



# **PERFORMANCE OF THE ECONOMY**

**May 2018**

**MACROECONOMIC POLICY DEPARTMENT**

**MINISTRY OF FINANCE, PLANNING AND ECONOMIC  
DEVELOPMENT**

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## **LIST OF ACRONYMS**

BTI	Business Tendency Index
BOU	Bank of Uganda
CIEA	Composite Index of Economic Activity
EAC	East African Community
EFU	Energy, Fuels and Utilities
FY	Financial Year
ICBT	Informal Cross Border Trade
MDAs	Ministries, Departments and Agencies
MFPED	Ministry of Finance, Planning and Economic Development
PAYE	Pay As You Earn
PSC	Private Sector Credit
T-Bills	Treasury Bills
T-Bonds	Treasury Bonds
UShs	Ugandan Shillings
USD	United States Dollar
UBOS	Uganda Bureau of Statistics
VAT	Value Added Tax

## **Key Highlights**

**Inflation:** Annual Headline Inflation declined further from 1.8% in April 2018 to 1.7% in May 2018, its lowest level since October 2014. This slowdown was majorly driven by a decline in Core inflation as well as a reduction in prices of Food Crops & Related Items.

**Indices of economic activity:** The Composite Index of Economic Activity (CIEA) increased by 0.2% from 212.5 in March 2018 to 212.9 in April 2018, reflecting continued improvement in economic activity.

Investors' sentiments about doing business in Uganda for the next three months remained positive as illustrated by the Business Tendency Index of 55.74 in May 2018 which is above the threshold of 50.

**Exchange rate:** During May 2018, the shilling depreciated against the US Dollar by 0.8% to a monthly average of UShs 3,726.8 from UShs 3,697.2 in April 2018. This depreciation is partly attributed to increased demand for the US Dollar from the oil, manufacturing and telecom sectors; the strengthening of the US Dollar against other major currencies and co-current reduction in coffee export receipts on account of reduced volume sales.

**Lending rates:** Commercial Bank Lending Rates reduced slightly from 20.10% in March to 20.03% in April 2018. This reduction is partly explained by the lagged effect of monetary easing by BOU in the preceding months.

**Yields on Treasury Bills:** Yields slightly edged upwards across all tenors largely due to an increase in Government's borrowing requirements. The average weighted yields to maturity for May were 8.8%, 9.5%, 10.1% for the 91, 182 and 364 day tenors respectively.

**Private Sector Credit:** The stock of outstanding private sector credit increased by 0.8% from UShs. 12,827.96 billion in March 2018, to UShs. 12,925.98 billion in April 2018. This compares unfavourably against a growth of 1.5% registered in March 2018.

**Merchandise Trade Balance:** Compared to April 2017, Uganda's merchandise trade deficit widened by 62.1% to USD 215.8 million in April 2018, due to a higher increase in the import bill that offset the increase in export earnings. Export earnings increased by 2% while imports increased by 22.4%.

**Fiscal Operations:** Government operations during May resulted into a fiscal deficit of Shs. 582.2 billion. This was higher than the programmed deficit of Shs. 545.3 billion.

## REAL SECTOR DEVELOPMENTS

### Inflation

Annual Headline Inflation declined further from 1.8% in April 2018 to 1.7% in May 2018, its lowest level since October 2014. This slowdown was majorly driven by a decline in Core Inflation, as well as a reduction in prices of Food Crops & Related Items. The decline in prices of Food Crop and Related Items is as a result of better agricultural yields due to the favourable weather conditions, while the reduction in Core Inflation was largely as a result of a significant drop in prices for sugar (-29.0% in May compared to -20.9% the previous month). Table 1 below provides a summary of Annual Inflation by category.

**Table 1: Summary Statistics on Annual Inflation (%)**

	Apr-18	May-18
<b>Headline</b>	1.8	1.7
<b>Core</b>	1.6	1.1
<b>EFU</b>	10.4	10.3
<b>Food Crops &amp; Related Items</b>	-2.1	-0.2

Source: Uganda Bureau of Statistics

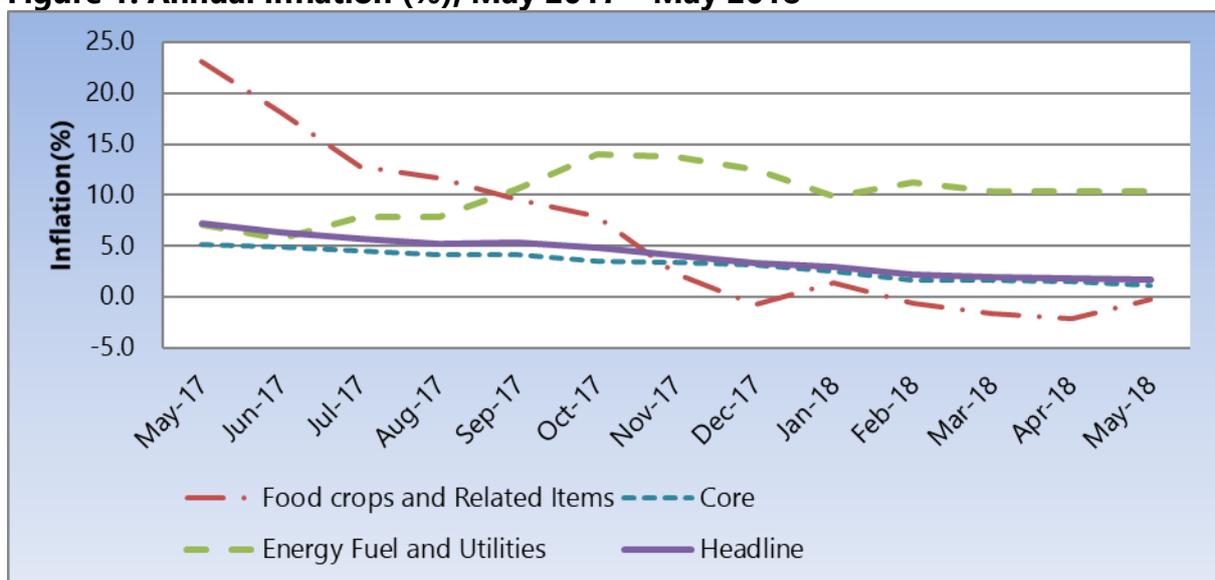
Core Inflation fell from 1.6% in April to 1.1% in May 2018, driven by a decline in both Other Goods Inflation (0.6% from 1.0%) and Annual Services Inflation (1.9% from 2.4%). The drop in Other Goods Inflation was majorly on account of a significant drop in prices for sugar (-29.0% from -20.9%) due to increased supply on the market. Prices for maize flour also continued to decline, albeit at a slower rate (-31.8% from -43.5%).

