



PERFORMANCE OF THE ECONOMY REPORT  
DECEMBER 2018

MACROECONOMIC POLICY DEPARTMENT  
MINISTRY OF FINANCE, PLANNING AND ECONOMIC  
DEVELOPMENT

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## **Table of Contents**

LIST OF TABLES.....	ii
LIST OF FIGURES.....	iii
LIST OF ACRONYMS.....	iv
GLOSSARY.....	v
SUMMARY.....	1
REAL SECTOR DEVELOPMENTS.....	3
Inflation.....	3
Economic Activity.....	4
Composite Index of Economic Activity (CIEA).....	4
Business Tendency Index (BTI).....	5
Purchasing Manager’s Index (PMI).....	5
FINANCIAL SECTOR DEVELOPMENTS.....	6
Exchange Rate Movements.....	6
Interest Rate Movements.....	7
Private Sector Credit.....	8
Government Securities.....	10
Interest rates on Treasury Bills.....	11
EXTERNAL SECTOR DEVELOPMENTS.....	12
Merchandise Trade Balance.....	12
Merchandise Exports.....	12
Destination of Exports.....	13
Merchandise Imports.....	14
Origin of Imports.....	15
FISCAL SECTOR DEVELOPMENTS.....	16
Overview.....	16
Revenue and Grants.....	17
Government Expenditure.....	17
DEVELOPMENTS WITHIN THE EAC REGION.....	19
Inflation.....	19
Exchange Rates.....	19
Trade Balance with EAC Partner States.....	20

## **LIST OF TABLES**

Table 1: Summary Statistics on Annual Inflation -----	3
Table 2: Credit Extension by Sector (Billion Shillings)-----	10
Table 3: Securities in FY 2018/19, Billion Shillings -----	11
Table 4: Composition of Merchandise Exports, USD millions -----	13
Table 5: Share of exports by destination -----	14
Table 6: Performance of Imports -----	15
Table 7: Summary statement of Government finance operations for December 2018 (Billion Shillings)-----	16
Table 8: Headline Inflation for EAC Partner States (percentage) -----	19
Table 9: Change in Exchange Rates for Selected EAC Partner States (FY2018/19) -----	20
Annex 1: Overall Fiscal Operations Outturns in Billions of Shillings, January 2018 – November 2018 -----	21
Annex 2: Selected Economic Indicators -----	22

## **LIST OF FIGURES**

Figure 1: Annual Inflation, December 2017 – December 2018 -----	4
Figure 2: Composite Index of Economic Activity (CIEA) -----	4
Figure 3: Business Tendency Index (BTI) -----	5
Figure 4: Exchange rate movements for December 2017 – December 2018 -	7
Figure 5: Developments in Key Interest Rates -----	8
Figure 6: Outstanding Private Sector Credit (November 2017 – November 2018)-----	9
Figure 7: Sectoral shares of credit extended to the private sector in November 2018.-----	10
Figure 8: Movement of Treasury Bill Yields-----	12
Figure 9: Origin of Imports by Percentage Share in November 2018 -----	15
Figure 10: Trade with EAC, November 2018 -----	20

## **LIST OF ACRONYMS**

BTI	Business Tendency Index
BOU	Bank of Uganda
B.Franc	Burundian Franc
CIEA	Composite Index of Economic Activity
EAC	East African Community
EFU	Energy, Fuels and Utilities
FY	Financial Year
ICBT	Informal Cross Border Trade
KShs	Kenyan Shilling
MDAs	Ministries, Departments and Agencies
MOFPED	Ministry of Finance, Planning and Economic Development
NGO	Non-Government Organisation
PMI	Purchasing Managers Index
PSC	Private Sector Credit
R.Franc	Rwandese Franc
T-Bills	Treasury Bills
T-Bonds	Treasury Bonds
TShs	Tanzanian Shilling
Shs	Ugandan shilling
USD	United States Dollar
UBOS	Uganda Bureau of Statistics
VAT	Value Added Tax

## **GLOSSARY**

**Bid to cover ratio** This is an indicator for demand of Government securities in a given auction.

**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.

**Core Inflation** This a subcomponent of headline inflation that excludes items subject to volatility in prices. It therefore excludes energy, fuels, utilities, food crops and related items.

**Tenor** This refers to the time-to-maturity of an instrument, i.e if a certain instrument matures after 91 days – it is called a 91-day tenor

**Yield to Maturity** Yield to maturity (YTM) is the total return anticipated on a treasury instrument if the instrument is held until it matures.

## SUMMARY<sup>1</sup>

**Inflation:** Annual headline inflation for December 2018 was recorded at 2.2 percent, down from the 3.0 percent recorded at the end of November 2018. This was due to annual food crop inflation which decelerated further to minus 5.0 percent in December 2018 compared to minus 3.3 percent for November 2018. Core inflation and EFU also declined to 2.8 percent and 6.9 percent in December from 3.4 percent and 7.7 percent in November, respectively.

**Economic Activity:** The high frequency indicators of economic activity show that there was a general improvement in the level of economic activity and the business environment in Uganda. The CIEA improved by 0.8 percent in November while the BTI and PMI were positive and improving in December 2018.

**Exchange Rate:** The Ugandan Shilling appreciated by 0.7 percent against the US Dollar in December 2018. The shilling traded at an average midrate of Shs 3,714.1/USD in December 2018 which was lower than the average midrate of Shs 3,739.6/USD for the previous month as there were more dollar inflows from coffee export receipts among others which outmatched the demand from oil and manufacturing sectors.

**Private Sector Credit:** The total stock of outstanding private sector credit increased by 1.6 percent in November 2018 to Shs 14,099.5 billion from Shs 13,879.8 billion recorded in the month before.

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<sup>1</sup> Data on Private Sector Credit and Trade has a lag of one month.

**Interest rates:** There was a decline in yields (interest rates on treasury bills) across all tenors during December 2018. The average weighted yields to maturity for December were 10.8%, 12.0% and 13.0% for the 91, 182 and 364 day tenors, respectively.

Lending rates by commercial banks slightly went up in November 2018 compared to the previous month.

**Merchandise Trade Balance:** Uganda's trade deficit deteriorated by 4.4% from USD 203.3 million in October 2018 to USD 212.3 million in November 2018, on account of a bigger decline in export receipts that offset the drop in the import bill. Export receipts decreased by USD 36.8 million while the import bill decreased by USD 27.7 million.

**Fiscal Operations:** Preliminary data indicate that Government operations resulted into a fiscal surplus of Shs 461.0 billion against a programmed fiscal deficit of Shs 533.8 billion. This was mainly due to underperformance in government expenditure whereby only 55.1 percent of programmed expenditure was realised during the month. On a positive note, domestic revenue performed well at 105.9 percent, amounting to Shs 1,780.5 billion and thus a Shs 99.4 billion surplus.



## REAL SECTOR DEVELOPMENTS

### Inflation

Annual headline inflation for December 2018 was recorded at 2.2 percent, down from the 3.0 percent recorded at the end of November 2018. This followed a decline in all the underlying categories of inflation. Annual food crop inflation decelerated further to minus 5.0 percent in December 2018 compared to minus 3.3 percent for November 2018. Similarly, annual core and annual Energy, Fuel & Utilities (EFU) inflation dropped to 2.8 percent and 6.9 percent respectively, from 3.4 percent and 7.7 percent as shown in table 1 below.

