



**PERFORMANCE OF THE ECONOMY
NOVEMBER 2018**

**MACROECONOMIC POLICY DEPARTMENT
MINISTRY OF FINANCE, PLANNING AND ECONOMIC
DEVELOPMENT**

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Table of Contents

LIST OF FIGURES	ii
LIST OF TABLES	iii
LIST OF ACRONYMS	iv
GLOSSARY	v
1.0 KEY HIGHLIGHTS	vi
2.0 REAL SECTOR	1
2.1 Inflation	1
2.2 Economic Activity.....	2
3.0 FINANCIAL SECTOR DEVELOPMENTS	4
3.1 Exchange Rate.....	4
3.2 Lending Rates.....	5
3.3 Lending to the Private Sector.....	6
3.4 Government Securities.....	8
4.0 EXTERNAL SECTOR	9
4.1 Merchandise Trade Deficit.....	9
4.2 Merchandise Exports	10
4.3 Destination of Exports.....	11
4.4 Merchandise Imports.....	11
4.5 Origin of Imports	12
5.0 FISCAL SECTOR OPERATIONS	13
5.1 Revenues and Grants.....	14
5.2 Grants.....	15
5.3 Expenditure	15
6.0 DEVELOPMENTS WITHIN THE EAC REGION	16
6.1 Inflation	16
6.2 Exchange rates within the EAC.....	16
6.3 Trade with EAC Partner States	17

LIST OF FIGURES

Figure 1: Annual Inflation (%), November 2017 – November 2018.....	2
Figure 2: Composite Index of Economic Activity (CIEA).....	3
Figure 3: Details of Business Tendency Index for June 2018 – November 2018.....	4
Figure 4: Monthly exchange rates of the Shilling against the US Dollar and their respective percentage changes from November 2017- November 2018.....	5
Figure 5: Commercial Banks' Shilling denominated Lending Rate vs Central Bank Rate (secondary axis)	6
Figure 6: Share of Credit Extension by Sector	6
Figure 7: Movement of Treasury Bill Yields	9
Figure 8: Origin of Imports by Percentage Share	13
Figure 9: Trade Balance with EAC Partner States, USD million	18

LIST OF TABLES

Table 1: Summary Statistics on Annual Inflation (%).....	1
Table 2: Credit Extension by Sector, Billion Shs	8
Table 3: Breakdown of Government Securities in FY 2018/19, Billion Shillings	8
Table 4: Composition of exports, USD Million	10
Table 5: Destination of Exports (Percentage Share of Total Exports).....	11
Table 6: Merchandise Imports in USD Millions	12
Table 7: Fiscal Operations for November 2018, Billion Shillings.....	14
Table 8: Inflation rates (%) for EAC Partner States since the start of the calendar year 2018	16
Table 9: EAC Exchange Rates against the USD.....	17
Table 10: Selected Indicators	19

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 Shillings
MDAs	Ministries, Departments and Agencies
MFPED	Ministry of Finance, Planning and Economic Development
NGO	Non-Government Organisation
NPLs	Non-Performing Loans
PAYE	Pay As You Earn
PSC	Private Sector Credit
PMI	Purchasing Managers Index
R.Franc	Rwandan Franc
TShs	Tanzanian Shillings
UShs	Ugandan Shillings
USD	United States Dollar
UBOS	Uganda Bureau of Statistics
VAT	Value Added Tax

GLOSSARY

Bid to cover ratio	The bid to cover ratio is an indicator for demand of Government securities in a given auction.
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.
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.
Non-Performing Loan	This a sum of borrowed money upon which the debtor has not made scheduled payments for a period usually at least 90 days.
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.

1.0 KEY HIGHLIGHTS¹

Inflation: The Annual Headline Inflation rate stood at 3.0% in November 2018, unchanged from the previous month and remaining at the lowest level since June this year. Despite the increase in Annual Energy, Fuels and Utilities (EFU) Inflation, it was offset by a fall in Core Inflation – thus Annual Headline Inflation stayed unchanged from the previous month.

Economic Activity: Economic activity is seen to have improved as indicated by the high frequency indicators of economic activity. The Composite Index of Economic Activity (CIEA) increased by 1.2% from 221.9 in September to 224.5 in October 2018. In the month of November 2018, the BTI and PMI were above the 50.0 threshold at 58.47 and 55.7 respectively.

Exchange rate: The Ugandan Shilling appreciated against the US Dollar by 1%; recording an average midrate of UGX 3,739.7/USD compared to an average midrate of UGX 3,777.98/USD in October 2018. The appreciation of the Shilling is partly explained by higher supply of the US Dollar due to inflows to NGO's, coffee export receipts and offshore players in the Government securities market.

Lending rates: Commercial Banks' Shilling denominated lending rates edged upwards from a weighted average of 19.56% in September to 20.37% in October 2018. The rise in lending rates follows the increase in the Central Bank Rate from 9.0% in September to 10% in October 2018.

Private Sector Credit: The outstanding stock of Private Sector Credit (PSC) reduced by 0.1% in October 2018 compared to the previous month. The outstanding stock of PSC amounted to Shs 13,879.8 billion in October down from Shs 13,891.8 billion in

¹ Data on CIEA, lending rates, trade balance come with a lag of one month

September 2018. This reduction is explained by higher paybacks during the month that offset the increase in new credit extensions.

Interest rates (Yields) on Treasury Bills: Yields on Government Securities for the 91, 182 and 364 day tenors declined during the month of November 2018. The fall in yields was on account of increased demand for Government instruments. The average weighted yields to maturity² for November were 11.1%, 12.5% and 13.1% for the 91, 182 and 364 day tenors, respectively.

Merchandise Trade Deficit: Uganda's trade deficit widened on a monthly basis on account of a higher increase in the import bill that offset the growth in export revenues. The import bill increased by 15.3% whereas export revenues grew by 12.2%. This resulted into a deficit of USD 199.1 million in October 2018, compared to a deficit of USD 164.9 million registered the previous month.

Fiscal operations: Total revenues and grants in November 2018 performed above the target as both grants and domestic revenues registered surpluses. However total spending was below the target on account of poor performance of externally financed development expenditure. This resulted into a fiscal deficit of Shs 290.4 billion which is smaller than the Shs 727.7 billion earlier programmed.

DEVELOPMENTS WITHIN THE EAC REGION

Inflation: There was a marginal increase in Annual Headline Inflation for Kenya from 5.53% in October to 5.58% in November. Consumer prices in Rwanda continued to decline albeit at a slower pace. Annual Headline Inflation for November 2018 was recorded at -1.0% compared to -3.4% the previous month. On the other hand, Tanzania's Inflation reduced from 3.2% in October to 3.0% in November 2018.

² Yield to maturity (YTM) is the total return anticipated on a treasury instrument if the instrument is held until it matures.

Exchange rate: All EAC currencies experienced depreciation pressures during the month apart from the Uganda Shilling which, appreciated against the US Dollar by 1%, compared to the previous month. The Kenyan and Tanzanian Shillings depreciated by 1.3% and 0.03% respectively while the Burundi and Rwandan Francs each depreciated by 0.4%.

