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UGANDA'S ECONOMIC OUTLOOK

November 2025

**What the Private Sector
Needs to Know Now**

Shaping the Nation



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PCF ECONOMIC OUTLOOK BRIEF – NOVEMBER 2025

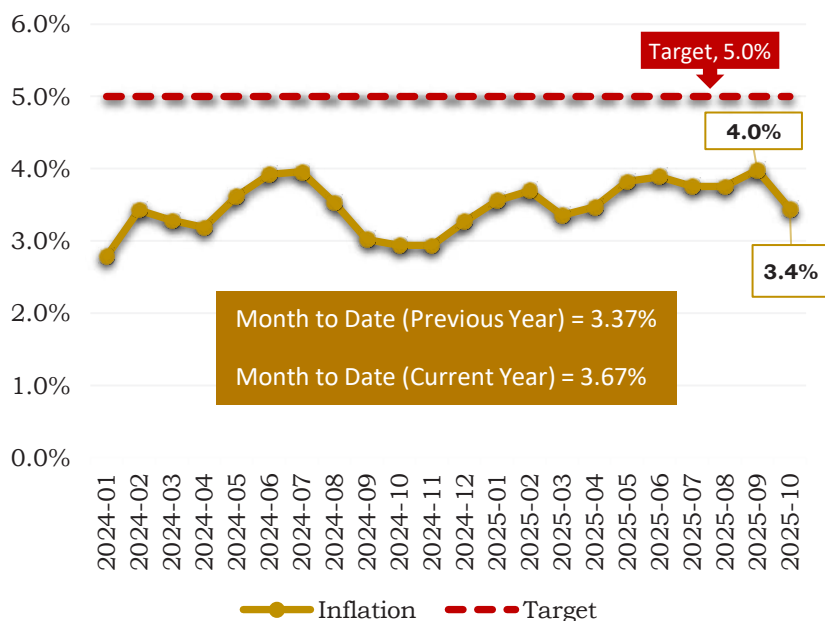
INTRODUCTION

Uganda's economic outlook remains stable, resilient, and increasingly supportive of private-sector growth, underpinned by low and predictable inflation, stable lending rates, a steadily appreciating shilling, and strengthening export performance. Macroeconomic conditions have remained broadly favourable despite global uncertainties, creating an environment where businesses can plan with greater confidence, manage costs more effectively, and tap into new opportunities across domestic, regional, and global markets. The combined effects of controlled inflation, currency stability, and rising investment-related imports reflect an economy on a steady expansion path one that offers both momentum and a clearer runway for private-sector-led transformation.

Inflation Rates

Uganda has sustained strong price stability over the past two years. Core inflation has consistently remained within the low single-digit range a reflection of disciplined monetary policy, improved food supply conditions, and easing global cost pressures. Core inflation averaged 3.37% between January and October 2024 and 3.67% over the same period in 2025, signaling a stable macroeconomic environment (**Figure 1**).

Figure 1: Inflation Rates Since January 2024



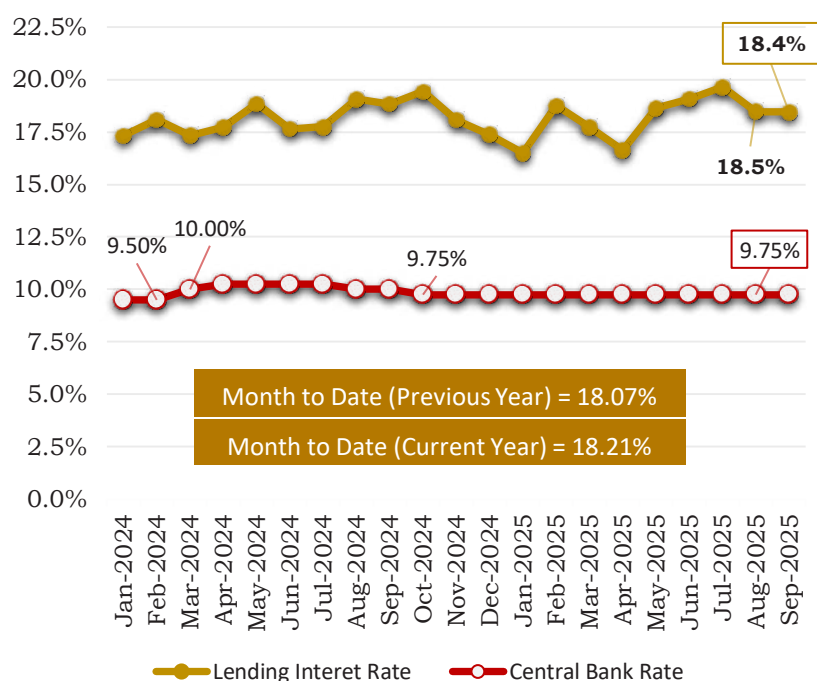
The trend has further strengthened in recent months, with inflation reducing from 4% in September 2025 to 3.4% in October 2025, largely due to improved domestic food availability, lower imported inflation, and continued BoU vigilance in managing inflation expectations.

