

Emmanuel Tumusiime-Mutebile: Bank of Uganda's position on the exchange rate

Statement by Prof Emmanuel Tumusiime-Mutebile, Governor of the Bank of Uganda, Kampala, 19 January 2011.

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I think that it is now necessary to state clearly Bank of Uganda's position on the Exchange Rate.

We believe that the current level of the Uganda Shilling/Dollar exchange rate is undervalued. Moreover, further depreciation will be counterproductive for macroeconomic management, especially because of the impact this will have on the prices of imported goods and hence on consumer price inflation.

Consequently, the Bank of Uganda intends to adopt a more aggressive stance to support the exchange rate. We sold dollars yesterday to the interbank market. We are prepared to intervene again if necessary. We are complementing this by raising interest rates in the interbank market and on repo instruments.

Of course open market exchange rates are difficult to control and no central bank can guarantee to move the exchange rate in the direction it wants. However, I want to stress that we are not indifferent to further exchange rate depreciation and that for the immediate future, curbing such depreciation will be a priority of the Bank of Uganda's macroeconomic management.