

MONTHLY ECONOMIC AND FINANCIAL INDICATORS



MARCH 2007

The Bank of Uganda Economic and Financial Indicators beginning with February 1999 Edition are now available on the Internet at <http://www.bou.or.ug>

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INTRODUCTION

The indicators presented in this report summarise the major developments in the monetary and financial conditions for Uganda during the month of March 2007. Both the annual headline and underlying inflation rates declined relative to the outturn reported in February 2007. The exchange rate remained relatively stable and all measures of money supply registered

modest nominal growth. Commercial banks' stock of credit to the private sector increased between January 2007 and February 2007. The value of coffee exports rose in February 2007 relative to February 2006, but declined compared to the January 2007 level. However, the value of merchandise exports in February 2007 was fairly stable compared to January 2007.

I INFLATION

The annual headline inflation rate declined to 4.5 percent in the year ended March 2007 from the 7.1 percent (revised)* reported for the year ended February 2007. The decline was mainly attributed to lower prices of most staple foods, fruits and vegetables, and milk this year compared to the prices a year ago. Food inflation decreased to 2.4 percent in March 2007 from 8.2 percent in the year ended February 2007, mainly due to lower prices of most staple foods, chicken, milk, eggs and fish in March 2007 compared to their price levels a year ago. The monthly headline inflation rate rose by 0.4 percent in March 2007 compared to the 1.3 percent decline in the month of February 2007.

Similarly, the annual underlying inflation rate fell from 8.9 percent in the year ended February 2007 to 8.4 percent in March 2007, largely driven by reduction in prices of goods. Goods inflation dropped slightly to 8.9 percent in the year ended March 2007 from the 9.5 percent recorded in February 2007, driven largely by reduction of prices of blankets, drugs, women's leather shoes and the slower rise in sugar prices. Services inflation stayed at the 7.5 percent level recorded in February 2007.

The month on month underlying inflation rate declined to -0.1 percent in March 2007 from 0.5 percent in February 2007.

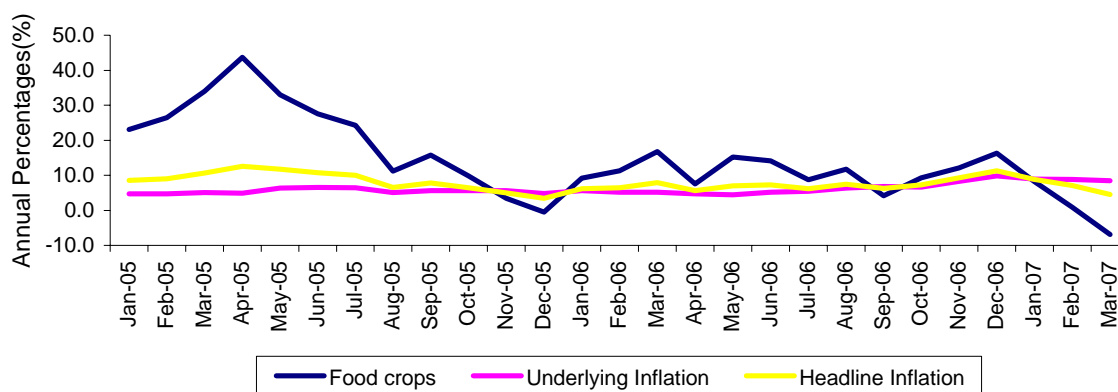
The annual food crops inflation eased to -6.9 percent in the year ended March 2007 compared to 0.9 percent for the year ended

February 2007, due to reduction in prices of most food crops particularly, staples, fruits and vegetables arising from increased supply. The month on month food crops inflation however rose to 1.9 percent from -7.2 percent in February 2007.

Figure 1 shows the movements in the inflation rate for the period January 2005 to March 2007.

* This revision was done to include education charges (school fees).

