



MONTHLY ECONOMIC REVIEW

**AUGUST
2006**

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EXECUTIVE SUMMARY

Monetary Policy Stance and Actions

Monetary policy remained focused on containing inflation at low and stable levels. To achieve this, BOU's monetary policy operations ensured that liquidity management does not exacerbate instability in the goods market, the domestic money market and the foreign exchange market.

A review of developments for the four-week period ended July 31, 2006 suggests that:

- Total treasury bill issues amounted to Shs. 34.7 billion (at cost) which were more than offset by treasury bill maturities of Shs. 55.7 billion leading to a net injection of liquidity of Shs. 21.0 billion. This contrasted with the net withdrawal of Shs. 0.1 billion that was observed in the previous four-week period to June 30, 2006.
- In a continuous effort to promote the development of financial markets alongside the conduct of monetary policy, Bank of Uganda reopened a 3-year bond on July 26, 2006 with a face value of Shs. 20.0 billion.
- On the short-term liquidity management front, Bank of Uganda injected Shs. 187.0 billion in four Reverse Repos as a fine-tuning liquidity management tool. Their tenors ranged from 7 to 14 days. In addition, Repo maturities amounted to Shs. 15.0 billion. This is contrasted with Repo issues and maturities of Shs. 95.0 billion and Shs. 199.7 billion, respectively over the preceding period ended June 30, 2006. By July 31, 2006, the outstanding stock of reverse REPOs was Shs. 60.2 billion.
 - In line with developments in the Treasury bill market, the Rediscount Rate and Bank Rate increased marginally from 12.8 percent and 13.8 percent, by end June 2006, to 13.4 percent and 14.4 percent, respectively by July 31, 2006.

Inflation Developments:

- The upward inflationary pressures experienced over the past two months reversed during the year ended July 2006. The annual headline inflation declined by 1.4 percentage points to 5.8 percent from 7.2 percent in June 2006. This was also lower than the rate of 10.0 percent experienced over the same month a year ago.
- The annual underlying inflation¹ eased to 5.0 percent in July 2006, down from 5.2 percent in the year ended June 2006, caused by the decline in the goods inflation that more than offset the rise in services inflation. Goods inflation dropped to 5.3 percent in July 2006 from 5.9 percent in June 2006, following decreases in prices of cigarettes (sportsman), fabrics, some household items, and drugs among others, while, services inflation increased to 4.7 percent from 4.2 percent for the year ended June 2006.
- The annual food crop inflation dropped from 14.1 percent in June 2006, to 8.8 percent in July 2006. This was mainly on account of increased food supplies driven by huge harvests particularly of staple foods, vegetables and cereals.
- The improvement in food supply as a result of the ongoing harvests is expected to contain inflationary pressures downwards in the coming months.

¹ Excludes food crops and related products such as milk, meat etc that are weather determined.

Real Sector Developments

- Trading activity at the Uganda Securities Exchange (USE) rose in July compared to June 2006. Total turnover grew by 78.9 percent despite a 14.2 percent decrease in the number of shares. The boost in performance at the USE is partly attributed to the 1.1 percent increase in the average price at the Exchange and an increase in the number of trading days to 3 from 2 trading days a week. The USE All-Share Index decreased by 1.9 percent on account of the 7 percent decline in Market Capitalization between July and June 2006.
- The value of leased assets disbursed in the month of July 2006 increased by 244 percent from Shs 650.0 million in June to Shs 2,235 million in July 2006. This was largely from the European Investment Bank (EIB) account, which was approved in May but was disbursed in July 2006. Manufacturing, Commerce and Trade recorded the largest share disbursed, both taking 36 percent of the total assets disbursed. This was followed by the Agriculture sector, with a share of 11 percent. Other sectors that received disbursements were Mining and construction, Transport, Education, Banking, and other services with 2,8, 1, 2 and 3 percent respectively.
- UMEME Limited purchases of electricity from Uganda Electricity Transmission Company Limited (UETCL) decreased by 2.5 percent in June compared to May 2006. On the contrary, the consumption of electricity indicated by energy billings in GWH increased by 11.1 percent in June 2006 compared to the previous month.
- In July 2006, imports of petrol and Kerosene increased by 9.26 percent and 3.13 percent respectively while imports of diesel decreased by 14.27 percent.

Domestic Securities and Money Market Developments:

- In line with the monetary policy objectives and financial markets development, Bank of Uganda reopened a 3-year bond on July 26, 2006. The Shs. 20.0 billion issue was under subscribed by Shs. 0.18 billion and realized a cover ratio of 99.1 percent. At a weighted average price of 92.0 per Shs. 100, the resultant yield for the 10.3 percent coupon bond was 14.0 percent, compared to 12.8 percent for the 3-year bond that was issued on June 28, 2006. This auction brought the total outstanding stock of treasury bonds to Shs. 753.2 billion by end of July 2006.
- Coupon payments on the 2-year and 3-year bond totaling to Shs. 7.5 billion were effected during the month. All issues in the market so far are listed on the Uganda Securities Exchange.
- The four week-period average indicative bid/offer yields-to-maturity in the secondary market were quoted at 12.05/11.80, 12.96/12.71, 14.23/13.99, and 15.68/15.43 percent for the 2-year, 3-year, 5-year, and 10-year bond tenors, respectively. This is compared to the respective average yields-to-maturity of 12.08/11.84, 12.72/12.48, 14.30/14.06, and 15.68/15.43 percent, in the previous four-week period ended June 30, 2006. Within the month of July 2006, Shs. 10.0 billion, and Shs. 7.1 billion were traded in the 2-year, and 3-year bonds at respective average yields-to-maturity of 12.0, and 13.3 percent.
- Two Treasury bill auctions with offers of Shs. 30.0 billion and Shs. 20.0 billion respectively, were held in the month of July 2006 and were largely oversubscribed. The respective weighted annualized yields on the 91-day, 182-day, and 364-day bills stood at 7.7, 9.6, and 11.2 percent for the auction of July 19, 2006. This compares to rates of 7.2, 7.7, and 10.0 percent, recorded in the auction held on June 21, 2006. The average discount rates on Treasury bills in July 2006 were lower than those registered in July 2005 which ranged between 8.4, and 10.9 percent.
- In reflection to the rise in interest rates in the primary market, the average bid/offer yields-to-maturity in the secondary market for the 91-day, 182-day, and the 364-day treasury bills

increased marginally to 7.45/7.18, 8.07/7.80, and 9.83/9.54 percent in July 2006 from 7.31/7.05, 8.05/7.78, and 9.38/9.09 percent in June 2006, respectively.

- In the four weeks ended July 31, 2006, total secondary market trades of treasury bills amounted to Shs. 24.7 billion, of which Shs. 5.4 billion related to horizontal REPOs. This was lower than the Shs. 60.0 billion for the four weeks ended June 30, 2006. The average discount rates on these trades for the 91, 182, and 364-days securities were 12.2, 7.9, and 9.0 percent, respectively.
- During the month, the standing facilities at BOU were accessed and Shs. 10.0 billion worth of securities were rediscounted while Shs. 80.0 billion was borrowed by commercial banks at the rediscount and bank rates prevailing at the time. The yield curve, based on the monthly average indicative yield-to-maturity bid and offer quotations in the secondary market, remained gently upward sloping.
- Total volume of transactions in the domestic inter-bank money market (i.e. transactions of not more than 30 days in tenor) for the four weeks ended July 31, 2006 declined to Shs. 260.0 billion at a weighted average rate of 11.9 percent from Shs. 376.9 billion recorded in June 2006 at a weighted average rate of 8.9 percent. The seven day transactions were the most dominant recording 65 transactions at a weighted rate of 12.4 percent while the overnight amounted 35.0 billion of total transactions at a weighted average rate of 12.8 percent. Transactions between domestic banks and foreign entities in the money market amounted to Shs 52.8 billion, at an average rate of 13.0 percent in July 2006, compared to Shs. 9.0 billion at 8.3 percent in June 2006. All the commercial banks participated in the inter bank market during the four weeks.
- The weighted prime-lending rate for all commercial banks marginally declined from 18.6 percent in May to 18.3 percent in the month under review. There were no changes in the number of commercial banks charging rates for the various range categorizations. The range of these rates for the entire industry also remained at 16-21 percent.
- There was a rebound in the effective lending rate on the shilling denominated loans from 18.2 percent in May to 18.6 percent in June 2006. In the same period, the effective lending rate on the dollar denominated loans reversed the downward trend reported in May 2006 of 9.3 percent to 9.9 percent in June 2006.
- There was continued stability in the weighted rates on shilling denominated demand and saving deposits keeping stable at 1.1 percent and 2.0 percent, respectively while the weighted time deposit rates continued the declining trend from 8.1 percent to 7.6 percent in the month under review. In the same period, the dollar denominated deposit rate remained almost unchanged at 1.2 percent while the time deposit rate declined from 4.4 percent to 2.9 percent.

Developments in Monetary and Financial Aggregates:

- Broad Money M3, which comprises currency in circulation plus all private sector deposits, contracted by 0.18 percent to Shs 3271.6 billion in June 2006. This is compared to a rise in M3 of 3.84 percent registered in May 2006. Over the financial year 2005/2006, M3 grew by 16.38 percent at end-June 2006, almost double the growth of 8.7 percent of 2004/05.
- M2A, comprising of M3 less foreign currency deposits of the private sector fell by 0.28 percent to Shs2564.96 billion in June 2006, compared to the 5.31 percent growth registered in May 2006. M2A grew by 18.87 percent over the financial year 2005/06.
- Over the month under review, the Net Foreign Assets (NFA) of the banking system fell by 1.29 percent or Shs40.20 billion to Shs3084.43 billion. In particular, NFA at Bank Of Uganda declined by 2.09 percent or Shs 56.11 billion to Shs 2624.80 billion. At commercial banks, NFA increased by 3.59 percent or Shs 15.91 billion to Shs 459.63 billion. Foreign reserves at BoU

contracted by an equivalent of Shs 54.07 billion, compared to a growth of Shs 22.47 billion in the previous month.

- The government's net position with the banking system (NCG) as at end-June 2006 was a saving of Shs 80.71 billion, compared to a borrowing of Shs 11.34 billion at the end of May 2006. At BoU, net claims on government fell by Shs 24.63 billion over the month on account of a reduction in Advances to Government of Shs. 46.02 billion, which more than offset the decline in Government deposits of Shs 19.39 billion. At commercial banks, net claims on Government fell by Shs 65.41 billion in June 2006, on account of decreased investment in Government securities by commercial banks of Shs 48.24 billion, coupled with a build-up of Government deposits of Shs. 17.16 billion
- At end-June 2006, the stock of outstanding credit to the private sector by the banking sector stood at Shs 1475.26 billion, of which Shs 20.57 billion was from BOU and Shs 1454.69 billion was from commercial banks. This represents a strong increase of 4.51 percent or Shs63.68 billion during the month of June 2006. In comparison, during May 2006, PSC increased by 4.47 percent or Shs60.45 billion.
- During June 2006, the total (shilling and foreign currency) gross extensions stood at Shs232.50 billion, while recoveries were lower at Shs171.12 billion, yielding net extensions of Shs61.39 billion. After accounting for flows in capitalised interest, there was an increase in the stock of credit of about Shs69.34 billion.
- The ratio of foreign currency deposits to M3 rose to 21.6 percent at end- June 2006 from 21.5 percent at end-May 2006. The ratio of CIC to M3 rose to 22.8 percent from 21.7 percent; the ratio of demand deposits to M3 dipped to 29.4 percent from 31.3 percent, while that of term deposits to M3 rose to 26.2 percent from 25.5 percent.
- Total assets of the Credit Institutions (CIs) increased marginally by 0.7 percent to Shs. 222.2 billion from Shs. 220.7 billion at the end of May 2006. This was lower than the growth of 1.4 percent observed over the same period a year ago. The increase in assets during June 2006 was mainly on account of 9.7 percent rise in cash in vaults.
- Private sector deposits of the CIs increased from Shs. 102.7 billion to Shs. 103.4 billion. Specifically, Savings deposits increased by 2.7 percent to Shs. 72.9 billion, while Time deposits decreased by 4.1 percent to Shs. 30.4 billion. Agency funds (funds collected on behalf of government from beneficiaries of the government's pool house sale scheme) decreased by 2.0 percent, to Shs. 33.2 billion.
- In the month of June 2006, the total assets held by MDIs stood at Shs. 107.6 billion, representing an increase of Shs. 5.5 billion (or 5.3 percent) from Shs. 102.2 billion in March 2006. This was mainly on account of an increase in net fixed assets (10.3 percent) and net loans outstanding (5.0 percent). Net loans outstanding accounted for the largest share at 58.5 percent of total assets.
- In June 2006, deposit liabilities in the MDIs amounted to Shs. 17.7 billion, of which Savings and Time deposits were Shs. 16.3 and Shs. 1.2 billion, respectively. This was an increase of Shs. 1.4 billion in deposit liabilities from Shs. 16.3 billion in March 2006. Over the period, loan insurance funds decreased marginally from Shs. 15.0 billion in March 2006 to Shs. 14.9 billion in June 2006.
- Total borrowings of the MDIs decreased from Shs. 30.9 billion to Shs. 29.5 billion. Specifically, short-term borrowings (market rate) decreased by 11.0 percent to Shs. 14.1 billion while long-term borrowings (market rate) increased by 2.4 percent to Shs. 15.4 billion.

