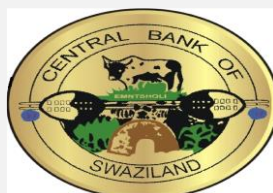


The Kingdom of Swaziland



Major Highlights

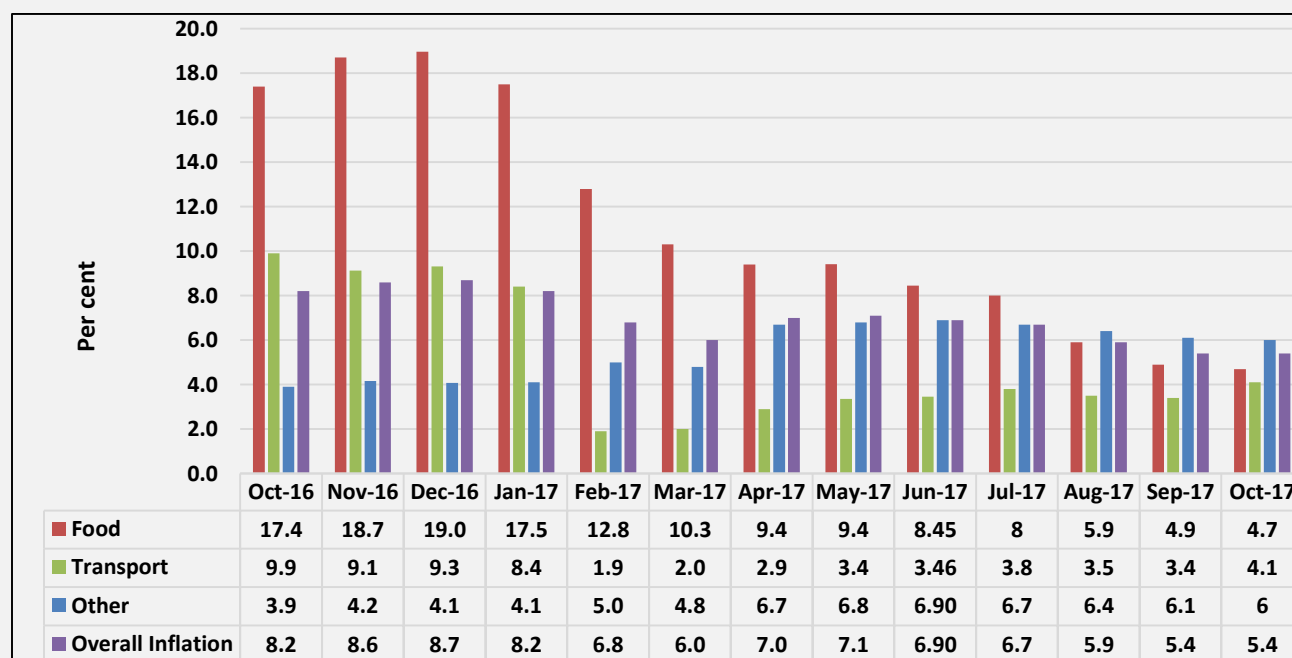
❖ <i>The country's headline inflation remained unchanged at 5.4 per cent in October 2017, same as in September 2017.</i>	Inflation rate (% y/y)	5.4 (Oct)
❖ <i>Discount and prime lending rates remained unchanged in November 2017.</i>	Prime Lending (%)	10.75
	Discount rate (%)	7.25
❖ <i>During the month of November 2017, the external value of the Lilangeni weakened against major currencies.</i>	Exchange rate (US\$)	14.09 (Nov) ↑
❖ <i>Credit Extended to the Private Sector depicted a negative turnaround from the rise of 5.8 per cent recorded in September 2017 to a reduction of 1.6 per cent at the end of October 2017.</i>	Private Sector Credit (% y/y)	5.9 (Oct) ↓
❖ <i>Broad Money Supply (M2) decelerated by 0.1 per cent on a monthly basis to close the review month at E17.1 billion.</i>	Broad Money (M2) (% y/y)	15.7 (Oct) ↓
❖ <i>Gross Official Reserves registered a month-on-month decline of 6.8 per cent at the end of October 2017 to close the review month at E7.9 billion.</i>	Reserves (months of import cover)	3.8 (Nov) ↓
❖ <i>Preliminary debt figures for the month ending 30 November 2017 indicate that total public debt stood at E12.7 billion, an equivalent of 21.8 per cent of GDP.</i>	Total Public Debt (% to GDP)	21.8 (Nov) ↑
❖ <i>The trade balance has been positive since July 2017, recording a 5 per cent month-on-month increase in October 2017.</i>	Trade Account (% of GDP)	0.63 (Oct) ↑

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. 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' recorded a deflation of 0.1 per cent in October 2017 compared to an increase of 1.6 per cent in September 2017. The index for 'miscellaneous goods and services', on the other hand, grew by 1.7 per cent in October 2017 compared to 3.1 per cent in the previous month.

Figure 1: Inflation Trends: October 2016 to October 2017



Source: Central Statistical Office

The above decreases were slightly counteracted by increasing rates of growth in the price indices for 'transport', 'furnishing and household equipment' and 'housing and utilities'. Transport inflation grew by 4.1 per cent in October 2017 from 3.4 per cent

recorded in September 2017, owing to the 50 cents/litre increase in fuel prices effected in October 2017. The price index for ‘furnishing and household equipment’ 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. An observed increase in the price index for ‘transport’ was the main driver of inflation, increasing by 0.7 of a percentage point between the two months under review. However, this increase was slightly counteracted by a decrease in the price index for ‘food and non-alcoholic beverages’, which decreased by 0.1 per cent in October 2017 from zero growth in the previous month.

