



MONTHLY ECONOMIC REVIEW

MAY
2004

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EXECUTIVE SUMMARY

Monetary Policy Stance and Actions

The primary objective of monetary policy remains to contain inflation at low and stable levels. This notwithstanding, BOU ensures that its monetary operations are cautious not to exacerbate instability in both the domestic money and foreign exchange markets. For the four-weeks period ended May 07, 2004:

- Net-issuance of Treasury bills and daily sales of foreign exchange under the sterilization strategy were used to sterilize liquidity, while the Repo instruments facilitated the short-term, normally fine-tuning operations.
- In line with market developments, the Rediscount rate and Bank rate that were 12.92 percent and 13.92 percent, respectively, by May 07, 2004, had declined to 11.69 percent and 12.69 percent, respectively.
- Bank of Uganda maintained its presence in the market under the sterilization profile and also intervened to curb instability in the market.

Inflation Developments

Inflationary pressures continued to ease in April 2004.

- The annual headline inflation rate declined from 1.7 percent in March 2004 to 0.4 percent of April 2004.
- The annual underlying inflation rate for April 2004 remained unchanged at 3.9 percent, which was the position by end March 2004.

Real Sector Developments

- The Index of Industrial Production reveals that the manufacturing sector grew at an average of 0.5 percent per month between December 2003 and March 2004. The growth was mainly driven by the sugar sub-sector, for which the average growth per month was 10.5 percent over this period.
- Turnover at the Uganda Securities Exchange decreased from Shs 40.1 million in March 2004 to Shs 10.3 million in April 2004. The USE All Shares Index also decreased, closing at 383.14, compared to 387.09 of March 2004.

Domestic Securities and Money Market Developments

Securities and money market interest rates remained stable over the four weeks ended-May 07, 2004.

- There were no primary bond issues in the four weeks to May 07, 2004.

- In the primary auction market for Treasury bills, the respective weighted annual discount rates for the 91-day, 182-day, 273-day, and 364-day bills stood at 5.20 percent, 6.61 percent, 8.57 percent and 8.82 percent, respectively, at the auction held on April 28, 2004. This compares to levels of 5.35 percent, 6.17 percent, 7.69 percent and 7.98 percent, respectively, recorded in the auction held on April 14, 2004.
- The average bid/offer discount rates in the secondary market for Treasury bills maintained the downward trend for all papers (maturities) that was observed in the previous four-week period. However those on Treasury bonds have remained almost static over this period.
- The yield curve, based on the average yield-to-maturity quotations in the secondary market has evolved in line with the developments in the primary market.
- No secondary market transactions were recorded in Treasury bonds. Total transactions in the secondary market for Treasury bills increased to Shs 20.92 billion over the period under review, higher than Shs 5.58 billion of the corresponding period ended-April 16, 2004.
- The domestic inter-bank money market remained buoyant, but the weighted average inter-bank market rate of 5.72 percent over the four weeks to May 07, 2004, was higher than 5.19 percent recorded for the corresponding period ended April 16, 2004.
- There were no adjustments in commercial banks' prime rates over the period under review.
- The commercial banks' effective rates to March 2004 continued on a sluggish downward trend. The average effective lending rate on shilling denominated loans declined marginally from 23.26 percent to 22.12 percent, while that on the foreign denominated loans was 9.11 percent, compared with 9.22 percent recorded in February 2004.

Monetary and Financial Aggregates Developments

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

- In March 2004, broad money M3 and broad money excluding forex deposits (M2) both contracted by 0.3 percent and 0.9 percent, respectively. These aggregates had expanded by 2.7 percent and 2.4 percent, respectively in February 2004. The year-on-year growth rates for M3 and M2 were 13.8 percent and 12.0 percent, respectively.
- While net credit by the banking system to government decreased by 4.3 percent during March 2004, private sector credit (PSC) grew by 2.7 percent over this period. The year-on-year growth in PSC was 19.9 percent.
- On the liabilities, the respective shares in M3 of currency in circulation, shilling term deposits, shilling demand deposits and forex denominated deposits stood at 20.8 percent, 24.2 percent, 30.2 percent and 24.9 percent, respectively, by end-March

2004, compared to respective levels of 21.2 percent, 23.7 percent, 30.7 percent and 24.5 percent in February 2004.

- Assets of Non-Bank Financial Institutions (NBFIs) rose by 0.8 percent to Shs 147.26 billion in March 2004. The building and construction sector continued to account for the largest share of loans and advances from the NBFIs at 83.5 percent of the total as at end-March 2004. Deposits in these institutions rose by 5.0 percent in March 2004 mainly on account of savings deposits.
- Under the leasing activity, the value of assets disbursed increased by 62.0 percent to Shs 2.32 billion in April 2004, from Shs 1.43 billion in March 2004.

Fiscal Developments

- In the month of March 2004, government revenue and budget support grants were estimated at Shs 236.4 billion, higher than the programme target, by Shs 49.3 billion. It is also higher than Shs 131.0 billion realized in February 2004.
- Government expenditure and net lending stood at Shs 141.7 billion, lower than the programmed level of Shs 186.9 billion.
- The overall fiscal balance (including grants) for March 2004 was a surplus of Shs 94.7 billion compared to a deficit of Shs 47.4 billion recorded in the previous month. Excluding grants, the fiscal balance was a deficit of Shs 4.7 billion.

Foreign Exchange Market

- Appreciation pressures continued into the four-weeks ending May 07, 2004. The Shilling appreciated by 1.78 percent against the U.S. Dollar to Shs 1889.51 as at May 07, 2004 compared to an appreciation of 0.67 percent over the four weeks period ended April 16, 2004
- The average spreads between the weighted inter-bank buy and sell rates, declined from Shs 15.54 during the previous period to an average of Shs 12.51 for the period under review.
- BOU maintained its presence in the IFEM under the sterilization strategy geared at mopping up excess liquidity injected by poverty reduction government expenditures. The total net sterilization and intervention in the period under review amounted to US \$ 28.00 million, compared to the previous period's amount of US \$ 23.30 million.

Balance of Payments Developments

- In March 2004, the current account balance is estimated at a deficit of US\$14.86 million, while the capital and financial account is estimated at a surplus of US\$23.79 million. Thus, the overall balance is estimated at a surplus of US\$8.92 million.
- Total exports proceeds for the month of March 2004 are estimated at US\$66.22 million, out of which coffee accounted for 18 percent. Meanwhile, coffee exports that had been registered at US \$ 11.92 million, declined to US \$ 8.77 million during April 2004. This was on account of both the decline in unit price from US \$ 0.84 per Kg to US \$ 0.82 per

Kg and the reduction of 24.6 percent in volumes shipped, between March 2004 and April 2004 accounted for the decline.

- The import bill (cif) is estimated at US\$135.85 million during March 2004, an increase of 10.9 percent compared to US\$ 122.53 million of February 2004.
- Official aid (excluding project aid but including resources from the HIPC Initiative) inflows amounted to about US\$31.16 million, while net private transfers were estimated at a surplus of US\$19.56 million in March 2004. Services and income outflows exceeded inflows by US\$50.95 million during March 2004.
- Official debt service (excluding IMF payments) is estimated at US\$17.45 million for the month of March 2004. IMF principal obligations amounting to US\$2.45 million were externalized in March 2004. Short-term inflows of US\$14.60 million exceeded outflows by US\$2.38 million.
- Official foreign reserves (including valuation changes) are estimated to have increased by US\$4.10 million to US\$1058.37 million in March 2004, equivalent to 6.21 months of imports of goods and services.

A MONETARY POLICY STANCE AND ACTIONS

Bank of Uganda (BOU)'s monetary policy is focused on containing inflation, but operations of its instruments are cautious not to exacerbate instability in the markets. The Treasury bond, the net issues of Treasury bills and daily sales of foreign exchange continue to be the main instruments of sterilization of excess liquidity, while the Repurchase Agreements (REPOs) are actively used to fine-tune operations and manage short-term liquidity movements. The liquidity management effort is supplemented by adjustments in the pricing of the liquidity providing windows, the Rediscount Rate and Bank rate, to ensure a consistent monetary policy stance.

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

In the four weeks to May 07, 2004, the net redemption of Treasury bills amounting to Shs 22.44 billion was higher than Shs 17.24 billion in the corresponding four-week period to April 16, 2003. While sterilization efforts continued through daily sales of forex exchange, no bond was issued over this period. On the short-term liquidity management front, gross issues of the Repo instrument, whose maturity ranged from 1 days to 13 days, amounted to Shs 435.0 billion over this period, against maturities of Shs 349.95 billion. This is compared to issues and maturities of Shs 288.7 billion and Shs 305.8 billion, respectively over the preceding period ended April 16, 2004. BOU also intervened in the foreign exchange market to avert instability. Over the four weeks to May 07, 2004, the net effect of BOU's transactions in this market was a sale of foreign exchange worth US\$ 28.00 million, compared to US\$ 23.30 million in the preceding four weeks period ended April 16, 2004.

In line with the developments in the Treasury bill market, the Rediscount rate and Bank rate that were 12.92 percent and 13.92 percent, respectively, by April 16, 2004, had declined to 11.69 percent and 12.69 percent, respectively by May 07, 2004.

B DOMESTIC PRICE DEVELOPMENTS

The **Annual Headline Inflation** rate for April 2004 was **0.4 percent** compared to 1.7 percent in March 2004. This is the lowest annual headline inflation rate recorded since August 2002 when this rate registered a decline of 0.5 percent. The decline in the annual headline inflation rate was due to an annual drop in food crop prices of 12.3 percent, which is attributed to improved food crop production resulting from favorable weather. The April 2004 annual headline inflation rate of 0.4 percent is much lower than the 10.9 percent recorded in April 2003, in spite of the annual price increases of 4.2 percent and 3.2 percent in manufactured goods and services respectively.

