The Kingdom of Swaziland

Major Highlights

❖ *Annual consumer inflation decreased to 6.9 per cent in June 2017 from 7.1 per cent in May 2017.*	Inflation rate (% y/y)	6.9 (June)↓
❖ *Discount and prime lending rates remained unchanged in July 2017.*	Prime Lending (%)	10.75
	Discount rate (%)	7.25
❖ *During the month of July 2017, the external value of the Lilangeni weakened against major currencies.*	Exchange rate (US$)	13.14 (July)↑
❖ *Credit to the Private Sector amounted to E13.1 billion at the end of June 2017, higher than the E12.8 billion recorded at the end of May 2017.*	Private Sector Credit (% y/y)	10.2 (June) ↑
❖ *Broad Money Supply (M2) went up by 6.8 per cent (m/m) at the end of June 2017 to settle at E16.5 billion.*	Broad Money (M2) (% y/y)	21.1 (June) ↑
❖ *Gross Official Reserves stood at E8.2 billion at the end of July 2017, 18.9 per cent higher than the E6.9 billion recorded at the end of June 2017.*	Reserves (months of import cover)	3.9 (July)↑
❖ *At the end of July 2017, preliminary figures indicate that total public debt was maintained at E11.50 billion*	Total Public Debt (% to GDP)	19.7 (July)
❖ *In the quarter ended June 2017, Swaziland merchandise trade account slipped into a deficit of E15.7 million when compared with the E824.7 million surplus from the quarter ending March 2017*	Merchandise Trade Account Balance (% of GDP)	1.4 (June)

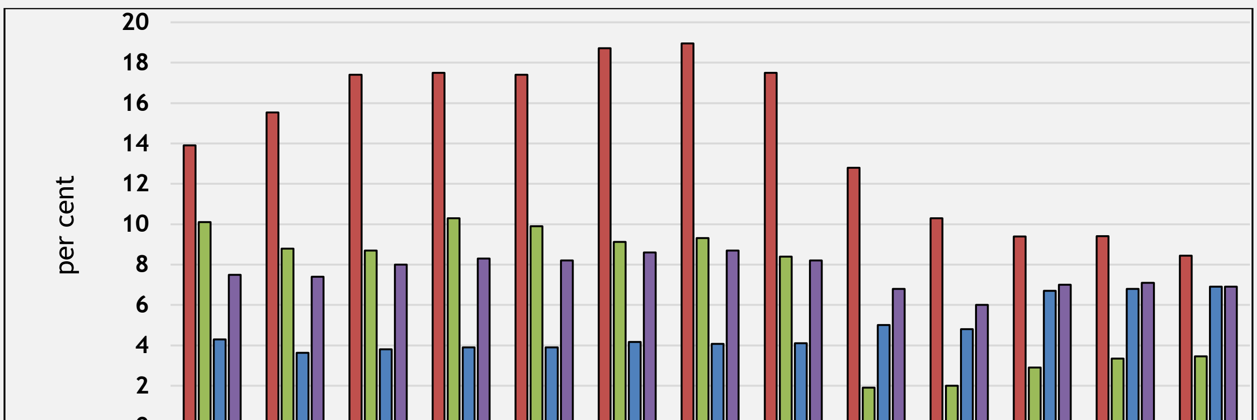
NB: The table shows the most recent available data.

1 Inflation Developments

The headline consumer inflation slowed down to 6.9 per cent in June 2017 from 7.1 per cent in May 2017. The slowdown in consumer inflation was accounted for by the moderation in food inflation, which remained in single digits for the third consecutive month. The price index for 'food and non-alcoholic beverages' rose by 8.5 per cent in June 2017 compared to 9.4 per cent recorded in May 2017. Decreases were observed in the prices of 'flour and other cereal products' and 'oils and fats'. Furthermore, slower price increases were recorded in the indices for 'housing and utilities' and 'clothing and footwear'.

The above decreases were partially counteracted by increases in the price indices for 'furnishing and household equipment' and 'recreation and culture'. The index for 'furnishing and household equipment' grew by 8.4 per cent in June 2017 from 7.8 per cent in May 2017 while the index for 'recreation and culture' rose by 6.1 per cent from 5.4 per cent over the same period.

Figure 1: Inflation Trends; June 2016 to June 2017



	Jun-16	Jul-16	Aug-16	Sep-16	Oct-16	Nov-16	Dec-16	Jan-17	Feb-17	Mar-17	Apr-17	May-17	Jun-17
Food	13.9	15.5	17.4	17.5	17.4	18.7	19.0	17.5	12.8	10.3	9.4	9.4	8.5
Transport	10.1	8.8	8.7	10.3	9.9	9.1	9.3	8.4	1.9	2.0	2.9	3.4	3.5
Other	4.3	3.6	3.8	3.9	3.9	4.2	4.1	4.1	5.0	4.8	6.7	6.8	6.9
Overall	7.5	7.4	8.0	8.3	8.2	8.6	8.7	8.2	6.8	6.0	7.0	7.1	6.9

Source: Central Statistical Office

Month-on-month rates indicate that consumer price inflation decreased by 0.24 per cent in June 2017 partially offsetting an increase of 0.28 per cent recorded in May 2017. The month-on-month consumer price deflation was due to a 1.01 per cent decrease in food prices. The decrease in food prices was however counteracted by increases in the prices of ‘furnishings and household equipment’, ‘miscellaneous goods and services’ and ‘recreation and culture’.

