



# **HALF YEAR MACROECONOMIC & FISCAL PERFORMANCE REPORT FINANCIAL YEAR 2025/26**

**MINISTRY OF FINANCE, PLANNING AND  
ECONOMIC DEVELOPMENT**

February 2026

## Foreword

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Under Section 17 of the Public Finance Management Act (PFMA) Cap 171, 2024, the Minister of Finance, Planning, and Economic Development is mandated to present Annual and Half Year Fiscal Performance Reports to parliament. In accordance with this requirement, the Ministry of Finance, Planning, and Economic Development has prepared a detailed Half-Year Macroeconomic and Fiscal Performance Report for FY 2025/26. This report incorporates analysis of Uganda's fiscal and economic performance as well as projections as at 31st December 2025.

The first half of FY 2025/26 marks a significant milestone as the government commenced implementation of the Fourth National Development Plan (NDP IV) and the Ten-fold Growth Strategy, which aims to expand Uganda's economy to USD 500 billion by 2040. These frameworks are anchored on accelerating structural transformation, enhancing productivity, and strengthening Uganda's competitiveness, particularly through strategic investments in Agro-industrialisation, Tourism development, Mineral development including oil & gas, and Science, Technology, and Innovation (ATMS).

I am pleased to note that Uganda's economy remained resilient and sustained its growth momentum averaging 6.7 percent in the first half of FY 2025/26 compared to 5.8 percent in the same period of the previous financial year. This was supported by strong domestic demand, prudent macroeconomic management, and targeted government interventions. Inflation remained low and stable averaging 3.5 percent, below the target of 5 percent. The exchange rate strengthened, and private sector credit expanded, reflecting improving business confidence and favourable macroeconomic conditions. The external sector also recorded strong performance, with export earnings rising significantly, contributing to a narrowing of the trade deficit and strengthening the country's foreign exchange position.

Government programmes aimed at supporting households and enterprises, including the Parish Development Model (PDM), Emyooga, the Generating

Growth Opportunities and Productivity for Women Enterprises (GROW) programme, and continued capitalization of the Uganda Development Bank, have played a vital role in enhancing productivity, expanding access to finance, and strengthening inclusive growth. These interventions are laying the foundation for sustainable economic transformation and improved livelihoods.

During the period, fiscal operations reflected the government's continued commitment to financing priority investments that support these programmes and broader economic development, while maintaining fiscal discipline. Although revenue collections registered a shortfall relative to targets, overall revenues continued to grow compared to the same period last financial year, reflecting improving economic activity. The government remains committed to strengthening domestic revenue mobilization, enhancing efficiency in public expenditure, and maintaining fiscal and debt sustainability.

The medium-term outlook remains positive, with economic growth projected to increase to 6.6 percent in FY 2025/26, supported by continued investment in productive sectors, increased regional trade, tourism recovery, and progress in the oil and gas sector ahead of first oil production.

Going forward, the government will continue to implement policies that promote macroeconomic stability, support private sector-led growth, and enhance economic resilience, delivering inclusive and sustainable growth for all Ugandans.



Matia Kasaija (M.P)

**MINISTER OF FINANCE, PLANNING, AND ECONOMIC DEVELOPMENT**

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## List of Acronyms and Abbreviations

<b>B.Franc</b>	Burundian Franc
<b>BOP</b>	Balance of Payments
<b>BOU</b>	Bank of Uganda
<b>BTI</b>	Business Tendency Index
<b>C.Franc</b>	Congolese Franc
<b>CBR</b>	Central Bank Rate
<b>CFR</b>	Charter for Fiscal Responsibility
<b>CIEA</b>	Composite Index of Economic Activity
<b>DSA</b>	Debt Sustainability Analysis
<b>EAC</b>	East African Community
<b>EFU</b>	Energy, Fuel and Utilities
<b>FDI</b>	Foreign Direct Investment
<b>FOB</b>	Free on Board
<b>FY</b>	Financial Year
<b>GDP</b>	Gross Domestic Product
<b>H1</b>	First Half of the Financial Year
<b>H2</b>	Second Half of the Financial Year
<b>HS</b>	Harmonized Commodity Description and Coding System
<b>ICO</b>	International Coffee Organisation
<b>IMF</b>	International Monetary Fund
<b>KShs</b>	Kenyan Shillings
<b>MDAs</b>	Ministries, Departments and Agencies
<b>MOFPED</b>	Ministry of Finance, Planning and Economic Development
<b>NPLs</b>	Non-Performing Loans
<b>NTR</b>	Non-Tax Revenue
<b>PAYE</b>	Pay as You Earn
<b>PDM</b>	Parish development Model
<b>PMI</b>	Purchasing Managers Index
<b>R.Franc</b>	Rwandan Franc
<b>SoShs</b>	Somali Shillings
<b>SS.Pound</b>	South Sudanese Pound
<b>TzShs</b>	Tanzanian Shillings
<b>UBOS</b>	Uganda Bureau of Statistics
<b>UN Comtrade</b>	United Nations Commodity Trade Statistics Database
<b>UShs</b>	Ugandan Shilling
<b>US\$</b>	United States Dollars
<b>VAT</b>	Value Added Tax

## Executive Summary

Uganda's economy remained resilient in the first half of FY 2025/26 despite a challenging global environment. Economic activity strengthened across key sectors, inflation remained low and stable, and the external sector recorded strong performance driven by export growth and increased foreign exchange inflows. These developments reflect continued progress in implementing the Fourth National Development Plan (NDP IV) and the government's Ten-Fold Growth Strategy aimed at expanding Uganda's economy to USD 500 billion by 2040.

Economic activity remained robust during the period under review. Real GDP grew by 6.7 percent in the first half of FY 2025/26 compared to 5.8 percent in the same period last financial year. This was supported by strong performance in industry and services sectors, alongside continued recovery in agriculture. High-frequency indicators, including the Purchasing Managers' Index (PMI), Business Tendency Index (BTI), and Composite Index of Economic Activity (CIEA), collectively indicated sustained business optimism and strengthening economic activity.

Inflation remained low and stable, averaging 3.5 percent in the first half of FY 2025/26, supported by prudent monetary policy, exchange rate appreciation, and easing global inflationary pressures. Although food crop inflation increased temporarily due to seasonal supply disruptions, overall price pressures remained contained and consistent with the Bank of Uganda's medium-term inflation target.

The financial sector remained stable and supportive of economic growth. The Bank of Uganda maintained a prudent monetary policy stance, keeping the Central Bank Rate at 9.75 percent to support economic activity while anchoring inflation expectations. Private sector credit expanded by 6.0 percent during the period, reflecting improved demand for credit and strengthening business confidence.

The Ugandan shilling strengthened against the US dollar, supported by strong foreign exchange inflows, on account of strong export performance, together

with sustained capital inflows and tourism recovery. International reserves rose significantly to USD 5,991.08 million, equivalent to 4.2 months of import cover, providing a strong buffer against external shocks. This was a better position compared to USD 3,302.80 million (2.3 months of import cover) recorded at the end of December 2024.

The external sector recorded notable improvement during the period. Export earnings increased significantly when compared to imports, leading to a 15.2 percent narrowing of the merchandise trade deficit. Export earnings increased by 61.2 percent to USD 7,368.11 million, supported by increased exports of gold, coffee, industrial products, base metals, and sugar. Coffee export earnings increased by 26.8 percent, driven primarily by higher export volumes. Foreign Direct Investment remained strong at USD 820.72 million, reflecting continued investor confidence, particularly in the oil and gas sector as the country advances towards first oil production in FY 2026/27.

Fiscal operations during the first half of FY 2025/26 resulted in a deficit of Shs 6,526.37 billion, higher than the programmed level due to revenue shortfalls and higher than anticipated expenditures. Despite the shortfall relative to targets, domestic revenue grew by 8.2 percent compared to the same period in FY 2024/25, reflecting improving economic activity and continued progress in domestic revenue mobilisation. The Debt Sustainability Analysis indicates that public debt remains sustainable over the medium to long term, although at a moderate risk of debt distress. This underscores the importance of continued fiscal prudence, including strengthening domestic revenue mobilisation and improving the efficiency and effectiveness of public expenditure.

The medium-term economic outlook remains favourable, supported by strengthening domestic economic activity and continued policy reforms. Real GDP growth is projected at 6.6 percent in FY 2025/26 and is expected to accelerate further to 10.2 percent in FY 2026/27, driven by sustained implementation of government development programmes, increased investment in productive sectors, expanding export earnings, continued

recovery in tourism, and progress in the oil and gas sector as the country moves closer to first oil.

However, risks to the outlook remain, including geopolitical tensions, commodity price volatility, tighter global financial conditions and climate-related shocks. Nonetheless, government remains committed to sustaining long-term growth through strategic investments, support to businesses and households, strengthened agricultural resilience and enhanced domestic revenue mobilization.

# MACROECONOMIC DEVELOPMENTS

## Chapter I: Macroeconomic Developments

### Economic Growth

#### Economy



grew

by **6.7%**

Economic activity remained strong in the first half of FY 2025/26, supported by robust domestic demand, government interventions, and stable macroeconomic conditions. Uganda's real GDP grew by 6.7 percent in the first half of FY 2025/26, compared to 5.8 percent in the same period last year.

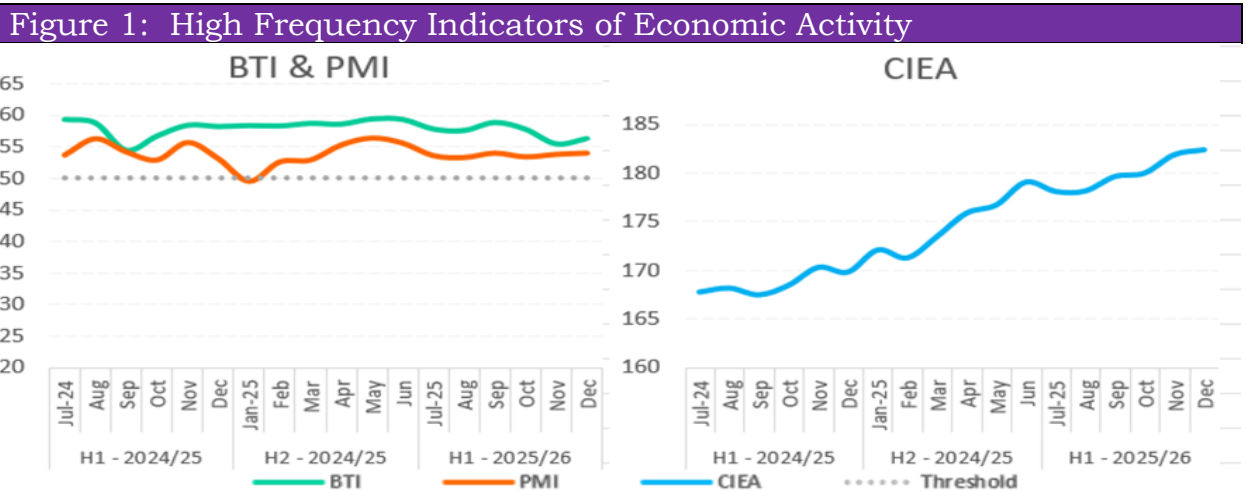
Government interventions through programmes such as the Parish Development Model (PDM), Emyooga, and financing through the Uganda Development Bank (UDB) provided access to affordable credit as well as seed capital, supporting agricultural production and small businesses. Notably, the entire Shs 100 billion planned for Emyooga for the financial year was fully disbursed during the first half of FY 2025/26, accelerating support to enterprise groups. In addition, Shs 38 billion was released to capitalize UDB, representing progress toward the planned Shs 82 billion for the year, while Shs 529 billion was disbursed to SACCOs under the PDM, out of the Shs 1 trillion allocation planned for the financial year. These interventions played an important role in stimulating production, supporting enterprise expansion, and improving household incomes, thereby reinforcing inclusive economic growth and strengthening the foundation for sustained economic transformation.

Growth in the first half of FY 2025/26 was mainly driven by strong performance across all major sectors. The industry sector grew by 9.1 percent, up from 6.4 percent in the same period last year, supported by increased activity in manufacturing, construction, and electricity production. The services sector grew by 6.0 percent up from 4.1 percent in the same period last financial year, supported by real estate, wholesale and retail trade, and transport, reflecting strong domestic demand. Meanwhile, agriculture, forestry, and fishing grew by 5.9 percent, driven by increased production of cash crops, livestock, and fish, although food crop production declined due to unreliable weather conditions.

