

**BANK OF UGANDA**



# **MONTHLY ECONOMIC REVIEW**

**NOVEMBER  
2005**

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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 October 31, 2005 suggests that:

- Total treasury bills issues of Shs95.00 billion were almost fully offset by treasury bills maturities of Shs94.24 billion leading to a net withdrawal of liquidity of Shs0.76 billion, in contrast with the net injection of Shs24.34 billion in the previous four-week period to September 30, 2005.
- In a continuous effort to promote the development of financial markets alongside the conduct of monetary policy, Bank of Uganda reopened a 5-year bond on October 19, 2005 with a face value of Shs 20.00 billion.
- On the short-term liquidity management front, gross issues of the REPO instrument, whose maturity ranged from 4 to 7 days, amounted to Shs19.50 billion during this period, against maturities of Shs49.64 billion. This is compared to issues and maturities of Shs 190.00 billion and Shs 160.09 billion, respectively over the preceding period ended September 30, 2005. By October 31, 2005, there was no outstanding stock of REPOs.
- In line with developments in the Treasury bill market, the Rediscount rate and Bank rate declined from 13.93 percent and 14.93 percent, by end September 2005, to 13.61 percent and 14.61 percent, respectively by October 31, 2005.

### Inflation Developments

- Upward inflationary pressures observed during the year ended September 2005 reversed in October 2005. However, both the annual headline and underlying inflation rates registered in this period were still higher than what was witnessed in the same period a year ago.
- The **annual headline inflation rate**<sup>1</sup> eased to **6.4** percent in the year ended October 2005 from 7.8 percent (*revised*) recorded in September 2005. However this is higher than the rate of 5.7 percent registered in October 2004. Similarly, the **monthly headline inflation rate** fell to 0.0 percent in October 2005, down from 1.9 percent in September 2005. The **annual underlying inflation rate** fell to **5.5** percent in October 2005, down from 5.6 percent (*revised*) for the year

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

ended September 2005. On the same note, the **monthly underlying inflation** declined to **0.2** percent in October 2005 from 0.3 percent in September 2005

- The **annual food crop inflation** <sup>2</sup> decreased to **9.8** percent in October 2005 from 15.8 percent in the year ended September 2005, while the **monthly food crop inflation** fell to **-0.4** percent in October 2005, down from 7.9% in September 2005.
- The easing of inflationary pressures during the year ended October 2005 was attributed to sound monetary and fiscal policies as well as the improvement in supply of food items particularly fruits and vegetables following the relative improvement in weather conditions
- The drop in prices of cigarettes and tobacco leaves following good harvest realized this year compared to the previous year and the decline in prices of footwear and soap during the period under review.

### **Real Sector Developments**

- Between August and September 2005, electricity consumption declined by 2.4 percent. All consumer groups registered decreases in consumption, with the largest drop recorded in the Street Lighting tariff category. UMEME earnings from electricity distribution also declined by 2.9 percent over the same period. But the total number of consumers increased by 1.8 percent between July and August 2005 with the largest increase (2.8 percent) being recorded in the commercial tariff category.
- Trading activity at the Uganda Securities Exchange (USE) gained during October 2005 compared to September 2005. Total turnover grew by 14.7 percent, with a 42 percent increase in shares traded in October 2005 compared to September 2005. The improved performance at the USE is attributed to market response to corporate action. Companies announced and paid dividends and awarded bonus shares, thereby attracting more investors. The DFCU and UCL counters dominated activity with 73.6 percent and 25.8 percent shares of total turnover in the month under review.
- USE's market capitalisation rose by 0.9 percent to Ushs 3,549.3 billion from Ushs 3,518.6 billion recorded for the month of September 2005. This could be attributed to the 15 percent rise in the average equity price at the USE to Ushs 3,494 in October 2005 from Ushs 3,038 in September 2005.
- Under leasing, the value of assets disbursed in October 2005 declined by 60.2 percent to Ushs 1.03 billion from Ushs 2.6 billion recorded for September 2005 and by 68.1 percent compared to the corresponding period in 2004 when total disbursements amounted to Ushs 3.23 billion. Transport recorded the largest share of assets disbursed at 40.9 percent in October, Trade and commerce had

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<sup>2</sup> Food crops refer specifically to grown food crop items that are typically sold fresh in the markets.

the second largest share at 39.7 percent. The Agricultural and manufacturing sectors attracted minor shares of 1.1 percent and 4.8 percent respectively.

- Statistics on licensed projects are available on a quarterly basis. Over the period July – September 2005, the value of investment licenses issued fell by 7.6 percent to US\$ 126.2 million from US\$ 136.6 million in the previous quarter. In contrast, the number of projects license was higher by 9.8 percent at a total of 67 from 61, which were recorded for the period April – June 2005.
- Planned employment dropped by 2.9 percent to 6,195 positions from 6,383 in April – June 2005. Over July –September 2005, the share of manufacturing assumed the largest share of total planned investment of 45.2 percent from 6 percent pulled in April – June 2005. The construction sector continued to take up a meager share of below 10 percent. The Agriculture sector had a share of 10 percent, down from 21.2 percent of April – June 2005.

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

- In line with the monetary policy objectives and financial markets development, Bank of Uganda reopened a 5-year bond on October 19, 2005. The Shs20.00 billion issue was over subscribed by Shs22.78 billion and realized a cover ratio of 213.88 percent. At a weighted average price of 89.44 per Shs100, the resultant yield-to-maturity for the 10.75 percent coupon bond was 15.12 percent compared to 16.04 percent in the previous 5-year issue that was reopened in November 2004.
- The total outstanding stock of Treasury bonds stood at Shs620.00 billion by end of October 2005. A 3-year bond coupon payment of Shs2.15 billion was effected during the month.
- In the secondary market for Bonds, the four week-period average indicative bid/offer yields-to-maturity were quoted at 13.88/13.62 percent and 15.16/14.91 percent for the 2-year and 3-year bonds, and at 16.14/15.89 percent and 16.51/16.26 percent for the 5-year and 10-year bonds tenors respectively. This is compared to the respective rates of 13.85/13.60 percent, 15.24/14.99 percent, and 16.20/15.95 percent for the 2-year, 3-year, and 5-year bonds, in the previous four-week period ended September 30, 2005, respectively. The 10-year bond's rates remained unchanged. Within the month of October 2005, Shs0.20 billion and Shs0.004 billion were traded in the 2-year and 3-year bonds at respective average yields-to-maturity of 17.25 percent, and 15.18 percent.
- Two Treasury bill auctions with offers of Shs50.00 billion and Shs 45.00 billion each were held in the month of October 2005 and all of them were oversubscribed. The respective weighted annualized yields on the 91-day, 182-day, and 364-day bills stood at 7.82, 9.44, and 10.87 percent for the auction of October 26, 2005. This compares to rates of 8.02, 9.67, and 11.11 percent, for the 91-day, 182-day, and 364-day bills respectively, recorded in the auction held on September 28, 2005. With the exception of the 91-day bill rate that rose by 0.13 percent, the average discount rates on Treasury bills in October 2005 were

lower than those registered in October 2004 which ranged between 7.71 percent and 9.88 percent.

- The average bid/offer yields-to-maturity in the secondary market for Treasury bills for the 91-day, 182-day and the 364-day papers decreased by an average of 0.13, 0.23, and 0.16 percentage points, respectively. The average yields-to-maturity for the 91, 182, and 364-day securities were 8.30/8.04, 9.83/9.56 and 10.72/10.44 percent in October 2005 compared to 8.43/8.16, 10.06/9.79 and 10.87/10.60 percent in September 2005, respectively.
- In the four weeks ended October 31, 2005, total secondary market trades of treasury bills amounted to Shs 58.31 billion, of which Shs 44.00 billion related to horizontal repos. This was higher than the Shs 13.11 billion for the four weeks ended September 30, 2005. The average discount rates on these trades for the 91-days, 182-days, and 364-days securities were 23.42, 8.33, and 9.42 percent, respectively.
- 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 October 31, 2005 almost doubled at 94.76% growth compared to the previous month. Transactions worth Shs 413.70 billion at a weighted average rate of 6.99 percent were recorded in October 2005 compared to Shs. 212.42 billion at a weighted average of 5.96 percent in September 2005. Over night transactions amounted to Shs 90.30 billion at a weighted average rate of 6.82 percent. The one-week weighted average rates ranged from 6.00 percent to 8.75 percent compared to a range of 5.34 percent and 6.95 percent in the previous month.
- Transactions between domestic banks and foreign entities<sup>3</sup> in the money market amounted to Shs 22.0 billion, at an average rate of 7.55 percent compared to Shs 27.00 billion at 6.50 percent. All the commercial banks participated in the inter bank market during the four weeks.
- There was no revision in the commercial banks' prime lending rate during the four weeks to October 31, 2005. Consequently there were no changes in the number of banks charging rates for the various range categorizations. The range of these rates for the entire industry also remained at 16-21 percent.
- There was a decline in the effective lending rate on the shilling denominated loans from 20.61 percent to 19.18 percent in September 2005 as well as on the foreign denominated loans to 7.80 percent from 8.46 percent reported in August 2005.
- The weighted rates on shilling denominated demand, saving and time deposits increased from 1.06 percent, 1.77 percent and 9.79 percent to 1.21 percent, 1.97 percent and 10.03 percent respectively in the period under review. Similarly, the weighted rates on the demand deposits in foreign currency marginally increased from 1.00 percent to 1.03 percent while rates on the foreign currency denominated time

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<sup>3</sup> A distinction is made between the interbank market in which only domestic commercial banks participate and the money market where foreign banks also carry out transactions.

deposits decreased from 5.81 percent to 5.34 percent in September 2005. Saving deposit rates were stable at 1.45 percent as registered in August 2005.

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

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

- Broad Money M3, which comprises currency in circulation plus all private deposits, contracted by 2.5 percent to Shs2,897.5 billion in September 2005. This represents a deceleration, compared to growth of 3.3 percent recorded in August 2005.
- M2A, comprising of M3 less foreign currency deposits of the private sector also contracted by 1.4 percent in September 2005 from growth of 1.9 percent in August 2005.
- Over the month of September 2005, NFA of the banking system fell by 3.7 percent. In particular, NFA at BoU contracted by 19.9 billion to Shs2055.6 billion, while at commercial banks NFA fell by 12.7 percent to Shs546.9 billion. Foreign reserves at BoU declined by an equivalent of Shs20.4 billion, compared to an increase of Shs38.57 billion in the previous month.
- The government's net position with the banking system (NCG) as at end-September 2005 was a borrowing of Shs93.1 billion from a borrowing of Shs27.3 billion at the end of August 2005. At BoU, government savings decreased by Shs59.7 billion over the month, on account of an increase in government advances of Shs58.3 billion and a decline in Government deposits of Shs1.4 billion. At commercial banks, net claims on Government rose by Shs6.2 billion in September 2005, on account of a decline in Government deposits of Shs7.9 billion, which more than offset a decline in commercial banks' investment in Government securities of Shs1.7 billion.
- At end-September 2005, the stock of outstanding credit to the private sector by the banking sector stood at Shs1315.9 billion, of which Shs20.6 billion was from BOU and Shs1295.3 billion was from commercial banks. This represents a growth of 4.1 percent during September 2005. In the previous month of August 2005, PSC rose slightly by 0.07 percent.
- During September 2005, the total (shilling and foreign currency) gross extensions by commercial banks amounted to Shs172.4 billion, while recoveries were Shs101.8 billion resulting in net extensions of Shs70.6 billion. After accounting for flows in capitalised interest, there was an increase in the stock of credit of about Shs75.9 billion.
- In the month of September 2005, the total assets of the Credit Institutions (CIs) increased by 1.1 percent to Shs208.15 billion from Shs205.99 billion at the end of August 2005. This is an improvement over a slight decrease of 0.6 percent observed over the same period a year ago.

## **Fiscal Developments**

- During the month of September 2005, total revenue and budget support grant receipts (excluding project grants) was estimated at Shs 213.08 billion representing a 23.2 percent increase from the total revenue recorded in August 2005.
- Total domestic revenue collected in September 2005 was estimated at Shs 189.10 billion with URA collections contributing 97.9 percent. The URA revenue collections were higher than in the previous month by Shs. 26.76 billion and also above the programmed target for the month of September by Shs. 19.83 billion. The preliminary outturn for non-URA revenue collections for September 2005 was estimated at Shs 3.93 billion, lower than the program figure of Shs4.47 billion, but higher than the August 2005 collection by Shs1.42 billion.
- Receipts from budget support grants are estimated at Shs 23.98 billion during September 2005, compared to Shs 12.00 billion realised in August 2005. This was Shs.5.19 billion higher than Shs. 18.79 billion programmed for September 2005.
- In September 2005, government expenditure and net lending declined by 7.7 percent to Shs 196.61 billion mainly attributed to the decrease in current expenditure. In September 2005, current expenditure decreased to Shs 155.86 billion, from Shs 194.01 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 September 2005.
- The overall fiscal balance for September 2005 was a surplus of Shs 16.46 billion compared to a deficit of Shs 40.03 billion recorded in August 2005. Excluding grants, the surplus deteriorates to a deficit of Shs 7.51 billion, which compares with a deficit of Shs52.03 realised in August 2005. The budgetary deficit was partly financed through net domestic borrowing of Shs 49.94 billion and net external financing amounting to Shs –39.58 billion.

## **Developments in the Foreign Exchange Market in October 2005**

- The Uganda Shilling showed a stable trend for the month of October 2005, contrary to a depreciative trend that was observed during the previous month of September 2005. Basing on the end month, the Shilling appreciated by 1.64 percent against the US Dollar, which was different from the depreciation of 2.33 percent, recorded for the previous period.
- BOU continued to watch foreign exchange market developments very closely to ensure market stability. BoU continued sterilisation in the IFEM and as a result there was a net intervention to a tune of US\$ 6.00 million for the month of October 2005.

