



June 2014

Recent Economic Developments Snapshot

Major Highlights

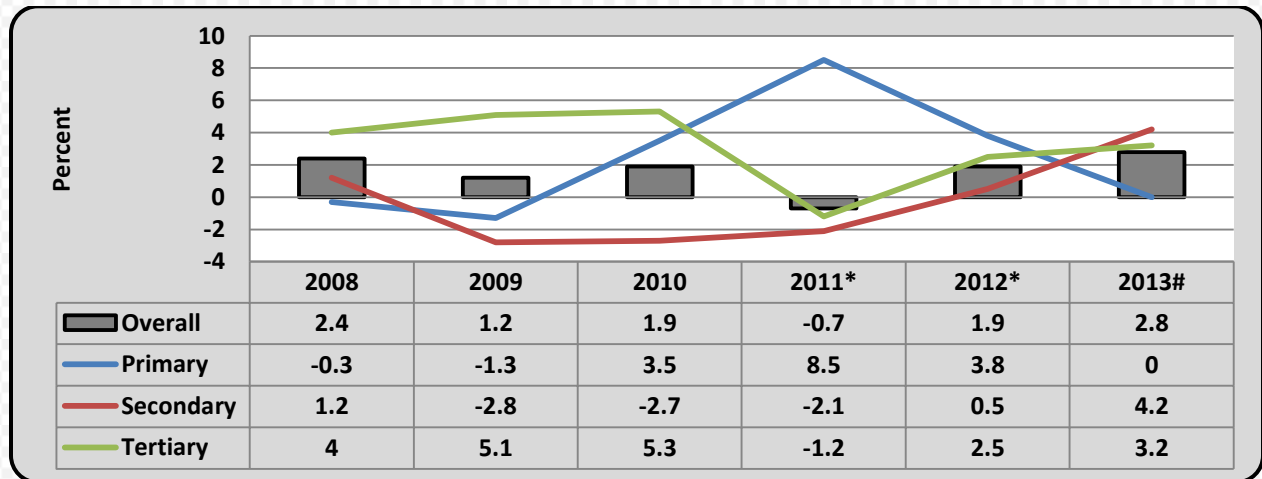
- ❖ Preliminary estimates reflect that the real economy expanded by 2.8 percent in 2013 compared to a revised estimate of 1.9 percent in 2012.
- ❖ The annual consumer inflation rose to 5.5 percent in May 2014 from 5.3 percent recorded in April 2014.
- ❖ Interest rates remained unaltered in June 2014.
- ❖ Credit extended to the private sector improved by 3.9 percent (m/m) to settle at E10.1 billion in May 2014.
- ❖ Broad money supply (M2) grew slightly by 1.8 percent (m/m) to E11.1 billion over the month ended May 2014
- ❖ Gross official reserves shrank by 5.2 percent (m/m) to close at E7.47 billion, equivalent to 3.9 months of import cover at the end of June 2014.
- ❖ At the end of June 2014, total public debt stood at E6.12 billion, an equivalent of 16.5 percent to GDP.
- ❖ The balance of payments recorded an overall surplus of E638.4 million during the quarter ending December 2013.

Variable	Rate
GDP growth rate (%)	2.8 (2013)
Discount rate (%)	5.0
Prime Lending (%)	8.5
Inflation rate (% y/y)	5.5 (May)↑
Exchange rate (US\$)	10.68 (May)↑
Private Sector Credit (% y/y)	22.7 (May)↑
Broad Money (M2) (% y/y)	4.9 (May)↓
Reserves (months of import cover)	3.9 (June)↓
Total Public Debt (% to GDP)	16.5(June)↓

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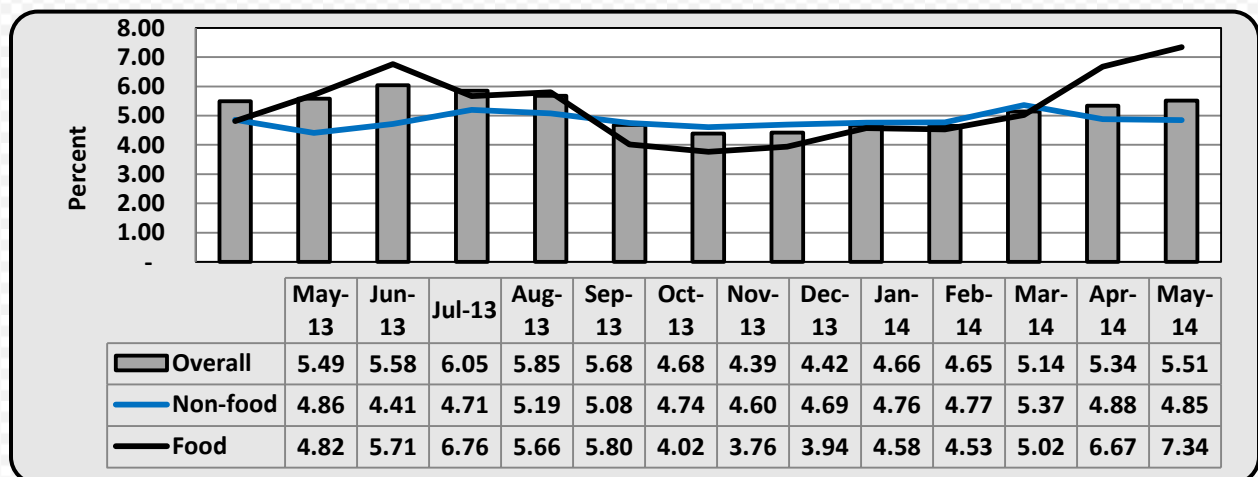
Domestic Economy

➤ Real GDP Growth



Preliminary projections reflect that the real economy expanded by 2.8 percent in 2013 compared to a revised estimate of 1.9 percent in 2012. The notable increase in 2013 resulted from improvements in the secondary and tertiary sectors. The primary sector is estimated to have remained muted in 2013, despite continuous resilience of the mining and quarry sector and improvements in the crops produced under Swazi Nation Land. The secondary sector is estimated to have accelerated by 4.2 percent in 2013 compared to 0.5 percent the previous year, while the tertiary sector is estimated to have grown by 3.2 percent in 2013 improving from 2.5 percent in 2012.

