

UGANDA ECONOMIC BULLETIN No. 3

Strong growth, a sound banking system and a currency under pressure

Macro-financial review: real, price, external, financial and fiscal sectors

October 2026 · Data to early October 2026 (GDP to FY2025/26; balance of payments and bank soundness to June 2026)

Built on the Uganda Key Indicators Database (Bank of Uganda and UBOS data), BoU's Financial Stability Risk Assessment (UBA Treasurers' Forum, 20 August 2026), the UBA EAC Financial Stability Diagnostic (September 2026), the MoFPED Annual Debt Statistical Bulletin (June 2026) and the World Bank Uganda Economic Update (June 2026).

Table 1: Uganda at a glance

Indicator	Latest	Period	Year earlier
Real GDP growth, %	6.4	FY2025/26	6.3
Nominal GDP, UGX trillion (USD billion)	250.4 (69.3)	FY2025/26	227.9 (62.0)
Headline / core inflation, % y/y	4.6 / 3.7	Sep-26	4.0 / 4.0
Shilling per US dollar	4,078	9 Oct 2026 (Bloomberg)	3,490 (Sep-25)
Gross reserves, USD billion (months of imports)	6.5 (3.6)	Aug-26	4.7 (2.6)
Current account, USD billion (% of GDP)	-3.6 (-5.2)	FY2025/26	—
Public debt, % of GDP (USD billion)	54.3 (37.1)	Jun-26	51.3 (32.3)
Private sector credit growth, % y/y	19.0	Aug-26	9.5
NPL ratio, %	2.67	Jun-26	3.74
Liquidity coverage ratio, %	490	Jul-26	—
Composite Index of Economic Activity, % y/y	6.5	Aug-26	6.1
Stanbic PMI (50 = no change)	53.0	Sep-26 (20 months > 50)	53.8
Mobile money value, UGX trillion (12 months; × GDP)	421 (1.7×)	to Jun-26	326
RTGS high-value payments, UGX trillion (12 months; × GDP)	963 (3.8×)	to Jun-26	956

Source: UBOS; Bank of Uganda (Selected Indicators, BoP, Financial Soundness Indicators, Financial Stability Risk Assessment Aug-2026); MoFPED Debt Statistical Bulletin (June 2026); market quotes reported by Pulse Uganda.

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Abbreviations

BoP	Balance of payments
BoU	Bank of Uganda
CAR	Capital adequacy ratio
CIEA	Composite Index of Economic Activity
ATM	Average time to maturity
CFR	Charter for Fiscal Responsibility
CIR	Cost-to-income ratio
EAC	East African Community
EFU	Energy, fuel and utilities
FDI	Foreign direct investment
FSR	Financial Stability (Risk Assessment) Report
HQLA	High-quality liquid assets
LCR / NSFR	Liquidity coverage ratio / net stable funding ratio
NPL	Non-performing loan
PMI	Purchasing Managers' Index
PV	Present value
RTGS / UNISS	Real-time gross settlement / Uganda National Interbank Settlement System
SFI	Supervised financial institution
UBOS	Uganda Bureau of Statistics

Executive summary

Uganda enters FY2026/27 with strong growth and a well-buffered banking system, but the external account has become the binding constraint. The shilling crossed UGX 4,000 per dollar in early October even though reserves are close to their highest level on record. The paradox resolves once flows are separated from stocks.

- **Growth.** Real GDP grew 6.4% in FY2025/26, the strongest since FY2018/19. Household consumption supplied 4.9 of the 6.4 points. BoU's Composite Index of Economic Activity (6.8% average growth over the fiscal year), the PMI (above 50 every month) and business sentiment tell a consistent story, with momentum easing slightly since early 2026.
- **Prices.** Inflation has risen from 2.8% (March) to 4.6% (September) on energy and, more recently, food. Core inflation (3.7%) is lower than a year ago, so pressure is supply-driven, but pass-through from a weaker shilling is the near-term risk to core.
- **Monetary policy.** The policy rate has been held at 9.75%, a neutral stance on rates. The tightening has come through liquidity instead: the cash reserve requirement was raised from 9.5% to 11% in March and to 13.5% from 24 September 2026 (+400 basis points), a contractionary move that absorbs about UGX 1.8 trillion of shilling liquidity. The next MPS is due in November.
- **External account and the shilling.** The FY2025/26 current account deficit was USD 3.6 billion (5.2% of GDP). Reserves doubled between January 2025 and June 2026 while inflows were abundant. Since June, three things have changed: monthly trade deficits have nearly tripled on the oil bill and seasonal imports, coffee receipts have fallen, and portfolio and remittance inflows have softened. The rate is set by these flows, not by the reserve stock.
- **Banks.** NPLs are at a 15-year low (2.67%), capital and liquidity are the strongest in the EAC (core CAR 24.5%, LCR 490%), and credit growth (16–19%) is now above BoU's 14% benchmark. The watch points are household credit, which accounts for 32% of NPLs, the sovereign-bank nexus (29% of bank assets in government paper), deposit concentration and a cost-to-income ratio of 68.6%.
- **Payments.** Mobile money processed UGX 421 trillion in the year to June 2026 (+29%), about 1.7 times GDP. Cross-border EAPS payments settled in shillings rose 60% to UGX 982 billion, in fewer but larger transactions. High-value RTGS settlements were UGX 963 trillion (+0.8%), about 3.8 times GDP, so mobile money now equals 44% of RTGS value (34% a year earlier).
- **Global backdrop.** Global activity is strong (J.P. Morgan composite PMI 54.3, best since May 2023), but the energy shock has turned policy hawkish: the Fed, ECB

and RBI have hiked, and US 10-year yields are near 5.2%. That narrows Uganda's carry advantage. Coffee (–23% y/y) and gold prices are falling while Brent stays above USD 100, a combination that weighs on the trade balance.

- **Public debt.** Public debt reached USD 37.1 billion (UGX 136 trillion, 54.3% of GDP) in June 2026, and 56% of it is now domestic. Interest costs 4.9% of GDP, about a third of tax revenue (World Bank). External debt is long-dated and mostly concessional, but the shilling's fall from 3,665 at end-June to 4,078 adds about UGX 6.7 trillion to its shilling value (2.7% of GDP, taking total debt to about 57% of GDP) and about UGX 0.6 trillion a year to external debt service.
- **Outlook.** The main risks are oil prices above USD 100, further depreciation feeding into core inflation, offshore portfolio outflows, a turn in household credit and the timing of first oil. Most of these are concentrated in the external sector.

1. Global and regional context

The global backdrop has shifted from easing to tightening, with energy the common thread. Activity is strong, but price pressures are rising and central banks are responding. For Uganda the transmission runs through oil, coffee and gold prices, through global yields and capital flows, and through a stronger dollar.

1.1 Global activity and prices

Global business activity accelerated through the third quarter. The J.P. Morgan Global Composite PMI¹ rose to 54.3 in September (53.5 in August), its best reading since May 2023, with expansion in 12 of 15 economies. New orders grew at the fastest pace since February 2022 on AI and defence spending, and new export business rose at the fastest rate in over five years. Composite PMIs were 58.4 in the US, 53.1 in the euro area and 52.4 in China. Inflation pressure intensified, however, with input costs and output prices both rising faster in September. The IMF (July 2026 WEO update) cut 2026 global growth to 3.0% and raised global inflation to 4.7%. Ahead of the Annual Meetings, the IMF Managing Director named three crosscurrents: the AI investment boom, persistently high energy prices, and record public debt, which is set to exceed 100% of global GDP.

¹Purchasing Managers' Index (PMI): a monthly survey-based index compiled by S&P Global (sponsored in Uganda by Stanbic Bank) from firms' reports on new orders, output, employment, suppliers' delivery times and stocks of purchases. A reading above 50 signals improvement on the previous month; below 50, deterioration. Because it is released within days of the month end, central banks, finance ministries and investors use it as an early signal of activity, demand and price pressures. The J.P. Morgan Global Composite PMI aggregates national manufacturing and services PMIs.

1.2 Policy rates around the world: a turn towards tightening

Monetary policy outside Africa has turned hawkish in response to the energy shock. The US Federal Reserve raised its target range to 3.75–4.00% in September, the ECB lifted its deposit rate to 2.50%, and on 7 October the Reserve Bank of India raised its repo rate for the first time since 2023, to 5.50%, shifting its stance to calibrated tightening. The IMF has called for a prudently hawkish stance in many economies. Longer-term yields have repriced: the US 10-year Treasury yield reached about 5.2%, its highest since 2002, and the dollar index² is around 102. Within Sub-Saharan Africa the picture is mixed. Several central banks are still cutting from high levels as inflation falls, notably Ghana, Nigeria, Angola and Zambia. South Africa's Reserve Bank, by contrast, warns that second-round effects may require larger hikes, and Kenya held its rate at 8.75% as inflation rose to 6.8%.

Table 2: Selected policy rates, 9 October 2026

Central bank	Policy rate, %	Recent move / stance
US Federal Reserve	3.75–4.00	Hiked in September 2026
European Central Bank (deposit rate)	2.50	+25 bp effective 16 Sep 2026
Reserve Bank of India (repo)	5.50	+25 bp on 7 Oct; first hike since 2023
South African Reserve Bank (repo)	7.3	Tightening bias; +0.5 pp over six months
Central Bank of Kenya	8.75	Held; inflation 6.8% (Sep)
Bank of Uganda	9.75	Held (Aug); CRR raised to 13.5%; next MPS November
Bank of Zambia	10.8	–2.5 pp in the past month
Bank of Ghana	14.0	–7.5 pp over the year
Banco Nacional de Angola	14.8	–1.0 pp in the past month
Central Bank of Nigeria	23.0	–3.5 pp over three months

Source: World Bank DECAF Macroeconomic and Financial Weekly Monitor (9 Oct 2026), from Bloomberg (levels rounded to one decimal); central bank announcements.

For Uganda this matters in two ways. The interest differential that attracts offshore money into government securities has narrowed. The 91-day bill yields about 10.2% against about 4.1% on the US 3-month bill, and domestic yields have fallen while US yields have risen. At the same time, a policy-rate hold at 9.75% now sits alongside tightening abroad, which is part of why BoU has leaned on the CRR rather than leaving liquidity untouched.

²US dollar index (DXY): the value of the US dollar against a basket of six major currencies, dominated by the euro. Markets use it to gauge broad dollar strength, which moves commodity prices and emerging-market exchange rates.

1.3 Commodities that matter for Uganda

- **Oil.** Brent was about USD 104 a barrel on 9 October, 66% higher than a year earlier. Middle East exports have recovered to pre-war levels, but tanker attacks around the Strait of Hormuz and depleted inventories leave prices very sensitive to new disruptions, and Gulf tanker freight is at record highs. Murban averaged USD 115 in September.
- **Coffee.** Arabica fell to about 287 US cents per lb (–10% in a month, –23% in a year) and robusta to about USD 3,490 a tonne, as Brazil's September exports hit a 20-month high. El Niño risks to the 2027/28 crop offer some support. For Uganda this reinforces the fall in coffee receipts already visible in the balance of payments.
- **Gold.** Gold eased to about USD 4,195 an ounce after falling more than 6% in September as higher US rates bit. Central bank buying (China for 23 months) remains a support. Lower prices reduce the value of Uganda's gold re-exports, which have been propping up the goods balance.

