



# **MONTHLY ECONOMIC REVIEW**

**JUNE  
2004**

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## **EXECUTIVE SUMMARY**

### **Monetary Policy Stance and Actions**

The primary objective of monetary policy remained to contain inflation at low and stable levels. BOU at the same time ensured that its monetary operations were cautious not to exacerbate instability in both the domestic money and foreign exchange markets.

For the four-weeks period ended June 04, 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 11.69 percent and 12.69 percent, respectively, had declined to 11.35 percent and 12.35 percent, respectively by June 04, 2004.
- Bank of Uganda maintained its presence in the market under the sterilization profile and also intervened to curb instability in the market.

### **Inflation Developments**

The downward trend in inflation that had been observed since July 2003 was halted in May 2004, when inflation reversed trend.

- The annual headline inflation rate for May 2004 was 1.4 percent, higher than 0.4 percent for April 2004.
- The annual underlying inflation rate increased to 4.9 percent in May 2004 from 3.9 percent in April 2004.

### **Real Sector Developments**

- While no updates on the manufacturing activity are available beyond March 2004, other indicators of activity were mixed. While the import volumes of all three major fuel products namely premium, diesel and kerosene were mainly on an upward trend through March and April 2004, sales volumes on the other were mainly declining. This was mainly on account of the price increases in fuel prices in January 2004 of Shs 150=, in March 2004 of Shs 30= and in April a further Shs 30=.
- Trading at the Uganda Securities Exchange (USE) recorded the lowest activity in recent periods with total turnover declining by 95 percent in May 2004 and also 98 percent lower than that recorded and May 2003. The All Share index also declined from 383.14 of April 2004 to 319.7 in May 2004.

### **Domestic Securities and Money Market Developments**

Domestic securities interest rates reversed the downward trend observed since December 2003, but the money market interest rates remained stable over the four weeks ended-June 04, 2004.

- Bank of Uganda was in the market with the fourth issue of the Treasury bond and re-opening to promote securities trading and creation of benchmark maturity. In addition to the 10-year bond auctioned on May 19, 2004 in amounts of Shs 15.0 billion, the 2-year bond, first auctioned in January 2004 was re-opened in amounts of Shs 30.0 billion. The outstanding stock of Treasury bonds is Shs 105.0 billion.
- In the primary auction market for Treasury bills, the respective weighted annual discount rates for the 91-day, 182-day, 273-day, and 364-day bills stood at 5.95 percent, 7.39 percent, 9.18 percent and 10.06 percent, respectively, at the auction held on May 26, 2004. This compares to levels of 5.20 percent, 6.61 percent, 8.57 percent and 8.82 percent, respectively, recorded in the auction held on April 28, 2004.
- The downward trend in the average bid/offer discount rates in the secondary market for Treasury bills observed in previous months was reversed for all papers (maturities) as the rates went up in the period under review. However those on Treasury bonds have remained almost static 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 – mainly distorted at the long end.
- Total trades in the Treasury bills for the four weeks ended June 04, 2004 amounted to Shs 2.81 billion, lower than Shs 20.92 billion of the four weeks ended May 07, 2004. One transaction worth Shs 0.001 billion of the 2-year bond was recorded in the Treasury bonds' secondary market in the period under review.
- The domestic inter-bank money market remained buoyant over the period. However, the weighted average inter-bank market rate maintained an upward trend to close at 6.37 percent over the four weeks to June 04, 2004, compared to 5.72 percent, recorded for the corresponding period ended May 07, 2004.
- One commercial bank made a downward adjustment in its prime rate over the period under review, but the range of these rates for the banking system remained at 16-21 percent as was recorded in the previous four weeks to May 07, 2004.
- The commercial banks' effective rates were generally lower in April 2004, compared to March 2004. The average effective lending rate on shilling denominated loans fell from 22.12 percent to 19.77 percent, and the time deposit rates declined from 6.94 percent to 5.71 over the same period.

### **Monetary and Financial Aggregates Developments**

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

- In April 2004, broad money M3 and broad money excluding forex deposits (M2) both contracted by 2.4 percent and 4.1 percent, respectively. These aggregates contracted by 0.3 percent and 0.9 percent, respectively in March 2004. The year-on-year growth rates for M3 and M2 were 11.0 percent and 8.9 percent, respectively.

- While net credit by the banking system to government decreased by 16.7 percent during April 2004, private sector credit (PSC) grew by 0.4 percent over this period. The year-on-year growth in PSC was 22.3 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 21.4 percent, 24.5 percent, 27.9 percent and 26.2 percent, respectively, by end-April 2004, compared to respective levels of 20.8 percent, 24.2 percent, 30.2 percent and 24.9 percent in March 2004.
- In the month of April 2004, the total assets of the Non-Bank Financial Institutions grew by 2.3 percent. This compares to 2.0 percent observed over April 2003. The growth in assets in April 2004 was mainly attributed to increases in balances with commercial banks, and loans and advances.
- Under the leasing activity, the value of assets leased in May 2004 rose by 7.3 percent to Shs 2.49 billion and by 173.6 percent compared to May 2003.

### **Fiscal Developments**

- Government revenue and budget support amounted to Shs 148.1 billion in April 2004, representing a shortfall of Shs 5.8 billion or 3.9 percent relative to the programme level.
- Government expenditure and net lending amounted to Shs 214.4 billion, compared to Shs 233.9 billion anticipated in the programme.
- The overall fiscal balance (including grants) was a deficit of Shs 66.3 billion compared to a deficit level of Shs 80.1 billion anticipated in the programme. Excluding grants, the deficit rises to Shs 78.6 billion.

### **Foreign Exchange Market**

- The trend of the Shilling was mixed over the four weeks to June 04, 2004. Over this period, the Shilling appreciated by 2.01 percent against the U.S. Dollar, compared to an appreciation of 3.73 percent over the four weeks period ended May 07, 2004
- The average spreads between the weighted inter-bank buy and sell rates, increased from Shs 12.51 during the previous period to Shs 14.04 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, under both the sterilization and intervention strategies, amounted to US \$ 26.50 million, compared to the previous period amount of US \$ 28.0 million.

### **Balance of Payments Developments**

- In April 2004, the current account balance is estimated at a deficit of US\$ 52.19 million, while the capital and financial account is estimated at a surplus of US\$ 51.35 million. Thus, the overall balance is estimated at a deficit of US\$ 0.84 million.

- Total exports proceeds for the month of April 2004 are estimated at US\$62.51 million, out of which coffee accounted for 14 per cent. Meanwhile, coffee exports that had been registered at US \$ 8.77 million in April 2004, declined to US \$ 8.62 million during May 2004. This was on account of both the decline in unit price from US \$ 0.82 per Kg to US \$ 0.76 per Kg and the reduction of 1.82 percent in volumes shipped, between April 2004 and May 2004 accounted for the decline.
- The import bill (fob) is estimated at US\$109.98 million during April 2004. This is a decline of 4.3 percent compared to the import bill of the previous month, which was estimated at US\$114.92 million.<sup>1</sup>
- Official aid (excluding project aid but including resources from the HIPC Initiative) inflows amounted to about US\$37.3 million. Provisional estimates of Private transfers indicate that outflows exceeded inflows by US\$4.55 million in April 2004, and Services and income outflows exceeded inflows by US\$32.13 million.
- Official debt service (excluding IMF payments) is estimated at US\$7.42 million for the month of April 2004. IMF principal obligations amounting to US\$5.02 million were externalized in the same month. Short-term inflows of US\$15.7 million exceeded outflows by US\$2.96 million.
- Official foreign reserves (including valuation changes) are estimated to have increased by US\$9.51 million to US\$1,067.59 million in April 2004, equivalent to 6.25 months of imports of goods and services.

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<sup>1</sup> Effective April 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. The Treasury bond, the net issues of Treasury bills and daily sales of foreign exchange continue to be the main instruments of sterilization of excess liquidity, while the Repurchase Agreements (REPOs) are actively used to fine-tune operations and manage short-term liquidity movements. The liquidity management effort is supplemented by adjustments in the pricing of the liquidity providing windows, the Rediscount Rate and Bank rate, to ensure a consistent monetary policy stance.

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

In the four weeks to June 04, 2004, the net redemption of Treasury bills amounting to Shs 31.74 billion was higher than Shs 22.44 billion in the corresponding four-week period to May 07, 2004. Further sterilization of liquidity during this period was on account of Treasury bonds. The 10-year Treasury bond worth Shs 15.0 billion, which at cost value, mopped up Shs 12.99 billion value-dated May 20, 2004, was later followed with re-opening of the 2-year bond in amounts of Shs 30.0 billion, which at cost price value withdrew Shs 29.64 billion. On the short-term liquidity management front, gross issues of the Repo instrument, whose maturity ranged over durations of 1 to 15 days, amounted to Shs 462.05 billion over this period, against maturities of Shs 409.90 billion. This is compared to issues and maturities of Shs 435.0 billion and Shs 349.95 billion, respectively over the preceding period ended May 07, 2004. BOU maintained its presence in the foreign exchange market under the sterilization profile, and also intervened in the market to avert any instability. Over the four weeks to June 04 2004, the net effect of BOU's transactions in this market was a sale of foreign exchange worth US\$ 26.50 million, compared to US\$ 28.00 million in the preceding four weeks period ended May 07, 2004.

In line with the developments in the Treasury bill market, the Rediscount rate and Bank rate that were 11.69 percent and 12.69 percent, respectively, by May 07, 2004, had declined to 11.35 percent and 12.35 percent, respectively by June 04, 2004.

## B DOMESTIC PRICE DEVELOPMENTS

The **Annual Headline Inflation** rate for May 2004 rose to **1.4 percent** compared to 0.4 percent in April 2004. This marked a reversal in the declining trend of headline inflation since the year ended July 2003. The rise in the annual headline inflation rate was due to increases in the prices of: Beverages and tobacco of 3.3 percent; Rent, fuel and utilities of 5.9 percent; Household and personal goods of 4.3 percent; Transport and communications of 1.4 percent; and Health, education and entertainment of 3.8 percent. These increases were partly mitigated by price decreases of 1.8 percent for food items and 0.8 percent for the clothing and footwear subgroup. The above price increases may be attributed to upward pressures arising from increased taxes on most of the above commodities coupled with higher costs of imported fuel during the year under review. However, the rate of 1.4 percent was still lower than the 10.7 percent recorded in May 2003.

