MPC Summary Report

Bank of Uganda

August 2026

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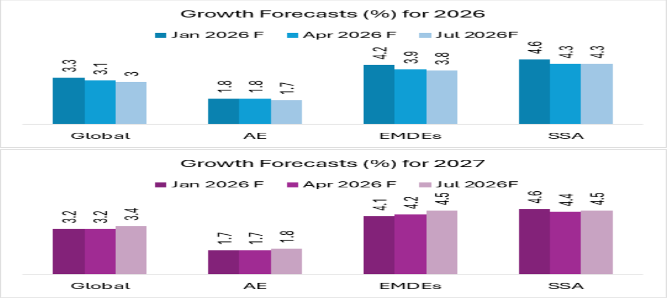
Global Developments and Outlook

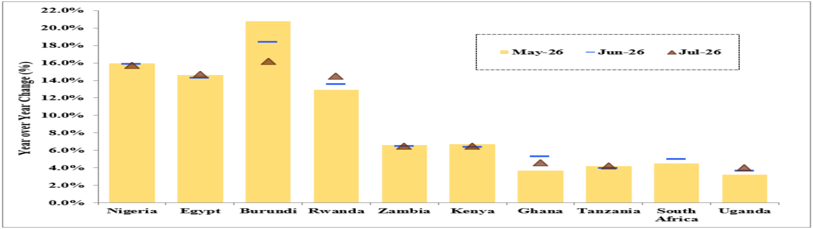
- The global economic outlook in 2026 so far has been characterised by sharp and frequent market swings, persisting inflation concerns and shifting policy expectations. Uncertainty persists regarding the conflicts and their repercussions.
- Nonetheless, global growth forecasts remain broadly unchanged from the April 2026 WEO highlighting the global economy's ability to withstand continued geopolitical risks and uncertainty.



Uganda's Inflation Remains Low Relative to Regional Peers

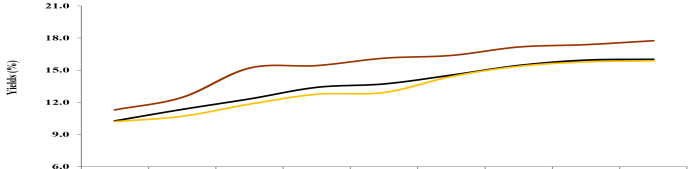
- Inflation remained elevated across several regional economies in May and June 2026, with July data indicating further increases as the effects of recent energy price shocks continue to pass through.
- Despite the recent uptick, inflation in Uganda remains relatively low compared with selected African economies, highlighting continued resilience amid global and regional price pressures.

Fig: Headline inflation in selected African economies (%)



Monetary Policy Stance and Implementation

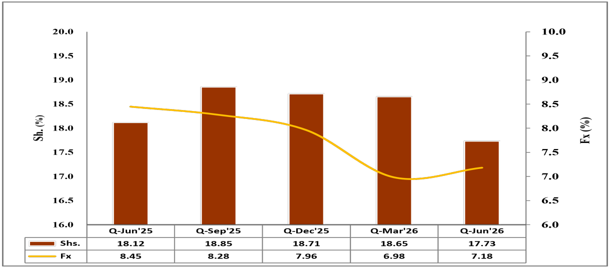
- **Despite significant liquidity injections, monetary policy operations continue to anchor interbank rates within the CBR band.**
- **In part due to improved liquidity and lower government borrowing, yields on Govt securities in both the primary and secondary markets fell in the 3 mths to Jul'26 vs 3 mths to Apr'26.**



	91-day	182-day	364-day	2-year	3-year	5-year	10-year	15-year	20-year
Q-Jul'25	11.3	12.5	15.2	15.4	16.1	16.4	17.2	17.4	17.7
Q-Apr'26	10.3	11.3	12.3	13.4	13.7	14.5	15.5	15.9	16.0
Q-Jul'26	10.2	10.7	11.8	12.7	12.9	14.4	15.4	15.8	15.9

