



May 2015

## Recent Economic Developments Snapshot

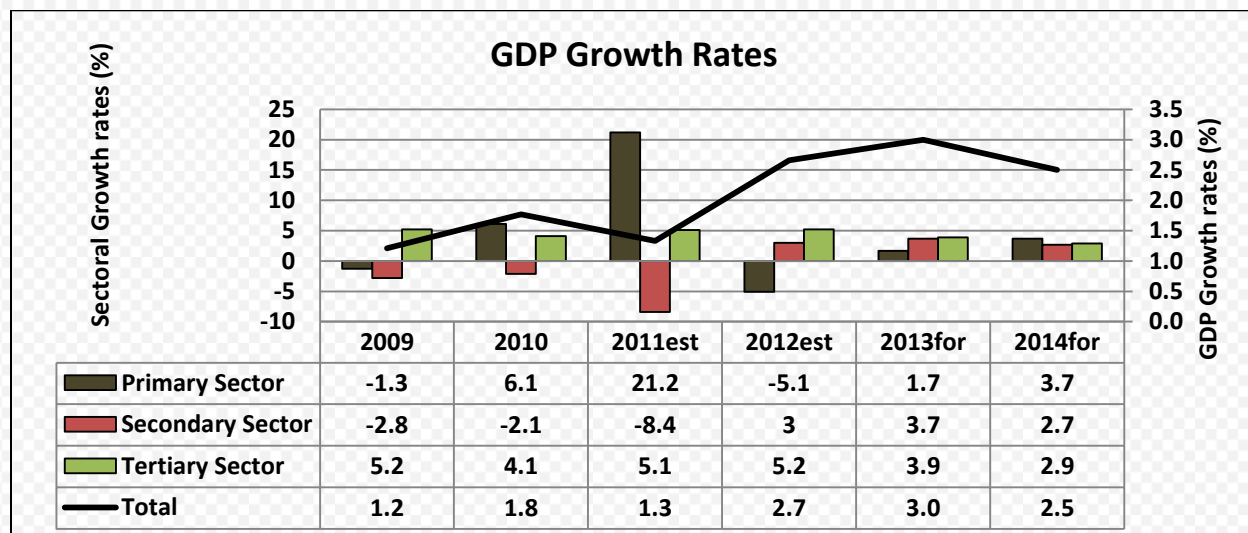
### Major Highlights

	Variable	Rate
❖ Preliminary forecasts for real GDP growth indicate that the economy grew by 2.5 percent in 2014 which is lower than the revised estimate of 3.0 percent in 2013.	GDP growth rate (%)	2.5 (2014)
❖ Consumer inflation increased slightly to 4.9 percent in April 2015 from 4.7 percent in March 2015.	Discount rate (%)	5.5
❖ Discount and prime rates increased by 25 basis points to reach 5.5 percent and 9.0 percent respectively in May 2015.	Prime Lending (%)	9.0
❖ Private Sector credit depicted a sluggish growth of 0.7 percent (m/m) to E4.6 billion at the end of April 2015.	Inflation rate (% y/y)	4.9 (Apr)↑
❖ Broad money supply (M2) increased by 6.4 percent (m/m) to close at E11.7 billion in April 2015.	Exchange rate (US\$)	11.98 (May)↓
❖ Reserves stood at E8.1 billion at the end of May 2015, reflecting a decline of 6.2 percent (m/m) from April 2015.	Private Sector Credit (% y/y)	9.3 (Apr)↑
❖ At the end of May 2015 total public debt amounted to E6.70 billion, an equivalent of 16.8 percent of GDP, from 16.7 percent of GDP in April 2015.	Broad Money (M2) (% y/y)	7.5 (Apr)↑
❖ Overall balance of payments for the quarter ending December 2014 reflects an overall surplus of E713.1 million, from a deficit of E380 million in the quarter ending September 2014.	Reserves (months of import cover)	3.5 (May)↓
	Total Public Debt (% to GDP)	16.8(May)↑

The content of this publication is intended for general information sharing purposes only and is not intended to serve as financial or other advice. While every precaution is taken to ensure the accuracy of information, the Central Bank of Swaziland shall not be liable to any person for inaccurate information or opinions contained in this publication. For more information on this publication, contact the Research Department at Tel: 2408-2243.

## Domestic Economy

### ➤ Real GDP Growth



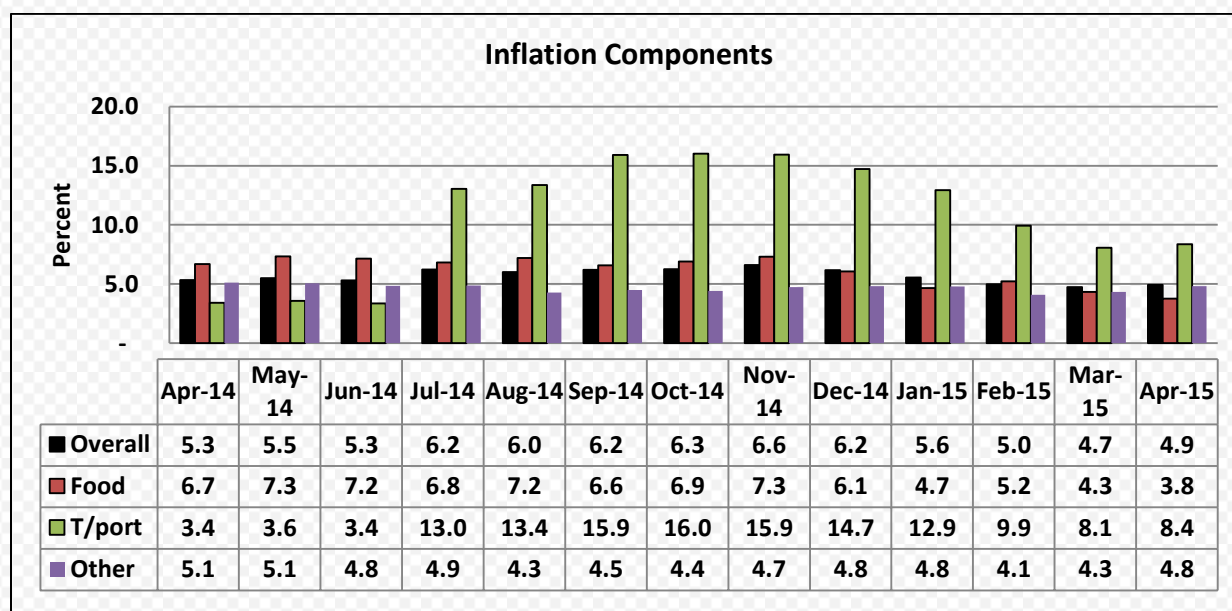
Source: Ministry of Economic Planning, Central Statistical Office, and Central Bank of Swaziland

