

BANK OF UGANDA



MONTHLY ECONOMIC REVIEW

**MAY
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 April 28, 2006 suggests that:

- In the four weeks to April 28, 2006, total Treasury bill issues of Shs83.80 billion (at cost) more than offset treasury bill maturities of Shs64.01 billion leading to a net withdrawal of liquidity of Shs19.79 billion, compared to the net withdrawal of Shs0.65 billion that was observed in the previous four-week period to March 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 2-year bond on April 07, 2006 with a face value of Shs30.00 billion.
- On the short-term liquidity management front, gross issues of the REPO instrument, whose maturities ranged from 3 to 11 days, amounted to Shs130.00 billion during this period, against maturities of Shs142.52 billion. This is compared to issues and maturities of Shs193.90 billion and Shs207.18 billion, respectively over the preceding period ended March 31, 2006. By April 30, 2006, the outstanding stock of repos was Shs64.37 billion.
- In line with developments in the Treasury bill market, the Rediscount Rate and Bank Rate rose from 13.27 percent and 14.27 percent, by end March 2006, to 13.35 percent and 14.35 percent, respectively by April 28, 2006.

Inflation Developments

- Upward inflationary pressures witnessed over the past three months reversed during the year ended April 2006. The annual headline inflation rate¹ eased to 5.7 percent from 7.9 percent registered in the year ended March 2006. The drop in annual headline inflation was attributed to slower pace of increases in the food; rent, fuel and utilities; and transport and communication group indices that overwhelmed the higher increases recorded in the other categories of the CPI. Though food prices were higher in April 2006 compared to March 2006, the increases were slower relative to the same period a year ago.
- The annual underlying inflation marginally fell to 4.9 percent in the year ended April 2006, from 5.1 percent in March 2006. The slower pace of increase in services prices led to the drop in annual underlying inflation. Services inflation fell to 4.9 percent from 5.4 percent attributed to the drop in taxi fare (low distance) and cost of theatre admission, while goods inflation remained stable at 4.9 percent.
- The annual food crop inflation hugely decreased by 9.2 percent from 16.8 percent in the year ended March 2006, down to 7.6 percent recorded in the year ended April 2006.

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

- The outlook for inflation points towards easing in the coming months as the current rains may lead to increased food supply. However, the impact of the rising fuel prices exacerbated by the regular electricity load shedding on costs of doing business remain the most potent risks on inflation going up.

Real Sector Developments

- Trading activity at the Uganda Securities Exchange (USE) soared during April 2006 compared to March 2006. Total turnover grew by Shs0.25 billion, with an increase of 453,925 shares traded in April 2006 compared to March 2006. The boost in performance at the USE is attributed to the DFCU counter, which recorded 66 percent of total turnover. Substantial trading was also recorded on the BOBU (2.4%), NVL (10.8%) and UCL (20.9%) counters.
- Market capitalisation of the USE grew by 4.7 percent from Shs3,603.4 billion recorded in March 2006 to Shs3,773.7 billion recorded in April 2006. The all-share index rose by 4.9 percent from an average of 721.3 in March to 756.3 in April 2006. The average price at the USE rose by 22.5 percent to Shs4,179 in April 2006 from Shs3,410 in April 2006. This was mainly on account of the rise in the average price at the Uganda Clays counter by 34.7 percent from an average Shs16,701 in March 2006 to Shs22,500 per share in April 2006.
- The value of leased assets disbursed in April 2006 increased by 34 percent from Shs1.19 billion to Shs1.6 billion. Mining and Construction recorded the largest share of assets disbursed followed by Trade and Commerce recording 66.3 percent and 20.2 percent respectively.
- UMEME Limited's purchases of electricity from Uganda Electricity Transmission Company Limited (UETCL) rose by 9.1 percent in March 2006 from the previous month and consequently consumption in GWH rose by 7.1 percent over the same period.
- During the first quarter of the year, the number of investment projects licensed by Uganda Investment Authority dropped by 29.6 percent from 98 to 69 compared to the previous quarter ended December 2005. Total estimated investment, as well, declined by 8.2 percent to US\$ 162.1 million, from US\$ 176.5 million over the same observation period. In the same direction planned employment dropped by 42.2 percent to 5,502 positions from 9,523 recorded in the previous quarter. Most licenses were issued to the Tourism sector accounting for 58.7 percent of total planned investment.

Domestic Securities and Money Market Developments

- In line with the monetary policy objectives and financial markets development, Bank of Uganda issued a new 2-year bond on April 07, 2006. The Shs30.00 billion issue was over subscribed by Shs39.78 billion and realized a cover ratio of 232.61 percent. At a weighted average price of 95.87 per Shs100, the resultant yield for the 10.00 percent coupon bond was 12.40 percent, compared to 13.00 percent for the 2-year bond that was reopened on conversion on February 17, 2006. This auction brought the total outstanding stock of Treasury bonds to Shs715.511 billion by end of April 2006. 3-year bond coupon payments totaling to Shs6.63 billion were effected during the month.
- All issues in the market so far are listed on the Uganda Securities Exchange.

- The four week-period average indicative bid/offer yields-to-maturity in the secondary market were quoted at 13.02/12.77, 14.63/14.38, 15.24/15.00, and 15.50/15.25 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 13.23/13.00, 14.83/14.58, 15.38/15.13, and 15.74/15.48 percent, in the previous four-week period ended March 31, 2006.
- Within the month of April 2006, Shs47.81 billion, and Shs0.12 billion were traded in the 2-year, and 3-year bonds at respective average yields-to-maturity of 9.59, and 13.63 percent.
- Two Treasury bill auctions with offers of Shs50.00 billion and Shs40.00 billion were held in the month of April 2006 and both were oversubscribed. The respective weighted annualized yields on the 91-day, 182-day, and 364-day bills stood at 7.66, 7.56, and 9.88 percent for the auction of April 26, 2006. This compares to rates of 7.64, 8.75, and 10.27 percent, for the 91-day, 182-day, and 364-day bills respectively, recorded in the auction held on March 29, 2006. The average discount rates on Treasury bills in April 2006 were lower than those registered in April 2005 which ranged between 8.79, and 11.61 percent.
- The average bid/offer yields-to-maturity in the secondary market for Treasury bills for the 91-day and the 364-day papers increased to 7.69/7.42, and 10.07/9.77 percent in April 2006 from 7.64/7.37, and 9.95/9.67 percent in March 2006, respectively. On the other hand the 182-day paper rate fell to 8.77/8.50 from 8.79/8.52 percent, over the same time period.
- In the four weeks ended April 28, 2006, total secondary market trades of treasury bills amounted to Shs51.83 billion, of which Shs5.61 billion related to horizontal REPOs. This was higher than the Shs22.48 billion for the four weeks ended March 31, 2006. The average discount rates on these trades for the 91, 182, and 364-days securities were 7.98, 7.90, and 8.50 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 throughout the maturity profile.
- 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 April 28, 2006 decreased to Shs188.3 billion at a weighted average rate of 6.60 percent compared to transactions worth Shs247.65 billion at a weighted average rate of 6.99 percent recorded in March 2006. The 7-day transactions were the most dominant recording 36 transactions. Transactions between domestic banks and foreign entities²⁽¹⁾ in the money market amounted to Shs3.8 billion, at an average rate of 7.5 percent compared to Shs6.1 billion at 8.5 percent. 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 March 2006. There was a continued decline in the effective lending rate on the shilling denominated loans from 19.18 percent in February to 18.86 percent in March 2006. In the same period, the effective lending rate on the dollar denominated loans increased from 8.91 percent to 9.98 percent.
- There was stability in the weighted rates on shilling denominated demand and saving deposits marginally declining from 1.11 percent to 1.08 percent for demand deposits and stable but rose for Saving and Time deposit rates from 1.95 and 8.29 percent to 2.00 and

²⁽¹⁾ A distinction is made between the inter-bank market in which only domestic commercial banks participate and the money market where foreign banks also carry out transactions.

8.43 percent respectively in the month under review. The dollar denominated demand deposits rates rose from 1.10 percent to 1.16 percent; the saving deposit rates were stable at 1.45 percent as reported last month while time deposit rates declined to 4.35 percent from 4.64 percent on the previous month.

Developments in Monetary and Financial Aggregates

These developments cover both the banking system and the non-bank financial institutions for the period ending March 2006.

- During March 2006, Broad Money M3, which comprises currency in circulation plus all private deposits, contracted by 0.98 percent to Shs3096.68 billion. This is compared to a rise of 0.74 percent registered in February 2005. Relative to June 2005, M3 grew by 10.16 percent at end-March 2006.
- M2A, comprising of M3 less foreign currency deposits of the private sector decreased by 1.08 percent in March 2006, compared to a 0.93 percent increase registered in February 2006. M2A has grown by 12.05 percent from June 2005.
- Net Foreign Assets (NFA) of the banking system grew by 0.53 percent to Shs3,059.33 billion. In particular, NFA at BOU rose by 1.38 percent to Shs2619.98 billion. At commercial banks NFA declined by 4.27 percent to Shs439.35 billion. Foreign reserves at BOU expanded by an equivalent of Shs36.43 billion, compared to a slight growth of Shs3.78 billion in the previous month.
- The government's net position with the banking system (NCG) as at end-March 2006 was a saving of Shs99.15 billion, compared to a saving of Shs87.91 billion at the end of February 2006. This represents a decline in NCG of Shs11.24 billion. At BOU, net claims on government fell by Shs13.33 billion over the month, on account of decreased advances to Government of Shs40.79 billion, which more than offset a fall in Government deposits of Shs27.46 billion. At commercial banks, net claims on Government rose by Shs2.09 billion, on account of increased investment in Government securities by commercial banks of Shs15.25 billion, which more than offset a rise in Government deposits of Shs13.15 billion.
- The stock of outstanding credit to the private sector by the banking sector stood at Shs1,317.77 billion, of which Shs20.63 billion was from BOU and Shs1,297.13 billion was from commercial banks. This represents an increase of 0.71 percent during the month of March 2006. In comparison, during February 2006, PSC decreased by 0.02 percent.
- Total (shilling and foreign currency) gross extensions by commercial banks amounted to Shs179.21 billion; while recoveries were Shs147.51 billion resulting in net extensions of Shs31.70 billion. After accounting for flows in capitalized interest, there was an increase in the stock of credit of about Shs33.29 billion.
- On the liabilities side, foreign currency accounts at commercial banks fell by an equivalent of Shs4.39 billion to Shs679.07 billion in March 2006. In US dollars, foreign currency accounts fell by US\$ 2.15 million to US\$372.4 million³. Demand deposits fell by 1.28 percent to Shs918.73 billion, while term deposits (time, savings and CDs) fell by 0.38 percent to Shs791.86 billion. Currency in circulation (CIC) fell by 1.59 percent to Shs707.02 billion.

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

- Reflecting these developments, the ratio of foreign currency deposits to M3 remained steady at 21.9 percent at end-March 2006. The ratio of CIC to M3 fell from 23.0 percent to 22.8 percent that of demand deposits to fell to 29.7 percent from 29.8 percent, while that of term deposits to M3 rose to 25.6 percent from 25.4 percent.

Developments in the Foreign Exchange Market

- The Uganda shilling depreciated against the dollar during the month of April 2006 relative to March 2006. The average mid-rate depreciated from Shs1,820.94 in March 2006 to Shs1,827.48 in April 2006, a depreciation of 0.4 percent compared to a depreciation of 0.3 percent in March 2006 and an appreciation of 0.2 percent in February 2006. The shilling closed the month of April at Shs1,834.20 per US dollar compared to the March closing position of Shs1,823.51 per US dollar.
- Bank of Uganda (BOU) maintained daily sales of foreign exchange for sterilization of excess liquidity and conducted intervention operations in the foreign exchange market during April 2006. Total sales of foreign exchange to the Inter-bank Foreign Exchange Market (IFEM) amounted to US\$15.4 million in the month under review.

