FY 2025/26 Q1 Economic Outlook – Uganda

November 2025

Macro-economic developments

Uganda's economy continued to show resilience in the first quarter of FY 2025/26 (July–September 2025). We set out the key highlights below.

According to the Uganda Bureau of Statistics' (UBOS) latest data, Uganda's economy grew by 5.5% year on year in the fourth quarter of 2024/2025. This was a significant decrease from the 8.6% growth recorded in the third quarter of 2024/2025. The decrease was attributed to the decline in the level of activity across all three primary economic sectors, i.e. agriculture, industry, and services.

Despite this setback, the economy still grew by 6.3% in FY2024/2025, up from 6.1% the previous year, and is expected to grow by 7% in FY2025/2026, according to the Bank of Uganda. This projected growth will be driven by prioritisation of the four key sectors—agro-industrialisation, tourism development, mineral-based industrialization, and science, technology, and innovation—collectively referred to as ATMS

Overall, the country's macro-economic indicators have remained positive. Inflation has consistently remained below Bank of Uganda's target reflecting a tight monetary policy stance. In FY2024/2025, headline inflation stood at 3.5%, remaining below the medium-term target of 5%, which translated into lower food prices[1]. Other contributors to the relatively low food prices include suitable weather conditions, easing of the global energy prices and a strong Ugandan shilling.

The Ugandan shilling has continued to appreciate against the dollar recording an average mid-rate of UGX 3,573.9/USD in August 2025, compared to UGX 3,723.6/USD recorded in August 2024[2]. The continued strengthening of the shilling has been attributed to higher export earnings, remittance inflows (which totaled $1.6bn in FY2024/2025, according to Bank of Uganda) and inflows from foreign direct investments mainly in the oil and gas sector.

According to the World Bank, Uganda's public debt-to-GDP ratio stood at 52.7% at the end of FY2024/25, reflecting an increase of 2.5% from the previous fiscal year. The ratio is expected to rise further in FY2025/26 before declining to 51% in FY2026/27. This upward trend is primarily driven by Government's fiscal deficit, being the shortfall between total revenue and total expenditure.

[1]Uganda Economic Update – The World Bank

[2]Performance of the Economy (August 2025) – Ministry of Finance, Planning and Economic Development

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Rising budgetary pressures have prompted a shift towards increased domestic borrowing, which has led to higher yields across government securities. As a result, the cost of borrowing for the private sector has remained elevated, averaging 18.2% across major sectors in August 2025.

Government maintains that Uganda's public debt remains sustainable, with a moderate risk of debt distress. This outlook is underpinned by ongoing fiscal consolidation efforts and expectations of robust economic growth. However, Government's growing dependence on costly commercial bank loans, driven by a decline in external concessional financing, has increased pressure on the national budget through higher debt servicing costs and shortened average debt maturities associated with commercial borrowing.

Additionally, given the rising cases of debt defaults among African countries, close attention must be paid to the country's debt sustainability.

Fiscal performance and policy

The national budget for FY2025/2026 is UGX 72.3 trillion, which is a 0.29% increase from FY2024/2025. The budget will be financed by a mixture of debt, grants, and domestic revenue collections. Domestic revenue collections are expected to finance 51.5% of the budget, which will require a 16% increase in collections from FY2024/2025.

To achieve this, emphasis has been placed on the effective implementation of the Domestic Revenue Mobilisation Strategy (DRMS) involving the continued implementation of the Electronic Fiscal Receipting and Invoicing Solution (EFRIS) and digital tax stamps, rationalisation of tax exemptions and combatting smuggling, among others.

In FY2024/2025, the Uganda Revenue Authority (URA) surpassed its revenue target of UGX 31.37 trillion when it collected UGX 31.63 trillion. This achievement was attributed to stronger enforcement measures by the URA, a stronger economy and increased taxpayer compliance. Looking down memory lane, revenue collections by the URA have grown by 118% over a 7-year period, rising from UGX 14.5 trillion in FY2017/2018.