Developments in the Foreign Exchange Market:

- Basing on the end month, the Shilling appreciated by 0.34 percent against the US Dollar compared to a depreciation of 0.59 percent recorded for the previous period.
- BOU continued to watch foreign exchange market developments very closely to ensure market stability. BoU continued sterilisation and also intervened in the IFEM to a tune of US\$ 6.30 million for the month of July 2006.

Fiscal Developments:

- During the month of June 2006, total revenue and budget support grant receipts (excluding project grants) are estimated to have grown by 33.0 percent to Shs. 317.6 billion from Shs.238.1 billion during the month of May 2006.
- Total domestic revenue collected in June 2006 was estimated at Shs. 280.2 billion, higher than the programmed target of Shs.214.1 billion. The bulk of this was due to improved performance of URA collections, which contributed about 99 percent or Shs. 277.5 billion during June 2006.
- Receipts of budget support grants were estimated at Shs. 37.3 billion during June 2006, compared to Shs. 43.9 billion realised in May 2006. This is Shs. 21.3 billion lower than Shs. 58.6 billion programmed for June 2006.
- In June 2006, government expenditure and net lending increased by 12.48 percent to Shs. 307.4 billion. The increase was mainly driven by the rise in development expenditure, which rose by 26.5 percent to Shs. 75.5 billion. Over the same period, recurrent expenditure increased to Shs. 225.8 billion from Shs. 216.8 billion in the previous month.
- The overall fiscal balance for June 2006 was a surplus of Shs. 10.2 billion compared to a deficit of Shs. 35.3 billion recorded in May 2006. Excluding grants, the surplus turns to a deficit of Shs. 27.2 billion, compared to a deficit of Shs. 79.2 billion realised in May 2006.

Balance of Payments Developments:

- In June 2006, the current account balance was estimated at a surplus of US\$2.3 million, while the capital and financial account was estimated at a deficit of US\$12.0 million. As a result, the overall balance was estimated at a deficit of US\$9.7 million.
- Total export earnings increased to US\$85.9 million in June 2006; of which coffee export earnings accounted for 16.9 percent.
- The import bill (fob) was estimated at US\$192.4 million during June 2006 compared to the US\$170.2 million², which was recorded for the previous month.
- Official aid (excluding project aid but including resources from the HIPC Initiative) inflows amounted to about US\$38.6 million. Private sector transfer inflows exceeded outflows by US\$98.4 million in June 2006, and services and income outflows exceeded inflows by about US\$43.6 million.
- Official debt service was estimated at US\$9.8 million for the month of June 2006.
 - Official foreign reserves (including valuation changes) were estimated at US\$1,408.1 million in June 2006, equivalent to 6.5 future months of imports of goods and services.

² Effective June 2004, import values are reported f.o.b.

ECONOMIC AND MONETARY DEVELOPMENTS

As at July 31, 2006

A. MONETARY POLICY STANCE AND ACTIONS

Bank of Uganda (BOU)'s monetary policy is focused on containing inflation at low and stable levels. However, operations of its instruments are cautiously undertaken in order not to exacerbate instability in the money and foreign exchange markets. Sterilization of excess liquidity is usually effected through a combination of sales of Treasury bonds, Treasury bills and foreign exchange. This notwithstanding, BOU actively uses the Repurchase Agreements (REPOs/Reverse Repos) as a fine-tuning instrument in order to smooth out unexpected liquidity developments in the short run. This is in addition to adjustments in the pricing of the liquidity providing windows at the BOU i.e. 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 Shilling value against other currencies continues to be determined by the supply and demand in the foreign exchange market. BOU only intervenes in the inter-bank foreign exchange market (IFEM) to curb instability.

In the four weeks to July 31, 2006, total treasury bill issues of Shs. 34.7 billion (at cost) were offset by treasury bill maturities of Shs. 55.7 billion leading to a net injection of liquidity of Shs. 21.0 billion, contrasting with the net withdrawal of Shs. 0.1 billion that was observed in the previous four-week period to June 30, 2006. In a continuous effort to promote the development of financial markets alongside the conduct of monetary policy, Bank of Uganda reopened a 3-year bond on July 26, 2006 with a face value of Shs. 20.0 billion. On the short-term liquidity management front, Bank of Uganda injected Shs. 187.0 billion in four Reverse Repos to fine tune the prevailing liquidity conditions. Their tenors ranged from 7 to 14 days, and they were along side Repo maturities of Shs. 15.0 billion. This is compared to Repo issues and maturities of Shs. 95.0 billion and Shs. 199.7 billion, respectively over the preceding period ended June 30, 2006. By July 31, 2006, the outstanding stock of reverse REPOs was Shs. 60.2 billion.

B. DOMESTIC PRICE DEVELOPMENTS

The upward inflationary pressures experienced over the past two months reversed during the year ended July 2006. The annual headline inflation as measured by the change in Consumer Price Index (CPI) declined by 1.4 percentage points to 5.8 percent from 7.2 percent in June 2006. This is lower than the rate of 10.0 percent experienced over the same month a year ago.

The drop in inflation was particularly attributed to the slowdown in the increase in the food group index. The food inflation fell to 7.4 percent in the year ended July 2006 from 10.7 percent in June 2006 due to decreases in prices of mainly food crops. This was supplemented by the same trend observed in the beverages and tobacco inflation, which fell to 0.8 percent in July 2006, from 1.9 percent in June 2006 on account of the decline in the price of cigarettes (Sportsman). Also, the household and personal goods inflation eased to 6.6 percent from 8.0 percent registered in June 2006, driven by decreases in prices of washing soap, bath soap, and electric bulb among others.

Despite the decline in the inflation rates of the above categories, the clothing and footwear; rent, fuel and utilities; transport and communication; and health, education and entertainment categories exhibited higher increases in inflation. The prices of second hand clothes, charcoal, lubrication service, bicycle tube, and professional clinic fees rose at a higher pace during the year ended July 2006 than in June 2006.

The month-on-month headline inflation rose to -0.7 percent in July 2006 from -1.9 percent registered in the previous month. Though prices of items in the food; and beverages and tobacco categories declined during the month of July 2006, the rise in prices of some items mainly second hand clothes, charcoal and theatre admission fees partly offset the drop.

The annual underlying inflation³ eased to 5.0 percent in July 2006, down from 5.2 percent in the year ended June 2006, caused by the decline in goods inflation that overwhelmed the rise in services inflation. Goods inflation dropped to 5.3 percent in July 2006 from 5.9 percent in June 2006, following decreases in prices of cigarettes (sportsman), fabrics, some household items, and drugs among others, while, services inflation increased to 4.7 percent from 4.2 percent for the year ended June 2006.

Similarly, the month-on-month underlying inflation fell to 0.5 percent in July 2006 from 0.8 percent in June 2006. This was due to the decline in services inflation that fell to 0.4 percent from 1.3 percent in June 2006. Goods inflation however rose marginally to 0.6 percent in July 2006 from 0.5 percent recorded in June 2006.

The annual food crop inflation⁴ dropped by 5.4 percentage points from 14.1 percent in June 2006, down to 8.8 percent during the year ended July 2006. This was mainly on account of lower prices of food crops following the harvest particularly of staple foods, vegetables and cereals. The month on month food crop inflation stood at -4.5 percent in July 2006 compared to -9.2 percent recorded in the previous month.

During the coming months, the improvement in food supply as a result of the ongoing harvests is expected to contain inflationary pressures downwards. However, the likely impact of hiked electricity tariffs and the persistent increases in oil prices on production and distribution costs remain the greatest challenge to maintaining stable prices.

The above inflationary developments during the month of July 2006 are depicted in tables 1 and 2, and charts 1 and 2 below.

Table1: Inflation Developments across different Groups: May 2006-July 2006

Groups	Weights	Annual Changes (%)			Monthly Changes (%)		
		May-06	Jun-06	Jul-06	May-06	Jun-06	Jul-06
Food	45.2	12.1	11.0	7.4	2.6	-4.9	-2.7
Beverages & Tobacco	8.6	1.8	1.9	0.8	0.5	-0.2	-0.3
Clothing & Footwear	5.5	4.7	6.3	6.4	1.1	0.7	0.9
Rent, Fuel & Utilities	14.1	0.0	6.0	6.5	0.0	3.5	2.7
Household & Personal goods	5.3	7.5	8.0	6.6	1.1	1.1	0.1
Transport & Communication	6.7	6.2	7.0	7.8	2.4	0.8	0.3
Health, Educ & Entertainment	14.6	2.9	2.1	2.6	0.0	-0.4	0.6

³ Excludes food crops and related products such as milk, meat etc that are weather determined.

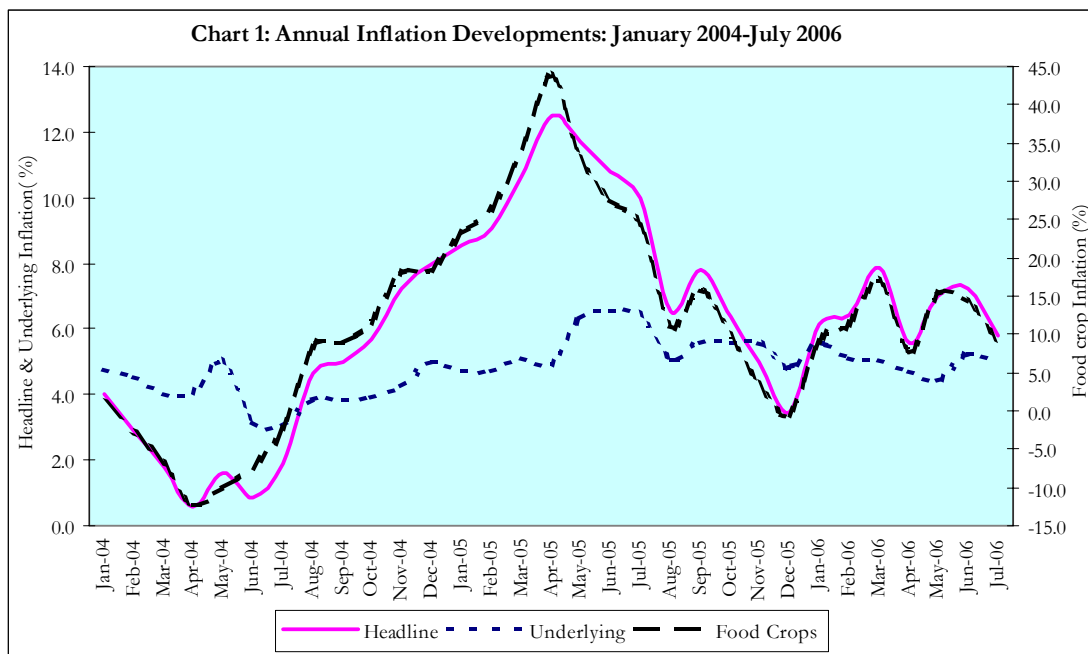
⁴ Food crops refer specifically to grown food crop items that are typically sold fresh in the markets.

