PERFORMANCE OF THE ECONOMY REPORT

FEBRUARY 2018

MACROECONOMIC POLICY DEPARTMENT

MINISTRY OF FINANCE, PLANNING AND ECONOMIC DEVELOPMENT

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LIST OF ACRONYMS

BTI	Business Tendency Index
CIEA	Composite Index of Economic Activity
EAC	East African Community
EFU	Energy, Fuels and Utilities
ICBT	Informal Cross Border Trade
IFRS	International Financial Reporting Standard
NGOs	Non-Governmental Organizations
PAYE	Pay As You Earn
PSC	Private Sector Credit
T-Bills	Treasury Bills
T-Bonds	Treasury Bonds
UShs	Uganda Shillings
US$	United States Dollar
VAT	Value Added Tax

SUMMARY

Real Sector

Inflation: Annual headline inflation declined from 3.0% in January 2018 to 2.1% in February 2018, mainly driven by a significant decline in sugar prices as well as a slowdown in the price increase for food crops and related Items.

Indices of Economic Activity: The Composite Index of Economic Activity (CIEA) improved from 210 in December 2017 to 211 in January 2018, reflecting continued improvement in economic activity. In addition, business sentiments for the next three months (March - May) remain positive as reflected by the Business Tendency Index (BTI) which stood at 56.29 in February, above the threshold of 50.

Financial Sector

Exchange rate: During the month, the shilling remained relatively stable against the US dollar, appreciating marginally by 0.1% to an average of UShs 3,637.6.

Interest Rates: The Central Bank Rate was reduced further to 9.0% in February from 9.5% the previous month, its lowest level ever. The average commercial bank lending rate in January stood at 20.26% slightly down from 20.28% in December 2017.

Private Sector Credit: The stock of outstanding private sector credit reduced by 1.3% from Shs 12,825.1 billion in December 2017 to Shs 12,654.7 billion in January 2018. The reduction in credit is mainly attributable to risk-aversion on the part of commercial banks following the introduction of a more stringent regulatory regime.

Yields on Government Securities: Yields on Government securities edged upwards. The average weighted yields to maturity for February were 8.7%, 8.9% and 9.4% for the 91, 182 and 364 day tenors respectively. This compares with 8.6%, 8.5%, and 9.1% in January 2018.

External Sector

Merchandise Trade Balance: The merchandise trade deficit improved from US$ 141.3 million in December 2017 to US$ 102 million in January 2018, resulting from a decline in the country's import bill, coupled with increased export proceeds.

Fiscal Sector

Fiscal operations: During the month, fiscal operations resulted into a deficit of Shs 95.6 billion which was lower than the projected deficit of Shs 188.0 billion. This was on account of higher than projected revenues and grants coupled with lower than programmed government expenditure during the month.

REAL SECTOR DEVELOPMENTS

Inflation

Annual headline inflation declined from 3.0% in January 2018 to 2.1% in February 2018, its lowest level since March 2015. This slowdown was driven by a decline in core inflation majorly resulting from a bigger drop in prices for sugar (-11.5% in February compared to -4.0% the previous month). In addition, there a decline in food crops and related items inflation resulting from better agricultural yields due to the favourable weather conditions. Table 1 below provides a summary of annual inflation by category.

Table 1: Summary Statistics on Annual Inflation (%)

	Jan-18	Feb-18
Headline	3.0	2.1
Core	2.6	1.7
EFU	9.8	11.2
Food Crops & Related Items	1.4	-0.7

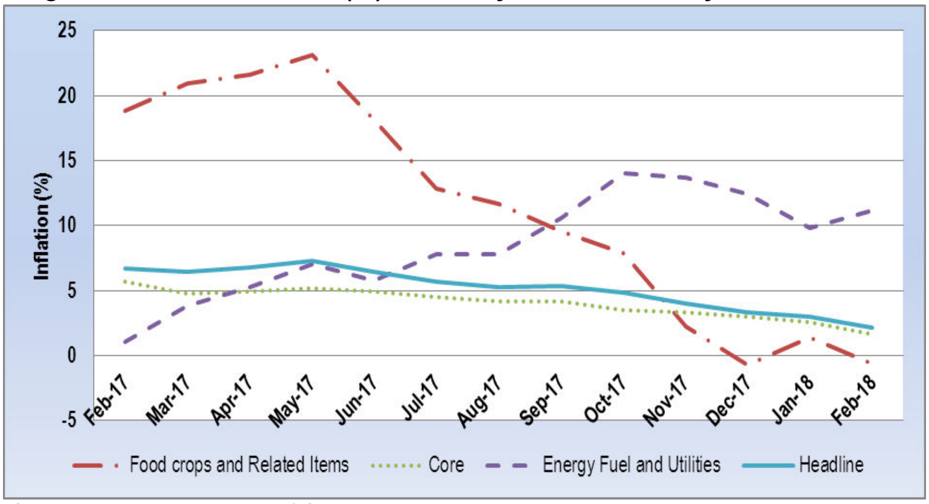
Source: Uganda Bureau of Statistics

Core inflation fell from 2.6% in January to 1.7% in February 2018, driven by a decline in both *other goods* inflation (1.6% from 2.3%) and annual services inflation (1.8% from 3.0%). The fall in o*ther goods* inflation was majorly on account of a faster drop in prices for sugar (-11.5% from -4.0%) and a slower rise in prices for bread and cereal (1.1% from 2.1%).

