The Kingdom of Swaziland

November 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 6.6 percent in November 2014 from 6.3 percent recorded in October 2014.***
- ***Discount and prime rates remained unaltered at 5.25 percent and 8.75 percent respectively in November 2014.***
- ***Private sector credit waned by 0.9 percent (m/m) over the month of October2014 to E10.5 billion.***
- ***Gross official reserves E8 billion depicting a 3.7 percent decline from October 2014.***
- ***At the end of November 2014 total public debt stood at E6.40 billion equivalent to 17.4 percent of GDP.***
- ***Swaziland's overall balance of payments position slipped to an overall deficit of E628.6 million the quarter ending June 2014.***

Variable	Rate
GDP growth rate (%)	2.8 (2013)
Discount rate (%)	5.25
Prime Lending (%)	8.75
Inflation rate (% y/y)	6.6 (Nov)↑
Exchange rate (US$)	11.09 (Nov)↑
Private Sector Credit (% y/y)	13.7 (Oct)↑
Broad Money (M2) (% y/y)	8.6 (Oct)↑
Reserves (*months of import cover*)	3.8 (Nov)↓
Total Public Debt (*% to GDP*)	17.4(Nov)↓

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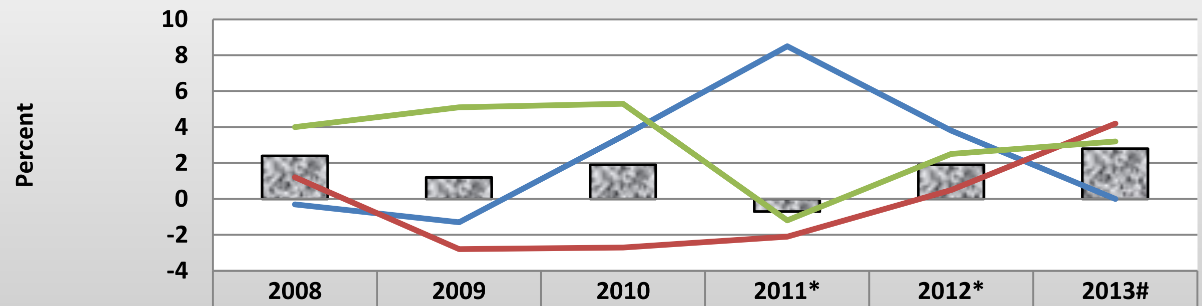
Domestic Economy

➢ Real GDP Growth

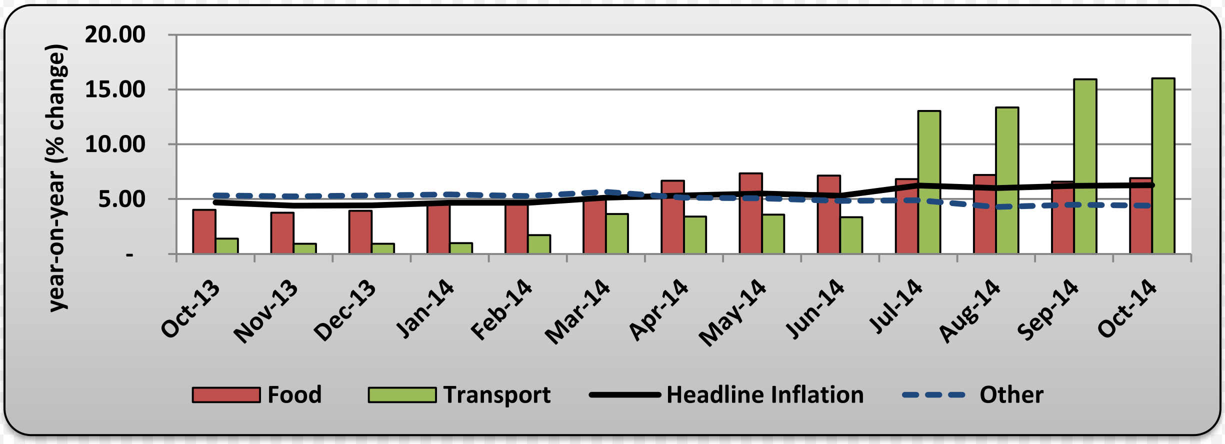


	2008	2009	2010	2011*	2012*	2013#
Overall	2.4	1.2	1.9	-0.7	1.9	2.8
Primary	-0.3	-1.3	3.5	8.5	3.8	0
Secondary	1.2	-2.8	-2.7	-2.1	0.5	4.2
Tertiary	4	5.1	5.3	-1.2	2.5	3.2

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 benefited from improvements in the secondary and tertiary sectors. The primary sector is estimated to have remained muted in 2013, despite continued 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 maintained an upward trend recording 6.3 percent in October 2014 from 6.2 percent in September 2014. The slight increase was mainly a result of increases in food and transport inflation. The price index for 'food and non-alcoholic beverages' grew by 6.9 percent in October compared to 6.9 percent in September. The notable rise in food inflation was mainly driven by increases in prices of bread, meat and pasta products. Transport inflation rose by 0.1 of a percentage point to 16.0 percent in October 2014 mainly due to increases in spare parts and accessories for personal transport equipment. Further increases were noted in the price index for clothing and footwear which grew by 7.9 percent in October compared to 7.6 percent the previous month. The above increases were slightly counteracted by slower increases in the price indices for 'housing and utilities' and 'furnishing and household equipment'. The housing and utilities index slowed to 2.5 percent in October 2014 from 2.6 percent in the previous month mainly benefitting from decreases in the price of solid fuels. On the other hand, the price index for 'furnishing and household equipment' grew by 5.5 percent in October 2014 compared to 5.9 percent in the previous month, due to decreases in the prices of small tools and miscellaneous accessories.

