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KAMPALA. Uganda's economy showed strong resilience in January 2026, recording a modest revenue surplus that eased pressure on government borrowing, according to the report by the Ministry of Finance, Planning and Economic Development.

The Performance of the Economy report for January, which was released on Wednesday, shows that total revenue, including grants, reached Shs3.201 trillion, slightly above the target of Shs3.180 trillion, translating into a surplus of Shs20.25 billion.

The ministry says this performance was largely driven by higher-than-expected tax collections, which offset the need for additional borrowing and signalled continued stability in public finances at the start of the year.

Fiscal developments indicate that government operations in January resulted in a net borrowing (fiscal deficit) of Shs1.771 trillion, well below the programmed target of Shs2.448 trillion. The lower-than-expected deficit was due to a combination of domestic revenue surpluses and lower total expenditure.

Govt posts Shs20b revenue surplus in January

Domestic revenue reached Shs3.1 trillion against a target of Shs2.975 trillion, yielding a surplus of Shs154.75 billion. The ministry noted that "this was driven by a surplus in tax collections which offset shortfalls in non-tax revenue. Total tax collections amounted to Shs3.040 trillion, exceeding the target of Shs2.7 trillion by Shs317.63 billion, with strong performance across all three main tax categories—direct domestic taxes, indirect domestic taxes, and taxes on international trade transactions."

Direct domestic taxes registered a surplus of Shs70.08 billion against the Shs1 trillion target, largely driven by withholding taxes from treasury bills and the government's clearance of tax arrears, which amounted to Shs390 billion. Indirect domestic taxes collected Shs989.8 billion, surpassing the Shs809.53 billion target by 22.3 percent. This was mainly due to higher Value Added Tax (VAT) receipts from the manufacturing, agriculture,

construction, and services sectors.

Taxes on international trade totalled Shs1.075 trillion against a target of Shs1.047 trillion, generating a surplus of Shs28.38 billion. The boost was attributed to improved collections under the infrastructure levy, import du-

ty, and import levy.

Non-tax revenue, however, underperformed, amounting to Shs89.93 billion against a target of Shs252.8 billion, a shortfall of Shs162.88 billion.

On the expenditure side, government spending in January 2026 totalled Shs4.087 trillion, Shs510.51 billion below the target. Grants from the central government to other levels of government and agencies, as well as social benefits, recorded the largest shortfalls. Grants totalled Shs808.11 billion, falling short of the target by Shs425.29 billion, partly due to system upgrades affecting operations.

Compensation of employees was Shs463.47 billion, Shs8.19 billion below plan due to lower spending on allowances and employer social security contributions. Spending on goods and services, however, exceeded the monthly plan by Shs8.36 billion, driven by maintenance of roads, election processes, security, and

issuance of national identity cards.

Expenditure on non-financial assets was Shs885.78 billion, below the target of Shs1.03 trillion. Key payments were made toward land acquisition for transport infrastructure improvements on the Kampala-Mukono highway, Iganga-Buloba-Kamuli, and selected Kampala city roads.

Economic activity showed continued improvement, with business conditions, consumer demand, and employment all rising. The Purchasing Managers' Index (PMI) was 52.6, indicating expanded business activity. The Composite Index of Economic Activity (CIEA) rose to 182.36 in December 2025 from 181.1 in November, supported by higher imports, exports, and mobile transaction values. The Business Tendency Index (BTI) was 105.2, reflecting optimism about future employment, although investor sentiment based on current financial conditions was less positive.

BACKGROUND

Annual headline inflation rose slightly to 3.2 percent in January 2026 from 3.1 percent in December, driven by increases in core inflation and Energy, Fuel, and Utilities (EFU) inflation. In the financial sector, the Ugandan Shilling appreciated by 0.4 percent against the US dollar, trading at an average mid-rate of Shs3,562.14/USD from Shs3,575.23/USD in December.