

EAST AFRICA ECONOMIC BRIEF • APRIL-JUNE 2026

The Shock Became the Test

How East Africa absorbed the first-quarter disruption and entered the second half with diverging economic fortunes.

US\$52.3bnEAC REGIONAL TRADE,
Q2 2026**+41.3%**EAC EXPORT GROWTH,
YoY**9.4%**RWANDA GDP GROWTH,
Q2**4.5 mo.**TANZANIA IMPORT
COVER**21.1%**MALAWI INFLATION,
JUNE

EDITOR'S NOTE

The First Quarter Revealed the Shock. The Second Quarter Revealed the Structure Underneath It.

The first quarter of 2026 was about exposure.

East Africa entered the year with strong growth expectations, but the escalation of the Middle East conflict quickly turned energy, shipping and fertilizer markets into transmission channels for a shock originating thousands of kilometres away. Our first brief therefore asked a simple question: how much of East Africa's growth could survive an external disruption? The answer required looking beyond GDP and into ports, food markets, currencies, fiscal balances and energy systems.

The second quarter gives us a different question.

What happens when an external shock stops being an event and becomes part of the operating environment?

Between April and June, the answer began to emerge. The Middle East conflict remained disruptive, but its economic effects were no longer moving in one direction. Oil prices surged above US\$110 a barrel in April. By June, a fragile US Iran framework had begun to reopen the Strait of Hormuz and crude traffic was recovering, although shipping companies remained cautious. The shock therefore changed form rather than simply disappearing. ¹

East Africa responded unevenly.

Regional trade expanded sharply. The EAC recorded US\$52.3 billion in total trade during the second quarter, 37 percent above the same quarter of 2025. Exports increased faster than imports and the regional trade balance moved from a US\$945.3 million deficit a year earlier to a US\$300 million surplus. African markets accounted for 27.5 percent of EAC exports. ²

But stronger trade did not mean uniform macroeconomic stability.

Rwanda grew by 9.4 percent in Q2 while inflation reached 13.6 percent in June. Kenya ended the quarter with inflation at 6.4 percent. Uganda remained comparatively contained at 3.7 percent, although energy and fuel inflation reached 11.9 percent. Tanzania ended June with headline inflation at 4 percent and reserves above US\$6 billion. Malawi's inflation remained above 20 percent even after easing to 21.1 percent in June. ³

The region is therefore not moving through 2026 as one economic bloc.

The same external shock is producing different outcomes because countries entered the quarter with different combinations of foreign exchange buffers, commodity exposure, fiscal space, energy dependence, food systems and infrastructure. The Q2 story is consequently less about whether East Africa survived the shock and more about which economic structures proved capable of absorbing it.

This edition examines that divergence.

We cover the eight EAC Partner States, together with Ethiopia, Malawi, Mozambique, Zambia and Zimbabwe. We focus on the developments that materially changed the economic environment between April 1 and June 30, 2026.

The objective remains the same as in our inaugural edition. Uchumi360 translates economic developments into information that policymakers, investors and business operators can use to understand where the region is moving and why.

The first quarter revealed the shock. The second quarter revealed the structure underneath it.

EXECUTIVE SUMMARY

Stronger Trade, Divergent Economies

Regional commerce expanded through the disruption. Household economic conditions did not move together.

US\$52.3bn EAC total trade, Q2 2026 · +37% YoY	+US\$300m Regional trade surplus vs. US\$945.3m deficit, Q2 2025	9.4% Rwanda GDP growth, Q2 · inflation 13.6%	85.7% EACOP pipeline completion, end Q1
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East Africa's second quarter was stronger in trade than the first quarter's disruption suggested it might be. EAC trade reached US\$52.3 billion between April and June, an increase of 37 percent from the second quarter of 2025. Exports increased 41.3 percent to US\$26.3 billion, while imports rose 32.9 percent to US\$26 billion. The region consequently recorded a US\$300 million trade surplus compared with a US\$945.3 million deficit a year earlier. This is one of the clearest indications that the external shock did not produce a broad collapse in regional commerce. It instead accelerated adjustments in sourcing, commodity exports and regional trade. ²

The second quarter also demonstrated that headline growth and household economic conditions are becoming increasingly different measures of economic performance. Rwanda's economy expanded 9.4 percent year on year in Q2, with industry growing 18 percent and mining and quarrying 26 percent. Yet consumer inflation reached 13.6 percent in June, with energy prices up 44.8 percent year on year and transport prices up 26 percent. Rwanda therefore entered the second half with strong production growth alongside significant price pressure. ⁴

