ECONOMIC AND FISCAL UPDATE

August 2026

Ministry of Finance, Planning and Economic Development

Foreword

The Ugandan economy has fully recovered from the effects of the Covid pandemic and other economic shocks. In financial year 2025/26, the economy is estimated to have expanded by 6.4 percent. This growth momentum was last recorded in the pre-pandemic period. Going forward, the country is entering a new phase of economic transformation characterized by accelerated economic growth, commencement of oil production, and implementation of the ten-fold growth strategy.

The Charter for Fiscal Responsibility for the period FY 2026/27 - FY 2030/31 provides the fiscal anchor that will guide Government's fiscal policies and budget decisions that to support the achievement of our goal of socioeconomic transformation while maintaining macroeconomic stability and debt sustainability. During the Charter period, Government will be implementing the fourth National Development Plan (NDP IV) alongside the ten-fold growth strategy with the objective of expanding the economy from the current USD 69.34 billion to more than USD 500 billion by 2040. The major focus areas will be agro-industrialization, tourism, mineral development, and science, technology & innovation, supported by investments in key enablers such as infrastructure, security, and human capital development.

Uganda's economic fundamentals remain robust. Inflation remains low and stable despite global uncertainties associated with geopolitical tensions and trade wars. In FY 2025/26, annual headline inflation averaged at 3.3 percent, which is within the policy target of the Central Bank. The Ugandan Shilling is stable owing to steady foreign exchange inflow from exports, foreign direct investments, portfolio investments and remittances. During the financial year, Uganda recorded the highest merchandise exports ever for any fiscal year. The value of merchandise exports during FY 2025/26 totaled USD 15,753.51 million, up from USD 10,761.63 billion recorded for the FY 2024/25.

The financial sector is stable, and financing conditions are starting to ease, making it easier for the private sector to access credit that is necessary for investment and growth. During the just concluded financial year, credit to the private sector soared, with the stock of private sector credit growing by 16 percent to Shs 27,737.93 billion.

With the above core positive macroeconomic fundamentals, the focus of the third Charter for Fiscal Responsibility is to ensure that our fiscal strategies accelerate the rate of economic growth without compromising fiscal and debt sustainability. Government will therefore focus on accelerating domestic revenue mobilization efforts, prudent management and utilization of revenues from petroleum resources, and ensuring effectiveness and efficiency of public expenditure.

Ramathan Ggoobi
PERMANENT SECRETARY/SECRETARY TO TREASURY

Contents

1. Introduction 1
2. Real Sector 2
3. Financial Sector 6
4. External Sector 9
5. Fiscal Performance 12
6. Economic Outlook 16

1. Introduction

1.1 This Economic and Fiscal Update is prepared in accordance with the requirements of Section 4 (1) (b) of the Public Finance Management Act (PFMA) Cap 171. It is submitted along with the third Charter for Fiscal Responsibility for the period FY 2026/27 - FY 2030/31.

1.2 The Update provides background information on the fiscal and economic performance upon which the third Charter has been prepared.