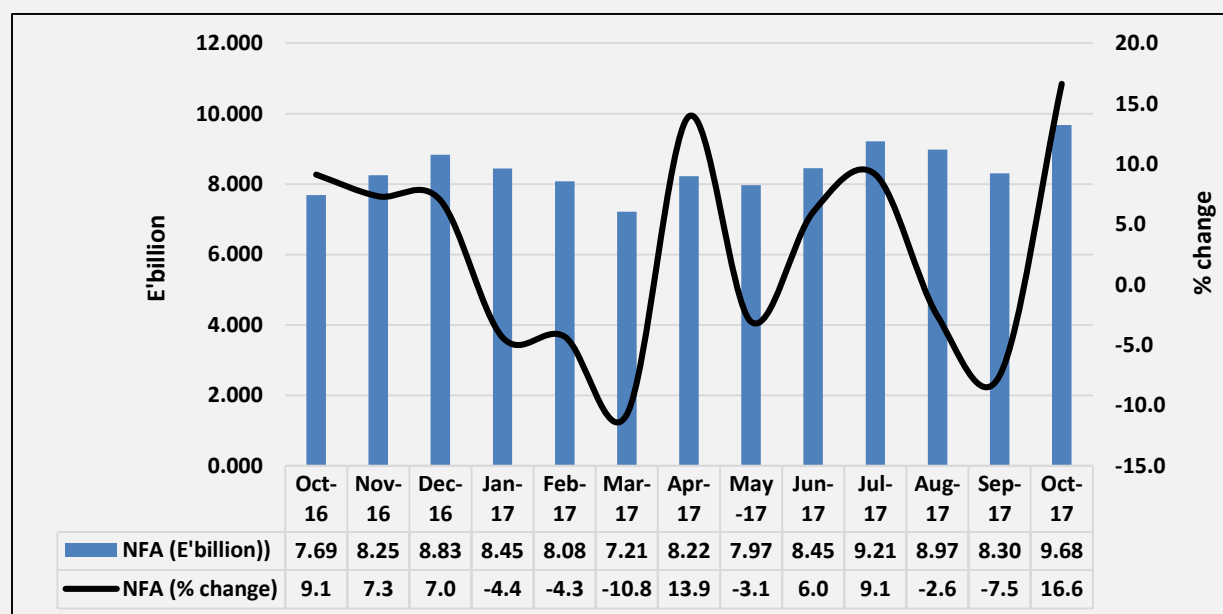
Core inflation, which is measured as the CPI excluding food and non-alcoholic beverages, auto-fuel and energy remained unchanged at 5.6 per cent in October 2017, same as it was in September 2017. On month-on-month rates, core inflation grew by 0.2 per cent in October 2017 compared to zero growth recorded in September 2017.

2 Money Supply and Banking Developments

Net Foreign Assets rebounded from a fall of 7.6 per cent recorded in September 2017 to a buoyant growth of 16.7 per cent at the end of October 2017. As a result, Net Foreign Assets rose from E8.3 billion in September 2017 to E9.7 billion at the end of October 2017. The expansion was mainly due to Net Foreign Holdings of both the Official Sector and Other Depository Corporations. Net Official Holdings accelerated by 20.7 per cent month-on-month to settle at E7.5 billion, mainly propelled by the quarterly Southern African Customs Union (SACU) revenues at the beginning of October 2017. Net Foreign Holdings of Other Depository Corporations trended in the same direction and rose by 4.8 per cent to close the review month at E2.2 billion. The growth was mainly driven by Other Depository Corporations investing their surplus funds in the Common Monetary Area (CMA) and abroad over the month under review. When compared with the same month in the previous year, Net Foreign Assets grew by 25.9 per cent.

In Special Drawing Rights (SDRs), Net Foreign Assets were valued at SDR488.1 million, reflecting a month-on-month growth of 12.0 per cent. When compared over the year, Net Foreign Assets in SDR terms increased by 18.2 per cent.

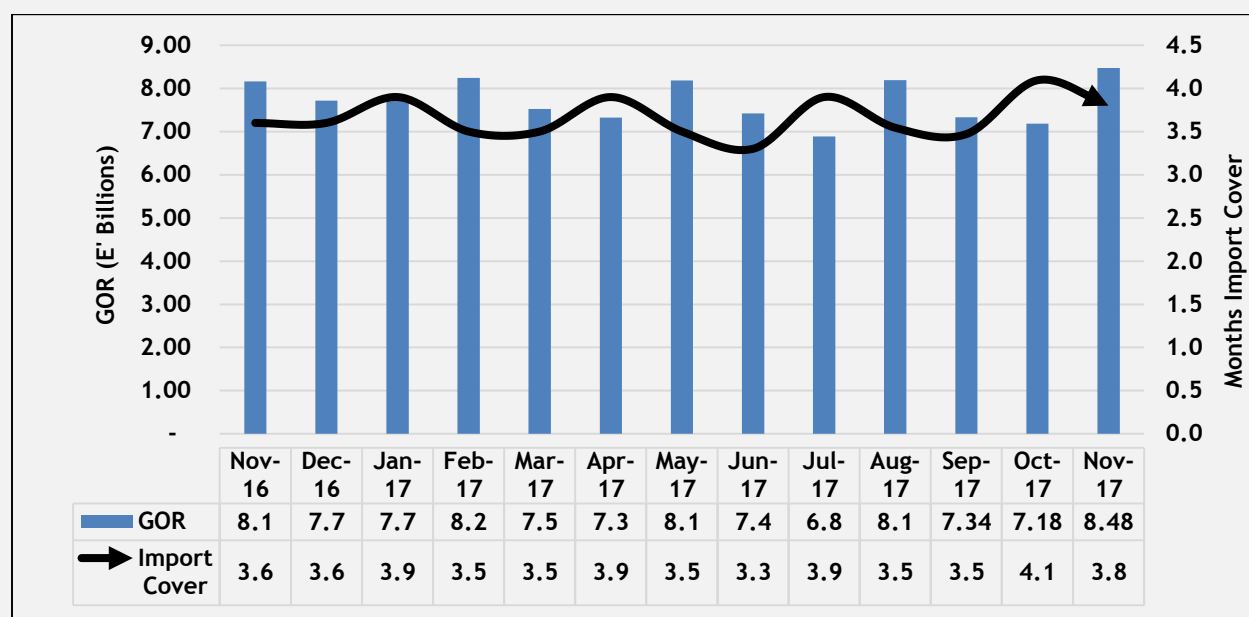
Figure 2: Net Foreign Assets Monthly Changes: October 2016 to October 2017



