

EXECUTIVE SUMMARY

Monetary Policy Stance and Actions

The primary objective of monetary policy remains to contain inflation at low and stable levels. To achieve this, BOU monetary policy operations ensure 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 May 31, 2005 suggests that:

- Net-issuance of Treasury bills and Treasury bonds were used to sterilize liquidity, while the repurchase agreement instruments (REPOs) facilitated the short-term, normally liquidity fine-tuning operations. The net injection of Treasury bills was Shs 23.10 billion, compared to the net injection of Shs 42.12 billion in the previous four-week period to April 29, 2005.
- BOU continued to monitor developments in foreign exchange market to ensure market stability especially following the high demand for dollars to meet divided payments in this period. In light of this, BoU intervened on the sale side and sold US \$ 10.00 million to curb the instability observed in the IFEM. There were also targeted sale transactions during the month of May 2005 worth US\$ 4.60 million. As a liquidity management instrument to supplement the actions in the domestic money markets BoU commenced daily sales of forex for purposes of liquidity sterilisation of US\$ 3.00 million in the month of May 2005. Overall the total effect of the sales resulted in a net injection of US \$17.60 million in the period under review.

Inflation Developments

The upward pressure on headline inflation observed since July 2004, reversed the trend in May 2005 but underlying stayed the upward course.

- The **annual headline inflation**¹ for May 2005 dropped to **11.7%** down from 12.6% registered in the year ended April 2005, due to deceleration in food price increases; decline in household and personal goods prices; together with a slowing down in prices of health, education and entertainment subgroup during the year ended May 2005, relative to the year ended April 2005.
- However, the **annual underlying inflation** rate increased to **6.3%** in May 2005, up from 4.9% for the year ended April 2005. This was on account of higher fuel (charcoal and paraffin) prices as well as higher pump prices for petrol and diesel, which resulted from higher world oil market prices.
- The **monthly underlying inflation** rose to **1.7%** in May from 0.6% in April 2005. Monthly prices of specific goods rose by 1.6% from 0.3%, while prices of the services subgroup category rose by 1.8% from 1.2%, in May from April 2005, respectively.

¹ Inflation is the percentage change in the Consumer Price Index compared with the same month (or previous month) one year (month) previously.

Real Sector Developments

- Average pump prices for the major petroleum products increased between April and May 2005. The price for premium increased by 3.7 percent; diesel by 4.1 percent and kerosene prices by 2.8 percent respectively. Fuel prices have been on the increase mainly on account of increasing international oil prices.
- Trading at the Uganda Securities Exchange (USE) hit a record high. Total turnover amounted to Shs 2.212 billion and a total of 4.57 million shares were traded. This was the highest level of trading recorded at the USE. The high activity was due to the high inflow of Foreign Portfolio Investments, which is attributed to increased confidence in stocks listed on the USE. Foreign investors have found the quality of the companies and the related returns attractive when compared to other stock exchanges in the region. DFCU shares constituted 66.4 percent of total trading. Bank of Baroda and Uganda Clays shares constituted 24.9 percent and 8.7 percent of total turnover respectively. New vision shares constituted a very small proportion of 0.03 percent of the total turnover while there was no trading of shares for the British American Tobacco, East African Breweries and Kenya Airways.
- Market capitalisation at the USE and the all share index each increased by 20 percent from Shs 2,238.2 billion to Shs 2,689.2 billion; and from Shs 462.12 to Shs. 554.82 respectively, between end-April and end-May 2005.
- Leasing disbursements during April 2005 amounted to Shs 1.57 billion, This was 40.5 percent higher than that in the previous month. During the period under review, the manufacturing sector registered 36.3 percent, transport 35.9 percent other sectors included commerce and trade with 19.5 percent, education 3.8 percent, health 3.3 percent and agriculture with 1.3 percent respectively.

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 May 18, 2005. The Shs 20.00 billion issue was over subscribed by Shs 5.57 billion and realized a cover ratio of 127.83 percent. At a weighted average price of 84.31 per Shs 100, the resultant yield-to-maturity for the 10.25 percent coupon bond was 17.70 percent compared to 16.04 percent in the previous 3-year issue that was issued in April 2005.
- The total outstanding stock of Treasury bonds stood at Shs 510.00 billion by end of May 2005. A 10-year bond coupon payment of Shs 0.74 billion was effected during the month.
- Two Treasury bill auctions with offers of Shs 40.00 billion each were held in the month of May 2005. Both auctions were oversubscribed. The respective weighted annualized yields on the 91-day, 182-day, and 364-day bills stood at 9.07, 10.76, and 13.76 percent, respectively, for the auction of May 25, 2005. This compares to rates of 9.17, 10.86, and 13.46 percent, for 91-day, 182-day, and 364-day bills respectively, recorded in the auction held on April 27, 2005.
- The average discount rates for Treasury bills in May 2005 were higher than those registered in May 2004 which ranged between 5.88 percent and 10.24 percent.

- In the four weeks ended May 31, 2005, total secondary market trades for treasury bills amounted to Shs 18.79 billion. This was lower than the Shs 32.48 billion traded for the four weeks ended April 29, 2005. The average discount rates on these trades for the 91-days, 182-days, and 364-days securities were 10.79, 11.48, and 11.46 percent, respectively.
- The yield curve based on the average yield-to-maturity quotations in the secondary market evolved closely in line with the developments in the primary market, with widening margins between the 182-day and 2-year papers. Both curves remained inverted at the 3-year paper.
- Activity in the domestic inter-bank money market for the four weeks ended May 31, 2005 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 13, 2005, when transactions worth Shs73.15 billion were recorded, while the least activity was in the week ended May 27, 2005, with volumes of transactions amounting to Shs29.7 billion. Of this the over night transactions amounted to Shs 53.6 billion at a weighted average rate of 6.51 percent. The weekly weighted average rates ranged from 7.02 percent to 8.02 percent. The weighted average inter bank lending rate over the four weeks to May 31, 2005 was 7.49 percent, down from the 8.06 percent reported in the four weeks to April 29, 2005. Transactions between domestic banks and foreign entities² in the money market amounted to Shs40.48 billion, at an average rate of 8.72 percent compared to Shs14.4 billion at 10.51 percent. All commercial banks participated in the inter bank market during the four weeks.
- No commercial bank adjusted its prime-lending rate over the period under review. Consequently, the range of these rates for the banking system as a whole remained unchanged at 16-21 percent as was recorded in the previous four weeks to April 31, 2005.
- There was a rise in the effective lending rate on the shilling denominated loans from 20.63 percent to 20.78 percent in April 2005 but a decline in the foreign denominated deposits to 7.77 percent from 9.17 percent reported in March 2005.
- The weighted rates on shilling denominated demand and time deposits increased marginally from 1.12 percent and 8.21 to 1.14 percent and 8.59 percent respectively in April 2005 however the weighted rates on the saving deposits declined from 1.94 percent to 1.77 percent in the period under review. The demand and saving deposit rates on the foreign currency denominated deposits were stable at 0.98 percent and 1.45 percent respectively from March to April 2005. Time deposit rates continued the rising trend reported in the previous period from 2.69 percent to 3.39 percent.

² A distinction is made between the interbank market in which only domestic commercial banks participate and the money market where foreign banks also carry out transactions.

Developments in Monetary and Financial Aggregates

These developments cover both the banking system and the non-bank financial institutions for the period ending April 2005.

- Broad Money M3, which comprises currency in circulation plus all private deposits, expanded by 0.1 percent to Shs2,806.2 billion in April 2005. This compared to growth of 3.0 percent registered in March 2005. M3 has risen from its end-June 2004 position by 8.5 percent.
- Net Foreign Assets (NFA) of the banking system grew strongly by 12.1 percent or Shs307.1 billion to Shs2854.9 billion. In particular, NFA of BoU expanded by 13.9 percent or Shs275.2 billion to Shs2252.4 billion, while at commercial banks NFA rose by 5.6 percent or Shs32.0 billion to Shs602.5 billion. Foreign reserves of BoU rose by an equivalent of Shs272.3 billion, compared to an increase of Shs66.2 billion in the previous month.
- Net Claims on Government (NCG) by the banking system was a saving of Shs187.2 billion as at end-April 2005, up by Shs300.2 billion from a borrowing of Shs113.1 billion at the end of March 2005. At BoU, government savings increased by Shs 259.7 billion over the month, on account of a strong rise in Government deposits of Shs325.1 billion, which more than offset a growth in government advances of Shs65.3 billion³. At commercial banks, net claims on Government fell by Shs40.5 billion in April 2005, on account of a decline in commercial banks' investment in Government securities of Shs31.2 billion, coupled with a growth in Government deposits of Shs9.3 billion.
- The stock of outstanding credit to the private sector by the banking sector stood at Shs1168.2 billion of which Shs22.8 billion was from BOU and Shs1145.3 billion from commercial banks. This represents a growth of 1.9 percent or Shs21.5 billion during April 2005. In March 2005, PSC rose by 2.1 percent or Shs23.1 billion.
- The total assets of the Non-Bank Financial Institutions increased by 1.8 percent to Shs188.38 billion up from Shs185.04 billion at the end of March 2005. This outturn compares to an increase of 2.3 percent observed over the same period a year ago. The increase in assets in April 2005 was mainly attributed to a 15.0 percent increase in investments.

³ The bulk of the government deposits was associated with import support funds disbursement of US 156 million from the World Bank

Fiscal Developments

- Total revenue and budget support grant receipts (excluding project grants) for April 2005 were estimated at Shs 473.49 billion. This was more than twice the Shs 229.46 billion recorded in March 2005⁴.
- Total domestic revenue collected in April 2005 was estimated at Shs164.91 billion, of which 98.9 percent came from URA collections. This was lower than the programmed target by Sh5.92 billion, but higher than the previous month's collections as a result of further improvement in tax collection performance. The preliminary outturn for non-URA revenue collections for April 2005 was estimated at Shs1.81 billion.
- Receipts from budget support grants were estimated at Shs308.58 billion during April 2005, which was higher than the program target of Shs38.65 billion. This was also higher than Shs65.15 billion realised in March 2005.
- In April 2005, government expenditure and net lending increased by 18.4 percent. The increase was mainly on account of development expenditure, Expenditure on wages and salaries accounted for 42.2 percent of recurrent expenditure. Interest payments decreased by 19.36 percent over this period. The outturn in total government expenditure was lower than the projected level for the period by Shs99.88 billion.
- The overall fiscal balance for April 2005 was a surplus of Shs290.17 billion compared to a surplus of Shs74.61 billion recorded in March 2005. Excluding grants, the fiscal balance deteriorated to a deficit of Shs18.41 billion.

