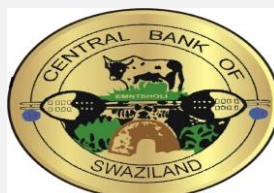


The Kingdom of Swaziland



Major Highlights

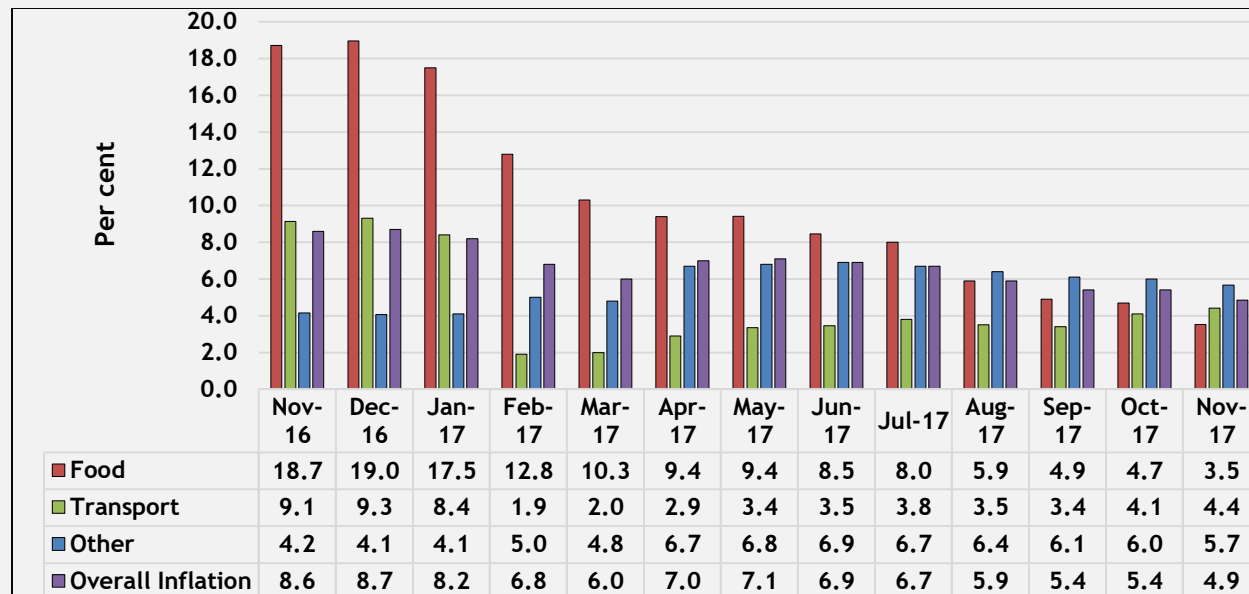
❖ Annual inflation remained fell slightly to 4.9 per cent in November 2017 from 5.4 per cent in October 2017.	Inflation rate (% y/y)	4.9 (Nov) ↓
❖ Discount and prime lending rates remained unchanged in November 2017.	Prime Lending (%)	10.75
	Discount rate (%)	7.25
❖ During the month of December 2017, the external value of the Lilangeni strengthened against major currencies.	Exchange rate (US\$)	13.20 (Dec) ↓
❖ Credit to the Private Sector grew by 2.4 per cent m/m and amounted to E13.9 billion at the end of November 2017, higher than E13.5 billion recorded at the end of October 2017. On a y/y growth in credit to the Private Setor fell from 5.9 per cent in October 2017 to 4.8 per cent in November 2017.	Private Sector Credit (% y/y)	4.8 (Nov) ↓
❖ Broad Money Supply (M2) accelerated by 4.7 per cent at the end of November 2017 to settle at E17.9 billion up from E17.1 billion recorded in October 2017. Growth in Broad Money Supply on a y/y basis fell to 11.7 per cent from 15.7 per cent recorded the previous month.	Broad Money (M2) (% y/y)	11.7 (Nov) ↓
❖ Gross Official Reserves were recorded at E6.9 billion at the end of December 2017, down by 12.0 per cent from the E7.8 billion registered in November 2017. On a y/y basis growth in Gross Official Reserves fell to 3.3 per cent from 3.8 percent the previous month.	Reserves (months of import cover)	3.3 (Dec) ↓
❖ Preliminary debt figures for the month ending 31 December 2017 indicate that total public debt stood at E12.5 billion, an equivalent of 21.3 per cent of GDP. As a percent of GDP total public debt growth fell to 21.3 per cent from 21.8 per cent in the previous month.	Total Public Debt (% of GDP)	21.3 (Dec) ↓
❖ Preliminary data indicate that the current account surplus widened to E1.717 billion in the third quarter of 2017 from a surplus of E1.516 billion in the second quarter rising to 2.9 per cent of GDP compared to 2.6 per cent of GDP the previous month.	Current Account (% of GDP)	2.9 (Sept) ↑

NB: The table shows the most recent available data.

1 Inflation Developments

The country's annual consumer inflation declined to 4.9 per cent in November 2017 from 5.4 per cent in October 2017. This slowdown mainly benefited from a lower increase observed in the price indices for 'food and non-alcoholic beverages' and 'furnishing and household equipment'. Food inflation decreased to 3.5 per cent in November from 4.7 per cent the previous month mainly due to decreases in the prices of 'sugar' and 'fish and seafood' as well as, a slowdown in prices of 'fruits', 'vegetable' and 'fruit juices'. The index of 'furnishing and household equipment' grew at a slower rate of 3.5 per cent in November 2017 compared to 6.8 per cent the previous month. In addition, the price index for 'clothing and footwear' recorded a deflation of 0.7 per cent in November compared to a deflation of 0.1 per cent the previous month. The slowdown in prices of some durable and semi-durable products reflects that demand-side inflationary pressures remain modest.

