

Recent Economic Developments

AUGUST/SEPTEMBER 2022



CENTRAL BANK
OF ESWATINI
Umntsholi Wemaswati



MAJOR HIGHLIGHTS

<ul style="list-style-type: none"> Economic activity, as measured by the Quarterly Gross Domestic Product (QGDP), contracted by 1.6 per cent on a year-on-year basis (seasonally adjusted). 	Quarterly GDP (% y/y)	-1.6 (Sep) ▼
<ul style="list-style-type: none"> The country's annual consumer inflation maintained the upward trend, increasing to 5.8 per cent in August 2022, from 5.4 per cent in July 2022. 	Inflation rate (% y/y)	5.8 (Aug) ▲
<ul style="list-style-type: none"> The discount and prime lending rates were increased by 100 basis points in September 2022 to 6.0 per cent and 9.50 per cent respectively. 	Prime Lending (%)	9.50 ▲ (Sept)
	Discount rate (%)	6.0 ▲ (Sept)
<ul style="list-style-type: none"> In the month of September 2022, the Lilangeni/Rand exchange rate depreciated against the US Dollar. 	Exchange rate (US\$)	17.59 (Sept) ▲
<ul style="list-style-type: none"> Credit extended to the private sector grew slightly by 0.1 per cent month-on-month to E16.7 billion at the end of August 2022. 	Private Sector Credit (% m/m)	0.1 (Aug) ▲
<ul style="list-style-type: none"> Broad money supply (M2) receded by 0.4 per cent month-on-month to settle at E20.4 billion at the end of August 2022. 	Broad Money (M2) (% m/m)	-0.4 (Aug) ▼
<ul style="list-style-type: none"> Preliminary gross official reserves stood at E7.0 billion at the end of September 2022, decelerating by 3.3 per cent from August 2022. 	Reserves (months of import cover)	2.5 (Sept) ▼
<ul style="list-style-type: none"> Preliminary figures for the end of September 2022 indicate that total public debt is estimated at E30.6 billion, an equivalent of 39.3 per cent of GDP. 	Total Public Debt (% of GDP)	39.3 (Sept) ▲
<ul style="list-style-type: none"> In September 2022, Eswatini recorded a trade deficit of E79.7 million from a surplus of E263.1 million in the previous month. 	Trade Balance (% of GDP)	-0.1 (Sept) ▼

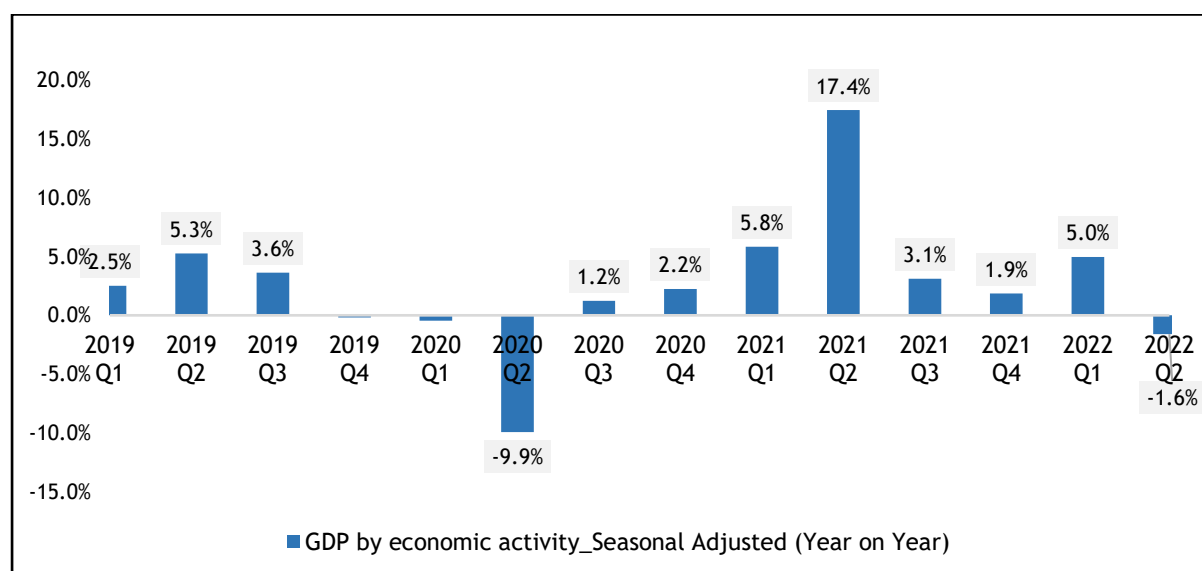
NB: The table shows the most recent available data.

1 QUARTERLY GDP DEVELOPMENTS

Economic activity, as measured by the Quarterly Gross Domestic Product (QGDP), contracted by 1.6 per cent on a year-on-year basis (seasonally adjusted), in the second quarter of 2022, from a revised growth of 5.0 per cent in the first quarter of 2022. The observed moderation was mainly driven by slower growth from the primary and secondary subsectors. On a quarter-on-quarter basis, GDP declined by 5.5 per cent, seasonally adjusted, from a growth of 5.3 per cent in the previous quarter.

