# The Kingdom of Swaziland

## Major Highlights

| | | |
|---|---|---|
| ❖ *The country's headline inflation increased to 8.3 per cent in Septmber 2016 from 8.0 per cent in August 2016.* | Inflation rate (% y/y) | 8.3 (Sep) ↑ |
| ❖ *Discount and prime rates remained at 7 per cent and 10.5 per cent respectively in October 2016.* | Prime Lending (%) | 10.5 |
| | Discount rate (%) | 7.0 |
| ❖ *During the month of October 2016 the external value of the Lilangeni sthrenghtened against major currencies.* | Exchange rate (US$) | 13.95 (Oct) ↓ |
| ❖ *Credit to the Private Sector amounted to E12.4 billion at the end of September 2016, 0.6 per cent (m/m) higher than recorded at the end of August 2016.* | Private Sector Credit (% y/y) | 10.9 (Sept) ↑ |
| ❖ *Broad Money Supply (M2) contracted by 3.7 per cent (m/m) at the end of September 2016 to settle at E 14.5 billion.* | Broad Money (M2) (% y/y) | 10.9 (Sep) ↑ |
| ❖ *Gross Official Reserves closed at E8.2 billion at the end of October 2016, higher than the E7.5 billion recorded in September 2016.* | Reserves (months of import cover) | 3.9 (Oct) ↑ |
| ❖ *At the end of October 2016, preliminary debt figures indicate that total public debt marginally increased to E9.96 billion from E8.8 billion in September.* | Total Public Debt (% to GDP) | 18.1 (Oct) ↑ |
| ❖ *In the second quarter of 2016, Swaziland's current account shrank to a surplus of E54.8 million, a significant 93.4 per cent drop from a surplus of E 811.2 million reported in the first quarter of 2016.* | Current Account Balance (% of GDP) | 0.1 (Jun) ↓ |

NB: The table shows the most recent available data.

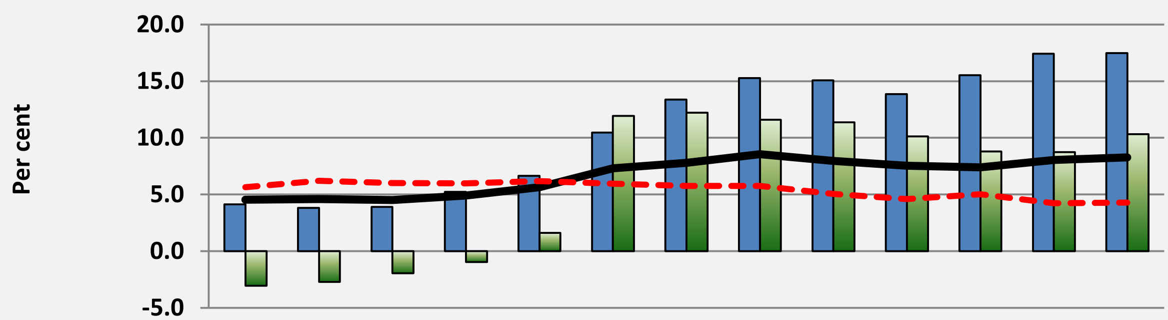
# 1 Inflation developments

**Annual consumer price inflation rose by 0.3 of a percentage point to 8.3 per cent in September 2016, its highest level in 5 months.** Food inflation remained elevated at 17.5 per cent in September slightly higher than the 17.4 per cent observed the previous month, mainly driven by increases in the prices of vegetables and sugar products. Further increases were observed in the price indices for 'transport', 'clothing and footwear', and 'alcoholic beverages and tobacco'.

Transport inflation accelerated to 10.3 per cent in September from 8.7 per cent the previous month, mainly due to increases in prices for spare parts and accessories for personal transport equipment. On the other hand, the price index for 'clothing and footwear' grew by 9.0 per cent in September compared to 8.7 per cent the previous month while the index for alcoholic beverages and tobacco rose by 5.0 per cent in the period under review compared to 2.9 per cent the previous month. The latter was mainly driven by a 4.9 percent increase in the price of beer.

The above increases were partially offset by slower increases in the price indices for 'recreation and culture' and 'miscellaneous goods and services'. The price index for 'recreation and culture' grew at a slower rate of 4.9 per cent in September compared to 5.3 per cent the previous month mainly due to slower increases in the prices of equipment for recording and reproduction of sound and pictures. On the other hand, the price index for 'miscellaneous goods and services' slowed to 4.1 per cent from 5.1 per cent mainly benefiting from slower increases in the prices of jewellery, clocks and watches.

