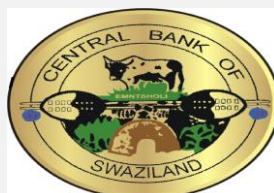


The Kingdom of Swaziland



Major Highlights

❖ <i>The country's annual consumer inflation declined slightly to 4.6 per cent in January 2018 from 4.7 per cent in December 2017.</i>	Inflation rate (% y/y)	4.6 (Dec) ↓
❖ <i>Discount and prime lending rates were reduced in January 2018.</i>	Prime Lending (%)	10.5 (Jan) ↓
	Discount rate (%)	7.0 (Jan) ↓
❖ <i>In January 2018, the external value of the Lilangeni strengthened against major currencies.</i>	Exchange rate (US\$)	12.20 (Dec) ↓
❖ <i>Credit Extended to the Private Sector recorded a growth of 2.4 per cent to E14.2 billion at the end of December 2017 from E13.9 in November 2017.</i>	Private Sector Credit (% y/y)	8.9 (Dec) ↑
❖ <i>Broad Money Supply (M2) decelerated by 3.2 per cent to settle at E17.3 billion at the end of December 2017.</i>	Broad Money (M2) (% y/y)	3.8 (Dec) ↓
❖ <i>Gross Official Reserves stood at E7.6 billion at the end of January 2018, depicting growth of 9.7 per cent when compared with December 2017.</i>	Reserves (months of import cover)	3.8 (Jan) ↑
❖ <i>Preliminary figures for the month ending 31 January 2018 indicate that total public debt stood at E12.6 billion, an equivalent of 21.6 per cent of GDP.</i>	Total Public Debt (% of GDP)	21.6 (Dec) ↑
❖ <i>In December 2017, the merchandise trade balance recorded a lower surplus of E277 million; in November 2017, the balance recorded a surplus of E503 million.</i>	Merchandise Trade Balance (% of GDP)	0.47 (Dec) ↓

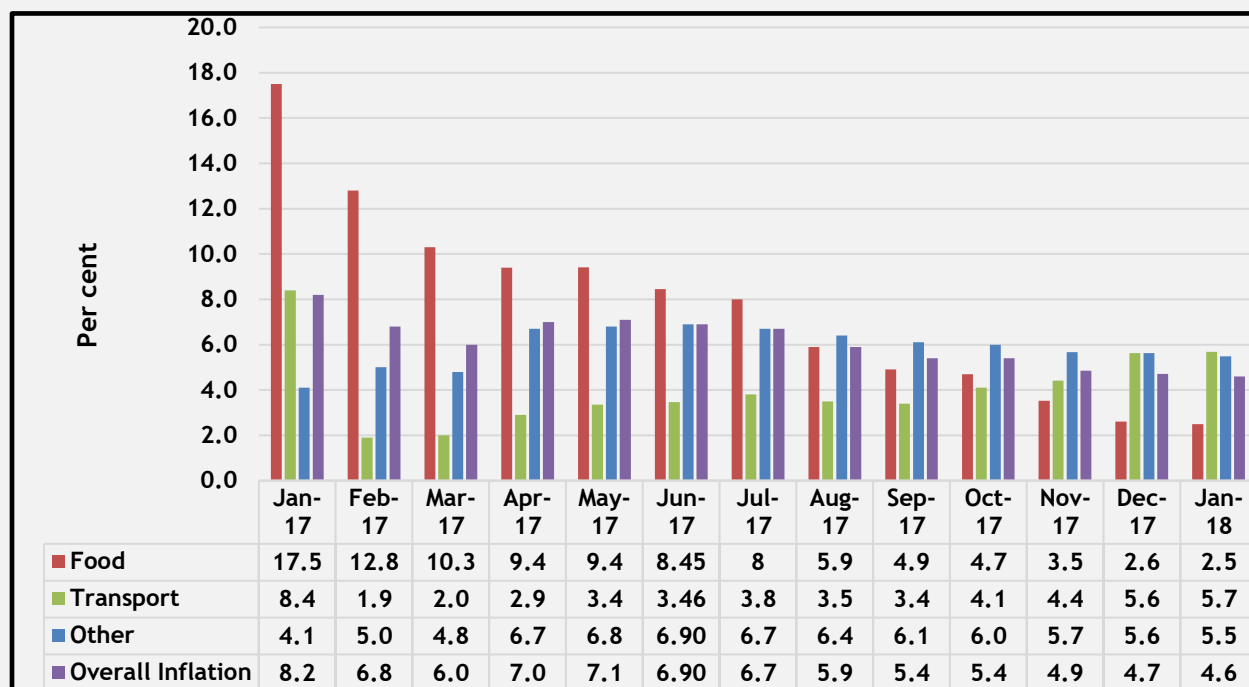
NB: The table shows the most recent available data.

1 Inflation Developments

The country's annual consumer inflation declined slightly to 4.6 per cent in January 2018 from 4.7 per cent in December 2017. This slowdown mainly benefited from slower increases in the price indices for 'furnishing and household equipment', 'recreation and culture' and 'clothing and footwear'. Furnishing and household equipment inflation decreased to 1.7 per cent in January 2018 from 2.4 per cent in the previous month.

The index for 'recreation and culture' grew at a slower rate of 4.9 per cent in January 2018 compared to 6.2 per cent the previous month. In addition, the price index for 'clothing and footwear' recorded a deflation of 1.7 per cent in January 2018 compared to a deflation of 1.0 per cent in December 2017. The slowdown in prices of some durable and semi-durable products reflects that demand-side inflationary pressures remain modest. Food inflation remained on a downtrend declining to 2.5 per cent in January 2018 to 2.6 per cent in December reflecting that supply side inflation also remain contained.

