

# Recent Economic Developments

MARCH/APRIL 2022



CENTRAL BANK  
OF ESWATINI  
Umntsholi Wemaswati



## MAJOR HIGHLIGHTS

<ul style="list-style-type: none"> <li>The country's annual consumer inflation rose by 0.1 percentage point to 3.4 per cent in March 2022, compared to 3.3 per cent recorded in February 2022</li> </ul>	Inflation rate (% y/y)	3.4 (Mar) <span style="color: blue;">▲</span>
<ul style="list-style-type: none"> <li>Discount and prime lending rates remained unchanged in March 2022.</li> </ul>	Prime Lending (%)	7.50 -
	Discount rate (%)	4.00 -
<ul style="list-style-type: none"> <li>In the month of April 2022, the Lilangeni/Rand was marginally weaker against the US Dollar.</li> </ul>	Exchange rate (US\$)	15.00 (Apr) <span style="color: blue;">▲</span>
<ul style="list-style-type: none"> <li>Credit extended to the private sector stood at E15.8 billion at the end of March 2022, 0.03 per cent lower than the previous month.</li> </ul>	Private Sector Credit (% m/m)	0.03 (Mar) <span style="color: blue;">▼</span>
<ul style="list-style-type: none"> <li>Broad money supply (M2) stood at E19.3 billion at the end of March 2022, down by 7.0 per cent month-on-month and by 8.6 per cent year-on-year</li> </ul>	Broad Money (M2) (% m/m)	7.0 (Mar) <span style="color: blue;">▼</span>
<ul style="list-style-type: none"> <li>Gross official reserves increased by 24.4 per cent between March and April 2022 but declined by 6.6 per cent over the year.</li> </ul>	Reserves (months of import cover)	3.3 (Apr) <span style="color: blue;">▲</span>
<ul style="list-style-type: none"> <li>Preliminary figures for the end of April 2022 indicate that total public debt is estimated at E26.9 billion, an equivalent of 34.5 per cent of GDP down from 35.3 per cent of GDP the previous month.</li> </ul>	Total Public Debt (% of GDP)	34.5 (Apr) <span style="color: blue;">▼</span>
<ul style="list-style-type: none"> <li>Eswatini recorded its second consecutive merchandise trade deficit in the month of April 2022, amounting to E423.5 million.</li> </ul>	Trade Balance (% of GDP)	-0.54 (Apr) <span style="color: blue;">▼</span>

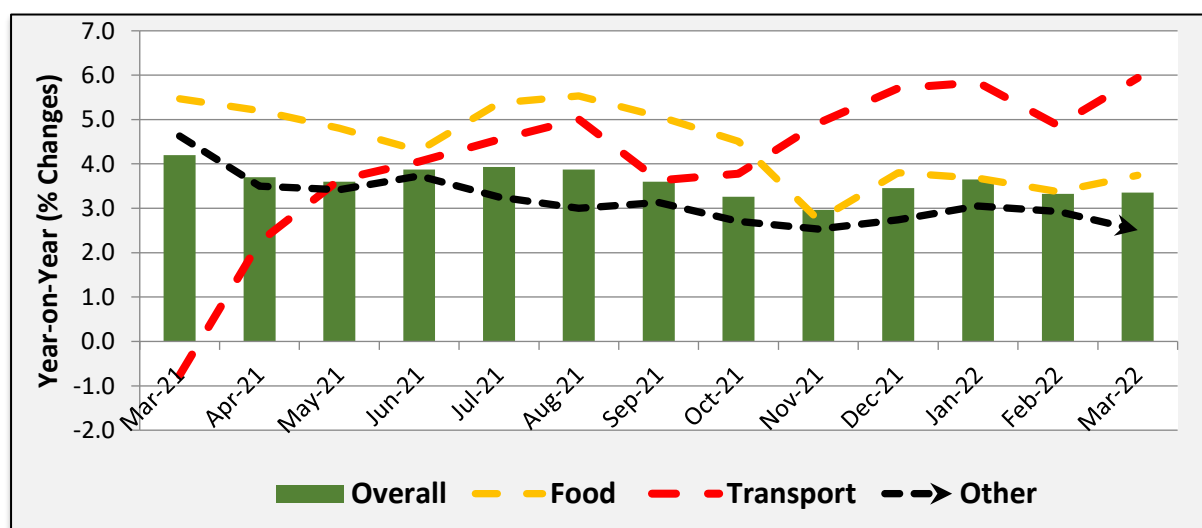
*NB: The table shows the most recent available data.*

## 1 PRICE DEVELOPMENTS

The country's annual consumer inflation rose by 0.1 of a percentage point to 3.4 per cent in March 2022, compared to 3.3 per cent in February 2022. Contributing to the observed growth were increases in the price indices for 'transport', 'food & non-alcoholic beverages' and 'alcoholic beverages & tobacco'. Transport inflation grew by a higher 5.9 per cent in March 2022 from 4.9 per cent in the previous month. This increase was mainly driven by upward adjustments in domestic fuel prices, as petrol prices rose by the E1.40/litre, whilst diesel prices were elevated by E1.60/litre during the same month under review. Similarly, the index for 'food & non-alcoholic beverages' increased by 3.7 per cent in the month under review compared to 3.4 per cent in the previous month. Increases were noted in the prices for 'meat', 'fish and seafood' and 'oils and fats'. Moreover, the price index for 'alcoholic beverages & tobacco' also rose by 0.4 of a percentage point to record 4.0 per cent in March 2022, benefitting from increases in the prices for 'wine' and 'beer'.

