FAQS: MONETARY POLICY STATEMENT, NOVEMBER 2026

1. **What is the purpose of the Monetary Policy Statement?**

The Monetary Policy Statement (MPS) communicates the Bank of Uganda's monetary policy decisions and explains the economic conditions behind them. It announces the Central Bank Rate (CBR), which signals the monetary policy stance and influences interest rates in the financial system and, over time, borrowing costs and returns on savings.

The Bank uses monetary policy primarily to maintain price stability, with a medium-term core inflation target of 5 per cent. Core inflation measures underlying price movements by excluding relatively volatile items, namely food crops and related items, and energy, fuel and utilities (EFU), from the Consumer Price Index (CPI).

2. **What was the Bank of Uganda's decision at the November 2026 Monetary Policy Committee meeting, and what were the reasons for the decision?**

The Monetary Policy Committee (MPC) **maintained the Central Bank Rate (CBR) at 12.0 per cent in November 2026**. This decision allows sufficient time for the effects of previous monetary policy measures to work through the economy, while enabling the Committee to continue assessing their impact, the evolving balance of risks to the inflation outlook, and developments in the global political landscape, particularly their potential spillover effects on global financial markets and the domestic economy.

The CBR rose from 9.75 per cent to 12.0 per cent in October 2026. The full effects of this increase on borrowing, spending and prices are expected to take time to materialise.

In addition, the MPC widened the band around the CBR from ±2 to ±3 percentage points and increased the margins above the CBR for the rediscount rate and Bank Rate to 4 and 5 percentage points, respectively. Consequently, the rediscount rate and Bank Rate increased to 16.0 per cent and 17.0 per cent, respectively. These adjustments are intended to support tighter shilling liquidity conditions and strengthen liquidity management in the banking system.

3. **What does widening the CBR band from ±2 to ±3 percentage points mean?**

The CBR band defines the upper and lower limits of the interest rate corridor within which short-term interbank interest rates are expected to fluctuate. With the CBR at 12.0 per cent, the band has changed as follows:

PREVIOUS BAND	NEW BAND
10.0%–14.0% (±2 PP)	**9.0%–15.0% (±3 PP)**

The wider band increases the cost to commercial banks of obtaining short-term liquidity from the Bank of Uganda through the Standard Lending Facility, whose rate is set at the upper limit of the band (15.0 per cent). At the same time, it reduces the return on short-term deposits that commercial banks place with the Bank of Uganda through the Standard Deposit Facility, whose rate is set at the lower limit of the band (9.0 per cent).

These changes widen the interest rate corridor and encourage commercial banks to manage their liquidity more actively, including through the interbank market, while reinforcing the Bank's tight monetary policy stance.

4. **What are the rediscount rate and bank rate?**

The rediscount rate and Bank Rate are interest rates the Bank of Uganda applies when providing liquidity to commercial banks.
The **rediscount rate**, currently 16.0 per cent, is the rate at which the Bank of Uganda discounts eligible government securities held by commercial banks when they seek to obtain liquidity before the securities mature. It therefore determines the cost to a commercial bank of obtaining funds by rediscounting eligible securities.
The **Bank Rate**, currently 17.0 per cent, is the rate the Bank of Uganda charges on advances to commercial banks, including under applicable liquidity assistance arrangements.
The rediscount rate and Bank Rate are set at 4 and 5 percentage points above the CBR, respectively. These rates apply to transactions between the Bank of Uganda and commercial banks.

5. **What is driving the recent increase in inflation?**

Annual headline inflation increased from 4.6 per cent in September 2026 to **5.8 per cent in October 2026**, while core inflation rose from 3.7 per cent to **4.4 per cent** over the same period.
The main drivers include higher global oil prices associated with geopolitical tensions in the Middle East, depreciation of the Ugandan shilling, and unfavourable weather conditions.
These developments have increased fuel, transport, production and import costs, as well as food crop prices. The resulting cost pressures are gradually feeding through to the prices of goods and services consumed by households and used by businesses.

6. **What is the inflation outlook, and what could change it?**

Over the next 12 months, core inflation is projected to average 6.0%–6.5%, while headline inflation is expected to average 7.5%–8.0%. This is above the Bank's medium-term core inflation target of 5 per cent.
Inflation could be higher than projected if the Uganda shilling depreciates further, global oil and food prices remain elevated, adverse weather conditions constrain domestic food production, or international financial conditions tighten further.
Conversely, inflation could be lower than projected if global oil prices decline, favourable weather conditions improve agricultural production and food supplies, or restrained domestic demand, supported by tight monetary and fiscal conditions, reduces underlying price pressures.

Overall, the risks to the inflation outlook remain tilted towards higher inflation. The Bank will continue to monitor these developments and take appropriate action to ensure that inflation returns towards its medium-term target.

7. **How is Uganda's economy performing, and what is the growth outlook?**

Economic growth is estimated at 5.3 per cent in the quarter ending September 2026, compared with 6.8 per cent in the quarter ending June 2026.
Economic growth for FY2026/27 is projected at 5.5–6.0 per cent, lower than the earlier forecast of 6.0–6.5 per cent. The moderation reflects the effects of tighter financial conditions, depreciation of the Ugandan shilling, elevated energy prices and heightened global uncertainty on economic activity.
Over the medium term, economic growth is projected to average around 8 per cent over the next five years, supported by private investment, export growth, anticipated developments in the oil sector and implementation of the Government's Tenfold Growth Strategy.

8. **What factors could strengthen or weaken economic growth?**

Economic growth could strengthen if weather conditions improve, investment in the extractive sector accelerates, and easing geopolitical tensions lower energy prices and reduce global uncertainty. Stronger domestic and external demand could also support economic activity.
Conversely, growth could weaken if elevated energy and food prices persist, geopolitical tensions disrupt international trade and investment, or tight shilling liquidity constrains private sector credit more than anticipated. Adverse weather conditions affecting agricultural production and delays in oil production could also weigh on growth. Tighter global financial conditions could further exacerbate these pressures.

9. **What does the CBR decision mean for borrowers and savers?**

For borrowers, maintaining the CBR at 12.0 per cent means that the policy interest rate remains elevated following the increase in October 2026. Consequently, borrowing costs are likely to remain relatively high as the effects of previous monetary policy measures continue to work through the financial system and the wider economy.
For savers, the higher-rate environment may support improved returns on some savings and deposit products.
Commercial banks may continue adjusting their lending and deposit rates in response to the October 2026 CBR increase. However, the extent and timing of these adjustments will vary across banks, depending on factors such as their funding costs, liquidity positions, credit risk and prevailing market conditions.
Changes in the CBR do not automatically or immediately translate into equivalent changes in commercial bank lending and deposit rates.

10. **What will guide future monetary policy decisions?**

Future monetary policy decisions will be guided by the evolving inflation outlook, economic growth, exchange rate developments, domestic financial conditions and the extent to which previous policy measures are being transmitted through the economy.
The MPC will also closely monitor developments in global oil and commodity prices, international financial conditions and geopolitical tensions, particularly their potential implications for domestic inflation and economic activity.
The Bank of Uganda remains committed to maintaining price stability and will take appropriate monetary policy action as needed to ensure inflation converges toward the medium-term target of 5 per cent.

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