Figure 1: Inflation Trends: January 2017 to January 2018



Source: Central Statistical Office

The above decreases were slightly counteracted by increases in the price indices for ‘alcoholic beverages and tobacco’ and ‘transport’. The index for ‘alcoholic beverages and tobacco’ grew by 6.3 per cent in January 2018 compared to 5.9 per cent in December 2017 whilst the index for transport increased slightly to 5.7 per cent in January 2018 compared to 5.6 per cent in the previous month.

On month-on-month basis, the consumer price inflation recorded a zero growth in January 2018 compared to 0.1 per cent in December 2017. Increases were observed on price indices for ‘recreation and culture’ ‘alcoholic beverages and tobacco’, ‘transport’ and ‘furnishing and household equipment’. On the other hand, decreases were observed in the price indices for ‘clothing and footwear’ and ‘food and non-alcoholic beverages’.

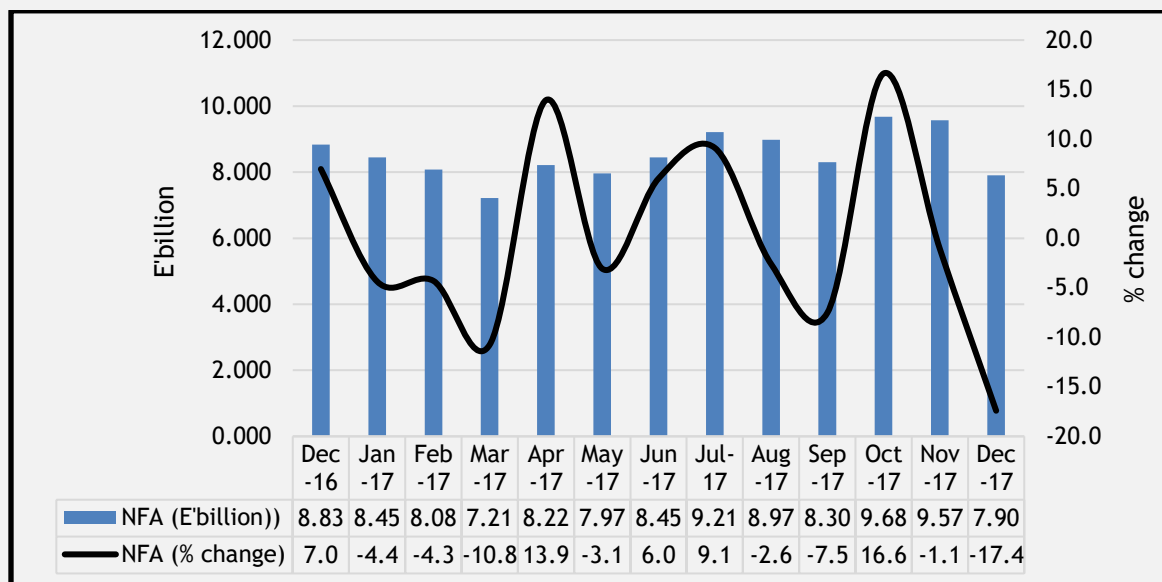
Core inflation, which is measured as the CPI excluding food and non-alcoholic beverages, auto-fuel and energy recorded a growth of 5.3 per cent in January 2018 compared to 5.4 per cent in December 2017. On month-on-month rates, core inflation remained unchanged at 0.1 per cent in January 2018 same as it was in the previous month.

2 Money Supply and Banking Developments

The Country’s Net Foreign Assets reflected a month-on-month contraction of 17.4 per cent to reach E7.9 billion at the end of December 2017. The monthly reduction was observed in both Net Foreign Holdings of Other Depository Corporations and Net Official Assets. Net Foreign Holdings of Other Depository Corporations receded by 23.4 per cent to E2.0 billion at the end of December 2017 from E2.6 billion recorded in November 2017. The reduction was on account of a fall in Other Depository Corporations’ deposits within the Common Monetary Area (CMA). Net Official Assets went down by 15.1 per cent month-on-month to E5.9 billion at the end of December 2017, down from the E6.9 billion observed in November 2017. Valued in Special Drawing Rights (SDRs), Net Foreign Assets slowed down by 9.4 per cent to SDR449.3 million from SDR496.0 million registered in November 2017. When compared year-on-year, Net

Foreign Assets declined by 10.4 per cent and 6.1 per cent when valued in Emalangeni and SDR terms respectively.

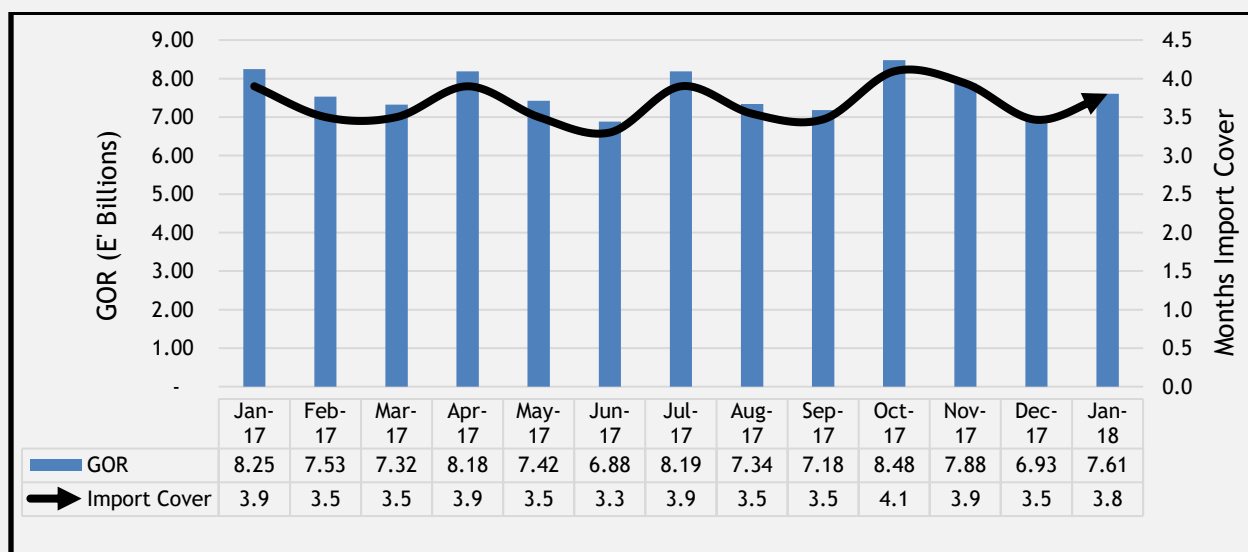
Figure 2: Net Foreign Assets Monthly Changes: December 2016 to December 2017