The above increases were partially offset by decreasing rates of growth in the price indices for 'housing and utilities' and 'clothing and footwear'. The index for 'housing and utilities' declined to 3.2 per cent in March 2022 from 3.7 per cent in the previous month, resulting from a decline in the prices of 'gas' and 'solid fuels'. Additional pressures came from the index for 'clothing and footwear', which fell by 1.8 percentage points to 2.8 per cent in March 2022, driven by decreases in the prices for garments and footwear.

Figure 2: Inflation Trends: March 2021 to March 2022



Source: Central Statistical Office and Central Bank of Eswatini

On a month-on-month comparison, consumer prices increased by 0.6 per cent in March 2022 from a lower 0.1 per cent in the previous month. Notable increases were noted in the price

## RED - March/April 2022

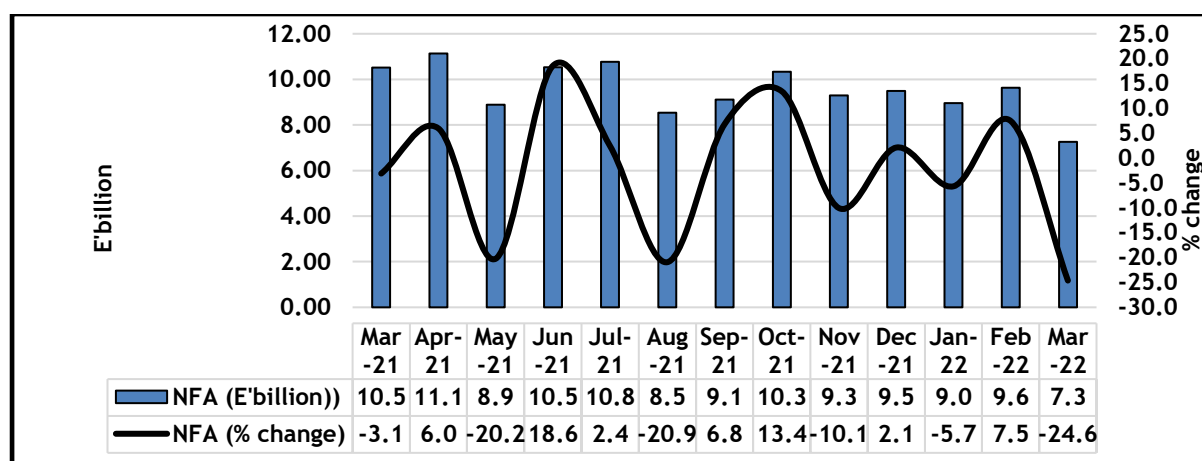
indices for ‘food and non-alcoholic beverages’, transport’ and housing and utilities’, which grew by 1.5, 1.2 and 0.6 percentage points, respectively, during the period under review. However, these increases were slightly counteracted by decreasing rates of growth in the price indices for ‘household furniture and maintenance’ and ‘clothing footwear’.

Core inflation, which is CPI excluding volatile items such as food, auto-fuel and energy, declined by 1.4 per cent in March 2022 from 1.7 per cent in February 2022. The CPI for durable goods fell from 1.8 per cent to 1.6 per cent, between the two months under review, whilst the CPI for semi durable goods decreased from 4.4 per cent to 2.9 per cent during the same period. On a month-on-month basis, core inflation fell to a deflation of 0.1 per cent.

## 2 MONEY SUPPLY AND BANKING DEVELOPMENTS

Eswatini’s net foreign assets recorded a decline of 24.6 per cent month-on-month and 31.0 per cent year-on-year to close at E7.3 billion at the end of March 2022. The month-on-month fall emanated from both net foreign assets of the official sector and those of other depository corporations. Net foreign assets of the official sector contracted by 32.3 per cent month-on-month and 38.9 per cent over year to E4.8 billion in March 2022. The decline was on account of foreign currency outflows from trades between the Central Bank and local commercial banks. Net foreign assets of other depository corporations fell by 3.1 per cent over the month and 7.4 per cent year-on-year to settle at E2.4 billion at the end of March 2022. The decline was due to drawdowns in foreign holdings abroad. Valued in special drawing rights (SDRs), net foreign assets amounted to SDR359.3 million at the end of March 2022, 20.9 per cent lower than the previous month and 7.4 per cent less than observed in March 2021.

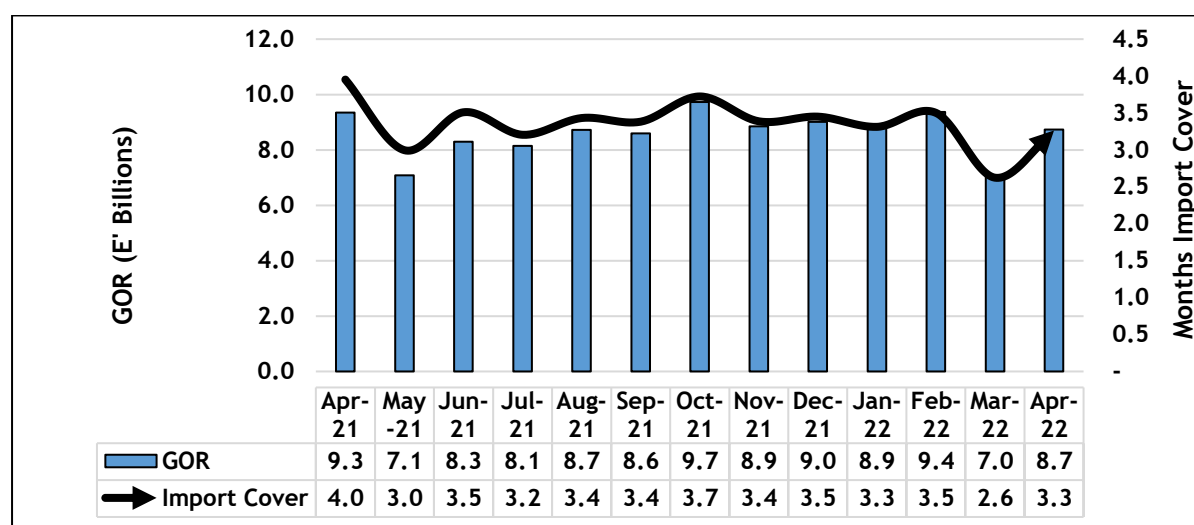
Figure 3: Net Foreign Assets Monthly Changes: March 2021 to March 2022