Source: Computed from Uganda Bureau of Statistics data

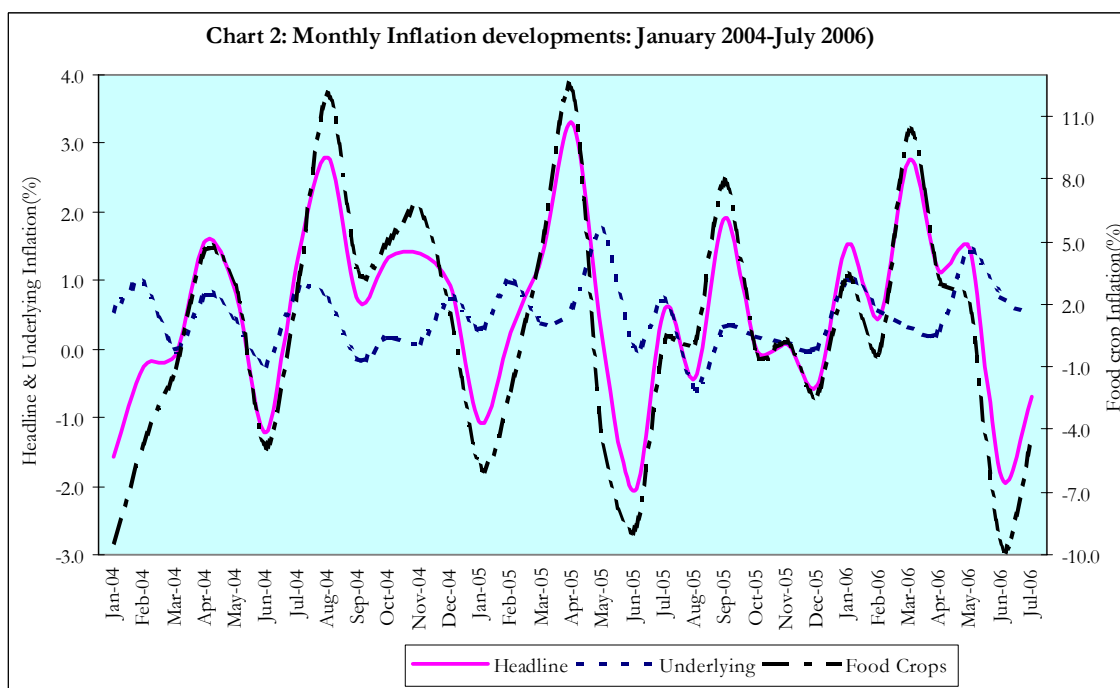
Table 2. Developments in Inflation by different measures: May 2006-July 2006

Period	Headline Inflation (%)		Underlying Inflation (%)		Food Crops Inflation (%)	
	Monthly	Annual	Monthly	Annual	Monthly	Annual
May 2006	1.5	7.0	1.4	4.4	2.0	15.2
June 2006	-1.9	7.2	0.8	5.3	-9.6	14.1
July 2006	-0.7	5.8	0.5	5.0	-4.5	8.8

Source: Uganda Bureau of Statistics



Source: Uganda Bureau of Statistics



Source: Uganda Bureau of Statistics

C. REAL SECTOR DEVELOPMENTS

This report highlights developments in the Finance and Energy sectors, using the latest available data on: activity at the Uganda Securities Exchange (USE), Leasing, and Consumption of fuel products and electricity in the month of July 2006.

1.0 Finance Sector

1.1 Uganda Securities Exchange (USE)

Trading activity at the Uganda Securities Exchange (USE) rose in July compared to June 2006. Total turnover grew by 78.9 percent despite a 14.2 percent decrease in the number of shares. The boost in the performance at the USE is attributed to the East African Breweries Limited (EABL) counter that recorded 53.2 percent of the total turnover in July 2006. The substantial rise in turnover is attributed to the relatively high price at the EABL counter and its dominance of trade at the USE in the month under review. Average price at the EABL counter was Ushs 3,466 in July 2006. Substantial trading was recorded on the Development Finance Corporation Uganda (DFCU) (20.6%), Bank Of Baroda Uganda (BOBU) (11.9%), New Vision Limited (NVL) (10%) and Uganda Clays Limited (UCL) (4.2 %).

The boost in performance at the USE may also be attributed to the 1.1 percent increase in the average price at the Exchange and an increase in the number of trading days to 3 from 2 trading days a week. The increase in number of trading days is attributed to demand by brokers for more trading dates given their holding of large stocks between the initial trading days. The move to 3 trading days was also to match up to regional standards. The Tanzania Stock Exchange operates 3 trading days while the Nairobi Stock Exchange, which is more developed in the region, operates 5 trading days.

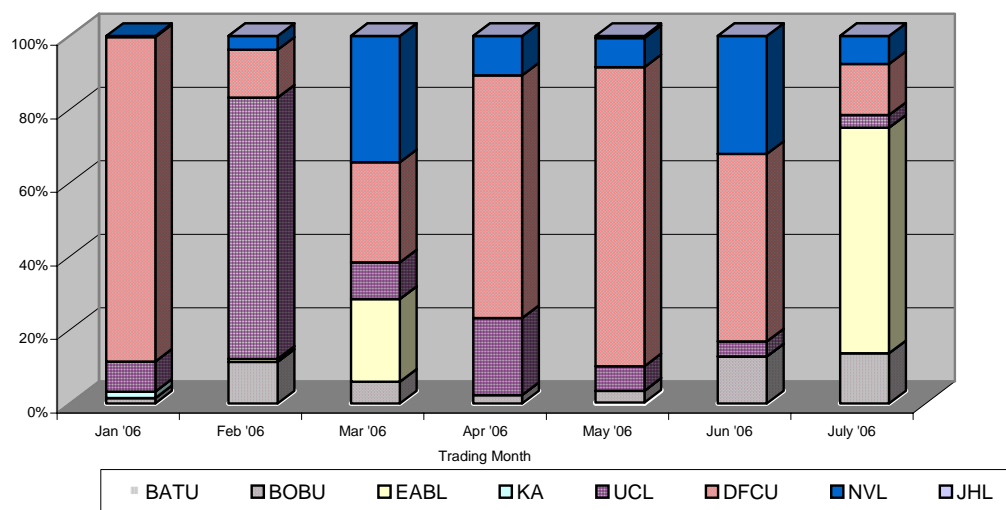
The USE All-Share Index decreased by 1.9 percent on account of the 7 percent decline in Market Capitalization between July and June 2006. Market Capitalization measures the value of listed equities as determined by the market price of issued and outstanding common stock. Market Capitalization is used as a weight in computing the USE All-Share Index, which shows the performance of the stock market and its overall value.

Table 3: Trading at Uganda Securities Exchange: March – July 2006

	II. Mar '06	April '06	May '06	June '06	July '06
Trading Days	8	8	9	9	13
Total Turnover	111,009,465	361,093,900	472,794,190	239,381,085	428,354,275
No. Shares	198,212	662,138	896,237	485,501	416,441
Market Capitalization (Billion Shs, E.O.P)	3,603.37	3,773.68	4,137.3	4,261.77	3,969.56
All Share Index	721.29	756.29	833.91	810.97	795.52

Source: Uganda Securities Exchange

Chart 3: Shares of Monthly Turnover at the USE Jan - July 2006



Source: Uganda Securities Exchange

1.2 Leasing activity

The value of assets disbursed in the month of July 2006 increased by 244 percent from Ushs 650 million in June to Ushs 2,235 million in July. This was largely from the European Investment Bank (EIB) account, which was approved in May but was disbursed in July.

Manufacturing, Commerce and Trade recorded the largest shares of disbursements, both taking 36 percent of the total assets disbursed. This was followed by the Agriculture sector, with a share of 11 percent. Other sectors that received disbursements were Mining and construction, Transport, Education, Banking, and other services with 2,8, 1, 2 and 3 percent respectively.

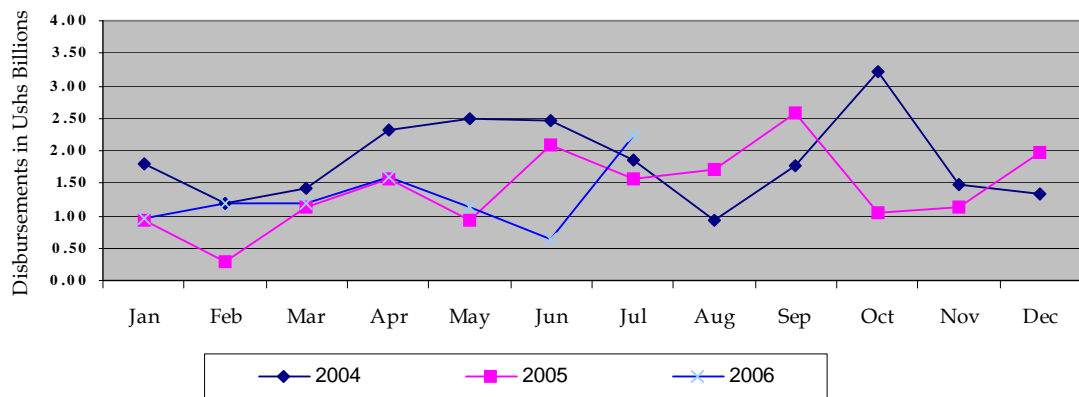
From Chart 2, it can be observed that in the month of July 2006 the value of total assets disbursed increased contrary to the trend observed in the same month a year ago. This was mainly attributed to the huge deals of about 400,000 dollars, which boosted the value of assets disbursed in the month of July.

Table 4: Sectoral Distribution of Assets Leased in Million Shillings: January – July 2006

A. Sector	% Mar'06		% Apr'06		% May'06		% June'06		% July '06	
	Shar e	Shar e	Shar e	Shar e	Shar e	Shar e	Shar e	Shar e	Shar e	Shar e
B. Transport	192.0	16.1	15.5	1.0	275.0	24.2	183	28.2	174.5	8
Commerce & Trade	291.5	24.5	322.2	20.2	331.2	29.1	20	3.08	813.8	36
Mining & Construction	-	-1,058.0	66.3	-	-	-	2.45	0.38	46.5	2
Tourism	-	-	73.2	4.6	29.1	2.6			-	-
Health	34.3	2.9	18.0	1.1	54.8	4.8			-	-
Agriculture	83.0	7.0	-	-	173.1	15.2	18.6	2.9	254.7	11
Manufacturing	297.3	25.0	32.9	2.1	207.8	18.0	366	56.3	812.9	36
Education	208.0	17.5	-	-	59.8	5.3			16	1
Banking	-	0.0	-	-	-	-			47	2
Real Estate	-	-	58.6	3.7					-	-
Other Services	84.6	7.1	17.0	1.1	-	-			69.3	3
Professional Services							60	9.20	-	-
TOTAL	1,190.7	100	1,595.4	100	1,137.9	100	650.0	100	2,234.7	100

Source: DFCU leasing

Chart 4: Trends of Leasing Activities: 2004-2006



Source: DFCU leasing

2.0 Energy Sector

2.1 Energy Consumption

This section of the report covers electricity consumption level for the period ending June 2006 as reported by UMEME Limited. The number of live customers increased by 0.3 percent in June compared to May 2006. UMEME Limited purchases of electricity from Uganda Electricity Transmission Company Limited (UETCL) decreased by 2.5 percent in June compared to May 2006. On the contrary, the consumption of electricity indicated by energy billings in GWH increased by 11.1 percent in June 2006 compared to the previous month. Table 5 shows the developments in energy consumption for the period January 2006 to June 2006.

Table 5: Energy Consumption by Tariff Category in Giga Watt Hours (GWH): January – June 2006

Number of Live Customers:				
	Mar-06	Apr-06	May-06	June-06
Domestic	265,002	265,764	266,803	267,675
Commercial	24,020	23,977	24,010	24,049
Industrial	938	942	951	966
Street Lighting	324	318	316	314
Total	290,284	291,001	292,080	293,004
Consumption in GWH:				
	Mar-06	Apr-06	May-06	June-06
Domestic	22.06	26.41	21.90	26.42
Commercial	9.34	10.32	8.85	10.91
Industrial	44.41	44.11	46.42	48.43
Street Lighting	0.19	0.05	0.03	0.04
Total	76.00	80.89	77.21	85.80
Purchases in GWH:				
	Mar-06	Apr-06	May-06	June-06
UMEME purchases from UETCL	118.29	118.10	122.10	119.10
C. Number of Live Customers: Month-month Percentage Changes				
	Mar-06	Apr-06	May-06	June-06
Domestic	-0.9	0.29	0.39	0.3
Commercial	-1.3	-0.18	0.14	0.2
Industrial	1.2	0.43	0.96	1.6
Street Lighting	-2.4	-1.85	-0.63	-0.6
Total	-0.9	-1.31	0.4	0.3
Consumption in GWH: Month-month Percentage Changes				
	Mar-06	Apr-06	May-06	June-06
Domestic	-10.2	19.7	-17.08	20.6
Commercial	6.1	10.5	-14.24	23.2
Industrial	18.2	-0.67	5.24	4.3
Street Lighting	280.0	-73.4	-40	22.9
Total	7.1	-6.4	-4.6	11.1
Purchases in GWH: Month-month Percentage Changes				
	Mar-06	Apr-06	May-06	June-06
UMEME purchases from UETCL	9.1	3.2	3.4	-2.5

Source: Umeme limited

2.2 Fuel Imports

This section reports the performance of fuel imports for the months of June and July 2006.

