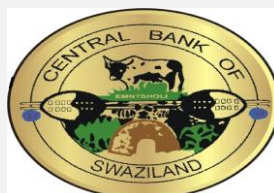


The Kingdom of Swaziland



Major Highlights

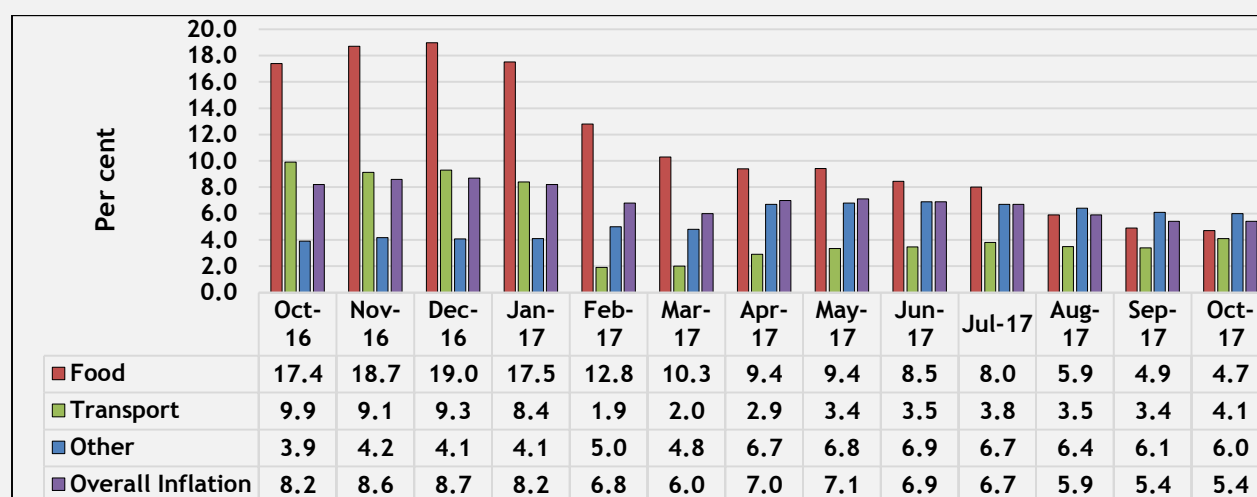
❖ Annual inflation remained unchanged at 5.4 per cent in October 2017, the same rate observed in September 2017.	Inflation rate (% y/y)	5.4 (Oct)
❖ Discount and prime lending rates remained unchanged in September 2017.	Prime Lending (%)	10.75
	Discount rate (%)	7.25
❖ During the month of October 2017, the external value of the Lilangeni weakened against major currencies.	Exchange rate (US\$)	13.69 (Oct) ↑
❖ Credit to the Private Sector grew by 5.8 per cent m/m and amounted to E13.8 billion at the end of September 2017, higher than E13.0 billion recorded at the end of August 2017.	Private Sector Credit (% y/y)	10.8 (Sept) ↑
❖ Broad Money Supply (M2) continued on an upward trajectory, growing by 2.1 per cent (m/m) to reach E17.1 billion at the end of September 2017.	Broad Money (M2) (% y/y)	18.1 (Sept) ↑
❖ Gross Official Reserves totalled E8.5 billion at the end of October 2017, up by 18.0 per cent from the E7.2 billion registered in September 2017.	Reserves (months of import cover)	4.1 (Sept) ↑
❖ Preliminary debt figures for the month ending 31 October 2017 indicate that total public debt stood at E12.6 billion, an equivalent of 21.5 per cent of GDP.	Total Public Debt (% of GDP)	21.5 (Oct) ↑
❖ The trade balance surplus in September 2017 narrowed to E354.7 million, depicting a month-on-month decline of 17.1 per cent from the previous month.	Trade Account (% of GDP)	0.6 (Sept) ↑

NB: The table shows the most recent available data.

1 Inflation Developments

The country's headline inflation remained unchanged at 5.4 per cent in October 2017, same as it was in September 2017. The observed moderation in food inflation since February 2017 continues to be the main driver of the overall inflation outcome. Food inflation maintained a downward trend, declining to 4.7 per cent in October 2017 from 4.9 per cent recorded in the previous month, mainly driven by slower increases in the prices for 'fish and seafood', 'oils and fats' and 'fruit'. Additional deflationary pressures emanated from slower price increases in the price indices for 'clothing and footwear' and 'miscellaneous goods and services'. The index for 'clothing and footwear' grew by a slower -0.1 per cent in October 2017, from 1.6 per cent in September 2017, while the index for 'miscellaneous goods and services' grew by 1.7 per cent in October 2017 from 3.1 per cent in the previous month.

