



PERFORMANCE OF THE ECONOMY

JULY 2018

MACROECONOMIC POLICY DEPARTMENT

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

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Table of Contents

LIST OF ACRONYMS.....	iii
Key Highlights	iv
REAL SECTOR DEVELOPMENTS	1
Inflation	1
Indices of Economic Activity.....	2
FINANCIAL SECTOR DEVELOPMENTS.....	4
Exchange Rate Movements	4
Interest Rate Movements	5
Lending to the Private Sector	6
Government securities.....	8
Yields on Treasury Bills	8
EXTERNAL SECTOR DEVELOPMENTS	10
Merchandise trade deficit.....	10
Merchandise Exports.....	10
Merchandise Imports	12
FISCAL SECTOR DEVELOPMENTS	14
Domestic Revenues	15
Total Expenditure.....	15
DEVELOPMENTS WITHIN THE EAC REGION.....	16
Inflation Rates.....	16
Exchange Rates.....	16
Uganda’s Trade balance with the EAC Partner States	18

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 increased to 3.1 percent in July 2018 compared to 2.1 percent in June 2018. The rise was largely driven by higher Core and Energy, Fuel & Utilities (EFU) Inflation.

Economic activity: During the month, economic activity continued to improve as indicated by the CIEA and BTI. The Composite Index of Economic Activity (CIEA) increased by 0.6 percent from 215.3 in May 2018 to 216.6 in June 2018, reflecting continued improvement in economic activity.

Investors' sentiments about doing business in Uganda for the next three months remain positive as illustrated by the Business Tendency Index of 55.66 in July 2018 which is above the threshold of 50.

Exchange rate: During July 2018, the shilling appreciated against the US Dollar by 2.1 percent to a monthly average of UShs 3,760.4/US\$ from UShs 3,840.5/US\$ in June 2018. This appreciation was mainly attributed to increased inflows from offshore players, donors and NGOs which out matched the demand for the US Dollar from the oil, manufacturing and telecom sectors.

Lending rates: Commercial bank lending rates reduced from 20.20 percent in May to 17.68 percent in June 2018. This reduction is partly explained by the lagged effect of monetary policy easing by BOU in the preceding months.

Yields on Treasury Bills: Yields edged upwards across all tenors. The average weighted yields to maturity for July 2018 were 10.5 percent, 12.0 percent, and 14.5 percent for the 91, 182 and 364 day tenors respectively. This compares with 9.8 percent, 11.0 percent, and 12.6 percent in June 2018.

Private Sector Credit: The stock of outstanding private sector credit¹ increased by 2.8 percent from US\$ 12,979 billion in May 2018, to US\$ 13,336.9 billion in June 2018

Merchandise Trade Balance: The merchandise trade deficit deteriorated by 44.4 percent in June 2018 to USD 190.7 million from USD 132 million recorded in May 2018. The deterioration of the deficit is on account of a decline in the country's export receipts mainly due to reduction in export volumes, coupled with an increase in the import bill.

Fiscal Operations: Government operations during July resulted into a fiscal deficit of Shs. 670.3 billion which was lower than the projected deficit of Shs. 1,353.8 billion. This was majorly on account of lower than projected spending on domestic and externally financed projects.

¹ Data on private sector credit has a lag of one month

REAL SECTOR DEVELOPMENTS

Inflation

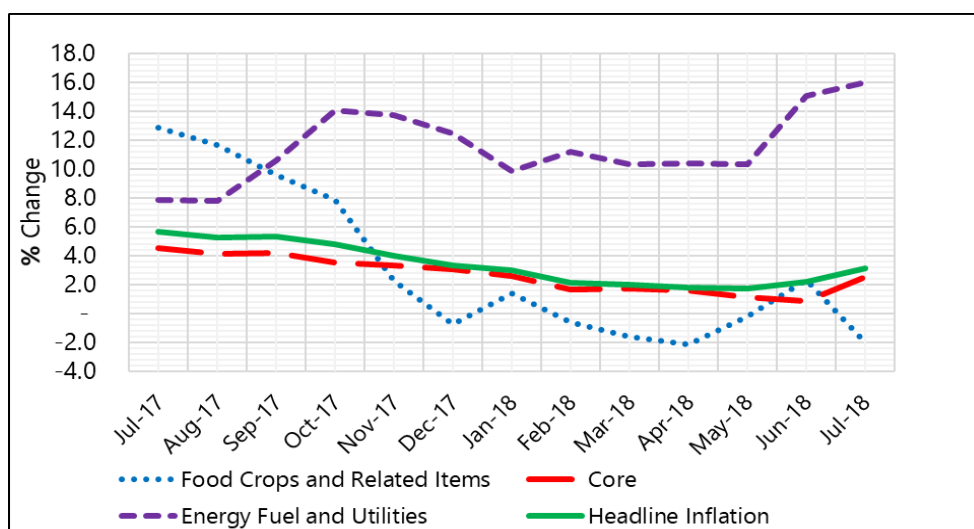
Annual Headline Inflation was recorded at 3.1 percent in July 2018 compared to 2.1 percent in June 2018. The increase was largely driven by higher Core and Energy, Fuel and Utilities (EFU) Inflation.

Annual Core Inflation increased to 2.3 percent in July 2018 from 0.8 percent in June 2018, mainly due to higher prices of transport and communication services (from minus 14.4 percent and 8 percent in June 2018 to 5.4 percent and 12.1 percent in July 2018 respectively). Other Goods Inflation (which includes bread, cereals, sugar among others) also increased from 0.3 percent in June 2018 to 1.5 percent in the year ending July 2018.

Similarly, annual EFU inflation increased from 15.1 percent in June 2018 to 16 percent in July 2018. This was attributed to a higher rate of price increases of petrol and diesel which rose by 15.0 percent and 21.4 percent in July compared to 11.6 percent and 16.2 percent in June 2018 respectively. The rise in prices of liquid energy fuels is explained in part by an increase in excise duty on fuel during FY 2018/19 as well as the rising prices of oil on the global market.

However, there was a reduction in Food Crop Inflation from 2.3 percent in June 2018 to minus 2 percent in July 2018. This decline was attributed to a reduction in prices of fruits and vegetables due to increase in their supply to the market. Figure 1 shows the trends in Annual Inflation from July 2017 to July 2018.

