



Monthly Report

PERFORMANCE OF THE ECONOMY

JUNE 2018

MACROECONOMIC POLICY DEPARTMENT
MINISTRY OF FINANCE, PLANNING AND ECONOMIC
DEVELOPMENT

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SUMMARY

GDP Growth: During the month, Uganda Bureau of Statistics (UBOS) released Gross Domestic Product (GDP) numbers which indicated that the economy is estimated to have expanded by 5.8 percent in FY2017/18, an improvement compared to the 3.9 percent growth in FY 2016/17.

Inflation: The downward trajectory of Annual Headline Inflation since October 2017 was reversed in June 2018 as Inflation rose to 2.2 percent up from the 1.7 percent in May 2018. This was mainly on account of increased price of food crops and fuels such as charcoal, firewood, kerosene and diesel.

Exchange Rate: The shilling depreciated by 3.0 percent against the US Dollar (the highest level in FY2017/18), recording an average midrate of Shs 3,840.5/US\$ in June 2018 compared to the Shs 3,726.8/US\$ in May 2018. The was due to the global strengthening of the US Dollar, increased demand by importers in anticipation of new tax measures and quality and environmental standards to be effected in the new financial year, and multinational companies transferring some of their profits at the close of their financial year.

Private Sector Credit: The total stock of outstanding private sector credit increased by 0.8 percent to Shs 13,032.3 billion in May 2018 from Shs 12,926.0 billion in April. This followed increased demand for loans during May that resulted into the value of loans approved and thus credit extended to the private sector increasing by 25.2 percent (from Shs 715.8 billion in April to Shs 896.5 billion in May 2018).

Interest rates on Treasury Bills: Yields edged upwards slightly across all tenors, driven by an increase in Government's borrowing requirements. The average weighted yields to maturity for June were 9.8 percent, 11 percent, 12.6 percent for the 91, 182 and 364-day tenors respectively.

Merchandise Trade Balance: Uganda's merchandise trade deficit narrowed by 39.3 percent in May 2018 to US\$ 131.0 million from US\$ 215.8 million recorded in April 2018. This followed the total value of exports growing by 21.5 percent from US\$ 264.61 million in April to US\$ 321.58 million in May 2018 while the value of imports registered a decline of 5.8 percent from the previous month.

Fiscal Operations: The overall fiscal operations for the month of June 2018 resulted into a deficit of Shs 66.5 billion against a programmed deficit of Shs 53.1 billion. This was on account of a shortfall in grants (116.1 billion) that more than offset the lower spending than programmed (Shs 70.1 billion) during the month.

REAL SECTOR DEVELOPMENTS

Inflation

Annual Headline Inflation rose from 1.7 percent in May 2018 to 2.2 percent in June 2018. This increase was majorly driven by Food Crop Inflation which rose from -0.2 percent in May 2018 to 2.3 percent in June 2018 and Energy Fuel and Utilities (EFU) Inflation which also rose from 10.3 percent in May 2018 to 15.1 percent in June 2018. However, there was further slowdown in Core Inflation from 1.1 percent in May 2018 to 0.9 percent in June 2018. The table below provides a summary of annual inflation by category.

Table 1: Summary Statistics on Annual Inflation (percentage)

	May-18	June-18
Food Crop Inflation	-0.2	2.3
Core Inflation	1.1	0.9
EFU Inflation	10.3	15.1
Headline Inflation	1.7	2.2

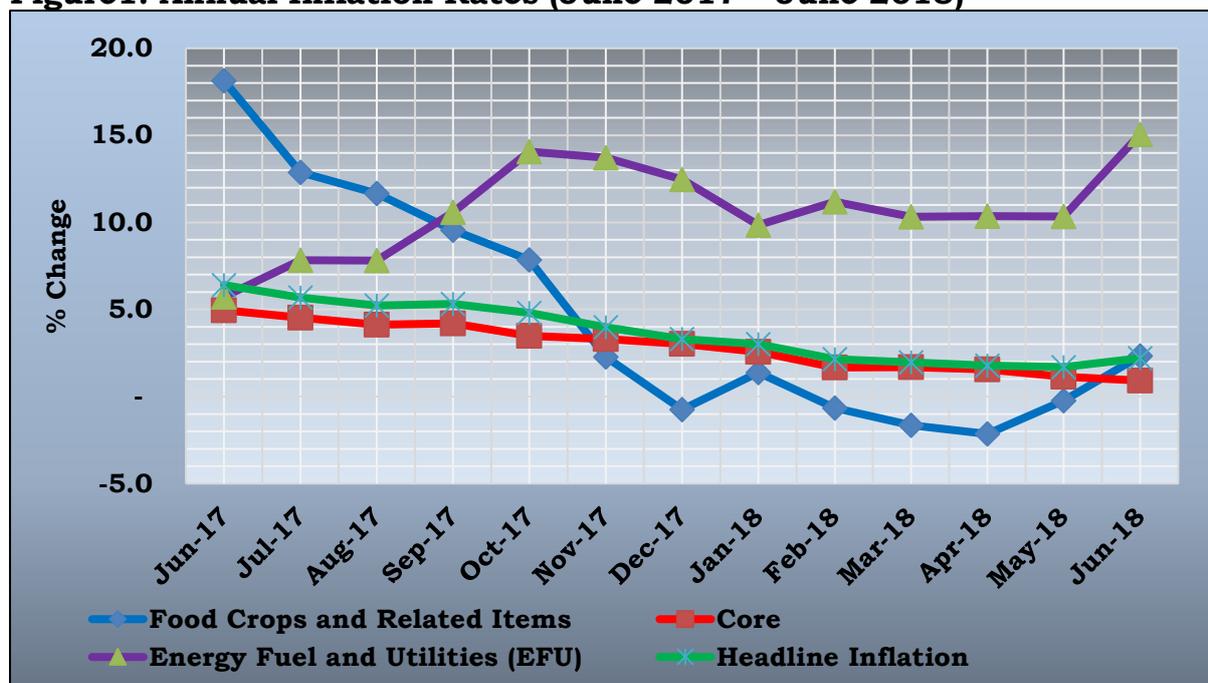
Source: Uganda Bureau of Statistics

The decline in Core Inflation was driven by a slowdown in price increases of services on a year to year basis, coupled with decreases in in prices of sugar and maize flour due to increased supply on the market.

There was an increase in the prices for Food Crops and Related Items majorly on account of an increase in the prices of fruits by 1.2 percent in June compared to the -7.4 percent recorded in the year ending May 2018. However, there was a decline in the prices of vegetables as a result of increased supply on the market due to the vegetable harvest season.

The increase in Annual Energy, Fuels and Utility Inflation was mainly attributed to charcoal and firewood prices which increased as a result of the rains that made their transportation difficult and thus reduced their supply on the market during the month. Similarly, there was an increase in the prices of kerosene, petrol and diesel by 14.8 percent, 11.6 percent and 16.2 percent respectively in the month of June 2018, mainly emanating from the depreciation of the shilling against the dollar during the month, as well as rising prices of oil on the global market. Figure 1 shows the recent trends in Annual inflation.

Figure 1: Annual Inflation Rates (June 2017 – June 2018)



Source: Uganda Bureau of Statistics

The Annual Average Headline Inflation for the Financial Year 2017/18 was 3.4 percent compared to 5.7 percent that was recorded for the Financial Year 2016/17. In the same way the annual average core and food crops inflation declined from 5.1 percent and 12.5 percent for Financial Year 2016/17 to 2.7 percent and 3.5 percent, respectively. On the other hand, annual average inflation for Energy, Fuel and Utilities (EFU) increased to 11.1 percent in FY2017/18 up from 2.2 percent in the year before.