Source: Central Bank of Swaziland

Gross Official Reserves stood at E7.6 billion at the end of January 2018, depicting an increase of 9.7 per cent from E6.9 billion in December 2017. At this level, the Reserves were estimated to cover 3.8 months of imports of goods and services, higher than the 3.5 months' cover recorded in December 2017. The value of the Reserves in Special Drawing Rights (SDRs) stood at E439.7 million, reflecting an increase of 11.7 per cent month-on-month. Annually, the Reserves depicted a decline of 7.8 per cent in Emalangeni terms and 2.5 per cent in SDR terms.

Figure 3: Gross Official Reserves and Import Cover: January 2017 to January 2018



Source: Central Bank of Swaziland

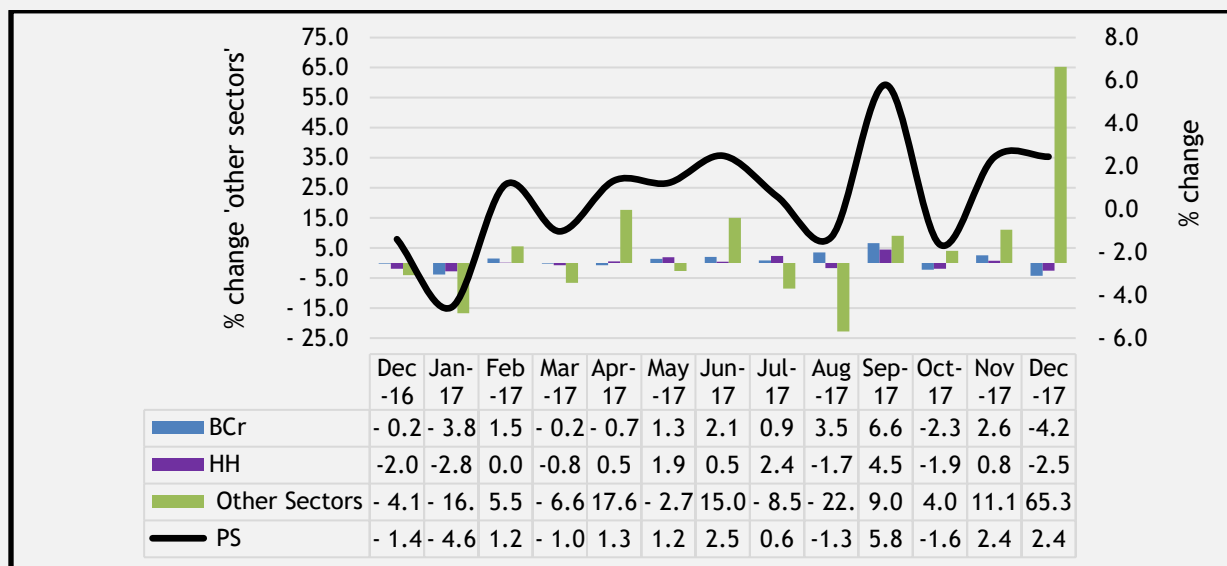
Credit Extended to the Private Sector recorded a positive growth of 2.4 per cent to E14.2 billion at the end of December 2017 from E13.9 billion in November 2017. The expansion emanated from an improvement in credit to Other sectors (Government, Local Government and Public Enterprises) which overshadowed a decrease in credit to Businesses and Households & Nonprofit Institutions Serving Households (NPISH). Year-on-year, Private sector credit rose by 8.9 per cent.

Credit Extended to Other Sectors increased by 65.3 per cent to E2.0 billion at the end of December 2017 from E1.2 billion observed last month. The expansion was predominantly observed in Other Financial Corporations which increased by 111.0 per cent over the month under review.

Credit Extended to Businesses stood at E6.3 billion at the end of December 2017 from E6.5 billion observed in November 2017. The decrease in demand for credit to businesses was mainly observed in the Agriculture & Forestry (-37.7 per cent), Real Estate (-9.7 per cent), Mining & Quarrying (-5.8 per cent), Manufacturing (-3.5 per cent) as well as Construction (-2.8 per cent) sectors. These declines were partly offset by growth in credit to these sectors, Community, Social & Personal Services (35.3 per

cent), Distribution & Tourism (7.9 per cent), as well as Transport & Communications (4.8 per cent).

