

PERFORMANCE OF THE ECONOMY

MONTHLY REPORT

FEBRUARY 2023

MACROECONOMIC POLICY DEPARTMENT



MINISTRY OF FINANCE,
PLANNING AND
ECONOMIC DEVELOPMENT

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List of Acronyms

| Acronym | Expansion |
|----------------|--|
| B.Franc | Burundian Franc |
| BOU | Bank of Uganda |
| BTI | Business Tendency Index |
| CBR | Central Bank Rate |
| CIEA | Composite Index of Economic Activity |
| EAC | East African Community |
| EFU | Energy, Fuels and Utilities |
| FOB | Free on Board |
| FX | Foreign Exchange |
| FY | Financial Year |
| GBP | British Pound Sterling |
| ICBT | Informal Cross Border Trade |
| KShs | Kenyan Shilling |
| MDAs | Ministries, Departments and Agencies |
| MOFPED | Ministry of Finance, Planning and Economic Development |
| PAYE | Pay as You Earn |
| PMI | Purchasing Managers' Index |
| PSC | Private Sector Credit |
| R.Franc | Rwandan Franc |
| T-Bills | Treasury Bills |
| T-Bonds | Treasury Bonds |
| TzShs | Tanzanian Shilling |
| UBOS | Uganda Bureau of Statistics |
| UShs / Shs | Ugandan Shilling |
| US\$ / USD | United States Dollar |
| VAT | Value Added Tax |
| YTM | Yield to Maturity |

Summary¹

Real Sector

- Annual Headline inflation declined to 9.2% in February, down from 10.4% registered in January, mainly on account of a slowdown in the price increase of goods such as maize flour, laundry bar soap, refined cooking oil, rice, sugar, fuels, and several food items compared to the same month last year. Prices of diesel and petrol declined in February, compared to January 2023.
- The economy continued on its recovery path, with an improvement in economic activity being recorded in January 2023. The Composite Index of Economic Activity (CIEA) grew by 1.3% on the back of reducing inflationary pressures. This is consistent with the Purchasing Managers' Index (PMI) which showed that business conditions improved in February 2023 driven by increases in new orders and output for private firms. The PMI was recorded at 51.2 (above the 50 threshold).
- Sentiments about doing business in Uganda were more optimistic, with the Business Tendency Index (BTI) improving to 52.07 in February from 51.73 in January 2023. Optimism was mainly expressed by players in the construction, manufacturing, and services sectors.

Financial Sector

- The Uganda Shilling was fairly stable against the US Dollar, trading at an average rate of Shs 3,685.7/USD in February from Shs 3,693.6/USD recorded the previous month. This represents a slight appreciation of 0.2%, as dollar demand nearly matched supply.
- Commercial banks' Shilling denominated lending rates continued on a downward path, declining to 18.54% in January 2023, from a weighted average of 18.91% in December 2022, partly due to a higher share of lending going to large multinational corporations, which borrow at lower rates due to their high creditworthiness.
- The stock of private sector credit declined slightly in January by 0.08% to Shs.20,138.9 billion from Shs.20,155.6 billion in December 2022. Analysis of sectoral allocation of credit showed that: Building, Construction and Real Estate; Personal Loans and Households loans; and Trade sectors received the largest disbursement of credit.
- Treasury bill yields for the 182-day tenor declined in the month of February, but increased slightly for the 91 and 364-day tenors. The annualized yields for the 91 and 364-day tenors increased to 10.38% and 12.50% compared to 10.36% and 12.38% registered the previous month. Conversely, the yield on the 182-day tenor reduced to 10.46% in February from 10.95% respectively for the previous month.

¹Data on Private Sector Credit, CIEA and External sector has a lag of one month.

External Sector

- The merchandise trade deficit narrowed from US\$ 280.33 million in January 2022 to US\$ 231.80 million in January 2023, largely on account of higher exports realized in the period under review.
- Export receipts grew by 38.9% in January 2023 compared to the same period last year, largely owing to higher export earnings from commodities such as; maize, coffee, tea and Tobacco. The value of merchandise exported in January 2023 amounted to US\$ 404.46 million up from US\$ 371.81 million registered the previous month.
- The value of the import bill increased by 11.3% in January 2023 when compared to January 2022, majorly on account of higher volumes of private sector imports recorded during the period under review.

Fiscal Sector

- Government operations in February 2023 resulted in an overall fiscal deficit of Shs 645.79 billion compared to a planned deficit of Shs 400.32 billion, largely attributed to shortfalls registered in revenues and grants collections during the month.
- Domestic revenue collections amounted to Shs 1,884.18 billion, representing a 97.1% performance against the target for the month. This development followed lower than planned collections for indirect taxes (excise duty and VAT) and taxes on international trade.
- Total expenditure for February 2023 amounted to Shs. 2,539.88 billion translating into 101.3% performance against target. This performance was mainly driven by higher recurrent and domestically financed development expenditure.

East African Community

- Inflation for majority of the EAC Partner States remained high, save for Tanzania. Inflation for Kenya, Rwanda and South Sudan increased to 9.2%, 20.8% and 31.3% respectively in February from 9.0%, 20.7% and 14.4% in January. The rise in inflation for Kenya and Rwanda was largely attributed to an increase in prices of commodities under food and non-alcoholic beverages and other fuels. Uganda and Tanzania's inflation was on a downward trend during the month.
- Save for Uganda, local currencies for Kenya, Rwanda and Burundi registered losses against the US Dollar by 1.3%, 1.1% and 0.2% respectively in February 2023. However, the Tanzanian shilling remained relatively stable against the US Dollar
- Uganda traded at a surplus with all EAC Partner States during the month of January 2023. South Sudan and DRC accounted for the largest surpluses, while Kenya remained Uganda's main trade partner in the region and took up the largest share of her exports to the region.

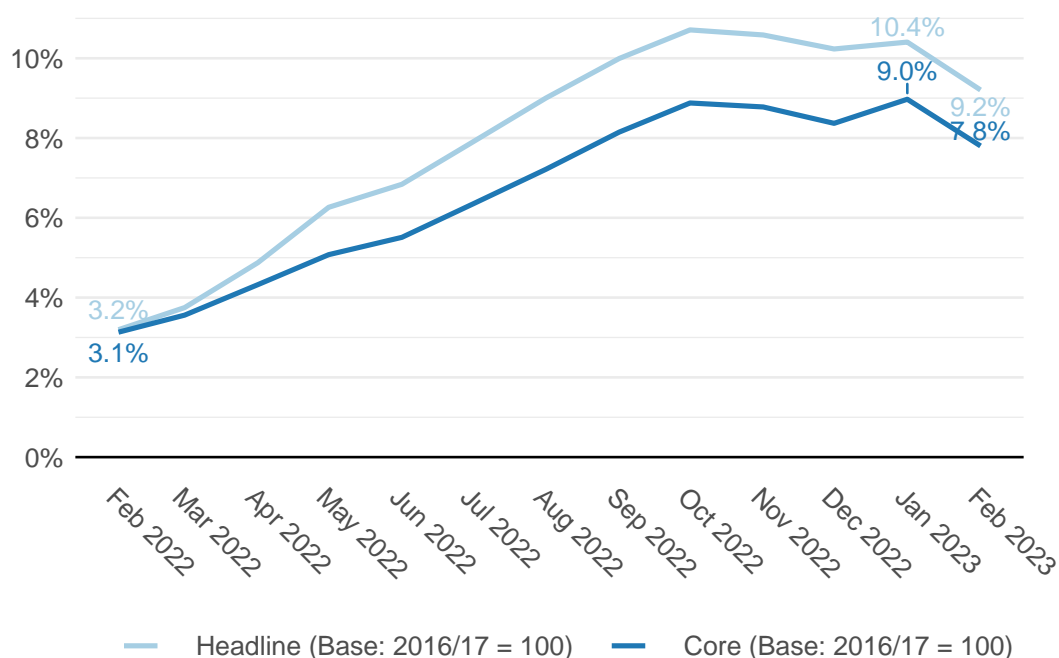
Real Sector Developments

Inflation

Annual headline inflation declined to 9.2% in February 2023 from 10.4% the previous month, with downward movement registered in all three components, namely: Core; Energy, Fuel & Utilities (EFU); and Food crops and related items inflation. Specifically, there was a slowdown in the rate of price increase for commodities such as; maize flour, laundry bar soap, refined cooking oil, rice, sugar, fuel, and several food items compared to the same month last year.

Prices of petrol and diesel declined in February compared to January 2023.

Figure 1: Inflation [Headline & Core] (Source: UBoS)



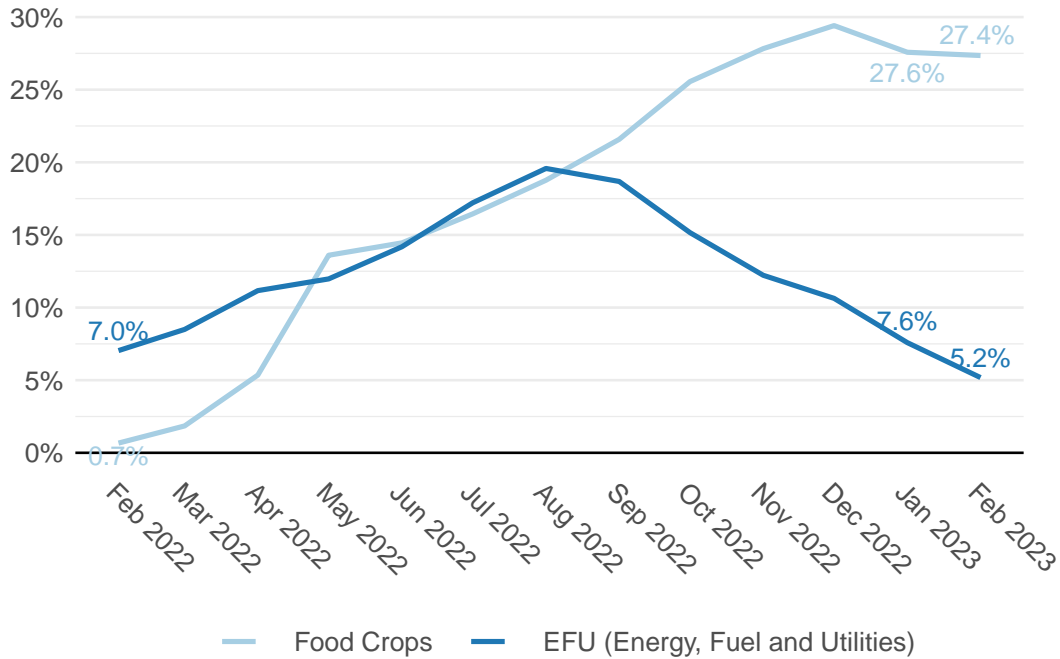
Annual Core inflation declined to 7.8 % in February from 9.0% the previous month, driven by a slowdown in the rate of price increase for; maize flour (53.3% compared to 90.8% the previous month), laundry bar soap (21.5% from 51.4%), and other goods including refined cooking oil and sugar.

Annual EFU inflation also went down, reaching 5.2% from 7.6% the previous month. This was largely driven by the slowdown in the price increase of liquid fuels particularly diesel (22.6% from 30.5%), petrol (1.5% from 7.1%), propane (0.8% from 8.1%) and charcoal respectively.

Annual food and related items inflation slowed to 27.4% from 27.6% in the year ending January 2023. This was mainly driven by the slowing pace in the increase of prices for matooke, sweet potatoes, green pepper, and watermelon. Nevertheless, prices of food crops remain relatively

high partly on account of the prevalent high transportation costs incurred and increased regional demand.

