

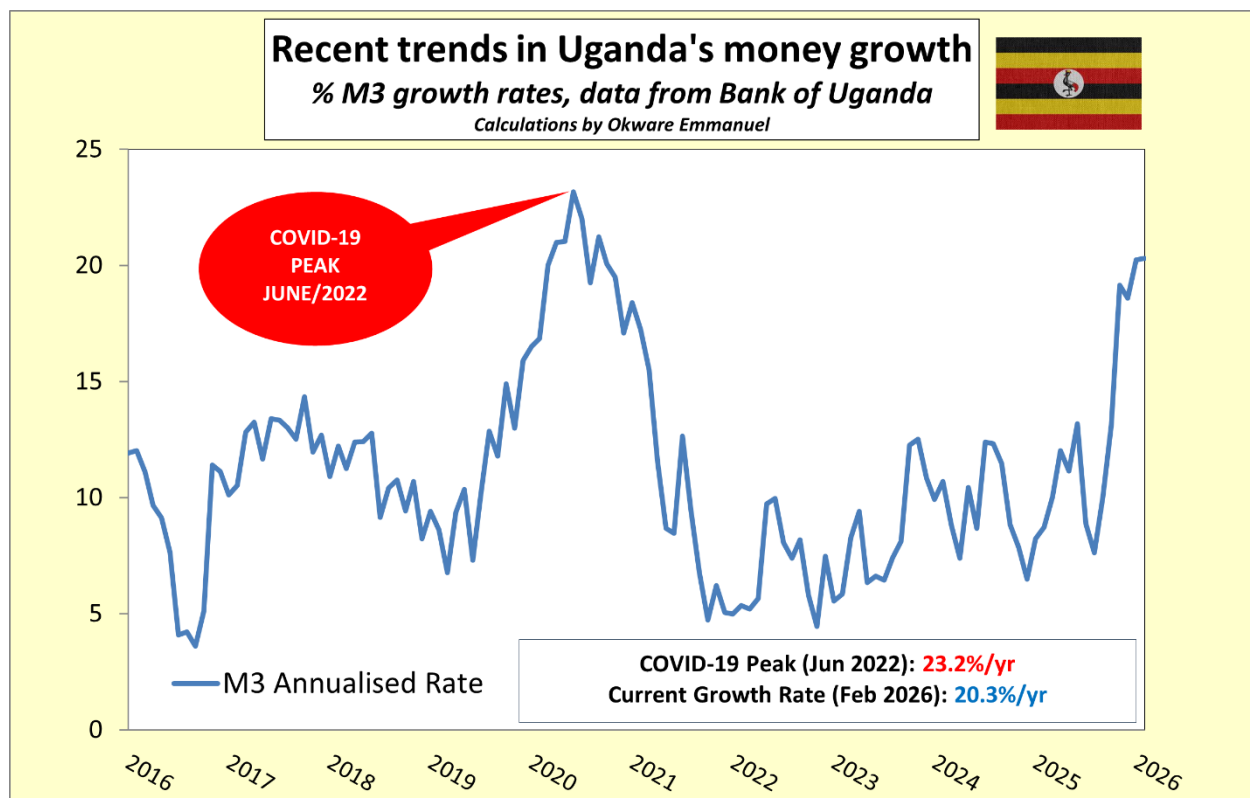
# Recent Broad Money growth in Uganda

Okware Emmanuel, April 2026

On March 26, 2026, NBS Television reported, quoting the Permanent Secretary to the Treasury, Dr. Ramathan Ggoobi, who said that the government is carefully managing the money supply to maintain economic stability. In contrast, the M3 money supply is growing at levels similar to those during the COVID-19 period. According to Chart 1, M3 growth peaked at 23.2% annually in June 2022. This unusual surge was driven by large-scale fiscal stimulus, government deficit financing, and central bank liquidity support during the pandemic. Money creation accelerated rapidly as banks bought government securities and government spending injected deposits into private hands.

According to Chart 1, the current rate (February 2026) remains exceptionally high, only slightly below the 2022 peak, and significantly above Uganda's long-term historical average (approximately 9-12% during calmer periods). The recent acceleration, especially evident in late 2025 and early 2026, indicates that broad money growth is re-accelerating strongly after the post-COVID slowdown. Both rates are well into double digits and reflect excessive monetary expansion relative to Uganda's productive capacity. Real GDP is currently projected around 6.5-7% for FY 2025/26 (with a medium-term target of 8%), meaning broad money is increasing roughly three times faster than real output in this period. This disparity leads to excess money balances in the portfolios of households and firms.