Preliminary forecasts for real GDP growth indicate that the economy grew by 2.5 percent in 2014 which is lower than the revised estimate of 3.0 percent in 2013. The slowdown in real output growth resulted from a loss of momentum in the secondary sector mainly ‘manufacturing’ and ‘electricity and water supply’ subsectors. Manufacturing which accounts for about a third of GDP is projected to have grown by 1.3 percent in 2014 compared to 1.9 percent the previous year. Positive prospects were noted in ‘agriculture and forestry’, ‘wholesale and retail’, ‘tourism’ and ‘central government services’ subsectors. Agriculture sector continued to benefit from the implementation of the Lower Usutu Smallholder Irrigation Project (LUSIP) which resulted in increased area under sugarcane production. The real value added output for government services sub-sector which directly constitutes 15 percent of GDP is projected to have grown by 2.5 percent in 2014 compared to 4.3 percent in 2013, in line with the steady increase in government payroll numbers. Increased allocation on government capital programme also facilitated growth in real output for the construction sector which heavily relies on government capital projects.

### ➤ Inflation

The annual consumer inflation increased slightly to 4.9 percent in April 2015 from 4.7 percent in March 2015. The 0.2 of a percentage point growth resulted mainly from increases in the price indices for ‘housing and utilities’, ‘transport’ and ‘education’. The price index for ‘housing and

utilities' increased to 3.2 percent in April 2015 from 3.0 percent in March 2015 due to increases in the actual rentals for housing. Transport inflation also increased to 8.4 percent in April 2015 from 8.1 percent recorded in the previous month as a result of an increase in prices for spare parts and accessories for personal transport equipment. The price index for 'education' accelerated to 5.6 percent in April 2015 from 4.7 percent in March 2015 due to increases in secondary education related fees. Further increases were noted in the price indices for 'communication' and 'miscellaneous goods and services'.



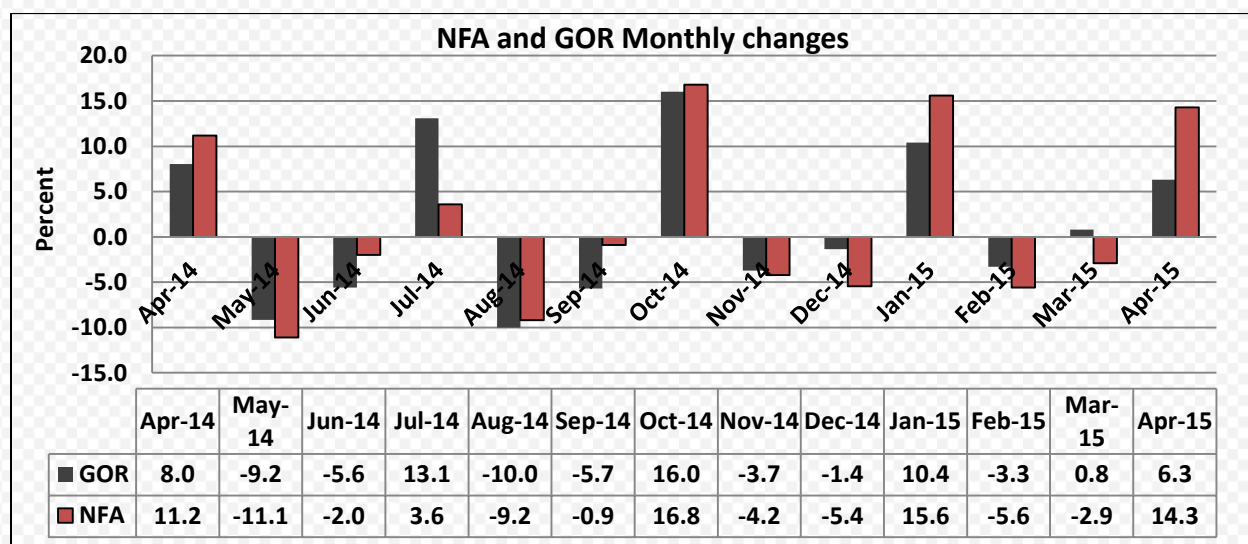
Source: Central Statistical Office

The increases above were partially offset by decreases in the price indices for 'food and non-alcoholic beverages' and 'furnishing and household equipment'. Food inflation grew slower at 3.8 percent in April 2015 compared to 4.3 percent in March 2015. The decrease in food inflation benefitted from slower increases in the prices for rice, bread, meat, fish and seafood, oils and fats, and fruit. The price index for 'furnishing and household equipment' decreased to 3.4 percent in April 2015 from 3.9 percent in March 2015 due to slower growth in the prices for household textiles.

