

BANK OF UGANDA



MONTHLY ECONOMIC REVIEW

**MARCH
2006**

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EXECUTIVE SUMMARY

Monetary Policy Stance and Actions

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

A review of developments for the four-week period ended February 28, 2006 suggests that:

- In the four weeks to February 28, 2006, total treasury bill issues of Shs100.88 billion (at cost) fully offset treasury bill maturities of Shs79.10 billion leading to a net withdrawal of liquidity of Shs21.78 billion, compared to the net withdrawal of Shs18.23 billion observed in the previous preceding four-week period to January 31, 2006.
- In a continuous effort to promote the development of financial markets alongside the conduct of monetary policy, Bank of Uganda issued a new 3-year bond on February 08, 2006 with a face value of Shs 25.00 billion. As part of the agreed strategies to manage rollover risk, BOU bought back Shs35.00 billion of a 2-year bond and Shs7.90 billion of a 3-year bond.
- On the short-term liquidity management front, gross issues of the REPO instrument, whose maturities ranged from 2 to 60 days, amounted to Shs276.00 billion during this period, against maturities of Shs222.20 billion. This is compared to issues and maturities of Shs97.00 billion and Shs92.08 billion, respectively over the preceding period ended January 31, 2006. By February 28, 2006, the outstanding stock of repos was Shs89.37 billion.
- In line with developments in the Treasury bill market, the Rediscount rate and Bank rate declined from 13.46 percent and 14.46 percent, by end January 2006, to 13.35 percent and 14.35 percent, respectively by February 28, 2006.

Inflation Developments

- During the year ended February 2006, the annual headline inflation rate remained stable at 6.2 percent, the same level recorded in January 2006. Though the food; and household and personal goods groups exhibited higher pace of increases in their prices during the year ended February 2006, the slower pace of increases in prices of items in all the remaining groups, subdued the upward pressure from the food; and household and personal goods groups.
- The annual underlying inflation fell to 4.8 percent during the year ended February 2006, down from 5.6 percent registered in the year ended January 2006. Goods and services inflation decreased to 5.0 percent and 4.5 percent during the year ended February 2006, down from to 5.1 percent and 6.5 percent, respectively recorded in the previous month.
- The annual food crop inflation increased to 11.2 percent in February 2006, from 9.1 percent registered in the year ended January 2006. Prices of most food items particularly staples, and fruits and vegetables were notably higher than their levels a year ago.

Real Sector Developments

- Activity at the Uganda Securities Exchange (USE) was sluggish, recording a 90 percent decrease in turnover which stood at Ushs 0.16 billion. The number of shares recorded in January dropped by 91 percent to 345,013, compared to December 2005. The DFCU counter continued to dominate the activity at the USE in January 2006.
- In January 2006 the value of assets leased dropped by 51.4 percent to Ushs 0.95 billion from Ushs 1,955.2 billion recorded in December 2005. The Manufacturing sector pulled the largest share of credit (49.2%), followed by Commerce and trade with a share of 23.1 percent. The Transport sector, which usually dominates the credit beneficiaries' list, came in third with a share of 17.8 percent.
- In the quarter ending December 2005, import volumes of all three major fuel products dropped by 33.9 percent, 26.1 percent and 20.3 percent for Petrol, Kerosene and Diesel from the volumes recorded for the quarter ending September 2005.
- During the period October – December 2005, the number of projects licensed rose by 46 percent to 98 from 67 recorded in the period July – September 2005. Total estimated investment, as well, rose by 40 percent to US\$ 176.5 million, from US\$ 126.2 million over the same observation period. Planned employment rose by 54 percent to 9,523 positions from 6,195 recorded over July- September 2005.
- Over October – December 2005, most licenses were issued to the manufacturing sector, which accounted for 23.9 percent of total planned investment. This was followed closely by the Real Estate sector with 22 percent of total planned investment. The agricultural sector improved to a share of 13.7 percent in the last quarter of 2005 from the share of 10.1 percent recorded in the quarter ending September 2005. The transport and communications sector, which usually dominates investment activity, with the largest share of planned investment, declined to a share of 12.5 percent in the period under review.

Domestic Securities and Money Market Developments

- In line with the monetary policy objectives and financial markets development, Bank of Uganda issued a new 3-year bond on February 08, 2006. The Shs25.00 billion issue was over subscribed by Shs33.58 billion and realized a cover ratio of 234.32 percent. At a weighted average price of 91.11 per Shs100, the resultant yield for the 10.25 percent coupon bond was 13.98 percent, compared to 14.65 percent for the 3-year bond that was reopened in November 16, 2005.
- BOU bought back Shs35.00 billion of a 2-year bond and Shs7.90 billion of a 3-year bond, reducing their maturity profiles on January 25, 2007 from Shs100.00 billion to Shs65.00 billion, and on February 22, 2007 from Shs80.00 billion to Shs72.10 billion, respectively. Both were then converted into 2-year and 3-year reopened bonds.
- The above activities brought the total outstanding stock of treasury bonds to Shs655.51 billion by end of February 2006. One 3-year bond coupon payment of Shs3.60 billion was effected during the month.
- The four week-period average indicative bid/offer yields-to-maturity in the secondary market were quoted at 13.30/13.07, 14.99/14.74, 15.44/15.19, and 15.83/15.56 percent for the 2-year, 3-year, 5-year, and 10-year bond tenors, respectively. This is compared to the respective average yields-to-maturity of 13.32/13.09, 15.06/14.81, 15.44/15.19, and 15.82/15.57 percent, in the previous four-week period ended January 31, 2006. Within the month of February 2006, Shs1.00 billion, and Shs0.50 billion of the 3-year and 10-

year bonds were traded at respective average yields-to-maturity of 13.85 percent and 15.65 percent.

- Two Treasury bill auctions with offers of Shs 55.00 billion each were held in the month of February 2006 and both were mostly over-subscribed. The respective weighted annualized yields on the 91-day, 182-day, and 364-day bills stood at 7.59, 8.82, and 9.89 percent for the auction of February 15, 2006. This compares to rates of 7.76, 8.88, and 10.23 percent, for the 91-day, 182-day, and 364-day bills respectively, recorded in the auction held on January 18, 2006. The average discount rates on Treasury bills in February 2006 were lower than those registered in February 2005 which ranged between 8.79 percent and 11.43 percent.
- The average bid/offer yields-to-maturity in the secondary market for Treasury bills for the 91-day, 182-day and 364-day papers decreased to 7.67/7.41, 8.83/8.59, and 9.88/9.59 percent in February 2006 compared from 7.81/7.55, 9.08/8.83, and 10.38/10.10 percent in January 2006, respectively.
- In the four weeks ended February 28, 2006, total secondary market trades of treasury bills amounted to Shs 18.69 billion, of which Shs 3.00 billion related to horizontal repos. This was higher than the Shs 17.12 billion for the four weeks ended January 31, 2006. The average discount rates on these trades for the 91, 182, and 364-days securities were 7.57, 8.35, and 9.53 percent, respectively. The yield curve, based on the monthly average indicative yield-to-maturity bid and offer quotations in the secondary market, was gently upward sloping with a relatively steeper slope between the 364-day and 3-year papers
- Total volume of transactions in the domestic inter-bank money market (i.e. transactions of less than 30 days in tenor) for the four weeks ended February 28, 2006 marginally declined to Shs 220.1 billion at a weighted average rate of 6.92 percent compared to transactions worth Shs 254.8 billion at a weighted average rate of 6.31 percent recorded in January 2006. The over night and 7 day transactions were the most dominant recording 27 and 29 transactions respectively. The over night transactions amounted to 28.6 percent of total transactions at a weighted average rate of 7.03 percent. Transactions between domestic banks and foreign entities¹ in the money market amounted to Shs 2.80 billion, at an average rate of 6.80 percent compared to Shs 3.80 billion at 7.25 percent in the month of January 2006. All the commercial banks participated in the inter bank market during the four weeks.
- Information on the commercial banks' effective lending and deposit rates is available up to January 2006. The weighted prime lending rate of all commercial banks declined from 18.87 percent in December 2005 to 18.69 percent in January 2006.
- There was an increase in the effective lending rate on both the shilling and dollar denominated loans from 19.37 percent and 7.15 percent to 19.74 percent and 8.73 percent respectively.
- The weighted rates on shilling denominated demand deposits declined from 1.18 percent to 1.13 percent in the month under review but rose for the dollar denominated demand deposits from 1.03 percent to 1.20 percent. The shilling saving and time deposits rates rose from 1.92 percent and 7.85 percent to 1.94 percent and 9.59 percent respectively. This trend was similar to the dollar time deposit rate that rose from 3.51 percent to 4.07 percent while the saving deposit rates were stable at 1.45 percent as reported last month.

¹ 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 January 2006.

- During January 2006, Broad Money M3, which comprises currency in circulation plus all private deposits, expanded by 0.09 percent to Shs 3,104.37 billion. This represents a slow down in growth of M3 compared to a rise of 2.76 percent registered in December 2005. Relative to June 2005, M3 grew by 10.43 percent at end-January 2006.
- M2A, comprising of M3 less foreign currency deposits of the private sector declined marginally by 0.58 percent in January 2006, compared to the 4.13 percent growth registered in December 2005. M2A has grown by 12.22 percent from June 2005.
- Net Foreign Assets (NFA) of the banking system grew by 12.70 percent to Shs 3069.89 billion. In particular, NFA at BoU rose by 16.20 percent to Shs2578.12 billion. At commercial banks NFA declined by 2.64 percent to Shs 491.77 billion. Foreign reserves at BoU expanded by an equivalent of Shs136.74 billion, compared to a growth of Shs177.66 billion in the previous month.
- The government's net position with the banking system (NCG) as at end-January 2006 was a saving of Shs129.36 billion, compared to a saving of Shs47.09 billion at the end of December 2005. At BoU, claims on government dropped by Shs107.17 billion over the month, on account of increased Government deposits of Shs60.10, coupled with a decline in advances to Government of Shs47.08 billion. At commercial banks, net claims on Government rose by Shs24.91 billion in January 2006, on account of a decline in Government deposits of Shs47.71 billion, which more than offset a fall in commercial banks' investment in Government securities of Shs22.80 billion.
- At end-January 2006, the stock of outstanding credit to the private sector by the banking sector stood at Shs1308.68 billion, of which Shs20.44 billion was from BOU and Shs1288.24 billion was from commercial banks. This represents an increase of 1.50 percent or Shs19.36 billion during the month of January 2006. In comparison, during December 2005, PSC fell by 0.97 percent or Shs12.69 billion.
- The total (shilling and foreign currency) gross extensions of credit by commercial banks amounted to Shs175.29 billion, while recoveries were Shs131.88 billion resulting in net extensions of Shs43.41 billion. After accounting for flows in capitalised interest, there was an increase in the stock of credit of about Shs44.51 billion².
- On the liabilities side, foreign currency accounts at commercial banks grew by an equivalent of Shs17.07 billion to Shs682.88 billion in January 2006. In US dollars, foreign currency accounts rose by US\$ 8.71 million to US\$375.17 million³. Demand deposits grew by 4.84 percent or Shs43.35 billion to Shs939.68 billion, while term deposits (time, savings and CDs) fell by 6.61 percent to Shs772.44 billion as at end-January 2006. Currency in circulation (CIC) fell by 0.40 percent or Shs2.16 billion to Shs717.41 billion.
- Reflecting these developments, the ratio of foreign currency deposits to M3 fell to 22.0 percent at end-January 2006 from 21.5 percent end-December 2005. The ratio of CIC to M3 fell to 22.8 percent from 22.9 percent, the ratio of demand deposits to M3 rose to

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

³ The end period mid exchange rate is used to value forex items.

30.3 percent from 28.9 percent, while that of term deposits to M3 fell to 24.9 percent from 26.7 percent.

- In the month of January 2006, the total assets of the Credit Institutions (CIs) decreased marginally by 0.5 percent to Shs212.69 billion from Shs213.68 billion at the end of December 2005. This is lower than a decrease of 0.7 percent observed over the same period a year ago. The increase in assets during January 2006 was mainly on account of a decrease of 17.0 percent in notes and coins.

Developments in the Foreign Exchange Market

- The Uganda shilling registered an appreciative trend in February 2006 relative to the previous month January 2006. The average mid-rate appreciated by 0.2 percent in February compared to a depreciation of 0.1 percent in January 2006. However, the currency ended the month at shs. 1824.8 compared to the January close of shs.1820.2 per US Dollar.
- Bank of Uganda (BoU) continued the daily sales of foreign exchange for sterilization of excess liquidity and conducted intervention operations in the foreign exchange market during February 2006 to the tune of US Dollar 4.2 million.