Indicators of Economic Activity

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

The Composite Index of Economic Activity (CIEA¹) improved by 0.2 percent to 214.2 in May 2018² from 213.8 recorded for April 2018, implying that there was an improvement in the level of economic activity in that period. The improvement in the CIEA was due to performance of indicators such as exports which grew by 21.5 percent, Government's recurrent expenditure that

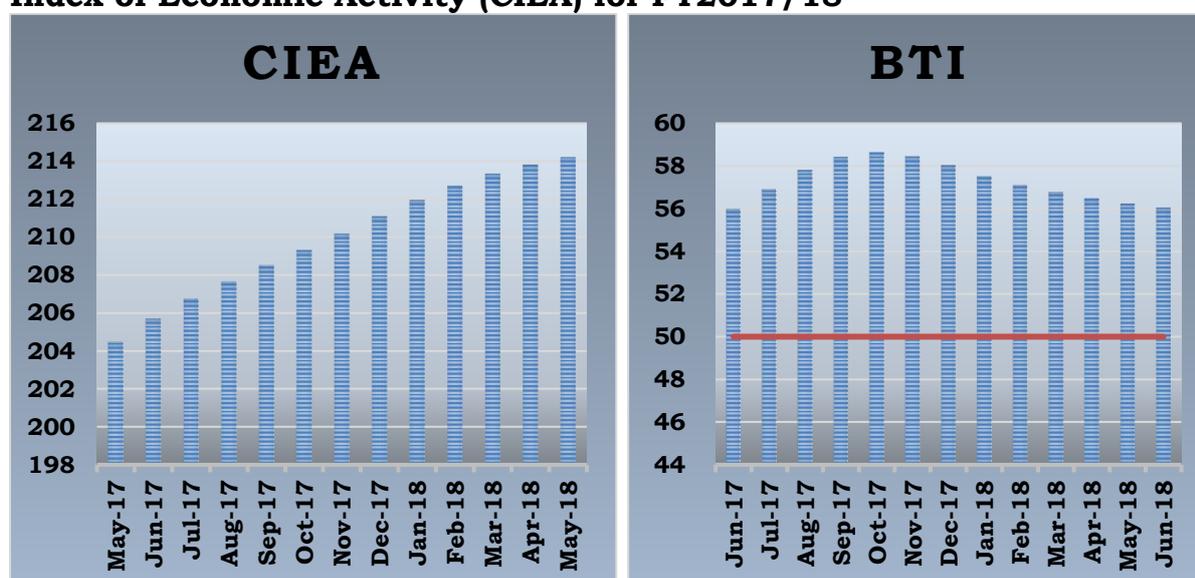
¹ CIEA is constructed using seven variables, that is; private consumption estimated by VAT, private investment estimated by gross extension of private sector credit, government consumption estimated by its current expenditure, government investment estimated by its development expenditure, excise duty, exports and imports.

² Data on this index comes with a lag of one month.

registered a monthly growth of 24.7 percent in May, and private sector credit where credit extended grew by 25.2 percent during the month, among others.

The **Business Tendency Index (BTI)**, which measures the sentiments that investors have about current and future production levels, employment, prices and access to credit, was recorded at 56.0 in June 2018. This implies that investors remained optimistic about doing business in the economy as an index above 50 shows positive sentiments. Figure 2 below depicts the trends in BTI and CIEA over FY2017/18.

Figure 2: Trends in the Business Tendency Index (BTI) and Composite Index of Economic Activity (CIEA) for FY2017/18



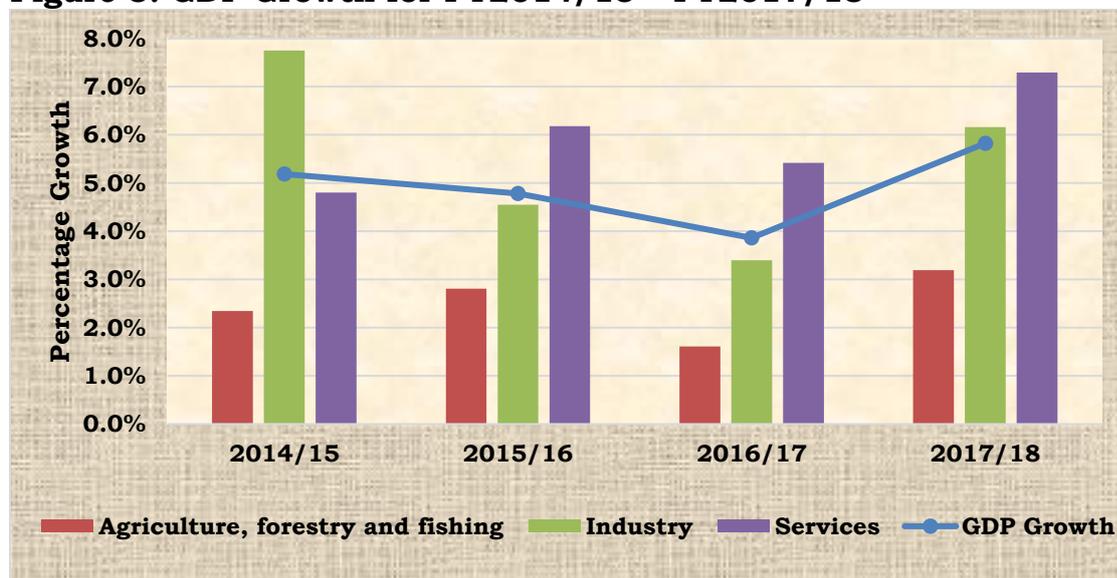
Source: Bank of Uganda

GDP Growth

During June, Uganda Bureau of Statistics (UBOS) released Gross Domestic Product (GDP) data which concurred with the CIEA and BTI that there was improvement in the level of economic activity over FY2017/18. According to GDP data released, the economy is estimated to have **expanded by 5.8 percent in FY2017/18**. This is an improvement when compared to the 3.9 percent growth recorded for FY 2016/17. The growth of the economy was driven by a strong performance of all the three major sectors. The Services sector is estimated to have grown by 7.3 percent followed by the Industry sector at 6.2 percent and the Agriculture, forestry and fishing sector at 3.2 percent.

This represents a strong recovery for all the sectors if compared with their respective growth rates of 5.4 percent, 3.4 percent, and 1.6 percent for Services; Industry; and Agriculture, forestry and fishing in the previous financial year. Figure 3 shows Gross Domestic Product (GDP) growth over the last four years.

Figure 3: GDP Growth for FY2014/15 – FY2017/18



Source: Uganda Bureau of Statistics

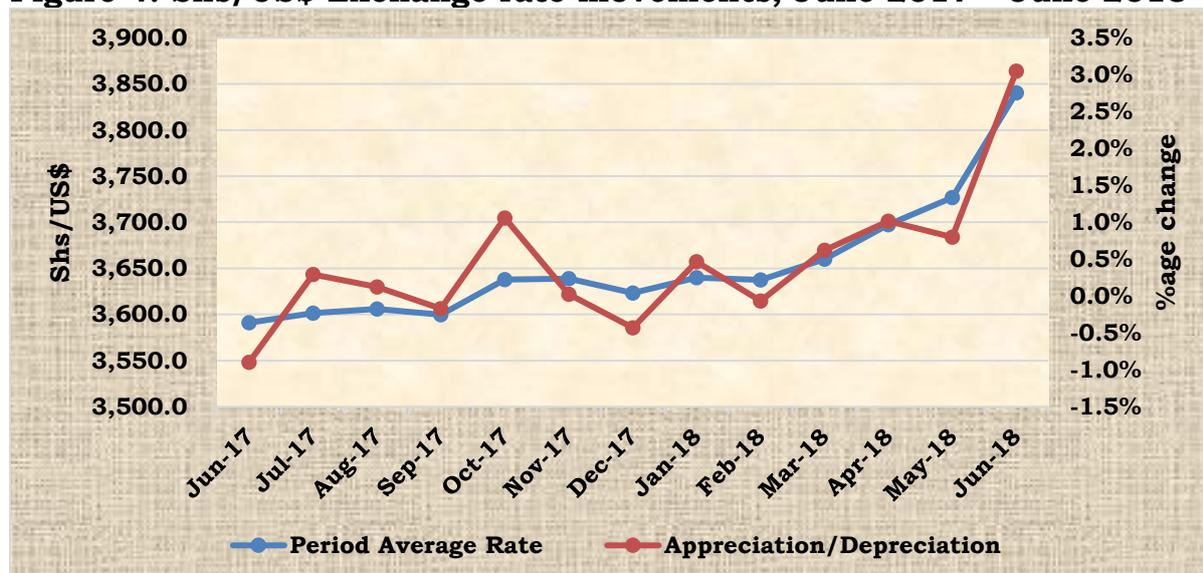
FINANCIAL SECTOR DEVELOPMENTS

Exchange Rate Movements

The Uganda Shilling registered a depreciation of 3.0 percent against the US Dollar, recording an average midrate of Shs 3,840.5/US\$ in June 2018 compared to Shs 3,726.8/US\$ that was recorded for May 2018.

Similarly, intra-month analysis of exchange rates between the Shilling and the US Dollar shows that the domestic currency depreciated by 2.7 percent, having opened the month at a midrate of Shs /US\$3,776.13 and closing at Shs 3,879.5/US\$. Figure 4 shows the exchange rate (Shs/US\$) movements and their percentage changes for the past twelve months.