The **Monthly Headline Inflation** rate increased to **1.5 percent** in April from the -0.1 percent registered in March 2004. This was due to monthly price increases of 3.3 percent for food, 0.7 percent for rent, fuel and utilities, 1.6 percent for household and personal goods, and 0.5 percent for transport and communication. The above increases fully offset the decrease of 0.1 percent registered under the clothing and footwear group. The beverages and tobacco and health, education and entertainment groups remained at the March 2004 levels.

The **Annual Underlying Inflation** rate was **3.9 percent** in April 2004, the same level as that of March 2004. However, this underlying inflation rate was lower than the 4.3 percent posted in April 2003.

The **Monthly Underlying Inflation** rate increased from 0.0 percent in March 2004 to **0.8 percent** in April 2004. This was largely because of increases in the average prices of goods and services that rose by 0.8 percent and 0.5 percent respectively.

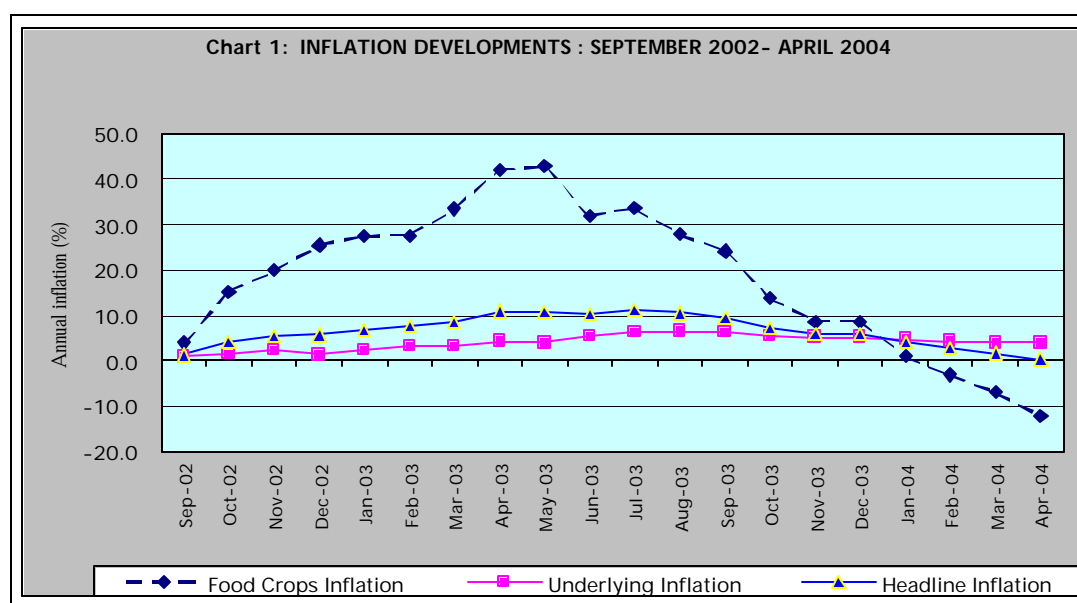
The **Food Crops Annual Inflation** rate dropped further to **-12.3 percent**, from -7.0 percent in the previous month. The **Monthly Food Crops Inflation rate** increased to **4.6 percent** in April 2004 compared to -1.0 percent recorded in March 2004. Increases in prices of staple foods and fruits and vegetables were registered in most centers.

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

Table I. Three Months Rolling Inflation Rates Out-turn (February – April 2004)

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

Source: Uganda Bureau of Statistics



C REAL SECTOR DEVELOPMENTS

This report presents trends in manufacturing based on the index of industrial production, construction, leasing activity, trading at the Uganda Securities Exchange and an analysis of investment activity for the period January to March 2004.

(i) Production

Data on the Index of Industrial Production (IIP), which measures performance of the manufacturing sector, is currently available up to March 2004. As summarized in Chart 2, over the three months to March 2004, the output in the manufacturing sector reflected the seasonal pattern of production and was on average higher by about 8 per cent when compared to the corresponding period last year. Relative to the previous quarter ended December 2003, the index increased by 1.12 per cent.

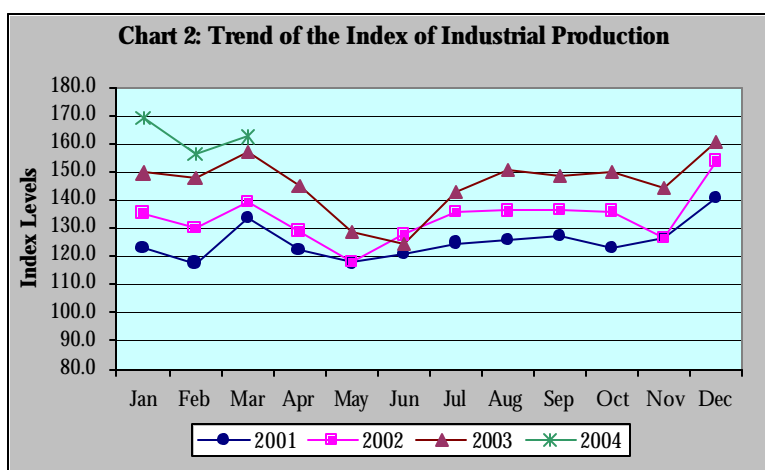


Table II below summarizes the monthly production of the items in the Major IIP in the quarter ended March 2004. During the quarter, production of cigarettes and cement posted positive monthly growth rates throughout.

Table II. Major Manufacturing Indices of Industrial Production: January – March 2004

Item	Dec '03	Percentage change	Jan '04	percentage change	Feb '04	percentage Change	Mar '04
Sugar	167.1	40.0	233.9	-3.5	225.7	-5.0	214.4
Beer	140.6	-18.5	114.6	-8.8	104.5	16.1	121.3
Soft drinks	244.8	-29.7	172.2	-11.6	152.2	15.7	176.1
Cigarettes	56.1	5.3	59.1	11.4	85.9	5.6	69.6
Textiles	87.6	8.1	94.7	-0.3	94.4	18.6	112.0
Cement	185.1	2.3	189.4	8.1	204.6	3.5	211.9
Laundry soap	144.6	37.9	199.5	-16.9	165.7	-1.1	164.0
Edible Oil	179.7	-8.0	165.4	-7.7	152.6	16.4	177.5
Metal Products	191.8	19.6	229.3	-16.1	192.4	-7.7	177.6
All Items	160.6	5.2	169.0	-7.4	156.5	3.8	162.4

Source: Uganda Bureau of Statistics

(ii) Investment

Information on actual investment activity is not currently available. However, based on the on the licenses issued by the Uganda Investment Authority, the total number of projects licensed increased to 46 during the period January–March 2004 when compared to 39 licensed in the preceding quarter of October–December 2003 and 33 in the corresponding period of January – March 2003. The total value of the investment licensed in the quarter ended March 2004 is estimated at US \$ 99.6 million, up from US \$ 44.7 million during the fourth quarter of 2003 and

US \$ 56.5 million of the first quarter of 2003. Planned employment rose by 121.7 percent and 87.6 percent to 5,435 positions from 2,452 and 2,897 jobs of October –December 2003 and January –March 2003 respectively. The share of agriculture to total planned investment rose to 56 percent in the period under review from 27 percent of October – December 2003 and 7 percent of January – March 2003. On the other hand, the share of manufacturing dropped to 9 percent from 29 percent of October –December 2003. The January – March 2004 share of 9 percent is however larger than 3.2 percent of January –March 2003. Table III below summarizes investment activity for the period January –March 2004.

**Table III. Indicators of Projects licensed by Uganda Investment Authority:
January – March 2004.**

Sector	Number of Projects Licensed	Planned Investment (US\$)	Planned Employment	percentage Share of Investment
Agriculture, Forestry & Fishing	9	55,843,200	1,659	56.05
Manufacturing	12	8,823,500	896	8.86
Mining & Quarrying	1	3,330,000	61	3.34
Tourism	5	9,744,000	230	9.78
Professional Services	1	184,000	45	0.18
Social Services	3	918,000	202	0.92
Water & Energy	3	1,998,000	1,589	2.01
Transport, Communication & Storage	4	5,993,000	150	6.02
Trade	2	2,472,000	338	2.48
Other business services	6	10,325,000	265	10.36
	46	99,630,700	5,435	100.00
Foreign Investment = 26 projects Local Investors = 20 Projects				
Source: Uganda Investment Authority				

(iii) Uganda Securities Exchange (USE)

Trading at the Uganda Securities Exchange was more active in April 2004 with the number of transactions increasing to 32 up from 12 of the previous month. Total turnover however, amounted to Shs 10.3 million, dropping by 74 percent from Shs 40.1 million recorded for March 2004. The number of shares traded dropped by 57 percent to 11,390 from 26,447 over the same period. The Bank of Baroda counter dominated activity, accounting for 72 percent of total turnover while Kenya Airways and East African Breweries Limited, both of which are cross-listed shares, registered no activity. The low activity in the cross-listed shares is partly explained by the relatively high transaction costs. For instance, while it takes up to two weeks for a trader to obtain a certificate after trading in a cross-listed equity, it takes only 3 days to obtain a certificate for trading in a locally listed equity.