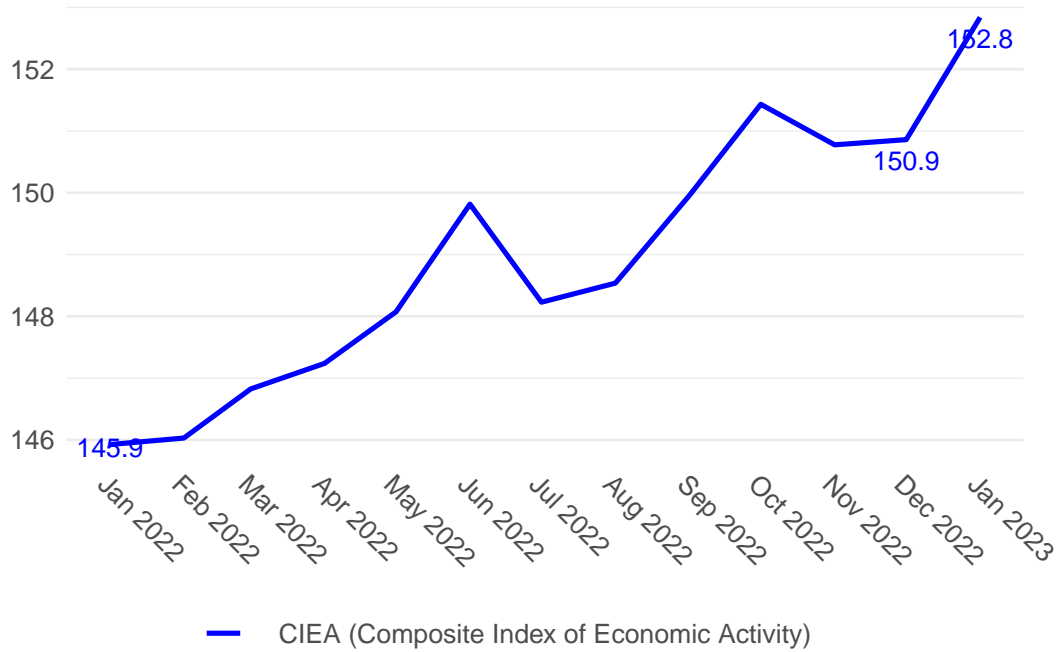
Figure 2: Inflation (Food and EFU) [Source: UBOS]



Economic Activity

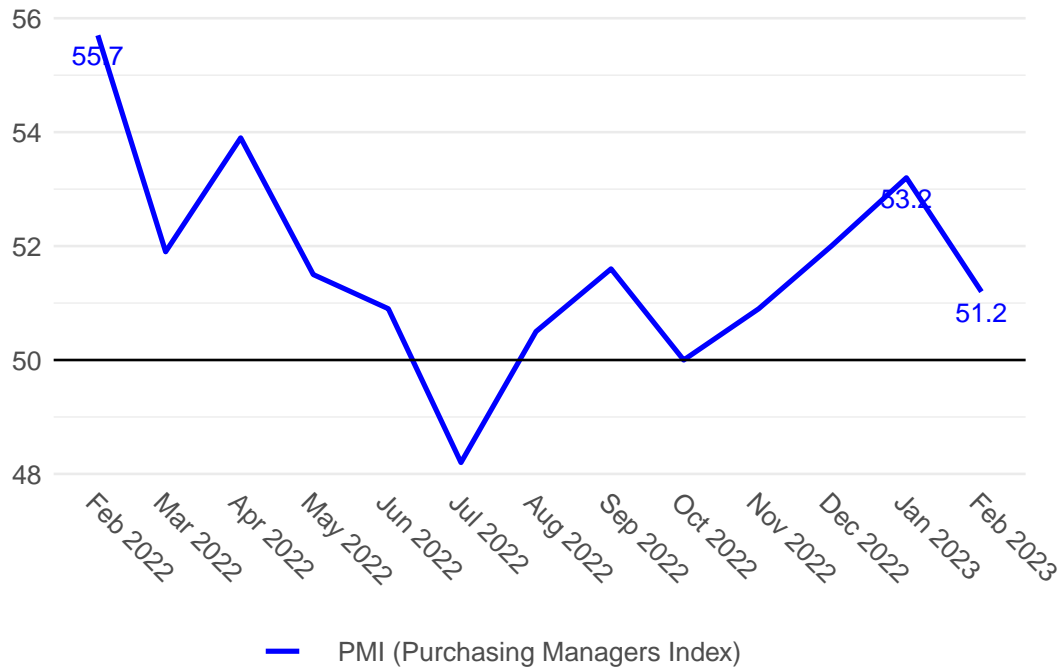
Economic activity continued to recover as reflected by the Composite Index of Economic Activity (CIEA). The CIEA recorded a 1.3% increase in January 2023, to 152.84 from 150.86 recorded in December 2022. Growth in the CIEA was majorly attributed to increased activity in agriculture (increased production of beans, coffee, and flowers), services (increased financial services) and industry sectors (manufacturing).

Figure 3: Economic Activity (CIEA) [Source: BOU]



The PMI remained above the 50 threshold in February 2023, recorded at 51.2 which signalled an improvement in business activity particularly as new orders and output increased during the month. Higher consumer demand and advertising by companies prompted an increase in output and new orders which was mostly registered under; services and wholesale & retail sectors. Despite this, there was a decline in the PMI from 53.2 in January 2023 to 51.2 in February majorly attributed to prevalent high input costs (electricity and water) and low staffing levels in the private sector.

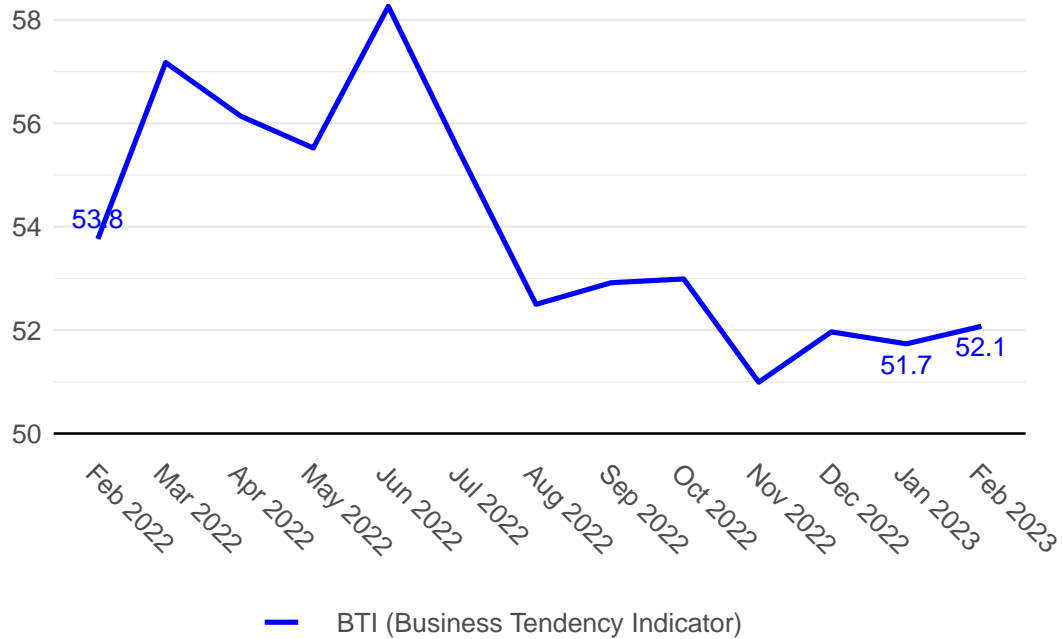
Figure 4: Economic Activity (PMI) [Source: Stanbic Bank Uganda]



Business Perceptions

Sentiments about business conditions were more optimistic in February 2023, with the Business Tendency Index (BTI) rising to 52.07 during the month, from 51.73 registered in January. Optimism was mainly registered in the construction, manufacturing, and services sectors as key indicators like; order volumes with suppliers, business situation in three months, competition and average selling price signalled an improving outlook in the economy.

Figure 5: Economic Perceptions as shown by BTI [Source: BOU]



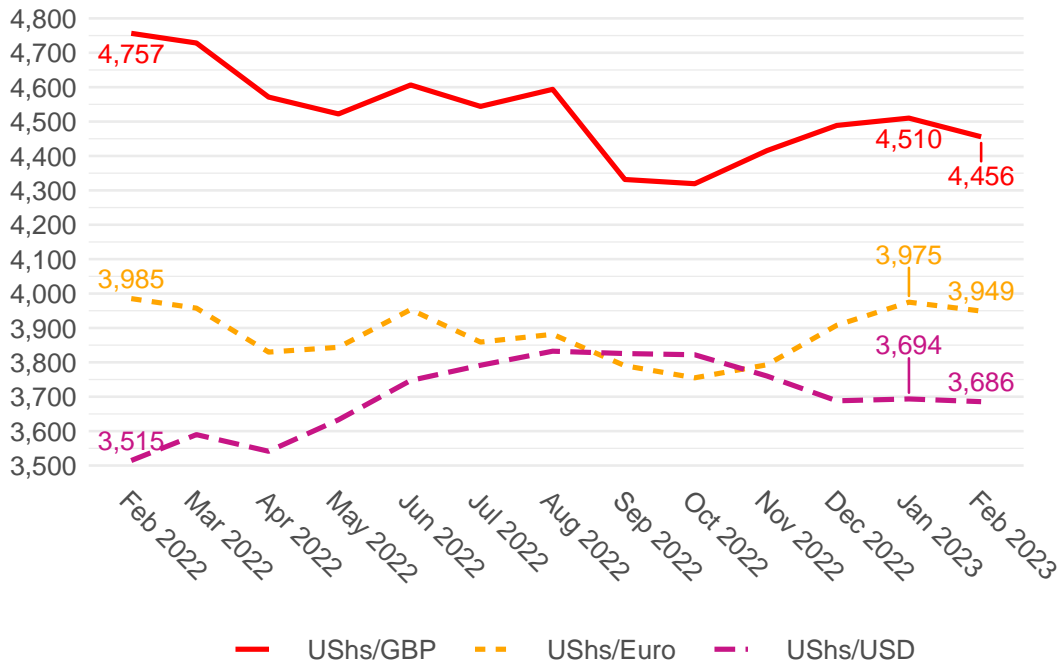
Financial Sector Developments

Exchange Rate Movements

The Uganda Shilling was fairly stable against the US Dollar, trading at an average rate of Shs 3,685.7/USD in February from Shs 3,693.6/USD recorded the previous month. This represents a slight appreciation of 0.2%, as dollar demand (mostly from corporate entities) nearly marched supply (mostly from remittances and exports).

The Shilling gained value against the Euro and Pound Sterling during the month, posting appreciation rates of 0.6% and 1.2% respectively compared to the previous month.

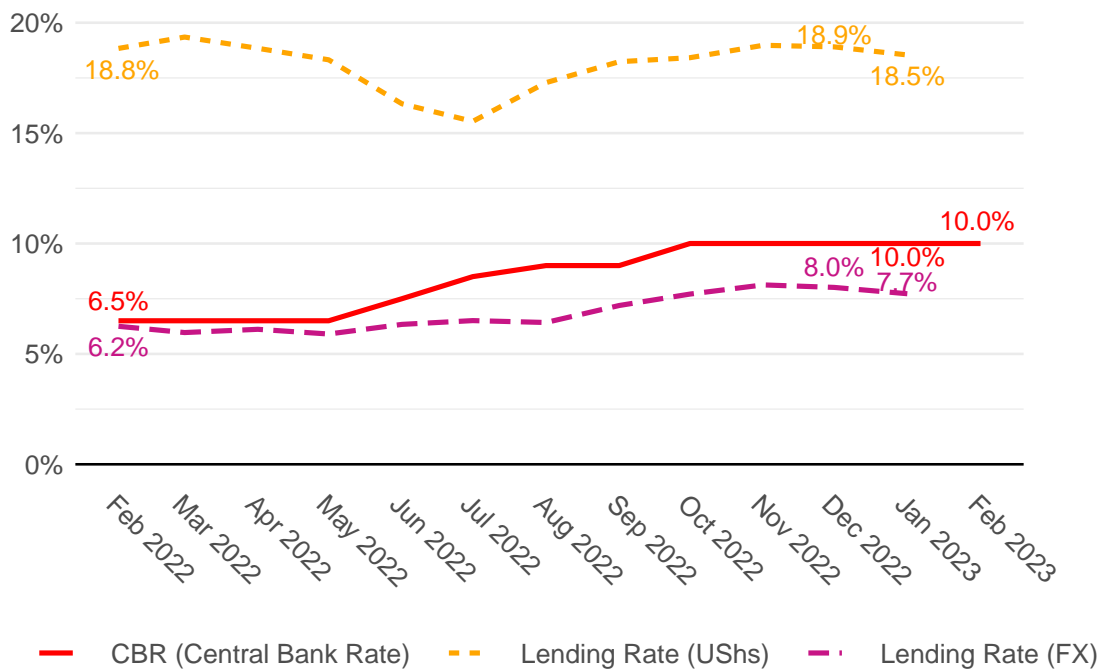
Figure 6: Exchange Rates [Source: BOU]



Interest Rate Movements

Bank of Uganda maintained the Central Bank Rate (CBR) at 10% in February 2023 on the back of easing of inflationary pressures.

Figure 7: Interest Rates [Source: BOU]



Lending Rates²

Shilling denominated lending rates declined to a weighted average of 18.54% in January 2023 from 18.91% the previous month. The declining trend in lending rates was partly due to substantial borrowing by large multinational corporations that are considered less risky by commercial banks. This trend is also consistent with the declining level of inflation in the economy over that period.

Similarly, foreign currency denominated lending rates reduced from a weighted average of 8.01% in December, to 7.73% in January.

Government Securities

During the month under review, Government carried out three auctions of treasury instruments (two T-bill and one T-Bond), and one bond switch auction. A bond switch³ involves exchanging a bond tending towards maturity with other bonds of different tenors. It is aimed at smoothening the domestic debt redemption profile.

In total, all Government securities auctions held in February 2023 resulted in total issuances of Shs.1,526.87 billion (at cost). Securities worth Shs 366.96 billion was used for the refinancing of maturing domestic debt (including those managed in the bond switch auction); while Shs 1,159.90 billion went towards financing other items in the Government budget as shown in Table 1.