Figure 1: Inflation Trends: November 2016 to November 2017



Source: Central Statistical Office

On month-on-month basis, the growth rate of the consumer price inflation remained unchanged at 0.1 per cent in November 2017, same as it was in the previous month. Observed decreases in the price indices for 'furnishing, household equipment and

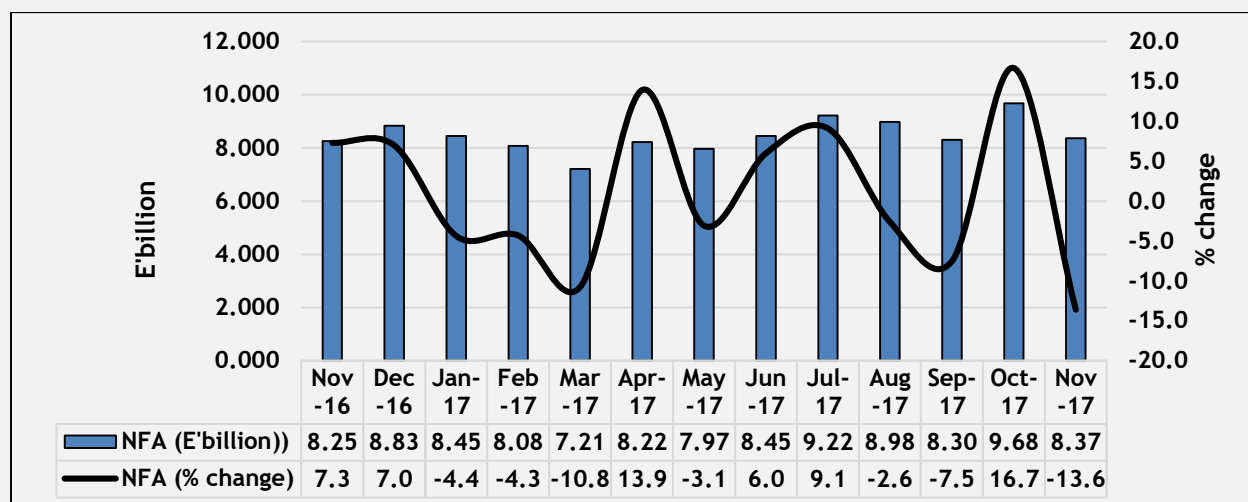
routine household maintenance’ to 0.3 per cent in November from 0.8 per cent in October 2017 and ‘transport’ to 0.3 per cent from 0.7 per cent in the previous month were the main drivers of the inflation. However, this decrease was slightly counteracted by an increase in the price index for ‘recreation and culture’, which increased by 0.7 per cent in November 2017 from 0.3 per cent in the previous month, in readiness for the festive season.

Core inflation, which is measured as the CPI excluding food and non-alcoholic beverages, auto-fuel and energy grew at a slower rate of 5.3 per cent in November 2017 compared to 5.6 per cent in October 2017. On month-on-month basis, core inflation grew by 0.1 per cent in November 2017 compared to 0.2 per cent recorded in the previous month.

2 Money Supply and Banking Developments

Net Foreign Assets contracted by 13.6 per cent month-on-month to reach E8.4 billion at the end of November 2017, lower than the E9.7 billion observed the previous month The decline was observed in Net Official Assets which overshadowed an increase in Net Foreign Holdings of Other Depository Corporations at the end of November 2017. Net Official Assets, fell by 23.6 per cent to settle at E5.7 billion over the month under review. Net Foreign Holdings of Other Depository Corporations on the other hand, grew by 20.6 per cent to close the month of November 2017 at E2.6 billion. The rise was on account of Other Depository Corporations’ deposits placed within the Common Monetary Area (CMA) over the review month. Valued in Special Drawing Rights (SDRs), Net Foreign Assets decreased by 11.2 per cent to SDR433.3 million. However, when compared year-on-year, Net Foreign Assets rose by 1.3 per cent when valued in Emalangi terms but receded by 0.5 per cent in SDRs terms.

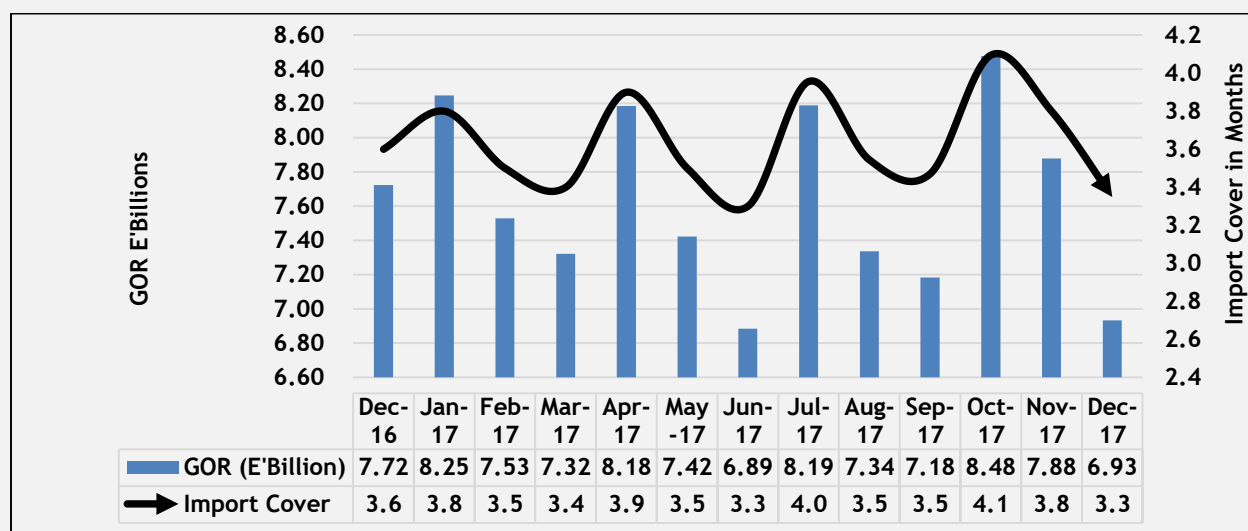
Figure 2: Net Foreign Assets Monthly Changes: November 2016 to November 2017



Source: Central Bank of Swaziland

Gross Official Reserves stood at E6.9 billion at the end of December 2017, depicting a contraction of 12.0 per cent when compared with November 2017. At this level, the Reserves were estimated to cover 3.3 months of imports of goods and services, lower than the 3.8 months observed in November 2017. The value of the Reserves in Special Drawing Rights (SDRs), stood at E393.8 million, decreasing by 3.5 per cent on a month-on-month basis. On a year-on-year basis, the Reserves depicted a decline of 10.2 per cent in Emalangenzi terms and increased by 5.9 per cent in SDR terms.

