

The Kingdom of Swaziland



Major Highlights

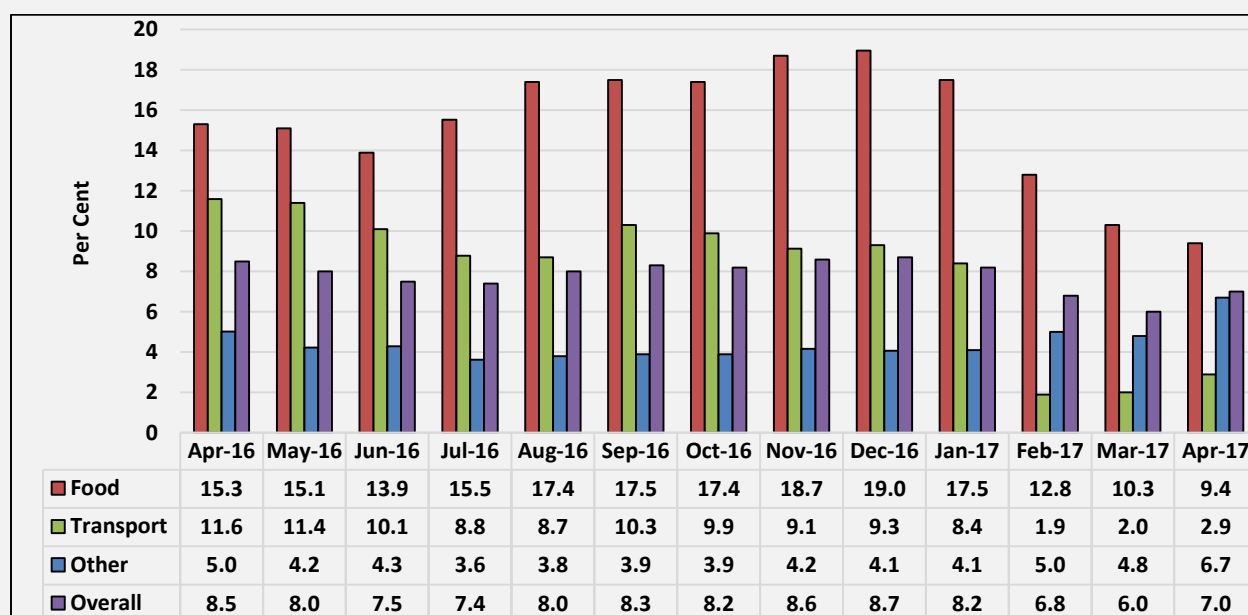
❖ Annual consumer inflation increased to 7.0 per cent in April 2017 from 6.0 per cent in March 2017.	Inflation rate (% y/y)	7.0 (Apr) ↑
❖ Discount and prime lending rates remained unchanged in May 2017.	Prime Lending (%)	10.75
	Discount rate (%)	7.25
❖ During the month of May 2017, the external value of the Lilangeni produced mixed results against major currencies.	Exchange rate (US\$)	13.29 (May) ↓
❖ Credit to the Private Sector amounted to E12.6 billion at the end of April 2017, higher than the E12.5 billion recorded at the end of March 2017.	Private Sector Credit (% y/y)	7.8 (Apr) ↑
❖ Broad Money Supply (M2) rose by 2.0 per cent (m/m) at the end of April 2017 to settle at E14.7 billion.	Broad Money (M2) (% y/y)	9.4 (Apr) ↑
❖ Gross Official Reserves stood at E7.4 billion at the end of May 2017, 9.4 per cent lower than the E8.2 billion recorded in April 2017.	Reserves (months of import cover)	3.5 (May) ↓
❖ At the end of May 2017, preliminary debt figures indicate that total public debt stood at E11.2 billion, higher than the E10.69 billion recorded in April 2017.	Total Public Debt (% to GDP)	19.2 (May) ↑
❖ In the first quarter of 2017, the merchandise trade account recorded a narrow surplus of E919.6 million when compared with the E1.558 billion surplus in the last quarter of 2016.	Trade Balance (% of GDP)	1.6 (Mar) ↓

NB: The table shows the most recent available data.

1 Inflation developments

After three months of moderation, overall consumer inflation increased to 7.0 per cent in April 2017 up from a 14-month low of 6.0 per cent recorded in March 2017. The uptick in consumer prices was mainly driven by increases in the prices of housing and utilities. The index for ‘housing and utilities’ grew by 8.3 per cent in April 2017 compared to 3.7 per cent the previous month. This acceleration mainly resulted from an increase in housing rentals and increases in electricity and water tariffs effected in April 2017. Food inflation retreated to single digits for the first time in 15 months, recording 9.4 per cent in April 2017 from 10.3 per cent the previous month. This reflects that the negative effects of drought that prevailed throughout 2016 continues to fade as favourable rains led to a better harvest for 2016/17 season. Prices for ‘actual rentals’ rose by 6.8 per cent whilst electricity prices rose by 18 per cent on a year-on-year basis following a 15 per cent increase in electricity tariffs effected in April 2017. Further increases were noted in the price indices for ‘transport’ and ‘recreational and culture’. These indices grew by 0.9 and 0.4 of a percentage point respectively.

