

# Recent Economic Developments

February / March 2021



**CENTRAL BANK OF ESWATINI**  
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## MAJOR HIGHLIGHTS

<ul style="list-style-type: none"> <li>Headline consumer inflation remained on a downward trend, decreasing from 4.3 per cent in January 2021 to 3.9 per cent in February 2021.</li> </ul>	Inflation rate (% y/y)	3.9 (Feb) ▼
<ul style="list-style-type: none"> <li>The discount and the prime lending rates were left unchanged in March 2021.</li> </ul>	Prime Lending (%)	7.25
	Discount rate (%)	3.75
<ul style="list-style-type: none"> <li>In the month of March 2021, the Lilangeni/Rand exchange rate marginally depreciated against the US Dollar.</li> </ul>	Exchange rate (US\$)	15.00 (Mar) ▼
<ul style="list-style-type: none"> <li>Credit extended to the private sector decreased by 1.2 per cent on a month-on-month basis to settle at E15.6 billion at the end of February 2021.</li> </ul>	Private Sector Credit (% m/m)	1.2 (Feb) ▼
<ul style="list-style-type: none"> <li>Broad money supply (M2) declined by 0.4 per cent on a monthly basis to reach E21.0 billion at the end of February 2021.</li> </ul>	Broad Money (M2) (% m/m)	0.4 (Feb) ▼
<ul style="list-style-type: none"> <li>Gross official reserves reached E9.2 billion at the end of March 2021, increasing by 1.6 per cent on a month-on-month basis with the import cover rising marginally from 3.9 months of import cover to 4 months.</li> </ul>	Reserves (months of import cover)	4.0 (Mar) ▲
<ul style="list-style-type: none"> <li>Preliminary figures as at the end of March 2021, show that total public debt stood at E26.4 billion translating to 37.1 per cent of GDP.</li> </ul>	Total Public Debt (% of GDP)	37.1 (Mar) ▲

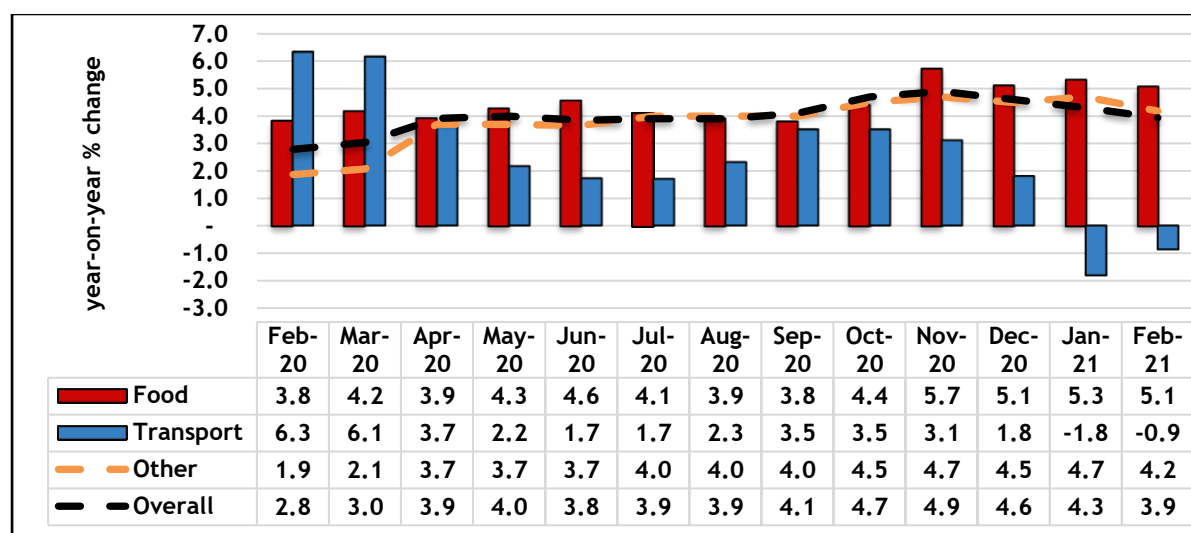
NB: The table shows the most recent available data.

## 1 PRICE DEVELOPMENTS

Headline consumer inflation remained on a downward trend, decreasing from 4.3 per cent in January 2021 to 3.9 per cent in February 2021. Contributing to the slowdown, were prices for education which remained unchanged over a 12-month period thereby recording a zero-growth on a year-on-year basis, in the period under review, compared to 6.8 per cent in the previous month. In addition, there was a slower increase in food prices as well as prices for ‘furnishing & household equipment’. Food inflation decreased slightly from 5.3 per cent in January 2021 to 5.1 per cent in the month under review, mainly benefitting from a moderate slowdown in prices for ‘cereals’, ‘oils & fats’ and ‘fruits’. On the other hand, the index for ‘furnishing & household equipment’ grew at a slower rate of 4.8 per cent in February 2021 compared to 5.5 per cent in the previous month.