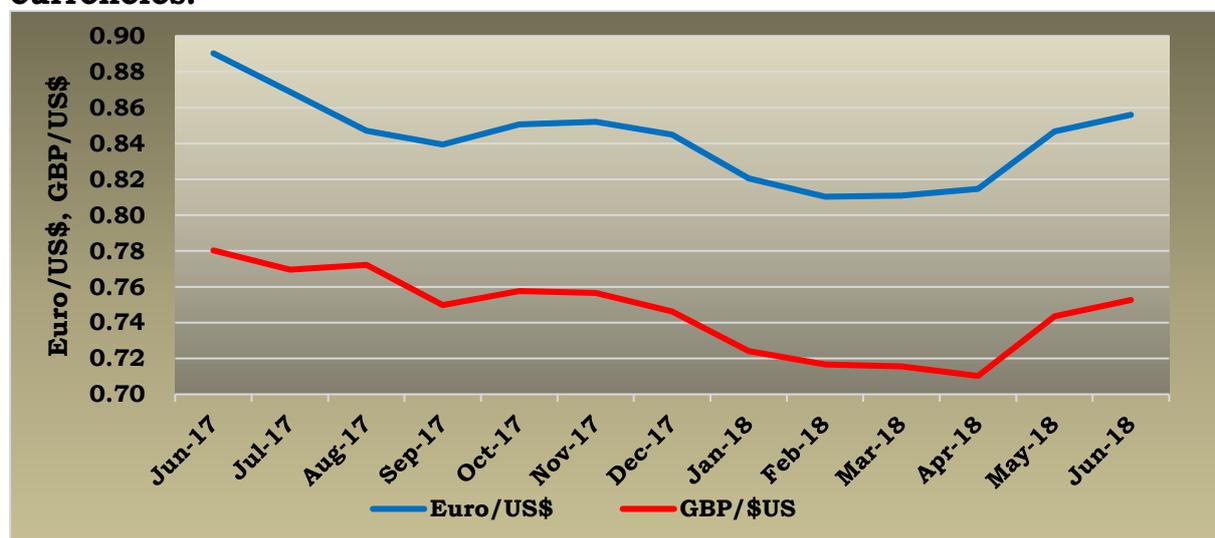
Figure 4: Shs/US\$ Exchange rate movements, June 2017 – June 2018



Source: Bank of Uganda

One of the reasons for the recent depreciation pressures is the global strengthening of the US Dollar following the raising of the Fed rate by 0.25 percent in March 2018 by the Federal Reserve Bank. Figure 5 shows the exchange rates between the US Dollar and other major currencies (the Pound Sterling and the Euro) over the twelve months to June 2018.

Figure 5: Exchange rate between the US Dollar and other major currencies.



Source: Bank of Uganda

The other causes of the depreciation included enhanced demand for the US dollar by importers who wanted to order for stock in anticipation of new tax measures and quality and environmental standards to be implemented in the

new financial year, as well as increased demand from multinational companies that needed to transfer some profits to their parent companies.

The Shilling depreciated against the other major currencies as well, albeit at a lower rate compared to the US Dollar. The Shilling registered a depreciation of 1.9 percent and 1.8 percent against the Euro and the Pound Sterling respectively. This implies that the Shilling lost some of the gains it had made against these currencies in the previous month when it appreciated by 3.0 percent and 3.7 percent against the Euro and the Pound Sterling, respectively as shown in table 2 below.

Table 2: Shilling against Major Foreign Currencies

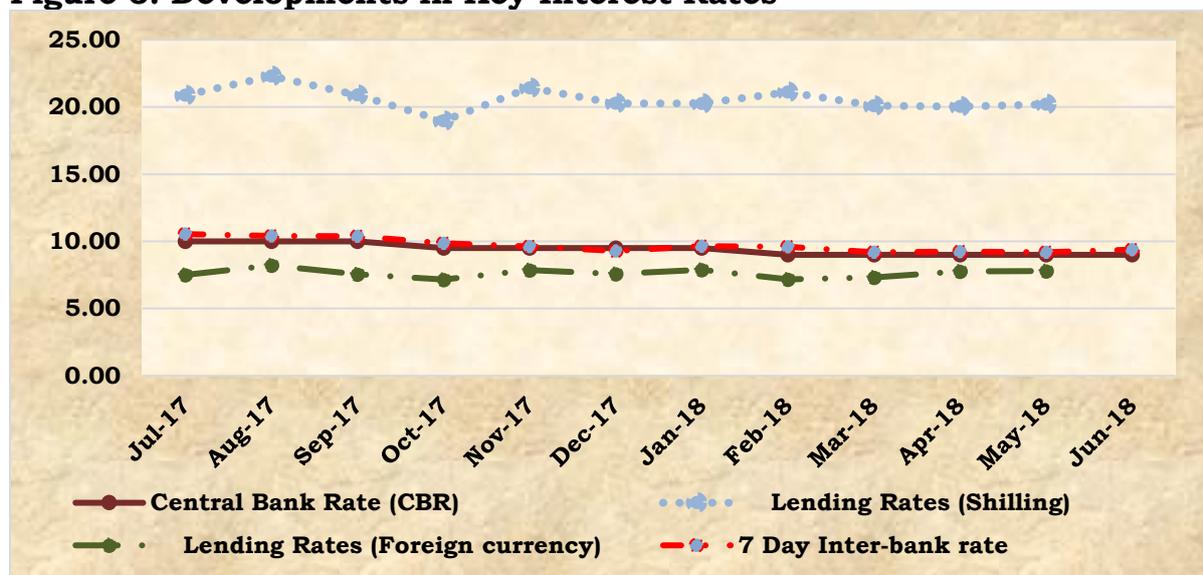
	Jul-17	Aug-17	Sep-17	Oct-17	Nov-17	Dec-17	Jan-18	Feb-18	Mar-18	Apr-18	May-18	Jun-18
UGX/US\$	3,601.53	3,606.03	3,599.87	3,637.91	3,638.85	3,623.26	3,640.05	3,637.56	3,660.12	3,697.24	3,726.84	3,840.48
%age change	0.3%	0.1%	-0.2%	1.1%	0.0%	-0.4%	0.5%	-0.1%	0.6%	1.0%	0.8%	3.0%
UGX/Euro	4,145.27	4,257.33	4,288.77	4,276.73	4,270.93	4,288.52	4,435.84	4,489.21	4,513.59	4,538.58	4,401.73	4,486.34
%age change	2.8%	2.7%	0.7%	-0.3%	-0.1%	0.4%	3.4%	1.2%	0.5%	0.6%	-3.0%	1.9%
UGX/GBP	4,679.66	4,669.87	4,801.81	4,801.98	4,810.00	4,855.69	5,027.53	5,076.44	5,115.25	5,205.70	5,011.89	5,103.18
%age change	1.7%	-0.2%	2.8%	0.0%	0.2%	0.9%	3.5%	1.0%	0.8%	1.8%	-3.7%	1.8%

Source: Bank of Uganda

Interest Rate Movements

For the fifth month in a row, the Central Bank Rate (CBR) remained unchanged at 9.0 percent in June 2018. However, lending rates charged for Shillings denominated credit increased to an average of 20.20 percent in May 2018 from 20.03 percent registered in April 2018. Similarly, rates for foreign currency denominated credit rose to an average of 7.80 percent in May from an average of 7.76 percent in April 2018. This was partly explained by increased demand (by 28.5 percent) for loans during the month, which coincided with increased government borrowing requirements, amongst others. However, in general the interest rates have been stable in recent months. Developments in key interest rates over the last twelve months are illustrated in Figure 6.

