BANK OF UGANDA

MONTHLY ECONOMIC REVIEW

AUGUST
2004

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EXECUTIVE SUMMARY

Monetary Policy Stance and Actions

The primary objective of monetary policy remains to contain inflation at low and stable levels. This notwithstanding, BOU ensures that its monetary operations are cautious not to exacerbate instability in both the domestic money and foreign exchange markets.

For the four-weeks period ended August 06, 2004:

- Net-issuance of Treasury bills, Treasury bonds 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 12.10 percent and 13.10 percent, respectively, by July 09, 2004, had increased to 12.60 percent and 13.60 percent, respectively by August 06, 2004.

- Bank of Uganda maintained its presence in the foreign exchange market under the sterilization profile, but also intervened to curb instability therein. Net sales of forex of US $ 2.6 million over the four weeks to August 06, 2004, were lower than US $ 29.4 million effected in the corresponding period to July 09, 2004.

Inflation Developments

The downward pressure on inflation observed in June 2004, reversed in July 2004.

- The annual headline inflation rate for July 2004 was 1.8 percent, twice the rate of 0.9 percent observed in June 2004.

- The annual underlying inflation rate, however declined to 3.0 percent in July 2004, from 3.2 percent of June 2004.

Real Sector Developments

- While no updates on the manufacturing activity are available beyond May 2004, other indicators of real sector activity have not depicted any consistent trend. On the imports of the 2 main fuel products, premium oil imports were generally lower while diesel oil imports were generally higher in the 3 months to June 2004, than what was recorded in the corresponding period of 2003. Consumption of both these products was higher despite the hike in prices to their peak in May 2004 of Shs 1890 per litre and Shs 1600 per litre for premium and diesel, respectively, before dropping to their current levels towards end June 2004.

- Trading at the Uganda Securities Exchange (USE) was buoyant in July 2004, with the total turnover rising more than 400 percent, mainly on account of activity at the Uganda Clays and Bank of Baroda counters. Market capitalization declined by 1.2 percent and the All Share index declined from 334.9 in June 2004 to 331.5 by end-July 2004.

Domestic Securities and Money Market Developments

Interest rates in the domestic securities and money markets were on a gradual upward trend over the four weeks ended-August 06, 2004.

- In the Treasury bond primary market, in line with its policy of promoting existing benchmark issues, Bank of Uganda re-opened the 3-year bond in amounts of Shs 30.0 billion in the primary auction held July 14, 2004. This second re-opening was also oversubscribed, though the yield to maturity was 16.80 percent, compared to 15.13 percent realized when this paper was re-opened mid June 2004. The outstanding stock of Treasury bonds had risen to Shs 195.0 billion by August 06, 2004.

- In the primary auction market for Treasury bills, the respective weighted annualized yields on the 91-day, 182-day, 273-day, and 364-day bills stood at 7.29 percent, 8.17 percent, 13.35 percent and 13.64 percent, respectively, at the auction held on August 04, 2004. This compares to levels of 6.78 percent, 8.28 percent, 11.27 percent and 11.35 percent, respectively, recorded in the auction held on July 07, 2004.

- The secondary market for all government securities is still minimal and mainly concentrated in the over-the-counter trades by primary dealers as the spreads in the bid/offer rates are still very attractive. The average indicative bid/offer quotations for the 2-year, 3-year, 5-year and 10-year bonds over the four-week period to August 06, 2004 were, 13.98/13.78 percent, 15.09/14.89 percent, 13.79/13.52 percent and 17.89/16.92 percent, respectively, compared to the respective 19.23/18.94 percent, 15.15.09/14.87 percent, 13.40/13.19 percent and 17.73/16.75 percent, recorded over the previous period. On the other hand, the bid/offer discount rates in the secondary market for respective Treasury bills were on an upward trend and averaged 7.02/6.76 percent, 8.91/8.64 percent, 11.98/11.75 percent and 12.86/12.56 percent, respectively over this period.

- The yield curve, based on the average yield-to-maturity quotations in the secondary market continued to evolve in line with the developments in the primary market – with the distortion at the longer end of the market gradually correcting.

- The volume of activity in the secondary market for Treasury bonds remains minimal, and was recorded at Shs 0.100 billion over the four-week period to August 06, 2004. In the secondary market for Treasury bills, total transactions also declined to Shs 2.56 billion, from Shs 9.21 billion over the four weeks ended July 09, 2004.

- The domestic inter-bank money market remained buoyant over the period. The weighted average inter-bank market rate maintained the downward trend to close at 6.86 percent over the four weeks to August 06, 2004, compared to 8.09 percent, recorded by the close of the corresponding period ended July 09, 2004.

- One commercial bank made a downward adjustment in its prime lending rate, from 21 percent to 19 percent, over the period under review. However, the range of these rates for the banking system remained at 16-21 percent as was recorded in the previous four weeks to July 09, 2004.

- The commercial banks' effective rates barely changed in June 2004, when compared to their May 2004 levels. The average effective lending rate on shilling denominated loans marginally increased from 20.80 percent to 20.88 percent, while the time deposit rates rose from 6.15 percent to 6.20 percent over the same period.

Monetary and Financial Aggregates Developments

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

- In June 2004, broad money aggregates M3 and M2A increased by 6.9 percent and 8.2 percent, respectively, compared to the contraction of 1.0 percent and 0.7 percent, respectively in May 2004. The year-on-year growth rates for M3 and M2 over the year to June 2004 were 9.3 percent and 11.0 percent, respectively.

- While net credit to government by the banking system increased by Shs 49.3 billion during June 2004, private sector credit (PSC) declined by 1.8 percent over this period. The year-on-year growth in PSC was 16.7 percent.

- On the liabilities, the respective shares in M3, of currency in circulation, shilling term deposits, shilling demand deposits and forex denominated deposits stood at 20.4 percent, 23.1 percent, 31.4 percent and 25.1 percent, respectively, by end-June 2004, compared to respective levels of 20.8 percent, 24.1 percent, 29.1 percent and 26.0 percent in May 2004.

- In June 2004, the total assets of the Non-Bank Financial Institutions grew by 0.48 percent. This compares to 0.92 percent observed over June 2003. The growth in assets in June 2004 was mainly attributed to increases in loans and advances to the private sector, while the strongest growth on the liabilities was on account of time deposits that grew by 7.4 percent.

- Under the leasing activity, the value of assets leased in July 2004 of Shs 1.85 billion, was 24.9 percent lower than Shs 2.46 billion disbursed in June 2004, but was higher than the levels observed in June 2003 by 23.4 percent. Agriculture took the largest share of 38.4 percent of total disbursements.

Fiscal Developments

- Updates on fiscal position to June 2004 are not yet available.

Foreign Exchange Market

- The appreciation trend of the Shilling observed in the recent past was momentarily reversed during the second half of July 2004. Over the four weeks to August 06, 2004, the Shilling depreciated by 1.0 percent against the U.S. Dollar, compared to an appreciation of 5.74 percent over the four weeks period ended July 09, 2004

- The average spreads between the weighted inter-bank buy and sell rates, increased from Shs 16.00 during the previous period to Shs 16.83 for the period under review.

- BOU maintained its presence in the IFEM under the sterilization strategy geared at mopping up excess liquidity injected by poverty reduction government expenditures.

- The net sales of forex by BOU over this period, on account of sterilization, short term swap transactions and intervention strategies, amounted to US $ 2.6 million, compared to the previous period amount of US $ 29.4 million.

Balance of Payments Developments

- In June 2004, the current account balance is estimated at a deficit of US$22.93 million, while the capital and financial account is estimated at a surplus of US$27.64 million. Thus, the overall balance is estimated at a surplus of US$4.71 million.

- Total exports proceeds for the month of June 2004 are estimated at US$50.81 million, of which coffee accounted for 25 per cent. Meanwhile, coffee exports that had been registered at US $ 12.67 million in June 2004, were almost constant at US $ 12.8 million during July 2004. The marginal rise was on account of a 7.8 percent rise in volumes shipped as the unit price declined from US $ 0.80 per Kg to US $ 0.75 per Kg over between June and July 2004.

- The import bill (fob) is estimated at US$132.72 million during June 2004. This is an increase of about 8.4 percent compared to the import bill of the previous month, which was estimated at US$122.44 million.[1]

- Official aid (excluding project aid but including resources from the HIPC Initiative) inflows amounted to about US$19.00 million. Private transfer inflows exceeded outflows by US$45.33 million in June 2004, and Services and income outflows exceeded inflows by about US$29.12 million.

- Official debt service (excluding IMF payments) is estimated at US$7.97 million for the month of June 2004. IMF principal obligations amounting to US$6.39 million were externalized in the same month.

- Official foreign reserves (including valuation changes) are estimated at US$1,114.28 million in June 2004. This stock is equivalent to 6.48 months of imports of goods and services.

Policy Stance

- 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.

[1] Effective May 2004, import figures are reported at fob value.

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. Sterilization of excess liquidity is effected through sales of Treasury bonds, net issues of Treasury bills and daily sales of foreign exchange. This notwithstanding, BOU actively uses the Repurchase Agreements (REPOs) 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, the trend of the Shilling value against other currencies is determined by changes in market supply and demand and BOU intervenes in the inter-bank foreign exchange markets (IFEM) solely to curb instability.