Figure I: Annual Inflation rate developments, January 2005 to March 2007



Source: Uganda Bureau of Statistics

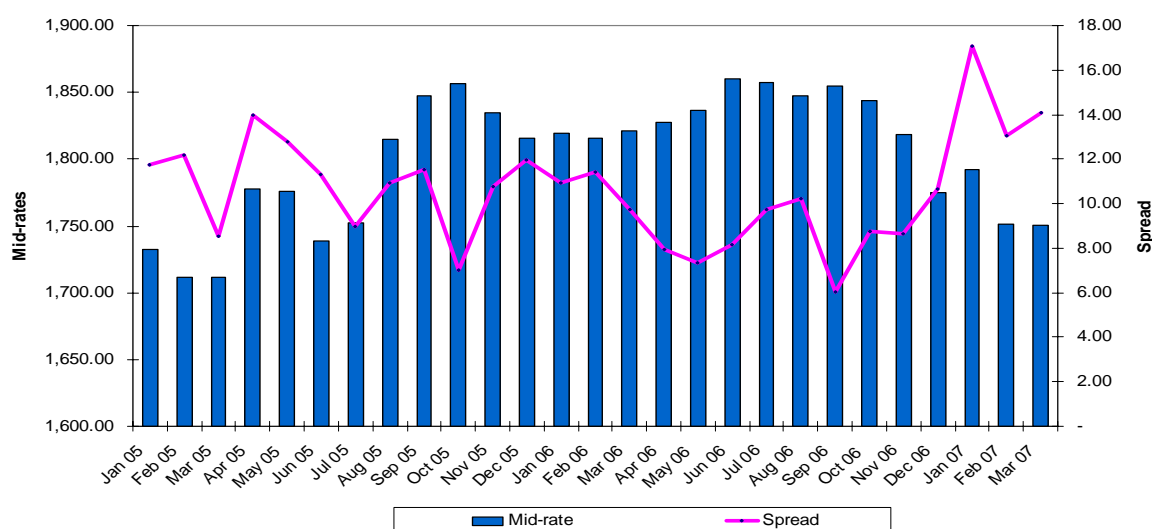
II FOREIGN EXCHANGE MARKET

i) Exchange rates

The foreign exchange rate was largely stable during the month of March 2007 registering a marginal appreciation of 0.1 percent from a mid monthly average exchange rate of Shs. 1751.7 per US\$ in February 2007 to a mid monthly average exchange rate of Shs. 1,750.7 per US\$ in March 2007. There was strong demand for foreign exchange during March 2007 but this was matched with strong inflows largely on account of offshore players and agricultural exports.

There was no intervention in the Inter Bank Foreign Exchange Market (IFEM) by the Bank of Uganda during the month of March 2007 however, sterilisation of liquidity amounted to a net sale of US\$ 12.5 million. Figure II shows the trend of the nominal exchange rate and spread.

Figure II: Average mid rate and spread, January 2005 – March 2007



Source: Bank of Uganda

Foreign exchange purchases and sales

Gross foreign exchange purchases in the IFEM rose by 13.6 percent from US\$ 391.6 million in February 2007 to US\$ 444.8 million in March 2007. Gross sales also increased by 13.4 percent from US\$ 394.2

million to US\$ 447.1 million over the same period.

Cross currency trade transactions however declined from US\$ 78.9 million in February 2007 to US\$ 42.8 million in March 2007.

III DOMESTIC MONEY MARKETS AND INTEREST RATES

Interest rates

The discount rates were generally stable. The monthly average discount rate on the 91-day stayed at the February 2007 level of 9.3 percent. However, the discount rates for the 182-day and 364-day Treasury bills declined from 11.0 percent to 10.8 percent for both tenors in February and March 2007, respectively. The total Treasury bill offers expanded to Shs. 144 billion in March 2007 up from Shs. 100 billion in February 2007. Total bids for treasury bills auctioned during the month increased to Shs. 233.2 billion, up from Shs. 124.8 billion in February 2007 as a result of an increase in Treasury bill offers. During March 2007, a non calendar auction amounting to Shs. 34 billion was offered to mop up liquidity.

The monthly average lending rate on commercial banks' shilling denominated loans for February 2007 declined to 18.8 percent from the end January 2007 level of 18.9 percent. The rate on foreign exchange denominated loans also reduced from 10.5 per cent to 9.9 per cent over the same period.

