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PRESS RELEASE ON SECOND QUARTER EXPENDITURE RELEASES FOR FY 2026/27

A. Introduction

1. I welcome members of the media and other stakeholders to this briefing on the Second Quarter (Q2) Expenditure Releases for FY 2026/27.
2. Uganda's economy has maintained growth momentum despite a challenging global environment. However, emerging pressures on inflation, the exchange rate and the external sector require prudent fiscal management and careful prioritisation of public spending.
3. The Q2 expenditure releases therefore seek to sustain economic activity, protect essential public services and finance strategic investments in the ATMS (Agro-industrialisation, Tourism, Mineral-based development, and Science, technology and innovation, including ICT and the creatives sector) and their enablers, while safeguarding fiscal and debt sustainability.
4. In programming the Q2 releases, Government has taken into account rising external financing costs, exchange-rate pressures and recent increases in petroleum prices. The guiding principles are:
 - i) Maintaining coordination between fiscal and monetary policies to sustain macroeconomic stability;
 - ii) Containing non-essential expenditure while protecting priority programmes, critical services and strategic investments;
 - iii) Providing financing for wealth creation and household participation in the money economy, consistent with the guidance from H.E. the President;

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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"

iv) Protecting high-impact interventions in the ATMS and their enablers that contribute to the Tenfold Growth Strategy, exports, jobs and household incomes; and

v) Providing essential operational resources to Ministries, Departments, Agencies and Local Governments to maintain service delivery, alongside provision for critical preparations for the Africa Cup of Nations (AFCON) 2027.

5. The objectives of this press briefing therefore are to:

- i) Highlight key developments and trends in the economy and provide an overview of the prevailing economic conditions;
- ii) Communicate to the country the release of funds to Government institutions for the Second Quarter (Q2) of FY 2026/27; and
- iii) Provide guidance to Accounting Officers on execution of the budget.

6. Let me start by summarising the state of the economy.

B. STATE OF THE ECONOMY

Economic Growth

7. Uganda's economy maintained a steady growth momentum, with real GDP expanding by 6.4 percent in FY 2025/26, compared to 6.3 percent in FY 2024/25. In nominal terms, the size of the economy increased to Shs 250.45 trillion (USD 69.345 billion) in FY 2025/26, up from Shs 227.87 trillion (USD 61.986 billion) in FY 2024/25.
8. This growth was supported by increased aggregate demand and the continued implementation of Government's strategic initiatives, including sustained investment in ATMS, Enablers, the Parish Development Model (PDM), Emyooga, and access to affordable credit through the Uganda Development Bank (UDB).
9. The growth momentum has continued into FY 2026/27, as reflected by the high-frequency indicators of economic activity. The Purchasing Managers' Index (PMI) and Business Tendency Index (BTI) remained above the threshold of 50, averaging 54.5 and 56.6, respectively, in the first three months of the financial year.

10. This indicates continued business expansion and positive sentiment about the business environment. Similarly, the Composite Index of Economic Activity (CIEA) increased to an average of 193.59 in the first two months of FY 2026/27, up from 182.02 in the corresponding period of the previous financial year, reflecting higher overall economic activity.
11. The economic outlook remains positive and we continue to keenly observe external risks. Real GDP growth is projected at 7.6 percent in FY 2026/27 and 9.1 percent in FY 2027/28, supported by planned commercial oil production, continued investment in the ATMS and their enablers, and export growth.
12. The timing of oil production and developments in the global economy remain important risks to this outlook.

Inflation

13. During FY 2025/26, annual headline inflation remained low and stable, averaging 3.3 percent, compared to 3.5 percent in FY 2024/25. This was partly supported by effective coordination of monetary and fiscal policies.
14. However, since the beginning of FY 2026/27, inflationary pressures have been on the increase, with headline inflation rising from 4.0 percent in July 2026 to 4.6 percent in September 2026.
15. The increase was largely driven by higher transport and energy costs, following continued rises in international oil prices amid geopolitical tensions in the Middle East. Despite this increase, inflation remains within the 5.0 percent medium-term policy target.