In the four weeks to August 06, 2004, the net redemption of Treasury bills was Shs 5.37 billion, compared to Shs 60.10 billion in the corresponding four-week period to July 09, 2004. Sterilization of excess liquidity through re-opening of a 3-year Treasury bond up to Shs 30.0 billion, at cost value, mopped up Shs 27.14 billion, value-dated July 14, 2004, was against maturities of Treasury bills worth Shs 15.27 billion. On the short-term liquidity management front, gross issues of the Repo instrument, whose maturity ranged over durations of 1 to 7 days, amounted to Shs 335.40 billion over this period, against maturities of Shs 241.06 billion. This is compared to issues and maturities of Shs 379.66 billion and Shs 457.21 billion, respectively over the preceding period ended July 09, 2004. Nonetheless, the outstanding stock of repos that stood at Shs 62.28 billion by July 09, 2004 had increased to Shs 94.57 billion, by August 06, 2004. BOU maintained its presence in the foreign exchange market under the sterilization profile. In addition, BOU intervened in the market to curb instability. Over the four weeks to August 06, the net effect of BOU's transactions in this market was a sale of foreign exchange worth US$ 2.60 million, after incorporating the maturing forex swap worth US $ 8.4 million during the period. This is compared to net sales of US$ 29.40 million in the preceding four weeks period ended July 09, 2004.

In line with the developments in the Treasury bill market, the Rediscount rate and Bank rate that were 12.10 percent and 13.10 percent, respectively, by July 09, 2004, had marginally increased to 12.60 percent and 13.60 percent, respectively by August 06, 2004.

B DOMESTIC PRICE DEVELOPMENTS

The **Annual Headline Inflation**[2] for July 2004 stood at **1.8 percent,** compared to 0.9 percent recorded in June 2004. The rise in the annual headline inflation rate was due to increases in the prices of items under all the subgroups except clothing and footwear. Food prices rose by 0.8 percent compared to a fall of 2.5 percent registered in the year ended June 2004; the beverages and tobacco subgroup prices rose by 3.5 percent; the rent, fuel and utilities subgroup prices increased by 4.3 percent; the household and personal goods subgroup prices rose by 2.9 percent; the transport and communication subgroup prices rose by 0.6 percent; and the health, entertainment and education subgroup prices increased by 3.0 percent in the year to July 2004.

The **Monthly Headline Inflation** increased to **1.2 percent** in July 2004, from –1.2 percent registered in June 2004. This was due to monthly price increases of 2.6 percent for the food subgroup and 4.4 percent for the beverages and tobacco subgroup. The prices of food crops registered a higher increase of 2.9 percent in the month of July 2004, compared to 1.1 percent and 0.3 percent increases for goods and services respectively.

[2] Inflation is the percentage change in the Consumer Price Index compared with the same month (or previous month) one year (month) previously

The **Annual Underlying Inflation** dropped to **3.0 percent** in July 2004, from 3.1 percent registered in the year to June 2004. There was a relatively slower pace of rise in the average prices of goods and services in the year ended July 2004, compared to that of June 2004. Prices of goods (excluding food crops) increased by 2.8 percent in July 2004 compared to 2.9 percent in the year to June 2004, while services rose by 3.7 percent compared to 3.5 percent in the year to June 2004. In particular, the beverages and tobacco; the rent, fuel and utilities; the household and personal goods; and the health, education and entertainment subgroups realized faster rise in prices in July 2004, compared to what was realized June 2004.

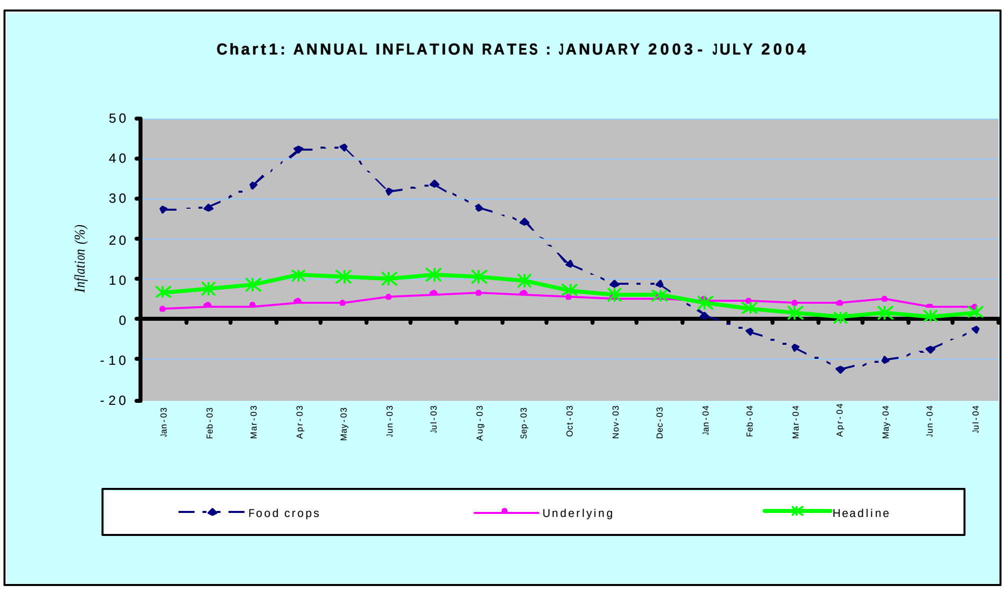
On a monthly basis, **Underlying Inflation** rose to **0.8 percent** in July 2004, from -0.2 percent in June 2004. The increase resulted from increases in the average prices of bottled beer and education services. This is the highest level registered over the past three-months.

The **Food Crops Annual Inflation** increased to **-2.5 percent** in July 2004 from -7.3 percent in the year ended June 2004. Also, the **Monthly Food Crops Inflation** rose to **2.8 percent** in July from –4.8 percent in June 2004. Increases in prices of some staple food including matooke, was registered in most areas.

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

Table I: Three Months Rolling Inflation Rates Out-turn (May – July 2004)
(percent)

Period	Headline Inflation		Underlying Inflation		Food Crops Inflation	
	Monthly	Annual	Monthly	Annual	Monthly	Annual
May 2004	0.9	1.6	0.4	5.0	2.9	-10.2
June 2004	-1.2	0.9	-0.2	3.2	-4.8	-7.3
July 2004	1.2	1.8	0.8	3.0	2.8	-2.5
Source: Uganda Bureau of Statistics						



C REAL SECTOR DEVELOPMENTS

On account of data availability, indicators of real sector developments in this report have concentrated on electricity consumption, fuel consumption and trading at the Uganda Securities Exchange.

(i) Production

a) Index of Industrial Production

Data on the Index of Industrial Production (IIP), which measures performance of the manufacturing sector, is only available up to May 2004, whose developments were presented in the previous report.

b) Electricity consumption

As part of the government's power sector restructuring plan, in May 2004, a concession pact was signed by the government with a private company to run UEDCL with effect from October 2004. This company is expected to improve efficiency in electricity distribution, which in turn should allow the company to meet the increasing demand. UEDCL has on average registered 19,000 new customers per year since 2001 but the new company is expected to increase this statistic to 60,000 in the first five years and then to 25,000 every year thereafter. The new investor company is licensed to supply electricity in an area of one kilometer beyond the existing distribution lines.

Business statistics, particularly relating to power consumption are however not yet available beyond December 2003 that was previously reported.

c) Fuel consumption

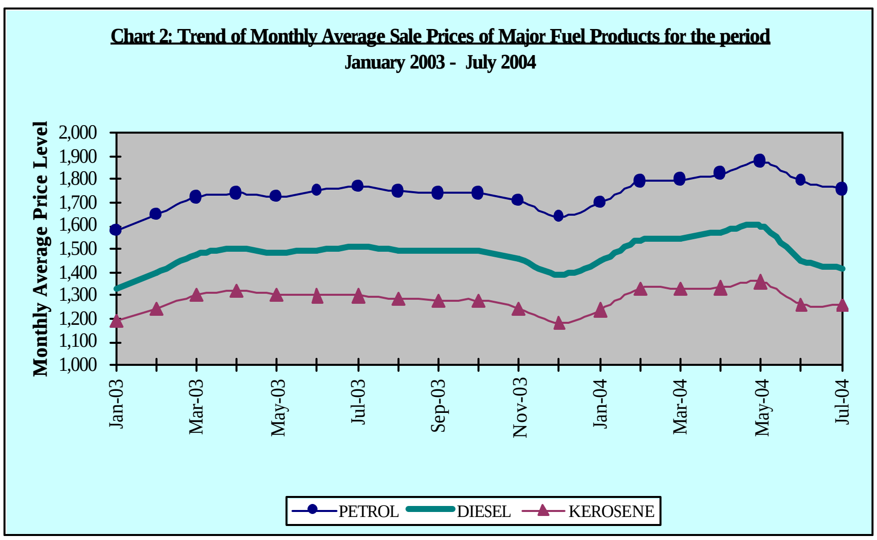
Trends of fuel consumption were last reported to April 2004, thus this section covers May and June 2004.