Trade with EAC: In the month of October 2018, Uganda registered a trade surplus with the EAC. Uganda exported merchandise worth USD 110.5 million to the region and imported merchandise worth USD 87.4 million, thereby by trading at a surplus of USD 23.1 million.

2.0 REAL SECTOR

2.1 Inflation

The Annual Headline Inflation rate stood at 3.0% in November 2018, unchanged from the previous month and remaining at the lowest level since June this year. Despite the increase in Annual Energy, Fuels and Utilities (EFU) Inflation, the increase was offset by a fall in Core inflation – thus Annual Headline Inflation stayed unchanged from the previous month. Annual Energy, Fuels and Utilities (EFU) Inflation increased to 7.7% in November 2018 from 6.9% the previous month majorly on account of a larger increase in prices for solid fuels (charcoal and firewood). Both Core and Food Crops & Related Items Inflation remained fairly unchanged registering very marginal changes as shown in table 1 below.

Table 1: Summary Statistics on Annual Inflation (%)

Inflation Category	October 2018	November 2018
Headline	3.0	3.0
Core	3.5	3.4
EFU	6.9	7.7
Food Crops & Related Items	-3.4	-3.3

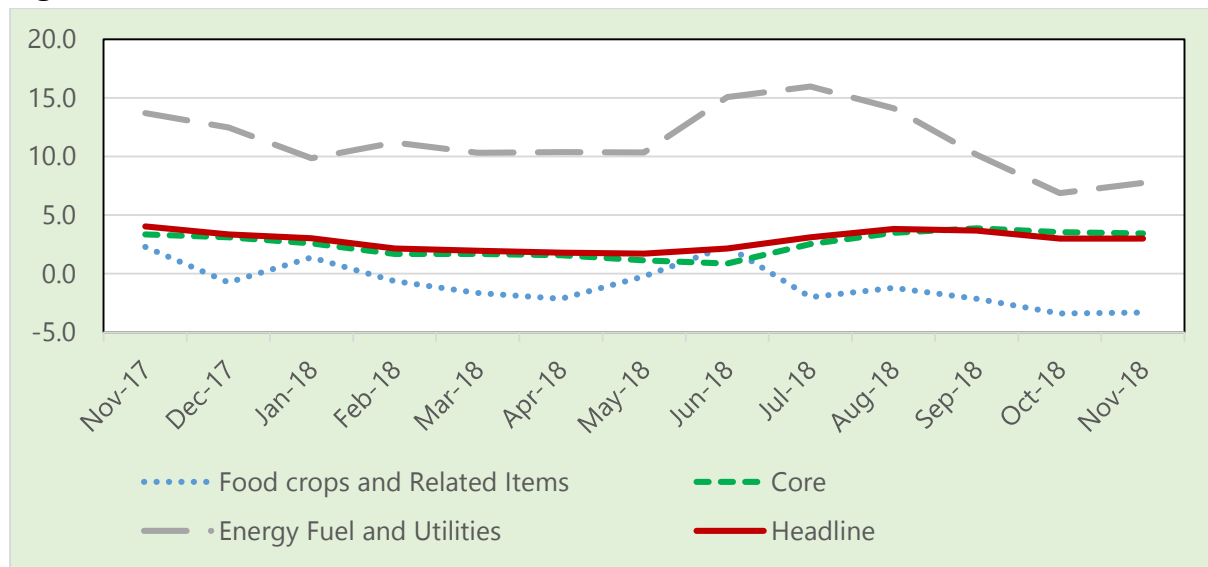
Source: Uganda Bureau of Statistics

Energy, Fuel and Utilities (EFU) Inflation, increased from 6.9% in October 2018 to 7.7% in November 2018 driven by faster rise in the prices of solid fuels. Particularly, Inflation went up for charcoal and Firewood (5.2% from 3.1% the previous month). In addition, prices went up at a faster pace for Diesel (by 26.7% in November compared to 25.5% in October, 2018).

Prices dropped at a slightly lower rate for Food Crops & Related Items, registering Inflation of -3.3% in November compared to -3.4% the previous month. This was majorly as a result of a slowdown in the drop of prices for vegetables on an annual basis, which went down by 1.1% compared to 2.3% the previous month.

Core Inflation marginally decreased from 3.5% in October 2018 to 3.4% in November 2018 majorly driven by a decline in Annual Services Inflation (4.0% from 4.4%). Particularly, there was a slowdown in the rate of price increase for communication services, which went up by 6.1% for the year ending November 2018, compared to 12.4% registered for the year ending October 2018. Figure 1 below shows the one-year inflation trend for the different components.

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



Source: Uganda Bureau of Statistics

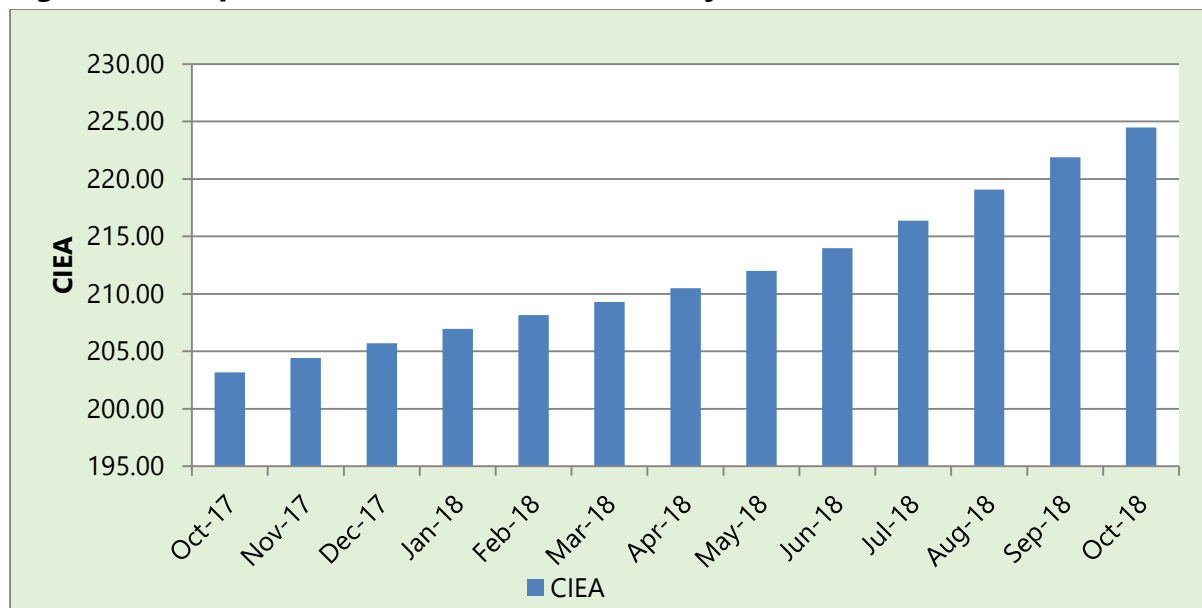
2.2 Economic Activity

Composite Index of Economic Activity (CIEA)

The CIEA,³ which measures the level of economic activity indicates that the economy activity continued to improve in October 2018 compared to the previous month. The CIEA improved by 1.2% in the month compared to a 1.3% improvement in September 2018. The CIEA increased by 1.2% from 221.9 in September to 224.5 in October 2018, as shown in figure 2.