Exchange Rates

16. The Ugandan Shilling appreciated by 1.9 percent against the US dollar in FY 2025/26, supported by stronger foreign exchange inflows and sound macroeconomic management.
17. However, in recent months, the Shilling has faced depreciation pressures as foreign exchange outflows—driven partly by rising global oil prices amid geopolitical tensions and increased demand

for dollars from the energy, manufacturing and telecommunications sectors—have outstripped inflows from exports, remittances, and foreign direct investment, among others. Since the start of August, the Shilling has depreciated by 6 percent against the US Dollar.

18. However, Government is working towards restoring stability of the currency through close coordination of monetary and fiscal policies.
19. Already the Bank of Uganda yesterday responded by: raising the Central Bank Rate (CBR) by 225 basis points from 9.75% to 12.0%. In addition, BoU had earlier in September 2026, in anticipation of the economic vulnerabilities, raised the Cash Reserve Requirement to 13.5% up from 11.0% to tighten excess banking system liquidity. The Quarter 2 release for FY 2026/27 is therefore guided by the need to harmonise fiscal policy with this monetary policy stance.
20. While the Shilling has recently weakened beyond Shs 4,000 against the US dollar—its lowest nominal level on record—Bank of Uganda's historical analysis shows that Uganda has experienced even sharper episodes of depreciation in the past, largely associated with global financial shocks. Yet, despite these pressures, our economy continued to grow, although growth slowed in some periods.
21. The important distinction is that a weakening currency does not necessarily mean a shrinking economy. The current depreciation must therefore be viewed in the context of our broader economic performance. The immediate challenge is that demand for foreign exchange has increased more rapidly than the supply available in the market.
22. It is also important to recognise that Uganda is not the only country exposed to global currency pressures; over the past five years, the Ugandan Shilling has experienced a relatively smaller cumulative depreciation against the US dollar than several currencies in the East African region.
23. While the recent pressures require our continued attention, this longer-term perspective is important in assessing the stability and resilience of Uganda's economy.

External Sector

24. Our external reserve position remains strong, with foreign exchange reserves increasing to USD 6.7 billion as at 6th October 2026, equivalent to 3.74 months of import cover excluding oil project-related imports, up from USD 5.6 billion at the end of January 2026.
25. These reserves are an important national safeguard against external shocks and provide confidence in the country's ability to meet external obligations.
26. Total remittances from Ugandans working abroad rose by 31.6 percent to USD 2.9 billion in the year ending June 2026, compared to USD 2.2 billion the previous year. In the fourth quarter of FY 2025/26, remittances rose by 12.2 percent to USD 812.30 million, compared to USD 724.02 million in the corresponding quarter of FY 2024/25.
27. In the first two months of FY 2026/27, total goods export earnings amounted to USD 2,893.78 million, which is 23.9 percent higher than what was earned in the corresponding months of the previous financial year.
28. Uganda's exports are dominated by gold and coffee, which accounted for 56.5% and 13.9% of total exports in FY 2025/26 respectively, although the share of other items such as cocoa beans, sugar, and cement, among others, is increasing.
29. However, the import bill has increased at a faster pace over the same period. The total import bill in the first two months of this financial year reached USD 3,935.59 million, which is 44.8 percent higher than the USD 2,718.61 million recorded in the first two months of the last financial year.
30. Consequently, the merchandise trade deficit widened from USD 383.07 million for July and August 2025 to USD 1,041.81 million recorded for July and August 2026.
31. Government is implementing several initiatives to reverse this trend and boost exports. Some of the initiatives include: strengthening economic and commercial diplomacy through facilitating our missions and embassies abroad to promote our exports and tourism attractions while also sourcing investments into the economy:

prioritizing value addition to our exports through agro-processing and mineral development; supporting exporters to access high value markets; and continuing to ensure greater access to wider markets for our exports through regional integration.