The observed decreases were partially counteracted by increases in the price indices for ‘transport’ and ‘clothing & footwear’. Transport inflation increased by 0.9 of a percentage point due to a 70 cents per litre increase in fuel prices effected in February 2021. Similarly, the index for ‘clothing & footwear’ rose by 4.8 per cent in the month under review compared to 3.8 per cent in the previous month.

Figure 1: Inflation Trends: February 2020 to February 2021



Source: Central Statistical Office and Central Bank of Eswatini

On a month-on-month basis, consumer prices rose by 0.4 per cent in February 2021 slightly higher than 0.3 per cent observed in the previous month. This increase was mainly due to modest increases in the price indices for ‘transport’, ‘recreation & culture’ and ‘clothing & footwear’. On the contrary, month-on-month decreases were observed in the price indices for ‘food & non-alcoholic beverages’ and ‘health’.

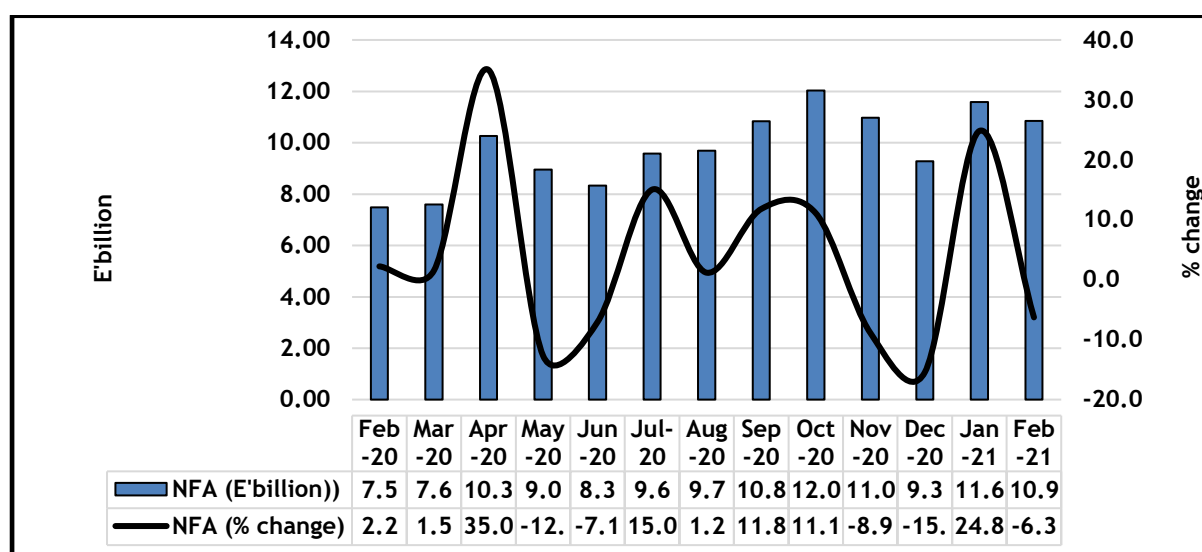
Core inflation, which is CPI excluding volatile items such as food, fuel and energy, further declined to 3.4 per cent in February 2021 from 4.4 per cent in January 2021. On a month-on-month, core inflation slightly picked up from zero growth in January 2021 to 0.2 per cent in February 2021.

## 2 MONEY SUPPLY AND BANKING DEVELOPMENTS

The country's net foreign assets stood at E10.9 billion at the end of February 2021 reflecting a decline of 6.3 per cent from January 2021 and growth of 37.5 per cent over the year. The month-on-month reduction in net foreign assets was discernible in both net foreign assets of the official sector and those of other depository corporations.

Net foreign assets of the official sector stood at E7.7 billion at the end of February 2021, depicting a decline of 7.9 per cent month-on-month and an increase of 31.8 per cent annually. The monthly fall was mainly attributed to foreign exchange outflows from the Central Bank as well as payment of government's external obligations over the month under review.

