UNITED NATIONS
ECONOMIC AND SOCIAL COUNCIL

Distr.: Limited
E/ECA-EA-SA/ICSOE/2026/3
November 2026

ECONOMIC COMMISSION FOR AFRICA
SUB REGIONAL OFFICE FOR SOUTHERN AFRICA

Joint Intergovernmental Committee of Senior Officials and Experts of Eastern and Southern Africa

10 - 13 November 2026
Windhoek, Namibia

Macroeconomic and social developments in Eastern Africa in 2026

Note by the secretariat

Executive summary

Eastern Africa remains one of the world's fastest-growing regions, but strong aggregate performance conceals increasingly different national outcomes. Growth, inflation, policy rates, fiscal space and exposure to food and energy shocks have diverged. Services are driving much of the expansion, while agriculture continues to support most livelihoods but contributes relatively little to additional output. Fiscal policy is constrained by debt service, narrow tax bases and declining external assistance. Trade provides a more positive counterweight: demand for the region's commodities has been strong, and exports to African markets are rising rapidly. Nonetheless, the slow pace of implementation of the AfCFTA and fragmented tariff treatment within the East African Community weakens the coherence of regional trade policy. The principal policy challenge for Eastern Africa is not merely to preserve headline growth, but to translate it into productive employment, food security, stronger fiscal capacity and measurable improvements in living standards.

I. Introduction

1. The present note reviews the macroeconomic and social situation in Eastern Africa in 2026 and identifies issues for consideration by member States. It draws attention to the coexistence of high regional growth with widening differences in national performance and limited progress in converting growth into broad-based welfare gains.

2. The analysis focuses on five linked questions: the pace and composition of growth; climate, agriculture and food security; inflation and fiscal capacity; trade and investment; and the contribution of regional integration to resilience. Figures and tables have been selected to support the policy discussion rather than provide an exhaustive statistical annex.

II. Growth remains strong, but regional outcomes are diverging

3. Eastern Africa continues to outperform continental and global averages in terms of GDP growth. United Nations estimates place subregional growth at about 5.8 per cent in 2026, way above global and regional averages.[1] This is against a backdrop of a resilient continental economy, with the IMF revising its forecast for 2026 up to compared 4.6 per cent for Africa as a whole[2] – for the first time in many decades marginally faster than China.[3] Rapid population growth on the African continent means, however, that improvements in output per person remain substantially smaller than headline growth GDP.

4. Country trajectories differ markedly in the post-Covid 19 period. Rwanda and Ethiopia have remained among the most persistent high-growth economies. Uganda, Tanzania and the Democratic Republic of the Congo form a strong

[1] UN DESA, *World Economic Situation and Prospects*, September 2026.
[2] IMF, Real GDP Growth, Annual Percentage Change, 2026.
[3] The Financial Times, 20 October 2026.

middle group, while Kenya at slightly below the regional average. Burundi, Comoros, Madagascar and Somalia remain on lower or more volatile trajectories. Eastern Africa is therefore growing rapidly, but not necessarily growing together.

5. The composition of growth raises questions regarding its inclusiveness. In the first half of 2026, services accounted for nearly two thirds of additional output in Kenya and between 37 and 39 per cent in Rwanda and Uganda. Agriculture contributed only 13 to 17 per cent, despite remaining the principal source of employment and livelihoods across much of the subregion.[4] There are some signs of stronger growth in manufacturing sub-sectors, but the pace remains insufficient to act as a driver of growth and industrialization.

6. This mismatch is important. Growth concentrated in services, construction, extractive activity and other capital-intensive sectors may sustain aggregate output without generating sufficient productive employment or improving household resilience. The policy objective should be to strengthen linkages between expanding sectors and domestic agriculture, manufacturing and small- or medium-sized enterprises.

III. Climate, agriculture and food security

7. For the region's economies, agriculture remains central to employment, exports, food supply and rural incomes. Over the course of 2026, drought, erratic rainfall and flooding have been affecting not only harvests, but also inflation, imports, fiscal expenditure, trade balances and poverty. Climate adaptation should consequently be treated as a core macroeconomic and social priority rather than as a separate environmental agenda.