³ 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.

Figure 2: Composite Index of Economic Activity (CIEA)



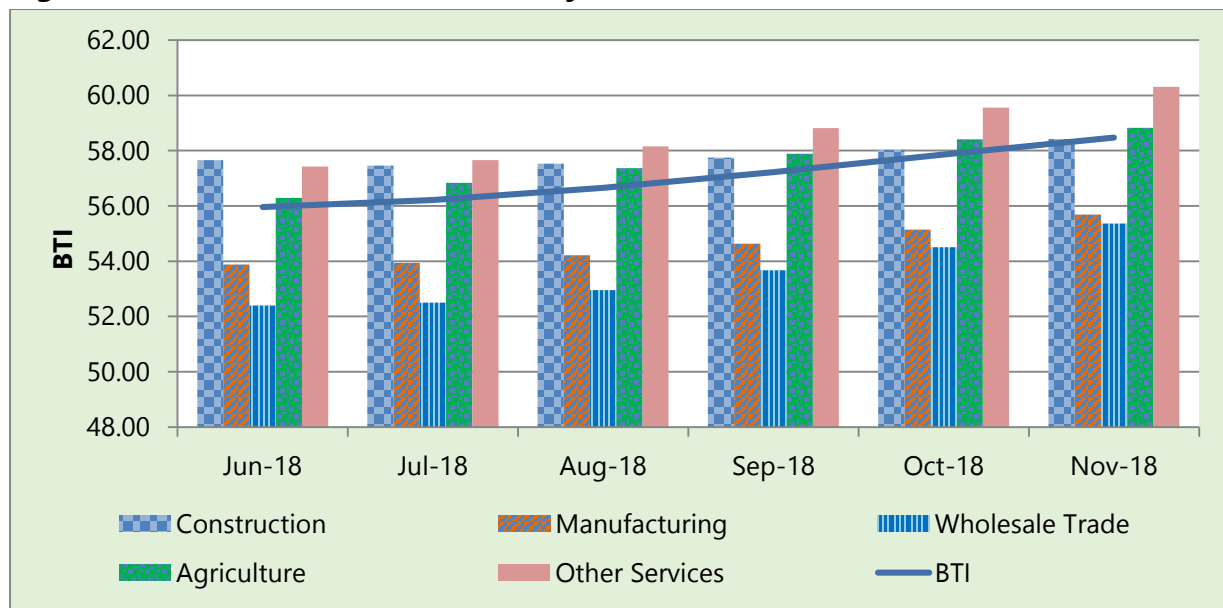
Source: Bank of Uganda

Business Tendency Index (BTI)⁴

Sentiments about doing business in Uganda remained positive as shown by the Business Tendency Index (BTI) which remained above the threshold of 50. The BTI increased to 58.47 in November 2018 from 57.85 in October 2018, reaching its the highest level in ten months. Investor sentiments improved about the business situation of all major sectors of the economy. Figure 3 illustrates the details of Business Tendency Index since June 2018.

⁴ 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

Figure 3: Details of Business Tendency Index for June 2018 – November 2018



Source: Bank of Uganda

Purchasing Managers Index (PMI)⁵

The Purchasing Managers Index continued to signal improvements in business conditions. The PMI was 55.7 in November 2018 and above the 50.0 threshold. The Index was supported by a combination of a more stable exchange rate and improved agricultural activity.

3.0 FINANCIAL SECTOR DEVELOPMENTS

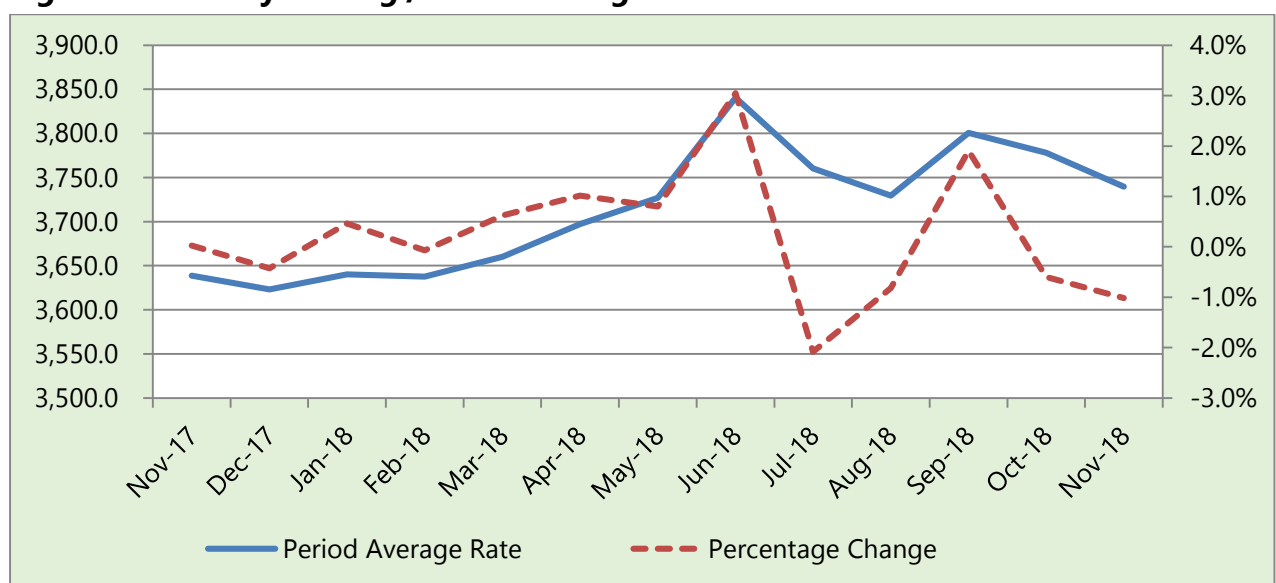
3.1 Exchange Rate

In November 2018, the Ugandan Shilling appreciated against the US Dollar by 1% recording an average midrate of Shs 3,739.7/USD compared to Shs 3,777.98/USD in October 2018.

⁵ 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

Similarly, within the month, the Shilling appreciated against the US Dollar by 0.9% having opened the month at an average midrate of USShs 3,743.7/USD and closed at USShs 3,720.39/USD. The appreciation of the Shilling is partly explained by higher supply of the US Dollar due to inflows to NGO's, coffee export receipts and offshore players in the Government securities market. Figure 4 shows monthly exchange rates of the Shilling against the US Dollar and their respective percentage changes since November 2017.

