Bank of Uganda

Research Department

Monthly Economic and Monetary Developments Report

April, 2011

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1 Introduction

This report presents developments in the macro economy and inflation in light of the monetary policy stance implemented in April 2011. In addition, it presents the inflation outlook in the near-term, assesses whether the upside risks to inflation continue to dominate, and discusses the monetary policy stance and actions May 2011.

2 Monetary policy actions and the performance of the RMP

2.1 Monetary Policy Actions

During the month, BOU pursued a relatively tight monetary policy stance with the objective of smoothing developments in economic activity, while at the same time curbing the second-round effects of inflation and anchoring longer-term inflation expectations at levels consistent with BOU's inflation target. This is because anchoring inflation expectations is crucial in maintaining price stability over the medium term. It is important to note that it was neither desirable nor feasible for BOU to bring inflation back to the targeted levels during the month. This is because the inflation spike was largely a result of external shocks, whose inflationary effects will unwind over a period of time. Therefore, any attempt to entirely offset these effects by changing the settings of monetary policy instruments would needlessly cause short-term fluctuations in the economy. The tight monetary policy stance inevitably led to high interbank rates, which in part helped ease the depreciation pressures by removing arbitrage opportunities and attracting flight-to-safety flows resulting from political unrest in North Africa and the Middle East.

Consistent with the monetary policy stance for the month, BOU issued Treasury securities to keep structural liquidity in line with programmed levels. Two calendar Treasury bill auctions, with offers of Shs. 95.0 billion each were held during the month. Both auctions were oversubscribed, by Shs 58.3 billion and Shs.51.6 billion respectively, however BOU rejected bids worth Shs. 11 billion in the last auction of the month in order to avoid a sharp increase in the yield for the 182-day Treasury bill. BOU also issued treasury bonds on April 27, 2011. The market was offered two tenors totalling to Shs. 95 billion at face value. The Shs. 55 billion 3-year and Shs. 40 billion 5-year issues were oversubscribed by 35 billion and Shs. 33 billion, respectively.

BOU also issued reverse REPOs to fine tune short term liquidity needs of the banking system, and maintained its presence in the IFEM purchasing US$ 0.5 million per day for reserve build-up strategy. In addition, in a bid to calm the rapid appreciation pressures that emerged early in the month, it intervened and bought US$ 5 million from the IFEM. Total FX purchases amounted to US$ 14.5 million. Policy actions and their impact on liquidity are shown in Table 1.

Table 1: Liquidity injections by policy factors (Shs. Billion)

	Jan-10	Feb-10	Dec-10	Jan-11	Feb-11	Mar-11	Apr-11
Securities							
Bond Maturities	60	0	0	0	35	30	60
Treasury bills Maturities	37	89	152	119	94	164	121
Net issuance of Government securities	-35	-53	-141	-78	-67	-87	26
Net Repo Issuance	0	-150	40	258	-68	-127	-11

Source: Bank of Uganda

2.2 Performance of the RMP in April 2011

Base money was programmed to contract by Shs. 16.4 billion in April 2011 to a monthly average of Shs. 2,767.0 billion from the average outturn of Shs. 2,783.0 billion in March 2011. However, actual base money contracted by Shs. 5.7 billion. Although this contraction was lower than programmed, it nonetheless reflects a tight monetary policy stance. This led to a deviation of Shs. 10.7 billion from programmed levels. End period comparisons indicate that base money increased by Shs. 35.0 billion to Shs. 2,792.0 billion from Shs. 2,757.0 billion on account of an increase in currency issued of Shs. 43.7 billion which more than offset a decline in commercial banks reserves of Shs. 8.7 billion. The increase in currency may in part be attributed to the increased demand for cash during the Easter season and the escalating prices.

3 Macroeconomic developments

3.1 Aggregate Demand

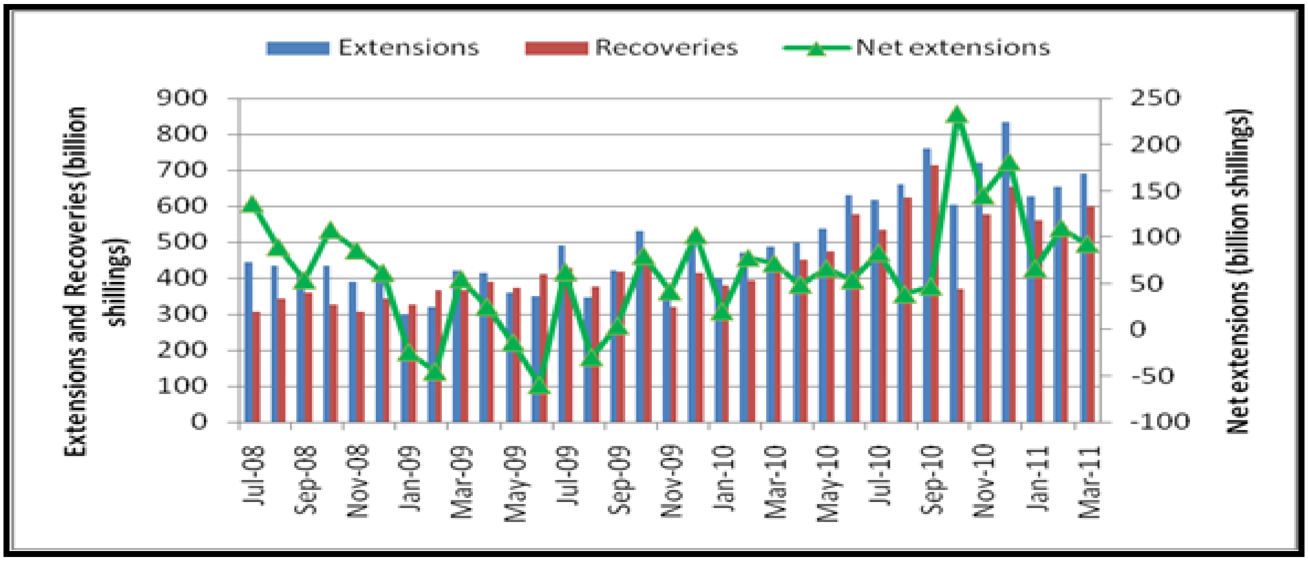
Aggregate demand can be used to guide monetary policy actions in an economy since monetary policy is a demand management policy, that is, "ease monetary policy when aggregate demand is low and tighten monetary policy when aggregate demand is above optimal to prevent the economy from overheating". A clear understanding of the state of aggregate demand in an economy thus helps in the design of an effective monetary policy stance that does not compromise the economy's desired macroeconomic objectives. High frequency data on aggregate demand in Uganda is however scanty, if not unavailable. For that matter, we use a number of proxies to assess the state of aggregate demand in the economy. Specifically, we examine developments in monetary aggregates, evolution of taxes and government expenditure on domestic goods and services, and developments in the components of the balance of payments.

Money can serve as a potentially useful indicator variable for aggregate demand, because aggregate money demand depends on the level of aggregate output. The rationale behind this assumption is that individual agents' demand for real balances depends on the true level of their individual incomes and the sum of these demands ought to be related to the aggregated actual income. However, money demand can also fluctuate in response to unobserved velocity disturbances that attenuate the strength of its linkage to aggregate demand.

Growth in monetary aggregates continues to be robust, which in part signals continued recovery in economic activity. In the period July 2010 – March 2011, annual growth in M2 averaged 33.3 per cent compared to 22.4 per cent in the corresponding period of 2009/10. Growth in private sector credit also continued to be robust, averaging 32.5 per cent compared to 19.0 per cent in the corresponding period of 2009/10. In March 2011, annual growth in private sector credit remained stable at about 36.9 per cent. Credit conditions have boosted demand, which could have contributed to rising rates of inflation. However, the month-on- month growth rate declined to 2.1 per cent from 3.2 per cent in February 2011.

Net credit extensions also remained rather robust. In the July 2010 – March 2011 period, net credit extensions averaged Shs. 110.7 billion per month compared to Shs. 49.6 billion in the corresponding period of 2009/10.The strong growth in private sector credit is indicative of the strong demand for money which is used for the purchase of real production and to undertake the four aggregate expenditures in an economy. The outlook for the demand for money in the near term continues to be strong given the anticipated upswing in economic activity and the upside risks to inflation. Developments in credit extensions and recoveries are shown in Figure 1.

Figure 1: Credit Extensions and Recoveries

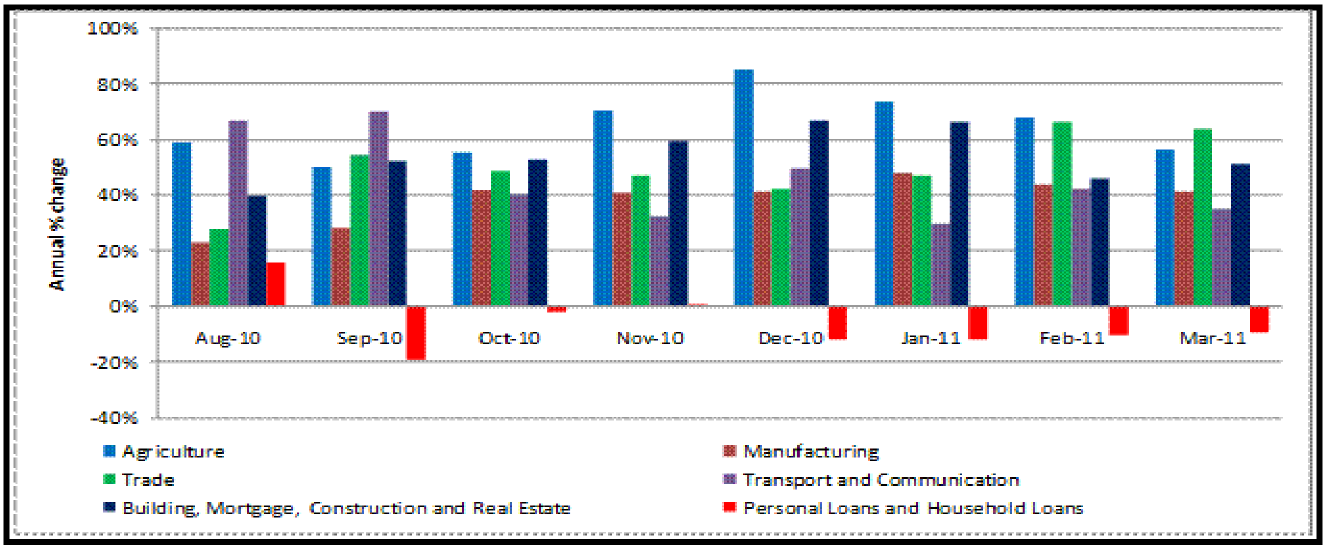


The demand for and the supply of credit can be proxied by the value of loan applications and approvals, respectively. After consistent declines recorded in the four months, a marginal increase in the demand for and supply of credit was registered in March 2011. The value of loan applications increased marginally to Shs. 512 billion in March 2011 compared to Shs. 505 billion in February 2011, while the value of applications approved rose to Shs. 375 billion from Shs. 369 billion in February 2011.