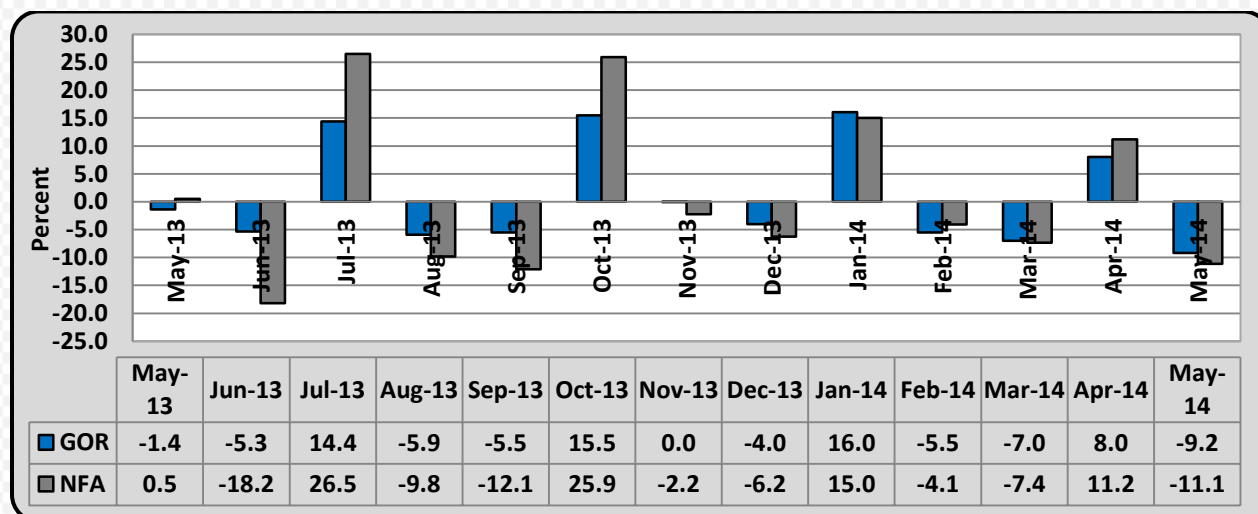
➤ Inflation



The annual consumer inflation rose to 5.5 percent in May 2014 from 5.3 percent recorded in April. This rise resulted from increases in the price indices for ‘food and non-alcoholic beverages’ and ‘transport’. Food inflation surged from 6.7 percent in April 2014 to 7.3 percent in May, mainly driven by increases in the prices of meat products, coffee, tea and cocoa, and other cold beverages such as soft-drinks and fruit juice. The price index for ‘transport’ increased slightly from 3.4 percent observed in the previous month to 3.6 percent in May 2014 mainly due to increases in the prices for spare parts and accessories for personal transport equipment. The above increases were somewhat counteracted by slower increases in the price indices for ‘clothing and footwear’ and ‘recreation and culture’. On month-on-month basis, inflation grew by a slower rate of 0.3 percent in May 2014 compared to 0.9 percent observed in April.