This price stability is expected to strengthen the private sector investors' confidence, foster long-term capital investment, and enable businesses both large and small to operate with reduced risk and improved profitability.

Lending Interest Rates

National weighted lending rates have remained below 20% over the past two years, showing little volatility despite adjustments to the Central Bank Rate (CBR). While BoU raised the CBR from 9.5% in February 2024 to 10% in March 2024 before easing it to 9.75% in September 2024 commercial lending rates moved only marginally, averaging 18.07% in 2024 and 18.21% between January and September 2025. In recent months, rates edged down slightly from 18.5% in August 2025 to 18.4% in September 2025 (**Figure 2**).

Figure 2: Lending Interest Rates Since January 2024



This limited movement 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

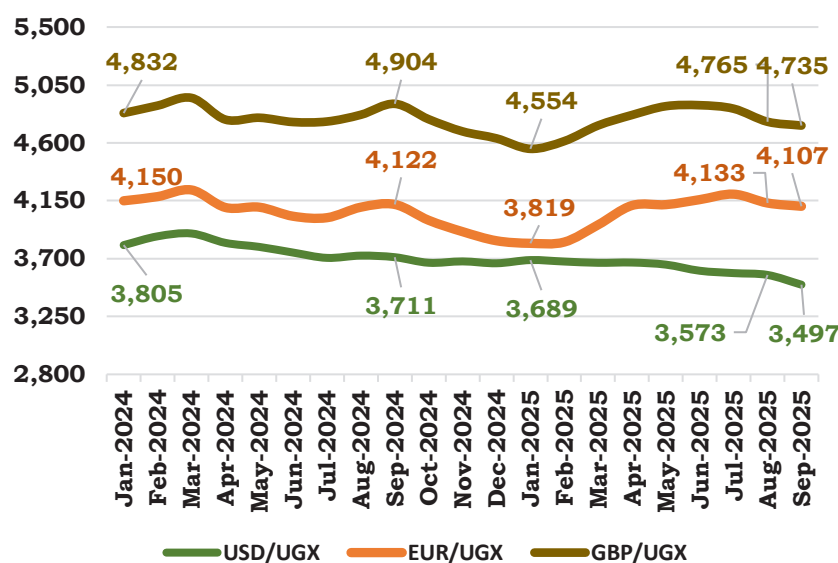
attractive returns than private-sector lending. The above dynamics reduce the effectiveness of Uganda's monetary policy on access to financing, and the private sector does not benefit from the intended "cheaper credit" effect signaled by a CBR reduction.

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.

Exchange Rates

Over the past two years, the Uganda shilling has shown a gradual appreciation against both the British Pound and the US Dollar, reflecting improved export receipts, stronger remittance inflows, and disciplined macroeconomic management. The shilling strengthened against the GBP from UGX 4,823 in 2024 to UGX 4,735 by September 2025, and appreciated even more sharply against the USD from UGX 3,805 in 2024 to UGX 3,497 over the same period. The Dollar displays a more consistently declining trend, while the Pound follows a fluctuating downward path. Against the Euro, the shilling appreciated from UGX 4,150 in January 2024 to 3,819 in January 2025, briefly weakened to 4,202 in July 2025, and recovered again to 4,107 by September 2025 (**Figure 3**).

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



These trends largely reflect global currency dynamics and domestic market conditions.

The US Dollar has weakened globally over this period due to shifting interest rate expectations in the US and easing global inflation, creating sustained downward pressure relative to emerging-market currencies like the shilling.

In contrast, the Pound and Euro have experienced greater volatility due to economic uncertainties in the UK and EU, causing the shilling's movements against them to fluctuate. Domestically,

steady inflows from coffee, gold, tourism recovery, remittances, and Foreign Direct Investment have supported the shilling, while Bank of Uganda's active forex management and a stable macroeconomic environment have helped smooth volatility.

Table 1: Regional Exchange Rates

Regional Exchange Rates	Jan-24	Jun-24	Dec-24	Jan-25	Jun-25	Jul-25	Aug-25	Sep-25
Tanzanian Shilling (TZS)	1.52	1.43	1.49	1.51	1.38	1.38	1.43	1.42
Kenyan Shilling (KES)	23.83	28.99	28.32	28.51	27.90	27.76	27.65	27.06

Regionally, the Uganda Shilling has remained strong relative to both the Tanzanian (TZS) and Kenyan Shillings (KES). Comparatively, the KES, shows far greater volatility and