In terms of sectoral growth rates of private sector credit, personal and household loans continued to decline in March 2011, albeit at a slower rate than what was observed in February 2011 as shown in Figure 2. Personal and household loans have been declining on a year-on-year basis since September 2010. This decline, which may lead to a fall in private consumption spending, could in part be explained by the rise in share of NPLs of the sector, which rose from 6.6 per cent in March 2010 to 11.8 per cent in December 2010 yet credit extended to the sector declined from 22 per cent to 15 per cent in the same period. Although this decline does not augur well for consumer led economic growth, the buoyancy of growth in credit to agriculture, manufacturing, trade, transport and communication, and building and mortgage sectors, should contribute to robust growth going forward.

The banks in Uganda have limited external borrowing and bond issues remain marginal due to the still embryonic development of debt markets in the country, thus banks traditionally fund their growth through deposit mobilisation. The loans/deposits ratio in March 2011 stood at around 72 per cent compared to 68 per cent in March 2010. Therefore, the recent growth in credit has been funded by deposit growth, which rose by 39.4 per cent between July 2010 and March 2011.

Figure 2: Sectoral Analysis of Commercial Banks' Credit to the Private Sector

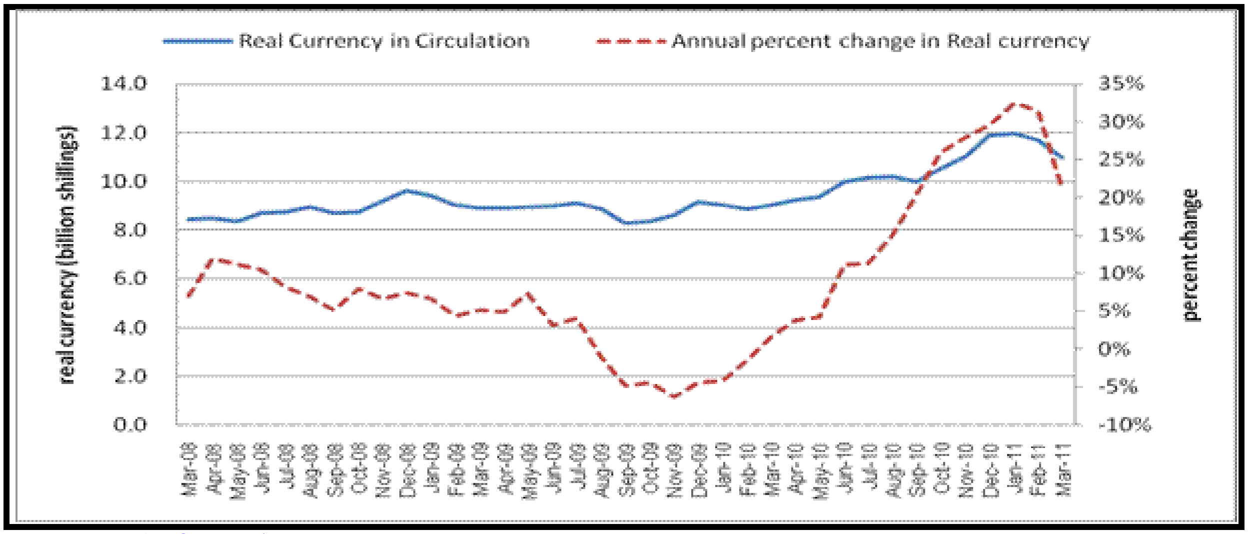


Source: Bank of Uganda

Real currency in circulation is a good indicator of private consumption, since a large volume of consumption expenditure on goods and services in Uganda are paid for in cash. The annual growth rates in real currency have been declining since the beginning of 2011 as shown in Figure 3.

Notwithstanding this decline, the real growth has continued to be positive in contrast to the declines registered between August 2009 and February 2010. The decline in real currency is however consistent with the tight monetary policy stance pursued by Bank of Uganda. Developments in real currency are shown in Figure 3.

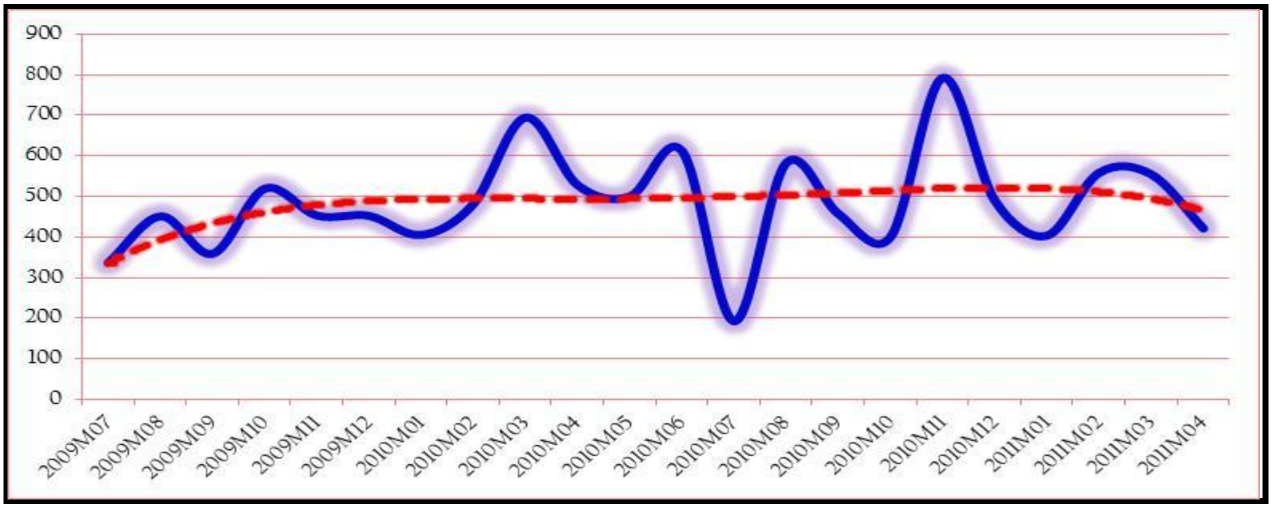
Figure 3: Real currency in circulation



Source: Bank of Uganda

The other important indicator of the level of economic activity is government expenditure and taxes on domestic goods and services. The government expenditure on domestic goods and services, a key component of aggregate demand, although erratic has maintained an upward trend as shown in Figure 4. On a year-on-year basis, government expenditure outturn increased by 42.3 per cent in April 2011 compared to an annual increase of 18.2 per cent in March 2011. This was however a decline of 24.3 per cent of when compared to what was realized in March 2011. The average annual growth in domestic expenditure increased to 44.2 per cent in Q3-2010/11 from 41.3 per cent in the previous quarter. Thus, although domestic expenditure has been rather erratic month-on-month, the upward trend suggests that government expenditure has had a positive impact on aggregate demand.

Figure 4: Government domestic expenditure



Source: Bank of Uganda

The year-on-year overall total tax collection was robust, increasing by 19.2 percent in April 2011. However, the month-on-month performance across the different categories of taxes on domestic goods and services was mixed. While indirect taxes and taxes on international trade marginally rose by 2.1 percent and 0.6 percent respectively in April, direct taxes fell by 1.8 percent in the same period. Worth noting, VAT on domestic goods and services increased by 3.7 per cent in April, implying there was a marginal increase in output in this period.

Table 2: Fiscal Operations (Shs. Billion)

	Mar-10	Apr-10	Dec-10	Jan-11	Feb-11	Mar-11	Apr-11
Expenditure	467.3	293.9	488	400	556	525	418
Tax Revenue	338.0	351.2	545.2	447.8	371.8	412.4	418.6

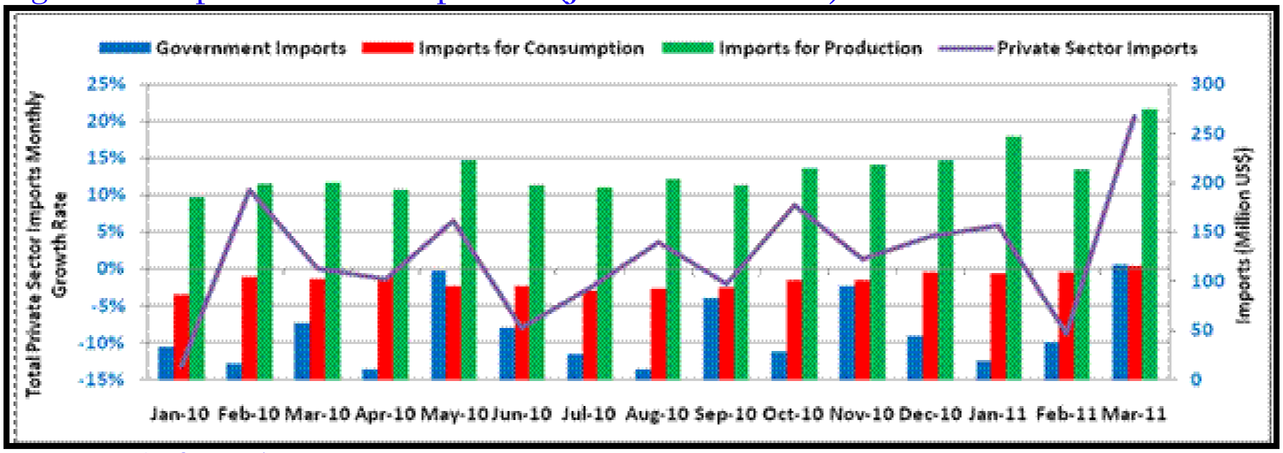
Source: Bank of Uganda

On the external sector, the trade balance is a good indicator of foreign exchange trend, therefore the foreign exchange market closely follows any changes in exports and imports. Rates of imports and exports are significant indicators of the overall activity in the economy. Changes in export activities represent the competitive position of an economy, as well as the intensity of economic activity abroad. Strength of domestic economic activity is reflected by developments in the import activity.

