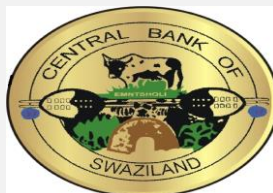


The Kingdom of Swaziland



Major Highlights

❖ Annual consumer inflation decreased to 5.9 per cent in August 2017 from 6.7 per cent in July 2017.	Inflation rate (% y/y)	5.9 (Aug) ↓
❖ Discount and prime lending rates remained unchanged in September 2017.	Prime Lending (%)	10.75
	Discount rate (%)	7.25
❖ During the month of September 2017, the external value of the Lilangeni strengthened against the US dollar but weakened against other major currencies.	Exchange rate (US\$)	13.17 (Sept) ↓
❖ Credit to the Private Sector amounted to E13.0 billion at the end of August 2017, lower than the E13.2 billion recorded at the end of July 2017.	Private Sector Credit (% y/y)	5.4 (Aug) ↓
❖ Broad Money Supply (M2) went up by 1.6 per cent (m/m) at the end of August 2017 to settle at E16.8 billion.	Broad Money (M2) (% y/y)	11.3 (Aug) ↓
❖ Gross Official Reserves stood at E7.2 billion at the end of September 2017, 2.1 per cent lower than the E7.3 billion recorded at the end of August 2017.	Reserves (months of import cover)	3.4 (Aug) ↓
❖ At the end of September 2017, preliminary figures indicate that total public debt stood at E12.20 billion higher than the E11.70 billion recorded in August 2017.	Total Public Debt (% to GDP)	20.9 (Sept) ↑
❖ In the month ended August 2017, Swaziland merchandise trade account recorded a surplus of E428.1 million when compared with a E102.6 million surplus from July 2017.	Trade Account (% of GDP)	0.01 (Aug) ↑

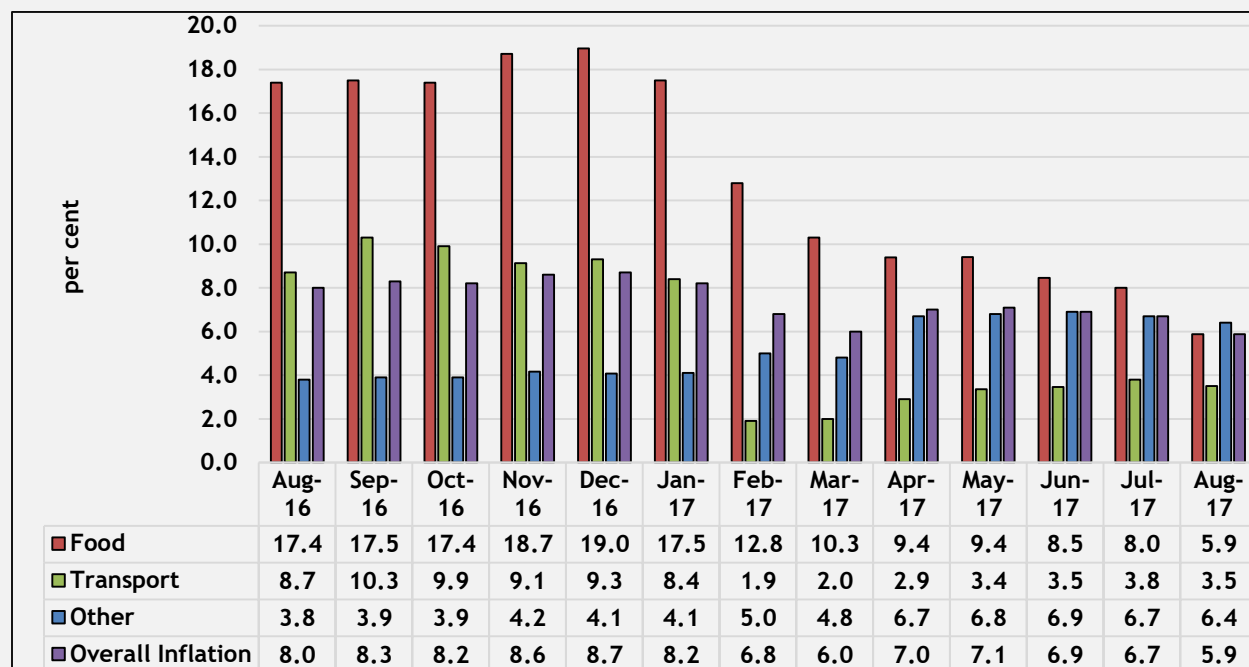
NB: The table shows the most recent available data.

1 Inflation Developments

The country's annual consumer inflation decelerated to 5.9 per cent in August 2017 from 6.7 recorded in July 2017. A continuous moderation in the 'food and non-alcoholic beverages' index remained the main driver of the downward movement in overall consumer inflation. Food inflation decreased from 8.0 per cent in July 2017 to 5.9 per cent in August 2017, mainly due to slower increases in the prices of 'cereals', 'oils and fats' and 'sugar and sugar products'. Other notable deflationary pressures emanated from the price indices for 'clothing and footwear' and 'miscellaneous goods and services'. The growth rate of these indices decreased by 1.9 and 1.8 percentage points respectively over the reviewed period.

The above decreases were slightly offset by increasing rates of growth in the price indices for 'restaurants and hotels' and 'recreation and culture'. The index for 'restaurants and hotels' rose by 4.2 per cent in August 2017 from 2.4 per cent in July 2017. On the other hand, the index for 'recreation and culture' grew by 7.0 per cent in August 2017 from 6.4 per cent in the previous month.