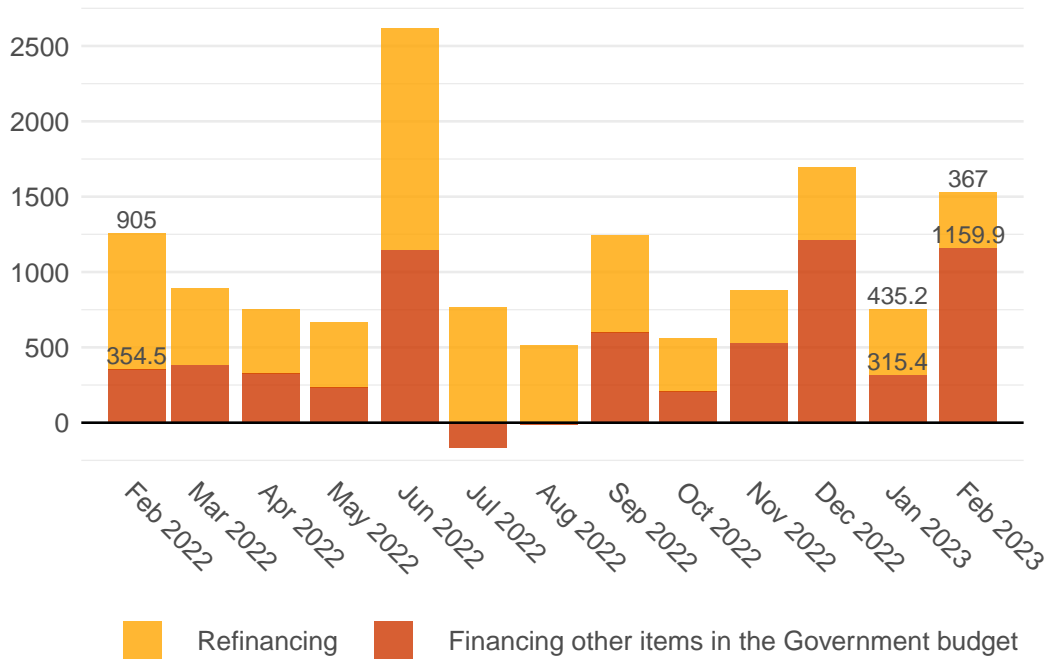
Table 1: Breakdown of Government Securities (US\$ Billion) [Source: MOFPED]

| | Total Issuances | Financing other items in the Government budget | Refinancing |
|--------------------|------------------------|---|--------------------|
| Q1 2022/23 | 2,344.2 | 417.1 | 1,927.1 |
| Q2 2022/23 | 3,134.8 | 1,951.7 | 1,183.1 |
| January 2023 | 750.6 | 315.4 | 435.2 |
| February 2023 | 1,526.9 | 1,159.9 | 367 |
| FY 2022/23 to date | 7,756.5 | 3,844.1 | 3,912.4 |

²Data comes with a month lag.

³The bond switch was the third auction of its kind in Uganda. In the last quarter of this current financial year (2022/23), Government has a maturing Treasury bond instrument that has cumulatively increased to UGX 1,853 billion (at cost) following several re-issuances in the primary domestic securities market. Given the fact that this enormous sum of money on the maturing instrument will present significant refinancing risks in the last quarter of the year, Government has switched a portion of the maturing bond (Shs 734.1 billion) for five others with tenors of 2-years, 3-years, 5-years, 10-years and 20 years

Figure 8: Breakdown of Government Securities (US\$ Billion) [Source: MOFPED]



Annualised Yields (Interest Rates) on Treasury Bills

Yields (interest rates) on shorter term tenors increased marginally for both the 91 and 364 day tenors. The annualized yields for the 91 and 364-day tenors increased to 10.38%, 12.50% compared to 10.36% and 12.38% registered the previous month. The yield on the 182 day tenor reduced to 10.46% from 10.95% for the previous month. Nonetheless, yields on all short term instruments have been on a declining trend since Government took the decision to substitute a portion of domestic borrowing with external debt.

All auctions for Treasury Bills were oversubscribed, with the average bid to cover ratio being recorded at 1.51 in February 2023.

Figure 9: Treasury Bill Yields [Source: BOU]

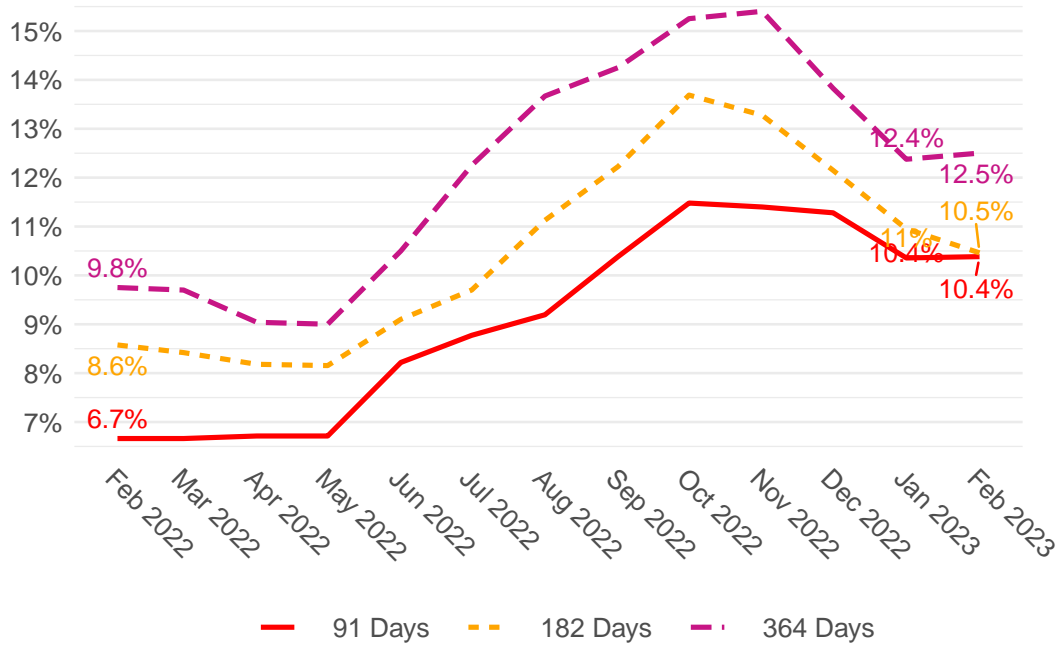
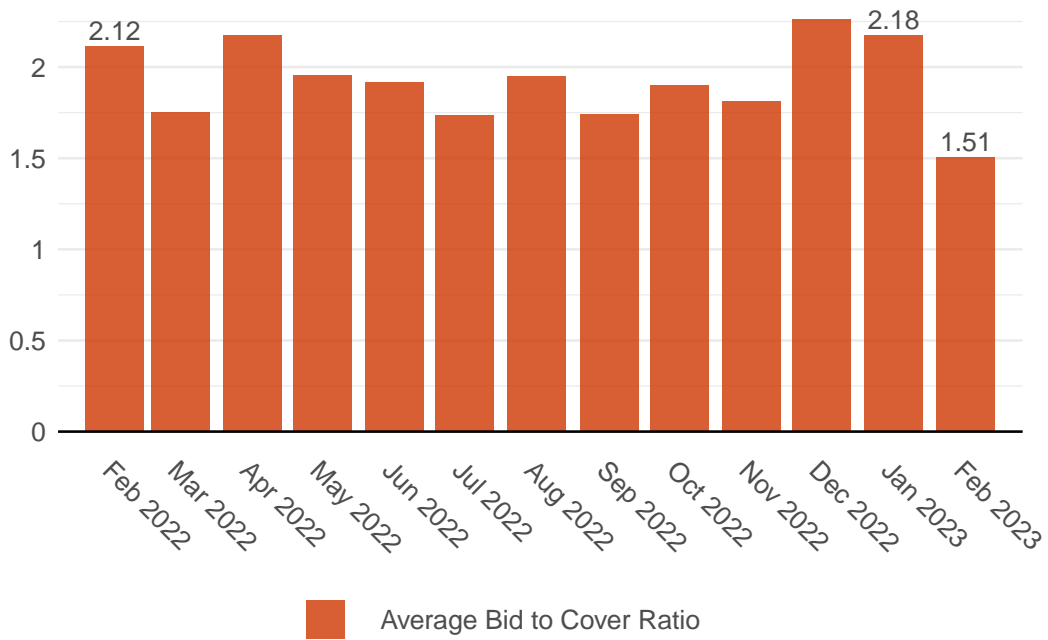


Figure 10: Average Bid to Cover Ratio [Source: MOFPED]



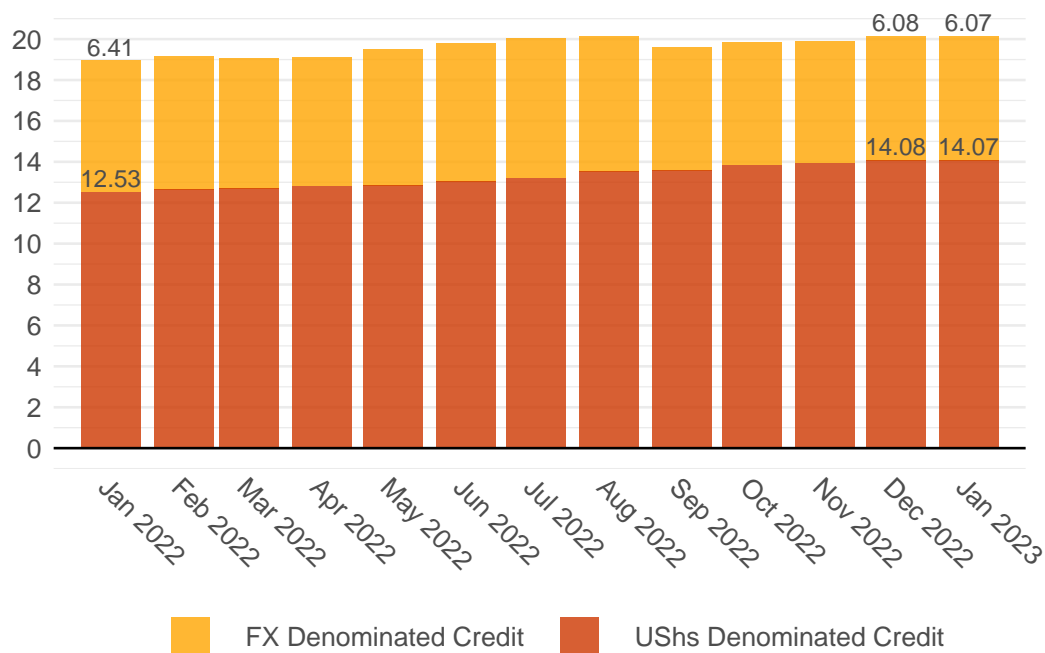
Yields on Treasury Bonds

During the month, Government issued two T-bond instruments (both reopened)⁴ The Yield to Maturity for the 5 year tenor reduced to 15.0% in February from 16.25% in December 2022 whereas the Yield to Maturity on the 20- year tenor remained unchanged at 17.0% as previously issued.

Outstanding Private Sector Credit⁵

The stock of private sector credit declined slightly in January by 0.08% to Shs. 20,138.9 billion from Shs. 20,155.6 billion in December 2022. Of the total stock in January 2023, Shs 14,068.19 billion was shilling denominated credit while Shs 6,070.69 billion was foreign currency denominated credit.

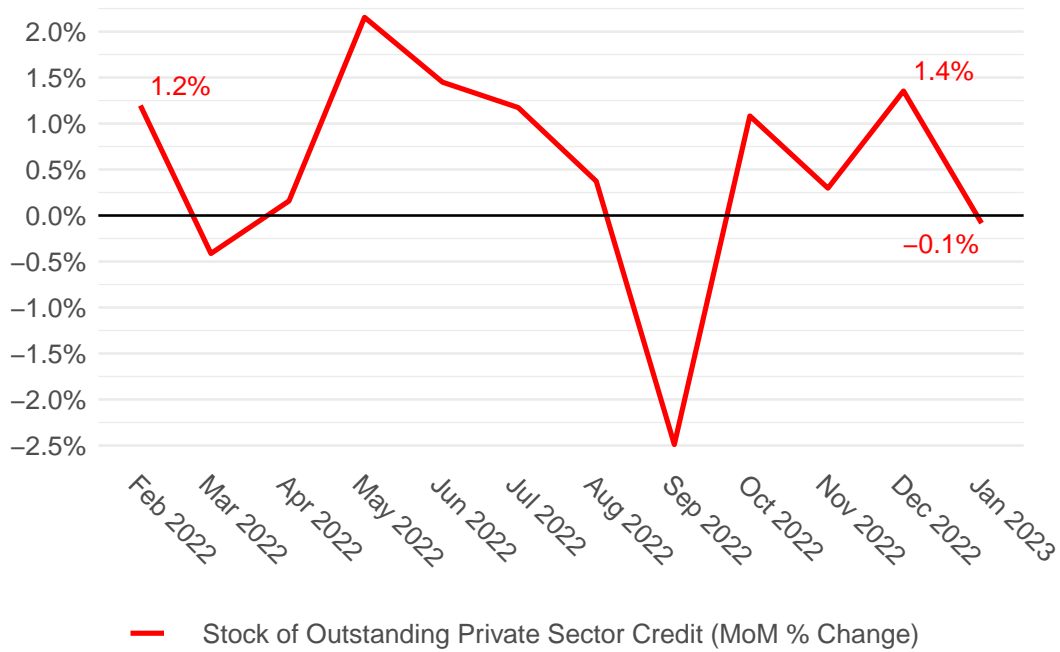
Figure 11: Outstanding Private Sector Credit (US\$ Trillion) [Source: BOU]



⁴Reopening a bond instrument refers to issuing additional amounts using previously issued bond instruments. The reopened instrument has the same maturity date and coupon interest rate as the original instrument, but with a different issue date and different purchase price.