Figure 3: Gross Official Reserves and Import Cover: December 2016 to December 2017



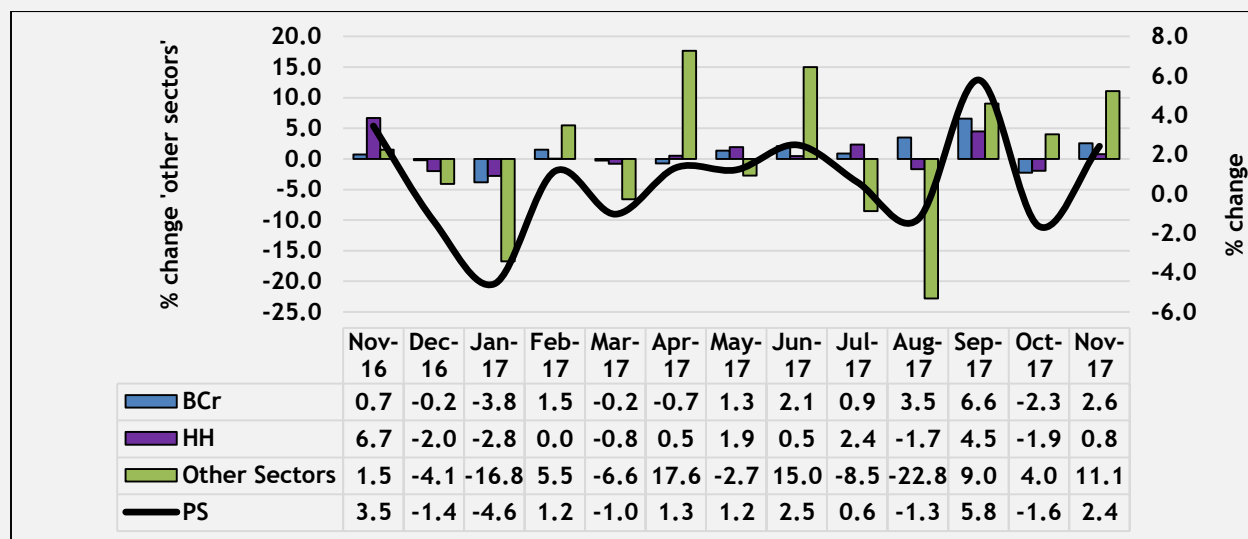
Source: Central Bank of Swaziland

Credit Extended to the Private Sector recorded a positive growth of 2.4 per cent to reach E13.9 billion at the end of November 2017 from E13.5 billion in October 2017. The expansion was observed in all Private Sector Credit components which are Other Sectors of the economy, Businesses & Households and Nonprofit Institutions Serving Households (NPISH). Year-on-year, Private Sector Credit rose by 4.8 per cent.

Credit Extended to Other Sectors increased by 11.1 per cent to E1.2 billion over the month of November 2017 from E1.1 billion observed last month. The month-on-month expansion resulted from an increased demand for credit by Other Financial Corporations (16.8 per cent) and Public Non-Financial Corporations (6.0 per cent). Partially offsetting these increases was a fall in credit to Local Government (-0.3 per cent).

Credit Extended to Businesses stood at E6.5 billion at the end of November 2017, up from E6.4 billion observed in October 2017. Growth emanated from the following sectors; Manufacturing (9.0 per cent), Distribution and Tourism (4.2 per cent) and Real Estate (3.3 per cent). However, these sectors contracted over the review month; Transport and Communication (-13.3 per cent), Construction (-6.2 per cent), Mining and Quarrying (-2.3 per cent) and Agriculture and Forestry (-0.3 per cent).

