

BANK OF UGANDA



MONTHLY ECONOMIC REVIEW

**MAY
2005**

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EXECUTIVE SUMMARY

Monetary Policy Stance and Actions

The primary objective of monetary policy remains to contain inflation at low and stable levels. To achieve this, BOU monetary policy operations ensure that liquidity management does not exacerbate instability in the goods market, the domestic money market and the foreign exchange market.

A review of developments for the four-week period ended March 31, 2005 suggests that:

- Net-issuance of Treasury bills and Treasury bonds were used to sterilize liquidity, while the repurchase agreement instruments (REPOs) facilitated the short-term, normally fine-tuning operations. The net injection of Treasury bills was Shs 42.12 billion, compared to the net withdrawal of Shs 41.52 billion in the corresponding four-week period to March 31, 2005. In this period three Reverse Repos amounting to Shs 139.50 billion were issued to ensure stability in the domestic money markets. The outstanding stock of REPOs was therefore a deficit of Shs 74.61 billion due to the effect of the outstanding stock of reverse repos.
- There was no change in the policy margins regarding the Rediscount Rate and Bank Rate. Hence in line with developments in the Treasury bill market, the Rediscount rate and Bank rate declined from 14.20 percent and 15.20 percent, by end March 2005, to 14.18 percent and 15.18 percent, respectively by April 29, 2005.
- BOU continued to watch foreign exchange market developments very closely to ensure market stability. In light of this, BoU intervened on the sale side in the IFEM to a tune of US \$ 46.25 million.

Inflation Developments

The upward pressure on inflation observed since July 2004, continued in April 2005.

- The **Annual Headline Inflation**¹ for April 2005 edged up to **12.6%** compared to 10.6% registered in the year ended March 2005, marking the highest rate since June 1994 when it was 16.1%. The food group index exerted the largest upward effect on annual headline inflation. In the same way, the **Monthly Headline Inflation** rose to **3.4%** in April 2005 from 1.4% in March 2005.
- The **Annual Underlying Inflation** declined slightly to **4.9%** in April 2005 from 5.1% for the year ended March 2005. On the other hand, the **Monthly Underlying Inflation** rose to **0.6%** in April 2005 from 0.4% in March 2005.
- The **Annual Food Crops Inflation**² rose to **43.9%** in April 2005 from 34.0% in the year ended March 2005. This was the highest increase over a decade when it was 56.7% in January 1993. Similarly, the **Monthly Food Crops Inflation** rose to **12.3%** in April 2005 from 5.0% in March 2005.

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

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

Real Sector Developments

- Preliminary data on fuel sales for January and February 2005 indicate a drop in sales of the major petroleum products from 42.43 million litres to 36.82 million litres between December 2004 and February 2005.
- During the month under review, a total of 75,437 shares with a turnover of shs 28.46 million were traded. Most of the activity was at the DFCU counter and it accounted for 78.7 percent of total trading
- Total Leasing disbursements during March 2005 amounted to shs 1.12 billion and exceeded that in January 2005 by 20.7 percent. However, when compared to the corresponding period in the previous year, leasing disbursement during March 2005 was lower by 21.5 percent

Domestic Securities and Money Market Developments

- In line with the monetary policy objectives and financial markets development, Bank of Uganda issued a 3-year bond on April 20, 2005. The Shs 25.00 billion issue was over subscribed by Shs 14.22 billion and realized a cover ratio of 156.90 percent.
- The total outstanding stock of Treasury bonds stood at Shs 490.00 billion by end of April 2005. There were no bond coupon payments effected during the month.
- Two Treasury bill auctions with offers of Shs 45.00 billion and Shs 35.00 billion each were held in the month of April 2005. There were pockets of under-subscriptions in both auctions. The respective weighted annualized yields on the 91-day, 182-day, and 364-day bills at 9.17, 10.86, and 13.46 percent, respectively, for the auction of April 27, 2005. This compares to rates of 8.34, 10.64, and 12.11 percent, for 91-day, 182-day, and 364-day bills respectively, recorded in the auction held on March 30, 2005. The average discount rates on Treasury bills in April 2005 were higher than those registered in April 2004 which ranged between 5.27 percent and 8.40 percent.
- The average bid/offer yields-to-maturity in the secondary market for Treasury bills fell with changes ranging from 0.52 to 0.67 percentage points for the 91-day and the 364-day papers. However, the rate for the 182-day paper increased by an average of 0.74 percentage points.
- The yield curve based on the average yield-to-maturity quotations in the secondary market maintained a close evolution with the developments in the primary market for tenors of up to 2 years. Both curves were inverted at the 3-year paper with relatively wider margins observed at the longer end of the market, as the curve derived from the primary market dropped below that of the secondary market
- Activity in the domestic inter-bank money market for the four weeks ended April 29, 2005 continued to be buoyant in the call money market (i.e. transactions of less than 30 days in tenor). The most active period was the week ended April 15, 2005, when

transactions worth Shs116.85 billion were recorded, while the least activity was in the week ended April 08, 2005, with volumes of transactions amounting to Shs79.8 billion. The weekly weighted average rates ranged from 6.48 percent to 11.64 percent. The weighted average inter bank lending rate over the four weeks to April 29, 2005 was 8.06 percent, up from the 5.92 percent reported in the four weeks to March 31, 2005.

- No commercial bank adjusted its prime-lending rate over the period under review. Consequently, the range of these rates for the banking system remained at 16-21 percent as was recorded in the previous four weeks to March 31, 2005.
- The weighted rates on shilling denominated demand deposits marginally declined from 1.16 percent to 1.12 percent in March 2005 but the weighted rates on the saving and time deposits rose from 1.72 percent and 6.16 percent to 1.94 percent and 8.21 percent respectively in the period under review. The demand deposit rates on the foreign currency declined from 1.01 percent to 0.98 percent while saving deposits rates remained constant at 1.45 percent since the beginning of the quarter. Time deposit rates continued the rising trend reported in the previous review from 2.49 percent to 2.69 percent.

Developments in Monetary and Financial Aggregates Developments

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

- Broad Money M3, which comprises currency in circulation plus all private deposits, expanded by 3.0 percent to Shs2,802.9 billion in March 2005. This is a marked acceleration compared to growth of 1.7 percent registered in February 2005. M3 has risen from its end-June 2004 position by 8.3 percent.
- Net Foreign Assets (NFA) of the banking system grew by 2.4 percent or Shs59.9 billion to Shs2547.7 billion. In particular, NFA at BoU expanded by 3.3 percent or Shs62.9 billion to Shs1977.2 billion, while at commercial banks NFA fell by 0.5 percent or Shs2.9 billion to Shs570.6 billion. Foreign reserves at BoU rose by an equivalent of Shs66.2 billion, compared to a decline of Shs15.6 billion in the previous month.
- Net Claims on Government (NCG) with the banking system (NCG) as at end-March 2005 was a borrowing of Shs113.1 billion, up by Shs16.7 billion from a borrowing of Shs96.3 billion at the end of February 2005. At commercial banks, net claims on Government grew by Shs95.1 billion in March 2005, on account of a rise in commercial banks' investment in Government securities of Shs61.4 billion, coupled with a decline in Government deposits of Shs33.7 billion. At BoU, the government stepped up its savings by Shs 78.4 billion over the month, on account of a strong decline in BoU's investment in Government securities of Shs 50 billion, coupled with a rise in Government deposits of Shs28.8 billion.
- At end-March 2005, the stock of outstanding credit to the private sector by the banking sector stood at Shs1146.7 billion, of which Shs23.2 billion was from BOU and Shs1123.5 billion from commercial banks. This represents a growth of 2.1 percent during March 2005. In February 2005, PSC declined by Shs0.2 billion.
- In the month of March 2005, the total assets of the Non-Bank Financial Institutions increased by 0.5 percent at the end of February 2005. This outturn compares to an increase of 0.8 percent observed over the same period a year ago. The increase in assets in March 2005 was mainly attributed to a 1.3 percent increase in premises and other fixed costs and a 0.3 percent increase in total advances. The stock of the outstanding loans and advances to the private sector increased by 0.3 percent, as at end-February 2005,

Fiscal Developments

Foreign Exchange Market March 2005

- The Uganda Shilling continued to show a depreciation trend during the month of April 2005. On average, the Shilling vis-à-vis the US Dollar depreciated by 0.09 percent on a daily basis within this period. Basing on the end month, the Shilling depreciated by 1.97 percent against the US Dollar. This compares to the depreciation of 2.46 percent recorded for the previous period.
- BOU continued to watch foreign exchange market developments very closely to ensure market stability. In light of this, BoU intervened on the sale side in the IFEM to a tune of US \$ 46.25 million. There were no forward and sterilization transactions during the month of April 2005 resulting into a net injection of US \$46.25 million in the period under review.

Balance of Payments Developments

- In March 2005, the current account balance was estimated at a deficit of US \$43.53 million, while the capital and financial account was estimated at a surplus of US\$47.28 million. As a result, the overall balance was estimated at a surplus of US\$3.76 million.
- Total exports proceeds for the month of March 2005 were estimated at US\$73.16 million, of which coffee accounted for 19.04 per cent.
- The import bill (fob) was estimated at US\$125.52 million during March 2005 compared to the US\$132.35 million³, which was recorded for the month of February 2005.
- Official aid (excluding project aid but including resources from the HIPC Initiative) inflows amounted to about US\$36.28 million. Private sector transfer outflows exceeded inflows by US\$0.16 million in March 2005, and services and income outflows exceeded inflows by about US\$54.08 million.
- Official debt service (excluding IMF payments) was estimated at US\$12.38 million for the month of March 2005. The IMF principal payments externalized in the same month amounted to US\$2.53 million.
- Official foreign reserves (including valuation changes) were estimated at US\$1,311.52 million in March 2005, equivalent to 6.30 future months of imports of goods and services.

Policy Stance

- The rising inflation rates coupled with developments in the foreign exchange market suggest that Uganda will continue with a tight monetary policy stance to contain the inflationary pressures. Bank of Uganda is set to maintain a cautious monetary policy stance to ensure that inflation remains low and stable. It is also committed to manage liquidity in a manner that does not cause instability in both the money and foreign exchange markets.

³ Effective May 2004, import values are reported f.o.b.