**Table 1: Summary Statistics on Annual Inflation**

Inflation Category	Nov-18	Dec-18
Headline	3.0%	2.2%
Core	3.4%	2.8%
EFU	7.7%	6.9%
Food Crops and Related Items	-3.3%	-5.0%

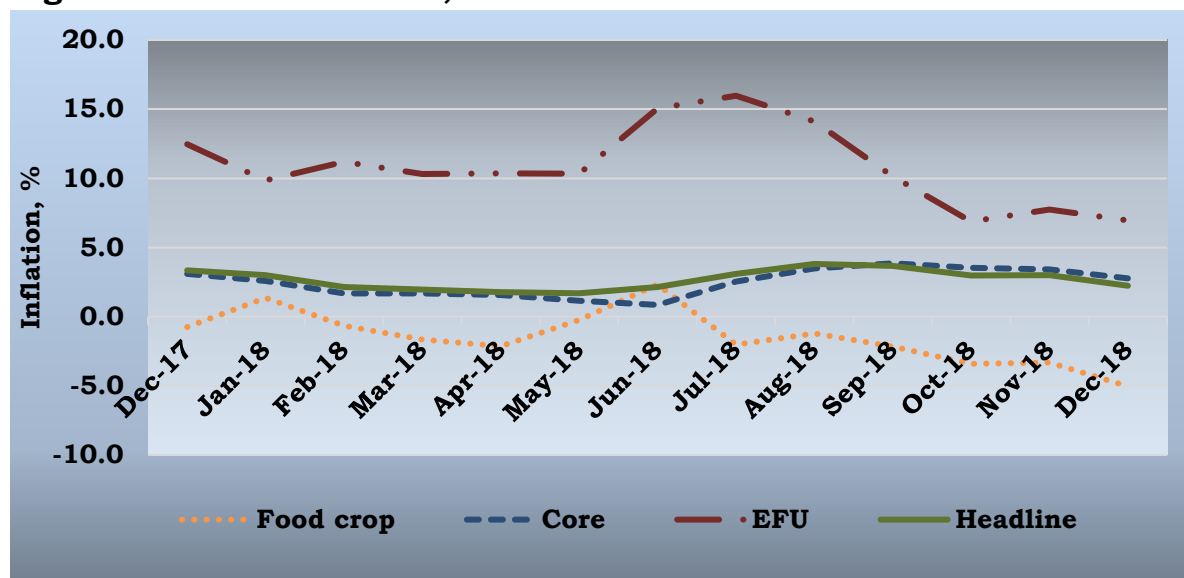
*Source: Uganda Bureau of Statistics*

The continued deflation in the food crops sub category is mainly due to good harvests in most of 2018 as the country benefited from good weather throughout the year.

The decline in core inflation in December 2018 was partly due to the appreciation of the shilling during the last quarter of 2018. This appreciation caused a slower increase in the prices of imported goods. There was also a slowdown in price increases of some of the locally manufactured goods such as foot wear, and some services such as recreational services, which also contributed to the slowdown in core inflation in December.

Annual EFU inflation also registered a decline following a slowdown in price increases for charcoal and firewood as well as for petrol and kerosene during December 2018. Figure 1 shows how annual inflation evolved from December 2017 to December 2018.

**Figure 1: Annual Inflation, December 2017 – December 2018**



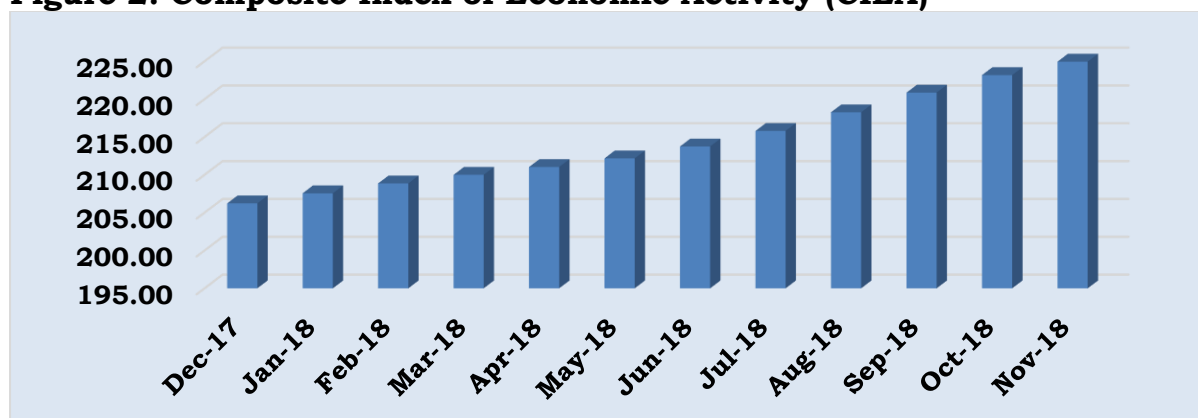
Source: Uganda Bureau of Statistics

## Economic Activity

### Composite Index of Economic Activity (CIEA)

The economy continued to improve according to the Composite Index of Economic Activity (CIEA)<sup>2</sup> which is an indicator of the level of economic activity. The CIEA was recorded at 224.95 which is 0.8 percent increment from the previous month. This implies that economic activity during that period registered an improvement. Figure 2 below shows the movement of the Composite Index of Economic Activity (CIEA).

**Figure 2: Composite Index of Economic Activity (CIEA)**



Source: Bank of Uganda

<sup>2</sup> The 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.

### **Business Tendency Index (BTI)**

The BTI<sup>3</sup> also improved from 58.4 in November 2018 to 58.9 in December 2018 implying that not only did the sentiments about doing business in Uganda's economy remain positive during the month, they were also improving. Investor sentiments were most positive in Agriculture and Construction sectors among others.

With business people and prospective investors becoming more confident about doing business in the economy, more investments are expected which will boost economic activity and economic performance in general. Figure 3 shows the movement of the Business Tendency Index from December 2017 to December 2018.

**Figure 3: Business Tendency Index (BTI)**



*Source: Bank of Uganda*

### **Purchasing Manager's Index (PMI)<sup>4</sup>**

The Purchasing Managers Index (PMI) for December was recorded at 56.6 which is not only above the threshold of 50.0, but also an improvement when

<sup>3</sup> The Business Tendency Index measures the level of optimism that investors have about the 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

<sup>4</sup> 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%). 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.

compared to the 55.7 for the earlier month. Just like the BTI, the PMI for December showed continued improvement in the business environment for the private sector which was mainly supported by increased demand in the domestic market.

## **FINANCIAL SECTOR DEVELOPMENTS**

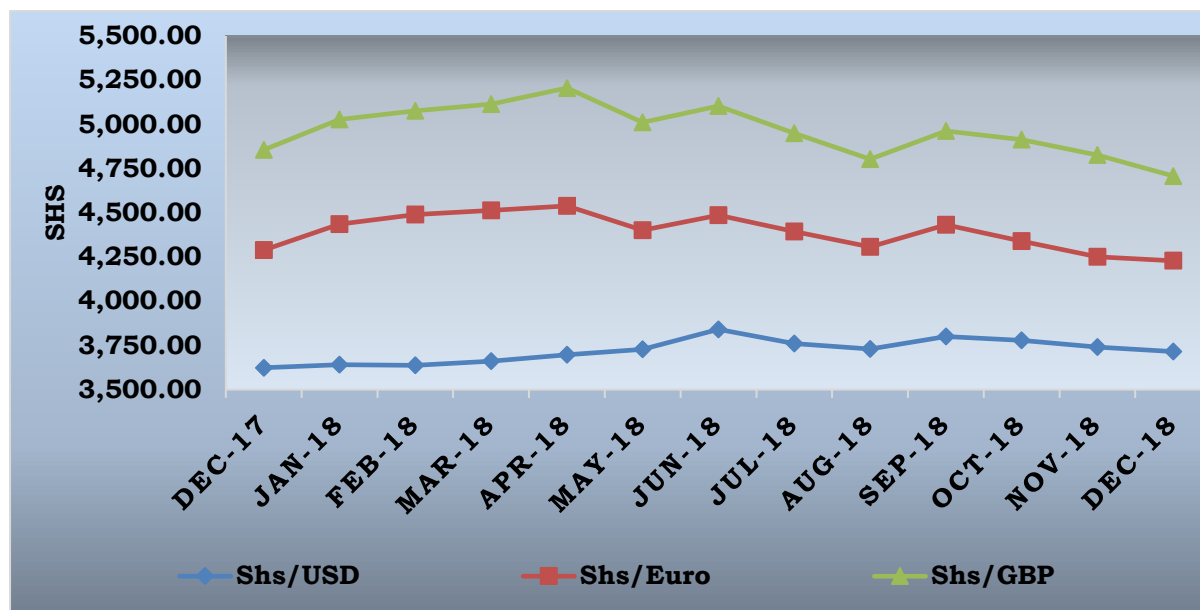
### **Exchange Rate Movements**

The Ugandan Shilling continued to gain ground against the US Dollar, appreciating by 0.7 percent in December 2018. The shilling traded at an average midrate of Shs 3,714.1/USD in December 2018 which is lower than the average midrate of Shs 3,739.6/USD recorded the previous month. December marked the third month in a row that the Shilling registered an appreciation against the Dollar. The Shilling opened the month at an average midrate of Shs 3,725/USD and closed the month at Shs 3,713.4/USD. This means that, intramonth, there was an appreciation of 0.3 percent.