1.4 Regional context

The World Bank's Africa Regional Economic Update projects Sub-Saharan growth rising to 4.3% in 2026 from 4.1% in 2025. Moody's has moved its regional outlook to positive, and the African Union has launched the Africa Credit Rating Agency. Investment is flowing in: Chinese commitments reached a record USD 33.5 billion in the first half of 2026, and Dangote plans a USD 16 billion refinery in Kenya. Uganda's Capital Markets Authority has approved the sale of Dangote IPO shares to domestic investors, and Cabinet has approved a €405 million sukuk to part-finance the 272 km Kampala–Kenya border railway (total cost €2.7 billion). Two regional risks stand out: Kenya confirmed its first Ebola case in early October, and El Niño threatens food prices and logistics. In currency markets, the Uganda shilling's 7.7% fall in the month to 9 October was the largest among the Sub-Saharan currencies tracked; the Kenya shilling was stable.

2. Real sector

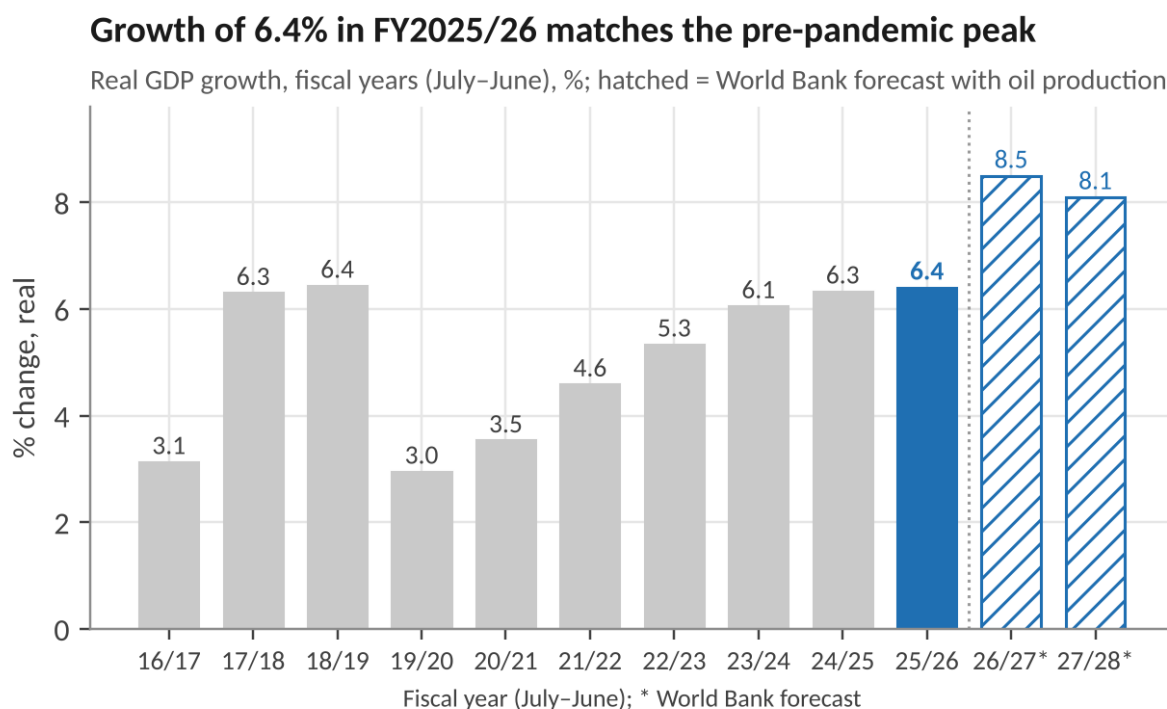
6.4% Real GDP growth, FY2025/26	USD 69.3bn Nominal GDP	4.9 pp Contribution of household consumption	6.5% Activity index, y/y (Aug-26)
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Growth is strong but consumption-led; the shift into manufacturing has yet to show.

2.1 GDP: growth and its drivers

Real GDP grew 6.4% in FY2025/26 (FY2024/25: 6.3%) to UGX 250.4 trillion (USD 69.3 billion; USD 1,420 per person). Growth has risen every year since the FY2019/20 trough of 3.0%. The World Bank's 8.5% forecast for FY2026/27 depends on first oil, which is expected in early 2027 and is not yet visible in the data.

Figure 1: Real GDP growth by fiscal year

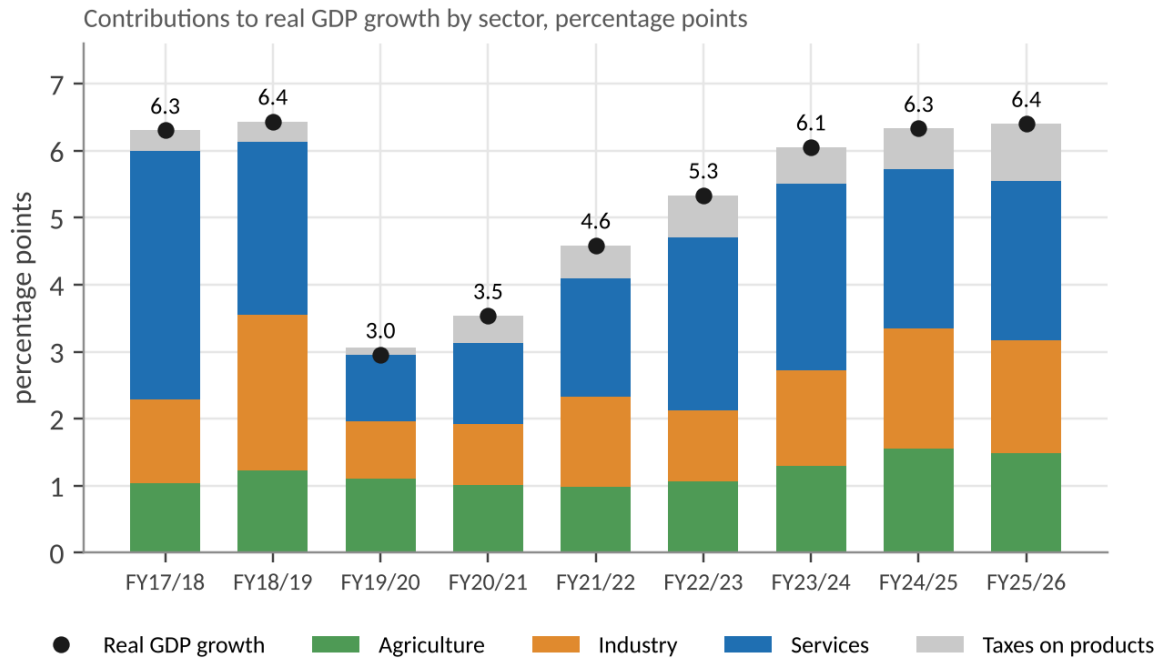


Source: UBOS Annual GDP tables 2025/26 (June 2026 release); World Bank Uganda Economic Update (June 2026) for forecasts.

Supply. Services contributed 2.4 percentage points, industry 1.7, agriculture 1.5 and product taxes 0.9. Industry's contribution has risen from 1.1 points in FY2022/23 on oil-related construction (+8.2%) and electricity (+14.4%). Agriculture (+6.5%) was led by cash crops (+12.1%) and livestock (+8.8%); food crops lagged at 4.9%. Manufacturing (+5.5%) grew more slowly than GDP, so there is no sign yet of structural shift.

Figure 2: Contributions to real GDP growth by sector

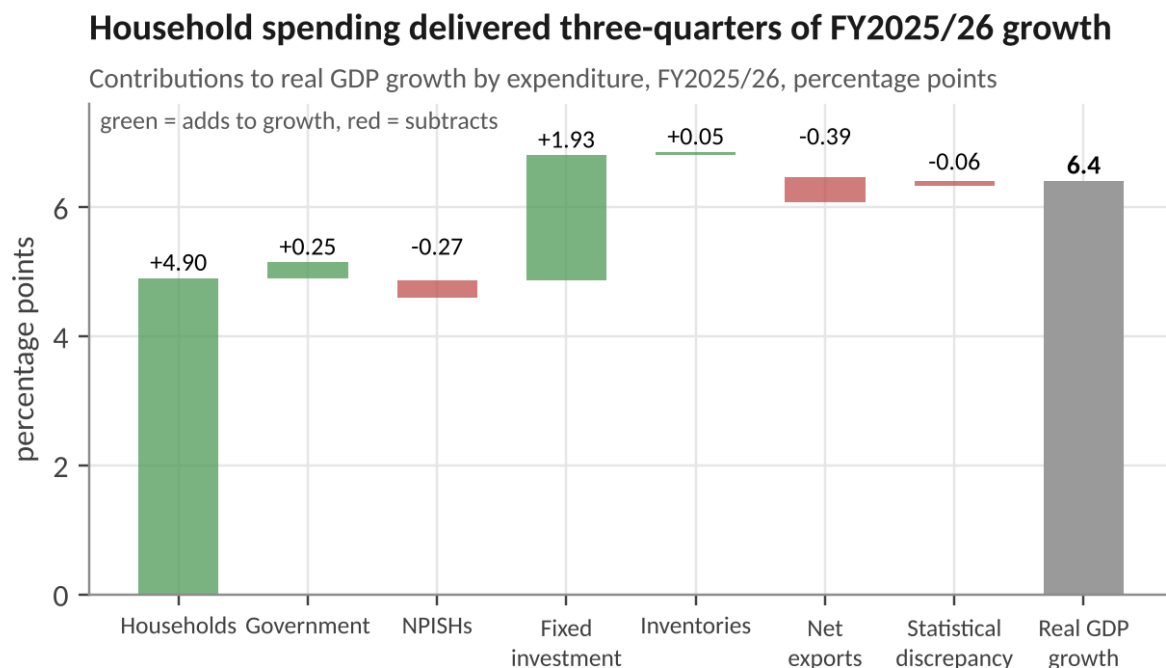
Services add the most to growth; industry's share has risen since FY2023/24



Source: Calculated from UBOS GDP at constant 2016/17 prices.

Demand. Household consumption (+7.3%) contributed 4.9 points and fixed investment (+7.5%) 1.9 points. Government consumption was nearly flat after a 29% jump in FY2024/25. Gold re-exports inflated both exports (+40% for goods) and imports (+33%), so net exports subtracted only 0.4 points. UBOS's statistical discrepancy (7% of GDP) means the demand split should be read with care.