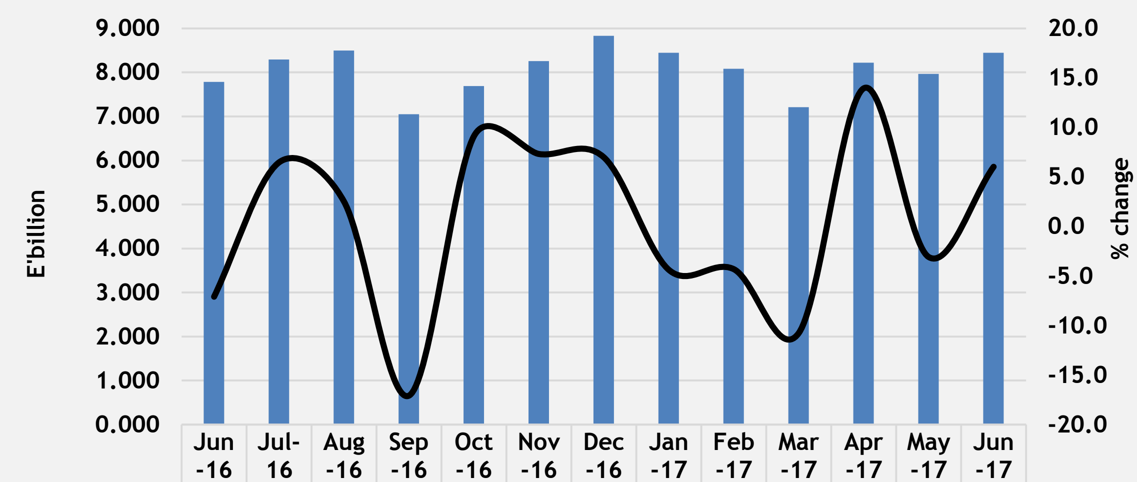
Core inflation, which is measured as the CPI excluding food and non-alcoholic beverages, auto-fuel and energy grew by 6.3 per cent in June 2017, up from 6.2 per cent the previous month. On month-on-month rates, core inflation rose by 0.1 per cent in June 2017 compared to 0.2 per cent the previous month.

2 Monetary Sector Developments

Net Foreign Assets increased by 6.0 per cent at the end of June 2017, following a 3.1 per cent decline observed in the previous month. At the end of the review period, Net Foreign Assets stood at E8.4 billion. The turnaround was due to an increase in Net Foreign Holdings of Other Depository Corporations that offset a decline in Net Official Holdings. Net Foreign Holdings of Other Depository Corporations closed the month under review at E2.5 billion compared to the E1.6 billion realised in May 2017. At this amount, Net Foreign Holdings of Other Depository Corporations grew by 54.8 per cent resulting from an increase in their investments in the Common Monetary Area (CMA).

Net Foreign Holdings of the Official Sector regressed by 6.7 per cent to settle at E5.9 billion at the end of June 2017 from E6.3 billion recorded in May 2017. The decline was due to payment of Government's budgetary obligations over the review month. The value of Net Foreign Assets in Special Drawing Rights (SDRs) grew by 5.7 per cent at the end of June 2017 to settle at SDR462.5 million, higher than the SDR437.6 million posted in May 2017. Compared year-on-year, Net Foreign Assets increased by 8.5 per cent in Emalangeni terms and by 21.9 per cent in SDR terms.

Figure 2: Net Foreign Assets Monthly Changes; June 2016 to June 2017

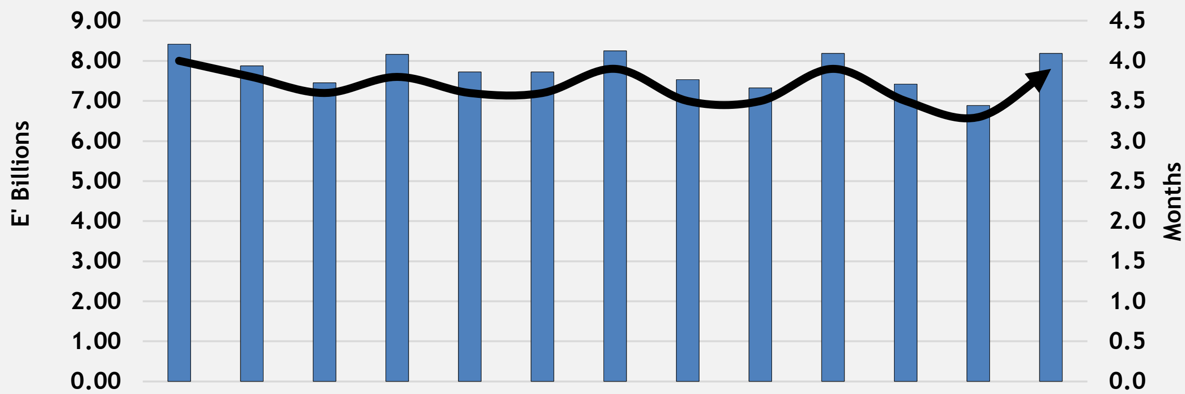


	Jun-16	Jul-16	Aug-16	Sep-16	Oct-16	Nov-16	Dec-16	Jan-17	Feb-17	Mar-17	Apr-17	May-17	Jun-17
NFA (E'billion))	7.79	8.29	8.50	7.05	7.69	8.25	8.83	8.45	8.08	7.21	8.22	7.97	8.45
NFA (% change)	-7.1	6.5	2.5	-17.	9.1	7.3	7.0	-4.4	-4.3	-10.	13.9	-3.1	6.0

Source: Central Bank of Swaziland

Gross Official Reserves accelerated by 18.9 per cent from the preceding month to reach E8.2 billion at the end of July 2017. The Reserves were mainly boosted by the quarterly inflow of the Southern African Customs Union revenue at the beginning of July 2017. At this level the Reserves were enough to cover 3.9 months of imports, higher than the 3.3 months observed in June 2017. When valued in Special Drawing Rights (SDRs), the Reserves stood at SDR441.0 million at the end of July 2017 reflecting a month-on-month rise of 17.0 per cent from the previous month. Compared over the period July 2016 to July 2017, the Reserves contracted by 2.7 per cent when valued in Emalangeni terms but in SDRs terms increased by 2.2 per cent.

