creating an enabling environment for private sector-led growth. The prudent management of anticipated petroleum revenues will also be critical to ensuring that the benefits of oil production translate into sustained and broad-based economic development.



Henry Musasizi (MP)

MINISTER OF FINANCE, PLANNING AND ECONOMIC DEVELOPMENT

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List of Acronyms and Abbreviations

ACF	Agricultural Credit Facility
AIA	Appropriations in Aid
ATMS	Agro-industrialisation, Tourism, Minerals (including oil and gas), and Science, Technology and Innovation
B.Franc	Burundian Franc
BOP	Balance of Payments
BOU	Bank of Uganda
BTI	Business Tendency Index
C.Franc	Congolese Franc
CBR	Central Bank Rate
CFR	Charter for Fiscal Responsibility
CIEA	Composite Index of Economic Activity
CRR	Cash Reserve Requirement
DRC	Democratic Republic of Congo
DRMS	Domestic Revenue Mobilisation Strategy
DSA	Debt Sustainability Analysis
EAC	East African Community
EACOP	East African Crude Oil Pipeline
EAMU	East African Monetary Union
EFU	Energy, Fuel and Utilities
EU	European Union
FDI	Foreign Direct Investments
FOB	Free on Board
FY	Financial Year
GDP	Gross Domestic Product
GROW	Generating Growth Opportunities and Productivity for Women Enterprises
H1	First Half of the Financial Year
H2	Second Half of the Financial Year
HS	Harmonized Commodity Description and Coding System
ICO	International Coffee Organization
ICT	Information and Communications Technology
ID	Identity Document
IMF	International Monetary Fund
KShs	Kenyan Shillings

LMS	Labour Market Survey
MDAs	Ministries, Departments and Agencies
MOFPED	Ministry of Finance, Planning and Economic Development
NDP IV	Fourth National Development Plan
NGO	Non-Governmental Organisation
NPLs	Non-Performing Loans
NTR	Non-Tax Revenue
OPEC+	Organization of the Petroleum Exporting Countries and allies
PAYE	Pay as You Earn
PDM	Parish Development Model
PFM	Public Finance Management
PMI	Purchasing Managers Index
R.Franc	Rwandan Franc
SACCOs	Savings and Credit Cooperative Organisations
SBRF	Small Business Recovery Fund
SMEs	Small and Medium Enterprises
SoShs	Somali Shillings
SS.Pound	South Sudanese Pound
TzShs	Tanzanian Shillings
UBOS	Uganda Bureau of Statistics
UDB	Uganda Development Bank
UgIFT	Uganda Intergovernmental Fiscal Transfers Program
UN Comtrade	United Nations Commodity Trade Statistics Database
UNOC	Uganda National Oil Company
URA	Uganda Revenue Authority
USAID	United States Agency for International Development
UShs	Ugandan Shilling
US$	United States Dollars
VAT	Value Added Tax

Executive Summary

Uganda's economy continued to demonstrate resilience, recording real GDP growth of 6.4 percent in FY 2025/26, compared to 6.3 percent in the preceding financial year. Consequently, the size of the economy expanded to UShs 250.4 trillion (US$ 69.3 billion), from UShs 227.9 trillion (US$ 62.0 billion) in FY 2024/25. This performance was underpinned by sustained domestic demand, increased investment and strong export growth, despite a challenging global economic environment characterised by geopolitical tensions, disruptions to international trade and elevated energy prices. Household consumption increased by 7.3 percent, investment by 7.5 percent and exports of goods and services by 37.4 percent. Growth was further supported by continued implementation of strategic Government interventions, including the Parish Development Model (PDM), Emyooga, affordable financing through the Uganda Development Bank (UDB), infrastructure development and increased activity in the oil and gas sector ahead of commercial production.

Growth remained broad-based across the major sectors of the economy. Agriculture expanded by 6.5 percent, supported by strong performance in cash crops, livestock and food crop production, with cash crop output increasing by 12.1 percent. The industry sector grew by 6.4 percent, driven by expansion in electricity generation, construction and manufacturing, which grew by 14.4 percent, 8.2 percent and 5.5 percent, respectively. Meanwhile, services grew by 5.5 percent, supported by financial and insurance activities, accommodation and food services, public administration and trade. The continued expansion across these sectors underscores the growing diversification of Uganda's productive base and provides a foundation for accelerated economic transformation under the Fourth National Development Plan (NDP IV) and the Ten-Fold Growth Strategy.

Government continued to support inclusive economic growth and household wealth creation through interventions aimed at expanding access to productive financing and facilitating the transition from subsistence to commercial economic activity. During the financial year, UShs 1,059 billion was disbursed to SACCOs under the PDM, UShs 100 billion was released for Emyooga and UShs 84 billion was released to capitalise UDB. These interventions complemented private sector financing, supporting enterprise development, agricultural commercialisation and economic opportunities, particularly for women, youth and small businesses. Sustained economic growth will provide a strong foundation for creating productive jobs, particularly for the youth, transitioning from subsistence activities and improving household incomes and livelihoods.

Macroeconomic stability was broadly maintained during FY 2025/26, with annual headline inflation averaging 3.3 percent, compared to 3.5 percent in FY 2024/25, remaining below the Bank of Uganda's medium-term inflation target of 5 percent. This stable inflation environment was supported by prudent monetary policy, exchange rate stability and easing global commodity prices during the first half of the financial year. However, inflationary pressures emerged towards the end of the year, largely reflecting higher international oil prices and associated increases in domestic energy and transport costs. Consequently, energy, fuel and utilities inflation rose to 11.9 percent in June 2026, while headline inflation increased to 3.7 percent.

On the monetary policy front, Bank of Uganda maintained the Central Bank Rate at 9.75 percent throughout FY 2025/26 and raised the Cash Reserve Requirement to 11.0 percent in March 2026 to contain inflationary pressures arising from higher global oil prices. Private sector credit grew strongly by 16.1 percent to UShs 27,754.90 billion, up from 9.1 percent growth in FY 2024/25, supported by improved asset quality, with the ratio of non-performing loans falling to 2.61 percent from 3.68 percent. Lending rates on Shilling-denominated credit eased towards the end of the year, while yields on Government securities declined across most tenors. Government also continued developing the domestic debt market, including the issuance of its first 25-year Treasury Bond in August 2025, aimed at lengthening the maturity profile of public debt and reducing refinancing risks. The Uganda Shilling appreciated by an average of 1.9 percent against the US Dollar during FY 2025/26, supported by increased foreign exchange inflows, particularly from merchandise exports and remittances. However, depreciation pressures emerged during the second half of the financial year, reflecting higher international fuel prices, freight costs and increased foreign exchange demand. These developments contributed to rising domestic fuel and transport costs, underscoring the importance of maintaining adequate external buffers and prudent macroeconomic management.

On the external front, Uganda’s merchandise trade deficit narrowed by 16.7 percent to US$ 2,052.55 million in FY 2025/26, as merchandise export earnings rose by 46.4 percent to a record US$ 15,756.67 million. This was mainly driven by gold, whose earnings more than doubled to US$ 8,907.70 million on account of higher international prices and export volumes, while coffee earnings fell slightly to US$ 2,190.94 million as lower prices offset an 8.0 percent increase in export volumes. The Middle East was Uganda’s leading export destination, followed by the East African Community (EAC), while Asia and the EAC remained the main sources of imports. However, the services trade deficit widened by 50.1

percent to US$ 3,096.62 million, owing to higher freight and insurance costs linked to tensions in the Middle East and constrained tourism receipts following the Ebola outbreak. As a result, the overall trade deficit in goods and services widened by 13.8 percent to US$ 5,150.12 million.

Tourism earnings increased by 3.4 percent to US$ 1,709.05 million in FY 2025/26. However, this represented a sharp decline from the average of 19 percent recorded over the preceding five years, partly attributed to disruptions in tourism activity arising from the Ebola outbreak and the conflict in the Middle East. Remittance inflows increased by 31.6 percent to US$ 2,923.52 million, supported by increased labour export and the wider use of digital financial services. Foreign direct investment inflows remained substantial at US$ 3.2 billion, although they declined by 6.5 percent as capital-intensive investments in oil and gas development moderated ahead of first oil.

Overall, Uganda's balance of payments position strengthened considerably, recording a surplus of US$ 2.44 billion in FY 2025/26. This was supported primarily by stronger merchandise export earnings and remittance inflows, which contributed to a substantial accumulation of international reserves. Gross foreign exchange reserves increased by 55.6 percent to US$ 6.69 billion, raising import cover from 3.03 months to 3.69 months.

Fiscal operations in FY 2025/26, the first year of the Fourth National Development Plan (NDP IV), focused on financing the Ten-Fold Growth Strategy while working towards the deficit and debt objectives of the Charter for Fiscal Responsibility. Total revenues and grants amounted to UShs 37,985.40 billion, with tax revenue on target at UShs 34,049.87 billion, a growth of 14.0 percent. Expenditure including acquisition of non-financial assets amounted to UShs 52,979.22 billion, resulting in a fiscal deficit of UShs 14,993.81 billion (6.0 percent of GDP), lower than the planned UShs 16,567.34 billion. The deficit was financed mainly through domestic borrowing, complemented by external financing. Five of the eight fiscal rules of the Charter for Fiscal Responsibility were met in FY 2025/26, the final year of its implementation, while the targets on public debt as a percentage of GDP, the overall fiscal deficit as a percentage of GDP and domestic interest payments as a ratio of domestic revenue were missed. Public debt increased to US$ 36.88 billion, representing 54.0 percent of GDP from 50.9 percent in June 2025. Nonetheless, Public debt remains sustainable over the medium to long term, supported by fiscal consolidation through domestic revenue mobilisation and expenditure rationalisation, the Ten-Fold Growth Strategy and expected oil revenues.

Looking ahead, non-oil GDP is projected to grow by 6.0 percent in FY 2026/27 and 6.3 percent in FY 2027/28. This growth will be supported by sound macroeconomic management, continued productivity improvements, private sector growth and increased tourism as well as oil and gas activities.

While the outlook is positive, Global and domestic economic shocks pose significant risks to economic performance that could affect the growth trajectory. These include unpredictable weather patterns, heightened global geopolitical tensions that could lead to higher fuel prices, a strengthening of the US dollar globally and the Ebola outbreak. Government is aware of these risks and will continue to implement measures to strengthen economic resilience and support private sector-led growth.

Overall, Uganda's economic performance in FY 2025/26 demonstrated resilience, supported by broad-based growth, low inflation, stronger private sector credit, record merchandise exports and an improved external position. However, recent exchange rate pressures, rising global uncertainties and domestic fiscal challenges underscore the importance of safeguarding these gains. The implementation of NDP IV, the forthcoming third Charter for Fiscal Responsibility and the Ten-Fold Growth Strategy will provide a framework for strengthening macroeconomic stability, fiscal sustainability and economic diversification. Continued prudent economic management and productive investment will be essential to sustaining growth, creating employment and improving the livelihoods of all Ugandans.

MACRO-ECONOMIC DEVELOPMENTS

Chapter I: Macro-Economic Developments

Economic Growth

Preliminary estimates from the Uganda Bureau of Statistics (UBOS) indicate that the size of Uganda's economy increased to UShs 250.4 trillion (US$69.3 billion) in FY 2025/26, up from UShs 227.9 trillion (US$62.0 billion) in FY 2024/25. In real terms, GDP growth improved to 6.4 percent from 6.3 percent in the previous financial year. This growth was largely driven by increased production of coffee, food crops, livestock and electricity, alongside expansion in manufacturing, construction, tourism and hospitality, and financial services.

Economy grew by 6.4%

All three major sectors of the economy including agriculture, industry and services registered positive growth, supported by strong aggregate demand, investment and exports. Economic activity also benefited from continued implementation of strategic government interventions aimed at promoting private sector development, infrastructure and value chain development as well as increased oil and gas activities in preparation for first oil, expansion in regional trade, favorable weather conditions and a stable macroeconomic environment.

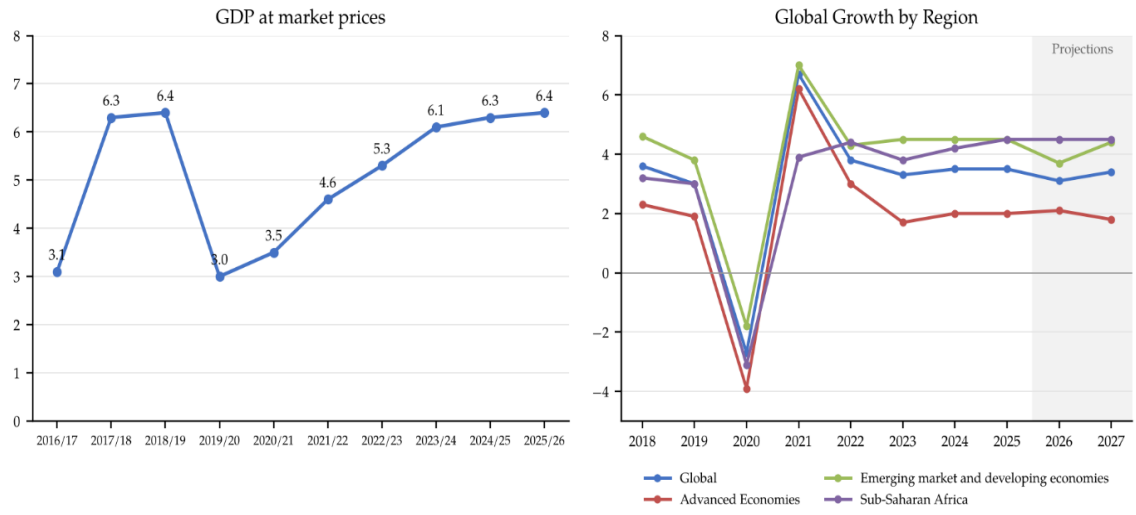
Government interventions through provision of affordable credit continued to play an important role in supporting production, productivity and enterprise development. In particular, the Parish Development Model (PDM) continued to provide financing to households through PDM SACCOs, supporting agricultural production. The Emyooga programme facilitated access to financing for small businesses, service providers and artisans, while the Uganda Development Bank (UDB) continued to provide affordable credit to manufacturers and agro-processors, among others. During FY 2025/26, UShs 1,059 billion was disbursed to SACCOs under the PDM, UShs 100 billion was released for Emyooga, and UShs 84 billion was released to capitalise UDB. These interventions contributed to increased access to financing and supported productive activities across the economy.

Uganda's economic performance was achieved against a challenging global economic environment. According to the International Monetary Fund's October 2026 World Economic Outlook, global economic growth was estimated to slow to 3.1 percent in 2026, from 3.5 percent in 2025. This slowdown largely reflects the effects of the conflict in the Middle East, which disrupted energy supplies, shipping routes and international trade, contributing to higher energy and food prices. Elevated public debt and tighter financing conditions in several economies also continued to weigh on global economic activity.

Despite these global challenges, Uganda's economy maintained strong growth, benefiting partly from relatively favorable economic conditions within Sub-Saharan Africa, where

growth was estimated at 4.5 percent in both 2025 and 2026. Regional trade and investment provided additional support to domestic economic activity. Nevertheless, the region continues to face significant challenges, including limited access to financing, climate-related shocks, constrained fiscal space, exchange rate volatility and fluctuations in energy prices, which continue to weigh on economic growth. Figure 1 shows real GDP Growth rates.

Figure 1: Real GDP Growth Rates (percent change - %)



Source: Uganda Bureau of Statistics

On the domestic scene, GDP estimates by expenditure show that final consumption expenditure and investment grew by 5.9 percent and 7.5 percent in FY 2025/26 compared to 10.5 percent and 7.2 percent, respectively, in FY 2024/25. Within final consumption, Household consumption grew by 7.3 percent, while government consumption grew by only 1.9 percent. Likewise, Exports of goods and services grew by 37.4 percent compared to 32.4 percent growth the previous financial year. GDP estimates by production show that the services sector grew by 5.5 percent accounting for 42.1 percent of total GDP, while the industry sector grew by 6.4 percent accounting for 24.1 percent of total GDP. The agriculture, forestry and fishing sector grew by 6.5 percent accounting for 26.2 percent of total GDP.

Table 1 shows a breakdown of Uganda's economic growth performance by sector.