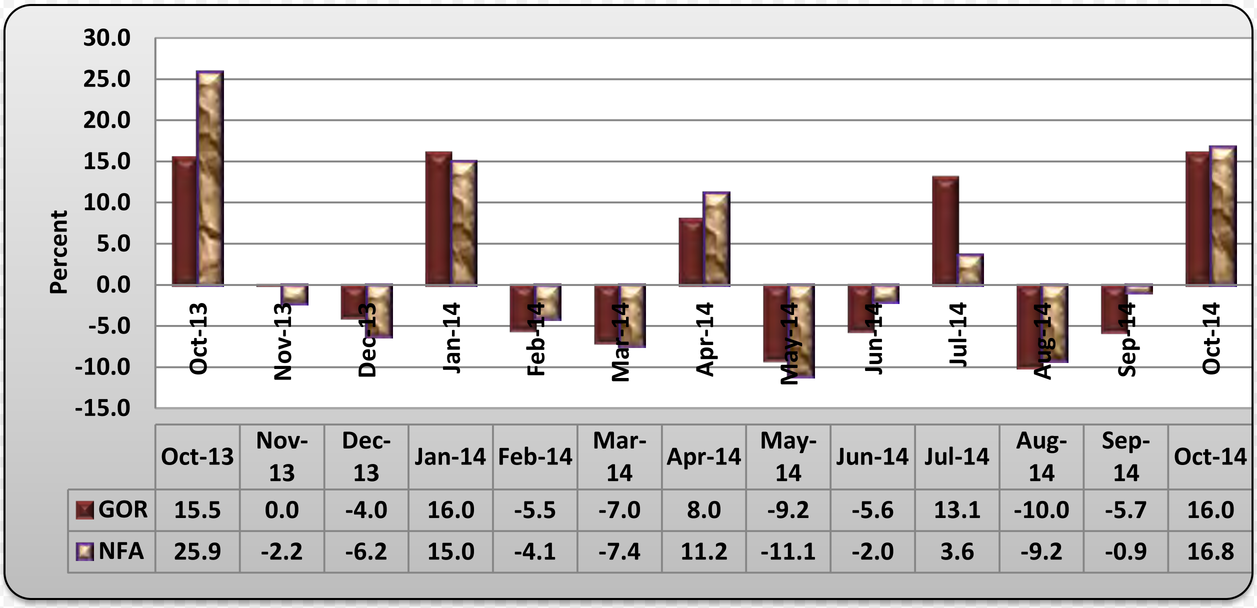


On month-on-month basis, consumer prices rose by a slower rate of 0.1 percent in October 2014 compared to 0.5 percent recorded in September 2014. A notable increase of 1.2 percent was observed in the price index for 'clothing and footwear'. This increase was partially offset by decreases in the price indices for 'alcoholic beverages and tobacco' and 'miscellaneous goods and services'.

Money Supply and Domestic Demand

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

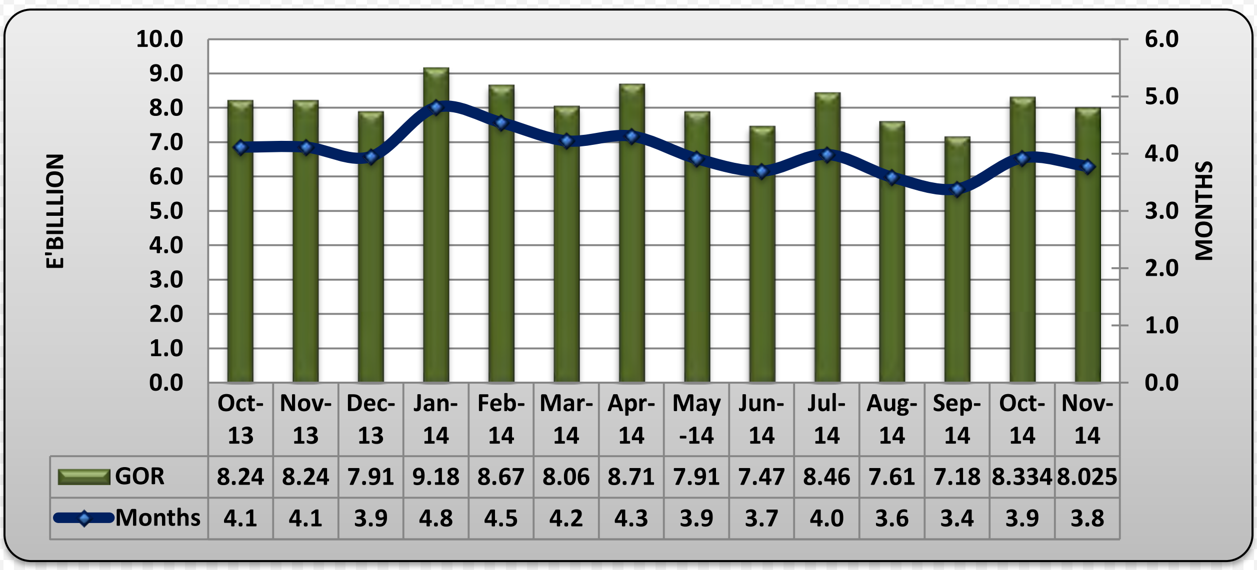
Over the month ended October 2104, net foreign assets grew by 16.8 percent to E8.5 billion, while gross official reserves rose by 16 percent. The increase in NFA was mainly on account of net foreign assets of the official sector which rose by 18.2 percent to E7.5 billion. The growth in net official assets was mainly due to the inflow of the Southern African Customs Union (SACU) revenue at the beginning of the review month. Commercial banks' net foreign assets also reflected an increase of 7.3 percent to close at E1.0 billion mainly driven by a rise in their foreign assets during the month.