Figure 1: Inflation Trends: August 2016 to August 2017



Source: Central Statistical Office

On a month-on-month basis, consumer price inflation recorded zero growth in August 2017 from an increase of 0.2 per cent in July 2017. Decreases were mainly observed in the price indices for ‘clothing and footwear’ and ‘communication’. On the other hand, increases were observed in the price indices for ‘restaurants and hotels’ and ‘education’ with the later driven by a 6 per cent increase in tuition fees for tertiary institutions.

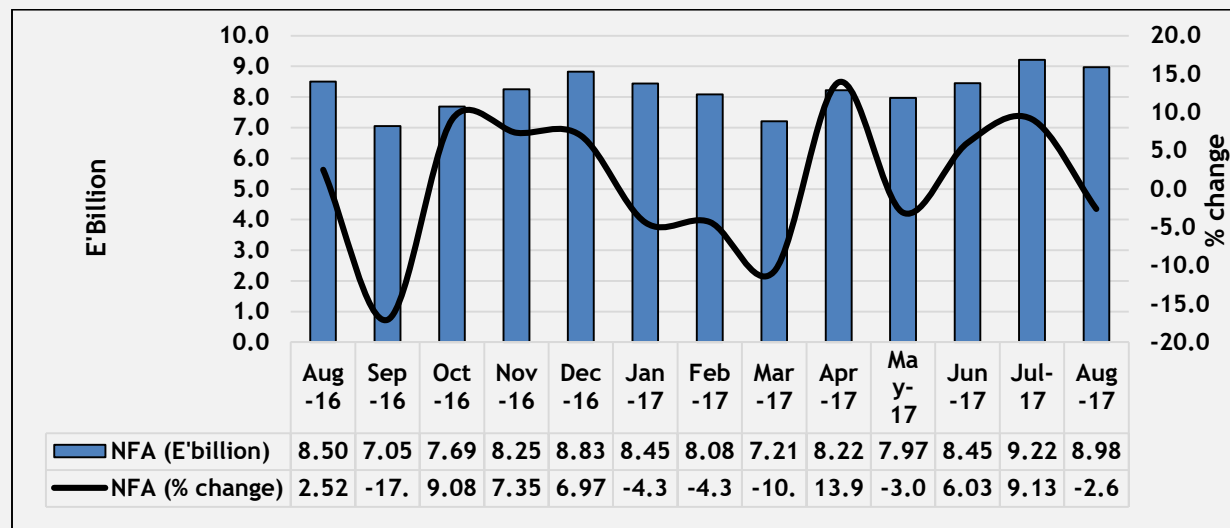
Core inflation, which is measured as the CPI excluding food and non-alcoholic beverages, auto-fuel and energy grew by a slower rate of 5.9 per cent in August 2017, down from 6.2 per cent the previous month. On month-on-month rates, core inflation remained unchanged at 0.1 per cent in August 2017, same as it was in June and July 2017.

2 Money Supply and Banking Developments

Net Foreign Assets reflected a decline of 2.6 per cent at the end of August 2017 to settle at E9.0 billion, down from the E9.2 billion observed in July 2017. The reduction was registered in Net Foreign Holdings of the Official Sector which went down by 8.5 per cent month-on-month to reach E6.3 billion.

Net Foreign Holdings of Other Depository Corporations on the contrary, grew by 15.2 per cent from the previous month to reach E2.7 billion. The rise was particularly driven by Other Depository Corporations' deposits placed with banks in the Common Monetary Area (CMA) coupled with an increase in their foreign currency holdings over the month of August 2017. The value of Net Foreign Assets in Special Drawing Rights (SDR) closed at SDR488.5 million at the end of August 2017, contracting by 1.6 per cent from the previous month. Compared year-on-year, Net Foreign Assets in Emalangeni terms rose by 5.6 per cent and in SDR by 17.4 per cent.