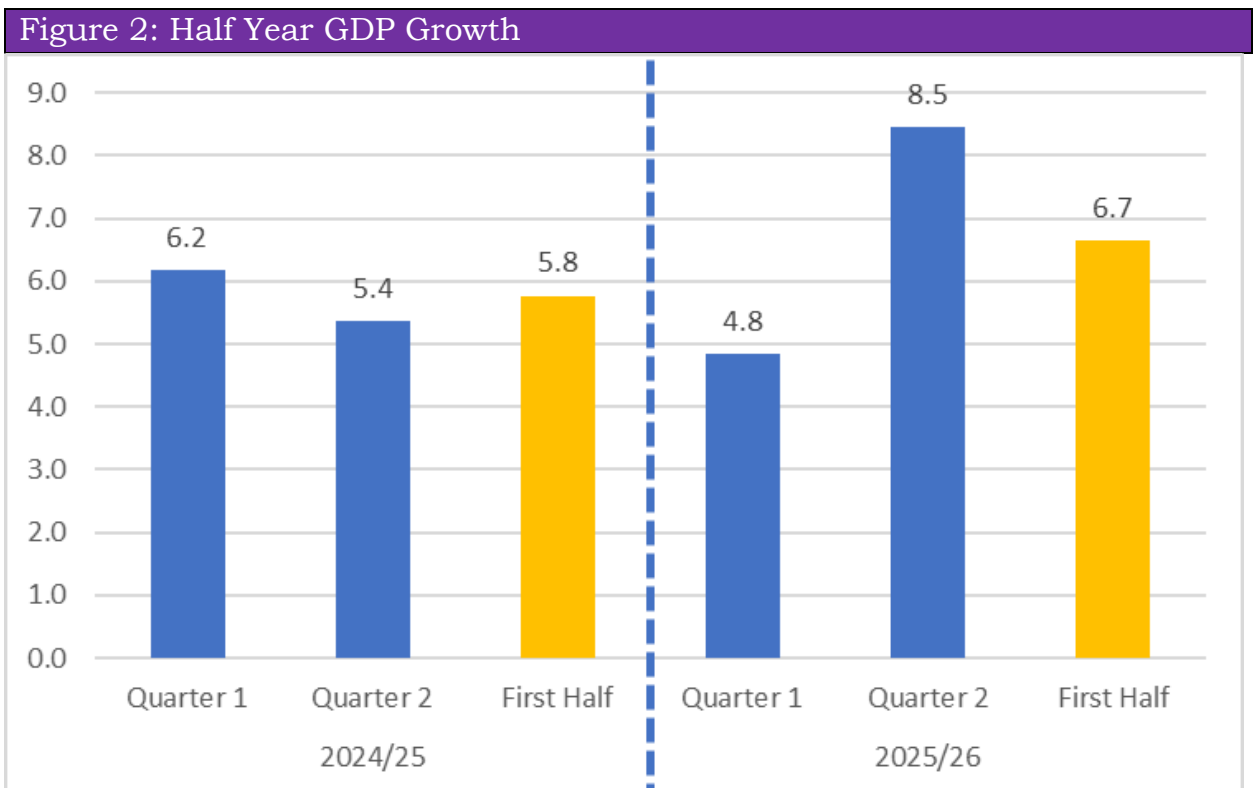
High-frequency indicators also point to continued economic strength. In the first half of FY 2025/26, the Purchasing Managers' Index and Business Tendency

Index remained above the threshold of 50, averaging 53.6 and 57.4, respectively, indicating sustained business expansion and positive sentiments about the business environment. The Composite Index of Economic Activity also increased to an average of 180.01 in the first half of FY 2025/26 from 168.69 in the first half of FY 2024/25, reflecting higher overall economic activity.

Figure 1 shows the movements of the PMI, BTI and CIEA from July 2024



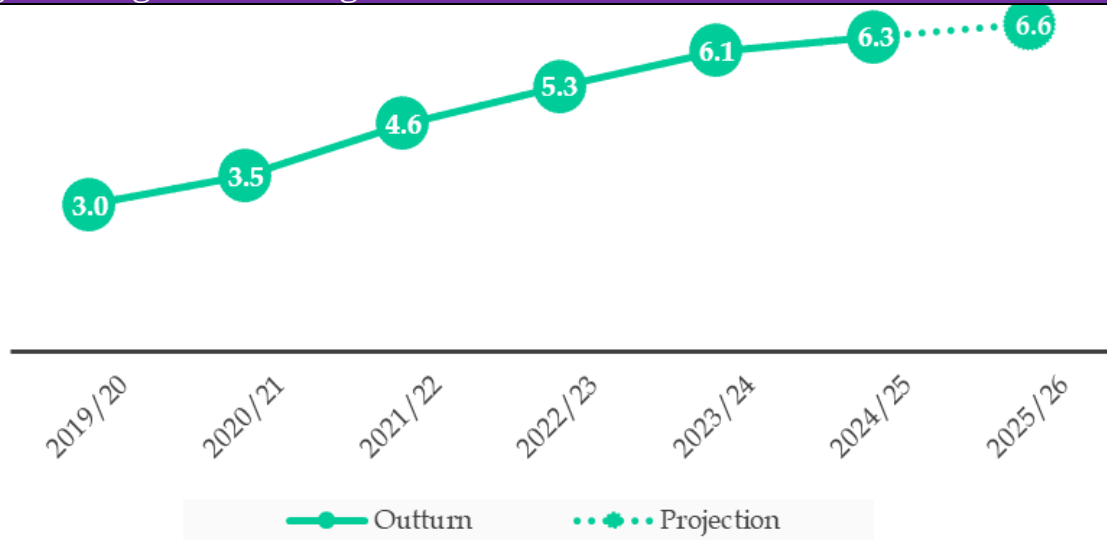
Source: Bank of Uganda for CIEA and BTI, and Stanbic Bank for PMI



Source: Uganda Bureau of Statistics and Ministry of Finance, Planning and Economic Development

**Figure 3** shows Uganda’s Annual Real GDP growth rates

Figure 3: Uganda's Real growth rates



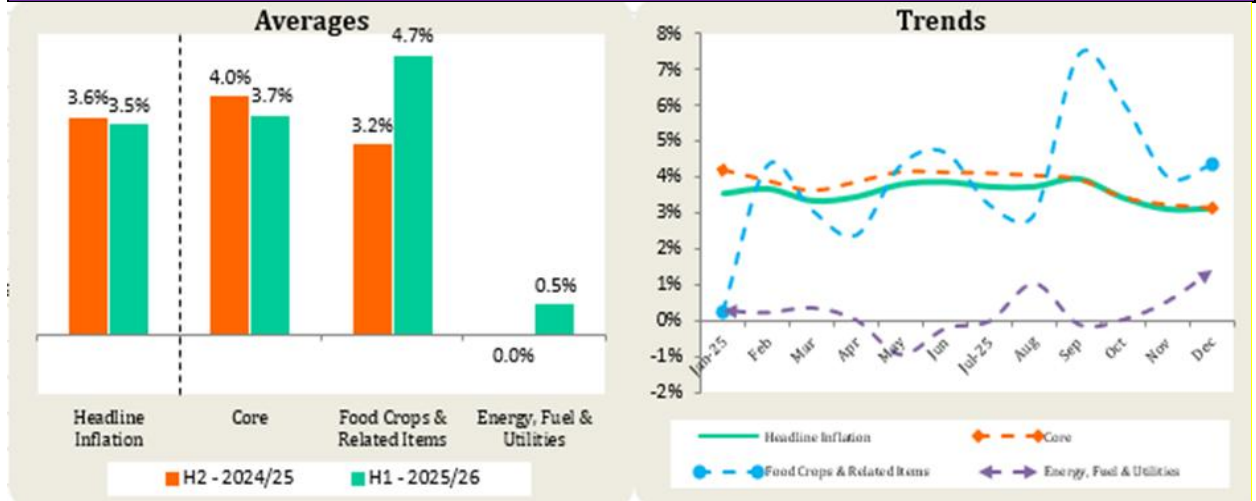
Source: Uganda Bureau of Statistics and Ministry of Finance, Planning and Economic Development

## Inflation

Headline Inflation decreased to 3.5%

During the first half of FY 2025/26, annual headline inflation remained low and stable, averaging 3.5 percent, slightly down from 3.6 percent in the second half of the previous financial year mainly driven by a decline in core inflation. (See Fig. 4).

Figure 4: Annual Inflation broken down by Sub-Components



Source: Uganda Bureau of Statistics

### Sub-components of headline inflation.

**Annual core inflation** declined to an average of 3.7 percent in the first half of FY 2025/26, down from 4.0 percent in the second half of FY 2024/25. This decline was mainly supported by an appreciating exchange rate and declining global inflation, which slowed inflation of imported commodities.

Consequently, prices of imported commodities directly used by households reduced. These included alcoholic and non-alcoholic beverages, spices, cigarettes, clothes and clothing materials, footwear, medicines and medical apparatus, electronic gadgets, and other daily household items.

The decline in core inflation was also driven by reductions in the prices of several processed food items like cassava flour, rice, sugarcane, cooking oil, roasted groundnuts, yellow yolk eggs, and silver fish (mukene). In addition, other manufactured food products like honey, coffee, and tea leaves, as well as baked goods including samosas, pancakes, and chapati, recorded a slowdown in the rate at which prices increased.

Transport costs also contributed to the decline in core inflation as passenger fares registered larger price reductions during the period. This decline in transport fares was mainly driven by lower fuel prices, which reduced operating costs for transport providers.

**Annual food crop and related items inflation** increased to an average of 4.7 percent in the first half of FY 2025/26, up from an average of 3.2 percent in the previous half. This increase was mainly driven by a one-off hike during September 2025 when annual food crop inflation rose to 7.4 percent before gradually declining in subsequent months. During this time, significant annual price increases were recorded for food items such as matooke, groundnuts, avocados, and pineapples when compared to previous months.

In addition, prices of other food items also increased compared to the previous half-year period, although the increases were not specific to September. These included papaya, green pepper, carrots, cassava, yams, and sweet potatoes.

**Annual Energy, Fuels, and Utilities (EFU)** inflation increased to an average of 0.5 percent in the first half of FY 2025/26 from 0 percent (no change) in the previous half. This was due to further increases in charcoal prices following the reduction of charcoal supply due to the increased surveillance to prevent the cutting of trees.

The slight increase in EFU inflation was also due to a slowdown in the rate at which prices declined for liquid fuels such as diesel and petrol.

### **Inflation across the East African Community**

Within the EAC<sup>1</sup> region, Uganda, Kenya, Tanzania, Rwanda, and Somalia all recorded headline inflation below the 8 percent EAC convergence target in the first half of the financial year, while Burundi's inflation, though declining, remained above this target.

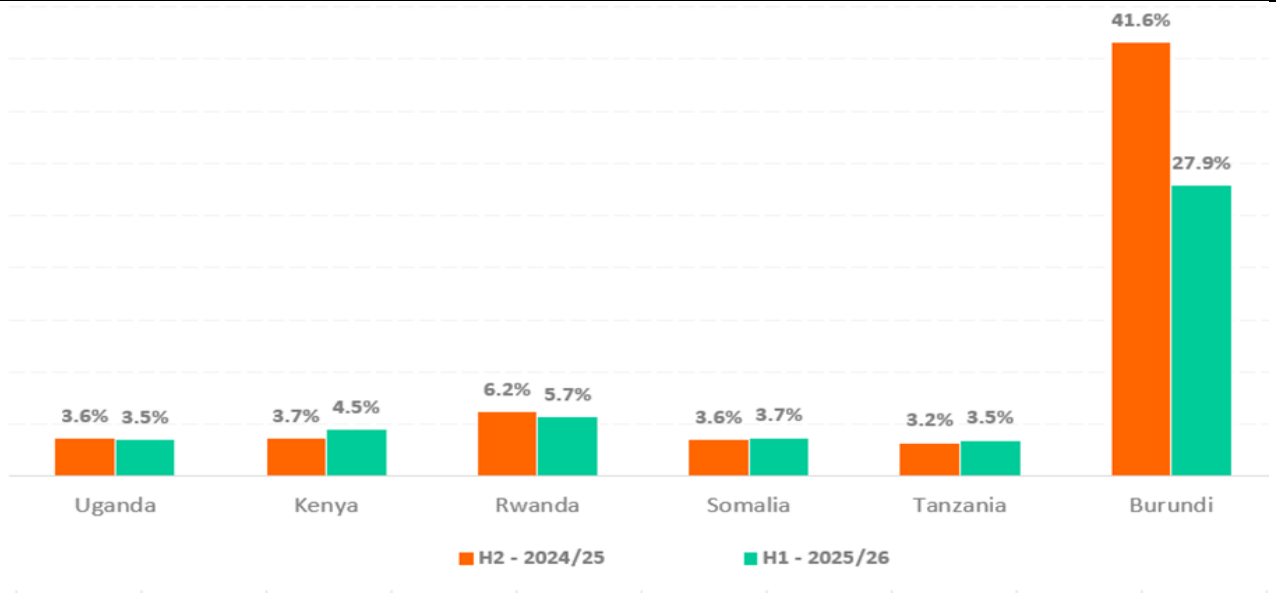
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<sup>1</sup> South Sudan's inflation data for November 2025 and December 2025 was not readily available at the time of producing this report

Declines in inflation were recorded for Uganda, Rwanda, and Burundi at 3.5 percent, 5.7 percent, and 27.9 percent, respectively, in the first half of FY 2025/26 from 3.6 percent, 6.2 percent, and 41.6 percent, respectively, in the second half of the previous financial year. Common drivers of most of these decreases in inflation were a slowdown in the rate at which prices increased for food crops as well as reductions in domestic fuel prices associated with the decline in oil prices on the international market.

Conversely, increases in inflation were recorded for Kenya, Tanzania, and Somalia at 5.5 percent, 3.5 percent, and 3.7 percent, respectively, in the first half of FY 2025/26 from 3.7 percent, 3.2 percent, and 3.6 percent, respectively, in the previous half-year period. Inflation in Kenya rose on account of increasing fuel and transportation costs, while in Tanzania, inflation rose slightly on account of food and fuel shortages as well as increasing transportation costs, all arising from the tense October 2025 election period.

**Figure 5: Average annual inflation rates among EAC partner states.**



Source: Respective National Bureaux of Statistics

## Global Commodity Price Trends

### International Oil Prices

Brent crude oil prices continued to trend downwards, declining from an average of USD 68.23<sup>2</sup> per barrel in the second half of FY 2024/25 to USD 62.69 per barrel in the first half of FY 2025/26. This decline was largely driven by increased global supply from several non-OPEC+ producers, particularly the United States, Brazil, Canada, and Guyana, alongside reduced production cuts by OPEC+ members seeking to defend market share. As a result, global oil inventories rose, exerting downward pressure on benchmark prices. In addition, relatively eased geopolitical tensions and trade wars during the period reduced concerns about major supply disruptions, further moderating prices.