Annual food crops and related items inflation fell from 1.4% in January to -0.7% in February 2018, majorly on account of a drop in prices of vegetables and fruits due to increased supply on the market. Prices of vegetables dropped by 0.9% compared to a rise of 2.7% the previous month, while prices for fruits continued on a downward trend declining by 2.3% compared to a drop of 1.8% in January 2018. The increased supply of food crops on the market is largely a result of favourable weather conditions in the preceding months.

On the other hand there was an increase in the annual Energy, Fuel and Utilities (EFU) inflation, which rose from 9.8% in January to 11.2% in February 2018 driven by prices for fuels. Prices for liquid fuels (petrol, diesel and kerosene) went up by 7.3% in February 2018 compared to 5.2% in January 2018, while prices for charcoal & firewood rose by 20.4% compared to 17.1% the previous month. Figure 1 depicts recent trends in annual inflation.

Figure 1: Annual Inflation (%), February 2017 – February 2018



Source: Uganda Bureau of Statistics

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

The CIEA and the BTI are high frequency real sector indicators which are intended to capture underlying monthly changes in economic activity. The indicators are derived from a survey covering large, medium and small formal sector establishments representing construction, manufacturing, agriculture, wholesale and retail trade sectors.

The CIEA takes into account ten variables i.e. currency in circulation; VAT on domestic goods and services; exports; imports; government expenditure on goods and services; sales; cement production; excise taxes; PAYE; and private sector credit. Accordingly, the CIEA[1] recorded growth of 0.46% from 210.0 in December 2017 to 211.0 in January 2018 (see figure 2). This gives an indication of increased economic activities.

Figure 2: Composite Index of Economic Activity.

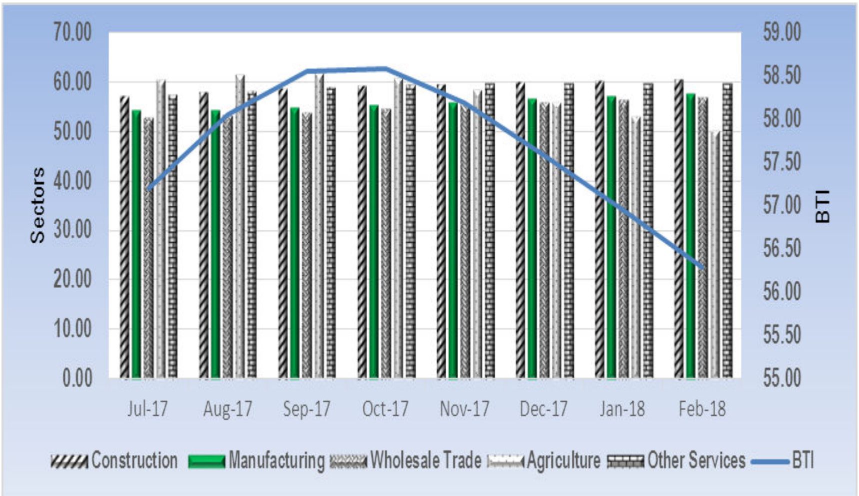
Source: Bank of Uganda

1. *This index is updated with a month's lag.*

On the other hand, the Business Tendency Index (BTI) measures the sentiments that investors have about current and future production levels, employment, prices and access to credit. An index above 50 implies positive expectations (optimism) while if it's less than 50 implies negative expectations (pessimism). During February 2018, investor's sentiments about doing business in Uganda remained positive as illustrated by a BTI of 56.29 above the threshold of 50 (as seen in figure 3). With the exception of agriculture, investor sentiments were optimistic in all sectors for the next three months.

Despite the BTI being positive, it has been reducing for the last four months. When surveyed, businesses cited increased competition, exchange rate fluctuations and high taxes reported by businesses as the top three factors affecting business activity/production. Other factors include the high cost of finance and price fluctuations.