Figure 1: Annual Inflation Rates (July 2017 – July 2018)



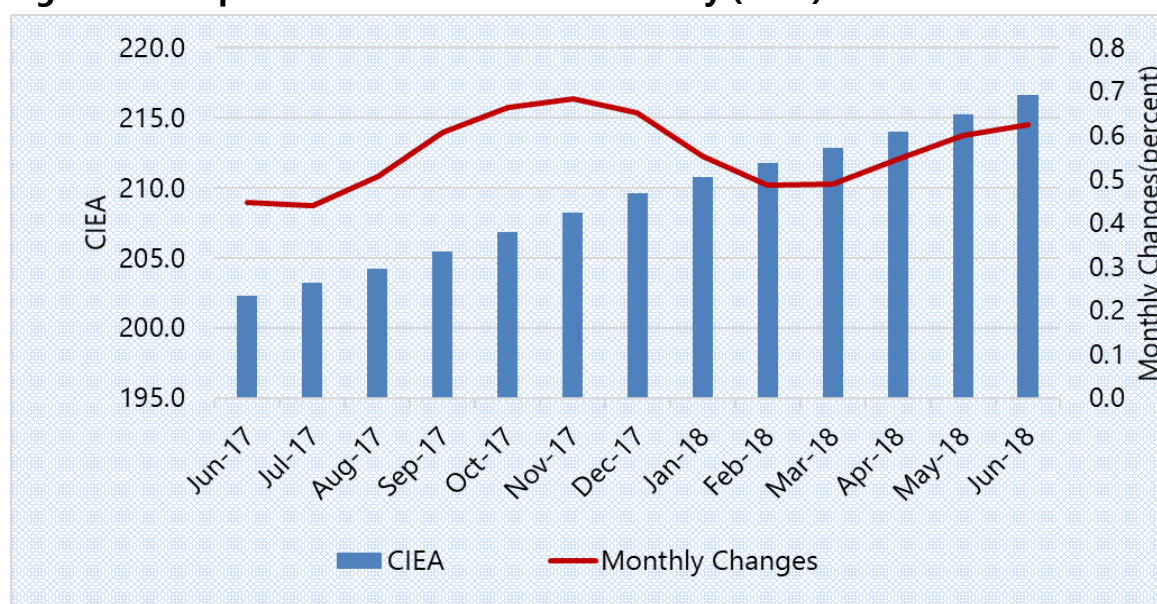
Source: Uganda Bureau of Statistics

Economic Activity

Composite Index of Economic Activity (CIEA)

Economic activity continued to improve as indicated by the performance of the CIEA² and BTI. The CIEA³ which captures the monthly changes in economic activity recorded growth of 0.6 percent from 215.3 in May 2018 to 216.6 in June 2018 partly attributed to growth in private sector credit. Figure 2 shows the trends in CIEA from June 2017 to June 2018.

Figure 2: Composite Index of Economic Activity (CIEA)



Source: Bank of Uganda

Business Tendency Index (BTI)⁴

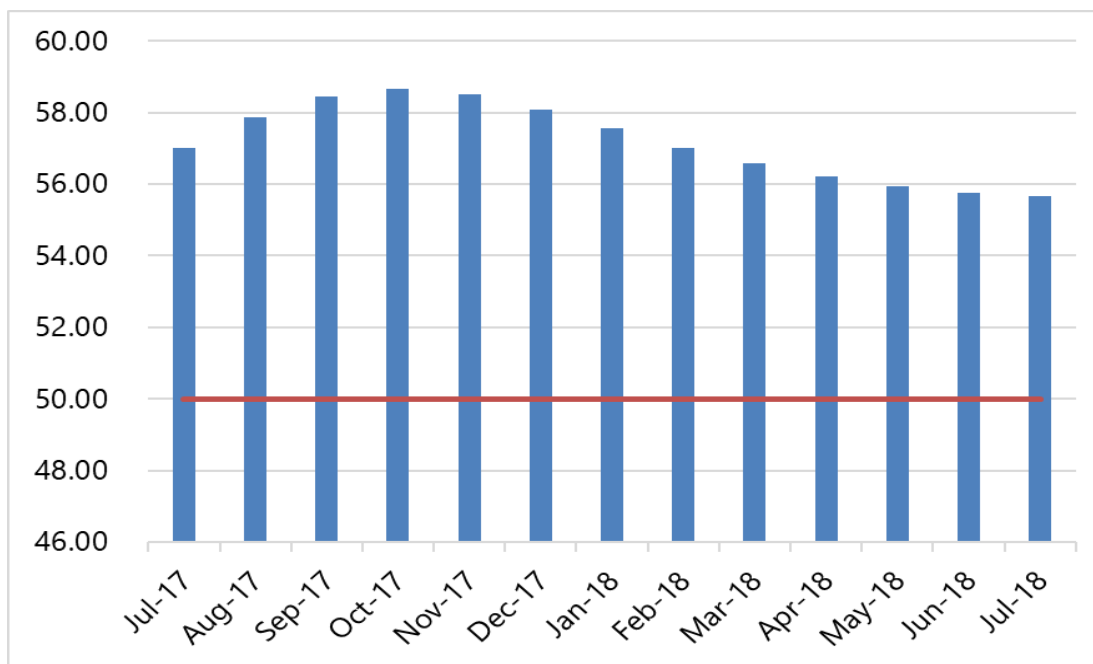
Investors' sentiments about doing business in Uganda remain positive as illustrated by a BTI of 55.66 in July 2018 above the threshold of 50. Investors were most optimistic about prospects in the Agriculture sector during the month. Figure 3 depicts trends in BTI from July 2017 to July 2018.

²CIEA 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.

³ Data on CIEA is produced with one-month lag

⁴ 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).

