STATE OF THE ECONOMY REPORT

BANK OF UGANDA

December 2025

List of Figures

List of Tables

Boxes

ACRONYMS AND ABBREVIATIONS

AEs	Advanced Economies
BoU	Bank of Uganda
CBR	Central Bank Rate
CIEA	Composite Index of Economic Activity
CPI	Consumer Price Index
EFU	Energy, Fuel and Utilities
EMDEs	Emerging Market and Developing Economies
FDI	Foreign Direct Investment
Fed	Federal Reserve
GDP	Gross Domestic Product
IMF	International Monetary Fund
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
SSA	Sub-Saharan Africa
UGX	Uganda shilling
UK	United Kingdom
US	United States
USA	United States of America
US$	United States Dollar
URA	Uganda Revenue Authority
FY	Financial Year
y-o-y	Year-on-Year

EXECUTIVE SUMMARY

Sustaining Growth and Stability in a Volatile Global Environment

Uganda's economy continues to demonstrate resilience and stability despite a global environment marked by slower growth and ongoing geopolitical and financial uncertainties. This resilience is underpinned by prudent monetary policy, coordinated fiscal and monetary policy, strong export performance, and sustained domestic demand.

This report analyses recent economic developments, focusing on growth, inflation, fiscal trends, and external sector dynamics. It also outlines the outlook and policy priorities necessary to advance inclusive and sustainable economic transformation.

Global Developments and Outlook

The global economy is projected to grow moderately, at 3.2 percent in 2025 and 3.1 percent in 2026, supported by easing trade tensions, stable financial markets, and lower effective tariffs. Advanced economies face subdued growth, while emerging markets, particularly in Sub-Saharan Africa, are expected to expand more robustly, offering support to Uganda's external sector. Global inflation is easing, but geopolitical tensions and trade policy uncertainty continue to pose risks to supply chains. Increasing geoeconomic fragmentation, including regional trade blocs, alternative payments networks, tighter migration policies, and reduced aid, add complexity to trade, investment, and policy planning globally.

The complex global environment characterised by policy uncertainty present both risks and opportunities. Time inconsistent policies of advanced economies may induce volatility in global financial markets with attendant spill over into Uganda's foreign exchange market while migration policies that introduce taxes on remittances could raise transaction costs and discourage formal transfers, reducing remittance inflows into Uganda.

However, Emerging markets and broader regional demand provide a key stabilizing force, as more than half of Uganda's non-gold exports are destined for the African continent. Lower global oil and commodity prices and subdued inflation may ease domestic costs, while weaker agricultural prices that could moderate exports earnings, could be offset by stronger coffee volumes.

Domestic Economic Performance and Outlook

Growth

Uganda's economy grew by 6.3 percent in FY 2024/25, supported by strong performance in agriculture, industry, services, consumption, and investment. Agricultural output growth was on account of favourable weather, increased commercialization, and investment in agro-value chains, while industrial growth was driven by expansion in construction, manufacturing, and agro-processing. Services activity was driven by growth in trade, transport, ICT, and financial services.

The Bank of Uganda's forward-looking monetary policy maintained low and stable inflation, reinforcing private-sector confidence and encouraging long-term business planning. Rising household consumption, underpinned by income growth and demographic trends, continued to drive domestic demand, while public investment in roads, energy, oil-related infrastructure, and industrial parks reduced structural bottlenecks, improved productivity, and incentivised private investment.

Economic growth is projected to strengthen further and range between 6.5–7.0 percent in FY2025/26, rising to above 8 percent over the medium term supported by investments in the extractive industries, government program initiatives such as Parish Development Model (PDM) and Emyooga, the rollout of the 10-Fold Growth Strategy[1], as well as prudent and well-coordinated monetary and fiscal policies. This outlook is further supported by the anticipated commencement of commercial oil production. However, economic growth prospects over the near to medium term, could be negatively impacted by probable adverse weather patterns, tighter domestic financing conditions, reduced external aid inflows and

[1] Uganda's Tenfold Growth Strategy, centred on Agro-industrialisation, Tourism, Minerals (including oil and gas), and Science, Technology & Innovation (ATMS), is designed to fast track structural transformation and expand value addition across the economy. In alignment with this agenda, the BoU continues to play a pivotal stabilizing role, safeguarding the macroeconomic conditions necessary for investment and long-term growth.

global policy uncertainty that could weigh on investment sentiment and household spending.

Inflation

Inflation remains subdued and well anchored, with headline and core inflation averaging 3.6 percent and 3.9 percent, respectively, over the past twelve months, well within the 5 percent medium term policy target. November 2025 data shows further moderation in inflation with headline and core inflation recorded at 3.1 percent and core 3.2 percent, reflecting stable food supplies, prudent monetary policy and a stable exchange rate. Annual Core inflation is projected to average between 4.0 percent and 4.5 percent in FY 2025/26 and gradually converge towards the 5 percent target in the medium term.

While inflation risks are balanced, BOU recognises the potential price pressures from geopolitical shocks, commodity price volatility, and domestic demand shocks, vis-a-vis the offsetting effects from favourable weather, continued exchange rate stability, and external disinflationary pressures.

Financial Market Dynamics

Uganda advanced from fourth place in the 2024 Absa Africa Financial Markets Index (AFMI) to third in 2025, after South Africa and Mauritius in first and second position, respectively. Uganda's overall score improved to 66 from 64 overtaking Nigeria now placed fourth. This improvement reflects sustained financial market reforms, including a stronger macroeconomic environment and transparency, enhanced legal standards and enforceability, and the adoption of ESG frameworks. Key initiatives such as the launch of TradeClear to support transactions under the Global Master Repurchase Agreement and International Swaps and Derivatives Association frameworks strengthened market infrastructure.

The adoption and endorsement of the FX Global Code, improvements in market conduct, and price discovery resulted in improved FX liquidity, stronger investor confidence, reduced spot market pressure and supported exchange rate stability, ultimately enhancing Uganda's credibility and competitiveness as an investment destination.

Overall, the financial sector remains sound and resilient, with the banking sector adequately capitalised, liquid and with improved asset quality exemplified by low non-performing loans, providing a solid foundation for economic activity and growth.

Over the three months to November 2025, the interbank money market exhibited stability with both the 7-day and overnight interest rates remaining within the CBR band (CBR+/-2), albeit with mixed movements, reflecting the dynamic liquidity needs of the market players, and BOU's actions to moderate surplus liquidity in the system to support exchange rate stability and maintain orderly market conditions.

Yields on treasury securities in the secondary market remained broadly stable in the three months to November 2025, consistent with easing domestic financing pressures relative to the previous period and reflecting limited volatility across most tenors

Lending rates moderated slightly in the three months to October 2025, with shilling loans falling by 0.25 percentage points to 18.87 percent and foreign currency loans declining by 0.13 percentage points to 8.37 percent, compared to the previous three months to July 2025, The moderation in lending rates was supported by stable macroeconomic conditions, a reduction in perceived default risk following an improvement in asset quality of the banking sector evidenced by lower NPLs and continued exchange rate stability.

Private Sector Credit (PSC) continued to expand in the three months to October 2025, supported by stable macroeconomic conditions, stronger credit demand, and improved asset quality. Annualised ODC PSC growth rose to 9.95 percent from 9.68 percent in the previous quarter, driven by strong shilling denominated lending at 11.71 percent, while foreign currency lending slowed slightly to 4.93 percent relative to 5.54 in the quarter to July 2025.

External Sector Dynamics

Uganda registered an overall balance of payments (BOP) surplus of US$ 2,369 million in the year to October 2025, the highest in over a decade, which partly contributed to the accumulation of international reserves. This also demonstrates the economy's resilience amidst the uncertain global dynamics. The overall BOP surplus, reversing the previous year's deficit, was due to a significant financial account surplus that more than offset the slightly wider current account deficit of US$ 4,149 million. The trade deficit narrowed 16.2 percent as exports (coffee, cocoa, gold) grew faster than imports. The financial account

posted a surplus of US$ 5,602 million over the same period, led by Foreign direct investment (FDI) inflows of US$ 3,488 million largely related to oil sector activities and net portfolio inflows of US$ 1,733 million attributed to attractive government securities yields.

The BOP developments coupled with BOU's proactive steps to adapt instruments such as cross-currency repos and targeted purchases of foreign currency resulted in a strong rebuild of foreign exchange reserves from US$ 3,382 million (2.4 months of import cover) in October 2024 to US$5,994 as at 5th December 2025 equivalent to 4.2 months of import cover excluding oil project related imports. US$ 3,382 million (2.4 months of imports excluding oil project imports). In part as a result of the balance of payments surplus, as at end November 2025, the BoU had bought US$1.55 billion for reserve buildup this financial year. Further efforts are being made to diversify reserves with monetary gold purchase expected to commence in 2026.

In the short term, the likely impact of lower global commodity prices and a weaker US dollar on the trade deficit will be moderated by stronger coffee exports, supported by favourable weather, improved agricultural yields, and government initiatives to improve agricultural financing and productivity. The financial account is expected to remain robust, supported by solid FDI inflows and continued offshore investment in government securities, despite risks from global policy uncertainty and delayed trade negotiations. Over the medium term, the commencement of oil exports, reduced import needs, stronger non-oil exports, and renewed concessional financing are projected to shift the balance of payments toward a sustained surplus.

The Shilling appreciated year-over-year and quarter-over-quarter in November 2025, supported by prudent monetary policy, market reforms that improved liquidity, price discovery and new instruments that moderated spot market pressures and strong export receipts from coffee and base metals, although it registered volatility during the month on account of hedging activity in the interbank money market by some offshore players. NEER also strengthened, though at a slower pace as major trading partner currencies gained against the US dollar. Looking ahead, near-term risks to watch out for include global monetary tightening and the attendant potential portfolio outflows. However, medium-term prospects point to possible appreciation and continued stability as the commencement of commercial oil production and implementation of the Tenfold Growth Agenda boost export earnings, attract investment flows, and narrow the current account deficit.

Fiscal Sector Dynamics

Government fiscal operations in the first four months of FY2025/26 were more expansionary than planned, with recurrent spending reaching Shs 13,720 billion, Shs 610 billion above target, mainly due to higher than planned spending on purchase of goods and services, as well as increased grants, particularly to Local Governments. Capital expenditure, however, was Shs 65.9 billion below plan because of delays in externally financed project disbursements. Revenue performance lagged significantly, with total collections (including grants) falling short by Shs 956.9 billion due to underperformance in both grants and domestic revenue, particularly trade and indirect taxes. As a result, the fiscal deficit widened to Shs 5,536.5 billion, exceeding the target by Shs 1,501.1 billion.

The provisional total public debt stock stood at Shs 124,126.8 billion at the end of October 2025, marking a 16.7 percent increase from October 2024, driven by a surge in government securities, while external debt growth remains moderate. By end-October 2025, all domestic debt risk indicators were within the PDMF 2023 medium-term benchmarks except the ratios of domestic debt to private sector credit and domestic debt interest costs to domestic revenue, highlighting heightened risk of crowding out the private sector credit. Overall, fiscal policy has continued to support economic growth with investments in the various sectors.

Policy Direction for continued stability and Resilience

The Bank of Uganda (BoU) has maintained the Central Bank Rate at 9.75 percent, signalling a cautious but steady monetary policy stance aimed at anchoring price stability while supporting the economy's growth momentum amidst global uncertainty.

The Bank remains alert to evolving global and domestic risks, including weakening commodity prices, falling aid inflows, geopolitical tensions, and climate related shocks. To cushion the economy, the BoU is committed to maintaining adequate foreign exchange reserves, ensuring sufficient market liquidity, and applying a flexible, forward looking policy framework capable of responding swiftly to any emerging shocks. This balanced approach, prioritizing price stability, financial sector resilience, and sustainable growth, positions Uganda to navigate uncertainty while laying a solid foundation for the long term social economic transformation. Beyond data dependent monetary policy, continued progress in

structural reforms, diversification, policy coordination and improvements in efficacy of government investment and project execution will be essential to sustaining growth momentum and overall macroeconomic stability.

1. EXTERNAL ECONOMIC ENVIRONMENT

1.1 Global economic activity and outlook

Global economic activity in 2025 is projected to be stronger than earlier anticipated. According to the IMF World Economic Outlook (WEO) Report for October 2025 (**Table 1**), global economic growth is projected at 3.2 percent in 2025 and 3.1 percent in 2026, slightly lower than 3.3 percent posted in 2024. This represents a more positive economic outlook, with a 0.2 percentage point upward revision to 2025 growth, relative to the July 2025 WEO forecasts. The improvement is attributed to lower effective tariff rates, and robust economic activity in the first half of 2025, driven by frontloaded consumption and investment. However, a moderate slowdown is starting to take hold and the growth projection for 2026 remains unchanged from previous forecasts, owing to elevated policy uncertainty, rising protectionism, constrained fiscal space, and reductions in international aid.

Economic growth in Advanced Economies (AEs) is expected to remain subdued, slowing to 1.6 percent in 2025 and 2026, from 1.8 percent in 2024, although this represents a slight upward revision of 0.1 percentage point for 2025 compared to earlier forecasts. Projected growth in AEs is largely tapered by the US, where GDP growth is forecast to decelerate to 2 percent in 2025 from 2.8 percent in 2024, improving to 2.1 percent in 2026, both upward revisions of 0.1 percentage points, from July 2025 WEO projections. The upward revision of US growth for 2025 reflects lower effective tariff rates, a fiscal boost from the One Big Beautiful Bill Act and easing financial conditions. Notably, projected US growth in 2025 is significantly lower than output growth recorded in 2024, owing to policy uncertainty, higher trade barriers and lower growth in labour supply and employment. Although growth in other key Advanced Economies is estimated to pick up modestly in 2025 and 2026 compared to 2024, the projections represent downward revisions compared to October 2024, the pre-policy-shift period.