On month-on-month basis, consumer inflation rose by 1.1 percent in April 2015 compared to 0.4 percent observed in March 2015. The rise was attributed largely to month-on-month increases in the price indices for 'food and non-alcoholic beverages', 'housing and utilities', 'communication' and 'education'. These increases were somewhat offset by month-on-month decreases in the price indices for 'miscellaneous goods and services' and 'alcoholic beverages'.

## Money Supply and Domestic Demand

- *Net Foreign Assets and gross official reserves (monthly changes)*

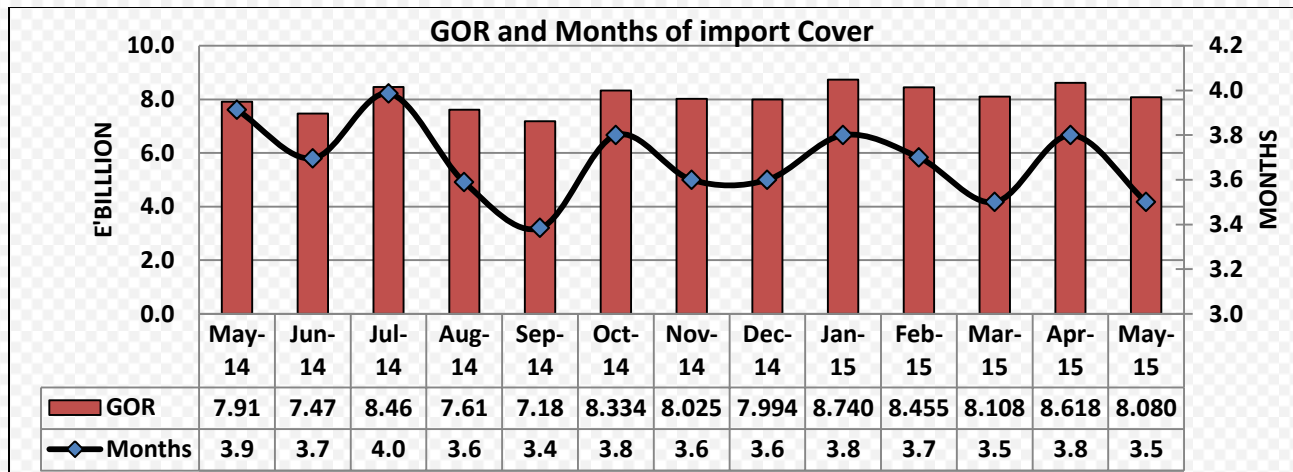


Source: Central Bank of Swaziland

In the month ended April 2015, net foreign assets amounted to E9.4 billion reflecting growth of 14.5 percent from the preceding month, while gross official reserve grew by 6.3 percent. The rise was mainly observed in net foreign holdings of other depository corporations which increased by 75.7 percent to E1.6 billion mainly on account of growth in domestic banks' deposits with banks within the Common Monetary Area. Net foreign assets of the official sector grew by 7 percent to E7.8 billion largely due to the inflows of the quarterly Southern African Customs Union (SACU) receipts at the beginning of April 2015. When valued in Special Drawing Rights (SDRs), net foreign assets increased by 15.2 percent on a month-on-month comparison. When compared with April 2014, net foreign assets depicted growth of 4.3 percent when valued in Emalangeni terms and by 2.1 percent when valued in SDRs.

- *Gross Official Reserves and months of import cover*

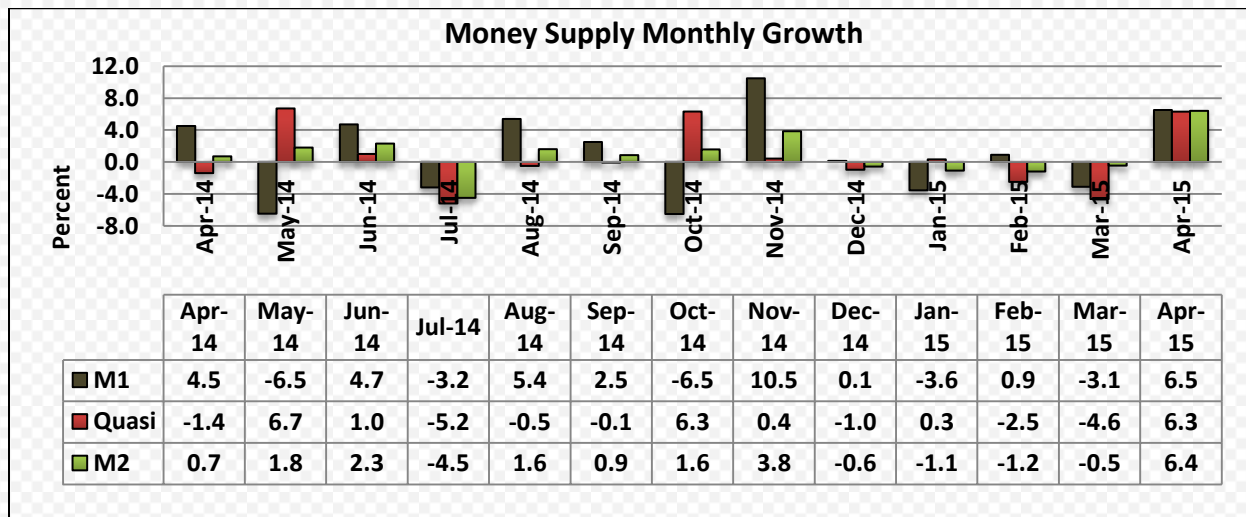
Gross official reserves stood at E8.1 billion at the end of May 2015. The reserves reflected a decline of 6.2 percent from April 2015. The decline was mainly on account of the payments of government's obligations over the review month. The stock of reserves was enough to cover an estimated of 3.5 months, lower than the 3.8 months cover recorded in the preceding month.