2. Real Sector

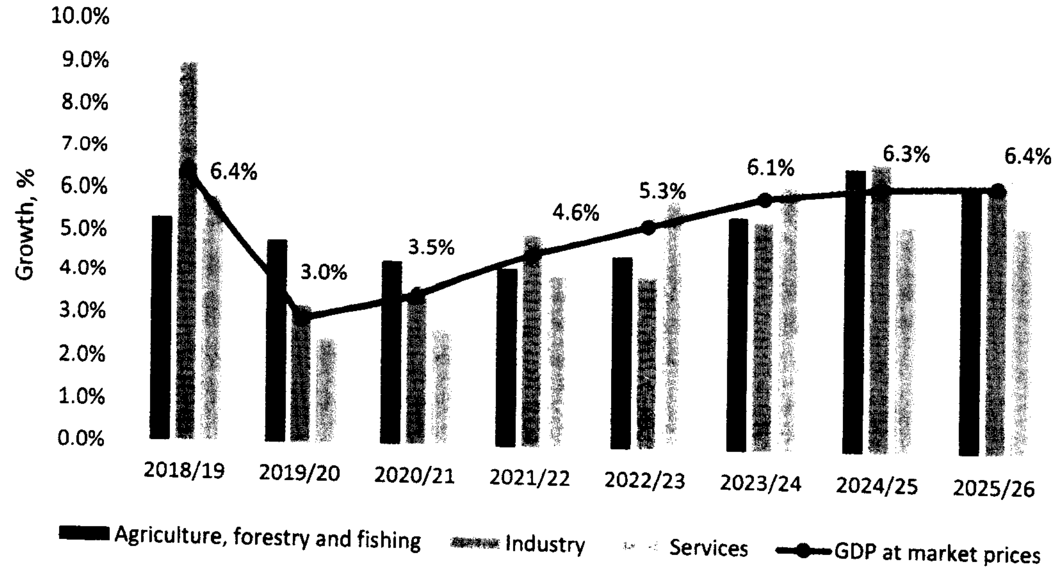
Economic Growth

2.1 Uganda's economy remained resilient in FY 2025/26, registering stronger growth despite heightened global uncertainty and supply-chain disruptions associated with ongoing geopolitical tensions.

2.2 Preliminary estimates from Uganda Bureau of Statistics (UBOS) indicate that the size of the economy increased to Shs 250,447 billion in FY 2025/26, up from Shs 227,875 billion registered in FY 2024/25. Real GDP growth increased to 6.4 percent in FY 2025/26 compared to 6.3 percent the previous year. This was mainly on account of stronger aggregate demand, investment activity and higher exports, reflected in the growth of agriculture, industry and services sectors of the economy.

2.3 All sectors of the economy registered growth in FY 2025/26. The agriculture, forestry, and fishing sector expanded by 6.5 percent, accounting for 26.2 percent of GDP. The industry sector expanded by 6.4 percent, contributing 24.1 percent of GDP, while the services sector grew by 5.5 percent and remained the largest contributor to economic output, accounting for 42.1 percent to total GDP. Taxes on products were equivalent to 7.5 percent.

Figure 1: Real GDP Growth rates



Source: Uganda Bureau of Statistics

2.4 The services sector grew by 5.5 percent from 5.4 percent registered the previous financial year, on account of increased wholesale and retail trade for manufactured goods. Other services like hotel and food, finance & insurance and real estate activities also registered growth due to higher trade flows and increased demand. In addition, Administrative & Support Services and Public Administration also registered growth on account of increased private sector activity and public service delivery.

2.5 The industry sector grew modestly at 6.4 percent in FY 2025/26 from 6.9 percent the previous financial year, supported by strong performance in construction activities and electricity production as well as growth in the manufacturing subsector. Increased private and public construction works contributed to growth in the construction subsector while higher power generation for industrial use boosted electricity sector growth.

2.6 The agriculture, forestry, and fishing sector also registered modest growth of 6.5 percent from 6.8 percent driven by increased production of food crops, cash crops, livestock and fish. This was supported by favorable weather conditions, improved water for irrigation and continued government support through affordable financing, leading to increased production and productivity within the sector.

