

PERFORMANCE OF THE ECONOMY REPORT

APRIL 2018

MACROECONOMIC POLICY DEPARTMENT

MINISTRY OF FINANCE, PLANNING AND ECONOMIC DEVELOPMENT

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LIST OF ACRONYMS

BTI	Business Tendency Index
CIEA	Composite Index of Economic Activity
EFU	Energy Fuels and Utilities
FY	Financial Year
ICBT	Informal Cross Border Trade
PAYE	Pay As You Earn
PSC	Private Sector Credit
T-Bills	Treasury Bills
T-Bonds	Treasury Bonds
UGX	Ugandan Shilling
USD	United States Dollar

SUMMARY

Real Sector

Inflation: Annual Headline Inflation declined to 1.8 percent in April 2018 from 2.0 percent in March 2018, mainly attributed to a reduction in the price for Food Crops and Related Items resulting from increased supply of fruits due to the harvesting season.

Indices of Economic Activity: The Composite Index of Economic Activity (CIEA) improved from 212.3 in February 2018 to 213.2 in March 2018, reflecting improvement in economic activity. In addition, business sentiments among investors for the next three months remain positive although less optimistic than before, as reflected by the Business Tendency Index (BTI) remaining above the threshold (50) though declining to 56.3 in April 2018 from 56.6 in March 2018.

Financial Sector

Exchange rate: During April 2018, the shilling depreciated by 1 percent to an average of UGX 3,697.2 compared to average rate recorded in March 2018 mainly explained by increased US dollar demand mainly from offshore players, oil, manufacturing, telecommunications sectors; and fuel importers as they demand more dollars to purchase fuel due to international oil price increase.

Interest Rates: The average commercial bank lending rate in March 2018 stood at 20.1 percent down from 21.1 percent in February 2018 partly due to monetary policy easing in previous months.

Yields on Government Securities: The average weighted yields to maturity were 8.7 percent, 9.3 percent and 9.7 percent in April 2018 for the 91, 182 and 364 day tenors compared to 8.7percent, 9.0 percent and 9.6 percent in March 2018 due to increase in Government's domestic borrowing requirement.

Private Sector Credit: The stock of outstanding credit to the private sector (PSC) grew by 1.5 percent to UGX 12,826.4 billion from UGX 12,635.7 billion in February 2018, partly supported by a slight reduction in the commercial bank lending rates and an increase in the level of economic activity.

External Sector

Merchandise Trade Balance: During March 2018, the trade deficit narrowed by 37.8 percent to USD 159.1 million from USD 196.9 million in February 2018, as exports receipts increased

by 8.0 percent yet the value of imports declined by 3.3 percent over the same period. The increase in export receipts was mainly due to increased export volumes of gold, hides & skins, beans, tobacco, flowers, and oil re-exports as well as an increase in prices of fish & its products.

Fiscal Sector

Fiscal operations during the month resulted into a deficit of UGX 620.6 billion which was higher than the projected UGX 242.6 billion. This was on account of shortfalls in revenue and grants coupled with higher than programmed expenditures during the month.

Developments within the EAC region

Inflation: In April 2018, inflation was generally on a downward trend in Rwanda, Kenya, Tanzania and Uganda being recorded at minus 0.1 percent, 3.7 percent, 3.8 percent and 1.8 percent respectively. The decline in Kenya's inflation was mainly as a result of lower prices of food crops and related items due to increased food production given the good weather in the preceding months. For Tanzania, the drop was mainly due to prices of food & non-alcoholic beverages, and clothing & footwear rising at a slower pace.

Exchange rate: With exception of the Kenyan currency which posted an appreciation of 0.6 percent, the other EAC Partner States currencies experienced depreciation pressures in April 2018 compared to the previous month. The Tanzania Shilling, Uganda Shilling, Rwandese Franc and Burundi Franc posted depreciations of 0.5 percent, 1.0 percent, 0.3 percent and 0.1 percent respectively between the two periods.

Trade balance: With exception of Tanzania and Burundi, Uganda traded at surplus with the other EAC Partner States during March 2018. Kenya was Uganda's major trading partner during the month of March 2018, accounting for 46percent of Uganda's trade with EAC, South Sudan was the second largest market for Uganda's exports in the region while Tanzania was the second largest source of imports.

REAL SECTOR DEVELOPMENTS

Inflation

Annual Headline Inflation declined to 1.8 percent in April 2018 from 2.0 percent in March 2018. This was largely attributed to the annual food crops and related items inflation that dropped to minus 2.1 percent in April 2018 compared to minus 1.7 percent in March 2018. The drop in annual food crops and related items was mainly attributed to increased supply of fruits due to the harvesting season.

Similarly, annual Core Inflation declined to 1.6 percent in April from 1.7 percent in March 2018, driven by a decline in both Other Goods Inflation (1.0 percent from 1.2 percent) and Annual Services Inflation (2.4 percent from 2.5 percent). The drop in Other Goods Inflation was majorly on account of a faster decline in prices for sugar (-20.9 percent from -14.7 percent) due to increased supply; and decline in prices for bread & cereals (minus 5.3 percent from 0.4 percent). Table 1 provides a summary of Annual Inflation by category.

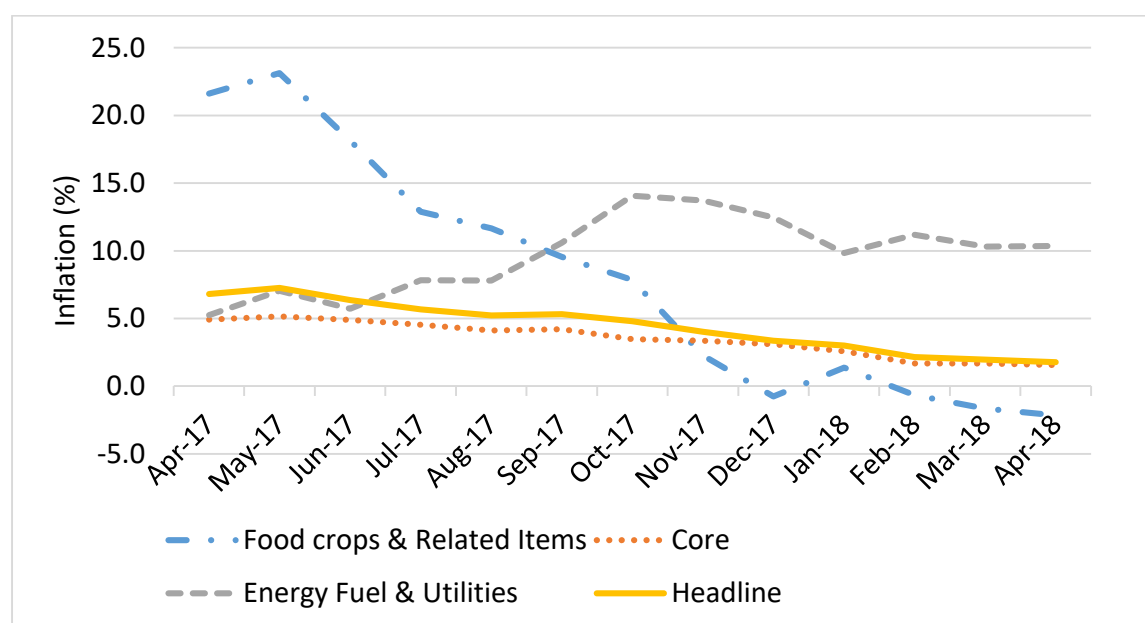
Table 1: Summary Statistics on Annual Inflation (%)