Source: Other Depository Corporations and Central Bank of Eswatini

Gross official reserves increased by 24.4 per cent between March and April 2022 but declined by 6.6 per cent over the year to close at E8.7 billion at the end of April 2022. Reserves were bolstered by the quarterly inflow of Southern African Customs Union revenues as well and foreign currency inflows from trades between the Central Bank and commercial banks. As a result, the import cover improved from 2.6 months in March 2022 to 3.3 months at the end of April 2022. Valued in SDR terms, gross official reserves stood at SDR410.4 million in April 2022, up by 18.1 per cent month-on-month but 8.7 per cent lower than observed in April 2021.

Figure 4: Gross Official Reserves and Import Cover: April 2021 to April 2022



Source: Central Bank of Eswatini

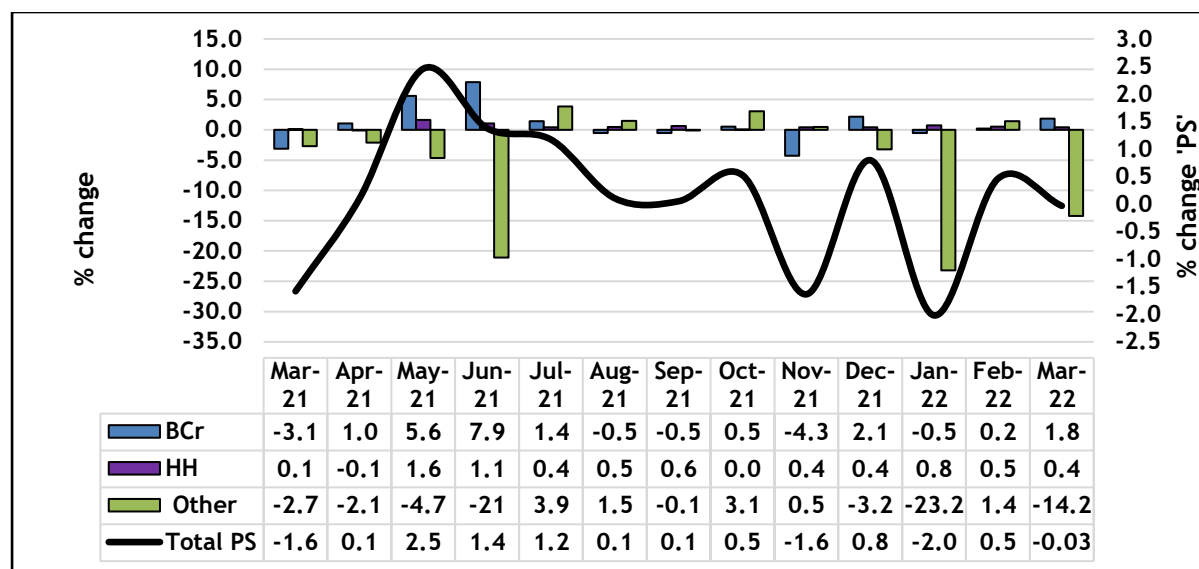
Credit extended to the private sector stood at E15.8 billion at the end of March 2022, a marginal 0.03 per cent lower than the previous month but 3.3 per cent higher year-on-year. Responsible for the fall in private sector credit was reduced credit to other sectors of the economy. Credit extension to businesses and households & non-profit Institutions serving households (NPISH), however, registered marginal growth over the review month. Credit extended to other sectors took a nosedive falling by 14.2 per cent month-on-month and a substantial 48.1 per cent over the year to close at E995.0 million at end-March 2022. The decline was due to credit to public nonfinancial corporations, which fell by 47.4 per cent. However, the fall was partly offset by growth in credit to other financial corporations and local government, which grew by 10.5 per cent and 0.3 per cent, respectively.

Credit extended to the business sector increased by 1.8 per cent over the month and 15.2 per cent year-on-year to reach E7.1 billion at the end of March 2022. Growth in credit was observed across all subsectors save for distribution & tourism and agriculture & forestry. In order of magnitude, growth in credit to business was as follows; mining & quarrying (26.7

## RED - March/April 2022

per cent), real estate (23.9 per cent), manufacturing (16.9 per cent), transport & communication (1.7 per cent), construction (1.5 per cent), and community, social & personal services (0.4 per cent). In contrast, credit to the distribution & tourism subsector declined by 13.9 per cent while credit to agriculture & forestry fell by 0.6 per cent.