Table 1: Breakdown of Economic Performance by Sector (% change)

% growth rates	2021/22	2022/23	2023/24	2024/25	2025/26
GDP at market prices	**4.6**	**5.3**	**6.1**	**6.3**	**6.4**
Agriculture, forestry and fishing	**4.2**	**4.5**	**5.6**	**6.8**	**6.5**
Cash crops	5.7	0.7	12.3	11.3	12.1
Food crops	3.5	4.7	5.1	4.8	4.9
Livestock	8.3	8.8	7.9	8.8	8.8
Forestry	3.2	3.1	3.1	3.3	3.3
Fishing	0.3	3.4	-2.2	18.0	9.1
Industry	**5.1**	**4.0**	**5.5**	**6.9**	**6.4**
Mining & quarrying	18.3	5.0	3.2	3.4	3.5
Manufacturing	3.8	3.1	4.7	5.6	5.5
Electricity	3.1	8.4	8.9	11.9	14.4
Water	6.3	4.2	5.3	2.6	3.7
Construction	5.2	4.9	7.3	11.2	8.2
Services	**4.0**	**5.9**	**6.4**	**5.4**	**5.5**
Trade and Repairs	3.4	3.8	9.3	9.0	6.9
Transportation and Storage	-3.8	-5.4	10.4	12.2	5.0
Accommodation and Food Service Activities	-2.5	12.4	13.5	4.1	7.7
Information and Communication	7.4	10.3	5.9	6.7	6.6
Financial and Insurance Activities	4.5	0.6	1.9	4.9	8.3
Real Estate Activities	9.0	7.4	7.4	4.9	5.5
Public Administration	3.5	1.1	6.8	3.9	7.0
Education	1.5	3.4	4.3	5.3	5.6
Human Health and Social Work Activities	9.6	4.4	2.4	1.9	1.8
Arts, Entertainment and Recreation	-2.2	4.1	8.0	1.6	0.9
Taxes on products	**7.5**	**9.2**	**7.8**	**8.3**	**11.6**

Source: Uganda Bureau of Statistics

The services sector grew by 5.5 percent, slightly higher than the 5.4 percent recorded the previous financial year. This was on account of higher growth in financial and insurance services, accommodation and food services, public administration, real estate and education services. The pickup in accommodation and food services partly reflects increased tourism activity while overall growth within the sector reflects strong aggregate demand and growth in private sector activity.

The industry sector grew modestly at 6.4 percent from 6.9 percent registered the previous financial year, supported by strong performance in construction activities and electricity production as well as growth in the manufacturing subsector. Increased private and public construction works contributed to growth in the construction subsector while higher power generation for industrial use boosted electricity sector growth. Government interventions in the establishment and operationalization of industrial parks, continued investment in public infrastructure and oil and gas related works, coupled with provision of affordable credit continue to support industry sector growth.

The agriculture, forestry and fishing sector grew by 6.5 percent from 6.8 percent on account of increased cash crop, food crop and livestock production. Cash crops grew by 12.1 percent from 11.3 percent, largely due to increased coffee production, while food crops and livestock grew by 4.9 percent and 8.8 percent, respectively. The slight moderation in the sector's growth was mainly due to fishing, which grew by 9.1 percent compared to 18.0 percent the previous financial year. Growth in the sector was supported by continued implementation of government programmes like the Parish Development Model, Agricultural Credit Facility, among others coupled with continued provision of extension services, as well as support for small-scale irrigation.

Employment

Uganda's labour market continues to be shaped by a young and fast-growing population. The Labour Market Survey (LMS) 2025, the first of a new nationwide series by the Uganda Bureau of Statistics, estimates the working-age population (15 years and above) at 26.4 million people, representing 58.1 percent of the total population of 45.4 million. Of this group, the labour force comprises 13.4 million, with 11.8 million employed for pay or profit. This translates into a labour force participation rate of 50.9 percent and an employment-to-population ratio of 44.7 percent, with both rates notably lower for females (43.4 percent and 37.4 percent) than for males (59.5 percent and 53.1 percent). (See Fig. 2).

Figure 2: Key Labour Market Indicators, 2025



Source: Uganda Bureau of Statistics (Labour Market Survey 2025 Report)

Services is now the largest source of employment, accounting for 50.5 percent of employed persons, followed by agriculture, forestry and fishing at 37.1 percent and industry at 12.4 percent. Agriculture remains dominant in rural areas, where it employs 46.9 percent of workers, while services account for 60.4 percent of urban employment. Beyond paid

employment, subsistence activity remains significant, with 39.9 percent of the working population engaged in subsistence agriculture only. This underscores the importance of boosting agricultural productivity, value addition and market access to move more households into the money economy.

Labour underutilisation remains a key challenge. The unemployment rate stood at 12.2 percent, higher among females (13.9 percent) than males (10.8 percent), and rose from 11.1 percent in March - May 2025 to 13.7 percent in June - August 2025. Youth were the most affected, with unemployment at 17.9 percent for those aged 15-24 years and 16.2 percent for those aged 18-30 years. A further 8.7 percent of employed persons worked fewer hours than they wished, and the composite measure of labour underutilisation stood at 41.6 percent, meaning about two in every five persons in the extended labour force[1] have an unmet need for employment.

Informality remains a defining feature of the labour market, with 87.6 percent of non-agricultural employment being informal. Informal business establishments employ about 7.4 million people compared to 2.4 million in formal establishments. Formal establishments reported 155,240 job vacancies, 30.0 percent of which arose from business expansion, while 46,217 jobs were lost, mainly through layoffs and downsizing. Industrial and agricultural parks employed 29,705 persons, more than half of them at the Kampala Industrial and Business Park, Namanve.

Government programmes such as the Parish Development Model (PDM), Emyooga, GROW, and the Small Business Recovery Fund remain pivotal in accelerating the transition from subsistence to commercial activity and supporting enterprise growth, particularly for women and youth. To absorb the growing labour force, continued investment in industrialisation, skills development and school-to-work transition, alongside measures to formalise businesses, will be critical to creating productive and decent jobs.

Inflation

Annual headline inflation in FY 2025/26 remained low and stable, averaging 3.3 percent, down from 3.5 percent in FY 2024/25. The decline was mainly on account of lower core inflation, however, both food crop inflation and energy, fuel and utilities (EFU) inflation registered an increase. Prudent monetary policy, coupled with an exchange rate appreciation,

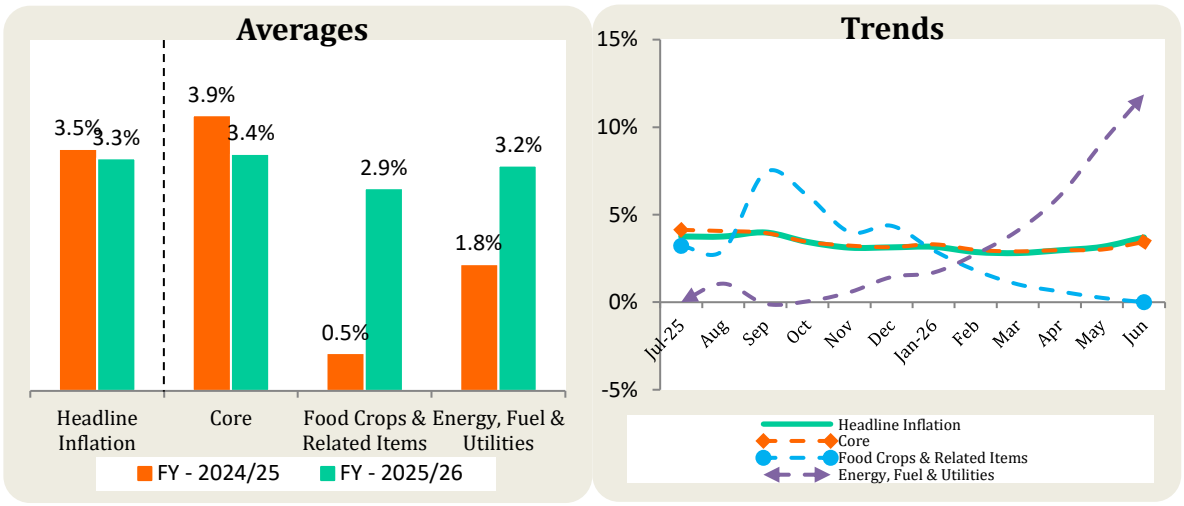


[1] The extended labour force is the labour force (the employed and the unemployed) plus the potential labour force, that is, persons not in employment who are either available for work but not seeking it, or seeking work but not available.

a general decline in global commodity prices during the first half of the financial year, played a significant role in supporting the low inflation (see Figure 3).

Despite this low inflation, however, inflationary pressures began to emerge towards the end of the financial year, particularly in June 2026, as fuel and transport costs increased following the conflict in the Middle East, which disrupted oil supplies and pushed up international oil prices from March 2026.

Figure 3: Annual Inflation broken down by Sub-Components



Source: Uganda Bureau of Statistics

Core Inflation

Annual core inflation in FY 2025/26 declined to a 3.4 percent average from a 3.9 percent average in the previous financial year. The overall slowdown in core inflation was mainly attributed to prudent monetary policy, an appreciating exchange rate and lower imported inflation as global inflation trended downwards in the first half of the financial year.

However, in June 2026, core inflation took an upward turn to 3.4 percent from 3.0 percent in May 2026, driven by an increase in prices of manufactured foods, alongside higher service costs, especially education-related expenses and transport, as higher international oil prices following the conflict in the Middle East fed through to domestic fuel prices.

Food Crop Inflation

Annual food crop inflation, on the contrary, increased to a 2.9 percent average in FY 2025/26 from a 0.5 percent average in the previous financial year. This was attributed to a temporary spike to 7.4 percent in September 2025, when food items such as matooke, groundnuts, avocados and pineapples recorded significant price increases following drier than expected

weather conditions that affected food supply. Food crop inflation, however, declined gradually in the subsequent months to 0.0 percent in June 2026.

Energy, Fuel and Utilities (EFU) Inflation

EFU inflation was a major contributor to overall upward price pressures towards the end of the financial year. Annual EFU inflation averaged 3.2 percent in FY 2025/26, up from 1.8 percent in the previous financial year. This increase was largely due to high international oil prices, which translated into higher domestic fuel prices. A monthly trend analysis of the liquid energy price index, which covers petrol, diesel, liquefied gas and paraffin prices combined, showed that the annual increase in this index remained negative until November 2025. It subsequently turned positive and rose sharply, reaching 26.2 percent by June 2026.

The increase in domestic fuel prices had significant spillover effects on the prices of other commodities outside the EFU basket, particularly towards the end of the financial year. These included higher transport costs, which subsequently contributed to higher prices of other goods, especially food crops.

In addition to high international oil prices, rising charcoal prices also contributed to the increase in annual EFU inflation. This was largely attributed to reduced charcoal supply across the country amid restrictions on tree cutting, which constrained availability and exerted upward pressure on charcoal prices.

Overall, by June 2026, annual EFU inflation had risen to 11.9 percent due to the above factors.

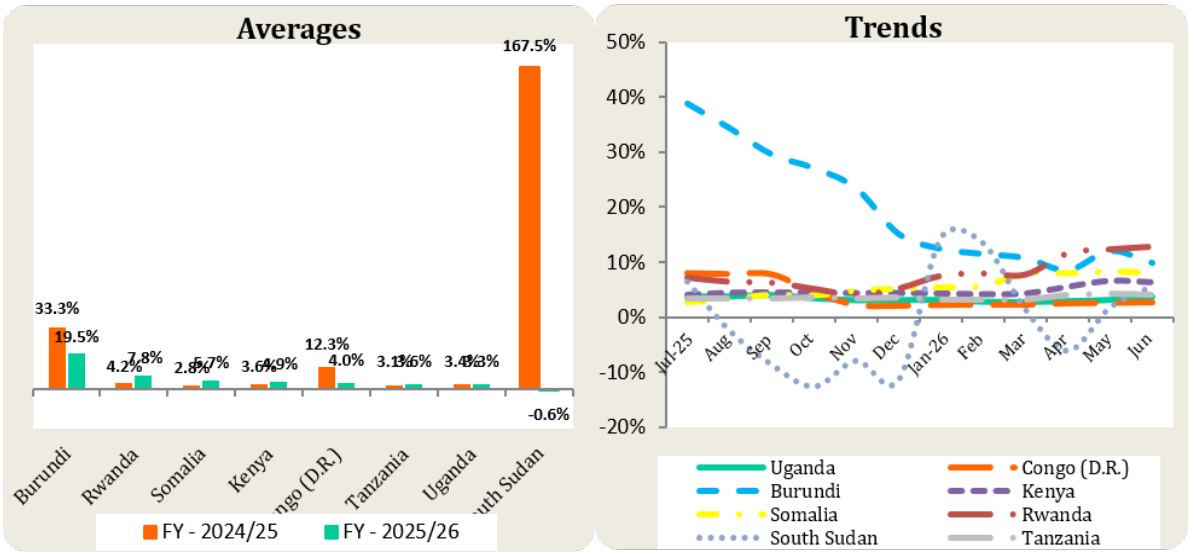
Inflation across the East African Community

Inflation trends across EAC Partner States were mixed between FY 2024/25 and FY 2025/26. While inflation increased in Kenya, Tanzania, Rwanda and Somalia, it declined in Uganda, Burundi and the Democratic Republic of Congo (DRC). Uganda recorded the lowest inflation rate in the region at 3.32 percent in FY 2025/26, down from 3.45 percent in the previous financial year, indicating price stability. This performance was largely supported by a prudent monetary policy stance and the appreciation of the Uganda shilling during the first half of the financial year. Tanzania and the DRC followed, with inflation rates of 3.55 percent and 3.72 percent, respectively. In contrast, Rwanda registered the largest increase in inflation, rising by 3.66 percentage points from 4.15 percent to 7.81 percent, partly reflecting rising food, energy and transport costs. Somalia and Kenya also experienced increases in inflation, reaching 5.65 percent and 4.87 percent, respectively. These developments point to persistent

inflationary pressures across parts of the region, partly driven by increases in food and fuel prices.

Despite a substantial decline in inflation from 33.33 percent in FY 2024/25 to 19.51 percent in FY 2025/26, Burundi continued to record the highest inflation rate among the EAC Partner States. Its inflation rate remained significantly above the 8 percent convergence threshold under the East African Monetary Union (EAMU) convergence criteria. The persistently high inflation was associated with foreign exchange shortages, fuel scarcity and limited availability of imported goods. Overall, the divergent inflation trends highlight differences in macroeconomic conditions across the region and underscore the need for appropriate country-specific policies to maintain price stability and support the EAC's macroeconomic convergence objectives. Figure 4 shows inflation rates across EAC Partner States in FY 2024/25 and FY 2025/26.

Figure 4: Headline Inflation among EAC Partner States



Source: Respective Countries' Statistics Bureaus.

Global Commodity Price Trends

International Oil Prices

Brent crude averaged US$ 79.02 per barrel in FY 2025/26, up from US$ 74.57 per barrel in FY 2024/25. Prices were subdued in the first eight months of the financial year, averaging US$ 66.91 per barrel, as OPEC+ continued to unwind its production cuts and supply growth, particularly from non-OPEC producers in the Americas, outpaced demand, leaving the global market in surplus.

This trend reversed sharply from March 2026 following the outbreak of conflict involving the United States, Israel and Iran. Disruptions to shipping through the Strait of Hormuz and production shutdowns across the Middle East pushed Brent above US$ 100 per barrel, with the monthly average peaking at US$ 117.29 in April 2026. Prices eased to US$ 85.40 per barrel in June 2026 but remained well above the levels recorded at the start of the financial year.

International Coffee Prices

In FY 2025/26, the International Coffee Organization's (ICO) composite price indicator averaged 287.65 US cents per lb, slightly lower than the average of 294.39 in FY 2024/25, as shown by Figure 5. Prices rose in the first half of the year, peaking at 330.44 in November 2025, supported by tight supply, including lower output in Colombia due to excessive rains. However, prices eased from December 2025 to 248.90 in June 2026, the lowest monthly average in the financial year. This was driven by expectations of a record 2026/27 harvest in Brazil, higher production estimates for Vietnam and the arrival of Brazil's new crop in April 2026. A strong US dollar also weighed on prices.

Figure 5: Movements in the International Oil Prices and Coffee Composite Price Indicator, FY 2024/25 vs FY 2025/26



Source: US Energy Information Administration; International Coffee Organisation (ICO)

Financial Sector Developments

Bank of Uganda maintained the Central Bank Rate (CBR) at 9.75 percent throughout FY 2025/26, reflecting a cautious monetary policy stance aimed at preserving price stability while supporting sustainable economic growth amid heightened global uncertainty. Consequently, the rediscount rate and bank rate remained unchanged at 12.75 percent and 13.75 percent, respectively.

However, heightened geopolitical tensions in the Middle East, particularly disruptions to international trade and rising global oil prices, increased the risks to the domestic inflation outlook. In response, the Bank of Uganda raised the Cash Reserve Requirement (CRR) from 9.5 percent to 11.0 percent in March 2026 to moderate liquidity conditions in the banking system and contain potential inflationary pressures. This measure complemented the prevailing monetary policy stance and reinforced efforts to anchor inflation expectations around the medium-term core inflation target of 5 percent.