Tanzania entered the second half with a different combination of conditions. Inflation closed June at 4 percent, while the Bank of Tanzania reported foreign exchange reserves above US\$6 billion, equivalent to 4.5 months of imports. The current account deficit for the year ending June was 2.4 percent of GDP, only modestly wider than the 2.2 percent recorded for 2025. Gold exports and the country's wider export base continued to support foreign exchange availability. ⁵

The greatest pressure remained concentrated in economies with narrower buffers. Malawi's inflation reached 21.1 percent in June despite easing from 24.3 percent in April. Mozambique's inflation reached 7.51 percent in June, while persistent foreign exchange shortages continued to constrain economic activity. Zambia brought inflation down to 6.5 percent by June and rebuilt reserves to 4.4 months of prospective imports, but the IMF reduced its 2026 growth projection to 4.3 percent because of weaker mining output, energy constraints, softer trade and the effects of the Middle East conflict. ⁶

The most consequential structural development of the quarter was Uganda's movement toward oil production. First oil did not occur during Q2, so the first quarter's test remains unresolved. But the physical infrastructure moved closer to completion. A June 21 cabinet oversight visit reviewed EACOP Pump Station 1 and the associated oil infrastructure in the Albertine Graben. The regional petroleum coordination body reported EACOP at 85.7 percent completion at the end of Q1, with the project still targeting first production and exports during the second half of 2026. ⁷

THE CONCLUSION

Q2 does not show that East Africa has escaped the global shock. It shows that the region is adapting to it through different mechanisms — some economies drawing on commodity earnings, others absorbing higher prices through fiscal or monetary adjustment, and others benefiting from infrastructure investment or regional trade. The differences will matter more in H2 2026 than the regional average.

VERTICAL 01 · TRADE & LOGISTICS

The Regional Trade System Held

The first quarter's central concern was whether disruption to maritime routes would translate into a sustained collapse in East African commerce. The second quarter provides a more encouraging answer.

EAC trade reached US\$52.3 billion in Q2 2026. Exports increased to US\$26.3 billion, while imports reached US\$26 billion. The region consequently generated a trade surplus of approximately US\$300 million. The improvement was not simply a result of weaker imports. Exports grew 41.3 percent year on year, compared with 32.9 percent growth in imports. Trade with African markets was particularly significant, with exports to African countries rising 44.3 percent to US\$7.2 billion. ²

This changes the interpretation of the first quarter.

The region's exposure to global shipping disruption was real. But the trade data indicate that firms and governments adjusted rather than simply stopped trading. Regional markets became more important, export commodities generated foreign exchange, and transport networks continued to move goods despite the higher cost of international shipping.

The second quarter also brought an important institutional development. EAC trade ministers met in Arusha in June and adopted measures covering trade facilitation, industrialisation, the Common External Tariff and negotiations toward a possible EAC Singapore Free Trade Agreement. The ministers also agreed on implementation of fiscal measures under the Common External Tariff framework from July 1. ⁸

The Kenya Tanzania relationship was part of this wider effort. A bilateral trade meeting in April followed the EAC Summit's direction to resolve outstanding non tariff barriers by June 30. The discussions focused on pending trade restrictions, customs issues and legal amendments affecting the Customs Union. ⁹

The significance is larger than the individual disputes.

As global supply chains become more expensive and less predictable, the value of regional trade rises. A manufacturer does not need global shipping to disappear before regional sourcing becomes more attractive. A 10 percent or 15 percent increase in freight, insurance or delivery time can change the economics of sourcing from a neighbouring country.

East Africa therefore entered H2 with a stronger case for regional commerce than it had at the beginning of the year.

Ports Become Strategic Economic Infrastructure

The Q1 brief identified Dar es Salaam and Mombasa as the region's principal strategic gateways and argued that maritime disruption could increase the value of Indian Ocean infrastructure.

Q2 did not invalidate that argument. It made the broader point clearer.

The strategic value of a port is no longer determined only by its capacity. It increasingly depends on the number of alternative inland markets that can be reached from it, the reliability of the road and rail corridors behind it, the speed of customs clearance and the availability of storage.

This is particularly relevant to the Central Corridor.