Figure 5: Private Sector Credit Monthly Changes: March 2021 to March 2022



Source: Central Bank of Eswatini

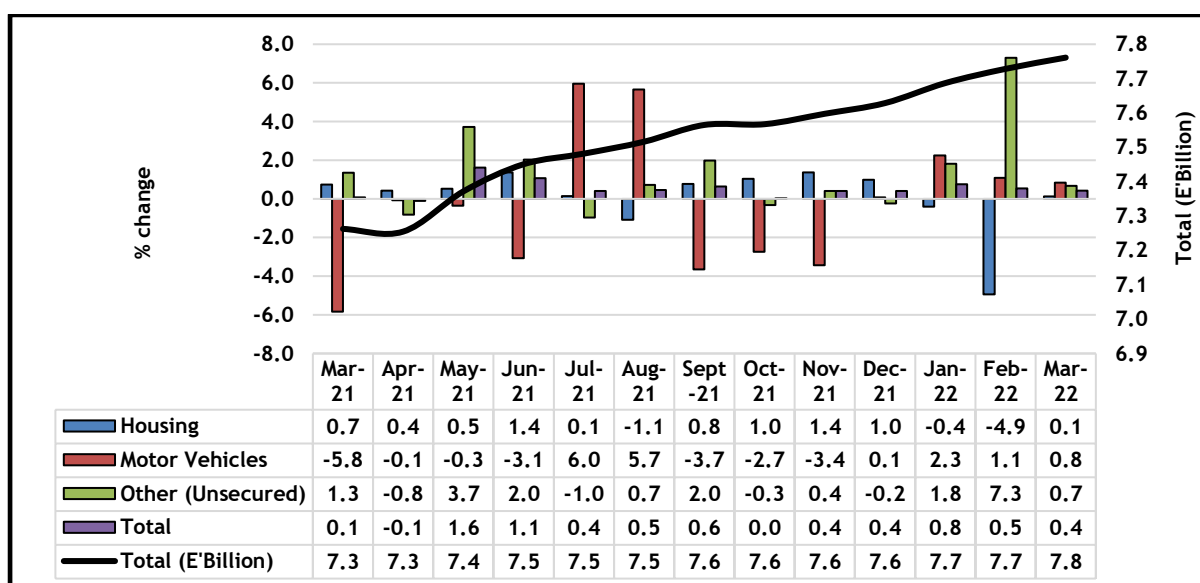
(BCr: Business Credit HH: Household Credit PS: Private Sector Credit)

Credit extended to the household & NPISH sector expanded by 0.4 per cent relative to February 2022 and 6.9 per cent over the year to reach E7.8 billion at the end of March 2022 as all component trended upwards. Motor vehicle finance recorded an increase of 0.8 per cent closely followed by other personal (unsecured) loans with a growth of 0.7 per cent and lastly, housing loans rising by a marginal 0.1 per cent.

Net claims on government with the banking sector rose from E2.5 billion to E3.0 billion between February and March 2022 as claims on government increased while government deposits fell. Claims on government grew by 4.6 per cent to reach E7.8 billion, while government deposits receded by 3.2 per cent to close at E4.8 billion at the end of March 2022.

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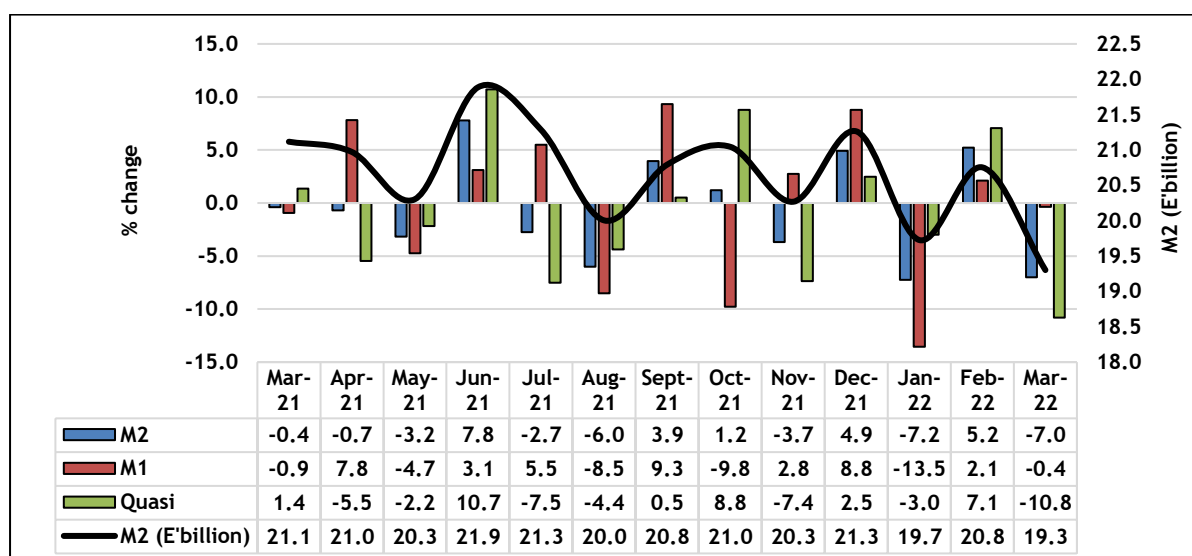
Figure 6: Household Credit Monthly Changes: March 2021 to March 2022



Source: Central Bank of Eswatini and Other Depository Institutions

Broad money supply (M2) stood at E19.3 billion at the end of March 2022, down by 7.0 per cent month-on-month and by 8.6 per cent year-on-year. The month-on-month fall in M2 was evident in both components, quasi money supply and narrow money supply (M1). Quasi money supply declined by 10.8 per cent over the month and 12.9 per cent year-on-year to close at E11.8 billion at the end of March 2022. Responsible for the month-on-month decline were time deposits which, fell by 12.7 per cent to E9.9 billion. Savings deposits, on the other hand, grew by a marginal 0.5 per cent to E1.9 billion. Narrow Money Supply (M1) contracted by a marginal 0.4 per cent month-on-month and 0.9 per cent over the year to settle at E7.5 billion at the end of March 2022, largely on account of currency in circulation. Currency in circulation declined by 4.2 per cent over the month to reach E757.9 million. Transferable (demand) deposits however, increased by 0.1 per cent to E6.8 billion at the end of March 2022.