Though at a reduced pace, prices for Food Crops and Related Items continued to fall (-0.2% in May from -2.1% in April 2018), majorly on account of a drop in prices for fruits due to increased supply on the market being the harvest season. Prices for fruits continued on a downward trend declining by 7.4% compared to a drop of 8.0%

the previous month. The general increase in supply of food crops on the market is as a result of favourable weather conditions in the preceding months.

Annual Energy, Fuel and Utilities (EFU) Inflation marginally decreased from 10.4% in April to 10.3% in May 2018 particularly driven by a slight slowdown in the increase of prices of petrol from 11.7% to 11.6% over the same period. Figure 1 depicts recent trends in Annual Inflation.

**Figure 1: Annual Inflation (%), May 2017 – May 2018**



Source: Uganda Bureau of Statistics

### **Composite Index of Economic Activity (CIEA) and Business Tendency Index (BTI)<sup>1</sup>**

The real sector leading indicators continued to depict a positive picture of economic activity. The CIEA<sup>2</sup> captures the monthly changes in economic activity. The CIEA recorded growth of 0.2% from 212.5 in March 2018 to 212.9 in April 2018 (refer to figure 2). Growth rates for the last three months have been constant at 0.2%.

<sup>1</sup> Data on indices comes with a lag of one month

<sup>2</sup>CIEA is constructed using seven variables, that is; private consumption estimated by VAT, private investment estimated by gross extension of private sector credit, government consumption estimated by its current expenditure, government investment estimated by its development expenditure, excise duty, exports and imports.

**Figure 2; Composite Index of Economic Activity (CIEA)**

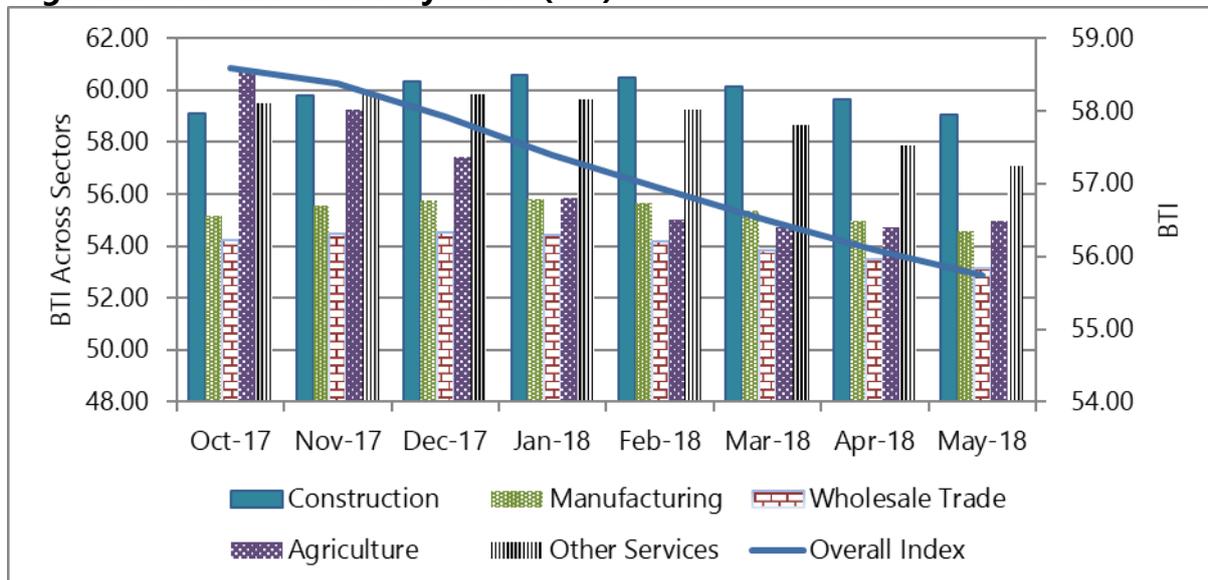


Source: Bank of Uganda

**Business Tendency Index (BTI)<sup>3</sup>**

Investor’s sentiments about doing business in Uganda remained positive as illustrated by a BTI of 55.74 in May 2018 above the threshold of 50 as seen in figure 3 below. Despite the BTI being positive, it has been reducing for the last five months.

**Figure 3: Business Tendency Index (BTI)**



Source: Bank of Uganda

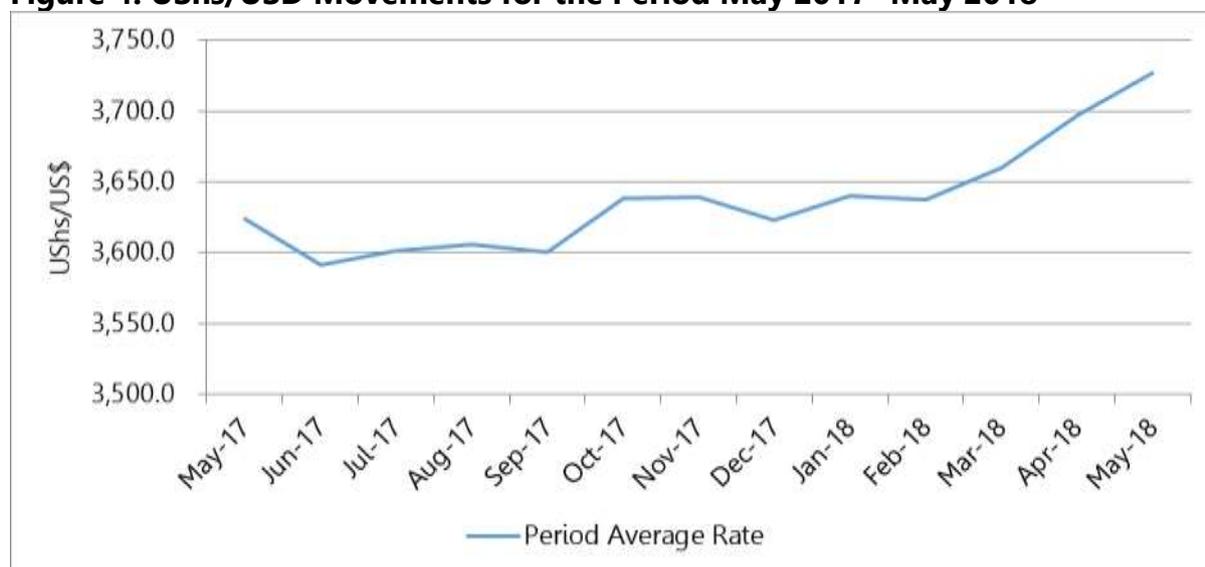
<sup>3</sup> The Business Tendency Index (BTI) measures the sentiments that investors have about current and future production levels, employment, prices and access to credit. An index less than 50 implies negative expectations (pessimism) while one above 50 implies positive expectations (optimism).