Growth in Emerging Markets and Developing Economies (EMDE) is projected to decelerate, to 4.2 percent and 4 percent in 2025 and 2026, respectively, from 4.3 percent posted in 2024, which however represents a 0.1 percentage point upward revision to 2025 growth, while

2026 remains unchanged, according to the previous forecast. Subdued EMDE growth in 2025 is largely on account of a notably lower growth forecast for Russia, projected at only 0.6 percent in 2025 and 1 percent in 2026, a sizeable drop from 4.3 percent recorded in 2024. Russia projected growth for 2025 represents a downward revision by 0.3 percentage points from July 2025 WEO projections, attributed to the effect of sanctions on Russia economic activity, declining oil prices and rebound of activity from the temporary support from elevated fiscal expenditures in Q4-2024. China's GDP projections for 2025 and 2026 are unchanged from the July 2025 WEO, remaining at growth of 4.8 percent and 4.2 percent in 2025 and 2026, respectively, from 5 percent in 2024, which signalled the stronger-than-anticipated activity in H1-2025 and notable reductions in US-China tariffs.

Sub Saharan Africa (SSA) economic outlook has slightly improved, supported by a softer external environment, with GDP growth projections revised 0.1 percentage points upwards from July 2025 WEO forecasts to 4.1 percent in 2025, the same performance as in 2024, and further strengthening of economic activity anticipated in 2026, with GDP growth projected at 4.4 percent. With the bulk of Uganda's trading partners among EMDEs and SSA, the more positive outlook can be expected to support robust domestic output growth.

Table 1. Global Economic Growth Projections (year-on-year, % Change)

	Actual	Projections		Difference from Jul-2025 WEO Update 1/	
	2024	2025	2026	2025	2026
World Output	**3.3**	**3.2**	**3.1**	**0.2**	**0.0**
Advanced Economies	**1.8**	**1.6**	**1.6**	**0.1**	**0.0**
United States	2.8	2.0	2.1	0.1	0.1
Euro Area	0.9	1.2	1.1	0.2	–0.1
Japan	0.1	1.1	0.6	0.4	0.1
United Kingdom	1.1	1.3	1.3	0.1	–0.1
Emerging Mkt & Dev'g Economies	**4.3**	**4.2**	**4.0**	**0.1**	**0.0**
China	5.0	4.8	4.2	0.0	0.0
India 2/	6.5	6.6	6.2	0.2	–0.2
Russia	4.3	0.6	1.0	–0.3	0.0
Brazil	3.4	2.4	1.9	0.1	–0.2
Sub-Saharan Africa	**4.1**	**3.9**	**4.2**	**0.1**	**0.1**
Nigeria 3/	4.1	3.9	4.2	0.5	1.0
South Africa	0.5	1.1	1.2	0.1	–0.1

Source: IMF World Economic Outlook, October 2025

Several factors point to elevated likelihood of dampening global growth over the near to medium term. Prolonged policy uncertainty could dampen consumption and investment, and further escalation of protectionist measures including non-tariff barriers, or failure of agreed trade deals to hold could suppress investment and dampen growth prospects. Larger-than-expected labour supply shocks, notably from restrictive immigration policies, could reduce growth especially in economies with sizeable proportion of aging populations. The US Government shutdown which started on October 01, 2025, and lasted 43 days may have impacted US economic growth with knock-on effects to global growth.

On the other hand, a breakthrough in trade negotiations could result in lasting agreements, lowering tariffs further and reducing uncertainty resulting in stronger growth. Artificial Intelligence (AI) gains and innovations to navigate current challenges could lift medium-term growth.

Overall, risks largely point to a subdued external environment that could lower Uganda's domestic output growth. In addition, restrictive immigration policies could taper remittance inflows, widen the current account deficit and dampen BOU's ongoing reserve build-up efforts.

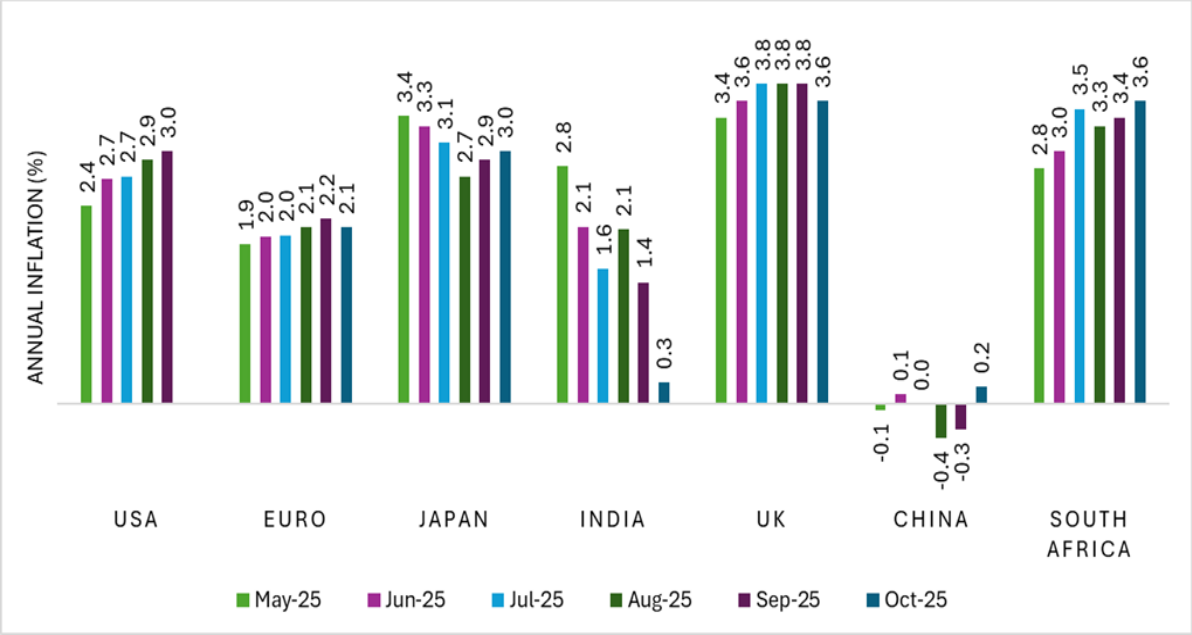
1.2 Global inflation and outlook

Global headline inflation remains relatively stable, however with varying trends across countries, and although projections are for continued low inflation in 2025 and 2026, the outlook is fragile. Delays in implementation of announced tariffs allowed for negotiations, and firms' postponement of price increases, leading to relatively low and stable inflation in 2025. In October 2025, inflation showed mixed trends (**Figure 1**), rising in economies such as Japan, China and South Africa, and declining in others such as the Euro Area, India and the UK. Inflation numbers for the US were not produced for October 2025 due to the US government shutdown which had non-essential services, including the production of statistics, suspended. While the US government shutdown ended on November 12, 2025, the US Bureau of Labor Statistics – the US Agency responsible for producing price statistics, is unable to retroactively obtain most of the data required to produce the inflation numbers for October 2025. In September 2025, inflation in the US rose, driven by higher gasoline prices.

In October 2025, inflation in Japan rose for the third consecutive month, on account of higher transportation costs, keeping it above the central bank target of 2 percent, while in South Africa price pressures arose from the higher transport and recreation costs. In China, deflation pressures eased in October 2025 with inflation turning positive, driven by holiday seasonal demand with the celebration of the National Day and Mid-Autumn festivals. On the other hand, inflation in the UK declined in October 2025, driven by easing prices of gas and electricity resulting from a policy-driven change in the energy price cap. India recorded a significant drop inflation resulting mainly from a lower Goods and Services Tax (GST) and favourable base effect. The global weakening of the US$ dollar has also supported low inflation in most economies.

Notably, the impact of tariffs and associated recalibration of supply chains on inflation remains muted. Also, while inflation remains above target in key economies, associated central banks have proceeded with easing monetary policy by lowering or holding policy rates. On October 29, 2025, the US Federal Reserve further lowered its key policy rate by 25 basis points, in addition to a similar reduction on September 17, 2025. In the Euro Zone, while inflation has gradually risen since July 2025, dipping slightly to 2.1% in October 2025 but rising back up to 2.2% in November 2025, the European Central Bank (ECB) kept key policy rates unchanged in July, September and October 2025, following the 25bps reduction in June 2025. In the UK, despite higher-than-target inflation, the Bank of England cut the Bank Rate by 25bps in August 2025 and followed up with policy holds in September and November 2025. While these actions help to ease global financial conditions and support output growth, they pose an upside risk to global inflation.

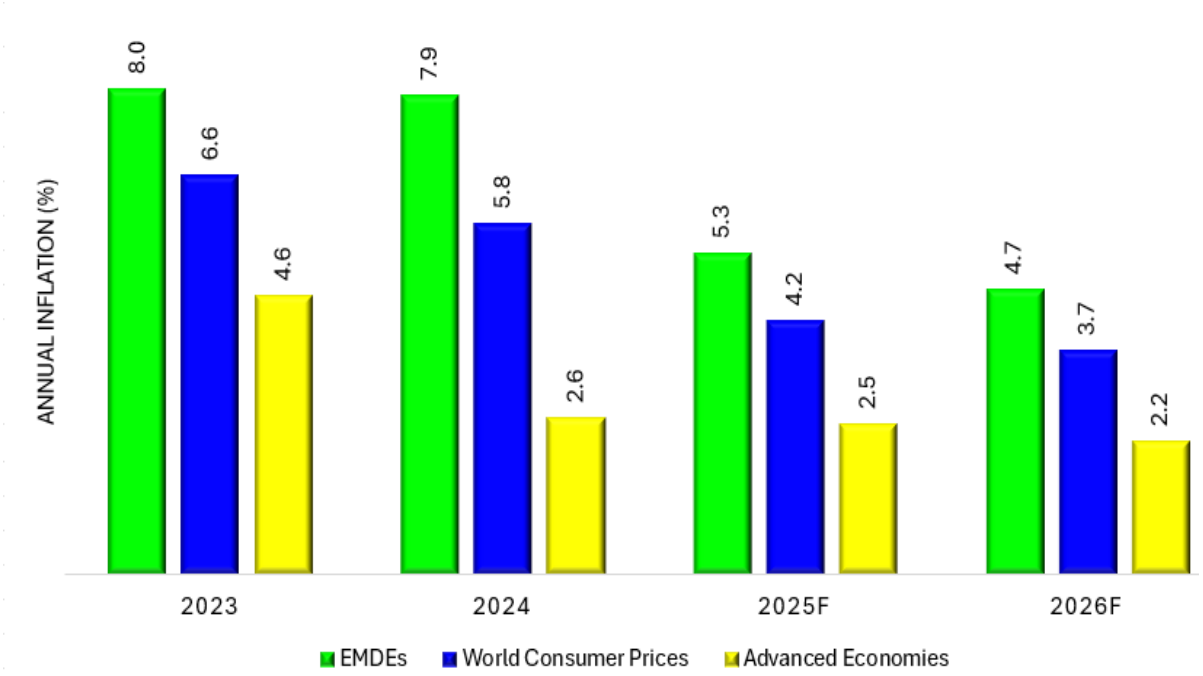
Figure 1:Consumer Inflation (Annual %): Delayed pass-through of tariffs coupled with key Central Banks easing interest rates while Inlfation still above target, poses upside risk to global inflation



Source: Country Statistics Offices (Websites)

Global inflation (**Figure 2**) is projected to decline to 4.2 percent in 2025, and further to 3.7 percent in 2026 (**Figure 2**), from 5.6 percent in 2024, with forecasts largely unchanged from July 2025 WEO. Projected inflation in AEs, projected to remain above the average central bank target of 2 percent, is influenced mainly by price developments in the UK and the US. In the UK, headline inflation is expected to continue rising in 2025 partly due to changes in regulated prices, however loosening labour market and moderating wage growth is anticipated to return inflation to target by the end of 2026. In the US, inflation is expected to pick up in H2-2025, as the impact of tariffs is no longer absorbed within supply chains and instead passed on to consumers, and to return to the US Federal Reserve 2 percent target in 2027. Inflation among EMDEs is projected to fall further in 2025 and 2026, reflecting impact of recent local currency appreciations against the US$, and lower food, energy, and administrative prices in some member economies.

Figure 2: Global Inflation Outlook: Global inflation expected to decline in 2025 and 2026, with cross country variations, but outlook is fragile



Source: IMF World Economic Outlook, October 2025

The inflation outlook remains fragile, keeping monetary policy largely cautious and limiting the capacity of central banks to support output. The full pass-through of effective tariff rates, which is yet to be seen, could push prices and inflation higher and in addition, it remains to be seen if negotiated tariff agreements will last.

Full pass-through of effective tariff rates, or if negotiated tariff-agreements fail to hold, could push foreign and therefore domestic inflation higher. Further, higher domestic inflation could renew monetary policy tightening and dampen domestic output growth.