During the period under review, listed companies whose financial years end in December announced dividend payments. Bank of Baroda announced a dividend payment of Shs 60 per share while British American Tobacco Limited, East African Breweries Limited and Uganda Clays Limited announced dividend payments of Shs 60, KShs 3.75 (Interim dividend) and Shs 200 per share respectively. Kenya Airways made no announcement because its financial year closes in June. As a result of these announcements, prices at all the counters were quite volatile during April 2004. Most remarkable was the price rise at the Uganda Clays Counter from a stable Shs 7,505 to an all time high level of Shs 8000. Market capitalisation of the USE rose by 2.8 percent to Shs 1,532.3 billion at the end of April 2004 trading from Shs 1,491.2 billion recorded at the end of March 2004 trading. The all share index opened the month under review at a level

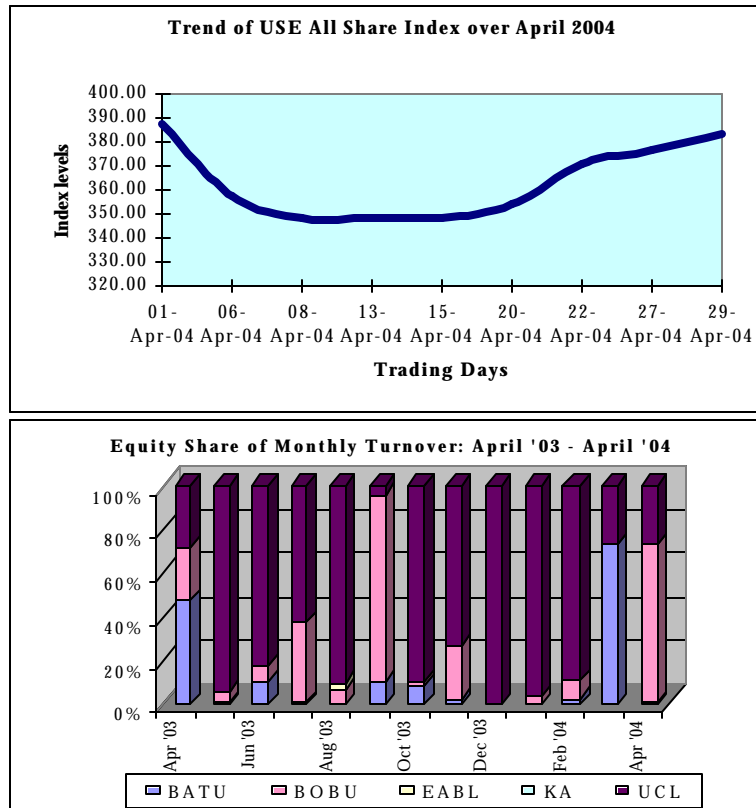
of 387.09 and proceeded on a falling trend, closing at a level of 383.14. No new securities were listed in April 2004.

Table IV: Trading at the Uganda Securities Exchange (October '03 – April '04)

	Oct. '03	Nov. '03	Dec '03	Jan. '04	Feb. '04	Mar '04	Apr '04	Apr '03
Total Turnover (Million US\$)	32.3	4.5	6.0	21.6	14.8	40.1	10.3	40.06
No. Deals	6	7	3	4	26	12	32	84
No. Shares	6995	2,002	797	3,782	3,800	26,447	11,390	29,949
Market Capitalization				1,583.8	1,555.3	1,491.2	1,532.3	374.9
All Share Index				397.28	384.52	387.09	383.14	n.a

Source: Uganda Securities Exchange Limited (USE)

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



D DEVELOPMENTS IN THE DOMESTIC SECURITIES AND MONEY MARKET

Domestic securities and money market rates that had been on a downward trend since January 2004, remained stable over the four weeks ended May 07, 2004.

i) Primary market for Treasury bonds

There were no primary bond issues in the four weeks to May 07, 2004. The stock of Treasury bonds in the market stands at Shs 60.0 billion, equally distributed between the 2-year, 3-year and 5-year bonds issued over the period January-March 2004. These bonds are also listed on the Uganda Stock Exchange.

ii) Secondary Market for Treasury bonds

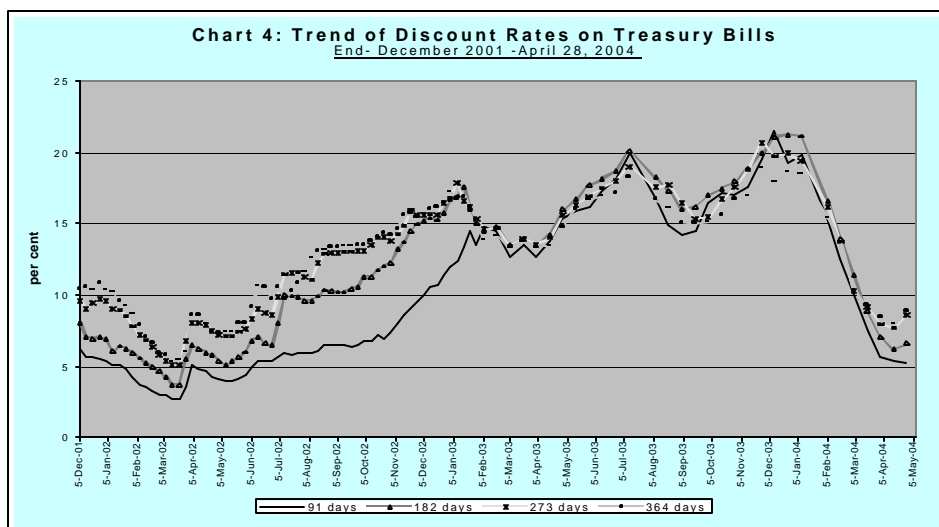
The four week-period average indicative bid/offer yields -to-maturity in the secondary market for the 2-year and 5-year bonds were quoted at 19.12/18.86 percent and 12.99/12.78 percent, up from the respective 18.92/18.67 percent and 12.95/12.71 percent reported in the previous four week period. The 3-year bond quoted average bid/offer rates of 14.88/14.65 percent, a decrease from the previous 14.94/14.74 percent. There were no reported secondary market trades in the bond in the period under review.

Table V: Bid/Offer Rates and Transactions in the Secondary Market for Treasury bonds over the four week-period to May 07, 2004

	Tenor of bond					
	2-year		3-year		5-year	
	Yield-to-maturity quotation (percent)					
	Bid	Offer	Bid	Offer	Bid	Offer
Min	14.00	13.75	12.00	11.75	12.00	11.75
Max	22.90	22.69	16.58	16.44	14.05	13.80
Average	19.12	18.86	14.88	14.65	12.99	12.78
<i>Compiled from Domestic Financial Markets Department records</i>						

iii) Primary Market for Treasury bills

In the primary auction market for Treasury bills, the respective weighted annual discount rates for the 91-day, 182-day, 273-day, and 364-day bills stood at 5.20 percent, 6.61 percent, 8.57 percent and 8.82 percent, respectively, at the auction held on April 28, 2004. This compares to levels of 5.35 percent, 6.17 percent, 7.69 percent and 7.98 percent, respectively, recorded in the auction held on April 14, 2004 (see trends in Chart 4 below). The Treasury bill market was over subscribed for all the auctions held in the period under review.



iv) **Secondary Market for Treasury bills**

The average bid/offer discount rates in the secondary market for Treasury bills, which have maintained the downward trend for all papers (maturities) continued into the period under review. As shown in Table VI, the average bid/offer rates for the four weeks to May 07, 2004 were recorded at 5.75/5.45 percent, 6.92/6.67 percent, 7.74/7.49 percent and 8.12/7.93 percent for the 91-days, 182 -days, 273-days and 364-days securities, respectively. This compares to the respective 6.47/6.21 percent, 8.07/7.82 percent, 8.32/8.07 percent and 8.46/8.20 percent, respectively in the four weeks to April 16, 2004.

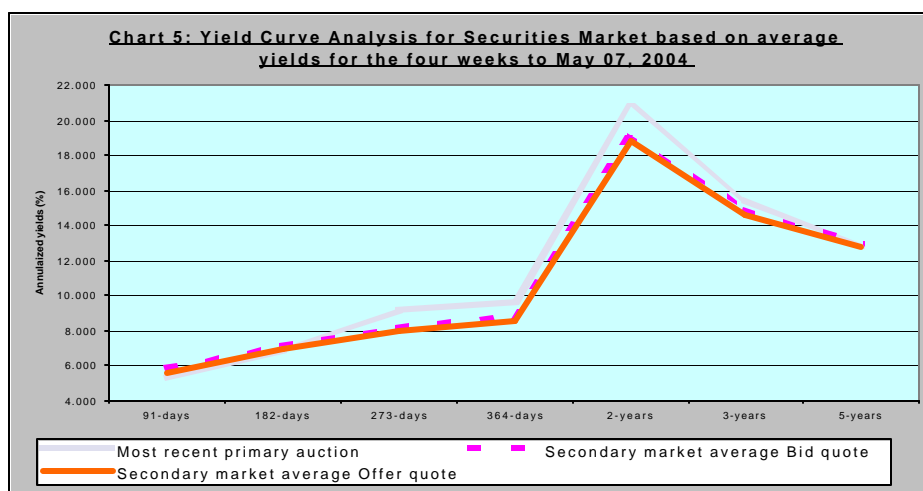
Table VI: Bid/Offer Rates and Transactions in the Secondary Market for Treasury bills over the four- week period to May 07, 2004

	Tenor of bills							
	91-days		182-days		273-days		364-days	
Discount rate quotation (percent)								
	Bid	Offer	Bid	Offer	Bid	Offer	Bid	Offer
Min	5.14	4.89	5.15	4.90	5.35	5.10	5.60	5.35
Max	6.50	6.25	7.90	7.65	9.30	9.05	12.00	11.75
Average	5.75	5.45	6.92	6.67	7.74	7.49	8.12	7.93
Trading Activity								
Transactions (Shs bill)	3.251		0.062		10.039		7.570	
O/w Horizontal repos	0.000		0.000		0.000		0.000	
- Av. H/Repo rate	-		-		-		-	
O/w - Outright sales	3.251		0.062		10.039		7.570	
Total trades across maturities	Shs 20.92 billion							
Rediscounts at BoU	-							
Borrowing at BoU	-							
- Av. Discount rate	9.64 percent		11.10 percent		8.09 percent		9.00 percent	
- Av. Effective Yield	9.81 percent		11.63 percent		8.57 percent		9.68 percent	
<i>Source: Compiled from Domestic Financial Markets Department records</i>								

Total trades in the Treasury bills for the four weeks ended May 07, 2004 amounted to Shs 20.92 billion, higher than Shs 5.58 billion of the four weeks ended April 16, 2004. The average discount

rates on these trades for the 91-day, the 182-day, 273-day, and the 364-day securities were 9.64 percent, 11.10 percent, 8.09 percent, and 9.00 percent, respectively. As was the case in the previous four-week period, all the trades were outright sales.