Fiscal Developments

- During the month of December 2005, total revenue and budget support grant receipts (excluding project grants) were estimated at Shs 413.15 billion, more than twice the total revenue recorded in November 2005.
- Total domestic revenue collected in December 2005 was estimated at Shs 244.00 billion with URA collections contributing 99.5 percent. The URA revenue collections were higher than in the previous month by Shs. 66.72 billion and higher than the programmed target for the month of December by Shs. 49.05 billion. The preliminary outturn for non-URA revenue collections for December 2005 was estimated at Shs 1.33 billion, lower than the program figure of Shs3.79 billion, and also lower than the November 2005 collection of Shs1.65 billion.
- Receipts from budget support grants are estimated at Shs 169.15 billion during December 2005, compared to Shs 15.70 billion realised in November 2005. This is Shs. 72.11 billion higher than Shs. 97.04 billion programmed for December 2005.
- In December 2005, government expenditure and net lending decreased by 26.5 percent to Shs 211.01 billion mainly attributed to a decrease in current expenditure. In December 2005, current expenditure decreased to Shs 170.98 billion, from Shs 222.52 billion in the previous month mainly on account of decreases in other recurrent expenditures. The outturn for total government expenditure was also contained below the programmed level during the month of December 2005.
- The overall fiscal balance for December 2005 was a surplus of Shs 202.14 billion compared to a deficit of Shs 93.60 billion recorded in November 2005. Excluding grants, the surplus reduces to Shs 32.99 billion, which compares with a deficit of Shs. 109.30 realised in November 2005. Net domestic financing and net external financing amounted to Shs -6.66 billion and Shs. -195.48 billion, respectively.

Balance of Payments Developments

- In January 2006, the current account balance was estimated at a surplus of US\$43.5 million, while the capital and financial account was estimated at a surplus of US\$15.6 million. As a result, the overall balance was estimated at a surplus of US\$59.2 million.
- Total export earnings increased over the last month, amounting to US\$83.8 million in January 2006. Coffee exports in the month of January 2006 accounted for 23.4 percent of the total export.
- The import bill (fob) was estimated at US\$165.3 million during January 2006 compared to the US\$156.8 million⁴, which was recorded for the month of December 2005.
- Official aid (excluding project aid but including resources from the HIPC Initiative) inflows amounted to about US\$71.7 million. Private sector transfer inflows exceeded outflows by US\$51.4 million in January 2006, and services and income outflows exceeded inflows by about US\$34.9 million.
- Official debt service (excluding IMF payments) was estimated at US\$7.0 million for the month of January 2006. There were no IMF principal payments during the month under review.
- Official foreign reserves (including valuation changes) were estimated at US\$1415.72 million in January 2006, equivalent to 6.4 future months of imports of goods and services.

Policy Stance

- BoU's Monetary policy will continue to aim at keeping inflation at low and stable levels. Likewise the implementation of monetary policy will take into account the need to ensure financial market stability both in the money and foreign exchange markets.

⁴ 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 and stable levels. However, operations of its instruments are cautiously undertaken in order not to exacerbate instability in the money and foreign exchange markets. Sterilization of excess liquidity is usually effected through a combination of sales of Treasury bonds, Treasury bills and foreign exchange. This notwithstanding, BOU actively uses the Repurchase Agreements (REPOs) as a fine-tuning instrument in order to smooth out unexpected liquidity developments in the short run. This is in addition to adjustments in the pricing of the liquidity providing windows at the BOU i.e. the Rediscount Rate and Bank rate, to ensure a consistent monetary policy stance.

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

In the four weeks to February 28, 2006, total treasury bill issues of Shs100.88 billion (at cost) fully offset treasury bill maturities of Shs79.10 billion leading to a net withdrawal of liquidity of Shs21.78 billion, compared to the net withdrawal of Shs18.23 billion observed in the previous four-week period to January 31, 2006. In a continuous effort to promote the development of financial markets alongside the conduct of monetary policy, Bank of Uganda issued a new 3-year bond on February 08, 2006 with a face value of Shs 25.00 billion. As part of the agreed strategies to manage rollover risk, BOU bought back Shs35.00 billion of a 2-year bond and Shs7.90 billion of a 3-year bond. On the short-term liquidity management front, gross issues of the REPO instrument, whose maturities ranged from 2 to 60 days, amounted to Shs276.00 billion during this period, against maturities of Shs222.20 billion. This is compared to issues and maturities of Shs97.00 billion and Shs92.08 billion, respectively over the preceding period ended January 31, 2006. By February 28, 2006, the outstanding stock of repos was Shs89.37 billion.

B DOMESTIC PRICE DEVELOPMENTS

During the year ended February 2006, the annual headline inflation rate⁵ remained stable at 6.2 percent, the same level recorded in January 2006. Though the food; and household and personal goods groups exhibited higher pace of increases in their prices during the year ended February 2006, the slower pace of increases in prices of items in all the remaining groups, subdued the upward pressure from the food; and household and personal goods groups.

The annual food group⁶ inflation rose to 8.4 percent from 6.6 percent in January 2006, caused by the drought induced upward movements in prices of food items notably staples, fruits and vegetables, fish, and milk and eggs. The food group accounts for about 45 percent of the overall consumption pattern in the Consumer Price Index. The household and personal goods inflation increased to 2.4 percent in February 2006 from 0.1 percent for the year ended January 2006. Other groups that experienced disinflation between February 2006 and January 2006 were beverages and tobacco which fell to 2.4 percent from 5.7 percent on account of the drop in prices of soft drinks, clothing and footwear group inflation fell to 2.5 percent from 4.2 percent because of reduced demand for second hand clothes; rent, fuel and utilities inflation declined to 5.9 percent in February 2006 from 6.6 percent in January 2006. During the same period, the transport and communication inflation stood at 12.6 percent in both February 2006 and January 2006, while that of health, education, and entertainment inflation reduced to 2.2 percent from 5.3 percent recorded in the year ended January 2006, partly on account of the reduction in the cost of pre-primary education.

⁵ Inflation is the percentage change in the Consumer Price Index compared with the same month (or previous month) one year (month) previously.

⁶ Food group comprises of the entire basket of food crops and other food items e.g. manufactured food goods – margarine, cooking oil, etc.

On a monthly basis, headline inflation eased to 0.2 percent, down from 1.5 percent exhibited in the previous month. The decreases in the average prices of items in the beverages and tobacco; and clothing and footwear groups attributed to the decline in the monthly headline inflation.

The annual underlying inflation fell to 4.8 percent during the year ended February 2006, down from 5.6 percent registered in the year ended January 2006. The respective inflation rate of goods and services decreased to 5.0 percent and 4.5 percent during the year ended February 2006, down from to 5.1 percent and 6.5 percent, recorded in the previous month.

The monthly underlying inflation also declined to 0.3 percent in February 2006 from 1.0 percent recorded in January 2006. The drop in the average prices of some goods during the month of February 2006 more than offset the rise in service's prices. Goods inflation fell to 0.3 percent from 1.7 percent in January 2006, while services inflation rose to 0.1 percent, from -0.2 percent recorded in the month of January 2006.

The annual food crop inflation ⁷ increased to 11.2 percent in February 2006, from 9.1 percent registered in the year ended January 2006. Prices of most food items particularly staples, and fruits and vegetables were notably higher than their levels a year ago. On the other hand, the monthly food crop inflation fell to -0.3 percent in February 2006 from 3.3 percent during the month of January 2006.

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

Table: Inflation Developments across different Groups: December 2005-February 2006

Groups	Weights	Annual Changes (%)			Monthly Changes (%)		
		Dec-05	Jan-06	Feb-06	Dec-05	Jan-06	Feb-06
Food	45.2	1.6	6.6	8.4	-1.3	2.4	0.2
Beverages & Tobacco	8.6	2.3	5.7	2.4	0.2	3.9	-2.3
Clothing & Footwear	5.5	3.2	4.2	2.5	-0.2	1.1	-0.5
Rent, Fuel & Utilities	14.1	7.8	6.6	5.9	-0.1	-0.1	1.5
Household & Personal goods	5.3	-0.8	0.1	2.4	-0.4	1.1	1.8
Transport & Communication	6.7	9.3	12.6	12.6	0.3	-0.4	0.3
Health, Educ & Entertainment	14.6	5.3	5.3	2.2	0.1	0.1	0.0

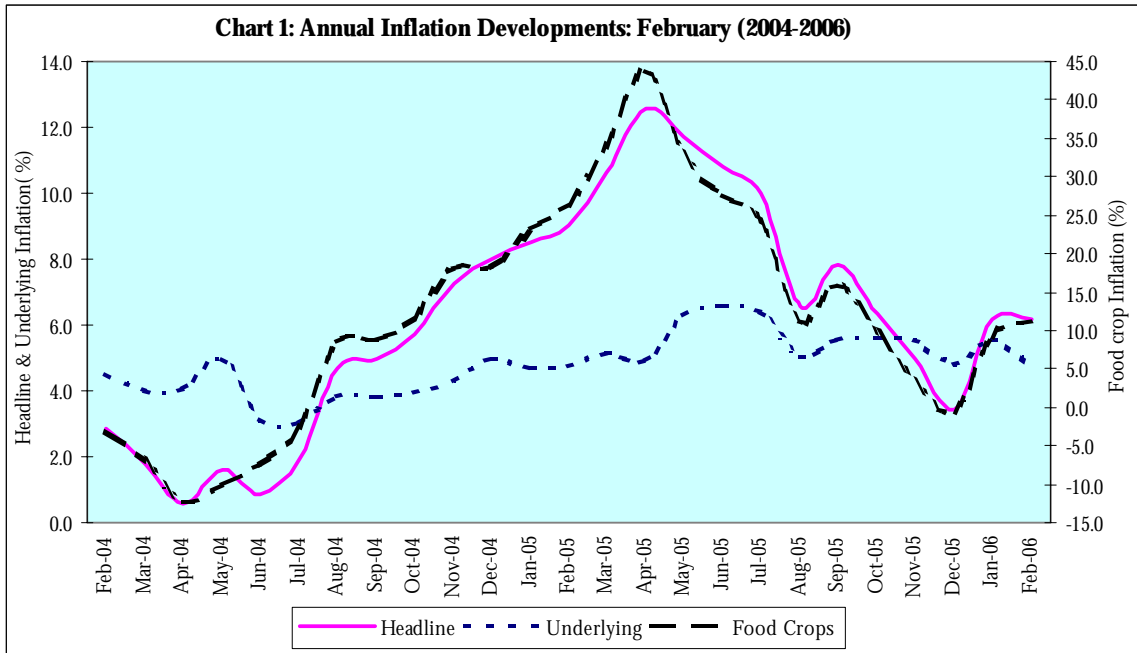
Source: Computed from Uganda Bureau of Statistics data

Table 2. Developments in Inflation by different measures: December 2005– February 2006

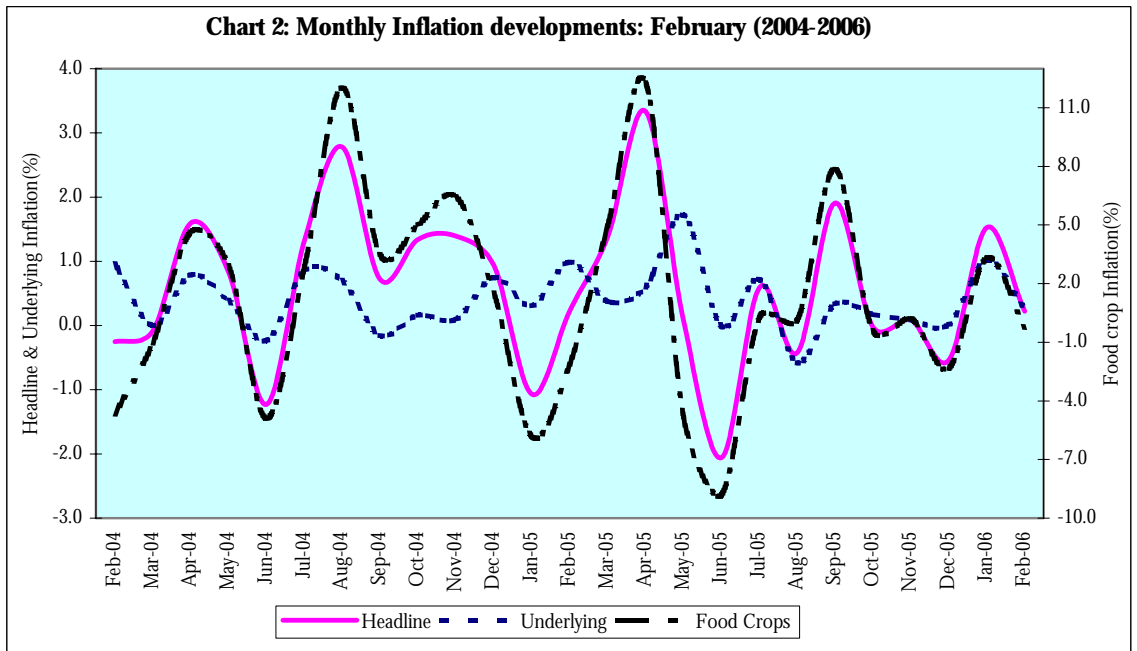
Period	Headline Inflation (%)		Underlying Inflation (%)		Food Crops Inflation (%)	
	Monthly	Annual	Monthly	Annual	Monthly	Annual
December 2005	-0.5	3.5	0.0	4.8	-2.3	-0.5
January 2006	1.5	6.2	1.0	5.6	3.3	9.1
February 2006	0.2	6.2	0.3	4.8	-0.3	11.3

Source: Uganda Bureau of Statistics

⁷ Food crops refer specifically to grown food crop items that are typically sold fresh in the markets.