Figure 3: Business Tendency Index (BTI)



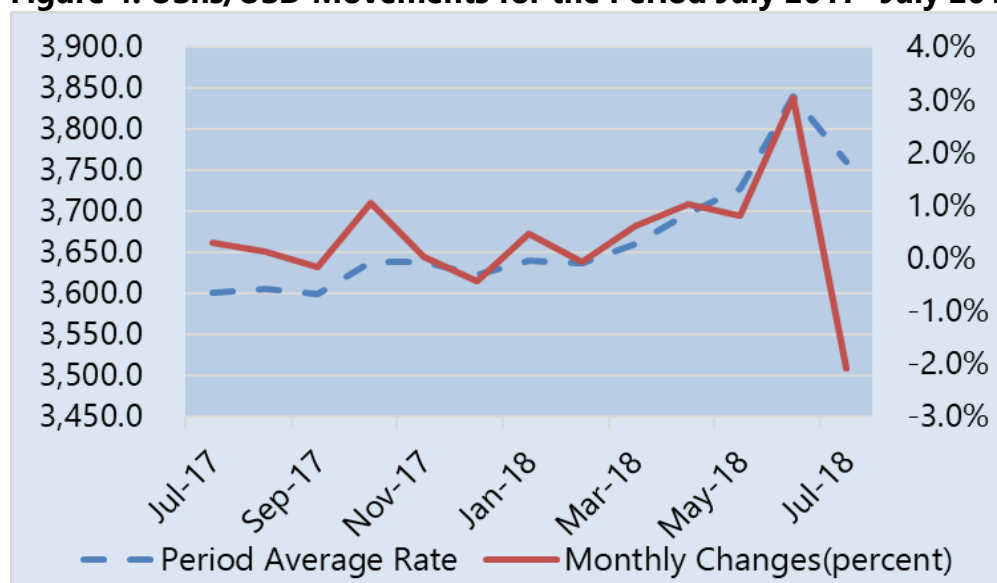
Source: Bank of Uganda

FINANCIAL SECTOR DEVELOPMENTS

Exchange Rate Movements

The Uganda shilling appreciated against the US Dollar by 2.1 percent to an average rate of UShs 3,760.4/US\$ in July 2018 from UShs 3,840.5/US\$ in June 2018. Similarly, within the month, the shilling appreciated by 4.6 percent having opened the month at UShs 3,878.7/US\$ and closing at UShs 3,701.4/US\$. This appreciation is partly attributed to increased inflows from offshore players, donors and Non-Governmental Organisations (NGOs) which out matched the demand for the US Dollar from the oil, manufacturing and telecom sectors. The increased demand from off-shore players was due to an increase in interest on government securities. Figure 4 shows exchange rate movements from July 2017 to July 2018.

Figure 4: UShs/USD Movements for the Period July 2017- July 2018



Source: Bank of Uganda (*A reduction represents an appreciation and an increase represents a depreciation*)

The shilling also gained value against other major currencies during the month of July 2018. The shilling registered an appreciation of 2.1 percent and 3.0 percent against the Euro and Pound Sterling respectively. The Euro traded at an average of UShs 4,493.36 whereas the Pound Sterling traded at an average of UShs 4,950.95 in July 2018 compared to UShs 4,486.34 and UShs. 5,103.18 in June 2018 respectively.

Table 1 shows the exchange rate movements of the Uganda Shilling against major currencies from January to July 2018.

Table 1: The Shilling versus Major Foreign Currencies

	Jan-18	Feb-18	Mar-18	Apr-18	May-18	Jun-18	Jul-18
Ushs/US\$	3640.8	3636.5	3658.1	3695.9	3726.3	3840.5	3760.44
Rate of change	0.5%	-0.1%	0.6%	1.0%	0.8%	3.0%	-2.1%
Ushs/EUR	4431.9	4492.5	4509.1	4541.5	4405.1	4486.3	4393.4
Rate of change	3.3%	1.4%	0.4%	0.7%	-3.0%	1.9%	-2.1%
Ushs/GBP	5021.2	5083.3	5107.7	5209.3	5015.8	5103.2	4951
Rate of change	3.4%	1.2%	0.5%	2.0%	-3.7%	1.8%	-3.0%

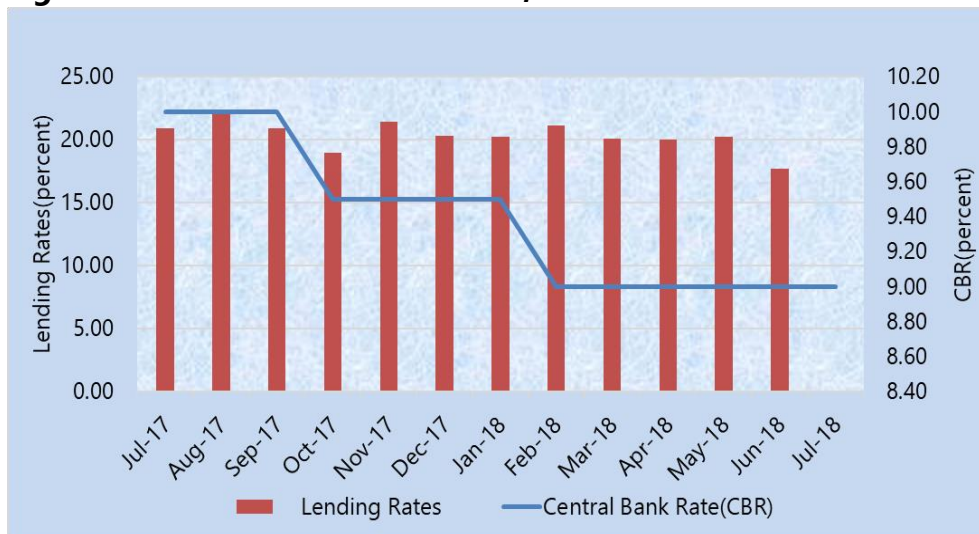
Source: Bank of Uganda

Interest Rate Movements

The Central Bank Rate remained unchanged at 9.0% in July 2018. Commercial bank lending rates⁵ reduced from 20.20 percent in May 2018 to 17.68 percent in June 2018. This reduction is partly explained by the lagged effect of monetary easing by Bank of Uganda in the preceding months, as well as the reduction in the risk averseness of commercial banks due to reduction of the ratio of Non-Performing Loans to total gross loans, which dropped from 5.63 percent in December 2017 to 5.3 percent in March 2018. Figure 5 shows the trend of lending rates for the period June 2017 to June 2018.