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



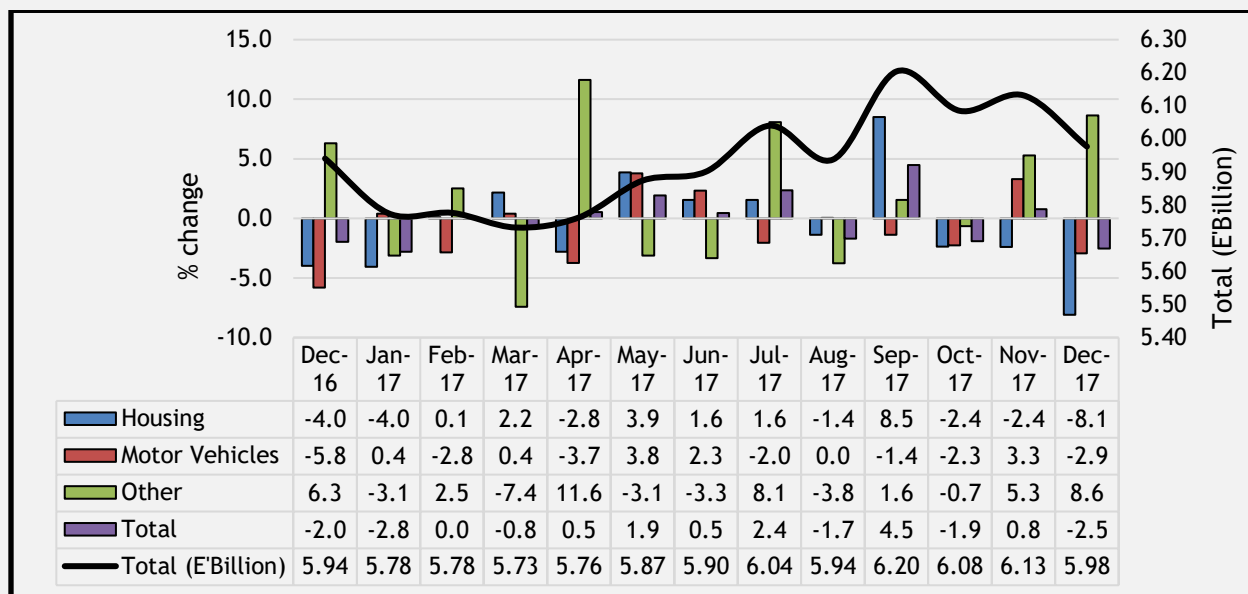
Source: Central Bank of Swaziland

BCr: Credit Extended to Business HH: Credit Extended to Households PS: Private Sector Credit

Credit Extended to Households & NPISH decelerated by 2.5 per cent to E6.0 billion at the end of December 2017 from E6.1 billion recorded in the preceding month. The contraction was evident in Housing and Motor Vehicle Finance. Housing Finance contracted by 8.1 per cent to E2.9 billion whilst Motor Vehicle Loans declined by 2.9 per cent to E1.3 billion. On the contrary, Other (unsecured) Loans depicted an increase of 8.6 per cent to E1.8 billion in December 2017.

Net Government Balances with the banking sector slowed down by 88.4 per cent to E62.6 million at the end of December 2017. The reduction was predominantly driven by a decline of 11.5 per cent of Government deposits over the review month. When compared over the year, Net Government balances with the banking sector contracted by 92.5 per cent.

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



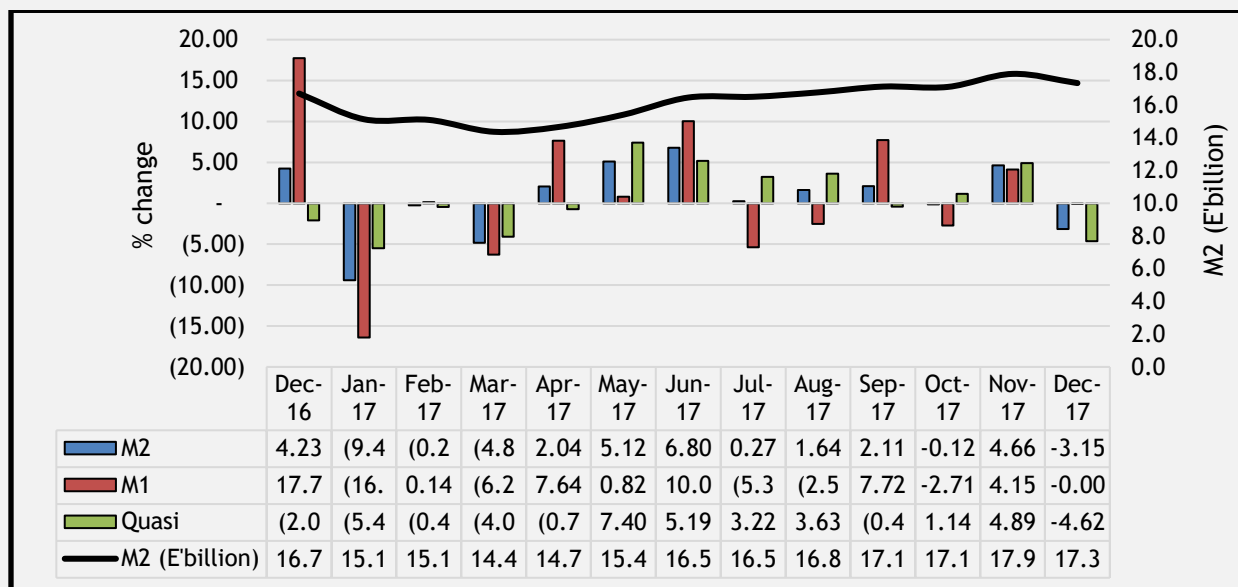
Source: Central Bank of Swaziland

Broad Money Supply (M2) decelerated by 3.2 per cent to settle at E17.3 billion at the end of December 2017. The decline was observed in Quasi Money whilst narrow Money Supply remained relatively unchanged. However, on an annual basis, M2 grew by 3.8 per cent.