	Oct-13	Nov-13	Dec-13	Jan-14	Feb-14	Mar-14	Apr-14	May-14	Jun-14	Jul-14	Aug-14	Sep-14	Oct-14
GOR	15.5	0.0	-4.0	16.0	-5.5	-7.0	8.0	-9.2	-5.6	13.1	-10.0	-5.7	16.0
NFA	25.9	-2.2	-6.2	15.0	-4.1	-7.4	11.2	-11.1	-2.0	3.6	-9.2	-0.9	16.8

When valued in Special Drawing Rights (SDRs), net foreign assets expanded by 21.1 percent to SDR526.6 million. Over the year, net foreign assets contracted by 1.2 percent when valued in Emalangeni terms and fell by 6.5 percent when valued in SDR terms.

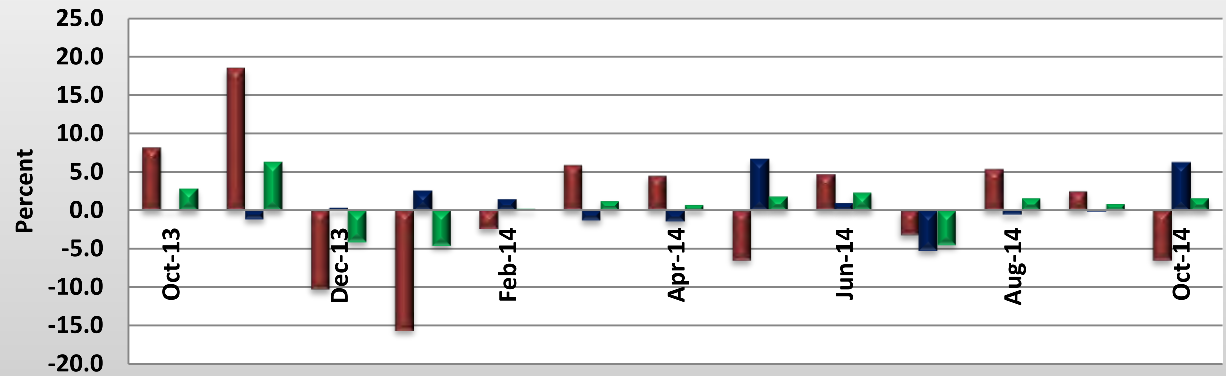
- ***Gross Official Reserves and months of import cover***



	Oct-13	Nov-13	Dec-13	Jan-14	Feb-14	Mar-14	Apr-14	May-14	Jun-14	Jul-14	Aug-14	Sep-14	Oct-14	Nov-14
GOR	8.24	8.24	7.91	9.18	8.67	8.06	8.71	7.91	7.47	8.46	7.61	7.18	8.334	8.025
Months	4.1	4.1	3.9	4.8	4.5	4.2	4.3	3.9	3.7	4.0	3.6	3.4	3.9	3.8

Gross official reserves amounted to E8 billion at the end of November 2014, depicting a 3.7 percent decline from the E8.3 billion recorded in October 2014. The contraction was mainly on account of payments of government's budgetary obligations over the review month. The reserves were enough to cover an estimated 3.8 months of imported goods and services, slightly lower than the 3.9 months cover recorded in October 2014. Over the year, gross official reserves fell by 2.6 percent while the import cover depicted a fall from the 4.1 months cover recorded in November 2013.