Source: Uganda Bureau of Statistics



Source: Uganda Bureau of Statistics

C REAL SECTOR DEVELOPMENTS

This section highlights developments in the Finance, Energy and Investment sectors using the latest available data on: activity at the Uganda Securities Exchange (USE), Leasing, Consumption of fuel products, electricity and Investment activity for the period to January 2006.

Finance Sector

Uganda Securities Exchange (USE)

In January 2006 however, activity at the USE drew in, recording a 90 percent decrease in turnover which stood at Ushs 0.16 billion. The number of shares recorded in January dropped by 91 percent to 345,013, compared to December 2005. The DFCU counter continued to dominate activity at the USE in January 2006 as it has since it's listing at the Securities Exchange (October 2004).

Prices at the USE on January 31, 2006 stood at Ushs 735, Ushs 850, Ushs 420, Ushs 3,479, Ushs 2,358, Ushs 250 and Ushs 16,630 at the BATU, BOBU, DFCU, EABL, KA, NVL and UCL counters respectively. Market capitalisation stood at Ushs 3,576.6 billion while the USE All Share Index held at 734.58.

Table 3: Trading at the Uganda Securities Exchange: Sep 2005 – Jan 2006

	Sep '05	Oct '05	Nov '05	Dec '05	Jan '05
Trading Days	8	8	8	7	7
Total Turnover	116,261,041	133,299,325	49,689,300	1,642,613,880	160,738,440
No. Shares	167,706	238,607	85,284	3,900,643	345,013
Market Capitalization (Billion Ushs, E.O.P)	3518.6	3,549.26	3,376.87	3,375.00	3,510.57
All Share Index	722.7	729.01	689.03	693.11	691.25

Source: Uganda Securities Exchange

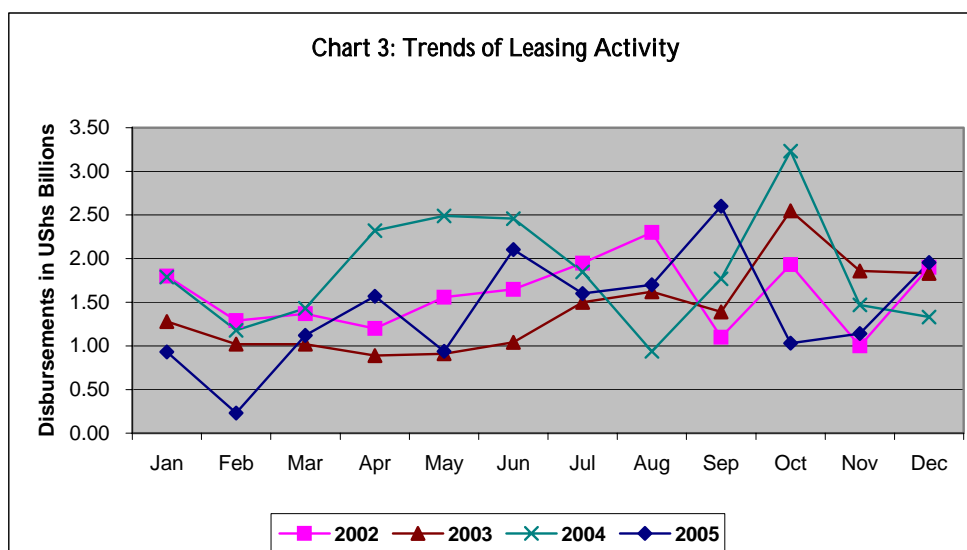
Leasing Activities

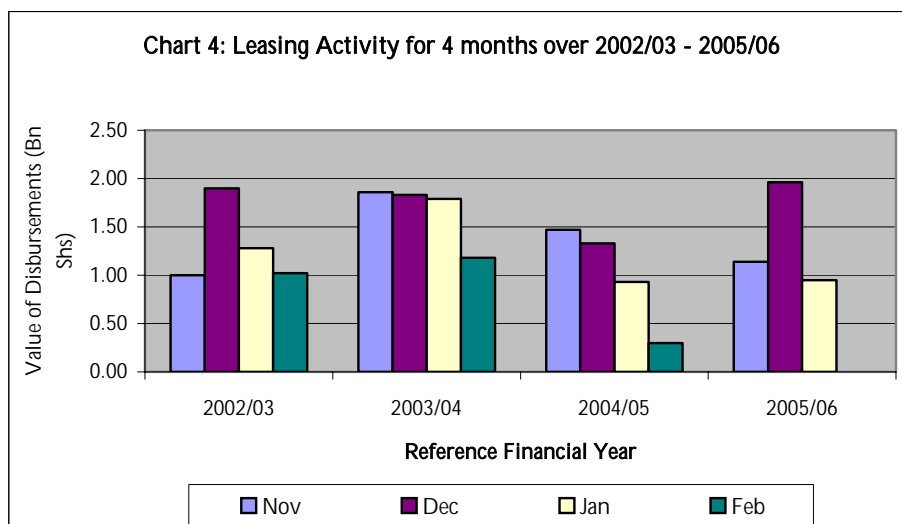
As has often been observed in the past and as shown in Chart 4, the value of assets leased drops in the month of January and further in February. In January 2006 the value of assets leased dropped by 51.4 percent to Ushs 0.95 billion from Ushs 1,955.2 billion recorded in December 2005. The Manufacturing sector pulled the largest share of credit (49.2%), followed by Commerce and trade with a share of 23.1 percent. The Transport sector, which usually dominates the credit beneficiaries' list, came in third with a share of 17.8 percent.

Table 4: Sectoral Distribution of Assets Leased in Million Shillings: Oct 2005 – Jan 2006

Sector	Oct '05	% Share	Nov '05	% Share	Dec '05	% Share	Jan '06	% Share
Transport	420.80	40.87%	615.00	54.07%	940.07	48.08%	169.09	17.79%
Commerce & Trade	408.32	39.66%	84.00	7.39%	462.20	23.64%	219.78	23.12%
Mining & Construction	-	-	-	-	43.00	2.20%	-	0.00%
Tourism	-	-	-	-	-	-	-	-
Health	22.00	2.14%	6.00	0.53%	111.71	5.71%	21.39	2.25%
Agriculture	10.91	1.06%	-	-	25.27	1.29%	-	0.00%
Manufacturing	49.50	4.81%	13.00	1.14%	69.89	3.57%	467.35	49.16%
Education	-	-	-	-	40.29	2.06%	21.80	2.29%
Banking	118.04	11.47%	238.00	20.92%	133.13	6.81%	3.64	0.38%
Other Services	-	-	181.40	15.95%	129.60	6.63%	47.60	5.01%
TOTAL	1,029.56	100%	1,137.40	100%	1,955.16	100%	950.66	100%

Source: DFCU leasing





Source: DFCU Leasing

Energy Sector

Fuel Imports

In the quarter ending December 2005, import volumes of all three major fuel products dropped by 33.9 percent, 26.1 percent and 20.3 percent for Petrol, Kerosene and Diesel from the volumes recorded for the quarter ending September 2005. Compared to the quarter ending December 2004, while petrol and kerosene import volumes dropped by 4.1 percent and 1.5 percent while those of diesel rose by 30.8 percent in the quarter ending December 2005.

Electricity Consumption

Electricity consumption updates are currently available to the end of December 2005.

From September 2005, the number of live customers grew at decreasing rates of 1.1 percent, 0.02 percent and 0.7 percent in October 2005, November 2005 and December 2005 respectively. One of UMEME's objectives is to increase efficiency in electricity distribution against a background of low energy generation and consequently low purchases of electricity from Uganda Electricity Transmission Company Limited (UETCL). As can be seen from Table 5b, UMEME purchases of energy in GWH, from UETCL dropped between October and November 2005 before increasing by 1.9 percent in December 2005.

One of the reasons for the current increased load shedding is a rise in demand with unmatched movement in the amount of electricity generated. From the data in table 5a and 5b, consumption of electricity indicated by energy billings in GWH has grown since November 2005 (28.2%). In December 2005, consumption grew by 51.4 percent.

Tables, 5a and 5b below show energy consumption in Giga-watt hours and month-on-month changes for the period August to December 2005.

Table 5a: Energy Consumption by Tariff Category in Giga Watt Hours (GWH): Aug-Dec 2005.

Number of Live Customers:					
	Aug-05	Sep-05	Oct-05	Nov-05	Dec-05
Domestic	256,472	258,439	261,161	261,331	263,262
Commercial	27,151	27,359	27,647	27,665	27,838
Industrial	795	815	967	819	813
Street Lighting	316	324	316	322	324
Total	284,734	286,937	290,091	290,137	292,237
Consumption in GWH:					
	Aug-05	Sep-05	Oct-05	Nov-05	Dec-05
Domestic	31.53	30.19	25.17	33.41	53.48
Commercial	11.80	11.71	9.77	13.23	21.38
Industrial	50.61	49.83	52.47	65.37	94.61
Street Lighting	0.11	0.06	0.04	0.11	0.26
Total	94.05	91.79	87.45	112.12	169.73
Purchases in GWH:					
	Aug-05	Sep-05	Oct-05	Nov-05	Dec-05
UMEME purchases from UETCL	153.70	148.54	150.60	146.60	149.42
Disconnection/Reconnections:					
	Aug-05	Sep-05	Oct-05	Nov-05	Dec-05
Disconnections	40,084	32,375	27,317	33,646	29,853
Reconnections	16,952	14,028	12,665	11,505	11,561
Net Disconnections	23,132	18,347	14,652	22,141	18,292

Source: UMEME Limited

Table 5b: Percentage Changes

Number of Live Customers: Month-month Changes				
	Sep-05	Oct-05	Nov-05	Dec-05
Domestic	0.8%	1.1%	0.1%	0.7%
Commercial	0.8%	1.1%	0.1%	0.6%
Industrial	2.5%	18.7%	-15.3%	-0.7%
Street Lighting	2.5%	-2.5%	1.9%	0.6%
Total	0.8%	1.1%	0.0%	0.7%
Consumption in GWH: Month-month Changes				
	Sep-05	Oct-05	Nov-05	Dec-05
Domestic	-4.2%	-16.6%	32.7%	60.1%
Commercial	-0.8%	-16.6%	35.4%	61.6%
Industrial	-1.5%	5.3%	24.6%	44.7%
Street Lighting	-45.5%	-33.3%	175.0%	136.4%
Total	-2.4%	-4.7%	28.2%	51.4%
Purchases in GWH: Month-month Changes				
	Sep-05	Oct-05	Nov-05	Dec-05
UMEME purchases from UETCL	-3.4%	1.4%	-2.7%	1.9%
Disconnection/Reconnections: Month-month Changes				
	Sep-05	Oct-05	Nov-05	Dec-05
Disconnections	-19.2%	-15.6%	23.2%	-11.3%
Reconnections	-17.2%	-9.7%	-9.2%	0.5%
Net Disconnections	-20.7%	-20.1%	51.1%	-17.4%

Source: UMEME Limited

Investment

Information on actual investment activity is not available thus analysis is based on licenses issued by the Uganda Investment Authority (UIA). Statistics on licensed projects are available on a quarterly basis. During the period October – December 2005, the number of projects licensed rose by 46 percent to 98 from 67 recorded in the period July – September 2005. Total estimated investment, as well, rose by 40 percent to US\$ 176.5 million, from US\$ 126.2 million over the same observation period. Planned employment rose by 54 percent to 9,523 positions from 6,195 recorded over July- September 2005.