Annual Inflation

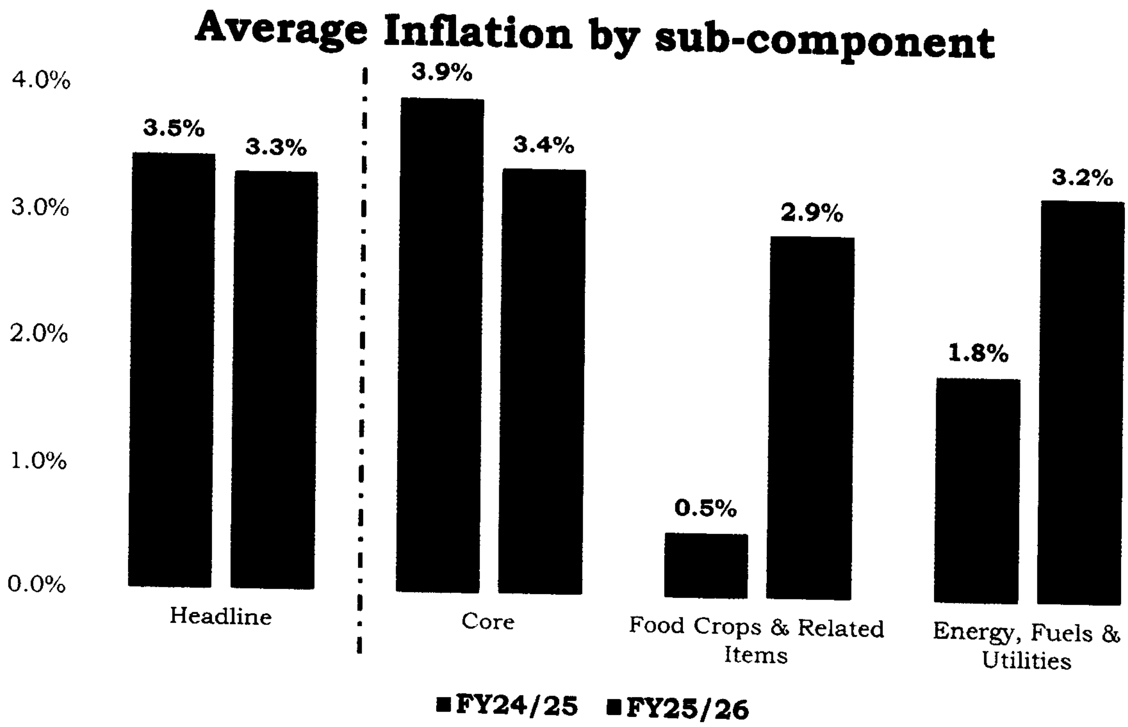
2.7 Annual headline inflation remained subdued and below the Central Bank's 5.0 percent target, averaging 3.3 percent in FY2025/26 down from 3.5 percent in FY2024/25. This slight moderation was supported by the decline in core inflation from 3.9 percent to 3.4 percent over this period. The low and stable inflation reflected the effectiveness of prudent monetary and fiscal policies in containing domestic price pressures, even as global energy prices remained elevated amid escalated geopolitical tensions from the Middle East.

2.8 On the other hand, annual food crops and related items inflation increased from an average of 0.5 percent in FY2024/25 to 2.9 percent in FY2025/26, partly driven by increased transportation costs which have a feed-through effect on final prices for commodities.

2.9 Similarly, annual energy fuels and utilities inflation also increased, rising from 1.8 percent to 3.2 percent over this period. This reflected higher costs associated with liquid fuels particularly petrol and diesel , which were influenced by movements in international oil prices during the financial year.

2.10 Rising global fuel prices during the fiscal year exerted pressure on mainly the cost of transportation and production, thus causing price increases for other goods. The figure below shows a breakdown of average inflation by sub-component over the two years under review.

Figure 2: Average Inflation by sub-components



Source: Uganda Bureau of Statistics

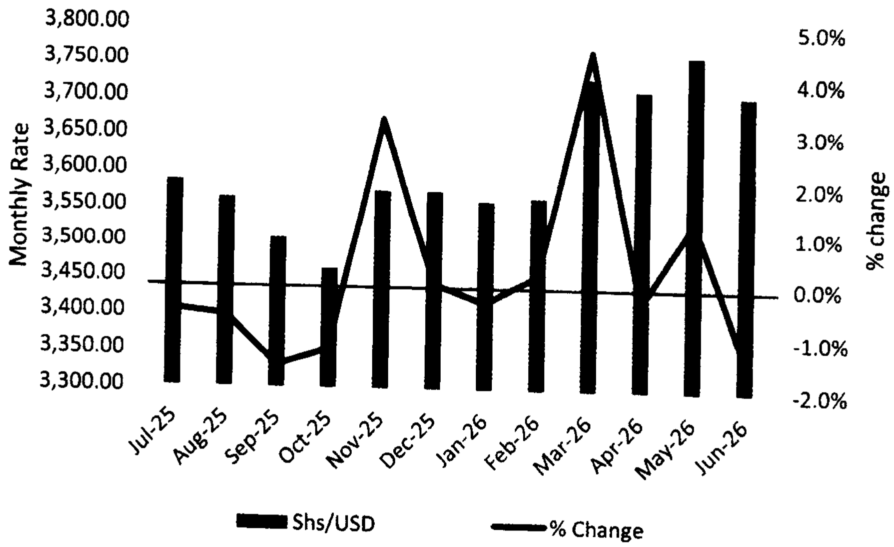
3. Financial Sector

Exchange Rate

3.1 In the foreign exchange market, the shilling strengthened against major trading currencies for most of financial year 2025/26. The shilling traded at an average midrate of Shs 3,610.40 per US Dollar in FY 2025/26 which translates to a 1.8 percent appreciation when compared to the average midrate of Shs 3,676.24 per US Dollar in FY 2024/25. Similarly, the Shilling appreciated by 5.0 percent against the Euro and 1.8 percent against the British Pound, between the two financial years.

