



# MONETARY POLICY REPORT

February 2026



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## **PREFACE**

### **Bank of Uganda's Monetary Policy**

The primary objective of Bank of Uganda (BOU) under the Constitution of the Republic of Uganda and in accordance with the Bank of Uganda Act (Cap 51), Laws of Uganda, 2000, is to achieve and maintain price stability in the interest of balanced and sustainable economic growth. Price stability helps to protect the purchasing power and living standards of all Ugandans and creates a conducive environment for economic activity to flourish. As such the central bank contributes to sustainable economic growth by maintaining a low-inflation environment. The goal of price stability is quantified through an inflation target, which is set in consultation with government at 5.0% core inflation in the medium term (2-3 years ahead). BOU has been pursuing price stability under an inflation-targeting monetary policy framework since July 2011.

### **The inflation target and the Central Bank Rate (CBR)**

The CBR is the main instrument used by BOU to achieve the set 5.0% core inflation target and its level is decided at the Monetary Policy Committee (MPC) meeting. As a reference interest rate, it is used to determine the cost of money and other financial prices, such as the exchange rate, and longer-term interest rates, among others. In turn, these variables affect the demand for goods and services and, thereby, prices and inflation. Given that monetary policy decisions affect markets and the economy with a lag, BOU conducts monetary policy from a forward-looking point of view. The inflation-targeting framework is flexible, meaning that policymakers will seek to look through temporary shocks, thereby avoiding excessive volatility in interest rates and economic output. Decisions of the MPC are formally communicated at the end of the meeting to the general public through a press conference, accompanied by a comprehensive monetary policy statement and report.

### **Communication, transparency and the Monetary Policy Report**

The BoU is committed to remain transparent and believe that a credible monetary policy, understood by the people, helps to keep inflation low and stable. Through the Monetary Policy Report (MPR), BOU communicates to the public its view of the recent evolution of the economy, its projections for the coming years and the way in which, it will conduct monetary policy to meet the inflation target with the aim of broadening the public's understanding of BOU's monetary policy objectives and conduct of monetary policy. The MPR covers domestic and international developments that affect the monetary policy stance.

This report presents economic developments up to February 2026 where data is available. The cut off for data used to prepare the Statement on Monetary Policy was January 31, 2026.

## ACRONYMS AND ABBREVIATIONS

AfDB	Africa Development Bank
ADF	Africa Development Fund
AEs	Advanced Economies
EIA	Energy Information Administration
EIB	European Investment Bank
BOU	Bank of Uganda
CBR	Central Bank Rate
CRM	Credit Relief Measure
CIEA	Composite Index of Economic Activity
Covid-19	Corona Virus Disease 2019
CPI	Consumer Price Index
EAC	East African Community
EU	European Union
EFU	Energy, Fuel and Utilities
EMs	Emerging Market Economies
EMDEs	Emerging Market and Developing Economies
FDI	Foreign Direct Investment
Fed	Federal Reserve
GDP	Gross Domestic Product
IDA	International Development Association
IFAD	International Fund for Agricultural Development
IMF	International Monetary Fund
LICs	Low Income Countries
MPC	Monetary Policy Committee
NEER	Nominal Effective Exchange Rate
NPLs	Non- Performing Loans
OPEC	Organization of Petroleum Exporting Countries
OPEC+	OPEC and partners
PSC	Private Sector Credit
REER	Real Effective Exchange Rate
SDR	Special Drawing Rights
SSA	Sub-Saharan Africa
TDB	Trade and Development Bank
UGX	Uganda Shilling
UK	United Kingdom
US	United States
USA	United States of America
US\$	United States Dollar
URA	Uganda Revenue Authority
y/y	Year-on-Year

## EXECUTIVE SUMMARY

Uganda's economy remains resilient amid global challenges, supported by prudent monetary and coordination with fiscal policy. Growth is projected at 6.5-7.0% in FY2025/26, rising to 8.0% over the medium term, underpinned by public investment, oil and infrastructure developments, government initiatives, and private sector activity. Domestic financial markets remain stable, and the external sector continues to strengthen, supported by strong remittances, oil-related inflows and a broadly stable exchange rate. Risks remain, but overall, Uganda's macroeconomic outlook is favourable.

**Monetary Policy Decision:** Annual Core inflation remains below the 5.0% medium-term target, reflecting the impact of prudent monetary policy complemented by coordination with fiscal policy, a stable exchange rate, declining global inflation, and favourable food and energy prices. Headline inflation also remains low, supported by favourable food-crop supply and benign global commodity prices. However, core inflation in January 2026 rose marginally relative to the preceding month, influenced by modest increases in services, particularly air transport.

In this context, the Bank of Uganda has maintained the Central Bank Rate (CBR) at 9.75%, anchoring continued price stability while supporting economic growth, and preserving exchange rate stability. This stance provides a solid foundation for the gradual return of inflation toward the 5% medium-term target, while safeguarding the outlook against domestic and external risks.

**Inflation and Inflation Outlook:** Annual Headline and core inflation remained subdued averaging 3.5% and 3.8%, respectively, over the twelve months to January 2026, supported by prudent monetary policy, stable exchange rate, lower energy prices and lower domestic demand. In January 2026, headline and core inflation edged up slightly to 3.2% and 3.3%, respectively, from 3.1% in December 2025, mainly driven by higher firewood and services prices.

### THE KEY RESULTS

9.75 %

CENTRAL BANK RATE

3.2%

HEADLINE INFLATION

3.3%

CORE INFLATION

6.3%

GDP GROWTH



Looking ahead, annual core inflation is projected to remain slightly below the target in 2026, within the range of 3.8 to 4.3%, before stabilising around the target of 5% over the medium to long term, as temporary disinflationary effects fade. The inflation outlook remains shaped by two-sided risks: upside risks from stronger than expected domestic demand arising from a positive output gap (the economy operating above its current potential), partly driven by a more expansionary fiscal policy, a weaker exchange rate than is being projected, geopolitical tensions, and adverse weather. Downside risks include slower economic activity than is being projected, weaker global growth, and lower commodity prices.

**Domestic Economic Activity and Growth Trends:** Economic growth remains resilient, with Real GDP expanding by an average of 6.3% during the first three quarters of 2025, largely driven by final consumption expenditure, which expanded by 14.7%, mainly reflecting strong government consumption growth of 22.8%, compared to growth of 14.2% in household consumption. Despite a moderation in growth in the quarter to September 2025, high-frequency indicators and forecasts point to higher economic activity in the quarter to December 2025 and in the second half of the financial year 2025/26.

Growth for FY2025/26 is projected at 6.5 to 7.0%, underpinned by continued public investment, infrastructure and oil related developments, government initiatives, improving global conditions, prudent monetary policy, and robust private sector activity. Over the medium term, growth is expected to average around 8.0%. However, domestic growth could be lower on account of evolving geopolitical tensions, which could dampen global growth, disrupt trade routes and supply chains, and exert upward pressure on commodity prices, particularly oil. On the upside, stronger than-anticipated investment in the extractive sector, a more robust global recovery, and easing trade tensions could result in higher-than-projected economic growth.

**Domestic Financial Conditions:** Domestic financial markets remained broadly stable. Money market rates stayed largely within the Central Bank Rate band of  $\pm 2$  percentage points around the CBR, and long-term yields on treasury securities rose modestly, reflecting government financing needs rather than inflation pressures. Private sector lending rates eased slightly for most sectors, supported by improved asset quality and stronger balance sheet conditions in the banking sector. Growth of Private sector credit, remained resilient, rising to 11.0% in December 2025 the highest since May 2022, relative to 10.3% in November 2025, driven by improved macroeconomic conditions, lower non-performing loans, and lower government borrowing.

On average, Primary market yields remained stable across most tenors in the three months to January 2026 relative to the three months to October 2025, due to stable macroeconomic conditions. Issuances of treasury securities fell by 17.0% in the three months to January 2026 to Shillings 6.63 trillion relative to Shs. 7.98 trillion in the three months to October 2025, reflecting government scale back having raised about three-quarters of its annual financing requirement by mid-year.

**Fiscal Outturn and Policy Implications:** In the first half of FY2025/26, Uganda’s fiscal operations were more expansionary than planned on account of shortfalls in both grant receipts and domestic revenue collection of Shs. 794.5 billion and Shs. 1,940.5 billion, respectively, coupled with recurrent expenditure overruns. This led to a higher than planned fiscal deficit by Shs. 2.5 trillion. Fiscal policy continues to support growth and macroeconomic stability via targeted investments and a commitment to fiscal consolidation over the medium to long-term.

The fiscal deficit is projected at 7.0–7.9% of GDP in FY2025/26, up from about 6.0% in the previous fiscal year, partly reflecting one-off expenditures, but is expected to decline to around 3.0% by FY2029/30 as fiscal consolidation resumes. Public debt remains sustainable over the medium to long term, indicating that Uganda can meet all its current and future debt service obligations without exceptional financial assistance or default. However, this outlook is contingent upon the continued implementation of sound fiscal policies, the timely commencement of oil production in the medium term, effective management of oil revenues to reduce borrowing needs, and the realization of anticipated dividends under the Government’s ten-fold growth strategy.

**Balance of Payments and Exchange Rate Trends:** The overall external position remained strong with the current account largely unchanged at US\$ 4.1 billion in the year to December 2025, as the narrowing of the trade balance was offset by the widening of the services account. The financial account recorded a strong surplus of US\$ 6.2 billion driven by robust foreign direct investment, particularly in the oil sector, and growth in portfolio inflows. As a result, the overall balance of payments registered a surplus of US\$ 2.69 billion, leading to a build-up of foreign exchange reserves to US\$ 5.6 billion (equivalent to 3.9 months of import cover) in January 2026 and US\$ 5.99 billion (equivalent to 4.1 months of import cover) in December 2025.

In line with the strong external position, in January 2026, the Uganda Shilling appreciated against the US dollar on both a year-on-year and month-on-month basis, although it weakened slightly on a quarter-on-quarter basis. On an annual basis, the Shilling also strengthened in nominal and real effective terms against a basket of currencies of Uganda’s major trading partners. The appreciation was supported by improved foreign exchange

inflows, reflecting broad-based export growth, resilient remittances, and continued external financing for infrastructure and oil-related projects.

**Global Economic Context:** Global growth remained resilient in 2025 despite ongoing geopolitical tensions and disruptions to global trade. Looking ahead, the IMF forecasts point to a period of steady but moderate expansion with global growth projected at 3.3% in 2026 and 3.2% in 2027. This is supported by the gradual easing of trade tensions, continued investment in new technologies, and generally supportive macroeconomic policies across major economies. Advanced economies, particularly the United States, are expected to maintain moderate growth, while emerging and developing economies, led by China and Sub-Saharan Africa, are projected to expand at a stronger pace.

Heightened geopolitical tensions, uncertainty around future trade arrangements, elevated public debt, and labour market constraints in advanced economies could tighten financial conditions and weigh on global growth. While stronger productivity gains from artificial intelligence and deeper regional trade integration present upside potential, slow progress in removing non-tariff barriers continues to constrain these benefits.

Global inflation is expected to ease gradually, allowing central banks to maintain a cautious but increasingly supportive policy stance as inflation expectations stabilise. Oil prices are expected to stay relatively low amid ample supply, gold prices elevated, and financial markets broadly stable, though downside risks persist.

## 1 MONETARY POLICY DECISION

The Bank of Uganda's Monetary Policy Committee (MPC) maintained the Central Bank Rate (CBR) at 9.75% at its meeting on 9 February 2026.

Core inflation remains below the 5.0% medium term target, on account of prudent monetary policy complemented by coordination with fiscal policy, a stable exchange rate, declining global inflation, and favourable food and energy prices. However, core inflation is expected to move gradually toward the target by end of 2026, as domestic demand continues strengthening driven in part by higher GDP growth above its potential as commercial oil production commences. This outlook is also supported by a stable exchange rate.

Monetary policy is therefore set to ensure that inflation returns to the target over the medium term, while guarding against upside risks from stronger domestic demand, potential exchange rate pressures, and persistent global uncertainty. Although inflation remains subdued at present, the MPC judges that maintaining the current stance is necessary to anchor inflation expectations and preserve macroeconomic stability amid prevailing global and domestic risks.

Future policy decisions will continue to be guided by incoming data and will adjust as needed in response to changing risks to the inflation and growth outlook.

## 2 DOMESTIC ECONOMIC DEVELOPMENTS AND OUTLOOK

### 2.1 Domestic Inflation and Outlook

#### 2.1.1 Domestic Inflation

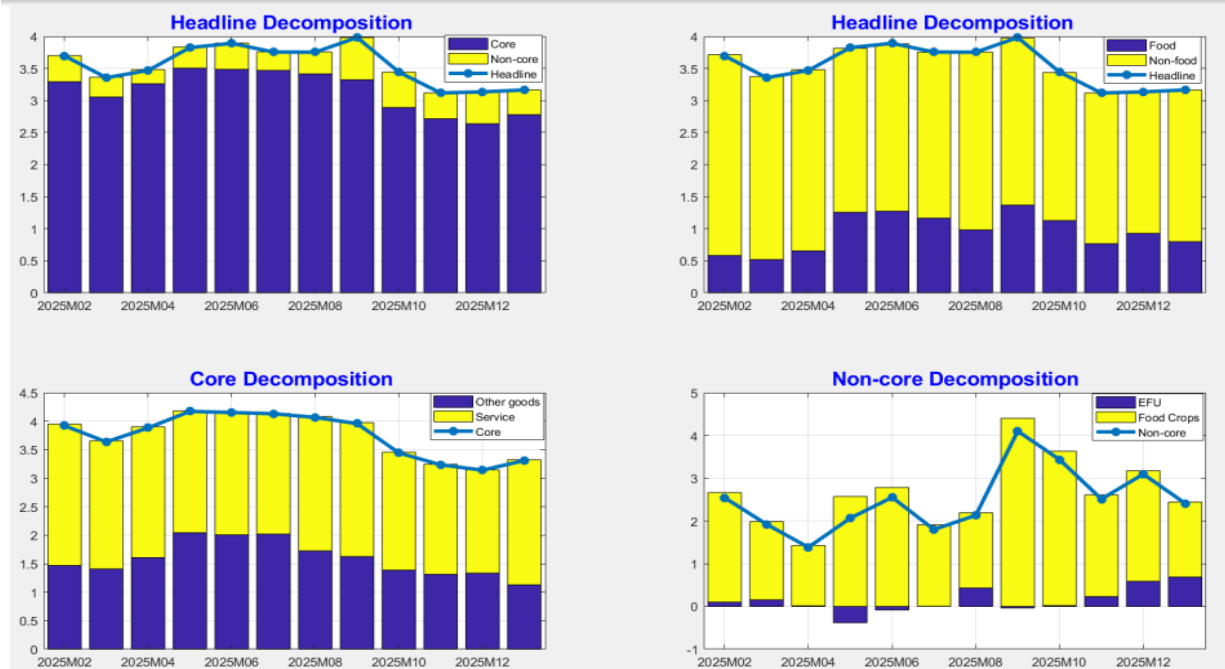
Over the past 12 months, annual headline and core inflation averaged 3.5% and 3.8%, respectively, indicating sustained price stability bolstered by prudent monetary policy, a stable exchange rate and lower energy prices.

