



Presidential
CEO FORUM

UGANDA'S ECONOMIC OUTLOOK

April 2026

What the Private Sector
Needs to Know

Shaping the Nation



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PCF ECONOMIC OUTLOOK BRIEF – APRIL 2026

INTRODUCTION

Uganda's economy remains stable, creating a strong foundation for businesses to drive profitability, growth, and competitiveness through strategic positioning. In the first quarter of 2026, Uganda's economic outlook remained resilient and increasingly supportive of private-sector growth, underpinned by low and predictable inflation, a relatively stable exchange rate, and strengthening export performance. These favourable macroeconomic conditions despite ongoing global uncertainties are creating a more predictable environment for businesses to plan confidently, manage costs more effectively, and tap into expanding opportunities across domestic, regional, and global markets.

However, stability alone is no longer a competitive advantage, it is now the baseline. What matters for CEOs is not the stability itself, but how to operate, grow, and remain competitive within a high-cost environment particularly one defined by persistently high lending rates, evolving exchange rate dynamics, and emerging global risks such as commodity price shocks and geopolitical uncertainty.

The strategic question for the private sector is how to convert macroeconomic stability into firm-level growth, profitability, and market expansion. This requires deliberate shifts in how businesses finance growth, manage costs, position for export markets, and hedge against emerging risks. Firms that adapt early by strengthening internal efficiency, leveraging regional and global opportunities, and securing smarter financing will be best positioned to lead in Uganda's next phase of economic transformation.

Inflation Rates

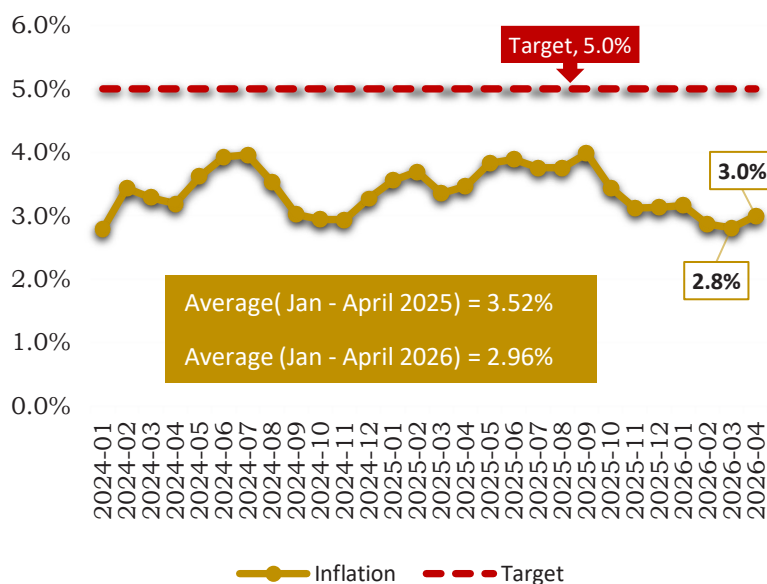
Low and stable inflation continues to strengthen business predictability, reduce cost volatility, and support private sector planning. Inflation remained relatively stable at 2.8% in March 2026 and 3.0% in April 2026, remaining well below the 5% target set by the Bank of Uganda (**Figure 1**). During the first two months of 2026, inflation averaged 2.96%, lower than the 3.52% average recorded during the same period in 2025, indicating further easing in price pressures across the economy. This improvement was largely driven by stable food supply conditions, relatively moderated global commodity prices, easing imported inflation pressures, and continued monetary policy discipline.

Long term, Uganda has sustained low single-digit inflation over the past two years, reflecting a relatively stable macroeconomic environment supported by disciplined fiscal and monetary management, improved domestic agricultural output, and reduced global supply chain disruptions compared to previous years. This stability is strengthening investor

confidence, improving business planning predictability, supporting household purchasing power, and enabling firms to operate with lower operational risk and more stable pricing structures.

