

MONTHLY ECONOMIC AND FINANCIAL INDICATORS



OCTOBER 2009

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INTRODUCTION

The indicators presented in this report summarise the major developments in economic and financial conditions in Uganda during the month of October 2009. Price and financial sector stability remained the key objectives of policy during the month. Both Headline and Core inflation, declined in October 2009 compared to the preceding month due to easing food inflation. The foreign exchange market also remained broadly stable, albeit with an appreciation of the Uganda shilling against the US dollar. Interest rates on all Treasury bill papers and repo instrument declined. Most

measures of money supply registered nominal expansions in September 2009 compared to August 2009 levels. Merchandise exports performed better in September 2009 than in the corresponding month a year ago, largely on account of robust Informal cross border trade (ICBT). ICBT exports, however, declined relative to June 2009 and July 2009, partly due to increased competition from Kenya and South Africa for the South-Sudan market and closure of some key retail markets in Juba, Sudan.

I INFLATION

According to data from Uganda Bureau of Statistics (UBOS), the annual Headline Inflation eased to 13.3 percent in October 2009, from 14.6 percent reported in September 2009, mainly on account of a decline in food inflation. The monthly headline inflation, also decreased to minus 0.3 percent from 2.5 percent recorded in September 2009, largely on account of improved supply of fresh foods.

The annual core inflation¹ however, decreased to 9.1 percent in October 2009 from 9.7 percent in September 2009, partly on account of lower prices of non-tradable items like charcoal, meals and school fees. The month-on-month core inflation also reduced to 0.0 percent compared to 0.4 percent in the preceding month.

The annual Energy, Fuel, and Utilities (EFU) inflation, though still negative, increased to minus 2.3 percent in October 2009 from minus 3.7 percent in September 2009. The month-on-month EFU inflation also edged up to 0.4 percent in October 2009, from minus 0.2 percent in September 2009 driven

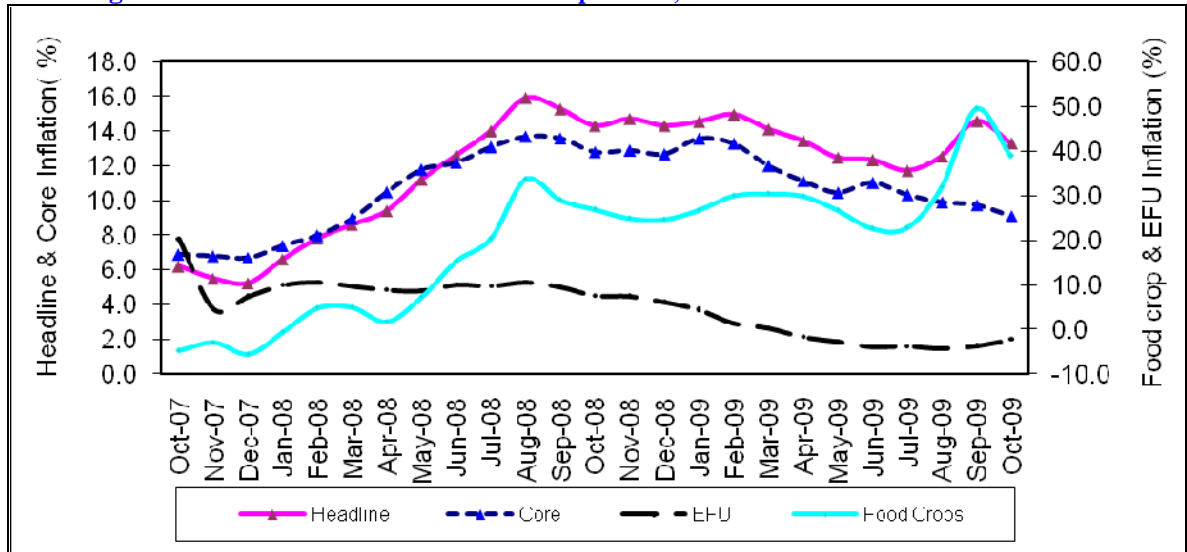
largely by the monthly rise in prices of petroleum products and firewood.