## FINANCIAL SECTOR DEVELOPMENTS

### Exchange Rate Movements

The shilling depreciated against the US Dollar by 0.8% to an average rate of USShs 3,726.8 in May 2018 from USShs 3,697.2 in April 2018. This depreciation is partly attributed to increased demand for the US Dollar from the oil, manufacturing and telecom sectors, the strengthening of the US Dollar against other major currencies and co-current reduction in coffee export receipts on account of reduced volume sales. Figure 4 shows exchange rate movements from May 2017 to May 2018.

**Figure 4: USShs/USD Movements for the Period May 2017- May 2018**



Source: Bank of Uganda

Between April and May, the shilling appreciated by 3.0% and 3.7% against the Euro and Pound Sterling respectively. The Euro traded at USShs 4,405.1 whereas the Pound Sterling traded at USShs 5,015.8 in May 2018 compared to USShs 4,541.5 and 5,209.3 in April 2018 respectively. Table 2 shows the exchange rate movements of the Uganda Shilling against major currencies from January to May 2018.

**Table 2: The Shilling Versus Major Foreign Currencies**

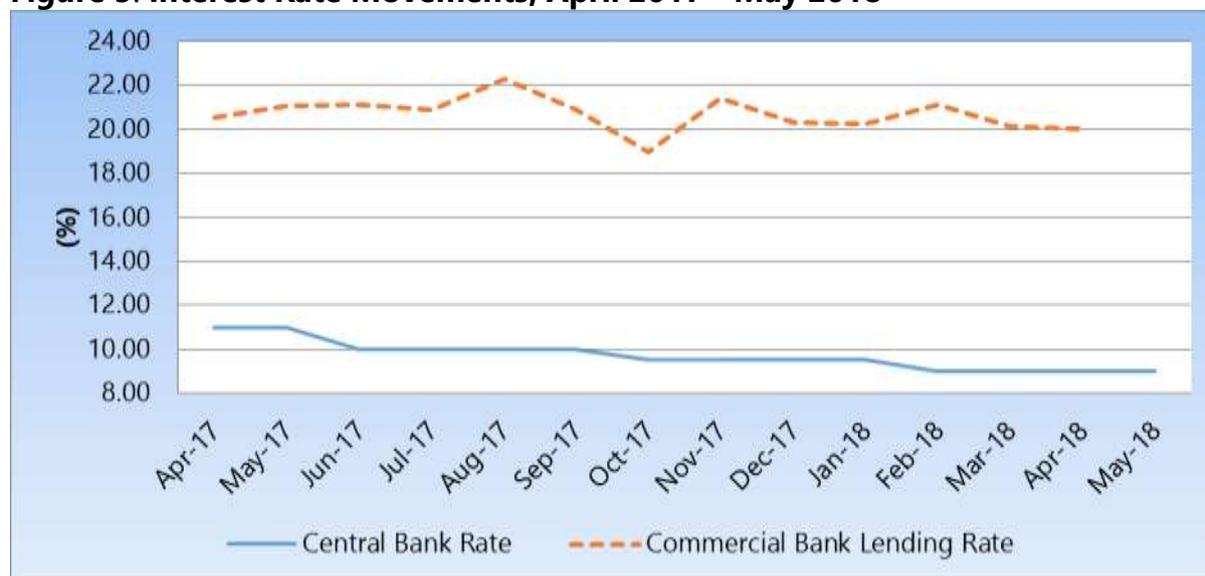
	Jan-18	Feb-18	Mar-18	Apr-18	May-18
UShs /US\$	3640.8	3636.5	3658.1	3695.9	3726.3
Rate of change	0.5%	-0.1%	0.6%	1.0%	0.8%
UShs /EUR	4431.9	4492.5	4509.1	4541.5	4405.1
Rate of change	3.3%	1.4%	0.4%	0.7%	-3.0%
UShs /GBP	5021.3	5083.3	5107.7	5209.3	5015.8
Rate of change	3.4%	1.2%	0.5%	2.0%	-3.7%

Source: Bank of Uganda

### Interest Rate Movements

The Central Bank Rate remained unchanged at 9.0% for May 2018. Commercial bank lending rates<sup>4</sup> reduced slightly from 20.10% in March to 20.03% in April 2018. This reduction is partly explained by the lagged effect of monetary easing by BOU in the preceding months, as well as the reduction in the ratio of Non-Performing Loans to total gross loans which dropped from 5.63% in December 2017 to 5.3% in March 2018. Figure 5 shows the trend of lending rates against the Central Bank Rate.

**Figure 5: Interest Rate Movements, April 2017 - May 2018**



Source: Bank of Uganda

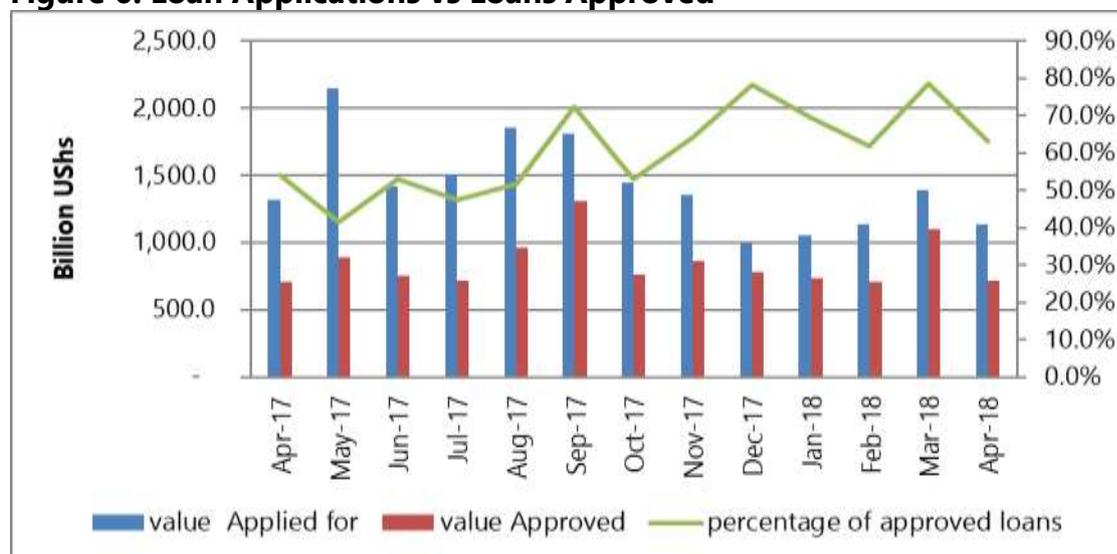
<sup>4</sup>Data on lending rates come with a lag of one month

## Lending to the Private Sector

The stock of outstanding private sector credit<sup>5</sup> increased by 0.8% from UShs. 12,827.96 billion in March 2018, to UShs. 12,925.98 billion in April 2018. This compares unfavourably against a growth of 1.5% registered in March 2018. Likewise, the value of loans approved in April 2018 reduced by 34.7% from UShs. 1096 billion in March to UShs. 715.8 billion.