Tanzania continued investing in road infrastructure connecting the interior to its main transport network. During June, the government also announced a group of strategic road projects to be developed through public private partnerships, including the Morogoro Dodoma expansion, Chalinze Segera Tanga expansion and Dar es Salaam Kibaha expressway. ¹⁰

The implication is straightforward.

The port competition in East Africa is increasingly a corridor competition.

EAC TRADE SIGNAL

US\$52.3bn Total EAC trade in Q2 2026	+41.3% Increase in EAC exports year on year
US\$300m Regional trade surplus vs. US\$945m deficit in Q2 2025	27.5% Share of EAC exports going to African markets ²

INVESTOR SIGNAL

The strongest trade signal from Q2 is not simply higher cargo volumes. It is the growing economic value of infrastructure that connects ports to inland production and consumption markets.

Port capacity without efficient corridors creates congestion. Corridor capacity without reliable ports creates idle infrastructure. The investment opportunity increasingly sits between the two.

VERTICAL 02 · FOOD, AGRICULTURE & COMMODITIES

The Fertilizer Shock Became a Food Price Question

Q1 identified fertilizer as one of the most important channels through which the Middle East conflict could affect East African food security. The March to May planting period was therefore one of the three explicit tests that Q2 was expected to answer.

The Q2 evidence is mixed.

The region did not experience a uniform food supply shock. Several countries saw food inflation moderate during the quarter. Zambia's annual food inflation fell to 6.7 percent in June. Malawi's food inflation fell to 14.7 percent. Tanzania's food and non alcoholic beverages inflation fell from 5.6 percent in May to 4.1 percent in June. Uganda's food crop inflation was effectively flat by June. ¹¹

But input and energy pressures did not disappear.

Uganda's annual energy, fuel and utilities inflation reached 11.9 percent in June, with liquid energy fuels inflation reaching 26.2 percent. Kenya's June inflation was 6.4 percent, with transport prices up 16.1 percent year on year and food and non alcoholic beverages up 8.6 percent. ¹²

The second quarter therefore points to a more complicated agricultural story.

The direct food price effect was partly contained in several markets, but the cost of moving, processing and producing food remained under pressure.

This distinction matters for the second half of the year.

Food security is not determined only by the retail price of maize or rice. It is determined by the cost structure behind the food system. Fertilizer, diesel, transport, electricity, storage, packaging and foreign exchange all determine whether a farmer can produce profitably and whether a processor can buy, store and distribute output.

Rwanda Shows the Contradiction

Rwanda provides one of the clearest examples of the distinction between growth and prices.

The economy grew 9.4 percent in Q2. Industry grew 18 percent, mining and quarrying 26 percent, construction 24 percent and wholesale and retail trade 18 percent. Exports of goods and services increased 19 percent, while imports increased 36 percent. ⁴

Yet inflation reached 13.6 percent in June.

Energy prices rose 44.8 percent. Transport rose 26 percent. Housing, water, electricity, gas and other fuels rose 20.5 percent. ¹³

9.4% Rwanda Q2 GDP growth	13.6% Rwanda June inflation
26% Mining & quarrying growth	44.8% Energy price inflation, YoY

This is not a contradiction in the statistical sense.

An economy can expand rapidly while households face rising prices. It can also experience strong industrial investment while imported energy and transport costs increase.

For investors, the distinction matters because nominal growth can exaggerate the strength of demand when price growth is also elevated.

Commodity Exports Remained a Buffer

Commodity exposure continued to differentiate the region.

The DRC entered the second half with strong mining activity and an improving external position. The IMF reported in June that economic activity remained resilient, supported by the mining sector, while favorable terms of trade strengthened the external position. The 2026 growth projection was 5.6 percent, with extractive GDP projected to grow 6.7 percent. ¹⁴

Zambia's copper sector remained equally important to the country's external position, although the IMF revised 2026 growth down to 4.3 percent because of weaker mining output, energy constraints and other pressures. ¹⁵

Zimbabwe presents a different commodity story. Gold, mining and agriculture continued to support growth and foreign exchange earnings. The IMF's June assessment projected 2026 growth of approximately 5 percent and said the current account was expected to remain in surplus, supported by mining, agricultural exports and remittances. ¹⁶

BUSINESS OPERATOR IMPLICATION

The Q2 evidence suggests that food businesses should stop treating food inflation as a single variable. The cost of the commodity is only one part of the equation.

For processors, retailers and distributors, the more useful model is the full chain from farm input to warehouse, transport, processing and final sale — that is where the second half's cost pressure will be determined.

