

Recent Economic Developments

APRIL/MAY 2022



CENTRAL BANK OF ESWATINI
Umntsholi Wemaswati



MAJOR HIGHLIGHTS

<ul style="list-style-type: none"> Headline inflation accelerated to 4.0 per cent in April 2022 compared to 3.4 per cent in March 2022. 	Inflation rate (% y/y)	4.0 (Apr) ▲
<ul style="list-style-type: none"> Discount and prime lending rates were increased in May 2022. 	Prime Lending (%)	8.00 ▲
	Discount rate (%)	4.50 ▲
<ul style="list-style-type: none"> In the month of May 2022, the Lilangeni/Rand was marginally weaker against the US Dollar. 	Exchange rate (US\$)	15.91 (May) ▲
<ul style="list-style-type: none"> Credit extended to the private sector amounted to E16.1 billion at the end of April 2022, higher by 1.5 per cent month-on-month. 	Private Sector Credit (% m/m)	1.5 (Apr) ▲
<ul style="list-style-type: none"> Broad money supply (M2) closed April 2022 at E19.9 billion, reflecting an increase of 3.0 per cent relative to the previous month. 	Broad Money (M2) (% m/m)	3.0 (Apr) ▲
<ul style="list-style-type: none"> Gross official reserves stood at E9.2 billion at the end of May 2022, increasing by 5.2 per cent from April 2022 and 29.1 per cent over the year. 	Reserves (months of import cover)	3.4 (May) ▲
<ul style="list-style-type: none"> Preliminary figures for the end of May 2022 indicate that total public debt is estimated at E29 billion. 	Total Public Debt (% of GDP)	37.2 (May) ▲
<ul style="list-style-type: none"> In May 2022, the trade account registered a negative trade balance of E440.9 million remaining relatively flat when compared to April 2022. 	Trade Balance (% of GDP)	-0.57 (May) —

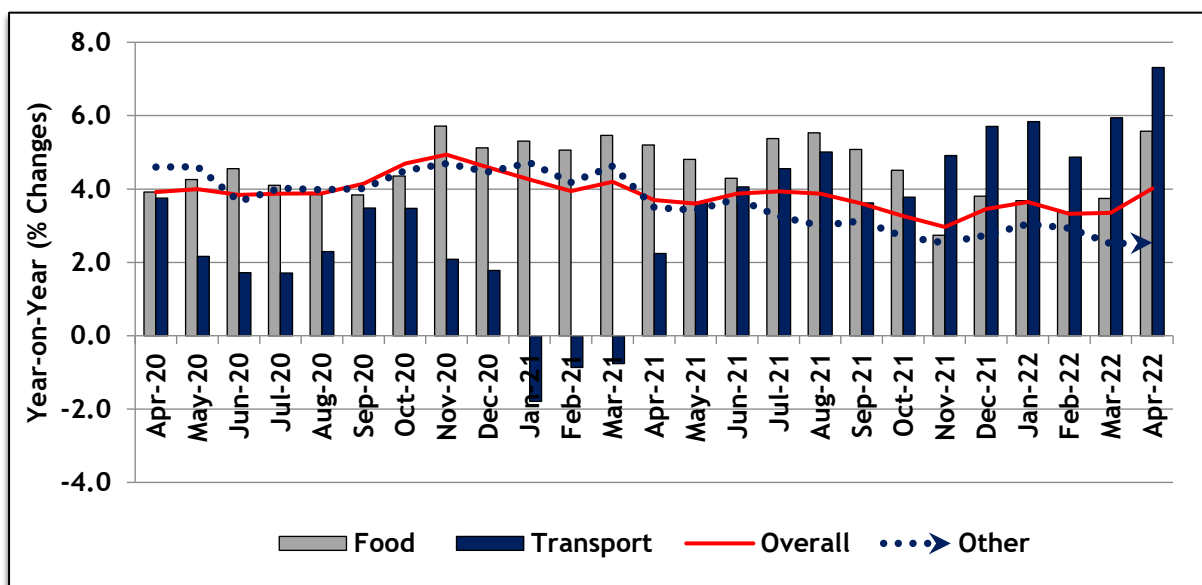
NB: The table shows the most recent available data.

1 PRICE DEVELOPMENTS

Headline inflation accelerated to 4.0 per cent in April 2022 compared to 3.4 per cent in March 2022. Inflationary pressures emanated from the price indices for ‘food and non-alcoholic beverages’, ‘transport’, housing and utilities’ and ‘household furniture and maintenance’. Food prices remained on a gradual upward trajectory, increasing by 1.9 percentage points to record 5.6 per cent in April 2022 from 3.7 per cent in the previous month. This growth was driven by a 6.0 per cent bread price increase implemented on the 1st of April 2022, coupled with observed increases in the prices for ‘oils and fats’, ‘fruits & vegetables’ and ‘fish and seafood’. In the same line, transport inflation jumped to a higher 7.3 per cent during the month under review, from 5.9 per cent in the previous month.

The continuous increase in international oil prices resulted in domestic fuel prices further increasing by 50 cents per litre effective April 2022. In addition, on the back of the elevated fuel prices, parliament approved a 33.3 per cent increase in short distance public transport fares, further exacerbating the escalation in transport services. Moreover, the index for ‘housing and utilities’ grew by 0.1 of a percentage point to 3.3 percent during the period under review, mainly driven by a multi-year 3.0 per cent electricity tariff increase on domestic customers implemented by the regulator as at the beginning of the same month under review. Additional pressures also came from the price index for ‘household furniture and maintenance’, which increased from 3.7 per cent to 4.5 per cent between March and April 2022.