Quasi Money Supply recorded a reduction of 4.6 per cent month-on-month to settle at E11.7 billion, on account of both components, Time and Savings deposits. Time deposits shrank by 5.0 per cent to E10.0 billion while Savings deposits contracted by 2.2 per cent to E1.7 billion.

Narrow Money Supply (M1) remained relatively unchanged at E5.7 billion at the end of the review month. In terms of its components, Currency Outside Depository Corporation receded by 21.1 per cent to E607.9 million whilst transferable deposits grew by 3.3 per cent at the end of December 2017.

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



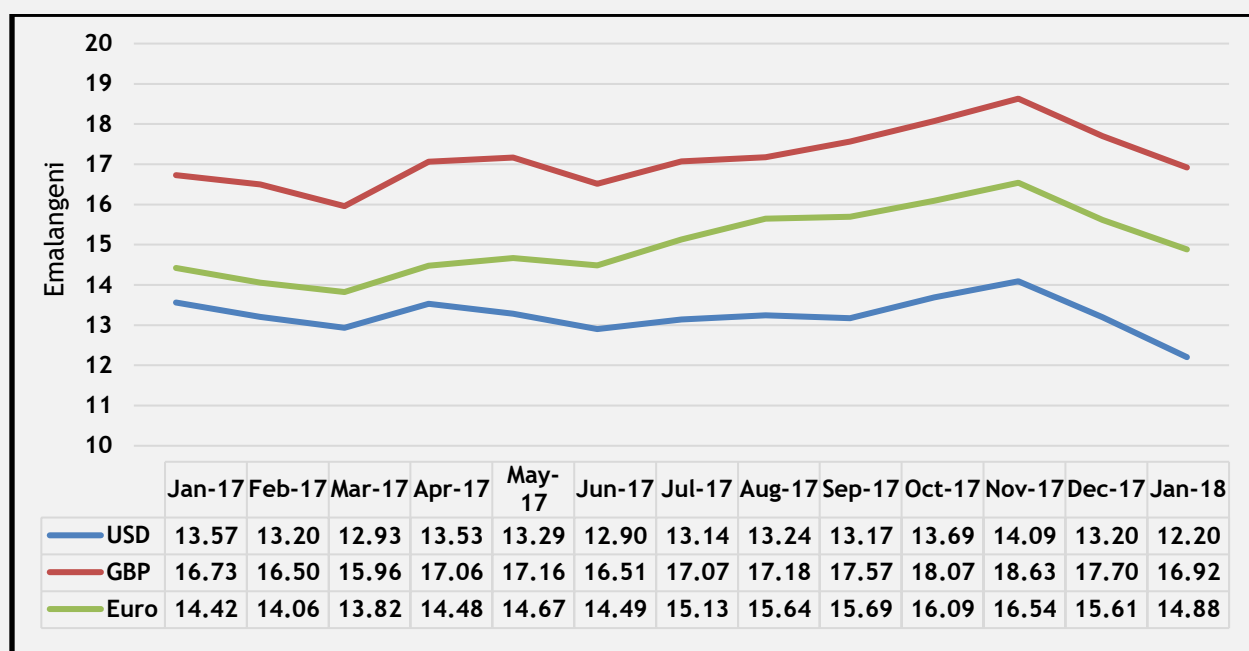
Source: Central Bank of Swaziland

During the month of January 2018, local unit extended its gains, strengthening against the major currencies. This came after the rand benefitted from the combination of South African political developments, commodity prices boom, and the weakening of the U.S. dollar, which saw the rand appreciates to below E12.00 per dollar for the first time in three years. Compared to December 2017, the local unit strengthened by 7.5 per cent to average E12.20 against the U.S. dollar, 4.4 per cent to average E16.91 to the Pound Sterling and against the Euro by 4.7 per cent to average E14.88 in the period under review.

Investor sentiments have been renewed as the new ANC leadership elected in December 2017 begin to put growth-oriented policies in place. The structural reforms introduced by new ANC president and the expected tough national budget has also fueled the optimism that South Africa’s further credit rating downgrade by Moody’s may be avoided, thus benefiting the performance of the Rand. Moreover, a positive economic outlook by the South African Reserve Bank (SARB) also encouraged the positive performance of the Rand. The current depreciation of US dollar and the strong commodity prices will continue to support the rand, hence the local unit. The major

risk of the rand remains the direction of RSA's fiscal policy to be heard in February 2018 budget speech, which will mainly determine the outcome of the country's credit rating by Moody's. The Lilangeni ended the period under review at E11.94 to the US dollar, E16.94 to the Pound Sterling and E14.85 to the Euro.

