

# UGANDA

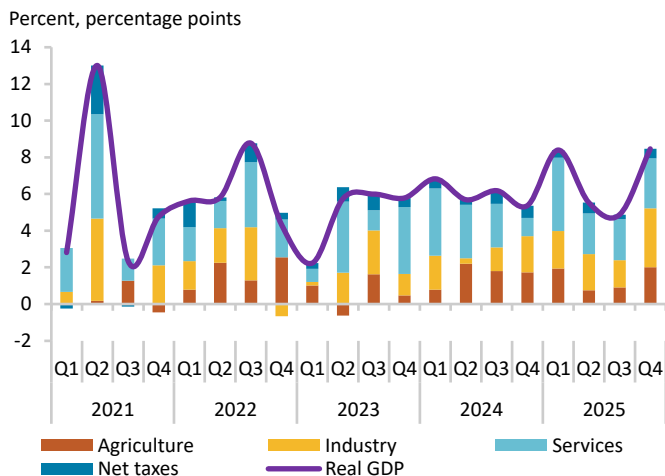
Economic activity remained resilient in H2-2025, supported by manufacturing and construction. Inflation remained low and stable, supported by prudent monetary policy and exchange rate stability. Following high pre-election spending and mounting interest costs, fiscal pressures are intensifying. Strengthening fiscal sustainability and accelerating economic transformation is critical to creating more and better jobs and reducing poverty.

## Key conditions and challenges

Uganda's growth averaged 5.9 percent over the past three years, while inflation declined to below 5 percent. Foreign exchange reserves strengthened, supported by robust exports and portfolio inflows. However, fiscal vulnerabilities intensified as spending accelerated ahead of the January 2026 elections, amid limited concessional financing and costly domestic debt. The fiscal deficit widened, and public debt increased, diverging from the Charter of Fiscal Responsibility. Reliance on domestic financing raised debt service—now exceeding a third of revenues—crowding out priority spending and heightening fiscal risks. Domestic revenue mobilization remains low, at about 13 percent of GDP.

Economic transformation remains slow, with job creation failing to keep pace with rapid population growth. With around three-quarters of Ugandans depending on agriculture for their livelihoods yet the sector contributes only 23 percent of GDP, there is significant untapped potential to raise agricultural productivity and accelerate a transition toward higher value-added sectors.

FIGURE 1 / Real GDP growth and contributions to real GDP growth



Source: Uganda Bureau of Statistics.

Population <sup>1</sup> million	Poverty <sup>2</sup> millions living on less than \$3.00/day
<b>51.4</b>	<b>25.6</b>
Life expectancy at birth <sup>3</sup> years	School enrollment <sup>4</sup> primary (% gross)
<b>68.3</b>	<b>106.2</b>
GDP <sup>5</sup> current US\$, billion	GDP per capita <sup>6</sup> current US\$
<b>62.0</b>	<b>1205.9</b>

Sources: WDI, MFM, and official data. 1/ 2025. 2/ 2019 (2021 PPPs). 3/ 2023. 4/ 2017. 5/ 2025. 6/ 2025.

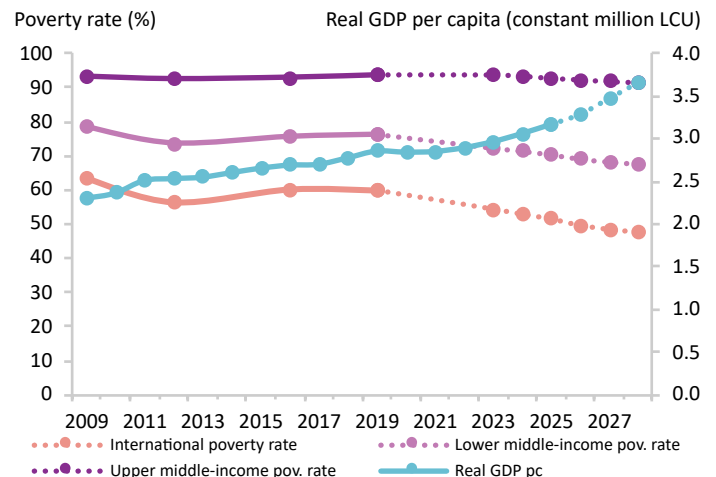
Underinvestment in health and education fuels a persistent human capital deficit, while employment remains largely informal, low-productivity, and climate-vulnerable, constraining the realization of a demographic dividend and weakening Uganda's economic potential. Consequently, 54.4 percent of Ugandans lived under the international poverty line (US\$3, 2021 PPP) in 2023.

Uganda's goal of achieving tenfold growth by 2040 requires creating more and better jobs for a rapidly growing workforce. While oil production and revenues would support growth from 2027, they cannot substitute for sustained reforms and sound macroeconomic management. Amid fiscal consolidation, the challenge will be to protect investments in human capital and foundational infrastructure, strengthen spending efficiency, raise domestic revenues to finance development priorities, and foster structural transformation away from low-productivity agriculture by crowding in private investment.

## Recent developments

GDP growth remained strong at 6.7 percent year-on-year in H2-2025, driven primarily by strong private consumption growth

FIGURE 2 / Actual and projected poverty rates and real GDP per capita



Source: World Bank. Notes: See footnotes in table on the next page.

(+16.0 percent y-o-y). Industrial and services activity remained strong, led by manufacturing, construction and services, but agricultural growth slowed amid lower rainfall. High-frequency indicators point to continued private-sector expansion in Q1-2026.