Figure 4: Private Sector Credit Monthly Changes: November 2016 to November 2017



Source: Central Bank of Swaziland

Where; BCr: Credit Extended to Business

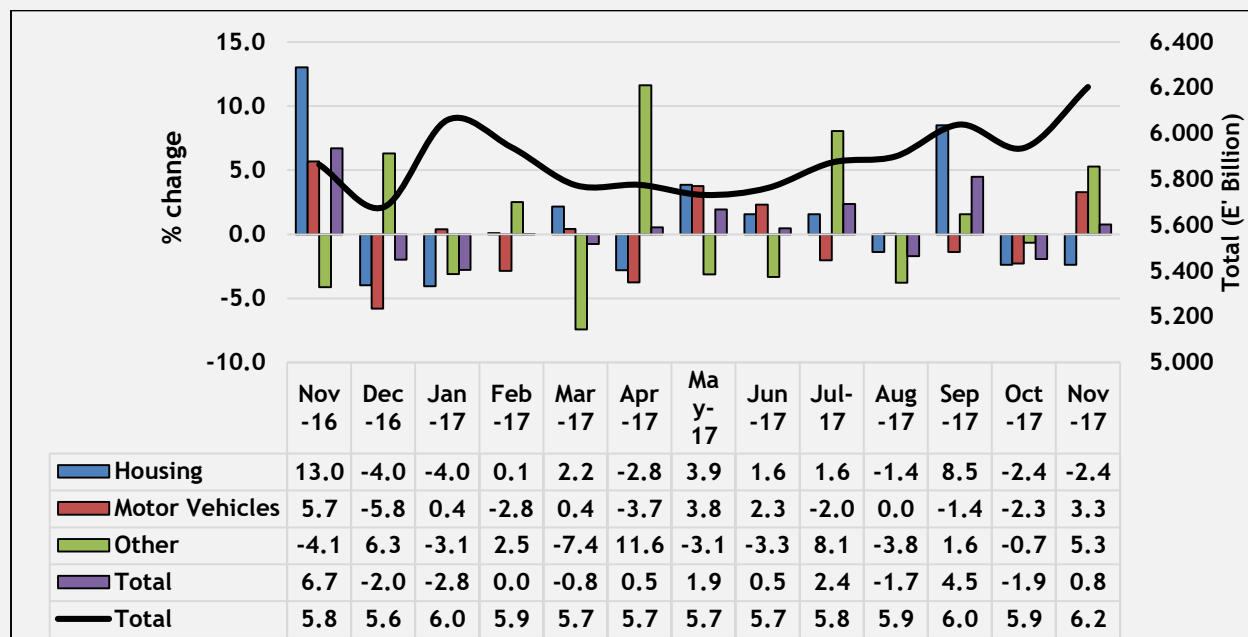
HH: Credit Extended to Households

PS: Private Sector Credit

Credit Extended to Households & NPISH went up by 0.8 per cent month-on-month to close the month of November 2017 at E6.1 billion. The increase was mainly driven by Other (unsecured) Loans and Motor Vehicle Loans which surpassed a fall in Housing Loans. Other (unsecured) Loans amounted to E1.6 billion at the end of November 2017, depicting a rise of 5.3 per cent and Motor Vehicle Loans depicted an improvement of 3.3 per cent to reach E1.3 billion. Housing loans on the contrary, shrank by 2.4 per cent to settle at E3.2 billion at the end of the review month.

Net Government Balances with the banking sector fell by 56.7 per cent to E541.1 million at the end of November 2017. The reduction was predominantly driven by Government deposits which depicted a decline of 17.8 per cent over the review month. When compared over the year, Net Government balances with the banking sector contracted by 40.8 per cent.

Figure 5: Household Credit Monthly Changes: November 2016 to November 2017



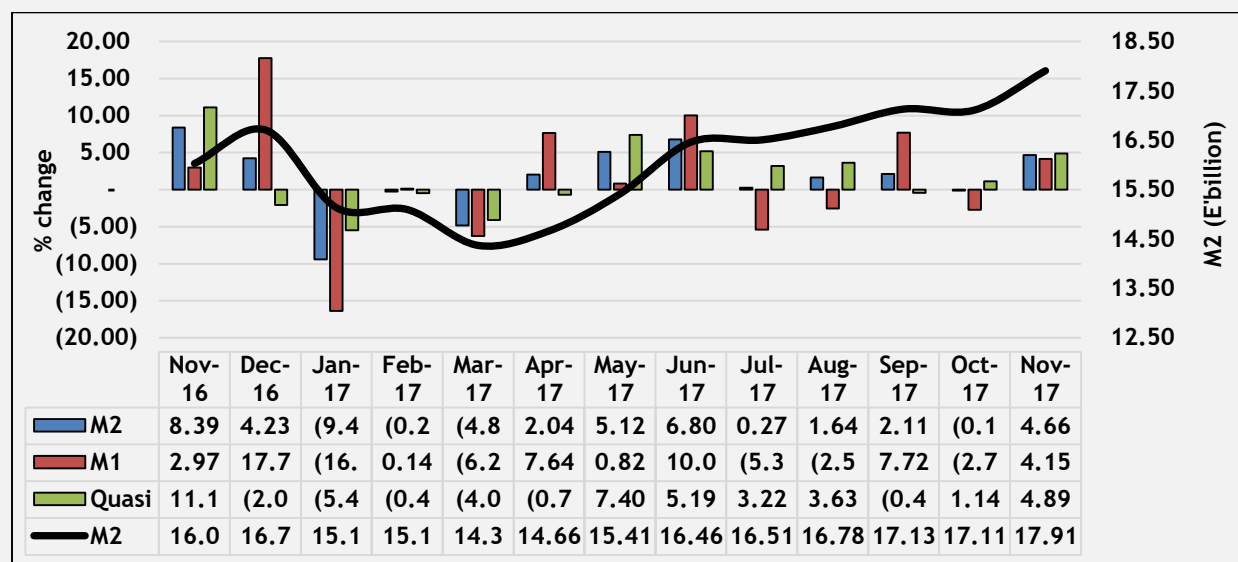
Source: Central Bank of Swaziland

Broad Money Supply (M2) accelerated by 4.7 per cent to settle at E17.9 billion at the end of November 2017, in line with the rise in Private Sector Credit. The growth was observed in both Narrow Money Supply (M1) and Quasi Money over the month under review. On an annual basis, M2 grew by 11.7 per cent.

Narrow Money Supply (M1) grew by 4.1 per cent to settle at E5.7 billion over the review month, largely driven by Currency Outside Depository Corporation and Transferable deposits. Currency Outside Depository Corporations accelerated by 15.0 per cent to E770.0 million. Transferable (Demand) Deposits rose by 2.6 per cent to E4.9 billion at the end of November 2017.

Quasi Money Supply recorded a month-on-month increase of 4.9 per cent to settle at E12.2 billion, on account of Savings and Time Deposits. Savings Deposits expanded by 6.3 per cent to reach E1.7 billion over the review month whilst Time Deposits stood at E10.5 billion depicting an increase of 4.7 per cent at the end of November 2017.