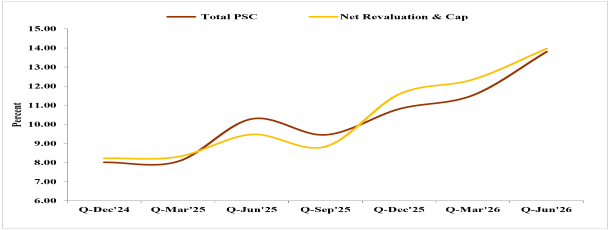
Monetary and financial sector: Commercial bank interest rates

- **Commercial bank domestic weighted average lending rates fell mainly due to lower yields on Govt securities and improved asset quality. Fx rates edged up slightly, as the currency weakened during the quarter.**
  - Avg Shs rate in 3 mths to Jun'26 fell to 17.73% vs prior 18.65%.
  - Notably, the Shs rate fell to 16.9% in Jun from 18.3% in May, marking its lowest level since Apr '25.
  - Average Fx rate edged up slightly to 7.18% vs 6.98% over the same period.
  - NPLs: They continued to improve, falling to 2.67% in Jun'26 (lowest since Dec-11) from 3.0% in Mar'26 reflecting improved credit quality.



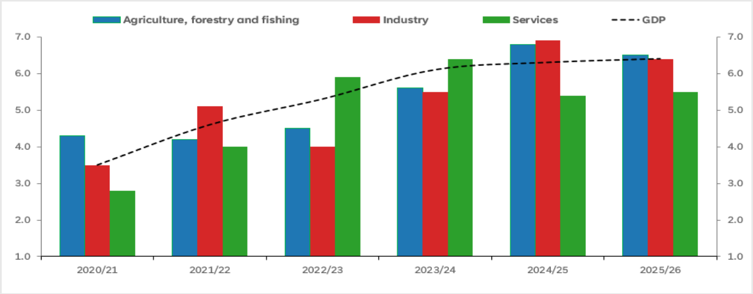
Monetary and financial sector: Private Sector Credit (PSC)

- **Average annualized PSC growth continued to strengthen to 16.1% in Jun’26 and averaged 13.8% in the 3 mths to Jun’26 compared to 11.53% in the 3 mths to Mar’26 supported by lower lending rates and better asset quality.**
  - Excluding valuation changes and capitalized interest, PSC growth rose to 13.96% from 12.35%.



Economic Growth Strengthened Further in FY2025/26

GDP growth is estimated at 6.4% in FY2025/26, mainly driven by agriculture and industry.



Economic Growth, Business and Consumer Sentiments

- **Economic Growth:** Growth is projected to strengthen between 7.0-7.5% in FY2026/27 and rise to an average of 8% over the medium term, although risks remain should oil-related activities and investments advance more slowly than expected.
- **Business and consumer sentiment remained positive, pointing to favourable private sector conditions.**
    - **Business confidence improved** with the BTI ↑ by 0.4 pts m-o-m to 55.7 in Jul 26, reflecting greater optimism about future business conditions, although it remained 2.0 pts ↓ y-o-y.
    - **Consumer confidence** strengthened, with the CCI ↑ by 0.2 pts m-o-m to 58.6 in Jul 26, driven by improved expectations regarding job availability, household financial conditions, and savings prospects. (↓ by 6.4 pts a year earlier).
    - **The PMI** ↓ to 55.5 pts in Jul' 26 (1 pt ↓ the June reading), but remained in an expansion territory, supported by continued customer demand and growth in new orders.