Figure 1: Inflation Trends: October 2016 to October 2017



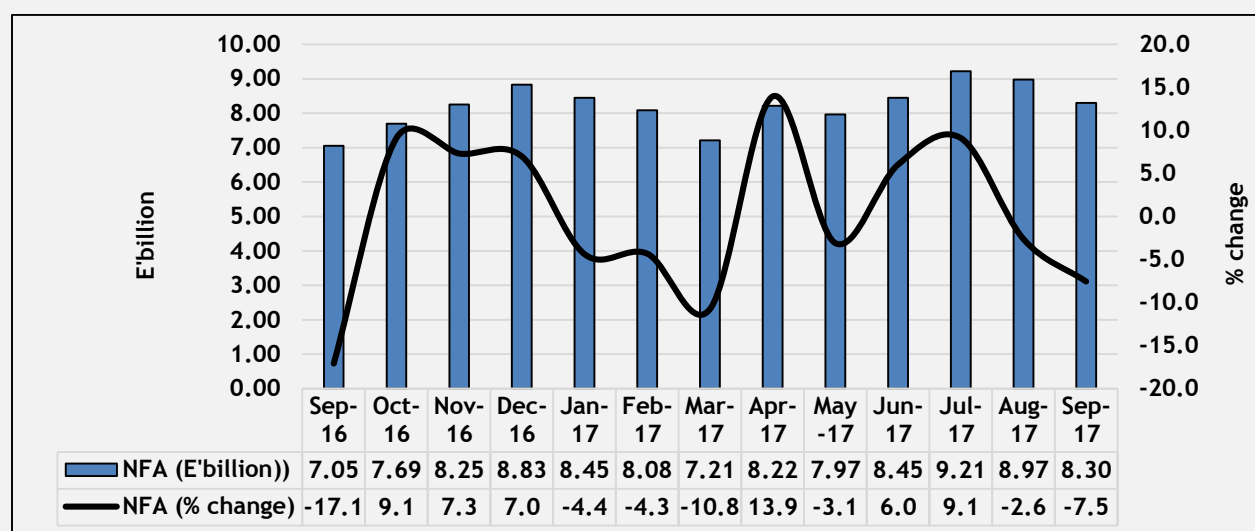
Source: Central Statistical Office

Transport inflation grew by 4.1 per cent in October 2017 from 3.4 per cent recorded in September 2017, owing to the 50c/litre increase in fuel prices effected in October 2017. The price index for household furniture and maintenance grew by 1.4 percentage points, while the housing and utilities index grew by 0.1 of a percentage point, within the period under review. On month-on-month basis, consumer price inflation slightly grew by 0.1 per cent in October 2017 from zero growth observed in the previous two months.

2 Money Supply and Banking Developments

Net Foreign Assets contracted for the second month in a row, falling from E9 billion in August 2017 to E8.3 billion at the end of September 2017, reflecting a drop of 7.5 per cent. Both Net Foreign Assets of the Banking Sector and the Official Sector declined over the review month. Net Foreign Assets of the Banking Sector shrank by 20.3 per cent to reach E2.1 billion at the end of the review month mainly due to a fall in both the Banking Sector's assets and liabilities. Similarly, Net Foreign Assets of the Official Sector contracted by 2.3 per cent to settle at E6.2 billion at the end of September 2017. The fall was mainly due to a drop in the Sector's foreign cash holdings as well as deposits with Non-resident Banks. When expressed in Special Drawing Rights (SDRs), Net Foreign Assets amounted to SDR436.0 million, reflecting a decline of 10.7 per cent month-on-month. Compared over the year, Net Foreign Assets grew by 17.8 per cent in Emalangeni terms and 19.4 per cent in SDR terms.

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

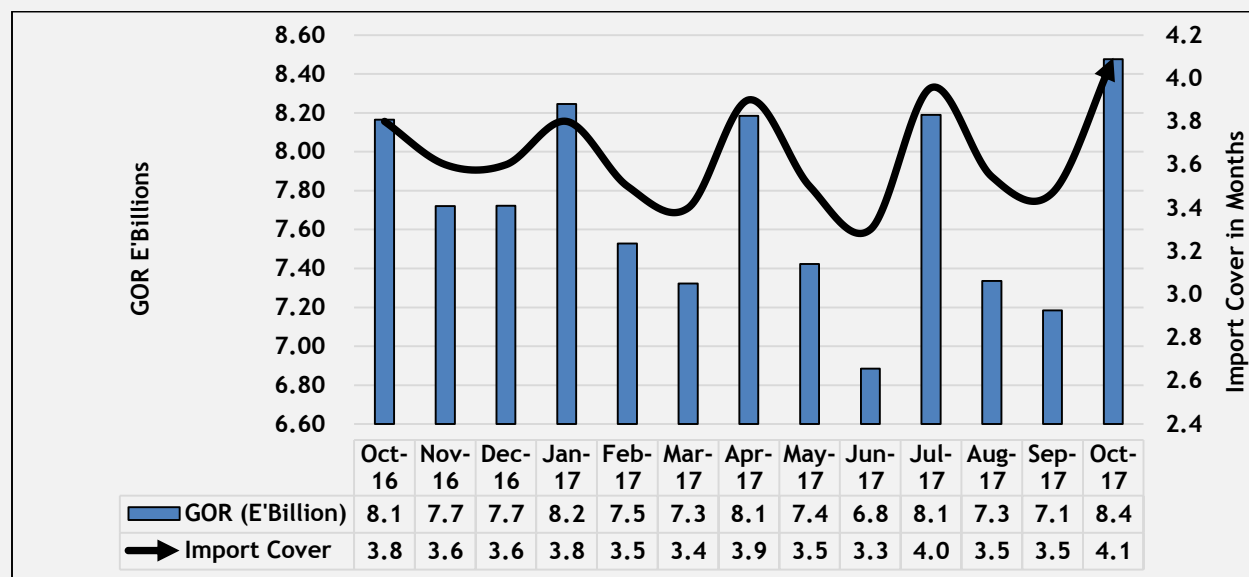


Source: Central Bank of Swaziland

Gross Official Reserves totalled E8.5 billion at the end of October 2017, up by 18.0 per cent from the E7.2 billion registered in September 2017. At this level, the Reserves were sufficient to cover 4.1 months of imports, higher than the 3.5 months observed in the previous month. When expressed in Special Drawing Rights (SDRs), the Reserves amounted to SDR427.3 million indicating a month-on-month increase of 13.2

per cent over the review month. When compared over the year, Gross official Reserves grew by 3.8 per cent when valued in Emalangeni terms but declined by 2.6 per cent in SDR terms.