As depicted in table 6 below and over September – December 2005, most licenses were issued to the manufacturing sector accounting for 23.9 percent of total planned investment. This was followed closely by the real estate sector with 22 percent of total planned investment. The agricultural sector improved to a share of 13.7 percent in the last quarter of 2005 from the share

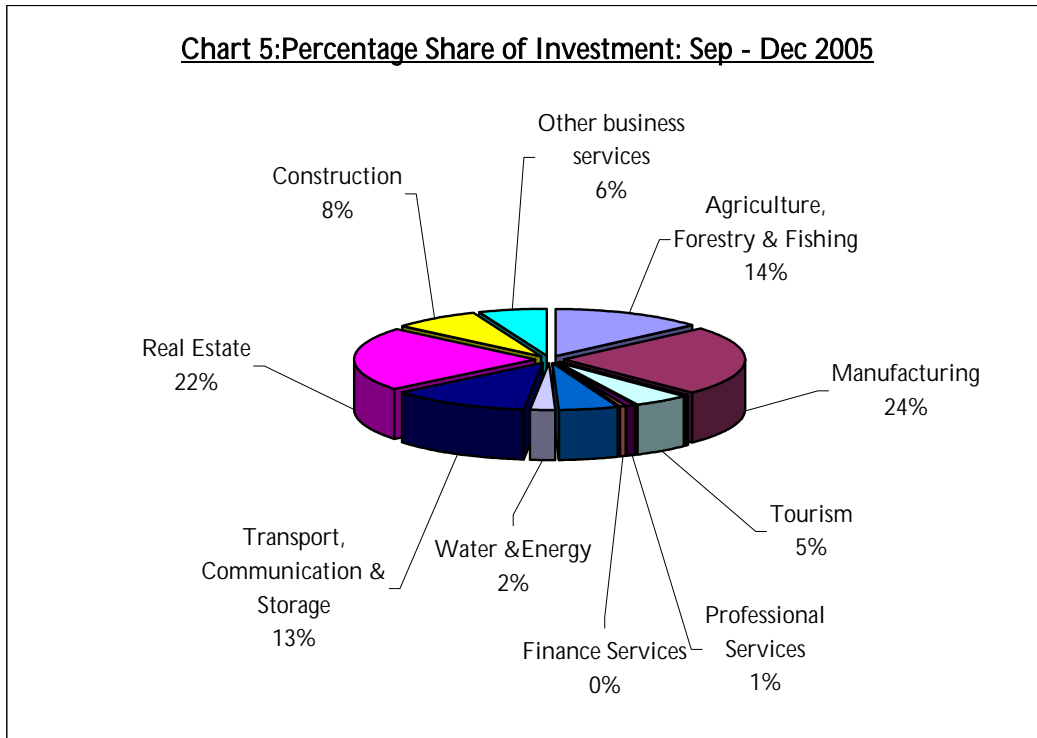
of 10.1 percent recorded in the quarter ending September 2005. The Transport and Communications sector, which usually dominates investment activity, with the largest share of planned investment, accounted for only 12.5 percent in the period under observation. Table 5 below summarizes investment activity for the period September – December 2005.

Table 6: Sectoral Distribution of Projects Licensed by Uganda Investment Authority: Sep – Dec 2005

Sector	Number of Projects Licensed	Planned Investment (US\$)	Planned Employment	Percentage Share of Investment
Agriculture, Forestry & Fishing	22	24,133,000	2,081	13.7
Manufacturing	34	42,257,000	2,471	23.9
Mining & Quarrying	1	174,000	138	0.1
Tourism	10	9,005,000	494	5.1
Professional Services	4	1,665,000	100	0.9
Finance Services	1	500,000	22	0.3
Social Services	1	9,608,000	1,370	5.4
Water & Energy	1	3,695,000	121	2.1
Transport, Communication & Storage	3	22,100,000	210	12.5
Real Estate	3	38,850,000	631	22.0
Construction	5	13,870,000	1,016	7.9
Other business services	13	10,652,000	869	6.0
TOTAL	98	176,509,000	9,523	100.00

Source: Uganda Investment Authority (UIA)

Chart 5: Percentage Share of Investment: Sep - Dec 2005



D DEVELOPMENTS IN THE DOMESTIC SECURITIES AND MONEY MARKET

Primary Market for Treasury Bonds

In line with the monetary policy objectives and financial markets development, Bank of Uganda issued a new 3-year bond on February 08, 2006. The Shs25.00 billion issue was over subscribed by Shs33.58 billion and realized a cover ratio of 234.32 percent. At a weighted average price of 91.11 per Shs100, the resultant yield for the 10.25 percent coupon bond was 13.98 percent, compared to 14.65 percent for the 3-year bond that was reopened in November 16, 2005.

On February 17, 2006, as part of the agreed strategies to manage rollover risk, BOU bought back Shs35.00 billion of a 2-year bond and Shs7.90 billion of a 3-year bond, reducing their maturity profiles on January 25, 2007 from Shs100.00 billion to Shs65.00 billion, and on February 22, 2007 from Shs80.00 billion to Shs72.10 billion, respectively. Both were then converted into 2-year and 3-year reopened bonds. The 2-year bond was oversubscribed by Shs10.83 billion, and resulted in a cover ratio of 130.94 percent. At a weighted average price of 100.37 per Shs100, the resultant yield for the 10.00 percent coupon bond was 13.00 percent, compared to 12.84 percent of the 2-year bond that was issued in January 11, 2006. The 3-year bond's subscriptions were square. At a weighted average price of 104.95 per Shs100, the resultant yield for the 10.25 percent coupon bond was 14.00 percent, compared to 13.98 percent of the 3-year bond that was issued in February 08, 2006.

The above activities brought the total outstanding stock of treasury bonds to Shs655.51 billion by end of February 2006. One 3-year bond coupon payment of Shs3.60 billion was effected during the month. Table 7 below shows details of the most recent Treasury bond issues (*full details on all issues in the market so far are available on request*). All issues in the market so far are listed on the Uganda Securities Exchange.

Table 7: Summary of Government Treasury bond Issues as at February 28, 2006
(In Billions of Uganda Shillings, unless otherwise stated)

Tenure/Issue date →	2 Year Re-opened on conversion Feb 17-06	3 Year New issue Feb 08-06	3 Year Re-opened on conversion Feb 17-06	5 Year Re-opened Oct 20-05	10 Year New Issue May 19-04
Maturity Date	Jan 10-08	Feb 05-09	Feb 05-09	Mar 19-09	May 08-14
Offers	35.000	25.000	7.900	20.000	15.000
Total Bids	45.829	58.580	7.900	42.776	25.166
O/w Competitive	-	58.570	-	42.765	25.154
Over (Under) Subscription	10.829	33.580	-	22.776	10.166
Amount Sold (Face Value)	35.129	25.000	8.281	20.000	15.000
Amount Sold (Cost Price)	33.618	22.778	7.215	17.888	12.991
Cover Ratio %	130.940	234.320	100.000	213.880	167.773
Previous Cover Ratio %	189.556	176.475	234.320	161.135	...
WAP per Shs. 100	100.373	91.113	104.952	89.438	86.608
Previous WAP per Shs. 100	95.130	91.600	91.113	85.463	...
Yield to Maturity %	13.000	13.978	14.000	15.124	13.477
Previous Yield to Maturity %	12.838	14.645	13.978	16.039	...
Coupon Rate	10.000	10.250	10.250	10.750	11.000

Source: Research Department - Bank of Uganda

Secondary Market for Treasury bonds

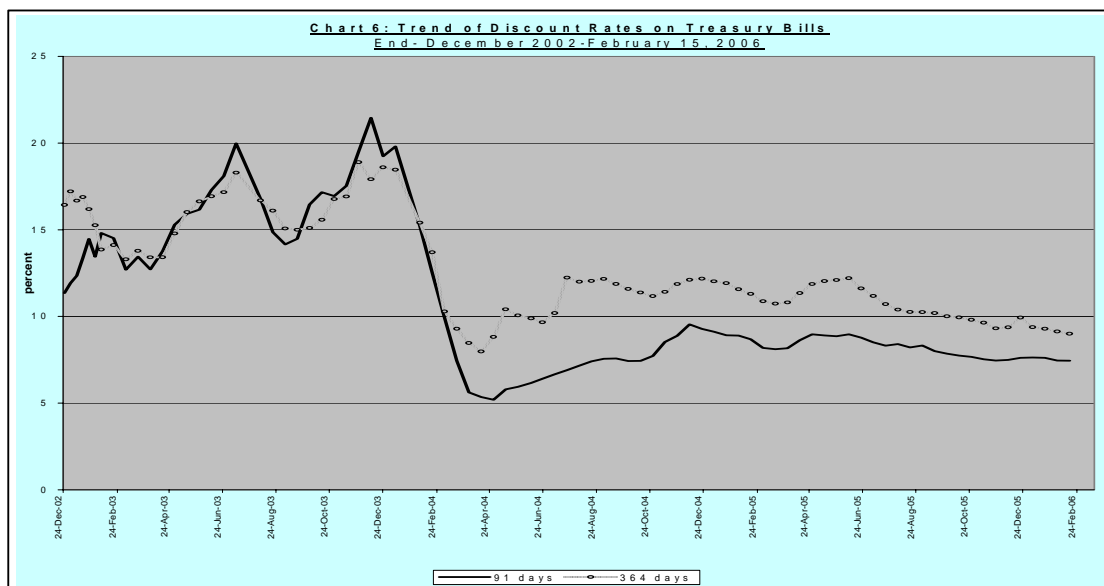
The four week-period average indicative bid/offer yields-to-maturity in the secondary market were quoted at 13.30/13.07, 14.99/14.74, 15.44/15.19, and 15.83/15.56 percent for the 2-year, 3-year, 5-year, and 10-year bond tenors, respectively. This is compared to the respective average yields-to-maturity of 13.32/13.09, 15.06/14.81, 15.44/15.19, and 15.82/15.57 percent, in the previous four-week period ended January 31, 2006 (See Table 8). Within the month of February 2006, Shs1.00 billion, and Shs0.50 billion were traded in the 3-year, and 10-year bonds at respective average yields-to-maturity of 13.85 percent, and 15.65 percent.

Table 8: Bid/Offer Rates and Transactions in the Secondary Market for Treasury bonds over the four week-period to February 28, 2006

	Tenor of bond							
	2-year		3-year		5-year		10-year	
	Yield-to-maturity quotation (percent)							
	Bid	Offer	Bid	Offer	Bid	Offer	Bid	Offer
Min	13.00	12.75	14.70	14.45	15.20	14.95	15.00	14.75
Max	13.90	13.65	15.30	15.05	16.00	15.75	16.50	16.25
Average	13.30	13.07	14.99	14.74	15.44	15.19	15.83	15.56

Source: Compiled from Domestic Financial Markets Department records

Source: Research Department - Bank of Uganda



Source: Research Department-Bank of Uganda

Primary Market for Treasury bills

Two Treasury bill auctions with offers of Shs 55.00 billion each were held in the month of February 2006 and both were over-subscribed. The respective weighted annualized yields on the 91-day, 182-day, and 364-day bills stood at 7.60, 8.86, and 10.05 percent for the auction of February 01, 2006, and at 7.59, 8.82, and 9.89 percent for the auction of February 15, 2006. This compares to rates of 7.76, 8.88, and 10.23 percent, for the 91-day, 182-day, and 364-day bills respectively, recorded in the auction held on January 18, 2006 (see Chart 6 above). The average discount rates on Treasury bills in February 2006 were lower than those registered in February 2005 which ranged between 8.79 percent and 11.43 percent.

Secondary Market for Treasury bills

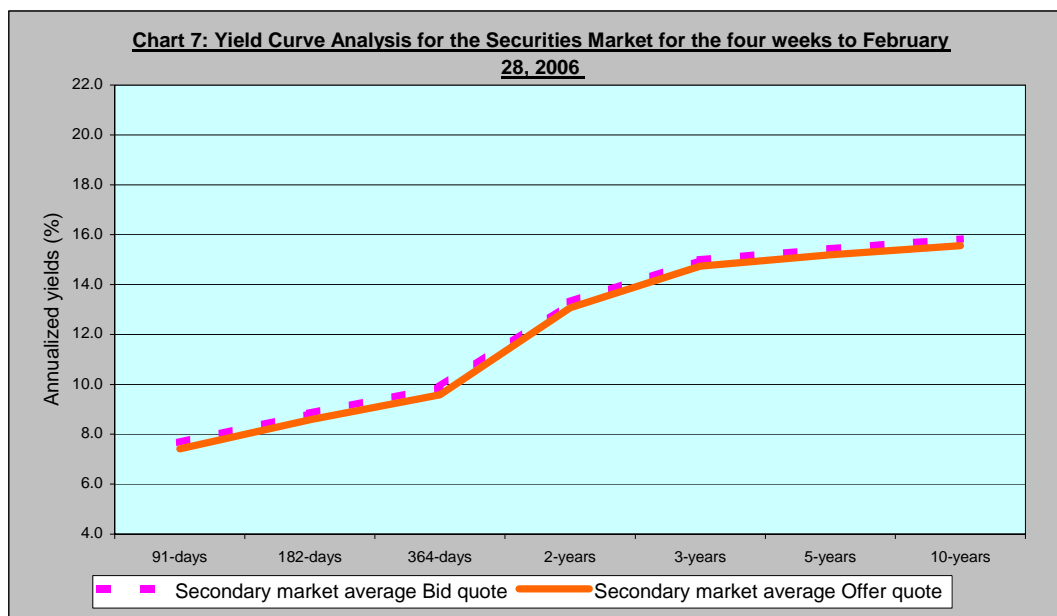
The average bid/offer yields-to-maturity in the secondary market for Treasury bills for the 91-day, 182-day and the 364-day papers decreased to 7.67/7.41, 8.83/8.59, and 9.88/9.59 percent in February 2006 compared to 7.81/7.55, 9.08/8.83, and 10.38/10.10 percent in January 2006, respectively.