Figure 1: Inflation Trends: April 2021 to April 2022



Source: Central Statistical Office and Central Bank of Eswatini

Notably, the above increases were partially counteracted by an increase in the price index for 'alcoholic beverages and tobacco'. The index for 'alcoholic beverages and tobacco' decreased to 2.6 per cent in April 2022 from 4.0 per cent in the previous month. Decreases were noted in the prices for alcoholic beverages including 'spirits', 'beer' and 'wine'.

On a monthly basis, consumer price inflation grew by 1.3 per cent in April 2022 from 0.6 per cent in the previous month. The index for 'housing and utilities' increased by 0.7 of a percentage point to 1.3 per cent, between March and April 2022, while the 'transport index' rose by 1.2 percentage points to record 2.4 per cent, during the same period under review. In addition, the price indices for 'clothing and footwear' and 'alcoholic beverages and tobacco' also grew by 1.8 and 1.6 percentage points, respectively. On the contrary, decreasing rates of growth were noted in the price indices for 'recreation and culture' and 'restaurants and hotels', which slowed by 1.2 and 0.2 percentage points, respectively, during the month under review.

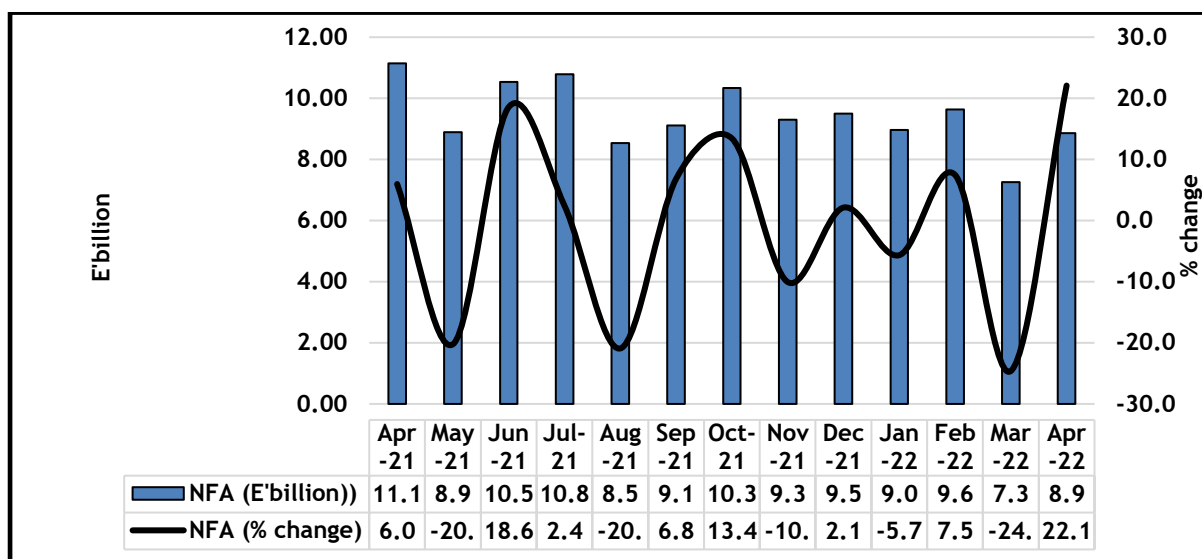
Core inflation, which is CPI excluding volatile items such as food, auto-fuel and energy, reverted back to 1.7 per cent in April 2022 compared to 1.4 per cent in March 2022. The CPI for services picked up from 0.1 per cent to 1.0 per cent, during the period under review, owing to increases in transport services. On a month-on-month basis, core inflation increased to 0.7 per cent in April 2022.

2 MONEY SUPPLY AND BANKING DEVELOPMENTS

The country's net foreign assets reached E8.9 billion at the end of April 2022, reflecting an expansion of 22.1 per cent month-on-month and a decline of 20.5 per cent year-on-year. Accounting for the growth were net foreign assets of the official sector which, surpassed a fall in net foreign assets of other depository corporations over the review month. Net foreign official assets improved by 33.7 per cent from March 2022, however, over the year fell by 19.7 per cent to close at E6.4 billion at the end of April 2022. The month-on-month increase emanated from the quarterly inflow of Southern African Customs Union (SACU) receipts received at the beginning of April 2022. Net foreign assets of other depository corporations amounted to E2.4 billion at the end of April 2022. At this level, net foreign assets of other depository corporations contracted by 0.7 per cent from the previous month and 22.4 per cent over the year. In special drawing rights (SDR), net foreign assets stood at SDR416.5 million at the end of April 2022, depicting growth of 15.9 per cent month-on-month and a decrease of 22.3 per cent over the year.

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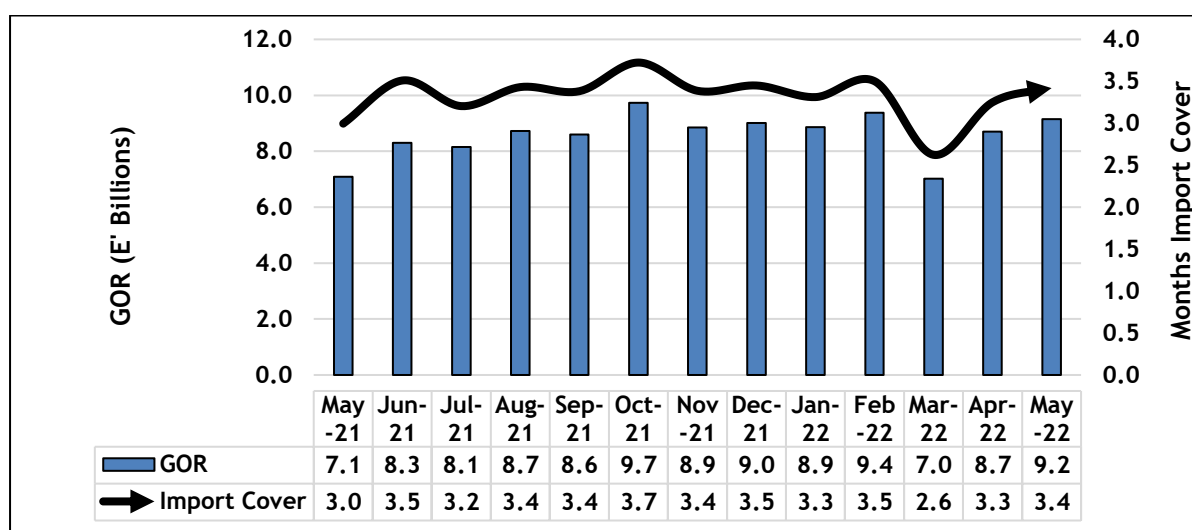
Figure 2: Net Foreign Assets Monthly Changes: April 2021 to April 2022