A MONETARY POLICY STANCE AND ACTIONS

Bank of Uganda (BOU)'s monetary policy is focused on containing inflation at low levels, however, operations of its instruments are cautiously undertaken not to exacerbate instability in the money and foreign exchange markets. Sterilization of excess liquidity is usually effected through a combination of sales of Treasury bonds, Treasury bills and foreign exchange. This notwithstanding, BOU actively uses the Repurchase Agreements (REPOs) as a fine-tuning instrument in order to manage short-term liquidity movements. This is in addition to adjustments in the pricing of the liquidity providing windows, the Rediscount Rate and Bank rate, to ensure a consistent monetary policy stance.

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

In the four weeks to April 29, 2005, the net injection of Treasury bills was Shs 42.12 billion, compared to the net withdrawal of Shs 41.52 billion in the corresponding four-week period to March 31, 2005. In a continuous effort to promote the development of financial markets alongside conducting monetary policy, Bank of Uganda issued a 3-year bond on April 20, 2005 with a face value of Shs 25.0 billion. On the short-term liquidity management front, gross issues of the REPOs instrument, whose maturity ranged from 1 to 6 days, amounted to Shs 64.90 billion during this period, against maturities of Shs 64.93 billion. This is compared to issues and maturities of Shs 337.10 billion and Shs 408.51 billion, respectively over the preceding period ended March 31, 2005. In this period three Reverse Repos amounting to Shs 139.50 billion were issued to ensure stability in the domestic money markets. The outstanding stock of REPOs was therefore a deficit of Shs 74.61 billion due to the effect of the outstanding stock of reverse repos.

In line with developments in the Treasury bill market, the Rediscount rate and Bank rate declined from 14.20 percent and 15.20 percent, by end March 2005, to 14.18 percent and 15.18 percent, respectively by April 30, 2005.

B DOMESTIC PRICE DEVELOPMENTS

The **Annual Headline Inflation**⁴ for April 2005 edged up to **12.6%** compared to 10.6% registered in the year ended March 2005, marking the highest rate since June 1994 when it was 16.1%. Price surges were witnessed in the Food; Beverages and Tobacco; Rent, Fuel and Utilities; Transport and Communication; and Health, Education and Entertainment groups that overwhelmed the declines in prices of items in the Clothing and Footwear; and Household and Personal goods groups. The food group index exerted the largest upward effect on annual headline inflation.

The Food group⁵ index leaped by 24.7%; the Beverages and tobacco group index rose by 6.1%; the Rent, Fuel and Utilities group index rose by 7.1%; the Transport and Communication group index rose by 3.4%; and the Health, Education and Entertainment group index rose by 4.2% for the year ended April 2005. On the contrary, the Clothing and Footwear; and Household and Personal goods indices fell by 0.7% and 0.2% respectively for the year ended April 2005. The above increases were attributed to: higher food crop prices in the month of April 2005 compared to that of the April 2004 largely due to the effects of the prolonged drought experienced in the first half of 2004/05; persistent increases in prices of petroleum products on the world market; and the raised school fees during the first term of academic year 2005 among others.

⁴ Inflation is the percentage change in the Consumer Price Index compared with the same month (or previous month) one year (month) previously.

⁵ Food group comprises of the entire basket of food crops and other food items e.g. manufactured food goods – margarine, cooking oil, etc.

Similarly, the **Monthly Headline Inflation** rose to **3.4%** in April 2005 from 1.4% in March 2005, attributed to increases in all the group indices except Clothing and Footwear; and Household and Personal group indices. The Food group index recorded the highest monthly increase of 6.8%; Beverages and Tobacco (0.1%); Rent, Fuel and Utilities (2.5%); Transport and Communication (2.4%); and Health, Education, and Entertainment (0.2%). Reversals of the upward pressures on monthly headline inflation were Clothing and Footwear (-1.8%); and Household and Personal goods (-1.6%) group indices.

The **Annual Underlying Inflation** declined slightly to **4.9%** in April 2005 from 5.1% for the year ended March 2005. The prices of goods rose by 5.1% in April 2005 compared to a rise of 5.7% in March 2005, while that of services increased by 4.8%, higher than 4.0% recorded in March 2005. The decline in annual underlying inflation is attributed to the decline in prices of second hand clothes following the reversal of previously hiked taxes on them.

On the other hand, the **Monthly Underlying Inflation** rose to **0.6%** in April 2005 from 0.4% in March 2005. This was mainly due to increases in prices of items in the Rent, Fuel and Utilities; and Transport and Communications groups.

The **Annual Food Crops Inflation**⁶ climbed to **43.9%** in April 2005 from 34.0% in the year ended March 2005. This is the highest increase over a decade when it was 56.7% in January 1993. Similarly, the **Monthly Food Crops Inflation** rose to **12.3%** in April 2005 from 5.0% in March 2005. There were substantial increases in the average prices of staples foods; and fruits and vegetables in most of the centres especially Masaka and Mbarara during the month of April 2005.

The following may influence the outlook of inflation for the remaining period of the financial year 2004/05: the continued reduction in supply of most food items, the increased electricity tariffs, and the fluctuating world oil prices. Electricity tariffs and oil prices may have a knock on effect on the increase in prices of other goods and services leading to the surge in inflation. However, the effect of the rise in food prices is expected to unwind in June 2005 as farmers begin harvesting their products.

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

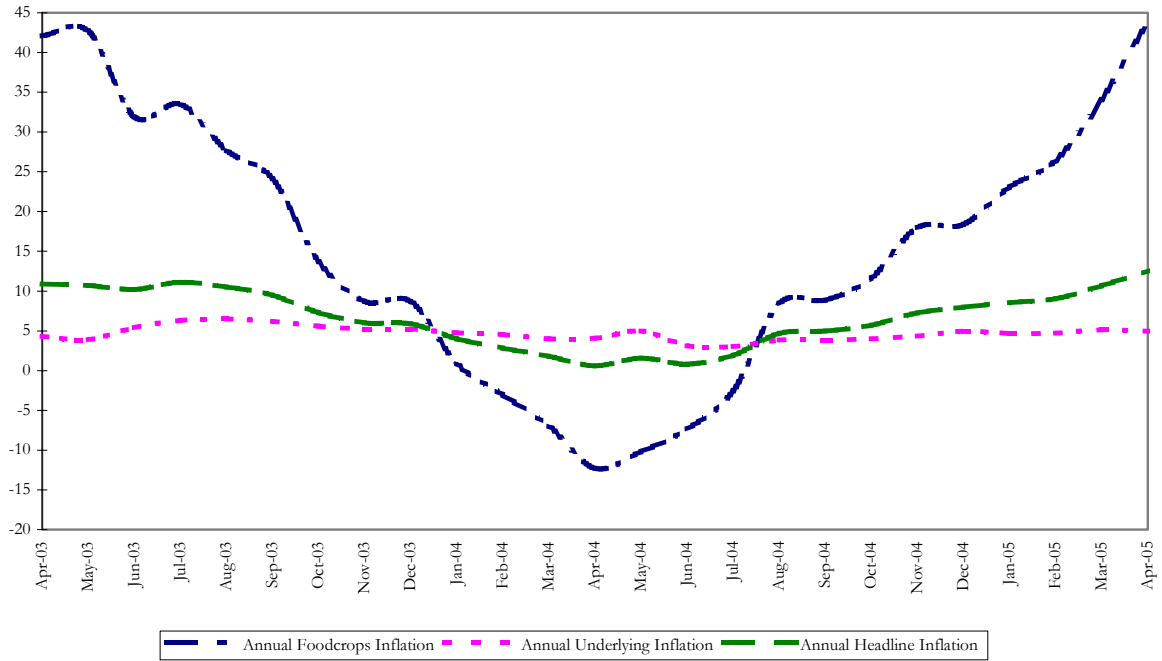
Table 1. Three Months Rolling Inflation Rates Out-turn (February 2005 – April 2005)

Period	Headline Inflation (%)		Underlying Inflation (%)		Food Crops Inflation (%)	
	Monthly	Annual	Monthly	Annual	Monthly	Annual
February 2005	0.2	9.0	1.0	4.7	-2.1	26.4
March 2005	1.4	10.6	0.4	5.1	5.0	34.0
April 2005	3.4	12.6	0.6	4.9	12.3	43.9

Source: Uganda Bureau of Statistics

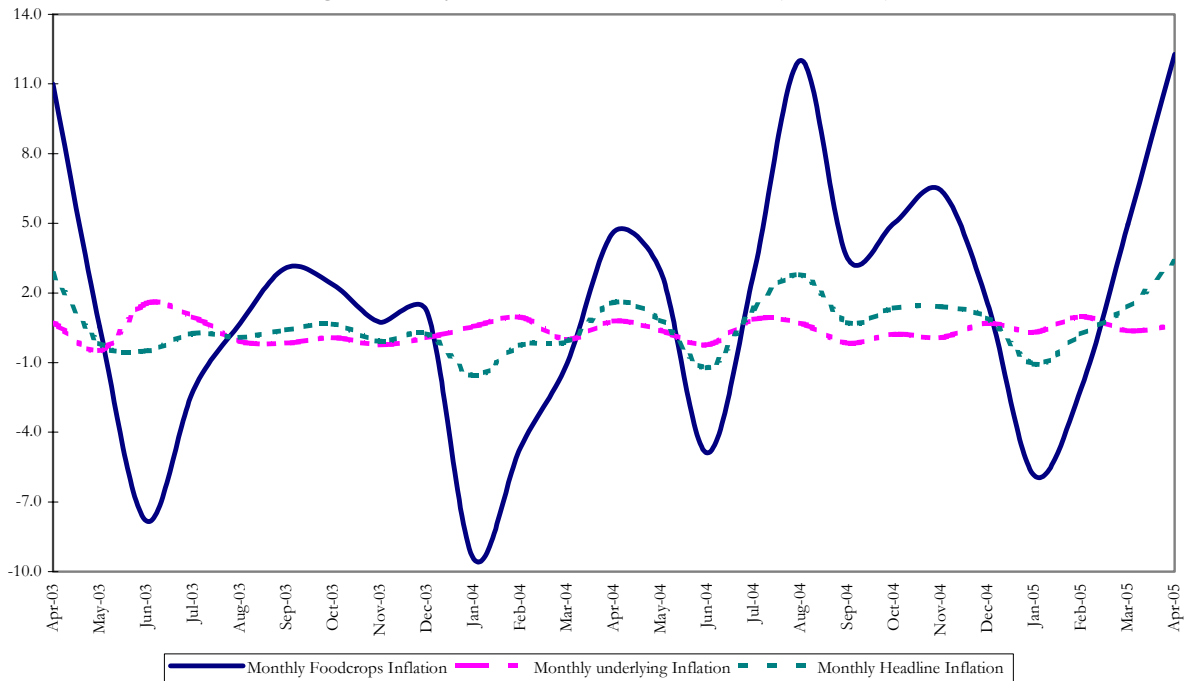
⁶ Food crops refer specifically to grown food crop items that are typically sold fresh in the markets.