⁵Data on lending rates has a lag of one month

Figure 5: Interest Rate Movements, June 2017 - June 2018

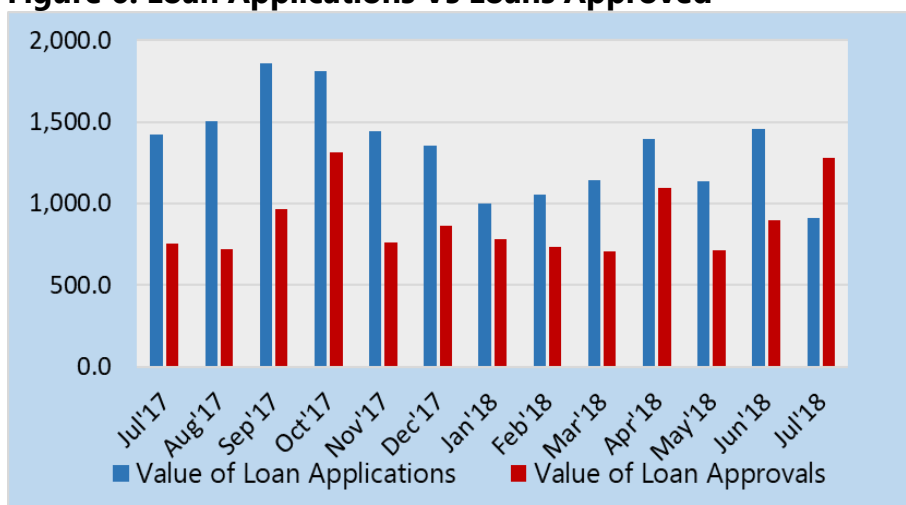


Source: Bank of Uganda

Lending to the Private Sector

The stock of outstanding private sector credit⁶ increased by 2.8 percent from US\$. 12,979 billion in May 2018 to US\$. 13,336.9 billion in June 2018. Likewise, the value of loans approved in June 2018 increased by 42.6 percent to US\$. 1,278 billion from US\$. 896.5 billion in May 2018. This growth in the value of loan approvals is partly explained by reduced risk averseness following reduction in non-performing loans. Figure 6 shows the value of loans approved vis-à-vis value of loan applications from June 2017 to June 2018.

Figure 6: Loan Applications Vs Loans Approved

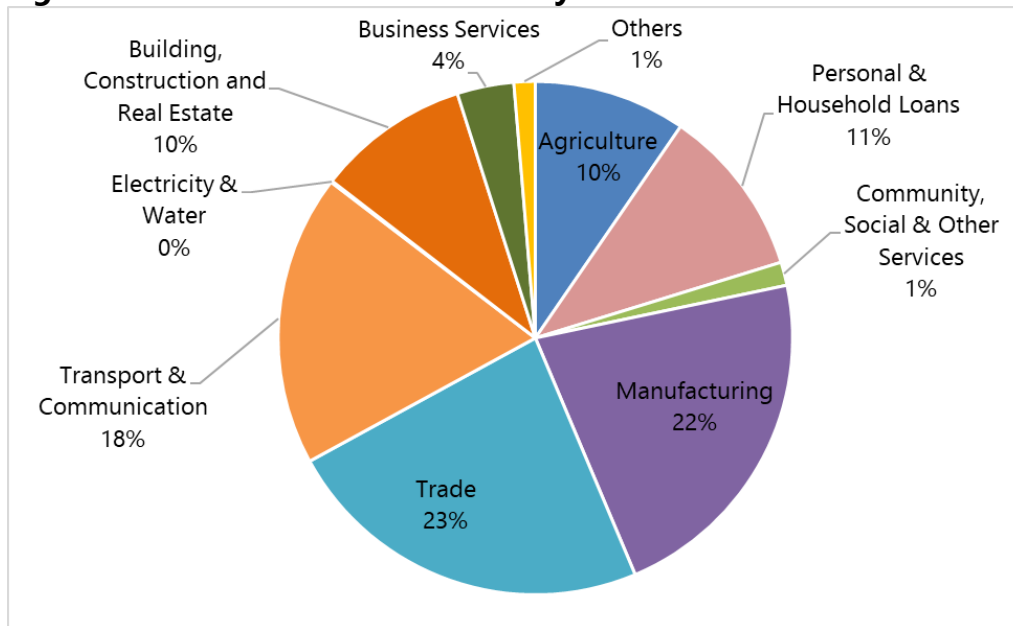


Source: Bank of Uganda

⁶ Data on private sector credit has a lag of one month

By sector, trade received the largest share of credit at 23 percent in the month of June 2018. Other notable recipients of credit were: manufacturing (22 percent); transport & communication (18 percent); personal & household loans (11 percent); building, construction & real estate (10 percent); and agriculture (10 percent). Figure 7 maps the share of the credit extension by sector in June.

Figure 7: Share of Credit Extension by Sector



Source: Bank of Uganda

Trade registered the most significant growth (15.67percent) in flow of credit during the month of June 2018. In addition, there was strong growth in credit extended to the manufacturing sector (15.13percent), Transport and Communication sector (11.25percent), and Mining and Quarrying (10.32percent) over the same period. On the other hand, the value of credit extended to community, social and other services declined in June 2018. Table 2 shows credit flow to each sector for June 2017, May 2018, and June 2018 as well as the monthly growth rates.

Table 2: Credit Extension by Sector (Billion Shillings)

	Jun-17	May-18	Jun-18	Jun-18 Vs May-18	Jun-18 Vs Jun-17
Agriculture	571,773	762,389	764,534	0.28%	33.71%
Mining & Quarrying	26,653	31,671	34,940	10.32%	31.09%
Manufacturing	560,280	533,020	613,669	15.13%	9.53%
Trade	1,219,679	1,365,937	1,580,001	15.67%	29.54%
Transport & Communication	425,578	399,365	444,305	11.25%	4.40%
Electricity & Water	41,492	114,663	122,396	6.74%	194.99%
Building, Mortgage, Construction & Real Estate	1,176,323	1,299,430	1,311,099	0.90%	11.46%
Business Services	295,092	319,722	333,031	4.16%	12.86%
Community, Social & Other Services	247,959	288,723	287,476	-0.43%	15.94%
Personal Loans & Household Loans	1,970,938	2,224,055	2,249,690	1.15%	14.14%
Other Services	58,646	38,164	39,057	2.34%	-33.40%
Total	6,594,412	7,377,140	7,780,197	5.46%	17.98%

Source: Bank of Uganda

Government securities

During the month of July 2018, there were two T-Bill auctions and one T-Bond auction in the primary market. Shs 385 billion (at cost) was raised, of which Shs 203.7 billion was from T-Bills and Shs 181.3 billion was from T-bonds. Of this, Shs 299.3 billion was used for the refinancing of maturing debt whilst Shs 85.7 billion went towards financing other activities in the Government budget. Table 3 shows the breakdown of Government Securities in July 2018.