However, emerging global risks particularly potential increases in fuel and energy prices arising from geopolitical tensions and disruptions in global supply chains could exert upward pressure on inflation if not carefully managed.

Figure 1: Inflation Rates Since January 2024



Private Sector Response

CEOs should actively convert price stability into locked-in cost advantages and forward-looking investment decisions. Businesses should use this period of low inflation to negotiate and lock in long-term supply contracts, particularly for key inputs such as raw materials, logistics, and energy-linked services, before potential global shocks materialise.

At the same time, this is the optimal window to accelerate productivity-enhancing investments including technology, process improvements, and workforce efficiency while input

cost volatility remains low. Companies should also strengthen working capital planning and inventory strategies, taking advantage of stable prices to optimise stock levels without the pressure of rapid cost escalation.

Importantly, CEOs should begin **scenario planning for inflation shocks**, particularly those linked to fuel and global supply chains, ensuring that cost structures, contracts, and pricing models remain resilient if inflation begins to rise again.

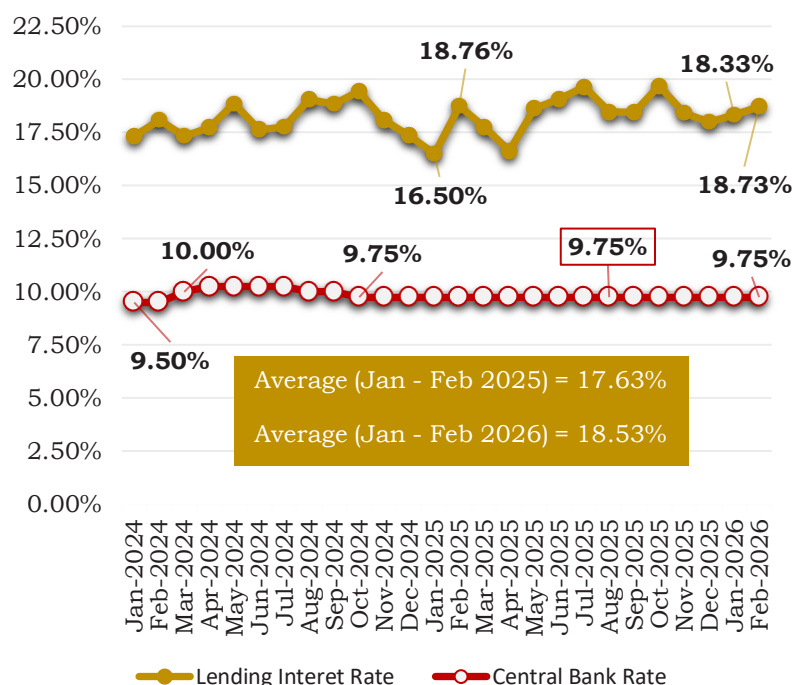
Lending Interest Rates

Lending interest rates have remained persistently high despite a stable Central Bank Rate, continuing to constrain private sector access to affordable finance. National weighted lending rates have remained below 20% over the past two years, showing limited volatility despite adjustments to the Central Bank Rate (CBR). While the Bank of Uganda has adjusted the CBR at from 9.5%, 10%, and 9.75% over this period, commercial lending rates have remained broadly elevated in the range of 18% –19%.



In 2026, rates increased further, averaging 18.53% in the first two months of the year, compared to 17.63% during the same period in 2025 (**Figure 2**).

Figure 2: Lending Interest Rates



The recent increase in lending rates reflects continued structural pressures within Uganda's credit market. The rise in lending rates is largely driven by persistent risk aversion within the banking sector, high operational costs of lending, and continued preference by commercial banks to invest in government securities, which offer relatively safer and more predictable returns.