There was no change in Bank of Uganda's policy margin on interest rates. However, taking into account developments in the Treasury bill market, the Rediscount and Bank rates declined from 16.0 and 17.0 percent at end February 2007 to 15.6 percent and 16.6 percent at end March 2007, respectively. Figure III shows the pattern of selected interest rates.

Treasury bill holdings

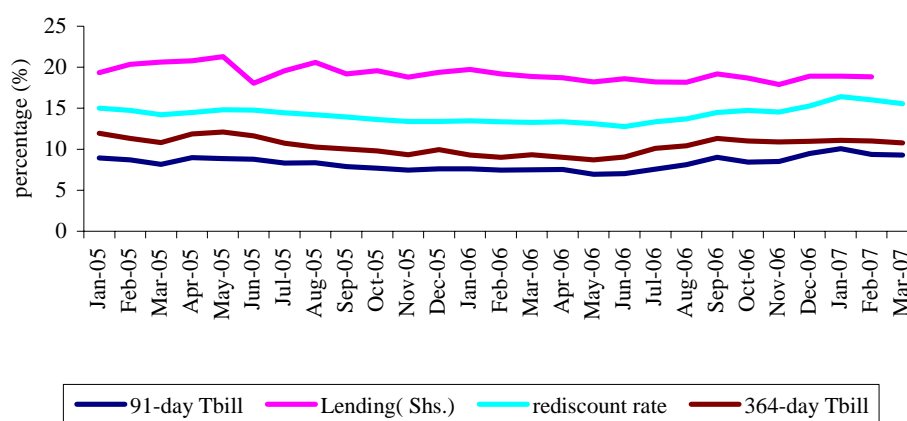
The outstanding stock of treasury bills increased from Shs. 1,055.8 billion at end

February 2007 to Shs. 1,066.4 billion at end March 2007. Commercial banks' holdings of treasury bills declined from Shs. 814.9 billion to Shs. 751.7 billion. However, the insurance companies' holdings of Treasury bills rose by 58.3 percent from Shs. 71.7 billion to Shs. 113.5 billion. Similarly, holdings by the 'Others' category grew from Shs. 111.1 billion to Shs. 117.2 billion and the holdings by the Bank of Uganda increased from Shs. 58.2 billion to Shs. 84.0 billion.

Treasury bonds

The stock of Treasury bonds increased from Shs. 826.1 billion at end February 2007 to Shs. 856.1 billion at end March 2007. A 3-year bond worth Shs. 30 billion was re-opened on March 07, 2007 with a weighted average price of 98.6 per Shs. 100 and a Yield-to-maturity of 12.3 percent, compared to the weighted average price of 94.2 per Shs. 100 and Yield-to-maturity of 12.6 percent of the previous 3-year bond issued November, 2006.

Figure III: Selected interest and policy rates, January 2005 to March 2007



Source: Bank of Uganda

IV MONETARY AGGREGATES

i) Money supply

All measures of money supply grew modestly during February 2007. Narrow money **M1** expanded by Shs. 23.5 billion from Shs. 1,917.8 billion at end-January 2007 to Shs. 1,941.3 billion at end February 2007. Currency in circulation decreased from Shs. 873.6 billion to Shs. 847.5 billion while private sector's demand deposits expanded from Shs. 1,044.2 billion to Shs. 1,093.8 billion.

Private sector's time and savings deposits increased from Shs. 892.8 billion to Shs. 910.1 billion while certificates of deposit remained at the end January 2007 level of Shs. 0.1 billion. Money supply **M2** therefore grew from Shs. 2,810.6 billion to Shs. 2,851.4 billion.

The private sector's foreign exchange deposits grew from Shs. 847.0 billion to Shs. 880.5 billion. Broad money supply **M3** therefore expanded by Shs. 74.3 billion from Shs. 3,657.7 billion to Shs. 3,731.9 billion.

Net foreign assets (NFA) of the banking system expanded by Shs. 124.3 billion from Shs. 3,847.7 billion to Shs. 3,972.0 billion between end January 2007 and end February 2007. Growth was registered in Bank of Uganda's net foreign assets from Shs. 3,213.5 billion to Shs. 3,261.3 billion. Commercial banks' NFA also expanded from

Shs. 634.2 billion to Shs. 710.7 billion on account of a reduction in commercial banks' foreign liabilities. Commercial banks' foreign liabilities declined by 22.5 percent from Shs. 186.8 billion in January 2007 to Shs. 144.9 billion in February 2007.

