

 **Agusto&Co.**

Research, Credit Ratings, Credit Risk Management

2025

SOVEREIGN RATING REPORT ON THE REPUBLIC OF UGANDA



RATING RATIONALE

Rating Assigned: B+

Outlook: Stable

Issue Date: 15 January 2026

Expiry Date: 31 December 2026

Agusto & Co. hereby upgrades the rating assigned to the Republic of Uganda (“Uganda”, “the Country”, or “the Nation”) to “**B+**”. The rating upgrade underpins the Nation’s improving macroeconomic fundamentals, reflected by the expanding 5-year real gross domestic product (GDP) average growth rate of 5.2% and a projected 6.5% acceleration in FY 2025/26¹, buoyed by continued growth in the agriculture and industry sectors. Uganda’s subdued inflationary environment, as evidenced by an average inflation rate of 4.2% over the past five years (2021–2025), coupled with a decreasing debt service-to-revenue ratio of 26.2%, as of 30 June 2025, has also been taken into account. The rating upgrade also reflects our opinion on the Country’s strengthening foreign reserve and import cover which stood at USD 4.3 billion and 3.9 months respectively, as at 30 June 2025, as well as rising private sector consumption, investment in infrastructure, industrialisation and increasing value addition initiatives in line with the implementation of the fourth National Development Plan, alongside a relatively stable exchange rate with the Ugandan shilling strengthening 2.6% against the United States Dollar (USD) in the FY 2024/25.

Nonetheless, the rating remains constrained by political risk, including perceived limitations on civic and opposition freedoms, political succession

uncertainties which intensify as the January 2026 elections approach, and structural dependence on foreign aid and grants², which are gradually declining as a source of foreign exchange. Furthermore, Uganda’s elevated debt-to-GDP ratio of 51% and heightened level of government expenditure owing to persistent supplementary budgets beyond the programmed spending, as reflected in the widening fiscal deficit to GDP of 7% as at FY 2024/25, also tempered the rating.

In the fiscal year ended 30 June 2025, the Nation’s export earnings increased substantially by 36% to USD 10.6 billion³, largely driven by higher formal export earnings from refined gold, coffee, fish and flowers. In the near term, we anticipate continued growth in gold exports anchored on Uganda’s industrialisation and value addition strategy for economic growth, alongside rising global demand and stable prices of gold in the international commodities market. As at the same date, the value of Uganda’s imports grew year-on-year by 21.5% to USD 15.7 billion, underpinned by an increase in formal private sector oil and non-oil imports including mineral products, beverages, tobacco, as well as base metals and their products. Overall, the Nation remains a net borrower from the rest of the world as Uganda’s balance of trade deficit amounted to USD 5 billion as at 30 June 2025 (30 June 2024: USD 5.1 billion).

¹ Fiscal year ending on 30 June 2026

² Uganda has relied on donor funding, and the country has been losing some of it due to human rights violations and anti-democratic threats

³ Bank of Uganda

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Agusto & Co. expects that the Country will record a modest improvement in the balance of trade deficit, on the back of ongoing implementation of the fourth national development plan (NDP IV) strategy, which promotes ten-fold expansion of the Ugandan economy through sustainable industrialisation, domestic value addition, strategic infrastructure and human capital development.

The Republic of Uganda recorded total revenue of Ushs 33.4 trillion in the fiscal year ended 30 June 2025, achieving 95.9% performance of the targeted collection anchored on continued strengthening in domestic revenue administration and compliance. Akin to the last five years, Uganda's government total expenditure grew year-on-year to Ushs 39.1 trillion, resulting in a budget deficit in the fiscal year (FY) 2024/25. In line with the Country's budget deficit financing needs, Uganda's total debt stock increased to Ushs 116.2 trillion as at the same FY (FY 2023/24: Ushs 94.1 trillion), with the debt service to revenue ratio improving to 26.2% as at 30 June 2025 (30 June 2024: 31.5%). Furthermore, the Nation's total public debt-to-GDP ratio rose to 51% (FY 2023/24: 46.8%), largely driven by borrowings taken to finance major infrastructure, with the fiscal deficit to GDP increasing to 7%⁴ from 5.3% in the prior period. On account of Uganda's debt payment profile and the elevated cost of servicing commercial debt, we anticipate the overall debt levels to increase but remain sustainable in the near to medium term.