Figure 6: Developments in Key Interest Rates



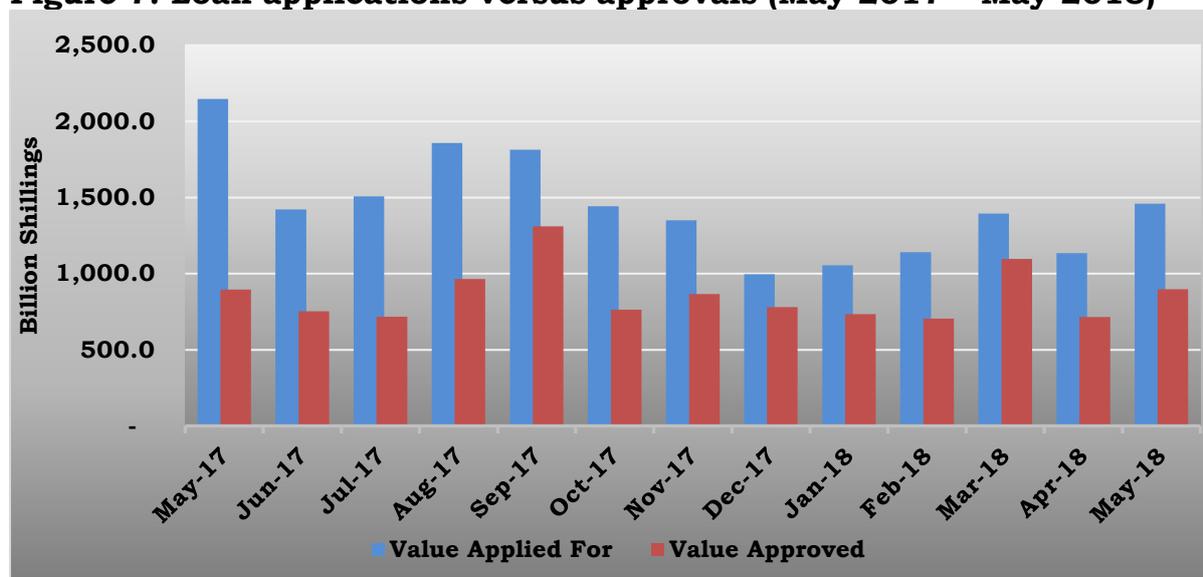
Source: Bank of Uganda

Private Sector Credit

The total stock of outstanding private sector credit increased by 0.8 percent to Shs 13,032.3 billion in May 2018 from Shs 12,926.0 billion in the previous month. Expansion was recorded in the shillings denominated credit whose stock grew by 1.9 percent, more than offsetting a 0.9 percent decline in the stock of foreign currency denominated credit.

During the month, there was an increased demand for loans compared to the previous month. The value of loan applications grew by 28.5 percent from Shs 1,135.0 billion in April to Shs 1,458.7 billion in May 2018. Similarly, the value of loans approved and thus credit extended to the private sector increased by 25.2 percent from Shs 715.8 billion in April to Shs 896.5 billion in May 2018. This resulted into increased stock of private sector credit as credit extended during the month more than offset the loan repayments by Shs 106.4 billion. The following figure shows the value of loans applied for versus those approved by the lending institutions.

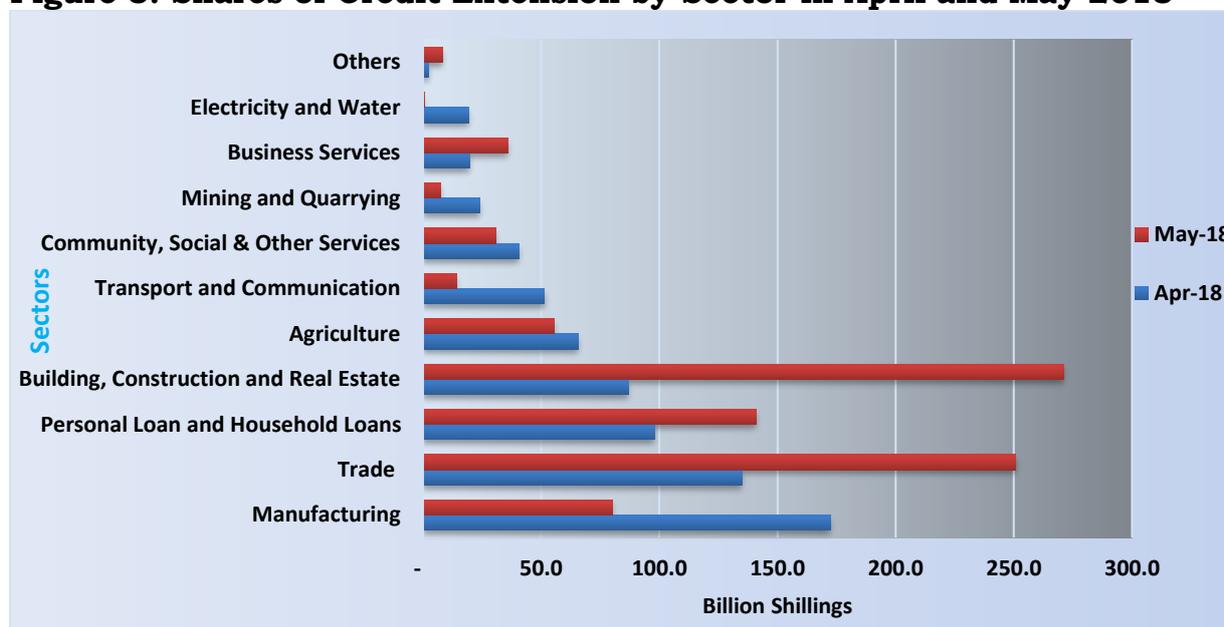
Figure 7: Loan applications versus approvals (May 2017 – May 2018)



Source: Bank of Uganda

In terms of credit extension by sector, Building, Construction and Real Estate accounted for 30.3 percent of the credit extended in May 2018, followed by Trade and Personal loans that accounted for 28.0 percent and 15.7 percent respectively. There was a decline in the share of credit extended to Manufacturing and Agriculture amongst other sectors as seen in figure 8.

Figure 8: Shares of Credit Extension by Sector in April and May 2018



Source: Bank of Uganda

Most of the sectors that accounted for the biggest share of credit extension during the month also posted impressive credit extension growth rates, with Building, Construction & Real Estate sector tripling the amount for the

previous month. Other sectors that registered growth include Trade, Personal loans, and Business services. However, Manufacturing which has been experiencing growth in credit extension in the past few months, registered a decline of 53.4 percent in May 2018. Table 3 below shows details of credit extension by sector since the start of FY2017/18

Table 3: Credit Extension by Sector in 2018

SECTOR	Credit extension by sector (Billion Shs)					Monthly Growth Rate		
	Jan-18	Feb-18	Mar-18	Apr-18	May-18	Mar-18	Apr-18	May-18
Agriculture	214.6	121.7	119.2	65.6	55.7	-2.1%	-45.0%	-15.1%
Mining and Quarrying	0.1	0.8	0.6	24.0	7.4	-16.8%	3692.0%	-69.1%
Manufacturing	80.2	115.9	143.4	172.5	80.3	23.7%	20.3%	-53.4%
Trade	105.3	177.8	165.4	135.1	250.9	-7.0%	-18.3%	85.7%
Transport and Communication	9.7	15.5	17.9	51.5	14.1	15.8%	187.2%	-72.5%
Electricity and Water	0.2	0.4	70.6	19.4	0.5	18083.1%	-72.5%	-97.5%
Building, Construction and Real Estate	145.6	91.5	327.6	87.1	271.2	258.2%	-73.4%	211.2%
Business Services	31.3	30.0	94.0	19.6	36.0	213.2%	-79.1%	83.3%
Community, Social & Other Services	21.8	26.7	20.0	40.6	30.9	-24.9%	102.5%	-23.8%
Personal Loan and Household Loans	120.4	122.7	125.9	97.9	141.0	2.6%	-22.2%	44.0%
Others	5.1	2.5	11.1	2.5	8.5	342.0%	-77.9%	244.2%
TOTAL	734.3	705.5	1,096.0	715.8	896.5	55.3%	-34.7%	25.2%

Source: Bank of Uganda

Government Securities

There were two T-Bill auctions and one T-Bond auction in the primary market during June 2018. Shs 579.15 billion at cost was raised from the domestic primary securities market, of which Shs 483.55 billion was from T-Bills and Shs 95.6 billion was from T-Bonds. Shs 48.39 billion was used for refinancing of maturing securities, while the remainder (Shs 530.76 billion) was utilized for financing other Government activities. Table 4 below shows details of issuances of Government securities in FY2017/18.