The domestic currency also performed well against the other major currencies in December 2018. The Shilling appreciated by 2.4 percent against the Great Britain Pound (GBP), trading at an average midrate of Shs 4,707.9/GBP in December as opposed to Shs 4,826/GBP in November 2018.

Similarly, the Shilling also appreciated against the Euro by 0.5 percent in December 2018 having averaged at a midrate of Shs 4,228.2/Euro down from Shs 4,250.6/Euro recorded in the previous month. Figure 4 shows the movement of the Uganda against major currencies for December 2017 to December 2018.

**Figure 4: Exchange rate movements for December 2017 – December 2018**



Source: Bank of Uganda

This appreciation of the Shilling against major currencies is partly explained by increased supply of the hard currencies, especially the US Dollar, as Ugandans who work abroad returned home for the holidays while others made remittances to their families. There was also increased dollar inflows from coffee exports as well as NGOs. This supply was able to outmatch the demand for the Dollar from the oil and the telecommunication sectors during the month.

### Interest Rate Movements

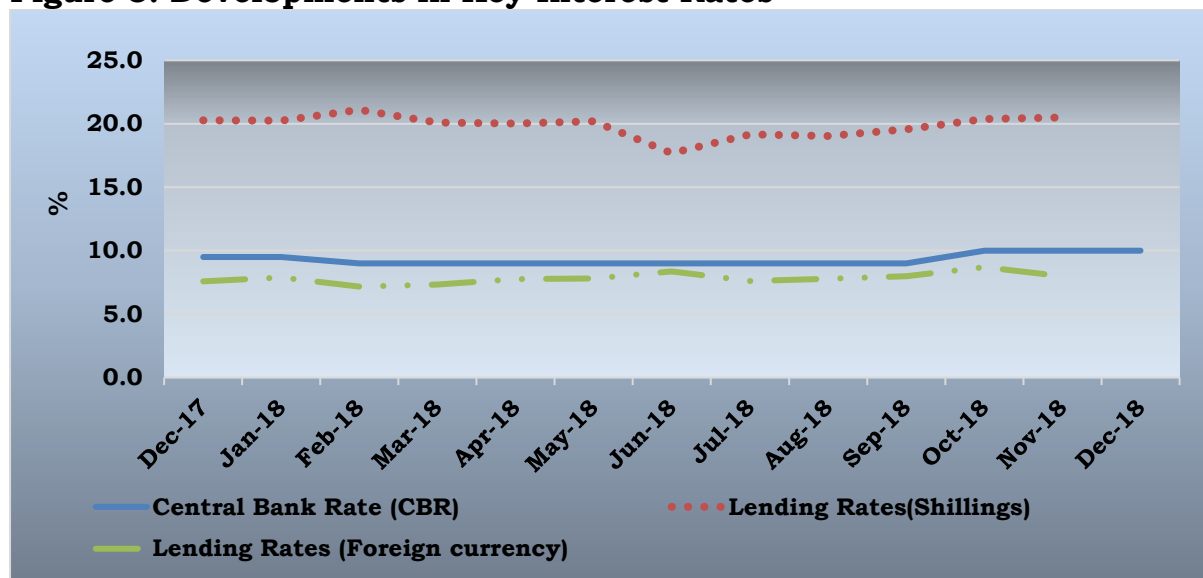
As had been the case for the previous month, the Central Bank Rate (CBR) was maintained at 10.0 percent in December 2018 owing to subdued inflationary pressures.

During November 2018, the average lending rate for shilling denominated credit was recorded at 20.51 percent up from the 20.37 percent recorded for the previous month. This marked the third consecutive month the average lending rate registered a marginal increase and this is partly due to the increase of the CBR in October 2018 from 9 percent to 10 percent.

However, average lending rate for foreign currency denominated credit declined from 8.7 percent in October 2018 to 7.99 percent in November.

Developments in key interest rates for the period December 2017 - December 2018 are illustrated in Figure 5.

**Figure 5: Developments in Key Interest Rates**

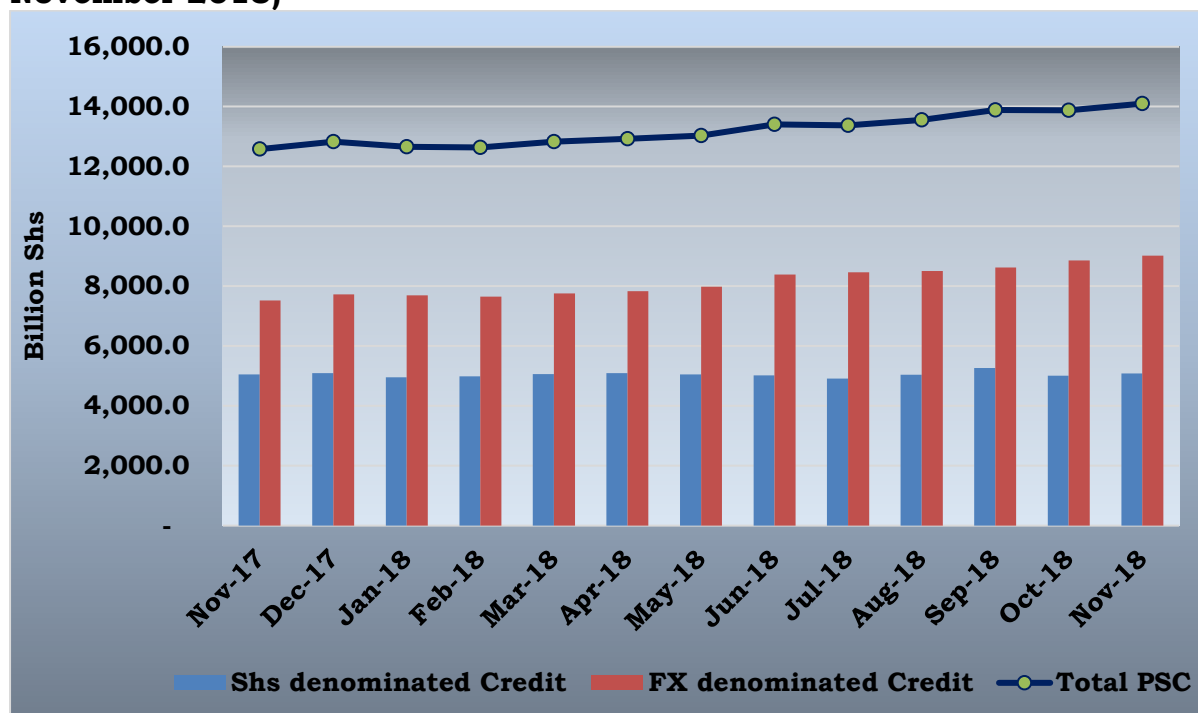


Source: Bank of Uganda

### Private Sector Credit

The total stock of outstanding private sector credit increased by 1.6 percent in November 2018 to Shs 14,099.5 billion from Shs 13,879.8 billion recorded in the month before. The stock of both the shilling denominated credit and the foreign currency denominated credit registered growth during the month. The stock of shilling denominated credit expanded by 1.7 percent from Shs 8,865.4 billion in October 2018 to Shs 9,015.8 billion in November 2018 while the stock of foreign currency denominated credit also grew by 1.4 percent from an equivalent of Shs 5,014.4 billion in October 2018 to Shs 5,083.8 billion. Figure 6 shows outstanding private sector credit from November 2017 to November 2018.

