Q 2 April - June 2026

UNITED NATIONS
UGANDA

QUARTERLY ECONOMIC DIGEST

Rising Energy Prices are Driving Increasing Inflation

Rising global energy prices are contributing to inflationary pressures in Uganda through higher transport, production, and household energy costs. While these effects are felt across the economy, vulnerable populations are likely to be disproportionately affected. Low-income households spend a larger share of their income on essential goods and services, making them more exposed to increases in food and transport prices.

Higher energy costs may also affect small businesses and informal workers operating with limited financial buffers. Rural communities dependent on transport-intensive supply chains may face additional pressures linked to rising input and market access costs. Sustained inflation risks widening existing inequalities unless mitigation measures help protect households least able to absorb rising living costs.

Passing of Protection of Sovereignty Bill

The recent passing of the Protection of Sovereignty Bill is likely to shape Uganda's development trajectory through its implications for external partnerships, investment confidence, and civic space.

Supporters argue that the legislation strengthens national autonomy and reduces external influence over domestic policymaking. However, concerns have also been raised about its potential impact on relations with development partners, foreign direct investment, and access to external financing. These dynamics are particularly significant in a context where Uganda continues to rely on external capital, aid, and technical cooperation to support development priorities.

The implications for inclusive economic growth will depend on how the legislation affects investor confidence, international engagement, and the broader policy environment for participation, accountability, and long-term economic stability.

Widening Budget Deficit

Uganda's widening budget deficit reflects growing fiscal pressures linked to rising expenditure demands, debt servicing obligations, and revenue constraints. While borrowing can support development priorities, persistent deficits may reduce fiscal space for investment in health and education, critical for long-term productivity and economic growth. Higher borrowing needs may also increase future debt servicing costs, further constraining public investment capacity. Balancing fiscal sustainability with continued investment in human capital will remain an important development challenge.

Expected surge in Economic Growth due to Oil

Uganda's expected oil production is projected to accelerate economic growth through increased exports, revenues, infrastructure investment, and foreign direct investment. If well managed, oil revenues could help finance development priorities, strengthen industrialisation, and expand investment in infrastructure and human capital.

However, increased dependence on oil also carries risks, including exposure to global price volatility, governance challenges, and weaker economic diversification. Uganda's long-term development trajectory will therefore depend on how effectively oil revenues are managed and translated into broad-based and sustainable development.

Macroeconomic Snapshot

UNITED NATIONS
UGANDA

This edition's macroeconomic snapshot examines how resources are mobilised, managed, and utilised in Uganda's economy. It combines indicators on domestic revenue mobilisation, public spending,, governance, and external flows. Together, these provide a lens on the efficiency and overall effectiveness of resource use in supporting development outcomes.

Tax and debt to GDP

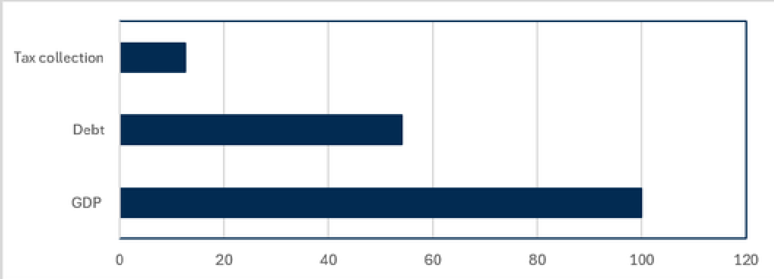
Tax to GDP ratio FY 2024/25: 14.27**%** (US$ 8 billion)

