



MONTHLY ECONOMIC REVIEW

APRIL
2004

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EXECUTIVE SUMMARY

Monetary Policy Stance and Actions

- Bank of Uganda was in the market with the third issue of the Treasury bond. The 5-year bond auctioned on March 26, 2004 raises the outstanding stock of Treasury bonds to Shs 60.0 billion over the first 3 months of the year.
- Net-issuance of Treasury bills and daily sales of foreign exchange under the sterilization strategy were used to sterilize liquidity, while the Repo instruments facilitated the short-term, normally fine-tuning operations.
- In line with market developments, the Rediscount rate and Bank rate that were 20.51 percent and 21.51 percent, respectively, by March 12, 2004, had declined to 12.92 percent and 13.92 percent, respectively.
- Bank of Uganda maintained its presence in the market under the sterilization profile and stood ready to intervene to curb instability in the market.

Inflation Developments

- The annual headline inflation rate declined from 2.8 percent in February 2004 to 1.7 percent of March 2004.
- The annual underlying inflation rate also declined from 4.4 percent to 3.9 percent over this period.

Real Sector Developments

- Developments in consumption of fuel oil products were generally mixed between December 2003 and February 2004. While premium oil, was lower in January and February 2004, compared to December 2003, diesel oil consumption averaged at about the same level of the December 2003.
- Turnover at the Uganda Securities Exchange increased from Shs 14.8 million in February 2004 to Shs 140.1 million in March 2004. The USE All Shares Index also increased, closing at 387.1, compared to 384.5 of February 2004.

Domestic Securities and Money Market Developments

Securities and money market interest rates were on a gradual downward trend over the four weeks ended-April 16, 2004.

- On March 24, 2004, BOU issued the third Treasury bond with a tenor of 5 years, a coupon rate of 10.75 percent, and a face value of Shs 20.0 billion. This bond, which mopped up Shs 18.52 billion, was oversubscribed by Shs 22.0 billion and the resultant yield-to-maturity was 12.80 percent.
- In the primary auction market for Treasury bills, the respective weighted annual discount rates for the 91-day, 182-day, 273-day, and 364-day bills stood at 5.35 percent, 6.17 percent, 7.69 percent and 7.98 percent, respectively, at the auction held

on April 14, 2004. This compares to levels of 9.95 percent, 11.38 percent, 10.32 percent and 10.29 percent, respectively, recorded in the auction held on March 03, 2004.

- The average bid/offer discount rates in the secondary market for Treasury bills maintained the downward trend for all maturities. The yield curve derived from these average bid/offer quotations also shifted downwards in line with the developments in the primary market.
- Total transactions in the secondary market for government securities were Shs 5.58 billion over the period under review, lower than Shs 11.41 billion of the corresponding period ended-March 12, 2004.
- The domestic inter-bank money market remained buoyant and the weighted average inter-bank market rate of 5.19 percent over the four weeks to April 16, 2004, was lower than 9.95 percent recorded for the corresponding period ended March 12, 2004.
- Commercial banks adjusted their prime-lending rates to the range of 17-21 percent, compared to 17-22 percent recorded in the previous period.
- The commercial banks' effective rates to February 2004 were also on a downward trend, though sluggishly. The effective lending rate on shilling denominated loans declined marginally from 23.38 percent to 23.26 percent, while that on the foreign denominated loans was 9.22 percent, compared 9.82 percent recorded January 2004.

Monetary and Financial Aggregates Developments

These developments cover both the banking system and the non-bank financial institutions.

- In February 2004, broad money M3 expanded by 2.7 percent while broad money excluding forex deposits (M2) grew by 2.4 percent. The respective changes in these aggregates in January 2004 were -1.7 percent and 2.0 percent. The year-on-year growth rates for M3 and M2 were 14.7 percent and 13.0 percent, respectively.
- While net credit by the banking system to government increased by 10.6 percent over February 2004, private sector credit (PSC) has decreased by 1.1 percent over this period. The year-on-year growth in PSC was 18.9 percent.
- On the liabilities, the respective shares to M3 of currency in circulation, shilling term deposits, shilling demand deposits and forex denominated deposits stood at 21.2 percent, 23.7 percent, 30.7 percent and 24.5 percent, respectively, by end-February 2004, compared to respective levels of 21.9 percent, 24.0 percent, 29.9 percent and 24.2 percent in January 2004.
- Assets of Non-Bank Financial Institutions (NBFIs) rose by 2.7 percent to Shs 146.15 billion by February 2004. Loans and advances to the private sector, mainly financing the building and construction sector, grew by 1.1 percent, compared to 2.0 percent of January 2004. Deposits in credit institutions also rose by 4.8 percent in February 2004 mainly on account of savings deposits.

- Under the leasing activity, the value of assets disbursed increased by 21.0 percent to Shs 1.43 billion in March 2004, from Shs 1.18 billion of February 2004.

Fiscal Developments

- In the month of February 2004, government revenue and budget support grants were estimated at Shs 131.1 billion compared to the programme target for the period of Shs 142.6 billion and Shs 147.6 billion realised in January 2004.
- Government expenditure and net lending stood at Shs 178.5 billion, measured against an anticipated level of Shs 188.2 billion.
- The overall fiscal balance (including grants) for February 2004 was a deficit of Shs 47.4 billion compared to a projected deficit of Shs 45.5 billion. Excluding grants, the deficit rose from Shs 55.4 billion to Shs 61.0 billion between January 2004 and February 2004.

Foreign Exchange Market

- The depreciation trend of the Uganda shilling against the US Dollar experienced during the second half of February 2004 and first half of March 2004 reversed over the four-weeks to April 16, 2004. The Shilling appreciated by 0.78 percent against the U.S. Dollar over this period four weeks to April 16, 2004 compared to a depreciation of 5.4 percent over the period between February 16, and March 12, 2004.
- The average spreads between the weighted inter-bank buy and sell rates, declined from Shs 29.18 during the previous period to an average of Shs 15.54 for the period under review.
- BOU maintained its presence in the IFEM under the sterilization strategy. Net sales of foreign exchange amounted to US \$ 26.30 million over the period under review, higher than US \$ 7.05 million of the previous period to March 12, 2004.

Balance of Payments Developments

- In February 2004, the current account balance is estimated at a deficit of US\$57.01 million, while the capital and financial account is estimated at a surplus of US\$37.21 million. Thus, the overall balance is estimated at a deficit of US\$19.80 million.
- Total exports proceeds for the period February 2004 are estimated at US\$54.57 million, out of which coffee accounted for 20.6 percent.
- The import bill (cif) is estimated at US\$121.36 million during February 2004. This is a decline of 5.8 percent compared to the January 2004 import bill, which was estimated at US\$128.80 million.
- Official aid (excluding project aid but including resources from the HIPC Initiative) inflows amounted to about US\$4.3 million, while net private transfers were estimated at a deficit of US\$1.23 million in February 2004. Services and income outflows exceeded inflows by US\$29.84 million during February 2004.

- Official debt service (excluding IMF payments) is estimated at US\$4.73 million for the month of February 2004. No IMF principal obligations were externalized in February. Short-term inflows of US\$15.2 million exceeded outflows by US\$8.25 million.
- Official foreign reserves (including valuation changes) are estimated to have dropped by US\$11.61 million to US\$1054.37 million in February 2004. Subsequently, the level of import cover in months of imports of goods and services dropped from 6.44 months in January 2004 to 6.3 months in February 2004.

The policy outlook

Bank of Uganda is set to maintain the cautious monetary policy stance to ensure that inflation remains low and stable. It is also committed to manage liquidity in a manner that does not cause instability in both the domestic and foreign exchange markets.

A MONETARY POLICY STANCE AND ACTIONS

Bank of Uganda (BOU)'s monetary policy is focused on containing inflation, but operations of its instruments are cautious not to exacerbate instability in the markets. The Treasury bond, the net issues of Treasury bills and daily sales of foreign exchange continue to be the main instruments of sterilization of excess liquidity, while the Repurchase Agreements (REPOs) are actively used to fine-tune operations and manage short-term liquidity movements. The liquidity management effort is supplemented by adjustments in the pricing of the liquidity providing windows, the Rediscount Rate and Bank rate, to ensure a consistent monetary policy stance.

In line with its policy of a market-determined exchange rate, BOU only intervenes in the inter-bank foreign exchange markets (IFEM) to curb instability.

In the four weeks to April 16, 2004, there was a net redemption of Treasury bills amounting to Shs 17.24 billion. This is compared to a net redemption of Shs 20.34 billion in the corresponding four-week period to March 12, 2003. Further sterilization of liquidity during this period was on account of a 5-year Treasury bond worth Shs 20.0 billion, which at cost value, mopped up Shs 18.52 billion value-dated March 26, 2004. For short-term liquidity management, gross issues of the REPO instrument, whose maturity ranged from 2 days to 11 days, amounted to Shs 288.7 billion over this period, against maturities of Shs 305.77 billion. This is compared to issues and maturities of Shs 394.5 billion and Shs 387.03 billion, respectively over the preceding period ended March 12, 2004. BOU maintained its presence in the foreign exchange market under the sterilization profile, and stood ready to intervene in the market to avert any instability. Over the four weeks to April 16, 2004, the net effect of BOU's transactions in this market was a net sale of foreign exchange worth US\$ 26.30 million, compared to US\$ 7.05 million in the preceding four weeks period ended March 12, 2004.