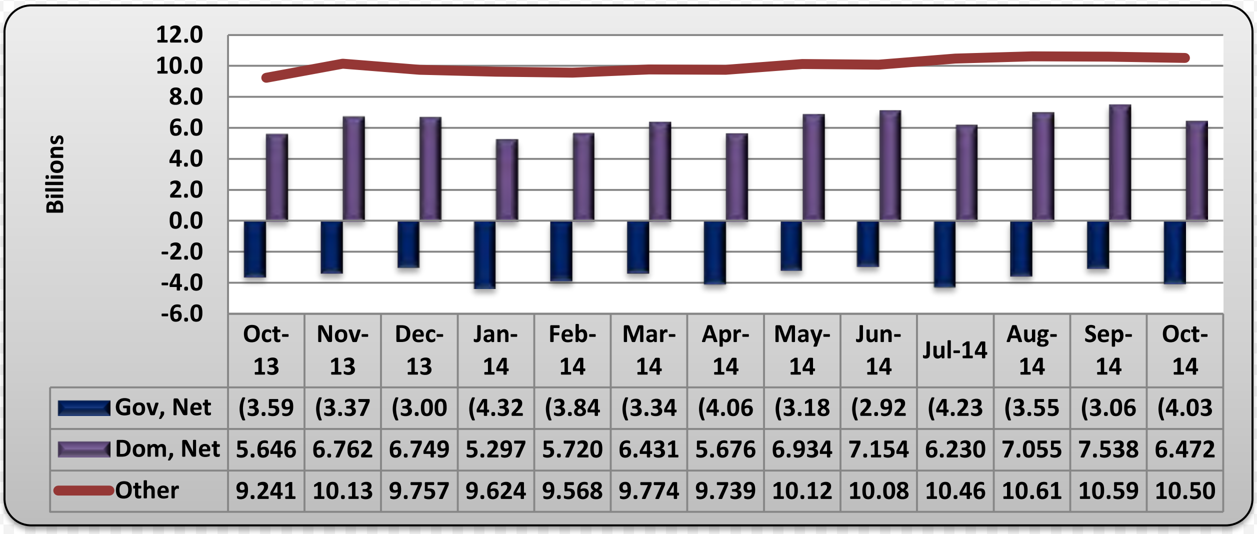
- ### *Money supply (monthly growth)*



	Oct-13	Nov-13	Dec-13	Jan-14	Feb-14	Mar-14	Apr-14	May-14	Jun-14	Jul-14	Aug-14	Sep-14	Oct-14
M1	8.2	18.5	-10.3	-15.6	-2.4	5.9	4.5	-6.5	4.7	-3.2	5.4	2.5	-6.5
Quasi	0.1	-1.1	0.4	2.6	1.5	-1.3	-1.4	6.7	1.0	-5.2	-0.5	-0.1	6.3
M2	2.9	6.3	-4.1	-4.6	0.2	1.2	0.7	1.8	2.3	-4.5	1.6	0.9	1.6

Over the month ended October 2014, broad money supply increased by 1.6 percent to E11.3 billion on account of growth in quasi money which outpaced the fall in narrow money supply (M1). Quasi money supply rose by 6.3 percent to close at E7.4 billion. Further analysis of quasi money revealed that time deposits, the main driver in the growth of quasi money, expanded by 7.6 percent to E5.8 billion while savings deposits depicted moderate growth of 1.7 percent to settle at E1.6 billion. M1 on the other hand contracted by 6.5 percent to E3.8 billion. The fall in M1 was mainly on account of transferable deposits which declined by 7.8 percent to E3.3 billion. Currency outside depository corporations on the other hand depicted modest growth of 1.7 percent to E1.6 billion. Over the year, quasi money increased by 8.6 percent while M1 fell by 7.2 percent.

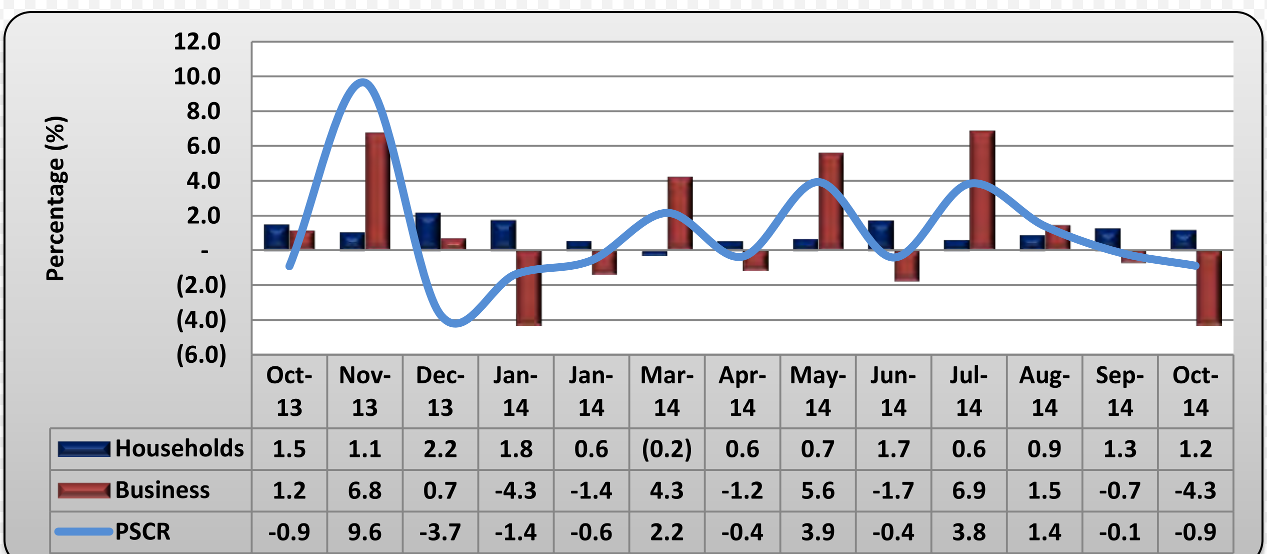
➢ *Net domestic claims (monthly changes)*



	Oct-13	Nov-13	Dec-13	Jan-14	Feb-14	Mar-14	Apr-14	May-14	Jun-14	Jul-14	Aug-14	Sep-14	Oct-14
Gov, Net	(3.59	(3.37	(3.00	(4.32	(3.84	(3.34	(4.06	(3.18	(2.92	(4.23	(3.55	(3.06	(4.03
Dom, Net	5.646	6.762	6.749	5.297	5.720	6.431	5.676	6.934	7.154	6.230	7.055	7.538	6.472
Other	9.241	10.13	9.757	9.624	9.568	9.774	9.739	10.12	10.08	10.46	10.61	10.59	10.50

Net domestic claims contracted by 14.1 percent to settle at E6.5 billion in the month of October 2014. The contraction in net domestic claims was a combined effect of a fall in claims on the private sector and an increase in net government balances within the banking system. Net government balances in the banking sector hiked by 31.8 percent to E4.0 billion. When compared on an annual basis, net government balances in the banking system grew by 12.1 percent while claims on the private sector grew by 13.7 percent.