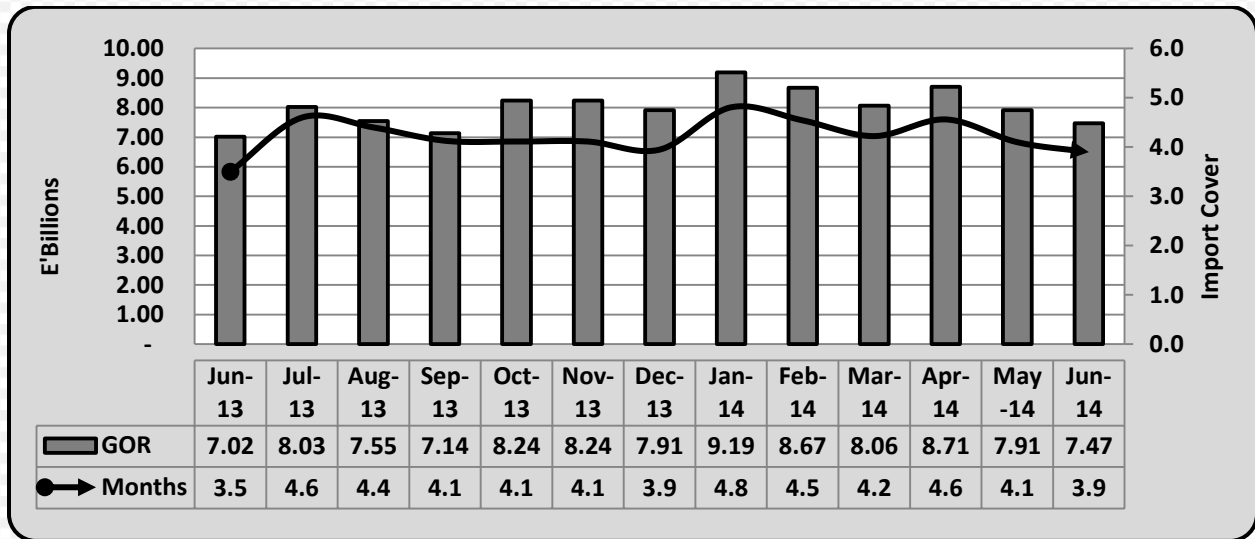
Money Supply and Domestic Demand

➤ *Net Foreign Assets and gross official reserves monthly changes*



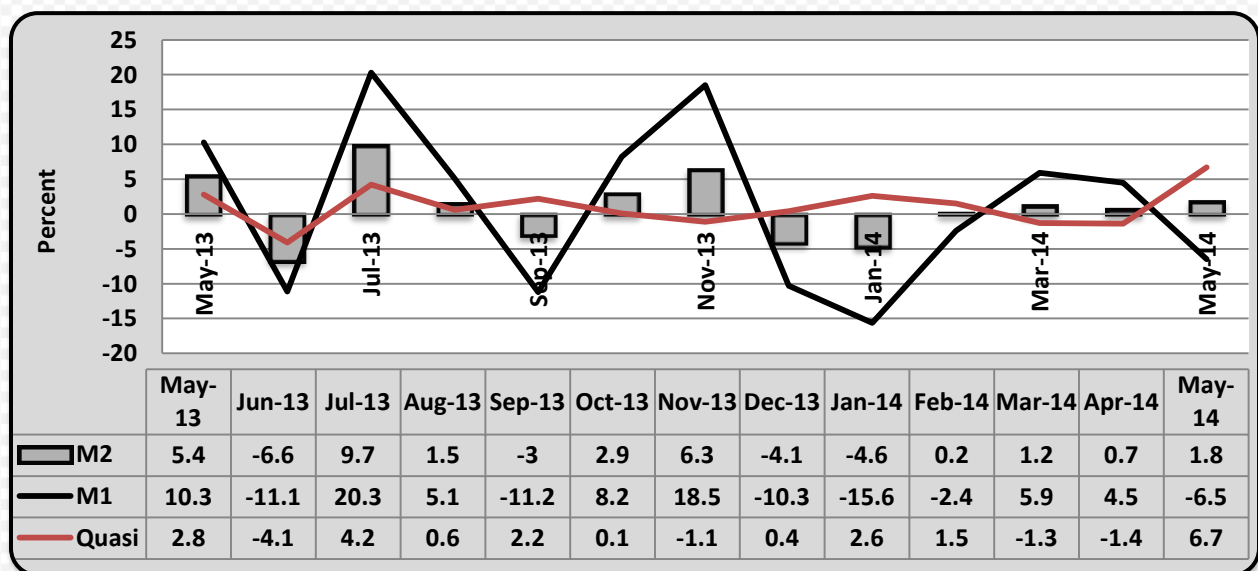
The country’s net foreign assets reflected a decline of 11.1 percent to E8 billion over the month of May 2014. The decrease emanated from a fall in net foreign assets of both the official sector and other depository corporations. Net foreign assets of other depository corporations amounted to E860.2 million decelerating by 19.6 percent over the month. Net official assets also contracted but by a lower margin of 10 percent to settle at E7.1 billion. Over the month ending May 2014, gross official reserves shrank by 9.2 percent to close at E7.9 billion, and continued to decline by 5.2 percent to close at E7.47 billion in June 2014. Over the year NFA declined by 4.4 percent.

➤ *Gross Official Reserves and months of import cover*



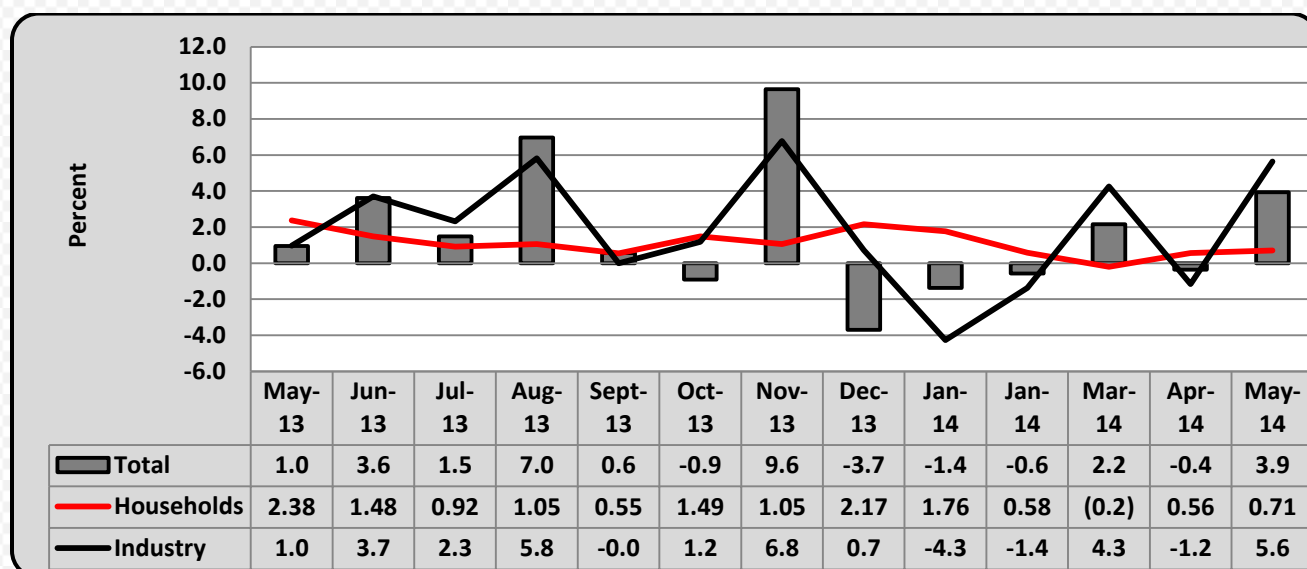
Gross official reserves declined by 5.2 percent in June 2014, month-on-month, mainly due to the payments of government's external obligations. The reserves were enough to cover an estimated 3.9 months of imports, lower than the 4.1 months recorded at the end of May 2014. When valued in Special Drawing Rights (SDRs), gross official reserves declined by 6.7 percent to SDR488.4 million. Over the year, reserves expanded by 6.5 percent in Emalangeni terms and fell by 2.4 percent in SDR terms.