Total debt of US$ 34,86 Billion

Debt to GDP over IMFs recommendation of 50%

Source: MoFPED and IMF

Size compared to GDP



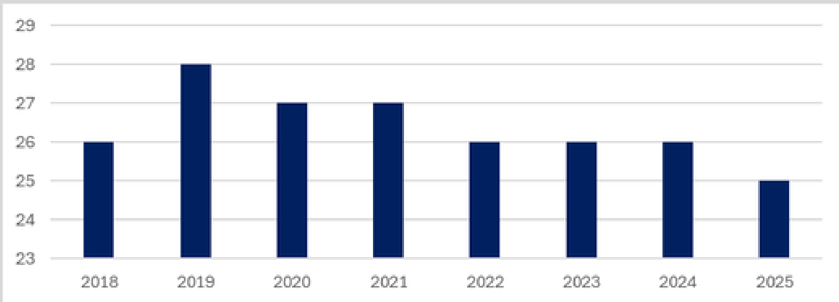
Leakages & IFF Proxies

Net errors and omissions (Balance of Payments) 2024: US$ 530 million

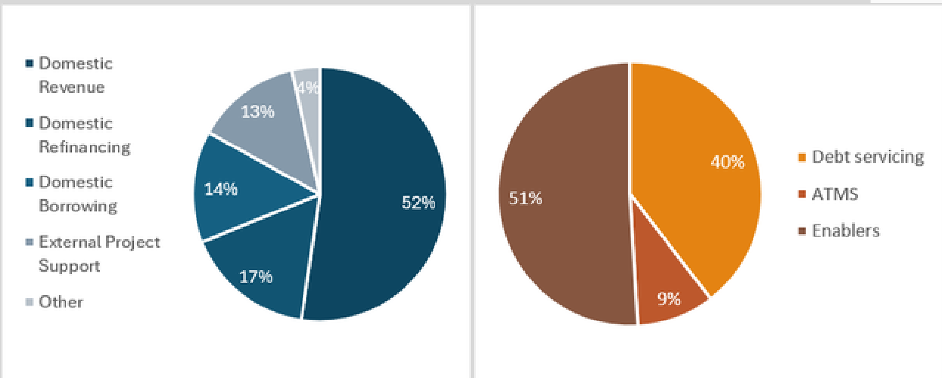
Corruption rank 2025: 148th/180 countries

Corruption Perception Index Score 2025: 25/100

Corruption Perception Index 2018-2025



State budget FY 26/27



Revenue and Expenses

16% increase of the budget since last year

Revenues from the oil production for the first time and is projected to Shs 1,44 Trillion

Other expenses is mainly infrastructure expenditures

Source:Parlament of Uganda 2026

Fuel Prices

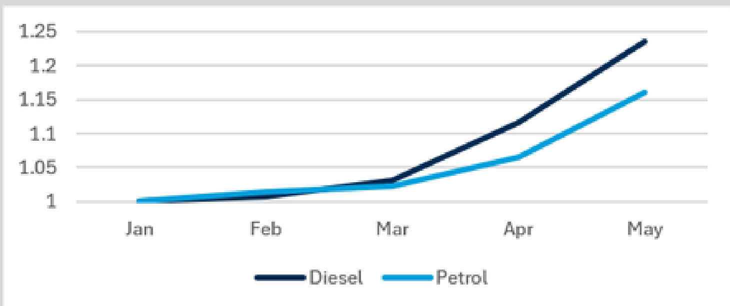
Diesel prices is up 23.46 % as of this year, with start in March

Petrol prices is up 15.98 % starting in April

The Diesel price move faster due higher amounts of raw oil requierd and industry demand

Source:UBOS CPI May 2026

Fuel prices since January



UNITED NATIONS
UGANDA

The Combat Against Illicit Financial Flows: What's in it for development?

Public discussion of illicit financial flows (IFFs) in Uganda typically emphasizes loss. Each year, an estimated US$ 500-600 million leaves the economy through trade mis-invoicing, tax evasion, smuggling, corruption, and money laundering. These figures are significant and rightly concerning. Yet an exclusive focus on loss obscures a more consequential question: what could Uganda gain if such flows were reduced?

From this perspective, IFFs are not only a governance concern. They also point to foregone economic potential in an economy where domestic resource mobilisation remains a central policy priority under the National Development Plan IV.

Uganda's development context is well known. Public expenditure needs are rising, debt servicing costs have increased, and domestic revenue mobilisation remains below potential. Policy responses often look outward - to concessional finance, new revenue measures, or prospective oil income. IFFs, by contrast, point to a quieter opportunity: resources already generated within the economy, but not effectively captured for public or productive use.

The potential benefits from addressing IFFs extend beyond additional revenue.

First, there are implications for investment and economic efficiency. Illicit outflows are often associated with regulatory arbitrage, weak enforcement, and uneven application of rules. Over time, this can distort incentives—rewarding concealment and rent-seeking rather than productive investment. Strengthening the integrity of tax, customs, and financial systems would help level the playing field for compliant firms and improve confidence among both domestic and foreign investors.

Second, tackling IFFs is particularly relevant for Uganda's natural resource sectors. Despite substantial mineral endowments, mining currently accounts for a modest share of GDP. Available evidence points to persistent challenges related to under-declaration, smuggling, and limited transparency in licensing and trading. As Uganda approaches oil production, similar risks are likely to arise at a much larger scale. Addressing IFF-related vulnerabilities early will be critical in determining whether resource wealth supports long-term development or reproduces recurring challenges.

Third, there is an important distributional dimension and a social dividend. When the tax base is eroded by illicit flows, governments often rely more heavily on indirect taxes, fees, and charges that disproportionately affect lower-income households. Recovering even a portion of these flows would expand fiscal space for health, education, climate adaptation, and local government services—without increasing statutory tax rates. This would support both efficiency and equity objectives.

Finally, progress on IFFs carries reputational and financial benefits. Uganda's recent inclusion on the Financial Action Task Force (FATF) grey list underscored how perceived IFF risks can raise transaction costs, intensify scrutiny, and complicate access to international finance. Sustained improvements would reduce these frictions and strengthen confidence among investors and development partners.

