STATE OF THE ECONOMY REPORT



BANK OF UGANDA

September 2026

TABLE OF CONTENTS

List of Figures **3**
List of Tables **4**
Boxes **4**
ACRONYMS AND ABBREVIATIONS **5**
About the Report **5**
EXECUTIVE SUMMARY **6**
1. EXTERNAL ECONOMIC ENVIRONMENT **11**
1.1 Global economic activity and outlook 11
1.2 Global inflation and outlook 13
1.3 International commodity prices 16
1.4 Global financial markets 20
1.5 Implications for Uganda's Economy 23
2. DOMESTIC DEVELOPMENTS OUTLOOK **25**
2.1 Domestic financial markets 25
2.1.1 Monetary policy and the interbank money market 25
2.1.2 Primary market for treasury securities 26
2.1.3 Secondary market for treasury securities 26
2.1.4 Lending interest rates 27
2.1.5 Private sector credit 28
2.2 Balance of payments and exchange rates 33
2.2.1 Balance of payments 33
2.2.2 Balance of payments outlook 35
2.2.3 Exchange rate developments 36
2.3. Fiscal policy 39
2.3.1 Government expenditure and revenue 39
2.4. Domestic economic activity 41
2.4.1 Economic Growth Developments 41
2.4.2 Economic Growth Outlook 45
2.5 Domestic Inflation and Outlook 46
2.5.1 Domestic Inflation 46
2.5.2 Inflation Outlook 48
3. CONCLUSION **49**

List of Figures

Figure 1: Global growth forecasts remain broadly unchanged from the April 2026 WEO, highlighting the global economy's ability to withstand continued geopolitical risks and uncertainty. Although growth is expected to ease in 2026, a gradual rebound is projected for 2027. 12
Figure 2: Annual Inflation moderated in most economies in July 2026, supported by slower increase in crude oil prices, despite renewed tensions in the Middle East. 14
Figure 3: Global Inflation forecasts for 2026 and 2027 are higher than previous forecasts, with headline inflation expected to increase in 2026 compared to 2025 and moderate slightly in 2027. 15
Figure 4: Commodity prices rose in August 2026, driven by weather related concerns over food production, persistent restrictions to commercial shipping both in the Strait of Hormuz and in the Black Sea, as well as dampened expectations for a US Interest Rate increase. 17
Figure 5: Updated Commodity Price Forecasts (Percent change) are for higher commodity prices in 2026. . 18
Figure 6: Implications of higher than projected international commodity prices on Uganda's economy. 20
Figure 7: Global financial conditions have tightened as central banks raise key policy rates to curb elevated inflation. 21
Figure 8: Interbank Money Market Rates fell but remained within the CBR band in the three months to September 2026 (Quarterly average, percent) 26
Figure 9: Secondary market annualized yields on T-bills and T-bonds declined (Secondary market annualised yields of treasury bills and bonds, quarterly averages). 27
Figure 10: Weighted Shilling Lending Rates Declined while Foreign Currency Lending Rates Edged Up slightly (Percent). 27
Figure 11: Shilling lending rates fell across all sectors except manufacturing compared to the previous quarter, though structural rigidities kept overall rates elevated. 28
Figure 12: PSC growth increased (year-on-year, Percent, Left) as demand and supply of credit remained robust (UGX, billion, Right). 29
Figure 13: Year-on-year growth in private sector credit 3 month average rose across major economic sectors signalling improving economic activity (Percent shares in brackets). 30
Figure 14: The current account deficit widened year-on-year, driven by widening deficits on the merchandise trade, services, and primary income accounts despite improvements in the secondary income account (US$ Million). 33
Figure 15: Financial Account Surplus Expanded, Driven by Strong Inflows of FDI, Portfolio and Other Investments (US$ Million). 34
Figure 16: The Uganda Shilling depreciated year over year, month on month, and quarter on quarter. 37
Figure 17: The Uganda Shilling depreciated in nominal and real terms although remains the most stable against the USD over a 5-year average compared to trade partners. 38
Figure 18: Agriculture and Industry were the major drivers of Annual GDP Growth (Year on Year percentage change) 42
Figure 19: High Frequency Indicators of Economic Activity Point to Sustained Growth in Q1 FY2026/27 (seasonally adjusted, %). 44
Figure 20: Business and Consumer Sentiment Remains Positive. 44
Figure 21: Inflation Remained Low and Stable in the 12 Months to August 2026, despite the recent pickup on account of energy costs and the dry weather that is pushing up food prices (Percent, Year-on-year) 46

Figure 22: Core Inflation Remained contained in the 12 Months to August 2026 with recent dry weather conditions filtering through to prices of processed food commodities (Percent, Year-on-year) 47
Figure 23: Inflation Outlook was Revised Downwards, Reflecting Lower International Oil Prices and Subdued Demand Pressures, While Inflation Expectations Remain Well Anchored. 48

List of Tables

Table 1: Current account deficit to narrow as oil exports commence and import bill declines in the medium term 36
Table 2: Fiscal Operations Were More Expansionary in FY2025/26 (UGX, billions) 39

Boxes

Box 1: Private Sector Credit Growth Has Strengthened Markedly 31
Box 2: Mobile Money and Uganda's Evolving Financial System 32

ACRONYMS AND ABBREVIATIONS

AEs	Advanced Economies
BoU	Bank of Uganda
CBR	Central Bank Rate
CIEA	Composite Index of Economic Activity
CPI	Consumer Price Index
CRR	Cash Reserve Requirement
EFU	Energy, Fuel and Utilities
EMDEs	Emerging Market and Developing Economies
FDI	Foreign Direct Investment
Fed	Federal Reserve
GDP	Gross Domestic Product
IMF	International Monetary Fund
MPC	Monetary Policy Committee
NEER	Nominal Effective Exchange Rate
NPLs	Non-Performing Loans
OPEC	Organization of Petroleum Exporting Countries
OPEC+	OPEC and partners
PSC	Private Sector Credit
REER	Real Effective Exchange Rate
SSA	Sub-Saharan Africa
UGX	Uganda shilling
UK	United Kingdom
US	United States
USA	United States of America
US$	United States Dollar
URA	Uganda Revenue Authority
FY	Financial Year
y-o-y	Year-on-Year

About the Report

This report provides a comprehensive review of recent economic developments, examining key indicators such as growth, inflation, fiscal performance, and external sector dynamics. In addition, it presents the outlook for the economy and highlights the policy measures needed to promote inclusive and sustainable economic transformation.

EXECUTIVE SUMMARY

Sustaining Growth and Stability in a Volatile Global Environment

Uganda's macroeconomic environment remained broadly favourable, supported by resilient economic activity, contained inflation, improving financial conditions and a stronger external position, although the policy environment remains uncertain amid evolving domestic and global risks. Real GDP growth increased to 6.4 percent in FY2025/26 from 6.3 percent in FY2024/25 and is projected at 7.0-7.5 percent in FY2026/27 and average 8 percent in the medium term, supported by stronger investment and the anticipated commencement of oil production. Inflation remained below the 5.0 percent medium-term target, with headline and core inflation averaging 3.4 percent and 3.3 percent, respectively, in the twelve months to August 2026, although risks are tilted upward. Against this backdrop, the Bank of Uganda maintained the CBR at 9.75 percent in August 2026, reflecting a cautious stance amid contained inflation albeit with emerging inflationary pressures and resilient growth. To absorb excess structural liquidity and further bolster the effectiveness of monetary policy transmission, the Cash Reserve Requirement (CRR) was increased from 11 percent to 13.5 percent in September 2026.

Global Developments and Outlook

The global economy has remained resilient despite the intensification of geopolitical tensions and disruptions associated with the Middle East conflict. While global growth is expected to moderate in 2026 before recovering in 2027, persistent geopolitical uncertainty, supply-chain disruptions, trade fragmentation and restrictive immigration policies continue to pose downside risks. At the same time, investment in artificial intelligence and technology, adaptation to energy supply disruptions and increased use of alternative energy sources are supporting global activity and partially offsetting these risks.

Global inflation moderated in July 2026 but remains subject to significant upside risks from higher energy and food prices. International commodity prices increased in August 2026, driven particularly by renewed volatility in crude oil markets, higher food prices and strong demand for gold. Energy prices are expected to remain elevated, while geopolitical developments and supply disruptions continue to pose risks to the commodity price outlook. Global financial conditions tightened in September 2026 as major central banks maintained or increased interest rates to contain persistent inflation, while rising bond yields, stronger equity markets and a strengthening US dollar reflected changing investor expectations and resilient risk appetite.

For Uganda, tighter global conditions could increase capital outflows, exchange rate and inflation pressures, and strain reserves. These developments also present risks through higher fuel and food import costs, weaker external demand and tighter external financing conditions. However, stronger export commodity prices, continued foreign direct investment related to oil development, and the anticipated commencement of oil production provide important buffers to external pressures and could support the balance of payments and medium-term growth.

Domestic Economic Performance and Outlook

Growth

FY2025/26 growth was estimated at 6.4 percent, supported by private sector credit, household consumption, exports, investment and government spending. Business and consumer sentiment remained positive in September 2026, with the PMI and BTI easing to 53.0 and 55.8, respectively, but remaining above the 50-point threshold, signalling continued expansion in private sector activity and favourable business confidence. Growth is projected to range between 7.0-7.5 percent in FY2026/27 and around 8.0 percent over the medium term, supported by investment, exports, oil activity, remittances, FDI, and government programmes such as the Parish Development Model and EMYOOGA. However, several risks persist, such as severe weather, lower foreign demand, rising production costs, domestic tax measures affecting household disposable income, and geopolitical shocks to global supply networks.

Inflation

Inflation has remained subdued and below the Bank of Uganda's medium-term target of 5 percent on account of prudent and coordinated monetary and fiscal policies. Over the twelve months to August 2026, headline and core inflation averaged 3.4 percent and 3.3 percent, respectively, despite food and energy supply shocks. In August, headline inflation increased slightly to 4.1 percent from 4.0 percent, while core inflation rose to 3.5 percent from 3.4 percent. Food crops inflation increased to 2.1 percent due to dry weather and higher prices for potatoes, pineapples and mangoes, while Energy, Fuel and Utilities (EFU) inflation eased to 14.3 percent, despite elevated petrol and kerosene prices. Despite slower services' inflation, core inflation increased on account of higher processed food and non-food prices. Inflation expectations remain well anchored, supporting the current cautious monetary policy stance.

The inflation outlook was revised downward during the August 2026 MPC round relative to the May 2026 forecast, with headline inflation projected to average 5.5-6.0 percent and core inflation at 4.0-4.5 percent over the next twelve months, before gradually converging toward the 5 percent target. However, risks remain tilted upward due to stronger domestic demand, geopolitical tensions, higher global energy prices, and adverse weather. Favourable weather and weaker global growth present downside risks.

Financial and Credit Market Dynamics

Money market conditions eased in the three months to September 2026, reflecting improved liquidity, as interbank and overnight rates declined to 10.13 and 9.59 percent, respectively. Despite increased government securities issuance, yields declined across all tenors, supported by strong investor demand and oversubscribed auctions. Shilling lending rates also fell, alongside broad-based reductions across economic sectors, although foreign currency lending rates edged up. However, lending rates are expected to face upward pressure from tighter liquidity conditions and increased funding costs.

Private sector credit growth strengthened significantly, with annualized growth rising to an average of 17.94 percent in the quarter to August 2026 from 12.64 percent in the three months to May 2026. This reflected improved credit supply and higher approval rates, with lending expanding across business and household sectors. Mobile money-enabled lending continues to support PSC growth by deepening access to credit, particularly through personal and household loans, which constitute the largest component of PSC (Box 2).

Looking ahead, credit growth is expected to moderate as monetary conditions tighten, although domestic economic activity and oil-related investments should support demand. Key risks include increased government borrowing, exchange rate pressures, adverse weather and global uncertainty.

External Sector Dynamics

Uganda's balance of payments surplus increased to US$1.86 billion in the 12 months to August 2026, supported by a stronger financial account surplus of US$7.00 billion, despite a 41.9 percent widening of the current account deficit to US$4.64 billion. Export receipts rose by 42.4 percent to US$16.31 billion, while imports increased by 38.0 percent to US$19.07 billion. Foreign exchange reserves reached US$6.52 billion, covering 3.6 months of future imports. The outlook remains vulnerable to Middle East tensions, higher oil, freight and

insurance costs, weaker exports, and softer remittances and capital inflows amid tighter global financial conditions. However, the current account is expected to improve over the medium to long term, supported by oil exports, stronger regional trade and lower oil imports following completion of the oil refinery. As at the end of September 2026, the Uganda Shilling had depreciated by 10.3 percent year-on-year, 1.0 percent quarter-on-quarter and 3.7 percent month-on-month, to an average of Ugx3,868.9 per US dollar, driven by stronger dollar demand from oil, mining and telecom sectors amid geopolitical tensions and higher import costs. While global financial tightening and Middle East conflict pose further depreciation risks, stronger oil related activity and recovering tourism could provide support, leaving near-term risks balanced.

Fiscal Sector Dynamics

Fiscal operations in FY2025/26 resulted in a narrower fiscal deficit compared to the previous financial year, despite weaker than expected revenue performance. Revenue, including grants, amounted to Ugx 37,088.4 billion, below target by Ugx 2,703.0 billion, resulting in a deficit of Ugx 12,417.4 billion, in FY2025/26, representing an improvement of Ugx 662.3 billion (5.1 percent). However, the deficit remained above the programmed level of Ugx 11,397.6 billion by Ugx 1,019.8 billion. Delays in the implementation of externally financed projects constrained capital expenditure, while the deficit was financed predominantly through domestic borrowing. Looking ahead, the fiscal outlook remains favourable, supported by stronger domestic revenue mobilisation, sustained economic growth, oil and gas production, and expenditure rationalisation. Fiscal policy remains anchored on medium-term consolidation, while supporting growth-enhancing investment under the national development agenda. The fiscal deficit, excluding oil revenues, is projected to widen from 5.1 percent of GDP in FY2025/26 to 6.6 percent in FY2026/27, before declining progressively to 1.5 percent by FY2030/31, supported by stronger revenue mobilization, expenditure rationalization, prudent debt management, and petroleum revenues.

Policy Direction for continued stability and Resilience

Uganda's macroeconomic outlook remains broadly favourable, supported by resilient economic activity, contained inflation, improving financial conditions and a stronger external position. The key policy challenge is to sustain growth without compromising price stability. While inflation remains modest and expectations well anchored, global energy and food price volatility, geopolitical tensions, adverse weather and stronger domestic demand could

generate renewed inflationary pressures. Policy should therefore remain cautious enough to contain persistent price pressures, while avoiding unnecessary constraints on productive investment and economic activity.

Against this backdrop, the BoU's decision to maintain the CBR at 9.75 percent in August 2026, alongside the increase in the CRR from 11.0 percent to 13.5 percent in September 2026, reflects a calibrated monetary policy stance aimed at balancing price stability with continued economic growth. The higher CRR provides an additional measure to absorb excess structural liquidity, strengthening the Bank's capacity to contain emerging inflationary pressures and bolstering the effectiveness of monetary policy transmission. This policy mix also provides room to assess the persistence and domestic transmission of external shocks before making further adjustments. Future policy decisions will remain data dependent, particularly regarding developments in underlying inflation, inflation expectations, domestic demand, liquidity conditions and the broader macroeconomic outlook.

Fiscal policy continues to complement monetary policy by supporting productive investment while maintaining a credible consolidation path. Continued domestic revenue mobilisation and expenditure discipline will continue to support fiscal sustainability, easing domestic financing pressures, preserving monetary policy effectiveness, and creating fiscal space for growth enhancing investment. Improving financial conditions and stronger credit growth are supporting private sector activity, alongside continued monitoring of financial sector risks. In the external sector, adequate buffers continue to provide resilience against exchange rate and external financing risks, while growing oil-related, tourism, and export opportunities are expected to further strengthen the external position.

Overall, the policy priority remains focused on preserving price stability as the foundation for sustainable and broad-based growth. Continued coordination of monetary and fiscal policies will support macroeconomic stability and provide sufficient flexibility to respond to evolving domestic and global risks.