The yield curve, based on the average yield-to-maturity quotations in the secondary market has evolved in line with the developments in the primary market. As shown by Chart 5 below, relatively narrow margins between the two curves were observed at the shorter end of the market, and at the longer end as the curve derived from the secondary market dropped below that from the primary market right from the 182-day paper.



Activity in the domestic inter-bank money market for the four weeks ending May 07, 2004 continued to be buoyant in the call money market (i.e. transactions of less than 30 days in tenor). The most active period was the week ended April 16, 2004, when transactions worth Shs 64.45 billion were recorded, while the least activity was in the week of April 23, 2004, when Shs 31.80 billion was traded. The weighted interbank rate started out at 5.42 percent over the four-week period, thereafter increased to 6.44 percent and gradually declined in the subsequent two weeks, to 6.23 percent and 4.80 percent, respectively. All commercial banks participated in the market during the four weeks. The average of the inter-bank market rates of 5.72 percent over the four weeks to May 07, 2004, was higher than 5.19 percent recorded for the corresponding period ended April 16, 2004.

v) Commercial Banks' Retail Interest Rates

There were no adjustments in commercial banks' prime lending rates during the four weeks to April 30, 2004. Consequently, the number of commercial banks charging prime-lending rates in the categories 16.0-18.0 percent, 18.1-20.0 per cent and 20.1 – 22.0 percent were maintained at 4, 9 and 2, respectively. The range of these rates for the entire banking sector also remained unchanged at 17-21 percent. Table VII below summarizes these developments.

Two commercial banks adjusted their indicative deposit rates downwards in the period under review. The range of the savings and time deposits was maintained at 0-8.0 percent and 0.25-9.0 percent, respectively. The number of banks with maximum savings rates of at least 5.0 percent and those with a maximum time deposit rate of at least 8.0 percent decreased further from six (6) to five (5) and eight (8) to six (6), respectively.

Information on the commercial banks' effective lending and deposit rates is available only up to March 2004. As portrayed in Table VIII, the effective lending rate on foreign denominated loans maintained a downward trend, falling from 9.22 percent in February 2004, to 9.11 by end March 2004. The shilling denominated loans also registered a decline from 23.26 percent to 22.12 percent over the same period.

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

Prime Lending Rate (percent)	Jan 09, 04	Feb 06, 04	Mar 05, 04	Apr 08, 04	Apr 30, 04
	No. of banks charging rates within range				
0.0 – 10.9	0	0	0	0	0
11.0 – 13.9	0	0	0	0	0
14.0 – 15.9	0	0	0	0	0
16.0 – 18.0	1	1	3	4	4
18.1 – 20.0	3	3	2	9	9
20.1 – 22.0	11	11	10	2	2
22.1 - >>	0	0	0	0	0
Range (Min – Max)	18 percent – 22 percent	18 percent – 22 percent	17 percent – 22 percent	17 percent – 21 percent	17 percent – 21 percent

Source: Weekly Report of Interest rates by Commercial Banks

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

Weighted Average rates	Shilling Denominated				Forex Denominated			
	Dec 03	Jan 04	Feb 04	Mar 04	Dec 03	Jan 04	Feb 04	Mar 04
Lending	21.61	23.38	23.26	22.12	10.16	9.82	9.22	9.11
Demand Deposits	1.32	1.42	1.31	1.32	0.95	0.96	0.96	0.96
Savings Deposits	2.49	2.40	2.39	2.12	1.71	1.68	1.66	1.66
Time Deposits	12.11	11.46	10.23	6.94	1.66	1.51	1.73	1.51

Source: Monthly Report, BS100 Returns by Commercial Banks

The weighted rate on shilling denominated savings deposits maintained a marginal decline, decreasing further from 2.39 percent in February 2004, to 2.12 percent in March 2004. The weighted time deposits rate also continued to decline, falling from 10.23 percent in the previous period to 6.94 percent in the period under review. On the foreign currency denominated deposits, the rate on demand and savings deposits remained stable at 0.96 and 1.66 percent, respectively. That on time deposits fell back to 1.51 percent from 1.73 percent to where it had risen previously.

E MONETARY AGGREGATES AND FINANCIAL SECTOR AGGREGATES

(i) Banking Activities¹

Broad Money

Broad Money M3, which comprises currency in circulation plus all private sector deposits, contracted by 0.3 percent to Shs 2507.2 billion in March 2004. This represents a turn around in

¹ Based on the Preliminary Monetary Survey for March 2004.

the growth of money supply compared to an expansion of 2.7 percent in February 2004. Relative to June 2003, M3 expanded by 5.6 percent or Shs 133.7 billion, while the year-on-year growth rate for M3 was recorded at 13.8 percent, compared to 14.7 percent growth in February 2004.

M2A, comprising of M3 less foreign currency deposits of the private sector, contracted by 0.9 percent to Shs 1884.1 billion at end-March 2004 from Shs 1900.4 billion at end-February 2004. This compares to an expansion of 2.4 percent over the month of February 2004. Relative to June 2003, M2A rose by 7.7 percent, while on a year-on-year basis M2A grew by 12.0 percent compared to 13.0 percent for end - February 2004. Developments in money supply are shown in Table IX below.

Net Foreign Assets (NFA)

Between February 2004 and March 2004, the NFA of the banking system rose by 0.6 percent or Shs 12.5 billion to Shs 2256.9 billion. At BOU, NFA expanded by 0.7 percent or Shs 11.4 billion, to Shs 1629.4 billion. Foreign reserves at BoU rose by an equivalent of Shs 27.0 billion. At Commercial banks, NFA grew slightly by 0.2 percent or Shs 1.1 billion to Shs 627.5 billion compared to an increase of 3.3 percent or Shs 20.0 billion in February 2004.

Net Claims on Government (NCG)

The government's net position with the banking system (NCG) as at end- March 2004 was a borrowing of Shs 337.5 billion, representing a 4.3 percent or Shs 15.2 billion decline from Shs 352.8 billion at the end of February 2004 (Table IX). At BoU, the government increased its savings by Shs 1.5 billion over the month, mainly on account of growth in government deposits of Shs 30.3 billion, which more than offset increases, in Advances to Government of Shs 25.3 billion and in BoU investment in Government securities of Shs 3.4 billion. At commercial banks, net claims on Government fell by Shs 13.7 billion to Shs 504.4 billion in March 2004 from Shs 518.1 billion in February 2004. This was on account of a decline in commercial banks' investment in government securities of Shs 21.3 billion that offset a fall in Government deposits of Shs 7.4 billion. Relative to June 2003, government's net position with the banking system decreased by Shs 52.9 billion or 13.6 percent.

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

(in billion shillings unless otherwise stated)	Mar. 2003	June 2003	Sep. 2003	Dec. 2003	Feb. 2004	Mar. 2004
Net Foreign Assets (NFA)	1614.6	2101.3	2078.3	2255.7	2244.4	2256.9
Domestic Credit	1551.5	1246.2	1431.9	1291.6	1339.4	1350.1
Net Credit to Gov't (NCG)	709.9	390.4	534.9	320.5	352.8	337.5
Claims on the Private Sector	831.5	848.6	888.2	962.0	971.6	997.4
M3	2193.4	2373.4	2365.2	2407.0	2515.5	2507.2
Forex deposits	511.5	624.2	580.0	587.3	615.0	623.1
M2A	1681.9	1749.2	1785.2	1819.7	1900.4	1884.1
Demand Deposits	707.4	725.1	741.3	692.2	771.5	756.5
Term Deposits	527.7	562.7	570.4	581.3	595.20	605.7
Currency	447.3	461.4	473.4	546.2	533.7	521.8
Forex/M3 (percent)	23.3	26.3	24.5	24.4	24.5	24.9
Demand Deposits/M3 (percent)	32.2	30.6	31.3	28.8	30.7	30.2
Term Deposits/M3 (percent)	24.0	23.7	24.1	24.1	23.7	24.2
Currency/M3 (percent)	20.4	19.4	20.0	22.7	21.2	20.8

Source: Monetary Survey, Research Department, Bank of Uganda

Private Sector Credit (PSC)

At end-March 2004, the stock of outstanding credit to the private sector by the banking sector stood at Shs 997.4 billion (Table IX), of which Shs 6.1 billion was from BOU and Shs 991.3

billion from commercial banks. This represents a growth of 2.7 percent (or Shs 25.8 billion) over the end February 2004 position. Relative to June 2003, PSC grew by Shs 148.8 billion or 17.5 percent, while the year-on-year growth rate in PSC was recorded at 19.9 percent for end-March 2004.