Table 3: Breakdown of Government Securities in July 2018, Billion Shillings

	Total Issuances	Government Domestic Borrowing	Refinancing
July 2018	385	85.7	299.3

Source: Bank of Uganda

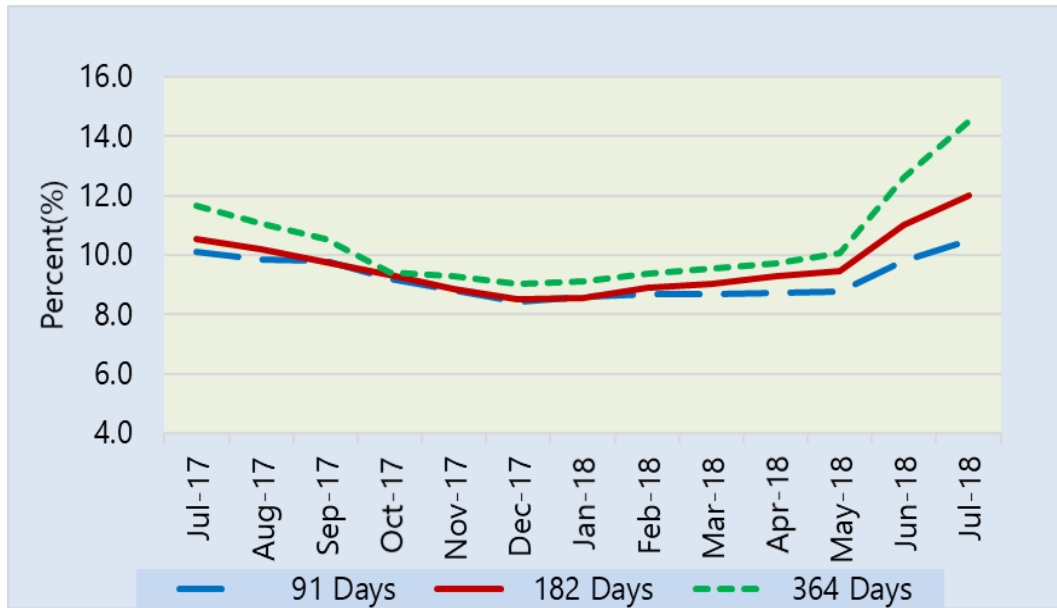
Yields on Treasury Bills

Yields edged upwards across all tenors mainly due to high demand. The average weighted yields to maturity for July were 10.5 percent, 12.0 percent, and 14.5 percent for the 91, 182 and 364 day tenors respectively. This compares with 9.8 percent, 11.0 percent, and 12.6 percent in June 2018. The average bid to cover ratio ⁷for the month

⁷ 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

was 1.2 a decline from 1.4 registered the previous month. All auctions were oversubscribed save for the 364-day tenor that was undersubscribed in one auction. During the month, some bids were rejected due to very high yields. Figure 8 illustrates the movement of Treasury bill yields on the primary market since May 2017.

Figure 8: Movement of Treasury Bill Yields



Source: Bank of Uganda

than 1 means the auction is under subscribed and a ratio greater than 1 means that the auction is over subscribed.

EXTERNAL SECTOR DEVELOPMENTS⁸

Merchandise trade deficit

The merchandise trade deficit deteriorated by 44.4 percent in June 2018 to USD 190.7 million from USD 132 million recorded in May 2018. The deterioration of the deficit is on account of a decline in the country's export receipts, coupled with an increase in the import bill.

Compared to June 2017, the merchandise trade deficit widened by 21.5 percent from USD 156.9 million to USD 190.7 million in June 2018

Merchandise Exports

Export earnings increased on an annual basis but declined on a monthly basis. The total value of exports declined by 7.9 percent to USD 296.33 million from USD 321.58 million recorded in May 2018. The decline in exports is mainly attributed to the fall in the value of gold, maize, beans, base metals and coffee following a drop in their respective volumes save for coffee. The fall in the value of coffee is explained by a drop in the international coffee price. Table 4 shows the composition of exports.

Table 4: Composition of exports (Million US\$)

	Jun-17	May-18	Jun-18	May'18 Vs June'18 Percent Change	June'17 Vs June'18 Percent Change
Total Exports	277.63	321.58	296.33	-7.9%	6.7%
1. Coffee (Value)	49.59	34.13	33.60	-1.6%	-32.3%
Volume (60-Kg bags)	430,565	319,035	320,339	0.4%	-25.6%
Av. unit value	1.92	1.78	1.75	-2.0%	-8.9%
2. Non-Coffee formal exports	188.06	238.11	214.70	-9.8%	14.2%
o/w Gold	25.49	39.55	28.51	-27.9%	11.8%
Tea	6.28	9.11	9.02	-1.0%	43.6%
Fish & its prod. (excl. regional)	12.35	15.93	16.07	0.9%	30.2%

⁸ Data on the external sector has a lag of one month

Maize	8.02	15.53	11.86	-23.6%	47.8%
Beans	9.79	15.24	13.39	-12.2%	36.8%
Flowers	5.86	6.06	6.22	2.6%	6.1%
Base Metals & Products	9.01	12.07	9.56	-20.8%	6.0%
3. ICBT Exports	39.97	49.34	48.03	-2.7%	20.2%

Source: Bank of Uganda

Compared to June 2017, export receipts grew by 6.7percent from USD 277.63 million to USD 296.33 million in June 2018. This is mainly explained by the higher earnings of gold, tea, maize, beans, fish & its products. Nevertheless, coffee earnings fell by 32.3percent following a drop in both its volume and the international coffee prices. Coffee volumes fell by 25.6percent whereas the price declined by 8.9percent.

Cumulatively, coffee exports for FY 2017/18 totalled 4,458,558 (60 kg) bags worth USD 492.47 million compared to 4,188,170 (60 kg) bags worth USD 490.41 million in FY 2016/17.

Destination of exports

During the month of June 2018, the East African Community remained the major destination for Uganda's exports accounting for 46.3percent of total exports, followed by the Rest of Africa (18.6percent), and the European Union (14.2percent). Exports to the EAC region grew by 28.1percent from USD 107.10 million in June 2017 to USD 137.24 million in June 2018. Exports to all EAC Partner States registered increases except Burundi. Table 5 shows the destination of exports.