1. EXTERNAL ECONOMIC ENVIRONMENT

1.1 Global economic activity and outlook

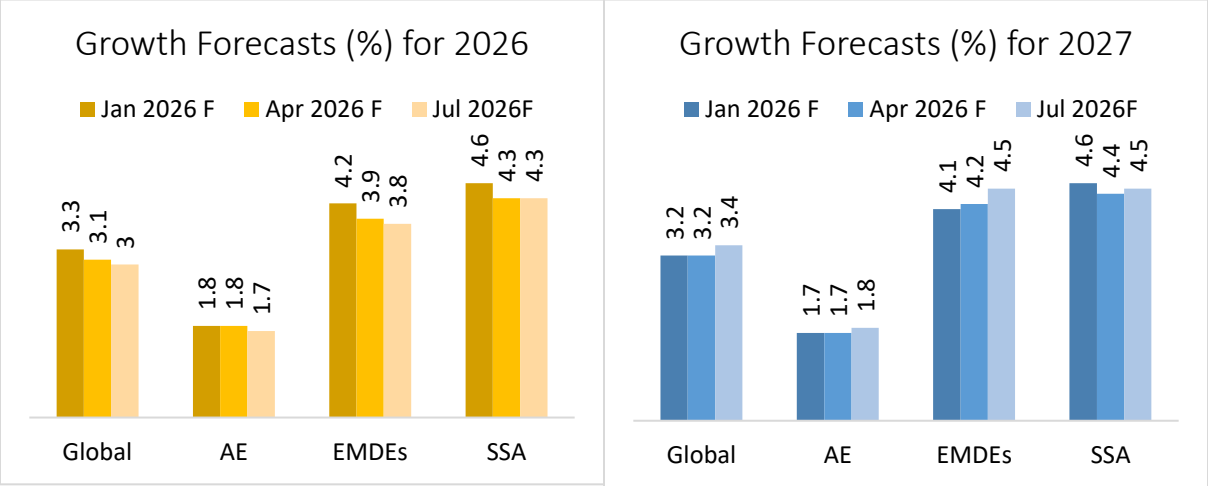
The global economy continues to be impacted by the effects of the Middle East conflict, moderated however, by the advancements in global technology particularly artificial intelligence. The global economy has also demonstrated resilience against persistent shocks, with the projections for 2026 and 2027 released in July and August 2026, remaining broadly unchanged from the forecasts in April 2026, despite the negative shock, with expectations of a gradual rebound in 2027. Nonetheless, continuing geopolitical uncertainty and risk have elevated downside risks to the global economic outlook.

The IMF projects global growth at 3.0 percent in 2026 and to strengthen to 3.4 percent in 2027 relative to 3.5 percent recorded in 2025, (**Figure 1**). The July 2026 projections represent a downward revision by 0.1 percentage points (pp) to 2026 growth, from the April 2026 World Economic Outlook (WEO) projections, while the projection for 2027 reflects an upward revision by 0.2 pp. The impact of the Middle East war on supply chains has had a dampening effect on global growth. On the other hand, advancement and investment in Artificial Intelligence has had an offsetting effect, positively supporting global economic activity so far in 2026 and improving prospects for 2027. Economies' adaptability to the oil supply shock, by devising alternative shipping routes and increasing the share of renewable energy consumption, has supported global resilience, against high crude oil prices and supported economic activity so far in 2026, represented by growth of 3.0 percent in the first quarter of 2026, higher than the 2.7 percent projection in the April 2026 IMF WEO.

Growth in Advanced Economies (AEs) is projected at 1.7 percent in 2026, from the outturn of 1.9 percent in 2025, and at 1.8 percent in 2027, with the forecast for 2026 slightly revised downwards by 0.1pp and the forecast for 2027 revised slightly upwards by 0.1pp, compared to the April 2026 WEO. Growth in AEs is influenced mainly by growth in the Euro Area, United Kingdom and Japan, which are expected to decline to 0.9 percent, 1.0 percent and 0.6 percent in 2026, before recovering to 1.2 percent, 1.3 percent and 0.7 percent in 2027, respectively. Projected slower growth in these economies is attributed to the impact of higher energy prices on their net energy importer status. Support to AE growth is largely on account of the United States (US) economy, projected to grow by 2.3 percent in 2026 and by 2.2 percent in 2027, up

from 2.1 percent in 2025. The US economy is currently showing limited impact from the Middle East war, whose effects are offset by supportive fiscal policy, easier financial conditions and continued AI related business investment.

Figure 1: Global growth forecasts remain broadly unchanged from the April 2026 WEO, highlighting the global economy's ability to withstand continued geopolitical risks and uncertainty. Although growth is expected to ease in 2026, a gradual rebound is projected for 2027.



Source: IMF World Economic Outlook, July 2026

Growth among Emerging Market and Developing Economies (EM&DEs) is projected to slow to 3.8 percent in 2026, from 4.5 percent in 2025, and recover to 4.5 percent in 2027. The forecasts represent a downward revision of 0.1 pp to growth in 2026, and an upward revision of 0.3 pp to 2027 growth, compared to April 2026 WEO projections. There are cross country differences as reflected by the projected deceleration in growth of China to below 5.0 percent in 2026 and 2027, from 5.0 percent in 2025, largely on account of higher global oil prices and prolonged global economic uncertainty, while India growth is projected to remain strong, above 6.0 percent over the same period, driven partly by buoyant private consumption. The forecast for Sub Saharan Africa (SSA) is largely unchanged, with growth for 2026 projected at 4.3 percent, down from 4.5 percent in 2025, and to gradually recover to 4.5 percent in 2027, with cross country differences depending on economies' exposure to external shocks and available policy space to respond to the shocks.

Since the last Monetary Policy setting meeting held in May 2026, disagreements on the ultimate authority (Iran/Oman), and on shipping routes, over the Strait of Hormuz led to the resumption of US attacks on Iran on July 08, 2026, and retaliatory Iranian strikes on US military

assets and infrastructure in the Middle East. Consequently, average crude oil prices, which had dropped to a low of US$69 per barrel by July 02, 2026, picked up again, reaching US$99 per barrel on July 23, 2026, and have remained elevated to date.

Currently, the global economy continues to be undermined by persistent uncertainty around the Middle East conflict. While the forecasts assume conditions broadly returning to the prewar situation by March 2027, the reescalation of the conflict in July 2026 is likely to result in lower than projected growth especially for 2026. Notably, the average crude oil price for 2026 as of August 03, 2026, stood at US$87 per barrel, which remains below the US$100 per barrel assumed under the adverse scenario in the IMF WEO of April 2026, implying that the risk of global growth falling to below 3.0 percent in 2026 remains contained this far.

Overall, risks to the global growth outlook are more balanced than in April 2026 although they remain tilted to the downside. Renewed conflict in the Middle East and the resultant supply chain disruptions, commodity price volatility, and unease in global financial markets, could result in lower than projected growth. Increase in trade fragmentation and restrictive immigration policies could also curtail output growth resulting in lower than projected global economic growth. There are upside opportunities, however, arising from faster than expected normalization in energy markets, continued strong investment in technology and revival of durable cooperation that lowers trade barriers, that could lead to higher than projected global economic growth.

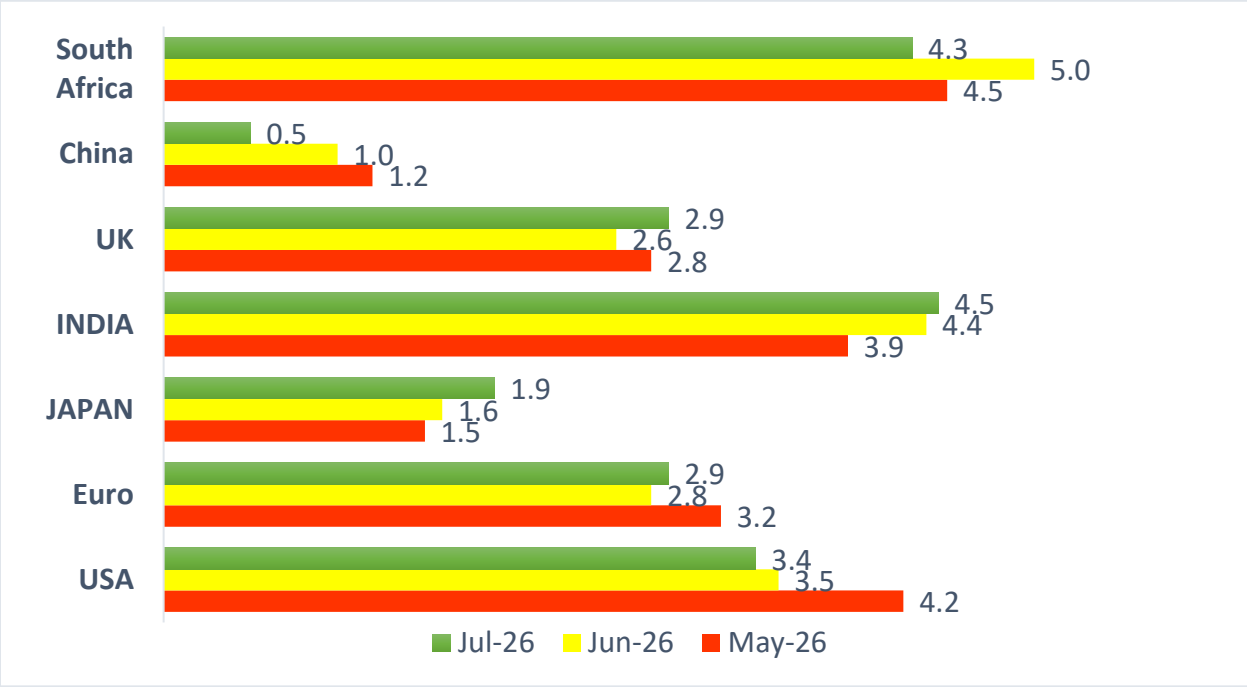
With overall risks tilted to the downside, lower than projected global GDP growth could weaken external demand for Uganda's exports, lowering export receipts leading to a higher trade deficit. This moderation in BOP inflows could in turn result in exchange rate depreciation pressures posing upside risks to inflation. In addition, lower external demand for Uganda's exports could also lead to lower domestic growth. Sustained restrictive immigration policies in AEs could also result in reduced inflows of remittances, and tight foreign exchange supply in the domestic market, with implications for exchange rate stability.

1.2 Global inflation and outlook

Although inflation and inflation expectations rose in the second quarter of 2026, global Inflation moderated in July 2026 (**Figure 2**), with headline inflation remaining stable and even declining in most economies, supported by slower increase in crude oil prices, attributed to

drawdown of crude oil inventories, increase in the consumption of renewable energy, and Middle East suppliers finding alternative shipping routes.

Figure 2: Annual Inflation moderated in most economies in July 2026, supported by slower increase in crude oil prices, despite renewed tensions in the Middle East.



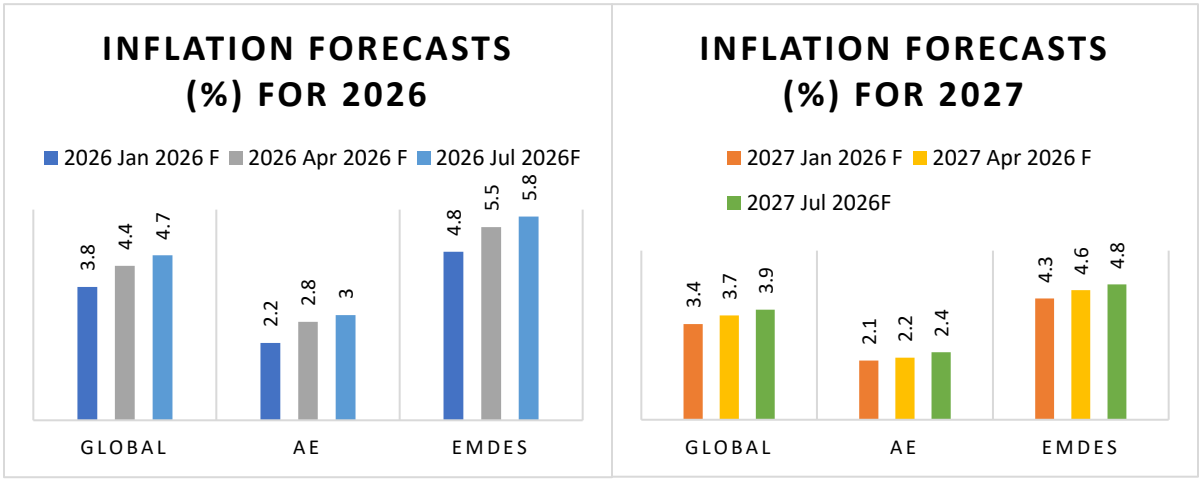
Source: Country Statistics Offices (Websites) September 2026

In July 2026, inflation remained largely unchanged in the US, Euro Zone and India, while it declined in China and South Africa. Moderate inflation in the US, the Euro Zone and China were largely attributed to slower increases in energy prices, while India's stable inflation was on account of alleviating food prices. Inflation rose both in Japan and the UK, driven mainly in the UK, by rising prices of housing and household services. In Japan, inflation remains on an upward trend, however remaining below the Bank of Japan target of 2.0 percent.

With regard to the outlook, global headline inflation is expected to increase to 4.7 percent in 2026, from 4.4 percent in 2025 and to moderate to 3.9 percent in 2027 (**Figure 3**). The forecasts for 2026 and 2027 were revised upwards by 0.3 percentage points and 0.2 percentage points, respectively, compared to the April 2026 WEO, reflecting higher energy and food prices. Higher inflation is projected for both AEs and EM&DEs in 2026, before easing in 2027. The projected inflation rate for the Euro Area is 2.9 percent for 2026 and 2.3 percent

for 2027, and that for Japan is 2.3 percent for 2026 and 2.5 percent for 2027. Inflation in the US is forecast at 3.6 percent for 2026 and 2.4 percent for 2027. Notably, the projected inflation for 2026 and 2027, for these key advanced economies, sits above the European Central Bank (ECB), Bank of Japan (BoJ) and the US Federal Open Market Committee (US FOMC) targets of 2.0 percent, raising the likelihood of monetary policy tightening, which poses a downside risk to global growth.

Figure 3: Global Inflation forecasts for 2026 and 2027 are higher than previous forecasts, with headline inflation expected to increase in 2026 compared to 2025 and moderate slightly in 2027.



Source: IMF World Economic Outlook, July 2026

Risks to the inflation outlook remain tilted to the upside and are largely dependent on developments in the Middle East and on the direction of commodity prices. The continued closure or introduction of permanent maritime restrictions on transit through the Strait of Hormuz could delay restoration of supply chains and increase commodity price and inflation pressures. In addition, the drawdown on inventories, could push them to critically low levels should supply disruptions persist, leading to higher prices for a longer period. Further, food insecurity could worsen substantially if disruptions to fertilizer and energy trade continue and transmit to higher food prices and inflation pressures. On the downside, however, faster and permanent resolution of US-Iran-Middle East conflict, could support earlier than expected restoration of commodity flows and support lower inflation.

In terms of implications for Uganda, higher global inflation poses an upward risk to domestic inflation, and in the event that key policy rates are increased in response to higher inflation

expectations, portfolio capital outflows could increase and destabilize the exchange rate, posing an upside risk to domestic inflation and a downside risk to domestic growth.

1.3 International commodity prices

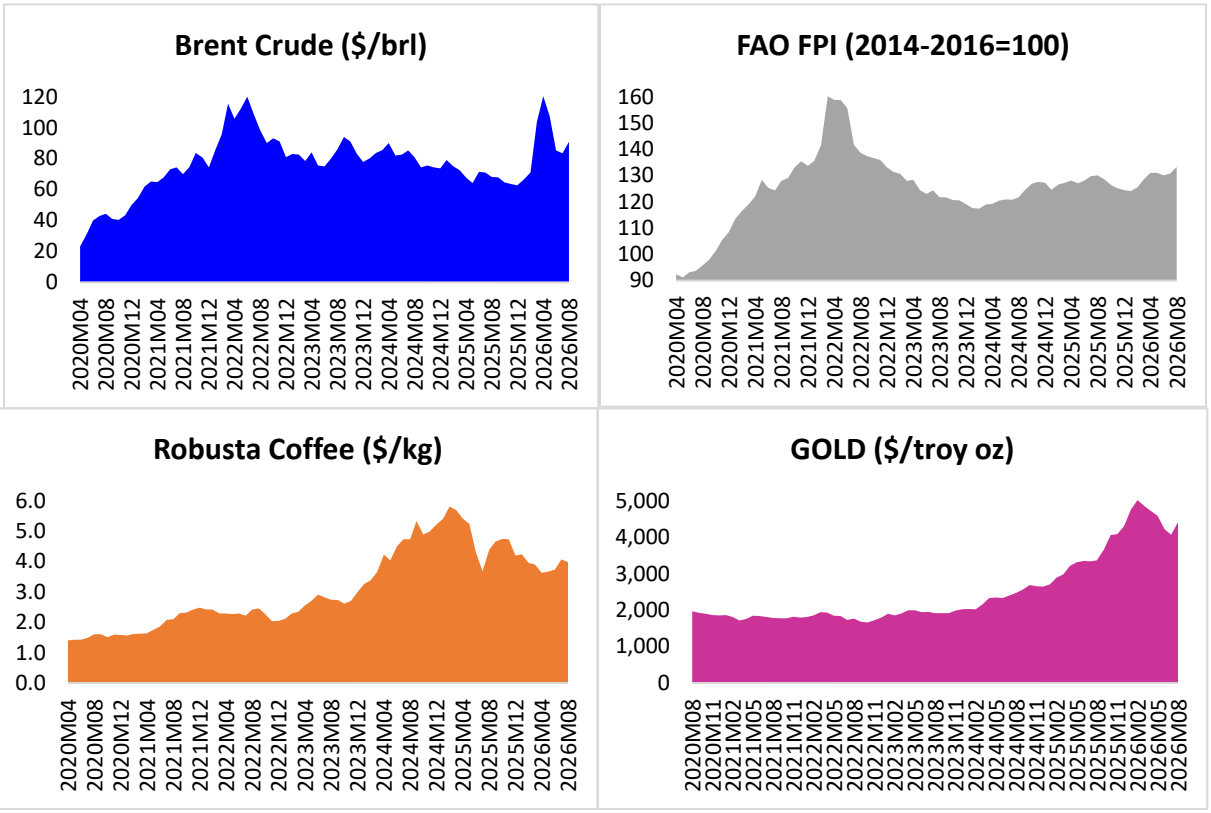
Commodity prices rose in August 2026 (**Figure 4**), marked by volatility in crude oil markets, rally in the prices of gold, and increase in food prices, reflecting persistent restrictions to commercial shipping both in the Strait of Hormuz and in the Black Sea, and weather-related concerns over food production.