## **Balance of Payments Developments**

- In September 2005, the current account balance was estimated at a deficit of US\$49.2 million, while the capital and financial account was estimated at a

surplus of US\$30.5 million. As a result, the overall balance was estimated at a deficit of US\$18.7 million.

- Total export earnings decreased over the last month, amounting to US\$62.5 million in September 2005. Coffee exports in the month of September 2005 accounted for 16 percent of the total export.
- The import bill (fob) was estimated at US\$169.8 million during September 2005 compared to the US\$164.0 million<sup>4</sup>, which was recorded for the month of August 2005.
- Official aid (excluding project aid but including resources from the HIPC Initiative) inflows amounted to about US\$13.0 million. Private sector transfer inflows exceeded outflows by US\$53.3 million in September 2005, and services and income outflows exceeded inflows by about US\$36.3 million.
- Official debt service (excluding IMF payments) was estimated at US\$25.7 million for the month of September 2005. There were IMF principal payments worth US\$2.5 million made during the month under review.
- Official foreign reserves (including valuation changes) were estimated at US\$1,267.6 million in September 2005, equivalent to 5.5 future months of imports of goods and services.

### **Policy Stance**

- The continued concern for inflation coupled with developments in the foreign exchange market suggest that Bank of Uganda will continue with a tight monetary policy stance to contain the inflationary pressures. It is also committed to manage liquidity in a manner that will not cause instability in both the money and foreign exchange markets.

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<sup>4</sup> 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 October 31, 2005, total treasury bill issues of Shs95.00 billion were almost fully offset by treasury bill maturities of Shs94.24 billion leading to a net withdrawal of liquidity of Shs0.76 billion, in contrast with the net injection of Shs24.34 billion in the corresponding four-week period to September 30, 2005. In a continuous effort to promote the development of financial markets alongside the conduct of monetary policy, Bank of Uganda reopened a 5-year bond on October 19, 2005 with a face value of Shs 20.00 billion. On the short-term liquidity management front, gross issues of the REPO instrument, whose maturity ranged from 4 to 7 days, amounted to Shs19.50 billion during this period, against maturities of Shs49.64 billion. This is compared to issues and maturities of Shs 190.00 billion and Shs 160.09 billion, respectively over the preceding period ended September 30, 2005. By October 31, 2005, there was no outstanding stock of REPOs.

## B DOMESTIC PRICE DEVELOPMENTS

Upward inflationary pressures observed during the year ended September 2005 reversed in October 2005. However, both the annual headline and underlying inflation rates registered in this period are still higher than what was witnessed in the same period a year ago.

According to the Uganda Bureau of Statistics, the **annual headline inflation rate**<sup>5</sup> eased to **6.4** percent in the year ended October 2005 from 7.8 percent (*revised*) recorded in September 2005. This is higher than the rate of 5.7 percent registered in October 2004. The decline in annual headline inflation rate is attributed to relatively slower pace of increases in prices of items in all the groups except household and personal goods group that recorded higher price changes during the year ended October 2005, compared to that of September 2005.

The food group<sup>6</sup> index rose by 7.0 percent compared to 10.2 percent; the beverages and tobacco group index rose by 2.2 percent compared to 2.4 percent; the clothing and footwear group index rose by 4.4 percent compared to 4.7 percent; the rent, fuel and utilities group index rose by 9.4 percent compared to 9.8 percent; the household and personal goods index increased by 2.1 percent compared to a drop on 0.5 percent; the transport and communication group index rose by 12.5 percent compared to 13.1 percent;

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

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

and the health, education and entertainment group index rose by 4.6 percent compared to 4.7 percent for the year ended October 2005 compared to that of September 2005 respectively.

Similarly, the **monthly headline inflation rate** fell to 0.0 percent in October 2005, down from 1.9 percent in September 2005. During the month of October 2005, the average prices of items in the Consumer Price Index remained stable at the September 2005 levels.

The **annual underlying inflation rate** fell to **5.5** percent in October 2005, down from 5.6 percent (*revised*) for the year ended September 2005. This was due to slower pace of increases in the average prices of goods that more than offset the rise in prices of services<sup>7</sup>. The average price of goods rose by 4.9 percent compared to 5.1 percent, while services' prices increased by 6.9 percent compared to 6.5 percent for the year ended October 2005 compared to that of September 2005 respectively. However, the annual underlying inflation rate recorded in October 2005 is still higher than the rate of 4.0 percent registered a year ago.

On the same note, the **monthly underlying inflation** declined to **0.2** percent in October 2005 from 0.3 percent in September 2005. The decline was attributed to the relatively slower rise in the average prices of services by 0.1 percent compared to 0.8 percent during the month of September 2005. The average prices of goods however, increased by 0.2 percent compared to 0.1 percent registered in September 2005.

The **annual food crop inflation** <sup>7</sup> decreased to **9.8** percent in October 2005 from 15.8 percent in the year ended September 2005, while the **monthly food crop inflation** fell to **-0.4** percent in October 2005, down from 7.9 percent in September 2005.

The easing of inflationary pressures during the year ended October 2005 was attributed to the following factors, among others:

- The decline in prices of some food items especially fruits and vegetables, meat and poultry, bread and cereals, and oils and fats. The relative improvement in weather conditions attributed to the improvement in supply of food items particularly fruits and vegetables and hence their prices. In addition, the introduction of BIDCO oil products into the Ugandan markets over the past few months have increased competition and driven cooking oil prices downwards.
- The drop in prices of cigarettes and tobacco leaves following good harvest realised this year compared to the previous year and the decline in prices of footwear and soap during the period under review.

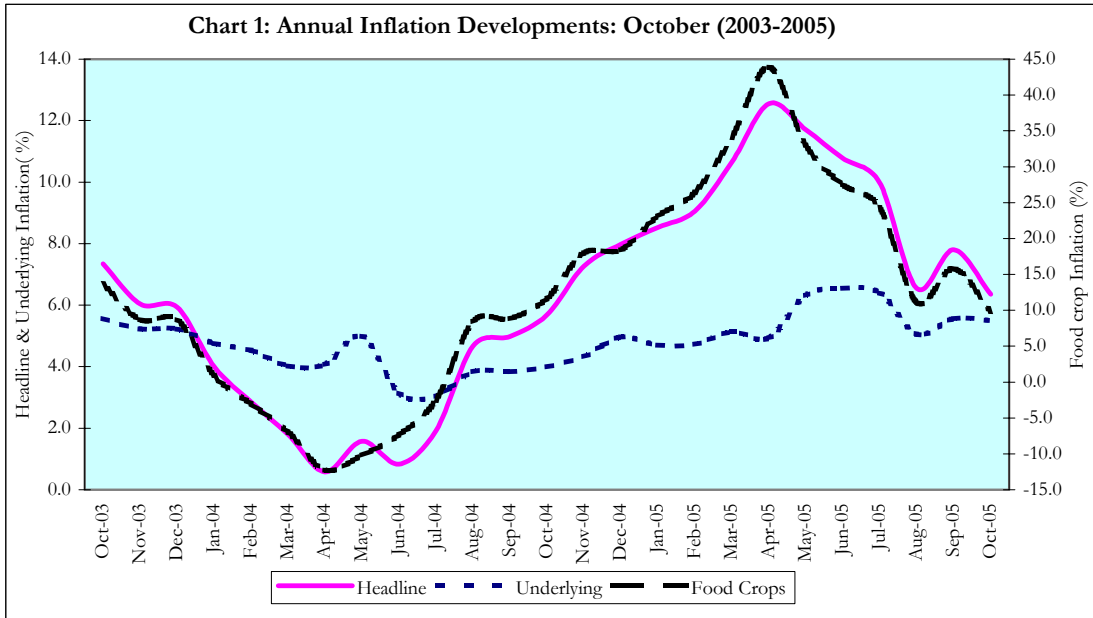
The developments in inflation rates are indicated in table 1 and charts 1 and 2 respectively.

Table 1. Inflation Rates: August 2005 – October 2005

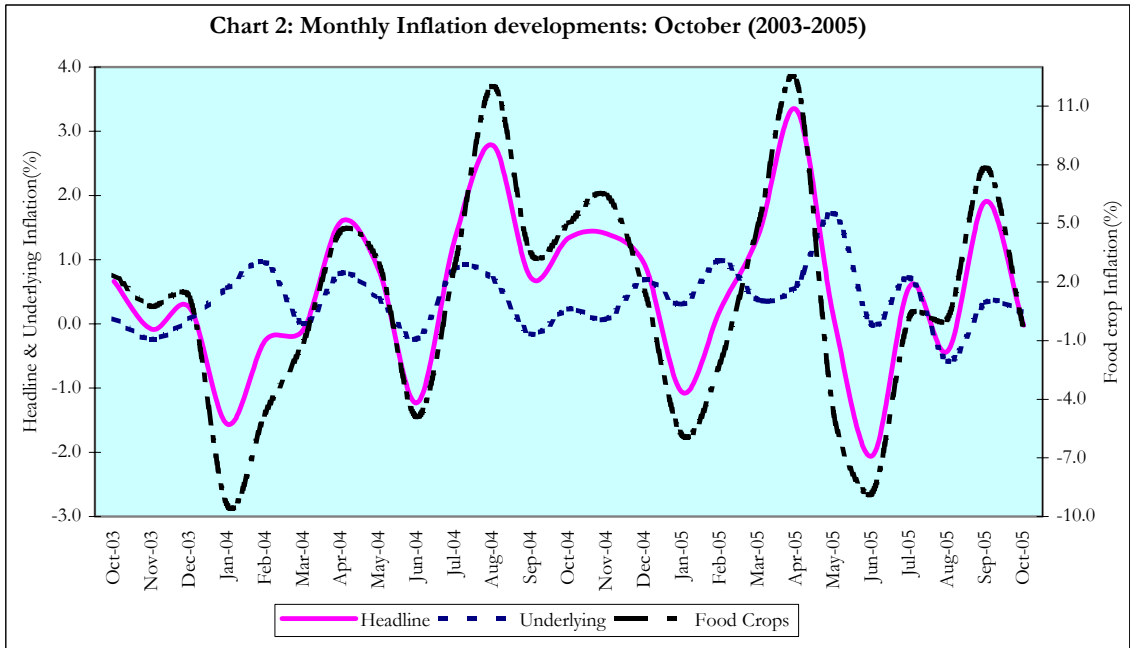
Period	Headline Inflation (%)		Underlying Inflation (%)		Food Crops Inflation (%)	
	Monthly	Annual	Monthly	Annual	Monthly	Annual
August 2005	-0.4	6.5	-0.6	5.1	0.1	11.2
September 2005	1.9	7.8	0.4	5.6	7.9	15.8
October 2005	0.0	6.4	0.2	5.5	-0.4	9.8

Source: Uganda Bureau of Statistics

<sup>7</sup> 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 Energy and Finance sectors and investment activity using the latest available data on: consumption of electricity, activity at the Uganda Securities Exchange (USE) and at the Uganda Investment Authority (UIA) and leasing disbursements.

### Energy Sector

#### Electricity Consumption

Trends in electricity consumption, which were last reported for August 2005, are now available up to September 2005.

According to provisional numbers obtained from UMEME, between August and September 2005, electricity consumption declined by 2.4 percent from 94.1 Gigawatt hours to 91.8 Gigawatt hours. All consumer groups registered decreases in consumption, with the largest drop recorded in the Street Lighting category. This may be attributed to the 3.4 percent decline in the volume of energy purchased from UETCL from 153.7 GWH to 148.6 GWH. UMEME earnings from electricity distribution also declined by 2.9 percent over the same period from Ushs 15.3 billion to Ushs 14.9 billion. Table 2 below shows energy consumption in Gigawatt hours and month-on-month changes for the period June to September 2005. These figures are provisional and subject to change.

**TABLE 2: Energy Consumption (in GWH) by Tariff Category: June- September 2005**

CATEGORY	Jun-05	Jul-05	Aug-05	Sep-05	Jun-Jul %age Change	Jul-Aug %age Change	Aug-Sep %age Change
Domestic	29.90	33.43	31.53	30.19	11.81	-5.68	-4.25
Commercial	11.49	13.81	11.80	11.71	20.19	-14.55	-0.76
Large Scale Industrial	32.54	32.20	32.99	32.86	-1.04	2.45	-0.39
Medium Scale Industrial	20.16	17.14	17.62	16.97	-14.98	2.80	-3.69
Street Lighting	0.09	0.12	0.11	0.06	33.33	-8.33	-45.45
<b>Total</b>	<b>94.18</b>	<b>96.70</b>	<b>94.05</b>	<b>91.79</b>	2.68	-2.74	-2.40

