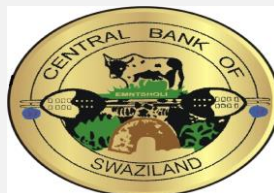


## The Kingdom of Swaziland



## Major Highlights

❖ <i>Real GDP is estimated to have increased by 1.9 per cent in 2017, an upward revision from the earlier projection of 1.0 per cent.</i>	GDP Growth (%y/y)	1.9 (2017)
❖ <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 (Jan) ↓
❖ <i>Discount and prime lending rates were reduced by 0.25% in January 2018.</i>	Prime Lending (%)	10.50
	Discount rate (%)	7.00
❖ <i>In February 2018, the external value of the Lilangeni strengthened against major currencies.</i>	Exchange rate (US\$)	11.82 (Feb) ↓
❖ <i>Credit Extended to the Private Sector recorded a contraction of 1.3 per cent to settle at E14.0 billion in January 2018 from E14.2 billion at the end of December 2017.</i>	Private Sector Credit (% y/y)	12.7 (Jan) ↑
❖ <i>Broad Money Supply (M2) accelerated by 0.9 per cent to settle at E17.5 billion at the end of January 2018.</i>	Broad Money (M2) (% y/y)	15.6 (Jan) ↑
❖ <i>Gross Official Reserves stood at E7.1 billion at the end of February 2018, 7.2 per cent lower than the E7.6 billion observed in January 2018.</i>	Reserves (months of import cover)	3.5 (Feb) ↓
❖ <i>Preliminary figures for the month ending 28 February 2018 indicate that total public debt stood at E12.6 billion, an equivalent of 20.2 per cent of GDP.</i>	Total Public Debt (% of GDP)	20.2 (Feb) ↓
❖ <i>In January 2018, the merchandise trade balance recorded a deficit of E214.8 million up from E277 million deficit in December 2017.</i>	Merchandise Trade Balance (% of GDP)	0.003 (Jan) ↓

NB: The table shows the most recent available data.

## 1 GDP Developments and Outlook

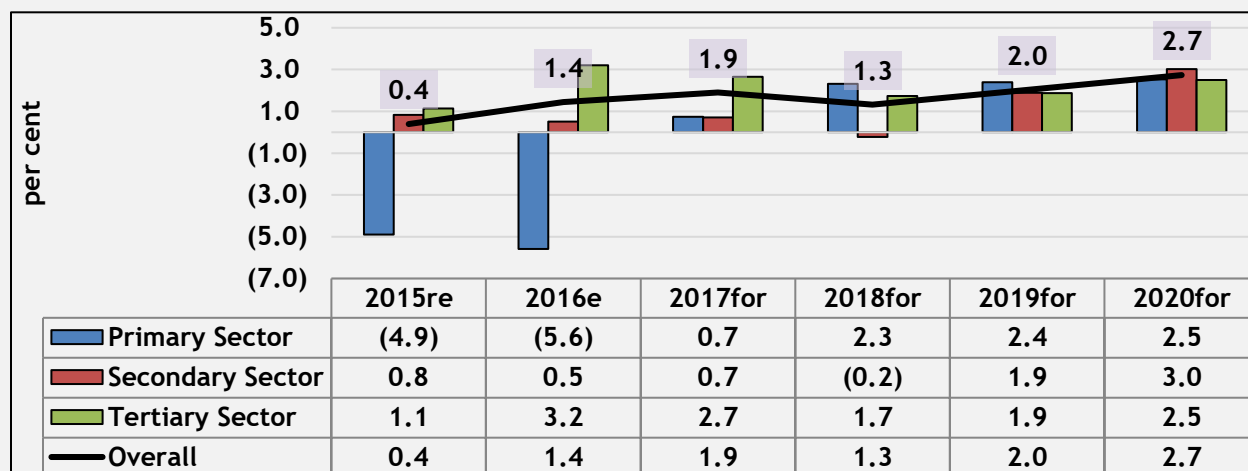
Real GDP is estimated to have increased by 1.9 per cent in 2017, an upward revision from the earlier projection of 1.0 per cent. The improvement in economic performance (relative to the previous projection) is primarily a result of better output in the tertiary sector, which grew more than expected. Economic growth is projected to be weaker in 2018, but is expected to pick up in the medium term. Real GDP is projected to grow at 1.3 per cent, which is lower than the initial projection of 2.8 per cent. This downward update for the 2018 outlook is mainly due to slower anticipated growth for the secondary and tertiary sector.

The agricultural sector recorded a 0.7 percent growth in 2017, indicating a recovery from the drought. Sugarcane production, which was estimated to recover slightly in 2017 before recovering fully in 2018, recorded a growth of 7 per cent in 2017 and 9 per cent in 2018 from a previous projection of 3 per cent and 19 per cent in 2017 and 2018 respectively.

The secondary sector is estimated to have increased by 0.7 per cent in 2017 while a contraction of -0.2 per cent in 2018 is expected. In 2017, the sector benefitted from the recovery in the primary sector, especially in the sugar industry. The re-admission of the country into the AGOA market is expected to bring a positive turnout in economic activity especially towards the manufacturing sector. Activity in the construction sector is expected to take a hit due to worsening government fiscal challenges, which will hinder continued implementation of (government funded) capital projects. In the medium term the sector is expected to recover mainly driven by envisaged implementation of strategic projects e.g. Lothair railway link.

The tertiary sector recorded a stronger growth for 2017, 2.7 per cent in 2017, primarily due to a higher than anticipated growth in the government sector, a stronger performance of the wholesale and retail sector and the financial services sector.