International crude oil prices were both volatile and higher in August 2026 compared to their July 2026 levels. The average Brent crude price in August 2026 stood at US$90.9 per barrel, about 28 percent higher than in February 2026 before the war in the Middle East started, disrupting energy supplies, and 9.0 percent higher compared to July 2026. The higher international oil prices reflect rising geopolitical risk premium and projected structural supply deficit owing to damaged oil infrastructure coupled with depleting oil inventories and transit disruptions extending to alternative maritime routes.

Fertilizer prices which surged sharply in March 2026 following the disruption to supplies from Qatar, Saudi Arabia and the UAE, have declined gradually since May 2026, with the prices of urea declining by 55 percent, on monthly basis, in August 2026, compared to their levels of April 2026. In August 2026, prices of urea were lower than their pre-war levels of about US$ 400 per metric ton, relaxing earlier concerns of higher fertilizer prices transmitting to high food prices and destabilizing food security.

Global food prices, measured by the FAO food price index rose by 1.9 percent on monthly basis and by 2.5 percent on annual basis, in August 2026, driven by higher prices for all commodity groups, with the most significant increases recorded for sugar, dairy products and cereals. The increase in sugar prices in August 2026 was mainly driven by weather related concerns expected to reduce production in the European Union and key producing regions of Asia, while the increase in the prices of dairy products was on account of weather-related tightening supplies of milk in the European Union coupled with sustained import demand. Prices of cereals also rose in August 2026, largely driven by robust demand, weather related concerns over crop prospects in key producing regions, and continued disruptions to exports through the Black Sea.

Figure 4: Commodity prices rose in August 2026, driven by weather related concerns over food production, persistent restrictions to commercial shipping both in the Strait of Hormuz and in the Black Sea, as well as dampened expectations for a US Interest Rate increase.



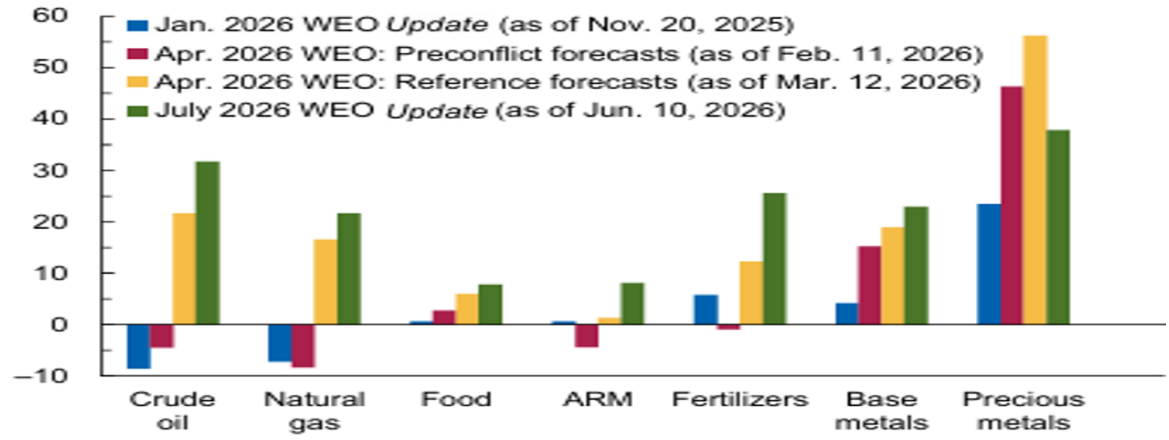
Source: World Bank Commodity Prices

Following five months of decline, gold prices rallied in August 2026, rising by 8.3 percent month-on-month, to US$4,411 per ounce, and remain high compared to their 2025 levels, reflecting continued central bank gold demand as a reserves' diversification option and well as the persistent uncertainty about the trajectory of global economy.

While Arabica coffee prices rose by 0.8 percent, month-on-month in August 2026, supported by low inventories and weather-related concerns, robusta coffee prices declined by 2.2 percent over the same period, mainly due to expectations of large supplies from Vietnam. However, on annual basis, prices of both arabica and robusta coffee declined in August 2026, compared to the same period a year ago.

The outlook is for higher commodity prices in 2026, with relative recovery in 2027 (**Figure 5**) and upside risks remain dominant. Energy prices are expected to remain higher than they were before the war. The forecasts for 2026 and 2027 are higher by 9.0 percent and 4.0 percent respectively, compared to the April 2026 WEO reference forecast, and correspond to an increase of 32.0 percent in 2026, from the 2025 average level of US$77 per barrel, and to a decline of 11.8 percent in 2027. Fertilizer prices are projected to rise by 26.0 percent in 2026 compared to 2025, and reflecting higher energy and fertilizer costs, food prices are expected to increase by 8.0 percent in 2026 compared to 2025. However, projections are for a slower increase in prices of precious metals, which include gold, of 37.8 percent in 2026, slower than the increase of 56.2 percent recorded in 2025.

Figure 5: Updated Commodity Price Forecasts (Percent change) are for higher commodity prices in 2026.



Source: IMF staff calculations.
Note: Bars show 2026 growth rates over previous years for different commodities at different points in time. ARM = agricultural raw materials; WEO = *World Economic Outlook*.

Source: IMF World Economic Outlook, July 2026

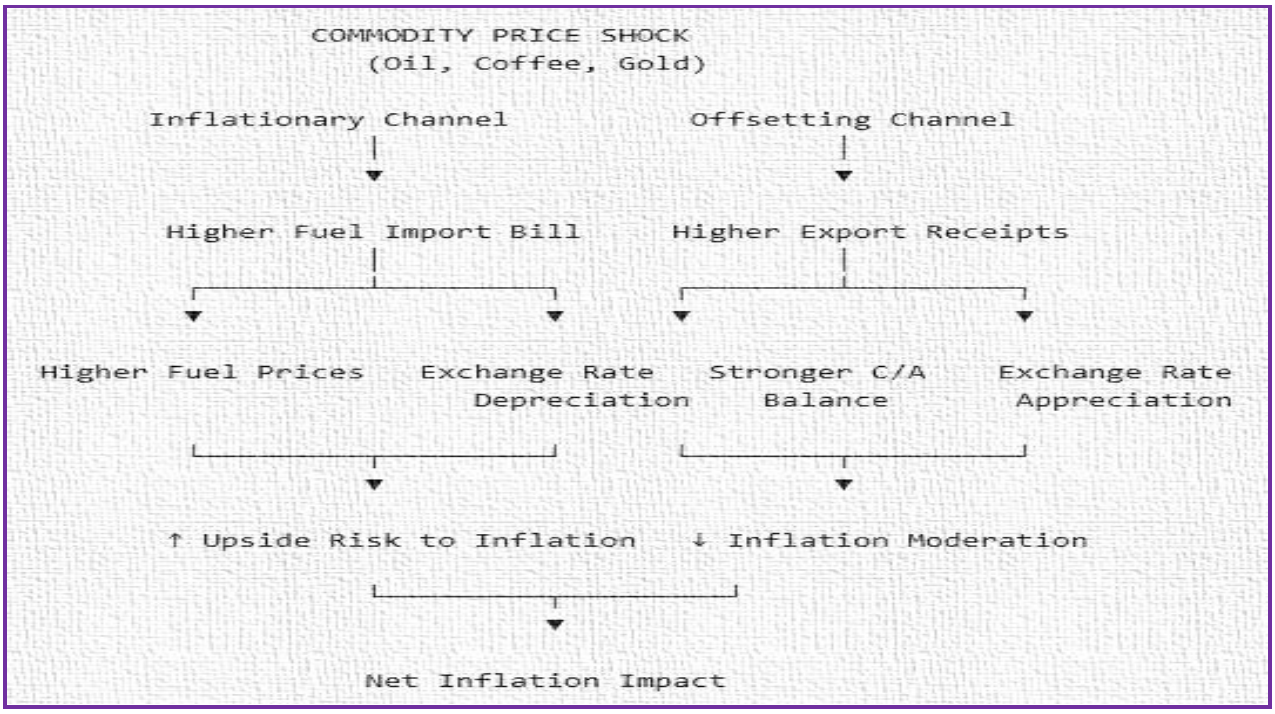
Regarding the risks to the commodity price outlook, the Strait of Hormuz remains largely non-operational as Iran and Oman continue negotiations on the management of shipping through the waterway, which lies between the two countries. A key issue under discussion is the level of fees to be levied on vessels using the route, which could imply a permanent increase in the cost structure of shipments through this strategically important waterway. In addition, alternative shipping routes, including the Red Sea, came under heavy rebel and drone attacks in the second week of September 2026. The heightened security risks prompted Saudi Arabia

to shut down a major pipeline that had been supporting crude oil supplies, leading to brent crude oil prices surging above US$100 per barrel in early to mid-September 2026. These developments pose an upside risk to global crude oil prices and, consequently, to the current inflation and price projections.

Overall, risks continue to dominate on the upside arising from re-escalation of geopolitical conflict, increasing attacks of vessels on alternative shipping routes, current drawdown on crude oil inventories which could lead to critically low stock levels should supply disruptions persist, and a worsening of food security if disruptions in fertilizer and energy markets intensify. On the other hand, soft global demand could moderate the impact of oil supply constraints on oil prices. In addition, pickup in the use of alternative energy sources such as coal and biofuels could moderate crude oil demand, while increase in Russian crude oil production, could support oil supply.

In terms of implications for Uganda, the projected higher commodity prices have a two-way effect (**Figure 6**). On the one hand, higher international crude oil prices could lead to a higher fuel import bill, passing through to higher domestic pump prices, posing an upside risk to domestic inflation. The higher fuel import bill could also increase depreciation pressures, adding to the upside risks to domestic inflation. Increasing upside risks to inflation could necessitate tighter monetary policy, with a potential to lower domestic economic growth in the medium term. However, with the start of oil production, currently set for this financial year, projected higher crude oil prices could boost Uganda's export earnings. On the other hand, with Uganda being a commodity exporter, the currently projected higher prices of commodities could improve Uganda's export earnings, strengthen the current account and the Uganda Shilling, and offset the upside risks to domestic inflation

Figure 6: Implications of higher than projected international commodity prices on Uganda's economy.



Source: Bank of Uganda

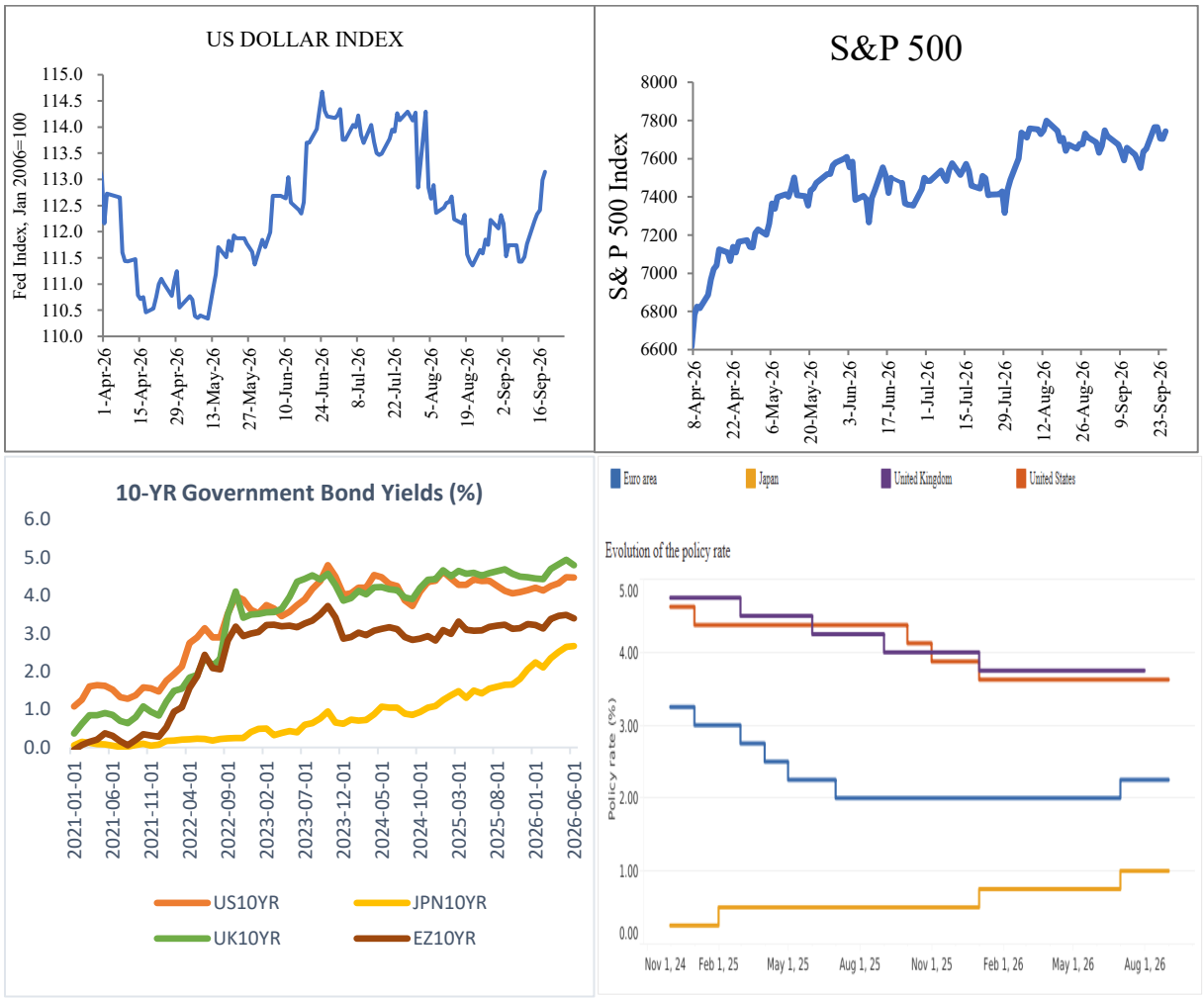
1.4 Global financial markets

In September 2026, global financial conditions tightened compared to May 2026, as major global Central Banks tightened or signalled an upward policy rate direction as inflation remains elevated.

Markets appear to be pricing in higher nominal policy rates in response to the continuing risks to already above target inflation, as reflected by the increase in long term sovereign bond yields to levels not seen before the 2008 financial crisis (**Figure 7**). Rising alongside long-term yields, equity valuations increased in the three months ended September 2026, with the Standard & Poor's 500 Composite Stock Price Index (S&P 500) rising by 8.9 percent over the period, compared to the three months ended May 2026, reflecting resilient risk appetite in global financial markets, despite deterioration in the geopolitical environment.

In the currencies market, the US Dollar continued to strengthen through September 2026, mainly on account of foreign inflows into treasury and equity markets. In September 2026 (**Figure 7**), the USD index strengthened by 0.6 percent against major US trading partner currencies, compared to its level in January 2026.

Figure 7: Global financial conditions have tightened as central banks raise key policy rates to curb elevated inflation.