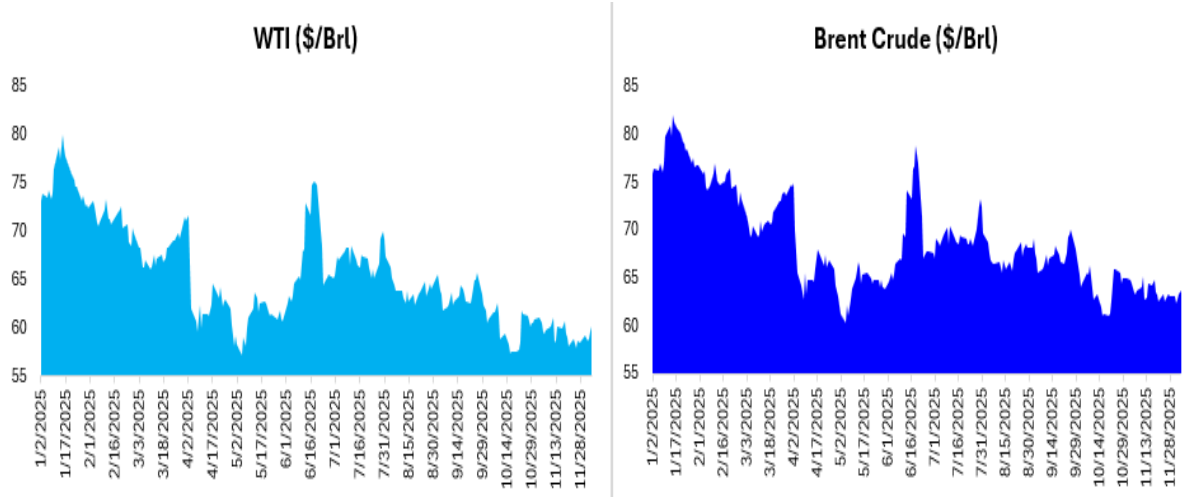
1.3 International commodity prices

Prices developments were mixed in November 2025, varied by commodity type. While energy prices were volatile during the month, precious metal prices continued to rise, and food prices declined. In November 2025, oil prices rose at the beginning of the month, with

Brent crude rising by about 3 percent to US$65/brl on November 11, 2025, from US$63/brl in the opening days of the month, driven by fresh US and UK sanctions on Russia, however prices declined by the end of the month, closing at the month's opening level, dampened by continued weak global demand and concerns over a glut building in the oil market, due to OPEC+ monthly production increases.

Overall, oil prices have declined so far in 2025, with the average brent crude price in November 2025 posted at US$64/brl, 19 percent lower than January 2025 levels. Low oil prices in 2025 are supported by robust global oil supplies occasioned by increases in both OPEC+ and non-OPEC+ production, coupled with subdued oil consumption, due to an uncertain global macroeconomic environment and transport electrification. The trend of global oil supply and demand are expected to continue for remainder of 2025 and through 2026.

Figure 3. Average Crude Oil Prices ($/barrel): Oil prices were volatile in November 2025, rising on fresh US and UK sanctions against Russia, then dampened by concerns of oil glut build-up, and continued weak global oil demand

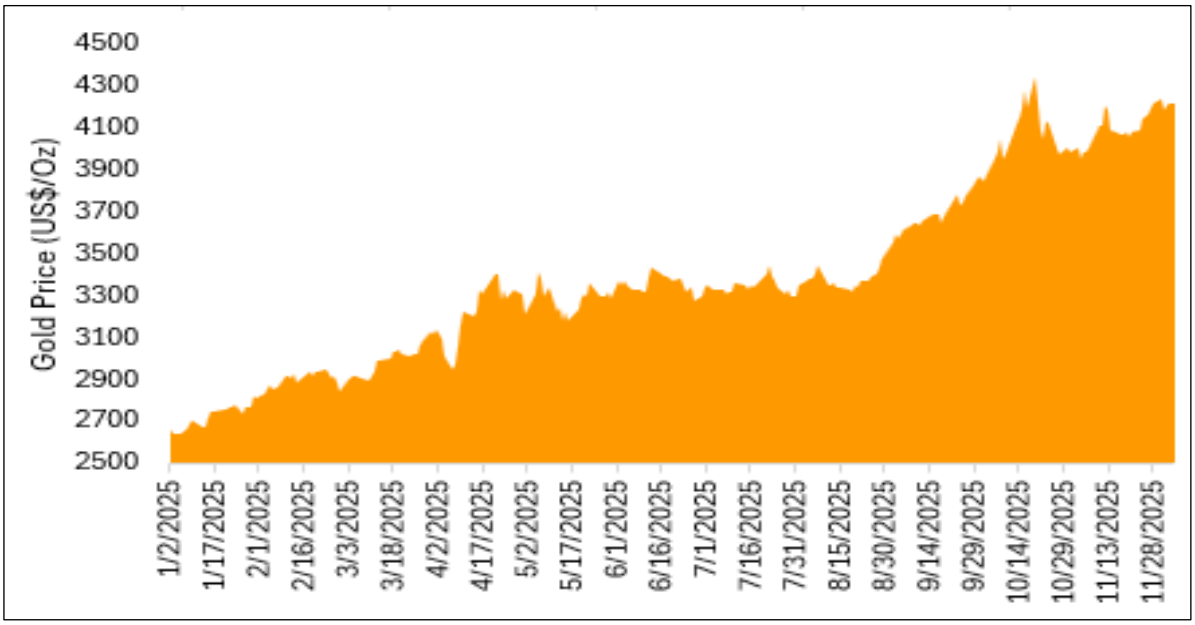


Source: Reuters EIKON

On the other hand, the gold price surged to a record high in November 2025, averaging US$4082/oz, representing a 50 percent increase compared to January 2025 levels, fuelled by strong safe-haven demand and growing Central Banks' accumulation of gold, in a bid to

diversify reserves away from traditional currencies. This trend among central banks has been led by Poland, Azerbaijan, China and Turkey.

Figure 4: Gold Prices (US$/Oz): Surged in 2025 and are expected to remain elevated on growing central bank demand



Source: Reuters EIKON

The outlook for commodity prices remains mixed. While energy and food prices are projected to decline in 2025 and 2026, precious metal prices, specifically gold prices are expected to continue their 2025 gains, rising further in 2026. The World Bank projects commodity prices (Table 2) to decline by about 7 percent in 2025, reflecting subdued global economic activity, lingering trade tensions and policy uncertainty, and ample global supply of oil. In 2026, commodity prices are forecast to fall by another 7 percent, as global growth remains sluggish and the oil market oversupplied.

Energy price movements are expected to continue contributing to global disinflation in 2026, along with agricultural prices, forecast to edge down primarily due to strong supply conditions. The outlook remains for lower oil prices, with Brent crude projected to decline by 15.7 percent to US$ 68/brl in 2025 and by 11.8 percent to US$ 60/brl in 2026, buoyed by OPEC+ supply increases. Risks to the oil price outlook are balanced, while potential Russia

supply disruptions present an upside risk, OPEC+ supply increases and sustained low global demand are expected to continue pushing prices downward. Coffee prices are projected to fall in 2026, after rallying in 2025, as Brazil exports continue to recover, and precious metal prices are projected to rise another 5 percent in 2026, after the historically large 40 percent investment-driven rally in 2025. Gold prices are expected to settle at structurally higher level in 2026, about US$3500/oz, supported by US Federal Reserve monetary policy easing and sustained central banks' gold demand.

Table 2: World Bank Group's Commodity Price Forecast (Nominal US$)

							Percent change from previous year			Differences in levels from April 2025 projections	
Commodity	Unit	2023	2024	2025f	2026f	2027f	2025f	2026f	2027f	2025f	2026f
INDEXES (in nominal U.S. dollars, 2010 = 100)											
Total [1]		108.0	105.1	97.4	90.7	94.0	-7.4	-6.8	3.6	5.3	3.0
Energy [2]		106.9	101.5	88.9	79.9	84.9	-12.4	-10.2	6.2	5.1	1.0
Non-Energy		110.2	112.5	114.4	112.7	112.5	1.8	-1.6	-0.2	5.6	7.3
Agriculture		110.9	115.0	115.2	112.7	111.8	0.2	-2.2	-0.8	1.2	2.4
Beverages		107.8	176.4	207.8	193.0	183.9	17.8	-7.2	-4.7	-3.3	5.1
Food		125.4	115.8	108.8	108.5	109.3	-6.1	-0.3	0.8	1.1	1.7
Oils and Meals		118.9	106.9	103.7	103.3	103.6	-3.0	-0.4	0.3	4.1	3.3
Grains		133.0	112.9	100.7	100.8	102.8	-10.8	0.1	2.0	-0.3	0.9
Other food		127.2	130.4	122.9	122.2	122.8	-5.7	-0.6	0.5	-1.4	0.3
Raw Materials		77.1	81.6	83.5	82.1	81.2	2.3	-1.7	-1.0	3.7	2.7
Timber		79.1	79.6	82.0	83.3	84.1	3.0	1.5	1.0	2.7	2.3
Other raw materials		74.9	83.9	85.1	80.8	78.1	1.5	-5.1	-3.4	4.6	3.1
Fertilizers		153.5	117.6	142.2	134.9	127.8	20.9	-5.1	-5.3	16.1	10.1
Metals and Minerals [3]		104.0	106.7	109.8	110.1	112.0	2.9	0.3	1.7	13.6	16.8
Base Metals [4]		109.0	114.1	119.7	120.7	123.7	4.9	0.9	2.5	16.2	19.8
Precious Metals [5]		147.3	180.2	254.2	268.2	251.8	41.1	5.5	-6.1	14.6	30.8

Source: World Bank Commodity Markets Outlook, October 2025

On a balance, commodity price outlook remains mixed. While weaker than-expected global growth, longer-than-assumed period of economic policy uncertainty, and continued oversupply in oil markets are expected to keep prices down, on the upside, intensified geopolitical tensions, additional sanctions on key oil producing economies, and unfavourable weather conditions could push prices up in 2026.

The mixed commodity price outlook is expected to have an uneven impact on the domestic economy. While low oil prices could support low domestic inflation, low projected agricultural prices could reduce export proceeds and widen the current account deficit.

With the prices for gold projected to rise further in 2025 and 2026 however, the associated increase in gold earnings could moderate the impact on export earnings and the current account. Further, the higher projected gold prices are expected to sustain Balance of Payments inflows and BOU's reserve-buildup efforts.

1.4 Global financial markets

Global financial market conditions remain stable despite continued trade and geopolitical uncertainty. Key Central Banks such as the US have lowered policy interest rates, even though inflation is still above target, while others such as the ECB and BOE left policy rates unchanged at their most recent meetings, all of which has supported easier financial conditions.

Figure 5. US$ Index: US$ depreciation since the start of 2025, appears to have slowed down starting September 2025

Source: Reuters EIKON

Figure 6: Although sovereign bond markets in major AEs stabilized after the Apr 2025 volatility, bond functioning as benchmarks could be tested if yields rise abruptly

Source: Federal Reserve Bank of St. Louis

However, several factors in the financial system reflect vulnerabilities with potential to trigger instability, if not addressed. First, EMDE government debt has grown significantly in recent years, financed by domestic resident investors in local currency, which has increased resiliency to global shocks but also strengthened the sovereign bank nexus. The nexus reflects the interconnectedness between the health of the sovereign and the banking system, whereby stress in one sector may create and amplify stress in the other. Secondly, the growing size of Non-bank Financial Institutions (NBFIs) has deepened ties with banks and expanded their participation in sovereign bond markets, further adding to the interconnectedness in the financial system and increasing the risk of instability. In addition, fiscal deficits and associated government debt are at a significantly high level for both developed and developing economies, with debt service burdens particularly mounting among EMDEs.

These dynamics could result in higher risks premiums, trigger volatility and tighten global financial conditions. Further, following a sharp weakening of the US Dollar since the start of 2025 on account of concerns about US policy uncertainty, the currency has strengthened since the start of September 2025. A speedy rebound in the US Dollar could tighten financial conditions and destabilize foreign exchange markets.

Overall, risks to global financial market stability remain elevated on account of these factors. Renewed global financial market instability could trigger volatility in domestic financial markets, necessitating a tightening of monetary policy likely to disrupt Uganda's economic growth momentum.

1.5 Implications for Uganda's Economy

Overall, risks to the global growth outlook point to a subdued external environment that could lower Uganda's domestic output growth. In addition, restrictive immigration policies could taper remittance inflows, widen the current account deficit and dampen BOU's ongoing reserve build-up efforts.

The global inflation outlook remains fragile, keeping monetary policy largely cautious and limiting the capacity of central banks to support output. The full pass-through of effective tariff rates, which is yet to be seen, could push prices and inflation higher and in addition, it remains to be seen if negotiated tariff agreements will last. Full pass-through of effective tariff rates, or if negotiated tariff-agreements fail to hold, could push foreign and therefore domestic inflation higher. Further, higher domestic inflation could renew monetary policy tightening and dampen domestic output growth.

The mixed commodity price outlook is expected to have an uneven impact on the domestic economy. While low oil prices could support low domestic inflation, low projected agricultural prices could reduce export proceeds and widen the current account deficit. With the prices for gold projected to rise further in 2025 and 2026 however, the associated increase in gold earnings could moderate the impact on export earnings and the current account. Further, the higher projected gold prices are expected to sustain Balance of Payments inflows and BOU's reserve-building efforts.

Vulnerabilities in the global financial system pause elevated risks for continued market stability and could result in higher risks premiums, triggering volatility and tightening global financial conditions. In addition, with the US$ exchange rate correction seemingly underway, a faster-than-anticipated rebound in the US Dollar could tighten financial conditions and destabilize the local foreign exchange markets. Renewed global financial

market instability could trigger volatility in domestic financial markets, necessitating a tightening of monetary policy likely to disrupt Uganda's economic growth momentum.