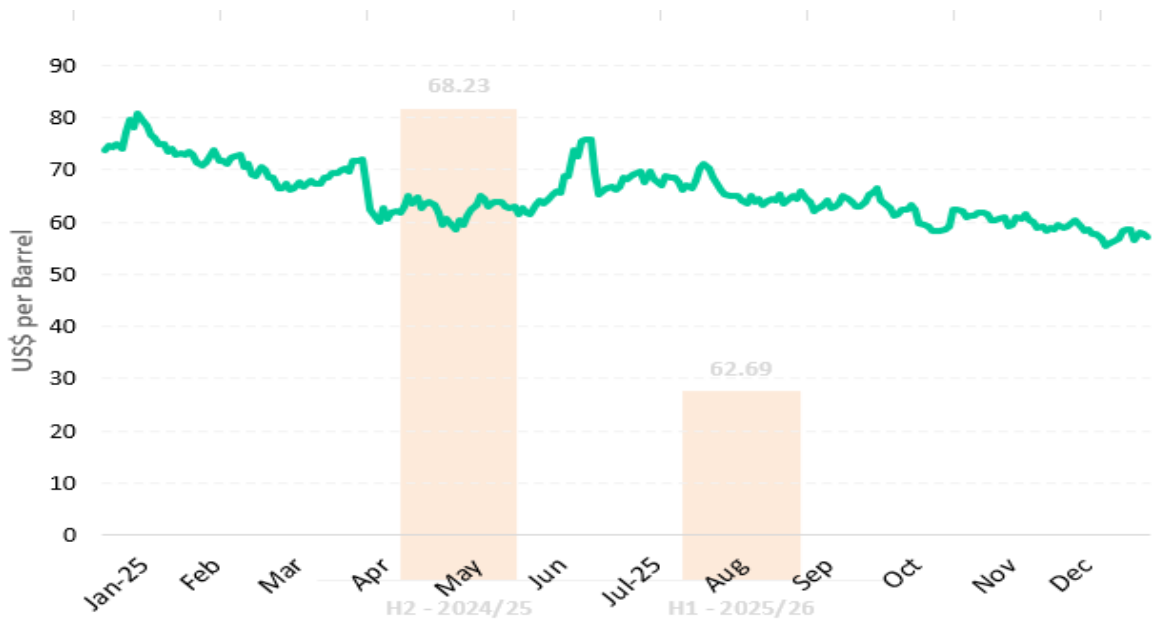
At the same time, global oil demand growth slowed due to weaker economic activity in major economies, particularly China, as well as improvements in fuel efficient technology and the growing adoption of alternative energy sources. These factors collectively contributed to softer oil market conditions in the first half of FY 2025/26.

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<sup>2</sup> It is worth noting that oil prices have increased more recently due to heightened geopolitical tensions in the Middle East; however, this report covers developments only up to December 2025.

Figure 6 shows trends in international oil prices in 2025.

**Figure 6: Trends in international oil prices in 2025.**



Source: US Energy Information Administration

**International Coffee Prices**

Global coffee prices as published by the International Coffee Organisation (ICO) experienced notable fluctuations through the period under review. The ICO composite indicator price declined to an average of 307.10 in the first half of FY 2025/26, equivalent to about USD 6.77 per kilogram, down from 329.82 (about USD 7.27 per kilogram) in the second half of FY 2024/25. This decline reflects a temporary price adjustment rather than a long-term drop in global coffee prices. Prices eased after earlier increases as better weather conditions in Brazil and other major producing countries boosted supply.

See figure 7.

Figure 7: Movements in the International Coffee Composite Price Indicator, FY 2024/25 vs FY 2025/26



Source: International Coffee Organisation (ICO)

## Monetary and Financial Sector Developments

During the first half of FY 2025/26, the Bank of Uganda maintained the Central Bank Rate (CBR) at 9.75 percent to anchor inflation expectations around the medium-term target of 5 percent while supporting sustained economic growth.

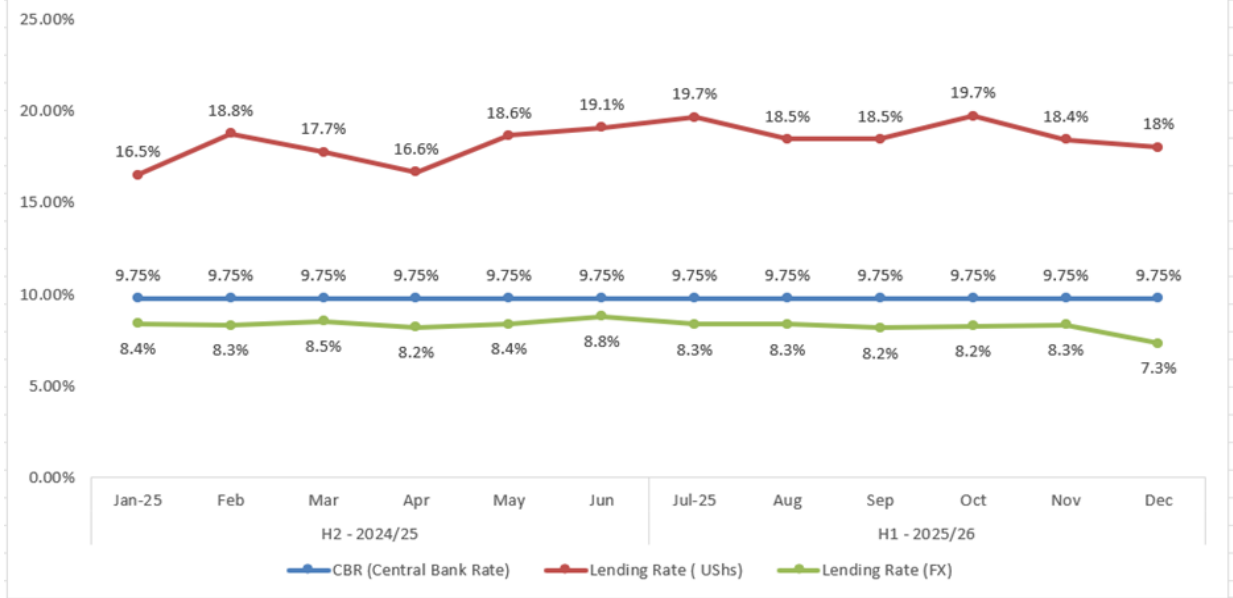
### Lending Rates (weighted average)

The weighted average lending rates for shilling-denominated loans trended upward in the first half of FY 2025/26, averaging 18.78 percent, compared to 17.89 percent in the second half of FY 2024/25. This increase was partly driven by strong demand for credit, particularly in the building, mortgage, construction, and real estate sectors; personal and household loans; and in the public sector.

Despite the overall upward trend during the period, lending rates began to moderate toward the end of the half year, declining from 19.7 percent in October 2025 to 18.4 percent in November and further to 18.0 percent in December 2025. This easing partly reflects the continued price stability in the economy.

Furthermore, weighted average lending rates on foreign currency-denominated credit declined from 8.42 percent in the second half of FY 2024/25 to 8.12 percent in the first half of FY 2025/26. The reduction largely reflected the gradual easing of global monetary conditions, particularly in advanced economies, where central banks, including the U.S. Federal Reserve, lowered policy rates amid slowing global inflation. In addition, improved foreign currency inflows and exchange rate stability partly supported the decline in lending rates for foreign currency credit. Figure 8 shows the trend in CBR and commercial bank lending rates.

Figure 8: Central Bank Rate and Commercial Bank Lending Rates Movements



Source: Bank of Uganda

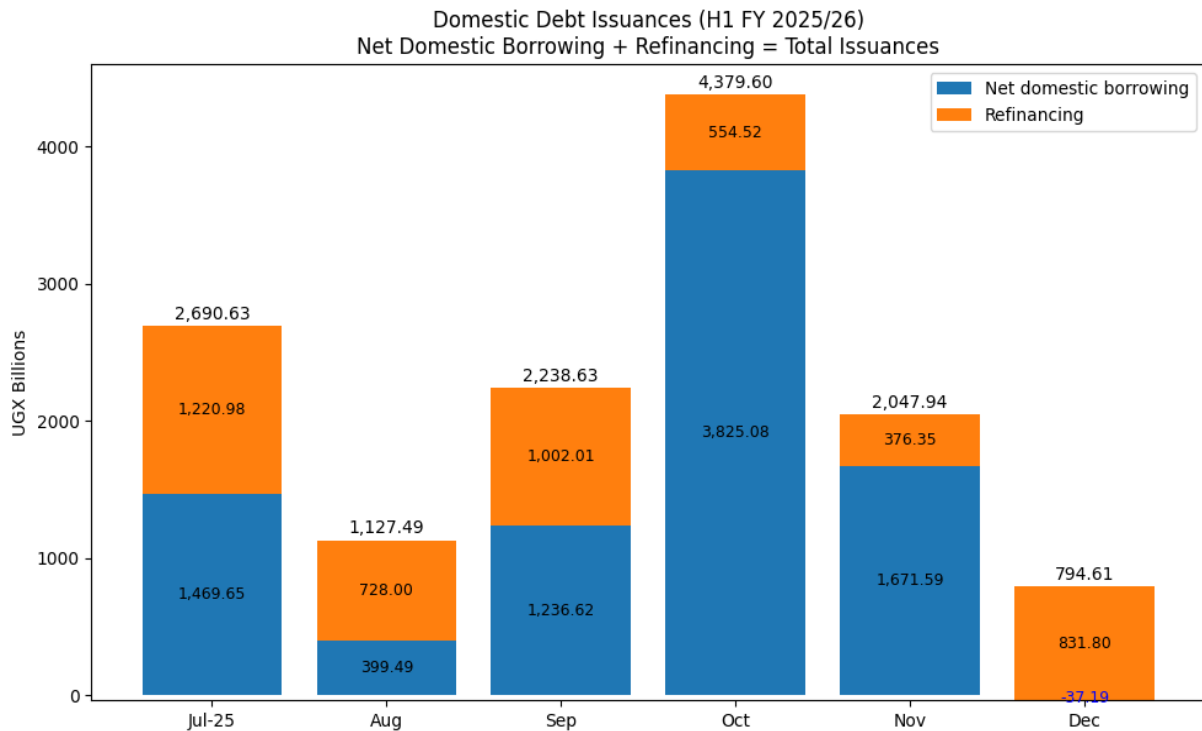
### Government Securities

In the first half of Fiscal Year 2025/26, the government raised Shs. 13,278.91 billion through the issuance of Treasury Bills and Treasury Bonds. Of this amount, Shs 4,713.68 billion was used for refinancing maturing securities, while Shs 8,565.24 billion was used for financing other items in the budget (see figure 8). Of the total issuances, Shs 4,796.11 billion (36 percent) was raised through Treasury Bills and Shs 8,482.80 billion (64 percent) through Treasury Bonds, reinforcing the government’s commitment to lengthen the maturity profile by issuing longer-dated instruments.

Furthermore, the government issued its first 25-year bond in August 2025, marking a significant step towards extending the domestic debt maturity profile and deepening the domestic capital market.

Figure 9 shows a breakdown of government securities during the first half of FY 2025/26.

**Figure 9: Breakdown of utilisation of resources from government securities in billions of US\$**



Source: Ministry of Finance, Planning and Economic Development

### **Yields (interest rates) on Treasury Bills**

During the period under review, yields (interest rates) on the 91-day and 182-day treasury bills exhibited a modest upward trend, as shown in Figure 9. In particular, the average yield on the 91-day tenor increased to 11.5 percent in the first half of FY 2025/26, up from 11.0 percent in the second half of FY 2024/25, while the 182-day tenor averaged 13.4 percent, slightly higher than the 13.3 percent recorded in the previous half year. The increase in short-term yields during the first half of FY 2025/26 was partly driven by higher domestic borrowing requirements, which exerted upward pressure on rates in the Treasury bill market.

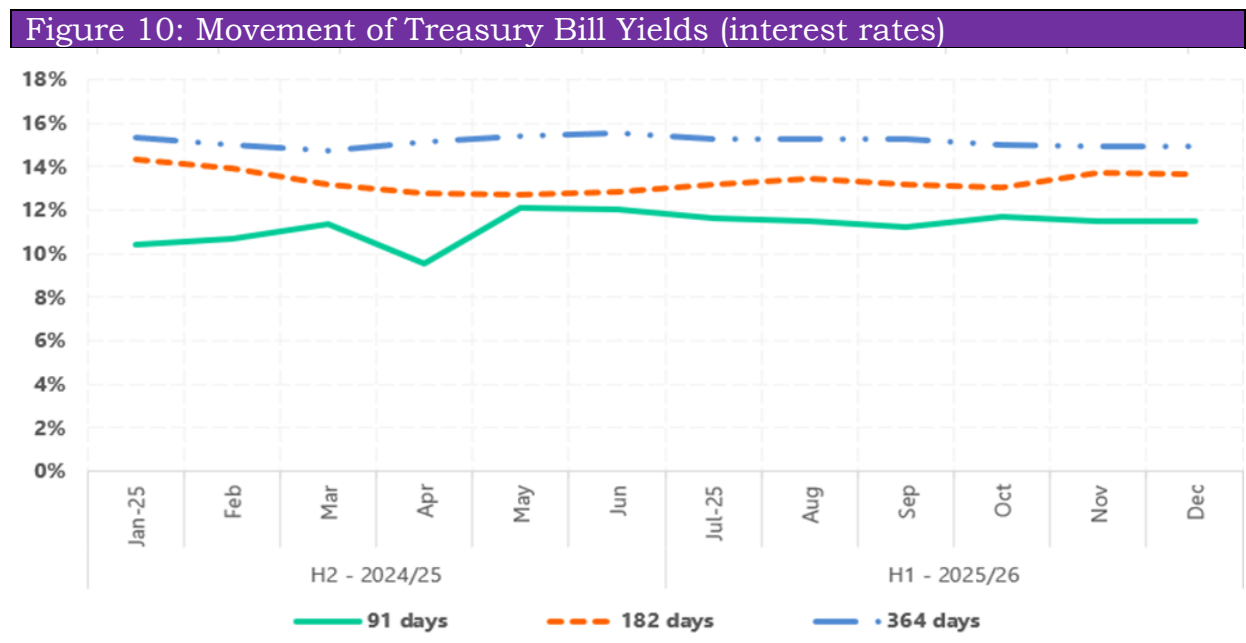
In contrast, the 364-day treasury bill yield declined marginally, averaging 15.1 percent in the first half of FY 2025/26, compared to 15.2 percent in the second half of FY 2024/25, suggesting relatively stable conditions at the longer end of the Treasury bill market despite the increase in shorter-term yields.

