



PERFORMANCE OF THE ECONOMY REPORT
SEPTEMBER 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
B.Franc	Burundian Franc
CIEA	Composite Index of Economic Activity
EAC	East African Community
EFU	Energy, Fuels and Utilities
FY	Financial Year
GDP	Gross Domestic Product
ICBT	Informal Cross Border Trade
KShs	Kenyan Shilling
MDAs	Ministries, Departments and Agencies
MOFPED	Ministry of Finance, Planning and Economic Development
NGO	Non-Government Organisation
PAYE	Pay As You Earn
PSC	Private Sector Credit
R.Franc	Rwandese Franc
T-Bills	Treasury Bills
T-Bonds	Treasury Bonds
TShs	Tanzanian Shilling
Shs	Ugandan shilling
USD	United States Dollar
UBOS	Uganda Bureau of Statistics
VAT	Value Added Tax

SUMMARY¹

GDP Growth: Uganda Bureau of Statistics (UBOS) released the final estimates for Gross Domestic Product (GDP) for FY2017/18 which indicated that the economy expanded by 6.1 percent. This is an upward revision from the 5.8 percent growth that had been estimated in June 2018.

Inflation: Annual Headline inflation reduced from 3.8 percent in August 2018 to 3.7 percent in September 2018, mostly attributed to price reductions for a number of food crops and related items. Core Inflation, on the other hand, continued to rise registering 3.9 percent for the year ended September 2018 up from 3.5 for the year ended August 2018.

Exchange Rate: The Uganda Shilling depreciated by 1.9 percent against the United States Dollar, recording an average midrate of Shs 3,800.68/USD in September 2018 compared to the average midrate of Shs 3729.53/USD recorded for August 2018 as demand for the US Dollar from manufacturing, oil and telecommunications sectors outmatched its supply during the month.

Private Sector Credit: The total stock of outstanding private sector credit increased by 1.3 percent to Shs 13,553.5 billion in August 2018 from Shs 13,379.0 billion in the previous month.

Interest rates on Treasury Bills: There was a decline in yields across all tenors during September 2018. The average weighted yields to maturity for September 2018 were 10 percent, 11.9 percent, 12.3 percent for the 91,

¹ Data on Private Sector Credit and Trade has a lag of one month.

182 and 364-day tenors respectively.

This followed deliberate action by Government to reject overpriced bids at the start of the financial year.

Merchandise Trade Balance: Uganda's merchandise trade deficit deteriorated both on a monthly and annual basis on account of a higher increase in the import bill that offset the rise in export revenues.

Merchandise trade deficit widened by 56.7 percent in August 2018 to USD 233.1 million from USD 148.7 million recorded in July 2018. Compared to August 2017, the merchandise trade deficit deteriorated by 66.9 percent (USD 93.4 million) from USD 139.7 million to USD 233.1 million in August 2018

Fiscal Operations: Preliminary numbers indicate that Government finance operations during September 2018 resulted into an overall fiscal deficit of Shs 68.8 billion against the planned deficit of Shs 737.9 billion. This was mainly on account of lower than programmed expenditures which performed at only 65.0 percent, thereby offsetting the shortfall in revenue and grants.

REAL SECTOR DEVELOPMENTS

Inflation

Annual headline inflation for the year ending September 2018 declined slightly to 3.7 percent from 3.8 percent for the year ending August 2018. The decline is largely attributed to Annual Food Crops and related items inflation which decelerated to -2.2 percent from -1.2 percent recorded for the year ending August 2018. In addition, Annual Energy, Fuels and Utilities (EFU) inflation declined from 14.1 percent for the year ending August 2018 to 10.1 percent for the year ending September 2018. Table 1 below summarises Annual inflation by category.

Table 1: Summary Statistics on Annual Inflation

Inflation Category	Aug-18	Sep-18
Headline	3.8%	3.7%
Core	3.5%	3.9%
EFU	14.1%	10.1%
Food Crops and Related Items	-1.2%	-2.2%

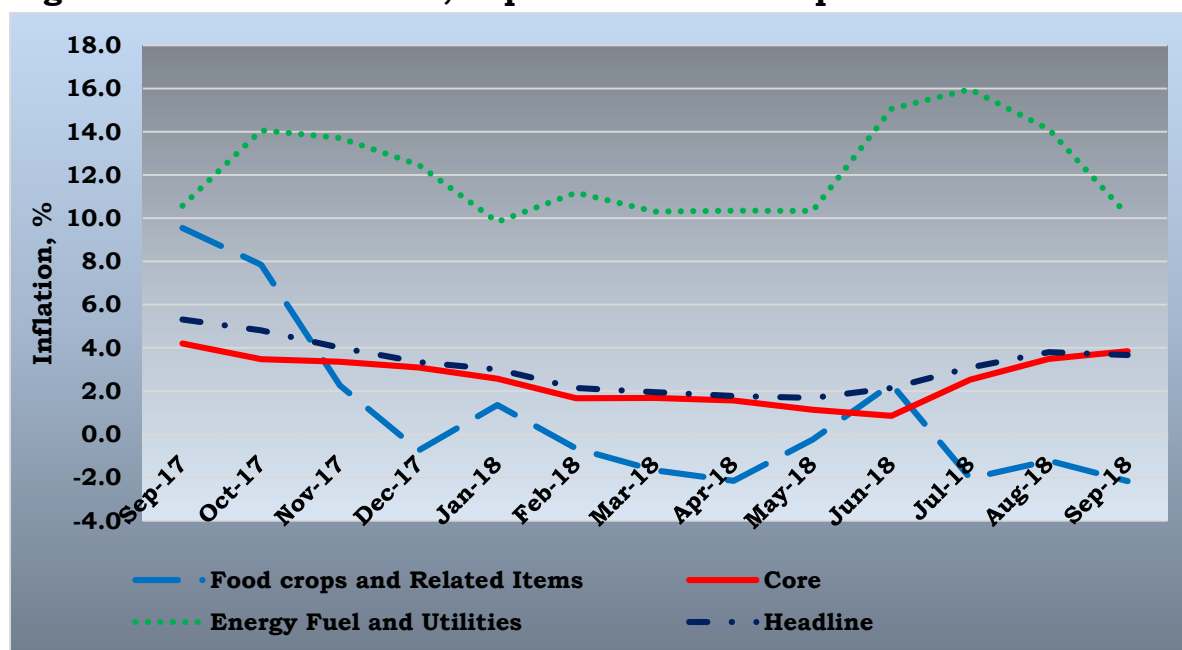
Source: Uganda Bureau of Statistics

The deceleration in Annual Food Crops and Related Items Inflation is due to a further reduction in prices of fruits and vegetables when compared to the previous month.

Annual Energy, Fuels and Utilities Inflation declined on account of Solid Fuels such as firewood whose prices registered slower increases when compared to the previous month.

Core Inflation on the other hand continued to rise, registering 3.9 percent for the year ended September 2018 up from 3.5 for the year ended August 2018. Figure 1 shows the trends in Annual Inflation. This was partly on account of rising oil prices and the slight depreciation of the shilling among other factors.

