



MONETARY POLICY STATEMENT - at a glance **May, 2026**

MONETARY POLICY OBJECTIVE

- **Maintain average annual core inflation as close as possible to the medium-term target of 5%.** Core inflation is the change in the price of goods and services, excluding prices of items like food crops, oil prices and administered prices-e.g. water & electricity, which change rapidly and are beyond the control of policy actions.



MONETARY POLICY INSTRUMENT

- **To achieve its monetary policy objective, the Bank of Uganda uses the Central Bank Rate (CBR).** Changes in the CBR are intended to influence short-term interbank and other interest rates in the economy, ultimately affecting the cost of borrowing and the return on savings.

WHAT DECISION HAS BEEN TAKEN AND WHY?

- Bank of Uganda has **maintained the Central Bank Rate (CBR) at 9.75%** in May 2026 given prevailing macroeconomic conditions.
- BoU increased the **Cash Reserve Requirement (CRR) to 11%** from 9.5% in March 2026 to reduce excess cash in the banking system.

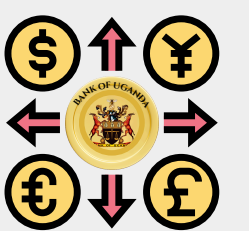


KEY DEVELOPMENTS INFLATION:

Over the past year, inflation remained below the target of 5%, reflecting the continued effectiveness of monetary policy. Core inflation averaged **3.5%** and overall inflation averaged **3.4%**.

EXCHANGE RATE:

The conflict in the Middle East and related global uncertainty contributed to the Uganda shilling weakening by **4.16%** between February and April 2026.



ECONOMIC GROWTH:

Economic activity remained steady, with average growth of **6.7%** during the first 2 quarters of FY2025/26. Growth was driven mainly by stronger performance across agriculture, industry & services sectors.



WHAT DOES THE FUTURE HOLD?

INFLATION:

Core inflation is projected to rise to a range of 5.0% to 5.3% over the next 12 months, reflecting the impact of higher global oil prices.



Factors that could raise Inflation:

- Tighter monetary policy in advanced economies, which could add pressure on the shilling.
- Poor weather conditions affecting agricultural output and food prices.
- A more prolonged or severe conflict in the Middle East, leading to higher and more persistent global oil prices.
- Further depreciation of the Uganda shilling.



Factors that could lower Inflation:

- Favourable weather conditions improving food supply
- Weaker global growth, reducing domestic demand
- Households and businesses cutting back spending amid heightened uncertainty



GROWTH:

The economy is projected to grow in the range of 6.5% and 7.0% in FY2025/26 and average about 8% in the medium term.

Factors that could support Growth:

- Stronger-than-expected investment in the extractive sector
- Faster resolution of geopolitical conflicts
- Increased global oil supply and reopening of key transport routes

Factors that could constrain Growth:

- Persistently high energy prices
- Reduced household disposable incomes and weaker consumption
- Businesses scaling back investment due to higher costs and uncertainty