*Source: UMEME*

### Finance Sector

#### *Uganda Securities Exchange (USE)*

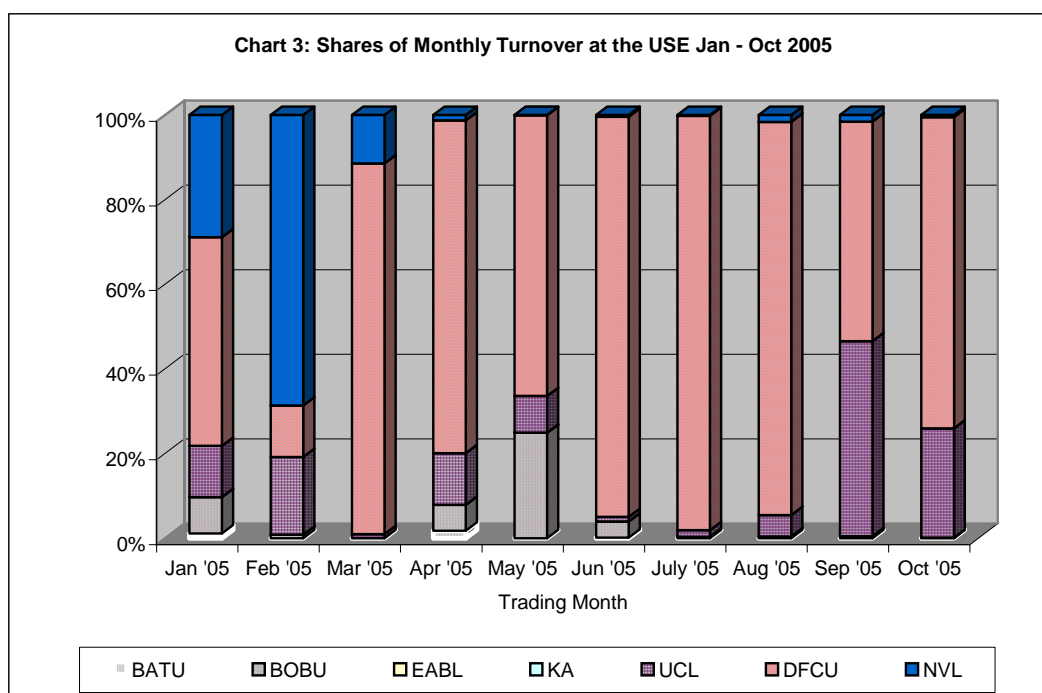
Trading activity at the Uganda Securities Exchange (USE) gained during October 2005 compared to September 2005. Total turnover grew by Ushs 17 million (14.7%), with a 42 percent increase in shares traded in October 2005 compared to September 2005. The improved performance at the USE is attributed to market response to corporate action. As companies announced and paid dividends and awarded bonus shares, more investors were attracted. The DFCU and UCL counters dominated activity with 73.6 percent and 25.8 percent shares of total turnover in the month under review. The remainder of the turnover is attributable to the NVL (0.5 percent) and BOBU (0.1 percent) counters. No trading was recorded at the BATU, EABL and KA counters in October 2005. USE's market

capitalisation rose by 0.9 percent to Ushs 3,549.3 billion from Ushs 3,518.6 billion recorded for the month of September 2005. This could be attributed to the 15 percent rise in the average equity price at the USE to Ushs 3,494 in October 2005 from Ushs 3,038 in September 2005. Prices at the USE on November 02, 2005 stood at Ushs 735, Ushs 830, Ushs 425, Ushs 3,442, Ushs 2,139, Ushs 250 and Ushs 16,500 at the BATU, BOBU, DFCU, EABL, KA, NVL and UCL counters respectively.

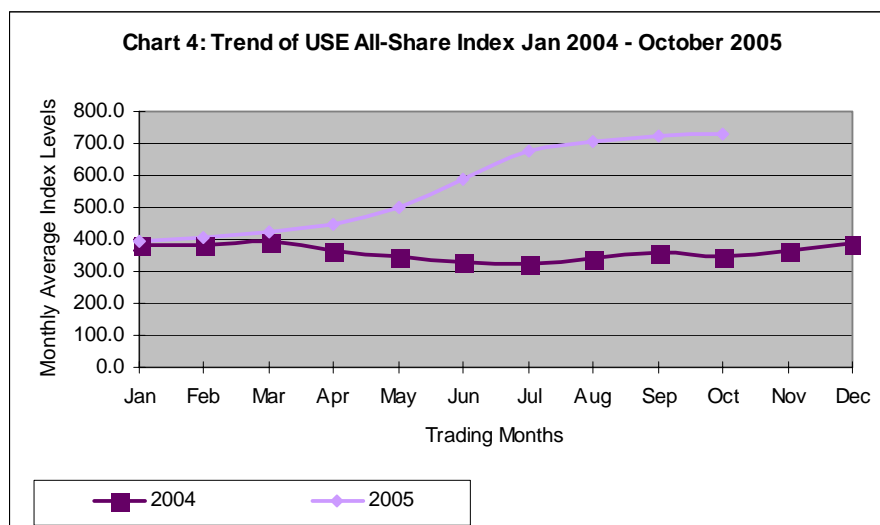
**TABLE 3: Trading at the Uganda Securities Exchange (Jun – Oct 2005)**

	Jun '05	Jul '05	Aug '05	Sep '05	Oct '05
Trading Days	7	7	9	8	8
Total Turnover	467,525,830	383,889,945	126,098,435	116,261,041	133,299,325
No. Shares	1,174,448	1,063,152	336,318	167,706	238,607
Market Capitalization (Billion Ushs, E.O.P)	3013.4	3118.7	3444.5	3518.6	3,549.26
All Share Index	622.3	640.5	707.5	722.7	729.01

*Source: Uganda Securities Exchange*



*Source: Uganda Securities Exchange*



*Source: Uganda Securities Exchange*

### ***Leasing Activities***

The value of assets disbursed in October 2005 declined by 60.2 percent to Ushs 1.03 billion from Ushs 2.6 billion recorded for September 2005 and by 68.1 percent compared to the corresponding period in 2004 when total disbursements amounted to Ushs 3.23 billion.

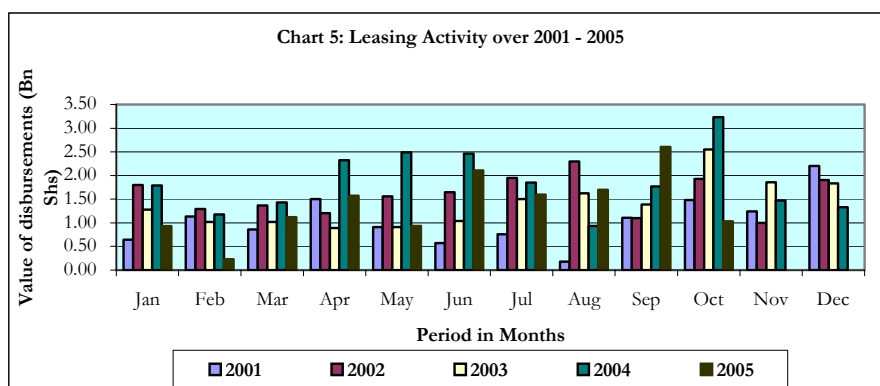
Transport recorded the largest share of assets disbursed (40.9%) in October, down however, from its share of 58.9 percent registered in September 2005. Trade and commerce had the second largest share at 39.7 percent from 34.2 percent recorded in September 2005. The Agricultural and manufacturing sectors attracted minor shares of 1.1 percent and 4.8 percent respectively.

Notably, the values of assets disbursed in October 2005 is the lowest in the month in the last 4 years as can be seen from Chart 5.

**TABLE 4: Sectoral Distribution of Assets Leased in Million Shillings: July – August 2005**

Sector	Jul '05	% Share	Aug '05	% Share	Sep '05	% Share	Oct '05	% Share
Transport	260.10	16.63	214.40	12.63	1,523.10	58.90	420.80	40.87
Commerce & Trade	860.60	55.02	1,302.50	76.72	885.00	34.20	408.32	39.66
Mining & Construction	41.50	2.65	-	-	-	-	-	-
Tourism	25.00	1.60	1.50	0.09	-	-	-	-
Health	309.40	19.78	39.60	2.34	50.00	1.90	22.00	2.14
Agriculture	-	-	40.00	2.36	-	-	10.91	1.06
Manufacturing	45.00	2.88	-	-	62.80	2.40	49.50	4.81
Education	-	-	-	-	16.10	0.60	-	-
Banking	-	-	54.60	3.22	-	-	118.04	11.47
Other Services	22.60	1.44	45.00	2.65	48.00	1.90	-	-
<b>TOTAL</b>	<b>1,564.20</b>	<b>100.00</b>	<b>1,697.60</b>	<b>100.00</b>	<b>2,585.00</b>	<b>100</b>	<b>1,029.56</b>	<b>100</b>

*Source: DFCU leasing*



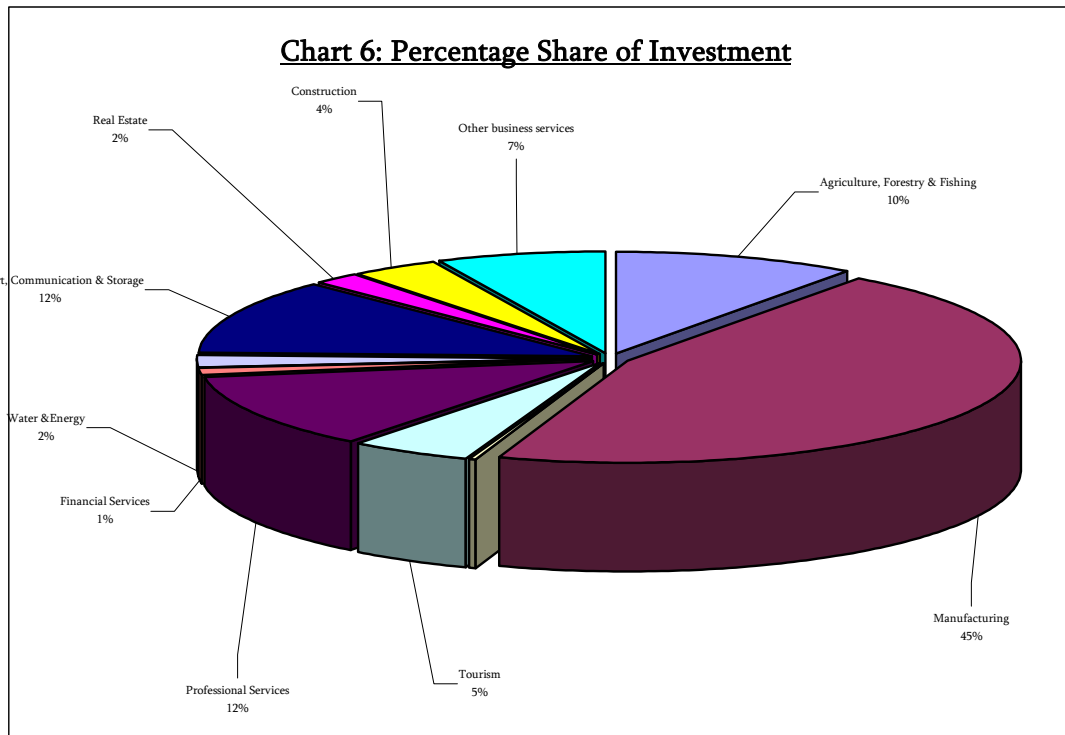
## Investment

Information on actual investment activity is not available thus analysis is based on licenses issued by the Uganda Investment Authority (UIA). Statistics on licensed projects are available on a quarterly basis. Over the period July – September 2005, the value of investment licenses issued fell by 7.6 percent to US\$ 126.2 million from US\$ 136.6 million in the previous quarter. In contrast, the number of projects license was higher by 9.8 percent at a total of 67 from 61, which were recorded for the period April – June 2005, while planned employment also dropped by 2.9 percent to 6,195 positions from 6,383 in April – June 2005. Over July –September 2005, the share of manufacturing assumed the largest share of total planned investment of 45.2 percent from 6 percent pulled in April – June 2005. The construction sector continued to take up a meager share of below 10 percent. The Agriculture sector had a share of 10 percent, down from 21.2 percent of April – June 2005. Table 5 below summarizes investment activity for the period July – September 2005.

**TABLE 5: Sectoral Distribution of Projects Licensed by UIA: Jul – Sep 2005**

Sector	Number of Projects Licensed	Planned Investment (US\$)	Planned Employment	%age Share of Investment
Agriculture, Forestry & Fishing	8	12,709,000	601	10.1
Manufacturing	25	57,064,000	2479	45.2
Mining & Quarrying	1	221000	69	0.2
Tourism	6	6,470,000	1137	5.1
Professional Services	4	15,040,000	461	11.9
Financial Services	3	1,439,000	22	1.1
Social Services	0	0	0	0.0
Water &Energy	1	2263000	24	1.8
Transport, Communication & Storage	3	15,360,000	309	12.2
Real Estate	3	2,448,000	269	1.9
Construction	2	4,512,000	281	3.6
Other business services	11	8,666,000	543	6.9
<b>TOTAL</b>	<b>67</b>	<b>126,192,000</b>	<b>6,195</b>	<b>100</b>

Source: Uganda Investment Authority (UIA)



Source: Uganda Investment Authority

## D DEVELOPMENTS IN THE DOMESTIC SECURITIES AND MONEY MARKET

### i) Primary Market for Treasury Bonds

In line with the monetary policy objectives and financial markets development, Bank of Uganda reopened a 5-year bond on October 19, 2005. The Shs20.00 billion issue was over subscribed by Shs22.78 billion and realized a cover ratio of 213.88 percent. At a weighted average price of 89.44 per Shs100, the resultant yield-to-maturity for the 10.75 percent coupon bond was 15.12 percent compared to 16.04 percent in the previous 5-year issue that was reopened in November 2004. The total outstanding stock of Treasury bonds stood at Shs620.00 billion by end of October 2005. A 3-year bond coupon payment of Shs2.15 billion was effected during the month.

Table 6 below shows details of the most recent Treasury bond issues, and Appendix 1 summarizes the full details on all issues in the market so far which are also listed on the Uganda Securities Exchange.