Domestic credit improved by Shs. 61.6 billion from Shs. 1,256.0 billion to Shs. 1,317.6 billion. The banking system's net claims on Government changed from a saving of Shs. 511.8 billion at end January 2007 to a saving of Shs. 461.4 billion at end February 2007. Government's net position with the central bank declined by Shs. 6.3 billion from a saving of Shs. 1,358.0 billion at end January 2007 to a saving of Shs. 1,351.7 billion at end February 2007, while its net position with the commercial banks changed by Shs. 44.3 billion from a borrowing of Shs. 846.1 billion as at end January 2007 to a borrowing of Shs. 890.3 billion at end February 2007. The banking system's claims on the private sector rose from Shs. 1,743.6 billion to Shs. 1,755.0 billion at end February 2007. The banking system's outstanding lending to the local governments changed marginally from Shs. 1.0 billion to Shs. 0.9 billion at end February 2007, while the stock of loans to Parastatals contracted marginally from Shs. 23.3 billion to Shs. 23.2 billion.

ii) Base money

Base money expanded marginally from Shs. 1,167.5 billion at end February 2007 to Shs. 1,203.9 billion at end-March 2007. Currency

issued also grew from Shs. 936.5 billion to Shs. 939.2 billion. Commercial banks' total reserves also rose from Shs. 231.0 billion to Shs. 264.7 billion largely on account of net Repo and project funds' injection.

V COMMODITY SUB-SECTOR

i) Total exports

Overall, export proceeds in the month of February 2007 increased compared to February 2006. Total exports were

estimated at US\$ 118.4 million compared to US\$ 72.8 million in February 2006.

ii) Coffee exports

Total coffee exports for the month of March 2007 amounted to 265,399 (60Kg) bags worth US\$ 24.2 million, representing an increase of 19.5 percent and 20.4 percent in volume and value terms, respectively relative to the month of February 2007. On a cumulative basis, coffee exports for the first six months of the current coffee year amounted to 1,458,634 (60 Kg) bags worth US\$ 131.3 million representing an increase of 41.0 percent and 47.4 percent in volume and value terms, respectively relative to a similar period in 2005/06. The improvement in coffee volume was attributed to new clonal coffee plantings under government's

strategic intervention coupled with improved weather and good farm gate prices. The average realised export price remained at the January 2007 level of US\$ 1.5 per kilogram.

Locally, kiboko coffee prices ranged between Shs. 950 and Shs. 1,000 per kilogram slightly below the February levels. Hulled coffee prices, which ranged between Shs. 2,000 and Shs. 2,100 per kilogram, were higher in Kampala relative to the countryside, while Arabica parchment prices in Mt. Elgon region ranged between Shs. 2,300 and Shs. 2,600 per kilogram.

iii) Non-coffee exports

The value of non-coffee exports increased by 9.6 percent from US\$ 86.4 million in January 2007 to US\$ 94.7 million in February 2007. There was an increase in the value of gold, cotton, and tobacco exports from US\$ 10.5 million, US\$ 1.9 million and US\$ 2.2 million to US\$ 13.0 million, US\$ 2.8 million and US\$ 9.2 million, respectively over the period. Earnings from hides and skins, beans and tea-exports however, decreased from US\$ 2.3 million, US\$ 0.6 million and US\$ 4.7 million in January 2007 to US\$ 0.7 million, US\$ 0.3 million and US\$ 4.1 million, respectively in February 2007. Maize, simsim and fish and its products also registered increases from US\$ 1.4 million, US\$ 0.2 million and US\$ 12.5 million in January 2007 to US\$ 2.0 million, US\$ 0.5 million and US\$ 12.8 million in February 2007, respectively. Other categories of exports declined from US\$ 42.4 million in January 2007 to US\$ 40.3 million in February 2007 on account of a reduction in base metals, vanilla and plastic products' exports from US\$ 5.3 million, US\$ 0.8 million, and US\$ 1.3 million to US\$ 4.3 million, US\$ 0.2 million and US\$ 0.8 million in February 2007, respectively. Table 1 shows the detailed performance of Uganda's exports up to February 2007.