In line with the developments in the Treasury bill market, the Rediscount rate and Bank rate that were 20.25 percent and 22.25 percent, respectively, by March 12, 2004, had declined to 12.92 percent and 13.92 percent, respectively by April 16, 2004.

B DOMESTIC PRICE DEVELOPMENTS

The **Annual Headline Inflation** for the year ending March 2004 dropped to **1.7 percent** from the 2.8 percent posted in February 2004. This decline was largely on account of a decrease of 7.0 percent in the food crops prices.

The **Monthly Headline Inflation** was lower at **-0.1 percent** in March 2004, when compared to the -0.3 percent registered in February 2004. This was on account of declines of 0.1 percent in food prices, 0.7 percent in clothing and footwear, 0.3 percent in rent, fuel and utilities and 0.2 percent in transport and communication prices. However, the average prices of household and personal goods increased by 0.3 percent, while beverages and tobacco and health, education and entertainment remained unchanged.

The **Annual Underlying Inflation** dropped to **3.9 percent** in March 2004, from 4.4 percent of February 2004. The rate however, was slightly higher than 3.3 percent recorded in March 2003. Prices of some domestic manufactures and imported goods were lower in March 2004 than in February 2004. This may be attributed to effects of the appreciation of the Uganda Shilling.

The **Monthly Underlying Inflation** dropped to **0.0 percent** in March from the 0.9 percent posted in February 2004. This was on account of decreases in the average price of milk, sugar and textiles due to increased supply from domestic production and imports. Decreases were also recorded in transport and communication, on account of reduction in the price bicycles and motorcycle fares.

The **Food Crops Annual Inflation** was lower at **-7.0 percent**, compared to -3.0 percent posted in February 2004. The plunge in the food crops inflation was on account of decreases in prices of staple food crops particularly, matooke, due to increased supply from producing areas. The **Monthly Food Crops Inflation** declined at a lower rate of **-1.0 percent** in March 2004 compared to -4.7 percent posted in February 2004.

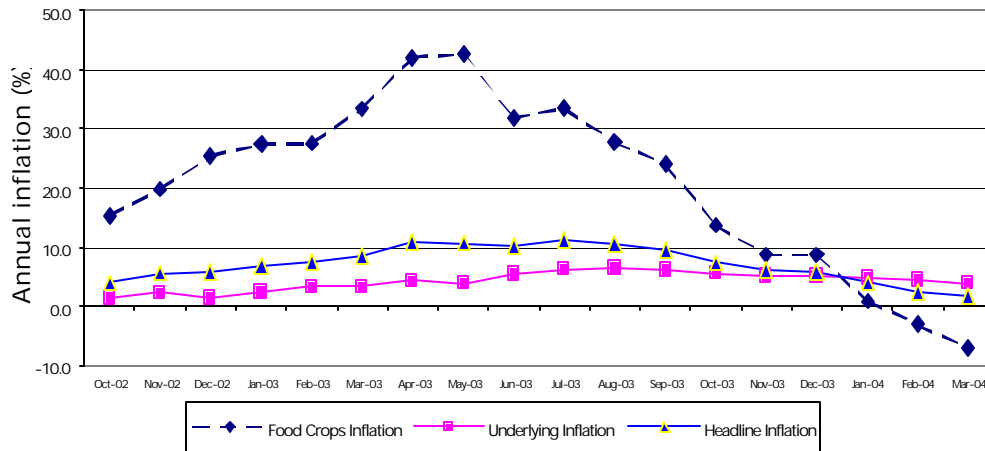
The developments in inflation are indicated in Table 1 and Chart 1.

Table I. Three Months Rolling Inflation Rates Out-turn (January– February 2004)

Period	Headline Inflation		Underlying Inflation		Food Crops Inflation	
	Monthly	Annual	Monthly	Annual	Monthly	Annual
January 2004	-1.5	4.0	4.0	0.5	-9.5	0.9
February 2004	-0.3	2.8	2.8	0.9	-4.7	-3.0
March 2004	-0.1	1.7	1.7	0.0	-1.0	-7.0

Source: Uganda Bureau of Statistics

Chart 1: INFLATION DEVELOPMENTS FOR AUGUST 2002- MARCH 2004



C REAL SECTOR DEVELOPMENTS

This report presents trends in fuel consumption, leasing activity and activity at the Uganda Securities Exchange.

D) Production

a) Index of Industrial Production

The Index of industrial production, which measures performance of the manufacturing Sector is yet to be updated by the UBOS.

b) Diesel Consumption

Updates on fuel imports and consumption from the Ministry of Energy and Mineral Resources are only available up to February 2004. These statistics show that the volume of imports of the three main fuel products namely, premium, kerosene and diesel rose by 3.5 percent, 5.4 percent and 4.5 percent respectively in January 2004. However, in February 2004, while the volume imported of premium rose further by 7.9 percent, those of kerosene and diesel dropped by 22.4 percent and 6.4 percent respectively in the same period.

As seen in Table II, on the consumption side, sales of premium, decreased by 7.6 percent in January 2004, before registering a slight rise of 0.5 percent in February 2004. On the other hand, the consumption of diesel rose by 5.5 percent in January 2004, but declined by 12.9 percent in February 2004. Kerosene sales increased by 23.7 percent and 3.1 percent over the first two months of the year 2004. The lower growth rates in February are probably on account of the pump price rises towards end January 2004.

Table II. Import Sales and Volumes of Major Fuel Products (January– February 2004)

		('000 Litres)				
		Dec '03	% Change	Jan '04	% Change	Feb '04
Premium (PMS)		17,442	3.5	18,053	7.9	19,483
Diesel (AGO)		23,654	4.5	24,726	(6.4)	23,141
Kerosene (BIK)	Imports	4,763	5.4	5,022	(22.4)	3,898
Premium (PMS)		17,066	(7.6)	15,764	0.5	15,850
Diesel (AGO)	Sales	21,017	5.5	22,177	(12.9)	19,310
Kerosene (BIK)		3,481	23.7	4,306	3.1	4,439

Source: Ministry of Energy & Mineral Resources

c) Power/Electricity Consumption

Data on electricity statistics is available only up to December 2003. The change over to the automated meter reading is the reason for delay in the production of business statistics for the subsequent months arising mainly from problems with merging the old and new systems.

d) Activity at the Uganda Securities Exchange (USE)

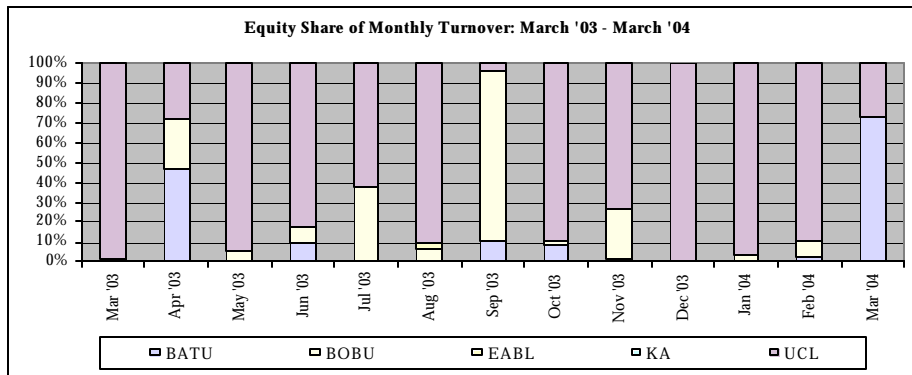
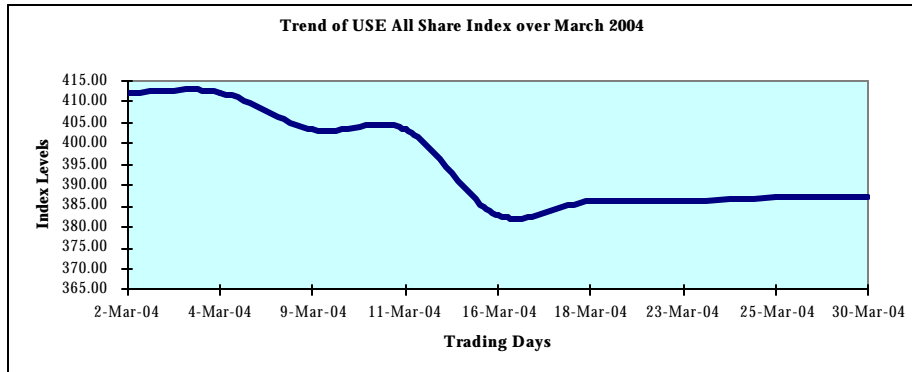
In March 2004, a third bond was added to the list of USE's fixed income products. In the equities market, total turnover rose by 171 percent to Shs 40.1 million in March 2004, from Shs 14.8 million recorded in the previous month. The total number of shares traded amounted to 26,447 in 12 deals in the period under review. In March 2004, the Uganda Clays counter was the most active although it pulled only 27 percent of the total turnover. British American Tobacco Uganda had the most turnover having traded only once. While market capitalization dropped by 4 percent, from Shs 1555.1 billion recorded in February 2004 to Shs 1491.2 billion in March 2004, the all share index rose from 384.5 to 387.1 over the same period.