Moving ahead, Uganda projects to record Ushs 39.97 trillion revenue in the FY 2025/26 budget, anchored on continued strengthening in revenue administration and compliance, buoyed by implementation of the fourth National Development Plan and the ten-fold growth strategy, which focuses on accelerating GDP growth to at least 6.5%. As at the end of

November 2025, the Country's outturn in revenues stood at Ushs 13.1 trillion, representing 32.8% of the total 2025/26 fiscal year's budget. Agusto & Co. expects the total revenue collection for FY 2025/26 to mirror the previous FY's performance, with Uganda attaining approximately 96% of the revenue target underpinned by the Country's improved economic activities. We also anticipate Uganda's expenditure to modestly exceed the budgeted threshold at the end of FY 2025/26 as the Nation continues to experience shortfalls in revenue streams and higher-than-programmed expenditures. We anticipate a shift towards industrialisation, domestic value addition and a knowledge-based economy, with ease of doing business, making Uganda competitive. In addition, we expect Uganda to achieve revenue targets in the near term backed by enhanced tax and non-tax revenue assessment alongside collection for all income lines, including the informal sector.

As at November 2025, Uganda's inflation stood at 3.2% on account of a continued reduction in services and the price of goods making up the core basket, supported by a stable Ushs/USD exchange rate and ongoing prudent monetary and fiscal policies. In the near term, we expect the average inflation rate to inch up but remain within the Bank of Uganda's medium-term target of 5%. Our expectation is hinged on continued increase in global commodity prices, supply chain disruptions and fiscal expansion pressures.

Over the five years from 2021 to 2025, the Country's exchange rate has demonstrated moderate fluctuations, with the Ugandan shilling strengthening by 2.6% in FY 2024/25 and traded at Ushs 3,594.6 per 1 USD. Agusto & Co. expects sustained stability in the foreign exchange rate on the back of continued strong foreign exchange inflows.

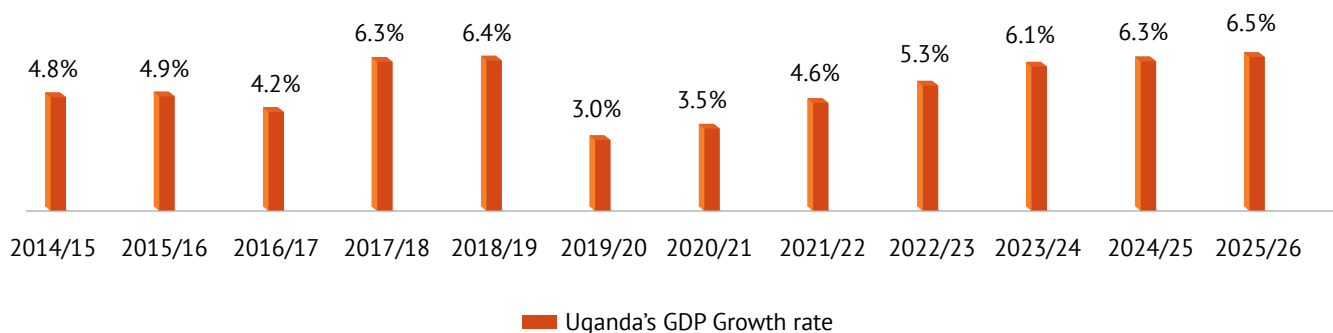
However, this projected performance may be moderated by fiscal pressures arising from elevated government spending typically associated with the electioneering year, coupled with an increase in aggregate demand, especially for imported goods.