In March 2011, total export earnings grew by 4.76 per cent and 16.55 per cent on monthly and annual basis, respectively to US$ 231.54 million. This compares with the respective monthly and annual growth rates of 12.67 per cent and 17.28 per cent registered in February 2011. The increase in exports is due to improvement in exports competitiveness as reflected in the improvement in TOT and exchnage rate depreciation. The increase in export earnings was mainly on account of growth in the coffee exports. Coffee export earnings rose by 22.5 per cent in March2011, up from the decline of 7.2 per cent registered in February 2011. On the imports side, the import bill (f.o.b.) increased by 39.7 per cent and 40.1 per cent on monthly and annual basis, respectively, to US$ 512.74 million. The increase in imports is largely accounted for by the increase in Government imports, which surged to US$ 116.53 million in March 2011 from US$ 38.91million in February 2011. Total private imports also increased albeit by a smaller margin to US$ 396.21 million from US$ 328.36 million in February 2011. In order evaluate the impact of imports on economic activity, it is important to disaggregate private sector imports according to use. Thus imports are disaggregated into consumption, intermediate and capital goods. Intermediate and capital goods add to the productive capacity of the economy.

In March 2011, consumption imports grew by 5.7 per cent and 12.8 per cent on month-on-month and year-on-year basis, respectively while goods imported for production purposes grew by 29 per cent and 37.3 per cent on month-on-month and year-on-year basis respectively over the same period. This shows that the high growth in the import bill is largely on account of increased investments which will in turn strengthen the productive capacity of the economy. Figure 5 shows the evolution of the different components of imports.

Figure 5: Components of the Import Bill (Jan 2010– Mar 2011)

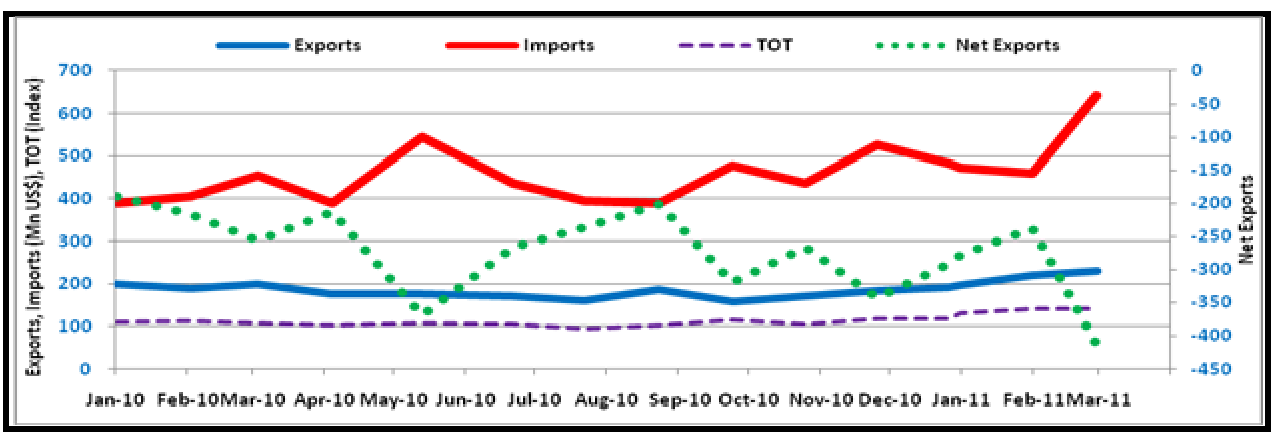


Source: Bank of Uganda

Although exports earning rose in March 2011 relative to February 2011 and the corresponding period of 2010, the trade account deteriorated as can be seen from Figure 6. The deterioration of the trade account is largely explained by the more than proportionate surge in imports and the net commercial banks' purchases which amounted to minus US$7.6 million. Activity in the FX market declined by about 16 percent in the period under review. However, this could partly be reflective of the correction in April after a sharp rise in FX activity in March which could have risen from the return of the FX after the FX flight towards elections.

Total foreign receipts worth US$346.35 million were realized in the month of April 2011. However, as of end of April, 2011, the total budget support and project aid receipts for the FY 2011/11 amounted to US$ 596.82 million compared to US$775.04 million recorded in the same period of FY 2009/10. Significant deviation from the fiscal year projections is notable in project aid disbursement whose performance against the projected as of end of April 2011 was 47 per cent compared to 89 per cent performance of the budget support. Low aid inflows suggest weaker current account balance which therefore implies that exchange rate has to depreciate to correct the imbalance.

Figure 6: Trade balance and the Terms of Trade (Jan 2010-Mar 2011)



Source: Bank of Uganda

3.2 Financial Sector Developments

3.2.1 Short-term liquidity conditions and money market rates

The short-term liquidity conditions remained relatively tight during the month largely reflecting a tight monetary policy stance. BOU maintained its structural liquidity sterilisation instrument mix for the month and issued reverse REPOs to adjust short-term liquidity conditions. However, due to the adopted tight monetary policy stance and the need to maintain stability in the foreign exchange market, BOU was cautious of the magnitude of the reverse REPOs offered. Subsequently, the less than optimal liquidity injections maintained the money market rates relatively high, which consequently forced the commercial banks to gradually unwind their long dollar positions to acquire shilling liquidity. The commercial banks closed the month with a short dollar position of US$ 6.1million compared to their long dollar position of US$ 11.7 million as at end March 2011.

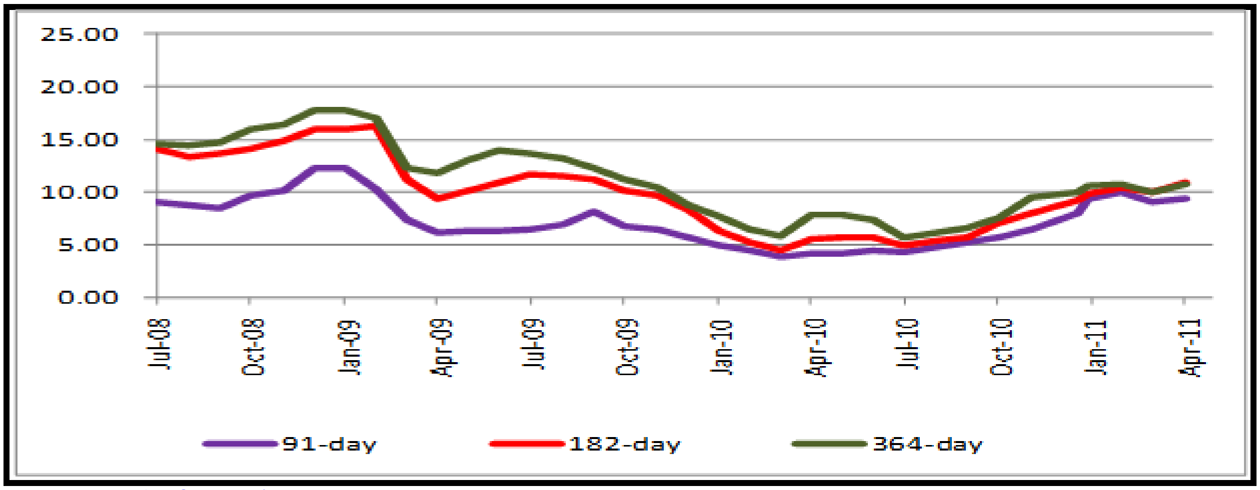
The interest rates in the interbank money market continued to rise, with the weighted average 7-day rate rising from 9.8 per cent in March 2011 to 10.7 per cent in April 2011. The overall weighted interbank rate also rose from 7.5 per cent to 9.4 per cent. The weighted average 7-day reverse REPO rate also rose from 10.0 per cent to 10.9 per cent during the same period of time. As at April 29, 2011, the outstanding stock of reverse REPOs stood at Shs. 160 billion, compared to the closing stock of Shs. 170 billion in March 2011. Reverse REPO issues amounted to Shs. 610 billion in April 2011 compared to Shs. 940 billion in March 2011.

3.2.2 Rates on Government securities

The average yield on both Treasury bills and bonds rose during the month. The respective weighted annualized yields on the 91-day, 182-day, and 364-day bills stood at 8.9, 10.3, and 10.2 per cent for the auction of April 06, 2011, and at 9.8, 11.3, and 11.3 per cent for the auction of April 20, 2011. This compares with the respective yields of 8.7, 9.3, and 9.9 per cent recorded in the last auction of March 2011. The resultant yield-to-maturity for the 3-year paper rose to 12.5 present from 11.6 per cent registered in the 3-year bond auction of March 03, 2011. Similarly, the yield for the 5-year note rose to 12.7 per cent from 11.9 per cent recorded in the 5-year bond auction of December 08, 2010. The total bond sale amounted to Shs. 89 billion at cost.