In June, there was an increase in imports of Kerosene and Diesel by 4.9 and 6.0 percent respectively while petrol had a decline in imports of 5.6 percent.

However, in July 2006, imports of petrol increased by 9.26 percent. Imports of diesel decreased by 14.27 percent while imports for Kerosene increased by 3.13 percent.

2.3 Fuel sales

This section covers the performance of fuel sales volumes for the period ending June 2006. Sales volumes for premium, Kerosene and Gas Oil decreased by 79%, 70% and 89% respectively in the month of June compared to May 2006.

Gas oil had the largest decline in sales volumes between May and June 2006. This was partly due to the 1.33 percent increase in the price of Gas oil from Ushs 1,949 in May 2006 to Ushs 1,975 in June 2006. The large decline in the fuel sales volumes in June 2006 may be attributed to the riots by the oil transporters in Kenya over the introduction of taxes for the oil transporters.

Table 6: Fuel Sales in '000 Litres: Feb- June 2006

	Sales Volumes in '000 Litres			
	Mar-06	Apr-06	May-06	June-06
Premium	15,558.0	15,937.0	14,178.6	2,919.9
Kerosene	3,228.3	3,270.4	2,710.7	818.5
Gas Oil	31,496.7	29,866.5	29,973.4	3,364.4
Percentage Change				
	Mar-06	Apr-06	May-06	June-06
Premium	9.5	2.7	-11.2	-79.4
Kerosene	19.2	1.3	-17.1	-69.8
Gas Oil	19.2	-5.2	0.4	-88.8

Source: Ministry of Energy

**D. DEVELOPMENTS IN THE DOMESTIC SECURITIES AND MONEY
MARKET**

Primary Market for Treasury Bonds

In line with the monetary policy objectives and financial markets development, Bank of Uganda reopened a 3-year bond on July 26, 2006. The Shs. 20.0 billion issue was under subscribed by Shs. 0.18 billion and realized a cover ratio of 99.1 percent. At a weighted average price of 92.0 per Shs. 100, the resultant yield for the 10.3 percent coupon bond was 14.0 percent, compared to 12.8 percent for the 3-year bond that was issued on June 28, 2006. This auction brought the total outstanding stock of treasury bonds to Shs. 753.2 billion by end of July 2006. Coupon payments on the 2-year and 3-year bonds totaling to Shs. 7.5 billion were effected during the month under review. Table 8 below shows details of the most recent Treasury bond issues. All issues in the market so far are listed on the Uganda Securities Exchange.

Table 7: Summary of Government Treasury bond Issues as at July 31, 2006

(In Billions of Uganda Shillings, unless otherwise stated)

Tenure/Issue date →	2 Year New Issue Apr 07-06	3 Year New Issue Jun 28-06	3 Year Re-opened Jul 26-06	5 Year New Issue May 31-06	10 Year New Issue May 19-04
Maturity Date	Apr 03-08	Jun 25-09	Jun 25-09	May-26-11	May 08-14
Offers	30.000	30.000	20.000	20.000	15.000
Total Bids	69.783	35.445	19.819	43.504	25.166
O/w Competitive	69.753	35.400	19.778	43.489	25.154
O/w Un auctioned amount	0.000	0.000	1.500	0.000	0.000
Over (Under) Subscription	39.783	5.445	(0.181)	23.504	10.166
Amount Sold (Face Value)	30.000	30.000	18.319	20.000	15.000
Amount Sold (Cost Price)	28.760	28.125	16.860	17.542	12.991
Cover Ratio %	232.610	118.150	99.095	217.159	167.773
Previous Cover Ratio %	130.940	220.763	118.150	161.135	...
WAP per Shs. 100	95.865	93.750	92.039	87.711	86.608
Previous WAP per Shs. 100	100.373	95.429	93.750	89.438	...
Yield to Maturity %	12.397	12.825	13.990	14.271	13.477
Previous Yield to Maturity %	13.000	12.884	12.825	15.124	...
Coupon Rate	10.000	10.250	10.250	10.750	11.000

Source: Research Department - Bank of Uganda

Secondary Market for Treasury bonds

The four week-period average indicative bid/offer yields-to-maturity in the secondary market were quoted at 12.05/11.80, 12.96/12.71, 14.23/13.99, and 15.68/15.43 percent for the 2-year, 3-year, 5-year, and 10-year bond tenors, respectively. This is compared to the respective average yields-to-maturity of 12.08/11.84, 12.72/12.48, 14.30/14.06, and 15.68/15.43 percent, in the previous four-week period ended June 30, 2006 (See Table 8). Within the month of July 2006, Shs. 10.0 billion,

and Shs. 7.1 billion were traded in the 2-year, and 3-year bonds at respective average yields-to-maturity of 12.0, and 13.3 percent.

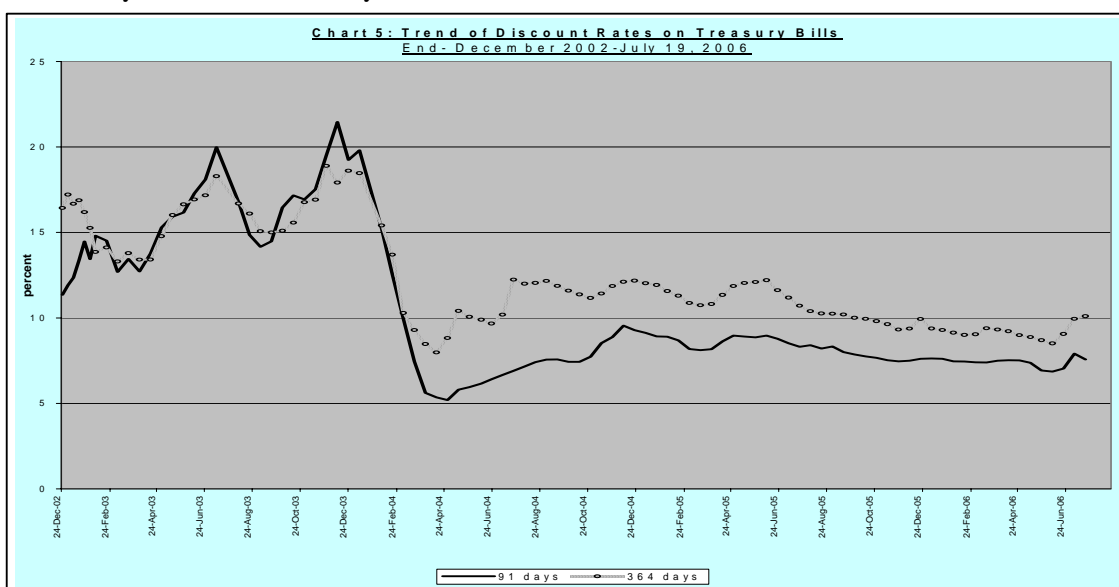
Table 8: Bid/Offer Rates in the Secondary Market for Treasury bonds over the four week-period to July 31, 2006

	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	11.75	11.50	12.60	12.35	14.00	13.75	14.90	14.65
Max	12.25	12.00	13.75	13.50	14.50	14.25	16.50	16.25
Average	12.05	11.80	12.96	12.71	14.23	13.99	15.68	15.43

Source: Compiled from Domestic Financial Markets Department records

Source: Research Department - Bank of Uganda

Primary Market for Treasury bills



Source: Research Department-Bank of Uganda

Two Treasury bill auctions with offers of Shs. 30.0 billion and Shs. 20.0 billion respectively, were held in the month of July 2006 and were largely oversubscribed. The respective weighted annualized yields on the 91-day, 182-day, and 364-day bills stood at 8.1, 8.8, and 11.0 percent for the auction of July 5, 2006, and at 7.7, 9.6, and 11.2 percent for the auction of July 19, 2006. This compares to rates of 7.2, 7.7, and 10.0 percent, for the 91-day, 182-day, and 364-day bills respectively, recorded in the auction held on June 21, 2006 (see Chart 5 above). The average discount rates on Treasury bills in July 2006 were lower than those registered in July 2005 which ranged between 8.4, and 10.9 percent.

Secondary Market for Treasury bills

In reflection to the rise in interest rates in the primary market, the average bid/offer yields-to-maturity in the secondary market for the 91-day, 182-day, and the 364-day treasury bills increased to 7.45/7.18, 8.07/7.80, and 9.83/9.54 percent in July 2006 from 7.31/7.05, 8.05/7.78, and 9.38/9.09 percent in June 2006, respectively.

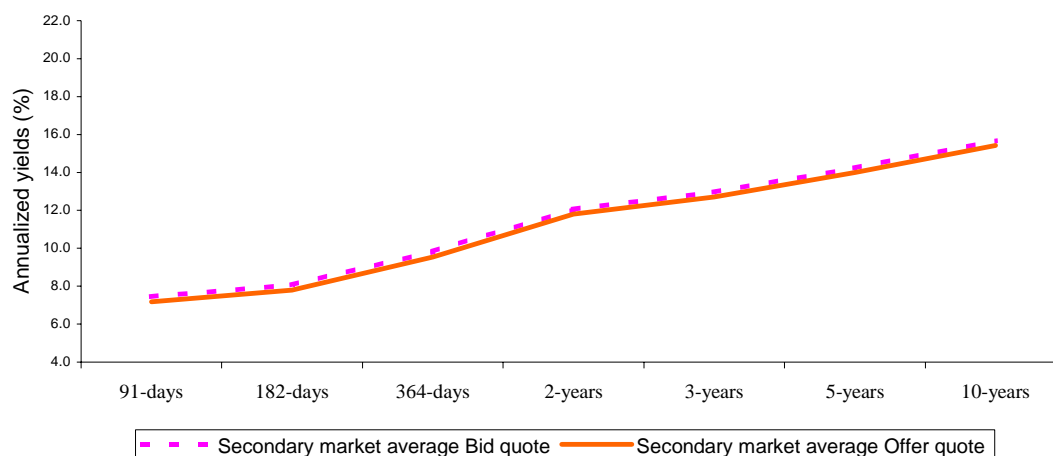
Table 9: Bid/Offer Rates and Transactions in the Secondary Market for Treasury bills over the four-week period to July 31, 2006

	Tenor of bills					
	91-days		182-days		364-days	
	Yield-to-Maturity quotation (percent)					
	Bid	Offer	Bid	Offer	Bid	Offer
Min	7.16	6.90	7.65	7.38	9.04	8.76
Max	7.96	7.69	9.67	9.40	10.96	10.67
Average	7.45	7.18	8.07	7.80	9.83	9.54
	Trading Activity					
Transactions (Shs billion)	20.414		0.103		4.211	
O/w Horizontal REPOs	5.414		-		-	
- Av. H/REPOs rate	16.33 percent		-		-	
O/w- Outright sales	28.586		0.103		4.211	
Total trades across maturities	24.728					
- Av Discount rate	12.19 percent		7.90 percent		9.02 percent	
- Av Yield to maturity	12.64 percent		8.13 percent		9.57 percent	
Rediscounts at BOU	10.000					
Borrowing at BOU	80.000					

Source: Research Department-Bank of Uganda

In the four weeks ended July 31, 2006, total secondary market trades of treasury bills amounted to Shs. 24.7 billion, of which Shs. 5.4 billion related to horizontal REPOs. This was lower than the Shs. 60.0 billion for the four weeks ended June 30, 2006. The average discount rates on these trades for the 91, 182, and 364-days securities were 12.2, 7.9, and 9.0 percent, respectively. During the month, standing facilities at BOU were accessed and Shs. 10.0 billion worth of securities were rediscounted while Shs. 80.0 billion was borrowed by commercial banks at the rediscount and bank rates prevailing at the time. The yield curve, based on the monthly average indicative yield-to-maturity bid and offer quotations in the secondary market, remained gently upward sloping (See Chart 6).