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

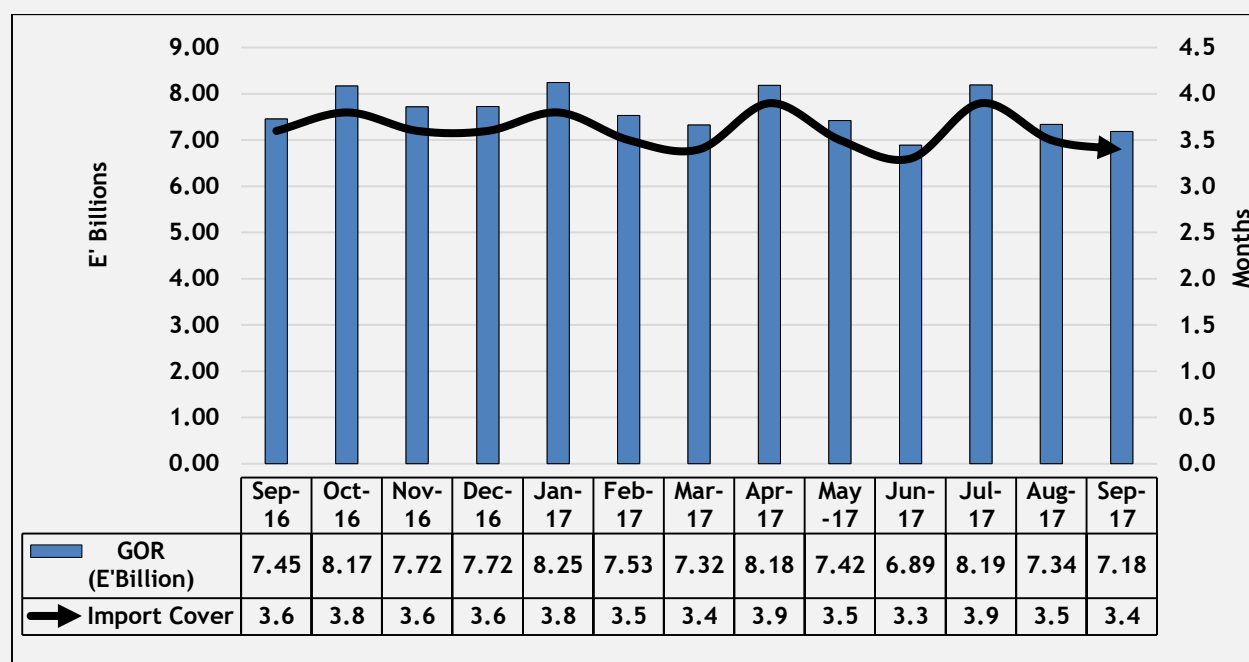


Source: Central Bank of Swaziland

Gross Official Reserves reflected a month-on-month contraction of 2.1 per cent at the end of September 2017 to settle at E7.2 billion, down from the E7.3 billion observed at the end of August 2017. At this level the Reserves were equivalent to an import cover of 3.4 months, lower than the 3.5 months registered at the end of August

2017. When valued in Special Drawing Rights (SDRs), the Reserves stood at SDR377.3 million reflecting a month-on-month decline of 5.5 per cent. However, when compared over the year, the Reserves reflected a contraction of 3.6 per cent when valued in Emalangeni terms and 2.3 per cent in SDRs terms.

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



Source: Central Bank of Swaziland

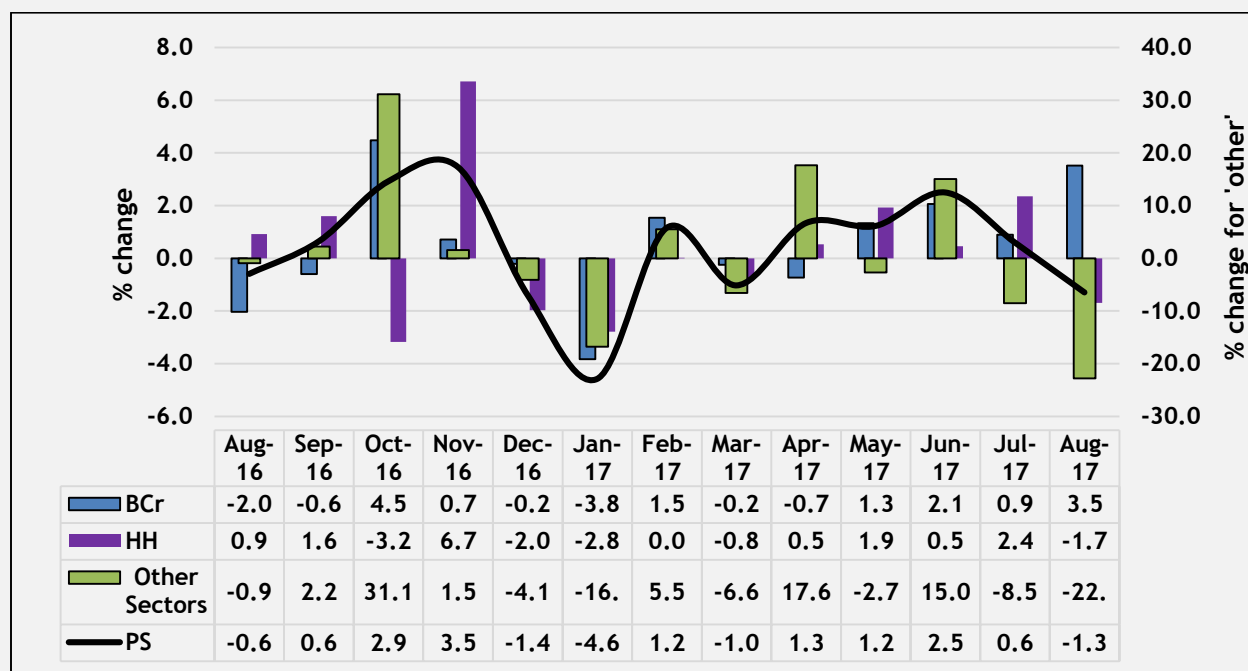
Credit Extended to the Private Sector amounted to E13.0 billion at the end of August 2017, depicting a month-on-month reduction of 1.3 per cent. The decline stemmed from credit extended to Other Sectors (-22.8 per cent) and Credit Extended to Households and Non-Profit Institutions Serving Households (NPISH) (-1.7 per cent). Partially offsetting these contractions was a rise in credit extended to Businesses (3.5 per cent). When compared over the same period last year, Private Sector Credit expanded by 5.4 per cent.

Credit Extended to Other Sectors totalled E937.4 million at the end of August 2017, depicting a month-on-month decline of 22.8 per cent at the end of August 2017. This resulted from a fall in credit demanded by Other Financial Corporations (-40.9 per cent) and Local Government (-5.3 per cent). Credit to Public Nonfinancial Corporations on the other hand recorded a rise of 3.1 per cent.