Figure 3: Contributions to real GDP growth by expenditure, FY2025/26



Source: Calculated from UBOS GDP by expenditure at constant 2016/17 prices.

2.2 PMI and high-frequency indicators: a consistent story?

The monthly indicators broadly confirm the GDP picture. BoU's Composite Index of Economic Activity (CIEA)³ is tracked here by its year-on-year change. It grew 6.8% on average in FY2025/26, close to the 6.4% GDP outturn. It peaked at 8.4% in February 2026 and has since settled at 5.3–6.6% (6.5% in August). Business sentiment points the same way over a longer horizon. The Stanbic PMI averaged 53.8 in 2024, 53.2 in 2025 and 53.9 in January–September 2026. Its only reading below 50 in almost three years was 49.8 in January 2025, and it eased to 53.0 in September 2026. BoU's Business Tendency Indicator⁴ remains optimistic (55.8) but is below its 59.1 reading of a year earlier, consistent with margin pressure from fuel and input costs. Payments and credit data (Section 5) add to the picture: mobile money volumes are up 15.5% over twelve months and private credit 16–19%. Together they describe an economy still growing at 6–7%, with momentum slightly past its peak. One caution: in FY2024/25 the CIEA

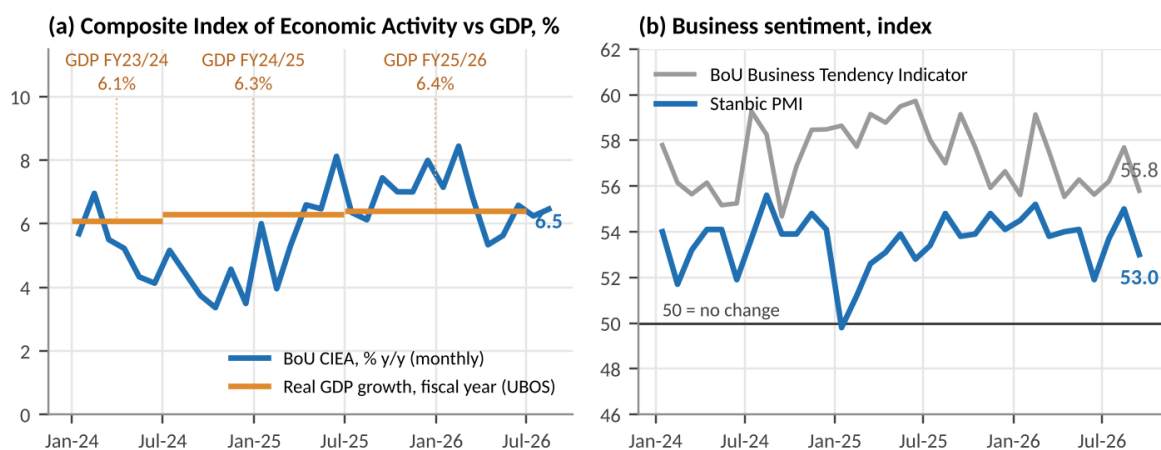
³Composite Index of Economic Activity (CIEA): a monthly index compiled by Bank of Uganda that combines indicators of activity across agriculture, industry and services and is published in BoU's Selected Economic Indicators. Because quarterly GDP is released with a lag, BoU uses it, with the PMI and the Business Tendency Indicator, to track economic activity and the output gap in its monetary policy assessments.

⁴Business Tendency Indicator (BTI): a monthly Bank of Uganda survey of firms' assessments of current and expected business conditions, such as production, orders, employment, prices and access to credit. Readings above 50 indicate optimism. BoU uses it to gauge business sentiment and firms' price expectations.

(5.1% average) understated GDP growth (6.3%), so the index is a guide to direction rather than a precise nowcast.

Figure 4: High-frequency indicators: BoU Composite Index of Economic Activity, business sentiment and PMI

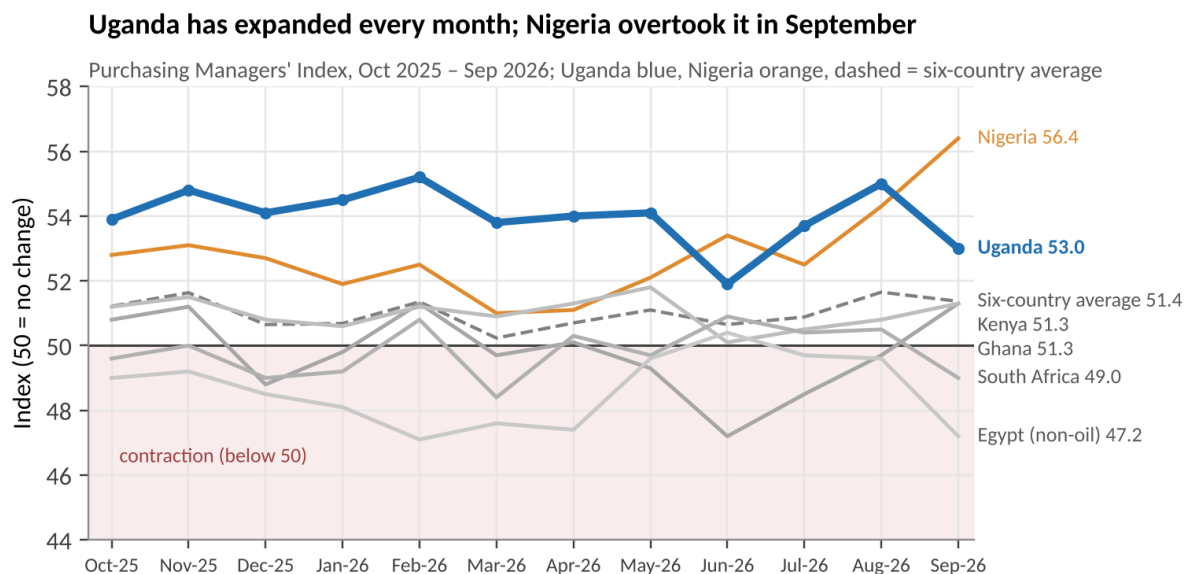
Monthly indicators corroborate 6–7% growth, with momentum easing since early 2026



Source: Panel (a): Bank of Uganda Selected Indicators, Composite Index of Economic Activity (y/y change calculated); UBOS annual GDP. Panel (b): BoU Business Tendency Indicator; Stanbic/S&P Global PMI, Jan-2024 to Sep-2026 (user-supplied, not yet verified).

Regionally, S&P Global records 20 consecutive months of expansion for Uganda, the longest run among the seven African economies in the World Bank's weekly PMI table. Uganda's twelve-month average (54.0, against 52.8 for Nigeria) is also the highest, with a single dip to 51.9 in June. Conditions eased in September, from 55.0 to 53.0, while Nigeria posted its strongest growth since 2022 (56.4). Ghana (51.3) and Kenya (51.3) improved, South Africa (49.0) recorded its weakest reading of 2026 amid port congestion at Durban, and Zambia (47.9) contracted for a second month.

Figure 5: Purchasing Managers' Index trend, six African economies



Source: S&P Global / Stanbic (user-supplied series; Aug–Sep 2026 Uganda, Ghana and others as published in the World Bank AFR Weekly Monitor, 9 Oct 2026).

3. Prices and inflation

4.6% Headline inflation (Sep-26)	3.7% Core inflation (Sep-26)	4.5% Food-crop inflation (Sep-26)	5.5–6.0% BoU MPS headline projection (12-month avg)
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So far a supply shock; the exchange rate will decide whether it reaches core.

3.1 Inflation trend

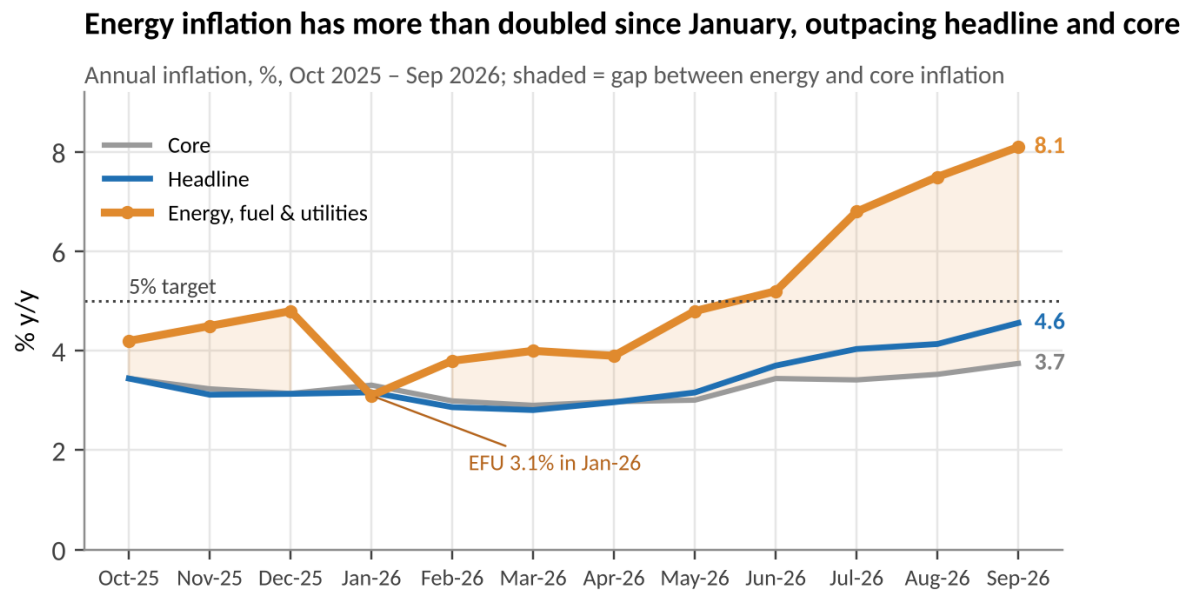
Headline inflation⁵ rose for six consecutive months, to 4.6% in September (UBOS reports 4.7%), against a 5% medium-term target. Pressure is broadening:

- Energy, fuel and utilities inflation reached about 8% (user-supplied series), with pump prices approaching UGX 7,000 a litre.
- Food-crop inflation jumped from 2.1% in August to 4.5% in September (UBOS).
- Core inflation (3.7%) is below its level a year ago (4.0%). The headline–core gap of 0.8 percentage points is the signature of a supply shock.

Energy is the fastest-moving component: EFU inflation has risen from 3.1% in January to 8.1% in September, more than twice the rate of core inflation, and the gap between energy and core has widened every month since April.

⁵Consumer Price Index (CPI): compiled monthly by UBOS from the prices of a fixed basket of household goods and services. Headline inflation covers the whole basket; core inflation excludes food crops and energy, fuel and utilities (EFU), the most volatile items. Bank of Uganda's inflation-targeting framework anchors policy on core inflation, with a medium-term target of 5%.

Figure 6: Headline, core and energy (EFU) inflation



Source: Bank of Uganda Selected Indicators (UBOS CPI); EFU inflation user-supplied.