Table III. Trading at the Uganda Securities Exchange r '03, Jan '04 – Mar '04)

	Sep. '03	Oct. '03	Nov. '03	Dec. '03	Jan. '04	Feb. '04	Mar. '04	Mar '03
Total Turnover (Million Ushs)	123.3	32.3	4.5	6.0	21.6	14.8	40.1	16.9
No. Deals	9	6	7	3	4	26	12	11
No. Shares	154,508	6995	2,002	797	3,782	3,800	26,447	5,153
Market Capitalization					1,583.8	1,555.3	1,491.2	385.2
All Share Index					397.28	384.52	387.09	

Source: Uganda Securities Exchange Limited (USE)

Chart 2: Trend of the USE Index and Company Share Turnover



D DEVELOPMENTS IN THE DOMESTIC SECURITIES AND MONEY MARKET

The down ward trend in domestic securities and money market rates observed since January 2004, continued into the four weeks ended April 16, 2004.

i) Primary market for Treasury bonds

On March 24, 2004, Bank of Uganda auctioned the third issue of the Treasury bond, with a 5-year tenor and 10.75 percent coupon rate. As was the case with the previous two bonds primary auctions, the 5-year bond was over-subscribed by Shs 22.00 billion, hence a cover-ratio of 210.0 percent. The resultant weighted price of Shs 92.59 per Shs 100 gave a yield -to-maturity of 12.80 percent. On March 25, 2004, the 5-year bond was listed on the Uganda Stock Exchange. Table 3 below shows details of the three bonds on the market, also listed at the Uganda Securities Exchange.

Table IV. Government Treasury Bond Issues for January, February and March 2004

Maturity/Tenor ® Issue date	2 Years	3 Years	5 Years	Total
	Jan 14-04	Feb 25-04	Mar 24-04	
Offers (Billion Shs)	20.000	20.000	20.000	60.000
Total Bids (Billion Shs)	36.461	44.830	41.999	123.290
O/w Competitive	36.390	44.784	41.997	123.171
Over (Under) Subscription	16.461	24.830	21.999	63.290
Amount Sold (Face Value)	20.000	20.000	20.000	60.000
Amount Sold (Cost Price)	16.603	17.564	18.518	52.685
Cover Ratio %	182.305	224.149	210.00	
WAP per Shs. 100	83.020	87.819	92.59	

ii) Secondary Market for Treasury bonds

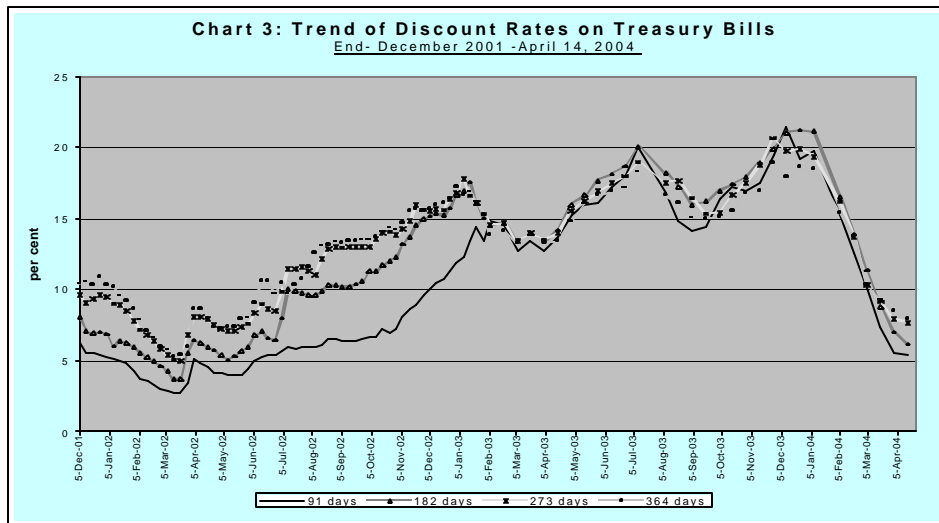
The four week-period average indicative bid/offer yields -to-maturity in the secondary market for the 2-year and 3-year bonds were quoted at 18.92/18.67 percent and 14.94/14.74 percent, down from the respective 19.56/19.31 percent and 15.46/14.99 percent, reported in the previous four week period. The 5-year bond quoted average rates of 12.95/12.71 percent. In the period under review, Shs 0.02 billion worth of the 3-year bond was traded between a bank and an individual at a cost of Shs 0.019 billion.

Table V: Bid/Offer Rates and Transactions in the Secondary Market for Treasury bonds over the four week-period to April 16, 2004

	Tenor of bond					
	2-year		3-year		5-year	
	Yield-to-maturity quotation (%)					
	Bid	Offer	Bid	Offer	Bid	Offer
Min	14.00	13.75	12.00	11.75	12.00	11.75
Max	22.50	22.30	16.47	16.34	14.05	13.80
Average	18.92	18.67	14.94	14.74	12.95	12.71
<i>Compiled from Domestic Financial Markets Department records</i>						

iii) Primary Market for Treasury bills

In the primary auction market for Treasury bills, the respective weighted annual discount rates for the 91-day, 182-day, 273-day, and 364-day bills stood at 5.35 percent, 6.17 percent, 7.69 percent and 7.98 percent, respectively, at the auction held on April 14, 2004. This compares to levels of 9.95 percent, 11.38 percent, 10.32 percent and 10.29 percent, respectively, recorded in the auction held on March 03, 2004 (see trends in Chart 3 below). The Treasury bill market was over subscribed for all the auctions held in the period under review.



ii) Secondary Market for Treasury bills

The average bid/offer discount rates in the secondary market for Treasury bills maintained the downward trend for all papers (maturities) that was observed in the previous four-week period.

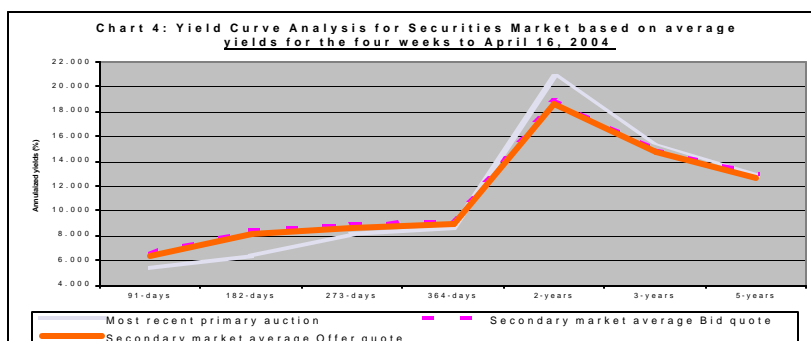
As shown in Table V, the average bid/offer rates for the four weeks to April 16, 2004 were recorded at 6.47/6.21 percent, 8.07/7.82 percent, 8.32/8.07 percent and 8.46/8.20 percent for the 91-days, 182-days, 273-days and 364-days securities, respectively. This compares to the respective 12.65/12.38 percent, 13.89/13.61 percent, 13.62/13.37 percent and 13.34/13.08 percent, respectively in the four weeks to March 12, 2004.

Table VI: Bid/Offer Rates and Transactions in the Secondary Market for Treasury bills over the four- week period to April 16, 2004

	Tenor of bills							
	91-days		182-days		273-days		364-days	
	Discount rate quotation (%)							
	Bid	Offer	Bid	Offer	Bid	Offer	Bid	Offer
Min	5.14	4.89	7.00	6.75	6.81	6.56	7.00	6.75
Max	8.50	8.25	9.50	9.25	9.70	9.45	9.90	9.65
Average	6.47	6.21	8.07	7.82	8.32	8.07	8.46	8.20
Trading Activity								
Transactions (Shs bill)	0.329		0.284		4.466		0.500	
O/w Horizontal repos	0.000		0.000		0.000		0.000	
- Av. H/Repo rate	-		-		-		-	
O/w - Outright sales	0.329		0.284		4.466		0.500	
Total trades across maturities	Shs 5.579 billion							
Rediscounts at BoU	-							
Borrowing at BoU	-							
- Av. Discount rate	16.92 percent		9.70 percent		9.16 percent		8.08 percent	
- Av. Effective Yield	17.52 percent		10.23 percent		9.85 percent		8.68 percent	
<i>Source: Compiled from Domestic Financial Markets Department records</i>								

Total trades in the Treasury bills for the four weeks ended April 16, 2004 amounted to Shs 5.58 billion, lower than Shs 11.41 billion of the four weeks ended March 12, 2004. The average discount rates on these trades for the 91-day, the 182-day, 273-day, and the 364-day securities were 16.92 percent, 9.70 percent, 9.16 percent, and 8.08 percent, respectively. As was the case in the previous four-week period, all the trades were outright sales.

The yield curve, based on the average yield-to-maturity quotations in the secondary market has evolved in line with the developments in the primary market. However, as shown by Chart 4 below, relatively wide margins between the two curves were observed at the shorter end of the



market, and at the longer end as the curve derived from the secondary market dropped below that from the primary market.

Activity in the domestic inter-bank money market for the four weeks ending April 16, 2004 continued to be buoyant in the call money market (i.e. transactions of less than 30 days tenor). The most active period was the week ended April 16, 2004, when transactions worth Shs 64.45 billion were recorded, while the least activity was in the week of March 19, 2004, when Shs 23.29 billion was traded. Over this period, the weighted inter-bank rate portrayed relative stability, falling within the range between 4.50 percent and 5.47 percent. All commercial banks participated

in the market during the four weeks. The average of the inter-bank market rates of 5.19 percent over the four weeks to April 16, 2004, was lower than 9.95 percent recorded for the corresponding period ended March 12, 2004.

v) **Commercial Banks' Retail Interest Rates**

During the four weeks to April 08, 2004, nine commercial banks adjusted their prime-lending rates downwards. Correspondingly, the number of commercial banks charging prime-lending rates in the categories 16.0-18.0 percent and 18.1-20.0 percent changed from 3, 2 and 10 to 4, 9 and 2 respectively. The range of these rates for the entire banking sector also shifted down from 17-22 percent to 17-21 percent. (See Table VII).