Source: Reuters, US Federal Reserve of St Louis, BIS Data Portal Central Bank Policy Rates

Major Central Banks raised their policy rates in September and July 2026 (**Figures 7**), as they expect inflation to rise later in 2026, with the passthrough of higher energy prices, the ECB raised its key policy rates by 25 basis points owing to the inflation pressures that continue to be generated by the escalating Middle East conflict. In the US, due to the elevated inflation above target in September 2026, the FOMC at its meeting on September 16, 2026, raised the

target range for the federal funds rate to 3.75-4.0 percent. In the UK, the Bank of England kept the Bank Rate unchanged at 3.75 percent at its meeting held on July 29, 2026, the same rate held since August 2025, however with three out of 9 members voting to increase the Bank Rate by 25 basis points. The Bank of Japan raised its policy rate to 1.25 percent in September 2026, following its reduction of planned purchases of government bonds for the period to April 2027, a move that was contractionary. In the Euro Zone, the European Central Bank (ECB) at its meeting on September 10, 2026, increased its three key interest rates by 25 basis points. The interest rates on the deposit facility, the main refinancing operations and the marginal lending facility increased to 2.5%, 2.65% and 2.90%, respectively. These monetary policy paths pursued by key central banks reflect the continued efforts by authorities to manage rising inflation expectations while continuing to support output growth.

Looking forward, global financial market stability could be supported by continued resilience of investor confidence and risk appetite, and cautious AEs' monetary policies, although the possibility of second round effects of higher energy prices has raised expected policy rate paths through 2026. Owing to the escalating Middle East conflict and its effect on crude oil prices and inflation expectations, policy rates in key Advanced Economies are expected to gradually tighten.

Risks to continued financial market stability remain elevated, arising from re-escalation of geopolitical conflict and its impact on commodity prices and inflation expectations, persistent uncertainty around escalation due to volatility of the news flow between the US and Iran authorities, as well as materialization of second round effects of previous higher energy prices that could trigger central bank monetary policy tightening.

In terms of implications for Uganda, tightening of global financial conditions could trigger elevated capital outflows, increase exchange rate instability, put pressure on reserves and increase upside risks to domestic inflation. However, Foreign Direct Investment (FDI) inflows towards construction of the Uganda's oil pipeline could moderate the overall impact on the financial account of the balance of payments, maintain support to the current account, mute the exchange rate depreciation pressures and offset the impact to domestic inflation.

1.5 Implications for Uganda's Economy

Global developments present a more challenging external environment for Uganda, with implications transmitted mainly through commodity prices, external demand, remittances, exchange rate conditions, and global financial markets. The most significant near-term risks arise from heightened geopolitical tensions and disruptions to global energy markets, which have increased uncertainty around energy supplies and contributed to renewed pressures on energy and food prices. Higher international energy prices pose an adverse risk to Uganda in the near term. As a net importer of petroleum products, an increase in global oil prices would raise the domestic fuel import bill and put upward pressure on fuel prices. This could feed through to transport, production, and the prices of other goods and services, thereby increasing imported inflation. Higher petroleum import costs would also increase demand for foreign exchange and could exert depreciation pressure on the Uganda Shilling, potentially amplifying the inflationary impact. Persistent or broad-based pass through and, second round effects, could require a more cautious monetary policy stance.

Global food and agricultural input market developments also present risks to Uganda. Disruptions to food trade, adverse weather conditions, and higher input costs, including fertiliser prices, could raise domestic agricultural production costs and food prices. Given the importance of food and agriculture to household welfare and domestic economic activity, persistent global food price pressures could have wider implications for domestic inflation and real household incomes. The impact through the trade channel is likely to be mixed. A moderation in global demand or increased trade uncertainty could weaken demand for Uganda's exports and reduce export earnings. However, stronger prices for selected agricultural and other commodities exported by Uganda could provide an offset by supporting export receipts and foreign exchange inflows. The net effect on Uganda's external position will therefore depend on the relative movement of export and import prices. In particular, a sustained increase in energy prices, prior to commencement of commercial oil production and the domestic refinery could worsen Uganda's terms of trade unless accompanied by sufficiently strong gains in export prices.

Developments in global financial markets could also increase external financing risks. Heightened geopolitical uncertainty and renewed inflationary pressures could delay the easing of global monetary policy and keep international financial conditions relatively tight.

For Uganda, this could translate into higher external borrowing costs, weaker portfolio and other capital inflows, and increased refinancing risks. Reduced capital inflows and higher external financing costs could place additional pressure on the exchange rate and constrain access to international financing. Geopolitical developments could also affect Uganda through remittances and other external income flows. Prolonged conflict and tighter labour market conditions in host economies could reduce employment opportunities for Ugandan migrant workers and weaken remittance inflows. A sustained decline in remittances would reduce foreign exchange inflows and household incomes, with adverse implications for the external balance and domestic consumption.

At the same time, the evolving global energy environment presents an important medium-term opportunity for Uganda as the country moves towards oil production and exports. Higher international oil prices would increase the potential value of Uganda's crude oil exports once production commences, strengthening export earnings and foreign exchange inflows. However, this benefit should not be viewed as an immediate offset to higher imported fuel costs, as the gains from oil exports will materialise only as production and exports increase. The net external sector benefit will also depend on production volumes, global oil prices, project related imports, and the extent to which oil revenues are translated into productive domestic investment.

Overall, the August and September 2026 global environment increases Uganda's exposure to external inflation and external financing risks, particularly through higher energy and food costs, exchange rate pressures, weaker external demand, and tighter global financial conditions. At the same time, Uganda's commodity exports and the transition towards oil production provide potential buffers to these shocks. The immediate policy challenge is therefore to contain the pass through of global shocks to domestic inflation and external imbalances while maintaining conditions that support investment, export diversification, and productive capacity, thereby strengthening Uganda's resilience to future global shocks.

Against this backdrop, the Bank of Uganda has continued to effectively manage external shocks through a combination of monetary policy, exchange rate flexibility, and measures aimed at maintaining orderly conditions in the foreign exchange and financial markets. This policy response, together with Uganda's strengthening external buffers and improving

domestic economic fundamentals, has helped mitigate the transmission of global shocks to domestic macroeconomic stability.

2. DOMESTIC DEVELOPMENTS OUTLOOK

2.1 Domestic financial markets

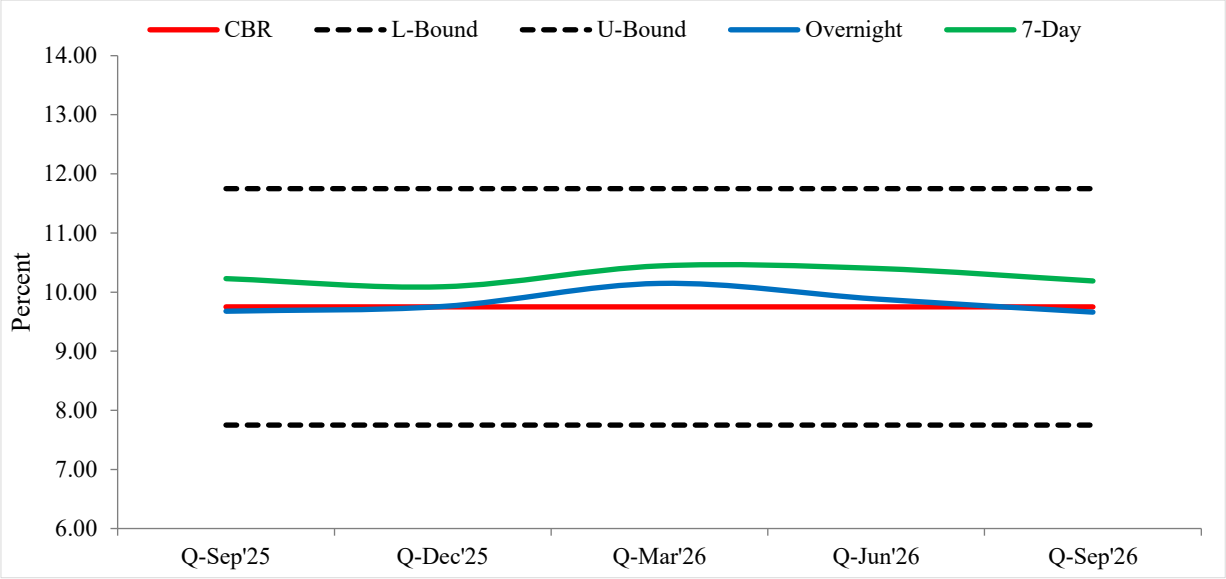
2.1.1 Monetary policy and the interbank money market

The monetary policy stance remains well aligned with the evolving macroeconomic landscape, as the MPC continues to respond to emerging evidence and changing risks. In August 2026, the Monetary Policy Committee (MPC) maintained the Central Bank Rate (CBR) at 9.75 percent, judging that the prevailing stance provides an appropriate balance between preserving price stability and sustaining the economy's growth momentum. In September 2026, in line with its mandate to promote monetary and financial stability, the Bank of Uganda increased the Cash Reserve Requirement (CRR) from 11.0 percent to 13.5 percent to manage excess structural liquidity, with the revised requirement taking effect from the reporting cycle commencing on 24 September 2026. These decisions reflect continued prudence amid an uncertain global environment, characterised by shifting trade dynamics and persistent geopolitical tensions, which could generate renewed pressures on domestic inflation while weighing on external demand and overall growth prospects.

Money market rates fell but remained within the CBR band in the three months to September 2026 compared to three months to June 2026 as shown in **Figure 8**, reflecting improved liquidity conditions. The 7-day interbank weighted average rate and overnight rate declined to 10.13 percent and 9.59 percent in the three months to September 2026, respectively relative to 10.40 percent and 9.93 percent in the three months to June 2026. Reflective of improved liquidity, utilization of the Standing Lending Facility fell to Ugx 3.52 trillion (33 transactions) in the three months to September 2026 relative to Ugx 5.73 trillion (76 transactions) observed in the three months to June 2026. In the three months to September 2026, the volume of issued repurchase agreements for liquidity mop up rose to Ugx 17.21 trillion from Ugx 10.76 trillion in the three months to June 2026. In addition, to mop up excess liquidity, Bank of Uganda issued BOU Bills worth Ugx 5.31 trillion in the three months to September 2026 compared to Ugx 1.58 trillion in the three months to June 2026. Utilisation of the Standing Deposit facility rose to Ugx

6.60 trillion (153 transactions) in the three months to September 2026 from Ugx 5.03 trillion (104 transactions) observed in the three months to June 2026.

Figure 8: Interbank Money Market Rates fell but remained within the CBR band in the three months to September 2026 (Quarterly average, percent).



Source: *Bank of Uganda*

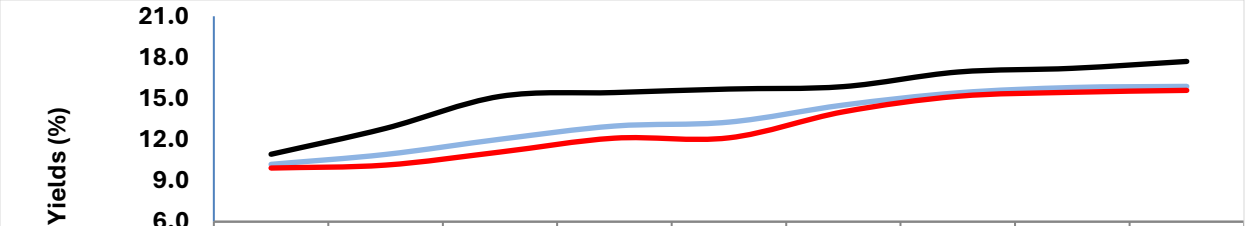
2.1.2 Primary market for treasury securities

On average, primary market yields declined across all the tenors in the three months to September 2026 relative to the three months to June 2026, despite a 59.9 percent rise in primary market issuances over the period to Ugx 9.0 trillion from Ugx 5.6 trillion. The increase in issuance reflected the government's domestic financing requirements. However, demand for government securities remained robust, with all auctions oversubscribed over the period. As a result, the additional supply was absorbed without exerting upward pressure on yields, which declined across the curve.

2.1.3 Secondary market for treasury securities

In the three months to September 2026, the secondary market yield curve shifted downward across all maturities, indicating an easing in market yields and improved financing conditions (**Figure 9**).

Figure 9: Secondary market annualized yields on T-bills and T-bonds declined (Secondary market annualised yields of treasury bills and bonds, quarterly averages).



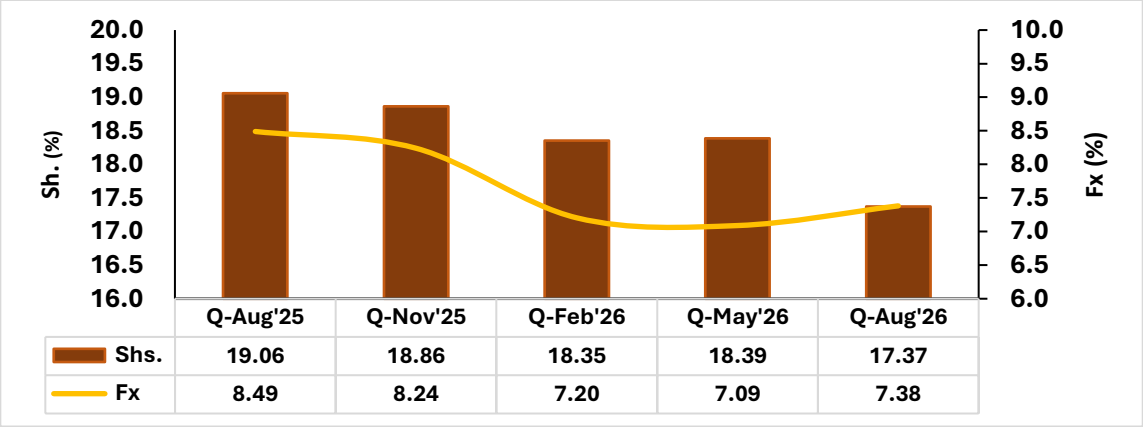
	91-day	182-day	364-day	2-year	3-year	5-year	10-year	15-year	20-year
Q-Sep'25	10.9	12.8	15.1	15.4	15.7	15.9	16.9	17.2	17.7
Q-Jun'26	10.2	10.9	12.0	13.0	13.3	14.5	15.4	15.8	15.9
Q-Sep'26	9.9	10.1	11.1	12.1	12.1	14.0	15.2	15.4	15.6

Source: *Bank of Uganda*

2.1.4 Lending interest rates

The weighted average shilling lending rate declined to 17.4 percent in the three months to August 2026 from 18.4 percent in the three months to May 2026, while the average one year shilling prime lending rate remained stable at 20.5 percent. Together, these developments suggest that monetary conditions remained relatively accommodative. The weighted average lending rate on foreign currency denominated loans increased marginally to 7.4 percent from 7.1 percent over the same period (**Figure 10**).

Figure 10: Weighted Shilling Lending Rates Declined while Foreign Currency Lending Rates Edged Up slightly (Percent).

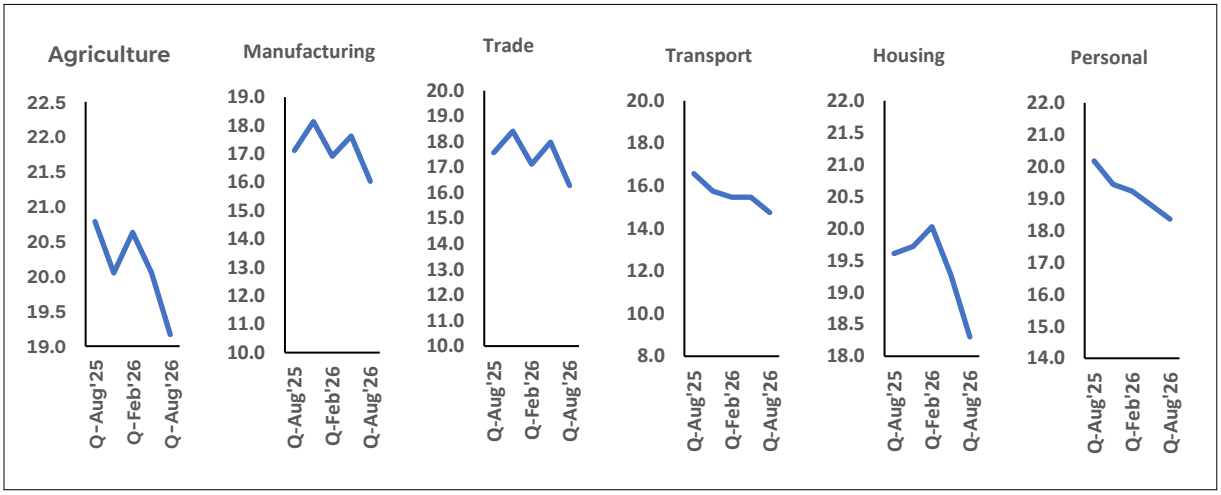


	Q-Aug'25	Q-Nov'25	Q-Feb'26	Q-May'26	Q-Aug'26
Shs.	19.06	18.86	18.35	18.39	17.37
Fx	8.49	8.24	7.20	7.09	7.38

Source: *Bank of Uganda*

The decline in lending rates across all major sectors indicates that the reduction in borrowing costs was broad based. In the three months to August 2026, sectoral shilling lending rates declined across all sectors compared to the three months to May 2026 (**Figure 11**). Lending rates declined to 19.2 percent for Agriculture, 16.3 percent for Trade, 14.8 percent for Transport and Communication, 18.3 percent for Housing, 16.0 percent for Mining and Quarrying, 16.0 percent for Manufacturing and 18.4 percent for Personal loans.