Figure 4: Monthly Shilling / USD Exchange Rate 2018



Source: Bank of Uganda

3.2 Lending Rates⁶

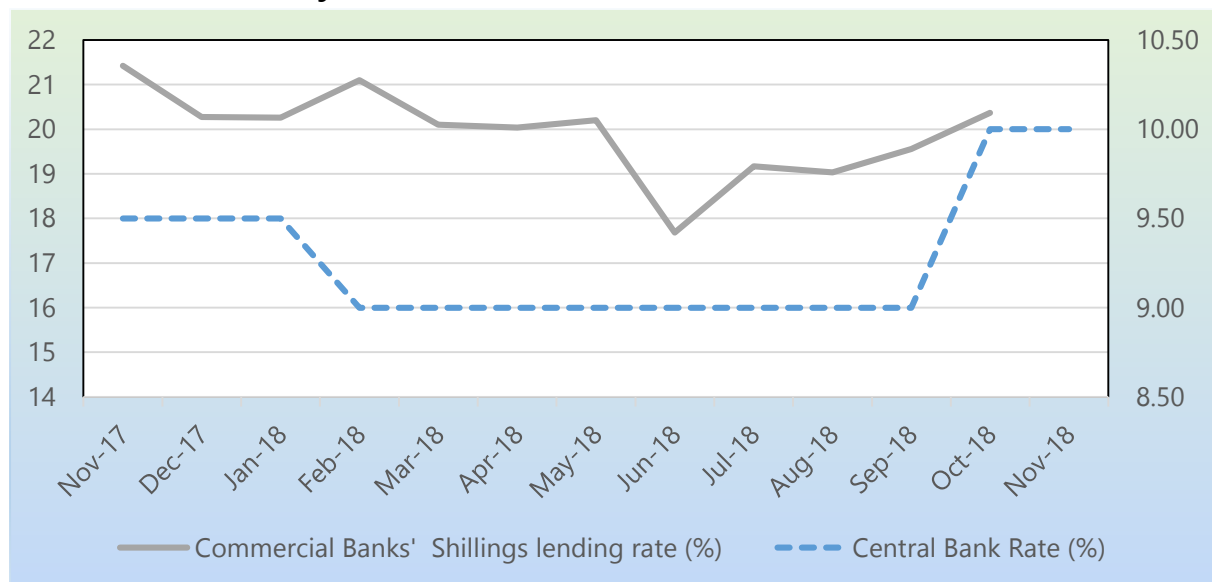
During the month of November, the Central Bank maintained its policy rate at 10.0% just as in the previous month. This was on account of a slight improvement in the 12-month ahead inflation forecast relative to the October forecast.

Commercial Banks' Shilling denominated lending rates edged upwards from a weighted average of 19.56% in September to 20.37% in October 2018. Foreign currency denominated lending rates followed the same trend, increasing from a weighted average of 7.99% to 8.70% over the same period.

⁶ Data on lending rates comes with a month's lag except for the Central Bank Rate

The observed rise in lending rates follows the increase in the Central Bank Rate from 9.0% in September to 10% in October 2018 (see figure 5). It is also partly driven by the risk aversion tendency of lenders especially following an increase in the default risk exposure as reflected by an increase in the ratio of Non-Performing Loans to Total Gross loans, from 4.44% for the quarter ending June 2018, to 4.71% for the quarter ending September 2018. Also an increase in NPLs requires more provisioning by the banks, this in turn leads to a decline in the supply of credit. Reduction in the supply of credit together with high demand for credit pushes up lending rates.

Figure 5: Commercial Banks' Shilling denominated Lending Rate vs Central Bank Rate (secondary axis)



Source: Bank of Uganda

3.3 Lending to the Private Sector⁷

The total value of loans approved increased by 12.1% from Shs 993.5 billion in September to Shs 1,113.9 billion in October 2018. However, the stock of outstanding private sector credit registered a 0.1% decline, from Shs 13,891.8 billion in September

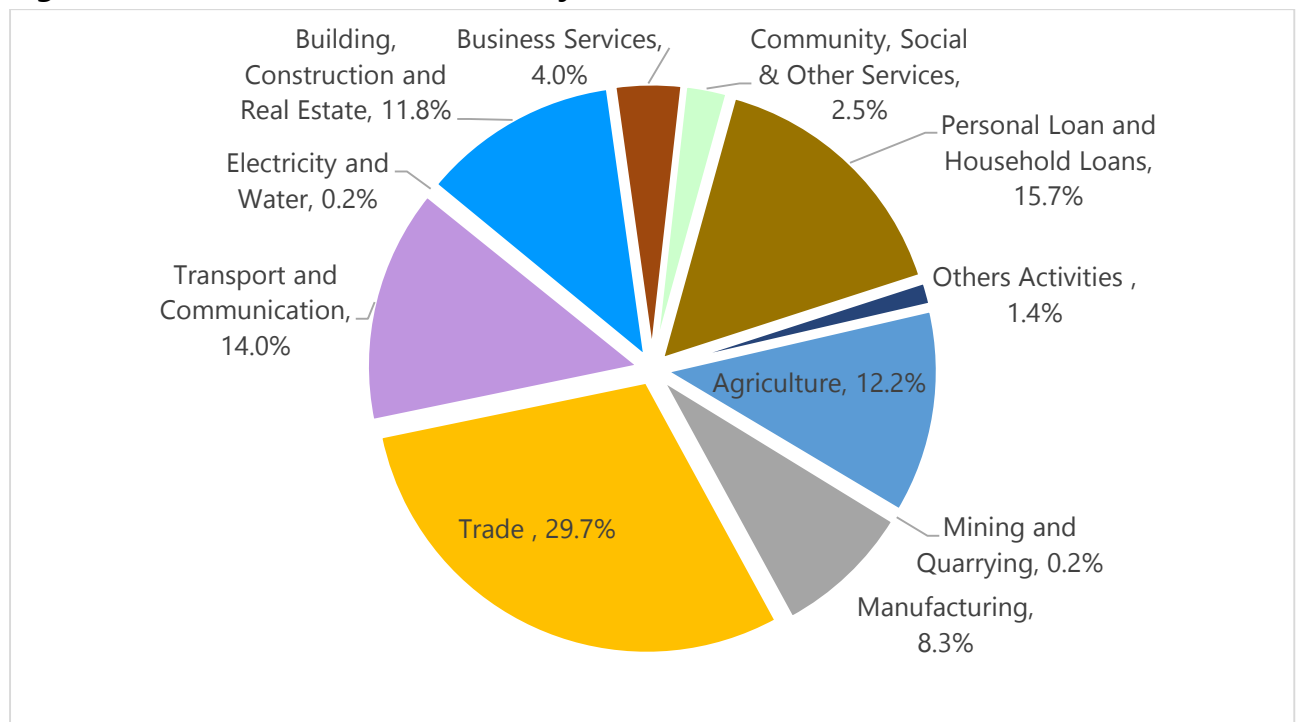
⁷ Data on credit to the private sector is reported with a lag of one month.

to Shs 13,879.8 billion in October 2018. This reduction is explained by higher paybacks during the month that offset the increase in new credit extensions.