	March 2018	April 2018
Headline	2.0	1.8
Core	1.7	1.6
EFU	10.3	10.4
Food crops & Related items	-1.7	-2.1

Source: Uganda Bureau of Statistics

On the other hand, annual Energy, Fuel and Utilities (EFU) Inflation marginally increased to 10.4 percent in April from 10.3 percent in March 2018. This was due to increases in fuel prices, particularly diesel and kerosene which registered higher rates of 15.0 percent and 12.0 percent in April 2018 from 10.4 percent and 11.0 percent respectively in March 2018. The increase in domestic fuel prices was a feed-through effect of the international increase in oil prices. Figure 1 depicts recent trends in Annual Inflation.

Figure 1: Annual Inflation, February 2017 – February 2018



Source: Uganda Bureau of Statistics

Business Tendency Index and Composite Index of Economic Activity

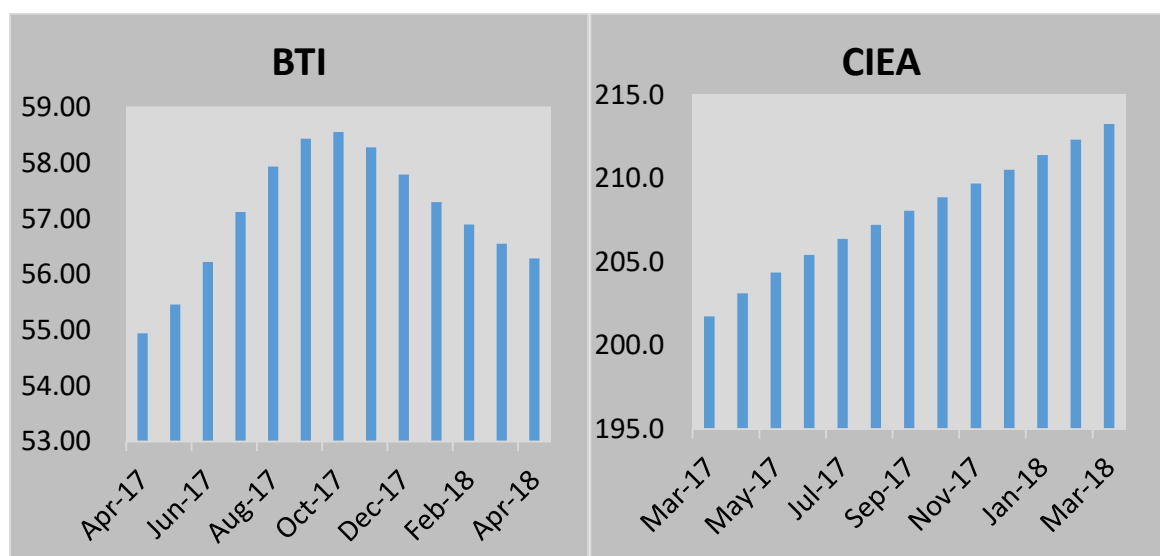
The high frequency indicators of economic activity continued to depict a positive picture of economic activity throughout FY 2017/18. The Composite Index of Economic Activity (CIEA¹) registered a monthly change of 0.4 percent increasing from 212.3 in February 2018 to 213.2 in March 2018, indicating an increase in economic activity during the month. The increase in economic activity was stimulated by growth in private sector credit (1.5 percent), exports, and excise duty through production, consumption and trade.

During April 2018, business sentiments among investors for the next three months remained positive although less optimistic than before. This is reflected by the Business Tendency Index

¹ The CIEA index captures the underlying monthly changes in economic activity within the economy. It is constructed using ten variables i.e. currency in circulation; VAT on domestic goods and services; exports; imports; government expenditure on goods and services; sales; cement production; excise taxes; PAYE; and private sector credit.

(BTI²) remaining above the threshold (50) though declining to 56.3 in April 2018 from 56.6 in March 2018. Figure 2 shows trends in the two indicators of economic activity.

Figure 2: Trends in the Business Tendency Index (BTI) and Composite Index of Economic Activity (CIEA)