Fig 1: Annual Inflation Developments-April(2003-2005)



Source: UBOS

Fig 2: Monthly Inflation Developments-April(2003-2005)



Source:UBOS

C REAL SECTOR DEVELOPMENTS

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

Fuel consumption

Preliminary data on fuel sales for January and February 2005 indicate a drop in sales of the major petroleum products from 42.43 million litres to 36.82 million litres between December 2004 and February 2005. Sales of the three major all recorded decreased sales. Sales of premium decreased by 14.9 percent from 15.22 million litres to 13.03 litres; sales of kerosene by 12.8 percent from 2.89 million litres to 2.53 million litres; and sales of diesel by 5.9 percent from 22.61 million litres to 21.26 million litres. Decreases in sales between December 2004 and February 2005 are attributable to seasonal patterns in demand for fuel.

Table 2: Sales volumes of major fuel products ('000 of liters), Nov 2004 – Feb 2005

Fuel product	Nov 04	Change (%)	Dec 04	Change (%)	Jan 05	Change (%)	Feb 05
Premium (PMS)	15,447	-1.5	15,216	-10.4	13,638	-4.5	13,025
Diesel (AGO)	23,810	-5.0	22,611	-0.1	22,578	-5.8	21,263
Kerosene (BIK)	3,171	-8.8	2,892	-7.8	2,667	-5.0	2,533
TOTAL	42,428	-4.0	40,719	-4.5	38,883	-5.3	36,821

Source: Ministry of Energy and Mineral Resources

Average pump prices for the major petroleum products increased between March and April 2005. The average price for premium increased by 8.2 percent to shs 1,872 per litre; diesel by 10.6 percent to shs 1,646 per litre and kerosene prices by 5.9 percent to shs 1,493 per litre. The increase in prices is attributable to the depreciation of the Uganda shilling against the US\$ during April 2005 and the shortage of fuel in the country due to the strike by the Uganda Railways workers that started on March 31 2005 and lasted for two weeks. On average, a minimum of 15 fuel tanks each carrying 52,000 litres of fuel is transported into the country per day by Uganda Railways.

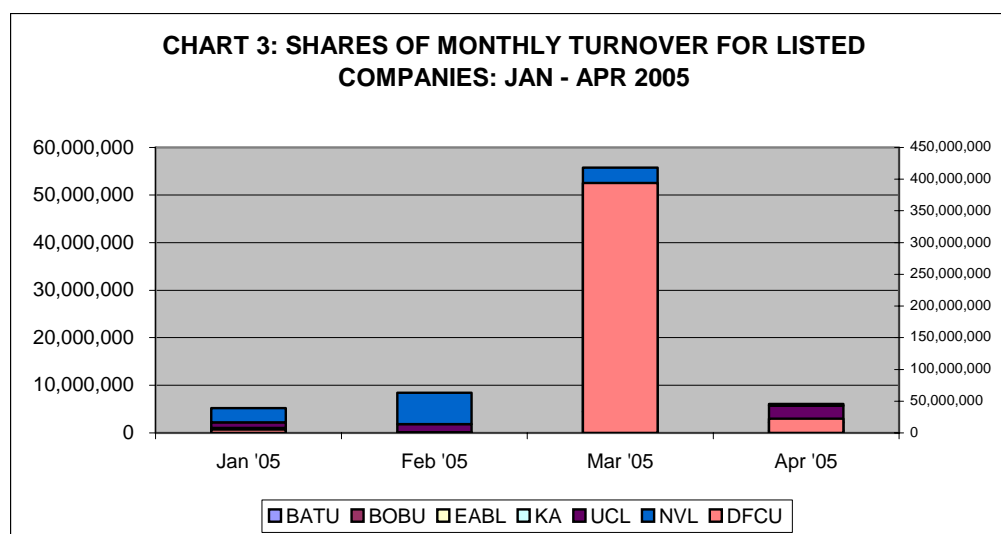
Uganda Securities Exchange (USE)

Trading activity during April 2005, returned to normal after the extraordinary trading that took place in March 2005 on account of massive trading by institutional investors at the DFCU counter. During the month under review, a total of 75,437 shares with a turnover of shs 28.46 million were traded. Most of the activity was at the DFCU counter and it accounted for 78.7 percent of total trading. Other companies that had trading at their counters were Uganda Clays limited, Bank of Baroda, British American Tobacco, and the New vision accounting for 12.2, 6.2, 1.7 and 1.2 percent respectively, of total trading.

TABLE 3: TRADING AT THE UGANDA SECURITIES EXCHANGE (DEC 2004 – APR 2005)

	Dec '04	Jan '05	Feb '05	Mar '05	Apr '05
Trading Days	6	7	8	9	8
Total Turnover	27,436,240	10,230,610	9,591,260	449,920,770	28,462,970
No. Shares	92,016	29,586	30,969	1,519,852	75,437
Market Capitalization (Billion Ushs, E.O.P)	1,849.5	1,958.9	1,870.5	2,125.1	2,238.2
All Share Index	381.87	408.30	386.51	438.76	462.12

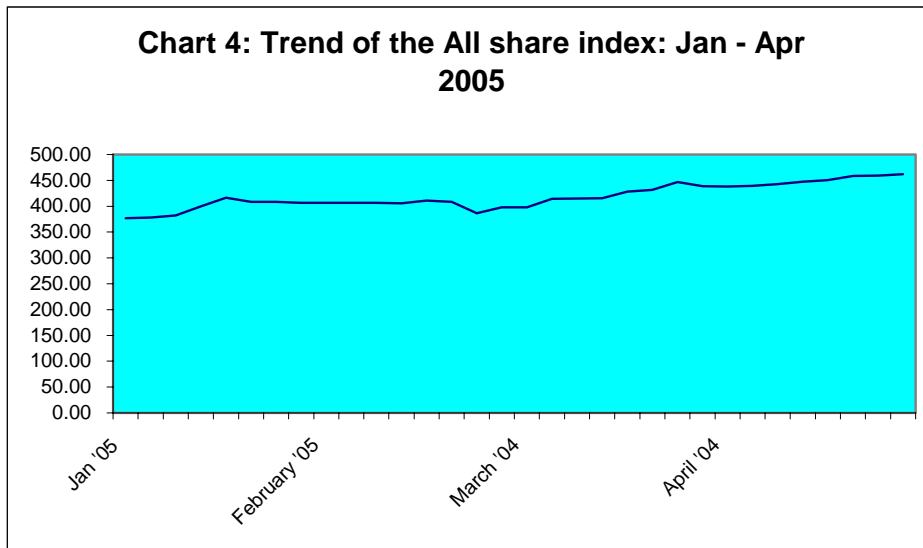
Source: Uganda Securities Exchange



Source: Uganda Securities Exchange

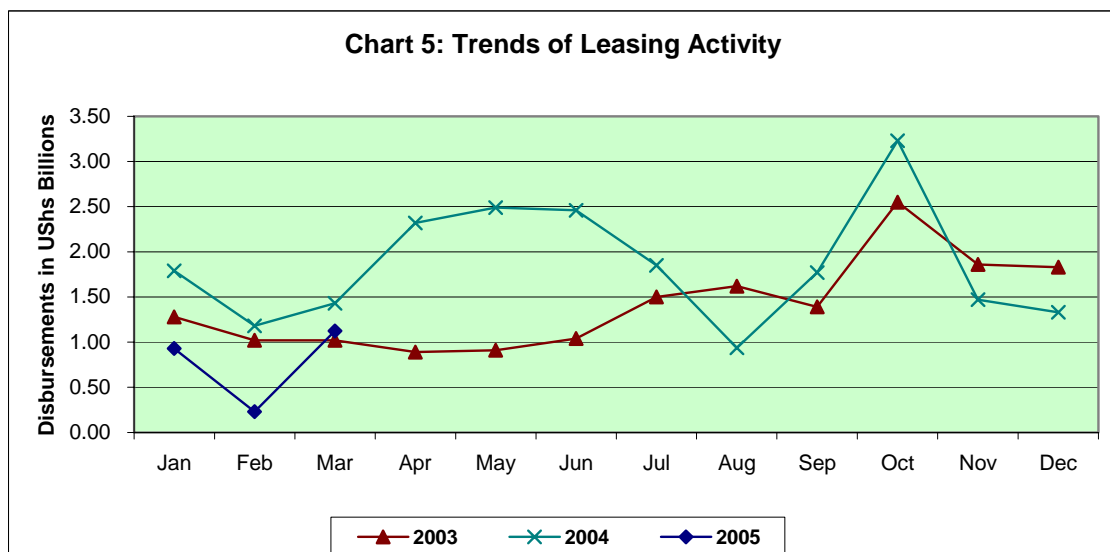
During the course of the month, share prices of Bank of Baroda, and New vision limited, remained unchanged at shs 800 and shs 250 respectively. There was a big jump of 50 percent in the share prices of Uganda Clays limited (UCL) from shs 8,000 to shs 12,000 per share. This jump in the share price followed an increase in earnings per share from shs 936 to shs 1,910 during the course of the month. Besides, UCL's share price corrected itself, having traded at a discount to its Net Asset Value since its initial public offer (IPO) in 2000. Share prices of DFCU increased by 20 percent from shs 300 to shs 360; while those of Kenya Airways and East African Breweries limited increased by 6.9 and 5.2 percent respectively from shs 562 to shs 602 and from shs 2,577 to shs 2,716 respectively. Share prices of British American Tobacco that had remained unchanged at shs 1,145 since September 2004 decreased by 14.9 percent to shs 975. BATU share prices recorded a fall in prices because the company has not been able to pay dividends over the past two years and it is thus perceived to be making loses. Secondly, the ban on cigarette smoking has also dampened the outlook for the tobacco industry.

In line with the above price movements, market capitalisation at the USE and the all share index each increased by 5.3 percent from shs 2,125.1 billion to shs 2,238.2 billion; and from 438.76 to 462.12 between end-March and end-April 2005.



Leasing Activity

Leasing activity during March 2005 was back to normal as constraints that had been faced by DFCU leasing during February 2005, were dealt with. However, it is worth noting that leasing activity during February is normally lower than that in January and March (see chart 5 below). This trend has been observed over the past three years. Total disbursements during March 2005 amounted to shs 1.12 billion and exceeded that in January 2005 by 20.7 percent. However, when compared to the corresponding period in the previous year, leasing disbursement during March 2005 was lower by 21.5 percent (see chart 5 below).