**Figure 6: Outstanding Private Sector Credit (November 2017 – November 2018)**



Source: Bank of Uganda

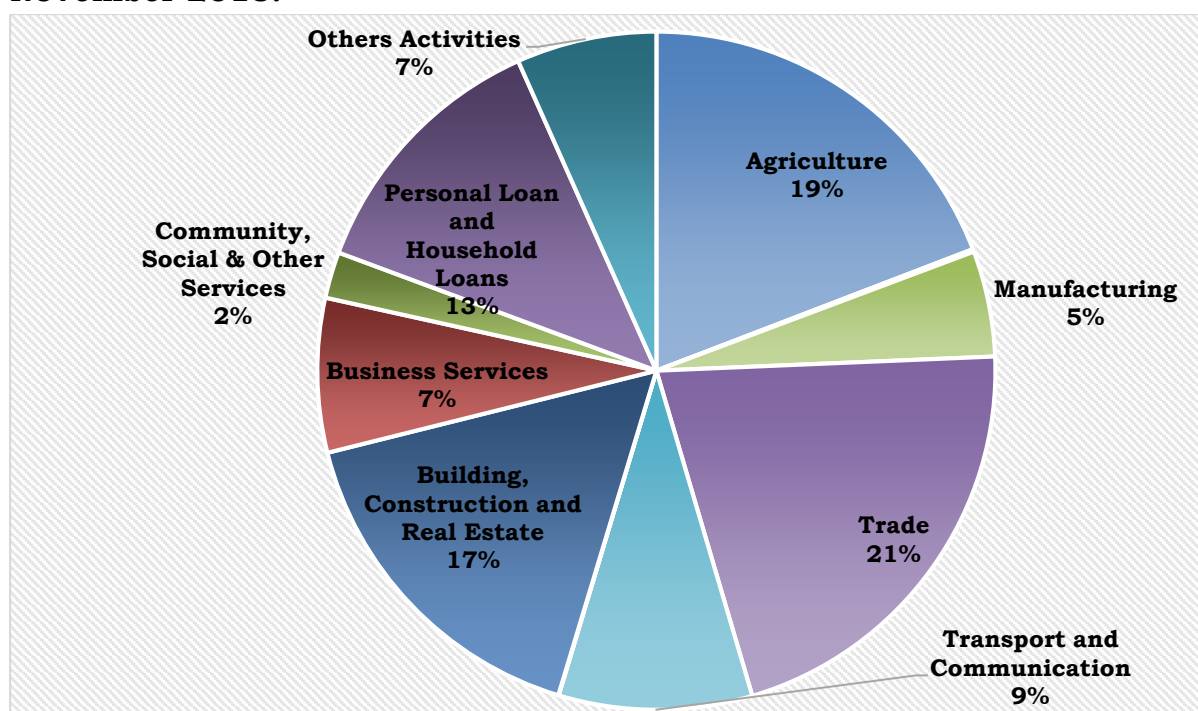
The month also registered an increased amount of loans approved and extended to the private sector when compared to the previous one. The value of credit extended to the private sector grew by 10.8 percent to Shs 1,234.1 billion in November from Shs 1,113.9 billion in October 2018. In comparison to the same period of the previous year, credit extension in November 2018 expanded by 42.7 percent from the Shs 865.0 billion that was extended to the private sector in November 2017. This is partly attributed to the improved economic activity in the country this year compared to last year (According to the high frequency indicators of economic activity). Table 2 shows growth of credit extended to the different sectors in November 2018.

**Table 2: Credit Extension by Sector (Billion Shillings)**

	Nov-17	Oct-18	Nov-18	Growth rates Oct'18 Vs Nov'18	Growth rates Nov'17 Vs Nov'18
Agriculture	102.7	135.5	236.5	74.6%	130.3%
Mining and Quarrying	0.4	2.3	1.5	-33.5%	321.1%
Manufacturing	74.7	92.5	62.2	-32.7%	-16.7%
Trade	257.7	330.8	260.4	-21.3%	1.0%
Transport and Communication	51.4	156.3	113.7	-27.2%	121.1%
Electricity and Water	0.2	1.8	0.3	-86.0%	8.7%
Building, Construction and Real Estate	136.9	131.7	202.8	54.0%	48.1%
Business Services	52.4	44.7	90.7	103.0%	73.1%
Community, Social & Other Services	27.2	28.1	27.2	-3.0%	-0.1%
Personal Loan and Household Loans	153.3	175.1	156.2	-10.8%	1.9%
Others Activities	7.97	15.20	82.47	442.6%	934.6%
<b>TOTAL</b>	<b>865.0</b>	<b>1,113.9</b>	<b>1,234.1</b>	<b>10.8%</b>	<b>42.7%</b>

Source: Bank of Uganda

Of the total credit extended to the private sector in November 2018, 21 percent was to the trade sector as importers and other traders prepared for the festive season. Other sectors that accounted for a bigger share of the credit during the month included agriculture and the real estate as shown in figure 7 below.

**Figure 7: Sectoral shares of credit extended to the private sector in November 2018.**

Source: Bank of Uganda

## Government Securities

There were three auctions of Government securities in the month of December 2018, from which Shs 476.94 billion (at cost) was raised. Of this, Shs 349.72 billion was in Treasury Bills while Shs 127.22 billion was in Treasury Bonds.



During the month, securities worth Shs 343.1 billion were issued for the refinancing of maturing debt whilst Shs 133.84 billion went towards financing other activities in the Government budget, as shown in table 3 below.

**Table 3: Securities in FY 2018/19, Billion Shillings**

	<b>Total Issuances</b>	<b>Government Domestic Borrowing</b>	<b>Refinancing</b>
<b>Q1 2018/19</b>	<b>1533.04</b>	<b>303.5</b>	<b>1,229.54</b>
Oct-18	554.4	297.4	257
Nov-18	852.43	224.66	627.77
Dec-18	476.94	133.84	343.10
<b>July to date</b>	<b>3,416.81</b>	<b>959.40</b>	<b>2,457.41</b>

Source: Auction Results, MFPED

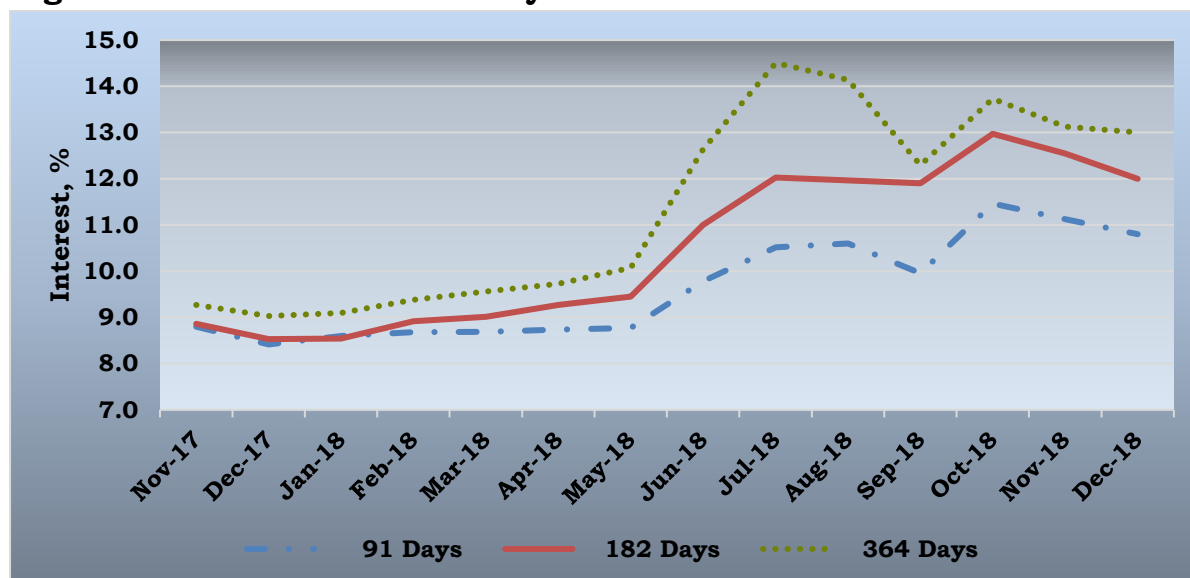
### **Interest rates on Treasury Bills**

The primary market was characterized by a decline in yields for the 91, 182 and 364 day tenors. The average weighted yields to maturity<sup>5</sup> for December were 10.8 percent, 12.0 percent and 13.0 percent for the 91, 182 and 364 day tenors, respectively. This compares with 11.1 percent, 12.5 percent and 13.1 percent in November 2018. During the month, all Treasury Bill auctions were oversubscribed with an average bid to cover ratio<sup>6</sup> of 1.5, a decline from 2.8 recorded the previous month. Figure 8 plots the movement of Treasury Bill yields since November 2017.