Chart 6: Yield Curve Analysis for the Secondary Securities Market for the four weeks to July 31, 2006



Source: Research Department-Bank of Uganda

Domestic Inter-bank market

Total volume of transactions in the domestic inter-bank money market (i.e. transactions of not more than 30 days in tenor) for the four weeks ended July 31, 2006 declined to Shs. 260.0 billion at a weighted average rate of 11.9 percent from Shs. 376.9 billion recorded in June 2006 at a weighted average rate of 8.9 percent. The seven day transactions were the most dominant recording 65 transactions amounting to Shs. 143.5 billion, as shown in Table 10 below, at a weighted rate of 12.4 percent while the overnight amounted to Shs. 35.0 billion of total transactions at a weighted average rate of 11.9 percent. Transactions between domestic banks and foreign entities^{5[1]} in the money market amounted to Shs 52.8 billion, at an average rate of 13.0 percent in July 2006, compared to Shs. 9.0 billion at 8.3 percent in June 2006. All the commercial banks participated in the inter bank market during the four weeks.

Table 10: Summary of inter bank money market activity

Tenor	Month Of June 2006			Month Of July 2006		
	No. transactions	of Amount (Shs bn)	Weighted Rate	No. transactions	of Amount (Shs bn)	Weighted Rate
Overnight	87	147.5	7.89	27	35.0	11.9
2 days	4	6.5	13.73	13	15.5	12.8
3 days	17	23	13.14	18	21.0	11.0
4 days	27	397.5	8.25	10	12.5	10.0
5 days	2	1.5	13.67	-	-	-
6 days	4	5.0	6.00	2	3.0	11.1
1 week	80	103.0	8.20	65	143.5	12.4
> 1 week	18	50.6	9.68	13	29.5	10.3
Total	239	376.9	8.69	148	260.0	11.9

Commercial Bank's Prime and Retail Interest Rates

The weighted prime-lending rate for all commercial banks marginally declined from 18.6 percent in June to 18.3 percent in the month under review. There were no changes in the number of commercial banks charging rates for the various range categorizations. The range of these rates for the entire industry also remained at 16-21 percent. Table 11 below summarizes these developments.

Table 11: Trends of the Prime Lending Rates During July 2006 (Figures are end-period)

Prime Lending Rate (%)	Jun 30, 2006	Jul 07, 2006	Jul 14, 2006	Jul 21, 2006	Jul 28, 2006
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	5	5	5	5	5
18.1 – 19.9	7	7	7	7	7
20.0 – 21.9	3	3	3	3	3
Range (Min – Max)	16%-21%	16%-21%	16%-21%	16%-21%	16%-21%

Source: Commercial banks weekly returns

^{5[1]} A distinction is made between the inter-bank market in which only domestic commercial banks participate and the money market where foreign banks also carry out transactions.

Information on the commercial banks' effective lending and deposit rates is available up to June 2006. As portrayed in Table 12, there was a rebound in the effective lending rate on the shilling denominated loans from 18.2 percent in May to 18.6 percent in June 2006. In the same period, the effective lending rate on the dollar denominated loans reversed the downward trend reported in May 2006 of 9.3 percent to 9.9 percent in June 2006.

Table 12: Commercial Banks' Lending and Deposit Rates (Percent)

Weighted Average rates	Shilling Denominated				Foreign Currency Denominated			
	Mar 2006	April 2006	May 2006	June 2006	Mar 2006	April 2006	May 2006	June 2006
Lending	18.86	18.73	18.23	18.60	9.98	10.41	9.26	9.92
Demand Deposits	1.08	1.10	1.09	1.11	1.16	1.15	1.22	1.17
Savings Deposits	2.00	1.99	2.00	2.02	1.45	1.45	1.45	1.45
Time Deposits	8.43	8.89	8.05	7.57	4.35	3.62	4.44	2.86

Source: Research Department-B.O.U

There was continued stability in the weighted rates on shilling denominated demand and saving deposits keeping stable at 1.1 percent and 2.0 percent, respectively while the weighted time deposit rates continued the declining trend from 8.1 percent to 7.6 percent in the month under review. In the same period, the dollar denominated demand and time deposits rates declined from 1.2 percent and 4.4 percent to 1.2 percent and 2.9 percent.

E. MONETARY AND FINANCIAL SECTOR AGGREGATES

(i) Banking Activities

Broad Money:

During June 2006, Broad Money M3, which comprises currency in circulation plus all private sectors deposits, contracted by 0.18 percent to Shs 3271.6 billion. This is compared to a rise in M3 of 3.84 percent registered in May 2006. Over the financial year 2005/2006, M3 grew by 16.38 percent at end-June 2006.

M2A, comprising of M3 less foreign currency deposits of the private sector fell by 0.28 percent to Shs2563.74 billion in June 2006, compared to the 5.31 percent growth registered in May 2006. M2A grew by 18.92 percent over the financial year 2005/06. Developments in money supply are shown in Table 13 below.

Net Foreign Assets (NFA):

Over the month under review, the NFA of the banking system fell by 1.29 percent or Shs40.20 billion to Shs3084.43 billion. In particular, NFA at Bank Of Uganda declined by 2.09 percent or Shs 56.11 billion to Shs 2624.80 billion. At commercial banks, NFA increased by 3.59 percent or Shs 15.91 billion to Shs 459.63 billion. Foreign reserves at BoU contracted by an equivalent of Shs 54.07 billion, compared to a growth of Shs 22.47 billion in the previous month.

Net Claims on Government (NCG):

The government's net position with the banking system (NCG) as at end-June 2006 was a saving of Shs 80.71 billion, compared to a borrowing of Shs 11.34 billion at the end of May 2006. (Table 13) This represents a decline in NCG of Shs 92.04 billion. At BoU, net claims on government fell by

Shs 24.63 billion over the month on account of a reduction in Advances to Government of Shs. 46.02 billion, which more than offset the decline in Government deposits of Shs 19.39 billion. At commercial banks, net claims on Government fell by Shs 65.41 billion in June 2006, on account of decreased investment in Government securities by commercial banks of Shs 48.24 billion, coupled with a build-up of Government deposits of Shs. 17.16 billion

Table 13: Developments in Monetary and Credit Aggregates (June '05 – April '06)

<i>(in billion shillings unless otherwise stated)</i>	Jun. 2005	Sept. 2005	Dec. 2005	Mar. 2006	Apr. 2006	May. 2006	Jun. 2006
Net Foreign Assets (NFA)	2648.0	2632.7	2730.4	3065.9	3127.2	3124.6	3084.4
Domestic Credit	982.0	1279.6	1251.4	1227.3	1298.1	1437.3	1414.1
Net Credit to Government (NCG)	-176.3	18.0	-47.1	-99.1	-68.4	11.3	-80.7
Claims on the Private Sector	1150.2	1259.7	1282.9	1312.1	1351.1	1411.6	1475.3
M3	2811.1	2905.5	3101.5	3093.9	3156.2	3277.4	3271.6
Forex deposits	653.3	679.3	665.8	679.1	713.6	705.0	706.6
M2A	2157.9	2226.1	2435.7	2414.8	2442.6	2572.4	2565.0
Demand Deposits	860.1	863.9	896.3	918.7	945.7	1025.8	961.5
Term Deposits	692.7	743.8	829.1	789.1	790.9	836.1	858.5
Currency	605.1	618.5	710.2	707.0	706.1	710.5	744.9
Ratio to M3 (Percent)							
Forex	23.2	23.4	21.5	21.9	22.6	21.5	21.6
Demand Deposits	30.6	29.7	28.9	29.7	30.0	31.3	29.4
Term Deposits	24.6	25.6	26.7	25.5	25.1	25.5	26.2
Currency	21.5	21.3	22.9	22.9	22.4	21.7	22.8

Private Sector Credit (PSC):

At end-June 2006, the stock of outstanding credit to the private sector by the banking sector stood at Shs 1475.26 billion, of which Shs 20.57 billion was from BOU and Shs 1454.69 billion was from commercial banks. This represented a strong increase of 4.51 percent or Shs 63.68 billion during the month of June 2006. In comparison, during May 2006, PSC increased by 4.47 percent or Shs 60.45 billion. Table 13 above shows the developments in the monetary and credit aggregates.

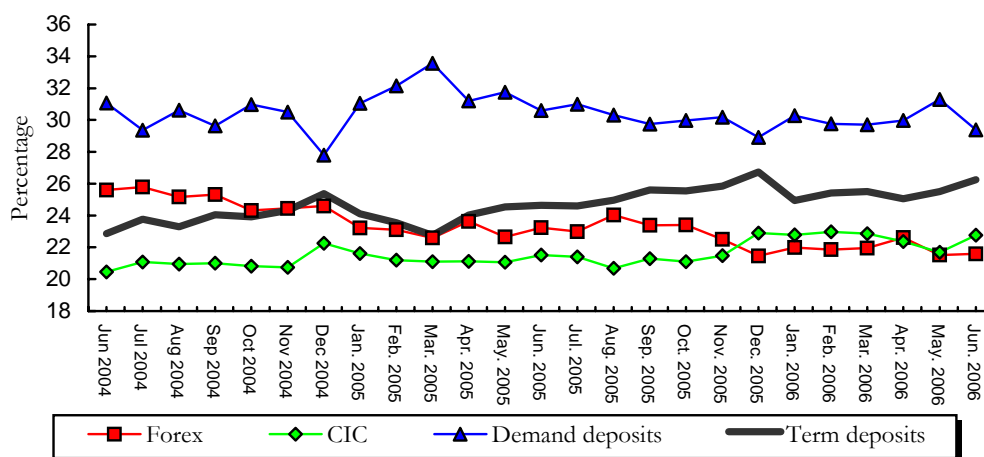
Credit Flows:

During June 2006, the total (shilling and foreign currency) gross extensions stood at Shs 232.50 billion, while recoveries were lower at Shs 171.12 billion, yielding net extensions of Shs 61.39 billion. After accounting for flows in capitalised interest, there was an increase in the stock of credit of about Shs 69.34 billion (see Appendix 1a)⁶. During the month, commercial banks extended shilling denominated loans amounting to Shs 140.02 billion and recovered Shs 92.58 billion, thus net extensions were Shs 47.44 billion. Net capitalised interest stood at Shs 10.21 billion. Thus, there was a net increase in the stock of shilling loans to the non-bank public of Shs 57.65 billion. For foreign currency loans gross extensions by commercial banks amounted to Shs 92.49 billion; while recoveries were Shs 78.54 billion resulting in net extensions of Shs 13.95 billion. After taking into account effects of capitalised interest, the stock of foreign currency loans recorded a net rise of Shs 11.69 billion. Appendix 1a-1c summarise the evolution of the monthly change in outstanding loans and advances of commercial banks from October 2004 to June 2006.

Liabilities of the Banking System:

On the liabilities side, foreign currency accounts at commercial banks rose slightly by an equivalent of Shs 1.67 billion or 0.24 percent to Shs 706.64 billion in June 2006. Demand deposits fell by 6.26 percent or Shs64.25 billion to Sh961.53 billion, while term deposits (time, savings and CDs) grew by 2.71 percent or Shs 22.64 billion to Shs857.31 billion as at end-June 2006. Currency in circulation (CIC) grew strongly by 4.48 percent or Shs 34.37 billion to Shs744.89 billion. Reflecting these developments, the ratio of foreign currency deposits to M3 rose to 21.6 percent at end- June 2006 from 21.5 percent at end-May 2006. The ratio of CIC to M3 rose to 22.8 percent from 21.7 percent; the ratio of demand deposits to M3 dipped to 29.4 percent from 31.3 percent, while that of term deposits to M3 rose to 26.2 percent from 25.5 percent. The trends in the ratios are shown in Chart 7 below and Table 13 above.

Chart 7: The Components of M3 (In percent of the total)



Source: Bank of Uganda

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

(a) Credit Institutions⁷

Assets:

In the month of June 2006, the total assets of the Credit Institutions (CIs) increased marginally by 0.7 percent to Shs. 222.2 billion from Shs. 220.7 billion at the end of May 2006 (Table 14). This is lower than the growth of 1.4 percent observed over the same period a year ago. The increase in assets during June 2006 was mainly on account of 9.7 percent rise in cash in vaults.