Headline and core inflation remained contained in H2-2025 at 3.5 percent and 3.7 percent y-o-y, respectively, below the Bank of Uganda's 5 percent target, despite food inflation rising (+4.5 percent), reflecting weaker agricultural output. A cautious monetary policy stance supported price stability, together with modest exchange rate appreciation, which was reversed at the onset of the Middle East conflict starting in March 2026 (-3.0 percent month-on-month). Poverty is projected to have declined to 51.5 percent in 2025.

The goods trade deficit expanded in H2-2025 to US\$1.4 billion, as import growth outpaced export growth (+24.7 and +21.5 percent, respectively, relative to H1-2025), driven by rising gold re-exports and oil-project-related imports. The larger current account deficit was financed by portfolio inflows into government securities and foreign direct investment in oil projects. As a result, the balance of payments improved and foreign exchange reserves rose to US\$6.0 billion at end-2025 (+US\$2.7 billion in 2025), equivalent to 4.2 months of import cover excluding oil-project imports.

Fiscal pressures intensified in H2-2025, driven by high debt service costs, supplementary spending worth 3.1 percent of projected GDP, and frontloading of the approved budget expenditures. Despite public debt rising to 52.4 percent of GDP at end-June 2025, it remained assessed at moderate risk of debt distress in December 2025.

## Outlook

Growth is projected to reach 6.8 percent in 2026 before accelerating with the ramp-up in oil production in 2027 and 2028, boosting exports. Large investment projects financed by foreign direct investment, notably in petroleum refining, would sustain imports. The large fiscal deficit and costly domestic financing would initially raise the debt ratio, before rapid nominal GDP growth and oil revenues improve fiscal aggregates. The effects of the current conflict in the Middle East on oil, fertilizer and transport prices will weigh on Uganda's import bill, adding pressure on the exchange rate and external balance. Provided oil revenues translate into tangible and broadly shared economic gains, poverty would decline from 51.5 percent in 2025 to 47.7 percent by 2028.

Risks to the outlook are skewed to the downside. Further delays in oil production would affect growth, exports, and revenues, while fiscal slippage before oil revenues would accrue would increase deficits and debt service, undermining debt sustainability, investor confidence, and priority spending. These risks call for a rapid return to fiscal consolidation through expenditure rationalization and implementation of the new Domestic Revenue Mobilization Strategy. A prolonged conflict in the Middle East would exacerbate pressure on external financing as well as on import prices and inflation, affecting the purchasing power of poorer households and the margins of smallholder farmers and informal transport workers, stalling or reversing poverty reduction. Uganda also remains exposed to commodity price volatility and climate shocks given reliance on agriculture.

## Recent history and projections

	2022/23	2023/24	2024/25e	2025/26f	2026/27f	2027/28f
<b>Real GDP growth, at constant market prices</b>	5.3	6.1	6.3	6.8	8.5	8.1
Private consumption	3.7	0.8	7.6	7.0	5.5	4.7
Government consumption	3.8	14.9	28.9	3.8	4.0	3.9
Gross fixed capital investment	3.7	6.7	7.2	5.6	2.1	5.6
Exports, goods and services	0.3	47.1	23.6	21.5	36.0	19.1
Imports, goods and services	-2.6	9.5	11.7	20.0	17.2	7.8
<b>Real GDP growth, at constant factor prices</b>	5.1	5.9	6.2	6.8	8.5	8.2
Agriculture	4.5	5.6	6.8	5.5	6.2	5.6
Industry	4.0	5.5	6.9	7.8	15.0	15.2
Services	5.9	6.4	5.4	6.8	5.8	4.8
<b>Inflation (consumer price index)</b>	8.8	3.2	3.7	3.9	4.2	3.8
<b>Current account balance (% of GDP)</b>	-7.7	-7.7	-5.9	-7.2	-3.7	-1.4
<b>Net foreign direct investment inflow (% of GDP)</b>	6.1	5.6	5.7	4.6	5.0	4.0
<b>Fiscal balance (% of GDP)</b>	-5.5	-4.7	-6.0	-6.5	-5.3	-4.6
<b>Revenues (% of GDP)</b>	14.5	14.1	14.7	15.2	15.8	16.0
<b>Debt (% of GDP)</b>	50.4	50.6	52.4	54.5	53.4	52.4
<b>Primary balance (% of GDP)<sup>1</sup></b>	-2.3	-1.6	-2.3	-2.0	-0.7	-0.2
<b>International poverty rate (\$3.00 in 2021 PPP)<sup>2,3</sup></b>	54.4	52.9	51.5	49.6	48.5	47.7
<b>Lower middle-income poverty rate (\$4.20 in 2021 PPP)<sup>2,3</sup></b>	72.3	71.4	70.4	69.1	68.3	67.6
<b>Upper middle-income poverty rate (\$8.30 in 2021 PPP)<sup>2,3</sup></b>	93.6	93.2	92.7	92.2	91.8	91.5
<b>GHG emissions growth (mtCO<sub>2</sub>e)</b>	1.7	2.5	2.9	2.7	3.1	3.0

Source: World Bank, Fiscal Policy & Growth Department. Emissions data sourced from CAIT and OECD.

Notes: e = estimate, f = forecast. Data in annual percent change unless indicated otherwise. All data and projections use fiscal years (July-June), except poverty data, which use calendar years.

1/ The primary balance excludes interest payments received.

2/ Calculations based on 2023-UNHS. Actual data: 2023. Nowcast: 2024-2025. Forecasts are from 2026 to 2028.

3/ Projection using neutral distribution (2023) with pass-through = 0.7 from 2024 to 2025 and pass-through rate = 0.2 thereafter based on GDP per capita in constant LCU.