<sup>5</sup> Yield to maturity (YTM) is the total return anticipated on a treasury instrument if the instrument is held until it matures.

<sup>6</sup> 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.

**Figure 8: Movement of Treasury Bill Yields**



Source: Bank of Uganda

## EXTERNAL SECTOR DEVELOPMENTS<sup>7</sup>

### Merchandise Trade Balance

Uganda’s trade deficit widened both on a monthly and an annual basis. The deficit increased by 4.4% from USD 203.3 million in October 2018 to USD 212.3 million in November 2018, on account of a bigger decline in export receipts that offset the drop in the import bill. Export receipts decreased by USD 36.8 million while the import bill decreased by USD 27.7 million. This, therefore resulted into the deterioration of the deficit by USD 9 million.

Compared to November 2017, the trade deficit worsened by 25.7% to USD 212.3 million from USD 168.9 million. This development is explained by an increase in the import bill and a reduction in export receipts.

### Merchandise Exports

Export receipts declined both on a monthly and an annual basis. Export receipts amounted to USD 295.83 million in November 2018 compared to USD 332.59 million in October 2018, recording a decline of 11.1%. The drop in the receipts was largely on account of a reduction in the earnings of gold and tobacco, following a decrease in their respective export volumes. Export

<sup>7</sup> Statistics on trade come with a lag of one month

volumes of gold and tobacco decreased by 76.4% and 57.2% respectively. Table 4 shows the composition of exports.

**Table 4: Composition of Merchandise Exports, USD millions**

	Nov-17	Oct-18	Nov-18	Percent change Nov 18 Vs Oct 18	Percent change Nov 18 Vs Nov 17
<b>Total Exports</b>	<b>301.91</b>	<b>332.59</b>	<b>295.83</b>	<b>-11.10%</b>	<b>-2.00%</b>
<b>1. Coffee (Value)</b>	<b>49.39</b>	<b>35.22</b>	<b>41.96</b>	<b>19.10%</b>	<b>-15.00%</b>
Coffee (60 kg bags)	443,100	350,743	409,940	16.90%	-7.50%
Av. unit value	1.86	1.67	1.71	1.90%	-8.20%
<b>2. Non-Coffee formal exports</b>	<b>201.43</b>	<b>256.21</b>	<b>213.38</b>	<b>-16.70%</b>	<b>5.90%</b>
o/w Gold	13.45	78.79	59.49	-24.50%	342.30%
Cotton	3.92	3.27	2.29	-29.90%	-41.50%
Tobacco	7.48	15.93	6.67	-58.10%	-10.80%
Maize	7.59	4.68	2.88	-38.40%	-62.00%
Beans	10.29	1.83	2.15	17.70%	-79.10%
Flowers	3.75	5	4.15	-16.90%	10.90%
<b>3. ICBT Exports</b>	<b>51.09</b>	<b>41.16</b>	<b>40.49</b>	<b>-1.60%</b>	<b>-20.70%</b>

Source: Bank of Uganda

Compared to the same month the previous year, the value of exports reduced by 2% from USD 301.91 million to USD 295.83 million in November 2018. This decline was mainly attributed to the drop in the earnings of coffee, maize, and beans. Maize and beans recorded declines in their respective volumes, whereas, coffee registered a decline in both its volume and the international price.

### Destination of Exports

The East African Community<sup>8</sup> was the major destination for Uganda's exports in November 2018, followed by the Middle East and the European Union. Exports to the EAC region registered a decline of 33.2% from USD 143.94 million in November 2017 to USD 96.15 million in November 2018. In the month of November 2018, Kenya took the largest share of EAC exports (38.4%), followed by South Sudan (30.8%) then Rwanda (19.5%). Table 5 shows the destination of exports.

<sup>8</sup> East African Community Partner States include Kenya, South Sudan, Tanzania, Burundi, Rwanda

**Table 5: Share of exports by destination**

	<b>Nov-17</b>	<b>Oct-18</b>	<b>Nov-18</b>
EAC	47.7%	33.0%	32.5%
Middle East	6.5%	26.2%	22.7%
European Union	16.6%	14.2%	18.2%
Rest of Africa	20.4%	16.6%	16.2%
Asia	5.6%	6.8%	7.3%
Rest of Europe	1.0%	1.6%	1.6%
The Americas	2.2%	1.5%	1.5%
Others <sup>9</sup>	0.04%	0.05%	0.04%

*Source: Bank of Uganda*

### **Merchandise Imports**

Merchandise imports registered a 5.2 percent value decline in November, 2018 from the previous month. Merchandise worth USD 508.13 million was imported in November 2018 down from USD 535.87 million registered in the previous month. The decline was mainly driven by a decrease in the value of private sector imports that more than offset the increment in Government imports. In addition, lower non-oil import volumes and a drop in oil prices during the month contributed to the decline in private sector. According to Bank of Uganda, non-oil import volumes declined by 6.8 percent while oil import prices dropped by 19 percent.

On the contrary, merchandise imports registered a growth of 7.9 percent in November 2018 in comparison to the same month the previous year. This growth was driven by an increase in the private sector import bill (up 18.5 percent) on account of higher volumes of merchandise imported (Import volumes increased by 20.3 percent in November 2018 compared to November 2017). Table 6 shows the performance of imports.

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<sup>9</sup> Others include Australia, Iceland