Credit to Businesses settled at E6.1 billion at the end of August 2017, reflecting a growth of 3.5 per cent from July 2017. The improvement in credit to Businesses was predominantly discernible in these subsectors; Community, Social and Personal Services (39.6 per cent), Mining and Quarrying (33.7 per cent), Agriculture and Forestry (33.6 per cent), Transport and Communications (6.2 per cent) as well as Construction (5.8 per cent). Partially constraining the growth was a decline in credit to these sectors; Distribution and Tourism (-15.3 per cent), Manufacturing (-4.4 per cent) as well as Real Estate (-4.1 per cent).

Net Government Balances held with the banking sector reached E602.9 million at the end of August 2017. At this level the balances were 54.7 per cent lower than in the previous month. The monthly decrease in Net Government Balances was mainly due to Government deposits with the banking sector which fell by 7.2 per cent coupled with an increase of 12.1 per cent in claims on Government. When compared over the year, Net Government Balances depicted a reduction of 51.3 per cent.

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



Source: Central Bank of Swaziland

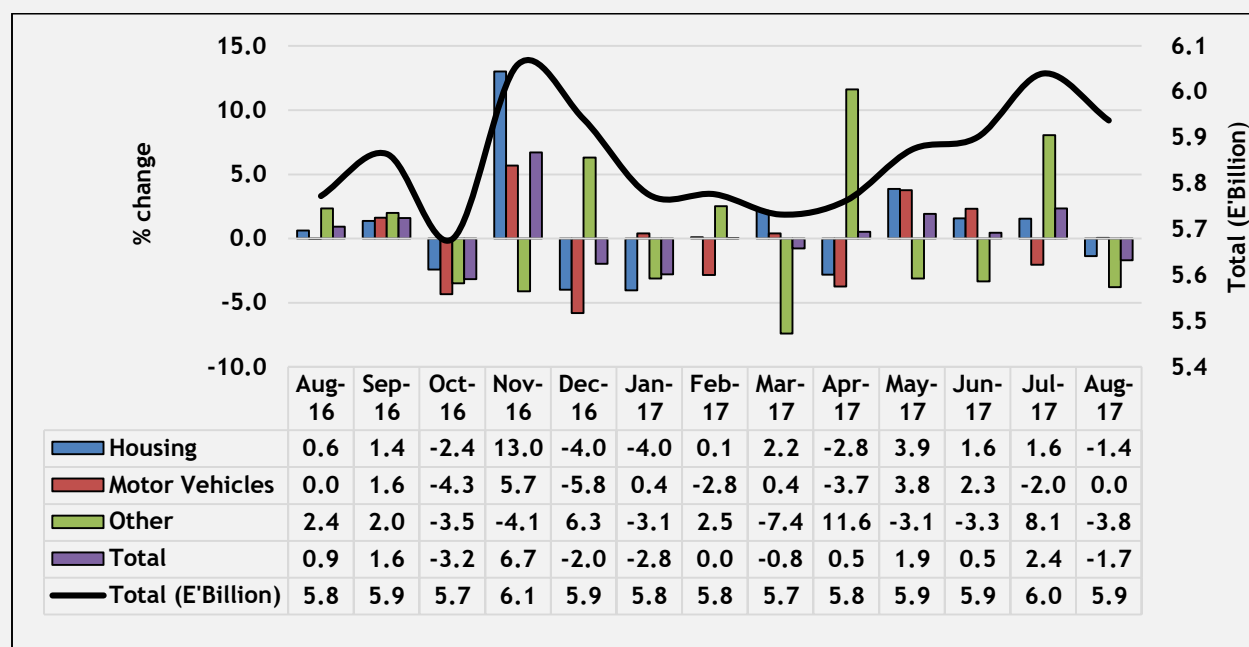
Where; BCr: Credit Extended to Business

HH: Credit Extended to Households

PS: Private Sector Credit

Credit Extended to Households & NPISH went down by 1.7 per cent month-on-month to settle at E5.9 billion at the end of August 2017, down from E6.0 billion observed in the previous month. The month-on-month fall was observed in Other (Unsecured) Loans and Mortgage Finance. As a result, Other (Unsecured) Loans decelerated by 3.8 per cent to close at E1.5 billion and Mortgage Finance went down by 1.4 per cent to E3.1 billion. In contrast, Motor Vehicle Finance improved by 0.04 per cent to close at E1.3 billion at the end of August 2017.