In January 2026, headline inflation increased to 3.2% from 3.1% in December 2025 (**Figure 1**), while core inflation increased to 3.3% from 3.1% during the same period. The increase in core inflation was primarily driven by an increase in services inflation to 4.8% from 4.0%, primarily reflecting higher prices for air transport and financial services, while other goods inflation decreased to 2.1% from 2.5%.

Non-core inflation also declined to 2.4% in January 2026 from 3.1% in December 2025, largely due to a drop in food crops inflation, which fell to 3.0% from 4.4%. Conversely, Annual Energy, Fuel, and Utilities (EFU) inflation rose to 1.7% from 1.4%, primarily due to a slight increase in firewood prices.

Overall, recent inflation trends suggest well anchored inflation expectations and subdued underlying price pressures, aligning with the Bank of Uganda’s medium-term inflation target of 5.0%.

**Figure 1: Inflation Remained Low and Stable Over the 12 Months to January 2026, Supported by Exchange Rate Stability and Prudent Monetary Policy**



Source: UBOS

2.1.2 Inflation Outlook

Baseline inflation forecast

The inflation outlook remains consistent with the 5% medium term target. Forecasts have been revised marginally downwards relative to the November 2025 MPR, reflecting the

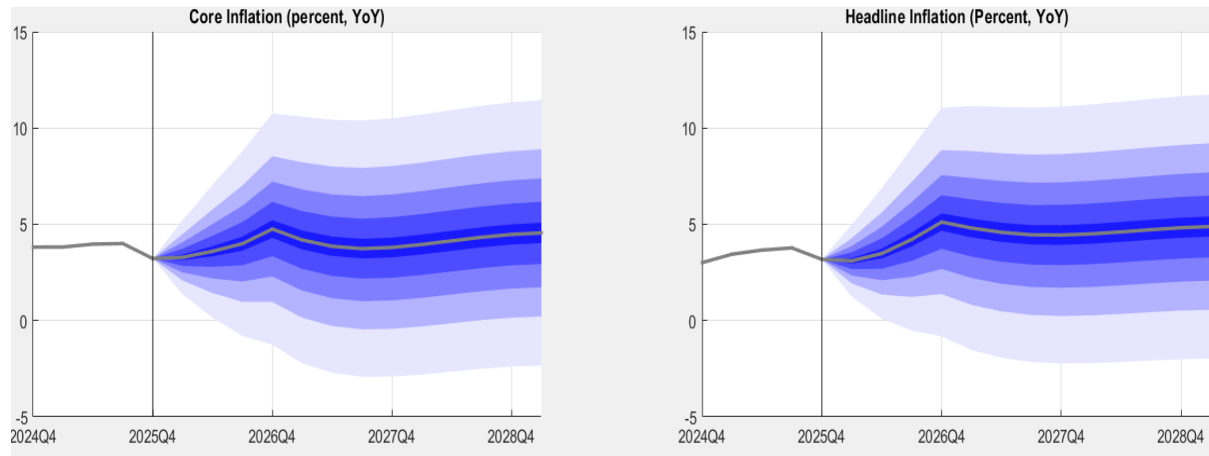
lower-than-anticipated inflation outturns in 2025Q4, particularly the modest exchange rate appreciation and continued moderation in international oil and food prices.

Over the next twelve months, annual core inflation is projected to average between 3.8% and 4.3%, compared to the previous forecast range of 4.0-4.5%. Annual headline inflation is expected to broadly track core inflation, reflecting contained food and energy price pressures. Both measures are projected to gradually rise towards the 5.0% target by 2026Q4, as domestic demand strengthens and temporary disinflationary pressures continue to fade (**Figure 2**).

Risks to the inflation outlook remain tilted to the upside. Inflation could be higher than is currently projected if there is stronger than anticipated domestic demand on account of increased investment in the extractive sector and effective implementation of government programmes; and an escalation of geopolitical tensions that could disrupt global supply chains. Additional risks also include exchange rate depreciation pressures that could arise from negative market sentiment associated with any potential delays in oil production; and adverse weather conditions that could constrain agricultural output and push up food prices. Inflation could turn out lower than is projected if there is improved agricultural output due to favourable weather conditions, which would boost food supply and moderate food price inflation, as well as weaker domestic demand arising from slower global growth should downside risks to global economic activity materialise.

While the baseline inflation outlook remains benign and consistent with the medium-term target, the balance of risks suggests heightened vigilance is warranted to guard against upside pressures on inflation, and thus the cautious monetary policy stance taken by the BoU.

**Figure 2: Inflation Projected to Remain Slightly Below the 5% Target in the Near Term, Supported by Anchored Expectations, Stable Global Commodity Prices, and Exchange Rate Stability, Before Converging to Target Over the Medium Term**



Source: Bank of Uganda

### Macroeconomic Risks and Alternative Policy Scenarios

To evaluate these uncertainties and potential deviations from the baseline forecast, the BoU developed and assessed a series of alternative scenarios.

#### Implications of a delay in the commencement of anticipated oil production

This alternative scenario considers the implications of a delay in the commencement of anticipated oil production. These developments would weaken capital inflows, heighten exchange rate volatility, and exacerbate fiscal pressures, with adverse effects on domestic economic activity.

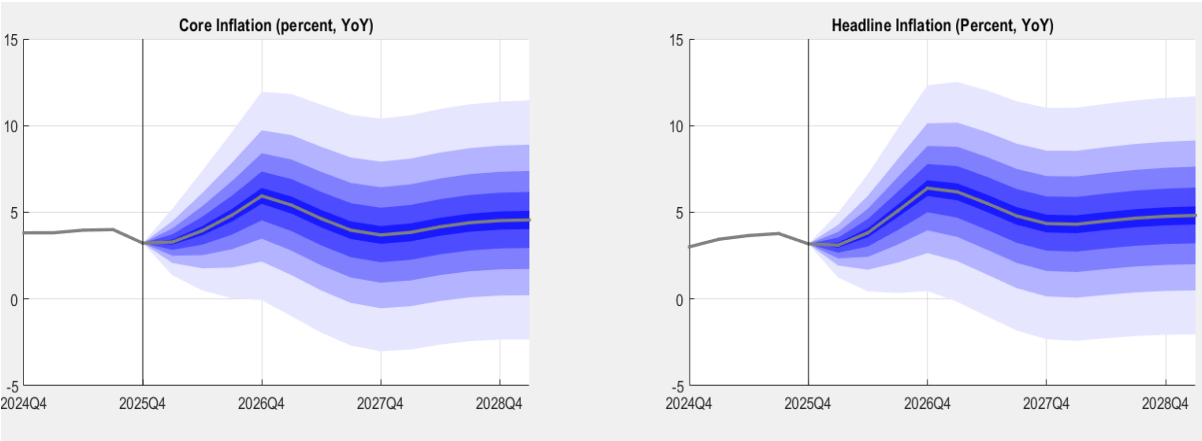
Under this scenario, the exchange rate is assumed to be weaker than in the baseline and when combined with heightened uncertainty, would lead to lower real GDP growth by about 1.1 percentage points in FY 2026/27 relative to the baseline projection.

Inflationary pressures would increase relative to the baseline outlook. Both headline and core inflation would be approximately 0.6 percentage points (**Figure 3**) higher than the

baseline average over the next twelve months, reflecting stronger exchange rate pass through to domestic prices and second round effects.

In response to elevated inflationary pressures and increased macroeconomic risks, the monetary policy stance would need to be relatively tighter than under the baseline. Overall, this scenario underscores the importance of maintaining investor confidence, safeguarding external stability, and ensuring policy credibility with timely execution of commercial oil production to mitigate against the adverse macroeconomic outcomes.

**Figure 3: Inflationary Risks and Monetary Policy Implications of Delayed Oil Production**



Source: Bank of Uganda

**Macroeconomic Implications of Elevated Geopolitical Risks for the Policy Outlook**

This scenario examines the macroeconomic implications of a significant escalation in geopolitical risks, leading to disruptions in global supply chains, particularly in energy markets. Heightened geopolitical tensions are assumed to constrain global oil supply, resulting in a sharp increase in international oil prices from the current levels to about US\$80 per barrel by 2026Q3, alongside a broader surge in global commodity prices. These developments are assumed to heighten volatility in global financial markets and increase global inflationary pressures.

In response to rising inflation, this scenario assumes that major central banks would tighten monetary policy further, contributing to a slowdown in global economic activity. The combined effects of higher commodity prices, tighter global financial conditions, and

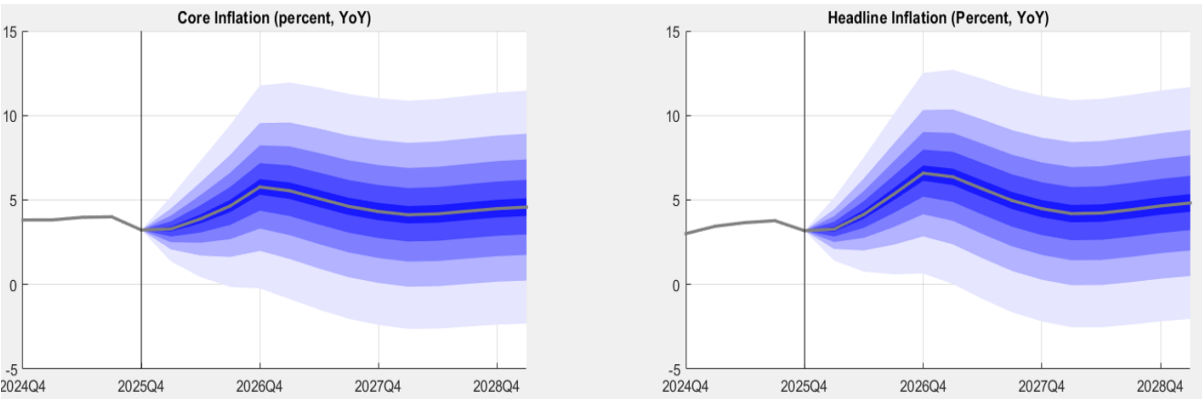
weaker external demand would transmit to the domestic economy through higher import prices, exchange rate pressures, and subdued growth.

Relative to the baseline, headline inflation would be about 0.9 percentage points (**Figure 4**) higher than the baseline average over the next twelve months, reflecting increased fuel costs and imported inflation. Core inflation would be 0.5 percentage points above the baseline over the same period, driven by second-round effects from higher production and transportation costs.

The exchange rate would then depreciate by an additional cumulative 3.6 percentage points relative to the baseline over the next twelve months, reflecting heightened global risk aversion and increased demand for foreign currency. Real GDP growth would be projected to be about 0.2 percentage points lower in FY 2025/26 and 0.8 percentage points lower in FY 2026/27, compared to the baseline, owing to weaker external demand and tighter domestic financial conditions.

In response to the elevated inflationary pressures and exchange rate risks under this scenario, the monetary policy stance would be tighter than in the baseline. Accordingly, the Central Bank Rate (CBR) would be projected to increase relative to the baseline path.

**Figure 4: Macroeconomic implications of a significant escalation in geopolitical risks to headline and core inflation**



Source: Bank of Uganda

## Macroeconomic implications of a more expansionary fiscal policy

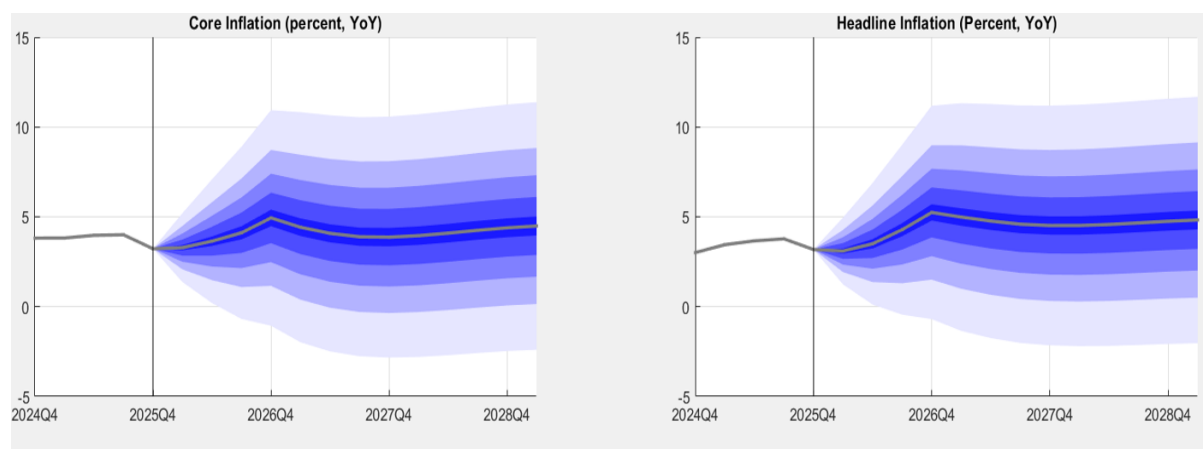
This scenario considers the macroeconomic implications of a more expansionary fiscal stance than assumed in the baseline, arising from the full implementation of planned government projects.