Fiscal Developments

- During the month of March 2006, total revenue and budget support grant receipts (excluding project grants) were estimated at Shs226.53 billion, which is Shs28.02 billion (14.1 percent) higher than the revenue recorded in February 2006.
- Total domestic revenue collected in March 2006 was estimated at Shs192.46 billion with URA collections contributing 99.1 percent. The URA revenue collections were higher than those of the previous month and the programmed target for the month of March by Shs38.36 billion and Shs16.53 billion, respectively. The preliminary outturn for non-URA revenue collections for March 2006 was estimated at Shs1.81 billion, lower than both the program figure of Shs4.67 billion and the February 2006 collection of Shs3.84 billion.
- Receipts from budget support grants are estimated at Shs34.07 billion during March 2006, Shs4.80 billion higher than Shs29.27 billion programmed for March 2006, but lower than Shs37.39 billion realised in February 2006.
- In March 2006, government expenditure and net lending decreased by 28.3 percent to Shs202.46 billion mainly attributed to a decrease of 65.4 percent in development expenditure. In March 2006, current expenditure decreased to Shs184.39 billion, from Shs218.88 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 March 2006.
- The overall fiscal balance for March 2006 was a surplus of Shs24.08 billion compared to a deficit of Shs83.99 billion recorded in February 2006. Excluding grants, the surplus deteriorates to a deficit of Shs10.00 billion, which compares with a deficit of Shs121.38 realised in February 2006. Net domestic financing (excluding net bank financing) and net external financing amounted to Shs-10.45 billion and Shs-13.62 billion, respectively.

Balance of Payments Developments

- In March 2006, the current account balance was estimated at a deficit of US\$72.4 million, while the capital and financial account was estimated at a surplus of US\$74.1 million. As a result, the overall balance was estimated at a surplus of US\$1.8 million.
- Total export earnings increased over the month of March 2006, amounting to US\$73.9 million in March 2006. Coffee exports in the month of March 2006 accounted for 19.8 percent of the total export.
- The import bill (fob) was estimated at US\$178.0 million during March 2006 compared to the US\$162.1 million⁴, which was recorded for the previous month.
- Official aid (excluding project aid but including resources from the HIPC Initiative) inflows amounted to about US\$15.9 million. Private sector transfer inflows exceeded outflows by US\$26.4 million in March 2006, and services and income outflows exceeded inflows by about US\$38.9 million.
- Official debt service was estimated at US\$12.5 million for the month of March 2006.
- Official foreign reserves (including valuation changes) were estimated at US\$1,435.2 million in March 2006, equivalent to 6.6 future months of imports of goods and services.

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 April 28, 2006, total treasury bill issues of Shs83.80 billion (at cost) more than offset treasury bill maturities of Shs64.01 billion leading to a net withdrawal of liquidity of Shs19.79 billion, compared to the net withdrawal of Shs0.65 billion that was observed in the previous four-week period to March 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 2-year bond on April 07, 2006 with a face value of Shs30.00 billion. On the short-term liquidity management front, gross issues of the REPO instrument, whose maturities ranged from 3 to 11 days, amounted to Shs130.00 billion during this period, against maturities of Shs142.52 billion. This is compared to issues and maturities of Shs193.90 billion and Shs207.18 billion, respectively over the preceding period ended March 31, 2006. By April 28, 2006, the outstanding stock of REPOs was Shs64.37 billion.

B DOMESTIC PRICE DEVELOPMENTS

Upward inflationary pressures witnessed over the past three months reversed during the year ended April 2006. The annual headline inflation rate⁵ as measured by the movements in Consumer Price Index (CPI) eased to 5.7 percent, down from 7.9 percent registered in the year ended March 2006. The drop in annual headline inflation was attributed to slower pace of increases in the food; rent, fuel and utilities; and transport and communication group indices that overwhelmed the higher increases recorded in the other categories of the CPI. The developments, mainly in the food and charcoal prices provided the most downward impact on annual headline inflation during the period under review. Though food prices were higher in April 2006 compared to March 2006, the increases were slower relative to the same period a year ago.

The annual food⁶ inflation fell to 7.3 percent from 11.7 percent in March 2006, mainly due to declines in prices of food items particularly fruits, fresh vegetables, and milk. The beverages and tobacco inflation declined to 2.2 percent from 2.9 percent driven by drops in the average prices of soda, beer, and cigarettes. The rent, fuel and utilities inflation reduced to 1.4 percent from 5.1 percent attributed to the drop in the average price of charcoal while, the transport and communication inflation eased to 12.8 percent from 13.5 percent in the previous month largely due to the drop in taxi fares (short distance) compared to its level a year ago.

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 decreased to 1.3 percent, from 2.8 percent in the previous month. The declines in prices of some fresh food items, soft and alcoholic drinks, cigarettes, charcoal, and some household and personal goods drove monthly headline inflation down.

The annual underlying inflation fell marginally to 4.9 percent in the year ended April 2006, from 5.1 percent in March 2006. The slower pace of increase in services prices led to the drop in annual underlying inflation. Services inflation fell to 4.9 percent from 5.4 percent attributed to the drop in taxi fare (low distance) and cost of theatre admission, while goods inflation remained stable at 4.9 percent.

The monthly underlying inflation edged up to 0.4 percent in April 2006 from 0.3 percent recorded in March 2006. Goods prices rose by 0.4 percent in April 2006 compared to 0.5 percent in March 2006, while services prices increased by 0.6 percent in April 2006 compared to a decline of 0.1 percent in the previous month.

The annual food crop inflation⁷ substantially decreased by 9.2 percent from 16.8 percent in the year ended March 2006, to 7.6 percent recorded in the year ended April 2006. Similarly, the monthly food crop inflation fell declined to 3.3 percent from 10.5 percent in March 2006.

The outlook for inflation points towards easing in the coming months as the current rains may lead to increased food supply. However, the impact of the rising fuel prices exacerbated by the regular electricity load shedding on costs of doing business remain the most potent risks on inflation going up.

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

Table 1: Inflation Developments across different Groups: February 2006-April 2006

| Groups | Weights | Annual Changes (%) | | | Monthly Changes (%) | | |
|------------------------------|---------|--------------------|--------|--------|---------------------|--------|--------|
| | | Feb-06 | Mar-06 | Apr-06 | Feb-06 | Mar-06 | Apr-06 |
| Food | 45.2 | 8.3 | 11.7 | 7.3 | 0.1 | 6.3 | 2.7 |
| Beverages & Tobacco | 8.6 | 2.4 | 2.9 | 2.2 | -2.3 | 0.0 | -0.5 |
| Clothing & Footwear | 5.5 | 2.5 | 1.4 | 4.4 | -0.5 | -0.6 | 1.2 |
| Rent, Fuel & Utilities | 14.1 | 5.9 | 5.1 | 1.4 | 1.5 | -0.9 | -1.1 |
| Household & Personal goods | 5.3 | 2.4 | 3.7 | 5.2 | 1.8 | 2.4 | -0.3 |
| Transport & Communication | 6.7 | 12.6 | 13.5 | 12.8 | 0.3 | 0.3 | 1.4 |
| Health, Educ & Entertainment | 14.6 | 3.9 | 3.6 | 3.6 | 1.7 | -0.3 | 0.2 |

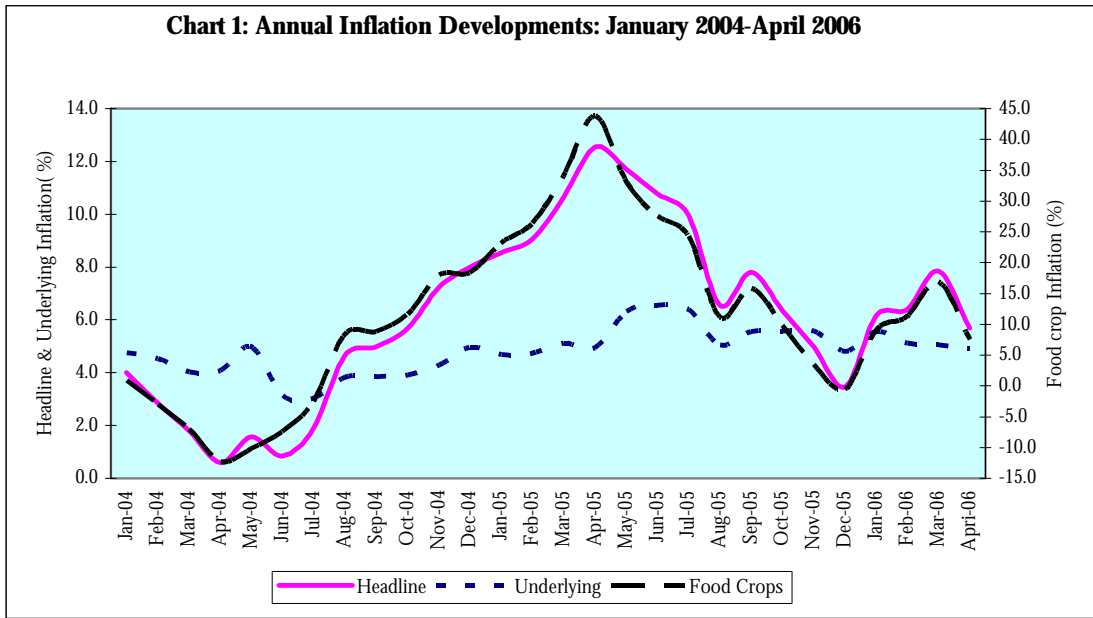
Source: Computed from Uganda Bureau of Statistics data

Table 2. Developments in Inflation by different measures: February 2006-April 2006

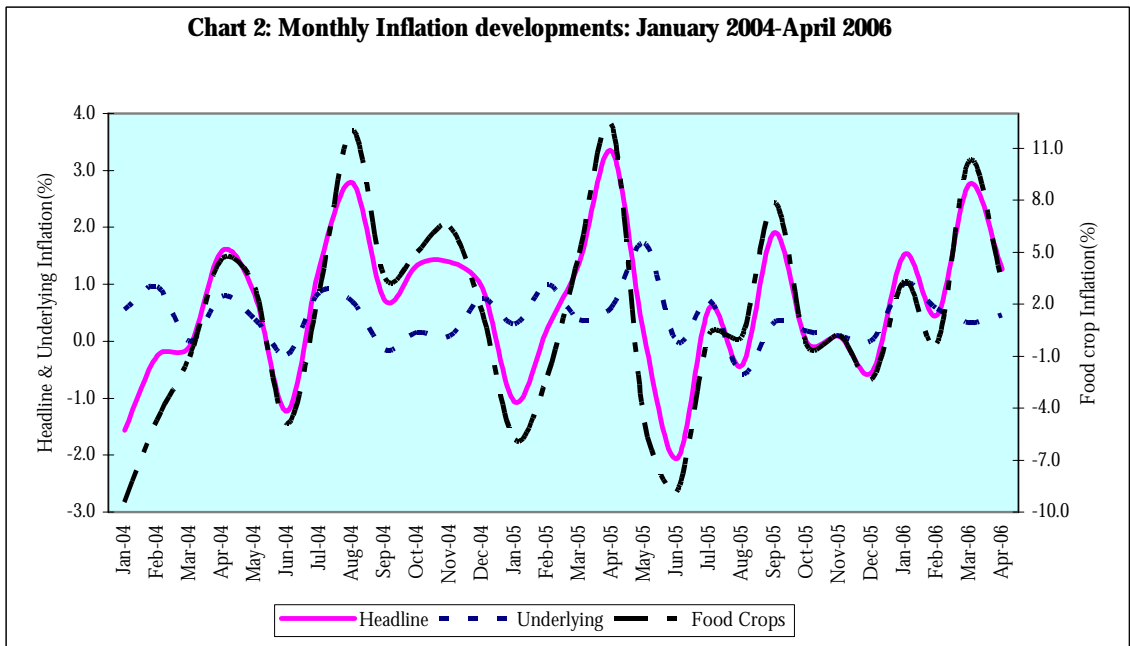
| Period | Headline Inflation (%) | | Underlying Inflation (%) | | Food Crops Inflation (%) | |
|---------------|------------------------|--------|--------------------------|--------|--------------------------|--------|
| | Monthly | Annual | Monthly | Annual | Monthly | Annual |
| February 2006 | 0.5 | 6.4 | 0.6 | 5.1 | -0.3 | 11.2 |
| March 2006 | 2.8 | 7.9 | 0.3 | 5.1 | 10.5 | 16.8 |
| April 2006 | 1.3 | 5.7 | 0.4 | 4.9 | 3.3 | 7.6 |

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 and Energy sectors and Investment Activity, using the latest available data on: activity at the Uganda Securities Exchange (USE), leasing, consumption of electricity and investment licensing at the Uganda Investment Authority for the period March to April 2006.

1.0 Finance Sector

1.1 Uganda Securities Exchange (USE)

In April 2006, the Uganda Stock exchange (USE) had 8 equities, 2 corporate bonds and 13 government bonds. The corporate bonds listed include a Uganda Telecom Limited (UTL) Bond and East African Development Bank (EADB) Bond. 3 of the 8 equities listed are cross listings, namely: East African Breweries Limited (EABL), Kenya Airways (KA) and Jubilee Holdings Limited (JHL).