Figure 2: Net Foreign Assets Monthly Changes: February 2020 to February 2021

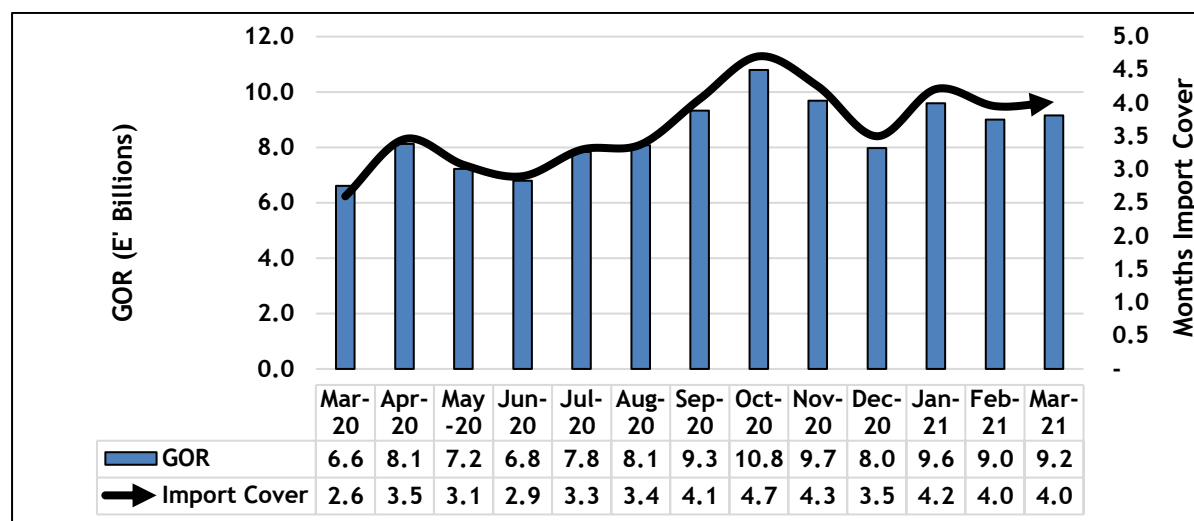


Source: Other Depository Corporations and Central Bank of Eswatini

Net foreign assets of other depository corporations declined by 2.0 per cent month-on-month but grew by 53.6 per cent year-on-year to reach E3.2 billion at the end of February 2021. The month-on-month reduction was predominantly driven by a fall in their investments in the Common Monetary Area and abroad. In special drawing rights (SDR), net foreign assets amounted to SDR501.3 million at the end of February 2021, reflecting a month-on-month decrease of 6.3 per cent and an annual growth of 36.1 per cent.

Gross official reserves reached E9.2 billion at the end of March 2021, increasing by 1.6 per cent on a month-on-month basis and 38.5 per cent annually. The month-on-month expansion in reserves was mainly due to a net inflow of foreign exchange from local banks. At this level, the reserves were equivalent to an import cover of 4.0 months, maintaining the same level recorded in the previous review month. Valued in SDR terms the reserves amounted to SDR437.4 million, higher than the SDR416.1 million observed in February 2021.

Figure 3: Gross Official Reserves and Import Cover: March 2020 to March 2021



Source: Central Bank of Eswatini

Credit extended to the private sector decreased by 1.2 per cent on a month-on-month basis but increased by 9.3 per cent annually to settle at E15.6 billion at the end of February 2021. The month-on-month fall in private sector credit was solely driven by credit to businesses while credit to other sectors of the economy and households & non-profit institutions serving households (NPISH) expanded.

Credit extended to businesses reflected a reduction of 4.1 per cent month-on-month and 1.9 per cent over the year to settle at E6.3 billion at the end of February 2021. The fall in credit to businesses was observed in the following subsectors; mining & quarrying (-91.4 per cent), distribution & tourism (-25.5 per cent), transport & communication (-6.0 per cent), real estate (-4.2 per cent) as well as manufacturing (-1.2 per cent). Credit growth was however, observed in social & personal services (15.8 per cent), construction (7.0 per cent) as well as agriculture & forestry (5.6 per cent).

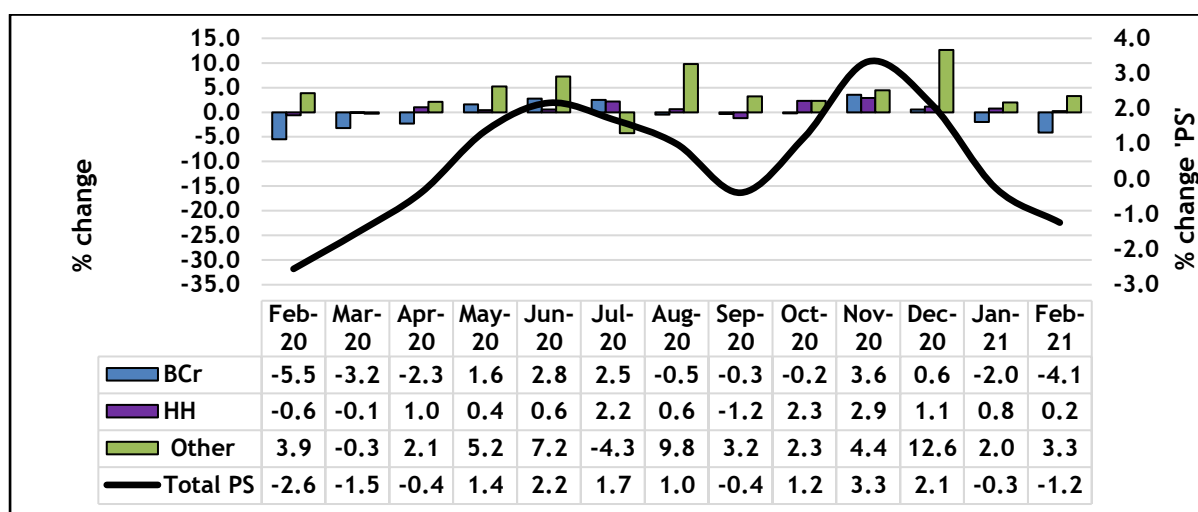
Credit extended to other sectors grew by 3.3 per cent month-on-month and 58.0 per cent over the year to settle at E2.0 billion at the end of February 2021. The month-on-month increase in credit to other sectors was observed in credit to other financial corporations which rose by 9.4 per cent to E1.4 billion at the end of February 2021. Credit to local



## RED- FEBRUARY/MARCH 2021

government and public nonfinancial corporations however, receded by 35.3 per cent to E27.0 million and 8.4 per cent to E504.7 million, respectively.