The stronger fiscal impulse would stimulate domestic demand, leading to modest upward pressures on prices. Relative to the baseline, headline and core inflation would be 0.2 percentage points (**Figure 5**) higher than the baseline average over the next twelve months, reflecting increased demand-side pressures.

The exchange rate would be slightly more appreciated than in the baseline, by about 0.1 percentage points, supported by higher public investment related inflows and improved domestic economic activity. Real GDP growth would be 0.2 percentage points higher than the baseline in both FY 2025/26 and FY 2026/27, reflecting stronger government spending and supportive private sector activity.

The increase in inflationary pressures under this scenario would warrant a marginally tighter monetary policy stance than in the baseline.

**Figure 5: Core and Headline Inflation Trends Driven by A More Expansionary Fiscal Policy**

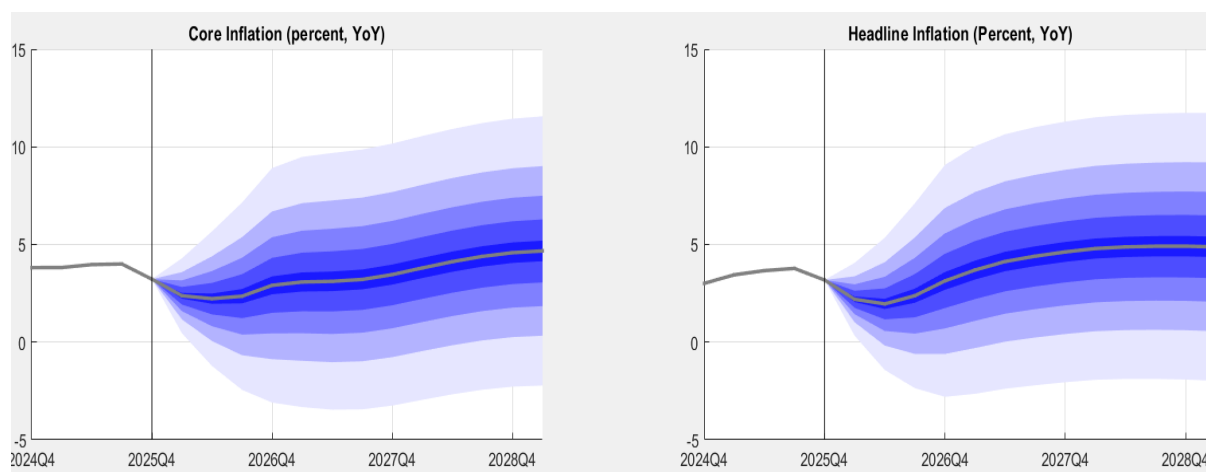


Source: Bank of Uganda

## Global Asset Price Correction and Commodity Price Decline

In this scenario, a negative revaluation of AI productivity gains and decline in other global asset prices relative to the baseline are assumed, alongside a decline in international oil prices to US\$50 per barrel, resulting in lower global inflation and easing of policy globally. Headline and core inflation would be 1.3 percentage points (**Figure 6**) lower than the average of the baseline in the next twelve months. The exchange rate would be 0.2 percentage points more appreciated compared to the baseline by Dec 2026. Growth would be lower by about 0.3 percentage points in FY2025/26 relative to baseline as lower global demand affects exports. The lower domestic inflation would then warrant a monetary policy easing relative to the baseline.

**Figure 6: Core and Headline Inflation Trends ss Global Growth Slows Due to a Decline in Global Assets Prices**



Source: Bank of Uganda

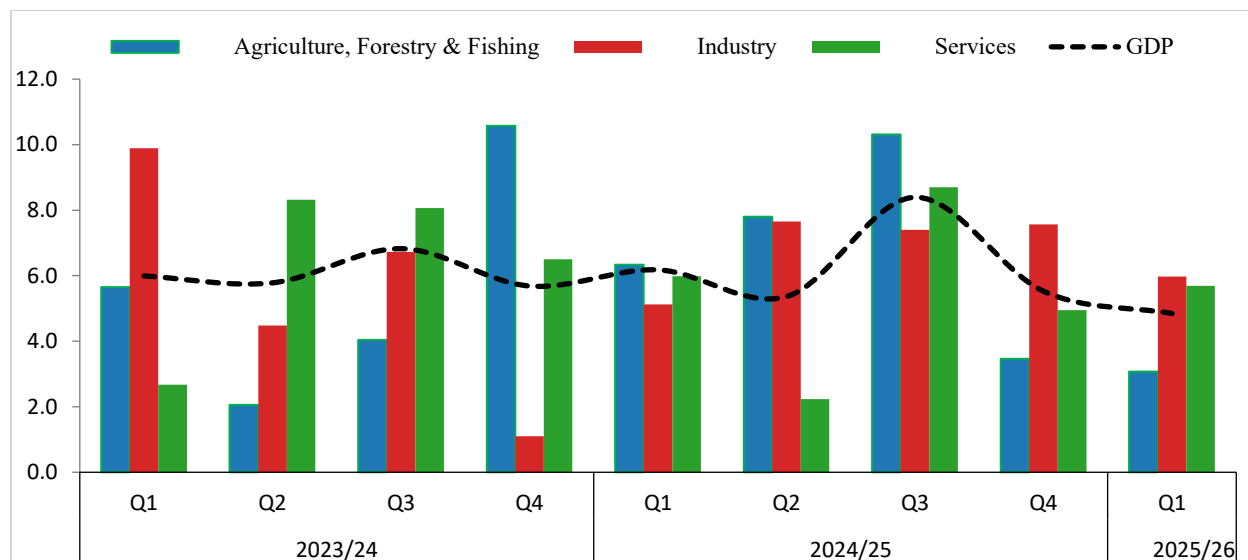
## 2.2 Domestic economic activity

### 2.2.1 Economic Growth Developments and outlook

Uganda's economy remains resilient despite persistent global challenges. According to the Uganda Bureau of Statistics (UBOS), the economy grew by an average of 6.3% in the first three quarters of 2025, supported by final consumption expenditure, which grew by 14.7% largely due to government expenditure, which grew by 22.8% compared to a growth of 14.2% for the final household consumption. However, growth moderated to 4.8% in Q1 FY2025/26,

reflecting weaker performance in the agriculture and industrial activity, partly offset by a strengthening in services sector (**Figure 7**).

**Figure 7: Uganda’s economy grew by 4.8% in Q1 FY2025/26, supported by a robust services sector that helped moderate impact of a softer performance in the agriculture and Industrial sectors.**



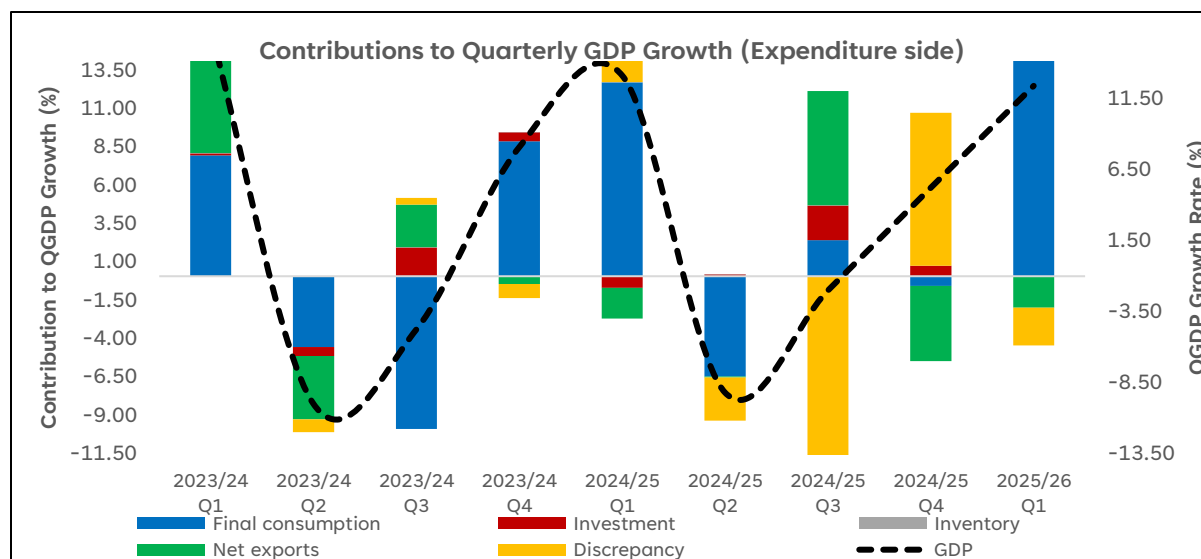
Source: Uganda Bureau of Statistics (UBOS)

Agriculture, forestry and fishing grew by 3.1% in Q1FY2025/26, down from 3.5% in the previous quarter and 6.3% a year earlier. This deceleration was mainly due to weaker performance in cash crop growing activities and a contraction in agricultural support services. Industrial activity grew by 6.0% in Q1 FY2025/26, easing from 7.6% in Q4FY2024/25 but remaining above the outturn for the corresponding first quarter of FY2024/25. Growth was supported by strong construction activity, which expanded by 11.7%, manufacturing by 4.8% and a sharp rise in electricity output. Services activity picked up slightly to 5.7% from 5.0% in Q4FY2024/25 but remained below the growth recorded a year earlier. This slower pace reflected weaker performance in trade and repair services (6.2% from 10.3%) and transport and storage services (7.6% from 14.2%).

On the expenditure side, growth in Q1FY2025/26 was underpinned by strong expansion in both consumption and investment (**Figure 8**). Total consumption rose to 12.9%, up from 7.7% a year earlier. This was driven by higher government expenditure and household

consumption. Investment accelerated to 13.2% from 3.3% over the same period, supported by increased spending on ICT and transport equipment.

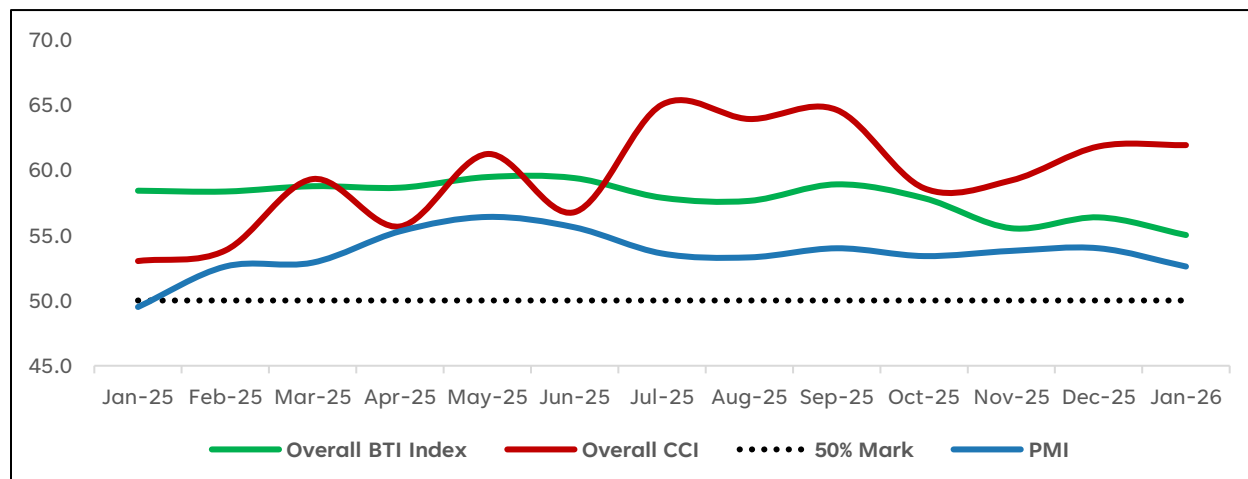
**Figure 8: Uganda’s GDP Growth in Q1 2025/26 Supported by Consumption and Investment Despite Weakness in Other Sectors**



Source: Uganda Bureau of Statistics (UBOS)

High-frequency indicators point to an improvement in underlying economic conditions in the period to December 2025, driven by stronger exports, private consumption, and investment. The Composite Index of Economic Activity (CIEA) increased by 1.6 % on a quarterly basis and by 7 % year-on-year. Survey-based indicators also continue to signal resilience in private-sector activity with the Business Tendency Index (BTI), Consumer Confidence Index (CCI), and Purchasing Managers’ Index (PMI) all remaining above the 50-point threshold in January 2026 (Figure 9). While business confidence eased slightly, consumer sentiment improved and PMI continued to point to expanding activity, supported by rising customer numbers and new orders.

**Figure 9: Key Economic Sentiment Indicators Signal Continued Expansion, Sustaining Levels Above the 50-Point Threshold at the start of 2026**



Source: Bank of Uganda, Stanbic Bank Uganda PMI

### 2.2.2 Economic Growth outlook.

Economic activity is expected to remain robust over the forecast horizon. Growth in FY2025/26 is projected at 6.5 to 7.0%, supported by strong domestic demand, ongoing public investment, and continued progress in oil sector related developments. Over the medium term, growth is expected to average around 8.0%, rising further with the commencement of oil production in FY2026/27.

This outlook is underpinned by several factors. Continued implementation of government initiatives, including the 10-fold growth strategy, aimed at promoting value addition across key sectors is expected to sustain activity. Increased investment in the extractive industry and improvements in agricultural production, supported by favourable weather conditions, are also anticipated to contribute to growth. Prudent monetary and fiscal policies remain supportive of economic growth.

The growth outlook remains subject to several risks. On the downside, adverse weather conditions pose a risk to agricultural output and rural livelihoods while rising geopolitical tensions could disrupt global trade flows and dampen external demand, with implications

for exports. In addition, any delay in planned oil sector investments and potential pressures could lower the growth outturn compared to the projection.

On the upside, continued implementation of the 10-fold growth strategy, alongside targeted government interventions, rising investment in the extractive industry, improved agricultural productivity, and an accommodative monetary policy, could collectively support stronger economic growth.