Trading activity at the Uganda Securities Exchange (USE) soared during April 2006 compared to March 2006. Total turnover grew by Shs0.25 billion, with an increase of 453,925 in the number of shares traded in April 2006 compared to March 2006. The boost in performance at the USE is attributed to the DFCU counter, which recorded 66 percent of total turnover in April 2006. Substantial trading was also recorded on the BOBU (2.4%), NVL (10.8%) and UCL (20.9%) counters.

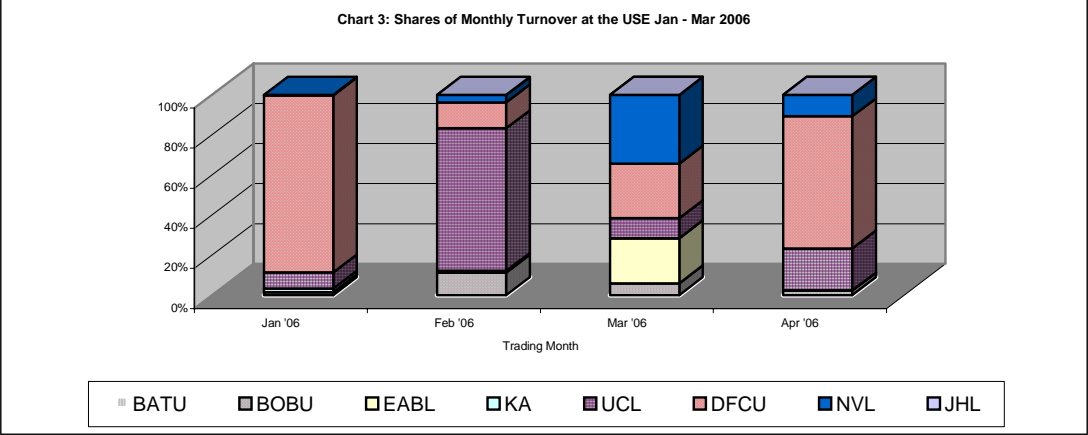
Market capitalisation of the USE grew by 4.7 percent from Shs3,603.4 billion recorded in March 2006 to Shs3,773.7 billion recorded in April 2006. The all-share index rose by 4.9 percent from an average of 721.3 in March to 756.3 in April 2006. The average price at the USE rose by 22.5 percent to Shs4,179 in April 2006 from Shs3,410 in April 2006. This was mainly on account of the rise in the average price at the Uganda Clays counter by 34.7 percent from an average Shs16,701 in March 2006 to Shs22,500 per share in April 2006.

Prices at the USE on May 09, 2006, stood at Shs735, Shs900, Shs500, Shs3,526, Shs2,743, Shs3,265, Shs310 and Shs22,500 at the BATU, BOBU, DFCU, EABL, JHL, KA, NVL and UCL counters respectively, while the All Share index stood at 832.1.

Table 3: Trading at the Uganda Securities Exchange: November 2005 – March 2006

| | Dec '05 | Jan '05 | Feb '06 | Mar '06 | April '06 |
|---|---------------|-------------|---------------|-------------|-------------|
| Trading Days | 7 | 7 | 7 | 8 | 8 |
| Total Turnover | 1,642,613,880 | 160,738,440 | 3,997,014,605 | 111,009,465 | 361,093,900 |
| No. Shares | 3,900,643 | 345,013 | 2,541,654 | 198,212 | 662,138 |
| Market Capitalization (Billion Shs, E.O.P) | 3,375.00 | 3,510.57 | 3,617.15 | 3,603.37 | 3,773.68 |
| All Share Index | 693.11 | 691.25 | 724.64 | 721.29 | 756.29 |

Source: Uganda Securities Exchange



Source: Uganda Securities Exchange

1.2 Leasing Activities

The value of assets disbursed in April 2006 increased by 34 percent to Shs1.6 billion from Shs1.19 billion recorded for March 2006.

Mining and Construction recorded the largest share of assets disbursed (66.3%) in April 2006 followed by Trade and Commerce with a share of 20.2 percent. The Agricultural sector did not feature among the beneficiaries in April 2006. Transport sector, which is usually on top, pulled a meager share of 1 percent in April 2006 down from 16.1 percent of March 2006.

From Charts 3 and 4, it can be observed that the value of assets disbursed in April 2006 follows past trends observed of the direction of the value of assets disbursed in April from March. The value of assets disbursed recovers in March and further in April after dropping in January and February.

Table 4: Sectoral Distribution of Assets Leased in Million Shillings: December 2005 – April 2006

| Sector | Jan '06 | % Share | Feb '06 | % Share | Mar '06 | % Share | Apr '06 | % Share |
|----------------------------------|--------------|--------------|----------------|--------------|----------------|--------------|----------------|--------------|
| A. Transport | 169.1 | 17.8 | 119.2 | 10.1 | 192.0 | 16.1 | 15.5 | 1.0 |
| Commerce & Trade | 219.8 | 23.1 | 514.4 | 43.5 | 291.5 | 24.5 | 322.2 | 20.2 |
| Mining & Construction | - | - | - | - | - | - | 1,058.0 | 66.3 |
| Tourism | - | - | - | - | - | - | 73.2 | 4.6 |
| Health | 21.4 | 2.3 | 3.3 | 0.3 | 34.3 | 2.9 | 18.0 | 1.1 |
| Agriculture | 0.0 | 0.000 | 19.6 | 1.7 | 83.0 | 7.0 | - | - |
| Manufacturing | 467.4 | 49.2 | 244.1 | 20.6 | 297.3 | 25.0 | 32.9 | 2.1 |
| Education | 21.8 | 2.3 | 153.3 | 13.0 | 208.0 | 17.5 | - | - |
| Banking | 3.6 | 0.4 | 1.6 | 0.1 | - | 0.0 | - | - |
| Real Estate | - | - | - | - | - | - | 58.6 | 3.7 |
| Other Services | 47.6 | 5.0 | 127.6 | 10.8 | 84.6 | 7.1 | 17.0 | 1.1 |
| TOTAL | 950.7 | 100.0 | 1,183.1 | 100.0 | 1,190.7 | 100.0 | 1,595.4 | 100.0 |

Source: DFCU leasing

Chart 3

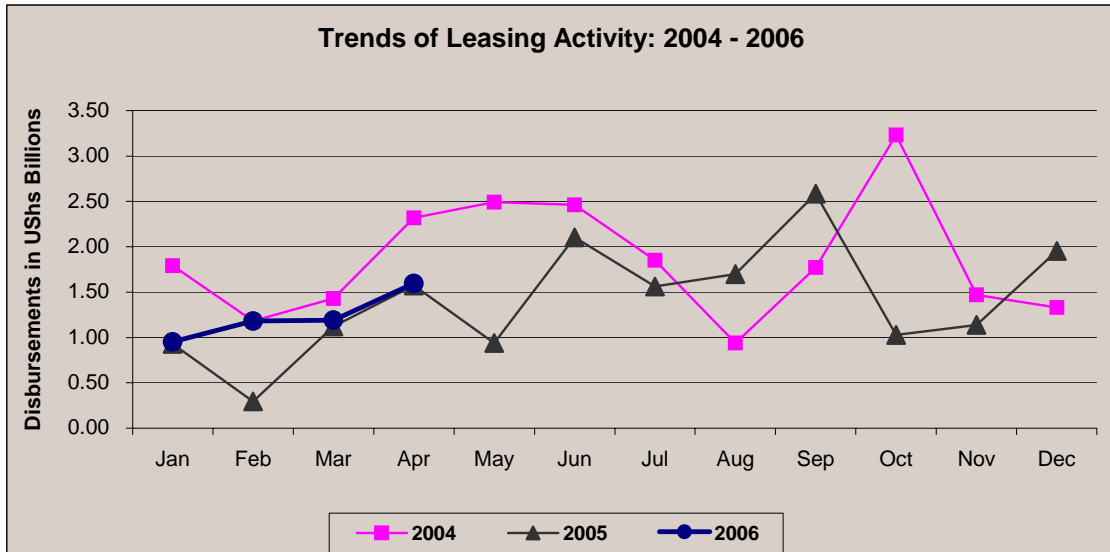
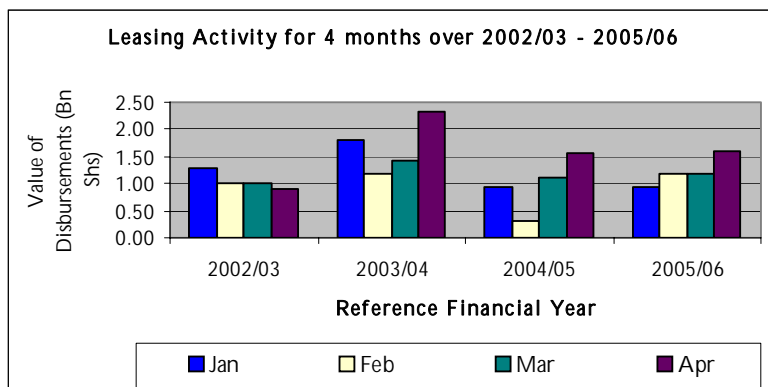


Chart 4

Source: DFCU Leasing

2.0 Energy Sector

2.1 Electricity Consumption

This report covers electricity consumption as reported by UMEME Limited. Data available covers the period to end March 2006.

The number of live customers dropped by 0.9 percent in March 2006 from February 2006. UMEME Limited purchases of electricity from Uganda Electricity Transmission Company Limited (UETCL) rose by 9.1 percent in March 2006 from the previous month and consequently consumption in GWH rose by 7.1 percent over the same period.

Table 5a: Energy Consumption by Tariff Category in Giga Watt Hours (GWH): November 2005 – March 2006.

| Number of Live Customers: | | | | | |
|----------------------------------|----------------|----------------|----------------|----------------|----------------|
| | Nov-05 | Dec-05 | Jan-06 | Feb-06 | Mar-06 |
| Domestic | 261,331 | 263,262 | 268,943 | 268,047 | 265,765 |
| Commercial | 27,665 | 27,838 | 24,511 | 24,435 | 24,109 |
| Industrial | 819 | 813 | 926 | 927 | 938 |
| Street Lighting | 322 | 324 | 341 | 336 | 328 |
| Total | 290,137 | 292,237 | 294,721 | 293,745 | 291,140 |
| Consumption in GWH: | | | | | |
| | Nov-05 | Dec-05 | Jan-06 | Feb-06 | Mar-06 |
| Domestic | 33.41 | 53.48 | 31.54 | 24.56 | 22.06 |
| Commercial | 13.23 | 21.38 | 11.31 | 8.80 | 9.34 |
| Industrial | 65.37 | 94.61 | 48.28 | 37.59 | 44.42 |
| Street Lighting | 0.11 | 0.26 | 0.06 | 0.05 | 0.19 |
| Total | 112.12 | 169.73 | 91.19 | 71.00 | 76.01 |
| Purchases in GWH: | | | | | |
| | Nov-05 | Dec-05 | Jan-06 | Feb-06 | Mar-06 |
| UMEME purchases from UETCL | 146.60 | 149.42 | 143.90 | 108.40 | 118.29 |

Source: UMEME Limited

Table 5b:

| Number of Live Customers: Month-month Percentage Changes | | | | |
|---|---------------|---------------|---------------|---------------|
| | Dec-05 | Jan-06 | Feb-06 | Mar-06 |
| Domestic | 0.7 | 2.2 | -0.3 | -0.9 |
| Commercial | 0.6 | -12.0 | -0.3 | -1.3 |
| Industrial | -0.7 | 13.9 | 0.1 | 1.2 |
| Street Lighting | 0.6 | 5.2 | -1.5 | -2.4 |
| Total | 0.7 | 0.8 | -0.3 | -0.9 |
| | | | | |
| Consumption in GWH: Month-month Percentage Changes | | | | |
| | Dec-05 | Jan-06 | Feb-06 | Mar-06 |
| Domestic | 60.1 | -41.0 | -22.1 | -10.2 |
| Commercial | 61.6 | -47.1 | -22.2 | 6.1 |
| Industrial | 44.7 | -49.0 | -22.1 | 18.2 |
| Street Lighting | 136.4 | -76.9 | -16.7 | 280.0 |
| Total | 51.4 | -46.3 | -22.1 | 7.1 |
| | | | | |
| Purchases in GWH: Month-month Percentage Changes | | | | |
| | Dec-05 | Jan-06 | Feb-06 | Mar-06 |
| UMEME purchases from UETCL | 1.9 | -3.7 | -24.7 | 9.1 |
| | | | | |

Source: UMEME Limited

3.0 Investment

During the period January – March 2006, the number of projects licensed dropped by 29.6 percent to 69 from 98 recorded in the period October – December 2006. Total estimated investment, as well, declined by 8.2 percent to US\$ 162.1 million, from US\$ 176.5 million over the same observation period. Planned employment dropped by 42.2 percent to 5,502 positions from 9,523 recorded in the previous quarter.