**Figure 1: Inflation Trends; September 2015 to September 2016**



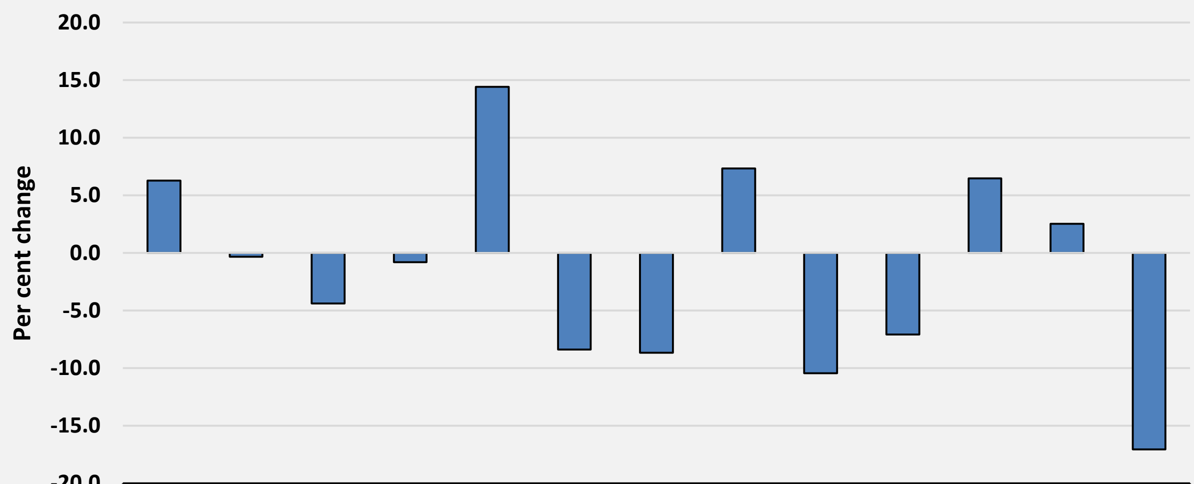

| | Sep-15 | Oct-15 | Nov-15 | Dec-15 | Jan-16 | Feb-16 | Mar-16 | Apr-16 | May-16 | Jun-16 | Jul-16 | Aug-16 | Sep-16 |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| Food | 4.1 | 3.8 | 3.9 | 5.2 | 6.6 | 10.5 | 13.4 | 15.3 | 15.1 | 13.9 | 15.5 | 17.4 | 17.5 |
| Transport | -3.1 | -2.7 | -2.0 | -1.0 | 1.6 | 11.9 | 12.2 | 11.6 | 11.4 | 10.1 | 8.8 | 8.7 | 10.3 |
| Overall | 4.5 | 4.6 | 4.5 | 4.9 | 5.6 | 7.3 | 7.8 | 8.5 | 8.0 | 7.5 | 7.4 | 8.0 | 8.3 |
| Other | 5.64 | 6.21 | 6.00 | 6.0 | 6.2 | 5.9 | 5.8 | 5.8 | 5.1 | 4.6 | 5.0 | 4.2 | 4.3 |

**Source: Central Statistical Office**

On month-on-month rates, inflation rose by 0.5 per cent in September 2016 compared to 0.8 per cent in August. Notable increases were observed in the price indices for 'food and non-alcoholic beverages' (which grew by 1.0 per cent) clothing and footwear (which grew by 2.2 per cent) and 'furnishing and household equipment' (which grew by 1.2 per cent). Core inflation (which is defined as inflation excluding food, non-alcoholic beverages, auto-fuel and energy) rose from 4.4 per cent in August 2016 to 4.7 per cent in the period under review. On a month-on-month basis, core inflation was slightly lower rising by 0.3 per cent in September compared to 0.4 per cent the previous month.

## 2 Money Supply and Banking

### Figure 2: Net Foreign Assets Monthly Changes; September 2015 to September 2016

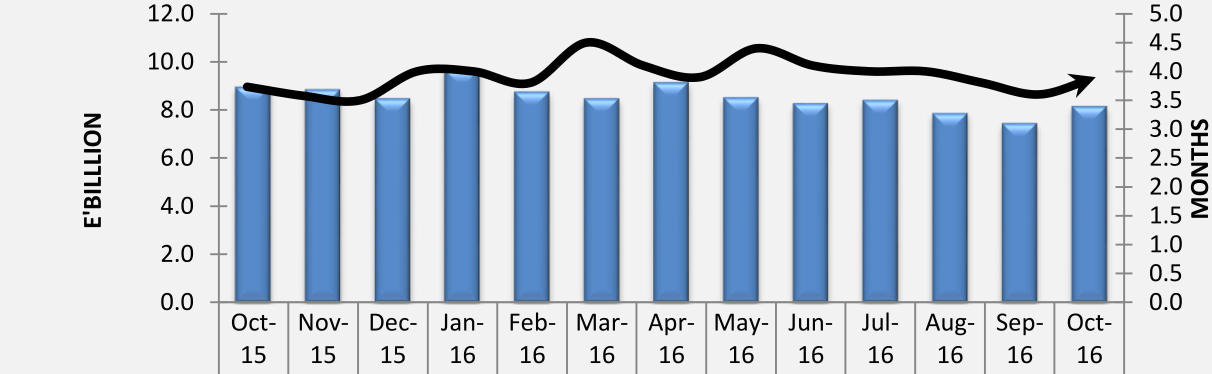



| | Sept-2015 | Oct-2015 | Nov-2015 | Dec-2015 | Jan-2016 | Feb-2016 | Mar-2016 | Apr-2016 | May-2016 | Jun-2016 | Jul-2016 | Aug-2016 | Sep-2016 |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| Series3 | 6.3 | -0.3 | -4.4 | -0.8 | 14.4 | -8.4 | -8.7 | 7.3 | -10.4 | -7.1 | 6.5 | 2.5 | -17.1 |

Source: Central Bank of Swaziland

**Net Foreign Assets amounted to E7 billion in the month ended September 2016.** At this level, Net Foreign Assets were 17.1 per cent lower than recorded in August 2016 and 26.8 per cent lower than observed in September 2015. The decline in Net Foreign Assets was primarily driven by both Net Foreign Holdings of Other Depository Corporations and Net Official Assets. Net Foreign Holdings of Other Depository Corporations contracted by 38 per cent month-on-month to close at E1.3 billion. The contraction in Net Foreign Holdings of Other Depository Corporations was largely observed in other depository corporations' deposits within the Common Monetary Area (CMA) as well as other foreign countries. Net Official Assets amounted to E5.7 billion, reflecting a decline of 10.2 per cent month-on-month. The fall in Net Official Assets was largely attributed to the payment of Government's budgetary obligations over the review month. When valued in Special Drawing Rights (SDR), Net Foreign Assets settled at SDR365.3 million, 12.2 per cent lower than observed in August 2016 and 26.2 per cent lower than recorded in September 2015.

