

Recent Economic Developments

NOVEMBER/DECEMBER 2018



CENTRAL BANK
OF ESWATINI
Umntsholi Wemaswati



MAJOR HIGHLIGHTS

<ul style="list-style-type: none"> Economic activity, as measured by real GDP, is projected to decline by 0.4 per cent in 2018 in the wake of weakening fiscal and external positions 	GDP growth (% y/y)	-0.4 (2018) ↓
<ul style="list-style-type: none"> The country's annual consumer inflation grew by 0.1 of a percentage point to 5.3 per cent in November 2018, from 5.2 per cent in October 2018. 	Inflation rate (% y/y)	5.3 (Nov) ↑
<ul style="list-style-type: none"> Discount and prime lending rates were unchanged in November 2018. 	Prime Lending (%)	10.25 —
	Discount rate (%)	6.75 —
<ul style="list-style-type: none"> During the month of December 2018, the Lilangeni exchange rate weakened against the US Dollar and the Euro. 	Exchange rate (US\$)	14.20 (Dec) ↑
<ul style="list-style-type: none"> Credit Extended to the Private Sector recorded growth of 0.7 per cent to reach E14.7 billion at the end of November 2018 from E14.6 billion in October 2018. 	Private Sector Credit (% m/m)	0.7 (Nov) ↑
<ul style="list-style-type: none"> Broad Money Supply (M2) rose by 2.4 per cent to settle at E18.3 billion at the end of November 2018. 	Broad Money (M2) (%)	2.4 (Nov) ↑
<ul style="list-style-type: none"> Gross Official Reserves stood at E6.3 billion at the end of December 2018, depicting a contraction of 7.8 per cent when compared with November 2018. 	Reserves (months of import cover)	2.9 (Nov) ↓
<ul style="list-style-type: none"> Preliminary figures indicate that total public debt stood at E14.7 billion, an equivalent of 23.8 per cent of GDP at end of December 2018 	Total Public Debt (% of GDP)	23.8 (Dec) ↑
<ul style="list-style-type: none"> In the month of December 2018, the country recorded a merchandise trade surplus of E393.9 million, a decrease from a surplus of E410.6 million recorded in November 2018 	Merchandise Trade Balance (% of GDP)	0.64 (Dec) ↓

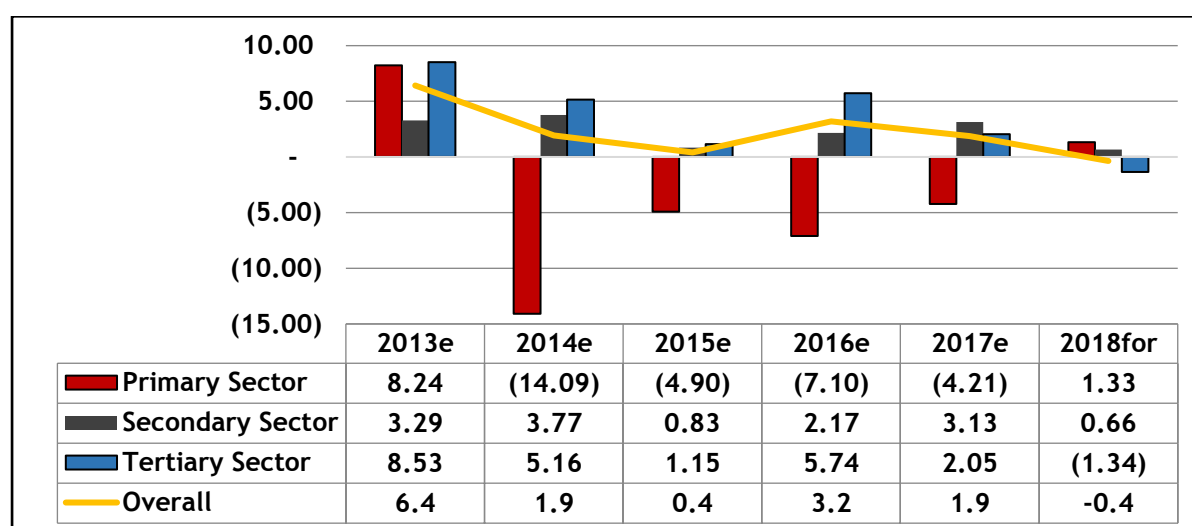
NB: The table shows the most recent available data.



1 DOMESTIC ECONOMY

Economic activity, as measured by real GDP, is projected to decline by 0.4 per cent in 2018 in the wake of weakening fiscal and external positions. The demand factors notwithstanding, agriculture, agro-processing electricity and water supply subsectors are expected to contribute positively to growth. The primary sector is projected to grow by 1.3 per cent in 2018 from a contraction of 4.2 per cent in 2017 and is expected to contribute 1.1 per cent to the overall growth, as the sector fully recovers from the effects of the 2015/16 drought situation. The decelerating manufacturing activity is expected to dampen growth in the secondary sector. The tertiary sector, which is largely influenced by the fiscal sector developments is expected to contract by 1.3 per cent in 2018, contributing -0.7 per cent to GDP growth. The short to medium term growth outlook remains challenged as the fiscal situation is not expected to swiftly improve (at least in the short term).

