Bank of Uganda

Monetary Policy Report

September 2012

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Overview

This report analyses the global and domestic economic developments and outlook with a view to determining the future direction of the economy. The Report also assesses the future prospects for inflation and economic activity based on the outlook of both domestic and external factors. It is upon this assessment that Bank of Uganda decides on a level of Central Bank Rate (CBR) that will serve to ensure price stability. This analysis is important in determining the direction of monetary policy stance and the level of the CBR that will help ensure price stability during the month.

Given the easing inflationary pressures and the continued weakness in aggregate demand, BoU further eased monetary policy in August by reducing the CBR by 2 percentage points to 17 per cent. The band on the CBR and the margin on the rediscount rate were maintained at plus/minus 3 percentage points and 4 percentage points on the CBR, respectively. During the month, BoU was active in the money market fine-tuning short-term liquidity through issuance of REPOs and reverse REPOs.

Global economic growth remained subdued, in part due to weak demand. The economic indicators for Q4 2012 point to a continued weak global economic outlook. A number of factors threaten the recovery, including rising oil prices, weakening activity in emerging market economies, notably China, and weakening global demand as reflected in a slowdown in world trade. Notwithstanding the recent increase in commodity prices, global inflationary pressures remain subdued. Commodity prices picked up in July 2012 and are continuing to rise on account of renewed geopolitical concerns, adverse weather conditions and increased stimulus prospects.

In the domestic economy, aggregate demand continued to be subdued, although the economy is expected to pick-up in 2012/13. Nonetheless, the recovery in economic activity and aggregate demand is not expected to constitute an upside risk to inflation. Growth in monetary aggregates and private sector credit also remains subdued. The current account balance continues to be weak, with the deficit funded by the capital and financial account. The exchange rate stability observed in the months to August 2012 had been supported by portfolio inflows. There were however, notable portfolio outflows from the debt securities markets in August, posing challenges for the exchange rate stability. Indeed, the exchange rate did depreciate in August relative to July 2012.

Inflation continued to decline with the outlook reflecting a further decline in both headline and core inflation to 5 – 6 per cent range in September, before stabilizing at the BoU's medium-term target of 5 percent in June 2013. Overall, the risks to the inflation outlook in near-term remain on the downside.

Given the easing inflationary pressures and the associated downside risks to inflation, coupled with the continued weakness in aggregate demand, BOU decided to further ease monetary policy by reducing the CBR by 2 percentage points to 15 per cent in September 2012. The band on the CBR and the margin on the rediscount rate were maintained at plus/minus 3 percentage points and 4 percentage points on the CBR, respectively. Consequently, the Rediscount Rate and the Bank Rate for September were set at 19 per cent and 20 percent, respectively.

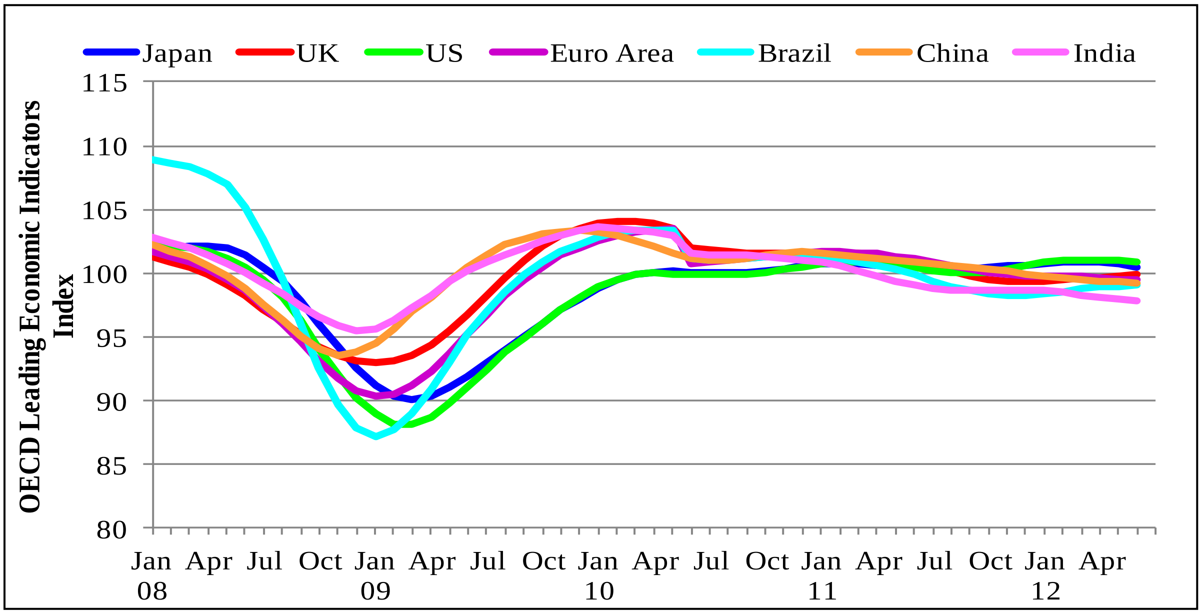
The remainder of the Report is structured as follows. Section 1 reviews recent global economic developments and outlook with regard to economic activity, inflation and financial markets, and deduces the implications of the outlook for the Ugandan economy. Section 2 analyses domestic economic developments and outlook. Section 3 discusses the implications for policy and the policy framework for September 2012.

1. Global Economic Developments and Prospects

1.1 Global Real Economic Activity

Global growth remained subdued in July due to weak demand, despite policymakers' commitments to provide the necessary stimulus required to boost economic activity. Nonetheless, declining commodity and input prices offered some respite to economic activity, as policymakers remained committed to providing the stimulus required to prevent a further downturn. The Organization for Economic Cooperation and Development (OECD) composite indicator of economic activity indicates that growth remains subdued across the development divide as shown in ***figure 1.***

Figure 1: Composite Leading Economic Indicators



Source: OECD Statistics

The economic indicators for Q4 2012 point to a continued weak global economic outlook. A number of factors threaten the recovery, including rising oil prices, weakening activity in emerging market economies, notably China, and weakening global demand as reflected in a slowdown in world trade. The JP Morgan Global Manufacturing Index, an indicator of global manufacturing, was recorded at 48.4 in July, which is below the neutral 50[1] mark. The contraction in global manufacturing was mainly driven by weakness in the Euro Zone and slow growth in the US, Brazil and China. The current austerity measures in the Euro area and the unrelenting weak market sentiment continue to take a toll on the Euro Area.

The Markit Manufacturing Purchasing Managers' Index (PMI) for the Euro zone dropped to 44.0 in July, from 45.1 in June, which highlighted a significant contraction in manufacturing activity in the big four Euro Area economies of Germany, France, Italy and Spain. New orders are also reported to have declined significantly in July. In the US, economic activity expanded, but at a slow

[1] PMI above 50 signals an improvement while an index number below 50 signals deterioration of performance.

pace. The PMI declined to 51.4 in July, down from 52.5 recorded in June. Nonetheless, manufacturers reported higher production levels and an increase in the volume of new domestic orders. Some relief was also offered by the revelation that employment in the manufacturing sector grew during the month.

In the UK, the PMI declined to 45.4 in July, down from 48.4 in June, on account of a decline in both domestic and overseas orders. Japan's PMI also declined to 47.9 in July, from 49.9 recorded in June, mainly on account of a weakness in demand from China, Europe and the United States. Despite the contraction in the PMI, employment numbers rose slightly in both the UK and Japan.

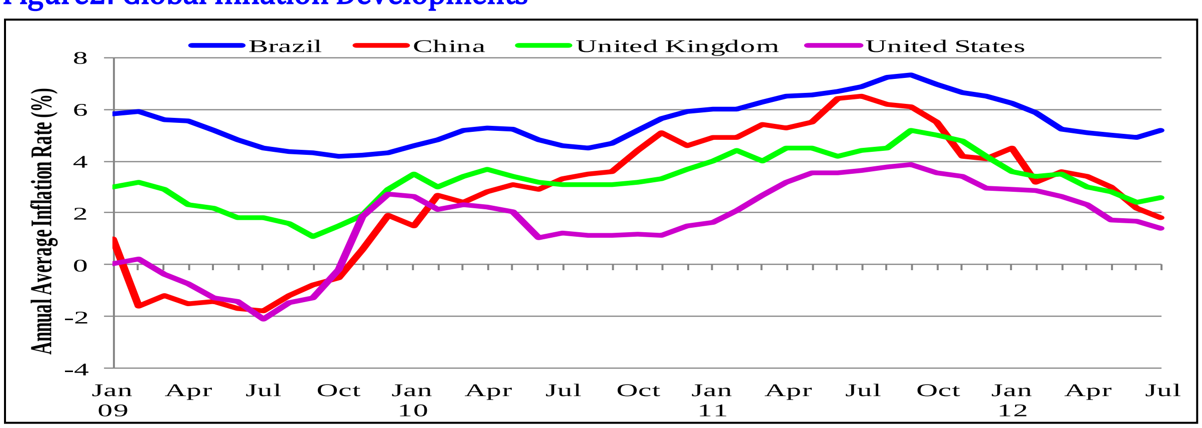
In China, the PMI improved slightly to 49.3 in July, from 48.2 recorded in June, in part reflecting the initial impact of monetary easing adopted by the Central Bank of China. However, the sluggish performance of external markets continues to pose downside risks to growth in China. In India, the Manufacturing PMI indicates slower growth in manufacturing activity, trending at 52.9 in July, down from 55 recorded in June 2012; while in Brazil it remained stable at about 48 in July.

1.2 Global Inflation

Despite an increase in commodity prices, global inflation remained relatively subdued in July. In the euro zone, annual inflation remained stable at 2.4 per cent in July. The increase in energy prices was offset by the decrease in the communications prices. In the US, annual inflation declined to 1.4 per cent in July from 1.7 per cent in June, mainly due to a continued decline in the energy prices. While there was a small increase in prices of gasoline, its impact on inflation was offset by decreases in prices of electricity and natural gas.

China's annual CPI inflation declined to 1.8 per cent in July, from 2.2 per cent registered in June. In India, inflation measured by the Wholesale Price Index (WPI) declined to 6.9 per cent in July, from 7.3 per cent recorded in June. In the UK, annual inflation rose to 2.6 per cent in July, from 2.4 per cent recorded in June. The largest upward pressure to inflation arose from increases in the prices of transport, especially air fares, clothing and footwear. The pickup in inflation in July may be attributed to activity surrounding the Summer Olympic Games. Annual CPI inflation also rose in Brazil, to 5.2 per cent from 4.9 per cent recorded in June. Inflation developments in selected countries are shown in ***figure 2***.