The annual food crops² Inflation slowed down to 38.9 percent from 49.5 percent observed in September 2009. The month-on-month food crops' inflation also decreased to minus 4.0 percent from 15.3 percent in September 2009. The slowdown in Food inflation that had spiked in the preceding two months was on account of improvement in food supply particularly fresh foods. Figure 1 shows the movements in the inflation rates for the period October 2007 to October 2009.

¹ Excludes food crops, electricity, fuel and metered water

² Food crops include fresh food crop items and related products such as milk and flour

Figure I: Annual Inflation rate developments, October 2007 to October 2009



Source: Uganda Bureau of Statistics

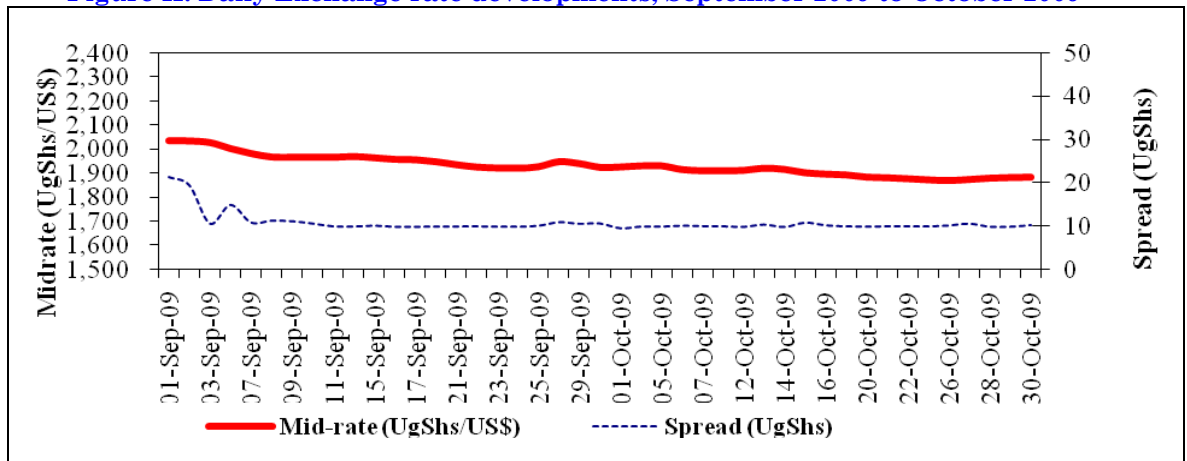
II FOREIGN EXCHANGE MARKET

i) Exchange rates

Continuing with the appreciation trend observed since June 2009, the shilling strengthened by 3.2 percent to an average mid-rate of Shs. 1,898.3 per U.S. dollar in October 2009 compared to September 2009. The shilling strengthening against the greenback was largely on account of foreign exchange inflows from Non-government organisations (NGOs), fish and coffee exports. The unwinding of the long dollar positions held by several

commercial banks amidst stable demand during the month under review also explained the shilling's gains. The Bank of Uganda sterilised liquidity through daily sales of foreign exchange to the Interbank Foreign Exchange Market (IFEM) equivalent to US\$ 6.0 million. BOU's intervention in the IFEM for stability purposes amounted to a purchase of US\$ 10 million during the month under review. Figure II shows the trend of the nominal exchange rate and the spread between buying and selling rates.

Figure II: Daily Exchange rate developments, September 2009 to October 2009



Source: Bank of Uganda

ii) Foreign exchange purchases and sales

Gross foreign exchange purchases and sales decreased by 0.3 percent and 2.2 percent to US\$ 584.5 million and US\$ 581.5 million in October 2009, respectively. The decline reflects reduced interbank forex market trading

during the month under review. Cross currency trade transactions also reduced by 41.7 percent to US\$ 674.8 million in October 2009 compared to the preceding month.

III DOMESTIC MONEY MARKETS AND INTEREST RATES

Interest rates

Two calendar Treasury bill auctions to sterilise liquidity with a combined total offer of Shs. 105 billion were held in the month of October 2009. Both auctions were oversubscribed to the tune of Shs. 233.6 billion. The discount rate on 91-day, 182-day and 364-day Treasury bill papers decreased from 6.8 percent, 10.2 percent and 10.7 percent to 6.5 percent, 9.2 percent and 9.9 percent between end-September 2009 and end-October 2009, respectively.