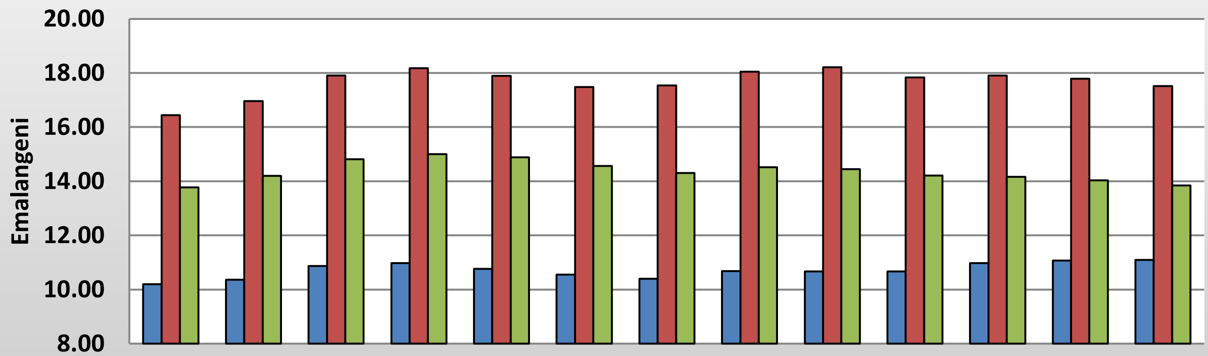
➢ *Private sector credit (monthly growth)*



	Oct-13	Nov-13	Dec-13	Jan-14	Jan-14	Mar-14	Apr-14	May-14	Jun-14	Jul-14	Aug-14	Sep-14	Oct-14
Households	1.5	1.1	2.2	1.8	0.6	(0.2)	0.6	0.7	1.7	0.6	0.9	1.3	1.2
Business	1.2	6.8	0.7	-4.3	-1.4	4.3	-1.2	5.6	-1.7	6.9	1.5	-0.7	-4.3
PSCR	-0.9	9.6	-3.7	-1.4	-0.6	2.2	-0.4	3.9	-0.4	3.8	1.4	-0.1	-0.9

Claims on the private sector waned by 0.9 percent over the month to E10.5 billion. The fall was largely attributed to claims on other non-financial corporations (Industry) over the review month. Claims on industry fell by 4.3 percent to close at E5.5 billion. The decrease was largely discernible in the 'sugar-cane' subsector of the 'agriculture & forestry' sector and the 'commercial & industrial' subsector of the 'construction' sector. Claims on the 'agriculture & forestry' sector declined by 20.2 percent while the 'construction' sector by 4.9 percent over the month ended October 2014. Claims on households and non-profit institutions serving households (NPISH) increased by 1.2 percent to E4.3 billion over the review month. The growth was driven largely by a rise in credit for housing (1.6 percent) and motor vehicles (1.4 percent) over the month.

- ***Exchange rates developments***



	Nov-13	Dec-13	Jan-14	Feb-14	Mar-14	Apr-14	May-14	Jun-14	Jul-14	Aug-14	Sep-14	Oct-14	Nov-14
USD	10.20	10.36	10.87	10.98	10.76	10.55	10.40	10.68	10.67	10.67	10.98	11.07	11.10
GBP	16.44	16.96	17.91	18.18	17.89	17.48	17.54	18.05	18.22	17.83	17.90	17.79	17.52
EURO	13.77	14.20	14.81	15.00	14.88	14.56	14.30	14.52	14.45	14.21	14.17	14.03	13.85

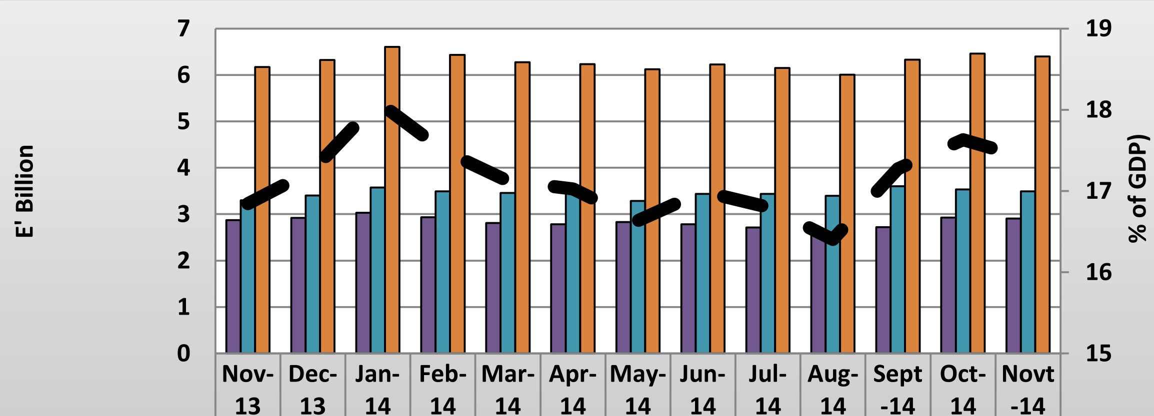
The Lilangeni/Rand's exchange rate performance against major currencies was mixed in the month of November 2014. The domestic unit averaged E11.09 against the US dollar in November 2014 falling from an average of E10.07 recorded in October 2014. The local unit remained above the E10 mark with volatility towards the E11 mark on unconfirmed news that the US Federal Reserve Bank was finally officially winding up its quantitative easing and that South Africa's medium term budget policy statement had revised growth figures downwards. The local unit ended the period under review at E10.99 to the US dollar, E17.28 to the Pound Sterling and E13.69 to the Euro showing a general fall as the European Union hold back on a stimulus programme.