Figure 1: Swaziland Economic Growth Projections by Sector 2017 - 2020



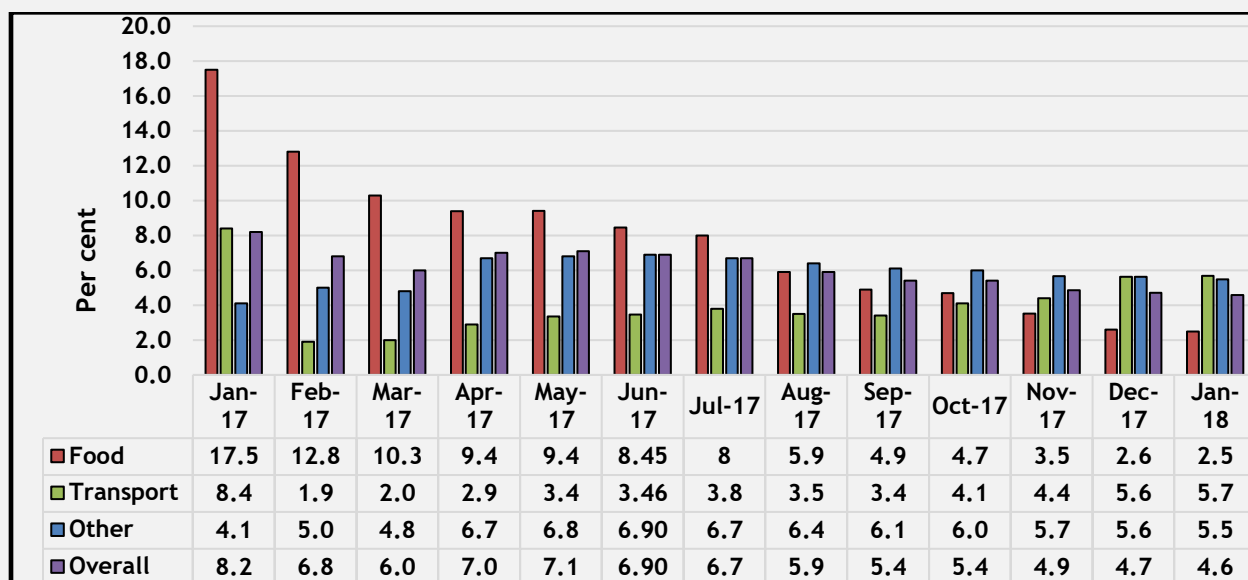
Source: CSO and Macro-forecasting Team

## 2 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 stayed 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 2: 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 percent in January 2018 compared to 5.6 in the previous month.

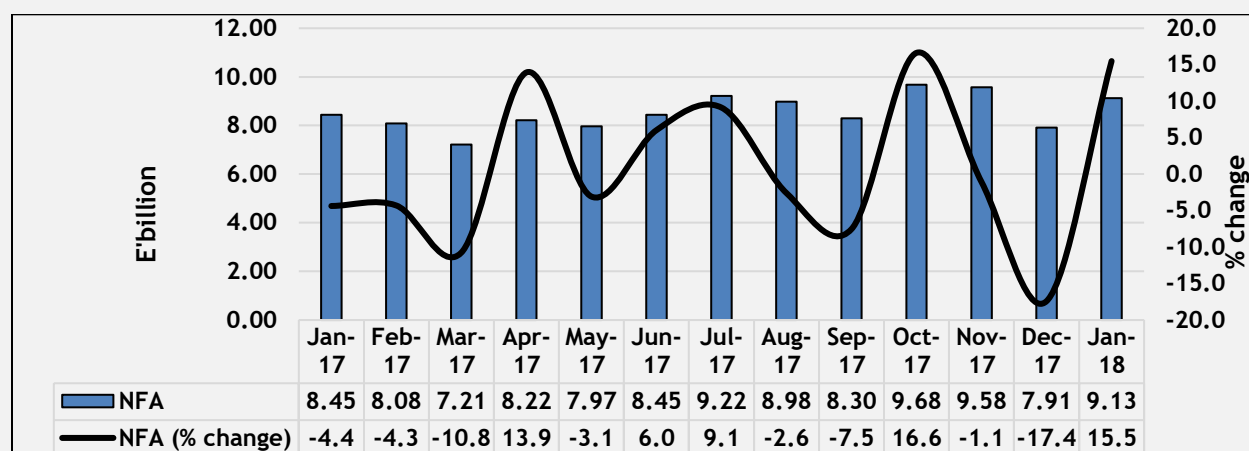
On month-on-month basis, the consumer price inflation recorded a zero growth in January 2018 compared to 0.1 per cent in December 2017. Increases were observed on price indices for ‘recreation and culture’ ‘alcoholic beverages and tobacco’, ‘transport’ and ‘furnishing and household equipment’. On the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

### 3 Money Supply and Banking Developments

The Country's Net Foreign Assets stood at E9.1 billion in January 2018 reflecting an expansion of 15.5 per cent, which is a recovery from the decline of 17.4 per cent recorded in December 2017. The growth in Net Foreign Assets was discernible in both Net Foreign Assets of Other Depository Corporations and those of the Official Sector. Net Foreign Assets of Other Depository Corporations improved by 23.8 per cent month-on-month to reach E2.5 billion at the end of the month under review. This was mainly due to increased investments in the Common Monetary Area (CMA) and abroad. Net Official Assets also registered an expansion of 12.6 per cent from the level of E5.9 billion recorded in December 2017 to settle at E6.6 billion at the end of January 2018. The rise was mainly a result of the quarterly inflow of Southern African Customs Union (SACU) revenue at the beginning of January 2018. In Special Drawing Rights (SDRs), the value of Net Foreign Assets closed at SDR528.2 million at end of January 2018 depicting growth of 17.6 per cent. Year-on-year, Net Foreign Assets in SDRs terms grew by 14.3 per cent and in Emalangeni terms by 8.2 per cent.