Figure2: Global Inflation Developments



Source: OECD Statistics

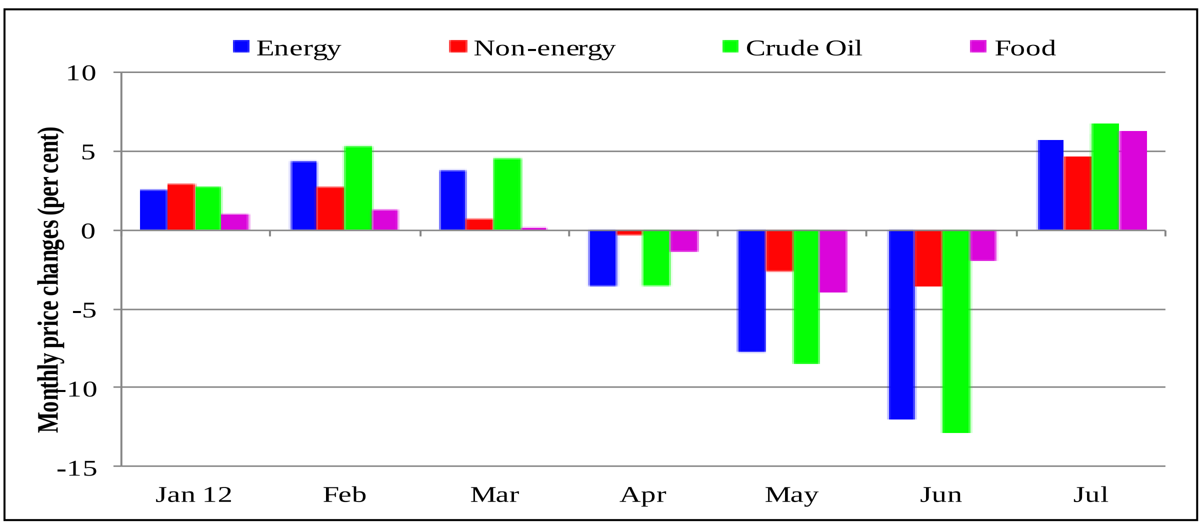
1.3 Global Commodity Markets

Commodity prices rose in July 2012 following three consecutive months of decline. The increase in commodity prices was in part driven by the US and EU sanctions against Iran, and by adverse weather conditions in some leading supplier-nations of agricultural commodities. Crude oil prices also rose because of market expectations that the EU, China and the US would provide more economic stimulus to revamp economic activity and aggregate demand.

The energy index rose by 5.6 per cent compared to a decline of 11.9 per cent recorded in June. The average crude oil spot price (one of the components of the energy index) rose by 6.6 per cent to US$ 96.8 per barrel, in July, compared to a decline of 12.8 per cent recorded in June.

The non-energy price index, composed of prices of agricultural commodities, fertilizers, metals and minerals, rose by 4.6 per cent in July compared to a decline of 3.6 per cent registered in June. This increase was largely driven by increases in the prices of some agricultural commodities. The Food and Agricultural Organisation (FAO) food price index, which is a measure of average international prices of a basket of food items, rose by 6.2 per cent in July. This compares with a decline of 1.9 per cent recorded in June. Developments in international commodity prices are shown in ***figure 3***.

Figure 3: Evolution of Commodity Prices



Source: World Bank Database & FAO Statistics 2012

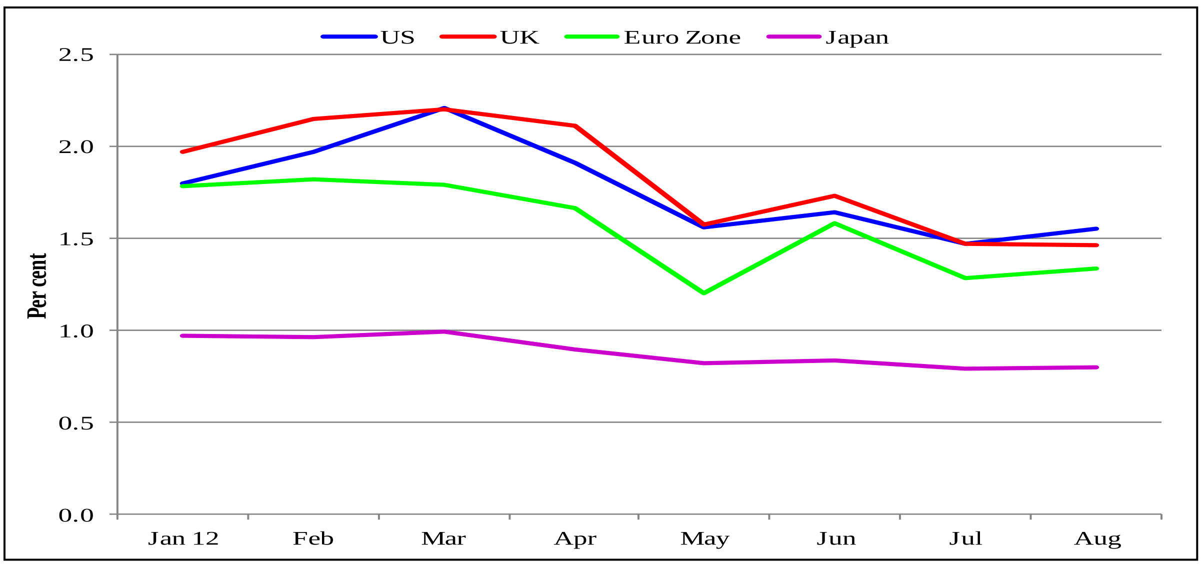
1.4 Global Financial Markets

The US Dollar lost some ground against the Euro in August on account of the ECB's announced commitment to stabilizing the Euro Area and its currency. At the end of July, the ECB announced that it would resume purchases of sovereign bonds in the secondary market, which propped up investor confidence in the Euro Area.

Nonetheless, the Economist Intelligence Unit (EIU) expects the US dollar to remain stronger at an average rate of US$ 1.27 per Euro in 2012, compared to the average of US$ 1.39 per Euro recorded in 2011. The EIU anticipates sustained investor interest in the US Dollar, mainly on account of a sluggish Chinese economy and the recession in the Euro Area, at least until the end of 2012.

Sovereign bond yields in developed countries have started rising mainly due to the uncertainty surrounding the resolution of the Euro sovereign debt woes. Rising yields imply an increase in borrowing costs, which may further compound the financial stress in the EU: a major source of the global negative headwinds. Yields on 10 year government bonds in the US and the Euro Zone rose by about 0.1 percentage points in August 2012 to 1.55 percent and 1.33 percent, respectively In the UK however, yields declined by 0.01 percentage points in August 2012, compared to the levels observed in July 2012. ***Figure 4*** shows trends in yields of 10-year government bond since January 2012.

Figure 4: 10-Year Government Bond Yields



Source: Bloomberg

*** September yields are based on one day – Sep 03, 2012 quotes*

1.5 Regional Developments

Inflation declined in most of the East African Community (EAC) Partner States, thanks to the prior periods' tight monetary policy stance and current low commodity prices. In July, annual inflation declined in Tanzania and Kenya from 17.4 per cent and 10.1 per cent to 15.7 per cent and 7.7 per cent, respectively. Annual inflation in Rwanda also declined from 5.9 per cent to 5.6 per cent over the same period of time However, annual inflation in Burundi rose to 17.6 per cent from 17.3 per cent during the previous month. This increase was mainly driven by increases in housing, water and energy prices. The easing inflationary pressures have enabled the EAC Central Banks to continue with cautious monetary policy easing necessary to stimulate domestic demand in the face of subdued global demand.

Yields on Government securities continued to decline in line with the policy of cautious monetary easing. In Tanzania, the monthly average weighted annualized yields for the 91-day, 182-day, and 364-day papers declined to 11.8 per cent, 12.7 per cent, and 13.0 per cent respectively in August, down from 13.2 per cent, 13.5 per cent, and 13.8 per cent during the previous month. The monthly average weighted annualized yields for the 91-day, 182-day, and 364-day papers in Kenya also declined to 10.9 per cent, 11.8 per cent and 12.9 per cent respectively, compared to 12.0 per cent, 12.5 per cent and 13.0 per cent in July. In Rwanda, the yields for securities of the same tenor also declined to 10.0 per cent, 10.2 per cent and 11.5 per cent, respectively, from 10.2 per cent, 10.5 per cent and 11.5 per cent in July.

The currencies of all the EAC countries remained relatively stable in August. However risks to the outlook remain clouded by the uncertainty surrounding the Euro zone crisis and the slowdown of economic activity in emerging market economies. A summary of selected financial indicators in the EAC are presented in ***table 1***.

Table 1: Summary of Regional Economic Indicators

	Inflation				Overall weighted interbank rate		
	Uganda	Kenya	Tanzania		Uganda	Kenya	Tanzania
Jan 12	25.7	18.3	19.7	Jan 12	26.2	19.3	21.4
Feb	25.7	16.7	19.4	Feb	19.2	18.1	7.4
Mar	21.1	15.6	19.0	Mar	21.8	24.0	16.8
Apr	20.0	13.1	18.7	Apr	21.3	16.1	25.7
May	18.6	12.2	18.2	May	18.7	17.2	17.3
Jun	18.0	10.1	17.4	Jun	20.4	17.1	14.7
Jul	14.3	7.7	15.7	Jul	16.0	13.7	6.1
Aug	11.9	6.1		Aug	13.9	8.8*	5.12*
	Policy rates				Yield on 364-day Treasury Bills		
	Uganda	Kenya	Tanzania		Uganda	Kenya	Tanzania
Jan 12	23	18.0		Jan 12	24.5	22.0	18.6
Feb	22	18.0		Feb	19.0	21.0	13.4
Mar	21	18.0		Mar	19.4	17.0	13.9
Apr	21	18.0		Apr	20.3	16.9	14.9
May	21	18.0		May	20.2	12.4	14.9
Jun	20	18.0		Jun	19.2	12.4	14.4
Jul	19	16.5		Jul	17.5	13.0	13.8
Aug	17	16.5		Aug	14.3	12.9	13.0

Source: Respective Central Bank websites

1.6 Global Economic Outlook

The global economic outlook remains gloomy, with the crisis in the Euro Area posing the greatest risk to global economic recovery. While the US is recovering, the crisis in Europe is negatively impacting export demand, investment and employment, thereby allowing only a slow recovery. Growth in the US has mainly been supported by a recovery in domestic property markets. However, looking forward, the 'fiscal cliff' is expected to create a slowdown in spending and investment, which may prompt further policy easing measures by the Federal Reserve.

Emerging market growth prospects in 2012 are clouded by the developments in the Euro Area and the economic slowdown in China. While growth in China has fallen significantly, policy easing is expected to successfully restore growth, as indicated by the pickup in manufacturing activity in July. In India, growth prospects remain weak given the threat of low monsoon rains to the fragile inflation environment, low growth outturn and the lack of fiscal manoeuvre capability by the federal government. Commodity prices rose in July, following three consecutive months of decline. If commodity prices continue to rise, they may feed through to global inflation and reverse the current lull in global inflationary pressures.

1.7 Implications for the Ugandan economy

The slowdown in global activity has led to a sizable reduction in commodity prices. The combination of an increasing global excess capacity and reduced commodity prices over the projection horizon is expected to moderate global inflationary pressures. The easing global inflationary pressures will provide scope for interest rate cuts, especially in emerging market countries where tight monetary policies quickly and effectively reduced the high inflation rates experienced in 2011. Interest rate cuts in emerging market countries may promote portfolio inflows to frontier markets, such as Uganda, where interest rates are still relatively high. In the recent past, the Uganda shilling tends to be strongly affected by global interest rate movements, since offshore investors control about 40 per cent of the daily turnover in the FX market. However, there is a risk that the shilling could suffer considerable depreciation pressures, if there were an abrupt reversal of portfolio flows.