Source: Central Bank of Swaziland

Gross Official Reserves registered a month-on-month decline of 6.8 per cent at the end of October 2017 to close the review month at E7.9 billion. At this level the Reserves represented an import cover of 3.8 months lower than the 4.1 months registered in the previous month. When valued in Special Drawing Rights (SDRs), the Reserves went down from SDR427.3 million in October 2017 to SDR409.1 million at the end of November 2017. When compared year-on-year, the value of Reserves in Emalangeni terms grew by 2.3 per cent and by 0.5 per cent in SDRs terms.

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

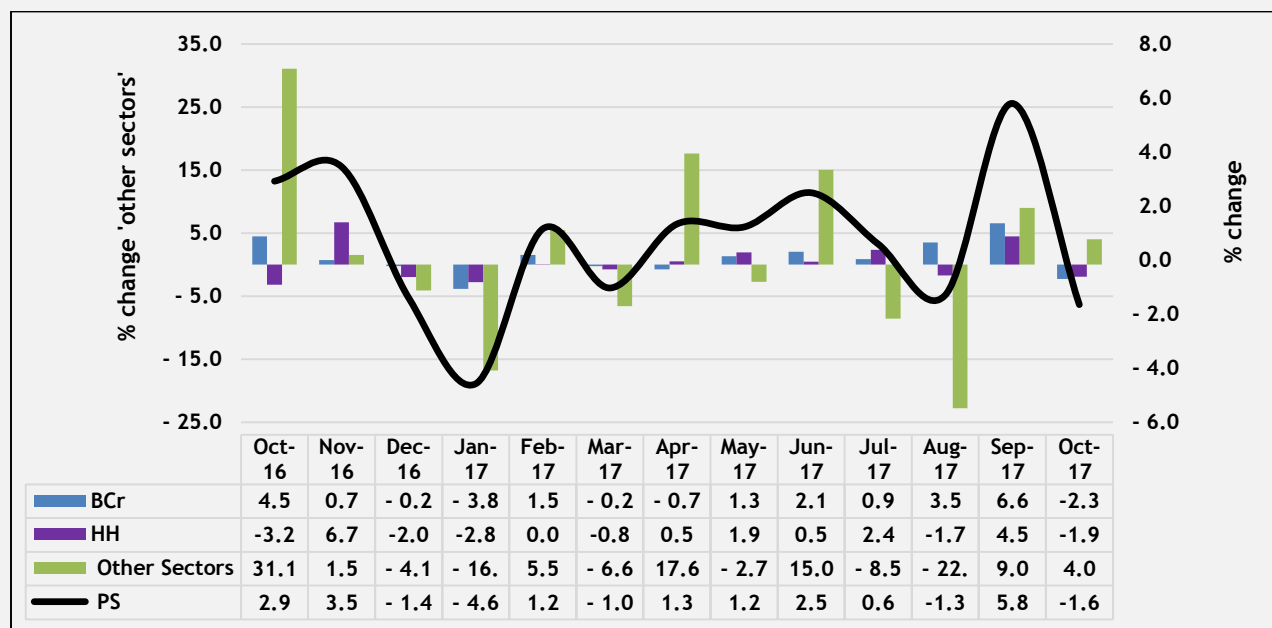


Source: Central Bank of Swaziland

Credit Extended to the Private Sector depicted a negative turnaround from the rise of 5.8 per cent recorded in September 2017 to a reduction of 1.6 per cent at the end of October 2017. As a result, credit to the Private Sector closed the month under review at E13.5 billion. The lacklustre performance in credit to the Private Sector emanated from lower credit to Businesses and Households & Non-Profit Institutions Serving Households (NPISH), which contrasted growth in credit to Other Sectors. Over the year, credit to the Private Sector grew by 5.9 per cent.

Credit Extended to Businesses amounted to E6.4 billion at the end of October 2017, down from E6.5 billion recorded in September 2017, depicting a month-on-month reduction of 2.3 per cent. This emanated from reduced borrowings by these sectors; Manufacturing (-33.8 per cent), Community, Social & Personal Services (-16.9 per cent), Agriculture & Forestry (-6.3 per cent), Construction (-2.3 per cent) and Real Estate (-0.1 per cent). On the contrary, growth was recorded in the following sectors; Transport & Communications (29.8 per cent), Distribution & Tourism (2.3 per cent) and Mining & Quarrying (1.3 per cent).