At the same time, growing demand for private sector credit, combined with cautious lending behaviour and elevated credit risk perceptions, has maintained upward pressure on borrowing costs. Furthermore, emerging global uncertainties and exchange rate pressures have also

increased financial sector caution, limiting the downward transmission of the stable Central Bank Rate to commercial lending rates.

The limited movement in despite the CBR adjustments indicates that lending rates in Uganda respond more to market dynamics than to BoU's CBR signals. These dynamics include the balance of credit demand and supply, high operational costs, the perceived high risk of lending, and pricing decisions driven by dominant banks such as Stanbic.

As a result, large commercial banks exert greater influence on credit pricing trends than the banking policy rate itself. Additionally, competition in credit markets remains limited because a significant share of bank assets is invested in government securities, which offer safer and more attractive returns than private-sector lending. The above dynamics reduce the effectiveness of Uganda's monetary policy on access to financing, and the private sector does not benefit from the intended "cheaper credit" effect signaled by a CBR reduction.

When credit remains expensive, the private sector struggles to expand production, upgrade technology, create jobs, or withstand economic shocks. This environment reinforces the importance of Development Financing such as UDB, UDC, and other targeted government programmes, which can bridge the financing gap by offering more affordable,

longer-term, and patient capital that commercial banks are unwilling or unable to provide. By lowering the effective cost of finance, offering tailored products for high-impact sectors, and crowding in private investment, development financing can ease credit constraints, stimulate enterprise growth, and support Uganda's broader industrialisation and value-addition agenda.

Private Sector Response

Firms must reduce reliance on expensive bank credit and adopt alternative financing strategies. Businesses should prioritise internal cash flow generation, reinvest retained earnings, and explore alternative financing options such as equity partnerships, supplier credit, and development finance institutions such as UDB and UDC. There is also a need to strengthen financial discipline, improve bankability, and structure investments more strategically to reduce exposure to high-cost debt.

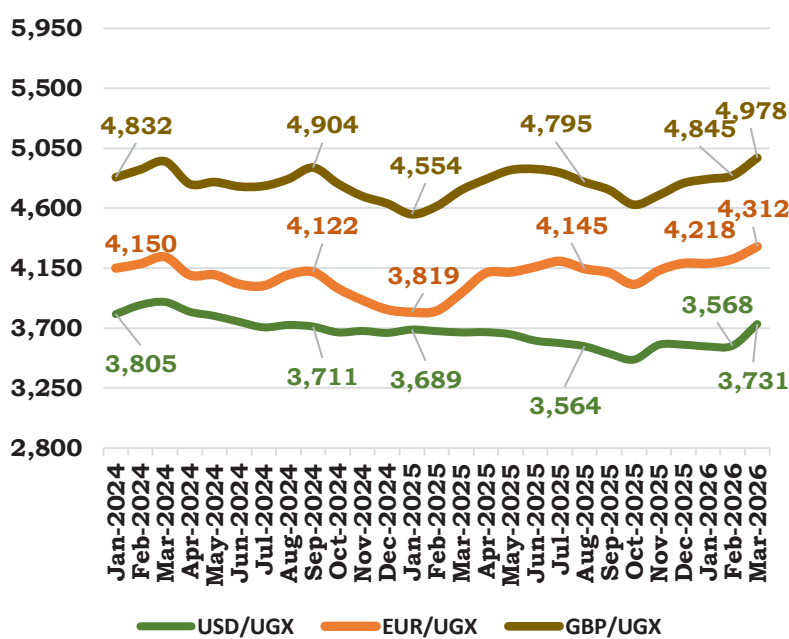
Exchange Rates

The Uganda Shilling has remained relatively strong over the past two years, creating a more predictable and lower-cost environment for businesses despite emerging global and regional pressures. Over the past two years, the Uganda Shilling gradually appreciated against the US Dollar and British Pound, supported by improved export receipts, stronger remittance inflows, disciplined macroeconomic management, and sustained foreign exchange earnings from coffee, gold, tourism, and Foreign Direct Investment.