The Fiscal Sector

➢ Fiscal Sector Developments

The Minister of Finance delivered the 2014/15 Medium Term Budget Review on 19 November 2014. Government Budget Deficit is now forecasted at 1.7 percent to GDP or E700 million, down from the 3 percent of GDP announced in the original budget. This has benefited from forecast of high revenue collection which is expected to exceed the budget by 3 percent. The Mid-Year Budget Review Report also indicates that revenue and budgeted expenditure are broadly on target. The wage bill (including pension contributions), however, remains high as it is estimated at E5.9 billion in 2014/15, 12 percent higher than the previous financial year.

➢ Total public debt as at 30 November 2014



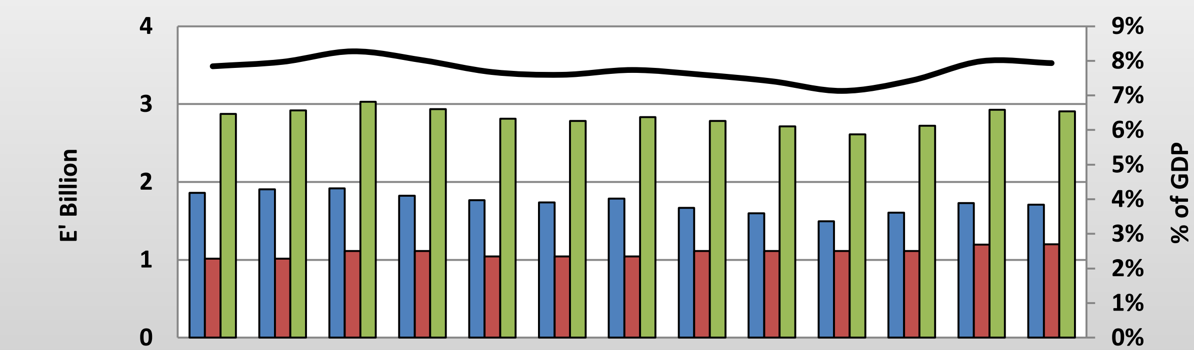
	Nov-13	Dec-13	Jan-14	Feb-14	Mar-14	Apr-14	May-14	Jun-14	Jul-14	Aug-14	Sept-14	Oct-14	Novt-14
Domestic	2.9	2.9	3.0	2.9	2.8	2.8	2.8	2.8	2.7	2.6	2.7	2.93	2.91
External	3.3	3.4	3.6	3.5	3.5	3.5	3.3	3.4	3.4	3.4	3.6	3.53	3.49
Total	6.2	6.3	6.6	6.4	6.3	6.2	6.1	6.2	6.2	6.0	6.3	6.46	6.40
% of GDP	16.8	17.3	18.1	17.5	17.1	17.0	16.6	17.0	16.8	16.4	17.3	17.6	17.4

Preliminary figures for the month ended November 2014, shows that total public sector debt decreased from the E6.46 billion recorded in October 2014. At the end of November 2014, total public debt stood at E6.40 billion, an equivalent of 17.4 percent to GDP. This represents a marginal decline of 0.9 percent from the E6.46 billion recorded the previous month. The decrease was mainly due to a low uptake of Treasury Bills during the period under review.

➢ Total public external debt as at 30 November 2014

As at end of November 2014, preliminary figures indicate that total public external debt stock (including public and publicly guaranteed debt) stood at E3.49 billion or 8.0 percent to GDP, almost unchanged from the previous month.

- ***Total public domestic debt as at 30 November 2014***



	Nov-13	Dec-13	Jan-14	Feb-14	Mar-14	Apr-14	May-14	Jun-14	Jul-14	Aug-14	Sep-14	Oct-14	Nov-14
T-Bills	1.9	1.9	1.9	1.8	1.8	1.7	1.8	1.7	1.6	1.5	1.6	1.7	1.7
Bonds	1.0	1.0	1.1	1.1	1.0	1.0	1.0	1.1	1.1	1.1	1.1	1.2	1.2
Total	2.9	2.9	3.0	2.9	2.8	2.8	2.8	2.8	2.7	2.6	2.7	2.9	2.9
% of GDP	7.8%	8.0%	8.3%	8.0%	7.7%	7.6%	7.7%	7.6%	7.4%	7.1%	7.4%	8.0%	7.9%

Total public domestic debt recorded E2.91 billion or 7.9 percent to GDP as at end of November 2014. This represents a decrease of 0.7 percent from the E2.93 billion recorded in October 2014. The falling domestic debt was primarily due to a decline in allotments for the 91 & 182 days Treasury Bills which also benefited from the maturity of a E50 million bond during the month. The decline was, nevertheless, counteracted by a re-opening of the 7-year bond during the month where E51.1 million was allotted. Of the outstanding domestic debt, E1.71 billion accounts for Treasury Bills while Government Bonds outstanding stood at E1.20 billion.