As was the case in the previous month, the transport sector took up the largest share of disbursements in March 2005 amounting to 29.8 percent. Other sectors that had fairly large shares of disbursement during the month under review were commerce and trade with a share of 15.5 percent and banking that had a share of 12.9 percent. The agriculture, manufacturing, health and education sectors took up 6.5, 6.4, 5.6 and 5.1 percent respectively, of total disbursement during March 2005.

**TABLE 4: SECTORAL DISTRIBUTION OF ASSETS LEASED IN MILLION SHILLINGS
JAN – MAR 2005**

Sector	Jan-05	Share (%)	Feb-05	Share (%)	Mar-05	Share (%)
Transport	375.5	40.36%	128.7	43.46%	334.8	29.83%
Commerce & Trade	424.0	45.57%	82.6	27.89%	173.8	15.48%
Mining & Construction	0.0	0.00%	0.0	0.00%	0.0	0.00%
Tourism	0.0	0.00%	0.0	0.00%	0.0	0.00%
Health	0.5	0.05%	15.0	5.06%	62.8	5.60%
Agriculture	90.1	9.68%	0.0	0.00%	72.6	6.47%
Manufacturing	0.00	0.00%	40.6	13.69%	71.4	6.36%
Education	40.3	4.33%	28.3	9.56%	57.5	5.12%
Banking	0.0	0.00%	1.0	0.33%	144.5	12.87%
Other Services	0.0	0.00%	0.0	0.00%	205.0	18.27%
TOTAL	930.3	100.0%	296.19	100.0%	1,122.35	100.0%

Source: DFCU leasing

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 3-year bond on April 20, 2005. The Shs 25.00 billion issue was over subscribed by Shs 14.22 billion and realized a cover ratio of 156.90 percent. At a weighted average price of 86.63 per Shs 100, the resultant yield-to-maturity for the 10.25 percent coupon bond was 16.04 percent compared to 17.55 percent in the previous 3-year issue that was reopened in December 2005. The total outstanding stock of Treasury bonds stood at Shs 490.00 billion by end of April 2005. There were no bond coupon payments effected during the month.

Table 5 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 5: Summary of Government Treasury bond Issues as at April 29, 2005
(In Billions of Uganda Shillings, unless otherwise stated)

Tenure/Issue date →	2 Year Reopened Mar 23-05	3 Year Apr 20-05	5 Year Re-opened Nov 17-04	10 Year Re-opened May 19-04
Maturity Date	Jan 25-07	Apr 17-08	Mar 19-09	May 08-14
Offers (Billion Shs)	35.000	25.000	20.000	15.000
Total Bids (Billion Shs)	45.846	39.225	32.227	25.166
O/w Competitive	45.834	39.214	12.989	25.154
Over (Under) Subscription	10.846	14.225	12.227	10.166
Amount Sold (Face Value)	35.000	25.000	20.00	15.000
Amount Sold (Cost Price)	33.059	21.656	17.093	12.991
Cover Ratio %	130.989	156.900	161.135	167.773
Previous Cover Ratio %	129.764	118.833	210.00	...
WAP per Shs. 100	94.454	86.625	85.463	86.608
Previous WAP per Shs. 100	93.707	85.698	92.590	...
Yield to Maturity %	14.463	16.040	16.039	13.477
Previous Yield to Maturity %	14.294	17.554	12.802	...
Coupon Rate	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 14.78/14.54 percent and 16.40/16.15 percent for the 2-year and 3-year bonds, and at 16.02/15.75 percent and 15.63/15.38 percent for the 5-year and 10-year bonds tenors respectively. This is compared to 14.77/14.52 percent and 16.20/15.95 percent for the 2 year and 3 year bonds, and 15.75/15.48 percent and 15.10/14.85 percent for the 5 year and 10 year bond, in the previous four-week period ending March 2005, respectively (See Table 6). There were no secondary market trades reported in the bond.

Table 6: Bid/Offer Rates and Transactions in the Secondary Market for Treasury bonds over the four week-period to April 29, 2005

	Tenor of bond							
	2-year		3-year		5-year		10-year	
	Yield-to-maturity quotation (percent)							
	Bid	Offer	Bid	Offer	Bid	Offer	Bid	Offer
Min	14.10	13.85	15.00	14.75	15.00	14.75	13.50	13.25
Max	15.00	14.95	17.25	17.00	17.50	17.25	18.00	17.75
Average	14.78	14.54	16.40	16.15	16.02	15.75	15.63	15.38

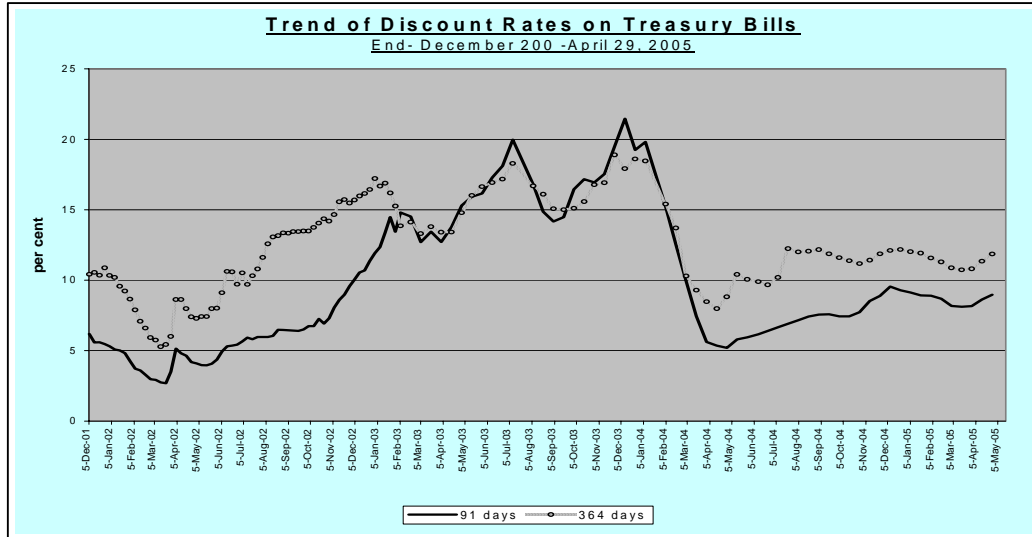
Source: Compiled from Domestic Financial Markets Department records

Source: Research Department - Bank of Uganda

Primary Market for Treasury bills

Two Treasury bill auctions with offers of Shs 45.00 billion and Shs 35.00 billion each were held in the month of April 2005. There were pockets of under-subscriptions in both auctions. The respective weighted annualized yields on the 91-day, 182-day, 273-day, and 364-day bills stood at 8.82, 10.58, and 12.79 percent for the auction of April 13, 2005, and at 9.17, 10.86, and 13.46 percent, respectively, for the auction of April 27, 2005. This compares to rates of 8.34, 10.64, and 12.11 percent, for 91-day, 182-day, and 364-day bills respectively, recorded in the auction held on March 30, 2005 (see Chart 7 below).

The average discount rates on Treasury bills in April 2005 were higher than those registered in April 2004 which ranged between 5.27 percent and 8.40 percent.



Secondary Market for Treasury bills

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

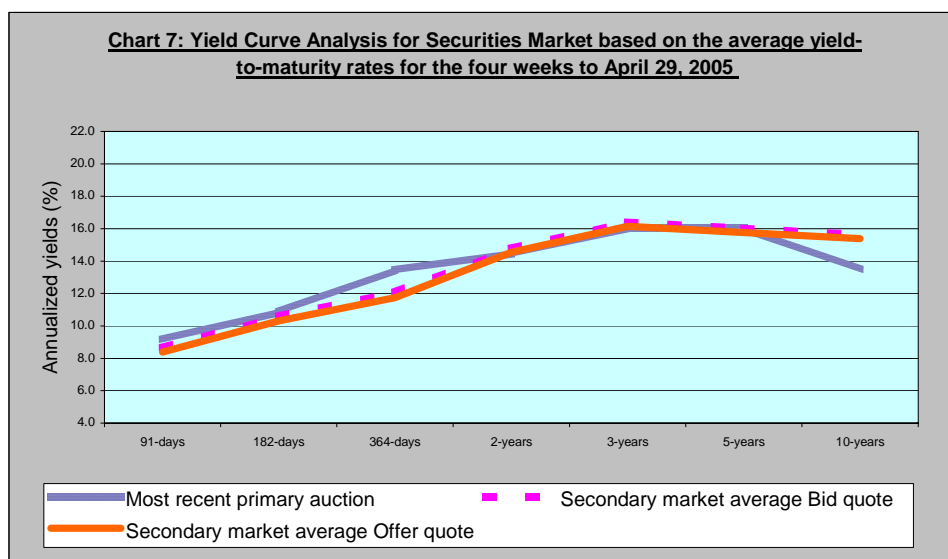
Table 7: Bid/Offer Rates and Transactions in the Secondary Market for Treasury bills over the four- week period to April 29, 2005

	Tenor of bills							
	91-days		182-days		273-days		364-days	
Yield-to-Maturity quotation (percent)								
	Bid	Offer	Bid	Offer	Bid	Offer	Bid	Offer
Min	8.32	8.05	10.15	9.87	0.00	0.00	11.58	11.07
Max	9.55	9.29	11.05	10.77	0.00	0.00	15.30	14.99
Average	8.64	8.38	10.59	10.32	0.00	0.00	12.06	11.75
Trading Activity								
Transactions (Shs billion)	22.119		6.343		-		4.020	
O/w Horizontal REPOs	13.500		-		-		-	
- Av. H/REPOs rate	7.50 percent		-		-		-	
O/w- Outright sales	8.619		6.343		-		4.020	
Total trades across maturities	Shs 32.482 billion							
- Av Discount rate	9.90 percent		9.15 percent		-		10.52 percent	
- Av Yield to maturity	10.19 percent		9.50 percent		-		11.28 percent	
Rediscounts at BoU	-							
Borrowing at BoU	-							

Source: Compiled from Domestic Financial Markets Department records

Five horizontal REPOs worth Shs 13.50 billion was part of the total treasury bills secondary market trades of Shs 32.48 billion in the four weeks ended March 31, 2005. This was lower than the Shs 34.05 billion in secondary market trades of the four weeks ended March 31, 2005. The average discount rates on these trades for the 91-days, 182-days, and 364-days securities were 9.90, 9.15, and 10.52 percent, respectively.