Import volumes of premium motor spirit (PMS) were declining between April 2004 and June 2004. From 19.7 million litres imported in April 2004, imports of PMS declined 8.8 percent to 18 million litres, which in turn was followed by a decrease of 10.6 percent to 16 million litres in June 2004. Compared to the corresponding months of 2003, the import volumes for May 2004 and June 2004 were lower by 6.0 percent and 7.4 percent. Imports of diesel were lower in May 2004 by 15.5 percent, but recovered by 10.7 percent in June 2004 to 25.5 million litres. The import volumes of diesel are however substantially higher, when compared to volume imported in the corresponding period of 2003. On the consumption side, while diesel sales volumes grew by 3.3 percent and 1.6 percent in May 2004 and June 2004, respectively, those of PMS and kerosene dropped over the same period mainly due to their high prices. The average monthly prices of PMS rose to Shs 1,890 in early May from Shs 1,850 before dropping 5.3 percent to Shs 1,790 at the beginning of June 2004. On the other hand prices of diesel dropped by 9.4 percent to Shs 1,450 at the beginning of June 2004 from a stable Shs 1,600. Notably and perhaps due to an appreciated Uganda shilling during the months of June and July, which cheapened imports, prices of specifically PMS and diesel continued to fall during that period despite high world oil prices and stood at Shs 1,690/liter of PMS, Shs 1,350/liter of diesel by August 06, 2004. Kerosene prices have remained fixed at Shs 1,260/litre since June 2004. Table II and Chart 2 below respectively show the import and sales volumes and the trend of price movements of the three major fuel products.

Table II. Import and Sales Volumes of Major Fuel Products
(May - Jun '03, Apr - Jun '04)

	May-03	Jun-03	Apr-04	May-04	Jun-04
Imports ('000 Litres)					
PMS	19,206.67	17,427.98	19,788.21	18,046.56	16,140.09
%age Change				**-8.8%**	**-10.6%**
BIK	4,510.42	3,778.66	4,379.88	4,755.61	4,215.74
%age Change				**8.6%**	**-11.4%**
DIESEL	22,802.49	20,302.57	27,204.72	22,988.21	25,456.18
%age Change				**-15.5%**	**10.7%**
Sales ('000 Litres)					
	May-03	**Jun-03**	**Apr-04**	**May-04**	**Jun-04**
PMS	16,650.40	16,542.50	14,752.10	14,817.90	14,391.40
%age Change				**0.4%**	**-2.9%**
BIK	3,944.60	4,141.90	3,309.60	2,898.10	2,876.60
%age Change				**-12.4%**	**-0.7%**
DIESEL	20,091.80	20,073.90	20,964.10	21,663.40	22,012.00
%age Change				**3.3%**	**1.6%**

Source: Energy Dept



ii) Activity at the Uganda Securities Exchange (USE)

Trading at the Uganda Securities Exchange increased from 2,931 shares in June 2004 to 31,174 shares traded in July 2004. Total turnover grew by more than 400 percent to Shs 50.79 million, from Shs 6.39 million recorded in June 2004. This was however only 2.4 percent higher than the turnover registered in July 2003. The Uganda Clays Limited and Bank of Baroda Uganda counters dominated activity with shares of 57.7 percent and 41.7 percent of total turnover respectively. Kenya Airways registered low activity, with 0.59 percent of total turnover in June 2004. The reason for the strong activity at the Exchange is the dividend payment period on most counters. At all but the BATU and BOBU counters, equity prices were volatile through July

2004. The average prices at the EABL, KA and UCL counters respectively dropped to Shs 9,887, Shs 285 and Shs 7,982 in July 2004 from Shs 9,961, Shs 303, and Shs 8,000 registered in June 2004.

As shown in Table III and Chart 3, in spite of the strong trading period, market capitalization for the USE dropped by 1.2 percent, from Shs 1,342.2 billion registered at the end of June 2004, to Shs 1,325.8 billion. This was mainly on account of the falling prices on the EABL counter, which led to a 0.7 percent decline in its average monthly market capitalization in July from June 2004. Total market capitalization of the USE is very sensitive to events at the EABL counter specifically because it has a substantial number of shares. The All Share Index that opened the month under review at a level of 333.64, closed lower at 331.51.

As mentioned in the 2004/05-budget speech, the government offered its remaining shares in DFCU for sale by public offer. Between July 30, 2004 and September 3, 2004, a total of 79,509,743 shares in DFCU Limited representing a 39.97 percent stake in the company, are on offer to the general public at Shs 230 per share. The listing of DFCU as an equity on the USE will be done September 30, 2004.

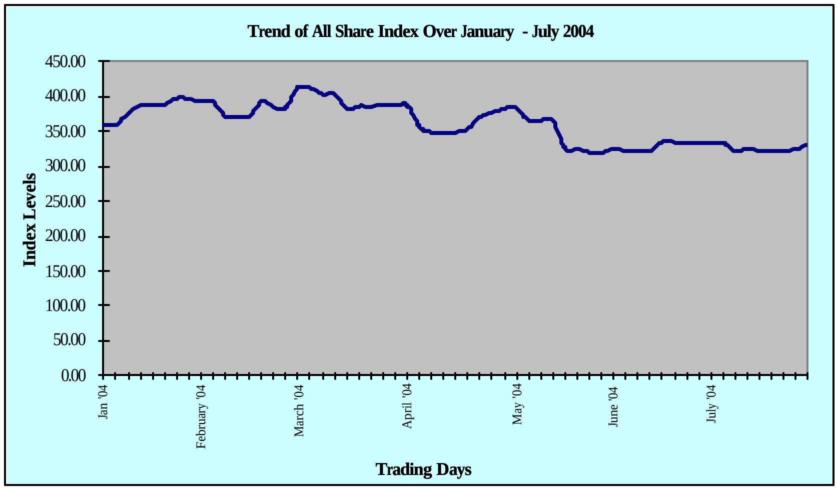
On the government securities counter, no new securities were listed in June 2004. However, in line with the policy to make the existing benchmark securities more liquid, the stock of securities available for trading increased by Shs 30.0 billion through re-opening the 3-years bond, first re-opened in mid-June 2004. The bulk of the trading in these instruments is however still handled through the over-the-counter vis-à-vis trading on the stock exchange by primary dealers, as the spread between the bid/ask rates is still attractive therein.

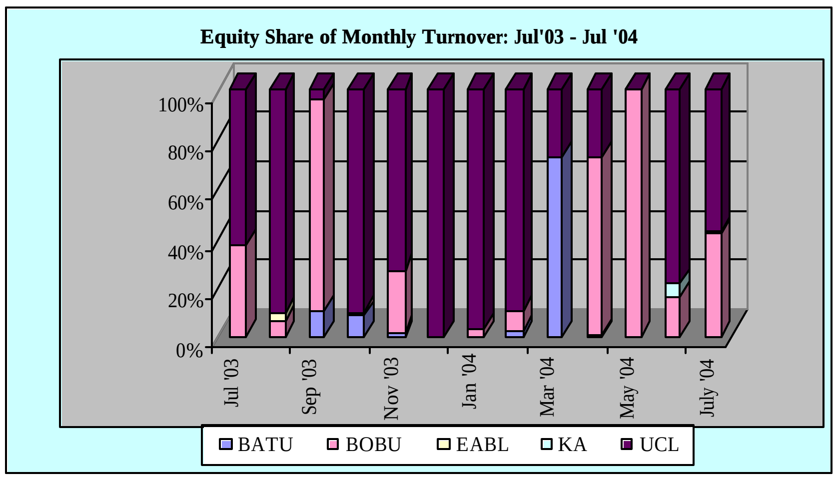
Table III: Trading at the Uganda Securities Exchange (May '03, February '04 – May '04)

	June '03	Mar '04	Apr '04	May '04	June '04	Jul '04
No. of Shares Traded	4,465	26,447	11,390	800	2,931	31,174
Turnover (Millions Shs)	10,099	40,110	10,298	624	6,388	50,790
No. of Deals	44	12	32	3	10	…
Trading Days	7	9	9	8	8	8
Market Capitalisation (Billion Shs)	376.2	1,491.15	1,532.3	1,283.3	1,342.2	1,325.8
All Share Index Level	N.A	387.09	383.14	319.7	334.9	331.51

Source: Uganda Securities Exchange Limited (USE)

Chart 3: Evolution of the All Shares Index and Market Capitalization





D DEVELOPMENTS IN THE DOMESTIC SECURITIES AND MONEY MARKET

The rates of the domestic securities continued to rise gradually while those in the money market declined over the four weeks ended August 06, 2004.

i) Primary market for Treasury bonds

In a continuous effort to promote secondary market trading through increasing the volume of tradable securities, and to create benchmark securities, Bank of Uganda re-opened the 3-year bond on July 14, 2004. The Shs 30.00 billion offer was over subscribed by Shs 2.12 billion, translating into a cover ratio of 107.08 percent. At a weighted price of 92.59 per Shs 100, the resultant yield for this 10.25 percent coupon bond was 16.80 percent, compared to 15.13 percent in the previous reopening of the same bond effected in June 2004. This yield remained higher than 13.56 percent, 12.80 percent and 13.48 percent recorded for the most recent auctions of the 2-year, 5-year and 10-year bonds respectively.