⁵Data on private sector credit has a lag of one month.

Figure 12: Monthly Growth of Private Sector Credit

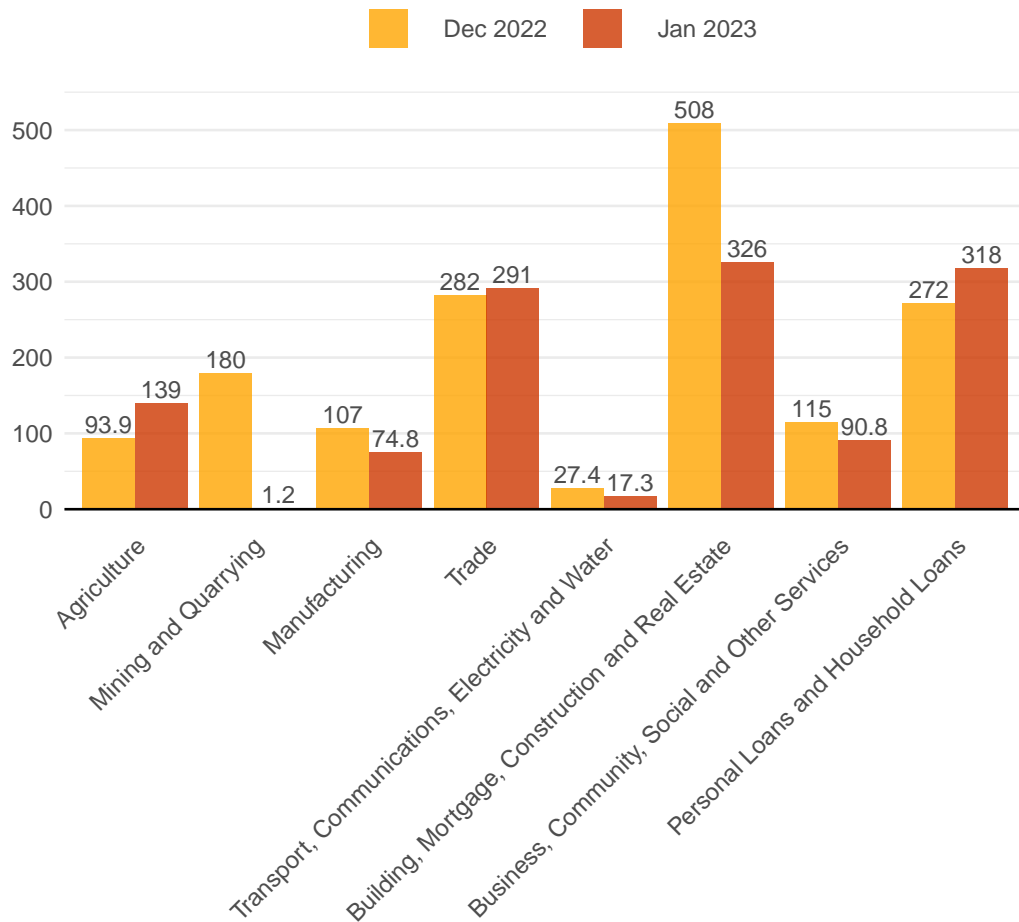


Credit Extensions⁶

The value of credit approved for disbursement in January 2022 amounted to Shs 1,258.0 billion lower than Shs 1,586.1 billion in December. This represents a lower approval rate of 50.1% compared to 77.6% registered the previous month, largely on account of higher risk aversion by commercial banks as the share of Non-Performing Loans (NPL's) increased to 5.35% in December 2022 from 5.21% recorded in September 2022.

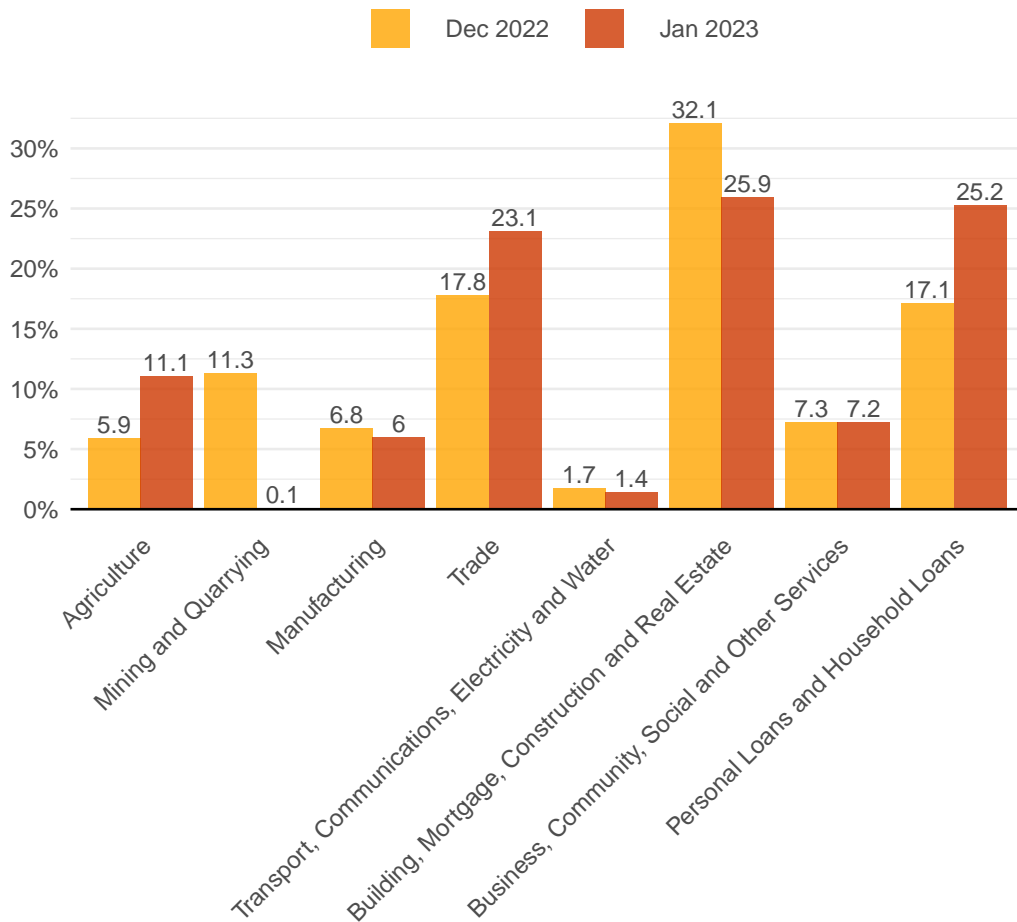
⁶Data on private sector credit has a lag of one month.

Figure 13: New Credit Extensions Approved (UShs Billion) [Source: BOU]



Similar to last month (December), Building, Construction and Real Estate took the largest share of credit approved in January 2023 at 25.9% (Shs. 326.2 billion). This was followed by Personal and Household loans at 25.2% (Shs. 317.5 billion) and Trade at 23.1% (Shs. 290.9 billion), where these three sectors altogether accounted for more than half of the credit extended to the private sector during the month. Other notable sectors included Agriculture at 11.1% (Shs. 139.4 billion), Manufacturing at 5.9% (Shs. 74.8 billion), Business, Community, Social & other Services at 7.2% (Shs. 90.68 billion) and Transport at 1.2% (Shs. 15.6 billion).

Figure 14: New Credit Extensions Approved - Sectoral Share [Source: BOU]



External Sector Developments

Merchandise Trade Balance⁷

Uganda’s trade with the rest of the world in January 2023 resulted in a deficit of US\$ 231.80 million. Compared to January 2022, the deficit narrowed from US\$ 280.33 million mainly due to higher exports realized in the period under review.

⁷Statistics on trade come with a lag of one month.

Figure 15: Merchandise Exports and Imports (US\$ Million) [Source: BOU]

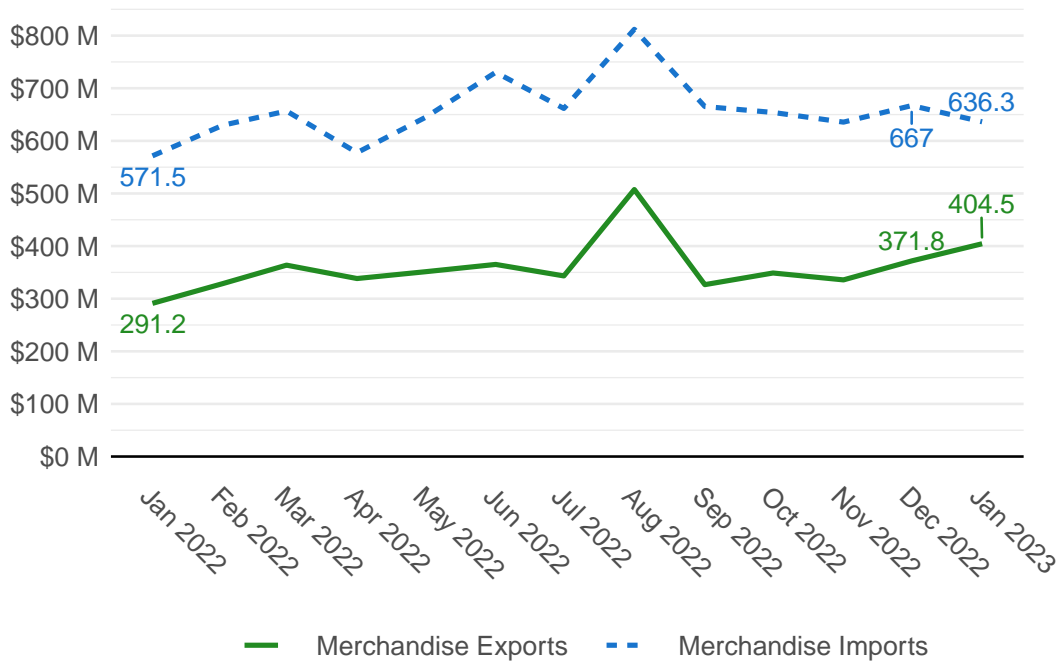
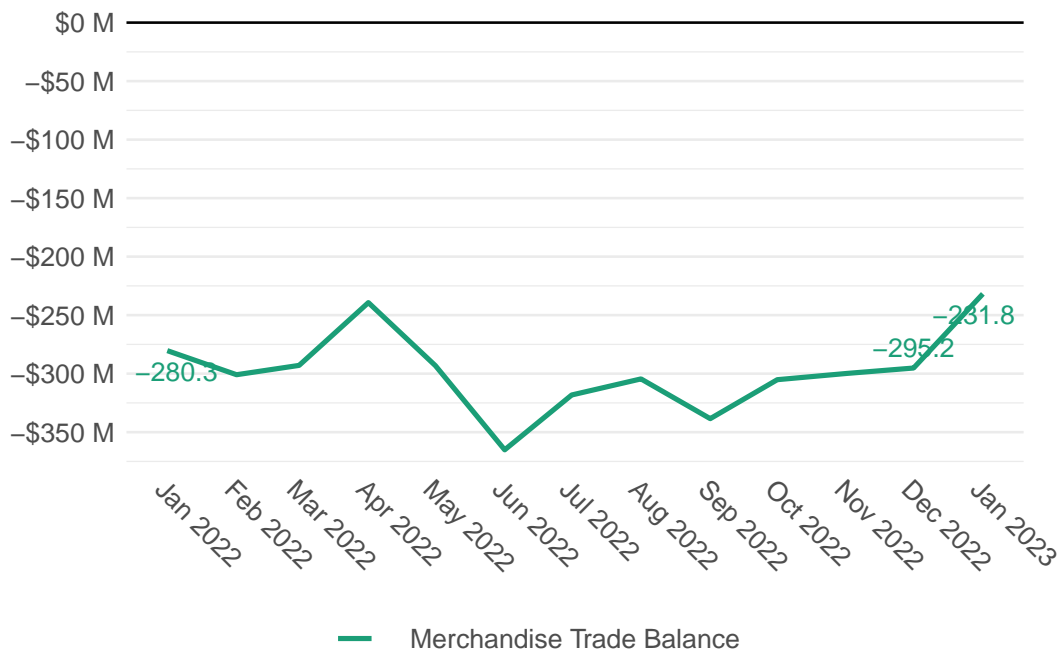