### Figure 3: Gross Official Reserves and Import Cover; October 2015 to October 2016



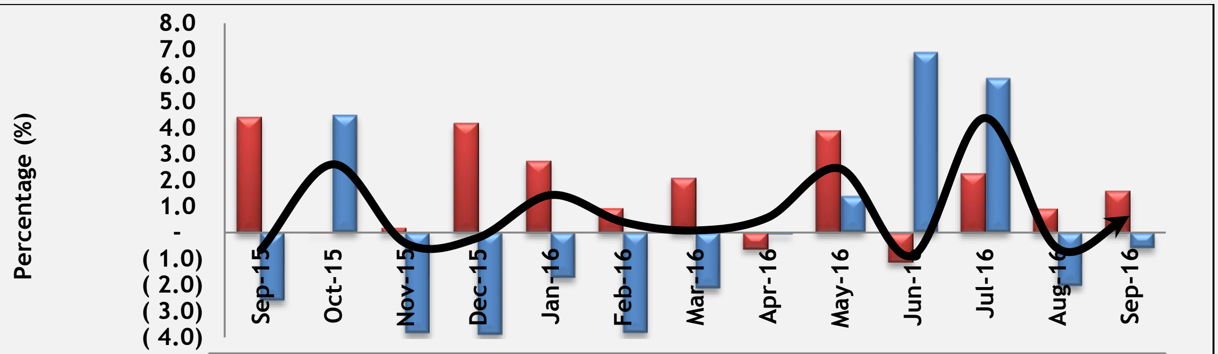

| | Oct-15 | Nov-15 | Dec-15 | Jan-16 | Feb-16 | Mar-16 | Apr-16 | May-16 | Jun-16 | Jul-16 | Aug-16 | Sep-16 | Oct-16 |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| GOR | 9.0 | 8.9 | 8.5 | 9.7 | 8.8 | 8.5 | 9.2 | 8.5 | 8.3 | 8.4 | 7.9 | 7.5 | 8.2 |
| Import Cover | 3.7 | 3.6 | 3.5 | 4.0 | 4.0 | 3.8 | 4.5 | 4.1 | 3.9 | 4.4 | 4.1 | 4.0 | 4.0 |

**Source: Central Bank of Swaziland**

**Gross Official Reserves amounted to E8.2 billion in October 2016, higher than the E7.5 billion recorded in September 2016.** The month-on-month growth in Reserves was primarily due to the inflow of quarterly receipts from the Southern African Customs Union (SACU) at the beginning of October 2016. Import Cover therefore increased to 3.9 months in October 2016, higher than the 3.6 months recorded in September 2016.

**Claims on the Private Sector grew by 0.6 per cent over the review month to close at E12.4 billion.** The improvement in credit extended to the private sector was mainly observed in credit to other sectors (mainly Local Government and Public Non-Financial Corporations) as well as Households and Non-Profit Institutions Serving Households (NPISH). Credit to Businesses on the other hand reflected a decline when compared to the preceding month.

### Figure 4: Private Sector Credit Monthly Changes; September 2015 to September 2016



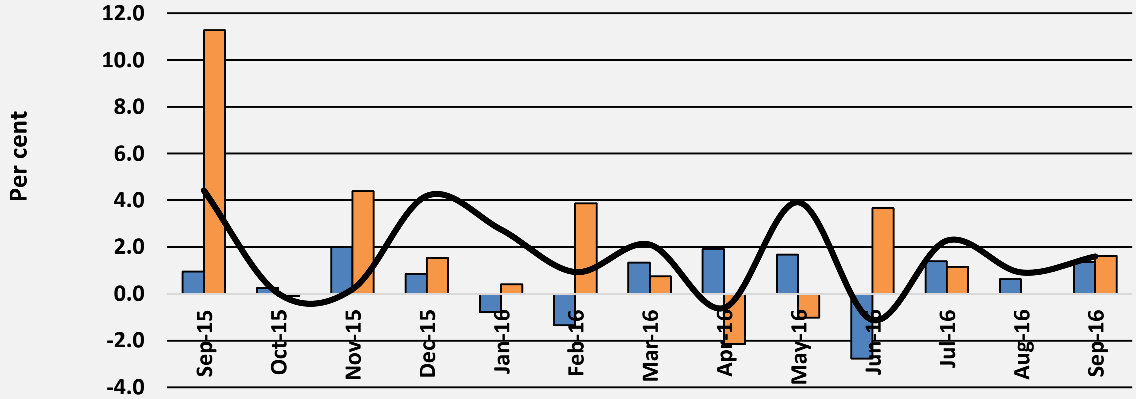

| | Sep-15 | Oct-15 | Nov-15 | Dec-15 | Jan-16 | Feb-16 | Mar-16 | Apr-16 | May-16 | Jun-16 | Jul-16 | Aug-16 | Sep-16 |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| Households | 4.4 | 0.0 | 0.2 | 4.2 | 2.7 | 0.9 | 2.1 | -0.6 | 3.9 | -1.1 | 2.3 | 0.9 | 1.6 |
| Business | - 2.6 | 4.5 | - 3.8 | - 3.9 | - 1.7 | - 3.8 | - 2.1 | - 0.1 | 1.4 | 6.9 | 5.9 | - 2.0 | - 0.6 |
| PSCR | - 0.7 | 2.6 | - 0.4 | - 0.2 | 1.4 | 0.4 | 0.1 | 0.6 | 2.5 | - 0.9 | 4.4 | - 0.6 | 0.6 |

**Source: Central Bank of Swaziland 2016**

**Claims on Businesses amounted to E5.6 billion reflecting a contraction of 0.6 per cent over the month and a decline of 0.3 per cent over the year.** The month-on-month fall in credit to Businesses was mainly observed in the Distribution & Tourism (-15.7 per cent), Real Estate (-7.4 per cent), Agriculture & Forestry (-2.1 per cent) and Construction (-1.7 per cent) sectors. Sectors that reflected month-on-month improvement in credit uptake included the Community, Social & Personal Services (35.8 per cent), Transport & Communications (4.4 per cent), Manufacturing (3.5 per cent) as well as Mining & Quarrying (3.5 per cent) sectors.

**Claims on Households & NPISH improved by 1.6 per cent month-on-month to close at E5.9 billion.** The rise in credit to Households and NPISH was on account of growth in all components of Household credit. Other (unsecured) loans grew by 2 per cent over the review month to close at E1.6 billion. Credit extended to Households for motor vehicle finance increased by 1.6 per cent month-on-month while credit for mortgage finance grew by 1.4 per cent over the review month. When compared over the year, credit to Households and NPISH increased by 18.4 per cent.