2. Domestic Economic Developments

2.1. Monetary Policy Actions in August 2012

The domestic economy continued to show some signs of recovery with decelerating inflation. The cost of borrowing, however, remained high, with adverse consequences for private sector credit. The weak global economic recovery continued to have a toll on the domestic economy, as exports continued to be subdued. This also posed adverse consequences for the current account, which was mainly funded by the capital and financial account of the balance of payments.

On account of a lower domestic inflation and a disinflation trajectory in the near future, BoU further eased monetary policy in August, reducing the CBR by 2 percentage points to 17 per cent. The band on the CBR was maintained at plus/minus 3 percentage points and the margin on the rediscount rate at 4 percentage points on the CBR. Consequently, the rediscount rate and the Bank rate were set at 21 per cent and 22 per cent respectively.

BoU issued REPOs and reverse REPOs to fine tune short-term liquidity conditions in the financial system. The impact of the REPO/ reverse REPO instrument was a net withdrawal of Shs. 77 billion. By the close of the month, the outstanding stock of REPOs stood at Shs. 188 billion, while there were no outstanding reverse REPOs. The weighted average REPO and reverse REPO rates in August were 16.92 per cent and 17.37 per cent respectively, relative to 14.78 per cent and 19.61 per cent in July.

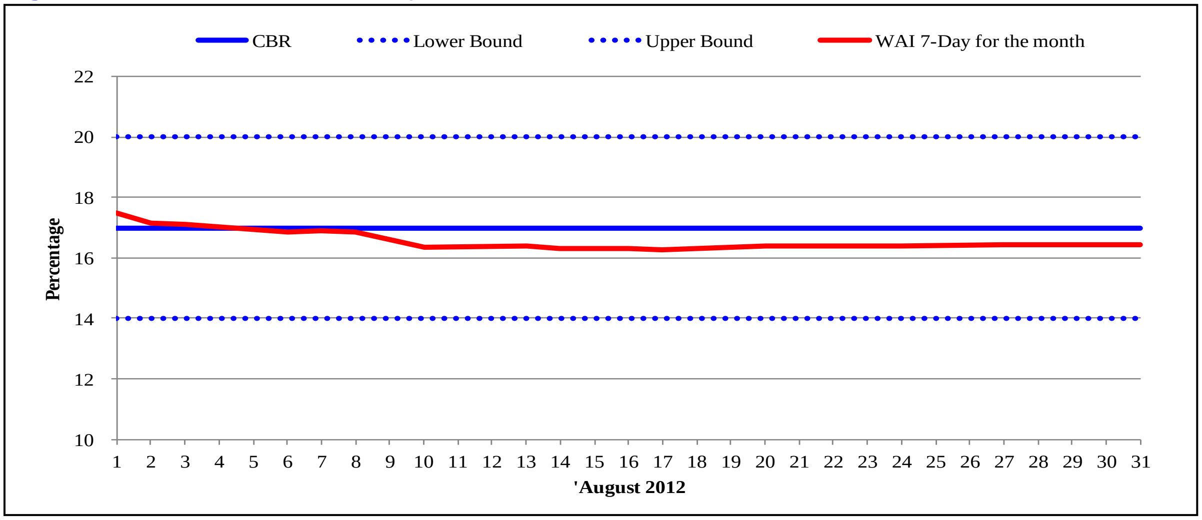
BoU continued with the daily purchase of foreign exchange for reserve build-up guided by the market conditions in the Interbank Foreign Exchange Market (IFEM). These purchases amounted to US$ 43.7 million during the month. In addition, BoU carried out interventions and targeted sales amounting to US$ 35.0 million and US$ 3.3 million respectively. Consequently, BoU's actions in the IFEM during the month were a net purchase of US$ 5.5 million, resulting in a net injection of Shs 12.1 billion.

2.2. Financial Sector Developments

2.2.1. Interbank Money Market rates

Money market rates remained broadly consistent with the monetary policy stance for the month. The weighted average 7-day rate trended within the CBR band during the entire month and averaged at 16.54 per cent, 1.95 percentage points lower than the previous month's average of 18.49 per cent. ***Figure 5*** shows the weighted average 7-day rate against the CBR during the month. The overall and overnight weighted average interbank rates also declined to 13.94 per cent and 13.03 per cent respectively, down from 16.05 per cent and 14.29 per cent during the previous month.

Figure 5: Evolution of the 7-day interbank rate



Source: Bank of Uganda

Lower interbank rates in August were principally driven by eased liquidity conditions in the banking system, which in part resulted from higher than anticipated fiscal injections. Gross fiscal injections in August amounted to Shs. 858 billion, which was much higher than both the previous month's total of Shs. 304 billion and the August projection of Shs. 783 billion. Fiscal operations on a net basis injected Shs. 381 billion into the banking system compared to a net withdrawal of Shs. 385 billion in July. On the other hand, Open Market Operations withdrew Shs. 108 billion from the banking system. The main liquidity drivers during the month are shown in ***table 2***.

Table 2: Summary of Liquidity Drivers in Billions of Shillings

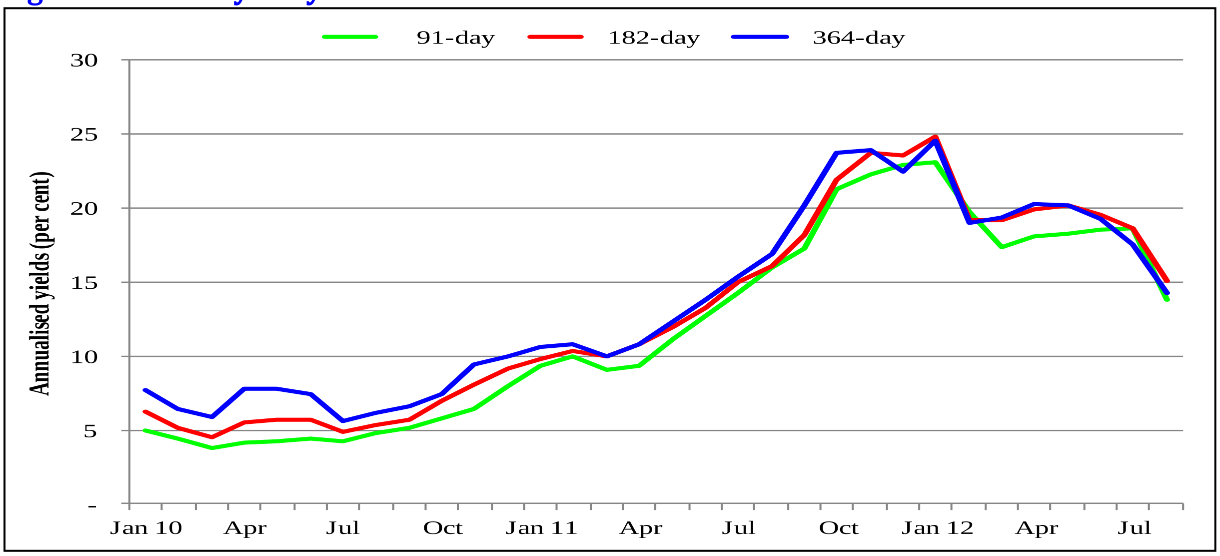
	Net OMO (Tbills, Tbonds, Repo, Reverse Repo)	Net Forex Operations	Net Fiscal Actions (Govt Expenditure-Taxes)
Jul 11	315.5	-24.4	-213.2
Aug	-52.1	-172.6	340.1
Sep	66.8	13.3	93.0
Oct	-280.2	142.1	146.1
Nov	-47.7	40.4	64.0
Dec	-87.7	109.5	90.9
Jan 12	-184.9	283.2	50.3
Feb	-526.1	161.0	186.6
Mar	106.1	-22.2	81.5
Apr	-86.6	35.4	102.6
May	-267.1	205.5	61.8
Jun	-149.3	67.2	67.2
Jul	-69.7	486.0	-384.6
Aug	-107.5	34.2	380.8

Source: Bank of Uganda

2.2.2. Treasury Securities Market

The rates on government securities also declined in line with the reduction in the CBR. The weighted average annualised yields for the 91-day, 182-day and 364-day papers declined to 13.8 per cent, 15.0 per cent and 15.3 per cent, respectively from 18.7 percent, 18.6 percent and 17.5 percent in July 2012. Treasury bill yields are shown in ***figure 6.***

Figure 6: Treasury bill yields



Source: Bank of Uganda

The rates quoted in the secondary market also declined in line with developments in the primary market. The annualised rates for securities of less than 91- days, 182-day and 364-days to maturity declined to 16.9 per cent, 16.1 per cent and 14.1 per cent, respectively from 20.1 per cent, 18.2 per cent and 17.8 per cent in July 2012.

The average yield for a 5-year bond also declined to 13.9 per cent from 15.4 per cent registered in the last auction held on May 23, 2012. The average secondary market yields on bonds of less than 2-year, 3-year and 5-year tenors also fell to 12.8 per cent, 13.2 per cent and 13.6 per cent respectively in August, from 16.1 per cent, 14.8 per cent and 14.7 per cent in the previous month.

2.2.3. Commercial Banks' interest rates

Lending rates remained relatively high, despite the reduction of the CBR. In July, the weighted average interest rate on shilling denominated loans remained relatively stable at 26.9 per cent, down from 27.0 per cent in June. The rates on time deposits also remained relatively high, with the weighted average rate declining by just 1 percentage point to 16.7 per cent in July. The fall in time deposit rates nonetheless increased the spread between lending and time deposit rates by 0.9 percentage points to 10.2 percentage points in July 2012. The weighted rates on saving and demand deposits on the other hand remained relatively low, averaging 3.3 per cent and 1.3 per cent, respectively in the first seven months of 2012. Commercial banks' interest rates are presented in ***table 3***.

Table 3: Commercial Banks' Weighted Average Interest Rates

	Jul 11	Aug	Sep	Oct	Nov	Dec	Jan 12	Feb	Mar	Apr	May	Jun	Jul
	Shilling Denominated Loans												
Lending	21.72	21.31	23.34	23.55	25.97	26.71	27.25	26.83	27.58	26.14	26.66	27.02	26.88
Demand	1.20	1.20	1.20	1.20	1.26	1.19	1.31	1.32	1.38	1.65	1.42	1.32	1.39
Saving	2.33	2.29	2.37	2.37	2.38	2.31	3.23	3.18	3.25	3.29	3.30	3.41	3.39
Time	12.99	14.20	13.74	15.80	19.68	19.95	21.23	19.78	19.96	18.67	17.36	17.72	16.67
	Foreign Currency Denominated Loans (US$)												
Lending	9.66	9.79	9.70	9.52	10.25	10.08	10.34	10.24	9.99	8.23	9.32	8.44	9.05
Demand	1.08	0.95	0.95	0.95	0.95	0.95	0.95	0.95	0.95	0.95	1.01	0.95	0.95
Saving	1.49	1.49	1.63	1.66	1.68	1.74	1.88	1.76	1.75	1.79	1.46	1.55	1.65
Time	2.12	3.91	2.42	3.82	4.48	4.06	5.86	5.09	4.47	4.60	7.36	6.67	4.30

Source: Bank of Uganda

The weighted average rates on foreign currency denominated loans rose by 0.6 percentage points to 9.0 per cent. This increase in lending rates is consistent with the rather restrained foreign currency denominated lending in July. These rates are nonetheless lower compared to those prevailing during the earlier part of the year. The time deposit rate on foreign currency deposits declined by 2.4 percentage points to 4.3 percent, causing the spread between lending and time deposits to widen from 1.7 to 4.8 percentage points. The savings and demand deposit rates remained relatively stable at 1.7 percent and 1.0 percent respectively.