➤ *Monthly money supply growth*



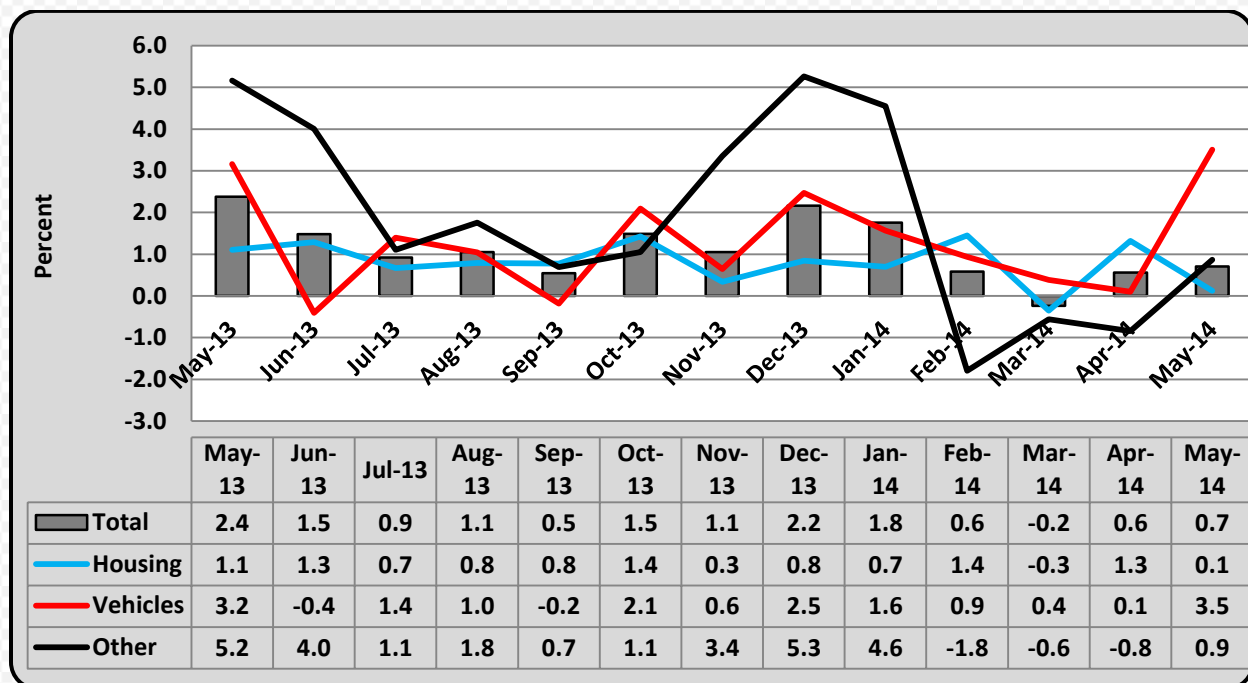
Broad money supply (M2) grew slightly by 1.8 percent to E11.1 billion over the month ended May 2014. The growth in M2 was mainly reflected in quasi money which expanded by 6.7 percent to E7.4 billion. Further analysis of the components of quasi money revealed that time deposits, being the main driver of the increase in quasi money rose by 9 percent to E5.8 billion while savings deposits receded by 1.2 percent to E1.5 billion. Narrow money supply (M1) on the other hand, shrank by 6.5 percent to E3.7 billion. The contraction in M1 was driven by transferable deposits which offset a rise in currency outside depository corporations. Transferable deposits decreased by 7.8 percent to E3.3 billion whilst currency outside depository corporations rose by 2.6 percent to E490.5 million. Over the year, M1 decreased by 2 percent while M2 rose by 4.9 percent.

➤ *Monthly Private sector credit growth*



Credit extended to the private sector improved by 3.9 percent to settle at E10.1 billion, mainly driven by a rise in both credit extended to industries and individuals. Credit extended to industries rose by 5.6 percent to E5.5 billion. The increase in credit extension to industries predominantly stemmed from the 'Agriculture and Forestry', 'Mining and Quarrying', 'Manufacturing' and 'Construction' sectors. Credit extended to other resident sectors [Households & Non-Profit Institutions Serving Households (NPISH)] increased marginally by 0.7 percent to E4.1 billion mainly driven by demand for motor vehicle finance. On a yearly basis, net government balances increased by 25.8 percent while credit on the private sector grew by 22.7 percent.