The total outstanding stock of Treasury bonds stood at Shs 195.00 billion by August 06, 2004. Table IV below shows details of all the bonds on the market to-date, also listed at the Uganda Securities Exchange.

Table IV: Summary of Government Treasury bond Issues as at August 06, 2004

Tenor/Issue date ®	2 Years		2 Years	3 Years			5 Years	10 Years
	New issue Jan 14-04	Reopened Jun 03-04	New issue Jun 30-04	New issue Feb 25-04	Reopened Jun 16-04	Reopened Jul 14-04	New issue Mar 24-04	New issue May 19-04
Maturities (Billion Shs)	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000
Offers (Billion Shs)	20.000	30.000	30.000	20.000	30.000	30.000	20.000	15.000
Total Bids (Billion Shs)	36.461	44.188	46.776	44.830	44.811	32.123	41.999	25.166
O/w Competitive	36.390	44.175	46.774	44.784	44.800	29.989	41.997	25.154
Over (Under) Subscription	16.461	14.188	16.776	24.830	14.811	2.123	21.999	10.166
Amount Sold (Face Value)	20.000	30.000	30.000	20.000	30.000	30.000	20.000	15.000
Amount Sold (Cost Price)	16.603	29.641	28.127	17.564	27.793	27.144	18.518	12.991
Cover Ratio (%)	182.305	147.292	155.920	224.149	149.370	107.077	210.00	167.773
Previous Cover Ratio (%)	….	182.305	147.292	…	224.149	149.370	…	…
WAP per Shs. 100	83.020	98.805	93.758	87.819	92.642	90.482	92.590	86.608
Previous WAP per Shs. 100	….	83.020	98.805	…	87.819	92.642	…	…
Yield to Maturity (%)	20.808	13.558	13.672	15.478	15.127	16.802	12.802	13.477
Previous Yield to Maturity (%)	…	20.808	13.558	…	15.478	15.127	…	…
Coupon Rate (%)	10.00	10.00	10.00	10.25	10.25	10.25	10.75	11.00

ii) Secondary Market for Treasury bonds

The four week-period average indicative bid/offer yields-to-maturity in the secondary market for the 3-year, 5-year and 10-year bonds were quoted at 15.09/14.89 percent, 13.79/13.52 percent, and 17.89/16.92 percent, depicting a marginal increase from the respective 15.09/14.87 percent, 13.40/13.19 percent and 17.73/16.75 percent reported in the previous four week period. On the other hand, the 2-year bond quoted average bid/offer rates of 13.98/13.78 percent declined from the previous average rates of 19.23/18.94 percent (See Table VI). One primary dealer bought Shs 0.100 billion worth of the 3-year bond from a non-primary dealer bank in the period under review.

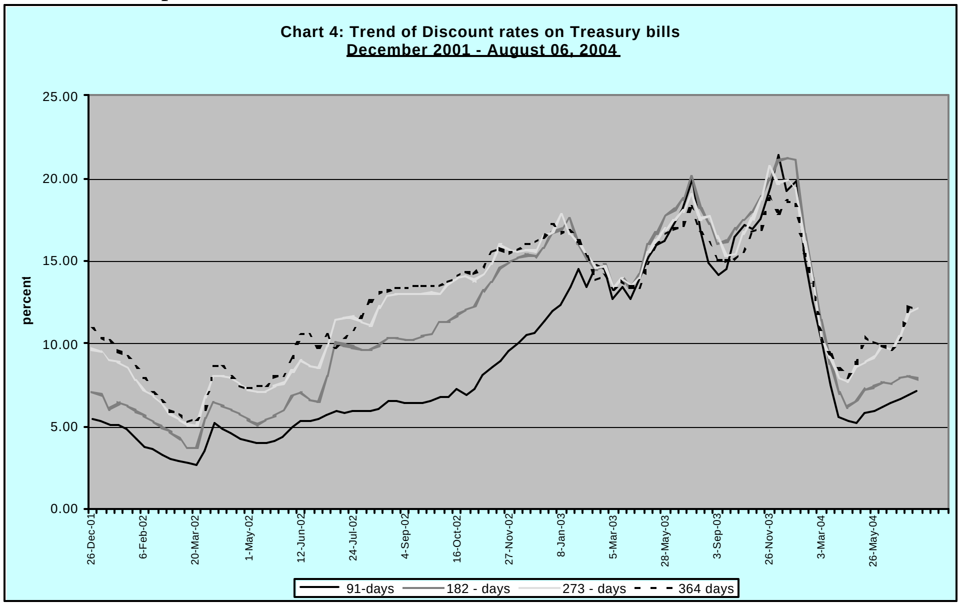
Table VI: Bid/Offer Rates and Transactions in the Secondary Market for Treasury bonds over the four week-period to August 06, 2004

	Tenor of bond							
	2-year		3-year		5-year		10-year	
	Yield-to-maturity quotation (percent)							
	Bid	Offer	Bid	Offer	Bid	Offer	Bid	Offer
Min	13.00	12.75	13.00	12.15	12.92	11.85	15.02	14.77
Max	17.12	16.97	17.14	16.99	15.75	15.50	20.81	19.83
Average	13.98	13.78	15.09	14.89	13.79	13.52	17.89	16.92

ıpiled from Domestic Financial Markets Department records

iii) Primary Market for Treasury bills

In the primary auction market for Treasury bills, the respective weighted annualized yields on the 91-day, 182-day, 273-day, and 364-day bills stood at 7.29 percent, 8.17 percent, 13.35 percent and 13.64 percent, respectively, at the auction held on August 04, 2004. This compares to levels of 6.78 percent, 8.28 percent, 11.27 percent and 11.35 percent, respectively, recorded in the auction held on July 07, 2004 (see trends in Chart 4 below). The market was over subscribed for all the auctions held in the period under review.



iv) Secondary Market for Treasury bills

The average bid/offer yields-to-maturity in the secondary market for Treasury bills maintained the upward trend for all papers (maturities) in the period under review. As shown in Table VI, the average bid/offer rates for the four weeks to August 06, 2004 were recorded at 7.02/6.76 percent, 8.91/8.64 percent, 11.98/11.75 percent and 12.86/12.56 percent for the 91-days, 182-days, 273-days and 364-days securities, respectively. This compares to the respective 6.45/6.19 percent, 8.03/7.76 percent, 10.05/9.77 percent and 10.90/10.60 percent, respectively in the four weeks to July 09, 2004.

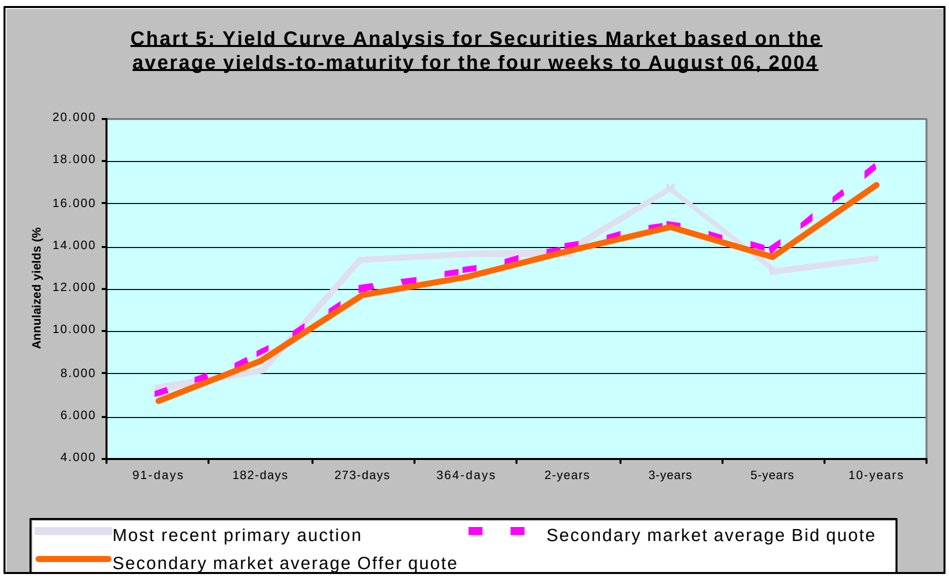
Table VI: Bid/Offer Rates and Transactions in the Secondary Market for Treasury bills over the four- week period to August 06, 2004

	Tenor of bills							
	91-days		182-days		273-days		364-days	
	Yield-to-Maturity quotation (percent)							
	Bid	Offer	Bid	Offer	Bid	Offer	Bid	Offer
Min	6.06	5.80	7.81	7.54	8.44	8.17	9.04	8.76
Max	8.75	8.49	10.50	10.22	14.98	14.68	16.56	16.24
Average	7.02	6.76	8.91	8.64	11.98	11.75	12.86	12.56
	Trading Activity							
Transactions (Shs bill)	0.411		2.005		0.009		0.135	
O/w Horizontal repos	0.000		0.000		0.000		0.000	
- Av. H/Repo rate	-		-		-		-	
O/w - Outright sales	0.411		2.005		0.009		0.135	
Total trades across maturities	Shs 2.560 billion							
Rediscounts at BoU	-							
Borrowing at BoU	-							
- Av. Discount rate	11.82 percent		9.35 percent		10.55 percent		9.80 percent	

- Av. Effective Yield	12.11 percent	9.64 percent	11.35 percent	10.85 percent
Source: Compiled from Domestic Financial Markets Department records				

Total trades in the Treasury bills for the four weeks ended August 06, 2004 amounted to Shs 2.56 billion, compared to Shs 9.26 billion of the four weeks ended July 09, 2004. The average discount rates on these trades for the 91-days, the 182-days, 273-days, and the 364-days securities were 11.82 percent, 9.35 percent, 10.55 percent, and 9.80 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 evolved generally in line with the developments in the primary market and was inverted between the 3-year and 5-year papers with inversion more pronounced in the primary market (see Chart 5).