3.2 Monetary policy: neutral on rates, tighter on liquidity

BoU has kept the Central Bank Rate at 9.75% throughout the period, holding it again at the 13 August 2026 MPC. On rates this is a neutral stance, which BoU itself describes as cautious, and the CBR remains the anchor against which the overall policy stance is read. The tightening has come through the cash reserve requirement instead. The CRR rose from 9.5% to 11.0% in March 2026 and to 13.5% from 24 September 2026, a cumulative increase of 400 basis points this year. BoU says the change is to support prudent liquidity management and strengthen monetary policy transmission. It has also ruled out selling dollars to defend the shilling. The next Monetary Policy Statement is due in November 2026.

Table 3: Cash reserve requirement changes in 2026 and liquidity absorbed

Effective	CRR before	CRR after	Change	Deposit base used	Liquidity absorbed
March 2026	9.5%	11.0%	+150 bps	≈UGX 43.5 tn (Apr-26)	≈UGX 653 bn
24 Sep 2026	11.0%	13.5%	+250 bps	UGX 46.1 tn (Jul-26)	≈UGX 1,153 bn
2026 cumulative	9.5%	13.5%	+400 bps	—	≈UGX 1.81 tn

Source: Bank of Uganda circulars; liquidity estimates from a market note supplied by the user (customer deposits nearest each effective date).

The CRR is a quantity-based, contractionary tool. At 13.5%, required reserves against July deposits come to roughly UGX 6.2 trillion, about 9.2% of banking-sector assets (UGX 67.6 trillion). These are non-interest-bearing balances that would otherwise earn a return or fund credit. The system can absorb it: banks held about UGX 18.5 trillion of

government securities at end-July, some 16 times the September increment, although reserves must be met with settlement balances, so banks have to repo, run off or sell securities to comply. Using the CRR alone, with no CBR move, leaves the headline cost of credit intact at a time when lending rates are falling (shilling lending rate 16.9% in June, from 18.0% in May). It signals that the action is aimed mainly at liquidity and the exchange rate, rather than at second-round inflation, which a CBR move would address more directly. In past episodes of FX pressure BoU has combined three tools: CBR increases, CRR increases and direct FX intervention. This round uses only the second.

The effect shows up in money markets. The average 7-day interbank spread over the CBR fell to 0.1 points in April–July as liquidity was ample. The user-supplied interbank rate then rose to about 12% in August–September, ahead of and around the second CRR increase.

3.3 Outlook and risks

BoU's August MPS projects headline inflation averaging 5.5–6.0% over the next twelve months and core 4.0–4.5%, with inflation stabilising around the 5% target over the medium term. That projection predates the October move in the exchange rate, which BoU will reassess in the November MPS.

- **Upside risks to inflation:** oil staying above USD 100, with depleted global inventories leaving prices sensitive to Hormuz disruption; global price pressure (input and output prices in the global PMI rose faster in September); pass-through from a shilling above UGX 4,000 into core prices with a three-to-six-month lag; food prices (food-crop inflation already 4.5%) and weather; and a positive output gap if growth stays above 6%.
- **Downside risks to inflation:** de-escalation in the Middle East and lower oil; good harvests; tighter shilling liquidity from the higher CRR, which curbs demand and dollar purchases; and the slight loss of growth momentum.

On balance, risks are tilted to the upside in the near term, with the CRR tightening the main offset.

4. External sector and the exchange rate

USD 3.6bn Current account deficit, FY2025/26	4,078 UGX per USD, 9 Oct 2026	USD 6.5bn Gross reserves (Aug-26)	USD 544m Avg monthly goods deficit, Jun–Aug 26
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Reserves are a stock; the exchange rate is a flow price.

4.1 Balance of payments

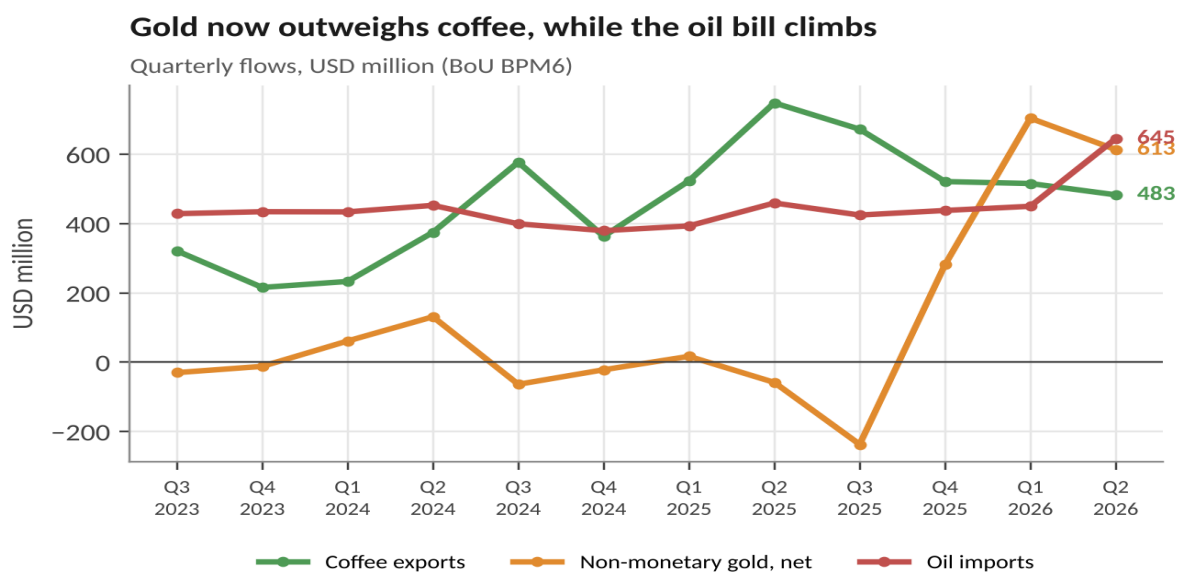
The current account deficit was USD 3.6 billion in FY2025/26 (5.2% of GDP), against the World Bank's projection of 7.2%. It was more than financed: FDI of USD 3.2 billion and other inflows produced an overall surplus of USD 2.4 billion that went into reserves. The composition matters more than the total. Excluding net gold, the goods deficit was USD 3.4 billion. Coffee receipts fell in each quarter, from USD 672 million to USD 483 million (–28%), as world prices eased. The oil bill rose 43% quarter on quarter to USD 645 million in April–June, 52% above its July–September 2025 level.

Table 4: Balance of payments, FY2025/26 (USD million)

Item	Q3-25	Q4-25	Q1-26	Q2-26	FY25/26
Goods balance	–830	–418	2	–807	–2,054
Coffee exports	672	521	515	483	2,191
Non-monetary gold, net	–237	281	704	613	1,361
Oil imports	424	438	450	645	1,957
Services balance	–765	–840	–854	–638	–3,097
Primary income	–384	–339	–414	–361	–1,498
Secondary income (remittances 2,924)	726	766	740	812	3,045
Current account	–1,253	–832	–526	–993	–3,604
FDI inflows	758	738	900	846	3,242
Overall balance (– = reserve build-up)	–680	–1,013	–66	–681	–2,440

Source: Bank of Uganda, BoP analytical table (BPM6), released 5 Oct 2026; Q3-25 to Q2-26 preliminary.

Figure 7: Coffee, gold and oil flows



Source: Bank of Uganda BPM6 quarterly table.

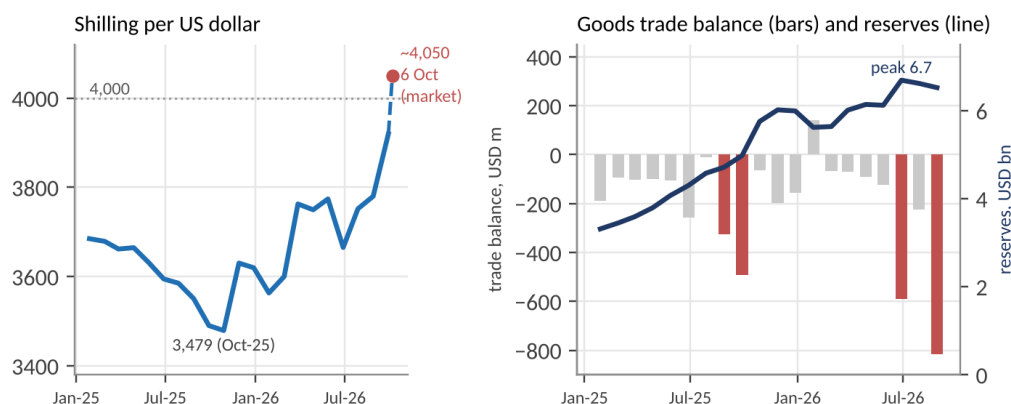
4.2 Why is the shilling weakening while buffers improve?

The shilling crossed UGX 4,000 per dollar for the first time in the week of 5 October 2026. Banks quoted UGX 3,985–4,015 on 5 October and about 4,045–4,055 on 6 October, and Bloomberg recorded UGX 4,078 on 9 October. That is roughly 9% weaker than the end-August median (about 3,740), 13% weaker than end-2025 (3,620) and 7.7% weaker in a month, the largest monthly fall among Sub-Saharan currencies tracked. Over the same period, gross reserves are near a record high. Five factors reconcile the two:

1. **Reserves are a stock; the exchange rate is a flow price.** Reserves doubled from USD 3.3 billion (January 2025) to USD 6.7 billion (June 2026) during a period of abundant inflows, when BoU was buying dollars and the shilling appreciated (to 3,479 in October 2025). That phase ended in June. Reserves have since eased to USD 6.5 billion (August).
2. **The trade flow has turned sharply.** The goods deficit averaged USD 544 million a month in June–August 2026, against USD 198 million in the same months of 2025. Imports hit USD 2.3 billion in August, and the USD 817 million deficit that month was the widest in BoU's series. The drivers are the oil bill (Brent above USD 100), year-end import stocking, and manufacturers, telecoms and energy firms bringing dollar purchases forward amid the Middle East conflict (BoU).
3. **Dollar supply has thinned.** Coffee receipts are down 28% since Q3-2025. Gulf remittances, about a quarter of the USD 2.9 billion annual total, have slowed since the conflict began. Part of the inflow behind the reserve build does not reach the interbank market: oil-project FDI is largely matched by project imports, which is why BoU's import-cover measure excludes them, and gold re-export proceeds need not be converted locally.
4. **Portfolio money has become less sticky.** Offshore holdings of government securities, about UGX 12.4 trillion at end-July, fell 4.4% when the US–Iran conflict began and have swung since. Domestic yields fell by up to 300 basis points at 1–5 years and about 170 basis points at 10 years between January and July, while US rates rose. The narrower carry has prompted some offshore bond selling (BoU; press reports).
5. **BoU's reaction function.** BoU describes the rate as market-determined and intervenes only to smooth volatility. With cover at 3.6 months, below the EAC's 4.5-month benchmark, defending a specific level would erode a buffer that is still modest by regional standards. BoU has moved on liquidity instead, raising the cash reserve requirement by a cumulative 400 basis points to 13.5% (Section 3.2).