Figure 6: Money Supply Monthly Changes: November 2016 to November 2017



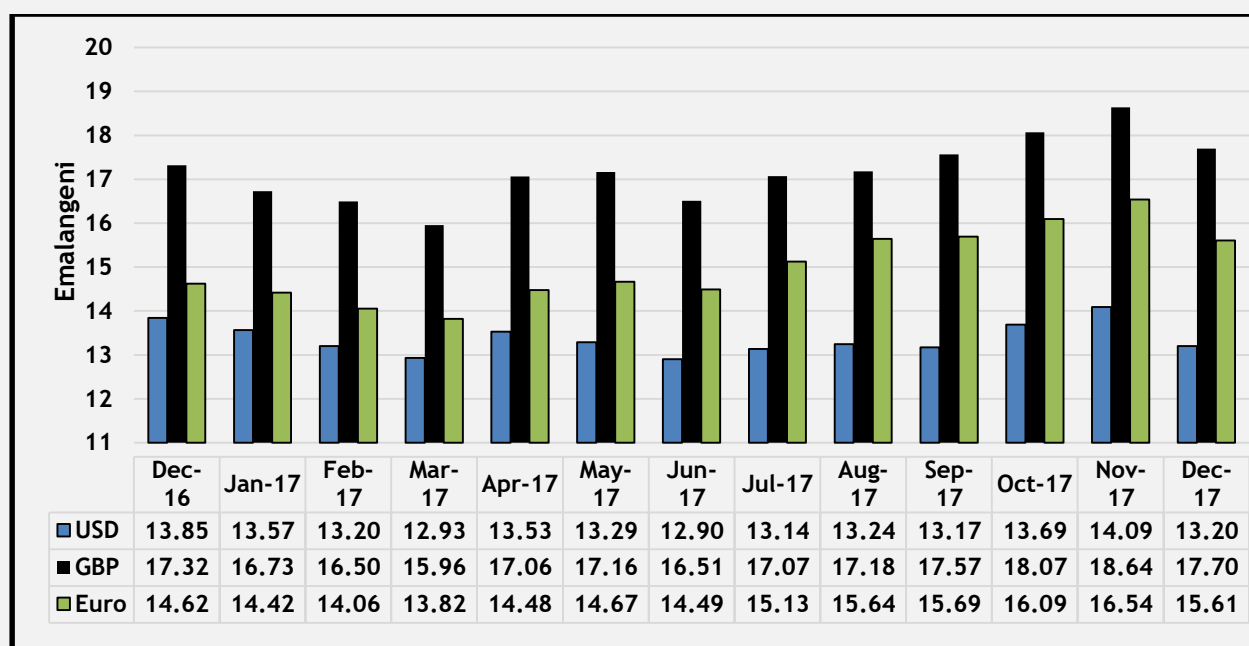
Source: Central Bank of Swaziland

During the month of December 2017, the value of the Lilangeni strengthened against the major currencies. Compared to the previous month, the local unit strengthened by 6.3 per cent to average E13.20 against the U.S. dollar. Against the Pound Sterling, the local unit strengthened by 5.04 per cent to average E17.70 and against the Euro, it rose by 5.62 per cent to average E15.61 in the period under review. The local unit rallied as market expectations had fully priced in a victory for Cyril Ramaphosa to become the next president of the ruling party coupled with Moody's

decision to leave South Africa's credit rating unchanged and the newly proposed fiscal consolidation by the National Treasury.

The outcome of the RSA's ruling party elective conference saw the Lilangeni advance to a three-month high against the US dollar with the local currency breaching the E12-level. While the Rand has made huge gains, the threat of a credit downgrade by Moody's in February 2018 remains an upside risk to the exchange rate. The Lilangeni ended the period under review at E12.39 to the US dollar, E16.69 to the Pound Sterling and E14.81 to the Euro.