C. EXPENDITURE LIMITS FOR THE SECOND QUARTER OF FY 2026/27

32. The total Q2 release for FY 2026/27 amounts to Shs 21.82 trillion, equivalent to approximately 26 percent of the approved annual budget. Releases have been guided by Government annual and quarterly workplans, projected domestic revenue collections, available cash resources, and anticipated external financing disbursements.
33. Accounting Officers must execute expenditure strictly within the limits communicated by the Treasury.
34. Key highlights of the release include:

Statutory Obligations and Institutions

- i) **Shs 10.75 trillion** for debt and treasury operations;
- ii) **Shs 2.42 trillion** to cater for wages and salaries across Government;
- iii) **Shs 376.6 billion** for pension and gratuity;
- iv) **Shs 242.5 billion** for Parliament;
- v) **Shs 79.5 billion** for the Judiciary; and
- vi) **Shs 21.2 billion** for the Office of the Auditor General.

ATMS priorities supporting the Tenfold Growth Strategy

- i) Agro-industrialisation (A) — **Shs 224.5 billion** for agro-industrial research and innovation, operations and critical programme interventions;
- ii) Tourism Development (T) — **Shs 48.2 billion** for tourism development and promotion interventions, including the “Explore Uganda” drive;

- iii) Mineral-Based Industrial Development including oil and gas **(M)** — **Shs 46.7 billion** to Uganda National Oil Company (UNOC) and the Petroleum Authority of Uganda (PAU) for continuing the implementation of interventions towards fast-tracking first oil; and
- iv) Science, Technology and Innovation including ICT and the creative industry **(S)** — **Shs 372.9 billion** for STI initiatives, expanding internet connectivity and digitisation of the economy.

Enablers of the ATMS

A. Security

- i) Ministry of Defence and Veteran Affairs – **Shs 414.7 billion;**
- ii) Uganda Police Force – **Shs 74.9 billion;**
- iii) Uganda Prisons Service – **Shs 92.2 billion;**
- iv) Office of the President – **Shs 118.4 billion;**
- v) Internal Security Organisation (ISO) – **Shs 33.7 billion; and**
- vi) External Security Organisation (ESO) – **Shs 25.1 billion**

B. Infrastructure

- i) Ministry of Works and Transport — **Shs 1.48 trillion** for ongoing transport infrastructure development and maintenance projects, Uganda Airlines, Uganda Railways, Kalangala Infrastructure Services, and the Standard Gauge Railway;
- ii) Ministry of Energy and Mineral Development — **Shs 337.1 billion** to continue implementation of rural electrification, development of transmission lines, and power-generation projects, among others;
- iii) Kampala Capital City Authority — **Shs 223.8 billion** for social services (education, health) and city development projects, notably roads and drainage, among others; and
- iv) Ministry of Kampala Capital City and Metropolitan Affairs — **Shs 67.9 billion** to continue implementation of the Greater Kampala Metropolitan Area Urban Development Project for roads, drainage, and sanitation improvements.

C. Human Capital Development

- i) Ministry of Health – **Shs 416.5 billion** to cater for operational funds, GAVI vaccines, and procurement of ambulances for constituencies that did not receive them;
- ii) National Medical Stores (NMS) – **Shs 284.7 billion** for the purchase of essential drugs and medicines;
- iii) Uganda Cancer Institute and Uganda Heart Institute – **Shs 165.5 billion** for operations, provision of oncology and cardiovascular health services, and development of the nuclear medicine/PET centre;
- iv) Referral Hospitals (National and Regional) – **Shs 94.5 billion**;
- v) National Council of Sports – **Shs 260.5 billion** to fast-track preparations for AFCON 2027;
- vi) Ministry of Education and Sports – **Shs 154.6 billion**; and
- vii) Public Universities – **Shs 209.1 billion**.

D. Local Governments

- 35. A total of **Shs 457.4 billion** has been released to Local Governments, comprising **Shs 164.6 billion** for conditional and unconditional grants and **Shs 292.8 billion** for capital development.
- 36. Local Government Accounting Officers must prioritise timely implementation and delivery of services within approved allocations.

