TRANSCRIPT OF THE MONETARY POLICY COMMITTEE PRESS CONFERENCE HELD ON OCTOBER 14, 2026.

Following the special Monetary Policy Committee (MPC) Press Briefing held on October 14, 2026, by the Governor, Dr. Michael Atingi-Ego, the Press sought clarification on several issues.

Below is a transcript of questions from the Press and responses by Dr. Michael Atingi-Ego- Governor and Dr Adam Mugume - the Executive Director of Economic Research.

Question: Could you explain the economic modelling used to arrive at the decision on the Central Bank Rate (CBR), and whether the model is intended for the market?

Dr. Michael Atingi-Ego (Governor): The Bank of Uganda continues to use the same economic model it has used in the past to determine the CBR. The model has delivered price stability and remains geared towards maintaining price stability going forward.

Question: The exchange rate approaching UGX 4,000 to the US dollar is viewed as a psychological barrier that can affect public confidence in the economy. What measures did the Bank of Uganda take as the shilling approached this level, and what other monetary policy tools are available if depreciation continues?

Dr. Michael Atingi-Ego (Governor): Before the shilling reached the UGX 4,000 mark, the Bank had already taken measures, including raising the Cash Reserve Requirement (CRR), in response to developments in the terms of trade, particularly the rise in oil prices to US$100 per barrel.

Additional pressure on the shilling came from moderated inflows from offshore investors, which increased pressure in the foreign exchange market. The measures taken by the Bank, including the latest policy decision, are intended to address these pressures.

The Bank of Uganda does not target a specific exchange rate. Uganda's exchange rate is market-determined, and the Bank's role is to ensure that it moves smoothly. Our interventions are intended to reduce excessive volatility in the exchange rate, whether the shilling is appreciating or depreciating.

Question: Civil society organizations have raised concerns about Uganda's rising public debt and the growing cost of debt servicing, which could limit the Government's ability to finance development and provide essential public services. With the depreciation of the shilling increasing the cost of servicing external debt, is Uganda's public debt still sustainable?

Dr. Michael Atingi-Ego (Governor): Uganda's public debt remains sustainable based on the available debt sustainability indicators.

Debt sustainability analyses consider different scenarios, including exchange rate shocks. If these shocks cause debt indicators to breach established thresholds, that could raise concerns about sustainability.

The Bank has not yet completed the latest analysis reflecting the recent exchange rate depreciation. However, the available indicators as of August 2026 did not suggest that Uganda's debt was unsustainable. The Bank will continue monitoring the debt indicators while taking measures to smooth excessive exchange rate movements.

Question: Critics of the legislation passed this year have argued that restrictions on civil society organisations and uncertainty surrounding the regulatory environment could discourage foreign investors and development partners, reducing dollar inflows and contributing to the shilling's depreciation. Are foreign investors and development partners staying away from Uganda?

Dr. Michael Atingi-Ego (Governor): The depreciation of the shilling is primarily explained by the deterioration in Uganda's current account balance and, more recently, moderated portfolio investment inflows.

The trade deficit widened to US$2.8 billion from US$2.4 billion. The services deficit, which includes transport, insurance and tourism, deteriorated to US$3.3 billion from US$2.2 billion. Tourism was affected by Ebola-related developments.

The primary income deficit, which largely reflects interest payments on the Government's external debt, increased to US$1.7 billion from US$1.4 billion.

In contrast, secondary income increased to US$3.1 billion from US$2.7 billion, supported by higher remittances.

These figures point to a deterioration in the current account balance as a major factor behind the shilling's depreciation. The figures do not indicate that the concerns raised about the legislation were the main cause of the widening current account deficit. More recently, reduced portfolio investment inflows have added to the pressure on the currency.

Question: What are the benefits and costs of the latest monetary policy decision? In practical terms, what does it mean for someone who has a bank loan?

Dr. Michael Atingi-Ego (Governor): Dr. Adam Mugume will explain the economic trade-offs behind the decision.

Dr. Adam Mugume (Executive Director of Research): The Bank observed that core inflation was projected to rise to between 5.5% and 6%. Without intervention, the initial inflationary pressures could spread further through what economists call *second-round effects*, where rising prices in some sectors lead to broader increases in the prices of goods and services.

Tightening monetary policy helps contain these pressures, but it also has costs. Economic growth is projected to moderate to between 6% and 6.5%, representing a reduction of approximately 0.5 percentage points compared with the earlier outlook.

Higher interest rates can increase borrowing costs and reduce private sector credit, affecting investment, consumption and economic growth.

However, tighter monetary policy also reduces demand for imports and other expenditure, which can ease pressure on the exchange rate. Higher yields can also help attract or retain portfolio investment.

The Bank therefore considers the benefits of containing inflation, managing demand and supporting exchange rate stability to outweigh the short-term costs to economic growth.

Dr. Michael Atingi-Ego (Governor): In the short term, the policy decision may result in slower economic growth and higher loan repayments, particularly for borrowers with variable interest rates.

However, the Bank must prevent inflation from becoming entrenched and ensure that people do not begin to expect prices to keep rising indefinitely. It must also prevent excessive exchange rate movements from becoming more difficult to reverse.

The immediate costs of tightening monetary policy must be weighed against the need to preserve economic stability in the medium and long term.

Question: The current shocks are supply-side driven, while liquidity management addresses demand. Could tightening monetary policy under these circumstances create broader economic costs and undermine the feasibility of Uganda's 10X Growth Strategy? What fiscal and monetary coordination measures, such as tax relief or temporary subsidies, are being considered to ease inflationary pressures?

Dr. Michael Atingi-Ego (Governor): Uganda experienced a similar situation in 2022 following Russia's invasion of Ukraine and the resulting rise in global oil and food prices.