Figure 8: Exchange rate, trade balance and reserves

Reserves doubled while inflows were strong; since June the trade gap has widened and inflows have faded



Source: Bank of Uganda Selected Indicators (end-of-month rates, trade, reserves) to Sep-26; 6 Oct market quote as reported by Pulse Uganda and Streamline Feed.

Exposures to watch. The depreciation tests three balance sheets. The first is unhedged borrowers: bank FX lending grew 25% to UGX 8.3 trillion (Section 5.4). The second is fuel-dependent sectors, where pump prices are near UGX 7,000 a litre. The third is the offshore-held stock of government paper; BoU puts its offshore exposure cover ratio at 1.36. Banks' own USD liquidity is adequate (USD LCR 313% in June), but BoU's stress test sees it fall to about 120% under severe outflows.

5. Monetary and financial sector

2.67%

NPL ratio (Jun-26)

490%

Liquidity coverage ratio (Jul-26)

16–19%

Private credit growth

68.6%

Cost-to-income ratio

Banks can fund the upswing; the household book and cost efficiency are the places to watch.

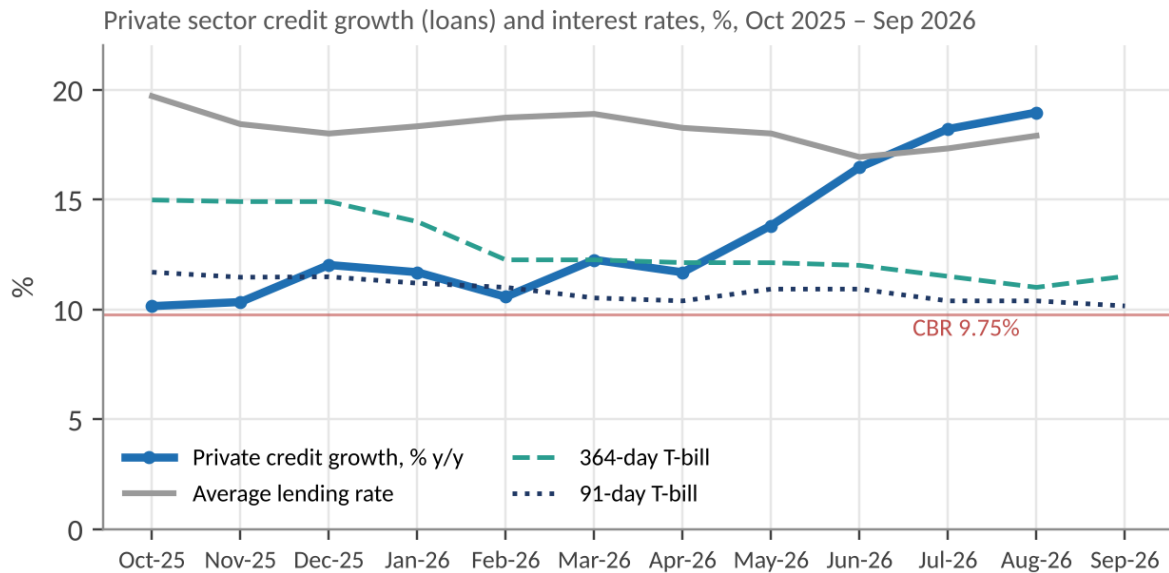
5.1 Credit

Credit growth has moved above trend. Private sector credit rose 16.1% y/y to UGX 31.1 trillion in June (bank loans +16.3% to UGX 27.4 trillion; BoU FSR). BoU's monthly loans series shows a further acceleration to 19.0% in August. Both exceed BoU's indicative 14% benchmark (5% inflation + 7% growth + 2% deepening), and the credit-to-GDP gap has turned positive; BoU will act only if this persists for three quarters. The quality of growth is good. Net new lending (UGX 2.8 trillion, against 0.5 trillion a year earlier) has replaced capitalised interest (UGX 0.4 trillion, from 2.1 trillion) as the driver, and lending rates fell from 19.1% to 18.0% in shillings and from 8.8% to 7.3% in dollars.

Household lending is growing fastest, about 18% y/y, and BoU's lending survey shows banks easing household standards (net 22.5%) even as they expect higher defaults.

Figure 9: Credit growth and interest rates

Credit growth nearly doubled as market rates fell



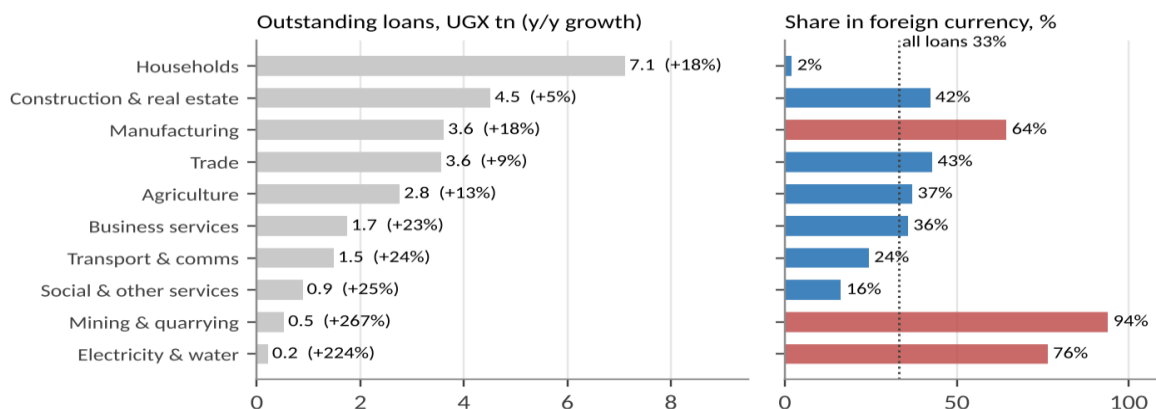
Source: Bank of Uganda Selected Indicators; credit growth from the private sector credit stock (loans).

By sector, commercial bank loans totalled UGX 26.5 trillion in July 2026 (+16.6% y/y). Households hold the largest book (UGX 7.1 trillion, +18%), ahead of construction and real estate (UGX 4.5 trillion, +5%), manufacturing (UGX 3.6 trillion, +18%) and trade (UGX 3.6 trillion, +9%). Lending to mining (+267%) and electricity and water (+224%) is small but surging, almost entirely in dollars.

Figure 10: Commercial bank lending by sector and currency, July 2026

Households lead lending; industry, mining and power borrow mostly in dollars

Commercial bank loans by sector, July 2026 (total UGX 26.5 tn, +16.6% y/y)

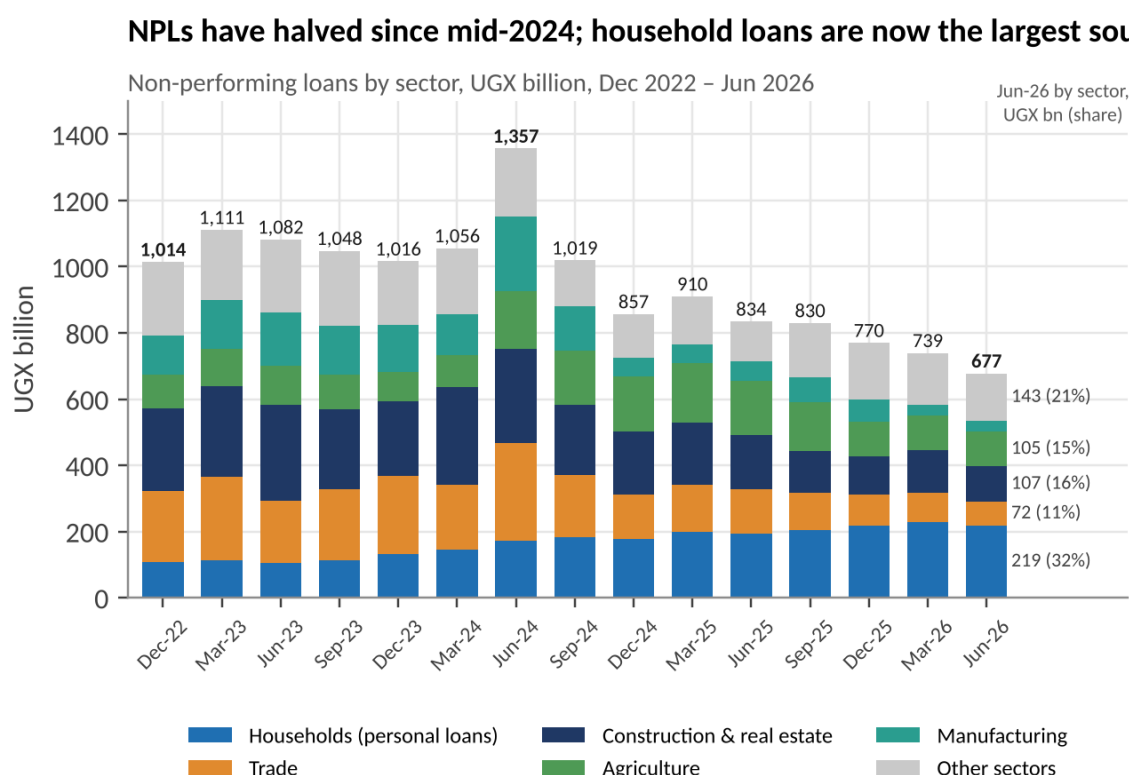


Source: Bank of Uganda, Credit by Economic Sector (commercial banks, total and forex lending), July 2026.

5.2 Asset quality

The NPL ratio fell to 2.67% in June 2026, the lowest since December 2011 (June 2025: 3.74%). The NPL stock has halved from its June 2024 peak of UGX 1,357 billion to UGX 677 billion, helped by recoveries (UGX 11.5 billion, from 1.5 billion) and fewer write-offs. Watch loans fell 14% to UGX 1.6 trillion. The composition has shifted, however. Personal and household loans now account for 32% of NPLs (UGX 219 billion), up from 10% in December 2022, while trade and construction have cleaned up. With household lending the fastest-growing book, lending standards easing and expected defaults rising, this is where the next credit cycle is most likely to start. Expected credit losses also rose 6.3% to UGX 809 billion, concentrated in a few banks, and six institutions still report NPLs above 5%.

Figure 11: Non-performing loans by sector



Source: Bank of Uganda, industry NPLs by sector, Dec-2022 to Jun-2026 (UGX '000 converted to billions).