Figure 16: Merchandise Trade Balance (US\$ Million) [Source: BOU]



Merchandise Exports

The value of merchandise exported in January 2023 amounted to US\$ 404.46 million up from US\$ 371.81 million registered the previous month, mostly due to higher receipts for coffee and maize. Earnings from coffee exports increased by 13.1% because of higher volumes exported to meet

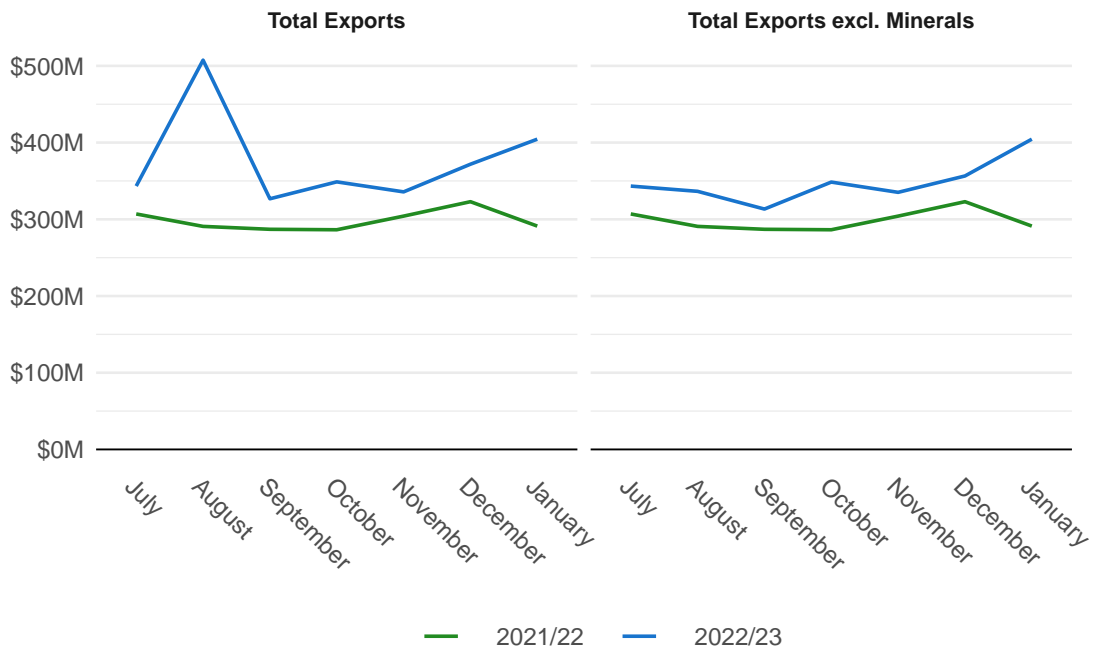
the reduced supply from major exporting countries such as Brazil and Vietnam on the international market. Maize export receipts increased by 71.0% from US\$ 20.48 million in December 2022 , to US\$ 35.01 million in January 2023.

Table 2: Merchandise Exports by Product (US\$ Million) [Source: BOU and MOFPED Calc.]

| Product | Jan-2022 | Dec-2022 | Jan-2023 | Jan-2023 vs Jan-2022 % Change | Jan-2023 vs Dec-2022 % Change |
|--|-----------------|-----------------|-----------------|--|--|
| Total Exports | 291.17 | 371.81 | 404.46 | 38.91 | 8.78 |
| Coffee | | | | | |
| Value Exported | 61.98 | 59.54 | 67.35 | 8.66 | 13.12 |
| Volume Exported (Millions of 60 Kg Bags) | 0.4 | 0.42 | 0.49 | 22.88 | 18 |
| Average Unit Value (US\$ per Kg of Coffee) | 2.57 | 2.37 | 2.27 | -11.57 | -4.14 |
| Non-Coffee Formal Exports | 187.11 | 270.67 | 295.51 | 57.93 | 9.17 |
| of which: | | | | | |
| Mineral Products | 0 | 15.32 | 0 | NaN | -100 |
| Cotton | 5.23 | 1.06 | 3.16 | -39.54 | 199.74 |
| Tea | 5.54 | 8.84 | 7.14 | 28.86 | -19.32 |
| Tobacco | 2.37 | 4.89 | 4.22 | 77.77 | -13.75 |
| Fish & Its Prod. (Excl. Regional) | 10.69 | 14.58 | 12.12 | 13.31 | -16.91 |
| Simsim | 3.15 | 2.86 | 4.94 | 56.88 | 72.8 |
| Maize | 6.76 | 20.48 | 35.01 | 417.69 | 70.98 |
| Beans | 14.53 | 14.51 | 7.48 | -48.51 | -48.44 |
| Flowers | 5.57 | 4.1 | 5.62 | 0.95 | 37.11 |
| ICBT Exports | 42.07 | 41.6 | 41.6 | -1.12 | -0.01 |

The value of exports increased by 38.9% in January 2023 compared to the same period last year owing to higher export earnings from maize, coffee, tea and Tobacco. In January 2022, earnings from maize exports were only US\$ 6.76 million compared to the US\$ 35.01 million recorded in January 2023. This follows the easing of non-tariff barriers in Kenya and the opening of the Uganda-Rwanda border.

Figure 17: Exports Performance between FY2021/22 and FY2022/23

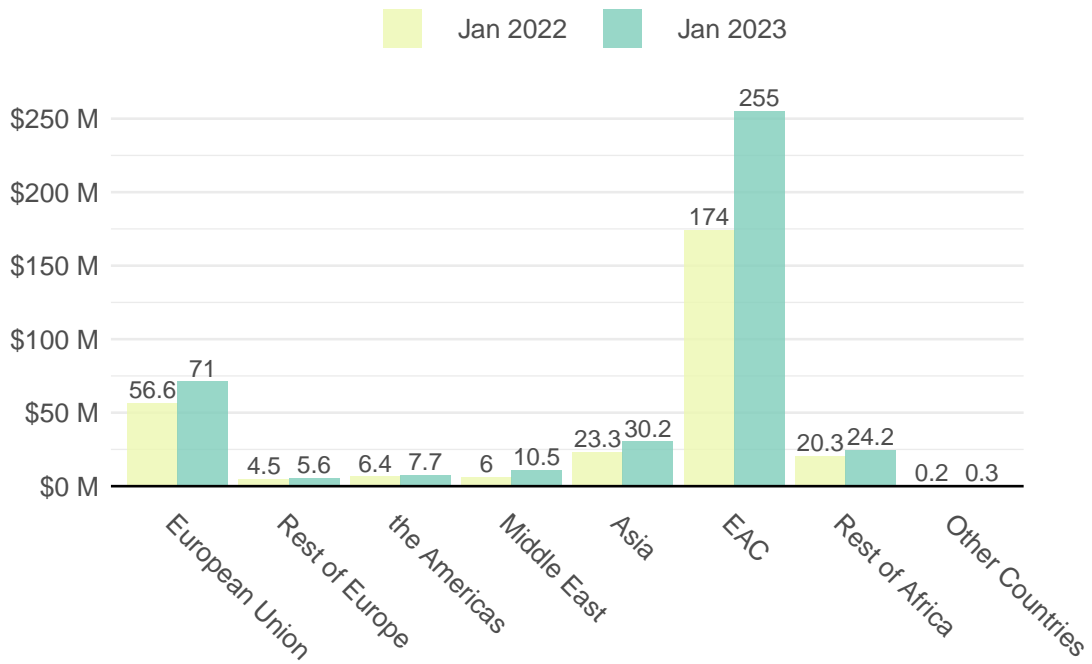


Destination of Exports⁸

EAC was the top destination of Uganda’s exports in January 2023, accounting for 63.0% of exports receipts. Kenya, South Sudan and Congo were the top three destinations of the exports to EAC, taking up 36.3%, 23.5% and 20.3% respectively.

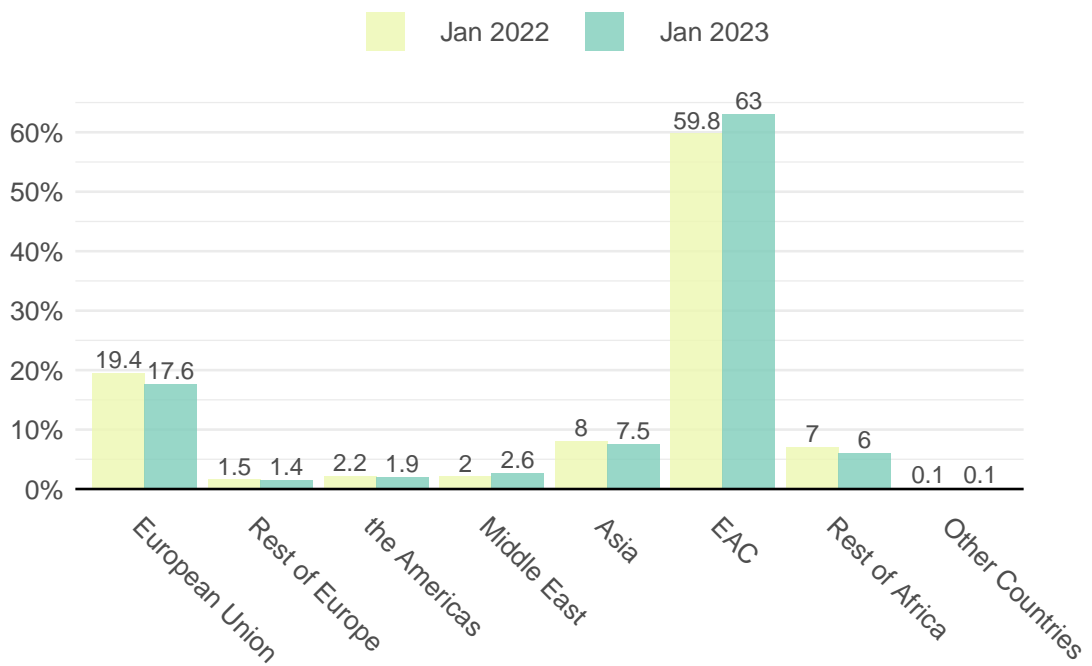
⁸Others include: Australia and Iceland.

Figure 18: Export Value by Destination (US\$ Million) [Source: BOU]



The European Union and Asia were the second and third top destinations taking up 17.6% and 7.5% of Uganda's total exports, respectively.

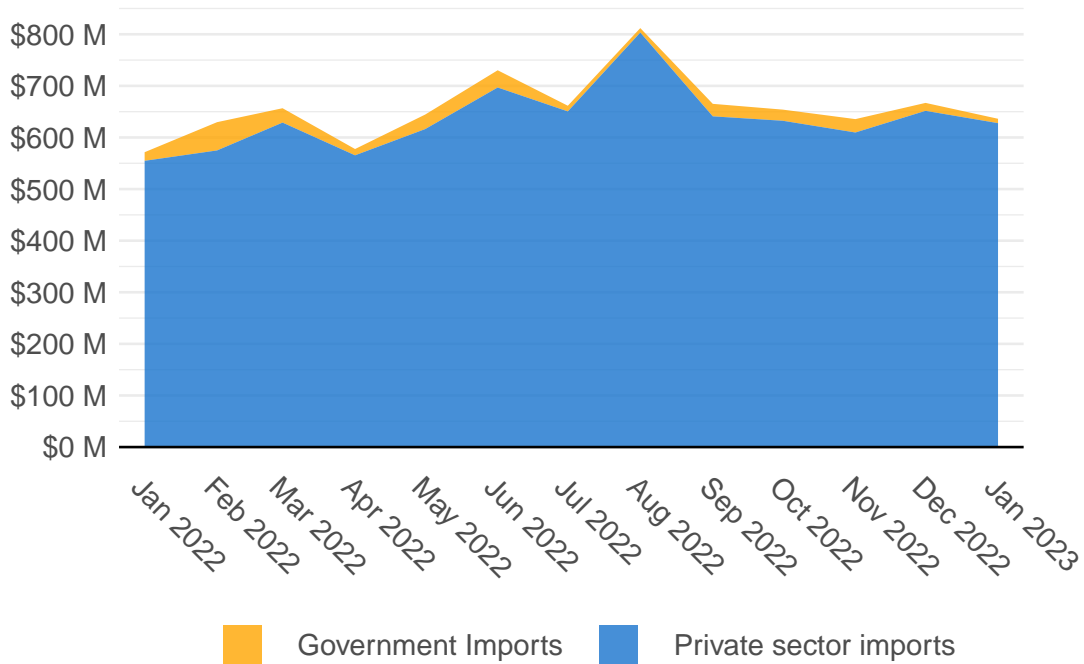
Figure 19: Export Share by Destination [Source: BOU]



Merchandise Imports⁹

Merchandise worth US\$ 636.26 million was imported in January 2023, a decline of 4.6% compared to US\$ 667.01 recorded the previous month. The decline was on account of lower volumes for both Government and private sector imports.