2. DOMESTIC DEVELOPMENTS OUTLOOK

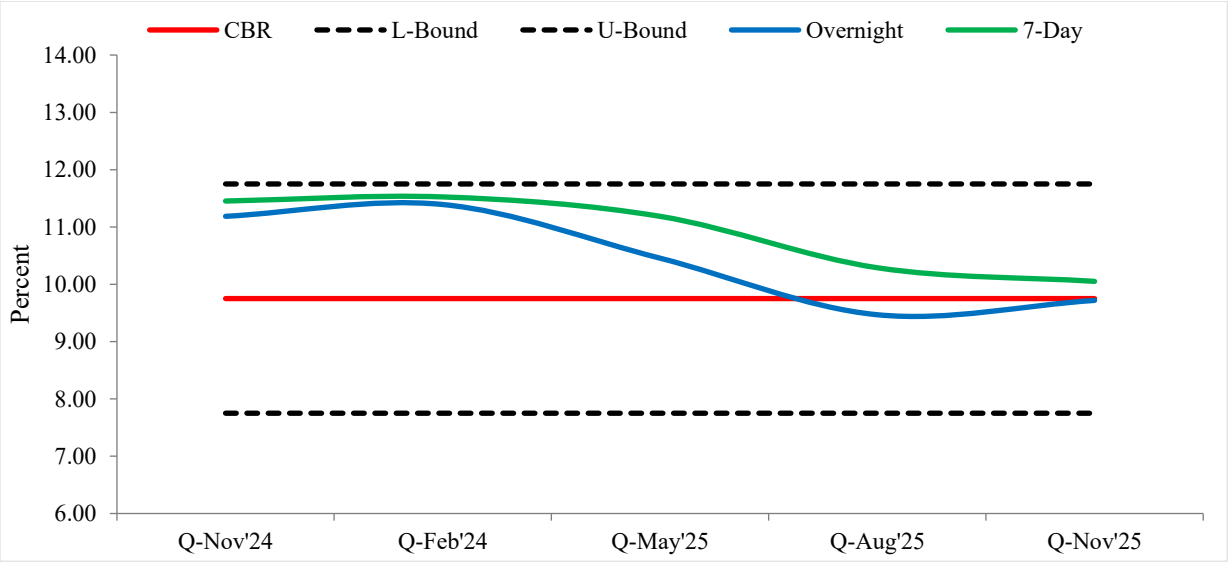
2.1 Domestic financial markets

2.1.1 Monetary policy and the interbank money market

In November 2025, the Monetary Policy Committee (MPC) maintained the Central Bank Rate (CBR) at 9.75 percent, reflecting a cautious policy stance aimed at supporting the ongoing economic recovery while safeguarding price stability. The decision underscores the Committee's vigilance amid persistent global uncertainties, including shifting trade dynamics and recurrent geopolitical tensions, which continue to pose risks to the inflation and growth outlook. Accordingly, interbank money market rates remained within the CBR Band though they exhibited mixed movements in the three months to November 2025. The 7-day weighted average rate declined to 10.05 percent, from 10.29 percent in three months to August 2025 (**Figure 7)**, signalling improved liquidity distribution within the banking sector.

The overnight rate, however, rose slightly to an average of 9.72 percent, up from 9.47 percent in the three months to August 2025, while utilization of the Standing Lending Facility (SLF) increased markedly, rising to UGX 4.25 trillion in the three months to November 2025 from UGX 2.49 trillion in the three months to August 2025. This suggests that some institutions continued to experience temporary liquidity mismatches despite overall market liquidity having improved. Meanwhile, liquidity sterilization operations shifted in response to changes in system liquidity, with the volume of repurchase agreements (repos) declining to UGX 13.97 trillion in the three months to November 2025 from UGX 15.3 trillion during the previous period, reflecting a desire for the BOU to use longer dated instruments to manage liquidity. Indeed, BoU Bills worth UGX 1.13 trillion were issued in the three months to November 2025, compared to UGX 0.84 trillion in the previous period, consistent with efforts to manage surplus liquidity in the banking system and offer additional support to exchange rate stability. The introduction of the SDF has supplemented the conventional instruments with a turnover of UGX 1 trillion by early December 2025.

Figure 7: Money market rates remain broadly stable and within the CBR Band, supported by government expenditure and BoU forex purchases. (Quarterly average, percent)



Source: Bank of Uganda

2.1.2 Primary market for treasury securities

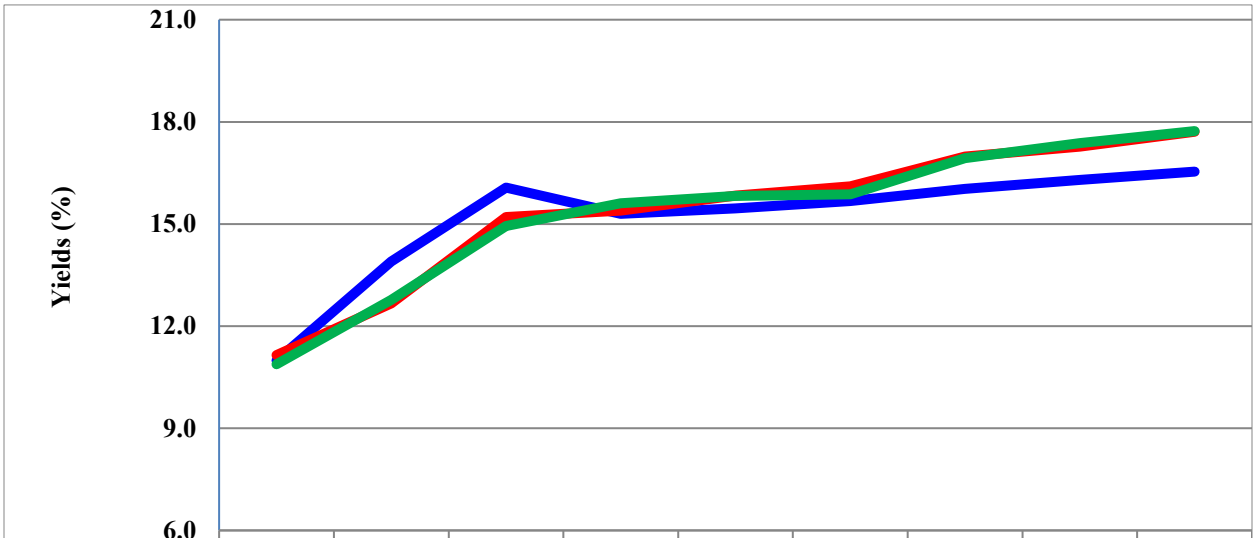
Notwithstanding the eased liquidity conditions, yields on government securities are mixed. The 91 day and 365 days yields fell from 11.72 and 15.36 in the 3 months to November 2025 to 11.45 and 15.04 respectively in the 3 months to August 2025. However, the 182-day bill rates increased from 13.17 to 13.34 during this period. For the bonds however, the rates on the short-term bonds increased marginally, with the 2 ,3 and 5 year bond rates increasing from 15.75,15.55 and 16.13 to 15.75, 15.85 and 16.23 respectively during the same period, in part reflecting near term government domestic financing needs, while the long-term bond yields edged down slightly with the 10,15 and 20 year bond rates reducing from 17.10,17.72 and 17.90 during the period ending August to 17.03,17.70 and 17.80 respectively for the period ending November 2025, reflective of well anchored inflation expectations. Government securities issuance rose sharply, increasing by 44.5% to UGX 8.9 trillion in the three months to November 2025, compared to UGX 6.18 trillion in the three months to August 2025, mainly driven by government financing needs in the first half of FY2025/26. Demand for government securities remained robust, with all auctions oversubscribed,

reflecting strong investor appetite for government paper amid stable domestic financing conditions.

2.1.3 Secondary market for treasury securities

Yields on treasury securities in the secondary market remained broadly stable in the three months to November 2025, consistent with easing domestic financing pressures relative to the previous period and reflecting limited volatility across most tenors (**Figure 8**).

Figure 8: Secondary market annualized yields on T-bills and T-bonds remain relatively stable, consistent with moderated domestic financing needs.
(Secondary market annualised yields of treasury bills and bonds, quarterly averages)



	91-day	182-day	364-day	2-year	3-year	5-year	10-year	15-year	20-year
Q-Nov'24	11.0	13.9	16.1	15.3	15.5	15.7	16.0	16.3	16.5
Q-Aug'25	11.1	12.7	15.2	15.4	15.8	16.1	17.0	17.3	17.7
Q-Nov'25	10.9	12.8	14.9	15.6	15.8	15.9	16.9	17.4	17.7

Source: Bank of Uganda

2.1.4 Lending interest rates

Reflecting broader financial market conditions, lending rates declined modestly in the three months to October 2025. The weighted average shilling lending rate fell to 18.87 percent from 19.12 percent in the three months to July 2025, while foreign currency lending rates eased to 8.24 percent from 8.50 percent. The moderation in lending rates was supported by

stable macroeconomic conditions, a reduction in perceived default risk following an improvement in asset quality of the banking sector evidenced by lower NPLs and continued exchange rate stability. Nevertheless, lending rates across most sectors remain elevated (**Figure 9**), reflecting structural rigidities such as limited long-term funding and persistent asset–liability mismatches; the highest rates, around 20 percent are observed in the agriculture, housing, and personal sectors, over the quarter to October 2025 while transport, manufacturing, mining, and trade register comparatively lower rates of 15.2 percent, 17.1 percent, 18.5 percent, and 18.7 percent, respectively. Policy undertakings to address the dearth of long-term savings, maintenance of macroeconomic stability and prudent fiscal and monetary policy among others shall be essential in sustainably lower interest rates.

The Mortgage Refinancing Law, once operational, together with innovative financing instruments such as Sukuk, green bonds and diaspora bonds, is expected to ease financing pressures and lower borrowing costs over time, providing a boost to private investment and potential higher growth. According to the Bank Lending Survey for the first quarter of FY 2025/26, the lending rates are expected to remain largely unchanged due to stable macroeconomic conditions signalled by the low inflation, expected economic growth and stable Central Bank Rate.

Figure 9: Weighted average lending rates across most sectors remain relatively high due to structural rigidities in the financial sector (Quarterly average, percent)

	Shs								FX							
	Agriculture	Mining and	Manufactu	Trade	Transport &	Housing	Personal	Shs.	Agriculture	Mining and	Manufactu	Trade	Transport &	Housing	Personal	Fx
Q-Oct'24	21.0	20.6	17.4	18.9	17.9	19.8	18.5	19.1	8.1	9.0	8.6	8.6	10.5	11.1	11.3	8.7
Q-Jan'25	21.0	20.0	15.5	17.5	12.6	19.8	18.5	17.3	8.9	9.2	8.5	8.5	8.9	10.5	12.4	8.4
Q-Apr'25	21.2	23.7	16.7	17.9	13.8	20.1	18.4	17.7	9.0	9.7	8.8	7.9	7.5	10.3	10.7	8.3
Q-Jul'25	20.8	21.8	17.3	18.5	15.8	19.5	20.0	**19.1**	8.6	10.4	8.6	8.3	8.6	11.8	9.9	**8.5**
Q-Oct'25	20.2	18.5	17.1	18.7	15.2	20.2	19.5	**18.9**	8.3	9.0	8.5	7.8	8.1	11.1	9.4	**8.4**

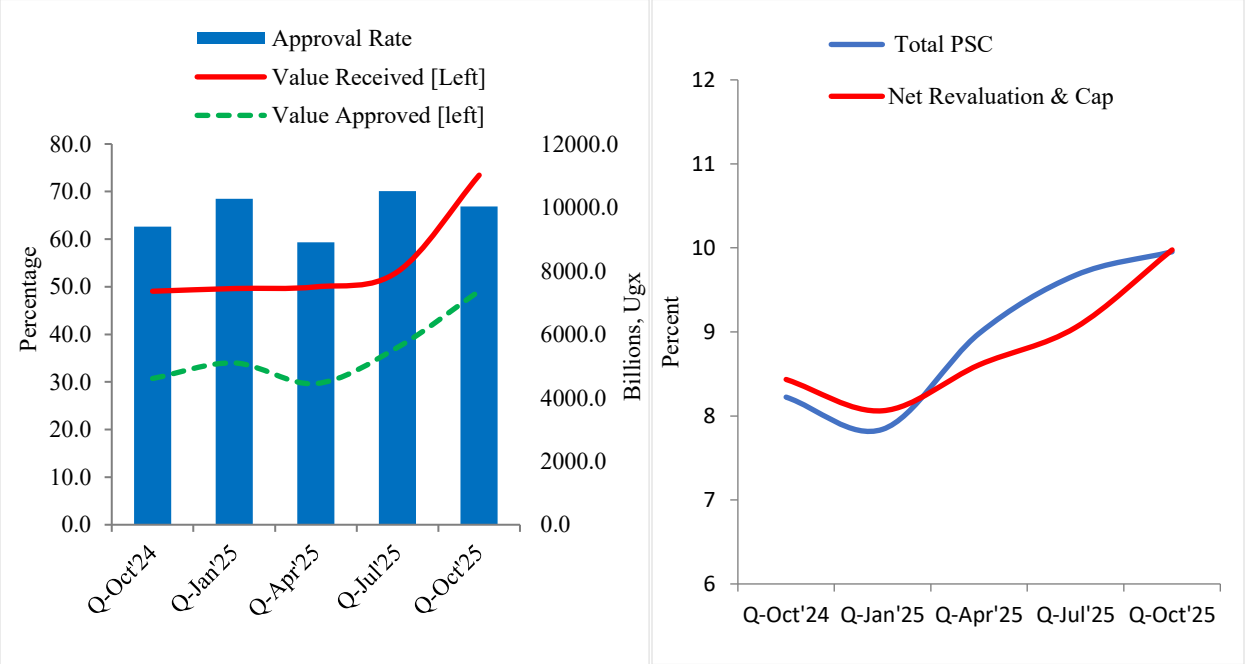
Source: *Bank of Uganda*

2.1.5 Private sector credit

Private Sector Credit (PSC) continued to expand, supported by stable macroeconomic conditions, stronger credit demand and improved financial health of borrowers. Annualised

ODC PSC growth increased to 9.95 percent in the three months to October 2025 from 9.68 percent in the three months to July 2025. Shilling-denominated credit grew strongly at 11.71 percent relative to 11.17 percent, while foreign currency lending slowed slightly to 4.93 percent from 5.54 percent respectively over the same period. Total net credit extensions rose to Shs 1.40 trillion from Shillings 1.06 trillion over this period (**Figure 10, Right**). Demand and supply of credit remained robust. Credit demand increased to Shs. 8.2 trillion, while supply rose to Shs 5.8 trillion in the three months to October 2025 relative to Shs 8.0 trillion and Shs 5.8 trillion respectively, underpinned by an improvement in the NPL ratio to 3.66 percent from 3.74 percent. Despite higher demand, the approval rate declined to 66.9 percent from 70.1 percent during this period, as banks prioritised government securities, reflecting cautious lending behaviour (**Figure 10, Left**).