VERTICAL 03 · FISCAL, MONETARY & CURRENCY PRESSURE

East Africa Is Not Experiencing One Inflation Cycle

The most revealing macroeconomic feature of Q2 was divergence.

Tanzania ended June with inflation at 4 percent. Uganda ended at 3.7 percent. Kenya ended at 6.4 percent. Rwanda reached 13.6 percent. Malawi remained at 21.1 percent. Mozambique reached 7.51 percent. Zambia reached 6.5 percent. ⁵

<div>4.0%</div> <div>Tanzania · June inflation</div>	<div>3.7%</div> <div>Uganda · June inflation</div>
<div>6.4%</div> <div>Kenya · June inflation</div>	<div>13.6%</div> <div>Rwanda · June inflation</div>
<div>21.1%</div> <div>Malawi · June inflation</div>	<div>7.51%</div> <div>Mozambique · June inflation</div>

The same global energy shock therefore produced radically different domestic outcomes.

The explanation lies partly in exchange rates, food supply, fiscal conditions and energy dependence.

Tanzania: External Buffers Matter

Tanzania's Q2 position was defined by the accumulation of external buffers.

The Bank of Tanzania reported that the current account deficit for the year ending June 2026 widened modestly to 2.4 percent of GDP from 2.2 percent in 2025. Foreign exchange reserves exceeded US\$6 billion, providing 4.5 months of import cover. Including non monetized gold, gross reserves were approximately US\$8.7 billion. ¹⁷

Inflation closed June at 4 percent, down from 4.2 percent in May. Food inflation also declined sharply, from 5.6 percent in May to 4.1 percent in June. ⁵

The implication is not that Tanzania was insulated from the global shock.

It was exposed.

The difference was the availability of foreign exchange and the relatively contained transmission into consumer prices.

Kenya: Growth Continues, But Price Pressure Returned

Kenya's real GDP grew 5.3 percent in Q1 2026, with manufacturing, accommodation, mining, construction, finance and information and communications among the faster growing sectors. ¹⁸

Q2 inflation, however, accelerated.

Annual inflation moved from 5.6 percent in April to 6.7 percent in May before easing to 6.4 percent in June. Food and transport were the principal contributors. ¹⁹

The June trade data offered some relief. Exports reached KSh118 billion while imports fell to KSh300.2 billion, narrowing the monthly trade deficit to KSh182.1 billion. ²⁰

The Q2 picture is therefore one of continued economic expansion accompanied by renewed imported cost pressure.

The official Q2 GDP release was scheduled for September 30, after the close of this edition's research window. We therefore do not present an unverified Q2 growth figure for Kenya.

That distinction matters.

Uganda: The Oil Transition Moves Into the Second Half

Uganda's macroeconomic position remained comparatively stable during Q2. Annual inflation increased from 3 percent in April to 3.7 percent in June. The main acceleration came from energy, fuel and utilities, which reached 11.9 percent annual inflation in June. ²¹

The economy was also estimated to have grown 6.4 percent in FY2025/26, according to preliminary UBOS estimates released in June. ²²

But the most consequential development was petroleum infrastructure.

EACOP Pump Station 1 was inspected in June as part of a wider government review of the Albertine Graben projects. The pipeline remained in its final construction phase, with first oil still expected in the second half of 2026. ⁷

The Q1 test therefore remains open.

Uganda did not become an oil producer in Q2.

It did, however, move closer to becoming one.

Ethiopia: Reform Under External Pressure

Ethiopia continued implementing its IMF supported reform programme during Q2. In June, IMF staff reached agreement with the authorities on the fifth review of the US\$3.4 billion Extended Credit Facility arrangement, potentially unlocking approximately US\$468 million once approved. ²³

The IMF said the Middle East conflict had sharply increased the price of key imports but had so far produced only modest effects on output growth and consumer inflation. Ethiopia continued reforms to its foreign exchange framework and monetary system. ²³

The important economic story is therefore not simply GDP growth.

It is the attempt to convert macroeconomic reform into improved foreign exchange market functioning, export capacity and private sector activity while containing the immediate cost of imported energy and food.