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



Source: Central Bank of Swaziland

Where; BCr: Credit Extended to Business

HH: Credit Extended to Households

PS: Private Sector Credit

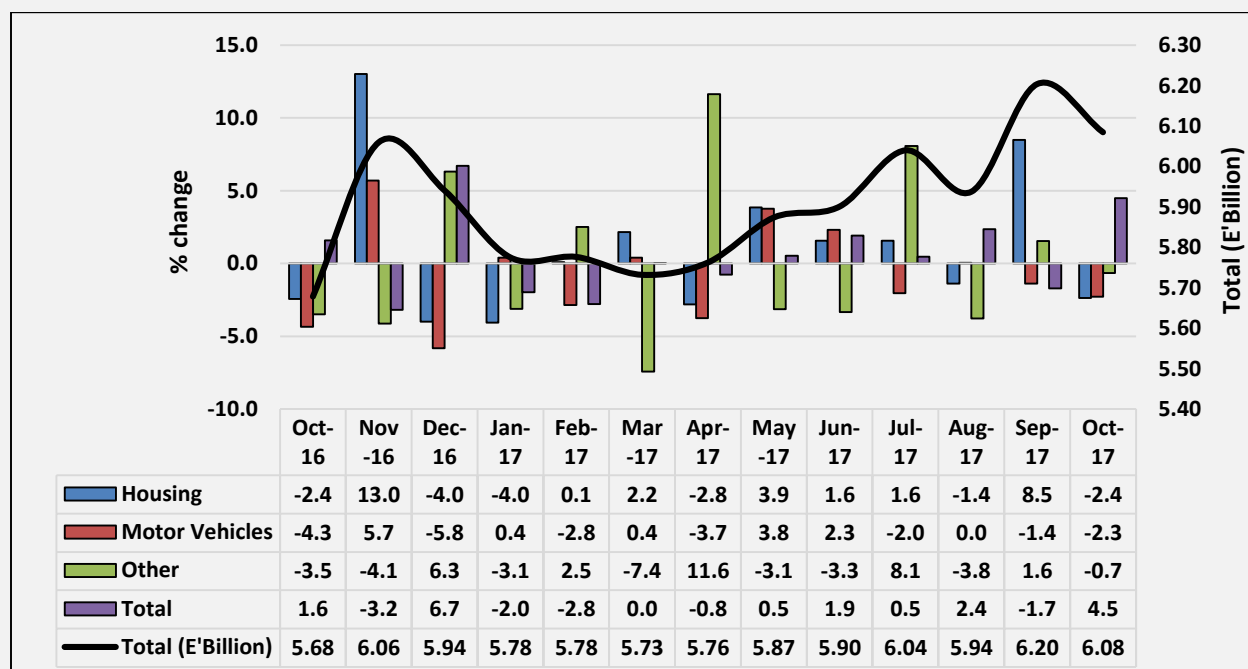
Credit Extended to Households & NPISH reached E6.1 billion at the end of October 2017, depicting a month-on-month contraction of 1.9 per cent. The slowdown was attributed to all the three components of credit to Households which are Mortgage Finance, Motor Vehicle Finance and Other (Unsecured) Loans. The declines were as

follows; Mortgage Finance (-2.4 per cent) to E3.3 billion, Motor Vehicle Finance (-2.3 per cent) to E1.3 billion and Other (Unsecured) Loans (-0.7 per cent) to E1.6 billion.

Credit Extended to Other Sectors improved by 4.0 per cent from E1.0 billion in September 2017 to E1.1 billion at the end of October 2017. The rise was observed in credit to these sectors; Other Financial Corporations (8.1 per cent) and Public Non-Financial Corporations (0.7 per cent) at the end of October 2017. Partially offsetting these increases was a reduction in credit to Local Government (-3.0 per cent).

Net Government Balances with the banking sector rose from E2.7 million in September 2017 to reach E1.2 billion at the end of October 2017, on account of the inflow of SACU receipts mentioned above. The rise was mainly reflected in Government deposits which grew by 33.7 per cent from a fall of 5.8 per cent observed in the previous month. However, year-on-year, net Government balances shrank by 21.6 per cent.