Developments in the Foreign Exchange Market in May 2005

- The Uganda Shilling depreciated during the first two weeks of May while it appreciated for the rest of the month. On average the exchange rate for the Shilling vis-à-vis the US Dollar appreciated by 0.04 percent on a daily basis within this period. On the end month basis, the Shilling appreciated by 0.79 percent against the US Dollar compared to a depreciation of 1.97 percent recorded for the previous period.
- BOU continued to monitor developments in the foreign exchange market to ensure market stability. In light of this, BoU commenced sterilisation in the IFEM to a tune of US\$ 3.00 million for the month of May 2005 and it also intervened on the sale side and sold US \$ 10.00 million. There were also targeted sale transactions introduced during the month of May 2005 worth US\$ 4.60 million resulting into a net injection of US \$17.60 million in the period under review.

⁴ This amount is also higher than the programmed figure of Shs252.64 (see table 12).

Balance of Payments Developments

- In April 2005, the current account balance was estimated at a surplus of US \$91.19 million, while the capital and financial account was estimated at a surplus of US\$29.54 million. As a result, the overall balance was estimated at a surplus of US\$120.73 million.
- Total exports proceeds for the month of April 2005 were estimated at US\$77.26 million, of which coffee accounted for 19.86 per cent. This was the highest monthly export value recorded since July 1994.
- The import bill (fob) was estimated at US\$143.85 million during April 2005 compared to the US\$123.68 million⁵, which was recorded for the month of March 2005.
- Official aid (excluding project aid but including resources from the HIPC Initiative) inflows amounted to about US\$174.92 million. Private sector transfer inflows exceeded inflows by US\$5.30 million in April 2005, and services and income outflows exceeded inflows by about US\$48.35 million.
- Official debt service (excluding IMF payments) was estimated at US\$7.68 million for the month of April 2005. The IMF principal payments externalized in the same month amounted to US\$5.45 million.
- Official foreign reserves (including valuation changes) were estimated at US\$1,439.38 million in April 2005, equivalent to 6.44 future months of imports of goods and services.

Policy Stance

- The continued concern for inflation coupled with developments in the foreign exchange market suggest that Uganda will continue with a tight monetary policy stance to contain the inflationary pressures. Bank of Uganda is set to maintain a 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 money and foreign exchange markets.

⁵ Effective May 2004, import values are reported f.o.b.

A MONETARY POLICY STANCE AND ACTIONS

Bank of Uganda (BOU)'s monetary policy is focused on containing inflation at low levels, however, operations of its instruments are cautiously undertaken 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) as a fine-tuning instrument in order to manage short-term liquidity movements. This is in addition to adjustments in the pricing of the liquidity providing windows, the Rediscount Rate and Bank rate, to ensure a consistent monetary policy stance.

In line with its policy of a market-determined exchange rate, the Shilling value against other currencies continues to be determined by the supply and demand in the foreign exchange market and BOU only intervenes in the inter-bank foreign exchange market (IFEM) to curb instability.

In the four weeks to May 31, 2005, the net injection of Treasury bills was Shs 23.10 billion, compared to the net injection of Shs 42.12 billion in the corresponding four-week period to April 29, 2005. 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 May 18, 2005 with a face value of Shs 20.00 billion. On the short-term liquidity management front, gross issues of the REPO instrument, whose maturity ranged from 2 to 10 days, amounted to Shs 202.40 billion during this period, against maturities of Shs 200.33 billion. These maturities were partly offset by a maturing reverse REPO of Shs 74.61 billion issued in the previous month to ensure stability in the domestic money markets. This is compared to issues and maturities of Shs 64.90 billion and Shs 64.93 billion, respectively over the preceding period ended April 29, 2005. By May 31, 2005, the outstanding stock of REPOs was Shs 2.21 billion.

In line with developments in the Treasury bill market, the Rediscount rate and Bank rate increased from 14.18 percent and 15.18 percent, by end April 2005, to 14.81 percent and 15.81 percent, respectively by May 31, 2005.

B DOMESTIC PRICE DEVELOPMENTS

The **annual headline inflation**⁶ for May 2005 dropped to **11.7%** down from 12.6% registered in the year ended April 2005. The relative easing in upward inflationary pressures resulted from a deceleration in food price increases; decline in household and personal goods prices; together with a slowing of health, education and entertainment prices in the year ended May 2005, relative to the year ended April 2005. The easing in inflationary pressures noted above notwithstanding, the double digit level of 11.7% headline inflation resulted from increases in all the major CPI group indices except for a decline in the household and personal goods index.

The food group⁷ index rose by 20.2% compared to 24.6%; the beverages and tobacco group index rose by 7.4% from 6.2%; the clothing and footwear group index rose by

⁶ Inflation is the percentage change in the Consumer Price Index compared with the same month (or previous month) one year (month) previously.

⁷ Food group comprises of the entire basket of food crops and other food items e.g. manufactured food goods – margarine, cooking oil, etc.

0.8% from -0.8; the rent, fuel and utilities group index rose by 8.4% from 7.2%; the transport and communication group index rose by 11.6% from 3.4%; and the health, education and entertainment group index rose by 3.8% compared to 4.3% for the year ended May 2005 from the year ended April 2005. The decline of 0.7% in the household and personal goods group index constituted the sole downward mitigating force on the overall annual CPI. The deceleration in food prices may be an indication of the onset of unwinding of the drought-led increases in food crop prices, though food prices remained high due to inertial factors of the current financial year's food price increases. Beverages prices were pushed up by higher local brew prices (malwa and waragi) due to low supplies of raw materials. Higher paraffin and charcoal prices pushed up fuel prices, while costly petrol and diesel drove up transport fares across the country.

Similarly, the **monthly headline inflation** slowed to 0.1% in May 2005 down from 3.3% in April 2005, on account of decreases in the food and household and personal goods group indices, coupled with a deceleration in the rent, fuel and utilities group index. However, the monthly inflation level of 0.1% resulted from increases of: 0.9% in the beverages and tobacco group index; 0.1% in the clothing and footwear group index; 1.4% in the rent, fuel and utilities group index; 7.4% in the transport and communication group index and 0.6% in the health, education and entertainment group index. The effect of the increases recorded on the overall monthly CPI were mitigated by decreases of 1.7% in the food group index and 0.9% in the household and personal goods group index, to yield the monthly level of 0.1% for May 2005.

On the other hand, the **annual underlying inflation** jumped to **6.3%** in May 2005, up from 4.9% for the year ended April 2005. The prices of goods rose by 6.2% in May 2005 compared to a rise of 5.0% in April 2005, while that of services increased by 6.3% in May 2005, higher than 4.9% recorded in April 2005. The marked pick up in underlying inflation resulted mainly from higher fuel (charcoal and paraffin) prices and dearer petrol and diesel, which resulted from higher world oil market prices. A combination of the upward effect of the higher pump prices for fuel products and their related second round effects on transport fares and distribution costs for merchandise drove up underlying inflation significantly in May 2005. Other upward pressures resulted from costly local brew, and marginally higher prices for clothing and footwear, and health education and entertainment services.

The corresponding **monthly underlying inflation** rose to **1.7%** in May from 0.6% in April 2005. The prices of the goods subgroup rose by 1.6% from 0.3%, while those of services rose by 1.8% from 1.2%, in May from April 2005, respectively.

The **annual food crop inflation**⁸ dropped to **33.0%** in May 2005 from 43.7% in the year ended April 2005, registering the first annual decline in food crop prices for financial year 2004/05. Similarly, the **monthly food crop inflation** fell to **-4.8%** in May 2005, down from 12.2% in April 2005. The average prices of staple food items, fruits and vegetables and milk went down in most centres around the country, perhaps indicating the onset of the harvesting season for most food crops.

The outlook for inflation are likely to be influenced by increasingly lower food crop prices on the one hand, against upward pressures from possibly higher fuel and hence higher transportation and distribution costs, higher Value Added Tax and other targeted tax measures for the coming financial year, among others.

⁸ Food crops refer specifically to grown food crop items that are typically sold fresh in the markets.

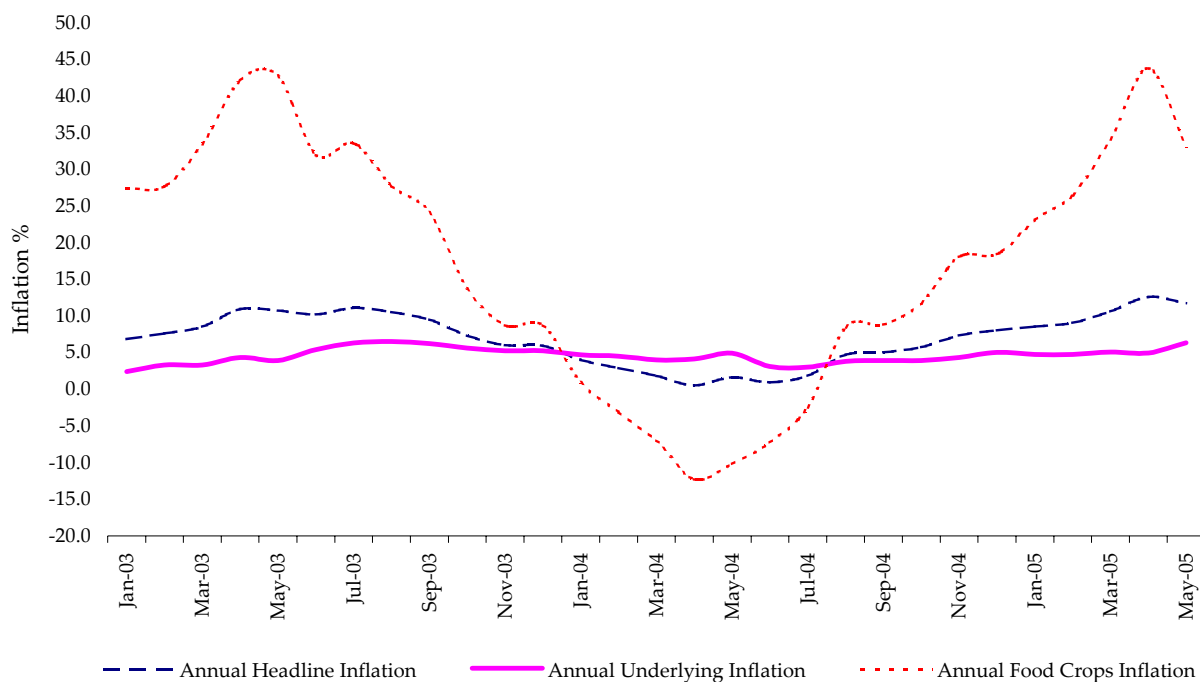
The developments in inflation rates are summarized in table 1 and figures 1 and 2 respectively.