Despite the year-on-year growth in domestic revenue collections, Uganda's tax revenue to GDP ratio has remained low, standing at 14% in FY24/25, according to the World Bank. This remains below the DRMS target of 15%, which is crucial for sustainable growth[3]. To enhance domestic revenue mobilisation and reduce the fiscal deficit, the World Bank has recommended a series of reforms.

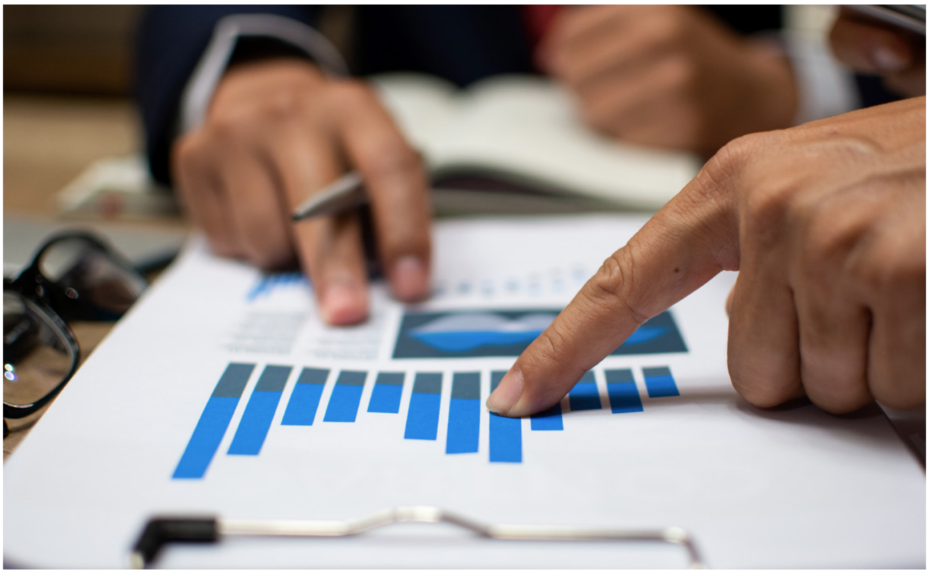
These include revising the personal income tax (PIT) framework to increase the tax burden on higher-income earners, removing income tax exemptions for Members of Parliament, judicial officers, and military personnel, and strengthening the taxation of high-net-worth individuals.

Additionally, the proposals call for a rationalisation of corporate income tax exemptions and improvements in the efficiency of Government spending. It remains to be seen whether these recommendations will be reflected in the 2026 tax amendments.

Efforts to expand fiscal space must go beyond revenue mobilisation to include improvements in the efficiency of public expenditure[4]. Election years have historically seen increased budgetary inefficiencies. For instance in FY2020/21, five supplementary budgets were issued, allocating UGX 1.43 trillion to the State House and Ministry of Defence. Such trends highlight the urgent need for stronger budgetary discipline and more strategic allocation of resources.

[3]Uganda Economic Update – The World Bank

[4]Uganda Economic Update – The World Bank



To improve spending efficiency, Government can adopt several measures including strengthening public financial management systems, enhancing transparency and accountability and implementing performance-based budgeting.

Reducing reliance on supplementary budgets, reforming public procurement processes, and leveraging digital tools for service delivery and financial reporting may also help minimise waste and ensure better value for money. These reforms are essential for creating sustainable fiscal space to support Uganda's development priorities.

In July 2025, Government of Uganda released UGX 17.18 trillion for the first quarter of FY2025/26, representing 23.7% of the approved annual budget. Nearly half of this amount, 49%, was allocated to debt servicing, majority of which was allocated to debt refinancing and interest repayments, reflecting the growing pressure of public debt on fiscal resources.

Key sectors such as infrastructure, human capital development, and security received 6%, 8%, and 7% respectively, accounting for a combined 22% of the released funds. In comparison, the four priority growth sectors under the National Development Plan IV ("NDP IV") - ATMS - received a modest combined allocation of just 2%, representing a significant shortfall compared to the 7% target under NDP IV.

This allocation pattern reflects the fiscal constraints Government is facing, where debt obligations comprising interest repayments and debt refinancing continue to crowd out spending on productive sectors.