Source: Other Depository Corporations and Central Bank of Eswatini

Gross official reserves stood at E9.2 billion at the end of May 2022, increasing by 5.2 per cent from April 2022 and 29.1 per cent over the year. Growth in reserves was mainly boosted by the inflow of loans from World Bank and African Development Bank for government budget support over the review month. Consequently, the import cover rose from 3.3 months in April 2022 to 3.4 months at the end of May 2022. When valued in special drawing rights (SDRs), the reserves amounted to SDR433.7 million at the end of May 2022, reflecting an increase of 6.1 per cent relative to the previous month and 21.5 per cent year-on-year.

Figure 3: Gross Official Reserves and Import Cover: May 2021 to May 2022



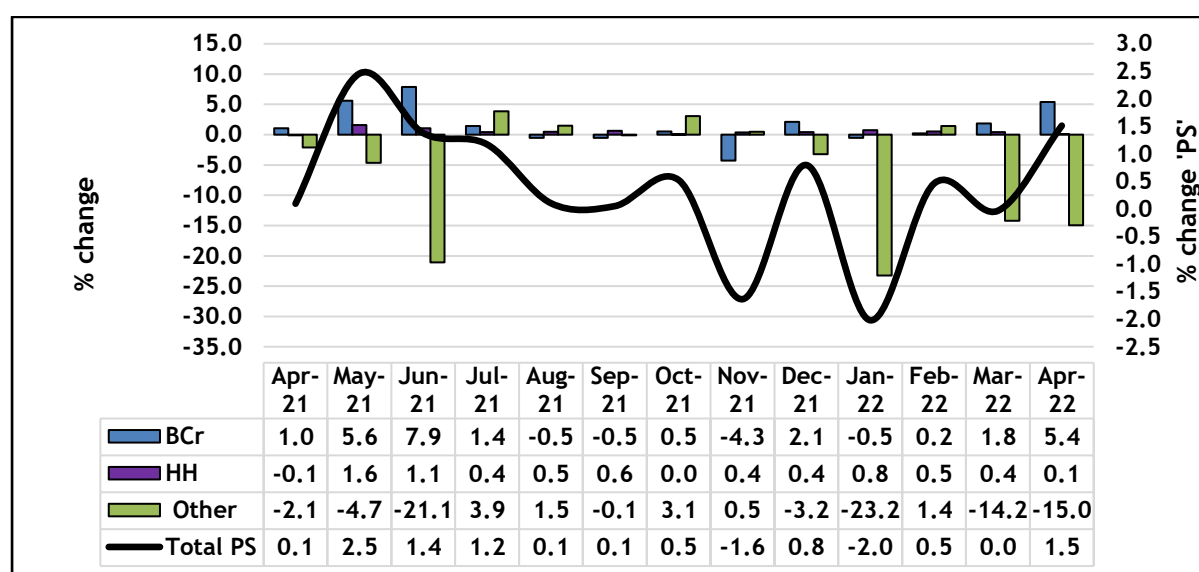
Source: Central Bank of Eswatini

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Credit extended to the private sector amounted to E16.1 billion at the end of April 2022, higher by 1.5 per cent month-on-month and 4.8 per cent over the year. Growth in private sector credit was observed in credit to businesses and households & non-profit institutions serving households (NPISH). Credit to other sectors on the other hand, declined over the review month. Credit extended to businesses grew by 5.4 per cent month-on-month and 20.2 per cent year-on-year to settle at E7.5 billion at the end of April 2022. Growth in credit to businesses was recorded across all subsectors as follows; agriculture & forestry (17.7 per cent), manufacturing (8.9 per cent), community, social & personal services (4.2 per cent), real estate (4.1 per cent), construction (3.5 per cent), transport & communication (1.1 per cent), distribution & tourism (0.8 per cent) and lastly mining & quarrying (0.2 per cent).

Credit extended to households & NPISH amounted to E7.8 billion at the end of April 2022, higher by 0.1 per cent from the previous month and 7.1 per cent over the year. Growth in credit to households was solely driven by mortgage loans, which grew by 1.8 per cent month-on-month to E3.9 billion at the end of April 2022. In contrast, motor vehicle loans and other personal (unsecured) loans, decreased by 3.5 per cent to E910.7 million and 1.0 per cent to E3.0 billion, respectively. Credit extended to other sectors decelerated by 15.0 per cent over the month and 54.9 per cent over the year to reach E846.1 billion at the end of April 2022. Responsible for the decline was credit to other financial corporations, which went down by 23.4 per cent over the month under review. In contrast, credit to local government and public non-financial corporations rose by 11.3 per cent to E47.2 million and 3.6 per cent to E265.1 million, respectively.