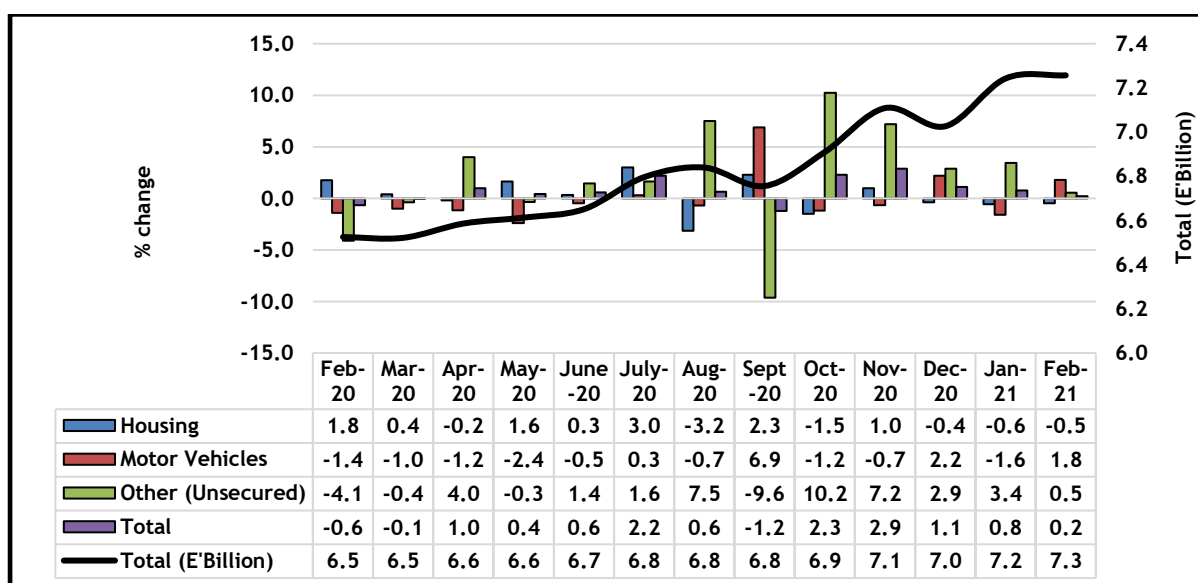
Figure 4: Private Sector Credit Monthly Changes: February 2020 to February 2021



Source: Central Bank of Eswatini (BCr: Business Credit HH: Household Credit PS: Private Sector Credit)

Credit extended to households & NPISH stood at E7.3 billion at the end of February 2021, depicting an increase of 0.2 per cent on a month-on-month basis and 11.2 per cent over the year. The month-on-month rise was attributed to motor vehicle finance and other personal (unsecured) loans whilst mortgage finance decreased. Motor vehicle finance therefore, rose by 1.8 per cent to E 1.0 billion whilst other personal (unsecured) loans grew by a lower margin of 0.5 per cent to E2.7 billion at the end of February 2021. Mortgage loans on the other hand, declined by 0.5 per cent to E3.6 billion at the end of February 2021.