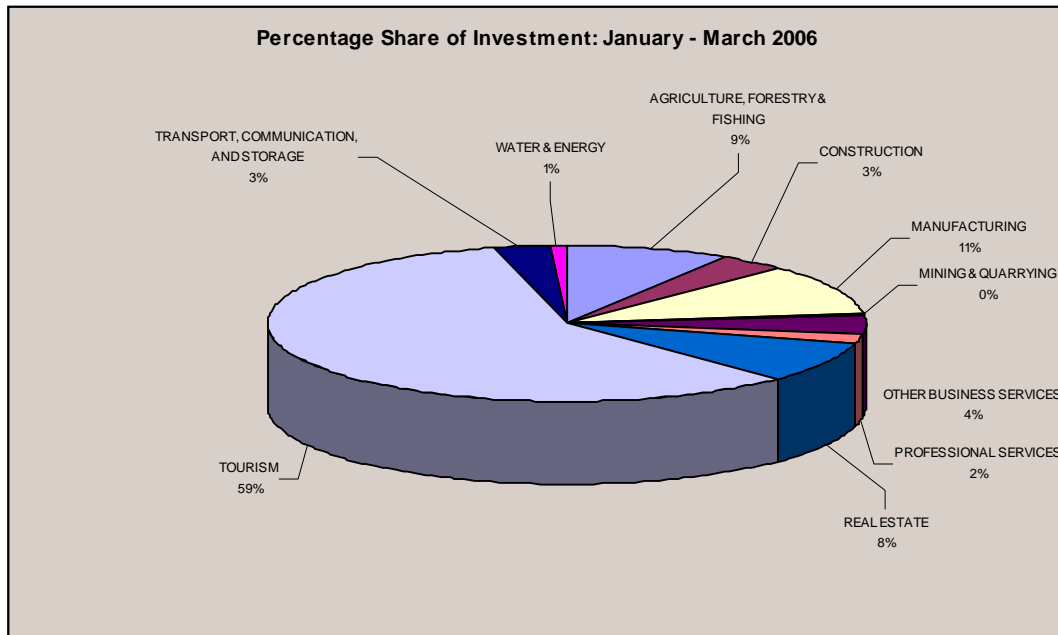
Most licenses were issued to the Tourism sector pulling 58.7 percent of total planned investment. This was followed by the manufacturing sector with 10.7 percent of total planned investment. The Agricultural sector had a share of 8.4 percent. The Transport and Communications sector, which usually dominates investment activity, with the largest share of planned investment, declined to a share of 2.9 in the period under observation. Table 6 below summarizes investment activity for the period January – March 2006.

Table 6: Sectoral Distribution of Projects Licensed by Uganda Investment Authority: Jan - Mar 2006

| Sector | Number of Projects Licensed | Planned Investment (US\$) | Planned Employment | Percentage Share of Investment |
|------------------------------------|-----------------------------|---------------------------|--------------------|--------------------------------|
| Agriculture, Forestry & Fishing | 14 | 14,428,000 | 2,178 | 8.4 |
| Manufacturing | 18 | 17,296,500 | 1,247 | 10.7 |
| Mining & Quarrying | 1 | 526,000 | 71 | 0.3 |
| Tourism | 7 | 95,187,000 | 467 | 58.7 |
| Professional Services | 8 | 3,013,000 | 158 | 1.9 |
| Water & Energy | 2 | 1,456,000 | 248 | 0.9 |
| Transport, Communication & Storage | 3 | 4,700,000 | 136 | 2.9 |
| Real Estate | 1 | 13,554,000 | 54 | 8.4 |
| Construction | 4 | 5,631,500 | 218 | 3.5 |
| Other business services | 11 | 6,291,000 | 725 | 3.9 |
| TOTAL | 69 | 162,083,000 | 5,502 | 100.00 |

Source: Uganda Investment Authority (UIA)

Chart 5:



Source: Uganda Investment Authority (UIA)

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 2-year bond on April 07, 2006. The Shs30.00 billion issue was over subscribed by Shs39.78 billion and realized a cover ratio of 232.61 percent. At a weighted average price of 95.87 per Shs100, the resultant yield for the 10.00 percent coupon bond was 12.40 percent, compared to 13.00 percent for the 2-year bond that was reopened on conversion on February 17, 2006. This auction brought the total outstanding stock of treasury bonds to Shs715.511 billion by end of April 2006. 3-year bond coupon payments totaling to Shs6.63 billion were effected during the month. Table 7 below shows details of the most recent Treasury bond issues. All issues in the market so far are listed on the Uganda Securities Exchange.

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

(In Billions of Uganda Shillings, unless otherwise stated)

| Tenure/Issue date → | 2 Year Re-opened on conversion Feb 17-06 | 2 Year New Issue Apr 07-06 | 3 Year New Issue Mar 09-06 | 5 Year Re-opened Oct 20-05 | 10 Year New Issue May 19-04 |
|------------------------------|--|----------------------------------|----------------------------------|----------------------------------|-----------------------------------|
| Maturity Date | Jan 10-08 | Apr 03-08 | Mar 05-09 | Mar 19-09 | May 08-14 |
| Offers | 35.000 | 30.000 | 30.000 | 20.000 | 15.000 |
| Total Bids | 45.829 | 69.783 | 44.898 | 42.776 | 25.166 |
| O/w Competitive | - | 69.753 | 44.881 | 42.765 | 25.154 |
| Over (Under) Subscription | 10.829 | 39.783 | 14.898 | 22.776 | 10.166 |
| Amount Sold (Face Value) | 35.129 | 30.000 | 30.000 | 20.000 | 15.000 |
| Amount Sold (Cost Price) | 33.618 | 28.760 | 27.667 | 17.888 | 12.991 |
| Cover Ratio % | 130.940 | 232.610 | 149.660 | 213.880 | 167.773 |
| Previous Cover Ratio % | 189.556 | 130.940 | 100.000 | 161.135 | ... |
| WAP per Shs. 100 | 100.373 | 95.865 | 92.222 | 89.438 | 86.608 |
| Previous WAP per Shs. 100 | 95.130 | 100.373 | 104.952 | 85.463 | ... |
| Yield to Maturity % | 13.000 | 12.397 | 13.488 | 15.124 | 13.477 |
| Previous Yield to Maturity % | 12.838 | 13.000 | 14.000 | 16.039 | ... |
| Coupon Rate | 10.000 | 10.000 | 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 13.02/12.77, 14.63/14.38, 15.24/15.00, and 15.50/15.25 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 13.23/13.00, 14.83/14.58, 15.38/15.13, and 15.74/15.48 percent, in the previous four-week period ended March 31, 2006 (See Table 8). Within the month of April 2006, Shs47.81 billion, and Shs0.12 billion were traded in the 2-year, and 3-year bonds at respective average yields-to-maturity of 9.59, and 13.63 percent.

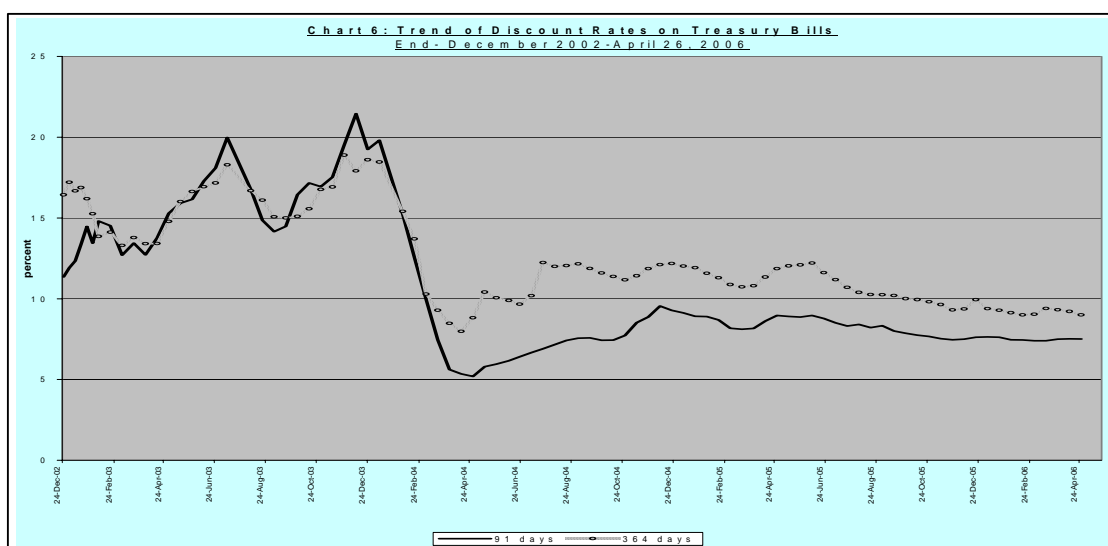
Table 8: Bid/Offer Rates and Transactions in the Secondary Market for Treasury bonds over the four week-period to April 30, 2006

| | 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 | 12.30 | 12.05 | 13.40 | 13.15 | 14.85 | 14.65 | 15.00 | 14.75 |
| Max | 13.90 | 13.90 | 15.30 | 15.05 | 16.00 | 15.75 | 16.50 | 16.25 |
| Average | 13.02 | 12.77 | 14.63 | 14.38 | 15.24 | 15.00 | 15.50 | 15.25 |

Source: Compiled from Domestic Financial Markets Department records

Source: Research Department - Bank of Uganda

Primary Market for Treasury bills



Source: Research Department-Bank of Uganda

Two Treasury bill auctions with offers of Shs50.00 billion and Shs40.00 billion were held in the month of April 2006 and both were oversubscribed. The respective weighted annualized yields on the 91-day, 182-day, and 364-day bills stood at 7.67, 8.68, and 10.15 percent for the auction of April 12, 2006, and at 7.66, 7.56, and 9.88 percent for the auction of April 26, 2006. This compares to rates of 7.64, 8.75, and 10.27 percent, for the 91-day, 182-day, and 364-day bills respectively, recorded in the auction held on March 29, 2006 (see Chart 6 above). The average discount rates on Treasury bills in April 2006 were lower than those registered in April 2005 which ranged between 8.79, and 11.61 percent.

Secondary Market for Treasury bills

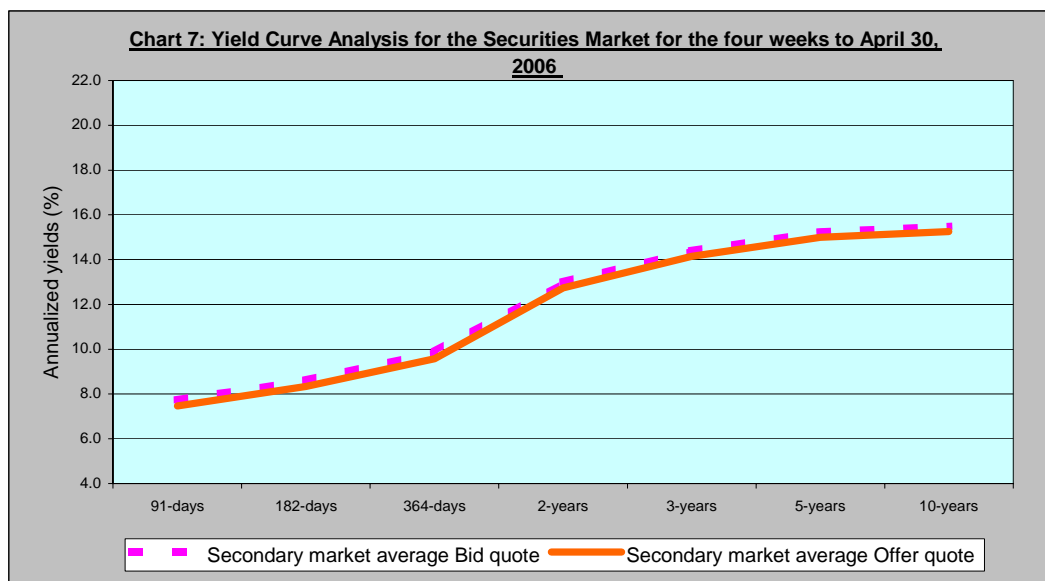
The average bid/offer yields-to-maturity in the secondary market for the 91-day and the 364-day treasury bills increased to 7.69/7.42, and 10.07/9.77 percent in April 2006 compared to 7.64/7.37, and 9.95/9.67 percent in March 2006, respectively. On the other hand the 182-day paper rate fell to 8.77/8.50 from 8.79/8.52 percent, over the same time period.