The primary sector grew by a slower 6.0 per cent, year-on-year, in the second quarter of 2022 compared to a revised growth of 14.3 per cent in the first quarter of 2022. Slower growth was noted in ‘growing of crops on Swazi Nation Land’, ‘animal production’ and ‘forestry’ subsectors. Unfavourable weather conditions, coupled with high feed costs, resulted in the ‘animal production’ sub sector increasing by a slower 1.1 per cent in the second quarter of 2022, from a higher growth of 11.2 per cent in the previous quarter. The ‘forestry’ subsector grew by a slower 13.9 per cent in the second quarter of 2022 compared to a growth of 28.1 per cent in the previous quarter. Similarly, the year-on-year growth rate in ‘mining and quarrying’ activities receded to 15.5 per cent in the quarter under review compared to 26.4 per cent in the previous quarter.

Figure 1: Quarterly GDP (Seasonally Adjusted) Year-on-Year Growth: March 2019 to June 2022



Source: Central Statistical Office and Central Bank of Eswatini

The secondary sector contracted by 8.8 per cent year-on-year, in the second quarter of 2022 from a revised growth of 16.5 per cent in the first quarter. The decrease was largely attributed to poor performance in ‘manufacturing’ and ‘construction’ subsectors. After

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five quarters of resilient growth, manufacturing output declined by 11.8 per cent in quarter ended June 2022 reflecting a moderation in external demand. Subsectors that performed poorly during the quarter under review included ‘manufacture of beverages’, ‘manufacture of textiles’ and ‘manufacture of wood and wood products’ all of which are export-oriented. Construction activity remained on a downtrend declining by 15.4 per cent in the quarter ended June 2022.

The contraction in construction activity can mainly be attributed to a slowdown in the implementation of public-sector projects in line with fiscal cashflow position while implementation of private sector projects remains muted due to prevailing uncertainty. Moreover, the ‘water and sewerage’ subsector recorded an 8.0 per cent contraction, year-on-year, in the second quarter of 2022 compared to a growth of 10.0 per cent in the previous quarter, as demand for treated water fell for both households and industries. On a positive note, however, the electricity supply subsector recorded a significant 73.5 per cent growth reflecting a notable growth in power generation in the quarter under review, which cushioned/ offset the 12 per cent decline in import volumes (on a year-on-year basis).

The tertiary sector output grew by 1.1 per cent year-on-year, during the quarter under review, from a revised decline of 2.3 per cent in the previous quarter. Sectors that recorded notable positive performance included ‘information and communication’, ‘financial and insurance’ and ‘real estate activities’. The increased usage of digital platforms continues to contribute significantly in the usage of data services thereby supporting strong growth in the ‘information and communication’ subsector. Negative performance was observed in the ‘wholesale and retail’ and ‘transport and storage’ subsectors which can be attributed to weak domestic demand and poor performance in the manufacturing and construction sub-sectors.

2 PRICE DEVELOPMENTS

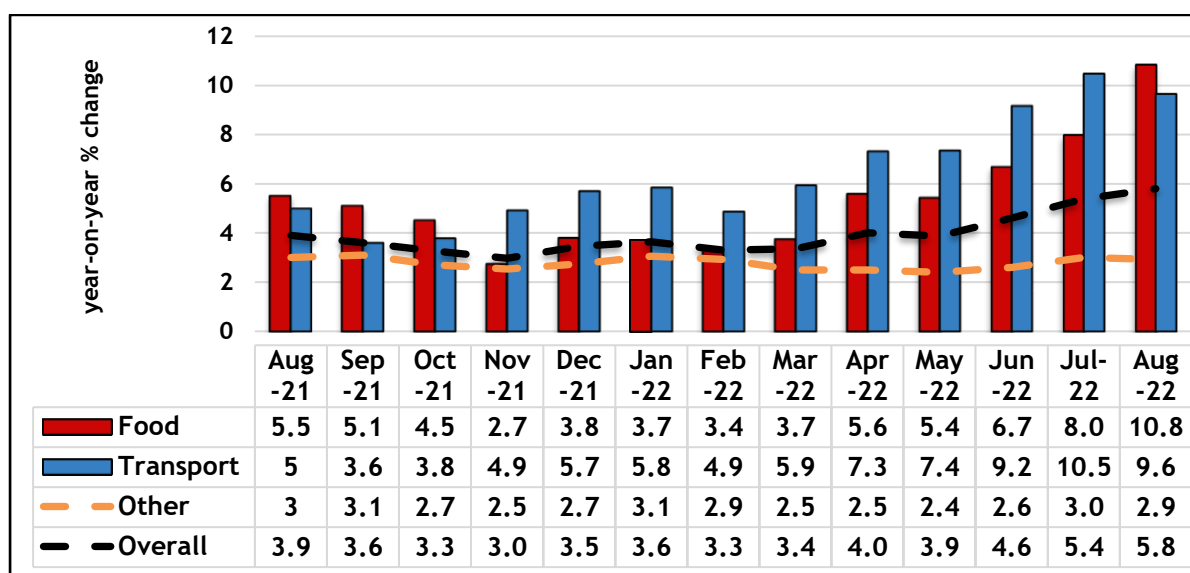
The country’s annual consumer inflation maintained an upward path, increasing to 5.8 per cent in August 2022, from 5.4 per cent in July 2022. Mainly contributing to the observed growth were increases in the price indices for ‘food & non-alcoholic beverages’ and ‘alcoholic beverages & tobacco’. The index for ‘food and non-alcoholic beverages’ grew by 10.8 per cent in August 2022 compared to 8.0 per cent in the previous month, benefitting from increases in the prices for ‘bread & cereals’ and ‘fish & seafood’. On a similar note, the ‘alcoholic beverages and tobacco’ index grew to 1.5 per cent during the month under