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



Source: Central Bank of Swaziland

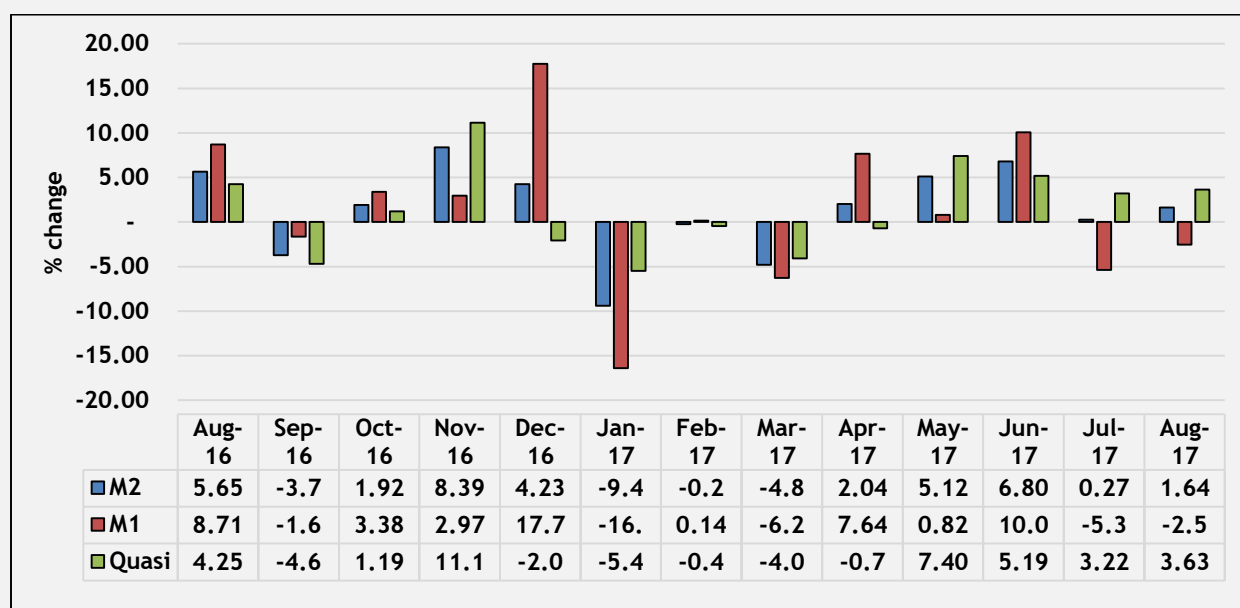
Broad Money Supply (M2) recorded a month-on-month improvement of 1.6 per cent at the end of August 2017 to reach E16.8 billion, due to an increase in Quasi Money. Narrow Money Supply on the other hand, trended downwards at the end of the review month. Compared over the year, M2 grew by 11.3 per cent.

Narrow Money Supply (M1) receded by 2.5 per cent from the previous month to settle at E5.2 billion at the end of August 2017. An analysis of the components of M1 reflected that Currency Outside Depository Corporation fell by 5.8 percent to E629.7

million at the end of August 2017 and Transferable Deposits by 2.1 per cent to E4.6 billion.

Quasi Money Supply reflected growth of 3.6 per cent from July 2017 to settle at E11.6 billion at the end of August 2017. The rise was mainly attributed to Time Deposits which improved by 4.5 per cent to E10.0 billion. Savings Deposits on the other hand, went down by 1.5 per cent to settle at E1.6 billion over the month under review.

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



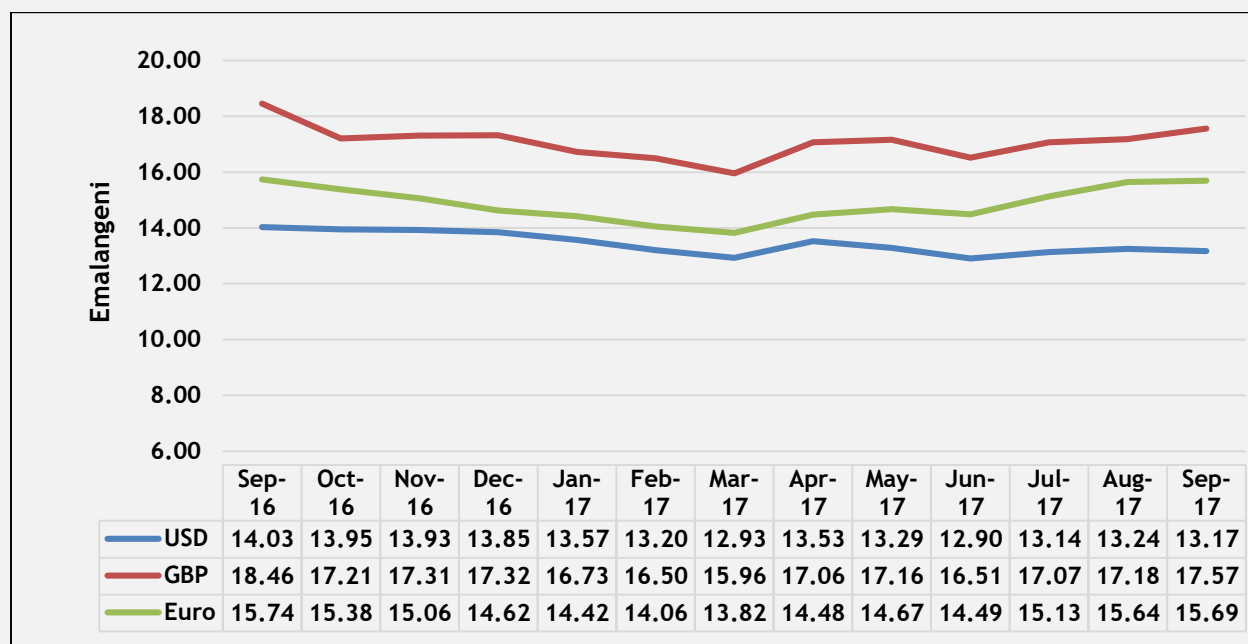
Source: Central Bank of Swaziland

During the month of September 2017, the exchange rate of the Lilangeni/Rand strengthened against the US dollar and depreciated against other major currencies. Compared to August 2017, the local unit appreciated by 0.55 per cent to average E13.17 to the US dollar. The local unit strengthened as South Africa recorded a positive economic growth and an increase in trade surplus in the second quarter of 2017. The monetary policy decision by the US Federal Reserve Bank to keep interest rates unchanged in contrast to the market expectations, saw a recovery in emerging market currencies. Concurrently, the South African Reserve Bank (SARB) left its repo rate

unchanged, which also supported the further strengthening of the Lilangeni against the US dollar.