Figure 4: Private Sector Credit Monthly Changes: April 2021 to April 2022

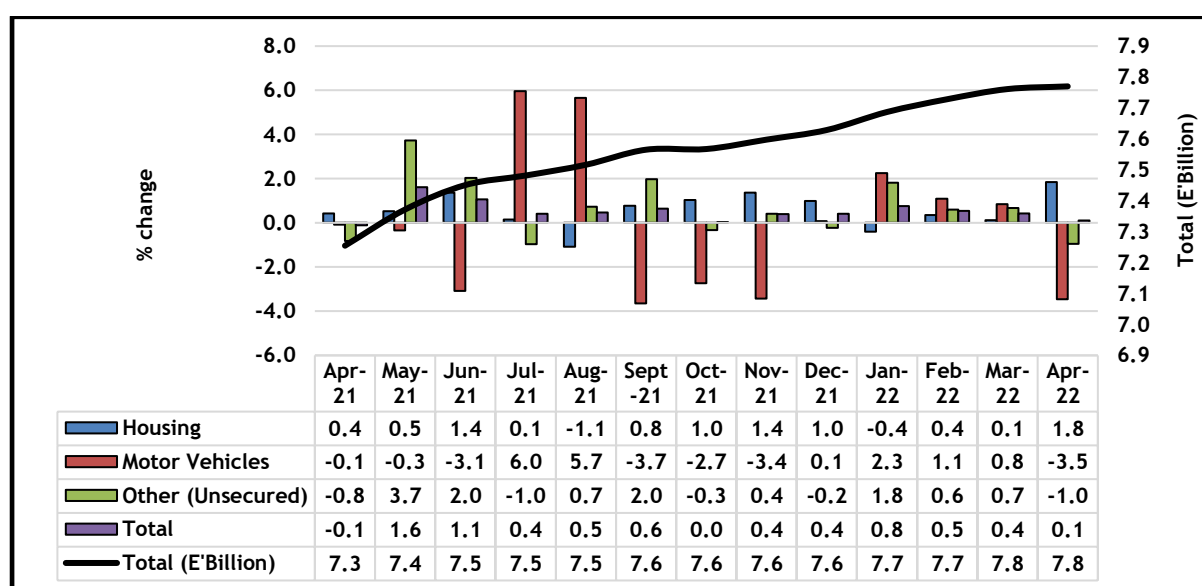


Source: Central Bank of Eswatini

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

Net claims on government held with the banking system took a downturn and receded by 34.7 per cent month-on-month to reach E1.9 billion at the end of April 2022. The decline was on account of government repaying the Central Bank advance over the month under review. As a result, claims on government fell by 10.5 per cent to settle at E7.0 billion. Government deposits on the other hand, depicted an increase of 4.6 per cent to reach E5.0 billion, due to the quarterly inflow of SACU receipts at the beginning of April 2022.

Figure 5: Household Credit Monthly Changes: April 2021 to April 2022

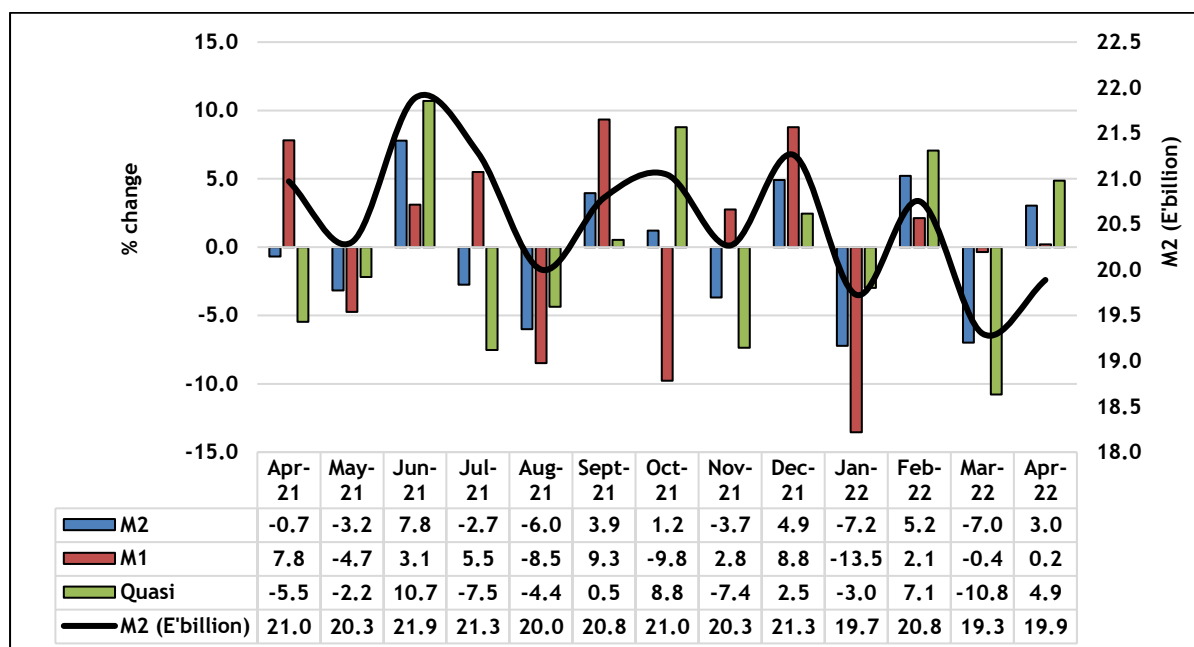


Source: Central Bank of Eswatini and Other Depository Institutions

Broad money supply (M2) closed the review month at E19.9 billion, reflecting an increase of 3.0 per cent relative to the previous month and a decrease of 5.2 per cent over the year. The month-on-month growth was recorded in both components of M2, namely; quasi money supply and narrow money supply (M1). Quasi money supply closed the review month at E12.4 billion, increasing by 4.9 per cent from March 2022 and declining by 3.4 per cent from the previous year. The month-on-month growth in quasi money supply was driven by both components; time and savings deposits. Consequently, time and savings deposits grew by 5.0 per cent to E10.4 billion and 4.0 per cent to E2.0 billion, respectively. Narrow money supply (M1) stood at E7.5 billion at the end of April 2022, reflecting an expansion of 0.2 per cent relative to the previous month and a decline of 7.9 per cent year-on-year. The month-on-month improvement in M1 was on account of transferable (demand) deposits which overshadowed a fall in Emalangenzi outside depository corporations. Consequently, transferable (demand) deposits grew by 0.4 per cent to E6.8 billion. However,

Emalangeneni outside depository corporations declined by 2.0 per cent month-on-month to reach E742.6 million.