Table 9: Bid/Offer Rates and Transactions in the Secondary Market for Treasury bills over the four- week period to April 30, 2006

| | Tenor of bills | | | | | |
|--------------------------------|---------------------------------------|-------|--------------|-------|--------------|-------|
| | 91-days | | 182-days | | 364-days | |
| | Yield-to-Maturity quotation (percent) | | | | | |
| | Bid | Offer | Bid | Offer | Bid | Offer |
| Min | 7.58 | 7.32 | 8.42 | 8.15 | 9.61 | 9.27 |
| Max | 7.96 | 7.69 | 8.85 | 5.58 | 10.79 | 10.50 |
| Average | 7.69 | 7.42 | 8.77 | 8.50 | 10.07 | 9.77 |
| | Trading Activity | | | | | |
| Transactions (Shs billion) | 21.185 | | 18.603 | | 12.040 | |
| O/w Horizontal REPOs | 5.605 | | - | | - | |
| - Av. H/REPOs rate | - | | - | | - | |
| O/w- Outright sales | 15.580 | | 18.603 | | 12.040 | |
| Total trades across maturities | Shs51.828 billion | | | | | |
| - Av Discount rate | 7.98 percent | | 7.90 percent | | 8.50 percent | |
| - Av Yield to maturity | 8.17 percent | | 8.14 percent | | 8.95 percent | |
| Rediscounts at BOU | - | | | | | |
| Borrowing at BOU | - | | | | | |

Source: Research Department-Bank of Uganda

In the four weeks ended April 28, 2006, total secondary market trades of treasury bills amounted to Shs51.83 billion, of which Shs5.61 billion related to horizontal REPOs. This was higher than the Shs22.48 billion for the four weeks ended March 31, 2006. The average discount rates on these trades for the 91, 182, and 364-days securities were 7.98, 7.90, and 8.50 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 throughout the maturity profile (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 April 28, 2006 decreased to Shs188.3 billion at a weighted average rate of 6.60 percent compared to transactions worth Shs247.65 billion at a weighted average rate of 6.99 percent recorded in March 2006. The 7-day transactions were the most dominant recording 36 transactions as shown in table 10 below. The over night transactions amounted to Shs19.0 billion or 10.1 percent of total transactions at a weighted average rate of 6.74 percent. Transactions between domestic banks and foreign entities⁸⁽¹⁾ in the money market amounted to Shs3.8 billion, at an average rate of 7.5 percent compared to Shs6.1 billion at 8.5 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 March 2006 | | | Month Of April 2006 | | |
|--------------|---------------------|-----------------|---------------|---------------------|-----------------|---------------|
| | No. of transactions | Amount (Shs bn) | Weighted Rate | No. of transactions | Amount (Shs bn) | Weighted Rate |
| Overnight | 21 | 39.70 | 5.75 | 13 | 19.00 | 6.74 |
| 2 days | 9 | 13.30 | 7.39 | 4 | 5.25 | 6.18 |
| 3 days | 28 | 45.30 | 6.35 | 20 | 35.50 | 5.25 |
| 4 days | 16 | 21.65 | 6.75 | 8 | 9.80 | 6.47 |
| 5 days | 11 | 14.30 | 8.11 | 1 | 2.00 | 7.00 |
| 6 days | 16 | 21.30 | 6.85 | 3 | 4.00 | 6.81 |
| 1 week | 39 | 70.70 | 7.75 | 36 | 61.17 | 6.99 |
| > 1 week | 15 | 21.40 | 7.47 | 35 | 51.52 | 7.06 |
| Total | 155 | 247.65 | 6.99 | 120 | 188.24 | 6.60 |

vi) Commercial Bank's Prime and Retail Interest Rates

The weighted industrial prime-lending rate was stable at 18.69 percent in March as was reported in February 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 April 2006
(Figures are end-period)

| Prime Lending Rate (%) | Mar 31, 2006 | Apr 07, 2006 | Apr 13, 2006 | Apr 21, 2006 | Apr 28, 2006 |
|------------------------|--------------|--------------|--------------|--------------|--------------|
| 0.0 – 10.9 | 0 | 0 | 0 | 0 | 0 |
| 11.0 – 13.9 | 0 | 0 | 0 | 0 | 0 |
| 14.0 – 15.9 | 0 | 0 | 0 | 0 | 0 |
| 16.0 – 18.0 | 5 | 5 | 5 | 5 | 5 |
| 18.1 – 19.9 | 7 | 7 | 7 | 7 | 7 |
| 20.0 – 21.9 | 3 | 3 | 3 | 3 | 3 |
| Range (Min – Max) | 16%-21% | 16%-21% | 16%-21% | 16%-21% | 16%-21% |

Source: Commercial banks weekly returns

⁸⁽¹⁾ A distinction is made between the inter-bank market in which only domestic commercial banks participate and the money market where foreign banks also carry out transactions.

The ranges of the savings and time deposits rates were adjusted from 0-7.0 percent and 0.25-20.0 percent, to 0-12 percent and 0.25- 14 percent respectively. The respective number of banks with savings rates of at least 5.0 percent and those with a time deposit rates of at least 8.0 percent also changed from four (4) and eight (8), to twelve (12) and seven (7) respectively.

Information on the commercial banks' effective lending and deposit rates is available up to March 2006. As portrayed in Table 12, there was a continued decline in the effective lending rate on the shilling denominated loans from 19.18 percent in February to 18.86 percent in March 2006. In the same period, the effective lending rate on the dollar denominated loans increased from 8.91 percent to 9.98 percent.

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

| Weighted Average rates | Shilling Denominated | | | | Foreign Currency Denominated | | | |
|------------------------|----------------------|----------|----------|----------|------------------------------|----------|----------|----------|
| | Dec 2005 | Jan 2005 | Feb 2006 | Mar 2006 | Dec 2005 | Jan 2006 | Feb 2006 | Mar 2006 |
| Lending | 19.37 | 19.74 | 19.18 | 18.86 | 7.15 | 8.73 | 8.91 | 9.98 |
| Demand Deposits | 1.18 | 1.13 | 1.11 | 1.08 | 1.03 | 1.20 | 1.10 | 1.16 |
| Savings Deposits | 1.92 | 1.94 | 1.95 | 2.00 | 1.45 | 1.45 | 1.45 | 1.45 |
| Time Deposits | 7.85 | 9.59 | 8.29 | 8.43 | 3.51 | 4.07 | 4.64 | 4.35 |

Source: Research Department-B.O.U

There was stability in the weighted rates on shilling denominated loans, rates on demand deposits marginally declining from 1.11 percent to 1.08 percent while those on savings and time deposits rose from 1.95 and 8.29 percent to 2.00 and 8.43 percent respectively in the month under review. The dollar denominated demand deposits rates rose from 1.10 percent to 1.16 percent while the savings deposit rates were stable at 1.45 percent. Time deposit rates declined to 4.35 percent from 4.64 percent registered for the previous month.

E MONETARY AND FINANCIAL SECTOR AGGREGATES

(i) Banking Activities

Broad Money

During March 2006, Broad Money M3, which comprises currency in circulation plus all private deposits, contracted by 0.98 percent to Shs3096.68 billion. This is compared to a rise of 0.74 percent registered in February 2006. Relative to June 2005, M3 grew by 10.16 percent at end-March 2006.

M2A, comprising of M3 less foreign currency deposits of the private sector decreased by 1.08 percent in March 2006, compared to a 0.93 percent increase registered in February 2006. M2A has grown by 12.05 percent from June 2005. Developments in money supply are shown in Table 9 below.

Net Foreign Assets (NFA)

Over the month under review, the NFA of the banking system grew by 0.53 percent or Shs16.07 billion to Shs3,059.33 billion. In particular, NFA at BOU rose by 1.38 percent or Shs35.65 billion to Shs2,619.98 billion. At commercial banks NFA declined by 4.27 percent or Shs19.58 billion to Shs439.35 billion. Foreign reserves at BOU expanded by Shs36.43 billion, compared to the slight increase of Shs3.78 billion in the previous month.

Net Claims on Government (NCG)

The government's net position with the banking system (NCG) as at end-March 2006 was a saving of Shs99.15 billion, compared to a saving of Shs87.91 billion at the end of February 2006 (Table 13). This represents a decline in NCG of Shs11.24 billion. At BOU, net claims on government fell by Shs13.33 billion over the month, on account of decreased advances to Government of Shs40.79 billion, which more than offset a fall in Government deposits of Shs27.46 billion. At commercial banks, net claims on Government rose by Shs2.09 billion in March 2006, on account of increased investment in Government securities by commercial banks of Shs15.25 billion, which more than offset a rise in Government deposits of Shs. 13.15 billion

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

| <i>(in billion shillings unless otherwise stated)</i> | Jun 2005 | Sept. 2005 | Oct. 2005 | Nov. 2005 | Dec. 2005 | Jan. 2006 | Feb. 2006 |
|---|-------------|---------------|--------------|--------------|--------------|--------------|--------------|
| Net Foreign Assets (NFA) | 2,648.0 | 2,632.7 | 2,601.1 | 2,481.6 | 2,723.9 | 3,069.9 | 3043.3 |
| Domestic Credit | 982.0 | 1,279.6 | 1,277.0 | 1,407.1 | 1,257.8 | 1,193.8 | 1235.0 |
| Net Credit to Government (NCG) | (176.3) | 18.0 | -9.9 | 79.5 | (47.1) | (129.4) | -87.9 |
| Claims on the Private Sector | 1,150.2 | 1,259.7 | 1,268.7 | 1,302.0 | 1,289.3 | 1,308.7 | 1308.4 |
| M3 | 2,811.1 | 2,905.5 | 2,923.9 | 3,018.2 | 3,101.5 | 3,104.4 | 3127.4 |
| Forex deposits | 653.3 | 679.3 | 684.2 | 679.2 | 665.8 | 682.9 | 683.5 |
| M2A | 2,157.9 | 2,226.1 | 2,239.8 | 2,339.0 | 2,435.7 | 2,421.5 | 2444.0 |
| Demand Deposits | 860.1 | 863.9 | 876.0 | 910.6 | 896.3 | 939.7 | 930.6 |
| Term Deposits | 692.7 | 743.8 | 746.7 | 780.0 | 829.1 | 774.4 | 794.9 |
| Currency | 605.1 | 618.5 | 617.0 | 648.4 | 710.2 | 707.4 | 718.5 |
| Ratio to M3 (Percent) | | | | | | | |
| Forex | 23.2 | 23.4 | 23.4 | 22.5 | 21.5 | 22.0 | 21.9 |
| Demand Deposits | 30.6 | 29.7 | 30.0 | 30.2 | 28.9 | 30.3 | 29.8 |
| Term Deposits | 24.6 | 25.6 | 25.5 | 25.8 | 26.7 | 24.9 | 25.4 |
| Currency | 21.5 | 21.3 | 21.1 | 21.5 | 22.9 | 22.8 | 23.0 |

Source Bank of Uganda

Private Sector Credit (PSC)

At end-March 2006, the stock of outstanding credit to the private sector by the banking sector stood at Shs1,317.77 billion (Table 13), of which Shs20.63 billion was from BOU and Shs1,297.13 billion was from commercial banks. This represents an increase of 0.71 percent or Shs9.32 billion during the month of March 2006. In comparison, during February 2005, PSC decreased by 0.02 percent or Shs0.23 billion.