Table 1 shows average annualised yields on treasury Bills (%)

Table 1: Average Annualised Yields on Treasury Bills (%)				
	H2- 2023/24	H1-2024/25	H2-2024/25	H1- 2025/26
	Average	Average	Average	Average
91 days	9.9%	10.6%	11.0%	11.5%
182 days	12.6%	13.3%	13.3%	13.4%
364 days	13.3%	14.4%	15.2%	15.1%

Source: Bank of Uganda

Figure 10 Shows Movement of Treasury Bill Yields (interest rates)



Source: Bank of Uganda

## Lending to the Private Sector

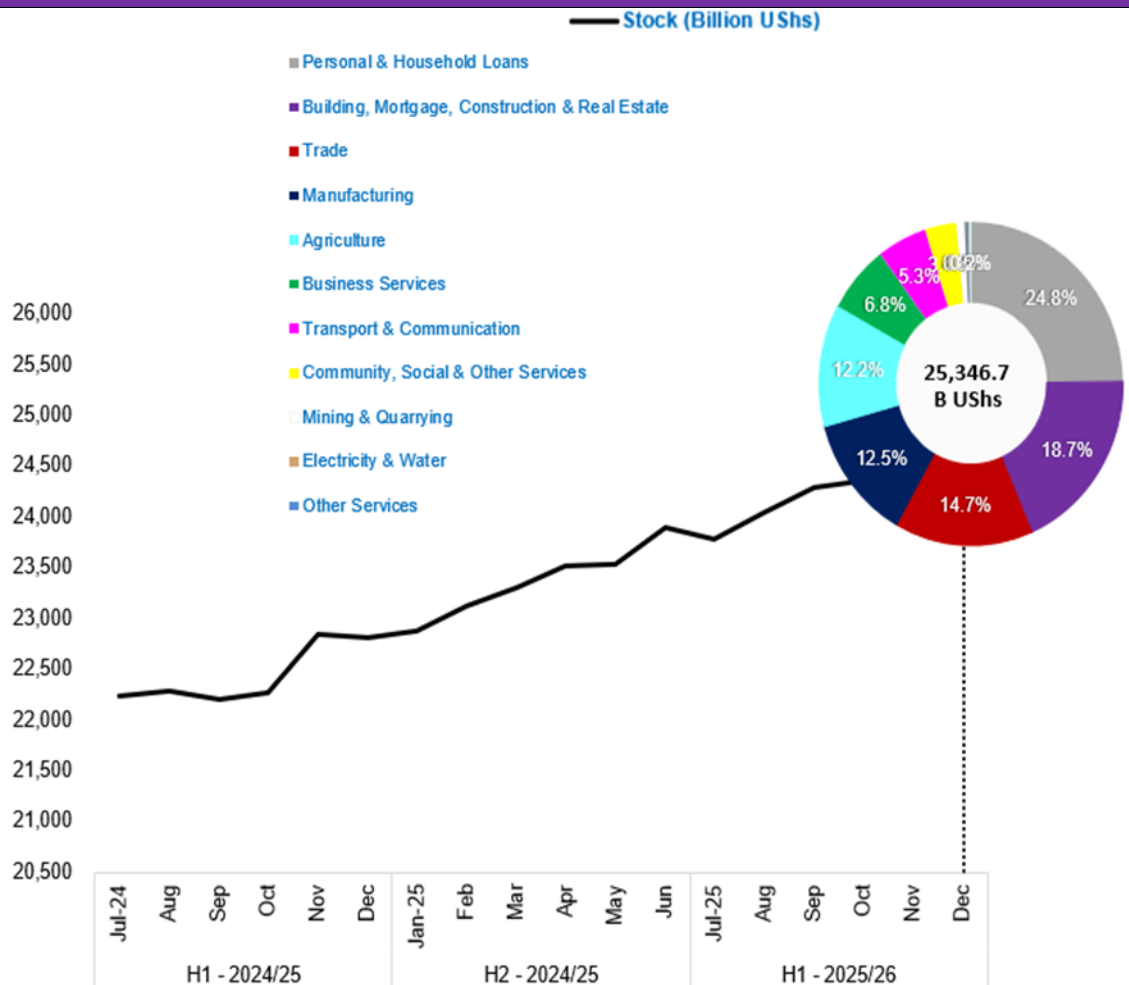
### Private Sector Credit



grew by  
**6.0%**

The stock of private sector credit continued an upward trajectory during the first half of FY 2025/26, reaching Shs 25,346.697 billion in December 2025 compared to Shs 23,901.935 billion recorded at the end of June 2025. This represents a growth of 6.0 percent over the six months, exceeding the 4.7 percent growth recorded in the six months to June 2025. The stronger growth in the stock of credit was partly driven by increased demand for credit (particularly in the trade and personal & household loan sectors) supported by improved economic activity and relatively lower lending rates observed toward the end of the review period. Figure 11 shows the stock of private sector credit and its composition.

Figure 11: Stock of Private Sector Credit



Source: Bank of Uganda

Similarly, the value of loans approved for the private sector in the first half of FY 2025/26 amounted to Shs 11,418.7 billion, up from Shs 9,443.2 billion approved in the preceding six-month period to June 2025. Compared to the second half of FY 2024/25, personal and household loans still accounted for the largest share of approved credit in the first half of FY 2025/26. This was followed by the trade sector (19.9 percent), building, construction, and real estate (12.7 percent), manufacturing (11.5 percent), and agriculture (11.4 percent).

Furthermore, a range of government-led initiatives has supported private sector expansion. Programs such as Emyooga, the Parish Development Model (PDM), Generating Growth Opportunities and Productivity for Women Enterprises (GROW), and the Agricultural Credit Facility (ACF) have continued to improve access to credit for the private sector, particularly benefiting small enterprises, farmers, and community-based groups.

### Exchange Rates

Shilling  
appreciated

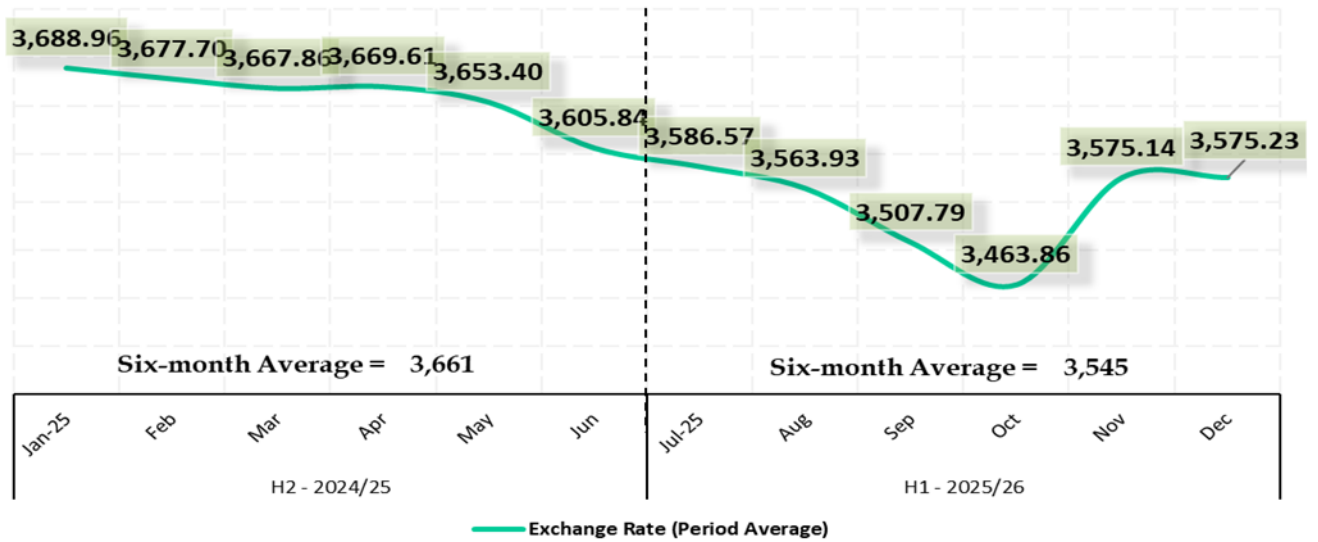


by **3.1%**  
per US\$ to  
**3,545.42**

The Uganda shilling strengthened by 0.3 percent against the US dollar during the first half of FY 2025/26 from an average midrate of Shs 3,586.57 per US dollar in July 2025 to Shs 3,575.23 per US dollar in December 2025. On a half-year comparison basis, the appreciation was more pronounced. The average exchange rate appreciated by 3.1 percent, from Shs 3,660.57 per US dollar in the second half of FY 2024/25 to Shs 3,545.42 per US dollar in the first half of FY 2025/26.

The strengthening of the shilling was largely supported by improved foreign exchange inflows, particularly from coffee and other non-coffee exports during the period under review. In addition, the global weakening of the US dollar also supported the appreciation of the shilling during the first half of FY 2025/26.

Figure 12: Official Exchange Rate Movement of UShs against US\$

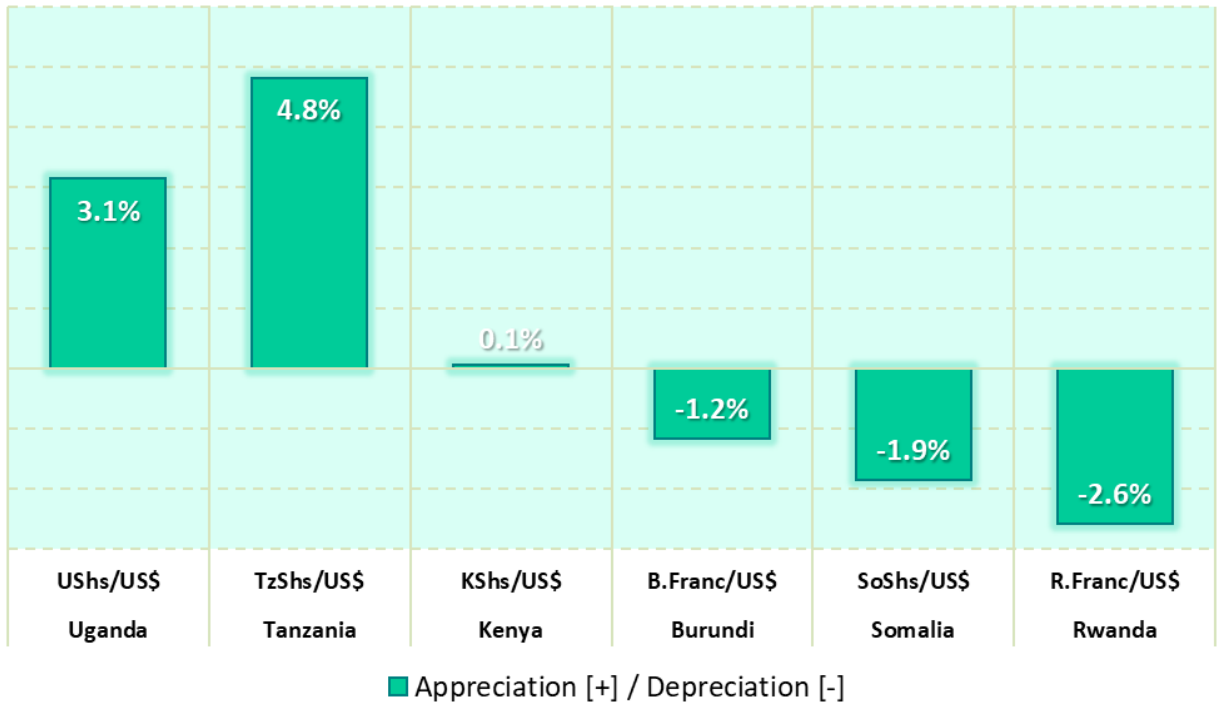


Source: Bank of Uganda

### Exchange Rates within the EAC

Except for Burundi and Rwanda, all other EAC Partner States recorded appreciations against the US dollar in the first half of FY 2025/26 compared to the second half of FY 2024/25, as illustrated in Figure 13. Specifically, the Ugandan, Tanzanian, and Kenyan shillings appreciated by 3.1 percent, 4.8 percent, and 0.1 percent, respectively. In contrast, the Rwandan Franc, Somali Shilling and Burundian Franc depreciated by 2.6 percent, 1.9 percent and 1.2 percent, respectively, against the US dollar. The Rwandan Franc weakened due to increased demand for foreign exchange to finance imports of capital goods, including machinery and construction materials for ongoing infrastructure projects. The Burundian Franc’s depreciation was mainly attributed to a weak macroeconomic environment

**Figure 13: Change in Exchange Rates (Period Average) in EAC for 2024/25 Vs 2025/26**



Source: Respective Central Banks

## External Sector

### Merchandise Trade Balance

Uganda's merchandise trade deficit with the Rest of the World narrowed by 15.2 percent in the first half of FY 2025/26, declining to USD 1,368.96 million from USD 1,615.45 million recorded in the same period of FY 2024/25. This improvement was largely driven by a strong increase in export earnings, which more than offset the rise in imports.

During the period, export receipts increased significantly by USD 2,798.17 million (61.2 percent) to USD 7,368.11 million, reflecting strong performance in key export commodities. Over the same period, imports rose by USD 2,551.68 million (41.3 percent) to USD 8,737.07 million, largely due to higher private sector demand for imported goods and inputs.