Credit Flows

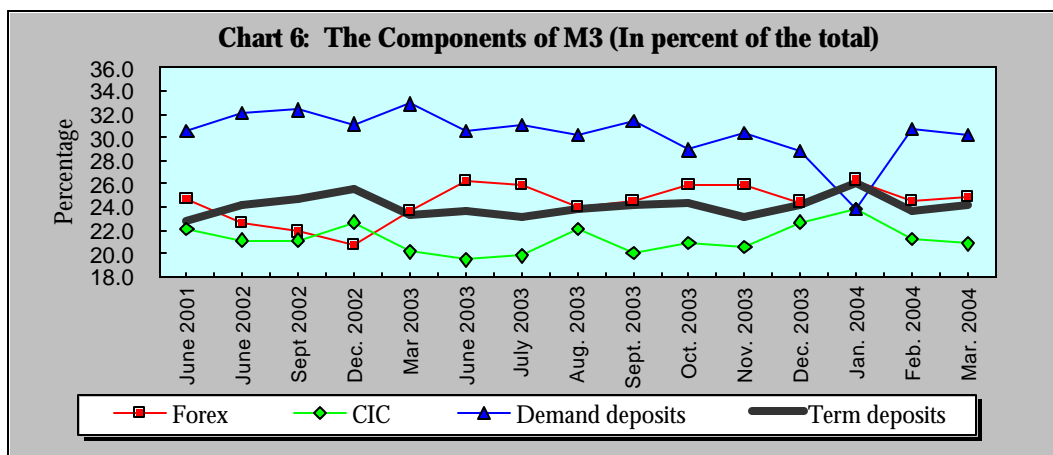
During March 2004, the total (shilling and foreign currency) gross extensions by commercial banks amounted to Shs 135.08 billion, while recoveries were Shs 116.00 billion resulting in net extensions of Shs 19.09 billion. After accounting for flows in net capitalized interest of Shs 2.37 billion, there was a rise in the stock of credit of approximately Shs 21.45 billion (see Appendix Table 1), though net extensions to the private sector alone were recorded at Shs 25.8² billion. During the month, commercial banks extended shilling loans amounting to Shs 85.48 billion, and recovered Shs 73.79 billion, thus net extensions were Shs 11.69 billion. Net capitalised interest stood at Shs 2.32 billion and therefore, the net change in the stock of shilling loans to the private sector was Shs 14.01 billion (see Appendix Table 2). For foreign currency loans, gross extensions stood at Shs 49.6 billion, while recoveries were lower at Shs 42.21 billion, yielding net recoveries of Shs 7.40 billion. After taking into account effects of capitalised interest, the stock of foreign currency loans recorded a net rise of Shs 7.44 billion (See Appendix Table 3).

Appendix Tables 13 summarise the evolution of the monthly change in outstanding loans and advances of commercial banks for the period July 2002 to March 2004.

Liabilities of the Banking System

On the liabilities side, foreign currency accounts rose by 1.3 percent or Shs 8.1 billion to Shs 623.1 billion in March 2004. In US dollars, foreign currency accounts grew by US\$1.0 million to US\$323.6 million. Demand deposits declined by 1.9 percent or Shs 15.0 billion to Shs 756.5 billion, while term deposits (time, savings and CDs) increased by 1.8 percent to Shs 605.7 billion as at end-March 2004. Currency in circulation (CIC) decreased by 2.2 percent or Shs 12.0 billion to Shs 521.8 billion. Reflecting these developments, the ratio of foreign currency deposits to M3 rose to 24.9 percent from 24.5 percent at end-February 2004. The ratio of demand deposits to M3 fell to 30.2 percent from 30.7 percent in March 2004, while that of term deposits rose to 24.2 percent from 23.7 percent in February 2004. The ratio of CIC to M3 dipped to 20.8 percent from 21.2 percent in February 2004. The trends of the ratios are shown in Chart 6, and Table IX above.

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.



(ii) Non -Bank Financial Institutions (NBFIs) Activities³

Assets

In the month of March 2004, the total assets of the Non-Bank Financial Institutions rose marginally from Shs 146.15 billion at the end of February 2004 to Shs 147.26 billion, representing a growth rate of 0.8 percent. This represents a deceleration compared to the growth rate of 2.7 percent observed in the month of February 2004. The growth recorded in March 2004 was mainly attributed to the increase in loans and advances.

Loans and advances

The stock of NBFIs' outstanding loans and advances to the private sector grew by Shs 2.68 billion to Shs 88.14 billion as at end-March 2004, up from Shs 85.46 billion at end-February 2004. Mortgage loans which account for the largest proportion of loans rose by 4.1 percent to Shs 50.79 billion, while secured and unsecured loans expanded by 9.3 percent to Shs 12.38 billion at the end of March 2004. By contrast, administered loans fell 1.5 percent to Shs 24.96 billion down from Shs 25.34 billion registered in February 2004. The building and construction sector continued to account for the largest share of loans and advances from the NBFIs at 83.5 percent of the total as at end-March 2004. The trade and commerce sector retained the second largest share at 10.7 percent.

Deposits

In March 2004, private sector deposits held in the NBFIs rose by 5.0 percent from Shs 59.19 billion in February 2004 to Shs 62.17 billion at end-March 2004. In particular, savings deposits rose by Shs 2.50 billion (4.9 percent) to Shs 53.12 billion, while time deposits went up by 5.6 percent to Shs 9.05 billion. Other deposits, which represent funds collected on behalf of government from the beneficiaries of the government pool house sale scheme rose by Shs 0.49 billion to Shs 24.97 billion over the same period.

³ Only covers 7 credit institutions.

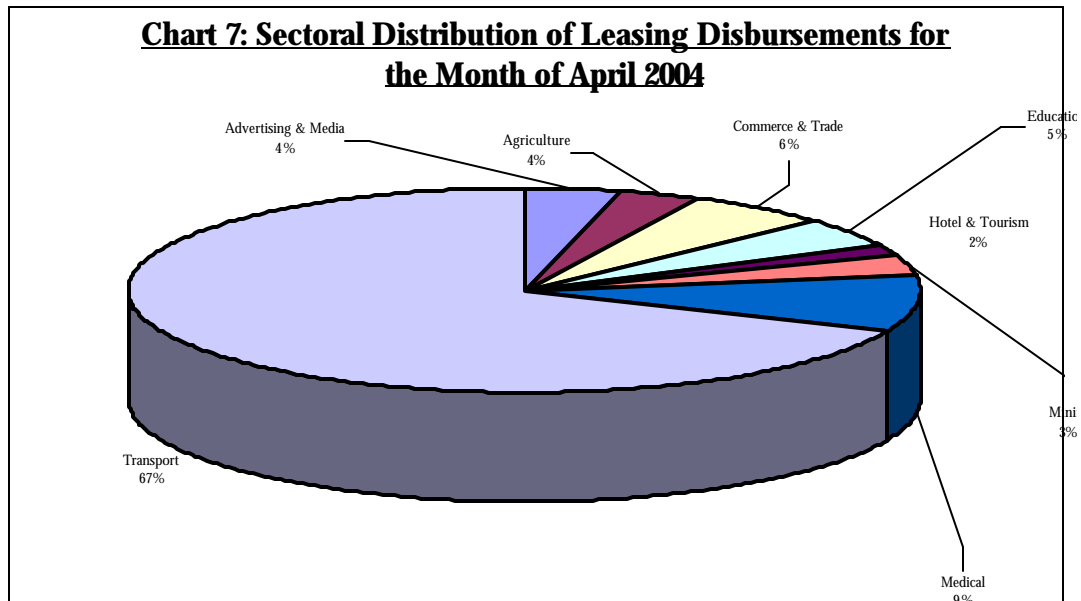
Table X: Developments in the Activities of Non -Bank Financial Institutions (Shs Billion)

	Mar2003	Nov 2003	Dec 2003	Jan 2004	Feb 2004	Mar 2004
Total Assets	124.98	139.80	144.46	142.37	146.15	147.26
O/w Loans and advances	71.70	81.82	82.93	84.55	85.46	88.14
Secured & unsecured	9.21	13.31	11.48	11.82	11.33	12.38
Mortgage	35.54	42.37	45.78	47.18	48.80	50.79
Administered	26.95	26.14	25.67	25.56	25.34	24.96
Total Deposits	70.55	78.40	82.78	80.84	83.67	87.92
Savings	41.70	45.67	49.99	48.07	50.62	53.12
Time	8.07	9.18	8.67	8.41	8.57	9.05
Agency Funds	20.78	23.55	24.13	24.37	24.48	24.97

Source: Bank of Uganda

(iii) Leasing activities

The value of assets leased in April 2004 rose by 62 percent to Shs 2.32 billion from Shs 1.43 billion disbursed in March 2004 and by 160.7 percent compared to April 2003. While credit extended to the different sectors was reasonably spread out in March 2004, it was concentrated in a few sectors in the month under review. The transport sector accounted for 67 percent share of total disbursements of the month, compared to 11 percent recorded in March 2004, with the other 7 sectors sharing out the remaining 33 percent. The agriculture sector share improved to 4 percent up from 0.5 percent of the previous month while the manufacturing sector did not benefit in April 2004. The share of Advertising and Media contracted to 4 percent in April 2004 down from 27 percent recorded in March 2004 while that of trade and commerce, another dominant sector dropped to 6 percent from 8 percent over the same period. Chart 7 below shows the breakdown of the leasing disbursements by sector for the month of April 2004.



F GOVERNMENT BUDGETARY OPERATIONS

Preliminary estimates of government operations for March 2004 indicate while the revenue and grants component of the government budget was 26.3 percent higher than programmed, the expenditure and net lending was 24.2 percent lower than the program. Consequently, the surplus on the overall fiscal balance was higher than projected for the period.

i) Revenue and Grants

In March 2004, total revenue and budget support grants were estimated at Shs 236.4 billion compared with Shs 131.0 billion recorded in February 2004. This outturn was also higher than the programmed level by Shs 49.3 billion due to higher than anticipated donor support disbursements towards the poverty reduction programs.