Credit Flows

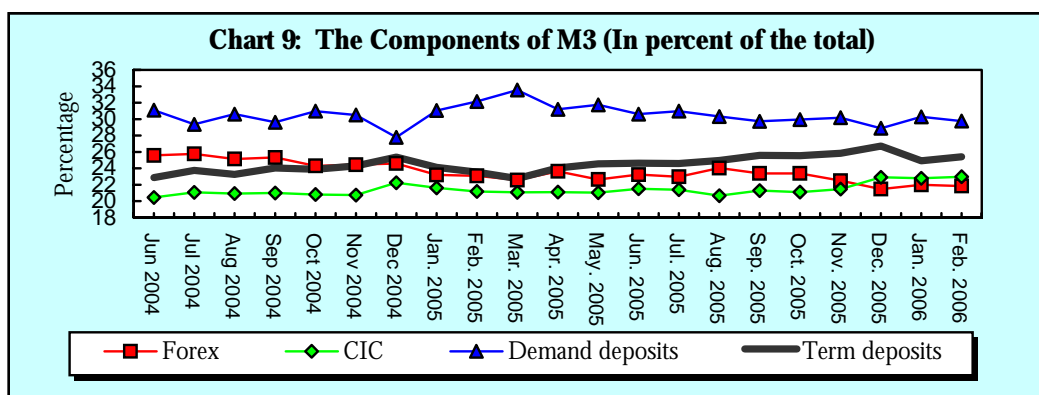
During March 2006, the total (shilling and foreign currency) gross extensions by commercial banks amounted to Shs179.21 billion; while recoveries were Shs147.51 billion resulting in net extensions of Shs31.70 billion. After accounting for flows in capitalized interest, there was an increase in the stock of credit of about Shs33.29 billion (see Appendix 1a)⁹. During the month, commercial banks extended shilling denominated loans amounting to Shs102.57 billion and recovered Shs91.46 billion, thus net extensions were Shs11.11 billion. Net capitalized interest stood at Shs0.65 billion. Thus, there was a net increase in the stock of shilling loans to the non-bank public of Shs11.76 billion (see Appendix 1b). For foreign currency loans, gross extensions stood at Shs76.64 billion, while recoveries were lower at Shs56.05 billion, yielding net extensions of Shs20.59 billion. After taking into account effects of capitalized interest, the stock of foreign currency loans recorded a net rise of Shs21.53 billion (See Appendix 1c).

Appendixes 1a-1c summarize the evolution of the monthly change in outstanding loans and advances of commercial banks from July 2004 to March 2006.

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.

Liabilities of the Banking System

On the liabilities side, foreign currency accounts at commercial banks fell by an equivalent of Shs4.39 billion to Shs679.07 billion in March 2006. In US dollars, foreign currency accounts fell by US\$ 2.15 million to US\$372.4 million¹⁰. Demand deposits fell by 1.28 percent or Shs11.88 billion to Shs918.73 billion, while term deposits (time, savings and CDs) fell by 0.38 percent to Shs791.86 billion as at end-March 2006. Currency in circulation (CIC) fell by 1.59 percent or Shs11.44 billion to Shs707.02 billion. Reflecting these developments, the ratio of foreign currency deposits to M3 held steady at 21.9 percent at both end-February and end-March 2006. The ratio of CIC to M3 fell from 23.0 percent to 22.8 percent; the ratio of demand deposits to M3 fell to 29.7 percent from 29.8 percent, while that of term deposits to M3 rose to 25.6 percent from 25.4 percent. The trends of the ratios are shown in Chart 8 below and Table 9 above.



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

(a) Credit Institutions¹¹

Assets

In the month of March 2006, the total assets of the Credit Institutions (CIs) increased by 1.3 percent to Shs215.64 billion from Shs212.95 billion at the end of February 2006 (Table 14). This is close to an increase of 1.0 percent observed over the same period a year ago. The increase in assets during March 2006 was mainly on account of a 14.2 percent rise in cash in vaults.

Loans and advances

The stock of the outstanding loans and advances to the private sector increased by 1.1 percent to Shs135.03 billion as at end-March 2006. Mortgage loans, which accounted for 59.1 percent of total loans, also increased by 1.1 percent to Shs79.85 billion while secured and unsecured loans increased by 2.2 percent to Shs36.08 billion at the end of March 2006. Administered loans decreased by 0.9 percent to Shs19.11 billion. The building and construction sector accounted for the largest share (73.4 percent) of the total CIs advances as at end-March 2006 while the trade and commerce sector accounted for the second largest share of 15.1 percent.

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

¹¹ Covers 7 credit institutions.

Deposits

In March 2006, private sector deposits¹² in the CIs increased from Shs96.67 billion to Shs98.56 billion. Specifically, savings deposits increased by 3.2 percent to Shs67.66 billion, while Time deposits decreased by 0.8 percent to Shs30.90 billion. Agency funds (these are funds collected on behalf of government from the beneficiaries of the government's pool house sale scheme) increased by 0.1 percent, to Shs33.58 billion.

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

| | Nov 2005 | Dec 2005 | Jan 2006 | Feb 2006 | Mar 2006 |
|--|---------------|---------------|---------------|---------------|---------------|
| Total Assets | 212.85 | 213.68 | 212.69 | 212.95 | 215.64 |
| O/w Loans and advances | 129.79 | 129.81 | 129.99 | 133.54 | 135.03 |
| Secured & unsecured | 31.25 | 29.77 | 33.76 | 35.30 | 36.08 |
| Mortgage | 74.25 | 75.79 | 76.74 | 78.97 | 79.85 |
| Administered | 24.32 | 24.25 | 19.49 | 19.28 | 19.11 |
| Other ^c | 83.06 | 83.87 | 82.70 | 79.41 | 80.61 |
| Total Liabilities | 212.85 | 213.83 | 212.69 | 212.95 | 215.64 |
| O/w Deposits Liabilities ^a | 132.26 | 131.28 | 130.82 | 131.21 | 133.37 |
| Savings | 64.66 | 66.39 | 65.70 | 65.54 | 67.66 |
| Time | 33.45 | 30.95 | 30.81 | 31.13 | 30.90 |
| Agency Funds | 32.54 | 32.88 | 33.23 | 33.53 | 33.58 |
| Other ^b | 80.59 | 82.55 | 81.87 | 81.74 | 82.27 |
| 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 | | | | | |

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

Assets

In the month of March 2006, the total assets held by MDIs stood at Shs102.16 billion, representing an increase of Shs1.89 billion (or 1.9 percent) from Shs100.27 billion in February 2006. This was mainly on account of an increase in long-term investments (32.4 percent). Net loans outstanding, which accounted for the largest share at 58.7 percent of total assets decreased by Shs0.60 billion (or 1.0 percent) from Shs60.54 billion to Shs59.93 billion.

¹² This excludes Agency Funds

¹³ Covers 4 Institutions

Loans and advances

The stock of the outstanding loans to the private sector amounted to Shs63.22 billion down from Shs63.69 billion in February 2006. Allowances for loan losses (general and specific) amounted to Shs3.29 billion, representing an increase of 4.3 percent from Shs3.16 billion in February 2006.

Liabilities

Deposits

In March 2006, deposit liabilities in the MDIs amounted to Shs16.27 billion, of which time and savings deposits were Shs0.58 and Shs15.33 billion, respectively. This was an increase of Shs0.85 billion from Shs15.42 billion in February 2006.

Borrowings

Total borrowings of the MDIs increased from Shs29.56 billion to Shs30.86 billion. Specifically, borrowings-short term (Market rate) increased by 11.3 percent to Shs15.85 billion while borrowings-long term debt (Market rate) decreased by 2.0 percent to Shs15.01 billion. Loan insurance funds also decreased by 2.1 percent from Shs15.31 billion to Shs15.00 billion recorded in February 2006.

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

| | Nov 2005 | Dec 2005 | Jan 2006 | Feb 2006 | Mar 2006 |
|--|---------------|---------------|---------------|---------------|---------------|
| Total Assets | 104.48 | 103.69 | 100.90 | 100.27 | 102.16 |
| O/w Net Loans outstanding ^a | 62.81 | 63.16 | 61.54 | 60.54 | 59.93 |
| Notes & Coins | 1.96 | 2.29 | 2.49 | 2.86 | 2.52 |
| Balances with financial institutions in Uganda | 11.42 | 12.92 | 11.17 | 11.20 | 11.53 |
| Investments in Securities | 13.96 | 11.45 | 11.55 | 11.60 | 13.46 |
| Net Fixed Assets | 7.97 | 8.01 | 8.18 | 8.35 | 8.42 |
| Other Assets | 5.42 | 5.27 | 5.42 | 5.28 | 5.72 |
| Total Liabilities & Equity | 104.48 | 103.69 | 100.90 | 100.27 | 102.16 |
| Total Liabilities | 80.37 | 72.43 | 70.01 | 69.33 | 70.97 |
| O/w Deposit Liabilities | 14.80 | 15.48 | 15.05 | 15.42 | 16.27 |
| Savings | 14.19 | 14.95 | 14.26 | 14.67 | 15.33 |
| Time | 0.29 | 0.32 | 0.56 | 0.46 | 0.58 |
| Accrued Interest | 0.32 | 0.21 | 0.23 | 0.29 | 0.36 |
| Loans insurance funds | 15.26 | 15.17 | 15.42 | 15.31 | 15.00 |
| Borrowings | 41.38 | 32.71 | 30.34 | 29.56 | 30.86 |
| Other Liabilities | 7.96 | 4.60 | 7.45 | 7.23 | 7.10 |
| Grants/Deferred Income | 0.75 | 1.01 | 0.97 | 0.94 | 0.96 |
| Total Equity | 18.61 | 18.57 | 18.20 | 18.25 | 18.51 |
| Year to date profit/loss | 1.16 | 1.12 | (13.39) | 0.10 | 0.36 |
| Subordinated Debt | 3.51 | 9.79 | 9.79 | 9.79 | 9.79 |
| Preference shares | 2.00 | 2.90 | 2.90 | 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 a depreciation trend in March 2006. The shilling depreciated against the US dollar by 0.36 percent in April 2006, slightly above the depreciation of 0.3 percent registered in March 2006. The average mid-rate was Shs1827.48 per US dollar in April compared to Shs1820.93 per US dollar in March 2006. The end-month mid-rate was 1,834.20 on April 28, 2006 compared to Shs1823.51 per US dollar on March 31, 2006. The monthly average spread declined from Shs9.8 in March 2006 to Shs7.92 in April 2006. The depreciation of the shilling during this period was mainly due to speculation by dealers on how big players were to externalize their dividends. The above developments are shown in charts 10 and 11 below and appendix 2

Commercial banks' daily retail sales averaged US\$ 10.0 million in April 2006 close to US\$ 10.4 million in March 2006; while daily purchases averaged US\$ 9.2 million in April compared to US\$ 9.5 million in March 2006. Banks purchased a total of US\$ 166.1 million in April compared to US\$ 180.4 million in March 2006; while they sold US\$ 179.9 million in April compared to US\$ 197.6 million in March 2006. Inter-bank trading rose to US\$ 70.3 million in April from US\$ 65.9 million in March 2006. Daily inter-bank trading averaged US\$ 3.9 million in April compared to an average US\$ 3.5 million in March 2006.

BOU continued with daily sales of US\$ 0.3 million to the IFEM for liquidity sterilization purposes amounting to US\$ 5.4 million. In addition, BOU also intervened in the foreign exchange market, selling US\$ 10.0 million so as to mop up excess liquidity. Consequently, BOU sold US\$ 15.4 million on a net basis in April, compared to sales of US\$ 10.7 million in March 2006. BOU will continue monitoring developments in the IFEM and stands ready to intervene to smoothen out destabilizing spikes in the movement of the exchange rate.