The increase in average yields on both Treasury Bonds and Bills could in part reflect high inflation expectations and a possible spill over of the tight liquidity conditions at the short end of the market. Figure 7 shows the respective developments in Treasury bill and bond yields.

Figure 7: Treasury bill yields, July 2008 to April 2011



Source: Bank of Uganda

Despite the rise in the yields on the 91-day Treasury bill within the month, the Rediscount rate and Bank rate declined to 12.11 per cent and 13.11 per cent respectively by the end April 2011 from 12.87, and 13.87 per cent recorded at the end of March 2011. Going forward, a continued rise in yields on government securities will have adverse implications for interest costs to government.

3.2.3 Commercial Banks' interest rates

Commercial banks average lending rates on domestic currency denominated loans rose by 39 basis points to 19.97 per cent in March 2011. On the other hand, Demand deposit rates were relatively stable increasing by just one basis point to 1.18 per cent while savings and time deposit rates declined by 3 basis points and 32 basis points. The lending rates on foreign currency denominated loans also followed a similar trend. The weighted average lending rate increased by 65 basis points to 10.15 per cent, while demand and saving deposit rates were largely stable and the average time deposit rate declined by 38 basis points as shown in Table 3.

Table 3: Commercial bank lending and deposit rates

Commercial Bank Rates	*Local Currency Denomination*					*Foreign Currency Denomination*				
	Nov-10	Dec-10	Jan-11	Feb-11	**Mar-11**	Nov-10	Dec-10	Jan-11	Feb-11	**Mar-11**
Lending	20.14	19.71	20.09	19.58	**19.97**	9.77	8.57	10.81	9.49	**10.14**
Demand	1.35	1.28	1.24	1.17	**1.18**	0.96	0.96	0.95	1.09	**1.08**
Saving	2.41	2.37	2.35	2.41	**2.38**	1.50	2.65	1.50	1.49	**1.49**
Time	7.61	9.78	9.75	9.99	**9.68**	3.08	3.87	4.13	3.01	**3.22**
Average Deposit Rate	1.91	2.02	2.24	2.02	**2.09**	1.28	1.25	1.17	1.67	**1.30**
Spread (Lending less Time)	12.53	9.94	12.12	9.58	**10.29**	6.69	4.70	6.68	6.47	**6.92**

Source: Bank of Uganda

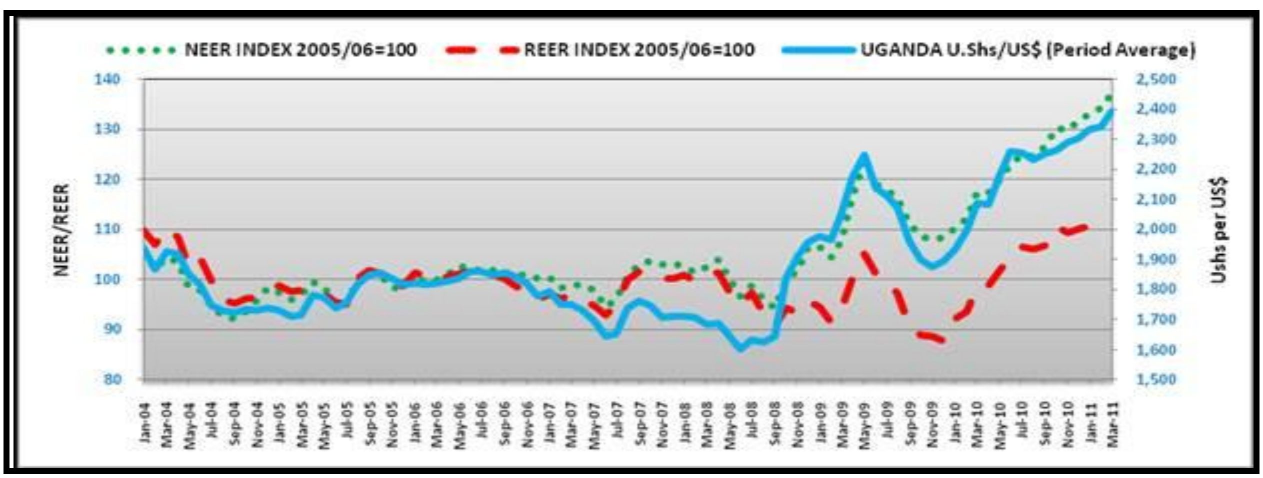
3.3 Exchange Rate Developments

In April 2011, the Uganda Shilling appreciated against the US Dollar on a period average basis by 1.1 per cent to Shs. 2,367.59 per US Dollar from an average of Shs. 2,393.31 per US Dollar registered in March 2011. However, on annual basis, this represented a depreciation of 13.7 per cent. This compares with the respective monthly and annual depreciations of 2.2 per cent and 14.7 per cent recorded in March 2011. Most of the appreciation was realised in the first half of the month, when substantial inflows from offshore investors, NGOs and export proceeds were recorded, prompting BOU's intervention to purchase US$ 5 million in a bid to stem the rather rapid appreciation.

The depreciation in the second half of the month was largely due to weak current account balance coupled with speculative carry trade dominated by offshore activity which remains a dominant activity in the FX market with an average share of 29 per cent of the large deals in FX market between November 2010 and Marc 2011.

The Real Effective Exchange Rate (REER), which measures the competitiveness of domestic traded goods relative to those of Uganda's trading partners, appreciated by 0.75 per cent in March 2011 compared to a depreciation of 0.51 per cent in February 2011. The Nominal Effective Exchange Rate (NEER), which measures the strength of the Shilling vis-à-vis the currencies of Uganda's trading partners, however depreciated by 2.05 per cent and 16.8 per cent, on March monthly and annual basis, respectively. The appreciation of the REER was mainly driven by the significant increase in domestic inflation relative to that of Uganda's trading partners. While annual foreign inflation rose to 6.72 per cent in March 2011 from 5.74 per cent registered in February 2011, domestic inflation rose to 11.14 per cent from 6.4 per cent in the same period. The evolution of the bilateral Shs/US Dollar rate, NEER and REER is depicted in the Figure 8.

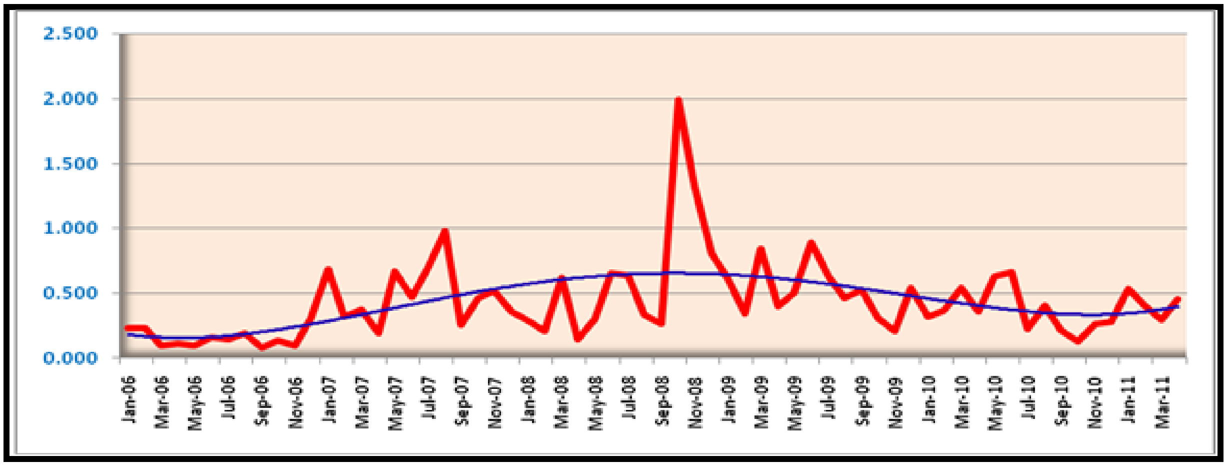
Figure 8: Nominal and Real Effective Exchange Rate Movements.



Source: Bank of Uganda

One of the desirable attributes of the floating exchange rate regime is the constant fluctuation against other currencies, which in part allows for efficient absorption of shocks to the balance of payments. However, excessive volatility of the exchange rate can be disruptive to the flow of trade and foreign investment. We measure the extent of volatility using the standard deviation and the coefficient of variation. Figure 9 depicts the evolution the standard deviation of the daily percentage change in the UShs/US$ exchange rate for a monthly moving window. AS can be seen from the figure, the amplitude of the exchange rate cycle (short-term fluctuations) is substantial compared to the trend, which can be used to measure the long-term variations in the exchange rate. This shows that the bilateral UShs/US$ exchange rate has continued to sharply deviate from fundamentals. The long-term variations in the exchange rate move with swings in fundamentals while the short-run variations are disruptive. The trend shows that although the volatility declined gradually, it has since risen.