Table VII: Weekly Movements in the Prime Lending Rates (Figures are end-period)

Prime Lending Rate (percent)	Dec 05, 03	Jan 09, 04	Feb 06, 04	Mar 05, 04	Apr 08, 04
	No. of banks charging rates within range				
0.0 – 10.9	0	0	0	0	0
11.0 – 13.9	0	0	0	0	0
14.0 – 15.9	0	0	0	0	0
16.0 – 18.0	2	1	1	3	4
18.1 – 20.0	5	3	3	2	9
20.1 – 22.0	8	11	11	10	2
22.1 - >>	0	0	0	0	0
Range (Min – Max)	18%–22%	18%–22%	18%–22%	17%–22%	17%–21%
Source: Weekly Report of Interest rates by Commercial Banks					

Seven commercial banks adjusted their indicative deposit rates in the period under review. This was a downward adjustment in all the banks. The range of the savings deposits moved from 0-7.5 percent to 08.0 percent while that of the time deposits shifted downwards, from 0.25-12.0 percent to 0.25-9.0 percent. The number of banks with maximum savings rates of at least 5.0 percent and those with a maximum time deposit rate of at least 8.0 percent decreased from nine (9) to six (6) and twelve (12) to eight (8), respectively.

Information on the commercial banks' effective lending and deposit rates is available only up to February 2004. As portrayed in Table VIII, the effective lending rate on foreign denominated loans continued to fall from 9.82 percent where it had fallen in January 2004, to 9.22 in February 2004. The decline in the lending rate on the shilling denominated loans was marginal, from 23.38 percent to 23.26 percent in the same period.

**Table VIII: Commercial Banks' Lending and Deposit Rates
(Percent)**

Weighted Average rates	Shilling Denominated				Forex Denominated			
	Nov 03	Dec 03	Jan 04	Feb 04	Nov 03	Dec 03	Jan 04	Feb 04
Lending	20.55	21.61	23.38	23.26	10.49	10.16	9.82	9.22
Demand Deposits	1.39	1.32	1.42	1.31	0.96	0.95	0.96	0.96
Savings Deposits	2.59	2.49	2.40	2.39	1.64	1.71	1.68	1.66
Time Deposits	11.11	12.11	11.46	10.23	3.08	1.66	1.51	1.73

Source: Monthly Report, BS100 Returns by Commercial Banks

The weighted rate on shilling denominated savings deposits maintained a marginal decline, decreasing further from 2.40 percent in January 2003, to 2.39 percent in February 2004. The weighted time deposits rate also declined further from 11.46 percent in the previous period to 10.23 percent in the period under review. On the foreign currency denominated deposits, the rate on demand deposits continued to be stable at 0.96 percent. That on savings deposits registered a marginal decline from 1.68 percent to 1.66 percent while that on time deposits increased from 1.51 percent to 1.73 percent.

E MONETARY AGGREGATES AND FINANCIAL SECTOR AGGREGATES

(i) Banking Activities¹

Broad Money

Broad Money M3, which comprises currency in circulation plus all private deposits, expanded by 2.7 percent to Shs 2515.5 billion in February 2004. This is an acceleration in the growth of money supply, when compared to an expansion of 1.7 percent in January 2004. Relative to June 2003, M3 expanded by 6.0 percent or Shs 142.0 billion, while the year-on-year growth rate for M3 was recorded at 14.7 percent, compared to 20.1 percent growth in January 2004.

M2A, defined as M3 less foreign currency deposits of the private sector, expanded by 2.4 percent to Shs 1900.4 billion at end-February 2004 from Shs 1855.6 billion at end-January 2004. This compares to an expansion of 2.0 percent in the month of January 2004. Relative to June 2003, M2A rose by 8.6 percent, while on year-on-year basis M2A grew by 13.0 percent compared to 17.3 percent for end- January 2004. Developments in money supply are shown in Table IV below.

Net Foreign Assets (NFA)

Between January 2004 and February 2004, the NFA of the banking system fell by 1.0 percent or Shs 2.6 billion to Shs2244.4 billion. At BOU, NFA contracted by 1.4 percent or Shs 22.7 billion, to Shs 1618.0 billion. Foreign reserves at BoU fell by an equivalent of Shs 24.7 billion (or U.S \$11.6 million). At Commercial banks, NFA grew by 3.3 percent or Shs 20.0 billion to Shs626.4 billion compared to an increase of 5.4 percent or Shs 30.8 billion January 2004.

Net Claims on Government (NCG)

The government's net position with the banking system (NCG) as at end- February 2004 was a borrowing of Shs 352.8 billion, up by 10.6 percent or Shs 33.9 billion from Shs 318.9 billion at

¹ Based on the Preliminary Monetary Survey for February 2004.

the end of January 2004 (Table IX). At BoU, the reduction in government savings by Shs. 30.4 billion over the month was mainly on account of a draw down government deposits of Shs 22.2 billion and growth in advances to government of Shs 15.8 billion. BoU's investment in Government securities fell by 7.7 billion over the month. At commercial banks, net claims on Government rose marginally by Shs 3.5 billion to Shs 518.1 billion in February 2004. This was largely on account of a decline in Government deposits of Shs 16.5 billion that offset a fall in commercial bank investment in government securities of Shs 11.5 billion. Relative to June 2003, the claims of the banking system on government decreased by Shs 37.7 billion or 9.6 percent.

Table IX: Developments in Monetary and Credit Aggregates (June 02 – January 04)

(in billion shillings unless otherwise stated)

	Feb. 2003	June 2003	Sep. 2003	Dec. 2003	Jan. 2004	Feb. 2004
Net Foreign Assets (NFA)	1622.4	2101.3	2078.3	2255.7	2247.0	2244.4
Domestic Credit	1495.3	1246.2	1431.9	1291.6	1310.6	1339.4
Net Credit to Gov't (NCG)	671.7	390.4	534.9	320.5	318.9	352.8
Claims on the Private Sector	817.0	848.6	888.2	962.0	982.1	971.6
M3	2193.4	2373.4	2365.2	2407.0	2448.4	2515.5
Forex deposits	511.5	624.2	580.0	587.3	592.8	615.0
M2A	1681.9	1749.2	1785.2	1819.7	1855.6	1900.4
Demand Deposits	707.4	725.1	741.3	692.2	732.8	771.5
Term Deposits	527.20	562.7	570.4	581.3	586.67	595.20
Currency	447.3	461.4	473.4	546.2	536.2	533.7
Forex/M3 (%)	23.3	26.3	24.5	24.4	24.2	24.5
Demand Deposits/M3 (%)	32.2	30.6	31.3	28.8	29.9	30.7
Term Deposits/M3 (%)	24.0	23.7	24.1	24.1	24.0	23.7
Currency/M3 (%)	20.4	19.4	20.0	22.7	21.9	21.2

Source: Monetary Survey, Research Department, Bank of Uganda.

Private Sector Credit (PSC)

At end-February 2004, the stock of outstanding credit to the private sector by the banking sector stood at Shs 971.64 billion, of which Shs 6.2 billion was from BOU and Shs 965.5 billion from commercial banks. This represents a decline of 1.1 percent (or Shs 10.5 billion) over the end January 2004 position. Relative to June 2003, PSC grew by Shs 123.0 billion or 14.5 percent, while the year-on-year growth rate in PSC was recorded at 18.9 percent for end-February 2004.

Credit Flows

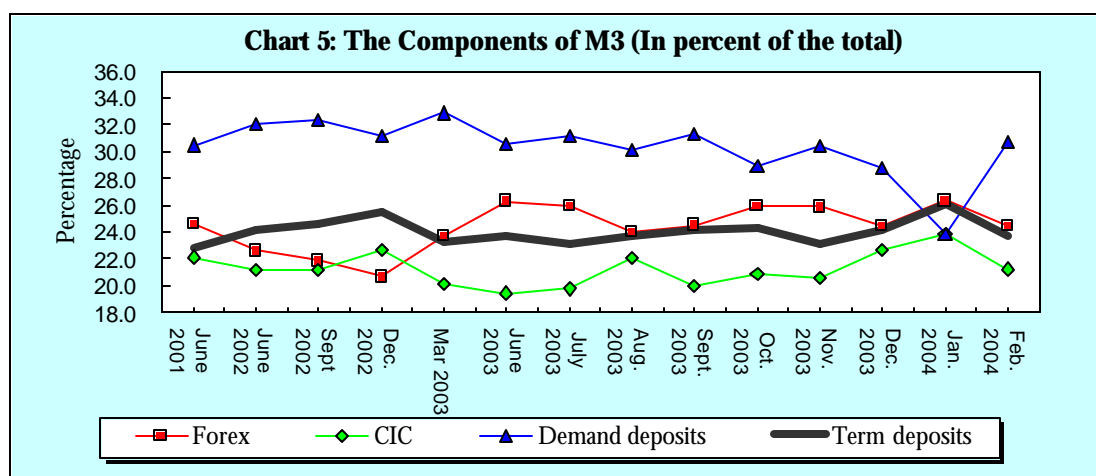
During February 2004, the total (shilling and foreign currency) gross extensions by commercial banks amounted to Shs 117.57 billion. With recoveries worth Shs 126.30 billion, this resulted in net recoveries of Shs 8.73 billion. After accounting for flows in capitalized interest, there was a fall in the stock of credit of approximately Shs 6.54 billion (see Appendix Table 1), though net recoveries from the private sector alone were recorded at Shs 10.5 billion². During the month, commercial banks extended shilling loans amounting to Shs 77.25 billion, and recovered Shs 87.94 billion, thus net recoveries were Shs 10.69 billion. Net capitalized interest stood at Shs 1.24 billion and therefore, the net change in the stock of shilling loans to the private sector was Shs 9.45 billion (see Appendix Table 2). For foreign currency loans, gross extensions stood at Shs 40.32 billion, while recoveries were lower at Shs 38.36 billion, yielding net extensions of Shs 1.6 billion. After taking into account effects of capitalized interest, the stock of foreign currency loans recorded a net rise of Shs 2.91 billion (See Appendix Table 3).