Figure 7: Money Supply Monthly Changes: March 2021 to March 2022



Source: Other Depository Institutions and Central Bank of Eswatini

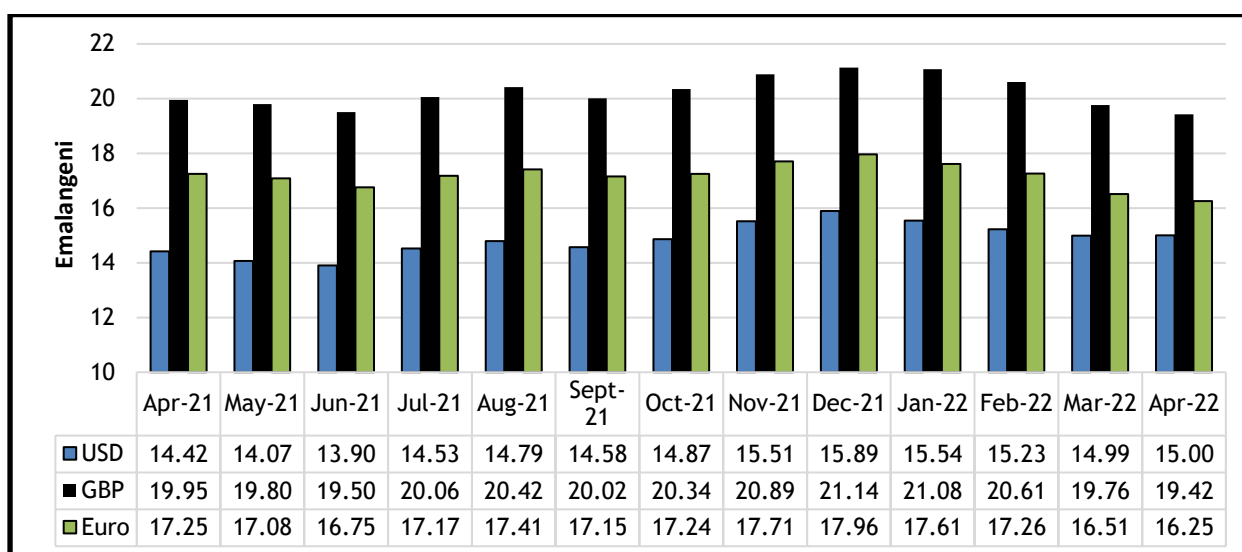
During the month of April 2022, the performance of the Rand/Lilangeni against major currencies was mixed. After maintaining an appreciation throughout the quarter, the Rand/Lilangeni, on month average, was somewhat muted against the US Dollar when compared to the previous month, but generally stronger against the Pound Sterling and Euro.

The Rand therefore was less affected by the more aggressive interest rate hike by the US Fed that attracted investors to the US Dollar as a safe haven thus its slight appreciation. In South Africa, the continued power cuts and floods that affected mainly the Kwazulu-Natal province, came in as economic growth risks and a deterrent to the Rand/Lilangeni appreciation. Although the Rand-supportive surging commodity prices proved slower in April 2022, they were just enough to cushion the Rand hence the Lilangeni against further losses. The resilient Rand appreciated by 1.7 per cent against the Pound Sterling and by 1.6 per cent against the Euro on a month average.

The Rand/Lilangeni ended April 2022 weaker than the end-period in March 2022; trading at E15.88 to the US Dollar, at E19.91 to the Pound Sterling and at E16.74 to the Euro. Looking forward, the performance of Rand/Lilangeni will depend mainly on US monetary policy hawkish behavior and commodity prices reliance on global demand linked to the COVID-19 resurgence in China.



Figure 8: Average Exchange Rates: April 2021 to April 2022

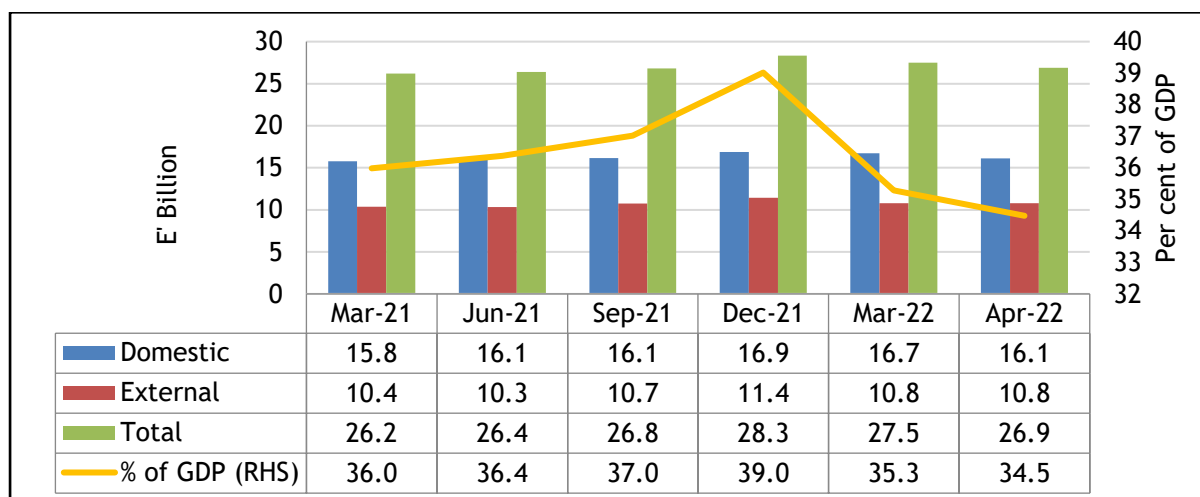


Source: Central Bank of Eswatini

### 3 TOTAL PUBLIC DEBT

Preliminary figures for the end of April 2022 indicate that total public debt is estimated at E26.9 billion, an equivalent of 34.5 per cent of GDP. This reflects a 2.2 per cent decrease from the revised figure of E27.5 billion recorded in March 2022.