The higher than expected inflation figures in the UK triggered a Pound rally which traders speculated would put pressure on the Bank of England to raise interest rates. This put pressure on the Lilangeni to depreciate against the Pound, falling by 2.3 per cent to average E17.57. Against the Euro, the Lilangeni depreciated by 0.3 per cent averaging E15.69. The local unit ended the period under review at E12.99 to the US dollar, E16.78 to the Pound Sterling and E15.47 to the Euro.

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



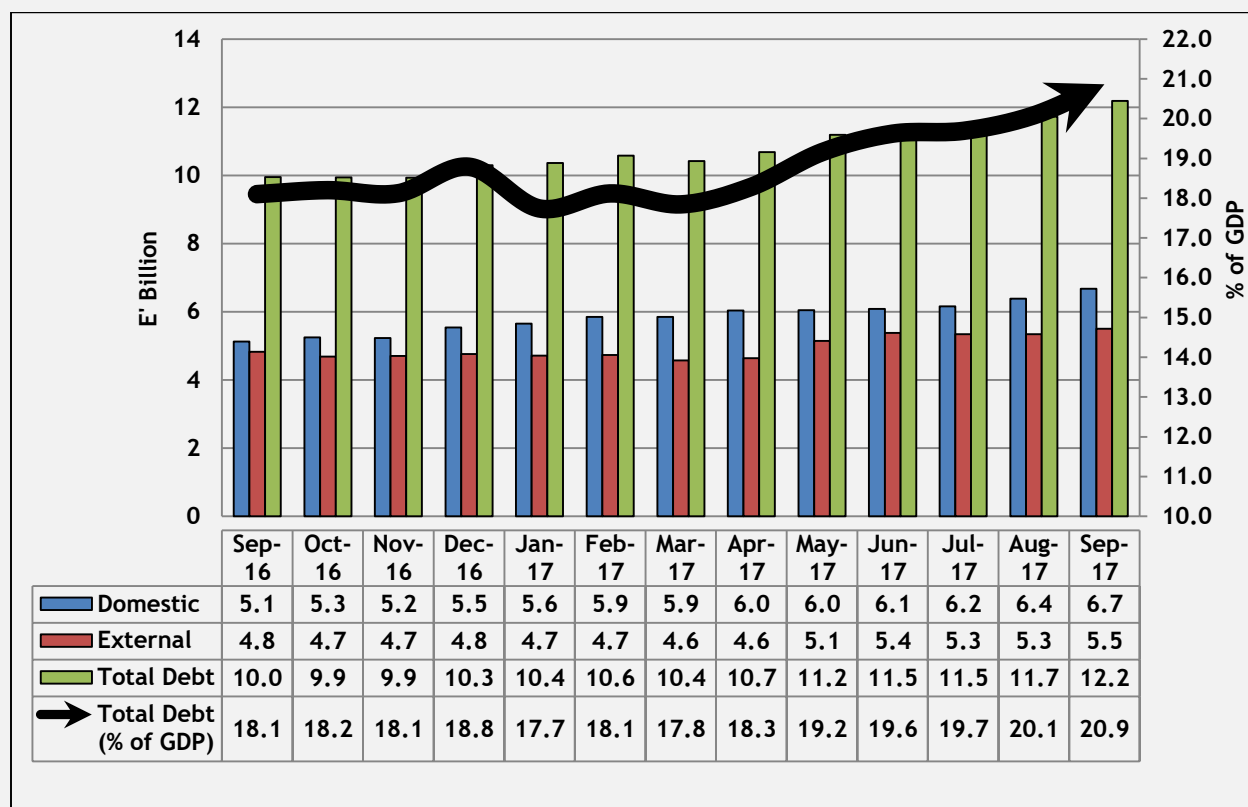
Source: Central Bank of Swaziland

3 Public Debt

Preliminary figures for the month ending 30 September 2017 indicate that total public debt stood at E12.2 billion, an equivalent of 20.9 per cent of GDP. This shows an increase of 4.2 per cent from E11.7 billion recorded at the end of August 2017.

As at end of September 2017, external debt stood at E5.5 billion, an equivalent of 9.4 per cent of GDP. This figure shows that external debt increased slightly by 3.7 per cent over the past month from E5.3 billion which was recorded in August 2017. The increase was due to a slight weakening of the Lilangeni against major foreign currencies in which the country’s liabilities are denominated.