2.2.4. Monetary aggregates

The analysis of monetary aggregates is used to deduce risks to price stability as well as assess the level of domestic demand in order to inform monetary policy. In July, growth in monetary aggregates continued to be subdued. On a monthly basis, M1, M2 and M3 declined by 4.0 per cent, 1.2 per cent and 4.7 per cent respectively, compared to respective declines of 1.1 per cent and 0.3 per cent in M1 and M2 and an increase of 5.4 per cent in M3 recorded in June. The decline in M1 and M2 in July was mainly driven by a 5.8 per cent decline in demand deposits, while M3 declined on account of a 12.1 per cent drop in foreign exchange deposits of non-residents. The monthly developments in monetary aggregates are shown in ***table 4***. The quarterly and annual growth rates also remained subdued in line with developments in the monthly growth rates.

Table 4: Monthly growth rates of monetary aggregates and private deposits

	Monetary aggregates			Private sector deposits			
	M1	M2	M3	Currency In Circulation	Demand Deposits	Time and Savings Deposits	Foreign Deposits
Jul-11	-3.93	-0.16	0.08	4.00	-9.56	5.48	0.74
Aug-11	5.23	0.36	3.84	5.31	5.26	-6.33	14.87
Sep-11	-4.22	-2.84	-1.55	-4.61	-4.00	-1.00	2.25
Oct-11	1.78	0.15	-1.72	0.15	3.13	-2.29	-6.70
Nov-11	-1.07	-0.39	0.13	2.15	-3.63	0.68	1.76
Dec-11	-0.59	-0.79	-0.60	3.04	-3.44	-1.01	-0.39
Jan-12	-2.16	-3.29	-4.41	-4.23	-0.15	-5.17	-7.47
Feb-12	4.24	3.92	2.79	-3.33	10.37	3.35	0.39
Mar-12	-1.41	-0.25	2.90	-1.82	-1.32	1.62	12.49
Apr-12	-1.89	-1.90	-1.29	-1.76	-2.05	-2.16	0.44
May-12	-0.27	1.46	1.82	-1.21	0.91	3.91	2.78
Jun-12	-1.06	-0.32	5.35	5.80	-5.58	0.93	19.94
Jul-12	-4.01	-1.21	-4.65	-1.66	-5.60	2.95	-11.95

Source: Bank of Uganda

2.2.5. Private Sector Credit

Private sector credit continued to decelerate, recording an annual growth rate of 10.1 per cent in July compared to 11.2 per cent in June. On a month-on-month basis, private sector credit declined by 0.2 per cent in July, in contrast with a 1.1 growth rate registered in the previous month. The annual growth rate recorded in private sector credit in July was mainly driven by a 34.2 per cent growth in the shilling equivalent of US dollar-denominated loans. With the exception of credit to the services, trade and building, mortgage, construction & real estate sectors, monthly growth rates of credit to all the other sectors declined. On an annual basis, credit to the building, mortgage, construction & real estate, manufacturing, trade and agriculture sectors grew by 27.6 per cent, 15.3 per cent, 9.9 per cent and 9.3 per cent respectively. On the other hand, annual growth of credit to the transport and communication sectors and personal and household sectors declined by 9.6 per cent and 4.2 per cent respectively in July. The significantly high year-on-year growth of 34.3 percent in foreign denominated lending in July 2012 was evident in all sectors with the building, mortgage, construction & real estate registering the highest growth of 80.4 per cent while the services sector had the least growth of 5.2 per cent. The sectoral growth rates of private sector credit are shown in ***table 5***.

Table 5: Growth rates of total credit and foreign currency credit to the private sector

	Monthly					Annual				
	Mar	Apr	May	Jun	Jul	Mar	Apr	May	Jun	Jul
	Local Currency Lending									
Agriculture	-6.9	-1.1	-9.9	0.4	-2.5	22.1	17.9	1.4	3.4	9.3
Manufacturing	8.4	14.3	-3.4	3.5	-2.4	9.3	17.3	13.8	9.0	15.3
Trade	3.6	-9.7	5.9	4.5	0.2	16.4	4.8	10.7	11.8	9.9
Transport and Communication	1.5	3.2	-10.5	-0.5	-2.8	10.5	15.7	4.4	-6.1	-9.6
Building, Mortgage and Construction	9.8	1.4	7.4	0.5	0.7	31.9	32.2	31.1	25.9	27.6
Personal Loans and Household Loans	-3.3	-0.2	1.8	0.1	-2.5	28.3	24.0	15.2	7.8	-4.2
	Foreign Currency Lending									
Agriculture	-4.6	-6.5	-10.6	-0.7	-2.9	18.5	7.2	-6.4	-10.5	9.1
Manufacturing	18.3	23.9	-2.7	2.3	-5.8	36.2	57.6	51.8	45.7	42.9
Trade	9.7	-21.1	9.0	14.4	0.9	45.4	17.2	28.6	32.4	23.0
Transport and Communication	10.4	13.1	-9.1	2.2	-2.9	46.4	68.9	41.3	23.7	11.2
Building, Mortgage and Construction	32.3	2.3	7.3	3.3	2.3	104.0	111.7	100.9	80.6	80.4
Personal Loans and Household Loans	26.8	13.2	0.0	7.2	-24.8	87.1	122.4	102.6	81.0	12.9

Source: Bank of Uganda

In terms of proportions, the building, mortgage, construction & real estate, trade and personal and household sectors continued to dominate the shillings denominated lending, with proportions of 23.0 per cent, 22.8 per cent and 15.0 per cent respectively. In terms of foreign denominated lending, the trade, manufacturing and building, mortgage, construction & real estate dominated with 24.9 per cent, 24.8 per cent and 21.6 per cent, respectively.

In July, total shilling loan disbursements fell by Shs. 101 billion. to Shs. 406 billion from Shs. 506 billion in June. Loan recoveries also declined by Shs. 116 billion, to Shs. 439 billion from Shs. 555 billion in June. Developments in new loan extensions and recoveries are shown in ***table 6.***

Table 6: New credit disbursements, recoveries, applications and approvals

	New loan extensions and recoveries				Credit demand and supply			
	Shilling Loans		Forex Loans		Number of		Amounts	
	Extensions	Recoveries	Extensions	Recoveries	Loan applications	Loan approvals	Applied for (Shs. Bns)	Approved (Shs. Bns)
Jul 11	459	442	220	250	41646	41011	776	496
Aug	566	410	251	218	45928	41733	844	481
Sep	533	403	277	184	42842	41133	1146	849
Oct	519	469	245	345	40545	38599	689	546
Nov	515	489	398	338	42368	42021	723	464
Dec	476	557	356	329	21553	35840	482	434
Jan 12	371	486	287	296	30913	29977	651	316
Feb	398	508	368	289	31525	31855	525	472
Mar	400	466	399	162	32192	32658	633	450
Apr	416	460	300	294	30306	30924	631	377
May	458	432	413	421	35960	35775	599	446
Jun	506	555	372	262	33587	31891	639	521
Jul	406	439	325	382	33961	32377	467	428

Source: Bank of Uganda

The total number of loan applications and approvals grew in July. However the value of loan applications and approvals declined, presenting a mixed picture of the credit demand and supply conditions. In July, loan applications to grew by 374 in contrast to a decline of 2,373 registered in June. In line with the increase in loan applications, the number of applications approved also increased by 486, in contrast with a decrease of 3,884 recorded the previous month. Despite increases in both the numbers of applications received and approved, the value of loan applications and approvals declined in July, as shown in ***table 6***.

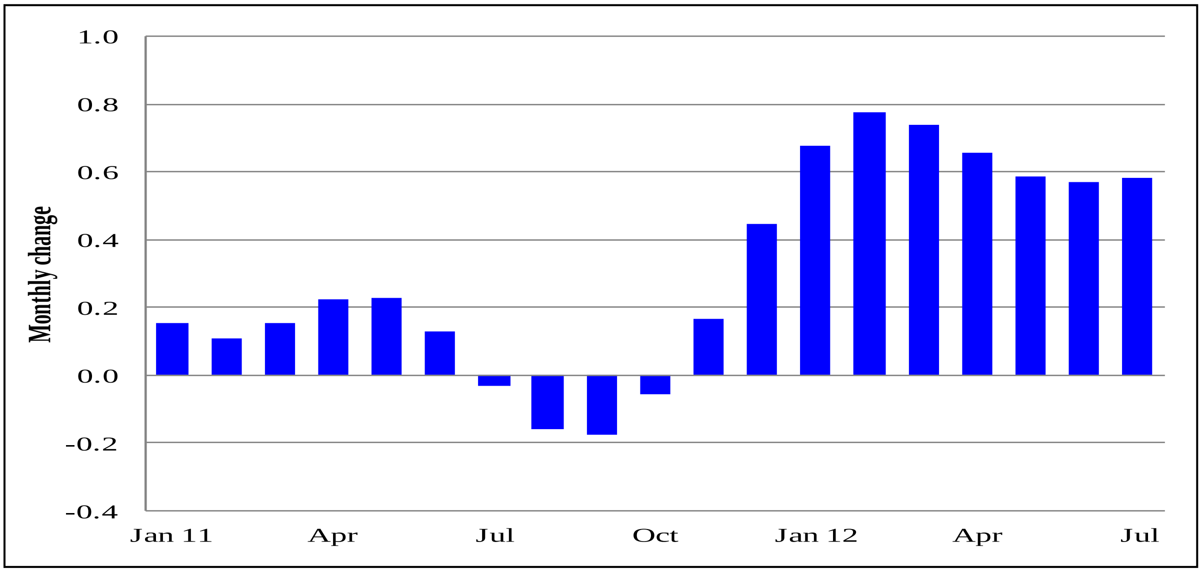
2.3. Growth, Output and Aggregate Demand

2.3.1. Real Economic Activity

The composite index of economic activity (CIEA) indicates some recovery in economic activity. The monthly CIEA[2] rose by 0.6 per cent in July. The observed improvement in economic activity may partly be attributable to exports and construction activities. The monthly changes in the CIEA, since July 2011, are shown in ***figure 7***.

[2] The index aggregates Trend cycle estimates of real data on government imports, index of production, electricity purchases, total exports, exports of Coffee, government revenues and sales of bricks.