Source: Central Bank of Swaziland

When valued in Special Drawing Rights (SDRs), the reserves amounted to SDR478.1 million reflecting a month-on-month fall of 7.3 percent. When compared over the year, the reserves reflected a 2.1 percent growth when valued in Emalangeni terms, but fell by 2.1 percent when valued in SDR terms.

#### ➤ Money supply (monthly growth)

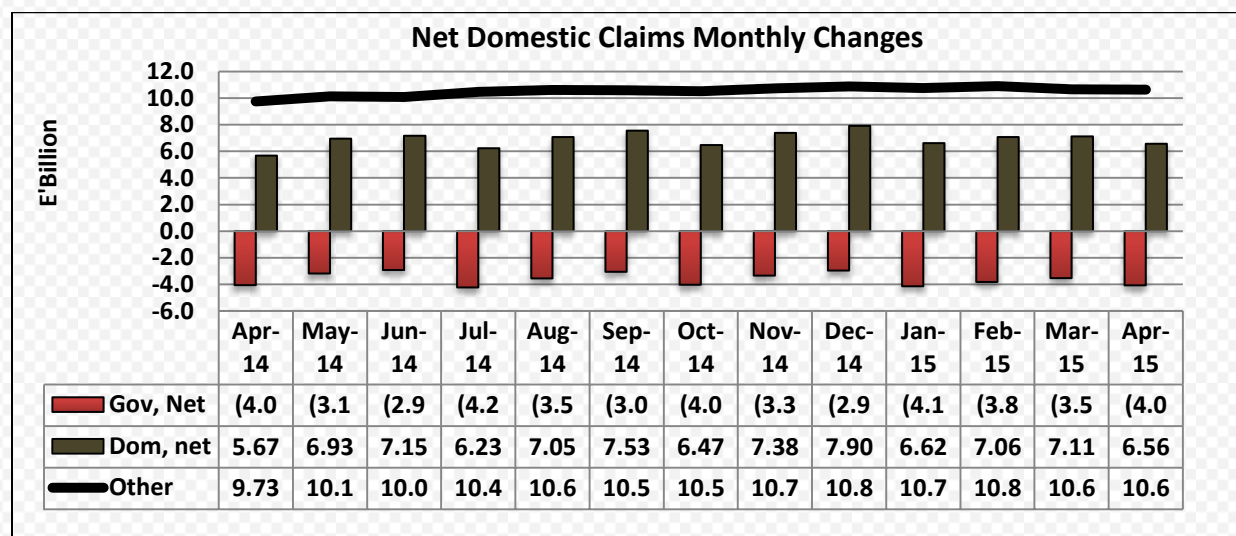


Source: Central Bank of Swaziland

In the month ended April 2015, broad money supply (M2) increased by 6.4 percent to close at E11.7 billion. The rise was mainly driven by both its components narrow money supply (M1) and quasi money supply. M1 improved by 6.5 percent to E4.4 billion in the month under review. The growth in M1 was mainly reflected in transferable deposits which rose by 6.8 percent to E3.9 billion. Currency outside depository corporations also expanded by 4.3 percent to close at

E526.7 million at the end of the April 2015. Quasi money amounted to E7.3 billion reflecting an expansion of 6.3 percent. The growth was mainly reflected in time deposits which rose by 7.1 percent to E5.7 billion. Savings deposits also grew by 3.5 percent on a month-on-month comparison to close at E1.6 billion at the end of April 2015. When compared on an annual basis, M2 increased by 7.5 percent, M1 by 9.2 percent while quasi money expanded by 6.5 percent.