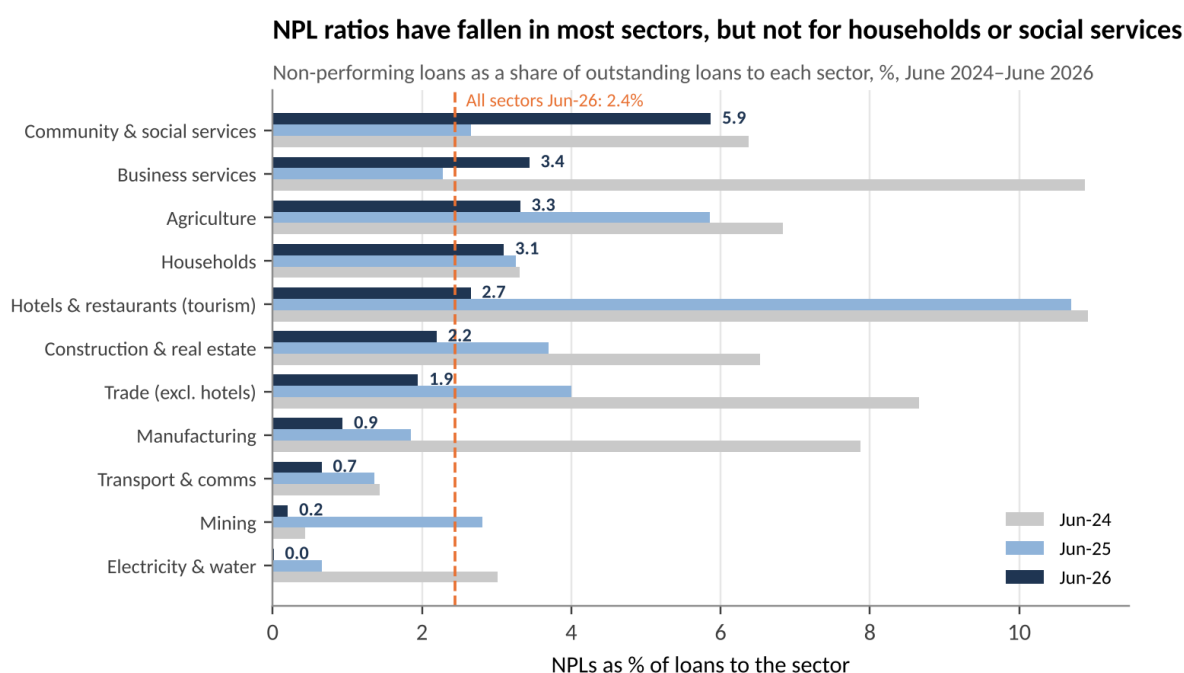
Measured against lending to each sector, the picture is more nuanced. Dividing each sector's NPLs by outstanding loans to that sector (BoU credit by economic sector, all deposit-taking institutions) gives an overall NPL ratio of 2.4% in June 2026, against 3.5% in June 2025 and 6.2% in June 2024. On this basis the cleanup has been broad:

- Trade (excluding hotels) fell from 8.7% to 1.9% and manufacturing from 7.9% to 0.9%.

- Construction and real estate fell from 6.5% to 2.2%, and hotels and restaurants from 10.9% to 2.7%.

Two books stand out. The household ratio has barely moved (3.3% to 3.1%): household NPLs rose because household lending grew, not because quality worsened. Community and social services rose from 2.7% to 5.9% in the past year, the highest of any sector. Business services (3.4%) and agriculture (3.3%) also remain above the system average.

Figure 12: NPL ratio by sector, June 2024 to June 2026



Source: Calculated from Bank of Uganda industry NPLs by sector and Credit by Economic Sector (ODC lending). Ratios use outstanding sector loans as the denominator and differ from BoU's FSR gross-loan basis (2.67% in June 2026).

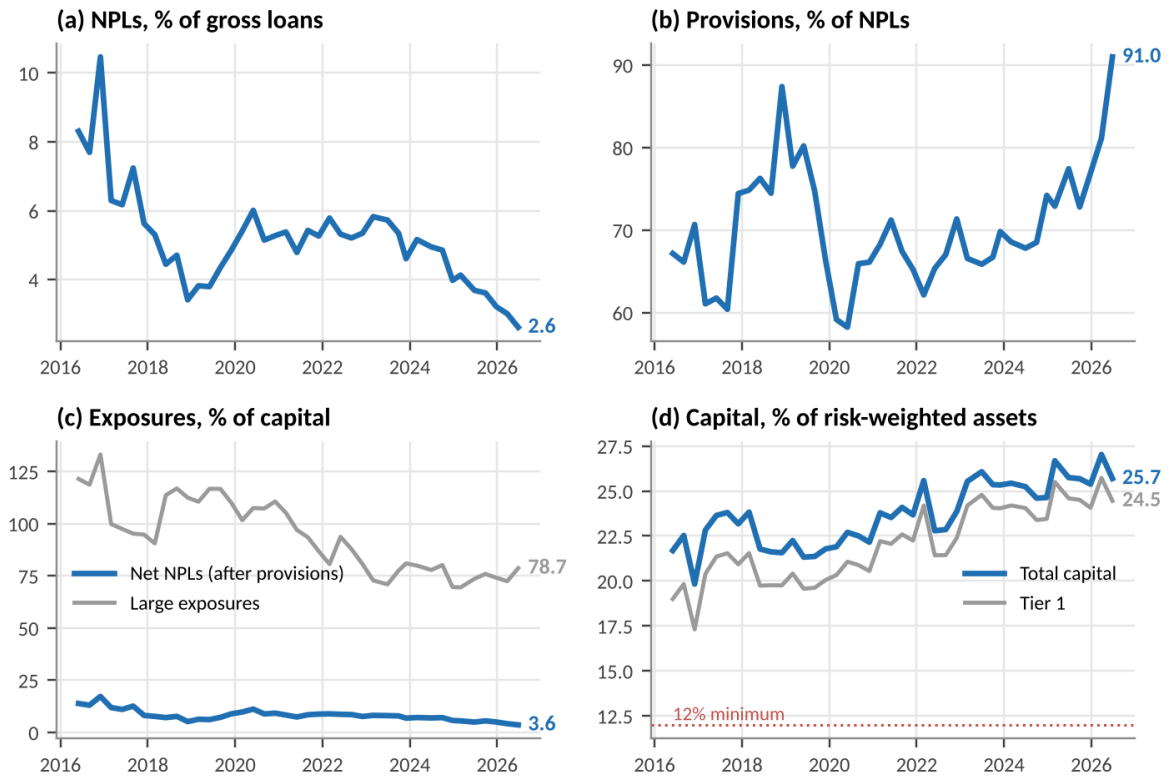
Over a ten-year horizon, BoU's Financial Soundness Indicators⁶ show that the improvement is structural. The NPL ratio has fallen from a peak of 10.5% in December 2016 to 2.6%. Provisions now cover 91% of NPLs, against 67% in 2016. Net NPLs after provisions are 3.6% of capital, from 17% at the 2016 peak, and large exposures have fallen from 122% to 79% of capital.

⁶Financial Soundness Indicators (FSIs): ratios compiled by Bank of Uganda following the IMF's FSI methodology, covering capital adequacy, asset quality, earnings, liquidity and sensitivity to market risk. BoU and the IMF use them to monitor the banking system in financial stability assessments, and common definitions allow cross-country comparison.

Figure 13: Asset quality and capital, ten-year trend

Asset quality is the best in a decade, with provisions and capital to spare

Bank of Uganda Financial Soundness Indicators, quarterly, Jun 2016 – Jun 2026



Source: Bank of Uganda Financial Soundness Indicators, quarterly, Jun-2016 to Jun-2026.

5.3 Capital, profitability, liquidity and sovereign exposure

Uganda's banks are the best-capitalised and most liquid in the EAC, but the least cost-efficient (table below). Uganda's cost-to-income ratio is 68.6%, against 58.4% in Kenya (KBA), about 62% in Rwanda and 35.8% in Tanzania.

Table 5: EAC banking-sector comparison

Indicator	Uganda	Kenya	Rwanda	Tanzania
Capital adequacy ratio, % (Dec-25)	25.4	20.0	21.9	19.7
Regulatory minimum, %	12.0	14.5	15.0	12.0
NPL ratio, %	2.67 (Jun-26)	15.4	2.5	2.8
Liquidity coverage ratio, %	409 (490 Jul-26)	n/a*	358.8	—
Return on equity, %	20.1	22.2	19.1	20.6
Cost-to-income, %	68.6	58.4†	~62	35.8
Private credit growth, %	16.1	6.5	25.8	23.5
Real GDP growth 2025, %	6.7	4.9	9.4	5.9

*Source: UBA Office of the Chief Economist, EAC Financial Stability Diagnostic (Sept 2026), from NBR, CBK, BoU and BoT reports. * Kenya reports a statutory liquidity ratio (59.3%) instead of the Basel III LCR. Uganda's June-2026 core CAR for commercial banks is 24.5%. + KBA State of the Banking Industry Report 2026 (Kenya, 2025; large banks 57.1%, medium 57.4%, small 85.4%); KBA reports a 2025 NPL ratio of 14.7%. CIR definitions differ across reports, so cross-country comparisons are indicative.*

- **Profitability.** Net profit after tax rose 20.5% to UGX 2.3 trillion and ROA was 3.5%. Income growth came from government securities (+18.2%) more than from loans (+8.6%). Cost-to-income was 68.6%, and operational losses more than doubled to UGX 11.4 billion in Q2-2026, mainly from external fraud and process failures.
- **Liquidity.** Liquid assets were 59.9% of deposits, the LCR 490% and the NSFR 172% (one institution below 100%). Deposits grew 8.1% to UGX 48.5 trillion, with time deposits contracting 4.5%. Concentration is rising: the top ten depositors hold 30.1% of deposits, and over 50% in four banks. In BoU's stress tests, a withdrawal by each bank's three largest depositors would push three banks below the liquidity ratio, and an 11% HQLA shock would breach one bank's consolidated LCR.
- **Sovereign nexus.** Government securities make up 28.7% of bank assets, close to Kenya's 29.9% (KBA), and domestic debt is close to 30% of GDP. A 10% bond-loss shock leaves all banks adequately capitalised, but exposure is concentrated in a few institutions.