Figure 6: Money Supply Monthly Changes: April 2021 to April 2022



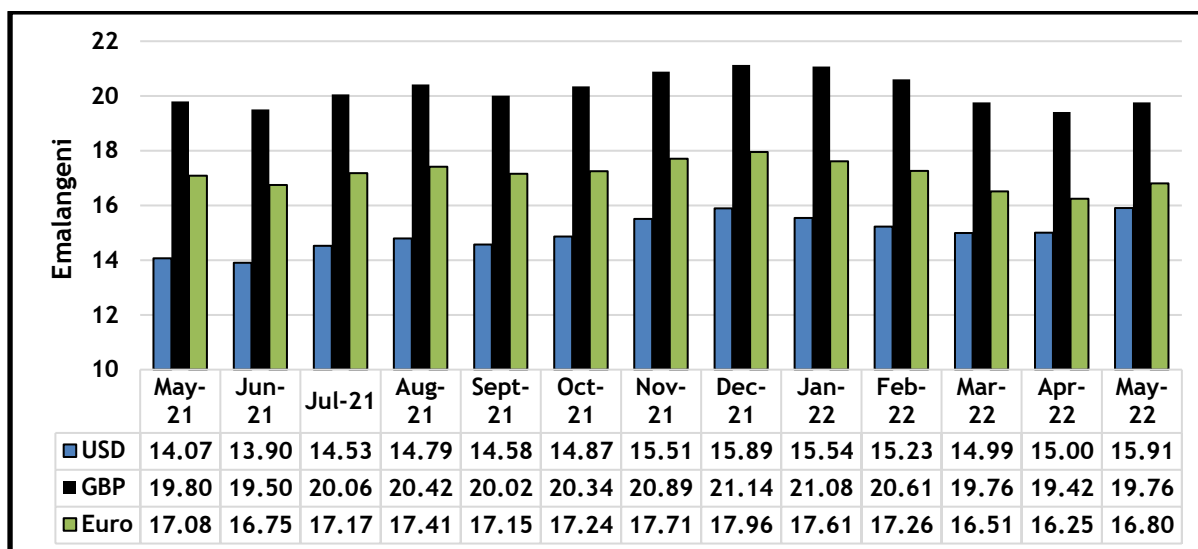
Source: Other Depository Institutions and Central Bank of Eswatini

During the month of May 2022, the Rand/Lilangeni exchange rate generally weakened against the major trading currencies. Following volatility around the E15-mark since January 2022, against the US Dollar, recent developments saw the Rand weakening sharply in the first half of the month, weighing heavily on the overall month's performance. The Rand mainly depreciated as global investors turned to be more risk-averse following the severe and aggressive tightening cycle of monetary policies in advanced economies amid fears over rising global inflation. The resultant escalation of market expectations of more interest rate hikes in advanced economies and elevated U.S. bond yields further drove the Lilangeni/Rand exchange rate down as investors withdrew from emerging market economies.

Despite the South African Reserve Bank's increasing interest by 25 basis point in its May 2022 meeting, severe load-shedding, infrastructure damage caused by the flooding in the KwaZulu Natal Province and rising COVID-19 cases which dents growth prospect for the South African economy were also a major concern prompting the Rand sell-off. Compared to the US Dollar, the local unit depreciated by 6.1 per cent. It also depreciated by 1.8 per cent against the Pound Sterling and by 3.4 per cent against the Euro on a month's average. At the

end of May 2022, the Rand/Lilangeni was trading at E15.54 to the US Dollar, at E19.59 to the Pound Sterling and at E16.67 to the Euro.

Figure 7: Average Exchange Rates: May 2021 to May 2022

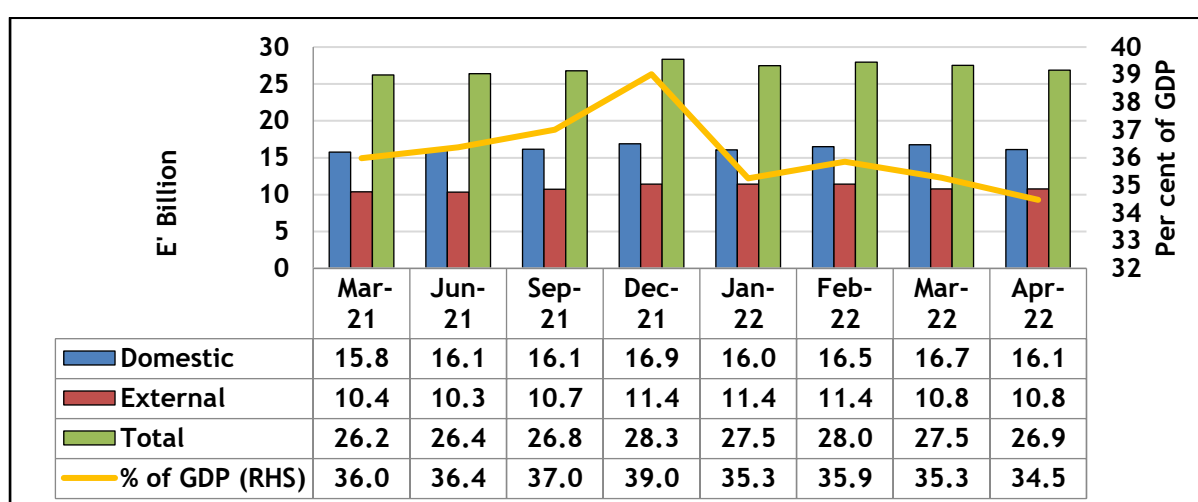


Source: Central Bank of Eswatini

3 TOTAL PUBLIC DEBT

Preliminary figures for the end of May 2022 indicate that total public debt is estimated at E29 billion, an equivalent of 37.2 per cent of GDP. This depicts an increase of 7.8 per cent from E26.9 billion recorded in April 2022 and is mainly driven by a surge in external debt.