➤ *Net domestic claims (monthly changes)*



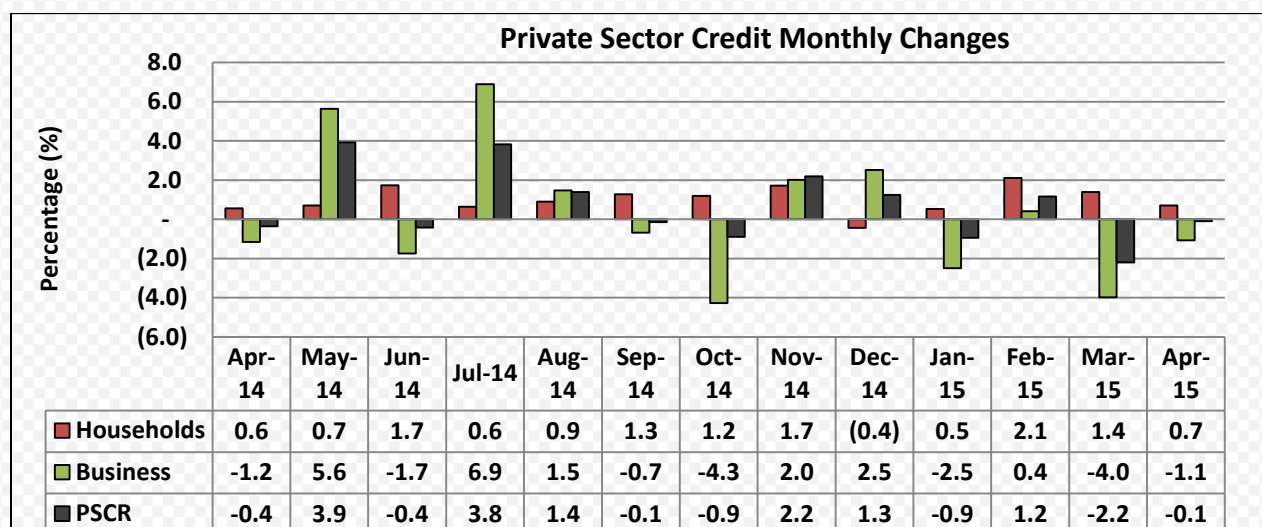
Source: Central Bank of Swaziland

Net domestic claims amounted to E6.6 billion in the review month reflecting a decline of 7.8 percent from the month ended March 2015. The fall was primarily on account of claims on the private sector. Net government balances with the banking sector hiked by 15.4 percent to close at E4.1 billion mainly boosted by the SACU receipts received at the beginning of April 2015. Over the year, net government balances rose slightly by 0.4 percent.

➤ *Private sector credit (monthly growth)*

Credit extended to the private tapered by 0.1 percent to E10.6 billion at the end of April 2015. The fall in claims in the private sector was mainly observed in claims on industry which declined by 1.1 percent to close at E5.4 billion at the end of April 2015. Contributing to the decline was mainly the transport & communications (-32.7 percent), mining & quarrying (-7.9 percent), manufacturing (-6.2 percent) and the construction (-5 percent) sectors. Claims on the community,

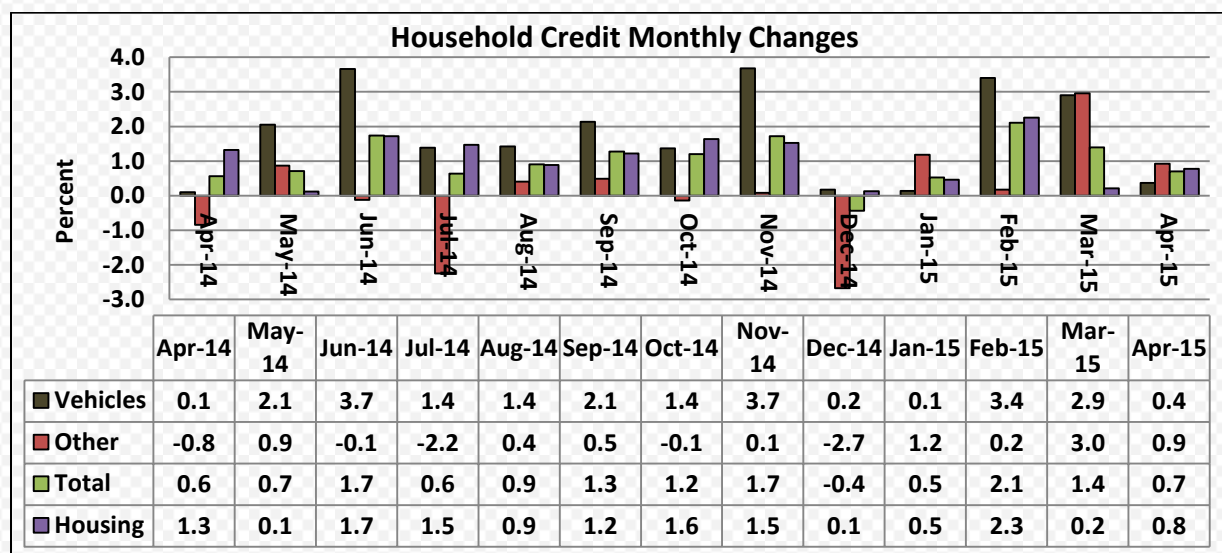
social & personal services as well as the agriculture & forestry sectors however increased by 47.7 percent and 5 percent respectively.



Source: Central Bank of Swaziland

Claims on other sectors (mainly other financial corporations and public nonfinancial corporations) grew by 2.4 percent to E681.5 million in the review month. Over the year, claims on the private sector grew by 9.3 percent.

➤ *Household credit by product (monthly changes)*

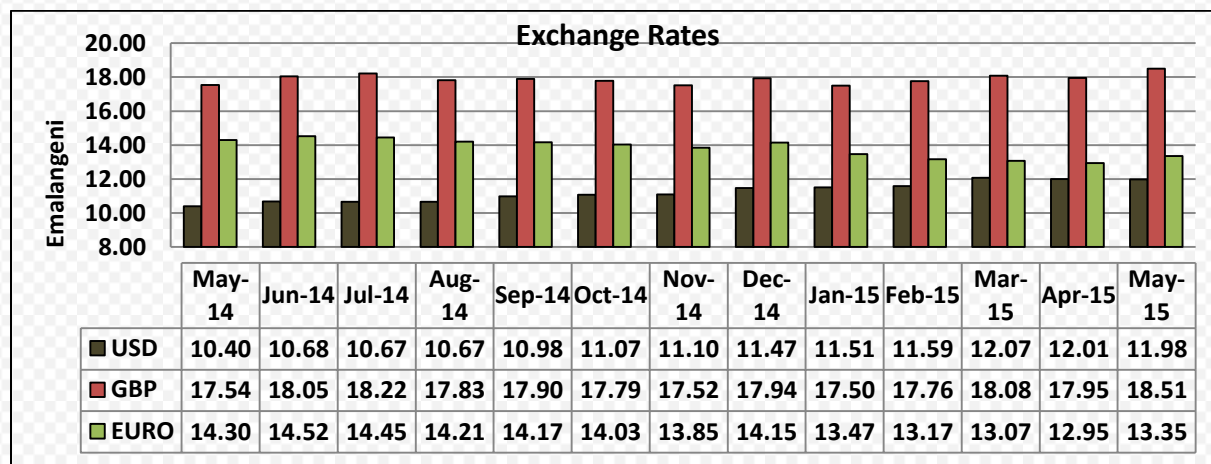


Source: Central Bank of Swaziland

Credit extended to the household depicted a sluggish growth of 0.7 percent to E4.6 billion at the end of April 2015. The rise in claims on households was largely observed in credit extended for

household purposes which grew by 0.8 percent. Other personal loans grew by 0.9 percent while motor vehicle loans rose by 0.4 percent from the preceding month. Compared annually, credit extended to households grew by 13.2 percent.