**Table 6: Performance of Imports**

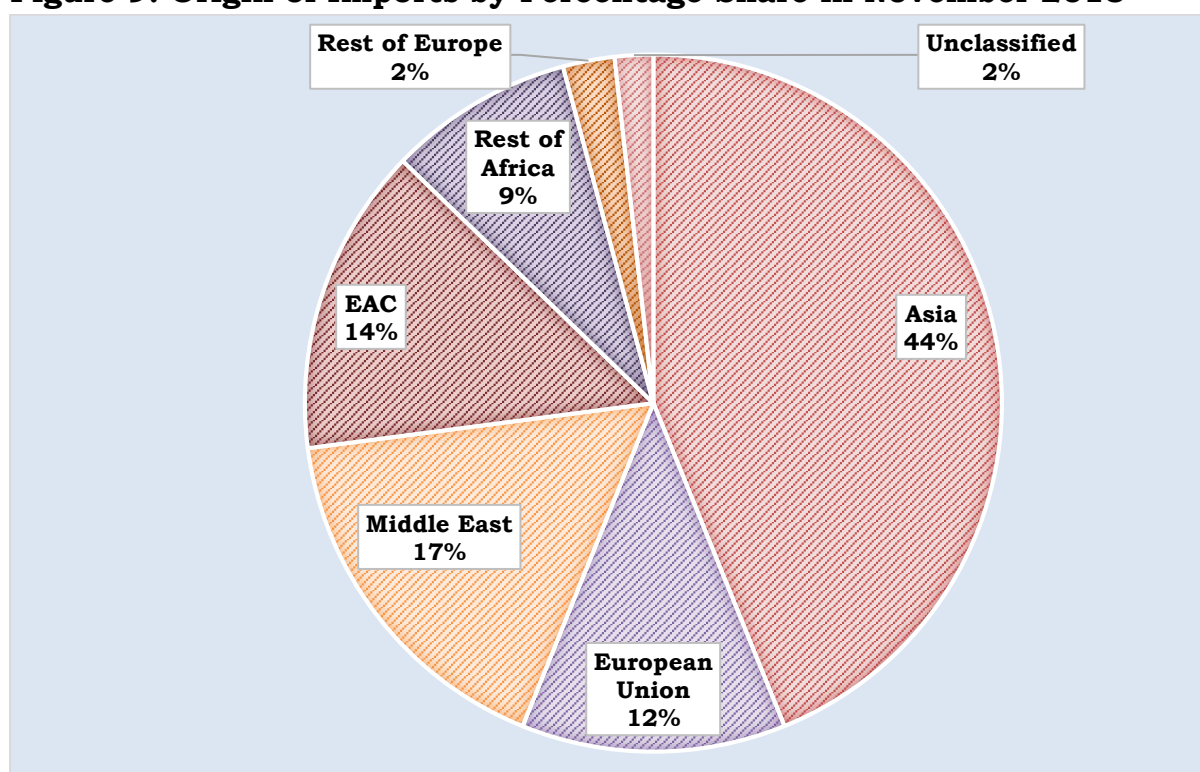
	Nov-17	Oct-18	Nov-18	Percent change Nov-18 Vs Oct-18	Percent change Nov-18 Vs Nov-17
<b>Total Imports (fob)</b>	<b>470.9</b>	<b>535.9</b>	<b>508.1</b>	<b>7.90%</b>	<b>-5.20%</b>
<b>Government Imports</b>	<b>49.6</b>	<b>10.84</b>	<b>24.36</b>	<b>-50.90%</b>	<b>124.80%</b>
Project	47.75	10.84	24.36	-49.00%	124.80%
Non-Project	1.86	0	0	-100.00%	-
<b>Formal Private Sector Imports</b>	<b>404.5</b>	<b>520.8</b>	<b>479.5</b>	<b>18.50%</b>	<b>-7.90%</b>
Oil imports	77.8	91.92	85.45	9.80%	-7.00%
Non-oil imports	326.7	428.84	394.02	20.60%	-8.10%
<b>Estimated Private Sector Imports</b>	<b>16.75</b>	<b>4.28</b>	<b>4.29</b>	<b>-74.40%</b>	<b>0.10%</b>

10

Source: Bank of Uganda

### Origin of Imports

During the month under review, Asia was the largest source of merchandise, followed by Middle East and EAC with each contributing 44%, 17% and 14% of the total imports respectively. Merchandise from China, India and Japan contributed 84% of the total imports from Asia, while merchandise from Kenya and Tanzania contributed 99% of the total imports from EAC. Figure 9 shows the origin of imports by percentage share.

**Figure 9: Origin of Imports by Percentage Share in November 2018**

Source: Bank of Uganda

<sup>10</sup> FOB – Free On Board

## FISCAL SECTOR DEVELOPMENTS

### Overview

Preliminary numbers indicate that Government finance operations during December 2018 resulted into an overall fiscal surplus of Shs 461.0 billion as opposed to the programmed deficit of 533.8 billion. This was mainly on account of lower than programmed expenditure by Government. Government had anticipated to spend Shs 2,414.8 billion in December 2018 but only Shs 1,329.5 billion was spent during the month. This was able to offset the Shs 90.5 billion shortfall that was registered in revenues and grants (the whole shortfall was in grants). A summary of the fiscal operations for December 2018 is shown in the table below.

**Table 7<sup>11</sup>: Summary statement of Government finance operations for December 2018 (Billion Shillings)**

	Outturn Dec'17	Program Dec'18	Prel. Outturn Dec'18	Performance Dec'18	Deviation Dec'18
Revenues and Grants	1,671.9	1,881.0	1,790.5	95.2%	(90.5)
Revenues	1,516.9	1,681.1	1,780.5	105.9%	99.4
Tax	1,487.8	1,644.7	1,749.2	106.4%	104.6
Non-Tax	29.1	36.5	31.3	85.9%	(5.2)
Grants	155.0	199.8	9.9	5.0%	(189.9)
Budget Support	31.8	-	8.8	-	8.8
O/w HIPC debt relief	8.6	-	8.8	-	8.8
Project Support	123.2	199.8	1.1	0.6%	(198.7)
Expenditure and Lending	1,584.3	2,414.8	1,329.5	55.1%	(1,085.3)
Current Expenditures	721.9	819.6	763.3	93.1%	(56.3)
Wages and Salaries	282.4	345.7	354.0	102.4%	8.3
Interest Payments	181.0	176.3	146.8	83.2%	(29.5)
Domestic	157.5	146.6	119.9	81.8%	(26.7)
External	23.5	29.7	26.9	90.5%	(2.8)
Other Recurr. Expenditures	258.5	297.6	262.5	88.2%	(35.0)
Development Expenditures	558.9	1,333.9	429.1	32.2%	(904.8)
Domestic	197.1	273.6	222.1	81.2%	(51.5)
External	361.8	1,060.3	207.0	19.5%	(853.3)
Net Lending/Repayments	272.8	238.3	103.6	43.5%	(134.7)
o/w HPP GoU	9.8	2.5	2.3	90.4%	(0.2)
o/w HPP Exim	263.0	235.8	101.3	43.0%	(134.5)
Domestic Arrears Repayment	30.7	23.0	33.5	145.8%	10.5
Overall Fiscal Bal. (incl. Grants)	87.6	(533.8)	461.0		

Source: Ministry of Finance, Planning and Economic Development

<sup>11</sup> Data for December is preliminary

## **Revenue and Grants**

Revenue and grants in December 2018 amounted to Shs 1,790.5 billion performing at 95.2 percent against the target. The lower than program performance was wholly due to grants since domestic revenue was above its target for the month by 5.9 percent (about Shs 99.4 billion). Grants performed at 5.0 percent as only Shs 9.9 billion was registered against Shs 199.8 billion that was anticipated for the month.

**Domestic revenues** worth Shs 1,780.5 billion was collected by Government in December 2018. This was against a target of Shs 1,681.1 billion, implying a surplus of Shs 99.4 billion. Of the total collections, Shs 1,749.2 billion was tax revenue while Shs 31.3 billion was non-tax revenue. Tax revenue was above its target for the month by Shs 104.2 billion while non-tax revenue was lower than its target by Shs 5.2 billion.

All the three tax categories of direct domestic taxes, indirect domestic taxes and taxes on international trade performed well during the month, surpassing their targets by Shs 44.5 billion, Shs 28.1 billion and 41.2 billion respectively. Tax collections from international trade benefitted from increased import volumes of dutiable imports that were cleared during the month while domestic taxes (direct and indirect) performed well due to the increased economic activity in the country that has seen demand and thus sales, as well as profitability go up. This is seen in the good performance of VAT and excise duty as well as corporation tax all of which were higher than what had been anticipated for the month.

## **Government Expenditure**

Preliminary data indicates that Government expenditure during December 2018 totalled to Shs 1,329.5 billion, which translates into a performance of 55.1 percent against the programmed expenditure. This mainly resulted from lower than planned external project disbursements, leading to very low externally financed development spending. Total development expenditure amounted to Shs 429.1 billion against the program of 1,333.9 billion with the external component performing at only 19.5 percent.

Government expenditure on recurrent activities was Shs 763.3 billion against a program of Shs 819.6 billion. This translated into an underspending of Shs 56.3 billion, most of which was in non-wage recurrent expenditure. Wages were higher than programmed for the month by Shs 8.3 billion. Government also continued with its commitment to clear outstanding arrears. Whereas Shs 23.0 billion was programmed to clear arrears in December, about Shs 33.5 billion was spent for this purpose during the month.



## DEVELOPMENTS WITHIN THE EAC REGION

### Inflation

There were marginal increases in the annual headline inflation for Tanzania and Kenya from 3.0 percent and 5.6 percent in November 2018 to 3.3 percent and 5.7 percent in December 2018, respectively. These marginal increases were on account of a slight increase in the prices of food and non-alcoholic beverages in both countries.