3.2 The strengthening of the Shilling was largely supported by strong foreign exchange inflows from commodity exporters, remittances as well as portfolio and foreign direct investments, which more than offset demand from importers and corporate entities.

Figure 3: Exchange Rate against the US Dollar[1]



Source: Bank of Uganda

[1] A negative monthly change implies an appreciation of the shilling while a positive change implies depreciation.

Interest Rates

3.3 The weighted average lending rate on Shilling-denominated credit increased marginally to an average of 18.49 percent in FY 2025/26 from 18.16 percent in FY 2024/25. The increase reflected the relatively slow adjustment of lending rates to improving conditions in the financial markets. However, lending rates registered significant declines towards the end of the financial year, supported by lower funding costs and improvements in asset quality, as reflected in the decline in non-performing loans.

3.4 On the other hand, the weighted average lending rate on foreign currency-denominated credit declined from an average of 8.59 percent in FY 2024/25 to 7.6 percent in FY 2025/26. The decline reflected easing lending conditions and improvements in asset quality, despite a modest increase in foreign currency deposit rates. Consequently, the spread between foreign currency lending and time deposit rates narrowed, supporting stronger growth in foreign currency-denominated credit.

Private Sector Credit

3.5 The stock of outstanding private sector credit expanded by 16.0 percent during the financial year to Shs 27,737.93 billion at the end of FY 2025/26 from Shs 23,901.94 billion at the end of FY 2024/25. The growth in private sector credit was supported by improved economic activity, declining non-performing loans, low inflation and relative exchange-rate stability. These conditions strengthened banks' capacity and willingness to extend credit while supporting demand for credit by the private sector.

3.6 On a sectoral basis, personal and household loans accounted for the largest share of private sector credit at 25.4 percent of total credit. This was followed by building, mortgage, construction and real estate activities at 17.5 percent; trade at 14.4 percent; manufacturing at 12.6 percent; and agriculture at 11.4 percent. The distribution of credit continued to reflect strong demand for financing by households and key productive sectors of the economy.

4. External Sector

Overview

4.1 Despite the global supply chain disruptions and elevated freight costs which arose from higher international oil price increases during FY2025/26, the economy recorded an overall improvement in trade with the rest of the world. This was supported by a stable macroeconomic environment characterized by stable inflation, resilient aggregate demand and a relatively stable shilling particularly in the first half of the financial year. Additionally, favorable international commodity prices particularly for gold and coffee supported this growth.

4.2 Uganda's merchandise trade deficit narrowed by 16.4 percent to USD 2,059.54 million in FY2025/26 compared to USD 2,464.37 million in the previous financial year. This was mainly attributed to strong growth in export receipts, particularly from gold, which outpaced growth in the import bill over the two periods. Table 1 summarizes the trends in exports, imports and trade balance over the past five financial years

Table 1: Exports, Imports and Trade Balance (Million US$)

	FY2021/22	FY2022/23	FY2023/24	FY2024/25	FY2025/26
Total Exports	3,836.58	5,396.23	7,818.86	10,761.63	15,753.51
Total Imports (fob)	7,136.70	8,505.44	10,822.40	13,225.99	17,813.05
Trade Balance	- 3,300.12	- 3,109.21	- 3,003.54	- 2,464.37	- 2,059.54

Source: Bank of Uganda

Merchandise Exports

4.3 Merchandise export earnings grew by 46.4 percent, rising from USD 10,761.63 million in FY2024/25 to USD 15,753.51 million in FY2025/26. This growth was primarily driven the substantial increase in gold export earnings, which accounted for more than half of Uganda's total merchandise receipts during the financial year. This growth was also supported by continued resilience in traditional exports such as coffee and tea alongside improved earnings from several non-traditional exports.