➤ *Exchange rates developments*



Source: Central Bank of Swaziland

The performance of the Lilangeni/Rand's exchange rate against major currencies was mixed in the month of May 2015. The domestic unit strengthened against the US dollar while it weakened against both the Pound Sterling and the Euro. The domestic unit averaged E11.98 against the US dollar in May 2015 strengthening from an average of E12.01 recorded in April 2015. Economic data coming out of United States and Europe were key in determining the strength of the euro (and hence of the rand) and will undoubtedly continue to determine the rand's fortunes. The local unit ended the period under review at E12.17 to the US dollar, E18.60 to the Pound Sterling and E13.31 to the Euro.

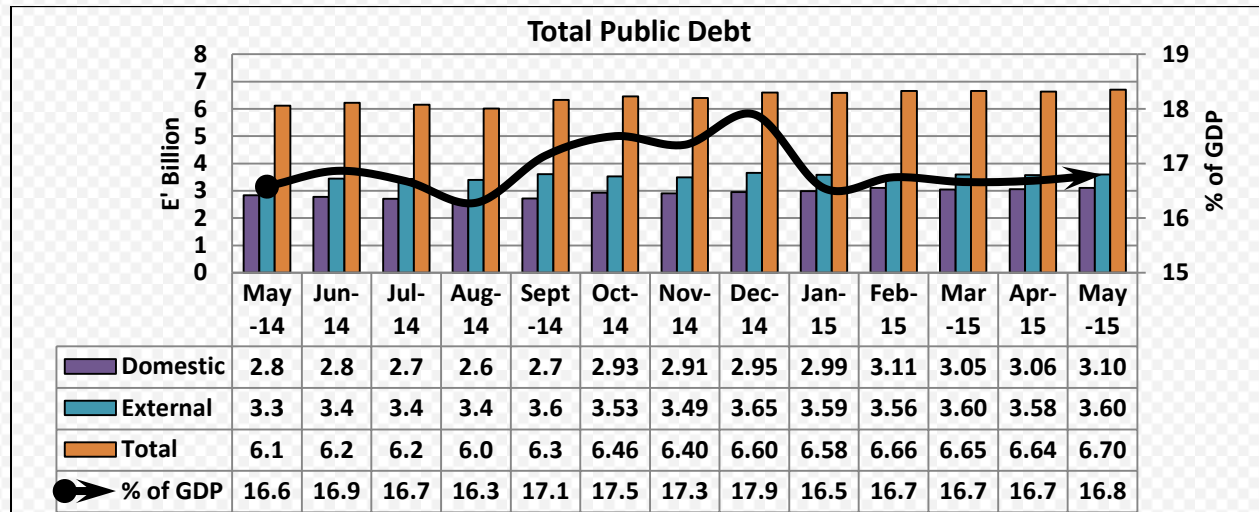
*The Fiscal Sector*

➤ *Total public debt as at 31 May 2015*

Preliminary figures indicate that total public debt amounted to E6.70 billion, an equivalent of 16.8 percent to GDP at end of May 2015. This reflects a marginal increase of 0.9 percent from E6.64 billion recorded in April 2015. The increase was primarily due to a rise in up-take of Treasury bills coupled with the depreciation of the local currency against the US Dollar and other



major currencies in which the country's external liabilities are denominated during the period being reviewed.

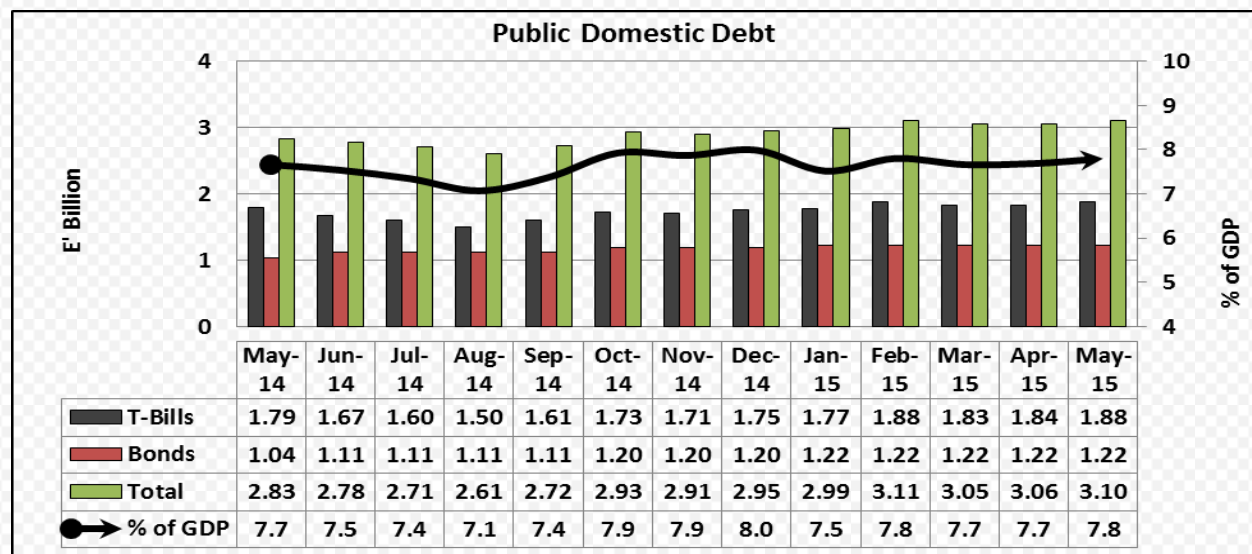


Source: Ministry of Finance and Central Bank of Swaziland

➤ *Total public external debt as at 31 May 2015*

External debt slightly increased to E3.60 billion (or 9.0 percent to GDP) at end of May 2015 from E3.58 billion recorded in April 2015. The increase was attributed to 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 31 May 2015*