8. Agricultural cycles are poorly synchronized across countries in Eastern Africa: When production falls in one economy while conditions improve in another, predictable regional markets can moderate price volatility and reduce reliance on imports from outside Africa[5]. This strengthens the case for removing barriers to intraregional food trade, as part and parcel of implementing the AfCFTA as well as other regional initiatives, and for treating food security as a regional public good.

9. Contrary to popular opinion, Africa's aggregate food trade deficit is modest compared with those of several large global importers, and a number of Eastern African now report food trade surpluses, given further grounds for promoting greater intra-regional food trade. However, the regional aggregate conceals severe national and household vulnerability. Food insecurity remains particularly acute in South Sudan and the Democratic Republic of the Congo, while food-price inflation and rising import bills are affecting a much wider group of economies.

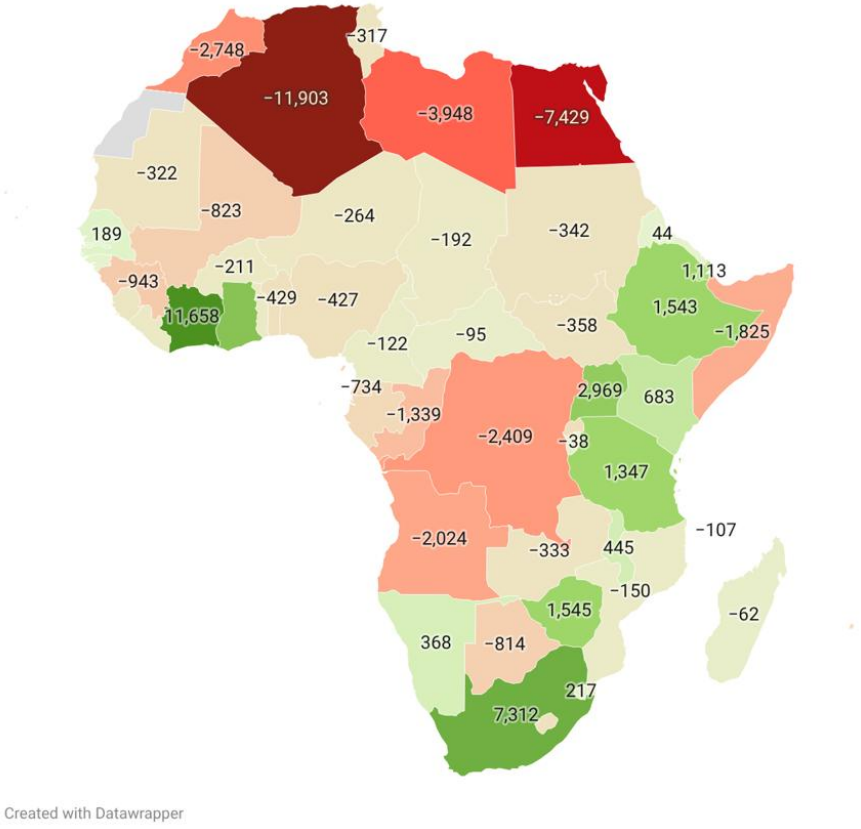


Figure 1. Africa's food trade balance by country, 2025

Source: ECA calculations based on UNCTADstat, 2026. Values are in millions of United States dollars.

[4] ILO-modelled estimates, 2025.
[5] UNECA, *Improving food security in Eastern Africa through greater intra-regional trade: a review of the issues*, SRO-EA, Kigali, 2025.

10. Recent price movements illustrate the divergence. In the six months to August 2026, average maize prices rose by about 99 per cent in South Sudan and 49 per cent in Ethiopia, while declining by 7 per cent in Kenya and 36 per cent in the United Republic of Tanzania.[6] National responses should combine early-warning systems, the building up of strategic stocks (as Tanzania has recently been doing), climate-resilient production and open regional trading channels.