Figure 7: Average Exchange Rates: January 2017 to January 2018



Source: Central Bank of Swaziland

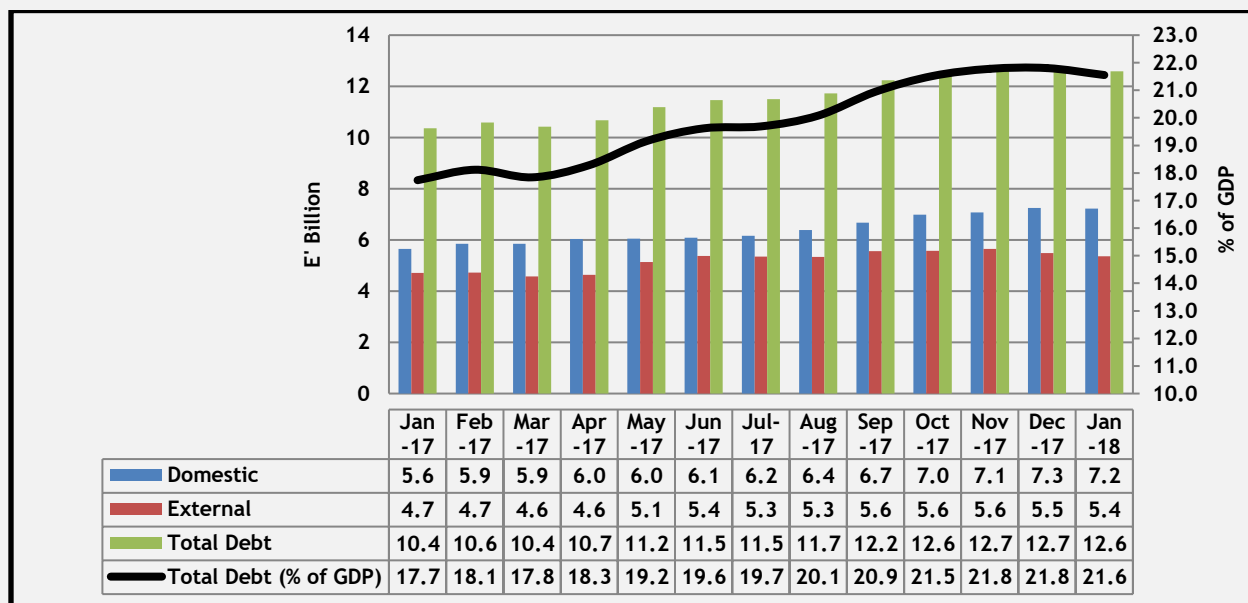
3 Public Debt

Preliminary figures for the month ending 31 January 2018 indicate that total public debt stood at E12.6 billion, an equivalent of 21.6 per cent of GDP. This reflects a decrease of 1.1 per cent from a revised figure of E12.7 billion recorded in December 2017.

As at the end of January 2018, external debt stood at E5.4 billion, corresponding to 9.2 per cent of GDP. This shows a decrease of 2.2 per cent from the revised figure of E5.5 billion recorded in December 2017. The decrease is mainly attributed to a bulk of debt service payments made in the month under review also coupled with a

strengthening of the Lilangeni against the US Dollar as well as other major currencies in which the country’s liabilities are denominated.

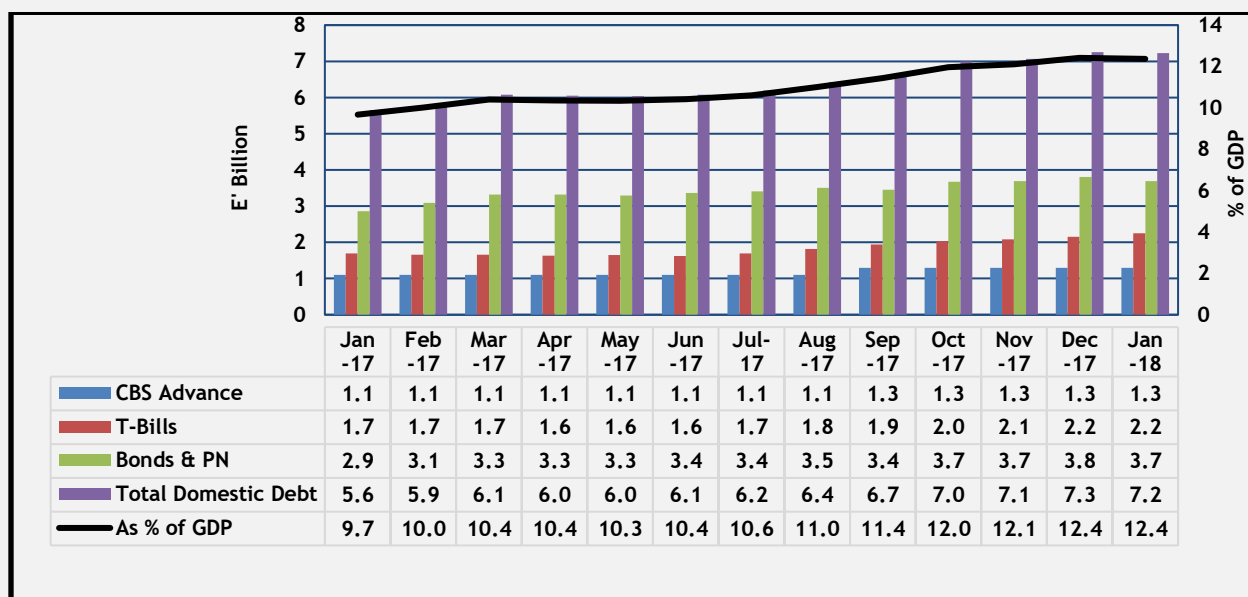
Figure 8: Total Public Debt: January 2017 to January 2018



Source: Ministry of Finance and Central Bank of Swaziland

As at the end of January 2018, public domestic debt stood at E7.2 billion an equivalent of 12.4 per cent of GDP. This shows that there has been no meaningful change in domestic debt in the month under review when compared to E7.3 billion recorded at the end of December 2017. While there was a bond issuance in January 2018, it was matched by a similar maturity in the same month.