Figure 20: Merchandise Imports (US\$ Million) [Source: BOU]



However, the value of imports was higher by 11.3% in January 2023 compared to January 2022. The increase was driven by higher private sector imports as more volumes were imported compared to January 2022. This follows increased economic activity over the period of analysis. Imports that registered a significant increase include Electricity, Prepared food stuffs, Beverages and Tobacco and Animal and animal products.

⁹Statistics on trade come with a lag of one month.

Figure 21: Merchandise Imports by Origin (US\$ Million) [Source: BOU]

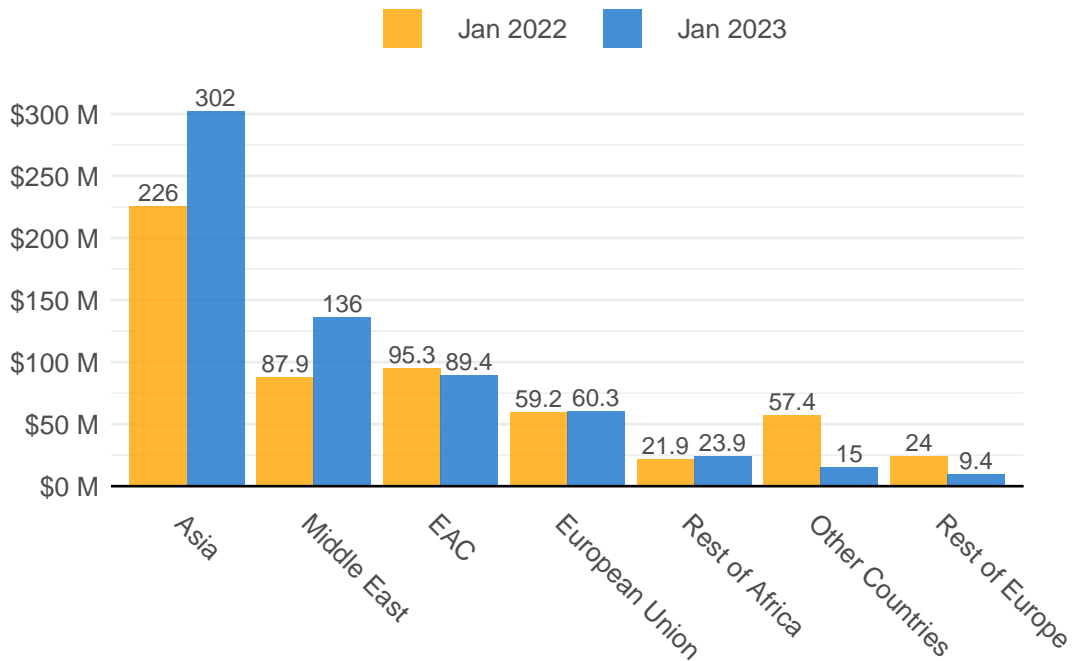
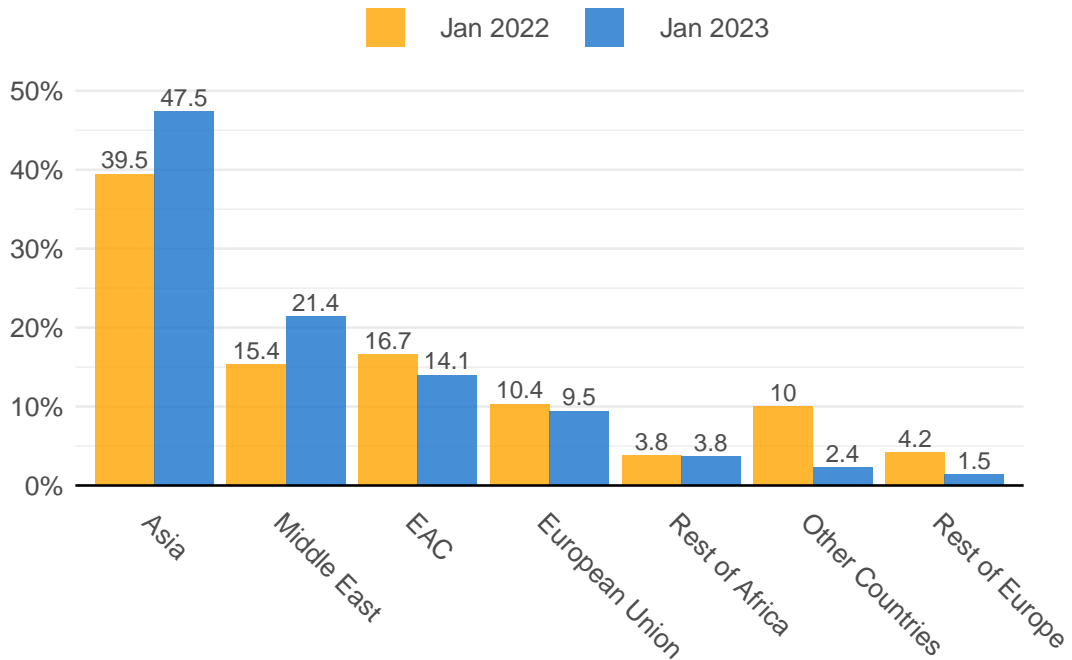


Figure 22: Merchandise Import Share by Origin [Source: BOU]



In January 2023, Asia was the largest source of merchandise imported accounting for 47.5% of the total imports. Of the total imports from Asia, 70.1% were from China and India. Asia was followed by the Middle East and EAC accounting for 21.4% and 14.1% of the total imports. In EAC, the top three sources of imports were Kenya, Tanzania and DRC each contributing 78.8%, 11.4% and 6.5% respectively of the total imports from the region.

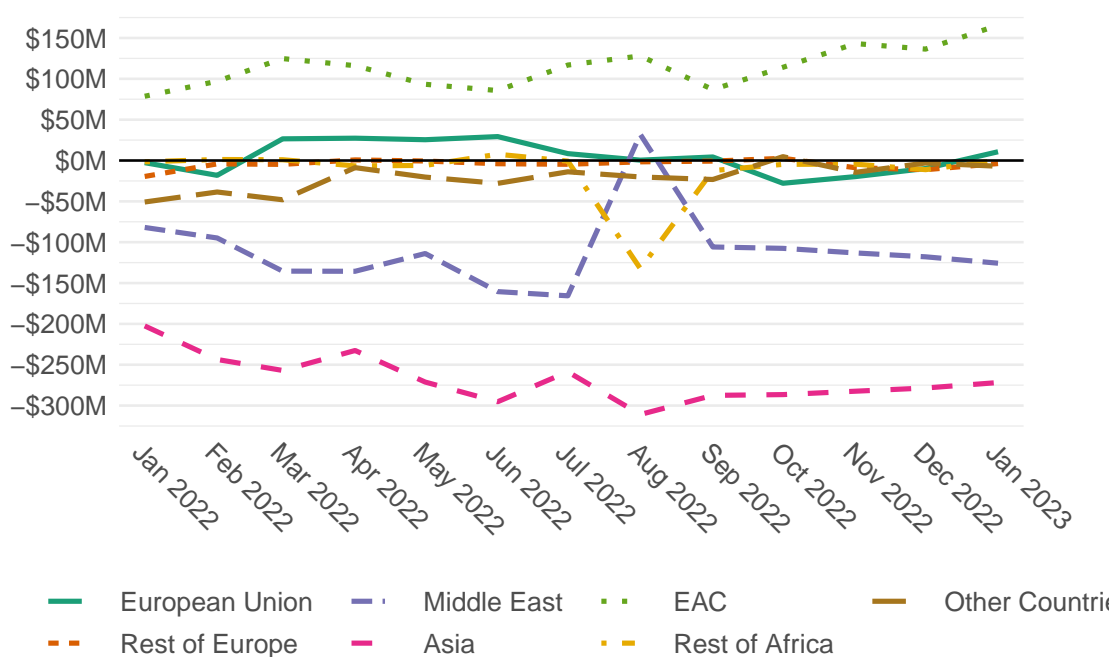
Trade Balance by Region

Uganda continued to trade at a deficit with Asia, although the deficit was lower compared to the previous month following higher exports to the region. On the other hand, a trade surplus was registered with the European Union, EAC and the Rest of Africa in January 2023. The trade position with EAC improved on both an annual and monthly basis as shown in Table 3.

Table 3: Merchandise Trade Balance by Region (US\$ Million) [Source: BOU]

| Region | Jan 2022 | Dec 2022 | Jan 2023 |
|-----------------|----------|----------|----------|
| European Union | -2.64 | -9.78 | 10.72 |
| Rest of Europe | -19.53 | -11.24 | -3.73 |
| Middle East | -81.96 | -117.89 | -125.7 |
| Asia | -202.48 | -278.47 | -271.81 |
| EAC | 78.66 | 136.39 | 165.48 |
| Rest of Africa | -1.58 | -11.18 | 0.26 |
| Other Countries | -50.79 | -3.02 | -7.03 |

Figure 23: Merchandise Trade Balance by Region (US\$ Million) [Source: BOU]



Fiscal Developments¹⁰

Government operations during February 2023 resulted in an overall fiscal deficit of shs. 645.79 billion, which was higher than the planned deficit of shs.400.32 billion. The higher deficit was mainly on account of shortfalls registered in revenues and grants collections during the month.

¹⁰Fiscal data is preliminary.

Table 4: Summary Table of Fiscal Operations February 2023 (UShs Billion) [Source: MOFPED]

| Shs Billion | Program | Outturn | Performance | Deviation |
|---------------------------------|-----------------|-----------------|--------------------|------------------|
| Revenues and grants | 2,107.3 | 1,894.09 | 89.9% | -213.21 |
| Revenues | 1,940.47 | 1,884.18 | 97.1% | -56.29 |
| Tax | 1,794.7 | 1,765.69 | 98.4% | -29 |
| Non-tax | 145.77 | 118.48 | 81.3% | -27.29 |
| Grants | 166.83 | 9.91 | 5.9% | -156.92 |
| o/w Project support | 152.06 | 9.91 | 6.5% | -142.16 |
| Expenditures and lending | 2,507.62 | 2,539.88 | 101.3% | 32.26 |
| Current expenditures | 1,518.31 | 1,647.68 | 108.5% | 129.37 |
| Wages and salaries | 537.37 | 535.45 | 99.6% | -1.92 |
| Interest payments | 172.74 | 223.56 | 129.4% | 50.82 |
| o/w domestic | 124.93 | 175.75 | 140.7% | 50.82 |
| o/w external | 47.81 | 47.81 | 100.0% | 0 |
| Other recurrent expenditure | 808.2 | 888.67 | 110.0% | 80.47 |
| Development expenditures | 900.83 | 885.18 | 98.3% | -15.65 |
| Domestic | 497.5 | 611.28 | 122.9% | 113.78 |
| External | 403.33 | 273.89 | 67.9% | -129.44 |
| Net lending/repayments | 11.38 | 0 | 0.0% | -11.38 |
| o/w HPP GoU | 0 | 0 | - | 0 |
| HPP Exim | 11.38 | 0 | 0.0% | -11.38 |
| Domestic arrears repayment | 77.1 | 7.02 | 9.1% | -70.07 |
| Domestic fiscal balance | -400.32 | -645.79 | - | - |

Domestic Revenues

Revenue and grants in February 2023 amounted to Shs 1,894.09 billion, a performance of 89.9% against the target of Shs 2,107.30 billion. Grants contributed the most to this shortfall after only 5.9% of the target for the month was realized. The non-disbursement of grants is mainly due to absorption challenges faced by Ministries, Departments, and Agencies (MDAs) implementing the projects.

Domestic Revenue collections amounted to Shs 1,884.18 billion against a target of shs 1,940.47 billion implying a shortfall of Shs 56.29 billion as both tax and non-tax revenue performed below their respective targets for the month.

During the month, Shs 1,765.69 billion was collected in form of tax revenue against a target of Shs 1,794.70 billion. This followed lower-than-targeted collections under indirect taxes and taxes on international trade which more than offset the surplus collection registered under direct taxes.

Direct tax collections amounted to Shs. 562.19 billion against the target of shs.480.23 billion. This performance was on account of surplus collections for PAYE (Shs 68.53 billion), corporate tax (Shs 3.79 billion), withholding tax (Shs 9.07 billion), tax on bank interest (Shs 5.68 billion), and rental income tax (Shs 1.46 billion). The higher than anticipated collections in PAYE were due to the increase in salaries for some civil servants and increase in employment in the private sector mainly in the oil and gas sector.

Indirect taxes amounted to Shs.442.87 billion against the Shs.513.37 billion target for the month

as both the excise duty and Value Added Tax were below their respective targets. This is mainly due to lower than the projected level of economic activity and thus demand for items like beer, sugar, cement, cosmetics, cooking oil, etc.

Similarly, taxes on international trade transactions were also lower than the target of Shs 796.27 billion by Shs 39.48 billion. The shortfall was mainly driven by lower collections in import duty, excise duty, and VAT on imports as the volume of imports turned out lower than anticipated during the month.

