BANK OF UGANDA

MONETARY POLICY STATEMENT - *at a glance* October, 2024

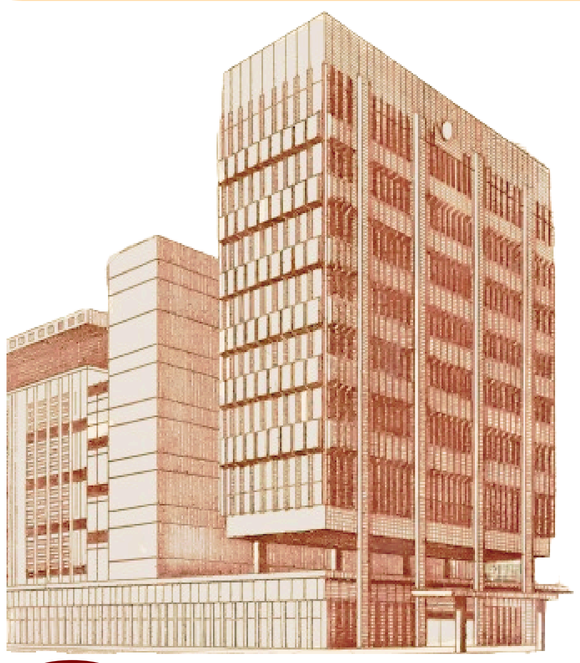
PRIMARY OBJECTIVES

5%

- Maintain Annual Core Inflation (change in the overall price level, excluding prices of items which change rapidly and are beyond the control of policy like food crops, oil prices and administered prices-e.g. water & electricity) as close as possible to 5%.
- BoU communicates its decision on the Central Bank Rate (CBR), a policy interest rate intended to influence short-term interbank lending rates & other interest rates in the economy. Ultimately, changes in the CBR affect the cost of borrowing in the economy.

WHAT DECISION HAS BEEN TAKEN AND WHY?

- Bank of Uganda has reduced the Central Bank Rate (CBR) to 9.75% in October 2024.
- This decision is due to improved prospects on the future path of prices.



9.75%

CBR

KEY DEVELOPMENTS

ANNUAL INFLATION:

- Annual core inflation declined to 3.7% in Sep-2024.

3.7%

EXCHANGE RATE:

- The Ugandan shilling has remained relatively stable against the US dollar partly driven by prudent monetary policy and increased inflows from coffee exports.

ECONOMIC GROWTH:

- Uganda's economy grew faster this year, averaging 6.6% in the 2nd quarter of 2024, compared to 5.6% in the same period last year.

WHAT DOES THE FUTURE HOLD?

INFLATION:

- Inflation is expected to stay below 5% over the next 12 months but return to the target in the next 2 to 3 years.

GROWTH:

- Economic growth for FY2024/25 remains projected between 6.0% and 6.5%, and 7% in the next 2 to 3 years.

Factors that could raise Inflation

- Global trade disruptions,
- Possible energy price hikes,
- Higher than expected increase in demand &
- Extreme weather events that could drive up food prices.

Factors expected to support Growth

- Lower inflation,
- Enabling Government initiatives,
- Increased investment in oil and minerals &
- Supportive monetary policy.

Factors that could lower Inflation

- Lower demand,
- Lower cost of imported goods,
- Bumper harvest which would result in lower food crop prices &
- A stronger Uganda shilling.

Factors that could constrain Growth

- Global supply chain disruptions &
- Tighter financial conditions.