The margin within the rediscount rate remained at 3.0 percentage points. The Rediscount rate and Bank rate, however, reduced to 9.9 percent and 10.9 percent from their respective end September 2009 levels of 10.9 percent and 11.9 percent, reflecting the declined yield of the 91-day treasury paper.

The monthly weighted average lending rate on commercial banks' shilling denominated loans decreased to 21.5 percent from 21.8 percent in August 2009. The rate on the foreign currency denominated loans, however, rose to 12.1 percent from 10.9 percent in August 2009. Figure III shows the pattern of selected categories of interest rates.

Repo Market

In a bid to minimize fluctuations in short-term liquidity indicators of banks, BOU's issues of reverse repos exceeded

maturities by Shs. 84.0 billion during October 2009, compared to net maturities of Shs. 57 billion during September 2009. The repo rate decreased from an average of 4.5 percent in September 2009 to 4.0 percent in October 2009.

Treasury bill holdings

The outstanding stock of Treasury bills decreased by Shs.46.0 billion to Shs. 1,423.3 at end-October 2009 from end-September 2009 on account of net maturities. Commercial banks' holdings of Treasury bills, decreased by Shs. 18.3 billion to Shs. 904.3 billion at end October 2009. Holdings by Insurance companies³ and the 'Others' category decreased by Shs. 3.0 billion and Shs. 24.5 billion to Shs. 109.8 billion and Shs. 110.1 billion, respectively. The change in the holdings by the three categories reflects developments in both the primary and secondary markets for Treasury bills. Bank of Uganda (BOU)'s holdings of Treasury bills decreased by Shs. 0.2 billion to Shs. 299.1 billion at end October 2009.

Treasury bonds

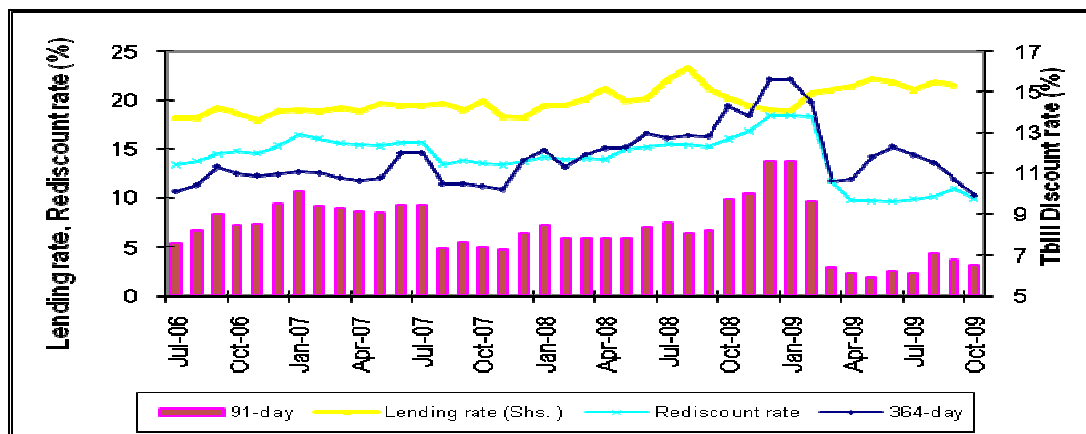
Bank of Uganda issued a new 2-year Treasury bond security worth Shs. 60 billion during October 2009. The resultant Yield to Maturity (YTM) was 12.3 percent, compared to 14.3 percent

³ Includes holdings of insurance companies, non-clearing banks, trust companies and other financial institutions

registered for the corresponding July 22, 2009 issue. The total outstanding stock of Treasury bonds, increased to Shs. 1,426.8 billion from the end September

2009 level of Shs. 1,406.6 billion due to maturities of Shs. 39.8 billion, that fully were more than offset by the amount issued in the month.