The yield curve based on the average yield-to-maturity quotations in the secondary market evolved closely in line with the developments in the primary market for tenors beyond to 2 years, with widening margins at the shorter end of the market. Both curves remained gently inverted at the 3-year paper (see Chart 7).



v) Domestic Inter-bank market

Activity in the domestic inter-bank money market for the four weeks ended April 29, 2005 continued to be buoyant in the call money market (i.e. transactions of less than 30 days in tenor). The most active period was the week ended April 15, 2005, when transactions worth Shs116.85 billion were recorded, while the least activity was in the week ended April 08, 2005, with volumes of transactions amounting to Shs79.8 billion. The weekly weighted average rates ranged from 6.48 percent to 11.64 percent. The weighted average inter bank lending rate over the four weeks to April 29, 2005 was 8.06 percent, up from the 5.92 percent reported in the four weeks to March 31, 2005. Transactions between domestic banks and foreign entities⁷ in the money market amounted to Shs14.4 billion, at an average rate of 10.51 percent compared to Shs18.87 billion at 6.06 percent. All commercial banks participated in the inter bank market during the four weeks.

vi) Commercial Banks' Retail Interest Rates

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

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

Prime Lending Rate (%)	Apr 01, 2005	Apr 08, 2005	Apr 15, 2005	Apr 22, 2005	Apr 29, 2005
	Number of Commercial banks charging this rate				
0.0 – 10.9	0	0	0	0	0
11.0 – 13.9	0	0	0	0	0
14.0 – 15.9	0	0	0	0	0
16.0 – 18.0	5	5	5	5	5
18.1 – 19.9	7	7	7	7	7
20.0 – 21.9	3	3	3	3	3
Range (Min – Max)	16%-21%	16%-21%	16%-21%	16%-21%	16%-21%

Source: Commercial banks weekly returns

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

Information on the commercial banks' effective lending and deposit rates is available only up to March 2005. As portrayed in Table 9, there was a rise in the effective lending rate on the shilling denominated loans from 20.36 percent to 20.42 percent in March 2005 but a decline in the foreign denominated deposits from 9.05 percent from 10.00 percent reported in February 2005.

⁷ A distinction is made between the interbank market in which only domestic commercial banks participate and the money market where foreign banks also carry out transactions.

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

Weighted Average rates	Dec 04	Jan 05	Feb 05	Mar 05	Dec 04	Jan 05	Feb 05	Mar 05
Lending	18.80	19.36	20.36	20.42	9.07	9.46	10.00	9.05
Demand Deposits	1.23	1.19	1.16	1.12	0.97	0.97	1.01	0.98
Savings Deposits	1.76	1.76	1.72	1.94	1.45	1.45	1.45	1.45
Time Deposits	8.49	7.82	6.16	8.21	3.98	2.03	2.49	2.69

The weighted rates on shilling denominated demand deposits marginally declined from 1.16 percent to 1.12 percent in March 2005 but the weighted rates on the saving and time deposits rose from 1.72 percent and 6.16 percent to 1.94 percent and 8.21 percent respectively in the period under review. The demand deposit rates on the foreign currency declined from 1.01 percent to 0.98 percent while saving deposits rates remained constant at 1.45 percent since the beginning of the quarter. Time deposit rates continued the rising trend reported in the previous review from 2.49 percent to 2.69 percent.

E MONETARY AGGREGATES AND FINANCIAL SECTOR AGGREGATES

(i) Banking Activities

Broad Money

Broad Money M3, which comprises currency in circulation plus all private deposits, expanded by 3.0 percent to Shs2,802.9 billion in March 2005. This is a marked acceleration compared to growth of 1.7 percent registered in February 2005. M3 has risen from its end-June 2004 position by 8.3 percent.

M2A, comprising of M3 less foreign currency deposits of the private sector, rose by 3.7 percent from Shs2091.5 billion at end-February 2005 to Shs2169.5 billion at end-March 2005. This compares to a growth of 1.8 percent over the month of February 2005. The developments in money supply are shown in Table 9 below.

Net Foreign Assets (NFA)

Over the month of March 2005, the NFA of the banking system grew by 2.4 percent or Shs59.9 billion to Shs2547.7 billion. In particular, NFA at BoU expanded by 3.3 percent or Shs62.9 billion to Shs1977.2 billion, while at commercial banks NFA fell by 0.5 percent or Shs2.9 billion to Shs570.6 billion. Foreign reserves at BoU rose by an equivalent of Shs66.2 billion, compared to a decline of Shs15.6 billion in the previous month.

Net Claims on Government (NCG)

The government's net position with the banking system (NCG) as at end-March 2005 was a borrowing of Shs113.1 billion, up by Shs16.7 billion from a borrowing of Shs96.3 billion at the end of February 2005 (Table 9). At commercial banks, net claims on Government grew by Shs95.1 billion in March 2005, on account of a rise in commercial banks' investment in Government securities of Shs61.4 billion, coupled with a decline in Government deposits of

Shs33.7 billion. At BoU, the government stepped up its savings by Shs 78.4 billion over the month, on account of a strong decline in BoU's investment in Government securities of Shs 50 billion, coupled with a rise in Government deposits of Shs28.8 billion.

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

<i>(in billion shillings unless otherwise stated)</i>	Jun. 2004	Sep. 2004	Dec. 2004	Feb. 2005	Mar. 2005
Net Foreign Assets (NFA)	2,370.5	2,358.8	2,559.0	2,487.8	2,547.7
Domestic Credit	1,107.4	1,136.9	1,103.5	1,228.6	1,268.5
Net Credit to Gov't (NCG)	83.4	106.5	(12.8)	96.3	113.1
Claims on the Private Sector	1,010.0	1,019.0	1,105.2	1,123.6	1,146.7
M3	2,587.3	2,582.7	2,646.7	2,720.1	2,802.9
Forex deposits	662.4	654.0	646.1	628.6	633.4
M2A	1,924.9	1,928.7	2,000.5	2,091.5	2,169.5
Demand Deposits	804.0	765.1	739.4	874.5	940.6
Term Deposits	591.6	621.2	672.5	640.5	637.7
Currency	529.3	542.4	588.6	576.5	591.2
Forex/M3 (percent)	25.6	25.3	24.4	23.1	22.6
Demand Deposits/M3 (percent)	31.1	29.6	27.9	32.2	33.6
Term Deposits/M3 (percent)	22.9	24.1	25.4	23.5	22.8
Currency/M3 (percent)	20.5	21.0	22.2	21.2	21.1

Private Sector Credit (PSC)

At end-March 2005, the stock of outstanding credit to the private sector by the banking sector stood at Shs1146.7 billion (Table 9), of which Shs23.2 billion was from BOU and Shs1123.5 billion from commercial banks. This represents a growth of 2.1 percent during March 2005. In February 2005, PSC declined by Shs0.2 billion.

Credit Flows

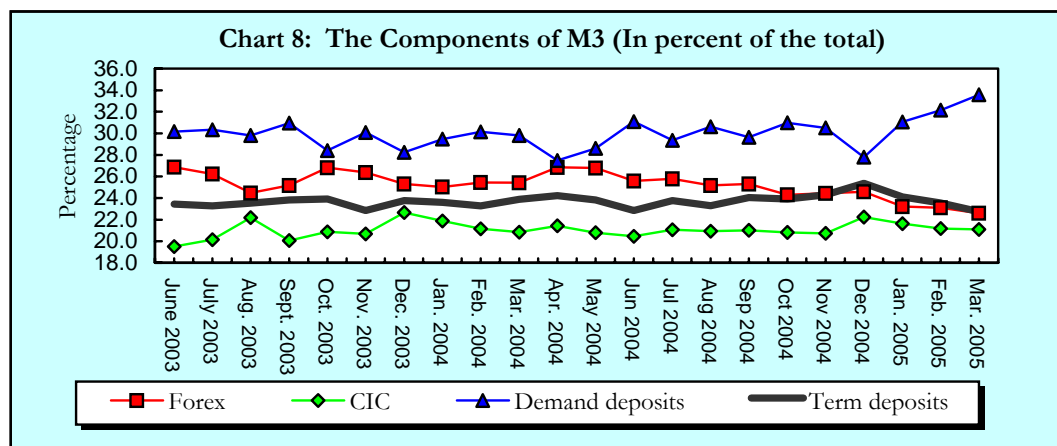
During March 2005, the total (shilling and foreign currency) gross extensions by commercial banks amounted to Shs136.1 billion, while recoveries were Shs117.2 billion resulting in net extensions of Shs18.9 billion. After accounting for flows in capitalised interest, there was an increase in the stock of credit of about Shs23.9 billion (see Appendix Table 1)⁸. During the month, commercial banks extended shilling loans amounting to Shs78.3 billion and recovered Shs64.7 billion, thus net extensions were Shs13.6 billion. Net capitalised interest stood at Shs4.7 billion. Thus, there was a net increase in the stock of shilling loans to the non-bank public of Shs18.3 billion (see Appendix Table 2). For foreign currency loans, gross extensions stood at Shs57.8 billion, while recoveries were lower at Shs52.5 billion, yielding net extensions of Shs5.3 billion. After taking into account effects of capitalised interest, the stock of foreign currency loans recorded a net rise of Shs5.6 billion (See Appendix Table 3).

Appendix tables 1-3 summarise the evolution of the monthly change in outstanding loans and advances of commercial banks from July 2003 to March 2005.

⁸ 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 grew by Shs4.8 billion to Shs633.4 billion in March 2005. In US dollars, foreign currency accounts declined by US\$ 6.1 million to US\$363.5 million⁹. Demand deposits grew by 7.6 percent or Shs66.1 billion to Shs940.6 billion, while term deposits (time, savings and CDs) dipped by 0.4 percent to Shs635.7 billion as at end-March 2005. Currency in circulation (CIC) increased by 2.5 percent to Shs591.2 billion. Reflecting these developments, the ratio of foreign currency deposits to M3 fell to 22.6 percent from 23.1 percent at end-February 2005. The ratio of CIC to M3 also fell to 21.1 percent from 21.2 percent in February 2005, while that of term deposits fell to 22.8 percent from 23.5 percent. The ratio of demand deposits to M3 rose to 33.6 percent in March 2005 from 32.2 percent in February 2005. The trends of the ratios are shown in Chart 8 below and Table 9 above.