Lending Rates (weighted average)



average
Commercial bank
lending
rate of
18.49%

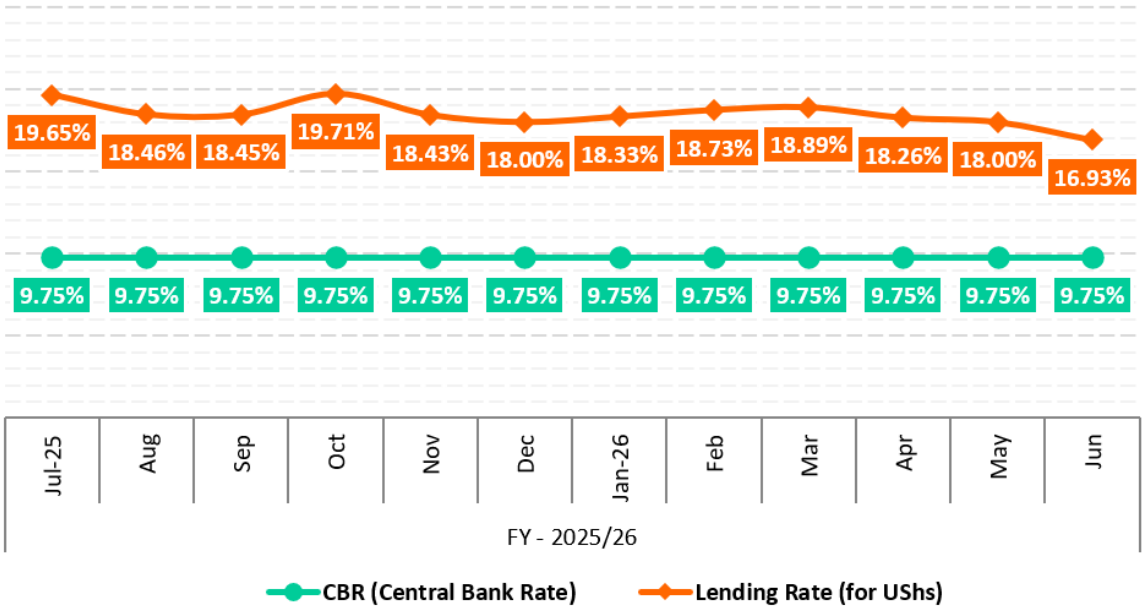
The weighted average lending rate on Shilling-denominated credit increased marginally to 18.49 percent in FY 2025/26, from 18.16 percent in FY 2024/25. Lending rates remained relatively elevated during the first three quarters of the financial year (July 2025 - March 2026), partly reflecting sustained credit demand alongside Government's domestic borrowing requirements.

However, lending rates eased towards the end of the financial year, with the monthly weighted average declining from 19.65 percent in July 2025 to 16.93 percent in June 2026. This moderation was partly supported by improving credit quality and reduced risk aversion among commercial banks. Notably, the ratio of non-performing loans (NPLs) to total gross loans declined from 3.68 percent in FY 2024/25 to 2.61 percent in FY 2025/26, indicating improved loan performance and reduced credit risk.

Similarly, the weighted average lending rate on foreign currency-denominated credit declined to 7.60 percent in FY 2025/26, from 8.59 percent in FY 2024/25, continuing the downward trend observed in the previous financial year. The decline was partly supported by increased foreign currency deposits, underpinned by foreign exchange inflows from exports, tourism and remittances, alongside the stability of the Uganda Shilling against the US Dollar.

Overall, the moderation in lending rates towards the end of the financial year, coupled with improvements in loan performance, contributed to more favourable credit conditions for the private sector.

Figure 6: Central Bank Rate and Commercial Bank Lending Rates Movements



Source: Bank of Uganda

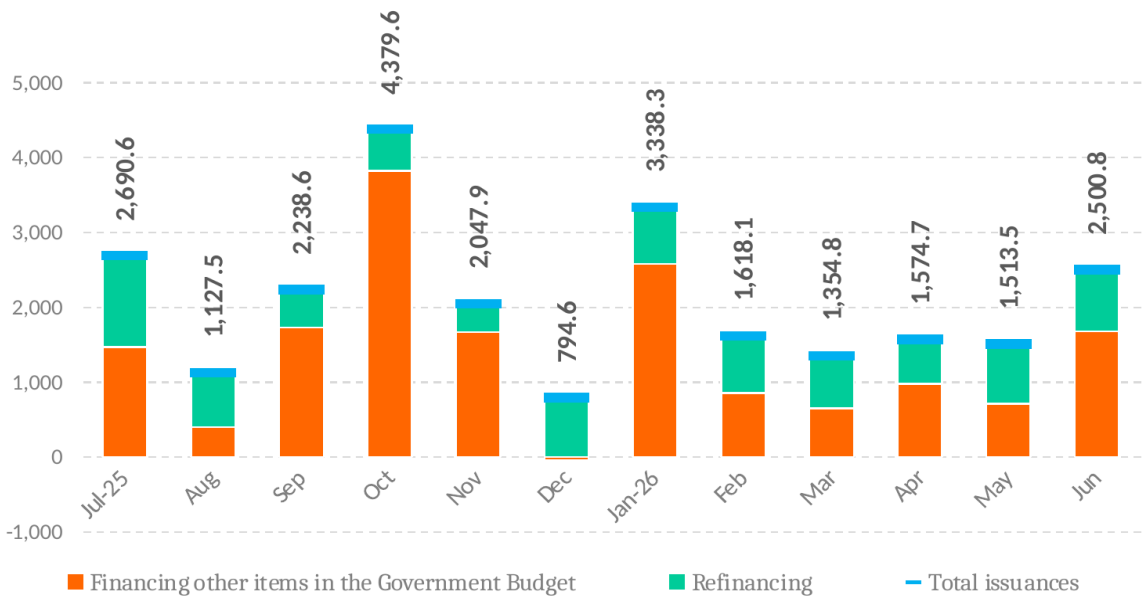
Government Securities

During FY 2025/26, Government raised a total of UShs 25,178.96 billion through the issuance of Treasury Bills and Treasury Bonds in the domestic primary market. Of this amount, UShs 8,654.07 billion was used to refinance maturing securities, while UShs 16,524.89 billion financed other budgetary requirements, as illustrated in Figure 7.

Treasury Bonds accounted for the largest share of total issuances at UShs 17,120.88 billion (68.0 percent), while Treasury Bills accounted for UShs 8,058.09 billion (32.0 percent). The predominance of Treasury Bonds reflected Government's continued preference for longer-term domestic financing instruments, consistent with efforts to lengthen the maturity profile of domestic debt and reduce refinancing risk.

Notably, Government introduced its first 25-year Treasury Bond in August 2025, marking a significant milestone in domestic debt market development. The introduction of the longer-dated instrument expanded the range of investment opportunities available to institutional investors and provided an additional mechanism for managing refinancing risk. It also contributed to the development of the domestic yield curve, supporting longer-term pricing and investment decisions in the financial market.

Figure 7: Breakdown of utilisation of resources from Government Securities in Billion UShs



Source: Ministry of Finance, Planning and Economic Development

Yields (interest rates) on Treasury Bills

Treasury Bill yields generally declined in FY 2025/26 compared to FY 2024/25, except for the 91-day tenor. The average yields on the 182-day and 364-day Treasury Bills declined to 12.5 percent and 13.8 percent, from 13.3 percent and 14.8 percent, respectively. The decline was partly supported by increased investor demand for Government securities, particularly during the second half of the financial year. Improved market sentiment following the conclusion of the January 2026 general elections, alongside a relatively stable macroeconomic environment and reduced Government borrowing towards the end of the financial year, contributed to the downward movement in yields.

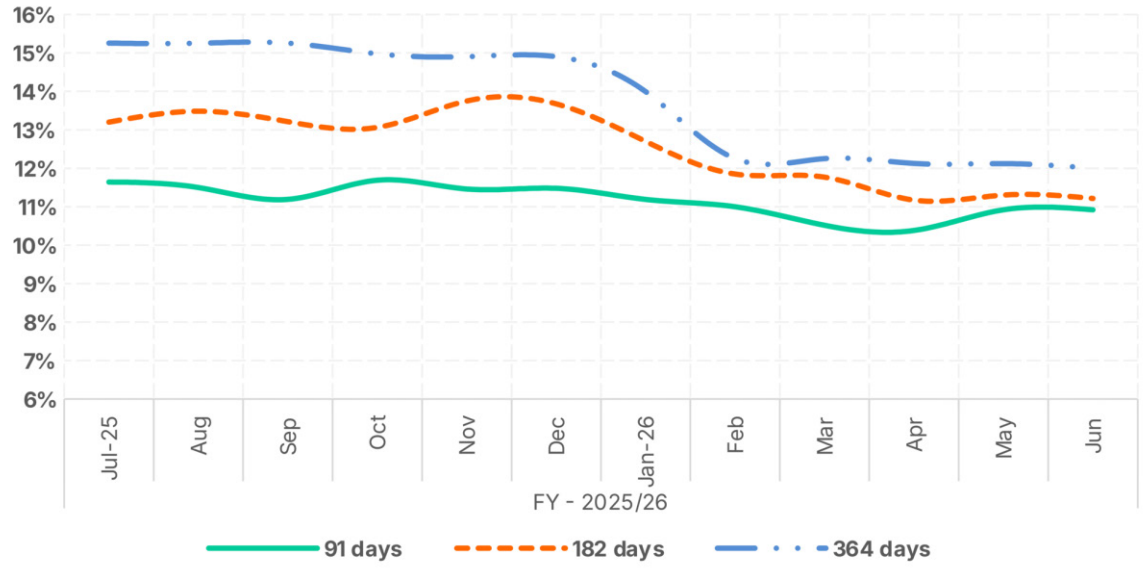
In contrast, the average yield on the 91-day Treasury Bill increased marginally to 11.2 percent in FY 2025/26, from 10.8 percent in FY 2024/25, indicating relatively firmer pricing conditions at the shorter end of the yield curve.

Table 2: Average Annualised Yields on Treasury Bills (%)

	2020/21	2021/22	2022/23	2023/24	2024/25	2025/26
91-Days	7.8	7.0	10.4	9.8	10.8	11.2
182-Days	10.2	8.6	11.4	12.3	13.3	12.5
364-Days	12.1	9.9	13.2	13.0	14.8	13.8

Source: Bank of Uganda

Figure 8: Movement of Treasury Bill Yields (interest rates)



Source: Bank of Uganda

Yields on Treasury Bonds

Consistent with developments in the Treasury Bill market, average yields on Treasury Bonds declined across all comparable tenors in FY 2025/26. The average yields on the 2-year, 3-year, 5-year, 10-year, 15-year and 20-year Treasury Bonds declined to 14.8 percent, 14.8 percent, 15.5 percent, 16.3 percent, 16.8 percent and 17.1 percent, respectively, from 15.7 percent, 16.0 percent, 16.3 percent, 16.8 percent, 17.0 percent and 17.5 percent in FY 2024/25. The broad-based decline in Treasury Bond yields was supported by sustained investor demand, improved market confidence following the end of the election period and a stable macroeconomic environment. The moderation in yields suggests an improvement in domestic financing conditions, potentially easing the marginal cost of new Government borrowing.

Meanwhile, the newly introduced 25-year Treasury Bond recorded an average yield of 16.7 percent during FY 2025/26, reflecting investor appetite for longer-term Government securities.

Overall, the decline in Government securities yields, alongside the continued preference for longer-dated instruments, represents a positive development for domestic debt management. However, sustaining these gains will require prudent management of Government's domestic financing requirements to contain borrowing costs and minimise potential crowding-out pressures on private sector credit.

Lending to the Private Sector

Private Sector Credit



grew by

16.1%

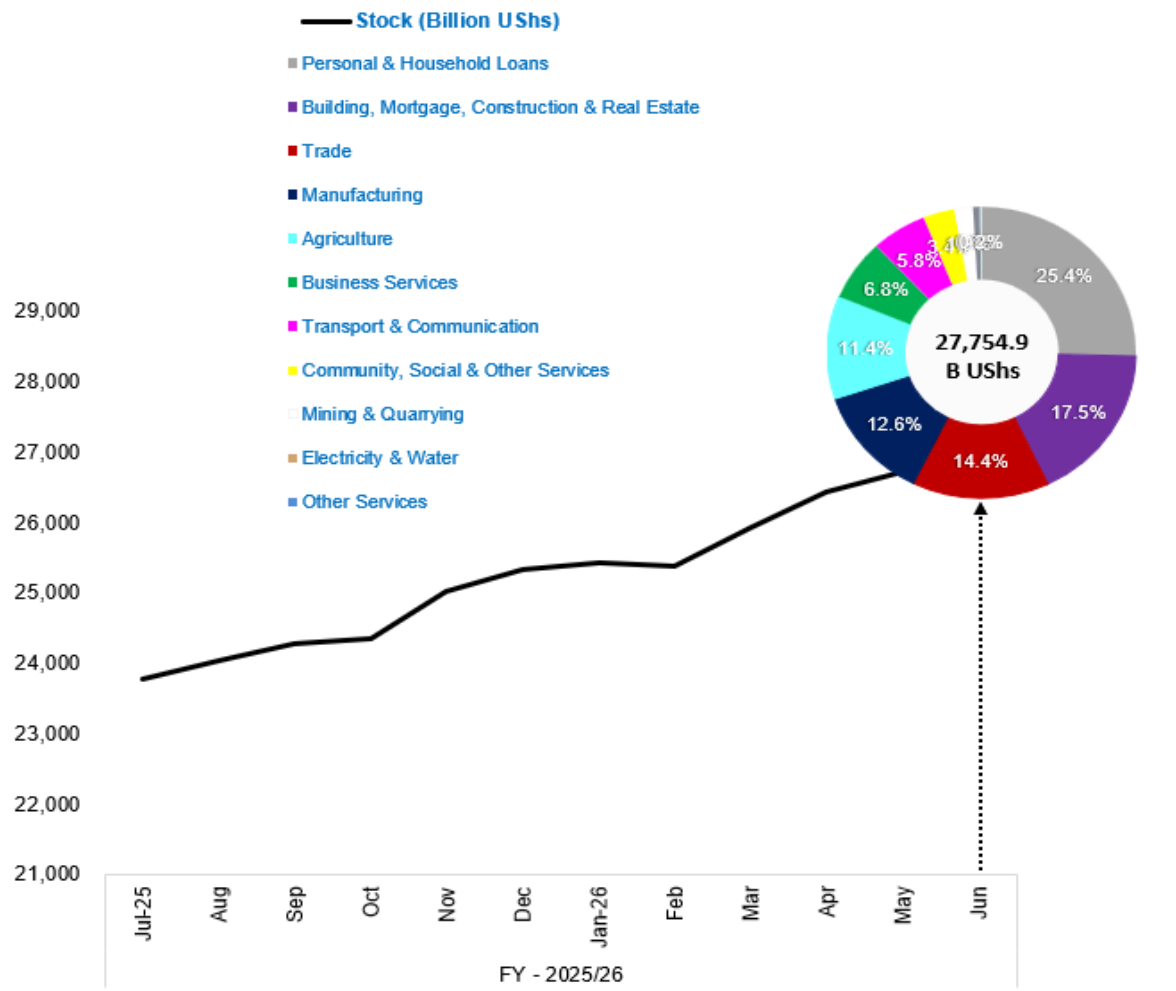
Private sector credit expanded significantly in FY 2025/26, supported by sustained economic activity, improving credit quality and stable macroeconomic conditions. The outstanding stock of private sector credit increased by 16.1 percent to UShs 27,754.90 billion in June 2026, from UShs 23,901.94 billion in June 2025. This represented a notable improvement compared to the 9.1 percent growth recorded in FY 2024/25.

The expansion was reflected in both Shilling- and foreign currency-denominated credit, which increased by 12.5 percent and 25.2 percent, respectively. Growth in Shilling-denominated credit reflected sustained demand for domestic financing, while foreign currency-denominated credit benefited from increased foreign exchange inflows from remittances, exports and a stable exchange rate.

The strong growth in private sector credit was also supported by improving asset quality in the banking sector, as reflected in the decline in the NPL to Total Gross Loans ratio, alongside relatively low inflation. These developments contributed to improved lending conditions and supported credit expansion. In addition, Government-supported financing initiatives, including Emyooga, the Parish Development Model (PDM) and the Agricultural Credit Facility (ACF), continued to complement conventional financial sector lending by facilitating access to financing for smallholder farmers, micro and small enterprises, and community-based groups.

Overall, the improvement in private sector credit growth signals strengthening financial intermediation and sustained demand for financing to support economic activity. Maintaining this momentum will require continued improvements in credit affordability, financial inclusion and the continued allocation of credit towards productive sectors of the economy as identified under the ten-fold growth strategy.

Figure 9: Stock of Private Sector Credit



Source: Bank of Uganda

Credit Extension (credit applications and approvals)

During FY 2025/26, lending institutions approved credit amounting to UShs 22,753.6 billion against total loan applications valued at UShs 35,892.1 billion, representing an approval rate of 63.4 percent. This was slightly lower than the 66.0 percent recorded in FY 2024/25, indicating a marginal decline in the proportion of credit applications approved.