Figure 1: Annual Inflation, September 2017 – September 2018



Source: Uganda Bureau of Statistics

Indicators of Economic Activity

GDP Growth

Uganda Bureau of Statistics (UBOS) released the final GDP estimates for FY2017/18 which indicate that the economy grew by 6.1 percent compared to 3.9 percent growth during FY2016/17. This represents an upward revision from the June preliminary estimated growth of 5.8 percent for FY2017/18. The revision was due to availability of more comprehensive and up to date statistical data and information. Consequently, growth in the agriculture, forestry and fishing sector was revised from 3.2 percent to 3.8 percent while the services sector was revised from 7.3 percent growth to 7.7 percent. These revisions are mainly due to significant changes in growth estimates for food crops growing and information and communication service which were revised from 3.7 percent to 5.3 percent and from 7.9 percent to 15.2 percent respectively. Table 2 shows a summary of GDP growth numbers for FY2014/15 – FY2017/18

Table 2: GDP Growth (percentage) for FY2014/15 - FY2017/18

	2014/15	2015/16	2016/17	2017/18
GDP at market prices	5.2	4.8	3.9	6.1
Agriculture, forestry and fishing	2.3	2.8	1.6	3.8
Industry	7.8	4.6	3.4	6.1
Services	4.8	6.2	5.4	7.7

Source: UBOS

Business Tendency Index (BTI) and Composite Index of Economic Activity (CIEA)

Improvement in economic activity has been sustained as illustrated by the CIEA². The CIEA improved by 0.8 percent in August compared to a 0.7 percent improvement in July. Figure 2 shows the movement of the Composite Index of Economic Activity (CIEA).

Figure 2: Composite Index of Economic Activity (CIEA)

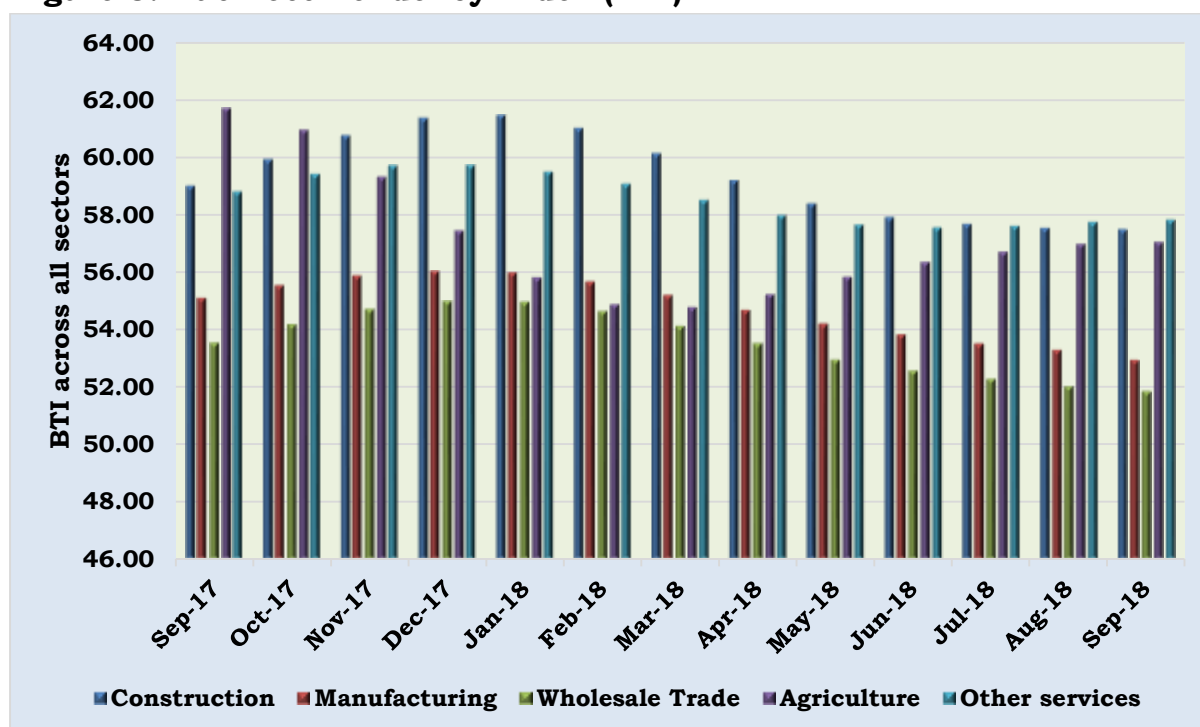


Source: Bank of Uganda

² 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. Data comes with a lag of one month.

Sentiments about doing business in Uganda remained positive albeit a marginal decline as shown by the Business Tendency Index (BTI). The BTI³ declined in September 2018 to 56.12 down from 56.14 in August 2018 but remained above the 50 mark. Agriculture and Other Services registered improved indices while Construction, Manufacturing and Wholesale registered marginal declines. Figure 3 illustrates the details of Business Tendency Index for September 2017 – September 2018.

Figure 3: Business Tendency Index (BTI)



Source: Bank of Uganda

FINANCIAL SECTOR DEVELOPMENTS

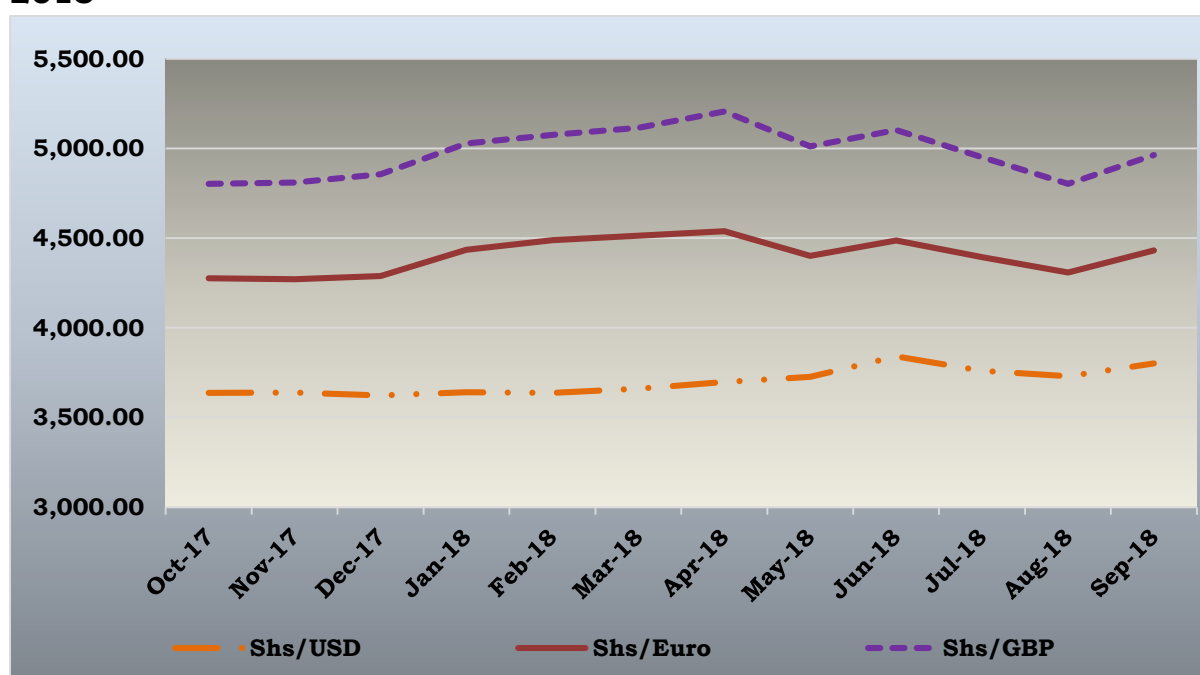
Exchange Rate Movements

The Uganda Shilling depreciated by 1.9 percent against the United States Dollar, recording an average midrate of Shs 3,800.68/USD in September 2018 compared to the average midrate of Shs 3,729.53/USD recorded for August 2018.

³ 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).

Similarly, there was also intra month depreciation of the Shilling against the US Dollar during September 2018. The Shilling opened the month at an average midrate of Shs 3,765.53/USD and closed the month at Shs 3,822.14/USD implying a depreciation of 1.5 percent within the month. The depreciation was partly due to higher demand for the US Dollar from the manufacturing, oil and telecommunications sectors which outmatched the dollar supply from NGOs' inflows and coffee receipts, among others. Figure 4 shows the exchange rate developments for the Shilling against the US Dollar, the Euro and the British Pound.