Figure 3: Net Foreign Assets Monthly Changes: January 2017 to January 2018

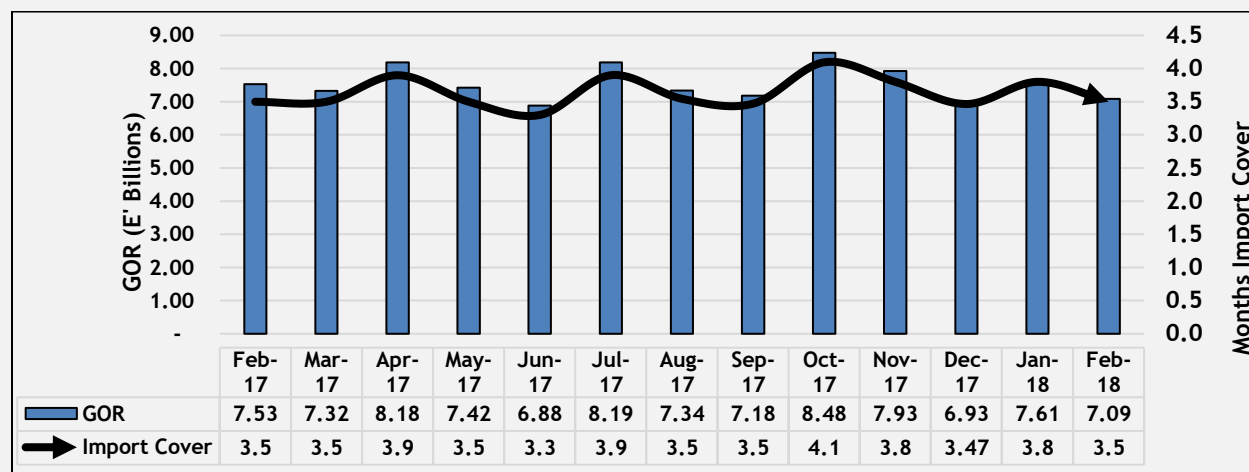


Source: Central Bank of Swaziland

Gross Official Reserves amounted to E7.1 billion at the end of February 2018, a 7.2 per cent decline from the E7.6 billion observed in January 2018. The Reserves were enough to cover 3.5 months of estimated imports of goods and services, lower than the 3.8 months recorded in January 2018. Valued in Special Drawing Rights (SDRs), the

Reserves stood at SDR415.6 million depicting a month-on-month reduction of 5.5 per cent. On an annual basis, the Reserves decelerated by 2.8 per cent in SDRs terms and by 6.2 per cent in Emalangeni terms.

Figure 4: Gross Official Reserves and Import Cover: February 2017 to February 2018



Source: Central Bank of Swaziland

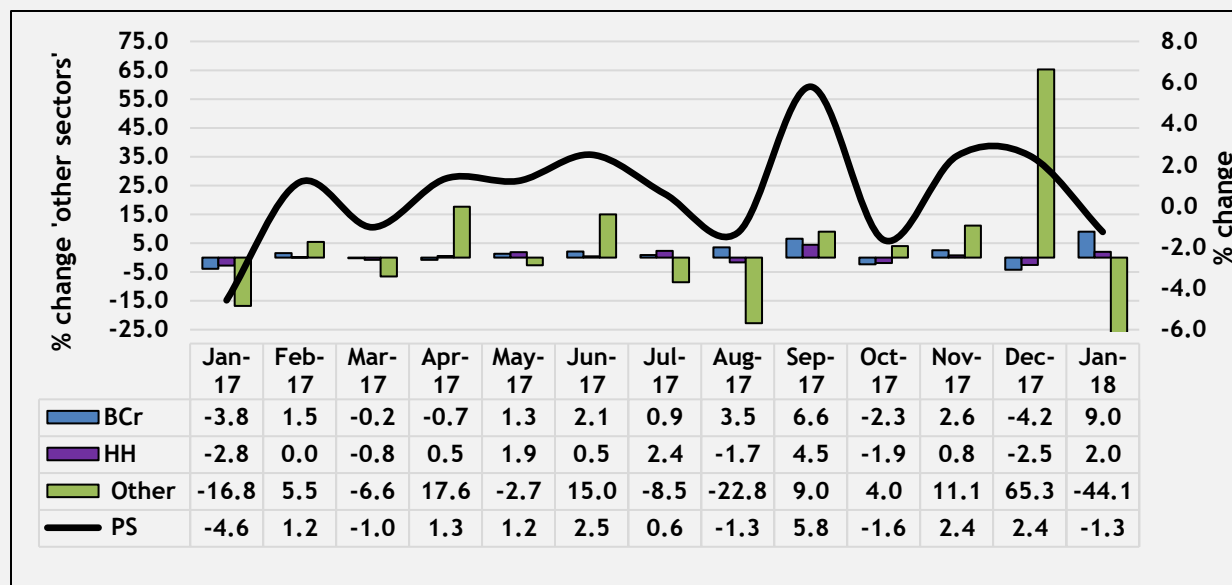
Credit Extended to the Private Sector depicted a month-on-month contraction of 1.3 per cent at the end of the review month to settle at E14.0 billion at the end of January 2018. The month-on-month fall in Private Sector Credit was driven by credit to Other Sectors of the economy (namely, Other Financial Corporations, Local Government, and Public Nonfinancial Corporations). Credit to Households & Non-Profit Institutions Serving Households (NPISH) and Businesses on the contrary, trended upwards at the end of the review month. When compared over the year, Private Sector Credit grew by 12.7 per cent.

Credit Extended to Other Sectors contracted from E2.0 billion observed in December 2017 to E1.1 billion at the end of January 2018. The slowdown in credit to Other Sectors was observed in all three subsectors; Other Financial Corporations (-54.3 per cent), Local Government (-52.0 per cent) and Public Nonfinancial Corporations (-17.1 per cent).

Credit Extended to Businesses accelerated by 9.0 per cent from E6.3 billion registered in the previous month to reach E6.8 billion at the end of January 2018.

Growth in credit to Businesses was mainly channelled to these subsectors; Real Estate (13.6 per cent), Mining & Quarrying (10.0 per cent), Manufacturing (7.7 per cent) as well as Agriculture & Forestry (1.1 per cent). Partly offsetting these increases were declines in these subsectors; Community, Social & Personal Services (-13.3 per cent), Construction (-12.3 per cent) and Distribution & Tourism (-10.1 per cent).