Figure III: Selected interest rates, July 2006 to October 2009



Source: Bank of Uganda

IV MONETARY AGGREGATES

i) Money supply

All measures of money supply except broad money M3 expanded between August 2009 and September 2009. Narrow money M1 increased from Shs. 3,011.7 billion at end August 2009 to Shs. 3,025.3 billion at end-September 2009. Private sector's demand deposits rose by Shs 62.6 billion while Currency in circulation declined by Shs. 49.0 billion, respectively.

Private sector's time and savings deposits increased by Shs. 7.1 billion to Shs. 1,915.0 billion while no certificate of deposits were registered in September 2009. Money supply M2 therefore expanded by Shs. 20.7 billion from Shs. 4,919.6 billion to Shs. 4,940.3 billion.

Private sector's foreign exchange deposits, however decreased by Shs. 24.0 billion from Shs. 1,384.2 billion to Shs 1,360.2 billion. Broad money supply M3 therefore contracted by Shs. 3.3 billion to Shs. 6,300.5 billion.

Domestic credit contracted by 7.9 percent to Shs. 2,916.2 billion between August 2009 and September 2009, largely on account of increased net savings of government with the banking system.

Government's net position with the banking system improved from a saving of Shs 555.0 billion at end August 2009 to a saving position of Shs. 833.4 billion at end September 2009. Government's net savings position with the Central Bank increased by Shs. 255.4 billion from Shs. 2,229.5 billion at end August 2009 to Shs. 2484.8 billion at end September 2009. The higher savings was largely on account of decreased advances to government that offset the reduction in deposits of government over the review period. Government's net position with the commercial banks, also improved from a borrowing position of Shs. 1,675.0 billion as at end August 2009 to a borrowing of Shs. 1,651.4 billion as at end September 2009.

The banking systems' claims on the private sector increased by 0.8 percent on a monthly basis to Shs. 3,691.6 billion at end September 2009. Annual private sector credit growth, however, slowed to 20.8 percent in September 2009 compared to 25.2 percent and 49.9 percent in August 2009 and September 2008, respectively. The slowdown in credit growth could be attributed to tighter credit extension conditions associated with risk averseness of banks.

The stock of loans to Parastatals by the banking system decreased slightly by Shs. 1.7 billion to Shs. 57.7 billion at the end of September 2009.

Net foreign assets (NFA) of the banking system decreased by 1.6 percent, from Shs. 6,002.1 billion to Shs. 5,908.0 billion between end-August 2009 and end-September 2009. The decline largely

reflects the effects of an appreciated shilling against the US dollar. The Central banks' foreign exchange reserves rose by US\$ 104.8 million to US\$. 2757.6 million. Commercial banks' foreign assets also increased by US\$ 11.8 million to Shs. 553.1 million between August 2009 and September 2009.

ii) Base money

Base money expanded from Shs. 1,911.1 billion at end September 2009 to Shs. 2,032.2 billion at end October 2009, reflecting the build up of excess reserves by banks. Commercial banks' total reserves increased by Shs. 127.5 billion while Currency issued reduced by Shs. 6.4 billion to Shs. 628.9 billion and Shs. 1,403.3 billion, respectively over the review period.

V KEY DEVELOPMENTS IN BALANCE OF PAYMENTS

Official aid (excluding project aid but including resources from the HIPC Initiative) inflows amounted to about US\$ 132.0 million in September 2009. Net private sector transfer inflows were estimated at US\$ 61.6 million in September 2009 while Services and income outflows were estimated to have exceeded inflows by about US\$75.5 million.

Official cash debt service (excluding IMF payments) for the month of September 2009 was estimated at US\$ 3.8 million,

while there were no principal payments of IMF debt. Estimates of trade credit amounted to net outflows of US\$0.9 million.