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review, from 0.6 per cent in the previous month, owing to increases in the prices for ‘beer’ and ‘wine’.

Contrary to that, decreasing rates of growth were noted in the price indices for ‘transport’, ‘clothing & footwear’ and ‘housing & utilities’, thus counteracting the above increases. Transport inflation slowed to 9.6 per cent in August 2022 from 10.5 per cent in the previous month. Notably, domestic fuel prices fell by 60 cents per litre effective 4th of August 2022, coupled with a decline in the prices for ‘spare parts and accessories for personal transport equipment’, thereby contributing to the stated decline. The index for ‘clothing & footwear’ declined by 0.7 of a percentage point to 4.6 per cent during the period under review, owing to decreases in the prices for garments. In addition, the index for ‘housing & utilities’, weighing the highest in the consumer basket, fell by 0.1 of a percentage point to 3.4 per cent, between the two months under review.

Figure 2: Inflation Trends: August 2021 to August 2022



Source: Central Statistical Office and Central Bank of Eswatini

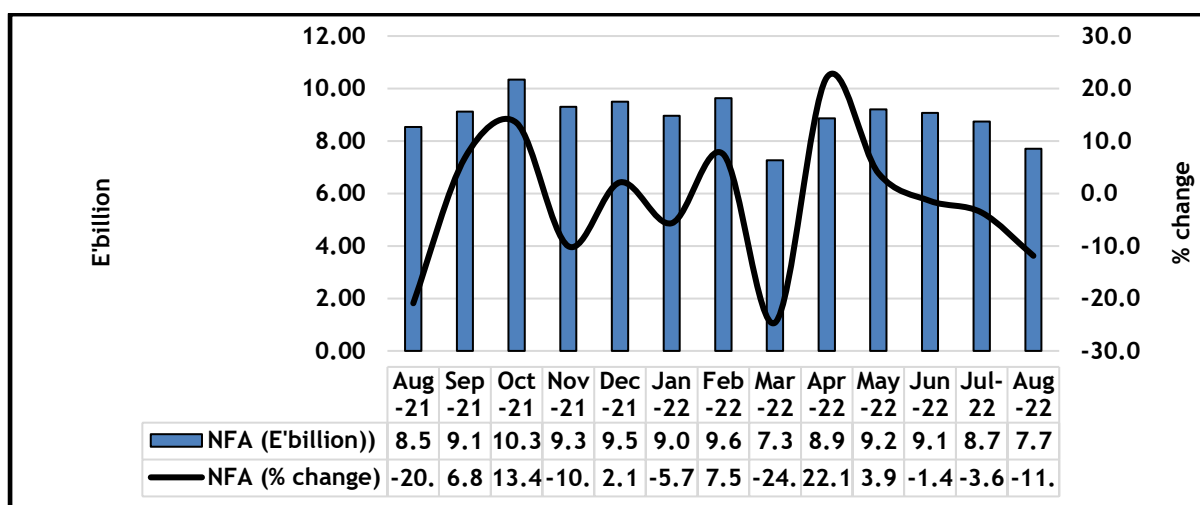
On a month-on-month basis, consumer prices rose by a slower 0.6 per cent in August 2022 compared to 0.9 per cent in July 2022. Slower increases were noted in the price indices for ‘transport’ and ‘furnishing, household equipment & routine household maintenance’, which fell by 1.4 and 2.2 percentage points, respectively, during the period under review. On the contrary, inflationary pressures emanated from the price indices for ‘food & non-alcoholic beverages’ and ‘restaurants & hotels’ - which increased by 2.2 and 0.6 percentage points, respectively, in the period under review.