Figure 9: Exchange rate volatility

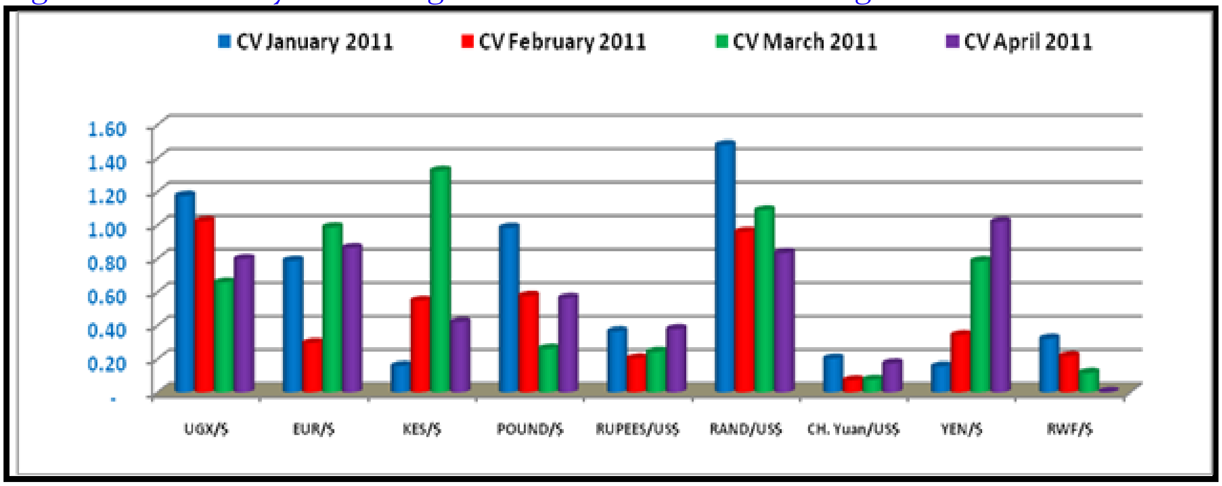


Source: Bank of Uganda

Figure 10 compares the volatility of the bilateral UShs/US$ exchange rate, as measured by the coefficient of variation to that of the US dollar exchange rates of other currencies. This comparison indicates that the Uganda shilling volatility does not seem to differ significantly. Indeed, in April 2011, the variability of the bilateral UShs/US dollar rate was lower than that of the Euro/US dollar, Rand/US dollar, and Yen/US dollar rates. The variability of the UShs/ US dollar exchange rate was however higher than what was realised in March 2011. The persistent volatility in the exchange rate poses policy challenges since volatility represents uncertainty and risk and this could deter growth. However, higher volatility could also make Forex trading more attractive to the market players. The possibility for profiting in volatile markets is a major consideration for carry trade.

Exchange rate volatility is associated with higher transactions costs because uncertainty is high and so is hedging foreign exchange risk. In addition, long-term exchange rate fluctuations affect the competitiveness of domestic export and import competing industries. In a small open economy like Uganda, growth performance could be strongly influenced by long-term fluctuations of the exchange rate level.

Figure 10: Variability of exchange rates of selected currencies against the US Dollar



Source: Bank of Uganda

4 Inflation Developments and Outlook

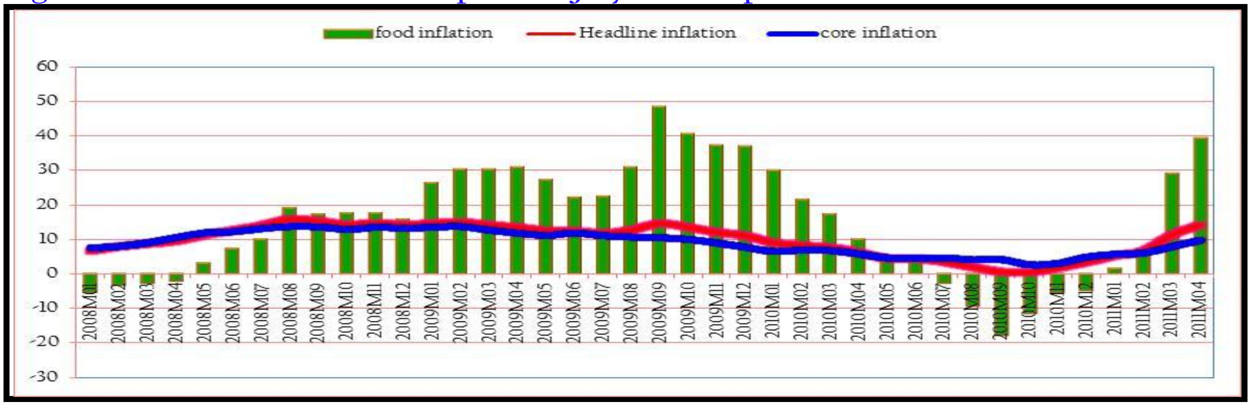
4.1 Inflation developments

The annual headline inflation rate for the year ending April 2011 surged to 14.1 per cent from 11.1 per cent recorded for the year ended March 2011. The annual core Inflation rate nudged up to 9.7 per cent for the year ending April 2011 from 7.8 per cent in the year ending March 2011. The pace of the pick-up has been alarming with inflation having doubled over the last 3 months. The acceleration in the pace of domestic inflation threatens to undermine growth as confidence in the economic outlook could decline. At the same time, the higher raw-material costs weigh on consumption and company profits. Food crops registered a higher annual inflation rate of 39.3 per cent for the year ending April 2011 compared to a 29.1 per cent registered in March 2011. However, the Annual Energy, Fuel and Utilities (EFU) Inflation rate decreased to 9.0 per cent for the year ending April 2011 from 10.4 per cent for the year ended March 2011.

The annual food inflation rate increased to 30.8 per cent for the year ending April 2011 compared to 23.7 per cent recorded for the year ended March 2011. The non-food prices inflation also went up to 6.5 per cent for the year ending April 2011 compared to 5.3 per cent rise recorded for the year ended March 2011.

Arua, Jinja, Masaka and Gulu centres registered higher annual headline inflation rates of 22.1 per cent, 18.9 per cent, 18.2 per cent and 17.9 per cent respectively for the year ending April 2011. Annual inflation developments are shown in Figure 11.

Figure 11: Annual inflation developments: July 2007- April 2011

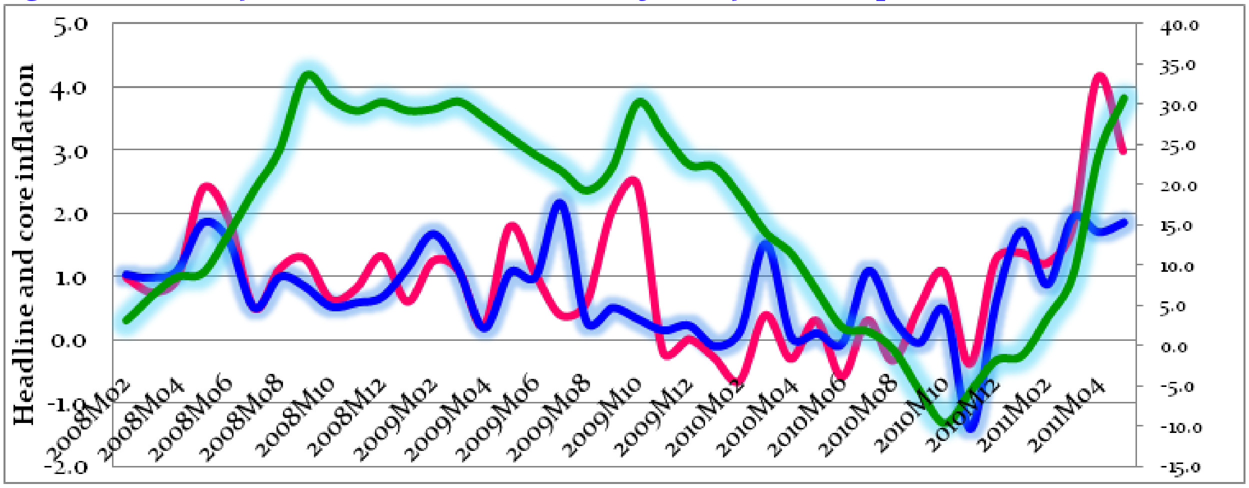


Source: UBOS

The monthly headline inflation declined to 3.0 per cent in April 2011 compared to 4.1 per cent recorded in March 2011. However, the monthly core inflation rate went up by 1.9 per cent in April 2011 compared to 1.7 per cent rise in March 2011. Monthly food crops inflation rate in April 2011 was is 8.6 per cent while EFU inflation rate inflation was 1.3 per cent.

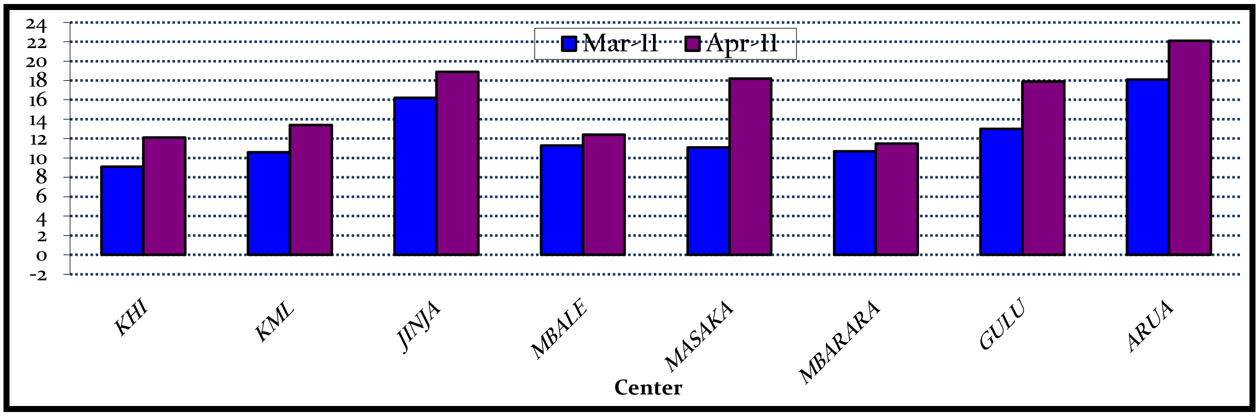
During the month, the food prices inflation was 5.9 per cent due to increases in prices of matoke, sweet potatoes, Irish potatoes, pineapples, sweet bananas, passion fruits, avocado, tomatoes, beans, groundnuts, fish and meat in most centres. The increase in prices of these food items is attributed to low supplies to the market. In addition, prices for petrol, diesel, and paraffin went up mainly attributed to high prices of oil on the international market. As a result, transport fares increased in most centres due to high fuel prices. Likewise, prices of charcoal, firewood, meals in restaurants and rental charges also increased during the month in most centres. Developments in monthly inflation are depicted in Figure 12.