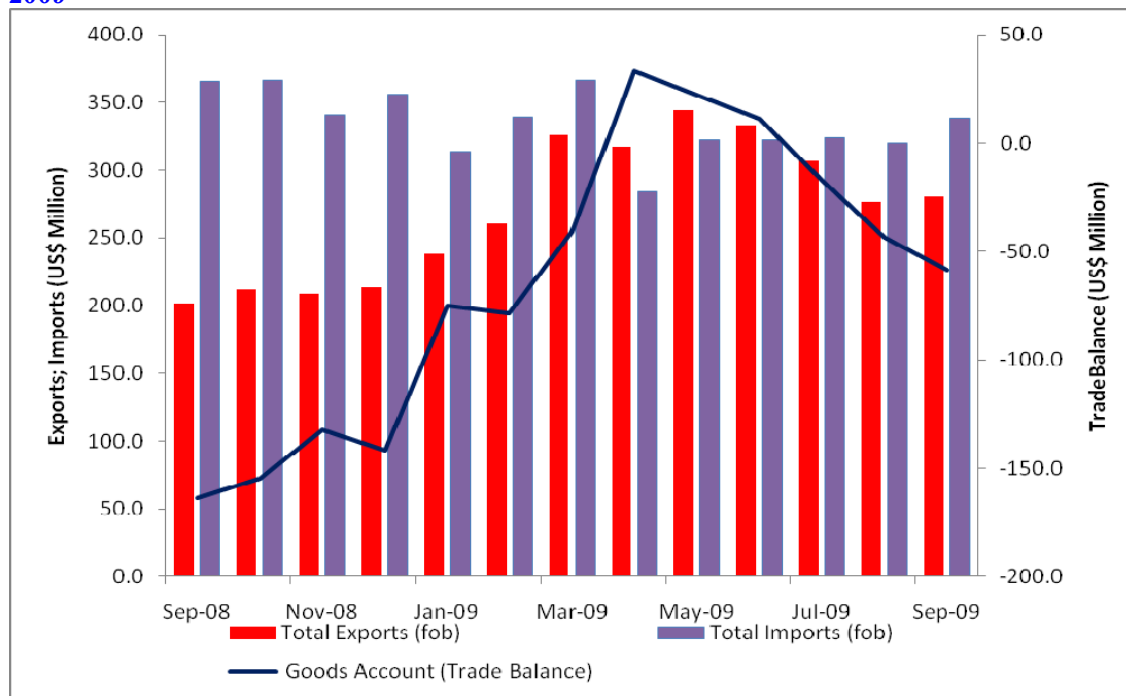
By end-September 2009, the level of gross foreign reserves amounted to US\$ 2,757.6 million, higher by US\$ 104.8 million and US\$ 216.2 million when compared to the preceding month and September 2008, respectively. The September 2009 reserve level was equivalent to 5.6 months of future imports of goods and services.

VI COMMODITY SUB-SECTOR

A trade deficit was registered in September 2009 relative to a surplus in June 2009, largely on account of reduction in Informal cross border trade (ICBT) exports. ICBT exports declined by 25 percent between June 2009 and September 2009 due to: - to establishment of some manufacturing

plants like Nile breweries in Juba, more penetration of the Sudan market by Kenya and south Africa, closure of three key retail markets in Juba in June 2009 and the introduction of import and value added (VAT) taxes on imports by South Sudan. Figure IV summarises performance of the trade account.

Figure IV: Uganda's Merchandise trade performance, September 2008 to September 2009



Source: Bank of Uganda

i) Total exports

Overall, export proceeds in the month of September 2009 increased by 38.9 percent and 1.3 percent relative to September 2008 and August 2009, respectively. Total exports amounted to US\$ 280.3 million in September 2009, US\$ 78.5 million higher than the outturn of September 2008, on account

of robust performance in the Informal Cross Border Trade (ICBT). ICBT exports more than doubled to US\$ 168.0 million in September 2009 compared to September 2008. An increase of 9.8 percent was also registered in ICBT exports between September 2009 and the preceding month.

ii) Coffee exports

As reported by Uganda Coffee Development Authority (UCDA), total coffee exports for the month of October 2009 amounted to 199,011 (60Kg) bags worth US\$ 18.6 million, representing an increase of 10.8 percent in volume and a decline of 11.2 percent in value terms relative to the corresponding month in 2008. The average realised export price was US\$ 1.6 per kilo compared to the