Activity in the domestic inter-bank money market for the four weeks ending August 06, 2004 continued to be buoyant in the call money market (i.e. transactions of less than 30 days in tenor). The most active period was the week ended July 16, 2004, when transactions worth Shs 109.52 billion were recorded, while the least activity was in the week of August 06, 2004, when Shs 22.40 billion was transacted. Over the period, there was a gradual decline in the weighted average interbank rate from 8.09 percent to 6.86 percent. All commercial banks participated in the market during the four weeks. The average of the inter-bank market rates of 7.45 percent over the four weeks to August 06, 2004, was higher than 7.12 percent recorded for the corresponding period ended July 09, 2004.

v) Commercial Banks' Retail Interest Rates

One commercial bank revised its prime rate during the four weeks to August 06, 2004. This was a downward adjustment from 21 percent to 19 percent. Consequently, the number of banks charging rates in the range 18.1-19.9 percent increased from 6 to 7 banks, while those in the range of 20.0-22.0 percent declined from 4 to 3 banks. The range of these rates for the entire industry is recorded at 16-21 percent. Table VII below summarizes these developments.

The indicative savings and time deposits were maintained in ranges of 0-8.0 percent and 0.25-20.0 percent, respectively. The respective 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 remained unchanged at five (5) and seven (7), respectively.

Table VII: Trends of the Prime Lending Rates (Figures are end-period)

Prime Lending Rate (percent)	Mar 05, 04	Apr 30, 04	May 28, 04	July 02, 04	July 30, 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	3	4	4	4	5
18.1 – 20.0	2	9	9	7	7
20.1 – 22.0	10	2	2	4	3
22.1 - >>	0	0	0	0	0
Range (Min – Max)	17 – 22%	17- 21%	17 – 21%	16 –21%	16 –21%
Source: Weekly Report of Interest rates by Commercial Banks					

Information on the commercial banks' effective lending and deposit rates is available only up to June 2004. As portrayed in Table VIII, there was a decline in the effective lending rate on foreign denominated loans from 9.45 percent recorded in May 2004, to 8.07 percent of June 2004. That on shilling denominated loans, on the other hand, marginally increased from 20.80 percent to 20.88 percent.

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

	Shilling Denominated				Forex Denominated			
Weighted Average rates	Mar 04	Apr 04	May 04	Jun 04	Mar 04	Apr 04	May 04	Jun 04
Lending	22.12	19.77	20.80	20.88	9.11	9.85	9.45	8.07
Demand Deposits	1.32	1.24	1.17	1.14	0.96	0.96	1.01	1.00
Savings Deposits	2.12	1.87	2.12	2.14	1.66	1.65	1.45	1.45
Time Deposits	6.94	5.71	6.15	6.20	1.51	2.76	2.49	2.76
Source: Monthly Report, BS100 Returns by Commercial Banks								

The weighted rates on shilling denominated savings and time deposits, were also on an upward trend, increasing marginally from 2.12 percent and 6.15 percent in May 2004, to 2.14 percent and 6.20 percent, respectively. This contrasts with a decrease in the weighted rate on shilling denominated demand deposits from 1.17 percent to 1.14 percent over the same period. The demand deposit rate on foreign currency denominated deposits marginally decreased from 1.01 percent to 1.00 percent while the rate on savings remained unchanged at 1.45 percent. Time deposits increased from 2.49 percent to 2.76 percent.

E MONETARY AGGREGATES AND FINANCIAL SECTOR AGGREGATES

(i) Banking Activities[3]

Broad Money

[3] Based on the Preliminary Monetary Survey for June 2004.

Broad Money M3, which comprises currency in circulation plus all private deposits, expanded by about 6.9 percent to Shs 2593.2 billion in June 2004. This represents a strong turnaround, compared to a drop of 1.0 percent in May 2004. Relative to June 2003, M3 expanded by 9.3 percent or Shs 219.7 billion, compared to 2.2 percent growth in May 2004.

M2A, comprising of M3 less foreign currency deposits of the private sector, expanded by 8.2 percent to Shs 1941.5 billion as at end-June 2004, from Shs 1794.3 billion of end-May 2004. This compares to a decline of 0.7 percent over the month of May 2004. Relative to June 2003, M2A grew by 11.0 percent. The developments in money supply are shown in Table IX below.

Net Foreign Assets (NFA)

Over the month of June 2004, the NFA of the banking system declined by 2.6 percent or Shs 62.2 billion to Shs 2356.6 billion. At BOU, NFA contracted by 5.5 percent or Shs 98.0 billion, to Shs1672.6 billion, mainly driven by the decline in foreign reserves of an equivalent of Shs 111.6 billion, compared the increase of Shs 97.6 billion reported in the previous month. In the commercial banks, the growth in NFA of 5.5 percent or Shs 35.8 billion to Shs 683.7 billion by end June 2004, was much faster than 0.3 percent realized in May 2004.

Net Claims on Government (NCG)

The government's net position with the banking system (NCG) as at end-June 2004 was a borrowing of Shs 161.0 billion, up by 44.1 percent or Shs 49.3 billion from Shs 111.7 billion at the end of May 2004 (Table IX). At BoU, the government increased its savings by Shs 20.5 billion over the month, on account of a strong reduction in advances to government of Shs 171.8 billion, which more than offset a fall in government deposits of Shs 151.4 billion, as BoU's investment in government securities remained unchanged. At commercial banks, net claims on government rose by Shs 69.7 billion in June 2004, on account of a decline in government deposits of Shs 36.1 billion, coupled with a rise in commercial banks' investment in government securities of Shs 33.7 billion. Relative to June 2003, the claims of the banking system on government decreased by Shs 229.4 billion.

Table IX: Developments in Monetary and Credit Aggregates (June 03 – June 04)

	June 2003	Sep. 2003	Dec. 2003	March 2004	May 2004	June 2004
Net Foreign Assets (NFA)	2101.3	2078.3	2255.7	2256.9	2418.5	2356.3
Domestic Credit	1246.2	1431.9	1291.6	1350.1	1137.8	1170.1
Net Credit to Gov't (NCG)	390.4	534.9	320.5	337.5	111.7	161.0
Claims on the Private Sector	848.6	888.2	962.0	997.4	1010.1	992.4
M3	2373.4	2365.2	2407.0	2507.2	2424.7	2593.2
Forex deposits	624.2	580.0	587.3	623.1	630.4	651.7
M2A	1749.2	1785.2	1819.7	1884.1	1794.3	1941.5
Demand Deposits	725.1	741.3	692.2	756.5	704.6	814.0
Term Deposits	562.7	570.4	581.3	605.7	585.3	598.7
Currency	461.4	473.4	546.2	521.8	504.4	528.7
Forex/M3 (percent)	26.3	24.5	24.4	24.9	26.0	25.1
Demand Deposits/M3 (percent)	30.6	31.3	28.8	30.2	29.1	31.4
Term Deposits/M3 (percent)	23.7	24.1	24.1	24.2	24.1	23.1
Currency/M3 (percent)	19.4	20.0	22.7	20.8	20.8	20.4
Source: *Monetary Survey, Research Department, Bank of Uganda*						

Private Sector Credit (PSC)

By end-June 2004, the stock of outstanding credit to the private sector by the banking sector stood at Shs 992.4 billion (Table IX), of which Shs 5.8 billion was from BOU and Shs 986.5 billion from commercial banks. This represents a decline of 1.8 percent (or Shs 17.7 billion) from the end May 2004 position. Relative to June 2003, PSC grew by Shs 143.8 billion or 16.9 percent, compared to 28.3 percent growth in the previous financial year.