Table 4: Breakdown of Government Securities, Billion Shillings

	Total Issuances	Government Domestic Borrowing	Refinancing
Q1 FY17/18	1661.9	390.5	1271.5
Q2 FY17/18	1493.8	194.6	1299.1
Q3 FY17/18	1570.4	177.4	1393
Apr-18	535.6	263.5	272.1
May-18	543.2	238.4	304.8
Jun-18	579.15	530.76	48.39
Q4 FY17/18	1657.95	1032.66	625.29
FY 2017/18	6,384.05	1,795.16	4,588.89

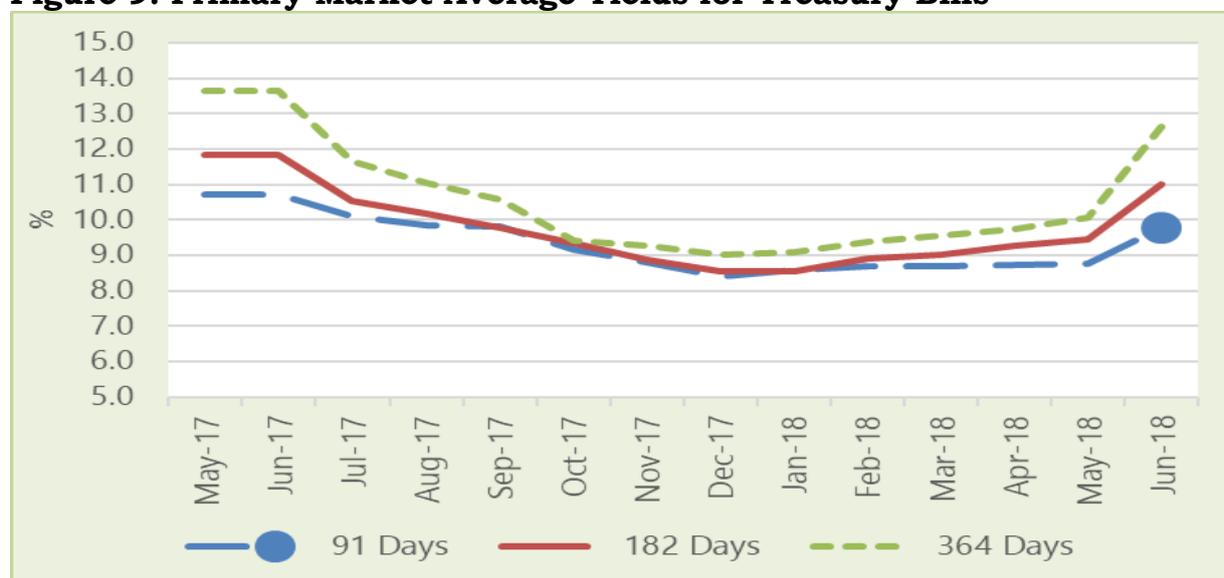
Source: Ministry of Finance, Planning and Economic Development

Interest rates on Treasury Bills.

Yields edged upwards slightly across all tenors, driven by an increase in Government's borrowing requirements. The average weighted yields to maturity for June were 9.8 percent, 11 percent, 12.6 percent for the 91, 182 and 364-day tenors respectively. This compares unfavorably with 8.8 percent, 9.5 percent and 10.1 percent in May 2018.

The average bid to cover ratio³ for the month was 1.4, a decline from 1.5 registered the previous month. The 91-day tenor was undersubscribed on all auctions whereas 182-day tenor was undersubscribed on one auction. The 364-day tenor was oversubscribed on both auctions. Figure 9 illustrates the movement of Treasury Bill yields on the primary market since May 2017.

Figure 9: Primary Market Average Yields for Treasury Bills



Source: Bank of Uganda

³ The bid to cover ratio is an indicator for demand of government securities in a given auction. A ratio equal to 1 means that the 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.

EXTERNAL SECTOR DEVELOPMENTS⁴

Merchandise Trade Balance

Uganda's merchandise trade deficit narrowed by 39.3 percent in May 2018 to US\$ 131.0 million from US\$ 215.8 million recorded in April 2018. This followed a combination of declining import bill and increased export proceeds during the month. Compared to May 2017, the merchandise trade deficit widened by 2.3 percent from US\$ 128.1 million to US\$ 131.0 million in May 2018.

Merchandise Exports

Export earnings increased both on an annual basis and on a monthly basis. The total value of exports grew by 21.5 percent, from US\$ 264.61 million in April to US\$ 321.58 million in May 2018, largely due to an increase in the export receipts of maize, beans, gold, base metals and coffee. The increase in the export receipts of coffee, gold, beans and maize is mainly attributed to the increase in their respective volumes.

Compared to May of last year, export earnings increased by US\$ 11.8 million (3.8 percent) in May 2018 to US\$ 321.58 million from US\$ 309.7 million. This performance is largely attributed to growth in the earnings of gold, beans, maize, fish & its products. However, coffee earnings (the country's main export commodity) declined by 28.3 percent following a decrease in both the volume and international prices. Coffee volumes decreased by 21.9 percent whereas the prices fell by 8.1 percent. The decrease in coffee volumes is explained by an end of main season in the Central and Eastern Region. Note that cumulatively (July – May), the value and volume of coffee exports increased by 4.1 percent and 10.1 percent, respectively in FY2017/18 compared to FY2016/17. Table 5 below shows the composition of exports.

⁴ Statistics on trade come with a lag of one month

Table 5: Merchandise Exports in US\$ Millions

	May-17	Apr-18	May-18	May'18 Vs Apr'18	May'18 Vs May'17
Total Exports	309.7	264.61	321.58	21.5%	3.8%
1. Coffee (Value)	47.57	32.73	34.13	4.3%	-28.3%
Coffee (60 kg bags)	408,454	295,194	319,035	8.1%	-21.9%
Av. unit value	1.94	1.85	1.78	-3.5%	-8.1%
2. Non-Coffee formal exports	218.72	179.6	238.11	32.6%	8.9%
O/w Gold	33.57	35.33	39.55	11.9%	17.8%
Flowers	5.73	4.94	6.06	22.8%	5.8%
Fish & its prod. (excl. regional)	12.06	12.64	15.93	26.0%	32.1%
Base metals & products	9.18	9.02	12.07	33.7%	31.4%
Maize	6.34	2.98	15.53	420.7%	145.0%
Beans	9.31	0.72	15.24	2006.5%	63.8%
3. ICBT Exports	43.41	52.27	49.34	-5.6%	13.7%

Source: Bank of Uganda

Destination of Exports

During the month of May 2018, The East African Community⁵ remained the main destination for Uganda's exports, followed by the Rest of Africa, and the Middle East. Exports to the EAC region increased by 13 percent from US\$ 133.97 million in May 2017 to US\$ 151.4 million in May 2018. Exports to all EAC Partner States increased save for Burundi which registered a decline of 9.5 percent. Rwanda and Tanzania recorded the largest increases of 66.1 percent and 47.8 percent respectively. Table 6 shows the destination of exports

Table 6: Destination of Exports by Percentage Share

	May-17	Apr-18	May-18
EAC	43.30%	38.90%	47.10%
Rest of Africa	20.00%	19.60%	17.00%
Middle East	15.20%	15.50%	14.20%
European Union	13.10%	16.20%	13.70%
Asia	6.90%	6.30%	5.40%
The Americas	1.10%	2.30%	1.40%
Rest of Europe	0.40%	1.10%	1.10%
Others	0.10%	0.10%	0.10%

Source: Bank of Uganda

Merchandise Imports

Merchandise worth US\$ 452.5 million was imported during the month of May, registering a decline of 5.8 percent from the previous month. This decline was mainly driven by a significant decline in Government imports (down by 80.7

⁵ East African Community Partner States include Kenya, Tanzania, Rwanda, Burundi, South Sudan

percent) which more than offset the 2.6 percent increment in formal private sector imports.

Compared to May of last year, merchandise imports registered an increase of 3.4 percent in May 2018. This increase was primarily driven by an increase in private sector imports (up 12.6 percent), coming from increased oil import prices (up by 53 percent according to Bank of Uganda). Table 7 shows the performance of imports during the month.