Uganda’s average unemployment rate remained unchanged at 2.9%⁵ in 2024, comparing favourably with selected African nations including Kenya (5.4%), Rwanda (14.7%), Sudan (12.5%), South Africa (33.2%) and slightly above Tanzania (2.6%). In the near term, we anticipate a modest rise in unemployment rates as more young people join the labour market, outpacing formal job creation. Nonetheless, implementation of the fourth National Development Plan (NDP IV) is expected to boost employment in the medium term, given its focus on sustainable industrialisation for employment, domestic value addition and infrastructure developments, coupled with the Ugandan government’s efforts to formalize mining as well as oil and gas sectors.

As Uganda approaches the forthcoming elections, the Country may experience heightened tensions typical of the electoral period. Nonetheless, we do not expect any disruptions to be prolonged, supported by continuity in the prevailing political order, consistent with recent precedents in neighboring countries. Uganda’s expected post-election stability following the 15 January 2026 elections hinges on the likelihood that the current political dynasty and structure will remain in place. Against this backdrop, we anticipate continuity in the implementation of the existing government’s economic transformation agenda and policy direction.

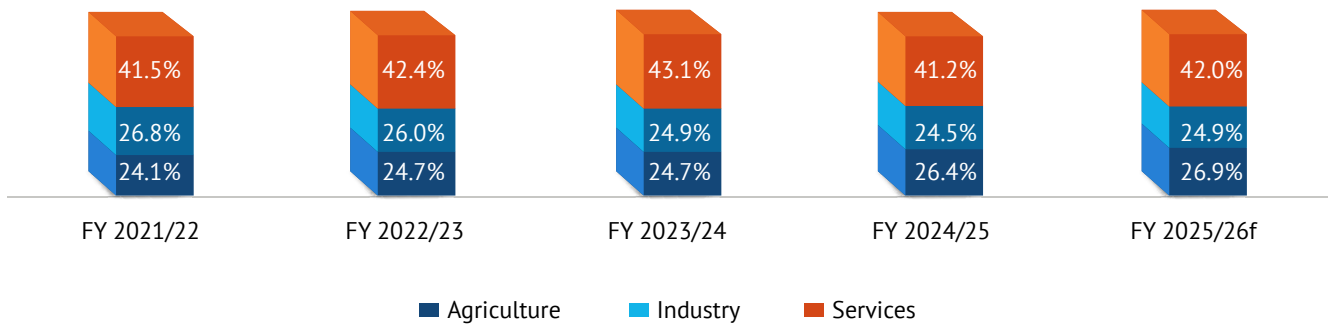
Based on the above, we hereby attach a **stable** outlook to the Republic of Uganda.

Figure 1: Uganda’s Real GDP growth rates (FY 2014/15 – FY 2025/26f)



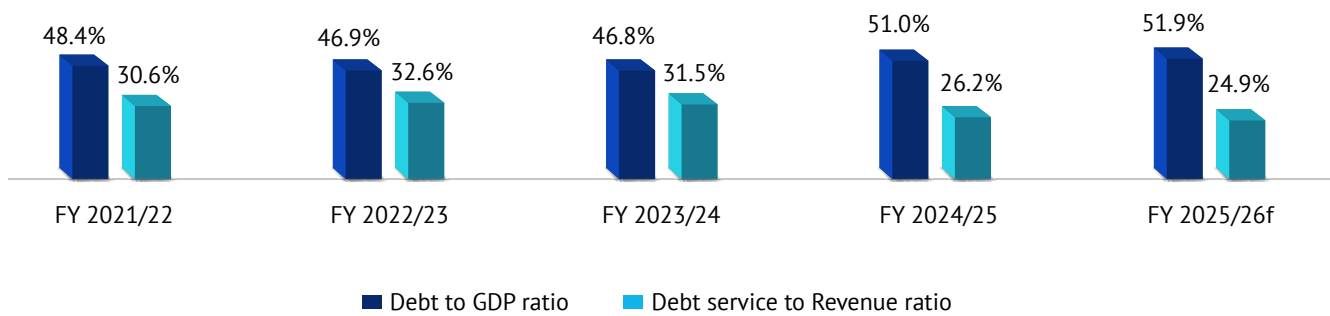
Source: Uganda Bureau of Statistics, Agusto & Co. Research