Figure 7: Monthly changes in the CIEA



Source: Bank of Uganda

2.4. External Sector Developments

2.4.1. Balance of Payments (BOP)

The balance of payments surplus continues to be driven by the huge surplus on the capital and financial account. In 2011/12, the balance of payments registered a surplus of US$ 731.4 million compared to a deficit of US$ 581.2 million in 2010/11. The main drivers of the favourable capital and financial account were Foreign Direct Investment (FDI), which increased by US$309 million to US$1065 million, and portfolio investments, which increased by US$261 million to US$263 million during the financial year. Investments in the "Others" category also rose by US$518 million to US$871 million during the same period of time.

The current account, on the other hand, continued to deteriorate in 2011/12 to a deficit of US$1.9 billion, compared to a deficit of US$1.7 billion in 2010/11. This deficit was mainly driven by a widening trade deficit, which rose from US$ 2.4 billion in 2010/11 to US$ 2.6 billion in 2011/12. A summary of the annual Balance of Payments is presented in ***table 7***.

Table 7: BOP Annual Performance

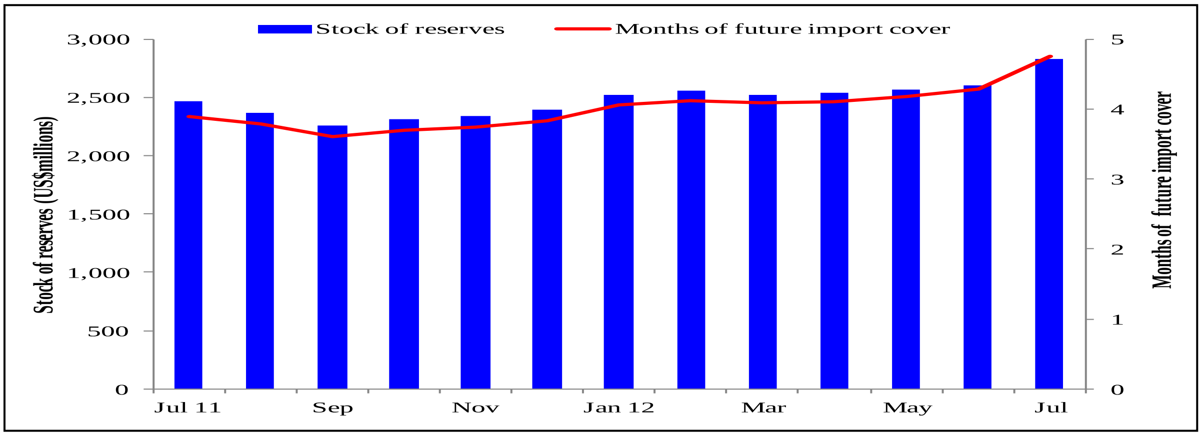
	2007/08	2008/09	2009/10	2010/11	2011/12
Current Account Balance	**-903**	**-1259**	**-1435**	**-1684**	**-1932**
Goods Account (Trade Balance)	-1437	-1846	-1780	-2373	-2616
Total Exports (fob)	*2073*	*2216*	*2317*	*2298*	*2678*
Total Imports (fob)	*-3510*	*-4062*	*-4117*	*-4671*	*-5290*
Services Account (net)	-478	-441	-416	-657	-479
Income Account (Income net)	-262	-307	-338	-321	-376
Current Transfers (net)	1274	1335	1118	1668	1535
Capital & Financial Account Balance	**1185**	**1245**	**1564**	**1110**	**2227**
Financial Account, excl. financing items	**1185**	**1245**	**1564**	**1110**	**2212**
o/w Direct Investment	761	785	695	757	1065
Portfolio Investment	66	-35	-31	2	264
Other Investment	359	489	906	353	871
Assets	*75*	*-97*	*-33*	*-245*	*-51*
Liabilities	*239*	*586*	*938*	*598*	*922*
Overall balance	**563**	**-46**	**211**	**-581**	**731**
Reserves and related items	**-563**	**46**	**-211**	**581**	**-731**
Reserve assets	-539	61	198	585	-729

Source: Bank of Uganda

2.4.2. Reserve Assets

BoU reserves remained robust owing to BoU's net purchase stance in the interbank market, which resulted in an overall accumulation of reserves of about US$168.8 million in July. These purchases were facilitated by favourable foreign exchange market conditions during the month. Overall, foreign exchange reserves cover at the end of July 2012 stood at 4.8 months of imports of goods and services. ***Figure 8*** shows the evolution of excess reserves since July 2011.

Figure 8: Reserves and Import cover



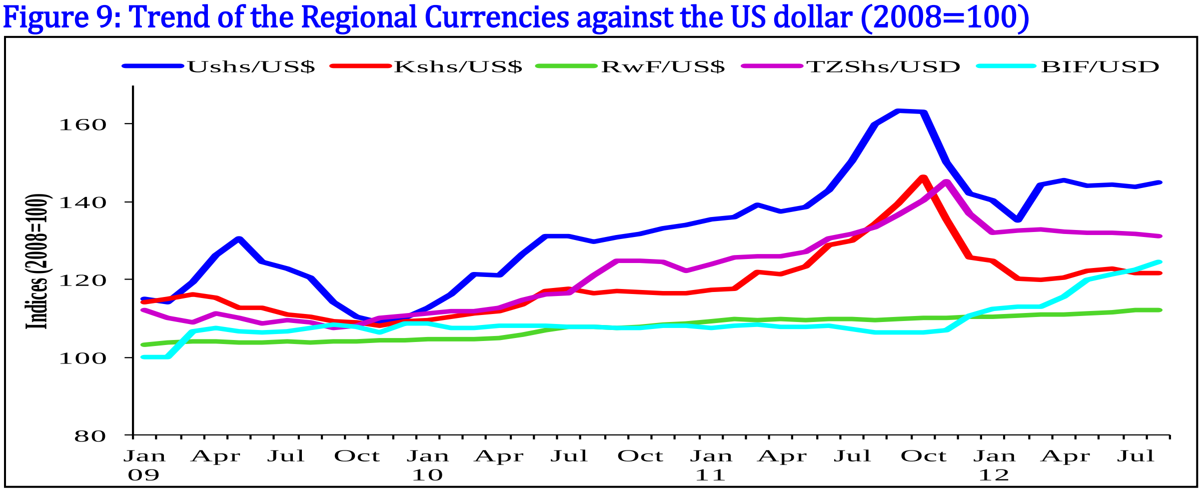
Source: Bank of Uganda

2.5. Exchange Rate Developments

2.5.1. Bilateral shilling –US Dollar rate

In August, the Uganda Shilling depreciated by Shs. 17.86 to an average midrate of Shs. 2,492.04/US$ from an average mid-rate of Shs. 2,474.18/US$ recorded in July. This represents a monthly depreciation of 0.72 per cent and an annual appreciation of 9.49 per cent from the average mid-rate of Shs. 2,753.23/US$ recorded in August 2011. The monthly depreciation was largely driven by increased demand for dollars from the offshore investors and the energy and manufacturing sectors. During the month, BoU intervened in the IFEM on the sale side to stem the exchange rate volatility. While the Shilling depreciated on a monthly basis, the Kenyan Shilling and Tanzanian Shilling appreciated by 0.1 per cent and 0.3 per cent respectively. The Rwandan Franc and Burundi Franc, on the other hand, depreciated by 0.1 per cent and 1.8 per cent respectively. Developments in regional currencies are shown in ***figure 9.***

Figure 9: Trend of the Regional Currencies against the US dollar (2008=100)

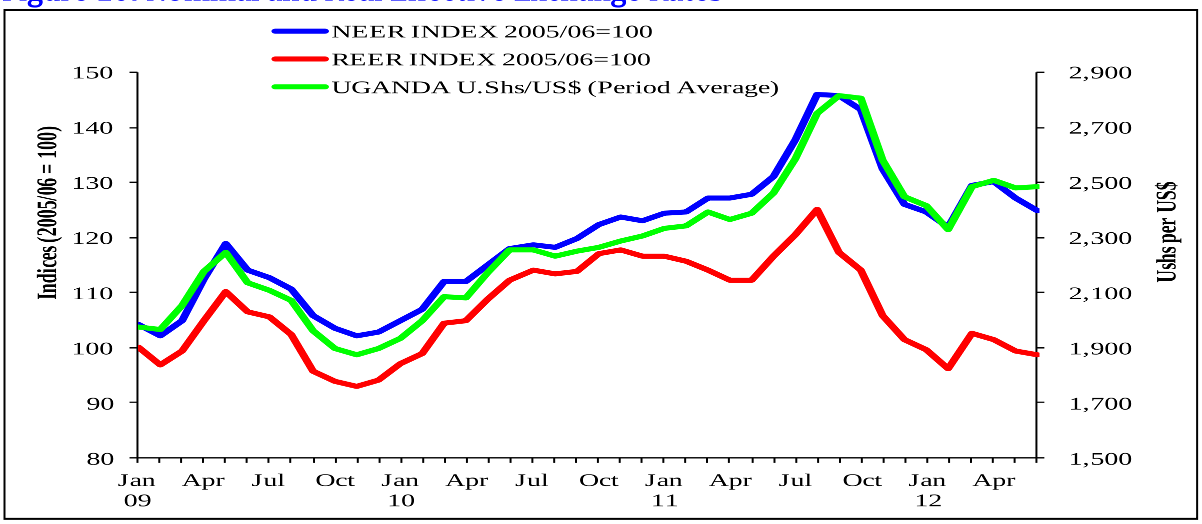


Source: Bank of Uganda

2.5.2. Nominal and real effective exchange rate

In August, the Nominal Effective Exchange Rate (NEER), which measures the relative value of a country's currency in comparison to a weighted basket of its major trading partners' currencies, depreciated by 0.43 per cent on a monthly basis and appreciated by 16.55 per cent on an annual basis. This was in line with the developments of currencies of our major trading partners against the United States dollar. The Real Effective Exchange Rate (REER), which measures the relative competitiveness of the domestic economy on the international scene, also appreciated on annual basis. In July, the REER appreciated by 19.62 per cent on an annual basis. The continued appreciation of the REER has adverse implications for the competitiveness of domestically produced goods on the world market. ***Figure 10*** shows the evolution of the nominal and real effective exchange rates.