Figure 5: Private Sector Credit Monthly Changes: January 2017 to January 2018



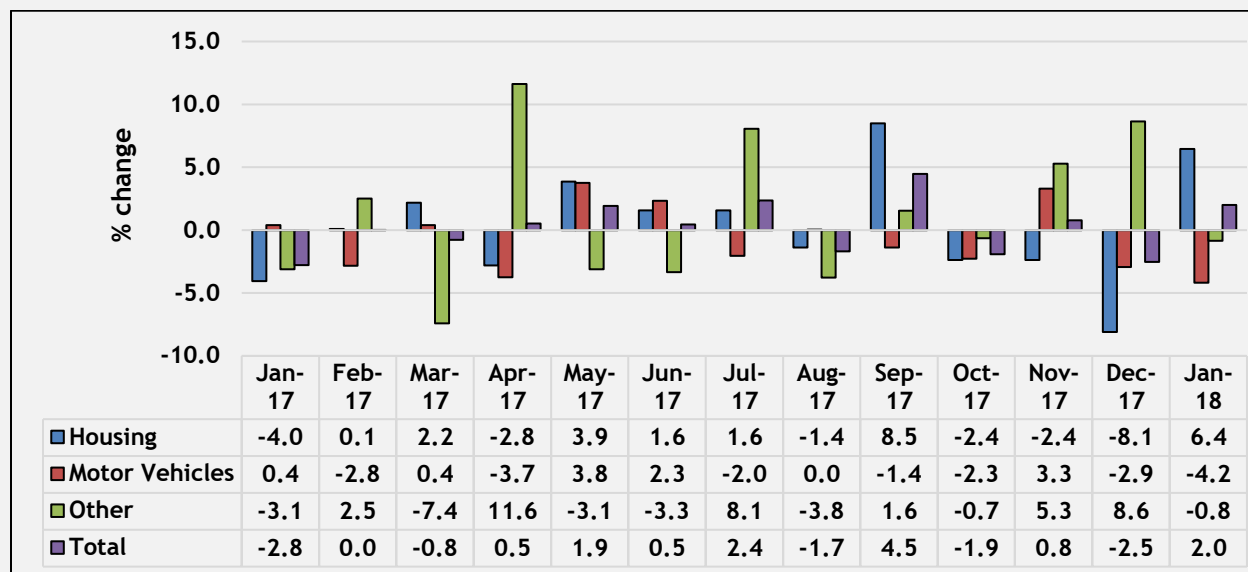
Source: Central Bank of Swaziland

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

Credit Extended to Households & NPISH stood at E6.1 billion at the end of January 2018, depicting a month-on-month growth of 2.0 per cent. The rise was mainly attributed to Mortgage Finance which grew by 6.4 per cent to E3.1 billion. Motor Vehicle Finance on the contrary fell by 4.2 per cent to E1.2 billion and Other Unsecured Loans by 0.8 per cent to E1.8 billion.

Net Government Balances with the banking system increased from E62.6 million recorded in December 2017 to E897.9 million at the end of January 2018, due to SACU receipts. As a result, Government deposits accelerated by 28.0 per cent whilst claims on Government grew by 6.8 per cent. However, when compared over the year, net Government balances depicted a reduction of 44.6 per cent.

Figure 6: Household Credit Monthly Changes: January 2017 to January 2018



Source: Central Bank of Swaziland

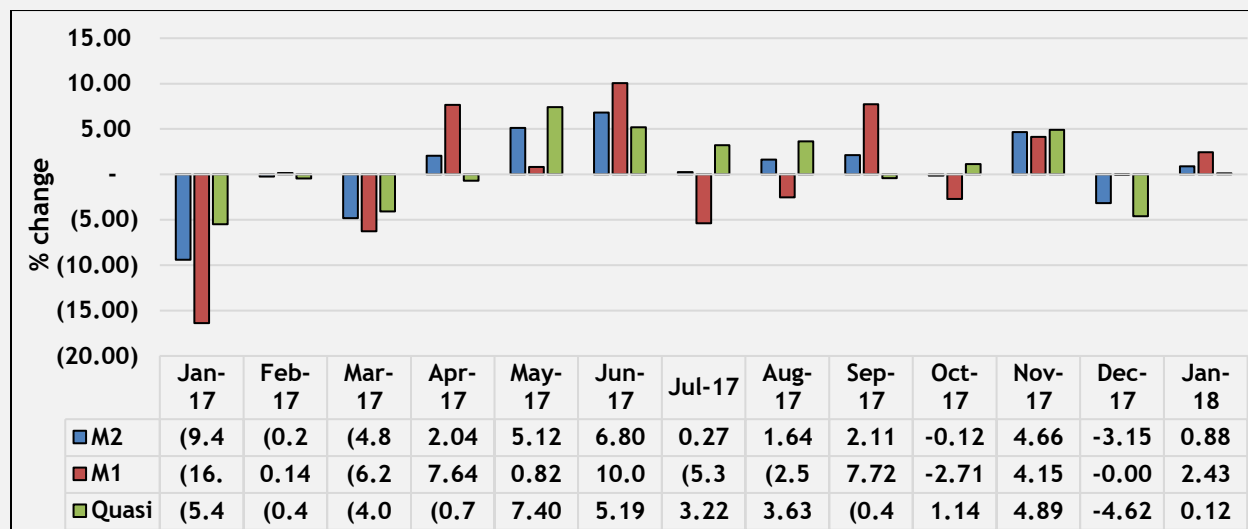
**Broad Money Supply (M2) edged up by 0.9 per cent to E17.5 billion at the end of January 2018.** The growth in M2 emanated from both its components, Quasi Money Supply and Narrow Money Supply (M1) over the month under review. Year-on-year, M2 grew by 15.6 per cent.

**Quasi Money Supply reached E11.7 billion at the end of January 2018, reflecting growth of 0.1 per cent.** The improvement was on account of Time Deposits which rose by 0.5 per cent to E10.0 billion. Savings Deposits on the contrary, shrank by 2.3 per cent to E1.6 billion.

**M1 improved by 2.4 per cent month-on-month to reach E5.8 billion at the end of January 2018.** The increase was observed in Transferable Deposits which increased by 3.8 per cent to E5.3 billion. In contrast, Currency Outside Depository Corporations trended in the opposite direction and fell by 9.4 per cent to E550.7 million.