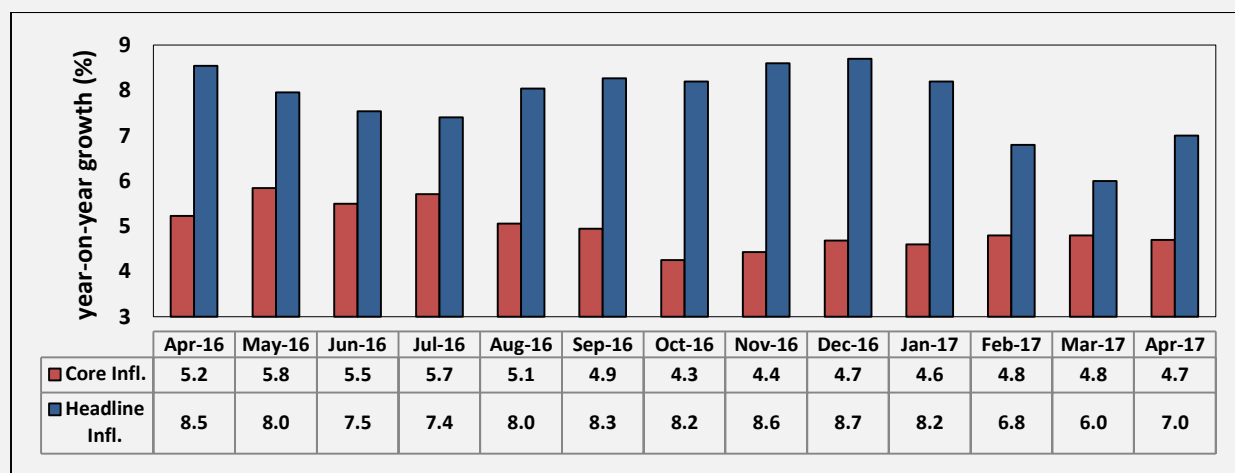
Figure 1: Inflation Trends; April 2016 to April 2017



Source: Central Statistical Office

On month-on-month rates, consumer inflation rose significantly by 2.8 per cent largely due to increases in the price index for ‘housing and utilities’ following increases in utility tariffs as well as increases in prices for ‘actual rentals’. Other increases were noted in the price indices for ‘food and non-alcoholic beverages’ which rose by 1.5 per cent; ‘communication’ which rose by 1.1 per cent; and ‘recreation and culture’ which rose by 1.2 per cent. Marginal month-on-month decreases were observed in the price indices for ‘clothing and footwear’ and ‘restaurants and hotels’.

Figure 2: Headline versus Core Inflation; April 2016 to April 2017



Source: Central Bank of Swaziland

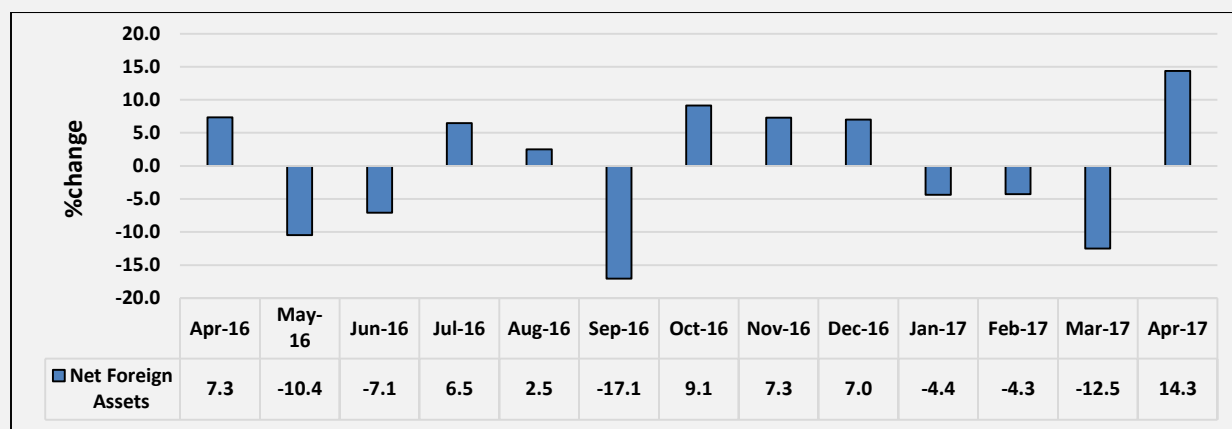
Core inflation, which is measured as the CPI excluding food and non-alcoholic beverages, auto-fuel and energy grew by 6.1 per cent in April 2017 up from 4.6 per cent the previous month. This was in line with the observed increase in non-food inflation.

