Monetary Policy Report

Bank of Uganda
November 2026



Table of Contents

1. Global Developments
2. Balance of Payment
3. Exchange Rate
4. Monetary Policy Implementation and Interest Rates
5. Real Economic Activity
6. Inflation Developments
7. Inflation Outlook
8. Risk Assessment
9. Conclusion

Global Developments

- Global Economy largely resilient so far in 2026, despite spreading Middle East conflict. However, Growth is divergent across Economies. Economies embedded in the AI and technology value chains (such as the U.S., China, and parts of Asia) show resilience, whereas energy-importing nations and conflict-affected regions face sharp downgrades. Uncertainty remains elevated, and downside risks dominate the outlook.
- Annual headline inflation picked up in most Economies in September 2026, driven by the sharp increases in crude oil prices in August and September 2026, and remains persistently above central bank targets. Projections are for high global Inflation in 2026, with slight moderation in 2027, reflecting the impact of a war-induced supply shock that is raising energy prices. Risks to the inflation outlook are tilted to the upside.
- International crude oil prices recorded sharp increases in September and October 2026, pushed up by further disruptions to oil shipments from the Middle East. Commodity Prices are expected to increase significantly by end of 2026, and to moderate in 2027, however risks remain tilted toward renewed upward pressure.
- Global financial conditions remain less restrictive than underlying macroeconomic pressures suggest, supported by strong equity markets and stable exchange rates, though they face mounting strains from geopolitical conflicts, higher energy prices, and elevated sovereign debt.
- The combination of tightening global liquidity, elevated bond yields, and persistent energy shocks creates a challenging environment for frontier economies like Uganda.

- Overall, the BOP registered a surplus of US$1.8bn in the 12 months to Sep'26.
- However, the Current a/c deficit widened to US$4.9bn in the 12 months to Sep'26 from US$3.5bn the previous year
  - ▷ Widening of deficits on goods (16%), services (39%) and primary income accounts (32%)
    - † Higher expenditures on petroleum products & other goods & freight costs amid supply disruptions
    - † Higher interest payments on public debt
- Higher surplus on secondary income account (12%): Resilience of personal transfers
- Stock of reserves as at end of Sep'26 stood at US$6.7bn = 3.7months of import cover & further build up to US$7.0bn as at end of Oct'6 (estimated at 3.9 months of future import cover)

BOP Accounts (US$Mn)	12 months to	
	Sep-25	Sep-26
Current account	**-3,484**	**-4,917**
Goods	-2,545	-2,960
Services	-2,338	-3,261
Primary Income	-1,401	-1,845
Secondary Income	2,800	3,149
Capital account	**184**	**175**
Current & Capital a/c balance	**-3,300**	**-4,741**
Financial account*	**4,910**	**6,796**
FDI*	3,412	3,672
Portfolio investment*	1,294	1,671
Other investment*	184	1,438
Overall balance*	**1,724**	**1,785**
Stock of Reserves	**4,978**	**6,713**
Import cover	3.0	3.7

Sign inverted to show direction of financial flows

- FA surplus expanded to $6.8bn in 12 months to Sep'26 from US$4.9bn the previous year.
  - ▷ FDI inflows rose: US$3.7bn driven by oil sector
  - ▷ Net portfolio inflows rose: US$1.7bn driven by attractive yields
  - ▷ Other investment flows rose through loan liabilities of govt and cross-currency repos

Outlook to the BOP

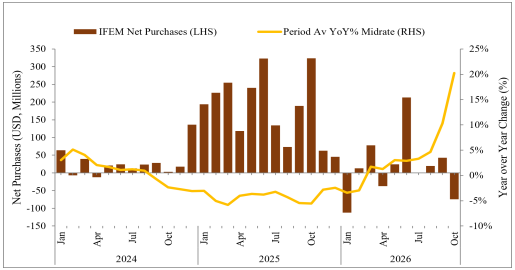
- Over the medium term, the external position is projected to strengthen, with the current account shifting to a surplus in the outer years of the projection horizon.
- FDI inflows are projected to remain robust and to sustain financial account surpluses, although net inflows are expected to moderate over time as oil investors begin cost recovery.
- The anticipated start of domestic refining is expected to reduce petroleum imports in the latter years from FY2029/30.

