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Monetary Policy Statement for November 2026

The Monetary Policy Committee (MPC) of the Bank of Uganda (BoU), at its meeting held on 9 November 2026, maintained the Central Bank Rate (CBR) at 12 percent. In addition, the BoU widened the CBR bands to ±3 from ±2 percentage points and set the margins on the CBR for rediscount and bank rates to 4 and 5 percentage points, respectively.

Inflation has edged up, and several upside risks have materialised since the October 2026 MPC meeting. The exchange rate depreciation and higher global energy prices, arising from the Middle East conflict, have added to inflationary pressures.

Headline inflation rose to 5.8 percent in October 2026, from 4.6 percent in September 2026, driven largely by energy and weather shocks. Core inflation also rose to 4.4 percent from 3.7 percent. This shows that the price increases have been broad-based. Over the 12 months to October 2026, however, annual average headline and core inflation remained moderate at 3.6 percent and 3.3 percent respectively, below the medium-term target of 5 percent.

The inflation outlook has been updated since the October 2026 MPC meeting to incorporate recent developments. The forecasts have been revised upwards, mainly reflecting higher international oil prices and a worsening current account deficit which could result in a weaker shilling. Additionally, the moderation of portfolio inflows could also exert pressure on the exchange rate, resulting in higher inflation. Over the next 12 months, core inflation is projected to average in the range of 6.0–6.5 percent and headline inflation 7.5–8.0 percent.

The risks to the inflation outlook remain skewed to the upside. A combination of stronger exchange rate depreciation, elevated global oil prices, and adverse weather conditions could increase the risk of higher domestic consumer prices. Furthermore, a renewed increase in global energy and food prices could push up global inflation, prompting central

banks in advanced economies to maintain restrictive monetary policy stances or tighten further. This could lead to tighter global financial conditions, exert additional depreciation pressure on the Ugandan shilling and amplify exchange rate pass-through to domestic inflation. Higher global inflation could also feed directly into domestic prices through increased import costs.

On the downside, favourable weather conditions could improve agricultural output and food supply, resulting in a faster-than-projected decline in food crop prices and overall inflation. Global oil prices could also ease sooner than anticipated if the conflict in the Middle East is resolved. In addition, the cost pressures and uncertainty associated with the conflict could weigh more heavily than expected on domestic consumption and investment, resulting in weaker aggregate demand. Furthermore, tight monetary and fiscal policies, coupled with a weaker economic outlook, could keep GDP growth below its potential in the near term, further constraining demand-side inflationary pressures.

Economic growth remains resilient, but early indicators point to softening. Growth has slowed to below its estimated potential rate, largely reflecting a deteriorating global environment and the lagged effects of the drought experienced in the first half of the year. The Bank of Uganda's high-frequency indicators estimate that growth moderated to about 5.3 percent in the quarter to September 2026, compared with 6.8 percent reported by UBOS for the quarter ending June 2026. Business and consumer sentiment for the three months to December 2026, though still optimistic, has weakened. This points to some moderation in the growth outlook, amid declining business confidence and less favourable expectations of future economic conditions.

The Bank estimates economic growth for FY2026/27 at 5.5–6.0 percent, down from the previous projection of 6.0–6.5 percent. The downward revision reflects tighter global and domestic financial conditions, the recent exchange rate depreciation, and the adverse effects of heightened geopolitical uncertainty and elevated international energy prices on domestic activity.

Over the medium term, growth is projected to strengthen, averaging around 8 percent over the next five years. This is supported by increased private investment, stronger export performance, anticipated developments in the oil sector, and continued implementation of the Government's Tenfold Growth Strategy.

However, there are risks to this outlook, and they are mainly tilted to the downside. Downside risks include rising global energy and food prices due to geopolitical tensions, persistent global economic policy uncertainty, tight shilling liquidity which could constrain private sector credit, tighter external

financial conditions, adverse El Niño-related weather, delays in oil production, and lingering health-related travel restrictions affecting tourism and related services. Upside risks include favourable weather boosting agricultural output, stronger-than-expected investment in the extractive sector and easing Middle East tensions lowering global oil prices.

The pass-through of higher fuel prices and the depreciation of the shilling to the prices of other goods and services, which was already evident in October, is continuing, with the full effects yet to materialise. Core inflation is now expected to edge slightly above target while economic growth declines, but both effects are projected to fade in the near term. Given the revised inflation and growth outlook, the MPC judged that the current financial conditions are tight enough notwithstanding the continuing uncertainty. The inflation outlook has been revised higher, partly reflecting elevated assumed path for oil prices. Should oil prices decline, inflation momentum could wane much faster than currently projected.

The MPC therefore considered it appropriate to maintain the CBR at 12.0 percent. This decision allows sufficient time for the effects of previous 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 MPC also judged that a widening of the band around the CBR was warranted to support tight shilling liquidity. The band was widened to ±3 from ±2 percentage points. The margins on the CBR for the rediscount and bank rates was set at 4 and 5 percentage points, respectively. Therefore, the rediscount rate and bank rate increased 16.0 percent and 17.0 percent, respectively. The Bank of Uganda remains steadfast in its commitment to maintaining price stability in support of sustainable socioeconomic transformation. The temporary tightening is meant to secure medium-term macroeconomic stability, which is the bedrock of the ten-fold growth strategy. Future monetary policy decisions will continue to be guided by incoming economic data, the evolving inflation outlook, and an assessment of the balance of risks.



Michael Atingi-Ego
Governor
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