Figure 7: Average Exchange Rates: December 2016 to December 2017



Source: Central Bank of Swaziland

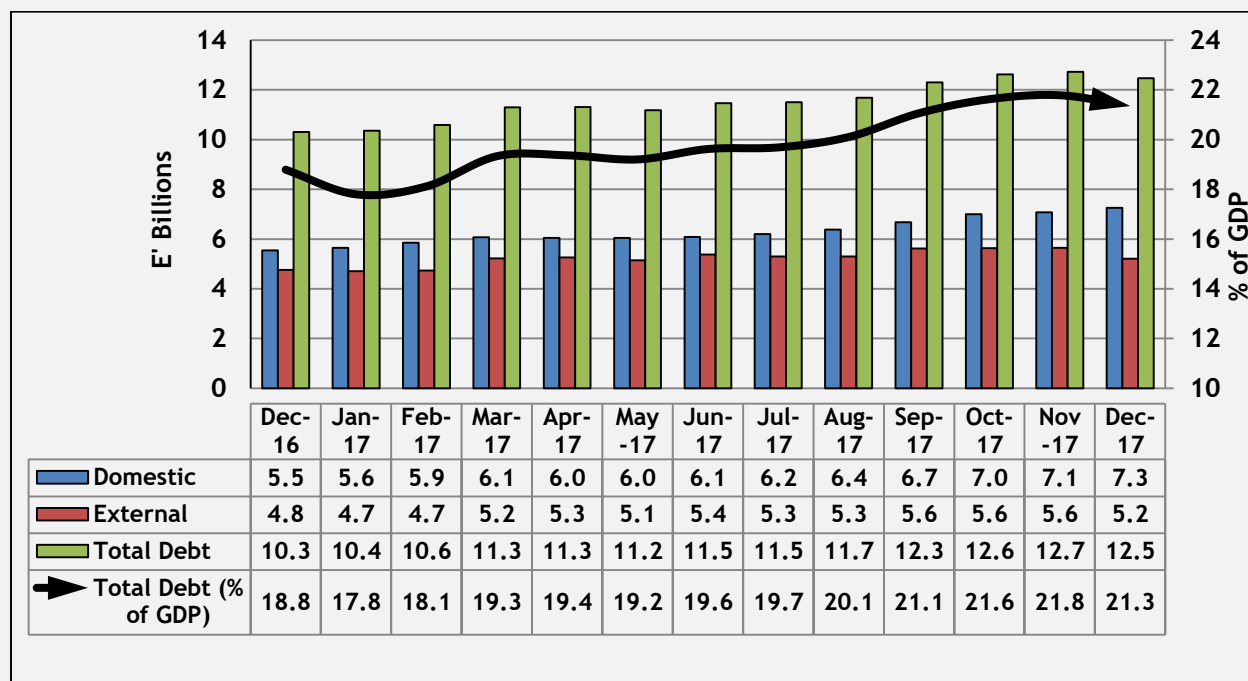
2 Public Debt

Preliminary figures for the month ending 31 December 2017 indicate that total public debt stood at E12.5 billion, an equivalent of 21.3 per cent of GDP. This reflects a decrease of 1.6 per cent from the E12.7 billion recorded in November 2017.

As at end of December 2017, external debt stood at E5.2 billion, corresponding to 8.9 per cent of GDP. This shows a decrease of 7.1 per cent from the E5.6 billion

recorded in November 2017. The decrease is mainly attributed to the appreciation of the Lilangeni against the US Dollar and other major currencies (over the review period) in which the country’s external liabilities are denominated.

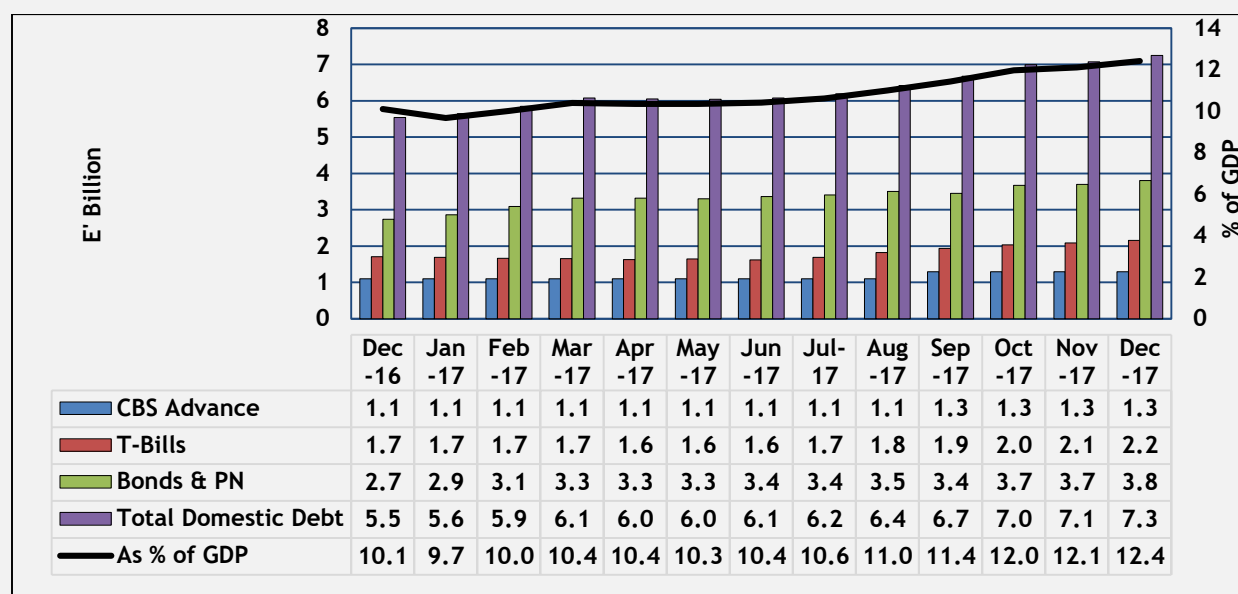
Figure 8: Total Public Debt: December 2016 to December 2017



Source: Ministry of Finance and Central Bank of Swaziland

Domestic debt stood at E7.3 billion at the end of December 2017, an equivalent of 12.4 per cent of GDP. This indicates an increase of 2.8 per cent over the previous month. The increase is mainly due to an improvement in the absorption of Treasury Bills in the month under review. Further contributing to the increase is the issuance of an Infrastructure Bond in the review period.