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



Source: Central Bank of Swaziland

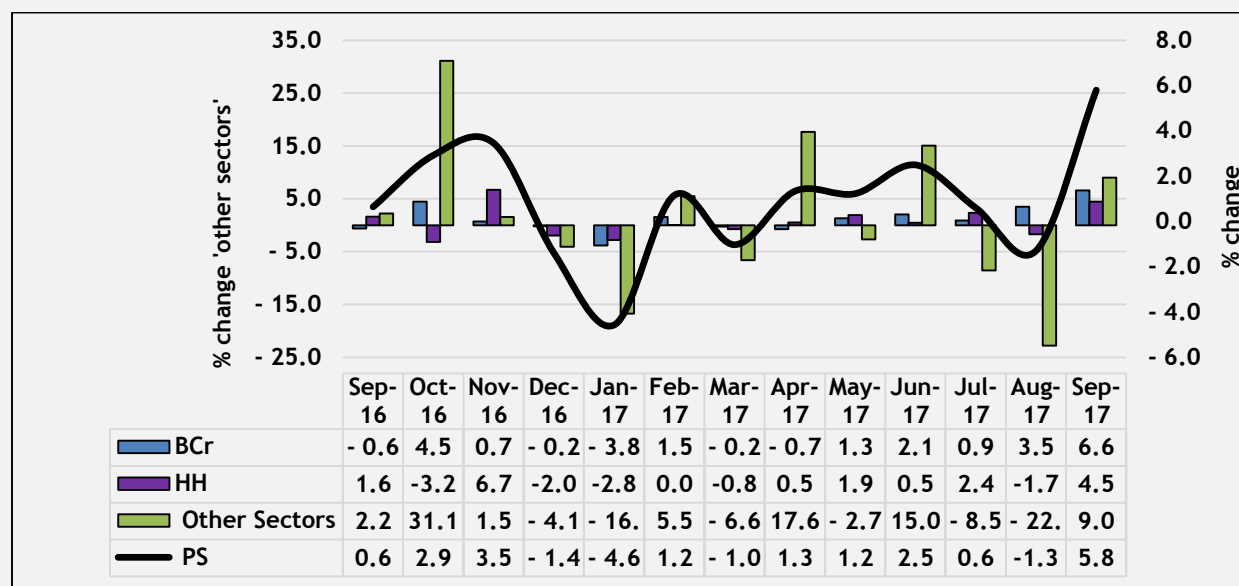
Credit Extended to the Private Sector increased by 5.8 per cent month-on-month to close at E13.8 billion at the end of September 2017. Growth emanated from credit extended to all sectors, namely; Other Sectors, Businesses and Households & Non-Profit Institutions Serving Households (NPISH). Compared year-on-year, credit extended to the Private Sector grew by 10.8 per cent.

Credit Extended to Other Sectors stood at E1.0 billion at the end of September 2017, reflecting an increase of 9.0 per cent month-on-month. Growth was observed in credit extended to Other Financial Corporations (22.0 per cent) and Local Government (3.5 per cent). However, credit extended to Public Nonfinancial Corporations declined by 2.1 per cent over the review month.

Credit Extended to Businesses grew by 6.6 per cent from E6.1 billion in August 2017 to E6.5 billion at the end of September 2017. Growth was recorded in the following sectors, Mining & Quarrying (71.5 per cent); Distribution & Tourism (30.3 per cent); Agriculture & Forestry (14.7 per cent); Manufacturing (8.3 per cent); Construction (8.1

per cent) and Transport & Communications (3.6 per cent). On the contrary, credit to Community, Social & Personal Services and Real Estate sectors declined by 2.7 per cent and 2.2 per cent, respectively.