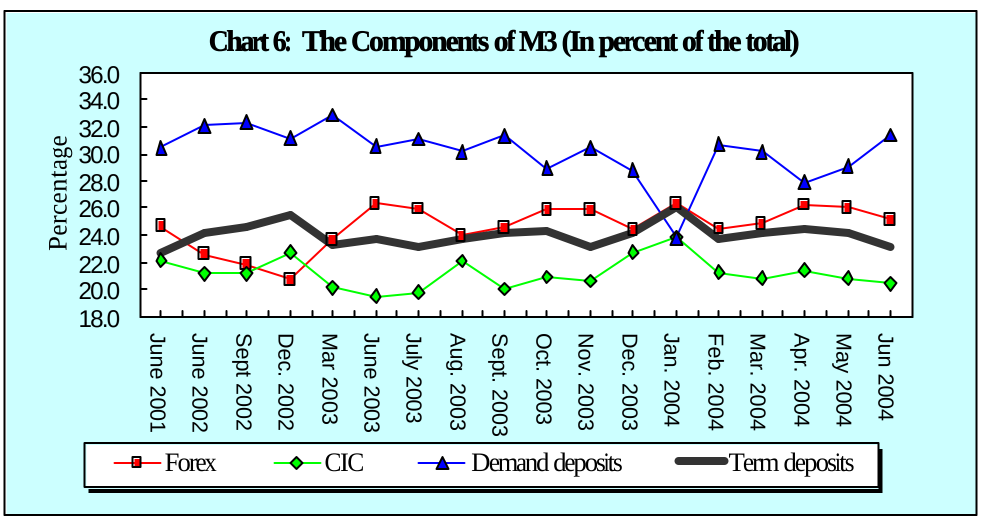
Credit Flows

During June 2004, the total (shilling and foreign currency) gross extensions by commercial banks amounted to Shs 131.36 billion, while recoveries were Shs 150.01 billion resulting in net recoveries of Shs 18.65 billion. After accounting for flows in capitalised interest, there was a fall in the stock of credit of approximately Shs 16.78 billion (see Appendix Table 1), though net recoveries from the private sector were recorded at Shs 17.7 billion[4]. During the month, commercial banks extended shilling loans amounting to Shs 78.06 billion, and recovered Shs 82.41 billion, thus net recoveries were Shs 4.35 billion. Net capitalised interest stood at Shs 1.41 billion. Thus, there was a net decrease in the stock of shilling loans to the non-bank public of Shs 2.94 billion (see Appendix Table 2). For foreign currency loans, gross extensions stood at Shs53.3 billion, while recoveries were higher at Shs67.6 billion, yielding net recoveries of Shs14.30 billion. After taking into account effects of capitalised interest, the stock of foreign currency loans recorded a net fall of Shs13.83 billion (See Appendix Table 3).

Appendix Tables 1-3 summarize the evolution of the monthly change in outstanding loans and advances of commercial banks for the period 1999/2000 to June 2004.

Liabilities of the Banking System

On the liabilities side, foreign currency accounts rose by 3.4 percent or Shs 21.3 billion to Shs 651.7 billion in June 2004. In US dollars, foreign currency accounts grew by US$ 14.4 million to US$ 358.3 million. Demand deposits grew strongly by 15.5 percent or Shs 109.4 billion to Shs 814.0 billion, while term deposits (time, savings and CDs) rose by 2.3 percent to Shs 598.7 billion as at end-June 2004. Currency in circulation (CIC) rose significantly by 4.8 percent or Shs 24.3 billion to Shs 528.7 billion. Reflecting these developments, the ratio of foreign currency deposits to M3 fell to 25.1 percent from 26.0 percent at end-May 2004. The ratio of demand deposits to M3 rose to 31.4 percent from 29.1 percent in May 2004, while that of term deposits fell to 23.1 percent from 24.1 percent in May 2004. The ratio of CIC to M3 fell to 20.4 percent from 20.8 percent in May 2004. The trends of the ratios are shown in Chart 6 below and Table X above.



(ii) Non-Bank Financial Institutions (NBFIs) Activities[5]

Assets

In the month of June 2004, the total assets of the Non-Bank Financial Institutions rose by 0.48 percent, from Shs 153.03 billion at the end of May 2004 to Shs 153.76 billion. This outturn compares to a growth rate of 0.92 percent observed over the same period a year ago. The growth in assets in June 2004 was mainly attributed to a 1.57 percent increase in loans and advances.

Loans and advances

The balances of the NBFIs in commercial banks, both within and outside Uganda, fell by Shs 1.11 billion to Shs 22.64 billion, while the stock of the outstanding loans and advances to the private sector rose by Shs 1.41 billion to Shs 91.03 billion as at end-June 2004, up from Shs 89.62 billion at end-May 2004. Mortgage loans, which account for 59.4 percent of the loans rose by 2.3 percent to Shs 54.06 billion, while secured and unsecured loans rose slightly by 4.8 percent to Shs 12.73 billion at the end of June 2004. By contrast, administered loans fell by 1.6 percent to Shs 24.23 billion, down from Shs 24.62 billion registered in May 2004. The building and construction sector accounted for the largest share of loans and advances from the NBFIs at 82.74 percent of the total as at end-June 2004. The trade and commerce sector retained the second largest share at 11.83 percent.

Deposits

In June 2004, private sector deposits in the NBFIs rose by 0.49 percent to Shs 67.12 billion, from Shs 66.80 billion in May 2004. Time deposits went up by 7.4 percent to Shs 10.78 billion, while the savings deposits fell by 0.74 percent to Shs 56.34 billion. Other deposits, which represent funds collected on behalf of government from the beneficiaries of the government pool house sale scheme, rose by 1.9 percent to Shs 26.15 billion over the same period.

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

	Jun 2003	Feb 2004	Mar 2004	Apr 2004	May 2004	Jun 2004
Total Assets	132.17	146.15	147.26	150.59	153.03	153.76
O/w Loans and advances	73.95	85.46	88.14	89.38	89.62	91.03
Secured & unsecured	9.86	11.33	12.38	12.09	12.15	12.73
Mortgage	37.35	48.80	50.79	52.42	52.84	54.06
Administered	26.74	25.34	24.96	24.87	24.62	24.23
Total Deposits	75.20	83.67	87.92	90.45	92.47	94.46
Savings	44.83	50.62	53.12	53.70	56.76	56.34
Time	7.27	8.57	9.05	11.43	10.04	10.78
Agency Funds	21.84	24.48	24.97	25.32	25.68	26.15

Source: *Bank of Uganda*

(iii) Leasing

The value of assets leased in July 2004 declined by 24.9 percent to Shs 1.85 billion, from Shs 2.44 billion disbursed in June 2004, but rose by 23.4 percent, when compared to Shs 1.5 billion

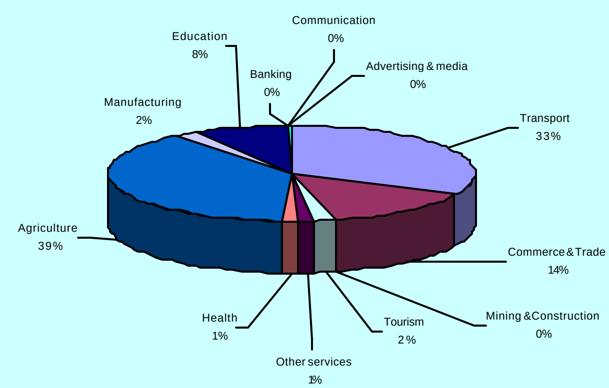
[4] The Gross Extensions and Recoveries include lending to Government and Parastatals. PSC as recorded by the Monetary Survey doesn't include lending to Government and parastatals.
[5] Only covers 7 credit institutions.

realized July 2003 and still higher than the annual average value of assets disbursed in the last three years. The agricultural sector, after a lengthy period of obscurity on the beneficiaries' list, took up the largest share of 38.4 percent in the month under review. The transport sector, which is normally the chief beneficiary in the leasing industry, accounted for 32.4 percent. In the agricultural sector, 91.3 percent of the assets leased were tractors. Mining and construction, which pulled 32.1 percent in June 2004, did not benefit from this type of financing in the month under review. Table XI below shows the evolution of the leasing disbursements by sector, while Chart 7 is a pictorial representation of this distribution in July 2004.

Table XI: Sectoral Distribution of Assets Leased - Shs million (March - July 2004)

Sector	Mar-04	%	Apr-04	%	May-04	%	Jun-04	%	Jul-04	%
Transport	159.0	11.1%	1,587.4	68.4%	1,773.7	71.1%	471.6	19.2%	597.6	32.4%
Commerce & Trade	116.8	8.2%	136.4	5.9%	260.5	10.4%	788.5	32.1%	252.5	13.7%
Mining & Construction	0.0	0.0%	75.6	3.3%	134.4	5.4%	788.8	32.1%	0.4	0.0%
Tourism	0.0	0.0%	42.8	1.8%	0.0	0.0%	26.0	1.1%	34.9	1.9%
Other Services	0.0	0.0%	0.0	0.0%	200.5	8.0%	304.7	12.4%	28.3	1.5%
Health	43.7	3.1%	202.9	8.7%	18.5	0.7%	14.0	0.6%	25.0	1.4%
Agriculture	72.1	5.0%	81.6	3.5%	0.2	0.0%	65.8	2.7%	709.6	38.4%
Manufacturing	331.1	23.2%	0.0	0.0%	0.0	0.0%	0.0	0.0%	40.0	2.2%
Education	33.4	2.3%	105.7	4.6%	63.6	2.6%	0.0	0.0%	153.8	8.3%
Banking	306.0	21.4%	0.0	0.0%	0.0	0.0%	0.0	0.0%	0.0	0.0%
Communication	0.0	0.0%	0.0	0.0%	41.8	1.7%	0.0	0.0%	0.0	0.0%
Advertising & Media	366.4	25.7%	87.3	3.8%	0.0	0.0%	0.0	0.0%	5.2	0.3%
TOTAL	1,428.6	100%	2,319.6	100%	2,493.2	100%	2,459.4	100%	1,847.2	100%

Chart 7: Sectoral Distribution of Leasing Disbursements for July 2004



Source: monfin/UBA reports/leasing Chart-sectoral

F GOVERNMENT BUDGETARY OPERATIONS

Updated data on fiscal operations are not available beyond May 2004, reported in the previous report.