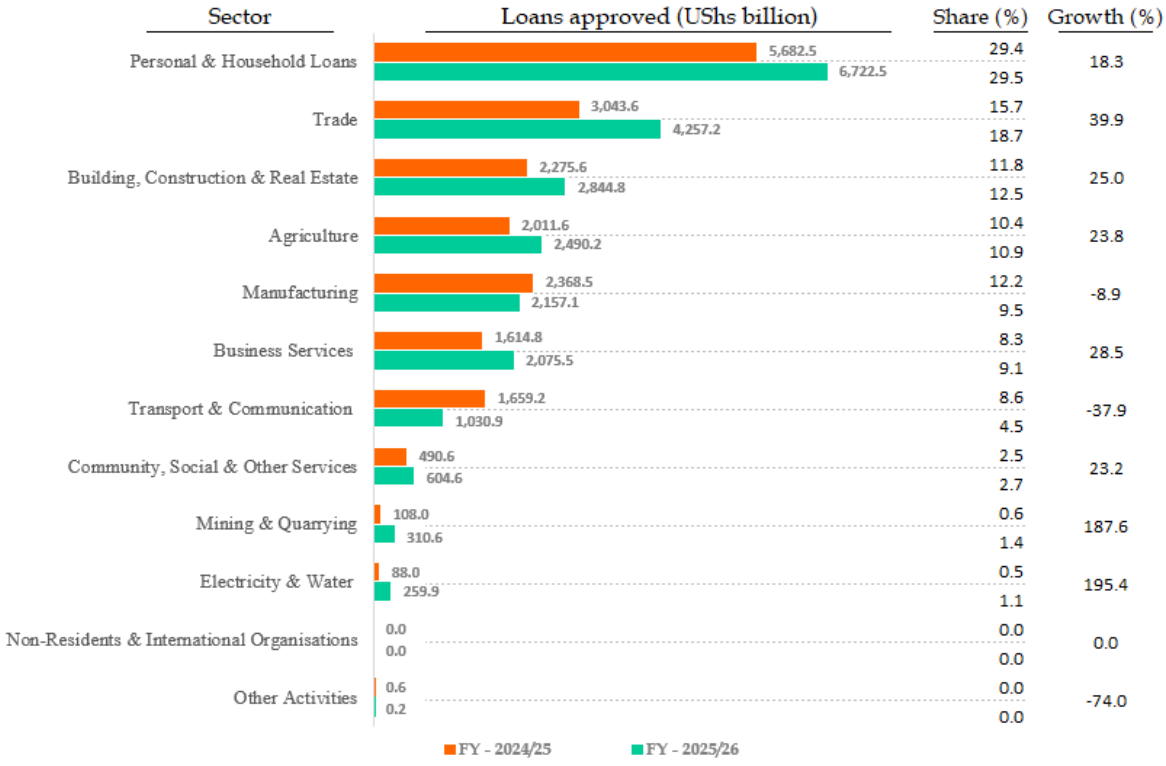
Personal and household loans accounted for the largest share of approved credit at 29.5 percent, followed by trade at 18.7 percent. Together, these two categories accounted for 48.2 percent of total approved credit, highlighting their continued dominance in the allocation of commercial bank lending. Other major beneficiaries included building, construction and real estate (12.5 percent), agriculture (10.9 percent) and manufacturing (9.5 percent).

The distribution of approved credit indicates sustained financing demand across household, commercial and productive activities. Nonetheless, the marginal decline in the credit approval rate, despite strong growth in outstanding private sector credit, suggests that access to formal

financing remained constrained for some borrowers. This underscores the importance of continued efforts to reduce lending risks, strengthen credit information systems and expand affordable financing mechanisms to enhance financial inclusion.

Figure 10 shows the value of new loans approved by sector.

Figure 10: Value of New Loans Approved by Sector



Source: Bank of Uganda

Non-Performing Loans (NPLs)

The ratio of non-performing loans (NPLs) to total gross loans declined to 2.61 percent in FY 2025/26, from 3.68 percent in FY 2024/25, indicating improved loan performance and reduced credit risk in the banking sector. The improvement in asset quality supported lower lending rates towards the end of the financial year and contributed to the strong growth in private sector credit.

Exchange Rate

Shilling appreciated

by 1.9% per US$ to 3,607.6

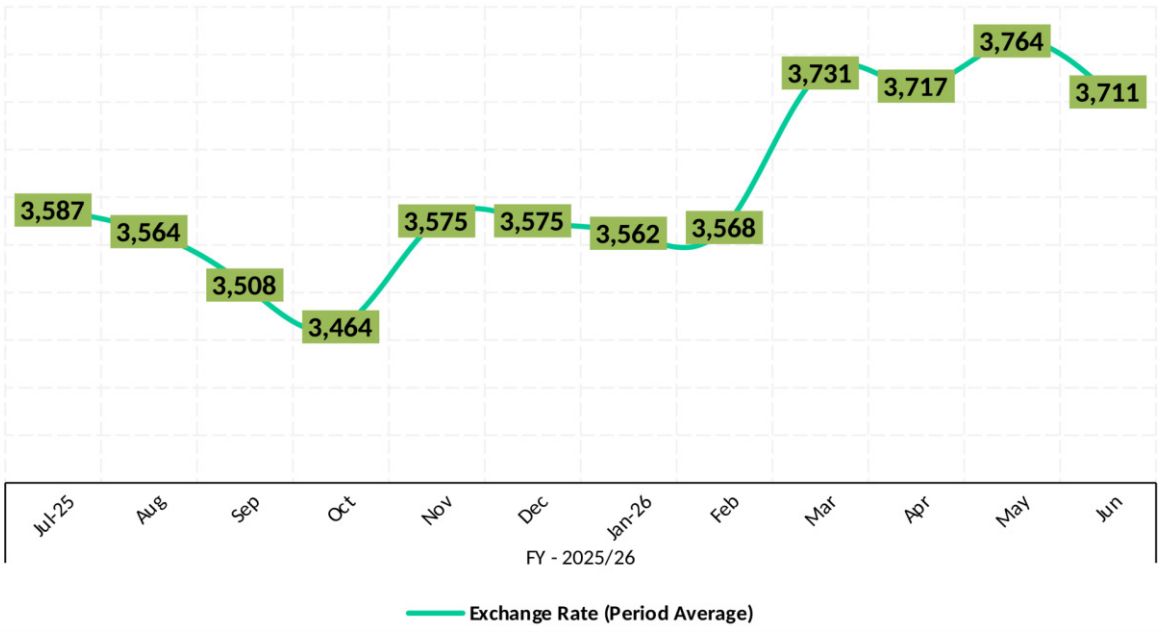
The Shilling appreciated by 1.9 percent against the US Dollar in FY 2025/26, trading at an average mid-rate of UShs 3,607.6 per US Dollar, compared to UShs 3,677.6 in FY 2024/25. The appreciation was particularly pronounced during the first half of the financial year, supported by increased foreign exchange inflows from exports and remittances, which more than offset the demand for foreign currency. The relative stability of the Shilling was further

supported by prudent macroeconomic policies and the accumulation of foreign exchange reserves, which helped strengthen market confidence and the economy's capacity to withstand external shocks.

However, the Shilling came under depreciation pressure during the second half of the financial year, partly reflecting heightened geopolitical tensions in the Middle East and the associated increase in international oil prices and freight costs. These developments raised foreign exchange demand for petroleum products and other imported goods, contributing to pressure on the domestic currency.

Overall, the appreciation of the Shilling during FY 2025/26 helped moderate the domestic currency cost of imports and supported price stability. Nevertheless, developments in the latter part of the financial year highlighted the continued sensitivity of the exchange rate to external shocks, particularly movements in global commodity prices and international trade conditions.

Figure 11: Official Exchange Rate Movement of UShs against US$



Source: Bank of Uganda

Exchange Rates within the EAC

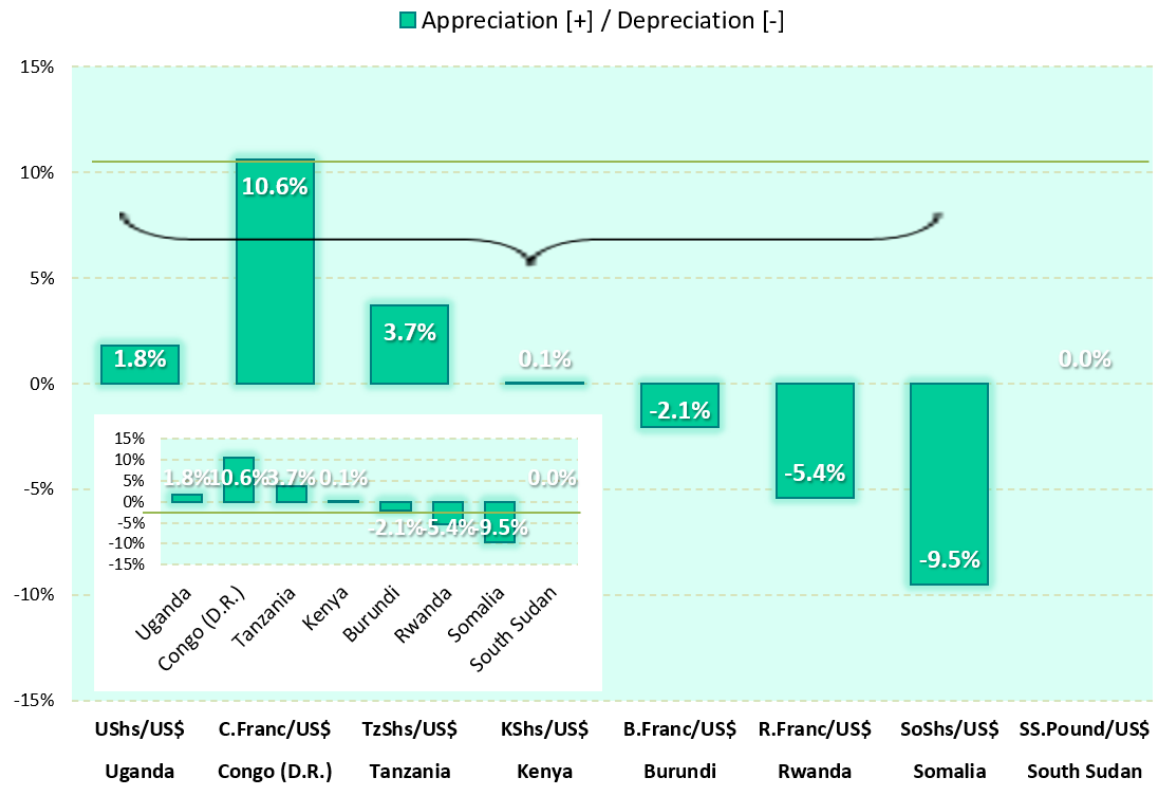
Exchange rate movements across the East African Community (EAC) exhibited mixed trends during FY 2025/26. The Ugandan, Kenyan and Tanzanian Shillings appreciated against the US Dollar by 1.9 percent, 0.1 percent and 3.7 percent, respectively. In contrast, the Burundian and Rwandan Francs depreciated by 2.1 percent and 5.4 percent, respectively.

In Kenya, the marginal appreciation of the Shilling was supported by sustained foreign exchange inflows, particularly remittances and export receipts from tea, coffee and horticultural products. Improved foreign exchange reserve buffers also contributed to exchange rate stability.

Similarly, the Tanzanian Shilling appreciated against the US Dollar, reversing the depreciation recorded in FY 2024/25. The strengthening was supported by increased foreign exchange inflows and a relatively stable macroeconomic environment, characterized by moderate inflation and adequate foreign exchange reserves.

Conversely, the Rwandan Franc depreciated by 5.4 percent against the US Dollar, although this represented a moderation from the 10.2 percent depreciation recorded in FY 2024/25. The weakening of the Rwandan and Burundian Francs was partly associated with persistent external sector imbalances and demand for foreign currency to finance imports.

Figure 12: Change in Exchange Rates (Period Average) in EAC for 2025/26 Vs 2024/25



Source: Respective Central Banks

Note: South Sudan data was extracted from IMF – International Financial Statistics database

External Sector

Trade in Goods and Services

Uganda's overall trade deficit widened by 13.8 percent to US$ 5,150.12 million in FY 2025/26, from US$ 4,527.67 million in FY 2024/25. This deterioration reflected a widening services trade deficit, which more than offset the improvement in the merchandise trade balance.

The merchandise trade deficit narrowed by 16.7 percent to US$ 2,052.55 million in FY 2025/26, from US$ 2,464.39 million in FY 2024/25, as the increase in merchandise export earnings exceeded the growth in merchandise import expenditure. This continued the improving trend observed over the past five years, with the merchandise trade deficit progressively declining from US$ 3,300.12 million in FY 2021/22. The improvement was supported by robust merchandise export performance, particularly gold, and is consistent with ongoing efforts to promote exports and strengthen domestic productive capacity.

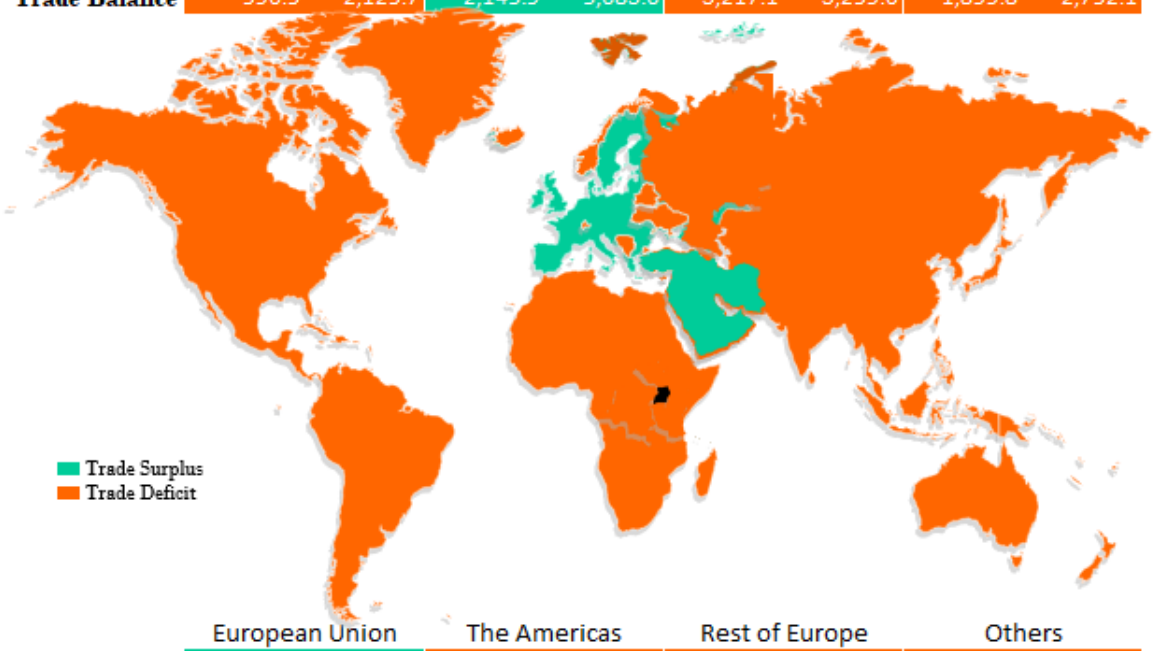
In contrast, the services trade deficit widened by 50.1 percent to US$ 3,096.62 million in FY 2025/26, from US$ 2,063.27 million in FY 2024/25, as growth in services imports significantly outpaced export receipts. The deterioration was partly attributed to heightened geopolitical tensions in the Middle East which started in February 2026, disrupting shipping through the Strait of Hormuz, necessitating longer and more costly alternative routes and consequently increasing freight costs. Additionally, elevated security risks increased insurance premiums, further raising the cost of imported insurance services. On the export side, travel restrictions associated with the Ebola outbreak dampened tourism and air transport receipts, constraining growth in services exports. Consequently, the widening services deficit more than offset the improvement in the merchandise trade balance, resulting in a deterioration in Uganda's overall trade position.

Total export earnings from goods and services increased by 37.4 percent to US$ 18,443.64 million in FY 2025/26, from US$ 13,422.89 million in FY 2024/25. This performance was largely driven by merchandise exports, which grew by 46.4 percent to US$ 15,756.67 million, supported by increased earnings from gold, electricity and beans, among other commodities. Services export receipts increased marginally by 1.0 percent to US$ 2,687.92 million, reflecting slightly higher earnings from tourism, construction, insurance and pension services, and transport services.