Figure 11: Shilling lending rates fell across all sectors except manufacturing compared to the previous quarter, though structural rigidities kept overall rates elevated.



Source: *Bank of Uganda*

Lending rates are expected to edge up in the near term, reflecting the increase in the Cash Reserve Requirement and the exchange rate depreciation, which are likely to raise banks' cost of funds and exert upward pressure on lending rates. The extent of the pass through will depend on developments in funding costs, credit demand, and broader financial conditions. Stronger than expected domestic government borrowing, exchange rate depreciation, and heightened geopolitical uncertainty could place additional upward pressure on lending rates, while improvements in asset quality and weaker credit demand could moderate the increase.

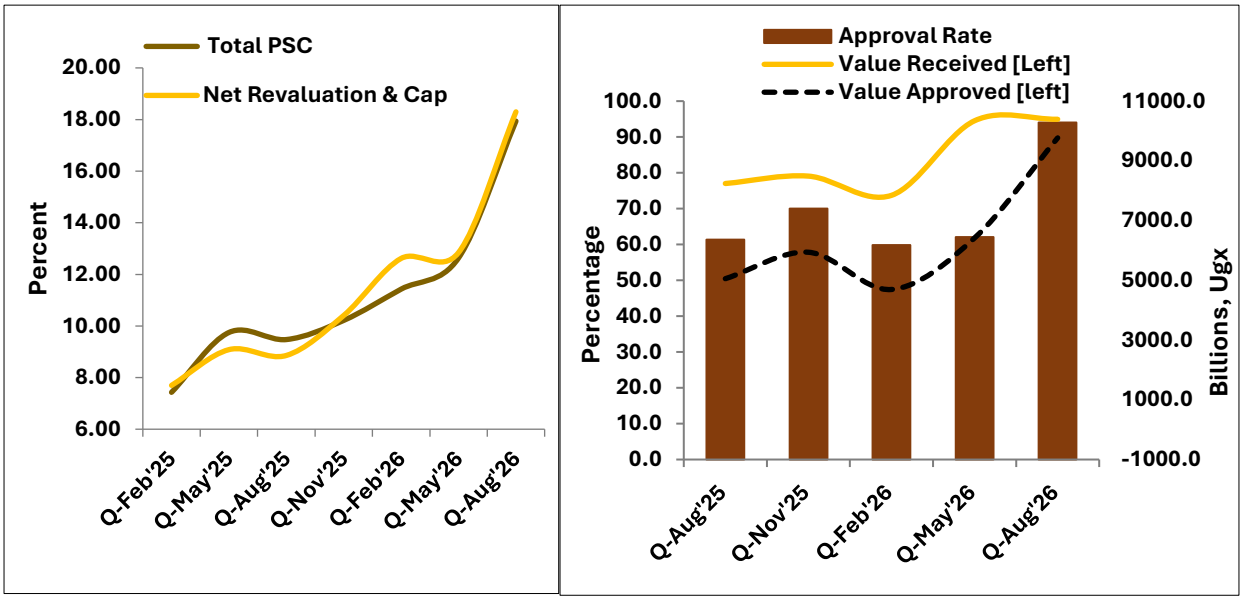
2.1.5 Private sector credit

Private sector credit (PSC) growth strengthened in the three months to August 2026 compared to the three months to May 2026. Annualised PSC growth increased to 17.94 percent from 12.64 percent, while growth excluding net revaluation and capitalised interest rose to 18.30

percent from 12.85 percent (**Figure 12, Left**). Growth strengthened in both shilling denominated and foreign currency credit, suggesting that the acceleration reflected stronger underlying lending activity rather than exchange rate valuation effects alone.

The strengthening in credit growth was primarily driven by improved credit supply conditions. While credit demand remained broadly unchanged at Ugx 10.39 trillion, credit supply increased substantially from Ugx 6.42 trillion to Ugx 9.77 trillion in the three months to August. Consequently, the credit approval rate increased to 94.0 percent in the three months to August 2026 from 62.1 percent in the three months to May 2026 (**Figure 12, Right**).

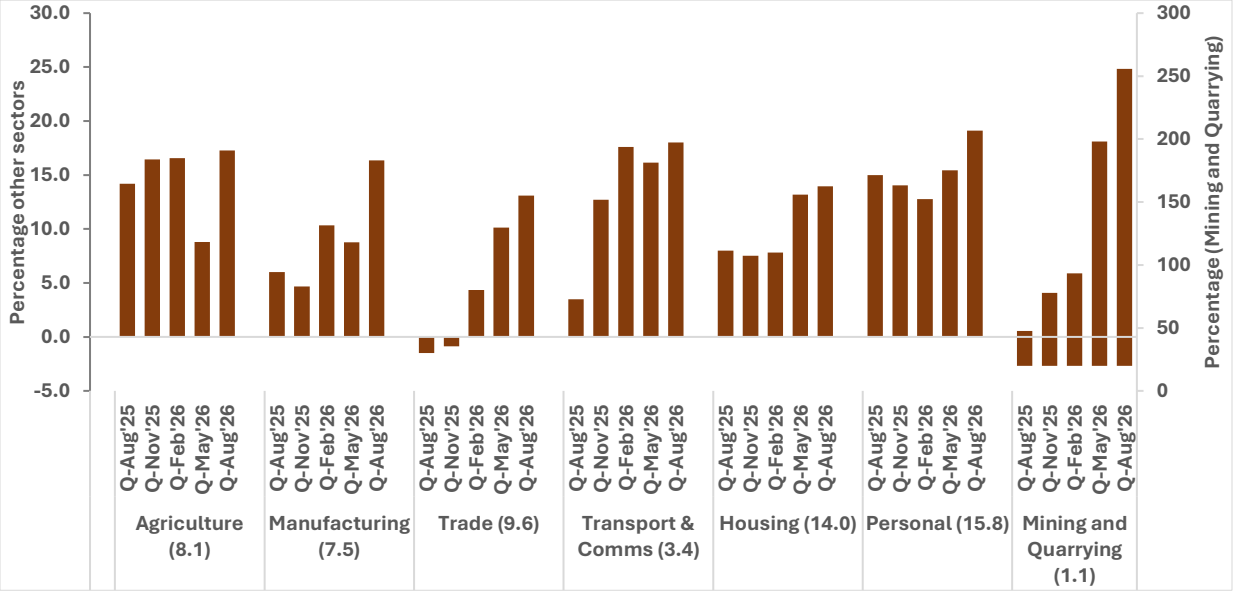
Figure 12: PSC growth increased (year-on-year, Percent, Left) as demand and supply of credit remained robust (UGX, billion, Right).



Source: *Bank of Uganda*

The strengthening in private sector credit was broad based, with credit growth increasing across both business oriented sectors, including Agriculture, Manufacturing, Trade and Transport and Communications, and household lending categories such as Housing and Personal Loans (**Figure 11**), indicating that the recovery in lending extended across much of the economy (**Figure 13**). Mobile money-enabled lending continues to support PSC growth by deepening access to credit, particularly through personal and household loans, which constitute the largest component of PSC (Box 2).

Figure 13: Year-on-year growth in private sector credit 3 month average rose across major economic sectors signalling improving economic activity (Percent shares in brackets).



Source: Bank of Uganda

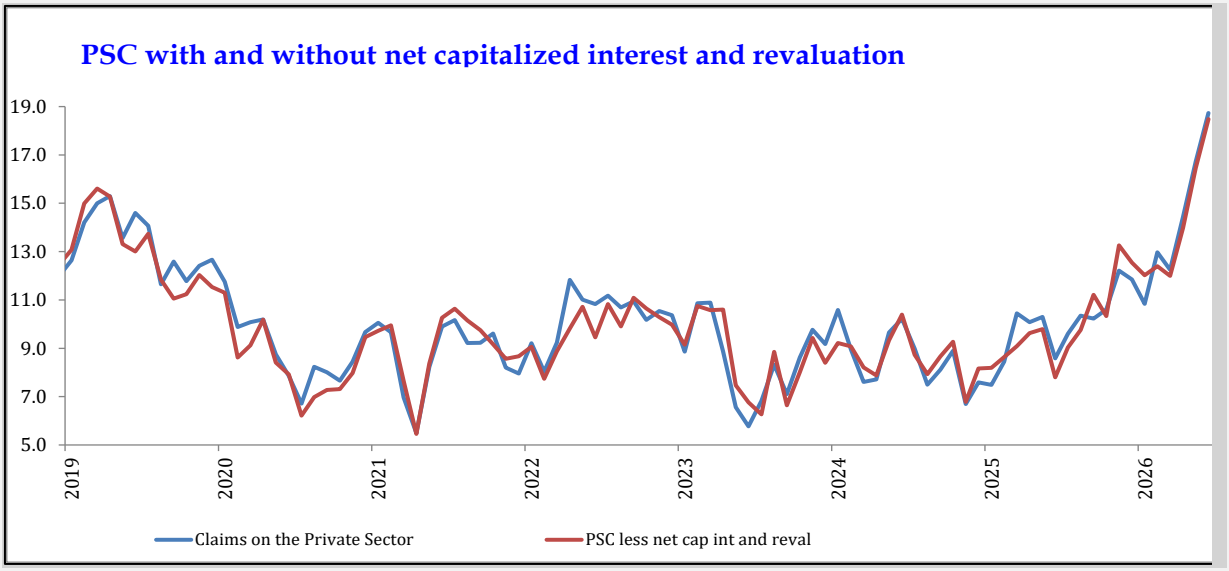
Looking ahead, PSC growth is expected to moderate in the near term as tighter monetary conditions are transmitted through lending rates and broader financing conditions. Continued exchange rate pressures may also dampen demand for foreign currency borrowing. Nevertheless, domestic economic activity and oil related investment ahead of first oil are expected to continue supporting credit demand.

Upside risks include stronger than expected public and private investment, sustained macroeconomic stability and continued implementation of the Government's Tenfold Growth Strategy. Downside risks include higher than projected government borrowing, which could crowd out private sector credit by exerting upward pressure on interest rates, adverse weather conditions, and operating costs, heightened global economic uncertainty and increasing credit risk.

Box 1: Private Sector Credit Growth Has Strengthened Markedly

PSC growth has strengthened markedly following several years of relatively subdued growth. After reaching a pre-COVID peak of 15.1 percent in May 2019, PSC growth moderated and remained largely in single digits during 2020–21 and 2023-24.

The recovery became more pronounced during 2025 and strengthened further in 2026, with PSC growth rising from 8.6 percent in July 2025 to 18.3 percent in July 2026, surpassing its pre-COVID peak. Importantly, the pickup remains evident after excluding valuation changes and capitalised interest, indicating that it is not primarily driven by these effects.



Recent credit developments have also been favourable, with higher credit demand and supply, increased loan extensions and a higher credit approval rate, while credit growth has strengthened across the major economic sectors. At the same time, bank asset quality has improved, with the aggregate NPL ratio declining to 2.67 percent in June 2026, its lowest level since December 2011.

Declining yields on government securities, lower lending rates, low non-performing loans, and subdued inflation have provided a supportive environment for the observed strengthening in private sector credit growth. Sustained fiscal consolidation, together with prudent and well-coordinated monetary and fiscal policies, should help preserve these conditions, support continued credit extension to the private sector, and contribute to the Government's Tenfold Growth Strategy.

Box 2: Mobile Money and Uganda's Evolving Financial System

Mobile money has evolved from a payments innovation into an important component of Uganda's financial system, supporting payments, transfers, saving and, increasingly, access to short-term credit. By June 2026, registered mobile money accounts had reached approximately 59.5 million, up from 58.7 million in March 2026, with 37.8 million accounts active during the preceding 90 days, according to the Uganda Communications Commission (UCC) Q2 2026 Market Report. Transaction volumes also increased from 2.37 billion in Q1 to 2.55 billion in Q2 2026. The scale and frequency of use demonstrate that mobile money is increasingly embedded in everyday economic activity and provides an important channel for households and businesses, particularly those constrained by the distance, cost or accessibility of conventional banking services.

Empirical evidence supports its growing macroeconomic significance. Mawejje and Lakuma (2019) find that mobile money has moderate positive effects on monetary aggregates, private sector credit and economic activity, while mobile money balances respond to monetary policy instruments. Their finding that transaction activity has stronger macroeconomic effects than mobile money balances underscores the importance of mobile money as a payments and liquidity channel.

The expansion of digital credit has further strengthened this role, with mobile money-enabled lending supporting PSC growth by deepening access to credit, particularly through personal and household loans, which constitute the largest component of PSC. Growth in this segment accelerated from 14.3 percent in the quarter to April 2026 to 17.9 percent in quarter to-July 2026, alongside overall PSC growth from 11.54 percent to 16.22 percent over the same period. This concurrent acceleration is consistent with mobile money enabled lending becoming an increasingly important channel for private sector credit expansion. Services such as MoKash and Wewole provide households and small businesses with short-term financing to manage cash flow constraints. Recent research by Katusiime and Agbola (2026) shows that digital lenders use high frequency behavioural information, including airtime purchases, borrowing history and repayment performance, to assess creditworthiness and determine loan disbursements. However, digital credit is also sensitive to transaction frictions increases in network transaction volumes and user fees are associated with reductions in active loan disbursements. The evidence therefore suggests that digital lenders can respond rapidly to borrower behaviour and liquidity conditions, even where conventional credit histories are limited. The study also finds a lagged positive short-run relationship between inflation and digital credit disbursements, while the 91-day Treasury bill rate and economic activity are statistically insignificant. These dynamics are relevant to understanding the emerging credit channel of monetary policy and the extent to which changes in the Central Bank Rate (CBR) affect segments of the retail credit market outside conventional banking.

Mobile money also improves payment efficiency by reducing the time, distance and cost of transferring funds. However, increased payment efficiency should not automatically be interpreted as higher economywide velocity of money, since users may hold larger electronic balances as liquid savings. Its more fundamental structural effect is to enable a growing share of economic transactions to be conducted using readily transferable digital balances. Under the National Payment Systems Act, 2020, electronic money represents a claim on the issuer and must be backed by equivalent funds held in a trust or special account. Mobile money should therefore be understood as part of the payments and liquidity ecosystem rather than as conventional fractional reserve deposit creation. The monetary policy relevance of mobile money instead arises through its interaction with safeguarded funds held with financial institutions, cash withdrawals and deposits, and banking system liquidity.

As digital financial deepening accelerates, these interactions are becoming increasingly important. Greater use of mobile platforms for payments, saving and borrowing means that changes in financial conditions may increasingly affect economic agents beyond the traditional banking system, potentially broadening monetary policy transmission.

Going forward, policy should focus on ensuring that digital financial deepening is accompanied by effective integration, measurement and resilience. Integrating mobile money and digital credit indicators into monetary and liquidity monitoring would strengthen policy analysis and short-term forecasting. Greater interoperability among mobile money, agent banking and conventional financial institutions would facilitate liquidity movement across platforms and strengthen financial system integration. Proportionate regulation should simultaneously safeguard customer funds, enhance operational and cybersecurity resilience, promote responsible digital lending and ensure transparent pricing.

Overall, mobile money represents a significant structural financial deepening opportunity for Uganda. Its scale, frequency of use and expanding role in digital credit mean that it is no longer simply an alternative payment channel, but an integral part of the financial system. Its continued development can support financial inclusion and payment efficiency, while its growing interaction with credit and liquidity conditions underscores its increasing relevance for monetary policy and financial stability.