## 2.3 Domestic financial markets

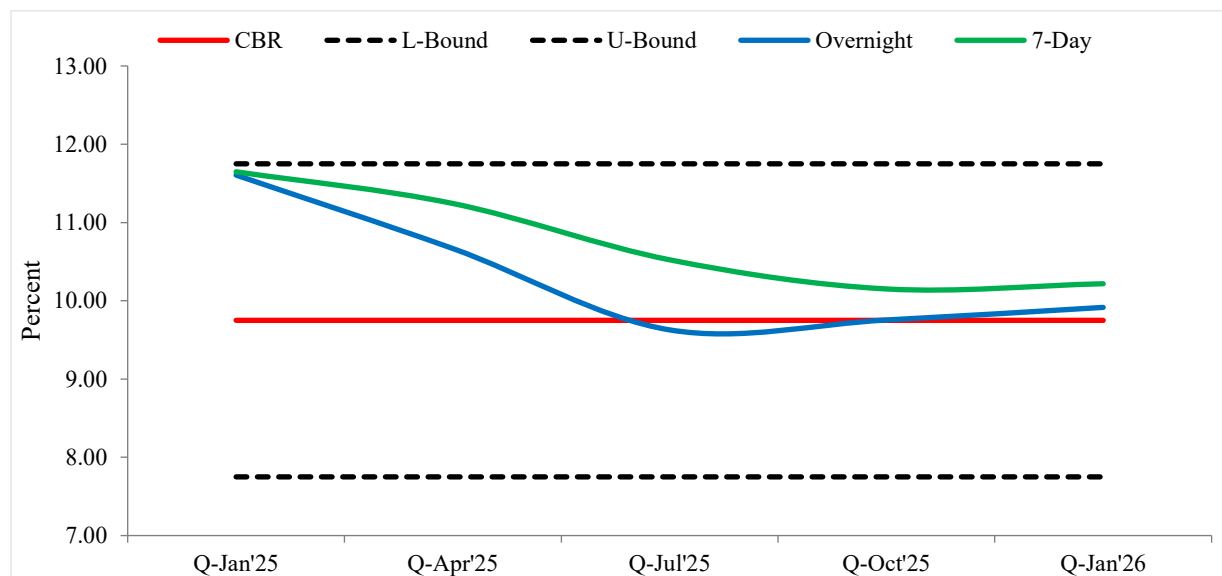
### 2.3.1 Monetary policy and the interbank money market

Money market rates remained relatively stable in the three months to January 2026 (**Figure 10**). Short-term interbank rates stayed within the policy corridor of CBR  $\pm 2$  percentage points, with the overnight bank rate increasing slightly to 9.9% from 9.8% in three months to October 2025 and the 7-day interbank weighted average rate remained stable at 10.2%.

Liquidity constraints were generally balanced. The use of the Standing Lending Facility increased, reflecting temporary increase in liquidity needs, while the use of repurchase agreements (Repos) and BOU bills moderated as overall excess liquidity eased. The Standard Deposit Facility was used less frequently, consistent with a smoother distribution of liquidity across the banking system.

Overall, money market developments point to a well-functioning interbank market, and stable short-term financing conditions in line with the monetary policy stance.

**Figure 10: Interbank Money Market Rates remained stable and close to the Central Bank Rate in the three months to January 2026 supporting overall macroeconomic stability**



Source: Bank of Uganda

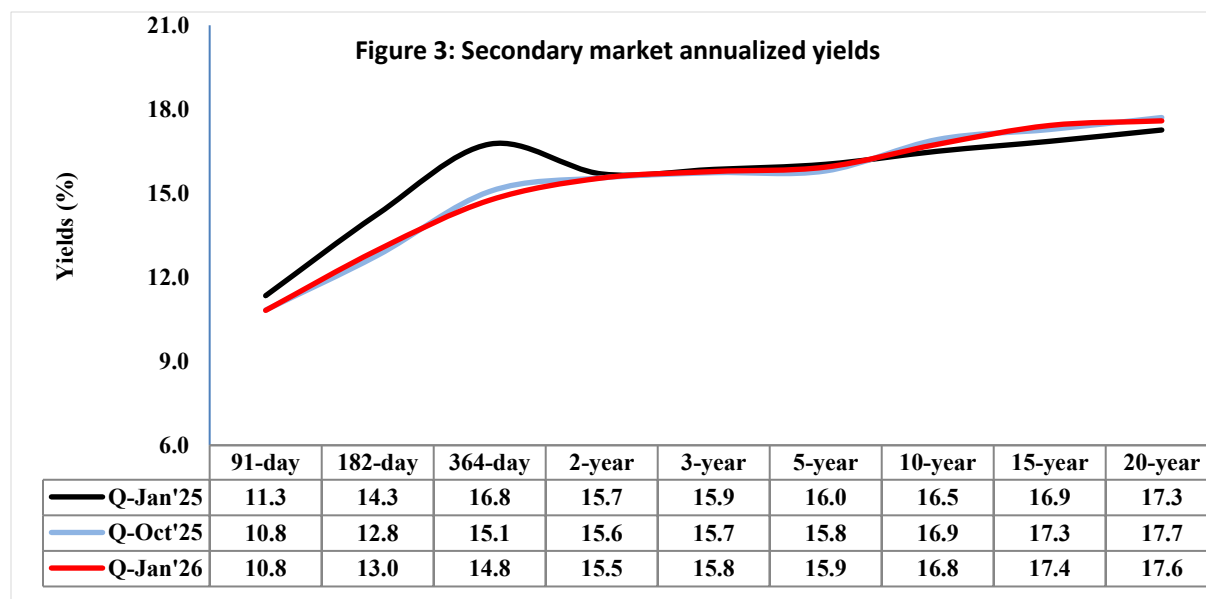
### 2.3.2 Primary market for treasury securities

On average, Primary market yields remained stable across most tenors in the three months to January 2026 relative to the three months to October 2025, due to stable macroeconomic conditions. Issuances of treasury securities fell by 17.0% in the three months to January 2026 to Shillings 6.63 trillion relative to Shs. 7.98 trillion in the three months to October 2025, reflecting government scale back having raised about three-quarters of its annual financing requirement by mid-year. Demand for government securities remained robust with all auctions oversubscribed, pointing to continued appetite for government paper.

### 2.3.3 Secondary market for treasury securities

In the secondary market, rates remained broadly stable (**Figure 11**), with short term yields easing marginally in the quarter to January 2026 compared to the quarter to January 2025 and largely stable relative to the quarter to October 2025, while medium term yields remained steady over the same period. Long term yields rose modestly in the period under review, resulting in a slightly steeper yield curve. This steepening likely reflects long term risks including government debt outlook, liquidity preferences, and market expectations of future interest rates rather than heightened inflationary pressures given current low inflation (below 5.0%).

**Figure 11: Stable Secondary market annualized yields on T-bills and T-bonds (Average for the quarters)**



Source: Bank of Uganda

### 2.3.4 Lending interest rates

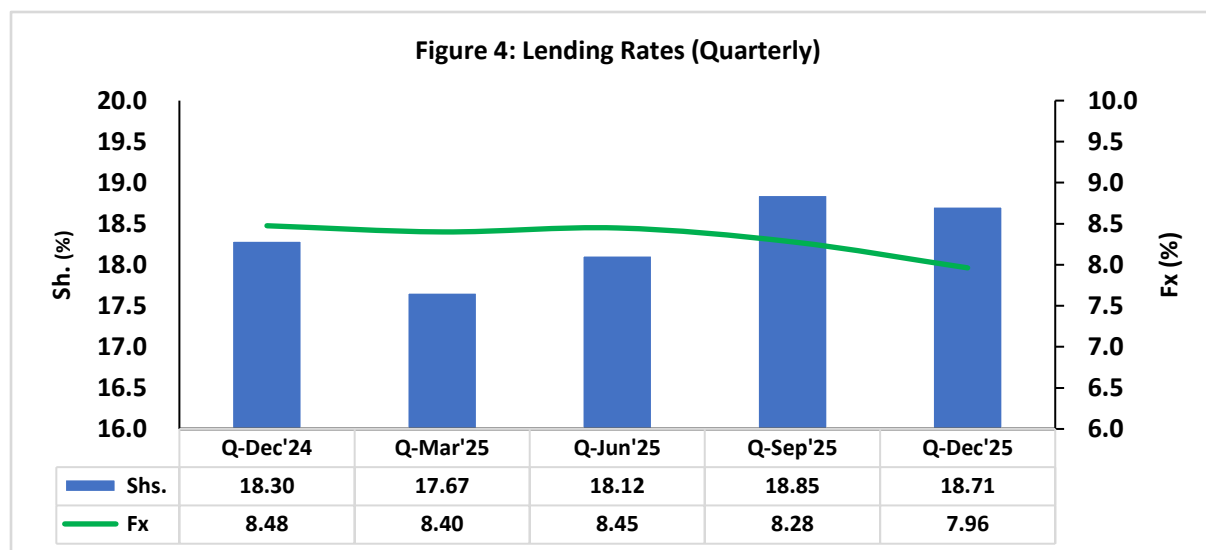
Lending rates fell in the three months to December 2025, supported by improved asset quality, favourable macroeconomic conditions, and lower government borrowing (**Figure 12**). Shilling denominated lending rates eased modestly on account of lower non-performing loans and stronger economic conditions that supported higher lending appetite for banks, while foreign currency lending rates also fell, reflecting an increase in foreign deposits amidst sustained foreign direct investment and portfolio inflows that underpinned exchange rate appreciation.

The prime lending rate by commercial banks remained stable over the period, consistent with low inflation, a steady Central Bank Rate, and improved financial sector conditions. Survey evidence suggests that the lending rates are expected to remain largely unchanged in the near term, as low and stable inflation, stable exchange rate and robust economic growth continue to anchor both credit demand and supply.

Risks to near term lending rate outlook are broadly balanced. The downside risks include continued macroeconomic and foreign exchange market stability. Lending rates could

however be higher on account of sector specific rate increases, shifts in global financial conditions and increased government borrowing from the domestic market.

**Figure 12: Weighted Shilling and Foreign Currency Lending Rates: Fall both in the Shilling and Foreign denominated Rates (%)**



Source: Bank of Uganda

In the three months to December 2025, sectoral shilling lending rates recorded mixed movements compared to the three months to September 2025 (**Table 1**). Rates for trade, housing, personal loans, mining and quarrying declined marginally to 17.7%, 19.7%, 19.5% and 17.6%, respectively, while manufacturing, transport, and agriculture increased modestly to 17.9%, 16.5% and 20.5% respectively.

Notably, in line with the appreciated exchange rate, lending rates for foreign currency denominated loans fell for most sectors except the transport sector, which points to peculiar sectoral dynamics in the period under review as reflected in elevated transport inflation. Overall, the lower lending interest rates though remaining high on account of structural factors, are supportive of a recovery in Private Sector Credit as evidenced in the higher credit approval rates by commercial banks.

**Table 1: Weighted average Shilling lending rates fell across most sectors, though remain relatively high due to structural rigidities in the financial sector**

Shilling Lending Rates								
Quarter	Agric.	Mining & Quarrying	Manufacturing	Trade	Transport & Comms	Housing	Personal	Shs (Overall)
Q4-2024	21.1	20.7	15.9	18.6	14	20	18.7	18.3
Q1-2025	21.2	21.9	17.4	17.5	14.1	20.3	18.3	17.67
Q2-2025	21.2	22.9	16.6	18	13.7	19.3	19.6	18.12
Q3-2025	19.8	18.3	16.8	18.5	15.5	20.1	19.6	18.85
Q4-2025	20.5	17.6	17.9	17.7	16.5	19.7	19.5	18.71
Foreign Lending Rates								
Quarter	Agric.	Mining & Quarrying	Manufacturing	Trade	Transport & Comms	Housing	Personal	FX (Overall)
Q4-2024	8.6	9.2	8.6	8.5	8.9	10.7	12.2	8.48
Q1-2025	8.9	9.5	8.8	8.2	9.2	10.2	10.8	8.4
Q2-2025	8.8	10.5	8.6	8.2	7.3	11.6	10.5	8.45
Q3-2025	8.3	9.0	8.4	8.0	8.2	11.4	9.4	8.28
Q4-2025	7.2	8.7	8.4	7.6	9.4	10.8	8.9	7.96

Source: Bank of Uganda

### 2.3.5 Private sector credit

Growth of ODC Private sector credit (PSC) remained resilient, rising to 11.0% in December 2025, the highest since May 2022, relative to 10.3% in November 2025 driven by improved macroeconomic conditions, lower non-performing loans, and lower government borrowing. On a quarterly basis, PSC strengthened to an average annualised growth of 10.5% over the quarter to December 2025 from 9.5% in the previous quarter and PSC, net of revaluation and capitalized interest, rose to 11.25% in the three months to December 2025 relative to 8.84% in the three months to September 2025 (**Figure 13, Left**).

