

UGANDA COUNTRY RISK ANALYSIS



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MACRO ENVIRONMENTAL ANALYSIS

COUNTRY RISK REVIEW

DEMOGRAPHIC OVERVIEW

Uganda is a country situated in eastern Africa, bordered by Kenya to the north, Tanzania to the south, Rwanda to the southwest, the Democratic Republic of the Congo (DRC) to the west, and South Sudan to the north. Uganda's population is estimated at 45.9 million (Census 2024). The capital and largest city of Uganda is Kampala. It is large in terms of population, the busiest urban centre, commercial activities, educational facilities, and home to key government offices, including the Parliament of Uganda, various ministries, diplomatic missions, and international organisations.

POLITICAL LANDSCAPE

The National Resistance Movement (NRM) is the ruling political party in Uganda, led by President Museveni. The NRM has dominated Ugandan politics since Museveni took power in 1986, winning multiple elections, making him one of Africa's longest-serving leaders. The opposition political parties play a crucial role in the country's political landscape; this includes the Forum for Democratic Change (FDC), which is one of the leading opposition parties in Uganda and has consistently been a significant player in the country's political landscape since its formation in 2004. Led by figures like Dr Kizza Besigye, the FDC has garnered substantial support and has been vocal in advocating for political reforms, human rights, and democratic governance. The National Unity Platform (NUP) is a relatively new political party in Uganda, founded in 2018 by Robert Kyagulanyi Ssentamu, commonly known as Bobi Wine, a prominent Ugandan musician-turned-politician. Bobi Wine gained significant attention and popularity in recent years, particularly during the 2021 general elections, and emerged as a charismatic and influential figure, especially among young Ugandans, advocating for social justice, political reform, and youth empowerment.

The next general election in Uganda is scheduled to be held in 2026. General elections in Uganda typically occur every five years, as per the country's electoral cycle. The most recent general election was held in January 2021, which saw incumbent President Yoweri Museveni re-elected for a sixth term. The trajectory of Ugandan politics will be shaped by factors such as leadership transitions, potential democratic reforms, and the strength of institutional frameworks in fostering political accountability and citizen engagement. With more than 30% of the population still below the poverty line, Uganda relies heavily on agricultural products as its main export.

UGANDA STRENGTHENS AML/CFT FRAMEWORK FOLLOWING FATF GREY LIST REMOVAL

Uganda was removed from the FATF Grey List in February 2024 and subsequently applied for a re-rating in September 2024. As of the latest assessment, the country is now compliant or largely compliant with 29 of the 40 FATF Recommendations—representing a significant enhancement in its international standing. Uganda’s overall compliance rate has increased from 63% in FY23/24 to 72% in FY24/25, demonstrating sustained commitment to combating financial crime and strengthening the integrity of its financial system. The re-rating will bring Uganda closer to full alignment with global AML/CFT

ECONOMIC PERFORMANCE AND DEVELOPMENTS

Monetary Policy

The Bank of Uganda has maintained a cautious stance on monetary policy, keeping the Central Bank Rate at 9.75% in November 2025. This rate has remained unchanged for several consecutive monetary-policy meetings during 2025.

This consistency reassures investors and businesses about Uganda’s monetary policy direction. BoU is projecting the inflation to stay close to its medium-term target over 2025/26.

Interest Rates

Interest rates remain high, with the weighted average lending rate for shilling-denominated loans at 18.85% in September 2025, while foreign currency-denominated loans averaged 8.28%. The rise in shilling lending rates was primarily driven by an increased appetite for government securities by commercial banks amid high government yields.

Economic Growth

In FY 2024/25, Uganda’s economy expanded by 6.3%, supported by robust agricultural performance, a stronger industrial recovery, and steady growth in the services sector, reflecting the economy’s continued resilience. Real GDP is projected to grow between 6.0% and 6.5% in FY 2025/26 and to average around 8% over the next five years, underpinned by prudent policies, investments in oil and related sectors, enhanced agricultural productivity, expansion of digital finance, and the implementation of the Tenfold Growth Strategy.

Inflation

Inflation remains moderate, averaging 3.5% (headline) and 3.9% (core) in FY2024/25. Core inflation is projected to average 4.5–5.0% in FY 2025/26 and is expected to stabilise around 5% over the medium

term, subject to two-sided risks including commodity price fluctuations, weather shocks, global financial conditions, and exchange-rate movements.