Figure 4: Exchange rate movements for September 2017 – September 2018



Source: Bank of Uganda

During September 2018, the Shilling lost some of the gains it had made against the other major currencies, depreciating against both the Euro and the Great Britain Pound. The Shilling registered a 2.9 percent and 3.3 percent depreciation against the Euro and the Pound respectively during September, in contrast to the appreciation of 2.0 percent and 3.0 percent respectively recorded in the previous month. Table 3 shows depreciation/appreciation of the Ugandan Shillings against the major trading currencies for the last twelve months.

Table 34: Shilling against Major Foreign Currencies

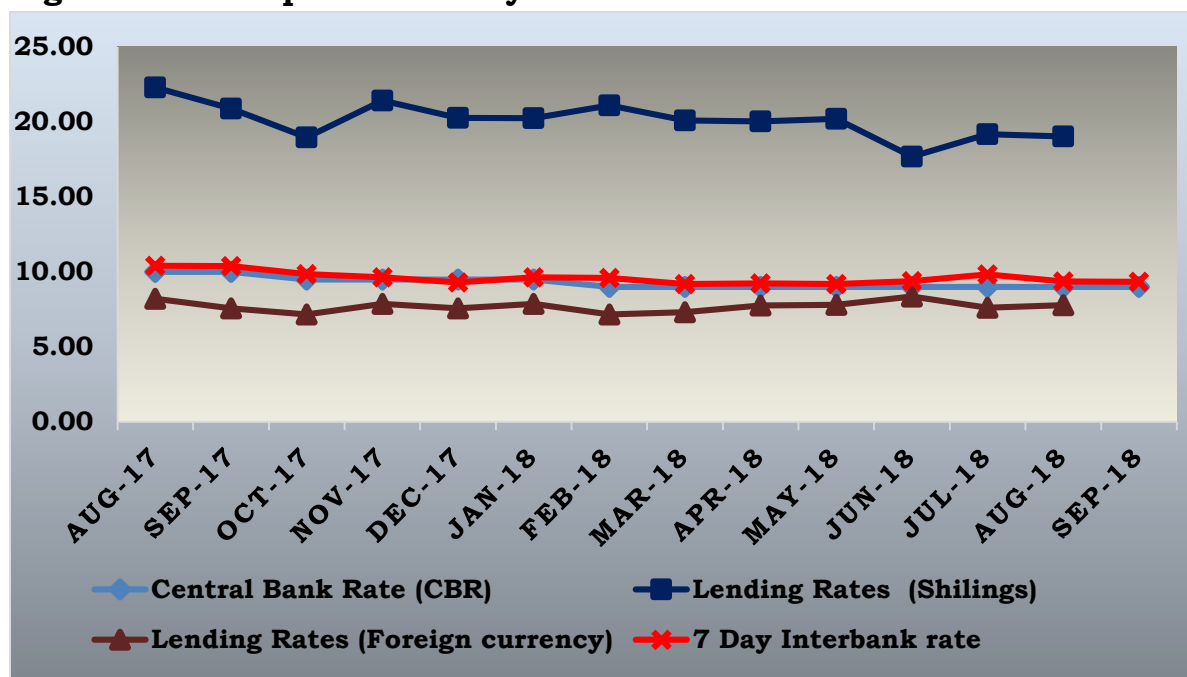
	Oct-17	Nov-17	Dec-17	Jan-18	Feb-18	Mar-18	Apr-18	May-18	Jun-18	Jul-18	Aug-18	Sep-18
Shs/USD	3,637.91	3,638.85	3,623.26	3,640.05	3,637.56	3,660.12	3,697.24	3,726.84	3,840.48	3,760.44	3,729.53	3,800.68
%age Change	1.1%	0.0%	-0.4%	0.5%	-0.1%	0.6%	1.0%	0.8%	3.0%	-2.1%	-0.8%	1.9%
Shs/Euro	4,276.73	4,270.93	4,288.52	4,435.84	4,489.21	4,513.59	4,538.58	4,401.73	4,486.34	4,393.36	4,307.58	4,430.95
%age Change	-0.3%	-0.1%	0.4%	3.4%	1.2%	0.5%	0.6%	-3.0%	1.9%	-2.1%	-2.0%	2.9%
Shs/GBP	4,801.98	4,810.00	4,855.69	5,027.53	5,076.44	5,115.25	5,205.70	5,011.89	5,103.01	4,950.15	4,803.00	4,962.99
%age Change	0.0%	0.2%	0.9%	3.5%	1.0%	0.8%	1.8%	-3.7%	1.8%	-3.0%	-3.0%	3.3%

Source: Bank of Uganda

Interest Rate Movements

During the month of August 2018, average lending rates charged for shilling denominated credit reduced to 19.03 percent down from 19.17 percent recorded for the previous month. Unlike for the shilling denominated credit, average lending rates for foreign currency denominated credit went up from 7.62 percent in July 2018 to 7.78 percent in August 2018. Developments in key interest rates for the period August 2017 - September 2018 are illustrated in Figure 5.

Figure 5: Developments in Key Interest Rates



Source: Bank of Uganda

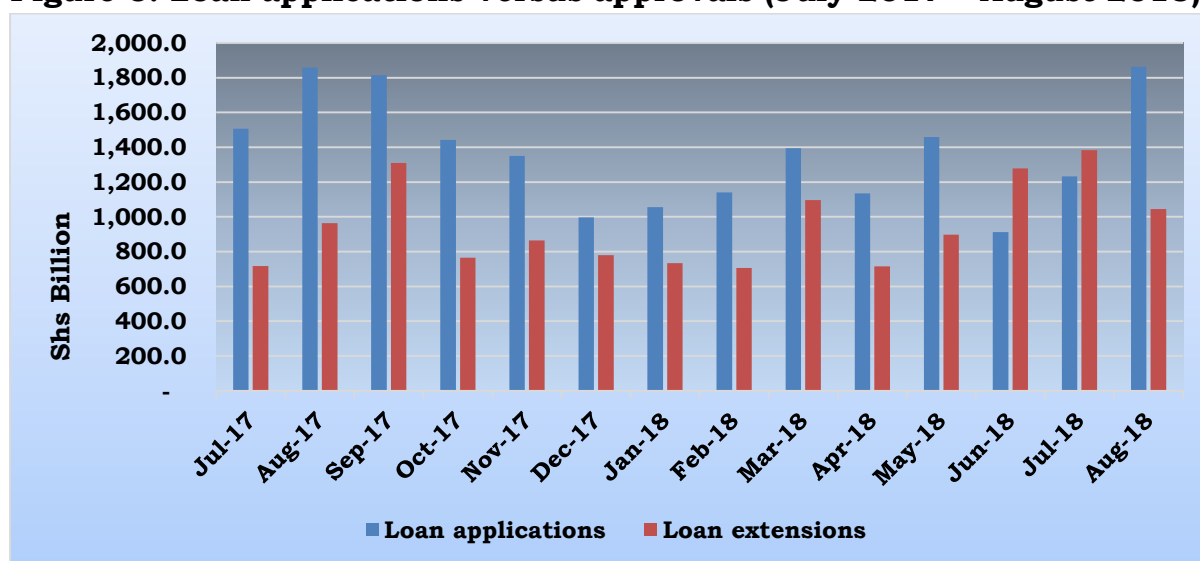
⁴ A negative change implies an appreciation while a positive change implies a depreciation.