The **Monthly Headline Inflation** rate decreased to **0.9 percent** in May from 1.5 percent registered in April 2004. This was due to decreases in prices of 0.3 percent in the Beverages and tobacco, 1.4 percent in the Clothing and footwear, 0.4 percent in the Household and personal goods, and 0.3 percent in the Transport and communication. These decreases offset increases of 1.9 percent in the Food; 0.2 percent in the Rent, fuel and utilities; and 1.0 percent in the Health, education and entertainment. The price decreases may be attributed to a drop in demand and

sub-optimal distribution of the commodities on the one hand, and the recent reductions in mobile telephone charges due to stiff competition in the telecommunications industry.

The **Annual Underlying Inflation** rate increased to **4.9 percent** in May, compared to 3.9 percent in April 2004. This too changed the downward trend of annual underlying inflation that has been observed since August 2003. The average prices of goods increased by 5.3 percent while those of services rose by 3.9 percent over the year under review. The increase may be attributed mainly to the rise in the price of imported fuel following a surge in the world price of oil, among other reasons.

The **Monthly Underlying Inflation** rate decreased from 0.8 percent in April 2004 to **0.4 percent** in May 2004. The decrease may be attributed to an easing in demand for a number of commodities following the end of the back-to-school shopping season and to some extent to the appreciation of the Uganda Shilling from an average exchange rate of Shs.1918.78 in April to Shs.1856.66 per US dollar in May 2004, which may have had a downward effect on the prices of imported goods and services. Despite the relative decrease above, considered independently, the average prices of goods rose by 0.3 percent while those of services rose by 0.5 percent in May 2004.

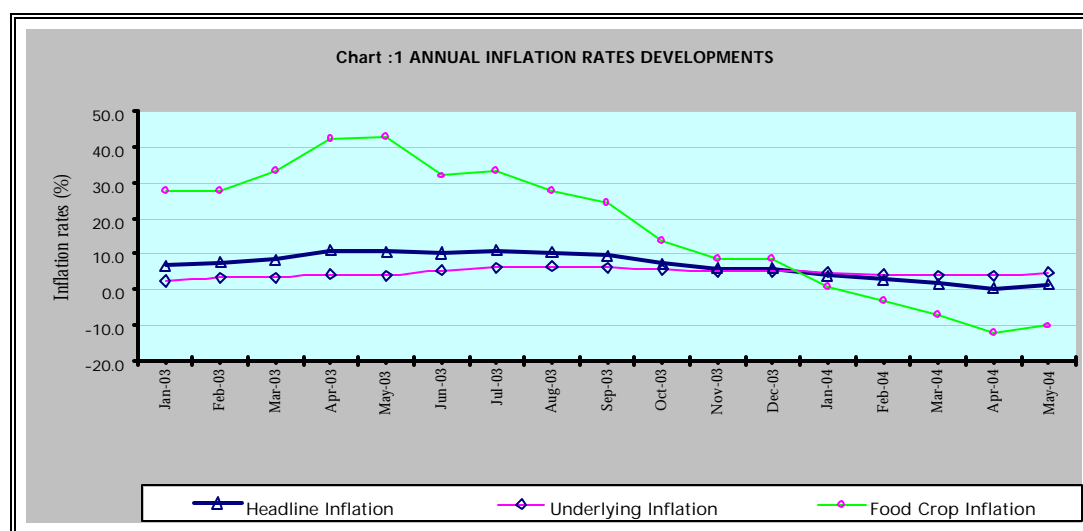
The **Food Crops Annual Inflation** rate increased to **-10.2 percent** in May 2004 from -12.3 percent in the previous month. On the other hand, the **Monthly Food Crops Inflation rate** was **2.6 percent** in May 2004 compared to 4.6 percent recorded in April 2004. Increases in prices of staple foods, and fruits and vegetables, were registered in most centers.

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

**Table I. Three Months Rolling Inflation Rates Out-turn (March – May 2004)**  
(percent)

Period	Headline Inflation		Underlying Inflation		Food Crops Inflation	
	Monthly	Annual	Monthly	Annual	Monthly	Annual
February 2004	-0.3	2.8	0.9	4.3	-4.7	-3.1
March 2004	-0.1	1.7	0.0	3.9	-1.0	-7.0
April 2004	1.5	0.4	0.8	3.9	4.6	-12.3
May 2004	0.9	1.4	0.4	4.8	2.6	-10.2

Source: Uganda Bureau of Statistics



## C REAL SECTOR DEVELOPMENTS

This report presents trends of power and energy consumption and trading at the Uganda Securities Exchange.

### (i) Production

#### a) Index of Industrial Production

Data on the Index of industrial production, which measures performance of the manufacturing sector, is not yet available for the period after March 2004.

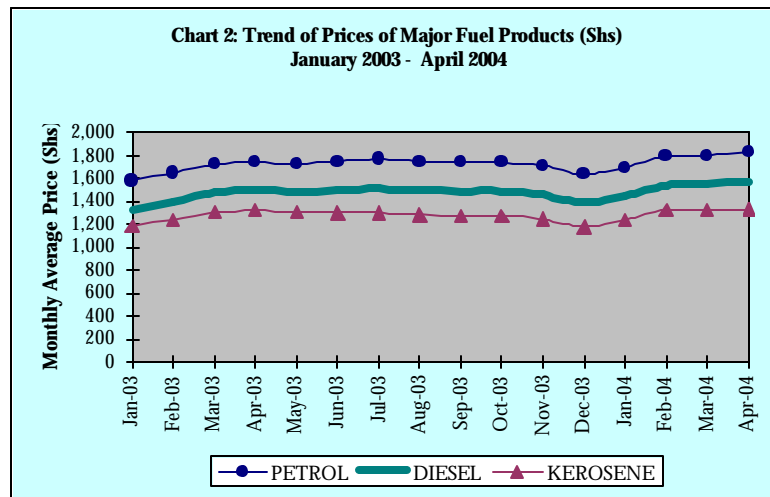
#### b) Fuel Consumption

Trends of fuel consumption, last reported for February 2004, have been updated to April 2004. In March 2004, fuel import volumes rose by 42 percent, 24 percent and 14 percent for premium, kerosene and diesel respectively. In April 2004 while kerosene and diesel imports rose, those of premium dropped by 14 percent. On the sales side, volumes sold of premium, kerosene and diesel all dropped in February 2004 by 2 percent, 9 percent and 5 percent respectively. Sales rose across all three products in March 2004 but dropped again in April 2004 by 7 percent, 3 percent and 9 percent respectively. The drop in consumption in February is partly explained by the persistent upward trend of prices over the period January to April 2004. Prices increased by Shs 150 across all three products in January 2004, by Shs 30 in mid March and by a further Shs 30= in April 2004, mainly as a result of the crisis in the Middle East, which has affected supply levels. The prices of premium, kerosene and diesel have risen from the January 2004 levels of Shs 1,640, Shs 1,180 and Shs 1,390 to the current Shs 1,890, Shs 1,360 and Shs 1,600 respectively. Tables II below shows the import and sales volumes, while Chart 3 shows the trend of prices of the three major fuel products for the period January 2003 – April 2004.

**Table II: Import and Sales Volumes of Major Fuel Products (January – April 2004)**  
(Litres)

	Imports			
	Jan-04	Feb-04	Mar-04	Apr-04
	<b>Imports</b>			
PMS	17,345,247	17,224,271	24,443,670	21,035,757
		-0.70%	41.91%	-13.94%
BIK (Liters)	4,733,545	3,587,548	4,454,481	4,547,516
		-24.21	24.17	2.09
DIESEL (Liters)	23,421,463	21,526,808	24,447,245	25,777,042
		-8.09%	13.57%	5.44%
	<b>Sales</b>			
PMS (Liters)	17,916,792	17,644,494	19,583,086	18,161,461
		-1.52	10.99	-7.26
BIK (Liters)	4,389,647	3,982,025	4,697,700	4,558,210
		-9.29	17.97	-2.97
DIESEL (Liters)	24,077,819	22,768,762	26,175,262	23,948,653
		-5.44%	14.96%	-8.51%

Source: Uganda Revenue Authority



## ii) Activity at the Uganda Securities Exchange (USE)

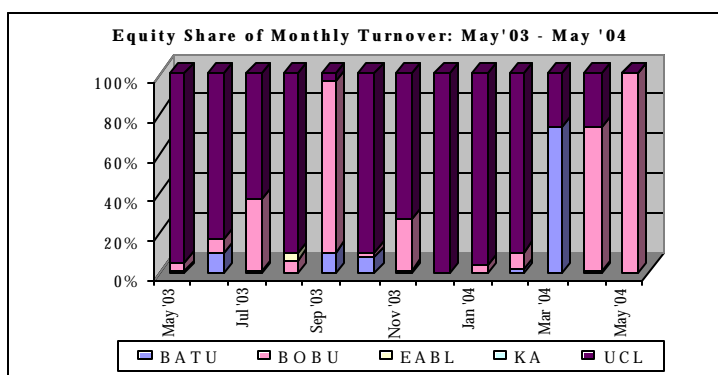
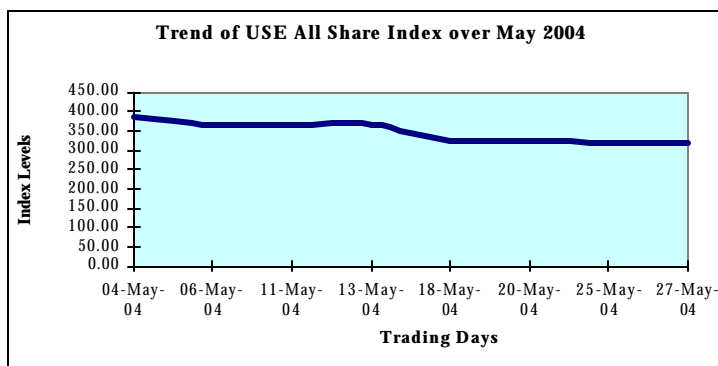
Trading at the Uganda Securities Exchange (USE) recorded the lowest activity in recent periods with total turnover of a meagre Shs 465,000 and 600 shares traded in 2 deals in May 2004. This respectively represents declines of 95 percent and 98 percent compared to the turnover recorded in April 2004 and May 2003. The Bank of Baroda (U) counter accounted for 100 percent of total turnover, spread between 2 trading days. The laxity in activity is partly explained by the fact that May is one of the opening months of 4 of the 5 listed companies' financial years and a period for dividend payments. While the prices at the British American Tobacco and Uganda Clays counters remained stable at Shs 1,150 and Shs 8,000 respectively, the price at the East African Breweries counter dropped by 18 percent from Shs 11,782 at the beginning of May 2004 to Shs 9,645 at the end of the May 2004 trading period. Market capitalisation of the USE declined by 16 percent to Shs 1,283.3 billion at the end of May 2004 trading from Shs 1,532.3 billion recorded at the end of April 2004 trading. The All Share Index opened the month under review at a low level of 383.14 and proceeded on a falling trend, closing at a level of 319.7 (see Chart 3). Another development on the securities side was the listing of the 4<sup>th</sup> fixed income product, the Shs 15.0 billion government bond with a coupon rate of 11 percent and 10-year maturity was listed on the May 20, 2004.