Table 5: Destination of exports

	Jun-17	May-18	Jun-18
European Union	17.1%	13.7%	14.2%
Rest of Europe	1.1%	1.1%	0.7%
The Americas	3.6%	1.4%	1.4%
Middle East	11.0%	14.2%	12.3%
Asia	6.1%	5.4%	6.5%
EAC	38.6%	47.1%	46.3%
Rest of Africa	22.6%	17.0%	18.6%
Others⁹	0.04%	0.09%	0.02%

⁹ Others include Australia, Iceland

Source: Bank of Uganda

Merchandise Imports

Merchandise worth US\$ 486.98 million was imported during the month of June 2018, registering an increase of 7.4 percent from the previous month. The increase was majorly driven by a rise in the value of Government imports, which more than doubled during the month. Higher import volumes during the month (up 6percent), contributed to the increase in the value of imports (Bank of Uganda).

The value of merchandise imports in June 2018 was higher by US\$ 52.5 million compared to the same period the previous year. This increase is mainly attributed to a 17.4 percent increase in private sector imports that more than offset the 37.6 percent decline in Government imports. The hike in oil prices and higher import volumes¹⁰ contributed to the increase in the value of private sector imports. Table 6 shows the performance of imports.

Table 6: Merchandise Imports (US\$ Millions)

	Jun-17	May-18	Jun-18	May'18 Vs Jun'18 Percentage Change	Jun'18 Vs Jun'17 Percentage Change
Total Imports (fob)	434.53	453.61	486.98	7.4%	12.1%
Government Imports	38.17	11.05	23.82	115.6%	-37.6%
Project	34.76	11.05	23.22	110.1%	-33.2%
Non-Project	3.41	0.00	0.60	N.A	-82.3%
Formal Private Sector Imports	370.91	406.36	435.53	7.2%	17.4%
Oil imports	66.17	89.66	102.41	14.2%	54.8%

¹⁰ Change over same period the previous year: -Oil import price index increased by 55.2% (BOU)
- Import volume index increased by 8% (BOU)

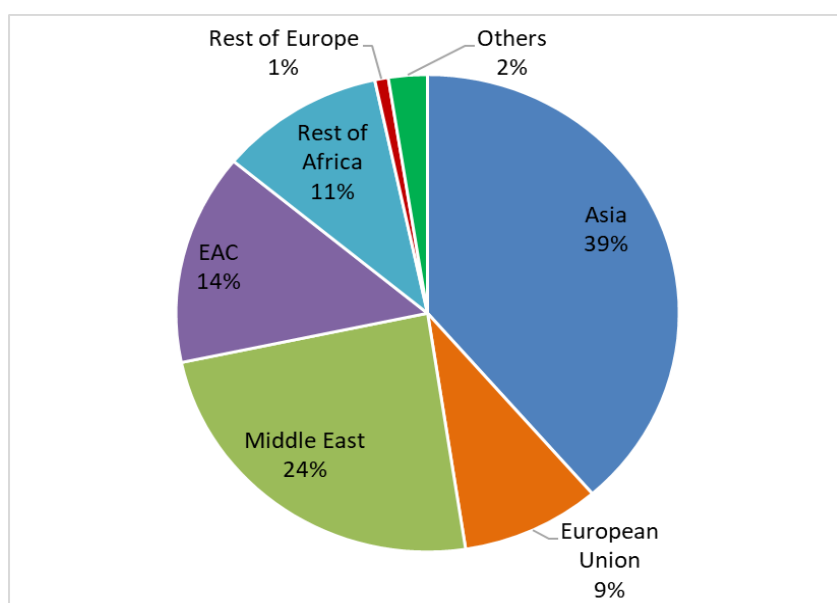
Non-oil imports	304.75	316.70	333.12	5.2%	9.3%
Estimated Private Sector Imports	25.45	36.20	27.63	-23.7%	8.6%
Total Private Sector Imports	396.36	442.56	463.16	4.7%	16.9%

Source: Bank of Uganda

Origin of Imports

Asia remained the biggest source of imports, contributing 39 percent of the total merchandise imported in June, 2018. Middle East and EAC contributed 24 percent and 14 percent of the total imports respectively, making them the second and third largest sources. Of the imports from Asia, 75 percent were sourced from India, China and Japan while Kenya and Tanzania contributed 90 percent of the imports sourced from EAC.

Figure 9: Origin of Imports by percentage share



Source: Bank of Uganda

FISCAL SECTOR DEVELOPMENTS

Overview

Preliminary data for the month of July 2018 show that the overall fiscal operations resulted into a deficit of Shs. 670.3 billion which was lower than the projected deficit of Shs. 1,353.8 billion.

Total expenditure for the month amounted to Shs. 1,866.8 billion, falling short of the program by Shs. 725.8 billion. This performance was majorly on account of lower than projected spending on domestic and externally financed projects.

Revenue and grants amounted to Shs. 1,196.6 billion registering a shortfall of Shs. 42.3 billion against the target for the month. This shortfall resulted from lower than anticipated inflows of grants which more than offset the surplus of Shs. 35.8 billion in domestic revenues. Table 7 shows a summary statement of fiscal operations performance for July 2018.

Table 7: Government fiscal operations for July 2018

	Outturn July'17	Plan July'18	Prel Outturn July'18	Performance July'18	Deviation July'18
Revenues and Grants	993.7	1,238.9	1,196.6	96.6%	(42.3)
Revenues	945.9	1,123.8	1,159.5	103.2%	35.8
Tax	919.8	1,090.2	1,124.5	103.1%	34.3
Non-Tax	26.1	33.5	35.0	104.4%	1.5
Grants	47.8	115.1	37.0	32.2%	(78.1)
Budget Support	2.1	-	-	-	-
Project Support	45.7	115.1	37.0	32.2%	(78.1)
Expenditure and Lending	1,339.0	2,592.6	1,866.8	72.0%	(725.8)
Current Expenditures	868.1	1,155.8	1,104.7	95.6%	(51.1)
Wages and Salaries	276.2	334.3	337.4	100.9%	3.1
Interest Payments	161.1	256.8	215.1	83.8%	(41.7)
Domestic	117.5	198.5	162.3	81.8%	(36.2)
External	43.6	58.3	52.7	90.5%	(5.5)
Other Recurr. Expenditures	430.9	564.8	552.3	97.8%	(12.5)
Development Expenditures	453.7	1,408.3	667.9	47.4%	(740.3)
Domestic	234.0	702.6	553.3	78.7%	(149.4)
External	219.7	705.6	114.7	16.2%	(591.0)
Net Lending/Repayments	-	25.3	8.8	34.8%	(16.5)
o/w HPP GoU	-	9.2	8.8	95.7%	(0.4)
o/w HPP Exim	-	16.1	-	-	(16.1)
Domestic Arrears Repayment	17.1	3.3	85.4	2584.7%	82.1
Overall Fiscal Bal. (incl. Grants)	(345.3)	(1,353.8)	(670.3)		

Source: Ministry of Finance, Planning and Economic Development

Domestic Revenues

Domestic revenue collections during July amounted to Shs. 1,159.5 billion posting a surplus of Shs. 35.8 billion against the programmed target as both tax and non-tax revenues performed above their respective targets. This performance registered a 25percent increment when compared to July 2017.