² The Gross Extensions and Recoveries include lending to Government and Parastatals. PSC as recorded by the Monetary Survey doesn't include lending to Government and parastatals.

Appendix Tables 13 summarize the evolution of the monthly change in outstanding loans and advances of commercial banks for the period July 2002 to January 2004.

Liabilities of the Banking System

On the liabilities side, foreign currency accounts grew by 3.8 percent or Shs 22.3 billion to Shs 615.04 billion in February 2003. In US dollars, foreign currency accounts rose by US\$12.1 million to US\$322.53 million. Demand deposits increased by 5.3 percent or Shs38.7 billion to Shs771.5 billion, while term deposits (time, savings and CDs) increased by 1.5 percent to Shs595.2 billion as at end-February 2004. Currency in circulation (CIC) decreased by 0.5 percent or Shs2.4 billion to Shs533.7 billion. Partly reflecting these developments, the ratio of foreign currency deposits to M3 rose to 24.5 percent from 24.2 percent at end-January 2004. The ratio of demand deposits to M3 rose to 30.7 percent from 29.9 percent in January 2004, while that of term deposits fell to 23.7 percent from 24.0 percent in January 2004. The ratio of CIC to M3 fell to 21.2 percent from 21.9 percent in January 2004. The trends of the ratios are shown in Chart 5 and Table VII above.



(ii) Non -Bank Financial Institutions (NBFIs) Activities

Assets

In the month of February 2004, the total assets and liabilities of the Non-Bank Financial Institutions rose by Shs 3.79 billion from Shs 142.37 billion at the end of January 2004 to Shs 146.15 billion, reflecting a growth rate of 2.7 percent. This development reverses a decline of 1.5 percent observed in the month of January 2004. The growth was mainly on account of the Shs 4.61 billion expansion on the balances with commercial banks, both within and outside Uganda and 1.1 percent increase in loans and advances. By contrast, other investments and vault cash dropped by 10.7 percent and 3.6 percent, respectively over this period.

Loans and advances

The stock of NBFIs outstanding loans and advances to the private sector grew by Shs 0.91 billion to Shs 85.46 billion as at end-February 2004, up from Shs 84.55 billion recorded in January 2004. Mortgage loans continued to expand and rose by 3.4 percent to Shs 48.80 billion, while secured and unsecured loans fell by 4.2 percent to Shs 11.33 billion at the end of February 2004. Administered loans also declined further by 0.9 percent to Shs 25.34 billion down from Shs 25.56 billion registered in January 2004. The building and construction sector continued to hold the largest share of loans and advances from the NBFIs at 84.3 percent of the total as at end-

February 2004. The trade and commerce sector retained the second largest share of the total loans and advances at 10.6 percent at end-February 2004, slightly down from 11.0 percent for January 2004.

Table X: Developments in the activities of Non -Bank Financial Institutions (Shs Billion)

	Feb 2003	Oct 2003	Nov 2003	Dec 2003	Jan 2004	Feb 2004
Total Assets	122.04	138.50	139.80	144.46	142.37	146.15
O/w Loans and advances	71.03	80.07	81.82	82.93	84.55	85.46
Secured & unsecured	9.58	12.48	13.31	11.48	11.82	11.33
Mortgage Administered	34.57	41.22	42.37	45.78	47.18	48.80
Total Deposits	26.88	26.36	26.14	25.67	25.56	25.34
Savings	69.69	77.53	78.40	82.78	80.84	83.67
Time	40.85	45.66	45.67	49.99	48.07	50.62
Agency Funds	8.27	8.57	9.18	8.67	8.41	8.57
	20.58	23.30	23.55	24.13	24.37	24.48

Deposits

In the month of February 2004, private sector deposits held in the NBFIs rose by 4.8 percent from Shs 56.48 billion in January 2004 to Shs 59.19 billion at end-February 2004. The growth was largely on account of activities in savings deposits, which rose by Shs 2.55 billion (5.3 percent) to Shs 50.62 billion, while time deposits went up by Shs 0.16 billion (1.9 percent) to Shs 8.57 billion. Other deposits, which represent funds collected on behalf of government from the beneficiaries of the government pool house sale scheme, grew marginally from Shs 24.37 billion to Shs 24.48 billion over the same period.

(iii) Leasing activities

The value of assets disbursed in March 2004 rose by 21 percent to Shs 1.43 billion from Shs 1.18 billion recorded for February 2004. Compared to the corresponding period last year, the March 2004 value constitutes an increase of 40 percent. The value of disbursements tends to fall in the first two months of the year following the large disbursements of the month of December but a rebound usually occurs in March. This expectation is confirmed by the low value of leasing disbursements recorded in January and February 2004 and the registered rebound in March 2004. The value of assets disbursed in the first three months of 2004 are generally higher than those of the same months of 2003, this is attributed mainly to increased efforts in sensitizing and selling this type of credit to the public.

Sector	Jan -04	Feb -04	Mar -04
Advertising & Medi	1.68%	6.69%	25.60%
Agriculture	5.92%	0.00%	0.47%
Agro-processing	2.20%	0.31%	4.56%
Banking	0.00%	0.00%	21.38%
Commerce & Trad	25.99%	32.54%	8.16%
Construction	15.30%	0.00%	0.00%
Education	0.00%	2.14%	2.33%
Hotel & Tourism	0.19%	0.06%	0.21%
Manufacturing	15.36%	38.78%	23.13%
Mining	10.75%	0.00%	0.00%
Medical	0.00%	2.37%	3.05%
Transport	22.63%	17.10%	11.11%
Total	100.00%	100.00%	100.00%

The composition of leasing credit to the different sectors reveals that manufacturing and commerce & trade have dominated the beneficiaries' list with shares of 25 percent and 22 percent respectively for the period January – March 2004. On the other hand agriculture and its linked agro-processing have each had a meager share of 3 percent and 2 percent respectively over the same period. Chart 4 above presents the share per sector of the value of assets disbursed since the beginning of 2004.

F GOVERNMENT BUDGETARY OPERATIONS

Preliminary estimates of government operations in February 2004 indicate that all the main components of government budgetary operations were slightly lower than had been programmed. The lower expenditure and lending, however, could not fully offset the shortfall in revenue and grants. Consequently, the overall deficit of Shs 47.4 billion in the month was higher than the programmed Shs 45.5 billion.

i) Revenue and Grants

In February 2004, total revenue and budget support grants were estimated at Shs 131.1 billion compared with Shs 149.2 billion recorded in January 2004. This outturn was also lower than the anticipated level by Shs 11.5 billion due to lower than anticipated donor support inflows and tax revenue during the month.

Total domestic revenue amounted to Shs 123.1 billion compared to Shs 133.9 billion collected in January 2004, representing a decline of 8.1 percent in revenue. The decline in domestic revenue collections during the month was attributed to lower than anticipated yields from VAT and Excise taxes on local goods and services. Revenue from VAT declined by Shs 4.3 billion to Shs 17.1 billion in February 2004, while excise taxes dropped from Shs 15.4 billion in January 2004 to Shs 10.2 billion in February 2004. Over the same period, taxes from International Trade fell by Shs 2.4 billion to Shs 69.0 billion. By contrast, the Non-URA revenue collections for February 2004 rose to Shs 3.4 billion, slightly higher than the projected level for the period of Shs 3.3 billion. Out of the total domestic revenue, URA revenue collections amounted to Shs 119.7 billion relative to Shs 132.1 billion realised in January 2004 and the targeted level for month of February 2004 of Shs 123.8 billion, respectively.

External budget support grants amounted to Shs 8.0 billion in February 2004, compared to the projected amount for the month of Shs 15.5 billion. However, the total disbursements for the first eight months of FY 2003/2004 stood at Shs 370.6 billion, against the projected level of Shs 339.8 billion. This is attributed to full disbursements of some commitments initially discounted and changes in timing of some donor inflows.