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



Source: Central Bank of Swaziland

Where; BCr: Credit Extended to Business

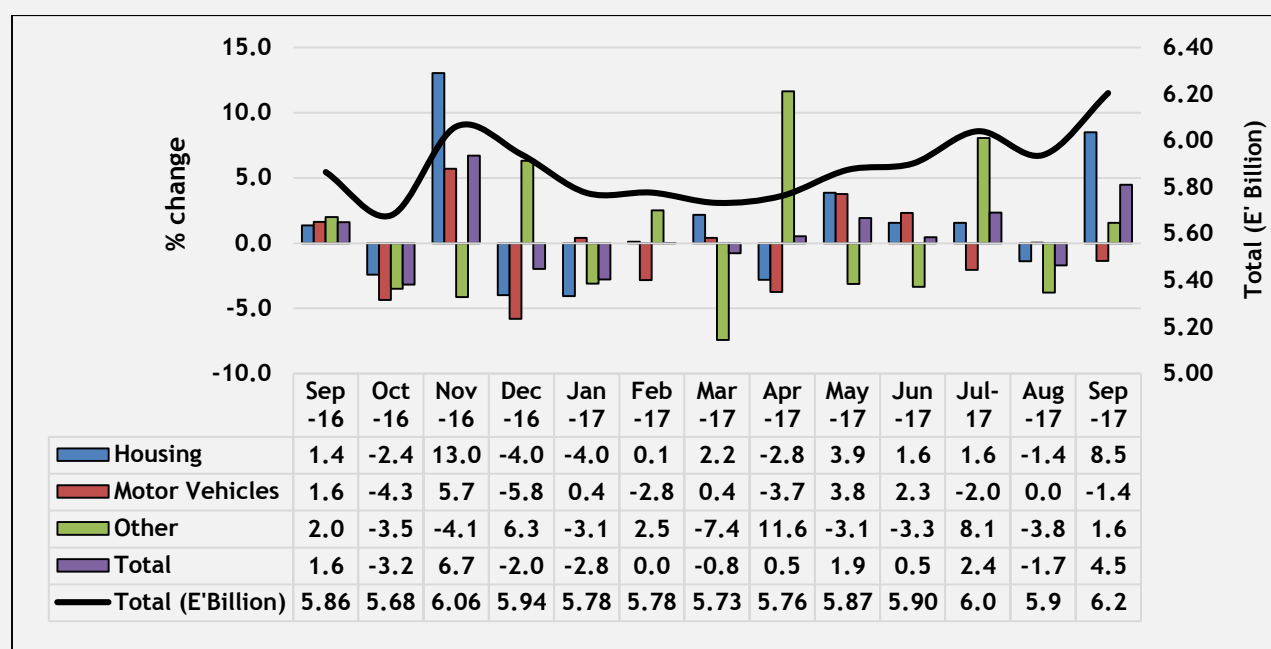
HH: Credit Extended to Households

PS: Private Sector Credit

Credit Extended to Households and NPISH expanded by 4.5 per cent to close the review month at E6.2 billion. Growth was mainly due to a rise in Mortgage Finance and Other (unsecured) Loans, whilst Motor Vehicle Finance contracted. Mortgage Finance grew by 8.5 per cent to reach E3.3 billion at the end of September 2017 whilst Other (unsecured) Loans went up 1.6 per cent to settle at E1.6 billion. Motor Vehicle Finance amounted to E1.3 billion at the end of the review month, reflecting a decline of 0.1 per cent month-on-month.

Net Government Balances decelerated month-on-month to reach E2.7 million at the end of September 2017. The fall in net balances was due to a decline in Government deposits against an increase in claims on Government. Government deposits decreased by 5.8 per cent month-on-month whilst Claims on Government grew by 9.7 per cent.

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



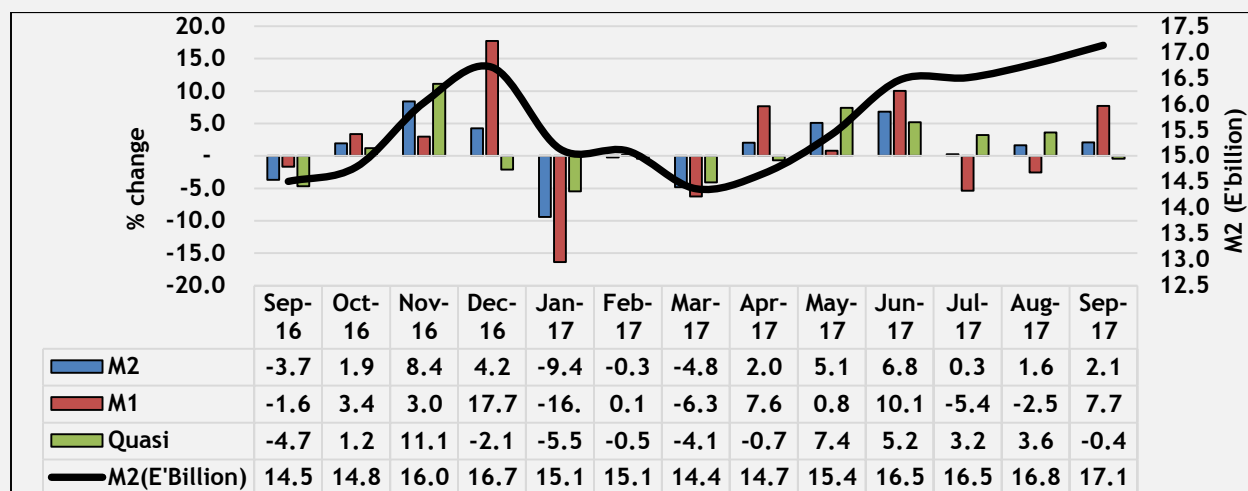
Source: Central Bank of Swaziland

Broad Money Supply (M2) continued on an upward trajectory growing by 2.1 per cent to reach E17.1 billion at the end of September 2017. Growth was supported by an increase in Narrow Money Supply (M1) whilst Quasi Money Supply receded. Compared year-on-year, M2 increased by 18.1 per cent.

Narrow Money Supply (M1) recovered from two consecutive months of slowdowns to record growth of 7.7 per cent at the end of September 2017 to settle at E5.6 billion. Growth emanated from both Emalangi in Circulation and Transferable (Demand) Deposits. Emalangi in Circulation increased by 10.9 per cent to close the review month at E698.1 million. Similarly, Transferable (Demand) Deposits improved by 7.3 per cent to reach E4.9 billion over the same period.