BOP Accounts	FY26/27		FY27/28		FY28/29		FY29/30		FY30/31	
	$BN	% GDP	$BN	% GDP	$BN	% GDP	$BN	% GDP	$BN	% GDP
Current account	**-3.6**	**-4.6%**	**2.0**	**2.3%**	**3.6**	**3.8%**	**4.5**	**4.4%**	**4.2**	**3.8%**
Trade Balance	-2.0	-2.6%	4.1	4.8%	5.8	6.2%	6.4	6.2%	5.4	4.8%
o/w oil exports			5.8	6.7%	7.3	7.8%	6.8	6.6%	4.6	4.1%
Services	-3.1	-4.0%	-3.5	-4.0%	-3.6	-3.8%	-3.2	-3.1%	-2.6	-2.3%
Primary income	-1.7	-2.2%	-1.8	-2.0%	-1.8	-1.9%	-1.7	-1.7%	-1.6	-1.4%
Secondary income	3.2	4.2%	3.1	3.6%	3.1	3.3%	3.0	3.0%	3.0	2.7%
Capital account	**0.2**	**0.2%**	**0.2**	**0.3%**	**0.2**	**0.2%**	**0.2**	**0.2%**	**0.1**	**0.1%**
Current and Capital Account	**-3.4**	**-4.4%**	**2.2**	**2.5%**	**3.8**	**4.0%**	**4.7**	**4.6%**	**4.4**	**3.9%**
Financial Account*	**3.1**	**4.0%**	**-1.4**	**-1.6%**	**-2.6**	**-2.8%**	**-3.2**	**-3.1%**	**-2.7**	**-2.4%**
FDI*	3.2	4.2%	2.8	3.2%	2.7	2.8%	2.5	2.5%	2.4	2.2%
Portfolio investment*	0.4	0.6%	-0.5	-0.6%	-1.2	-1.3%	-1.7	-1.7%	-1.2	-1.1%
Other investment*	-0.6	-0.8%	-3.7	-4.3%	-4.1	-4.4%	-4.1	-4.0%	-4.0	-3.6%
Overall Balance*	**-0.3**	**-0.4%**	**0.8**	**0.9%**	**1.2**	**1.2%**	**1.5**	**1.5%**	**1.6**	**1.5%**
** Signs inverted to reflect direction of flows*										

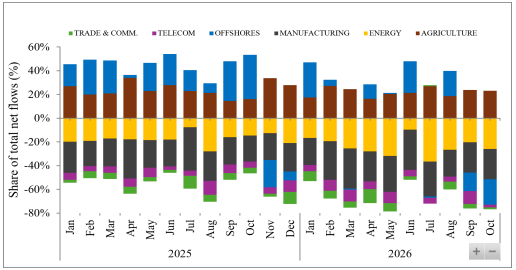
Exchange Rate

- In Oct'26, the Ugx averaged 4170.48 per USD, which was a depreciation: Y-o-Y (20.4%), Q-o-Q (5.3%), & M-o-M(7.8%)
  - Offshore investors turning from net sellers to net buyers of USD in both Sep & Oct-26 as they rebalance their portfolios, likely triggered by rising treasury yields across the globe that have narrowed the yield differential with Uganda
  - Higher corporate dollar demand due to rising import costs for both inputs and freight, affecting mainly energy & manufacturing.
  - Bearish market sentiment from geopolitical tensions, and increased holding of FX deposits.

UGX Exchange Rate Developments



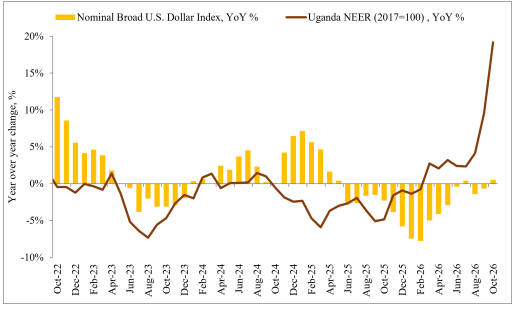
Net Purchases by major sectors



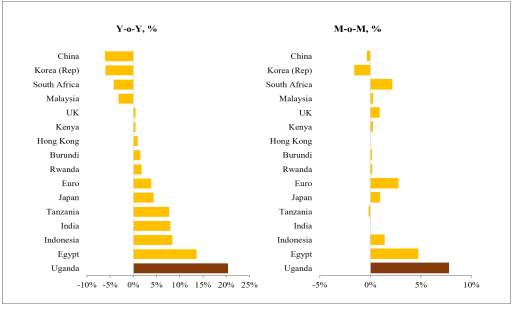
Exchange Rate Developments: ...continued

- The Uganda NEER and REER depreciated on both a year over year and month over month basis
  - The UGX NEER depreciated 19% y-o-y in Oct'26. However, the REER depreciated at 8.2% y-o-y in Sep'26 as Uganda's inflation was lower than that of most trade partners although rising.
  - Most partner currencies depreciated against the USD y-o-y, suggestive of broad-based dollar strength which coincided with the Fed's tightening cycle in Sep-26.