Meanwhile, total imports of goods and services increased by 31.4 percent to US$ 23,593.76 million, from US$ 17,950.56 million in FY 2024/25. Merchandise imports increased by 34.7 percent to US$ 17,809.22 million, while services imports grew by 22.4 percent to US$ 5,784.54 million. The increase was largely driven by higher imports of mineral products, machinery and equipment, vehicles and accessories, petroleum products, base metals and their products, as well as construction, transport, and personal, cultural and recreational services.

Figure 13: Uganda's Merchandise Trade Balance across Regional Blocs in FY 2025/26 (US$ Million)

	EAC		Middle East		Asia		Rest of Africa	
	FY-24/25	FY-25/26	FY-24/25	FY-25/26	FY-24/25	FY-25/26	FY-24/25	FY-25/26
Total Trade	6,485.7	9,092.4	5,145.3	8,613.1	6,239.0	8,306.8	2,754.5	3,955.7
Trade Balance	-596.5	-2,125.7	2,145.9	5,683.6	-3,217.1	-3,259.6	-1,899.8	-2,752.1



	European Union		The Americas		Rest of Europe		Others	
	FY-24/25	FY-25/26	FY-24/25	FY-25/26	FY-24/25	FY-25/26	FY-24/25	FY-25/26
Total Trade	2,732.4	2,790.2	396.3	511.7	210.6	260.3	23.9	35.6
Trade Balance	1,152.5	624.2	-49.6	-158.4	7.1	-61.1	-6.9	-3.4

Source: MOFPED calculations based on data from BOU

Note: Total Trade is equal to merchandise exports plus merchandise imports, and Trade Balance is equal to merchandise exports minus merchandise imports

Merchandise Exports

Merchandise Exports

Increased by 46.4%

Uganda's merchandise export earnings increased by 46.4 percent to a record US$ 15,756.67 million in FY 2025/26, from US$ 10,761.62 million in FY 2024/25. This strong performance was predominantly driven by higher coffee export earnings, alongside increased receipts from electricity, beans, cotton, cobalt, base metals and their products, cement, beer and other merchandise exports.

Gold remained Uganda's leading merchandise export, with earnings more than doubling from US$ 4,210.93 million in FY 2024/25 to US$ 8,907.70 million in FY 2025/26, representing an increase of 111.5 percent. This growth reflected a combination of higher international gold prices and increased export volumes. The volume of gold exported rose by 42.8 percent, from 49,085 kilograms to 70,088.99 kilograms over the period.

The increase in international gold prices was supported by heightened geopolitical and global economic uncertainty, which strengthened demand for gold as a safe-haven asset. Gold prices were also supported by central bank purchases aimed at diversifying international reserves, uncertainty surrounding global trade policies, and movements in the US dollar. These developments, combined with increased export volumes, contributed to the substantial rise in Uganda's gold export earnings.

Coffee export earnings, on the other hand, declined marginally by 0.9 percent to US$ 2,190.94 million in FY 2025/26, from US$ 2,210.85 million in FY 2024/25. This followed exceptionally strong earnings in the previous financial year, when international coffee prices increased significantly due to weather-related supply constraints in Brazil and Vietnam, major global producers of Arabica and Robusta coffee, respectively.

In FY 2025/26, improved coffee supplies from the two countries eased global supply constraints, contributing to a decline in average coffee prices from approximately US$ 4.75 per kilogram in FY 2024/25 to US$ 4.40 per kilogram. Despite the price moderation, Uganda's coffee export volumes increased by 8.0 percent, from 7.75 million to 8.37 million 60-kilogram bags. The increase in export volumes largely offset the impact of lower prices, limiting the decline in export earnings to US$ 19.91 million.

Gold and coffee jointly accounted for 70.4 percent of Uganda's merchandise export earnings in FY 2025/26, up from 59.7 percent in FY 2024/25. This increasing concentration highlights the growing importance of the two commodities to Uganda's export performance, while also exposing export receipts to fluctuations in international commodity prices. It underscores the need to accelerate export diversification, promote value addition and expand the production and export of higher-value products.

Merchandise exports excluding gold increased by 4.6 percent to US$ 6,848.96 million in FY 2025/26, from US$ 6,550.69 million in FY 2024/25 mainly due to coffee which contributed 31.9 percent of the total merchandise exports. This indicates positive performance among other export commodities.

Sustaining and broadening this growth will be critical to strengthening Uganda's export competitiveness, reducing vulnerability to commodity price shocks and supporting the country's long-term economic transformation agenda, including the ambition to expand the size of the economy to US$ 500 billion by 2040.

Figure 14 shows the top 20 exports of Uganda in FY 2025/26 (US$ Million).

Figure 14: Top 20 Commodity Exports of Uganda in FY 2025/26 (US$ Million)



Source: MOFPED calculations based on data from BOU

Note: X – denotes the rank of the commodity in the previous Financial Year

Traditional Exports are listed according to the Uganda Trade Policy

Destination of Exports

The Middle East remained Uganda's leading merchandise export destination in FY 2025/26, followed by the East African Community (EAC), Asia and the European Union (EU). Export earnings from the Middle East increased by 96.1 percent to US$ 7,148.37 million, from US$

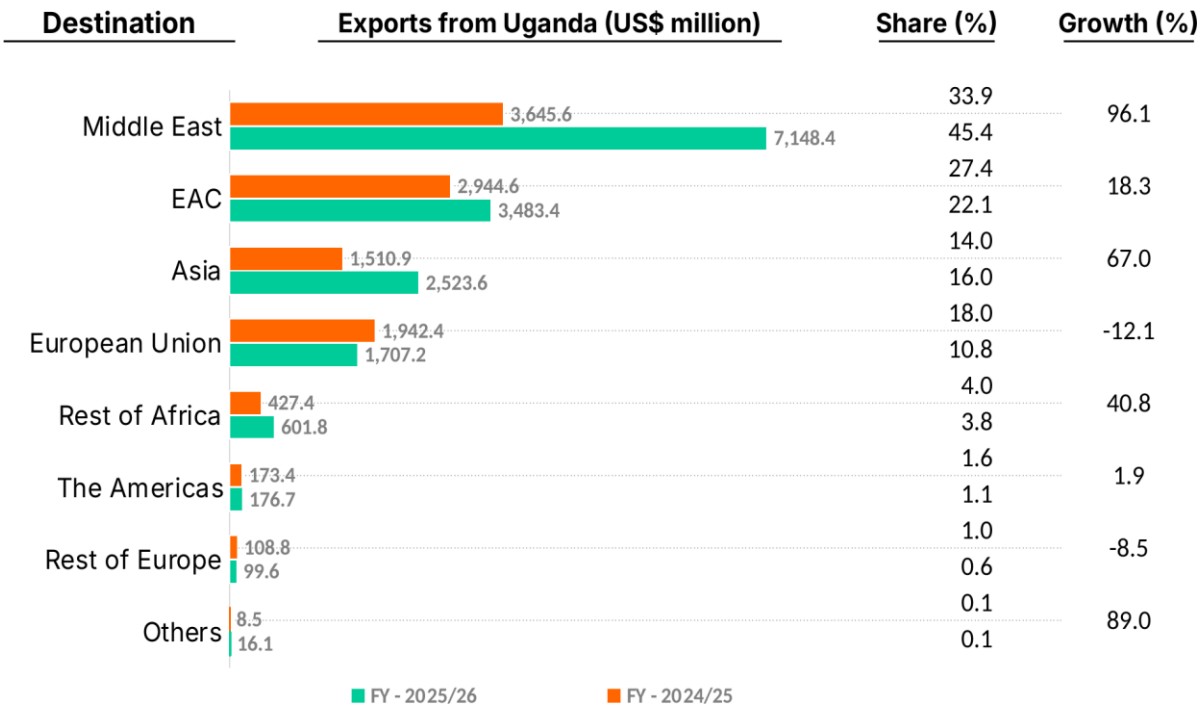
3,645.57 million in FY 2024/25. The region accounted for approximately 45.4 percent of total merchandise export earnings, largely reflecting increased gold exports.

The EAC remained Uganda's second-largest export market, with earnings increasing by 18.3 percent to US$ 3,483.38 million, from US$ 2,944.61 million in FY 2024/25. The region accounted for 22.1 percent of total merchandise exports, highlighting the continued importance of regional markets to Uganda's external trade.

Meanwhile, Asia and the EU accounted for 16.0 percent and 10.8 percent of merchandise export earnings, respectively, with coffee and gold among the key commodities exported to these markets.

The concentration of export earnings in the Middle East, largely driven by gold, highlights the importance of strengthening market diversification alongside product diversification. At the same time, the continued growth in exports to the EAC demonstrates the potential of regional integration to support Uganda's export expansion and provide markets for a broader range of domestically produced goods. See Figure 15 below.

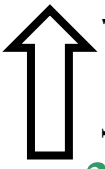
Figure 15: Destination of Uganda's Merchandise Exports to different Regional Blocs



Source: MOFPED calculations based on data from BOU

Merchandise Imports

Merchandise Imports



Increased by 34.7%

Uganda's merchandise imports increased by 34.7 percent to US$ 17,809.22 million in FY 2025/26, from US$ 13,226.03 million in FY 2024/25. This growth was primarily driven by formal private sector imports, which rose by 36.6 percent to US$ 17,531.33 million and more than offset the decline in Government-related imports.

The increase in private sector imports was largely attributable to higher expenditure on mineral products excluding petroleum, machinery and equipment, vehicles and accessories, petroleum products, base metals and their products, vegetable and animal products, beverages, fats and oils, plastics, rubber and related products.

The composition of imports reflects demand for production inputs, capital equipment, energy products and consumer goods. While imports of machinery, equipment and intermediate inputs can support investment and productive capacity, sustained growth in import expenditure also places pressure on the merchandise trade balance, particularly where corresponding export earnings do not increase proportionately.

Petroleum product imports increased by 20.0 percent to US$ 1,956.59 million in FY 2025/26, from US$ 1,630.58 million in FY 2024/25, representing an additional expenditure of approximately US$ 326.00 million. The increase was partly associated with movements in international oil prices, with the international oil price index rising from 133.28 in July 2025 to a peak of 226.21 in April 2026. Geopolitical tensions in the Middle East and concerns over disruptions to major international shipping routes contributed to volatility in global petroleum markets.

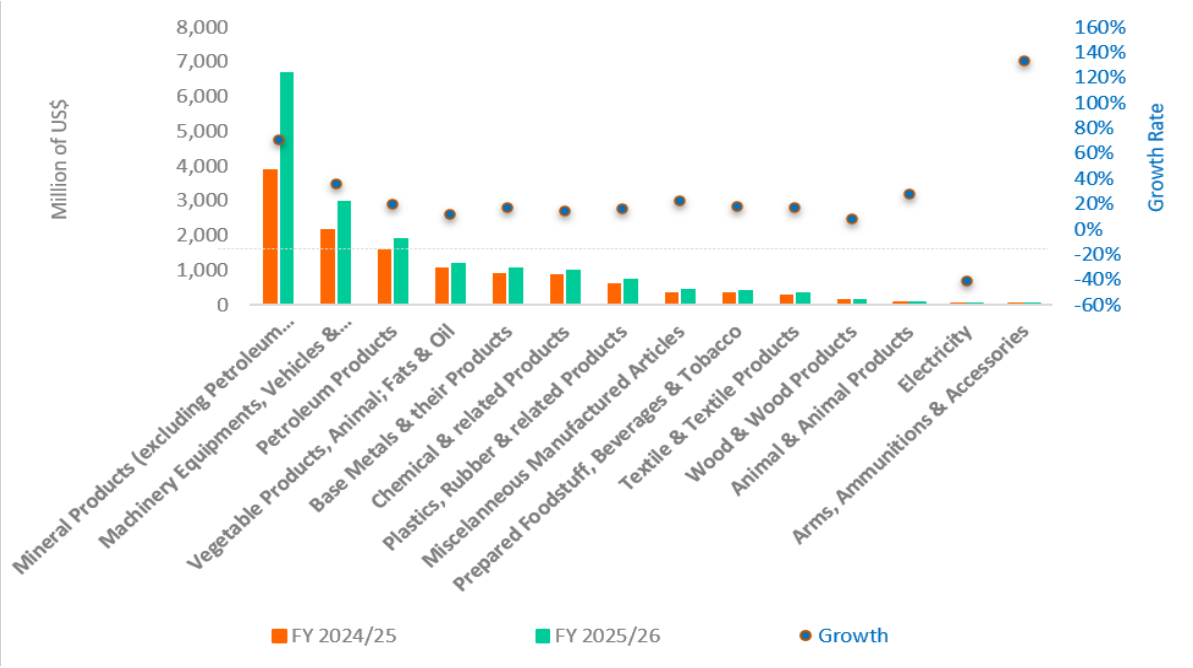
Government imports declined by 63.5 percent to US$ 100.68 million, from US$ 275.96 million in FY 2024/25. The decline reflected reduced project-related and non-project-related imports. Project-related imports decreased from US$ 235.98 million to US$ 100.68 million, while non-project-related imports declined from US$ 39.98 million to zero over the same period.

Overall, the increase in merchandise imports was predominantly driven by private sector demand. Sustaining improvements in the merchandise trade balance will require continued expansion of export earnings alongside measures to strengthen domestic production and competitiveness, particularly in sectors with potential to substitute imports efficiently.

Table 3: Performance of Imports in US$ million				
	FY 2024/25	FY 2025/26	Difference (value)	Growth Rate
Total Imports (f.o.b)	13,226.0	17,809.2	4,583.2	34.7%
Government Imports	276.0	100.7	-175.3	-63.5%
Project	236.0	100.7	-135.3	-57.3%
Non-Project	40.0	0.0	-40.0	-100.0%
Formal Private Sector Imports	12,829.9	17,531.3	4,701.5	36.6%
Oil imports	1,630.6	1,956.6	326.0	20.0%
Non-oil imports	11,199.3	15,574.7	4,375.5	39.1%
Estimated Private Sector Imports	120.2	177.2	57.0	47.4%
Total Private Sector Imports	12,950.1	17,708.5	4,758.5	36.7%

Source: Bank of Uganda

Figure 16: Composition of Formal Private Sector Imports by Category



Source: Bank of Uganda

Note: Commodity category is according to the Harmonised Coding System

Origin of Imports

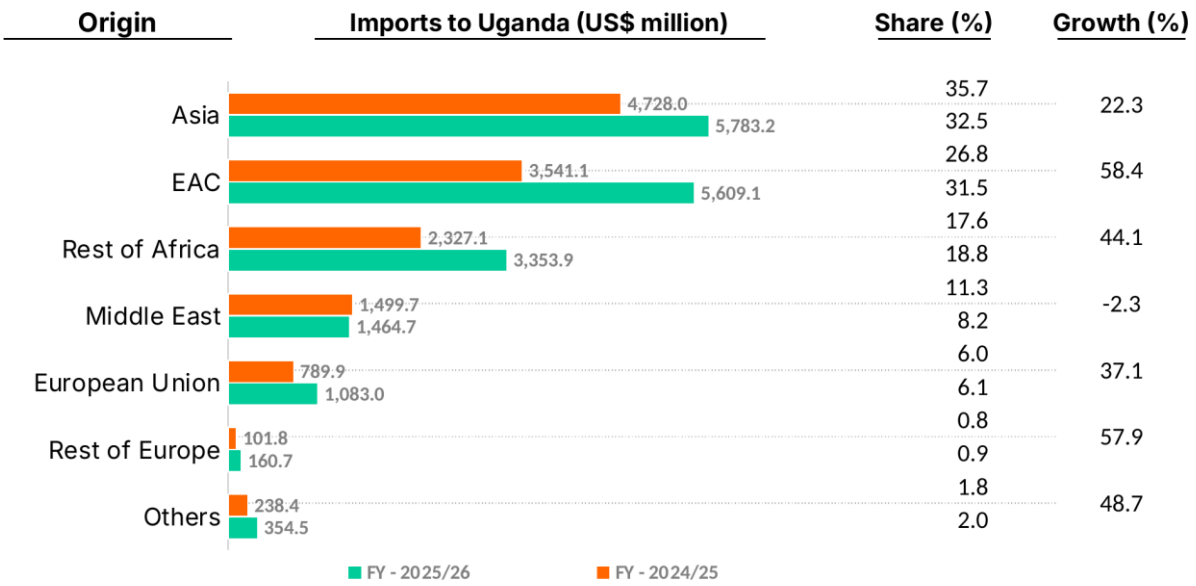
Asia remained Uganda's largest source of merchandise imports in FY 2025/26, accounting for US$ 5,783.25 million, equivalent to 32.5 percent of total imports. This was followed closely by the EAC, which accounted for US$ 5,609.06 million, representing 31.5 percent.

Imports from Asia increased by US$ 1,055.20 million during the year, maintaining the upward trend observed over the past five years. China, India and Japan remained the major sources of imports from the region, reflecting their importance as suppliers of manufactured goods, machinery, equipment and other products to Uganda.