However, recent trends in early 2026 indicate a moderation of this appreciation, with the shilling weakening slightly against the US Dollar from approximately UGX 3,560 – 3,570 in February – March 2026 to around UGX 3,700 in April 2026, while similar upward movements were observed against the Euro and Pound (**Figure 2**).

These developments reflect evolving global and domestic market conditions. Earlier appreciation of the shilling was additionally supported by weakening global pressure from the US Dollar due to easing global inflation and shifting US interest rate expectations. More recently, however, rising geopolitical uncertainty, particularly around

Figure 3: Exchange Rates (GBP, USD, and Euro)





global energy markets alongside stronger demand for the US Dollar and increased import demand have introduced mild depreciation pressures and greater currency market volatility. Despite this, Bank of Uganda's active forex management and Uganda's relatively stable macroeconomic environment have continued to support exchange rate stability.

Table 1: Regional Exchange Rates

Regional Exchange Rates	Jun-25	Jul-25	Aug-25	Sep-25	Oct-25	Nov-25	Dec-25	Jan-26	Feb-26	Mar-26
Tanzanian Shilling (TZS)/UGX	1.38	1.38	1.44	1.43	1.42	1.47	1.46	1.44	1.39	1.45
Kenyan Shilling (KES) / UGX	27.90	27.76	27.58	27.14	26.80	27.60	27.69	27.61	27.66	28.82

Regionally, the Uganda Shilling has remained one of the stronger and more stable currencies, strengthening Uganda's trade competitiveness within East Africa. In 2026, the Uganda Shilling continued to perform relatively strongly against regional currencies, particularly the Kenyan Shilling (KES), while maintaining relative stability against the Tanzanian Shilling (TZS). The TZS/UGX exchange rate remained broadly stable, moving from 1.39 in February 2026 to 1.45 in March 2026, while the KES/UGX rate increased from 27.61 in January 2026 to 28.82 in March 2026, reflecting continued weakening of the Kenyan Shilling relative to the Uganda Shilling (**Table 1**).

Long term, the Uganda Shilling has demonstrated greater resilience and lower volatility than several regional currencies, supported by relatively stable macroeconomic management, stronger export performance, disciplined monetary policy, and sustained foreign exchange inflows from coffee, gold, tourism, and remittances.

Private Sector Response

For the private sector, Uganda's relatively stronger regional currency position creates both cost advantages and strategic regional trade opportunities. A stronger Uganda Shilling lowers the cost of imports from regional markets, particularly Kenya, enabling Ugandan businesses to access cheaper processed goods, industrial inputs, packaging materials, pharmaceuticals, and manufactured products.

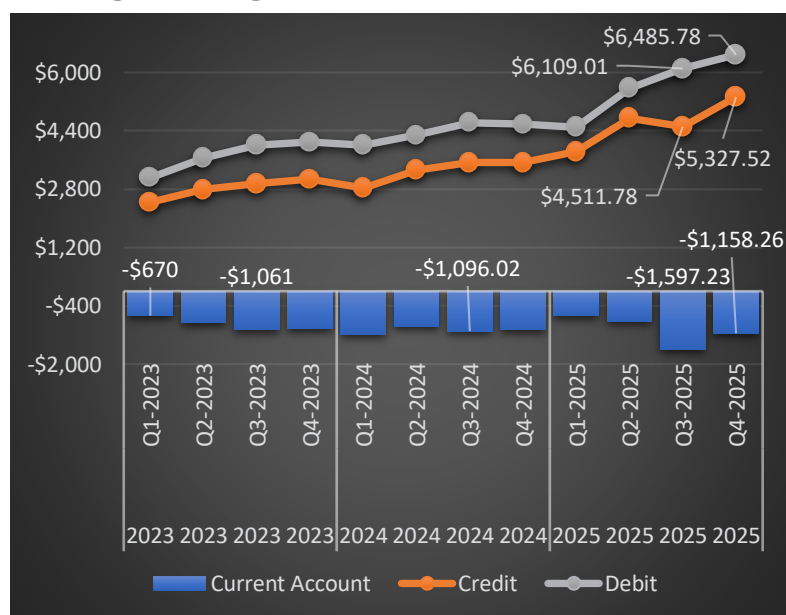
At the same time, relative exchange rate stability reduces forex uncertainty for firms engaged in regional trade and cross-border supply chains.