Although the overall trend of loans approved to loan applications has been upward over the last one year (April'17 to April'18), there was a decline in April 2018 from 78.6% in March to 63.1%. The limited growth in credit is partly attributed to the continued risk aversion by the commercial banks, which is reflected through the reduction of the proportion of loans approved out of the total loan applications received. Figure 6 shows the value of loans approved vis-à-vis value of loan applications from April 2017 to April 2018.

**Figure 6: Loan Applications vs Loans Approved**



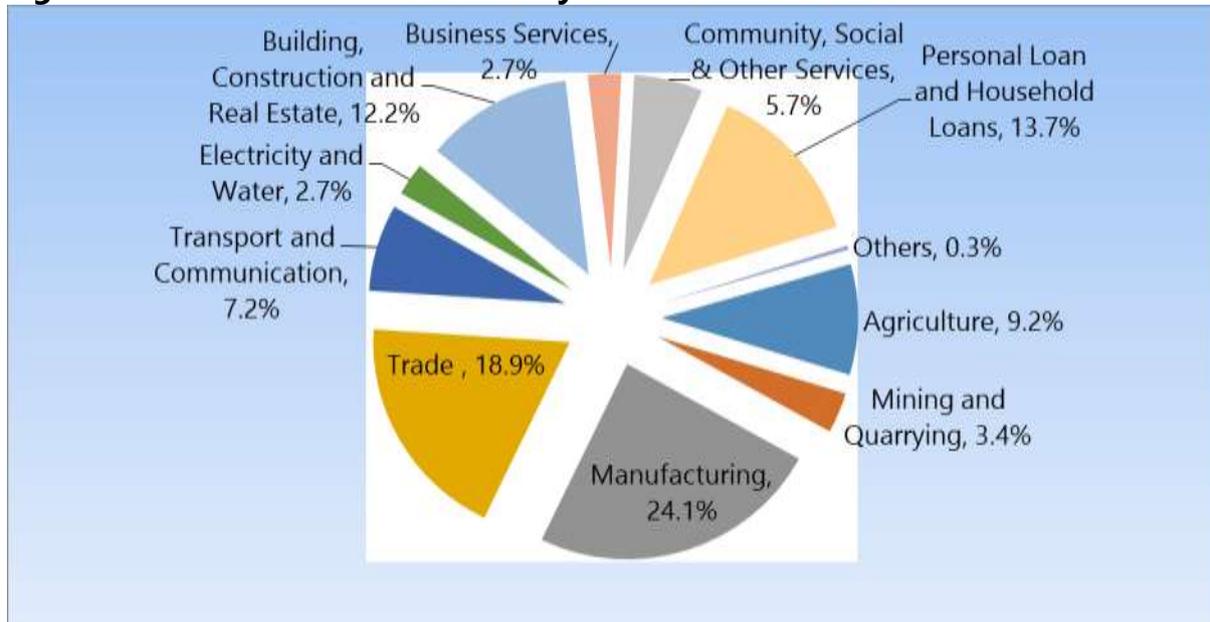
Source: Bank of Uganda

By sector, Manufacturing received the largest share of credit at 24.1%. Other notable recipients of credit were: Trade (18.9%); Personal and Household Loans (13.7%); and,

<sup>5</sup> Data on private sector credit comes with a lag of one month

Building, Construction & Real Estate (12.2%). Figure 7 below, maps the share of the credit extension by sector in the month of April.

**Figure 7: Share of Credit Extension by Sector**



Source: Bank of Uganda

Mining and Quarrying registered the most significant growth in flow of credit, from US\$ 0.6 billion in March 2018 to US\$ 24.0 billion in April 2018. In addition, there was strong growth in credit extended to the Transport and Communication sector (US\$ 51.5 billion from US\$ 17.9 billion), Community, Social and other Services (US\$ 40.6 billion from US\$ 20.0 billion) as well as manufacturing sector (US\$ 172.5 billion from US\$ 143.4 billion) over the same period. The value of credit extended to each of the other remaining sectors of the economy in April 2018, reduced in comparison to the previous month. Table 3 shows credit flow to each sector from July 2017 to April 2018, as well as the monthly growth in January 2018 and April 2018.

**Table 3: Credit Extension by Sector (Billion Shillings)**

	Jan-18	Feb-18	Mar-18	Apr-18	Growth Rates	
					Mar-18	Apr-18
Agriculture	214.6	121.7	119.2	65.6	-2.1%	-45.0%
Mining and Quarrying	0.1	0.8	0.6	24.0	-16.8%	3692.0%
Manufacturing	80.2	115.9	143.4	172.5	23.7%	20.3%
Trade	105.3	177.8	165.4	135.1	-7.0%	-18.3%
Transport and Communication	9.7	15.5	17.9	51.5	15.8%	187.2%
Electricity and Water	0.2	0.4	70.6	19.4	18083.1%	-72.5%
Building, Construction and Real Estate	145.6	91.5	327.6	87.1	258.2%	-73.4%
Business Services	31.3	30.0	94.0	19.6	213.2%	-79.1%
Community, Social & Other Services	21.8	26.7	20.0	40.6	-24.9%	102.5%
Personal Loan and Household Loans	120.4	122.7	125.9	97.9	2.6%	-22.2%
Others	5.1	2.5	11.1	2.5	342.0%	-77.9%
<b>TOTAL.</b>	<b>734.3</b>	<b>705.5</b>	<b>1096.0</b>	<b>715.8</b>	<b>55.3%</b>	<b>-34.7%</b>

Source: Bank of Uganda

### Yields on Treasury Bills

Yields slightly edged upwards across all tenors largely due to an increase in Government's borrowing requirements. The average weighted yields to maturity for May were 8.8%, 9.5%, 10.1% for the 91, 182 and 364 day tenors respectively. This compares with 8.7%, 9.3% and 9.7% in April 2018. All tenors were over-subscribed; the average bid to cover ratio<sup>6</sup> for the month was 1.5 a decline from 1.63 registered the previous month. Figure 8 illustrates the movement of Treasury Bill yields on the primary market since May 2017.

### Figure 8: Movement of Treasury Bill Yields

<sup>6</sup> 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.



Source: Bank of Uganda

## EXTERNAL SECTOR<sup>7</sup>

### Merchandise Trade Balance

Uganda's merchandise trade deficit widened both on a monthly and annual basis. In comparison to April 2017, the trade deficit widened by 62.1% to USD 215.8 million in April 2018 due to a higher increase in the import bill that offset the increase in export earnings.

Comparison between March 2018 and April 2018 shows that the trade deficit widened by 35.7% from USD 159.1 million to USD 215.8 million respectively. The higher deficit is attributed to an increase in the import bill and a fall in exports earnings.

### Merchandise Exports

Export earnings increased on an annual basis but declined on a monthly basis. Compared to the same period last year, export earnings increased by USD 5.14 million (2%) in April 2018 to USD 264.61 million from USD 259.46 million. This performance is mainly explained by increases in the earnings of gold, flowers, tea, fish & its products. Nonetheless, coffee which is the main export commodity registered a 16.6% drop in its earnings following a fall in both the volume and international prices. Coffee volumes declined by 9.5% whereas the prices fell by 7.9%.