Limited investment in ATMS and other growth drivers may hinder progress toward long-term economic transformation. Addressing this challenge requires more strategic budget prioritisation, improved debt management, and enhanced efficiency in public spending to ensure that limited resources are directed toward sectors with the highest potential for inclusive growth and job creation.

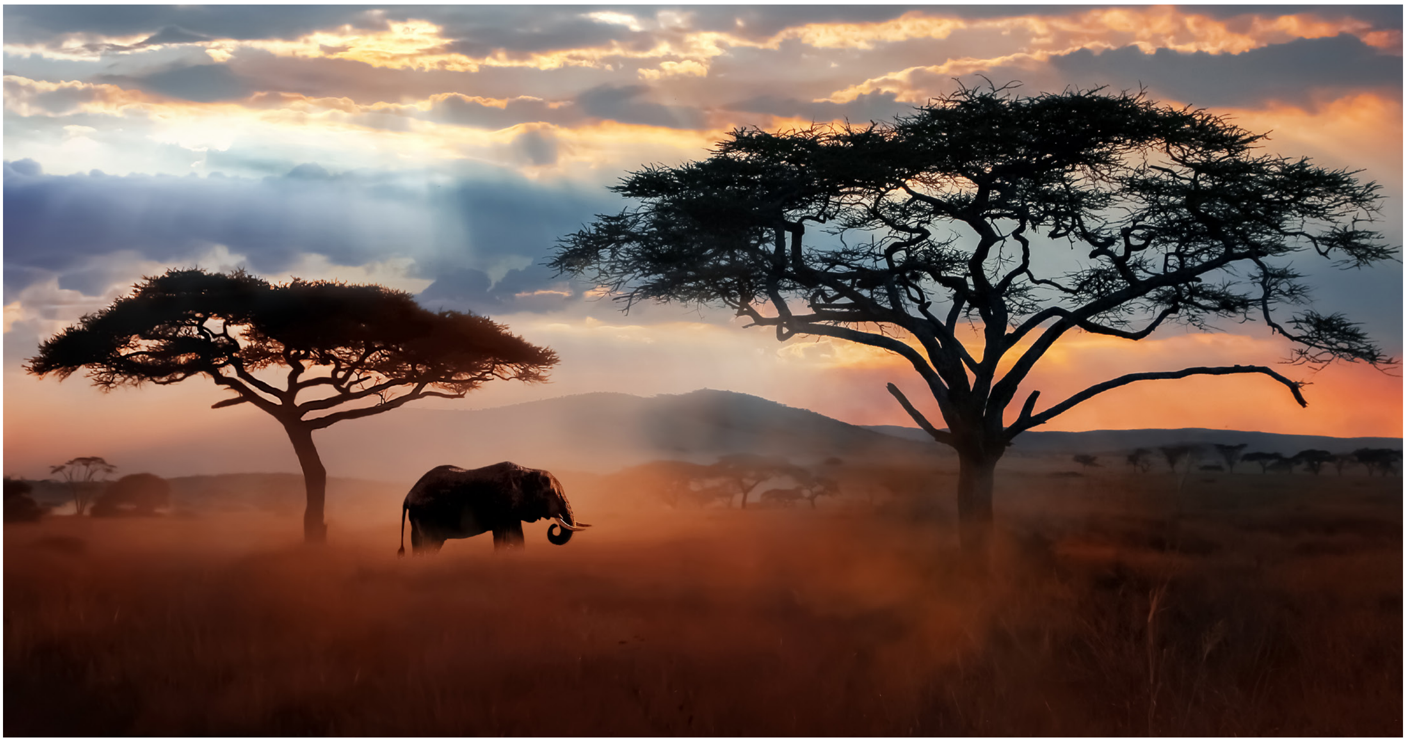
Sector highlights

Under the NDP IV, Government of Uganda has set an ambitious target to expand the economy tenfoldfrom the current GDP of USD 61.3 billion to USD 500 billion by 2040. Achieving this goal will require sustained double-digit growth, with the economy doubling every five years. This is a formidable undertaking that demands unwavering commitment and collaboration between Government and the private sector.