Figure 10: Private sector credit growth was driven by stronger demand and a stable macroeconomic environment.
(Quarterly average, percent)

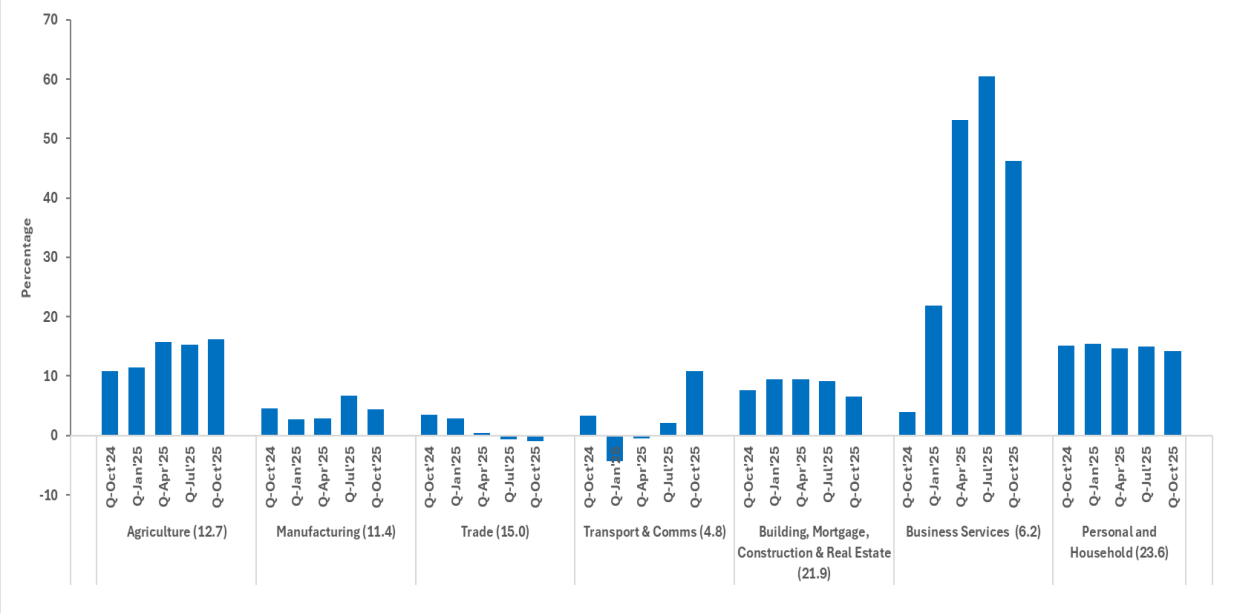


Source: *Bank of Uganda*

Annualised ODC private sector credit growth in the 3 months to October 2025 was largely driven by credit to the agriculture, and transport and communication sectors. Credit growth to Agriculture rose to 16.1 percent from 15.2 percent while transport and communications

rose to 10.9 percent from 2.1 percent. These gains more than offset the decline in the other sectors like trade (-0.9% from -0.7%) and manufacturing (4.3% from 6.7%) that are largely sensitive to foreign exchange developments. (**Figure 11**). In terms of sectoral composition, personal and household loans account for 23.6% share, Building, Mortgage, Construction and Real Estate (21.9% share), Trade (15% share), Agriculture (12.7% share) and Manufacturing (11.4%).

Figure 11: Year-on-year growth in private sector credit-3-month moving-average fell across most major economic sectors. (% shares in brackets)



SHARES OF CREDIT PER SECTOR (Total)	Q-Oct24	Q-Jan25	Q-Apr25	Q-Jul25	Q-Oct25
Agriculture	11.94	12.32	12.50	12.36	12.58
Mining and Quarrying	0.42	0.43	0.53	0.55	0.63
Manufacturing	12.00	11.66	11.37	11.67	11.37
Trade	16.77	16.35	15.34	15.11	15.09
Transport and Communication	4.89	4.57	4.62	4.81	4.92
Electricity and Water	0.76	0.52	0.32	0.29	0.37
Building, Mortgage, Construction and Real Estate	22.46	22.53	22.33	21.85	21.73
Business Services	4.86	5.58	6.74	6.70	6.45
Personal Loans and Household Loans	22.81	22.86	23.26	23.60	23.65
Other Activities (not anywhere above)	0.15	0.15	0.17	0.14	0.20

Source: Bank of Uganda

Nonetheless, the macroeconomic environment, together with Government lending schemes, remains supportive of credit to the private sector. Improved asset quality, reflected in the decline of the NPL ratio to 3.66% in the 3 months to September 2025 from 3.74% in the 3 months to June 2025, and strong underlying credit demand suggest further scope for growth in private sector credit as financial conditions continue to stabilize. PSC with the addition of Government schemes, such as the Parish Development Model (PDM) and Emyooga, remained in double digits, recording 14.8% percent growth in the three months to August 2025 compared to 15.4% in the three months to May 2025. These schemes are expected to continue supporting private sector credit expansion.

Private sector credit growth is expected to strengthen in the near term, supported by improving borrower confidence, anchored inflation expectations, and stable exchange rate conditions. Upside risks to the outlook include increased public and private investment, continued implementation of Government support programmes, and sustained macroeconomic stability accompanied by improving financial conditions.

However, private sector credit growth could be constrained by increased Government domestic borrowing, which could crowd out private sector credit if interest rates rise in response, as well as global economic uncertainty and heightened credit risk concerns. Overall, the risks to PSC growth in the near term are broadly balanced. In the medium term, credit growth is expected to strengthen further, supported by a favourable economic outlook and ongoing enhancements to credit infrastructure, particularly improvements in the Credit Reference Bureau and the Security Interest in Movable Property Registry System (SIMPRS). These reforms are expected to boost creditworthiness, reduce risk aversion within the banking sector, and expand access to finance for micro, small, and medium enterprises (MSMEs). Together, these developments will support sustained private sector credit growth and reinforce the role of the financial sector in supporting economic activity.

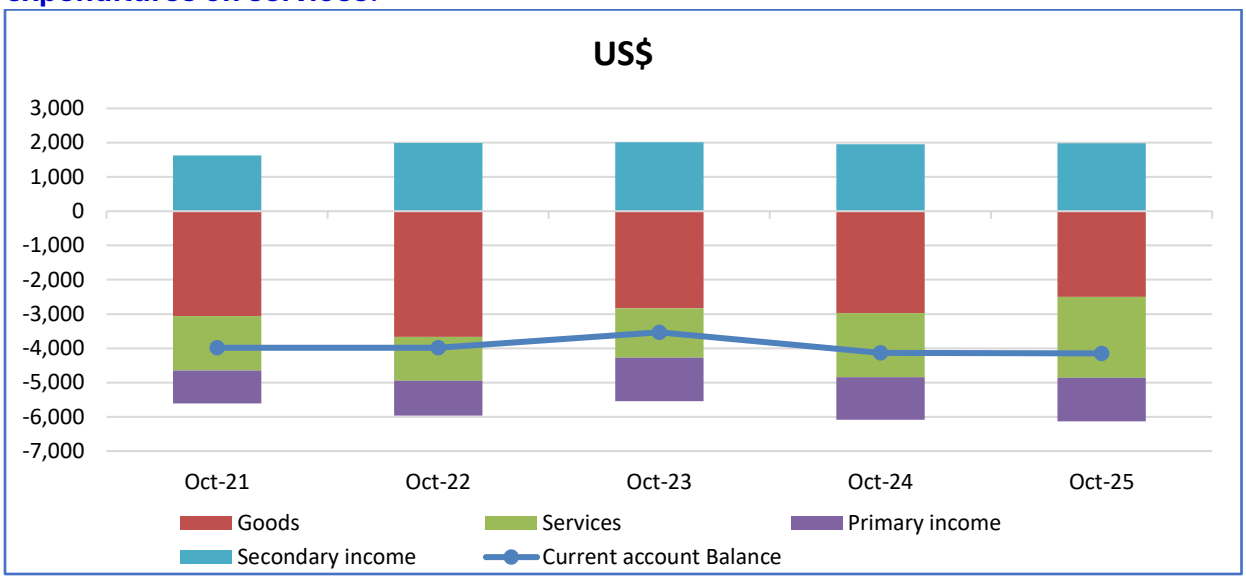
2.2 Balance of payments and exchange rates

2.2.1 Balance of payments

Uganda's balance of payments position remained strong and resilient to global shocks, registering a surplus of US$2,369 million in the year to October 2025 compared to a deficit of US$683 million in the previous year. The positive BOP outturn, the highest in 15 years, signals the economy's time-consistent policy and stable macroeconomic environment, that

has encouraged both foreign and domestic investment, resulting in the robust financial account surplus that more than offset the current account deficit. The current account deficit marginally increased to US$ 4,149 million from US$ 4,136 million over the same period, largely driven by higher expenditures on services, particularly transport (**Figure 12**). Improved performances on the goods and income accounts helped to moderate the impact of the wider services deficit therefore resulting in the marginal increase of the current account deficit.

Figure 12: The current account deficit widened slightly largely due to higher expenditures on services.



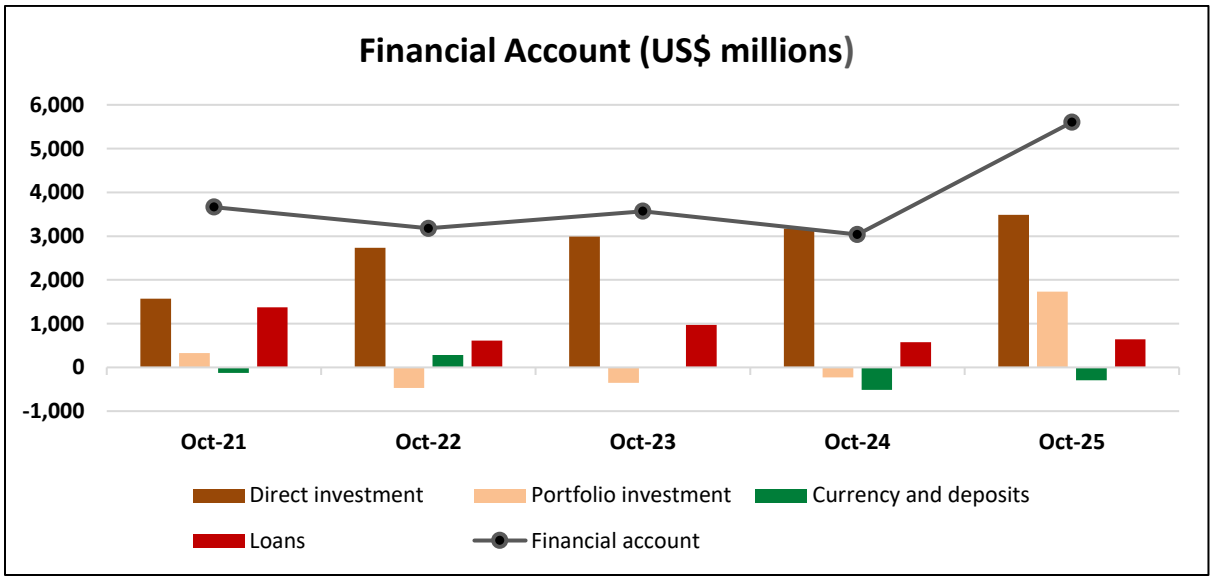
Source: *Bank of Uganda*

The trade deficit contracted to US$ 2,496 million in the year to October 2025 from US$ 2,977 million in the corresponding previous year, supported by significantly higher export earnings that grew by 46.1 percent to US$ 12,296 million in the twelve months to October 2025, underpinned by increased earnings from coffee, cocoa and gold. Coffee export proceeds continued to increase despite a slowdown in international prices, supported by higher export volumes, resulting from higher demand and government efforts to boost production such as improved quality standards and intensified farmer training. On the other hand, import expenditure rose at slower pace by 29.9 percent, to US$ 14,792 million, driven mainly by private sector spending on intermediate and capital goods reflecting strong economic activity, in addition to increased gold trade.

The primary income deficit widened to US$ 1,267 million in the year to October 2025 from US$ 1,247 million recorded in the previous year mainly due to higher interest payments to offshore players on their portfolio investments. Over the same period, the secondary income surplus increased to US$ 1,979 million, from US$ 1,950 million recorded in the previous year, on account of increases in personal transfers and grants to general Government, which offset the decline in NGO inflows.

On the financing side, the financial account surplus increased to an all-time high of US$ 5,602 million in the year to October 2025 from US$ 3,037 million in the year to October 2024, primarily buttressed by strong inflows of both foreign direct and portfolio investments (**Figure 13**). Foreign direct investment (FDI) inflows increased by 10 percent to US$ 3,488 million in the year to October 2025 relative to the preceding year, reflecting substantial investment in the oil sector and spillovers to related industries, such as transportation and construction. The portfolio investment account recorded net inflows of US$ 1,733 million, a reversal from net outflows of US$ 225 million in the previous year, largely reflecting increased offshore demand for government of Uganda securities due to attractive interest rates and exchange rate stability.