### Merchandise Exports

Uganda's merchandise exports recorded robust growth during the first half of FY 2025/26 compared to the corresponding period in FY 2024/25, with earnings rising from USD 4,596.94 million to USD 7,368.11 million. The strong performance was mainly supported by increased exports of gold, coffee, industrial products, crude oil (excluding petroleum products), base metals and related products, and sugar, among others. Collectively, these gains contributed to a 61.2 percent increase in total export earnings.

Coffee export earnings increased by 26.8 percent during the period under review, rising from USD 939.80 million in the first half of FY 2024/25 to USD 1,192.14 million in the first half of FY 2025/26. The growth in earnings was primarily driven by higher export volumes, despite the decline in global coffee prices stemming from an improved global supply outlook. The volume of coffee exports increased by 1,020,000 (60 kg) bags to a total of 4,520,000 (60 kg) bags, supported by higher domestic production. The reduction in prices was primarily driven by increased global supply and improved weather conditions in key producing regions.

Exports

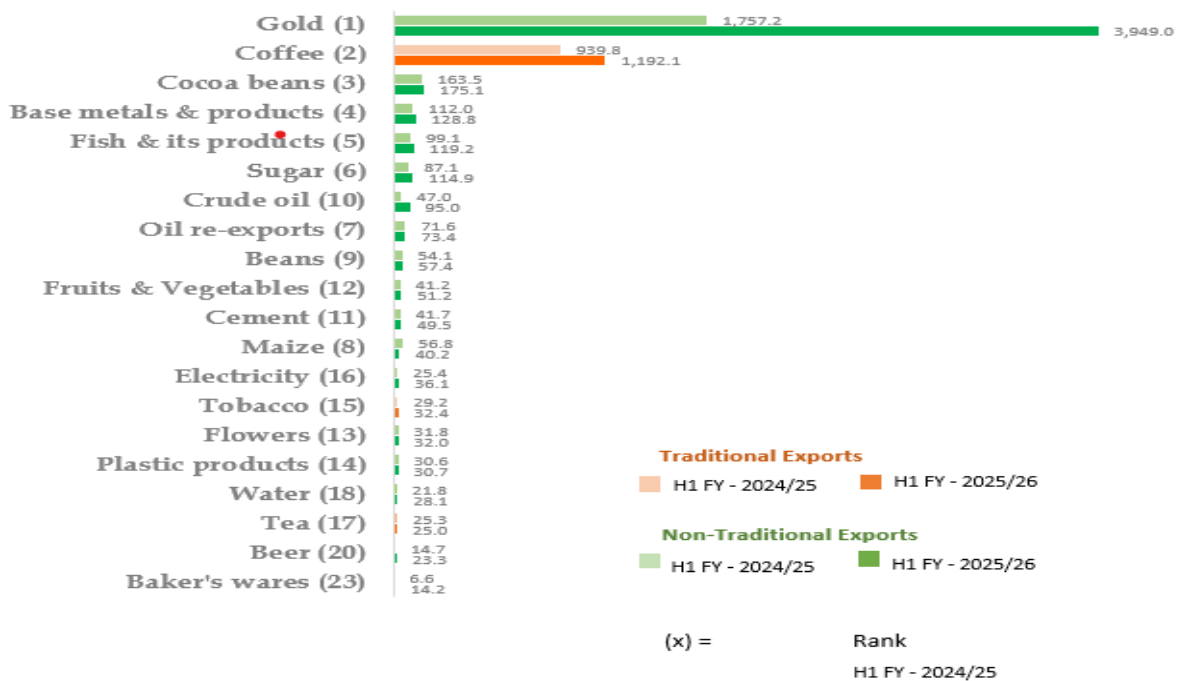
↑ Increased  
by  
**61.2%**

Although gold exports more than doubled during the period under review, increasing by 124.7 percent from USD 1,757.23 million in the first half of FY 2024/25 to USD 3,949.04 million in the first half of FY 2025/26, the net earnings from gold (exports minus imports) were approximately USD 495 million. A large share of Uganda’s gold exports reflects imported gold refined domestically and subsequently re-exported. As a result, the net foreign exchange earnings from gold are lower than the gross export value reported.

Export earnings excluding coffee and gold expanded by USD 354.03 million, underscoring continued progress toward export diversification, value addition, and the expansion of external markets.

Figure 14 shows the top 20 exports of Uganda in FY 2025/26 (US\$ Million).

**Figure 14: Top 20 Commodity Exports of Uganda in FY2025/26(US\$ Million)**



Source: MOPPED calculations based on data from BOU

Note: X - denotes the rank of the commodity in the previous Financial Year

### Destination of Exports

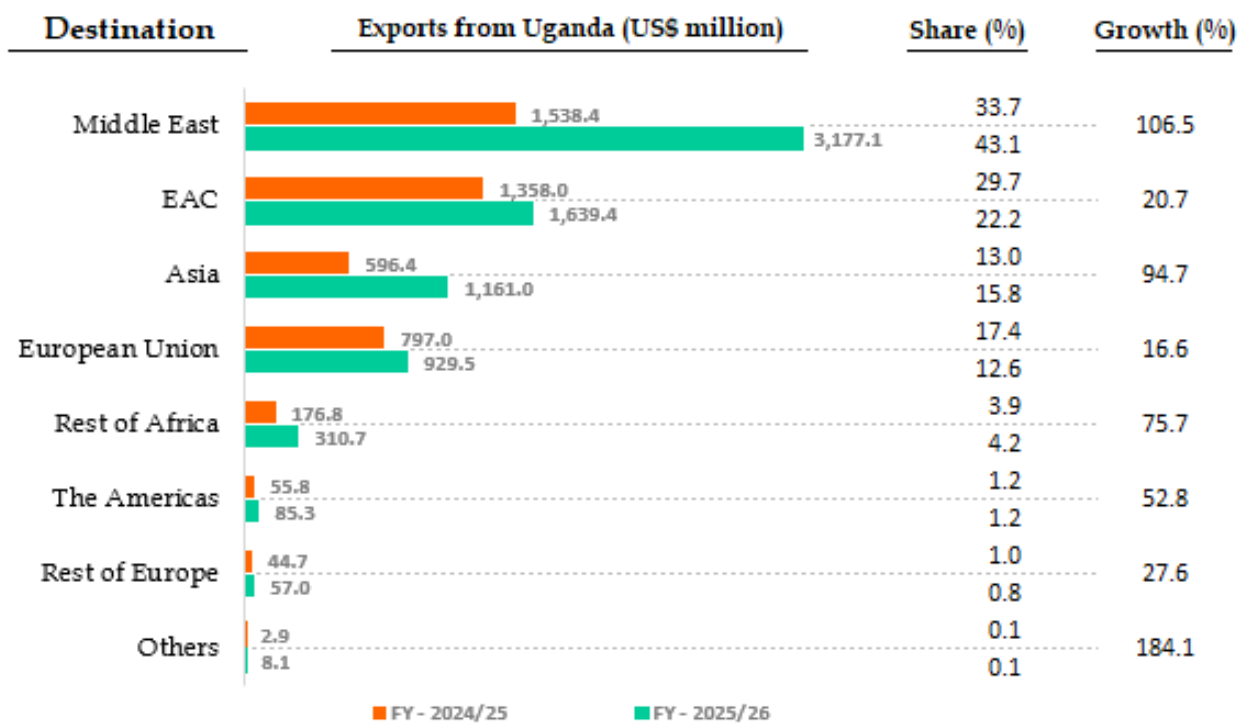
The Middle East remained Uganda’s largest export market in the first half of FY 2025/26, accounting for 43.1 percent of the overall market share. Exports to the

region more than doubled (106.5 percent), rising from USD 1,583.43 million in the first half of FY 2024/25 to 3,177.12 million in the period under review. These earnings are mainly on account of gold exports to the region. Within the Middle East, the United Arab Emirates accounts for 98.4 percent of exports to the region.

The second major destination for Uganda’s exports was the East African Community (EAC), which earned Uganda USD 1,639.37 million in the first half of FY 2025/26, up from USD 1,357.97 million in the previous period, signifying a growth of 20.7 percent. The EAC accounted for 22.2 percent of the overall market share, followed by Asia, the European Union, the rest of Africa, the Americas and Rest of Europe, accounting for 15.8 percent, 12.6 percent, 4.2 percent, 1.2 percent, and 0.8 percent, respectively. See Figure 15 below.

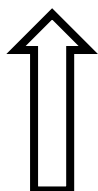
The continued diversification of export destinations to Europe, Asia, the Middle East and to the rest of Africa reinforces Uganda’s resilience against external shocks and strengthens the country’s competitiveness in global value chains.

**Figure 15: Destination of Uganda’s Exports to different Regional Blocs**



Source: MOFPED calculations based on data from BOU

## Imports



Increased  
by  
41.3%

## Merchandise Imports

Uganda's merchandise imports increased by 41.3 percent in the first half of FY 2025/26 when compared with the first half of FY 2024/25, rising from USD 6,185.39 million to USD 8,737.07 million. This growth was driven by a 45.3 percent increase in formal private sector imports (oil and non-oil), which more than offset the 74.1 percent fall in government imports.

Table 2 shows the performance of imports in US\$ million.

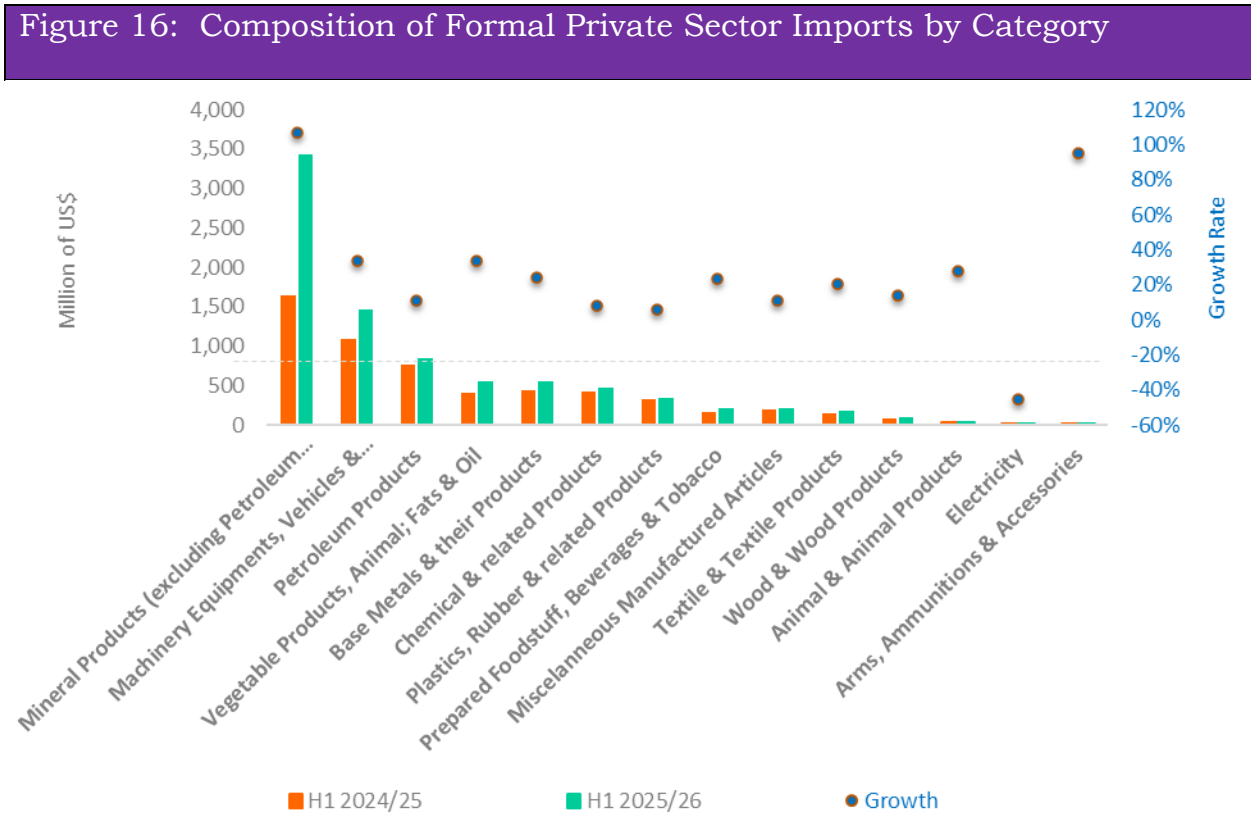
Table 2: Performance of Imports in US\$ million

	H1 FY 2024/25	H1 FY 2025/26	Difference (value)	Growth Rate
<b>Total Imports (f.o.b)</b>	6,185.4	8,737.1	2,551.7	41.3%
Government Imports	201.1	52.0	-149.1	-74.1%
Project	164.4	52.0	-112.4	-68.4%
Non-Project	36.7	0.0	-36.7	-100.0%
Formal Private Sector Imports	5,924.7	8,607.4	2,682.7	45.3%
Oil imports	778.4	862.1	83.7	10.8%
Non-oil imports	5,146.3	7,745.3	2,599.0	50.5%
Estimated Private Sector Imports	59.6	77.7	18.1	30.3%
<b>Total Private Sector Imports</b>	<b>5,984.3</b>	<b>8,685.1</b>	<b>2,700.8</b>	<b>45.1%</b>

Source: Bank of Uganda

The growth of non-oil formal private sector imports was largely attributed to an increased importation of mineral products (excluding petroleum products), machinery equipment, vehicles & accessories, vegetable products, animal fats & oils, base metal & their products, and prepared foodstuff, beverages & tobacco, among others. Most of these are intermediate products that are expected to boost the productive capacity of the economy