Figure 5: Household Credit Monthly Changes: February 2020 to February 2021



Source: Central Bank of Eswatini and Other Depository Institutions

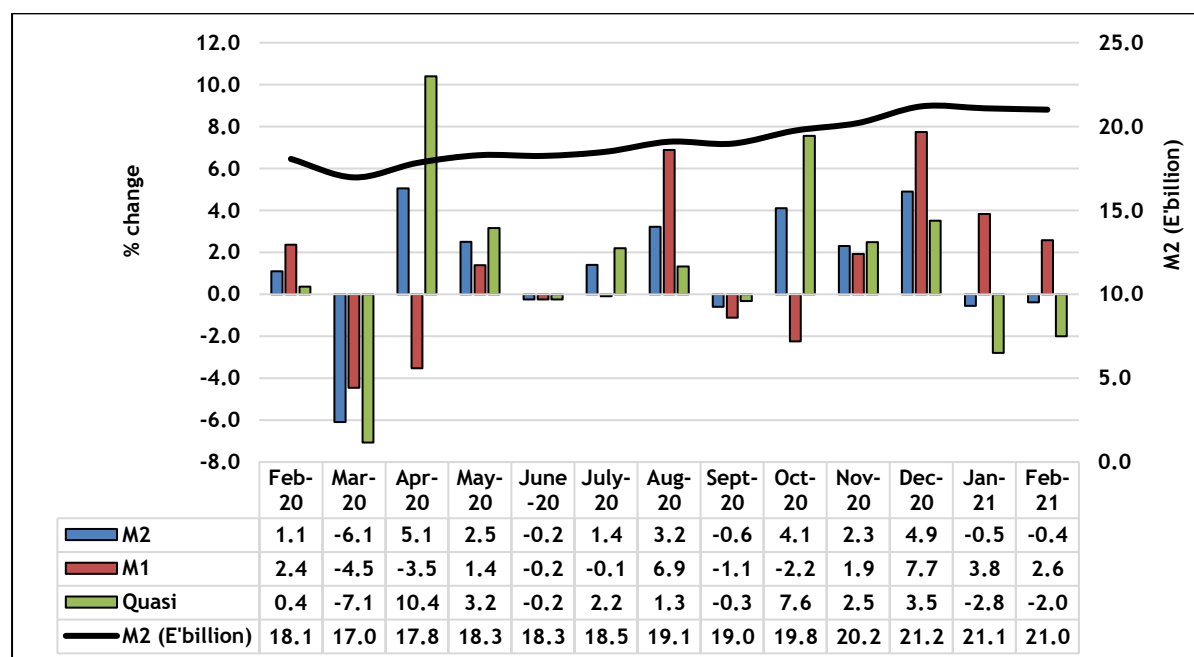
## RED- FEBRUARY/MARCH 2021

Net claims on government with the banking sector stood at E403.0 million at the end of February 2021 from -E528.7 million observed in January 2021. Consequently, claims on government rose by 9.1 per cent whilst government deposits fell by 5.1 per cent over the month under review.

On a month-on-month basis, broad money supply (M2) declined by 0.4 per cent to reach E21.0 billion at the end of February 2021, however, compared over the same month last year grew by 16.2 per cent. The month-on-month fall in M2 was in line with the decline in private sector credit and was depicted in quasi money supply. Quasi money supply reached E13.4 billion at the end of February 2021, reflecting a decline of 2.0 per cent on a monthly basis but over the year expanded by 18.4 per cent. The month-on-month decline was on account of both components; savings and time deposits. Savings deposits fell by 3.4 per cent to E2.0 billion whilst time deposits decreased by a lesser margin of 1.8 per cent to reach E11.4 billion at the end of February 2021.

Narrow money supply (M1) improved by 2.6 per cent month-on-month and 12.5 per cent year-on-year to settle at E7.7 billion at the end of February 2021. The month-on-month growth was on account of transferable (demand) deposits which increased by 3.1 per cent to reach E6.8 billion at the end of February 2021. Emalangeni outside depository corporations on the other hand, fell by 1.1 per cent to E858.5 million at the end of February 2021.

Figure 6: Money Supply Monthly Changes: February 2020 to February 2021

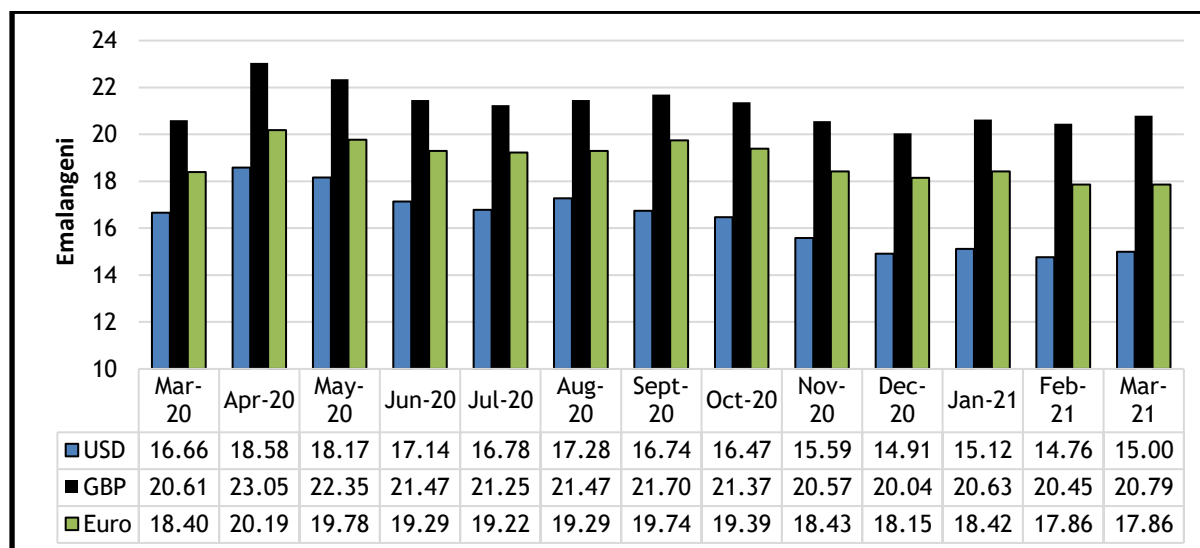


Source: Central Bank of Eswatini and Other Depository Institutions

During the month of March 2021, the Lilangeni/Rand weakened marginally against the major trading currencies. Amid the already upbeat data in South Africa and positive investor confidence towards emerging market assets, the US Dollar in particular, unexpectedly appreciated as economic prospects for the U.S. economy appear brighter than previously anticipated. To a large extent, the brief Rand sell-off is on account of the policy implementation around the roll-out of COVID-19 vaccinations which, emerging market economies including South Africa have been slow to implement yet global investor sentiments hinges on it significantly. Moreover, the demand pressures on electricity and load shedding have dampened markets confidence. The marginal depreciation of the Rand also benefited from the U.S. Fed's continuous easing of monetary policy which, emphasized more on the need to restore economic activity therefore, weakening the positive effect of higher emerging market interest rates have on their currencies.