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

	May '03	Feb '04	Mar '04	Apr '04	May '04
No. of Shares Traded	6,189	3,800	26,447	11,390	600
Turnover (Millions Shs)	27,494	14,780	40,110	10,298	465
No. of Deals	36	26	12	32	2
Trading Days	8	8	9	9	8
Market Capitalisation (Billion Shs)		1,555.3	1,491.15	1,532.3	1,283.3
All Share Index Level	N.A	384.52	387.09	383.14	319.7

*Source: Uganda Securities Exchange Limited (USE)*

**Chart 3: Trend of the USE Index and Company Share Turnover**



## D DEVELOPMENTS IN THE DOMESTIC SECURITIES AND MONEY MARKET

The downward trend observed since January 2004 in the rates of domestic securities was halted, while those in the money market remained stable over the four weeks ended June 04, 2004.

### i) Primary market for Treasury bonds

On May 19, 2004, Bank of Uganda auctioned the fourth issue of the Treasury bond, this time round a 10-year tenor with an 11.00 percent coupon rate. The Shs 15.00 billion issue was over-subscribed by Shs 10.17 billion, which translated into a cover-ratio of 167.78 percent. The resultant weighted price of Shs 86.61 per Shs 100 gave a yield-to-maturity of 13.48 percent. With a view to promote secondary trading by increasing the buffer of securities for trading and promoting selected maturities for benchmarking, Bank of Uganda re-opened the 2-year bond on June 02, 2004. The target amount of Shs 30.00 billion for this issue was over subscribed by Shs 14.19 billion, translating into a cover ratio of 147.29 percent. At a weighted price of 98.81 per Shs 100, the resultant yield for the 10.00 percent coupon bond was 13.56 percent, compared to 20.81 percent in the first issue effected January 2004, but remained higher than 12.80 percent and 13.48 percent recorded for the 5-years and 10-year bonds respectively.

The total outstanding stock of Treasury bonds now stands at Shs 105.00 billion. 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 June 04, 2004**

<b>Tenor</b>  <b>(Issue date) ®</b>	<b>2-Years</b>	<b>2-Years reopened</b>	<b>3 Years</b>	<b>5-Years</b>	<b>10 Years</b>
	<b>Jan 14-04</b>	<b>Jun 03-04</b>	<b>Feb 25-04</b>	<b>Mar 24-04</b>	<b>May 19-04</b>
Maturities (Billion Shs)	0.000	0.000	0.000	0.000	0.000
Offers (Billion Shs)	20.000	30.000	20.000	20.000	15.000
Total Bids (Billion Shs)	36.461	44.188	44.830	41.999	25.166
O/w Competitive	36.390	44.175	44.784	41.997	25.154
Over (Under) Subscription	16.461	14.188	24.830	21.999	10.166
Amount Sold (Face Value)	20.000	30.000	20.000	20.000	15.000
Amount Sold (Cost Price)	16.603	29.641	17.564	18.518	12.991
Cover Ratio percent	182.305	147.292	224.149	210.00	167.773
Previous Cover Ratio percent	....		....	.....	.....
WAP per Shs. 100	83.020	98.805	87.819	92.590	86.608
Previous WAP per Shs. 100	....	83.020	....	....	.....
Yield to Maturity percent	20.808	13.558	15.478	12.802	13.477
Previous Yield to Maturity percent	...	20.808	....	.....	.....
Coupon Rate	10.00	10.00	10.25	10.75	11.00

**ii) Secondary Market for Treasury bonds**

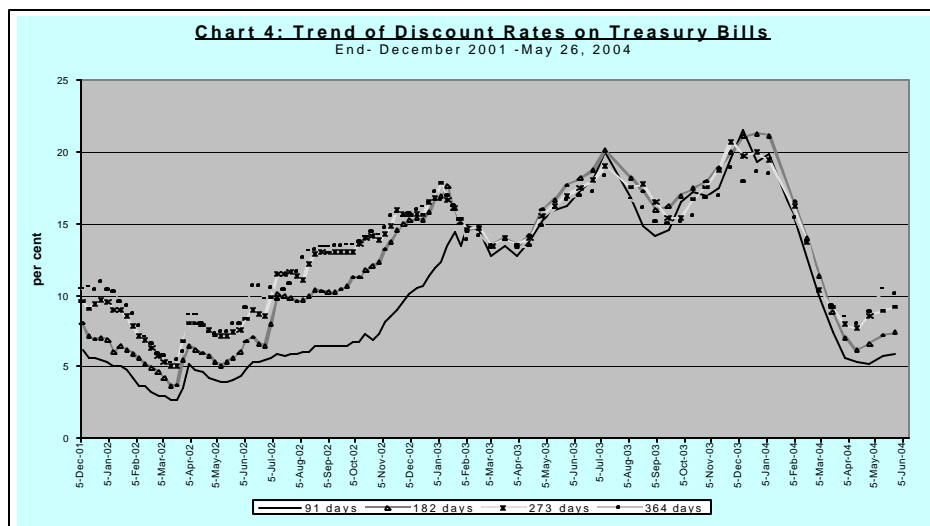
The four week-period average indicative bid/offer yields-to-maturity in the secondary market for the 2-year, 3-year and 5-year bonds were quoted at 19.31/19.15 percent, 15.06/14.81 percent, and 13.00/12.78 percent, depicting a slight increase from the respective 19.12/18.86 percent, 14.88/14.65 percent and 12.99/12.78 percent reported in the previous four week period. The 10-year bond quoted average bid/offer rates of 17.57/16.59 percent (See Table V). One primary dealer bought Shs 0.001 billion worth of the 2-year bond from an individual in the period under review.

**Table V: Bid/Offer Rates and Transactions in the Secondary Market for Treasury bonds over the four week-period to June -04, 2004**

	<b>Tenor of bond</b>							
	2-year		3-year		5-year		10-year	
	<b>Yield-to-maturity quotation ( percent)</b>							
	Bid	Offer	Bid	Offer	Bid	Offer	Bid	Offer
Min	13.06	13.75	13.00	12.75	12.00	11.75	15.00	14.75
Max	23.47	23.25	16.73	16.59	14.05	13.80	20.75	19.77
Average	19.31	19.15	15.06	14.81	13.00	12.79	17.57	16.59
<i>Compiled from Domestic Financial Markets Department records</i>								

**iii) Primary Market for Treasury bills**

In the primary auction market for Treasury bills, the respective weighted annual discount rates for the 91-day, 182-day, 273-day, and 364-day bills stood at 5.95 percent, 7.39 percent, 9.18 percent and 10.06 percent, respectively, at the auction held on May 26, 2004. This compares to levels of 5.20 percent, 6.61 percent, 8.57 percent and 8.82 percent, respectively, recorded in the auction held on April 28, 2004 (see trends in Chart 4 below). The Treasury bill market was over subscribed for all the auctions held in the period under review.



**iv) Secondary Market for Treasury bills**

The downward trend in the average bid/offer discount rates in the secondary market for Treasury bills observed in previous months was halted for all papers (maturities) as the rates went up in the period under review. As shown in Table VI, the average bid/offer rates for the four weeks to June 04, 2004 were recorded at 5.96/5.70 percent, 7.30/7.05 percent, 8.48/8.23 percent and 9.52/9.27 percent for the 91-days, 182-days, 273-days and 364-days securities, respectively. This compares to the respective 5.75/5.45 percent, 6.92/6.67 percent, 7.74/7.49 percent and 8.12/7.93 percent, respectively in the four weeks to May 07, 2004.

**Table VI: Bid/Offer Rates and Transactions in the Secondary Market for Treasury bills over the four- week period to June 04, 2004**

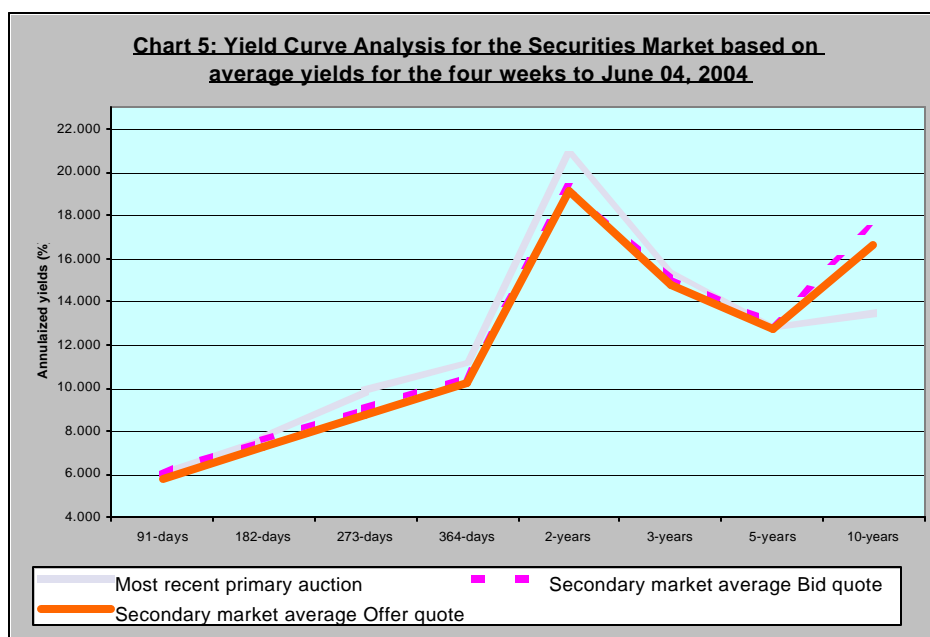
	<b>Tenor of bills</b>							
	91-days		182-days		273-days		364-days	
	<b>Discount rate quotation ( percent)</b>							
	Bid	Offer	Bid	Offer	Bid	Offer	Bid	Offer
Min	5.15	4.90	5.75	5.50	5.65	5.40	5.90	5.65
Max	6.50	6.25	8.00	7.75	10.60	10.35	12.00	11.75
Average	5.96	5.70	7.30	7.05	8.48	8.23	9.52	9.27
	<b>Trading Activity</b>							
Transactions (Shs bill)	2.328		0.225		0.044		0.215	
O/w Horizontal repos	0.000		0.000		0.000		0.000	
- Av. H/Repo rate	-		-		-		-	
O/w - Outright sales	2.328		0.225		0.044		0.215	
Total trades across maturities	Shs 2.812 billion							
Rediscounts at BoU	-							
Borrowing at BoU	-							
- Av. Discount rate	14.41 percent		13.23 percent		11.91 percent		8.39 percent	
- Av. Effective Yield	14.67 percent		13.98 percent		13.12 percent		9.00 percent	

