# Uganda caps 2025 with annual inflation at 3.6%

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Uganda registered a slight increase in the prices of goods and services in the calendar year 2025 with the annual average headline inflation increasing to 3.6 percent compared 3.3 percent in the previous year, forcing the public to adjust their budgets for consumption and investment expenditures.

Similarly, Uganda Bureau of Statistics (Ubos) says the annual core average inflation increased to 3.8 percent compared to 3.6 percent recorded during the calendar year 2024.

Despite the slight rise in prices of goods and services, Uganda's inflation remained far below the Central Bank policy target of controlling the country's inflation at 5 percent.

Bank of Uganda pursues an inflation target of 5 percent—a level that balances the need to protect consumers from the erosion of their purchasing power while providing investors with a predictable environment for long-term planning.

The director economic statistics, Ubos, Ms Aliziki K. Lubega said on December 31, 2025 at Statistics House, that though the percentage changes remained low, the prices of some goods and services increased during the year due to seasonal factors especially for the food crops and related items.

"There has been increase in prices of food crops and related items during the year. Services inflation also increased due to a rise in passenger transport by land and air. However, Uganda's inflation remains low compared to other countries," she said.

The low inflation for 2025 signals or presents a stable and predictable economic environment, which underpins sound decision making for banks, businesses, and individuals.

A woman sits in front of her tomato stall as she waits for customers at Nakasero Market. Although the percentage changes remained low, the prices of some goods and services increased during the year. PHOTO/FILE

### Annual inflation rate

The annual inflation rate provides the data necessary for the Central Bank to forecast future conditions, adjust the strategies, and maintain the value of money.

The Bank of Uganda's low and stable inflation target of 5 percent is aimed at ensuring price stability and supporting economic growth.

> **Key figure**
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> 3.8%
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> **The annual core average inflation increased to 3.8 percent compared to 3.6 percent recorded during the calendar year 2024.**

For businesses and individuals, a low annual inflation provides the predictability needed for long-term planning during the year.

### Borrowing and lending

Low inflation generally means lower and more stable interest rate making borrowing for major purchase like houses or business expansion more affordable. This encourages spending and investment; thus, fueling the economy (economic growth).

Unfortunately, the credit market in Uganda is characterised by high interest rate hovering between 18 percent and 23 percent.

This doubles the Bank of Uganda policy rate which currently stands at 9.75 percent.

Nonetheless, Uganda's economy is posed to grow between 6.5 percent to 7 percent amidst a low inflation rate and increased investments by the private sector.

Likewise, the financial institutions especially the banks have also stepped up lending to the private sector by introducing different financial products suitable for the different categories ranging from small to large enterprises.

In October 2025, the International Monetary Fund (IMF) projected that Sub-Saharan Africa's inflation to fall significantly in 2025, down to around 13.1 percent from a high of over 20 percent in 2024, with further declines expected in 2026, though high food prices and fiscal challenges remain key concerns, as detailed in the IMF's October 2025 regional economic outlook.

### Impact of stable inflation

A stable inflation rate at this level supports households by safeguarding the value of their incomes and savings. It also gives businesses confidence to make investment decisions that drive sustainable growth.

The Finance Ministry in its performance of the economy report for the month of October 2025, said overall, price developments in most East African Communitypartner states suggest that underlying inflationary pressures remain contained and below the 8 percent threshold set under the EAC macroeconomic convergence criteria.

### Benefits

The low inflation preserves the purchasing power of the people, when prices rise slowly, a person's income and savings retain their value, meaning they can afford more goods and services and maintain their standing of living.

A low inflation enhances financial planning because price stability allows individuals or households to plan their budget and save for the future.

Alow inflation rate for the economy preserves the purchasing power of the money, making it easier for consumers and businesses (investors) to plan for the future.

It also encourages spending and investment, which drives economic growth, creates jobs, and makes a country more competitive in the regional and global market.