Trade Weighted Indicies, %Δ YoY%



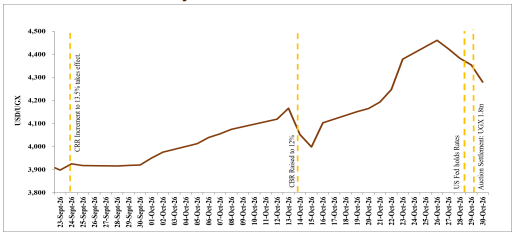
Trade Partner Movements against the USD



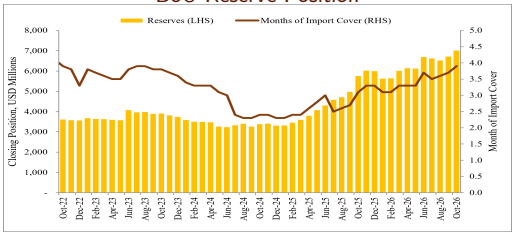
BoU actions to stabilise movements in the Uganda Shilling

- **Tightening monetary policy:** CRR raised to 13.5% to mop up excess liquidity.
- CBR was raised to 12% from 9.75% to mitigate second round effects and anchor inflation expectations. This spills over to treasury yields that has narrowed the yield differential with other economies.
- **FX swap lending:** BoU lent $198 mn to banks in Oct'26, easing dollar liquidity without a permanent drawdown of reserves.
- Fiscal-Monetary policy coordination with gov't accepting higher yields at the securities auction of 28 Oct'26.
- Gov't repayments to BoU on amortized bonds & reimbursement of maturing securities reduced Shilling liquidity.
- BoU reserves remain strong ($7bn at end-Oct'26) to shield the UGX, & are expected to rise on elevated investment yields.

Key Events in Oct'26



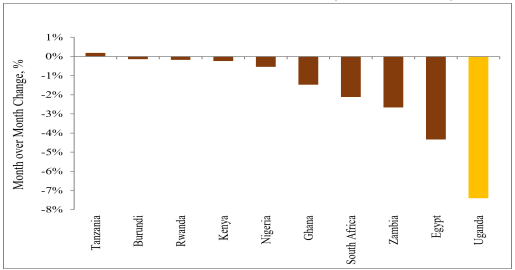
BoU Reserve Position



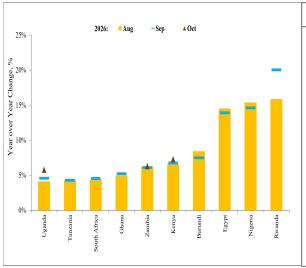
Regional Developments

- Most regional currencies depreciated against the USD due to high dollar demand on account of rising oil prices and tighter global financial conditions, which triggered capital outflows across the region.
- Inflation is rising across the region driven by higher energy and import costs. Uganda's inflation although rising, remains among the lowest in the region, supported by BoU's pre-emptive tightening.
- Uganda, Egypt and South Africa tightened monetary policy in Sep-Oct'26. Nigeria and Zambia eased in the same period which has added to pressure on their currencies.

Regional Currencies: Oct'26 (%Δ M-o-M)



Inflation in major african countries



Country	Petrol price per litre Oct'26 (USD)
Rwanda	1.987
South Africa	1.794
Kenya	1.735
Ghana	1.633
Uganda	1.570
Zambia	1.562
Tanzania	1.534
Burundi	1.334
Nigeria	0.992
Egypt	0.428

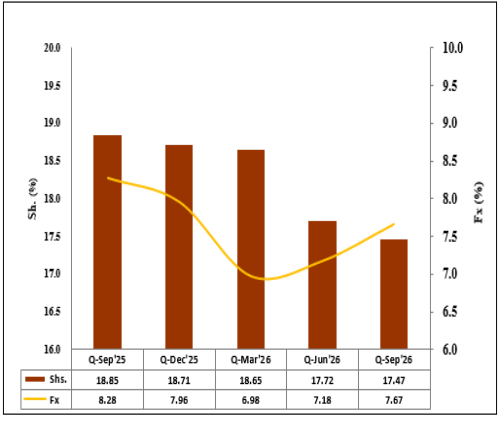
Exchange Rate Depreciation Could Raise Fiscal Costs on External Obligations.