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



	Jul-16	Aug-16	Sep-16	Oct-16	Nov-16	Dec-16	Jan-17	Feb-17	Mar-17	Apr-17	May-17	Jun-17	Jul-17
GOR	8.42	7.87	7.45	8.17	7.72	7.72	8.25	7.53	7.32	8.18	7.42	6.88	8.19
Import Cover	4.0	3.8	3.6	3.8	3.6	3.6	3.9	3.5	3.5	3.9	3.5	3.3	3.9

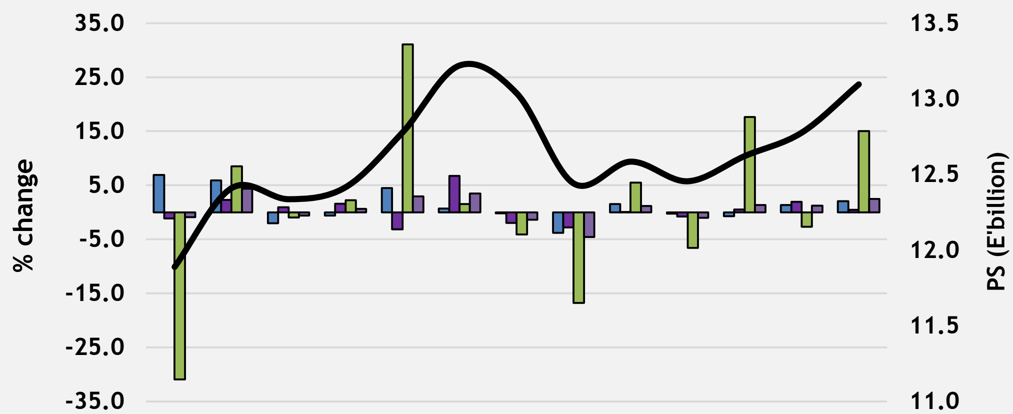
Source: Central Bank of Swaziland

Credit Extended to the Private Sector depicted a month-on-month improvement of 2.5 per cent to reach E13.1 billion at the end of June 2017, up from E12.8 billion registered in May 2017. All components of Private Sector credit contributed positively to growth over the review period. When compared over the year, Private Sector credit increased by 10.2 per cent. Credit Extended to Other Sectors increased by 15.0 per cent to settle at E1.3 billion at the end of June 2017 from E1.2 billion posted in May 2017. As a result, categories under this sector expanded as follows; credit to Local Government grew by 41.5 per cent while credit to Public Non-Financial Corporations and Other Financial Corporations increased by 22.2 per cent and 9.1 per cent, respectively.

Credit Extended to Businesses rose by 2.1 per cent month-on-month, amounting to E5.9 billion at the end of the month under review. Growth was boosted by lending to Distribution & Tourism sector (28.4 per cent) as well as the Agriculture & Forestry sector (1.3 per cent). However, credit to these sectors; Real Estate (-7.1 per cent), Construction (-2.9 per cent), Transport & Communication (-2.7 per cent) as well as Manufacturing (-1.9 per cent) depicted a decline at the end of June 2017.

Net Government Balances held with Other Depository Corporations grew from E484.9 million registered in May 2017 to E757.2 million at the end of June 2017. At this level, net Government Balances depicted an expansion of 56.2 per cent month-on-month. The acceleration in net Government balances was due to a 4.9 per cent increase in Government deposits against a decline of 2.4 per cent in claims on Government. On a year-on-year comparison, net Government balances contracted by 58.2 per cent.

Figure 4: Private Sector Credit Monthly Changes; June 2016 to June 2017



	Jun-16	Jul-16	Aug-16	Sep-16	Oct-16	Nov-16	Dec-16	Jan-17	Feb-17	Mar-17	Apr-17	May-17	Jun-17
BCr	6.9	5.9	-2.0	-0.6	4.5	0.7	-0.2	-3.8	1.5	-0.2	-0.7	1.3	2.1
HH	-1.1	2.3	0.9	1.6	-3.2	6.7	-2.0	-2.8	0.0	-0.8	0.5	1.9	0.5
Other Sectors	-30.9	8.5	-0.9	2.2	31.1	1.5	-4.1	-16.8	5.5	-6.6	17.6	-2.7	15.0
PS	-0.9	4.4	-0.6	0.6	2.9	3.5	-1.4	-4.6	1.2	-1.0	1.3	1.2	2.5
PS (E' Billions)	11.9	12.4	12.3	12.4	12.8	13.2	13.0	12.4	12.6	12.5	12.6	12.8	13.1