Tax revenue collections amounted to Shs. 1,124.5 billion attaining a surplus of Shs. 34.3 billion against the projected target. This extra revenue resulted from direct domestic tax and taxes on international trade which registered surpluses of Shs. 3.9 billion and Shs. 30.4 billion respectively.

The performance in direct taxes was partly due to salary increments for some public officers which resulted into higher than anticipated PAYE remittances from Government. The surplus in international trade taxes during the month was partly due to higher than anticipated dutiable imports.

Non-tax revenues amounted to Shs 35.0 billion posting a surplus of Shs. 1.5 billion against the programmed target.

Total Expenditure

Government expenditure during the month amounted to Shs. 1,866.8 billion, an equivalent of 72.0 percent of the projected expenditure level. This performance was mainly attributed to lower than anticipated spending on interest payments and development expenditure which performed at 83.3 percent and 47.4 percent respectively against their programmed spending levels for the month. However, wages and salaries payments were close to target as they amounted to Shs. 337.4 billion exceeding the programmed level by Shs. 3.1 billion.

Development expenditure amounted to Shs. 667.9billion against the target of Shs. 1,408.3 billion. This performance was mainly attributed to lower than projected disbursements in externally financed projects. Preliminary outturns show a performance of only 16.2 percent of the target for the month.

DEVELOPMENTS WITHIN THE EAC REGION

Inflation Rates

Kenya's annual headline inflation rose to 4.4 percent in July 2018 from a 4.3 percent in June 2018, reaching its highest level since February 2018. The rise was due to higher increases in prices of housing & utilities (14.4 percent compared to 14.2 percent in June 2018) and transport (8.5 percent compared to 7.5 percent in June 2018).

On the contrary, Tanzania's and Rwanda's inflation dropped to 3.3 percent and 0.6 percent in July from 3.4 percent and 1.4 percent in June 2018, respectively. The slight reduction for Tanzania inflation was majorly attributed to lower price increases for food and non-alcoholic beverages due to increased supply of some food items like maize flour, rice, fruits, vegetables, cassava among others.

Rwanda's inflation dropped mainly due to reduction in prices of food and non-alcoholic beverages from -3.7 percent in June to -5.7 percent in July 2018. Table 8 details headline inflation rates for EAC partner states in 2018.

Table 8: Headline Inflation Rate for EAC Partner States (Percent), 2018

	Jan'18	Feb'18	Mar'18	Apr'18	May'18	Jun'18	Jul'18
Uganda	3.0	2.1	2.0	1.8	1.7	2.2	3.1
Kenya	4.8	4.5	4.2	3.7	4.0	4.3	4.4
Tanzania	4.0	4.1	3.9	3.8	3.6	3.4	3.3
Rwanda	0.1	-1.3	-1.4	-0.1	1.8	1.4	0.6
Burundi	6.1	-1.3	-2.6	-1.7	-1.3	-1.0	N.A
South Sudan	125.0	112.7	161.2	186.6	83.9	88.5	122.9

Source: Respective Bureaux of statistics

Exchange Rates

Considering monthly averages, all EAC Partner States' currencies were fairly stable against the US dollar in July 2018; with the exception of the Ugandan shilling which

greatly appreciated in July 2018 having moved from a high depreciation rate in June 2018.

Within the EAC region, only the Uganda and Kenyan shillings gained value against the US dollar during the month, registering appreciation rates of 2.1 percent and 0.4 percent respectively compared to the previous month. The appreciation of the Ugandan shilling was partly explained by an influx of off-shore players attracted by increases in interest rates on government securities.

The Burundi franc and Rwandese franc depreciated at 0.1 percent and 0.3 percent respectively as in the previous month; while the Tanzania shilling depreciated at 0.1 percent. Table 9 details the exchange rates of selected EAC Partner States' currencies against the US dollar and their monthly percentage changes for the last seven months.

Table 9 Exchange rates and monthly percentage changes for selected EAC partner states currencies against the US Dollar (2018).

	Jan'18	Feb'18	Mar'18	Apr'18	May'18	June'18	July'18
UGX/USD	3,640.1	3,637.6	3,660.1	3,697.2	3,726.8	3,840.5	3,760.4
%age change	0.5%	-0.1%	0.6%	1.0%	0.8%	3.0%	-2.1%
KSH/USD	102.9	101.4	101.2	100.6	100.7	101.0	100.7
%age change	-0.1%	-1.5%	-0.2%	-0.6%	0.1%	0.4%	-0.4%
TSH/USD	2,246.0	2,253.8	2,258.0	2,269.0	2,276.0	2,276.3	2,279.4
%age change	0.2%	0.4%	0.2%	0.5%	0.3%	0.0%	0.1%
B.Franc/USD	1,767.8	1,770.9	1,774.0	1,776.3	1,777.7	1,778.8	1,780.3
%age change	0.1%	0.2%	0.2%	0.1%	0.1%	0.1%	0.1%
R.Franc/USD	846.3	848.7	851.5	853.9	856.0	858.5	861.2
%age change	0.3%	0.3%	0.3%	0.3%	0.3%	0.3%	0.3%