Figure 1: GDP Growth: 2013 to 2018



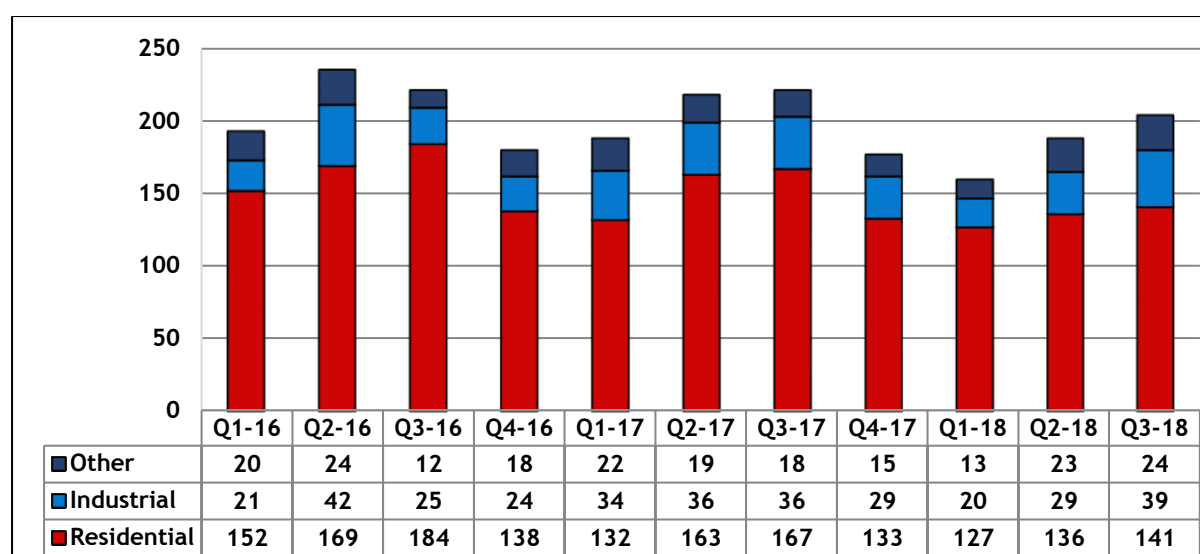
Source: Central Statistical Office, Ministry of Economic Planning and Development and Central Bank of Eswatini; e: estimate for: forecast

Total electricity sales (seasonally adjusted) declined by 0.7 per cent in the quarter ended September 2018 from zero growth in the quarter ended June 2018. Following a slight increase of 0.1 per cent during the quarter ended June 2018, domestic electricity sales declined by 0.3 per cent in the quarter ended September 2018. This increase reflects an improvement in activity in the ‘non-agricultural manufacturing’ sector which has positive effects on the overall growth of the economy. Total treated water consumption (seasonally adjusted) on the other hand decreased by 1.3 per cent during the quarter ended September 2018, from 6.0 per cent growth in the quarter ended June 2018.

Coal production slightly declined by 1.3 per cent in the quarter ended September 2018 compared to a 7.1 per cent growth in the quarter ended June 2018. Quarry stone production also declined in the quarter under review, falling by 48.2 per cent compared to a growth of 97.2 per cent recorded in the previous quarter. The demand for quarry remain highly reliant on construction activity especially road infrastructure projects which are currently faced with implementation challenges due to the ongoing fiscal challenges faced by the government.

Preliminary figures sourced from ‘municipalities and town boards’ showed that, building plans approved have been on an upward trend for the past three quarters of 2018. Total building plans approved accelerated to 204 units in the quarter ended September 2018 from 188 units during the quarter ended June 2018. Notable increases were observed in residential building plans approved which grew to 141 units from 136 units between the two quarters, mainly driven by an acceleration in building plans approved for new residential dwelling units.

Figure 2: Building Plans Approved: 2016Q1 to 2018Q3



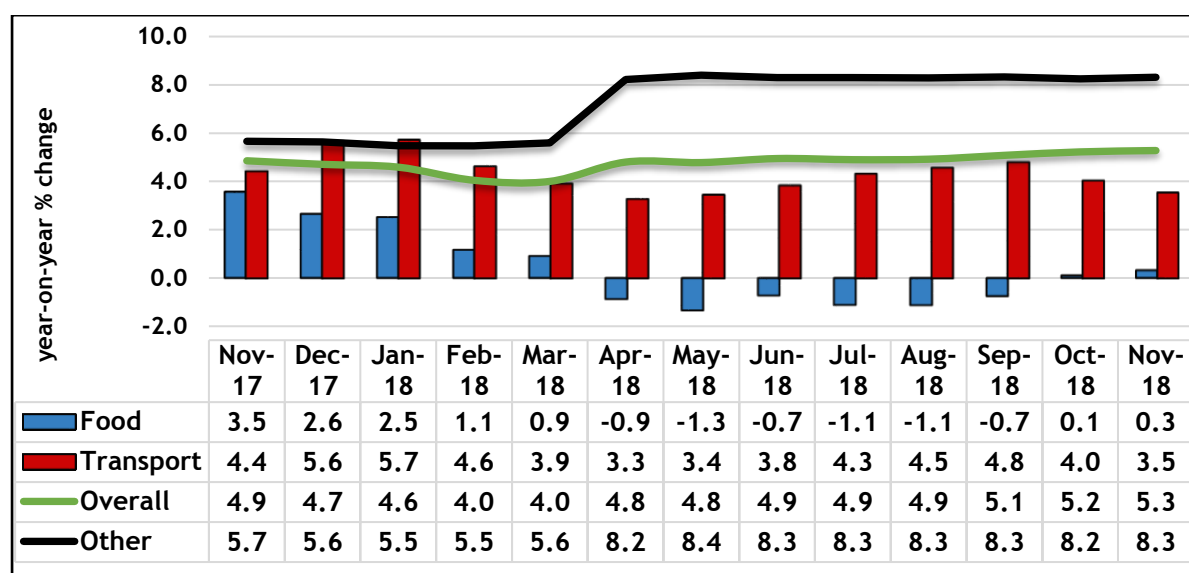
Source: City Councils, Town Councils and Town Boards

Total fuel import volumes declined by a seasonally adjusted 1.6 per cent month-on-month in September 2018 from a positive 1.6 per cent growth rate in August 2018. Notable so, all the fuel import volume categories recorded negative growth rates during the period under review. Petrol fuel import volumes decreased by a seasonally adjusted 2.6 per cent in September 2018 from an increase of 2.2 per cent in August 2018. Diesel import volumes declined by 0.4 per cent in September 2018 from a 0.7 per cent increase in the previous month. Paraffin import volumes significantly declined by a seasonally adjusted 31.7 per cent from a positive growth of 18.3 per cent between the two months.