(ii) Non-Bank Financial Institutions (NBFIs) Activities¹⁰

Assets

In the month of March 2005, the total assets of the Non-Bank Financial Institutions increased by 0.5 percent to Shs185.04 billion from Shs184.05 billion at the end of February 2005. This outturn compares to an increase of 0.8 percent observed over the same period a year ago. The increase in assets in March 2005 was mainly attributed to a 1.3 percent increase in premises and other fixed costs and a 0.3 percent increase in total advances.

Loans and advances

The stock of the outstanding loans and advances to the private sector increased by Shs0.37 billion or 0.3 percent, to Shs110.18 billion as at end-February 2005, from Shs109.81 billion at end-February 2005. Mortgage loans, which accounted for 60.8 percent of total loans, increased by 0.9 percent to Shs66.98 billion while secured and unsecured loans decreased by 0.9 percent to Shs18.65 billion at the end of March 2005. Administered loans also decreased by 0.2 percent to Shs24.55 billion, down from Shs24.59 billion recorded in February 2005. The building and construction sector accounted for the largest share of loans and advances, 76.6 percent of the total NBFIs advances as at end-March 2005. The Trade and Commerce sector contributed the second largest share of 16.0 percent.

⁹ The end period mid exchange rate is used to value forex items.

¹⁰ Only covers 7 credit institutions.

Deposits

In February 2005, private sector deposits¹¹ in the NBFIs decreased by 2.0 percent to Shs83.21 billion, from Shs81.58 billion in February 2005. In particular, time deposits went up by 1.7 percent to Shs21.73 billion while savings deposits increased by 2.1 percent to Shs61.48 billion. Other deposits, which represent funds collected on behalf of government from the beneficiaries of the government's pool house sale scheme, increased by 1.4 percent to Shs29.50 billion over the same period.

Table 11: Developments in the Activities of Non-Bank Financial Institutions (Shs Billion)

	Oct 2004	Nov 2004	Dec 2004	Jan 2005	Feb 2005	Mar 2005
Total Assets	168.27	176.56	181.74	180.39	184.05	185.04
O/w Loans and advances	98.56	100.44	103.71	106.78	109.81	110.18
Secured & unsecured	14.94	15.06	15.01	16.73	18.82	18.65
Mortgage	58.50	60.47	63.72	65.31	66.39	66.98
Administered	25.11	24.92	24.98	24.73	24.59	24.55
Total Deposits ¹²	96.52	105.09	110.13	107.57	111.56	113.74
Savings	55.28	56.08	61.99	57.64	60.20	61.48
Time	13.93	19.84	19.30	20.61	21.37	21.73
Agency Funds	27.31	28.38	28.30	28.61	29.11	29.50

Source: Bank of Uganda

F GOVERNMENT BUDGETARY OPERATIONS

i) Revenue and Grants

Total revenue and budget support grant receipts (excluding project grants) for March 2005 are estimated at Shs227.61 billion. This is lower by Shs49.3 percent¹³ or Shs75.17 billion compared to Shs152.44 billion recorded in February 2005.

Total domestic revenue collected in March 2005 is estimated at Shs164.31 billion, of which 98.9 percent or Shs162.57 billion came from URA collections. URA revenue collections were higher than the programmed target for the month by Shs.21.24 billion as a result of increased tax collections. The preliminary outturn for non-URA revenue collections for March 2005 was estimated at Shs1.74 billion. This was Shs1.03 billion lower than the collections for February 2004, and also lower than the program target of Shs3.30 billion.

Receipts from budget support grants are estimated at Shs63.30 billion during March 2005, which was higher than the program target of Shs23.87 billion. This was also higher than Shs10.82 billion realised in February 2005.

¹¹ This excludes Agency Funds

¹² Revised to include accrued interest

¹³ This amount is also lower than the programmed figure of Shs208.99 billion (see table 12).

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

	Revised Budget 2003/04	Prog. Budget 2004/05	Approved Budget 2004/05	Prel. Feb. 2004	Prel. Mar. 2005	Prog. Mar. 2005
Total Tax & Import Support Receipts	2,228.55	2,367.36	2,364.41	152.44	227.61	208.99
Total Domestic Revenue	1,690.90	1,866.72	1,866.72	141.62	164.31	144.63
URA Excluding Refunds/Govt. Taxes	1,655.20	1,830.02	1,830.02	138.85	162.57	141.33
Non URA Revenues	35.70	36.70	36.70	2.77	1.74	3.30
Import Support Grants	537.65	500.64	497.69	10.82	63.30	64.35 2/
Expenditure & Lending	2343.26	2,446.70	2,499.48	188.36	154.86	319.49
Current Expenditure	1,732.86	1,872.75	1,874.06	165.37	141.95	167.28
Development Expenditure	536.89	501.05	558.13	20.08	12.08	132.66
Others 1/	73.51	72.90	67.30	2.92	0.82	19.55
Overall Fiscal Balance (Deficit)	(114.71)	(79.34)	(135.08)	(35.92)	72.75	(110.51)
Excluding Grants	(652.34)	(579.98)	(632.76)	(46.74)	9.45	(174.86)
Source: Ministry of Finance, Planning and Economic Development						
1/ Includes Net Lending/Repayments, Arrears Repayments and Contingency.						
2/ Includes Project Support Grants Ushs 40.49 billion						

ii) Expenditure

In March 2005, government expenditure and net lending decreased by 17.8 percent or Shs33.50 billion to Shs154.86 billion. The decrease was mainly on account of current expenditure, which declined by Shs23.42 billion, from Shs165.37 billion in February 2005 to Shs141.95 billion in March 2005. Expenditure on wages and salaries amounted to Shs.64.14 billion, which accounted for 35.9 percent of current expenditure. Interest payments went up from Shs18.42 billion to Shs21.24 billion over this period. Out of this amount, Shs6.75 billion was on account of external debt. Other recurrent expenditures for the month amounted to Shs49.77 billion, which was a decrease of 39.9 percent or Shs33.00 billion from Shs82.74 billion recorded in the month of February 2005. Development expenditure was Shs12.08 billion, a decrease of Shs7.99 billion over Shs20.08 billion recorded in February 2005. The outturn in total government expenditure was lower than the projected level for the period by Shs164.63 billion.

The overall fiscal balance for March 2005 was a surplus of Shs.72.75 billion compared to a deficit of Shs35.92 billion recorded in February 2005. Excluding grants, the surplus reduces to Shs9.45 billion.

G EXCHANGE RATE AND FOREIGN EXCHANGE MARKET

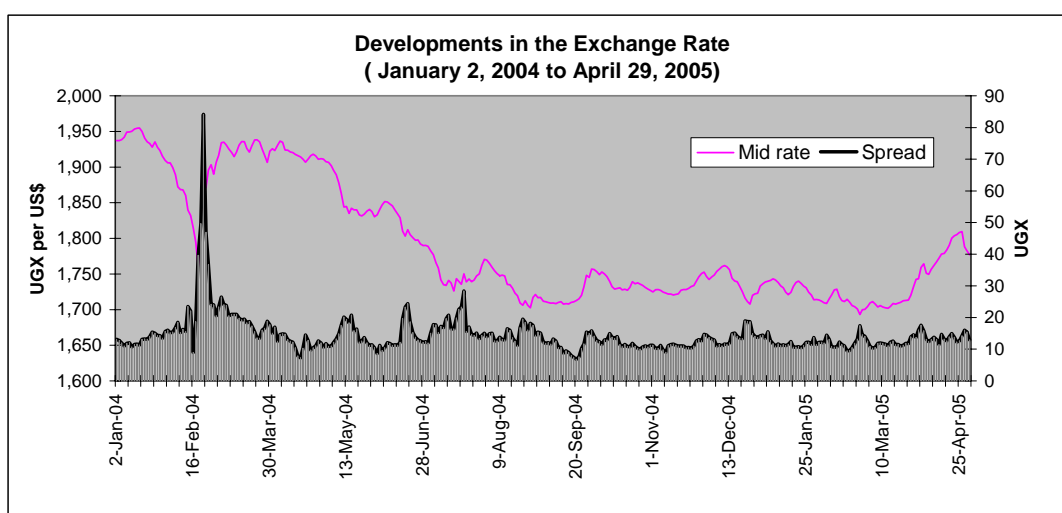
The Uganda Shilling continued to depreciate against the US Dollar during the month of April 2005. On average, the Shilling vis-à-vis the US Dollar depreciated by 0.09 percent on a daily basis the month. On end-month basis, the Shilling depreciated by 1.97 percent against the US Dollar from Shs 1742.46 per US Dollar as at 31st March 2005 to Shs 1776.82 per US Dollar on 29th April 2005.

On a monthly average basis, the Shilling depreciated by 3.88 percent from an average exchange rate of Shs 1711.23 per US \$ in March, 2005 to an average exchange rate Shs 1777.68 per US \$ for April, 2005. The average spreads between the weighted inter-banks' buy and sell rates, increased from Shs 11.94 in March 2005 to Shs 13.95 April 2005 (See Chart 5). The depreciation pressures were mainly experienced during the middle of April largely on account of high

corporate demand mainly from the manufacturing and energy sectors, which surpassed the supply of foreign exchange in the market.

Commercial banks' daily retail sales and purchases averaged US \$9.52 million and US \$7.73 million, respectively during the month under review. When compared to the preceding month, the average sales increased by US \$0.50 million from US \$9.02 million recorded for the period ended March 31, 2005 while the purchases reduced by US \$0.77 million from US \$8.49 million recorded in the previous period.

BOU continued to watch foreign exchange market developments very closely to ensure market stability. In light of this, BoU intervened in the IFEM during the period under review, by selling US \$ 46.25 million to the market. With no forward transactions and maturities, on a net basis, BOU sold US \$46.25 million in the market during the period under review, where as in the previous period, it sold US \$1.0 million in the IFEM. Bank of Uganda will continue to watch market developments very closely to ensure market stability.



H DEVELOPMENTS IN THE BALANCE OF PAYMENTS (BOP)

The overall balance was estimated at a surplus of US\$3.76 million in March 2005. The Current Account balance was estimated at a deficit of US\$43.53 million, an improvement from a deficit of US\$83.65 million registered in the preceding month. The Capital and Financial account was estimated at a surplus of US\$47.28 million, a deterioration of about 29.64 percent compared to the surplus recorded in the preceding month.

i) Exports

Total Exports (developments for the month of March 2005)

Total export proceeds in the month of March 2005 were estimated at about US\$73.16 million; an improvement of about 9 percent, compared to the export earnings of US\$67.12 million recorded in the preceding month.