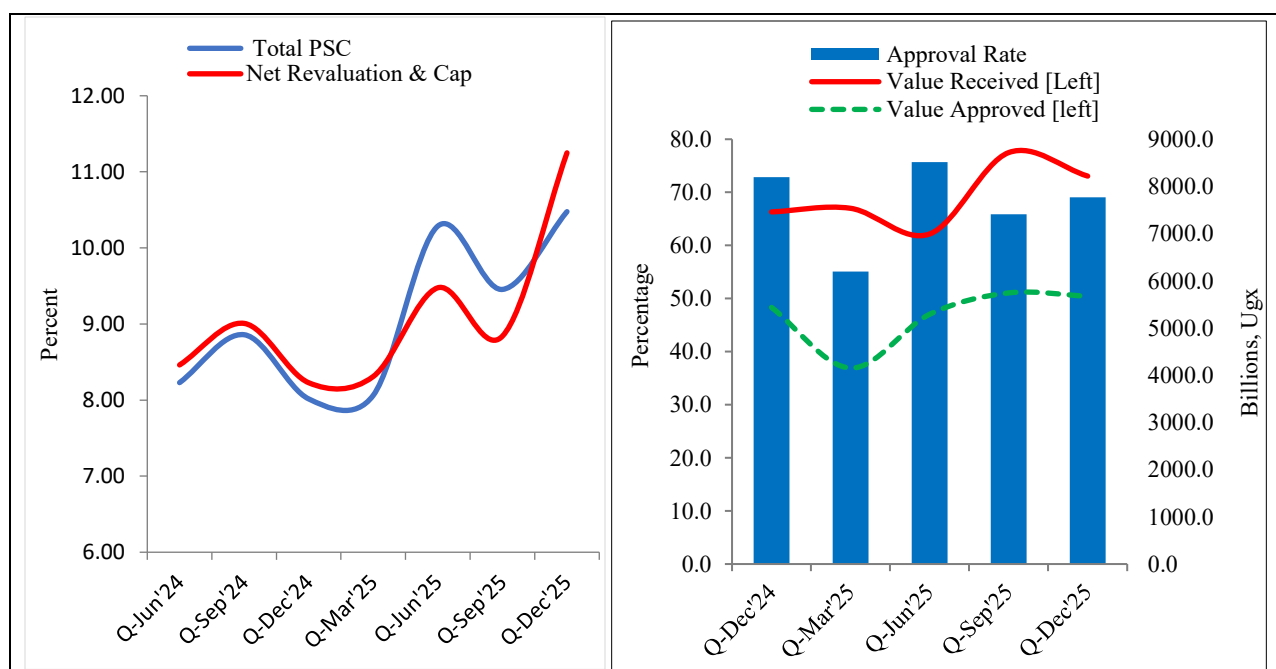
Overall annualized credit growth increased, with total net credit extensions including capitalized interest and revaluation rose in the three months to December 2025 to Shs 1.9 trillion from Shs 1.2 trillion in the three months to September 2025. Credit supply conditions continued to improve as banks reported stronger balance sheets and higher approval rates.

Growth in foreign currency denominated loans more than doubled to 10.09% in the three months to December 2025 from 4.72% in the three months to September 2025, in line with higher foreign currency inflows and appreciated exchange rate. However, there was a very

marginal decline in growth of Shilling-denominated loans to 10.62% from 11.12% over the same period.

Although demand for credit fell moderately to Shs 8.2 trillion in the three months to December 2025 to relative to Shs 8.7 trillion in the three months to September 2025 (**Figure 13, Right**) reflecting peculiar customer considerations, supply of credit remained stable at Shillings 5.7 trillion 2025 mainly on the back of improving Non-Performing Loans (NPL). The NPL ratio improved to 3.24% (the lowest since December 2011) from 3.66% during this period improving bank’s appetite and reinforcing the recovery in credit growth as reflected in the rate of approval for credit that rose to 69.0% in the three months to December 2025 from 65.9% in the three months to September 2025.

**Figure 13: PSC growth increased (year-on-year, %, Left) as demand and supply of credit remained robust (UGX, billion, Right)**

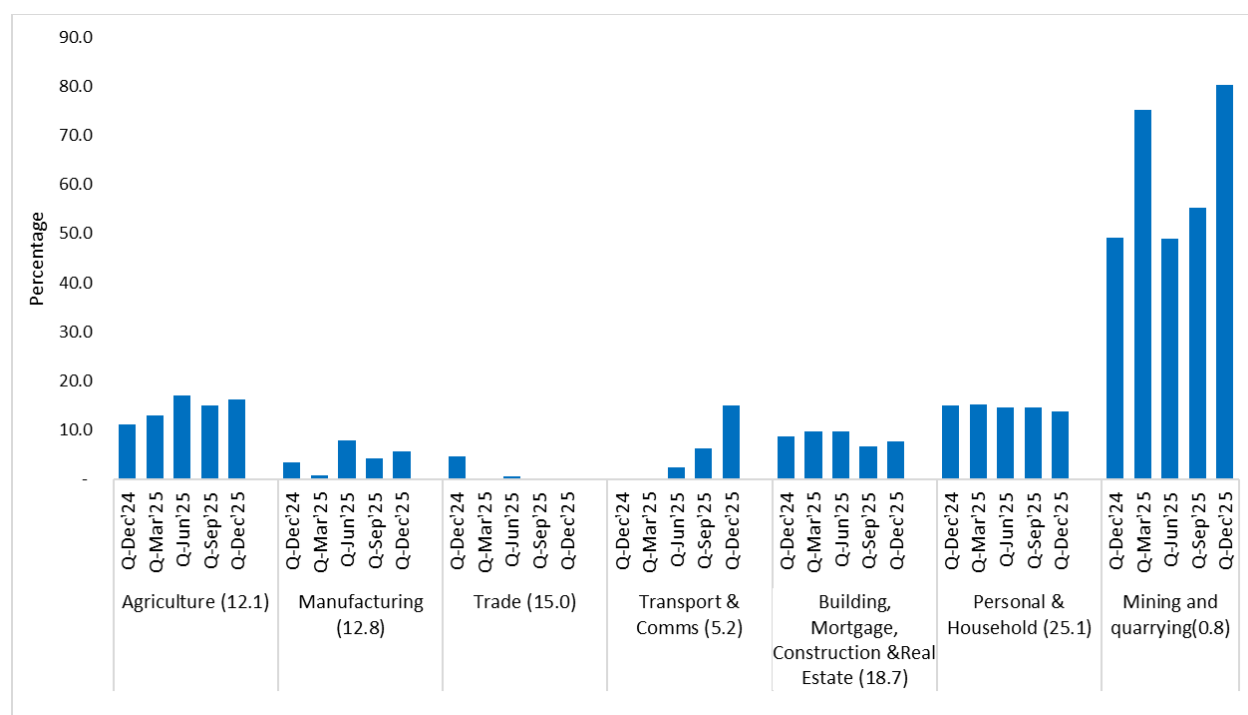


Source: Bank of Uganda

Annualised ODC private sector credit growth rose across most of the major economic sectors in the 3 months to December 2025 except Personal Loans compared to the three months to September 2025 (**Figure 14**). In terms of sectoral composition over the quarter to December 2025, personal and household loans accounted for an average of 25.1% share

of total credit, followed by Building, Mortgage, Construction and Real Estate with a 18.7% share, Trade with a 15.0% share, Manufacturing with an 12.8% share, and Agriculture with a 12.1% share.

**Figure 14: Year-on-year growth in private sector credit-3-month moving-average fell across most major economic sectors (% shares in brackets)**



Source: Bank of Uganda

Private sector credit when combined with lending under government programs such as the Parish Development Model (PDM) and Emyooga, remained in double digits at 13.1% in the three months to December 2025, though slightly down from 13.6% in the three months to September 2025. These government credit schemes are expected to continue supporting overall credit growth. In the near term, Private sector credit growth is expected to continue strengthening, supported by sustained demand for credit, improved macroeconomic stability and better financial sector conditions. Upside risks include increased public and private investment activity, government support programs, and sustained macroeconomic stability, while downside risks stem from potential crowding out due to higher government borrowing, global economic uncertainty, and credit risk concerns. Overall, expectation is for continued improvement in PSC growth.

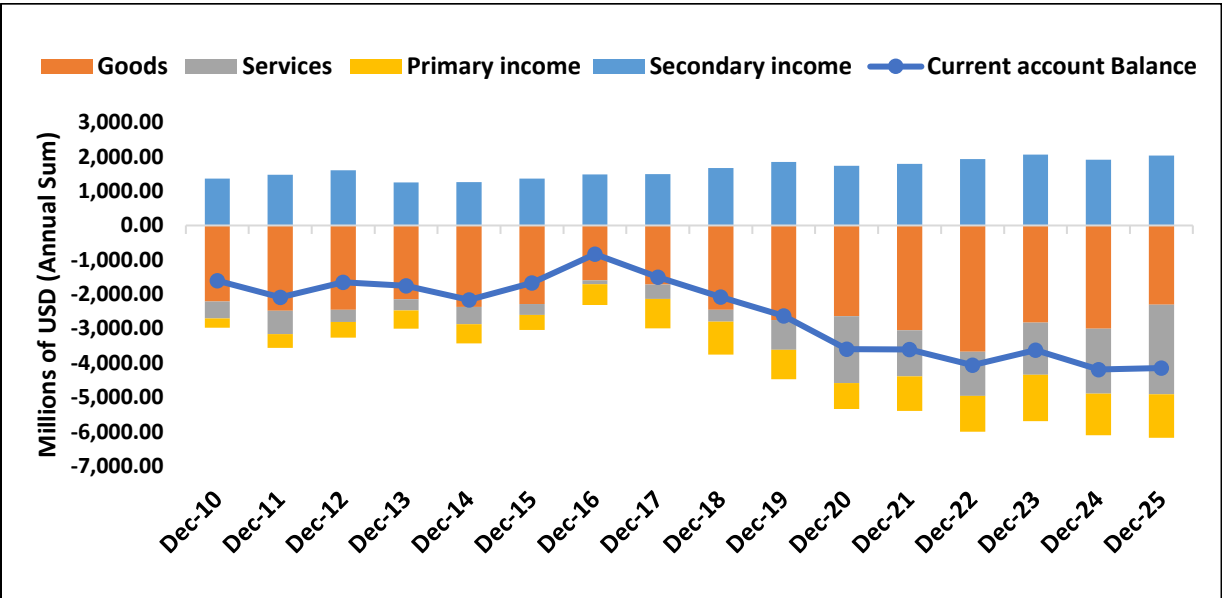
Credit growth is expected to strengthen over the medium term, supported by a positive economic outlook and improvements in credit infrastructure (e.g Credit Reference Bureau) which are expected to enhance creditworthiness and expand micro, small, and medium enterprises (MSMEs) access to finance.

2.4 Balance of payments and exchange rates

2.4.1 Balance of payments

The external position strengthened in the year to December 2025, supported by robust export growth, higher personal transfers, and stronger investment and portfolio inflows. The current account deficit narrowed slightly to US\$ 4,147.6 million from US\$ 4,191.8 million in the year to December 2024 (Figure 15). This was largely attributed to improvement in the goods balance and secondary income more than offsetting the wider services and primary income deficits.

Figure 15: The current account deficit narrowed year-on-year largely reflecting improvements in the goods balance and secondary income accounts (US\$ Million)



Source: Bank of Uganda

The primary income account deficit expanded to US\$ 1,268.2 million in the year to December 2025 compared to US\$ 1,214.6 million observed in the same period last year. This indicated higher net outflows in the primary income account largely due to expansion

in portfolio investment outflows, mainly interest earnings which have more than doubled over this period, coupled with a reduction in earnings on reserve assets which combined, outweighed the slowdown in direct investment outflows and interest payments on Uganda's public debt over this period.

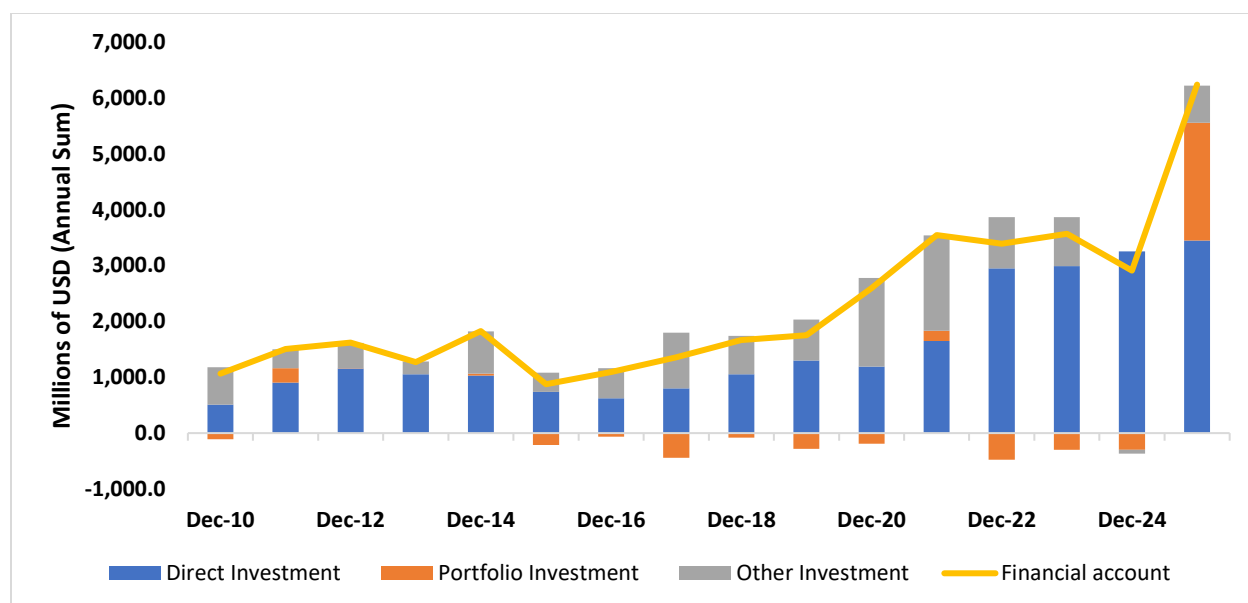
During the year to December 2025, the services deficit significantly widened to US\$ 2,601.9 million from US\$ 1,885.8 million in the year to December 2024, reflecting elevated transport-related payments to non-resident carriers and higher imports of business services linked to large infrastructure and energy projects with strong import demand for capital goods and project-related inputs. Additionally, there was an expansion in the other business services due to higher imports of professional and technical services, particularly engineering, consultancy, and project advisory services supplied by non-resident entities.

By contrast, the goods account deficit narrowed to US\$ 2,308.5 million in the year to December 2025 from US\$ 3,005.7 million in the year to December 2024, as export growth more than offset the increase in imports. Exports rose to US\$ 13,433.6 million, largely driven by higher receipts from coffee (US\$ 2,462.8 million), cocoa (US\$ 632.0 million), and gold (US\$ 6,402.7 million). Import growth was primarily driven by private sector imports (US\$ 9,137.5 million) and gold imports, which increased by US\$ 3 million to US\$ 6,339.4 million. Notably, gold imports and exports increased by broadly similar magnitudes, largely offsetting their net impact on the trade balance.