September 2009 level of US\$ 1.5 per Kilo. The farm gate price for Kiboko (dry cherries of Robusta) coffee was Shs. 1,000-1100 per kilo compared to the September 2009 range of Shs.800- Shs. 1,000 per kilogram. Fairly Average Quality (FAQ) coffee prices ranged Shs. 2100-2,350 per kilogram while Arabica parchment prices ranged Shs. 2,700-2,900 per kilogram in October 2009.

iii) Non-coffee exports

There was an increase in the estimated earnings from formal non-coffee exports in September 2009 relative to the level of September 2008. The total value of formal non-coffee exports for September 2009 was estimated at US\$ 94.0 million, 1.7 percent more than the realized value in the corresponding month in the previous year, partly on account of higher export earnings of tea, tobacco and flowers.

The export earnings from informal cross border trade (ICBT) rose in September 2009 compared to the preceding month and September 2008, due to continued robust regional demand for Ugandan products particularly industrial products whose proceeds increased to US\$ 139.2 million in September 2009 from US\$ 64.4 million in September 2008. Table I shows the detailed performance of Uganda's exports up to September 2009.

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

	Sep-08	Apr-09	May-09	Jun-09	Jul-09	Aug-09	Sep-09
Total Exports (a + b)	201.76	316.87	344.34	333.29	307.07	276.75	280.27
a) Formal exports	119.19	111.3	104.46	109.31	118.31	123.72	112.31
1. Coffee	26.79	19.08	20.26	23.21	23.4	23.58	18.3
Volume (millions of 60-Kg bags)	0.21	0.21	0.22	0.25	0.27	0.26	0.2
Av. Unit value	2.1	1.55	1.53	1.52	1.47	1.51	1.53
2. Non-Coffee exports	92.4	92.22	84.2	86.1	94.91	100.14	94.01
Electricity	1.03	0.95	0.91	1.27	1.41	1.6	1.46
Gold	2.38	0.78	2.07	1.98	3.35	2.81	2.81
Cotton	0.83	2.8	2.18	0.6	0.48	0.59	0.27
Tea	3.42	4.11	4.59	4.79	4.66	2.71	3.87
Tobacco	3.92	2.61	4.4	3.15	5.48	7.02	4.71
Fish & its products	9.55	8.39	7.36	8.22	10.6	9.02	8.74
Hides & skins	0.96	0.6	0.41	0.36	0.36	0.37	0.46
Simsim	0.55	3.08	0.97	1.36	0.17	0.14	0.42
Maize	1.76	2.57	3.13	2.15	0.77	0.7	0.92
Beans	0.44	1.45	0.8	0.78	1.04	0.54	0.86
Flowers	3.86	3.54	3.88	4.3	4.22	4.47	4.45
Oil re-exports	0.36	0.38	0.19	0.18	0.28	0.5	0.26
Cobalt	2.07	0.95	0.95	1.46	0.95	1.91	0.48
Base metals & their products	12.35	9.64	7.55	7.19	9.74	9.25	7.09
Others	48.91	50.36	44.82	48.3	51.43	58.53	57.22
b) Informal exports (i.e. ICBT)	82.57	205.57	239.88	223.98	188.76	153.03	168.0

Source: Bank of Uganda

iv) Imports

Total imports amounted to US\$ 338.7 million in September 2009, 5.8 percent more than the import bill of August 2009. The September 2009 import bill was however 7.3 percent less than the import bill of September 2008, on account of lower private sector imports.

Private sector imports amounted to US\$ 312.4 million in September 2009, 5.0 percent higher than the total private sector import bill in the preceding month, partly reflective of the appreciated shilling against the US dollar. The oil import bill of the private sector amounted to US\$ 42.6 million, 7.3

percent more than that of August 2009, largely on account of increased volumes. The September 2009 private sector's non-oil imports, such as machinery, vehicles and accessories, chemicals and related products, vegetable products, animal fats and oils and base metals and their products amounted to US\$ 269.9 million, 4.6 percent more than what was recorded in August 2009. Government imports amounted to US\$ 26.3 million in September 2009, more than US\$ 22.5 million recorded in August 2009. Table II summarises developments in imports of goods.