Total domestic revenue amounted to Shs 136.9 billion compared to Shs 123.0 billion collected in February 2004, representing an increase of 11.3 percent in revenue. Out of the total domestic revenue for March 2004, URA collections amounted to Shs 135.3 billion higher than Shs 119.7 billion recorded in February 2004 and the targeted level of Shs 125.7 billion, respectively. The increase in domestic revenue collections during the month was attributed to higher than anticipated yields from indirect domestic taxes, especially VAT and excise duty on locally produced goods and services. Over the same period, taxes on international trade fell below target partly due to exchange rate effects. The Non-URA revenue collections for March 2004 registered a shortfall of Shs 1.6 billion, against the programmed level due to non-payment of dividends by the concerned institutions. The receipts were also undermined by the low rates charged on government sale of goods and services.

External budget support grants amounted to Shs 99.4 billion in March 2004, compared to the projected amount for the month of Shs 48.1 billion. The over-performance in the disbursements was largely attributed to the Poverty Action Fund that continued to attract external donor support. Disbursements for the first three quarters of FY 2003/2004 totalled to Shs 469.9 billion, against the projected level of Shs 387.3 billion.

**Table XI: Summary of Government Budgetary Operations: November – March 2004
(Billion Shs)**

	Revised Budget 2003/04	Prel. Nov 2003	Prel. Dec 2003	Prel. Jan 2004	Prel. Feb 2004	Prel. Mar 2004	Prog. Mar 2004
Total Tax & Budget Support Receipts	2,228.6	156.1	398.1	149.2	131.0	236.4	187.1
Total Domestic Revenue	1,690.9	126.6	181.5	133.9	123.0	136.9	129.0
URA Excluding Refunds/Govt. Taxes	1,655.2	124.3	179.7	132.1	119.7	135.3	125.7
Non URA Revenues	35.7	2.3	1.8	1.8	3.3	1.7	3.3
BOP Support Grants	537.7	29.4	216.5	15.3	8.0	99.4	48.1
Expenditure & Lending	2343.8	196.4	193.2		177.9	141.7	186.9
				202.0			
Current Expenditure	1,732.4	153.8	153.6	163.4	155.8	139.3	143.9
Development Expenditure	536.9	33.2	41.8	38.2	20.1	29.3	43.2
Others 1/	73.5	9.4	(2.2)	0.3	2.0	-27.0	(0.2)
Overall Fiscal Balance (Deficit)		(40.3)	204.9	(52.7)	(46.9)	94.7	0.2

	(114.7)					
Excluding Grants		11.7	(54.9)	(4.7)	(47.9)	
	(652.4)	(69.7)	(68.0)			

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

ii) Expenditure

In March 2004, government expenditure and net lending contracted from the previous month's level by 20.3 percent to Shs 141.7 billion. This outturn was also lower than the projected level for the period by Shs 45.2 billion. The contraction reflected mainly an expenditure reduction of Shs 31.6 billion (37.7 percent) on other recurrent expenditures, as some expenditures could not be committed despite authorization. Current expenditures for the month amounted to Shs 139.3 billion, down from Shs 155.8 billion recorded in the February 2004. Out of the current expenditures, a total of Shs 60.1 billion (43.1 percent) was spent on wages and salaries. Interest payments were estimated at Shs 22.1 billion, out of which Shs 6.8 billion was on account of external loans. Interest payments were slightly above the programme level due to accrued interest on bond issuance. Development expenditures stood at Shs 29.3 billion up from Shs 20.0 billion spent in February 2004.

The overall fiscal balance for March 2004 was a surplus of Shs 94.7 billion compared to a deficit level of Shs 46.9 billion recorded in the previous month. However, excluding grants, the fiscal balance was a deficit of Shs 4.7 billion. In March 2004, government repaid (net) Shs 10.3 billion on external loans, compared to Shs 5.1 billion in the preceding month. The government also made a net saving of Shs 15.3 billion with the banking system and a net repayment of Shs 13.4 billion to the non-bank sector.

G EXCHANGE RATE AND FOREIGN EXCHANGE MARKET

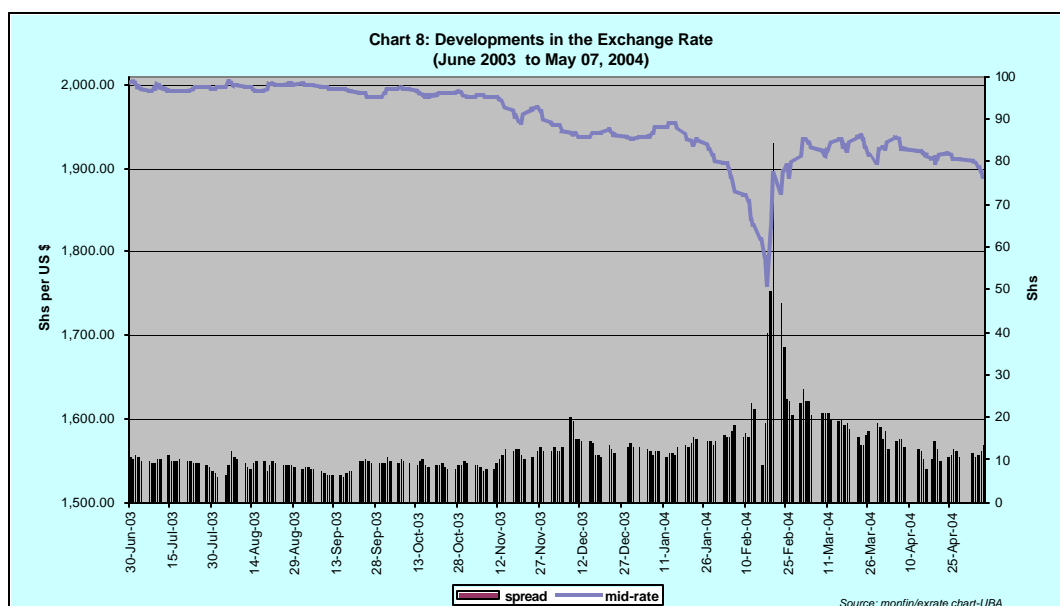
The appreciation trend of the Uganda shilling against the US Dollar experienced during the second half of March 2004 and first half of April 2004 persisted into the four weeks ended May 07, 2004. From the appreciation of 0.34 percent recorded over the second half of April 2004, the rate of appreciation accelerated to 1.14 percent over the first week of May. Overall, the Shilling appreciated by 1.78 percent against the U.S. Dollar to Shs 1889.51 as at May 07, 2004 compared to an appreciation of 0.67 percent over the corresponding period ended April 16, 2004. On a period average basis, however, the rate of appreciation was 1.46 percent over this period. The average spreads between the weighted inter-bank buy and sell rates, fell from Shs 15.54 during the previous period to an average of Shs 12.51 for the period under review (See Chart 8).

The appreciation of the Shilling during this period is mainly on account of renewed participation by the offshore players in the market, whose return was triggered off by the gradual return to stability of the market. This was coupled with the sluggish corporate demand as they waited for the currency to settle at more favourable rates.

The volume of commercial banks' transactions over the four weeks to May 07, 2004, recorded average daily retail purchases and sales of US \$ 5.51 million and US \$ 7.01 million, respectively; lower than an average of US \$ 6.15 million and US \$ 7.24 million for purchases and sales, respectively during the corresponding period ended April 16, 2004.

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

and intervention in the period under review amounted to US \$ 28.0 million, compared to the previous period's amount US \$ 23.30 million sold over the four weeks ended-April 16, 2004. Bank of Uganda continues to watch market developments very closely and ready to take any action that will ensure market stability.



H DEVELOPMENTS IN THE BALANCE OF PAYMENTS (BOP)

During March 2004, the overall balance in the BoP is estimated at a surplus of US\$8.92 million. This was a result of an improvement in the current account, estimated to have declined from a deficit position of US \$ 48.33 million recorded in February 2004 to a deficit of US \$ US\$14.86 million. The capital and financial account is estimated at a surplus of US\$23.79 million, which is lower than US \$ 43.46 million registered in February 2004.

i) Exports

Total export proceeds in the month of March 2004 are estimated at US\$66.22 million, which is US\$7.38 million higher than the export earnings worth US\$58.84 million recorded in February 2004.

Coffee Exports

During March 2004, coffee exports amounting to US \$11.92 million accounted for 18.0 percent of the total export proceeds for that month. Meanwhile, coffee exports during the month of April 2004 amounted to 177.599 (60-kilogram) thousand bags worth US\$8.77 million. Although the volume of shipments improved April 2004 when compared to shipments recorded in April 2003, it is 24.6 percent lower than volumes shipped in March 2004. The average realized export price in April 2004 stood at US\$0.82 per kilogram, down from US\$0.84 per kilogram realized in March 2004.

Non-coffee Exports

The total value for non-coffee exports for the month of March 2004 is estimated at US\$54.30 million. This is an increase of about 14 percent when compared to US\$47.63 million realized in February 2004 and an increase of 42.7 percent when compared to US\$38.04 million of March 2003.

There was a general improvement in the performance of most non-coffee exports in March 2004 compared to the previous month. More specifically, export proceeds from cotton, gold, electricity, tea, tobacco and maize increased by 12.1 percent, 48.4 percent, 7.3 percent, 43.3 percent, 33.4 percent and 31.0 percent, respectively. Simsim export proceeds more than doubled from US\$0.35 million to US\$0.91 million in March 2004.

