

EAST AFRICA REVEALS RECORD BUDGETS FOR THE FY2025/26

Economic Growth

In July 2025, the IMF's forecast for global economic conditions has increased the growth outlook for 2025 from 2.8% in April to 3.0%.

This revision is primarily attributed to early adjustments ahead of tariffs, tariffs being lower than initially expected, better financial conditions, and fiscal stimulus in certain economies. Additionally, recent diplomatic initiatives and tentative agreements seem to have alleviated trade tensions, contributing to a more positive economic outlook. Whereas there were variations in growth projections across regions, with advanced economies expected to grow by 1.9 % in 2025, while growth in emerging and developing economies is projected to slow to 4.1 % from 4.3%.

Monetary Policy and Currency Performance

Central bank interest rates varied across the EAC states, with Uganda and Kenya maintaining a rate of 9.75% (the highest), Rwanda at 6.5%, and Tanzania at 6% lowest. appropriate to support price stability, facilitate economic growth, and maintain adequate foreign exchange reserves, all while keeping a close watch on global and domestic developments.

In line with these efforts, the Ugandan shilling and Tanzanian shilling appreciated against the US dollar by 0.5% and 0.7%, respectively. The Ugandan shilling's gain was driven by remittances and coffee export receipts, while the Tanzanian shilling benefited from strong tourism and export earnings. The Kenyan shilling also saw a modest appreciation of 0.02%. Conversely, the Rwandan franc depreciated by 0.5%.

Inflation Trends

Kenya's annual inflation rose from 3.8%

in June 2025 to 4.1% in July 2025, primarily due to higher costs for food, beverages and utilities. In contrast, Rwanda's inflation saw a significant decrease from 8.3% to 7.2%, and Uganda's inflation slightly declined from 3.9% to 3.8%, both driven.

Regional Budgetary Outlook

In an overview of the East African economies are prioritising fiscal measures that balance economic expansion with debt sustainability in the FY2025/26, with Kenya, Tanzania, and Uganda remaining at the forefront of expenditure growth.

Kenya, the largest economy in the region, has an approved budget for FY2025/26 of \$33.03 billion, a 9% increase from that of FY2024/25, which aims at reducing its fiscal deficit and managing debt. This is opposed to introducing new taxes; the government plans to broaden the tax base and cut non-essential spending.

Uganda approved a \$ 20.1 billion budget, a marginal increase of 0.3% from the FY2024/25 to drive economic growth from 6% to 7% in the fiscal year, underpinned by the anticipated commencement of commercial oil production in July 2026, coupled with stronger export performance from coffee and gold. Priority investments include human capital development, agro-industrialisation, energy, and mineral development, Science Innovation and Technology, including STI, with significant resources committed to completing the East African Crude Oil Pipeline.

Tanzania unveiled \$21.6 billion in FY2025/26, a 13.4% increase from the previous financial year. The funds are envisioned to complete the implementation of flagship and strategic projects, facilitate the upcoming general elections, and boost the industrial sector.

The funds are envisioned to complete the implementation of flagship and strategic projects, facilitate the upcoming general elections, and boost the industrial sector. The Republic of Rwanda has a budget of \$4.9 billion to execute in FY2025/26, marking a 21% rise from the previous fiscal year. Priorities include infrastructure development towards the construction of the Bugesera International Airport and investments in agriculture and education.

Collectively, these four countries' budgets are anchored on the East African Community partner states' theme of "*Inclusive Economic Transformation through Domestic Resource Mobilisation and Resilient Strategic Investment for Job Creation and Improved Livelihoods*".

This is reflected in a coordinated push for sustainable growth with a focus on creating more employment opportunities for the youth, bringing more households into the money economy, and infrastructure investment. And the continued efforts towards building climate resilience and fiscal balance, amid efforts to manage rising debt while expanding revenue bases.

References

- [IMF \(July 2025\) World Economic Outlook](#)
- [Economic Performance Reports for July for Uganda & Tanzania.](#)
- [Approved budget & Budget Speeches FY2025/26, Kenya, Tanzania, Rwanda, & Uganda.](#)
- [Central Bank Website for Uganda, Kenya, Tanzania, Rwanda](#)

EABN MEMBERSHIP

CEPP-Rwanda; CBAS- Burundi; TCDD-Tanzania; TCIB- Tanzania; CBPA - South Sudan; UDN- Uganda; IPF- Kenya; ATY- Kenya; NKRED- Uganda; CSBAG- Uganda (HOST); DR Congo (STILL SEARCHING FOR A PARTNER).

EABN Newsletter

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