Figure 2: Uganda's Economic Sectors Contribution to the GDP (FY 2021/22 – FY 2025/26f)



Source: Uganda Bureau of Statistics, Ministry of Finance, Planning and Economic Development, Agusto & Co. Research

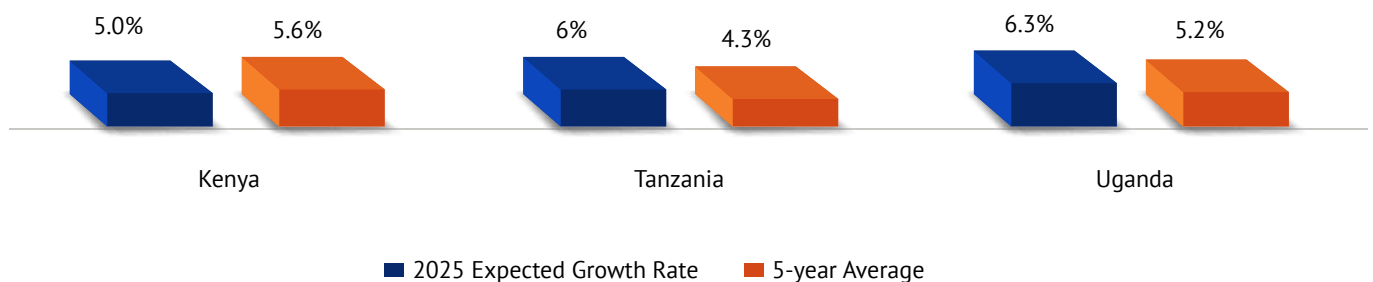
Figure 3: Debt to GDP ratio and Debt Service to Revenue Ratio (FY 2021/22 – FY 2025/26f)



Source: Ministry of Finance, Planning and Economic Development of Uganda, Agusto & Co. Research