<sup>7</sup> Data for the external sector comes with a lag of one month

The decrease in coffee volumes is explained by an end of main season in the central and Eastern Region

Comparison between March 2018 and April 2018 shows a drop in Uganda's export earnings by 11.5%. Export earnings fell from USD 299.05 million in March 2018 to USD 264.61 million in April 2018. This performance is attributed to a fall in the earnings of coffee, beans, tobacco, hides & skins, cotton and maize. Table 4 below shows the composition of exports.

**Table 4: Merchandise Exports (USD million)**

	Apr-17	Mar-18	Apr-18	Apr'18 Vs Mar'18 (% change)	Apr'18 Vs Apr'17 (% change)
<b>Total Exports</b>	<b>259.46</b>	<b>299.05</b>	<b>264.61</b>	<b>-11.5%</b>	<b>2.0%</b>
<b>1. Coffee (Value)</b>	<b>39.26</b>	<b>35.74</b>	<b>32.73</b>	<b>-8.4%</b>	<b>-16.6%</b>
Coffee (60 kg bags)	326,232	333,346	295,194	-11.4%	-9.5%
Av. unit value	2.01	1.79	1.85	3.4%	-7.9%
<b>2. Non-Coffee formal exports</b>	<b>173.35</b>	<b>213.71</b>	<b>179.60</b>	<b>-16.0%</b>	<b>3.6%</b>
O/w Gold	34.10	25.06	35.33	41.0%	3.6%
Tobacco	1.06	5.36	1.43	-73.4%	34.4%
Fish & its prod. (excl. regional)	11.42	12.70	12.64	-0.4%	10.7%
Flowers	4.03	6.67	4.94	-26.0%	22.5%
Tea	5.94	4.40	8.90	102.3%	49.9%
Cotton	5.90	4.69	2.47	-47.4%	-58.2%
<b>3. ICBT Exports</b>	<b>46.85</b>	<b>49.60</b>	<b>52.27</b>	<b>5.4%</b>	<b>11.6%</b>

Source: Bank of Uganda

### Destination of Exports

During April 2018, Uganda's major merchandise export destination remained the East Africa Community<sup>8</sup> (EAC), followed by the Rest of Africa and the European Union.

The EAC took up 38.9% of Uganda's exports compared to 36.6% in April 2017. Over this period, exports to the EAC have increased from USD 94.95 million in April 2017 to USD 103.01 million in April 2018 on account of increased exports to Kenya and Rwanda. Table 5 shows the destination of exports.

<sup>8</sup> East African Community includes Kenya, Rwanda, Tanzania, Burundi, and South Sudan

**Table 5: Destination of Exports**

	<b>Apr-17</b>	<b>Mar-18</b>	<b>Apr-18</b>
<b>European Union</b>	14.7%	17.3%	16.2%
<b>Rest of Europe</b>	0.7%	1.4%	1.1%
<b>The Americas</b>	1.6%	1.5%	2.3%
<b>Middle East</b>	18.8%	10.6%	15.5%
<b>Asia</b>	7.4%	6.2%	6.3%
<b>EAC</b>	36.6%	42.7%	38.9%
<b>Rest of Africa</b>	20.1%	20.1%	19.6%
<b>Others</b>	0.2%	0.03%	0.1%

Source: Bank of Uganda

### **Merchandise Imports**

Merchandise imports increased by 4.9% to USD 480.5 million in April 2018 from USD 458.14 million in March. The increase is primarily driven by Government imports that increased 4 times more than the previous month. Whereas formal private sector imports during the month declined by 5.9%, the increase in Government imports more than offset the decline. The decline in the value of formal private sector imports is partly attributable to the lower volume of merchandise imported during the month.<sup>9</sup>

Compared to the same period last year, the value of merchandise imports increased by 22.4% in April, 2018. This increase was driven by both Government and private sector imports that posted value increments of 32.8% and 23.5% respectively. A combination of higher import prices and volumes registered during the month, contributed to the increase in the value of imports<sup>10</sup>. Table 6 shows the composition of imports.

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<sup>9</sup> Change over the previous Month: Oil and Non-Oil Import Volumes declined by 0.6% and 7.8% respectively (Bank of Uganda)

<sup>10</sup> Change over the same period the previous year: Import Prices rose by 7.5%  
Import Volumes increased by 12.8%

**Table 6: Merchandise Imports in USD Millions**

	Apr-17	Mar-18	Apr-18	Mar 18 Vs Apr 18 %change	Apr 17 Vs Apr 18 %change
<b>Total Imports (fob)</b>	392.58	458.14	480.45	4.9%	22.4%
<b>Government Imports</b>	38.29	11.88	50.84	328.1%	32.8%
Project	36.34	11.11	50.84	357.7%	39.9%
Non-Project	1.94	0.77	0.00	-99.4%	-99.8%
<b>Formal Private Sector Imports</b>	320.96	421.25	396.23	-5.9%	23.5%
Oil imports	65.41	81.31	87.09	7.1%	33.1%
Non-oil imports	255.55	339.94	309.15	-9.1%	21.0%
<b>Estimated Private Sector Imports</b>	33.33	25.02	33.37	33.4%	0.1%
<b>Total Private Sector Imports</b>	354.29	446.26	429.60	-3.7%	21.3%

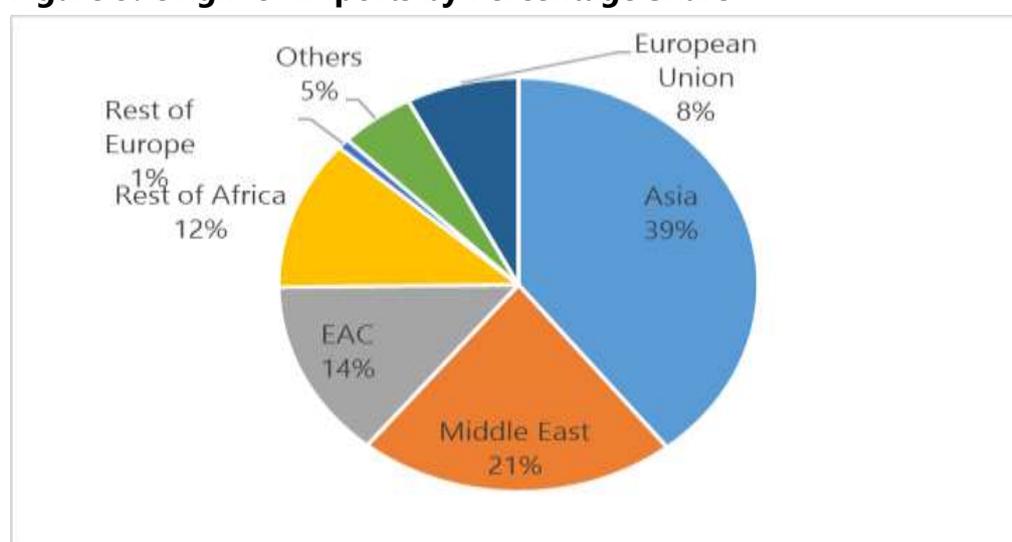
Source: Bank of Uganda

### Origin of Imports

The biggest share of imports was sourced from Asia (39%), Middle East (21%) and EAC (14%) in April 2018. Of the imports from Asia, 76% was from India, China and Japan. In the EAC region, 85% of the imports were sourced from Kenya and Tanzania.