Quasi Money Supply stood at E11.5 billion at the end of September 2017, reflecting a month-on-month decline of 0.4 per cent. These developments were due to a contraction in Time Deposits that overshadowed the rise in Savings Deposits. Time Deposits fell by 0.8 per cent over the review month to reach E9.9 billion. On the other hand, Savings Deposits improved by 1.9 per cent to close the review month at E1.6 billion.

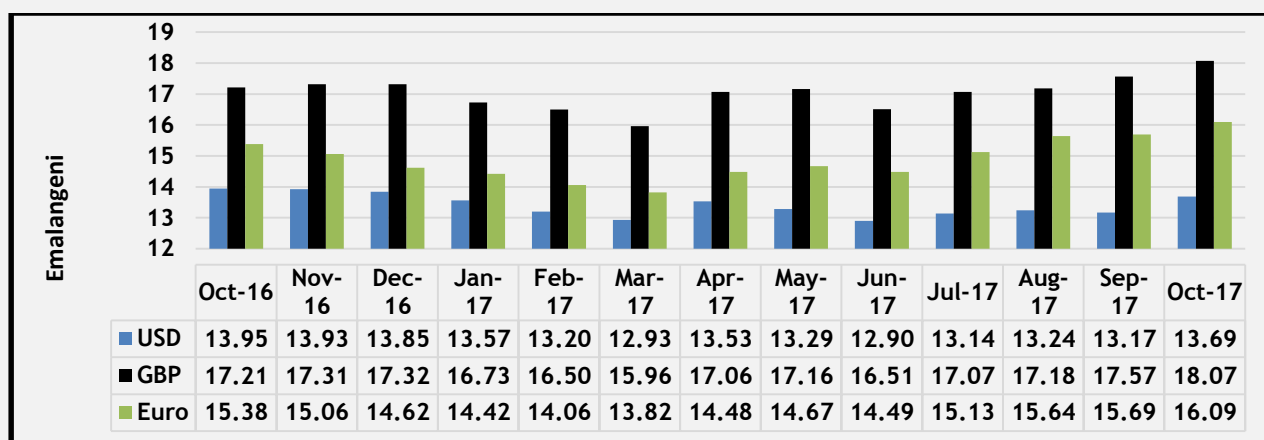
Figure 6: Money Supply Monthly Changes: September 2016 to September 2017



Source: Central Bank of Swaziland

During the month of October 2017, the value of the Lilangeni depreciated against the major currencies. The South African rand weakened due to South Africa’s weak fiscal position and the negative economic outlook precipitated by the high political risks mainly associated with broadly perceived market unfavourable cabinet reshuffle in October 2017. With the higher anticipation of the outcome of the US tax reforms expected to lower corporate tax by 15 percentage points and the better economic outlook, the US dollar was further bolstered leading to the rand losing 3.9 per cent in October 2017. The local currency ended the period at an average of E13.69 against the dollar.

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



Source: Central Bank of Swaziland

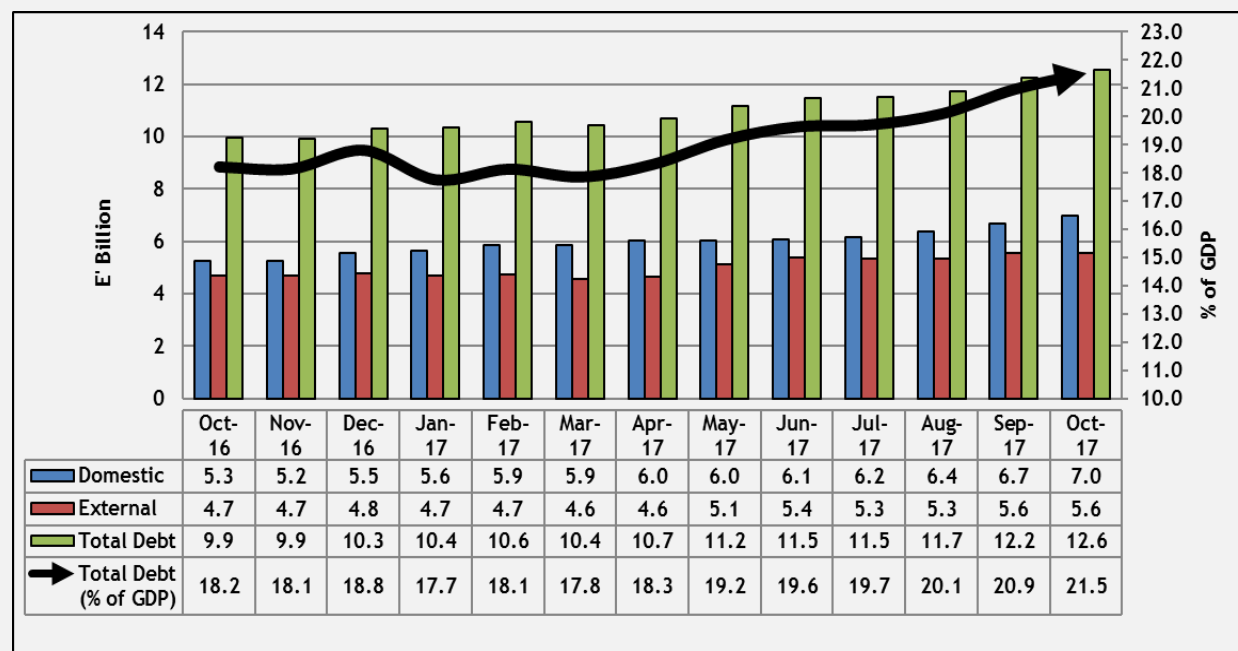
Against the Pound, the rand also depreciated by 2.9 per cent, reaching an average of E18.07 to the Pound in October 2017, the lowest exchange rate since September 2016. This was on the back of speculation that the UK would be given an extension to remain part of the European Union for another 2 years whilst it negotiates new deals with European neighbours. The UK may be allowed to stay in the EU for another two years but would not have voting rights.