Source: Bank of Uganda

FINANCIAL SECTOR DEVELOPMENTS

Exchange Rates

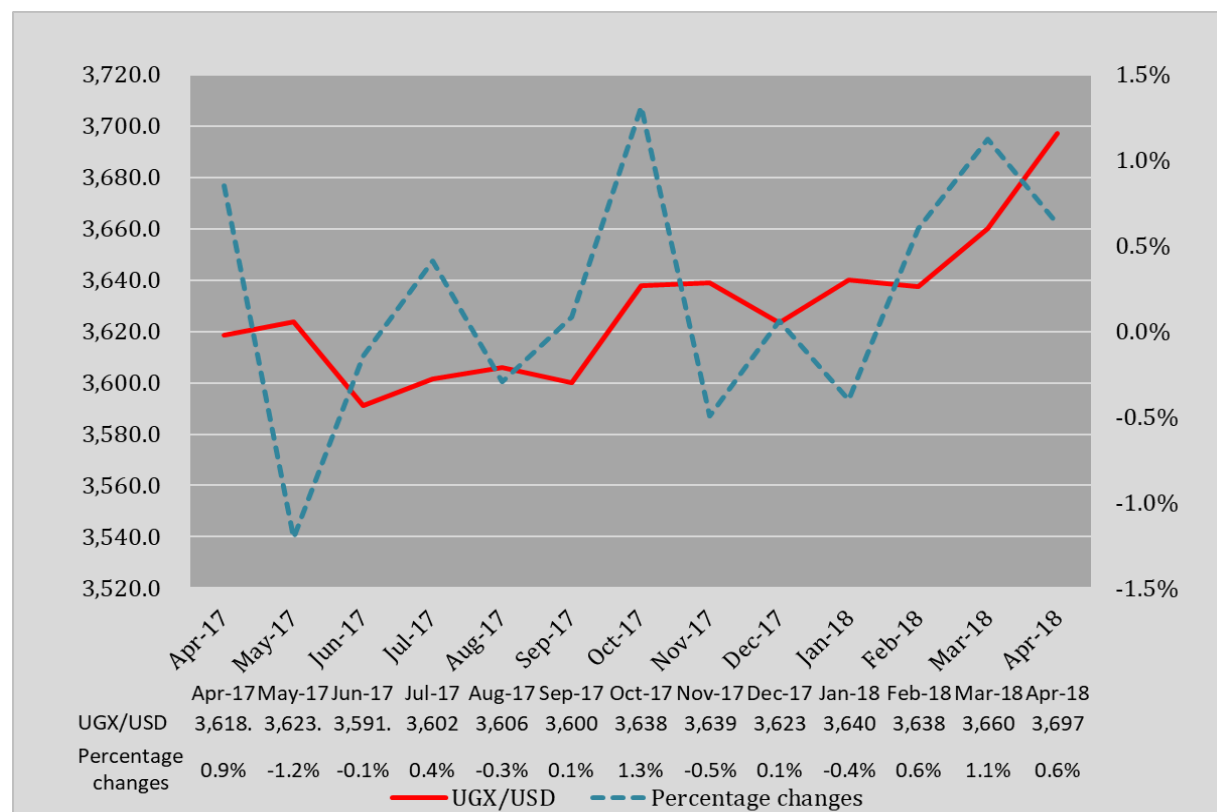
The Ugandan shilling depreciated by 1 percent against the US dollar registering an average rate of UGX 3,697.2 in April 2018 compared to an average of UGX 3,660.1 in March 2018. Similarly, within the month, the shilling depreciated against the US dollar by 0.6 percent, having opened at a daily midrate of UGX 3,689.9 and closed at a daily midrate of UGX 3,713.2.

The depreciation of the shilling is explained by increased US dollar demand mainly from offshore players, oil, manufacturing, telecommunications sectors; and fuel importers as they demand more dollars to purchase fuel due to international oil price increase. Figure 3 shows

² BTI measures investors' perceptions about doing business in the economy. An index less than 50 implies negative expectations/ pessimism and an index greater than 50 implies positive expectations/optimism about doing business

monthly exchange rate movements of the Uganda shilling against the US dollar and their percentage changes.

Figure 3: Monthly Exchange Movements against US Dollar



Source: Bank of Uganda

Compared to the Pound sterling and the Euro, the shilling depreciated by 2.0 percent and 0.7 percent; trading at average rates of UGX 5,209.3/GBP and UGX 4,541.5/Euro in April 2018 compared to UGX 5,107.1/GBP and UGX 4,409.1/Euro in March 2018 respectively. The shilling was more stable against the Euro compared to the Pound sterling in the month. Table 2 shows exchange rates of the Shilling against the Pound sterling and the Euro together with their monthly percentage changes in FY2017/18.

Table 2: Shilling against other major currencies, FY 2017/18

	July'17	Aug'17	Sept'17	Oct'17	Nov'17	Dec'17	Jan'18	Feb'18	Mar'18	Apr'18
UGX/Euro	4,145.3	4,257.3	4,288.8	4,276.7	4,270.9	4,288.5	4,431.9	4,492.5	4,509.1	4,541.5
%tage Changes	2.8%	2.7%	0.7%	-0.3%	-0.1%	0.4%	3.3%	1.4%	0.4%	0.7%
UGX/GBP	4,679.7	4,669.9	4,801.8	4,802.0	4,810.0	4,855.7	5,021.3	5,083.3	5,107.7	5,209.3
%tage Changes	1.7%	-0.2%	2.8%	0.0%	0.2%	0.9%	3.4%	1.2%	0.5%	2.0%

Source: Bank of Uganda

Interest Rates

During March 2018, the average lending rate charged by commercial banks for the shillings denominated credit was recorded at 20.1 percent in March 2018 down from 21.1 percent in February 2018. In comparison to March 2017, the lending rates have dropped by 2.4 percentage points. The decline in the lending rates in both periods was partly due to monetary policy easing. Table 3 shows developments in key interest rates for the last fourteen months.

Table 3: Developments in Key Interest Rates (%)

	Mar-17	Apr-17	May-17	Jun-17	Jul-17	Aug-17	Sep-17	Oct-17	Nov-17	Dec-17	Jan-18	Feb-18	Mar-18	Apr-18
Central Bank Rate(CBR)	11.50	11.0	11.0	10.0	10.0	10.0	10.0	9.5	9.5	9.5	9.5	9.0	9.0	9.0
Lending Rates (Shillings)	22.5	20.5	21.0	21.1	20.9	22.3	20.9	19.0	21.4	20.3	20.3	21.1	20.1	N.A
Lending Rates(Foreign currency)	8.1	8.4	8.2	8.2	7.5	8.2	7.6	7.2	7.9	7.6	7.9	7.2	7.3	N.A

Source: Bank of Uganda

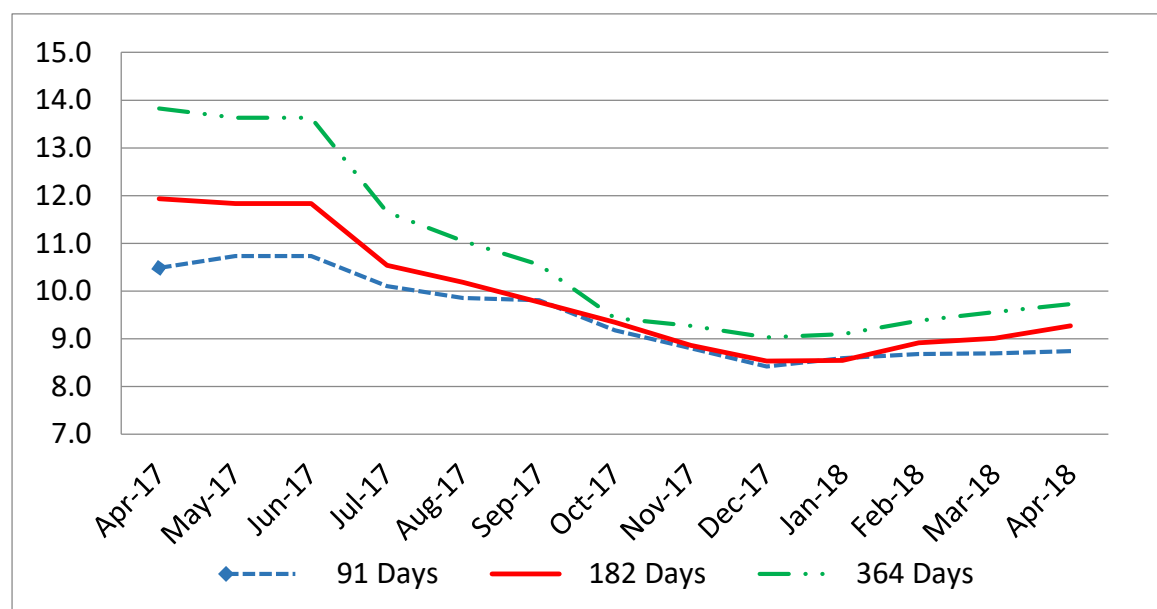
Yields on Treasury Bills

There were two T-Bill auctions in April 2018, and all tenors were over-subscribed with an average bid to cover ratio³ of 1.63. In comparison to the previous month, yields rose marginally across the 182 and 364 day tenors, but remained unchanged for the 91-day tenor. The average weighted yields to maturity in April were 8.7 percent, 9.3 percent & 9.7 percent

