The “Ugandan Economy Today” is a quarterly review of the economic performance of Uganda. The publication presents a trend analysis of selected key indicators in the agricultural, industrial, transport and communication sectors of the economy. It also highlights trends in major price indices such as inflation, exchange rates and interest rates. The policy section reviews monetary and fiscal policy stances as well as international trade developments.

EXECUTIVE SUMMARY

THE REAL SECTOR

Agricultural sector

The quarter under review received above-average rainfall in most parts of the country. This was beneficial for crop establishment, growth and pasture improvement, albeit floods and landslides in some parts of the country. During the quarter, the economy experienced adverse effects due to lockdown measures put in place to curb the spread of COVID-19. In the first month of the quarter, food prices in urban areas went up due to panic purchases but later dropped due to weakened demand. Bean prices were highest in the last two quarters but lowest for rice. Cross border trade also reduced due to weakened regional demand due to the closure of borders as a result of COVID-19.

Energy sector

Petrol prices relatively stagnated at UGX 3,845/Litre while Diesel prices marginally declined by 0.3 percent in the quarter under review. On the contrary, prices for Kerosene increased by UGX 3,086/Litre registering a 0.7 percentage growth. Relatedly, energy purchases and sales increased by 16 percent and 18 percent to 346 MW and 306 MW respectively in June. This growth in energy purchases and sales was primarily driven by increased power generation from the recently commissioned Isimba power dam.

Transport sector

In the quarter under review, the Government through the ICT ministry announced
the development of a bodaboda travel application to be used for the registration process in Kampala. This development will go a long way towards formalising the bodaboda transport industry. In this arrangement, digital transporters will be required to register with the Ministry of Works and Transport, to offer public transport services. Noteworthy, due to the unprecedented impact of the COVID-19 pandemic and its containment measures on public transport means, there was minimal use of these transport means and data on the same was not available for this publication.

**Telecommunication sector**

During the quarter under review, the Telecommunications sector experienced an 11 percent decrease in mobile phone subscriptions. Consequently, telephone penetration dropped from 67 lines to 61 lines per 100. Despite the drop in telephone subscriptions, mobile money export receipts, on the other hand, reduced by USD 15.3 million between Q1 and Q2 but later increased by USD 29.82 million in Q3. Owing to the effects of the COVID-19 pandemic, the quarter under review also registered declines in merchandise exports in April 2020 for commodities such as: coffee, cotton, oil re-exports, beans, fish, base metals and products. However, in June 2020, merchandise exports increased due to the lifting of the lockdown. Merchandise imports, on the other hand, fell as a result of a decline in both government and private sector imports.

**Inflation**

In April and May 2020, food prices were on the rise but drastically declined in June. Going by quarterly averages, food prices fell at a higher rate in the current quarter compared to the rest of the quarters in Financial Year (FY) 2019/20. Average core inflation increased; energy fuel and utility prices kept rising in April and May 2020 but declined drastically in June. Unlike in the previous quarter where the all-items index was increasing throughout, it registered a deflation in May 2020.

**Foreign Exchange rates**

The average mid-rate continued to increase from the previous quarter, reaching a peak in May 2020 and then sharply appreciated by 1.4 percent between May and June. Compared to all the previous quarters of FY 2019/20, the exchange rate was higher in the current quarter as the country started opening up. Relative to the last quarter, both foreign currency sales and purchases were lower in the quarter under review. However, during the current quarter, sales and purchases were consistently rising.

**Interest rates**

Throughout the current quarter, there was a general reduction in interest rates. Consistently rising throughout, it registered a consistent decrease in each month of the current quarter as compared to the previous quarters.

**Monetary Policy**

Treasury Bills holdings registered a slight increase of 0.2 percent at the beginning of the current quarter. Private Sector Credit rose steadily throughout the quarter, from UGX 17,131 billion in April 2020 to UGX 17,362 billion at the close. The money supply increased by UGX 764 billion from April to June 2020 and peaked at UGX 17,244 billion. An 11.5 percent rise was observed in the Net Credit to Government; and the stock of treasury bonds grew by UGX 171 billion, which was a 1.5 percent increase during the quarter under review.