Figure 7: Money Supply Monthly Changes: January 2017 to January 2018



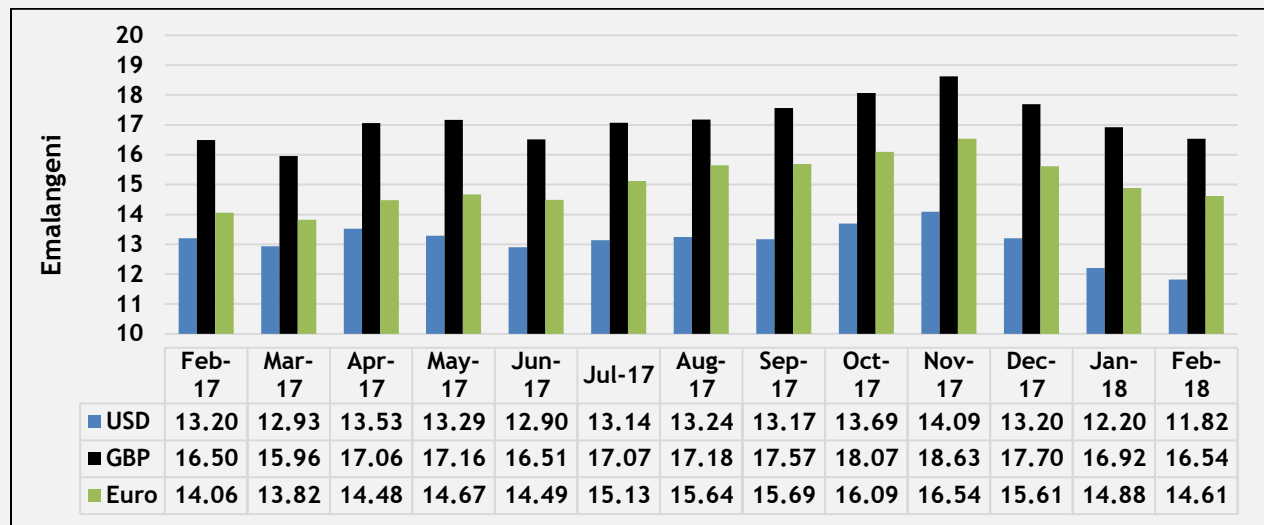
Source: Central Bank of Swaziland

During the month of February 2018, the value of the Lilangeni extended its previous gains against the major currencies. Compared to January 2018, the local unit strengthened by 3.2 per cent to average E11.82 against the U.S. dollar. Against the Pound Sterling, the local unit strengthened by 2.3 per cent to average E16.54 and against the Euro, it rose by 1.8 per cent to average E14.61 in the period under review. The local unit rallied primarily on the back of positive sentiments and the recent developments in South African politics, especially towards the resignation of the former president of the Republic of South Africa. The new South African president’s cabinet reshuffle coupled with the prudent budget speech was well received by the market; this saw the Rand appreciate especially towards the end of the February 2018.

Domestic risks on the performance of the rand partially rests on the new Finance minister and Public Enterprise minister whose policies remain critical in the South African investment credit ratings in the future. Furthermore, new policies, e.g. the land expropriation of land without compensation in South Africa that has been met with mixed reactions by the market and pose as a significant risk to the rand. Externally, negative risks stems from the expected increase in interest rates by both US Federal Reserve and the Bank of England which may each strengthen the US dollar and the

Pound Sterling while weakening the rand. The Lilangeni ended the period under review at E11.73 to the US dollar, E16.30 to the Pound Sterling and E14.34 to the Euro.

Figure 8: Average Exchange Rates: January 2017 to January 2018



Source: Central Bank of Swaziland

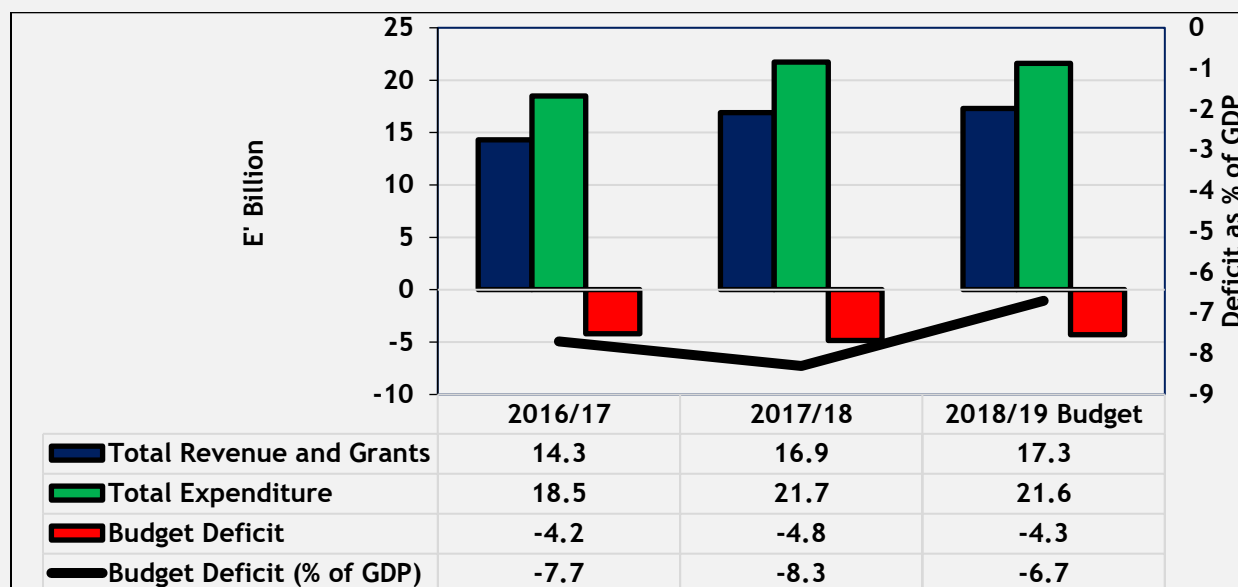
#### 4 Fiscal Sector

The Minister of Finance, on March 01, 2018, delivered the national budget for 2018/19 to parliament. The budget was presented under serious fiscal challenges faced by the country hence it is aimed at anchoring fiscal prudence. A number of fiscal consolidation measures and reform strategies will be pursued to contain the deficit.