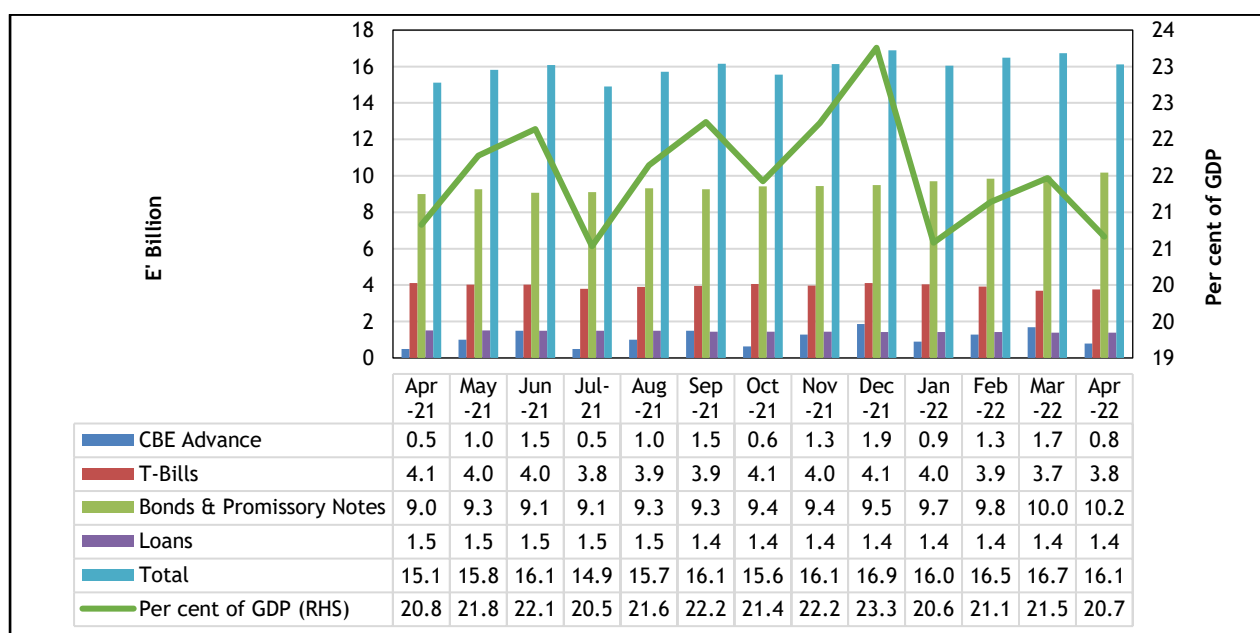
Figure 9: Total Public Debt: April 2021 to April 2022



Source: Ministry of Finance & Central Bank of Eswatini

Preliminary figures show that external public debt stood at E10.8 billion translating to an equivalent of 13.8 per cent of GDP. This shows that external debt remained fairly constant over the month. Outstanding public domestic debt stood at E16.1 billion, an equivalent to 20.7 per cent of GDP as at the end April 2022. This depicts a decrease of 3.6 per cent when compared to the E16.7 billion recorded in the previous month. The decrease is as a result of a partial repayment of the CBE Advance during the month.

Figure 10: Outstanding Domestic Debt: April 2021 to April 2022



Source: Ministry of Finance & Central Bank of Eswatini

During the month of April 2022, Government repaid E1.3 billion of the CBE Advance and further accessed an additional E400 million from the Advance facility bringing the total outstanding advance to E789 million.

Table 1: Domestic Debt Instruments Outstanding by Holder as at 30 April 2022 (E' Million)

Holder	Treasury Bills	Government Bonds	Promissory Notes	CBE Advance	Total	Share of Holdings (%)
CBE	3.1	1,293.9	0.0	789.0	2,086.0	14.2
Commercial banks	2,349.6	1,936.9	0.0	0.0	4,286.5	29.1
NBFIs	1,276.3	5,851.1	0.0	0.0	7,127.4	48.4
Other	128.6	1,012.3	77.0	0.0	1,217.9	8.3
	<b>3,757.6</b>	<b>10,094.2</b>	<b>77.0</b>	<b>789.0</b>	<b>14,717.8</b>	<b>100</b>

Source: Ministry of Finance & 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.

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Over the fiscal year 2022/23, the Eswatini Government Bond Issuance Programme is planned in line with the issuance calendar in Table 2. The details of each bond will be advised as and when the bonds are issued in their respective Pricing Supplements.