- The exchange rate has weakened from the FY2026/27 budget assumption of Shs 3,796 to about Shs 4,170.48 per US dollar as of Oct '26, representing a depreciation of approximately 9.87 percent.
- Gov't's budgeted FX obligations for external debt service and imports amt to approx US$2.087 bn, comprising US$1.564 bn for cash debt service and US$522.85 mn for Gov't imports.
- Exchange rate depreciation could raise fiscal costs on external obligations.

Monetary Policy Implementation and Interest Rates

- At the Oct 2026 Special MPC, the CBR was raised from 9.75% to 12.0% with a ±2% band. As a result, o/n rate averaged 11.6% in Oct'26 vs 9.8% in the Sep'26: the 7 day averaged 11.9% vs 10.3%. The impact is yet to be fully transmitted into the economy.
  - Q-Qct26 vs Q-Jul26: SLF rose to Shs 7.28 tn vs Shs 1.92 tn, BOU Bills rose to Shs 3.72 tn vs Shs 3.08 tn, SDF rose to Shs 6 tn vs Shs 5.43 tn while REPOs fell to Shs 10.6 tn vs Shs 16.7 tn.
  - Gov't securities' yields in the primary mkt recorded a notable increase across all issued tenors on Oct 28th (latest auction). In Oct-26, yields in the secondary mkt increased as well across all tenors.
- Shs lending rates declined marginally (17.5% vs 17.7%), supported by reduced NPLs (2.2% vs 2.7%). Fx rates edged up slightly, as the currency continued to weaken (7.7% vs 7.2%).

Lending rates.

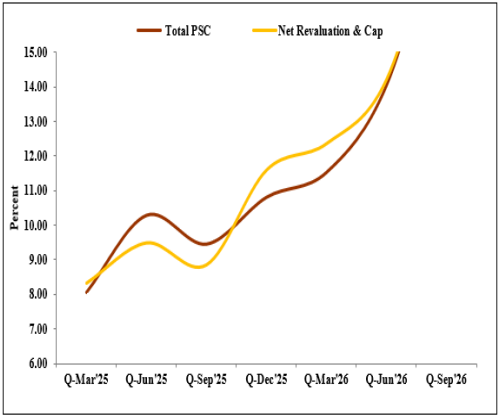


	Q-Sep'25	Q-Dec'25	Q-Mar'26	Q-Jun'26	Q-Sep'26
Shs.	18.85	18.71	18.65	17.72	17.47
Fx	8.28	7.96	6.98	7.18	7.67

Monetary and Financial sector: Private Sector Credit (PSC)

- Average annualised PSC growth strengthened to 19.8% in the 3 mths to Sept-26, up from 14.0% in 3 mtns to Jun-26.
- The acceleration was largely driven by strong FX loan extensions, supported by the lower cost of FX borrowing compared to the Shilling cost of borrowing- average lending rate of 7.7%, compared to 17.5% for shs loans-, which appears to have encouraged borrowers to favour FX credit.
- PSC growth is expected to ease as tighter monetary conditions and higher funding costs constrain credit extension.
- FX credit risk: Oct'26 Currency depreciation could raise repayment burdens on FX borrowers, potentially translating into higher NPLs.