References

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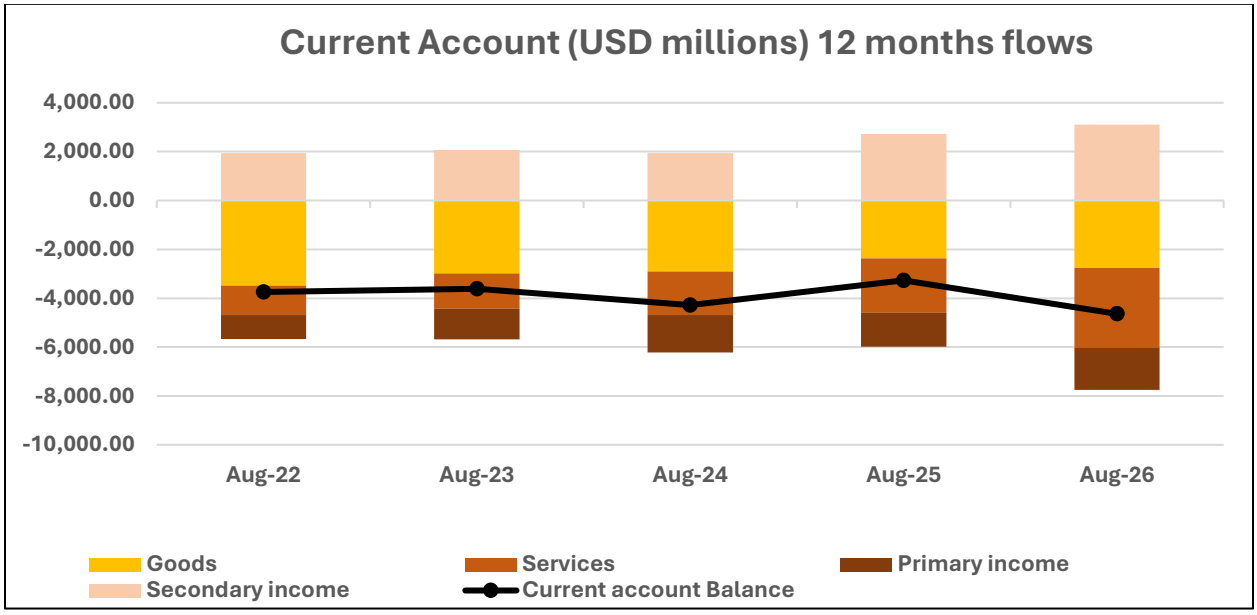
Katusiime, L. and Agbola, F.W. (2026), "Determinants of mobile money loan disbursements: Evidence from Uganda's post pandemic digital credit boom," PLOS ONE, 21(7), e0338535.

2.2 Balance of payments and exchange rates

2.2.1 Balance of payments

The overall balance of payments registered a surplus of USD 1,857.9 million in the twelve months to August 2026 compared to the surplus of USD 1,313.3 million registered in the previous year, owing to a robust financial account surplus that more than offset the widening current account deficit. The current account deficit widened by 41.9 percent to USD 4,638.2 million in the 12 months to August, relative to the previous year driven by higher deficits on the goods, services and primary income accounts (**Figure 14**).

Figure 14: The current account deficit widened year-on-year, driven by widening deficits on the merchandise trade, services, and primary income accounts despite improvements in the secondary income account (US$ Million).



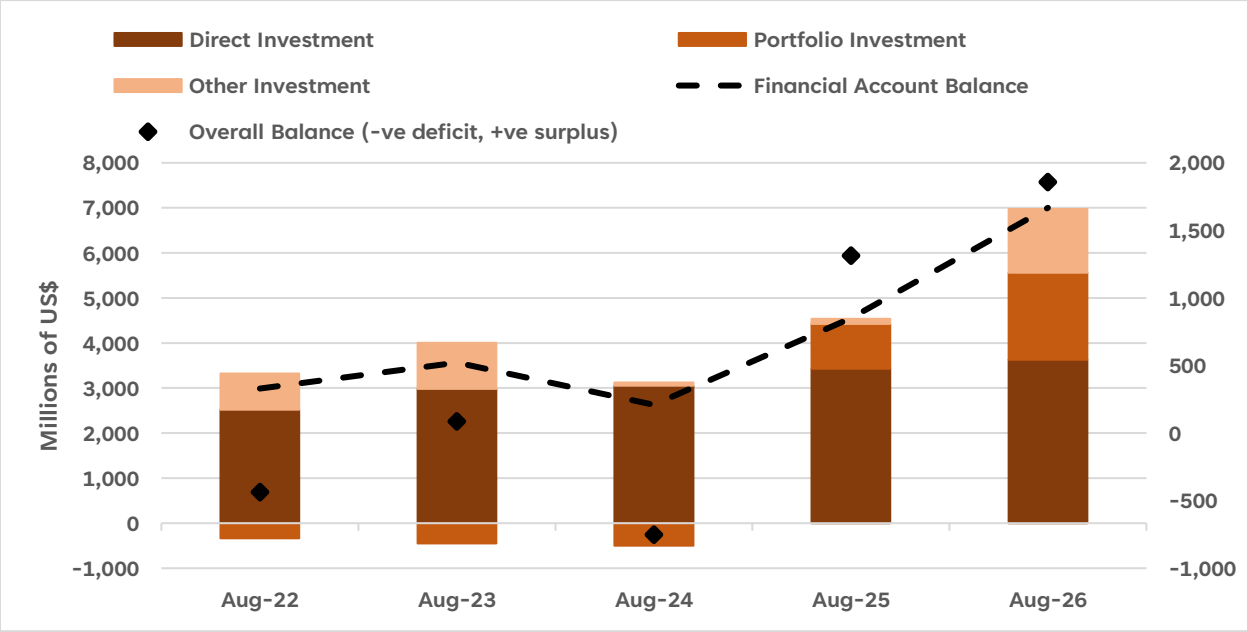
Source: *Bank of Uganda*

The trade deficit widened by 16.4 percent to USD 2,758.6 million as the gains in export performance were insufficient to offset the higher import bill. Export receipts increased by 42.4 percent to USD 16,314.0 million, largely boosted by earnings from gold and coffee. Coffee exports recorded a record volume of 8.1 million 60 kilogram bags valued at USD 2,123.3 million; while net export earnings from gold trade were recorded at USD 1,231.3 million. Over the same period, imports rose by 38.0 percent to USD 19,072.6 million, largely

driven by increasing gold imports as well as higher expenditures on petroleum products and other intermediate goods amid supply disruptions and elevated prices associated with the conflict in the Middle East. Similarly, freight transport costs for the same period increased sharply, resulting in the widening of the services deficit by 45.9 percent to USD 3,248.2 million, partly offset by tourism receipts. The primary income deficit widened by 25.0 percent to USD 1,738.4 million, driven by public debt service costs. On the other hand, the secondary income account recorded a stronger surplus, increasing by 14.2 percent to USD 3,107.0 million, supported by higher personal transfers.

The financial account surplus expanded to USD 7,001.6 million in the year to August 2026 compared to USD 4,552.8 million reported for the previous year (**Figure 15**). This performance was underpinned by strong inflows of direct and portfolio investments, complemented with budget support disbursements. Foreign Direct Investment (FDI) remained robust, estimated at USD 3,628.6 million, due to strong inflows to the oil sector and spillovers to related sectors, including the transportation and construction sectors, amid infrastructural developments associated with oil projects.

Figure 15: Financial Account Surplus Expanded, Driven by Strong Inflows of FDI, Portfolio and Other Investments (US$ Million).



Source: *Bank of Uganda*

Portfolio investment recorded net inflows of USD 1,929.0 million, supported by attractive yields that prevailed for most of the review period. Similarly, Other investments posted higher net inflows of USD 1,419.7 million, compared to the net inflows of USD 112.4 million recorded in the previous year, on account of higher budget support and project aid loan disbursements to government.

As a result of these developments, the overall balance of payments surplus facilitated a significant accumulation of foreign exchange reserves. The stock of reserves increased to USD 6,519.6 million at end August 2026, equivalent to 3.6 months of future import cover (excluding oil investment related imports), compared to USD 4,711.2 million (2.6 months of import cover) recorded at end August 2025.

2.2.2 Balance of payments outlook

In the short term, external sector pressures are expected to persist, reflecting heightened global uncertainty and evolving trade and geopolitical dynamics. The stalemate in the talks between the USA and Iran and continued threats for resumption of war continues to pose uncertainty in the energy markets. In addition, escalation of attacks by the Houthis on Saudi oil infrastructure poses further risks for oil prices. For Uganda, higher oil prices could continue to increase the import bill and related freight and insurance costs, widening the current account deficit. Dollar appreciation could amplify these pressures by raising import costs and increasing the external debt service burden. Climate related shocks present an additional downside risk. The anticipated El Niño rains could lower agricultural output through flooding, crop damage and higher post-harvest losses, placing further strain on the current account. Tourism receipts are expected to recover gradually following the progressive easing of Ebola related travel restrictions by various countries. However, the continued presence of the outbreak in neighbouring DRC and its recent detection in Kenya pose downside risks to the recovery. On the upside, remittances are expected to remain resilient providing some buffer to the current account pressures.

Over the medium-term, oil sector developments are expected to play a central role in shaping Uganda's external position, gradually shifting the balance of payments towards a sustained surplus from FY2027/28. The current account deficit is projected to narrow and eventually reverse as oil exports commence and oil related imports decline with the transition from the investment to the production phase. Further support to the current account is expected from

stronger non-oil export growth and tourism receipts, driven by infrastructure improvements and the implementation of targeted export and tourism promotion initiatives under the Tenfold Growth Strategy. The financial account surplus is expected to remain robust, supported by sustained foreign direct investment inflows and renewed access to concessional financing and budget support, reinforcing external sustainability and strengthening reserve buffers. The medium-term Balance of Payment projections are presented in **Table 1.**

Table 1: Current account deficit to narrow as oil exports commence and import bill declines in the medium term

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**	**-5.3%**	**-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	-4.7%	-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	4.7%	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**	**-5.1%**	**-2.1**	**-2.8%**	**2.1**	**2.5%**	**0.4**	**0.4%**	**0.5**	**0.5%**	**3.0**	**2.6%**
Financial Account*	**6.4**	**9.6%**	**2.4**	**3.1%**	**-0.9**	**-1.0%**	**0.9**	**1.0%**	**1.3**	**1.2%**	**-0.9**	**-0.8%**
FDI*	3.2	4.8%	3.8	5.0%	3.3	3.8%	2.9	3.0%	3.0	2.8%	3.1	2.7%
Portfolio investment*	1.7	2.5%	0.3	0.4%	-0.4	-0.5%	-0.6	-0.6%	-0.9	-0.9%	-1.1	-1.0%
Other investment*	1.5	2.2%	-1.8	-2.3%	-3.8	-4.4%	-1.3	-1.4%	-0.8	-0.8%	-2.9	-2.5%
Overall Balance*	**2.4**	**3.6%**	**-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*												

Source: *Bank of Uganda*

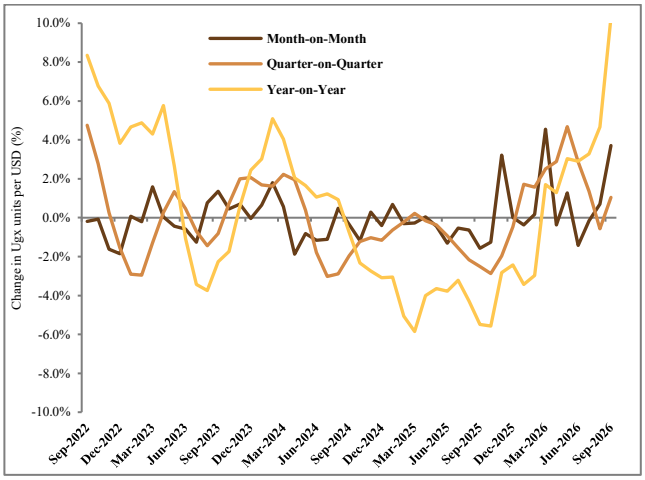
2.2.3 Exchange rate developments

The period average mid-rate depreciated sharply in September 2026, depreciating 3.7 percent month-on-month to 3,868.87 UGX/USD, following relative stability in June-August 2026. This represents a significant acceleration in exchange rate pressures, with year-on-year depreciation reaching 10.3 percent, up from 4.7 percent in August. Despite the September deterioration, the quarterly average increased modestly by 1.0 percent, suggesting that the recent depreciation was concentrated towards the end of the quarter (**Figure 16a**). The depreciation was mainly driven by rising demand for the dollar from oil, mining, and telecom

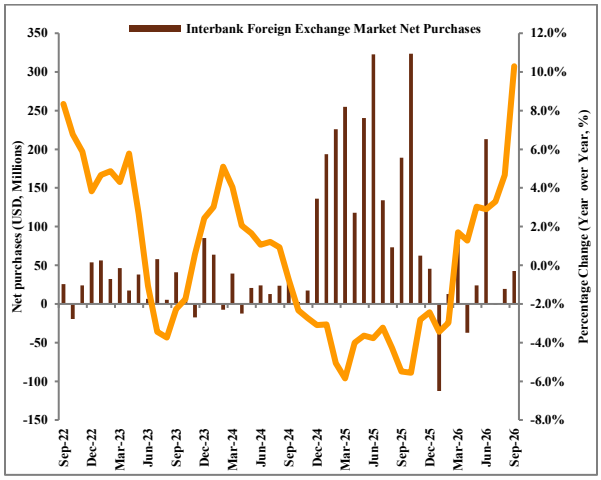
sectors compared to the same period last year. This largely reflective of a rapidly changing geopolitical environment that is weighing on the macroeconomic conditions of many countries. The conflict involving the United States, Israel and Iran has disrupted key maritime chokepoints, especially the Strait of Hormuz and the Bab el-Mandeb Strait. With no clear resolution in sight and the parties showing little firm commitment to negotiations, uncertainty is likely to persist. Sporadic resurgence in hostilities continue to unsettle market sentiment, and there is a growing risk that the conflict could spread further across the region, including renewed attacks by Yemen's Houthi rebels on commercial shipping in the Red Sea and around the Bab el-Mandeb. This has pushed up global oil prices and shipping costs, raising import bills for net oil importers such as Uganda. The result has been stronger demand for the US dollar to settle these higher value imports, which has sustained pressure on the shilling (**Figure 16b**).

Figure 16: The Uganda Shilling depreciated year over year, month on month, and quarter on quarter.

a) UGX Exchange Rate Developments



b) Interbank Foreign Exchange Market Activity



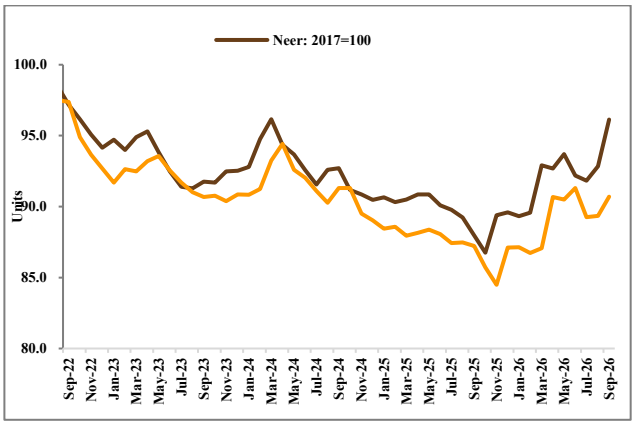
Source: *Bank of Uganda*

The Uganda Shilling depreciated in both nominal and real effective terms on a weighted basis against a group of major trade partner currencies on year over year comparison in September 2026 (**Figure 17a**). Year over year, majority of Uganda's trade partners performed much better against the US dollar. However, the exceptions were Indonesia, India, Japan, and Tanzania which have absorbed the February 2026 oil price shock triggered by the US-Israel-Iran conflict at much slower pace, and this has hit their trade balances hard as net oil importing

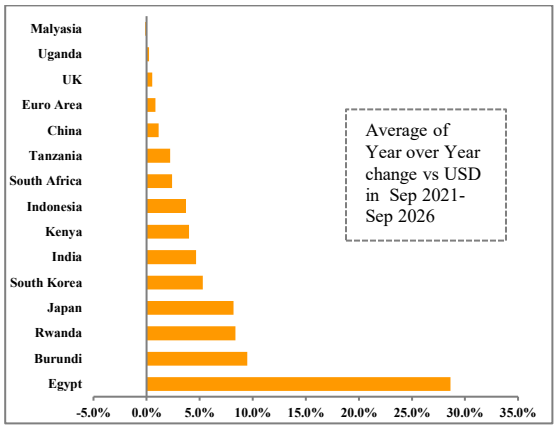
economies. Over the medium-term average of 5 years, Uganda has been the most stable against the US dollar relative to other trade partners (**Figure 17b**).

Figure 17: The Uganda Shilling depreciated in nominal and real terms although remains the most stable against the USD over a 5-year average compared to trade partners.

a) Trade Weighted Indicies



b) Trade Partner Currencies (5 Year Average)



Source: *Bank of Uganda*

Several risks may affect the stability of the Uganda Shilling. The Uganda Shilling could depreciate due to sentiments related to sustained hostilities in the Middle East which is Uganda's number one trading block. These hostilities are likely to constrain the flow of trade and raise shipping and insurance costs which in turn will raise demand for the US dollar. Moreover, Uganda's exports to these regions may contract as traders scale back activity to safeguard against loss of cargo along these shipping routes which has been a common occurrence in the past three months. An additional risk could stem from widening interest differentials with Advanced Economies due to global tightening financial conditions. For example, the yield on the United States 30-year bond has traded at a record level not seen since the 2008 crisis. This may trigger capital reversal from Uganda and other African markets towards the advanced economies.