Figure 9: Public Domestic Debt: December 2016 to December 2017

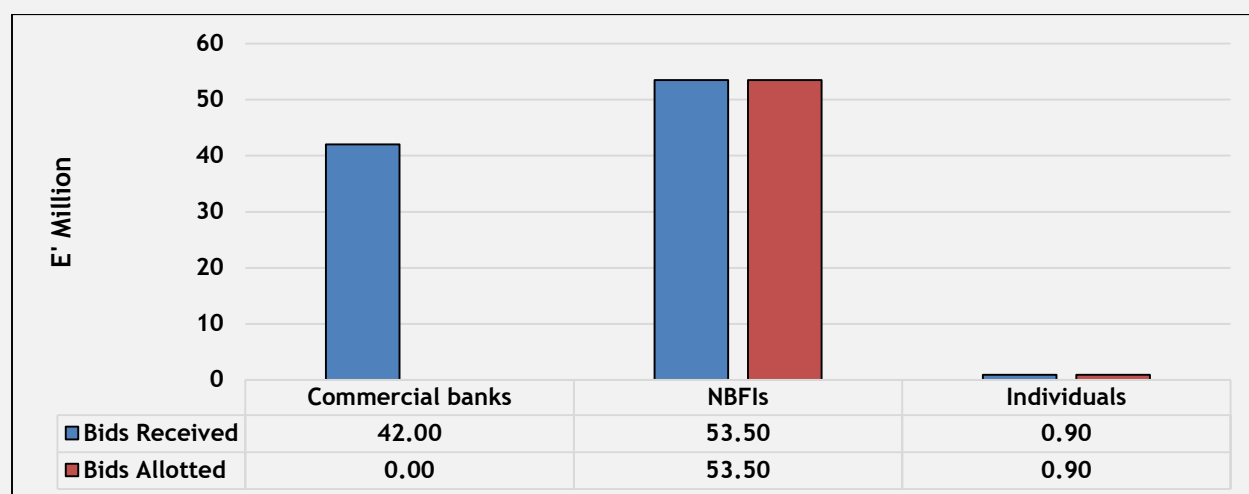


Source: Ministry of Finance and Central Bank of Swaziland

The Central Bank of Swaziland auctioned a 9-year fixed coupon rate Infrastructure Bond on behalf of the Government of the Kingdom of Swaziland where E150 million (One hundred and Fifty Million Emalangeni) was on offer. The auction was held on 22 December 2017, settling on 29 December 2017. The bond will mature on 29 December 2026. The coupon rate was set at 10.25 per cent per-annum payable semi-annual. As stated in the Pricing Supplement, the purpose of the issuance is to finance the Micro-Projects Infrastructure Programme, Information and Technology Parks.

Total bids received amounted to E96.4 million resulting in a bid-cover ratio of 64.3 per cent. Of the bids received, E95 million was competitive whilst E1.4 million was on the non-competitive category. Total bids allotted amounted to E54.4 million resulting to an allotment ratio of 36.3 per cent; of which E53.50 million was allotted to NBFIs with the remaining E0.9 million allotted to individuals.

Figure 10: 9-Year Infrastructure Bond Auction Analysis By Investor Category



Source: Central Bank of Swaziland

While commercial banks continued to dominate participation in Government securities on the shorter end of the yield curve, non-bank financial institutions dominate on the longer term securities.

Table 1: Domestic Debt Instruments Outstanding by Holder as at 31 December, 2017 (E' Million)

Holder	Treasury Bills	Government Bonds	Promissory Notes	CBS Advance	Total	Share of Holdings (%)
CBS	3.1	0.9	0	1, 292.6	1, 296.6	17.9
Commercial banks	1,547.2	866.8	0	0	2,414.0	33.3
NBFIs	500.2	2,605.1	0	0	3,105.3	42.8
Other	104.1	144.0	188.8	0	436.9	6.0
Total	2,154.6	3,616.8	188.8	1,292.6	7,252.8	100

Source: Ministry of Finance and Central Bank of Swaziland

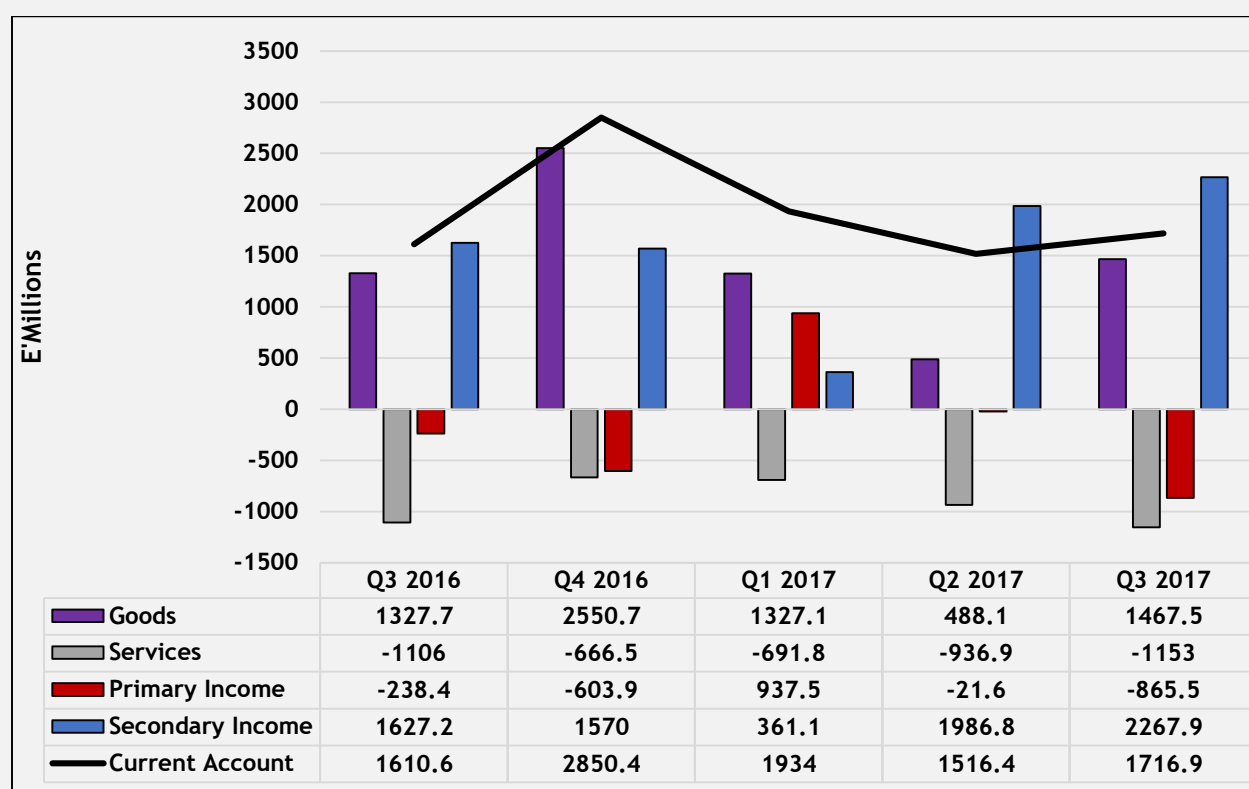
3 The External Sector

Preliminary data indicate that Swaziland's current account surplus widened to E1.717 billion in the third quarter of 2017 from a surplus of E1.516 billion in the second quarter. This represents a 13.2 per cent improvement quarter-on-quarter against a year-on-year



improvement of 6.6 per cent in the same period last year. The surplus for the quarter was equivalent to 2.9 per cent of GDP up from 2.6 per cent in the previous quarter.