Table 7: Merchandise Imports in US\$ Millions

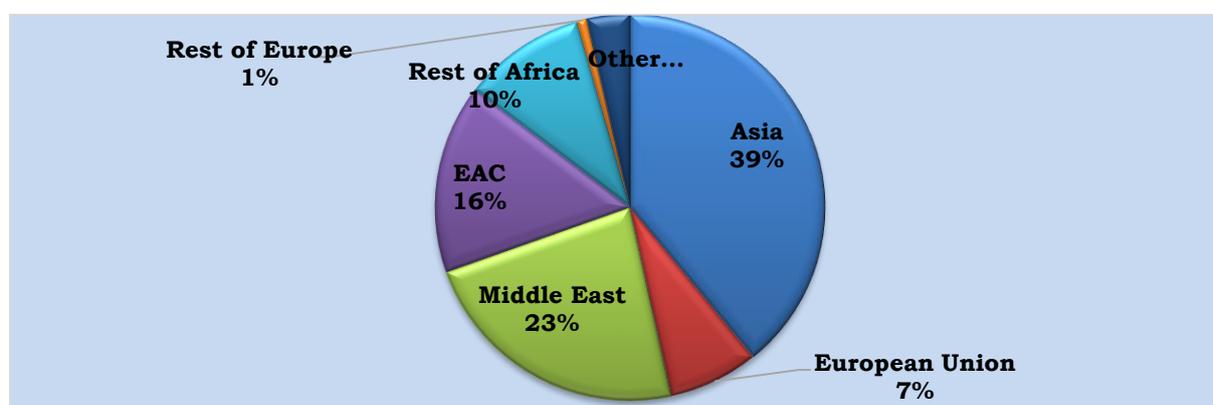
	May-17	Apr-18	May-18	May'18 Vs Apr'18	May'18 Vs May'17
Total Imports (fob)	437.78	480.45	452.55	-5.8%	3.4%
Government Imports	44.68	50.84	9.80	-80.7%	-78.1%
Project	42.42	50.84	9.80	-80.7%	-76.9%
Non-Project	2.26	0.0045	0.00	-100.0%	-100.0%
Total Private Sector Imports	393.09	429.6	442.76	3.1%	12.6%
Formal Private Sector Imports	360.8	396.23	406.36	2.6%	12.6%
Oil imports	60.37	87.09	89.66	3.0%	48.5%
Non-oil imports	300.43	309.15	316.70	2.4%	5.4%
Estimated Private Sector Imports	32.3	33.37	36.40	9.1%	12.7%

Source: Bank of Uganda

Origin of Imports

During the month of May, the biggest share of merchandise was imported from Asia (39 percent), followed by Middle East (23 percent) and EAC (16 percent). India, China and Japan contributed 79 percent of the total imports from Asia, while 87.2 percent of the imports from EAC was sourced from Kenya and Tanzania. Figure 10 shows the origin of imports by percentage share.

Figure 10: Origin of Imports by Percentage Share, May 2018



Source: Bank of Uganda

FISCAL SECTOR DEVELOPMENTS

Overview

The overall fiscal operations for the month of June 2018 resulted into a deficit of Shs 66.5 billion against a programmed deficit of Shs 53.1 billion. This was on account of a shortfall in grants that more than offset the underperformance in total expenditures.

Total revenues and grants for the month was projected at Shs 1,920.3 billion. However, the total for the month amounted to Shs 1,836.8 billion which was less by Shs 83.5 billion, with the whole of this deficit originating from grants. Domestic revenues exceeded their target for the month by Shs 32.6 billion.

On the expenditure side, a total of Shs 1,903.2 billion was spent in June. This was against a program of Shs 1,973.3 billion implying a performance of 96.4 percent. Table 8 shows fiscal operations for the month of June 2018.

Table 8: Fiscal Operations, June 2018 (Shs billions)

	Outturn Jun'17	Plan Jun'18	Prel. Outturn Jun'18	Performance Jun'18	Deviation Jun'18
Revenues and Grants	1,524.9	1,920.3	1,836.8	95.7%	(83.5)
Revenues	1,470.4	1,740.2	1,772.8	101.9%	32.6
Tax	1,434.4	1,694.3	1,728.7	102.0%	34.4
Non-Tax	36.0	45.9	44.1	96.0%	(1.8)
Grants	54.56	180.1	63.9	35.5%	(116.1)
Budget Support	10.1	18.2	9.1	50.0%	(9.1)
O/w HIPC debt relief	10.1	18.2	9.1	50.0%	(9.1)
Project Support	44.4	161.9	54.8	33.9%	(107.0)
Expenditure and Lending	1,941.3	1,973.3	1,903.2	96.4%	(70.1)
Current Expenditures	894.1	875.1	1,088.3	124.4%	213.2
Wages and Salaries	282.9	324.0	278.1	85.8%	(45.9)
Interest Payments	261.6	214.5	108.2	50.4%	(106.3)
Domestic	207.8	148.0	91.4	61.7%	(56.6)
External	53.8	66.5	16.8	25.3%	(49.7)
Other Recurr. Expenditures	349.6	336.7	702.1	208.5%	365.4
Development Expenditures	1,043.2	1,008.9	805.2	79.8%	(203.7)
Domestic	742.3	578.6	584.9	101.1%	6.2
External	301.0	430.2	220.3	51.2%	(209.9)
Net Lending/Repayments	-	89.3	3.5	3.9%	(85.9)
o/w HPP GoU	-	-	3.5	-	3.5
o/w HPP Exim	-	89.3	-	0.0%	(89.3)
Domestic Arrears Repayment	4.0	-	6.3	-	6.3
Overall Fiscal Bal. (incl. Grants)	(416.3)	(53.1)	(66.5)		

⁶Source: Ministry of Finance, Planning and Economic Development

⁶ June 2018 outturn data is preliminary. The revised one will be given as annex in next month's report.

Domestic Revenues

Domestic revenues collected during the month amounted to Shs 1,772.8 billion of which Shs 1,728.7 billion was tax revenue and Shs 44.1 billion was non-tax revenue. This was against a target of Shs 1,740.2 billion for the month implying a performance of 101.9 percent. This was mainly due to direct domestic taxes and taxes on international trade which registered a combined surplus of Shs 48.0 billion, thereby offsetting the shortfall in indirect domestic taxes as well as the Non-tax revenue. Table 9 illustrates the performance of domestic revenues in June 2018.

Table 9: Performance of Domestic Revenue for June 2018, Billion Shillings

	Collections June'18	Monthly Target	Surplus/ deficit	Performance
Total Domestic Revenues	1,772.81	1,740.2	32.6	101.9%
Tax Revenue	1,728.73	1,694.30	34.4	102.0%
Direct Domestic Taxes	814.96	785.63	29.3	103.7%
O/w-PAYE	265.57	265.50	0.1	100.0%
-Corporate Tax	353.11	288.55	64.6	122.4%
-Withholding Tax	132.22	115.90	16.3	114.1%
Indirect Domestic Taxes	299.97	324.21	-24.2	92.5%
Excise duty:	90.02	92.00	-2.0	97.8%
Value Added Tax:	209.95	232.21	-22.3	90.4%
O/w -Manufacturing	97.66	119.37	-21.7	81.8%
-Services	55.67	58.47	-2.8	95.2%
-Other Sub-Sectors	56.62	54.37	2.3	104.1%
Taxes on International Trade	604.46	585.82	18.6	103.2%
O/w -Petroleum duty	180.46	193.04	-12.6	93.5%
-Import duty	124.79	120.37	4.4	103.7%
-Excise duty	16.62	20.15	-3.5	82.5%
-VAT on Imports	228.44	203.71	24.7	112.1%
-Withholding Taxes	18.02	13.87	4.2	130.0%
Tax Refunds	-15.3	-26.5	11.2	57.6%
Fees and Licenses	24.63	25.17	-0.5	97.9%
Non-Tax Revenues	44.08	45.90	-1.8	96.0%

Source: Ministry of Finance, Planning and Economic Development

Direct domestic taxes registered a surplus of Shs 29.3 billion against a target of Shs 785.6 billion. This was due to a higher than targeted corporation tax emanating from increased profitability of companies. In addition, withholding tax collected during the month was higher than the target as there was higher government payments to suppliers and service providers during the month than what had been anticipated.

Taxes on international trade also registered a surplus of Shs 18.6 billion against its target of Shs 585.8 billion. Most of this surplus was in VAT on imports and import duty and this was as a result of increase in the value of dutiable imports during the month.

Indirect domestic tax collections amounted to Shs 299.97 billion against a target of Shs 324.21 billion, resulting into a shortfall of Shs 24.24 billion. This shortfall was largely from VAT due to low sales of locally manufactured products such as beer, mineral water and cement. Reduction in phone talk time, as well as the price of sugar, also contributed to the shortfall in VAT.

Non-tax revenue was Shs 44.1 billion which was Shs 1.8 billion less than programmed as some charges, fees and licences by various Ministries, Departments and Agencies (MDAs) were lower than what had been anticipated for the month.

Expenditure and Net Lending

Overall government spending during June 2018 amounted to Shs 1,903.2 billion which was lower than the monthly program by Shs 70.1 billion. This was mainly manifested in development expenditure, as recurrent spending was above program for the month.

Development expenditure amounted to Shs 805.2 billion against a program of Shs 1,008.9 billion (79.8 percent of the programme). This was mainly due to challenges associated with project implementation which led to a 51.2 percent performance (Shs 209.9 billion short of the program). Domestically financed development expenditure, on the other hand, was above program by 1.1 percent.