Private Sector Credit

The total stock of outstanding private sector credit increased by 1.3 percent to Shs 13,553.5 billion in August 2018 from Shs 13,379.0 billion in the previous month. Most of this expansion was recorded in the stock of foreign currency denominated credit which grew by 2.7 percent from the equivalent of Shs 4,913.2 billion in July 2018 to Shs 5,043.8 billion in August 2018. The stock of shilling denominated credit also expanded by 0.5 percent during the month from Shs 8,465.8 billion in July 2018 to Shs 8,509.7 billion in August 2018. Lending institutions disbursed credit worth Shs 1,045.1 billion to the private sector in August 2018 which partly accounts for the growth in the stock of outstanding private sector credit.

There was increased demand for credit by the private sector when compared with the previous month as value of loans applied for increased by 50.9 percent although only 56.1 percent of this was approved. Figure 6 shows the value of loans applied for versus those approved by the lending institutions for the July 2017 – August 2018.

Figure 6: Loan applications versus approvals (July 2017 – August 2018)



Source: Bank of Uganda

Manufacturing, Trade and the Real estate sectors registered declining credit extension on a monthly basis yet they account for the biggest share of credit extensions. They are the reason the total credit extension in the month declined in the month. The table below shows growth in credit extensions in billion shillings per sector.

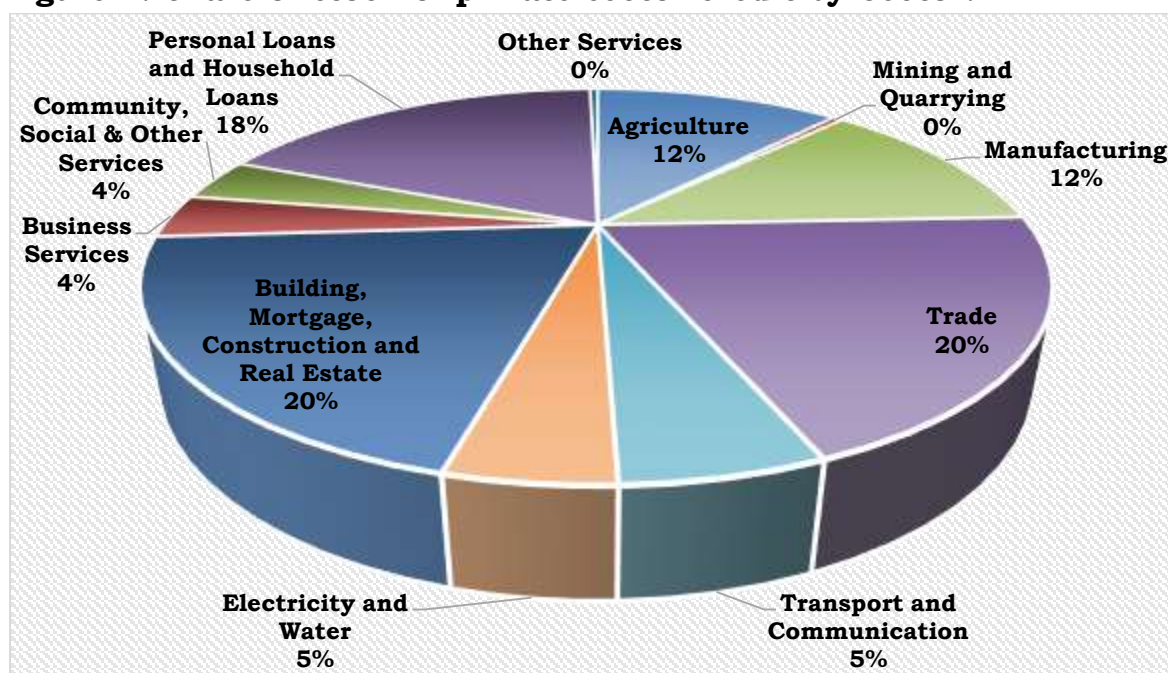
Table 4: Credit Extension by Sector (Billion Shillings)

	Aug-17	Jul-18	Aug-18	Growth Rate Jul -18 Vs Aug -18	Growth Rate Aug-17 Vs Aug-2018
Agriculture	81.6	97.8	117.0	19.6%	43.3%
Mining and Quarrying	5.6	1.7	1.4	-15.3%	-74.7%
Manufacturing	112.3	398.9	289.3	-27.5%	157.6%
Trade	249.5	249.9	206.7	-17.3%	-17.2%
Transport and Communication	30.7	245.4	20.3	-91.7%	-33.8%
Electricity and Water	0.6	0.8	1.0	25.3%	61.0%
Building, Construction and Real Estate	247.0	151.3	141.5	-6.5%	-42.7%
Business Services	59.5	72.7	54.1	-25.7%	-9.1%
Community, Social & Other Services	24.4	17.5	23.5	34.4%	-3.8%
Personal Loan and Household Loans	144.9	131.1	170.6	30.1%	17.8%
Others Activities	8.3	16.0	19.6	22.4%	136.0%
TOTAL	964.4	1,383.3	1,045.1	-24.4%	8.4%

Source: Bank of Uganda

In terms of sectoral shares, Trade and the Real Estate sectors hold the biggest share of the stock outstanding private sector credit at 20 percent each, followed by Personal and Household loans at 18 percent, Manufacturing, Agriculture and others follow. Figure 7 maps the share of stock of outstanding private sector credit per sector as of end August 2018.

Figure 7: Share of stock of private sector credit by Sector.



Source: Bank of Uganda

Government Securities

Shs 497.6 billion (at cost) was raised from the three auctions of Government securities in the month of September 2018. Of this, Shs 307.3 billion was in

Treasury Bills while Shs 190.3 billion was in Treasury Bonds. During the month, Shs 359.07 billion was used for the refinancing of maturing debt, whereas Shs 138.51 billion went towards financing other activities in the Government budget as shown in table 5.

Table 5: Breakdown of Government Securities in Q1 2018/19, Billion Shillings

	Total Issuances	Government Domestic Borrowing	Refinancing
Jul-18	385	85.7	299.3
Aug-18	650.46	79.29	571.17
Sep-18	497.58	138.51	359.07
Q1 2018/19	1533.04	303.5	1229.54