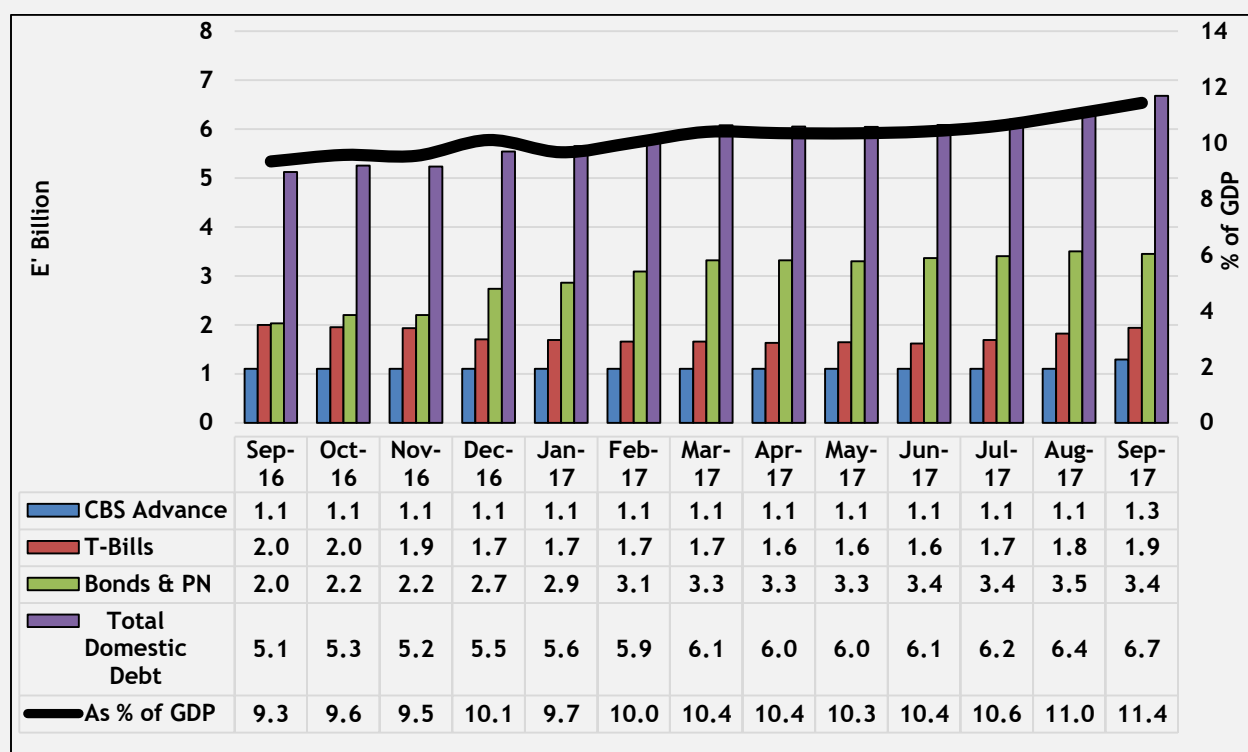
Figure 8: Total Public Debt: September 2016 to September 2017



Source: Ministry of Finance and Central Bank of Swaziland

Domestic debt stood at E6.7 billion at the end of September 2017, an equivalent of 11.4 per cent of GDP. This figure shows that domestic debt increased by 6.2 per cent over the past month when compared to E6.4 billion that was recorded in August 2017. The increase is due to the new Central Bank advance extended to government coupled with an improved uptake of treasury bills.

Figure 9: Public Domestic Debt: September 2016 to September 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: Domestic Debt Instruments Outstanding by Holder as at 30 September, 2017 (E' Million)

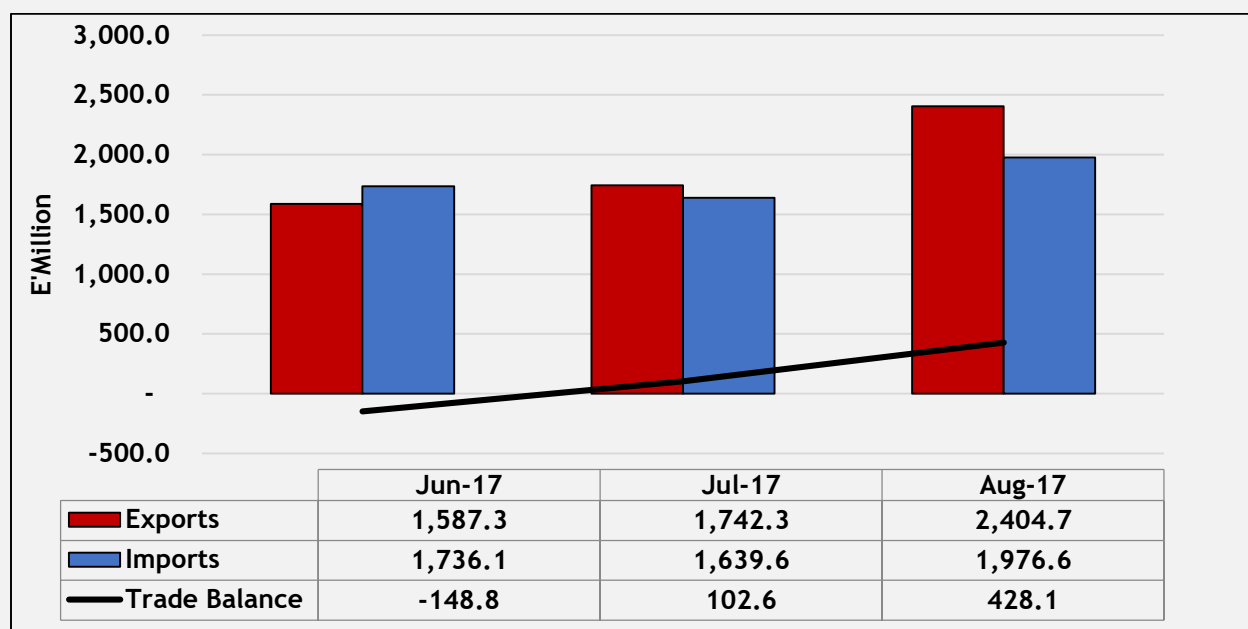
Holder	Treasury Bills	Government Bonds	Promissory Notes	CBS Advance	Total	Share of Holdings (%)
CBS	2.0	0.9	0	1 292.6	1 295.5	19.40
Commercial banks	1 539.1	856.8	0	0	2 395.9	35.88
NBFIs	290.3	2 341.0	0	0	2 631.3	39.40
Other	150.6	140.0	109.5	0	355.1	5.32
Total	1 937	3 339	110	1 293	6 678	100