Table 1. Inflation Rates (March 2005 – May 2005)

Period	Headline Inflation (%)		Underlying Inflation (%)		Food Crops Inflation (%)	
	Monthl	Annual	Monthl	Annual	Monthl	Annual
	y		y		y	
March 2005	1.4	10.6	0.4	5.1	5.0	34.0
April 2005	3.3	12.6	0.6	4.9	12.2	43.7
May 2005	0.1	11.7	1.7	6.3	-4.8	33.0

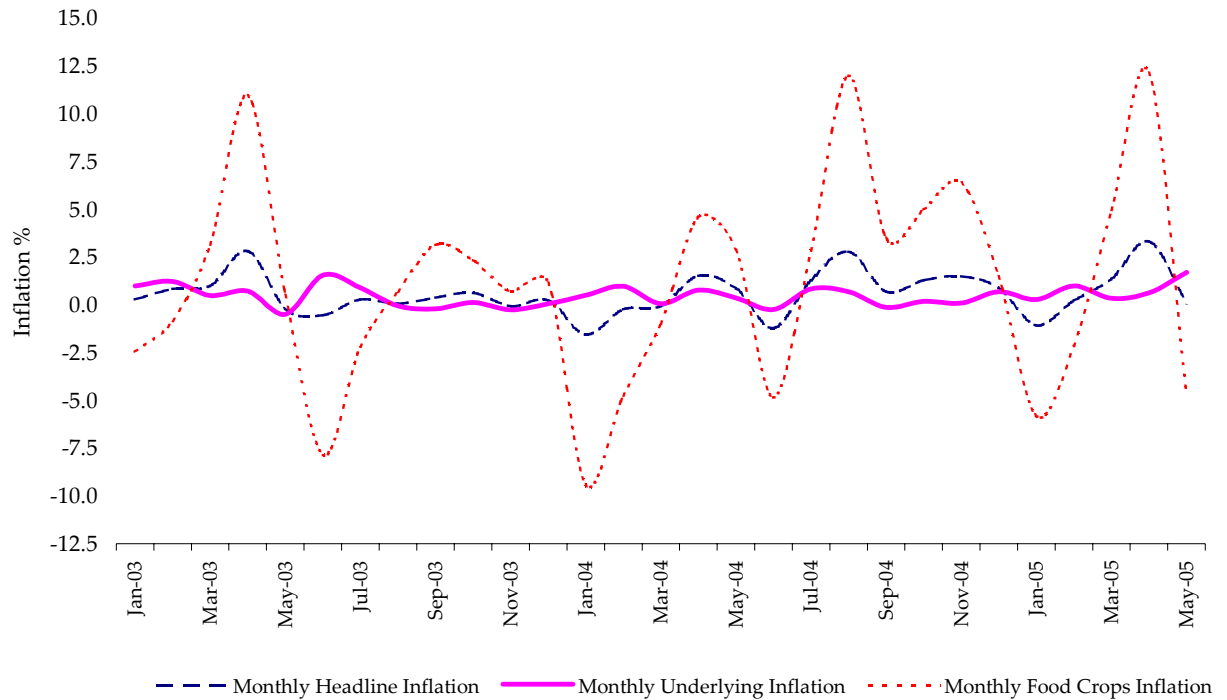
Source: Uganda Bureau of Statistics

Chart.1: Annual Inflation Rates 2003 -2005



Source: Uganda Bureau of Statistics

Chart 2: Monthly Inflation Rates 2003 - 2005



Source: Uganda Bureau of Statistics

C REAL SECTOR DEVELOPMENTS

This section looks at fuel prices between April and May 2005; trading at the Uganda Securities Exchange during May 2005; and leasing activity for April 2005.

Fuel Prices

Average pump prices for the major petroleum products increased between April and May 2005. The average price for premium increased by 3.7 percent to shs 1,953 per litre; diesel by 4.1 percent to shs 1,710 per litre and kerosene prices by 2.8 percent to shs 1,632 per litre. Fuel prices have been on the increase mainly on account of increasing international oil prices.

Uganda Securities Exchange (USE)

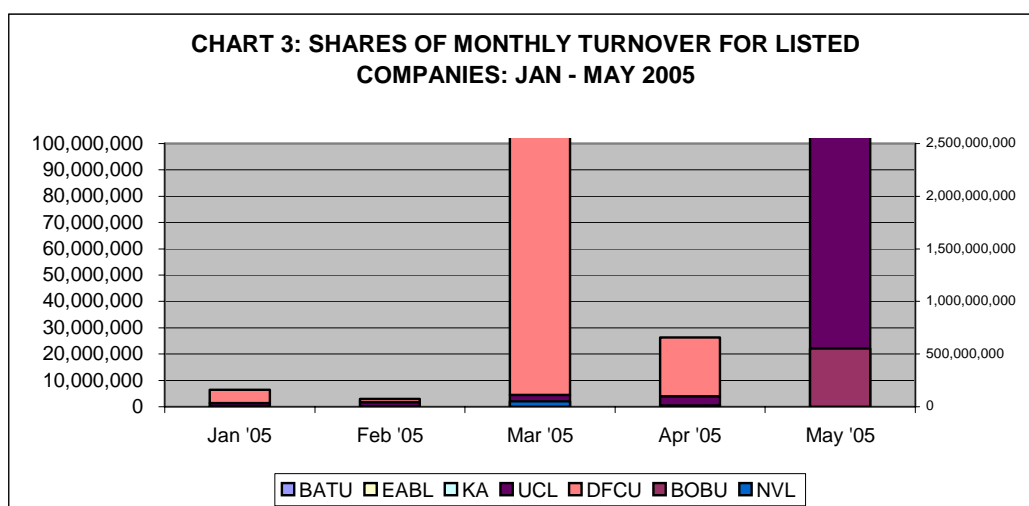
During May 2005, trading at the Uganda Securities Exchange (USE) hit a record high. Total turnover amounted to shs 2.212 billion and a total of 4.57 million shares were traded. This has been the highest level of trading ever recorded at the USE. The high activity was due to the high inflow of Foreign Portfolio Investments, which is attributed to increased confidence in stocks listed on the USE. Foreign investors have found the quality of the companies especially dfcu, and the related returns extremely attractive when compared to other stock exchanges in the region. Most of these inflows were

directed at dfcu shares that constituted 66.4 percent of total trading. Bank of Baroda and Uganda Clays counters had a fair amount of trade as well accounting for 24.9 percent and 8.7 percent of total turnover. There was relatively little activity at the New vision counter where total trading amounted to 0.03 percent of the total turnover. There was however, no trading at the British American Tobacco, East African Breweries and Kenya Airways counters.

TABLE 2: TRADING AT THE UGANDA SECURITIES EXCHANGE (JAN – MAY 2005)

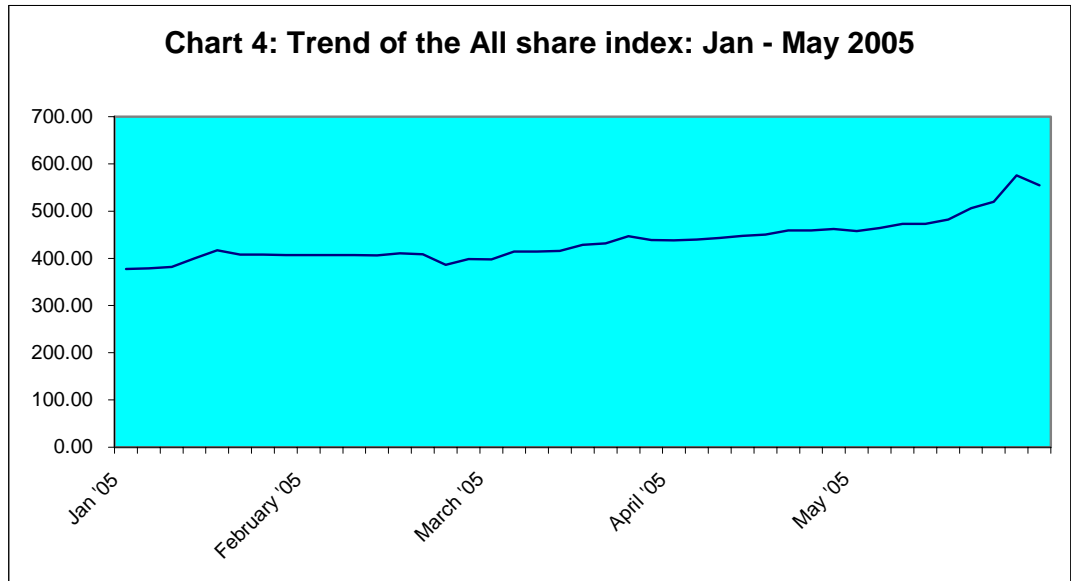
	Jan '05	Feb '05	Mar '05	Apr '05	May '05
Trading Days	7	8	9	8	9
Total Turnover	10,230,610	9,591,260	449,920,770	28,462,970	2,212,221,780
No. Shares	29,586	30,969	1,519,852	75,437	4,572,457
Market Capitalization (Billion Ushs, E.O.P)	1,958.9	1,870.5	2,125.1	2,238.2	2,689.2
All Share Index	408.30	386.51	438.76	462.12	554.82

Source: Uganda Securities Exchange



During the course of the month, share prices of British American Tobacco and the New vision limited, remained unchanged at shs 975 and shs 250 respectively. Kenya Airways share prices recorded a substantial increase of 45 percent increasing from shs 602 to shs 872. Share prices for Uganda Clays also increased by 0.25 percent from shs 12,000 to shs 12,030. Prices of dfcu and East African Breweries were both on an upward trend although they recorded fluctuations during the course of the month – dfcu share prices opened at shs 360, increased to shs 400 and closed at shs 385; while East African Breweries shares opened at shs 2,716 per share, increased to shs 3,500 and closed at shs 3,209; and Bank of Baroda share prices decreased by 10 percent from shs 800 to shs 720.

In line with the above price movements, market capitalisation at the USE and the all share index each increased by 20 percent from shs 2,238.2 billion to shs 2,689.2 billion; and from 462.12 to 554.82 respectively, between end-April and end-May 2005.



Source: Uganda Securities Exchange

Leasing Activity

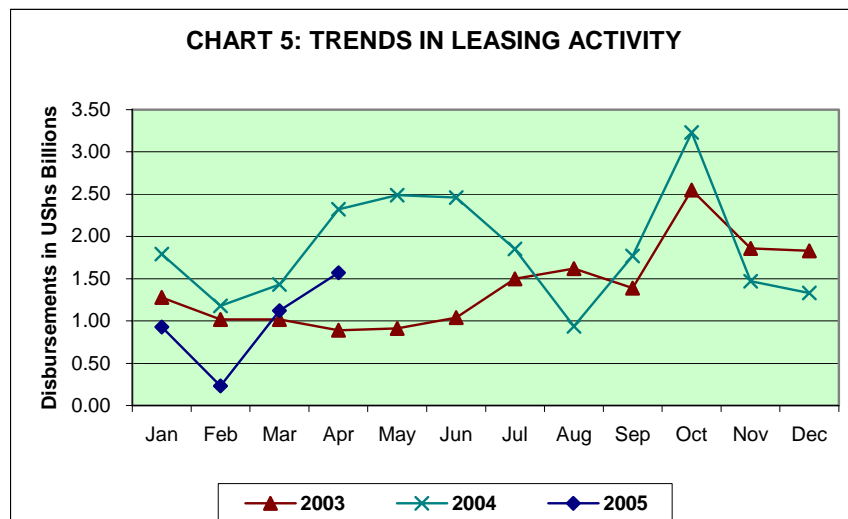
Leasing disbursements during April 2005 amounted to shs 1.57 billion, and were 40.5 percent more than that in the previous month. Unlike the previous month when most of the disbursements (43.5%) were directed towards the transport sector, during the month under review, the manufacturing sector had the largest share of disbursements at 36.3 percent, followed by the transport sector with 35.9 percent. Other sectors that received disbursements were commerce and trade with 19.5 percent, education with 3.8 percent, health with 3.3 percent and agriculture with 1.3 percent.