Table I: Exports of merchandise (US\$ Million)

	Sep-06	Oct-06	Nov-06	Dec-06	Jan-07	Feb-07
Total Exports (in US\$ million)	84.47	90.46	96.22	102.22	118.93	118.37
1. Coffee exports	13.97	13.36	22.96	22.21	28.37	20.15
Gross coffee shipment, million (60-Kg) bags	0.16	0.16	0.25	0.25	0.32	0.22
Average unit value	1.47	1.43	1.53	1.49	1.50	1.73
2. Non-Coffee exports	70.38	76.92	72.83	79.66	86.38	94.70
Electricity	0.43	0.47	0.46	0.54	0.46	0.45
Gold	10.67	10.30	8.50	12.81	10.46	12.97
Cotton	0.34	0.46	0.47	0.39	1.92	2.84
Tea	3.23	3.72	4.69	4.45	4.73	4.05
Tobacco	1.41	0.81	0.20	2.35	2.17	9.23
Fish & its prod.(excl. regional)	11.34	12.80	13.00	11.45	12.53	12.81
Fish & its prod.(regional exports)	3.40	3.84	3.90	3.44	3.76	4.72
Hides & skins	0.80	0.54	0.84	0.81	2.34	0.73
Simsim	0.27	0.03	0.02	0.06	0.16	0.50
Maize	2.93	1.20	1.09	1.62	1.43	2.03
Beans	0.81	0.10	0.61	0.48	0.56	0.25
Flowers	3.01	2.68	1.98	2.17	3.00	2.77
Oil re-exports	2.92	3.21	3.45	4.22	3.09	3.05
Cobalt	1.84	1.04	1.56	1.04	1.56	1.56
Others	27.11	35.91	32.51	34.18	42.40	40.26

Source: Bank of Uganda

iv) Imports

Total imports declined from US\$ 227.3 million in January 2007 to US\$ 194.5 million in February 2007. Government imports declined from US\$ 13.1 million to US\$ 9.2 million in February 2007 on account of a significant reduction in non-project related imports, particularly chemical and related products. In February 2007,

chemicals and related products' imports declined to US\$ 0.4 million from US\$ 5.5 million in January 2007. Private sector imports declined from US\$ 214.2 million to US\$ 185.4 million. Imports of oil by the private sector declined marginally from US\$ 34.2 million to US\$ 29.6 million. Table 2 provides information on imports of goods.

Table II: Imports of goods (US\$ Million)

	Sep-06	Oct-06	Nov-06	Dec-06	Jan-07	Feb-07
Total Imports	198.78	203.53	230.10	194.62	227.32	194.5
Government Imports	10.75	11.30	9.19	3.02	13.09	9.18
Project	8.38	4.39	2.29	2.78	2.63	6.70
Non-Project	2.37	6.91	6.90	0.24	10.46	2.48
Private Sector Imports	188.03	192.23	220.91	191.59	214.23	185.4
Oil imports	34.57	32.20	31.60	29.97	34.19	29.64
Non-oil imports	153.47	160.03	189.32	161.62	180.04	155.76

Source: Bank of Uganda

v) Other key developments in Balance of Payments

The overall balance of payments was estimated at a surplus of US\$ 66.3 million in February 2007 up from a deficit of US\$ 14.0 million in January 2007. The Current Account balance recorded a surplus of US\$ 9.1 million; an improvement from a deficit of US\$ 64.1 million registered in January 2007, largely on account of a decrease in imports. The Capital and Financial account recorded a surplus of US\$ 57.2 million in

February 2007, up from a surplus of US\$ 50.1 million in January 2007.

In February 2007, the level of gross foreign reserves amounted to US\$ 1,870.9 million; a build up of US\$ 50.7 million compared to the preceding month. The February 2007 reserve level is estimated to cover 7.1 months of future imports of goods and services.