**International Trade**

On average, merchandise export receipts increased between Q1 and Q2 for products such as: beans, cotton, tea, oil-re-exports, fish and fish products. Coffee imports increased; energy fuel and utility prices continued to increase from the previous quarter where the all-items index declined drastically in June. Unlike in the previous quarter, the all-items index was increasing throughout, it registered a consistent decrease in each month of the current quarter as compared to the previous quarters.

**LEADING PRICE INDICATORS**

**Fiscal operations**

Generally, the quarter under review observed poor fiscal performance in comparison to the previous quarters. Specifically, revenue plus grants collections in Q4 were much lower at UGX 3,801 billion compared to Q3 (UGX 4,447 billion), Q2 (UGX 5,308 billion) and Q1 (UGX 4,100 billion). On the other hand, the total expenditures for Q4 were lower than Q3 payments (UGX 6,882 billion). However, they were higher than the spending in Q1 (UGX 6,633 billion) and Q2 (UGX 6,035 billion). However, the overall fiscal deficit was higher for Q3 compared to other quarters, mainly because the actual spending on wages, salaries, domestic development expenditure and external interest payments exceeded the planned spending.
PERFORMANCE OF THE REAL SECTOR

The Agricultural sector

Most farming households opened land and planted crops during the quarter under review. This was necessitated by the above-average rains in bi-modal rainfall areas that cover most of the country. Although there was a dry spell in the first half of April which affected crop germination and establishment in some areas, the subsequent rains led to a substantial recovery of the water-stressed crops. Flooding and landslides occurred in some areas in the western, central and eastern parts of the country owing to heavy rains in April and May. The floods and landslides displaced about 24,000 people, causing loss of human lives and livestock, damaged infrastructure and destroyed crops. The above-average rainfall also increased water levels in rivers and lakes – the water level of Lake Victoria was reported to be the highest on record in 60 years. There was also an invasion of desert locusts in April in some parts of Teso, Karamoja, Acholi and Lango sub-regions. However, locust damage to pastures and crops was minimal as swarms were relatively small in size, coupled with prompt intervention by the Government.

In the uni-modal (Karamoja) region, the Food and Agriculture Organization (FAO) reported that the rains experienced in the period under review were twice the long-term average. The abundant rains benefited crop farming and improved pasture and water availability for livestock. The rains triggered floods in Nakapiripirit District, leading to crop losses. Regarding food security, the COVID-19 pandemic did not affect the food security situations in most bimodal food-producing areas, except in the areas affected by floods and landslides. In the agro-pastoral Karamoja region, food security deteriorated due to below-average incomes from labour and sales of firewood and charcoal, arising from restrictive measures to curb COVID-19.

Following reported cases of COVID-19 towards the end of March, several stringent lockdown measures were put in place to curb the spread of pandemic, most of which were implemented during the quarter under review. Some of the measures disrupted trade and food supply chains resulting in increased food prices in urban areas, while prices fell drastically in rural/production areas due to lack of demand. The price increase was mostly triggered by panic and speculative buying following the implementation of lockdown measures. Additionally, institutional purchases of food items for distribution to hand-to-mouth households in urban areas also contributed to the price increase.

The wholesale market prices for beans in Kampala for Q3 (Jan-March, 2020) and Q4 (April-June, 2020) were significantly higher than those for Q1 (July-Sept, 2019) and Q2 (Oct-Dec, 2019) (Figure 1-Panel B). In Q4 mainly, bean prices in April and May were higher than the quarterly average of USD 794.9/MT, but the prices later dropped far below the quarterly average in June by 21.2 percent (Figure 1-Panel A). For rice, the wholesale market price in Q1 and Q2 was significantly higher than for Q3 and Q4 (Figure 1-Panel B). In Q4 notably, the price dropped continuously from USD 1004.2/MT in April to USD 805.3/MT in June (Figure 1-Panel B). Maize prices were high in Q1 but then declined in Q2 and Q3 before rising in Q4. In Q4 specifically, monthly prices for maize were high at the opening of the quarter. Subsequently, they declined in May and June to USD 304.7/MT and USD 241.3/MT respectively, representing a decline of 22.3 percent between April and June 2020. The decline in prices was due to increased supply from second season harvests coupled with a weak demand both domestically and regionally. Domestic demand reduced due to lack of purchasing power resulting from the closure of most income-generating activities. Similarly, reduced regional demand was due to reduced income earned and remittances, all due to COVID-19 restrictions. On the supply side, delayed and increased costs of trucking due to screening measures at border points reduced intra-regional trade.