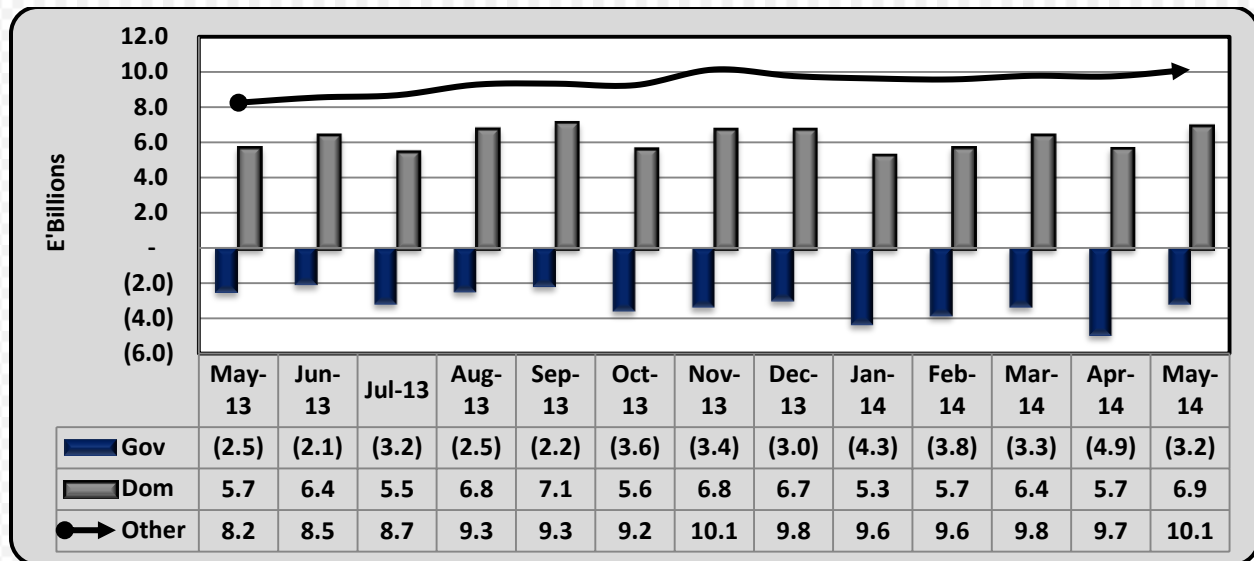
➤ *Household credit by product monthly changes*



As stated above, household credit increased by 0.7 percent in May 2014 to close at E4.063 billion compared to a growth of 0.6 percent observed in April 2014. The slight increase was largely on account of a growth of 3.5 percent observed in May for the motor vehicle component, picking up from 0.1 percent in April, which amounted to E898.6 million compared to E880.5million in April. Credit extended for housing fell from 1.3 percent in April to 0.1 percent in May, to close at E2.268 billion in May 2014 from E2.264 billion in April 2014. Credit extended for other purposes on the other hand rose by 0.9 percent to settle at E897.4 million in May 2014 from E889.2 million in April 2014. Compared annually, household credit grew by 12.8 percent.

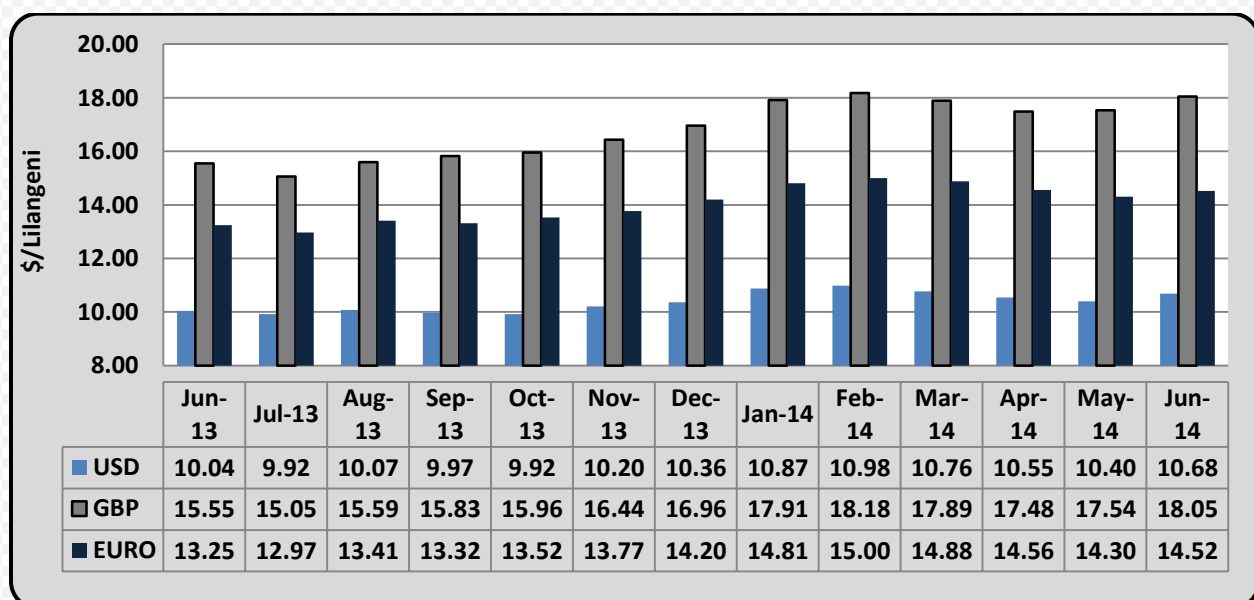
➤ *Net domestic claims*

Net domestic claims amounted to E6.9 billion over the month reflecting an increase of 22.1 percent largely due to a rise in credit extended to the private sector. The rise was propelled by an increase in credit extended to the private sector. Net government balances with the banking system reflected a reduction of 21.5 percent to E3.2 billion at the end of May 2014. Annually, net government balances expanded by 25.8 percent.