Table XII: Government Budgetary Operations: January - May 2004 (Billion Shs)

	Revised Budget 2003/04	Prel. Jan 2004	Prel. Feb 2004	Prel. Mar 2004	Prel. Apr 2004	Prel. M ay 2004	Prog. May 2004
Total Tax & Import Support Receipts	2,228.6	151.4	131.0	198.7	136.1	441.1	168.5
Total Domestic Revenue	1,690.9	133.9	123.0	136.9	135.6	140.2	148.3
URA Excluding Refunds/Govt. Taxes	1,655.2	132.1	119.7	135.2	133.8	135.6	144.7
Non URA Revenues	35.7	1.8	3.3	1.7	2.0	4.5	3.6
Import Support Grants	537.7	17.5	8.0	61.9	0.3	301.0	20.2
Expenditure & Lending	2343.8	205.1	178.7	147.5	217.3	246.2	227.3
Current Expenditure	1,732.4	164.4	157.5	146.0	178.3	156.4	152.7
Development Expenditure	536.9	40.4	19.2	28.5	37.1	73.7	70.1
Others 1/	73.5	0.3	2.0	-27.0	1.9	16.1	4.6
Overall Fiscal Balance (Deficit)	(114.7)	(53.7)	(47.7)	51.2	(81.2)	194.9	(58.9)
Excluding Grants	(652.4)	(71.2)	(55.7)	(10.6)	(81.6)	(106.0)	(79.0)

Source: Ministry of Finance, Planning and Economic Development
1/ Includes Net Lending/Repayments, Arrears Repayments and Contingency.

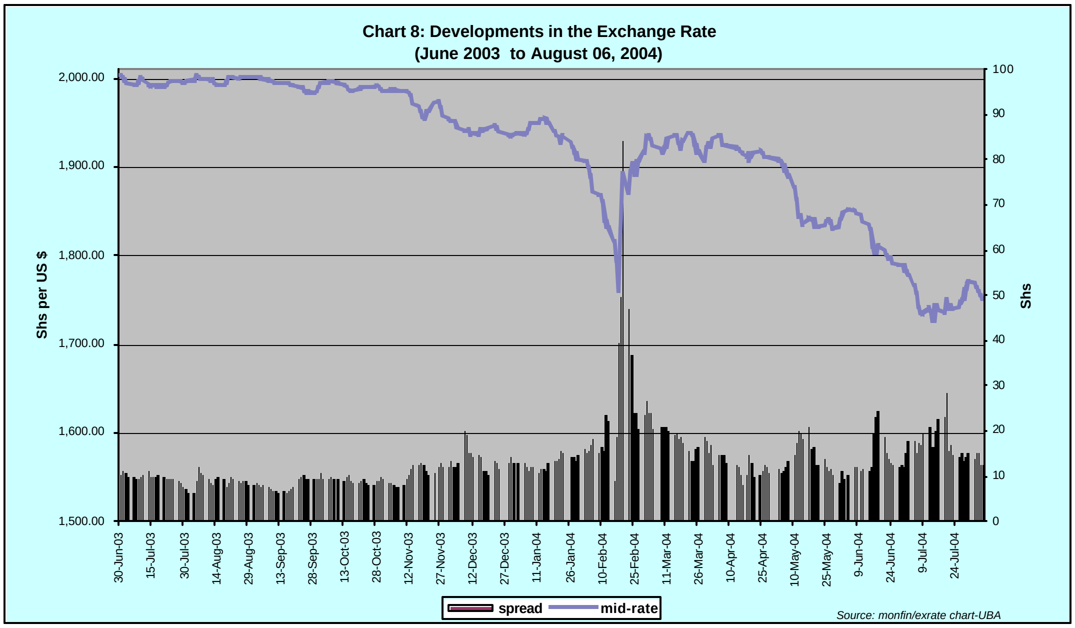
G EXCHANGE RATE AND FOREIGN EXCHANGE MARKET

Over the four-week period to August 06, 2004, the Uganda Shilling was mainly on a depreciating trend, a reversal of the appreciation trend experienced during the corresponding period to July 09, 2004. Much of this depreciation occurred during the period to July 30, 2004, after which the appreciation pressures against the US dollar were eminent. The Shilling appreciated by 1.13 percent from Shs 1770.72 per US dollar on July 30, 2004 to Shs 1750.69 on August 6, 2004.Overall, the Shilling marginally depreciated by 0.97 percent against the US Dollar from Shs 1733.94 per US Dollar on the July 09, 2004 to Shs 1750.69 per US Dollar as at August 06, 2004. This is compared to an appreciation of 5.74 percent recorded in the previous four-week period to July 09, 2004.

On a period average basis, however, the Shilling appreciated by 2.36 percent from an average rate of Shs 1789.74 per US Dollar for the four weeks ended July 09, 2004, to an average rate of Shs 1747.59 per US Dollar for the corresponding period ended August 06, 2004. The average spreads between the weighted inter-bank buy and sell rates, increased from Shs 16.00 during the previous period to Shs 16.83 for the period under review.

The average daily volumes of commercial banks' retail purchases and sales of foreign exchange were US$7.04 million and US$7.55 million respectively, during the period under review. This is higher than the average of US$6.89 million for purchases, but lower than US$7.72 million sales in the corresponding period ended July 09, 2004. It is therefore evident that demand relative to supply of foreign exchange weakened in the period under review.

BOU maintained its presence in the IFEM under the sterilization strategy geared at mopping up excess liquidity injected by poverty reduction government expenditures. The total net sales of foreign exchange by BOU on account of sterilization, intervention and the maturing Swap transactions in the four weeks period to August 06, 2004 amounted to US $ 2.6 million, compared to the amount US $ 29.40 million recorded in the four weeks preceding July 09, 2004. Bank of Uganda continues to watch market developments closely and ready to take any action to ensure market stability.



H DEVELOPMENTS IN THE BALANCE OF PAYMENTS (BOP)

The overall BoP balance is estimated at a surplus of US$4.71 million in June 2004. The current account balance is estimated at a deficit of US$22.93 million, a sharp drop of 126 percent from the surplus of US$87.77 million posted in the preceding month. The capital and financial account is estimated at a surplus of US$27.64 million; an improvement of 10 percent from a surplus of US$25.1 million registered in the preceding month.

(i) Exports

Total export proceeds in the month of June 2004 are estimated at about US$50.81 million; a marginal decline of 1.3 percent when compared to the export earnings of US$51.46 million recorded in May 2004.

Coffee Exports

During the month of June 2004, coffee export earnings amounted to US $ 12.67 million owing to shipments of 264 thousand (60-Kg) bags and value of US $ 0.80 per Kg. The coffee export value was 25 percent of total exports in June 2004. Meanwhile, reports for July 2004, indicate coffee exports to have increased by 7.8 percent to 284 thousand (60-kilogram) bags worth US$12.8 million. This showed slight increments of 1.7 percent in value compared to the previous month's exports. The average realized export price in July 2004 stood at US $ 0.75 per kilogram, down from an average unit price of US $ 0.80 per kilogram in June 2004.

Non-coffee Exports

The total value for non-coffee exports for the month of June 2004 is estimated at US$38.14 million; a decline of 11 percent when compared to US$42.84 million realized in the previous month.

As indicated in Appendix Table 5, there was a decline in the performance of most non-coffee exports in June 2004 compared to the previous month. More specifically, export proceeds from cotton, tea, fish and gold dropped by 54.3 percent, 26.3 percent, 21.6 percent and 15.6 percent, respectively. On the other hand, oil re-exports' earnings increased to US$2.91 million showing an increment of 47 percent.

(ii) Imports

The total import bill for the month of June 2004 is estimated at US$132.72 million at fob value. Private sector imports are estimated at US$114 million, 16 percent higher than the May 2004 private sector import bill. Oil imports are estimated at US$11.7 million showing a decline of about 3.8 and 9.3 percent when compared to the oil bills in the months of May and April respectively.

Government imports amounted to US$14.1 million for the month of June 2004, accounting for approximately 10.6 percent of the import bill. (See Appendix Table 6).

(iii) Other Inflows and Outflows

Official aid (excluding project aid but including resources from the HIPC[6] Initiative) amounting to about US$19.00 million was disbursed in June 2004. Private transfer inflows for the period under review are estimated at US$55.05 million, an increment of about 58 percent compared to the previous months' inflows.

Services and income outflows exceeded inflows by approximately US$29.12 million during the month of June 2004.

Official debt service (excluding IMF payments) was estimated at US$7.97 million for the month of June 2004 while IMF principal obligations worth US$6.39 million were externalized in the same month. Net trade credit amounted to inflows of US$0.7 million, consisting of inflows (buyers' credit and suppliers' credit) estimated at US$15.29 million and outflows (pre-finance shipments and suppliers' credit repayments) estimated at US$14.58 million.