The budget deficit for 2018/19 is projected to stand at E4.3 billion, an equivalent of 6.7 per cent of GDP. This indicates an improvement from the deficit of 8.3 per cent of GDP for 2017/18 which is a result of fiscal consolidation measures and reform strategy to be implemented.

Total revenue and grants is projected to increase by 2.3 per cent to reach E17.3 billion. The increase is attributed to policies to be implemented in 2018/19 which include; increasing VAT from 14 per cent to 15 per cent, collection of licence fees from mobile companies, review of user fees and fuel tax and introduction of import levy on non-SACU used vehicles.

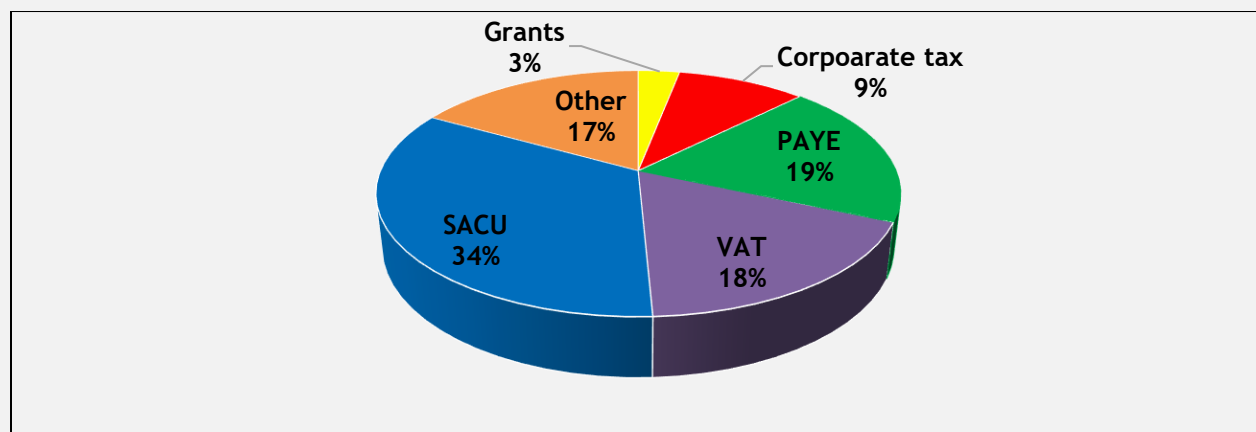
Figure 9: Budget Summary: 2016/17 to 2018/19



Source: Ministry of Finance

SACU, the major source of Government revenue is set to decline by 18.3 per cent from E7.1 billion recorded in 2017/18 to reach E5.8 billion in 2018/19. Total expenditure is estimated to decline from E21.7 billion in 2017/18 to reach E21.6 billion in 2018/19 as a result of undertaking expenditure rationing to prioritize only the most pressing concerns.

Figure 10: Government Major Revenue Components

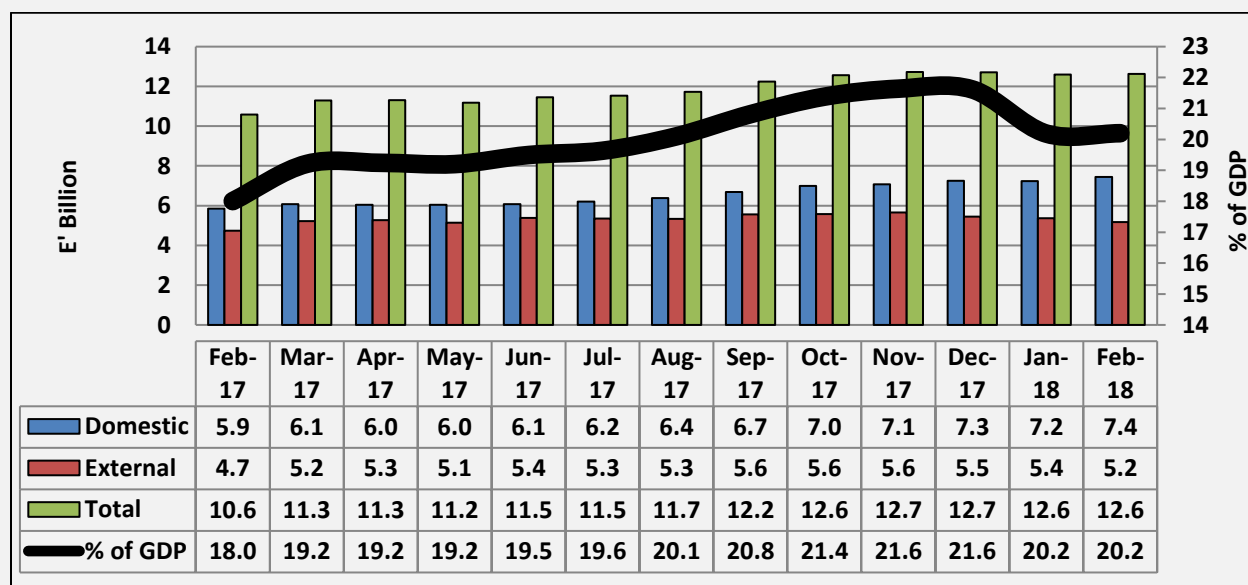


Source: Ministry of Finance

Preliminary figures for the month ending 28 February 2018 indicate that total public debt stood at E12.6 billion, an equivalent of 20.2 per cent of GDP. This reflects that it has remained unchanged from the E12.6 billion recorded in February 2018. The ratios as per cent of GDP are based on the revised projections released in February 2018.