However, businesses exporting to regional markets should closely monitor currency movements, as sustained appreciation of the Uganda Shilling could gradually reduce price competitiveness in neighbouring markets if productivity gains and efficiency improvements do not keep pace.

Trade Deficit

Uganda's external position is strengthening, supported by surging export earnings, improving trade balances, and sustained investment-driven imports. The current account deficit improved from approximately **USD -1.6 billion in Q3 2025 to about USD -1.16 billion in Q4 2025 (Figure 3)** indicating a gradual narrowing of external imbalances (Figure 4). Export earnings from coffee, gold, manufactured products, tourism, and other merchandise exports have continued to strengthen into 2026, supported by strong global commodity demand and expanding regional trade.

Figure 4: Uganda's Current Account Trend



Recent 2026 reports further indicate significant improvements in Uganda's trade performance. Uganda recorded its **first merchandise trade surplus in over a decade** in early 2026, driven largely by surging gold exports and resilient coffee earnings. Merchandise export earnings increased by approximately **77.6% year-on-year in January 2026**, reaching about **USD 1.5 billion**, supported by strong growth in gold, coffee, industrial products, electricity exports, and oil re-exports.

Gold export revenues alone increased to approximately **USD 5.8 billion in 2025**, overtaking coffee as Uganda's leading export earner, while coffee

exports continued to record historic performance levels.

Imports, however, remain high, driven by fuel, machinery, industrial equipment, and other productive inputs required to support economic expansion and investment. This reflects a growth-oriented external position, where rising imports are increasingly linked to expanding productive capacity, industrial activity, and infrastructure development rather than consumption alone.

Long term, Uganda's improving export performance signals a gradual structural shift toward a stronger export-led and value-addition-driven economy. The strengthening of exports, particularly in gold, coffee, manufacturing, and regional trade, is improving foreign exchange inflows, supporting exchange rate stability, and strengthening Uganda's external resilience. However, sustaining this momentum will require continued investment in value addition, export diversification, industrialisation, logistics, and trade competitiveness.



Private Sector Response

Businesses should aggressively position for export growth, regional trade expansion, and value addition opportunities. Firms should scale production for export-oriented sectors, particularly agro-processing, manufacturing, minerals, tourism, and industrial products, while leveraging regional market opportunities under AfCFTA and the East African Community.

Companies should also invest in standards, certification, quality improvement, and productivity enhancement to strengthen export competitiveness. At the same time, businesses should align with national priorities around import substitution and value addition to benefit from growing policy support, regional demand, and expanding export financing opportunities.



CONCLUSION

Uganda's macroeconomic environment remains stable and increasingly supportive of private sector growth, investment, and competitiveness. Low and stable inflation, a relatively stable exchange rate, strengthening export performance, and improving external sector dynamics are creating a more predictable environment for business expansion and long-term investment. However, persistently high lending rates continue to constrain access to affordable finance, limiting the pace of private sector transformation, industrialisation, and productivity growth.

The private sector now has a strategic opportunity to position itself at the centre of Uganda's economic transformation agenda. Businesses that invest in productivity, value addition, export competitiveness, and regional market expansion will be better positioned to benefit from emerging opportunities within Uganda and the wider region. These trends align positively with the aspirations of NDP IV, Vision 2040, and Uganda's 10-Fold Growth Strategy, all of which place the private sector at the centre of economic transformation, industrialisation, job creation, and sustainable economic growth.



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