Money Supply and Banking Developments

Net Foreign Assets depicted a monthly growth of 14.3 per cent at the end of April 2017 to close at E8.1 billion, an improvement from the E7.1 billion observed in March 2017. The expansion was registered in both Net Foreign Assets of the Official Sector and those of Other Depository Corporations. Net Official Assets amounted to E7.0 billion at the end of April 2017 representing a 14.6 per cent increase. The Assets recovered from the decline of 3.0 per cent recorded in the previous month. The growth was mainly boosted by the quarterly inflow of Southern African Customs Union revenue at the beginning of April 2017. Net Foreign Assets of Other Depository Corporations rose by 12.7 per cent to reach E1.1 billion at the end of April 2017, due to growth in their investment in the Common Monetary Area (CMA) coupled with higher Rand holdings over the review month.

In Special Drawing Rights (SDRs), Net Foreign Assets settled at SDR444.2 million as at the end of April 2017, higher than SDR390.5 million recorded in March 2017. Compared year-on-year, Net Foreign Assets in Emalangen terms contracted by 13.6 per cent and by 4.5 per cent in SDRs.

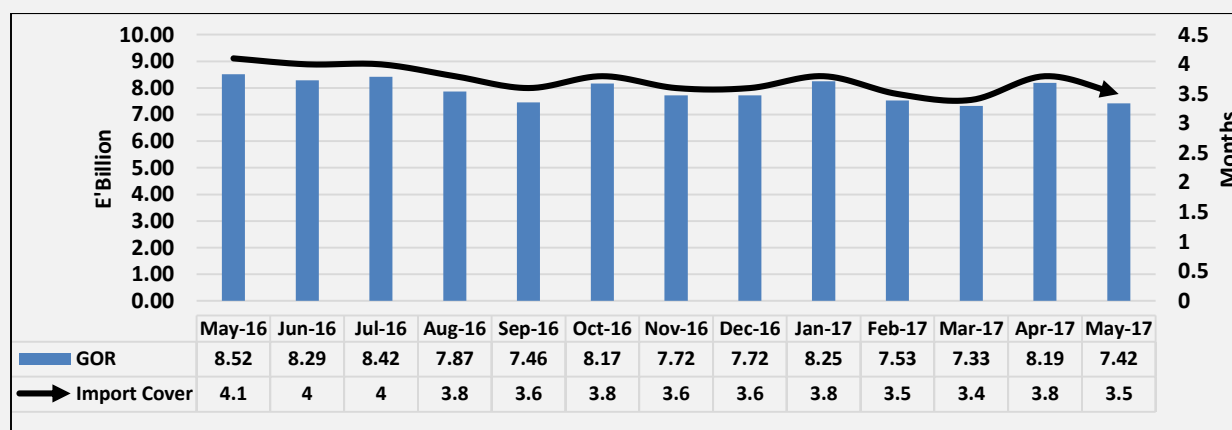
Figure 3: Net Foreign Assets Monthly Changes: April 2016 to April 2017



Source: Central Bank of Swaziland

Gross Official Reserves stood at E7.4 billion at the end of May 2017 reflecting a contraction of 9.4 per cent from April 2017. Consequently, the import cover was at 3.5 months, down from 3.8 months recorded in April 2017. When valued in Special Drawing Rights (SDRs), the Reserves amounted to SDR407.8 million at the end of May 2017, reflecting a month-on-month contraction of 9.4 per cent. Over the year, the Reserves shrank by 12.8 per cent when valued in Emalangeni terms but in SDRs terms rose by 5.9 per cent.

