



## Monetary Policy Statement for February 2026

**On 9 February 2026, the Monetary Policy Committee (MPC) of the Bank of Uganda (BoU) maintained the Central Bank Rate (CBR) at 9.75%. The Committee assessed that the prevailing policy stance remains appropriate to support economic activity while ensuring that inflation stabilises around the target over the medium to long term, amid persistent global economic uncertainty.**

Inflation has remained below the medium-term target of 5%, reflecting the impact of prudent monetary policy complemented by coordination with fiscal policy, a stable exchange rate, declining global inflation, and favourable food and energy prices. Over the twelve months to January 2026, annual headline inflation averaged 3.5%, while core inflation averaged 3.8%.

Headline inflation edged up marginally to 3.2% in January 2026 from 3.1% in December 2025, reflecting higher inflation in some core components, partly offset by a decline in food crop inflation. Similarly, annual core inflation increased to 3.3% in January 2026 from 3.1%, driven mainly by higher services inflation, particularly in passenger air transport. Annual food crop inflation moderated to 3.0% in January 2026 from 4.4% in December 2025, supported by favourable weather conditions. Energy, Fuel, and Utilities (EFU) inflation rose slightly to 1.7% from 1.4%, due to modest increases in firewood prices.

The inflation outlook has been revised slightly downward relative to the November 2025 forecast round, reflecting the effects of a modest exchange rate appreciation and lower international oil and food prices. Inflation is projected to remain slightly below the target in 2026, within the range of 3.8 to 4.3%, before stabilising around the target over the medium to long term. This outlook is supported by continued prudent monetary policy, stable exchange rate conditions, and moderating global commodity prices.

Risks to the inflation outlook, both upside and downside, remain elevated. Upside risks include stronger-than-expected domestic demand arising from a positive output gap (the economy operating above its current potential), partly driven by a more expansionary fiscal policy. Additional risks stem from a combination of domestic and external factors exerting higher-than-anticipated inflationary pressures, including a persistently depreciated exchange rate; escalating geopolitical tensions that could disrupt global supply chains; and adverse weather conditions that may reduce agricultural output and raise food prices. On the downside, risks include a sharper-than-projected slowdown in domestic economic activity, a deceleration in global growth stemming from trade-related shocks and heightened uncertainty, and a decline in commodity prices with disinflationary effects.

Economic activity remained steady during the first three quarters of 2025, with an average growth of 6.3%. The growth was largely driven by final consumption expenditure, which expanded by 14.7%, mainly reflecting strong government consumption growth of 22.8%, compared to growth of 14.2% in household consumption. Despite a moderation in growth in the two quarters to September 2025, high-frequency indicators and forecasts point to higher economic activity in the quarter to December 2025 and in the second half of the financial year. Economic growth in FY2025/26 is projected in the range of 6.5 to 7.0%.

Over the medium term, economic growth is expected to strengthen further, rising to an average of around 8%. This outlook is underpinned by accelerated public investment, oil-related and infrastructure developments, government initiatives, continued improvement in the global economic environment, prudent monetary policy, and increased private sector activity.

Notwithstanding the favourable outlook, risks to the growth projection are tilted to the downside. These include evolving geopolitical tensions, which could dampen global growth, disrupt trade routes and supply chains, and exert upward pressure on commodity prices, particularly oil. On the upside, stronger-than-anticipated investment in the extractive sector, a more robust global recovery, and easing trade tensions could result in higher-than-projected economic growth.

The economic environment continues to be characterised by heightened uncertainty, necessitating a cautious monetary policy stance. Against the backdrop of recent economic developments and the balance of risks to inflation and growth, the MPC kept the Central Bank Rate unchanged at 9.75%. The CBR band remains at  $\pm 2$  percentage points, with the rediscount rate and bank rate set at 3 and 4 percentage points above the CBR, respectively, resulting in a rediscount rate of 12.75% and a bank rate of 13.75%.

The MPC considers this decision to be consistent with its strategy of guiding inflation towards the target over the medium term. Without compromising its primary objective of price stability, the policy stance also supports smoothing economic fluctuations and fostering socio-economic transformation. Future policy decisions will remain data-dependent, informed by continuous assessments of domestic and global risks.

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Governor  
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