Figure 10: Nominal and Real Effective Exchange Rates



Source: Bank of Uganda

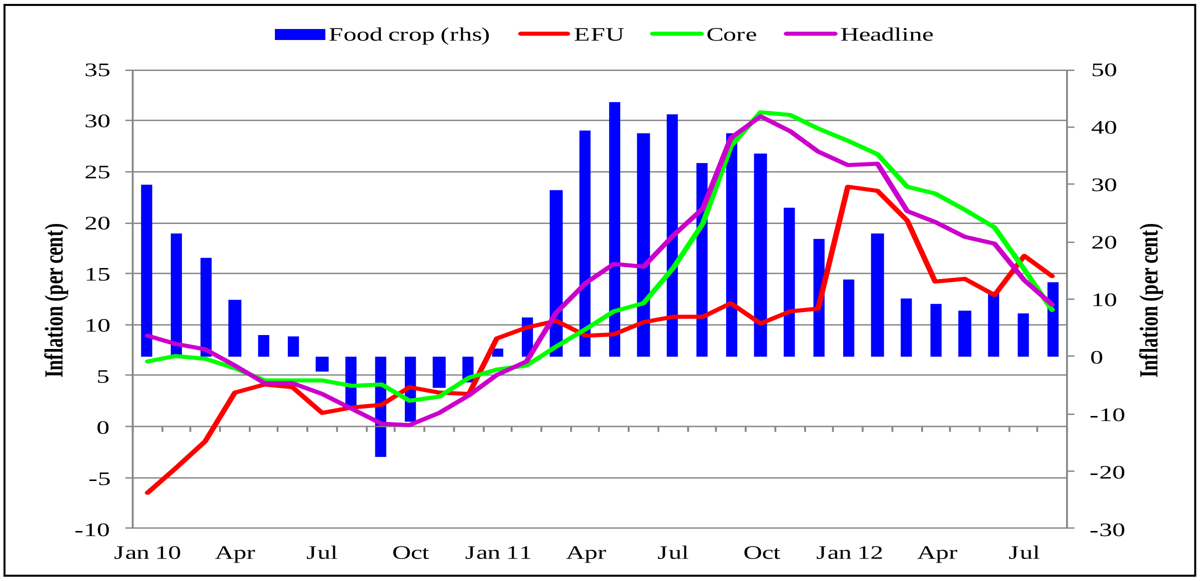
2.6. Inflation

2.6.1. Developments and determinants

Inflationary pressures continued to abate in August, with both headline and core inflation declining to 11.9 per cent and 11.4 per cent respectively, down from 14.3 per cent and 15.4 per cent in July. There are three main reasons for the decline in inflation. First, the food price shocks which afflicted the economy in 2011, have stated to abate and are beginning to fall out of the annual inflation rate. Second, domestic demand pressures are weak as the economy is operating below it's potential output level. Third, the stability of the nominal exchange rate since the start of Q2-2011/12 has stabilised the price of traded goods.

In the short term, inflationary pressures are likely to remain subdued. The BoU expects that annual core inflation will fall to single digits by the end of September 2012, and then gradually flatten out at around 5 per cent in the first half of 2013. However, all forecasts are subject to risks. As we move into 2013, there are potential risks of stronger inflationary pressures emanating from food price shocks. Global food prices have already begun rising due to drought in many major food producing regions. Inflationary pressures may also emanate from the external sector. Uganda's large current account deficit of 10 per cent of GDP implies that the exchange rate may need to adjust to improve the economy's competitiveness. Developments in annual inflation are shown in ***figure 11***.

Figure 11: Annual inflation developments: November 2009 – August 2012



Source: UBOS

Monthly price changes reveal that the disinflationary trends in the economy have been strong since the start of the current year. During this period, monthly headline and core inflation rates have averaged 0.4 per cent and 0.3 per cent respectively, which translates to less than 5.0 per cent annualized inflation during this period. Monthly EFU inflation declined to -1.3 per cent in August after reaching 5.0 per cent in July, largely on account of the re-introduction of VAT on metered water.

During the month, prices of some food items such as green vegetables, beans, groundnuts, rice and fish recorded significant decreases. The decrease in these prices may be attributed to increased supplies to the markets. However, there were price increases in other food items on account of seasonal factors. The affected food items include matooke, Irish potatoes, cassava, fruits and fresh milk in some centres. As a result, the composite food group index rose by 1.3 per cent during the month. Non-food inflation also rose by 0.2 per cent, largely on account of increases in prices of charcoal and some household and personal goods. Inflation developments since the beginning of the year are shown in ***table 8***.

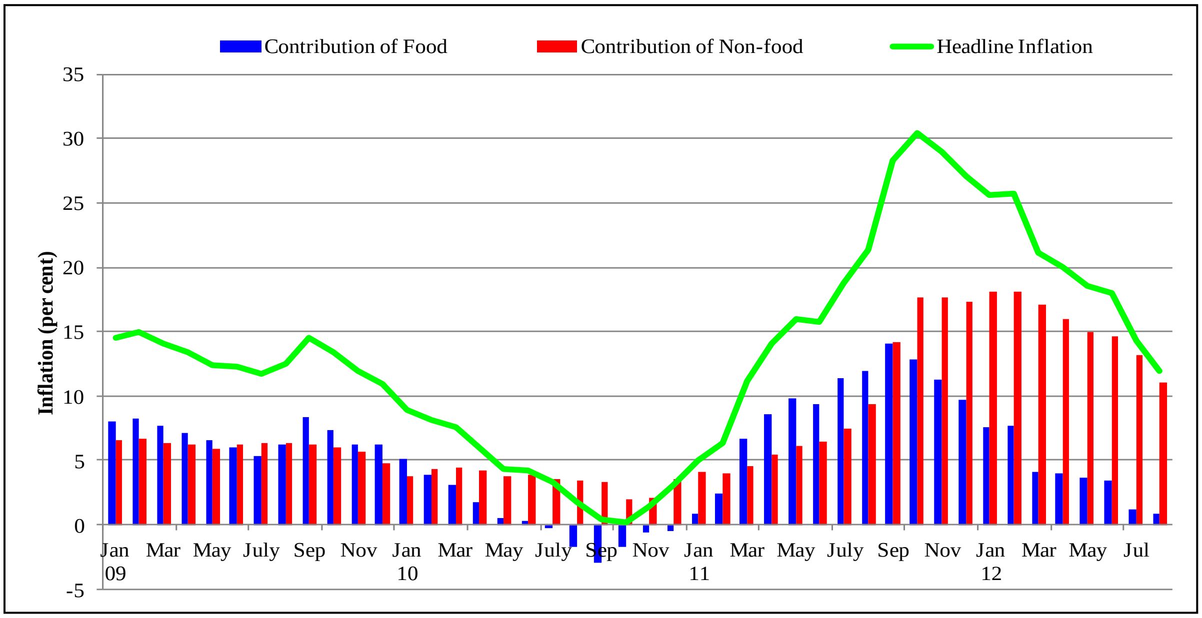
Table 8: Inflation Developments, February-August 2012

	Annual								
	Jan 12	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep
Headline	25.6	25.7	21.1	20.0	18.6	18.0	14.3	11.9	5.4
Core	28.1	26.7	23.6	22.8	21.2	19.6	15.4	11.5	4.8
EFU	23.5	23.1	20.2	14.3	14.5	12.9	16.7	14.7	12.6
Food Crops	13.5	21.4	10.1	9.1	8.0	11.3	7.5	12.9	6.3
Food	27.2	27.6	15.4	15.0	13.7	12.8	5.4	4.2	-2.9
Non Food	24.2	24.3	23.7	22.3	21.0	20.4	19.1	16.0	10.0
Beverages and tobacco	24.1	25.0	23.6	23.2	25.1	25.5	23.6	9.9	6.1
Clothing and footwear	43.8	42.7	39.0	34.9	27.1	19.0	12.4	6.3	2.4
Rent, Fuel and utilities	34.5	35.0	31.8	29.1	27.0	25.7	27.0	23.4	10.3
H.hold and personal goods	28.0	27.3	24.5	22.3	19.4	18.2	15.9	13.1	9.7
Transport and communication.	20.9	16.7	24.1	20.8	20.4	17.4	17.4	15.9	4.0
Education	10.9	14.8	14.9	14.7	14.3	18.2	16.9	16.6	16.4
Heath ,entert. & Others	20.9	20.6	19.2	19.4	19.0	18.0	15.9	13.9	11.7
	Monthly								
Headline (Monthly)	0.1	1.8	0.4	2.0	-0.1	-0.4	-0.9	0.5	0.7
Core	0.0	0.9	-0.8	1.2	0.2	0.5	-0.2	0.3	0.4
Elec, Fuel & Utilities (EFU)	11.8	1.0	-0.5	3.7	0.6	-0.3	5.0	-1.3	-0.3
Food Crops	-3.0	7.4	6.5	7.6	-1.5	-5.0	-5.9	2.4	2.3
Food	-2.3	2.3	1.1	5.5	-0.1	-3.3	-3.7	1.3	1.0
Non Food	1.3	1.7	-0.2	0.3	0.0	0.8	0.6	0.2	0.6

Source: UBOS

In August, the contribution of food price changes to overall inflation declined to 0.9 percentage points from 1.2 percentage points recorded in July. Although the contribution of non-food inflation declined, it nonetheless remained high at 11.0 percentage points compared to 13.1 percentage points in July. ***Figure 12*** shows the contribution of food and non-food inflation to overall headline inflation.

Figure 12: Contribution of Food and Non-Food Inflation to Headline Inflation



Source: UBOS and BOU

Details of disaggregated commodities inflation are shown in ***table 9***. As can be seen from the table, the main drivers of food crops inflation in August 2012 were staple foods, fresh fruits, fresh vegetables, and meat and poultry products, whose prices rose by 14.2 percent, 24.1 per cent, 20.2 percent and 15.1 per cent, respectively.

Table 9: Annual percentage price increases of some commodities in the CPI basket

	Weight	Aug 11	Sep	Oct	Nov	Dec	Jan 12	Feb	Mar	Apr	May	Jun	Jul	Aug
Food	**27.16**													
staples	**6.62**	83.7	82.0	66.6	41.2	23.4	9.5	2.9	-3.6	1.8	5.2	10.7	0.4	14.2
Fresh Fruit	**1.07**	30.2	29.6	19.1	16.7	11.3	17.7	39.0	20.4	26.0	16.9	19.4	19.2	24.1
Fresh Vegetables	**1.81**	-11.7	17.9	22.8	28.2	31.5	28.6	84.0	63.4	28.6	18.5	12.0	26.0	20.2
Dry Vegetables	**2.46**	18.9	15.4	12.5	10.7	13.1	12.7	10.1	0.4	8.1	8.5	13.0	8.1	4.6
Meat & poultry	**3.16**	39.2	43.4	47.4	44.4	42.9	37.5	35.6	32.5	31.2	21.3	21.5	19.2	15.1
Fish	**1.58**	35.8	30.0	23.9	34.9	26.0	22.6	17.7	13.4	8.2	11.8	11.9	6.4	-4.0
Milk & eggs	**2.09**	6.9	5.2	7.3	12.0	12.5	16.3	22.7	9.8	16.4	12.4	13.1	17.0	12.6
Oils & fats	**0.99**	36.2	42.5	42.1	36.7	33.1	43.4	39.3	16.4	12.8	10.7	10.5	5.4	4.3
Sugar, tea & spices	**2.65**	76.7	138.0	112.9	109.3	85.8	59.4	38.3	17.0	11.0	1.5	1.7	-20.1	-36.9

Source: UBOS

2.6.2. Inflation Outlook

Headline and core inflation outturn for August 2012 were within the forecast ranges of 11-14 per cent and 11-15 per cent respectively. The downward trend in inflation was mainly supported by the continued weak demand and the decline in commodity prices. The current inflation forecasts indicate that both headline and core inflation will decline to about 5 – 6 per cent in September, before stabilising at the BoU's medium-term target of 5 per cent. The inflation forecasts are based on the assumption that the European crisis will continue to be contained, although this assumption is subject to downside risks. It is also assumed that due to subdued global demand, commodity prices will remain depressed. The exchange rate is also assumed to remain stable, though with frequent and potentially sharp short-run fluctuations. The uncertainty surrounding these inflation forecasts is illustrated using fan charts in ***figures 13a*** and ***13b***, which depict the 98 per cent confidence bands for annual headline and core inflation respectively.