³ The bid to cover ratio is an indicator for demand of government securities in a given auction. A ratio equal to 1 means that the demand for a particular security is equal to the amount offered by government. A ratio less than 1 means the auction is under subscribed and a ratio greater than 1 means that the auction is over subscribed

compared to 8.7 percent, 9.0 percent and 9.6 percent in March 2018 for the 91, 182 and 364 day tenors respectively. The rise in yields is partly driven by increase in Government's domestic borrowing requirement for FY 2017/18. Figure 4 illustrates the movement of Treasury bill yields in the primary market from April 2017 to April 2018.

Figure 4: Primary Market Average Yields for Treasury Bills (%)



Source: Bank of Uganda

Private Sector Credit

The stock of outstanding Private Sector Credit (PSC) grew by 1.5 percent to UGX 12,826.4 billion in March 2018 from UGX 12,635.7 billion in February 2018. This was partly supported by a slight reduction in the commercial bank lending rates as seen in table 3; as well as an increase in the level of economic activity.

The value of loan applications and approvals in March 2018 increased by 22 percent and 55 percent to UGX 1,393.6 billion and UGX 1,095.2 billion respectively, compared to levels recorded in February 2018. The increase in both value of loan applications and approvals was mainly due to reduction in the shilling denominated commercial bank lending rates in March. Commercial banks approved more loans during the month as 78.6 percent of loan applications were honoured compared to 61.8 percent recorded in February 2018.

By sector, electricity & water; other services; business services, transport & communication; manufacturing & building, mortgage, construction & real estate registered positive growth in

the month which more than offset the declines registered in other sectors like Agriculture; mining & quarrying; trade among others. Electricity & water and other services registered the highest increase in private sector credit growth at 42.2 percent and 10.9 percent respectively. Table 4 details the growth rates and sectoral shares of private sector credit stock by sector.

Table 4: Growth rates and shares of outstanding private sector credit by sector

Sector	Private Sector Credit Stock(UGX Billion)			Monthly Growth Rates		Sectoral Shares
	Jan-18	Feb-18	Mar-18	Feb'18	March'18	March'18
Building, Mortgage, Construction and Real Estate	2,594.4	2,585.5	2,653.3	-0.3%	2.6%	20.7%
Trade	2,548.3	2,537.5	2,483.0	-0.4%	-2.1%	19.4%
Personal Loans and Household Loans	2,300.7	2,310.7	2,289.6	0.4%	-0.9%	17.9%
Agriculture	1,590.1	1,623.4	1,616.6	2.1%	-0.4%	12.6%
Manufacturing	1,516.6	1,505.6	1,547.7	-0.7%	2.8%	12.1%
Transport and Communication	762.3	750.8	796.9	-1.5%	6.1%	6.2%
Business Services	509.7	488.6	518.3	-4.1%	6.1%	4.0%
Community, Social & Other Services	506.2	507.9	507.7	0.3%	0.0%	4.0%
Electricity and Water	185.2	199.7	284.0	7.8%	42.2%	2.2%
Other Services	67.1	64.8	71.8	-3.4%	10.9%	0.6%
Mining and Quarrying	74.1	61.3	57.5	-17.3%	-6.2%	0.4%
Total Private Sector Credit Stock	12,654.8	12,635.7	12,826.4	-0.2%	1.5%	100.0%

Source: Bank of Uganda

Distribution of Private Sector Credit stock

Building, mortgage, construction & real estate had the biggest share of Private Sector Credit stock, accounting for 20.7 percent of total outstanding PSC in March 2018. The Other sectors with significant shares of outstanding PSC were; trade (19.4 percent), personal loans & household loans (17.9 percent), agriculture (12.6 percent) and manufacturing (12.1 percent) as shown in table 4.

EXTERNAL SECTOR DEVELOPMENTS

Merchandise Trade Balance

On annual basis, Uganda's merchandise trade deficit widened by 59.5 percent to USD 159.1 million in March 2018 from USD 99.5 million recorded in March 2017, mainly attributed to higher growth in imports than exports.

Compared to February 2018, the trade deficit narrowed by 37.8 percent from USD 196.9 million to USD 159.1 million in March 2018, as exports receipts increased yet imports declined over the two periods.

Merchandise exports

Export earnings rose by 8.0 percent (USD 15.17 million) from USD 283.88 million in March 2017 to USD 299.05 million in March 2018. This increase was mainly on account of a rise in the exports of tobacco, beans, hides & skins, flowers, oil re-export, fish & its products and gold. On the other hand, coffee (the main export) registered a decrease of 29.2 percent following declines in both volumes and international price. Coffee export volumes decreased by 18.7 percent while prices declined by 12.9 percent. Table 5 shows the composition of exports.

Table 5: Composition of exports (USD million)

	Mar-17	Feb-18	Mar-18	Mar-18 Vs Mar-17	Mar-18 Vs Feb-18
Total Exports	283.88	276.95	299.05	5.3%	8.0%
1. Coffee (Value)	50.44	41.63	35.74	-29.2%	-14.1%
Volume ('000,000 60-Kg bags)	0.41	0.39	0.33	-18.7%	-14.6%
Av. unit value	2.05	1.78	1.79	-12.9%	0.5%
2. Non-Coffee formal exports	190.65	189.17	213.71	12.1%	13.0%
o/w Hides & skins	3.36	4.48	6.75	100.7%	50.8%
Tobacco	1.17	3.71	5.36	357.2%	44.6%
Fish & its products	12.13	9.79	12.70	4.7%	29.7%
Beans	2.90	6.17	8.05	177.3%	30.4%
Gold	24.36	19.44	25.06	2.9%	28.9%
Flowers	4.44	5.57	6.67	50.4%	19.8%
Oil re-exports	10.32	10.02	10.75	4.2%	7.4%
3. ICBT Exports	42.78	46.16	49.60	15.9%	7.4%

Source: Bank of Uganda

Compared to February 2018, export receipts increased by 8.0 percent from USD 276.95 million to USD 299.05 million in March 2018. This was mainly attributed to increased export volumes of gold, hides & skins, beans, tobacco, flowers, and oil re-exports as well as an increase in prices of fish & its products.