Expenditure

Overall government expenditure in February 2023 amounted to Shs.2,539.88 billion, 1.3% higher than the plan of Shs 2,507.62 billion for the month. This performance was mainly on account of recurrent spending and domestically financed development expenditure both of which were higher than their respective targets for the month.

Expenditure on recurrent items amounted to Shs 1,647.68 billion against a target of shs 1,518.31 billion, with the main driver being non-wage recurrent expenditure. Government spending on non-wage recurrent items was Shs 888.67 billion, 10.0% higher than the plan. This was due to some expenditure planned for January 2023 being executed in February 2023.

Development expenditure in February 2023 amounted to Shs.888.67 billion performing at 98.3% against the plan of Shs.900.83 billion. Whereas domestically financed development spending was higher than its plan for the month by 22.9% mainly to account for the January 2023 payments that were executed in February 2023, overall development spending turned out lower than the plan due to externally financed development expenditure which performed at 67.9% of the plan.

East Africa Community Developments

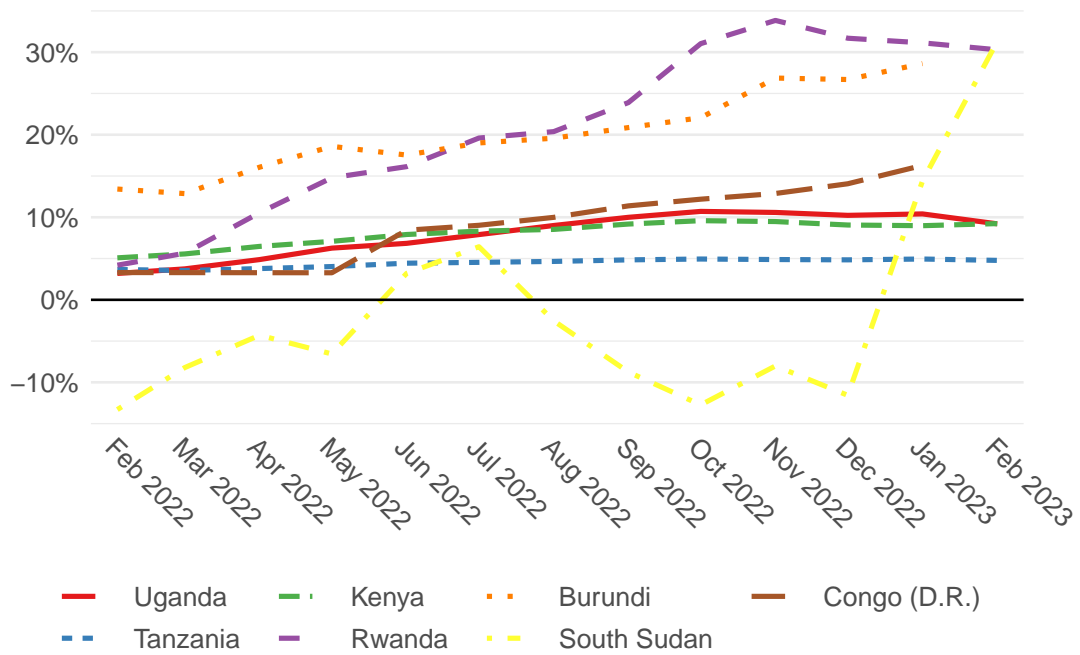
EAC Inflation¹¹

Just like Uganda, Tanzania's annual headline inflation trended downwards, slightly reducing to 4.8% from 4.9% registered the previous month. This was majorly on account of a slowdown in the price increase of commodities under food and non-alcoholic beverages.

Conversely, Kenya, Rwanda and South Sudan's annual headline inflation increased to 9.2%, 20.8% and 31.3% in February from 9.0%, 20.7% and 14.4% respectively. The rise in inflation for Kenya and Rwanda was largely attributed to an increase in prices of commodities under food and non-alcoholic beverages; housing, water, electricity, gas and other fuels.

¹¹Data for Burundi and Congo (D.R.) not readily available.

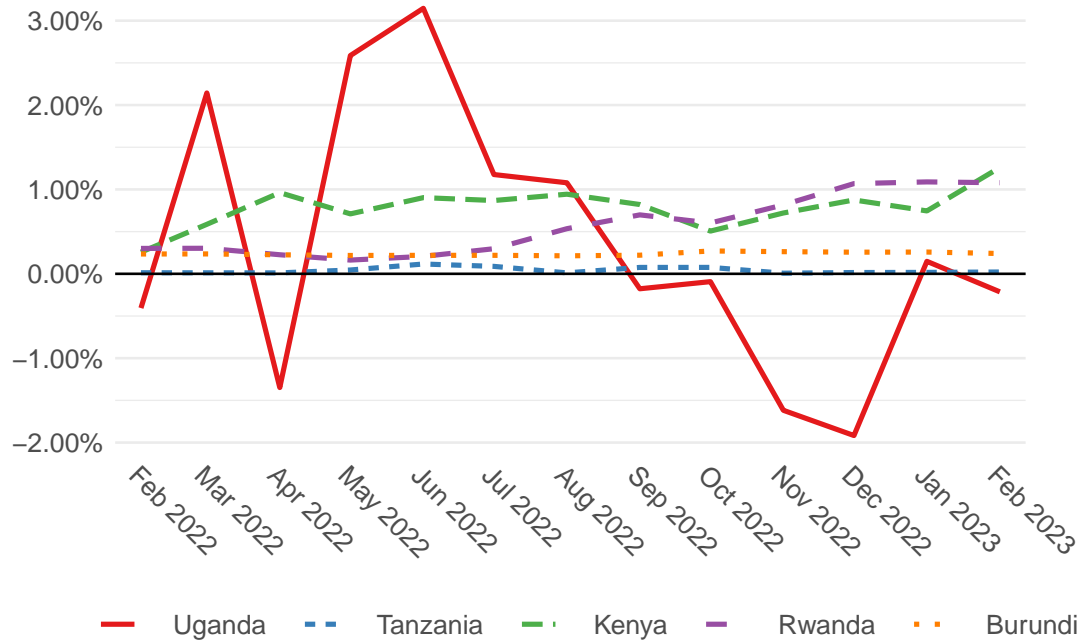
Figure 24: Headline Inflation for EAC Partner States [Source: Respective Country Authorities]



EAC Exchange Rates

Whereas the Ugandan Shilling appreciated, Kenya’s local currency depreciated by 1.3% against the US Dollar during the month under review. Likewise, both the Rwandese and Burundian Francs depreciated by 1.1% and 0.2% against the US Dollar. The Tanzanian Shilling, however, remained unchanged against the US Dollar as shown in Figure 25.

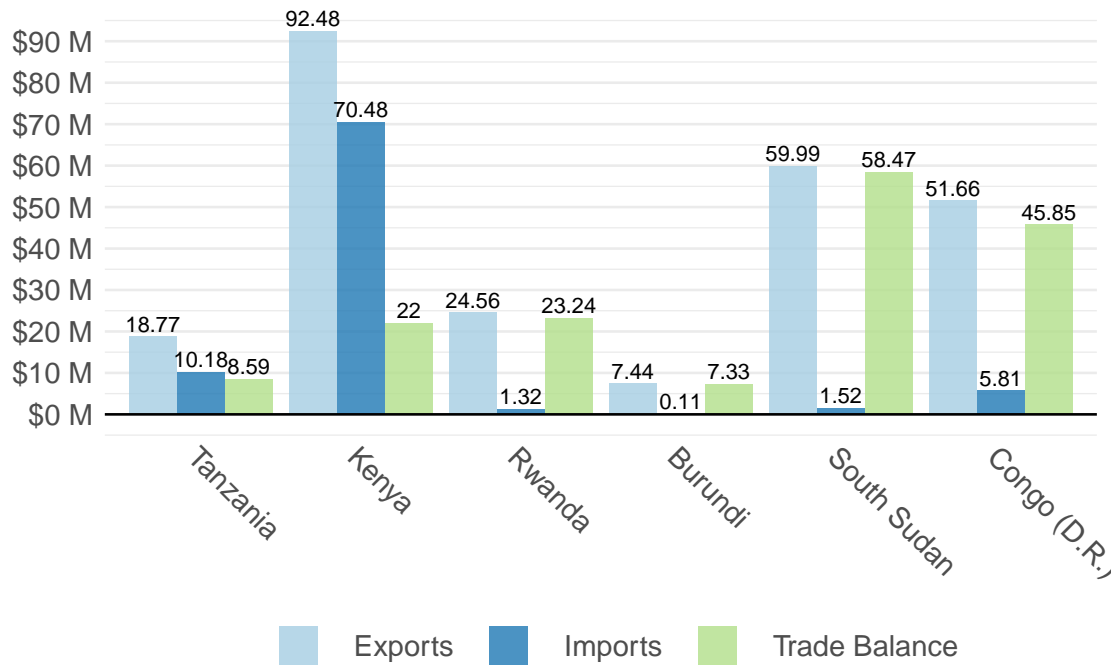
Figure 25: Monthly EAC Currency Depreciation Against the US\$ [Source: BOU]



Trade Balance with EAC

Uganda registered a trade surplus with all EAC countries in January 2023. Trade with South Sudan, Uganda’s second top export destination in the region, registered the highest surplus amounting to US\$ 58.47 million. Kenya remained Uganda’s main trade partner in the region and took up the largest share of her exports to the region.

Figure 26: Trade Balance with EAC Partner States (US\$ Million) [Source: BOU]



Glossary

| Term | Description |
|--------------------------------|--|
| Bid to cover ratio | This is an indicator for the 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 the 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. |
| BTI | The Business Tendency Index measures the level of optimism that executives have about current and expected outlook for production, order levels, employment, prices and access to credit. The Index covers the major sectors of the economy, namely construction, manufacturing, wholesale trade, agriculture and other services. The Overall Business Tendency Index above 50 indicates an improving outlook and below 50 a deteriorating outlook. |
| CIEA | 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. Data comes with a lag of one month. |
| Core Inflation | This is a subcomponent of headline inflation that excludes items subject to volatility in prices. It excludes energy, fuels, utilities, food crops and related items. |
| Headline Inflation | This refers to the rate at which prices of general goods and services in an economy change over a period of time usually a year. |
| Tenor | This refers to the time-to-maturity of a financial instrument, for example, if a certain instrument matures after 91 days – it is called a 91-day tenor. |
| PMI | The PMI is a composite index, calculated as a weighted average of five individual sub-components; New Orders (30%), Output (25%), Employment (20%), Suppliers' Delivery Times (15%), and Stocks of Purchases (10%). It gives an indication of business operating conditions in the Ugandan economy. The PMI above 50.0 signals an improvement in business conditions, while readings below 50.0 show a deterioration. The PMI is compiled on a monthly basis by Stanbic Bank Uganda. |
| Yield to Maturity (YTM) | Yield to maturity (YTM) is the total return anticipated on a treasury instrument if the instrument is held until it matures. |

Online Resources

Visit us online at mepd.finance.go.ug.

The entire history of data used for this and previous Performance of the Economy Reports - subject to data revisions - can be downloaded at mepd.finance.go.ug/apps/macro-data-portal.

The screenshot shows the Uganda Macro Data Portal interface. On the left is a sidebar with options for downloading data, selecting datasets (e.g., 'Performance of the Economy'), variables, and formats (Excel, CSV, etc.). The main area displays a table of data for the Consumer Price Index (CPI) from 1983 to 1987. The table includes columns for Date, Year, Quarter, Fiscal Year (FY), Quarter of Fiscal Year (QFY), Month, and CPI_16. The data shows quarterly CPI values for each year from 1983 to 1987, with values ranging from NA to 1987/88.

| Date | Year | Quarter | FY | QFY | Month | CPI_16 |
|------------|------|---------|---------|-----|-----------|--------|
| 1983-01-01 | 1983 | Q1 | 1982/83 | Q3 | January | NA |
| 1983-07-01 | 1983 | Q3 | 1983/84 | Q1 | July | NA |
| 1983-12-01 | 1983 | Q4 | 1983/84 | Q2 | December | NA |
| 1984-01-01 | 1984 | Q1 | 1983/84 | Q3 | January | NA |
| 1984-07-01 | 1984 | Q3 | 1984/85 | Q1 | July | NA |
| 1984-12-01 | 1984 | Q4 | 1984/85 | Q2 | December | NA |
| 1985-01-01 | 1985 | Q1 | 1984/85 | Q3 | January | NA |
| 1985-07-01 | 1985 | Q3 | 1985/86 | Q1 | July | NA |
| 1985-12-01 | 1985 | Q4 | 1985/86 | Q2 | December | NA |
| 1986-01-01 | 1986 | Q1 | 1985/86 | Q3 | January | NA |
| 1986-07-01 | 1986 | Q3 | 1986/87 | Q1 | July | NA |
| 1986-12-01 | 1986 | Q4 | 1986/87 | Q2 | December | NA |
| 1987-03-01 | 1987 | Q1 | 1986/87 | Q3 | March | NA |
| 1987-06-01 | 1987 | Q2 | 1986/87 | Q4 | June | NA |
| 1987-09-01 | 1987 | Q3 | 1987/88 | Q1 | September | NA |

An interactive display of leading economic indicators and a GDP nowcast is available at mepd.finance.go.ug/apps/macro-monitor.