When compared against the US Dollar, the Lilangeni/Rand depreciated on average by 1.63 per cent in March 2021, down from the E14.76 average recorded in February 2021. Against the Pound Sterling and the Euro, the domestic unit also depreciated by 1.7 per cent and 0.04 per cent to average E20.79 and E17.86 in March 2021, respectively. As at the end of March 2021, the local unit stood at E14.94 to the US Dollar, E20.55 to the Pound Sterling and E17.52 to the Euro.

**Figure 7: Average Exchange Rates: March 2020 to March 2021.**



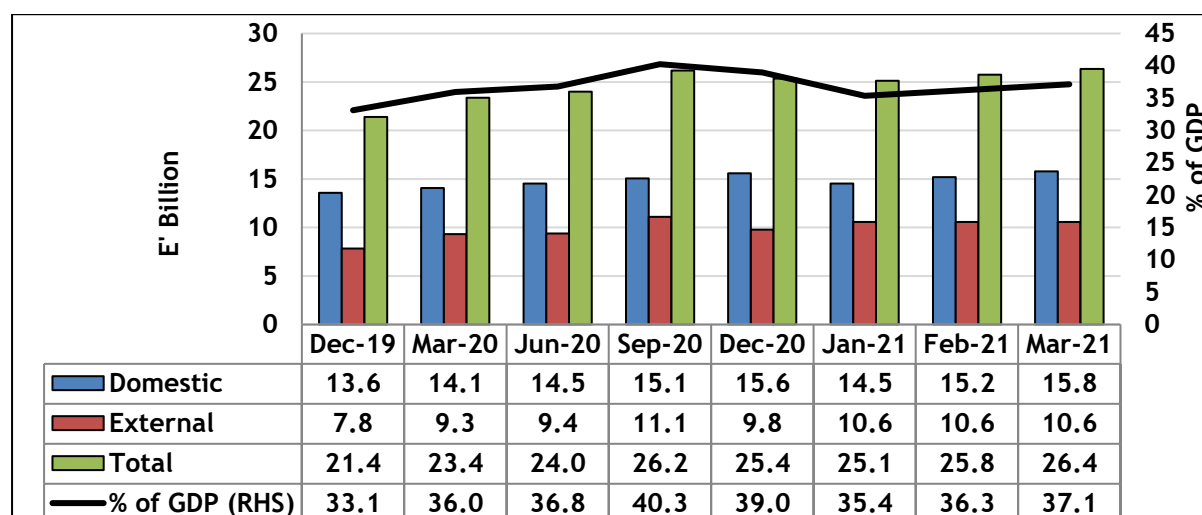
Source: Central Bank of Eswatini



### 3 TOTAL PUBLIC DEBT

Preliminary figures as at the end of March 2021, show that total public debt stood at E26.4 billion translating to 37.1 per cent of GDP. This shows an increase of 2.3 per cent from E25.8 billion recorded in February 2021. The increase in total public debt is due to an increase in domestic debt.