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

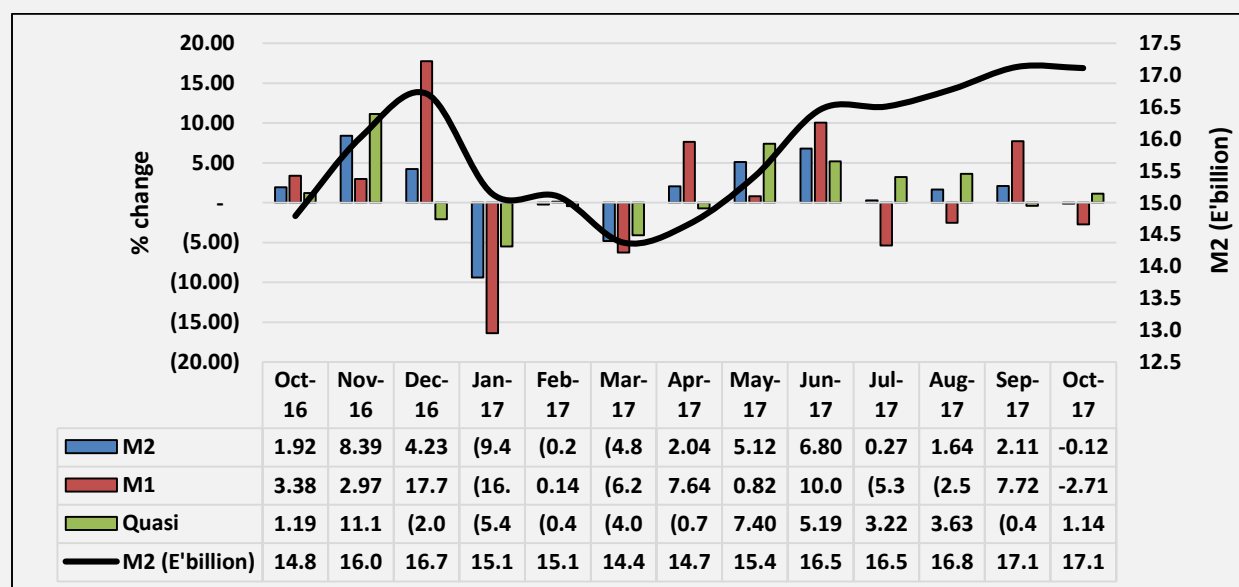


Source: Central Bank of Swaziland

Broad Money Supply (M2) decelerated by 0.1 per cent on a monthly basis to close the review month at E17.1 billion. The drop stemmed from Narrow Money Supply while Quasi Money Supply expanded over the review month. Compared over the year, M2 increased by 15.7 per cent. M1 receded by 2.7 per cent month-on-month to settle at E5.4 billion at the end of October 2017. The slowdown was mainly driven by both Currency Outside Depository Corporation and Transferable (Demand) Deposits. Currency Outside Depository Corporation shrank by 4.1 per cent to E669.7 million and Transferable (Demand) Deposits by 2.5 per cent to E4.8 billion.

Quasi Money Supply edged up by 1.1 per cent month-on-month to E11.7 billion at the end of October 2017, on account of both Time and Savings Deposits. As a result, Time Deposits increased by 1.2 per cent to close the review month at E10.0 billion. Savings Deposits grew by 0.9 per cent to reach E1.6 billion at the end of October 2017.

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



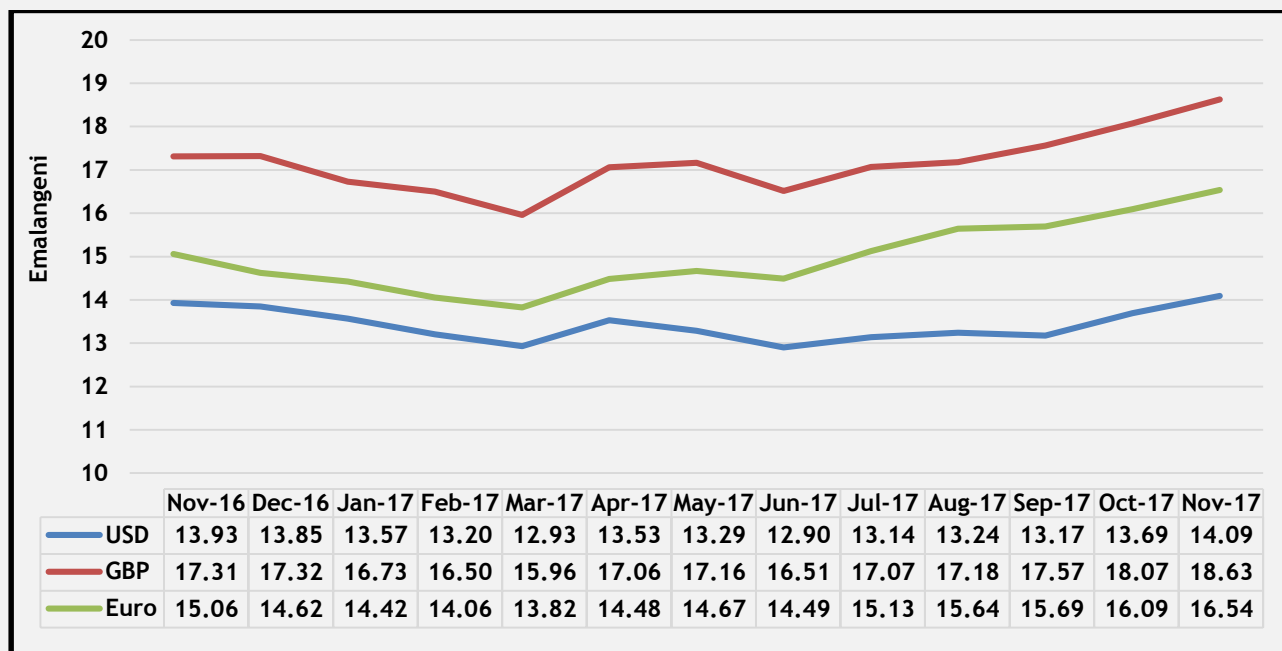
Source: Central Bank of Swaziland

During the month of November 2017, the exchange rate of the Lilangeni/Rand depreciated against the major currencies. Though the rand was weaker on average, in the last week of November, it showed some recovery against the major currencies.

The South African rand took a temporary knock from the latest South African credit rating that saw Moodys maintain its one notch above junk status rating, while Standard and Poors made one-notch local-currency downgrade to sub-investment grade. The upcoming RSA ruling party leadership elections in December 2017 and Moody’s ratings review in February 2018 is driving the trajectory of the local unit. Further exacerbating the weakness of the rand was appreciation in the US dollar following the progress in the tax reform discussions in the US and the third quarter GDP growth. The local currency depreciated by 2.9 per cent to end the period at an average of E14.09 against the dollar.