Figure 16: Composition of Formal Private Sector Imports by Category



Source: Bank of Uganda

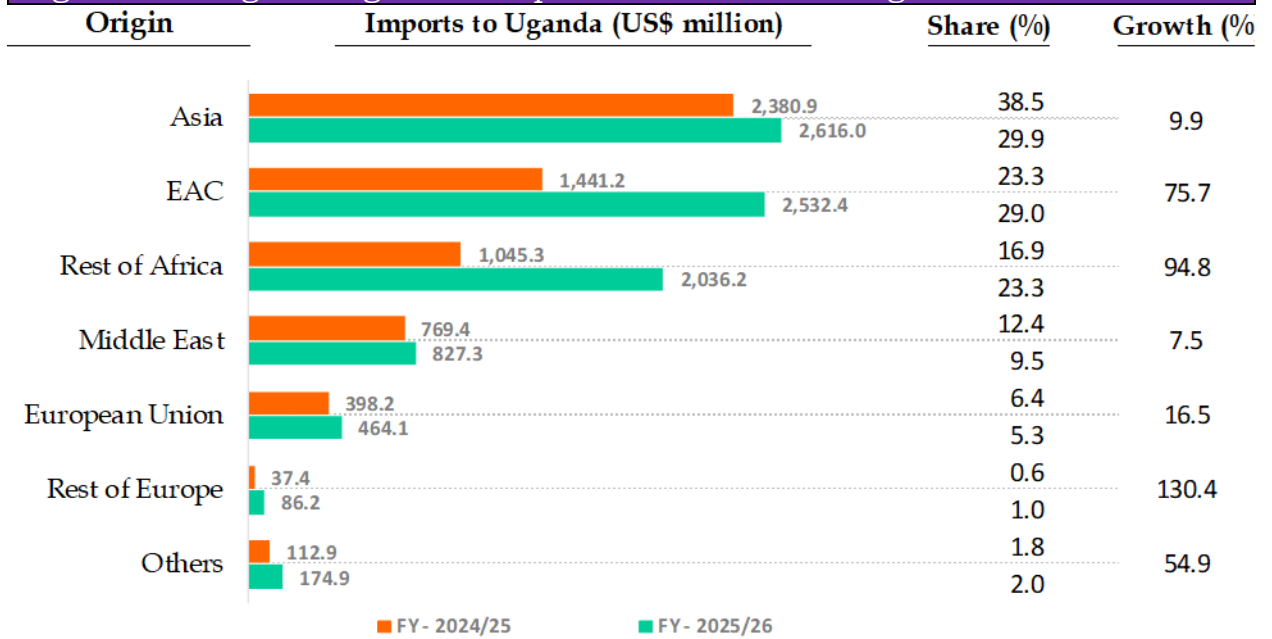
Note: Commodity category is according to the Harmonised Coding System

### Origin of Imports

Asia remained the leading source of imports for Uganda in the first half of FY 2025/26, with imports growing by 9.9 percent, to USD 2,615.96 million from USD 2,380.91 million in the first half of FY 2024/25, accounting for 29.9 percent of the overall import bill. The EAC came in second place, contributing 29.0 percent to the import bill, followed by the Rest of Africa, the Middle East, the European Union, and the Rest of Europe, accounting for 23.3 percent, 9.5 percent, 5.3 percent, and 1.0 percent, respectively. See figure 17.

Within Asia, most of the trade took place with China, India, and Japan. Within the EAC, Tanzania and Kenya were the main sources of Uganda’s imports, collectively accounting for 97.4 percent of imports from the region.

Figure 17: Origin of Uganda’s Imports from different Regional Blocs



Source: MOPPED calculations based on data from BOU

### Trade with the EAC

Uganda’s trade (Exports plus Imports) with the East African Community (EAC) expanded significantly during the first half of FY 2025/26, with total trade rising by 49.0 percent to USD 4,171.72 million, up from USD 2,799.10 million recorded in the same period of FY 2024/25.

Despite this strong growth, Uganda registered a trade deficit of USD 892.98 million, representing significant widening compared to the deficit of USD 83.18 million recorded in the corresponding period last financial year. The deterioration in the trade balance was largely driven by growth in imports which more than offset the growth in exports, particularly due to some outstanding non-tariff barriers.

While Uganda’s exports to Kenya increased modestly by 2.0 percent, imports from Kenya more than doubled, resulting in a substantial widening of the bilateral deficit from USD 76 million to USD 592.3 million. Similarly, trade with Tanzania recorded a marked imbalance. Imports rose by more than 50 percent, increasing from USD 959.26 million in the first half of FY 2024/25 to USD

1,507.45 million in the first half of FY 2025/26, while exports declined by 15.0 percent. Consequently, the trade deficit with Tanzania widened by 67.0 percent to USD 1,409.26 million, up from USD 843.70 million in the previous period.

In contrast, Uganda maintained trade surpluses with several regional partners, including the Democratic Republic of Congo, South Sudan, Rwanda, and Burundi, recording surpluses of USD 635.39 million, USD 254.37 million, USD 184.85 million, and USD 33.98 million, respectively.

Overall, export growth to the region remained moderate, increasing by 20.7 percent from USD 1,357.97 million to USD 1,639.37 million. However, this was outpaced by a sharp rise in imports, which surged by 75.7 percent from USD 1,441.15 million to USD 2,532.35 million. As a result, the faster growth in imports compared to exports largely explains the widening regional trade deficit during the period under review. Table 3 shows Uganda's trade with EAC partner states.

Kenya	Exports	359.4	366.4	2.0%
	Imports	435.9	958.7	119.9%
	Trade Balance	-76.5	-592.3	673.8%
Tanzania	Exports	115.6	98.2	-15.0%
	Imports	959.3	1,507.5	57.1%
	Trade Balance	-843.7	-1,409.3	67.0%
Congo (D.R.)	Exports	440.3	663.7	50.7%
	Imports	14.1	28.3	101.1%
	Trade Balance	426.3	635.4	49.1%
Rwanda	Exports	150.1	200.4	33.5%
	Imports	6.7	15.6	131.3%
	Trade Balance	143.4	184.9	28.9%
Burundi	Exports	36.3	36.1	-0.7%
	Imports	1.0	2.1	98.9%
	Trade Balance	35.3	34.0	-3.7%
South Sudan	Exports	256.3	274.6	7.2%
	Imports	24.1	20.2	-16.1%
	Trade Balance	232.1	254.4	9.6%
EAC EXPORTS		1,358.0	1,639.4	20.7%
EAC IMPORTS		1,441.2	2,532.4	75.7%
<b>EAC TRADE BALANCE</b>		<b>-83.2</b>	<b>-893.0</b>	<b>973.6%</b>

Source: Bank of Uganda

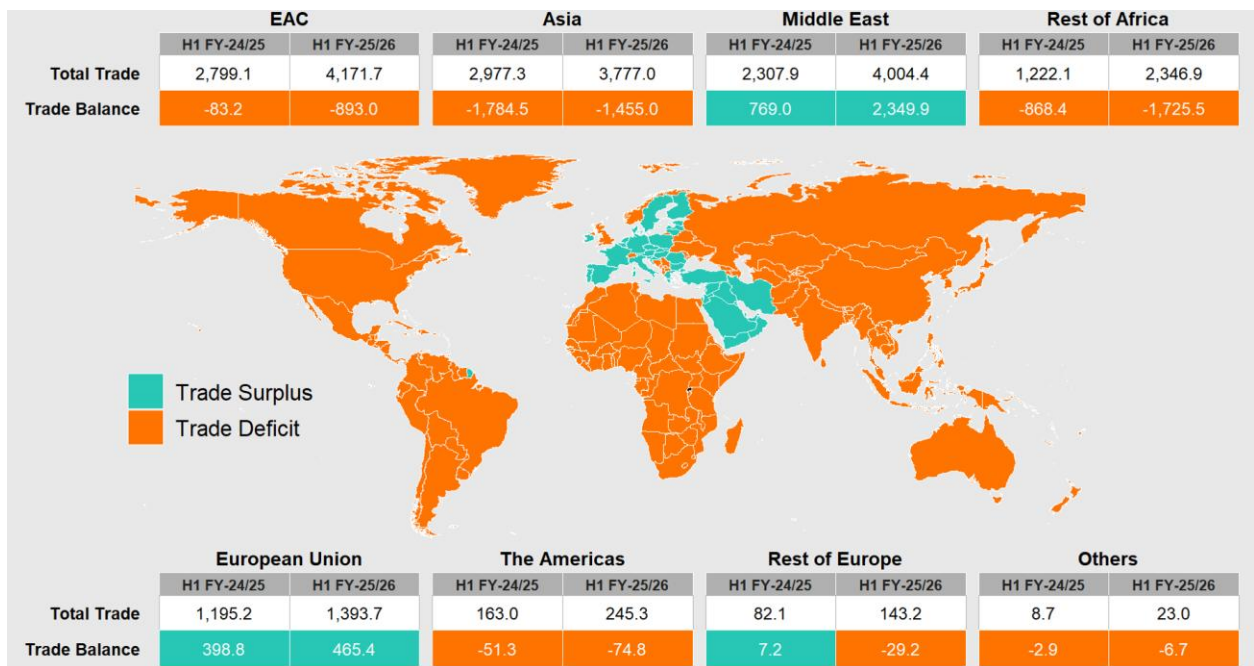
### Main Trade Partners

In the first half of FY 2025/26, EAC was Uganda’s leading trading partner, with total trade rising by 49 percent to USD 4,171.7 million from USD 2,799.1 million in the first half of FY 2024/25, primarily driven by a significant increase in imports from the region. This was followed by the Middle East, whose total trade with Uganda rose by 73.5% to USD 4,004.4 million from USD 2,307.9 million.

In addition, Uganda recorded a trade surplus of 465.41 million with the European Union while deficits were recorded with Asia amounting to USD 1,454.96 million. Uganda also continued to register trade deficits with the rest of Europe, the rest of Africa, and other regions.

Figure 18 shows Uganda’s Trade Balance across Regional Blocs in FY 2025/26

Figure 18: Uganda’s Trade Balance across Regional Blocs in FY 2025/26 (US\$ Million)



Source: MOPPED calculations based on data from BOU

## Other Balance of Payments (BOP) transactions

### International reserves

As of December 2025, the stock of international reserves stood at USD 5,991.08 million, equivalent to 4.2 months of future imports of goods and services. This represents a significant improvement compared to USD 3,302.80 million recorded at the end of December 2024, which was equivalent to 2.3 months of import cover. The increase in gross reserves was partly driven by a surge in export earnings from coffee, stronger offshore portfolio inflows, and the accumulation of gold to strengthen the country's reserve position.

### Tourism/Travel

Earnings from tourism increased modestly from USD 423.61 million in Q1 FY 2024/25 to USD 462.08 million in Q1 FY 2025/26. This gradual growth is consistent with government efforts to position Uganda as a premier tourist destination offering diverse and unique experiences. Tourism earnings are expected to strengthen further following the introduction of the new National Tourism Policy, which aims to raise annual tourism receipts to USD 4 billion and double international arrivals to 2.4 million people over the next five years.

### Remittances

Remittances remained resilient at USD 351.11 million in the first quarter of FY 2025/26, continuing to provide strong support to the external sector despite a slight decline from the USD 395.53 million recorded in the first quarter of FY 2024/25.

### Foreign Direct Investment

Foreign Direct Investment (FDI) remained strong at USD 820.72 million in the first quarter of FY 2025/26, despite a slight moderation of 6.4 percent from USD 876.75 million recorded in the same period of FY 2024/25. This reflects the investments in the oil and gas sector as the country advances towards first oil, expected in FY 2026/27.

# **FISCAL SECTOR PERFORMANCE**

## Chapter II: Fiscal Sector Performance

### Overview

FY2025/26 is the first year of implementation of both the fourth National Development Plan (NDP IV) and the government's flagship Ten-fold Growth strategy, which aims at expanding the size of the economy to USD 500 billion by 2040. As such, the government's fiscal strategy in FY2025/26 and the medium term aims at shifting the economic growth path to a higher and sustainable level by tapping into new sources of growth and enhancing existing ones. Therefore, the approved budget for the fiscal year focused resources on areas that have high economic and employment impact and are transformative in nature.

The planned expenditure (excluding debt repayments) for the first half of FY2025/26 was Shs 22,547.85 billion, while planned total revenues (including grants) were Shs 18,493.03 billion for the period. As a result, the expected fiscal deficit (net borrowing) for the first half of FY2025/26 was Shs 4,054.83 billion.

### Overview of Fiscal Outturns in the first half of FY 2025/26

During the first half of this financial year (FY2025/26), government operations resulted in a fiscal deficit (net borrowing) of Shs 6,526.37 billion. This was higher than the Shs 4,054.83 billion deficit projected mainly on account of higher than planned expenditures, coupled with lower than anticipated revenues over this period.

Revenue (including grants) amounted to Shs 17,113.46 billion, which was 7.5 percent lower than the anticipated Shs 18,493.03 billion for this period. This was as a result of domestic revenues and grants from development partners being lower than their respective targets for the first six months of the financial year.

On the other hand, government expenses surpassed the Shs 18,384.94 billion programmed for the first half of FY2025/26 by 9.0 percent, owing to higher

than planned spending on the purchase of goods & services and grants to other government agencies. The higher fiscal deficit during the first half of the financial year partly reflects increased expenditure associated with preparations for the 2026 general elections and continued implementation of priority development programmes for the first half of FY2025/26 as shown in table 4 below.