The Bank initially monitored the increase in fuel prices and later tightened monetary policy when the effects began spreading across the wider Consumer Price Index (CPI) basket of goods and services.

Although the initial shocks may originate from the supply side, monetary policy must respond when they begin causing sustained, widespread increases in prices. Ignoring these second-round effects could allow inflation to spread throughout the economy.

On fiscal coordination, the Bank is working with the fiscal authorities to ensure that government spending remains within the approved budget. If circumstances require additional measures, closer coordination may be necessary.

However, decisions on taxes, subsidies and other fiscal interventions fall under the mandate of the Ministry of Finance and Parliament. The Bank cannot announce or commit to measures that have not been approved through the appropriate processes.

Question: Economists have identified several pressures on the shilling, including dividend payments, offshore investment outflows and dollar demand from the Uganda National Oil Company (UNOC). Does the latest MPC decision adequately address these pressures?

Dr. Michael Atingi-Ego (Governor): The policy decision is intended to contain aggregate demand, including expenditure that can be postponed.

Exchange rate depreciation can reduce demand for imports, but Uganda must also consider the composition of its imports. Close to 80% of imports are intermediate goods, including raw materials and machinery, which businesses need for production.

When the shilling depreciates, imported inputs become more expensive. Businesses may pass these additional costs on to consumers through higher prices, creating further domestic inflation.

The Bank's measures are therefore intended to moderate the pace of depreciation and reduce its impact on domestic prices so that its felt less than if there was no action taken.

Exchange rate adjustment also has consequences for businesses and consumers. Some consumers may no longer afford certain goods at higher prices, while businesses may face lower sales or reduced profit margins. These are among the adjustments that occur when the economy responds to external shocks.

Question: As an importer of raw materials, I have experienced significant difficulties over the past two/three months as the shilling has depreciated sharply. The increase in the cost of foreign currency has raised my liabilities and reduced my profit margins. Over the past year, the shilling has depreciated by more than 20%, wiping out my profits and affecting future business plans. What measures will the Bank take if depreciation continues? Additionally, reports indicate that more than US$200 million left Uganda in two weeks. How will the Bank address these outflows?

Dr. Michael Atingi-Ego (Governor): The Bank has taken measures to slow the sharp depreciation of the shilling. Its role is to smooth excessive or erratic movements in the exchange rate, whether the currency is appreciating or depreciating.

The latest policy measures are intended to moderate the pace of depreciation and reduce the disruption caused by sudden movements in the exchange rate.

Dr. Adam Mugume (Executive Director of Research): Businesses cannot necessarily maintain the same profit margins when exchange rate movements raise their costs and demand weakens.

Some businesses may have to reduce their margins to keep their products affordable and retain customers. At the same time, tighter monetary policy can make investment in Uganda more attractive by improving returns relative to alternatives abroad, helping to support capital inflows. These adjustments are part of the trade-offs involved in responding to economic shocks.

The measures are intended to address temporary pressures. The objective is to contain demand sufficiently to prevent a temporary supply shock from turning into persistent inflation and destabilising inflation expectations, without undermining Uganda's longer-term growth ambitions.

Question: What is the current level of Uganda's foreign exchange reserves, and what measures is the Bank taking to build them up? What is the current level of offshore investment in Uganda, and how could potential investor exits affect exchange rate stability?

Dr. Michael Atingi-Ego (Governor): Uganda's foreign exchange reserves were estimated at approximately US$6.6 billion to US$6.7 billion.

The Bank is diversifying its sources of reserve accumulation, including through a domestic gold purchase programme. The anticipated start of oil exports is also expected to improve the current account balance and create more room for reserve accumulation.

The Bank has introduced swap transactions with commercial banks to help them meet their dollar requirements. Under these arrangements, commercial banks exchange shillings for dollars from the Bank and repay the dollars when the swaps mature. This allows the Bank to meet foreign currency liquidity needs without permanently losing reserves through outright sales.

The Bank also manages excess liquidity in the financial system. This includes raising the Cash Reserve Requirement by 150 basis points and tightening monetary policy to make access to the Bank's liquidity facilities more expensive.

The Bank last sold dollars directly into the market in the first week of June 2022. Since then, its reserves have risen from approximately US$2.7 billion in the 2022/23 financial year to about US$6.7 billion.

If circumstances require direct foreign exchange sales to address excessive volatility, the Bank can use that instrument. However, it has several other tools to manage exchange rate pressures.

The start of oil exports is expected to support the balance of payments over time, although the benefits will depend on the timing and scale of the inflows.

Question: The Bank has revised its economic growth outlook for the coming financial year. When does the Bank expect Uganda's first oil exports to begin, and how much stability could they bring to the foreign exchange market? Also, how much gold has the Bank accumulated through its domestic gold purchase programme, and what are its expectations for the financial year?

Dr. Michael Atingi-Ego (Governor): The timing of first oil depends on what is being measured.

For those working in the oil fields in Hoima, first oil refers to pumping crude from the wells to the central processing facility. For the Uganda Revenue Authority, it may refer to the start of tax collection.

For the Bank of Uganda, the relevant milestone is when the first dollar from oil exports enters the balance of payments.

Based on the information available to the Bank, transporting the oil for export through the pipeline to Tanga takes approximately three months. On that basis, the first oil-related dollar inflows into the balance of payments is expected around February or March 2027.

Oil production was expected to begin during the 2026/27 financial year. These export receipts are expected to support the current account balance and provide an additional source of foreign exchange.

Regarding the domestic gold purchase programme, the Bank has begun purchasing gold but is yet to launch the programme officially. The Bank will announce the amount of gold purchased when the programme is formally launched.

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