Exchange Rate Movement

The Uganda shilling continued its steady appreciation in 2025, strengthening for the sixth consecutive month and gaining 1.3% in October 2025 to an average rate of about UGX 3,463 per USD. This performance was driven by increased foreign exchange inflows from offshore investors, remittances, and strong export receipts, especially from coffee and gold, supported by favourable global prices. Domestically, credible monetary policy reforms by the Bank of Uganda, including the adoption of the GMRA and the FX Global Code, enhanced market liquidity and transparency, boosting investor confidence. These developments contributed to Uganda being ranked 3rd in Africa in the 2025 Absa Financial Markets Index.

Balance of Payments

Uganda's external position remained strong, underpinned by sustained investor confidence, robust export performance, and stable capital and financial inflows. The overall balance of payments registered a surplus of US\$1.72 billion in September 2025, which is the highest level in the last 15 years. This is mainly due to strong financial inflows related to foreign direct investment and portfolio inflows. However, the current account deficit slightly widened to US\$4.2 billion from US\$4.1 billion in the corresponding period of the previous year. This was due to the widening of the services deficit, which more than offset improvements in all other accounts.

The trade deficit narrowed by 20.4% to USD 2.5bn from USD 3.2bn in the prior year, supported by a surge in export earnings, particularly from gold, coffee, and cocoa, which helped offset the rise in import expenditure.

Fiscal Operations

Uganda's budget deficit has been narrowing steadily over the three fiscal years, reflecting an improving fiscal position. The deficit declined from UGX 10.38tn in FY2022/23 to UGX 9.49tn in FY2023/24, and further to UGX 7.04tn in FY2024/25. This progressive reduction is largely supported by stronger revenue performance alongside more moderate growth in total expenditures.

Debt Sustainability

The nominal debt-to-GDP ratio increased to 51.3% in FY24/25 from 46.9% in FY23/24, indicating a deterioration in debt sustainability. The elevated national debt continues to exert pressure on fiscal

space and public spending. External debt amounted to UGX 55.9 trillion (USD 15.5 billion), equivalent to 24.7% of GDP. On the other hand, domestic debt rose to UGX 60.3 trillion (USD 16.8 billion), or 26.7% of GDP.

Trade Dynamics

Uganda's exports of goods and services totalled USD 11.8bn as of March 2025. Gold was the dominant export, contributing USD 3.8 billion, which represents about 32% of total exports. Coffee followed at USD 1.83 billion, accounting for roughly 16 percent. Together, gold and coffee made up nearly half (about 48%) of total export earnings. The remaining export growth was supported by industrial products, cocoa, milk products, base metals, sugar, fish, maize, and a broad range of other agricultural commodities.

As of March 2025, the Middle East remained Uganda's leading export destination, followed by the East African Community (EAC), Asia, and the European Union (EU). Uganda registered substantial trade surpluses with both the Middle East and the EU, amounting to USD 186.3 million and USD 117.7 million, respectively. These surpluses were primarily driven by strong exports of coffee, as well as industrial and mineral products to these markets.

The country's trade policy aims to encourage cooperation and integration in East Africa to stimulate production and increase export earnings. Tariffs are not very high, and the country has few non-tariff barriers to trade. However, socioeconomic challenges and underdeveloped infrastructure remain major obstacles to trade. The political situation in South Sudan, one of the country's main trading partners with Kenya, continues to affect trade flows.

Drivers and Challenges of Uganda's Economic Growth

On the positive side, factors contributing to growth include investments in the oil sector. The oil sector has made significant progress, with over 60% of key infrastructure and extraction sites completed, and the government remains confident that first oil production is expected by June 2026. Despite the country's growth being primarily fuelled by agricultural exports and oil discovery, Uganda has not generated an adequate number of job opportunities at the necessary pace for rapid poverty reduction. Several challenges, including limited access to infrastructure services and weak institutions, have impeded the required structural transformation of the economy.

Financing Constraints and Diversification of Exports

Uganda faces several risk factors that impact its economy and political stability. One significant concern is financing constraints that could constrain credit and investment in the private sector. Increased government borrowing might increase interest rates, making it harder for businesses and individuals to get loans and potentially hindering spending and investment. On the other hand, due to overreliance on agricultural exports, weaker demand in other countries could hurt Ugandan exports, reducing earnings and affecting the balance of payments. These combined factors contribute to a challenging country-risk environment.

CHARTING A PATH FORWARD

In conclusion, Uganda presents a complex landscape of opportunities and challenges for investors and policymakers alike. While investments in sectors like oil hold promise for economic growth, persistent structural barriers, such as limited access to infrastructure and weak institutions, continue to hamper the country's development trajectory. Moreover, risks associated with financing constraints and overreliance on agricultural exports underscore the need for diversified economic strategies and robust risk management frameworks. Navigating these challenges will require concerted efforts from both the government and private sector stakeholders, focusing on enhancing resilience, promoting inclusive growth, and fostering sustainable development pathways for Uganda's future prosperity.