(iv) Foreign Reserves

In June 2004, the level of gross foreign reserves was estimated at US$1,114.28 million, slightly lower than US$1,166.37 million in the preceding month of May 2004. This reserve level is estimated to cover 6.48 months of future imports of goods and services.

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.

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[6] 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**
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**
Q3	**348.69**	**(284.65)**	**64.04**	**9.48**	**(9.18)**	**0.30**	**64.34**
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)
March 2004	135.08	(116.00)	19.09	5.12	(2.75)	2.37	21.45
Q3	**381.64**	**(354.20)**	**27.44**	**15.16**	**(7.59)**	**7.57**	**35.01**
April 2004	114.41	(112.39)	2.02	6.36	(3.56)	2.80	4.83
May 2004	118.06	(110.98)	7.08	7.72	(4.91)	2.81	9.90
June 2004	131.36	(150.01)	(18.65)	6.10	(4.22)	1.88	(16.78)
Q4	**363.83**	**(373.38)**	**(9.55)**	**20.19**	**(12.69)**	**7.50**	**(2.05)**
Half 2 2003/04	**951.15**	**(910.59)**	**40.56**	**40.48**	**(25.36)**	**15.11**	**55.67**
2003/2004	**1,456.31**	**(1,348.15)**	**108.17**	**86.05**	**(51.98)**	**34.06**	**142.23**

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**
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**
Q 3	**222.02**	**(183.05)**	**38.97**	**8.01**	**(8.44)**	**(0.43)**	**38.54**
Q 4	**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
Q 1	**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)
March 2004	85.48	(73.79)	11.69	4.50	(2.18)	2.32	14.01
Q3	**248.82**	**(229.44)**	**19.38**	**12.42**	**(6.11)**	**6.30**	**25.69**
April. 2004	80.28	(82.95)	(2.67)	5.32	(2.90)	2.42	(0.24)
May 2004	72.36	(65.17)	7.20	7.07	(4.39)	2.68	9.88
June 2004	78.06	(82.41)	(4.35)	5.11	(3.70)	1.41	(2.94)
Q4	**230.71**	**(230.53)**	**0.18**	**17.51**	**(10.99)**	**6.52**	**6.70**
Half 2 2003/2004	**479.53**	**(459.96)**	**19.56**	**29.92**	**(17.10)**	**12.82**	**32.38**
2003/2004	**984.69**	**(897.52)**	**87.17**	**75.49**	**(43.72)**	**31.77**	**118.94**

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)**
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**
Q3	**126.67**	**(101.60)**	**25.07**	**1.47**	**(0.74)**	**0.73**	**25.80**
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
Mar. 2004	49.60	(42.21)	7.40	0.62	(0.57)	0.05	7.44
Q3	**132.82**	**(124.76)**	**8.06**	**2.74**	**(1.47)**	**1.26**	**9.32**
April 2004	34.13	(29.44)	4.69	1.04	(0.67)	0.38	5.07
May 2004	45.70	(45.81)	(0.11)	0.65	(0.52)	0.13	0.02
June 2004	53.30	(67.60)	(14.30)	0.99	(0.52)	0.47	(13.83)
Q4	**133.13**	**(142.85)**	**(9.73)**	**2.68**	**(1.70)**	**0.98**	**(8.75)**
Half 2 2003/04	**265.95**	**(267.62)**	**(1.67)**	**5.42**	**(3.18)**	**2.24**	**0.57**
2003/2004	**471.62**	**(450.63)**	**21.00**	**10.55**	**(8.26)**	**2.29**	**23.29**

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$
7-Jun-04	1,850.90	12.06	7.46	8.38
8-Jun-04	1,848.16	11.84	5.20	6.98
10-Jun-04	1,845.51	11.20	7.03	11.19
11-Jun-04	1,839.63	11.39	6.63	7.14
14-Jun-04	1,834.16	11.29	6.58	6.36
15-Jun-04	1,829.11	12.13	5.85	8.26
16-Jun-04	1,810.02	19.74	7.07	11.38
17-Jun-04	1,802.96	23.30	5.72	6.66
18-Jun-04	1,812.09	24.40	5.70	8.11
21-Jun-04	1,805.23	18.62	5.46	7.14
22-Jun-04	1,800.79	15.23	4.77	8.64
23-Jun-04	1,797.10	13.78	7.73	4.57
24-Jun-04	1,797.91	12.89	5.33	7.37
25-Jun-04	1,791.94	12.67	6.77	9.57
28-Jun-04	1,789.98	12.19	8.35	4.53
29-Jun-04	1,790.10	12.36	9.19	8.57
30-Jun-04	1,788.76	11.95	8.81	7.62
1-Jul-04	1,782.56	15.06	8.55	8.23
2-Jul-04	1,777.22	17.80	4.47	7.61
5-Jul-04	1,765.90	17.63	5.93	6.67
6-Jul-04	1,758.55	15.26	12.86	10.61
7-Jul-04	1,741.76	17.24	6.35	8.55
8-Jul-04	1,734.97	16.84	6.86	7.61
9-Jul-04	1,733.94	19.64	5.44	6.25
12-Jul-04	1,740.99	20.76	9.63	7.61
13-Jul-04	1,737.41	16.44	5.83	7.42
14-Jul-04	1,726.04	16.40	7.29	6.90
15-Jul-04	1,743.64	19.88	9.66	7.90
16-Jul-04	1,739.62	22.58	6.81	6.47
19-Jul-04	1,735.71	23.30	5.07	6.64
20-Jul-04	1,750.33	28.34	9.23	10.24
21-Jul-04	1,739.00	15.59	4.06	5.00
22-Jul-04	1,742.91	17.01	4.07	7.19
23-Jul-04	1,739.30	14.69	5.29	7.24
26-Jul-04	1,741.64	14.33	5.99	6.46
27-Jul-04	1,747.22	15.12	7.03	7.06
28-Jul-04	1,750.16	13.32	9.14	8.70
29-Jul-04	1,762.20	14.39	5.75	7.70
30-Jul-04	1,770.72	15.08	7.72	5.97
2-Aug-04	1,769.32	13.97	8.75	5.67
3-Aug-04	1,764.87	14.94	6.64	6.79
4-Aug-04	1,759.29	15.07	8.34	12.35
5-Aug-04	1,754.43	12.67	5.06	7.51
6-Aug-04	1,750.69	12.67	9.41	10.23

Table 5: EXPORTS OF MERCHANDISE (in millions of US$)

	Jan2004	Feb2004	Mar2004	Apr2004	May2004	Jun2004	Jul2004
Total Exports	**69.23**	**58.84**	**68.75**	**62.88**	**51.46**	**50.81**	
1. Coffee							
Gross coffee shipment, million (60-Kg) bags	0.30	0.24	0.24	0.18	0.18	0.26	0.28
Av. unit value	0.75	0.79	0.84	0.82	0.79	0.80	0.75
Value of total shipment (BOP)	13.39	11.22	11.92	8.77	8.62	12.67	12.80
2. Non-Coffee exports	**55.84**	**47.63**	**56.83**	**54.12**	**42.84**	**38.14**	
Electricity	1.19	0.90	0.96	1.13	0.98	0.94	
Gold	8.03	2.72	4.04	12.56	3.59	3.04	
Cotton	8.94	7.73	8.67	5.04	5.43	2.48	
Tea	3.40	2.29	3.27	3.00	3.97	2.93	
Tobacco	4.01	4.79	6.39	4.34	1.53	1.63	
Fish & its prod.(excl. regional)	9.26	8.14	8.25	8.44	7.92	6.21	
Fish & its prod.(regional exports)	3.06	2.69	2.72	2.78	2.61	2.05	
Hides & skins	0.68	0.46	0.33	0.53	0.37	0.39	
Simsim	0.23	0.35	0.91	0.50	0.39	0.16	
Maize	1.51	2.21	2.90	1.13	1.09	1.05	
Beans	0.34	0.66	0.54	0.66	0.28	0.45	
Flowers	1.83	3.09	2.70	2.41	2.79	2.74	
Oil re-exports	1.65	1.90	1.87	2.18	1.98	2.91	
Cobalt	0.00	0.00	0.00	0.00	1.08	1.61	
Others	11.71	9.70	13.27	9.42	8.84	9.55	

Source: Bank of Uganda

Table 6: IMPORTS OF MERCHANDISE (in millions of US$)

Table 2: IMPORTS OF GOODS (US$ millions)

	Jan2004	Feb2004	Mar2004	Apr2004	May2004	Jun2004
Total Imports	**107.69**	**102.35**	**114.17**	**109.23**	**122.44**	**132.72**
Government Imports	**10.22**	**12.44**	**9.95**	**10.28**	**14.14**	**14.09**
Project	7.95	5.47	9.38	9.51	6.55	10.19
Non-Project	2.27	6.98	0.56	0.77	7.60	3.90
Private Sector Imports	**93.13**	**81.77**	**96.98**	**89.65**	**98.30**	**114.01**
Oil imports	11.43	10.62	13.42	12.90	12.16	11.70
Non-oil imports	81.70	71.15	83.56	76.75	86.13	102.32
Estimated Imports	**4.34**	**8.14**	**7.25**	**9.29**	**10.00**	**4.61**

Source: Bank of Uganda

Note: All import figures are reported at f.o.b value.