IV. Inflation, monetary adjustment and fiscal capacity

11. Inflation in Eastern Africa, which had eased after the 2022–2023 surge, diverged again during 2026, in the face of the global shock produced by the conflict in Iran. By September, headline inflation was lower than had been initially feared - 6.8 per cent in Kenya, 4.6 per cent in Uganda, 4.3 per cent in the United Republic of Tanzania and 1.2 per cent in Seychelles. However, in other countries inflationary pressures were increasingly evident - standing at 15.1 per cent in Ethiopia and 17.2 per cent in Rwanda, while Burundi had fallen to 7.4 per cent after reaching 45.5 per cent in mid-2025.

12. Fuel and fertilizer shocks pass through at different speeds. Fuel prices rapidly affect transport and distribution, while fertilizer costs influence planting and harvests with a lag. In anticipation of further inflationary pressures, authorities should distinguish first-round imported-price effects from broader inflation and combine monetary measures with transparent fuel pricing, targeted support and interventions that improve food supply.

13. Monetary-policy responses have consequently diverged across Eastern Africa. Between the first quarter of 2024 and the fourth quarter of 2026, Kenya reduced its policy rate from 13.0 to 8.75 per cent, while Rwanda raised its rate from 7.5 to 8.75 per cent.[7] Uganda increased its rate by 225 basis points in October 2026, to 12 per cent, in response to currency and fuel-price pressures.[8]

14. In terms of nominal spending, government budgets have expanded in 2026-2027, but inflation, debt service, arrears and declining external assistance still limit usable fiscal space. The composition, financing and execution of budgets are therefore more informative than headline totals alone.[9]

Country	2026/27 budget	Nominal change	Selected pressure or priority
Kenya	$37.4 bn	13.0%	Infrastructure and social services; heavy debt service
Rwanda	$5.3 bn	12.1%	Economic and social transformation; 68% domestic financing
United Republic of Tanzania	$24.0 bn	10.0%	Rural infrastructure and domestic resource mobilization
Uganda	$22.5 bn	3.4%	Oil, transport and agribusiness; debt service near 40% of budget
Ethiopia	ETB 2.34 tn	21.3%	Education, health, agriculture and infrastructure

Table 1: Eastern African Government Budgets 2026/27 Overview

Source: ECA compilation from national budget documents and official sources, 2026.

15. Kenya and Burundi illustrate why debt ratios require careful interpretation. Both entered the post-pandemic period with debt close to 68 per cent of GDP. Kenya's ratio remained high, at an estimated 72.9 per cent in 2026, while Burundi's fell to about 40.4 per cent.[10] In Burundi, high inflation enlarged nominal GDP and lowered the measured ratio, without necessarily improving the capacity to service debt or reducing the principal owed.[11]

16. The comparison cautions against reducing fiscal policy to a conventional call for consolidation. Empirical evidence from the IMF confirms that in low-income economies, sustaining high rates of economic growth and a tolerance of somewhat higher levels of inflation have historically contributed more to declines in debt-to-GDP ratios than fiscal consolidation.[12] The relevant question is thus how any fiscal adjustment can affect growth, public investment and the capacity of the State to respond to climate and social pressures.

[6] AGRA, 2026.
[7] National central banks, 2026: Central Bank of Kenya, National Bank of Rwanda and Bank of Uganda.
[8] Bank of Uganda, *Monetary Policy Statement*, 14 October 2026.
[9] UNECA elaboration from The East African, MINECOFIN, Uganda Budget Speech, Tanzania Ministry of Finance and Heritage Times, 2026.
[10] IMF, World Economic Outlook Database, October 2026.
[11] Ministry of National Strategy, *High Level Report: 2017 EFY GDP Rebasing*, November 2026.
[12] IMF, *World Economic Outlook: A Rocky Recovery*, April 2023, Chapter 3, "Coming Down to Earth: How to Tackle Soaring Public Debt".