Figure 3: Business Tendency Index across sectors



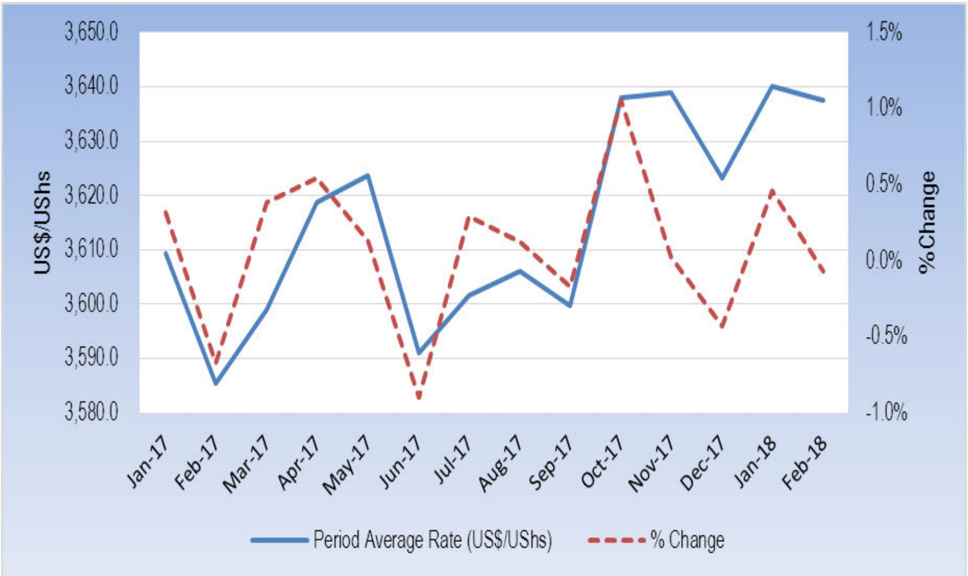
Source: Bank of Uganda

FINANCIAL SECTOR DEVELOPMENTS

Exchange Rate Movements

During the month, the shilling was relatively stable against the US$, appreciating slightly by 0.1% to UShs 3,637.6 from UShs 3,640.1 in January 2018. This slight appreciation is partly attributed to increased supply of foreign exchange into the country from coffee export receipts and NGOs amidst muted demand from the large corporate sector. Figure 4 shows exchange rate movements from January 2017 to February 2018.

Figure 4: Exchange Rate Movements, January 2017- February 2018



Source: Bank of Uganda

Between January and February, the shilling depreciated by 1.4% against both the pound sterling and the Euro. The shilling traded at UShs 4,492.5 against the Euro and UShs 5,085.67 against the pound sterling in February 2018 compared to UShs 4,431.9 and 5,016.7 in January respectively. Table 3 shows the exchange rate movements of the Uganda Shilling against major currencies from July 2017 to February 2018.

Table 3: Shilling vs. Major Foreign Currencies

	Jul'17	Aug'17	Sep'17	Oct'17	Nov'17	Dec'17	Jan'18	Feb'18
UShs/US$	3,601.5	3,606.0	3,599.9	3,637.9	3,639.0	3,623.3	3,641.0	3,636.5
UShs/EUR	4,145.3	4,257.3	4,288.8	4,276.8	4,270.9	4,288.5	4,431.9	4,492.5
UShs/GBP	4,679.7	4,669.9	4,801.8	4,802.0	4,810.0	4,855.7	5,016.7	5,085.7

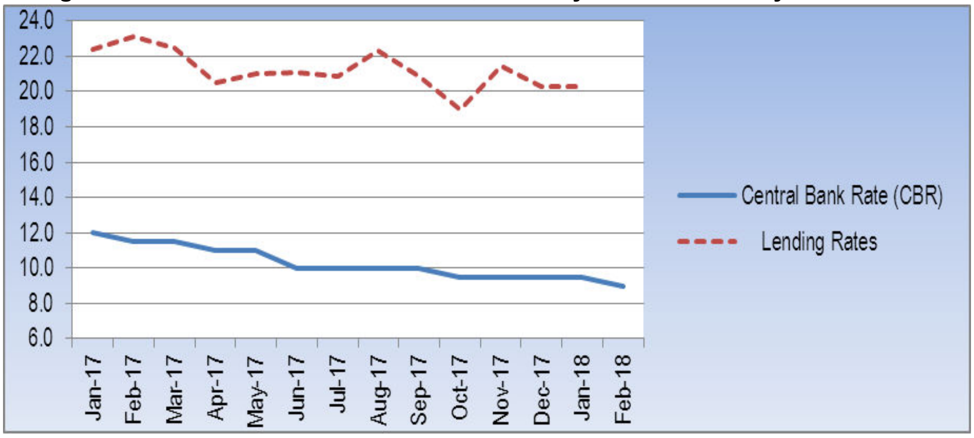
Source: Bank of Uganda.

Interest Rate Movements

As inflation is expected to remain subdued, the Central Bank reduced its key policy rate (CBR) to 9.0% in February down from 9.5% in January 2018, the lowest level ever.

Although lending rates remain sticky downwards, they have gradually responded to the continuous monetary policy easing stance (see Figure 5), falling from 22.4% in January 2017 to 20.3% in January 2018.

Figure 5: Interest Rate Movements, January 2017 - February 2018



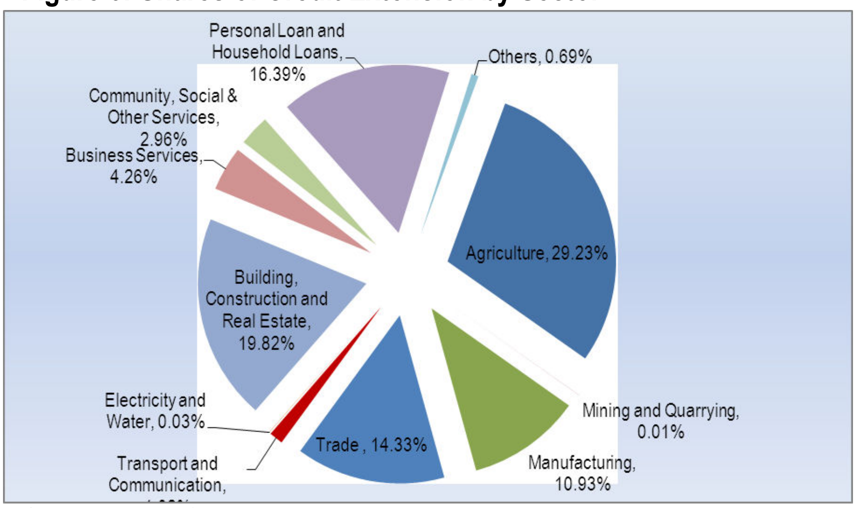
Source: Bank of Uganda.