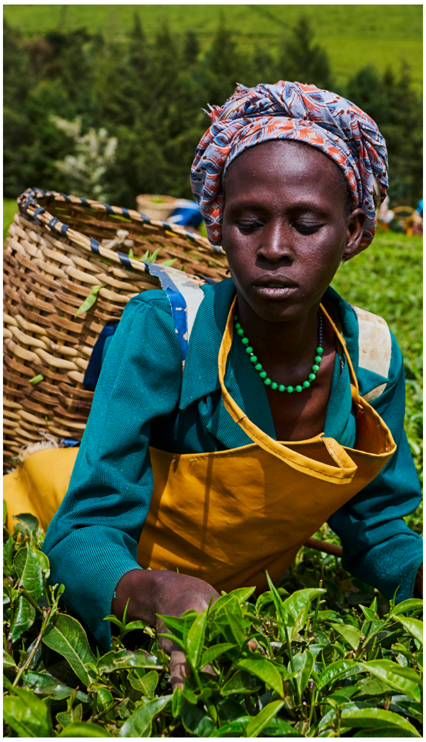
To unlock Uganda's growth potential and accelerate economic transformation, substantial investments will be needed in critical areas such as human capital development and infrastructure. These foundational sectors are essential for creating an enabling environment for productivity and innovation.

To drive this strategy, as mentioned earlier, Government has identified four high-impact growth areas collectively referred to as ATMS: Agro-industrialisation, Tourism Development, Mineral-based Industrial Development, and Science, Technology & Innovation.

We summarise Government's proposed growth strategy for each of these sectors, examine prevailing bottlenecks and risks, and present recommended actions to address these challenges and support the achievement of the tenfold growth target.



Agro-industrialisation



Agriculture remains a vital pillar of Uganda's economy, employing approximately 72% of the labour force and contributing 24% to GDP. Recent global price increases for key cash crops have significantly boosted export earnings, with coffee generating USD 2.2 billion which is double the previous year's figure, and cocoa exports rising from USD 263 million to USD 620 million. Growth in fish, livestock, and dairy production has further strengthened the sector, supported by favourable weather, fertile land, and targeted Government initiatives.

Despite these gains, the sector continues to face deep-rooted structural challenges. Agriculture remains largely subsistence-based, dominated by rural smallholder farmers with limited access to modern farming techniques, inputs, and financing.

The lack of commercialisation leads to inefficient land use and heightened vulnerability to climate change and pests. Additionally, poor post-harvest handling, inadequate storage, and weak packaging capabilities hinder the sector's ability to meet international export standards, particularly in high-value markets.

To fully unlock the sector's potential, priority should be placed on increasing the value of export products and broadening access to international markets. For example, coffee exports, despite rising in volume, continue to earn less per kilogram compared to Kenya and Rwanda. To resolve such issues, Government has proposed investment of UGX 32 trillion in agro-industrialisation over five years[5].

This programme aims to enhance value addition, improve post-harvest handling, eliminate counterfeit agro-inputs, and boost competitiveness in domestic and international markets. If effectively implemented, it is expected to create over 60,000 jobs annually and significantly contribute to Uganda's broader goal of expanding the economy to USD 500 billion by 2040.

Success will depend on coordinated efforts across Government, private sector, and development partners, with a focus on innovation, infrastructure, and inclusive financing.

However, funding remains below the Comprehensive Africa Agriculture Development Programme (CAADP)'s 10% benchmark. In addition, challenges such as weak extension services, climate risks and institutional gaps could hinder progress. Scaling up budget allocations, promoting climate-smart agriculture and incentivising private sector participation will be critical to achieving inclusive growth and export competitiveness.

[5]National Development Plan IV

Tourism

UGX
13 trillion
has been allocated by the Government of Uganda for major infrastructure projects, including the construction of Hoima City Stadium, upgrades to Mandela National Stadium, and the development of Aki Bua Stadium in Lira City

The successful hosting of the TotalEnergies African Nations Championship (CHAN) in August 2025 positioned Uganda as a leading destination for major sporting events on the continent.

Co-hosted with Kenya and Tanzania, the tournament attracted thousands of fans, scouts, and organisers from across the globe, setting the stage for the upcoming Africa Cup of Nations (AFCON) in 2027.