- ***Treasury Bills and Bonds analysis***

Commercial banks are still dominating participation in Government Securities followed by Non-Bank Financial Institutions (NBFIs), accounting for 52.3 and 34.6 percent, respectively. The Bank, on behalf of Government, continued with the issuance of Treasury Bills and Bonds during the month of November. The next issuance of a Government Bond which will be done in January 2015, where the 10-year Bond originally issued in January 2014 will be re-opened.

Table 1: Public Domestic Debt Outstanding By Holder As At November 30, 2014 (E'000)

Holder	Government Bonds	Treasury Bills	Total	Share of Holdings (%)
CBS	-	1,950	1,950	0.07
Commercial	433,822	1,084,599	1,518,421	52.25
Banks	475,944	529,211	1,005,155	34.59
NBFIs	288,214	92,090	380,304	13.09
Other				
Total	**1,197,980**	**1,707,850**	**2,905,830**	**100**

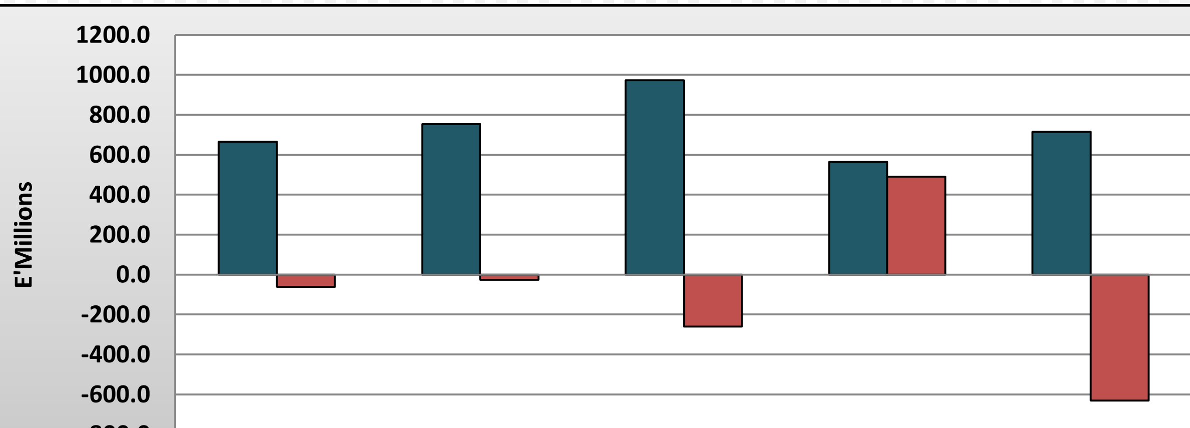
- ***Re-opened 7-year Bond***

On behalf of the Government of the Kingdom of Swaziland, the Central Bank of Swaziland re-opened the 7-year Government Bond SG017 originally issued on 31st October 2013. The Bond was re-opened on 25th November 2014 where E200 million was offered, taking the total amount issued under this series to E400 million. Total bids received amounted to E126.1 million, indicating a 63 percent subscription rate considering that E200 million had been offered. Of the bids received, E125 million was competitive whilst E1.1 million was on the non-competitive category. Commercial banks submitted the most bids at 99.1 percent followed by individuals at 0.9 percent. There were no bids received from Non-bank financial institutions. On allotments made, commercial banks had the largest share at 97.85 percent followed by individuals at 2.15 percent.

The External Sector

Swaziland's overall balance of payments position slipped to an overall deficit of E628.6 million the quarter ending June 2014, for the first time since March 2012. The major factor underlying was a turnaround in the financial account from a net inflow to a significant net outflow. The current account, however, remained in a surplus position during the second quarter of 2014. As a share of GDP the overall deficit is equivalent to 1.8 percent.

According to preliminary data, the current account recorded an improved surplus of E714.9 million in the second quarter of the year from a revised surplus of E563.2 million in the previous quarter. As a share of GDP the current account surplus is equivalent to 2.1 percent, rising from 1.6 percent in the quarter ending March 2014. The trade account shows a marginal 0.5 percent quarter-on-quarter improvement in the trade surplus to E438.6 million, while the services account posted a deficit of E1.358 billion in the second quarter of 2014. The income account recorded a deficit of E455.1 million in the second quarter of 2014, an improvement from an E869.0 million deficit in the previous quarter. The financial account recorded a deficit of E630.9 million following a net surplus of E490.4 million recorded in the quarter ended March the same year.