Government spending on recurrent items during June 2018 was Shs 1,088.3 billion which was higher than the program for the month by Shs 213.2 billion. This resulted mainly from supplementary spending on non-wage recurrent items during Quarter four of the financial year.

DEVELOPMENTS WITHIN THE EAC REGION

Inflation

Similar to Uganda, Kenya experienced a rise in Annual Headline Inflation in June 2018 owing to significant increases in prices of kerosene and charcoal, as well as increased transport costs arising from higher pump prices of petrol and diesel during the month. On the other hand, Tanzania registered a reduction in Annual Headline Inflation from 3.6 percent in May 2018 to 3.4 percent in June 2018, mainly because of a slowdown in the price increases of non-food products. Rwanda's Headline Inflation also declined during the month on account of food and non-alcoholic beverages. Table 10 shows inflation trends within the East African Community since the start of FY2017/18, and that Uganda's inflation was consistently among the lowest in the region.

Table 10: Headline Inflation for EAC Partner States (percentage)

	Jul-17	Aug-17	Sep-17	Oct-17	Nov-17	Dec-17	Jan-18	Feb-18	Mar-18	Apr-18	May-18	Jun-18
Tanzania	5.2	5.0	5.3	5.1	4.4	4.0	4.0	4.1	3.9	3.8	3.6	3.4
Kenya	7.5	8.0	7.1	5.7	4.7	4.5	4.8	4.5	4.2	3.7	4.0	4.3
Uganda	5.7	5.2	5.3	4.8	4.0	3.3	3.0	2.1	2.0	1.8	1.7	2.2
Burundi	13.6	13.9	15.3	17.6	15.3	10.0	6.1	-1.3	-2.6	-1.7	-1.3	N/A
South Sudan	154.6	165.0	101.9	131.9	142.0	117.7	125.0	112.7	161.2	186.6	N/A	N/A
Rwanda	8.1	7.2	7.1	5.3	1.6	-0.2	0.1	-1.3	-1.4	-0.1	1.8	1.4

Source: Respective national statistics bureaus⁷

Exchange Rates

All currencies of the EAC Partner States, with the exception of Uganda, were fairly stable against the US Dollar in June 2018, with most of them registering depreciation of less than 0.5 percent. On average, the Kenyan Shilling, the Rwandan Franc and the Burundian Franc depreciated by 0.4 percent, 0.3 percent and 0.1 percent during the month. On the other hand, the Tanzanian Shilling remained more or less the same against the US dollar. The following table so the monthly percentage changes in exchange rates against the US\$ among selected EAC Partner States from June 2017 to June 2018

⁷ N/A implies unavailability of data at time of writing this report

Table 11: Change in Exchange Rates in Selected EAC Partner States (FY2017/18)

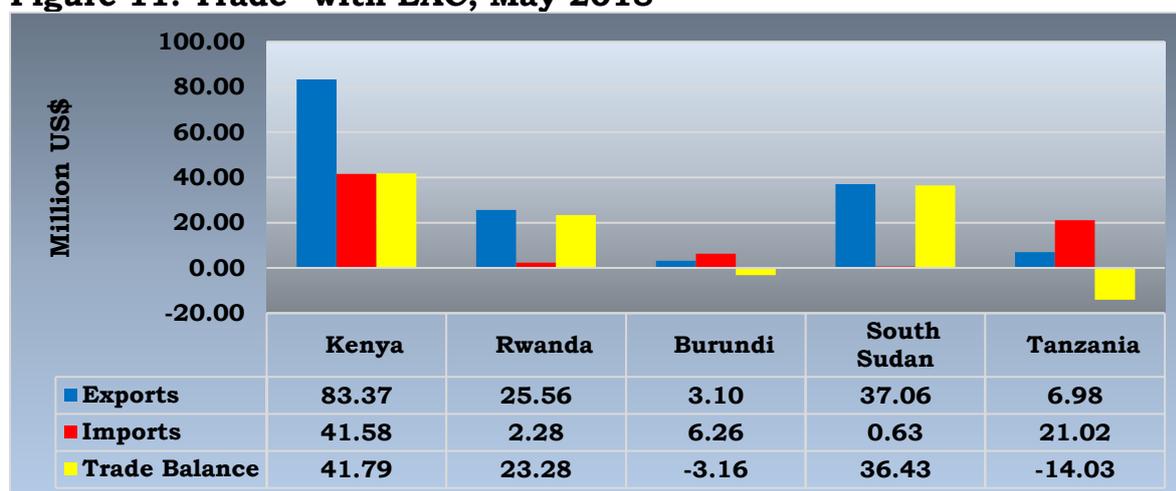
	Jul-17	Aug-17	Sep-17	Oct-17	Nov-17	Dec-17	Jan-18	Feb-18	Mar-18	Apr-18	May-18	Jun-18
UGX/US\$	3,601.5	3,606.0	3,599.9	3,637.9	3,638.9	3,623.3	3,640.1	3,637.6	3,660.1	3,697.2	3,726.8	3,840.5
%age change	0.3%	0.1%	-0.2%	1.1%	0.0%	-0.4%	0.5%	-0.1%	0.6%	1.0%	0.8%	3.0%
Kshs/US\$	103.9	103.6	103.1	103.4	103.6	103.1	102.9	101.4	101.2	100.6	100.7	101.0
%age change	0.4%	-0.3%	-0.4%	0.3%	0.1%	-0.5%	-0.1%	-1.5%	-0.2%	-0.6%	0.1%	0.4%
TZShs/US\$	2,242.4	2,243.7	2,247.7	2,249.2	2,245.8	2,242.2	2,246.0	2,253.8	2,258.0	2,269.0	2,276.0	2,276.3
%age change	0.0%	0.1%	0.2%	0.1%	-0.1%	-0.2%	0.2%	0.4%	0.2%	0.5%	0.3%	0.0%
B.Franc/US\$	1,732.4	1,740.1	1,747.4	1,754.0	1,760.4	1,765.4	1,767.8	1,770.9	1,774.0	1,776.3	1,777.7	1,778.8
%age change	0.4%	0.4%	0.4%	0.4%	0.4%	0.3%	0.1%	0.2%	0.2%	0.1%	0.1%	0.1%
RWF/US\$	831.1	833.5	836.4	839.3	841.9	844.1	846.3	848.7	851.5	853.9	856.0	858.5
%age change	0.2%	0.3%	0.3%	0.3%	0.3%	0.3%	0.3%	0.3%	0.3%	0.3%	0.3%	0.3%

Source: Bank of Uganda

Trade Balance with EAC Partner States;

Uganda exported merchandise worth US\$ 156.08 million to the rest of the East African Community and imported merchandise worth US\$ 71.77 million posting a trade surplus of US\$ 84.30 million in May 2018. During the month, Kenya and South Sudan continued to be the biggest market for our exports. Similarly, Kenya was the biggest source of imports into Uganda from the EAC region followed by Tanzania. Generally, Uganda traded at a surplus with all the partner states except Tanzania and Burundi. Figure 11 shows the trade balance with EAC partner states.

Figure 11: Trade⁸ with EAC, May 2018



Source: Bank of Uganda

⁸ Data on trade comes with a lag of one month.