Other major sources of imports included the Rest of Africa, which accounted for 18.8 percent of total imports, followed by the Middle East at 8.2 percent and the EU at 6.0 percent.

The continued dominance of Asia and the EAC as sources of merchandise imports underscores Uganda's strong trade linkages with these markets. While these relationships facilitate access to essential production inputs and consumer goods, they also highlight opportunities to strengthen domestic manufacturing and regional value chains to enhance the competitiveness of locally produced goods.

Figure 17: Origin of Uganda's Imports from different Regional Blocs



Source: MOFPED calculations based on data from BOU

Trade with the EAC

Uganda's merchandise trade deficit with the East African Community widened significantly to US$ 2,125.69 million in FY 2025/26, from US$ 596.48 million in FY 2024/25, representing a deterioration of 256.4 percent. This was primarily driven by faster growth in imports, which increased by 58.4 percent, compared to an 18.3 percent increase in export earnings.

Merchandise exports to the EAC increased by US$ 538.77 million to US$ 3,483.38 million in FY 2025/26, from US$ 2,944.61 million in the previous financial year. The Democratic Republic of Congo (DRC) remained Uganda's largest export destination within the region, accounting for US$ 1,416.40 million, equivalent to 40.7 percent of total exports to the EAC.

Kenya was the second-largest destination, accounting for US$ 688.22 million (19.8 percent), followed by South Sudan at US$ 657.36 million (18.9 percent). Exports to Rwanda amounted to US$ 398.29 million (11.4 percent), while Tanzania and Burundi accounted for US$ 242.37 million (7.0 percent) and US$ 80.73 million (2.3 percent), respectively.

The DRC's growing importance as an export destination highlights the opportunities presented by deeper regional integration and expanding cross-border trade. With approximately 40 percent of Uganda's merchandise export earnings from the EAC originating from the DRC, strengthening trade facilitation, cross-border infrastructure and commercial relations with the country will be important for sustaining export growth.

However, the concentration of regional export earnings in a few markets also underscores the need to expand Uganda's presence across other EAC partner states.

Notably, exports to Kenya declined by 4.1 percent in FY 2025/26, continuing the downward trend observed since FY 2022/23, when export earnings stood at US$ 818.74 million. This development warrants attention, given Kenya's importance as a regional trading partner, and highlights the need to address potential constraints to Uganda's export competitiveness and market access.

On the import side, merchandise imports from the EAC increased by 58.4 percent to US$ 5,609.06 million in FY 2025/26, from US$ 3,541.09 million in FY 2024/25. The increase was broadly reflected across partner states, with particularly strong growth in imports from Burundi, Kenya and the DRC.

Kenya and Tanzania remained Uganda's dominant sources of imports within the EAC, jointly accounting for approximately 91.4 percent of total imports from the region. Imports from Kenya amounted to US$ 2,720.19 million, representing 48.5 percent of EAC imports, while imports from Tanzania stood at US$ 2,406.31 million, equivalent to 42.9 percent.

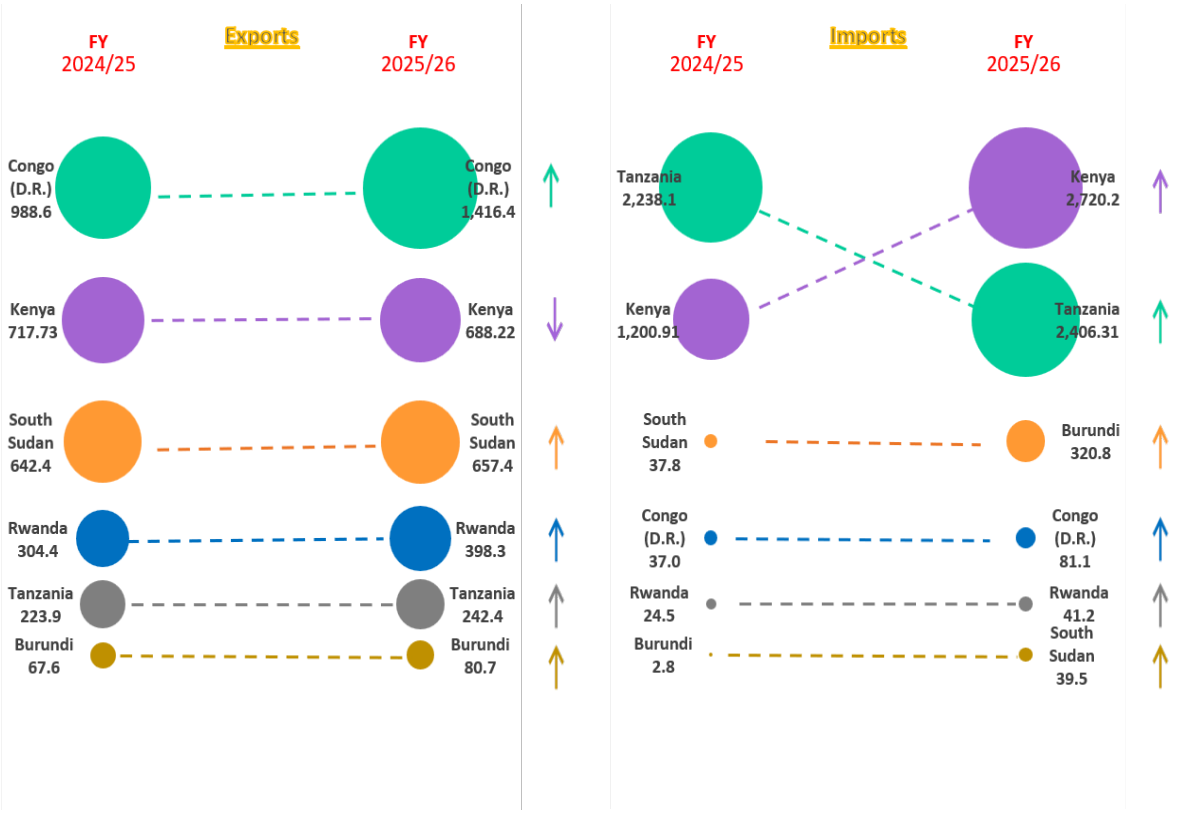
At the global level, Kenya and Tanzania ranked as Uganda's second- and third-largest individual country sources of imports, respectively, after China, from which imports amounted to US$ 2,960.33 million.

The significant growth in imports from Kenya and Tanzania contributed to widening bilateral merchandise trade deficits of US$ 2,031.98 million and US$ 2,163.94 million, respectively. These deficits reflect Uganda's substantial reliance on the two countries for merchandise imports relative to its export earnings from their markets.

The widening regional trade deficit highlights an imbalance between Uganda's import demand and export performance within the EAC. While regional integration continues to provide important market opportunities, strengthening Uganda's productive capacity, improving export competitiveness, addressing non-tariff barriers and promoting value addition will be critical to enhancing the country's participation in regional trade.

Particularly, efforts to expand exports to Kenya and Tanzania, while consolidating Uganda's growing market share in the DRC and other partner states, will be important for achieving a more balanced regional trade position.

Figure 18: Uganda's Merchandise Trade with EAC (US$ Million)



Source: Bank of Uganda

Overall Assessment and Policy Implications

Uganda's external trade performance in FY 2025/26 was characterized by strong merchandise export growth, a narrowing merchandise trade deficit and expanding trade relations with regional and international markets. However, these gains were offset by a widening services trade deficit, resulting in a deterioration in the overall trade balance.

The substantial increase in merchandise export earnings contributed positively to Uganda's external trade performance, with coffee remaining an important source of export earnings. Nevertheless, the growing concentration of export receipts in a few commodities exposes the economy to international commodity price volatility and underscores the importance of diversifying both export products and destination markets.

The widening services trade deficit highlights the need to strengthen the competitiveness of Uganda's services sector, particularly transport, construction and other tradable services, to enhance export earnings and reduce dependence on imported services.

Similarly, the widening merchandise trade deficit with the EAC, despite increased regional exports, points to the need to deepen Uganda's participation in regional value chains and address constraints affecting export competitiveness.

Going forward, sustaining improvements in Uganda's external sector performance will require accelerated export diversification, increased value addition, enhanced domestic productive capacity, improved trade facilitation and expanded access to regional and international markets. These interventions will be essential to strengthening external sector resilience and supporting Uganda's long-term economic transformation agenda.

Other Balance of Payments (BOP) transactions

Overall, Balance of Payments Position

Uganda's external position remained strong in FY 2025/26, despite heightened global uncertainty. The overall balance of payments recorded a surplus of US$ 2,439.72 million, a substantial improvement on the US$ 1,029.47 million surplus registered in FY 2024/25. This performance was driven mainly by stronger foreign exchange inflows from remittances, merchandise exports, including coffee, and tourism, as well as foreign investment in Government securities.

Tourism Earnings

Uganda's tourism earnings rose by US$ 56.90 million in FY 2025/26, to US$ 1,709.05 million from US$ 1,652.15 million the previous year. This growth reflects the sector's resilience in the face of both external and domestic shocks. However, the pace of growth slowed considerably, to 3.4 percent in FY 2025/26 from an average of 19 percent between FY 2020/21 and FY 2024/25. The slowdown was partly attributed to the Ebola outbreak and the conflict in the Middle East.

Remittances

Inflows of personal transfers from abroad remained strong in FY 2025/26, despite global geopolitical and economic instabilities. Remittances rose by 31.6 percent, from US$ 2,221.40 million in FY 2024/25 to US$ 2,923.52 million in FY 2025/26. Their growth in Uganda has been supported by increased labour export and the wider adoption of digital financial services, which have made it easier and cheaper to send money home. Over the past decade globally, remittances have been one of the most consistent sources of household income, helping families meet basic needs, build resilience and invest in their futures, even in times of crisis.

Foreign Direct Investment

Foreign direct investment (FDI) inflows declined by 6.5 percent, from US$ 3,468.08 million in FY 2024/25 to US$ 3,242.05 million in FY 2025/26. FDI had been on an upward trend in recent years, driven largely by investment in the oil and gas sector. The decline reflects the winding down of capital-intensive development activity as the sector nears first oil and the start of production.

International Reserves

International reserves registered significant growth of 55.6 percent in FY 2025/26, bringing gross foreign exchange reserves to US$ 6,688.13 million, up from US$ 4,297.82 million in FY 2024/25. The increase in reserves was supported by higher export earnings, foreign investment in Government securities, which more than doubled, tourism earnings and remittances, among others. As a result, months of import cover rose to 3.69 months from 3.03 months in FY 2024/25.

FISCAL PERFORMANCE

Chapter II: Fiscal Performance

Overview

FY 2025/26 was the first year of the Fourth National Development Plan (NDP IV) and the final year of the second Charter for Fiscal Responsibility. The Budget was designed to advance the Ten-Fold Growth Strategy, which aims to expand the economy from about US$ 50 billion to US$ 500 billion by 2040. Fiscal policy therefore had to balance financing that strategy against the need to bring the deficit and public debt within the objectives of the charter. The budget projected domestic revenue of UShs 37,227.24 billion, about 60 percent of the resource envelope, with the balance to be financed from borrowing and grants.

Spending priorities continued to be in the sectors with the largest growth multipliers such as agro-industrialisation, tourism, minerals including oil and gas, and science, technology and innovation (ATMS), as set out in the Budget Strategy. The budget also prioritised human capital programmes (health, education, social protection, and water and sanitation) and household-income programmes of the Parish Development Model (PDM).

Fiscal Outturns

Government's fiscal operations in FY 2025/26 resulted in a deficit (net borrowing) of UShs 14,993.81 billion, equivalent to 6.0 percent of GDP. This was UShs 1,573.53 billion lower than the planned UShs 16,567.34 billion at the start of the financial year, mainly on account of lower than planned spending on acquisition of non-financial assets during the financial year.

Total revenue (including grants) amounted to UShs 37,985.40 billion during the financial year, posting a UShs 1,988.45 billion shortfall against the target of UShs 39,973.85 billion. Of the total collections, UShs 34,049.87 billion was tax revenue, UShs 2,408.54 billion was non-tax revenue and UShs 532.60 billion was a transfer from the Uganda National Oil Company (UNOC) to the Consolidated Fund, while UShs 994.39 billion was grants received from development partners.

On the other hand, government expenses during the year amounted to UShs 43,954.86 billion (99.0 percent) against the planned UShs 44,382.93 billion.

Table 4 shows the detailed fiscal operations of Government in FY 2025/26.

Table 4: Fiscal Operations in FY 2025/26 (Billion shillings)

FY2025/26	Budget FY 2025/26	Outturn FY 2025/26	PERFORMANCE	DEVIATION	% of GDP
Revenue (including grants)	**39,973.85**	**37,985.40**	**95.0%**	**(1,988.45)**	**15.2%**
Domestic Revenues	**37,227.24**	**36,458.41**	**97.9%**	**(768.83)**	**14.6%**
Taxes	34,051.43	34,049.87	100.0%	(1.56)	13.6%
Other revenue (NTR)	3,175.81	2,408.54	75.8%	(767.27)	1.0%
Other transfers	-	**532.60**	**0.0%**		
Grants	**2,746.61**	**994.39**	**36.2%**	**(1,752.22)**	**0.4%**
Budget support	**27.10**	53.56	197.7%	26.46	0.0%
Project grants	**2,719.52**	940.84	34.6%	(1,778.68)	0.4%
Expense	**44,382.93**	**43,954.86**	**99.0%**	**(428.07)**	**17.6%**
Compensation of employees	6,139.70	5,996.93	97.7%	(142.77)	2.4%
Purchase of goods and services	9,852.59	10,519.11	106.8%	666.52	4.2%
Interest	11,332.73	10,735.91	94.7%	(596.82)	4.3%
o/w: domestic	9,478.71	9,368.22	98.8%	(110.48)	3.7%
o/w: foreign	1,854.03	1,367.69	73.8%	(486.34)	0.5%
Grants	12,480.98	12,813.09	102.7%	332.11	5.1%
Social benefits	804.63	706.51	87.8%	(98.12)	0.3%
Other expense	2,371.51	2,187.42	92.2%	(184.09)	0.9%
Clearance of Arrears	1,400.78	995.88	71.1%	(404.90)	0.4%
Gross operating balance	- **4,409.08**	- **5,969.45**	**135.4%**	**(1,560.37)**	**-2.4%**
Net Acquisition of Nonfinancial Assets	**12,158.26**	**9,024.36**	**74.2%**	**(3,133.90)**	**3.6%**
Fixed assets	10,525.60	8,302.29	78.9%	(2,223.31)	3.3%
Nonproduced assets	1,632.66	722.07	44.2%	(910.59)	0.3%
Net lending / borrowing	- **16,567.34**	- **14,993.81**	**90.5%**	**1,573.53**	**-6.0%**
TRANSACTIONS IN FINANCIAL ASSETS AND LIABILITIES (FINANCING):					
Domestic	- **10,888.35**	- **12,128.33**	**111.4%**	**(1,239.98)**	**-4.8%**
Bank financing	- **5,186.29**	**2,758.67**	**-53.2%**	**7,944.97**	**1.1%**
Bank of Uganda	**493.00**	**5,490.90**	**1113.8%**	**4,997.90**	**2.2%**
Net change in financial assets	-	3,024.56		3,024.56	1.2%
Net change in Liabilities	- 493.00	- 2,466.34	500.3%	(1,973.34)	-1.0%
Commercial Banks	- 5,679.29	- 2,732.22	48.1%	2,947.07	-1.1%
Net change in financial assets		400.87		400.87	0.2%
Net change in Liabilities	5,679.29	3,133.09	55.2%	(2,546.20)	1.3%
Non Bank Financing	- **5,702.05**	- **14,887.00**	**261.1%**	**(9,184.95)**	**-5.9%**
Net Change other Financial Assets		-		-	0.0%
Net change in Financial liabilities	5,702.05	14,887.00	261.1%	9,184.95	5.9%
Other Financing (Onlending e.g Karuma)	-	-	-	-	0.0%
Net change in financial assets		-	-	-	0.0%
Net change in Liabilities		-	-	-	0.0%
Foreign	- **5,678.99**	- **3,716.56**	**65.4%**	**1,962.43**	**-1.5%**
Net change in financial assets	-	-		-	0.0%
Net change in Liabilities	5,678.99	3,716.56	65.4%	(1,962.43)	1.5%
Disbursement	10,664.78	7,106.99	66.6%	(3,557.79)	2.8%
Project loans	8,607.56	2,902.23	33.7%	(5,705.33)	1.2%
Budget Support loans	2,057.22	4,204.76	204.4%	2,147.54	1.7%
Amortization (-)	- 4,985.79	- 3,390.43	68.0%	1,595.36	-1.4%
Errors and Ommissions	- **0.00**	**851.07**		**851.08**	**0.3%**

Source: Ministry of Finance, Planning and Economic Development

Total Revenues (including grants)

Total revenues (including grants) amounted to UShs 37,985.40 billion in FY 2025/26, representing 95.0 percent of the UShs 39,973.85 billion target for the year. The shortfall of UShs 1,988.45 billion was mainly on account of project grants, with total grants falling short of target by UShs 1,752.22 billion.