*Source: Compiled from Domestic Financial Markets Department records*

Total trades in the Treasury bills for the four weeks ended June 04, 2004 amounted to Shs 2.81 billion, compared to Shs 20.92 billion of the four weeks ended May 07, 2004. The average

discount rates on these trades for the 91-days, the 182-days, 273-days, and the 364-days securities were 14.41 percent, 13.23 percent, 11.91 percent, and 8.39 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 continued to evolve in line with the developments in the primary market. As shown by Chart 5 below, narrow margins between the two curves were observed throughout most of the market, before widening at the extreme end as the curve derived from the primary market dropped below that from the secondary market from the 5-year paper.



Activity in the domestic inter-bank money market for the four weeks ending June 04, 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 May 14, 2004, when transactions worth Shs 39.65 billion were recorded, while the least activity was in the week of May 21, 2004, when Shs 9.95 billion was traded. Over the period, the weighted average interbank rate remained stable between 6.14 percent and 6.67 percent. All commercial banks participated in the market during the four weeks. The average of the inter-bank market rates of 6.37 percent over the four weeks to June 04, 2004, was higher than 5.72 percent recorded for the corresponding period ended May 07, 2004.

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

One commercial bank, adjusted its prime rate during the four weeks to May 28, 2004. This was a downward movement from 17 percent to 16 percent. However, the number of commercial banks charging prime rates in the categories of 16.0-18.0 percent, 18.1-20.0 percent and 20.1 – 22.0 percent were not affected by this change. The range of these rates for the entire banking sector, on the other hand, moved from 17-21 percent to 16 -21 percent. Table VII below summarizes these developments.

Three commercial banks adjusted their indicative deposit rates in the period under review. This adjustment comprised a mix of both upward and downward movements, the latter being the more dominant of the two. The range of the savings deposits was maintained at 0-8.0 percent

while that of time deposits moved up from 0.25-9.0 percent to 0.25-20.0 percent. The number of banks with maximum savings rates of at least 5.0 percent remained 5 while those with a maximum time deposit rate of at least 8.0 percent increased from six (6) to seven (7).

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

<b>Prime Lending Rate (percent)</b>	<b>Feb 06, 04</b>	<b>Mar 05, 04</b>	<b>Apr 08, 04</b>	<b>Apr 30, 04</b>	<b>May 28, 04</b>
	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	1	3	4	4	4
18.1 – 20.0	3	2	9	9	9
20.1 – 22.0	11	10	2	2	2
22.1 - >>	0	0	0	0	0
Range (Min – Max)	18 – 22%	17 – 22%	17- 21%	17 – 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 April 2004. As portrayed in Table VIII, the effective lending rate on foreign denominated loans increased from 9.11 percent where it had fallen in March 2004, to 9.85 percent at the end of April 2004. The shilling denominated loans continued on a downward trend, falling from 22.12 percent to 19.77 percent over the same period.

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

	Shilling Denominated				Forex Denominated			
	Jan 04	Feb 04	Mar 04	Apr 04	Jan 04	Feb 04	Mar 04	Apr 04
Weighted Average rates								
Lending	23.38	23.26	22.12	19.77	9.82	9.22	9.11	9.85
Demand Deposits	1.42	1.31	1.32	1.24	0.96	0.96	0.96	0.96
Savings Deposits	2.40	2.39	2.12	1.87	1.68	1.66	1.66	1.65
Time Deposits	11.46	10.23	6.94	5.71	1.51	1.73	1.51	2.76
Source: Monthly Report, BS100 Returns by Commercial Banks								

The weighted rates on shilling denominated savings and time deposits also maintained a marginal decline, decreasing further from 2.12 percent and 6.94 percent in March 2004, to 1.87 percent and 5.71 percent, respectively, in the period under review. On the foreign currency denominated deposits, the respective rates on demand and savings deposits were stable at 0.96 and 1.65 percent, while that on time deposits rose from 1.51 percent to 2.76 percent.

## **E MONETARY AND FINANCIAL SECTOR AGGREGATES**

### **(i) Banking Activities<sup>2</sup>**

#### **Broad Money**

Broad Money M3, which comprises currency in circulation plus all private deposits, contracted by 2.4 percent to Shs2448.1 billion in April 2004. This represents a deceleration, compared to a decline of 0.3 percent in March 2004. Relative to June 2003, M3 expanded by 3.1 percent or Shs74.7 billion, while the year-on-year growth rate for M3 was recorded at 11.0 percent, compared to 13.8 percent growth in March 2004.

M2A, comprising of M3 less foreign currency deposits of the private sector, contracted by 4.1 percent to Shs1806.2 billion at end-April 2004, from Shs1884.1 billion at end-March 2004. This compares to a decline of 0.9 percent over the month of March 2004. Relative to June 2003, M2A had grown by 3.3 percent, while on a year-on-year basis, it grew by 8.9 percent compared to 12.1 percent for end - March 2004. The developments in money supply are shown in Table IX below.

#### **Net Foreign Assets (NFA)**

Between February 2004 and March 2004, the NFA of the banking system rose by 1.1 percent or Shs25.5 billion to Shs2282.4 billion. At BOU, NFA expanded by 0.4 percent or Shs7.0 billion, to Shs1636.4 billion. Foreign reserves at BoU rose by an equivalent of Shs2.9 billion, compared to Shs27.0 billion in the previous month. At Commercial banks, NFA grew strongly by 2.9 percent or Shs18.5 billion to Shs646.0 billion compared to an increase of 0.2 percent in March 2004.

#### **Net Claims on Government (NCG)**

The government's net position with the banking system (NCG) as at end- April 2004 was a borrowing of Shs281.1 billion, down by 16.7 percent or Shs56.4 billion from Shs337.5 billion at the end of March 2004 (Table IX). At BoU, the government increased its savings by Shs. 1.6 billion over the month, on account of growth in government deposits of Shs31.8 billion, coupled with a decline in BoU investment in Government securities of Shs6.6 billion, which more than offset an increase in Advances to Government of Shs36.8 billion. At commercial banks, net claims on Government fell by Shs54.9 billion to Shs449.5 billion in April 2004 from Shs504.4 billion in March 2004. This was on account of growth in Government deposits of Shs64.7 billion, which more than offset an increase in commercial bank investment in government securities of Shs9.8 billion. Relative to June 2003, the claims of the banking system on government decreased by Shs109.3 billion or 28.5 percent.

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<sup>2</sup> Based on the Preliminary Monetary Survey for March 2004.

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

<i>(in billion shillings unless otherwise stated)</i>	Apr. 2003	June 2003	Sep. 2003	Dec. 2003	Mar. 2004	Apr. 2004
Net Foreign Assets (NFA)	1658.5	2101.3	2078.3	2255.7	2256.9	2282.4
Domestic Credit	1575.5	1246.2	1431.9	1291.6	1350.1	1298.2
Net Credit to Gov't (NCG)	748.7	390.4	534.9	320.5	337.5	281.1
Claims on the Private Sector	818.7	848.6	888.2	962.0	997.4	1001.4
M3	2205.0	2373.4	2365.2	2407.0	2507.2	2448.1
Forex deposits	543.6	624.2	580.0	587.3	623.1	641.9
M2A	1661.4	1749.2	1785.2	1819.7	1884.1	1806.2
Demand Deposits	701.1	725.1	741.3	692.2	756.5	682.3
Term Deposits	522.5	562.7	570.4	581.3	605.7	599.9
Currency	437.8	461.4	473.4	546.2	521.8	523.9
Forex/M3 ( percent)	24.7	26.3	24.5	24.4	24.9	26.2
Demand Deposits/M3 ( percent)	31.8	30.6	31.3	28.8	30.2	27.9
Term Deposits/M3 ( percent)	23.7	23.7	24.1	24.1	24.2	24.5
Currency/M3 ( percent)	19.9	19.4	20.0	22.7	20.8	21.4

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

### Private Sector Credit (PSC)

At end-April 2004, the stock of outstanding credit to the private sector by the banking sector stood at Shs1001.4 billion (Table IX), of which Shs6.0 billion was from BOU and Shs995.4 billion from commercial banks. This represents a growth of 0.4 percent (or Shs4.0 billion) over the end March 2004 position. Relative to June 2003, PSC grew by Shs152.8 billion or 18.0 percent, while the year-on-year growth rate in PSC was recorded at 22.3 percent for end-April 2004.