Figure 13: Record Financial Account Surplus Driven by Robust Foreign Direct and Portfolio Investment Inflows.
(In millions of US$)



Source: *Bank of Uganda*

The above BOP developments coupled with Bank of Uganda's proactive steps to boost the reserve buffers including targeted purchases and use of cross-currency repos and SWAPs, led to a build-up in reserves to a stock of US$ 5,751 million as at end of October 2025 (4.1 months of future import cover excluding oil project-related imports), compared to the stock of US$ 3,382 million (2.4 months of imports excluding oil project imports) registered at the end of October 2024. The robust BOP surplus enabled the rebuilding of foreign exchange reserves, providing a potent signal for continued macroeconomic stability and anchoring investor confidence in the economy. As at end November 2025, the BoU had bought US$1.55 billion for reserve buildup this financial year. Further efforts are being made to diversify reserves with monetary gold purchase expected to commence in 2026.

2.2.2 Balance of payments outlook

In the short term, the likely impact of lower global commodity prices and a weaker US dollar on the trade deficit will be moderated by stronger coffee exports, supported by favourable weather, improved agricultural yields, and government initiatives such as the GROW Fund and the Parish Development Model, which are providing farmers with low interest financing. Remittance inflows are expected to remain resilient despite tighter immigration policies in some host countries, bolstered by government efforts to strengthen the labour externalisation programme. The financial account surplus is also projected to remain strong, supported by robust FDI inflows and offshore investor participation in the government securities market, underpinned by attractive interest rates and a stable exchange rate.

Nonetheless, risks persist. Persistent trade policy uncertainty, geo-economic fragmentation, and sustained weakness in global commodity prices could further dampen export earnings. Shifts in advanced economies away from development aid toward defence spending may reduce current transfers while delays in concluding key trade negotiations, such as those with China, could weigh on investment decisions. Domestically, uncertainty ahead of the upcoming election may also delay private investment.

In the medium term, the oil sector is expected to play a transformative role in shaping both the current and financial accounts, gradually driving the balance of payments toward a consistent surplus position. The current account deficit is projected to narrow as oil exports commence, and the import bill declines with the transition to domestic oil production. Nonoil export revenues and tourism receipts are also expected to strengthen, supported by

the implementation of the Tenfold Growth Strategy. The financial account surplus will continue to be supported by FDI flows and budget support flows with the re-opening of the concessional financing window. The medium-term BoP projections are presented in **Table 3.**

Table 3: Current account deficit to narrow as oil exports commence and import bill declines

Balance of Payment Accounts	FY2025/26		FY2026/27		FY2027/28		FY2028/29		FY2029/30	
	$BN	%GDP	$BN	%GDP	$BN	%GDP	$BN	%GDP	$BN	%GDP
Current account	**-3.4**	**-5.0%**	**-1.5**	**-2.0%**	**0.4**	**0.4%**	**1.3**	**1.3%**	**2.4**	**2.2%**
Trade Balance	-2.0	-2.9%	1.0	1.4%	3.1	3.6%	3.5	3.6%	3.8	3.5%
Services	-2.2	-3.2%	-2.2	-2.8%	-1.8	-2.1%	-1.6	-1.7%	-1.4	-1.3%
Primary income	-1.4	-2.1%	-2.5	-3.3%	-3.1	-3.6%	-2.9	-3.0%	-2.5	-2.3%
Secondary income	2.2	3.3%	2.1	2.8%	2.2	2.6%	2.3	2.4%	2.5	2.4%
Capital account	**0.4**	**0.7%**	**0.2**	**0.2%**	**0.2**	**0.2%**	**0.2**	**0.2%**	**0.2**	**0.1%**
Current and Capital Account	-3.0	-4.3%	-1.3	-1.7%	0.6	0.7%	1.5	1.5%	2.6	2.4%
Financial Account*	**4.3**	**6.3%**	**1.5**	**2.0%**	**-0.1**	**-0.2%**	**-0.2**	**-0.3%**	**-1.0**	**-0.9%**
FDI*	3.3	4.9%	3.0	4.0%	2.9	3.3%	3.0	3.1%	3.1	2.9%
Portfolio investment*	0.6	0.8%	0.5	0.7%	0.5	0.6%	0.5	0.5%	0.4	0.4%
Other investment*	0.4	0.6%	-2.1	-2.7%	-3.5	-4.1%	-3.7	-3.9%	-4.5	-4.2%
Overall Balance*	1.3	1.9%	0.2	0.2%	0.5	0.5%	1.2	1.3%	1.6	1.5%
** Signs inverted to reflect direction of flows*										

Source: *Bank of Uganda*

2.2.3 Exchange rate developments

The Uganda shilling remained relatively stable during the twelve months to November 2025 despite the temporary volatility during the month. The Shilling appreciated by 2.8 percent, year on year and 1.9 percent quarter on quarter in November 2025. However, a month-over-month depreciation was temporarily observed in November 2025. (See Box 1 for further details).

The year-on-year appreciation was largely on account of strong inflows from coffee export receipts, increase in offshore investors, prudent monetary policy as well as reforms in the financial markets. Key financial market reforms included the introduction of new instruments such as the cross-currency repurchase (repo) arrangement to improve FX liquidity management and market functioning. The BoU also enhanced transparency and data integrity by adopting global best practices in FX market reporting and formally

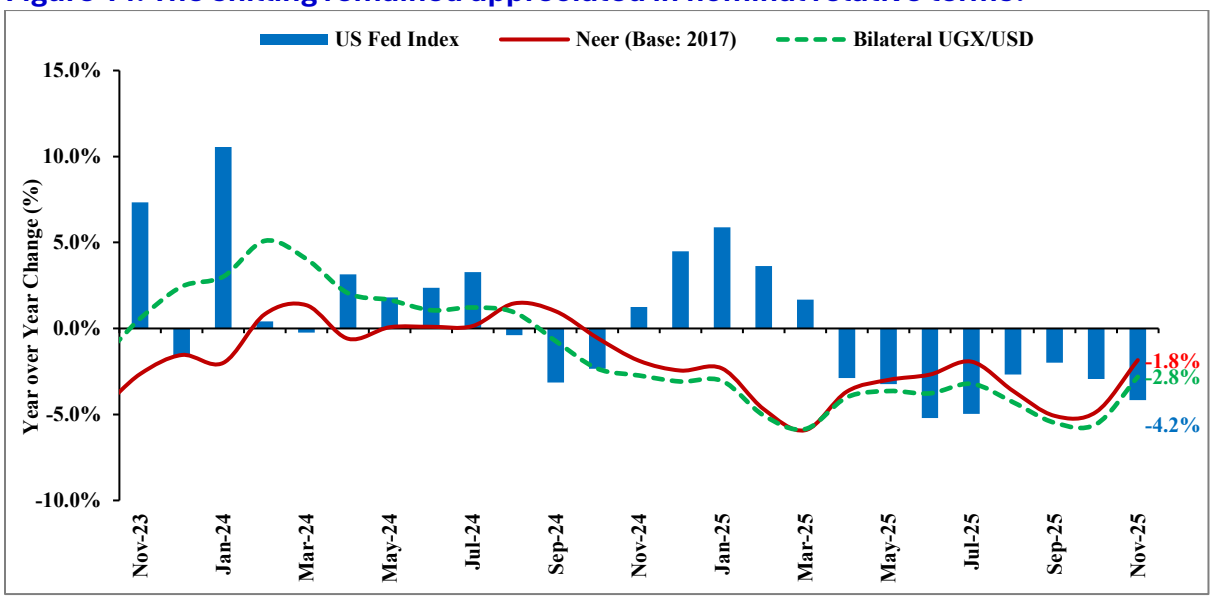
endorsing the FX Global Code, joining a select group of African economies committed to ethical and transparent conduct.

Indeed, the Bank of Uganda market reforms have been an innovative pillar in aligning foreign currency supply and demand. In November 2025, the interbank foreign exchange market cleared US$ 3.7 billion which was a 35 percent growth year over year. Additionally, over the same period, market clearing through swaps significantly rose with a turnover of US$ 2.5 billion which has reduced the pressure on spot market. Collectively, these reforms have boosted market confidence, improved Uganda's credibility, and positioned the country as a reform driven, investment attractive financial market environment. Indeed, Uganda improved its standing in regional financial markets, overtaking Nigeria, to rise to third place from fourth among Africa's top performers, according to the Absa Africa Financial Markets Index (AFMI) 2025. South Africa and Mauritius maintained the first and second position, respectively ahead of Uganda.

Additionally, the US$ index weakened against other currencies offering further support to the Shilling. Over the same period, the Shilling also strengthened in nominal and real effective terms against a basket of currencies of Uganda's major trading partners as depicted in **Figure 15**.

In November 2025, Uganda's Nominal Effective Exchange Rate (NEER) appreciated by 1.8 per cent (year over year), although the momentum of appreciation has moderated. The moderation in appreciation of the relative value was due to most currencies of Uganda's trading partners gaining against the US dollar, partly attributed to the progressive de-escalation of trade tensions. For example, all of Uganda's key Asia trade partners have signed or are in advanced stages of trade negotiations with the United States. Specifically, the Euro Area, Kenya, South Africa, China, Burundi, and Rwanda have either sustained year-over-year appreciations or depreciated at a slower pace against the US Dollar when we compare outturns for November and October 2025.

Figure 14: The shilling remained appreciated in nominal relative terms.

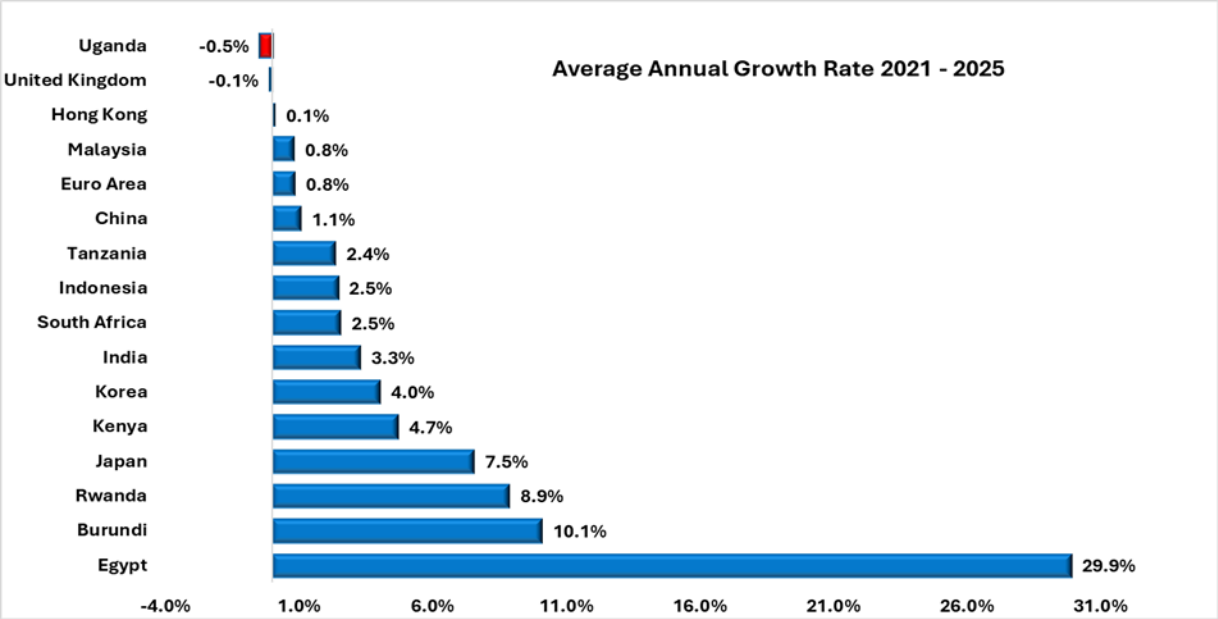


Source: Bank of Uganda and New York Fed

Over a longer horizon, the Uganda shilling outperformed all peer currencies, registering a marginal annual appreciation of 0.5% between 2021 and 2025, the strongest performance among its trading partners (**Figure 16**).

While the exchange rate is expected to remain stable, risks to the stability of the Uganda Shilling remain and are expected to evolve. The Uganda Shillings could face depreciation pressures if portfolio investors rapidly exit their positions in Uganda. Additionally, the outflows could be amplified by shrinking room to cut policy rates in Uganda's key trade markets such as India, coupled with tightening in monetary policy for some major central banks such as Japan. However, the Uganda Shilling could appreciate on account of higher earnings from international trade as gains from implementation of the 10-fold growth agenda start to materialize.

Figure 15: Developments in selected currencies (Average Annual change 2021-2025).



