



BPD/86/427/03

18th July 2023

PRESS BRIEF ON QUARTER ONE EXPENDITURE RELEASES FY 2023/24

1. I welcome the Media and other Stakeholders to this press briefing on the Economic Performance and Quarter One (Q1) Expenditure Releases for FY 2023/24.
2. The objective of this briefing is to provide an overview of the state of the economy, the releases made to institutions in the first Quarter of the Financial Year, and guidance given to Accounting Officers on execution of the Budget for FY 2023/24.

A. STATE OF THE ECONOMY

Inflation

3. Inflation continues to ease with Annual Headline Inflation reducing to 4.9 percent in June 2023 from 10.7 percent in October when it peaked. This was mainly due to a slow down in the pace at which prices were rising as a result of decelerated transport prices and favorable weather conditions. This reduction in the prices was significant for items like; liquid oil particularly petrol, Local Gin, agricultural products like Maize flour, Rice, Cassava flour, beans, cooking bananas, sweet potatoes and tomatoes.
4. Due to the well-coordinated fiscal and monetary policy, inflation over the time has been reduced to below the Bank of Uganda's policy target of 5 percent which has strengthened the macroeconomic stability.
5. Uganda's inflation has improved significantly compared to the other countries in the East African region. Rwanda and Kenya's



Mission

"To formulate sound economic policies, maximize revenue mobilization, ensure efficient allocation and accountability for public resources so as to achieve the most rapid and sustainable economic growth and development"

inflation reduced at a very slow pace to 20.4% and 8.77% from 22.4% and 8.78% respectively.

Economic Activity

6. Uganda's economy has been on a steady recovery since the Covid-19 pandemic with economic growth estimated at 5.3% for the fiscal year 2022/23 up from 4.6% in 2021/22. This is shown by the agricultural sector recovery, resilience of the service sector and considerable household consumption. Furthermore, high frequency indicators; Composite index of Economic Activity (CIEA), Purchasing Managers' Index (PMI), Business Tendency Index (BTI) signaled accelerated economic activity in recent months.
7. The Composite index of Economic Activity increased by 1.1 percent from 154.62 in April 2023 to 156.36 in May 2023 while the Purchasing Managers' Index was recorded at 56.4 in June 2023 which was above the 50.0 no-change mark reflecting strength in the business conditions.
8. Business perceptions continued to be optimistic as signaled by an increase in the Business Tendency Index recorded at 61.98 in June 2023 from 58.39 in May 2023.

Exchange Rate

9. The Uganda Shilling gained strength against the United States dollar during the month of June 2023 with an appreciation of 0.6 percent month-on-month to an average midrate of Shs. 3,707.79 per US dollar from Shs. 3,729.55 per US Dollar registered in May 2023. This appreciation was supported by the continued restrictive monetary policy stance and an increase in export revenues from various commodity exports.

Interest Rates

10. In June 2023, the Central Bank Rate was maintained at 10% to consolidate the gains made in the fight against inflation and to restore price stability while supporting Economic growth. Notably, the decision was premised on inflation adjusting to its medium



target in the third quarter of 2023 and remaining stable around that target.

Private Sector Credit

11. The stock of outstanding private sector credit grew by 0.32 percent from **Ushs 20,464.6 billion** in April 2023 to **Ushs 20,529.7 billion** in May 2023. Of the total stock, **Ushs 14,162.55 billion** was shilling denominated credit while **Ushs 6,367.87 billion** was forex denominated credit. During the month, manufacturing, personal & household loans, trade and building, construction & real estate accounted for the largest share of credit extended to the private sector at 23.8% (**Ushs 371.1 billion**), 20.6% (**Ushs 320.9 billion**), 15.9% (**Ushs 247.5 billion**), 15.2% (**Ushs 236.6 billion**) respectively.

Trade sector

12. Uganda's merchandise trade deficit with the rest of the world narrowed from USD 293.19 million in May 2022 to USD 282.08 million in May 2023 as there were more receipts from exports compared to the previous month.

13. The value of merchandise exported in May 2023 increased by 8.7 percent to USD 585.81 million up from USD 538.87 million registered the previous month, mainly due to higher receipts from coffee. Export volumes of coffee increased to 453,169 (60kg bags) in May 2023 from 373,610 (60kg bags) the previous month.

14. On the other hand, Merchandise worth USD 867.89 million was imported in May 2023 an increase of 14.5 percent from the previous month. This was mainly attributed to the increased import volumes for the non-oil private sector imports. These included categories of chemicals & related products, plastic, rubber & related products, base metals & their products, machinery equipments, vehicles & Accessories and wood & wood products.