DRC: Mining Continues to Carry the Macro Story

The DRC ended Q2 with the IMF reporting resilient economic activity, low inflation in early 2026 and a strengthening external position driven largely by favorable terms of trade. The IMF projected 5.6 percent real GDP growth for 2026 and 6.7 percent growth in extractive activity. ¹⁴

The June IMF review also released US\$348.5 million in new financing, taking cumulative ECF disbursements to approximately US\$1.03 billion. ¹⁴

The critical question for investors is how far mining driven growth can translate into wider economic diversification.

The Q2 data show that mining is still the central macroeconomic engine.

They do not yet show that the economy has escaped that dependence.

VERTICAL 04 · ENERGY, INVESTMENT & GEOPOLITICAL POSITIONING

The Energy Shock Changed Shape

Q1 assumed that the Middle East conflict could remain a prolonged disruption to energy and shipping. That scenario partly materialised, but Q2 introduced an important second phase.

In April, Brent crude reached US\$111.26 a barrel as the effective closure of the Strait of Hormuz disrupted oil and LNG movements. ¹

By June, the situation had changed.

A US Iran framework agreement extended the ceasefire and provided for reopening the Strait of Hormuz. Shipping companies remained cautious because of uncertainty over safety, insurance and the durability of the agreement. By June 25, crude shipments through the strait had reached their highest level since the beginning of the war, although still well below normal volumes. ²⁴

The shock therefore moved from outright disruption toward risk priced disruption.

That distinction matters to East Africa.

A shipping route does not need to be physically closed to remain expensive. Insurance premiums, vessel availability, rerouting decisions, freight rates and contractual risk can remain elevated after the physical bottleneck begins to clear.

The Q2 lesson is therefore that the region should not treat the June ceasefire as a return to the pre conflict energy market.

Mozambique: Gas Potential Meets Immediate Constraint

Mozambique entered Q2 with significant long term energy potential but weak near term macroeconomic conditions.

The IMF reported in June that economic activity was gradually recovering from contraction in 2025, but growth remained subdued. Inflation had risen, foreign exchange shortages persisted, and fiscal and debt vulnerabilities remained significant. The Middle East conflict added fuel and fertilizer pressure at precisely the moment when Mozambique had limited room for fiscal manoeuvre. ²⁵

Inflation reached 7.51 percent in June, driven mainly by transport and food. The central bank kept its MIMO policy rate at 9.25 percent in May because of uncertainty surrounding the conflict and its effects on fuel, food and supply chains. ²⁶

This creates a striking investment contradiction.

Mozambique possesses an asset that becomes more strategically valuable when global energy security deteriorates.

Yet the country still has to manage the fiscal, financial and security conditions required to convert that asset into sustained domestic economic value.

Zambia: Copper and Energy

Zambia's Q2 was defined by a more stable macroeconomic position but a less certain growth outlook.

Inflation reached 6.8 percent in April and 6.5 percent in June, bringing it firmly within the Bank of Zambia's 6 to 8 percent target band. International reserves reached 4.4 months of prospective imports. Debt restructuring agreements covered approximately 94 percent of the restructuring perimeter. ¹⁵

The constraint is growth.

The IMF revised the 2026 growth forecast to 4.3 percent because of weaker mining output, energy constraints, softer trade, normalisation after an exceptional agricultural harvest and spillovers from the Middle East conflict. ¹⁵

Zambia therefore entered H2 with better macroeconomic stability but a continuing need to convert copper strength into broader productive capacity.

Zimbabwe: Stabilisation Changes the Story

Zimbabwe requires particular attention because its Q2 evidence points to continued macroeconomic stabilisation despite persistent structural financing constraints.

The IMF's April Staff Monitored Programme reported inflation at 4.4 percent in March and described the economy as benefiting from tight monetary conditions, improving fiscal discipline, strong agriculture and mining. ²⁷

The IMF's June mission subsequently reported that 2026 growth was projected at approximately 5 percent and that inflation remained low despite higher energy prices. The current account was expected to remain in surplus, supported by mining and agricultural exports and remittances. ¹⁶

Zimbabwe's story in Q2 was therefore not hyperinflation.

It was stabilisation under difficult structural conditions.

That does not remove the country's debt, financing or institutional constraints. It does change the macroeconomic narrative that an investor would take from the quarter.

COUNTRY SIGNALS

Thirteen Economies, Thirteen Trajectories

A snapshot of each economy's Q2 position and the open question carried into Q3 2026.