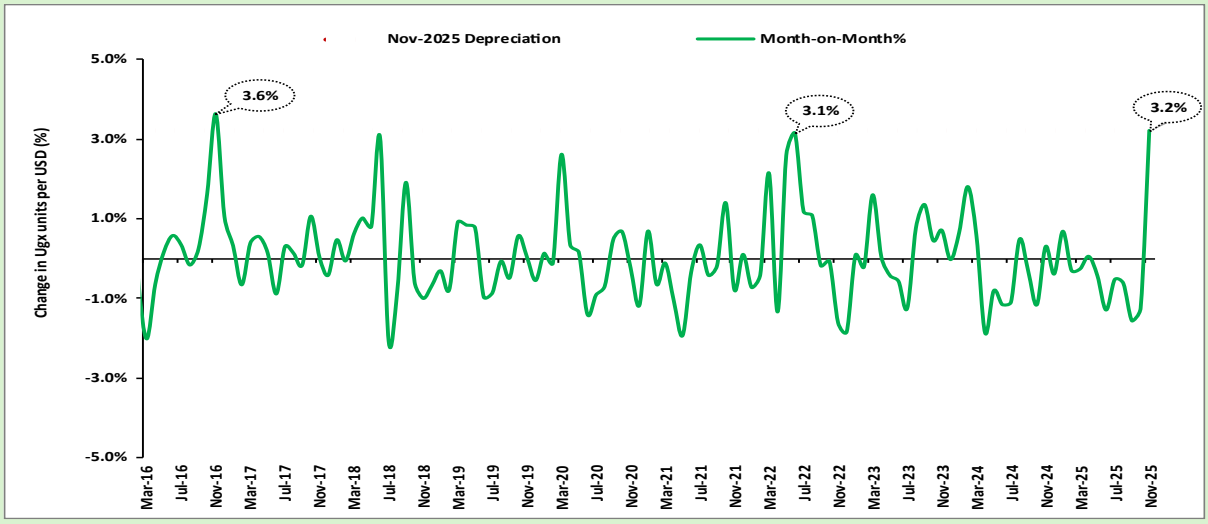
Source: Bank of Uganda

The ten-fold growth agenda aims to multiply Uganda's GDP from US$ 50 billion to US$ 500 billion by 2040 through aggressive monetization of the economy, commercialization of agriculture, rapid industrialization, tourism development, mineral beneficiation (including oil and gas), and science and technology-driven growth. These initiatives are expected to deliver; a structural narrowing of the current account deficit through import substitution and export diversification (especially higher-value agro-industrial and mineral exports), higher foreign direct investment and portfolio inflows into oil and gas, infrastructure, manufacturing, and green-energy projects, and faster formalization and digitization of the economy, boosting tax revenue and reducing reliance on external borrowing.

BOX 1 : Sharp Depreciation of the Uganda Shilling in November 2025

The shilling has been stable over the past few years (**Figure 17**). However, November 2025 witnessed a significant month-over-month depreciation. Notably, on two consecutive days in November, the shilling depreciated by more than 1 percent.

Figure 16:: Sharp depreciation of the Uganda shilling against the US$.



Source: *Bank of Uganda*.

These developments were largely driven by hedging activity by some market players to cover their exposure in the government securities which affected average trading activity in the interbank foreign exchange market. Indeed, there was increased activity with both daily purchases and sales increasing in November 2025 to an average of US$ 76.5 million and US$ 73.4 million, respectively, from respective averages of US$ 68.6 million and US$ 58.7 million in the period January 2025 to October 2025.

The Bank of Uganda acted to mitigate these pressures. To support exchange rate stability, the BOU moderated its reserve build activity in November 2025, with the total targeted purchases amounting to US$ 157 million only, which was less than a third of the purchases for October 2025. Going forward, the various reforms undertaken by BOU such as introduction of new instruments like the cross-currency repurchase agreements, coupled with its endorsement of the global Foreign Exchange Committee's Global FX Code should engender better foreign exchange market stability through strengthened market structure, enhanced transparency, and support confidence among domestic and offshore participants.

2.3. Fiscal policy

2.3.1 Government expenditure and revenue

Fiscal operations in the first four months of FY2025/26 were more expansionary than planned. Recurrent government expenditure amounted to Shs 13,720 billion, exceeding the programmed level by Shs 610.1 billion (**Table 4**). This overperformance was mainly driven by higher than planned spending on the purchase of goods and services, as well as increased grants, particularly to Local Governments. On the other hand, government expenditure on the net acquisition of nonfinancial assets (capital expenditure) totalled Shs 2,231.7 billion, which was Shs 65.9 billion below the planned level, reflecting delays in the disbursement of funds for externally financed projects.

Table 4: Despite revenue shortfalls, fiscal operations were more accommodative in the first four months of FY2025/26 (UGX, billions)

	Jul-Oct'24	Jul-Oct'25	Prog. Jul-Oct'25	Variation	Annual change (%)
Revenue (A)	**9,684.2**	**10,415.2**	**11,372.2**	**-956.9**	**7.5**
Taxes	8,491.0	9,366.7	9,626.1	-259.4	10.3
Grants (project support)	476.5	250.9	753.9	-503.0	-47.4
Other revenue	**716.7**	**797.7**	**992.2**	**-194.5**	**11.3**
Expense (B)	**12,135.2**	**13,720.0**	**13,110.0**	**610.1**	**13.1**
Compensation of employees	1,624.6	1,652.6	1,681.5	-28.9	1.7
Purchase of goods and services	2,876.4	2,710.7	2,499.1	211.7	-5.8
Consumption of fixed capital **(C)**	3.2	0.0	0.0	0.0	-100.0
Interest payments	2,288.5	4,143.3	4,501.4	-358.1	81.1
Domestic	1,839.2	3,713.4	3,890.3	-176.9	101.9
External (including commitment fees)	449.3	429.9	611.1	-181.2	-4.3
Subsidies	0.0	2.5	0.0	2.5	0.0
Grants	4,626.7	4,224.5	3,380.0	844.4	-8.7
Social benefits	145.8	293.6	381.0	-87.3	101.4
Other expense	570.0	692.8	667.0	25.8	21.5
Gross operating balance (A-B+ C)	**-2,447.8**	**-3,304.8**	**-1,737.8**	**-1,567.0**	
Net operating balance (A-B)	**-2,451.0**	**-3,304.8**	**-1,737.8**	**-1,567.0**	
Net Acquisition of Nonfinancial Assets **(D)**	1,333.9	2,231.7	2,297.6	-65.9	
Net lending/borrowing (A-B)-D	-3,784.8	-5,536.5	-4,035.4	-1,501.1	
Primary balance	-1,496.4	-1,393.2	466.0	-1,859.1	
Transactions in financial assets and liabilities Financing (net) (E-F)	**-3,784.8**	**-5,536.5**			
Net Acquisition of Financial Assets (E)	**992.8**	**2,078.7**			
Domestic	**992.8**	**2,078.7**			
Foreign	0.0	0.0			
Net Acquisition of Financial Liabilities (F)	4,735.7	6,139.9			
Domestic	**4,172.3**	**4,940.0**			
Foreign	563.4	1,199.9			
Errors & Omissions	-42.0	-1,475.2			

Source: Ministry of Finance Planning and Economic Development

Total government revenue (including grants) for the four months of FY2025/26 amounted to Shs. 10,415.2 billion, which was Shs. 956.9 billion below the planned target. This shortfall was mainly driven by underperformance in both grants and domestic revenue. Grants were Shs. 503 billion below the target, while domestic revenue was Shs. 259.4 billion lower than planned, reflecting underperformance in both tax and non-tax collections.

Relative to Uganda Revenue Authority (URA) targets, net tax and non-tax revenue (NTR) collections for the first four months of FY2025/26 amounted to Shs. 10,164.3 billion. Of which net tax revenue totalled to Shs. 9,366.7 billion, while NTR was Shs. 797.7 billion, reflecting shortfalls of Shs. 259.4 billion Shs. 194.5 billion, respectively. The underperformance in net tax revenue was mainly driven by shortfalls in international trade taxes and indirect domestic taxes, reflecting ongoing challenges in tax compliance and administration.

The developments in government revenue and expenditure resulted in a net borrowing (fiscal deficit) of Shs. 5,536.5 billion, which was above the planned target by Shs. 1,501.1 billion. This outcome was primarily driven by higher than planned recurrent expenditure over the period.

The provisional total public debt stock stood at Shs 124,126.8 billion at the end of October 2025, marking a 16.7 percent increase from October 2024. By end-October 2025, all domestic debt risk indicators were within the PDMF 2023 medium-term benchmarks except the ratios of domestic debt to private sector credit and domestic debt interest costs to domestic revenue. These breaches could heighten the risk of crowding out the private sector credit. Overall, fiscal policy has continued to support economic growth with investments in the various sectors.

2.4. Domestic economic activity

2.4.1 Economic Growth Developments

Uganda's economy continues to demonstrate resilience despite ongoing global challenges. According to the latest release from the Uganda Bureau of Statistics (UBOS), real GDP grew by 6.3 percent in FY 2024/25, slightly higher than the 6.1 percent recorded in FY 2023/24

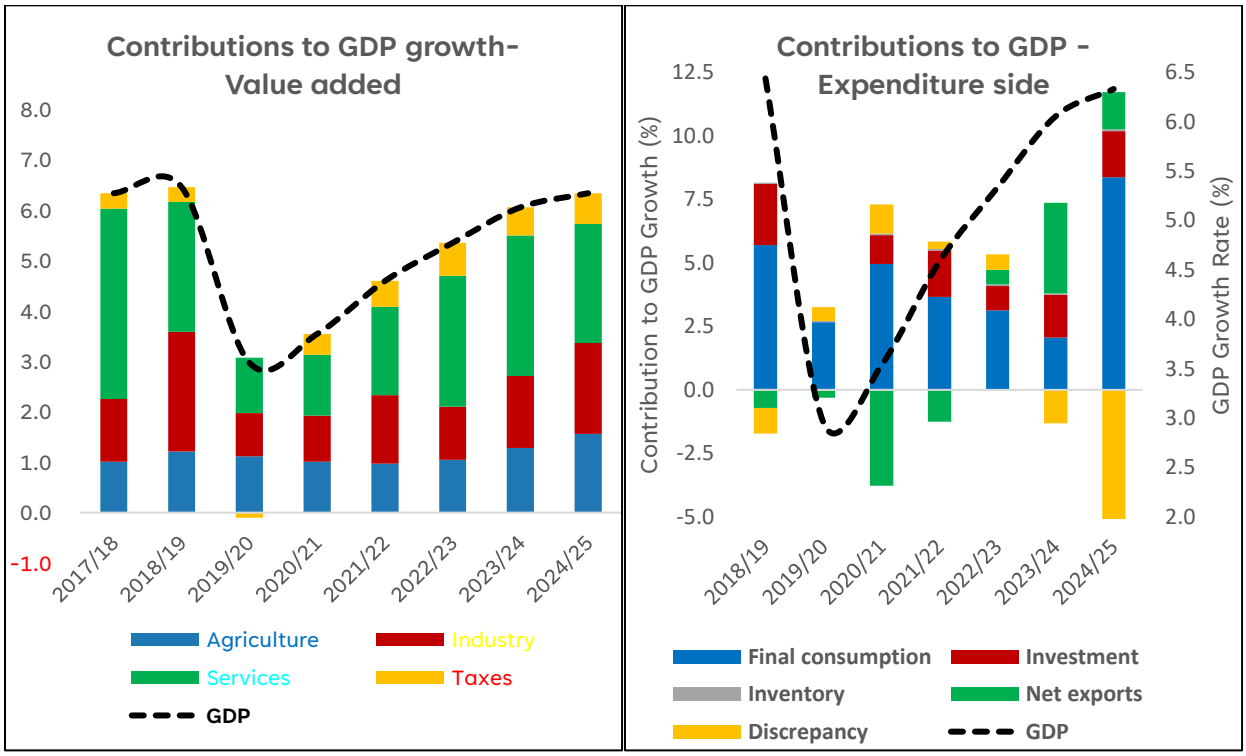
(**Figure 18**). This positive performance was largely driven by significant growth in both the agriculture and industrial sectors.

The agriculture sector expanded by 6.8 percent in FY 2024/25, up from 5.6 percent the previous year, supported by strong growth in the livestock and fishing sub-sectors. Livestock production increased by 8.8 percent, compared to 7.9 percent in FY 2023/24, while the fishing sub-sector recorded a significant recovery, expanding by 18.0 percent following a contraction of 2.2 percent the year before. Similarly, the industrial sector recorded strong growth, expanding by 6.9 percent in FY 2024/25 compared to 5.5 percent in the previous year. This was driven by increased activity in construction (11.2 percent), electricity generation (11.9 percent), manufacturing (5.6 percent), and mining and quarrying (3.4 percent). In contrast, growth in the services sector moderated to 5.4 percent from 6.4 percent in FY2023/24, with a decline in most of the sub-components including trade and repairs that declined to 9% from 9.3%, real estate activities to 4.9% from 7.4% and public administration that also declined to 3.9% from 6.8 percent the previous year.

On the expenditure side, both consumption and investment expanded significantly in FY2024/25, growing by 10.5 percent and 7.2 percent, respectively, compared to 2.5 percent and 6.7 percent in FY2023/24. The rise in consumption was primarily attributed to a 28.9 percent increase in government consumption expenditure, up from 14.9 percent in the previous year, together with an 8.4 percent increase in household consumption, compared to 0.8 percent in the prior year. Investment growth was supported by increased spending on other buildings and transport equipment, which rose by 16.1 percent and 22.3 percent, respectively. Accordingly, consumption and investment contributed 8.4 percent and 1.8 percent to overall economic growth, up from 2.1 percent and 1.7 percent in FY2023/24.

Figure 17: Economic growth strengthened in the FY2024/25(driven by agriculture and industry sectors) due to a stable macroeconomic environment and Government intervention measures.