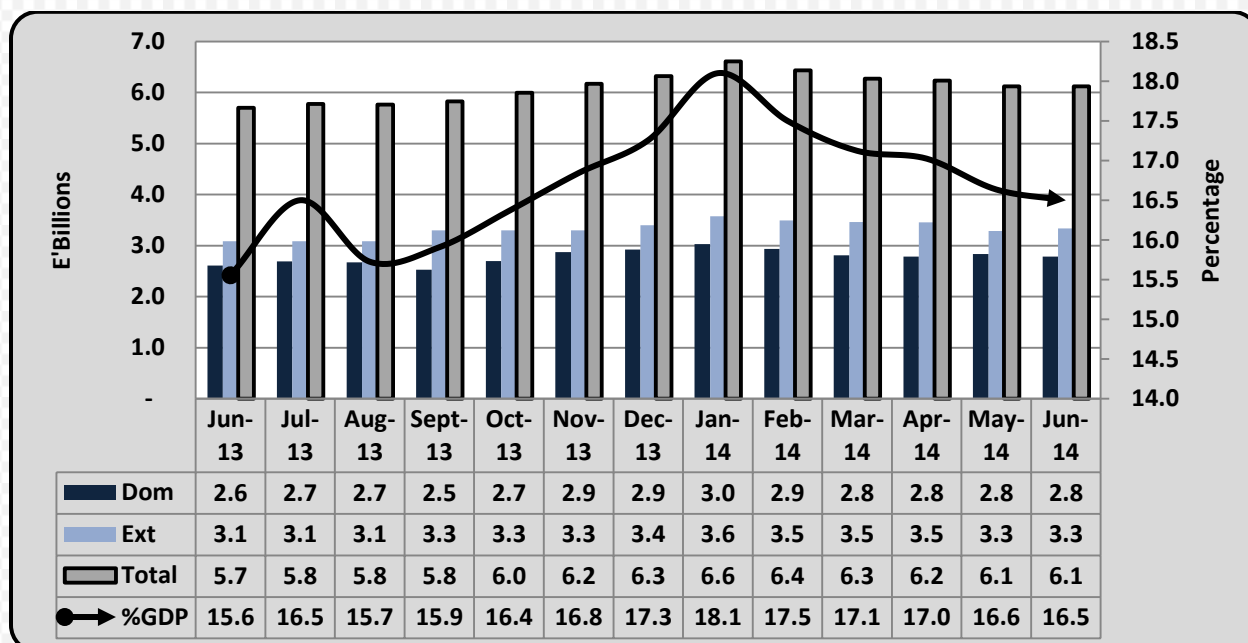
➤ Exchange rates developments

The Lilangeni/Rand's exchange rate continued depreciating against major currencies in June 2014. The domestic unit averaged E10.68 against the US dollar in June 2014 falling from an average of E10.40 recorded in May 2014. The local unit continued falling as labour unrest in South Africa showed no signs of abating even after an election ensuring policy continuity due to the voting back of the ANC with a landslide victory. The local unit ended the period under review at E10.59 to the US dollar, E18.02 to the Pound Sterling and E14.44 to the Euro.