Destination of exports

During March 2018, the East African Community Partner States⁴ remained the major destination for Uganda's exports, followed by the Rest of Africa and the European Union. Compared to March 2017, exports to the EAC Partner States grew by 10.6 percent from USD 117.37 million to USD 129.78 million in March 2018, mainly due to an increase in exports to Kenya and Rwanda. Table 6 shows the destination of exports.

Table 6: Destination of Exports (By percentage share)

	Mar-17	Feb-18	Mar-18
European Union	16.5	17.1	17.0
Rest of Europe	1.6	1.7	1.4
The Americas	1.6	1.5	1.5
Middle East	13.6	9.2	10.4
Asia	5.2	8.0	6.1
EAC	41.3	41.8	42.6
Rest of Africa	20.2	20.7	20.9
Others ⁵	0.03	0.08	0.03

Source: Bank of Uganda

Merchandise Imports

Merchandise worth USD 458.14 million was imported to Uganda during March 2018, recording a decline of 3.3 percent from the previous month. The decline was due to a drop in Government imports (down 77.1 percent) that more than offset the 5 percent increase in private sector imports. Import volumes during the month increased by 6.7 percent, while import prices dropped marginally by 0.5 percent compared to the levels recorded in February 2018

The value of merchandise imports registered an increase of 19.5 percent in comparison to the same period last year. This increase was driven by an increase in private sector imports (up 22.3 percent) that more than offset the decline in Government imports (down 12.8 percent). An increase in non-oil import volumes and oil prices during the month, compared to the same

⁴ East African Community countries include Kenya, Tanzania, Rwanda, Burundi, South Sudan

⁵ Others include Australia, Iceland

period the previous year, explain the higher formal private sector import value registered.⁶

Table 7 shows the performance of imports.

Table 7: Merchandise Imports (USD Millions)

	Mar-17	Feb-18	Mar-18	Mar-18 Vs Mar-17	Mar-18 Vs Feb-18
Total Imports (fob)	383.44	473.80	458.14	19.5%	-3.3%
Government Imports	13.61	51.82	11.88	-12.8%	-77.1%
Project	13.61	50.58	11.11	-18.4%	-78.0%
Non-Project	0.00	1.24	0.77	N.A	-38.0%
Formal Private Sector Imports	344.41	401.07	421.25	22.3%	5.0%
Oil imports	73.97	78.42	81.31	9.9%	3.7%
Non-oil imports	270.44	322.65	339.94	25.7%	5.4%
Estimated Private Sector Imports	25.41	20.91	25.02	-1.5%	19.7%
Total Private Sector Imports	369.82	421.98	446.26	20.7%	5.8%

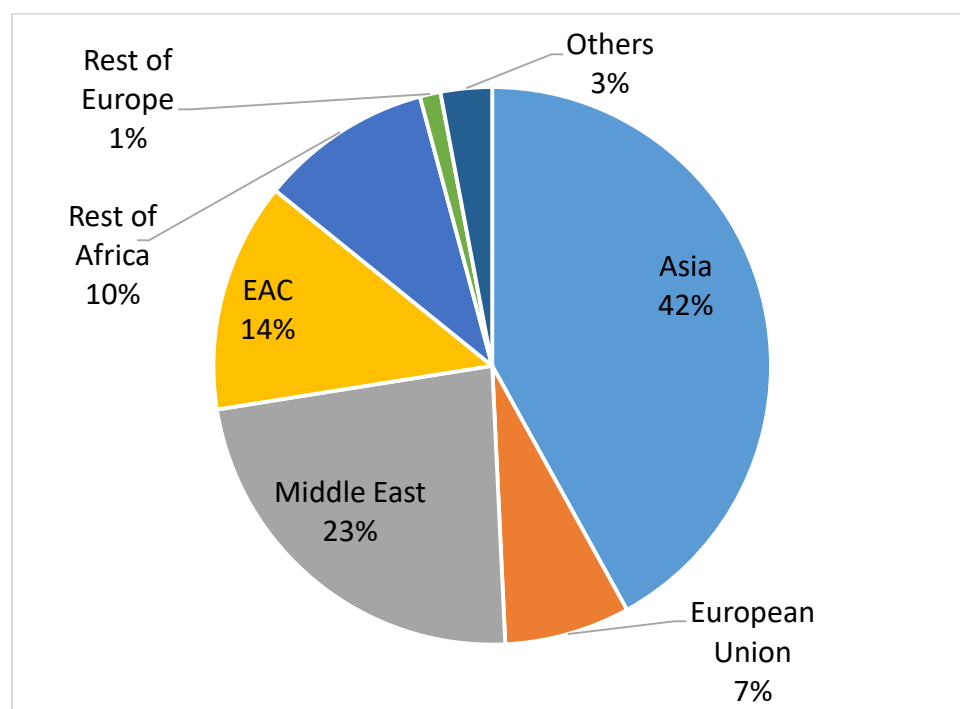
Source Bank of Uganda

Origin of Imports

The largest share of imports was sourced from Asia followed by Middle East and EAC contributing 42 percent, 23 percent and 14 percent respectively. China, India and Indonesia contributed 77 percent of the total imports from Asia. Kenya and Tanzania remain the biggest contributors to imports sourced from EAC with a contribution share of 90 percent in March 2018. Figure 5 shows the origin of imports during the month.

⁶ Change over the same period the previous year;
 -Index of Non-oil import volumes: increased by 26.3%
 -Oil price index: increased by 27.4%

Figure 5: Origin of Imports by Percentage Share, March 2018



Source: Bank of Uganda

FISCAL SECTOR DEVELOPMENTS

Overview

Fiscal operations during the month resulted into a deficit of UGX 620.6 billion, which was higher than the projected UGX 242.6 billion. This was on account of shortfalls in revenue and grants (UGX 201.1 billion) coupled with higher than programmed expenditures during the month (by UGX 176.9 billion). Table 8 shows details of the fiscal operations for April 2018.