The country's annual consumer inflation grew by 0.1 of a percentage point to 5.3 per cent in November 2018, from 5.2 per cent in October 2018, largely due to a slight increase in food prices. Food inflation continued on a modest uptrend for the third consecutive month, rising to 0.3 per cent in November 2018 from 0.1 per cent the previous month. The increase mainly resulted from increases in the prices of 'meat' (mainly poultry), 'oils, fats', and 'fish and sea-food' products. Additional inflationary pressures came from the price indices for 'housing and utilities' and 'miscellaneous goods and services'. The index for 'housing and utilities' grew by 14.1 per cent in November 2018 compared to 13.8 per cent in the previous month, the growth rate of the price index for 'miscellaneous goods and services' increased modestly to 1.2 per cent in November 2018 from of 1.0 per cent in the previous month.

The above increases were partially offset by decreases observed in the price indices for 'transport', 'furnishing and household equipment' and 'recreation and culture'. Transport inflation slowed by 0.5 of a percentage points to 3.5 per cent in November 2018, while the growth rates in the price indices for 'furnishing and household equipment' and 'recreation and culture' decreased by 0.5 and 0.8 of a percentage point in November 2018, respectively. On month-on-month rates, consumer inflation increased by 0.2 per cent in November 2018 compared to 0.3 per cent in October 2018.

Figure 3: Inflation Trends: November 2017 to November 2018

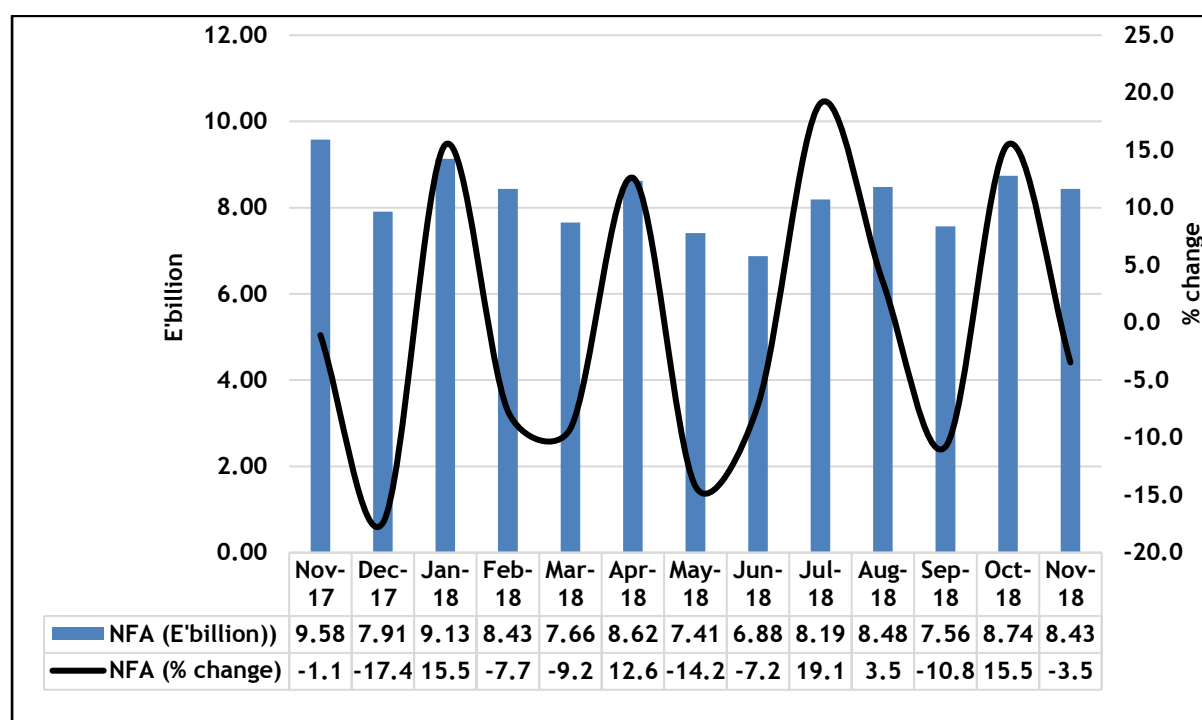


Source: Central Statistical Office

2 MONEY SUPPLY AND BANKING DEVELOPMENTS

The Country's Net Foreign Assets contracted by 3.5 per cent month-on-month to reach E8.4 billion at the end of November 2018. The decline was registered in both Net Official Holdings and Net Foreign Holdings of Other Depository Corporations. Year-on-year, Net Foreign Assets decelerated by 11.9 per cent. Net Official Holdings contracted by 4.6 per cent month-on-month, from E6.2 billion to E5.9 billion at the end of November 2018. Net Foreign Holdings of Other Depository Corporations shrank by 0.7 per cent to close the month of November 2018 at E2.5 billion. The fall was mainly attributed to a reduction in Other Depository Corporations' deposits placed within the Common Monetary Area (CMA) and overseas over the review month. Valued in Special Drawing Rights (SDRs), Net Foreign Assets grew by 3.9 per cent to SDR442.9 million. However, when compared year-on-year, the SDR value of Net Foreign Assets receded by 10.7 per cent.

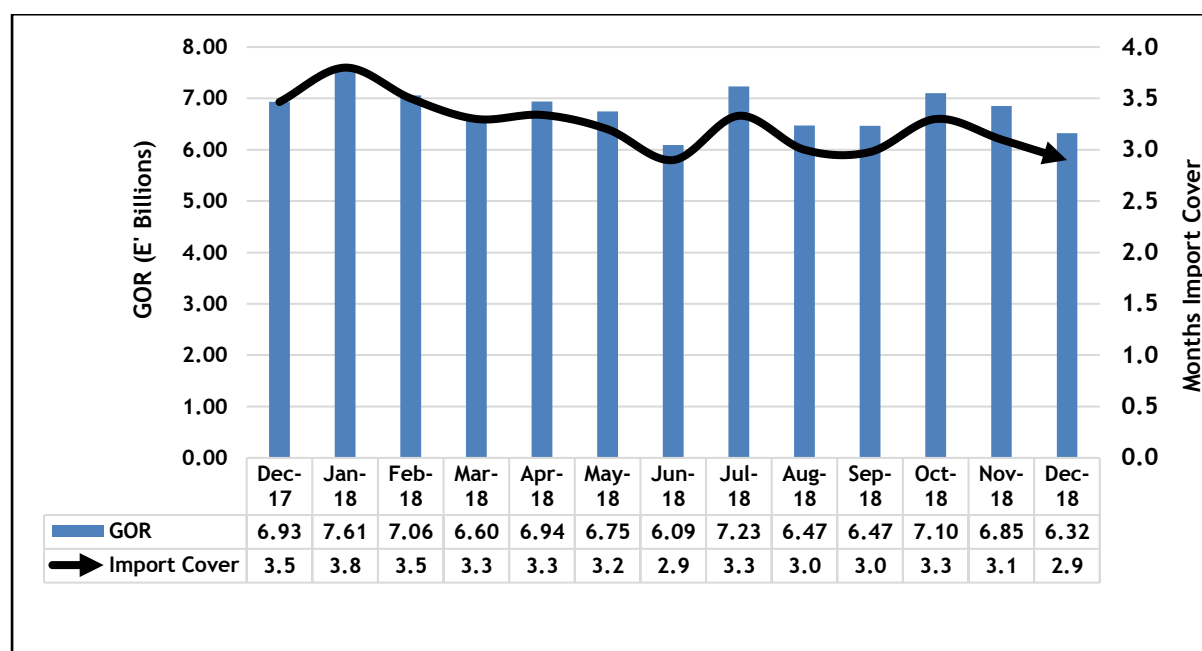
Figure 4: Net Foreign Assets Monthly Changes: November 2017 to November 2018