V. Trade, regional integration and investment

17. Trade has been among the strongest elements of recent regional performance. Six countries recorded double-digit export growth in 2025, supported in many cases by high international prices for coffee, gold and minerals.[13] Burundi registered the largest percentage increase, although from a low base, while Uganda, Ethiopia, the United Republic of Tanzania and the Democratic Republic of the Congo also benefited strongly. The challenge is the extent to which this is increasing dependence of the region on its traditional commodities, rather than through promoting the economic diversification of Eastern Africa's economies. UNECA (2026) notes that minerals alone now account for 53% of the region's exports, up from 20% in 2005. Given copious evidence of the damage that an excessive mineral dependence can cause,[14] this is not the direction in which the regional economies wish to be moving.

	2024	2025	% Change
Burundi	175	335	91.0
Comoros	30	48	60.0
Uganda	8,649	13,658	58.0
Ethiopia	5,472	7,585	39.0
Djibouti	5,169	6,090	18.0
Eritrea	573	631	10.0
DRC	29,900	32,100	7.0
South Sudan	891	955	7.0
Seychelles	557	550	-1.0
Madagascar	2,582	2,498	-3.0
Kenya	9,428	9,073	-4.0
Tanzania	8,702	8,185	-6.0
Somalia	1,473	1,300	-12.0
Rwanda	3,042	2,462	-19.0

Figure 2. Merchandise exports in Eastern Africa, 2024–2025

Source: ECA calculations based on national statistics and UNCTADstat, 2026. Values are in millions of United States dollars.

18. Half-year data for 2026 indicate that Uganda and the United Republic of Tanzania exported more goods by value than Kenya. Imports also increased rapidly, reflecting higher food and fuel bills and the import intensity of major infrastructure and energy projects.

Trade in Goods (January to June) 2025 vs 2026, USD Billion

		Jan-June 2025	Jan-June 2026	Growth
Kenya				
	Exports	4.3	4.9	14%
	Imports	10.3	12.6	22%
Tanzania				
	Exports	4.1	5.5	33%
	Imports	7.4	9.7	31%
Uganda				
	Exports	6.2	8.3	34%
	Imports	8.3	10.6	27%

Figure 3. Trade in goods, January–June 2025 and 2026

Source: Kenya National Bureau of Statistics, Bank of Tanzania and Uganda Bureau of Statistics, 2026.

19. More encouragingly, trade with African markets has expanded particularly rapidly. According to figures published by the EAC Secretariat, exports from East African Community member States to the regional and continental market more than doubled between the second quarter of 2024 and the second quarter of 2026, reaching $7.2 billion.[15] Africa's share of total exports rose to 27.5 per cent. Interestingly, trade with the Southern African Development

[13] IMF, Primary Commodity Prices, 2026.
[14] UNCTAD, *Commodities and Development Report 2021: Escaping from the Commodity Dependence Trap through Technology and Innovation*, Geneva, 2021.
[15] EAC, *Quarterly Statistics Bulletin*, April–June 2026.

Community exceeded trade within the East African Community in the second quarter of 2026, demonstrating that commercial opportunities increasingly extend across existing institutional boundaries.[16]

20. That positive trend is weakened by the slow pace of implementation of the AfCFTA as well as the fragmentation in the EAC's CET. The East African Community Gazette of June 2026 recorded 384 country-specific measures departing from the common external tariff. Kenya accounted for 163 measures, Uganda for 126, the United Republic of Tanzania for 50, Rwanda for 32 and Burundi for 13.

Partner State	Country-specific measures
Kenya	163
Uganda	126
United Republic of Tanzania	50
Rwanda	32
Burundi	13
Total	384

Table 2: Recent Exemptions to the EAC's Common External Tariff

Source: East African Community Gazette, vol. AT 1, No. 16, 30 June 2026.

21. Some exemptions may support legitimate industrial-policy objectives, including lower duties on inputs and capital goods. The concern is that identical products increasingly receive different treatment across partner States. The common external tariff then reflects separate national priorities rather than a coherent regional trade policy.