However, on the other hand, there was a decline in the export earnings of hides and skins, flowers, beans and oil re-exports of 28.0 percent, 12.6 percent, 18.3 percent and 98.4 percent, respectively in March 2004, when compared to the month of February 2004 (See Appendix Table 5 for details on Exports of Goods).

ii) Imports

The total import bill for the month of March 2004 is estimated at US\$135.85 million. Private sector imports are estimated at US\$124.26 million, 15.2 percent higher than the February 2004 private sector import bill. Oil imports are estimated at US\$16.07 million, or about 11.8 percent of total imports.

Government imports amounted to US\$11.59 million for the month of March 2004, 21.2 percent lower than the February 2004 imports, which amounted to US\$14.71 million. This was mainly due to a decrease of US\$7.68 million in the non-project imports from about US\$8.35 million in February 2004 to US\$0.67 million in March 2004. (See Appendix Table 6: Imports of Goods).

iii) Other Inflows and Outflows

Official aid (excluding project aid but including resources from the HIPC⁴ Initiative) inflows amounting to about US\$31.16 million were disbursed in March 2004. Private transfer inflows for the month of March 2004 are estimated to have amounted to US\$21.84 million resulting into net private transfers of US\$19.56 million.

Services and income outflows exceeded inflows by US\$50.95 million during the month of March 2004.

⁴ Includes HIPC from grants only.

Official debt service (excluding IMF payments) was estimated at US\$17.45 million for the month of March 2004 while IMF principal obligations worth US\$2.45 million were externalized in March 2004. Short-term inflows of US\$14.6 million exceeded outflows by US\$2.38 million.

The level of gross foreign reserves estimated at US\$ 1058.47 million for March 2004 was higher than US\$ 1054.37 million of February 2004. However, on account of increasing imports, the reserve cover in months of imports of goods and services declined from 6.24 months to 6.21 months.

I POLICY OUTLOOK

Bank of Uganda is set to maintain the cautious monetary policy stance to ensure that inflation remains low and stable. It is also committed to manage liquidity in a manner that does not cause instability in both the domestic and foreign exchange markets.

Appendix

**Table 1: Monthly Change in Outstanding Loans and Advances of Commercial Banks
(Total of local and foreign Currency, billion Shs)**

Period	Extensions 1	Recoveries 2	Net ext. 3=1+2	Cap interest 4	Repd cap int 5	Net Cap int 6=4+5	Net change 7= 3+6
1999/2000	404.75	(311.48)	93.27	30.58	(91.27)	(60.69)	32.58
2000/2001	852.28	(769.56)	82.71	40.98	(71.61)	(30.64)	52.08
2001/2002							
Q1	254.33	(246.12)	8.21	6.20	(15.67)	(9.47)	(1.26)
Q2	255.69	(250.61)	5.08	5.05	(14.99)	(9.94)	(4.86)
Half 1 2001/02	510.02	(496.74)	13.29	11.25	(30.66)	(19.41)	(6.12)
Q3	249.06	(219.55)	29.52	7.02	(21.24)	(14.22)	15.30
Q4	264.20	(255.30)	8.90	10.03	(15.77)	(5.74)	3.16
Half 2 2001/02	513.27	(474.85)	38.41	17.06	(37.01)	(19.95)	18.46
2001/2002	928.31	(886.08)	42.23	27.01	(64.65)	(37.64)	4.59
2002/2003							
Q1	271.05	(255.55)	15.50	13.98	(15.89)	(1.91)	13.59
October	101.57	(72.78)	28.79	6.84	(4.10)	2.74	31.53
November	109.29	(79.80)	29.49	6.91	(3.86)	3.05	32.54
December	111.40	(76.16)	35.24	7.94	(9.57)	(1.63)	33.61
Q2	322.26	(228.74)	93.51	21.69	(17.52)	4.16	97.68
Half 1 2002/03	593.31	(484.29)	109.01	35.67	(33.41)	2.25	111.27
Jan 2003	121.57	(94.59)	56.98	2.57	(2.70)	(0.13)	26.85
February	114.92	(93.76)	21.16	3.09	(3.73)	(0.64)	20.52
March	112.20	(96.31)	15.90	3.82	(2.75)	1.07	16.97
Q3	348.69	(284.65)	64.04	9.48	(9.18)	0.30	64.34
April	99.66	(116.52)	(16.86)	3.56	(1.22)	2.33	(14.52)
May	142.80	(122.79)	20.00	5.84	(2.18)	3.65	23.65
June	104.75	(112.23)	(7.48)	4.97	(3.42)	1.55	(5.93)
Q4	347.21	(351.54)	(4.33)	14.37	(6.83)	7.54	3.20
Half 2 2002/03	695.90	(636.19)	59.71	23.85	(16.01)	7.84	67.55
2002/2003	1,289.21	(1,120.48)	168.72	59.51	(49.42)	10.09	178.81
2003/2004							
July	111.51	(97.42)	14.09	5.24	(3.82)	1.41	15.50
August	105.06	(97.69)	7.37	13.10	(8.62)	4.48	11.85
September	126.64	(122.07)	4.57	6.73	(3.11)	3.62	8.19
Q1	343.22	(317.19)	26.03	25.07	(15.56)	9.51	35.54
October	140.28	(113.42)	26.86	7.50	(4.69)	2.81	29.67
November	97.20	(80.86)	16.35	8.49	(5.29)	3.20	19.54
December	130.14	(109.10)	21.03	9.64	(6.15)	3.48	24.52
Q2	367.62	(303.38)	64.24	25.63	(16.14)	9.49	73.73
Half 1 2003/04	710.84	(620.57)	90.27	50.70	(31.70)	19.00	109.27
January 2004	128.99	(111.91)	17.08	5.76	(2.75)	3.01	20.10
February 2004	117.57	(126.30)	(8.73)	4.28	(2.09)	2.19	(6.54)
March 2004	135.08	(116.00)	19.09	5.12	(2.75)	2.37	21.45
Q3	381.64	(354.20)	27.44	15.16	(7.59)	7.57	35.01

Source: Research Department, Bank of Uganda

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

Period	Extensions	Recoveries	Net extensions	Cap interest	Repd cap int	Net Cap int	Net change
	1	2	3=1+2	4	5	6=4+5	7= 3+6
1999/2000	309.57	(257.58)	51.99	21.91	(65.28)	(43.37)	8.62
2000/2001	602.42	(553.62)	48.80	32.75	(59.58)	(26.83)	21.97
2001/2002							
Q1	167.24	(178.30)	(11.06)	4.39	(13.47)	(9.08)	(20.14)
Q2	169.88	(173.45)	(3.57)	4.38	(11.29)	(6.91)	(10.49)
Half 1 2001/02	337.12	(351.75)	(14.63)	8.77	(24.77)	(16.00)	(30.63)
Q3	171.14	(160.07)	11.07	5.83	(18.36)	(12.52)	(1.45)
Q4	190.31	(181.50)	8.81	8.05	(11.83)	(3.79)	5.03
Half 2 2001/02	361.45	(341.56)	19.89	13.88	(30.19)	(16.31)	3.57
2001/2002	698.57	(693.31)	5.26	22.65	(54.96)	(32.31)	(27.05)
2002/2003							
Q1	196.42	(181.95)	14.47	12.56	(13.18)	(0.62)	13.85
October	68.25	(55.15)	13.10	6.49	(3.98)	2.51	15.61
November	82.69	(60.13)	22.56	6.41	(3.70)	2.71	25.27
December	78.42	(57.34)	21.08	6.45	(8.18)	(1.73)	19.36
Q2	229.36	(172.61)	56.75	19.35	(15.86)	3.49	60.24
Half 1 2002/2003	425.78	(354.56)	71.22	31.91	29.03	2.88	74.09
Jan 2003	90.24	(66.42)	23.82	2.22	(2.34)	(0.12)	23.70
February	60.77	(62.95)	(2.18)	2.28	(3.51)	(1.23)	(3.41)
March	71.01	(53.68)	17.32	3.51	(2.59)	0.92	18.24
Q3	222.02	(183.05)	38.97	8.01	(8.44)	(0.43)	38.54
April	71.88	(71.49)	0.40	3.13	(1.11)	2.02	2.42
May	86.75	(58.52)	28.23	4.63	(1.76)	2.87	31.10
June	81.21	(85.38)	(4.17)	4.19	(2.76)	1.42	(2.74)
Q4	239.84	(215.38)	24.46	11.95	(5.63)	6.31	30.78
Half 2 2002/03	461.86	(398.44)	63.43	19.96	(14.07)	5.89	69.31
2002/2003	887.64	(753.00)	134.65	51.87	(43.11)	8.76	143.41
2003/2004							
July 2003	74.54	(70.30)	4.24	4.79	(2.99)	1.79	6.03
August	71.59	(64.13)	7.46	11.74	(8.14)	3.60	11.06
September	88.15	(87.69)	0.47	6.43	(2.24)	4.20	4.66
Q1	234.28	(222.12)	12.16	22.96	(13.37)	9.59	21.75
October	111.23	(77.65)	33.58	6.85	(3.88)	2.98	36.55
November	72.59	(49.96)	22.64	7.69	(3.80)	3.89	26.53
December	87.06	(87.83)	(0.77)	8.06	(5.57)	2.49	1.72
Q2	270.88	(215.44)	55.44	22.61	(13.25)	9.36	64.80
Half 1 2003/04	505.16	(437.56)	67.61	45.57	(26.62)	18.95	86.55
January 2004	86.09	(67.71)	18.39	5.01	(2.26)	2.74	21.13
February 2004	77.25	(87.94)	(10.69)	2.91	(1.67)	1.24	(9.45)
March 2004	85.48	(73.79)	11.69	4.50	(2.18)	2.32	14.01
Q3	248.82	(229.44)	19.38	12.42	(6.11)	6.30	25.69