![Figure 1](image-url) Comparative wholesale monthly and quarterly commodity prices in Kampala market (USD/MT): July 2019 – June 2020

Source: FAO - Global Information and Early Warning System (GIEWS), 2020
The Ugandan Economy Today
Quarter 4, April-June, 2020

Table 1 shows that trade for all the items (except rice) generally reduced between Q3 and Q4. For instance, maize exports to South Sudan decreased from USD 11.7 million worth of maize to USD 3.1 million, representing a reduction of 73.6 percent. Similarly, maize exports to Kenya reduced by 33.3 percent. Sorghum exports to South Sudan and Rwanda reduced by 15.7 percent and 22.3 percent respectively. However, sorghum exports to Kenya increased by 33.3 percent. Rice exports to South Sudan increased by 27 percent. For beans, exports to all the three destinations reduced. The highest reduction was reported in DRC (85 percent) and Kenya (58.8 percent).

Regarding the quarterly performance, maize trade was lowest in the quarter under review (Q4). The export value for maize reduced by over two-folds between Q1 and Q4. For sorghum, the largest exports were recorded in Q3 while the beans export value was highest in Q1 but dropped drastically in Q4. In other developments, the Ministry of Agriculture, Animal Industry and Fisheries (MAAIF) issued grants worth UGX 3.7 billion (US$994,700) to 16 farmers cooperatives in Masaka district. The funding was channelled through the Agriculture Cluster Development Project (ACDP) and it is meant to support agro-processing, value addition and the acquisition of standard storage for their produce.

Energy

Energy Prices for select petroleum products largely remained unchanged during the quarter under review (Figure 2-Panel A). For instance, Petrol (PMS) prices were stagnated at UGX 3,845/Litre, Diesel (AGO) prices marginally declined by 0.3 percent between April and June 2020, while Kerosene (BIK) prices registered a 0.7 percentage growth over the same period. Comparisons across quarters show that average pump prices for all petroleum products declined in the quarter under review (Q4). Expressly, average prices for Diesel, Petrol and Kerosene in Q4 declined by 7 percent, 5.6 percent and 2 percent from the Q1 prices (Figure 2 – Panel B). Similar performance was noted between Q4, Q2 and Q3. This general reduction in prices is attributed to the general decline in the world oil prices during Q4.

During the quarter under review, energy purchases and sales steadily increased. Specifically, energy purchases increased from 292 MW in April to 346 MW in June, representing a 16 percentage growth (Figure 3 – Panel A). Similarly, energy sales grew by 18 percent from 266 MW in April to 306 MW in June. This growth in energy purchases and sales was mainly driven by an increase in power generation from the recently commissioned Isimba power dam –from 70 MW in Q3 to 187 MW
in Q4. In the same period, energy exports increased to 19 MW from 15 MW equivalent to a 27 percent growth while energy losses increased by 9 percent during the quarter. In comparison to the previous quarters, energy purchases and sales during the quarter under review declined by 16 percent and 12 percent from Q1 and Q2, respectively (Figure 3 – Panel B). Similarly, energy losses during the quarter declined to 12 MW from the quarterly average of 14 MW in the previous quarters.

In comparison to the previous quarter, there was a general decline in the power tariffs across all consumer categories in the quarter under review, except for street lighting and domestic consumers (Table 2). Notably, the largest decline was registered by the medium industrial consumers, where average quarterly prices fell by 0.75 percent to UGX 570.9 per unit of electricity in Q4. Relatedly, average quarterly tariffs for commercial consumers reduced to UGX 645.6 per unit, representing a 0.6 percent reduction from the previous quarter. Average tariffs for large industries and extra-large industries declined by 0.4 percent and 0.2 percent, respectively, to UGX 361/KWh and UGX 301.7/KWh. According to the Electricity Regulatory Authority (ERA), this general decline was mainly driven by a fall in international fuel prices.