3 MONEY SUPPLY AND BANKING DEVELOPMENTS

Net foreign assets depicted a contraction of 11.9 per cent month-on-month and 9.7 per cent year-on-year to reach E7.7 billion at the end of August 2022. The decline was registered in both net foreign assets of the official sector and other depository corporations. Net foreign assets of the official assets amounted to E4.8 billion at the end of August 2022, representing a contraction of 12.9 per cent from the previous month and 22.3 per cent over the year. The reduction was largely due to an outflow of foreign currency from trades with local banks coupled with payment of government's budgetary obligations over the month under review.

Net foreign assets of other depository corporations amounted to E2.9 billion at the end of August 2022, down from E3.2 billion in July 2022. At this level, net foreign assets of other depository corporations contracted by 10.1 per cent month-on-month and expanded by 23.7 per cent year-on-year. In special drawing rights (SDR), net foreign assets receded by 13.4 per cent month-on-month and 15.8 per cent over the year to settle at SDR347.5 million at the end of August 2022.

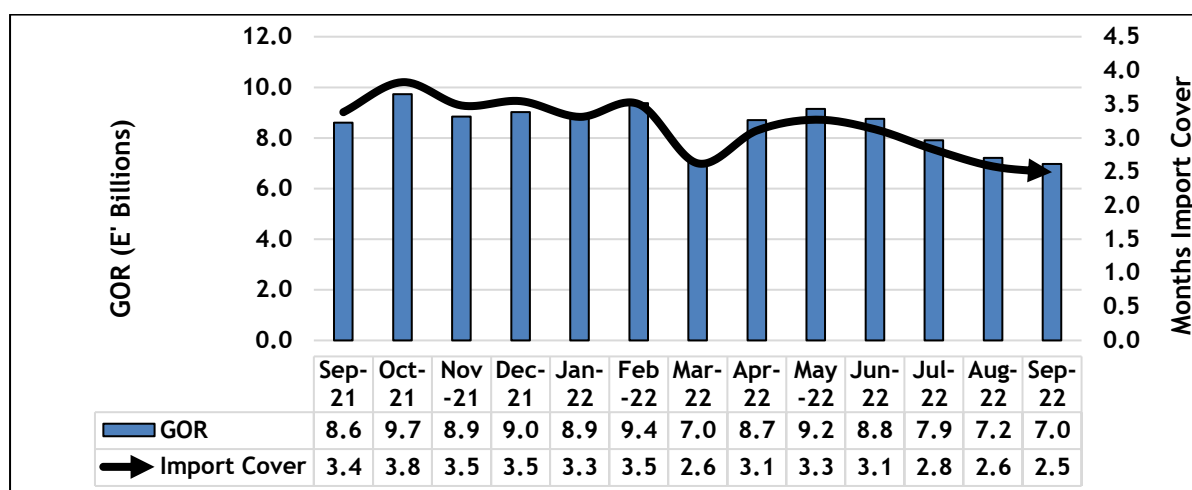
Figure 3: Net Foreign Assets Monthly Changes: August 2021 to August 2022



Source: Other Depository Corporations and Central Bank of Eswatini

Preliminary gross official reserves stood at E7.0 billion at the end of September 2022, decelerating by 3.3 per cent from August 2022 and 18.9 per cent over the year. The decline was mainly driven by net Rand outflows from trades with domestic banks as well as payment of government's budgetary obligations. Consequently, the import cover fell from 2.6 months in August 2022 to 2.5 months at the end of September 2022. When valued in special drawing rights (SDRs), the reserves amounted to SDR303.4 million at the end of September 2022, down by 6.7 per cent compared to the previous month and 25.1 per cent year-on-year.

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



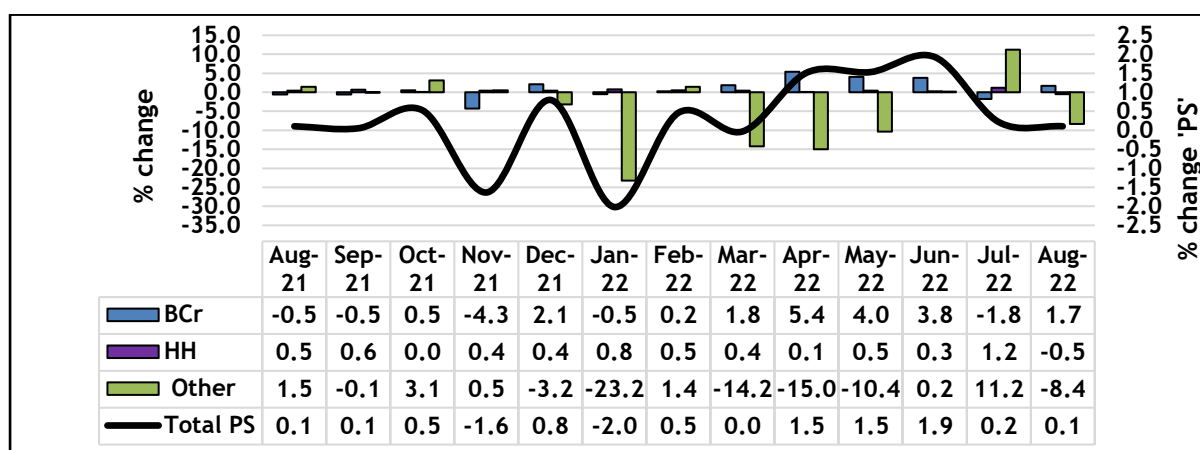
Source: Central Bank of Eswatini

Credit extended to the private sector grew slightly by 0.1 per cent month-on-month and 3.4 per cent over the year to E16.7 billion at the end of August 2022. The increase was observed in credit to businesses while credit to other sectors of the domestic economy and households & non-profit institutions serving households (NPISH) declined.