## Figure 5: Household Credit Monthly Changes; September 2015 to September 2016



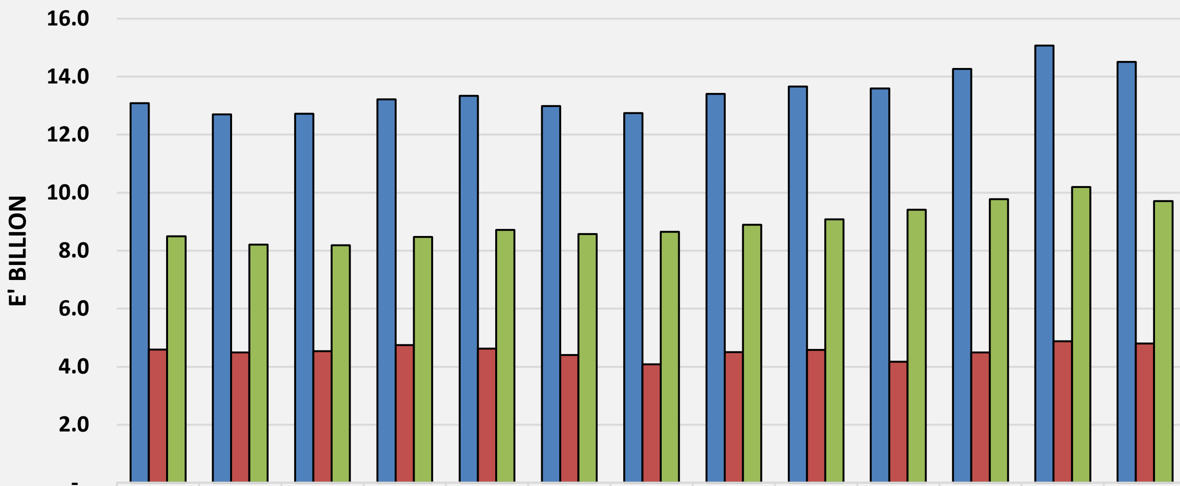

| | Sep-15 | Oct-15 | Nov-15 | Dec-15 | Jan-16 | Feb-16 | Mar-16 | Apr-16 | May-16 | Jun-16 | Jul-16 | Aug-16 | Sep-16 |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| Housing | 1.0 | 0.3 | 2.0 | 0.8 | -0.8 | -1.3 | 1.3 | 1.9 | 1.7 | -2.8 | 1.4 | 0.6 | 1.4 |
| Motor Vehicles | 11.3 | -0.1 | 4.4 | 1.5 | 0.4 | 3.9 | 0.7 | -2.2 | -1.0 | 3.7 | 1.2 | 0.0 | 1.6 |
| Total | 4.4 | 0.0 | 0.2 | 4.2 | 2.7 | 0.9 | 2.1 | -0.6 | 3.9 | -1.1 | 2.3 | 0.9 | 1.6 |

Source: Central Bank of Swaziland

**Claims on Other Sectors amounted to E961.8 million, 2.2 per cent higher than recorded in the preceding month.** The month-on-month growth in credit to other sectors was largely observed in credit to Public Non-Financial Corporations which grew by 9.5 per cent. Credit to Local Governments grew by 4.8 per cent while credit to Other Financial Corporations fell by 0.8 per cent from the preceding month. When compared with September 2015, credit to other sectors grew by 79.8 per cent.

**Net Government Balances amounted to E453.8 million in the month ended September 2016.** At this level, net Government balances were 63.4 per cent lower than the preceding month and 85.4 per cent lower when compared with September 2015. The month-on-month decline in net Government balances was largely on account of a fall in Government deposits. Government deposits declined by 16.6 per cent driven largely by a fall in Government's current account balances.

**Figure 6: Money Supply Monthly Changes; September 2015 to September 2016**

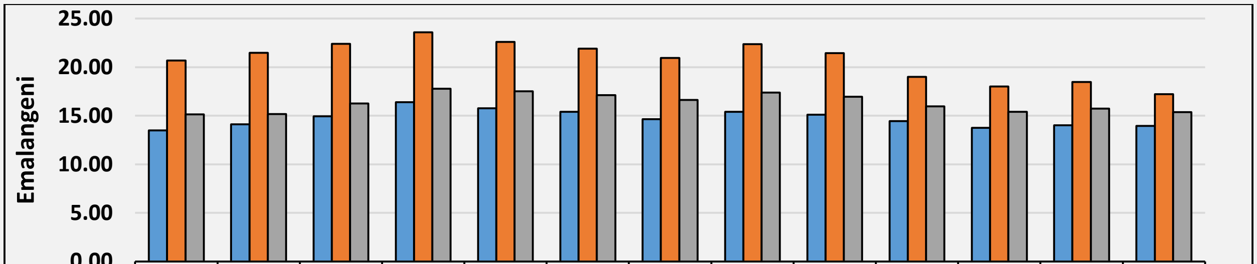



| | Sept-15 | Oct-15 | Nov-15 | Dec-15 | Jan-16 | Feb-16 | Mar-16 | Apr-16 | May-16 | Jun-16 | Jul-16 | Aug-16 | Sep-16 |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| M2 | 13.1 | 12.7 | 12.7 | 13.2 | 13.3 | 13.0 | 12.7 | 13.4 | 13.7 | 13.6 | 14.3 | 15.1 | 14.5 |
| M1 | 4.6 | 4.5 | 4.5 | 4.7 | 4.6 | 4.4 | 4.1 | 4.5 | 4.6 | 4.2 | 4.5 | 4.9 | 4.8 |
| QUASI | 8.5 | 8.2 | 8.2 | 8.5 | 8.7 | 8.6 | 8.7 | 8.9 | 9.1 | 9.4 | 9.8 | 10.2 | 9.7 |

Source: Central Bank of Swaziland

**Broad Money Supply (M2) amounted to E14.5 billion in the month ended September 2016, 3.7 per cent lower than recorded in August 2016, but 10.9 per cent higher than observed in September 2015.** The month-on-month decline in M2 was driven by both Quasi Money Supply and Narrow Money Supply (M1). At the end of September 2016, quasi money supply closed at E9.7 billion, 4.7 per cent lower than recorded in August 2016, but 14.3 per cent higher than in September 2015. The monthly decline in quasi money supply was primarily reflected in time deposits which contracted by 5.8 per cent to E7.9 billion. Savings deposits however, improved by 0.4 per cent from the preceding month to E1.8 billion. M1 amounted to E4.8 billion, 1.6 per cent lower than recorded in August 2016 but 4.6 per cent higher than recorded in September 2015. The month-on-month decrease in M1 was driven by transferable deposits which fell by 2.8 per cent from the preceding month to close at E4.2 billion. Currency outside depository corporations closed at E620.7 million, 7 per cent higher than recorded in August 2016.