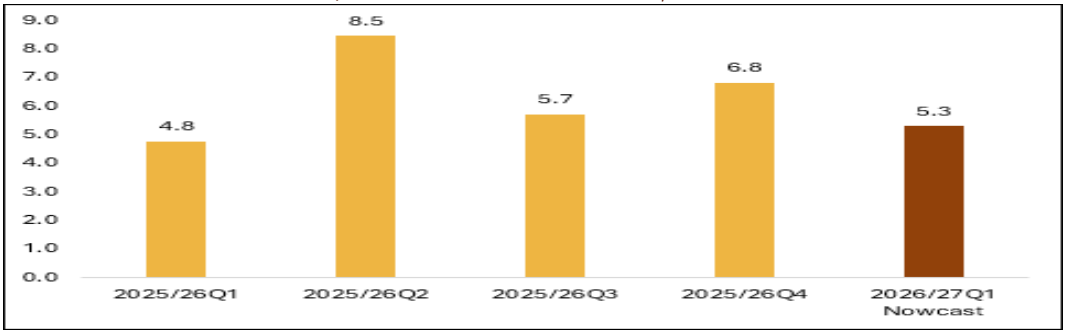
Annualised PSC



Real Economic Activity Expected to Moderate in the Near Term

- Real GDP growth remained strong in FY2025/26, rising from 4.8% in Q1 to 8.5% in Q2 before moderating to 6.8% in Q4, supported by broad-based expansion across major sectors, particularly the Agricultural sector led by agricultural support services, cash crops, and fishing activities.
- The latest nowcasts estimate a slowdown in growth- Q1 FY2026/27 growth at 5.3 percent, reflecting recent global economic headwinds.
- Private Sector Conditions Remained Favourable but Showed Signs of Softening. PMI, BCI and Consumer sentiments were all above the 50 mark though weaker than previous months.

Real GDP Growth Expected to Moderate, with Q1 FY2026/27 Growth Nowcast at 5.3%



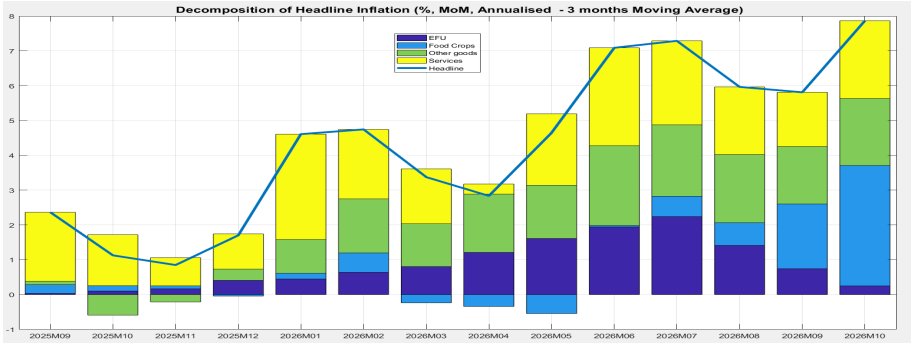
Inflation Developments

The momentum for inflation to rise is picking up reflecting the impact of adverse weather conditions on food prices, the energy shock from the Middle East conflict and partial exchange rate pass through.

- **In Oct-26, headline inflation increased to 5.8% from 4.6% in Sept-26 driven by increase food as well as non food inflation.**
  - Food inflation rose to 7.6% from 4.7% in Sept-26
  - Non food inflation rose to 5.1% from 4.5% in Sept-26
- **56% of the increase in headline came from non core inflation reflecting the energy and weather shocks.**
- **Core inflation increased to 4.4% from 3.7% in Sept-26 driven mainly by services (51%) and other goods inflation (49%)**
  - Services inflation increased to 5.3% from 4.6% reflecting higher transport costs of air and taxi fares.
  - Other goods inflation increased to 3.7% from 3.1% reflecting higher prices of some food items.
- **Non-core inflation increased to 12.7% from 8.8% in Sept-26 driven mainly by food crops inflation.**
  - Food crops inflation rose to 10.7% from 4.5%.
  - EFU inflation rose to 15.4% from 14.5% reflecting higher pump prices.

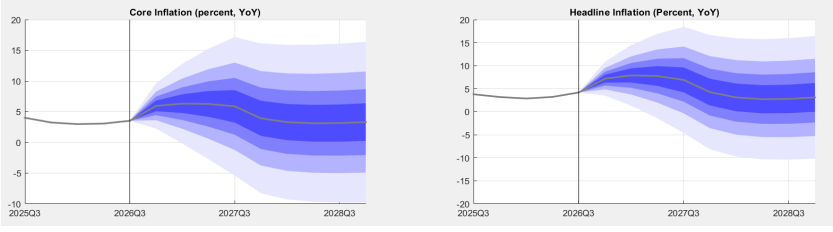
3 Months Moving Average

- Renewed inflationary pressures on account of drought-induced surge in food prices, energy cost pass through to services inflation, and the yet to pass-through exchange rate pressures.