The growth in credit (outstanding stock) is hampered by both the increased cost of credit (lending rates) and the risk aversion reaction of lenders to the increased risk of default as reflected through the ratio of Non-Performing Loans to total gross loans.

By sector, Trade received the largest share of credit extended in October, at 29.7%. Other notable recipients of credit were; Personal Loans and Household Loans (15.7%); Transport and Communication (14.0%); Agriculture (12.2%) and Building, Construction and Real Estate (11.8%). Figure 6 below, maps the share of credit extended to each sector in the month of October, 2018.

Figure 6: Share of Credit Extension by Sector



Source: Bank of Uganda

Table 2 shows new credit extended (Billion Shs) to all sectors in September and October, as well as the monthly growth rate for October 2018.

Table 2: Credit Extension by Sector, Billion Shs

	Sep-18	Oct-18	Growth Rate Oct against Sept-2018
Agriculture	96.76	135.49	40.0%
Mining and Quarrying	0.48	2.29	377.9%
Manufacturing	223.26	92.48	-58.6%
Trade	205.06	330.81	61.3%
Transport and Communication	30.75	156.30	408.3%
Electricity and Water	55.17	1.82	-96.7%
Building, Construction and Real Estate	134.95	131.74	-2.4%
Business Services	48.01	44.68	-6.9%
Community, Social & Other Services	20.23	28.06	38.7%
Personal Loan and Household Loans	163.57	175.06	7.0%
Others Activities	15.28	15.20	-0.5%
TOTAL	993.50	1113.93	12.1%

Source: Bank of Uganda

3.4 Government Securities

Shs 852.43 billion (at cost) was raised from the four auctions of Government securities in the month of November 2018. Of this, Shs 351.65 billion was in Treasury Bills while Shs 500.78 billion was in Treasury Bonds. During the month, Shs. 627.77 billion of the amount raised was used for the refinancing of maturing securities whilst Shs 224.66 billion went towards financing other activities in the Government budget as shown in the table below.

Table 3: Breakdown of Government Securities in FY 2018/19, Billion Shillings

	Total Issuances	Government Domestic Borrowing	Refinancing
Q1 2018/19	1533.04	303.5	1229.54
Oct-18	554.4	297.4	257
Nov-18	852.43	224.66	627.77
July to date	2939.87	825.56	2114.31

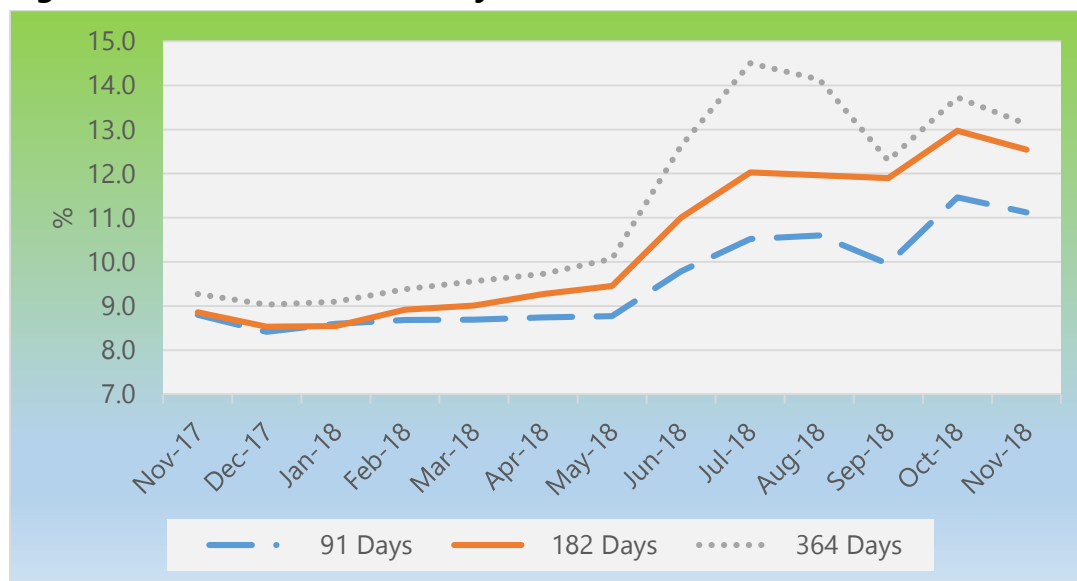
Source: MFPED

Interest rates (Yields) 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 for November were 11.1%, 12.5%

and 13.1% for the 91, 182 and 364 day tenors, respectively. This compares with 11.5%, 13% and 13.7% recorded in October 2018. Increased demand for Government instruments explains the decline in the yields. During the month, all auctions were oversubscribed with an average bid to cover ratio⁸ of 2.8, an improvement from 1.8 recorded the previous month. Figure 7 plots the movement of Treasury Bill yields since November 2017.

Figure 7: Movement of Treasury Bill Yields



Source: Bank of Uganda

4.0 EXTERNAL SECTOR⁹

4.1 Merchandise Trade Deficit

Uganda's trade deficit widened on a monthly basis on account of a higher increase in the import bill that offset the growth in export receipts. The import bill increased by 15.3% whereas export revenues grew by 12.2%. This resulted into a deficit of USD 199.1 million in October 2018, compared to a deficit of USD 164.9 million registered the previous month.

⁸ 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.

⁹ Data on the external sector comes with a lag of one month

In comparison to the same period a year ago, the trade deficit narrowed by 2.2% to USD 199.1 million from USD 203.6 million in October 2017. The lower deficit was underpinned by higher growth in exports receipts that offset the increase in the import bill.

4.2 Merchandise Exports

Export receipts increased both on a monthly and year-on-year basis. Export receipts grew by 12.2% to USD 333.85 million in October 2018 from USD 297.56 million in September 2018. This better performance was mainly on account of increased earnings for both coffee and gold exports. The improvement in the earnings of gold was on account of increased export volumes, while, both better international prices and higher volumes explain the rise in coffee earnings. Table 4 shows the composition of exports.

Table 4: Composition of exports, USD Million

	Oct-17	Sep-18	Oct-18	Oct 18 Vs Sept 18 Percent Change	Oct 18 Vs Oct 17 Percent Change
Total Exports	285.95	297.56	333.85	12.2%	16.8%
1. Coffee (Value)	43.74	28.91	35.22	21.8%	-19.5%
Coffee (60 kg bags)	381,636	293,199	350,743	19.6%	-8.1%
Av. unit value	1.91	1.64	1.67	1.8%	-12.4%
2. Non-Coffee formal exports	193.57	226.02	256.21	13.4%	32.4%
o/w Gold	41.64	56.24	78.79	40.1%	89.2%
Tobacco	9.56	22.77	15.93	-30.1%	66.6%
Fish & its prod. (excl. regional)	11.91	14.18	15.63	10.2%	31.2%
Base Metals & Products	7.88	12.58	11.15	-11.3%	41.5%
Maize	7.04	3.91	4.68	19.8%	-33.5%
Beans	4.22	1.33	1.83	37.1%	-56.7%
Oil re-exports	11.15	10.49	13.89	32.4%	24.6%
3. ICBT Exports	48.64	42.63	42.42	-0.5%	-12.8%

Source: Bank of Uganda

Compared to October 2017, the value of exports improved by 16.8% from USD 285.95 million to USD 333.85 million in October 2018. This development is mainly attributed to the increased export receipts of gold.