### Figure 7: Average Exchange Rates; October 2015 to October 2016



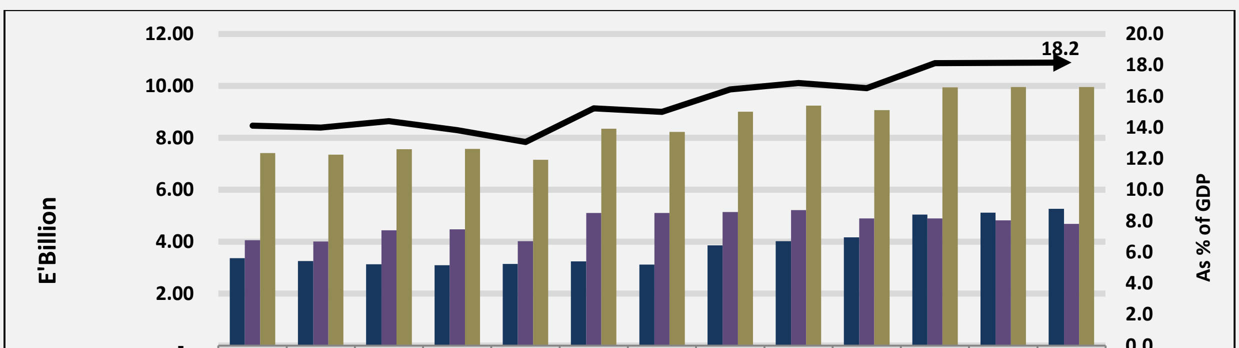

| | Oct-2015 | Nov-2015 | Dec-2015 | Jan-2016 | Feb-2016 | Mar-2016 | Apr-2016 | May-2016 | Jun-2016 | Jul-2016 | Aug-2016 | Sep-2016 | Oct-16 |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| Dollar | 13.48 | 14.12 | 14.94 | 16.38 | 15.78 | 15.41 | 14.66 | 15.40 | 15.11 | 14.44 | 13.74 | 14.03 | 13.95 |
| Pound | 20.67 | 21.48 | 22.42 | 23.61 | 22.59 | 21.92 | 20.94 | 22.36 | 21.46 | 18.99 | 18.01 | 18.46 | 17.21 |
| Euro | 15.16 | 15.18 | 16.25 | 17.80 | 17.52 | 17.11 | 16.63 | 17.39 | 16.97 | 15.98 | 15.40 | 15.74 | 15.38 |

**Source: Central Bank of Swaziland**

**During the month of October 2016, the external value of the Lilangeni strenghtened against major currencies.** The domestic unit strengthened by 0.6 per cent to average E13.95 against the US Dollar, by 6.8 per cent to average E17.21 to the Pound, and by 2.3 per cent to average E15.38 to the Euro in the month of October 2016. The Lilangeni gained value against the US Dollar in October, partly due to latest developments in South African politics which have allayed fears and restored investor confidence. The local unit ended the period under review at E13.75 to the US Dollar, E16.75 to the Pound Sterling and E15.07 to the Euro.

## 3 Public Debt

### Figure 8: Total Public Debt; October 2015 to October 2016



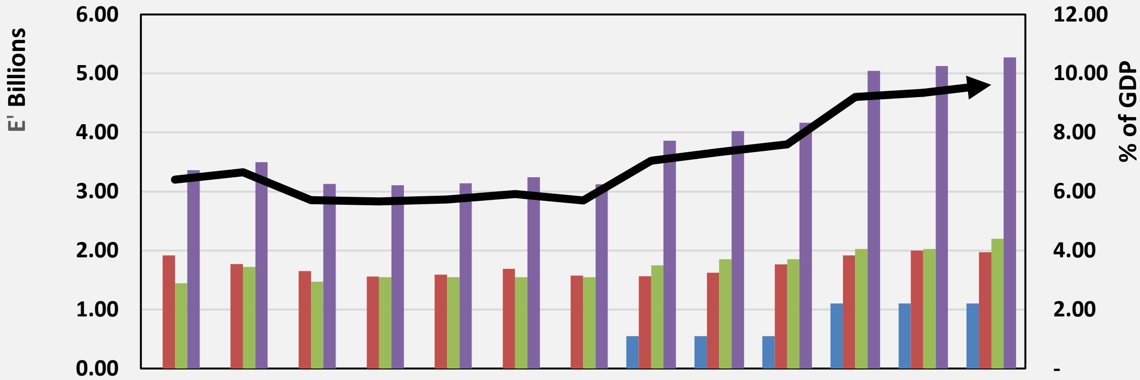

| | Oct-15 | Nov-15 | Dec-15 | Jan-16 | Feb-16 | Mar - 16 | Ápr - 16 | May-16 | Jun-16 | Jul-16 | Aug-16 | Sep-16 | Oct-16 |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| Domestic | 3.36 | 3.26 | 3.13 | 3.10 | 3.14 | 3.24 | 3.12 | 3.86 | 4.02 | 4.17 | 5.05 | 5.12 | 5.27 |
| External | 4.06 | 4.01 | 4.44 | 4.48 | 4.02 | 5.11 | 5.11 | 5.15 | 5.21 | 4.90 | 4.90 | 4.83 | 4.69 |
| Total | 7.42 | 7.35 | 7.57 | 7.58 | 7.16 | 8.35 | 8.22 | 9.01 | 9.24 | 9.06 | 9.94 | 9.95 | 9.96 |
| % of GDP | 14.1 | 14.0 | 14.4 | 13.8 | 13.1 | 15.2 | 15.0 | 16.4 | 16.8 | 16.5 | 18.1 | 18.2 | 18.2 |

**Source: Ministry of Finance and Central Bank of Swaziland**

**As at the end of October 2016, preliminary debt figures indicate that total public debt stood at E9.96 billion.** This shows that total public debt marginally increased by about 0.1 per cent from the revised figure of E9.95 billion recorded the previous month. The increase can be attributed to developments in the domestic debt portfolio.