Table 9: Bid/Offer Rates and Transactions in the Secondary Market for Treasury bills over the four- week period to February 28, 2006

	Tenor of bills					
	91-days		182-days		364-days	
	Yield-to-Maturity quotation (percent)					
	Bid	Offer	Bid	Offer	Bid	Offer
Min	7.47	7.21	8.62	8.35	9.61	9.33
Max	8.21	7.95	9.38	9.11	11.06	10.76
Average	7.67	7.41	8.83	8.59	9.88	9.59
Trading Activity						
Transactions (Shs billion)	10.981		5.281		2.430	
O/w Horizontal REPOs	3.000		-		-	
- Av. H/REPOs rate	7.25 percent		-		-	
O/w- Outright sales	7.981		5.281		2.430	
Total trades across maturities	Shs18.692 billion					
- Av Discount rate	7.57 percent		8.35 percent		9.53 percent	
- Av Yield to maturity	7.78 percent		8.62 percent		10.09 percent	
Rediscounts at BOU	-					
Borrowing at BOU	-					

Source: Research Department-Bank of Uganda

In the four weeks ended February 28, 2006, total secondary market trades of treasury bills amounted to Shs 18.69 billion, of which Shs 3.00 billion related to horizontal repos. This was higher than the Shs 17.12 billion for the four weeks ended January 31, 2006. The average discount rates on these trades for the 91, 182, and 364-days securities were 7.57, 8.35, and 9.53 percent, respectively. The yield curve, based on the monthly average indicative yield-to-maturity bid and offer quotations in the secondary market, was gently upward sloping with a relatively steeper slope between the 364-day and 3-year papers (see Chart 7).



Source: Research Department-Bank of Uganda

i) Domestic Inter-bank market

Total volume of transactions in the domestic inter-bank money market (i.e. transactions of less than 30 days in tenor) for the four weeks ended February 28, 2006 marginally declined to Shs 220.1 billion at a weighted average rate of 6.92 percent compared to transactions worth Shs 254.8 billion at a weighted average rate of 6.31 percent recorded in January 2006. The over night and 7 day transactions were the most dominant recording 27 and 29 transactions respectively as shown in table 10 below. The over night transactions amounted to Shs 63.0 billion or 28.6 percent of total transactions at a weighted average rate of 7.03 percent. Transactions between domestic banks and foreign entities⁸ in the money market amounted to Shs 2.80 billion, at an average rate of 6.80 percent compared to Shs 3.80 billion at 7.25 percent. All the commercial banks participated in the inter bank market during the four weeks.

Table 10: Summary of inter bank money market activity

Tenor	Month of January 2006			Month Of February 2006		
	No. of transactions	Amount (Shs bn)	Weighted Rate	No. of transactions	Amount (Shs bn)	Weighted Rate
Overnight	46	80.30	6.20	27	63.0	7.03
2 days	16	19.90	6.11	14	18.0	6.54
3 days	31	64.50	5.80	17	26.3	6.51
4 days	10	18.30	6.28	21	26.8	6.71
5 days	5	8.90	6.46	5	4.5	6.83
6 days	3	5.00	6.62	13	13.7	6.54
1 week	32	51.20	7.07	29	49.6	7.14
> 1 week	7	6.50	7.12	13	18.2	7.46
Total	150	254.75	6.31	139	220.1	6.92

Source: Research Department-B.O.U

vi) Commercial Bank's Retail Interest Rates

The weighted industrial prime lending rate declined from 18.87 percent in December 2005 to 18.69 percent in January 2006. 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 11 below summarizes these developments.

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

Prime Lending Rate (%)	Jan 27, 2006	Feb 03, 2006	Feb 10, 2006	Feb 17, 2006	Feb 24, 2006
0.0 – 10.9	0	0	0	0	0
11.0 – 13.9	0	0	0	0	0
14.0 – 15.9	0	0	0	0	0
16.0 – 18.0	5	5	5	5	5
18.1 – 19.9	7	7	7	7	7
20.0 – 21.9	3	3	3	3	3
Range (Min – Max)	16%-21%	16%-21%	16%-21%	16%-21%	16%-21%

Source: Commercial banks weekly returns

The ranges of the savings and time deposits rates were maintained at 0-7.0 percent and 0.25-20.0 percent, respectively. The respective number of banks with savings rates of at least 5.0 percent

⁸ 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.

and those with a time deposit rate of at least 8.0 percent remained unchanged at four (4) and eight (8), respectively.

Information on the commercial banks' effective lending and deposit rates is available up to January 2006. As portrayed in Table 12, there was an increase in the effective lending rate on both the shilling and dollar denominated loans from 19.37 percent and 7.15 percent to 19.74 percent and 8.73 percent respectively.

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

Weighted Average rates	Shilling Denominated				Foreign Currency Denominated			
	Oct 2005	Nov 2005	Dec 2005	Jan 2006	Oct 2005	Nov 2005	Dec 2005	Jan 2006
Lending	19.59	18.79	19.37	19.74	8.87	8.13	7.15	8.73
Demand Deposits	1.14	1.17	1.18	1.13	1.02	1.03	1.03	1.20
Savings Deposits	1.94	1.88	1.92	1.94	1.45	1.45	1.45	1.45
Time Deposits	9.84	9.18	7.85	9.59	3.86	3.70	3.51	4.07

Source: Research Department-B.O.U

The weighted rates on shilling denominated demand deposits declined from 1.18 percent to 1.13 percent in the month under review but rose in the dollar denominated demand deposits rates from 1.03 percent to 1.20 percent. The shilling saving and time deposits rates rose from 1.92 percent and 7.85 percent to 1.94 percent and 9.59 percent respectively. This trend was similar to the dollar time deposit rate that rose from 3.51 percent to 4.07 percent while the saving deposit rates were stable at 1.45 percent as reposted last month. This increase in the deposit rates is against a renewed campaign by commercial banks to drum up deposits as more deposit taking institutions especially the micro finance institutions get licensed. On the other hand increased cost of funds have fed into the increase in the lending rates coupled by increased demand for funds as corporate demand rebounds following the festive seasons. The weighted prime lending rate however declined from 18.87 percent in December 2005 to 18.69 percent in the month under review both lower than the reported 19.74 percent weighted average lending rate.

E MONETARY AGGREGATES AND FINANCIAL SECTOR AGGREGATES

(i) Banking Activities

Broad Money

During January 2006, Broad Money M3, which comprises currency in circulation plus all private deposits, expanded by 0.09 percent to Shs3,104.37 billion. This represents a slowdown in growth of M3 compared to a rise of 2.76 percent registered in December 2005. Relative to June 2005, M3 grew by 10.43 percent at end-January 2005.

M2A, comprising of M3 less foreign currency deposits of the private sector declined marginally by 0.58 percent in January 2006, compared to the 4.13 percent growth registered in December 2005. M2A has grown by 12.22 percent from June 2005. Developments in money supply are shown in Table 13 below.

Net Foreign Assets (NFA)

Over the month under review, the NFA of the banking system grew by 12.07 percent or Shs346.01 billion to Shs3,069.89 billion. In particular, NFA at BoU rose by 16.20 percent or Shs359.33 billion to Shs2578.12 billion. At commercial banks NFA declined by 2.64 percent or Shs13.32 billion to Shs491.77 billion. Foreign reserves at BoU expanded by an equivalent of Shs136.74 billion, compared to a growth of Shs177.66 billion in the previous month.

Net Claims on Government (NCG)

The government's net position with the banking system (NCG) as at end-January 2006 was a saving of Shs129.36 billion, compared to a saving of Shs47.09 billion at the end of December 2005 (Table 13). This represents increased Government saving of Shs82.27 billion. At BoU, claims on government dropped by Shs10717 billion over the month, on account of increased Government deposits of Shs60.10, coupled with a decline in advances to Government of Shs47.08 billion. At commercial banks, net claims on Government rose by Shs24.91 billion in January 2006, on account of a decline in Government deposits of Shs47.71 billion, which more than offset a fall in commercial banks' investment in Government securities of Shs22.80 billion.

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

<i>(in billion shillings unless otherwise stated)</i>	Jun 2005	Sept. 2005	Oct. 2005	Nov. 2005	Dec. 2005	Jan. 2006
Net Foreign Assets (NFA)	2,648.0	2,632.7	2,601.1	2,481.6	2,723.9	3,069.9
Domestic Credit	982.0	1,279.6	1,277.0	1,407.1	1,257.8	1,193.8
Net Credit to Government(NCG)	(176.3)	18.0	-9.9	79.5	(47.1)	(129.4)
Claims on the Private Sector	1,150.2	1,259.7	1,268.7	1,302.0	1,289.3	1,308.7
M3	2,811.1	2,905.5	2,923.9	3,018.2	3,101.5	3,104.4
Forex deposits	653.3	679.3	684.2	679.2	665.8	682.9
M2A	2,157.9	2,226.1	2,239.8	2,339.0	2,435.7	2,421.5
Demand Deposits	860.1	863.9	876.0	910.6	896.3	939.7
Term Deposits	692.7	743.8	746.7	780.0	829.1	774.4
Currency	605.1	618.5	617.0	648.4	710.2	707.4
RatiostoM3(Percent)						
Forex	23.2	23.4	23.4	22.5	21.5	22.0
Demand Deposits	30.6	29.7	30.0	30.2	28.9	30.3
Term Deposits	24.6	25.6	25.5	25.8	26.7	24.9
Currency	21.5	21.3	21.1	21.5	22.9	22.8

Private Sector Credit (PSC)

At end-January 2006, the stock of outstanding credit to the private sector by the banking sector stood at Shs1308.68 billion (Table 13), of which Shs20.44 billion was from BOU and Shs1288.24 billion was from commercial banks. This represents an increase of 1.50 percent or Shs19.36 billion during the month of January 2006. In comparison, during December 2005, PSC fell by 0.97 percent or Shs12.69 billion.

Credit Flows

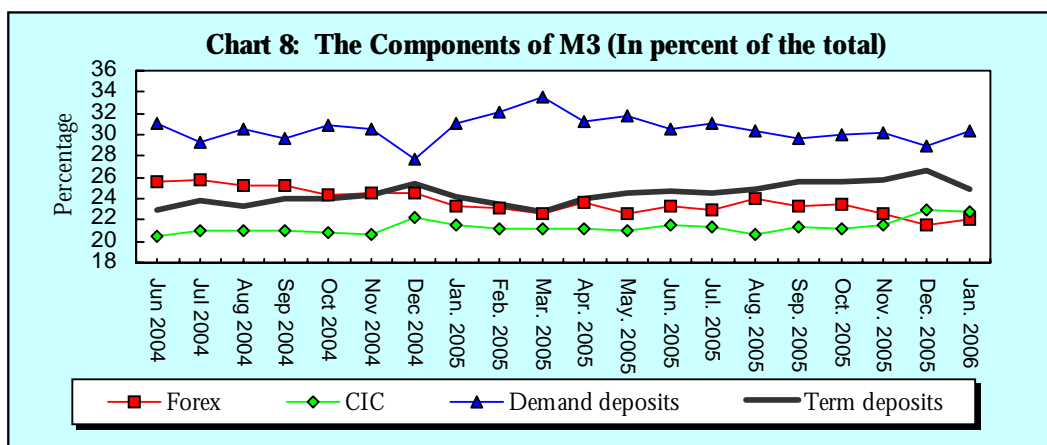
During January 2006, the total (shilling and foreign currency) gross extensions by commercial banks amounted to Shs175.29 billion, while recoveries were Shs131.88 billion resulting in net extensions of Shs43.41 billion. After accounting for flows in capitalised interest, there was an

increase in the stock of credit of about Shs44.51 billion (see Appendix 2a)⁹. During the month, commercial banks extended shilling denominated loans amounting to Shs94.96 billion and recovered Shs99.61 billion, thus net recoveries were Shs4.65 billion. Net capitalised interest stood at Shs-1.10 billion. Thus, there was a net decline in the stock of shilling loans to the non-bank public of Shs5.75 billion (see Appendix 2b). For foreign currency loans, gross extensions stood at Shs80.33 billion, while recoveries were lower at Shs32.27 billion, yielding net extensions of Shs48.06 billion. After taking into account effects of capitalised interest, the stock of foreign currency loans recorded a net rise of Shs50.26 billion (See Appendix 2c).

Appendix 2a-2c summarise the evolution of the monthly change in outstanding loans and advances of commercial banks from July 2004 to January 2006.