Figure 8: Total Public Debt: March 2021 to April 2022



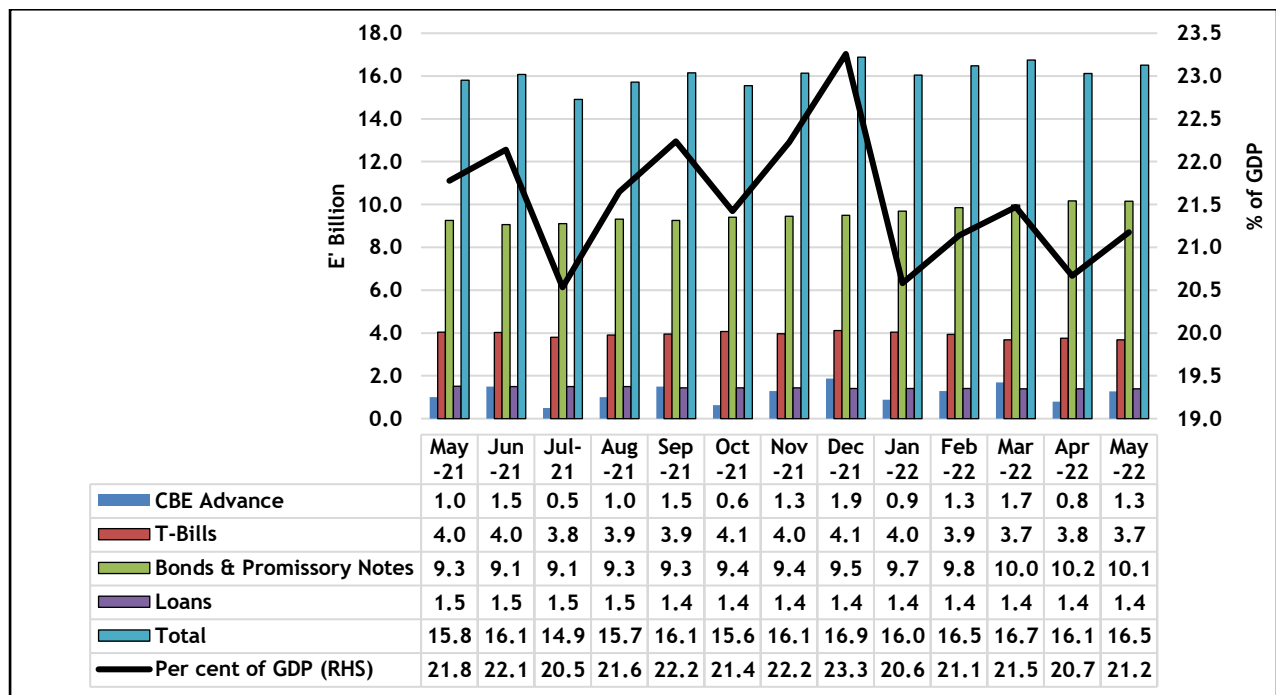
Source: Ministry of Finance & Central Bank of Eswatini

Preliminary figures show that external public debt stood at E12.5 billion, an equivalent of 16 per cent of GDP. This indicates that external debt grew by 15.7 per cent in the month

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under review. The increase was a result of drawdowns made on both African Development Bank and World Bank loans for budget support totalling approximately E1.7 billion. Outstanding public domestic debt stood at E16.5 billion translating to an equivalent of 21.2 per cent of GDP. This shows an increase of 2.5 per cent from the E16.1 billion recorded in April 2022. The increase is attributed to an additional advance extended to government as well as a multiple bond issuance during the month.