4.3 Destination of Exports

The East African Community¹⁰ remained the top destination for Uganda's exports in October 2018, followed by the Middle East and the Rest of Africa. Exports to the EAC region grew by 1.4% from USD 108.99 million in October 2017 to USD 110.48 million in October 2018. Exports to all EAC Partner States registered increases save for Kenya which registered a decline of 23.4%. Kenya took the largest share of EAC exports (40.5%), followed by South Sudan (24.0%) then Rwanda (20.2%). Table 5 shows the destination of exports.

Table 5: Destination of Exports (Percentage Share of Total Exports)

	Oct-17	Sep-18	Oct-18
EAC	38.1%	39.0%	33.1%
Middle East	16.6%	21.0%	26.1%
Rest of Africa	20.6%	18.6%	16.7%
European Union	16.4%	12.5%	14.1%
Asia	4.9%	6.5%	6.8%
The Americas	2.6%	1.5%	1.5%
Rest of Europe	0.8%	0.8%	1.6%
Others ¹¹	0.04%	0.06%	0.05%

Source: Bank of Uganda

4.4 Merchandise Imports

Merchandise worth USD 532.98 million was imported during the month of October 2018, an increase of 15.3% from the previous month. The 15.3% increase in the value of imports was mainly driven by private sector imports that posted a value increment of 15.7%. Import volumes registered an increase of 14%, contributing to a higher value of imports during the month.

¹⁰ East African Community Partner States include Kenya, South Sudan, Tanzania, Burundi, Rwanda

¹¹ Others include Australia, Iceland

Merchandise imports posted an increase of 8.9% in October 2018 compared to the same month last year. This was primarily driven by the private sector imports bill which increased by 28% and offset the decline in the value of Government imports. Non-oil import volumes registered an increase of 36.5%. Specifically, the imports that registered a significant increase were: Prepared Foodstuffs, Beverages & Tobacco, Mineral Products (excluding petroleum products), Machinery Equipment, Vehicles and Accessories. Table 6 shows the composition of merchandise imports.

Table 6: Merchandise Imports in USD Millions

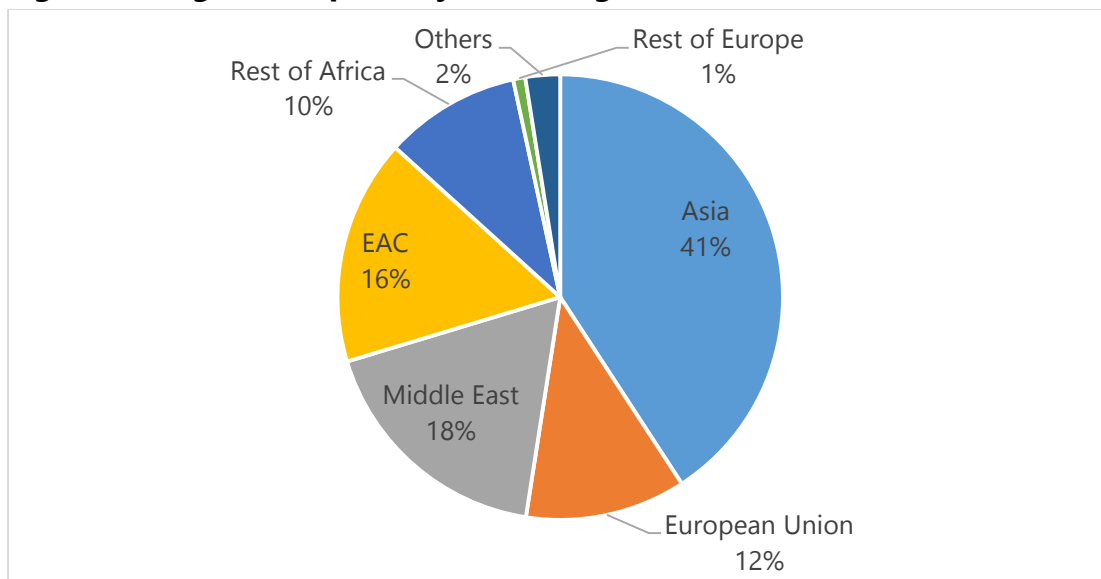
	Oct-17	Sep-18	Oct-18	Sep-18 Vs Oct-18	Oct-17 Vs Oct-18
Total Imports (fob)	489.53	462.42	532.98	15.3%	8.9%
Government Imports	44.93	7.85	7.93	1.0%	-82.4%
Project	44.89	7.85	7.93	1.0%	-82.3%
Non-Project	0.04	0.00	0.00	-	-100.0%
Formal Private Sector Imports	406.80	450.23	520.75	15.7%	28.0%
Oil imports	69.58	76.89	91.92	19.5%	32.1%
Non-oil imports	337.22	373.34	428.84	14.9%	27.2%
Estimated Private Sector Imports	37.80	4.34	4.30	-1.0%	-88.6%

Source: Bank of Uganda

4.5 Origin of Imports

Asia was the largest source of imports during the month, accounting for 41% of the total merchandise imported. Merchandise from Middle East and EAC amounted to 18% and 16% of the total imports respectively. China, India and Japan contributed 78% of the total imports from Asia, while merchandise from Kenya and Tanzania amounted to 98% of the imports from EAC. Figure 8 shows the origin of imports.

Figure 8: Origin of Imports by Percentage Share



Source: Bank of Uganda

5.0 FISCAL SECTOR OPERATIONS

Government operations in the month of November 2018 resulted into a fiscal deficit of Shs 290.4 billion which is smaller than the Shs 727.7 billion that was expected for the month. This was due to a combination of lower expenditure than planned, and higher than expected revenues and grants during the month. Table 7 shows a summary of fiscal operations during November 2018.