Figure 4: Gross Official Reserves and Import Cover: May 2016 to May 2017

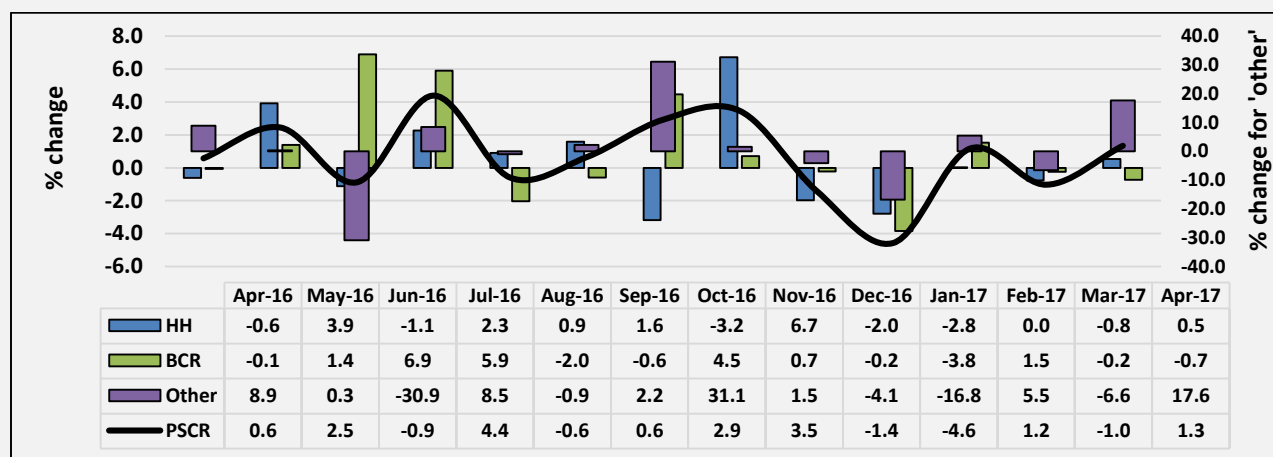


Source: Central Bank of Swaziland

Credit Extended to the Private Sector rose by 1.3 per cent as at the end of April 2017 to E12.6 billion, higher than the E12.5 billion observed in March 2017. The monthly increase was observed in all components of private sector credit with the exception of credit to businesses. When compared over the year, private sector credit grew by 7.8 per cent. Credit extended to businesses fell by 0.7 per cent from the previous month to settle at E5.7 billion at the end of April 2017. The subdued growth emanated from lower credit demand by these subsectors; Distribution and Tourism (-14.9 per cent), Real Estate (-1.8 per cent) as well as Agriculture and Forestry (-0.7 per cent). These reductions were against the back of growth in the following sectors;

Community, Social and Personal Services (16.8 per cent), Construction (3.7 per cent), Transport and Communication (2.6 per cent). Credit extended to Other Sectors reached E1.2 billion at the end of April 2017, representing increase of 17.6 per cent from the decline of 1.0 per cent recorded in March 2017. The increase was mainly discernible in these subsectors; Other Financial Corporations (23.8 per cent), Local Government (15.5 per cent) and Public Nonfinancial Corporations (5.2 per cent).

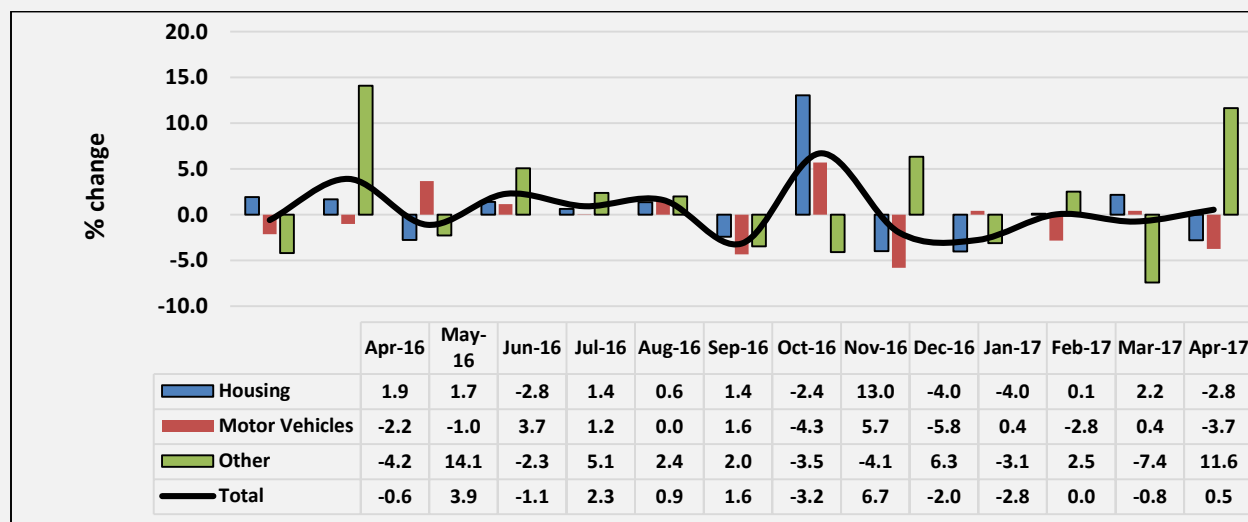
Figure 5: Private Sector Credit Monthly Changes; April 2016 to April 2017



Source: Central Bank of Swaziland

Credit Extended to Households & Non-Profit Institutions Serving Households (NPISH) amounted to E5.8 billion at the end of April 2017, depicting month-on-month growth of 0.5 per cent. The increase was mainly driven by Other Unsecured Loans which rose by 11.6 per cent over the month under review. Motor vehicle finance contracted by 3.8 per cent to E1.3 billion and mortgage finance by 2.8 per cent to E2.9 billion.