Loans and advances:

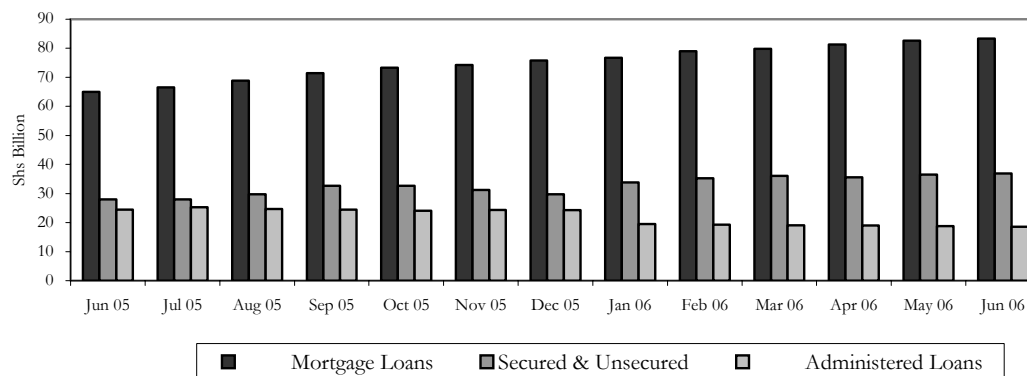
The stock of outstanding loans and advances to the private sector increased by 0.8 percent to Shs. 138.9 billion as at end-June 2006. Mortgage loans, which accounted for 60.0 percent of total loans, also increased by 0.9 percent to Shs. 83.4 billion, while secured and unsecured loans increased by 1.3 percent to Shs. 36.9 billion at the end of June 2006. Administered loans, on the other hand, decreased by 0.9 percent to Shs. 18.6 billion. The building and construction sector accounted for the

⁶ 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.

⁷ Covers 7 credit institutions.

largest share (73.5 percent) of total CIs advances as at end-June 2006, while the trade and commerce sector absorbed the second largest share of 13.0 percent. The developments in the loans and advances by credit institutions are shown in chart 8 below.

Chart 8: Outstanding Loans and Advances of the Credit Institutions, June 2005 – June 2006 (Billion Shs at end-period)



Source: Bank of Uganda

Deposits:

In June 2006, private sector deposits⁸ of the CIs increased from Shs. 102.7 billion to Shs. 103.4 billion. Specifically, Savings deposits increased by 2.7 percent to Shs. 72.9 billion, while Time deposits decreased by 4.1 percent to Shs. 30.4 billion. Agency funds (funds collected on behalf of government from beneficiaries of the government's pool house sale scheme) decreased by 2.0 percent, to Shs. 33.2 billion.

Table 14: Developments in the Activities of Credit Institutions (Shs Billion)

	Sep 2005	Dec 2005	Mar 2006	May 2006	Jun 2006
Total Assets	208.15	213.68	215.64	220.71	222.24
O/w Loans and advances	128.54	129.81	135.03	137.83	138.91
Secured & unsecured	32.63	29.77	36.08	36.46	36.92
Mortgage	71.47	75.79	79.85	82.61	83.39
Administered	24.44	24.25	19.11	18.76	18.59
Other ^c	79.61	83.87	80.61	82.88	83.33
Total Liabilities	208.15	213.83	215.64	220.71	222.24
O/w Deposits Liabilities ^a	128.97	131.28	133.37	138.30	138.37
Savings	65.16	66.39	67.66	70.97	72.91
Time	29.79	30.95	30.90	31.75	30.44
Agency Funds	31.92	32.88	33.58	33.91	33.24
Other ^b	79.19	82.55	82.27	82.41	83.87
Source: CIs monthly reports to BOU					
a/ Includes accrued interest					
b/ Includes balances due to commercial banks, administered funds, other liabilities, provisions, capital, and Profit/loss.					
c/ Includes investments, balances with banks, cash, fixed assets, net due from own offices in Uganda for items in transit and other assets					

⁸ This excludes Agency Funds

(b) Micro finance Deposit-Taking Institutions (MDIs)⁹

Assets:

In the month of June 2006, the total assets held by MDIs stood at Shs. 107.6 billion, representing an increase of Shs. 5.5 billion (or 5.3 percent) from Shs. 102.2 billion in March 2006. This was mainly on account of an increase in net fixed assets (10.3 percent) and net loans outstanding (5.0 percent). Net loans outstanding accounted for the largest share at 58.5 percent of total assets.

Loans and advances:

The stock of the outstanding loans to the private sector increased by 4.5 percent to Shs. 66.1 billion over the period under review. Allowances for loan losses (general and specific) amounted to Shs. 3.1 billion, representing a decrease of 4.5 percent from Shs. 3.3 billion in March 2006, hence the net loans by end-June 2006 of Shs. 62.9 billion.

Liabilities

Deposits:

In June 2006, deposit liabilities in the MDIs amounted to Shs. 17.7 billion, of which Savings and Time deposits were Shs. 16.3 and Shs. 1.2 billion, respectively. This was an increase of Shs. 1.4 billion in deposit liabilities from Shs. 16.3 billion in March 2006. Over the period, loan insurance funds decreased marginally from Shs. 15.0 billion in March 2006 to Shs. 14.9 billion in June 2006.

Borrowings:

Total borrowings of the MDIs decreased from Shs. 30.9 billion to Shs. 29.5 billion. Specifically, short-term borrowings (market rate) decreased by 11.0 percent to Shs. 14.1 billion while long-term borrowings (market rate) increased by 2.4 percent to Shs. 15.4 billion. Table 15 shows the developments in the activities of the Micro deposit taking institutions for the period December 2005 to June 2006.

⁹ Covers 4 Institutions

Table 15: Developments in the Activities of Micro finance Deposit-Taking Institutions (Shs Billion)

	Dec 2005	Jan 2006	Feb 2006	Mar 2006	Jun 2006
Total Assets	103.69	100.90	100.27	102.16	107.62
O/w Net Loans outstanding ^{a/}	63.16	61.54	60.54	59.93	62.92
Notes & Coins	2.29	2.49	2.86	2.52	2.58
Balances with financial institutions in Uganda	12.92	11.17	11.20	11.53	12.24
Investments in Securities	11.45	11.55	11.60	13.46	13.75
Net Fixed Assets	8.01	8.18	8.35	8.42	9.28
Other Assets	5.27	5.42	5.28	5.72	5.88
Other ^{b/}	0.58	0.54	0.43	0.59	0.96
Total Liabilities & Equity	103.69	100.90	100.27	102.16	107.62
Total Liabilities	72.43	70.01	69.33	70.97	70.40
O/w Deposit Liabilities	15.48	15.05	15.42	16.27	17.72
Savings	14.95	14.26	14.67	15.33	16.30
Time	0.32	0.56	0.46	0.58	1.18
Accrued Interest	0.21	0.23	0.29	0.36	0.24
Loans insurance funds	15.17	15.42	15.31	15.00	14.88
Borrowings	32.71	30.34	29.56	30.86	29.49
Other Liabilities	4.60	7.45	7.23	7.10	6.42
Grants/Deferred Income	1.01	0.97	0.94	0.96	1.27
Total Equity	18.57	18.20	18.25	18.51	19.77
Year to date profit/loss	1.12	(13.39)	0.10	0.36	1.24
Subordinated Debt	9.79	9.79	9.79	9.79	13.66
Preference shares	2.90	2.90	2.90	2.90	3.80
<i>Source: MDIs monthly reports to BOU</i>					
a/ Excludes allowances for loan losses					
b/ Constitutes Interbranch due from own offices and long term investments					

Source: Bank of Uganda

F. EXCHANGE RATE AND FOREIGN EXCHANGE MARKET

The Uganda Shilling exhibited an appreciation trend during the month of July 2006. On average, the Shilling vis-à-vis the US Dollar appreciated by 0.02 percent on a daily basis within this period. Basing on the end month, the Shilling appreciated by 0.34 percent against the US Dollar from Shs 1862.30 per US Dollar as on the 30th June 2006 to Shs 1855.89 per US Dollar on the 31st July 2006. This is in contrast with the depreciation of 0.59 percent recorded for the previous period from Shs 1851.38 per US dollar as on the 31st May 2006 to Shs 1862.30 per US Dollar as on 30th June 2006.

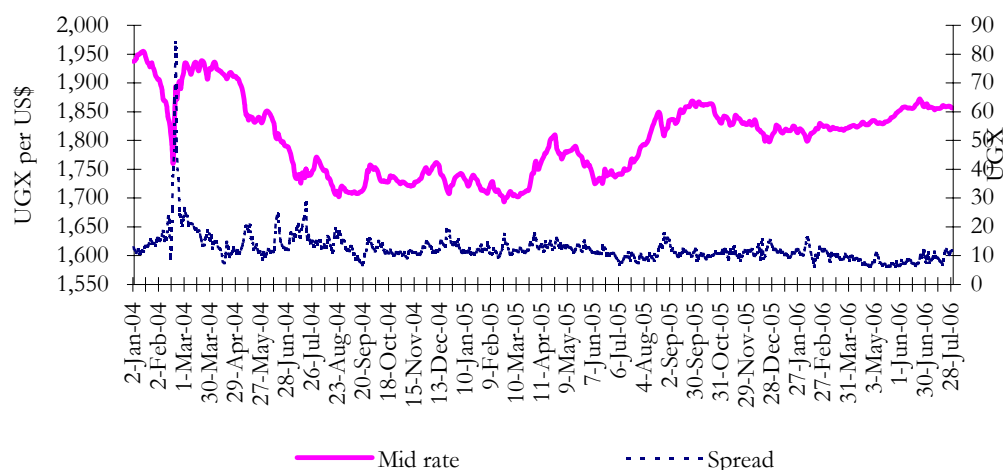
On a monthly average basis, the Shilling appreciated by 0.12 percent from Shs 1859.95 per US \$ in June, 2006 to Shs 1857.72 per US \$ for July, 2006. The average spreads between the weighted inter-banks' buy and sell rates, increased from Shs 8.16 during the previous period to Shs 9.73 during the month under review. Chart 9 illustrates the exchange rate movements and spread from January 2004 to end-July 2006.

The apparent strength of the shilling against the dollar was on account of substantial inflows from offshore investors leading to the strengthening of the local currency. In addition, inflows from NGOs and diplomatic missions were steady.

Commercial banks' daily retail sales and purchases averaged US \$10.16 million and US \$9.92 million respectively during the month under review. When compared to the preceding month, both the average sales and purchases declined by US \$1.15 million and US \$0.15 million respectively from US \$11.31 million sales and US \$10.07 million purchases recorded for the period ended June 30, 2006.

BOU maintained its presence in the IFEM under the sterilization-intervention strategy geared at mopping up excess liquidity injected by poverty reduction government expenditures and restoring order in the foreign exchange market. On a net basis, BOU sold US \$6.30 million under sterilization during the period under review compared to US \$31.30 million sold during the previous month. There was no intervention during the period under review. Bank of Uganda continues to watch market developments very closely to ensure market stability.

Chart 9: Daily Exchange rate Movements and Spread of the UGX against the US\$, January 2004 to July 2006



Source: Bank of Uganda

G. GOVERNMENT BUDGETARY OPERATIONS

i) Revenue and Grants

According to the preliminary figures from the Ministry of Finance, Planning and Economic Development, total revenue and budget support grant receipts (excluding project grants) are estimated to have grown by 33.0 percent to Shs. 317.6 billion during the month of June 2006, from Shs.238.1 billion during the month of May 2006.

Total domestic revenue collected in June 2006 was estimated at Shs. 280.2 billion, higher than the programmed target of Shs.214.1 billion. The bulk of this was due to improved performance of URA collections, which contributed about 99 percent or Shs. 277.5 billion during June 2006. The URA revenue collections were higher than what was realised in the previous month by Shs. 92.0 billion. The preliminary outturn for non-URA revenue collections in June 2006 was estimated at Shs. 2.7 billion, lower than the Shs. 8.7 billion realised in May 2006.

Receipts of budget support grants were estimated at Shs. 37.3 billion during June 2006, compared to Shs. 43.9 billion realised in May 2006. This is Shs. 21.3 billion lower than Shs. 58.6 billion programmed for June 2006.

Table 16: Government Budgetary Operations (Billion Shs)

	Outturn 2004/0 5	Draft Budget Est. 2005/06	Prog. Budget Est. 2005/06	Prel. May. 2006	Prel. June 2006	Prog June 2006
Total Tax & Import Support Receipts	3,169.9	2,894.1	2,891.7	238.15	317.6	321.92
Total Domestic Revenue	1,914.7	2,283.7	2,280.6	194.29	280.2	214.14
URA Excluding Refunds/Govt. Taxes	1,887.7	2,230.1	2,230.1	185.59	277.5	210.24
Non URA Revenues	27.0	53.6	50.5	8.71	2.73	3.90
Budget Support Grants 2/	1,255.2	610.4	611.1	43.86	37.3	107.78
Expenditure & Lending	3,067.9	2,832.8	3,832.8	273.4	307.4	345.15
Current Expenditure	1,986.8	2,148.1	2,148.1	216.8	225.8	189.74
Development Expenditure	1,232.0	541.0	541.0	59.70	75.5	143.27
Others 1/	58.7	143.6	143.64	(3.05)	6.1	12.14
Overall Fiscal Balance (Deficit)	(107.6)	61.4	59.0	(35.3)	10.2	(23.23)
Excluding Grants	(1,362.8)	(549.0)	(552.1)	(79.2)	(27.2)	(131.01)
Source: Ministry of Finance, Planning and Economic Development						
1/ Includes Net Lending/Repayments, Arrears Repayments and Contingency.						
2/ 2004/05 outturn constitutes Budget support Grants of Shs823.6 billion and Project Support Grants of Shs431.6 billion. March program constitutes Budget support Grants of Shs. 58.6 billion and Project Support Grants of Shs. 49.17 billion.						