However, the Shilling is expected to withstand these pressures given the sustained momentum in delivery of key oil related activities. Uganda has successfully launched its flagship oil under the marketing brand Pearl Sweet. This has coincided with rising oil prices and implies that Uganda stands to gain more from the on-schedule delivery of oil output.

Tourism flows are also expected to resume given the end of the Ebola outbreak which has been officially confirmed by the World Health Organisation. Moreover, Uganda's partners such as China and India have resumed flights which had been suspended in the initial phase of the outbreak. The risks to the outlook for the Ugandan shilling in the near term are balanced.

2.3. Fiscal policy

2.3.1 Government expenditure and revenue

Fiscal Operations in FY2025/26 were more expansionary than planned (**Table 2**). Recurrent expenditure exceeded program targets, primarily driven by higher than expected allocations to Local Governments, as well as higher spending on goods and services. Capital expenditure, however, fell short of the programmed target, despite rising by 10 percent relative to FY2024/25. This shortfall mainly reflected delays in the disbursement of externally financed project funds, resulting in a slower execution of project related expenditures than initially projected.

Table 2: Fiscal Operations Were More Expansionary in FY2025/26 (UGX, billions)

	Jul'24-Jun'25	Jul'25-Jun'26	Prog. Jul'25-Jun'26	Variation	Annual change (Percent)
Revenue (A)	**33,434.6**	**37,088.4**	**39,791.4**	**-2,703.0**	**10.9**
Taxes	29,870.8	34,049.9	34,051.4	-1.6	14.0
Grants (project support)	1,356.0	818.8	2,493.9	-1,675.0	-39.6
Other revenue	2,207.8	2,219.7	3,246.1	-1,026.4	0.5
Expense (B)	**39,114.2**	**41,368.8**	**41,090.3**	**278.5**	**5.8**
Compensation of employees	5,232.8	5,931.5	5,796.0	135.5	13.4
Purchase of goods and services	8,964.1	9,555.1	9,216.7	338.4	6.6
Consumption of fixed capital (C)	7.7	0.1	0.0	0.1	-99.3
Interest payments	8,393.8	11,037.4	11,845.0	-807.6	31.5
Domestic	7,060.8	9,738.0	10,103.3	-365.3	37.9
External (including commitment fees)	1,333.0	1,299.3	1,741.7	-442.4	-2.5
Subsidies	0.0	2.3	0.0	2.3	0.0
Grants	14,429.0	12,790.1	11,541.0	1,249.1	-11.4
Social benefits	570.4	707.1	1,244.5	-537.4	24.0
Other expense	1,516.2	1,345.3	1,447.2	-101.9	-11.3
Gross operating balance (A-B+ C)	**-5,671.8**	**-4,280.3**	**-1,298.9**	**-2,981.5**	
Net operating balance (A-B)	-5,679.5	-4,280.4	-1,298.9	-2,981.5	
Net Acquisition of Nonfinancial Assets (D)	**7,400.2**	**8,137.0**	**10,098.7**	**-1,961.7**	
Net lending/borrowing (A-B)-D	**-13,079.7**	**-12,417.4**	**-11,397.6**	**-1,019.9**	
Primary balance	**-4,685.9**	**-1,380.1**	**447.4**	**-1,827.5**	

Transactions in financial assets and liabilities Financing (net) (E-F)	**-13,079.7**	**-12,417.4**		
Net Acquisition of Financial Assets (E)	**2,738.0**	**1,823.2**		
Domestic	2,738.0	1,823.2		
Foreign	0.0	0.0		
Net Acquisition of Financial Liabilities (F)	**15,682.4**	**16,727.3**		
Domestic	14,468.5	14,921.7		
Foreign	1,213.9	1,805.6		
Errors & Omissions	**-135.4**	**2,486.6**		

Source: Ministry of Finance Planning and Economic Development

Revenue performance was weaker than planned, with total government revenue (including grants) amounting to Ugx 37,088.4 billion in FY2025/26. This outturn fell short of the programmed target by Ugx 2,703.0 billion, largely reflecting lower grant inflows and non-tax revenue collections. Grant inflows underperformed by Ugx 1,675.0 billion, on account of tighter financing conditions among development partners, amid heightened global geopolitical uncertainties, and delays in the implementation of government projects. Similarly, tax collections fell short of the target by Ugx1.6 billion, mainly due to lower collections from international trade taxes and indirect domestic taxes, which registered shortfalls of Ugx 311.1 billion and Ugx 220.3 billion, respectively. As a result, the combined effect of revenue underperformance and higher recurrent expenditure led to a fiscal deficit of Ugx 12,417.4 billion in FY2025/26, exceeding the programmed level by Ugx 1,019.9 billion. The fiscal deficit was financed primarily through domestic sources, which accounted for 87.9 percent of total deficit financing.

Despite the underperformance in domestic revenue during FY2025/26, the medium-term fiscal outlook remains favourable. Revenue collections are expected to strengthen, supported by enhanced tax administration under the Domestic Revenue Mobilization Strategy (DRMS) 2025/26-2029/30, sustained economic growth under the Tenfold Growth Strategy, and the commencement of oil and gas production. Additional support is expected from deeper regional trade integration and increased access to infrastructure financing. These measures are anticipated to strengthen revenue performance, ease financing pressures, and create fiscal space for priority expenditures.

Fiscal policy remains anchored on a medium-term consolidation path aimed at safeguarding macroeconomic stability while supporting growth enhancing investments under the Agro-

Industrialization, Tourism Development, Mineral Based Industrialization, and Science, Technology and Innovation (ATMS) strategy. In line with the Charter for Fiscal Responsibility, the fiscal deficit, excluding oil revenues, is projected at 6.6 percent of GDP in FY2026/27, up from an outturn of 5.1 percent in FY2025/26. The widening of the deficit in FY2026/27 is expected to reflect higher government expenditure associated with implementation of the national development agenda. Thereafter, the fiscal deficit is projected to narrow progressively to about 6 percent in FY 2027/28 and 1.5 percent of GDP by FY2030/31. The envisaged consolidation will be underpinned by stronger domestic revenue mobilization, expenditure rationalization, prudent debt management in line with the Medium-Term Debt Management Strategy, the onset of petroleum revenues, and continued adherence to the Charter for Fiscal Responsibility.

While the medium-term fiscal outlook remains favourable, it is subject to several downside risks. Escalating geopolitical tensions could further weigh on global trade and investment flows and exert additional upward pressure on international fuel prices, with adverse implications for domestic inflation, economic activity, and revenue performance. Additional risks include ongoing tax administration challenges, particularly in improving compliance in the informal sector; slower than expected returns on public investments; and delays in oil sector investments and production. These factors could affect the realization of projected revenue gains, dampen economic growth, and constrain the planned fiscal consolidation path.

2.4. Domestic economic activity

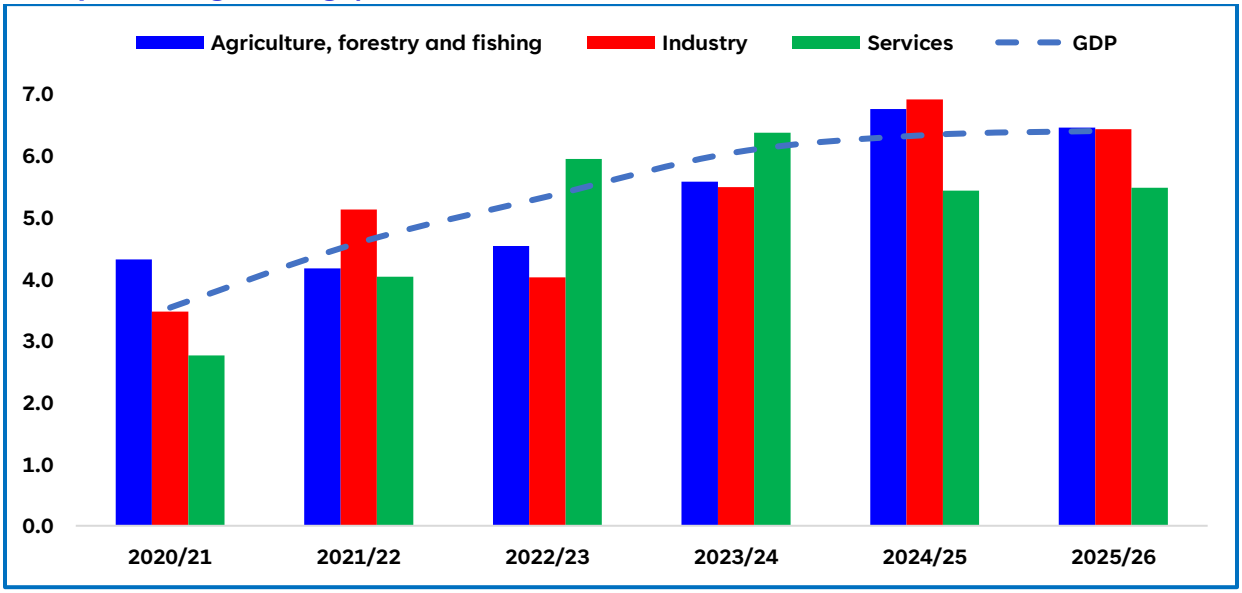
2.4.1 Economic Growth Developments

Uganda's economy remained resilient, with growth strengthening amid heightened global uncertainty and persistent geopolitical tensions. According to the preliminary data released by Uganda Bureau of Statistics (UBOS), the economy grew by 6.4 percent in the FY 2025/26 up from 6.3 percent in FY2024/25. This positive performance was anchored by sustained growth in all sectors with agriculture and industry as the front runners albeit with a slight moderation recorded relative to the previous financial year (**Figure 18**).

The agriculture sector grew by 6.5 percent in FY2025/26, slightly lower than 6.8 percent in the previous financial year, largely reflecting slower expansion in fishing activities, which

expanded by 9.1 percent compared to 18.0 percent a year earlier. Meanwhile, cash crops grew by 12.1 percent compared to 11.3 percent in FY2024/25, while the food crops sub sector recorded a 4.9 percent expansion following a contraction of 0.3 percent in the previous year.

Figure 18: Agriculture and Industry were the major drivers of Annual GDP Growth (Year on Year percentage change)



Source: *Uganda Bureau of Statistics (UBOS)*

Similarly, the industrial sector grew by 6.4 percent in FY2025/26, slower than the 6.9 percent recorded in FY2024/25. The slower growth was largely driven by decreased activity in construction (8.2 percent down from 11.2 percent), and manufacturing (5.5 percent down from 5.6 percent), compared to the previous year. However, electricity activity grew by 14.4 percent in FY2025/26, up from 11.9 percent in the previous year. The stronger performance likely reflected increased electricity generation and utilisation of expanded generation capacity, including the first full financial year following the commissioning of the 600 MW Karuma Hydropower Plant. Electricity supplied to the national grid increased markedly during the year, alongside strong growth in system demand and electricity sales, supported by expanded transmission infrastructure.

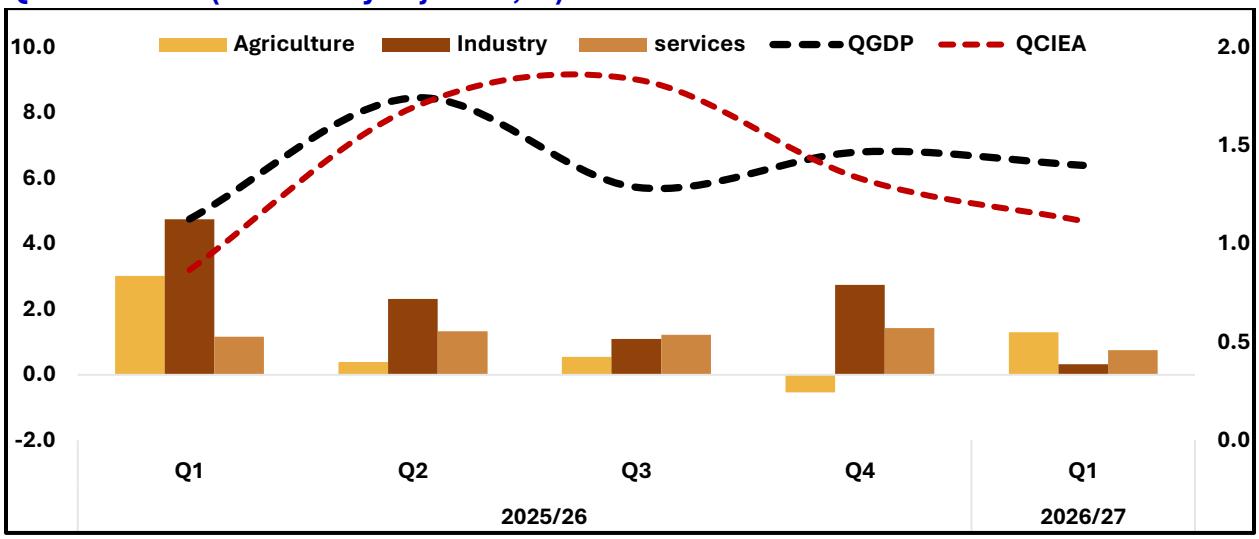
In addition, the services sector grew by 5.5 percent in FY2025/26, slightly higher than the 5.4 percent recorded in the previous financial year, largely supported by a 7.7 percent expansion in accommodation and Food Service Activities. The stronger performance partly reflected

increased hospitality demand during much of the financial year, consistent with the strong recovery in tourism observed in 2025, when both international visitor arrivals and tourism earnings increased markedly. Growth in the activity also reflects broader domestic demand for accommodation, restaurant and other food services.

From the expenditure side, growth was supported by both final consumption and investment, although final consumption growth moderated to 5.9 percent in FY2025/26 from 10.5 percent in the previous year, reflecting slower growth in household, government and NPISH spending. Household consumption, nevertheless, remained the largest component, contributing over 67 percent of GDP in FY2025/26 and grew by 7.3 percent, while investment strengthened to 7.5 percent, driven by increased spending on ICT equipment, machinery and equipment, and research and development.

Recent high frequency indicators point to resilient economic activity at the start of FY2026/27. The Bank of Uganda's nowcast estimates real GDP growth at 6.4 percent in Q1 FY2026/27, slightly lower than 6.8% in the preceding quarter but broadly consistent with signals from the CIEA and other private sector indicators (**Figure 19**). Growth remained broad based, supported by increased government investment, improving business conditions, and strong import demand. Agricultural activity rebounded, growing by 1.3 percent following a contraction of 0.5 percent in the previous quarter, reflecting more favourable weather conditions, improved food crop production, and continued support from Government programmes, including the PDM. Services sector activity remained positive, expanding by 0.8 percent in Q1 FY2026/27, although at a slower pace than the 1.4 percent recorded in the preceding quarter. The moderation was mainly driven by weaker wholesale and retail trade activity and a slowdown in tourism related services, reflecting elevated energy and fuel costs as well as the lingering effects of the Ebola outbreak on tourism. Similarly, industrial activity slowed to 0.3 percent from 2.7 percent in the previous quarter, largely reflecting weaker manufacturing activity and softer electricity demand amid rising production costs and other operational constraints.

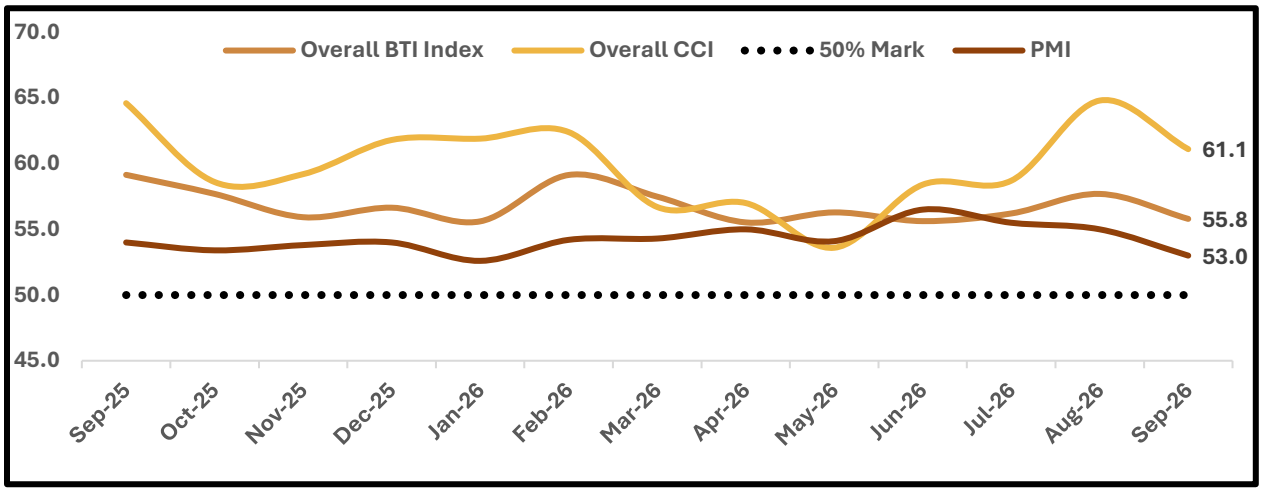
Figure 19: High Frequency Indicators of Economic Activity Point to Sustained Growth in Q1 FY2026/27 (seasonally adjusted, %).