### Credit Flows

During April 2004, the total (shilling and foreign currency) gross extensions by commercial banks amounted to Shs114.41 billion, while recoveries were Shs112.39 billion resulting in net extensions of Shs2.02 billion. After accounting for flows in capitalised interest, there was a rise in the stock of credit of approximately Shs4.48 billion (see Appendix Table 1), though net extensions to the private sector alone were recorded at Shs4.0billion<sup>3</sup>. During the month, commercial banks extended shilling loans amounting to Shs80.28 billion, and recovered Shs82.95 billion, thus net recoveries were Shs2.67 billion. Net capitalised interest stood at Shs2.42 billion. Thus, there was a net decline in the stock of shilling loans to the private sector of Shs0.24 billion (see Appendix Table 2). For foreign currency loans, gross extensions stood at Shs34.13 billion, while recoveries were lower at Shs29.44 billion, yielding net extensions of Shs4.69 billion. After taking into account effects of capitalised interest, the stock of foreign currency loans recorded a net rise of Shs5.07 billion (See Appendix Table 3).

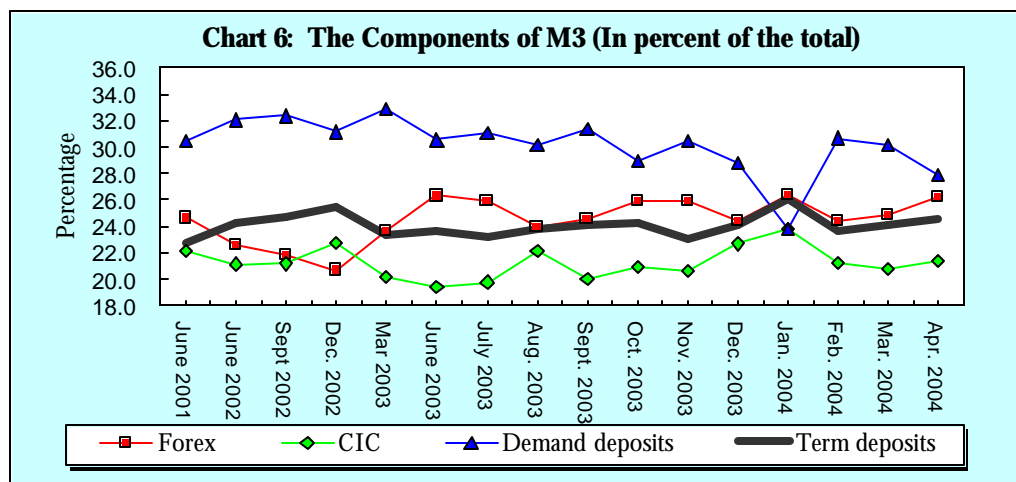
**Appendix tables 1-3 summarise the evolution of the monthly change in outstanding loans and advances of commercial banks for the period July 2002 to April 2004.**

### Liabilities of the Banking System

On the liabilities side, foreign currency accounts rose by 3.0 percent or Shs18.8 billion to Shs641.9 billion in April 2004. In US dollars, foreign currency accounts grew by US\$12.3 million to US\$335.9 million. Demand deposits declined by 9.8 percent or Shs74.2 billion to Shs682.3 billion, while term deposits (time, savings and CDs) fell by 1.0 percent to Shs599.9 billion as at end-April 2004. Currency in circulation (CIC) increased by 0.4 percent or Shs2.2 billion to

<sup>3</sup> 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.

Shs523.9 billion. Reflecting these developments, the ratio of foreign currency deposits to M3 rose to 26.2 percent from 24.9 percent at end-March 2004. The ratio of demand deposits to M3 fell to 27.9 percent from 30.2 percent in March 2004, while that of term deposits rose slightly to 24.5 percent from 24.2 percent in March 2004. The ratio of CIC to M3 rose to 21.4 percent from 20.8 percent in March 2004. The trends of the ratios are shown in Chart 6 and Table IX above.



## (ii) Non -Bank Financial Institutions (NBFIs) Activities<sup>4</sup>

### Assets

In the month of April 2004, the total assets of the Non-Bank Financial Institutions rose from Shs 147.26 billion at the end of March 2004 to Shs 150.59 billion, representing a growth rate of 2.3 percent. This outturn compares to a growth rate of 2.0 percent observed over the same period a year ago. The growth in assets in April 2004 was mainly attributed to increases in balances with commercial banks, and loans and advances.

### Loans and advances

The balances of the NBFIs in commercial banks, both within and outside Uganda grew by Shs 1.61 billion to Shs 21.49 billion, while the stock of the outstanding loans and advances to the private sector rose by Shs 1.24 billion to Shs 89.38 billion as at end-April 2004, up from Shs 88.14 billion at end-March 2004. Mortgage loans, which account for the largest proportion of the loans rose by 3.2 percent to Shs 52.42 billion, while secured and unsecured loans dropped by 2.4 percent to Shs 12.09 billion at the end of April 2004. By contrast, administered loans fell by slightly by 0.4 percent to Shs 24.87 billion, down from Shs 24.96 billion registered in March 2004. The building and construction sector continued accounted for the largest share of loans and advances from the NBFIs at 83.5 percent of the total as at end-April 2004. The trade and commerce sector retained the second largest share at 11.4 percent.

<sup>4</sup> Only covers 7 credit institutions.

## Deposits

In April 2004, private sector deposits in the NBFIs rose by 4.8 percent to Shs 65.13 billion from Shs 62.17 billion in March 2004. In particular, the time deposits rose considerably by Shs 2.38 billion or 26.4 percent to Shs 11.43 billion, while savings deposits went up by 1.1 percent to Shs 53.70 billion. Other deposits, which represent funds collected on behalf of government from the beneficiaries of the government pool house sale scheme rose by Shs 0.35 billion to Shs 25.32 billion over the same period.

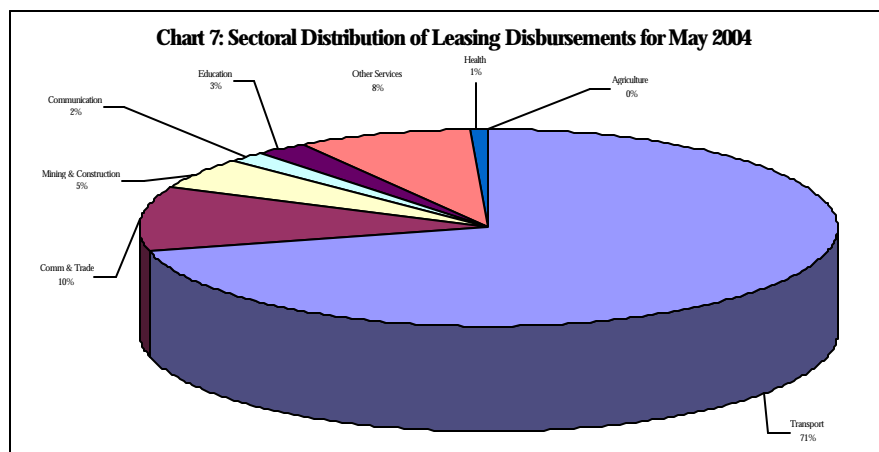
**Table X: Developments in the Activities of Non-Bank Financial Institutions  
(Shs Billion)**

	Apr2003	Dec 2003	Jan 2004	Feb 2004	Mar 2004	Apr 2004
Total Assets	127.52	144.46	142.37	146.15	147.26	150.59
O/w Loans and advances	73.06	82.93	84.55	85.46	88.14	89.38
Secured & unsecured	9.70	11.48	11.82	11.33	12.38	12.09
Mortgage	36.56	45.78	47.18	48.80	50.79	52.42
Administered	26.80	25.67	25.56	25.34	24.96	24.87
Total Deposits	70.75	82.78	80.84	83.67	87.92	90.45
Savings	41.63	49.99	48.07	50.62	53.12	53.70
Time	8.22	8.67	8.41	8.57	9.05	11.43
Agency Funds	20.90	24.13	24.37	24.48	24.97	25.32

**Source:** Bank of Uganda

## b) Leasing

The value of assets leased in May 2004 rose by 7.3 percent to Shs 2.49 billion from Shs 2.32 billion disbursed in April 2004 and by 173.6 percent compared to May 2003. Notably, the values of assets leased since the beginning of 2004 are higher than those of the previous years and have subsequently increased with each successive month since January 2004 as the providers take on a more aggressive approach in marketing this form of credit. In May 2004, as in the previous month, credit was concentrated in a few sectors. The transport sector once again accounted for the bulk of this credit at 71 percent share of total disbursements in the month, further up from 67 percent realized in April 2004. Commerce and trade taking 10 percent, the other 6 sectors shared out the remaining 19 percent. It should however be noted that 48 percent of the assets contributing to the commerce & trade are cars. The agriculture sector dropped to a share of 0.01 percent in the month under review from 4 percent registered in April 2004. Chart 7 below shows the breakdown of the leasing disbursements by sector for the month of May 2004.



**Source:** Bank of Uganda (BoU)

## F GOVERNMENT BUDGETARY OPERATIONS

In the month of April 2004, government revenue and budget support amounted to Shs 148.1 billion, representing a shortfall of Shs 5.8 billion or 3.9 percent relative to the programme level. Government expenditure and net lending amounted to Shs 214.4 billion, compared to Shs 233.9 billion anticipated in the programme. The overall fiscal balance (including grants) was a deficit of Shs 66.3 billion compared to a deficit level of Shs 80.1 billion anticipated in the programme. Excluding grants, the deficit rises to Shs 78.6 billion.

### i) Revenue and Grants

In April 2004, total revenue and budget support grants amounted to Shs 148.1 billion compared with Shs 198.7 billion recorded in March 2004. This outturn was also lower than the programmed level by Shs 5.8 billion due to lower domestic revenue collection during the period.

Total domestic revenue amounted to Shs 135.7 billion compared to Shs 136.9 billion collected in March 2004, representing a decline of 0.9 percent in revenue. Out of the total domestic revenue for April 2004, URA collections amounted to Shs 133.8 billion compared with Shs 135.2 billion for March 2004 and the targeted level of Shs 135.4 billion, respectively. The fall in domestic revenue collections during the month was attributed to lower than anticipated collections on international trade and indirect domestic taxes. The Non-URA revenue collections for April 2004 under-performed by Shs 1.6 billion, against the programme level due to delayed payment of dividends by institutions in which government has interest. In addition, receipts were undermined by the low rates charged on government sale of goods and services.

External budget support grants were estimated at Shs 12.9 billion in April 2004, compared to the projected amount for the month of Shs 14.8 billion. The shortfall in these disbursements was largely on account of the lower donor support towards the Poverty Action Fund during the month. However, the cumulative disbursements for the period ending April 2004 totalled to Shs 446.9 billion, against the projected level of Shs 402.7 billion.