Figure 9: Outstanding Domestic Debt: May 2021 to May 2022



Source: Ministry of Finance & Central Bank of Eswatini

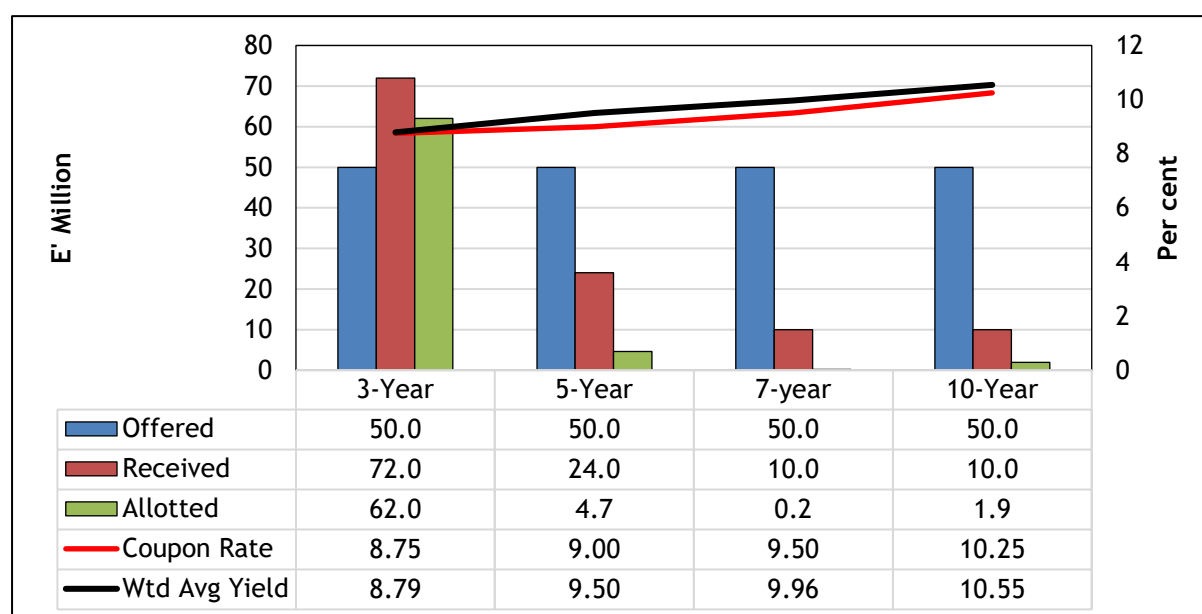
During the month of May 2022, government accessed an additional E491.5 million from the Advance facility bringing the total outstanding advance to E1.3 billion. In the same period, the Central Bank on behalf of government re-opened four bonds where a total of E200 million was on offer. A total of E116 million was received in bids giving a bid-cover ratio of 58 per cent while E69 million was allotted resulting in an allotment of 34.4 per cent.

**Table 1: Domestic Debt Instruments Outstanding by Holder as at 31 May 2022
(E' Million)**

Holder	Treasury Bills	Government Bonds	Promissory Notes	CBE Advance	Total	Share of Holdings (%)
CBE	2.1	1,293.9		1,281.0	2,577.1	17.0
Commercial banks	2,363.9	1,986.9			4,350.8	28.7
NBFIs	1,172.5	5,794.6			6,967.1	46.0
Other	129.8	1,047.2	77.0		1,254.0	8.3
TOTALS	3,668.3	10,122.6	77.0	1,281.0	15,148.9	100

Source: Ministry of Finance & Central Bank of Eswatini

Figure 10: Multiple Bond Auction Summary; May 2022



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.

4 THE EXTERNAL SECTOR

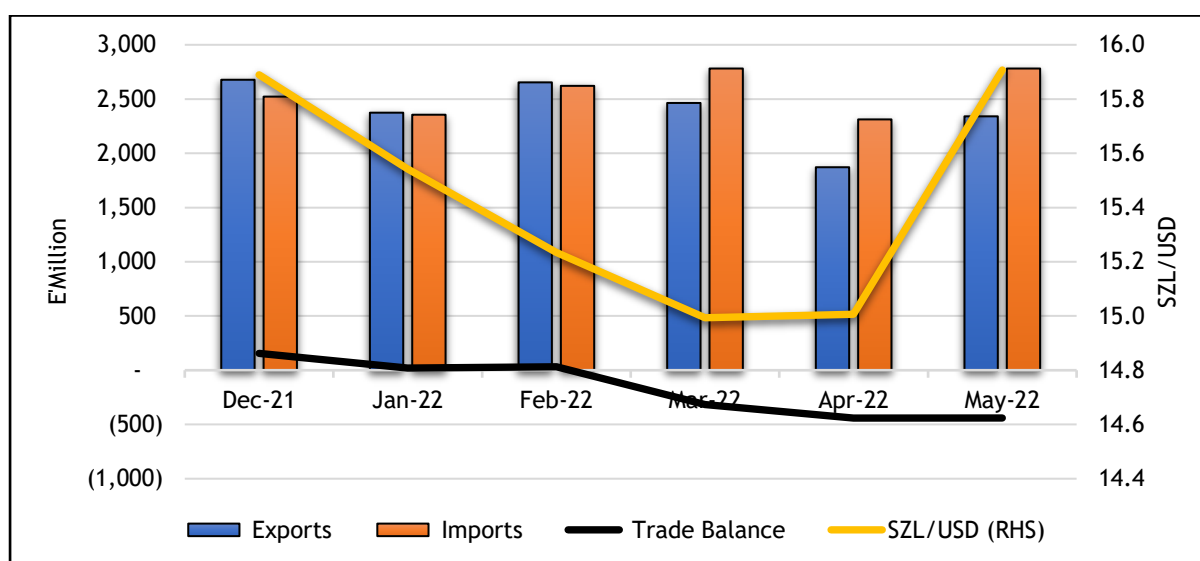
In May 2022, the trade account registered a negative trade balance of E440.9 million. The trade balance remained relatively flat when compared to April 2022. Exports in the month were valued at E2.341 billion, 25.1 per cent higher month-on-month compared to April 2022. Imports for May 2022, amounted to E2.781 billion, reflective of a 20.3 per cent growth when compared to the previous month. Year-on-year, exports and imports were 5.4

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and 17.5 per cent higher respectively. The trade balance in May 2022 was a deficit of E440.9 million compared to a narrower deficit E147.6 million in May 2021. South Africa remained the country's major trading partner, 68.7 per cent of output was exported to the destination and 70.6 per cent of imports from the same origin.

Year-to-date exports as at May 2022 amounted to E11.704 billion, 4.9 per cent higher than exports recorded as at May 2021. Imports as at May 2022 were valued at E12.852 billion, 11.2 per cent higher than imports of May 2021. The cumulative trade account balance as at May 2022, registered a deficit of E1.148 billion.