Table 8: Fiscal Operations, April 2018 (UGX billions)

	Outturn April'17	Plan April'18	Prel. Outturn April'18	Performance April'18	Deviation April'18
Revenues and Grants	1,025.5	1,296.5	1,095.4	84.5%	(201.1)
Revenues	991.9	1,227.6	1,080.5	88.0%	(147.1)
Tax	941.2	1,195.5	1,045.5	87.4%	(150.1)
Non-Tax	50.7	32.1	35.1	109.3%	3.0
Grants	33.5	68.9	14.9	21.6%	(54.0)
Budget Support	19.7	11.3	5.4	48.3%	(5.8)
O/w HIPC debt relief	19.7	11.3	5.4	48.3%	(5.8)
Project Support	13.9	57.7	9.4	16.4%	(48.2)
Expenditure and Lending	1,206.6	1,539.1	1,716.0	111.5%	176.9
Current Expenditures	851.0	762.3	802.7	105.3%	40.4
Wages and Salaries	288.5	287.9	279.9	97.2%	(8.0)
Interest Payments	105.1	80.8	103.3	127.8%	22.5
Domestic	88.5	69.7	73.6	105.6%	3.9
External	16.6	11.1	29.7	267.8%	18.6
Other Recurr. Expenditures	457.4	393.7	419.6	106.6%	25.9
Development Expenditures	355.1	623.7	903.0	144.8%	279.4
Domestic	238.1	241.3	569.7	236.1%	328.4
External	117.0	382.3	333.4	87.2%	(49.0)
Net Lending/Repayments	-	153.2	8.4	-	(144.7)
o/w HPP GoU	-	-	8.4	-	8.4
o/w HPP Exim	-	153.2	-	-	(153.2)
Domestic Arrears Repayment	0.5	-	1.8	-	1.8
Overall Fiscal Balance (incl. Grants)	(181.1)	(242.6)	(620.6)	N.A	N.A

Source: Ministry of Finance, Planning and Economic Development

Revenue and Grants

Revenues and grants amounted to UGX 1,095.4 billion which was lower than the UGX 1,296.5 billion projection for the month. Both grants and domestic revenues contributed to this performance, registering shortfalls of UGX 54.0 billion and UGX 147.1 billion against their respective targets for the month.

Domestic Revenues

Total revenue collections for the month of April 2018 amounted to UGX 1,080.5 billion against a target of UGX 1,227.6 billion, registering a performance of 88.0 percent. Of the total revenue collections for the month of April 2018, UGX 1,045.5 billion was tax revenues while UGX 35.1 billion was non-tax revenues.

Tax revenues registered a shortfall of UGX 150.1 billion against a target of UGX 1,195.5 billion. Both direct and indirect domestic taxes registered shortfalls of UGX 55.7 billion and UGX 61.6 billion respectively.

All direct domestic taxes posted shortfalls with withholding tax and tax on bank interest accounting for the largest shortfalls of UGX 31.6 billion and UGX 13.9 billion respectively. Withholding tax collections were affected by a decline in dividends from profits in April 2018 compared to April 2017 as well as delayed payment of government withholding taxes in the month. Taxes on bank interest were affected by lower returns on investments in treasury bills in April 2018 as yields were lower than earlier projected.

The performance in domestic indirect taxes was mainly due to lower than targeted Value Added Tax (VAT) collections (short of target by UGX 55.18 billion). VAT collections from the manufacturing sector were affected by low sales particularly of cement, sugar, beer and soft drinks. Beer was majorly affected by low production. VAT collections from the services sector were affected by shortfalls in phone talk time as data usage has been on the increase at the expense of talk time. Local excise duty also registered a shortfall of UGX12.6 billion.

Taxes on International Trade

Taxes on international trade amounted to UGX 478.5 billion during the month of April 2018 and registered a shortfall of UGX 31.8 billion against the month's target. The shortfall was largely due to lower collections on import duty especially on oil as import volumes in April were lower than projected. The lower oil imports during the month of April was a result of an increase in international crude oil prices coupled with a higher depreciation of the shilling against the US dollar than projected. Also the increase in transportation cost as a result of increased Kenya pipeline charges from USD 41.5 to USD 54.5 contributed to the reduction in oil import volumes.

Other items that posted lower than projected import values that eventually led to shortfalls in import duty collections included; rice, ethyl alcohol, cigarettes, rolled iron/non-alloy steel and uncoated paper.

Non-Tax Revenue

Non-tax revenues(NTR) amounted to UGX 35.1 billion against a target of UGX 32.1 billion. This was mainly due to the improved efficiency arising from increased collaboration in NTR collection between Uganda Revenue Authority and Local Government units. Table 9 gives details of tax domestic revenue collections in April 2018.

Table 9: Details of Domestic Revenue for April 2018

	Collections April'18	Monthly Target	Surplus/ deficit	Performance
Total Domestic Revenues	1080.53	1227.62	-147.09	88.0%
Tax Revenue	1045.47	1195.54	-150.07	87.4%
Direct Domestic Taxes	290.22	345.95	-55.73	83.9%
O/w -PAYE	206.48	210.39	-3.91	98.1%
-Corporate Tax	12.39	14.89	-2.51	83.2%
-Other	3.26	2.75	0.51	118.6%
-Withholding Tax	41.65	73.26	-31.61	56.9%
-Rental Income Tax	2.62	5.90	-3.28	44.3%
-Tax on Bank Interest	21.20	35.14	-13.94	60.3%
Indirect Domestic Taxes	279.05	340.62	-61.57	81.9%
Excise duty:	87.42	93.81	-6.39	93.2%
Value Added Tax:	191.63	246.81	-55.18	77.6%
O/w Manufacturing	95.70	124.01	-28.31	77.2%
Services	52.56	68.29	-15.73	77.0%
Other Sub-Sectors	43.37	54.52	-11.15	79.6%
Taxes on International Trade	478.49	509.51	-31.02	93.9%
O/w -Petroleum duty	154.14	162.44	-8.30	94.9%
-Import duty	82.44	100.96	-18.52	81.7%
-Excise duty	12.43	20.79	-8.36	59.8%
-VAT on Imports	188.41	185.21	3.20	101.7%
Tax Refunds:	-17.94	-16.67	-1.26	107.6%
Fees and Licenses	15.64	16.13	-0.50	96.9%
Non-Tax Revenues	35.06	32.08	2.98	109.3%

Source: URA, MoFPED

Expenditure and Net Lending

Total Government spending during April 2018 amounted to UGX 1,716.0 billion against the program of UGX 1,539.1 billion, registering a higher than programmed expenditure of UGX 176.9 billion as both recurrent spending and development expenditures were above their respective programs.

Development expenditure totaled to UGX 757.4 billion against a program of UGX 623.7 billion mainly due to domestic development expenditure. Domestically financed development spending was UGX 569.7 billion against a program of UGX 241.3 billion mainly due to supplementary requests offered during the month which were not earlier programmed for the month.

Expenditure on Hydro power projects (HPPs), UGX 145.7 billion was disbursed towards Karuma Hydro Power Project compared to the programmed UGX 153.2 billion in April 2018. Much as this expenditure was lower than programmed, most expenditures on HPPs programmed for FY 2017/18 were frontloaded in the first half of the year (H1 FY2017/18).