Figure 12: Monthly headline and core inflation, January 2008 – April 2011



Source: UBOS

Figure 13: Annual Headline Inflation Rates by Centre



Source: UBOS

To propose the appropriate policy response, it is important to understand the true underlying drivers of inflation. Prices continued to increase as the impact of higher food and energy prices trickles through the economy but also because of a lower base of comparison. The current pace of the domestic inflation is largely driven by both domestic and global trends.

Domestically, the significant food price increases in part reflect the impact of drought which, in the near-term is expected to unwind. In addition, economic activity accelerated in the first half of FY2010/11 boosted in part by monetary easing. This could have resulted in the output gap closing very fast and therefore contributing to core inflation.

Table 4 shows some of the major drivers of inflation. As shown in the table, food prices continued to surge in April 2011. Stable foods rose by 50 per cent in year ending April 2011, with a weight of about 6.6 in the CPI basket, this suggests that stable food contributed about 23.5 per cent to the April 2011 inflation. Similarly, meat and poultry prices rose by about 24.2 per cent on annual basis in the same period contributing about 5.4 per cent to headline inflation. These increases reflect the impact of drought on inflation. The impact of high fuel prices coupled with exchange rate depreciation to inflation is partly reflected in the increases in inflation of some of the commodities that have the higher import content. For instance, part of the fuel prices increase is due to the exchange rate depreciation. Some of the commodities with high import content whose prices increased significantly as shown in table 4 include; oils and fats, transport fares, and other transport & communication costs which increased on the annual basis by 36.8 per cent, 15.7 per cent, and 15.9 per cent respectively in the ending April 2011.

These price increases have been especially hard on lower-income households as shown by higher inflation for low and medium income households in the Kampala centre. Households in this category of the income distribution, on average, spend 28 per cent of their after-tax income on food compared to 20 per cent for the high income category.

These higher food prices have caused short-term inflation measures to rise. The natural question in these times is whether these higher prices will be enough of a driving force to cause a persistent increase in the rate of inflation. Large increases in food or energy prices tend to be temporary. History shows that they are often followed by sharp declines. For example, in 2006, oil prices rose significantly over the first eight months of the year but then dropped in the remainder of the year. While periods of rising food and energy prices cause inflation to rise temporarily, the subsequent periods of falling food and energy prices cause inflation to fall, also temporarily. To cause a lasting rise in inflation, these price increases have to be large enough and persist long enough that they spill over and cause sustained increases in a wide array of other consumer prices.

High food inflation is not a new phenomenon but the recent surge in food inflation is unusual in the sense that in between February and March 2011, food inflation rose by 149 basis points on annual basis and this continued in April 2011 although at a less pace. Undoubtedly, this shows the severity of drought but also the fact that most food had been exported especially to Sudan, after a good harvest that resulted in a sharp decline in food crop prices in 2010. Indeed, the highest inflation centre was Arua.

However, food inflation is not being primarily driven by idiosyncratic supply shocks, but is increasingly structural and broad-based—reflecting the inability of supply to keep up due to rapid growing population and declining agricultural productivity. This therefore suggests that inflation surges are more likely to reoccur in future and risks to inflation could easily remain skewed to the upside for some time.

Further upside risks have stemmed from high international crude prices. The average Brent crude oil prices in April 2011 was US$ 120 per barrel from US$ 113 and US$ 102 per barrel in March and February 2011, respectively. This increase in crude oil prices coupled with an exchange depreciation of 13.7 per cent on year-on-year basis has translated into domestic pump fuel prices increase to between Shs. 3,500/= and Shs. 3,200/= per litre of petrol and diesel, respectively. This increase in fuel prices passes-through to domestic costs of production and ultimately to domestic inflation. However, for the year ended April 2011, international oil prices rose by 34.5 per cent and the exchange rate depreciated by 13.7 per cent but pump fuel prices rose on average by about 38 per cent in the same period, implying that pump prices have not been increased proportionately, either reflecting a lag effect or that oil companies are cutting on their profits. Given that energy makes up a fair share of the CPI basket via transportation, utilities etc., the impact on overall inflation could be substantial. Of course, if fuels for thermal power generation were not subsidised by the government, then the energy costs would have been even higher. However, growing fiscal strain could at some point be scaled back which then could result in an inflation spike.

Global inflation, particularly in Uganda's major trading partners has also continued to rise. This ultimately translates to prices of imported products and consequently to higher domestic inflation. Inflation in China, India and Kenya, the main source of Uganda's imports continued to rise, implying higher imported inflation. Moreover, as the tool to control inflation in China, the renminbi has had a fast appreciation which is another catalyst for higher import prices.

Kenya's year-on-year inflation jumped to 12.1 per cent in April 2011 from 9.2 per cent in March 2011. This is the sixth straight increase in Kenya's inflation, driven mainly by food crops and fuel prices. According to the Eurostat, the Euro area annual inflation is estimated to be 2.8 per cent in April 2011 from 2.7 per cent in March 2011. All major emerging economies are experiencing high inflationary pressures, in part attributed to expectations for strong growth for near term. The rise in global inflation expectations, especially in the near term, remain largely due to the rapidly rising prices for agricultural and other commodities, particular oil prices and strong growth prospects in the emerging market economies.

Table 4: Annual percentage increases in prices of some commodities in the CPI basket

	weight	2010M07	2010 M08	2010 M09	2010 M10	2010 M11	2010 M12	2011 M01	2011 M02	2011 M03	2011 M04
Food	27.16										
staples	6.62	-21.1	-30.4	-33.2	-25.0	-18.8	-21.5	-13.8	-1.3	28.6	50.0
Fresh Fruit	1.07	-3.7	0.1	-4.6	-1.9	9.5	26.7	21.6	11.8	24.2	23.2
Fresh Vegetables	1.81	27.1	14.9	-4.4	1.6	8.6	22.7	30.7	8.8	22.5	35.5
Dry Vegetables	2.46	10.8	9.6	-0.8	-3.1	4.0	7.2	10.9	14.3	28.3	30.2
Meat & poultry	3.16	0.0	-0.1	2.9	3.2	8.1	9.1	15.0	17.4	20.4	24.2
Fish	1.58	21.1	19.9	28.5	36.3	39.5	37.8	39.1	41.1	37.1	50.7
Milk & eggs	2.09	4.8	0.0	-9.8	7.3	9.6	7.9	8.2	10.8	28.9	25.3
Oils & fats	0.99	-1.3	0.8	1.8	4.5	8.5	13.4	21.3	28.2	34.4	36.8
Rent,fuel & utilities	14.84										
HH Repair & Main.	7.77	-4.9	-4.1	-3.5	-2.8	-1.6	0.5	6.2	9.3	13.1	13.9
HH. Personal goods	4.50										
Soap,toiletries etc	2.41	4.4	6.1	5.6	7.3	7.4	8.8	13.2	14.0	19.1	21.5
HH textile & furniture.	1.14	8.7	9.3	10.1	11.1	11.4	12.4	12.4	12.5	13.9	17.0
Other HH. goods	0.9	4.9	6.0	5.8	6.8	7.2	8.9	11.5	12.8	15.8	9.4
Transport & commun.	12.83										
Transport fares	4.44	0.1	0.2	2.3	4.4	3.0	10.6	6.6	9.3	14.1	15.7
Communication	5.59	0.5	0.5	0.5	-46.1	-46.1	-46.1	-45.6	-45.6	-66.5	-66.5
Other transport & communication costs	2.79	9.6	10.9	11.7	14.1	12.6	13.1	15.1	16.6	17.2	15.9
Health, Entertainment & others	16.83										
Meals in Restaurants	8.28	12.5	12.2	10.4	12.1	11.7	15.9	15.9	15.5	16.8	17.9

4.2 Inflation Outlook

The outlook on inflation remains skewed to the upside. It is however important to note that the recent surge in inflation is related to temporary factors, such as weather. This situation should reverse with expectations of good food harvests. It is also worth noting that, in a country such as Uganda, high food inflation inevitably translates into other forms of inflation, in addition to rising raw material prices. In addition, raw material prices are expected to remain high due to high global commodity prices and the continued exchange rate depreciation.

Manufacturing prices have continued to surge. The year-on-year inflation rate of non-food rose to 6.5 percent in April 2011 from 5.4 percent in March 2011. So, even as food inflation has started to abate in recent weeks, the moderation is likely to be more than offset by rising non-food prices. Part of the increase in inflation is on a statistical basis. The base effects will continue to push inflation higher until towards the end of the year. However, the base effects will push year-on-year inflation lower around the same time in 2012. Therefore clear signal on whether inflation is declining will be detected by the sequential momentum in decline in inflation (i.e., the month-on-month inflation) slow down. To the extent that the sequential momentum does not slow down, the peak in year-on-year inflation will likely be higher than expected and the decline even when the base effects kick in should not be very strong. In that case, inflation will likely persist until early 2012

High inflation is also partly explained by the base effects. The base effects will continue to push inflation higher until towards the end of the year. The base effects will push year-on-year inflation lower around the same time in 2012. Therefore clear signal on whether inflation is declining will be detected by the sequential momentum in decline in inflation (i.e., the month-on-month inflation) slow down. To the extent that the sequential momentum does not slow down, the peak in year-on-year inflation will likely be higher than expected and the decline even when the base effects kick in should not be very strong. In that case, inflation will likely persist until early 2012.

Prices for various commodities including oil have started to fall recently, indicating that the rise in consumer prices may be near its peak. However, oil prices could continue to hit fresh peaks in months ahead as global economic recovery takes hold.