The financial account surplus substantially improved to US\$ 6,242.2 million in the year to December 2025 compared to the surplus of US\$ 2,908.2 million reported for the previous year (**Figure 16**). This performance was underpinned by strong inflows of direct and portfolio investments and budget support disbursements. Foreign Direct Investment (FDI) remained robust, estimated at US\$ 3,450.2 million, due to strong inflows to the oil sector and spillovers to related sectors, including the transportation and construction sectors, amid infrastructural developments associated with oil projects. Portfolio investment registered net inflows of US\$ 2,111.9 million, a reversal from the net outflows of US\$ 297.0 million registered in the previous year. This turnaround was driven by increased offshore investment in government securities reflective of the attractive real yields on domestic government securities, combined with perceived relative macroeconomic stability and a decline in foreign portfolio asset acquisitions by other sectors. Similarly, Other investments posted net inflows of US\$ 664.6 million, compared to the net inflows of US\$ 70.5 million

recorded in the previous year, on account of higher budget support loan disbursements to government, coupled with lower buildup of deposits assets abroad by the private sector.

**Figure 16: Financial Account Surplus Expanded, Driven by Strong Inflows of FDI, Portfolio and Other Investments (US\$ Million)**



Source: Bank of Uganda

The overall balance of payments registered a surplus of US\$ 2,688.3 million in the year to December 2025 compared to a deficit of US\$ 519.3 million observed in December 2024. These BoP developments coupled with BoU’s strategic efforts like targeted purchases in the foreign exchange market, facilitated a significant accumulation of foreign exchange reserves with the stock of reserves increasing to US\$ 5,991.1 million at end-December 2025, equivalent to 4.2 months of future import cover, compared to US\$ 3,302.8 million (2.3 months of import cover) recorded at end-December 2024. Stock of reserves however marginally declined to US\$ 5.6 billion, equivalent to 3.9 months of import cover as at end January 2026, reflecting debt service obligations and a maturity of a cross-currency repo between December 2025 and end January 2026. The BoU remains committed to building reserves to strengthen Uganda’s external buffers against potential shocks.

## 2.4.2 Balance of payments outlook

In the short term, the external sector outlook remains positive and resilient. Foreign direct investment and offshore participation in the government debt securities market are expected to remain firm, supported by favourable yields, a stable exchange rate, and continued interest in Uganda as an investment destination. These factors should support a continued surplus on the financial account.

However, external risks remain elevated. Global trade policy uncertainty, lower commodity prices, and heightened geopolitical tension, pose risks to export earnings and import costs. External financing conditions could tighten if advanced economies reprioritise spending away from development assistance, potentially reducing project support and NGO inflows.

These risks are partly mitigated by strong coffee export volumes, with FY2025/26 exports projected to increase by over 15.0%, helping to cushion the impact of price moderation. Continued progress under the labour externalisation programmes is expected to support remittances, despite tighter immigration policies in some host countries. The financial account surplus is expected to remain strong, supported by continued oil-related FDI inflows and sustained offshore investment in government securities, underpinned by favourable interest rates and a stable exchange rate.

Over the medium term, oil sector developments are expected to play a central role in shaping Uganda's external position. The current account deficit is projected to narrow and eventually move into surplus as oil exports commence and oil-related imports decline with the transition from the investment to the production phase. Further support to the current account is expected from stronger non-oil export growth and tourism receipts, driven by infrastructure improvements and the implementation of targeted export and tourism promotion initiatives under the Tenfold Growth Strategy.

The financial account surplus is expected to remain robust, supported by sustained FDI inflows and renewed access to concessional financing and budget support. These inflows, combined with an improving current account, are projected to reinforce external sustainability and strengthen reserve buffers over the medium term (**Table 2**).

**Table 2: BOP Medium Term Projections**

Balance of Payment Accounts	FY2025/26		FY2026/27		FY2027/28		FY2028/29	
	\$BN	%GDP	\$BN	%GDP	\$BN	%GDP	\$BN	%GDP
<b>Current account</b>	<b>-3.4</b>	<b>-5.0%</b>	<b>-1.5</b>	<b>-2.0%</b>	<b>0.4</b>	<b>0.4%</b>	<b>1.3</b>	<b>1.3%</b>
Trade Balance	-2.0	-2.9%	1.0	1.4%	3.1	3.6%	3.5	3.6%
Services	-2.2	-3.2%	-2.2	-2.8%	-1.8	-2.1%	-1.6	-1.7%
Primary income	-1.4	-2.1%	-2.5	-3.3%	-3.1	-3.6%	-2.9	-3.0%
Secondary income	2.2	3.3%	2.1	2.8%	2.2	2.6%	2.3	2.4%
<b>Capital account</b>	<b>0.4</b>	<b>0.7%</b>	<b>0.2</b>	<b>0.2%</b>	<b>0.2</b>	<b>0.2%</b>	<b>0.2</b>	<b>0.2%</b>
<b>Current and Capital Account</b>	<b>-3</b>	<b>-4.3%</b>	<b>-1.3</b>	<b>-1.7%</b>	<b>0.6</b>	<b>0.7%</b>	<b>1.5</b>	<b>1.5%</b>
<b>Financial Account*</b>	<b>4.3</b>	<b>6.3%</b>	<b>1.5</b>	<b>2.0%</b>	<b>-0.1</b>	<b>-0.2%</b>	<b>-0.2</b>	<b>-0.3%</b>
FDI*	3.3	4.9%	3.0	4.0%	2.9	3.3%	3.0	3.1%
Portfolio investment*	0.6	0.8%	0.5	0.7%	0.5	0.6%	0.5	0.5%
Other investment*	0.4	0.6%	-2.1	-2.7%	-3.5	-4.1%	-3.7	-3.9%
<b>Overall Balance*</b>	<b>1.3</b>	<b>1.9%</b>	<b>0.2</b>	<b>0.2%</b>	<b>0.5</b>	<b>0.5%</b>	<b>1.2</b>	<b>1.3%</b>

\* Signs inverted to reflect direction of flows

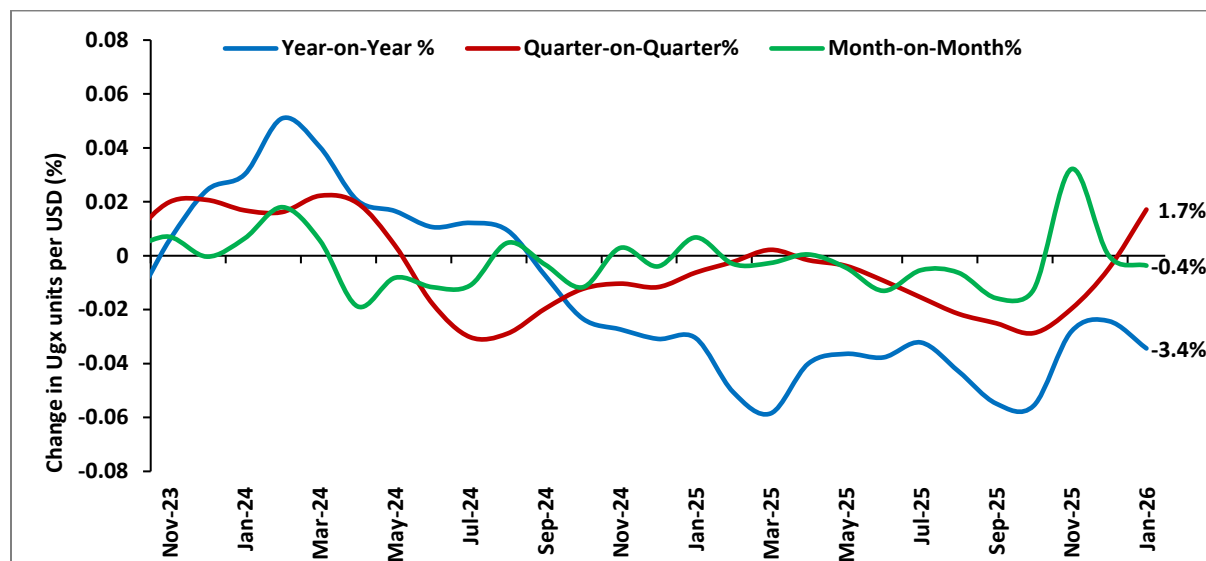
Source: Bank of Uganda

### 2.4.3 Exchange rates developments

In January 2026, the Uganda Shilling appreciated against the US Dollar both on a year-on-year(3.4%) and month-on-month basis (0.4%), although it weakened slightly on a quarter-to-quarter basis (1.7%) (**Figure 17**). Some volatility emerged during the quarter ended January 2026, but these movements were expected to be temporary as market expectations stabilize and foreign exchange supply conditions remain supportive.

On an annual basis, the Shilling also strengthened in nominal and real effective terms against a basket of currencies of Uganda’s major trading partners. This reflected improved foreign exchange inflows, supported by broad based growth in exports, resilient remittances, continued external financing for infrastructure and oil-related infrastructure projects. Investor confidence was reinforced by prudent monetary policy and relatively attractive real yields, which supported exchange rate stability. Consequently, stronger exports and contained import demand are expected to improve the trade balance and boost foreign currency inflows, thereby supporting the Uganda Shilling in the near term.

**Figure 17: The Uganda Shilling appreciated year over year and month on month, although a depreciation was observed quarter on quarter**



Source: Bank of Uganda

Risks to exchange rate stability persist. Heightened geopolitical tensions and disruptions to global trade routes could raise import costs and widen the trade deficit, thereby increasing demand for foreign currency. In addition, global financial market uncertainty could exert further pressure on the exchange rate. These risks may result in more cautious foreign participation in domestic markets, slower donor inflows, and increased vulnerability to external shocks over the medium term.

Nonetheless, the exchange rate could strengthen on account of continued progress on the East African Crude Oil Pipeline and stronger prospects for first oil that could support further inflows and improve the foreign exchange outlook. Easing monetary policy in advanced economies may reduce global interest rates, widen the interest rate differential in favour of Uganda, and encourage offshore participation in domestic markets. Export performance is also expected to remain supportive, helped by firm gold prices, strong coffee volumes, and ongoing import-substitution efforts of government.

#### 2.4.4 Fiscal operations more expansionary than planned.

Fiscal operations were more expansionary than planned in the first half of FY2025/26 (Table 3). Recurrent government expenditure exceeded the programme target, reflecting higher-than expected grants to Local Governments, and higher spending on goods and services.

Capital spending was also marginally higher than planned, driven primarily by ongoing public infrastructure projects and a supplementary budget allocation for the same.

**Table 3: Fiscal Operations Were More Expansionary in the First Half of FY2025/26 (Shs. billions)**

	Jul- Dec'24	Jul- Dec'25	Prog. Jul- Dec'25	Variation	Annual change (%)
<b>Revenue (A)</b>	<b>16,278.2</b>	<b>17,113.5</b>	<b>18,743.2</b>	<b>-1,629.7</b>	<b>5.1</b>
Taxes	14,335.9	15,459.1	16,243.9	-784.7	7.8
Grants (project support)	850.4	416.1	1,210.7	-794.5	-51.1
Other revenue	1,092.0	1,238.2	1,288.7	-50.5	13.4
<b>Expense (B)</b>	<b>17,795.2</b>	<b>20,046.6</b>	<b>19,236.1</b>	<b>810.5</b>	<b>12.7</b>
Compensation of employees	2,522.6	2,912.5	2,794.6	117.9	15.5
Purchase of goods and services	4,223.4	4,863.0	4,284.7	578.3	15.1
Consumption of fixed capital (C)	4.7	0.0	0.0	0.0	-99.5
Interest payments	3,819.2	5,193.3	6,119.7	-926.3	36.0
Domestic	3,117.2	4,480.3	5,157.8	-677.5	43.7
External (including commitment fees)	702.0	713.1	961.9	-248.8	1.6
Subsidies	0.0	3.0	0.0	3.0	0.0
Grants	6,274.1	5,877.6	4,658.3	1,219.4	-6.3
Social benefits	268.2	388.1	574.7	-186.6	44.7
Other expense	682.9	809.0	804.2	4.8	18.5
<b>Gross operating balance (A-B+ C)</b>	<b>-1,512.2</b>	<b>-2,933.1</b>	<b>-492.9</b>	<b>-2,440.2</b>	
Net operating balance (A-B)	-1,516.9	-2,933.1	-492.9	-2,440.2	
<b>Net Acquisition of Nonfinancial Assets (D)</b>	<b>1,979.5</b>	<b>3,596.3</b>	<b>3,525.2</b>	<b>71.1</b>	
<b>Net lending/borrowing (A-B)-D</b>	<b>-3,496.4</b>	<b>-6,529.4</b>	<b>-4,018.1</b>	<b>-2,511.3</b>	
<b>Primary balance</b>	<b>322.8</b>	<b>-1,336.1</b>	<b>2,101.6</b>	<b>-3,437.6</b>	
<b>Transactions in financial assets and liabilities Financing (net) (E-F)</b>	<b>-3,496.4</b>	<b>-6,529.4</b>			
<b>Net Acquisition of financial Assets (E)</b>	<b>520.0</b>	<b>2,057.3</b>			
Domestic	520.0	2,057.3			
Foreign	0.0	0.0			
<b>Net Acquisition of Financial Liabilities (F)</b>	<b>5,486.6</b>	<b>8,859.2</b>			
Domestic	4,775.1	7,437.5			
Foreign	711.5	1,421.7			
Errors & Omissions	1,470.1	272.4			

Source: Ministry of Finance Planning and Economic Development

Revenue performance was weaker than programmed with total government revenue (including grants) for the first six months of FY2025/26 amounting to Shs. 17,113.5 billion. Total revenue, including grants, fell short of the programme target by Shs. 1,629.7 billion, owing to lower grant inflows and underperformance in both tax and non-tax collections, highlighting continued challenges in tax compliance and administration.

The combination of higher recurrent spending and lower-than-expected revenue outturns resulted in a fiscal deficit of Shs. 6,529.4 billion for the first half of the financial year, around Shs. 2,511.3 billion above the planned level. Net borrowing increased accordingly, with higher domestic issuance accounting for most of the financing requirement. Overall, fiscal policy has continued to underpin economic growth through targeted investments across key sectors. The government's ongoing commitment to fiscal consolidation over the medium term is expected to reinforce macroeconomic stability going forward.