TABLE 3: SECTORAL DISTRIBUTION OF ASSETS LEASED IN MILLION SHILLINGS

FEB – APR 2005

Sector	Feb-05	Share (%)	Mar-05	Share (%)	Apr-05	Share (%)
Transport	128.7	43.46%	334.8	29.83%	565.7	35.94%
Commerce & Trade	82.6	27.89%	173.8	15.48%	306.2	19.46%
Mining & Construction	0.0	0.00%	0.0	0.00%	0.0	0.00%
Tourism	0.0	0.00%	0.0	0.00%	0.0	0.00%
Health	15.0	5.06%	62.8	5.60%	51.3	3.26%
Agriculture	0.0	0.00%	72.6	6.47%	19.7	1.25%
Manufacturing	40.6	13.69%	71.4	6.36%	571.1	36.28%
Education	28.3	9.56%	57.5	5.12%	59.9	3.81%
Banking	1.0	0.33%	144.5	12.87%	0.0	0.00%
Other Services	0.0	0.00%	205.0	18.27%	0.0	0.00%
TOTAL	296.19	100.0%	1,122.35	100.0%	1,573.89	100.0%

Source: DFCU leasing



D DEVELOPMENTS IN THE DOMESTIC SECURITIES AND MONEY MARKET

i) 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 May 18, 2005. The Shs 20.00 billion issue was over subscribed by Shs 5.57 billion and realized a cover ratio of 127.83 percent. At a weighted average price of 84.31 per Shs 100, the resultant yield-to-maturity for the 10.25 percent coupon bond was 17.70 percent compared to 16.04 percent in the previous 3-year issue that was issued in April 2005. The total outstanding stock of Treasury bonds stood at Shs 510.00 billion by end of May 2005. A 10-year bond coupon payment of Shs 0.74 billion was effected during the month.

Table 4 below shows details of the most recent Treasury bond issues, and Appendix 1 summarizes the full details on all issues in the market so far which are also listed on the Uganda Securities Exchange.

Table 4: Summary of Government Treasury bond Issues as at May 31, 2005

(In Billions of Uganda Shillings, unless otherwise stated)

Tenure/Issue date →	2 Year Reopened Mar 23-05	3 Year Reopened May 18-05	5 Year Re-opened Nov 17-04	10 Year Re-opened May 19-04
Maturity Date	Jan 25-07	Apr 17-08	Mar 19-09	May 08-14
Offers (Billion Shs)	35.000	20.000	20.000	15.000
Total Bids (Billion Shs)	45.846	25.566	32.227	25.166
O/w Competitive	45.834	25.562	12.989	25.154
Over (Under) Subscription	10.846	5.566	12.227	10.166
Amount Sold (Face Value)	35.000	20.000	20.00	15.000
Amount Sold (Cost Price)	33.059	16.862	17.093	12.991
Cover Ratio %	130.989	127.828	161.135	167.773
Previous Cover Ratio %	129.764	156.900	210.00	...
WAP per Shs. 100	94.454	84.308	85.463	86.608
Previous WAP per Shs. 100	93.707	86.625	92.590	...
Yield to Maturity %	14.463	17.700	16.039	13.477
Previous Yield to Maturity %	14.294	16.040	12.802	...
Coupon Rate	10.000	10.25	10.750	11.000

Source: Research Department - Bank of Uganda

ii) Secondary Market for Treasury bonds

The four week-period average indicative bid/offer yields-to-maturity in the secondary market were quoted at 14.81/14.56 percent and 18.25/18.00 percent for the 2-year and 3-year bonds, and at 16.33/16.06 percent and 15.95/15.70 percent for the 5-year and 10-year bonds tenors respectively. This is compared to 14.78/14.54 percent and 16.40/16.15

percent for the 2 year and 3 year bonds, and 16.02/15.75 percent and 15.63/15.38 percent for the 5 year and 10 year bond, in the previous four-week period ending April 2005, respectively (See Table 5). Within the month of May 2005 Shs 0.90 billion, Shs 1.13 billion, Shs 0.20 billion were traded in the 2-year, 3-year and 5-year bonds, respectively.

Table 5: Bid/Offer Rates and Transactions in the Secondary Market for Treasury bonds over the four week-period to May 31, 2005

	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	14.00	13.75	15.25	15.00	15.25	15.00	15.00	14.75
Max	15.00	14.75	18.25	18.00	17.50	17.25	18.00	17.75
Average	14.81	14.56	16.82	16.57	16.33	16.06	15.95	15.70

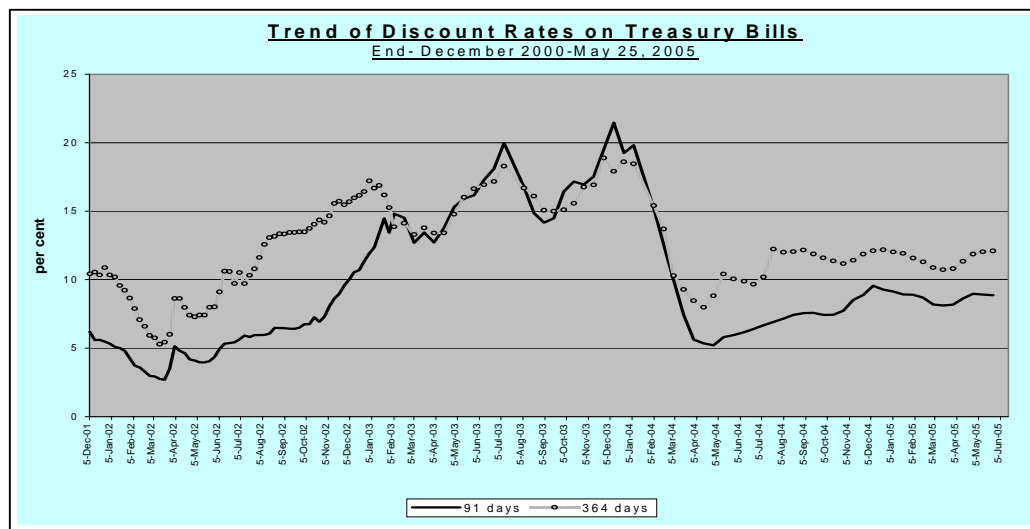
Source: Compiled from Domestic Financial Markets Department records

Source: Research Department - Bank of Uganda

iii) Primary Market for Treasury bills

Two Treasury bill auctions with offers of Shs 40.00 billion each were held in the month of May 2005. Both auctions were oversubscribed. The respective weighted annualized yields on the 91-day, 182-day, 273-day, and 364-day bills stood at 9.11, 10.45, and 13.68 percent for the auction of May 11, 2005, and at 9.07, 10.76, and 13.76 percent, respectively, for the auction of May 25, 2005. This compares to rates of 9.17, 10.86, and 13.46 percent, for 91-day, 182-day, and 364-day bills respectively, recorded in the auction held on April 27, 2005 (see Chart 7 below).

The average discount rates on Treasury bills in May 2005 were higher than those registered in May 2004 which ranged between 5.88 percent and 10.24 percent.



iv) Secondary Market for Treasury bills

The average bid/offer yields-to-maturity in the secondary market for Treasury bills fell with changes ranging from 0.52 to 0.67 percentage points for the 91-day and the 364-day papers. However, the rate for the 182-day paper increased by an average of 0.74 percentage points. The respective average percentage yields to maturity for the 91, 182, and 364-day securities were 8.50/8.24, 10.86/10.60 and 11.83/11.52 in March 2005 compared to 9.03/8.76, 11.61/11.33 and 12.48/12.19 in February 2005, respectively.

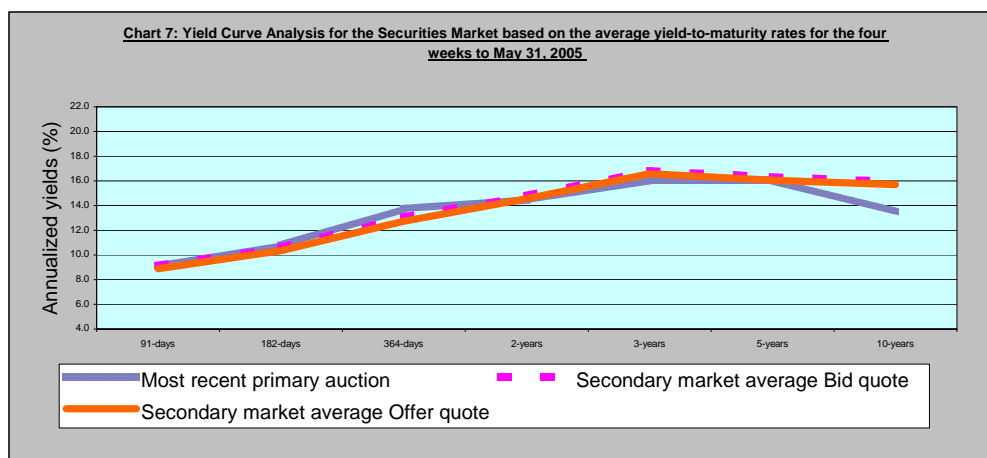
Table 6: Bid/Offer Rates and Transactions in the Secondary Market for Treasury bills over the four-week period to May 31, 2005

	Tenor of bills							
	91-days		182-days		273-days		364-days	
	Yield-to-Maturity quotation (percent)							
	Bid	Offer	Bid	Offer	Bid	Offer	Bid	Offer
Min	8.53	8.26	10.31	10.03	0.00	0.00	12.23	11.94
Max	9.55	9.28	11.04	10.77	0.00	0.00	15.29	14.98
Average	9.14	8.87	10.59	10.33	0.00	0.00	13.05	12.72
	Trading Activity							
Transactions (Shs billion)	6.586		7.135		-		5.069	
O/w Horizontal REPOs	-		-		-		-	
- Av. H/REPOs rate	-		-		-		-	
O/w- Outright sales	6.586		7.135		-		5.069	
Total trades across maturities	Shs 18.790 billion							
- Av Discount rate	10.79 percent		11.48 percent		-		11.46 percent	
- Av Yield to maturity	11.26 percent		12.08 percent		-		12.54 percent	
Rediscounts at BoU	-							
Borrowing at BoU	-							

Source: Compiled from Domestic Financial Markets Department records

In the four weeks ended May 31, 2005, total treasury bills secondary market trades amounted to Shs 18.79 billion. This was lower than the Shs 32.48 billion in secondary market trades of the four weeks ended April 29, 2005. The average discount rates on these trades for the 91-days, 182-days, and 364-days securities were 10.79, 11.48, and 11.46 percent, respectively.