Source: Central Bank of Swaziland

### ➤ *Treasury Bills and Bonds analysis*

Commercial banks are still dominating participation in government securities followed by Non-Bank Financial Institutions (NBFIs), accounting for 54 and 32 percent, respectively.

Table 1: Public Domestic Debt Outstanding By Holder as At 31 May 2015

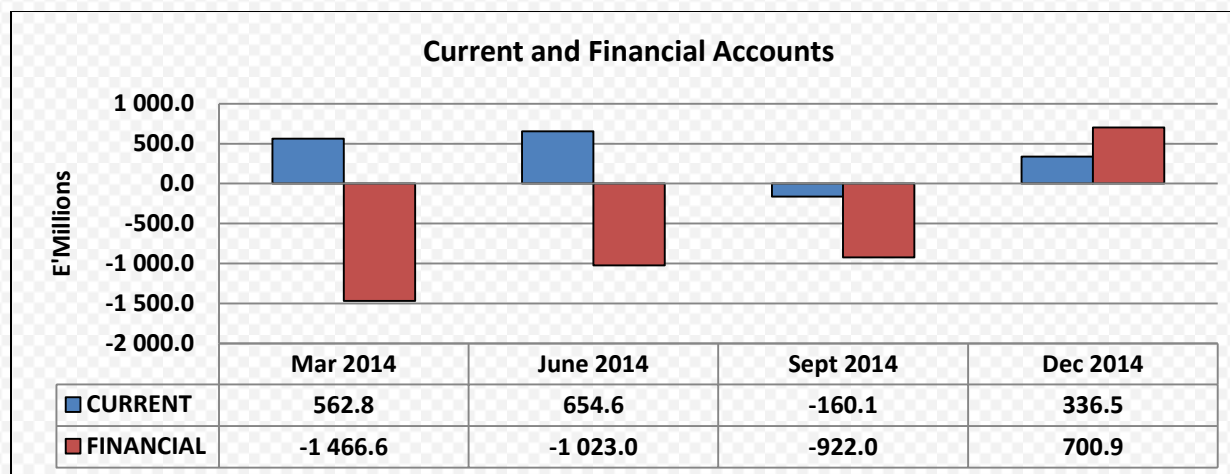
Holder	Bonds	Treasury Bills	Total	Holdings (%)
CBS	-	3,720	3,720	0.12
Commercial Banks	453,822	1,233,510	1,687,332	54.35
NBFIs	475,944	530,020	1,005,964	32.40
Other	291,654	115,810	407,464	13.13
<b>Total</b>	<b>1,221,420</b>	<b>1,883,060</b>	<b>3,104,480</b>	<b>100</b>

Source: central bank of Swaziland

### *The External Sector*

An analysis of the country's Balance of Payments for the quarter ending December 2014 reflects an overall surplus of E713.1 million, swinging from a deficit of E380 million in the quarter ending September 2014. This surplus was equivalent to 1.9 percent of GDP against the 1.0 percent deficit realised in the previous quarter. The major factors underlying the net inflow in the overall balance were the persistent surpluses recorded in the merchandise trade and current transfers accounts of the current account as well as a net inflow recorded in other investment of the financial account.

In the quarter under review, preliminary BOP data show an improved current account registering a E336.53 million surplus, equivalent to 0.9 percent of GDP. During the third quarter, the current account recorded a revised deficit of E12.5 million. The improvement in the current account during the period was attributable to a widening trade surplus compared to the previous quarter, coupled with a contraction in the deficit in the services account. A year-on-year comparison, however, shows that the current account surplus fell by a significant 65.4 percent during the review quarter.



Source: Central Bank of Swaziland

The trade account recorded a significantly improved surplus of E1.043 billion in the fourth quarter, an 85.7 percent quarter-on-quarter increase from the third quarter. Notably, the lower oil prices helped ease the import bill while the depreciation in the local exchange rate against major currencies supported export receipts. A quarterly analysis shows that merchandise exports grew 9.2 percent to E5.871 billion in the last quarter of 2014. Imports, on the other hand, rose a meagre 0.3 percent quarter-on-quarter following a 9.9 percent increase in the third quarter.

Contributing significantly to the growth in exports in the fourth quarter were miscellaneous edibles which benefitted from increased export volumes and the depreciating exchange rate of the lilangeni against major currencies, making local exports more competitive. Revenue from the export of miscellaneous edibles rose by a significant 22.3 percent quarter-on-quarter to E3.137 billion in the fourth quarter of 2014. From a year ago the increase was 4.8 percent.

Exports of Sugar and sugar confectionary, during the period under review, dropped by 2.9 percent quarter-on-quarter, to E1.100 billion. Of these exports, 67.2 percent were destined to South Africa, rising from 53.4 percent in the third quarter. Exports of Sugar to South Africa have increased by 17.9 percent year-on-year. Sugar sales destined for the SACU market have increased over the years to ameliorate price declines in the EU markets.