Table 7: Fiscal Operations for November 2018, Billion Shillings¹²

	Outturn Nov'17	Plan Nov'18	Prel. Outturn Nov'18	Performance Nov'18	Deviation Nov'18
Revenues and Grants	1,166.6	1,458.2	1,479.7	101.5%	21.4
Revenues	1,148.7	1,288.1	1,303.9	101.2%	15.8
Tax	1,101.1	1,252.7	1,264.6	100.9%	11.9
Non-Tax	47.6	35.4	39.3	111.1%	3.9
Grants	17.9	170.2	175.8	103.3%	5.6
Budget Support	11.1	-	11.7	-	11.7
O/w HIPC debt relief	11.1	-	11.7	-	11.7
Project Support	6.8	170.2	164.1	96.4%	(6.1)
Expenditure and Lending	1,674.0	2,185.9	1,770.0	81.0%	(415.9)
Current Expenditures	901.6	984.7	962.0	97.7%	(22.7)
Wages and Salaries	295.9	362.3	344.5	95.1%	(17.8)
Interest Payments	250.1	280.7	231.3	82.4%	(49.3)
Domestic	233.5	259.7	212.4	81.8%	(47.3)
External	16.6	20.9	19.0	90.5%	(2.0)
Other Recurr. Expenditures	355.7	341.8	386.2	113.0%	44.4
Development Expenditures	504.9	1,044.0	783.0	75.0%	(261.1)
Domestic	258.7	328.2	476.6	145.2%	148.4
External	246.1	715.9	306.4	42.8%	(409.5)
Net Lending/Repayments	232.5	24.3	0.9	3.7%	(23.4)
o/w HPP GoU	1.9	0.3	0.9	343.3%	0.6
o/w HPP Exim	230.7	24.0	-	0.0%	(24.0)
Domestic Arrears Repayment	34.9	132.9	24.1	18.2%	(108.7)
Overall Fiscal Bal. (incl. Grants)	(507.4)	(727.7)	(290.4)		

Source: MFPED

5.1 Revenues and Grants

Total revenues and grants in November 2018 amounted to Shs 1,479.7 billion against a target of Shs 1,458.2 billion. This translated into a surplus of Shs 21.4 billion (performance of 101.5%) as both grants and domestic revenues were above their respective targets.

Domestic revenues

During the month, Shs 1,303.9 billion was realized inform of domestic revenues against a target of Shs 1,288.1 billion, marking a performance of 101.2% as both tax and non-tax revenues registered surpluses.

¹² Plan is what expected to happen in a particular month at the start of the financial year.

Non-tax revenue collections were Shs 39.3 billion against a target of Shs 35.4 billion. This resulted into a surplus of Shs 3.9 billion as Government charges, fees and licenses generated more revenue than what had been anticipated.

Similarly, tax revenue was above its target for the month by about 0.9% (Shs 11.9 billion). Total collections were Shs 1,264.6 billion against a target of Shs 1,252.7 billion. The higher than anticipated tax revenue collection was mainly due to the performance of direct domestic taxes which was above its target by over Shs 47.7 billion, thereby offsetting the shortfall in the other two tax categories of indirect domestic taxes and taxes on international trade.

Both taxes on international trade and indirect domestic taxes were below their targets for the month by 3.8% and 5.7% respectively. The taxes on international trade transactions were affected by lower value of dutiable imports than what was projected for the month at the start of the financial year.

Direct domestic taxes, on the other hand, were above their target by 13.8% as PAYE, corporate tax, presumptive tax and withholding tax all performed well during the month.

5.2 Grants

Government received grants worth Shs 175.8 billion during the month. This was against the projection of Shs 170.2 billion, marking a performance of 103.3%. Of the total grants received during the month, Shs 164.1 billion was earmarked towards project support activities while Shs 11.7 billion was inform of debt relief.

5.3 Expenditure

Total spending during November 2018 was Shs 1,770.0 billion against a program of Shs 2,185.9 billion. This translates into 19% lower than the projected expenditure levels

for the month, mainly on account of externally financed development expenditure which performed at only 42.8% and thereby offsetting domestically financed development expenditure that was higher than its projected levels by 45.2%.

Government expenditure on recurrent items was 2.3% lower than its programmed levels, largely on account of a downward revision of interest payments for the period.

6.0 DEVELOPMENTS WITHIN THE EAC REGION

6.1 Inflation

There was a marginal increase in Annual Headline Inflation for Kenya from 5.53% in October to 5.58% in November, majorly driven by higher prices of food and non-alcoholic beverages. Consumer prices in Rwanda continued to decline albeit at a slower pace. Annual Headline Inflation for November 2018 was recorded at -1.0% compared to -3.4% the previous month.

On the other hand, Tanzania's Inflation reduced from 3.2% in October to 3.0% in November 2018, mostly due to lower cost of food and non-alcoholic beverages. Table 8 shows Annual Headline Inflation rates for EAC Partner States.

Table 8: Inflation rates (%) for EAC Partner States since the start of the calendar year 2018

	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov
Burundi	6.1	-1.3	-2.6	-1.7	-1.3	-1.0	-0.8	-2.3	-5.6	-8.4	n/a ¹³
Kenya	4.8	4.5	4.2	3.7	4.0	4.3	4.35	4.04	5.7	5.53	5.58
Rwanda	0.1	-1.3	-1.4	-0.1	1.8	1.4	0.6	0.6	-1.1	-3.4	-1.0
South Sudan	125.0	112.7	161.2	186.6	83.9	88.5	122.9	74.8	49.1	n/a	n/a
Tanzania	4.0	4.1	3.9	3.8	3.6	3.4	3.3	3.3	3.4	3.2	3.0
Uganda	3.0	2.1	2.0	1.8	1.7	2.2	3.1	3.8	3.7	3.0	3.0

Source: Respective Bureaux of Statistics

6.2 Exchange rates within the EAC

All EAC currencies experienced depreciation pressures during the month apart from the Uganda Shilling which, appreciated against the US Dollar by 1%, compared to the previous month. The Kenyan and Tanzanian Shillings depreciated by 1.3% and 0.03%

¹³ n/a- Data not yet available at the time of report writing.

respectively while the Burundi and Rwandan Francs each depreciated by 0.4%, as detailed in Table 9.

Table 9: EAC Exchange Rates against the USD

	Jun-18	Jul-18	Aug-18	Sep-18	Oct-18	Nov-18
Ushs/USD	3840.5	3760.4	3729.5	3800.7	3778.0	3739.6
% change	3.0%	-2.1%	-0.8%	1.9%	-0.6%	-1.0%
Kshs/USD	101.0	100.7	100.6	100.8	101.1	102.4
% change	0.4%	-0.4%	0.0%	0.2%	0.2%	1.3%
RFrancis/USD	858.5	861.2	864.3	867.7	871.5	875.1
% change	0.3%	0.3%	0.4%	0.4%	0.4%	0.4%
TShs/USD	2276.3	2279.4	2285.1	2287.5	2289.9	2290.6
% change	0.0%	0.1%	0.3%	0.1%	0.1%	0.0%
BFranc/USD	1778.8	1780.3	1783.0	1785.6	1793.2	1799.5
% change	0.1%	0.1%	0.2%	0.1%	0.4%	0.4%