**Table 6: Summary of Government Treasury bond Issues as at October 31, 2005**  
(In Billions of Uganda Shillings, unless otherwise stated)

Tenure/Issue date →	2 Year New Issue Jun 15-05	3 Years New Issue Sept 21-05	5 Year Re-opened Oct 19-05	10 Year Re-opened May 19-04
Maturity Date	Jun 14-07	Sept 18-08	Mar 19-09	May 08-14
Offers (Billion Shs)	20.000	20.000	20.000	15.000
Total Bids (Billion Shs)	39.452	37.320	42.776	25.166
O/w Competitive	39.431	37.315	42.765	25.154
Over (Under) Subscription	19.452	17.320	22.776	10.166
Amount Sold (Face Value)	20.000	20.000	20.000	15.000
Amount Sold (Cost Price)	18.430	17.647	17.888	12.991
Cover Ratio %	197.259	186.601	213.880	167.773
Previous Cover Ratio %	130.989	118.504	161.135	...
WAP per Shs. 100	92.152	88.233	89.438	86.608
Previous WAP per Shs. 100	94.454	88.986	85.463	...
Yield to Maturity %	14.669	15.286	15.124	13.477
Previous Yield to Maturity %	14.463	15.405	16.039	...
Coupon Rate	10.000	10.250	10.750	11.000

Source: Research Department - Bank of Uganda

**ii) Secondary Market for Treasury bonds**

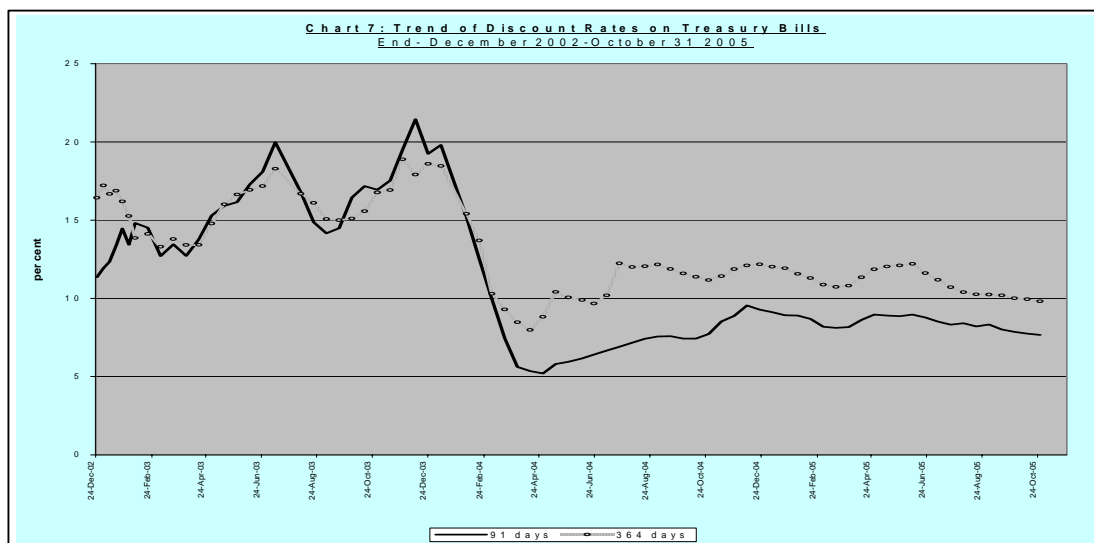
The four week-period average indicative bid/offer yields-to-maturity in the secondary market were quoted at 13.88/13.62 percent and 15.16/14.91 percent for the 2-year and 3-year bonds, and at 16.14/15.89 percent and 16.51/16.26 percent for the 5-year and 10-year bonds tenors respectively. This is compared to the respective average yields to maturity of 13.85/13.60 percent, 15.24/14.99 percent, and 16.20/15.95 percent for the 2-year, 3-year, and 5-year bonds, in the previous four-week period ended September 30, 2005, respectively (See Table 7). The 10-year bond's rates remained unchanged. Within the month of October 2005, Shs0.20 billion and Shs0.004 billion were traded in the 2-year and 3-year bonds at respective average yields-to-maturity of 17.25 percent, and 15.18 percent.

**Table 7: Bid/Offer Rates and Transactions in the Secondary Market for Treasury bonds over the four week-period to October 31, 2005**

	Tenor of bond							
	2-year		3-year		5-year		10-year	
	Yield-to-maturity quotation (percent)							
	Bid	Offer	Bid	Offer	Bid	Offer	Bid	Offer
Min	12.50	12.00	13.45	13.20	15.30	15.05	15.00	14.75
Max	14.00	13.75	15.50	15.25	17.50	17.25	18.00	17.75
Average	13.88	13.62	15.16	14.91	16.14	15.89	16.51	16.26

Source: Compiled from Domestic Financial Markets Department records

Source: Research Department - Bank of Uganda



Source: Research Department-Bank of Uganda

**i) Primary Market for Treasury bills**

Two Treasury bill auctions with offers of Shs50.00 billion and Shs 45.00 billion each were held in the month of October 2005 and all of them were oversubscribed. The respective weighted annualized yields on the 91-day, 182-day, and 364-day bills stood at 7.90, 9.57, and 11.04 percent for the auction of October 12, 2005, and at 7.82, 9.44, and 10.87 percent for the auction of October 26, 2005. This compares to rates of 8.02, 9.67, and 11.11 percent, for the 91-day, 182-day, and 364-day bills respectively, recorded in the auction held on September 28, 2005 (see Chart 7 above). With the exception of the 91-day bill rate that rose by 0.13 percent, the average discount rates on Treasury bills in October 2005 were lower than those registered in October 2004 which ranged between 7.71 percent and 9.88 percent.

**ii) Secondary Market for Treasury bills**

The average bid/offer yields-to-maturity in the secondary market for Treasury bills for the 91-day, 182-day and the 364-day papers decreased by an average of 0.13, 0.23, and 0.16 percentage points, respectively, to average yields-to-maturity of 8.30/8.04, 9.83/9.56 and 10.72/10.44 percent in October 2005 compared to 8.43/8.16, 10.06/9.79 and 10.87/10.60 percent in September 2005, respectively.

**Table 8: Bid/Offer Rates and Transactions in the Secondary Market for Treasury bills over the four-week period to October 31, 2005**

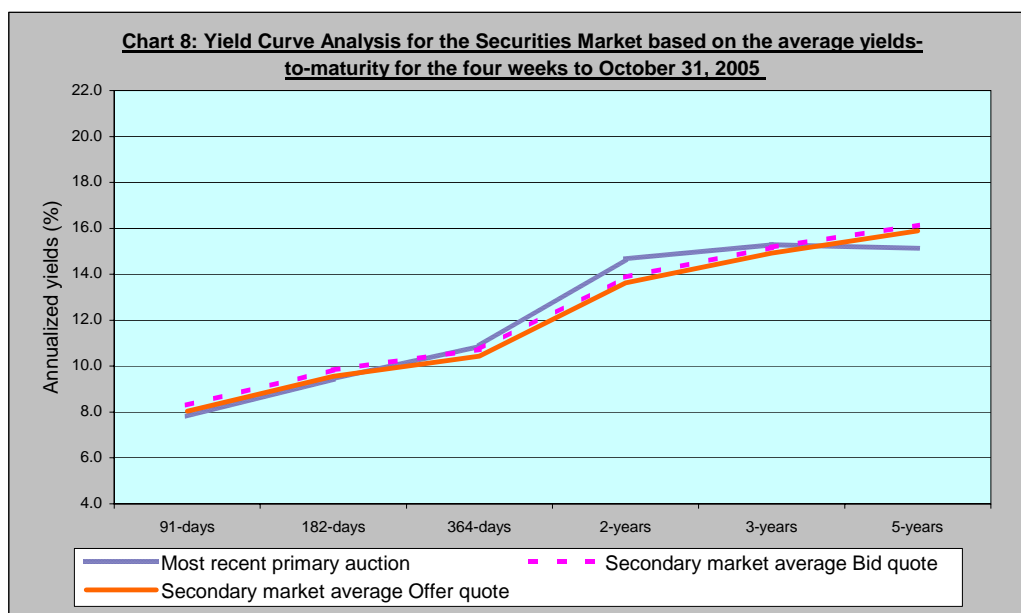
	Tenor of bills							
	91-days		182-days		273-days		364-days	
	Yield-to-Maturity quotation (percent)							
	Bid	Offer	Bid	Offer	Bid	Offer	Bid	Offer
Min	7.69	7.43	9.28	9.01	0.00	0.00	10.19	9.90
Max	9.90	9.75	10.39	10.89	0.00	0.00	11.31	11.02
Average	8.30	8.04	9.83	9.56	0.00	0.00	10.72	10.44
	Trading Activity							
Transactions (Shs billion)	50.477		7.143		-		0.687	
O/w Horizontal REPOs	44.000		-		-		-	
- Av. H/REPOs rate	7.75 percent		-		-		-	
O/w- Outright sales	6.477		7.143		-		0.687	
Total trades across maturities	Shs 58.307 billion							
- Av Discount rate	23.42 percent		8.33 percent		-		9.42 percent	
- Av Yield to maturity	30.62 percent <sup>8</sup>		8.62 percent		-		10.05 percent	
Rediscounts at BoU	-							
Borrowing at BoU	-							

*Source: Research Department-Bank of Uganda*

In the four weeks ended October 31, 2005, total secondary market trades of treasury bills amounted to Shs 58.31 billion, of which Shs 44.00 billion related to horizontal repos. This was higher than the Shs 13.11 billion for the four weeks ended September 30, 2005. The average discount rates on these trades for the 91, 182, and 364-days securities were 23.42, 8.33, and 9.42 percent, respectively.

The yield curve based on the average yield-to-maturity quotations in the secondary market evolved closely in line with developments in the primary market at the shorter end. However, as has been observed in the previous two months, margins widened between the two curves from the 364-day paper to the 2-year paper (see Chart 8).

<sup>8</sup> These rates are inflated as a result of two trades in securities with less than 91 days to maturity at annualized discount rates of 138.22, and 53.88 percent respectively.



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 October 31, 2005 almost doubled at 94.76% growth compared to the previous month. Transactions worth Shs 413.70 billion at a weighted average rate of 6.99 percent were recorded in October 2005 compared to Shs. 212.42 billion at a weighted average of 5.96 percent in September 2005. The least active period was the week ended October 6, 2005, when transactions worth Shs 64.0 billion were recorded, while most activity was in the week ended October 20, 2005, with volumes of transactions amounting to Shs 130.1 billion. Of this, the over night transactions amounted to Shs 90.30 billion at a weighted average rate of 6.82 percent and the other durations (2 – 30 days) amounted to Shs 323.40 billion at a weighted average rate of 7.04 percent. The one-week weighted average rates ranged from 6.00 percent to 8.75 percent compared to a range of 5.34 percent and 6.95 percent in the previous month. Transactions between domestic banks and foreign entities<sup>9</sup> in the money market amounted to Shs 22.0 billion, at an average rate of 7.55 percent compared to Shs 27.00 billion at 6.50 percent. All the commercial banks participated in the inter bank market during the four weeks. Appendix 8 shows the respective tenor, volume, and rates for each of the inter bank money market transactions in the month of October 2005.

**Table 9: Summary of inter bank money market activity**

	Total amounts (Shs billions)	Weighted average rate (%)	Previous amounts (Shs billions)	Weighted average rate (%)
<b>Total Transactions</b>	413.70	6.99	212.42	6.02
<b>O/w Over night</b>	90.30	6.82	17.20	4.61
<b>With Foreign entities</b>	22.00	7.55	27.00	6.50

Source: Research Department-B.O.U

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

vi) **Commercial Bank's Retail Interest Rates**

There was no revision in the commercial banks' prime lending rates during the four weeks to October 28, 2005. Consequently, there were no changes in the number of banks charging rates for the various range categorizations. The range of these rates for the entire industry also remained at 16-21 percent. Table 10 below summarizes these developments.

**Table 10: Trends of the Prime Lending Rates During October 2005**  
(Figures are end-period)

Prime Lending Rate (%)	Sept 30, 2005	Oct 07, 2005	Oct 14, 2005	Oct 21, 2005	Oct 28, 2005
0.0 – 10.9	0	0	0	0	0
11.0 – 13.9	0	0	0	0	0
14.0 – 15.9	0	0	0	0	0
16.0 – 18.0	5	5	5	5	5
18.1 – 19.9	7	7	7	7	7
20.0 – 21.9	3	3	3	3	3
Range (Min – Max)	16%-21%	16%-21%	16%-21%	16%-21%	16%-21%

Source: Commercial banks weekly returns

The ranges of the savings and time deposits rates were maintained at 0-7.0 percent and 0.25-20.0 percent, respectively. The respective number of banks with savings rates of at least 5.0 percent and those with a time deposit rate of at least 8.0 percent remained unchanged at four (4) and eight (8), respectively.

Information on the commercial banks' effective lending and deposit rates is available up to September 2005. As portrayed in Table 11, there was a decline in the effective lending rate on the shilling denominated loans from 20.61 percent to 19.18 percent in September 2005 as well as on the foreign denominated loans to 7.80 percent from 8.46 percent reported in August 2005.

**Table 11: Commercial Banks' Lending and Deposit Rates (Percent)**

Weighted Average rates	Shilling Denominated				Foreign Currency Denominated			
	June 2005	July 2005	Aug 2005	Sept 2005	June 2005	July 2005	Aug 2005	Sept 2005
Lending	18.18	19.56	20.61	19.18	8.46	7.39	8.46	7.80
Demand Deposits	1.07	1.06	1.06	1.21	0.98	1.00	1.00	1.03
Savings Deposits	1.77	1.79	1.77	1.97	1.45	1.48	1.45	1.45
Time Deposits	8.67	9.19	9.79	10.03	3.00	5.36	5.81	5.34

Source: Research Department-B.O.U

The weighted rates on shilling denominated demand, saving and time deposits increased from 1.06 percent, 1.77 percent and 9.79 percent to 1.21 percent, 1.97 percent and 10.03 percent respectively in the period under review. Similarly, the weighted rates on the demand deposits denominated in foreign currency marginally increased from 1.00 percent to 1.03 percent while rates on the foreign currency denominated time deposits decreased from 5.81 percent to 5.34 percent in September 2005. Saving deposit rates were stable at 1.45 percent as registered in August 2005.

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

### **(i) Banking Activities<sup>10</sup>**

#### **Broad Money**

Broad Money M3, which comprises currency in circulation plus all private sector deposits, contracted by 2.5 percent to Shs2,897.5 billion in September 2005. This represents a decline, compared to a growth of 3.3 percent recorded in August 2005.