With the withdrawal of AGOA benefits and the subsequent closure of some textile firms in the country, the effects have culminated to a 14.3 percent quarterly decline in export receipts from the textile sector. A year-on-year analysis shows that income from textile exports grew by 16.5 percent, with 85 percent of sales absorbed by the South African market. The move towards fresh markets in South Africa has cushioned the negative effects of the loss of preferential treatment

from the US. Imports in the fourth quarter grew by E12.8 million to E4.827 billion. On a year-on-year basis, imports grew 5.1 percent during the review period. The slow growth in imports was also influenced by the lower oil prices which saw fuel imports falling to E705.8 million from E788.8 million in the third quarter.

**The deficit in the income account deteriorated by a significant 45 percent quarter-on-quarter to E1.248 billion in the last quarter of 2014.** This was largely caused by an increase in income outflows from E1.615 billion in the third quarter to E2.080 billion. Inflows increased by a lesser E104.9 million to E832 million. Investment income and interest continue to be the main source of income inflows increasing by 11.1 percent quarter-on-quarter to E832 million in the fourth quarter. The financial account, excluding change in foreign exchange reserves, recorded a net inflow of E700.9 million during the quarter ending December 2014 from a revised net outflow of E1.725 billion in the previous quarter. The improvement in the financial account benefitted from a turnaround in other investment from a net outflow recorded the previous quarter to a net inflow in the review period.

**Foreign Direct Investment (FDI) into Swaziland recorded a net outflow of E63.3 million in the quarter ending December 2014 compared to a net inflow of E36.9 million in the third quarter and a net inflow of E206.5 million during the same period in 2013.** This was mainly due to a net outflow of E53.8 million in direct investments into Swaziland alongside a net outflow of E9.5 million direct investments abroad. The other capital component of FDI, which comprises both long and short term loans and trade credits among affiliated enterprises, posted a net outflow of E118.6 million in quarter four 2014, down from higher net outflows of E329.7 million in the quarter ending September, thereby contributing to the net outflow in FDI. Reinvested earnings continued to shore up the direct investment picture as some companies expanded and consolidated their operations during the review quarter. On a net basis, during the period ending December 2014 reinvested earnings into the country recorded a lower net inflow of E64.8 million compared to an inflow of E375.4 million the previous quarter. Foreign portfolio investment posted a net outflow of E85 million in the quarter ending December 2014 compared to a revised net inflow of E420.8 million in the preceding quarter.



**CENTRAL BANK OF SWAZILAND**



**Economic Policy, Research and Statistics Division**

Swaziland Economic Indicators at a glance

Sectors	Nov-14	Dec-14	Jan-15	Feb-15	Mar-15	Apr-15
<b>Overall Inflation</b>	6.6	6.2	5.6	5.0	4.7	4.9
Food	7.3	6.1	4.7	5.2	4.3	3.8
Transport	15.9	14.7	12.9	9.9	8.1	8.4
Other	4.7	4.8	4.8	4.1	4.3	4.8
<b>Money and banking</b>						
Narrow money annual growth (%)	-13.5	-3.5	12.3	14.0	7.1	9.2
Broad money annual growth (%)	0.3	3.9	8.4	6.2	1.8	7.5
Domestic credit (net) - E' Million	7 389.4	7 903.9	6 619.5	7 068.8	7 118.0	6 565.1
Government	-3345.1	-2965.0	-4147.2	-3823.2	-3534.7	-4077.7
Private sector	10734.5	10868.9	10766.7	10892.0	10652.7	10642.8
Private sector credit annual growth (%)	5.9	11.4	11.9	13.8	9.0	9.3
<b>Interest rates (% p.a)</b>						
Prime lending	8.75	8.75	8.75	8.75	8.75	8.75
Discount rate	5.25	5.25	5.25	5.25	5.25	5.25
Deposit rate - 31 days	1.94	1.94	1.94	1.94	1.94	1.94
- 12 months	3.24	3.24	3.24	3.24	3.24	3.24
- T. bill rate	6.38	6.38	6.38	6.38	6.39	6.24
<b>Ratios</b>						
Liquidity ratio (required = 20 %)	24.6	27.5	25.7	24.5	24.5	23.4
Loans/deposits ratio	91.4	92.5	92.1	95.4	95.0	89.1
Net foreign assets (E'million)	8 175.85	7 731.62	8 938.26	8 441.72	8 198.10	9 384.74
<b>Annual % change in NFA</b>	-3.2	-2.4	-1.9	-3.4	1.3	4.3
Gross official foreign reserves	8 025.39	7 916.084	8 739.641	8 455.327	8 107.676	8 617.731
<b>Annual % change in GOR</b>	-2.6	0.1	-4.8	-2.5	0.6	-1.1
In months of import cover	3.6	3.6	3.8	3.7	3.5	3.8
<b>Exchange Rates</b>						
US\$	11.09	11.47	11.51	11.59	12.07	12.01
EURO	13.85	14.15	13.47	13.17	13.07	12.95
GBP	17.52	17.94	17.50	17.76	18.08	17.95
<b>Public Finance</b>						
Total public external debt [E' million]	3 493.70	3 653.80	3 590.90	3 556.80	3 603.90	3 577.70
As a % of GDP	9.5	10.0	9.0	8.9	9.0	9.0
Total public domestic debt [E' million]	2905.8	2950.4	2992.0	3 105.90	3 050.20	3 059.80
As a % of GDP	7.9	8.1	7.5	7.8	7.7	7.8
Total public debt [E' million]	6 399.50	6 604.20	6 582.90	6 662.70	6 654.10	6 637.50
As a % of GDP	17.4	18.1	16.5	16.7	16.7	16.8