Figure 9 shows the origin of imports by region (percentage share).

**Figure 9: Origin of Imports by Percentage Share**



Source: Bank of Uganda

## FISCAL SECTOR DEVELOPMENTS

### Overview

Government operations during the month resulted into a fiscal deficit of US\$ 582.2 billion. This was higher than the programmed deficit of US\$ 545.3 billion. The shortfall in revenue and grants (US\$ 115.1 billion) more than offset the less than programmed expenditure (less by US\$ 78.3 billion) leading to the higher than programmed fiscal deficit.

**Table 7: Preliminary Fiscal Operation Numbers for May 2018, Billion Shillings**

	Outturn May'17	Plan May'18	Prel Outturn May'18	Performance May'18	Deviation May'18
<b>Revenues and Grants</b>	<b>1,224.4</b>	<b>1,340.8</b>	<b>1,225.7</b>	<b>91.4%</b>	<b>(115.1)</b>
Revenues	1,075.3	1,237.4	1,204.3	97.3%	(33.1)
Tax	1,041.2	1,202.3	1,167.6	97.1%	(34.7)
Non-Tax	34.2	35.1	36.8	104.8%	1.7
Grants	149.0	103.4	21.3	20.6%	(82.1)
Budget Support (Incl. HIPC)	15.3	23.0	11.3	49.0%	(11.7)
Project Support	133.7	80.4	10.0	12.5%	(70.4)
<b>Expenditure and Lending</b>	<b>1,650.0</b>	<b>1,886.1</b>	<b>1,807.8</b>	<b>95.9%</b>	<b>(78.3)</b>
Current Expenditures	845.5	960.7	1,000.1	104.1%	39.4
Wages and Salaries	292.3	290.3	273.1	94.1%	(17.2)
Interest Payments	177.5	329.8	226.9	68.8%	(102.9)
Domestic	172.2	210.2	215.6	102.6%	5.4
External	5.3	119.6	11.3	9.5%	(108.3)
Other Recurr. Expenditures	375.7	340.6	500.1	146.8%	159.5
Development Expenditures	782.1	746.7	769.5	103.1%	22.8
Domestic	434.3	311.8	606.0	194.4%	294.2
External	347.7	434.9	163.5	37.6%	(271.4)
Net Lending/Repayments	-	178.7	1.8	1.0%	(176.9)
o/w HPP GoU	-	-	1.8	-	1.8
o/w HPP Exim	-	178.7	-	-	(178.7)
Domestic Arrears Repayment	22.4	-	36.4	N.A	36.4
<b>Overall Fiscal Balance</b>	<b>(425.7)</b>	<b>(545.3)</b>	<b>(582.2)</b>		

Source: Ministry of Finance, Planning and Economic Development

### Revenues and Grants

Revenues and grants amounted to US\$ 1,225.7 billion against the target of US\$ 1,340.8 billion (91.4% performance). Most of the shortages (US\$ 82.1 billion) were registered in grants which performed at 20.6%. Revenues also registered a shortfall of US\$ 33.1 billion against the target.

## **Domestic Revenues**

Government collected a total of UShs. 1,204.3 billion in domestic revenues against the target of UShs. 1,237.4 billion for the month which translated to a performance of 97.3%. This lower than projected performance originated from the performance of tax revenues (91.7 percent) as non-tax revenue performed above its target for the month (104.8 percent).

Non-tax revenue collections amounted to UShs 36.8 billion against a target of UShs. 35.1 billion. This was due to the continued efficiency gains being realized from the collaboration between Uganda Revenue Authority and other MDAs in the collection of this revenue.

Tax revenue, on the other hand, amounted to UShs. 1,167.6 billion against a target of UShs. 1,202.3 billion, resulting into a shortfall of UShs. 34.7 billion. This shortfall originated from domestic taxes; both direct and indirect taxes posted a combined shortfall of UShs. 57.2 billion which offset the UShs. 18.8 billion overage registered in taxes on international trade.

Direct taxes posted a shortfall of UShs. 9.7 billion largely from withholding tax and was partly due to lower profitability and hence payment of less dividends during the month.

Indirect taxes registered a shortfall of UShs. 47.6 billion from a target of UShs. 301.1 billion, mainly due to shortfalls in Value Added Tax (VAT) as a result of lower sales of manufactured products such as beer, cement, sugar and bottled water among others. Excise duty also contributed to the shortfall in indirect taxes; shortfalls were recorded in collections on phone talk time, resulting from the increasing data transactions (social bundles) at the expense of phone talk time. Increased importation of malt beer which led to reduction in local production also contributed to the shortfall.

On the upside, international trade tax collections amounted to UShs. 552.8 billion. This was UShs. 18.8 billion above the target of UShs. 533.9 billion. (Performance of

103.5%). VAT on imports largely accounted for this performance. Petroleum duty on the other hand registered a shortfall due to less than anticipated volumes of fuel imports. The performance of taxes in May 2018 is illustrated in table 8.

**Table 8: Performance of Tax Revenue for May 2018, Billion Shillings**

	Collections May'2018	Target May'2018	Surplus/ Deficit	Performance
<b>Total Domestic Revenues</b>	<b>1204.3</b>	<b>1237.4</b>	<b>-33.1</b>	<b>97.3%</b>
<b>Tax Revenue</b>	<b>1167.6</b>	<b>1202.3</b>	<b>-34.7</b>	<b>97.1%</b>
<b>Direct Domestic Taxes</b>	<b>357.2</b>	<b>366.8</b>	<b>-9.7</b>	<b>97.4%</b>
O/w -PAYE	231.7	205.9	25.8	112.6%
-Corporate Tax	16.6	10.0	6.6	166.7%
-Withholding Tax	52.2	88.9	-36.7	58.7%
-Tax on Bank Interest	45.7	49.5	-3.8	92.3%
<b>Indirect Domestic Taxes</b>	<b>253.6</b>	<b>301.1</b>	<b>-47.6</b>	<b>84.2%</b>
<b>Excise duty:</b>	<b>70.8</b>	<b>87.5</b>	<b>-16.7</b>	<b>81.0%</b>
<b>Value Added Tax:</b>	<b>182.8</b>	<b>213.7</b>	<b>-30.9</b>	<b>85.5%</b>
O/w -Manufacturing	79.2	109.1	-29.9	72.6%
-Services	50.1	49.0	1.1	102.3%
-Other Sub-Sectors	53.5	55.6	-2.2	96.1%
<b>Taxes on International Trade</b>	<b>552.8</b>	<b>533.9</b>	<b>18.8</b>	<b>103.5%</b>
O/w-Petroleum duty	162.0	166.9	-4.9	97.1%
-Import duty	105.5	103.6	1.9	101.8%
-VAT on Imports	218.1	189.8	28.3	114.9%
-Withholding Taxes	15.1	12.7	2.5	119.5%
<b>Tax Refunds:</b>	<b>-18.4</b>	<b>-17.8</b>	<b>-0.6</b>	<b>103.3%</b>
<b>Fees and Licenses</b>	<b>22.4</b>	<b>18.5</b>	<b>3.9</b>	<b>120.9%</b>
<b>Non-Tax Revenues</b>	<b>36.8</b>	<b>35.1</b>	<b>1.7</b>	<b>104.8%</b>