Credit extended to businesses reflected an expansion of 1.7 per cent from July 2022 and 12.7 per cent over the year to settle at E8.0 billion at the end of August 2022. Growth was recorded in the following subsectors; distribution & tourism (12.8 per cent), real estate (3.4 per cent), construction (0.6 per cent) and community, social & personal service (0.6 per cent). Dampening the increases were declines in credit to the following subsectors; agriculture & forestry (-10.6 per cent), mining & quarrying (-3.8 per cent), transport & communication (-1.8 per cent) and manufacturing (-1.4 per cent).

Credit extended to other sectors reached E773.8 million at the end of August 2022, reflecting a decline of 8.4 per cent month-on-month and 48.0 per cent year-on-year. The decrease was due to a contraction in credit to other financial corporations and public nonfinancial corporations, which fell by 12.1 per cent and 3.5 per cent, respectively. In contrast, credit to local government expanded by 9.7 per cent month-on-month.

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

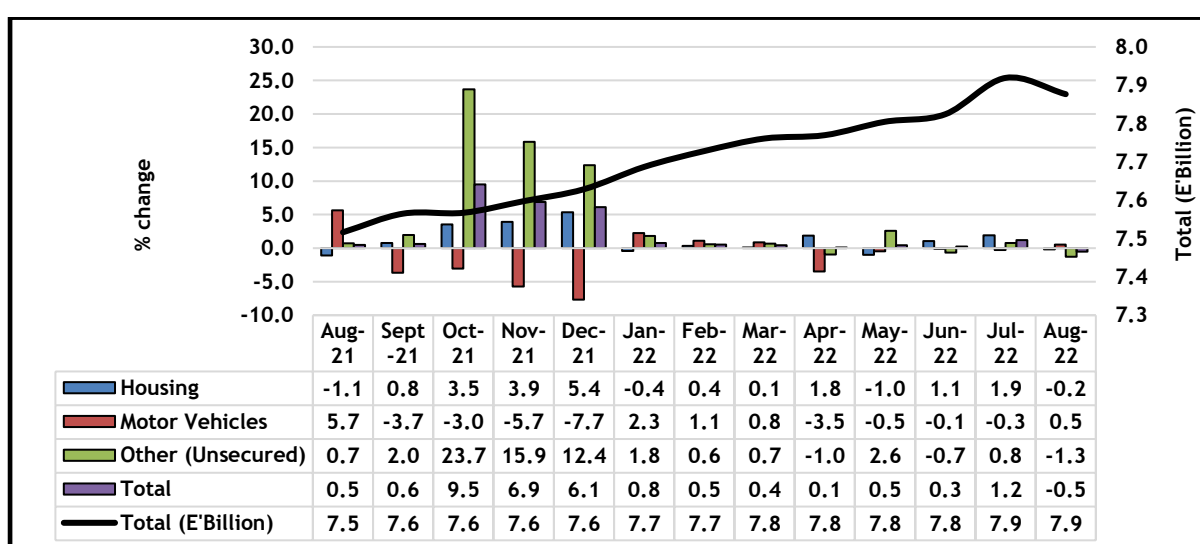


Source: Central Bank of Eswatini

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

Credit extended to households & NPISH amounted to E7.9 billion at the end of August 2022, representing a reduction of 0.5 per cent from the previous month and growth of 4.8 per cent over the year. The month-on-month contraction was observed in other personal (unsecured) loans and mortgage loans while motor vehicle loans improved. As a result, other personal (unsecured) loans declined by 1.3 per cent to E3.0 billion while mortgage loans fell by a lower margin of 0.2 per cent to E3.9 billion. Motor vehicle loans on the other hand, rose by 0.5 per cent month-on-month to E908.1 million.

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



Source: Central Bank of Eswatini and Other Depository Institutions

Net claims on government by the banking sector grew from E2.0 billion registered in July 2022 to E2.9 billion at the end of August 2022, due to an advance from the Central Bank.