The Fiscal Sector

➤ *Total public debt as at 30 June 2014*

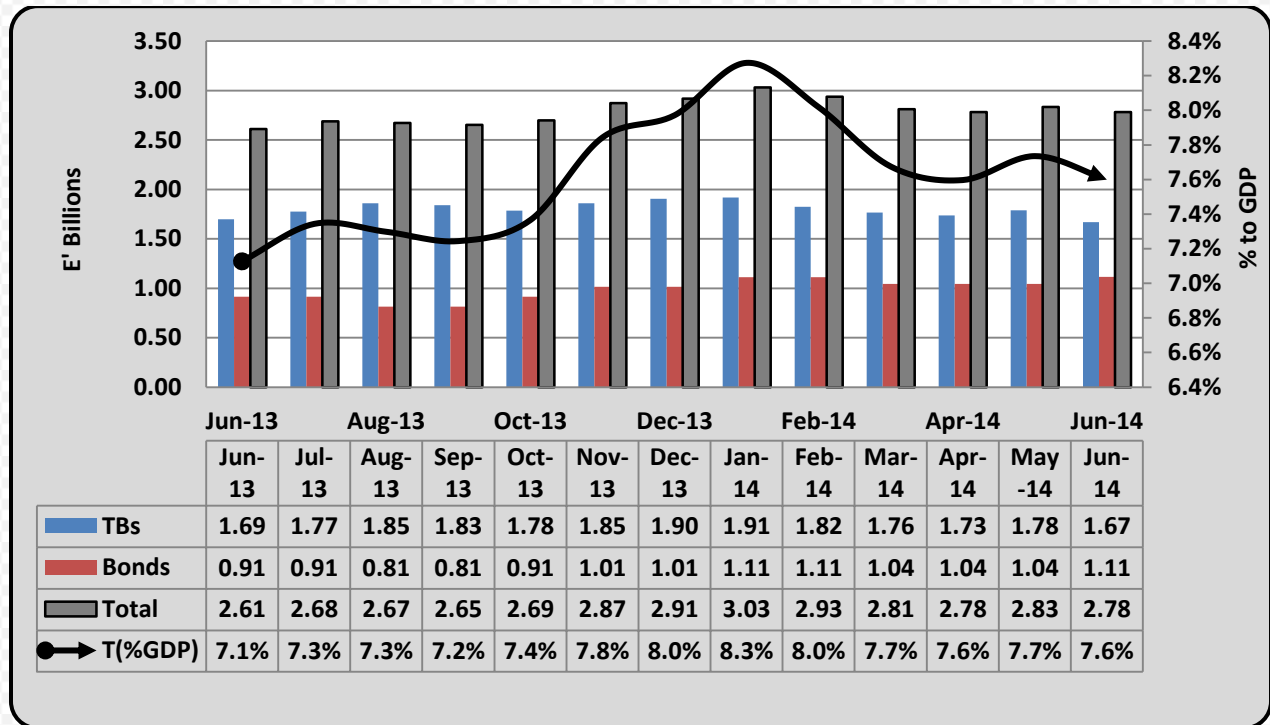


At the end of June 2014, total public debt stood at E6.119 billion, an equivalent of 16.5 percent of GDP. This represents a negligible decrease of 0.04 percent from the E6.122 billion recorded in the previous month. The decrease was due to low uptake of Government Securities which was nevertheless kept minimal as external debt recorded an increase during the review period. Public external debt stock stood at E3.336 billion which is equivalent to 8.9 percent to GDP, indicating a marginal increase of 1.5 percent from the E3.289 billion reported in May 2014. The increase was on account of the depreciation of the local currency against the US Dollar and other major currencies in which the country's external liabilities are denominated.

➤ *Total public domestic debt as at 30 June 2014*

Total public domestic debt recorded E2.783 billion or 7.6 percent of GDP as at end of June 2014. This marks a decrease of 1.8 percent from the E2.833 billion recorded in May 2014. The decrease in domestic debt was primarily due to the low uptake of Treasury Bills during the period. Of the outstanding domestic debt, E1.668 billion accounts for Treasury Bills from the E1.788 billion recorded the previous month while Government Bonds outstanding increased to E1.

115 billion from E1.045 billion reported in May 2014. The increase in Government Bonds was on account of the E70.11 million allotment for a 3-year bond auctioned in June 2014.



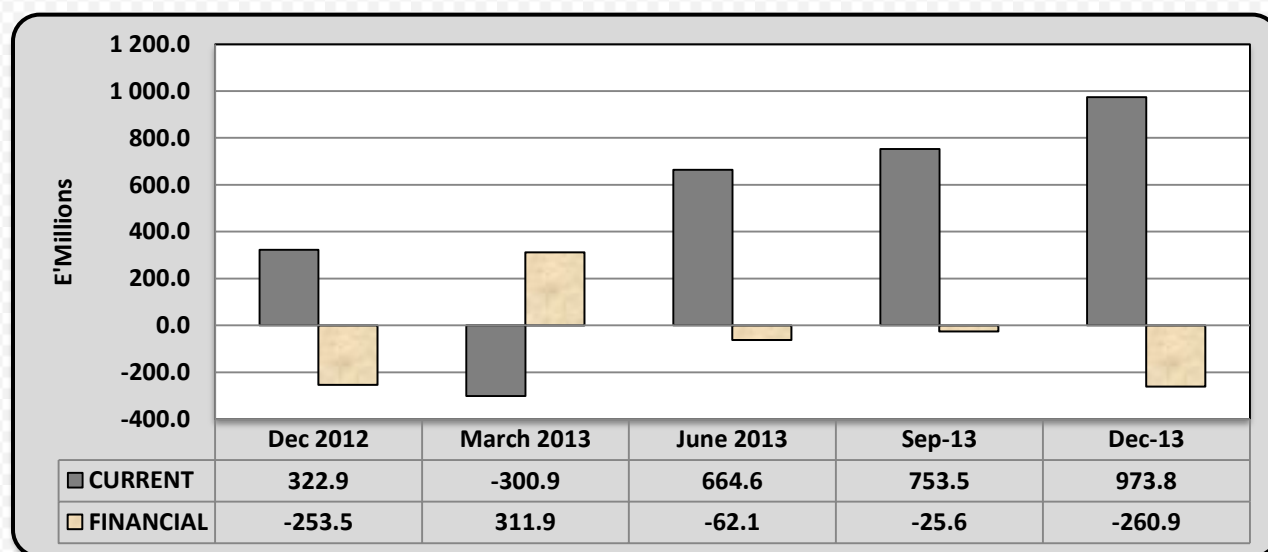
➤ *Treasury Bills and Bonds analysis*

The Central Bank of Swaziland auctioned a 3-year bond on June 25, 2014 where E200 million was on offer. There was an under-subscription as total bids received amounted to E160.11 million, indicating 80 percent subscription rate. Of the bids received, E160 million were competitive whilst E0.11 million were on the non-competitive category. Commercial banks submitted the most bids accounting for 78.1 percent of bids tendered followed by private organizations at 12.5 percent, Non-bank Financial Institutions (NBFIs) with 9.4 percent and individuals being the least at 0.1 percent. Accepted yields ranged from 7.60 percent to 8.00 percent. The highest yield submitted was 9.50 percent. The weighted average yield accepted was 7.82 percent (at a discount). On allotments made, commercial banks had the largest share at 49.9 percent followed by private organisations at 28.5 percent, NBFIs at 21.4 percent and individuals at 0.2 percent.