Source: Central Bank of Eswatini

Gross Official Reserves stood at E6.3 billion at the end of December 2018, depicting a contraction of 7.8 per cent when compared with November 2018. At this level, the Reserves were estimated to cover 2.9 months of imports of goods and services. Valued in Special Drawing Rights (SDRs), the Reserves stood at E315.8 million, reflecting a month-on-month decrease of 12.3 per cent. On a year-on-year basis, the Reserves depicted a decline of 8.8 per cent in Emalangeni terms and by 19.8 per cent in SDR terms.

Figure 5: Gross Official Reserves and Import Cover: December 2017 to December 2018



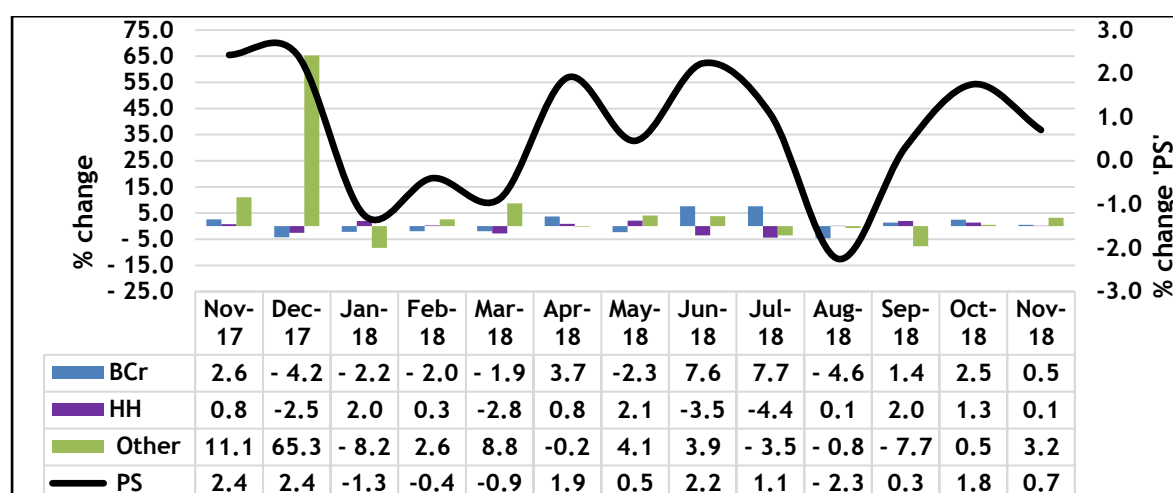
Source: Central Bank of Eswatini

Credit Extended to the Private Sector recorded growth of 0.7 per cent to reach E14.7 billion at the end of November 2018 from E14.6 billion in October 2018. The expansion was observed in all Private Sector credit components which comprise credit to Businesses, Households & Nonprofit Institutions Serving Households (NPISH) and Other Sectors. Year-on-year, Private Sector Credit rose by 6.2 per cent.

Credit Extended to Other Sectors increased by 3.2 per cent to E2.0 billion at the end of November 2018 from E1.9 billion realised in the previous month. The month-on-month expansion resulted from an increased demand for credit by Public Non-Financial Corporations (9.3 per cent), Other Financial Corporations (1.5 per cent) and Local Government (0.1 per cent).

Credit Extended to Businesses stood at E6.9 billion at the end of November 2018, depicting an increase of 0.5 per cent from October 2018. Growth was observed in Mining and Quarrying (7.3 per cent), Construction (6.8 per cent) as well as Transport & Communication (0.4 per cent). The increase was partially counteracted by decreases in credit to Agriculture & Forestry (-6.1 per cent), Community, Social & Personal Services (-2.4 per cent), Manufacturing (-1.7 per cent), Real Estate (-0.4 per cent) and Distribution & Tourism (-0.1 per cent). On an annual basis, credit to Businesses expanded by 5.3 per cent.