4.4 Gold export earnings over this period grew by 111.5 percent from USD 4,210.93 million in FY2024/25 to USD 8,907.70 million in FY2025/26. This was on account of higher export volumes and favorable global prices, as investors continue to view gold as a safe-haven asset amid increased global economic uncertainty and geopolitical tensions.

4.5 Coffee export earnings marginally declined by 0.5 percent to USD 2,199.89 million in FY2025/26, compared to USD 2,210.85 million in FY2024/25. This decline was mainly on account of lower international coffee prices following increased production from major coffee producing countries like Brazil and Vietnam which expanded global supply and exerted downward pressure on prices. Despite the decline in the value received, coffee export volumes increased by 8.3 percent, rising to 8,395,441.83 from 7,753,058.00 60-kg bags over the same period.

4.6 Other non-gold non-coffee exports (including Informal Cross-Border Trade Exports, (ICBT)) also grew by 7.1 percent owing to increased earnings from commodities such as cotton, tobacco, hides & skins, beans among others. The table below shows a breakdown of export receipts between the two years.

Table 2: Comparison of Exports in FY 2024/25 & FY 2025/26 (Million USD)

	FY 2024/25	FY 2025/26	Deviation	Performance
TOTAL EXPORTS	**10,761.63**	**15,753.51**	**4,991.89**	**46.4%**
Coffee (Value)	2,210.85	2,199.89	- 10.96	-0.5%
Volume ('000,000 60-Kg bags)	*7.75*	*8.39*	*0.64*	*8.3%*
Gold	4,210.93	8,907.70	4,696.77	111.5%
Non-Coffee & Non-Gold	3,651.77	3,728.61	76.84	2.1%
ICBT Exports	688.07	917.31	229.24	33.3%

Merchandise imports

4.7 The import bill grew by 34.7 percent from USD 13,225.99 million FY2024/25 to USD 17,813.05 in FY2025/26. This increase reflected growth in both the value and volume of imports, supported by stronger domestic demand and investment activity over this period.

4.8 The increase in imports was mainly observed under the formal private sector imports category, particularly for goods that fell under mineral products (excluding petroleum products), machinery equipment and vehicles, textiles, chemicals among others.

5. Fiscal Performance

Fiscal Performance Over the Charter Period

5.1 The fiscal deficit declined in the first three financial years of implementing the second Charter for Fiscal Responsibility, albeit remaining above the Charter ceiling. The deficit declined from 7.4 percent of GDP in FY 2021/22 to 4.7 percent in FY 2023/24.

5.2 However, the fiscal deficit expanded in the subsequent two financial years, reaching 6.0 percent of GDP in FY 2025/26. This was driven by revenue shortfalls caused by tax administration challenges and external economic shocks.

5.3 In addition, there were some critical expenditures which included among others the mass national ID renewal, security related expenses, Africa Cup of Nations (AFCON) preparations, strategic investments in the Science Technology and Innovations (STIs), and investments required for first oil production, etc. that increased public expenditure beyond earlier projections. Table 3 shows a summary of fiscal operations during the period of implemetation of the first Charter for Fiscal Responsibility.

Table 3: Summary of Fiscal Operations (%GDP) FY2020/21 - FY2025/26

	2020/21	2021/22	2022/23	2023/24	2024/25	2025/26
Total revenue and grants	**14.7%**	**14.1%**	**14.5%**	**14.1%**	**14.7%**	**15.2%**
Revenue	13.4%	13.4%	14.0%	13.6%	14.1%	14.8%
Tax revenue	12.4%	12.5%	13.0%	12.6%	13.0%	13.6%
Non-tax revenu	0.9%	0.9%	1.0%	1.0%	1.0%	1.2%
Oil revenues	0.1%	0.0%	0.0%	0.0%	0.1%	0.0%
Grants	1.3%	0.7%	0.6%	0.5%	0.6%	0.4%
Budget support	0.4%	0.1%	0.0%	0.0%	0.1%	0.0%
Project grants	0.9%	0.6%	0.5%	0.5%	0.5%	0.4%
Expenditures and net lending	**23.7%**	**21.5%**	**20.0%**	**18.8%**	**20.7%**	**21.1%**
Current expenditures	12.6%	13.1%	13.7%	13.2%	15.2%	15.5%
Development expenditures	10.2%	7.9%	5.8%	5.4%	5.2%	5.2%
Net lending and investment	0.4%	0.2%	0.1%	0.1%	0.2%	0.0%
Other spending	0.5%	0.4%	0.4%	0.1%	0.1%	0.4%
Overall balance	**-9.0%**	**-7.4%**	**-5.5%**	**-4.7%**	**-6.0%**	**-6.0%**
Financing	9.0%	7.4%	5.5%	4.7%	6.0%	6.0%
External financing (net)	4.0%	3.0%	2.1%	0.5%	0.5%	1.4%
Domestic financing (net)	4.5%	3.4%	3.4%	4.2%	5.4%	4.8%
Errors and omissions	0.4%	1.0%	0.0%	0.0%	0.1%	-0.3%