Figure 11: Merchandise Trade; December 2021 - May 2022



Source: Central Bank of Eswatini

In the month of May 2022, exports of 'soft drink concentrates' accounted for 45.9 per cent of total exports. 'Soft drink concentrates' exports amounted to E1.074 billion, 21.8 per cent higher month-on-month, and 6.2 per cent higher year-on-year. Export receipts from 'sugar and sugar products' grew by 15.1 per cent in May 2022, and fell by 40.1 per cent year-on-year to total E253.2 million. Exports of 'textile and textile apparel', which grew by 8.6 per cent month-on-month and fell by 11.2 per cent year-on-year, were valued at E234.9 million in May 2022. 'Wood and wood articles' exports amounted to E182.8 million in the month, 9.6 per cent higher when compared to April 2022, falling by 5.5 per cent when compared to May 2021.

Imports of 'energy products' grew by a significant 22.5 per cent month-on-month, and by a notable 45.6 per cent year-on-year, amounting to E506.8 million in May 2022. 'Machinery and electrical equipment' imports in May 2022, were up by 7.5 per cent compared to the previous month and down by 6.1 per cent when compared to the same period last year. Import invoices from 'animal and vegetable products' totaled E273.8 million in the review

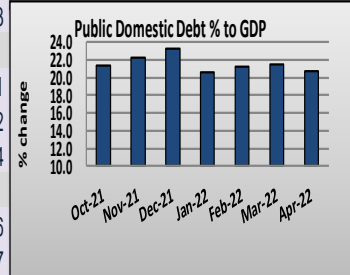
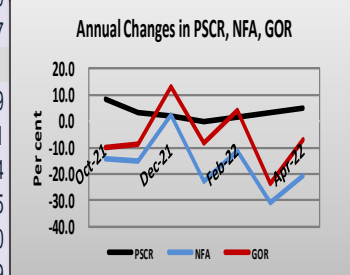
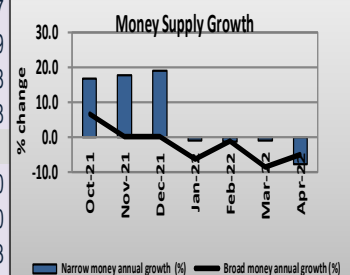
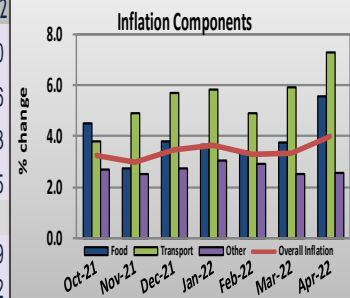
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month, 20.7 per cent higher month-on-month, and 27.9 per cent higher year-on-year. 'Textile and textile apparel' invoices amounted to E297.4 million in the month, an increase of 19.7 per cent when compared to the preceding month and up by 23.1 per cent year-on-year. Imports of 'vehicles' amounted to E117.3 million in the review month, recording zero per cent growth month-on-month and a decrease of 25.2 per cent year-on-year.



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Economic Policy, Research and Statistics Department							
Kingdom of Eswatini Economic Indicators at a glance							
Sectors	Oct-21	Nov-21	Dec-21	Jan-22	Feb-22	Mar-22	Apr-22
Overall Inflation	3.3	3.0	3.5	3.6	3.3	3.4	4.0
Food	4.5	2.7	3.8	3.7	3.4	3.7	5.6
Transport	3.8	4.9	5.7	5.8	4.9	5.9	7.3
Other	2.7	2.5	2.7	3.1	2.9	2.5	2.5
Money and banking							
Narrow money annual growth (%)	16.8	17.8	18.9	-1.0	-1.4	-0.9	-7.9
Broad money annual growth (%)	6.5	0.3	0.3	-6.5	-1.2	-8.6	-5.2
Domestic credit (net) - E' Million	17,339.0	17,825.7	18,538.3	17,246.5	18,306.0	18,796.3	18,004.7
Government	1,116.1	1,868.3	2,453.4	1,486.4	2,472.9	2,968.1	1,936.9
Private sector	16,222.9	15,957.4	16,084.9	15,760.1	15,833.1	15,828.2	16,067.8
Private sector credit annual growth (%)	8.4	3.1	1.8	0.0	1.7	3.3	4.8
Interest rates (% p.a)							
Prime lending	7.25	7.25	7.25	7.50	7.50	7.50	7.50
Discount rate	3.75	3.75	3.75	4.00	4.00	4.00	4.00
Deposit rate - 31 days	1.26	1.26	1.26	1.43	1.43	1.43	1.43
- 12 months	2.13	2.13	2.13	2.49	2.49	2.49	2.49
- T. bill rate	5.29	5.19	5.22	5.56	5.68	5.75	6.07
Ratios							
Liquidity ratio (required = 20 %)	39.5	37.9	40.1	40.3	41.6	38.2	38.9
Loans/deposits ratio	67.0	67.9	65.7	70.4	68.3	72.8	73.1
Net foreign assets (E'million)	10,341.1	9,301.5	9,499.1	8,960.6	9,630.1	7,259.1	8,862.4
Annual % change in NFA	-14.1	-15.2	2.4	-22.6	-11.2	-31.0	-20.5
Gross official foreign reserves E'Millions	9,729.2	8,850.1	9,015.2	8,864.3	9,372.1	7,022.1	8,699.0
Annual % change in GOR	-9.9	-8.7	13.0	-8.3	4.1	-23.7	-6.9
In months of import cover	3.8	3.4	3.5	3.4	3.6	2.6	3.3
Exchange Rates							
US\$	14.9	15.5	15.9	15.5	15.2	14.99	15.01
EURO	17.2	17.7	18.0	17.6	17.3	16.5	16.2
GBP	20.3	20.9	21.1	21.1	20.6	19.8	19.4
Public Finance							
Total public domestic debt [E' million]	15,553.3	16,134.9	16,884.6	16,047.2	16,510.0	16,739.6	16,112.6
As a % of GDP	21.4	22.2	23.3	20.6	21.2	21.5	20.7



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