The yield curve based on the average yield-to-maturity quotations in the secondary market evolved closely in line with the developments in the primary market, with widening margins between the 182-day and 2-year papers. Both curves were gently inverted at the 3-year paper (see Chart 7).



v) Domestic Inter-bank market

Activity in the domestic inter-bank money market for the four weeks ended May 31, 2005 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 13, 2005, when transactions worth Shs73.15 billion were recorded, while the least activity was in the week ended May 27, 2005, with volumes of transactions amounting to Shs29.7 billion. Of this the over night transactions amounted to Shs 53.6 billion at a weighted average rate of 6.51 percent. The weekly weighted average rates ranged from 7.02 percent to 8.02 percent. The weighted average inter bank lending rate over the four weeks to May 31, 2005 was 7.49 percent, down from the 8.06 percent reported in the four weeks to April 29, 2005. Transactions between domestic banks and foreign entities⁹ in the money market amounted to Shs40.48 billion, at an average rate of 8.72 percent compared to Shs14.4 billion at 10.51 percent. All commercial banks participated in the inter bank market during the four weeks.

Table 7: Summary of inter bank money market activity

	Total amounts in Billions	Weighted average rate (In Percentages)
Total Transactions	265.70	7.49
O/w Over night	53.6	6.51
With Foreign entities	40.48	8.72

vi) Commercial Banks' Retail Interest Rates

There was no revision in the commercial banks' prime lending rate during the four weeks to May 31, 2005. Consequently there were no changes in the number of banks charging rates for the various range categorizations. The range of these rates for the entire industry also remained at 16-21 percent. Table 8 below summarizes these developments.

⁹ A distinction is made between the interbank market in which only domestic commercial banks participate and the money market where foreign banks also carry out transactions.

Table 8: Trends of the Prime Lending Rates During May 2005
(Figures are end-period)

Prime Lending Rate (%)	Apr 29, 2005	My 06, 2005	May 13, 2005	May 20, 2005	May 27, 2005
	Number of Commercial banks charging this rate				
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

The ranges of the savings and time deposits rates were maintained at 0-8.0 percent and 0.25-20.0 percent, respectively. The respective number of banks with savings rates of at least 5.0 percent and those with a time deposit rate of at least 8.0 percent remained unchanged at five (5) and seven (7), respectively.

Information on the commercial banks' effective lending and deposit rates was available only up to April 2005. As portrayed in Table 9, there was a rise in the effective lending rate on the shilling denominated loans from 20.63 percent to 20.78 percent in April 2005 but a decline in the foreign denominated deposits to 7.77 percent from 9.17 percent reported in March 2005.

Table 9: Commercial Banks' Lending and Deposit Rates (Percent)

	Jan 05	Feb 05	Mar 05	April 05	Jan 05	Feb 05	Mar 05	April 05
Weighted Average rates								
Lending	19.36	20.36	20.63	20.78	9.46	10.00	9.17	7.77
Demand Deposits	1.19	1.16	1.12	1.14	0.97	1.01	0.98	0.98
Savings Deposits	1.76	1.72	1.94	1.77	1.45	1.45	1.45	1.45
Time Deposits	7.82	6.16	8.21	8.59	2.03	2.49	2.69	3.39

The weighted rates on shilling denominated demand and time deposits increased marginally from 1.12 percent and 8.21 to 1.14 percent and 8.59 percent respectively in April 2005 but the weighted rates on the saving deposits declined from 1.94 percent to 1.77 percent in the period under review. The demand and saving deposit rates on the foreign currency were stable at 0.98 percent and 1.45 percent respectively from March to April 2005. Time deposit rates continued the rising trend reported in the previous review from 2.69 percent to 3.39 percent.

E MONETARY AGGREGATES AND FINANCIAL SECTOR AGGREGATES

(i) Banking Activities

Broad Money:

Broad Money M3, which comprises currency in circulation plus all private deposits, expanded by 0.1 percent to Shs2,806.2 billion in April 2005. This is a marked deceleration compared to growth of 3.0 percent registered in March 2005. M3 has risen from its end-June 2004 position by 8.5 percent.

M2A, comprising of M3 less foreign currency deposits of the private sector, declined by 1.2 percent from Shs2169.5 billion at end-March 2005 to Shs2142.9 billion at end-April 2005. This compares to growth of 3.7 percent recorded in March 2005. The developments in money supply are shown in Table 9 below.

Net Foreign Assets (NFA)

Over the month of April 2005, the NFA of the banking system grew strongly by 12.1 percent or Shs307.1 billion to Shs2854.9 billion. In particular, NFA at BoU expanded by 13.9 percent or Shs275.2 billion to Shs2252.4 billion, while at commercial banks NFA rose by 5.6 percent or Shs32.0 billion to Shs602.5 billion. Foreign reserves at BoU rose by an equivalent of Shs272.3 billion, compared to an increase of Shs66.2 billion in the previous month.

Net Claims on Government (NCG)

The government's net position with the banking system (NCG) as at end-April 2005 was a saving of Shs187.2 billion, up by Shs300.2 billion from a borrowing of Shs113.1 billion at the end of March 2005 (Table 9). At BoU, government savings increased by Shs 259.7 billion over the month, on account of a strong rise in Government deposits of Shs325.1 billion, which more than offset a growth in government advances of Shs65.3 billion. At commercial banks, net claims on Government fell by Shs40.5 billion in April 2005, on account of a decline in commercial banks' investment in Government securities of Shs31.2 billion, coupled with a growth in Government deposits of Shs9.3 billion.

Table 10: Developments in Monetary and Credit Aggregates (June 04 – April 05)

<i>(in billion shillings unless otherwise stated)</i>	Jun. 2004	Sep. 2004	Dec. 2004	Feb. 2005	Mar. 2005	Apr. 2005
Net Foreign Assets (NFA)	2,370.5	2,358.8	2,559. 0	2,487.8	2,547.7	2854.9
Domestic Credit	1,107.4	1,136.9	1,103. 5	1,228.6	1,268.5	989.2
Net Credit to Gov't (NCG)	83.4	106.5	(12.8)	96.3	113.1	-187.2
Claims on the Private Sector	1,010.0	1,019.0	1,105. 2	1,123.6	1,146.7	1168.2
M3	2,587.3	2,582.7	2,646. 7	2,720.1	2,802.9	2806.2
Forex deposits	662.4	654.0	646.1	628.6	633.4	663.4
M2A	1,924.9	1,928.7	2,000. 5	2,091.5	2,169.5	2142.9
Demand Deposits	804.0	765.1	739.4	874.5	940.6	875.4
Term Deposits	591.6	621.2	672.5	640.5	637.7	674.6
Currency	529.3	542.4	588.6	576.5	591.2	592.8
Forex/M3 (percent)	25.6	25.3	24.4	23.1	22.6	23.6
DemandDeposits/M3 (percent)	31.1	29.6	27.9	32.2	33.6	31.2
TermDeposits/M3 (percent)	22.9	24.1	25.4	23.5	22.8	24.0
Currency/M3 (percent)	20.5	21.0	22.2	21.2	21.1	21.1

Private Sector Credit (PSC)

At end-April 2005, the stock of outstanding credit to the private sector by the banking sector stood at Shs1168.2 billion (Table 10), of which Shs22.8 billion was from BOU and Shs1145.3 billion from commercial banks. This represents a growth of 1.9 percent or Shs21.5 billion during April 2005. In March 2005, PSC rose by 2.1 percent or Shs23.1 billion.

Credit Flows

During April 2005, the total (shilling and foreign currency) gross extensions by commercial banks amounted to Shs151.4 billion, while recoveries were Shs138.5 billion resulting in net extensions of Shs12.9 billion. After accounting for flows in capitalised interest, there was an increase in the stock of credit of about Shs19.8 billion (see Appendix 2)¹⁰. During the month, commercial banks extended shilling loans amounting to Shs85.2 billion and recovered Shs79.6 billion, thus net extensions were Shs5.6 billion. Net capitalised interest stood at Shs6.7 billion. Thus, there was a net increase in the stock of shilling loans to the non-bank public of Shs12.2 billion (see Appendix 3). For foreign currency loans, gross extensions stood at Shs66.1 billion, while recoveries were lower at

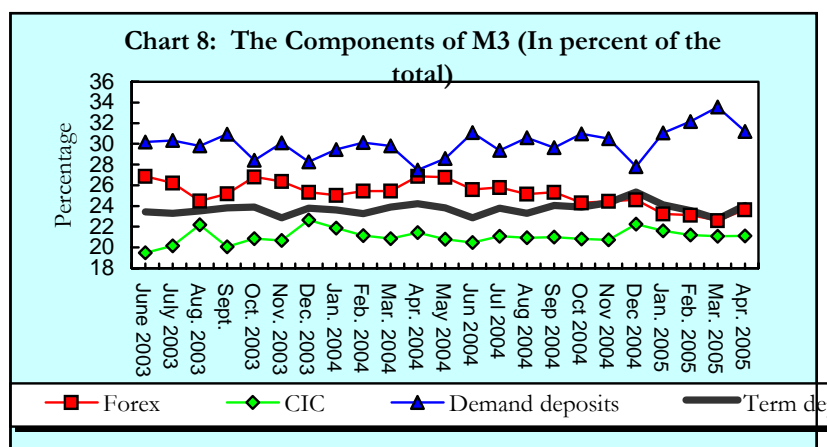
¹⁰ The Gross Extensions and Recoveries include lending to Government and Parastatals. PSC as recorded by the Monetary Survey doesn't include lending to Government and parastatals.

Shs58.9 billion, yielding net extensions of Shs7.3 billion. After taking into account effects of capitalised interest, the stock of foreign currency loans recorded a net rise of Shs7.6 billion (See Appendix 4).

Appendix 2-4 summarise the evolution of the monthly change in outstanding loans and advances of commercial banks from July 2003 to April 2005.

Liabilities of the Banking System

On the liabilities side, foreign currency accounts grew by Shs30.0 billion to Shs663.4 billion in April 2005. In US dollars, foreign currency accounts grew by US\$ 9.8 million to US\$373.3 million¹¹. Demand deposits shrunk by 6.9 percent or Shs65.2 billion to Shs875.4 billion, while term deposits (time, savings and CDs) grew by 5.8 percent to Shs674.6 billion as at end-April 2005. Currency in circulation (CIC) increased by 0.3 percent to Shs592.8 billion. Reflecting these developments, the ratio of foreign currency deposits to M3 rose to 23.6 percent from 22.6 percent at end-March 2005. The ratio of CIC to M3 was steady at 21.1 percent over the month, while that of term deposits rose to 24.0 percent from 22.8 percent. The ratio of demand deposits to M3 fell to 31.2 percent in April 2005 from 33.6 percent in March 2005. The trends of the ratios are shown in Chart 8 below and Table 9 above.



(ii) Non-Bank Financial Institutions (NBFIs) Activities¹²

Assets

In the month of April 2005, the total assets of the Non-Bank Financial Institutions increased by 1.8 percent to Shs188.38 billion from Shs185.04 billion at the end of March 2005. This outturn compares to an increase of 2.3 percent observed over the same period a year ago. The increase in assets in April 2005 was mainly attributed to a 15.0 percent increase in investments.