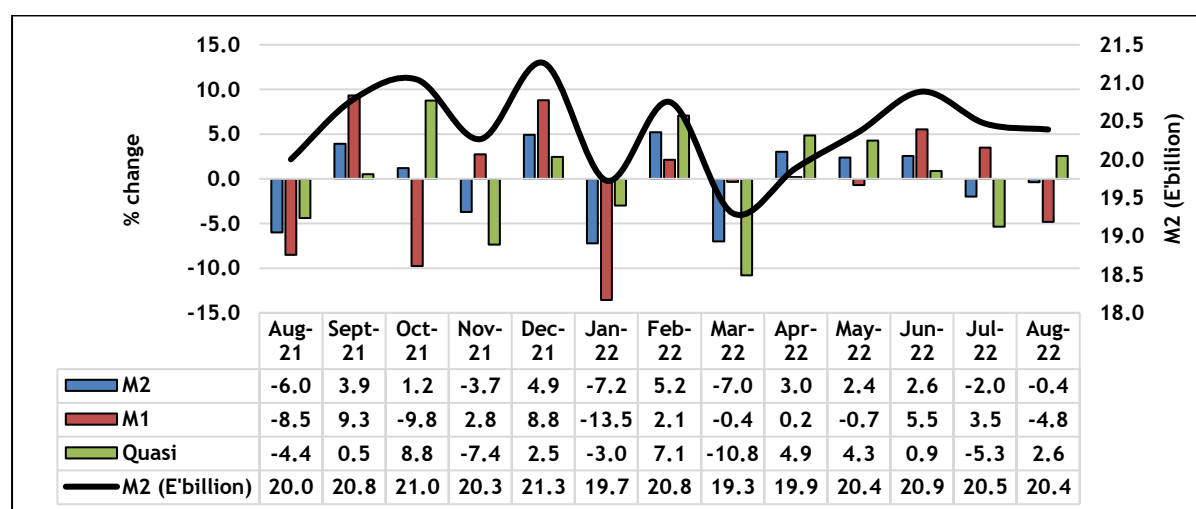
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This development translated to a rise of 9.3 per cent in claims on government and a decline of 6.9 per cent in government deposits.

Broad money supply (M2) receded by 0.4 per cent month-on-month and increased by 1.9 per cent over the year to settle at E20.4 billion at the end of August 2022. The month-on-month fall in M2 was registered in narrow money supply (M1) while quasi money supply expanded. M1 amounted to E7.8 billion at the end of August 2022, reflecting a month-on-month decline of 4.8 per cent and growth of 0.4 per cent year-on-year. The month-on-month reduction in M1 was driven by both components, Emalangi outside depository corporations and transferable (demand) deposits, which fell by 12.0 per cent to E673.6 million and 4.1 per cent to E7.1 billion, respectively.

Quasi money supply grew by 2.6 per cent over the review month and 3.0 per cent year-on-year to reach E12.6 billion at the end of August 2022. The month-on-month growth was observed in time deposits, which rose by 3.2 per cent to E10.6 billion. Savings deposits on the contrary, fell by 0.4 per cent month-on-month to E2.1 billion.

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

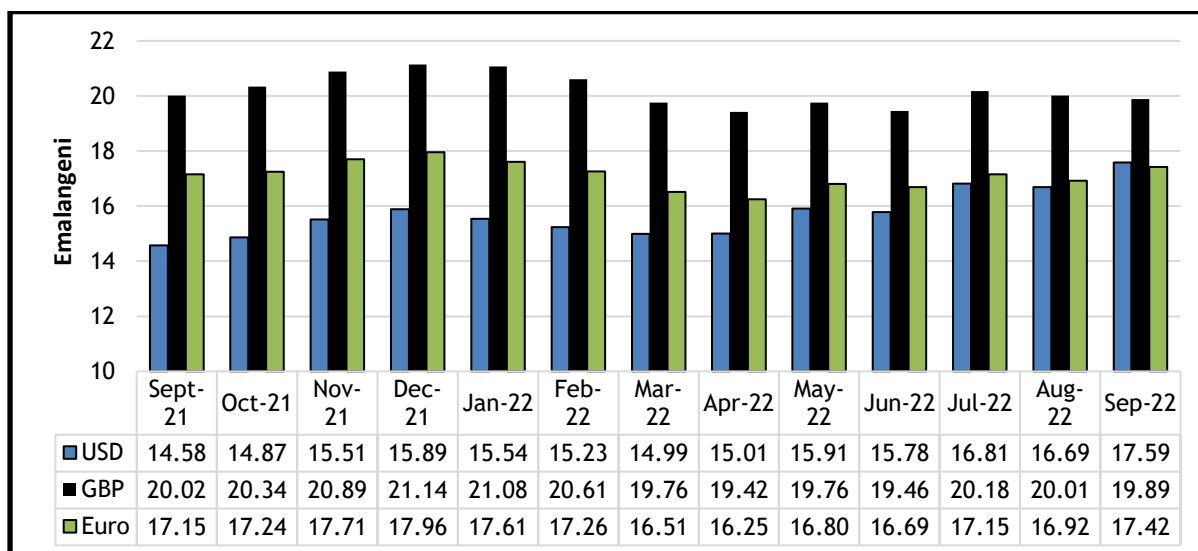


Source: Other Depository Institutions and Central Bank of Eswatini

During the month of September 2022, the Rand/Lilangeni was weaker generally and depreciated against the US Dollar and the Euro, but remained stronger against the Pound Sterling. The domestic currency depreciated by 5.4 per cent against the US Dollar trading at a monthly average of E17.59 per US Dollar. Emerging economies currencies such as the Rand, remain under pressure with the intensifying observations of a global recession amid fast heightening interest rates in the developed countries, shifting markets' preference to more secure assets. Although the South African monetary policy decision of hiking interest rates was supportive of the Rand, the US interest rate hiking cycle continue to add negative