Table 1: Summary of Bids by Category for the 3-Year Government Bond

Bidder Category	Bids Received		Bids Allotted	
	E	% Share	E	% Share
Commercial banks	125,000,000	78.07	35,000,000	49.92
NBFIs	15,000,000	9.37	15,000,000	21.39
Private Organizations	20,000,000	12.49	20,000,000	28.53
Individuals	110,000	0.07	110,000	0.16
Total	160,110,000	100	70,110,000	100

The External Sector



Swaziland's balance of payments recorded an overall surplus of E638.4 million during the quarter ending December 2013, a remarkable improvement from the surplus of E82.3 million posted in the previous quarter. The main contributors to the overall surplus were the persistent surplus recorded in the merchandise trade account and current transfers of the current account as well as direct investment net inflow. The current account surplus widened to E973.8 million in the last quarter of 2013, equivalent to 3.3 percent of GDP from a revised surplus of E753.5 million in the third quarter. Preliminary figures reflect that during the quarter ending December 2013, the financial account net outflows widened to E260.9 million, from an outflow of E25.6 million

recorded the previous quarter, while the trade account registered a surplus of E1. 096 billion, reflecting a negligible change from the revised figure of E1.098 billion recorded in the previous quarter

The net inflow in foreign direct investment (FDI) in Swaziland amounted to E206.5 million compared to a net inflow of E731.6 million in the third quarter. The quarter-on-quarter decline in net inflows is underpinned by the contraction in net inflows of reinvestment earnings. Reinvested earnings net inflows eased from a high of E794 million in the third quarter to E4.9 million during the fourth quarter of 2013, in line with the increase in dividends and distributed branch profits remitted by resident enterprises to their parent companies abroad. Sugar exports plummeted by a significant 23.2 percent quarter-on-quarter to E1.095 billion in the review period. This decline was attributable to low sales during the period due to a fall in demand for sugar in the international market. Revenues from textiles and textile products also fell 2.7 percent quarter-on-quarter to E546.9 million in the fourth quarter, after a 28.6 percent rise in the previous quarter. The small drop in earnings for textiles during the period under review points to a stable overseas market which is supported by the Africa Growth and Opportunity Act (AGOA). Total imports of goods amounted to E4, 593.1 million during the fourth quarter, reflecting a 6.1 percent quarter-on-quarter increase, while exports of goods rose by 7.5 percent quarter-on-quarter to E5, 689.8 million.



CENTRAL BANK OF SWAZILAND



Economic Policy, Research and Statistics Division

Swaziland Economic Indicators at a glance

Sectors	Dec-13	Jan-14	Feb-14	Mar-14	Apr-14	May-14
Overall Inflation	4.4	4.7	4.7	5.1	5.3	5.5
Food	3.9	4.6	4.5	5.0	6.7	7.4
Non Food	4.7	4.8	4.8	5.4	4.9	4.9
Money and banking						
Narrow money annual growth (%)	28.6	-5.5	-10.8	7.9	15.5	-2.0
Broad money annual growth (%)	15.9	4.6	0.4	6.7	8.6	4.9
Domestic credit (net) - E' Million	6 748.70	5 297.20	5 719.51	6 431.10	5 676.00	6 933.80
Government	-3008.4	-4326.3	-3848.5	-3343.0	-4063.0	-3187.6
Private sector	9757.1	9623.6	9568.1	9774.1	9739.0	10121.4
Private sector credit annual growth (%)	21.1	15.6	16.1	20.0	19.2	22.7
Interest rates (% p.a)						
Prime lending	8.5	8.5	8.5	8.5	8.5	8.5
Discount rate	5.0	5.0	5.0	5.0	5.0	5.0
Deposit rate - 31 days	1.81	1.81	1.81	1.81	1.81	1.81
- 12 months	2.97	2.97	2.97	2.97	2.97	2.97
- T. bill rate	6.29	6.34	6.18	6.41	6.45	5.95
Ratios						
Liquidity ratio (required = 20 %)	27.1	25.7	27.0	24.8	24.0	24.4
Loans/deposits ratio	89.9	93.4	91.9	93.2	91.8	93.5
Net foreign assets (E'million)	7 920.29	9 108.40	8 736.30	8 214.40	8 998.10	7 998.13
Annual % change in NFA	25.4	14.3	10.2	15.3	9.6	-4.4
Gross official foreign reserves	7 911.01	9 179.69	8 671.40	8 062.20	8 710.41	7 912.61
Annual % change in GOR	41.8	33.3	37.3	30.1	15.9	6.5
In months of import cover	3.9	4.8	4.5	4.2	4.6	4.1
Exchange Rates						
US\$	10.36	10.87	10.98	10.76	10.55	10.40
EURO	14.20	14.81	15.00	14.88	14.56	14.30
GBP	15.94	17.91	18.18	17.89	17.48	17.54
Public Finance						
Total public external debt [E' million]	3 400.50	3 576.20	3 493.70	3 460.10	3 452.50	3 288.60
As a % of GDP	9.3	9.8	9.5	9.4	9.4	8.9
Total public domestic debt [E' million]	2919.3	3030.3	2936.5	2810.9	2782.3	2833.0
As a % of GDP	8.0	8.3	8.0	7.7	7.6	7.7
Total public debt [E' million]	6 319.80	6 606.50	6 430.20	6 271.00	6 234.77	6 121.55
As a % of GDP	17.3	18.1	17.5	17.1	17.0	16.6