Similarly, recurrent expenditure was higher than the programmed for the month, with a performance of 105.3 percent. This was mainly explained by expenditure overruns in non-wage non-interest recurrent items as well as higher expenditures in external interest payments caused by exchange rate differences between the present period and the time of budgeting.

Government Securities

During the month of April 2018, UGX.535.6 billion at cost was raised from the domestic primary securities market, of which, UGX.322.7 billion was from T-Bills and UGX.212.9 billion was from T-Bonds. UGX 272.1 billion was used for refinancing of maturing securities, while the balance (UGX.263.5 billion) was utilized for financing part of the Government budget as shown in Table 10.

Table 10: Issuance of Government Securities for FY 2017/18 (UGX Billion)

	Total Issuances	Net Domestic Borrowing	Refinancing
Q1 2017/18	1,661.9	390.5	1,271.5
Q2 2017/18	1,493.8	194.6	1,299.1
Q3 2017/18	1,570.4	177.4	1,393
April	535.6	263.5	272.1
July to date	5,261.7	1,026	4,235.7

Source: Auction Results, Ministry of Finance, Planning and Economic Development

DEVELOPMENTS WITHIN THE EAC REGION

Annual Inflation

Within the EAC region, Inflation was generally on a downward trend in Rwanda, Kenya, Tanzania and Uganda. The slowdown in Kenya's inflation was as a result of lower food crop prices due to increased food production given the good weather in the preceding months. In Tanzania, headline inflation dropped to 3.8 percent in April from 3.9 percent in March 2018 mainly on account of prices of food & non-alcoholic beverages, and clothing & footwear rising at a slower pace. Table 11 details headline inflation rates among the EAC Partner States.

Table 11: Headline Inflation for EAC Partner States (percent)

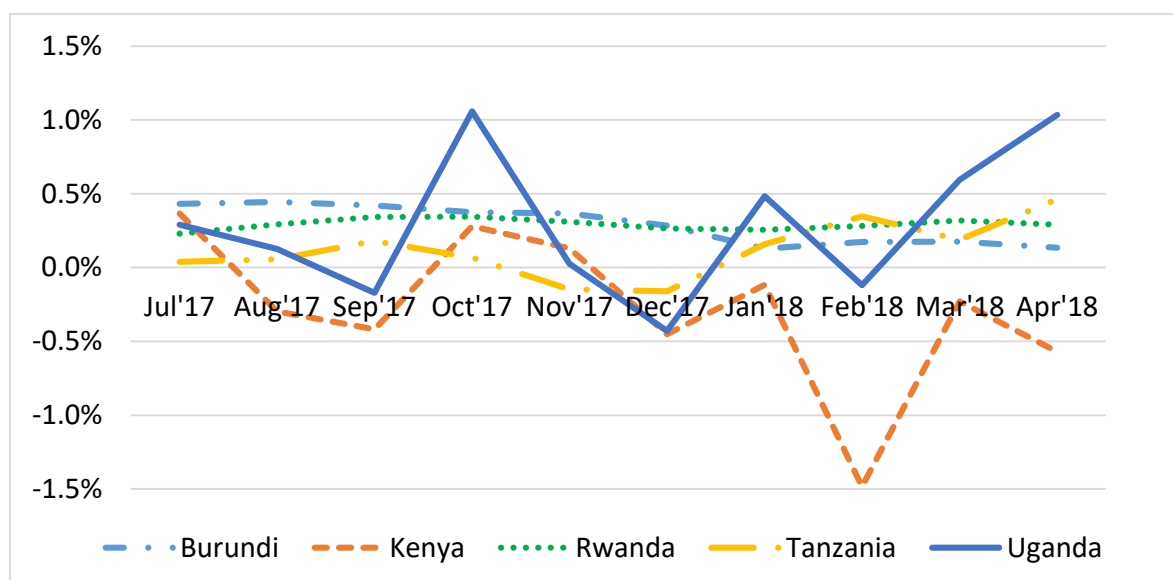
	Jul'17	Aug'17	Sep'17	Oct'17	Nov'17	Dec'17	Jan'18	Feb'18	Mar'18	Apr'18
Burundi	13.6	13.9	15.3	17.6	15.3	10	6.1	-1.3	-2.6	N/A
Kenya	7.5	8	7.1	5.7	4.7	4.5	4.8	4.5	4.2	3.7
Rwanda	8.1	7.2	7.1	5.3	1.6	-0.2	0.1	-1.3	-1.4	-0.1
South Sudan	154.6	165	101.9	131.9	142	117.7	125	112.7	161.2	N/A
Tanzania	5.2	5	5.3	5.1	4.4	4	4	4.1	3.9	3.8
Uganda	5.7	5.2	5.3	4.8	4	3.3	3	2.1	2	1.8

Source: Respective Bureaux of Statistics

Exchange Rates

With exception of the Kenyan currency, the other EAC Partner States currencies experienced depreciation pressures in April 2018 compared to the previous month. The Tanzania Shilling, Uganda Shilling, Rwandese Franc and Burundi Franc posted depreciations of 0.5percent, 1.0percent, 0.3percent and 0.1percent respectively between the two periods, while the Kenyan Shilling posted an appreciation of 0.6 percent mainly explained by increased capital inflows and export receipts from horticulture. Figure 6 shows the percentage changes in exchange rates against the USD among selected EAC Partner States from July 2017 to April 2018.

Figure 6: Percentage Changes in Exchange Rates for Selected EAC Partner States (July 2017-April 2018)