Table 4: Fiscal Operations in FY 2025/26 (Billion shillings)				
H1 - FY2025/26 (Bn Shs)	BUDGET	OUTTURN	PERFORMANCE	DEVIATION
<b>Revenue</b>	<b>18,493.03</b>	<b>17,113.46</b>	<b>92.5%</b>	<b>(1,379.57)</b>
<b>Domestic Revenues</b>	<b>17,779.63</b>	<b>16,697.36</b>	<b>93.9%</b>	<b>(1,082.28)</b>
o/w Taxes	16,243.86	15,459.14	95.2%	(784.72)
o/w Other revenue (NTR)	1,535.77	1,238.21	80.6%	(297.56)
<b>Grants</b>	<b>713.40</b>	<b>416.10</b>	<b>58.3%</b>	<b>(297.29)</b>
o/w Budget Support grants	27.10	53.56	197.7%	26.46
o/w Project grants	686.30	362.54	52.8%	(323.76)
<b>Expense</b>	<b>18,384.94</b>	<b>20,043.54</b>	<b>109.0%</b>	<b>1,658.60</b>
Compensation of employees	3,062.36	2,912.52	95.1%	(149.85)
Purchase of goods and services	3,990.61	4,863.02	121.9%	872.41
Interest	5,485.33	5,193.35	94.7%	(291.98)
o/w: domestic	4,552.29	4,480.28	98.4%	(72.01)
o/w: foreign	933.04	713.07	76.4%	(219.97)
Grants	4,868.25	5,877.60	120.7%	1,009.35
Social benefits	414.68	388.08	93.6%	(26.60)
Other expense	563.71	808.97	143.5%	245.26
<b>Gross operating balance</b>	<b>108.09</b>	<b>(2,930.08)</b>	<b>-2710.8%</b>	<b>(3,038.17)</b>
TRANSACTIONS IN NONFINANCIAL ASSETS:				
<b>Net Acquisition of Nonfinancial Assets</b>	<b>4,162.91</b>	<b>3,596.29</b>	<b>86.4%</b>	<b>(566.62)</b>
Fixed assets	4,057.72	3,565.22	87.9%	(492.51)
Nonproduced assets	105.19	31.07	29.5%	(74.12)
<b>Net lending / borrowing</b>	<b>(4,054.83)</b>	<b>(6,526.37)</b>		
TRANSACTIONS IN FINANCIAL ASSETS AND LIABILITIES (FINANCING):				
<b>Domestic</b>	<b>(2,090.92)</b>	<b>(5,727.38)</b>	<b>273.9%</b>	<b>(3,636.46)</b>
<b>Bank financing</b>	<b>1,162.19</b>	<b>2,880.36</b>	<b>247.8%</b>	<b>1,718.17</b>
<b>Bank of Uganda</b>	<b>10,722.79</b>	<b>2,880.36</b>	<b>26.9%</b>	<b>(7,842.43)</b>
<b>Commercial Banks</b>	<b>(9,560.60)</b>	<b>(845.01)</b>	<b>8.8%</b>	<b>8,715.59</b>
<b>Non Bank Financing</b>	<b>(4,253.10)</b>	<b>(7,762.72)</b>	<b>182.5%</b>	<b>(3,509.62)</b>
<b>Foreign</b>	<b>(2,154.84)</b>	<b>(1,421.70)</b>	<b>66.0%</b>	<b>733.14</b>
<b>Disbursement</b>	<b>4,967.82</b>	<b>3,436.46</b>	<b>69.2%</b>	<b>(1,531.36)</b>
Project loans	2,521.20	843.04	33.4%	(1,678.16)
Budget Support loans	2,446.63	2,593.43	106.0%	146.80
<b>Amortization (-)</b>	<b>(2,252.67)</b>	<b>(2,014.77)</b>	<b>89.4%</b>	<b>237.90</b>
<b>Errors and Omissions</b>	<b>-</b>	<b>272.30</b>		

Source: Ministry of Finance, Planning and Economic Development

## **Total Revenues (Including Grants)**

### **Revenues**

Total revenue in the first half of FY2025/26 amounted to Shs 17,113.46 billion, against a target of Shs 18,493.03 billion, resulting in a shortfall of Shs 1,379.57 billion and a performance rate of 92.5 percent. The underperformance was registered under both domestic revenues (short of target by 6.1 percent) and grants (41.7 percent below target).

### **Tax Revenues**

Total tax collections during the first half of FY2025/26 amounted to Shs 15,459.14 billion, which was Shs 784.72 billion below the target. The shortfall was observed across all major tax categories, including direct taxes, indirect domestic taxes, and international trade taxes. However, despite missing the target, tax revenue still grew by 7.8 percent compared to the same period in FY 2024/25.

### **Direct Domestic Taxes**

Direct domestic tax collections amounted to Shs 5,881.84 billion, registering a shortfall of Shs 307.03 billion against a target of Shs 6,188.87 billion in the first half of FY2025/26. This outcome was mainly attributed to underperformance in Pay-As-You-Earn (PAYE), withholding taxes, and corporate income tax (CIT) collections, among others.

The underperformance of PAYE was mainly due to delays in remitting PAYE by some government entities and reduced employment levels in the Non-Governmental Organizations (NGO) sector. The decline in NGO employment followed reduced donor funding after the suspension of some USAID-supported projects, including TASO and African Initiatives for Relief and Development.

The shortfall in corporate income tax was mainly due to lower-than-expected profits, particularly in the electricity sector following UMEME's exit, the

financial sector due to Standard Chartered Bank's shift from retail to corporate banking, and the manufacturing sector.

Other direct domestic tax categories that also recorded shortfalls included rental income tax, tax on bank interest and presumptive tax among others. Overall, all direct domestic categories registered shortfalls, except for treasury bills and bonds tax and casino tax.

### **Indirect Domestic Taxes**

Collections from indirect domestic taxes during the period under review recorded a shortfall of Shs 204.50 billion against a target of Shs 4,181.31 billion as both excise duty and Value Added Tax (VAT) registered shortfalls. Excise duty was below the target for the period by Shs 86.81 billion, while Value Added Tax (VAT) was below the target by Shs 117.69 billion.

The excise duty shortfall was mainly due to lower-than-expected collections from phone talk time as more people shifted to data-based communication instead of voice calls. Collections from spirits were also affected by the prevalence of illicit alcohol, while soft drink revenues declined due to reduced sales volumes.

VAT underperformance was largely registered in the mining & quarrying and oil & gas sectors, partly due to increased exempt local sales and growth in VAT deemed sales. In addition, underperformance in wholesale and retail trade was attributed to selective issuance of EFRIS invoices, while the sugar sector recorded lower VAT collections, largely due to repairs and maintenance of plant and machinery at Kinyara Sugar Limited.

### **Taxes on International Trade and Transactions**

Tax collections from international trade amounted to Shs 5,917.03 billion in the first half of the FY2025/26, falling short of the target by Shs 339.40 billion. The shortfall was mainly due to lower than programmed collections from import duty and VAT on imports.

The underperformance in VAT on imports was largely attributed to slower than projected growth in imports of selected vatable goods, including ferrous scrap, tractors, liquid gas, electricity supply equipment, and cane and beet sugar. Similarly, the shortfall in import duty collections was driven by a slower than anticipated growth in the value of key dutiable imports such as woven fabrics, cane and beet sugar, rolled iron, paper, and acrylic polymers, among others.

However, on a positive note, collections from infrastructure levy, import levy, withholding tax on imports, export levy, and petroleum duty exceeded their respective targets, registering surpluses during the period under review.

Table 5: Details of Domestic Revenue in US\$ Billion

	H1 FY2025/26 Target	H1 FY2025/26 Ottun	Deviation	Performance	Growth
<b>Total Net Revenues (Net Tax+NTR)</b>	<b>17,779.63</b>	<b>16,697.36</b>	<b>(1,082.28)</b>	<b>93.9%</b>	<b>▲ 8.2%</b>
<b>Total NTR</b>	<b>1,535.77</b>	<b>1,238.21</b>	<b>(297.56)</b>	<b>80.6%</b>	<b>▲ 13.4%</b>
<b>Net Tax Revenues</b>	<b>16,243.86</b>	<b>15,459.14</b>	<b>(784.72)</b>	<b>95.2%</b>	<b>▲ 7.8%</b>
<b>DIRECT DOMESTIC</b>	<b>6,188.87</b>	<b>5,881.84</b>	<b>(307.03)</b>	<b>95.0%</b>	<b>▲ 3.1%</b>
PAYE	2,715.83	2,615.20	(100.63)	96.3%	▲ 4.5%
Corp tax	1,512.06	1,473.49	(38.57)	97.4%	▼ 6.0%
Presumptive Tax	9.22	8.56	(0.67)	92.8%	▼ 5.0%
Other non-PAYE	63.16	46.37	(16.79)	73.4%	▼ 25.2%
WHT	1,071.86	977.57	(94.29)	91.2%	▲ 9.2%
Rental Income	205.50	159.18	(46.32)	77.5%	▼ 2.3%
Tax on bank interest	122.36	93.88	(28.48)	76.7%	▼ 7.9%
Treasury bills	415.81	423.76	7.95	101.9%	▲ 27.3%
Casino & Lottery	73.06	83.84	10.78	114.8%	▲ 15.2%
<b>INDIRECT DOMESTIC</b>	<b>4,181.31</b>	<b>3,976.81</b>	<b>(204.50)</b>	<b>95.1%</b>	<b>▲ 14.4%</b>
<b>Excise</b>	<b>1,387.77</b>	<b>1,300.96</b>	<b>(86.81)</b>	<b>93.7%</b>	<b>▲ 11.9%</b>
o/w Cigarettes	11.90	10.18	(1.73)	85.5%	▲ 0.9%
Beer	264.36	255.99	(8.37)	96.8%	▲ 12.9%
Spirits/Waragi	151.07	127.17	(23.90)	84.2%	▲ 0.8%
Wines	0.46	1.17	0.71	253.8%	▲ 902.2%
Soft Drinks	156.84	140.80	(16.04)	89.8%	▲ 11.6%
Phone Talk time	219.45	188.97	(30.48)	86.1%	▲ 16.5%
Sugar	30.51	25.05	(5.46)	82.1%	▼ 5.3%
Bottled Water	29.51	30.97	1.46	105.0%	▲ 18.7%
Cement	29.15	28.67	(0.48)	98.4%	▲ 19.8%
Adhesives, grout, white cement and	0.06	0.01	(0.05)	20.0%	▲ 17.4%
Cosmetics	11.18	9.10	(2.08)	81.4%	▲ 5.7%
Money transfer	123.24	133.77	10.53	108.5%	▲ 19.6%
International Calls	16.61	7.14	(9.46)	43.0%	▼ 36.0%
Bank charges	79.97	75.21	(4.76)	94.0%	▲ 14.7%
Cooking oil	32.35	33.77	1.42	104.4%	▲ 18.2%
Levy on Cash Withdrawals	137.66	129.67	(7.99)	94.2%	▲ 11.3%
Internet Data	87.17	91.26	4.08	104.7%	▲ 5.5%
Plastic shopping bags	3.27	10.24	6.97	313.2%	▲ 191.5%
Motor vehicle lubricants	2.75	1.78	(0.97)	64.7%	▼ 30.5%
Other fumitures	0.26	0.05	(0.21)	19.0%	▼ 68.4%
<b>VAT</b>	<b>2,793.54</b>	<b>2,675.85</b>	<b>(117.69)</b>	<b>95.8%</b>	<b>▲ 15.6%</b>
o/w Manufacturing	-	1,392.84	1,392.84	-	▲ 15.9%
Services	-	584.48	584.48	-	▲ 26.9%
Agriculture	14.08	14.82	0.75	105.3%	▲ 29.7%
Construction	93.01	114.64	21.62	123.2%	▲ 35.6%
Wholesale & retail trade; repairs	305.31	291.62	(13.69)	95.5%	▲ 18.5%
Hotels & restaurants	77.86	78.52	0.66	100.8%	▲ 17.8%
Transport & communications	34.58	36.50	1.92	105.6%	▼ 65.3%
Real estate activities	140.37	140.83	0.46	100.3%	▲ 16.4%
Public administration & defence	11.66	19.82	8.16	170.0%	▲ 130.7%
Mining & quarrying	24.52	9.77	(14.75)	39.8%	▼ 6.7%
Oil and Gas	7.95	6.84	(1.11)	86.1%	▼ 19.8%
<b>INTERNATIONAL TRADE</b>	<b>6,256.43</b>	<b>5,917.04</b>	<b>(339.40)</b>	<b>94.6%</b>	<b>▲ 8.8%</b>
Petroleum	1,899.97	1,904.84	4.87	100.3%	▲ 6.9%
Import Duty	1,399.47	1,217.50	(181.98)	87.0%	▼ 0.7%
Import Levy	39.61	118.74	79.13	299.8%	-
Excise Duty	164.67	103.30	(61.38)	62.7%	▼ 26.8%
VAT	2,218.87	1,969.15	(249.72)	88.7%	▲ 5.3%
WHT	147.27	158.13	10.86	107.4%	▲ 45.4%
Surcharge	191.37	165.38	(25.99)	86.4%	▲ 5.4%
Temporary road license	77.79	64.87	(12.92)	83.4%	▲ 10.5%
Infrastructure levy	95.11	181.23	86.12	190.5%	▲ 163.5%
Export levy	22.29	33.90	11.61	152.1%	▲ 44.2%
<b>Tax Refunds</b>	<b>(466.58)</b>	<b>(367.17)</b>	<b>99.41</b>	<b>78.7%</b>	<b>▲ 6.0%</b>
<b>Stamp Duty &amp; embossing</b>	<b>83.83</b>	<b>50.63</b>	<b>(33.20)</b>	<b>60.4%</b>	<b>▼ 20.0%</b>

Source: Ministry of Finance, Planning and Economic Development, URA

## **Non-Tax Revenue**

Other revenue (non-tax revenue) collections amounted to Shs 1,238.21 billion, representing 80.6 percent of the target of Shs 1,535.77 billion. The underperformance was mainly driven by lower than targeted collection of motor vehicle fees (Shs 73.36 billion), land transfer fees (Shs 58.65 billion), and driver permit fees (Shs 39.03 billion), among others.

