Uganda emerges as most stable financial market in East Africa

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For years, East Africa's financial story has been dominated by scale: Kenya's deep capital markets, Ethiopia's bold forex reforms, and Rwanda's rapid institutional experimentation.

Yet the Absa Africa Financial Markets Index released yesterday reveals a quieter but more disruptive shift. Uganda has emerged as East Africa's strongest all-round performer, ranking fourth overall in Africa, ahead of Kenya and Tanzania, and behind only South Africa, Mauritius, and Nigeria.

The rise reflects a combination of macroeconomic stability, legal certainty, and policy predictability, attributes investors increasingly prize in an era of global financial volatility. While several countries have pursued rapid liberalization, Uganda has quietly built credibility through consistency.

Within East Africa, Uganda now outperforms its peers on overall financial market quality. Kenya remains the region's most liquid and sophisticated capital market, but trails Uganda on macroeconomic stability and legal enforceability.

Tanzania has made steady progress but continues to lag in transparency and market sophistication, while Rwanda has advanced in ESG integration, but its financial ecosystem remains comparatively narrow.

The index indicates that Uganda ranks highly in Africa for macroeconomic stability and transparency, and has avoided boom-and-bust cycles, contained inflation, and maintained fiscal discipline.

This stability has been reinforced by relative foreign exchange resilience at a time when currency volatility has emerged as a major risk facing investors across Africa. While Ethiopia and Nigeria have implemented sweeping currency reforms, Kenya has faced reserve pressure, and Egypt has undergone sharp devaluations; Uganda has avoided forex shortages and shocks.

The index also highlights Uganda's institutional and legal strength, placing the country among Africa's top performers for legal standards.

It also notes that the launch of TradeClear in 2024 has enabled repurchase agreements and derivatives under internationally recognised frameworks, aligning Uganda's markets more closely with global norms.

Speaking at the launch of the index in Kampala, Secretary to the Treasury Ramathan Ggoobi said Uganda's improved ranking reflects deliberate policy choices, but warned that structural weaknesses remain.