Figure 6: Private Sector Credit Monthly Changes: November 2017 to November 2018

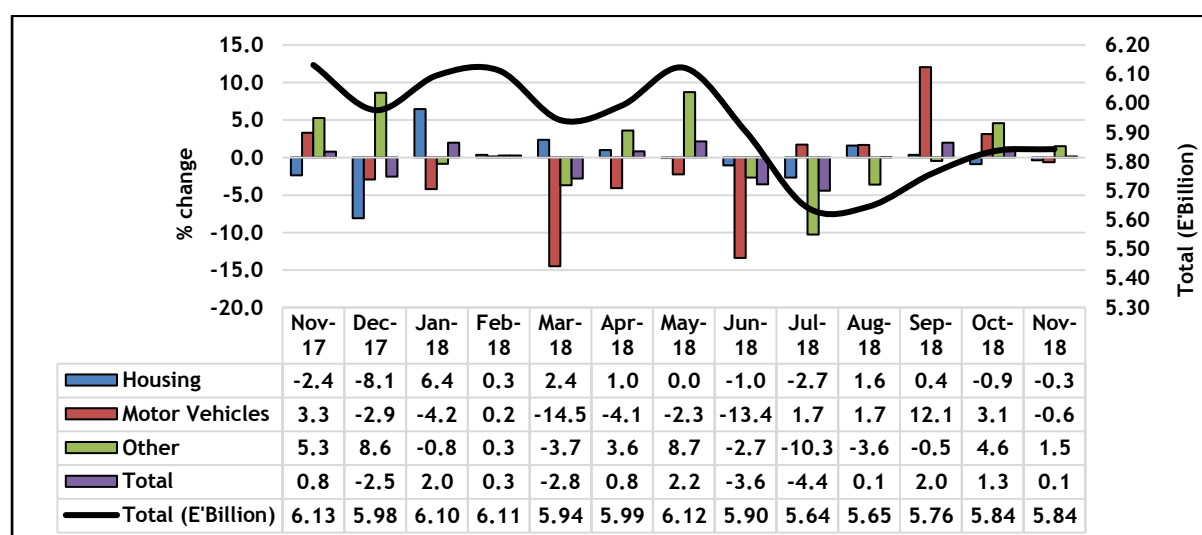


Source: Central Bank of Eswatini

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

Credit Extended to Households & NPISH edged up by 0.1 per cent month-on-month to E5.8 billion at the end of November 2018. The increase was mainly driven by Other Personal (unsecured) Loans which outweighed a fall in Motor Vehicle Loans and Housing Loans. Other Personal (unsecured) Loans rose by 1.5 per cent to E1.7 billion at the end of November 2018. On the other hand, Motor Vehicle Loans on the other hand, declined by 0.6 per cent to E1.0 billion and Housing Loans decreased by 0.3 per cent to E3.1 billion.

Figure 7: Household Credit Monthly Changes: November 2017 to November 2018



Source: Central Bank of Eswatini

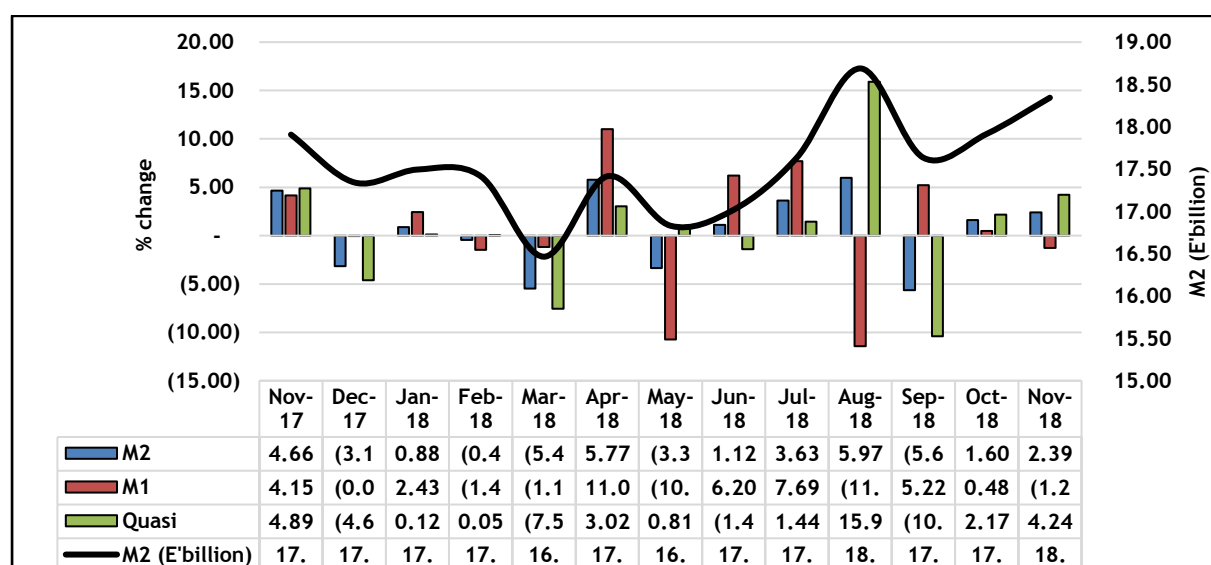
Net Claims on Government by the banking sector accelerated by 69.7 per cent to E1.4 billion at the end of November 2018. The expansion resulted from a 4.7 per cent rise in claims on Government and a fall of 12.7 per cent in Government deposits held by the banking

sector. However, when compared over the year, Net Claims on Government trended downwards.

Broad Money Supply (M2) rose by 2.4 per cent to settle at E18.3 billion at the end of November 2018, in line with the rise in Private Sector Credit. The growth was observed in Quasi Money Supply while Narrow Money Supply (M1) receded. On an annual basis, M2 grew by 2.4 per cent. Quasi Money Supply recorded a month-on-month increase of 4.2 per cent to settle at E12.4 billion, on account of both components, Time and Savings Deposits. Time Deposits amounted to E10.7 billion at the end of November 2018, increasing by 4.5 per cent month-on-month. Savings Deposits grew by a lower rate of 2.6 per cent to E1.8 billion. Year-on-year, Quasi Money Supply grew by 1.5 per cent.

Narrow Money Supply (M1) decelerated by 1.3 per cent to settle at E5.9 billion over the review month, driven by Transferable Deposits. Transferable Deposits declined by 2.7 per cent to E5.2 billion at the end of November 2018. Emalangeni Outside Depository Corporations on the other hand, improved by 10.0 per cent to E730.3 million. Compared on an annual basis, M1 rose by 4.5 per cent.