Chart 1: Compares the COVID-19 growth peak and the current peaks



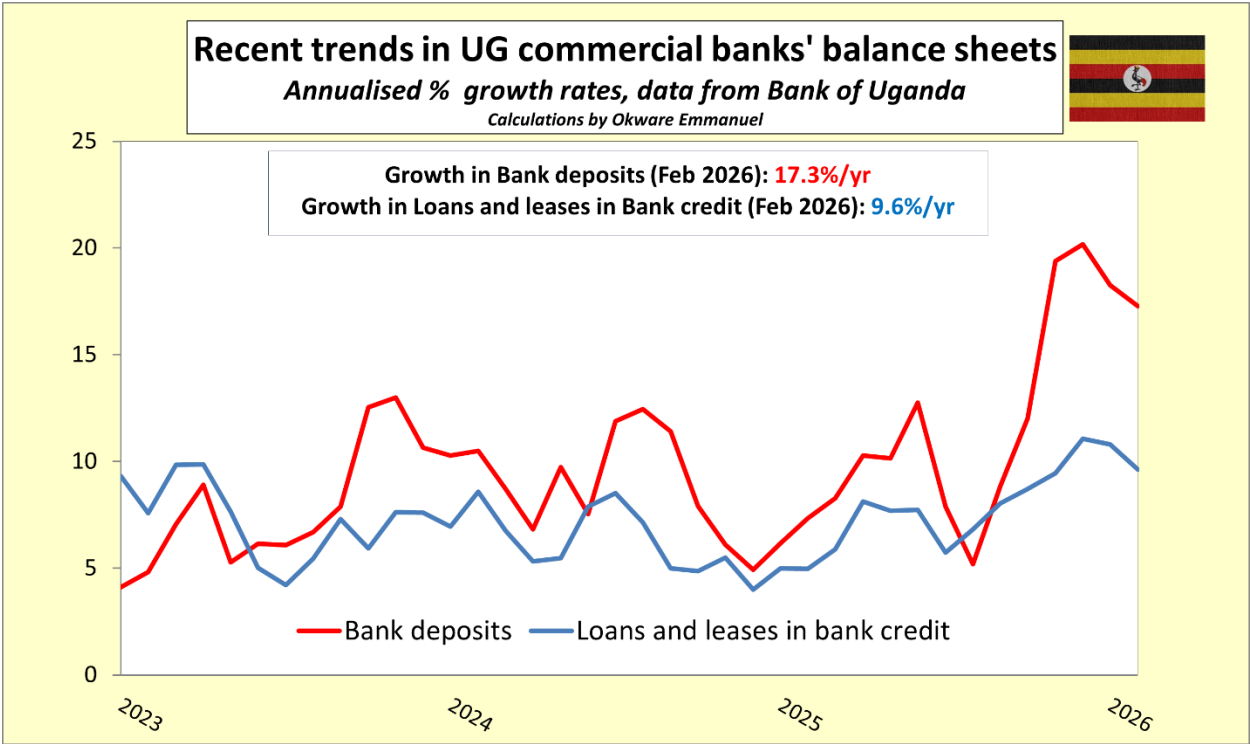
From Chart 2, the main message is clear: broad money (bank deposits) is growing much faster than credit to the private sector (loans and leases). In February 2026, deposits are increasing at an annual rate of 17.3%, while private sector claims grow by only 9.6%. This difference is not random; it shows

how money is being created in Uganda’s economy. When deposits grow faster than private loans (as seen by the consistent gap in Chart 2), the missing growth on the asset side must be explained by increased growth in banks’ net claims on the public sector, meaning commercial banks are buying more government securities (Treasury bills and bonds) than before. This is monetary financing of the government’s budget deficit channeled through the banking system.

Bank deposits, shown by the red line in Chart 2, are increasing and becoming more volatile, especially surging in late 2025 into 2026, indicating strong broad money creation. This raises the total money balances held by Uganda’s households, businesses, and other non-bank private agents. Private credit, represented by the blue line in Chart 2, lags, showing relatively weak demand for or supply of private-sector borrowing. In other words, businesses and households are not taking on new debt as fast as deposits are growing. The gap has widened significantly in recent times, particularly during the sharp increase in deposits from late 2025 to early 2026, suggesting that a larger share of money creation is driven by the public sector.

Such an expansion of deposits resulting from government borrowing from banks increases the money supply in the same way as an equivalent increase from private loans. Therefore, like private loan expansion, this increase in deposits from government borrowing will add to the non-bank private sector’s money holdings, which in turn affects spending, asset prices, and nominal GDP through direct impacts on portfolios and indirect effects via asset markets.

Chart 2: Compares growth in Bank deposits with Loans and leases in bank credit



The main argument is that broad money (bank deposits) is being created mainly through the public-sector credit counterpart rather than lending to the private sector. This still represents genuine,

potentially expansionary money creation that can affect nominal demand, asset prices, and inflation pressures in the economy. If current deposit growth (over 17%) continues while real GDP growth remains projected at 6.5-8%, there is a risk of excess money relative to the economy's demand for money balances and productive capacity. This could lead to rising asset prices, such as real estate and other important assets, which may later contribute to broader inflation. The policy message is that the Bank of Uganda should closely monitor the rate of broad money growth as a key indicator, not just the policy rate or short-term inflation. At 20.3%, M3 growth is too high for long-term stability if real output growth remains in the 6-8% range. Measures to restrain liquidity might help, but sustained high money growth will ultimately show up in asset bubbles and rising prices.