The screenshot shows the Uganda Macroeconomic Monitor interface. It features a sidebar with options for frequency (Quarterly, Annual), data from (2010-2021), seasonal adjustment, and transformation. The main area displays two charts: a 'GDP Nowcast for Current Quarter' chart showing GDP at constant 2016/17 prices and its components (Taxes on Products and Services, VA in Services, VA in Industry, VA in Agriculture) from July 2018 to July 2020. Below it is a 'Purchasing Managers Index (PMI)' chart showing the index (Threshold at 50) from January 2018 to January 2021, with a notable dip to 21.62 in April 2020.

Data Table

The following table shows the past 13 months of data used for this report. It can also be downloaded as an Excel file (with 25 months of data) at mepd.finance.go.ug/reports. The table is not subject to data revisions.

Table 5: Data Table (continued)

| Indicator Code | Description | Feb-22 | Mar-22 | Apr-22 | May-22 | Jun-22 | Jul-22 | Aug-22 | Sep-22 | Oct-22 | Nov-22 | Dec-22 | Jan-23 | Feb-23 |
|---|---|----------|----------|-----------|----------|-----------|----------|-----------|----------|-----------|----------|----------|----------|----------|
| EXP_CU_OTH | Other Current Expenditures (UGX Billion) | 696.71 | 624.04 | 1,109.09 | 947.43 | 1,477.79 | 508.92 | 727.3 | 471.87 | 1,916.44 | 905.83 | 655.75 | - | - |
| EXP_DEV | Development Expenditures (UGX Billion) | 984.03 | 778.03 | 986.38 | 796.97 | 1,714.77 | 337.16 | 996.72 | 613.77 | 1,376.43 | 743.63 | 644.25 | - | - |
| EXP_DEV_DOM | Development Expenditures for Domestic Development (UGX Billion) | 418.95 | 391.84 | 979.28 | 517.36 | 1,408.64 | 55.35 | 550.96 | 110.58 | 1,022.45 | 536.23 | 348.78 | - | - |
| EXP_DEV_EXT | Development Expenditures for External Development (UGX Billion) | 565.08 | 386.19 | 7.1 | 279.6 | 306.13 | 281.81 | 445.76 | 503.19 | 353.98 | 207.4 | 295.47 | - | - |
| NLP | Net Lending/Repayments (UGX Billion) | 5.69 | 37.69 | 7.71 | 45.68 | 61.21 | 0 | 36.71 | 0 | 0 | 0 | 0 | - | - |
| NLP_HPP_GOU | Net Lending/Repayments Government of Uganda (GOU) (UGX Billion) | 5.69 | 5.67 | 7.71 | 7.16 | 5.67 | 0 | 0 | 0 | 0 | 0 | 0 | - | - |
| NLP_HPP_EXBK | Net Lending/Repayments Export Import Bank (UGX Billion) | 0 | 32.02 | 0 | 38.52 | 55.54 | 0 | 36.71 | 0 | 0 | 0 | 0 | - | - |
| PAY_ARR_DOM | Domestic Arrears Repayment (UGX Billion) | 66.48 | 35.53 | 0.55 | 33.55 | 21.4 | 109.49 | 326.95 | 43.38 | 123.38 | 26.49 | 35.58 | - | - |
| BAL_FIS | Overall Fiscal Balance (Including Grants) (UGX Billion) | -920.65 | -328.05 | -1,064.75 | -775.35 | -1,548.64 | -197.01 | -1,018.45 | -199.91 | -2,363.45 | -922.99 | 327.68 | - | - |
| BAL_DOM | Domestic Balance (UGX Billion) | -356.3 | 26.36 | -982 | -420.66 | -1,076.29 | 205.31 | -512.31 | 190.02 | -2,117.61 | -679.2 | 568.47 | - | - |
| East African Community⁶ | | | | | | | | | | | | | | |
| INF_TZA | Tanzania | 3.67 | 3.55 | 3.78 | 4.03 | 4.44 | 4.54 | 4.65 | 4.84 | 4.94 | 4.88 | 4.84 | 4.94 | 4.78 |
| INF_KEN | Kenya | 5.08 | 5.56 | 6.47 | 7.08 | 7.91 | 8.32 | 8.53 | 9.18 | 9.59 | 9.48 | 9.06 | 8.98 | 9.23 |
| INF_RWA | Rwanda | 4.19 | 5.64 | 10.55 | 14.79 | 16.14 | 19.6 | 20.38 | 23.9 | 31.03 | 33.85 | 31.69 | 31.13 | 30.29 |
| INF_BDI | Burundi | 13.42 | 12.87 | 16.07 | 18.59 | 17.54 | 19 | 19.58 | 20.87 | 22.06 | 26.86 | 26.69 | 28.62 | - |
| INF_SSD | South Sudan | -13.3 | -8.21 | -4.29 | -6.56 | 3.2 | 6.43 | -2.54 | -8.75 | -12.73 | -8.01 | -11.57 | 14.4 | 31.3 |
| INF_COD | Congo (D.R.) | 3.3 | 3.29 | 3.29 | 3.28 | 8.43 | 9.03 | 9.99 | 11.38 | 12.19 | 12.88 | 14.06 | 16.28 | - |
| E_TZA | Exchange Rate (UGX/TZS) Period Average | 1.53 | 1.56 | 1.54 | 1.58 | 1.63 | 1.65 | 1.66 | 1.66 | 1.66 | 1.63 | 1.6 | 1.6 | 1.6 |
| E_KEN | Exchange Rate (UGX/KES) Period Average | 30.92 | 31.4 | 30.68 | 31.25 | 31.95 | 32.04 | 32.09 | 31.77 | 31.58 | 30.85 | 29.99 | 29.82 | 29.38 |
| E_RWA | Exchange Rate (UGX/RWF) Period Average | 3.47 | 3.53 | 3.47 | 3.56 | 3.66 | 3.69 | 3.71 | 3.68 | 3.66 | 3.57 | 3.46 | 3.43 | 3.39 |
| E_BDI | Exchange Rate (UGX/BIF) Period Average | 1.75 | 1.78 | 1.75 | 1.79 | 1.84 | 1.86 | 1.88 | 1.87 | 1.86 | 1.83 | 1.79 | 1.79 | 1.78 |
| E_TZA_USD | Exchange Rate (TZS/USD) Period Average | 2,298.16 | 2,298.44 | 2,298.69 | 2,299.73 | 2,302.4 | 2,304.44 | 2,304.7 | 2,306.45 | 2,308.2 | 2,308.37 | 2,308.72 | 2,309.12 | 2,309.61 |
| E_KEN_USD | Exchange Rate (KES/USD) Period Average | 113.66 | 114.33 | 115.43 | 116.25 | 117.3 | 118.32 | 119.43 | 120.42 | 121.03 | 121.9 | 122.97 | 123.88 | 125.44 |
| E_RWA_USD | Exchange Rate (RWF/USD) Period Average | 1,014.09 | 1,017.16 | 1,019.46 | 1,021.12 | 1,023.23 | 1,026.27 | 1,031.76 | 1,038.97 | 1,045.23 | 1,053.77 | 1,065.03 | 1,076.63 | 1,088.25 |
| E_BDI_USD | Exchange Rate (BIF/USD) Period Average | 2,013.29 | 2,018.04 | 2,022.59 | 2,026.99 | 2,031.43 | 2,035.88 | 2,040.22 | 2,044.72 | 2,050.26 | 2,055.64 | 2,060.92 | 2,066.24 | 2,071.21 |
| EX_TZA | Value Exported to Tanzania (US\$ Million) | 12.43 | 12.19 | 20.56 | 15.45 | 13.88 | 13.43 | 14.16 | 13.64 | 16.39 | 11.76 | 15.6 | 18.77 | - |
| EX_KEN | Value Exported to Kenya (US\$ Million) | 53.91 | 58.57 | 49.72 | 66.17 | 61.94 | 52.85 | 50.42 | 51.6 | 54.89 | 70.86 | 71.19 | 92.48 | - |
| EX_RWA | Value Exported to Rwanda (US\$ Million) | 0.09 | 0.15 | 0.11 | 0.17 | 0.38 | 4.71 | 5.04 | 5.21 | 11.66 | 20.89 | 28.12 | 24.56 | - |
| EX_BDI | Value Exported to Burundi (US\$ Million) | 5.98 | 7.25 | 7.47 | 10.16 | 11.59 | 9.79 | 7.24 | 4.64 | 5.88 | 6.82 | 4.19 | 7.44 | - |
| EX_SSD | Value Exported to South Sudan (US\$ Million) | 58.77 | 66.06 | 61.18 | 59.34 | 56.93 | 62.29 | 75.4 | 56.89 | 52.97 | 54.03 | 50.98 | 59.99 | - |
| EX_COD | Value Exported to Congo (D.R.) (US\$ Million) | 57.9 | 72.65 | 64.18 | 58.7 | 61.74 | 61.15 | 56.75 | 56.52 | 52.1 | 52.17 | 57.01 | 51.66 | - |
| IM_TZA | Value Imported from Tanzania (US\$ Million) | 24.03 | 23.85 | 28.35 | 38.84 | 33.29 | 14.74 | 14.46 | 24.94 | 12.53 | 10.62 | 19.95 | 10.18 | - |
| IM_KEN | Value Imported from Kenya (US\$ Million) | 63.52 | 63.19 | 53.85 | 71.56 | 81.11 | 63.35 | 56.82 | 68.67 | 59.07 | 55.09 | 58.71 | 70.48 | - |
| IM_RWA | Value Imported from Rwanda (US\$ Million) | 0.71 | 0.55 | 0.45 | 1.06 | 1.05 | 1.31 | 1.37 | 1.13 | 1.02 | 0.99 | 1.2 | 1.32 | - |
| IM_BDI | Value Imported from Burundi (US\$ Million) | 0.07 | 0.06 | 0.1 | 0.05 | 0.05 | 0 | 0.02 | 0.08 | 0.15 | 0.1 | 0.12 | 0.11 | - |
| IM_SSD | Value Imported from South Sudan (US\$ Million) | 1.22 | 1.98 | 1.97 | 1.71 | 1.49 | 1.33 | 1.35 | 1.2 | 1.27 | 1.46 | 2.23 | 1.52 | - |
| IM_COD | Value Imported from Congo (D.R.) (US\$ Million) | 2.5 | 2.46 | 2.42 | 3.45 | 3.83 | 6.66 | 6.97 | 5.58 | 5.74 | 5.14 | 8.48 | 5.81 | - |
| TB_TZA | Trade Balance with Tanzania (US\$ Million) | -11.6 | -11.66 | -7.79 | -23.4 | -19.41 | -1.31 | -0.3 | -11.3 | 3.85 | 1.13 | -4.35 | 8.59 | - |
| TB_KEN | Trade Balance with Kenya (US\$ Million) | -9.61 | -4.62 | -4.13 | -5.38 | -19.16 | -10.5 | -6.39 | -17.07 | -4.17 | 15.77 | 12.48 | 22 | - |
| TB_RWA | Trade Balance with Rwanda (US\$ Million) | -0.62 | -0.4 | -0.34 | -0.89 | -0.67 | 3.41 | 3.67 | 4.08 | 10.64 | 19.91 | 26.92 | 23.24 | - |
| TB_BDI | Trade Balance with Burundi (US\$ Million) | 5.91 | 7.19 | 7.37 | 10.1 | 11.54 | 9.79 | 7.22 | 4.55 | 5.73 | 6.72 | 4.07 | 7.33 | - |
| TB_SSD | Trade Balance with South Sudan (US\$ Million) | 57.55 | 64.08 | 59.21 | 57.63 | 55.44 | 60.95 | 74.05 | 55.68 | 51.7 | 52.57 | 48.75 | 58.47 | - |
| TB_COD | Trade Balance with Congo (D.R.) (US\$ Million) | 55.4 | 70.19 | 61.77 | 55.25 | 57.91 | 54.49 | 49.78 | 50.94 | 46.37 | 47.02 | 48.53 | 45.85 | - |

Notes on Data Sources and Methods by Sector:

^a Inflation is compiled by UBOS and provided by BOU. The new CPI of 2016/17 is used in the report, The PMI is compiled by Stanbic Bank Uganda. CIEA and BTI are compiled by BOU.

^b Data on exchange rates, interest rates and credit to the private sector is provided by BOU. Data on government securities and bid-to-cover ratios is provided by MOFPEd.

^c Data on international trade is provided by BOU. A finer disaggregation can be retrieved online at <https://mepd.finance.go.ug/apps/macro-data-portal>.

^d Fiscal sector data is provided by MOFPEd. These are preliminary outcome numbers which may be adjusted in the coming months.

^e EAC headline inflation rates are provided by the respective authorities: Tanzania National Bureau of Statistics, Kenya National Bureau of Statistics, National Institute of Statistics Rwanda, Central Bank of Burundi. EAC exchange rate and trade data are provided by BOU.