5 Policy implications

Risks to inflation are still skewed to the upside. Headline inflation has accelerated since January 2011, and this initially reflected higher food prices due to drought and international oil prices. However, pressures have now spilled over into core inflation. Current inflation surge due to external shocks is largely a supply shock, which should push inflation higher and growth lower. However, to the extent that this shock isn't too large (with projection of oil prices remaining between US$ 120 and US$ 130 per barrel in the remaining part of 2011), effects on growth are likely to be moderate. At the moderate levels of inflation that we expect, the impact of inflation on growth is likely to be small. However, if inflation persists at high levels, above 10 per cent, for a longer period of time, then it will adversely impact on growth.

Looking ahead, inflation is likely to remain at moderate, benign levels because of monetary policy action but above the BOU's targted levels. However, if BOU was to disregard inflation, it would eventually climb to levels where the impact on growth would be economically significant. BOU would then have to tighten policy a lot in order to curb inflation which could trigger a contraction in order to bring inflation under control. Rather than hurt growth so severely later, BOU should 'bruise' growth now to prevent inflation from ever getting out of hand. Even though base effects and global shocks should push year-on-year inflation higher, BOU will pay attention to the sequential momentum in inflation in the coming weeks. The risks to oil prices and rising producer price inflation and import price inflation mean that core prices could continue to rise. Nominal currency appreciation is well placed to bring down these risks to inflation.

Even though fuel inflation has not proportionately increased to the increases in both the international oil prices and the exchange rate depreciation, producer price inflation and imported inflation have continued to rise. In part, these are manifestations of the global shock from higher oil prices feeding through to rising input costs and higher import prices. Since the rise in producer prices and import prices is due in part to higher oil and imported raw materials prices, then currency appreciation could help in dampening the impact of commodity price movements. But given the size of the increase in oil and food prices, we would have to see substantial strengthening in the currency to make a sizeable difference, which seems unlikely in the current environment. It is also worth bearing in mind that the direction of the currency is largely determined by demand-supply dynamics and all BOU can usually hope to achieve via intervention is to reduce volatility. To alter the direction of movement of the currency, opposite to what the market dictates, would be a tough task for BOU. Moreover, at the moment, the FX reserves cover BOU has is limited. However, FX market interventions could be an optimal monetary response at the current levels of high inflation with high upside risks to further increases.

The key issue here is whether the rise in commodity prices will unduly push up inflation expectations. A sustained rise in medium-term inflation expectations would represent a threat to BOU's price stability mandate. What can the BOU do to ensure that inflation expectations stay well-anchored? Undoubtedly, the economy grew rapidly in the first half of the 2010/11. But on whether the economy could be growing so fast that inflation pressures could rise even with negative output gap. The notion is that at very fast growth rates prices might have to rise in order to funnel resources to those areas where demand and output are rising particularly rapidly. Although this possibility shouldn't be ruled out, we should not be too worried about this, particularly if growth is broadly based. In particular, the economy is not growing quickly right now relative to the past.

As of now, although core inflation is rising, the differences in the nominal Treasury yield curve and the bond yield curve has shown a modest rise since December 2010. This could suggest that longer-term inflation expectations remain well-anchored. The biggest risk in terms of higher core inflation over the 2011 and 2012 is that inflation expectations could become unanchored. This might occur, for example, if there were a loss of confidence in the ability and/or willingness of the BOU to tighten monetary policy in a timely way in order to keep inflation in check. In this regard, BOU will ensure that the appropriate policy steps are taken in a timely manner.

Globally, the surge in food and energy prices and the subsequent increase in inflation have posed a major challenge to most central banks. Coming from a recently benign inflation environment, many central banks never projected sharp inflation upsurge. Most central banks are facing new policy challenges, stemming from a difficult combination of global financial turmoil, economic slowdown, volatility in commodity markets, reversal of capital inflows, exchange rate depreciation, and inflation pressures.

In particular, many emerging economies, including BRICS, and developing countries from which Uganda imports from are facing a substantial acceleration of inflation, raising concerns about the credibility of monetary policy in these countries. In most EM and developing countries, including Uganda, combating inflationary pressures has been more challenging than in advanced countries, in part reflecting a larger share of food and fuel products in the consumption basket, and also because of inclination to give growth priority relative to other macroeconomic policy objectives in many cases. Clearly, the upsurge of inflation has highlighted the complex challenges facing BOU in an increasingly globalized world.

While inflation in a large part of the EM world is poised to peak around the middle of the year on a year-on-year basis thanks to strong base effects, what level it will peak at and how quickly it will fall will be significant in determining the policy response from EM central banks. In other words, central banks are likely to pay close attention to the sequential change in inflation after stripping out base effects.

It seems that going short the US Dollar against a basket of higher-yielding currencies remains an attractive way to gain exposure to swings in commodity markets. Indeed, record-high correlations to Crude Oil prices suggest that many speculators have done just that. Record-low US interest rates likewise mean that speculators are able to borrow USD cheaply to subsequently buy higher-yielding currencies. As long as this remains the case we suspect the USD correlation to raw materials prices will remain quite strong and this could continue to cause sharp exchange rate movements.

Appendix

UGANDA: CURRENT ECONOMIC AND FINANCIAL INDICATORS (in billions of U Shs: end of month unless otherwise indicated)													
	Apr-10	May-10	Jun-10	Jul-10	Aug-10	Sep-10	Oct-10	Nov-10	Dec-10	Jan-11	Feb-11	Mar-11	Apr-11
Foreign Exchange Market													
Inter-Bank Purchases (US$M)	669.7	798.7	894.6	729.9	804.4	640.9	655.5	731.1	828.3	853.5	656.3	857.9	731.5
Inter-Bank Sales (US$M)	630.0	813.4	899.5	701.4	827.3	633.3	636.9	762.1	792.3	962.9	648.9	854.0	739.1
Cross currency trading (US$ million)	271.9	277.1	152.5	426.7	174.4	165.3	180.0	149.2	105.1	292.4	142.1	143.0	137.1
Inter-Bank Mid-Rate (UShs/US$)	2,083.0	2,174.6	2,257.4	2,257.3	2,230.9	2,251.3	2,264.8	2,288.9	2,303.9	2,332.5	2,341.9	2,393.3	2,367.6
Foreign Exchange Reserves													
Gross Foreign Reserves in months of imports of goods and Ser	5.3	4.9	4.9	4.9	4.9	4.7	5.1	5.2	5.2	4.6	4.4		
Bank of Uganda Foreign Exchange Reserves (US$ M)	2,751.0	2,560.5	2,498.2	2,571.1	2,693.8	2,668.9	2,764.2	2,807.9	2,831.8	2,662.8	2,539.7		
Tax Revenue	328.9	297.9	364.4	426.8	352.8	320.2	331.9	347.3	428.0	506.0	346.0	402.0	348.0
Monetary and Credit Aggregates (2)													
Broad Money supply M3	7,610.2	7,966.1	8,293.1	8,011.6	8,467.3	8,641.0	8,831.5	9,340.2	9,406.5	9,403.3	9,648.3	9,760.3	
Foreign Exchange Accounts Deposits	1,757.0	1,824.3	1,881.4	1,845.6	1,976.0	2,027.4	2,086.1	2,156.3	2,138.5	2,237.8	2,247.4	2,351.1	
Money supply M2	5,853.2	6,141.8	6,411.7	6,166.0	6,491.4	6,613.6	6,745.4	7,183.9	7,268.1	7,165.4	7,401.0	7,409.3	
Currency in circulation	1,336.3	1,344.7	1,443.2	1,459.7	1,472.9	1,460.9	1,531.5	1,623.0	1,774.6	1,808.5	1,796.8	1,762.7	
Shilling denominated Demand deposits	2,037.7	2,267.7	2,345.7	2,115.9	2,368.0	2,388.2	2,418.0	2,734.1	2,619.7	2,489.8	2,745.8	2,662.4	
Shilling denominated Time and saving deposits	2,479.2	2,529.5	2,622.8	2,590.5	2,650.5	2,764.5	2,795.9	2,826.7	2,871.7	2,867.1	2,858.3	2,984.1	
Private Sector Credit	4,274.5	4,433.5	4,510.1	4,624.1	4,697.4	4,817.4	5,084.5	5,244.5	5,451.8	5,539.6	5,709.0	5,818.2	
Weighted Average Interest Rates on Shilling Transactions.													
Savings Deposit Rate	2.4%	2.4%	2.4%	2.5%	2.6%	2.4%	2.3%	2.4%	2.4%	2.4%	2.4%	2.4%	
Time Deposit Rate	7.8%	7.5%	7.3%	7.1%	6.8%	5.4%	7.6%	7.6%	9.8%	9.8%	10.0%	9.7%	
Lending Rate	22.0%	20.6%	20.1%	19.6%	20.3%	18.8%	20.0%	20.1%	19.7%	20.1%	19.6%	20.0%	
Weighted Average Interest Rates on													
Foreign Exchange Transactions													
Demand Deposit Rate	1.0%	1.0%	1.0%	1.0%	1.0%	1.0%	1.0%	1.0%	1.0%	1.0%	1.1%	1.1%	
Savings Deposit Rate	1.6%	1.5%	1.7%	1.5%	1.7%	1.5%	1.5%	1.5%	2.7%	1.5%	1.5%	1.5%	
Time Deposit Rate	3.9%	1.8%	3.2%	3.7%	4.0%	3.5%	3.7%	3.1%	3.9%	4.1%	3.0%	3.2%	
Average Lending Rate	10.0%	9.0%	10.8%	10.6%	10.2%	10.0%	9.3%	9.8%	8.6%	10.8%	9.5%	10.1%	
Treasury Bills													
91 Days (End period Weighted Discount Rate)	4.1%	4.1%	4.3%	4.2%	4.8%	5.1%	5.7%	6.5%	8.1%	9.1%	9.3%	8.2%	9.2%
182 Days (End period Weighted Discount Rate)	5.5%	5.5%	5.3%	4.8%	5.2%	5.6%	7.1%	7.9%	8.7%	9.4%	9.4%	9.2%	10.4%
364 Days (End period Weighted Discount Rate)	7.3%	7.5%	6.2%	5.4%	5.9%	6.3%	7.3%	8.9%	9.2%	9.8%	9.3%	9.0%	10.2%
Treasury Bond Secondary Market rates													
2-year Bond													
Bid	7.0%	6.4%	7.7%	6.4%	6.0%	7.2%	8.4%	9.1%	9.8%	10.1%	11.5%	11.1%	11.2%
Offer	6.8%	6.2%	7.5%	6.2%	5.8%	7.0%	8.2%	8.9%	9.7%	9.9%	11.4%	11.0%	11.1%
5-year Bond													
Bid	8.5%	8.1%	8.2%	8.1%	8.3%	9.3%	9.5%	10.5%	11.6%	11.8%	12.1%	12.0%	12.3%
offer	8.3%	8.0%	8.0%	8.0%	8.1%	9.1%	9.3%	10.3%	11.5%	11.7%	12.0%	11.8%	12.1%
10-year Bond													
bid	13.0%	12.1%	12.8%	12.1%	11.4%	11.5%	12.0%	12.4%	12.5%	12.6%	13.4%	13.4%	13.6%
offer	12.8%	11.9%	12.6%	11.9%	11.1%	11.3%	11.8%	12.2%	12.3%	12.4%	13.2%	13.2%	13.4%
Bank of Uganda Rates (End Month)													
Rediscount Rate	7.1%	7.2%	7.4%	7.3%	7.6%	8.1%	8.6%	9.2%	11.0%	12.1%	12.9%	13.3%	12.1%
Bank Rate	8.1%	8.2%	8.4%	8.3%	8.6%	9.1%	9.6%	10.2%	12.0%	13.1%	13.9%	13.3%	13.1%
7-day Interbank Rate	3.4%	2.7%	3.2%	3.2%	3.4%	3.5%	3.9%	5.3%	6.3%	9.1%	11.0%	9.8%	10.7%
Overall Interbank Rate	3.3%	2.7%	2.7%	2.8%	3.0%	3.0%	3.9%	4.8%	5.4%	9.3%	8.0%	7.9%	9.4%
Consumer Price Index (Base 2005/06)													
Composite CPI, Annual percentage change.	6.0	4.3	4.2	3.3	1.7	0.3	0.2	1.4	3.1	5.0	6.4	11.1	14.1
Core CPI, Annual percentage change	5.7	4.6	4.5	4.6	4.0	4.2	2.5	2.9	4.8	5.6	6.0	7.8	9.7
Food crops CPI, Annual percentage change	10.0	3.9	3.5	-2.5	-9.2	-17.6	-11.4	-5.5	-4.6	1.5	6.9	29.1	39.3
Elec, Fuel & Utilities (EFU) CPI, Annual percentage c	3.3	4.1	3.9	1.3	1.8	2.1	3.9	3.3	3.2	8.6	9.7	10.4	9.0
Producer Price Index for Manufacturing Sector													
PPI-M Composite	178.2	179.4	181.3	182.5	185.9	191.4	194.7	197.8	201.5	209.3	212.8		
PPI-M Local	165.9	166.5	167.0	166.2	168.6	175.7	179.0	179.7	182.9	188.6	190.7		
PPI-M Export	223.0	226.3	237.4	245.1	249.3	249.8	252.9	263.4	268.6	283.6	291.9		
Monthly Average Pump Prices of Petroleum Products													
Motor Spirit Premium (PMS)	2,953.0	2,889.0	2,870.0	2,860.0	2,928.0	2,986.0	3,255.0	3,056.9	2,985.5	3,110.0	3,170.0	3,382.0	3,484.0
Diesel (AGO)	2,271.0	2,290.0	2,334.0	2,346.0	2,343.0	2,366.0	2,486.0	2,480.7	2,474.7	2,530.0	2,702.0	2,923.0	3,007.0
Kerosene (BIK)	1,879.0	1,919.0	1,956.0	1,960.0	1,980.0	2,001.0	2,071.0	2,083.6	2,123.8	2,186.0	2,365.0	2,549.0	2,598.0