Source: Ministry of Finance, Planning and Economic Development, Uganda Revenue Authority

### **Expenditure and Net lending**

Total Government spending during May 2018 amounted to US\$ 1,807.8 billion against the programmed US\$ 1,886.1 billion. The less than programmed expenditure is due to lower than programmed Net lending/borrowing. Net lending/borrowing which is mainly expenditure towards Hydro Power projects was made during the first half of the financial year.

Expenditure on recurrent items was above its UShs. 960.7 billion target by UShs 39.4 billion. This was mainly on account of non-wage recurrent expenditure largely due to supplementary budgets for some MDAs.

Development expenditure amounted to Shs. 769.5 billion against the programmed UShs. 746.7 billion. This was due to domestically financed development expenditure which was higher than programmed by UShs. 294.2 billion, thereby offsetting the lower than programmed spending on the externally financed development projects. Domestic development expenditure was higher during the month because most of this expenditure was carried forward from Quarter three to Quarter four of the financial year. On the other hand, externally financed development expenditure was lower than programmed as funds absorption remains a challenge.

### **Government Securities**

During the month of May 2018, there were 2 T-Bill auctions and 1 T-Bond auction in the primary market. UShs 543.2 billion (at cost) was raised, of which UShs 193.9 billion was from T-Bills and UShs 349.3 billion was from T-bonds. UShs 304.8 billion was used for the refinancing of maturing debt whilst UShs 234.8 billion went towards financing other activities in the Government budget; as shown in table 9.

**Table 9: Breakdown of Government Securities. (Billion Shillings)**

	<b>Total Issuances</b>	<b>Government Domestic Borrowing</b>	<b>Refinancing</b>
<b>Q1 2017/18</b>	<b>1661.9</b>	<b>390.5</b>	<b>1271.5</b>
<b>Q2 2017/18</b>	<b>1493.8</b>	<b>194.6</b>	<b>1299.1</b>
<b>Q3 2017/18</b>	<b>1570.4</b>	<b>177.4</b>	<b>1393</b>
<b>Apr-18</b>	535.6	263.5	272.1
<b>May-18</b>	543.2	238.4	304.8
<b>July to date</b>	<b>5804.9</b>	<b>1264.4</b>	<b>4540.5</b>

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

## DEVELOPMENTS WITHIN THE EAC REGION

### Inflation within the EAC region

Annual Headline Inflation was on a downward trend for Tanzania and Uganda. The drop in Tanzania's inflation was mainly due to a slowdown in the price increment for food and non-alcoholic beverages as well as clothing and footwear. On the other hand, prices rose slightly faster in Kenya (3.95% in May compared to 3.73% the previous month) mainly due to the increase in cost of food and housing & utilities.

Annual Headline Inflation for Rwanda also increased to 1.8% in May 2018 from -0.1% the previous month. This was mainly driven by a rebound in prices for alcoholic beverages & tobacco (1.6% in May from -0.1% in April) and miscellaneous goods & services (0.2% in May from -0.7% in April). Table 10 depicts Inflation rates in the EAC region from January to May 2018.

**Table 10: Headline Inflation for EAC Partner States (%)**

	Jan'18	Feb' 18	Mar'18	Apr'18	May'18
Burundi	6.1	-1.3	-2.6	-1.7	N/A <sup>11</sup>
Kenya	4.8	4.46	4.2	3.7	3.95
Rwanda	0.1	-1.3	-1.4	-0.1	1.8
South Sudan	125	112.7	161.2	N/A	N/A
Tanzania	4	4.1	3.9	3.8	3.6
Uganda	3	2.1	2	1.8	1.7

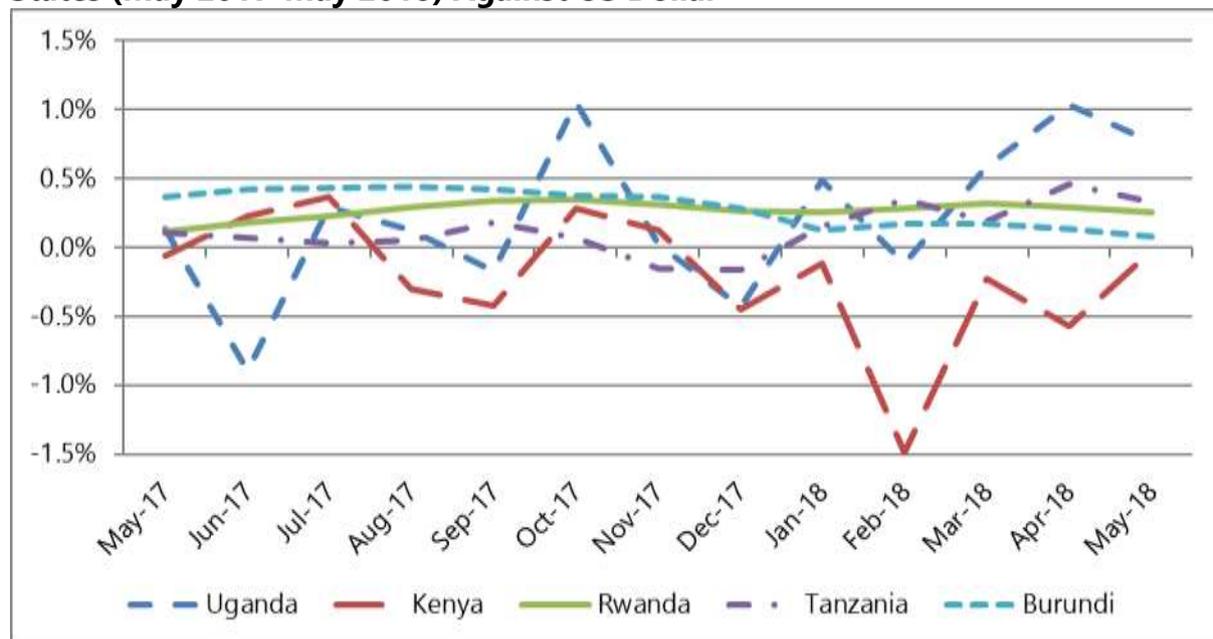
Source: Respective Bureaux of Statistics

### Exchange Rates among EAC Partner States

In the month of May 2018, all the EAC Partner States' currencies depreciated against the US Dollar with the exception of the Kenya Shilling which slightly appreciated by 0.02%. The Tanzanian Shilling, Ugandan Shilling, Rwandese Franc and Burundi Franc posted depreciations of 0.3%, 0.8%, 0.3%, and 0.1% respectively. Figure 10 shows the percentage changes in exchange rates against the USD among selected EAC Partner States from May 2017 to May 2018.