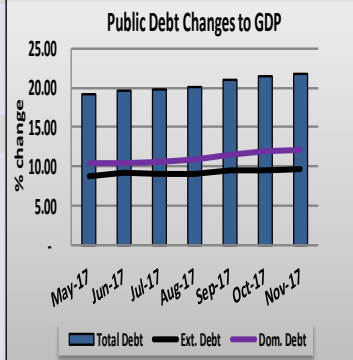
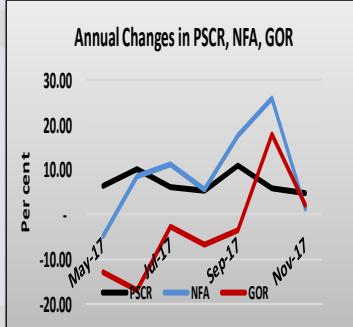
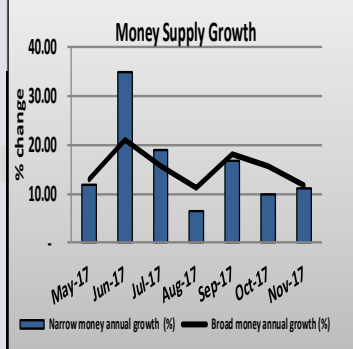
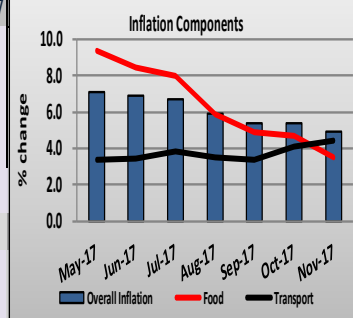
A rise in the value of exported merchandise goods relative to imports, helped widen the merchandise trade surplus to E1.468 billion during the period from E488.1 million in the second quarter. This improvement in the merchandise trade balance alongside the expansion in the secondary income account surplus buoyed the position of the current account. The secondary income account registered a surplus of E2.268 billion in the same period from E1.987 billion surplus previously. The improvements in the two accounts were enough to dampen the shortfall in the services and income accounts. These accounts recorded income gaps amounting to E1.153 billion and E865.5 million respectively.

Figure 11 : Current Account Quarterly Changes: September 2016 to September 2017



Source: Central Bank of Swaziland

 	
Economic Policy, Research and Statistics Division	
Swaziland Economic Indicators at a glance	
Sectors	May-17 Jun-17 Jul-17 Aug-17 Sep-17 Oct-17 Nov-17
Overall Inflation	7.1 6.9 6.7 5.9 5.4 5.4 4.9
Food	9.4 8.5 8.0 5.9 4.9 4.7 3.5
Transport	3.4 3.5 3.8 3.5 3.4 4.1 4.4
Other	6.8 6.9 6.7 6.4 6.1 6.0 5.7
Money and banking	
Narrow money annual growth (%)	12.00 35.00 18.90 6.57 16.71 9.80 11.10
Broad money annual growth (%)	12.90 21.10 15.70 11.34 18.1 15.7 11.7
Domestic credit (net) - E' Million	12,292.53 12,339.30 11,844.30 12,401.54 13,761.5 12,283.5 13,320.1
Government	-484.89 -757.18 -1330.66 -602.87 2.7 -1,249.0 -541.1
Private sector	12,777.42 13,096.48 13,174.96 13,004.41 13,758.8 13,532.5 13,861.3
Private sector credit annual growth (%)	6.50 10.20 6.20 5.41 10.8 5.9 4.8
Interest rates (% p.a)	
Prime lending	10.75 10.75 10.75 10.75 10.75 10.75 10.75
Discount rate	7.25 7.25 7.25 7.25 7.25 7.25 7.25
Deposit rate - 31 days	3.44 3.44 3.44 3.44 3.44 3.44 3.44
- 12 months	5.03 5.03 5.03 5.03 5.03 5.03 5.03
- T. bill rate	8.14 8.26 8.28 8.08 7.96 7.89 7.88
Ratios	
Liquidity ratio (required = 20 %)	31.20 25.57 27.66 29.94 28.6 28.8 27.3
Loans/deposits ratio	79.7 76.9 77.7 76.8 80.0 78.3 76.6
Net foreign assets (E'million)	7,966.30 8,446.33 9,217.14 8,977.79 8,301.2 9,681.7 8,365.6
Annual % change in NFA	-4.90 8.50 11.20 5.63 17.8 25.9 1.3
Gross official foreign reserves E'Millions	7,422.63 6,884.72 8,189.31 7,336.53 7,183.7 8,476.4 7,879.6
Annual % change in GOR	-12.80 -16.90 -2.69 -6.79 -3.6 18.0 2.0
In months of import cover	3.50 3.30 3.90 3.30 3.5 4.1 3.8
Exchange Rates	
US\$	13.29 12.90 13.14 13.24 13.17 13.69 14.09
EURO	14.67 14.89 15.13 15.64 15.69 18.07 16.54
GBP	17.16 16.51 17.07 17.18 17.57 16.09 18.64
Public Finance	
Total public external debt [E' million]	5,140.00 5,378.10 5,344.10 5,343.00 5,556.65 5,575.08 5,649.10
As a % of GDP	8.80 9.21 9.10 9.10 9.51 9.50 9.70
Total public domestic debt [E' million]	6,044.00 6,081.80 6,156.80 6,386.32 6,679.00 6,993.68 7,071.43
As a % of GDP	10.35 10.41 10.60 10.90 11.43 11.97 12.10
Total public debt [E' million]	11,184.00 11,460.00 11,500.90 11,729.00 12,235.65 12,568.76 12,720.53
As a % of GDP	19.20 19.62 19.70 20.10 20.95 21.52 21.80



NB: For consistency, the table shows data up to the end of November 2017.