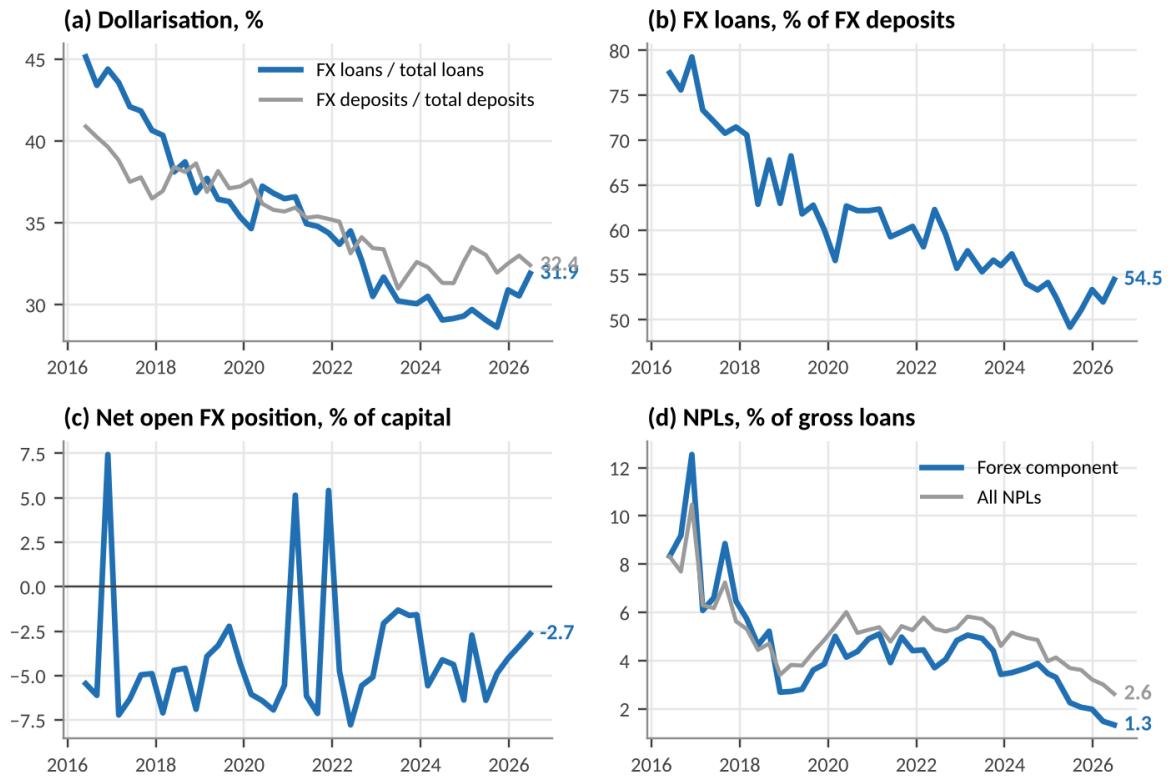
5.4 Foreign-currency exposure

One bank loan in three is in foreign currency. Dollarisation has declined over the decade: FX loans have fallen from 45% of total loans in 2016 to 32%, and FX deposits from 41% to 32% of deposits. Banks' own FX books are matched and deposit-funded. FX loans are 55% of FX deposits, the net open position is –2.7% of capital, and NPLs on the FX book (forex component) are low at 1.3%. The currency risk therefore sits with borrowers rather than banks. Dollar lending is concentrated in sectors whose earnings are partly or wholly in shillings: mining (94% of loans in FX), electricity and water (76%), manufacturing (64%) and crop processing and marketing (62%), plus 42% of construction and real-estate lending. Commercial banks' FX loans grew 31% y/y to UGX 8.8 trillion in July, outpacing shilling lending. A sustained rate above UGX 4,000 per dollar raises debt service for unhedged borrowers, which would show up in credit risk with the usual lag of about six months.

Figure 14: Banks' foreign-currency indicators

Banks' FX books are matched, but one loan in three is in dollars

Bank of Uganda Financial Soundness Indicators, quarterly, Jun 2016 – Jun 2026



Source: Bank of Uganda Financial Soundness Indicators, quarterly, Jun-2016 to Jun-2026.

5.5 Payments

On twelve-month flows, retail digital channels are growing far faster than high-value settlement. High-value RTGS settlements, worth about 3.8 times GDP, are broadly flat in value and falling in volume. Mobile money, about 1.7 times GDP, grew 29%.

Table 6: Payment system flows, twelve months to June 2026

System	Value, UGX trillion	Times GDP*	Value growth, % y/y	Volume	Volume growth, % y/y
UNISS / RTGS (high value)	963.4	3.8×	+0.8	2.4 million	-5.2
Mobile money	421.0	1.7×	+29.1	9.7 billion	+15.5
Payment system operators	73.7	0.29×	+28.0	337 million	+27.0
EFT (ACH)	72.8	0.29×	+12.8	14.1 million	+2.4
Cheque clearing	4.4	0.02×	-4.9	0.94 million	-6.8
EAPS (cross-border, UGX-settled, FY2025/26)	0.98	0.004×	+60.5	10,808	-8.9

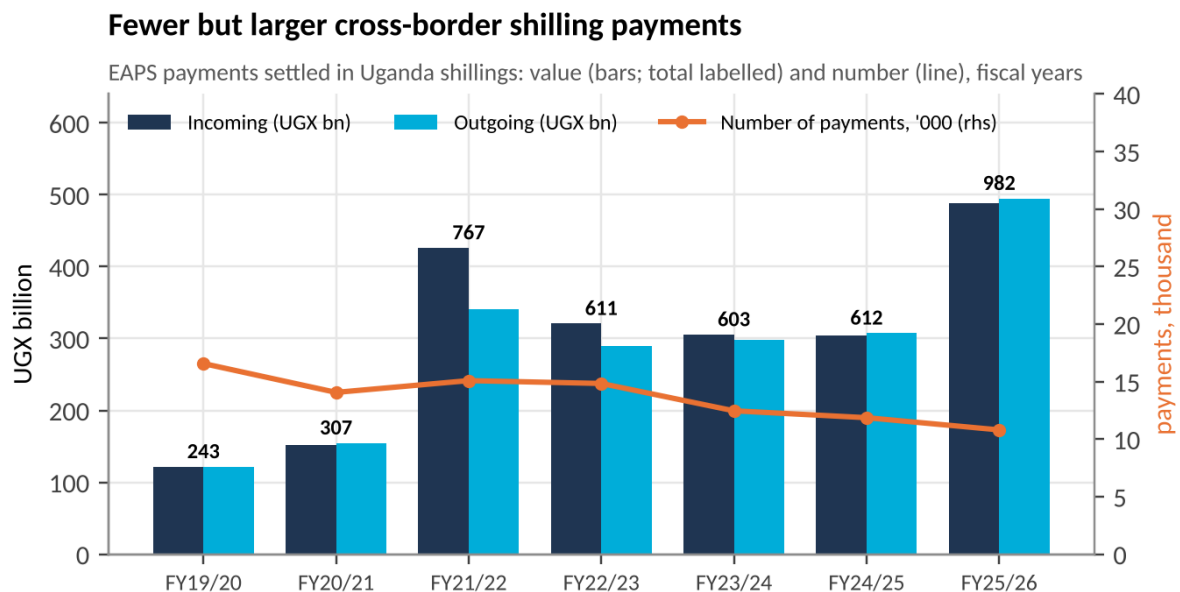
Source: Bank of Uganda, payment systems statistics, twelve months to June 2026; EAPS: Bank of Uganda EAPS data, FY2025/26, shilling-settled payments only. * Relative to FY2025/26 nominal GDP of UGX 250.4 trillion (UBOS).

Mobile money is now equal to 44% of RTGS value, up from 34% a year earlier, and is the channel for fast-growing digital credit: UGX 5.6 trillion of digital loans (+175%) across 413 million transactions. Financial inclusion reached 78%, against a 69% target.

The East Africa Payment System (EAPS) links the central banks of Uganda, Kenya, Tanzania and Rwanda so that cross-border payments settle in real time in the partner states' own currencies. It is small relative to domestic systems but has become more important for regional trade:

- **Value.** Payments settled in Uganda shillings rose 60.5% to UGX 982 billion in FY2025/26 (UGX 488 billion incoming, UGX 495 billion outgoing), four times their FY2019/20 level.
- **Payment size.** The number of payments fell 8.9% to 10,808, so the average payment rose to about UGX 91 million, from UGX 15 million in FY2019/20. EAPS is being used increasingly for larger trade and corporate settlements.
- **Other currencies.** Kenya-shilling flows rose 18% to KES 81.6 billion, and Tanzania-shilling flows rose about sevenfold to TZS 70.4 billion. Rwanda-franc flows remain negligible. Early FY2026/27 data (July–August) show UGX 162 billion settled in shillings, a pace consistent with further growth.

Figure 15: East Africa Payment System: shilling-settled payments



Source: Bank of Uganda, EAPS data, June 2019 to August 2026 (fiscal years; FY2026/27 not shown).

6. Fiscal position and public debt

54.3%

Public debt / GDP (Jun-26)

USD 37.1bn

Public debt stock

4.9%

Interest / GDP, FY2025/26

+UGX 6.7tn

External debt at 4,078 vs
end-June

The external debt is long and cheap; the exchange rate changes its shilling cost, not its structure.

6.1 Fiscal position

The FY2025/26 deficit was UGX 15.0 trillion, or 6.0% of GDP, after 6.1% in FY2024/25 and 4.7% in FY2023/24. Revenue rose 13.6% to UGX 38.0 trillion and spending 12.4% to UGX 53.0 trillion. The World Bank points to three pressures:

- **Weak tax buoyancy.** Tax revenue grew only 5.1% y/y in the second half of 2025, against a three-year average of 13.4%. Growth is concentrated in oil construction and sectors with tax incentives, and the tax-to-GDP ratio (13.1%) is below the EAC average (15.3%).
- **Spending overruns.** Five supplementary budgets added UGX 8.5 trillion in FY2025/26.
- **Domestic borrowing.** Domestic financing supplied over 80% of deficit financing.

The FY2026/27 budget (UGX 84.3 trillion) is the first to include petroleum revenue (UGX 1.4 trillion), but domestic borrowing remains at UGX 12 trillion. Debt service is budgeted at UGX 33.4 trillion, nearly 40% of the envelope, including UGX 12.4 trillion of interest. The World Bank expects the deficit to narrow to about 5% of GDP in FY2026/27 as oil revenue begins.

6.2 State of public debt

Public debt rose by USD 4.8 billion in FY2025/26 to USD 37.1 billion (UGX 136.1 trillion), or 54.3% of GDP, up from 51.3% a year earlier and 46.9% in June 2024. The increase came from the domestic market:

- Domestic debt grew 26.5% to UGX 76.3 trillion and is now 56% of the total (30.5% of GDP).
- External debt rose to USD 16.3 billion but fell to 23.9% of GDP, because GDP grew faster and disbursements slowed.

In present-value terms, debt is 48.2% of GDP. The World Bank sees the ratio staying between 52% and 56% of GDP to FY2027/28, with oil revenue the turning point. That outcome depends on fiscal discipline and a credible successor to the CFR.

Cost, not stock, is the binding constraint. Interest rose from 4.4% to 4.9% of GDP. Domestic debt costs 14.2% on average and external debt 2.3%, so the shift to domestic financing has raised the average rate to 9.0%. The World Bank estimates interest at about a third of tax revenue, nearly three times the CFR ceiling of 12.5%. Total debt service paid was UGX 23.3 trillion in FY2025/26, about 61% of revenue. Its composition has changed: domestic coupon payments rose 68% to UGX 8.2 trillion as the bond stock grew, while redemptions fell 26% as maturities lengthened (average time to maturity 8.8 years).