Figure 8: Total Public Debt: December 2019 to March 2021

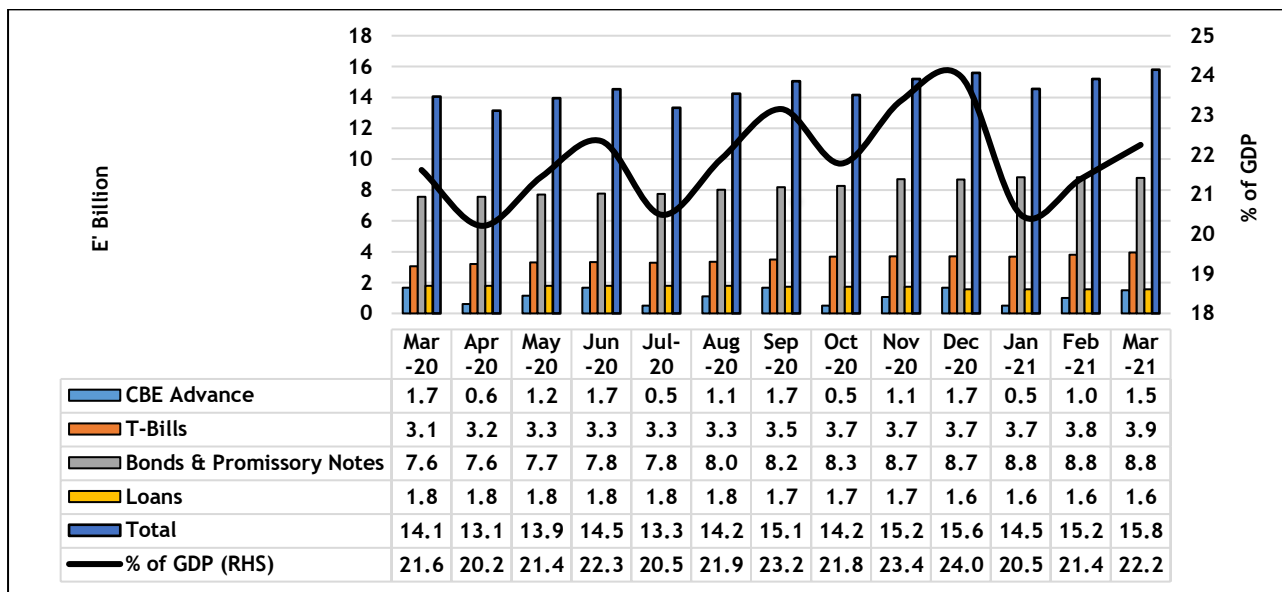


Source: Central Bank of Eswatini and Ministry of Finance

Preliminary figures for external debt show that public external debt stood at E10.6 billion, an equivalent of 14.9 per cent of GDP. This shows that public external debt has remained constant in the period under review.

Outstanding public domestic debt was recorded at E15.8 billion an equivalent of 22.2 per cent of GDP. Compared to E15.2 billion recorded in February, public domestic debt increased by 3.9 per cent in the month under review. The increase is due to an additional advance extended to government in the month of March 2021. Government accessed an additional E500 million from the CBE Advance window, bringing the total advance amount to E1.5 billion as at end March 2021.

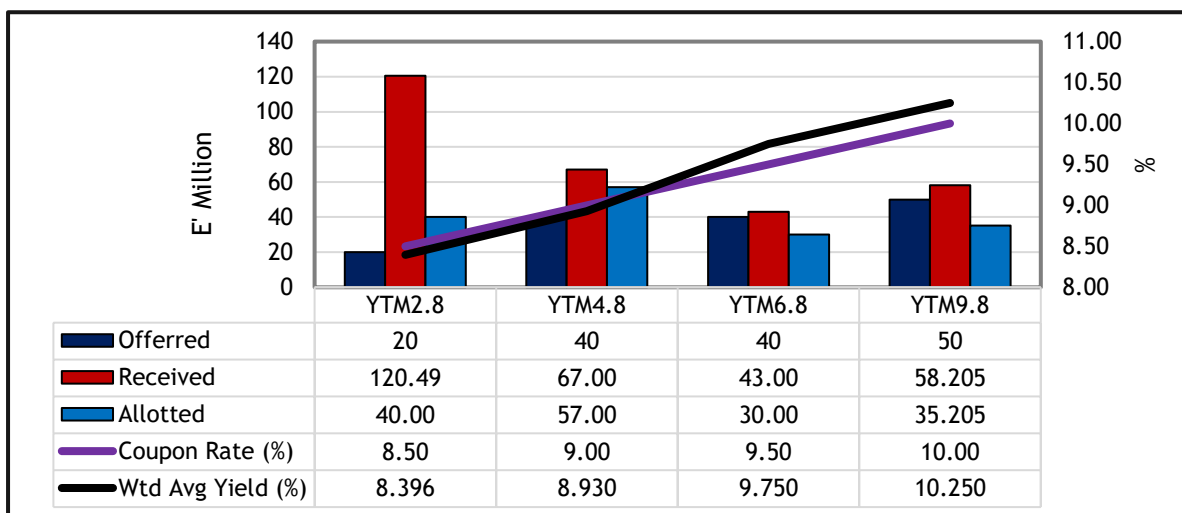
Figure 9: Outstanding Domestic Debt: March 2020 to March 2021



Source: Central Bank of Eswatini and Ministry of Finance

In the month of March 2021, the CBE, on behalf of Government issued multiple bonds of various tenors (3, 5, 7 & 10 years) totalling to E150 million. A total of E288.7 million was received in bids and a total of E162.2 million was allotted, giving an allotment rate of 108.1 per cent. This was the final bond auction for 2020/21 financial year. A summary of the bond auction is presented below:

Figure 10: Multiple Bond Auction Summary



Source: Central Bank of Eswatini

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.