M2A, comprising of M3 less foreign currency deposits of the private sector also contracted by 1.4 percent in September 2005 from growth of 1.9 percent in August 2005. Developments in money supply are shown in Table 12 below.

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

Over the month of September 2005, the NFA of the banking system fell by 3.7 percent or Shs99.2 billion to Shs2602.6 billion. In particular, NFA at BoU contracted by 19.9 billion to Shs2055.6 billion, while at commercial banks NFA fell by 12.7 percent or Shs79.2 billion to Shs546.9 billion. Foreign reserves at BoU declined by an equivalent of Shs20.4 billion, compared to an increase of Shs38.57 billion in the previous month.

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

The government's net position with the banking system (NCG) as at end-September 2005 was a borrowing of Shs93.1 billion, representing an increase of Shs65.9 billion from a borrowing of Shs27.3 billion at the end of August 2005 (Table 12). At BoU, government savings decreased by Shs59.7 billion over the month, on account of an increase in government advances of Shs58.3 billion and a decline in Government deposits of Shs1.4 billion. At commercial banks, net claims on Government rose by Shs6.2 billion in August 2005, on account of a decline in Government deposits of Shs7.9 billion, which more than offset a decline in commercial banks' investment in Government securities of Shs1.7 billion.

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<sup>10</sup> Based on the Preliminary Monetary Survey for July 2005.

**Table 12: Developments in Monetary and Credit Aggregates (June 05 – August 05)**

<i>(in billion shillings unless otherwise stated)</i>	Jun 2005	Jul. 2005	Aug. 2005	Sept. 2005
Net Foreign Assets (NFA)	2647.7	2619.4	2701.8	2602.6
Domestic Credit	1056.9	1177.0	1307.4	1428.5
Net Credit to Gov't (NCG)	-176.3	-106.5	27.1	93.1
Claims on the Private Sector	1225.1	1263.2	1264.0	1315.9
M3	2811.1	2876.4	2971.6	2897.5
Forex deposits	653.3	661.5	714.4	671.4
M2A	2157.9	2214.8	2257.2	2226.1
Demand Deposits	860.1	891.4	900.8	863.8
Term Deposits	692.7	707.6	739.8	741.6
Currency	605.1	615.8	614.6	618.6
<b>Ratios</b>				
Forex/M3 (percent)	23.2	23.0	24.0	23.2
DemandDeposits/M3 (percent)	30.6	31.0	30.3	29.8
TermDeposits/M3 (percent)	24.6	24.6	25.0	25.7
Currency/M3 (percent)	21.5	21.4	21.7	21.4

### Private Sector Credit (PSC)

At end-September 2005, the stock of outstanding credit to the private sector by the banking sector stood at Shs1315.9 billion (Table 12), of which Shs20.6 billion was from BOU and Shs1295.3 billion was from commercial banks. This represents a growth of 4.1 percent or Shs51.9 billion during September 2005. In the previous month of August 2005, PSC rose slightly by 0.07 percent or Shs0.88 billion.

### Credit Flows

During September 2005, the total (shilling and foreign currency) gross extensions by commercial banks amounted to Shs172.4 billion, while recoveries were Shs101.8 billion resulting in net extensions of Shs70.6 billion. After accounting for flows in capitalised interest, there was an increase in the stock of credit of about Shs75.9 billion (see Appendix Table 2)<sup>11</sup>. During the month, commercial banks extended shilling loans amounting to Shs101.7 billion and recovered Shs77.4 billion, thus net extensions were Shs24.3 billion. Net capitalised interest stood at Shs2.7 billion. Thus, there was a net increase in the stock of shilling loans to the non-bank public of Shs27.04 billion (see Appendix 3). For foreign currency loans, gross extensions stood at Shs70.7 billion, while recoveries were lower at Shs24.4 billion, yielding net extensions of Shs48.4 billion. After taking into account effects of capitalised interest, the stock of foreign currency loans recorded a net rise of Shs48.8 billion (See Appendix 4).

**Appendix tables 2-5 summarise the evolution of the monthly change in outstanding loans and advances of commercial banks from July 2004 to September 2005.**

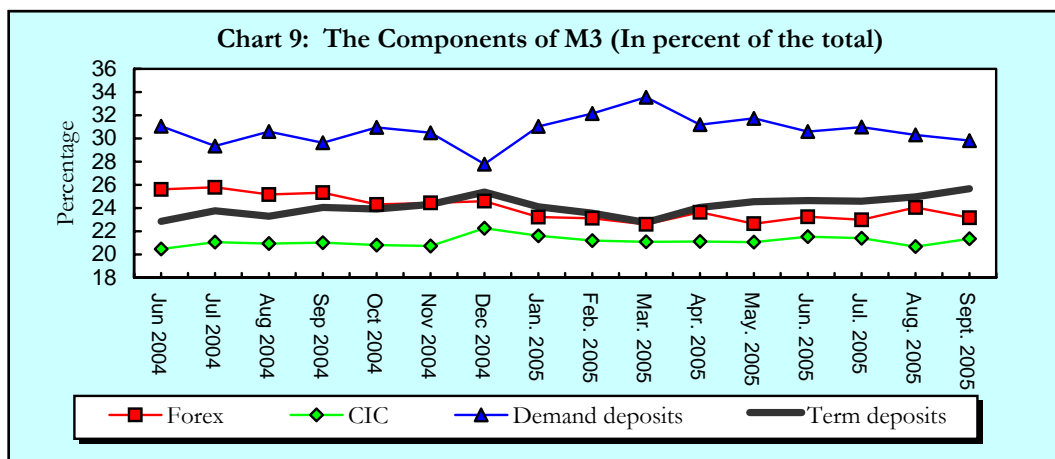
### Liabilities of the Banking System

On the liabilities side, foreign currency accounts declined by Shs42.9 billion to Shs671.4 billion in September 2005. In US dollars, foreign currency accounts fell by US\$ 32.01 million to US\$360.45 million<sup>12</sup>. Demand deposits declined by 4.1 percent or Shs36.9 billion

<sup>11</sup> The Gross Extensions and Recoveries include lending to Government and Parastatals. PSC as recorded by the Monetary Survey doesn't include lending to Government and parastatals.

<sup>12</sup> The end period mid exchange rate is used to value forex items.

to Shs863.8 billion, while term deposits (time, savings and CDs) grew by 0.25 percent to Shs741.6 billion as at end-September 2005. Currency in circulation (CIC) rose by 0.65 percent to Shs618.6 billion. Reflecting these developments, the ratio of foreign currency deposits to M3 fell slightly to 23.2 percent at end-September 2005 from 24.0 percent at end-August 2005. The ratio of CIC to M3 dipped to 21.4 percent from 21.7 percent while that of demand deposits fell to 29.8 percent from 30.3 percent. The ratio of term deposits to M3 rose to 25.7 percent from 25.0 percent. The trends of the ratios are shown in Chart 9 below and Table 12 above.



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

### (a) Credit Institutions<sup>13</sup>

#### Assets

In the month of September 2005, the total assets of the Credit Institutions (CIs) increased by 1.1 percent to Shs208.15 billion from Shs205.99 billion at the end of August 2005. This is an improvement over a slight decrease of 0.6 percent observed over the same period a year ago. The increase in assets during September 2005 was mainly on account of an increase of 4.3 percent in total advances and a 2.9 percent increase in investments.

#### Loans and advances

The stock of the outstanding loans and advances to the private sector increased by 4.3 percent or Shs5.24 billion to Shs128.54 billion as at end-September 2005, from Shs123.30 billion at end-August 2005. During September 2005, mortgage loans, which accounted for 55.6 percent of total loans, increased by 3.8 percent to Shs71.47 billion while secured and unsecured loans increased by 9.6 percent to Shs32.63 billion at the end of September 2005. Administered loans, on the other hand, decreased by 1.0 percent to Shs24.44 billion. The building and construction sector accounted for the largest share (64.3 percent) of the total CIs advances as at end-September 2005 while the trade and commerce sector accounted for the second largest share of 23.6 percent.

<sup>13</sup> Covers 7 credit institutions.

## Deposits

In September 2005, private sector deposits<sup>14</sup> in the CIs increased by 0.02 percent to Shs94.95 billion, from Shs94.93 billion in August 2005. In particular, time deposits went up by 2.5 percent to Shs29.79 billion while savings deposits decreased by 1.1 percent to Shs65.16 billion. Agency funds (funds collected on behalf of government from the beneficiaries of the government's pool house sale scheme) increased by 0.3 percent to Shs31.92 billion over the same period.

**Table 13: Developments in the Activities of Credit Institutions (Shs Billion)**

	Mar 2005	Jun 2005	Jul 2005	Aug 2005	Sep 2005
<b>Total Assets</b>	<b>185.04</b>	<b>194.09</b>	<b>199.27</b>	<b>205.99</b>	<b>208.15</b>
O/w Loans and advances	110.18	117.44	119.77	123.30	104.10
Secured & unsecured	18.65	27.96	27.97	29.77	32.63
Mortgage	66.98	65.01	66.54	68.83	71.47
Administered	24.55	24.47	25.26	24.70	24.44
<b>Total Liabilities</b>	<b>185.04</b>	<b>194.09</b>	<b>199.27</b>	<b>205.99</b>	<b>208.15</b>
O/w Deposits Liabilities 1/	113.74	120.45	123.26	128.65	128.97
Savings	61.48	63.18	64.05	65.86	65.16
Time	21.73	24.91	26.34	29.08	29.79
Agency Funds	29.50	30.90	31.19	31.84	31.92
Other/2	71.30	73.64	76.01	77.34	79.18
<b>Source: CIs monthly reports to BOU</b>					
1/ Includes accrued interest					
2/ Includes balances due to commercial banks, administered funds, other liabilities, provisions, capital, and Profit/loss.					

## (b) Micro finance Deposit-Taking Institutions (MDIs)<sup>15</sup>

In July 2005, the number of MDIs increased from a single institution to three institutions and submission of returns to Bank of Uganda followed effectively in August 2005. The developments are summarized in Table 14.

### Assets

In the month of September 2005, the total assets held by MDIs stood at Shs80.39 billion, representing a decline of Shs313.12 million (or 0.39 percent) from Shs80.71 billion in August 2005. Net loans outstanding, which accounted for the largest share at 60.9 percent of total assets, increased by Shs1.37 billion (or 2.89 percent) from Shs47.55 billion to Shs48.92 billion.

### Loans and advances

The stock of the outstanding loans to the private sector amounted to Shs50.34 billion up from Shs48.99 billion in August 2005. Allowances for loan losses (general and specific) amounted to Shs1.42 billion, representing a slight decrease from Shs1.44 billion in August 2005. Net loans therefore amounted to Shs48.92 billion at the end of September, compared to Shs47.55 billion at end of August 2005.

<sup>14</sup> This excludes Agency Funds

<sup>15</sup> Covers 3 Institutions

## Deposits

In September 2005, private sector deposits in the MDIs amounted to Shs10.20 billion, of which Time and Savings deposits were Shs0.25 and Shs9.95 billion, respectively. This was an increase of Shs142.68 million from Shs10.39 billion in August 2005. Borrowings-Short term (Market rate), which accounted for the largest share of total liabilities at 27.2 percent decreased marginally by 885.53 million (or 5.0 percent) while borrowings-long term debt (Market rate), which accounted for the second largest share at 20.9 percent decreased by Shs. 286.17 million (or 2.18 percent).

**Table 14: Developments in the Activities of Micro finance Deposit-Taking Institutions (Shs Billion)**

	August 2005	September 2005
<b>Total Assets</b>	<b>80.71</b>	<b>80.39</b>
O/w Net Loans outstanding/1	47.55	48.92
Notes & Coins	1.13	1.56
Balances with financial institutions in Uganda	9.71	9.26
Investments in Securities	11.83	10.42
Net Fixed Assets	5.57	5.55
Other	4.92	4.15
<b>Total Liabilities &amp; Equity</b>	<b>80.71</b>	<b>80.39</b>
<b>Total Liabilities</b>	<b>62.06</b>	<b>61.29</b>
O/w Deposit Liabilities	10.39	10.60
Savings	9.86	9.95
Time	0.20	0.25
Accrued Interest	0.40	0.33
Loans insurance funds	10.51	10.91
Borrowings	37.02	35.85
Other Liabilities	3.69	3.42
Grants/Deferred Income	0.10	0.10
<b>Total Equity</b>	<b>13.06</b>	<b>13.23</b>
<b>Year to date profit/loss</b>	<b>1.08</b>	<b>1.37</b>
<b>Subordinated Debt</b>	<b>2.50</b>	<b>2.50</b>
<b>Preference shares</b>	<b>2.00</b>	<b>2.00</b>
<i>Source: MDIs monthly reports to BOU</i>		
1/ Excludes allowances for loan losses		
2/ Includes loans to insurance funds, borrowings & grants/ deferred income.		

## F GOVERNMENT BUDGETARY OPERATIONS

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

### i) Revenue and Grants

According to the preliminary figures from the Ministry of Finance, Planning and Economic Development, total revenue and budget support grant receipts (excluding project grants) was estimated at Shs 213.08 billion during the month of September 2005, representing a 23.2 percent increase from the total revenue recorded in August 2005.

Total domestic revenue collected in September 2005 was estimated at Shs 189.10 billion with URA collections contributing 97.9 percent or Shs 185.17 billion. The URA revenue collections were higher than in the previous month by Shs. 26.76 billion and also above the programmed target for the month of September by Shs. 19.83 billion. This performance was sustained by URA's improvements in tax administration through the recent restructuring. The preliminary outturn for non-URA revenue collections for September 2005 was estimated at Shs 3.93 billion, lower than the program figure of Shs4.47 billion, but higher than the August 2005 collection by Shs1.42 billion.

Receipts from budget support grants are estimated at Shs 23.98 billion during September 2005, compared to Shs 12.00 billion realised in August 2005. This was Shs.5.19 billion higher than Shs. 18.79 billion programmed for September 2005. This over performance was a result of receipt of late disbursements.