**Table XII: Summary of Government Budgetary Operations: October – February 2004
(Billion Shs)**

	Revised Budget 2003/04	Prel. Oct 2003	Prel. Nov 2003	Prel. Dec 2003	Prel. Jan 2004	Prel. Feb 2004	Prog. Feb 2004
Total Tax & Import Support Receipts	2,228.6	152.6	156.1	398.1	149.2	131.1	142.6
Total Domestic Revenue	1,690.9	127.5	126.6	181.5	133.9	123.1	127.1
URA Excluding Refunds/Govt. Taxes	1,655.2	125.7	124.3	179.7	132.1	119.7	123.8
Non URA Revenues	35.7	1.8	2.3	1.8	1.8	3.4	3.3
Import Support Grants	537.7	25.1	29.4	216.5	15.3	8.0	15.5
Expenditure & Lending	2343.8	205.5	196.4	193.2	202.2	178.5	188.2
Current Expenditure	1,732.4	161.4	153.8	153.6	163.7	156.5	144.9
Development Expenditure	536.9	44.6	33.2	41.8	38.2	20.1	43.2
Others 1/	73.5		9.4	(2.2)	0.3	2.0	0.1
		(0.5)					
Overall Fiscal Balance (Deficit)	(114.7)	(52.9)	(40.3)	204.9	(53.0)	(47.4)	(45.5)
Excluding Grants	(652.4)	(78.0)	(69.7)	(11.7)	(68.3)	(55.4)	(61.0)

Source: Ministry of Finance, Planning and Economic Development

1/ Includes Net Lending/Repayments, Arrears Repayments and Contingency.

ii) **Expenditure**

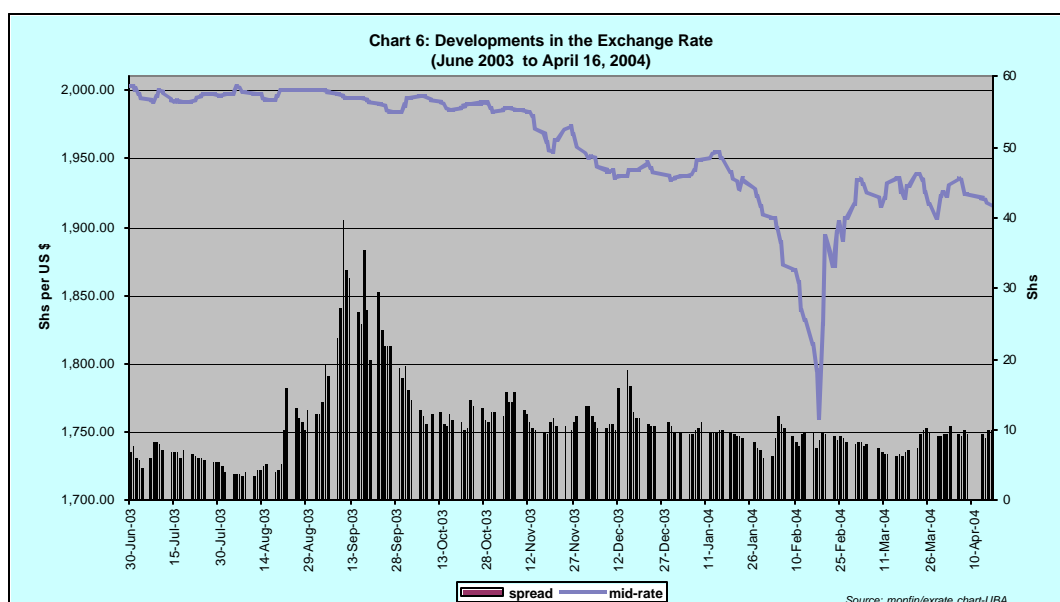
In February 2004, government's expenditure and net lending amounted to Shs 178.5 billion, down from Shs 202.2 billion in January 2004. This outturn was also lower than the projected level for the period of Shs 188.2 billion. Recurrent expenditures for the month amounted to Shs 156.5 billion, down from Shs 163.7 billion recorded in the preceding month. Out of the total recurrent expenditures, a total of Shs 47.6 billion (30.4 percent) was spent on wages and salaries. Interest payments were estimated at Shs 20.2 billion, out of which Shs 3.7 billion was on account of external loans. Other recurrent expenditures rose by Shs 3.2 billion to Shs 83.9 billion, while expenditure on locally funded development projects stood at Shs 20.1 billion down from to Shs 38.2 billion spent in January 2004.

The overall fiscal balance for February 2004 was a deficit of Shs 47.4 billion compared to a deficit level of Shs 53.0 billion recorded in January 2004. Excluding grants, the deficit scales up to Shs 55.4 billion. In February 2004, the government made a net repayment of Shs 5.1 billion on external loans, compared to Shs 11.2 billion in the previous month. The government however borrowed Shs 34.0 billion from domestic banking system to part-finance the deficit.

G EXCHANGE RATE AND FOREIGN EXCHANGE MARKET

The depreciation trend of the Uganda shilling against the US Dollar experienced during the second half of February 2004 and first half of March 2004 reversed after March 15, 2004. The

depreciation of the Shilling during the previous period was mainly on account of market uncertainties that caused some offshore players to leave the market. The Uganda Shilling appreciated against the US Dollar by 0.27 percent during the second half of March 2004 compared to the appreciation of 0.50 percent posted during the first half of April. Overall, the Shilling appreciated by 0.78 percent against the U.S. Dollar from Shs 1930.96 as of March 12, 2004 to Shs 1915.99 as at April 16, 2004 compared to a depreciation of 5.4 percent over the period between February 16, and March 12, 2004. On a period average basis, however, the Shilling depreciated by 2.0 percent from an average exchange rate of Shs 1886.06 per US \$ for the four weeks ended March 12, 2004 to an average of Shs 1926.77 per US \$ for the period March 15, 2004 to April 16, 2004. The average spreads between the weighted inter-bank buy and sell rates, fell from Shs 29.18 during the previous period to an average of Shs 15.54 for the period under review. (See Chart 6)



The appreciation of the Shilling during this period is mainly on account of renewed participation by the offshore players in the market, whose return was triggered off by the gradual return to stability of the market. Sluggish corporates demand in addition, caused even further appreciation pressures on the Shilling against the Dollar

BOU maintained its presence in the IFEM under the sterilization strategy geared at mopping up excess liquidity injected by poverty reduction government expenditures. Total sales of foreign exchange in the period under review amounted to US \$ 26.30 million, compared US \$ 7.05 million net sales of the previous period ended March 12, 2004. Bank of Uganda continues to watch market developments very closely and ready to take any action that will ensure market stability.

The volume of commercial banks' transactions during the period March 15, 2004 to April 16, 2004, was slightly lower on the sales side, having recorded an average daily retail sales of US \$ 6.15 million, compared to the average of US \$ 6.90 million, but higher on the purchase side with average daily purchases of US \$ 7.29 million, compared to the US \$ 6.22 million during the period, February 16 and March 12, 2004, respectively.

H DEVELOPMENTS IN THE BALANCE OF PAYMENTS

In February 2004, the current account balance is estimated at a deficit of US\$57.01 million, compared to a deficit of US \$23.03 million in January 2004. The capital and financial account is estimated at a surplus of US\$37.21 million up from a surplus of US\$17.08 million registered in January 2004. Thus, the overall balance is estimated at a deficit of US\$19.80 million in February 2004.

i) Exports

Total Exports (developments for the month of February 2004)

Total export proceeds in the month of February 2004 are estimated at about US\$54.57 million about US\$9.43 million lower than the export earnings worth US\$64.00 million recorded in January 2004.

Coffee Exports

Coffee export amounting to US \$ 11.22 million in February 2004, accounted for 20.6 percent of the total export receipts for the month. In March 2004, coffee exports amounted to 235.578 (60-kilogram) thousand bags worth US\$11.92 million. This was an increase of about 0.2 percent in volume and 6.2 percent in value compared to the February exports. The average realized export price in March stood at 84 cents per kilogram (US\$0.84 per kilogram), up from 79 cents per kilogram (US\$0.79 per kilogram) in February 2004. The improvement in the last 2 months performance compared to the corresponding period in 2002/03, amidst a slow down in harvesting in Central and Eastern regions, is attributed to offloading of stocks by the farmers in response to the rise in prices.

Non-coffee Exports

The total value for non-coffee exports for the month of February 2004 is estimated at US\$43.35 million. This is a decrease of about 14.3 percent when compared to US\$50.61 million realized in January 2004 and an increase of 12.1 percent when compared to the same month last year (US\$38.68 million).

There was a general deterioration in the performance of most non-coffee exports that were estimated in February 2004 compared to the previous month of January 2004. More specifically, export values of electricity dropped by 25 percent from US\$1.19 million to US\$0.9 million, gold export earnings dropped by 66.1 percent from US\$8.03 million to US\$2.72 million, tea export earnings also dropped by 32.9 percent from US\$3.40 million to US\$2.29 million, while the export value from international fish and its products also dropped by 12.1 percent from US\$9.26 million to US\$8.14 million. The export proceeds from hides and skin and oil re-exports also dropped by 32.2 percent and 98.5 percent respectively.

However, there was a slight improvement in the export earnings of cotton, flowers, tobacco, maize, beans and simsim. Cotton exports earnings increased by 60.2 percent from US\$3.33 million in January 2004 to US\$5.34 million in February 2004 due the favorable world market cotton prices. Tobacco exports increased by 19.5 percent from US\$4.01 million in the previous month to US\$4.79 million in the period under review. The value of export earnings from flowers increased by 69.2 percent form US\$1.83 million in January 2004 to US\$3.09 million in February 2004 while that of beans increased by 93.2 percent to US\$0.66 million in February 2004. Export earnings for the month of February 2004 from simsim and maize increased by 52.4 percent and 47 percent respectively when compared to the month of January 2004. (See Appendix Table 5)

ii) Imports

The total import bill for the month of February 2004 was estimated at US\$121.36 million. Private sector imports were estimated at US\$107.73 million, 7.6 percent lower than the January 2004 private sector import bill. Oil imports were estimated at US\$12.72 million, or about 10 percent of total imports.