Figure 8: Money Supply Monthly Changes: November 2017 to November 2018

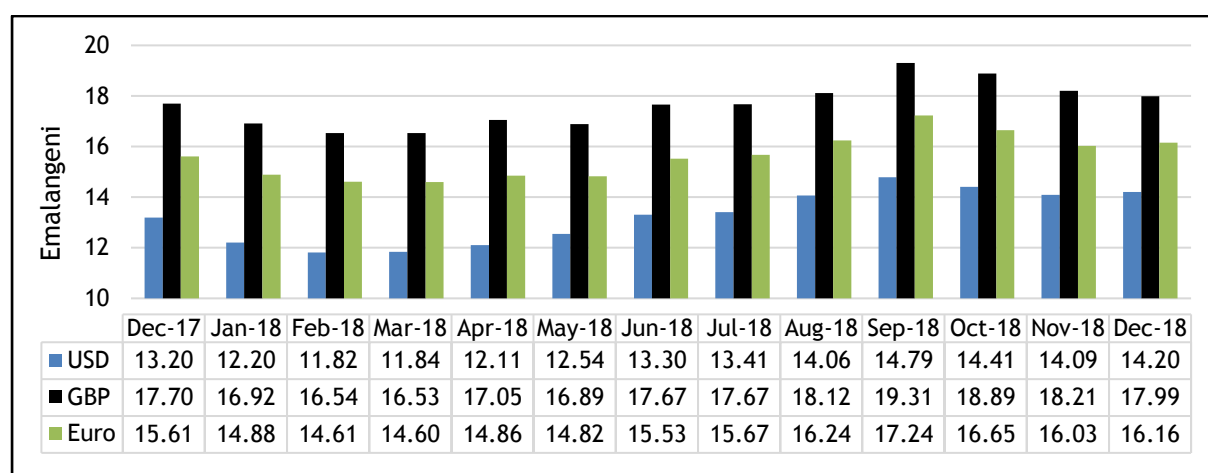


Source: Central Bank of Eswatini

During the month of December 2018, the Lilangeni exchange rate weakened against the US Dollar and the Euro while it strengthened against the Pound Sterling when compared to the previous month. Against the US Dollar, the Lilangeni depreciated by 0.1 per cent to the close the month under review at an average of E14.20. The marginal depreciation of the local currency against the US Dollar is attributed to a slight renewal of trade tensions

between China and the US which have negative repercussions for trade relations between South Africa and China, hence the performance of the Rand/Lilangeni exchange rate. Concerns around global growth further precipitated the brief Rand sell-off as investors sought the safety of the greenback against the worrying state of the global economy. The European Central Bank shrugged off any minor losses in the month despite retreating on its quantitative easing program following the downward revision of growth projections for 2019. As a result, the Lilangeni was slightly weaker by 0.01 per cent against the Euro to close the month under review at E16.16 average.

Figure 9: Average Exchange Rates: December 2017 to December 2018.



Source: Central Bank of Eswatini

The third quarter growth for 2018 in South Africa surprised on the upside and corrected the recessionary growth recorded in the previous quarter. Slow progress and the political uncertainty towards the exit of Britain from European Union continued to drag on the Pound Sterling performance against external currencies. In the month under review, the Lilangeni traded at E17.99 to the Pound Sterling, a 1.2 per cent appreciation when compared to the previous month. At the end of the month, the local unit was weaker at E14.39 to the US Dollar, at E18.24 to the Pound Sterling and E16.44 to the Euro after closing the month of November 2018 at E13.66 to the US Dollar, at E17.47 to the Pound Sterling and E15.57 to the Euro.

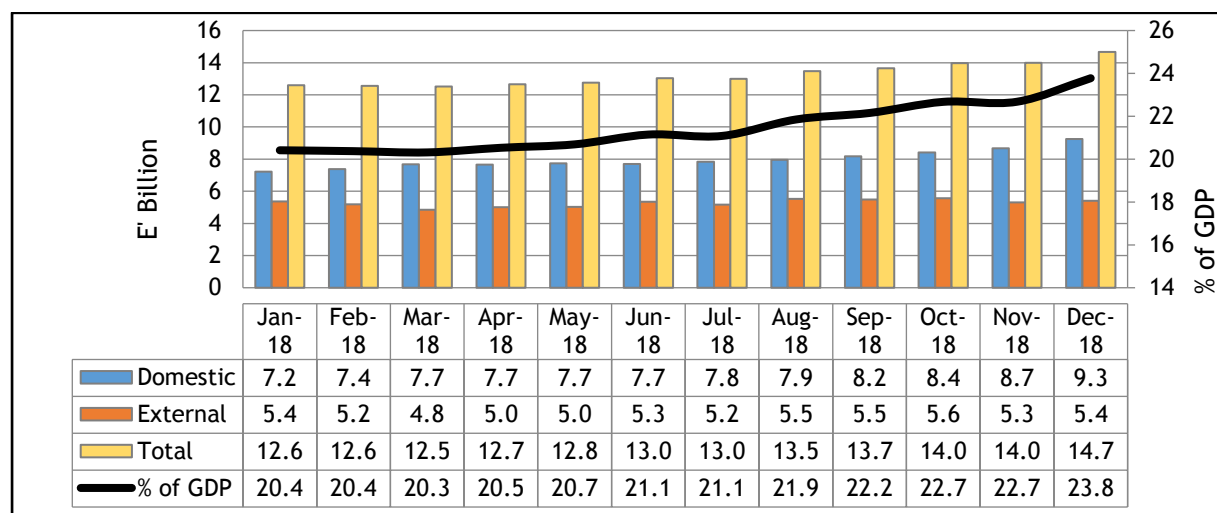
3 PUBLIC DEBT

Preliminary figures indicate that total public debt stood at E14.7 billion, an equivalent of 23.8 per cent of GDP at end of December 2018. This reflects a 5 per cent increase from the E14.0 billion recorded the previous month. At the end of December 2018, external debt stood at E5.4 billion, an equivalent of 8.8 per cent of GDP, indicating a marginal increase of 1.9 per cent from the previous month. The increase is mainly attributed to the



depreciation of the Lilangeni against the US Dollar and other major currencies in which the country's external liabilities are denominated during the review period.