**Table XI: Government Budgetary Operations: November - March 2004 (Billion Shs)**

	Revised Budget 2003/04	Prel. Dec 2003	Prel. Jan 2004	Prel. Feb 2004	Prel. Mar 2004	Prel. Apr 2004	Prog. Apr 2004
Total Tax & Import Support Receipts	2,228.6	398.0	151.4	131.0	198.7	148.1	153.9
Total Domestic Revenue	1,690.9	181.5	133.9	123.0	136.9	135.7	139.0
URA Excluding Refunds/Govt. Taxes	1,655.2	179.7	132.1	119.7	135.2	133.8	135.4
Non URA Revenues	35.7	1.8	1.8	3.3	1.7	2.0	3.6
Import Support Grants	537.7	216.4	17.5	8.0	61.9	12.3	14.8
Expenditure & Lending	2343.8		205.1	178.7	147.5	214.4	
		206.9					233.9
Current Expenditure	1,732.4	153.6	164.4	157.5	146.0	176.1	157.6
Development Expenditure	536.9	40.1	40.4	19.2	28.5	37.1	70.1
Others 1/	73.5	13.1	0.3	2.0	-27.0	(27.0)	6.3
Overall Fiscal Balance (Deficit)			(53.7)	(47.7)	51.2	(66.3)	(80.1)
	(114.7)	191.1					
Excluding Grants	(652.4)						
		(25.4)	(71.2)	(55.7)	(10.6)	(78.6)	(94.9)

Source: Ministry of Finance, Planning and Economic Development

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

ii) **Expenditure**

In April 2004, government expenditure and net lending rose by 45.3 percent to Shs 214.4 billion. The expansion reflected mainly growth in expenditure of Shs 30.0 billion in respect of current expenditures. Current expenditures for the month amounted to Shs 176.1 billion, up from Shs 146.0 billion recorded in the March 2004. Out of the current expenditures, a total of Shs 63.3 billion or 35.9 percent was spent on wages and salaries. Interest payments fell from Shs 25.4 billion in the March 2004 to Shs 22.4 billion. Out of this amount, Shs 4.8 billion was on account of external loans. Other recurrent expenditures for the month stood at Shs 85.6 billion, while development expenditure was Shs 37.1 billion. However, the outturn in government expenditure was lower than the projected level for the period by Shs 19.5 billion.

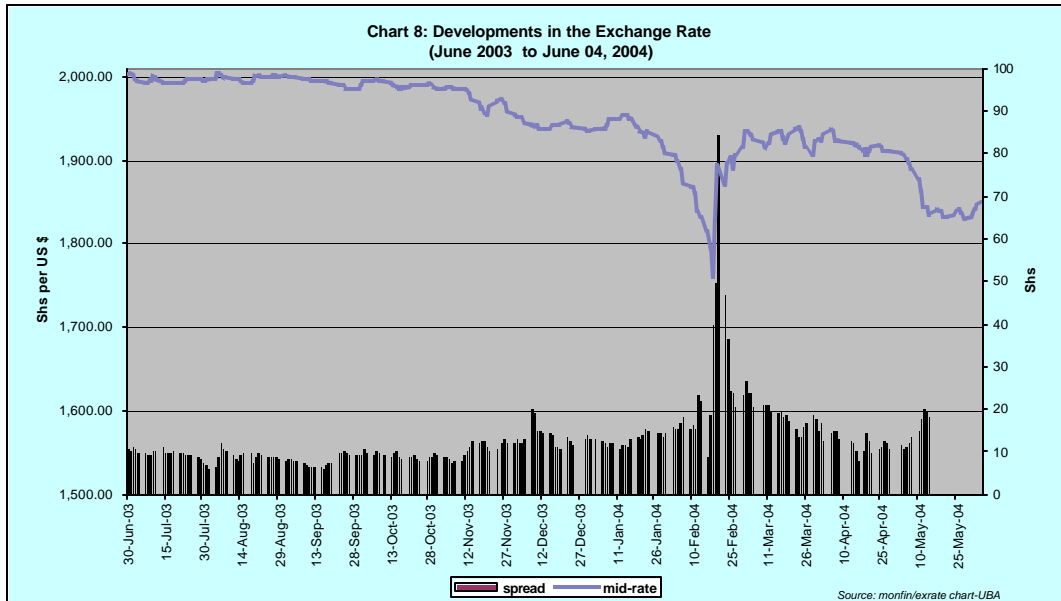
The overall fiscal balance for April 2004 was a deficit of Shs 66.3 billion compared to a surplus level of Shs 51.2 billion recorded in the previous month. Excluding grants, the deficit rises to Shs 78.6 billion. In the month under review, government repaid (net) Shs 8.9 billion on external loans, compared to Shs 15.2 billion in the preceding month. The government, however, borrowed Shs 75.2 billion in net basis from the domestic agents.

## **G EXCHANGE RATE AND FOREIGN EXCHANGE MARKET**

The Uganda shilling exhibited mixed trends against the US Dollar over the last four weeks to June 04, 2004. The persistent appreciation for the bulk of the month of May 2004 was on account of inflows by NGOs, the international conferences and meetings that took place towards the end of the month and expectations that the conferences would inject foreign currency in the market. The Shilling, however, reversed trend towards end May and during the first half of June on account of increased demand from the corporate sector and the sluggish net inflows through the offshore players in the market, as some of them opted not to roll over maturing securities in the domestic securities market. Over the four weeks ended June 04, 2004, the Shilling appreciated by 2.01 percent against the U.S. Dollar to Shs 1851.47. This is compared to an appreciation of 1.78 percent over the corresponding period ended May 07, 2004. On a period average basis, however, the Shilling appreciated by 3.09 percent from an average exchange rate of Shs 1898.70 per US \$ for the four weeks ended May 07, 2004 to an average of Shs 1839.94 per US \$. The average spreads between the weighted inter-bank buy and sell rates, increased from Shs 12.51 during the previous period to an average of Shs 14.04 for the period under review. (See Chart 8).

The volume of commercial banks' transactions during the period May 14, and June 04, 2004, recorded average daily retail purchases and sales of US \$ 6.55 million and US \$ 7.72 million respectively; higher than an average of US \$ 5.53 million and US \$ 7.06 million for purchases, and sales respectively during the period, April 16, and May 07, 2004.

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 sterilization and intervention in the period under review amounted to US \$ 26.5 million, compared to the previous period's amount US \$ 28.0 million. Bank of Uganda continues to watch market developments very closely and ready to take any action that will ensure market stability.



## H DEVELOPMENTS IN THE BALANCE OF PAYMENTS (BOP)

The overall balance is estimated at a deficit of US\$0.84 million in April 2004. The current account balance is estimated at a deficit of US\$52.19 million, a deterioration of US\$43.75 million from the deficit of US\$8.44 million posted in March 2004. The capital and financial account is estimated at a surplus of US\$51.35 million up from a surplus of US\$17.36 million registered in the preceding month.

### i) Exports

Total export proceeds in the month of April 2004 are estimated at about US\$62.51 million. This is US\$5.55 million or 8.2 percent less than the export earnings recorded in March 2004.

#### Coffee Exports

During the month of April, coffee export earnings amounted to US\$8.77 million accounting for 14.03 percent of the total export proceeds. In terms of volume, exports of coffee amounted to 178 thousand (60-kilogram) bags. In May 2004, coffee exports amounted to 181 thousand (60-kilogram) bags worth US\$8.62 million. Much as this showed a slight increment of about 1.86 percent in volume, the value went down by about 1.72 percent compared to the previous month's exports (US\$8.77 million). This is because the average realized export price in May stood at only 79.4 cents per kilogram, down from an average unit price of 82.3 cents per kilogram in April 2004.

#### Non-coffee Exports

The total value for non-coffee exports for the month of April 2004 is estimated at US\$53.74 million. This is a decline of about 4.3 percent when compared to US\$56.14 million realized in the previous month.

There was a decline in the performance of most non-coffee exports in April 2004 compared to the previous month. More specifically, export proceeds from cotton, tea, tobacco, simsim, maize and flowers decreased by 41.9, 8.4, 32.1, 44.7, 61.0 and 10.8 percent, respectively. On the other hand, electricity export proceeds increased by about 17.7 percent, fish exports and its products to the international market increased by 9.1 percent, and proceeds from gold tripled to US\$12.56 million from US\$4.04 million recorded in March 2004.

## **ii) Imports**

The total import bill for the month of April 2004 is estimated at US\$109.98 million at fob value. Private sector imports are estimated at US\$97.48 million, 5.2 percent lower than the March 2004 private sector import bill. Oil imports are estimated at US\$12.9 million, a decline of about 3.9 percent when compared to the March oil bill.

Government imports amounted to US\$12.50 million for the month of April 2004, about the same value as the import bill for the previous month of US\$12.13 million. (See Table 2: Imports of Goods).

## **iii) Other Inflows and Outflows**

Official aid (excluding project aid but including resources from the HIPC5 Initiative) inflows amounting to about US\$37.3 million were disbursed in April 2004. Private transfer inflows for the period under review are estimated at US\$15.45 million while outflows of private transfers are estimated at US\$ 20 million.

Services and income outflows exceeded inflows by US\$32.13 million during the month of April 2004.

Official debt service (excluding IMF payments) was estimated at US\$7.42 million for the month of April 2004 while IMF principal obligations worth US\$5.02 million were externalized in the same month. Short-term inflows of US\$15.7 million exceeded outflows by US\$2.96 million.