Source: MFPEd

ii) Expenditure

In June 2006, government expenditure and net lending increased by 12.48 percent to Shs. 307.4 billion. The increase was mainly driven by the rise in development expenditure, which rose by 26.5 percent to Shs. 75.5 billion. Over the same period, recurrent expenditure increased to Shs. 225.8 billion from Shs. 216.8 billion in the previous month. Expenditure on wages and salaries amounted to Shs. 84.6 billion, which accounted for 37.5 percent of current expenditure, while other recurrent expenditures amounted to Shs. 113.2 billion, representing 50.1 percent of current expenditures. Total government expenditure was contained below the programmed level of Shs. 345.15 billion during the month of June 2006.

iii) Overall Fiscal Balance and Financing

The overall fiscal balance for June 2006 was a surplus of Shs. 10.2 billion compared to a deficit of Shs. 35.3 billion recorded in May 2006. Excluding grants, the surplus turns to a deficit of Shs. 27.2 billion, compared to a deficit of Shs. 79.2 billion realised in May 2006.

H. DEVELOPMENTS IN THE BALANCE OF PAYMENTS

The overall balance was estimated at a deficit of US\$9.7 million in June 2006. The Current Account balance improved to a surplus of US\$2.3 million from a deficit of US\$31.2 million registered in May 2006. This resulted from improvements in exports of goods and grants compared to the previous quarter in line with the usual seasonal pattern. The Capital and Financial account worsened to a deficit of US\$ 12.0 million in June 2006 from a deficit of US\$0.74 million in May 2006. This was mainly attributable to the increased build-up of currency and deposits assets to a tune of US\$78.6 million.

i) Exports

Total Exports (developments for the month of June 2006)

Total export proceeds in the month of June 2006 were estimated at US\$85.9 million; an increase of about 18.4 percent in comparison to US\$72.6 million recorded in the preceding month.

Coffee Exports

During the month of June 2006, coffee exports amounted to 187,098 (60-kilogram) bags worth US\$14.6 million. This was an increase of 51.7 percent and 32.7 percent in volume and value respectively, compared to the previous month's exports. The average realized export price for coffee in June was US\$1.30 per kg – 12.6 percent (or 18 cents) less than the US\$1.48 per kg in May 2006.

Non-coffee Exports

Overall, there was an increase in the estimated earnings for the non-coffee exports in June 2006 vis-à-vis the previous month. The total value (of non-coffee exports) for June 2006 was estimated at US\$71.4 million – US\$9.8 million (or 15.8 percent) more than the value realized in the previous month. Specifically, export proceeds from electricity, cotton, tea, hides and skins, beans, oil re-

exports and cobalt increased by US \$8.0 million (or 135.5 percent). Earnings from exports categorized as 'other' increased by US\$ 10.6 million (or 65.2 percent) during the month under review.

In spite of the increased earnings in the non-coffee exports, there was a reduction in earnings among some commodities namely gold, fish and its products (international), tobacco, simsim, maize and flowers. The largest declines were registered for gold, tobacco, and fish, which decreased by US\$1.5 million, US\$2.7 million and US\$2.1 million respectively.

ii) Imports

The total import bill for the month of June 2006 was estimated at US\$192.4 million, of which private sector imports accounted for US\$180.6 million. Other major import items, apart from oil, were machinery, chemicals & related products, vegetable products, and base metals & their products. Oil imports values amounted to US\$30.7 million – US\$2.2 million more than the oil import bill of May 2006.

Government imports were recorded at US\$11.8 million in the month under review, compared to the US\$10.5 million in the previous month. The Government import bill in June 2006 accounted for approximately 6.1 percent of the total import bill. The bulk of government imports comprised of machinery and miscellaneous manufactured products.

iii) Other Inflows and Outflows

Official aid (excluding project aid but including resources from the HIPC Initiative) inflows amounted to about US\$39.0 million in the month under review. Net private sector transfer inflows were estimated at US\$98.4 million in June – US\$11.6 million more than the net inflows recorded in May 2006. This was to a large extent due to a decrease in outflows from workers' remittances and other private transfers. Services and income outflows in the same month exceeded inflows by about US\$43.6 million.

Official debt service (excluding IMF payments) for the month of June 2006 was estimated at US\$9.8 million. There were no IMF principal payments during the same month. Estimates of net trade credit amounted to inflows of US\$1.0 million, consisting of inflows (buyers' credit and suppliers' credit) estimated at US\$20.7 million and outflows (pre-finance shipments and suppliers' credit repayments) estimated at US\$19.8 million.

In June 2006, the level of gross foreign reserves amounted to US\$1,408.1 million; a run down of US\$37.5 million compared to the preceding month. This reserve level is estimated to cover 6.5 months of future imports of goods and services.

Chart 10: Exports, Imports and the trade balance July 2005 - May 2006

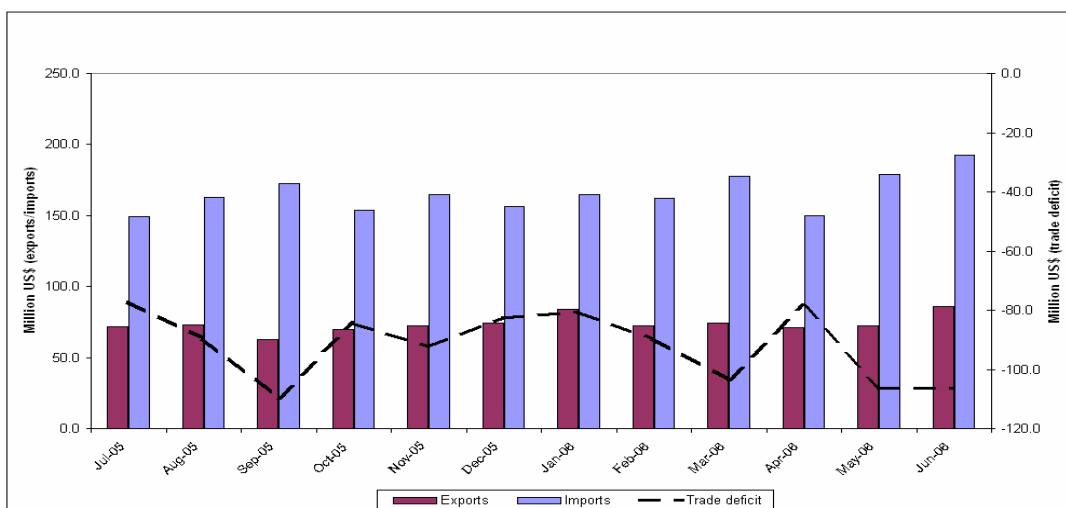
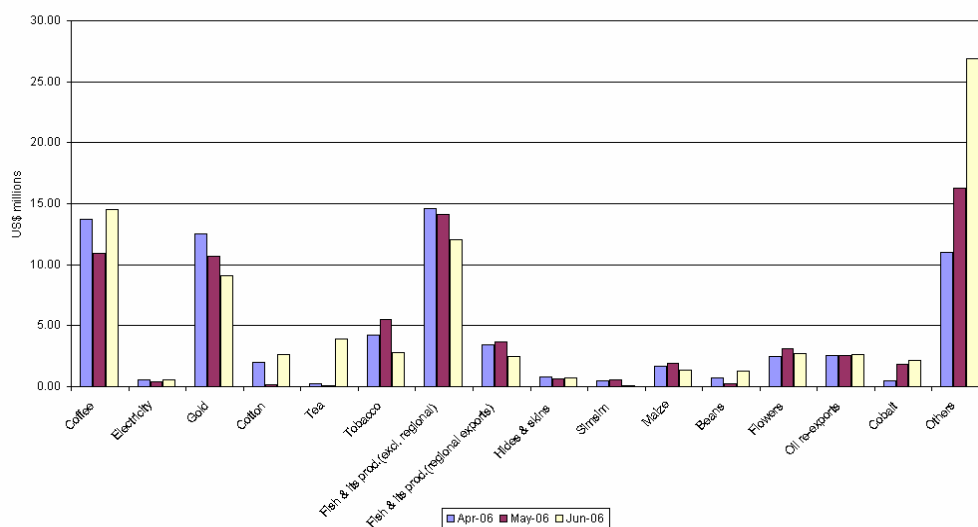


Chart 11: Uganda's exports April to May 2006



I. POLICY OUTLOOK

In the coming months, Bank of Uganda's monetary policy stance will aim at ensuring that inflation remains low and stable. It will also ensure that liquidity management does not cause instability in either the domestic or foreign exchange market.

Appendix 1a: Monthly Change in Outstanding Loans and Advances of Commercial Banks

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	928.31	(886.08)	42.23	27.01	(64.65)	(37.64)	4.59
2002/2003	1,289.21	(1,120.48)	168.72	59.51	(49.42)	10.09	178.81
2003/2004	1,456.31	(1,348.15)	108.17	86.05	(51.98)	34.06	142.23
2004/2005							
Q1	369.67	(387.52)	(17.85)	35.86	(12.23)	23.63	5.79
Q2	453.26	(371.85)	81.41	35.70	(23.80)	11.90	93.31
Half 1 2004/05	826.23	(761.82)	64.40	71.56	(36.03)	35.53	99.94
Q3	420.58	(386.31)	34.27	31.87	(25.86)	6.02	40.29
Q4	466.38	(395.28)	71.11	48.57	(18.85)	29.72	100.82
Half 2 2004/2005	886.96	(781.58)	105.38	80.44	(44.71)	35.73	141.11
2004/2005	1,713.19	(1,533.27)	179.91	152.00	(80.74)	71.27	251.18
2005/2006							
July 2005	181.90	(136.47)	45.43	9.66	(4.79)	4.87	50.29
August 2005	149.62	(159.26)	(9.64)	10.46	(2.89)	7.57	(2.07)
Sept. 2005	172.05	(120.98)	51.07	10.82	(5.56)	5.26	56.33
Q1	503.57	(416.72)	86.85	30.94	(13.24)	17.70	104.55
October. 2005	175.16	(138.78)	36.38	13.45	(5.98)	7.47	43.85
November 2005	216.48	(187.16)	29.31	12.99	(5.09)	7.91	37.22
December 2005	206.37	(233.19)	(26.82)	13.30	(6.43)	6.87	(19.95)
Q2	598.00	(559.13)	38.87	39.75	(17.50)	22.25	61.12
HALF1 2005/2006	1,101.57	(975.85)	125.73	70.69	(30.74)	39.95	165.67
January 2006	175.29	(163.74)	11.54	7.85	(6.75)	1.10	12.65
February 2006	180.39	(181.51)	(1.12)	7.66	(7.11)	0.55	(0.57)
March 2006	179.21	(173.82)	5.39	7.82	(6.23)	1.59	6.98
Q3	534.89	(519.08)	15.81	23.33	(20.09)	3.24	19.05
April 2006	180.13	(135.77)	44.35	8.62	(5.49)	3.12	47.48
May 2006	228.92	(168.43)	60.49	10.05	(12.48)	(2.43)	58.06
June 2006	232.50	(171.12)	61.39	11.61	(3.66)	7.95	69.34
Q4	641.55	(475.32)	166.23	30.28	(21.63)	8.65	174.88
HALF2 2005/2006	1,176.43	(994.39)	182.04	53.61	(41.72)	11.89	193.93
2004/2005	2,278.01	(1,970.24)	307.77	124.29	(72.46)	51.84	359.61