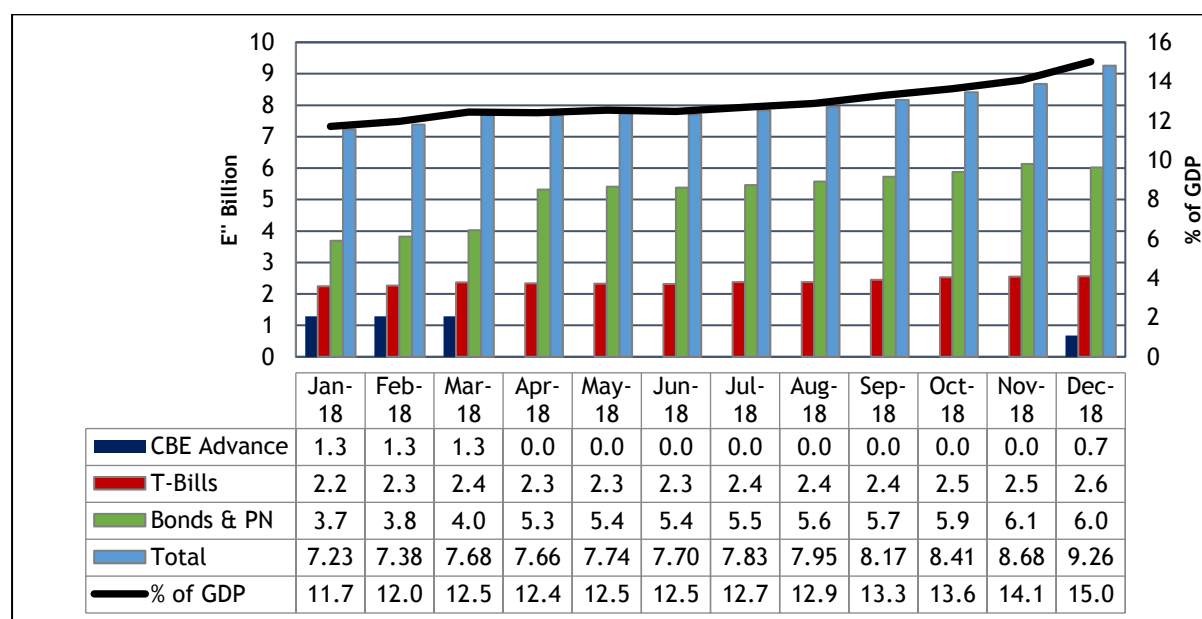
Figure 10: Total Public Debt: January 2018 to December 2018



Sources: Ministry of Finance and Central Bank of Eswatini

Domestic debt was recorded at E9.3 billion at end of December 2018, an equivalent of 15 per cent of GDP. This reflects an increase of 6.9 per cent when compared to the E8.7 billion recorded in November 2018. This increase was due to an improved uptake of T-bills and issuance of CBE advance to Government during the review period.

Figure 11: Domestic Debt Instruments Outstanding: January 2018 to December 2018



Sources: Ministry of Finance and Central Bank of Eswatini

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, 2018 (E'Million)

Holder	Treasury Bills	Government Bonds	Promissory Notes	CBE Advance	Total	Share of Holdings (%)
CBE	3.5	1,293.5	0.0	680.0	1,977.0	21.3
Commercial banks	1,701.3	866.2	0.0	0.0	2,567.5	27.7
NBFIs	724.5	3,520.3	0.0	0.0	4,244.8	45.8
Other	133.6	172.9	165.0	0.0	471.5	5.2
Total	2,562.9	5,852.9	165.0	680.0	9,260.8	100

Source: Ministry of Finance and Central Bank of Eswatini

A total of E150 million in Plain Vanilla Bonds is set to be auctioned on 28 January 2019.

Table 2: Plain Vanilla Bonds Issuances to be auctioned on 28 January 2019

Bond	3-Year New-issuance	5-Year New-issuance	7-Year New-issuance	10-Year New-issuance
Amount	E30 million	E40 million	E40 million	E40 million

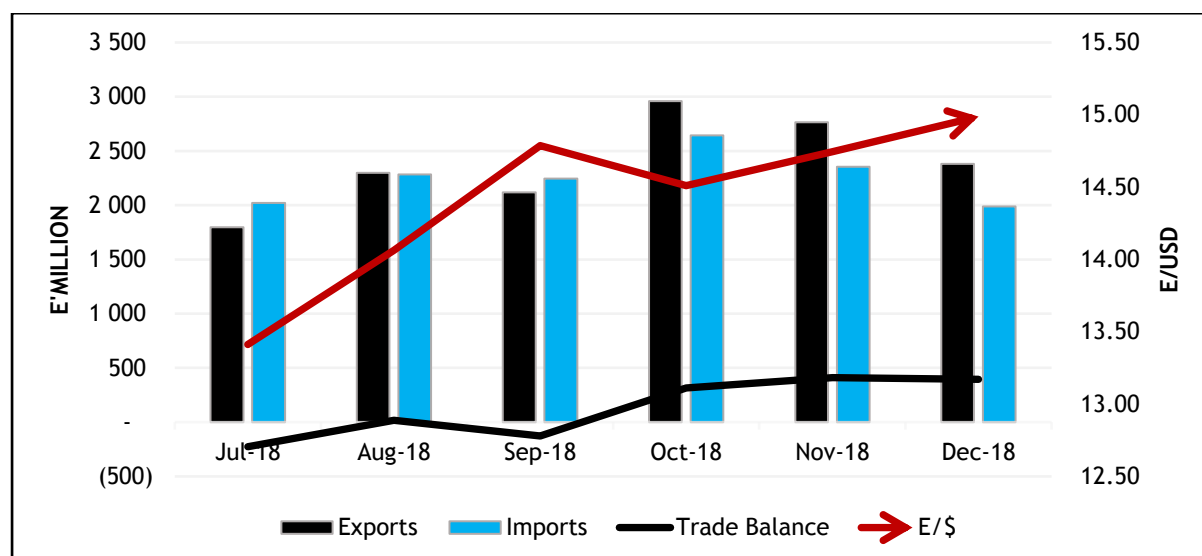
Source: Ministry of Finance and Central Bank of Eswatini

4 THE EXTERNAL SECTOR

In the month of December 2018, the country recorded a merchandise trade surplus of E393.9 million, a decrease from a surplus of E410.6 million recorded in November 2018. Export receipts for December 2018 were E2.382 billion, down by 6.6 per cent from the previous month. The import bill declined by 11 per cent, recording E1.988 billion. The deceleration in production which is a norm in the month of December, influenced the fall in both imports and exports. In the review month, 63.3 per cent of the merchandise exports were destined for South Africa and 73.2 per cent of the merchandise imports coming from that country.