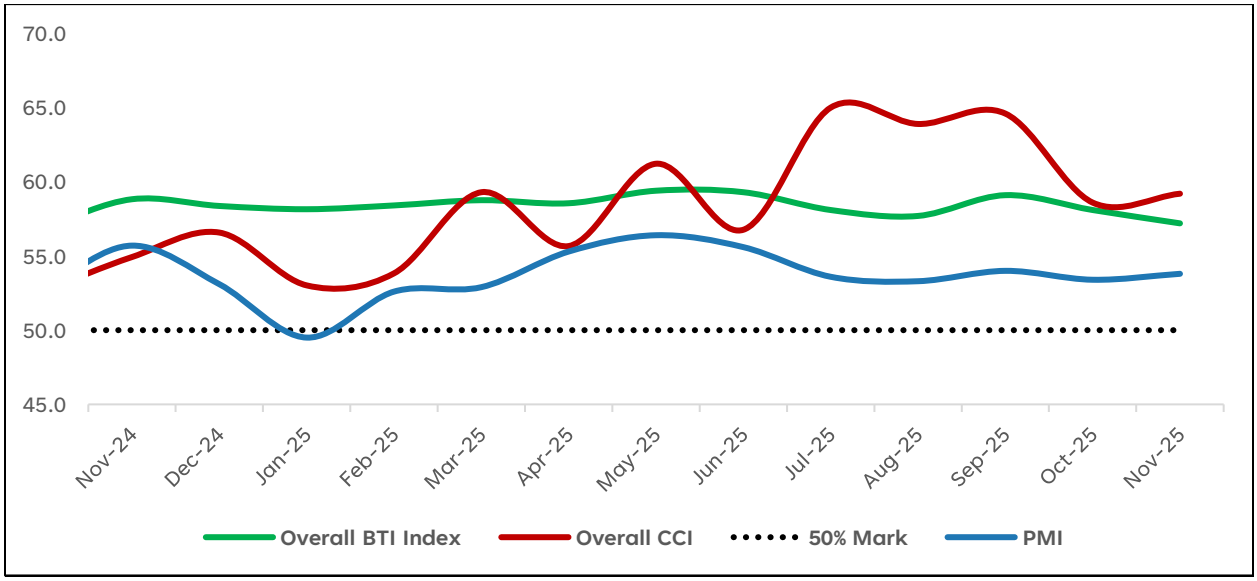
(Year-on-Year growth rates, percent)



Source: Uganda Bureau of Statistics (UBOS)

Private sector activity remained resilient in November 2025, with all three indicators, namely, the Business Tendency Index (BTI), the Purchasing Manager's Index (PMI), and the Consumer Confidence Index (CCI), remaining above the 50-mark threshold (**Figure 19**). Business confidence remained positive despite a slight decline in the BTI, which fell by 0.8 points to 57.2 in November, reflecting weaker sentiment regarding the expected business situation. In contrast, the PMI increased to 53.8 from 53.4 in September, supported by continued growth in business activity. Firms attributed the expansion in output to sustained improvements in demand and rising new orders. Similarly, the CCI rose by 0.7 points to 59.2, reflecting increased optimism about expected financial conditions and savings.

Figure 18: Key Economic Sentiment Indicators Signal Continued Expansion, Sustaining Levels Above the 50-Point Growth Threshold.



Source: Bank of Uganda, Stanbic Bank Uganda PMI

2.4.2 Economic Growth outlook

Economic activity remains broadly positive, with growth projected at 6.5 to 7 percent in FY2025/26 and expected to average 8 percent in the medium term. This growth outlook is supported by the implementation of the 10-fold growth strategy aimed at promoting value addition in the ATMS sectors, increased investment in the extractive industry, ongoing government initiatives such as Emyooga and the Parish Development Model (PDM) that continue to boost agro-processing and agricultural output, sustained improvements in agricultural production supported by favourable weather and ongoing government interventions, and a prudent monetary policy stance that remains supportive of economic growth.

Economic growth over the near-medium term could be constrained by adverse weather conditions that could disrupt food crop production, posing risks to agricultural output and rural livelihoods. Rising geopolitical tensions, particularly among key trading partners, may disrupt trade flows, while related trade tensions could dampen global demand and negatively affect Uganda's export performance. 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. Overall, the balance of risks point to actual domestic growth rate being lower than the projected rates, if the envisaged negative risks materialise.

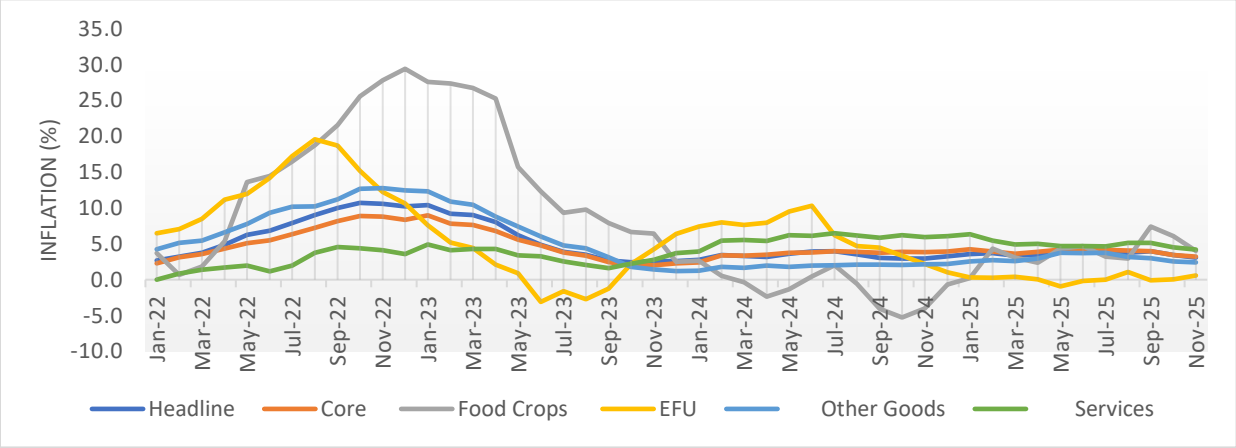
2.5 Domestic Inflation and Outlook

2.5.1 Domestic Inflation

Over the past year to November 2025, annual headline and core inflation have averaged 3.6 percent and 3.9 percent, respectively. This reflects sustained price stability, supported by prudent monetary policy, a stable exchange rate, and favourable food supply conditions.

In November 2025, headline inflation decreased to 3.1 percent from 3.4 percent in October 2025 (**Figure 20**), while core inflation also declined to 3.2 percent from 3.4 percent during the same period. This moderation in core inflation was mainly due to a slowdown in the inflation of services and other goods. Services inflation fell to 4.2 percent from 4.5 percent, reflecting lower prices for air transport, food, and beverage services, while inflation for other goods decreased to 2.4 percent from 2.6 percent. Non-core inflation also declined to 2.5 percent in November from 3.4 percent in October, largely due to a significant drop in food crops inflation, which fell to 4.0 percent from 6.1 percent. Conversely, Energy, Fuel, and Utilities (EFU) inflation rose slightly to 0.6 percent from 0.1 percent, mainly due to firewood and a minor increase in diesel fuel prices.

Figure 19: Inflation remained low and steady in the 12 months to November 2025 backed by a stable Exchange Rate and Prudent monetary policy.
(Annual percentage change)



Source: *UBOS*

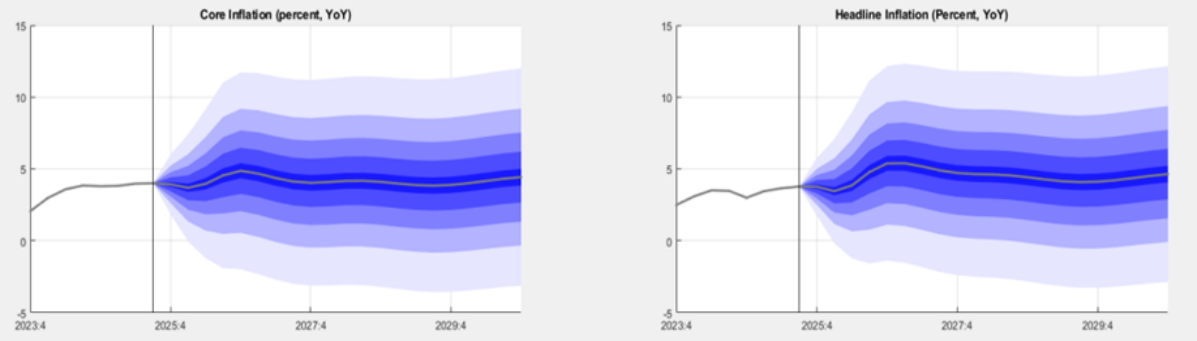
Recent inflation figures suggest that inflation expectations are well-anchored and underlying price pressures are minimal, aligning with the Bank of Uganda's medium-term inflation goal of 5 percent. Therefore, the current monetary policy remains suitable. The Bank will continue to closely observe both domestic and international developments and is prepared to modify the policy as needed to ensure price stability and promote sustainable economic growth.

2.5.2 Inflation Outlook

Compared to the previous forecast round, the inflation outlook has been slightly revised downward, mainly due to the impact of lower global oil prices and a more appreciated exchange rate. As a result, core inflation is now expected to average between 4.0 percent and 4.5 percent **(Figure 21)**, in FY2025/26, before gradually aligning with the Bank of Uganda's (BoU) medium-term target of 5.0 percent.

The accompanying fan chart depicts the uncertainties surrounding this forecast. This chart illustrates a range of potential inflation outcomes. The central path signifies the baseline projection or most likely scenario, while the surrounding shaded bands represent different confidence intervals. Darker shades indicate higher levels of statistical confidence or more probable outcomes, whereas lighter shades suggest lower levels of confidence or less likely outcomes, thus providing a clear visual representation of forecast uncertainty.

Figure 20: Inflation is Projected to Remain Slightly Below 5% in the Near term, Underpinned by Anchored Inflation Expectations, Relatively Stable Global Commodity Prices, and a Stable Exchange Rate, Before Converging to the Target.



Source: *Bank of Uganda*

The inflation outlook reflects a combination of upside and downside risks that are broadly balanced in the near term. Recent inflation outcomes point to contained price pressures, supported by improved external conditions, stable international commodity prices, and favourable domestic food supply conditions, which have helped offset emerging pressures from domestic demand.

On the upside, inflation could face renewed pressure from external and domestic factors. Escalation of geopolitical tensions in the Middle East and Eastern Europe could disrupt global energy and food supply chains, leading to higher international prices and increased import costs. Domestically, adverse weather conditions could negatively affect agricultural output, thereby pushing up food prices. Inflationary pressures could also arise from a depreciation of the shilling, should portfolio inflows weaken or expected oil-related inflows be delayed. In addition, stronger domestic demand particularly associated with heightened public investment and election-related spending could add to core inflation pressures.

On the downside, inflation risks remain tilted towards moderation. The continued strengthening of the shilling, driven by sustained portfolio and foreign direct investment inflows especially those linked to developments in the oil sector has helped dampen imported inflation. Favourable weather conditions have supported agricultural production, contributing to improved food supply and subdued food inflation. Moreover, the easing of global monetary conditions and lower international oil prices have further reduced external price pressures.

Overall, while upside risks warrant close monitoring, the prevailing downside factors have so far dominated, supporting the observed disinflationary trends and reinforcing confidence that inflation will remain consistent with the medium-term target in the near term.

3. CONCLUSION

Uganda's economy continues to exhibit notable resilience amid a complex global environment, underpinned by robust sectoral performance, improving private sector activity, and a supportive policy environment. Real GDP growth accelerated modestly to 6.3 percent in FY2024/25, up from 6.1 percent the previous year, driven by strong performance in both the agriculture and industrial sectors. Agriculture expanded by 6.8 percent, underpinned by robust growth in livestock and fishing, while industry grew by 6.9 percent,

supported by construction, electricity generation, manufacturing, and mining and quarrying. Services growth moderated to 5.4 percent. On the expenditure side, both consumption and investment increased substantially, with government consumption rising 28.9 percent and household consumption 8.4 percent, reflecting rising domestic demand and continued public investment. Private sector indicators, including the Business Tendency Index (BTI), Purchasing Managers' Index (PMI), and Consumer Confidence Index (CCI), continue to signal expansionary momentum and economic confidence, underscoring the durability of underlying economic activity.

Looking ahead, economic activity is projected to grow 6.5-7.0 percent in FY2025/26, and average around 8.0 percent over the medium term, supported by the implementation of the 10-Fold Growth Strategy in the ATMS sectors (Agro-industrialization, Tourism, Minerals including oil and gas, Science and Technology), targeted infrastructure investment, sustained improvements in agricultural output, and prudent monetary policy. Potential risks to this outlook over the near-medium term include adverse weather, geopolitical tensions, global trade disruptions, and potential delays in private sector investment. Continued investment in extractive industries, enhanced agricultural productivity, and ongoing government programs such as the Parish Development Model (PDM) and Emyooga could result in higher than projected growth.

Inflation remains low and well anchored with November 2025 figures showing further moderation to 3.1 percent for headline and 3.2 percent for core, reflecting stable food supplies, prudent monetary policy, and a resilient exchange rate. Core inflation is projected to average 4.0-4.5 percent in FY2025/26, gradually converging to the medium-term target of 5.0 percent, which remains within the BoU's target. While inflation risks are balanced, attention over the near to medium term, must be paid to potential pressures from geopolitical shocks, commodity price volatility, and domestic demand shocks, against offsetting effects from favourable weather, continued exchange rate stability, and global disinflationary pressures.

Accordingly, the MPC maintained the CBR at 9.75 percent throughout 2025, reflecting the need to balance price stability with support for growth. The monetary policy stance is appropriately calibrated considering the current macroeconomic conditions and inflation outlook.

In summary, Uganda's macroeconomic environment remains favourable, supported by strong growth, contained inflation, stable financial markets, and resilient external balances. However, the outlook is subject to both domestic and external risks over the near to medium term, including geopolitical tensions, global commodity price volatility, and climate shocks. The Bank of Uganda remains committed to a flexible, forward looking monetary policy, ensuring price stability, preserving financial sector resilience, and supporting sustained economic growth. Continued vigilance and flexibility in policy implementation will be critical to harness opportunities, mitigate risks, and advance the long-term objectives of the Tenfold Growth Strategy, positioning Uganda for structural transformation and inclusive growth.