Lending to the Private Sector

Despite a reduction in lending rates as seen in figure 5 above, credit to the private sector remains subdued. The value of loans approved reduced by 5.8% from UShs 779.1 billion in December 2017 to UShs 734.3 billion in January 2018. The contraction in credit extended to borrowers is in part attributed to the continued risk aversion by commercial banks.

By sector, Agriculture received the largest share of credit at 29.23%. Other notable recipients of credit were; Building, Construction and Real Estate (19.82%), Personal and Household Loans (16.39%), Trade (14.3%) and Manufacturing (10.9%). Figure 7 below, maps the share of the credit extension by sector in the month on January.

Figure 6: Shares of Credit Extension by Sector



Source: Bank of Uganda

The flow of credit to agricultural related projects more than doubled, from UShs 105.8 billion in December 2017 to UShs 214.6 billion in January 2018. In addition, there was strong growth in credit extended to the Building, Construction & Real Estate as well as Personal & Household sectors, which rose by 40.4% and 8.4% respectively, during the period. Table 4 shows credit flow to each sector from July 2017 to January 2018, as well as the monthly growth in January 2017, December 2017 and January 2018.

Table 4: Credit Extensions by Sector

								GROWTH RATE		
	Jul-17	**Aug-17**	**Sep-17**	**Oct-17**	**Nov-17**	**Dec-17**	**Jan-18**	Jan-17	Dec-17	Jan-18
Agriculture	89.2	81.6	151.8	139.0	102.7	105.8	214.6	-12.8%	3.0%	102.9%
Mining and Quarrying	0.2	5.6	0.1	0.9	0.4	0.3	0.1	1021.7%	-4.9%	-72.0%
Manufacturing	49.4	112.3	52.7	79.1	74.7	154.9	80.2	100.8%	107.2%	-48.2%
Trade	175.5	249.5	230.9	183.3	257.7	137.4	105.3	-56.4%	-46.7%	-23.4%
Transport and Communication	25.7	30.7	315.4	9.7	51.4	47.3	9.7	-78.6%	-8.1%	-79.4%
Electricity and Water	12.8	0.6	256.2	0.6	0.2	20.9	0.2	397.2%	8874.6%	-98.9%
Building, Construction and Real Estate	179.9	247.0	103.4	175.1	136.9	103.7	145.6	-50.7%	-24.3%	40.4%
Business Services	32.6	59.5	46.8	34.8	52.4	65.3	31.3	-43.1%	24.6%	-52.1%
Community, Social & Other Services	33.3	24.4	11.5	10.1	27.2	28.2	21.8	-10.0%	3.5%	-22.9%
Personal Loan and Household Loans	109.5	144.9	132.4	124.2	153.3	111.1	120.4	13.1%	-27.5%	8.4%
Others	8.4	8.3	8.9	7.2	8.0	4.2	5.1	76.3%	-46.9%	20.4%
TOTAL	716.6	964.4	1310.1	763.9	865.0	779.1	734.3	-38.3%	-9.9%	-5.8%

Source: Bank of Uganda

As at end January 2018, the stock of outstanding Private Sector Credit (PSC) amounted to UShs 12,654.8 billion, which reflects a reduction 1.3% as compared to the December 2017 levels.

Government Securities

There were 2 T-Bill and 1 T-Bond auction during February 2018. During the auctions, UShs 454.8 billion (at cost) was raised, of which UShs 277.7 billion was from T-Bills and UShs 177.1 billion was from T-bonds. No funds were raised for financing of other Government activities as re-financing needs exceeded total issuances, shown in Table 5.

Table 5: Issuance of Government Securities in Billion Shillings (FY 2017/18)

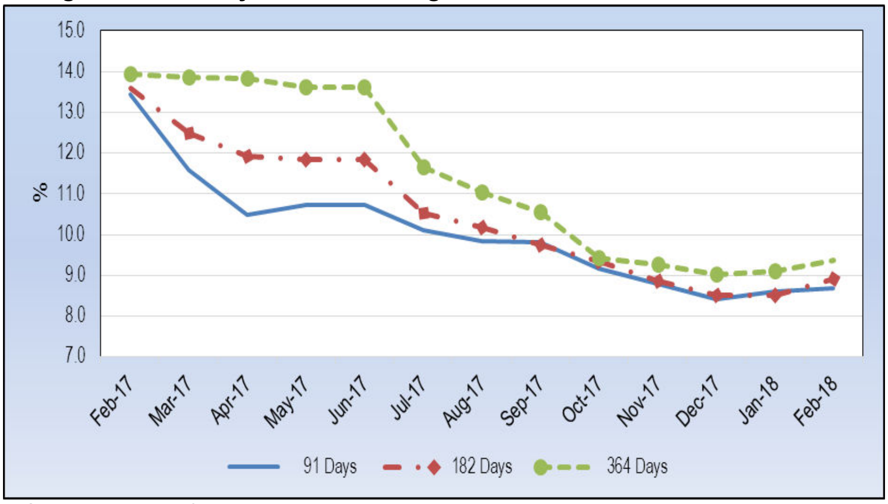
	Total Issuances	Government Domestic Borrowing	Re-financing
Q1 2017/18	**1661.9**	**390.5**	**1271.5**
Q2 2017/18	**1493.8**	**194.6**	**1299.1**
January 2018	455.9	167.7	288.2
February 2018	454.8	-11.4	466.2
July to date	**4066.4**	**741.4**	**3325.0**