Fiscal deficit is projected at between 7.0 and 7.9% of GDP, up from about 6.0% in the previous fiscal year, partly reflecting one-off expenditures. Over the medium term, fiscal consolidation is expected to resume, with the deficit projected to decline to around 3.5% of GDP by FY2029/30.

Public debt outlook is assessed as moderate risk, driven primarily by rising debt service costs, but overall, it remains sustainable over the medium to long term, indicating that Uganda can meet all its current and future debt service obligations without exceptional financial assistance or default. However, this outlook is contingent upon the continued implementation of sound fiscal policies, the timely commencement of oil production in the medium term, effective management of oil revenues to reduce borrowing needs, and the realization of anticipated dividends under the Government's ten-fold growth strategy.

Overall, Uganda has limited fiscal space to absorb economic shocks, and a significant downturn or adverse event could heighten the risk of debt distress. Moreover, elevated external and domestic interest rates and reliance on short-term external commercial financing have raised debt service cost relative to domestic revenue. This growing debt service burden remains a key challenge for debt management and fiscal sustainability. Debt service was 35.7% of domestic revenue in FY2024/25 and is projected to peak at 45.3% in FY2025/26 and is expected to average around 40.0% over the medium term, maintaining pressure on fiscal space.

### **3 EXTERNAL ECONOMIC ENVIRONMENT**

#### **3.1 Global economic activity and outlook**

Global growth was robust in 2025, despite negative global headwinds experienced during the year, and the outlook is for steady GDP growth in 2026 and 2027. The IMF projects the

global economy will grow at 3.3% in 2026, broadly unchanged from 2025 and slightly above the October 2025 forecast (**Table 4**). The upward revision reflects an easing in trade tensions, strong technology related investment, and more support global financial conditions.

**Table 4: Steady global GDP growth (% change, yoy), projected for 2026 – 2027**

	Estimate		Projections		Difference from October 2025 WEO Projections	
	2024	2025	2026	2027	2026	2027
<b>World Output</b>	<b>3.3</b>	<b>3.3</b>	<b>3.3</b>	<b>3.2</b>	<b>0.2</b>	<b>0.0</b>
<b>Advanced Economies</b>	<b>1.8</b>	<b>1.7</b>	<b>1.8</b>	<b>1.7</b>	<b>0.2</b>	<b>0.0</b>
United States	2.8	2.1	2.4	2.0	0.3	-0.1
Euro Area	0.9	1.4	1.3	1.4	0.1	0.0
Japan	-0.2	1.1	0.7	0.6	0.1	0.0
United Kingdom	1.1	1.4	1.3	1.5	0.0	0.0
<b>Emerging Market and Dev'g Economies</b>	<b>4.3</b>	<b>4.4</b>	<b>4.2</b>	<b>4.1</b>	<b>0.2</b>	<b>-0.1</b>
China	5.0	5.0	4.5	4.0	0.3	-0.2
India	6.5	7.3	6.4	6.4	0.2	0.0
Russia	4.3	0.6	0.8	1.0	-0.2	-0.1
Brazil	3.4	2.5	1.6	2.3	-0.3	0.1
<b>Sub-Saharan Africa</b>	<b>4.1</b>	<b>4.4</b>	<b>4.6</b>	<b>4.6</b>	<b>0.2</b>	<b>0.1</b>
Nigeria	4.1	4.2	4.4	4.1	0.2	0.1
South Africa	0.5	1.3	1.4	1.5	0.2	0.0

Source: IMF World Economic Outlook, January 2026 Update

Growth in advanced economies is expected to remain moderate, at 1.8% in 2026, supported by improved activity in the United States and ongoing fiscal and monetary support. In emerging market and developing economies, growth is forecast at about 4.2%, with modest revision for China following recent trade agreements and planned government stimulus measures. Sub Saharan Africa is projected to grow by 4.6%, supported by macroeconomic stabilization and reform efforts.

Since the previous monetary policy round in November 2025, global risks have increased. Geopolitical tensions in several regions and uncertainty around future trade arrangements continue to weigh on the outlook, with the potential to disrupt commodity markets, supply chains, and financial conditions. In addition, elevated public debt in many advanced and emerging markets may limit policy space and place upward pressure

on long-term interest rates, coupled with demographics and labour market constraints that may further limit output in advanced economies.

On the upside, stronger productivity gains from ongoing investment in artificial intelligence, as well as a further easing of trade tensions, could lift global economic activity above current projections. Further, strengthening of regional trade remains a critical response to current trade policy uncertainty and could push growth higher than projected, although slow removal of non-tariff barriers (NTBs) in the continental regional economic blocs remains an impediment to harnessing the full benefit of rerouting trade to regional partners.

With overall risks tilted to the downside, lower than projected global growth could reduce external demand, moderating Uganda's balance of payments (BOP) inflows and domestic output growth. Further, restrictive immigration policies could dampen remittances, lower BOP inflows and restart currency depreciation pressures, restraining BOU's reserve accumulation efforts.

### 3.2 Global inflation and outlook

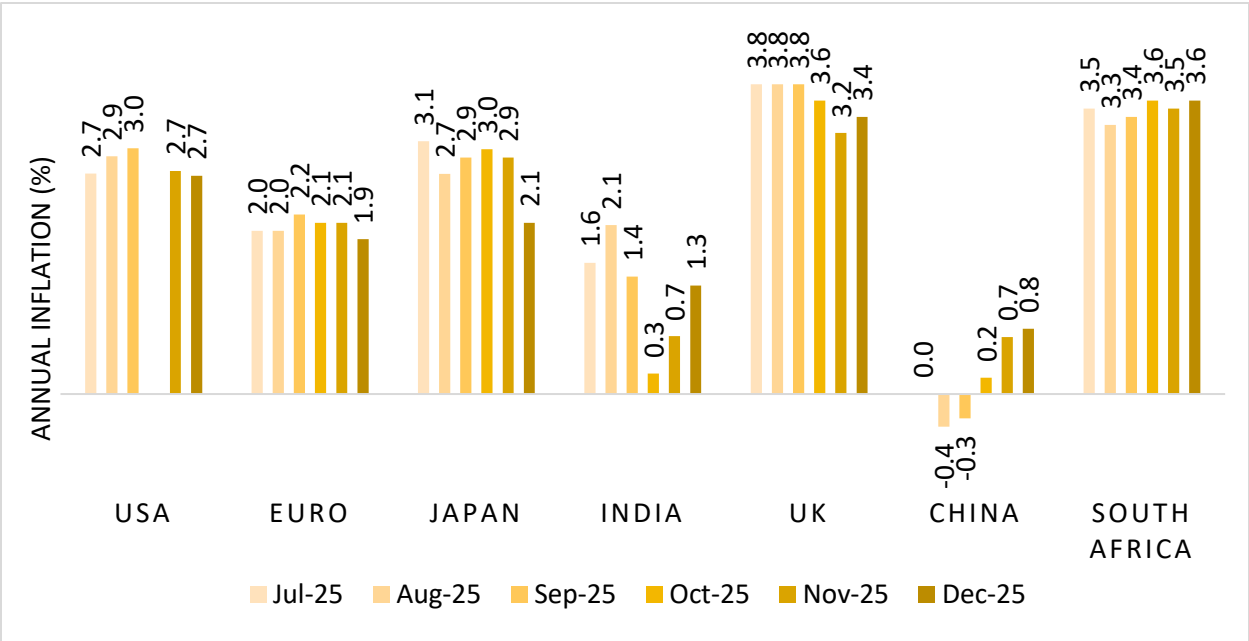
Global headline inflation remains relatively stable, but it continues to exceed central bank targets in several advanced economies (**Figure 18**). Inflation varied across countries, reflecting differences in energy prices, food price dynamics, and sector specific factors.

In December 2025, inflation development were mixed amongst some of Uganda's trading partners. Inflation in the euro area recorded a further decline due to lower energy prices, while inflation in Japan moderated supported by government subsidy measures to limit fuel costs. In emerging markets, food-related pressures contributed to higher inflation in China, India and South Africa, although inflation in India remained within the central bank's tolerance band. In the US, inflation for December 2025 was nearly unchanged, driven by energy and food prices.

Central Banks in key AEs continue to pursue cautious monetary policies as inflation largely remains above target. While observing that inflation remained somewhat elevated and job gains low, on January 28, 2026, the US Federal Reserve (US FED) kept its key policy rate unchanged, following the 25 basis point reductions in September, October and December 2025. In the Euro Zone, with inflation falling to the target of 2.0% in December 2025, the

European Central Bank (ECB) kept key policy rates unchanged on February 05, 2026, maintaining the same stance taken over the last 6 months. In the UK, despite higher-than-target and rising inflation in December 2025, the Bank of England kept the Bank Rate unchanged at 3.75% in its February 2026 monetary policy meeting, the same rate held since August 2025. These cautious monetary policy paths pursued by key central banks reflect the elevated economic policy uncertainty and continue to limit the extent of central bank support to output growth.

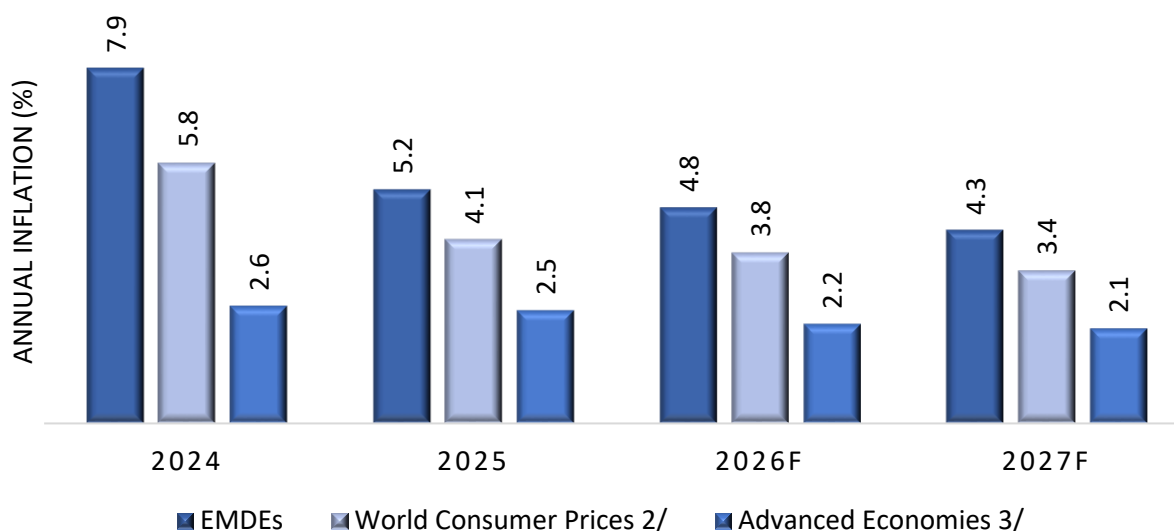
**Figure 18: Global inflation stable but remains above central bank targets in Advanced Economies**



Source: Country Statistics Offices

Looking ahead, global inflation (**Figure 19**) as per the IMF January 2026 WEO update, is projected to continue easing, supported by moderate global demand and relatively low energy prices. Headline inflation is expected to fall to 3.8% in 2026 and 3.4% in 2027. Inflation in advanced economies is projected to return closer to target, although some divergence is expected, particularly in the United States where tariff-related effects may persist. Inflation in emerging markets is also expected to decline, reflecting lower food and energy prices.

**Figure 19: Global inflation projected to fall further on moderate global demand and low energy prices**



Source: IMF World Economic Outlook, January 2026 Update

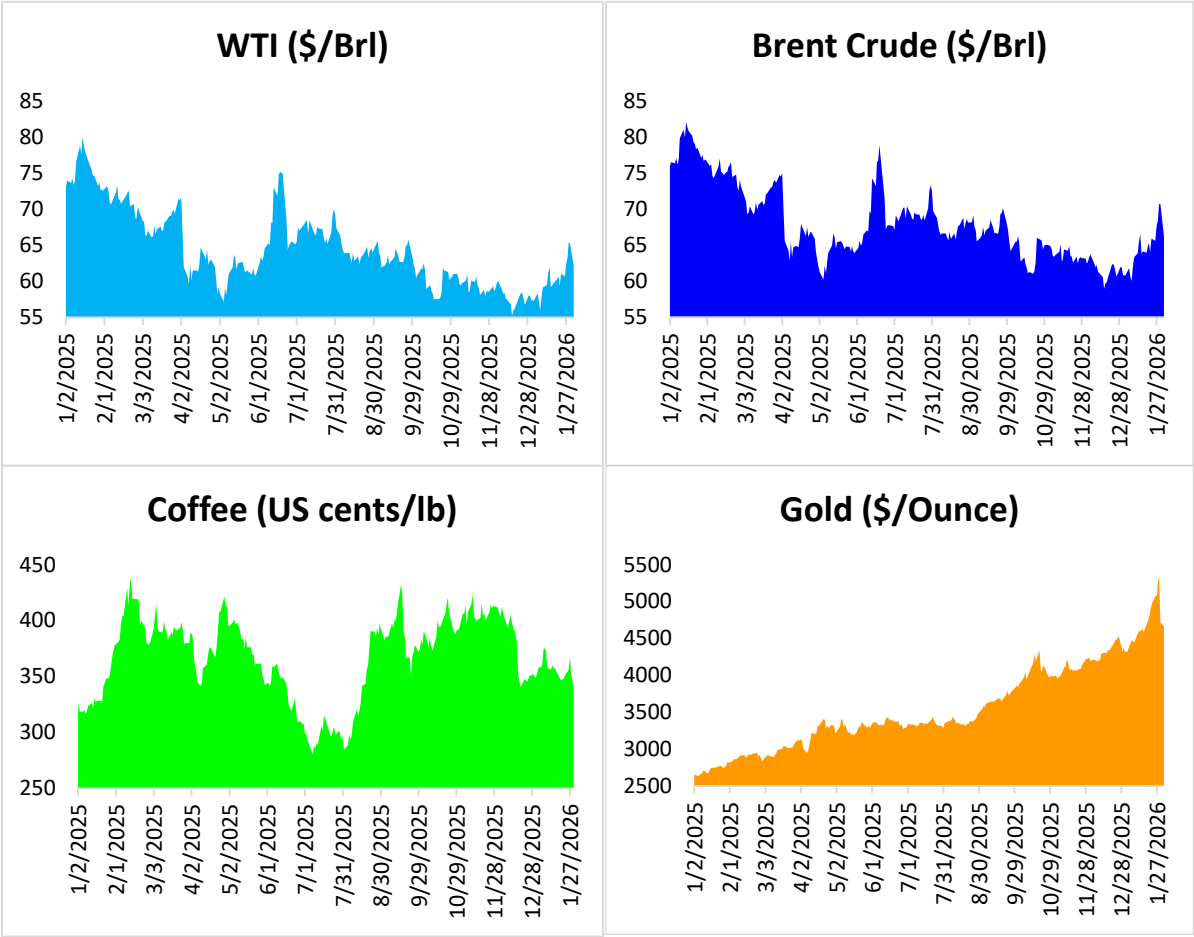
The inflation outlook is largely dependent on the direction of energy prices, particularly oil, which are projected to soften further in 2026, supported by oversupplied oil markets even in the face of intensifying geopolitical tensions that could disrupt oil production and overall tighten supply chains.