Source: Ministry of Finance, Planning and Economic Development

Fiscal Performance FY 2025/26

5.4 Government operations in FY2025/26 - the last year of implementing the second Charter, resulted in an overall fiscal deficit estimate of Shs 14,877.93 billion (equivalent to 6.0 percent of GDP) against a planned deficit of Shs 16,567.33 billion (6.5 % of GDP). The lower deficit was mainly due to lower than budgted expenditure especially on externally financed development projects that more than offset shortfalls in revenues and grants. Table 4 shows a summary of fiscal operations for the FY2025/26.

Table 4: Fiscal Operations for FY 2025/26

FY 2025/26 Billion Shs	Budget	Outturn	Performance	Deviation	%age of GDP
Total revenue and grants	**39,973.85**	**37,985.40**	**95.0%**	**- 1,988.45**	**15.2%**
Domestic Revenue	37,227.24	36,458.41	97.9%	- 768.83	14.6%
Tax revenue	33,943.08	34,049.87	100.3%	106.79	13.6%
Non-tax revenue	3,284.16	2,408.54	73.3%	- 875.62	1.0%
Other Revenue (Transfers)	-	532.60		532.60	0.2%
Grants	2,746.61	994.39	36.2%	- 1,752.22	0.4%
Budget support	27.10	53.56	197.7%	26.46	0.0%
Project grants	2,719.52	940.84	34.6%	- 1,778.68	0.4%
Expenditures and net lending	**56,541.19**	**52,863.33**	**93.5%**	**- 3,677.85**	**21.1%**
Recurrent expenditures	**36,901.71**	**38,936.71**	**105.5%**	**2,035.01**	**15.5%**
Wages and salaries	8,567.97	8,621.05	100.6%	53.07	3.4%
Non-wage	17,001.00	19,579.76	115.2%	2,578.76	7.8%
Interest payments	11,332.73	10,735.91	94.7%	- 596.82	4.3%
o/w: domestic	9,478.71	9,368.22	98.8%	- 110.48	3.7%
o/w: foreign	1,854.03	1,367.69	73.8%	- 486.34	0.5%
Development expenditures	**18,238.70**	**12,930.74**	**70.9%**	**- 5,307.96**	**5.2%**
External	11,327.07	3,688.06	32.6%	- 7,639.01	1.5%
Domestic	6,911.63	9,242.68	133.7%	2,331.05	3.7%
Net lending and investment	**-**	**-**	**0.0%**	**-**	**0.0%**
O/w HPP	-	-	0.0%	-	0.0%
Arrears Payments	**1,400.78**	**995.88**	**71.1%**	**- 404.90**	**0.4%**
Overall balance	**(16,567.33)**	**(14,877.93)**	**89.8%**	**1,689.40**	**-5.9%**
Excluding grants	**(19,313.95)**	**(15,872.33)**	**82.2%**	**3,441.62**	**-6.3%**
Financing	**16,567.33**	**14,877.93**	**89.8%**	**- 1,689.40**	**5.9%**
External financing (net)	5,678.99	3,600.27	63.4%	- 2,078.72	1.4%
Domestic financing (net)	10,888.35	12,128.33	111.4%	1,239.98	4.8%
Errors and Ommissions	**-**	**(850.66)**			**-0.3%**

Source: Ministry of Finance, Planning and Economic Development

Revenue

Domestic revenue for FY2025/26 was projected to amount to Shs 37,227.24 billion in the appropriated budget. However, during the financial year, Shs 36,458.41 billion was collected implying a shortfall of Shs 768.83 billion.