Source: Central Bank of Swaziland

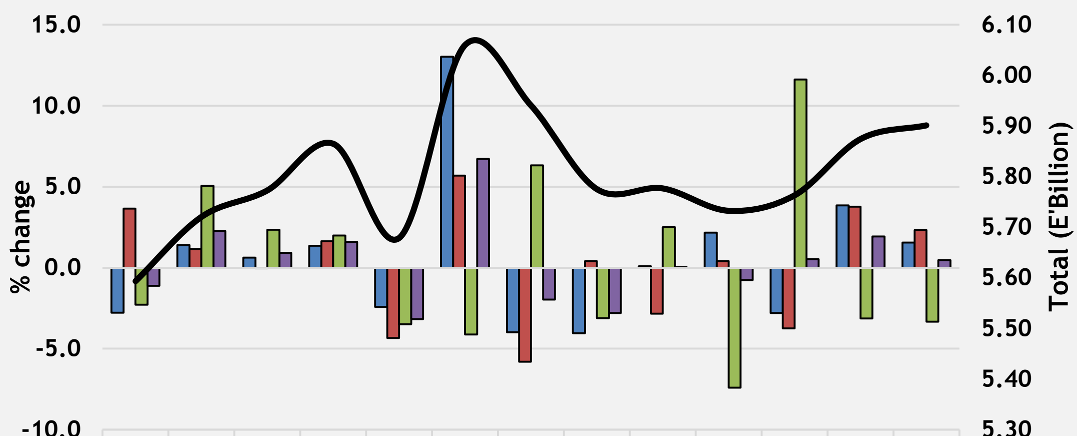
Where, BCr: Credit Extended to Business

HH: Credit extended to Households

PS: Private Sector Credit

Credit Extended to Households & Non-Profit Institutions Serving Households (NPISH) went up by 0.5 per cent month-on-month to reach at E5.9 billion at the end of June 2017. Growth was observed in Mortgage Loans and Motor Vehicle Finance whilst Other (unsecured) Loans fell. Mortgage Loans rose by 1.6 per cent month-on-month to reach E3.1 billion. Motor Vehicle Finance grew by 2.3 per cent to close the review month at E1.4 billion. In contrast, Other (unsecured) Loans fell by 3.3 per cent to reach E1.5 billion at the end of June 2017.

Figure 5: Household Credit Monthly Changes; June 2016 to June 2017



	Jun-16	Jul-16	Aug-16	Sep-16	Oct-16	Nov-16	Dec-16	Jan-17	Feb-17	Mar-17	Apr-17	May-17	Jun-17
Housing	-2.8	1.4	0.6	1.4	-2.4	13.0	-4.0	-4.0	0.1	2.2	-2.8	3.9	1.6
Motor Vehicles	3.7	1.2	0.0	1.6	-4.3	5.7	-5.8	0.4	-2.8	0.4	-3.7	3.8	2.3
Other	-2.3	5.1	2.4	2.0	-3.5	-4.1	6.3	-3.1	2.5	-7.4	11.6	-3.1	-3.3
Total	-1.1	2.3	0.9	1.6	-3.2	6.7	-2.0	-2.8	0.0	-0.8	0.5	1.9	0.5
Total (E'Billion)	5.59	5.72	5.77	5.86	5.68	6.06	5.94	5.78	5.78	5.73	5.76	5.87	5.90

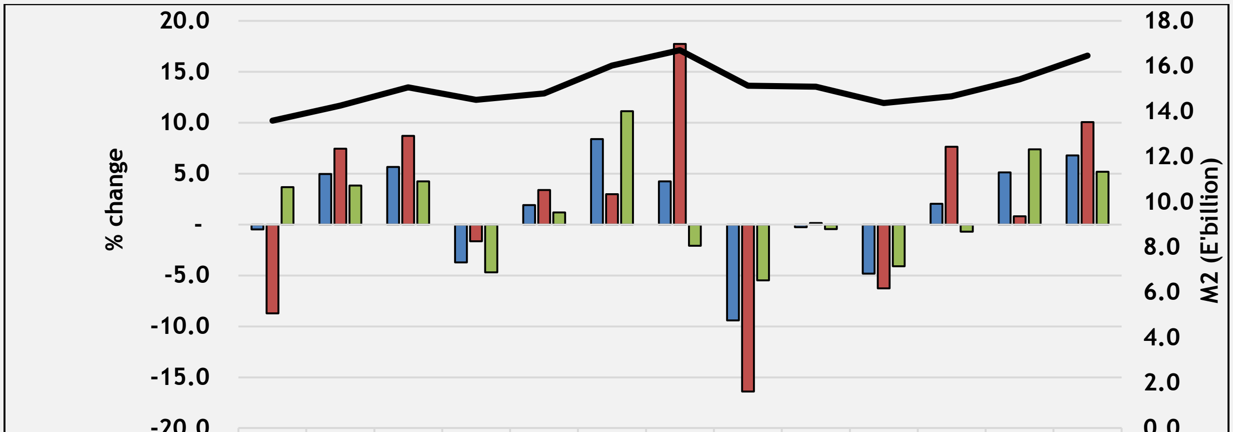
Source: Central Bank of Swaziland

Broad Money Supply (M2) expanded by 6.8 per cent to settle at E16.5 billion at the end of June 2017. The increase was mainly driven by growth in Narrow Money Supply (M1) and Quasi Money Supply over the month under review. Year-on-year, M2 accelerated by 21.1 per cent.

M1 grew by 10.1 per cent month-on-month to reach E5.6 billion at the end of June 2017. Growth was buoyed by a 13.5 per cent increase in Emalangeni Outside Depository Corporations to E633.1 million and a 9.6 per cent growth in Transferable deposits to E5.0 billion.

Quasi Money Supply amounted to E10.8 billion at the end of June 2017, reflecting a 5.2 per cent rise month-on-month. Growth was observed in Time Deposits whilst Savings Deposits contracted. Time deposits increased by 6.7 per cent during the review period, whilst Savings Deposits fell by 2.2 per cent.

Figure 6: Money Supply Monthly Changes; June 2016 to June 2017



	Jun-16	Jul-16	Aug-16	Sep-16	Oct-16	Nov-16	Dec-16	Jan-17	Feb-17	Mar-17	Apr-17	May-17	Jun-17
M2	(0.4	4.95	5.65	(3.7	1.92	8.39	4.23	(9.4	(0.2	(4.8	2.04	5.12	6.80
M1	(8.7	7.45	8.71	(1.6	3.38	2.97	17.7	(16.	0.14	(6.2	7.64	0.82	10.0
Quasi	3.66	3.85	4.25	(4.6	1.19	11.1	(2.0	(5.4	(0.4	(4.0	(0.7	7.40	5.19
M2 (E'billion)	13.6	14.3	15.1	14.5	14.8	16.0	16.7	15.1	15.1	14.4	14.7	15.4	16.5