Of the total revenue received during the financial year, UShs 34,049.87 billion was tax revenue collections, UShs 2,408.54 billion was non-tax revenue collections and UShs 532.60 billion was a transfer from UNOC to the Consolidated Fund, while UShs 994.39 billion was grants received during the year.

Domestic Revenues

Domestic revenue collections were largely on target, amounting to UShs 36,991.01 billion (99.4 percent) against the UShs 37,227.24 billion target. This performance was mainly driven by the relatively good performance registered under tax revenue during the year.

Tax Revenues

Tax revenue collections amounted to UShs 34,049.87 billion against the UShs 34,051.43 billion target. This represented a 14.0 percent nominal growth compared to the previous financial year (FY 2024/25)

This performance was mainly driven by direct domestic taxes, which more than offset the shortfalls registered under the indirect domestic and international trade tax heads.

Direct Domestic Taxes

Direct domestic taxes exceeded their target, totalling UShs 13,550.28 billion against a target of UShs 13,154.57 billion (a surplus of UShs 395.72 billion) this was a 14.0 percent nominal growth compared to the previous year. The higher than anticipated performance was mainly driven by corporate income tax, which exceeded its target of UShs 3,160.34 billion by UShs 642.00 billion. This was supported by increased activity and profitability in the mining, petroleum and manufacturing sectors, as well as Government clearing pending tax arrears. Other notable contributors included withholding tax, particularly from higher dividend payments by MTN Uganda, Nile Breweries and Plascon.

Despite the overall surplus in direct domestic taxes, Pay As You Earn (PAYE) collections amounted to UShs 5,815.75 billion against a target of UShs 5,990.56 billion, resulting in a shortfall of UShs 174.80 billion. This was on account of large employers laying off staff, including contractors affected by the descoping of the Tilenga project, closure of some firms and lay-offs of workers by NGOs after USAID-funded projects were halted. Rental income tax also fell short by UShs 100.00 billion, affected by tenant exits and prolonged vacancies.

Indirect Domestic Taxes

Indirect domestic tax collections were lower than anticipated by UShs 220.29 billion against the UShs 8,848.19 billion target. Both Excise Duty and Value Added Tax (VAT) fell short of their respective targets by UShs 178.50 billion and UShs 41.80 billion.

The underperformance in excise duty was mainly due to shortfalls recorded under telecommunications, beverages and financial services. Phone talk time and international calls

continued to lose ground to data-based calling applications, lower voice tariffs and voice bundles, and were further affected by the disruption of airtime sales and SIM card registration during the election period.

Similarly, the shortfall recorded under VAT was largely attributed to lower than planned performance under the manufacturing sector, arising from higher input VAT claims by cement producers, a decline in sugar prices fell and the two months closure of Kinyara Sugar Limited closed for maintenance works.

Taxes on International Trade Transactions

Taxes on international trade transactions amounted to UShs 12,507.50 billion, UShs 311.12 billion below the target of UShs 12,818.62 billion for the year. The shortfall was largely on account of lower than anticipated performance recorded for VAT on imports due to lower values of vatable imports such as ferrous scrap, polymers, cement, industrial sugar and woven fabrics. Excise duty on imports due to a decline in the value of excisable imports and import duty mainly due to lower palm oil and industrial sugar imports, among others.

However, the infrastructure levy exceeded its target by UShs 223.58 billion following the expansion of its scope, while the newly introduced 1.0 percent import declaration levy raised UShs 258.17 billion against a target of UShs 79.00 billion. Similarly, petroleum duty was UShs 10.61 billion above target, as fuel import volumes grew and importers brought forward purchases ahead of the July 2026 tax rate increase.

Overall, compared to the previous financial year, taxes on international trade grew by 12.6 percent, reflecting a significant increase in import values, particularly from the gold trade. Nevertheless, the composition of imports limited the associated revenue gains, since 72.4 percent of imports entered under the zero-percent tariff band.

Table 5 shows the details of domestic revenue performance in FY 2025/26.

Table 5: Details of Domestic Revenue in UShs Billion

	Cumulative Target 25/26	Cumulative Outturns 25/26	Deviation	Performance	% change 25/26 VS 24/25
Total Net Revenues (Net Tax+NTR)	**37,227.24**	**36,458.41**	**(768.83)**	**97.93%**	**▲13.58%**
Total Non Tax Revenue	**3,175.81**	**2,408.54**	**(767.27)**	**75.84%**	**▲7.90%**
Net Tax Revenues	**34,051.43**	**34,049.87**	**(1.56)**	**100.00%**	**▲13.99%**
DIRECT DOMESTIC	**13,154.57**	**13,550.28**	**395.72**	**103.01%**	**▲14.01%**
PAYE	5,990.56	5,815.75	**(174.80)**	97.08%	▲7.99%
Corp tax	3,160.34	3,802.34	**642.00**	120.31%	▲16.75%
Presumptive Tax	24.83	19.81	**(5.03)**	79.76%	▼11.65%
WHT	2,138.65	2,182.86	**44.20**	102.07%	▲25.34%
Rental Income	427.18	327.18	**(100.00)**	76.59%	▼1.27%
Tax on bank interest	245.17	198.23	**(46.95)**	80.85%	▲7.23%
Treasury bills	869.65	924.24	**54.59**	106.28%	▲31.48%
Casino & Lottery	160.06	166.50	**6.44**	104.03%	▲15.51%
Other non-PAYE	138.11	113.36	**(24.75)**	82.08%	▼1.95%
INDIRECT DOMESTIC	**8,848.19**	**8,627.90**	**(220.29)**	**97.51%**	**▲15.39%**
Excise	**2,896.89**	**2,718.39**	**(178.50)**	**93.84%**	**▲11.88%**
O/w Beer	546.43	552.36	**5.93**	101.08%	▲17.77%
Spirits/Waragi	309.22	261.47	**(47.75)**	84.56%	▼0.66%
Soft Drinks	354.61	300.07	**(54.54)**	84.62%	▲9.58%
Phone Talk time	444.97	386.84	**(58.13)**	86.94%	▲13.62%
Money transfer	252.06	270.67	**18.61**	107.39%	▲15.51%
Bank charges	173.76	153.12	**(20.64)**	88.12%	▲13.68%
Levy on Cash Withdrawals	285.81	264.60	**(21.22)**	92.58%	▲9.23%
Others	**352.91**	337.67	**(15.24)**	1209.17%	▲497.73%
Value Added Tax (VAT)	**5,951.30**	**5,909.51**	**(41.80)**	**99.30%**	**▲17.08%**
O/w Manufacturing	**3,341.83**	**2,874.20**	**(467.63)**	**86.01%**	**▲5.80%**
Beer	237.64	**250.43**	**12.79**	**105.38%**	**▲26.48%**
Spirits/Waragi	163.85	**146.99**	**(16.86)**	**89.71%**	**▲5.92%**
Soft Drinks	174.07	**180.78**	**6.70**	**103.85%**	**▲50.76%**
Sugar	168.23	**149.93**	**(18.29)**	**89.13%**	**▲9.58%**
Cement	184.25	**135.84**	**(48.41)**	**73.73%**	**▼8.75%**
Others	**2,377.56**	**1,957.20**	**(420.35)**	**82.32%**	**▲1.01%**
Services	**1,128.31**	**1,415.52**	**287.21**	**125.45%**	**▲34.13%**
Electricity	387.88	**487.70**	**99.82**	**125.74%**	**▲35.22%**
Phone talk time	329.09	**320.51**	**(8.58)**	**97.39%**	**▲10.49%**
Insurance services	147.41	135.98	**(11.43)**	92.25%	▲22.71%
Other financial services	119.27	**280.80**	**161.53**	**235.44%**	**▲173.73%**
Other sub-sectors	**1,481.17**	**1,619.79**	**138.62**	**109.36%**	**▲27.00%**
Construction	198.16	**360.15**	**162.00**	**181.75%**	**▲100.80%**
Wholesale & retail trade; repairs	650.43	**636.76**	**(13.67)**	**97.90%**	**▲21.44%**
Hotels & restaurants	165.86	**153.43**	**(12.44)**	**92.50%**	**▲15.19%**
Real estate activities	299.04	**302.91**	**3.87**	**101.30%**	**▲23.13%**
Others	348.56	**410.06**	**61.50**	**117.64%**	**▲173.77%**
Public administration & defence	24.83	**43.15**	**16.62**	**173.74%**	**▲176.82%**
Mining & quarrying	52.25	**25.69**	**(1.62)**	**49.17%**	**▲6.56%**
Oil and Gas	16.93	**17.10**	**(0.36)**	**100.97%**	**▼84.02%**
INTERNATIONAL TRADE	**12,818.62**	**12,507.50**	**(311.12)**	**97.57%**	**▲12.63%**
Petroleum	3,956.51	3,967.12	**10.61**	100.27%	▲4.37%
Import Duty	2,929.73	2,876.63	**(53.10)**	98.19%	▲14.98%
Import Levy	79.00	258.17	**179.17**	326.80%	#DIV/0!
Excise Duty	321.39	183.89	**(137.49)**	57.22%	▼30.27%
VAT	4,491.34	4,009.25	**(482.08)**	89.27%	▲7.45%
WHT	280.43	284.88	**4.45**	101.59%	▲44.18%
Surchage	365.53	313.23	**(52.30)**	85.69%	▲3.29%
Temporary road license	154.43	133.83	**(20.59)**	86.66%	▲11.63%
Infrastructure levy	189.70	413.29	**223.58**	217.86%	▲201.06%
Export levy on Fish, Hides & skins levy & tobacco, minerals	50.56	67.20	**16.64**	132.91%	▲35.77%
Stamp Duty & embossing	**163.22**	**108.29**	**(54.93)**	**66.35%**	**▼14.46%**
Tax Refunds	**(933.16)**	**(744.09)**	**189.07**	**79.74%**	**▲2.85%**

Source: Ministry of Finance, Planning and Economic Development; Uganda Revenue Authority

Non-Tax Revenue

Other revenue collections amounted to UShs 2,408.54 billion, posting a 75.8 percent performance against the UShs 3,175.81 billion target. The shortfall was mainly attributed to lower than targeted collections from motor vehicle fees, land transfer fees, driving permit fees and passport fees, among other revenue sources.

In addition, government received a transfer of UShs 532.60 billion from Uganda National Oil Company (UNOC).

Grants

During FY 2025/26, grants from development partners amounted to UShs 994.39 billion, a 36.2 percent performance against the UShs 2,746.61 billion projected for the financial year. This performance was mainly on account of poor performance of project support grants, as budget support grants were above what had been anticipated at budget time.

Of the total funds received, UShs 53.56 billion was budget support while UShs 940.84 billion was project support grants. Project support disbursements continued to be affected by delays in execution of certain projects, which in turn led to delays in the release of funds by financiers, as set milestones were not met.

On the other hand, budget support grants surpassed the programmed target on account of funds received from the World Bank towards supporting the Intergovernmental Fiscal Transfers Program (UgIFT).

Expenditure

Expenses

Total expenses amounted to UShs 43,954.86 billion against the budget of UShs 44,382.93 billion, representing 99.0 percent budget execution. This reflected lower than programmed spending on compensation of employees, interest payments, social benefits, clearance of arrears and other expense, while grants from central government and purchase of goods and services were above their respective budgets for the year.

Compensation of employees amounted to UShs 5,996.93 billion, representing 97.7 percent of the budget, mainly due to lower expenses on allowances and other employee costs. Similarly, interest payments amounted to UShs 10,735.91 billion, representing 94.7 percent of the budget and an under-execution of UShs 596.82 billion. The under-execution was concentrated in external interest, which came in at UShs 1,367.69 billion (73.8 percent of budget), partly

on account of the relative strength of the shilling against the US dollar throughout the financial year as well as lower than projected interest rates, while domestic interest was broadly on target at UShs 9,368.22 billion (98.8 percent).

On the other hand, grants to local governments, tertiary institutions, referral hospitals and missions abroad amounted to UShs 12,813.09 billion, equivalent to 102.7 percent of the budget (UShs 332.11 billion above plan). The higher than budgeted transfers were partly accounted for by transfers to Uganda National Airlines for the purchase of aircraft. Similarly, purchase of goods and services amounted to UShs 10,519.11 billion, exceeding the budget by UShs 666.52 billion (6.8 percent). Major items in this subcategory included the purchase of essential medical supplies for Health Centre IIIs and procurements for the issuance of national identity cards during the mass ID renewal exercise.

Net Acquisition of Non-Financial Assets

During FY 2025/26, spending on acquisition of non-financial assets amounted to UShs 9,024.36 billion, representing 74.2 percent of the programmed UShs 12,158.26 billion. This performance was mainly on account of the lower than planned performance of externally financed development projects. The underperformance was spread across fixed assets (UShs 8,302.29 billion, 78.9 percent of plan) and non-produced assets (UShs 722.07 billion, 44.2 percent of plan).

Externally funded development projects were affected by delays in execution, leading to major milestones not being met. Consequently, disbursements of funds for some of these projects were not made, while other funds already disbursed remain in project accounts at the central bank.

Financing

Fiscal operations in FY 2025/26 resulted in net borrowing of UShs 14,993.81 billion (6.0 percent of GDP), which was financed mainly through domestic sources, complemented by external financing.

Net domestic financing amounted to UShs 12,128.33 billion (4.8 percent of GDP), exceeding the planned amount of UShs 10,888.35 billion by UShs 1,239.98 billion.

Net external financing was UShs 3,716.56 billion (1.5 percent of GDP), as total disbursements stood at UShs 7,106.99 billion while total amortisation of existing external debt during the financial year was UShs 3,390.43 billion.

Compliance with the Charter for Fiscal Responsibility

FY 2025/26 was the last financial year of implementing the Charter for Fiscal Responsibility (FY 2021/22 – FY 2025/26). Government was expected to have met all the targets in the Charter during this financial year. However, five of the eight fiscal rules in the Charter were met in FY 2025/26, while three were missed, as shown in Table 6.

Table 6: Charter for Fiscal Responsibility Evaluation Matrix for FY 2025/26

#	Fiscal indicator rule	FY 2025/26 Charter target	FY 2025/26 outturn / performance	Status
1	Total public debt as a percentage of GDP	Less than 50% of GDP in nominal terms	Projected at 54.0 percent of GDP	**Target Missed**
2	Overall fiscal deficit as a percentage of GDP	Less than 3.0% of non-oil GDP	6.0 percent of GDP	**Target Missed**
3	Domestic debt interest payments as a ratio of revenue	Less than 12.5% of total domestic revenue (excluding grants)	25.3 percent of total domestic revenue	**Target Missed**
4	Domestic revenue growth as a percentage of GDP	Increase by at least 0.5 percentage points of GDP annually	Non-oil revenue registered 0.7 percentage points growth (14.1% of GDP in FY 2024/25 to 14.8% in FY 2025/26)	**Target Met**
5	Publicly guaranteed debt as a percentage of GDP	Maintain below 5% of GDP	The ratio is below 1 percent of GDP	**Target Met**
6	Growth rate in recurrent spending/GDP ratio	Be less than or matched by the growth rate of domestic revenue	Revenue/GDP registered 0.7 percentage points growth; recurrent spending/GDP registered 0.3 percentage points growth	**Target Met**
7	Government borrowing from the Bank of Uganda	Be done in accordance with the PFM Act	Did not borrow from the Bank of Uganda during the financial year	**Target Met**
8	Petroleum revenue utilisation	A maximum of oil revenue worth 0.8% of the preceding year's estimated non-oil GDP outturn shall be transferred to the Consolidated Fund for budget operations	There was not enough money in the Petroleum Fund to activate this rule	**Target Met**

Source: Ministry of Finance, Planning and Economic Development

Government operations during the financial year resulted in the operational rules of the Charter for Fiscal Responsibility being met in its final year of implementation. However,

challenges associated with constrained fiscal space as well as rising debt service obligations meant that the anchor targets on public debt and the fiscal deficit were not achieved.

Domestic revenue expansion met its incremental growth target by registering a 0.7 percentage point increase (rising from 14.1 percent to 14.8 percent of GDP), recurrent expenditure growth stayed well aligned within domestic resource limits, and statutory limits on both central bank financing and publicly guaranteed debt were fully respected.

Public debt as a percent of GDP was above 50 percent, while the fiscal deficit was also above the targeted 3 percent of GDP. This was partly due to emerging global economic shocks and uncertainties that had spill-over effects on the domestic economy, making the desired fiscal consolidation difficult to achieve in FY 2025/26.