Figure 6: Household Credit Monthly Changes: April 2016 to April 2017



Source: Central Bank of Swaziland

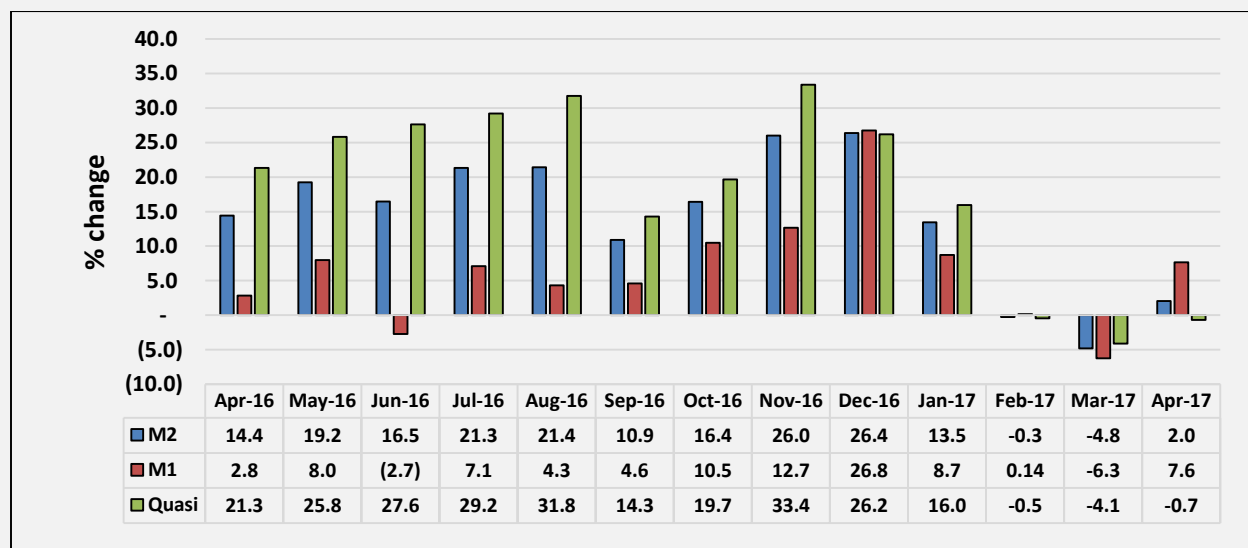
Net Government Balances with Other Depository Corporations expanded by 69.2 per cent month-on-month to E1.4 billion as at the end of April 2017, mainly boosted by the SACU receipts stated above. Consequently, Government deposits rose by 11.9 per cent offsetting a fall of 1.3 per cent in claims on Government. When compared over the year, Government balances decelerated by 50.8 per cent.

Broad Money Supply (M2) depicted an upturn of 2.0 per cent from the preceding month to settle at E14.7 billion at the end of April 2017. The rise was mainly observed in Narrow Money Supply (M1) whilst Quasi Money Supply depicted a fall over the review period. Compared over the year M2 grew by 9.4 per cent.

M1 amounted to E5.1 billion at the end of April 2017 reflecting a month-on-month growth of 7.6 per cent, mainly driven by transferable demand deposits. Currency Outside Depository Corporations on the other hand contracted by 0.1 per cent to E593.9 million.

Quasi Money Supply receded by 0.7 per cent at the end of April 2017 to close at E9.6 billion, lower than the E9.7 billion observed in March 2017. The decline was observed in both its components; Savings Deposits and Time Deposits. Consequently, Savings Deposits receded by 1.8 per cent to E1.7 billion whilst Time Deposits recorded a decline of 0.4 per cent to E7.9 billion.

Figure 7: Money Supply Monthly Changes; April 2016 to April 2017

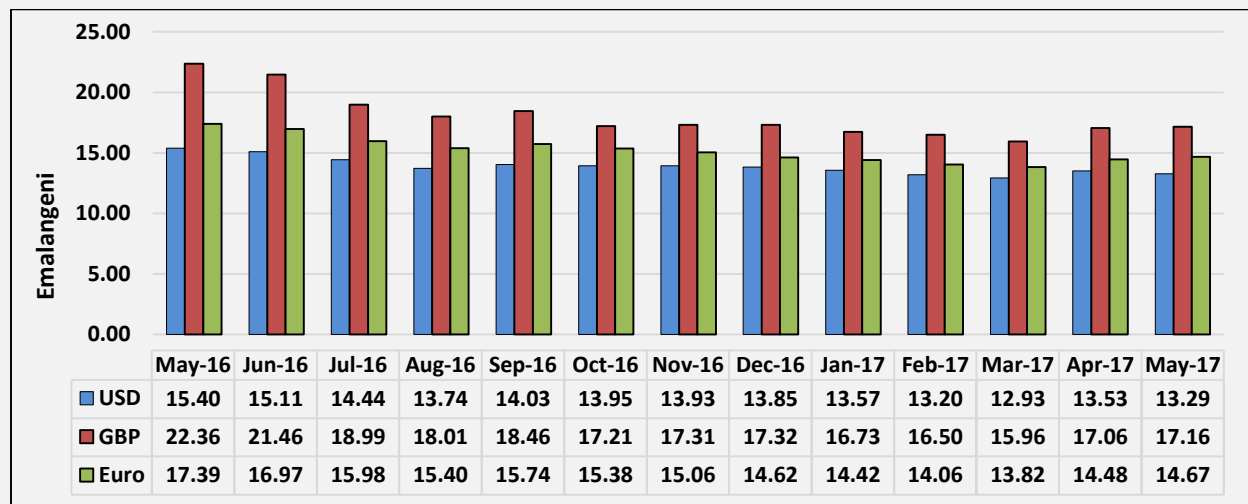


Source: Central Bank of Swaziland

On average, the performance of the exchange rate was mixed against the major currencies over the period ended May 2017. Compared to April 2017, the local unit strengthened by 1.8 per cent to average E13.29 to the US dollar while it depreciated by 0.6 per cent to average E17.16 against the Pound Sterling and by 1.3 per cent to average E14.67 to the Euro. The strengthening of the Lilangeni against the US dollar benefited from the continued unease political developments in the United States coupled with the US Federal Reserve