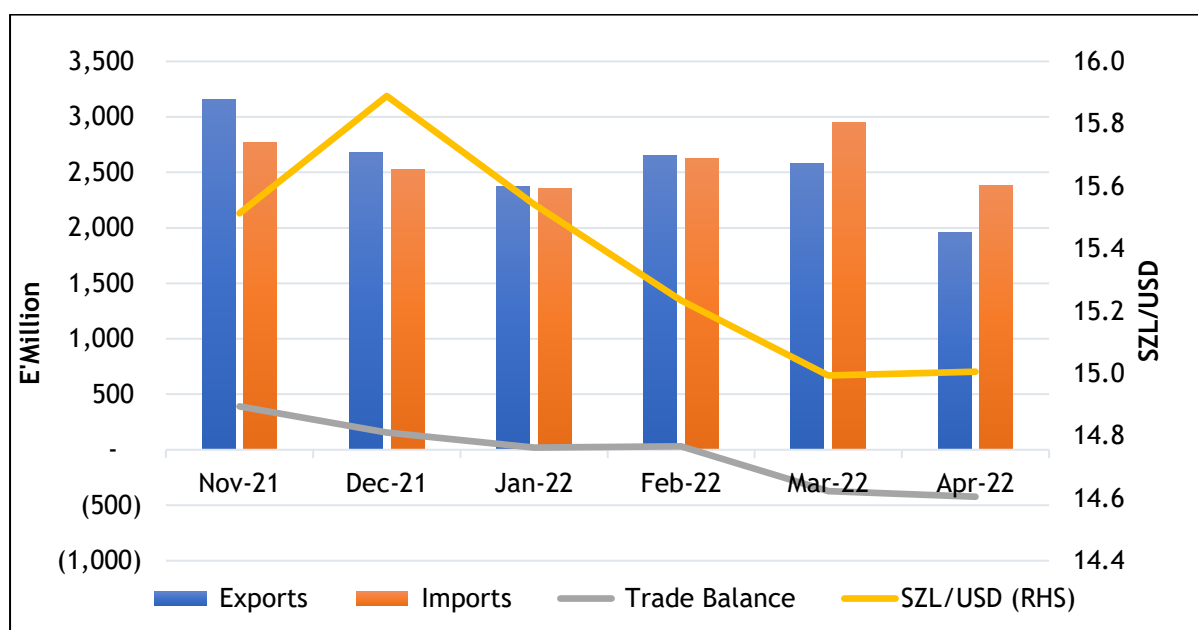
**Table 2: Government Bond Issuance Calendar for 2022/23**

Date of Issue	Proposed Maturity	Prop Tenure	Proposed Issuance (E' Million)	Proposed Reference Number
Apr-22		No Issue Month		
May-22	Oct-24	2 Years	50.00	SG054 RE-OPEN
May-22	Oct-26	4 Years	50.00	SG055 RE-OPEN
May-22	Oct-28	6 Years	50.00	SG055 RE-OPEN
May-22	Oct-31	9 Years	50.00	SG057 RE-OPEN
Jun-22		No Issue Month		
Jul-22	Oct-24	2 Years	50.00	SG054 RE-OPEN
Jul-22	Oct-26	4 Years	50.00	SG055 RE-OPEN
Jul-22	Oct-28	6 Years	50.00	SG055 RE-OPEN
Jul-22	Oct-31	9 Years	50.00	SG057 RE-OPEN
Aug-22		No Issue Month		
Sep-22	Sep-25	3 Years	50.00	SG062 IPO
Sep-22	Sep-27	5 Years	50.00	SG063 IPO
Sep-22	Sep-29	7 Years	50.00	SG064 IPO
Sep-22	Sep-32	10 Years	50.00	SG065 IPO
Oct-22		No Issue Month		
Nov-22	Sep-25	3 Years	50.00	SG062 RE-OPEN
Nov-22	Sep-27	5 Years	50.00	SG063 RE-OPEN
Nov-22	Sep-29	7 Years	50.00	SG064 RE-OPEN
Nov-22	Sep-32	10 Years	50.00	SG065 RE-OPEN
Dec-22		No Issue Month		
Jan-23	Sep-25	3 Years	50.00	SG062 RE-OPEN
Jan-23	Sep-27	5 Years	50.00	SG063 RE-OPEN
Jan-23	Sep-29	7 Years	50.00	SG064 RE-OPEN
Jan-23	Sep-32	10 Years	50.00	SG065 RE-OPEN
Feb-23		No Issue Month		
Mar-23	Sep-25	3 Years	50.00	SG062 RE-OPEN
Mar-23	Sep-27	5 Years	50.00	SG063 RE-OPEN
Mar-23	Sep-29	7 Years	50.00	SG064 RE-OPEN
Mar-23	Sep-32	10 Years	50.00	SG065 RE-OPEN
Grand Total			1,200.00	

#### 4 THE EXTERNAL SECTOR

Eswatini recorded its second consecutive merchandise trade deficit in the month of April 2022, amounting to E423.5 million, 13.7 per cent wider than the deficit recorded in March. Imports declined by 19.4 per cent month-on-month to E2.378 billion, and were 5.1 per cent higher on a year-on-year comparison. Exports on the other hand recorded a larger decline relative to imports, falling by 24.2 per cent month-on-month to E1.955 billion, explaining the deterioration in the merchandise trade balance. On a year-on-year basis, exports fell by a moderate 4.7 per cent.

Figure 11: Merchandise Trade; November 2021 - April 2022



Source: Central Bank of Eswatini

South Africa continues to be the country's main trading partner with 75.8 per cent of commodities exported to that market against a 72.6 per cent of imports being sourced from the neighboring economy in April. Cumulative trade reveals a trade deficit of E745 million from January to April 2022. Exports to date amounted to E9.560 billion, 7.0 per cent higher than the cumulative exports to April in 2021. Imports for the first four months of the year amounted to E10.305 billion, 12.1 per cent higher than the comparable period of 2021.

An analysis into April 2022 trade reveals a decline in all of the country's major export lines, with 'soft drink concentrates' falling by 20.6 per cent month-on-month to E890.8 million, albeit still remaining Eswatini's leading export commodity at 45.6 per cent of total exports for the month. 'Sugar and sugar confectionary' exports plunged by 48.8 per cent month-on-month to E220.1 million, while contracting by 45.2 per cent year-on-year. Lower sucrose yields due to adverse weather has been sighted by the industry as the main cause of lower quantities produced this season, resulting in lower exports of this product. The exports of 'wood and articles of wood' also fell in the month of April by 18.3 per cent to E166.7 million while 'textile and wearing apparel' exports in the same month plummeted by a 29.1 per cent to E270.0 million.