¹¹ The end period mid exchange rate is used to value forex items.

¹² Only covers 7 credit institutions.

Loans and advances:

The stock of the outstanding loans and advances to the private sector increased by Shs1.99 billion or 1.8 percent, to Shs112.17 billion as at end-April 2005, from Shs110.18 billion at end-March 2005. Mortgage loans, which accounted for 59.1 percent of total loans, decreased by 1.0 percent to Shs66.32 billion while secured and unsecured loans increased by 13.4 percent to Shs21.14 billion at the end of April 2005. Administered loans also increased by 0.7 percent to Shs24.71 billion, up from Shs24.55 billion recorded in March 2005. The building and construction sector accounted for the largest share (75.7 percent) percent of the total NBFIs advances as at end-April 2005. The Trade and Commerce sector contributed the second largest share of 16.4 percent.

Deposits

In April 2005, private sector deposits¹³ in the NBFIs increased by 1.9 percent to Shs84.81 billion, from Shs83.21 billion in March 2005. In particular, time deposits went up by 4.8 percent to Shs22.77 billion and savings deposits increased by 0.9 percent to Shs62.04 billion. Other deposits, which represent funds collected on behalf of government from the beneficiaries of the government's pool house sale scheme, increased by 1.6 percent to Shs29.98 billion over the same period.

Table 11: Developments in the Activities of Non-Bank Financial Institutions (Shs Billion) Nov 2004 – April 2005

	Nov 2004	Dec 2004	Jan 2005	Feb 2005	Mar 2005	Apr 2005
Total Assets	176.56	181.74	180.39	184.05	185.04	188.38
O/w Loans and advances	100.44	103.71	106.78	109.81	110.18	112.17
Secured & unsecured	15.06	15.01	16.73	18.82	18.65	21.14
Mortgage	60.47	63.72	65.31	66.39	66.98	66.32
Administered	24.92	24.98	24.73	24.59	24.55	24.71
Total Deposits ¹⁴	105.09	110.13	107.57	111.56	113.74	115.97
Savings	56.08	61.99	57.64	60.20	61.48	62.04
Time	19.84	19.30	20.61	21.37	21.73	22.77
Agency Funds	28.38	28.30	28.61	29.11	29.50	29.98

Source: Bank of Uganda

¹³ This excludes Agency Funds

¹⁴ Includes accrued interest

F GOVERNMENT BUDGETARY OPERATIONS

i) Revenue and Grants

Total revenue and budget support grant receipts (excluding project grants) for April 2005 were estimated at Shs 473.49 billion. This was more than twice the Shs 229.46 billion recorded in March 2005¹⁵.

Total domestic revenue collected in April 2005 was estimated at Shs164.91 billion, of which 98.9 percent or Shs 163.10 billion came from URA collections. URA revenue collections were lower than the programmed target for the month by Sh5.92 billion, but higher than the previous month's collections of Shs162.57 billion as a result of further improvement in tax collection performance. The preliminary outturn for non-URA revenue collections for April 2005 was estimated at Shs1.81 billion. This was Shs0.07 billion higher than the collections for March 2005, but lower than the program target of Shs.3.33 billion.

Receipts from budget support grants are estimated at Shs308.58 billion during April 2005, which was higher than the program target of Shs38.65 billion. This was also higher than Shs65.15 billion realised in March 2005.

¹⁵ This amount is also higher than the programmed figure of Shs252.64 (see table 12).

Table 12: Government Budgetary Operations: March – April (2005 (Billion Shs)

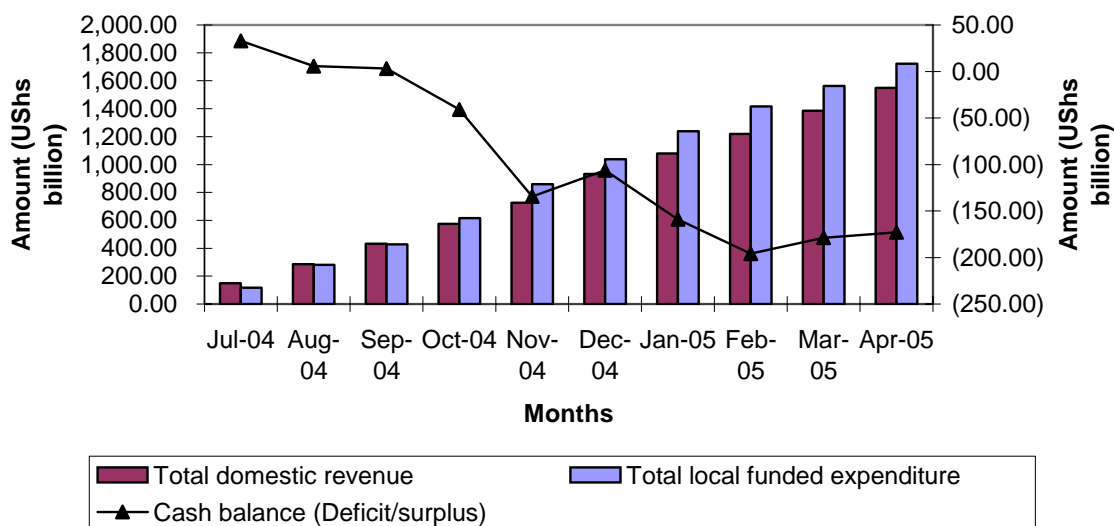
	Revised Budget 2003/04	Prog. Budget 2004/05	Approved Budget 2004/05	Prel. Mar. 2004	Prel. Apr. 2005	Prog. Apr. 2005
Total Tax & Import Support Receipts	2,228.55	2,367.36	2,364.41	229.46	473.49	252.64
Total Domestic Revenue	1,690.90	1,866.72	1,866.72	164.31	164.91	172.36
URA Excluding Refunds/Govt. Taxes	1,655.20	1,830.02	1,830.02	162.57	163.10	169.02
Non URA Revenues	35.70	36.70	36.70	1.74	1.81	3.33
Budget Support Grants	537.65	500.64	497.69	65.15	308.58	80.292/
Expenditure & Lending	2343.26	2,446.70	2,499.48	154.85	183.32	283.20
Current Expenditure	1,732.86	1,872.75	1,874.06	141.95	151.64	158.64
Development Expenditure	536.89	501.05	558.13	12.08	31.17	126.37
Others 1/	73.51	72.90	67.30	0.82	0.50	(1.80)
Overall Fiscal Balance (Deficit)	(114.71)	(79.34)	(135.08)	74.61	290.17	(30.56)
Excluding Grants	(652.34)	(579.98)	(632.76)	9.46	(18.41)	(110.85)
Source: Ministry of Finance, Planning and Economic Development						
1/ Includes Net Lending/Repayments, Arrears Repayments and Contingency.						
2/ Includes Project Support Grants Ushs 41.64 billion						

ii) Expenditure

In April 2005, government expenditure and net lending increased by 18.4 percent or Shs28.47 billion to Shs183.32 billion. The increase was mainly on account of development expenditure, which increased by Shs 19.09 billion, from Shs12.08 billion in March 2005 to Shs31.17 billion in April 2005. Expenditure on wages and salaries amounted to Shs.63.93 billion, which accounted for 42.2 percent of current expenditure. Interest payments decreased from Shs21.23 billion to Shs17.12 billion over this period. Out of this amount, Shs4.73 billion was on account of external debt. Other recurrent expenditures for the month amounted to Shs65.78 billion, which was an increase of 32.2 percent or Shs16.01 billion from Shs49.77 billion recorded in the month of March 2005. The outturn in total government expenditure was lower than the projected level for the period by Shs99.88 billion.

The overall fiscal balance for April 2005 was a surplus of Shs290.17 billion compared to a surplus of Shs74.61 billion recorded in March 2005. Excluding grants, the overall fiscal balance deteriorated to a deficit of Shs18.41 billion.

Developments in fiscal operations for Jul 04- Apr 05



G EXCHANGE RATE AND FOREIGN EXCHANGE MARKET

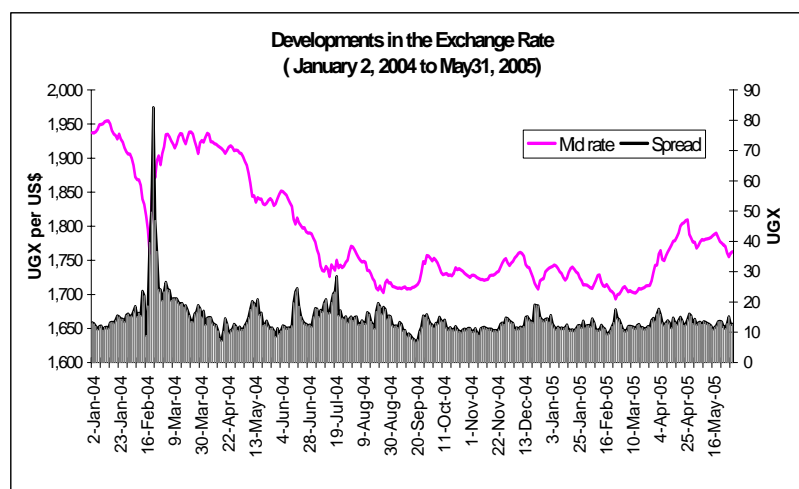
The Uganda Shilling reversed the depreciation trend recorded in the previous month of April 2005. On average, the Shilling vis-à-vis the US Dollar appreciated by 0.04 percent on a daily basis within the period from 2nd May to 31st May 2005. Basing on the end month, the Shilling appreciated by 0.79 percent against the US Dollar from Shs 1776.82 per US Dollar as on the 29th April 2005 to Shs 1762.76 per US Dollar on the 31st May 2005. This trend reversed compared to the previous period when the shilling depreciated by 1.97 percent from Shs 1742.46 per US dollar as on the 31st March 2005 to Shs 1776.82 per US Dollar as on 29th April 2005.

On a monthly average basis, the Shilling appreciated by 0.12 percent from an average exchange rate of Shs 1777.68 per US Dollar in April, 2005 to an average exchange rate Shs 1775.62 per US Dollar for May, 2005. The average spreads between the weighted inter-banks' buy and sell rates, declined from Shs 12.81 during the previous period to an average of Shs 12.20 during the month under review. (See Chart 5)

Appreciation pressures were mainly experienced during the last two weeks of May 2005 on account of decreased corporate demand from the manufacturing and energy sectors and increased supply of foreign exchange in the market mainly from diplomatic missions and international agencies, embassies, NGO's and exporters. In addition, the shilling is gaining stability especially after the high depreciation pressures experienced in the previous period.

Commercial banks' daily retail sales and purchases averaged US \$8.09 million and US \$7.22 million, respectively during the month under review. When compared to the preceding month, the average sales decreased by US \$1.43 million from US \$9.52 million recorded for the period ended April 29, 2005 while the purchases reduced by US \$0.51 million from US \$7.73 million recorded in the previous period ended April 29, 2005.