Liabilities of the Banking System

On the liabilities side, foreign currency accounts at commercial banks grew by an equivalent of Shs17.07 billion to Shs682.88 billion in January 2006. In US dollars, foreign currency accounts rose by US\$ 8.71 million to US\$375.17 million¹⁰. Demand deposits grew by 4.84 percent or Shs43.35 billion to Shs939.68 billion, while term deposits (time, savings and CDs) fell by 6.61 percent to Shs772.44 billion as at end-January 2006. Currency in circulation (CIC) fell by 0.40 percent or Shs2.16 billion to Shs717.41 billion. Reflecting these developments, the ratio of foreign currency deposits to M3 fell to 22.0 percent at end-January 2006 from 21.5 percent end-December 2005. The ratio of CIC to M3 fell to 22.8 percent from 22.9 percent, the ratio of demand deposits to M3 fell to 24.9 percent from 28.9 percent, while that of term deposits to M3 fell to 24.9 percent from 26.7 percent. The trends of the ratios are shown in Chart 8 below and Table 13 above.



⁹ 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.

¹⁰ The end period mid exchange rate is used to value forex items.

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

(a) Credit Institutions¹¹

Assets

In the month of January 2006, the total assets of the Credit Institutions (CIs) decreased marginally by 0.5 percent to Shs212.69 billion from Shs213.68 billion at the end of December 2005 (Table 14). This is lower than a decrease of 0.7 percent observed over the same period a year ago. The decline in assets during January 2006 was mainly on account of a decrease of 17.0 percent in notes and coins.

Loans and advances

The stock of the outstanding loans and advances to the private sector increased marginally by 0.1 percent to Shs. 129.99 billion as at end-January 2006. Mortgage loans, which accounted for 59.0 percent of total loans, increased by 1.3 percent to Shs76.74 billion while secured and unsecured loans increased by 13.4 percent to Shs. 33.76 billion at the end of January 2006. Administered loans decreased by 19.6 percent to Shs. 19.49 billion. The building and construction sector accounted for the largest share (74.2 percent) of the total CIs advances as at end-January 2006 while the trade and commerce sector accounted for the second largest share of 14.7 percent.

Deposits: In January 2006, private sector deposits¹² in the CIs decreased from Shs. 97.35 billion to Shs. 96.51 billion. Specifically, time deposits decreased by 0.5 percent to Shs. 30.81 billion, while savings deposits decreased by 1.1 percent to and Shs. 65.70 billion. Agency funds (funds collected on behalf of government from the beneficiaries of the government's pool house sale scheme) increased by 1.1 percent to Shs33.23 billion over the same period.

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

	Sep 2005	Oct 2005	Nov 2005	Dec 2005	Jan 2006
Total Assets	208.15	212.28	212.85	213.68	212.69
O/w Loans and advances	128.54	129.97	129.79	129.81	129.99
Secured & unsecured	32.63	32.68	31.25	29.77	33.76
Mortgage	71.47	73.26	74.25	75.79	76.74
Administered	24.44	24.02	24.32	24.25	19.49
Other ^c	79.61	82.31	83.06	83.87	82.70
Total Liabilities	208.15	212.28	212.85	213.83	212.69
O/w Deposits Liabilities ^a	128.97	132.71	132.26	131.28	130.82
Savings	65.16	63.98	64.66	66.39	65.70
Time	29.79	34.10	33.45	30.95	30.81
Agency Funds	31.92	32.50	32.54	32.88	33.23
Other ^b	79.18	79.57	80.59	82.55	81.87

Source: CIs monthly reports to BOU

a/ Includes accrued interest

b/ Includes balances due to commercial banks, administered funds, other liabilities, provisions, capital, and Profit/loss.

c/ Includes investments, balances with banks, cash, fixed assets, net due from own offices in Uganda for items in transit and other assets

¹¹ Covers 7 credit institutions.

¹² This excludes Agency Funds

(b) Micro finance Deposit-Taking Institutions (MDIs)¹³

In October 2005, the number of MDIs increased from three to four licensed institutions and submission of returns to Bank of Uganda from the new institution followed effectively in the same month. The developments to January 2006 are summarized in Table 15.

Assets

In the month of January 2006, the total assets held by MDIs stood at Shs100.90 billion, representing a decrease of Shs. 2.79 billion (or 2.7 percent) from Shs103.69 billion in December 2005. Net loans outstanding, which accounted for the largest share at 61.0 percent of total assets, also decreased by Shs. 1.62 billion (or 2.6 percent) from Shs. 63.16 billion to Shs.61.54 billion.

Loans and advances

The stock of the outstanding loans to the private sector amounted to Shs. 64.17 billion down from Shs. 65.74 billion in December 2005. Allowances for loan losses (general and specific) amounted to Shs2.63 billion, representing an increase of 2.0 percent from Shs2.58 billion in December 2005.

Liabilities

Deposits

In January 2006, deposit liabilities in the MDIs amounted to Shs15.05 billion, of which Time and Savings deposits were Shs0.56 and Shs14.26 billion, respectively. This was a decrease of Shs. 0.43 billion from Shs. 15.48 billion in December 2005.

Borrowings

Total Borrowings of the MDIs decreased further from Shs. 32.71 billion to Shs. 30.34 billion. Specifically, borrowings-short term (Market rate) decreased by 13.3 percent to Shs. 14.68 billion while borrowings-long term debt (Market rate) decreased by 0.7 percent to Shs. 15.66 billion. Loan insurance funds, however, increased by 1.7 percent from Shs15.17 billion to Shs15.42 billion recorded in January 2006.

¹³ Covers 4 Institutions

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

	Sep 2005	Oct 2005	Nov 2005	Dec 2005	Jan 2006
Total Assets	80.39	105.49	104.48	103.69	100.90
O/w Net Loans outstanding ^a	48.92	61.45	62.81	63.16	61.54
Notes & Coins	1.56	2.13	1.96	2.29	2.49
Balances with financial institutions in Uganda	9.26	13.47	11.42	12.92	11.17
Investments in Securities	10.42	13.85	13.96	11.45	11.55
Net Fixed Assets	5.55	7.90	7.97	8.01	8.18
Other Assets	4.15	5.47	5.42	5.27	5.42
Total Liabilities & Equity	80.39	105.49	104.48	103.69	100.90
Total Liabilities	61.29	81.39	80.37	72.43	70.01
O/w Deposit Liabilities	10.60	14.55	14.80	15.48	15.05
Savings	9.95	13.95	14.19	14.95	14.26
Time	0.25	0.26	0.29	0.32	0.56
Accrued Interest	0.33	0.34	0.32	0.21	0.23
Loans insurance funds	10.91	14.64	15.26	15.17	15.42
Borrowings	35.85	43.76	41.38	32.71	30.34
Other Liabilities	3.42	7.47	7.96	4.60	7.45
Grants/Deferred Income	0.10	0.76	0.75	1.01	0.97
Total Equity	13.23	17.45	18.61	18.57	18.20
Year to date profit/loss	1.37	1.15	1.16	1.12	(13.39)
Subordinated Debt	2.50	3.51	3.51	9.79	9.79
Preference shares	2.00	2.00	2.00	2.90	2.90

Source: MDIs monthly reports to BOU
a/ Excludes allowances for loan losses

F EXCHANGE RATE AND FOREIGN EXCHANGE MARKET

The Uganda shilling registered an appreciative trend in February 2006. Relative to January 2006, the shilling appreciated by 0.2 percent, gaining Shs. 3.28 against the US dollar in February 2006, compared to a depreciation of 0.12 percent in January 2006. The average mid-rate was Shs.1,815.8 per US dollar in February compared to Shs. 1,819.1 per US dollar in January 2006. However, the shilling posted an average daily depreciation of 0.01 percent in February 2006. The end-month mid-rate was 1,824.8 on February 28, 2006 compared to Shs. 1,820.2 per US dollar on January 31, 2006. The monthly average spread rose from Shs. 10.9 in January 2006 to Shs. 11.4 in February 2006. The month-on-month appreciation of the Shilling in February relative to the previous month could be explained by increased inflows from the export sector and also subdued corporate demand during the period under review. The above developments are shown in charts 9 and 10 and appendix 3.

Commercial banks' daily retail sales averaged US\$ 10.2 million in February 2006 close to US\$ 10.1 million in January 2006; while daily purchases averaged US\$ 9.9 million in February compared to US\$ 10.3 in January 2006. Similarly, commercial banks purchased a total of US\$ 187.2 million in February compared to US\$ 206.5 purchased in January 2006; while they sold US\$ 193.1 million in February compared to US\$ 201.1 million in January 2006. Inter-bank trading increased from US\$ 110.3 million in January to US\$ 112.2 million in February 2006. Daily interbank trading averaged US\$ 5.9 million in February compared to an average US\$ 5.5 in January 2006.

BOU resumed the daily sales of US\$ 0.3 million to the IFEM for liquidity sterilisation purposes. Appreciation pressures during the month of February 2006 necessitated BOU's intervention with a net purchase of US\$ 0.95 million compared to a net purchase of US\$ 2.50 million during the previous month. On a net basis, BOU sold US\$ 4.15 million in the market during the period under review, compared to a net sale of US\$ 3.20 million in January 2006. BOU would continue monitoring developments in the IFEM and stand ready to intervene to smoothen out destabilising spikes in the movement of the exchange rate.

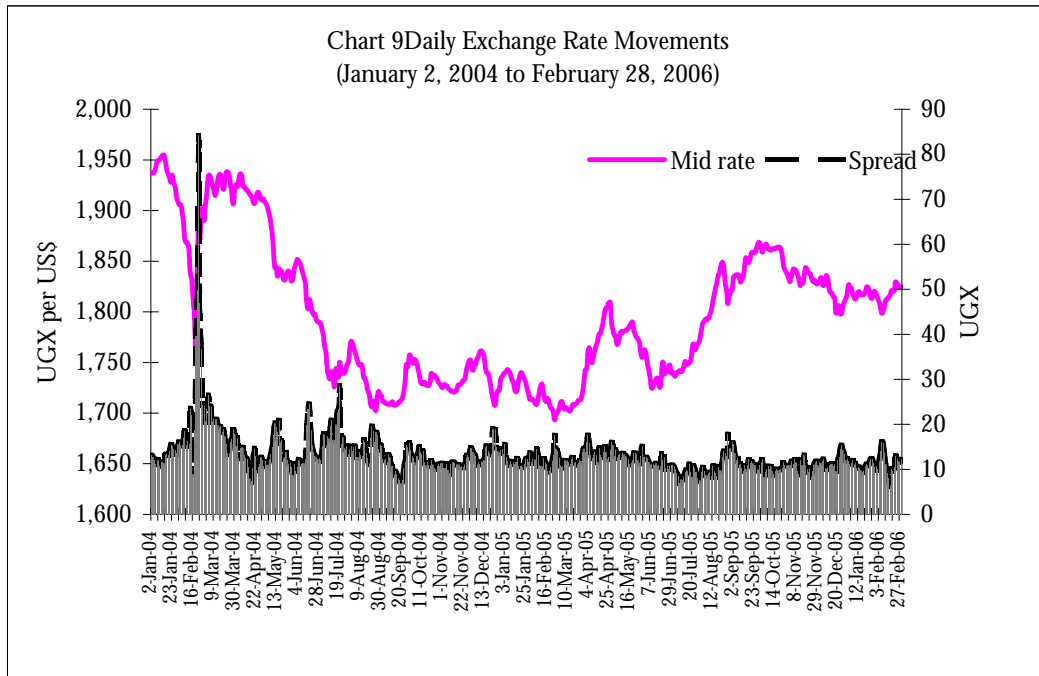
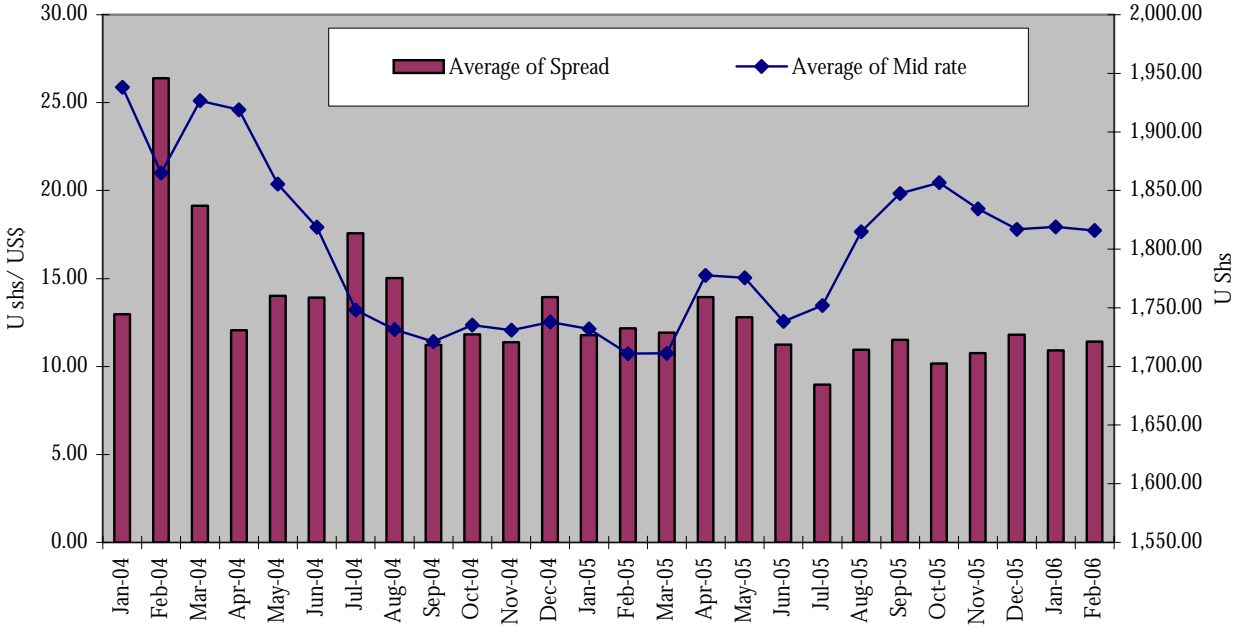


Chart 10 Monthly Exchange Rate Developments
(January 2004 - February 2006)



G GOVERNMENT BUDGETARY OPERATIONS

This section reports preliminary fiscal performance for the month of December 2005.

i) Revenue and Grants

According to the preliminary figures from the Ministry of Finance, Planning and Economic Development, total revenue and budget support grant receipts (excluding project grants) were estimated at Shs 413.15 billion during the month of December 2005, more than twice the total of Shs. 193.29 billion recorded in November 2005.