Source: Auction Results, Ministry of Finance, Planning and Economic Development

Yields on Treasury Bills

Yields slightly edged upwards across the all tenors. The average weighted yields to maturity for February were 8.7%, 8.9% and 9.4% for the 91, 182 and 364 day tenors respectively. This compares with 8.6%, 8.54%, and 9.1% in January 2018. All tenors were oversubscribed with an average bid to cover ratio[2] of 1.7. Figure 7 below illustrates the movement of Treasury bill yields in the primary market since February 2017.

Figure 7: Primary Market Average Yields



Source: Bank of Uganda

EXTERNAL SECTOR DEVELOPMENTS

Merchandise Trade Balance

Uganda's merchandise trade deficit narrowed in January 2018 compared to the same period last year, mainly attributed to an increase in exports that offset the increase in the import bill. The deficit narrowed by 3.4% from US$ 105.6 million in December 2017, to US$ 102 million in January 2018.

As compared to the December 2017 levels, the trade deficit in January 2018 narrowed by US$ 39.3 million or 27.8%, which was on account of a decline in the country's import bill, coupled with increased export proceeds.

[2] The bid to cover ratio is an indicator for demand of government securities in a given auction. A ratio equivalent to 1 implies demand for a particular security is equal to the amount offered by government. A ratio less than 1 means the auction is under subscribed and a ratio greater than 1 means that the auction is over subscribed.

Merchandise Exports

Export earnings increased both on a monthly basis and on an annual basis. Compared to the same period last year, export earnings increased by US$ 63.8 million (24.1%) in January 2018 to US$ 329.2 million from US$ 265.4 million. This performance is mainly attributed to increases in the earnings of gold and beans following growth in their respective volumes. However, coffee which is the main export commodity registered a decline in its earnings following a drop in both the volume and international price.

A comparison between December 2017 and January 2018 indicates an increase in export earnings. Export earnings increased by US$ 16.5 million or 5.3% between the two months, largely due to an increase in gold exports. Table 6 below shows a summary of the performance of key exports.

Table 6: Merchandise Exports (US$ million)

	Jan'17	Dec'17	Jan'18	Jan'18 Vs Dec'17 (% change)	Jan'18 Vs Jan'17 (% change)
Total Exports	**265.36**	**312.65**	**329.19**	**5.3%**	**24.1%**
1. Coffee (Value)	**48.98**	**42.72**	**43.66**	**2.2%**	**-10.9%**
Volume (60-Kg bags)	404,673	386,217	401,930	4.1%	-0.7%
Av. unit value	2.02	1.84	1.81	-1.8%	-10.3%
2. Non-Coffee formal exports	**166.46**	**211.26**	**232.73**	**10.2%**	**39.8%**
o/w Gold	29.07	19.95	39.69	98.9%	36.6%
Beans	1.61	10.98	13.33	21.4%	729.9%
Fish & its prod. (excl. regional	12.02	11.03	11.65	5.7%	-3.1%
Tea	6.00	9.76	8.25	-15.4%	37.6%
3. ICBT Exports	**49.91**	**58.67**	**52.80**	**-10.0%**	**5.8%**

Source: Bank of Uganda

Destination of Exports

During January 2018, Uganda's most important merchandise export destination remained the East Africa Community[3] (EAC), followed by the Rest of Africa and the European Union. The EAC took up 42.8% of Uganda's exports compared to 35.8% in January 2017. Over this period, the value of exports to the EAC increased from US$ 95.0 million to US$ 140.9 million. Table 7 shows the destination of exports.

[3] East African Community includes Kenya, Rwanda, Tanzania, Burundi, and South Sudan

Table 7: Destination of Exports

	Jan'17	Dec'17	Jan'18
European Union	15.3%	15.2%	15.2%
Rest of Europe	1.9%	0.9%	1.0%
The Americas	2.5%	2.2%	1.2%
Middle East	16.6%	8.5%	14.0%
Asia	8.9%	7.8%	7.3%
EAC	35.8%	45.6%	42.8%
Rest of Africa	18.8%	19.8%	18.4%
Others[4]	0.084%	0.055%	0.004%

Source: Bank of Uganda

Merchandise Imports

Merchandise imports declined to US$ 431.2 million in January 2018 from US$ 454 million the previous month. This decline was on account of a 94% decline in the value of Government imports, which more than offset an increment by 2.4% in private sector imports. The increase in private sector imports was largely attributed to higher oil prices and higher volumes of non-oil imports[5].

As compared to the same period last year, there was an increase of 16.2% in imports, which was largely driven by private sector imports (up 18.7%) that offset the decline in Government imports (down 76.7%). An increase in import volumes and a surge in oil import prices[6] contributed to higher private sector imports. Table 8 shows the performance of imports in January, 2018.