In preparation, Government of Uganda allocated over UGX 13 trillion for key infrastructure projects, including the construction of Hoima City Stadium, upgrades to Mandela National Stadium, and development of the Aki Bua Stadium in Lira City.

These investments are expected to enhance Uganda's tourism profile and stimulate economic activity. However, historical evidence from countries that have hosted major sporting events raises persistent questions about the actual value derived compared to the substantial investments required.

Studies indicate that such events often fall short of delivering the anticipated economic benefits, while imposing significant short-term costs and, in many cases, driving host nations deeper into financial debt.Uganda's tourism potential lies mainly in its diverse and unique biodiversity. The country is home to half of the world's population of mountain gorillas and hosts over 1,000 bird species, making it a top destination for eco-tourism.

In spite of that, the industry is still plagued by several challenges such as poor infrastructure, regional competition from neighboring East African countries, lack of skilled personnel, underfunding, limited marketing and human-wildlife conflicts which have curtailed its potential.

For long, key sector players have advocated for increased Government allocations to the Uganda Tourism Board (UTB) to enable strategic international branding and marketing of the country. Despite these challenges, the country's international tourism receipts have continued to rise since the Covid pandemic, rising from UGX 2.57 trillion in 2022 to UGX 5.6 trillion in 2025[6].

Government plans to increase international tourism receipts to UGX 38 trillion by FY2029/2030 and expects to achieve this by promoting inbound and domestic tourism, improving tourism infrastructure, improving and diversifying tourism products, developing skilled personnel along the tourism chain and enhancing enforcement of regulations and coordination of the tourism industry.