Fiscal Developments and Outlook

- **Government continued to meet its repayment obligations to BoU, reducing both the outstanding amortized bond balance and advances related to government securities operations.**
- **The fiscal deficit/GDP that was earlier projected at 7.0% stands at 5.1% in FY2025/26, largely reflecting under-execution of some development projects.**
  - Although the deficit is expected to widen to 5.7% of GDP in FY2026/27, driven by higher government expenditure in line with the Government's development agenda, it is expected to ease in subsequent years.
- **The fiscal deficit is projected to decline gradually to 3.4% of GDP by FY2030/31, supported by:**
  - Continued fiscal consolidation through expenditure rationalization and stronger domestic revenue mobilization.
  - Implementation of the FY2026/27-FY2029/30 Medium-Term Debt Strategy, reducing reliance on costly domestic and commercial borrowing.
  - Petroleum revenues, with Shs 1.44 trillion budgeted in FY2026/27, expected to strengthen revenue performance and improve fiscal sustainability.
  - Sustained implementation of the Charter for Fiscal Responsibility (FY2026/27-FY2030/31), supporting the medium-term consolidation path.

Exchange Rate Developments

- **In Jul-26, the Ugx depreciated against the USD Y-o-Y (3.2%) and Q-o-Q (1.3%), averaging UGX 3,709.51 per USD.**
  - Driven primarily by bearish market sentiment stemming from renewed hostilities in the U.S.-Iran conflict which was compounded by higher corporate dollar demand from oil, manufacturing, and telecom firms relative to the same period last year.
- **Despite recent depreciation, the Uganda shilling has remained one of the most resilient currencies against the US dollar over the past five years.**
- **However, the shilling appreciated month on month (-0.2%) in Jul'26, supported by continued robust USD inflows from the mining and energy sectors, agricultural proceeds and remittances.**

Balance of Payments Developments and Outlook

- **Overall, the BOP registered a surplus of US$2.4bn in the 12 months to June 2026.**
- **The CA deficit widened by 7% to US$3.6bn in the 12 months to June 2026 from US$3.4bn the previous year, despite improvement in the secondary income account (22%) and the trade balance (16%) .**
  - However, the services deficit worsened (55%), reflecting spikes in freight and insurance costs on general merchandise.
  - The primary income deficit also worsened (6%).
- **Financial account surplus expanded to US$6.4bn in the 12 months to June 2026 from US$4.3bn the previous year.**
  - FDI inflows remained robust at US$3.2bn driven by oil sector.
  - Surge in net portfolio inflows to US$1.7bn driven by attractive yields.
  - Additional funding from budget support and project aid loans of US$1.7bn.
- **Stock of reserves increased by US$2.4 bn to US$6.7bn as at end June 2026, equivalent to 3.7 months of import cover.**

Balance of Payments Developments and Outlook (Cont'd)

BOP Accounts	FY25/26		FY26/27		FY27/28		FY28/29		FY29/30		FY30/31	
	$BN	%GDP	$BN	%GDP	$BN	%GDP	$BN	%GDP	$BN	%GDP	$BN	%GDP
Current account	**-3.6**	**-5.5%**	**-2.5**	**-3.3%**	**1.9**	**2.2%**	**0.2**	**0.2%**	**0.3**	**0.3%**	**2.9**	**2.5%**
Trade Balance	-2.1	-3.2%	0.0	0.0%	6.0	7.0%	3.8	4.0%	3.0	2.9%	4.7	4.1%
Services	-3.2	-4.8%	-3.2	-4.2%	-2.7	-3.2%	-2.9	-3.1%	-2.9	-2.8%	-2.4	-2.1%
Primary income	-1.4	-2.2%	-2.7	-3.5%	-4.5	-5.3%	-3.9	-4.2%	-2.9	-2.8%	-2.5	-2.2%
Secondary income	3.2	4.8%	3.3	4.4%	3.2	3.8%	3.2	3.4%	3.1	3.0%	3.1	2.7%
Capital account	**0.2**	**0.2%**	**0.4**	**0.5%**	**0.2**	**0.3%**	**0.2**	**0.2%**	**0.2**	**0.2%**	**0.1**	**0.1%**
Current and Capital Account	**-3.4**	**-5.2%**	**-2.1**	**-2.8%**	**2.1**	**2.5%**	**0.4**	**0.4%**	**0.5**	**0.5%**	**3.0**	**2.6%**
Financial Account*	**6.2**	**9.4%**	**2.3**	**3.1%**	**-0.9**	**-1.1%**	**0.9**	**0.9%**	**1.2**	**1.2%**	**-0.9**	**-0.8%**
FDI*	3.2	4.9%	3.7	4.9%	3.2	3.8%	2.8	3.0%	2.9	2.8%	3.0	2.7%
Portfolio investment*	1.7	2.6%	0.3	0.4%	-0.4	-0.5%	-0.6	-0.6%	-0.9	-0.9%	-1.1	-1.0%
Other investment*	1.2	1.9%	-1.8	-2.3%	-3.8	-4.4%	-1.3	-1.4%	-0.8	-0.8%	-2.9	-2.5%
Overall Balance*	**2.4**	**3.7%**	**-0.3**	**-0.4%**	**0.7**	**0.8%**	**0.7**	**0.7%**	**1.1**	**1.1%**	**1.4**	**1.2%**