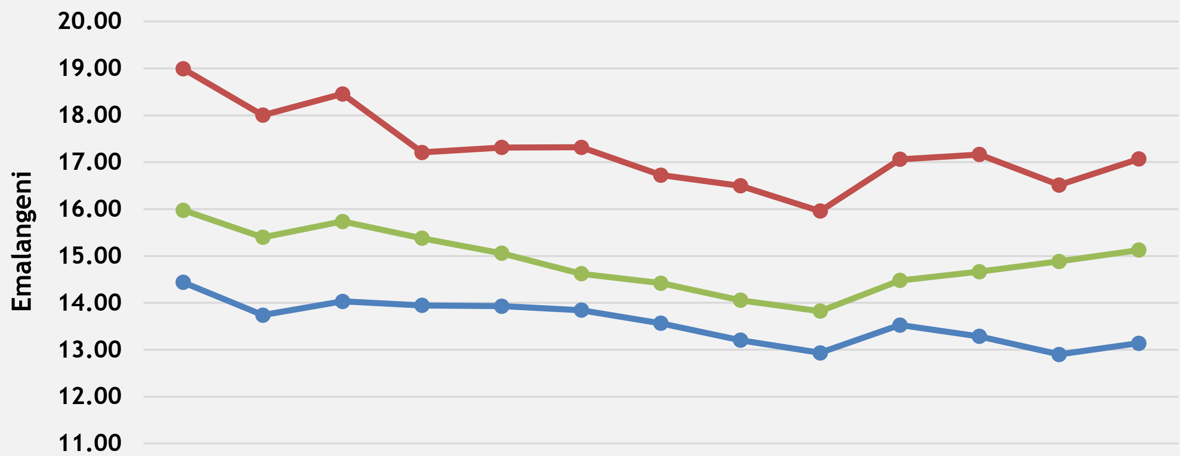
Source: Central Bank of Swaziland

The exchange rate weakened against major currencies in the month of July 2017. Compared to June 2017, the local unit weakened by 1.86 per cent to average E13.14 against the US dollar. Against the Pound Sterling the local unit fell by 3.39 per cent to average E17.07 and against the Euro it retreated by 1.61 per cent to average E14.89. The broad-based loss of strength by the local unit followed the public protector's report released on 19 June 2017 which recommended a change in the mandate of the South African Reserve Bank (SARB) to focus on growth other than just inflation and the currency.

Further weighing negatively on the local unit was the outcome of the ANC policy conference, held from the 30 June to 5 July 2017, which proposed expropriation of land without compensation and nationalisation of the South African Reserve Bank (SARB).

The local unit ended the period under review at E13.05 to the US dollar, E17.13 to the Pound Sterling and E15.30 to the Euro.

Figure 7: Average Exchange Rates; July 2016 to July 2017



	Jul-16	Aug-16	Sep-16	Oct-16	Nov-16	Dec-16	Jan-17	Feb-17	Mar-17	Apr-17	May-17	Jun-17	Jul-17
USD	14.44	13.74	14.03	13.95	13.93	13.85	13.57	13.20	12.93	13.53	13.29	12.90	13.14
GBP	18.99	18.01	18.46	17.21	17.31	17.32	16.73	16.50	15.96	17.06	17.16	16.51	17.07
Euro	15.98	15.40	15.74	15.38	15.06	14.62	14.42	14.06	13.82	14.48	14.67	14.89	15.13

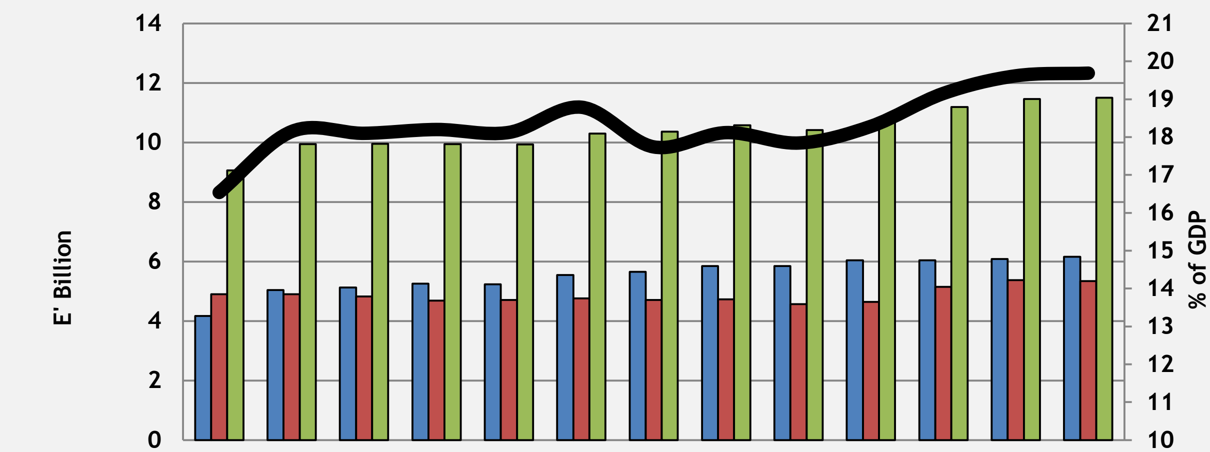
Source: Central Bank of Swaziland

3 Public Debt

As at end of July 2017, preliminary figures indicate that total public debt stood at E11.5 billion, an equivalent of 19.7 per cent of GDP. This shows an increase of 2.7 per cent from E11.2 billion recorded in June 2017.

External debt as at the end of June 2017, stood at E5.3 billion, an equivalent of 9.1 per cent of GDP. This figure shows that external debt increased slightly by 3.9 per cent over the past month when compared to E5.1 billion that was recorded in June 2017.