pressure on the Rand, more so as markets expect further increases. The Rand/Lilangeni losses were more pronounced following power generation developments in South Africa, as Eskom power supply difficulties worsened during September with extended load shedding time.

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



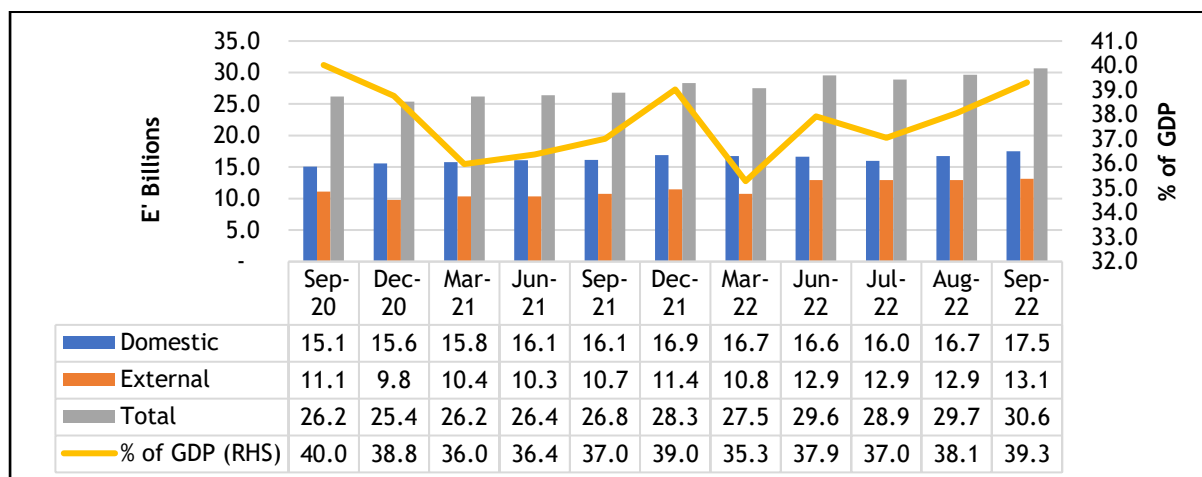
Source: Central Bank of Eswatini

The Rand hence Lilangeni slight appreciation of 0.6 per cent against the Pound Sterling was mainly due to external factors linked to UK government fiscal policy. The Rand/Lilangeni ended the month of September 2022 at a largely weaker position than the August end-of-period, trading at E17.91 to the US Dollar, E19.67 against the Pound Sterling and E17.57 against the Euro. Ahead, the expected global recession, US monetary policy cycle and power supply developments in South Africa are the major factors to affect the performance of the Rand/Lilangeni.

4 TOTAL PUBLIC DEBT

Preliminary figures for the end of September 2022 indicate that total public debt is estimated at E30.6 billion, an equivalent of 39.3 per cent of GDP. This shows an increase of 3.0 per cent from E29.7 billion recorded in the previous month. The change comes from an increase in both domestic and external debt.

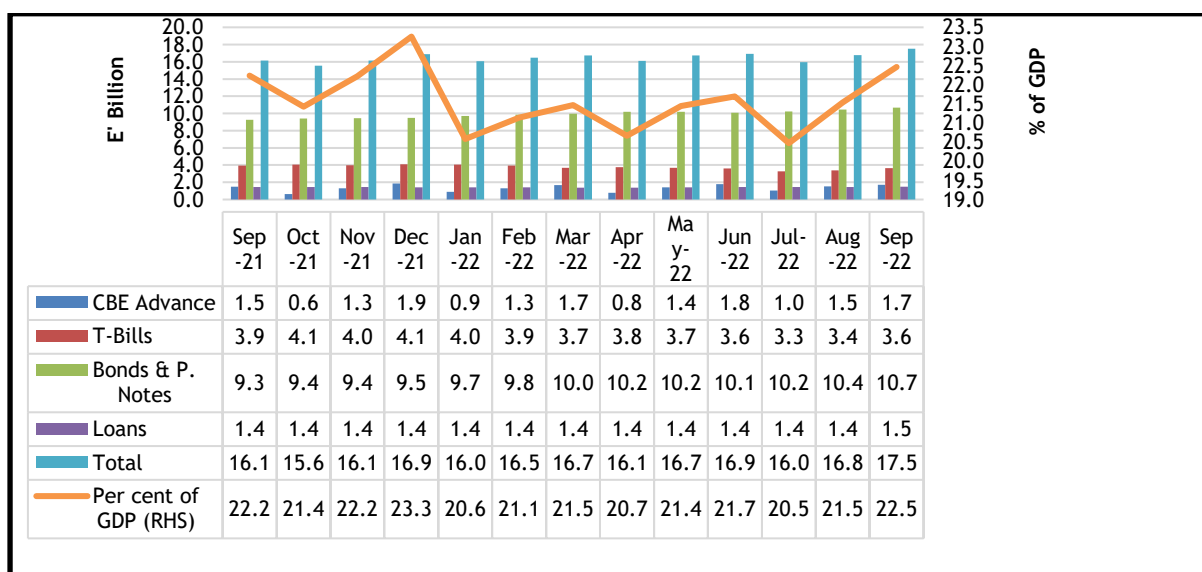
Figure 9: Total Public Debt: September 2021 to September 2022