Against the Pound, the rand also depreciated by 3.1 per cent to average E18.63 in November 2017 as the Pound improved following the clarity in Brexit implementation. Though the Euro weakened against the US dollar and the Pound, the rand recorded a depreciation of 2.8 per cent in November 2017, ending the period at an average of E16.54.

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



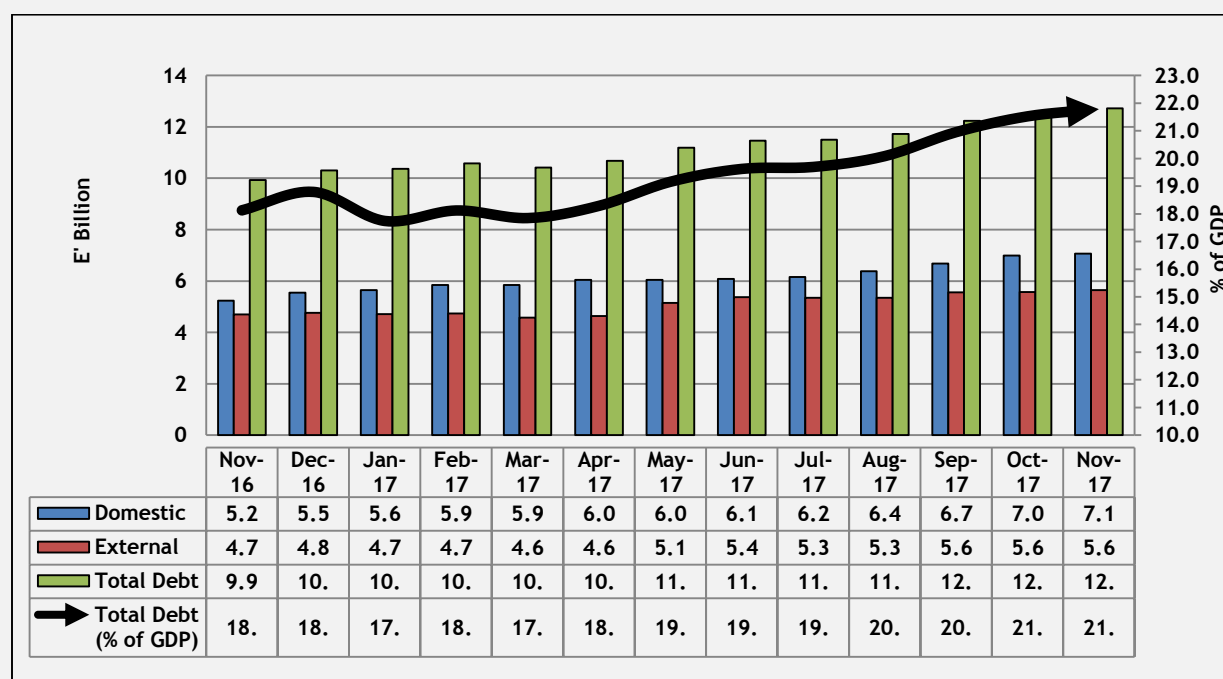
Source: Central Bank of Swaziland

3 Public Debt

Preliminary debt figures for the month ending 30 November 2017 indicate that total public debt stood at E12.7 billion, an equivalent of 21.8 per cent of GDP. This shows an increase of 0.8 per cent from E12.6 billion recorded in October 2017.

As at the end of November 2017, external debt stood at E5.6 billion, an equivalent of 9.7 per cent of GDP. This figure shows that external debt level has remained constant over the past three months. Despite a slight weakening of the Lilangeni against foreign major currencies over the past month, external debt remained stable.

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

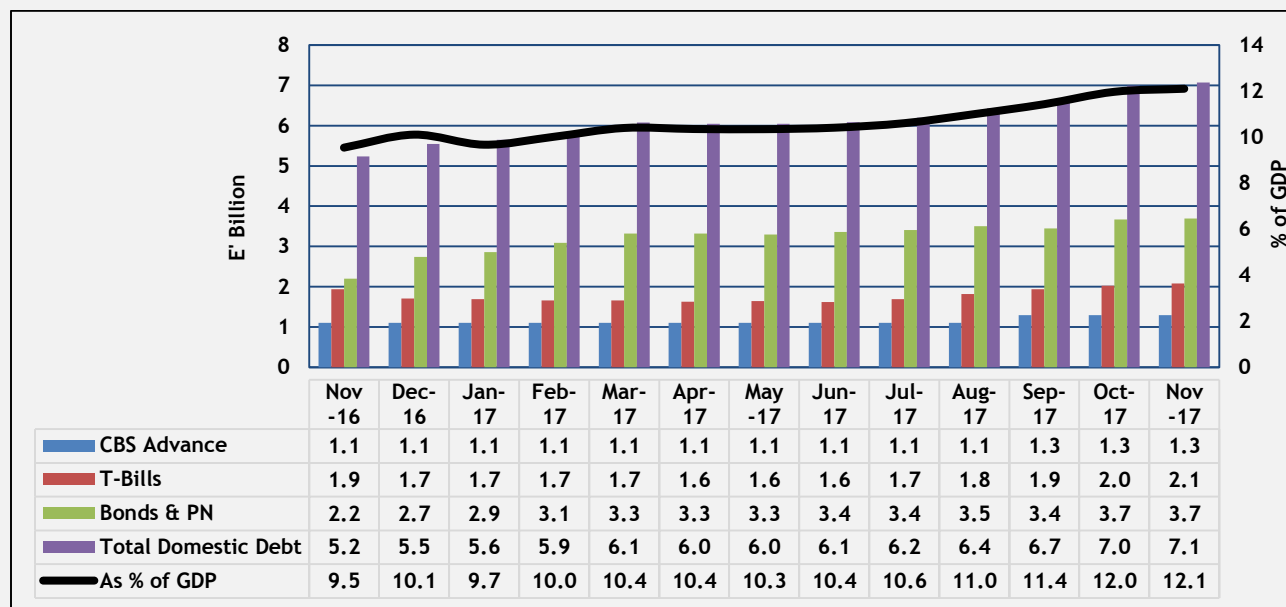


Source: Ministry of Finance and Central Bank of Swaziland

Domestic debt stood at E7.1 billion at the end of November 2017, an equivalent of 12.1 per cent of GDP. This indicates a marginal increase of 1.1 per cent over the past month when compared to E7.0 billion that was recorded in October 2017. The increase