In April 2004, the level of gross foreign reserves is estimated at US\$1,067.59 million, up from US\$1,058.08 million in the previous month of March 2004. This reserve level is estimated to cover 6.25 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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<sup>5</sup> 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	<b>404.75</b>	<b>(311.48)</b>	<b>93.27</b>	<b>30.58</b>	<b>(91.27)</b>	<b>(60.69)</b>	<b>32.58</b>
<b>2000/2001</b>	<b>852.28</b>	<b>(769.56)</b>	<b>82.71</b>	<b>40.98</b>	<b>(71.61)</b>	<b>(30.64)</b>	<b>52.08</b>
<b>2001/2002</b>							
<b>Q1</b>	<b>254.33</b>	<b>(246.12)</b>	<b>8.21</b>	<b>6.20</b>	<b>(15.67)</b>	<b>(9.47)</b>	<b>(1.26)</b>
<b>Q2</b>	<b>255.69</b>	<b>(250.61)</b>	<b>5.08</b>	<b>5.05</b>	<b>(14.99)</b>	<b>(9.94)</b>	<b>(4.86)</b>
<b>Half 1 2001/02</b>	<b>510.02</b>	<b>(496.74)</b>	<b>13.29</b>	<b>11.25</b>	<b>(30.66)</b>	<b>(19.41)</b>	<b>(6.12)</b>
<b>Q3</b>	<b>249.06</b>	<b>(219.55)</b>	<b>29.52</b>	<b>7.02</b>	<b>(21.24)</b>	<b>(14.22)</b>	<b>15.30</b>
<b>Q4</b>	<b>264.20</b>	<b>(255.30)</b>	<b>8.90</b>	<b>10.03</b>	<b>(15.77)</b>	<b>(5.74)</b>	<b>3.16</b>
<b>Half 2 2001/02</b>	<b>513.27</b>	<b>(474.85)</b>	<b>38.41</b>	<b>17.06</b>	<b>(37.01)</b>	<b>(19.95)</b>	<b>18.46</b>
<b>2001/2002</b>	<b>928.31</b>	<b>(886.08)</b>	<b>42.23</b>	<b>27.01</b>	<b>(64.65)</b>	<b>(37.64)</b>	<b>4.59</b>
<b>2002/2003</b>							
<b>Q1</b>	<b>271.05</b>	<b>(255.55)</b>	<b>15.50</b>	<b>13.98</b>	<b>(15.89)</b>	<b>(1.91)</b>	<b>13.59</b>
October	101.57	(72.78)	28.79	6.84	(4.10)	2.74	31.53
November	109.29	(79.80)	29.49	6.91	(3.86)	3.05	32.54
December	111.40	(76.16)	35.24	7.94	(9.57)	(1.63)	33.61
<b>Q2</b>	<b>322.26</b>	<b>(228.74)</b>	<b>93.51</b>	<b>21.69</b>	<b>(17.52)</b>	<b>4.16</b>	<b>97.68</b>
<b>Half 1 2002/03</b>	<b>593.31</b>	<b>(484.29)</b>	<b>109.01</b>	<b>35.67</b>	<b>(33.41)</b>	<b>2.25</b>	<b>111.27</b>
Jan 2003	121.57	(94.59)	56.98	2.57	(2.70)	(0.13)	26.85
February	114.92	(93.76)	21.16	3.09	(3.73)	(0.64)	20.52
March	112.20	(96.31)	15.90	3.82	(2.75)	1.07	16.97
<b>Q3</b>	<b>348.69</b>	<b>(284.65)</b>	<b>64.04</b>	<b>9.48</b>	<b>(9.18)</b>	<b>0.30</b>	<b>64.34</b>
April	99.66	(116.52)	(16.86)	3.56	(1.22)	2.33	(14.52)
May	142.80	(122.79)	20.00	5.84	(2.18)	3.65	23.65
June	104.75	(112.23)	(7.48)	4.97	(3.42)	1.55	(5.93)
<b>Q4</b>	<b>347.21</b>	<b>(351.54)</b>	<b>(4.33)</b>	<b>14.37</b>	<b>(6.88)</b>	<b>7.54</b>	<b>3.20</b>
<b>Half 2 2002/03</b>	<b>695.90</b>	<b>(636.19)</b>	<b>59.71</b>	<b>23.85</b>	<b>(16.01)</b>	<b>7.84</b>	<b>67.55</b>
<b>2002/2003</b>	<b>1,289.21</b>	<b>(1,120.48)</b>	<b>168.72</b>	<b>59.51</b>	<b>(49.42)</b>	<b>10.09</b>	<b>178.81</b>
<b>2003/2004</b>							
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
<b>Q1</b>	<b>343.22</b>	<b>(317.19)</b>	<b>26.03</b>	<b>25.07</b>	<b>(15.56)</b>	<b>9.51</b>	<b>35.54</b>
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
<b>Q2</b>	<b>367.62</b>	<b>(303.38)</b>	<b>64.24</b>	<b>25.63</b>	<b>(16.14)</b>	<b>9.49</b>	<b>73.73</b>
<b>Half 1 2003/04</b>	<b>710.84</b>	<b>(620.57)</b>	<b>90.27</b>	<b>50.70</b>	<b>(31.70)</b>	<b>19.00</b>	<b>109.27</b>
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
<b>Q3</b>	<b>381.64</b>	<b>(354.20)</b>	<b>27.44</b>	<b>15.16</b>	<b>(7.59)</b>	<b>7.57</b>	<b>35.01</b>

Period	Extensions	Recoveries	Net ext.	Cap interest	Repd cap int	Net Cap int	Net change
April 2004	114.41	(112.39)	2.02	6.36	(3.56)	2.80	4.83

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
<b>1999/2000</b>	<b>309.57</b>	<b>(257.58)</b>	<b>51.99</b>	<b>21.91</b>	<b>(65.28)</b>	<b>(43.37)</b>	<b>8.62</b>
<b>2000/2001</b>	<b>602.42</b>	<b>(553.62)</b>	<b>48.80</b>	<b>32.75</b>	<b>(59.58)</b>	<b>(26.83)</b>	<b>21.97</b>
<b>2001/2002</b>							
<b>Q1</b>	<b>167.24</b>	<b>(178.30)</b>	<b>(11.06)</b>	<b>4.39</b>	<b>(13.47)</b>	<b>(9.08)</b>	<b>(20.14)</b>
<b>Q2</b>	<b>169.88</b>	<b>(173.45)</b>	<b>(3.57)</b>	<b>4.38</b>	<b>(11.29)</b>	<b>(6.91)</b>	<b>(10.49)</b>
<b>Half 1 2001/02</b>	<b>337.12</b>	<b>(351.75)</b>	<b>(14.63)</b>	<b>8.77</b>	<b>(24.77)</b>	<b>(16.00)</b>	<b>(30.63)</b>
<b>Q3</b>	<b>171.14</b>	<b>(160.07)</b>	<b>11.07</b>	<b>5.83</b>	<b>(18.36)</b>	<b>(12.52)</b>	<b>(1.45)</b>
<b>Q4</b>	<b>190.31</b>	<b>(181.50)</b>	<b>8.81</b>	<b>8.05</b>	<b>(11.83)</b>	<b>(3.79)</b>	<b>5.03</b>
<b>Half 2 2001/02</b>	<b>361.45</b>	<b>(341.56)</b>	<b>19.89</b>	<b>13.88</b>	<b>(30.19)</b>	<b>(16.31)</b>	<b>3.57</b>
<b>2001/2002</b>	<b>698.57</b>	<b>(693.31)</b>	<b>5.26</b>	<b>22.65</b>	<b>(54.96)</b>	<b>(32.31)</b>	<b>(27.05)</b>
<b>2002/2003</b>							
<b>Q1</b>	<b>196.42</b>	<b>(181.95)</b>	<b>14.47</b>	<b>12.56</b>	<b>(13.18)</b>	<b>(0.62)</b>	<b>13.85</b>
October	68.25	(55.15)	13.10	6.49	(3.98)	2.51	15.61
November	82.69	(60.13)	22.56	6.41	(3.70)	2.71	25.27
December	78.42	(57.34)	21.08	6.45	(8.18)	(1.73)	19.36
<b>Q2</b>	<b>229.36</b>	<b>(172.61)</b>	<b>56.75</b>	<b>19.35</b>	<b>(15.86)</b>	<b>3.49</b>	<b>60.24</b>
<b>Half 1 2002/2003</b>	<b>425.78</b>	<b>(354.56)</b>	<b>71.22</b>	<b>31.91</b>	<b>29.03</b>	<b>2.88</b>	<b>74.09</b>
Jan 2003	90.24	(66.42)	23.82	2.22	(2.34)	(0.12)	23.70
February	60.77	(62.95)	(2.18)	2.28	(3.51)	(1.23)	(3.41)
March	71.01	(53.68)	17.32	3.51	(2.59)	0.92	18.24
<b>Q3</b>	<b>222.02</b>	<b>(183.05)</b>	<b>38.97</b>	<b>8.01</b>	<b>(8.44)</b>	<b>(0.43)</b>	<b>38.54</b>
April	71.88	(71.49)	0.40	3.13	(1.11)	2.02	2.42
May	86.75	(58.52)	28.23	4.63	(1.76)	2.87	31.10
June	81.21	(85.38)	(4.17)	4.19	(2.76)	1.42	(2.74)
<b>Q4</b>	<b>239.84</b>	<b>(215.38)</b>	<b>24.46</b>	<b>11.95</b>	<b>(5.63)</b>	<b>6.31</b>	<b>30.78</b>
<b>Half 2 2002/03</b>	<b>461.86</b>	<b>(398.44)</b>	<b>63.43</b>	<b>19.96</b>	<b>(14.07)</b>	<b>5.89</b>	<b>69.31</b>
<b>2002/2003</b>	<b>887.64</b>	<b>(753.00)</b>	<b>134.65</b>	<b>51.87</b>	<b>(43.11)</b>	<b>8.76</b>	<b>143.41</b>
<b>2003/2004</b>							
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
<b>Q1</b>	<b>234.28</b>	<b>(222.12)</b>	<b>12.16</b>	<b>22.96</b>	<b>(13.37)</b>	<b>9.59</b>	<b>21.75</b>
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
<b>Q2</b>	<b>270.88</b>	<b>(215.44)</b>	<b>55.44</b>	<b>22.61</b>	<b>(13.25)</b>	<b>9.36</b>	<b>64.80</b>
<b>Half 1 2003/04</b>	<b>505.16</b>	<b>(437.56)</b>	<b>67.61</b>	<b>45.57</b>	<b>(26.62)</b>	<b>18.95</b>	<b>86.55</b>

Period	Extensions	Recoveries	Net extensions	Cap interest	Repd cap int	Net Cap int	Net change
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
<b>Q3</b>	<b>248.82</b>	<b>(229.44)</b>	<b>19.38</b>	<b>12.42</b>	<b>(6.11)</b>	<b>6.30</b>	<b>25.69</b>
April. 2004	80.28	(82.95)	(2.67)	5.32	(2.90)	2.42	(0.24)