Rwanda's annual headline inflation rebounded from a minus 1.0 percent registered in November 2018 to 0.1 percent in December 2018. This was majorly due to the increase in prices of housing, water, electricity, gas and other fuels together with an increase in the prices of transport. Table 8 below shows the annual headline Inflation rates in the EAC for the month of December 2018;

**Table 8: Headline Inflation for EAC Partner States (percentage)**

	Jan-18	Feb-18	Mar-18	Apr-18	May-18	Jun-18	Jul-18	Aug-18	Sep-18	Oct-18	Nov-18	Dec-18
<b>Burundi</b>	6.1	-1.3	-2.6	-1.7	-1.3	-1.0	-0.8	-2.3	-5.6	-8.4	-7.3	n/a
<b>Kenya</b>	4.8	4.5	4.2	3.7	4.0	4.3	4.4	4.0	5.7	5.5	5.6	5.7
<b>Rwanda</b>	0.1	-1.3	-1.4	-0.1	1.8	1.4	0.6	0.6	-1.1	-3.4	-1.0	0.1
<b>South Sudan</b>	125.0	112.7	161.2	186.6	83.9	88.5	122.9	74.8	49.1	41.8	n/a	n/a
<b>Tanzania</b>	4.0	4.1	3.9	3.8	3.6	3.4	3.3	3.3	3.4	3.2	3.0	3.3
<b>Uganda</b>	3.0	2.1	2.0	1.8	1.7	2.2	3.1	3.8	3.7	3.0	3.0	2.2

Source: Respective national statistics bureaus<sup>12</sup>

### Exchange Rates

During the month, the Ugandan and Kenyan shilling registered an appreciation of 0.7 percent and 0.1 percent respectively against the USD compared to November 2018. However, Rwanda and Burundi both registered depreciation of 0.3 percent against the USD while the Tanzanian shilling remained almost unchanged in December compared to the previous month as shown in the table 9;

<sup>12</sup> n/a implies unavailability of data at time of writing this report

**Table 9: Change in Exchange Rates for Selected EAC Partner States (FY2018/19)**

	Jul-18	Aug-18	Sep-18	Oct-18	Nov-18	Dec-18
<b>Shs/USD</b>	3760.4	3729.5	3800.7	3778.0	3739.6	3714.1
% change	-2.1	0.8	1.9	-0.6	-1.0	-0.7
<b>Ksh/USD</b>	100.7	100.6	100.8	101.1	102.4	102.3
% change	0.4	0.0	0.2	0.2	1.3	-0.1
<b>RFranc/USD</b>	861.2	864.3	867.7	871.5	875.1	878.1
% change	0.3	0.4	0.4	0.4	0.4	0.3
<b>Tsh/USD</b>	2279.4	2285.1	2287.5	2289.9	2290.6	2291.4
% change	0.1	0.3	0.1	0.1	0.0	0.0
<b>BFranc/USD</b>	1780.3	1783.0	1785.6	1793.2	1799.5	1805.3
% change	0.1	0.2	0.1	0.4	0.4	0.3

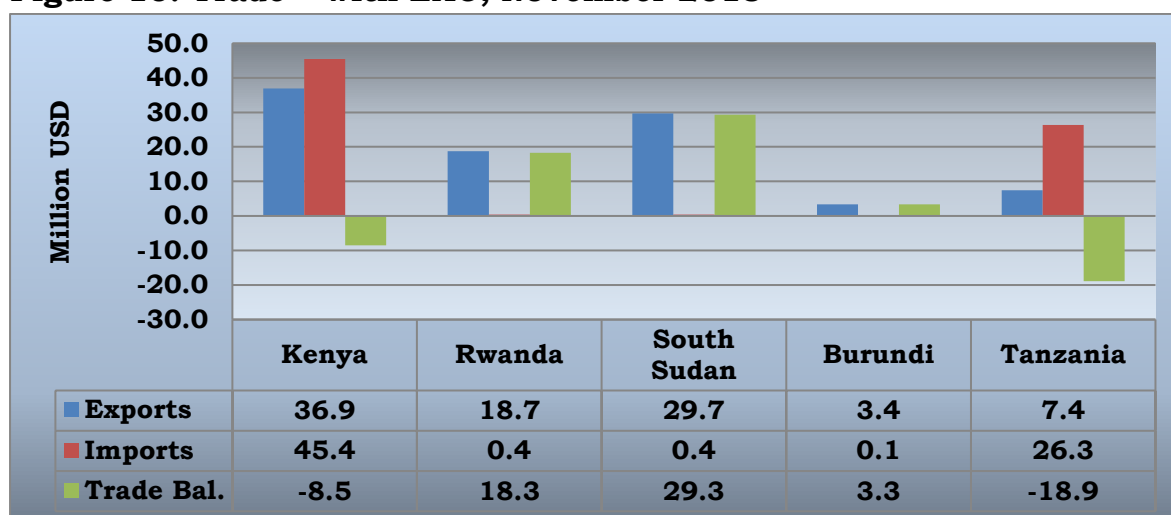
Source: Bank of Uganda

### Trade Balance with EAC Partner States;

Uganda registered a trade surplus of USD 23.5 million with the EAC partner states during the month of November 2018. Exports to the EAC region were worth USD 96.1 million and imports USD 72.6 million.

At country specific level, Uganda traded at a surplus with South Sudan, Burundi and Rwanda while it traded at a deficit with Kenya and Tanzania during the month November 2018. Kenya was the largest destination of Uganda's exports and at the same time, the main source of her imports. Figure 10 shows the trade balance with EAC partner states.

**Figure 10: Trade<sup>13</sup> with EAC, November 2018**



Source: Bank of Uganda

<sup>13</sup> Data on trade comes with a lag of one month.