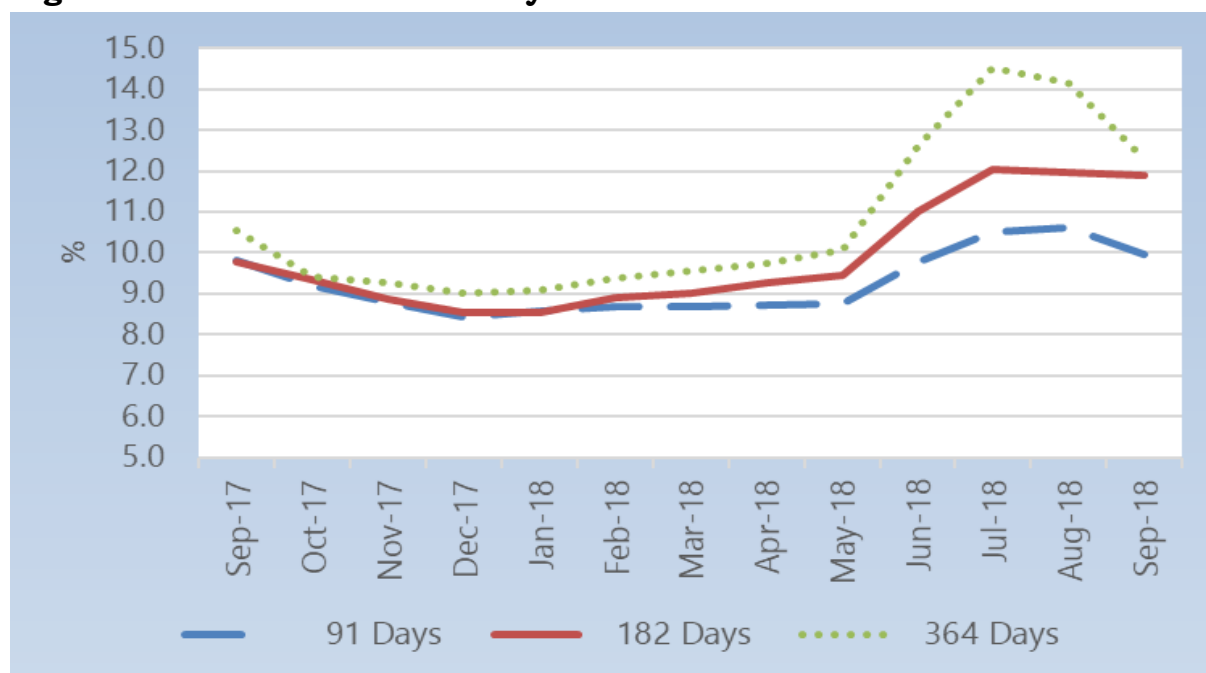
Source: Auction Results, MFPED

Interest rates on Treasury Bills

During September 2018, there was a decline in yields across all tenors. The average weighted yields to maturity for September 2018 were 10 percent, 11.9 percent, 12.3 percent for the 91, 182 and 364-day tenors respectively. This compares with 10.6 percent, 12 percent, 14.1 percent in August 2018. The reason for the decline in yields was the deliberate action by Government to reject overpriced bids at the start of the financial year. All auctions were oversubscribed with an average bid to cover ratio⁵ of 2.3, a decline from 2.5 recorded the previous month. Figure 8 illustrates the movement of Treasury Bill yields on the primary market since September 2017.

⁵ 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.

Figure 8: Movement of Treasury Bill Yields



Source: Bank of Uganda

EXTERNAL SECTOR DEVELOPMENTS⁶

Merchandise Trade Balance

Uganda's merchandise trade deficit deteriorated both on a monthly and annual basis. This was on account of a higher increase in the import bill that offset the rise in export revenues.

Merchandise trade deficit widened by 56.7 percent in August 2018 to USD 233.1 million from USD 148.7 million recorded in July 2018. Compared to August 2017, the merchandise trade deficit deteriorated by 66.9 percent (USD 93.4 million) from USD 139.7 million to USD 233.1 million in August 2018.

Merchandise Exports

The total value of exports increased by 3.9 percent, from USD 289.13 million in July 2018 to USD 300.33 million in August 2018. This increase is mainly

⁶ Statistics on trade come with a lag of one month

on account of improved export receipts of tobacco, gold, cotton, base metals and sugar. Table 6 shows the composition of exports in August 2018.

Table 6: Composition of Merchandise Exports, USD millions.

	Aug-17	Jul-18	Aug-18	Jul'18 Vs Aug'18	Aug'17 Vs Aug'18
Total Exports	259.47	289.13	300.33	3.9%	15.7%
1. Coffee (Value)	47.06	40.69	35.68	-12.3%	-24.2%
Volume (60-Kg bags)	418,340.00	393,022.00	348,952.00	-11.2%	-16.6%
Av. unit value	1.87	1.73	1.7	-1.2%	-9.1%
2. Non-Coffee formal exports	170.58	200.8	216.78	8.0%	27.1%
O/w Gold	26.8	29.81	41.12	37.9%	53.5%
Cotton	0.56	0.62	4.25	584.1%	660.1%
Tea	4.5	8.37	5.89	-29.7%	30.9%
Tobacco	4.19	1.9	14.32	652.1%	241.5%
Fish & its prod. (excl. regional)	10.82	14.85	14.62	-1.6%	35.1%
Base Metals & Products	10.22	10.72	14.82	38.2%	45.0%
Sugar	4.64	12.28	15.46	25.9%	233.4%
3. ICBT Exports	41.84	47.64	47.87	0.5%	14.4%

Source: Bank of Uganda

Comparison between August 2017 and August 2018 shows a 15.7 percent increase in export receipts from USD 259.47 million to USD 300.33 million. This is mainly explained by the higher earnings of gold, tobacco, sugar, base metals & its products. Improved performance of gold, tobacco and sugar exports is due to the better performance of their respective export volumes.

However, coffee earnings fell by 24.2 percent following a drop in both its volume and the international coffee prices. The reduction was due to low international prices on account of higher production in Brazil as well as lower production from the main harvest in Masaka and South-Western regions compared to the previous year. Coffee volumes fell by 16.6 percent whereas the price declined by 9.1 percent.

Destination of Exports

During the month of August 2018, the East African Community remained the major destination for Uganda's exports, followed by the Rest of Africa, and the Middle East. Exports to the EAC region increased by 32.9 percent from USD 96.55 million in August 2017 to USD 128.34 million in August 2018. Kenya took the largest of EAC exports (50.2 percent), followed by Rwanda (19.6 percent) then South Sudan (18.4 percent). Table 7 shows the destination of exports during August 2018.

Table 7: Destination of exports

	Aug-17	Jul-18	Aug-18
EAC	37.2%	42.9%	42.7%
Rest of Africa	20.4%	19.8%	18.7%
European Union	19.8%	15.9%	13.5%
Middle East	13.1%	13.2%	16.2%
Asia	5.4%	6.3%	7.0%
The Americas	3.3%	1.1%	1.2%
Rest of Europe	0.7%	0.8%	0.7%
Others ⁷	0.07%	0.01%	0.07%

Source: Bank of Uganda

Merchandise Imports

Merchandise worth USD 533.41 million was imported during the month of August 2018. The value of imports registered an increment of 21.8 percent, mainly driven by both Government project and private sector imports. During the month, the volume of imports increased by 24.1 percent, hence accounting for the higher value of imports registered.

Comparing the same period last year, the value of imports registered an increase of 33.6 percent in August, 2018. Whereas the value of Government imports declined (down 24.6 percent), the increase in the value of private sector imports more than offset the decline. The increase in Private sector imports was on account of higher import volumes and oil prices⁸. Table 8 shows the Performance of Imports.

Table 8: Performance of Imports

	Aug-17	Jul-18	Aug-18	Jul'18 Vs Aug'18	Aug'17 Vs Aug'18
Total Imports (fob)	399.14	437.87	533.41	21.8%	33.6%
Government Imports	21.15	13.37	15.95	19.3%	-24.6%
Project	21.08	12.47	15.95	27.9%	-24.3%
Non-Project	0.07	0.90	0.00	-100.0%	-100.0%
Formal Private Sector Imports	349.62	396.82	481.36	21.3%	37.7%
Oil imports	61.59	70.20	89.72	27.8%	45.7%
Non-oil imports	288.04	326.62	391.64	19.9%	36.0%
Estimated Private Sector Imports	28.37	27.68	36.10	30.4%	27.2%