In related developments during the current quarter, a vast floating island in Lake Victoria triggered a nationwide power blackout in Uganda after clogging a turbine in a hydroelectric power station. Specifically, the two-acre moving island caused a rise in the water levels from the standard 9 metres levels to 13.1 metres, almost reaching the record high of 13.5 m seen in 1964. Consequently, the island choked turbines at Nalubaale hydropower station, causing a widespread disruption in power generation, especially at Eskom Uganda, one of the largest power generating companies. According to Uganda Electricity Transmission Company (UETC), the island’s movement is attributed to heavy rain, clogging of the lake’s tributaries, and pollution.

Also, the Government announced plans to import uranium to be used in the production of electricity. According to the Ministry of Energy and Mineral Development, the Government is in discussions with Russia and China on funding modalities to construct the nuclear plants which will be processing uranium to produce electricity. Government revealed that this project would entail the hiring of international suppliers of ready nuclear fuels to be used in nuclear plants since Uganda lacks the requisite technology that transforms uranium into nuclear energy fuels. The country has uranium deposits in Amudat, Bugiri, Mityana, Kasese and Kikuube districts.

Tullow Oil Company announced the sale of its shares of the interest in Uganda’s oil industry to French oil giant company, Total E&P for a sum of USD 575 million. This resulted in a complete takeover of Tullow’s interest in Uganda’s oil industry by Total E&P. According to the transfer agreement, Tullow Oil will be paid USD 500 million payable at completion and USD 75 million expected after the project’s final investment decision (FID). However, the transaction between the two companies also remains subject to several other conditions, including

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<th>Consumer category</th>
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<th>Q2</th>
<th>Q3</th>
<th>Q4</th>
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</table>

Source: UBOS 2020

Source: UMEME 2020
customary government approvals and the execution of a binding tax agreement with the Government of Uganda and the Uganda Revenue Authority that reflects the agreed tax principles previously announced.

Transport
Due to the unprecedented impact of the COVID-19 pandemic and its containment measures on public transport means, there were minimal use of air, water and road transportation systems during the quarter under review. Noteworthy, Government imposed an almost 3 months lockdown characterised by a total ban on the use of public transport such as public buses, water vessels, passenger planes and private vehicles among others. Vehicles allowed to move where from Government, ambulances, trucks and boda-bodas delivering food items.

To formalise the transport industry, Government through the ICT ministry announced the development of a bodaboda travel application to be used for the registration process. In this arrangement, digital transporters were required to register with Ministry Works and Transport (MoWT), to offer public transport services. Bodabodas operating under digital transport companies were expected to register members in a format approved by the MoWT. Noteworthy, Bodabodas whose operators do not belong to any mobile transport application were given 60 days to register at Kampala Capital City Authority (KCCA) at the respective divisions. Furthermore, non-commercial motorcycles, utility service motorcycles and goods on delivery motorcycles should also register to continue operating in free zones during the lockdown.

Telecommunication
The telecommunication sector registered an 11 percent decrease in mobile phone subscriptions from 28.4 million in Q3 to 25.5 million in Q4 (Figure 4). The decrease signifies a drop in the national teledensity from 67 percent in Q3 to 61 percent in Q4 (Figure 4). This contraction was attributed to a clean-up of the subscriber register by one of the leading mobile cellular providers that deregistered SMS-receiving, only subscribers and suppressed new demand owing to the COVID-19 induced lockdown and its subsequent effects on spending patterns.

Despite a drop in mobile phone subscriptions, the number of registered mobile money accounts grew to 25.9 million by the end of Q4 from 25.5 million in Q3, representing a 1.6 percent increase. The mobile cellular providers also reported that 81.1 percent of the mobile money subscribers had made at least one billable mobile money transaction in the 90 days preceding 30th June 2020, which is a 1 percent increase from the assessment done in the quarter ending 30th March 2020.

Quarterly performance shows that total internet connections in Q4 stood at 18.9 million, translating into a penetration of 46 internet connections for every 100 Ugandans (Figure 5). This is extraordinary growth in light of the general contraction in mobile subscriptions and devices.

The new growth is indicative of the conversion of previously voice-only customers into internet users, new demand from Work-From-Home protocols instituted by different corporate bodies following nationwide lockdown and new price competition resulting in subsidised internet offerings by the leading companies during the lockdown. OTT subscriptions also grew by 7 percent from 10.6 million users in March 2020 to 11.3 million users accessing OTT services at least once in the month.
LEADING PRICE INDICATORS

Inflation
In the quarter under review (Q4), average food prices declined at a higher rate (-0.7) compared to the rest of the quarters. In April and May 2020, food prices were on the rise, probably due to the panic buying in anticipation of a total lockdown due to COVID-19. In June 2020 however, there was a sharp deflation in food prices of about 3.9 percent which could be due to the higher rate of decline in prices for fresh fruits especially bananas (-17 percent), apples (-32 percent) and other fresh fruits1.