**External debt at the end of October 2016 stood at E4.7 billion, an equivalent of 8.5 per cent of GDP.** This shows a decrease of about 2 per cent when compared to E4.8 billion that was recorded in September 2016. The decline is due to debt service made on Government loans as well as a continued recovery of the Lilangeni against major currencies in which the country's liabilities are denominated.

### Figure 9: Public Domestic Debt; October 2015 to October 2016




| | Oct-15 | Nov-15 | Dec-15 | Jan-16 | Feb-16 | Mar-16 | Apr-16 | May-16 | Jun-16 | Jul-16 | Aug-16 | Sep-16 | Oct-16 |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| CBS Advance | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.55 | 0.55 | 0.55 | 1.10 | 1.10 | 1.10 |
| T-Bills | 1.92 | 1.77 | 1.65 | 1.56 | 1.59 | 1.69 | 1.57 | 1.56 | 1.62 | 1.77 | 1.92 | 2.00 | 1.97 |
| Bonds | 1.44 | 1.72 | 1.47 | 1.55 | 1.55 | 1.55 | 1.55 | 1.75 | 1.85 | 1.85 | 2.03 | 2.03 | 2.20 |
| Total | 3.36 | 3.50 | 3.13 | 3.11 | 3.14 | 3.24 | 3.13 | 3.86 | 4.02 | 4.17 | 5.05 | 5.12 | 5.27 |
| As % of GDP | 6.40 | 6.65 | 5.70 | 5.67 | 5.73 | 5.91 | 5.70 | 7.05 | 7.34 | 7.60 | 9.20 | 9.35 | 9.62 |

**Source: Ministry of Finance and Central Bank of Swaziland**

**Following the revision of domestic debt component to include the Central Bank advance to Government, as at October 2016, domestic debt rose to E5.3 billion.** The advance was made in tranches of E550 million in the months of May and August 2016 and totalled to E1.1 billion. Domestic debt therefore at the end of October 2016 stood at 9.6 per cent of GDP. Furthermore, the increase in domestic debt is owed to the successful issuance of a 10-Year bond wherein E150 million was on offer, but E171.7 million was raised following the exercising of the over-allotment option which allows for an uptake of an additional 50 per cent of the amount on offer. Of the outstanding domestic debt, E1.97 billion accounts for treasury bills while E2.2 billion accounts for bonds and the remaining E1.1 billion accounts for Central Bank Advance to Government.

**Table 1: Government Securities Outstanding by Holder as at 31st October 2016 (E'000)**

| Holder | Treasury Bills | Bonds | Total | Holdings (%) |
|---|---|---|---|---|
| CBS | 1.80 | 0.70 | 2.50 | 0.06 |
| Commercial banks | 1,475.30 | 706.80 | 2,182 | 52.31 |
| NBFIs | 389.20 | 1,415.60 | 1,805 | 43.26 |
| Other | 105.80 | 76.60 | 182 | 4.37 |
| **Total** | **1,972** | **2,200** | **4,172** | **100** |

**Source: Ministry of Finance and Central Bank of Swaziland**

# 4 *The External Sector*

**Preliminary data for the quarter ending June 2016 indicate that Swaziland's overall balance of payments slipped into a deficit of E374.9 million as a result of net capital outflows in the financial account.** This was also exacerbated by the significant decline in the current account surplus in the review period. As a share of GDP, the overall deficit was equivalent to 0.7 per cent up from 0.5 per cent in March 2016.

**Figure 10: Current and Financial Accounts Quarterly Changes; March 2015 to March 2016.**


| | Jun-15 | Sep-15 | Dec-15 | Mar-16 | Jun-16 |
|---|---|---|---|---|---|
| CURRENT | 1959.9 | 1973.0 | 2589.8 | 811.2 | 54.8 |
| FINANCIAL | -3350.8 | -4270.0 | -2899.0 | -1236.0 | -1374.0 |

**Source: Central Bank of Swaziland and Swaziland Revenue Authority**

**The current account surplus, reported at E730.8 million in the first quarter of 2015, dropped significantly in the second quarter to E54.8 million.** This notable decline was accounted for by a deficit recorded in the trade account during the period. In the second quarter the surplus in the current account as a percentage of GDP was 0.1 per cent from 1.3 per cent.

**The account registered a negative trade balance of E342.8 million in the second quarter from a positive E933.8 million in the previous quarter.** Accounting for this turnaround was a 10 per cent fall in receipts from merchandise exports during the period when compared with the first quarter. Export receipts amounted to a lower E4.9 billion in the second quarter from E5.5 billion in the previous quarter, with a 66.3 per cent share of receipts coming from South Africa, which has traditionally become Swaziland's major trading partner. Import payments rose by a quarterly 16 per cent to E5.3 billion in the second quarter. The results show that the strengthening of the lilangeni against other major world currencies buoyed an increase in the appetite for imports during the period at the same time negatively affecting returns from the export of goods.

**Revenue from the export of miscellaneous edibles further declined by 11.3 per cent quarter-on-quarter in the second quarter following a wider 24.6 per cent fall in export proceeds in the previous quarter.** It should be noted, however, that from a year earlier miscellaneous edibles improved by a moderate 5.5 per cent to E2.5 billion in the second quarter. Slightly over 50 per cent of miscellaneous edibles were exported to neighbouring South Africa. A quarterly analysis also shows that Sugar and sugar confectionery export receipts dipped in the second quarter. From the first quarter, proceeds fell by 24.0 per cent to E967.2 million. The share of sugar and sugar confectionary exports to South Africa, however, improved to 79.0 per cent in the second quarter from 63.5 per cent previously. On a positive note, wood and wood-products exports posted a 19.7 per cent rise in revenues to E337.9 million after recording a 12.1 per cent increase in the first quarter.