**Table 15: Government Budgetary Operations: August – September 2005 (Billion Shs)**

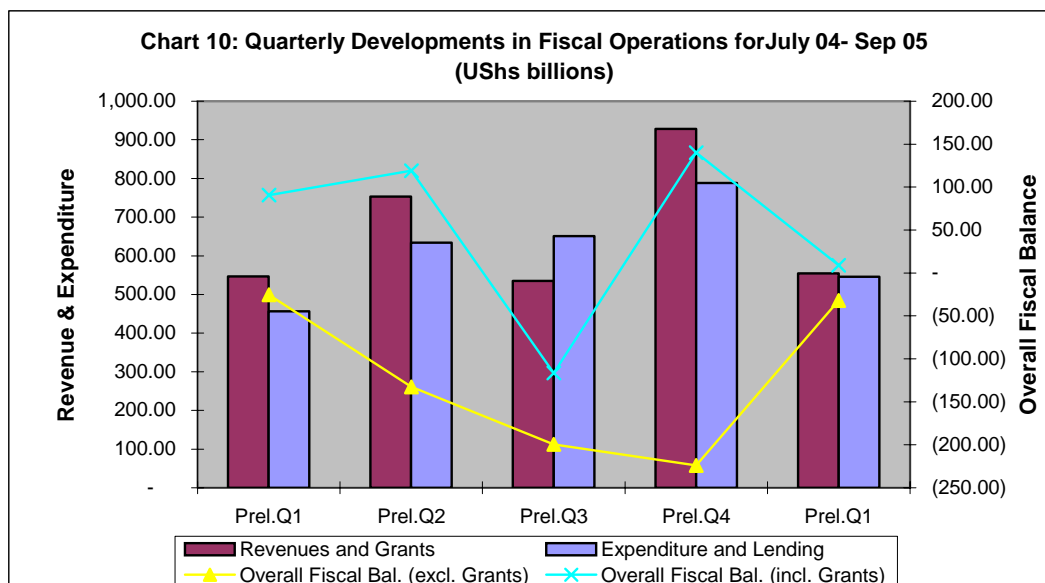
	Prel. Outturn 2004/05	Prog. Budget 2005/06	Approved Budget 2005/06	Prel. Aug 2005	Prel. Sep. 2005	Prog Sep 2005
Total Tax & Import Support Receipts	2,763.58	3,441.67	2,894.13	172.91	213.08	231.48
Total Domestic Revenue	1,948.27	2,280.50	2,283.73	160.91	189.10	169.81
URA Excluding Refunds/Govt. Taxes	1,921.26	2,230.00	2,230.14	158.41	185.17	165.34
Non URA Revenues	27.01	50.50	-	2.50	3.93	4.47
Budget Support Grants 2/	815.31	611.11	610.40	12.00	23.98	61.67
Expenditure & Lending	2,530.11	3,849.06	2,842.77	212.94	196.61	282.34
Current Expenditure	1,978.76	2,148.13	2,148.13	194.01	155.86	166.77
Development Expenditure	487.05	1,557.28	541.00	22.41	30.26	115.32
Others 1/	64.30	143.64	68.64	(3.48)	10.49	0..25
Overall Fiscal Balance (Deficit)	233.47	(407.39)	61.35	(40.03)	16.46	(50.86)
Excluding Grants	(581.84)	(1,568.56)	(549.05)	(52.03)	(7.51)	(112.53)
Source: Ministry of Finance, Planning and Economic Development						
1/ Includes Net Lending/Repayments, Arrears Repayments and Contingency.						
2/September program constitutes Budget support Grants of Shs18.79 billion and Project Support Grants of Shs42.88 billion.						

**ii) Expenditure**

In September 2005, government expenditure and net lending declined by 7.7 percent or Shs 16.33 billion to Shs 196.61 billion following an increase in cash releases to spending units for the execution of their work plans for the newly begun financial year. The decrease was mainly on account of a decrease in current expenditures. In September 2005, current expenditure decreased to Shs 155.86 billion, from Shs 194.01 billion in the previous month mainly on account of decreases in other recurrent expenditures. Expenditure on wages and salaries amounted to Shs 73.09 billion, which accounted for 46.9 percent of current expenditure, while other recurrent expenditures amounted to Shs 54.39 billion representing 34.9 percent of current expenditures. The outturn for total government expenditure was also contained below the programmed level during the month of September 2005.

**iii) Overall Fiscal Balance and Financing**

The overall fiscal balance for September 2005 was a surplus of Shs 16.46 billion compared to a deficit of Shs 40.03 billion recorded in August 2005. Excluding grants, the surplus deteriorates to a deficit of Shs 7.51 billion, which compares with a deficit of Shs52.03 realised in August 2005. The budgetary deficit was partly financed through net domestic borrowing of Shs49.94 billion and net external financing amounting to Shs –39.58 billion. Chart 9 depicts quarterly developments in fiscal operations over the last FY 2004/05 to 2005/06.

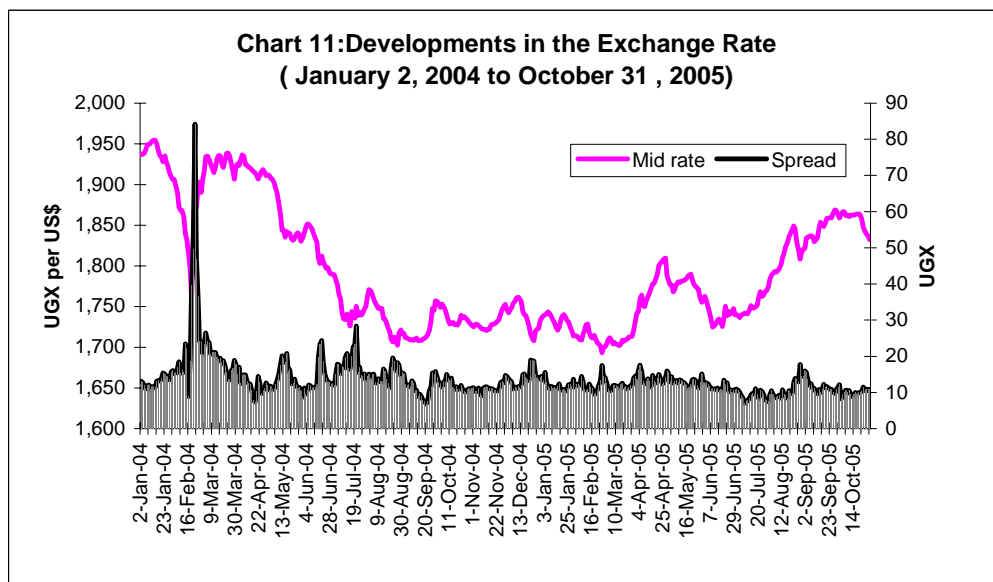


## G EXCHANGE RATE AND FOREIGN EXCHANGE MARKET

The Uganda Shilling exhibited an appreciation trend during the month of October 2005. Basing on the end month, the Shilling appreciated by 1.64 percent against the US Dollar from Shs 1862.68 per US Dollar as on the 30<sup>th</sup> September 2005 to Shs 1832.13 per US Dollar on the 31<sup>st</sup> October 2005. This is in contrast to the depreciation of 2.33 percent recorded for the previous period from Shs 1820.20 per US dollar as on the 31<sup>st</sup> August 2005 to Shs 1862.68 per US Dollar as on 30<sup>th</sup> September 2005.

On a monthly average basis, the Shilling depreciated by 0.50 percent from Shs 1847.61 per US dollar in September, 2005 to Shs 1856.80 per US \$ for October, 2005 registering a daily average depreciation of 0.08 percent. The average spreads between the weighted inter-banks' buy and sell rates, declined from Shs 11.52 during the previous period to an average of Shs 10.16 during the month under review. (See Chart 5)

An appreciation trend was registered from the middle to the end of the month, amidst general stability in October 2005. The appreciation trend was mainly attributed to market sentiments favoring the shilling relative to the US dollar, with no significant fundamental factors underlying the appreciation. The market was characterized by low corporate demand amidst expectations of higher inflows from exports of coffee, cotton and tobacco, among others.



Commercial banks' daily retail sales and purchases averaged US \$8.75 million and US \$8.26 million respectively during the month under review. When compared to the preceding month, the average sales declined by US \$0.29 million while the average purchases increased by US \$0.24 million for the period ended October 31, 2005.

BOU maintained its presence in the IFEM under the sterilization-intervention strategy geared at mopping up excess liquidity injected by poverty reduction government expenditures. On a net basis, BOU sold US \$6.00 million, which was on account of only sterilization, during the period under review compared to US \$6.60 million sold during the previous period. Bank of Uganda continues to watch market developments very closely to ensure market stability.

## H DEVELOPMENTS IN THE BALANCE OF PAYMENTS

The overall balance was estimated at a deficit of US\$18.7 million in September 2005. The Current Account balance was estimated at a deficit of US\$49.2 million – an improvement from the deficit of US\$78.4 million registered in the preceding month. The Capital and Financial account was estimated at a surplus of US\$30.5 million, a deterioration from a surplus of US\$46.7 million recorded in August 2005.

## **i) Exports**

### **Total Exports (developments for the month of September 2005)**

Total export proceeds in the month of September 2005 were estimated at about US\$62.5 million; a deterioration of about 14.6 percent, compared to the export earnings of US\$73.2 million recorded in the preceding month.

### **Coffee Exports**

During the month of September 2005 coffee exports amounted to 142,288 (60-kilogram) bags worth US\$10.0 million. This was a reduction of 35.2 percent in volume and 39.4 percent in value compared to the previous month's exports. The average realized export price for coffee in September was US\$1.18 per kg – a decrease in comparison to the US\$1.26 per kg in August 2005. September, being the last month of the coffee year, usually has lower volumes than the preceding month, as was seen during the periods August/September 2004 and August/September 2003.

### **Non-coffee Exports**

The total value for non-coffee exports for the month of September 2005 was estimated at US\$52.5 million; a 7.4 percent decrease, compared to US\$56.7 million realized in the previous month.

There was a decrease in the estimated earnings for a number of non-coffee exports in September 2005 compared to the previous month. Specifically, export proceeds from gold, cotton, cobalt, beans, oil re-exports, flowers, tobacco and hides and skins decreased by 36.1%, 86.0%, 40.0%, 58.4%, 0.1%, 12.8%, 24.2 and 45.4% respectively.

Nonetheless, earnings from the following exports increased in September 2005: tea increased by 18.9% (from US\$2.6 million to US\$3.1 million), fish and its products (international and regional) by 8.0% (from US\$13.2 million to US\$14.3 million), simsim by 3.2% (from US\$0.41 million to US\$0.42 million) and maize by 88.9% (from US\$1.3 million to US\$2.5 million). The increase in export receipts from simsim is attributable to the increase in price – from 63 cents in August 2005 to 74 cents per kilo in September 2005.

## **ii) Imports**

The total import bill for the month of September 2005 was estimated at US\$169.8 million. Private sector imports were estimated at US\$151.4 million, 2.1 percent higher than the August 2005 private sector import bill. Oil imports values amounted to US\$22.0 million, an increase of about 13.5 percent compared to the oil import bill of August 2005.

Government imports increased in September 2005, amounting to US\$18.4 million, compared to the US\$15.6 million in the previous month. The Government import bill in September 2005 accounted for approximately 10.8 percent of the total import bill.

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

Official aid (excluding project aid but including resources from the HIPC Initiative) inflows amounted to about US\$13.0 million. Net private sector transfer inflows were estimated at US\$53.3 million in September, – US\$30.8 million more than the net inflows of US\$22.6

million recorded in August 2005. Services and income outflows exceeded inflows by about US\$36.3 million.

Official debt service (excluding IMF payments) for the month of September 2005 was estimated at US\$25.7 million. There were IMF principal obligations amounting to US\$2.5 million made during the month of September 2005. Estimates of net trade credit amounted to outflows of US\$0.5 million, consisting of inflows (buyers' credit and suppliers' credit) estimated at US\$17.1 million and outflows (pre-finance shipments and suppliers' credit repayments) estimated at US\$17.6 million.

In September 2005, the level of gross foreign reserves was estimated at US\$1,267.6 million; US\$22.8 million lower than that in the preceding month. This reserve level is estimated to cover 5.5 months of future imports of goods and services.