Chart 10: Daily Exchange Rate Movements and Spread of the UGX against the US\$, January 2, 2004 to March 31, 2006

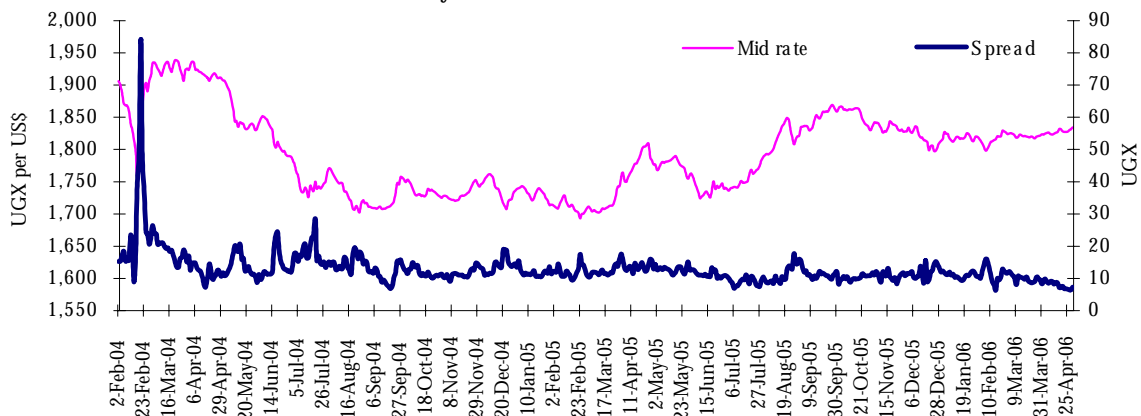
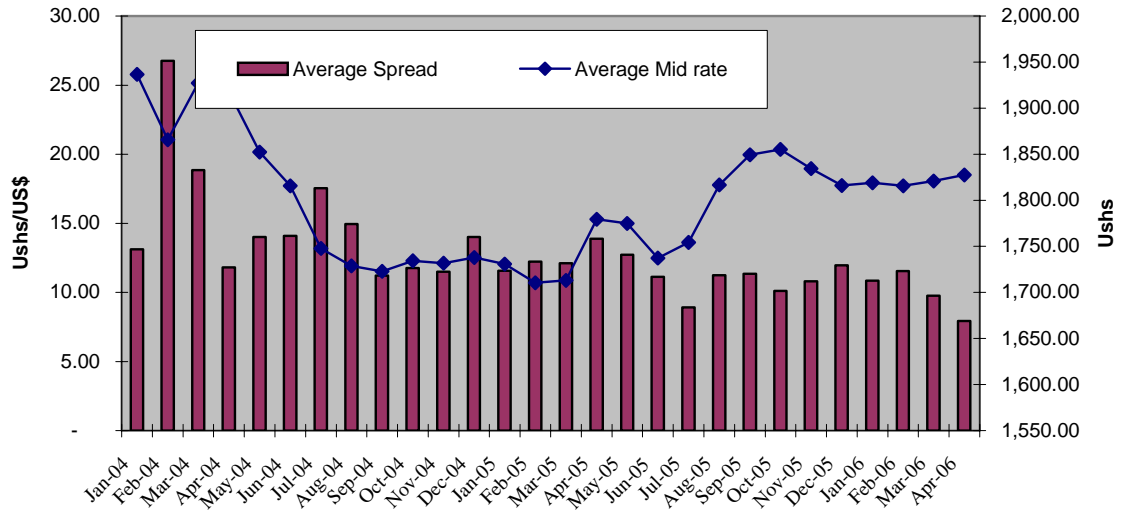


Chart 11:



G GOVERNMENT BUDGETARY OPERATIONS

This section reports preliminary fiscal performance for the month of March 2006.

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) was estimated at Shs226.53 billion during the month of March 2006. This is Shs28.02 billion (14.1 percent) higher than Shs198.51 billion recorded in February 2006.

Total domestic revenue collected in March 2006 was estimated at Shs192.46 billion with URA collections contributing 99.1 percent or Shs190.65 billion. The URA revenue collections were higher than what was realised in the previous month by Shs33.36 billion. The revenue collections were also higher than the programmed target for the month of March 2006 by Shs16.53 billion (9.5 percent). The preliminary outturn for non-URA revenue collections for March 2006 was estimated at Shs1.81 billion, lower than both the program figure of Shs4.67 billion and the February 2006 collection of Shs3.84 billion.

Receipts from budget support grants are estimated at Shs34.07 billion during March 2006, compared to Shs37.39 billion realised in February 2006. This is Shs4.80 billion (16.4 percent) higher than Shs29.27 billion programmed for March 2006.

Table 16: Government Budgetary Operations (Billion Shs)

| | Outturn 2004/05 | Draft Budget Est. 2005/06 | Prog. Budget Est. 2005/06 | Prel. Feb 2006 | Prel. Mar. 2006 | Prog Mar 2006 |
|--------------------------------------|--------------------|---------------------------------|---------------------------------|----------------------|-----------------------|---------------------|
| Total Tax & Import Support Receipts | 3,169.9 | 2,894.1 | 2,891.7 | 198.51 | 226.53 | 259.06 |
| Total Domestic Revenue | 1,914.7 | 2,283.7 | 2,280.6 | 161.12 | 192.46 | 178.79 |
| URA Excluding Refunds/Govt. Taxes | 1,887.7 | 2,230.1 | 2,230.1 | 157.28 | 190.65 | 174.12 |
| Non URA Revenues | 27.0 | 53.6 | 50.5 | 3.84 | 1.81 | 4.67 |
| Budget Support Grants 2/ | 1,255.2 | 610.4 | 611.1 | 37.39 | 34.07 | 80.26 |
| Expenditure & Lending | 3,067.9 | 2,832.8 | 3,832.8 | 282.50 | 202.46 | 324.66 |
| Current Expenditure | 1,986.8 | 2,148.1 | 2,148.1 | 218.89 | 184.39 | 180.43 |
| Development Expenditure | 1,232.0 | 541.0 | 541.0 | 57.06 | 20.28 | 138.89 |
| Others 1/ | 58.7 | 143.6 | 143.64 | 6.56 | (2.22) | 5.33 |
| Overall Fiscal Balance (Deficit) | (107.6) | 61.4 | 59.0 | (83.99) | 24.08 | (65.60) |
| Excluding Grants | (1,362.8) | (549.0) | (552.1) | (121.37) | (10.00) | (145.86) |

Source: Ministry of Finance, Planning and Economic Development
1/ Includes Net Lending/Repayments, Arrears Repayments and Contingency.
2/ 2004/05 outturn constitutes Budget support Grants of Shs823.6 billion and Project Support Grants of Shs431.6 billion. March program constitutes Budget support Grants of Shs29.27 billion and Project Support Grants of Shs51.00 billion.

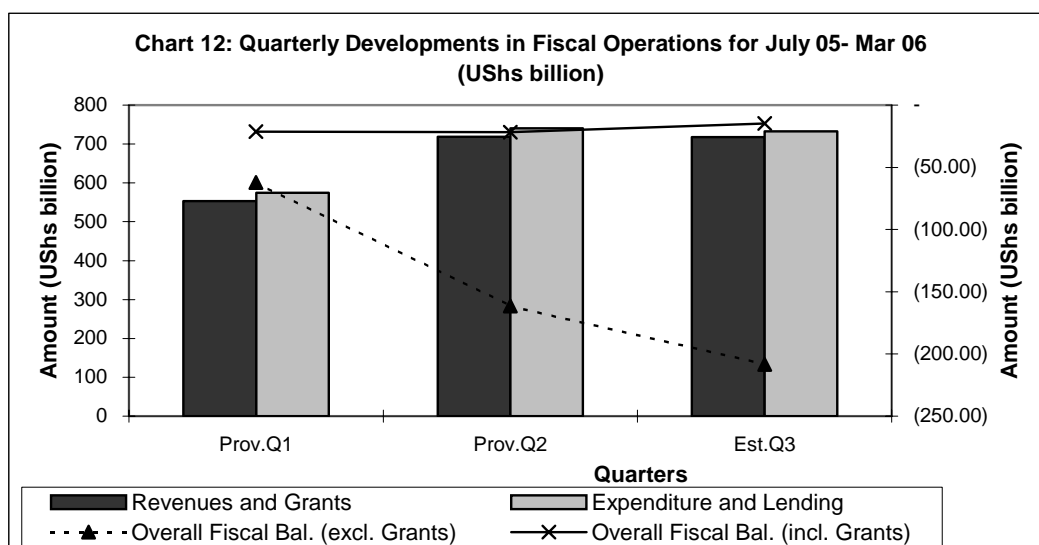
i) Expenditure

In March 2006, government expenditure and net lending decreased by 28.3 percent or Shs80.04 billion to Shs202.46 billion. The decrease was mainly on account of a decrease of 64.5 percent in development expenditure. Over the same period, current expenditure decreased to Shs184.39 billion from Shs218.88 billion in the previous month, mainly on account of a decrease in other recurrent expenditures. Expenditure on wages and salaries amounted to Shs78.07 billion, which accounted for 42.3 percent of current expenditure, while other recurrent expenditures amounted

to Shs76.28 billion, representing 41.4 percent of current expenditures. The outturn for total government expenditure was also contained below the programmed level of Shs324.66 billion during the month of March 2006.

iii) Overall Fiscal Balance and Financing

The overall fiscal balance for March 2006 was a surplus of Shs24.08 billion compared to a deficit of Shs83.99 billion recorded in February 2006. Excluding grants, the surplus deteriorates to a deficit of Shs10.00 billion, which compares with a deficit of Shs121.38 billion realised in February 2006. The domestic financing (excluding net bank financing) amounted to Shs-10.45 billion while net external financing amounted to Shs-3.62 billion. Chart 12 depicts quarterly developments in fiscal operations so far over the FY 2005/06.



H DEVELOPMENTS IN THE BALANCE OF PAYMENTS

The overall balance was estimated at a surplus of US\$1.8 million in March 2006. The Current Account balance was estimated at a deficit of US\$72.4 million – a deterioration from the deficit of US\$11.8 million registered in the preceding month. This was mainly on account of the reduction in current transfers’ inflows – in particular, workers transfers reduced by US\$23.2 million from US\$53.9 million in February 2006. The Capital and Financial account was estimated at a surplus of US\$74.1 million, improvement from a surplus of US\$17.0 million recorded in February 2006. This was mainly attributable to a rundown in currency and deposits by banks and increased borrowing by general government.

i) Exports

Total Exports (developments for the month of March 2006)

Total export proceeds in the month of March 2006 were estimated at about US\$73.9 million; a slight improvement of about 1.9 percent in comparison to the export earnings of US\$72.6 million recorded in the preceding month.

Coffee Exports

During the month of March 2006 coffee exports amounted to 156,010 (60-kilogram) bags worth US\$14.7 million. This was a reduction of 5.9 percent in volume and 8.9 percent in value compared to the previous month's exports.

The average realized export price for coffee in March was US\$1.57 per kg , 3.3 percent (or 5 cents) less than the US\$1.62 per kg in February 2006.

Non-coffee Exports

There was an increase in estimated earnings for a number of non-coffee exports in March 2006 vis-à-vis the previous month. The total value of non-coffee exports for March 2006 was estimated at US\$59.3 million, US\$2.8 million (or 4.9 percent) more than the value realized in the previous month. Specifically, export proceeds from gold, fish and its products (both regional & international), maize and cobalt increased by 26.5 percent, 28.3 percent, 51.6 percent and 30.2 percent respectively. Much of the improvement in fish and its products is a result of increased investment in processing facilities.

Earnings from exports of electricity, tobacco, hides & skins and beans also increased minimally (a combined total of US\$0.9 million in the review period).

Notwithstanding the above, there was a decline in earnings from the remaining export commodities viz. cotton, tea, simsim and oil re-exports. The most outstanding were cotton and tea which decreased by US\$3 million and US\$1.0 million respectively.

ii) Imports

The total import bill for the month of March 2006 was estimated at US\$178.0 million, of which private sector imports accounted for US\$173.2 million. The major items imported by the private sector were machinery, chemicals & related products, vegetable products and base metals & their products. Oil imports value amounted to US\$29.2 million, US\$5.8 million more than the oil import bill of February 2006.

Government imports were recorded at US\$4.9 million in the month under review, compared to the US\$3.2 million in the previous month. The Government import bill in March 2006 accounted for approximately 2.7 percent of the total import bill. The bulk of government imports comprised of base metals & their products and machinery.

iii) Other Inflows and Outflows

Official aid (excluding project aid but including resources from the HIPC Initiative) inflows amounted to about US\$15.9 million in the month under review. Net private sector transfer inflows were estimated at US\$26.4 million in March, US\$46.9 million less than the net inflows recorded in February 2006. This was to a large extent due to a reduction in inflows from workers' remittances. Services and income outflows in the same month exceeded inflows by about US\$38.9 million.

Official debt service for the month of March 2006 was estimated at US\$12.5 million. Estimates of net trade credit amounted to inflows of US\$3.6 million, consisting of inflows (buyers' credit and suppliers' credit) estimated at US\$20.9 million and outflows (pre-finance shipments and suppliers' credit repayments) estimated at US\$17.3 million.

In March 2006, the level of gross foreign reserves amounted to US\$1,435.2 million; a build up of US\$20.9 million compared to the preceding month. This reserve level is estimated to cover 6.6 months of future imports of goods and services.