## Annex 1: Overall Fiscal Operations Outturns in Billions of Shillings, January 2018 – November 2018

	Jan'18	Feb'18	Mar'18	Apr'18	May'18	Jun'18	July'18	Aug'18	Sep'18	Oct'18	Prel. Nov'18
Revenues and Grants	1,259.1	1,297.0	1,231.4	1,095.8	1,227.0	1,836.8	1,164.9	1,384.4	1,333.5	1,375.0	1,411.6
Revenues	1,179.4	1,161.4	1,199.4	1,078.8	1,205.6	1,772.8	1,159.5	1,294.2	1,297.1	1,359.0	1,303.3
URA	1,141.0	1,125.2	1,163.4	1,046.9	1,167.6	1,728.7	1,124.5	1,260.5	1,265.3	1,320.5	1,264.6
Non-URA	38.3	36.2	36.0	31.9	38.0	44.1	35.0	33.7	31.8	38.4	38.7
Grants	79.7	135.7	32.0	17.0	21.4	63.9	5.3	90.1	36.4	16.0	108.3
Budget Support	1.9	33.0	8.6	5.4	11.3	9.1	2.2	16.4	13.9	11.7	11.4
Project Support	77.8	102.7	23.4	11.5	10.1	54.8	3.1	73.7	22.5	4.3	96.9
Expenditure and Lending	1,620.0	1,682.6	1,363.5	1,809.0	1,782.9	1,885.0	2,111.1	1,745.1	1,337.1	2,252.7	1,779.6
Current Expenditures	1,065.0	902.1	787.1	796.7	991.6	1,083.9	1,104.6	1,034.8	906.7	1,236.1	961.1
Wages and Salaries	307.1	292.8	281.1	279.3	273.7	277.8	338.9	347.0	341.2	354.0	344.5
Interest Payments	198.5	178.9	284.0	98.3	219.1	105.7	215.1	172.9	272.6	88.0	231.3
Domestic	148.5	152.3	259.0	68.7	207.8	88.9	162.3	145.9	225.4	70.3	212.4
External	50.0	26.6	24.9	29.7	11.3	16.8	52.7	27.0	47.2	17.7	19.0
Other Recurr. Expenditures	559.4	430.5	222.1	419.0	498.8	700.4	550.6	515.0	293.0	794.0	385.3
Development Expenditures	548.1	747.4	479.0	856.8	711.1	791.7	912.3	679.5	390.1	942.0	793.5
Domestic Development	261.2	273.03	167.5	567.8	603.4	581.8	545.7	559.5	224.3	791.8	476.5
External Development	286.9	474.4	311.5	289.0	107.7	209.8	366.6	120.0	165.8	150.1	317.0
Net Lending/Repayments	0.3	5.6	94.4	154.1	43.8	3.5	8.8	2.7	0.4	8.2	0.9
Domestic Arrears Repaym.	6.6	27.5	3.0	1.5	36.4	5.9	85.4	28.1	39.9	66.4	24.1
Domestic Balance	(103.7)	(20.3)	172.3	(411.5)	(458.2)	114.5	(532.2)	(303.8)	173.0	(725.9)	(140.4)
Primary Balance	(162.4)	(206.7)	151.9	(614.9)	(336.7)	57.5	(731.2)	(187.9)	269.0	(789.7)	(136.7)
Overall Fiscal Bal. (excl. Grants)	(440.6)	(521.3)	(164.1)	(730.2)	(577.3)	(112.1)	(951.5)	(450.9)	(40.0)	(893.7)	(476.3)
Overall Fiscal Bal. (incl. Grants)	(360.9)	(385.6)	(132.1)	(713.3)	(555.8)	(48.2)	(946.2)	(360.8)	(3.6)	(877.7)	(368.0)
Financing:	360.9	385.6	132.1	713.3	555.8	48.2	946.2	360.8	3.6	877.7	368.0
External Financing (Net)	62.9	409.9	238.2	213.3	307.1	84.1	298.5	394.0	59.2	7.4	117.8
Disbursements	157.3	462.0	296.9	355.8	344.0	165.4	309.6	412.4	114.8	136.8	143.8
Budget Support Loans	-	-	-	-	-	-	-	-	-	-	-
Project Loans	157.3	462.0	296.9	355.8	344.0	165.4	309.6	412.4	114.8	136.8	143.8
Armotization	(94.1)	(52.1)	(59.3)	(142.1)	(36.9)	(81.4)	(10.9)	(18.4)	(55.6)	(132.7)	(26.0)
Domestic Financing (Net)	2.8	142.7	(80.1)	145.2	462.3	444.2	(185.8)	386.2	21.4	315.7	761.7
Bank Financing (Net)	(287.1)	43.2	(347.2)	28.6	322.3	175.3	(389.4)	219.2	(97.5)	180.5	832.4
Non-bank Financing (Net)	289.9	99.5	267.1	116.6	139.9	268.9	203.6	167.0	119.0	135.2	(70.7)
Errors and Omissions	295.2	(167.0)	(26.1)	354.8	(213.5)	(480.1)	833.5	(419.4)	(77.0)	554.6	(511.5)

Source: Ministry of Finance, Planning and Economic Development

## Annex 2: Selected Economic Indicators<sup>14</sup>

	Dec-17	Jan-18	Feb-18	Mar-18	Apr-18	May-18	Jun-18	Jul-18	Aug-18	Sep-18	Oct-18	Nov-18	Dec-18
<b>Real Sector</b>													
<b>Inflation (Annual %)</b>													
Headline: (Base: 2009/10 =100)	3.4	3.0	2.1	2.0	1.8	1.7	2.1	3.1	3.8	3.7	3.0	3.0	2.2
Core: (Base: 2009/10 = 100)	3.1	2.6	1.7	1.7	1.6	1.1	0.8	2.5	3.5	3.9	3.5	3.4	2.8
Food Crops	-0.7	1.4	-0.7	-1.7	-2.1	-0.2	2.3	-2.0	-1.2	-2.2	-3.4	-3.3	-5.0
Energy, Fuel and Utilities	12.5	9.8	11.2	10.3	10.4	10.3	15.1	16.0	14.1	10.1	6.9	7.7	6.9
Business Tendency Indicator	58.0	57.4	56.9	56.5	56.2	56.0	56.0	56.2	56.7	57.22	57.85	58.4	58.9
Composite Index of Economic Activity	205.7	207.0	208.2	209.3	210.5	212.0	214.0	216.4	219.1	221.9	223.2	225.0	n/a
<b>Financial Sector</b>													
<b>Exchange Rate (US\$/USD)</b>													
End of Period	3,635.1	3,625.2	3,646.0	3,686.9	3,713.2	3,768.3	3,879.5	3,701.4	3,760.0	3,822.1	3,759.2	3,725.4	3713.4
Period Average	3,623.3	3,640.1	3,637.6	3,660.1	3,697.2	3,726.8	3,840.5	3,760.4	3,729.5	3,800.7	3,778.0	3,739.7	3714.1
<b>Interest Rates(% )</b>													
Central Bank Rate	9.50	9.50	9.00	9.00	9.00	9.00	9.00	9.00	9.00	9.00	10.00	10.00	10.00
Lending Rate	20.28	20.26	21.10	20.10	20.03	20.20	17.68	19.17	19.03	19.56	20.37	20.5	n/a
91-day Treasury Bill Yield	8.42	8.60	8.68	8.69	8.74	8.77	9.78	10.52	10.60	9.95	11.46	11.12	10.80
364-day Treasury Bill Yield	9.03	9.10	9.38	9.56	9.73	10.07	12.63	14.50	14.13	12.30	13.73	13.13	13.00
<b>Private sector credit (Shs billion)</b>													
PSC growth rate	12,825.1	12,654.8	12,635.7	12,828.0	12,926.0	13,032.3	13,404.6	13,379.0	13,553.5	13,891.8	13,879.8	14,099.5	n/a
	2.0%	-1.3%	-0.2%	1.5%	0.8%	0.8%	2.9%	-0.2%	1.3%	2.5%	-0.1%	1.6%	n/a
<b>External Sector</b>													
Trade Balance (USD millions)	-140.9	-87.5	-164.0	-174.2	-229.5	-127.3	-194.9	-160.9	-248.7	-164.9	-203.3	-212.3	n/a
Total Exports of Goods - fob (USD millions)	313.3	350.5	308.9	311.2	259.6	324.9	290.9	284.7	293.9	297.6	332.6	295.8	n/a
Total Imports of Goods - fob (USD millions)	454.3	437.9	472.8	485.4	489.0	452.2	485.8	445.6	542.6	462.4	535.9	508.1	n/a
<b>Fiscal Sector (Shs Billion)</b>													
<b>Revenues and Grants</b>													
Revenues	1,669.2	1,280.6	1,297.0	1,232.2	1,097.5	1,224.0	1,836.8	1,164.9	1,384.4	1,333.5	1,375.0	1,411.6	1,790.5
Revenues	1,515.9	1,200.9	1,161.3	1,200.2	1,080.5	1,202.6	1,772.8	1,159.5	1,294.2	1,297.1	1,359.0	1,303.3	1,780.5
URA	1,487.8	1,141.0	1,125.4	1,163.6	1,045.5	1,167.6	1,728.7	1,124.5	1,260.5	1,265.3	1,320.5	1,264.6	1,749.2
Non-URA	28.1	59.9	35.9	36.7	35.1	35.1	44.1	35.0	33.7	31.8	38.4	38.7	31.3
Grants	153.3	79.7	135.7	32.0	17.0	21.4	63.9	5.3	90.1	36.4	16.0	108.3	9.9
Expenditure and Lending	1,571.4	1,622.4	1,681.9	1,363.7	1,815.0	1,794.1	1,885.0	2,111.1	1,745.1	1,337.1	2,252.7	1,779.6	1,329.5
Overall Fiscal Balance (incl.Grants)	97.8	-341.8	-384.9	-131.4	-717.5	-570.0	-48.2	-946.2	-360.8	-3.6	-877.7	-368.0	461.0
Net Government Borrowing	27.2	167.7	(11.4)	15.93	263.5	238.4	530.8	85.7	79.3	138.5	297.4	224.7	133.8

Source: MoFPED, UBOS and BoU

<sup>14</sup> N/A means that data was not available at time of writing this report.