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

	Sep-08	Apr-09	May-09	Jun-09	Jul-09	Aug-09	Sep-09
Total Imports	365.58	283.93	322.08	322.22	324.13	320.14	338.72
Government Imports	15.05	21.93	39.99	22.42	33.26	22.48	26.32
Project	13.92	19.31	25.39	15	20.18	16.22	21.9
Non-Project	1.13	2.62	14.6	7.42	13.08	6.26	4.42
Private Sector Imports	350.53	261.99	282.09	299.8	290.87	297.65	312.4
Oil imports	62.7	30.08	32.66	34.04	40.3	39.65	42.55
Non-oil imports	287.83	231.91	249.43	265.76	250.57	258	269.85

Note: All import figures are reported at f.o.b value

Source: Bank of Uganda

VII CONCLUDING REMARKS

Generally, macroeconomic stability continued to be observed in the review period due to prudent policy management. Never the less, the Bank of Uganda will continue to pursue

policies aimed at consolidating its price stability objective and ensuring a safe and sound financial system without jeopardising the quest for robust real output growth.

UGANDA: CURRENT ECONOMIC AND FINANCIAL INDICATORS (In billions of Ushs: end of month unless otherwise indicated)

	Sep-08	Oct-08	May-09	Jun-09	Jul-09	Aug-09	Sep-09	Oct-09
Foreign Exchange Market								
Inter-Bank Purchases (US\$M)	629.3	894.0	541.8	548.3	512.5	494.8	586.5	584.5
Inter-Bank Sales (US\$M)	690.5	984.8	571.6	554.0	525.2	503.4	594.8	581.5
Cross currency trading (US\$ million)	632.7	441.4	454.3	582.4	443.1	513.8	1157.5	674.8
Inter-Bank Mid-Rate (US\$/\$)	1645.0	1838.7	2247.7	2137.2	2110.8	2071.7	1961.9	1898.3
Foreign Exchange Reserves								
Gross Foreign Reserves in months of imports of goods and Services	5.3	4.9	5.20	5.12	5.40	5.20	5.60	
Bank of Uganda Foreign Exchange Reserves (US\$ M)	2541.4	2350.5	2477.4	2442.1	2577.0	2652.8	2757.6	
Balance of Payments (In millions of US\$) (1)								
Monetary and Credit Aggregates (2)								
Broad Money supply M3	4,996.8	5,427.7	6,273.1	6,297.6	6,165.6	6,303.8	6,300.5	
Foreign Exchange Accounts Deposits	1,023.5	1,275.5	1,427.7	1,376.9	1,363.5	1,384.2	1,360.2	
Money supply M2	3,973.3	4,152.2	4,845.4	4,920.7	4,802.0	4,919.6	4,940.3	
Certificate of Deposit	-	-	-	-	-	-	-	
Currency in circulation	1,107.9	1,120.3	1,237.1	1,245.4	1,270.5	1,257.3	1,208.3	
Demand deposits	1,474.5	1,514.1	1,785.9	1,732.7	1,636.6	1,754.4	1,816.9	
Time and saving deposits	1,390.8	1,517.8	1,822.5	1,942.5	1,894.8	1,907.9	1,915.0	
Claims on Central Government	(883.2)	(725.3)	(729.5)	(644.4)	(845.8)	(555.0)	(833.4)	
o/w Bank of Uganda.net claims on gov't.	(2,276.6)	(2,136.7)	(2,239.1)	(2,209.5)	(2,520.8)	(2,229)	(2,485)	
Private Sector Credit	3,055.0	3,185.6	3,725.1	3,599.5	3,656.9	3,662.6	3,691.6	
Weighted Average Interest Rates on Shilling Transactions.								
Savings Deposit Rate	2.1%	2.1%	2.2%	2.4%	2.2%	2.4%	2.4%	
Time Deposit Rate	9.1%	8.7%	8.7%	10.7%	10.8%	10.1%	8.5%	
Lending Rate	21.2%	20.2%	22.2%	21.8%	21.0%	21.8%	21.5%	
Treasury Bills								
91 Days (End period Weighted Discount Rate)	8.1%	9.7%	5.9%	6.2%	6.1%	7.1%	6.8%	6.5%