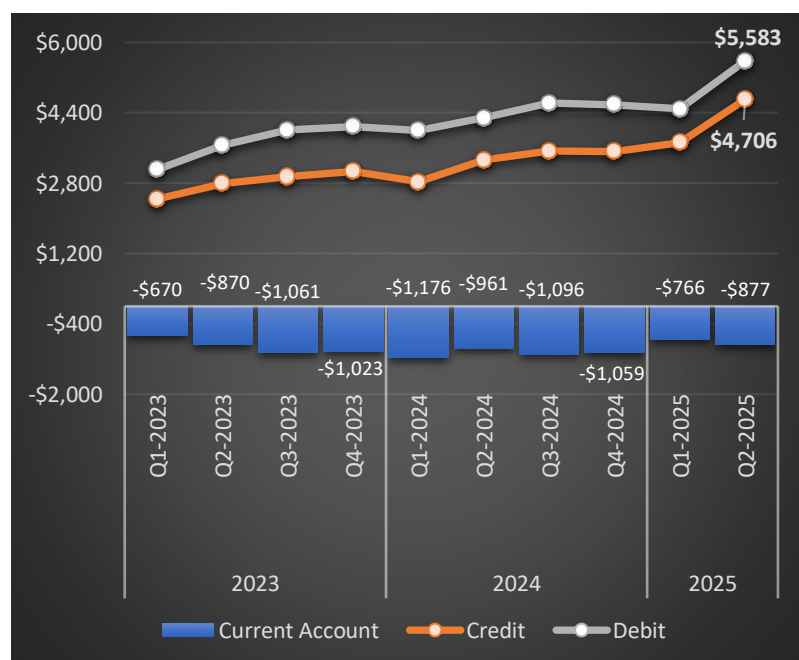
weakness than the Tanzanian Shilling (**Table 1**). The TZS-UGX rate shows small movements within a narrow band (1.38 –1.52) over the period January 2024 to September 2025, while the KES-UGX rate shows clear weakening of the Kenyan Shilling throughout the period: It moved from 23.83 in Jan 2024 to 27.06 in September 2025.

For the private sector, the shilling's appreciation against major global currencies and its sustained strength within the region creates a more predictable, lower-cost, and strategically advantageous business environment. A stronger shilling reduces the cost of imported fuel, machinery, pharmaceuticals, packaging materials, and industrial raw materials, directly lowering production and operational expenses. The significant weakening of the Kenyan Shilling means imports from Kenya such as processed foods, packaging, textiles, pharmaceuticals, and manufactured components have become markedly cheaper, improving profit margins for Ugandan firms that rely on Kenyan inputs. At the same time, Uganda's stronger currency makes its exports relatively more competitive in Kenya and Tanzania by narrowing price gaps and reducing forex-driven uncertainty in cross-border trade.

Trade Deficit

Uganda's current account trends reflect a dynamic and expanding economy with rapidly rising domestic demand for goods, services, and productive inputs to support growth. Export earnings from coffee, gold, manufactured products, and tourism continue to strengthen, signaling improved external performance and growing global demand for Uganda's products.

Figure 4: Uganda's Current Account Trend



Importantly, rising exports do not reduce domestic supply; they come from sectors such as coffee, gold, and tourism where production is primarily for the export markets.

At the same time, imports of fuel, machinery, and industrial inputs have expanded even faster because the scale and structure of Uganda's demand are still concentrated in goods the country does not yet produce in sufficient quantities.

The goods driving Uganda's import bill, such as fuel and industrial machinery, are not produced locally at scale.

These trends (**Figure 4**) explain the current account deficit and reflect a growth-driven external position, with encouraging signs that the trade gap will begin narrowing in 2025 as export receipts strengthen and sector performance continues to improve.

These developments are catalysed by a generally appreciating Uganda Shilling, which has strengthened against major global and regional currencies over the past two years. This appreciation has helped moderate import costs, stabilised domestic prices, and reduced forex-related pressures on businesses particularly manufacturers, agro-processors, traders, and service providers that rely on imported inputs, fuel, and machinery. A stronger shilling also enhances investor confidence and provides a more predictable planning environment for the private sector.

For the private sector, the combination of a strengthening currency, expanding export earnings, and rising investment imports presents both opportunities and momentum for enterprise growth. Firms benefit from reduced input costs, improved price stability, and better cash-flow predictability, while exporters gain from rising global demand. Together, these trends reinforce the strategic role of Development Finance Mechanisms such as UDB and UDC in accelerating import substitution, financing value addition, and scaling export-oriented production to strengthen Uganda's external position and drive long-term economic transformation.

CONCLUSION

Uganda's macroeconomic trends point to an economy that is stabilising, expanding, and increasingly conducive to private investment. The price stability is strengthening the purchasing power and reducing operational risk, while a stronger shilling is helping firms manage import-dependent cost structures more predictably.

With continued policy discipline and deeper support for value addition, Uganda's private sector is well positioned to drive the next phase of economic transformation and competitiveness. Although lending rates remain high, the growing role of Development Financing offers a pathway to more affordable and long-term capital for high-impact sectors. Rising exports, increasing investment imports, and improved external performance signal expanding market opportunities for Ugandan enterprises.