**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
<b>1999/2000</b>	<b>95.19</b>	<b>(54.30)</b>	<b>40.89</b>	<b>8.71</b>	<b>(26.04)</b>	<b>(17.33)</b>	<b>23.55</b>
<b>2000/2001</b>	<b>249.86</b>	<b>(215.95)</b>	<b>33.91</b>	<b>8.23</b>	<b>(12.03)</b>	<b>(3.80)</b>	<b>30.11</b>
<b>2001/2002</b>							
<b>Q1</b>	<b>87.09</b>	<b>(67.83)</b>	<b>19.26</b>	<b>1.81</b>	<b>(2.20)</b>	<b>(0.39)</b>	<b>18.88</b>
<b>Q2</b>	<b>85.81</b>	<b>(77.16)</b>	<b>8.65</b>	<b>0.67</b>	<b>(3.69)</b>	<b>(3.02)</b>	<b>5.63</b>
<b>Half 1 2001/2002</b>	<b>172.90</b>	<b>(144.99)</b>	<b>27.92</b>	<b>2.48</b>	<b>(5.89)</b>	<b>(3.41)</b>	<b>24.51</b>
<b>Q3</b>	<b>77.92</b>	<b>(59.48)</b>	<b>18.44</b>	<b>1.19</b>	<b>(2.88)</b>	<b>(1.69)</b>	<b>16.75</b>
<b>Q4</b>	<b>73.89</b>	<b>(73.81)</b>	<b>0.08</b>	<b>1.99</b>	<b>(3.94)</b>	<b>(1.95)</b>	<b>(1.86)</b>
<b>Half 2 2001/2002</b>	<b>151.81</b>	<b>(133.29)</b>	<b>18.53</b>	<b>3.18</b>	<b>(6.81)</b>	<b>(3.64)</b>	<b>14.89</b>
<b>2001/2002</b>	<b>229.74</b>	<b>(192.77)</b>	<b>36.97</b>	<b>4.36</b>	<b>(9.69)</b>	<b>(5.33)</b>	<b>31.64</b>
<b>2002/2003</b>							
<b>Q1</b>	<b>74.63</b>	<b>(73.60)</b>	<b>1.03</b>	<b>1.42</b>	<b>(2.71)</b>	<b>(1.29)</b>	<b>(0.27)</b>
October	33.32	(17.64)	15.68	0.35	(0.12)	0.23	15.92
November	26.60	(19.67)	6.92	0.50	(0.16)	0.34	7.27
December	32.98	(18.82)	14.16	1.49	(1.39)	0.10	14.26
<b>Q2</b>	<b>92.90</b>	<b>(56.13)</b>	<b>36.77</b>	<b>2.34</b>	<b>(1.67)</b>	<b>0.67</b>	<b>37.44</b>
<b>Half 1 2002/2003</b>	<b>167.53</b>	<b>(129.73)</b>	<b>37.80</b>	<b>3.76</b>	<b>(4.38)</b>	<b>(0.62)</b>	<b>37.17</b>
Jan 2003	31.33	(28.17)	3.16	0.35	(0.36)	(0.01)	3.15
February	54.15	(30.81)	23.34	0.82	(0.23)	0.59	23.93
March	41.20	(42.62)	(1.42)	0.31	(0.16)	0.15	(1.28)
<b>Q3</b>	<b>126.67</b>	<b>(101.60)</b>	<b>25.07</b>	<b>1.47</b>	<b>(0.74)</b>	<b>0.73</b>	<b>25.80</b>
April	27.77	(45.03)	(17.25)	0.42	(0.11)	0.31	(16.94)
May	56.05	(64.28)	(8.23)	1.21	(0.42)	0.78	(7.45)
June	23.54	(26.85)	(3.31)	0.79	(0.66)	0.13	(3.18)
<b>Q4</b>	<b>107.36</b>	<b>(136.16)</b>	<b>(28.80)</b>	<b>2.42</b>	<b>(1.19)</b>	<b>1.22</b>	<b>(27.57)</b>
<b>Half 2 2002/03</b>	<b>234.03</b>	<b>(237.76)</b>	<b>(3.72)</b>	<b>3.89</b>	<b>(1.93)</b>	<b>1.95</b>	<b>(1.77)</b>
<b>2002/2003</b>	<b>401.56</b>	<b>(367.49)</b>	<b>34.07</b>	<b>7.65</b>	<b>(6.31)</b>	<b>1.33</b>	<b>35.41</b>
<b>2003/2004</b>							
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
<b>Q1</b>	<b>108.93</b>	<b>(95.06)</b>	<b>13.87</b>	<b>2.11</b>	<b>(2.19)</b>	<b>(0.08)</b>	<b>13.79</b>

Period	Extensions	Recoveries	Net extensions	Cap interest	Repd cap int	Net Cap int	Net change
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
<b>Q2</b>	<b>96.74</b>	<b>(87.95)</b>	<b>8.8</b>	<b>3.03</b>	<b>(2.90)</b>	<b>0.13</b>	<b>8.93</b>
<b>Half 1 2003/04</b>	<b>205.68</b>	<b>(183.01)</b>	<b>22.67</b>	<b>5.13</b>	<b>(5.08)</b>	<b>0.05</b>	<b>22.72</b>
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
<b>Q3</b>	<b>132.82</b>	<b>(124.76)</b>	<b>8.06</b>	<b>2.74</b>	<b>(1.47)</b>	<b>1.26</b>	<b>9.32</b>
April 2004	34.13	(29.44)	4.69	1.04	(0.67)	0.38	5.07

**Source:** Research Department, Bank of Uganda

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

Date	Mid rate UGX/US\$	Spread UGX	Purchases Million US\$	Sales Million US\$
16-Apr-04	1,915.99	7.90	4.19	6.74
19-Apr-04	1,914.17	7.29	5.75	7.83
20-Apr-04	1,911.30	10.31	5.41	5.26
21-Apr-04	1,906.72	14.50	5.87	8.43
22-Apr-04	1,911.09	12.80	5.66	4.86
23-Apr-04	1,916.15	9.75	4.88	6.67
26-Apr-04	1,918.29	10.47	5.37	4.51
27-Apr-04	1,915.85	11.09	4.02	7.23
28-Apr-04	1,910.82	12.63	5.79	5.95
29-Apr-04	1,911.75	11.95	4.70	6.43
30-Apr-04	1,911.26	10.64	5.94	8.28
3-May-04	1,907.61	11.72	4.29	5.95
4-May-04	1,906.62	10.84	3.64	4.95
5-May-04	1,901.87	11.00	7.34	7.97
6-May-04	1,895.27	12.15	7.44	8.28
7-May-04	1,889.51	13.29	6.41	9.12
10-May-04	1,877.93	14.85	7.08	5.70
11-May-04	1,863.47	17.52	5.34	11.15
12-May-04	1,843.83	20.15	5.52	7.82
13-May-04	1,844.48	19.39	6.01	8.10
14-May-04	1,835.16	18.31	6.32	6.35
17-May-04	1,842.24	20.77	4.93	6.02
18-May-04	1,840.15	15.86	7.39	6.42
19-May-04	1,839.92	16.32	6.53	9.22
20-May-04	1,833.04	12.33	5.64	8.51
21-May-04	1,831.37	12.60	6.31	8.17
24-May-04	1,834.00	13.70	4.96	7.65
25-May-04	1,838.28	12.04	11.44	7.60
26-May-04	1,840.56	11.19	5.59	9.07
27-May-04	1,837.63	11.38	4.85	7.57
28-May-04	1,830.23	10.45	4.81	7.50
31-May-04	1,833.10	8.64	8.06	9.83

1-Jun-04	1,840.56	11.19	5.66	4.57
2-Jun-04	1,846.96	9.59	7.74	8.22
4-Jun-04	1,851.47	10.44	7.90	5.77
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		

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

	Jan 2004	Feb2004	Mar2004	Apr2004	May2004
<b>Total Exports (in US\$ million)</b>	<b>64.00</b>	<b>58.84</b>	<b>68.06</b>	<b>62.51</b>	
<b>1. Coffee</b>					
Gross coffee shipment, million (60-Kg) bags	0.30	0.24	0.24	0.18	0.18
Average unit value	0.75	0.79	0.84	0.82	0.79
Value of total shipment (BOP)	13.39	11.22	11.92	8.77	8.62
<b>2. Non-Coffee Export Values (US \$ million)</b>	<b>50.61</b>	<b>47.63</b>	<b>56.14</b>	<b>53.74</b>	
Electricity	1.19	0.90	0.96	1.13	
Gold	8.03	2.72	4.04	12.56	
Cotton	3.33	7.73	8.67	5.04	
Tea	3.40	2.29	3.27	3.00	
Tobacco	4.01	4.79	6.39	4.34	
Fish & its products (International)	9.26	8.14	7.73	8.44	
Fish & its products (Regional)	3.06	2.69	2.55	2.78	
Hides & Skins	0.68	0.46	0.33	0.53	
Simsim	0.23	0.35	0.91	0.50	
Maize	1.51	2.21	2.90	1.13	
Beans	0.34	0.66	0.54	0.66	
Flowers	1.83	3.09	2.70	2.41	
Oil re-exports	1.65	1.90	1.87	1.81	
Others	12.09	9.70	13.27	9.42	

**Source:** Bank of Uganda

**Table 6: IMPORTS OF GOODS (in millions of US \$) 1/**

	Jan2004	Feb2004	Mar2004	Apr2004
<b>Total Imports (Millions US\$)</b>	<b>112.22</b>	<b>104.79</b>	<b>114.92</b>	<b>109.98</b>
<b>Government Imports</b>	<b>14.44</b>	<b>13.71</b>	<b>12.15</b>	<b>12.50</b>
Project	12.17	6.74	11.57	11.73
Non-Project	2.27	6.98	0.58	0.77
<b>Private Sector Imports</b>	<b>97.78</b>	<b>91.08</b>	<b>102.77</b>	<b>97.48</b>
Oil	11.43	10.62	13.42	12.90
Non-Oil	81.70	72.22	81.37	74.54
Estimated Imports	4.65	8.24	7.98	10.04

**Source:** Bank of Uganda

1/ All import figures are reported at fob value.