The country's total imports fell by 19.4 per cent month-on-month, to E2.378 billion. The major import line continues to be energy products which encompass both fuel and electricity, accounting for 18.1 per cent of total imports for the month. Imports of this commodity fell by 7.0 per cent month-on-month to E429.7 million. Textile and textile inputs

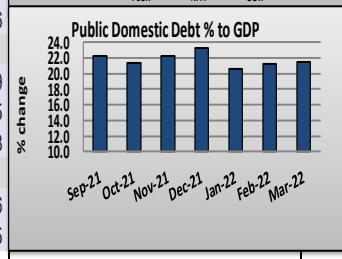
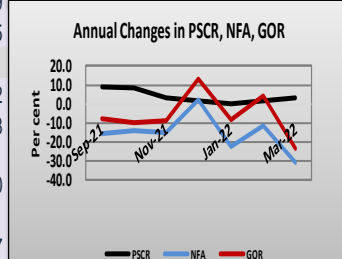
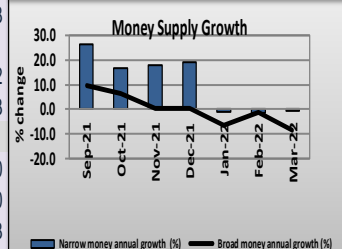
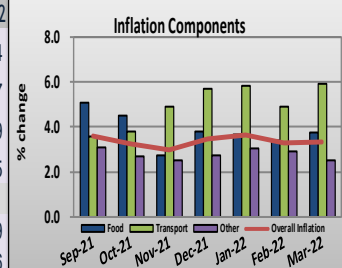
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also contracted by 7.7 per cent to E250.5 million while the machinery electric equipment and appliances combined amounted to E269.1 million recording a 28.8 per cent month-on-month decline. Food imports in April 2022 amounted to E226.9 million, 16.9 per cent lower than the preceding month and 22.7 per cent lower on a year-on-year basis. Vehicles excluding railway also recorded a decline of 31.0 per cent to E122.6 million. Overall, most of the country's significant import commodities declined in April, however, not enough to mitigate the widening merchandise trade deficit observed during the month.



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Economic Policy, Research and Statistics Department							
Kingdom of Eswatini Economic Indicators at a glance							
Sectors	Sep-21	Oct-21	Nov-21	Dec-21	Jan-22	Feb-22	Mar-22
<b>Overall Inflation</b>	3.6	3.3	3.0	3.5	3.6	3.3	3.4
Food	5.1	4.5	2.7	3.8	3.7	3.4	3.7
Transport	3.6	3.8	4.9	5.7	5.8	4.9	5.9
Other	3.1	2.7	2.5	2.7	3.1	2.9	2.5
<b>Money and banking</b>							
Narrow money annual growth (%)	26.6	16.8	17.8	18.9	-1.0	-1.4	-0.9
Broad money annual growth (%)	9.5	6.5	0.3	0.3	-6.5	-1.2	-8.6
Domestic credit (net) - E' Million	17,925.9	17,339.0	17,825.7	18,538.3	17,246.5	18,306.0	18,796.3
Government	1,788.0	1,116.1	1,868.3	2,453.4	1,486.4	2,472.9	2,968.1
<b>Private sector</b>	16,137.9	16,222.9	15,957.4	16,084.9	15,760.1	15,833.1	15,828.2
Private sector credit annual growth (%)	9.1	8.4	3.1	1.8	0.0	1.7	3.3
<b>Interest rates (% p.a)</b>							
Prime lending	7.25	7.25	7.25	7.25	7.50	7.50	7.50
Discount rate	3.75	3.75	3.75	3.75	4.00	4.00	4.00
Deposit rate - 31 days	1.26	1.26	1.26	1.26	1.43	1.43	1.43
- 12 months	2.13	2.13	2.13	2.13	2.49	2.49	2.49
- T. bill rate	5.01	5.29	5.19	5.22	5.56	5.68	5.75
<b>Ratios</b>							
Liquidity ratio (required = 20 %)	38.9	39.5	37.9	40.1	40.3	41.6	38.2
Loans/deposits ratio	67.3	67.0	67.9	65.7	70.4	68.3	72.8
Net foreign assets (E'million)	9,115.7	10,341.1	9,301.5	9,499.1	8,960.6	9,630.1	7,259.1
<b>Annual % change in NFA</b>	-15.9	-14.1	-15.2	2.4	-22.6	-11.2	-31.0
Gross official foreign reserves E'Millions	8,599.2	9,729.2	8,850.1	9,015.2	8,864.3	9,372.1	7,022.1
<b>Annual % change in GOR</b>	-7.8	-9.9	-8.7	13.0	-8.3	4.1	-23.7
In months of import cover	3.4	3.8	3.4	3.5	3.4	3.6	2.6
<b>Exchange Rates</b>							
US\$	14.6	14.9	15.5	15.9	15.5	15.2	14.9
EURO	17.2	17.2	17.7	18.0	17.6	17.3	16.5
GBP	20.0	20.3	20.9	21.1	21.1	20.6	19.8
<b>Public Finance</b>							
Total public domestic debt [E' million]	16,143.5	15,553.3	16,134.9	16,884.6	16,047.2	16,510.0	16,739.6
As a % of GDP	22.2	21.4	22.2	23.3	20.6	21.2	21.5



NB: For consistency, the table shows data up to the end of March 2022.