Remedial measures have been taken as Government developed the successor Charter, which was recently approved by Parliament, to ensure that fiscal targets are met and provide a strong foundation for macroeconomic stability and debt sustainability. These measures include annual assessments, enhanced monitoring and reporting, the Budget Discipline and Accountability Charter, supplementary expenditure control framework, and the incorporation of liquidity indicators into debt sustainability.

Status of the Petroleum Fund (Preliminary)

At the start of FY 2025/26, the opening balance on the petroleum fund was UShs 131.27 billion. During the financial year, there were deposits made into the fund from tax and non-tax revenues of UShs 283.67 billion and UShs 12.58 billion, respectively, making a total revenue of UShs 296.25 billion. There was no withdrawal from the Fund during the financial year. Ultimately, taking into consideration the foreign exchange losses and gains as well as revaluations, the closing balance on the petroleum fund as at end FY 2025/26 was UShs 428.63 billion.

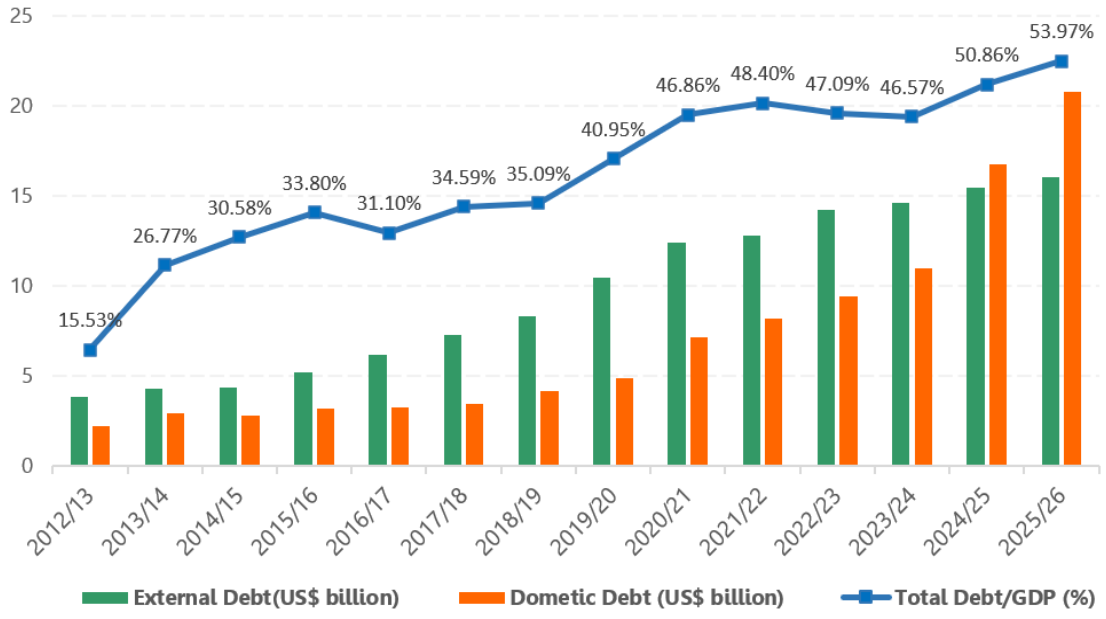
Debt Sustainability Analysis

Uganda's total public debt stood at US$ 36.88 billion (UShs 135.18 trillion) as at 30th June 2026, up from US$ 32.24 billion (UShs 115.9 trillion) a year earlier. External debt accounted for US$ 16.06 billion, or 43.5 percent of the total, and domestic debt for US$ 20.82 billion, or 56.5 percent. The increase was driven principally by domestic borrowing, which rose from US$ 16.79 billion (UShs 60.34 trillion) to US$ 20.82 billion (UShs 76.32 trillion) over the year, reflecting the financing requirement arising from lower-than-programmed revenues.

Public debt as a share of GDP increased from 50.9 percent in June 2025 to 54.0 percent in June 2026.

Uganda's public debt remains sustainable and is projected to stay so over the medium and long term, supported by the Government's fiscal consolidation strategy comprising domestic revenue mobilisation and expenditure rationalisation, the Ten-Fold Growth Strategy and the realisation of oil-related revenues.

Figure 19: Evolution of Uganda's Debt



Source: MoFPED

Contingency Fund

The Contingency Fund was allocated UShs 169 billion by Parliament for FY 2025/26 in line with Section 25 of the Public Finance Management (PFM) Act, Cap. 171. By the end of June 2026, UShs 35 billion had been transferred to the fund, based on requests from implementing agencies.

Of the amount transferred to the fund, UShs 34.51 billion was spent by the end of the financial year, mainly on the response to the Ebola Virus Disease outbreak, including support to public health response activities in the Democratic Republic of Congo to minimise cross-border transmission. The fund was also used to compensate home owners whose houses were demolished during the recovery operations following the Kiteezi landfill collapse. The unutilised balance of UShs 0.49 billion was returned to the Consolidated Fund on 30th June 2026.

The agencies that spent money out of the Contingency Fund were the following:

i. UShs 26.36 billion by the Ministry of Health for the Ebola response.
ii. UShs 4.36 billion by Kampala Capital City Authority for compensation of people affected by the Kiteezi landfill collapse; and
iii. UShs 3.80 billion by State House for classified expenditure.

Virement Report

Detailed report in the Annual Budget Performance Report FY2025/26, attached as Annex to that report.

Donations By Vote

Detailed report in the Annual Budget Performance Report FY2025/26.

OUTLOOK ON THE ECONOMY

Chapter III: Outlook on the Economy

Economic Growth

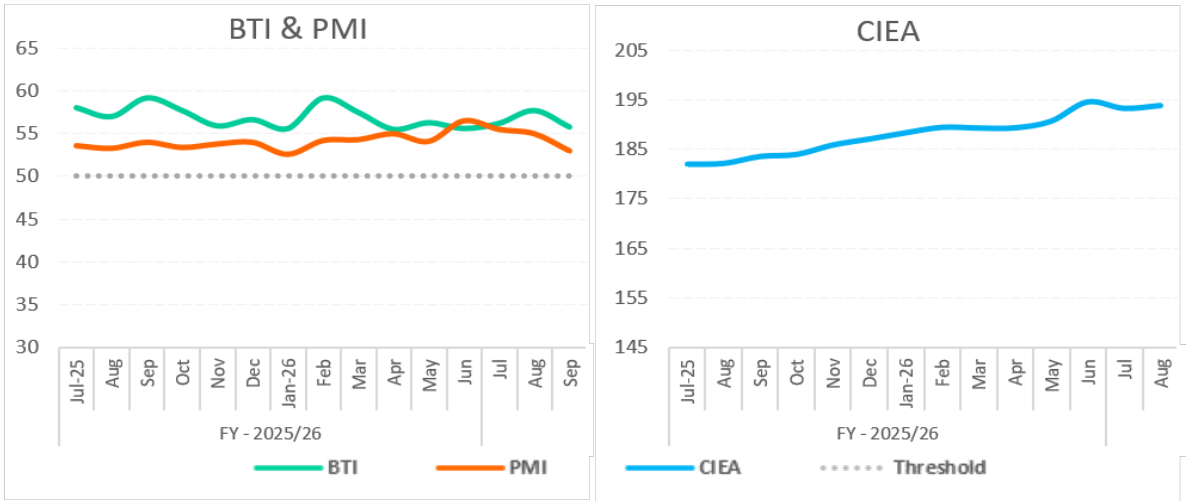
Non-oil real GDP is projected to grow by 6.0 percent in FY 2026/27 and accelerate to 6.3 percent in FY 2027/28. The slowdown in growth from 6.4 percent is on account of the estimated impact of rising global geo-political tensions that have led to high fuel prices and exacerbated the depreciation in the Uganda shilling. Nonetheless, growth is expected to remain resilient driven by;

i. Higher production in agriculture and agro-processing supported by continued implementation of the Parish Development Model, provision of irrigation equipment, extension services, good quality seedlings and establishment of markets.
ii. Continued investment in industrial parks and free zones, infrastructure like roads, railway and affordable electricity, as well as provision of affordable credit to manufacturers through the Uganda Development Bank.
iii. The oil and gas sector is expected to have backward and forward linkages with other sectors like manufacturing, construction, transport, real estate, tourism, the financial sector and agriculture.
iv. Increased investment in tourism infrastructure and products, as well as ICT and the digital economy, will support expansion of the services sector.
v. Deepening of regional integration and implementation of the export promotion strategy which focuses on value addition and diversifying Uganda's exports to capture more markets.
vi. Sound macroeconomic management, continued productivity improvements and continued inflows from FDI and remittances are expected to boost private investment and growth.

High frequency indicators point to continued resilience in economic activity at the start of FY 2026/27, as shown in Figure 20. The Purchasing Managers' Index (PMI) stood at 53.0 in September 2026, while the Business Tendency Index (BTI) was recorded at 55.8 in September, well-above the 50-mark threshold.

The Composite Index of Economic Activity (CIEA) also rose to 193.9 in August 2026 from 193.3 in July.

Figure 20: High Frequency Indicators of Economic Activity



Source: Bank of Uganda, Stanbic Bank Uganda

Over the medium to long term, economic growth is expected to remain strong and resilient, supported by increased agro-industrial production, mineral development including oil production, tourism development, ICT, sustained infrastructure investment, export growth and stable global growth. These efforts are aligned with Government's ten-fold growth strategy to increase GDP to US$ 500 billion by 2040.

While the economic outlook is positive, Government is aware of the downside risks. These include unpredictable weather patterns affecting agricultural production, heightened global geopolitical tensions that could lead to higher fuel prices and supply chain disruptions, further strengthening of the US dollar globally and renewed Ebola outbreaks. Nonetheless, government remains committed to sustaining long-term growth through strategic investments in infrastructure, human capital, and value addition, as well as continued support to businesses and households through programmes such as the PDM and UDB financing, among others.

Inflation

Although inflation was relatively low in FY 2025/26, recent increases in fuel prices and exchange-rate pressures have raised the risk of higher inflation in FY 2026/27. These developments, together with the depreciation of the Uganda Shilling and the recent rise in domestic inflation, have prompted a tightening of monetary policy. In September 2026, the Bank of Uganda increased the Cash Reserve Requirement (CRR) from 11.0 percent to 13.5 percent, before raising the Central Bank Rate (CBR) by 225 basis points to 12.0 percent in October 2026 from 9.75 percent. These measures are intended to contain inflation, limit the pass-through of higher energy and import costs to domestic prices, and anchor inflation expectations. The Bank of Uganda's tighter monetary policy is intended to curb inflation and

partially prevent rising fuel prices and Shilling depreciation from causing further increases in the prices of goods and services. Over the medium term therefore, inflation is expected to remain within the 5 percent target supported by prudent fiscal and monetary policies. Some upside risks to this outlook however include prolonged geopolitical tensions, persistently high international oil prices, further shilling depreciation and climate-related disruptions

Financial Sector

Private sector credit is expected to maintain a growth trajectory in the near term, supported by sustained economic activity, investment demand and ongoing initiatives to improve access to financing. Continued investment in oil and gas, infrastructure and other productive sectors, alongside implementation of the Ten-Fold Growth Strategy, is expected to stimulate demand for credit and support financial sector activity.

Government-supported financing initiatives, including Emyooga, the Small Business Recovery Fund (SBRF), Uganda Development Bank (UDB) financing and the Agricultural Credit Facility (ACF), are expected to complement commercial bank lending by expanding access to financing for small and medium-sized enterprises, agribusinesses, and youth- and women-led businesses. These interventions, together with ongoing financial sector reforms, are expected to support financial inclusion and productive investment.

Nevertheless, the financial sector outlook remains prone to external risks, particularly prolonged geopolitical tensions, disruptions to global trade and uncertainty in international financial markets. Elevated international oil prices and higher freight costs could increase domestic production and import costs, exert pressure on inflation and the exchange rate, and potentially constrain credit demand and supply.

While tighter monetary conditions are expected to support price and exchange rate stability, they could also raise financing costs and moderate private sector credit growth in the near term. The extent of these effects will depend on the persistence of external price pressures, domestic liquidity conditions and the transmission of monetary policy to commercial bank lending rates.

Going forward, continued coordination of monetary and fiscal policies, prudent management of Government's domestic borrowing requirements and sustained financial sector reforms will be critical to preserving macroeconomic stability and supporting financial sector development. Emphasis will be required on improving access to affordable credit,

strengthening financial sector resilience and directing financing towards productive investments that support Uganda's economic transformation agenda.

External Sector

The external sector outlook is broadly positive. Merchandise export earnings are expected to remain strong, supported by firm international gold prices amid continued global uncertainty, rising coffee production and export volumes, growing electricity exports and sustained regional demand, particularly from the DRC. The start of crude oil exports through the East African Crude Oil Pipeline (EACOP) will add a significant new source of export earnings and foreign exchange inflows, while remittances are expected to remain robust. However, there are downside risks. International oil prices are still elevated on account of the conflict in the Middle East, raising the import bill as well as freight and insurance costs, while lower international coffee prices, on expectations of a record harvest in Brazil, could weigh on coffee earnings. Slower global growth, projected by the IMF at 3.1 percent in 2026, and tighter global financial conditions could also dampen demand for exports and tourism. Continued export diversification, value addition and improvements in trade competitiveness will be key to sustaining external sector resilience.

Fiscal Operations

FY 2026/27 marks the first year of implementation of the third Charter for Fiscal Responsibility, which aims at reducing the ratio of public debt to GDP to 50 percent and fiscal deficit (excluding petroleum revenues) to 1.5 percent by the end of FY 2030/31. This will require significant increase in domestic revenue mobilisation efforts while also reprioritising expenditure to areas that contribute to economic growth and socioeconomic transformation.

Over the medium term, the primary goal of fiscal policy will be supporting the Ten-Fold Growth Strategy while gradually consolidating the fiscal position. Domestic revenue, including oil revenues, is projected to be UShs 46,029.15 billion in FY 2026/27, increasing to UShs 85,475.02 billion by FY 2030/31. This will be driven by the implementation of the Domestic Revenue Mobilisation Strategy and the gradual increase in oil revenues, projected to rise from UShs 1,848.85 billion to UShs 9,579.62 billion over the same period.

Government expenditure is projected to amount to UShs 65,355.37 billion in FY 2026/27. As Government continues prioritising resources towards the key growth areas of agro-industrialisation, tourism, minerals, and science, technology and innovation in the medium

term, Government expenditure is projected to increase to UShs 100,793.78 billion by the end of FY 2030/31.

Table 7 shows the medium-term fiscal framework which will guide fiscal operations in that period.

Table 7: Medium Term Fiscal Framework FY 2026/27 - FY 2030/31 (Billion shillings)

Item	2026/27 Budget	2027/28 Proj.	2028/29 Proj.	2029/30 Proj.	2030/31 Proj.
Total revenue and grants	**48,859**	**57,599**	**65,620**	**75,390**	**86,329**
Domestic revenue	46,029	56,263	64,473	74,407	85,475
Tax revenue	40,161	46,184	52,825	60,738	69,903
Non-tax revenue	4,020	4,472	4,977	5,319	5,992
Oil revenues	1,849	5,608	6,670	8,351	9,580
Grants	2,830	1,336	1,148	983	854
Budget support	0	0	0	0	0
Project grants	2,830	1,336	1,148	983	854
Expenditures and net lendi	**65,355**	**73,843**	**81,288**	**90,479**	**100,794**
Recurrent expenditures	**42,985**	**47,531**	**51,876**	**57,695**	**64,477**
Wages and salaries	**9,709**	**10,954**	**12,285**	**14,143**	**16,467**
Interest payments	14,110	15,065	16,398	17,579	18,978
o/w: domestic	12,352	13,245	14,477	15,638	17,110
o/w: foreign	1,759	1,820	1,920	1,941	1,869
Development expenditures	22,053	25,912	28,934	32,384	35,917
External	11,270	12,157	13,175	13,940	14,574
Domestic	10,783	13,754	15,759	18,444	21,343
Net lending and investm	0	0	78	0	0
Other spending (clearanc	317	400	400	400	400
Overall balance (incl. grant	**-16,496**	**-16,243**	**-15,668**	**-15,089**	**-14,465**
Excluding grants	**-2,386**	**-1,178**	**730**	**2,490**	**4,513**
Financing	**16,496**	**16,243**	**15,668**	**15,089**	**14,465**
External financing (net)	5,475	6,904	5,075	5,118	6,057
Disbursement	9,657	10,821	12,105	12,957	13,721
Budget support	1,217	0	0	0	0
Concessional project	4,248	5,001	6,000	7,468	7,643
Non-concessional bor	0	0	78	0	0
Non-concessional bor	4,191	5,821	6,028	5,488	6,077
Amortisation (-)	-4,182	-3,917	-7,031	-7,838	-7,664
Domestic financing (net)	11,021	9,339	10,593	9,971	8,408

Source: Ministry of Finance, Planning and Economic Development

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