Source: Bank of Uganda

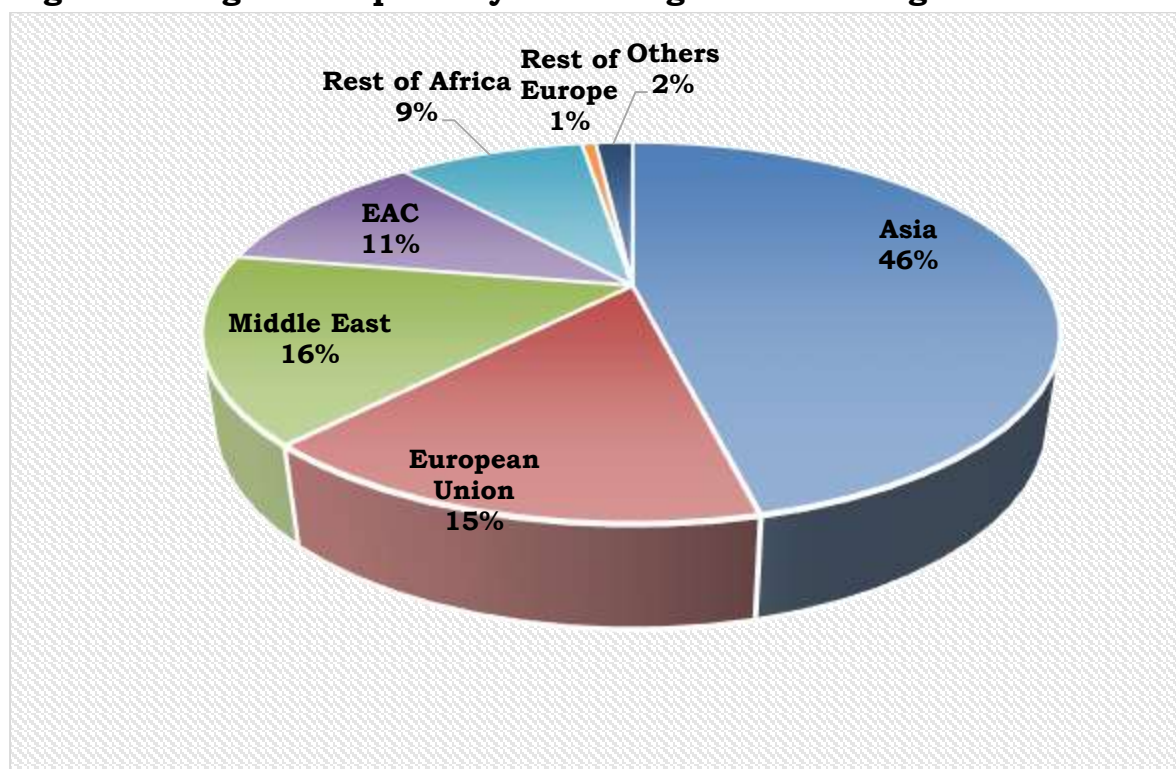
⁷Others include Australia, Iceland

⁸ Change over previous period: - Oil import prices surged by 42.4%
-Imports volumes increased by 36.2%

Origin of Imports

Asia was the largest source of merchandise imported during the month of August 2018, contributing 46 percent as seen in figure 8 to follow. Middle East and European Union contributed 16 percent and 15 percent respectively, making them the second and third largest sources of imports. China, India and Japan contributed more than three-quarters of the merchandise from Asia. Kenya and Tanzania contributed the biggest share of merchandise imported from EAC (89 percent).

Figure 9: Origin of Imports by Percentage Share in August 2018



Source: Bank of Uganda

FISCAL SECTOR DEVELOPMENTS

Overview

Preliminary numbers indicate that Government finance operations during September 2018 resulted into an overall fiscal deficit of Shs 68.8 billion against the programmed deficit of Shs 737.9 billion. This was mainly on account of lower than programmed expenditures which performed at only 65.0 percent, thereby offsetting the shortfall in revenue and grants. A summary of the fiscal operations for September 2018 is shown in the table below.

Table 9⁹: Summary statement of Government finance operations for September 2018 (Billion Shillings)

	Outturn Sept'17	Plan Sept'18	Prel Outturn Sept'18	Performance Sept'18	Deviation Sept'18
Revenues and Grants	1,187.1	1,405.2	1,324.6	94.3%	(80.6)
Revenues	1,149.0	1,261.5	1,254.9	99.5%	(6.6)
Tax	1,114.2	1,233.0	1,223.1	99.2%	(9.9)
Non-Tax	34.9	28.5	31.8	111.7%	3.3
Grants	38.1	143.7	69.7	48.5%	(74.0)
Budget Support	13.2			-	-
Project Support	24.9	143.7	69.7	48.5%	(74.0)
Expenditure and Lending	1,558.1	2,143.2	1,393.5	65.0%	(749.7)
Current Expenditures	853.4	1,068.3	906.1	84.8%	(162.2)
Wages and Salaries	283.9	343.6	341.2	99.3%	(2.4)
Interest Payments	306.8	327.8	272.6	83.2%	(55.2)
Domestic	266.2	275.6	225.4	81.8%	(50.2)
External	40.6	52.2	47.2	90.5%	(5.0)
Other Recurr. Expenditures	262.8	396.9	292.3	73.7%	(104.6)
Development Expenditures	393.5	1,039.2	447.1	43.0%	(592.1)
Domestic	136.7	272.3	252.9	92.9%	(19.3)
External	256.8	766.9	194.1	25.3%	(572.8)
Net Lending/Repayments	286.1	21.6	0.4	1.8%	(21.2)
o/w HPP GoU	286.1	0.7	0.4	56.8%	(0.3)
o/w HPP Exim		20.9		-	(20.9)
Domestic Arrears Repayment	25.1	14.2	39.9	281.9%	25.8
Overall Fiscal Bal. (incl. Grants)	(370.9)	(737.9)	(68.8)		

Source: Ministry of Finance, Planning and Economic Development

Revenue and Grants

Revenue and grants in September 2018 amounted to Shs 1,324.6 billion performing at 94.3 percent against the target. This performance was mainly attributed to lower than anticipated grants received which performed at only 48.5 percent against the target of Shs 143.7 billion.

⁹ Data for September is preliminary

Domestic revenues were close to target, amounting to Shs 1,254.9 billion with a short fall of only Shs 6.6 billion. This shortfall originated from the underperformance in tax revenues which totalled to Shs 1,223.1 billion registering a shortfall of Shs 9.9 billion and thereby offsetting the surplus recorded in non-tax revenues.

Tax revenue collections were affected by international trade taxes whose collections were Shs 51.6 billion lower than the projected target of Shs 578.5 billion for the month. This was due to lower than projected taxable imports during the period that affected both import duty and VAT on imports. Shortfalls of Shs 37.7 billion and Shs 21.7 billion were registered in VAT on imports and import duty respectively.

Direct and indirect taxes amounted to Shs 364.6 billion and Shs 335.1 billion, performing above their respective targets by 2 percent and 10 percent respectively. The performance in direct taxes mainly resulted from surpluses received in Pay As You Earn (PAYE) and earnings from withholding tax on treasury bills while indirect taxes benefited from surpluses on the mobile money levy and phone talk time.

Government Expenditure

Preliminary data indicates that Government expenditure during the month totalled to Shs 1,393.5 billion, which translates into a performance of 65.0 percent against the programmed expenditure. This mainly resulted from lower than planned external project disbursements.

Current expenditures in the month were Shs 906.1 billion against the program of Shs 1,068.3 billion. This mainly resulted from frontloading of the quarter one expenditure in the first two months of the Quarter coupled with the downward revision of domestic interest payable in the period.

Development expenditures in the month performed at only 43 percent of the program (Shs 1,039.2 billion). This was on account of lower than anticipated external project disbursements and absorption of monies in the external project accounts.

DEVELOPMENTS WITHIN THE EAC REGION

Inflation

Kenya and Tanzania experienced a rise in the Annual Headline Inflation in the month of September 2018. In Kenya, the increase in headline inflation was due to the effects of the increased VAT on Petroleum products that took effect in the month of September 2018 leading to an increase in the transport prices owing to increased pump prices of petrol and diesel. The slight increase in headline inflation in Tanzania was due to an increase in the prices in some of the non-food items. Like Uganda, Rwanda also registered a decline in their headline inflation from 0.6 percent in August to -1.1 percent in September and this was attributed to food and non-alcoholic beverages. The table below shows the inflation trends within the EAC region since the start of the calendar year 2018.