Total domestic revenue collected in December 2005 was estimated at Shs 244.00 billion with URA collections contributing 99.5 percent or Shs. 242.67 billion. The URA revenue collections were higher than in the previous month by Shs. 66.72 billion. This performance was sustained by URA's improvements in tax administration through restructuring. The revenue collections were also higher than the programmed target for the month of December by Shs. 49.05 billion (25.3 percent). The preliminary outturn for non-URA revenue collections for December 2005 was estimated at Shs 1.33 billion, lower than both the program figure of Shs3.79 billion, and the November 2005 collection of Shs1.65 billion.

Receipts from budget support grants are estimated at Shs 169.15 billion for the month of December 2005, compared to Shs 15.70 billion realised in November 2005. This is Shs. 72.11 billion (74.3 percent) higher than Shs. 97.04 billion programmed for December 2005.

Table 16: Government Budgetary Operations: October – November 2005(Billion Shs)

	Prel. Outturn 2004/05	Prog. Budget 2005/06	Approved Budget 2005/06	Prel. Nov 2005	Prel. Dec. 2005	Prog Dec 2005
Total Tax & Budget Support Receipts	2,763.58	3,441.67	2,894.13	193.29	413.15	334.77
Total Domestic Revenue	1,948.27	2,280.50	2,283.73	177.59	244.00	197.42
URA Excluding Refunds/Govt. Taxes	1,921.26	2,230.00	2,230.14	175.95	242.67	193.63
Non URA Revenues	27.01	50.50	-	1.65	1.33	3.79
Budget Support Grants 2/	815.31	611.11	610.40	15.70	169.15	137.35
Expenditure & Lending	2,530.11	3,849.06	2,842.77	286.89	211.01	330.87
Current Expenditure	1,978.76	2,148.13	2,148.13	222.52	170.98	179.10
Development Expenditure	487.05	1,557.28	541.00	48.80	35.34	121.61
Others 1/	64.30	143.64	68.64	15.58	4.68	30.15
Overall Fiscal Balance (Deficit)	233.47	(407.39)	61.35	(93.60)	202.14	3.90
Excluding Grants	(581.84)	(1,568.56)	(549.05)	(109.30)	32.99	(133.45)

Source: Ministry of Finance, Planning and Economic Development
1/ Includes Net Lending/Repayments, Arrears Repayments and Contingency.
2/ December program constitutes Budget support Grants of Shs97.04 billion and Project Support Grants of Shs40.31 billion.

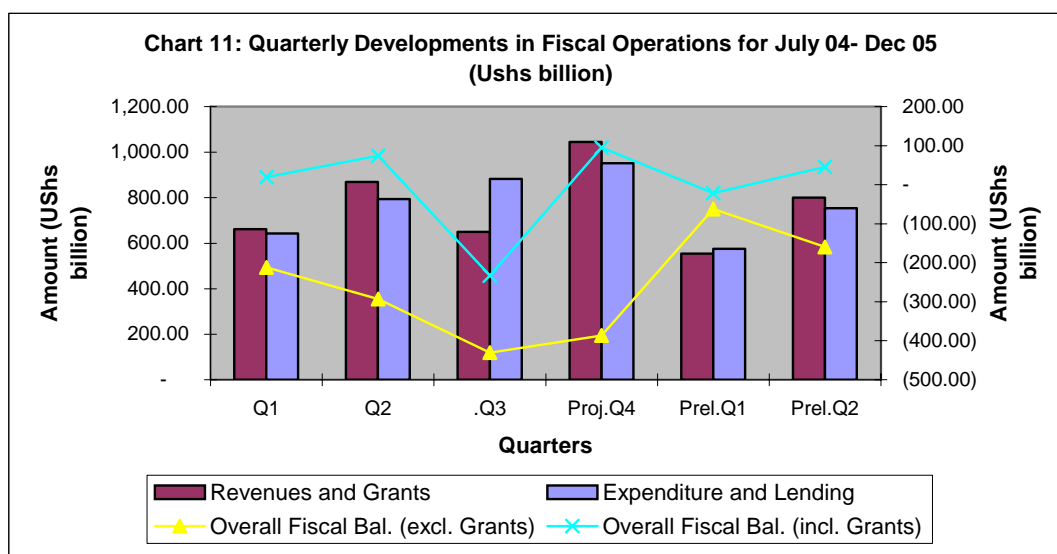
ii) Expenditure

In December 2005, government expenditure and net lending decreased by 26.5 percent or Shs 75.85 billion to Shs 211.01 billion. The increase was mainly on account of a decrease in current expenditures. In December 2005, current expenditure decreased to Shs 170.98 billion, from Shs 222.52 billion in the previous month mainly on account of a decrease in other recurrent expenditures. Expenditure on wages and salaries amounted to Shs 74.36 billion, which accounted

for 43.5 percent of current expenditure, while other recurrent expenditures amounted to Shs 70.44 billion, representing 41.2 percent of current expenditures. The outturn for total government expenditure was also contained below the programmed level of Shs330.87 billion during the month of December 2005.

iii) Overall Fiscal Balance and Financing

The overall fiscal balance for December 2005 was a surplus of Shs 202.14 billion compared to a deficit of Shs 93.60 billion recorded in November 2005. Excluding grants, the surplus reduces to Shs 32.99 billion, which compares with a deficit of Shs. 109.30 billion realised in November 2005. The domestic financing (excluding net bank financing) amounted to Shs. -195.48 billion while net external financing amounted to Shs -6.66 billion. Chart 9 depicts quarterly developments in fiscal operations over the last FY 2004/05 to 2005/06.



H DEVELOPMENTS IN THE BALANCE OF PAYMENTS

The overall balance was estimated at a surplus of US\$59.18 million in January 2006. The Current Account balance was estimated at a surplus of US\$43.5 million – a deterioration from a surplus of US\$77.0million registered in the preceding month. This was mainly on account of the reduction in current transfer inflows – in particular, the private transfer inflows reduced by US\$ 13.98 million in January 2006 from US \$ 142.0 million in the previous month. The Capital and Financial account was estimated at a surplus of US\$15.6 million, a deterioration from a surplus of US\$28.7 million recorded in December 2005. This is attributable to the private assets increasing their assets in the rest of the world.

i) Exports

Total Exports (developments for the month of January 2006)

Total export proceeds in the month of January 2006 were estimated at about US\$83.8 million; an improvement of about 13.5 percent compared to the export earnings of US\$73.8 million recorded in the preceding month.

Coffee Exports

During the month of January 2006 coffee exports amounted to 228,794(60-kilogram) bags worth US\$19.6 million. This was an increase of 26.9 percent in volume and 32.2 percent in value compared to the previous month's exports. The increase in volume during the month of January is due to the increased harvest as the new season sets in.

The average realized export price for coffee in January was US\$1.43 per kg – 4.2 percent more than the US\$1.37 per kg in December 2005.

Non-coffee Exports

There was an increase in the estimated earnings for a number of non-coffee exports in January 2006 vis-à-vis the previous month. The total value (of non-coffee exports) for January 2006 was estimated at US\$61.1 million – US\$2.3 million (or 4.0 percent) more than the value realized in the previous month. Specifically, export proceeds from cotton, hides and skins, simsim, cobalt, flowers and gold increased by 146.6 percent, 74.0 percent, 50.8 percent, 33.3 percent, 11.8 percent and 6.7 percent respectively.

Nonetheless, there was a decline in earnings from electricity (by US\$0.02 million), tea (US\$0.30 million), tobacco (US\$0.17 million), maize (US\$0.46 million), beans (US\$0.25 million), and fish and its products both regional and international (by US\$ 1.3 million) in the same month.

ii) Imports

The total import bill for the month of January 2006 was estimated at US\$165.3 million, of which private sector imports accounted for US\$155.3 million. Oil imports values amounted to US\$24.3 million – US\$0.4 million more than the oil import bill of December 2005.

Government imports were recorded at US\$10.0 million in the month under review, compared to the US\$4.0 million in the previous month. The Government import bill in January 2006 accounted for approximately 6.0 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\$71.7 million in the month under review. Net private sector transfer inflows were estimated at US\$103.4 million in January – US\$14.7 million less than the net inflows recorded in December 2005. This was to a large extent due to a reduction in inflows of workers' remittances, which fell by US\$9.5 million as the holiday season came to an end.. Services and income outflows in the same month exceeded inflows by about US\$56.6million.

Official debt service (excluding IMF payments) for the month of January 2006 was estimated at US\$7.0 million. There were no IMF principal payments during the same month. Estimates of net trade credit amounted to inflows of US\$5.92 million, consisting of inflows (buyers' credit and suppliers' credit) estimated at US\$25.4 million and outflows (pre-finance shipments and suppliers' credit repayments) estimated at US\$19.2 million.

In January 2005, the level of gross foreign reserves amounted to US\$1,415.7 million; a build up of US\$72.7 million compared to the preceding month. This reserve level is estimated to cover 6.4 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 2a: 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	1,289.21	(1,120.48)	168.72	59.51	(49.42)	10.09	178.81
2003/2004	1,456.31	(1,348.15)	108.17	86.05	(51.98)	34.06	142.23
2004/2005							
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
May 2005	139.73	(128.71)	11.02	9.31	(8.53)	0.78	11.80
June 2005	175.30	(128.07)	47.23	28.17	(6.21)	21.97	69.20
Q4	466.38	(395.28)	71.11	48.57	(18.85)	29.72	100.82
Half 2 2004/2005	886.96	(781.58)	105.38	80.44	(44.71)	35.73	141.11
2004/2005	1,713.19	(1,533.27)	179.91	152.00	(80.74)	71.27	251.18
2005/2006							
July 2005	181.90	(136.47)	45.43	9.66	(4.79)	4.87	50.29
August 2005	149.62	(159.26)	(9.64)	10.46	(2.89)	7.57	(2.07)
Sept. 2005	172.05	(81.29)	90.76	10.82	(5.56)	5.26	96.02
Q1	503.57	(337.34)	166.23	30.94	(13.24)	17.70	183.93
October. 2005	175.16	(99.09)	76.07	13.45	(5.98)	7.47	83.54
November 2005	216.48	(187.16)	29.31	12.99	(5.09)	7.91	37.22
December 2005	206.37	(193.50)	12.87	13.30	(6.43)	6.87	19.74
Q2	598.00	(479.75)	118.25	39.75	(17.50)	22.25	140.50
Half 1 2005/2006	1,101.57	(817.09)	284.48	70.69	(30.74)	39.95	324.43
January 2006	175.29	(131.88)	43.41	7.85	(6.75)	1.10	44.51