5.7 The whole shortfall was under non-tax revenue which was short of its target for the financial year by Shs 875.62 billion, offsetting the overage of Shs 106.79 billion registered under tax revenue.

Expenditure

5.8 Government expenditure (excluding domestic debt refinancing and external debt amortization) amounted to Shs 52,863.33 billion, which was short of the annual budget by Shs 3,677.85 billion (6.5 percent). This underperformance was wholly on account of externally financed development spending which was below the amount budgeted for the financial year.

5.9 The underperformance of externaly financed development projects overshadowed the higher than budgeted expenditure on recurrent items as well as domestically financed development projects which were 5.5 percent and 33.7 percent above their approved budgets, requiring supplementary budgets during the financial year.

Overall Fiscal Deficit and Financing

5.10 The overall deficit for FY 2025/26 was Shs 14,877.93 billion which was financed through borrowing from both the domestic financial market and external Development Partners.

6. Economic Outlook

Economic Growth

7.1 Uganda's non-oil GDP is projected to grow by 6.8 percent in FY 2026/27 and further accelerate to 7.8 percent in FY 2027/28, reflecting a strong medium-term growth outlook underpinned by sound macroeconomic management, continued productivity improvements, and stable global growth.

7.2 Over the medium to long term, economic growth is expected to remain strong and resilient, supported by increased agro-industrial production, oil production, sustained infrastructure investment, export growth, and continued private sector expansion. Real GDP growth, including oil production, is projected to reach 8-9 percent by FY 2028/29, before moderating to an average of 6-7 percent over the medium to long term as the economy transitions to a more sustainable growth path.

7.3 Growth will be driven by continued expansion in manufacturing, construction, food and cash crop production, oil production, and the services sector. These sectors will be supported by the continued implementation of Government programmes, including the Parish Development Model (PDM), affordable financing through Uganda Development Bank (UDB), Emyooga, and other initiatives aimed at increasing productivity and supporting private sector development. Growth will also be supported by the continued expansion of tourism, regional trade and exports, as well as the maintenance of macroeconomic stability. In addition, Government's investment in implementing the ten-fold growth strategy, focusing on raising productivity across key sectors of the economy, is expected to further strengthen growth over the medium to long term.

7.4 The outlook remains subject to downside risks, including unpredictable weather patterns, rising geopolitical tensions, and volatility in global commodity prices. Government is aware of these risks and will continue to implement measures to strengthen economic resilience and support private sector-led growth. These measures include providing affordable financing, ensuring a sustained supply of key commodities, and investing in climate adaptation interventions such as early warning systems, water for production, improved seed varieties, and agricultural extension services, among others.

Fiscal Operations

7.5 The next five years under the second Charter for Fiscal Responsibility will focus on increasing efficiency and effectiveness in public spending to deliver the aspirations in the ten-fold growth strategy. Fiscal policies will aim at creating the fiscal space required for strategic public investments and private sector led growth.

7.6 It will be characterised by reduced dependence on the expensive commercial borrowing, prioritisation of high impact growth sectors during budgeting, prudent utilisation of the incoming petroleum revenues, and pursuit of revenue-led fiscal consolidation.

Table 5: Medium Term Fiscal Framework

(Billion Shs)	Projection 2026/27	Projection 2027/28	Projection 2028/29	Projection 2029/30	Projection 2030/31
Total revenue and grants	47,011	52,404	59,829	68,074	78,006
Revenue (Excl. Oil)	44,180	51,068	58,681	67,091	77,152
Tax revenue	40,161	46,508	53,565	61,590	70,963
Non-tax revenue	4,020	4,560	5,116	5,501	6,189
Grants	2,830	1,336	1,148	983	854
Expenditures	65,355	70,943	74,817	79,761	84,674
Current expenditures	42,985	46,531	49,527	53,511	57,065
Development expenditures	22,053	24,212	25,012	26,050	27,410
Other spending	317	200	278	200	200
Overall balance	**-18,345**	**-18,539**	**-14,988**	**-11,687**	**-6,669**
Financing	18,345	18,539	14,988	11,687	6,669
External financing (net)	5,475	7,285	5,092	4,758	4,529
Domestic financing (net)	12,870	11,254	9,896	6,930	2,139

Source: Ministry of Finance, Planning and Economic Development