Table 8: Performance of Imports

	Jan'17	Dec'17	Jan '18	Jan'18 Vs Dec'17	Jan'18 Vs Jan'17
Total Imports (fob)	**370.95**	**453.96**	**431.22**	-5.0%	16.2%
Government Imports	12.73	49.17	2.97	-94.0%	-76.7%
Project	11.82	49.06	2.97	-94.0%	-74.9%
Non-Project	0.91	0.10	0.00	-99.3%	-99.9%
Formal Private Sector Imports	329.64	382.08	391.19	2.4%	18.7%
Oil imports	60.73	62.03	66.88	7.8%	10.1%
Non-oil imports	268.91	320.04	324.32	1.3%	20.6%
Estimated Private Sector Imports	28.57	22.72	37.06	63.1%	29.7%
Total Private Sector Imports	**358.21**	**404.79**	**428.25**	**5.8%**	**19.6%**

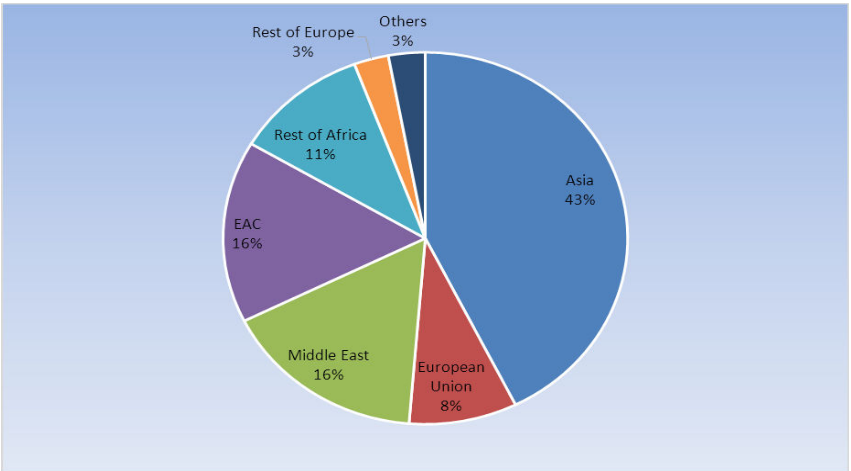
Source: Bank of Uganda

[4] Others include Iceland, Australia
[5] Change over previous month: - Non-oil import volumes increased by 5.4%
-Oil Prices increased by 7.4%
[6] Change over same period the previous year; - Non-oil import volumes increased by 25.3%
- Oil import prices surged by 28.6%

Origin of Imports

Asia was the largest source of imports during the month followed by Middle East and EAC contributing 42.6%, 16.4% and 15.8% of the total imports respectively. Of the total imports from Asia, 77% were from China, India and Japan. In the EAC region, imports sourced from Kenya and Tanzania accounted for 89%. Figure 8 shows the Origin of Imports by percentage share.

Figure 8: Origin of Imports by Percentage Share, January 2018



Source: Bank of Uganda

FISCAL OPERATIONS

Overview

Fiscal operations during the month resulted into a deficit of UShs 95.6 billion which was lower than the projected UShs 188.0 billion. This was on account of higher than projected revenues and grants coupled with lower than programmed government expenditure for the month. Expenditure and net lending was less than planned by UShs 76.7 billion while revenue and grants were above the target by UShs 15.7 billion as both grants and domestic revenues registered overages. Table 9 shows details of the fiscal operations for February 2018.

Table 9: Fiscal Operations, February 2018 (UShs billions)

	Outturn	Plan	Prel. Outturn	Performance	Deviation
	Feb'17	Feb'18	Feb'18	Feb'18	Feb'18
Revenues and Grants	1,048.8	1,225.7	1,241.4	101.3%	15.7
Revenues	994.9	1,149.2	1,160.9	101.0%	11.7
Tax	973.0	1,123.6	1,125.0	100.1%	1.3
Non-Tax	22.0	25.5	35.9	140.9%	10.4
Grants	53.8	76.5	80.5	105.2%	3.9
O/w Project Support	21.0	76.5	80.5	105.2%	3.9
Expenditure and Lending	1,012.0	1,413.7	1,337.0	94.6%	(76.7)
Current Expenditures	710.1	766.3	903.3	117.9%	137.1
Wages and Salaries	282.8	303.4	294.3	97.0%	(9.1)
Interest Payments	177.3	171.8	174.5	101.6%	2.7
Domestic	153.9	148.5	151.5	102.0%	2.9
External	23.4	23.2	23.0	98.9%	(0.2)
Other Recurr. Expenditures	250.0	291.1	434.5	149.3%	143.5
Development Expenditures	268.4	647.4	399.6	61.7%	(247.8)
Domestic	187.1	417.2	250.8	60.1%	(166.4)
External	81.3	230.1	148.8	64.6%	(81.4)
Net Lending/Repayments	-	-	5.6	-	5.6
Domestic Arrears Repayment	33.5	-	28.4	-	28.4
Overall Fiscal Bal. (incl. Grants)	36.8	(188.0)	(95.6)		

Source: Ministry of Finance, Planning and Economic Development

Revenue and Grants

Revenues and Grants amounted to UShs 1,241.4 billion which was higher than the target for the month by UShs 15.7 billion. Both grants and domestic revenues contributed to this performance, surpassing their respective targets for the month by UShs 3.9 billion and UShs 11.7 billion.