22. Foreign direct investment into the subregion remains buoyant, but concentration is evident. Across Africa, announced greenfield investment during 2021–2025 was dominated by energy, gas supply and extractive industries.[17] In Eastern Africa, investment has become particularly significant relative to GDP in Somalia, Rwanda and Uganda, with Uganda's inflows strongly associated with oil development.

23. Profitability estimates for the region's largest firms is similarly concentrated in capital-intensive and asset-based activities, including communications, diversified groups, metallurgy, transport and mining.[18] Activities with a stronger connection to employment and structural transformation, including agro-industry, textiles, chemicals and automotive production, generally show weaker returns. The central issue is therefore not simply the amount of investment, but the sectors in which capital and profitability are concentrated.

Host economy	Home economy	Sector segment	Parent company	Estimated capital expenditure (US$ bn)
Uganda	United Arab Emirates	Coal, oil and gas	Alpha MBM Investments	4.0
Ethiopia	Nigeria	Chemicals	Dangote Group	3.0
Ethiopia	Hong Kong, China	Coal, oil and gas	Golden Concord Holdings	2.5
Angola	France	Coal, oil and gas	TotalEnergies	2.5
Angola	United Kingdom	Coal, oil and gas	BP	2.5
Zambia	China	Coal, oil and gas	Fujian Xiang Xin Group	1.1
DRC	China	Metals	CMOC Group	1.1

[16] UNCTADstat, 2026 (exports of the Democratic Republic of the Congo and the United Republic of Tanzania to Southern Africa in 2025).
[17] UNCTAD, *World Investment Report 2026*, Africa Edition, based on information from the Financial Times Ltd and fDi Markets.
[18] African Business, 2025, based on a sample of 136 companies for which profitability data was available.

Table 3: Top greenfield projects announced in 2025, by value (Eastern Africa & Southern Africa)

Source: World Investment Report, UCTAD 2026

VI. Policy issues for consideration

24. Member States may wish to preserve macroeconomic stability while avoiding an excessive reliance on fiscal consolidation. Budget adjustment should protect productive public investment, essential services and climate resilience, with an emphasis on projects that will sustain high rates of economic growth.

25. Regional food security would benefit from predictable cross-border trade, fewer non-tariff barriers, interoperable standards, improved storage and logistics, and jointly financed early-warning and emergency-response mechanisms.

26. The East African Community common external tariff should be applied more coherently. Temporary national deviations should be transparent, time-bound and subject to a regional assessment of their effects on production, trade diversion and the integrity of the customs union.

27. Implementation of the African Continental Free Trade Area should be accelerated, particularly in areas that lower the real cost of regional commerce: customs cooperation, trade facilitation, transport corridors, payments, electricity trade and mutual recognition of standards.

28. Investment policy should place greater emphasis on domestic linkages, supplier development, skills, technology transfer and the creation of productive employment. Incentives to new large-scale projects should be assessed against measurable development outcomes rather than the announced value of projects alone.

29. Stronger regional statistics are required. Comparable quarterly data on output, agriculture, prices, trade, employment and investment would permit earlier identification of asymmetric shocks and better coordination of policy responses.

VII. Conclusions

30. Eastern Africa's resilience is real. The subregion continues to record rapid growth, exports to African markets are expanding and investment opportunities remain substantial. Those achievements provide a basis for stronger regional integration and structural transformation.

31. The evidence nevertheless supports a qualified assessment. Economies in the subregion are not growing together: national growth paths, inflation rates, monetary responses and fiscal positions are increasingly differentiated. High aggregate growth is coexisting with weak transmission into productive employment, food security and household welfare.

32. The pending strategic task is broader than maintaining growth in an uncertain international environment: It is to close the gap between strong aggregate performance and fragile social progress by strengthening productive capacity, preserving fiscal room for development, deepening regional markets and directing investment towards activities that generate greater employment opportunities and resilience.

Prepared by the Office for Eastern Africa of the United Nations Economic Commission for Africa for intergovernmental consideration. This condensed meeting document is based on the 2026 Macroeconomic and Social Overview.