Figure 13a: Headline inflation forecasts

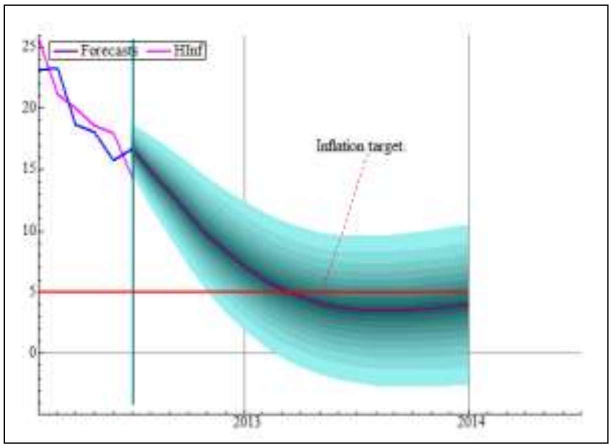
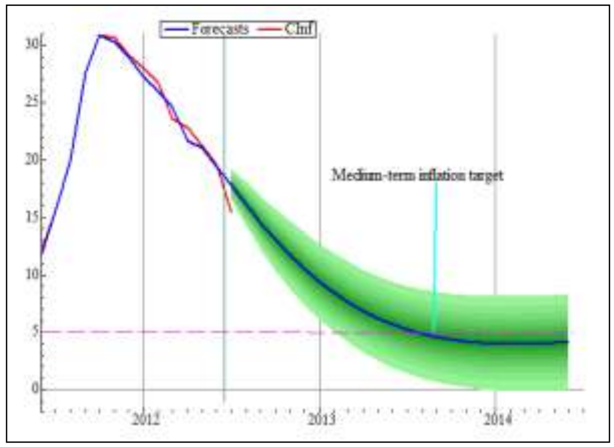


Figure 13b: Core inflation forecasts



The inflation outlook is however subject to significant risks. The most likely upside risks to inflation are commodity price shocks, higher global inflationary pressures, a weaker shilling and stronger than expected domestic demand and economic activity. Inflation risks related to adverse weather conditions affecting food prices and global price fluctuations have however weakened. However, this could be only a temporary phenomenon. Movements in world oil prices will be closely related to the recovery of global demand, the outcome of further negotiations between Iran and Western countries, and any developments in the politics of other currently unstable oil-producing countries. These could change with detrimental impact on prices for oil-importing countries.

3. Policy Implications and Framework for September 2012

Global economic growth remains weak. Forecasts also depict weak global economic performance throughout 2012, with the crisis in the Euro Area and the "fiscal cliff" in the US posing the greatest downward risks to global economic expansion. This will have adverse consequences for the Ugandan economy, whereby weak external demand may widen the trade deficit. Despite low global growth prospects and subdued global inflationary pressures, the recent increase in commodity prices poses an upside risk to domestic inflation. However, subdued global inflationary pressures and increasing excess capacity in developed and emerging market economies should provide sufficient space for interest rate cuts required to boost economic growth.

Interest rate cuts in developed and emerging market economies may ignite portfolio inflows to frontier markets, such as Uganda, where interest rates are comparatively high. While this may provide opportunity for reserve build-up, it may nonetheless lead to real appreciation of the local unit, with adverse implications for competitiveness, which may exacerbate the widening current account deficit.

The current account balance remains weak, the deficit being funded by the surplus on the capital and financial account. Exchange rate stability is reliant upon portfolio inflows stemming from the positive interest rate differential. Uncertainties surrounding the global economy also pose downside risks to the current account.

Domestic demand and economic activity remain weak, but are expected to pick-up in 2012/13. Nonetheless, it is not expected to pose a major risk to inflation. The growth in monetary aggregates remains weak and private sector credit (PSC) remains subdued. Domestic inflationary pressures also continue to abate, with forecasts predicting both headline and core inflation to decline to 5 – 6 percent in September 2012, before stabilising at the BoU's medium-term target of 5 per cent by mid-2013. Overall, risks to the inflation outlook in the near-term remain on the downside.

Given the above developments and outlook, BoU decided to further ease monetary policy by reducing the CBR by 2 percentage points to 15 per cent in September 2012. The band on the CBR was maintained at plus/minus 3 percentage points and the margin on the rediscount rate at 4 percentage points on the CBR. Consequently, the rediscount rate and the Bank rate in September have been set at 19 per cent and 20 per cent respectively.

Appendix

UGANDA: CURRENT ECONOMIC AND FINANCIAL INDICATORS (in billions of U Shs: end of month unless otherwise indicated)

	Aug-11	Sep-11	Oct-11	Nov-11	Dec-11	Jan-12	Feb-12	Mar-12	Apr-12	May-12	Jun-12	Jul-12	Aug-12
Foreign Exchange Market													
Inter-Bank Purchases (US$M)	779.6	783.9	843.0	794.7	911.5	1,076.2	836.6	787.9	655.6	963.0	809.6	895.0	755.0
Inter-Bank Sales (US$M)	800.1	792.1	782.8	779.8	856.2	898.5	760.5	781.2	625.0	868.6	747.7	701.6	752.2
Cross currency trading (US$ million)	68.5	151.5	149.1	160.6	105.0	111.0	106.9	142.4	111.2	211.2	158.1	113.9	176.8
Inter-Bank Mid-Rate (UShs/US$)	2,753.2	2,814.0	2,805.4	2,582.2	2,446.9	2,414.2	2,328.0	2,485.0	2,506.2	2,479.1	2,484.4	2,474.2	2,492.0
Foreign Exchange Reserves													
Gross Foreign Reserves in months of imports of goods and Ser	3.8	3.6	3.7	3.7	3.8	4.1	4.1	4.1	4.1	4.2	4.3	4.8	
Bank of Uganda Foreign Exchange Reserves (US$ M)	2,373.8	2,256.5	2,316.7	2,344.6	2,399.1	2,528.0	2,556.1	2,521.3	2,544.3	2,574.1	2,609.0	2,834.7	
Tax Revenue	485.3	466.4	450.3	462.4	661.0	510.3	474.4	487.5	483.8	499.6	752.8	523.9	516.2
Monetary and Credit Aggregates (2)													
Broad Money supply M3	10,836.4	10,665.1	10,480.1	10,495.4	10,426.6	9,967.6	10,264.8	10,565.7	10,423.8	10,623.6	11,210.7	10,698.6	
Foreign Exchange Accounts Deposits	2,883.8	2,948.8	2,751.2	2,799.5	2,788.5	2,580.2	2,590.3	2,913.8	2,926.6	3,008.0	3,607.7	3,176.4	
Money supply M2	7,952.6	7,716.3	7,728.9	7,728.9	7,638.1	7,387.4	7,674.5	7,651.9	7,497.2	7,615.5	7,603.0	7,522.1	
Currency in circulation	2,080.6	1,983.6	1,987.5	2,030.2	2,092.0	2,003.5	1,936.7	1,901.4	1,868.1	1,845.4	1,952.4	1,919.9	
Shilling denominated Demand deposits	2,689.5	2,582.0	2,662.8	2,566.2	2,477.8	2,474.2	2,730.7	2,694.8	2,639.4	2,663.6	2,515.0	2,374.1	
Shilling denominated Time and saving deposits	3,182.5	3,150.7	3,078.6	3,099.5	3,068.3	2,909.7	3,007.1	3,055.7	2,989.8	3,106.6	3,135.6	3,228.1	
Private Sector Credit	6,831.9	7,069.7	6,965.4	7,038.6	6,981.6	6,864.6	6,895.7	7,103.3	7,130.6	7,149.2	7,233.1	7,219.1	
Weighted Average Interest Rates on Shilling Transactions.													
Demand Deposit Rate	1.2%	1.2%	1.2%	1.3%	1.2%	1.3%	1.3%	1.4%	1.6%	1.4%	1.3%	1.39	
Savings Deposit Rate	2.3%	2.4%	2.4%	2.4%	2.3%	3.2%	3.2%	3.3%	3.3%	3.3%	3.4%	3.4%	
Time Deposit Rate	14.2%	14.4%	12.8%	19.9%	23.9%	21.2%	19.8%	20.0%	18.7%	17.4%	17.7%	16.7%	
Lending Rate	20.4%	23.3%	23.6%	25.4%	26.7%	27.3%	26.8%	27.6%	26.1%	26.7%	27.0%	26.9%	
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%	1.0%	1.0%	
Savings Deposit Rate	1.5%	1.6%	1.7%	1.7%	1.7%	1.9%	1.8%	1.8%	1.8%	1.5%	1.6%	1.6%	
Time Deposit Rate	3.9%	2.4%	3.8%	4.5%	4.1%	5.9%	5.1%	4.5%	4.6%	7.4%	6.7%	4.3%	
Average Lending Rate	9.8%	9.7%	9.5%	10.2%	10.1%	10.3%	10.2%	10.0%	8.2%	9.3%	8.4%	9.1%	
Treasury Bills													
91 Days (End period Weighted Discount Rate)	14.6%	15.7%	18.7%	20.5%	20.0%	20.5%	17.4%	15.7%	16.3%	16.2%	16.7%	16.7%	12.7%
182 Days (End period Weighted Discount Rate)	14.7%	16.3%	18.4%	20.6%	20.1%	21.4%	16.4%	17.3%	17.4%	17.5%	17.1%	16.4%	13.5%
364 Days (End period Weighted Discount Rate)	15.2%	16.6%	18.9%	19.6%	18.9%	19.8%	15.8%	16.9%	16.9%	16.7%	16.1%	14.9%	12.5%
Treasury Bond Secondary Market rates													
2-year Bond													
Bid	14.9%	16.3%	18.0%	18.8%	19.8%	19.7%	18.3%	16.1%	15.9%	15.3%	15.2%	14.7%	13.6%
Offer	14.8%	16.1%	17.9%	18.7%	19.7%	19.5%	18.2%	15.9%	15.8%	15.2%	15.0%	14.5%	13.4%
5-year Bond													
Bid	15.5%	16.7%	17.7%	18.0%	17.8%	17.8%	17.5%	16.2%	16.1%	15.5%	15.3%	14.9%	14.0%
offer	15.4%	16.6%	17.6%	17.9%	17.7%	17.7%	17.3%	16.0%	15.9%	15.3%	15.2%	14.7%	13.9%
10-year Bond													
bid	15.9%	16.9%	18.4%	18.8%	18.7%	18.7%	17.9%	16.9%	16.7%	15.8%	15.5%	15.1%	14.7%
offer	15.7%	16.7%	18.3%	18.7%	18.5%	18.4%	17.8%	16.7%	16.6%	15.6%	15.3%	14.9%	14.6%
Bank of Uganda Rates (End Month)													
CBR	14.0%	16.0%	20.0%	23.0%	23.0%	23.0%	22.0%	21.0%	21.0%	21.0%	20.0%	19.0%	17.0%
Rediscount Rate	17.0%	21.0%	25.0%	28.0%	28.0%	27.0%	26.0%	25.0%	25.0%	25.0%	24.0%	23.0%	21.0%
Bank Rate	18.0%	22.0%	26.0%	29.0%	29.0%	28.0%	27.0%	26.0%	26.0%	26.0%	25.0%	24.0%	22.0%
7-day Interbank Rate	19.4%	20.6%	24.9%	26.1%	27.5%	28.2%	23.5%	25.0%	22.7%	20.7%	20.1%	18.5%	16.5%
Overall Interbank Rate	18.5%	19.7%	23.0%	23.8%	26.7%	27.0%	19.2%	21.8%	21.3%	18.7%	20.4%	16.0%	13.9%
Consumer Price Index (Base 2005/06)													
Composite CPI, Annual percentage change.	21.4	28.3	30.5	29.0	27.0	25.6	25.7	21.1	20.0	18.6	18.0	14.3	11.9
Core CPI, Annual percentage change	20.0	27.6	30.8	30.6	29.2	28.1	26.7	23.6	22.8	21.2	19.6	15.4	11.5
Food crops CPI, Annual percentage change	33.7	38.8	35.3	25.9	20.4	13.5	21.4	10.1	9.1	8.0	11.3	7.5	12.9
Elec, Fuel & Utilities (EFU) CPI, Annual percentage cl	10.7	12.1	10.1	11.3	11.6	23.5	23.1	20.2	14.3	14.5	12.9	16.7	14.7
Producer Price Index for Manufacturing Sector													
PPI-M Composite	256.0	266.6	271.0	268.0	260.4	256.8	248.4	249.7	252.9	253.6	254.8		
PPI-M Local	225.1	238.2	244.6	242.4	244.3	237.3	232.6	230.2	232.8	234.1	234.6		
PPI-M Export	366.5	369.1	367.0	361.1	321.3	330.8	309.1	323.4	328.8	325.0	328.7		
Monthly Average Pump Prices of Petroleum Products													
Motor Spirit Premium (PMS)	3,850.0	3,865.0	3,950.0	3,880.0	3,750.0	3,500.0	3,400.0	3,550.0	3,700.0	3,650.0	3,650.0	3,650.0	3,550.0
Diesel (AGO)	3,350.0	3,475.0	3,550.0	3,500.0	3,750.0	3,400.0	3,150.0	3,280.0	3,320.0	3,250.0	3,100.0	3,100.0	3,200.0
Kerosene (BIK)	2,850.0	2,910.0	2,980.0	2,890.0	2,850.0	2,800.0	2,600.0	2,650.0	2,840.0	2,750.0	2,750.0	2,750.0	2,800.0
Source: Research Department, Bank of Uganda													