Bank’s decision to leave interest rates unchanged within the range 0.75 to 1 per cent. Growing efforts to bring closure to the political crisis in South Africa also helped to keep demand for emerging market currencies steady. The local unit ended the period under review at E13.08 to the US dollar, E16.76 to the Pound Sterling and E14.64 to the Euro

Figure 8: Average Exchange Rates; May 2016 to May 2017



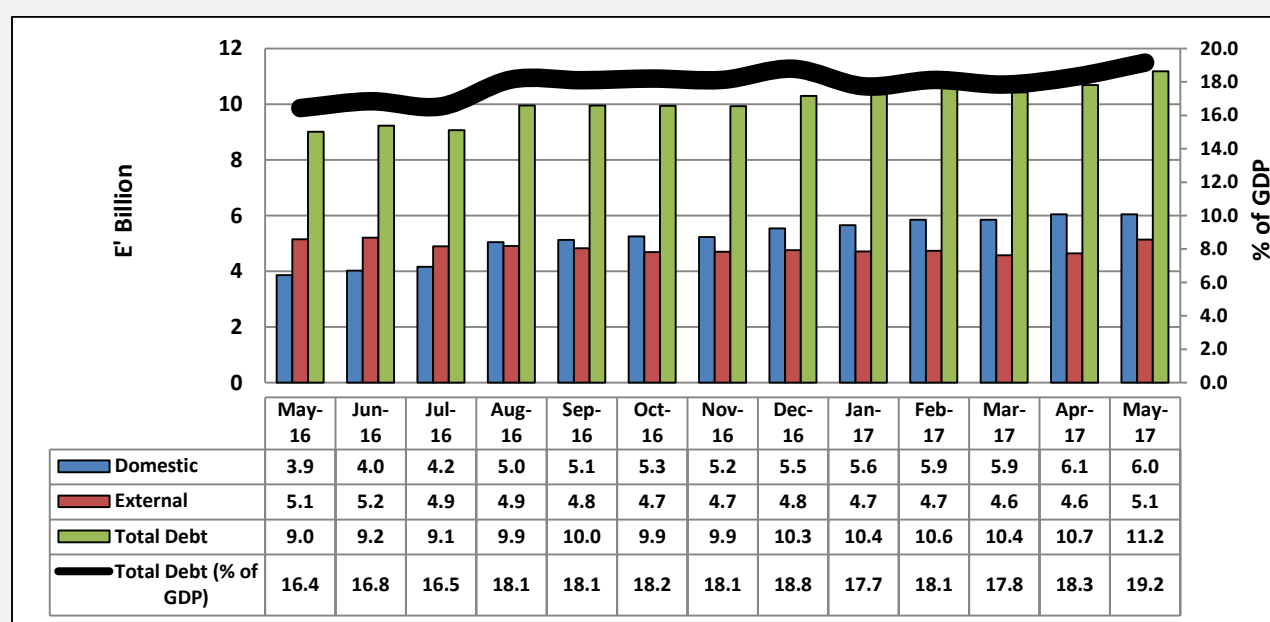
Source: Central Bank of Swaziland

Public Debt

Preliminary figures for the end of May 2017 indicate that total public debt stood at E11.2 billion, an equivalent of 19.2 per cent of GDP. This reflects an increase of 5 per cent from what was recorded in April 2017. The increase is mainly as a result of drawdowns made on foreign loans.

External debt as at end of May, 2017 stood at E5.14 billion, an equivalent of 8.8 per cent of GDP. This indicates a marginal increase from E4.64 billion reported in April 2017. The increase can mainly be attributed to drawdowns made against foreign project loans over the review period.

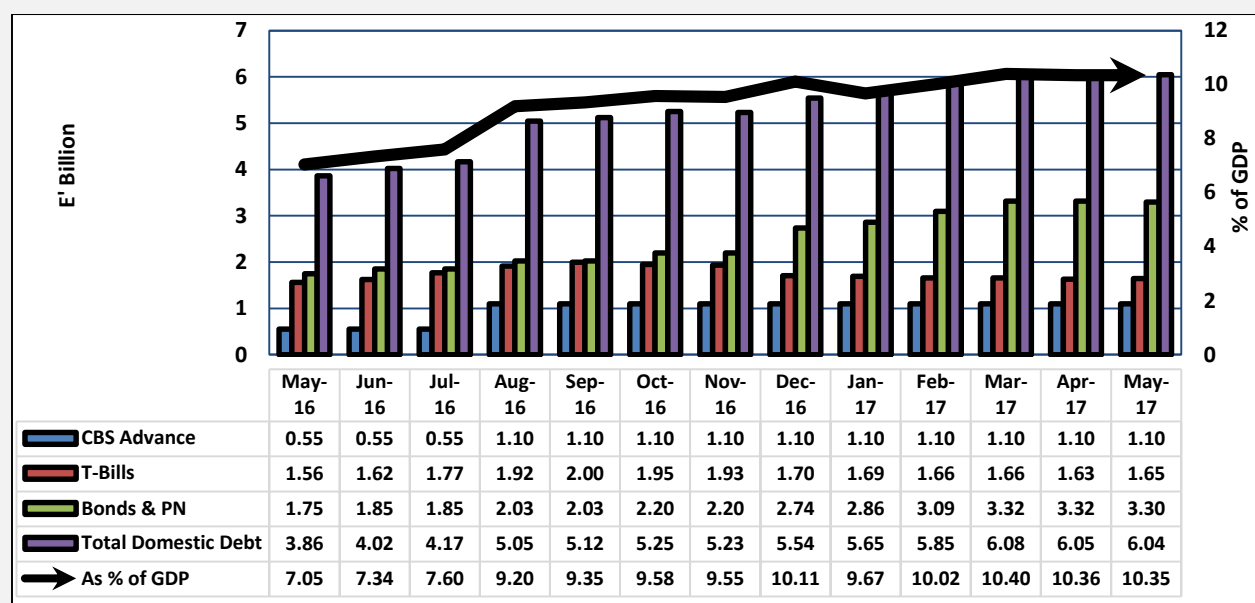
Figure 9: Total Public Debt: May 2016 to May 2017