I POLICY OUTLOOK

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

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

(Total of local and foreign Currency, billion Shs)

Table 4a: 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 |
| February 2006 | 180.39 | (155.15) | 25.24 | 7.66 | (7.11) | 0.55 | 25.79 |
| March 2006 | 179.21 | (147.51) | 31.70 | 7.82 | (6.23) | 1.59 | 33.29 |
| Q3 | 534.89 | (434.54) | 100.35 | 23.33 | (20.09) | 3.24 | 103.59 |

Source: Research Department, Bank of Uganda

**Table 1b: Monthly Change in Outstanding Loans and Advances of Commercial Banks
(Shilling loans, billion Shs)**

| Period | Extensions | Recoveries | Net extensions | Cap interest | Repd cap int | Net Cap int | Net change |
|-------------------------|-----------------|-----------------|----------------|--------------|----------------|----------------|----------------|
| | 1 | 2 | 3=1+2 | 4 | 5 | 6=4+5 | 7= 3+6 |
| 1999/2000 | 309.57 | (257.58) | 51.99 | 21.91 | (65.28) | (43.37) | 8.62 |
| 2000/2001 | 602.42 | (553.62) | 48.80 | 32.75 | (59.58) | (26.83) | 21.97 |
| 2001/2002 | 698.57 | (693.31) | 5.26 | 22.65 | (54.96) | (32.31) | (27.05) |
| 2002/2003 | 887.64 | (753.00) | 134.65 | 51.87 | (43.11) | 8.76 | 143.41 |
| 2003/2004 | 984.69 | (897.52) | 87.17 | 75.49 | (43.72) | 31.77 | 118.94 |
| 2004/2005 | | | | | | | |
| 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) |
| February 2006 | 96.90 | (101.09) | (4.19) | 4.21 | (4.50) | (0.29) | (4.48) |
| March 2006 | 102.57 | (91.46) | 11.11 | 4.45 | (3.80) | 0.65 | 11.76 |
| Q3 | 294.43 | (292.16) | 2.27 | 12.38 | (13.13) | (0.74) | 1.53 |

Source: Research Department, Bank of Uganda

**Table 1c: Monthly Change in outstanding loans and advances of Commercial banks
(Foreign Currency, billion Shs)**

| Period | Extensions | Recoveries | Net extensions | Cap interest | Repd cap int | Net Cap int | Net change |
|-------------------------|-------------------|-------------------|-----------------------|---------------------|---------------------|--------------------|-------------------|
| | 1 | 2 | 3=1+2 | 4 | 5 | 6=4+5 | 7= 3+6 |
| 1999/2000 | 95.19 | (54.30) | 40.89 | 8.71 | (26.04) | (17.33) | 23.55 |
| 2000/2001 | 249.86 | (215.95) | 33.91 | 8.23 | (12.03) | (3.80) | 30.11 |
| 2001/2002 | 229.74 | (192.77) | 36.97 | 4.36 | (9.69) | (5.33) | 31.64 |
| 2002/2003 | 401.56 | (367.49) | 34.07 | 7.65 | (6.31) | 1.33 | 35.41 |
| 2003/2004 | 471.62 | (450.63) | 21.00 | 10.55 | (8.26) | 2.29 | 23.29 |
| | | | | | | | |
| 2004/2005 | | | | | | | |
| 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 2006 | 80.33 | (32.27) | 48.06 | 4.13 | (1.93) | 2.20 | 50.26 |
| February 2006 | 83.49 | (54.07) | 29.43 | 3.45 | (2.61) | 0.84 | 30.27 |
| March 2006 | 76.64 | (56.05) | 20.59 | 3.37 | (2.43) | 0.94 | 21.53 |
| Q3 | 240.46 | (142.38) | 98.07 | 10.95 | (6.96) | 3.99 | 102.06 |

Source: Research Department, Bank of Uganda

Appendix 2: 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 |
|-----------|---------------------|-------------------|---------------|--------------|-----------|--------|-----------|
| 1-Mar-06 | 1,825.28 | 11.50 | -0.30 | 0.00 | 6.63 | 8.24 | 5.41 |
| 3-Mar-06 | 1,824.47 | 10.90 | -0.30 | 0.00 | 0.00 | 0.00 | 1.86 |
| 7-Mar-06 | 1,822.10 | 10.25 | -0.30 | 0.00 | 7.76 | 11.63 | 3.95 |
| 9-Mar-06 | 1,818.23 | 7.99 | -0.30 | 0.00 | 12.69 | 16.41 | 4.53 |
| 13-Mar-06 | 1,819.43 | 10.71 | -0.30 | 0.00 | 13.11 | 15.92 | 4.91 |
| 14-Mar-06 | 1,823.26 | 10.49 | -0.30 | 0.00 | 12.60 | 10.97 | 3.41 |
| 15-Mar-06 | 1,822.07 | 10.30 | -0.30 | 0.00 | 9.64 | 7.46 | 2.95 |
| 16-Mar-06 | 1,820.76 | 10.10 | -0.30 | 0.00 | 8.22 | 9.90 | 4.02 |
| 17-Mar-06 | 1,821.06 | 9.75 | -0.30 | 0.00 | 8.35 | 9.32 | 3.22 |
| 20-Mar-06 | 1,820.46 | 10.49 | -0.30 | 0.00 | 10.03 | 13.56 | 3.26 |
| 21-Mar-06 | 1,819.29 | 9.26 | -0.30 | 0.00 | 14.62 | 11.98 | 6.24 |
| 22-Mar-06 | 1,818.98 | 8.89 | -0.30 | 0.00 | 8.79 | 15.11 | 2.70 |
| 23-Mar-06 | 1,820.12 | 8.60 | -0.30 | -5.00 | 7.50 | 9.73 | 5.86 |
| 24-Mar-06 | 1,818.56 | 8.82 | -0.30 | 0.00 | 8.21 | 8.08 | 3.35 |
| 27-Mar-06 | 1,817.46 | 9.17 | -0.30 | 0.00 | 8.24 | 7.05 | 3.27 |
| 28-Mar-06 | 1,820.33 | 10.50 | -0.30 | 0.00 | 8.56 | 9.42 | 2.70 |
| 29-Mar-06 | 1,821.12 | 9.78 | -0.30 | 0.00 | 15.97 | 16.79 | 0.83 |
| 30-Mar-06 | 1,821.47 | 9.53 | -0.30 | 0.00 | 10.37 | 8.08 | 0.94 |
| 31-Mar-06 | 1,823.51 | 8.30 | -0.30 | 0.00 | 9.14 | 7.94 | 2.48 |
| Mar-06 | 1,820.94 | 9.75 | -5.70 | -5.00 | 180.44 | 197.58 | 65.89 |
| 3-Apr-06 | 1823.230 | 9.320 | -0.300 | 0.000 | 8.401 | 10.374 | 2.167 |
| 4-Apr-06 | 1825.080 | 9.820 | -0.300 | 0.000 | 8.017 | 6.347 | 2.553 |
| 5-Apr-06 | 1825.905 | 8.910 | -0.300 | 0.000 | 8.119 | 6.383 | 2.982 |
| 6-Apr-06 | 1826.350 | 8.540 | -0.300 | 0.000 | 7.955 | 6.083 | 0.850 |
| 7-Apr-06 | 1823.970 | 9.020 | -0.300 | 0.000 | 6.625 | 11.426 | 4.987 |
| 10-Apr-06 | 1822.990 | 9.080 | -0.300 | 0.000 | 6.986 | 10.553 | 2.422 |
| 11-Apr-06 | 1824.370 | 8.260 | -0.300 | 0.000 | 9.557 | 9.518 | 2.122 |
| 12-Apr-06 | 1825.975 | 8.650 | -0.300 | 0.000 | 13.212 | 9.651 | 4.737 |
| 13-Apr-06 | 1826.705 | 8.690 | -0.300 | 0.000 | 13.790 | 14.310 | 1.350 |
| 18-Apr-06 | 1831.395 | 7.210 | -0.300 | 0.000 | 11.069 | 11.636 | 4.369 |
| 19-Apr-06 | 1831.880 | 7.060 | -0.300 | 0.000 | 12.581 | 7.491 | 4.320 |
| 20-Apr-06 | 1828.770 | 7.560 | -0.300 | 0.000 | 5.941 | 10.637 | 4.376 |
| 21-Apr-06 | 1827.175 | 6.810 | -0.300 | 0.000 | 9.039 | 9.885 | 4.326 |
| 24-Apr-06 | 1827.495 | 6.830 | -0.300 | 0.000 | 10.564 | 11.072 | 5.269 |
| 25-Apr-06 | 1827.550 | 6.660 | -0.300 | 0.000 | 10.775 | 12.399 | 4.257 |
| 26-Apr-06 | 1830.280 | 6.400 | -0.300 | 0.000 | 11.682 | 11.065 | 2.348 |
| 27-Apr-06 | 1831.340 | 6.460 | -0.300 | 0.000 | 3.796 | 9.911 | 3.796 |
| 28-Apr-06 | 1834.200 | 7.280 | -0.300 | -10.000 | 7.998 | 11.125 | 13.050 |
| Apr-06 | 1,827.48 | 7.92 | -5.40 | -10.00 | 166.11 | 179.87 | 70.28 |

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

| | Sep-05 | Oct-05 | Nov-05 | Dec-05 | Jan-06 | Feb-06 | Mar-06 |
|---|--------------|--------------|--------------|--------------|--------------|--------------|--------------|
| Total Exports | 62.59 | 69.61 | 72.24 | 73.95 | 83.91 | 72.59 | 73.94 |
| 1. Coffee | | | | | | | |
| Gross coffee shipment, million (60-Kg) bags | 0.14 | 0.12 | 0.18 | 0.18 | 0.23 | 0.17 | 0.16 |
| Av. unit value | 1.18 | 1.27 | 1.32 | 1.37 | 1.43 | 1.62 | 1.57 |
| Value of total shipment (BOP) | 10.03 | 9.28 | 14.41 | 14.84 | 19.61 | 16.11 | 14.67 |
| 2. Non-Coffee exports | 52.55 | 60.33 | 57.83 | 59.11 | 64.30 | 56.48 | 59.27 |
| Electricity | 0.50 | 0.28 | 0.40 | 0.40 | 0.38 | 0.34 | 0.38 |
| Gold | 5.76 | 6.65 | 5.39 | 8.68 | 9.26 | 8.14 | 10.30 |
| Cotton | 0.07 | 0.64 | 0.26 | 0.46 | 1.14 | 3.28 | 0.30 |
| Tea | 3.06 | 2.89 | 3.14 | 2.98 | 2.68 | 1.15 | 0.13 |
| Tobacco | 1.86 | 3.08 | 1.51 | 1.35 | 1.18 | 1.97 | 2.34 |
| Fish & its prod.(excl. regional) | 11.14 | 13.28 | 13.01 | 12.24 | 10.94 | 10.39 | 13.74 |
| Fish & its prod.(regional exports) | 3.22 | 4.06 | 4.24 | 3.85 | 3.35 | 3.03 | 3.49 |
| Hides & skins | 0.45 | 0.54 | 0.52 | 0.46 | 0.80 | 0.46 | 0.59 |
| Simsim | 0.42 | 0.50 | 0.07 | 0.48 | 0.72 | 0.95 | 0.82 |
| Maize | 2.54 | 2.82 | 2.27 | 2.24 | 1.78 | 1.88 | 2.85 |
| Beans | 0.36 | 0.23 | 1.12 | 0.77 | 0.52 | 0.43 | 0.81 |
| Flowers | 2.62 | 2.88 | 2.67 | 2.28 | 2.55 | 2.90 | 2.62 |
| Oil re-exports | 2.16 | 2.48 | 2.22 | 2.68 | 2.37 | 2.65 | 2.54 |
| Cobalt | 0.79 | 1.57 | 1.39 | 1.57 | 2.10 | 1.57 | 2.05 |
| Others | 17.61 | 18.43 | 19.63 | 18.67 | 24.52 | 17.33 | 16.30 |

Source: Bank of Uganda

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

| | Sep-05 | Oct-05 | Nov-05 | Dec-05 | Jan-06 | Feb-06 | Mar-06 |
|-------------------------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|
| Total Imports | 172.35 | 154.01 | 164.44 | 156.53 | 164.64 | 162.09 | 178.04 |
| Government Imports | 18.56 | 7.52 | 12.36 | 3.95 | 10.00 | 3.19 | 4.86 |
| Project | 14.95 | 2.82 | 3.39 | 1.64 | 1.19 | 2.63 | 2.18 |
| Non-Project | 3.61 | 4.70 | 8.98 | 2.30 | 8.81 | 0.56 | 2.67 |
| Private Sector Imports | 153.79 | 146.48 | 152.08 | 152.59 | 154.64 | 158.90 | 173.18 |
| Oil imports | 21.96 | 20.15 | 23.71 | 23.82 | 24.26 | 23.41 | 29.20 |
| Non-oil imports | 131.84 | 126.33 | 128.36 | 128.77 | 130.38 | 135.49 | 143.98 |

Source: Bank of Uganda

Note: All import figures are reported at f.o.b value.