Source: Ministry of Finance and Central Bank of Swaziland

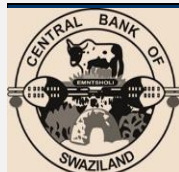
4 The External Sector

During the month ended August 2017, the trade balance recorded a wider surplus of E428.1 million compared to a surplus of E102.6 million in July. Month-on-month, exports increased by a significant 38.0 per cent in August to E2.404 billion compared to a growth of 9.7 per cent in the preceding month. As at end August 2017 merchandise imports rose by 20.6 per cent to E1.977 billion following a 5.5 per cent growth in July. For the past two months the country's terms of trade were above 100 or increasingly positive indicating that there are more inflows from export receipts than outflows from imports.

Figure 10 : Merchandise Trade Account (Monthly): June 2017 to August 2017

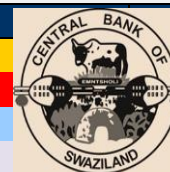


Source: Central Bank of Swaziland

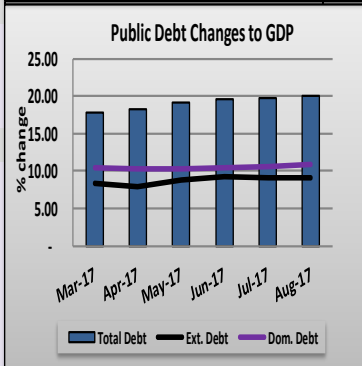
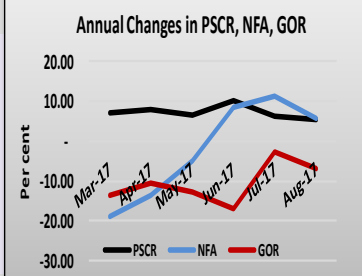
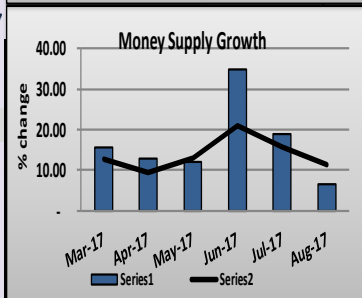
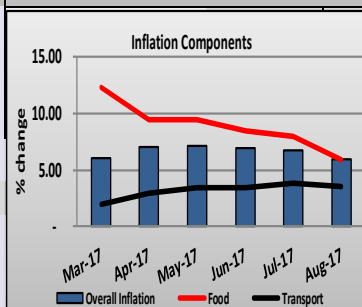


Economic Policy, Research and Statistics Division

Swaziland Economic Indicators at a glance



Sectors	Mar-17	Apr-17	May-17	Jun-17	Jul-17	Aug-17
Overall Inflation	6.00	7.00	7.10	6.90	6.70	5.90
Food	12.30	9.40	9.40	8.45	8.00	5.90
Transport	2.00	2.90	3.40	3.46	3.80	3.50
Other	4.90	6.70	6.80	6.90	6.70	6.40
Money and banking						
Narrow money annual growth (%)	15.50	12.80	12.00	35.00	18.90	6.57
Broad money annual growth (%)	12.80	9.40	12.90	21.10	15.70	11.34
Domestic credit (net) - E' Million	11,657.17	11,271.25	12,292.53	12,339.30	11,844.30	12,401.54
Government	-798.75	-1351.23	-484.89	-757.18	-1330.66	-602.87
Private sector	12,455.91	12,622.49	12,777.42	13,096.48	13,174.96	13,004.41
Private sector credit annual growth (%)	7.00	7.80	6.50	10.20	6.20	5.41
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	8.26	8.38	8.14	8.26	8.28	8.08
Ratios						
Liquidity ratio (required = 20 %)	28.50	30.30	31.20	25.57	27.66	29.94
Loans/deposits ratio	85.9	83.2	79.7	76.9	77.7	76.8
Net foreign assets (E'million)	7,073.60	8,088.38	7,966.30	8,446.33	9,217.14	8,977.79
Annual % change in NFA	-18.90	-13.60	-4.90	8.50	11.20	5.63
Gross official foreign reserves E'Millions	7,325.22	8,188.41	7,422.63	6,884.72	8,189.31	7,336.53
Annual % change in GOR	-13.70	-10.50	-12.80	-16.90	-2.69	-6.79
In months of import cover	3.40	3.80	3.50	3.30	3.90	3.30
Exchange Rates						
US\$	12.93	13.53	13.29	12.90	13.14	13.24
EURO	15.96	14.48	14.67	14.89	15.13	15.64
GBP	14.52	17.06	17.16	16.51	17.07	17.18
Public Finance						
Total public external debt [E' million]	4,580.00	4,640.00	5,140.00	5,378.10	5,344.10	5,343.00
As a % of GDP	8.30	7.90	8.80	9.21	9.10	9.10
Total public domestic debt [E' million]	5,850.00	6,050.00	6,044.00	6,081.80	6,156.80	6,386.32
As a % of GDP	10.40	10.36	10.35	10.41	10.60	10.90
Total public debt [E' million]	10,450.00	10,690.00	11,184.00	11,460.00	11,500.90	11,729.00
As a % of GDP	17.80	18.30	19.20	19.62	19.70	20.10



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