Relatedly, average core inflation increased from 0.2 percent in Q3 to 1 percent in Q4. However, during Q4, there was deflation in May as compared to the rest of the months. Energy fuel and utility prices were on the rise in April and May 2020 probably due to the lockdown that limited imports, but drastically deflated at a rate of 0.9 percent in June 2020 as the country started opening up perhaps due to the fall in global fuel prices. However, on average, energy fuel prices were relatively stable in the quarter under review relative to all the previous quarters in FY 2019/20. The all-items index registered a deflation of 0.1 percent in May 2020 while April and June recorded price increases in all items. Relative to all the three previous quarters, the prices of all items were increasing in the current quarter (Table 3).

Foreign Exchange Rates
Table 4 presents comparative quarterly averages for the selected foreign market indicator. While the foreign currency sales and purchases were consistently on the rise, in the current quarter (Q4), they were relatively low (USD 580 million) compared to the last quarter which was above USD 700. Between May and June 2020 when the appreciation of the shilling was very significant, the percentage increase in the foreign currency purchases (29 percent) was far higher than that of the sales (21 percent). This explains the appreciation of the shilling as the demand for dollars was relatively low.

Compared to all the previous quarters, the exchange rate was higher in the current quarter as the country started opening up. The quarterly average mid-rate in the Interbank Foreign Exchange Market (IFEM) continued to rise from UGX 3,710 per USD in Q3 to UGX 3,772 per USD in Q4 (Table 4). The later performance was mainly attributed to a high IFEM in April and May 2020. The appreciation of the shilling in Q4 is attributed to the drastic increase in imports which increased the supply of dollars in the economy.

Interest rates
Throughout the quarter under review, there was a general reduction in the Central Bank Rate (CBR), rediscount rate and the bank rate compared to all the previous three quarters. The CBR reduced from an average of 9 percent in the earlier quarters to 8 percent in Q4. Specifically, Q4 CBR was worse in June 2020 at 7 percent from 8 percent in May and April.

The quarterly average performance of commercial bank lending rates decreased from 20.5 percent, 19.0 percent and 18.9 percent in quarter Q1, Q2 and Q3, respectively to 18.6 percent in the quarter under review (Q4). The decline in Q4 performance was driven by the lowest rate observed in April 2020-at 17.7 percent. Nonetheless, the monthly lending rates kept increasing in the quarter under review amidst eased monetary conditions due to increased worries about credit losses within the banking sector.

The 91-day, 182-day and 364-day Treasury Bills (TBs) rates registered slight declines during the quarter under review as compared to the previous quarters. Concerning the 91-day TBs, there was a decrease from an average of 8.7 percent in Q1, 8.4 percent in Q2 and 9.1 percent in quarter 3 to 8.6 percent in the quarter under review. The 364-day TB registered a quarterly average of 11.1 percent, slightly higher than the rates in Q1 and Q2 but lower than the rate of Q3. Monthly, however, all the rates of the different TBs were continuously declining. This general fall in the monthly TB rates in the quarter under review could be due to the need to

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Quarterly averages of Treasury Bills (TBs) indicate that the holdings rose steadily from Q1 to Q3 but fell during the quarter under review; from UGX 4,914 billion in Q3 to UGX 5,068 billion in Q4. Private Sector Credit (PSC) rose more sharply by 3.3 percent between Q3 and Q4 compared to Q2 and Q3, which was 0.9 percent; and Q1 and Q2 (2.6 percent). Specific to Q4 monthly performance, PSC rose from UGX 17,131 billion in April 2020 to UGX 17,362 billion at the close. The slow growth of PSC during the quarter under review can be attributed to uncertainty and a decline in economic activities due to the COVID-19 pandemic. The stock of Treasury bonds grew by UGX 171 billion, which was a 1.5 percent increase, and registered UGX 11,882 billion in June 2020. The quarterly averages indicate a steady rise from UGX 11,927 billion in Q1 to UGX 13,312 billion in Q3 but fell to UGX 11,825 billion during the quarter under review.