182 Days (End period Weighted Discount Rate)	12.3%	13.4%	9.8%	10.2%	10.8%	10.5%	10.2%	9.2%
273 Days (End period Weighted Discount Rate)								
364 Days (End period Weighted Discount Rate)	12.8%	14.3%	11.8%	12.3%	11.9%	11.5%	10.7%	9.9%
Average Interest Rates on Foreign Exchange Transactions.								
Demand Deposit Rate	1.2%	1.1%	1.0%	1.0%	1.0%	1.0%	1.0%	
Savings Deposit Rate	1.5%	1.5%	1.5%	1.5%	1.5%	1.5%	1.5%	
Time Deposit Rate	3.8%	4.1%	3.9%	3.9%	4.4%	4.6%	4.8%	
Average Lending Rate	9.4%	9.1%	11.2%	10.4%	9.0%	10.9%	12.1%	
Bank of Uganda Rates								
Rediscount Rate	15.2%	16.0%	9.7%	9.6%	9.8%	10.1%	10.9%	9.9%
Bank Rate	16.2%	17.0%	10.7%	10.6%	10.8%	11.1%	11.9%	10.9%
Reserve Money								
Base Money	1,627.3	1,703.6	1925.0	1909.9	1852.6	1933.9	1911.1	2032.2
Currency Issued	1,247.0	1,265.1	1403.2	1434.6	1456.0	1458.5	1409.7	1403.3
Commercial Banks' Total Reserves	380.3	438.5	521.8	475.3	396.6	475.4	501.4	628.9
Statutory Required Reserves (6)	431.7	441.2	509.9	521.0	529.3	522.3	537.2	527.7
Excess reserves ⁽⁷⁾	49.1	98.8	156.0	103.0	23.5	107.3	123.6	243.8
Securities Market								
Treasury bill holdings								
Bank of Uganda holdings	1457.5	1441.5	1410.2	1444.4	1540.3	1492.8	1469.2	1423.3
Commercial banks holdings	230.3	267.1	276.0	281.6	406.9	380.7	299.3	299.1
Insurance companies' holdings (5)	735.1	738.0	870.7	922.7	865.0	856.3	922.6	904.3
Others	330.9	259.0	108.7	90.0	107.3	95.3	112.8	109.8
Treasury Bonds holdings	161.3	177.4	154.8	150.1	161.2	160.4	134.6	110.1
	1470.2	1410.2	1359.9	1361.6	1411.6	1411.6	1406.6	1426.8
Consumer Price Index (Base 2005/06)								
Composite CPI, Annual percentage change.	15.3	14.3	12.5	12.3	11.7	12.5	14.6	13.3
Core CPI, Annual percentage change	13.6	12.8	10.5	11.0	10.4	9.9	9.8	9.1
Composite CPI, Monthly percentage change.	0.6	0.8	1.1	0.4	0.6	2.0	2.5	-0.3
Food crops CPI, Annual percentage change	29.0	26.9	26.8	22.7	22.8	31.9	49.5	38.9
Elec, Fuel & Utilities (EFU) CPI, Annual percentage change	9.6	7.6	-2.7	-3.9	-3.7	-4.2	-3.7	-2.3
Monthly Average Pump Prices of Petroleum Products								
Motor Spirit Premium (PMS)	2738.0	2645.9	2235.0	2285.0	2394.4	2358.2	2351.1	2419.4
Diesel (AGO)	2503.0	2370.0	1831.0	1938.0	1967.0	1972.7	2006.7	2028.4
Kerosene (BK)	2387.1	2330.4	1687.0	1730.0	1737.3	1760.4	1746.4	1746.0

Source: Research Department, Bank of Uganda

Notes:

1. Balance of payments consolidated figures are only published on a quarterly basis as per international standards.
2. M3 is the Sum of M2 and Foreign Exchange Deposits.
3. Cumulative Fiscal Data for Financial Year Beginning July : Based on Government Cashflow Statement.
4. Includes External Interest, Arrears and Debt Amortisation.
5. Includes Credit Institutions' Holdings.
6. Eligible Reserves include Vault cash
7. Excess reserves is the difference between commercial banks' statutory reserves and total reserves plus a portion of vault cash.