The Euro gained against the local unit after Spain suspended its autonomy plan and the Euro area remains fairly stable after the Brexit vote as Britain navigates a soft exit. The local currency shed 2.5 per cent against the Euro and traded at an average of E16.09 to the Euro in October 2017.

3 Public Debt

Preliminary debt figures for the month ending 31 October 2017 indicate that total public debt stood at E12.6 billion, an equivalent of 21.5 per cent of GDP. This shows an increase of 3.3 per cent from E12.2 billion recorded in September 2017.

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

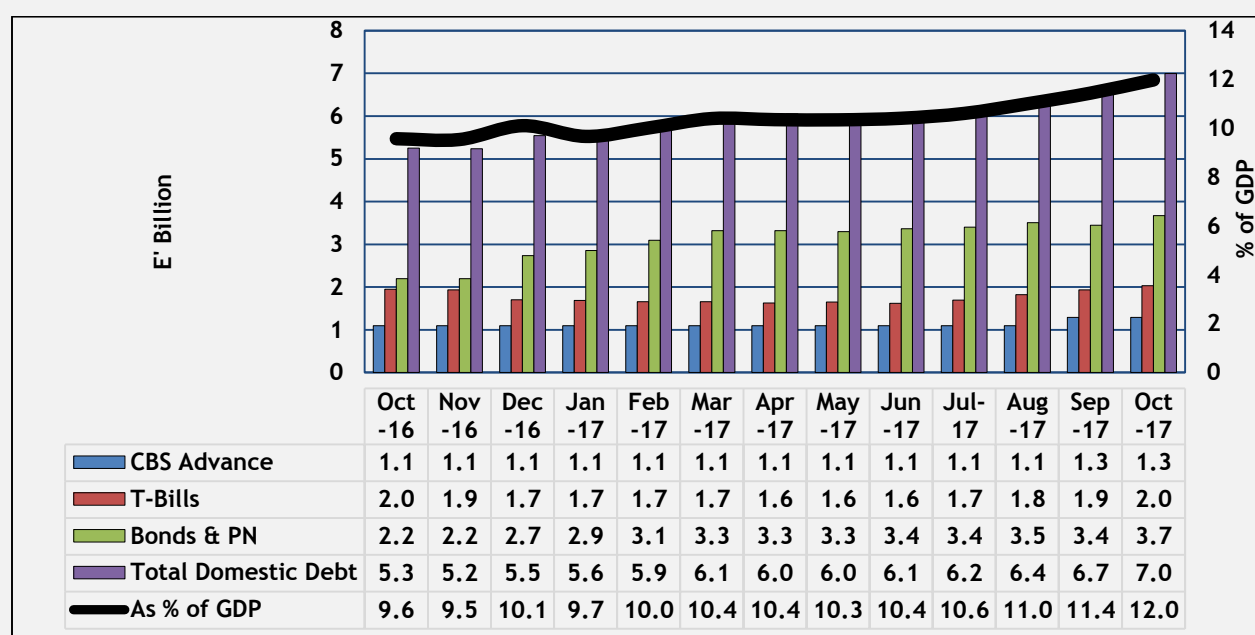


Source: Ministry of Finance and Central Bank of Swaziland

As at the end of October 2017, external debt stood at E5.6 billion, an equivalent of 9.5 per cent of GDP. This figure shows that external debt level has remained unchanged over the month under review, despite some debt service payments made. This was a result of a slight weakening of the Lilangeni against foreign major currencies over the past month.

Domestic debt stood at E7 billion at the end of October 2017, an equivalent of 12.0 per cent of GDP. This figure shows that domestic debt increased by 4.5 per cent over the previous month when compared to E6.7 billion that was recorded in September 2017. The increase is due to the issuance of an Infrastructure bond in the month under review.