Table 10: Headline Inflation for EAC Partner States (percentage)

	Jan-18	Feb-18	Mar-18	Apr-18	May-18	Jun-18	Jul-18	Aug-18	Sep-18
Tanzania	4	4.1	3.9	3.8	3.6	3.4	3.3	3.3	3.4
Kenya	4.8	4.5	4.2	3.7	4	4.3	4.4	4.1	5.7
Uganda	3	2.1	2	1.8	1.7	2.1	3.1	3.8	3.7
Rwanda	0.1	-1.3	-1.4	-0.1	1.8	1.4	0.6	0.6	-1.1
Burundi	6.1	-1.3	-2.6	-1.7	-1.3	-1	-0.8	-2.3	n/a
South Sudan	125	112.7	161.2	186.6	83.9	88.5	112.9	n/a	n/a

Source: Respective national statistics bureaus¹⁰

Exchange Rates

In September 2018, all the currencies of the EAC Partner States were fairly stable against the US Dollar. On average, the Tanzanian Shilling and the Burundian Franc depreciated by only 0.1 percent while the Kenyan Shilling and Rwandan Franc depreciated by 0.2 percent and 0.4 percent respectively. The Ugandan Shilling depreciated the most during the period at 1.9 percent. The following table shows the monthly percentage changes in exchange rates (depreciation/appreciation) ¹¹against the US\$ among selected EAC Partner States since the start of 2018.

¹⁰ n/a implies unavailability of data at time of writing this report

¹¹ A negative change implies an appreciation while a positive change implies a depreciation.

Table 11: Change in Exchange Rates for Selected EAC Partner States (FY2017/18)

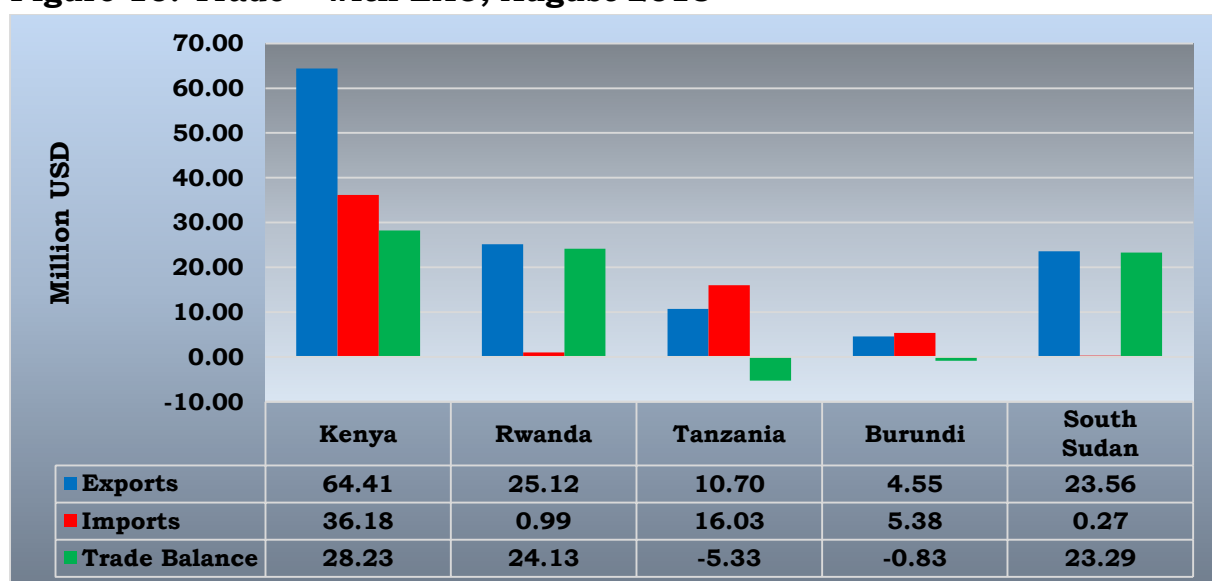
	Jan-18	Feb-18	Mar-18	Apr-18	May-18	Jun-18	Jul-18	Aug-18	Sep-18
US\$hs/USD	3,640.05	3,637.56	3,660.12	3,697.24	3,726.84	3,840.48	3,760.44	3,729.53	3,800.68
% change	0.5%	-0.1%	0.6%	1.0%	0.8%	3.0%	-2.1%	-0.8%	1.9%
KShs/USD	102.94	101.41	101.18	100.61	100.67	101.03	100.66	100.61	100.83
% change	-0.1%	-1.5%	-0.2%	-0.6%	0.1%	0.4%	-0.4%	0.0%	0.2%
TShs/USD	2,245.96	2,253.83	2,257.98	2,268.96	2,275.98	2,276.29	2,279.38	2,285.12	2,287.50
% change	0.2%	0.4%	0.2%	0.5%	0.3%	0.0%	0.1%	0.3%	0.1%
B.Franc/USD	1,767.77	1,770.89	1,774.00	1,776.30	1,777.68	1,778.77	1,780.35	1,783.02	1,785.57
% change	0.1%	0.2%	0.2%	0.1%	0.1%	0.1%	0.1%	0.2%	0.1%
R.Franc/USD	846.30	848.75	851.45	853.91	856.05	858.52	861.19	864.30	867.67
% change	0.3%	0.3%	0.3%	0.3%	0.3%	0.3%	0.3%	0.4%	0.4%

Source: Bank of Uganda

Trade Balance with EAC Partner States;

Uganda exported merchandise worth USD 128.3 million to the rest of the EAC and imported merchandise worth USD 58.9 million from within the EAC in August 2018. This resulted into a trade surplus of USD 69.5 million. Uganda traded at a surplus with all the other EAC partner states except for Tanzania and Burundi. During the month, Kenya remained the biggest market for Uganda's exports followed by Rwanda and South Sudan. Kenya also remained the biggest source of our imports within the EAC region followed by Tanzania. Figure 10 shows the trade balance with EAC partner states.

Figure 10: Trade¹² with EAC, August 2018



Source: Bank of Uganda

¹² Data on trade comes with a lag of one month.

Annex 1: Overall Fiscal Operations Outturns in Billions of Shillings, August 2017 – August 2018