Source: Ministry of Finance and Central Bank of Swaziland

Domestic debt stood at E6.04 billion as at the end of May 2017, an equivalent of 10.35 per cent of GDP. This figure indicates that domestic debt has remained fairly stable over the month under review when compared to E6.05 billion that was recorded in April 2017.

Figure 10: Public Domestic Debt; May 2016 to May 2017



Source: Ministry of Finance and 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: Government Securities Outstanding by Holder as at 31 May, 2017 (E' Million)

Holder	Treasury Bills	Government Bonds	Promissory Notes	CBS Advance	Total	Share of Holdings (%)
CBS	2.3	0	0	1 100.0	1 102.3	18.24
Commercial banks	1 305.8	856.8	0	0	2 162.6	35.78
NBFIs	236.3	2 162.0	0	0	2 398.3	39.68
Other	102.3	114.4	164.5	0	381.2	6.31
Total	1 646.7	3 133.2	164.5	1 100.0	6,044.4	100

Source: Ministry of Finance and Central Bank of Swaziland

The Central Bank will on behalf of government issue a 7 –year bond amounting to E150 million at the end of June 2017. The coupon rate will be fixed at 10.25 per cent.

The External Sector

In the first three months of 2017, the merchandise trade account recorded a narrow surplus of E919.6 million when compared with the E1.558 billion surplus in the last quarter of 2016. This was mainly due to a large decline in exports from Swaziland to the world while imports declined at a slower pace relatively. Earnings from merchandise exports fell by a significant 18.7 per cent quarter-on-quarter in the first quarter to E5.626 billion. This was a turnaround from the 17.7 per cent increase in export proceeds in the previous quarter compared to the 3.9 per cent growth a year earlier.