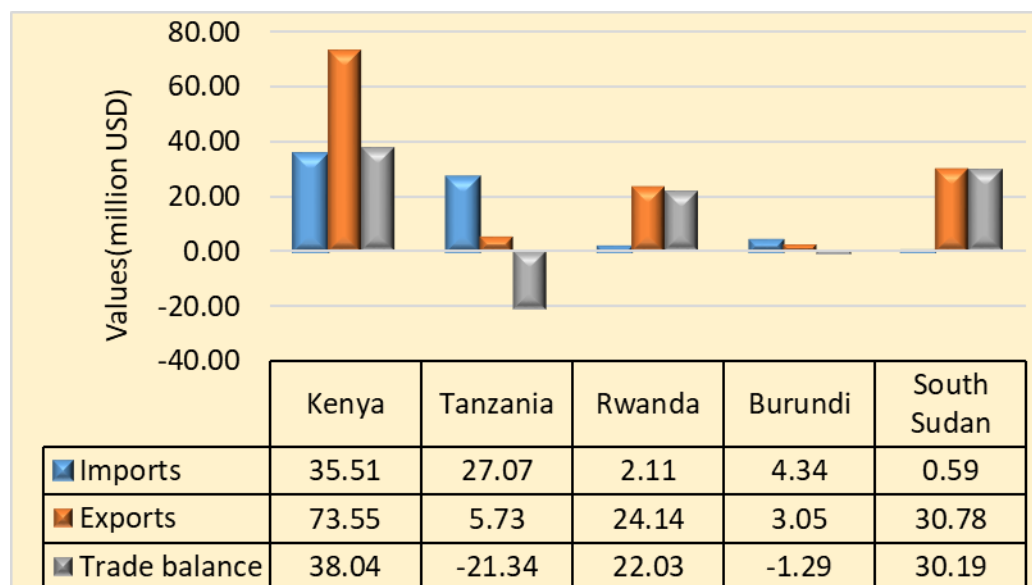
Source: Bank of Uganda

Uganda’s Trade balance with the EAC Partner States

During June 2018, Uganda traded at a surplus (positive trade balance) with the EAC Partner States having exported merchandise worth USD 137.4 million and imported USD 69.6 million from within the EAC region.

At country specific level, Uganda traded at a surplus with Kenya, Rwanda and South Sudan during the month while deficits were recorded for Tanzania and Burundi. Kenya was Uganda’s biggest trading partner compared to the other EAC Partner States, with the highest value of imports (USD 35.5 million) and largest market for Uganda’s exports (USD 73.6million). Figure 10 illustrates Uganda’s trade with other EAC partner states in June 2018

Figure 10: Uganda’s Trade with the EAC Partner States, June 2018



Source: Bank of Uganda

Annex 1: Selected Macroeconomic Indicators

	Jul-17	Aug-17	Sep-17	Oct-17	Nov-17	Dec-17	Jan-18	Feb-18	Mar-18	Apr-18	May-18	Jun-18	Jul-18
Real Sector													
Inflation (Annual %)													
Headline: (Base: 2009/10 =100)	5.7	5.2	5.3	4.8	4.0	3.4	3.0	2.1	2.0	1.8	1.7	2.2	3.1
Core: (Base: 2009/10 = 100)	4.5	4.1	4.2	3.5	3.4	3.1	2.6	1.7	1.7	1.6	1.1	0.8	2.5
Food Crops	12.9	11.7	9.6	7.8	2.3	-0.7	1.4	-0.7	-1.7	-2.1	-0.2	2.3	-2.0
Energy, Fuel and Utilities	7.8	7.8	10.6	14.1	13.7	12.5	9.8	11.2	10.3	10.4	10.3	15.1	16.0
Business Tendency Indicator	56.9	57.8	58.4	58.6	58.5	58.0	57.5	57.1	56.6	56.2	55.9	55.8	55.7
Composite Index of Economic Activity	203.2	204.2	205.5	206.8	208.3	209.6	210.8	211.8	212.8	214.0	215.3	216.6	N/A
Financial Sector													
Private sector credit (Shs billion)													
PSC growth rate	12,117.1	12,186.2	12,277.6	12,502.7	12,512.6	12,762.2	12,597.0	12,578.0	12,771.1	12,875.2	12,979.6	13,336.9	N/A
	0.4%	0.6%	0.8%	1.8%	0.1%	2.0%	-1.3%	-0.2%	1.5%	0.8%	0.8%	2.8%	N/A
Exchange Rate (Shs/US\$)													
Period Average	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	3,840.5	3,760.4
Interest Rates(%)													
Central Bank Rate	10.0	10.0	10.0	9.5	9.5	9.5	9.5	9.0	9.0	9.0	9.00	9.00	9.00
Lending Rate	20.9	22.3	20.9	19.0	21.4	20.3	20.3	21.1	20.1	20.0	20.2	17.7	N/A
91-day Treasury Bill Yield	10.1	9.9	9.8	9.2	8.8	8.4	8.6	8.7	8.7	8.7	8.8	9.8	10.5
364-day Treasury Bill Yield	11.7	11.1	10.6	9.4	9.3	9.0	9.1	9.4	9.6	9.7	10.1	12.6	14.5
External Sector (US\$ million)													
Trade Balance													
Total Exports of Goods (fob)	-96.6	-139.7	-224.6	-201.6	-169.9	-141.6	-100.8	-196.8	-159.1	-215.8	-132.0	-190.7	N/A
Total Imports (fob)	276.3	259.5	252.8	287.6	301.4	312.6	329.2	285.0	304.7	259.3	321.6	296.3	N/A
	372.9	399.1	477.4	489.2	471.3	454.3	437.9	474.6	485.4	488.2	453.6	487.0	N/A
Fiscal Sector (Shs Billion)													
Revenues and Grants													
Revenues	1,012.7	1,101.0	1,187.0	1,218.4	1,159.6	1,670.9	1,280.6	1,297.0	1,232.2	1,097.5	1,224.0	1,836.7	1,196.6
URA	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	1,202.6	1,772.8	1,159.5
Non-URA	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	1,728.7	1,124.5
Oil Revenue	45.0	38.3	34.9	35.2	42.5	28.1	59.9	35.9	36.7	35.1	35.1	44.1	35.0
Grants	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
	47.8	28.5	38.1	137.3	17.9	155.0	79.7	135.7	32.0	17.0	21.4	63.9	37.0
Expenditure and Lending	1,340.7	1,870.0	1,558.1	2,013.5	1,677.2	1,584.5	1,622.4	1,681.9	1,363.7	1,815.0	1,794.1	1,903.2	1,866.8
Overall Fiscal Balance (incl.Grants)	-328.0	-769.0	-371.1	-795.1	-517.6	86.4	-341.8	-384.9	-131.4	-717.5	-570.0	-66.5	-670.2
Net Government Borrowing	198.2	133.9	58.4	52.3	115.0	27.2	167.7	(11.4)	15.93	263.5	238.4	530.8	85.7

Source: BOU, UBOS, MFPED.