

Growth was driven by strong performance in agriculture, industry, and services, supported by increased investment and rising demand.

BY MARTIN LUTHER OKETCH

Uganda's economy showed renewed strength in February, with key indicators pointing to improving business conditions, rising optimism, and steady growth across major sectors.

Data from the Ministry of Finance, Planning and Economic Development indicates that economic activity continued on an upward course during the month, supported by higher output and increased employment.

High-frequency indicators such as the Purchasing Managers' Index (PMI) and the Business Tendency Index (BTI) remained firmly above the 50-point threshold, signalling expansion and a positive outlook among businesses.

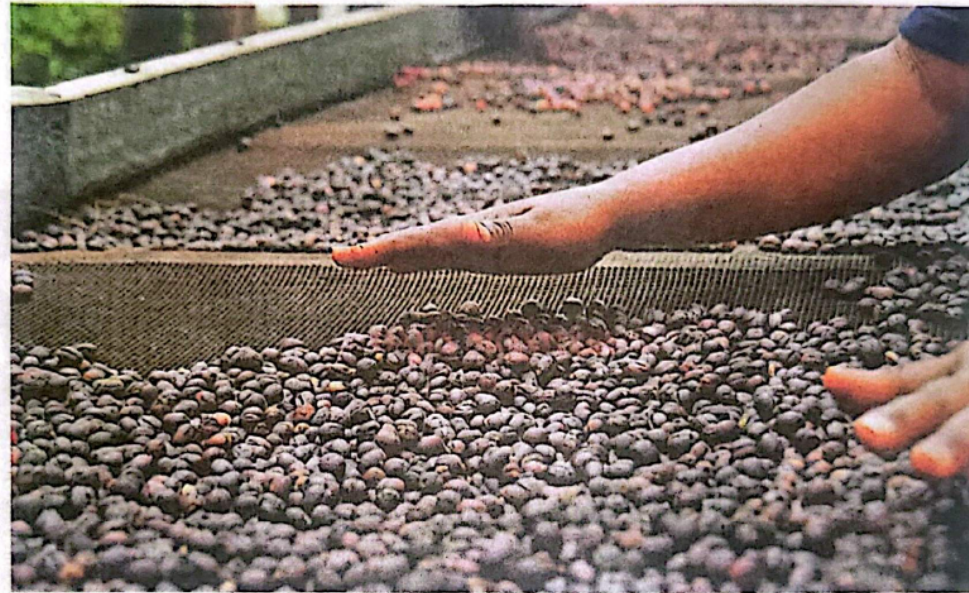
The PMI, which measures private sector activity across manufacturing, services, agriculture, and construction, rose to 54.2 in February from 52.6 in January. This improvement reflected stronger demand, increased new orders, and continued job creation.

Firms reported hiring both temporary and permanent workers to manage growing workloads, although rising input costs, particularly wages and utility bills, remained a concern.

At the same time, the Composite Index of Economic Activity extended its upward trend, rising for the fifth consecutive month to 183.90 in January 2026. Business confidence also strengthened, with the BTI climbing to 58.70 in February from 55.60 the previous month.

Optimism was most pronounced in agriculture, manufacturing, financial services, and trade, although the construction sector lagged behind, with more cautious expectations linked to weaker

# What drove economic growth in February?



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Uganda's broader growth story remained strong. According to the Uganda Bureau of Statistics, the economy expanded by 8.5 percent in the second quarter of FY2025/2026, up from 5.4 percent in the same period the previous year.

Growth was driven by strong performance in agriculture, industry, and services, supported by increased investment and rising demand. Exports, tourism, and oil and gas activities also contributed positively.

Inflation provided further relief to con-

## 8.5%

According to the Uganda Bureau of Statistics, the economy expanded by 8.5 percent in the second quarter of FY2025/2026, up from 5.4 percent in the same period the previous year.

sumers, easing to 2.9 percent in February from 3.2 percent in January, and the low-

est level recorded in the current financial year. The decline was largely attributed to reduced price pressures in services such as air transport and healthcare, as well as falling food prices due to improved harvests.

State minister for Finance (General Duties) Henry Musasizi told Parliament on Tuesday that the economy's performance reflects effective policy management and sustained investment in key sectors such as ICT, construction, and machinery.

He highlighted declining inflation as a major achievement, alongside steady

growth and improved trade performance.

However, domestic revenue collection fell slightly short of target, reaching 94.16 percent in the second quarter, despite registering year-on-year growth.

In the financial sector, the Ugandan shilling remained relatively stable, depreciating slightly by 0.2 percent against the US dollar to an average of Shs3,568.23.

The Bank of Uganda maintained the Central Bank Rate at 9.75 percent for the 17th consecutive month, balancing the need to support growth while keeping inflation within the medium-term target.

Lending conditions showed mixed trends, with interest rates on shilling-denominated loans edging up slightly, while rates on foreign currency loans declined.

Government financing activity remained strong, with authorities raising Shs1.613 trillion in February through treasury bills and bonds to support the fiscal deficit.

Uganda's export performance stood out, with merchandise exports surging by 72.1 percent year-on-year to \$1.453b (Shs5.2 trillion) in January 2026, driven by higher earnings from gold, coffee, and other key commodities.

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Imports also rose by 23.2 percent to \$1.306b (Shs4.8 trillion), largely due to increased private sector demand for machinery, vehicles, and industrial inputs.

Despite this, Uganda recorded a merchandise trade surplus of \$147.26m (Shs550.6b), marking a significant turnaround from previous deficits.

The government is banking on oil to further boost revenues, with the East African Crude Oil Pipeline project, and according to Mr Musasizi, the project is now about 80 percent complete.

Uganda expects to generate about Shs2.2 trillion in oil revenues in the 2026/27 financial year, with a significant portion allocated to financing the national budget.