<div>Tanzania</div> <div>EXTERNAL BUFFERS</div> <div>External buffers and contained inflation.</div> <div><div>4.0% JUNE INFLATION</div><div>US\$6bn+ FX RESERVES</div></div> <div><div>4.5 mo. IMPORT COVER</div><div>2.4% CURRENT ACCOUNT DEFICIT / GDP</div></div> <div>Q3 QUESTION Whether higher energy costs remain contained without weakening external balances.⁵</div>	<div>Kenya</div> <div>GROWTH VS. PRICES</div> <div>Trade remained active while inflation accelerated.</div> <div><div>6.4% JUNE INFLATION</div><div>5.3% Q1 GDP GROWTH</div></div> <div><div>KSh118bn JUNE EXPORTS</div><div>KSh300.2bn JUNE IMPORTS</div></div> <div>Q3 QUESTION Whether higher transport and food costs become persistent inflation rather than a temporary energy shock.¹⁸</div>
<div>Uganda</div> <div>OIL TRANSITION</div> <div>Macroeconomic stability alongside the approach of first oil.</div> <div><div>3.7% JUNE INFLATION</div><div>6.4% FY25/26 PRELIM. GDP GROWTH</div></div> <div><div>11.9% ENERGY & UTILITIES INFLATION</div><div>Final phase EACOP CONSTRUCTION</div></div> <div>Q3 QUESTION Whether first oil moves from infrastructure project to actual production and export.¹²</div>	<div>Rwanda</div> <div>GROWTH VS. PRICES</div> <div>Rapid growth with rising price pressure.</div> <div><div>9.4% Q2 GDP GROWTH</div><div>18% INDUSTRY GROWTH</div></div> <div><div>26% MINING & QUARRYING GROWTH</div><div>13.6% JUNE INFLATION</div></div> <div>Q3 QUESTION Whether strong production growth can continue while inflation remains elevated.⁴</div>

Burundi		FRAGILE STABILISATION
Macroeconomic stabilisation remains fragile.		
4.2%	8.6%	
2025 GROWTH	APRIL INFLATION	
~1.6 mo.	Gold & coffee	
RESERVE COVER	CORE EXPORT EARNINGS	
Q3 QUESTION Whether foreign exchange reform and export growth can reduce the large external imbalance. ²⁸		

Democratic Republic of Congo		MINING-LED
Mining continues to support growth and the external position.		
5.6%	6.7%	
2026 PROJECTED GDP GROWTH	EXTRACTIVE GDP GROWTH	
6.9%	US\$348.5m	
2026 PROJECTED INFLATION	NEW IMF DISBURSEMENT	
Q3 QUESTION How far mining strength can translate into wider diversification and improved investment conditions. ¹⁴		

Ethiopia		REFORM UNDER PRESSURE
Reform continued despite the external energy shock.		
US\$3.4bn	~US\$468m	
IMF ECF PROGRAMME	POTENTIAL JUNE DISBURSEMENT	
Continuing	Modest	
FX FRAMEWORK REFORM	EFFECT ON GROWTH & INFLATION	
Q3 QUESTION Whether FX reform can continue narrowing market distortions while export and investment growth accelerate. ²³		

Somalia		STRUCTURAL CONSTRAINT
Growth remains constrained by aid reduction, climate exposure and high energy costs.		
2.8%	6%	
2026 GROWTH PROJECTION	2026 INFLATION PROJECTION	
21%	High	
HOUSEHOLDS WITH 8+ HRS/ DAY POWER	DIESEL DEPENDENCE	
Q3 QUESTION Whether investment in lower cost electricity can reduce the structural cost imposed by diesel dependence. ²⁹		

South Sudan		OIL RECOVERY
Oil production recovered but fiscal and humanitarian pressures remain severe.		
~157,000 bpd	6.7%	
OIL PRODUCTION, EARLY FY26	FY25 FISCAL DEFICIT / GDP	
234%	Severe	
FY25 AVG. FOOD INFLATION	HUMANITARIAN PRESSURE	
Q3 QUESTION Whether recovered oil exports can translate into fiscal stabilisation rather than simply financing existing fiscal pressures. ³⁰		

Malawi		INFLATION CONSTRAINT
Inflation remained the principal macroeconomic constraint.		
21.1%	24.3%	
JUNE INFLATION	APRIL INFLATION	
14.7%	In discussion	
JUNE FOOD INFLATION	POSSIBLE IMF ECF	
Q3 QUESTION Whether inflation can continue falling without renewed foreign exchange pressure. ⁶		

Mozambique

GAS POTENTIAL, WEAK NEAR TERM

Recovery remained weak while inflation accelerated.