The external portfolio is drifting towards market terms:

- **Commercial borrowing.** Commercial debt rose from 18.9% to 21.2% of external debt after USD 1.0 billion was drawn from Afrexim, Rand Merchant Bank and Ecobank.
- **Floating rates.** Variable-rate debt rose to 22.3% of external debt.
- **Fees.** Fees and charges jumped 86% to USD 61 million.
- **Undisbursed loans.** Signed but undrawn loans rose 60% to USD 5.4 billion, including USD 1.5 billion from commercial banks.

Offshore investors hold about 12% of government securities (UGX 9.5 trillion at face value), up from 7.7% in June 2023.

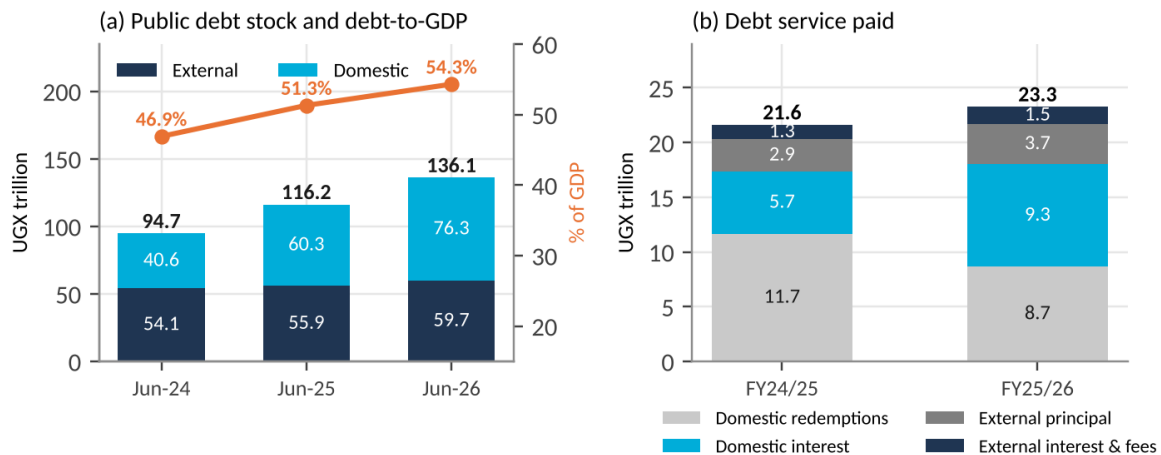
Table 7: Public debt: key indicators

Indicator	Jun-25	Jun-26
Public debt, USD billion (UGX trillion)	32.3 (116.2)	37.1 (136.1)
Public debt, % of GDP: total (external / domestic)	51.3 (24.7 / 26.7)	54.3 (23.9 / 30.5)
Present value of debt, % of GDP	45.0	48.2
Interest payments, % of GDP	4.4	4.9
Weighted average interest rate, %: external / domestic	2.3 / 14.4	2.3 / 14.2
Average time to maturity, years	8.5	8.8
Debt maturing within one year, % of total	11.2	13.0
Foreign-currency debt, % of total debt	48.1	43.9
Short-term FX debt, % of reserves	26.3	19.5
External debt: concessional / commercial share, %	56.0 / 18.9	56.5 / 21.2
Offshore holdings, % of government securities	10.0	12.2

Source: MoFPED, Annual Debt Statistical Bulletin and Public Debt Portfolio Analysis, June 2026 (Tables 1, 2 and 16; Part 6).

Figure 16: Public debt stock and debt service

Debt has risen to 54% of GDP, and interest is displacing principal in debt service



Source: MoFPED, Annual Debt Statistical Bulletin, June 2026. External debt service converted at the fiscal-year average exchange rate; domestic interest includes discounts on Treasury bills.

6.3 The exchange rate and debt obligations

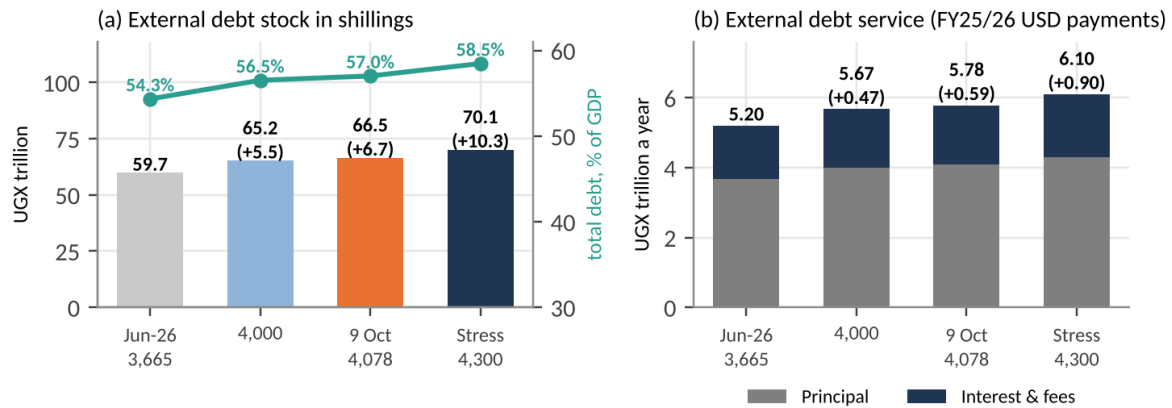
External debt is held in foreign currencies (US dollar 46%, euro 35%, yuan 8%, yen 5%), so the shilling's move above 4,000 raises its shilling cost one for one. These calculations hold dollar values and cross rates constant:

- **Stock.** At BoU's end-June rate of 3,665, external debt was UGX 59.7 trillion. At 4,078 (9 October), the same USD 16.3 billion is worth UGX 66.5 trillion, an increase of UGX 6.7 trillion (11.3%), or 2.7% of GDP. This one revaluation is larger than the UGX 3.9 trillion rise in external debt over the whole of FY2025/26. Total debt rises mechanically from 54.3% to 57.0% of GDP, and to 58.5% at 4,300.
- **Debt service.** FY2025/26 external payments were USD 1.42 billion (principal USD 1.00 billion, interest and fees USD 0.42 billion). Paying the same amount at 4,078 costs UGX 5.78 trillion instead of 5.20 trillion at the end-June rate. That is UGX 0.59 trillion more a year, about 1.6% of FY2025/26 revenue.
- **Rule of thumb.** Each 100 shillings of depreciation adds about UGX 1.6 trillion (0.65% of GDP) to the external debt stock and UGX 0.14 trillion to annual external debt service.

Figure 17: Exchange-rate impact on external debt obligations

Each 100 shillings of depreciation adds UGX 1.6 trillion to external debt

Shilling per US dollar; dollar-equivalent stock and payments held at June-2026 / FY2025/26 levels



Source: Calculated from MoFPED Debt Statistical Bulletin (June 2026: external debt USD 16.30 billion, FY2025/26 external debt service USD 1,418 million) and BoU end-June rate; 4,078 is Bloomberg's 9 October close. Debt ratios use FY2025/26 GDP (UGX 250.4 trillion).

The impact is mostly a matter of valuation rather than cash flow, for three reasons:

1. External debt is long and cheap: average maturity is 10.3 years, 56.5% is concessional, the average rate is 2.3%, and only 7.2% falls due within a year.
2. Short-term foreign-currency debt is 19.5% of reserves, down from 26.3%.
3. The ratio effect is overstated if depreciation also lifts nominal GDP in shillings.

Three features, however, amplify the impact:

1. **Currency risk has been swapped, not removed.** The foreign-currency share of debt fell to 43.9% only because domestic borrowing rose, so the risk has moved into the higher cost and faster rollover of domestic debt (17.6% matures within a year).
2. **More external debt is on market terms.** The rising commercial and floating-rate share links external costs to global rates, with US 10-year yields near 5.2%.
3. **Offshore holders face a currency loss.** Offshore investors (about 12% of securities) lose on the currency as the shilling falls. This is the channel through which depreciation can push up domestic yields: a 100 basis-point rise on FY2025/26 gross issuance (UGX 25.2 trillion) adds about UGX 0.25 trillion a year to interest costs.

For banks, this deepens the sovereign-bank nexus. Government paper already makes up 29–30% of bank assets (BoU; World Bank), and higher yields raise income but crowd out private credit.

7. Outlook and risks

The near-term baseline is growth of about 6–7% (BoU projects 7.0–7.5% for FY2026/27), inflation drifting above 5%, a current account deficit of about USD 1 billion a quarter and continued pressure on the shilling through the year-end import season. The statistical projections below assume no structural break. The exchange-rate base case was overtaken in October, which makes the upper bound the more relevant scenario.

Table 8: Short-term projections (statistical, 80% ranges)

Indicator	Latest	Base, ~6 months	80% range
Shilling per US dollar	4,078 (9 Oct)	3,999 (Mar-27) [†]	3,787 – 4,210
91-day Treasury bill, %	10.2 (Sep-26)	10.0 (Mar-27)	7.5 – 12.5
Private credit growth, % y/y	19.0 (Aug-26)	19–20 (judgement)	19.3 – 27.0
Reserve cover, months	3.6 (Aug-26)	3.9 (Feb-27)	3.2 – 4.5
Current account, USD million a quarter	–993 (Q2-26)	–962 (Q4-26)	–1,726 – –198

Source: Forecast Framework sheet: $base = latest + 0.5 \times recent\ trend \times horizon$; $band = \pm 1.28 \times volatility \times \sqrt{horizon}$. [†] Estimated on September data; the market has since moved above it.

Table 9: Risk assessment

Risk	Likelihood	Impact	Transmission
Oil above USD 100 for longer	High	High	Import bill, inflation, shilling
Offshore portfolio outflows / further depreciation	Medium–high	High	Reserves, core inflation, FX borrowers
Household credit deterioration	Medium	Medium	NPLs in the fastest-growing book
Global tightening: Fed, ECB, RBI hikes; US 10-year yield ~5.2%	High	High	Narrower carry, portfolio outflows, shilling
Coffee price decline (arabica –23% y/y)	High	Medium	FX supply, rural incomes
Lower gold prices	Medium	Medium	Re-export values, goods balance
Regional Ebola spread (case confirmed in Kenya)	Low–medium	Medium	Tourism, trade, travel advisories
Fiscal slippage and higher domestic borrowing	Medium–high	High	Yields, crowding-out of private credit, sovereign–bank nexus
Delay to first oil	Medium	High	Growth, exports, revenue
Operational and cyber losses	Medium	Medium	Bank earnings, confidence in digital channels
Upside: first oil exports, sustained FDI	Medium	High	Current account, reserves, growth

Source: Assessment based on the data in this report, BoU's Financial Stability Risk Assessment (Aug 2026) and the World Bank Uganda Economic Update (June 2026).

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This report reflects the collective analytical work of the Office of the Chief Economist, Uganda Bankers' Association.

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