Annex 1: Overall Fiscal Operations Outturns in Billions of Shillings

	Jul'17	Aug'17	Sept'17	Oct'17	Nov'17	Dec'17	Jan'18	Feb'18	Mar'18	Apr'18	May'18
Revenues and Grants	1,012.7	1,101.0	1,187.0	1,218.4	1,159.6	1,670.9	1,280.6	1,297.0	1,232.2	1,097.5	1,224.0
Revenues	964.9	1,072.5	1,149.0	1,081.1	1,141.8	1,515.9	1,200.9	1,161.3	1,200.2	1,080.5	1,202.6
URA	919.9	1,034.3	1,114.1	1,045.9	1,099.3	1,487.8	1,141.0	1,125.4	1,163.6	1,045.5	1,167.6
Non-URA	45.0	38.3	34.9	35.2	42.5	28.1	59.9	35.9	36.7	35.1	35.1
Grants	47.8	28.5	38.1	137.3	17.9	155.0	79.7	135.7	32.0	17.0	21.4
Budget Support	2.1	15.9	13.2	11.3	11.1	31.8	1.9	33.0	8.6	5.4	11.3
Project Support	45.7	12.6	24.9	126.1	6.8	123.2	77.8	102.7	23.4	11.5	10.1
Expenditure and Lending	1,340.7	1,870.0	1,558.1	2,013.5	1,677.2	1,584.5	1,622.4	1,681.9	1,363.7	1,815.0	1,794.1
Current Expenditures	869.9	943.5	853.5	999.6	904.7	722.0	1,067.1	901.3	787.3	802.1	1,000.1
Wages and Salaries	276.2	316.6	283.9	296.5	295.9	282.4	307.2	292.8	281.1	279.5	273.1
Interest Payments	162.8	176.0	306.8	99.3	253.3	181.0	200.5	178.0	284.0	103.3	226.9
Domestic	117.5	152.8	266.2	83.8	236.7	157.5	150.5	151.5	259.1	73.6	215.6
External	45.3	23.2	40.6	15.5	16.6	23.5	50.0	26.6	24.9	29.7	11.3
Other Recurr. Expenditures	430.9	450.9	262.8	603.7	355.5	258.6	559.4	430.5	222.2	419.4	500.1
Development Expenditures	453.7	744.7	393.5	776.4	504.9	558.9	548.5	747.4	479.0	857.1	713.7
Domestic Development	234.0	518.5	136.7	498.1	258.8	197.1	261.6	273.07	167.5	568.1	606.0
External Development	219.7	226.2	256.8	278.3	246.1	361.8	286.9	474.4	311.5	289.0	107.7
Net Lending/Repayments	-	107.2	286.1	196.1	232.5	272.8	0.3	5.6	94.4	154.1	43.8
Domestic Arrears Repaym.	17.1	74.5	25.1	41.5	35.1	30.8	6.6	27.5	3.0	1.6	36.4
Domestic Balance	(110.7)	(548.0)	(111.8)	(638.6)	(272.7)	316.7	(84.6)	(19.6)	172.9	(415.8)	(472.4)
Primary Balance	(165.2)	(592.9)	(64.3)	(695.8)	(264.3)	267.4	(141.3)	(206.9)	152.6	(614.2)	(343.1)
Overall Fiscal Bal. (excl. Grants)	(375.8)	(797.4)	(409.2)	(932.4)	(535.4)	(68.6)	(421.5)	(520.6)	(163.4)	(734.5)	(591.5)
Overall Fiscal Bal. (incl. Grants)	(328.0)	(769.0)	(371.1)	(795.1)	(517.6)	86.4	(341.8)	(384.9)	(131.4)	(717.5)	(570.0)
Financing:	328.0	769.0	371.1	795.1	517.6	(86.4)	341.8	384.9	131.4	717.5	570.0
External Financing (Net)	363.5	323.7	483.1	148.5	432.7	429.2	62.9	409.9	238.2	213.3	307.1
Deposits											
Disbursements	375.9	344.6	544.8	296.3	462.7	500.6	157.3	462.0	296.9	355.8	344.0
Budget Support Loans	141.1	-	-	-	-	-	-	-	-	-	-
Project Loans	234.8	344.6	544.8	296.3	462.7	500.6	157.3	462.0	296.9	355.8	344.0
Armortization	(12.2)	(20.9)	(61.6)	(151.0)	(30.0)	(71.4)	(94.1)	(52.1)	(59.3)	(142.1)	(36.9)
Domestic Financing (Net)	(711.3)	810.8	(173.2)	551.5	252.4	(489.2)	2.8	142.7	(80.1)	145.2	462.3
Bank Financing (Net)	(656.2)	733.8	(212.6)	525.5	248.3	(314.1)	(287.1)	43.2	(347.2)	28.6	322.3
Non-bank Financing (Net)	(55.0)	77.0	39.3	26.0	4.1	(175.1)	289.9	99.5	267.1	116.6	139.9
Errors and Omissions	675.8	(365.6)	61.2	95.2	(167.6)	(26.4)	276.1	(167.7)	(26.7)	359.0	(199.3)

Source: Ministry of Finance, Planning and Economic Development

Annex 2: Selected Economic Indicators

	May-17	Jun-17	Jul-17	Aug-17	Sep-17	Oct-17	Nov-17	Dec-17	Jan-18	Feb-18	Mar-18	Apr-18	May-18	Jun-18
Real Sector														
Inflation (Annual %)														
Headline: (Base: 2009/10 = 100)	7.3	6.3	5.7	5.2	5.3	4.8	4.0	3.4	3.0	2.1	2.0	1.8	1.7	2.2
Core: (Base: 2009/10 = 100)	5.1	4.9	4.5	4.1	4.2	3.5	3.4	3.1	2.6	1.7	1.7	1.6	1.1	0.9
Food Crops	23.1	18.1	12.9	11.7	9.6	7.8	2.3	-0.7	1.4	-0.7	-1.7	-2.1	-0.2	2.3
Energy, Fuel and Utilities	7.1	5.7	7.8	7.8	10.6	14.1	13.7	12.5	9.8	11.2	10.3	10.4	10.3	15.1
Business Tendency Indicator	55.2	56.0	56.9	57.8	58.4	58.6	58.5	58.0	57.5	57.1	56.8	56.5	56.2	56.0
Composite Index of Economic Activity	204.5	205.7	206.8	207.7	208.5	209.3	210.2	211.1	212.0	212.7	213.3	213.8	214.2	N/A
Financial Sector														
Private sector credit (Shs billion)														
PSC growth rate	-0.1%	1.3%	0.4%	0.5%	1.0%	1.8%	0.1%	2.0%	-1.3%	-0.2%	1.5%	0.8%	0.8%	N/A
Exchange Rate (Shs/US\$)														
Period Average	3,623.6	3,591.1	3,601.5	3,606.0	3,599.9	3,637.9	3,638.9	3,623.3	3,640.1	3,637.6	3,660.1	3,697.2	3,726.8	3,840.5
Interest Rates(%)														
Central Bank Rate	11.0	10.0	10.0	10.0	10.0	9.5	9.5	9.5	9.5	9.0	9.0	9.0	9.0	9.0
Lending Rate	21.04	21.11	20.88	22.29	20.89	18.97	21.42	20.28	20.26	21.10	20.10	20.03	20.20	N/A
91-day Treasury Bill Yield	10.7	10.7	10.1	9.9	9.8	9.2	8.8	8.4	8.6	8.7	8.7	8.7	8.8	9.8
364-day Treasury Bill Yield	13.6	13.6	11.7	11.1	10.6	9.4	9.3	9.0	9.1	9.4	9.6	9.7	10.1	12.6
External Sector (US\$ million)														
Trade Balance														
Total Exports of Goods (fob)	309.7	277.6	276.3	259.5	252.8	287.6	301.4	312.6	337.5	277.0	299.0	264.6	321.6	N/A
Total Imports (fob)	437.8	434.5	372.9	399.1	477.4	489.2	471.3	454.3	438.3	473.8	458.1	480.4	452.6	N/A
Fiscal Sector (Shs Billion)														
Revenues and Grants														
Revenues	1,224.4	1,524.9	1,012.7	1,101.0	1,187.0	1,218.4	1,159.6	1,670.9	1,280.6	1,297.0	1,232.2	1,097.5	1,224.0	1,836.7
URA	1,075.3	1,470.4	964.9	1,072.5	1,149.0	1,081.1	1,141.8	1,515.9	1,200.9	1,161.3	1,200.2	1,080.5	1,202.6	1,772.8
Non-URA	1,041.2	1,434.4	919.9	1,034.3	1,114.1	1,045.9	1,099.3	1,487.8	1,141.0	1,125.4	1,163.6	1,045.5	1,167.6	1,728.7
Oil Revenue	34.2	36.0	45.0	38.3	34.9	35.2	42.5	28.1	59.9	35.9	36.7	35.1	35.1	44.1
Oil Revenue	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Grants	149.0	54.6	47.8	28.5	38.1	137.3	17.9	155.0	79.7	135.7	32.0	17.0	21.4	63.9
Expenditure and Lending	1,650.0	1,941.3	1,340.7	1,870.0	1,558.1	2,013.5	1,677.2	1,584.5	1,622.4	1,681.9	1,363.7	1,815.0	1,794.1	1,903.2
Overall Fiscal Balance (incl.Grants)	-425.7	-416.3	-328.0	-769.0	-371.1	-795.1	-517.6	86.4	-341.8	-384.9	-131.4	-717.5	-570.0	-66.5
Net Government Borrowing	(2.0)	(412.0)	198.2	133.9	58.4	52.3	115.0	27.2	167.7	(11.4)	15.93	263.5	238.4	530.8 ⁹

Source: MoFPED, UBOS and BoU

⁹ N/A means that data was not available at time of writing this report.