



PRESS RELEASE

FAQS: MONETARY POLICY STATEMENT FOR OCTOBER 2026

1. Bank of Uganda (BoU) issued the Monetary Policy Statement (MPS) for October 2026. What is the purpose of the MPS?

- The MPS announces BoU's monetary policy decisions, such as changes to the Central Bank Rate (CBR). The CBR is a policy interest rate that influences loan pricing for individuals and businesses, including mortgages, Treasury bills, and bonds, as well as interbank lending. Ultimately, changes in the CBR affect borrowing costs and returns on savings.
- By adjusting the CBR in addition to other monetary policy tools, the BoU aims to ensure that core inflation remains as close as possible to 5% (Core inflation is the change in the overall price level, excluding prices of items like food crops, oil prices and administered prices (such as water & electricity, which change rapidly and are beyond the control of policy actions)).

2. Why did Bank of Uganda hold a special MPC meeting in October 2026?

- The MPC held a special meeting in October 2026 because inflation risks have increased significantly since its August 2026 meeting. Higher global oil and shipping costs, together with pressure on the Uganda Shilling, threatened to raise domestic prices more widely and persistently. The MPC therefore met before its next scheduled meeting to reassess the outlook and take timely action to contain these risks.

3. What monetary policy decision did Bank of Uganda take in October 2026, and why?

- The MPC raised the Central Bank Rate from 9.75% to 12.0% to contain rising inflationary pressures and reduce the risk that higher fuel prices and a weaker Shilling could lead to broader, more persistent price increases.

4. What is the Cash Reserve Requirement (CRR), and why was it increased?

- The CRR is the share of deposits that commercial banks must keep as reserves with the Bank of Uganda rather than use for lending. BoU raised the CRR from 11.0% to 13.5%, effective 24 September 2026. This reduces excess money in the banking system and helps make monetary policy more effective at containing inflation. The Bank of Uganda adjusted the CRR before the October CBR decision.

5. Why has the Uganda Shilling weakened against the US dollar?

- Higher global oil and shipping costs have increased the amount of foreign currency needed to pay for imports.
- Lower prices for some agricultural exports, including coffee and cocoa, and reduced tourism earnings have constrained Uganda's foreign currency inflows.
- Heightened global uncertainty and higher interest rates in advanced economies have also made some foreign investments more attractive, limiting inflows.

Together, these developments have increased depreciation pressure on the Ugandan shilling.

6. What is happening to inflation in Uganda?

- Headline inflation rose to 4.6% in September 2026 from 4.1% in August, driven by higher food crop and fuel prices, including the spillover effects of the weaker Shilling. Core inflation, which excludes more volatile and regulated/administered prices, rose to 3.7% in September from 3.5% in August, indicating gradually rising underlying price pressures.

7. What should we expect for inflation over the next 12 months?

- Core inflation is now projected to average 5.5% to 6.0%, while headline inflation is projected to average 7.0% to 7.5% over the next 12 months. The upward revision mainly reflects higher international energy prices, a weaker Shilling, and rising domestic food prices.

8. What risks could make inflation higher or lower than expected?

- **Inflation could be higher if;**
 - Global conflicts intensify and increase fuel, transport and production costs
 - the Shilling weakens further;
 - unfavourable weather further reduces food production;
 - or higher costs spread more widely through the economy.
- **Inflation could ease if;**
 - favourable weather increases food supplies,
 - global or domestic demand weakens,
 - or international commodity prices fall more sharply than expected.

Overall, risks remain tilted towards higher inflation.

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

- The economy continues to grow, but more slowly. Growth for the quarter ending September 2026 is projected at 6.4%, down from 6.8% reported by UBOS for the quarter ending June 2026. Private-sector activity continues to expand, although business and consumer confidence have softened.
- Growth for FY2026/27 is now projected at 6.0–6.5%, down from the earlier forecast of 7.0–7.5%. It is expected to strengthen to about 8% over the medium term, supported by private investment, exports, oil-sector developments and the Government's Tenfold Growth Strategy.

10. What factors could affect Uganda's economic growth?

- Growth could be weaker if;
 - International energy and transport costs remain high,
 - global conflicts and trade disruptions persist,
 - bad weather affects production or borrowing and financing conditions tighten more than expected.
- Growth could be stronger if;
 - Private investment exceeds expectations,
 - Favourable weather improves agricultural production,
 - Global tensions ease.

11. How might the higher CBR affect borrowers, savers and businesses?

- A higher CBR is likely to increase borrowing costs over time as banks adjust their lending rates, which may moderate credit growth and spending by households and businesses. At the same time, savers may benefit from higher returns on some interest-bearing deposits and savings products. For businesses, higher financing costs may affect investment and working-capital decisions in the near term.
- The objective, however, is to prevent higher fuel prices and a weakening Ugandan shilling from causing widespread, sustained increases in the prices of goods and services, thereby protecting the purchasing power of households and businesses.

12. What will guide future monetary policy decisions?

- The BoU will continue to assess economic developments in Uganda and abroad with particular attention to inflation, exchange rate movements, and food and energy prices. The BoU remains ready to take additional measures if needed to preserve price and financial stability.



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