

Forex market deepens as daily turnover surges to \$22b

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Foreign exchange market liquidity continues to expand, with daily turnover rising to \$22b in 2025, up from \$17.5b in 2024, according to Bank of Uganda.

The growth has been driven by the development of a more sophisticated legal and regulatory framework governing financial markets.

Bank of Uganda Governor Michael Atingi-Ego said Uganda's adherence to the foreign exchange Global Code has strengthened ethical conduct and

transparency among market participants, noting that the country's foreign exchange reserves currently stand at \$5.6b, equivalent to about 4.2 months of import cover, providing a stronger buffer against external shocks.

In 2022, Bank of Uganda launched its 2022–27 Strategic Plan to strengthen economic stability and maintain a sound financial system that supports investment. The plan set targets for financial inclusion, digital payments, and financial market development.

Dr Atingi-Ego said progress recorded as of September 2025 demonstrates the effectiveness of the reforms, which

have seen financial inclusion rise to 72 percent, electronic payments reach 38 percent, and the Financial Markets Index climb to 36 percent, far exceeding the original five-year target of 9 percent.

Despite these gains, he acknowledged that pension fund development remains Uganda's weakest area, with pension fund assets accounting for 12.2 percent of GDP in 2024, compared to 18.5 percent in Kenya and between 57 and 63 percent in South Africa.

Market depth also remains limited, with private sector credit growth at 9.2 percent last year, below the 14 percent target. Private sector credit to GDP

stands at 12.5 percent, far lower than levels in South Africa and Mauritius.

To address these gaps, Bank of Uganda and the Ministry of Finance are implementing a series of reforms aimed at deepening financial markets. The issuance of a 25-year government bond has extended the yield curve and created a long-term benchmark for pricing corporate debt, while meeting the investment needs of pension funds and insurance companies.

Dr Atingi-Ego said the central bank is accelerating the rollout of ISDA documentation across all commercial banks and advancing a Close-Out Netting Law

to contain counterparty risks and safeguard systemic stability.

He also highlighted the Mortgage Refinance Bill, passed in September 2025 and awaiting presidential assent, which is expected to mobilise long-term capital for housing finance and enable mortgage-backed securitisation.

Uganda is also modernising its financial infrastructure, replacing the Real-Time Gross Settlement system, scheduled for launch in March, to align the country with global messaging standards, allowing richer data flows, faster settlement, and more efficient cross-border transactions.