**Payments for imports of merchandise goods rose considerably by 16 per cent quarter-on-quarter to E5.3 billion in the second quarter.** A yearly comparison shows a significant 25.3 per cent growth in the import bill, reflecting both increases in volumes of imported goods and the effects of inflationary increases on world prices. In the second quarter, fuel import payments shot up by 16.8 per cent quarter-on-quarter after falling by 21.1 per cent in the previous quarter.

**In the quarter ending June 2016, the services account recorded a deficit of E443.3 million, shrinking by 42.7 per cent from that of the previous quarter.** A year-on-year comparison reflected a narrowing of the deficit in the account by 73.0 per cent from the deficit posted the same period last year. The narrowing in the deficit was influenced by an upsurge of services inflows coupled with a reduction in outflows. Services inflows increased by E38.3 million to E590.5 million, with outflows contracting by 22.0 per cent to E1.0 billion.

Transportation services registered a net inflow of E16.5 million, a 58.7 per cent increase compared to the previous quarter. Inflows of this service improved by 26.6 per cent to E192.4 million, driven by growth in the demand for domestic freight services. Outflows increased by E63.8 million to E175.9 million, influenced by a rise in freight services due to growing tangible imports into Swaziland.

Travel related services posted a net outflow of E123.2 million in the second quarter, signalling a quarter-on-quarter decline of 27.7 per cent and 47.7 per cent year-on-year. Travel related services inflows amounted to E32.4 million, easing marginally from E39.2 million the previous quarter. Outflows have been on a downward trend for the past two consecutive quarters, declining by 25.7 per cent to E115.6 million in the quarter under review. This was mainly on account of a decline in the demand for health related travel services.

**In the second quarter of 2016 the income account posted a deficit of E689.6 million, resulting in an improvement in the E1.0 billion deficit recorded in the previous quarter.** Income inflows were recorded as E958.8 million in the quarter under review, 20 per cent lower than the preceding quarter. Main contributors to income inflows remain as compensation of employees and investment income posted as E47.8 and E716.1 million respectively. Retained earnings and undistributed branch profits as well as interest receipts accounted for other inflows documented in the quarter.

**Income outflows amounted to E1.6 billion in the quarter ending June, down from E2.2 billion in March 2016.** Contributing to this decline in outflows was a 20.0 per cent decline in dividends and distributed branch profits remitted to non-residents to E2.0 billion during the period. The decline in these payments resulted in a positive effect on reinvested earnings which increased to E392.6 million also improving the deficit observed in this account.

**Current transfers' maintained a steady flow, recording a net inflow of E1.5 billion in the review quarter, declining marginally from the previous period.** Inflows decreased by 7.6 per cent to E1.9 billion in the second quarter, as a result of the fall in SACU receipts for the 2016/17 fiscal year. Notwithstanding the fall, SACU receipts continue to dominate the inflows in this account, accounting for 68.5 per cent of inflows in this quarter. On the contrary, current transfers' outflows also declined by 20.1 per cent from the preceding quarter to E383.2 million in June.

**During the quarter ending June 2016 the financial account recorded a deficit of E1.4 billion, easing by 9.9 per cent when compared with the net outflow recorded in the preceding quarter.** A year-on-year comparison indicates an improvement of somewhat more than two fold from a net outflow of E3.4 billion recorded the same period last year. The persistent financial account deficit was aggravated by outflows posted in the FDI and other investment sub-accounts.

**The deficit in the foreign direct investment (FDI) expanded to E387.7 million during the review quarter, increasing marginally from the net outflow of E287.8 million recorded the previous quarter.** The net outflows in FDI liabilities was mainly buoyed by an increase in net outflows of reinvested earnings to E392.6 million during the review period, from a net outflow of E351.1 million in the first quarter. Other capital liabilities, which comprise long-term and short-term capital financing among enterprises with FDI relationship, swung to register a net outflow of E1.3 million from a net inflow of E41.9 million posted in the first quarter 2016. Swaziland resident entities acquired a smaller amount of foreign direct investment assets in the second quarter of 2016. Outward direct investment flows moderated to net outflows of E6.3 million in the second quarter compared with net outflows of E21.4 million in the first quarter.

**The foreign portfolio investment account switched to a net capital inflow of E226.6 million in the second quarter of 2016, following outflows of E1.4 billion and E611.7 million in the fourth quarter of 2015 and first quarter of 2016, respectively.** The net capital inflow was underpinned by net inflows in foreign portfolio debt securities assets amounting to E226.6 million, with no flows recorded in equity securities assets during the review quarter.

**The increase in net outflow was predominantly discernible in the category 'other investments' in the quarter ending June 2016, magnifying to E1.2 billion, from an outflow of E625.8 million in the preceding quarter.** Contributing to this development was a net outflow of E1.8 billion against an inflow of E557.3 million in investment assets liabilities. Banking sector assets recorded a net inflow of E157.1 million, a turnaround from a net outflow of E161.7 million in March. Assets of other sectors took a swing to record a net outflow of E1.9 billion in the review period from an inflow of E621.8 million in the previous quarter.

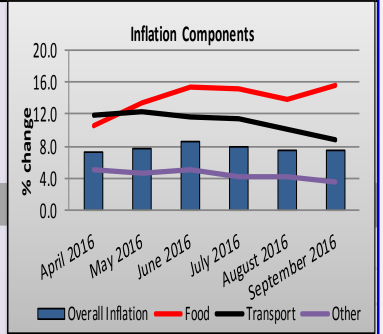
**Foreign investment liabilities to non-residents posted an outflow of E557.3 million, signaling a shift mainly bolstered by net inflows in liabilities of general government, banks, and other sectors of the economy.** Liabilities of the banking sector remained flat with a net inflow of E365.7 million against E365.2 million previously, while liabilities of other sectors switched to a net inflow of E587.7 million during the quarter from a net outflow of E443.5 in March. Government foreign liabilities, which include public and publicly guaranteed debt, registered a net inflow of E34.4 million, reflecting higher drawdowns compared to repayments during the quarter ending June 2016. Drawdowns for the quarter ending June amounted to E152.1 million against repayments of E117.7 million.