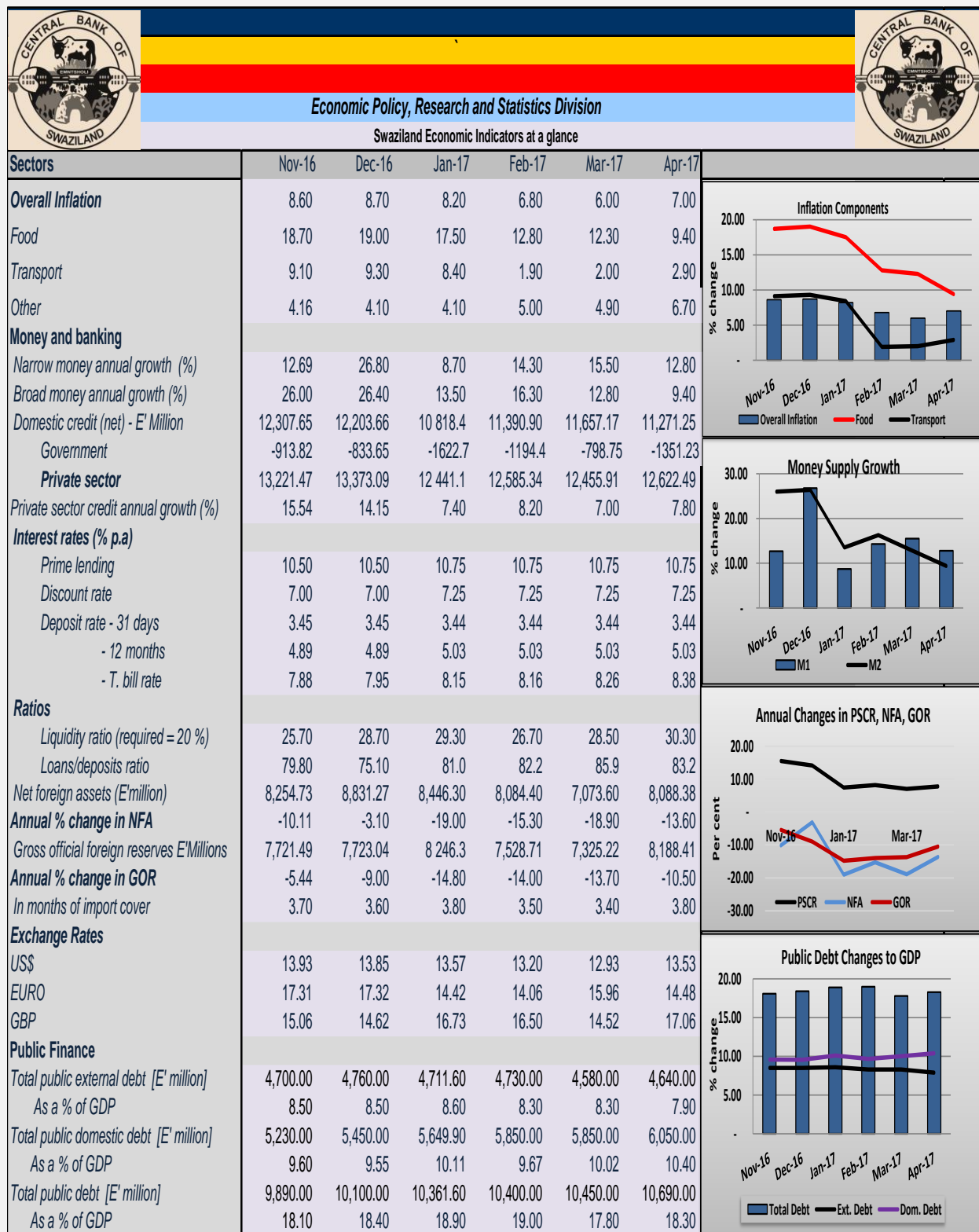
The fall in total exports during the quarter is attributable to reported declines in export earnings received from products of chemical or allied industries, sugar exports and textiles and textile products. Merchandise imports payments dropped by 12.7 per cent quarter-on-quarter to E4.707 billion in the first quarter after a 3.4 per cent increase in the previous quarter. The import bill for fuel fell by 9.7 per cent to E540.2 million in the first quarter following a 1.8 per cent increase in the previous quarter. Fuel imports however grew by 19.3 per cent from a year earlier.

The machinery, appliances and electrical materials category of imports also registered a quarterly decline of 10.7 per cent to E507.6 million in the first quarter. Of the 21 Harmonized System (HS) categories, only one category recorded an increase during the period. This development is partly explained by the favourable exchange rate of the Lilangeni against major currencies. A year-on-year comparison, however shows that total imports rose by 4.3 per cent in the first quarter of 2017.

Table 2: Goods by HS Sections and Chapters as at 31st March 2017 (E' Million)

(In millions of Emalangeni)		Exports (fob)			Imports (cif)		
CN code and Descriptions		2016Q3	2016Q4	2017Q1	2016Q3	2016Q4	2017Q1
1	Live animals; animal products	35.1	20.8	25.0	139.7	161.5	150.8
2	Vegetable products	68.7	23.8	25.0	421.7	447.2	346.2
3	Edible oils	0.9	0.2	0.1	61.9	43.7	41.6
4	Prepared Foodstuffs; Beverages; Tobacco	1,779.2	1,723.2	1,560.6	431.5	510.4	425.4
5	Mineral products	51.5	61.7	88.4	718.0	705.0	637.2
6	Products of chemical or allied industries	2,666.1	3,713.9	2,711.0	755.9	803.2	671.7
7	Plastics, rubber and articles thereof	29.1	27.0	21.6	328.5	302.4	250.7
8	Leather and their articles	2.0	1.3	3.0	10.9	14.6	12.0
9	Wood and articles of wood	343.4	323.0	314.8	104.9	62.0	53.6
10	Paper and their articles	47.9	116.5	65.8	137.8	206.0	180.7
11	Textiles and textile articles	736.9	762.1	670.4	434.1	411.8	442.5
12	Footwear	0.2	0.3	1.0	90.5	87.7	59.7
13	Articles of stone, ceramic and glass	10.7	8.9	7.3	74.0	67.1	53.1
14	Pearls, precious stones, metals etc.	0.5	1.3	0.2	8.8	10.7	4.2
15	Base metals and articles of base metal	14.2	13.9	18.0	380.2	320.2	316.7
16	Machinery, appl. and electrical materials	45.1	78.2	63.6	601.7	568.6	507.6
17	Vehicles and other transport means	12.3	14.4	12.3	523.2	332.8	310.4
18	Optical, photo, musical instruments	0.5	0.4	1.0	76.2	90.1	73.3
19	Arms and ammunition	0.0	0.1	0.0	1.0	1.6	0.5
20	Miscellaneous manufactured articles	34.3	29.9	36.0	195.2	152.6	117.2
21	Works of art, antiques and other	3.9	1.7	1.6	55.8	65.1	51.9
	Total	5,882.5	6,922.5	5,626.6	5,551.3	5,364.3	4,707.0

Source: Ministry of Finance and Central Bank of Swaziland



NB: The table shows data up to the end of April 2017 for consistency.