B. IMPLEMENTATION OF FISCAL CONSOLIDATION

15. In order to continue preserving our debt sustainability while sustaining the impressive Post-Covid recovery, Government will carry on with spending optimisation in areas of the economy that have the biggest impact.
16. Government will not spend money it doesn't have. Instead of borrowing beyond optimal levels, we shall whenever necessary reduce expenditure for activities that do not add to the value of the economy or wellbeing of Ugandans.
17. In particular, we shall not borrow at interest cost that is too high especially in the domestic market. Government will continue to explore new financing initiatives that, last financial year, enabled us to reduce financing cost. We were able to save the tax payers over **Ushs 1.977 Trillion** in interest cost and we intend to continue pursuing innovative financing.
18. Consequently, we call upon our financing partners in the domestic market to adjust their expectations. Government will only contract domestic debt if and when it makes financial sense to the tax payer.

C. APPROVED BUDGET FOR FY 2023/24

19. The Total Approved Budget for the Financial Year 2023/24 is **Ushs 52.736 Trillion** detailed as follows:

i.	Wage –	Ushs	7.289 Trillion
ii.	Non-Wage –	Ushs	11.636 Trillion
iii.	GoU Development –	Ushs	6.108 Trillion
iv.	External Financing – Devt	Ushs	8.248 Trillion
v.	Debt & Treasury Operations –	Ushs	18.951 Trillion
vi.	Arrears	–	Ushs 215 Billion
vii.	Local Revenue	–	Ushs 287 Billion
	Total Budget -		Ushs 52.736 Trillion



D. HIGHLIGHTS OF FIRST QUARTER RELEASE FOR FY 2023/24

20. In line with the Ministry's commitment to release funds before the 10th day of the first month of the quarter, I issued the Quarter One Expenditure limits on **6th July 2023** to ensure timely execution of Government programs.
21. The Expenditure Limits for Q1 of FY 2023/24 were derived based on the Work plans and Procurement plans of MDAs and the available resources for Q1 of FY 2023/24.
22. This Quarter (July – September), **Ushs 4.833 Trillion**, has been released representing **16% of the discretionary budget** as follows:

Category	Released (Billions)
Wage	1,824.589
Non-Wage	2,698.292
GoU Development	198.350
Arrears	111.688
Total	4,832.918

23. The breakdown is as follows:
- i. Wage is projected to perform at **Ushs 1.824 Trillion or 25%** of the wage budget. This includes a 50% release for Missions Abroad to hedge them against loss of poundage;
 - ii. **Ushs 169.968 billion** has been released to cater for payment of Pension for the retired civil servants and **Ushs 147.778 billion** provided to cater for Gratuity payments in the quarter;
 - iii. Under the Education sector, the capitation grants for schools have been fully provided to cater for Term Three of the school year;
 - iv. **Ushs 140.241 billion** (25% of the approved annual budget) has been provided to National Medical Stores for the purchase of essential medicines and drugs;
 - v. **Ushs 50 billion** has been provided to UNRA and MoWT to pay for certificates for the ongoing projects;
 - vi. **Ushs 91.013 billion** has been provided to Universities in line with the semester requirements of which Makerere



- University – **Ushs 31.181 billion**, Kyambogo University– **Ushs 17.481 billion**, MUBS – **Ushs 8.678 billion**, UMI – **Ushs 3.877 billion**, Mbarara University– **Ushs 3.908 billion**, Gulu University– **Ushs 4.146 billion** etc.
- vii. **Ushs 44 billion** has been provided for Road maintenance under Local Governments. Translating into **Ushs 250 million** per Local Government.
- viii. **Ushs 111.687 billion** has been provided to cater for arrears under institutions of which **Ushs 10.446 billion** is for Salary arrears and **Ushs 101.240 billion** is for Pension and gratuity arrears.

CONCLUSION

24. In conclusion, I would like to emphasise the following;
- i. The Quarter One release has been informed by the need to keep expenditures within the available resources to ensure fiscal discipline, controlled borrowing and macroeconomic stability;
 - ii. All Accounting Officers must ensure that they pay wages, salaries, pensions and gratuity by the 28th of every month;
 - iii. There should be a display of the payrolls for salaries and monthly pension on Government institutions’ notice boards every month;
 - iv. Accounting Officers must prioritize payment of service providers on time and clearance of domestic arrears to avoid further accumulation of arrears and penalties;
 - v. NO recruitment should be done without clearance from Ministry of Public Service after ascertaining availability of adequate Wage from this Ministry. This should be on a replacement basis or if the wage bill was already available to the MDAs and LGs;
 - vi. Accounting Officers are required to ensure that every promotion and re-deployment of staff made to a different cost center is backed up by adequate Wage provision; and
 - vii. All Government operations this financial year will underpin fiscal discipline, budget credibility, commitment

to service delivery and timely project execution. This Ministry will not entertain supplementary expenditures that are not for security or industrial policy purposes, themselves

- viii. accommodated within the 3% of the appropriated budget as provided for in the law. Accounting officers who disregard this guidance will be sanctioned.

25. Finally, MoFPED remains committed to the timely release of funds and all stakeholders are requested to take note of information printed in the media and on our Budget Website www.budget.finance.go.ug. For any further inquiries, you can call us on our toll free line **0800229229**.



Ramathan Ggoobi

PERMANENT SECRETARY/SECRETARY TO THE TREASURY