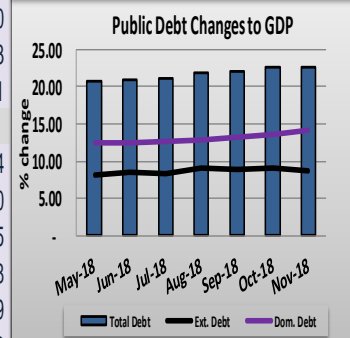
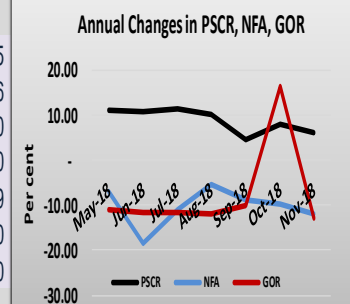
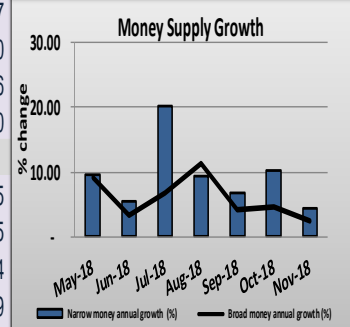
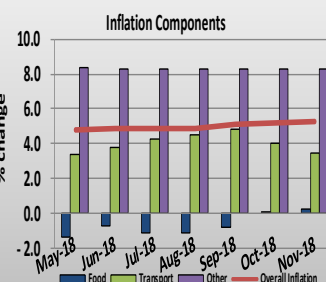
Figure 12: Merchandise Trade: July 2018 to December 2018



Source: Central Bank of Eswatini

Analysis of data indicates that in December 2018, Miscellaneous Edibles were E1.343 billion, constituting 56.4 per cent of overall receipts in the month, continuing to be the leading export commodity in the country. Sugar and Sugar Confectionery exports were E525.4 million, reflecting a month-on-month decline of 9.3 per cent. These exports accounted for 22.1 per cent of total merchandise exports in the month. Wood and Wood Articles remained among the top 5 exports for Eswatini, posting export proceeds to the value of E95.1 million, decreasing by 33.5 per cent when compared to proceeds for November 2018. Textiles and Textile apparel were E191.7 million, showing a month-on-month decrease of 54 per cent in December. Major imports for the month included 'Mineral Fuels', 'Nuclear Reactors, Boilers, Machinery and Mechanical Appliances', 'Vehicles other than Railway', 'Electrical Machinery and Equipment' and 'Cotton', and these accounted for 36.5 per cent of the import bill.

Economic Policy, Research and Statistics Division							
Kingdom of Eswatini Economic Indicators at a glance							
Sectors	May-18	Jun-18	Jul-18	Aug-18	Sep-18	Oct-18	Nov-18
Overall Inflation	4.8	4.9	4.9	4.9	5.1	5.2	5.3
Food	-1.3	-0.7	-1.1	-1.1	-0.8	0.1	0.3
Transport	3.4	3.8	4.3	4.5	4.8	4.0	3.5
Other	8.4	8.3	8.3	8.3	8.3	8.3	8.3
Money and banking							
Narrow money annual growth (%)	9.50	5.60	20.20	9.30	6.70	10.20	4.50
Broad money annual growth (%)	9.20	3.40	6.80	11.40	4.30	4.70	2.40
Domestic credit (net) - E' Million	14 280.72	16 022.23	16 158.70	16 199.37	16 376.23	15 438.73	16 115.97
Government	103.94	1 530.70	1 511.70	1 881.93	2 013.08	823.10	1 396.90
Private sector	14 176.78	14 491.54	14 647.00	14 317.44	14 363.16	14 615.63	14 719.06
Private sector credit annual growth (%)	10.95	10.70	11.20	10.10	4.39	8.00	6.20
Interest rates (% p.a)							
Prime lending	10.25	10.25	10.25	10.25	10.25	10.25	10.25
Discount rate	6.75	6.75	6.75	6.75	6.75	6.75	6.75
Deposit rate - 31 days	2.24	2.24	2.24	2.24	2.24	2.24	2.24
- 12 months	4.59	4.59	4.59	4.59	4.59	4.59	4.59
- T. bill rate	7.70	7.61	7.67	7.55	7.60	7.73	7.81
Ratios							
Liquidity ratio (required = 20 %)	29.24	28.30	31.20	28.60	30.13	27.30	29.35
Loans/deposits ratio	81.18	81.90	80.00	73.80	77.26	76.90	76.36
Net foreign assets (E'million)	7 410.77	6 879.06	8 191.00	8 480.50	7 564.92	8 737.83	8 435.80
Annual % change in NFA	-6.97	-18.60	-11.10	-5.50	-8.85	-9.70	-11.90
Gross official foreign reserves E'Millions	6 608.54	6 091.78	7 232.40	6 473.30	6 466.92	7 100.81	6 854.29
Annual % change in GOR	-10.97	-11.50	-11.70	-11.80	-9.98	16.20	-13.00
In months of import cover	3.20	2.90	3.30	3.00	2.98	3.30	3.10
Exchange Rates							
US\$	12.54	13.30	13.41	14.06	14.77	14.41	14.10
EURO	14.82	15.53	15.67	16.24	17.24	16.67	16.03
GBP	16.89	17.67	17.67	18.11	19.31	18.89	18.21
Public Finance							
Total public external debt [E' million]	5 022.41	5 244.00	5 172.40	5 526.60	5 493.11	5 569.40	5 305.14
As a % of GDP	8.10	8.50	8.40	9.00	8.81	9.03	8.60
Total public domestic debt [E' million]	7 736.80	7 699.00	7 829.71	7 948.30	8 169.43	8 413.24	8 680.55
As a % of GDP	12.55	12.48	12.70	12.89	13.25	13.64	14.08
Total public debt [E' million]	12 759.21	12 943.00	13 002.11	13 474.90	13 662.54	13 982.64	13 985.69
As a % of GDP	20.69	20.99	21.08	21.85	22.15	22.67	22.68



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

