Macro outlook: shilling, rates and NFE (15 Oct 2026)

Macro outlook: shilling, interest rates and NFE (15 Oct 2026)

Asked by Aaron in the NFE leads chat. Facts are from public reporting found on 15 Oct 2026 (links at the end). Where sources disagree or I could not confirm, it is marked UNVERIFIED. NFE's own cost and funding numbers are not all known to this note; the "what we need" list at the end says which.

What happened

- **14 Oct, special MPC meeting:** Bank of Uganda raised the Central Bank Rate from 9.75% to **12%** (+225 bp), the first move after eight holds. (Aaron's chat said 9.5%; the reports say 9.75%.) Reasons given: shilling down about 12% this year, higher oil prices, strong dollar demand from fuel importers, foreign investors leaving government bonds.
- **Shilling:** weakest in 33 years, about **4,143 to 4,153 per US dollar on 12 to 13 Oct**. It reportedly strengthened more than 2% after the decision, but the reports give different levels (UNVERIFIED which is right). It passed 4,000 on 5 Oct.
- **Inflation:** headline 3.7% (June); energy, fuel and utilities 11.9% year on year, diesel up 37%. BoU now expects headline inflation to average **7 to 7.5%** over the next 12 months (core 5.5 to 6%) and cut 2026/27 growth to 6 to 6.5%.
- **Credit:** the cash reserve requirement rose from 11% to 13.5% on 24 Sep, so banks have less to lend. In August, shilling loans averaged 17.9% and foreign-currency loans 7.5% (before the hike). Post-hike lending rates: not found.
- **Electricity tariffs (ERA):** Q4 2026 (Oct to Dec) appears **unchanged from Q3** (domestic 779.4 UGX/kWh above the lifeline band, commercial 562.1). UNVERIFIED against the ERA PDF. ERA cited a 4.22% shilling depreciation when it held Q3.

How it reaches NFE

Channel	Direction	Why
Hardware (inverters, batteries, panels, meters, Pis)	Cost up	Priced off the dollar. Local quotes follow the shilling within weeks.
Solar quote (Mudde, UGX 4,426,000 materials)	Cost up	About USD 1,067 at 4,150. See table below.
Customer tariff in MGM	Lagged support	MGM bands mirror ERA's domestic tariff (250 / 779.4 / 412 / 779.4 UGX/kWh, UGX 7,320 service charge, 18% VAT). ERA reviews quarterly and has named the exchange rate as an input, so retail prices follow the dollar with about one quarter of delay.
Arbitrage (peak 666.5 vs off-peak 429.7 UGX/kWh, Code 10.2)	Mild support	The saving is set in shillings, so it grows only if ERA raises tariffs. Today about 189 UGX per shifted kWh, roughly UGX 35,000 a month on one site at 6 kWh a night. Small against hardware costs.
Borrowing	Cost up	CBR at 12% points to higher shilling loan rates (assumption: not yet seen). Dollar loans look cheaper (7.5%) but turn expensive if the shilling keeps falling.
Customers (Sezibwa households)	Risk	Fuel and food inflation cuts what households can spend; September's pilot bill was UGX 552,197 for 8 households, so a few late payers matter.
Cloud and SaaS (Hetzner in EUR, Claude Team, API credits)	Cost up, small	Charged in foreign currency. The Claude credits (USD 1,000) and any USD grant gain value in shillings.
Grid reliability	Possible risk	Fuel cost and import pressure can strain UEDCL. Our 20:00 to 22:30 L3 sag pattern is already grid-side.

Sensitivity: the Mudde solar materials quote (UGX 4,426,000 at 4,150/USD)

UGX per USD	Materials cost (UGX)	Change
3,950	4,212,700	-5%
4,150	4,426,000	base
4,500	4,799,300	+8%

UGX per USD	Materials cost (UGX)	Change
4,800	5,119,200	+16%
5,000	5,332,500	+20%

The quote is valid to about 22 Oct. Labour is extra and local (Green Volta).

What I would do

1. **Decide the solar order before the quote lapses (about 22 Oct)** or ask Mudde to hold the price in writing. Every 5% shilling move is about UGX 220,000 on materials.
2. **Buy hardware earlier rather than later** for anything already planned (spare meters, Pis, a second inverter), while the shilling is firmer after the hike.
3. **Keep any USD funding in USD** (grant, credits) until a shilling cost needs paying.
4. **Keep customer tariffs on the ERA bands** and re-read the ERA schedule every quarter (next: the Q1 2027 schedule, due about the end of December).
5. **Avoid new shilling debt** at the current rates unless the project pays back well inside a year; compare with a dollar-linked option only if income is dollar-linked.
6. **Watch the cash side of billing:** track unpaid bills in MGM monthly, because households are the first to feel inflation.

What we need to finish this properly

- The next hardware order (items, supplier currency, timing) and any quotes in USD.
- How the grant (about USD 3,000) is held and when it is spent.
- Any loan or financing plan for the next site.
- Whether solar panels, inverters and batteries now carry import duty or VAT: not found in the 2026/27 budget reports (UNVERIFIED). Check URA and EAC tariff lines 8541, 8504 and 8507.
- Post-hike commercial lending rates (next BoU Financial Stability or bank rate releases).

Sources

- Pulse Uganda: Bank of Uganda raises CBR to 12% (14 Oct 2026)
- bne IntelliNews: Uganda central bank raises rate to 12% at emergency meeting as shilling hits record lows
- Investing.com: Uganda central bank raises rates to 12% to support shilling
- UBC: Bank of Uganda raises interest rate to 12% as inflation and shilling pressures mount (14 Oct 2026)
- Pulse Uganda: Uganda shilling falls to lowest level in 33 years
- UG Business: Bank lending grows at its fastest rate since 2015
- Monitor: High fuel prices push Uganda's inflation to 3.7 per cent

- ERA: Approves electricity tariffs for the third quarter of 2026; Monitor and Watchdog Uganda on Q4 2026 tariffs
- KPMG and Forvis Mazars: Uganda Budget Brief 2026/27

Revision #2
Created 2026-10-15 10:42:10 UTC by hillary.arinda
Updated 2026-10-21 02:06:15 UTC by aaron.tushabe