Domestic Revenues

Domestic revenues amounted to UShs 1,160.9 billion against a target of UShs 1,149.2 billion. Of the total collections, UShs 1,125.0 billion was tax revenue while UShs 35.9 billion was non-tax revenue. Both tax and non-tax revenues registered overages of UShs 1.3 billion and UShs 10.4 billion.

The good performance in overall tax revenue collections was attributed to taxes on international trade which were above the target by UShs 42.7 billion (8.8%). This overage in collections on international trade taxes more than offset shortfalls in domestic taxes.

Indirect domestic taxes were short of their target for the month by UShs 41.2 billion as Value Added Tax (VAT) especially on manufactured products, services and construction among other sub sectors, under performed.

Direct domestic taxes also registered a shortage of UShs 4.1 billion most of which resulted from withholding tax and rental income tax items. On a positive note, corporate tax and tax on bank interest registered surpluses, although these were more than offset by the shortages in the categories discussed above.

Non-tax revenues amounted to UShs 35.9 billion against a target of UShs 25.5 billion. This was mainly due to the improved efficiency in collections following the transfer of the responsibility to collect all non-tax revenue on behalf of Government from MDAs to URA, which has more capacity. Table 10 provides details of domestic tax revenue collections in February 2018.

Table 10: Details of Domestic Revenue for February 2018

	Collections Feb'18	Monthly Target	Surplus/ Deficit	Performance
Total Domestic Revenues	1,160.9	1,149.1	11.7	101.4%
Tax Revenue	1,125.0	1,123.6	1.3	100.1%
Direct Domestic Taxes	305.2	309.3	-4.1	98.7%
O/w -PAYE	195.1	195.9	-0.8	99.6%
-Corporate Tax	12.4	5.8	6.6	213.1%
-Other	2.1	3.3	-1.3	62.3%
-Withholding Tax	57.2	65.1	-7.9	87.9%
-Rental Income Tax	2.3	5.9	-3.6	39.3%
-Tax on Bank Interest	32.8	29.8	2.9	109.8%
Indirect Domestic Taxes	288.4	329.5	-41.2	87.5%
Excise duty:	84.9	87.7	-2.8	96.8%
Value Added Tax:	203.4	241.8	-38.4	84.1%
O/w -Manufacturing	96.7	123.0	-26.3	78.6%
-Services	53.3	60.2	-6.8	88.6%
-Other Sub-Sectors	53.4	58.6	-5.2	91.1%
Taxes on International Trade	527.1	484.4	42.7	108.8%
O/w -Petroleum duty	145.0	163.0	-18.0	89.0%
-Import duty	109.8	92.7	17.2	118.5%
-VAT on Imports	205.4	175.7	29.7	116.9%
-Withholding Taxes	15.7	10.8	4.8	144.7%
-Surcharge on imports	15.4	11.7	3.7	131.5%
Tax Refunds:	- 11.1	- 14.5	3.3	76.9%
Fees and Licenses	15.5	14.9	0.6	103.7%
Non Tax Revenue	35.9	25.5	9.8	138.5%

Source: Uganda Revenue Authority, Ministry of Finance Planning & Economic Development

Grants

There were two project support grant disbursements amounting to UShs 80.5 billion during the month. The disbursements were towards African Union Peace Keeping Mission and the Health sector.

Expenditure and Net lending

Total Government spending during February amounted to UShs 1,337.0 billion against the program of UShs 1,413.7 billion, which translates to a performance of 94.6 percent or UShs 76.7 billion below the program. This performance was largely attributed to development spending, which underperformed at only 61.7% against the projection for the month.

Development spending totaled to UShs 399.6 billion against a projection of UShs 647.4 billion and was attributed to low execution of a number of projects. Projection execution was affected by lengthy procurement process, which delayed the start of some road infrastructure projects; including Kigumba-Masindi-Hoima Road Project, Rwenkunye-Apac Road Project, and Muyembe–Nakapiripit Road Project.

On the other hand, spending on recurrent activities of the budget was UShs 137.1 billion or 17.9% higher than projected for the month. The higher than projected spending is attributed to overruns in non-wage non-interest recurrent items, which arose from supplementary request a number of MDAs.

DEVELOPMENTS WITH IN THE EAC REGION

Annual Inflation

Within the EAC region, inflation generally was on a downward trend for Kenya, Rwanda and Uganda. The slowdown in Kenya's inflation was as a result of slow-down in price increases for food, restaurants and hotels. In Rwanda, consumer prices generally fell by 1.3% year on year, mainly on account of food and non-alcoholic beverages (-7.4% in February from -5.3% in January), miscellaneous goods & services (-0.3% in February from 0.4% in January), and health (-0.1% in February from 0.1% in January).

On the other hand, prices rose slightly in Tanzania (4.1% in February compared to 4.0% the previous month) mainly due to the increase in cost of transport as well as housing and utilities. Table 11 depicts Inflation rates in the EAC region from July 2017 to February 2018.