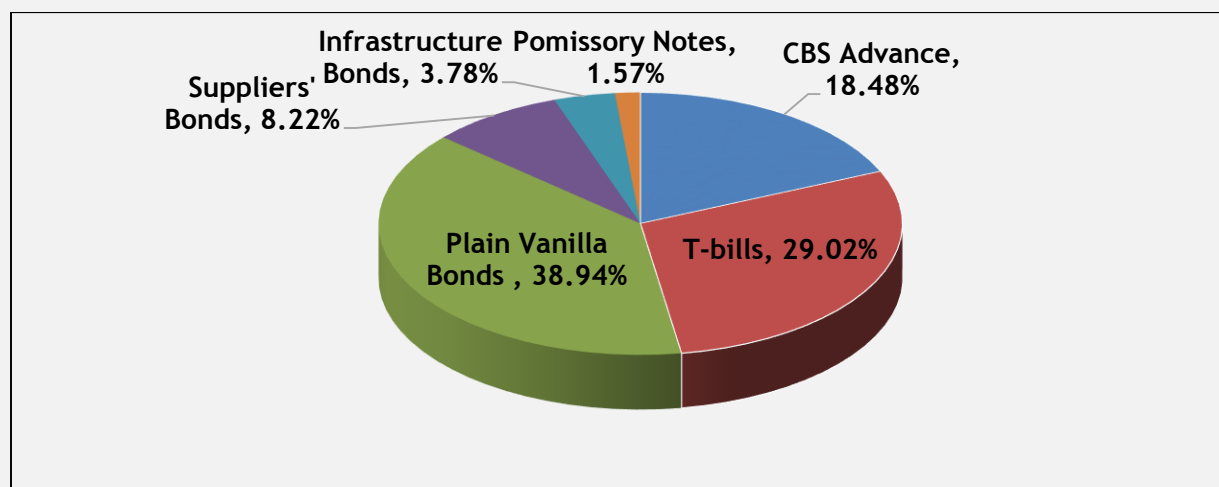
Figure 9: Public Domestic Debt: October 2016 to October 2017



Source: Ministry of Finance and Central Bank of Swaziland

Of the outstanding public domestic debt, E1.30 billion accounts for CBS Advance to Government, treasury bills stood at E2.0 billion, Promissory Notes stood at E0.11 billion, Government Bonds Issuance Programme stood at E2.7 billion, while Supplier's Bond and Infrastructure Bond accounted for E0.57 billion and E0.26 billion respectively.

Figure 10: Domestic Debt Instruments Outstanding as at 31 October 2017



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 October, 2017
(E' Million)

Holder	Treasury Bills	Government Bonds	Promissory Notes	CBS Advance	Total	Share of Holdings (%)
CBS	0.9	0	0	1 292.6	1 295.5	18.2
Commercial banks	1 611.5	866.8	0	0	2 395.9	35.8
NBFIs	309.9	2 577.0	0	0	2 631.3	39.7
Other	106.9	118.6	109.5	0	355.1	6.3
Total	2 029.2	3 562.4	109.5	1 292.6	6 993.6	100

Source: Ministry of Finance and Central Bank of Swaziland

The Central Bank of Swaziland on behalf of the Government of Swaziland issued an 8-Year Infrastructure bond on October 26, 2017. The bond was for an amount of E150 million with a green-shoe option of 50 percent of the amount on offer. The bond was fully subscribed and allotments made amounted to E222.02 million after exercising the

green-shoe option. The coupon rate was set at 10 per cent while the bond attracted an average yield of 10.698 per cent.

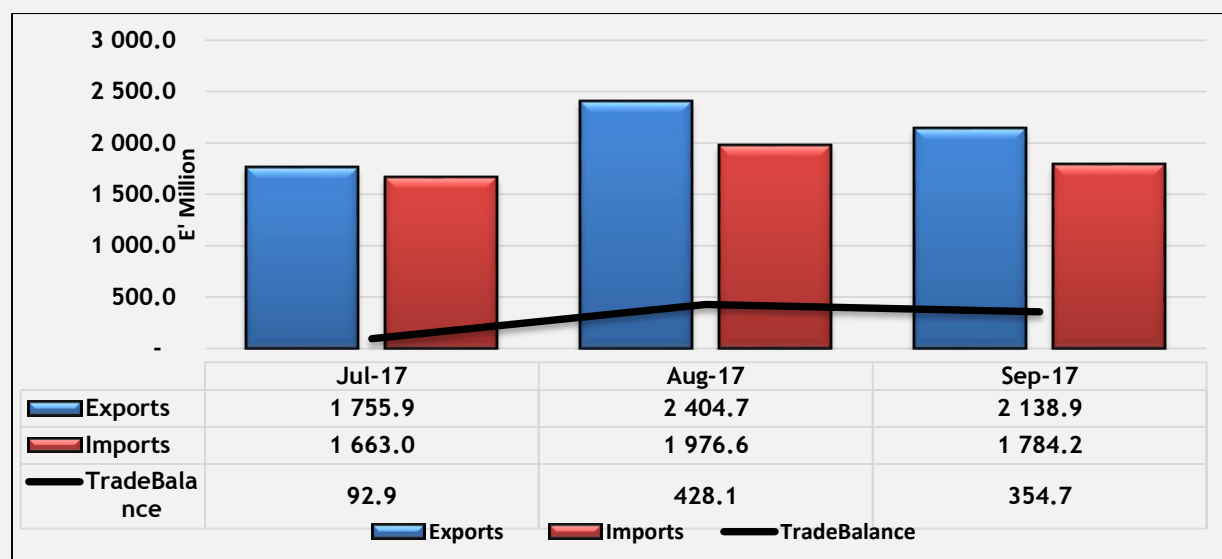
4 The External Sector

The trade surplus in September 2017 narrowed to E354.7 million, depicting a month-on-month decline of 17.1 per cent from the previous month. A decrease of 11.1 per cent was observed in exports to E2.139 billion. Sugar and sugar confectionary exports fell by 23.9 per cent to E460.5 million while wood and articles of wood and charcoal recorded a significant decrease of 18.2 per cent to E107.2 million in the month.