7.51%

JUNE INFLATION

9.25%

MIMO POLICY RATE

Persistent

FX SHORTAGES

In discussion

NEW IMF PROGRAMME

Q3 QUESTION

Whether LNG and other investment can begin translating into broader economic recovery. ²⁶

Zambia

STABILISING, CONSTRAINED GROWTH

Macroeconomic stabilisation continued, but growth faced constraints.

6.5%

JUNE INFLATION

4.4 mo.

RESERVE IMPORT COVER

~94%

DEBT RESTRUCTURING

COVERAGE

4.3%

2026 IMF GROWTH

PROJECTION

Q3 QUESTION

Whether copper and improved financing conditions can overcome energy and production constraints. ¹⁵

Zimbabwe

STABILISATION

Stabilisation continued despite structural financing constraints.

4.7%

JUNE ZIG INFLATION

~5%

2026 IMF GROWTH

PROJECTION

Surplus

CURRENT ACCOUNT
(PROJECTED)

Agri, mining, gold

MAIN GROWTH SUPPORTS

Q3 QUESTION

Whether monetary and fiscal stabilisation can become durable enough to support broader private sector investment. ¹⁶

THE Q1 TEST

What Actually Happened?

Our Q1 brief set three explicit tests for the second quarter. Here is how each one resolved.

TEST 1 • THE MIDDLE EAST SHOCK

MODERATED

Q1 EXPECTATION

A prolonged disruption to Hormuz and Red Sea routes could increase energy, freight and fertilizer costs across East Africa.

Q2 OUTCOME

The shock persisted through much of the quarter. Oil reached more than US\$110 a barrel in April. A ceasefire and framework agreement in June began reopening Hormuz, but shipping companies remained cautious and normal traffic had not immediately returned. ¹

ASSESSMENT

The shock moderated but did not disappear. The important Q3 variable is therefore not whether Hormuz is technically open. It is whether shipping risk, insurance costs and vessel availability normalise sufficiently to reduce the risk premium embedded in African imports.

TEST 2 • THE PLANTING SEASON

PARTLY CONTAINED

Q1 EXPECTATION

Fertilizer and energy disruption during the March to May planting period could affect H2 food production.

Q2 OUTCOME

Food inflation moderated in several markets, including Tanzania, Uganda, Zambia and Malawi. However, energy and transport costs remained elevated in several countries.

ASSESSMENT

The feared region wide food price shock did not materialise during Q2. The agricultural test is not yet finished. The more consequential evidence will come from harvest volumes, farm profitability and food prices during H2.

TEST 3 • UGANDA FIRST OIL

UNRESOLVED

Q1 EXPECTATION

First oil was projected for mid 2026 and was identified as a major change to the EAC's energy and fiscal structure.

Q2 OUTCOME

First oil did not occur during Q2. EACOP and upstream infrastructure continued progressing, with Pump Station 1 receiving a high level government inspection in June. The project remained targeted toward first production in the second half of 2026. ⁷

ASSESSMENT

Unresolved. Uganda's oil story moves from a 2026 forecast into a Q3 execution test.

FOR THE BUSINESS OWNER

Q3 2026 Planning Implications

Supply Chains

The Q2 trade figures suggest that East African commerce is expanding despite global shipping disruption. Businesses should therefore avoid treating supply chain disruption as a simple volume problem. The more relevant variables are delivery time, freight cost, insurance, foreign exchange availability and the reliability of the inland corridor. Companies importing through the Gulf should maintain alternative routing plans even if Hormuz remains open.

Energy

Energy remains one of the most important cost variables for Q3. Uganda recorded 11.9 percent annual inflation in energy, fuel and utilities in June. Kenya's transport prices were up 16.1 percent. Rwanda's energy prices were up 44.8 percent. Mozambique's inflation was being driven partly by transport and food. ¹² For transport intensive businesses, energy should be treated as a variable affecting every other cost rather than as a separate expense line.

Food

Food businesses should distinguish commodity prices from supply chain costs. Tanzania's food inflation fell to 4.1 percent in June. Zambia's food inflation stood at 6.7 percent. Malawi's stood at 14.7 percent. ⁵ The same global shock is therefore producing different food price outcomes. Businesses operating across several countries should not apply a single regional inflation assumption to procurement or pricing models.