is due to a slight improvement in the absorption of Treasury Bills in the month under review.

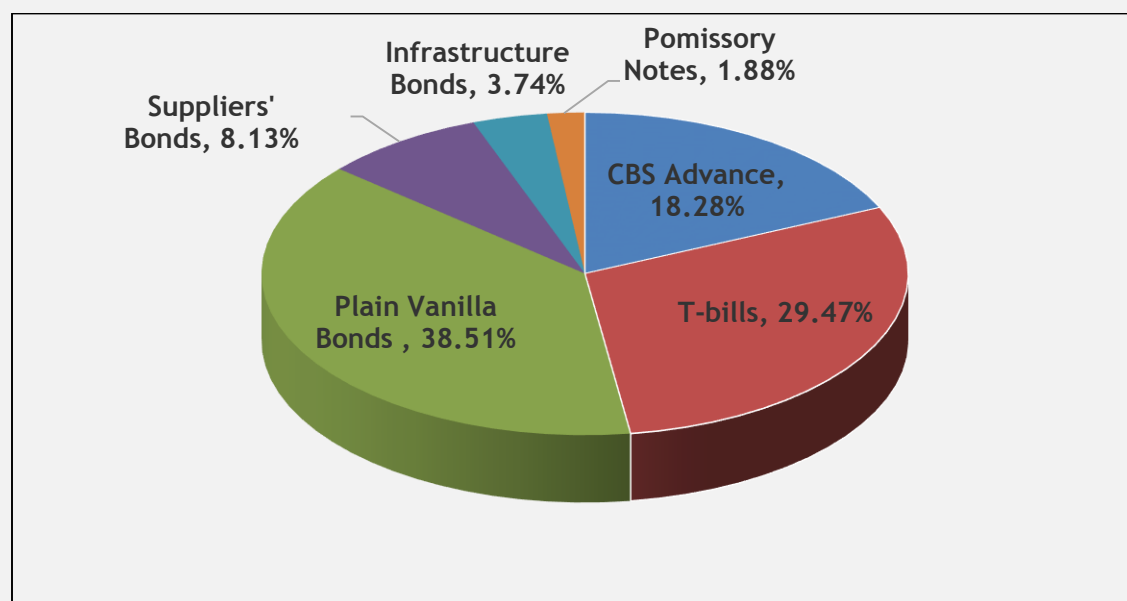
Figure 9: Public Domestic Debt: November 2016 to November 2017



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 E2.1 billion, Promissory Notes stood at E0.13 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 11: Domestic Debt Instruments Outstanding as at 30 November 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 30 November, 2017 (E' Million)

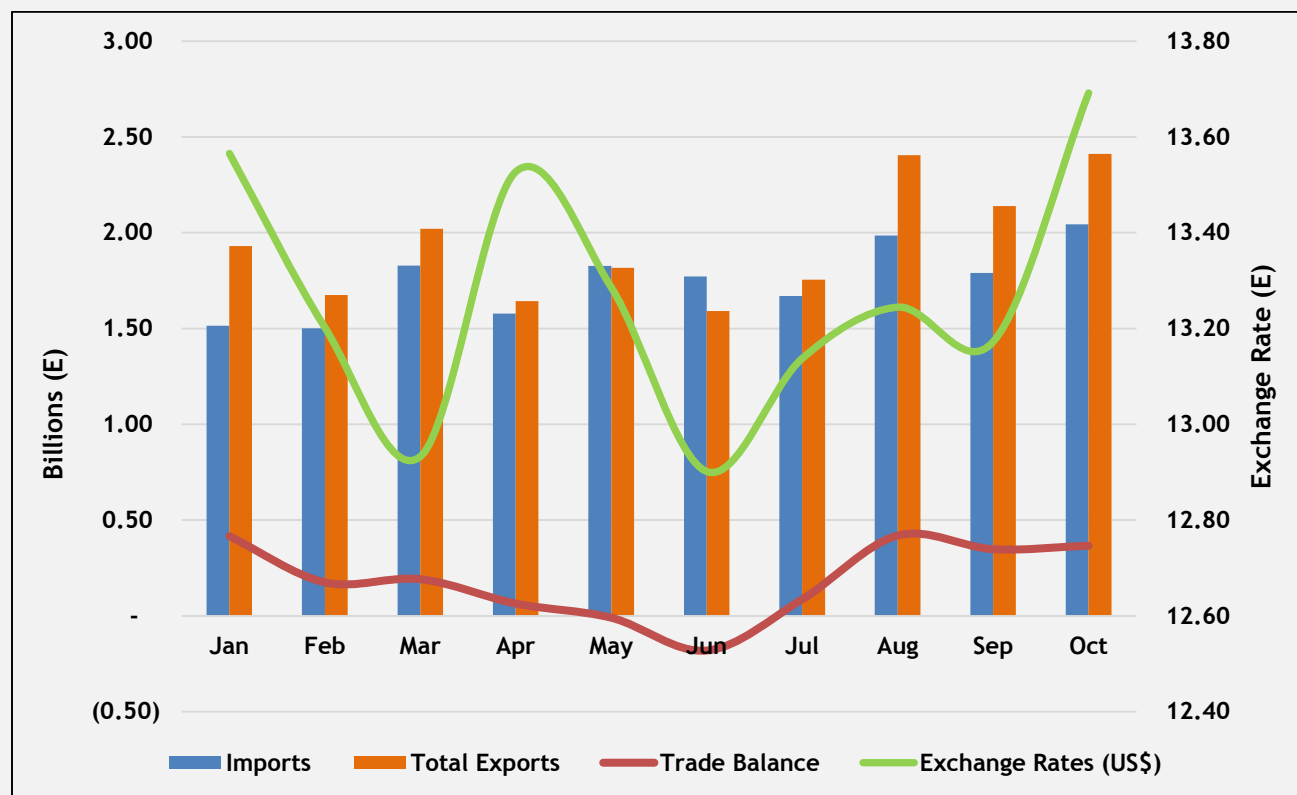
Holder	Treasury Bills	Government Bonds	Promissory Notes	CBS Advance	Total	Share of Holdings (%)
CBS	2.6	0	0	1 292.6	1 295.2	18.2
Commercial banks	1 565.6	866.8	0	0	2 432.4	34.1
NBFIs	461.6	2 577.0	0	0	3 038.6	42.6
Other	112.4	118.6	132.8	0	363.8	5.1
Total	2 142.2	3 562.4	132.8	1 292.6	7 130.0	100