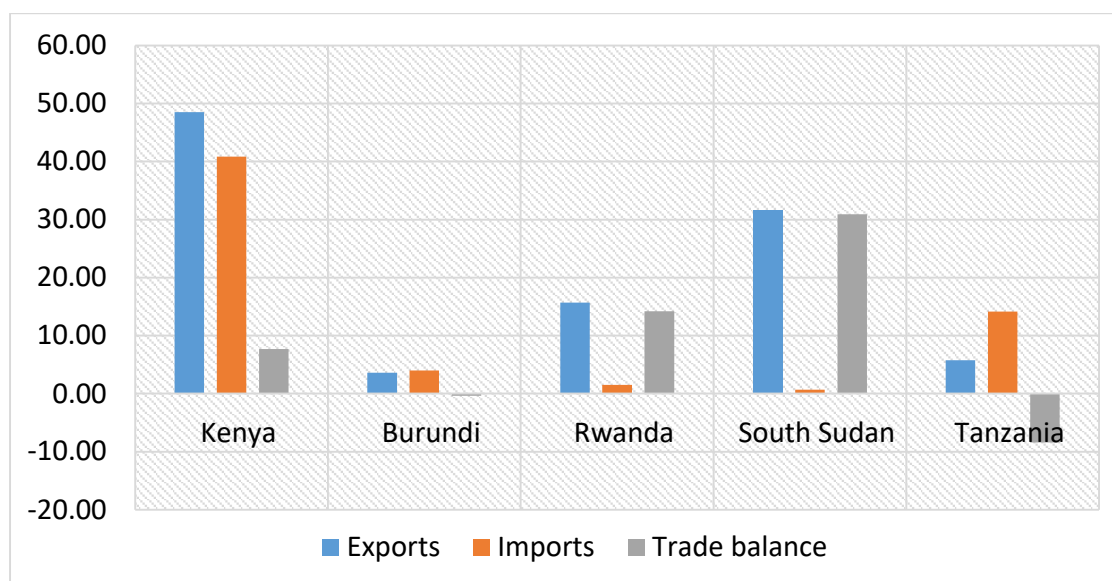
Source: Bank of Uganda

Trade Balance

In the region, Kenya was the major trading partner during the month of March 2018, accounting for 46 percent of Uganda's trade with EAC. South Sudan was the second largest market for Uganda's exports in the region while Tanzania was the second largest source of imports.

With exception of Tanzania and Burundi, Uganda traded at surplus with the other EAC Partner States during the month. Figure 7 shows Uganda's trade balance with EAC partner states.

Figure 7: Trade Balance with EAC Partner States in USD million, March 2018



Source: Bank of Uganda

Annex 1: Summary Performance of Macro-Economic Indicators

	Mar-17	Apr-17	May-17	Jun-17	Jul-17	Aug-17	Sep-17	Oct-17	Nov-17	Dec-17	Jan-18	Feb-18	Mar-18	Apr-18
Real Sector														
Inflation (Annual %)														
Headline: (Base: 2009/10 =100)	6.4	6.8	7.3	6.3	5.7	5.2	5.3	4.8	4.0	3.4	3.0	2.1	2.0	1.8
Core: (Base: 2009/10 = 100)	4.8	4.9	5.1	4.9	4.5	4.1	4.2	3.5	3.4	3.1	2.6	1.7	1.7	1.6
Food Crops	20.9	21.6	23.1	18.1	12.9	11.7	9.6	7.8	2.3	-0.7	1.4	-0.7	-1.7	-2.1
Electricity, Fuel and Utilities	3.8	5.3	7.1	5.7	7.8	7.8	10.6	14.1	13.7	12.5	9.8	11.2	10.3	10.4
Business Tendency Indicator	55.5	54.9	55.5	56.2	57.1	57.9	58.4	58.6	58.3	57.8	57.3	56.9	56.5	56.3
Composite Index of Economic Activity	201.7	203.1	204.4	205.4	206.4	207.2	208.1	208.9	209.7	210.5	211.4	212.3	213.2	N.A
Financial Sector														
Private sector credit (Shs billion)														
PSC growth rate	0.4%	0.6%	-0.1%	1.3%	0.4%	0.5%	1.0%	1.8%	0.1%	2.0%	-1.3%	-0.2%	1.5%	N.A
Exchange Rate (Shs/US\$)														
Period Average	3,599	3,619	3,624	3,591	3,602	3,606	3,600	3,638	3,639	3,623	3,640	3,638	3,660	3,697
Interest Rates(%)														
Central Bank Rate	11.5	11.0	11.0	10.0	10.0	10.0	10.0	9.5	9.5	9.5	9.5	9.0	9.0	9.0
Commercial bank Lending Rate(shillings credit)	22.5	20.5	21.0	21.1	20.9	22.3	20.9	19.0	21.4	20.3	20.3	21.1	20.1	N.A
91-day Treasury Bill Yield	11.6	10.5	10.7	10.7	10.1	9.9	9.8	9.2	8.8	8.4	8.6	8.7	8.7	8.7
364-day Treasury Bill Yield	13.9	13.8	13.6	13.6	11.7	11.1	10.6	9.4	9.3	9.0	9.1	9.4	9.6	9.7
Gross reserves (US\$ millions)	3,223.1	3,232.5	3,297.7	3,385.6	3,411.6	3,374.7	3,556.3	3,396.3	3,472.3	3,654.4	3,608.5	3,522.5	3,600.6	N.A
Gross reserves (months of next year's imports)	5.2	5.2	5.3	5.4	5.3	5.2	5.2	5.0	5.1	5.3	5.2	5.1	5.2	N.A
External Sector (US\$ million)														
Trade Balance														
Total Exports of Goods (fob)	283.88	259.46	309.70	277.63	276.30	259.47	252.81	287.63	301.43	312.65	337.45	276.95	299.05	N/A
Total Imports (fob)	383.44	392.58	437.78	434.53	372.95	399.14	477.39	489.23	471.33	454.26	438.28	473.80	458.14	N/A
Fiscal Sector (Shs Billion)														
Revenues and Grants														
Revenues	1,273.3	1,025.5	1,224.4	1,524.9	1,012.7	1,101.0	1,187.0	1,218.4	1,159.6	1,669.2	1,272.8	1,274.3	1,215.5	1,095.4
Tax	1,209	992	1,075	1,470	965	1,073	1,149	1,081	1,142	1,516	1,196	1,161	1,200.2	1,080.5
Non-Tax	1,042.9	941.2	1,041.2	1,434.4	919.9	1,034.3	1,114.1	1,045.9	1,099.3	1,487.8	1,141.0	1,125.0	1,163.6	1,045.5
Oil Revenue	36.0	50.7	34.2	36.0	45.0	38.3	34.9	35.2	42.5	28.1	54.8	35.9	36.7	35.1
Grants	129.8	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Expenditure and Lending	64.5	33.5	149.0	54.6	47.8	28.5	38.1	137.3	17.9	153.3	77.0	113.4	15.2	14.9
Overall Fiscal Balance (incl.Grants)	1,078.4	1,206.6	1,650.0	1,941.3	1,342.4	1,871.9	1,560.8	2,018.7	1,679.8	1,570.4	1,795.0	1,265.0	1,153.8	1,716.0
Net Government Borrowing	194.8	(181.1)	(425.7)	(416.3)	(329.7)	(771.0)	(373.8)	(800.3)	(520.1)	98.8	(522.2)	9.3	61.6	(620.6)
	24.8	154.0	(2.0)	(412.0)	198.2	133.9	58.4	52.3	115.0	27.2	167.7	(11.4)	15.9	1,026.0

Source: Ministry of finance, Planning and Economic Development (MoFPED), Bank of Uganda(BoU) and Uganda Bureau of Statistics(UBoS)