## **I POLICY OUTLOOK**

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

### Appendix 1: Summary of the Treasury bond Auctions

Tenure	2 Years New Issue	2 Year reopene d	2 Years New Issue	2 Year reopene d	2 Year reopene d	2 Years New Issue	2 Year reopene d	2 Year reopene d	2 Years New Issue	3 Years New Issue	3 Year reopene d	3 Year reopene d	3 Years New Issue	3 Years reopene d	3 Years reopene d	3 Years New Issue	3 Years reopene d	3 Years New Issue	3 Years reopene d	3 Years New Issue	5 Years New Issue	5 Years reopene d	5 Years reopene d	10 Years New Issue
Issue date	Jan 14-04	June 03-04	June 30-04	Aug 11-04	Sept. 08-04	Jan 27-05	Feb 23-05	March 23-05	June 15-05	Feb 25-04	June 16-04	July 14-04	Oct 06-04	Nov. 03-04	Dec. 01-04	April 20-05	May 18-05	July 27-05	Aug 24-05	Sept. 21-05	March 24-04	Nov. 17-04	Oct 19-05	May 19-04
Maturity Date	Jan 14-06	Jan 14-06	June 29-06	June 29-06	June 29-06	Jan 25-07	Jan 25-07	Jan 25-07	June 14-07	Feb 22-07	Feb 22-07	Feb 22-07	Oct 04-07	Oct 04-07	Oct 04-07	April 17-08	April 17-08	July 24-08	July 24-08	Sept 18-08	March 19-09	March 19-09	Mar 19-09	May 08-14
Offers (Bn Shs)	20.000	30.000	30.000	30.000	30.000	30.000	35.000	35.000	20.000	20.000	30.000	30.000	30.000	30.000	30.000	25.000	20.000	25.000	25.000	20.000	20.000	20.000	20.000	15.000
Total Bids (Bn Shs)	36.461	44.188	46.776	40.000	50.526	38.527	45.417	45.846	39.452	44.830	44.811	32.123	43.936	33.431	35.650	39.225	25.566	48.302	29.626	37.320	41.999	32.227	42.776	25.166
O/W Competitive	36.390	44.175	46.774	39.966	50.506	38.458	45.398	45.834	39.431	44.784	44.800	29.989	43.914	33.396	28.687	39.214	25.562	48.260	29.587	37.315	41.997	12.989	42.765	25.154
Over (Under) Sub	16.461	14.188	16.776	10.000	20.526	8.527	10.417	10.846	19.452	24.830	14.811	2.123	13.936	3.431	5.650	14.225	5.566	23.302	4.626	17.320	21.999	12.227	22.776	10.166
Amt Sold (FV)	20.000	30.000	30.000	30.000	30.000	30.000	35.000	35.000	20.000	20.000	30.000	30.000	30.000	30.000	30.000	25.000	20.000	25.000	25.000	20.000	20.000	20.000	20.000	15.000
Amt Sold (Cost Price)	16.603	29.641	28.127	27.892	28.260	27.598	32.797	33.059	18.430	17.564	27.793	27.144	26.187	26.352	25.709	21.656	16.862	21.942	22.246	17.647	18.518	17.093	17.888	12.991
Cover Ratio %	182.305	147.292	155.920	133.336	168.419	128.422	129.764	130.989	197.259	224.149	149.370	107.077	146.380	111.437	111.833	156.900	127.828	193.208	118.504	186.601	210.000	161.135	213.880	167.773
Previous Cover Ratio %	....	182.305	147.292	155.920	133.336	168.419	128.422	129.764	130.989	...	224.149	149.370	107.077	146.380	111.437	118.833	156.900	127.828	193.208	118.504	...	210.000	161.135	...
WAP/100	83.020	98.805	93.758	92.974	94.202	91.993	93.707	94.454	92.152	87.819	92.642	90.482	87.354	87.840	85.698	86.625	84.308	87.769	88.986	88.233	92.590	85.463	89.438	86.608
Previous WAP/100	....	83.020	98.805	93.758	92.974	94.202	91.993	93.707	94.454	...	87.819	92.642	90.482	87.354	87.840	85.698	86.825	84.308	87.769	88.986	...	92.590	85.463	...
YTM %	20.808	13.558	13.672	15.105	15.006	14.769	14.294	14.463	14.669	15.478	15.127	16.802	15.696	15.935	17.554	16.040	17.700	15.501	15.405	15.286	12.802	16.039	15.124	13.477
Previous YTM %	...	20.808	13.558	13.672	15.105	15.006	14.769	14.294	14.463	...	15.478	15.127	16.802	15.696	15.935	17.554	16.040	17.700	15.501	15.405	...	12.802	16.039	...
Coupon Rate	10.000	10.000	10.000	10.000	10.000	10.000	10.000	10.000	10.000	10.250	10.250	10.250	10.250	10.250	10.250	10.250	10.250	10.250	10.250	10.250	10.750	10.750	10.750	11.000

Source: Compiled from Domestic Financial Markets Department records

**Appendix 2:**

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

Period	Extensions	Recoveries	Net ext.	Cap interest	Repd cap int	Net Cap int	Net change
	1	2	3=1+2	4	5	6=4+5	7= 3+6
<b>1999/2000</b>	<b>404.75</b>	<b>(311.48)</b>	<b>93.27</b>	<b>30.58</b>	<b>(91.27)</b>	<b>(60.69)</b>	<b>32.58</b>
<b>2000/2001</b>	<b>852.28</b>	<b>(769.56)</b>	<b>82.71</b>	<b>40.98</b>	<b>(71.61)</b>	<b>(30.64)</b>	<b>52.08</b>
<b>2001/2002</b>	<b>928.31</b>	<b>(886.08)</b>	<b>42.23</b>	<b>27.01</b>	<b>(64.65)</b>	<b>(37.64)</b>	<b>4.59</b>
<b>2002/2003</b>	<b>1,289.21</b>	<b>(1,120.48)</b>	<b>168.72</b>	<b>59.51</b>	<b>(49.42)</b>	<b>10.09</b>	<b>178.81</b>
<b>2003/2004</b>							
<b>Q1</b>	<b>343.22</b>	<b>(317.19)</b>	<b>26.03</b>	<b>25.07</b>	<b>(15.56)</b>	<b>9.51</b>	<b>35.54</b>
<b>Q2</b>	<b>367.62</b>	<b>(303.38)</b>	<b>64.24</b>	<b>25.63</b>	<b>(16.14)</b>	<b>9.49</b>	<b>73.73</b>
<b>Half 1 2003/04</b>	<b>710.84</b>	<b>(620.57)</b>	<b>90.27</b>	<b>50.70</b>	<b>(31.70)</b>	<b>19.00</b>	<b>109.27</b>
<b>Q3</b>	<b>381.64</b>	<b>(354.20)</b>	<b>27.44</b>	<b>15.16</b>	<b>(7.59)</b>	<b>7.57</b>	<b>35.01</b>
<b>Q4</b>	<b>363.83</b>	<b>(373.38)</b>	<b>(9.55)</b>	<b>20.19</b>	<b>(12.69)</b>	<b>7.50</b>	<b>(2.05)</b>
<b>Half 2 2003/04</b>	<b>951.15</b>	<b>(910.59)</b>	<b>40.56</b>	<b>40.48</b>	<b>(25.36)</b>	<b>15.11</b>	<b>55.67</b>
<b>2003/2004</b>	<b>1,456.31</b>	<b>(1,348.15)</b>	<b>108.17</b>	<b>86.05</b>	<b>(51.98)</b>	<b>34.06</b>	<b>142.23</b>
<b>2004/2005</b>							
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
<b>Q1</b>	<b>369.67</b>	<b>(387.52)</b>	<b>(17.85)</b>	<b>35.86</b>	<b>(12.23)</b>	<b>23.63</b>	<b>5.79</b>
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
<b>Q2</b>	<b>453.26</b>	<b>(371.85)</b>	<b>81.41</b>	<b>35.70</b>	<b>(23.80)</b>	<b>11.90</b>	<b>93.31</b>
<b>Half 1 2004/05</b>	<b>826.23</b>	<b>(761.82)</b>	<b>64.40</b>	<b>71.56</b>	<b>(36.03)</b>	<b>35.53</b>	<b>99.94</b>
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
<b>Q3</b>	<b>420.58</b>	<b>(386.31)</b>	<b>34.27</b>	<b>31.87</b>	<b>(25.86)</b>	<b>6.02</b>	<b>40.29</b>
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
<b>Q4</b>	<b>466.38</b>	<b>(395.28)</b>	<b>71.11</b>	<b>48.57</b>	<b>(18.85)</b>	<b>29.72</b>	<b>100.82</b>
<b>Half 2</b>							
<b>2004/2005</b>	<b>886.96</b>	<b>(781.58)</b>	<b>105.38</b>	<b>80.44</b>	<b>(44.71)</b>	<b>35.73</b>	<b>141.11</b>
<b>2004/2005</b>	<b>1,713.19</b>	<b>(1,533.27)</b>	<b>179.91</b>	<b>152.00</b>	<b>(80.74)</b>	<b>71.27</b>	<b>251.18</b>
<b>2005/2006</b>							
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)
September 2005	172.41	(101.76)	70.64	10.81	(5.56)	5.24	75.89
<b>Q1</b>	<b>503.93</b>	<b>(397.50)</b>	<b>106.43</b>	<b>30.92</b>	<b>(13.24)</b>	<b>17.68</b>	<b>124.11</b>

*Source: Research Department, Bank of Uganda*

**Appendix 3: 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							
Q1	234.28	(222.12)	12.16	22.96	(13.37)	9.59	21.75
Q2	270.88	(215.44)	55.44	22.61	(13.25)	9.36	64.80
Half 1 2003/04	505.16	(437.56)	67.61	45.57	(26.62)	18.95	86.55
Q3	248.82	(229.44)	19.38	12.42	(6.11)	6.30	25.69
Q4	230.71	(230.53)	0.18	17.51	(10.99)	6.52	6.70
Half 2 2003/2004	479.53	(459.96)	19.56	29.92	(17.10)	12.82	32.38
2003/2004	984.69	(897.52)	87.17	75.49	(43.72)	31.77	118.94
2004/2005							
July. 2004	91.22	(93.84)	(2.63)	8.46	(2.92)	5.53	2.91
August. 2004	75.68	(87.36)	(11.69)	8.85	(3.64)	5.20	(6.48)
September. 2004	92.67	(92.66)	0.02	12.54	(3.99)	8.55	8.57
Q1	259.39	(273.87)	(14.47)	29.91	(10.65)	19.26	4.79
October. 2004	89.31	(67.61)	21.70	10.55	(6.10)	4.45	26.15
November. 2004	77.37	(79.62)	(2.25)	8.62	(2.50)	6.11	3.87
December. 2004	116.94	(99.04)	17.89	8.50	(11.60)	(3.10)	14.79
Q1	283.62	(246.27)	37.35	27.66	(20.20)	7.46	44.81
Half 1 2004/05	543.79	(520.22)	23.58	57.57	(30.85)	26.72	50.30
January 2005	92.63	(76.73)	15.90	5.72	(8.15)	(2.44)	13.46
February 2005	71.72	(73.70)	(1.98)	5.00	(9.15)	(4.15)	(6.12)
March 2005	78.33	(64.71)	13.62	9.56	(4.87)	4.68	18.30
Q3	242.69	(215.14)	27.54	20.28	(22.18)	(1.90)	25.64
April 2005	85.22	(79.63)	5.59	8.34	(1.69)	6.65	12.24
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)
September 2005	101.71	(77.42)	24.29	7.57	(4.82)	2.76	27.04
Q1	290.64	(262.80)	27.84	20.73	(9.01)	11.72	39.56

Source: Research Department, Bank of Uganda

**Appendix 4: 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							
Q1	108.93	(95.06)	13.87	2.11	(2.19)	(0.08)	13.79
Q2	96.74	(87.95)	8.8	3.03	(2.90)	0.13	8.93
Half 1 2003/04	205.68	(183.01)	22.67	5.13	(5.08)	0.05	22.72
Q4	133.13	(142.85)	(9.73)	2.68	(1.70)	0.98	(8.75)
Half 2 2003/04	265.95	(267.62)	(1.67)	5.42	(3.18)	2.24	0.57
2003/2004	471.62	(450.63)	21.00	10.55	(8.26)	2.29	23.29
2004/2005							
July 2004	33.73	(36.42)	(2.69)	1.70	(0.59)	1.11	(1.58)
August 2004	26.27	(37.49)	(11.22)	2.37	(0.34)	2.03	(9.19)
September 2004	50.28	(39.75)	10.53	1.88	(0.64)	1.24	11.77
Q1	110.28	(113.66)	(3.37)	5.95	(1.57)	4.37	1.00
October 2004	48.63	(33.13)	15.51	1.28	(2.01)	(0.73)	14.78
November 2004	51.82	(42.08)	9.75	1.44	(1.05)	0.39	10.14
December 2004	69.19	(50.38)	18.81	5.32	(0.55)	4.77	23.58
Q1	169.64	(125.58)	44.06	8.04	(3.60)	4.44	48.50
Half 1 2004/05	282.43	(241.61)	40.83	13.99	(5.18)	8.81	49.64
January 2005	58.08	(57.60)	0.48	4.42	(0.64)	3.77	4.26
February 2005	62.06	(61.08)	0.97	4.21	(0.36)	3.85	4.82
March 2005	136.08	(117.19)	18.89	12.53	(7.55)	4.98	23.87
Q3	420.58	(386.31)	34.27	31.87	(25.86)	6.02	40.29
April 2005	66.14	(58.87)	7.27	2.74	(2.43)	0.31	7.58
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	(24.35)	46.36	3.23	(0.74)	2.49	48.84
Q1	213.29	(134.70)	78.59	10.20	(4.24)	5.96	84.55

Source: Research Department, Bank of Uganda

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

<b>Date</b>	<b>Mid rate UGX/US\$</b>	<b>Spread UGX</b>	<b>Purchases Million US\$</b>	<b>Sales Million US\$</b>
1-Sep-05	1821.58	16.00	7.88	12.44
2-Sep-05	1834.54	15.52	10.74	6.44
5-Sep-05	1835.08	13.57	9.68	6.82
6-Sep-05	1836.73	11.98	8.55	7.32
7-Sep-05	1836.80	12.38	7.05	9.80
8-Sep-05	1835.84	11.01	7.51	8.98
9-Sep-05	1829.56	11.16	7.63	8.73
12-Sep-05	1831.32	10.29	6.28	7.23
13-Sep-05	1834.65	9.62	6.97	7.42
14-Sep-05	1846.13	10.82	9.05	7.47
15-Sep-05	1853.57	10.00	7.72	11.10
16-Sep-05	1850.65	10.80	6.60	8.92
19-Sep-05	1848.51	12.20	8.52	8.48
20-Sep-05	1852.83	11.38	8.73	11.43
21-Sep-05	1858.57	11.65	7.10	6.75
22-Sep-05	1858.31	11.23	9.16	8.11
23-Sep-05	1859.37	10.87	4.56	9.54
26-Sep-05	1858.98	10.82	5.56	5.35
27-Sep-05	1864.82	10.05	7.09	10.95
28-Sep-05	1868.68	9.70	9.44	13.33
29-Sep-05	1868.19	10.89	12.71	10.29
30-Sep-05	1862.68	11.44	7.88	11.89
3-Oct-05	1858.90	12.11	7.28	5.17
4-Oct-05	1863.58	8.25	8.97	6.47
5-Oct-05	1866.56	9.33	7.02	4.59
6-Oct-05	1866.36	9.94	6.32	8.32
7-Oct-05	1861.86	10.64	6.85	8.69
10-Oct-05	1862.30	9.94	8.46	9.64
11-Oct-05	1860.81	10.59	6.43	9.44
12-Oct-05	1862.52	9.46	8.73	6.96
13-Oct-05	1862.46	8.79	8.27	11.38
14-Oct-05	1861.94	9.59	8.31	10.47
17-Oct-05	1863.39	9.95	12.04	10.14
18-Oct-05	1864.01	9.69	9.48	13.69
19-Oct-05	1864.00	9.86	6.38	6.00
20-Oct-05	1862.94	10.03	7.50	8.19
21-Oct-05	1857.17	10.29	6.77	9.68
25-Oct-05	1847.16	11.45	11.91	8.98
26-Oct-05	1842.03	10.89	10.76	10.86
27-Oct-05	1838.97	10.69	7.99	8.36
28-Oct-05	1837.05	10.84	6.87	11.62
31-Oct-05	1832.13	10.85	8.92	6.27