Source: *Bank of Uganda*

Private sector sentiment remained positive, although indicators moderated during September 2026 (**Figure 20**). The Purchasing Managers' Index (PMI) declined by 2.5 points to 53.0 in September 2026 from 55.5 in August 2026 but remained well above the 50 point threshold, signalling continued expansion in private sector activity, supported by sustained growth in output and new orders.

Figure 20: Business and Consumer Sentiment Remains Positive.



Source: *Bank of Uganda, Stanbic Bank Uganda PMI*

2.4.2 Economic Growth Outlook

During the August 2026 MPC round, Economic growth was projected to strengthen between 7.0 and 7.5 percent in FY2026/27 before rising to an average of 8 percent over the medium term, driven by continued macroeconomic stability and the anticipated commencement of commercial oil production in the second half of FY2026/27. The onset of oil production is expected to support economic activity through higher investment, increased export earnings, and stronger linkages across the domestic economy. Growth will also be supported by the continued implementation of the Government's Tenfold Growth Strategy, aimed at accelerating productivity in the Agro-Industrialisation, Tourism Development, Mineral Development, and Science, Technology and Innovation (ATMS) sectors while promoting export oriented value addition. In addition, increased agricultural production, supported by favourable weather conditions together with sustained implementation of initiatives such as the Parish Development Model (PDM) and EMYOOGA, is expected to enhance agricultural productivity, expand agro-processing, and strengthen rural incomes. Continued foreign direct investment into oil and gas and broader extractive industries, alongside remittance inflows and prudent monetary policy that maintains low and stable inflation and exchange rate stability, are collectively expected to reinforce the growth outlook.

Notwithstanding these favourable prospects, the balance of risks remains tilted to the downside. Climate variability and extreme weather events remain a significant threat to agricultural production, with adverse implications for food supply, agro-processing and export earnings. In addition, escalating geopolitical tensions and global trade frictions could disrupt trade flows and global supply chains, weaken external demand, reduce export earnings, and exert upward pressure on international fuel prices. The residual effects of recent health related travel advisories and restrictions associated with the Ebola outbreak could also weigh on tourism and related services, slowing activity in these sectors. These downside risks underscore the importance of maintaining sound macroeconomic policies, accelerating structural reforms, and strengthening resilience to external and climate related shocks to sustain the projected growth momentum.

2.5 Domestic Inflation and Outlook

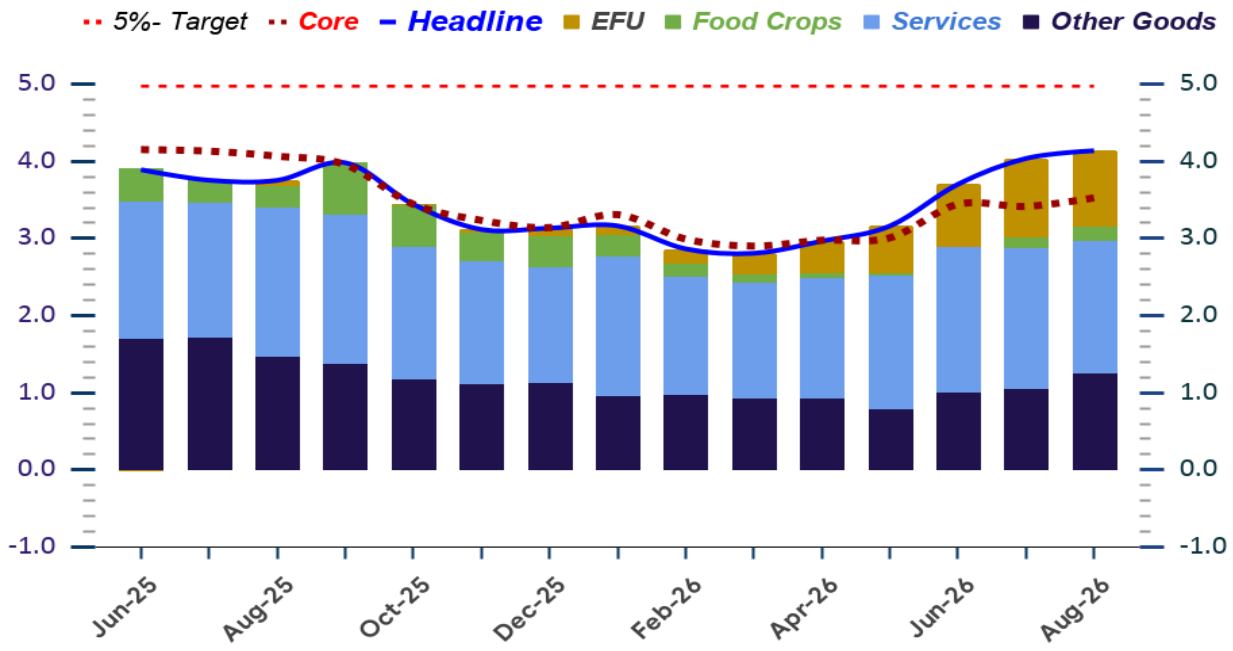
2.5.1 Domestic Inflation

Over the twelve months to August 2026, headline and core inflation averaged 3.4 percent and 3.3 percent, respectively, firmly below the 5.0 percent medium-term target, supported by prudent monetary policy, despite recent supply side shocks on energy and food prices.

In August 2026, headline inflation edged up slightly to 4.1 percent from 4.0 percent in July 2026 (**Figure 21**), reflecting higher prices for energy, and food crops and related products, while core inflation rose to 3.5 percent from 3.4 percent over the same period.

Reflecting the dry weather in many parts of the country, Food Crops and Related Items inflation rose to 2.1 percent from 1.6 percent in July 2026, driven by higher prices for Irish potatoes, pineapples and mangoes. Energy, Fuel and Utilities (EFU) inflation eased to 14.3 percent from 14.9 percent, as charcoal price inflation moderated, even as petrol (28.5 percent) and kerosene (31.2 percent) prices remained elevated on an annual basis.

Figure 21: Inflation Remained Low and Stable in the 12 Months to August 2026, despite the recent pickup on account of energy costs and the dry weather that is pushing up food prices (Percent, Year-on-year)

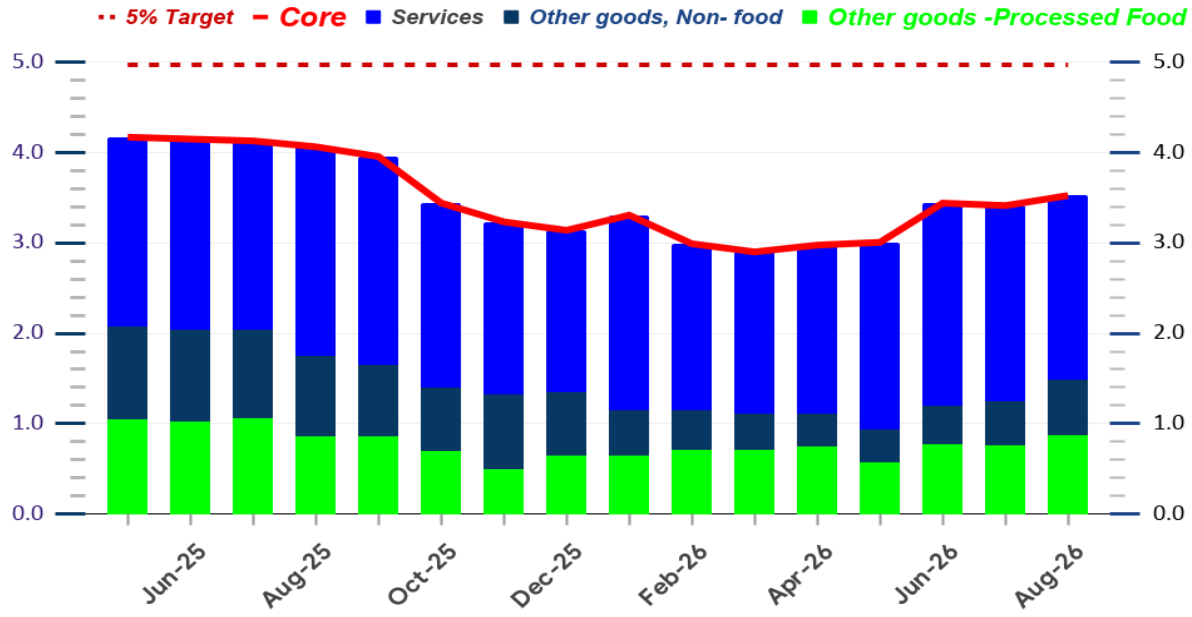


Source: *UBOS*

Core inflation rose mainly due to higher Other Goods inflation, which rose to 2.7 percent from 2.3 percent (**Figure 22**), reflecting higher prices for processed foods such as cassava flour, dried fish and rice, and some non-food products. This was moderated by easing services inflation to 4.5 percent from 4.8 percent, due to a slower rise in the costs of international flight and hairdressing. Overall, the passthrough from energy and food prices into the core basket remain limited and there are no signs yet of broadening inflation.

While headline and core inflation have edged up over recent months, both remain below the Bank of Uganda's medium-term target of 5 percent, and inflation expectations remain well anchored. Therefore, the current monetary policy stance strikes an appropriate balance between fostering price stability and supporting growth as incoming data and evolving global developments are being assessed. The Bank will continue to closely monitor domestic and external price pressures and stand ready to adjust the monetary policy stance as necessary to ensure price stability and promote sustainable economic growth.

Figure 22: Core Inflation Remained contained in the 12 Months to August 2026 with recent dry weather conditions filtering through to prices of processed food commodities (Percent, Year-on-year)



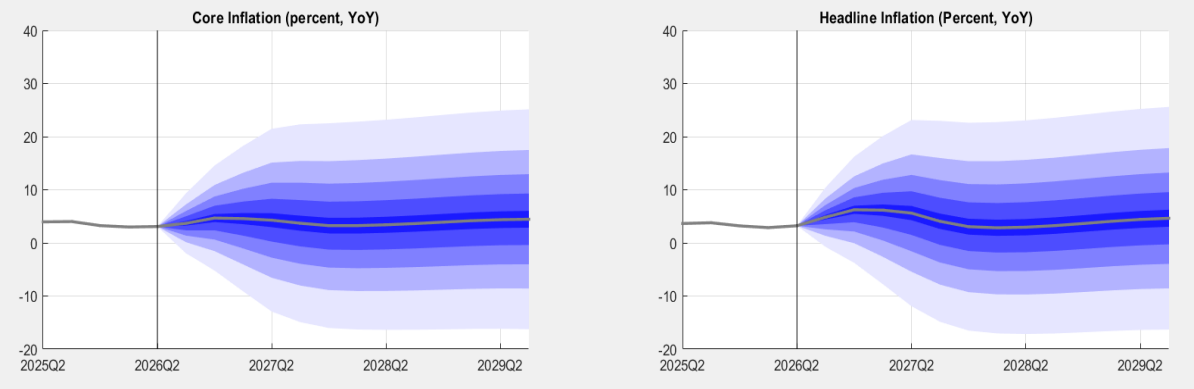
Source: *Bank of Uganda*

2.5.2 Inflation Outlook

Relative to the May 2026 MPC round, the inflation outlook was revised downward in August 2026, to reflect lower than projected international oil prices which were expected to reduce domestic fuel pump prices inflation and limit the pass through to transport and other production costs, alongside benign domestic demand pressures. As a result, headline inflation is expected to average between 5.5 percent and 6.0 percent, from 5.2 - 6.5 percent, while core inflation is now projected to average between 4.0 percent and 4.5 percent over the next twelve months (**Figure 23**), down from 5.0-5.3 percent projected in May, before gradually converging toward the Bank of Uganda's medium-term target of 5.0 percent over the forecast horizon.

The fan chart in **Figure 23** depicts the uncertainties surrounding this forecast. This chart illustrates a range of potential inflation outcomes. The central path signifies the baseline projection or most likely scenario, while the surrounding shaded bands represent different confidence intervals. Darker shades indicate higher levels of statistical confidence or more probable outcomes, whereas lighter shades suggest lower levels of confidence or less likely outcomes, thus providing a clear visual representation of forecast uncertainty.

Figure 23: Inflation Outlook was Revised Downwards, Reflecting Lower International Oil Prices and Subdued Demand Pressures, While Inflation Expectations Remain Well Anchored.



Source: *Bank of Uganda*

The inflation outlook is subject to both upside and downside risks. Despite the downward revision to the near-term forecast, risks remain tilted to the upside. On the domestic front, a

stronger than expected growth could exert additional demand side upward pressure on prices. Externally, a re-escalation of hostilities in the Middle East could disrupt the supply of oil and fertilizers, resulting in higher energy and fertilizer prices and further feeding into domestic inflation. Adverse weather conditions also pose an upside risk by reducing agricultural output and pushing up food prices.

On the downside, favourable weather conditions could boost agricultural production and food supply, thereby easing food price pressures. In addition, persistent geopolitical tensions could lead to softer global growth, which could weaken external demand and, in turn, dampen domestic demand and economic activity, resulting in lower than projected inflation.

Overall, while downside factors such as favourable food supply prospects and moderating international oil prices offered some respite, risks to the inflation outlook remained tilted to the upside, warranting a cautious Monetary policy stance to keep inflation expectations well anchored on the medium Term target.

3. CONCLUSION

Uganda's domestic macroeconomic conditions remained broadly favourable, supported by resilient economic activity, contained inflation, improving financial conditions and a stronger external position. Real GDP growth increased to 6.4 percent in FY2025/26, from 6.3 percent in FY2024/25, reflecting broad-based expansion across agriculture, industry and services. High frequency indicators remain positive, with improved business and consumer confidence and a Purchasing Managers' Index of 55.0, pointing to sustained momentum in FY2026/27. Growth is projected at 7.0-7.5 percent in FY2026/27 and around 8.0 percent over the medium term, supported by stronger investment, agricultural recovery, continued macroeconomic stability and the anticipated commencement of commercial oil production.

Inflation remains below the Bank of Uganda's 5.0 percent target, although underlying pressures have strengthened. In the twelve months to August 2026, headline and core inflation averaged 3.4 percent and 3.3 percent, respectively, while headline inflation rose to 4.1 percent in August and core inflation to 3.5 percent. Food and energy shocks, stronger domestic demand and adverse weather conditions could generate additional inflationary pressures. However, inflation expectations remain well anchored. Financial conditions have

also improved, with lower interbank and Treasury yields, stronger liquidity and private sector credit growth of 18.3 percent, while the non-performing loan ratio declined to 2.67 percent.

The external position strengthened overall, supported by a US$1.9 billion balance of payments surplus and reserves of US$6.5 billion, equivalent to 3.6 months of import cover. Nevertheless, the wider current account deficit, exchange rate pressures and potential increases in import and financing costs remain risks to the outlook. These risks are partly mitigated by expected oil related, tourism, investment, mineral, coffee and remittance inflows.

Against this backdrop, the MPC maintained the Central Bank Rate at 9.75 percent in August 2026, while the Cash Reserve Requirement (CRR) was increased from 11.0 percent to 13.5 percent in September 2026 to manage excess structural liquidity. Together, these measures reflect a calibrated monetary policy stance that balances the need to preserve price stability with support for continued economic activity. Given contained inflation, resilient economic growth and anchored inflation expectations, a broad-based easing of monetary policy is not warranted at this stage. The current stance provides the Bank with scope to monitor the persistence and transmission of emerging inflationary pressures, while the adjustment to the CRR strengthens the Bank's ability to safeguard monetary and financial stability amid heightened global uncertainty. Future policy decisions will remain data dependent, with particular attention to underlying inflation, inflation expectations, exchange rate developments, second round effects from food and energy prices and domestic demand. Fiscal policy should complement monetary policy through stronger revenue mobilisation and expenditure discipline, supporting fiscal consolidation while protecting productive investment.