	June 2013	Sep-13	Dec-13	Mar-14	Jun-14
CURRENT	664.6	753.5	973.8	563.2	714.9
FINANCIAL	-62.1	-25.6	-260.9	490.4	-630.9

Exports of goods rose by 5.2 percent quarter-on-quarter to E4.819 billion during the second quarter, after a 19.5 percent decline in the first quarter. An annual comparison shows a 25.5 percent rise in export earnings from a much wider 32.0 percent during the first quarter. The trade account's impressive performance has been buoyed by stronger global demand and the weaker lilangeni against major world currencies. Earnings from exports of textiles rose by 12 percent quarter-on-quarter to E461.7 million, a positive turnaround from the 4.7 percent fall in the first quarter of the year. Exports of miscellaneous edibles dropped by a lower 7.4 percent, quarter-on-quarter to E2.093 billion in the quarter ending June, from a significant 21.9 percent decline in the first quarter. Mining export earnings reflect that the sector did not perform well, with export revenue registering a 10.3 percent quarter-on-quarter decline to E205.7 million following another 20.4 percent fall in receipts in the previous quarter. Sugar and sugar based products exports earnings fell wider by 18.9 percent quarter-on-quarter to E746.9 million after recording a 14.5 percent decline in the previous quarter. Merchandise imports recorded a 5.7 percent quarterly increase to E4.380 billion this compares to a 9.8 percent decline in the first quarter. Year-on-year, imports rose by 15.3 percent in the second quarter. Fuel imports, dominating the imports of goods during the period, grew by 7.2 percent to E724.0 million after recording a 5.6 percent decline in the first quarter reflecting rising international oil prices.

Foreign direct investment into Swaziland recorded a net outflow of E231.1 million in the quarter ending June 2014 compared to net inflows of E124.7 million in the previous quarter. This was, however, an improvement compared to the net outflow of E291.5 million recorded the same period in 2013.The net outflows in FDI liabilities was mainly driven by a reduction in reinvested earnings in the review period. Reinvested earnings fell by E329.3 million on net basis from a net increase of E417.0 million in the first quarter. Other capital liabilities, which comprise long-term and short-term capital financing among enterprises with FDI relationship, edged up by E23.5 million in the review quarter, a turnaround from the net decrease of E292.4 million realized the previous quarter. This position is explained by the net increase of E47.9 million associated with long-term financing among foreign direct investment enterprises, fellow enterprises and foreign direct investors against the net decrease of E24.4 million in short-term financing in the review period. A quarter-on-quarter analysis of the portfolio investment account indicates a turnaround to a net inflow of E168.0 million in the quarter ending June 2014 against a net outflow of E324.1 million realized in the previous quarter, while other investment liabilities recorded a net inflow of E594.3 million from a lower inflow of E129.1 million the previous quarter.

CENTRAL BANK OF SWAZILAND

Economic Policy, Research and Statistics Division

Swaziland Economic Indicators at a glance

Sectors	May-14	Jun-14	Jul-14	Aug-14	Sep-14	Oct-14
Overall Inflation	5.5	5.3	6.2	6.0	6.2	6.3
Food	7.4	7.2	6.8	7.2	6.6	6.9
Transport	3.6	3.4	13.0	13.4	15.9	16.0
Other	5.1	4.9	4.9	4.3	4.5	4.4
Money and banking						
Narrow money annual growth (%)	-2.0	15.4	-7.2	-6.9	7.4	-7.2
Broad money annual growth (%)	4.9	14.9	-0.1	0.0	4.0	2.6
Domestic credit (net) - E' Million	6 933.85	7 153.60	6 229.94	7 054.55	7 537.7	6 472.0
Government	-3187.6	-2926.1	-4235.5	-3557.1	-3059.8	-4031.6
Private sector	10121.4	10079.7	10465.4	10611.6	10597.4	10503.5
Private sector credit annual growth (%)	22.7	18.0	20.7	14.4	13.6	13.7
Interest rates (% p.a)						
Prime lending	8.5	8.5	8.75	8.75	8.75	8.75
Discount rate	5.0	5.0	5.25	5.25	5.25	5.25
Deposit rate - 31 days	1.81	1.81	1.94	1.94	1.94	1.94
- 12 months	2.97	2.97	3.24	3.24	3.24	3.24
- T. bill rate	6.37	7.00	6.00	6.23	6.52	6.51
Ratios						
Liquidity ratio (required = 20 %)	24.4	23.2	24.1	22.6	21.2	23.1
Loans/deposits ratio	93.5	89.1	96.1	95.9	95.2	92.6
Net foreign assets (E'million)	7 998.08	7 837.28	8 116.61	7 371.10	7 305.31	8 534.04
Annual % change in NFA	-4.4	14.5	-6.3	-5.6	6.5	-1.2
Gross official foreign reserves	7 912.61	7 472.95	8 461.90	7 619.16	7 183.05	8 334.27
Annual % change in GOR	6.7	6.5	5.4	0.9	0.7	1.1
In months of import cover	3.9	3.7	4.0	3.6	3.4	3.9
Exchange Rates						
US$	10.40	10.68	10.67	10.67	10.98	11.07
EURO	14.30	14.52	14.45	14.21	14.17	14.03
GBP	17.54	18.05	18.22	17.83	17.90	17.79
Public Finance						
Total public external debt [E' million]	3 288.60	3 440.00	3 439.70	3 396.00	3 604.30	3 531.50
As a % of GDP	8.9	8.9	9.4	9.3	9.8	9.6
Total public domestic debt [E' million]	2833.0	2783.0	2713.4	2611.5	2722.5	2926.5
As a % of GDP	7.7	7.6	7.4	7.1	7.4	8.0
Total public debt [E' million]	6 121.55	6 223.00	6 153.10	6 007.50	6 326.70	6 458.00
As a % of GDP	16.6	16.5	16.8	16.4	17.3	17.6