Uganda does not primarily lack legal or institutional frameworks. It has anti-money-laundering legislation, a Financial Intelligence Authority, tax and customs administrations, and sector-specific regulations. What remains limited is a coherent, economy-wide strategy that treats IFFs as a development challenge rather than a series of isolated compliance issues.

IFFs cut across tax policy, trade, extractives, finance, procurement, and law enforcement. Addressing them through institutional silos is therefore unlikely to yield comprehensive results. What is needed is a national policy dialogue on IFFs, grounded in Uganda's development objectives, that helps prioritise reforms, align incentives, and focus enforcement where the economic returns are highest.

The central question is no longer only how much Uganda is losing. It is how much Uganda could achieve if illicit financial flows were no longer quietly undermining its development ambitions. A national policy dialogue represents an important step towards realising that opportunity.

GEN Z-NOMICS

UNITED NATIONS UGANDA

FROM FIELD TO FUTURE: GEN Z AND THE AGRICULTURE OPPORTUNITY IN RURAL UGANDA

Uganda's agricultural industry sits in a paradox. Employing roughly 65% of the working population and contributing to around a quarter of total gross domestic product (GDP), it remains the backbone of the economy. However, it continues to rely heavily on an ageing workforce and outdated practices.

The typical Ugandan farmer is 54 years old. On the other hand, the nation's median age stands at only 16, and according to the 2024 National Population and Housing Census, over half the population is under 18.

These numbers tell the story: this is a society where the people most in need of jobs are systematically excluded from the sector that provides and needs workers most.

Gen Z is uniquely positioned to bridge that gap, and the momentum is building.

The challenge and its scale
Understanding the scale of the challenge is key to addressing the issue. Uganda's youth unemployment challenges run deeper than the headlines suggest. The 2024 census recorded that youth unemployment rates for those aged 18-30 were staggering 16.1%, translating to over 10 million people. Women are disproportionately affected by youth unemployment (18.7%) compared to men (13.4%). This issue is more severe in rural regions, where informal employment, paired with youth unemployment, is widespread. Yet rural Uganda is where agriculture can offer the most. But only if the policy shifts to meet young people where they are, prioritising rural development over rapid urbanisation. Rural youth face a compounded predicament of urban youth unemployment, as also highlighted in the last Gen Z-nomics column. The young population have proximity to land, access to digital tools, and a growing labour market. However, they are lacking financing, training, and market linkages.

Technology as a bridge
Generation Z is at the heart of the digital era, and that agriculture is beginning to feel that influence in Uganda. For example, platforms like m-Omulimisa provide village extension agents with instant access to advisory services and to mobile money services from companies like Akello Banker, which provide poor farmers with financial services. The World Bank, in collaboration with the Ministry of Agriculture, Animal Industies and Fisheries has accelerated the growth of this ecosystem through the Disruptive Agricultural Technology (DAT).

Challenge, which has identified several promising youth-led agritech companies poised for scaled expansion.

The economic logic is compelling: digital agriculture doesn't just modernise farming — it creates an entire ecosystem of rural jobs in software, supply chain management, financial services, and data analytics. Quality work no longer requires a move to Kampala. It can come to young people wherever they are.

Agripreneurs, parks, and the network effect
Structured programmes such as the Young Farmers Champions Network (YOFCHAN) are producing noticeable results. Established in cooperation with the Food and Agriculture Organisation (FAO). These two programmes now aid an estimated 700 young farmers to access local markets and 200 youth-led agri-businesses. This work is spread across 13 sub-regional chapters, with the help of 2,000 youth volunteers.

There are several models for agribusiness development. For example, those done by the Consultative Group on International Agricultural Research (CGIAR), aiming to connect Ugandan youth to key agricultural markets such as cassava, maize, and livestock. These models mainly provide hands-on training in farming and marketing, directly resulting in youth-led agri-businesses in the region of Sedunsu to produce 4 tonnes of maize, which supports evidence that not only can these be economically viable farms, but more importantly, that the youth have a place in the agriculture sector through development schemes. Models as such are especially promising, as they help very successful projects lower the barriers to entry for the next one, and, with continued support, these bases can be truly transformative for Uganda's agricultural sector.

The necessary shifts to unlock change
The foundation is solid, and with the right policy shifts, the momentum can accelerate rapidly. Eliminating the gap between ambition and access for agripreneurs in rural Uganda is urgent and achievable.

A young farmer who cannot access a market price app faces a structurally higher cost of doing business than one who can. Therefore, affordable internet connectivity must be treated as agricultural infrastructure. Secondly, the three-year tax exemption for start-ups must be actively communicated and accessible to youth-led agribusinesses in rural districts, not just on paper in Kampala.

Agriculture will not just remain the backbone of Uganda's economy, but become the launchpad for its next generation. The field is ready, and so is Gen Z.

By Sebastiano Di Mattei & Alexander Zulu

For more information, please contact:
SIMON PETER NSEREKO | simon.nsereko@un.org
Jens Mårtensson | jens.martensson@un.org
UN Resident Coordinator's Office (RCO)