Imports in the month of September recorded a contraction of 9.7 per cent to E1.784 billion. Products which the country imported less were machinery and mechanical appliances which fell by 12.5 per cent month-on-month as well as electrical machinery, equipment and parts, which fell by 31.3 per cent from the previous month. The combined effects of lower imports and exports largely explain the narrowing surplus.

South Africa remains the country's biggest trading partner with 78.2 per cent of imports originating from that market, while 69.0 per cent of exports were destined for the same market in the month of September 2017.

Figure 11 : Merchandise Trade Account (Monthly): July 2017 to September 2017

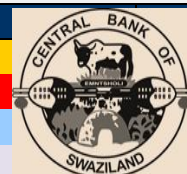


Source: Central Bank of Swaziland

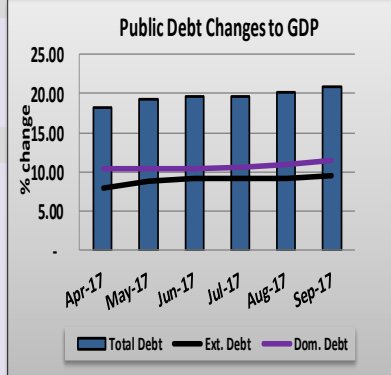
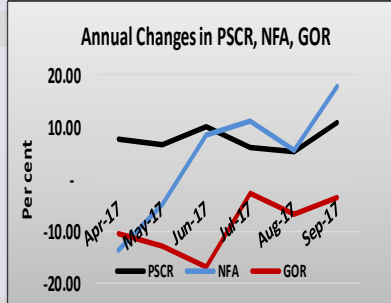
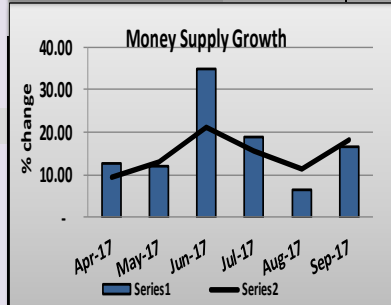
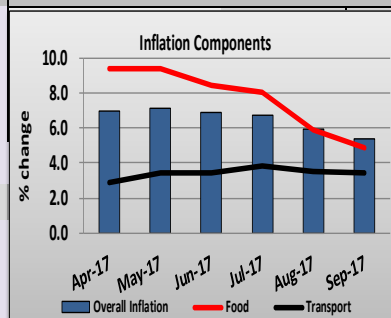


Economic Policy, Research and Statistics Division

Swaziland Economic Indicators at a glance



Sectors	Apr-17	May-17	Jun-17	Jul-17	Aug-17	Sep-17
Overall Inflation	7.0	7.1	6.9	6.7	5.9	5.4
Food	9.4	9.4	8.5	8.0	5.9	4.9
Transport	2.9	3.4	3.5	3.8	3.5	3.4
Other	6.7	6.8	6.9	6.7	6.4	6.1
Money and banking						
Narrow money annual growth (%)	12.80	12.00	35.00	18.90	6.57	16.71
Broad money annual growth (%)	9.40	12.90	21.10	15.70	11.34	18.1
Domestic credit (net) - E' Million	11 271.25	12 292.53	12 339.30	11 844.30	12 401.54	13 761.5
Government	-1351.23	-484.89	-757.18	-1330.66	-602.87	2.7
Private sector	12 622.49	12 777.42	13 096.48	13 174.96	13 004.41	13 758.8
Private sector credit annual growth (%)	7.80	6.50	10.20	6.20	5.41	10.8
Interest rates (% p.a)						
Prime lending	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
Deposit rate - 31 days	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
- T. bill rate	8.38	8.14	8.26	8.28	8.08	7.96
Ratios						
Liquidity ratio (required = 20 %)	30.30	31.20	25.57	27.66	29.94	28.6
Loans/deposits ratio	83.2	79.7	76.9	77.7	76.8	80.0
Net foreign assets (E'million)	8 088.38	7 966.30	8 446.33	9 217.14	8 977.79	8 301.2
Annual % change in NFA	-13.60	-4.90	8.50	11.20	5.63	17.8
Gross official foreign reserves E'Millions	8 188.41	7 422.63	6 884.72	8 189.31	7 336.53	7 183.7
Annual % change in GOR	-10.50	-12.80	-16.90	-2.69	-6.79	-3.6
In months of import cover	3.80	3.50	3.30	3.90	3.30	3.5
Exchange Rates						
US\$	13.53	13.29	12.90	13.14	13.24	13.17
EURO	14.48	14.67	14.89	15.13	15.64	15.69
GBP	17.06	17.16	16.51	17.07	17.18	17.57
Public Finance						
Total public external debt [E' million]	4 640.00	5 140.00	5 378.10	5 344.10	5 343.00	5 556.65
As a % of GDP	7.90	8.80	9.21	9.10	9.10	9.51
Total public domestic debt [E' million]	6 050.00	6 044.00	6 081.80	6 156.80	6 386.32	6 679.00
As a % of GDP	10.36	10.35	10.41	10.60	10.90	11.43
Total public debt [E' million]	10 690.00	11 184.00	11 460.00	11 500.90	11 729.00	12 235.65
As a % of GDP	18.30	19.20	19.62	19.70	20.10	20.95



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