Figure 8: Total Public Debt; July 2016 to July 2017

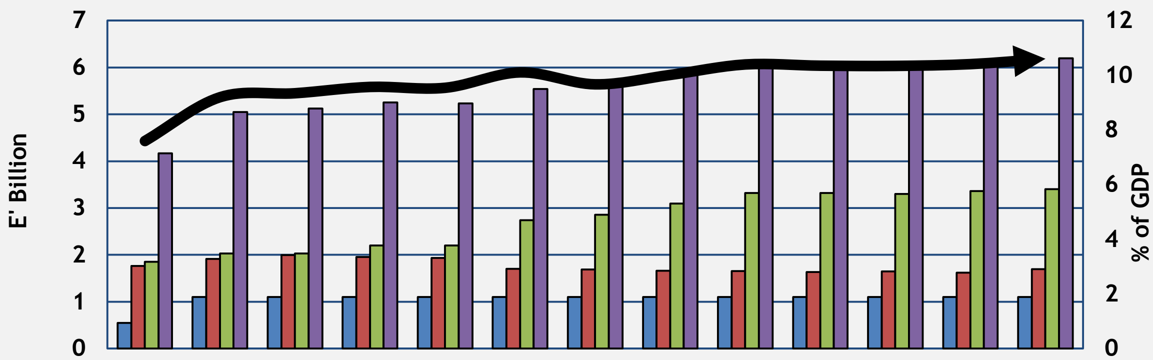


	Jul-16	Aug-16	Sep-16	Oct-16	Nov-16	Dec-16	Jan-17	Feb-17	Mar-17	Apr-17	May-17	Jun-17	Jul-17
Domestic	4.2	5.0	5.1	5.3	5.2	5.5	5.6	5.9	5.9	6.0	6.0	6.1	6.2
External	4.9	4.9	4.8	4.7	4.7	4.8	4.7	4.7	4.6	4.6	5.1	5.4	5.3
Total Debt	9.1	9.9	10.0	9.9	9.9	10.3	10.4	10.6	10.4	10.7	11.2	11.5	11.5
Total Debt (% of GDP)	16.5	18.1	18.1	18.2	18.1	18.8	17.7	18.1	17.8	18.3	19.2	19.6	19.7

Source: Ministry of Finance and Central Bank of Swaziland

Domestic debt stood at E6.2 billion at the end of July 2017, an equivalent of 10.6 per cent of GDP. This figure shows that domestic debt increased marginally over the past month when compared to E6.1 billion that was recorded in June 2017. The increase is due to the issuance of the Infrastructure bond in the month under review where a total of E42.32 million was raised.

Figure 9: Public Domestic Debt; July 2016 to July 2017



	Jul-16	Aug-16	Sep-16	Oct-16	Nov-16	Dec-16	Jan-17	Feb-17	Mar-17	Apr-17	May-17	Jun-17	Jul-17
CBS Advance	0.6	1.1	1.1	1.1	1.1	1.1	1.1	1.1	1.1	1.1	1.1	1.1	1.1
T-Bills	1.8	1.9	2.0	2.0	1.9	1.7	1.7	1.7	1.7	1.6	1.6	1.6	1.7
Bonds & PN	1.8	2.0	2.0	2.2	2.2	2.7	2.9	3.1	3.3	3.3	3.3	3.4	3.4
Total Domestic Debt	4.2	5.0	5.1	5.3	5.2	5.5	5.6	5.9	6.1	6.0	6.0	6.1	6.2
As % of GDP	7.6	9.2	9.3	9.6	9.5	10.1	9.7	10.0	10.4	10.4	10.3	10.4	10.6

Source: Ministry of Finance and Central Bank of Swaziland

As at 31 July 2017 total domestic debt instruments outstanding was at E6 162 million. 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.

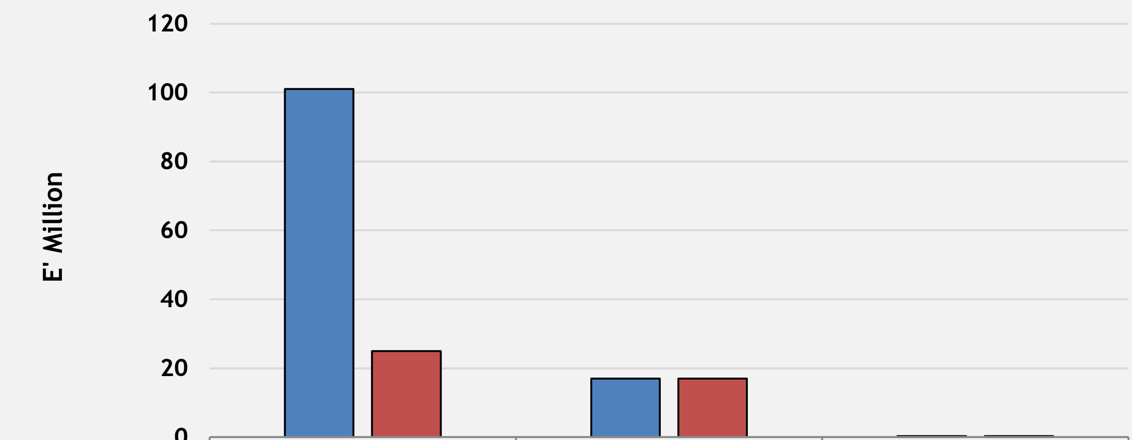
Table 1: Domestic Debt Instruments Outstanding by Holder as at 31 July 2017 (E' Million)

Holder	Treasury Bills	Government Bonds	Promissory Notes	CBS Advance	Total	Share of Holdings (%)
CBS	1.70	0.85	0	1 100.0	1 102.5	18.24
Commercial banks	1 235.00	856.80	0	0	2 091.8	35.78
NBFIs	352.80	2 241.60	0	0	2 594.4	39.68
Other	103.00	106.20	164.5	0	373.7	6.31
Total	**1 693.0**	**3 205.0**	**165.0**	**1 100.0**	**6,162**	**100**

Source: Ministry of Finance and Central Bank of Swaziland

On July 26, 2017, the Central Bank on behalf of Government for the first time issued an Infrastructure Bond amounting to E150 million. The bond was issued using the multiple bid auction and the coupon rate was fixed at 9.75 per cent. Total bids received amounted to E118.32 million of which E42.32 million was allotted indicating an allotment rate of 28.2 per cent. The weighted average yield accepted was recorded at 10.5 per cent.