Summary of Imports and Exports

Imports of Merchandise (US$ millions)	Jun-11	Jul-11	Aug-11	Sep-11	Oct-11	Nov-11	Dec-11	Jan-12	Feb-12	Mar-12	Apr-12	May-12	Jun-12	Jul-12
Total Imports (c.i.f)	**534.82**	**496.97**	**593.35**	**493.79**	**487.08**	**506.82**	**521.43**	**561.58**	**535.23**	**556.02**	**507.37**	**581.46**	**623.06**	**493.88**
o/w cost														
Total Imports (fob)	**438.87**	**408.03**	**485.53**	**405.09**	**398.49**	**414.54**	**431.13**	**458.09**	**437.95**	**454.37**	**414.77**	**474.36**	**507.39**	**403.76**
Government Imports	51.32	11.83	45.37	55.26	28.70	46.51	40.92	66.65	50.70	31.07	29.72	19.02	55.68	11.91
Project	15.84	9.96	32.16	13.03	17.00	21.94	32.44	41.84	23.36	20.36	29.40	10.36	50.09	11.65
Non-Project	35.48	1.87	13.21	42.22	11.70	24.57	8.48	24.81	27.34	10.71	0.32	8.66	5.59	0.26
Formal Private Sector Imports	382.69	391.44	434.42	346.28	365.81	364.10	384.69	385.22	383.21	417.86	380.04	450.75	448.42	388.82
Oil imports	70.25	69.69	78.43	67.56	66.62	63.29	72.29	78.77	69.13	72.03	62.09	72.92	64.87	58.38
Non-oil imports	312.44	321.75	355.98	278.72	299.19	300.80	312.40	306.45	314.07	345.83	317.95	377.83	383.56	330.45
Estimated Private Sector Imports	4.87	4.76	5.74	3.55	3.97	3.94	5.52	6.22	4.04	5.44	5.01	4.59	3.29	3.03
Total Private Sector Imports	387.56	396.20	440.15	349.83	369.79	368.03	390.21	391.44	387.25	423.30	385.05	455.34	451.71	391.85
o/w freight														
Total Imports	91.89	85.18	103.26	84.95	84.85	88.38	86.48	99.11	93.17	97.35	88.68	102.57	110.78	86.31
Government Imports	12.75	2.94	11.27	13.72	7.13	11.55	10.16	16.56	12.59	7.72	7.38	4.72	13.83	2.96
Project	3.93	2.47	7.99	3.24	4.22	5.45	8.06	10.39	5.80	5.06	7.30	2.57	12.44	2.89
Non-Project	8.81	0.47	3.28	10.49	2.91	6.10	2.11	6.16	6.79	2.66	0.08	2.15	1.39	0.06
Private Sector Imports	79.14	82.24	91.99	71.23	77.72	76.82	76.32	82.55	80.57	89.64	81.30	97.85	96.95	83.35
Oil imports	17.45	17.31	19.48	16.78	16.55	15.72	17.96	19.57	17.17	17.89	15.42	18.11	16.11	14.50
Non-oil imports	61.69	64.93	72.51	54.45	61.17	61.10	58.36	62.98	63.40	71.75	65.88	79.73	80.84	68.85
Private Sector through forex	79.08	80.94	91.99	71.23	77.66	76.82	76.32	82.55	80.57	87.98	81.29	97.85	95.71	83.35
o/w insurance														
Total Imports	4.06	3.76	4.56	3.75	3.75	3.90	3.82	4.38	4.11	4.30	3.92	4.53	4.89	3.81
Government Imports	0.56	0.13	0.50	0.61	0.31	0.51	0.45	0.73	0.56	0.34	0.33	0.21	0.61	0.13
Project	0.17	0.11	0.35	0.14	0.19	0.24	0.36	0.46	0.26	0.22	0.32	0.11	0.55	0.13
Non-Project	0.39	0.02	0.14	0.46	0.13	0.27	0.09	0.27	0.30	0.12	0.00	0.10	0.06	0.00
Private Sector Imports	3.49	3.63	4.06	3.14	3.43	3.39	3.37	3.64	3.56	3.96	3.59	4.32	4.28	3.68
Oil imports	0.77	0.76	0.86	0.74	0.73	0.69	0.79	0.86	0.76	0.79	0.68	0.80	0.71	0.64
Non-oil imports	2.72	2.87	3.20	2.40	2.70	2.70	2.58	2.78	2.80	3.17	2.91	3.52	3.57	3.04
Private Sector through forex	3.49	3.57	4.06	3.14	3.43	3.39	3.37	3.64	3.56	3.88	3.59	4.32	4.23	3.68

Exports of merchandise (US$ millions)	Jun-11	Jul-11	Aug-11	Sep-11	Oct-11	Nov-11	Dec-11	Jan-12	Feb-12	Mar-12	Apr-12	May-12	Jun-12	Jul-12
Total Exports	**225.955**	**224.120**	**221.246**	**203.586**	**193.188**	**208.274**	**224.169**	**213.282**	**225.516**	**238.870**	**217.284**	**253.125**	**254.253**	**246.795**
Total Formal Exports	**194.154**	**191.362**	**184.715**	**174.307**	**167.486**	**177.943**	**192.321**	**181.469**	**197.522**	**204.512**	**181.679**	**216.273**	**220.647**	**216.685**
1. Coffee (Value)	**57.948**	**54.629**	**44.363**	**48.825**	**30.455**	**34.661**	**36.969**	**33.707**	**36.163**	**30.183**	**21.865**	**35.772**	**36.619**	**40.528**
Volume ('000 60-Kg bags)	0.371	0.376	0.309	0.340	0.215	0.227	0.242	0.226	0.244	0.188	0.141	0.253	0.275	0.306
Av. unit value	2.604	2.423	2.391	2.391	2.358	2.542	2.543	2.481	2.467	2.682	2.580	2.361	2.219	2.205
2. Non-Coffee formal exports	**136.206**	**136.733**	**140.352**	**125.482**	**138.836**	**145.662**	**157.782**	**150.455**	**163.884**	**177.464**	**163.323**	**184.383**	**186.783**	**179.031**
Electricity	1.528	1.543	1.661	1.482	1.386	1.362	1.346	0.962	1.451	1.391	1.740	1.548	1.405	0.962
Gold	0.285	0.826	0.454	0.501	1.831	0.296	1.590	1.007	0.874	0.853	1.199	1.134	0.908	0.481
Cotton	1.470	4.098	1.197	0.240	0.000	0.172	3.740	9.314	11.438	16.278	12.618	9.281	9.216	1.529
Tea	5.957	7.107	5.505	5.909	6.333	6.753	6.872	7.450	4.223	2.968	3.701	8.348	6.417	7.140
Tobacco	4.325	2.490	3.187	3.998	2.958	6.525	5.425	7.036	6.207	5.680	2.723	5.213	6.670	7.922
Fish & its prod. (excl. regional)	12.143	9.442	9.627	9.569	11.238	12.322	15.903	12.456	12.493	11.798	10.556	11.979	10.423	9.402
Hides & skins	3.004	2.119	1.915	2.567	3.829	3.229	2.542	2.549	3.453	3.980	3.604	4.920	4.300	3.227
Simsim	0.376	0.100	1.009	1.215	0.803	0.290	0.403	1.993	1.283	2.006	2.204	2.905	0.563	0.252
Maize	1.176	2.970	5.618	3.743	2.860	1.252	0.931	1.668	5.029	8.260	4.111	5.318	5.267	2.914
Beans	3.305	2.348	2.655	2.431	2.781	0.826	0.917	0.269	0.690	0.613	0.673	0.309	0.711	3.029
Flowers	4.941	5.478	5.166	4.609	4.033	3.576	3.292	4.722	4.911	4.354	3.678	6.102	5.629	4.838
Oil re-exports	9.19	9.67	8.12	8.92	9.57	10.41	9.06	7.09	11.68	12.21	9.472	15.688	11.388	12.039
Cobalt	1.581	1.581	1.581	1.048	1.587	1.579	1.581	0.527	1.580	0.527	0.527	1.054	0.527	1.581
Others	86.921	86.964	92.657	79.253	87.827	94.693	101.754	90.721	96.046	103.410	103.009	106.703	120.605	120.842