Government imports amounted to US\$13.62 million for the month of February 2004, 11.3 percent higher than the January 2004 imports, which amounted to US\$12.24 million. This was mainly due to an increase worth US\$5.63 million in the non-project imports from about US\$2.72 million in January 2004 to US\$8.35 million in February 2004. (See Appendix Table 6)

iii) Other Inflows and Outflows

Among the other flows of foreign currency, the services and income account was most significant during the month of February 2004. This outflows in this account exceeded inflows by US\$29.84 million.

Official aid (excluding project aid but including resources from the HIPC³ Initiative) inflows amounting to about US\$4.3 million were disbursed in February 2004. Private transfer inflows were estimated at US\$18.82 million for the month of February while private transfer outflows were estimated at US\$20.05 million. Thus net private transfer outflows were US\$1.23 million during February 2004.

Official debt service (excluding IMF payments) was estimated at US\$4.725 million for the month of February 2004 while there were no IMF principal obligations externalized in February 2004. Short-term inflows of US\$15.20 million exceeded outflows by US\$8.25 million.

The level of gross foreign reserves is estimated at US\$1054.37 million in February 2004 down from US\$1065.98 million in January 2004. This decline in reserves resulted in a decrease in the reserve cover in months of imports of goods and services from 6.42 months to 6.34 months.

I POLICY OUTLOOK

Bank of Uganda is set to maintain the cautious monetary policy stance to ensure that inflation remains low and stable. It is also committed to manage liquidity in a manner that does not cause instability in both the domestic and foreign exchange markets.

³ Includes HIPC from grants only.

Appendix

**Table 1: Monthly Change in Outstanding Loans and Advances of Commercial Banks
(Total of local and foreign Currency, billion Shs)**

Period	Extensions	Recoveries	Net ext.	Cap interest	Repd cap int	Net Cap int	Net change
	1	2	3=1+2	4	5	6=4+5	7= 3+6
1999/2000	404.75	(311.48)	93.27	30.58	(91.27)	(60.69)	32.58
2000/2001	852.28	(769.56)	82.71	40.98	(71.61)	(30.64)	52.08
2001/2002							
Q1	254.33	(246.12)	8.21	6.20	(15.67)	(9.47)	(1.26)
Q2	255.69	(250.61)	5.08	5.05	(14.99)	(9.94)	(4.86)
Half 1 2001/02	510.02	(496.74)	13.29	11.25	(30.66)	(19.41)	(6.12)
Q3	249.06	(219.55)	29.52	7.02	(21.24)	(14.22)	15.30
Q4	264.20	(255.30)	8.90	10.03	(15.77)	(5.74)	3.16
Half 2 2001/02	513.27	(474.85)	38.41	17.06	(37.01)	(19.95)	18.46
2001/2002	928.31	(886.08)	42.23	27.01	(64.65)	(37.64)	4.59
2002/2003							
Q1	271.05	(255.55)	15.50	13.98	(15.89)	(1.91)	13.59
October	101.57	(72.78)	28.79	6.84	(4.10)	2.74	31.53
November	109.29	(79.80)	29.49	6.91	(3.86)	3.05	32.54
December	111.40	(76.16)	35.24	7.94	(9.57)	(1.63)	33.61
Q2	322.26	(228.74)	93.51	21.69	(17.52)	4.16	97.68
Half 1 2002/03	593.31	(484.29)	109.01	35.67	(33.41)	2.25	111.27
Jan 2003	121.57	(94.59)	56.98	2.57	(2.70)	(0.13)	26.85
February	114.92	(93.76)	21.16	3.09	(3.73)	(0.64)	20.52
March	112.20	(96.31)	15.90	3.82	(2.75)	1.07	16.97
Q3	348.69	(284.65)	64.04	9.48	(9.18)	0.30	64.34
April	99.66	(116.52)	(16.86)	3.56	(1.22)	2.33	(14.52)
May	142.80	(122.79)	20.00	5.84	(2.18)	3.65	23.65
June	104.75	(112.23)	(7.48)	4.97	(3.42)	1.55	(5.93)
Q4	347.21	(351.54)	(4.33)	14.37	(6.83)	7.54	3.20
Half 2 2002/03	695.90	(636.19)	59.71	23.85	(16.01)	7.84	67.55
2002/2003	1,289.21	(1,120.48)	168.72	59.51	(49.42)	10.09	178.81
2003/2004							
July	111.51	(97.42)	14.09	5.24	(3.82)	1.41	15.50
August	105.06	(97.69)	7.37	13.10	(8.62)	4.48	11.85
September	126.64	(122.07)	4.57	6.73	(3.11)	3.62	8.19
Q1	343.22	(317.19)	26.03	25.07	(15.56)	9.51	35.54
October	140.28	(113.42)	26.86	7.50	(4.69)	2.81	29.67
November	97.20	(80.86)	16.35	8.49	(5.29)	3.20	19.54
December	130.14	(109.10)	21.03	9.64	(6.15)	3.48	24.52
Q2	367.62	(303.38)	64.24	25.63	(16.14)	9.49	73.73
Half 1 2003/04	710.84	(620.57)	90.27	50.70	(31.70)	19.00	109.27
January 2004	128.99	(111.91)	17.08	5.76	(2.75)	3.01	20.10
February 2004	117.57	(126.30)	(8.73)	4.28	(2.09)	2.19	(6.54)

Source: Research Department, Bank of Uganda

**Table 2: Monthly Change in Outstanding Loans and Advances of Commercial Banks
(Shilling loans, billion Shs)**

Period	Extensions	Recoveries	Net extensions	Cap interest	Repd cap int	Net Cap int	Net change
	1	2	3=1+2	4	5	6=4+5	7= 3+6
1999/ 2000	309.57	(257.58)	51.99	21.91	(65.28)	(43.37)	8.62
2000/ 2001	602.42	(553.62)	48.80	32.75	(59.58)	(26.83)	21.97
2001/ 2002							
Q1	167.24	(178.30)	(11.06)	4.39	(13.47)	(9.08)	(20.14)
Q2	169.88	(173.45)	(3.57)	4.38	(11.29)	(6.91)	(10.49)
Half 1 2001/ 02	337.12	(351.75)	(14.63)	8.77	(24.77)	(16.00)	(30.63)
Q3	171.14	(160.07)	11.07	5.83	(18.36)	(12.52)	(1.45)
Q4	190.31	(181.50)	8.81	8.05	(11.83)	(3.79)	5.03
Half 2 2001/ 02	361.45	(341.56)	19.89	13.88	(30.19)	(16.31)	3.57
2001/ 2002	698.57	(693.31)	5.26	22.65	(54.96)	(32.31)	(27.05)
2002/ 2003							
Q1	196.42	(181.95)	14.47	12.56	(13.18)	(0.62)	13.85
October	68.25	(55.15)	13.10	6.49	(3.98)	2.51	15.61
November	82.69	(60.13)	22.56	6.41	(3.70)	2.71	25.27
December	78.42	(57.34)	21.08	6.45	(8.18)	(1.73)	19.36
Q2	229.36	(172.61)	56.75	19.35	(15.86)	3.49	60.24
Half 1 2002/ 2003	425.78	(354.56)	71.22	31.91	29.03	2.88	74.09
Jan 2003	90.24	(66.42)	23.82	2.22	(2.34)	(0.12)	23.70
February	60.77	(62.95)	(2.18)	2.28	(3.51)	(1.23)	(3.41)
March	71.01	(53.68)	17.32	3.51	(2.59)	0.92	18.24
Q3	222.02	(183.05)	38.97	8.01	(8.44)	(0.43)	38.54
April	71.88	(71.49)	0.40	3.13	(1.11)	2.02	2.42
May	86.75	(58.52)	28.23	4.63	(1.76)	2.87	31.10
June	81.21	(85.38)	(4.17)	4.19	(2.76)	1.42	(2.74)
Q4	239.84	(215.38)	24.46	11.95	(5.63)	6.31	30.78
Half 2 2002/ 03	461.86	(398.44)	63.43	19.96	(14.07)	5.89	69.31
2002/ 2003	887.64	(753.00)	134.65	51.87	(43.11)	8.76	143.41
2003/ 2004							
July 2003	74.54	(70.30)	4.24	4.79	(2.99)	1.79	6.03
August	71.59	(64.13)	7.46	11.74	(8.14)	3.60	11.06
September	88.15	(87.69)	0.47	6.43	(2.24)	4.20	4.66
Q1	234.28	(222.12)	12.16	22.96	(13.37)	9.59	21.75
October	111.23	(77.65)	33.58	6.85	(3.88)	2.98	36.55
November	72.59	(49.96)	22.64	7.69	(3.80)	3.89	26.53
December	87.06	(87.83)	(0.77)	8.06	(5.57)	2.49	1.72
Q2	270.88	(215.44)	55.44	22.61	(13.25)	9.36	64.80
Half 1 2003/ 04	505.16	(437.56)	67.61	45.57	(26.62)	18.95	86.55
January 2004	86.09	(67.71)	18.39	5.01	(2.26)	2.74	21.13
February 2004	77.25	(87.94)	(10.69)	2.91	(1.67)	1.24	(9.45)