Figure 10 : 5-Year Bond SGIFB001 Bids Analysis by Creditor Category; 26 July, 2017



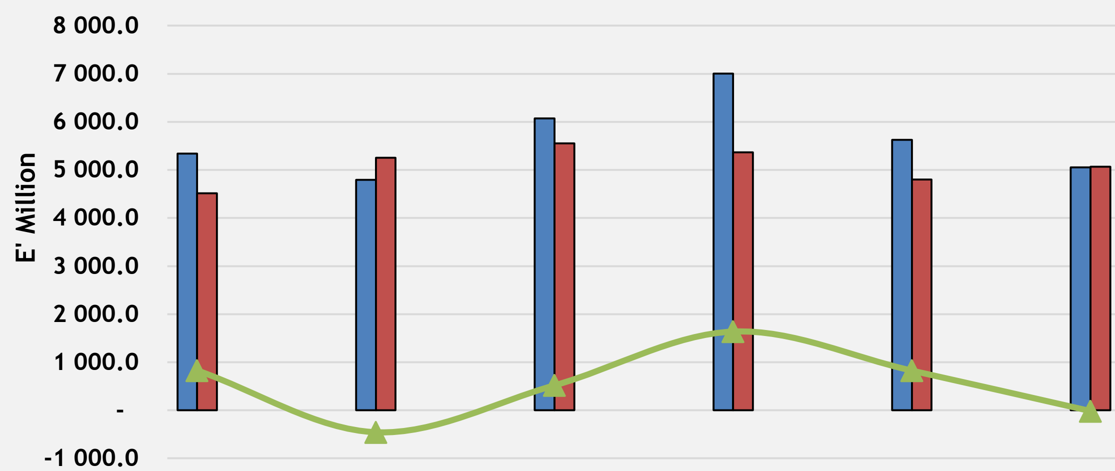
	COMMERCIAL BANKS	NBFI's	INDIVIDUALS
BIDS RECEIVED	101	17	0.32
BIDS ALLOTTED	25	17	0.32

Source: Central Bank of Swaziland

4 The External Sector

During the quarter ended June 2017, Swaziland merchandise trade account slipped into a deficit of E15.7 million when compared with the E824.7 million surplus recorded in the quarter ending March 2017. Preliminary data shows that this is the first deficit in the merchandise trade account since the last deficit of E455.3 million experienced in June 2016. The movement of the trade balance to a deficit position was mainly due to a large decline in exports from Swaziland while imports posted quarter-on-quarter growth within the same period. Earnings from merchandise exports fell by a significant 10.2 per cent quarter-on-quarter in the second quarter to E5.051 billion. Merchandise imports on the other hand surged by 5.5 per cent quarter-on-quarter to register E5.067 billion during the same period.

Figure 11 : Merchandise Trade Account Quarterly; March 2016 to June 2017

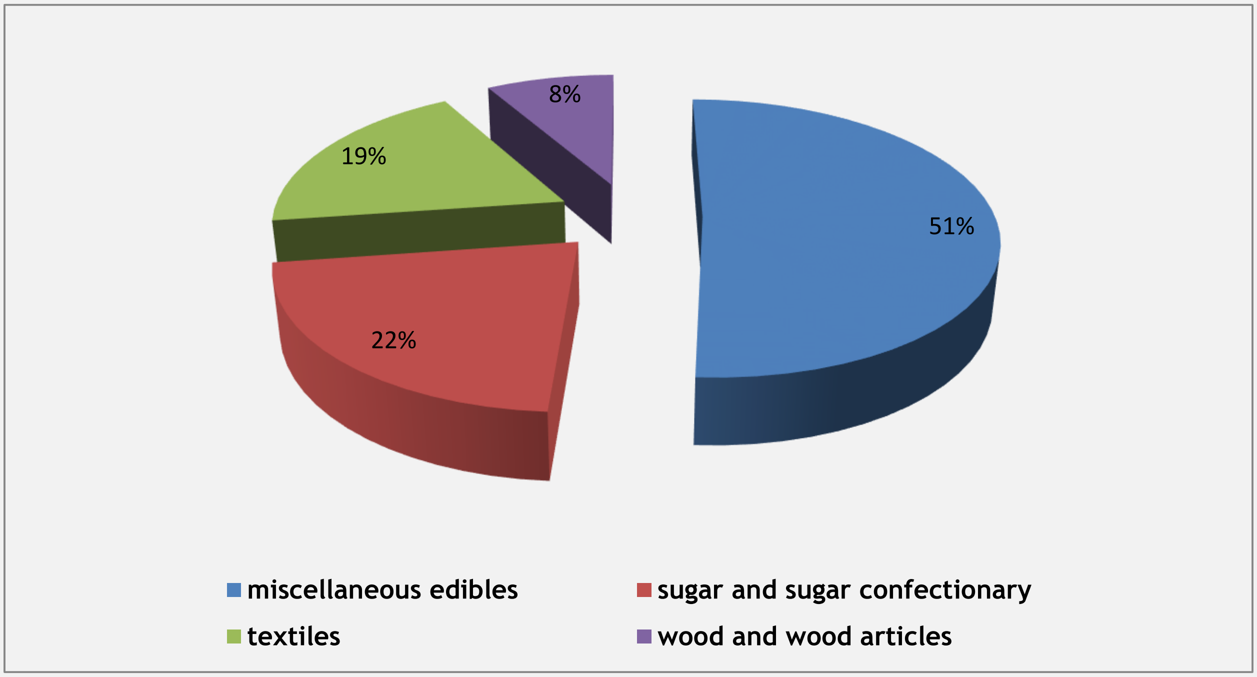


	Mar-16	Jun-16	Sep-16	Dec-16	Mar-17	Jun-17
Exports (E' Million)	5 340.5	4 795.6	6 071.4	7 002.3	5 626.6	5 050.9
Imports (E' Million)	4 513.4	5 251.0	5 551.9	5 366.1	4 801.9	5 066.6
Trade Balance (E' Million)	827.1	-455.4	519.5	1 636.2	824.7	-15.7