Source: Research Department, Bank of Uganda

Imports of Merchandise (US$ millions)															
	Jan-10	**Feb-10**	**Mar-10**	**Apr-10**	**May-10**	**Jun-10**	**Jul-10**	**Aug-10**	**Sep-10**	**Oct-10**	**Nov-10**	**Dec-10**	**Jan-11**	**Feb-11**	**Mar-11**
Total Imports (c.i.f)	**389.53**	**404.71**	**455.53**	**390.08**	**544.62**	**435.64**	**395.64**	**388.60**	**477.05**	**436.72**	**527.69**	**482.58**	**473.17**	**459.55**	**643.74**
o/w cost															
Total Imports (fob)	**311.63**	**324.83**	**365.91**	**315.07**	**434.97**	**351.21**	**316.71**	**312.36**	**378.68**	**349.24**	**419.61**	**384.19**	**378.04**	**367.00**	**512.74**
Government Imports	33.26	16.71	57.55	11.14	111.23	53.13	26.17	11.08	83.38	28.28	94.46	44.47	18.46	38.91	116.53
Project	29.28	6.54	10.52	9.48	4.63	16.10	10.11	7.33	8.41	25.59	15.11	24.09	8.68	17.37	10.54
Non-Project	3.98	10.18	47.03	1.66	106.60	37.03	16.06	3.74	74.97	2.69	79.35	20.37	9.78	21.55	106.00
Formal Private Sector Imports	272.18	303.42	302.70	297.31	317.94	293.10	286.00	295.41	290.56	315.82	319.61	333.02	355.05	322.49	390.60
Oil imports	42.10	38.27	41.01	46.44	47.20	45.18	43.87	44.81	43.74	49.00	49.16	54.58	53.38	51.86	67.76
Non-oil imports	230.08	265.15	261.68	250.87	270.73	247.92	242.13	250.60	246.82	266.82	270.45	278.44	301.67	270.63	322.84
Estimated Private Sector Imports	6.19	4.70	5.66	6.62	5.80	4.98	4.55	5.87	4.73	5.14	5.55	6.70	4.54	5.60	5.61
Total Private Sector Imports	278.36	308.12	308.36	303.93	323.74	298.08	290.54	301.28	295.29	320.96	325.15	339.72	359.58	328.09	396.21

Exports of merchandise (US$ millions)															
	Jan-10	**Feb-10**	**Mar-10**	**Apr-10**	**May-10**	**Jun-10**	**Jul-10**	**Aug-10**	**Sep-10**	**Oct-10**	**Nov-10**	**Dec-10**	**Jan-11**	**Feb-11**	**Mar-11**
Total Exports	**200.27**	**188.45**	**198.67**	**177.16**	**176.15**	**170.05**	**159.85**	**186.61**	**157.92**	**171.29**	**185.11**	**192.44**	**196.16**	**221.02**	**231.54**
1. Coffee (Value)	**25.35**	**26.40**	**21.79**	**15.55**	**18.23**	**23.03**	**27.53**	**23.66**	**18.96**	**23.30**	**32.14**	**28.69**	**29.98**	**27.83**	**34.10**
Volume ('000 60-Kg bags)	0.26	0.26	0.22	0.15	0.18	0.23	0.27	0.22	0.17	0.19	0.27	0.24	0.22	0.19	0.22
Av. unit value	1.60	1.66	1.67	1.70	1.71	1.63	1.72	1.81	1.86	2.07	2.01	2.01	2.32	2.39	2.55
2. Non-Coffee formal exports	**107.53**	**108.56**	**129.93**	**121.21**	**120.74**	**113.06**	**95.63**	**121.14**	**98.55**	**109.15**	**107.80**	**117.70**	**131.05**	**151.07**	**156.34**
Electricity	1.04	0.98	1.05	1.04	0.95	1.08	1.12	1.17	1.05	1.01	1.05	1.00	1.09	1.14	1.33
Gold	1.58	3.83	5.14	4.72	3.72	6.28	0.82	1.68	0.27	0.79	0.86	0.39	0.38	0.50	0.26
Cotton	1.16	1.67	3.16	4.05	3.61	1.03	0.15	0.00	0.65	0.77	0.57	4.38	12.38	17.54	23.50
Tea	6.70	5.29	6.39	7.01	6.70	5.91	5.23	4.01	4.10	5.54	6.09	5.30	6.56	3.61	4.29
Tobacco	8.37	9.76	5.09	8.38	6.94	2.63	4.55	3.36	3.68	4.37	4.62	7.60	3.27	6.56	7.26
Fish & its prod. (excl. regional)	11.93	9.94	12.66	11.54	9.91	9.02	8.44	11.36	9.83	11.01	13.96	14.22	16.70	13.79	9.37
Hides & skins	1.03	1.11	1.34	1.51	1.57	1.65	0.99	0.95	1.23	1.21	0.84	3.72	2.09	2.86	3.25
Simsim	1.31	1.64	2.89	2.00	0.36	0.41	0.76	1.51	0.52	0.35	0.40	0.73	3.24	3.81	3.15
Maize	2.98	2.09	3.44	2.46	4.85	3.97	3.22	1.94	2.06	3.02	3.10	2.28	1.70	1.79	1.62
Beans	0.41	0.21	0.31	0.49	1.28	1.02	0.23	0.09	0.19	0.92	1.65	1.16	0.80	1.10	0.32
Flowers	3.58	4.34	4.45	2.87	4.31	5.49	4.14	4.32	3.63	3.19	3.34	2.89	3.89	4.45	3.86
Oil re-exports	9.15	5.49	10.30	11.34	9.33	7.85	11.16	11.43	9.21	7.47	8.44	5.79	7.23	7.15	6.73
Cobalt	1.04	1.63	1.06	1.06	1.39	2.12	1.59	1.06	1.06	1.59	2.12	1.06	0.53	1.59	1.82
Others	57.26	60.59	72.64	62.77	65.84	64.61	53.22	78.28	61.07	67.92	60.76	67.19	71.20	85.18	89.58