As at end of February 2018, external debt stood at E5.2 billion, corresponding to 8.3 per cent of GDP. This shows a decrease of 3.7 per cent from the E5.4 billion recorded in January 2018. The decrease is mainly attributed to the appreciation of the US Dollar and other major currencies (over the review period) in which the country’s external liabilities are denominated.

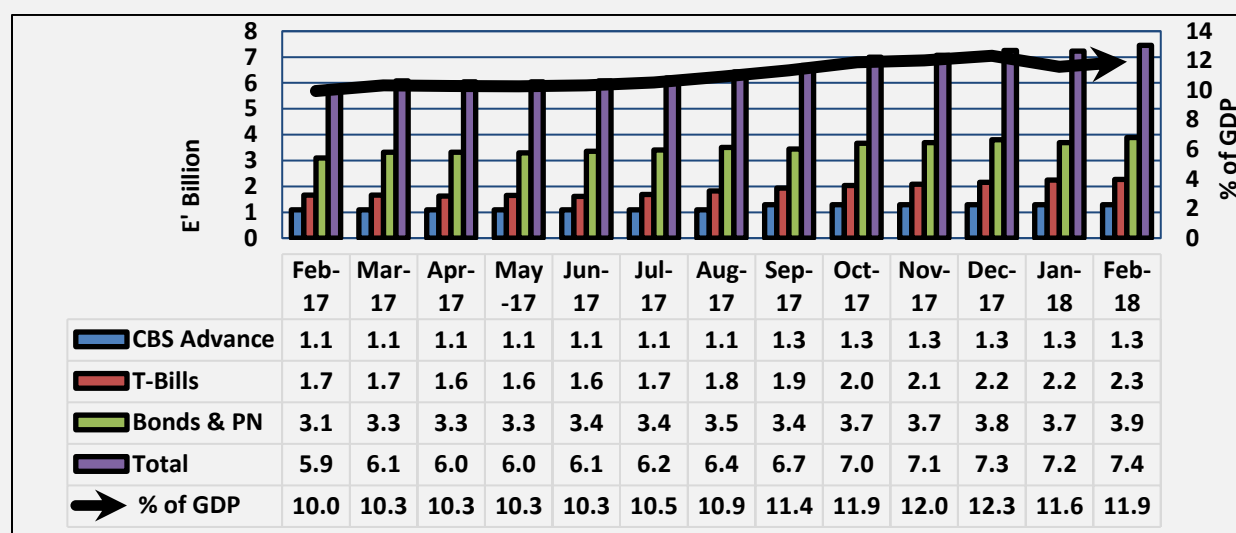
Figure 11: Total Public Debt; February 2017 to February 2018



Source: Ministry of Finance & Central Bank of Swaziland

Domestic debt stood at E7.4 billion at the end of February 2018, an equivalent of 11.9 per cent of GDP. This indicates an increase of 2.8 per cent over the past month when compared to E7.2 billion recorded in January 2018. The increase is mainly attributed to an improvement in the absorption of Treasury Bills and issuance of Promissory Note in the month under review.

Figure 12: Public Domestic Debt; February 2017 to February 2018



Source: Ministry of Finance & 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. A E150 million Infrastructure Bond for a 10-year tenor will be issued in the month of March 2018, being the last bond auction in the 2017/18 in line with the Auction Calendar published by the Bank as approved by the Ministry of Finance.

Table 1: Domestic Debt Instruments Outstanding by Holder as at 28 February, 2018 (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	17.4
Commercial banks	1,525.1	856.8	0	0	2,381.9	32.0
NBFIs	624.2	2,578.7	119.3	0	3,322.2	44.6
Other	114.1	144.0	188.8	0	446.9	6.0
Total	2,266.5	3,580.4	308.1	1,292.6	7,447.6	100

Source: Ministry of Finance & Central Bank of Swaziland

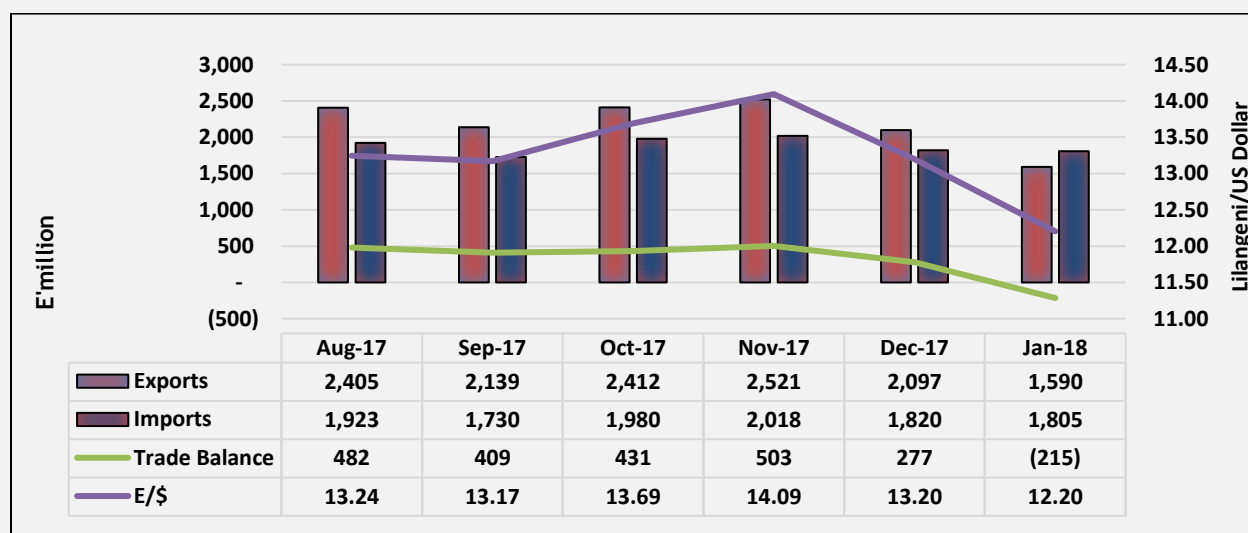
## 5 The External Sector

In the first month of 2018, the trade balance recorded a deficit of E214.8 million from a surplus of E277.0 million in the month of December 2017. The sharp turnaround in the country's trade balance is attributable to an overall decline in trade as both imports and exports contracted in the period.