VI CONCLUDING REMARKS

The period under review continued to record improvements in real economic activity and stable macroeconomic conditions. Bank of Uganda's monetary policy actions remained committed to maintaining price stability and attainment of overall macroeconomic

objectives of Government. In the coming months, the conduct of monetary policy will continue to focus on sustaining price stability and overall broad macroeconomic stability envisaged in the program for the fiscal year 2006/07.

UGANDA: CURRENT ECONOMIC AND FINANCIAL INDICATORS

(In billions of Ushs: end of month unless otherwise indicated)

	Aug-06	Sep-06	Oct-06	Nov-06	Dec-06	Jan-07	Feb-07	Mar-07
Reserve Money								
Base Money	1092.02	1130.96	1089.69	1151.10	1192.33	1171.12	1167.50	1203.89
Currency Issued	865.56	862.68	875.38	898.37	992.07	948.19	936.49	939.22
Commercial Banks' Total Reserves	226.46	268.28	214.32	252.74	200.26	222.94	231.01	264.67
Statutory Required Reserves	271.44	277.16	276.86	285.50	301.36	290.81	298.06	306.42
Total reserves (Eligible Reserves) (6)								
Excess reserves(7)	17.70	55.76	9.90	39.18	-29.28	15.68	19.82	38.46
Commercial Banks' borrowing from Bank of Uganda								
All Commercial Banks	29.37	29.37	29.37	29.37				
Government Fiscal Operations (3)*								
Total tax and import support receipts	654.50	894.05	1,079.37	1,319.10	1,817.59	2,060.21		
Total revenue	380.90	585.88	786.20	1007.78	1293.44	1504.28		
Budget support grants	273.60	308.17	293.17	311.32	524.15	555.93		
Total local funded expenditure	407.60	589.20	841.16	1165.15	1391.29	1608.62		
Recurrent expenditure	327.33	485.50	671.10	887.08	1065.66	1234.88		
Locally funded capital expenditure	82.68	106.11	177.82	285.83	333.39	381.50		
Actual debt amortisation (4)	25.37	39.05	57.99	67.37	83.72	96.88		
Cash balance	-26.70	-3.32	-54.96	-157.37	-97.85	-104.34		
Securities Market								
Treasury bill holdings	1088.69	1070.46	1042.4	982.6	1041.9	1040.42	1055.83	1066.41
Bank of Uganda holdings	216.01	213.15	170.94	110.06	231.96	194.94	58.15	84.04
Commercial banks holdings	669.80	651.02	666.29	667.55	608.77	660.39	814.92	751.68
Insurance companies' holdings	41.90	42.95	47.05	52.44	52.25	61.73	71.66	113.51
Others	160.98	163.34	158.13	152.52	148.91	123.35	111.10	117.18
Treasury Bonds	773.20	793.20	823.17	873.17	903.17	868.27	826.07	856.07
Consumer Price Index								
Composite CPI, Annual percentage change.	7.5	6.2	7.2	9.2	11.3	8.8	7.1	4.5
Underlying CPI, Annual percentage change	6.4	6.8	6.6	8.3	9.8	8.9	8.9	8.4
Composite CPI, Monthly percentage change.	0.8	0.8	0.9	1.9	1.4	-0.7	-1.3	0.4
Kampala CPI, Annual percentage change	7.3	4.9	5.7	7.4	9.7	6.1	5.6	4.2
Kampala CPI, Monthly percentage change	1.4	0.0	1.2	2.1	1.5	-1.6	-0.8	0.1
Monthly Average Pump Prices of Petroleum Products								
Motor Spirit Premium (PMS)	2295.00	2251.20	2150.00	2094.76	1878.14	1926.26	1951.26	2050.00
Diesel (AGO)	1975.00	1903.33	1850.00	1750.00	1660.75	1681.67	1736.67	1840.00
Kerosene (BIK)	1794.17	1817.67	1690.00	1650.00	1600.00	1600.00	1625.00	1706.25

Source: Research Department, Bank of Uganda

M3 is the Sum of M2 and Foreign Exchange Deposits.

Cumulative Fiscal Data for Financial Year Beginning July: Based on Government Cash flow Statement.

Eligible Reserves include Vault cash

Excess reserves is the difference between commercial banks' statutory reserves and total reserves plus a portion of vault cash