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Monetary Policy Statement for August 2025

On 12 August 2025, the Monetary Policy Committee (MPC) of the Bank of Uganda (BoU) maintained the Central Bank Rate (CBR) at 9.75%, reflecting persistent global economic uncertainty stemming from evolving trade dynamics and recurring geopolitical tensions.

The Financial Year (FY) 2024/25 was characterised by macroeconomic stability, which was reinforced by effective coordination between monetary and fiscal policies. This coordination has helped anchor investor confidence and maintain stability despite a volatile and uncertain external environment.

Over the past 12 months, annual headline and core inflation averaged 3.4% and 3.9%, respectively, remaining below the medium-term target of 5%. This subdued inflation has been supported by prudent monetary policy, a stable exchange rate, global disinflation, and favourable food and energy prices.

In July 2025, year-on-year headline and core inflation declined slightly to 3.8% and 4.1%, respectively, from 3.9% and 4.2% in June 2025. The decline was primarily driven by lower inflation in food crops and services, particularly passenger transport.

The inflation outlook remains broadly similar to the May 2025 forecast, with slightly lower projections in the near term due to a more stable exchange rate and declining global oil prices. Core inflation is projected to range between 4.5% and 4.8% in FY 2025/26 compared to between 4.5% and 5.0% in the previous forecast round and is expected to stabilise around the medium-term target of 5%. This outlook is supported by cautious monetary policy amid elevated uncertainty, stable exchange rate conditions, improved food supply, and lower global oil prices.

This outlook is subject to risks. The downside risks include a stronger shilling, subdued domestic and global demand, and declining oil prices. Conversely, upside risks stem from exchange rate depreciation, rising import costs due to trade barriers, increased government spending, and adverse weather conditions. Overall, while inflation is contained, vigilance is warranted given the potential for upward pressures.

Domestic economic activity has remained resilient. High-frequency indicators show continued dynamism in exports and imports, and confidence indices suggest limited impact from external uncertainties.

According to the Uganda Bureau of Statistics (UBOS), real GDP growth for FY2024/25 is estimated at 6.3%, up from 6.1% in the previous fiscal year. This growth is supported by low inflation, exchange rate stability, export expansion, and strategic government investments, including in infrastructure.

Real GDP growth is projected at 6.0–6.5% in FY2025/26, with further strengthening anticipated in the medium term. This outlook is underpinned by sustained prudent monetary policy, targeted government initiatives to stimulate growth, rising agricultural output, and increased investment in the extractive sector, all aimed at the continued implementation of the tenfold growth strategy.

Growth prospects are favourable, yet subject to downside risks such as falling commodity prices, global supply chain disruptions, tighter financing conditions, and adverse weather. However, the economy could grow faster if geopolitical tensions ease, infrastructure investment increases further, and business sentiments improve. Overall, the medium-term growth outlook remains positive, supported by strategic government initiatives and resilient domestic activity.

Given the global uncertainties and elevated risks to inflation, the MPC has opted for a cautious monetary policy stance, maintaining the CBR at 9.75%. The CBR band remains at ±2 percentage points, with the rediscount and bank rates set at 3 and 4 percentage points above the CBR, respectively, resulting in a rediscount rate of 12.75% and a bank rate of 13.75%.

The MPC considers the current CBR level appropriate for controlling inflation while supporting economic growth and socio-economic transformation. Future adjustments to the CBR will be guided by incoming data and ongoing assessments of the evolving risk environment.

Michael Atingi-Ego
Governor
12 August 2025