Source: Research Department, Bank of Uganda

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

Period	Extensions	Recoveries	Net extensions	Cap interest	Repd cap int	Net Cap int	Net change
	1	2	3=1+2	4	5	6=4+5	7= 3+6
1999/2000	309.57	(257.58)	51.99	21.91	(65.28)	(43.37)	8.62
2000/2001	602.42	(553.62)	48.80	32.75	(59.58)	(26.83)	21.97
2001/2002	698.57	(693.31)	5.26	22.65	(54.96)	(32.31)	(27.05)
2002/2003	887.64	(753.00)	134.65	51.87	(43.11)	8.76	143.41
2003/2004	984.69	(897.52)	87.17	75.49	(43.72)	31.77	118.94
2004/2005							
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
May 2005	94.72	(83.27)	11.45	6.60	(6.80)	(0.20)	11.25
June 2005	106.11	(71.20)	34.91	5.85	(4.74)	1.11	36.02
Q4	286.05	(234.09)	51.96	20.78	(13.22)	7.56	59.52
Half 2 2004/05	528.73	(449.23)	79.50	41.06	(35.40)	5.66	85.16
2004/2005	1,072.53	(960.22)	112.31	98.63	(66.25)	32.38	144.69
2005/2006							
July 2005	103.08	(86.35)	16.73	6.27	(2.11)	4.16	20.89
August 2005	85.85	(99.03)	(13.18)	6.88	(2.07)	4.81	(8.38)
Sept. 2005	101.35	(77.54)	23.81	7.60	(4.82)	2.78	26.60
Q1	290.28	(262.92)	27.36	20.76	(9.00)	11.75	39.11
October 2005	111.28	(87.81)	23.47	10.32	(4.76)	5.56	29.03
November 2005	119.17	(115.67)	3.49	9.20	(2.90)	6.30	9.79
December 2005	126.50	(116.59)	9.91	9.71	(4.46)	5.25	15.16
Q2	356.95	(320.07)	36.88	29.23	(12.12)	17.10	53.98
Half 1 2005/2006	647.23	(582.99)	64.24	49.98	(21.13)	28.85	93.09
January 2006	94.96	(99.61)	(4.65)	3.72	(4.82)	(1.10)	(5.75)

Source: Research Department, Bank of Uganda

**Table 2c: Monthly Change in outstanding loans and advances of Commercial banks
(Foreign Currency, billion Shs)**

Period	Extensions	Recoveries	Net extensions	Cap interest	Repd cap int	Net Cap int	Net change
	1	2	3=1+2	4	5	6=4+5	7= 3+6
1999/2000	95.19	(54.30)	40.89	8.71	(26.04)	(17.33)	23.55
2000/2001	249.86	(215.95)	33.91	8.23	(12.03)	(3.80)	30.11
2001/2002	229.74	(192.77)	36.97	4.36	(9.69)	(5.33)	31.64
2002/2003	401.56	(367.49)	34.07	7.65	(6.31)	1.33	35.41
2003/2004	471.62	(450.63)	21.00	10.55	(8.26)	2.29	23.29
2004/2005							
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
May 2005	45.01	(45.44)	(0.44)	2.72	(1.73)	0.99	0.55
June 2005	69.19	(56.87)	12.32	22.32	(1.46)	20.86	33.18
Q4	180.34	(161.19)	19.15	27.78	(5.63)	22.16	41.31
HALF 2 2004/2005	358.23	(332.35)	25.88	39.38	(9.31)	30.07	55.95
2004/2005	640.66	(573.06)	67.60	53.37	(14.48)	38.89	106.49
2005/2006							
July 2005	78.82	(50.12)	28.70	3.38	(2.68)	0.71	29.40
August 2005	63.77	(60.23)	3.54	3.58	(0.81)	2.77	6.30
September. 2005	70.70	(3.76)	66.94	3.22	(0.74)	2.47	69.42
Q1	213.29	(74.42)	138.87	10.18	(4.24)	5.95	144.81
October 2005	63.87	(11.28)	52.59	3.13	(1.22)	1.92	54.51
November 2005	97.31	(71.49)	25.82	3.80	(2.19)	1.61	27.43
December 2005	79.87	(76.91)	2.96	3.59	(1.97)	1.62	4.58
Q2	241.05	(159.68)	81.37	10.52	(5.37)	5.15	86.52
HALF1 2005/2006	454.34	(234.10)	220.24	20.70	(9.61)	11.09	231.33
January 2005	80.33	(32.27)	48.06	4.13	(1.93)	2.20	50.26

Source: Research Department, Bank of Uganda

Period	Extensions	Recoveries	Net ext.	Cap interest	Repd cap int	Net Cap int	Net change
	1	2	3=1+2	4	5	6=4+5	7= 3+6
1999/2000	404.75	(311.48)	93.27	30.58	(91.27)	(60.69)	32.58
2000/2001	852.28	(769.56)	82.71	40.98	(71.61)	(30.64)	52.08
2001/2002	928.31	(886.08)	42.23	27.01	(64.65)	(37.64)	4.59
2002/2003	1,289.21	(1,120.48)	168.72	59.51	(49.42)	10.09	178.81
2003/2004	1,456.31	(1,348.15)	108.17	86.05	(51.98)	34.06	142.23
2004/2005							
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
May 2005	139.73	(128.71)	11.02	9.31	(8.53)	0.78	11.80
June 2005	175.30	(128.07)	47.23	28.17	(6.21)	21.97	69.20
Q4	466.38	(395.28)	71.11	48.57	(18.85)	29.72	100.82
Half 2 2004/2005	886.96	(781.58)	105.38	80.44	(44.71)	35.73	141.11
2004/2005	1,713.19	(1,533.27)	179.91	152.00	(80.74)	71.27	251.18
2005/2006							
July 2005	181.90	(136.47)	45.43	9.66	(4.79)	4.87	50.29
August 2005	149.62	(159.26)	(9.64)	10.46	(2.89)	7.57	(2.07)
Sept. 2005	172.05	(81.29)	90.76	10.82	(5.56)	5.26	96.02
Q1	503.57	(337.34)	166.23	30.94	(13.24)	17.70	183.93
October. 2005	175.16	(99.09)	76.07	13.45	(5.98)	7.47	83.54
November 2005	216.48	(187.16)	29.31	12.99	(5.09)	7.91	37.22
December 2005	206.37	(193.50)	12.87	13.30	(6.43)	6.87	19.74
Q2	598.00	(479.75)	118.25	39.75	(17.50)	22.25	140.50
Half 1 2005/2006	1,101.57	(817.09)	284.48	70.69	(30.74)	39.95	324.43

Source: Research Department, Bank of Uganda

Appendix 3: Mid Exchange Rate in the IFEM, Spreads, Commercial Banks' Purchases and Sales.

Date	Average of Mid rate	Average of Spread	Sterilisation	Intervention	Purchases	Sales	Interbank
2-Jan-06	1826.74	11.80	0.00	0.00	15.21	8.73	4.99
3-Jan-06	1824.41	11.18	-0.30	0.00	6.19	4.95	4.62
4-Jan-06	1823.84	11.24	-0.30	0.00	9.25	6.08	6.97
5-Jan-06	1817.44	11.95	-0.30	0.00	6.42	10.69	5.74
6-Jan-06	1814.31	10.98	-0.30	0.00	7.59	12.23	3.42
9-Jan-06	1812.51	11.28	-0.30	0.00	14.27	10.72	5.35
11-Jan-06	1815.80	10.26	-0.30	0.00	10.87	10.34	3.34
12-Jan-06	1819.58	10.53	-0.30	0.00	12.57	11.00	3.36
13-Jan-06	1819.42	10.31	-0.30	0.00	8.86	8.60	3.20
16-Jan-06	1816.70	9.74	-0.30	0.00	8.32	11.04	3.22
17-Jan-06	1817.53	9.38	-0.30	0.00	10.34	10.26	5.99
18-Jan-06	1816.84	9.51	-0.30	0.00	12.21	8.45	4.84
19-Jan-06	1819.37	10.59	-0.30	0.00	8.43	10.39	6.43
20-Jan-06	1824.72	11.06	-0.30	0.00	10.13	10.88	3.68
23-Jan-06	1824.56	10.79	-0.30	0.00	12.39	9.81	2.12
24-Jan-06	1820.51	11.49	-0.30	0.00	11.10	8.67	4.43
25-Jan-06	1814.53	12.15	-0.30	2.50	10.19	11.26	9.24
27-Jan-06	1813.46	12.24	-0.30	0.00	9.28	17.78	14.65
30-Jan-06	1820.01	11.29	-0.30	0.00	12.27	10.66	9.73
31-Jan-06	1820.19	10.52	-0.30	0.00	10.58	8.56	5.00
Jan-06	1819.12	10.91	-5.70	2.50	206.48	201.08	110.33
1-Feb-06	1817.77	10.55	-0.30	0.00	9.55	7.70	3.39
2-Feb-06	1814.02	9.96	-0.30	0.00	8.93	9.67	7.10
3-Feb-06	1810.51	11.81	-0.30	0.00	9.95	10.13	2.71
6-Feb-06	1804.36	14.01	-0.30	0.00	7.93	10.34	7.84
7-Feb-06	1798.49	15.98	0.00	4.95	12.94	9.99	16.69
8-Feb-06	1800.44	15.77	0.00	6.00	18.40	15.14	13.29
9-Feb-06	1805.81	13.67	-0.30	0.00	7.30	10.31	7.73
10-Feb-06	1812.02	11.07	-0.30	0.00	10.79	8.58	6.89
13-Feb-06	1812.61	9.13	-0.30	0.00	9.74	9.46	2.60
14-Feb-06	1814.49	7.94	-0.30	0.00	11.06	9.61	2.72
15-Feb-06	1815.93	6.35	-0.30	0.00	8.81	10.11	1.67
16-Feb-06	1820.96	10.02	-0.30	-5.00	9.31	14.97	7.45
17-Feb-06	1820.25	9.54	-0.30	0.00	8.11	9.94	0.81
20-Feb-06	1820.98	10.52	-0.30	0.00	7.04	7.50	3.05
21-Feb-06	1829.35	12.89	-0.30	-5.00	7.27	16.53	14.70
22-Feb-06	1827.99	12.24	-0.30	0.00	11.35	10.07	3.75
24-Feb-06	1826.15	11.63	-0.30	0.00	7.39	4.97	0.41
27-Feb-06	1824.16	11.64	-0.30	0.00	12.45	10.65	5.09
28-Feb-06	1824.75	12.12	-0.30	0.00	8.93	7.44	4.29
Feb-06	1815.84	11.41	-5.10	0.95	187.22	193.10	112.18

Appendix 4: Exports of Goods (US\$ Million Dollars)

	Jul-05	Aug-05	Sep-05	Oct-05	Nov-05	Dec-05	Jan-06
Total Exports	71.80	73.16	62.48	69.48	72.11	73.82	83.79
1. Coffee							
Gross coffee shipment, million (60-Kg) bags	0.25	0.22	0.14	0.12	0.18	0.18	0.23
Av. unit value	1.25	1.26	1.18	1.27	1.32	1.37	1.43
Value of total shipment (BOP)	18.62	16.54	10.03	9.28	14.41	14.84	19.61
2. Non-Coffee exports	53.18	56.62	52.45	60.20	57.70	58.99	64.19
Electricity	0.28	0.26	0.50	0.28	0.40	0.40	0.38
Gold	6.03	9.01	5.76	6.65	5.39	8.68	9.26
Cotton	1.44	0.53	0.07	0.64	0.26	0.46	1.14
Tea	2.80	2.57	3.06	2.89	3.14	2.98	2.68
Tobacco	2.37	2.45	1.86	3.08	1.51	1.35	1.18
Fish & its prod.(excl. regional)	10.98	10.58	11.14	13.28	13.01	12.24	10.94
Fish & its prod.(regional exports)	2.74	2.62	3.12	3.93	4.10	3.73	3.26
Hides & skins	0.57	0.82	0.45	0.54	0.52	0.46	0.80
Simsim	0.04	0.41	0.42	0.50	0.07	0.48	0.72
Maize	1.07	1.34	2.54	2.82	2.27	2.24	1.78
Beans	0.95	0.87	0.36	0.23	1.12	0.77	0.52
Flowers	2.87	3.00	2.62	2.88	2.67	2.28	2.55
Oil re-exports	2.33	2.16	2.16	2.48	2.22	2.68	2.37
Cobalt	2.55	1.31	0.79	1.57	1.39	1.57	2.10
Others	16.17	18.68	17.61	18.43	19.63	18.67	24.50
Source: Bank of Uganda							

Appendix 5: Imports Of Goods and Services(US \$ Millions Dollars)

	Jul-05	Aug-05	Sep-05	Oct-05	Nov-05	Dec-05	Jan-06
Total Imports	149.47	163.02	172.11	153.84	164.28	156.83	165.32
Government Imports	19.11	15.77	18.56	7.52	12.36	3.95	10.00
Project	12.62	11.90	14.95	2.82	3.39	1.64	1.19
Non-Project	6.49	3.87	3.61	4.70	8.98	2.30	8.81
Private Sector Imports	130.37	147.26	153.55	146.32	151.92	152.89	155.32
Oil imports	17.28	19.35	21.96	20.15	23.71	23.82	24.26
Non-oil imports	113.08	127.91	131.59	126.17	128.20	129.07	131.06
Source: Bank of Uganda							
Note: All import figures are reported at f.o.b value.							