Coffee Exports

During the month of March 2005 coffee exports amounted to 195 thousand (60-kilogram) bags worth US\$13.93 million. This was a reduction of 8.95 percent in volume but an increase of 12.44 percent in value compared to the previous month's exports. The average realized export price for coffee in March 2005 increased from 96 US cents per kilogram in February 2005 to an average unit price of 1 US dollar, 19 cents per kilogram in March 2005. This is the first time the unit price of coffee has exceeded the US \$ 1 price level since March 2000, making a remarkable recovery in the coffee prices.

Non-coffee Exports

The total value for non-coffee exports for the month of March 2005 was estimated at US\$59.23 million; an 8.22 percent increase, compared to US\$54.73 million realized in the previous month.

However, there were slight declines in the estimated earnings for a number of non-coffee exports in March 2005 when compared to the previous month. Specifically, export proceeds from electricity, cotton, tea, tobacco, hides and skins, maize, beans, flowers, and oil re-exports dropped by 10.15 per cent, 6.42 per cent, 9.95 per cent, 39.39 per cent, 5.18 per cent, 59.71 per cent, 61.22 per cent, 4.56 per cent and 11.61, respectively. On the other hand, exports earnings from, gold, fish and its products (regional exports), simsim, and cobalt increased by 15.96 per cent, 25.60 per cent, 113.48 per cent, and 7.80 per cent, respectively.

ii) Imports

The total import bill for the month of March 2005 was estimated at US\$125.52 million. Private sector imports were estimated at US\$112.36 million, 6.66 per cent lower than the February 2005 private sector import bill. Oil imports were estimated at US\$14.57 million, an increase of about 15.40 per cent compared to the oil import bill of February 2005.

Government imports rose slightly in March 2005, amounting to US\$13.16 million, compared to the US\$11.96 million in the previous month; March's government import bill accounted for approximately 10.48 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\$36.28 million. Net private sector transfer outflows were estimated at US\$0.16 million in March, compared to US\$4.09, which was estimated for the month February 2005. Services and income outflows exceeded inflows by about US\$54.08 million.

Official debt service (excluding IMF payments) for the month of March 2005 was estimated at US\$12.38 million. The IMF principal obligations amounting to US\$2.53 million were externalized during March 2005. Provisional estimates of net trade credit amounted to inflows of US\$3.09 million, consisting of inflows (buyers' credit and suppliers' credit) estimated at US\$17.94 million and outflows (pre-finance shipments and suppliers' credit repayments) estimated at US\$14.84 million.

In March 2005, the level of gross foreign reserves was estimated at US\$1,311.52 million; US\$6.64 million higher than that in the preceding month. This reserve level is estimated to cover 6.30 months of future imports of goods and services.

I POLICY OUTLOOK

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

Appendix 1

Tenure	2 Years	2 Year reopene d	2 Years	2 Year reopene d	2 Year reopene d	2 Years	2 Year reopene d	2 Year reopene d	3 Years	3 Year reopene d	3 Year reopene d	3 Years	3 Years reopene d	3 Years reopene d	3 Years	5 Years	5 Years reopene d	10 Years
Issue date	Jan 14-04	Jun 03-04	Jun 30-04	Aug 11-04	Sep 08-04	Jan 27-05	Feb 23-05	Mar 23-05	Feb 25-04	Jun 16-04	Jul 14-04	Oct 06-04	Nov 03-04	Dec 01-04	Apr 20-04	Mar 24-04	Nov 17-04	May 19-04
Maturity Date	Jan 14-06	Jan 14-06	Jun 29-06	Jun 29-06	Jun 29-06	Jan 25-07	Jan 25-07	Jan 25-07	Feb 22-07	Feb 22-07	Feb 22-07	Oct 04-07	Oct 04-07	Oct 04-07	Apr 17-08	Mar 19-09	Mar 19-09	May 08-14
Offers (Billion Shs)	20.000	30.000	30.000	30.000	30.000	30.000	35.000	35.000	20.000	30.000	30.000	30.000	30.000	30.000	25.000	20.000	20.000	15.000
Total Bids (Billion Shs)	36.461	44.188	46.776	40.000	50.526	38.527	45.417	45.846	44.830	44.811	32.123	43.936	33.431	35.650	39.225	41.999	32.227	25.166
O/w Competitive	36.390	44.175	46.774	39.966	50.506	38.458	45.398	45.834	44.784	44.800	29.989	43.914	33.396	28.687	39.214	41.997	12.989	25.154
Over (Under) Subscription	16.461	14.188	16.776	10.000	20.526	8.527	10.417	10.846	24.830	14.811	2.123	13.936	3.431	5.650	14.225	21.999	12.227	10.166
Amount Sold (Face Value)	20.000	30.000	30.000	30.000	30.000	30.000	35.000	35.000	20.000	30.000	30.000	30.000	30.000	30.000	25.000	20.000	20.000	15.000
Amount Sold (Cost Price)	16.603	29.641	28.127	27.892	28.260	27.598	32.797	33.059	17.564	27.793	27.144	26.187	26.352	25.709	21.656	18.518	17.093	12.991
Cover Ratio %	182.305	147.292	155.920	133.336	168.419	128.422	129.764	130.989	224.149	149.370	107.077	146.380	111.437	111.833	156.900	210.000	161.135	167.773
Previous Cover Ratio %	182.305	147.292	155.920	133.336	168.419	128.422	129.764	...	224.149	149.370	107.077	146.380	111.437	118.833	...	210.000	...
WAP per Shs. 100	83.020	98.805	93.758	92.974	94.202	91.993	93.707	94.454	87.819	92.642	90.482	87.354	87.840	85.698	86.625	92.590	85.463	86.608
Previous WAP per Shs. 100	83.020	98.805	93.758	92.974	94.202	91.993	93.707	...	87.819	92.642	90.482	87.354	87.840	85.698	...	92.590	...
Yield to Maturity %	20.808	13.558	13.672	15.105	15.006	14.769	14.294	14.463	15.478	15.127	16.802	15.696	15.935	17.554	16.040	12.802	16.039	13.477
Previous Yield to Maturity %	...	20.808	13.558	13.672	15.105	15.006	14.769	14.294	...	15.478	15.127	16.802	15.696	15.935	17.554	...	12.802	...
Coupon Rate	10.000	10.000	10.000	10.000	10.000	10.000	10.000	10.000	10.250	10.250	10.250	10.250	10.250	10.250	10.25	10.750	10.750	11.000

Appendix 2:

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

Period	Extensions	Recoveries	Net ext.	Cap interest	Repd cap int	Net Cap int	Net change
	1	2	3=1+2	4	5	6=4+5	7= 3+6
1999/2000	404.75	(311.48)	93.27	30.58	(91.27)	(60.69)	32.58
2000/2001	852.28	(769.56)	82.71	40.98	(71.61)	(30.64)	52.08
2001/2002	928.31	(886.08)	42.23	27.01	(64.65)	(37.64)	4.59
2002/2003							
Q1	271.05	(255.55)	15.50	13.98	(15.89)	(1.91)	13.59
Q2	322.26	(228.74)	93.51	21.69	(17.52)	4.16	97.68
Q3	348.69	(284.65)	64.04	9.48	(9.18)	0.30	64.34
Q4	347.21	(351.54)	(4.33)	14.37	(6.83)	7.54	3.20
2002/2003	1,289.21	(1,120.48)	168.72	59.51	(49.42)	10.09	178.81
2003/2004							
Q1	343.22	(317.19)	26.03	25.07	(15.56)	9.51	35.54
Q2	367.62	(303.38)	64.24	25.63	(16.14)	9.49	73.73
Half 1 2003/04	710.84	(620.57)	90.27	50.70	(31.70)	19.00	109.27
Q3	381.64	(354.20)	27.44	15.16	(7.59)	7.57	35.01
Q4	363.83	(373.38)	(9.55)	20.19	(12.69)	7.50	(2.05)
Half 2 2003/04	951.15	(910.59)	40.56	40.48	(25.36)	15.11	55.67
2003/2004	1,456.31	(1,348.15)	108.17	86.05	(51.98)	34.06	142.23
2004/2005							
July. 2004	124.95	(130.26)	(5.32)	10.16	(3.51)	6.65	1.33
August. 2004	101.95	(124.85)	(22.90)	11.22	(3.99)	7.23	(15.67)
September. 2004	142.95	(132.41)	10.55	14.42	(4.63)	9.79	20.34
Q1	369.67	(387.52)	(17.85)	35.86	(12.23)	23.63	5.79
October. 2004	137.94	(100.73)	37.20	11.83	(8.11)	3.72	40.92
November. 2004	129.20	(121.69)	7.50	10.06	(3.55)	6.50	14.01
December. 2004	186.12	(149.42)	36.70	13.82	(12.14)	1.67	38.38
Q2	453.26	(371.85)	81.41	35.70	(23.80)	11.90	93.31
Half 1 2004/05	826.23	(761.82)	64.40	71.56	(36.03)	35.53	99.94
January 2005	150.71	(134.33)	16.38	10.13	(8.80)	1.34	17.72
February 2005	133.78	(134.78)	(1.00)	9.21	(9.51)	(0.30)	(1.30)
March 2005	78.33	(64.71)	13.62	9.56	(4.87)	4.68	18.30
Q3	420.58	(386.31)	34.27	31.87	(25.86)	6.02	40.29

