Uganda's economy to grow at 8%, says BoU

Strong government spending and oil investments are expected to lift growth, though inflation poses challenges.

BY MARTIN LUTHER OKETCH

The Bank of Uganda (BoU) says Uganda's economy is expected to grow by about 8 percent in the medium term, showing strong optimism about the country's future.

Speaking at the reading of the February Monetary Policy Statement in Kampala yesterday, BoU Governor, Dr Michael Atingi-Ego, said the expected growth will be driven by increased government spending on big projects, oil and infrastructure developments, government programmes to support the economy, better global economic conditions, careful management of interest rates, and growing private sector activity.

He said: "Notwithstanding the favourable outlook, risks to the growth projection are tilted to the downside. These include evolving geopolitical tensions, which could dampen global growth, disrupt trade routes and supply chains, and exert upward pressure on commodity prices, particularly oil."

However, the Governor warned that there are risks that could slow down growth.

"These risks are mostly global," Dr Atingi-Ego said, pointing to rising geopolitical tensions, possible disruptions to global trade routes, supply chain problems, and higher global oil prices," he said, adding that all these could hurt global growth and, in turn, affect Uganda's economy.

On the upside, Dr Atingi-Ego said stronger-than-anticipated investment in the extractive sector, a more robust global recovery, and easing trade tensions could result in higher-than-projected economic growth.

Interest rate unchanged

The governor said owing to the ongoing uncertainty, the Central Bank has decided to keep the Central Bank Rate (CBR) unchanged at 9.75 percent.

This rate has now stayed the same for 14 months, adding that the decision helps keep inflation under control, support steady economic growth and prevents sharp ups and downs in the economy. He said future decisions will depend on economic data and global developments.

"Without compromising its primary objective of price stability, the policy stance also supports smoothing economic fluctuations and fostering socio-economic transformation," he said.

Uganda's economy grew by an average of 6.3 percent during the first three quarters of 2025, mainly driven by spending, especially Government spending, which grew by 22.8 percent and household spending, which grew by 14.2 percent.

Although he said growth slowed slightly by September 2025, recent indicators suggest stronger activity toward the end of the year. Growth for the 2025/26 financial year is projected at between 6.5 and 7 percent.

Inflation Outlook

Dr Atingi-Ego said the inflation outlook has been revised slightly downward relative to the November 2025 forecast round, reflecting the effects of a modest exchange rate appreciation and lower international oil and food prices. Inflation is projected to remain slightly below the target in 2026, within the range of 3.8 to 4.3 percent, before stabilising around the target over the medium to long term. This outlook is supported by continued prudent monetary policy, stable exchange rate conditions, and moderating global commodity prices.

Lowered Inflation

The Central Bank slightly lowered its inflation forecast due to a stronger shilling and lower global oil and food prices. Inflation is expected to stay below the BoU target in 2026, at around 3.8 to 4.3 percent, before stabilising in the longer term, despite expected risks such as strong demand, weak exchange rates, global conflicts, and poor weather affecting food supply.

Future policy decisions will remain data-dependent, informed by continuous assessments of domestic and global risks.

On January 19, the International monetary Fund (IMF) said in the World Economic Outlook that global growth is projected at 3.3 percent for 2026 and 3.2 percent for 2027, revised slightly up since the October 2025 World Economic Outlook.

The IMF said technology investment, fiscal and monetary support, accommodative financial conditions, and private sector adaptability offset trade policy shifts.

About inflation, the IMF said global inflation is expected to fall, but US inflation will return to target more gradually. "Policymakers should restore fiscal buffers, preserve price and financial stability, reduce uncertainty, and implement structural reforms," the IMF said.

"Against this backdrop of stabilising trade tensions and supportive financial conditions, the global economy has continued to be remarkably resilient, adapting to the shifting landscape with momentum varying across countries and sectors," the IMF explained.



An oil rig during the assembling process at Kingfisher oil field. The spending on oil infrastructure is projected to spur growth of the local economy. PHOTO/FILE

AT A GLANCE

2025/26 growth forecast: Economic activity averaged 6.3 percent in the first three quarters of 2025, with government spending up 22.8 percent and household consumption up 14.2 percent.

Central Bank Rate (CBR): Rate unchanged for 14 months to maintain price stability, control inflation, and support steady economic growth amid global uncertainty.

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