E. Revenue-Generating Votes

- i) **Shs 130.6 billion** for the Uganda Revenue Authority (URA) to facilitate revenue collection
- ii) **Shs 12.0 billion** for the Uganda Registration Services Bureau (URSB)
- iii) **Shs 63.4 billion** for National Citizenship and Immigration Control (NCIC)
- iv) **Shs 28.9 billion** for the Uganda National Bureau of Standards (UNBS)
- v) **Shs 5.8 billion** for the National Lotteries and Gaming Regulatory Board (NLGRB)

F. Arrears

- 37. **Shs 130 billion** has been provided for verified salary, pension, gratuity, and utility arrears. Accounting Officers must ensure that

these payments are properly validated and that no new arrears are accumulated.

D. BUDGET EXECUTION

38. Government is strengthening budget execution to ensure that public resources deliver measurable results. The focus is on revenue mobilization, expenditure control, accountability, timely implementation, prevention of arrears, and improved value for money.
39. Detailed policy and administrative guidelines were communicated to all Accounting Officers in the Budget Execution Circular for FY 2026/27.
40. The key reforms include:
 - i) **Strict enforcement of the Budget Discipline and Accountability Charter:** Accounting Officers are responsible for ensuring that commitments are backed by approved budgets and available resources, recruitment is undertaken only against approved wage provisions, and supplementary requests are limited to genuinely exceptional needs. Breaches will be addressed in accordance with the applicable rules. The five cardinal rules are:
 - a. **Rule 1: No Budget, No Commitment**
 - b. Rule 2: Supplementary Budgets Are Exceptional
 - c. **Rule 3: Zero Tolerance for Arrears**
 - d. Rule 4: No Ready Project, No Budget
 - e. **Rule 5: No Wage Provision, No Recruitment**
 - ii) **Centralised counterpart funding:** Counterpart funding for externally financed projects is being managed centrally through the Treasury to protect allocations for priority projects and improve predictability of implementation.
 - iii) **Contributory pension scheme:** Government has commenced steps towards operationalising a contributory public service pension fund to support the long-term sustainability of pension obligations.
 - iv) **Rationalisation of state celebrations:** State-funded celebrations on public holidays have been eliminated. Public holidays will be

observed without official ceremonies, as was the case for Independence Day this year. The only exception will be for religious holidays, in accordance with guidance from H.E. the President.

- v) **Anti-corruption and procurement reforms:** Government will strengthen anti-corruption measures through procurement reforms and digital systems, including the accelerated rollout of electronic government procurement (e-GP) and the review of relevant procurement procedures.
- vi) **State-Owned Enterprises (SOE) governance:** Government will strengthen the governance, oversight, and performance monitoring of state-owned enterprises, with greater emphasis on accountability and fiscal risk management.

E. CONCLUSION

41. As I conclude, I would like to emphasise the following:

- i) Every shilling mobilised and released must translate into timely implementation, improved services, and measurable results, while maintaining fiscal discipline.
- ii) Priority will continue to be given to investments that support private-sector growth, expand exports, create jobs, and raise household incomes.
- iii) Accounting Officers must ensure value for money, timely procurement and execution, and strict accountability for the resources released.
- iv) Expenditure commitments must remain within available financing and approved limits. Domestic revenue mobilisation and prudent cash management are essential to maintaining budget credibility and macroeconomic stability.
- v) Government will continue reforms that reduce the cost of doing business and encourage both domestic and foreign private investment.

- vi) Regular updates on budget implementation and economic performance will be published to support transparency and public accountability.
- vii) Uganda's economy remains resilient, but emerging pressures on prices, the exchange rate, and external trade call for sustained vigilance and disciplined public spending.
- viii) Through effective execution of the released resources, Government will sustain growth momentum and improve socio-economic outcomes for citizens.

42. I thank the media and civil society for their continued partnership in supporting budget transparency. For more information, visit www.budget.finance.go.ug or call the Budget Call Centre on 0800 229 229.

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FOR: PERMANENT SECRETARY/SECRETARY TO THE TREASURY

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