Figure 9: Public Domestic Debt: January 2017 to January 2018



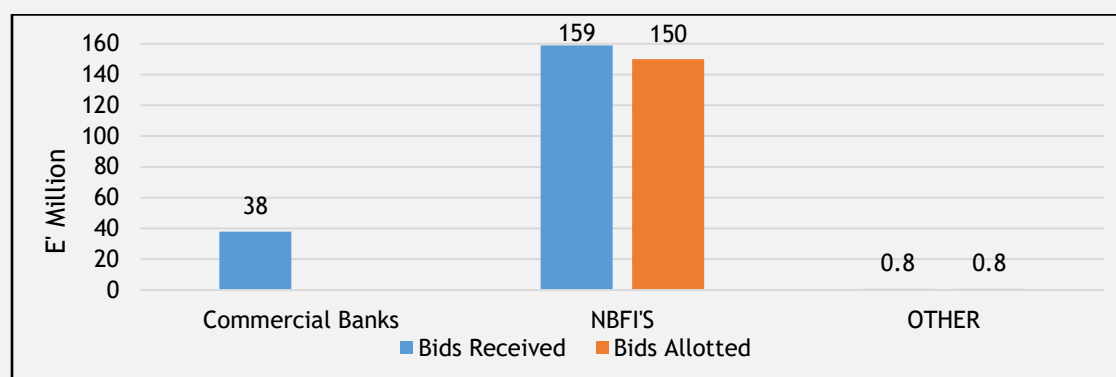
Source: Ministry of Finance and Central Bank of Swaziland

On behalf of the Government of the Kingdom of Swaziland, the Central Bank auctioned a 7-Year bond where E150 million (One Hundred and Fifty million Emalangeni) was on offer. The auction was held on January 26, 2018, settling on January 31, 2018. The bond will mature on January 31 2025. The coupon rate was set at 10.0 per cent per annum (payable semi-annually).

Total bids received amounted to E197.77 million resulting in a bid-cover ratio of 131.8 per cent. Of the bids received E197 million was competitive and E0.77 million was in the non-competitive category. Total allotments amounted to E149.23 million for competitive bidders whilst E0.77 million was allotted to non-competitive bidders, resulting in 100 per cent allotment ratio.

In the month of January 2018, there were two bonds maturities. Both maturities fell due on 31 January 2018, one being E120 million under the Suppliers' bond programme and E146.3 million being a 3-Year bond under the Vanilla bond programme. The 3-Year bond maturity was offset by the new issuance of the 7-Year bond issued in the same month.

Figure 10: 7-Year Vanilla 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 January, 2018 (E' Million)

Holder	Treasury Bills	Government Bonds	Promissory Notes	CBS Advance	Total	Share of Holdings (%)
CBS	2.5	0.0	0	1, 292.6	1, 295.1	17.9
Commercial banks	1,595.3	856.8	0	0	2,452.1	33.9
NBFIs	544.5	2,403.7	0	0	2,948.2	40.8
Other	104.1	239.9	188.8	0	532.8	7.4
Total	2,246.4	3,500.4	188.8	1,292.6	7,228.2	100

Source: Ministry of Finance and Central Bank of Swaziland

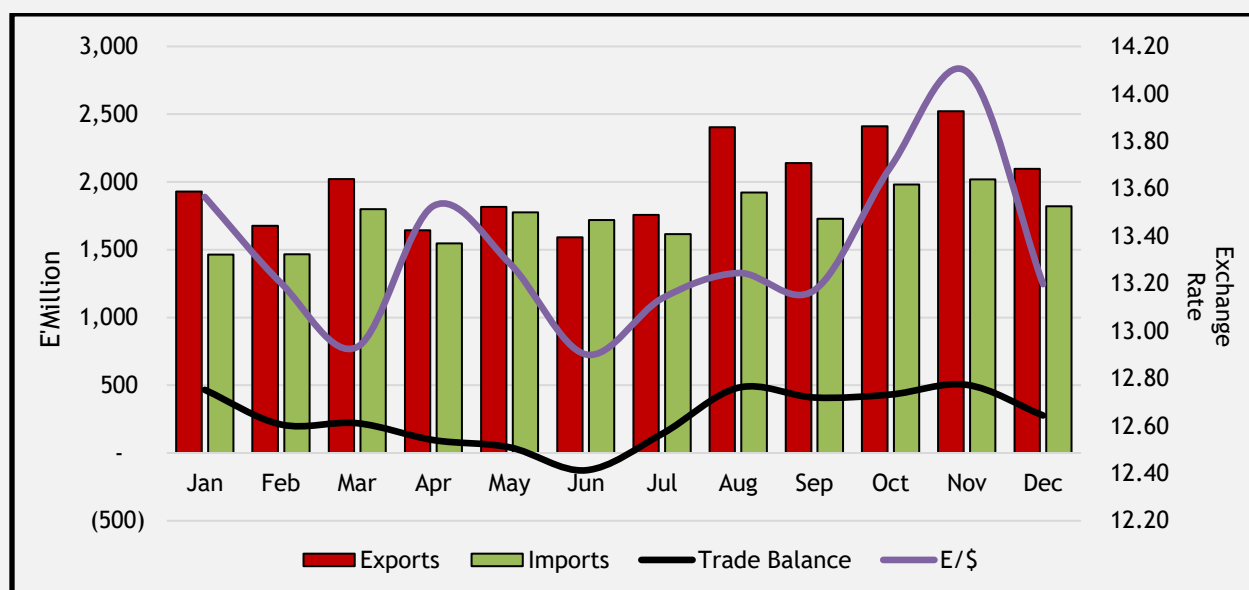
4 The External Sector

In November 2017, export proceeds increased by 1.09 per cent month-on-month to E2.521 billion and declined by 4.24 per cent in the month of December 2017 to

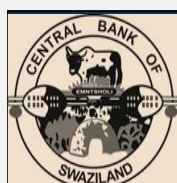
E2.097 billion. Exports destined outside the CMA benefited from the exchange rate depreciation observed in November at E14.0938 to the Dollar from an exchange rate of E13.6918 in October 2017. As the Rand strengthened further against the Dollar to E13.1980 in December 2017 exports proceeds also contracted.