Source: Ministry of Finance and Central Bank of Swaziland

4 The External Sector

The trade balance which is close to E0.5 billion has been positive since July 2017. Receipts from merchandise exports grew to E2.4bn in October 2017, a significant 12.8 per cent month-on-month increase after falling by a notable 11.1% in September. Miscellaneous edibles, which contribute a large share to total exports, surged by 26.2 per cent month-on-month in October after a 1.3 per cent slump in the previous month. Meat exports increased by E3.6million to E4.5 million, with dairy produce rising by a wide 54.4 per cent to E3.7 million in October. The share of exports to South Africa rose from 69.0 per cent in September to 75.4 per cent in October. In October, import payments rose to E2.0 billion against a lower E1.8 billion in imports in September. A depreciation in the Lilangeni against major world currencies partly influenced the increase in import costs during the review period.

Figure 12 : Merchandise Trade Account (Monthly): January 2017 to October 2017



Source: Central Bank of Swaziland

CENTRAL BANK OF SWAZILAND		Economic Policy, Research and Statistics Division						CENTRAL BANK OF SWAZILAND	
Swaziland Economic Indicators at a glance									
Sectors	May-17	Jun-17	Jul-17	Aug-17	Sep-17	Oct-17			
Overall Inflation	7.1	6.9	6.7	5.9	5.4	5.4			
Food	9.4	8.5	8.0	5.9	4.9	4.7			
Transport	3.4	3.5	3.8	3.5	3.4	4.1			
Other	6.8	6.9	6.7	6.4	6.1	6.0			
Money and banking									
Narrow money annual growth (%)	12.00	35.00	18.90	6.57	16.71	9.80			
Broad money annual growth (%)	12.90	21.10	15.70	11.34	18.1	15.7			
Domestic credit (net) - E' Million	12 292.53	12 339.30	11 844.30	12 401.54	13 761.5	12 283.5			
Government	-484.89	-757.18	-1330.66	-602.87	2.7	-1 249.0			
Private sector	12 777.42	13 096.48	13 174.96	13 004.41	13 758.8	13 532.5			
Private sector credit annual growth (%)	6.50	10.20	6.20	5.41	10.8	5.9			
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	8.14	8.26	8.28	8.08	7.96	7.89			
Ratios									
Liquidity ratio (required = 20 %)	31.20	25.57	27.66	29.94	28.6	28.8			
Loans/deposits ratio	79.7	76.9	77.7	76.8	80.0	78.3			
Net foreign assets (E'million)	7 966.30	8 446.33	9 217.14	8 977.79	8 301.2	9 681.7			
Annual % change in NFA	-4.90	8.50	11.20	5.63	17.8	25.9			
Gross official foreign reserves E'Millions	7 422.63	6 884.72	8 189.31	7 336.53	7 183.7	8 476.4			
Annual % change in GOR	-12.80	-16.90	-2.69	-6.79	-3.6	18.0			
In months of import cover	3.50	3.30	3.90	3.30	3.5	4.1			
Exchange Rates									
US\$	13.29	12.90	13.14	13.24	13.17	14.09			
EURO	14.67	14.89	15.13	15.64	15.69	16.54			
GBP	17.16	16.51	17.07	17.18	17.57	18.63			
Public Finance									
Total public external debt [E' million]	5 140.00	5 378.10	5 344.10	5 343.00	5 556.65	5 575.08			
As a % of GDP	8.80	9.21	9.10	9.10	9.51	9.50			
Total public domestic debt [E' million]	6 044.00	6 081.80	6 156.80	6 386.32	6 679.00	6 993.68			
As a % of GDP	10.35	10.41	10.60	10.90	11.43	11.97			
Total public debt [E' million]	11 184.00	11 460.00	11 500.90	11 729.00	12 235.65	12 568.76			
As a % of GDP	19.20	19.62	19.70	20.10	20.95	21.52			

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