Source: Research Department, Bank of Uganda

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

Period	Extensions	Recoveries	Net extensions	Cap interest	Repd cap int	Net Cap int	Net change
	1	2	3=1+2	4	5	6=4+5	7= 3+6
1999/2000	309.57	(257.58)	51.99	21.91	(65.28)	(43.37)	8.62
2000/2001	602.42	(553.62)	48.80	32.75	(59.58)	(26.83)	21.97
2001/2002	698.57	(693.31)	5.26	22.65	(54.96)	(32.31)	(27.05)
2002/2003							
Q1	196.42	(181.95)	14.47	12.56	(13.18)	(0.62)	13.85
Q2	229.36	(172.61)	56.75	19.35	(15.86)	3.49	60.24
Q3	222.02	(183.05)	38.97	8.01	(8.44)	(0.43)	38.54
Q4	239.84	(215.38)	24.46	11.95	(5.63)	6.31	30.78
2002/2003	887.64	(753.00)	134.65	51.87	(43.11)	8.76	143.41
2003/2004							
Q1	234.28	(222.12)	12.16	22.96	(13.37)	9.59	21.75
Q2	270.88	(215.44)	55.44	22.61	(13.25)	9.36	64.80
Half 1 2003/04	505.16	(437.56)	67.61	45.57	(26.62)	18.95	86.55
Q3	248.82	(229.44)	19.38	12.42	(6.11)	6.30	25.69
Q4	230.71	(230.53)	0.18	17.51	(10.99)	6.52	6.70
Half 2 2003/2004	479.53	(459.96)	19.56	29.92	(17.10)	12.82	32.38
2003/2004	984.69	(897.52)	87.17	75.49	(43.72)	31.77	118.94
2004/2005							
July. 2004	91.22	(93.84)	(2.63)	8.46	(2.92)	5.53	2.91
August. 2004	75.68	(87.36)	(11.69)	8.85	(3.64)	5.20	(6.48)
September. 2004	92.67	(92.66)	0.02	12.54	(3.99)	8.55	8.57
Q1	259.39	(273.87)	(14.47)	29.91	(10.65)	19.26	4.79
October. 2004	89.31	(67.61)	21.70	10.55	(6.10)	4.45	26.15
November. 2004	77.37	(79.62)	(2.25)	8.62	(2.50)	6.11	3.87
December. 2004	116.94	(99.04)	17.89	8.50	(11.60)	(3.10)	14.79
Q1	283.62	(246.27)	37.35	27.66	(20.20)	7.46	44.81
Half 1 2004/05	543.79	(520.22)	23.58	57.57	(30.85)	26.72	50.30
January 2005	92.63	(76.73)	15.90	5.72	(8.15)	(2.44)	13.46
February 2005	71.72	(73.70)	(1.98)	5.00	(9.15)	(4.15)	(6.12)
March 2005	78.33	(64.71)	13.62	9.56	(4.87)	4.68	18.30
Q3	242.69	(215.14)	27.54	20.28	(22.18)	(1.90)	25.64

Source: Research Department, Bank of Uganda

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

Period	Extensions	Recoveries	Net extensions	Cap interest	Repd cap int	Net Cap int	Net change
	1	2	3=1+2	4	5	6=4+5	7= 3+6
1999/2000	95.19	(54.30)	40.89	8.71	(26.04)	(17.33)	23.55
2000/2001	249.86	(215.95)	33.91	8.23	(12.03)	(3.80)	30.11
2001/2002	229.74	(192.77)	36.97	4.36	(9.69)	(5.33)	31.64
2002/2003							
Q1	74.63	(73.60)	1.03	1.42	(2.71)	(1.29)	(0.27)
Q2	92.90	(56.13)	36.77	2.34	(1.67)	0.67	37.44
Q3	126.67	(101.60)	25.07	1.47	(0.74)	0.73	25.80
Q4	107.36	(136.16)	(28.80)	2.42	(1.19)	1.22	(27.57)
2002/2003	401.56	(367.49)	34.07	7.65	(6.31)	1.33	35.41
2003/2004							
Q1	108.93	(95.06)	13.87	2.11	(2.19)	(0.08)	13.79
Q2	96.74	(87.95)	8.8	3.03	(2.90)	0.13	8.93
Half 1 2003/04	205.68	(183.01)	22.67	5.13	(5.08)	0.05	22.72
January 2004	42.90	(44.20)	(1.30)	0.75	(0.49)	0.27	(1.03)
Feb. 2004	40.32	(38.36)	1.96	1.37	(0.42)	0.95	2.91
Mar. 2004	49.60	(42.21)	7.40	0.62	(0.57)	0.05	7.44
Q3	132.82	(124.76)	8.06	2.74	(1.47)	1.26	9.32
April 2004	34.13	(29.44)	4.69	1.04	(0.67)	0.38	5.07
May 2004	45.70	(45.81)	(0.11)	0.65	(0.52)	0.13	0.02
June 2004	53.30	(67.60)	(14.30)	0.99	(0.52)	0.47	(13.83)
Q4	133.13	(142.85)	(9.73)	2.68	(1.70)	0.98	(8.75)
Half 2 2003/04	265.95	(267.62)	(1.67)	5.42	(3.18)	2.24	0.57
2003/2004	471.62	(450.63)	21.00	10.55	(8.26)	2.29	23.29
2004/2005							
July 2004	33.73	(36.42)	(2.69)	1.70	(0.59)	1.11	(1.58)
August 2004	26.27	(37.49)	(11.22)	2.37	(0.34)	2.03	(9.19)
September 2004	50.28	(39.75)	10.53	1.88	(0.64)	1.24	11.77
Q1	110.28	(113.66)	(3.37)	5.95	(1.57)	4.37	1.00
October 2004	48.63	(33.13)	15.51	1.28	(2.01)	(0.73)	14.78
November 2004	51.82	(42.08)	9.75	1.44	(1.05)	0.39	10.14
December 2004	69.19	(50.38)	18.81	5.32	(0.55)	4.77	23.58
Q1	169.64	(125.58)	44.06	8.04	(3.60)	4.44	48.50
Half 1 2004/05	282.43	(241.61)	40.83	13.99	(5.18)	8.81	49.64
January 2005	58.08	(57.60)	0.48	4.42	(0.64)	3.77	4.26
February 2005	62.06	(61.08)	0.97	4.21	(0.36)	3.85	4.82
March 2005	136.08	(117.19)	18.89	12.53	(7.55)	4.98	23.87
Q3	420.58	(386.31)	34.27	31.87	(25.86)	6.02	40.29

Source: Research Department, Bank of Uganda

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

Date	Mid rate UGX/US\$	Spread UGX	Purchases Million US\$	Sales Million US\$
1-Mar-05	1704.36	12.57	12.78	12.44
2-Mar-05	1709.26	10.90	9.92	8.95
3-Mar-05	1711.58	10.37	7.17	6.04
4-Mar-05	1708.24	10.61	4.95	12.76
7-Mar-05	1703.95	11.87	10.75	6.74
9-Mar-05	1705.79	11.94	6.98	10.00
10-Mar-05	1703.83	11.82	8.45	7.29
11-Mar-05	1702.64	11.60	9.61	8.84
14-Mar-05	1702.13	11.15	8.23	10.97
15-Mar-05	1704.44	12.23	8.19	6.32
16-Mar-05	1708.59	12.57	8.61	6.86
17-Mar-05	1707.74	11.47	5.71	9.74
18-Mar-05	1709.01	11.54	7.21	11.01
21-Mar-05	1710.09	10.98	7.44	9.53
22-Mar-05	1712.47	11.28	8.42	8.01
23-Mar-05	1712.85	11.91	7.85	7.56
24-Mar-05	1713.36	11.78	8.86	6.49
29-Mar-05	1720.09	13.85	10.61	11.93
30-Mar-05	1731.86	14.55	9.68	5.67
31-Mar-05	1742.46	13.71	8.43	13.29
1-Apr-05	1743.34	16.09	10.70	7.73
4-Apr-05	1758.98	17.57	8.47	9.78
5-Apr-05	1764.21	15.81	8.59	13.04
6-Apr-05	1751.15	13.13	9.69	8.35
7-Apr-05	1749.77	12.40	7.52	8.14
8-Apr-05	1756.76	13.05	6.56	7.29
11-Apr-05	1762.19	13.82	10.83	9.95
12-Apr-05	1767.10	13.06	7.60	9.06
13-Apr-05	1772.33	11.50	7.16	9.74
14-Apr-05	1777.92	14.71	5.77	7.18
15-Apr-05	1778.92	13.18	5.54	10.24
18-Apr-05	1783.74	12.67	8.63	6.14
19-Apr-05	1790.36	13.86	7.68	13.04
20-Apr-05	1800.39	14.97	7.48	10.93
21-Apr-05	1803.79	13.83	6.75	8.44
22-Apr-05	1805.05	12.27	6.72	11.45
25-Apr-05	1808.31	12.64	8.65	15.54
26-Apr-05	1809.47	14.20	9.22	8.85
27-Apr-05	1788.22	16.00	6.37	7.46
28-Apr-05	1782.47	15.36	4.78	5.12
29-Apr-05	1776.82	12.90	7.57	12.44

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

	Oct 2004	Nov 2004	Dec 2004	Jan 2005	Feb 2005	Mar 2005
Total Exports (in US\$ million)	51.384	56.155	67.188	62.659	67.123	73.161
Gross coffee shipment million (60-Kg) bags	0.186	0.183	0.235	0.212	0.215	0.195
Av. unit value	0.739	0.757	0.876	0.901	0.962	1.188
Value of total shipment (BOP)	8.249	8.301	12.370	11.450	12.390	13.932
2. Non-Coffee exports (Value in US \$ million)	43.135	47.854	54.819	51.209	54.732	59.229
Electricity	1.185	0.751	0.881	1.015	0.266	0.239
Gold	2.831	7.862	9.753	2.274	3.383	3.923
Cotton	0.261	0.060	0.736	4.303	7.290	6.822
Tea	3.288	3.272	4.016	2.962	1.939	1.746
Tobacco	1.993	2.723	3.316	4.233	4.254	2.578
Fish & its prod.(excl. regional)	9.808	9.398	9.877	10.340	10.068	12.646
Fish & its prod.(regional exports)	3.237	3.101	3.259	3.412	3.322	4.173
Hides & skins	0.318	0.496	0.429	0.672	0.386	0.366
Simsim	0.000	0.019	0.000	0.191	0.408	0.871
Maize	1.275	0.241	0.563	1.727	1.226	0.494
Beans	0.257	0.027	0.263	0.630	0.263	0.102
Flowers	2.345	2.371	2.150	2.110	3.095	2.954
Oil re-exports	2.566	3.084	2.598	2.975	3.653	3.229
Cobalt	1.165	0.530	1.659	1.033	1.038	1.119
Others	12.607	13.918	15.318	13.332	14.141	17.967

Source: Bank of Uganda

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

	Oct 2004	Nov 2004	Dec 2004	Jan 2005	Feb 2005	Mar 2005
Total Imports	129.46	135.77	141.55	135.84	132.35	125.52
Government Imports	16.75	22.08	17.49	11.88	11.96	13.16
Project	13.02	17.72	14.25	8.82	6.06	10.41
Non-Project	3.73	4.36	3.24	3.06	5.90	2.75
Private Sector Imports	112.71	113.69	124.07	123.96	120.38	112.36
Oil imports	12.90	11.89	13.53	12.57	12.62	14.57
Non-oil imports	99.81	101.80	110.54	111.39	107.76	97.79

Source: Bank of Uganda

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