Low global inflation implies low imported inflation and a lower import bill, which would support low domestic inflation.

### 3.3 International commodity prices

Commodity price developments remained mixed in January 2026 (**Figure 20**). Crude oil prices rose modestly amid heightened geopolitical uncertainty, although they remained well below levels seen a year earlier. For instance, Europe Brent rose by 5.0% to an average price of US\$64.73/barrel and WTI by 4.1% to an average price of US\$60.26/barrel primarily reflecting concerns about potential supply disruptions, while underlying market conditions continue to point to an oversupplied market, supported by resilient production in both OPEC+ and non-OPEC countries.

**Figure 20: Commodity price developments mixed in January 2026, with rising crude oil and gold prices on one hand, and declining coffee prices on the other**



Source: Reuters

Despite the spike in January 2026, oil prices remained lower compared to the corresponding period of January 2025, with the average Brent Crude and WTI prices respectively lower by 20.0% and 17.0% between the 2 periods. Generally lower oil prices to date are attributed to robust global oil supplies supported by increases in both OPEC+ and non-OPEC+ production, coupled with subdued oil demand, due to an uncertain global macroeconomic environment and transport electrification. While global oil demand is forecast to strengthen in 2026, in line with projected steady economic growth, world oil supply is expected to remain robust supported by resilient Russia oil production and OPEC+ commitment to maintaining market share, is expected to keep oil markets oversupplied through 2026.

Gold prices strengthened further in January 2026, reaching an all-time high of US\$ 5318.4/Oz on January 29, 2026, driven by safe-haven demand and continued purchases by central banks. Although prices experienced some short-term volatility in part due to policy uncertainty in some advanced economies, investor diversification into gold and strong central bank demand are expected to support elevated gold prices through 2026.

On the other hand, coffee prices declined by 5.3% month-on-month in January 2026, adding to the 7.7% month-on-month decline recorded in December 2025. Falling coffee prices are largely attributed to strong production and exports from Vietnam, the world's largest robusta producer, and to favourable weather conditions in Brazil.

The outlook for commodity prices remains mixed across commodity types (**Table 5**), and upside risks have increased. Average crude oil prices are projected to fall by 8.5% to US\$ 62.13/barrel in 2026, adding to the 14.2% decrease recorded in 2025, and to rise slightly by 0.1% to US\$ 62.17/barrel in 2027. The decrease in projected oil prices for 2026 is on account of strong expected net oil supply growth, supported by resilient OPEC+ supply increases and its commitment to maintain market share.

**Table 5: Outlook for commodity prices remains mixed across commodity types (% change, yoy)**

	Estimate		Projections		Difference from Oct-2025 WEO Projections	
	2024	2025	2026	2027	2026	2027
<b>Commodity Prices</b>						
Oil 1/	-1.8	-14.2	-8.5	0.1	-4.0	0.3
Nonfuel (average based on world commodity import weights)	3.7	9.4	7.5	0.9	3.4	0.3

Source: IMF World Economic Outlook, January 2026 Update

\1/ Simple avg of prices of UK Brent, Dubai Fateh, and US WTI crude oil, based on futures markets (as of Nov 20, 2025), is \$62.13/brl for 2026 and \$62.17/brl for 2027

Upside risks to the oil price outlook have increased, owing to intensified US-Iran tensions, evolving oil production in major production countries, which could put upward pressure on oil prices, although continued OPEC+ supply increases and overall oil market supply glut are expected to support low oil prices in 2026.

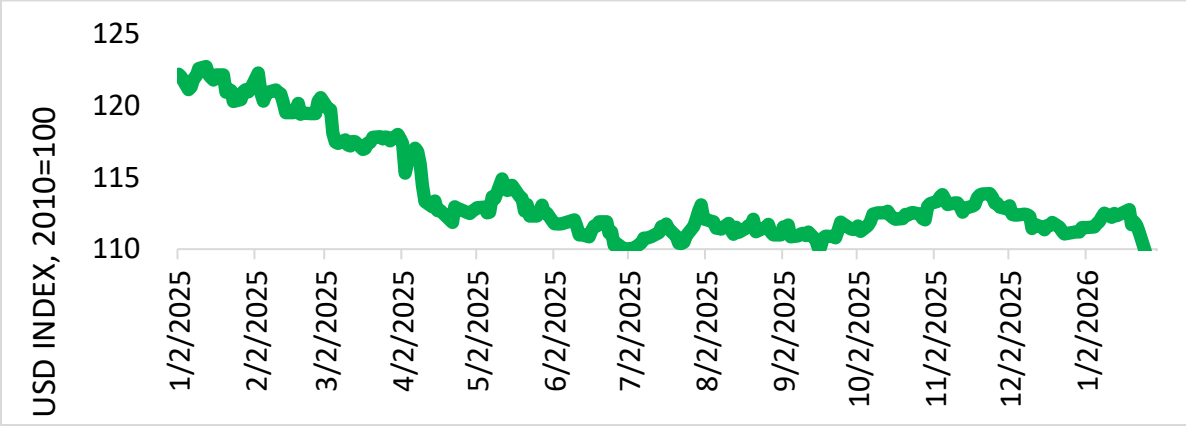
Gold prices are projected to continue rising, with some moderate corrections, and to average US\$ 5100/Oz in 2026 and 2027, on sustained central bank buying, investor diversification and safe-haven demand.

The mixed commodity price outlook is expected to have an uneven impact on the domestic economy. While low oil prices could mute domestic inflation, lower the import bill and support the current account narrowing, low projected coffee prices could reduce export proceeds and widen the current account deficit. Finally, projected higher prices of gold could support Uganda’s balance of payments inflows, depending on the size of net gold exports.

3.4 Global financial markets

Global financial conditions remain broadly accommodative, supported by cautious monetary policy stances in major economies and continued strength in technology-related investment. Nonetheless, episodes of volatility persist, reflecting elevated policy uncertainty and shifting expectations regarding the global interest rate path. As such, the US\$ Index depreciated in January 2026 by 0.5%, month-on-month, adding to the depreciation of 1.3% month-on-month in December 2025 (Figure 21).

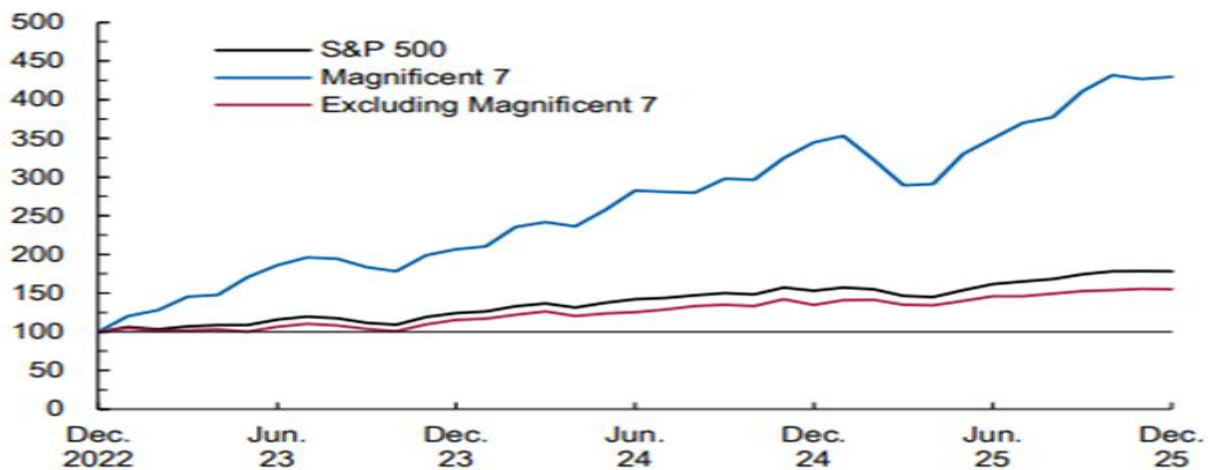
Figure 21: US\$ under renewed depreciation pressures in December-2025 and January-2026 over threat to US FED independence



Source: Reuters

In the stock markets, prices of major technology companies continued to trend significantly higher than other stocks (**Figure 22**), pointing to drive in AI investments and largely supporting ease in global financial conditions. Policy rates in key central banks (**Figure 23**) point to overall easing monetary policy paths through 2025, although at varying and cautious speeds. In their meetings of January and February 2026, the US FED, European Central Bank (ECB) and the Bank of England (BOE) all kept their key interest rates unchanged, reflecting a cautious stance considering that inflation remains persistently higher-than-target in these economies amidst elevated economic policy uncertainty and the need to support relatively easier financial market conditions,.

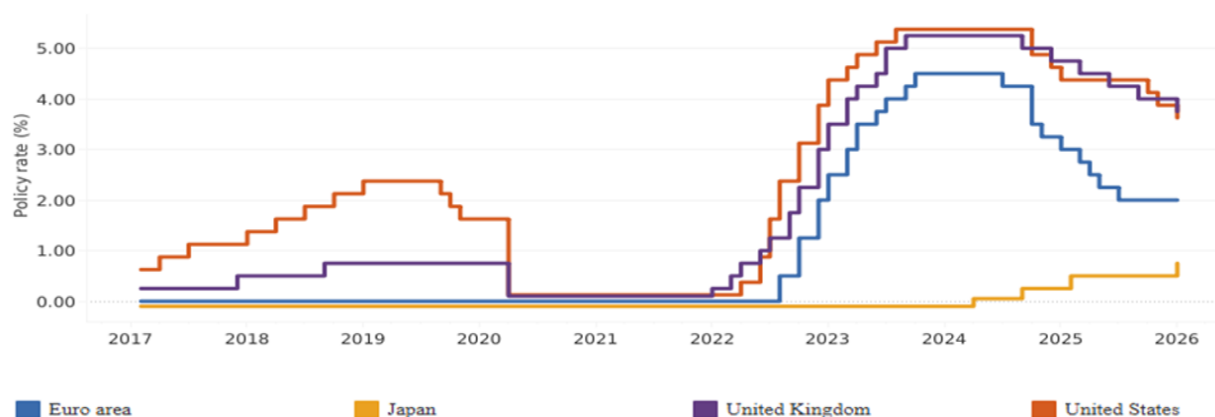
**Figure 22: Prices of major technology companies are notably higher than other stocks, reflecting momentum in AI-related investments**



Sources: Bloomberg Finance L.P.; and IMF staff calculations.  
 Note: The Magnificent 7 is an equal-dollar-weighted equity benchmark composed of Apple, Microsoft, Amazon, Alphabet, Tesla, Nvidia, and Meta. Although it includes several of the most influential leaders in artificial intelligence (AI), it does not cover all major AI-focused companies. For example, Oracle and Palantir are not part of the group.

Source: IMF World Economic Outlook, January 2026 Update

**Figure 23: Key Central Bank policy rates point to overall easing paths although at varying and cautious speeds**



Source: BIS Data Portal - Central Bank Policy Rates

Looking ahead, global financial conditions are expected to remain supportive as monetary policy gradually eases in several advanced economies coupled with expected expansionary fiscal policies in AEs, some major economies like Germany, Japan, and the US. However, risks remain. High public debt levels, uncertainty about the global policy environment, and increasing concerns about underwriting standards and transparency in credit markets could increase volatility. Slower than expected productivity gains from technological investment could also weigh on asset valuations and financial conditions.

Renewed global financial market instability could trigger selloffs in domestic financial markets and currency depreciation pressures, negatively impacting domestic financial sector stability.

#### 4 CONCLUSION

Uganda's economy has continued to demonstrate resilience, with inflation remaining below the 5.0% medium-term target and economic activity holding firm despite a challenging global environment. Domestic financial conditions remain broadly stable, supported by prudent monetary policy implementation and effective coordination with fiscal policy, and an improving credit environment.

The external position has strengthened, reflecting robust export performance in part due to the favourable international prices and improved export volumes such as for coffee arising from government deliberate efforts, resilient remittance inflows and strong investment-related foreign exchange receipts. The robust BoP surplus has supported an improvement in International foreign reserve levels, providing an important buffer against external shocks. While fiscal operations are projected to be more expansionary in FY2025/26, and public debt outlook is assessed as moderate risk, driven primarily by rising debt service costs, government commitments to medium-term fiscal consolidation continue to support overall macroeconomic stability.

Looking ahead, inflation is projected to remain contained and to converge toward the 5.0% target over the medium term. Economic growth is expected to remain robust and average 8% in the medium term, supported by ongoing infrastructure developments, investment in the oil sector and strengthening private sector activity. Risks to the outlook stem from global economic uncertainty, geopolitical tensions and volatility in commodity prices, while favourable external developments and strong investment momentum present upside potential.

Against this backdrop, the Monetary Policy Committee maintained the Central Bank Rate at 9.75%. The current policy stance remains appropriate to anchor inflation expectations, support sustainable economic growth and ensure continued stability in domestic financial markets. The Bank of Uganda will continue to monitor domestic and global developments closely and stands ready to adjust its policy stance as needed to foster price stability and a sound financial system in support of social-economic transformation in Uganda.