<sup>11</sup> NA stands for Data was not yet available at the time of compiling this report

**Figure 10: Percentage Changes in Exchange Rates for Selected EAC Partner States (May 2017-May 2018) Against US Dollar<sup>12</sup>**



Source: Bank of Uganda

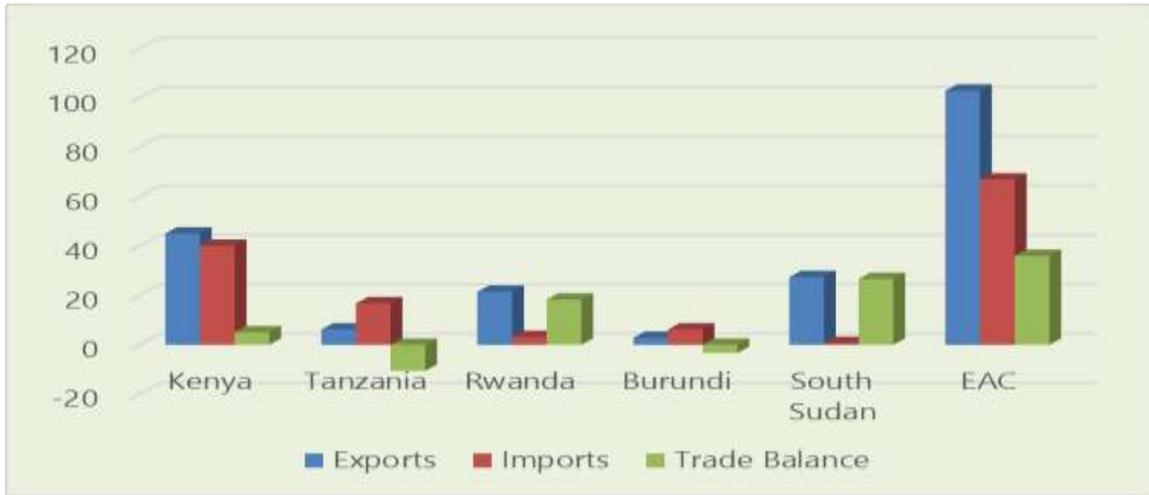
### Trade balance with EAC Partner States

During the month of April 2018, Uganda traded at a surplus with all EAC Partner States save for Tanzania and Burundi. Within the region, Kenya was the main destination of Uganda’s exports and, was also the main source of Uganda’s imports. South Sudan was the second largest market for Uganda’s exports in the region while Tanzania was the second largest source of imports.

Overall, Uganda traded at a surplus with all EAC Partner States combined. Figure 11 shows Uganda’s trade with EAC Partner States.

**Figure 11: Trade Balance with EAC Partner States in US\$ millions (April, 2018)**

<sup>12</sup> Positive change means a depreciation, while a negative change means an appreciation



Source: Bank of Uganda

## Annex 1: Selected Indicators

	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	May-18
<b>Real Sector</b>														
<b>Inflation (Annual %)</b>														
Headline: (Base: 2009/10 = 100)	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	1.7
Core: (Base: 2009/10 = 100)	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	1.1
Food Crops	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	-0.2
Energy, Fuel and Utilities	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	10.3
Business Tendency Indicator	54.93	55.47	56.24	57.13	57.93	58.45	58.60	58.39	57.92	57.39	56.93	56.50	56.09	55.74
Composite Index of Economic Activity	203.7	204.9	205.8	206.6	207.5	208.4	209.4	210.3	211.1	211.7	212.1	212.5	212.9	
<b>Financial Sector</b>														
<b>Private sector credit (Shs billion)</b>														
PSC growth rate	0.6%	-0.1%	1.3%	0.4%	0.5%	1.0%	1.8%	0.1%	2.0%	-1.3%	-0.2%	1.5%	0.8%	
<b>Exchange Rate (Shs/US\$)</b>														
Period Average	3,618.7	3,623.6	3,591.1	3,601.5	3,606.0	3,599.9	3,637.9	3,638.9	3,623.3	3,640.1	3,637.6	3,660.1	3,697.2	3,726.8
<b>Interest Rates(% )</b>														
Central Bank Rate	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	9.0
Lending Rate	20.52	21.04	21.11	20.88	22.29	20.89	18.97	21.42	20.28	20.26	21.10	20.10	20.03	
91-day Treasury Bill Yield	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	8.8
364-day Treasury Bill Yield	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	10.1
<b>External Sector (US\$ million)</b>														
<b>Trade Balance</b>														
Total Exports of Goods (fob)	259.46	309.70	277.63	276.30	259.47	252.81	287.63	301.43	312.65	337.45	276.95	299.05	264.61	
Total Imports (fob)	392.58	437.78	434.53	372.95	399.14	477.39	489.23	471.33	454.26	438.28	473.80	458.14	480.45	
<b>Fiscal Sector (Shs Billion)</b>														
<b>Revenues and Grants</b>														
Revenues	992	1,075	1,470	964.9	1,072.5	1,149.0	1,081.1	1,141.8	1,515.9	1,200.9	1,161.3	1,200.2	1,080.5	1,204.3
URA	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	1,125.4	1,163.6	1,045.5	1,167.6
Non-URA	50.7	34.2	36.0	45.0	38.3	34.9	35.2	42.5	28.1	59.9	35.9	36.7	35.1	36.8
Oil Revenue	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	0.0
Grants	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	21.3
Expenditure and Lending	1,206.6	1,650.0	1,941.3	1,341.6	1,870.3	1,559.0	2,014.2	1,677.7	1,571.4	1,784.4	1,266.9	1,153.8	1,783.4	1,807.8
Overall Fiscal Balance (incl.Grants)	(181.1)	(425.7)	(416.3)	(328.9)	(769.3)	(371.9)	(795.8)	(518.1)	97.8	(506.5)	7.9	61.6	(688.0)	(582.1)
Net Government Borrowing	154.0	(2.0)	(412.0)	198.2	133.9	58.4	52.3	115.0	27.2	167.7	(11.4)	15.93	263.5	238.4

Source: MFPED, UBOS,

