

# Monetary Policy in Uganda

---

Introduction, Context, Roles, Instruments, Inflation  
Targeting & Framework



# Reflection!!!

---

- Have you ever wondered why prices of food, fuel, or school fees rise?
- Rising prices affect families, businesses, and investment
- The Bank of Uganda uses monetary policy to control inflation and stabilize the economy

# What is Monetary Policy?

---

- CB control money supply and interest rates
- Objectives: price stability, growth, employment, financial stability
- In Uganda, this role is carried out by the Bank of Uganda (BoU).



# Historical Context of Monetary Policy in Uganda

---

- 1970s–1980s: High inflation (above 100%) due to instability
- 1990s: Reforms and BoU Act (1993) gave independence
- 2011: Adoption of Inflation Targeting Lite (core inflation  $\sim 5\%$ ).

# Roles and Functions of Monetary Policy

---

- Price stability – control inflation
- Promote economic growth
- Safeguard financial system stability
- Support employment creation
- Balance of payments stability



# Instruments of Monetary Policy

---

## **Quantitative Instruments**

- Central Bank Rate (CBR)
- Open Market Operations (OMO)
- Reserve Requirements
- Discount Window Lending

## **Qualitative Instruments**

- Credit guidelines (rarely used today)
- Prudential regulations
- Moral suasion

# Inflation Targeting in Uganda

---

- Uganda adopted Inflation Targeting Lite in 2011.
- Objective: keep core inflation around 5% medium-term.
- BoU sets CBR monthly
- Lending and deposit rates adjust accordingly.
- Benefits: anchors expectations, credibility, macroeconomic stability



# Uganda's Monetary Policy Framework

- Legal mandate: Bank of Uganda Act
- Policy anchor: 5% core inflation
- Main tool: Central Bank Rate (CBR)
- Transmission: CBR → interbank rates → lending rates → demand → inflation
- Transparency: Monetary Policy Reports and Statements published periodically
- Exchange rate: market-determined, with BoU interventions to reduce volatility



# Conclusion & Summary

---

- Monetary policy ensures price stability and growth
- Uganda uses inflation targeting (CBR as main tool
- BoU communicates policy regularly