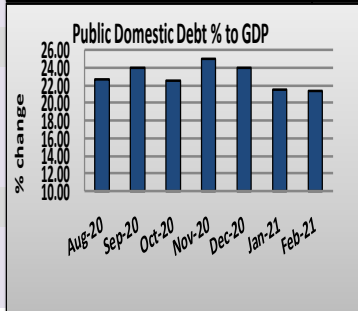
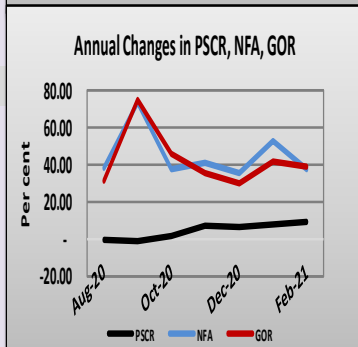
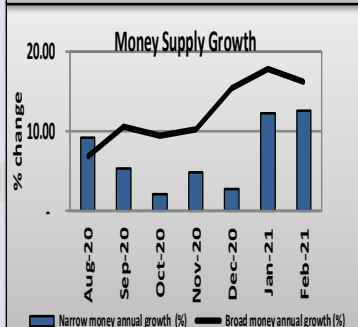
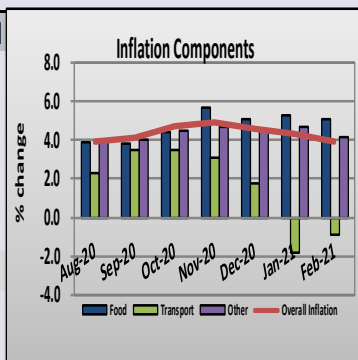
**Table 1: Domestic Debt Instruments Outstanding by Holder as at 31 March 2021  
(E' Million)**

Holder	Treasury Bills	Government Bonds	Promissory Notes	CBE Advance	Total	Share of Holdings (%)
CBE	1.8	1,293.9	0	1,500.0	2,795.7	19.6
Commercial banks	2,645.8	1,662.1	0	0	4,307.9	30.3
NBFIs	1,107.2	4,932.7	0	0	6,039.9	42.4
Other	192.2	785.6	116.0	0	1,093.8	7.7
	<b>3,947.0</b>	<b>8,674.2</b>	<b>116.0</b>	<b>1,500.0</b>	<b>14,237.2</b>	<b>100</b>

Source: Central Bank of Eswatini.

## RED- FEBRUARY/MARCH 2021

Economic Policy, Research and Statistics Department							
Kingdom of Eswatini Economic Indicators at a glance							
Sectors	Aug-20	Sep-20	Oct-20	Nov-20	Dec-20	Jan-21	Feb-21
<b>Overall Inflation</b>	3.9	4.1	4.7	4.9	4.6	4.3	3.9
Food	3.9	3.8	4.4	5.7	5.1	5.3	5.1
Transport	2.3	3.5	3.5	3.1	1.8	-1.8	-0.9
Other	4.0	4.0	4.5	4.7	4.5	4.7	4.2
<b>Money and banking</b>							
Narrow money annual growth (%)	9.12	5.30	2.03	4.90	2.78	12.24	12.50
Broad money annual growth (%)	6.76	10.50	9.40	10.30	15.45	17.80	16.20
Domestic credit (net) - E' Million	16,009.29	14,283.12	13,829.56	14,936.97	17,038.60	15,228.88	15,965.91
Government	1,156.35	-512.47	-1,142.30	-534.86	1,239.66	-528.71	402.99
Private sector	14,852.94	14,795.59	14,971.86	15,471.83	15,798.95	15,757.59	15,562.92
Private sector credit annual growth (%)	-0.35	-1.19	1.80	7.10	6.67	7.89	9.30
<b>Interest rates (% p.a)</b>							
Prime lending	7.25	7.25	7.25	7.25	7.25	7.25	7.25
Discount rate	3.75	3.75	3.75	3.75	3.75	3.75	3.75
Deposit rate - 31 days	1.26	1.26	1.26	1.26	1.26	1.26	1.26
- 12 months	2.13	2.13	2.13	2.13	2.13	2.13	2.13
- T. bill rate	5.08	4.94	4.84	4.81	4.76	4.90	4.89
<b>Ratios</b>							
Liquidity ratio (required = 20 %)	38.58	35.77	39.22	38.87	40.20	38.15	38.58
Loans/deposits ratio	69.59	69.35	67.52	67.56	63.79	64.52	63.35
Net foreign assets (E'million)	9,689.49	10,832.70	12,035.15	10,968.02	9,275.42	11,577.97	10,850.55
<b>Annual % change in NFA</b>	38.70	73.37	37.47	41.05	35.32	52.89	37.46
Gross official foreign reserves E'Millions	8,460.77	9,321.90	10,797.81	9,689.79	7,976.03	9,670.35	9,006.03
<b>Annual % change in GOR</b>	31.14	74.81	46.26	35.64	29.80	41.87	39.32
In months of import cover	3.69	4.06	4.70	4.25	3.50	4.25	3.95
<b>Exchange Rates</b>							
US\$	17.28	16.74	16.47	15.59	14.91	15.12	14.76
EURO	19.29	19.74	19.39	18.43	18.15	18.42	17.86
GBP	21.47	21.70	21.37	20.57	20.04	20.63	20.45
<b>Public Finance</b>							
Total public domestic debt [E' million]	1,427.59	15,071.17	14,177.17	15,195.10	15,595.03	14,547.32	15,186.73
As a % of GDP	22.63	23.90	22.48	24.99	23.98	21.49	21.39



For consistency, the table shows data up to the end of February 2021.