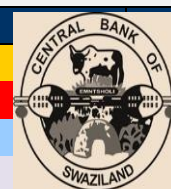
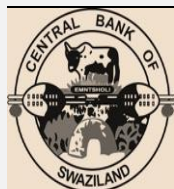
Exports in January 2018 were E1.590 billion, a 24.3 per cent month-on-month decline. The fall in export receipts was partly a result of a fall in miscellaneous chemical products of 38.3 per cent, as well as a 41.5 per cent decline in earnings from essential oils and resinoids. On the other hand, receipts from the export of sugar and sugar confectionery increased by 20.7 per cent month-on-month.

Imports in the month of January 2018 show a marginal decrease to E1.805 billion from E1.820 billion in December 2017. Mineral fuels, boilers, machinery and mechanical, appliances including parts were among the high value imports that declined in the period.

Figure 13: Merchandise Trade: August 2017 to January 2018



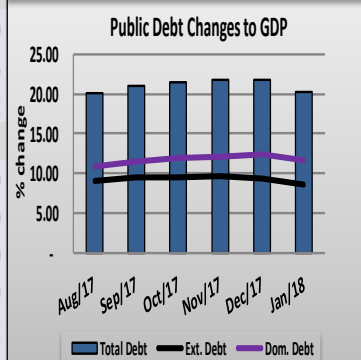
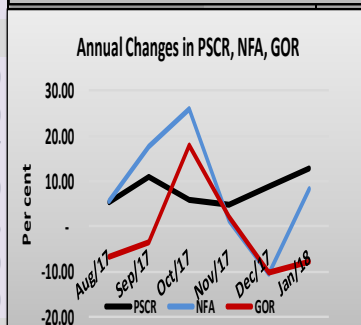
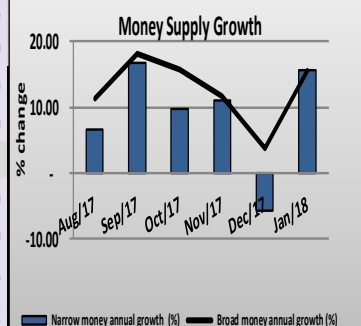
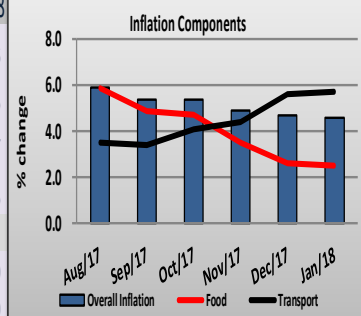
Source: Central Bank of Swaziland



### Economic Policy, Research and Statistics Division

#### Swaziland Economic Indicators at a glance

Sectors	Aug-17	Sep-17	Oct-17	Nov-17	Dec-17	Jan-18
<b>Overall Inflation</b>	5.9	5.4	5.4	4.9	4.7	4.6
Food	5.9	4.9	4.7	3.5	2.6	2.5
Transport	3.5	3.4	4.1	4.4	5.6	5.7
Other	6.4	6.1	6.0	5.7	5.6	5.5
<b>Money and banking</b>						
Narrow money annual growth (%)	6.57	16.71	9.80	11.10	-5.65	15.60
Broad money annual growth (%)	11.34	18.1	15.7	11.7	3.80	15.60
Domestic credit (net) - E' Million	12,401.54	13,761.5	12,283.5	13,320.1	14,138.18	13,125.08
Government	-602.87	2.7	-1,249.0	-541.1	-62.55	-897.90
Private sector	13,004.41	13,758.8	13,532.5	13,861.3	14,200.73	14,022.99
Private sector credit annual growth (%)	5.41	10.8	5.9	4.8	8.90	12.70
<b>Interest rates (% p.a)</b>						
Prime lending	10.75	10.75	10.75	10.75	10.75	10.50
Discount rate	7.25	7.25	7.25	7.25	7.25	7.00
Deposit rate - 31 days	3.44	3.44	3.44	3.44	3.44	2.53
- 12 months	5.03	5.03	5.03	5.03	5.03	4.92
- T. bill rate	8.08	7.96	7.89	7.88	7.86	8.27
<b>Ratios</b>						
Liquidity ratio (required = 20 %)	29.94	28.6	28.8	27.3	27.50	28.40
Loans/deposits ratio	76.8	80.0	78.3	76.6	76.10	77.40
Net foreign assets (E'million)	8,977.79	8,301.2	9,681.7	8,365.6	7,909.50	9,134.67
Annual % change in NFA	5.63	17.8	25.9	1.3	-10.43	8.20
Gross official foreign reserves E'Millions	7,336.53	7,183.7	8,476.4	7,879.6	6,932.60	7,605.28
Annual % change in GOR	-6.79	-3.6	18.0	2.0	-10.23	-7.80
In months of import cover	3.30	3.5	4.1	3.8	3.50	3.80
<b>Exchange Rates</b>						
US\$	13.24	13.17	13.69	14.09	13.20	12.20
EURO	15.64	15.69	18.07	16.54	15.61	14.88
GBP	17.18	17.57	16.09	18.64	17.70	16.92
<b>Public Finance</b>						
Total public external debt [E' million]	5,343.00	5,556.65	5,575.08	5,649.10	5,483.80	5,361.10
As a % of GDP	9.10	9.51	9.50	9.70	9.39	8.60
Total public domestic debt [E' million]	6,386.32	6,679.00	6,993.68	7,071.43	7,252.70	7,228.20
As a % of GDP	10.90	11.43	11.97	12.10	12.42	11.59
Total public debt [E' million]	11,729.00	12,235.65	12,568.76	12,720.53	12,736.50	12,589.32
As a % of GDP	20.10	20.95	21.52	21.80	21.81	20.20



**NB:** For consistency, the table shows data up to the end of January 2018.