## **Grants**

Total grants received during the period amounted to Shs 416.10 billion, against a target of Shs 713.40 billion, resulting in a shortfall of Shs 297.29 billion. The underperformance was mainly attributed to project grants, which registered a shortfall of Shs 323.76 billion, largely due to delays in project implementation, thereby slowing down disbursement.

On the other hand, budget support grants during this period amounted to Shs 53.56 billion, mainly funding the Uganda Intergovernmental Fiscal Transfers (UgIFT) program aimed at improving service delivery on a local government level.

## **Expenditure**

### **Expenses**

During the first half of FY 2025/26, government expenses amounted to Shs 20,043.54 billion, implying a 109.02 percent performance against the programmed Shs 18,384.94 billion. This performance was mainly driven by higher than planned spending on goods and services, grants from the central government to local governments and other government agencies, as well as other expenses during the period. This was due to additional funds required for preparations of the 2026 general elections and to support improved service delivery in the education, health, and transport sectors.

However, spending on compensation of employees during the first half of the year was lower than planned, falling short of the programmed Shs 3,062.36

billion by Shs 146.85 billion. This underperformance was partly due to lower spending on allowances, as MDAs focused on activities that did not require allowances during this period. Interest payments were also lower than projected, mainly due to the appreciation of the shilling, which resulted in lower external interest payments. Additionally, domestic interest payments also turned out lower than initially anticipated during the first half of FY 2025/26.

### **Acquisition of non-financial assets**

Net acquisition of non-financial assets during the first half of FY 2025/26 amounted to Shs 3,596.29 billion, an 86.4 percent performance against the programmed Shs 4,162.91 billion. This performance was mainly due to the slow implementation of externally funded development projects, caused by inadequate counterpart funding and lengthy procurement processes that delayed disbursement. However, in the second half of the financial year, procurements are expected to be completed, and performance of externally funded projects is projected to improve significantly.

### **Financing**

The government's operations in the first half of FY 2025/26 resulted in a net borrowing requirement of Shs 6,526.37 billion, which was financed from the domestic market and external sources.

The deficit was partly financed through domestic borrowing amounting to Shs 5,727.38 billion. In addition, the government received Shs 3,436.46 billion from external development partners. However, after external debt repayments of Shs 2,014.77 billion, net external financing amounted to Shs 1,421.70 billion.

### **Compliance with the Charter for Fiscal Responsibility**

The Charter for Fiscal Responsibility (CFR) presents the government's strategy for operating fiscal policy, which is consistent with sustainable fiscal balances and the maintenance of prudent and sustainable levels of public debt over the medium term.

FY 2025/26 is the final year in which the government's fiscal policy is underpinned by the second Charter for Fiscal Responsibility (FY 2021/22–FY 2025/26). The measurable fiscal objectives in the Charter require the following in FY2025/26:

- i. Total public debt in nominal terms not exceeding 50 percent of GDP.
- ii. Total domestic debt interest payments to total revenues (excluding grants) reduced to 12.5 percent.
- iii. The overall fiscal balance, including grants, is not more than 3.0 percent.
- iv. The ratio of non-oil revenue to GDP is higher than 15.9 percent.

Given that these are annual targets, an assessment of compliance for FY2025/26 will be made in the Annual Macroeconomic and Fiscal Performance Report to be presented to Parliament by the Minister of Finance in October 2026.

However, for the financial year 2024/25, the nominal debt-to-GDP ratio was estimated to be 50.9 percent of GDP, which was well within the charter target of 51.2 percent. On the other hand, the fiscal deficit was 5.8 percent of GDP, higher than the Charter target of 4.2 percent of GDP. This was mainly due to higher expenditure needs, to cater for the emerging needs like unforeseen climate change outcomes, the UMEME buyout, and other emerging sector priorities.

### **Status of the Petroleum Fund**

The opening balance on the petroleum fund for the first half of FY2025/26 was Shs 131.27 billion. During the six months of July–December 2025, the financial position of the fund increased by Shs 80.98 billion. As a result, the closing balance of the petroleum fund as at 31<sup>st</sup> December 2025 was Shs 212.53 billion. Table 6 below provides a summary of the petroleum fund during this period.

**Table 6: Summary of the Petroleum Fund in H1 FY 2025/26**

	<b>H1 FY2025/26</b>
Net worth Last Year (B/F)	131,272,904,122
Revaluation Reserve (Unrealized gains/losses)	282,989,719
Add: Excess of revenue over expenditure for the Year <i>(See Statement of Financial Performance)</i>	80,977,137,379
<b>Closing Net Financial Worth</b>	<b>212,533,031,220</b>

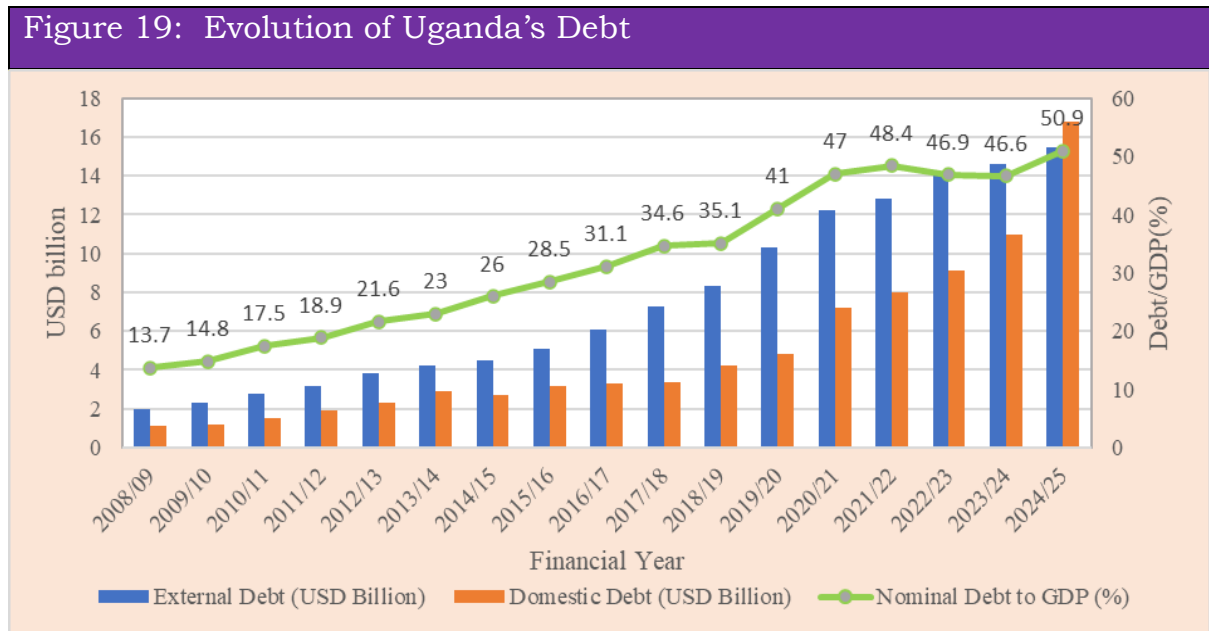
### Debt Sustainability Analysis

Uganda's debt stock increased from USD 25.59 billion in FY 2023/24 to USD 32.24 billion in FY 2024/25. As a percentage of GDP, public sector debt increased from 46.6 percent in FY 2023/24 to 50.9 percent in FY 2024/25. External debt accounted for 24.4 percent of GDP, while domestic debt contributed 26.5 percent of GDP. In Present Value (PV) terms, public sector debt increased to 45.3 percent of GDP at the end of June 2025 from 40.4 percent of GDP the year before. The increase in public debt was partly driven by the recognition of government securities issued to the Bank of Uganda, as well as increased borrowing to finance strategic investments, particularly in the oil and gas sector and infrastructure development.

Over the medium term, Uganda's public debt in present value terms is projected to peak at 49.4 percent of GDP in FY 2025/26 and remain below the 50 percent threshold stipulated under the East African Monetary Union (EAMU) convergence criteria. In nominal terms, the public debt-to-GDP ratio is projected to peak at 55.5 percent by June 2026 and decline thereafter to below 50 percent in FY 2030/31.

The most recent Debt Sustainability Analysis (DSA) finds that Uganda's public debt remains sustainable over the medium to long term, supported by the government's fiscal consolidation strategy comprised of domestic revenue mobilization and expenditure rationalization, alongside the realization of oil-related revenues. However, the analysis indicates that Uganda faces a

moderate risk of debt distress arising from increased vulnerability to shocks, which leads to lower than projected economic and export growth.



Source: MoFPED

**Contingency Fund**

The Contingency Fund was allocated 169 billion by Parliament for FY 2025/26. By 31st December 2025, Shs 5 billion had been transferred to the fund. Of the amount transferred to the fund, Shs 4.36 billion was allocated to Kampala Capital City Authority to cater for the resettlement of persons affected by the waste slide in Kiteezi.

**Virement Report**

Detailed report in the Semi-Annual Budget Performance Report FY 2025/26, attached as an Annex to that report.

**Donations By Vote**

Detailed report in the Semi-Annual Budget Performance Report FY 2025/26, attached as an Annex to that report.

# **OUTLOOK ON THE ECONOMY**

## Chapter III: Outlook on the Economy

### Economic Growth

The Ugandan economy is projected to grow by 6.6 percent in FY 2025/26 and further accelerate to 10.2 percent in FY 2026/27, reflecting a strong medium-term growth outlook supported by sound macroeconomic management, improved productivity, and stable global growth. Growth is expected to be supported by government investments in productivity-enhancing and income-support programmes such as the Parish Development Model (PDM) and Emyooga, among others. These interventions are aimed at strengthening household incomes, supporting enterprise development, expanding financial inclusion, and stimulating domestic demand and production.

Growth will also be driven by continued investment in the oil and gas sector and first oil production in FY 2026/27 and increased export growth supported by regional integration, tourism development, and greater investment in research, science, and technology. In addition, improved efficiency in public investment is expected to further support economic expansion. These efforts are aligned with the government's ten-fold growth strategy to increase GDP to USD 500 billion by 2040.

However, risks to the outlook remain, including geopolitical tensions, commodity price volatility, tighter global financial conditions that could raise borrowing costs, and climate-related shocks such as unpredictable weather patterns. Nonetheless, the government remains committed to sustaining long-term growth through strategic investments in infrastructure, human capital, and value addition, as well as continued support to businesses and households through programmes such as the PDM and UDB financing. These efforts will be complemented by strengthened agricultural resilience through early warning systems and continued fiscal consolidation supported by enhanced domestic revenue mobilization under the Domestic Revenue Mobilization Strategy.

## **Inflation**

Overall, inflation is expected to remain slightly below 5 percent in the near term, supported by well-anchored inflation expectations, stable global commodity prices, and exchange rate stability. Over the medium term, inflation is projected to steadily converge to the target, in line with the current monetary policy stance and stable macroeconomic conditions.

## **Financial Sector**

Private sector credit growth is expected to strengthen, supported by sustained economic growth, low inflation, and stable macroeconomic and fiscal conditions, alongside a prudent monetary policy stance. Stronger domestic demand, oil sector-related investments, and growth in key sectors such as agriculture, manufacturing, and trade are expected to support increased credit uptake across the economy.

Government initiatives to address structural financing constraints, including Emyooga, the Small Business Recovery Fund (SBRF), Uganda Development Bank (UDB) financing, and the Agricultural Credit Facility (ACF), are expected to complement commercial bank lending, especially to SMEs, youth- and women-led enterprises, and agribusinesses. In addition, continued capital inflows related to oil and infrastructure development are likely to boost financial sector activity and strengthen investor confidence.

However, risks remain, particularly from the external environment. geopolitical tensions, changing global trade conditions, and tighter global financial conditions could lead to exchange rate volatility and affect capital flows.

## **Fiscal Operations**

Over the medium term, fiscal policy will be geared towards fiscal consolidation so as to ensure fiscal and debt sustainability. The government's consolidation efforts will focus on strengthening domestic revenue mobilization, rationalizing expenditure, and enhancing public financial management.

Domestic revenues are projected to increase from Shs 16,697.36 billion in the first half of FY 2025/26 to Shs 36,718.58 billion (equivalent to 14.9 percent of

GDP) by the end of FY 2025/26. This growth will be driven by the implementation of targeted tax policy and administrative measures under the Domestic Revenue Mobilization Strategy (DRMS) and continued improvement in economic activity. Growth in key sectors such as oil & gas, agro-industrialization (agriculture), manufacturing, and services is expected to broaden the tax base and enhance overall revenue performance.

On the expenditure side, the government will continue to ensure that resources are efficiently allocated towards growth-enhancing sectors, aligned with the Ten-Fold Growth Strategy. Consequently, the fiscal deficit is expected to gradually decline to below 3 percent of GDP over the medium term, in line with the macroeconomic convergence criteria under the East African Monetary Union.

### **Fiscal Risks**

The key risks that could undermine the implementation of the FY 2026/27 budget and the corresponding mitigation measures include the following:

- i. **Changes in global trade dynamics.** Disruptions in export markets could reduce Uganda's export earnings and foreign exchange inflows. To mitigate this risk, the government is promoting diversification of export products and markets, improving export quality and value addition, and strengthening regional and continental trade integration.
- ii. **Global financial market volatility.** Fluctuations in global financial conditions could increase borrowing costs and debt servicing obligations, thereby limiting resources available for priority spending. The government will continue to strengthen mobilisation of domestic revenue and accelerate the implementation of innovative financing mechanisms to diversify funding sources.
- iii. **Geopolitical risks.** Regional conflicts, particularly in neighboring countries, could result in increased refugee inflows and disrupt trade flows, placing pressure on public expenditure and export revenues. Mitigation measures include diversifying trading partners and expanding access to new markets through negotiated trade agreements.

- iv. Climate change risks.** Climate-related shocks could negatively affect agricultural productivity and damage infrastructure. The government is addressing this through climate adaptation policies and by scaling up efforts to access climate financing, including green bonds, debt-for-nature swaps, and other sustainable financing instruments.