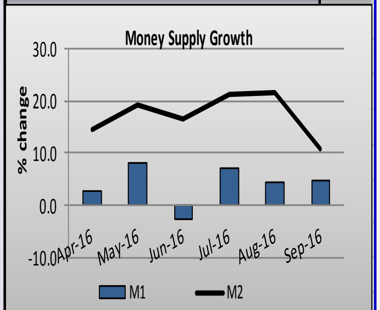
**CENTRAL BANK OF SWAZILAND**

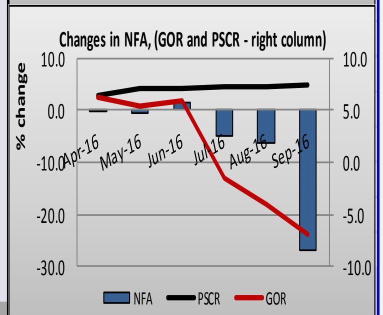
*Economic Policy, Research and Statistics Division*

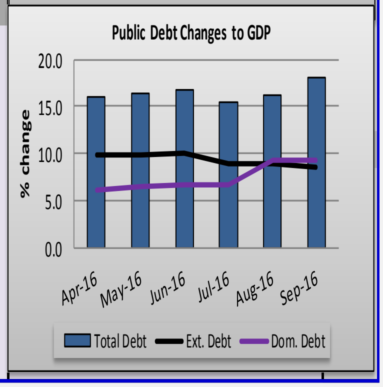
Swaziland Economic Indicators at a glance

| Sectors | Apr-16 | May-16 | Jun-16 | Jul-16 | Aug-16 | Sep-16 |
|---|---|---|---|---|---|---|
| ***Overall Inflation*** | 8.5 | 8.0 | 7.5 | 7.4 | 8.0 | 8.3 |
| *Food* | 15.3 | 15.1 | 13.9 | 15.5 | 17.4 | 17.5 |
| *Transport* | 11.6 | 11.4 | 10.1 | 8.8 | 8.7 | 10.3 |
| *Other* | 5.0 | 4.2 | 4.3 | 3.6 | 3.8 | 3.9 |
| **Money and banking** | | | | | | |
| *Narrowmoney annual growth (%)* | 2.8 | 8.0 | -2.7 | 7.1 | 4.3 | 4.6 |
| *Broad money annual growth (%)* | 14.4 | 19.2 | 16.5 | 21.3 | 21.4 | 10.9 |
| *Domestic credit (net) - E' Million* | 8 961.9 | 10 002.5 | 10 078.0 | 10 300.2 | 11 098.9 | 11 962.8 |
| *Government* | -2 746.7 | -1 993.2 | -1 811.5 | -2 110.4 | -1 238.3 | -453.8 |
| ***Private sector*** | 11 708.6 | 11 995.6 | 11 889.4 | 12 410.6 | 12 337.2 | 12 416.6 |
| *Private sector credit annual growth (%)* | 10.0 | 10.0 | 5.0 | 9.4 | 9.4 | 10.9 |
| ***Interest rates (% p.a)*** | | | | | | |
| *Prime lending* | 10.00 | 10.50 | 10.50 | 10.50 | 10.50 | 10.50 |
| *Discount rate* | 6.50 | 7.00 | 7.00 | 7.00 | 7.00 | 7.00 |
| *Deposit rate - 31 days* | 3.06 | 3.45 | 3.45 | 3.45 | 3.45 | 3.45 |
| *- 12 months* | 4.48 | 4.89 | 4.89 | 4.89 | 4.89 | 4.89 |
| *- T. bill rate* | 6.4 | 7.1 | 7.2 | 7.2 | 7.2 | 7.4 |
| ***Ratios*** | | | | | | |
| *Liquidity ratio (required = 20 %)* | 27.1 | 25.1 | 26.7 | 25.8 | 27.0 | 29.0 |
| *Loans/deposits ratio* | 84.1 | 84.2 | 85.8 | 85.3 | 79.9 | 84.0 |
| *Net foreign assets (E'million)* | 9 357.5 | 8 380.4 | 7 786.8 | 8 290.7 | 8 499.6 | 7 049.2 |
| ***Annual % change in NFA*** | -0.1 | -0.6 | 1.6 | -5.0 | -6.2 | -26.8 |
| *Gross official foreign reserves E'Millions* | 9 151.3 | 8 516.2 | 8 285.3 | 8 416.8 | 7 871.0 | 7 455.2 |
| ***Annual % change in GOR*** | 6.2 | 5.4 | 5.9 | -1.6 | -4.0 | -7.0 |
| *In months of import cover* | 4.3 | 4.0 | 4.0 | 4.0 | 3.8 | 3.6 |
| ***Exchange Rates*** | | | | | | |
| *US$* | 14.66 | 15.40 | 15.11 | 14.44 | 13.74 | 14.03 |
| *EURO* | 16.63 | 17.39 | 16.97 | 15.98 | 15.40 | 15.74 |
| *GBP* | 20.94 | 23.12 | 21.46 | 18.99 | 18.01 | 18.46 |
| **Public Finance** | | | | | | |
| *Total public external debt [E' million]* | 5 100.8 | 5 146.5 | 5 212.2 | 4 898.7 | 4 898.1 | 4 700.0 |
| *As a % of GDP* | 9.9 | 9.9 | 10.1 | 8.9 | 8.9 | 8.5 |
| *Total public domestic debt [E' million]* | 3 116.1 | 3 313.1 | 3 473.4 | 3 615.9 | 3 945.2 | 5 300.0 |
| *As a % of GDP* | 6.0 | 6.4 | 6.7 | 6.6 | 9.2 | 9.4 |
| *Total public debt [E' million]* | 8 224.7 | 8 459.5 | 8 685.6 | 8 514.7 | 8 843.3 | 9 960.0 |
| *As a % of GDP* | 15.9 | 16.3 | 16.8 | 15.5 | 16.1 | 18.1 |




**NB: The table shows data up to the end of August 2016 for consistency.**