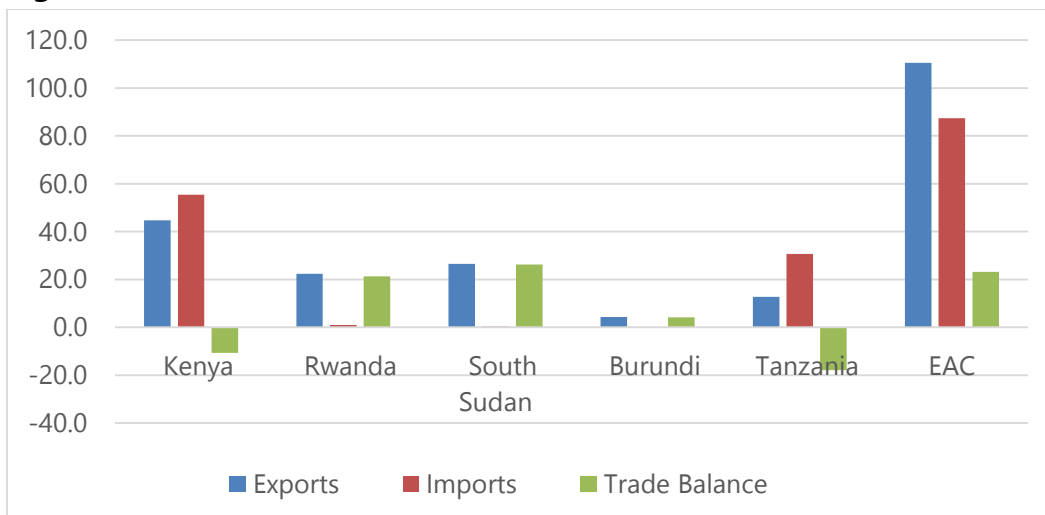
Source: Bank of Uganda

6.3 Trade with EAC Partner States

In the month of October 2018, Uganda registered a trade surplus with the EAC. Uganda exported merchandise worth USD 110.5 million to the region and imported merchandise worth USD 87.4 million, thereby trading at a surplus of USD 23.1 million.

At country specific level, Uganda traded at a surplus with all EAC Partner States save for Tanzania and Kenya. Within the region, Kenya took the largest share of Uganda's exports and, was also the main source of Uganda's imports. South Sudan was the second largest market for Uganda's exports in the region while Tanzania was the second largest source of Imports. Figure 9 shows Uganda's trade with EAC Partner States.

Figure 9: Trade Balance with EAC Partner States, USD million



Source: Bank of Uganda

Table 10: Selected Indicators¹⁴

	Nov-17	Dec-17	Jan-18	Feb-18	Mar-18	Apr-18	May-18	Jun-18	Jul-18	Aug-18	Sep-18	Oct-18	Nov-18
Inflation, (%)													
Real Sector													
Inflation (Annual %)													
Headline: (Base: 2009/10 = 100)	4.0	3.4	3.0	2.1	2.0	1.8	1.7	2.1	3.1	3.8	3.7	3.0	3.0
Core: (Base: 2009/10 = 100)	3.4	3.1	2.6	1.7	1.7	1.6	1.1	0.8	2.5	3.5	3.9	3.5	3.4
Food Crops	2.3	-0.7	1.4	-0.7	-1.7	-2.1	-0.2	2.3	-2.0	-1.2	-2.2	-3.4	-3.3
Energy, Fuel and Utilities	13.7	12.5	9.8	11.2	10.3	10.4	10.3	15.1	16.0	14.1	10.1	6.9	7.7
Business Tendency Indicator	58.5	58.0	57.4	56.9	56.5	56.2	56.0	56.0	56.2	56.7	57.22	57.85	58.5
Composite Index of Economic Activity	204.4	205.7	207.0	208.2	209.3	210.5	212.0	214.0	216.4	219.1	221.9	224.5	n/a
Financial Sector													
Exchange Rate (US\$/USD)													
End of Period	3,634.5	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
Period Average	3,638.9	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
Interest Rates(%)													
Central Bank Rate	9.50	9.50	9.50	9.00	9.00	9.00	9.00	9.00	9.00	9.00	9.00	10.00	10.00
Lending Rate	21.42	20.28	20.26	21.10	20.10	20.03	20.20	17.68	19.17	19.03	19.56	20.37	n/a
91-day Treasury Bill Yield	8.80	8.42	8.60	8.68	8.69	8.74	8.77	9.78	10.52	10.60	9.95	11.46	11.12
364-day Treasury Bill Yield	9.27	9.03	9.10	9.38	9.56	9.73	10.07	12.63	14.50	14.13	12.30	13.73	13.13
Private sector credit (Shs billion)	12579.01	12825.12	12654.76	12635.71	12827.96	12925.98	13032.34	13404.63	13379.05	13553.53	13891.80	13879.81	n/a
PSC growth rate	0.1%	2.0%	-1.3%	-0.2%	1.5%	0.8%	0.8%	2.9%	-0.2%	1.3%	2.5%	-0.1%	n/a
External Sector													
Trade Balance (USD millions)	-169.4	-140.9	-87.5	-164.0	-174.2	-229.5	-127.3	-194.9	-160.9	-248.7	-164.9	-199.1	n/a
Total Exports of Goods - fob (USD millions)	301.9	313.3	350.5	308.9	311.2	259.6	324.9	290.9	284.7	293.9	297.6	333.9	n/a
Total Imports of Goods - fob (USD millions)	471.3	454.3	437.9	472.8	485.4	489.0	452.2	485.8	445.6	542.6	462.4	533.0	n/a
Fiscal Sector (Shs Billion)													
Revenues and Grants	1,159.6	1,669.2	1,280.6	1,297.0	1,232.2	1,097.5	1,224.0	1,836.8	1,202.7	1,353.4	1,333.5	1,375.0	1,479.7
Revenues	1,141.8	1,515.9	1,200.9	1,161.3	1,200.2	1,080.5	1,202.6	1,772.8	1,191.1	1,324.3	1,297.1	1,359.0	1,303.9
URA	1,099.3	1,487.8	1,141.0	1,125.4	1,163.6	1,045.5	1,167.6	1,728.7	1,156.1	1,290.6	1,265.3	1,320.5	1,264.6
Non-URA	42.5	28.1	59.9	35.9	36.7	35.1	35.1	44.1	35.0	33.7	31.8	38.4	39.3
Grants	17.9	153.3	79.7	135.7	32.0	17.0	21.4	63.9	11.6	29.1	36.4	16.0	175.8
Expenditure and Lending	1,677.7	1,571.4	1,622.4	1,681.9	1,363.7	1,815.0	1,794.1	1,885.0	2,197.5	1,531.3	1,336.9	2,252.1	1,770.0
Overall Fiscal Balance (incl.Grants)	(518.1)	97.8	-341.8	-384.9	-131.4	-717.5	-570.0	-48.2	-994.8	-177.9	-3.4	-877.2	-290.4
Net Government Borrowing	115.0	27.2	167.7	(11.4)	15.93	263.5	238.4	530.8	85.7	79.3	138.5	297.4	224.7

Source: MFPED, BOU, UBOS

¹⁴ n/a means data not available