Foreign Exchange

The Q2 experience reinforces the importance of foreign exchange buffers. Tanzania entered H2 with more than US\$6 billion in reserves. Zambia had 4.4 months of prospective import cover. Burundi remained at approximately 1.6 months. Mozambique continued experiencing foreign exchange shortages. ¹⁷ For import dependent companies, country level FX conditions may therefore matter as much as global commodity prices.

INVESTOR SIGNAL

The second quarter did not produce one regional investment story.

It produced several.

Infrastructure became more valuable where it connects production to ports and markets.

Commodity exporters benefited from favorable external prices, but remain exposed to concentration risk.

Energy assets gained strategic importance as the global market repriced supply security.

Countries with stronger external buffers had more room to absorb the shock.

Countries with weaker foreign exchange positions remained more exposed to imported inflation.

The common theme is not a particular country.

It is the value of economic capacity that reduces dependence on a single external input, market or corridor.

POLICYMAKER FLAG

The Q2 data suggest that regional resilience will increasingly depend on three forms of economic integration.

The first is physical integration through ports, roads, railways and energy networks.

The second is commercial integration through lower barriers to intra African trade.

The third is financial integration through deeper foreign exchange markets, stronger reserve buffers and more predictable access to capital.

The EAC's Q2 trade figures show what is possible when regional commerce expands at a time of global disruption. The challenge is to convert temporary trade growth into permanent productive capacity. ²

LOOKING AHEAD

Five Questions for Q3 2026

01 Does the Hormuz reopening become normal?

The June agreement reduced immediate energy market pressure, but shipping confidence remained weak. The measure to watch is actual vessel traffic, not diplomatic announcements. ³¹

02 Does agricultural supply validate the planting season?

The decisive evidence will come from harvest volumes, wholesale food prices and farmer input costs.

03 Does Uganda produce first oil?

The physical infrastructure has moved into its final stage. Q3 will determine whether Uganda's long anticipated transition into an oil exporting economy becomes operational reality. ⁷

04 Can high growth coexist with lower inflation?

Rwanda provides the clearest test. The economy grew 9.4 percent in Q2 while inflation reached 13.6 percent. ⁴

05 Does commodity strength translate into broader investment?

The DRC, Zambia and Zimbabwe entered H2 with significant commodity support. The question is whether mineral and agricultural earnings translate into infrastructure, foreign exchange accumulation, industrial capacity and wider private sector activity. ¹⁴

CLOSING

East Africa Did Not Escape the Shock

East Africa entered 2026 facing an external shock.

By June, the region had not escaped the shock. It had begun to adapt to it.

That adaptation is visible in the trade figures, the foreign exchange buffers, the commodity earnings, the infrastructure projects and the different inflation outcomes across countries. It is equally visible in the vulnerabilities that remain unresolved.

The second quarter therefore leaves investors with a more complicated region than the one they entered in January.

There is stronger regional trade.

There is greater strategic value in ports and corridors.

There is renewed attention to energy security.

There is growing importance attached to mineral and agricultural exports.

There is also a sharper distinction between countries with foreign exchange buffers and those without them.

The third quarter will determine whether these adjustments become structural changes or temporary responses to an extraordinary year.

***East Africa did not escape the shock.
It revealed which parts of its economy were built to absorb one.***



About Uchumi360

Uchumi360 is an African economic intelligence publication focused on Tanzania, East Africa and the wider Eastern, Central and Southern African economies.

We track investment, infrastructure, energy, agriculture, manufacturing, logistics, technology, public finance, capital flows and regional integration.

Our quarterly economic briefs are designed for policymakers, investors, executives, researchers and business owners who need more than headlines.

We report the numbers. We explain the structure behind them. We follow what changes next.

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SOURCES & METHODOLOGY

Methodology

This edition draws on official regional and national statistics, central bank releases, multilateral institution assessments, infrastructure authorities and specialist financial reporting. The principal sources include the East African Community, national statistics offices and central banks, the International Monetary Fund, the World Bank, national infrastructure agencies and Reuters.

Regional trade figures are based primarily on East African Community data for the April to June 2026 period. Country indicators are reported for the latest period available within the reporting window. Where Q2 data were not yet available at the time of preparation, the most recent official data or institutional forecast is identified explicitly.

Forecasts and projections are presented as forecasts rather than outcomes. Figures from different reporting periods are not treated as directly comparable unless their periods are stated.

The reporting period covered in this edition is April 1 to June 30, 2026.

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