Source: Research Department, Bank of Uganda

**1b: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	698.57	(693.31)	5.26	22.65	(54.96)	(32.31)	(27.05)
2002/2003	887.64	(753.00)	134.65	51.87	(43.11)	8.76	143.41
2003/2004	984.69	(897.52)	87.17	75.49	(43.72)	31.77	118.94
2004/2005							
Q1	259.39	(273.87)	(14.47)	29.91	(10.65)	19.26	4.79
Q2	283.62	(246.27)	37.35	27.66	(20.20)	7.46	44.81
Half 1 2004/05	543.79	(520.22)	23.58	57.57	(30.85)	26.72	50.30
Q3	242.69	(215.14)	27.54	20.28	(22.18)	(1.90)	25.64
Q4	286.05	(234.09)	51.96	20.78	(13.22)	7.56	59.52
Half 2 2004/05	528.73	(449.23)	79.50	41.06	(35.40)	5.66	85.16
2004/2005	1,072.53	(960.22)	112.31	98.63	(66.25)	32.38	144.69
2005/2006							
July 2005	103.08	(86.35)	16.73	6.27	(2.11)	4.16	20.89
August 2005	85.85	(99.03)	(13.18)	6.88	(2.07)	4.81	(8.38)
Sept. 2005	101.35	(77.54)	23.81	7.60	(4.82)	2.78	26.60
Q1	290.28	(262.92)	27.36	20.76	(9.00)	11.75	39.11
October 2005	111.28	(87.81)	23.47	10.32	(4.76)	5.56	29.03
November 2005	119.17	(115.67)	3.49	9.20	(2.90)	6.30	9.79
December 2005	126.50	(116.59)	9.91	9.71	(4.46)	5.25	15.16
Q2	356.95	(320.07)	36.88	29.23	(12.12)	17.10	53.98
Half 1 2005/2006	647.23	(582.99)	64.24	49.98	(21.13)	28.85	93.09
January 2006	94.96	(99.61)	(4.65)	3.72	(4.82)	(1.10)	(5.75)
February 2006	96.90	(101.09)	(4.19)	4.21	(4.50)	(0.29)	(4.48)
March 2006	102.57	(91.46)	11.11	4.45	(3.80)	0.65	11.76
Q3	294.43	(292.16)	2.27	12.38	(13.13)	(0.74)	1.53
April 2006	107.10	(83.34)	23.76	5.60	(3.80)	1.80	25.56
May 2006	130.10	(88.92)	41.18	6.29	(10.64)	(4.35)	36.83
June 2006	140.02	(92.58)	47.44	9.94	0.27	10.21	57.65
Q4	377.22	(264.84)	112.38	21.83	(14.17)	7.66	120.04
Half 2 2005/06	671.65	(557.00)	114.65	34.21	(27.30)	6.91	121.57
2005/2006	1,318.88	(1,139.99)	178.89	84.20	(48.43)	35.77	214.66

Source: Research Department, Bank of Uganda

**1c: 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	229.74	(192.77)	36.97	4.36	(9.69)	(5.33)	31.64
2002/2003	401.56	(367.49)	34.07	7.65	(6.31)	1.33	35.41
2003/2004	471.62	(450.63)	21.00	10.55	(8.26)	2.29	23.29
2004/2005							
Q1	110.28	(113.66)	(3.37)	5.95	(1.57)	4.37	1.00
Q2	169.64	(125.58)	44.06	8.04	(3.60)	4.44	48.50
Half 1 2004/05	282.43	(241.61)	40.83	13.99	(5.18)	8.81	49.64
Q3	420.58	(386.31)	34.27	31.87	(25.86)	6.02	40.29
Q4	180.34	(161.19)	19.15	27.78	(5.63)	22.16	41.31
HALF 2							
2004/2005	358.23	(332.35)	25.88	39.38	(9.31)	30.07	55.95
2004/2005	640.66	(573.06)	67.60	53.37	(14.48)	38.89	106.49
2005/2006							
July 2005	78.82	(50.12)	28.70	3.38	(2.68)	0.71	29.40
August 2005	63.77	(60.23)	3.54	3.58	(0.81)	2.77	6.30
Sept. 2005	70.70	(43.44)	27.26	3.22	(0.74)	2.47	29.73
Q1	213.29	(153.80)	59.49	10.18	(4.24)	5.95	65.44
October 2005	63.87	(50.97)	12.91	3.13	(1.22)	1.92	14.82
November 2005	97.31	(71.49)	25.82	3.80	(2.19)	1.61	27.43
December 2005	79.87	(116.60)	(36.73)	3.59	(1.97)	1.62	(35.11)
Q2	241.05	(239.06)	2.00	10.52	(5.37)	5.15	7.14
HALF1 2005/2006	454.34	(392.85)	61.49	20.70	(9.61)	11.09	72.58
January 2006	80.33	(64.13)	16.19	4.13	(1.93)	2.20	18.40
February 2006	83.49	(80.42)	3.07	3.45	(2.61)	0.84	3.91
March 2006	76.64	(82.36)	(5.73)	3.37	(2.43)	0.94	(4.78)
Q3	240.46	(226.92)	13.54	10.95	(6.96)	3.99	17.52
April 2006	73.03	(52.43)	20.60	3.01	(1.69)	1.32	21.92
May 2006	98.82	(79.51)	19.31	3.77	(1.84)	1.93	21.24
June 2006	92.49	(78.54)	13.95	1.67	(3.92)	(2.26)	11.69
Q2	264.33	(210.48)	53.85	8.45	(7.46)	0.99	54.84
HALF2							
2005/2006	504.79	(437.40)	67.39	19.39	(14.42)	4.98	72.37
2005/2006	959.13	(830.25)	128.88	40.10	(24.03)	16.07	144.95

Source: Research Department, Bank of Uganda

Appendix 2: Mid Exchange Rate in the IFEM, Spreads, Commercial Banks' Purchases and Sales.

Date	Mid rate	Spread	Sterilisation	Intervention	Purchases	Sales
	UGX/US\$	UGX	Million US\$	Million US\$	Million US\$	Million US\$
June	1,859.95	8.2	-6.30	-25.0	211.4	237.6
1-Jun-06	1,852.55	6.6	-0.30	0.0	12.9	12.4
2-Jun-06	1,855.19	8.3	-0.30	0.0	9.7	9.7
5-Jun-06	1,857.21	7.4	-0.30	0.0	10.7	10.3
6-Jun-06	1,858.30	7.2	-0.30	0.0	8.3	8.2
7-Jun-06	1,858.22	7.3	-0.30	0.0	10.3	8.4
8-Jun-06	1,857.03	7.9	-0.30	0.0	9.3	10.5
12-Jun-06	1,856.35	8.6	-0.30	0.0	12.7	14.8
13-Jun-06	1,856.67	8.6	-0.30	0.0	7.4	8.2
14-Jun-06	1,856.29	8.3	-0.30	0.0	12.0	10.2
15-Jun-06	1,855.45	7.6	-0.30	0.0	7.9	13.2
16-Jun-06	1,855.49	7.3	-0.30	0.0	7.0	12.6
19-Jun-06	1,858.24	7.1	-0.30	0.0	10.5	8.5
20-Jun-06	1,861.70	6.5	-0.30	0.0	8.7	10.3
21-Jun-06	1,864.09	7.0	-0.30	-5.0	9.3	7.9
22-Jun-06	1,866.50	7.2	-0.30	0.0	11.1	16.2
23-Jun-06	1,872.43	8.8	-0.30	-10.0	7.2	18.5
26-Jun-06	1,869.66	10.1	-0.30	-10.0	18.4	20.6
27-Jun-06	1,866.75	9.4	-0.30	0.0	9.2	9.0
28-Jun-06	1,859.59	10.4	-0.30	0.0	9.4	9.5
29-Jun-06	1,858.97	11.7	-0.30	0.0	10.7	12.0
30-Jun-06	1,862.30	7.9	-0.30	0.0	8.8	6.9
July	1,857.72	9.7	-6.30	0.0	196.3	213.5
3-Jul-06	1,863.37	9.6	-0.30	0.0	15.1	7.6
4-Jul-06	1,856.65	10.9	-0.30	0.0	7.2	11.2
5-Jul-06	1,858.33	7.9	-0.30	0.0	8.1	9.6
6-Jul-06	1,857.92	8.4	-0.30	0.0	7.7	9.4
7-Jul-06	1,857.14	9.1	-0.30	0.0	9.9	8.4
10-Jul-06	1,856.34	9.5	-0.30	0.0	10.3	11.1
11-Jul-06	1,853.02	11.3	-0.30	0.0	9.8	14.0
12-Jul-06	1,855.69	9.5	-0.30	0.0	9.7	10.2
13-Jul-06	1,855.57	9.2	-0.30	0.0	8.7	6.1
14-Jul-06	1,855.49	8.7	-0.30	0.0	8.5	11.3
17-Jul-06	1,855.75	8.1	-0.30	0.0	8.2	9.1
18-Jul-06	1,856.38	7.6	-0.30	0.0	8.6	9.5
19-Jul-06	1,860.29	6.9	-0.30	0.0	10.1	9.1
20-Jul-06	1,860.98	8.2	-0.30	0.0	12.9	9.0
21-Jul-06	1,858.88	11.3	-0.30	0.0	10.8	12.0
24-Jul-06	1,858.79	12.2	-0.30	0.0	8.8	12.2
25-Jul-06	1,859.46	11.3	-0.30	0.0	11.5	11.4
26-Jul-06	1,859.95	10.4	-0.30	0.0	10.8	12.8
27-Jul-06	1,859.16	11.0	-0.30	0.0	10.1	7.9
28-Jul-06	1,857.06	11.6	-0.30	0.0	9.4	12.4
31-Jul-06	1,855.89	11.8	-0.30	0.0	12.0	9.1

Appendix 3: Exports of Goods (US\$ Million Dollars)

	Nov-05	Dec-05	Jan-06	Feb-06	Mar-06	Apr-06	May-06	Jun-06
Total Exports	72.24	73.95	83.91	72.59	73.94	71.32	72.61	85.94
1. Coffee								
Gross coffee shipment, million (60-Kg) bags	0.18	0.18	0.23	0.17	0.16	0.15	0.12	0.19
Av. unit value	1.32	1.37	1.43	1.62	1.57	1.56	1.48	1.30
Value of total shipment (BOP)	14.41	14.84	19.61	16.11	14.67	13.74	10.97	14.55
2. Non-Coffee exports	57.83	59.11	64.30	56.48	59.27	57.57	61.64	71.39
Electricity	0.40	0.40	0.38	0.34	0.38	0.55	0.38	0.54
Gold	5.39	8.68	9.26	8.14	10.30	12.54	10.66	9.13
Cotton	0.26	0.46	1.14	3.28	0.30	2.00	0.12	2.61
Tea	3.14	2.98	2.68	1.15	0.13	0.22	0.08	3.90
Tobacco	1.51	1.35	1.18	1.97	2.34	4.19	5.51	2.81
Fish & its prod.(excl. regional)	13.01	12.24	10.94	10.39	13.74	14.58	14.15	12.02
Fish & its prod.(regional exports)	4.24	3.85	3.35	3.03	3.49	3.41	3.66	2.51
Hides & skins	0.52	0.46	0.80	0.46	0.59	0.76	0.65	0.71
Simsim	0.07	0.48	0.72	0.95	0.82	0.44	0.55	0.10
Maize	2.27	2.24	1.78	1.88	2.85	1.68	1.89	1.38
Beans	1.12	0.77	0.52	0.43	0.81	0.70	0.25	1.27
Flowers	2.67	2.28	2.55	2.90	2.62	2.47	3.07	2.74
Oil re-exports	2.22	2.68	2.37	2.65	2.54	2.52	2.57	2.62
Cobalt	1.39	1.57	2.10	1.57	2.05	0.52	1.83	2.18
Others	19.63	18.67	24.52	17.33	16.30	11.00	16.27	26.88

Source: Bank of Uganda

Appendix 4: Imports Of Goods and Services (US \$ Millions Dollars)

	Nov-05	Dec-05	Jan-06	Feb-06	Mar-06	Apr-06	May-06	Jun-06
Total Imports	164.44	156.73	164.92	162.21	177.92	145.59	170.92	192.36
Government Imports	12.36	3.95	10.00	3.19	4.86	2.00	10.52	11.78
Project	3.39	1.64	1.19	2.63	2.18	1.05	2.10	10.93
Non-Project	8.98	2.30	8.81	0.56	2.67	0.95	8.42	0.85
Private Sector Imports	152.08	152.79	154.92	159.02	173.06	143.59	160.40	180.58
Oil imports	23.71	23.82	24.26	23.41	29.20	28.16	28.45	30.68
Non-oil imports	128.36	128.97	130.66	135.61	143.86	115.43	131.95	149.90
Source: Bank of Uganda								
Note: All import figures are reported at f.o.b value.								