International Trade

On average, merchandise export receipts increased between Q1 and Q2 for products such as; beans, cotton, tea, oil-re-exports, fish and fish products. Coffee export receipts, on the other hand, reduced by USD 15.3 million between Q1 and Q2 and later increased by USD 29.82 million in Q3. However, Q4 saw declines in merchandise export receipts significantly for gold and coffee, which fell by USD 138.79 million and USD 100.98 million, respectively compared to the previous two quarters (Table 7).

Owing to the effects of the COVID-19 pandemic, the quarter under review also registered declines in merchandise exports in the month of April 2020 for commodities such as; coffee, cotton, oil-re-exports, beans, fish, base metals and products. Merchandise imports also fell as a result of a decline in both government and private sector imports. In May 2020, merchandise exports registered noticeable increments since January 2020 indicating that the supply chain disruptions associated with
the COVID-19 pandemic were beginning to ease.

In June 2020, merchandise exports increased due to the lifting of the lockdown for commodities such as; beans, tea, oil re-exports, fish and fish products whereas earnings from coffee, tobacco, cotton fell compared to May 2020. In related developments, Kenya banned the importation of brown sugar and raw cane from Uganda to curb the influx of cheap sweetener in their domestic market and protect the local millers from unfair competition.

**Fiscal operations**

The quarter under review generally observed poor fiscal performance in comparison to the previous quarters. Specifically, as Figure 6 highlights, revenue plus grants collections in Q4 were much lower at UGX 3,801 billion compared to Q3 (UGX 4,447 billion), Q2 (UGX 5,308 billion) and Q1 (UGX 4,100 billion). Besides, a total revenue shortfall of UGX 2,324 billion was noted against the planned revenues. This performance is partly attributed to the COVID-19 pandemic containment measures that were implemented globally and in Uganda, such as the closure of businesses and transportation systems.

In Q4, as a share of the total revenue shortfalls, the percentage of both tax and non-tax revenues were 86 percent while the share of grants was 14 percent. This suggests that Uganda relies more on domestic resources to implement its fiscal plans. Therefore, much effort is still needed to close the gap between the target and actual total revenue by boosting domestic revenue mobilisation.

For the quarter under review, Government’s actual expenditure and lending reduced from UGX 6,882 billion in Q3 to UGX 6,704 billion in Q4 (Table 8). However, it was still higher than the spending in Q1 (UGX 6,633 billion).
billion) and Q2 (UGX 6,035 billion). Despite this dismal performance during the quarter under review, Uganda’s fiscal expenditure is expected to increase in 2020/21 due to increased spending to revitalise the economy and facilitate elections. Also, the shortfall in the total expenditure (target — actual) for Q4 was UGX 1,302 billion compared to that of UGX 69.45 billion noted in Q3. Notably, the most massive shortfall (about UGX 1,228 billion) in government spending was observed for the development expenditures (with a fiscal performance of 69 percent of planned expenditures) compared to only UGX 133 billion shortfalls for current expenditures (with a budgetary performance of 97 percent of planned spending). Concerning the development expenditures, much of the shortfall was attributed to the slowdown in the implementation of the external development projects (especially in the transport and energy sector) due to travel restrictions and disruptions in the supply chains for imported inputs. Generally, the observed reduction in actual expenditure in Q4 was partly attributed to a decrease in Government’s total revenue. Notably, the lowest fiscal deficit was recorded for Q2 due to improvements in domestic revenue collections and lower fiscal expenditures for that period. However, the deficit widened in Q3 and Q4, albeit with a reduction in government expenditure in Q4. Despite the underperformance in government expenditure, the actual fiscal deficit for Q4 was higher (UGX 2,903 billion) than that of the planned fiscal deficit (UGX 1,881) — that is by about 154 percent. The deterioration in the fiscal deficit is mainly attributed to the (i) actual spending on wages and salaries (UGX 1,238 billion) exceeding the planned expenditure (UGX 1,776 billion), (ii) actual spending on domestic development expenditures (UGX 1,781 billion) exceeding the planned expenditure (UGX 1,496 billion) and (iii) actual spending on external debt interest payments (UGX 102.34 billion) exceeding the planned expenditure (UGX 90.06 billion).