

## **SUMMARY OF THE PERFORMANCE OF THE ECONOMY REPORT FOR THE MONTH OF AUGUST 2019**

### **Real Sector:**

Headline inflation continued on a downward trend declining to 2.1% for the year ending August 2019 from 2.6% recorded for the year ended July 2019. The decline was majorly on account of a fall in core inflation coupled with a large decline in prices for Food crops and related items.

There was an improvement in the level of economic activity according to the Purchasing Managers' Index (PMI) and Composite Index of Economic Activity (CIEA). Investor's sentiments about doing business in Uganda remained positive in August 2019 as illustrated by the BTI which remained above the indicative threshold of 50, despite a slight reduction from 57.87 in July 2019 to 57.84 in August.

### **Financial Sector:**

The Ugandan Shilling traded at an average of **Ug Shs. 3,693.73** to the US Dollar in August 2019, recording an appreciation of 0.1%, following the sustained increase in supply of foreign currency and particularly US Dollars, to the Interbank Foreign Exchange Market (IFEM).

Lending rates for Shilling denominated credit increased from 19.02% in June to **21.44%** in July 2019. Similarly, lending rates for foreign currency denominated credit increased from 6.43% in June to 6.92% in July 2019.

Yields (interest rates) on Treasury-bills reduced for the 91-day T-Bill, whereas they increased for the 182-day T-Bill and 364-day tenor. **Ug Shs. 857.68 billion** (at cost) was raised from four auctions of Government securities in August. Securities worth Ug Shs. 474.05 billion were issued for refinancing of maturing debt whereas, Ug Shs. 383.63 billion went towards financing other activities in the Government budget.

**The stock of private sector credit** increased by 0.9% from Ug Shs. 15,092.2 billion in June to **Ug Shs. 15,226.26 billion** in July 2019.

### **External Sector:**

In comparison with June 2019, the **merchandise trade deficit** narrowed by 17% from US\$ 278.91 million to US\$ 231.42 million in July 2019.

**Export earnings grew by 5.9%** from US\$ 300.63 million in June 2019 to US\$ 318.43 million in July 2019, whereas, the value of merchandise imports dropped by 5.12% from US\$ 579.54 million in June 2019 to US\$ 549.85 million in July 2019. 0

However, compared to July 2018, the merchandise trade deficit increased from US\$166.56 million to US\$ 231.42 million in July 2019 following high growth in the import bill (21.9%) than more than offset growth in export receipts (11.9%).

In the month of July 2019, Uganda posted **merchandise trade deficits** with the regions of Asia, Rest of Europe, EAC, the Americas & Others, whereas, trade surpluses were registered for Rest of Africa, Middle East and the European Union.

### **Fiscal Sector:**

Government operations in August 2019 resulted into a fiscal deficit of Ug Shs. 1,076.66 billion which was lower than the program for the month of US\$ 1,893.1 billion. This was mainly due to underperformance in expenditure and net lending (by 31.6%) which more than offset the shortfalls in revenue and grants (of 18.7%)

### **East Africa Community:**

There was a general decline in **Annual Headline Inflation** within the East African Community. Annual Headline Inflation for Kenya reduced from 6.27% in July to 5.0% in August. Similarly, Tanzania's Annual Headline Inflation slightly decreased to 3.6% in August 2019 from 3.7% recorded the previous month. In contrast, Rwanda's annual inflation rose to 2.8% in August from 1.6% in July, its highest level since October 2017.

Contrary to the strengthening of the Ugandan shilling against the US dollar, Kenya's, Burundi's and Rwanda's currencies slightly **depreciated** against the

US Dollar in August 2019 by 0.1%, 0.3% and 0.4% respectively. The value of the Tanzanian Shilling **remained unchanged** from the previous month against the US Dollar.

In July 2019, Uganda traded at **a deficit** with the EAC at US\$ 54.98 million compared to a surplus of US\$ 65.68 million recorded a year ago. Over the same period. Exports to EAC declined by 41.8% whereas imports increased by 131.1%.

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