Table 11: Headline Inflation for EAC Partner States (%)

	Jul'17	Aug'17	Sep'17	Oct'17	Nov'17	Dec'17	Jan'18	Feb' 18
Burundi	13.6	13.9	15.3	17.6	15.3	10	6.1	Na[7]
Kenya	7.5	8.0	7.1	5.7	4.7	4.5	4.8	4.46
Rwanda	8.1	7.2	7.1	5.3	1.6	-0.2	0.1	-1.3
South Sudan	154.6	165.0	101.9	131.9	142	117.7	Na	Na
Tanzania	5.2	5.0	5.3	5.1	4.4	4.0	4.0	4.1
Uganda	5.7	5.2	5.3	4.8	4.0	3.3	3.0	2.1

Source: Respective Bureaux of Statistics

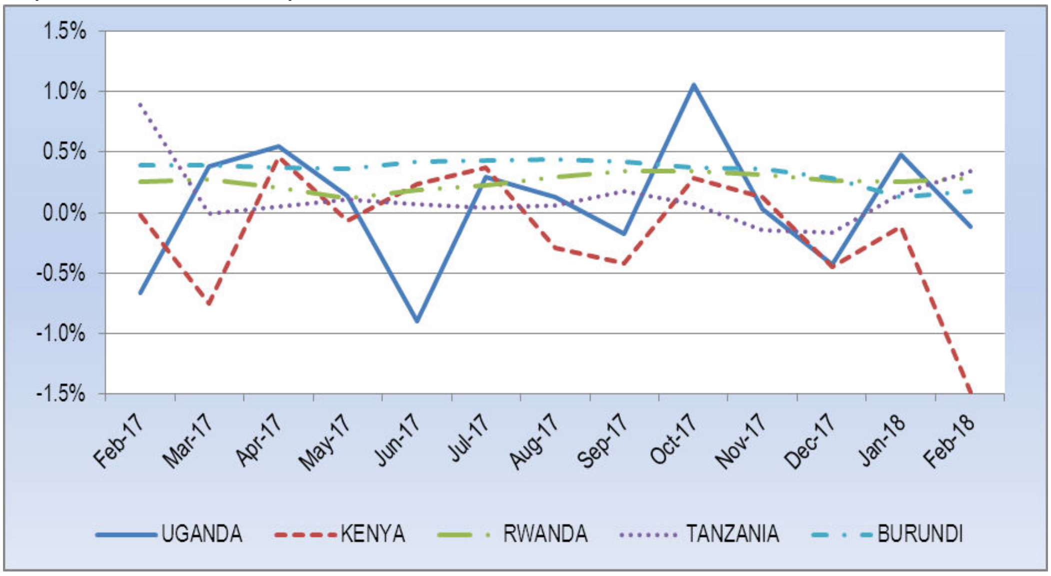
Exchange Rates

For the month of February 2018, all the EAC Partner States currencies were relatively stable against the US$, with slight movements in the range of -1.5% and 0.3% compared to the previous month. The Kenyan and Ugandan Shillings posted appreciations of 1.5% and 0.1% respectively, while the Tanzania shilling, Rwandese Franc and Burundi Franc posted a depreciation of 0.3%, 0.3% and 0.2%

[7] Na- Data was not yet available at the time of compiling this report.

respectively. Figure 9 below shows the percentage changes in exchange rates against the US$ among selected EAC Partner States from January 2017 to February 2018.

Figure 9: Changes (%) in Exchange Rates for Selected EAC Partner States (Feb 2017 - Feb 2018)

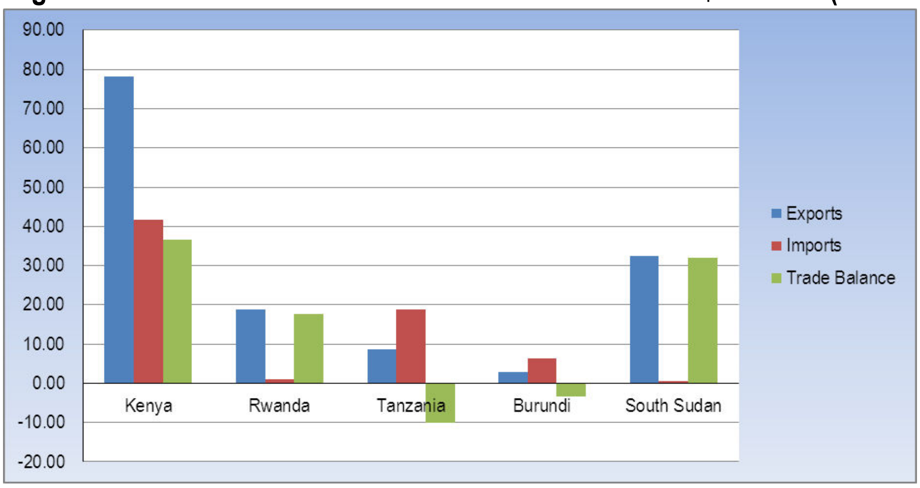


Source: Bank of Uganda

Trade Balance with EAC Partner States

In the region, Kenya was Uganda's major trading partner during the month of January 2018, accounting for 57% of our trade with the EAC. South Sudan was the second largest market for Uganda's exports in the region while Tanzania was the second largest source of Imports. Figure 10 shows the trade balance with EAC partner states and reveals that, during January 2018, Uganda traded at a surplus with all EAC Partner States except Tanzania and Burundi, which account for less than one fifth of Uganda's trade with the EAC.

Figure 10: Trade Balance with EAC Partner States in US$ millions (Jan 2018)



Source: Bank of Uganda