** Signs inverted to reflect direction of flows*

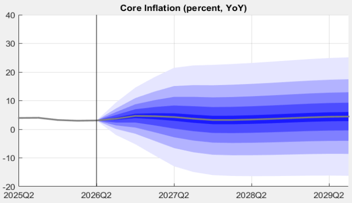
Inflation Developments

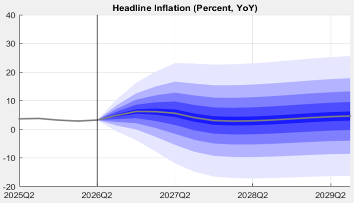
Inflation remained below the target, reflecting well-anchored inflation expectations and prudent monetary policy, despite recent supply shocks.

- **Both headline and core inflation averaged 3.3% over the last 12 months.**
- **In July-26, headline inflation increased to 4.0% from 3.7% in June-26 driven by an increase in EFU and food crops inflation.**
- **Non-core inflation increased to 7.3% from 5.1% in Jul-26.**
- **Core inflation remained unchanged at 3.4%**
  - Services inflation eased to 4.8% from 4.9% reflecting non accelerating impact of oil price shock on transportation fares inflation.
  - Other goods inflation increased to 2.3% from 2.2%.

Inflation Outlook-Baseline

- The inflation forecast has been revised downwards mainly due to lower international oil prices.
- Core inflation is expected to average between 4.0% and 4.5% in the next 12 months.
- Headline inflation is expected to average between 5.5% and 6.0% in the next 12 months.
- Growth is expected to be in the range of 7.0% - 7.5% in FY 2026/27 and average 8.0% in the medium term.





Risk Assessment: Risks are tilted to the downside for economic growth outlook and to the upside for the inflation outlook

Indicator	Upside Risks	Downside Risks
Economic Growth	• Stronger investment in the extractive sector could boost activity. • De-escalation of the Middle East conflict could ease global oil prices and support activity.	• Residual effects of health-related travel advisories and restrictions could weigh on tourism and related services. • Higher energy prices from escalating geopolitical tensions. • Geo-economic fragmentation and continued economic policy uncertainty. • Delay in oil production.
Inflation	• Escalation of Middle East hostilities could curtail oil and fertilizer supply, raising energy and fertilizer prices. • Adverse weather could reduce agricultural output and push up food prices. • Stronger positive output gap.	• Improved agricultural output due to favourable weather could boost food supply. • Weaker domestic growth from lower demand if softer global growth persists.

Conclusion

- Economic growth is projected to remain robust at 7.0–7.5% in FY2026/27, strengthening to around 8.0% over the medium term.
- Downside risks to the growth outlook remain elevated, mainly reflecting re-escalation of geopolitical tensions, particularly in the Middle East, which could raise energy prices, weaken external demand and tighten global financial conditions.
- Core inflation is projected to average between 4.0% and 4.5% over the next 12 months and stabilise around the target in the medium term.
- The global economic outlook in 2026 so far has been characterised by sharp and frequent market swings, persisting inflation concerns and shifting policy expectations.
- Given the heightened global uncertainty to the inflation outlook, the Bank of Uganda maintained the Central Bank Rate (CBR) at 9.75%.