Mineral-based Industrial Development including Oil and Gas

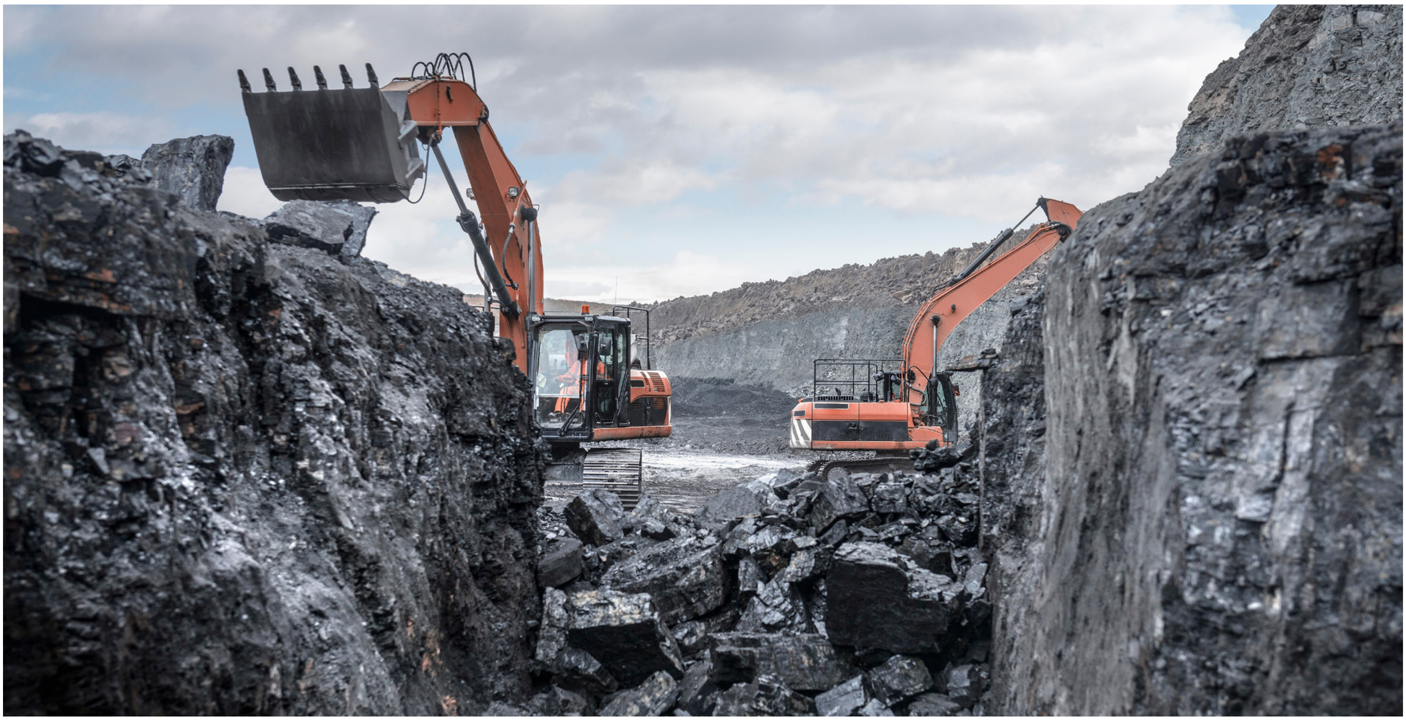
Oil and gas

Preparations to meet Uganda's 2026 deadline for first oil remain on track, marked by the delivery of the final batch of crude oil pipes in September 2025. These pipes form part of the 1,445-kilometre East African Crude Oil Pipeline (EACOP), which will transport crude oil from Kabaale in Hoima District to the Chongoleani Peninsula near the Tanga Port in Tanzania.

As of September 2025, EACOP reported that 800 kilometres of the pipeline had been welded, 300 kilometres coated with liquid epoxy, and 115 kilometres buried underground. Complementary infrastructure projects including central processing facilities, well drilling, feeder lines, and the Kabalega International Airport are also progressing steadily.

Earlier in the year, Government signed an implementation agreement with Alpha MBM Investments LLC for the construction of a USD 4 billion oil refinery in Kabaale.

The International Monetary Fund (IMF) projects that Uganda's economy will experience double-digit growth following the commencement of commercial oil production, with annual revenues estimated between USD 1 billion and USD 2.5 billion. These projections point to the significant potential of the oil sector to drive Uganda's socio-economic transformation. However, realising these benefits will depend on the country's ability to manage oil revenues effectively and avoid the pitfalls commonly associated with resource-dependent economies.



To safeguard against the “oil curse” and ensure inclusive growth, Uganda must prioritise the establishment of robust institutional frameworks for revenue management, including a transparent sovereign wealth fund and clear fiscal rules.

Strengthening regulatory oversight, promoting local content, and investing oil revenues in productive sectors such as education, health, and infrastructure will be critical. A strong emphasis on accountability and stakeholder engagement will help ensure that oil wealth translates into long-term prosperity for all Ugandans.

Minerals

Uganda’s gold exports have continuously risen over the years hitting an all-time high of $584 million in foreign exchange revenue for July 2025[7]. Gold exports surpassed coffee as the country’s top foreign exchange earner accounting for about 37% of all exports.

However, despite these glaring statistics, the sector remains mired in controversy with numerous reports indicating inconsistencies between domestic production and export volumes which could potentially point towards illicit gold activity in the country.

Additionally, failure by the URA to implement the gold tax on all exports has cost the country billions of Shillings in taxes. Under the NDPIV, Government remains committed to sustainable development of the extractives industry by increasing investment in extractives, value addition and strengthening policy, legal and regulatory framework.

[7]Composition of exports values and volumes – Bank of Uganda

Science, Technology, and Innovation (STI)

Government of Uganda identified Science, Technology, and Innovation (STI) as a critical driver of economic transformation and knowledge expansion. The sector plays a key role across multiple industries from value addition in agriculture and extractives to advanced manufacturing, pharmaceuticals and digital systems that enhance public service delivery and revenue collection.

Flagship initiatives such as Kiira Motors Corporation, Inspire Africa Group, and Dei BioPharma Limited exemplify Uganda's growing capacity in STI and its potential to compete regionally and globally.

Looking ahead, Government projects that STI could contribute up to USD 10 billion annually to GDP by 2030. Realising this ambition will require sustained investment in research and development, stronger linkages between academia and industry and a supportive policy and regulatory environment.

Prioritising innovation ecosystems, digital infrastructure, and human capital development will be essential to unlocking new growth frontiers and positioning STI as a cornerstone of Uganda's long-term economic strategy.

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