Source: Central Bank of Swaziland

An analysis of the top four export commodities indicates that miscellaneous edibles continued being the country's major domestic exports accounting for about 51 per cent of the total value of the top four products, followed by export receipts from sugar and sugar confectionary with a share of 22 per cent. Other export products that made it to the top four were textiles as well as wood and wood articles, which accounted for 19 per cent and 8 per cent of the stake of the top four exports respectively.

Figure 12 : Top Four Export Products As At June 2017

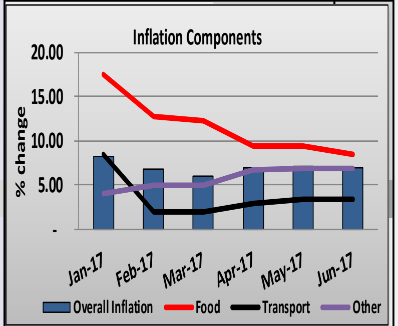


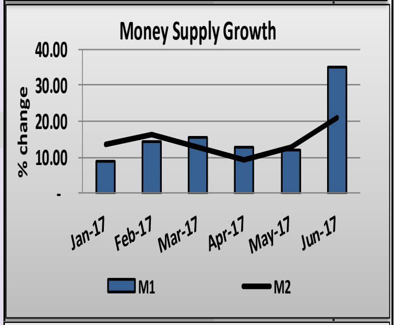
Source: Central Bank of Swaziland

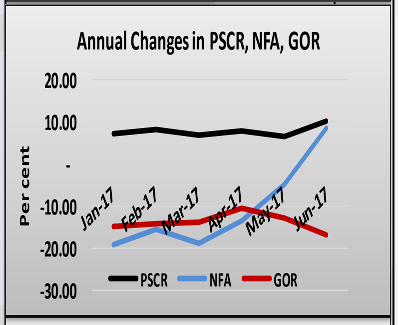
Economic Policy, Research and Statistics Division

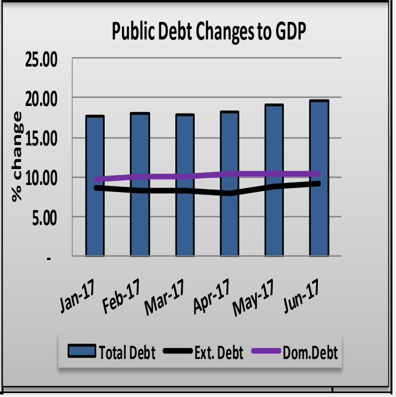
Swaziland Economic Indicators at a glance

Sectors	Jan-17	Feb-17	Mar-17	Apr-17	May-17	Jun-17
Overall Inflation	8.20	6.80	6.00	7.00	7.10	6.90
Food	17.50	12.80	12.30	9.40	9.40	8.45
Transport	8.40	1.90	2.00	2.90	3.40	3.46
Other	4.10	5.00	4.90	6.70	6.80	6.90
Money and banking						
Narrow money annual growth (%)	8.70	14.30	15.50	12.80	12.00	35.00
Broad money annual growth (%)	13.50	16.30	12.80	9.40	12.90	21.10
Domestic credit (net) - E' Million	10 818.40	11 390.90	11 657.17	11 271.25	12 292.53	12 339.30
Government	-1622.7	-1194.4	-798.75	-1351.23	-484.89	-757.18
Private sector	12 441.10	12 585.34	12 455.91	12 622.49	12 777.42	13 096.48
Private sector credit annual growth (%)	7.40	8.20	7.00	7.80	6.50	10.20
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	8.15	8.16	8.26	8.38	8.14	8.26
Ratios						
Liquidity ratio (required = 20 %)	29.30	26.70	28.50	30.30	31.20	25.57
Loans/deposits ratio	81.0	82.2	85.9	83.2	79.7	76.89
Net foreign assets (E'million)	8 446.30	8 084.40	7 073.60	8 088.38	7 966.30	8 446.33
Annual % change in NFA	-19.00	-15.30	-18.90	-13.60	-4.90	8.50
Gross official foreign reserves E'Millions	8 246.3	7 528.71	7 325.22	8 188.41	7 422.63	6 884.72
Annual % change in GOR	-14.80	-14.00	-13.70	-10.50	-12.80	-16.90
In months of import cover	3.80	3.50	3.40	3.80	3.50	3.30
Exchange Rates						
US$	13.57	13.20	12.93	13.53	13.29	12.90
EURO	14.42	14.06	15.96	14.48	14.67	14.89
GBP	16.73	16.50	14.52	17.06	17.16	16.51
Public Finance						
Total public external debt [E' million]	4 711.60	4 730.00	4 580.00	4 640.00	5 140.00	5 378.10
As a % of GDP	8.60	8.30	8.30	7.90	8.80	9.21
Total public domestic debt [E' million]	5 649.93	5 851.59	5 850.50	6 040.00	6 044.36	6 081.80
As a % of GDP	9.67	10.02	10.02	10.34	10.35	10.41
Total public debt [E' million]	10 362.00	10 583.00	10 422.00	10 680.00	11 188.00	11 460.00
As a % of GDP	17.74	18.12	17.84	18.28	19.16	19.62









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