BOU continued to monitor foreign exchange market developments very closely to ensure market stability. In light of this, BoU intervened in the IFEM during the period under review, by selling US \$17.60 million to the market on a net basis. Daily sales of forex for liquidity Sterilization commenced on the 18th May 2005 to a tune of US \$0.3 million per day. There were also targeted sales of US \$4.60 million and intervention on the sale side of US \$4.60 million during the period under review. Overall BoU sold US 17.6 million compared Us \$46.25 million in April 2005. Bank of Uganda continues to monitor market developments very closely to ensure market stability.



H DEVELOPMENTS IN THE BALANCE OF PAYMENTS (BOP)

The overall balance was estimated at a surplus of US\$120.73 million in April 2005. The Current Account balance was estimated at a surplus of US\$91.19 million, an improvement from a deficit of US\$42.63 million registered in the preceding month. The Capital and Financial account was estimated at a surplus of US\$29.54 million, a deterioration of about 32.8 percent compared to the surplus of US \$ 43.97 million recorded in the preceding month.

i) Exports

Total Exports (developments for the month of April 2005)

Total export proceeds in the month of April 2005 were estimated at about US\$77.26 million 5.6 percent higher than US\$73.161 million recorded in the preceding month.

Coffee Exports

During April 2005 coffee exports amounted to 211 thousand (60-kilogram) bags worth US\$15.35 million an increase of 8.2 percent and 10.2 percent in volume and value compared to the previous month's exports respectively. The average realized export price

for coffee in April 2005 increased from 1 US dollar, 19 cents per kilogram in March 2005 to an average unit price of 1 US dollar, 21 cents per kilogram in April 2005.

Non-coffee Exports

The total value for non-coffee exports for the month of April 2005 was estimated at US\$61.9 million; a 4.5 percent increase, compared to US\$59.23 million realized in the previous month.

Save for a few commodities, there were improvements in the estimated earnings for a number of non-coffee exports in April 2005 when compared to the previous month. Specifically, export proceeds from beans, hides and skins, maize, tea, gold and tobacco increased by 174.51 per cent, 167.2 per cent, 164.8 per cent, 124.8 per cent, 70.8 per cent, and 31.9 per cent, respectively. On the other hand, exports earnings from, electricity (following the Uganda Electricity Transmission Company halting power exports), cobalt, oil re-exports, simsim and fish and its products (regional exports), dropped by 100 per cent, 51.9 per cent, 28.9 per cent, 15.8 percent, and 7.71per cent, respectively.

ii) Imports

The total import bill for the month of April 2005 was estimated at US\$143.85 million. Private sector imports were estimated at US\$130.93 million, 17.8 per cent higher than the March 2005 private sector import bill. Provisional Oil imports values were estimated at US\$15.04 million, an increase of about 3.3 per cent compared to the oil import bill of March 2005.

Government imports rose slightly in April 2005, amounting to US\$12.92 million, compared to the US\$12.53 million in the previous month; April's government import bill accounted for approximately 8.98 percent of the total import bill.

iii) Other Inflows and Outflows

Official aid (excluding project aid but including resources from the HIPC Initiative) inflows amounted to about US\$174.92 million. Net private sector transfer inflows were estimated at US\$5.3 million in April, compared to a net outflow of US\$4.8, which was estimated for the month March 2005. Services and income outflows exceeded inflows by about US\$48.35 million.

Official debt service (excluding IMF payments) for the month of April 2005 was estimated at US\$7.68 million. The IMF principal obligations amounting to US\$5.45 million were externalized during April 2005. Provisional estimates of net trade credit amounted to inflows of US\$2.64 million, consisting of inflows (buyers' credit and suppliers' credit) estimated at US\$18.5 million and outflows (pre-finance shipments and suppliers' credit repayments) estimated at US\$15.86 million.

In April 2005, the level of gross foreign reserves was estimated at US\$1,439.38 million; US\$127.85 million higher than that in the preceding month. This represented 6.44 months of future imports of goods and services.

I POLICY OUTLOOK

In the coming months, Bank of Uganda 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 1

Tenure	2 Years	2 Year reopen ed	2 Years	2 Year reopen ed	2 Year reopen ed	2 Years	2 Year reopen ed	2 Year reopen ed	3 Years	3 Year reopen ed	3 Year reopen ed	3 Years	3 Years reopen ed	3 Years reopen ed	3 Years	3 Years reopen ed	5 Years	5 Years reopen ed	10 Years
Issue date	Jan 14-04	Jun 03-04	Jun 30-04	Aug 11-04	Sep 08-04	Jan 27-05	Feb 23-05	Mar 23-05	Feb 25-04	Jun 16-04	Jul 14-04	Oct 06-04	Nov 03-04	Dec 01-04	Apr 20-05	May 18-05	Mar 24-04	Nov 17-04	May 19-04
Maturity Date	Jan 14-06	Jan 14-06	Jun 29-06	Jun 29-06	Jun 29-06	Jan 25-07	Jan 25-07	Jan 25-07	Feb 22-07	Feb 22-07	Feb 22-07	Oct 04-07	Oct 04-07	Oct 04-07	Apr 17-08	Apr 17-08	Mar 19-09	Mar 19-09	May 08-14
Offers (Billion Shs)	20.000	30.000	30.000	30.000	30.000	30.000	35.000	35.000	20.000	30.000	30.000	30.000	30.000	30.000	25.000	20.00	20.000	20.000	15.000
Total Bids (Billion Shs)	36.461	44.188	46.776	40.000	50.526	38.527	45.417	45.846	44.830	44.811	32.123	43.936	33.431	35.650	39.225	25.566	41.999	32.227	25.166
O/w Competitive	36.390	44.175	46.774	39.966	50.506	38.458	45.398	45.834	44.784	44.800	29.989	43.914	33.396	28.687	39.214	25.562	41.997	12.989	25.154
Over (Under) Subscription	16.461	14.188	16.776	10.000	20.526	8.527	10.417	10.846	24.830	14.811	2.123	13.936	3.431	5.650	14.225	5.566	21.999	12.227	10.166
Amount Sold (Face Value)	20.000	30.000	30.000	30.000	30.000	30.000	35.000	35.000	20.000	30.000	30.000	30.000	30.000	30.000	25.000	20.000	20.000	20.000	15.000
Amount Sold (Cost Price)	16.603	29.641	28.127	27.892	28.260	27.598	32.797	33.059	17.564	27.793	27.144	26.187	26.352	25.709	21.656	16.862	18.518	17.093	12.991
Cover Ratio %	182.305	147.292	155.920	133.336	168.419	128.422	129.764	130.989	224.149	149.370	107.077	146.380	111.437	111.833	156.900	127.828	210.000	161.135	167.773

Previous Cover Ratio %	182.305	147.292	155.920	133.336	168.419	128.422	129.764	...	224.149	149.370	107.077	146.380	111.437	118.833	156.900	...	210.000	...
WAP per Shs. 100	83.020	98.805	93.758	92.974	94.202	91.993	93.707	94.454	87.819	92.642	90.482	87.354	87.840	85.698	86.625	84.308	92.590	85.463	86.608
Previous WAP per Shs. 100	83.020	98.805	93.758	92.974	94.202	91.993	93.707	...	87.819	92.642	90.482	87.354	87.840	85.698	86.825	...	92.590	...
Yield to Maturity %	20.808	13.558	13.672	15.105	15.006	14.769	14.294	14.463	15.478	15.127	16.802	15.696	15.935	17.554	16.040	17.700	12.802	16.039	13.477
Previous Yield to Maturity %	...	20.808	13.558	13.672	15.105	15.006	14.769	14.294	...	15.478	15.127	16.802	15.696	15.935	17.554	16.040	...	12.802	...
Coupon Rate	10.000	10.000	10.000	10.000	10.000	10.000	10.000	10.000	10.250	10.250	10.250	10.250	10.250	10.250	10.25	10.25	10.750	10.750	11.000

Appendix 2:

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

Period	Extensions	Recoveries	Net ext.	Cap interest	Repd cap int	Net Cap int	Net change
	1	2	3=1+2	4	5	6=4+5	7= 3+6
1999/2000	404.75	(311.48)	93.27	30.58	(91.27)	(60.69)	32.58
2000/2001	852.28	(769.56)	82.71	40.98	(71.61)	(30.64)	52.08
2001/2002	928.31	(886.08)	42.23	27.01	(64.65)	(37.64)	4.59
2002/2003							
Q1	271.05	(255.55)	15.50	13.98	(15.89)	(1.91)	13.59
Q2	322.26	(228.74)	93.51	21.69	(17.52)	4.16	97.68
Q3	348.69	(284.65)	64.04	9.48	(9.18)	0.30	64.34
Q4	347.21	(351.54)	(4.33)	14.37	(6.83)	7.54	3.20
2002/2003	1,289.21	(1,120.48)	168.72	59.51	(49.42)	10.09	178.81
2003/2004							
Q1	343.22	(317.19)	26.03	25.07	(15.56)	9.51	35.54
Q2	367.62	(303.38)	64.24	25.63	(16.14)	9.49	73.73
Half 1 2003/04	710.84	(620.57)	90.27	50.70	(31.70)	19.00	109.27
Q3	381.64	(354.20)	27.44	15.16	(7.59)	7.57	35.01
Q4	363.83	(373.38)	(9.55)	20.19	(12.69)	7.50	(2.05)
Half 2 2003/04	951.15	(910.59)	40.56	40.48	(25.36)	15.11	55.67
2003/2004	1,456.31	(1,348.15)	108.17	86.05	(51.98)	34.06	142.23
2004/2005							
July. 2004	124.95	(130.26)	(5.32)	10.16	(3.51)	6.65	1.33
August. 2004	101.95	(124.85)	(22.90)	11.22	(3.99)	7.23	(15.67)
September. 2004	142.95	(132.41)	10.55	14.42	(4.63)	9.79	20.34
Q1	369.67	(387.52)	(17.85)	35.86	(12.23)	23.63	5.79
October. 2004	137.94	(100.73)	37.20	11.83	(8.11)	3.72	40.92
November. 2004	129.20	(121.69)	7.50	10.06	(3.55)	6.50	14.01
December. 2004	186.12	(149.42)	36.70	13.82	(12.14)	1.67	38.38
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
January 2005	150.71	(134.33)	16.38	10.13	(8.80)	1.34	17.72
February 2005	133.78	(134.78)	(1.00)	9.21	(9.51)	(0.30)	(1.30)
March 2005	78.33	(64.71)	13.62	9.56	(4.87)	4.68	18.30
Q3	420.58	(386.31)	34.27	31.87	(25.86)	6.02	40.29
April 2005	151.36	(138.49)	12.86	11.08	(4.12)	6.96	19.82