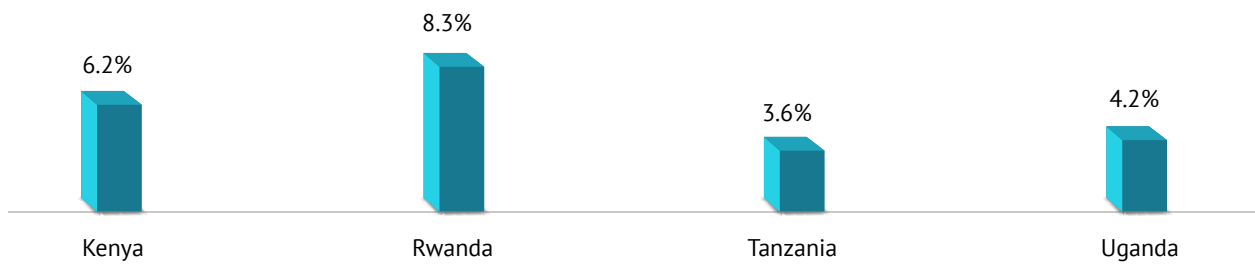
PEER COMPARISONS

Figure 4: Real GDP Growth Rates of Selected East African Countries



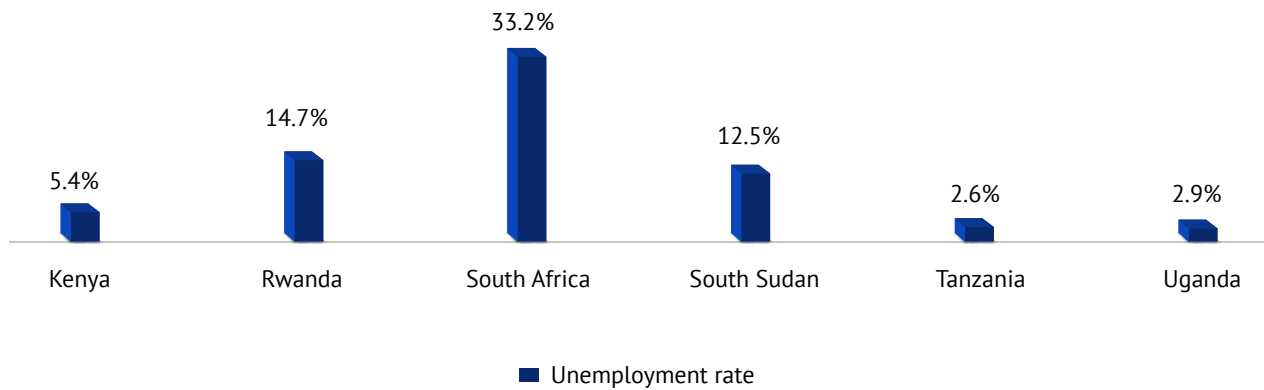
Source: Bureau of Statistics of Selected East African countries, Agusto & Co. Research

Figure 5: Five Year (2021 – 2025) Average Inflation of Selected East African Countries



Source: Statistical bureaus of selected Eastern African countries*, Agusto & Co. Research

Figure 6: Unemployment Rate in Selected African Countries as at 2024



Source: Trading Economics, Agusto & Co. Research

RATINGS DEFINITIONS	
Aaa	<p>Extremely Low Risk</p> <p>Peaceful changes in leadership is assured, government pursues outstanding economic policies. Life, property and investments are very secure. The country therefore attracts very significant savings and investments and her citizens enjoy an extremely high standard of living.</p>
Aa	<p>Very Low Risk</p> <p>Peaceful changes in leadership is assured, government pursues very good economic policies. Life, property and investments are secure. The country therefore attracts significant savings and investments and her citizens enjoy a very high standard of living.</p>
A	<p>Low Risk</p> <p>Recent track record of peaceful changes in leadership, government pursues acceptable economic policies characterized by moderate government deficits financed by borrowing. Crimes involving fatalities are infrequent therefore the country attracts moderately high level of investments and savings, can access international credit and her citizens enjoy a moderately high standard of living.</p>
Bbb	<p>Acceptable Risk</p> <p>Recent track record of peaceful changes in leadership, government pursues acceptable economic policies characterized by moderate government deficits financed partly by monetary growth. Crimes rates are high but declining therefore the level of investments and savings is low but improving, Country may not be able to access international credit however new private investments are being attracted. Although standard of living of the citizens is low it is improving.</p>
Bb	<p>Moderately High Risk</p> <p>Country has a history of violent changes in leadership, central government runs a large deficit financed mainly with monetary growth thereby resulting in a moderate level of inflation. Crime rate is high and poses a risk to life and property, therefore savings and investments are low. A significant proportion of the population cannot access all the basic needs.</p>
B	<p>High Risk</p> <p>Violent changes to leadership are not unusual, central government runs large deficit financed with monetary growth resulting in a high inflationary environment. Serious crimes are prevalent and pose a high risk to life and property and investments therefore savings and investments are very low. A substantial proportion of the population does not have access to all the basic needs.</p>
C	<p>Very High Risk</p> <p>Violent changes to leadership are normal, central government runs very large deficits financed with monetary growth resulting in hyperinflation. Serious crimes are prevalent and pose a very high risk to life, property and investments therefore savings and investments are virtually non-existent. A very large proportion of the population lives in abject poverty.</p>
D	<p>Major Civil Disturbance or Breakdown of the system or War</p> <p>There really is no central government as the country is at war or there is a major civil disturbance. Central government financing is unrecorded or there is an unreasonably large deficits financed with monetary growth resulting in hyperinflation. Life, property and investments are not secure therefore there is significant capital flight. A significant proportion of the population lives in extreme poverty.</p>

Rating Category Modifiers

A “+” (plus) or “-” (minus) sign may be assigned to ratings from ‘Aa’ to ‘C’ to reflect comparative position within the rating category. Therefore, a rating with + (plus) attached to it is a notch higher than a rating without the + (plus) sign and two notches higher than a rating with the - (minus) sign.

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