A month-on-month comparison shows that import payments increased by a marginal 0.38 per cent to record E2.018 billion in November prior to closing down for the festive season. Although consumption is higher in the fourth quarter of every year, generally foreign trade activity declines slightly during the month of December as companies close early in the month. Consequently imports fell by 1.99 per cent to E1.820 billion in the last month of 2017. In the month of November, the merchandise trade balance recorded a surplus of E503 million, 0.71 per cent higher than the previous month of October. In December 2017 however, the merchandise trade balance recorded a lower surplus of E277 million.

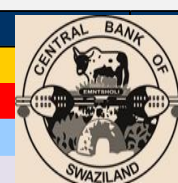
Figure 11 : Merchandise Trade: January 2017 to December 2017



Source: Central Bank of Swaziland

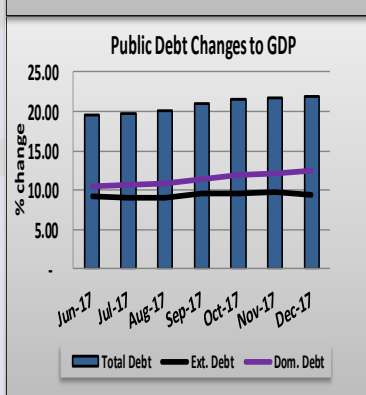
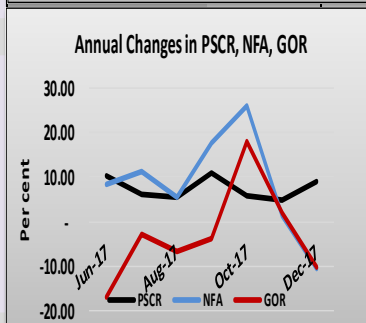
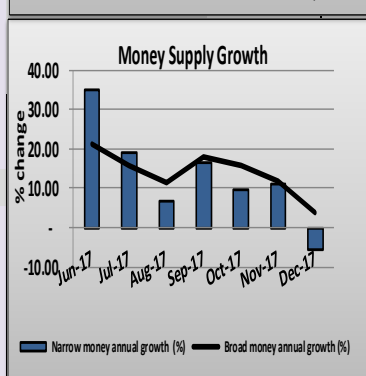
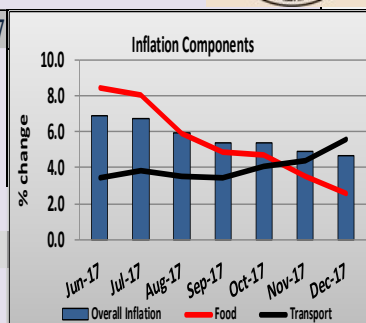


Economic Policy, Research and Statistics Division



Swaziland Economic Indicators at a glance

Sectors	Jun-17	Jul-17	Aug-17	Sep-17	Oct-17	Nov-17	Dec-17
Overall Inflation	6.9	6.7	5.9	5.4	5.4	4.9	4.7
Food	8.5	8.0	5.9	4.9	4.7	3.5	2.6
Transport	3.5	3.8	3.5	3.4	4.1	4.4	5.6
Other	6.9	6.7	6.4	6.1	6.0	5.7	5.6
Money and banking							
Narrow money annual growth (%)	35.00	18.90	6.57	16.71	9.80	11.10	-5.65
Broad money annual growth (%)	21.10	15.70	11.34	18.1	15.7	11.7	3.80
Domestic credit (net) - E' Million	12 339.30	11 844.30	12 401.54	13 761.5	12 283.5	13 320.1	14 138.18
Government	-757.18	-1330.66	-602.87	2.7	-1 249.0	-541.1	-62.55
Private sector	13 096.48	13 174.96	13 004.41	13 758.8	13 532.5	13 861.3	14 200.73
Private sector credit annual growth (%)	10.20	6.20	5.41	10.8	5.9	4.8	8.90
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	8.26	8.28	8.08	7.96	7.89	7.88	7.86
Ratios							
Liquidity ratio (required = 20 %)	25.57	27.66	29.94	28.6	28.8	27.3	27.50
Loans/deposits ratio	76.9	77.7	76.8	80.0	78.3	76.6	76.10
Net foreign assets (E'million)	8 446.33	9 217.14	8 977.79	8 301.2	9 681.7	8 365.6	7 909.50
Annual % change in NFA	8.50	11.20	5.63	17.8	25.9	1.3	-10.43
Gross official foreign reserves E'Millions	6 884.72	8 189.31	7 336.53	7 183.7	8 476.4	7 879.6	6 932.60
Annual % change in GOR	-16.90	-2.69	-6.79	-3.6	18.0	2.0	-10.23
In months of import cover	3.30	3.90	3.30	3.5	4.1	3.8	3.50
Exchange Rates							
US\$	12.90	13.14	13.24	13.17	13.69	14.09	13.20
EURO	14.89	15.13	15.64	15.69	18.07	16.54	15.61
GBP	16.51	17.07	17.18	17.57	16.09	18.64	17.70
Public Finance							
Total public external debt [E' million]	5 378.10	5 344.10	5 343.00	5 556.65	5 575.08	5 649.10	5 483.80
As a % of GDP	9.21	9.10	9.10	9.51	9.50	9.70	9.39
Total public domestic debt [E' million]	6 081.80	6 156.80	6 386.32	6 679.00	6 993.68	7 071.43	7 252.70
As a % of GDP	10.41	10.60	10.90	11.43	11.97	12.10	12.42
Total public debt [E' million]	11 460.00	11 500.90	11 729.00	12 235.65	12 568.76	12 720.53	12 736.50
As a % of GDP	19.62	19.70	20.10	20.95	21.52	21.80	21.81



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