	Aug'17	Sept'17	Oct'17	Nov'17	Dec'17	Jan'18	Feb'18	Mar'18	Apr'18	May'18	Jun'18	July'18	Aug'18
Revenues and Grants	1,099.6	1,184.1	1,218.2	1,166.6	1,671.9	1,259.1	1,297.0	1,231.4	1,095.8	1,227.0	1,836.8	1,167.4	1,384.4
Revenues	1,071.1	1,146.0	1,080.9	1,148.7	1,516.9	1,179.4	1,161.4	1,199.4	1,078.8	1,205.6	1,772.8	1,159.5	1,294.2
URA	1,034.3	1,114.2	1,046.1	1,101.1	1,487.8	1,141.0	1,125.2	1,163.4	1,046.9	1,167.6	1,728.7	1,124.5	1,260.5
Non-URA	36.8	31.8	34.9	47.6	29.1	38.3	36.2	36.0	31.9	38.0	44.1	35.0	33.7
Oil Revenues	-	-	-	-	-	-	-	-	-	-	-	-	-
Grants	28.5	38.1	137.3	17.9	155.0	79.7	135.7	32.0	17.0	21.4	63.9	7.8	90.1
Budget Support	15.9	13.2	11.3	11.1	31.8	1.9	33.0	8.6	5.4	11.3	9.1	2.2	16.4
Project Support	12.6	24.9	126.1	6.8	123.2	77.8	102.7	23.4	11.5	10.1	54.8	5.7	73.7
Expenditure and Lending	1,870.0	1,558.1	2,013.4	1,674.0	1,584.3	1,620.0	1,682.6	1,363.5	1,809.0	1,782.9	1,885.0	2,143.7	1,451.4
Current Expenditures	943.5	853.4	999.2	901.6	721.9	1,065.0	902.1	787.1	796.7	991.6	1,083.9	1,104.7	784.8
Wages and Salaries	316.6	283.9	296.5	295.9	282.4	307.1	292.8	281.1	279.3	273.7	277.8	337.4	177.6
Interest Payments	176.0	306.8	99.3	250.1	181.0	198.5	178.9	284.0	98.3	219.1	105.7	215.1	172.9
Domestic	152.8	266.2	83.8	233.5	157.5	148.5	152.3	259.0	68.7	207.8	88.9	162.3	145.9
External	23.2	40.6	15.5	16.6	23.5	50.0	26.6	24.9	29.7	11.3	16.8	52.7	27.0
Other Recurr. Expenditures	450.9	262.8	603.4	355.7	258.5	559.4	430.5	222.1	419.0	498.8	700.4	552.3	434.3
Development Expenditures	744.7	393.5	776.4	504.9	558.9	548.1	747.4	479.0	856.8	711.1	791.7	944.8	635.7
Domestic Development	518.5	136.7	498.0	258.7	197.1	261.2	273.03	167.5	567.8	603.4	581.8	553.3	515.7
External Development	226.2	256.8	278.3	246.1	361.8	286.9	474.4	311.5	289.0	107.7	209.8	391.6	120.0
Net Lending/Repayments	107.2	286.1	196.1	232.5	272.8	0.3	5.6	94.4	154.1	43.8	3.5	8.8	2.7
Domestic Arrears Repaym.	74.5	25.1	41.7	34.9	30.7	6.6	27.5	3.0	1.5	36.4	5.9	85.4	28.1
Domestic Balance	(549.5)	(114.7)	(638.6)	(262.5)	317.9	(103.7)	(20.3)	172.3	(411.5)	(458.2)	114.5	(539.9)	(10.1)
Primary Balance	(594.4)	(67.3)	(695.8)	(257.3)	268.6	(162.4)	(206.7)	151.9	(614.9)	(336.7)	57.5	(761.3)	105.8
Overall Fiscal Bal. (excl. Grants)	(798.9)	(412.1)	(932.5)	(525.3)	(67.4)	(440.6)	(521.3)	(164.1)	(730.2)	(577.3)	(112.1)	(984.2)	(157.2)
Overall Fiscal Bal. (incl. Grants)	(770.4)	(374.0)	(795.1)	(507.4)	87.6	(360.9)	(385.6)	(132.1)	(713.3)	(555.8)	(48.2)	(976.4)	(67.1)
Financing:	770.4	374.0	795.1	507.4	(87.6)	360.9	385.6	132.1	713.3	555.8	48.2	976.4	67.1
External Financing (Net)	323.7	483.1	148.5	432.7	429.2	62.9	409.9	238.2	213.3	307.1	84.1	320.9	394.0
Deposits													
Disbursements	344.6	544.8	296.3	462.7	500.6	157.3	462.0	296.9	355.8	344.0	165.4	332.0	412.4
Budget Support Loans	-	-	-	-	-	-	-	-	-	-	-	-	-
Project Loans	344.6	544.8	296.3	462.7	500.6	157.3	462.0	296.9	355.8	344.0	165.4	332.0	412.4
Armotization	(20.9)	(61.6)	(151.0)	(30.0)	(71.4)	(94.1)	(52.1)	(59.3)	(142.1)	(36.9)	(81.4)	(10.9)	(18.4)
Domestic Financing (Net)	810.8	(173.2)	551.5	252.4	(489.2)	2.8	142.7	(80.1)	145.2	462.3	444.2	(185.8)	334.3
Bank Financing (Net)	733.8	(212.6)	525.5	248.3	(314.1)	(287.1)	43.2	(347.2)	28.6	322.3	175.3	(389.4)	167.3
Non-bank Financing (Net)	77.0	39.3	26.0	4.1	(175.1)	289.9	99.5	267.1	116.6	139.9	268.9	203.6	167.0
Errors and Omissions	(364.1)	64.1	95.2	(177.8)	(27.6)	295.2	(167.0)	(26.1)	354.8	(213.5)	(480.1)	841.2	(661.2)

Source: Ministry of Finance, Planning and Economic Development

Annex 2: Selected Economic Indicators¹³

	Jan-18	Feb-18	Mar-18	Apr-18	May-18	Jun-18	Jul-18	Aug-18	Sep-18
Real Sector									
Inflation (Annual %)									
Headline: (Base: 2009/10 =100)	3.0	2.1	2.0	1.8	1.7	2.2	3.1	3.8	3.7
Core: (Base: 2009/10 = 100)	2.6	1.7	1.7	1.6	1.1	0.8	2.5	3.5	3.9
Food Crops	1.4	-0.7	-1.7	-2.1	-0.2	2.3	-2.0	-1.2	-2.2
Energy, Fuel and Utilities	9.8	11.2	10.3	10.4	10.3	15.1	16.0	14.1	10.1
Business Tendency Indicator	57.5	56.9	56.5	56.2	56.1	56.1	56.1	56.1	56.1
Composite Index of Economic Activity	209.1	210.3	211.4	212.3	213.4	214.7	216.26	218.0	N/A
Financial Sector									
Private sector credit (Shs billion)									
PSC growth rate	-1.3%	-0.2%	1.5%	0.8%	0.8%	2.9%	-0.2%	1.3%	N/A
Exchange Rate (Shs/US\$)									
Period Average	3,640.1	3,637.6	3,660.1	3,697.2	3,726.8	3,840.5	3,760.4	3,729.5	3,800.7
Interest Rates(%)									
Central Bank Rate	9.5	9.0	9.0	9.0	9.00	9.00	9.00	9.00	9.00
Lending Rate	20.3	21.1	20.1	20.0	20.2	17.7	19.2	19.0	N/A
91-day Treasury Bill Yield	8.6	8.7	8.7	8.7	8.8	9.8	10.5	10.6	10.0
364-day Treasury Bill Yield	9.1	9.4	9.6	9.7	10.1	12.6	14.5	14.1	12.3
External Sector (US\$ million)									
Trade Balance									
Total Exports of Goods (fob)	329.2	285.0	304.7	259.3	324.9	291.6	289.1	300.3	N/A
Total Imports (fob)	437.9	474.6	485.4	488.2	452.0	485.8	437.9	533.4	N/A
Fiscal Sector (Shs Billion)									
Revenues and Grants									
Revenues	1,179.4	1,161.4	1,199.4	1,078.8	1,205.6	1,772.8	1,159.5	1,294.2	1,254.9
URA	1,141.0	1,125.2	1,163.4	1,046.9	1,167.6	1,728.7	1,124.5	1,260.5	1,223.1
Non-URA	38.3	36.2	36.0	31.9	38.0	44.1	35.0	33.7	31.8
Oil Revenue	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Grants	79.7	135.7	32.0	17.0	21.4	63.9	7.8	90.1	69.7
Expenditure and Lending	1,620.0	1,682.6	1,363.5	1,809.0	1,782.9	1,885.0	2,143.7	1,451.4	1,393.5
Overall Fiscal Balance (incl.Grants)	-360.9	-385.6	-132.1	-713.3	-555.8	-48.2	-976.4	-67.1	-68.8
Net Government Borrowing	167.7	(11.4)	15.93	263.5	238.4	530.8	85.7	79.3	138.5

Source: MoFPED, UBOS and BoU

¹³ N/A means that data was not available at time of writing this report.