Inflation Outlook-Baseline

- With previous policy actions of raising the CBR by 225 bps, the inflation forecast is higher, mainly reflecting higher international oil prices and a worsening current account deficit which could result in a weaker shilling.
- Core inflation is expected to average between 6.0% and 6.5% in the next 12 months compared to 5.5% and 6.0% in the previous forecast round
- Similarly headline inflation is expected to average between 7.5% and 8.0% in the next 12 months compared to 7.0% and 7.5% in the previous forecast round
- Growth is expected to be in the range of 5.5% - 6.0% in FY2026/27 and average 8.0% in the medium term



Risk Assessment – Economic Growth

Economic growth is expected to be in the range of 5.5% - 6.0% in FY2026/27 and average 8.0% in the medium term.

- **Downside Risks:**
  - Escalation of geopolitical tensions could significantly influence growth and inflation through supply chain disruptions, energy price fluctuations, and changes in consumer expectations.
  - Heightened geopolitical tensions and trade frictions shocks could be transmitted through global markets, disrupt trade and investment flows, and potentially impact domestic economy.
  - Tighter domestic and external financial conditions
  - Adverse weather effects from El Niño.
  - A further delay of oil production.
  - Residual effects of recent health-related travel advisories and restrictions(due to Ebola), which could weigh on tourism and related services activities.
- **Upside Risks:**
  - Favorable weather conditions supporting agricultural output.
  - Stronger investment in the extractive sector could boost economic activity beyond expectations.
  - A de-escalation of the Middle East conflict easing global oil prices and supporting activity.
- **Overall, the balance of risks to the growth outlook is tilted to the downside.**

Risk Assessment-Inflation

Core Inflation is expected to average in the range of 6.0% - 6.5% in the next 12 months.

- **Upside Risks:**
  - A more depreciated exchange rate due to global financial market volatility and a wider current account.
  - Adverse weather conditions that may reduce agricultural output and push up food prices.
  - Escalation of geopolitical tensions could increase inflation further through supply chain disruptions and energy price fluctuations.
- **Downside Risks:**
  - Improved agricultural output due to favourable weather conditions, boosting food supply.
  - Weaker domestic growth driven by lower domestic demand, on account of softer global growth.
- **Overall, inflation risks remain tilted to the upside.**

Conclusion

- The global economic outlook remains highly uncertain, with persistent geopolitical tensions, elevated energy prices, and tight global financial conditions posing significant risks to domestic inflation, exchange rate stability, and economic growth.
- The inflation forecast has worsened, reflecting higher energy prices, a worse current account deficit that could result in a weaker shilling, and the impact of the drought experienced in the first half of 2026. Core inflation is now projected to average between 6.0% and 6.5% in the next twelve months from 5.5%–6.0%.
- Risks to the inflation outlook have intensified to the upside, mainly reflecting heightened depreciation pressures, potential re-escalation of geopolitical tensions, and adverse weather conditions with El Nino rains expected, which could trigger second-round price pressures.
- Economic growth for FY2026/27 has been revised downward to 5.5%–6.0%, from the previous projection of 6.0%–6.5%, reflecting delays in the commencement of oil production, adverse effects of drought, especially in the first half of 2026, elevated global oil prices, and tighter financial conditions. Growth is projected to strengthen over the medium term, averaging around 8.0 percent.
- Downside risks to the growth outlook remain elevated, mainly reflecting re-escalation of geopolitical tensions, which could raise energy and food prices, weaken external demand and tighten global financial conditions.

Conclusion... Continued

- PSC growth is expected to moderate in the near term as tighter monetary market conditions raise banks' funding costs and exchange rate developments dampen demand for foreign currency borrowing.
- Lending rates are expected to edge up in the near term, reflecting tighter financial conditions.
- The fiscal outlook remains consistent with the Government's fiscal consolidation strategy; however, risks of higher fiscal obligations remain.
- The combination of a deteriorating inflation outlook, heightened upside risks to inflation, and weaker near-term growth prospects underscores the increasingly challenging monetary policy environment and the need for a carefully calibrated policy response to preserve price stability while remaining attentive to growth developments.
- Against this backdrop, the MPC maintained the CBR at 12.0% while widening the band around the CBR from ± 2 to ± 3 percentage points. The rediscount rate and bank rate were set to 16.0% and 17.0%, respectively.

THANK YOU

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