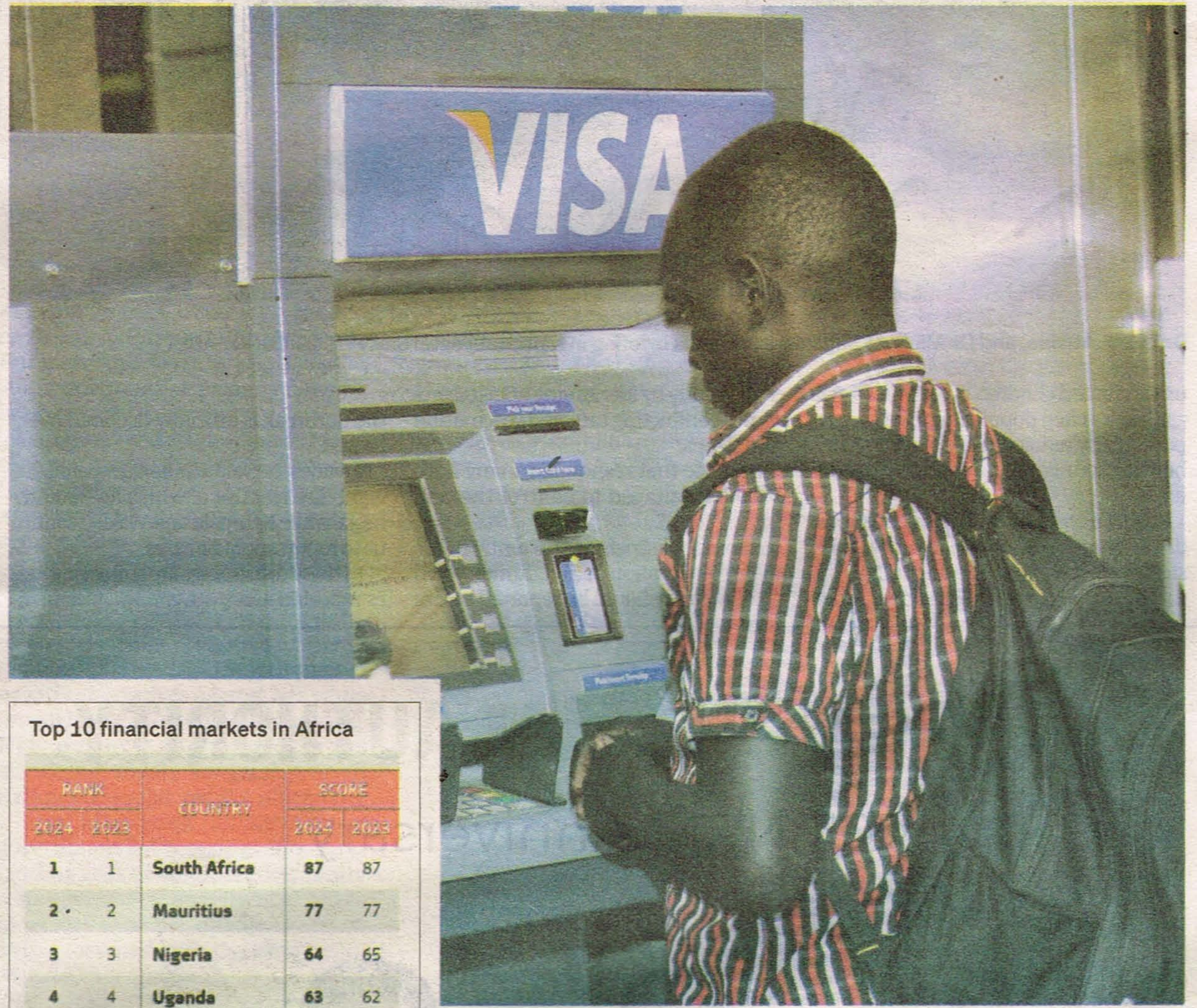
"To move Uganda further up the index and deepen our markets, we [need] to expand long-term debt and equity financing for small and medium enterprises, attract venture capital, and lower collateral," he said, noting that when the index was first published in 2018, Uganda ranked 10th with a score of 50.

Since then, he noted, improvements in these areas have lifted the country into the top tier of African markets.

Absa acting head of financial markets, Catherine Kijjagulwe, said Uganda recorded notable gains in domestic investor participation, particularly through pension funds.

The country's score on the domestic investor pillar rose by seven points, driven by increased pension fund investment in locally listed assets, although she noted that significant room for improvement remains.

NSSF deputy managing director Gerald Paul Kasaato said the pension sector has grown rapidly, with NSSF's portfolio now standing at Shs28.8 trillion and membership at 3.4 million, though only about 800,000 members are active contributors.



The steady macroeconomic stability, legal certainty, and policy consistency have lifted Uganda to East Africa's top financial market ranking. PHOTO / FILE

Top 10 financial markets in Africa

RANK 2024	RANK 2023	COUNTRY	SCORE 2024	SCORE 2023
1	1	South Africa	87	87
2	2	Mauritius	77	77
3	3	Nigeria	64	65
4	4	Uganda	63	62
5	5	Namibia	61	61
6	7	Botswana	59	58
7	6	Ghana	59	58
8	8	Kenya	57	58
9	9	Morocco	57	56
10	10	Zambia	56	55

Source: Absa Africa Financial Markets Index

Low capital markets participation

However, he acknowledged that the capital market remains small, limiting meaningful participation by pension funds and other institutional investors.

Despite Uganda's strengths, the index notes that market depth and liquidity remain shallow, listings are limited, and secondary market activity is thin, well behind Kenya and far below Africa's heavyweights such as South Africa and Mauritius.

As a result, Uganda attracts conservative capital such as development finance institutions, sovereign investors, and long-term bondholders, but struggles to draw equity investors, venture capital, and higher-risk portfolio flows.

Thus, the challenge remains in converting stability into deeper, broader, and scalable markets that support long-term growth.