Source: Research Department, Bank of Uganda

Table 3: Monthly Change in outstanding loans and advances of Commercial banks
(Foreign Currency, billion Shs)

Period	Extensions	Recoveries	Net extensions	Cap interest	Repd cap int	Net Cap int	Net change
	1	2	3=1+2	4	5	6=4+5	7= 3+6
1999/2000	95.19	(54.30)	40.89	8.71	(26.04)	(17.33)	23.55
2000/2001	249.86	(215.95)	33.91	8.23	(12.03)	(3.80)	30.11
2001/2002							
Q1	87.09	(67.83)	19.26	1.81	(2.20)	(0.39)	18.88
Q2	85.81	(77.16)	8.65	0.67	(3.69)	(3.02)	5.63
Half 1							
2001/2002	172.90	(144.99)	27.92	2.48	(5.89)	(3.41)	24.51
Q3	77.92	(59.48)	18.44	1.19	(2.88)	(1.69)	16.75
Q4	73.89	(73.81)	0.08	1.99	(3.94)	(1.95)	(1.86)
Half 2							
2001/2002	151.81	(133.29)	18.53	3.18	(6.81)	(3.64)	14.89
2001/2002	229.74	(192.77)	36.97	4.36	(9.69)	(5.33)	31.64
2002/2003							
Q1	74.63	(73.60)	1.03	1.42	(2.71)	(1.29)	(0.27)
October	33.32	(17.64)	15.68	0.35	(0.12)	0.23	15.92
November	26.60	(19.67)	6.92	0.50	(0.16)	0.34	7.27
December	32.98	(18.82)	14.16	1.49	(1.39)	0.10	14.26
Q2	92.90	(56.13)	36.77	2.34	(1.67)	0.67	37.44
Half 1							
2002/2003	167.53	(129.73)	37.80	3.76	(4.38)	(0.62)	37.17
Jan 2003	31.33	(28.17)	3.16	0.35	(0.36)	(0.01)	3.15
February	54.15	(30.81)	23.34	0.82	(0.23)	0.59	23.93
March	41.20	(42.62)	(1.42)	0.31	(0.16)	0.15	(1.28)
Q3	126.67	(101.60)	25.07	1.47	(0.74)	0.73	25.80
April	27.77	(45.03)	(17.25)	0.42	(0.11)	0.31	(16.94)
May	56.05	(64.28)	(8.23)	1.21	(0.42)	0.78	(7.45)
June	23.54	(26.85)	(3.31)	0.79	(0.66)	0.13	(3.18)
Q4	107.36	(136.16)	(28.80)	2.42	(1.19)	1.22	(27.57)
Half 2 2002/03	234.03	(237.76)	(3.72)	3.89	(1.93)	1.95	(1.77)
2002/2003	401.56	(367.49)	34.07	7.65	(6.31)	1.33	35.41
2003/2004							
July	36.97	(27.12)	9.85	0.45	(0.83)	(0.38)	9.47
August	33.47	(33.56)	(0.09)	1.36	(0.48)	0.88	0.79
September	38.49	(34.39)	4.10	0.30	(0.88)	(0.58)	3.52
Q1	108.93	(95.06)	13.87	2.11	(2.19)	(0.08)	13.79
October	29.05	(35.77)	(6.71)	0.65	(0.82)	(0.17)	(6.88)
November	24.61	(30.90)	(6.29)	0.80	(1.50)	(0.69)	(6.99)
December	43.08	(21.28)	21.8	1.57	(0.58)	0.99	22.8
Q2	96.74	(87.95)	8.8	3.03	(2.90)	0.13	8.93
Half 1 2003/04	205.68	(183.01)	22.67	5.13	(5.08)	0.05	22.72
January 2004	42.90	(44.20)	(1.30)	0.75	(0.49)	0.27	(1.03)
Feb. 2004	40.32	(38.36)	1.96	1.37	(0.42)	0.95	2.91

Source: Research Department, Bank of Uganda

Table 4: Mid Exchange Rate in the IFEM, Spreads, Commercial Banks' Purchases and Sales.

Date	Mid rate UGX/US\$	Spread UGX	Purchases Million US\$	Sales Million US\$
16-Feb-04	1,815.09	8.90	5.25	6.17
17-Feb-04	1,794.71	18.67	5.65	11.74
18-Feb-04	1,760.16	39.67	9.73	8.23
19-Feb-04	1,828.82	49.69	7.55	6.87
20-Feb-04	1,893.10	84.17	6.78	7.41
23-Feb-04	1,871.30	46.89	6.39	5.42
24-Feb-04	1,896.02	36.69	4.42	5.49
25-Feb-04	1,903.20	24.17	6.48	8.33
26-Feb-04	1,890.14	23.97	5.00	6.84
27-Feb-04	1,906.90	20.55	7.21	5.48
1-Mar-04	1,916.32	23.34	8.04	4.19
2-Mar-04	1,934.37	26.44	5.75	7.97
3-Mar-04	1,934.99	24.04	8.61	4.34
4-Mar-04	1931.05	23.82	4.12	5.59
5-Mar-04	1925.27	20.56	4.16	6.22
9-Mar-04	1920.70	21.04	5.81	6.23
10-Mar-04	1914.74	21.02	5.08	11.23
11-Mar-04	1921.36	21.01	5.94	6.40
12-Mar-04	1930.96	19.81	4.40	3.71
15-Mar-04	1935.76	19.24	6.88	5.86
16-Mar-04	1935.47	19.49	4.64	7.99
17-Mar-04	1926.23	18.31	4.72	5.48
18-Mar-04	1920.82	18.77	4.01	5.11
19-Mar-04	1930.04	17.31	11.06	6.25
22-Mar-04	1938.16	15.53	4.79	5.64
23-Mar-04	1938.47	13.58	5.41	8.01
24-Mar-04	1935.17	13.48	6.00	6.01
25-Mar-04	1925.23	16.02	9.82	9.18
26-Mar-04	1916.63	16.66	4.88	11.47
29-Mar-04	1906.54	18.85	6.82	4.47
30-Mar-04	1922.37	17.73	4.62	6.52
31-Mar-04	1925.71	15.04	5.85	5.61
1-Apr-04	1923.48	16.95	4.48	9.54
2-Apr-04	1930.43	12.47	12.00	7.91
5-Apr-04	1936.38	14.64	4.47	5.85
6-Apr-04	1934.78	14.85	6.60	10.02
7-Apr-04	1924.12	14.78	5.49	7.23
8-Apr-04	1923.78	13.04	6.12	7.20
13-Apr-04	1921.19	12.48	5.10	7.66
14-Apr-04	1920.28	12.21	6.40	9.06
15-Apr-04	1917.87	10.46		

Table 5: Exports of Merchandise (in million of US \$)

Item	Jan2003	Feb2003	Mar2003	Apr2003	Jan2004	Feb2004	Mar2004	Apr2004
Total Exports (in US\$ million)	53.69	49.11	44.89	43.16	64.00	58.84	66.22	
1. Coffee								
Gross coffee shipment, million (60-Kg) bags	0.30	0.23	0.16	0.12	0.30	0.24	0.24	0.18
Average unit value	0.70	0.75	0.70	0.66	0.75	0.79	0.84	0.82
Value of total shipment (BOP)	12.57	10.44	6.85	4.80	13.39	11.22	11.92	8.77
2. Non-Coffee export values(in US \$ million)	41.12	38.68	38.04	38.36	50.61	47.63	54.30	
Electricity	1.48	1.17	1.23	1.28	1.19	0.90	0.96	
Gold	3.90	4.12	2.29	3.28	8.03	2.72	4.04	
Cotton	2.92	4.09	4.34	2.07	3.33	7.73	8.67	
Tea	2.60	2.63	2.11	2.26	3.40	2.29	3.27	
Tobacco	8.50	3.71	5.61	3.98	4.01	4.79	6.39	
Fish & its products (International)	8.23	7.49	6.69	6.94	9.26	8.14	7.73	
Fish & its products (Regional)	2.72	2.47	2.21	2.29	3.06	2.69	2.55	
Hides & Skins	0.44	0.21	0.21	0.31	0.68	0.46	0.33	
Simsim	0.04	0.15	0.19	0.30	0.23	0.35	0.91	
Maize	0.66	0.54	0.78	0.46	1.51	2.21	2.90	
Beans	0.50	0.23	0.11	2.60	0.34	0.66	0.54	
Flowers	1.26	1.49	1.37	2.02	1.83	3.09	2.70	
Oil re-exports	0.79	1.11	0.81	0.86	1.65	1.90	0.03	
Others	7.09	9.28	10.09	9.71	12.09	9.70	13.27	
Source: Bank of Uganda								

Table 5: Imports of Merchandise (in million of US \$)

Item	Jan2003	Feb2003	Mar2003	Jan2004	Feb2004	Mar2004
Total Imports (Millions US\$)	122.97	118.00	110.06	130.75	122.54	135.85
Government Imports	14.72	20.70	10.94	14.20	14.71	11.59
Project	11.17	6.18	10.62	11.48	6.36	10.91
Non-Project	3.56	14.52	0.33	2.72	8.35	0.67
Private Sector Imports	108.25	97.30	99.11	116.56	107.83	124.26
Oil	14.31	13.60	13.93	13.69	12.72	16.07
Non-Oil	87.81	71.79	76.90	97.84	86.49	100.40
Estimated imports	6.13	11.90	8.28	5.03	8.62	7.79
Source: Bank of Uganda						