Source: Research Department, Bank of Uganda

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

Period	Extensions	Recoveries	Net extensions	Cap interest	Repd cap int	Net Cap int	Net change
	1	2	3=1+2	4	5	6=4+5	7= 3+6
1999/2000	309.57	(257.58)	51.99	21.91	(65.28)	(43.37)	8.62
2000/2001	602.42	(553.62)	48.80	32.75	(59.58)	(26.83)	21.97
2001/2002	698.57	(693.31)	5.26	22.65	(54.96)	(32.31)	(27.05)
2002/2003							
Q1	196.42	(181.95)	14.47	12.56	(13.18)	(0.62)	13.85
Q2	229.36	(172.61)	56.75	19.35	(15.86)	3.49	60.24
Q3	222.02	(183.05)	38.97	8.01	(8.44)	(0.43)	38.54
Q4	239.84	(215.38)	24.46	11.95	(5.63)	6.31	30.78
2002/2003	887.64	(753.00)	134.65	51.87	(43.11)	8.76	143.41
2003/2004							
Q1	234.28	(222.12)	12.16	22.96	(13.37)	9.59	21.75
Q2	270.88	(215.44)	55.44	22.61	(13.25)	9.36	64.80
Half 1							
2003/04	505.16	(437.56)	67.61	45.57	(26.62)	18.95	86.55
Q3	248.82	(229.44)	19.38	12.42	(6.11)	6.30	25.69
Q4	230.71	(230.53)	0.18	17.51	(10.99)	6.52	6.70
Half 2							
2003/2004	479.53	(459.96)	19.56	29.92	(17.10)	12.82	32.38
2003/2004	984.69	(897.52)	87.17	75.49	(43.72)	31.77	118.94
2004/2005							
July. 2004	91.22	(93.84)	(2.63)	8.46	(2.92)	5.53	2.91
August. 2004	75.68	(87.36)	(11.69)	8.85	(3.64)	5.20	(6.48)
September. 2004	92.67	(92.66)	0.02	12.54	(3.99)	8.55	8.57
Q1	259.39	(273.87)	(14.47)	29.91	(10.65)	19.26	4.79
October. 2004	89.31	(67.61)	21.70	10.55	(6.10)	4.45	26.15
November. 2004	77.37	(79.62)	(2.25)	8.62	(2.50)	6.11	3.87
December. 2004	116.94	(99.04)	17.89	8.50	(11.60)	(3.10)	14.79
Q1	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
January 2005	92.63	(76.73)	15.90	5.72	(8.15)	(2.44)	13.46
February 2005	71.72	(73.70)	(1.98)	5.00	(9.15)	(4.15)	(6.12)
March 2005	78.33	(64.71)	13.62	9.56	(4.87)	4.68	18.30
Q3	242.69	(215.14)	27.54	20.28	(22.18)	(1.90)	25.64
April 2005	85.22	(79.63)	5.59	8.34	(1.69)	6.65	12.24

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
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							
Q1	74.63	(73.60)	1.03	1.42	(2.71)	(1.29)	(0.27)
Q2	92.90	(56.13)	36.77	2.34	(1.67)	0.67	37.44
Q3	126.67	(101.60)	25.07	1.47	(0.74)	0.73	25.80
Q4	107.36	(136.16)	(28.80)	2.42	(1.19)	1.22	(27.57)
2002/2003	401.56	(367.49)	34.07	7.65	(6.31)	1.33	35.41
2003/2004							
Q1	108.93	(95.06)	13.87	2.11	(2.19)	(0.08)	13.79
Q2	96.74	(87.95)	8.8	3.03	(2.90)	0.13	8.93
Half 1 2003/04	205.68	(183.01)	22.67	5.13	(5.08)	0.05	22.72
January 2004	42.90	(44.20)	(1.30)	0.75	(0.49)	0.27	(1.03)
Feb. 2004	40.32	(38.36)	1.96	1.37	(0.42)	0.95	2.91
Mar. 2004	49.60	(42.21)	7.40	0.62	(0.57)	0.05	7.44
Q3	132.82	(124.76)	8.06	2.74	(1.47)	1.26	9.32
April 2004	34.13	(29.44)	4.69	1.04	(0.67)	0.38	5.07
May 2004	45.70	(45.81)	(0.11)	0.65	(0.52)	0.13	0.02
June 2004	53.30	(67.60)	(14.30)	0.99	(0.52)	0.47	(13.83)
Q4	133.13	(142.85)	(9.73)	2.68	(1.70)	0.98	(8.75)
Half 2 2003/04	265.95	(267.62)	(1.67)	5.42	(3.18)	2.24	0.57
2003/2004	471.62	(450.63)	21.00	10.55	(8.26)	2.29	23.29
2004/2005							
July 2004	33.73	(36.42)	(2.69)	1.70	(0.59)	1.11	(1.58)
August 2004	26.27	(37.49)	(11.22)	2.37	(0.34)	2.03	(9.19)
September 2004	50.28	(39.75)	10.53	1.88	(0.64)	1.24	11.77
Q1	110.28	(113.66)	(3.37)	5.95	(1.57)	4.37	1.00
October 2004	48.63	(33.13)	15.51	1.28	(2.01)	(0.73)	14.78
November 2004	51.82	(42.08)	9.75	1.44	(1.05)	0.39	10.14
December 2004	69.19	(50.38)	18.81	5.32	(0.55)	4.77	23.58
Q1	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
January 2005	58.08	(57.60)	0.48	4.42	(0.64)	3.77	4.26
February 2005	62.06	(61.08)	0.97	4.21	(0.36)	3.85	4.82
March 2005	136.08	(117.19)	18.89	12.53	(7.55)	4.98	23.87
Q3	420.58	(386.31)	34.27	31.87	(25.86)	6.02	40.29
April 2005	66.14	(58.87)	7.27	2.74	(2.43)	0.31	7.58

Source: Research Department, Bank of Uganda

Appendix 5: Mid Exchange Rate in the IFEM, Spreads, Commercial Banks' Purchases and Sales.

II.

Date	Mid rate UGX/US\$	Spread UGX	Purchases Million US\$	Sales Million US\$
1-Apr-05	1743.34	16.09	10.70	7.73
4-Apr-05	1758.98	17.57	8.47	9.78
5-Apr-05	1764.21	15.81	8.59	13.04
6-Apr-05	1751.15	13.13	9.69	8.35
7-Apr-05	1749.77	12.40	7.52	8.14
8-Apr-05	1756.76	13.05	6.56	7.29
11-Apr-05	1762.19	13.82	10.83	9.95
12-Apr-05	1767.10	13.06	7.60	9.06
13-Apr-05	1772.33	11.50	7.16	9.74
14-Apr-05	1777.92	14.71	5.77	7.18
15-Apr-05	1778.92	13.18	5.54	10.24
18-Apr-05	1783.74	12.67	8.63	6.14
19-Apr-05	1790.36	13.86	7.68	13.04
20-Apr-05	1800.39	14.97	7.48	10.93
21-Apr-05	1803.79	13.83	6.75	8.44
22-Apr-05	1805.05	12.27	6.72	11.45
25-Apr-05	1808.31	12.64	8.65	15.54
26-Apr-05	1809.47	14.20	9.22	8.85
27-Apr-05	1788.22	16.00	6.37	7.46
28-Apr-05	1782.47	15.36	4.78	5.12
29-Apr-05	1776.82	12.90	7.57	12.44
2-May-05	1776.48	14.31	5.64	6.80
3-May-05	1767.84	12.56	5.98	9.74
4-May-05	1771.23	13.03	9.28	9.89
5-May-05	1776.72	13.35	6.10	7.68
6-May-05	1780.58	12.66	6.47	10.53
9-May-05	1779.39	13.46	5.54	5.98
10-May-05	1780.97	13.27	8.28	4.67
11-May-05	1781.37	12.91	5.77	7.89
12-May-05	1782.26	12.65	4.48	6.17
13-May-05	1783.61	12.12	10.04	7.95
16-May-05	1786.27	11.06	9.81	7.76
17-May-05	1788.39	11.44	6.46	7.39
18-May-05	1789.79	12.06	7.65	8.07
19-May-05	1783.39	13.45	7.58	12.88
20-May-05	1777.66	13.60	4.76	6.65
23-May-05	1775.16	13.41	8.96	7.62
24-May-05	1772.94	11.91	5.59	6.30
25-May-05	1770.40	11.27	11.51	8.70
26-May-05	1760.99	12.83	8.73	10.26
27-May-05	1755.13	15.13	8.45	9.81
30-May-05	1760.44	12.62	6.89	7.84
31-May-05	1762.76	12.64	4.83	7.41

Compiled by BOU

Appendix 6:EXPORTS OF MERCHANDISE (in millions of US\$)

	Nov 2004	Dec 2004	Jan 2005	Feb 2005	Mar 2005	Apr 2005
Total Exports (in US\$ million)	56.155	67.188	62.659	67.123	73.161	77.263
Gross coffee shipment million (60-Kg) bags	0.183	0.235	0.212	0.215	0.195	0.211
Av. unit value	0.757	0.876	0.901	0.962	1.188	1.210
Value of total shipment (BOP)	8.301	12.370	11.450	12.390	13.932	15.348
2. Non-Coffee exports (Value in US \$ million)	47.854	54.819	51.209	54.732	59.229	61.915
Electricity	0.751	0.881	1.015	0.266	0.239	0.000
Gold	7.862	9.753	2.274	3.383	3.923	6.702
Cotton	0.060	0.736	4.303	7.290	6.822	6.461
Tea	3.272	4.016	2.962	1.939	1.746	3.925
Tobacco	2.723	3.316	4.233	4.254	2.578	3.400
Fish & its prod.(excl. regional)	9.398	9.877	10.340	10.068	12.646	11.671
Fish & its prod.(regional exports)	3.101	3.259	3.412	3.322	4.173	3.851
Hides & skins	0.496	0.429	0.672	0.386	0.366	0.978
Simsim	0.019	0.000	0.191	0.408	0.871	0.733
Maize	0.241	0.563	1.727	1.226	0.494	1.308
Beans	0.027	0.263	0.630	0.263	0.102	0.280
Flowers	2.371	2.150	2.110	3.095	2.954	3.084
Oil re-exports	3.084	2.598	2.975	3.653	3.229	2.295
Cobalt	0.530	1.659	1.033	1.038	1.119	0.538
Others	13.918	15.318	13.332	14.141	17.967	16.689

Source: Bank of Uganda

Appendix 7:IMPORTS OF MERCHANDISE (in millions of US\$)

	Nov 2004	Dec 2004	Jan 2005	Feb 2005	Mar 2005	Apr 2005
Total Imports	135.77	141.55	135.84	132.35	123.68	143.85
Government Imports	22.08	17.49	11.88	11.96	12.53	12.92
Project	17.72	14.25	8.82	6.06	9.78	9.92
Non-Project	4.36	3.24	3.06	5.90	2.75	3.00
Private Sector Imports	113.69	124.07	123.96	120.38	111.15	130.93
Oil imports	11.89	13.53	12.57	12.62	14.57	15.04
Non-oil imports	101.80	110.54	111.39	107.76	96.59	115.89

Source: Bank of Uganda

/1. All import values are reported f.o.b. o/w cost