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

	Mar-05	Apr-05	May-05	Jun-05	Jul-05	Aug-05	Sep-05
<b>Total Exports</b>	<b>74.04</b>	<b>78.30</b>	<b>79.13</b>	<b>76.70</b>	<b>71.85</b>	<b>73.21</b>	<b>62.53</b>
<b>1. Coffee</b>							
Gross coffee shipment, million (60-Kg) bags	0.25	0.22	0.14	0.23	0.25	0.22	0.14
Av. unit value	0.94	1.17	1.97	1.31	1.25	1.26	1.18
Value of total shipment (BOP)	13.93	15.35	16.78	18.07	18.62	16.54	10.03
<b>2. Non-Coffee exports</b>	<b>60.10</b>	<b>62.96</b>	<b>62.35</b>	<b>58.63</b>	<b>53.23</b>	<b>56.67</b>	<b>52.50</b>
Electricity	0.24	0.23	0.26	0.27	0.28	0.26	0.50
Gold	3.92	6.70	8.24	6.97	6.03	9.01	5.76
Cotton	6.82	6.46	5.64	4.29	1.44	0.53	0.07
Tea	1.75	3.93	2.94	3.02	2.80	2.57	3.06
Tobacco	2.58	3.40	2.73	1.35	2.37	2.45	1.86
Fish & its prod.(excl. regional)	12.65	11.67	10.95	12.73	10.98	10.58	11.14
Fish & its prod.(regional exports)	5.05	4.66	4.37	5.08	2.78	2.66	3.17
Hides & skins	0.37	0.98	0.57	0.82	0.57	0.82	0.45
Simsim	0.87	0.73	0.43	0.19	0.04	0.41	0.42
Maize	0.49	1.31	1.16	1.29	1.07	1.34	2.54
Beans	0.10	0.28	0.81	0.56	0.95	0.87	0.36
Flowers	2.95	3.08	3.42	2.81	2.87	3.00	2.62
Oil re-exports	3.23	2.30	2.81	2.49	2.33	2.16	2.16
Cobalt	1.12	0.54	1.65	1.02	2.55	1.31	0.79
Others	17.97	16.69	16.39	15.74	16.17	18.68	17.61

Source: Bank of Uganda

Appendix 7: IMPORTS OF GOODS (US\$ millions)

	Mar-05	Apr-05	May-05	Jun-05	Jul-05	Aug-05	Sep-05
<b>Total Imports</b>	<b>124.08</b>	<b>141.13</b>	<b>139.33</b>	<b>143.72</b>	<b>148.28</b>	<b>163.95</b>	<b>169.82</b>
<b>Government Imports</b>	<b>11.70</b>	<b>12.08</b>	<b>13.19</b>	<b>11.68</b>	<b>18.96</b>	<b>15.63</b>	<b>18.39</b>
Project	8.96	9.08	6.25	9.72	12.47	11.76	14.78
Non-Project	2.75	3.00	6.94	1.96	6.49	3.87	3.61
<b>Private Sector Imports</b>	<b>112.38</b>	<b>129.05</b>	<b>126.14</b>	<b>132.04</b>	<b>129.32</b>	<b>148.32</b>	<b>151.44</b>
Oil imports	14.57	15.04	13.65	15.36	17.28	19.35	21.96
Non-oil imports	97.81	114.00	112.49	116.68	112.04	128.97	129.48

Source: Bank of Uganda

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

## Appendix 8: The interbank shilling market transaction for the month of October 2005.

Date	Duration in days	Amount in millions	Rate %	Weighted %	Date	Duration in days	Amount in millions	Rate %	Weighted %
03-Oct-05	1	3000	5.00	0.04	17-Oct-05	1	4000	9.00	0.09
03-Oct-05	7	3000	6.50	0.05	17-Oct-05	1	1000	9.00	0.02
03-Oct-05	7	2000	6.00	0.03	17-Oct-05	1	2000	8.00	0.04
03-Oct-05	7	3000	6.00	0.04	17-Oct-05	1	2000	7.00	0.03
03-Oct-05	14	2000	7.50	0.04	17-Oct-05	1	1000	6.50	0.02
03-Oct-05	14	1000	7.50	0.02	17-Oct-05	1	1000	6.50	0.02
03-Oct-05	14	1000	7.25	0.02	17-Oct-05	2	1000	5.75	0.01
03-Oct-05	21	1000	7.50	0.02	17-Oct-05	3	2000	7.00	0.03
04-Oct-05	2	500	5.00	0.01	17-Oct-05	3	1000	7.00	0.02
04-Oct-05	2	10000	5.00	0.12	17-Oct-05	3	1000	6.50	0.02
04-Oct-05	6	1000	5.50	0.01	17-Oct-05	7	1000	8.75	0.02
04-Oct-05	7	1000	6.50	0.02	17-Oct-05	7	1000	8.50	0.02
04-Oct-05	7	5000	6.50	0.08	17-Oct-05	7	500	7.50	0.01
04-Oct-05	7	500	6.00	0.01	17-Oct-05	7	2000	7.50	0.04
05-Oct-05	1	500	5.00	0.01	17-Oct-05	7	500	7.25	0.01
05-Oct-05	5	1000	6.25	0.02	17-Oct-05	7	2000	7.25	0.04
05-Oct-05	5	1000	5.00	0.01	17-Oct-05	14	3000	8.50	0.06
05-Oct-05	7	1000	7.00	0.02	17-Oct-05	14	1000	8.25	0.02
06-Oct-05	1	3000	6.25	0.05	18-Oct-05	1	4000	8.00	0.08
06-Oct-05	4	2000	7.00	0.03	18-Oct-05	1	300	6.50	0.00
06-Oct-05	4	2000	6.75	0.03	18-Oct-05	2	12000	7.00	0.20
06-Oct-05	4	2000	6.25	0.03	18-Oct-05	3	1000	7.75	0.02
06-Oct-05	4	500	6.00	0.01	18-Oct-05	3	4000	7.50	0.07
06-Oct-05	4	1000	6.00	0.01	18-Oct-05	3	500	7.00	0.01
06-Oct-05	4	2000	5.25	0.03	18-Oct-05	3	500	7.00	0.01
06-Oct-05	7	1000	7.00	0.02	18-Oct-05	3	800	6.50	0.01
06-Oct-05	7	12000	7.00	0.20	18-Oct-05	7	1000	8.25	0.02
06-Oct-05	7	1000	6.75	0.02	18-Oct-05	7	1000	7.00	0.02
07-Oct-05	3	1000	7.00	0.02	19-Oct-05	1	6000	8.00	0.12
07-Oct-05	3	2000	7.00	0.03	19-Oct-05	1	2000	7.00	0.03
07-Oct-05	3	2000	7.00	0.03	19-Oct-05	8	2000	7.50	0.04
07-Oct-05	3	1000	6.00	0.01	20-Oct-05	1	1000	7.00	0.02
07-Oct-05	5	2000	7.50	0.04	20-Oct-05	1	1000	7.00	0.02
07-Oct-05	7	2000	7.00	0.03	20-Oct-05	1	12000	6.75	0.20
07-Oct-05	7	3000	7.00	0.05	20-Oct-05	1	6000	6.75	0.10
10-Oct-05	1	2500	6.00	0.04	20-Oct-05	1	4000	6.75	0.07
10-Oct-05	3	4500	6.50	0.07	20-Oct-05	4	3000	8.00	0.06
10-Oct-05	3	3000	6.00	0.04	20-Oct-05	4	2500	7.00	0.04
10-Oct-05	3	1000	6.00	0.01	20-Oct-05	7	2000	8.50	0.04
10-Oct-05	4	3000	7.00	0.05	20-Oct-05	7	2000	7.75	0.04
10-Oct-05	7	500	7.25	0.01	20-Oct-05	14	1000	9.00	0.02
10-Oct-05	7	2000	7.00	0.03	21-Oct-05	3	12000	6.75	0.20
10-Oct-05	7	1000	7.00	0.02	21-Oct-05	3	5000	6.75	0.08
10-Oct-05	7	1500	6.50	0.02	21-Oct-05	3	1000	6.50	0.02
11-Oct-05	2	1000	6.50	0.02	21-Oct-05	3	2000	6.50	0.03
11-Oct-05	2	2000	4.75	0.02	21-Oct-05	3	2000	6.50	0.03

12-Oct-05	1	2000	6.00	0.03	21-Oct-05	3	3000	6.00 0.04
12-Oct-05	7	1000	8.50	0.02	21-Oct-05	4	500	6.25 0.01
12-Oct-05	7	2000	7.50	0.04	21-Oct-05	6	2000	8.00 0.04
12-Oct-05	7	1000	7.00	0.02	21-Oct-05	7	1000	7.50 0.02
12-Oct-05	7	1000	6.50	0.02	25-Oct-05	1	2000	7.50 0.04
13-Oct-05	1	2000	6.00	0.03	25-Oct-05	1	4000	7.25 0.07
13-Oct-05	1	500	4.00	0.00	25-Oct-05	2	12000	7.50 0.22
13-Oct-05	4	5000	8.00	0.10	25-Oct-05	2	3000	7.25 0.05
13-Oct-05	4	1000	6.75	0.02	25-Oct-05	2	1000	6.50 0.02
13-Oct-05	4	2000	6.50	0.03	25-Oct-05	2	2000	6.50 0.03
13-Oct-05	4	2500	6.50	0.04	25-Oct-05	2	500	6.00 0.01
13-Oct-05	4	1000	6.50	0.02	25-Oct-05	2	800	5.50 0.01
13-Oct-05	5	4000	8.00	0.08	25-Oct-05	3	2000	7.50 0.04
13-Oct-05	5	4000	7.50	0.07	25-Oct-05	7	2000	8.00 0.04
13-Oct-05	5	3000	7.50	0.05	25-Oct-05	7	500	7.50 0.01
13-Oct-05	5	12000	7.00	0.20	26-Oct-05	1	500	6.00 0.01
13-Oct-05	7	1000	7.80	0.02	26-Oct-05	5	8000	8.50 0.16
13-Oct-05	7	3000	7.75	0.06	26-Oct-05	5	1000	7.50 0.02
13-Oct-05	7	2500	7.50	0.05	26-Oct-05	5	1000	7.00 0.02
13-Oct-05	7	700	6.50	0.01	26-Oct-05	5	1000	6.50 0.02
13-Oct-05	11	500	7.00	0.01	27-Oct-05	1	15000	6.50 0.24
13-Oct-05	14	3500	7.50	0.06	27-Oct-05	4	2000	7.00 0.03
14-Oct-05	3	5000	9.00	0.11	27-Oct-05	5	7000	8.00 0.14
14-Oct-05	3	1500	7.50	0.03	27-Oct-05	5	2000	8.00 0.04
14-Oct-05	3	1000	7.00	0.02	27-Oct-05	7	2000	8.25 0.04
14-Oct-05	3	1500	7.00	0.03	27-Oct-05	7	1000	8.00 0.02
14-Oct-05	3	1000	6.75	0.02	27-Oct-05	7	1000	7.75 0.02
14-Oct-05	3	1000	6.75	0.02	27-Oct-05	7	1000	7.60 0.02
14-Oct-05	3	2000	6.75	0.03	27-Oct-05	7	600	7.25 0.01
14-Oct-05	3	3000	6.75	0.05	27-Oct-05	7	500	7.00 0.01
14-Oct-05	3	1000	6.50	0.02	28-Oct-05	3	2000	6.00 0.03
14-Oct-05	3	1000	6.50	0.02	28-Oct-05	3	3000	6.50 0.05
14-Oct-05	3	500	6.50	0.01	28-Oct-05	3	500	6.50 0.01
14-Oct-05	3	3000	6.50	0.05	28-Oct-05	3	1000	6.00 0.01
14-Oct-05	3	1000	6.50	0.02	28-Oct-05	3	4000	5.00 0.05
14-Oct-05	3	2000	6.50	0.03	28-Oct-05	7	3000	7.50 0.05
14-Oct-05	3	3000	6.50	0.05	28-Oct-05	14	1000	8.00 0.02
14-Oct-05	3	500	5.50	0.01	31-Oct-05	1	3000	5.50 0.04
14-Oct-05	7	1500	8.00	0.03	31-Oct-05	1	3000	6.00 0.04
14-Oct-05	14	1000	8.50	0.02	31-Oct-05	1	2000	6.50 0.03
14-Oct-05	14	1000	8.00	0.02	31-Oct-05	3	1000	6.75 0.02
					31-Oct-05	7	2000	7.50 0.04
					31-Oct-05	7	500	7.50 0.01
					31-Oct-05	7	1000	7.50 0.02
					31-Oct-05	7	500	7.25 0.01
					31-Oct-05	14	1000	8.00 0.02
					31-Oct-05	14	1000	8.15 0.02

413,700.00

6.99