Source: Research Department, Bank of Uganda

**Table 3: Monthly Change in outstanding loans and advances of Commercial banks
(Foreign Currency, billion Shs)**

Period	Extensions	Recoveries	Net extensions	Cap interest	Repd cap int	Net Cap int	Net change
	1	2	3=1+2	4	5	6=4+5	7= 3+6
1999/2000	95.19	(54.30)	40.89	8.71	(26.04)	(17.33)	23.55
2000/2001	249.86	(215.95)	33.91	8.23	(12.03)	(3.80)	30.11
2001/2002							
Q1	87.09	(67.83)	19.26	1.81	(2.20)	(0.39)	18.88
Q2	85.81	(77.16)	8.65	0.67	(3.69)	(3.02)	5.63
Half 1 2001/2002	172.90	(144.99)	27.92	2.48	(5.89)	(3.41)	24.51
Q3	77.92	(59.48)	18.44	1.19	(2.88)	(1.69)	16.75
Q4	73.89	(73.81)	0.08	1.99	(3.94)	(1.95)	(1.86)
Half 2 2001/2002	151.81	(133.29)	18.53	3.18	(6.81)	(3.64)	14.89
2001/2002	229.74	(192.77)	36.97	4.36	(9.69)	(5.33)	31.64
2002/2003							
Q1	74.63	(73.60)	1.03	1.42	(2.71)	(1.29)	(0.27)
October	33.32	(17.64)	15.68	0.35	(0.12)	0.23	15.92
November	26.60	(19.67)	6.92	0.50	(0.16)	0.34	7.27
December	32.98	(18.82)	14.16	1.49	(1.39)	0.10	14.26
Q2	92.90	(56.13)	36.77	2.34	(1.67)	0.67	37.44
Half 1 2002/2003	167.53	(129.73)	37.80	3.76	(4.38)	(0.62)	37.17
Jan 2003	31.33	(28.17)	3.16	0.35	(0.36)	(0.01)	3.15
February	54.15	(30.81)	23.34	0.82	(0.23)	0.59	23.93
March	41.20	(42.62)	(1.42)	0.31	(0.16)	0.15	(1.28)
Q3	126.67	(101.60)	25.07	1.47	(0.74)	0.73	25.80
April	27.77	(45.03)	(17.25)	0.42	(0.11)	0.31	(16.94)
May	56.05	(64.28)	(8.23)	1.21	(0.42)	0.78	(7.45)
June	23.54	(26.85)	(3.31)	0.79	(0.66)	0.13	(3.18)
Q4	107.36	(136.16)	(28.80)	2.42	(1.19)	1.22	(27.57)
Half 2 2002/03	234.03	(237.76)	(3.72)	3.89	(1.93)	1.95	(1.77)
2002/2003	401.56	(367.49)	34.07	7.65	(6.31)	1.33	35.41
2003/2004							
July	36.97	(27.12)	9.85	0.45	(0.83)	(0.38)	9.47
August	33.47	(33.56)	(0.09)	1.36	(0.48)	0.88	0.79
September	38.49	(34.39)	4.10	0.30	(0.88)	(0.58)	3.52
Q1	108.93	(95.06)	13.87	2.11	(2.19)	(0.08)	13.79
October	29.05	(35.77)	(6.71)	0.65	(0.82)	(0.17)	(6.88)
November	24.61	(30.90)	(6.29)	0.80	(1.50)	(0.69)	(6.99)
December	43.08	(21.28)	21.8	1.57	(0.58)	0.99	22.8
Q2	96.74	(87.95)	8.8	3.03	(2.90)	0.13	8.93
Half 1 2003/04	205.68	(183.01)	22.67	5.13	(5.08)	0.05	22.72
January 2004	42.90	(44.20)	(1.30)	0.75	(0.49)	0.27	(1.03)
Feb. 2004	40.32	(38.36)	1.96	1.37	(0.42)	0.95	2.91
Mar. 2004	49.60	(42.21)	7.40	0.62	(0.57)	0.05	7.44
Q3	132.82	(124.76)	8.06	2.74	(1.47)	1.26	9.32

Source: Research Department, Bank of Uganda

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

Date	Mid rate	Spread	Purchases	Sales
	UGX/US\$	UGX	Million US\$	Million US\$
12-Mar-04	1930.96	19.81	4.40	3.71
15-Mar-04	1935.76	19.24	6.88	5.86
16-Mar-04	1935.47	19.49	4.64	7.99
17-Mar-04	1926.23	18.31	4.72	5.48
18-Mar-04	1920.82	18.77	4.01	5.11
19-Mar-04	1930.04	17.31	11.06	6.25
22-Mar-04	1938.16	15.53	4.79	5.64
23-Mar-04	1938.47	13.58	5.41	8.01
24-Mar-04	1935.17	13.48	6.00	6.01
25-Mar-04	1925.23	16.02	9.82	9.18
26-Mar-04	1916.63	16.66	4.88	11.47
29-Mar-04	1906.54	18.85	6.82	4.47
30-Mar-04	1922.37	17.73	4.62	6.52
31-Mar-04	1925.71	15.04	5.85	5.61
1-Apr-04	1923.48	16.95	4.48	9.54
2-Apr-04	1930.43	12.47	12.00	7.91
5-Apr-04	1936.38	14.64	4.47	5.85
6-Apr-04	1934.78	14.85	6.60	10.02
7-Apr-04	1924.12	14.78	5.49	7.23
8-Apr-04	1923.78	13.04	6.12	7.20
13-Apr-04	1921.19	12.48	5.10	7.66
14-Apr-04	1920.28	12.21	6.40	9.06
15-Apr-04	1917.87	10.46	5.17	7.11
16-Apr-04	1915.99	7.90	4.19	6.74
19-Apr-04	1914.17	7.29	5.75	7.83
20-Apr-04	1911.30	10.31	5.41	5.26
21-Apr-04	1906.72	14.50	5.87	8.43
22-Apr-04	1911.09	12.80	5.66	4.86
23-Apr-04	1916.15	9.75	4.88	6.67
26-Apr-04	1918.29	10.47	5.37	4.51
27-Apr-04	1915.85	11.09	4.02	7.23
28-Apr-04	1910.82	12.63	5.79	5.95
29-Apr-04	1911.75	11.95	4.70	6.43
30-Apr-04	1911.26	10.64	5.94	8.28
3-May-04	1907.61	11.72	4.29	5.95
4-May-04	1906.62	10.84	3.64	4.95
5-May-04	1901.87	11.00	7.34	7.97
6-May-04	1895.27	12.15	7.44	8.28
7-May-04	1889.51	13.29	6.41	9.12
10-May-04	1877.93	14.85	7.08	5.70
11-May-04	1863.47	17.52	5.34	11.15
12-May-04	1843.83	20.15	5.52	7.82
13-May-04	1844.48	19.39		

Table 5: Exports of Merchandise (in million of US \$)

Item	Jan2003	Feb2003	Mar2003	Apr2003	Jan2004	Feb2004	Mar2004	Apr2004
Total Exports (in US\$ million)	53.69	49.11	44.89	43.16	64.00	58.84	66.22	
1. Coffee								
Gross coffee shipment, million (60-Kg) bags	0.30	0.23	0.16	0.12	0.30	0.24	0.24	0.18
Average unit value	0.70	0.75	0.70	0.66	0.75	0.79	0.84	0.82
Value of total shipment (BOP)	12.57	10.44	6.85	4.80	13.39	11.22	11.92	8.77
2. Non-Coffee export values(in US \$ million)	41.12	38.68	38.04	38.36	50.61	47.63	54.30	
Electricity	1.48	1.17	1.23	1.28	1.19	0.90	0.96	
Gold	3.90	4.12	2.29	3.28	8.03	2.72	4.04	
Cotton	2.92	4.09	4.34	2.07	3.33	7.73	8.67	
Tea	2.60	2.63	2.11	2.26	3.40	2.29	3.27	
Tobacco	8.50	3.71	5.61	3.98	4.01	4.79	6.39	
Fish & its products (International)	8.23	7.49	6.69	6.94	9.26	8.14	7.73	
Fish & its products (Regional)	2.72	2.47	2.21	2.29	3.06	2.69	2.55	
Hides & Skins	0.44	0.21	0.21	0.31	0.68	0.46	0.33	
Simsim	0.04	0.15	0.19	0.30	0.23	0.35	0.91	
Maize	0.66	0.54	0.78	0.46	1.51	2.21	2.90	
Beans	0.50	0.23	0.11	2.60	0.34	0.66	0.54	
Flowers	1.26	1.49	1.37	2.02	1.83	3.09	2.70	
Oil re-exports	0.79	1.11	0.81	0.86	1.65	1.90	0.03	
Others	7.09	9.28	10.09	9.71	12.09	9.70	13.27	
Source: Bank of Uganda								

Table 6: Imports of Merchandise (in million of US \$)

Item	Jan2003	Feb2003	Mar2003	Jan2004	Feb2004	Mar2004
Total Imports (Millions US\$)	122.97	118.00	110.06	130.75	122.54	135.85
Government Imports	14.72	20.70	10.94	14.20	14.71	11.59
Project	11.17	6.18	10.62	11.48	6.36	10.91
Non-Project	3.56	14.52	0.33	2.72	8.35	0.67
Private Sector Imports	108.25	97.30	99.11	116.56	107.83	124.26
Oil	14.31	13.60	13.93	13.69	12.72	16.07
Non-Oil	87.81	71.79	76.90	97.84	86.49	100.40
Estimated imports	6.13	11.90	8.28	5.03	8.62	7.79
Source: Bank of Uganda						