Source: Ministry of Finance & Central Bank of Eswatini

Preliminary figures show that public external debt stood at E13.1 billion translating to 16.8 per cent of GDP. This depicts an increase of about 1 per cent when compared to E12.9 billion recorded in the previous month. The change comes from drawdowns made from active project loans coupled with a slight depreciation of the local currency against major foreign currencies in which the country's liabilities are denominated. Outstanding public domestic debt stood at E17.5 billion, an equivalent of 22.5 per cent of GDP. This depicts an increase of 4.0 per cent compared to E16.8 billion recorded in August 2022. The increase is due to an additional Central Bank of Eswatini advance accessed by government from the facility as well as issuance of Plain Vanilla Bonds.

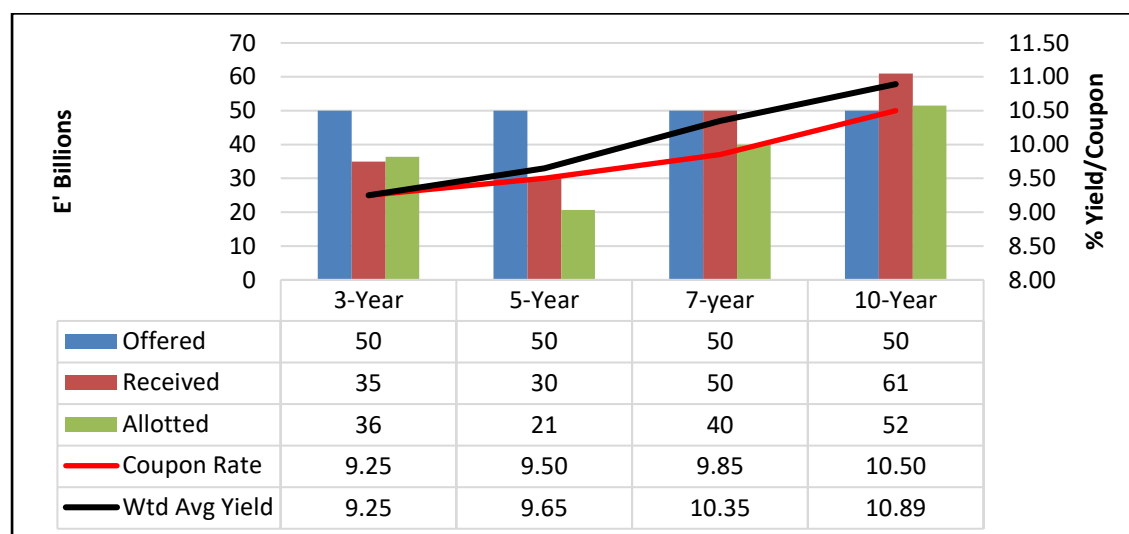
Figure 10: Outstanding Domestic Debt; September 2021 to September 2022



Source: Ministry of Finance & Central Bank of Eswatini

During the month of September 2022, the government accessed a further E200 million from the Advance facility bringing the total advance to E1.7 billion. In the month of September 2022, the Central Bank on behalf of government issued Plain Vanilla Bonds amounting to E200 million. Total bids received amounted to E178 million, giving a bid-cover-ratio of 88 per cent; while a total of E149 million was allotted giving an allotment ratio of 74.3 per cent.

Figure 10: Multiple Bond Auction Summary; September 2022



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.

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

Holder	Treasury Bills	Government Bonds	Promissory Notes	CBE Advance	Total	Share of Holdings (%)
CBE	2.4	1,294.0		1,729.0	3,025.4	18.4
Commercial banks	2,341.7	2,125.4			4,467.1	27.5
NBFIs	1,170.9	6,127.6			7,298.5	46.7
Other	136.0	877.2	58.0		1,071.0	7.5
TOTALS	3,651.0	10,424.1	58.0	1,729.0	15,861.9	100

Source: Ministry of Finance & Central Bank of Eswatini

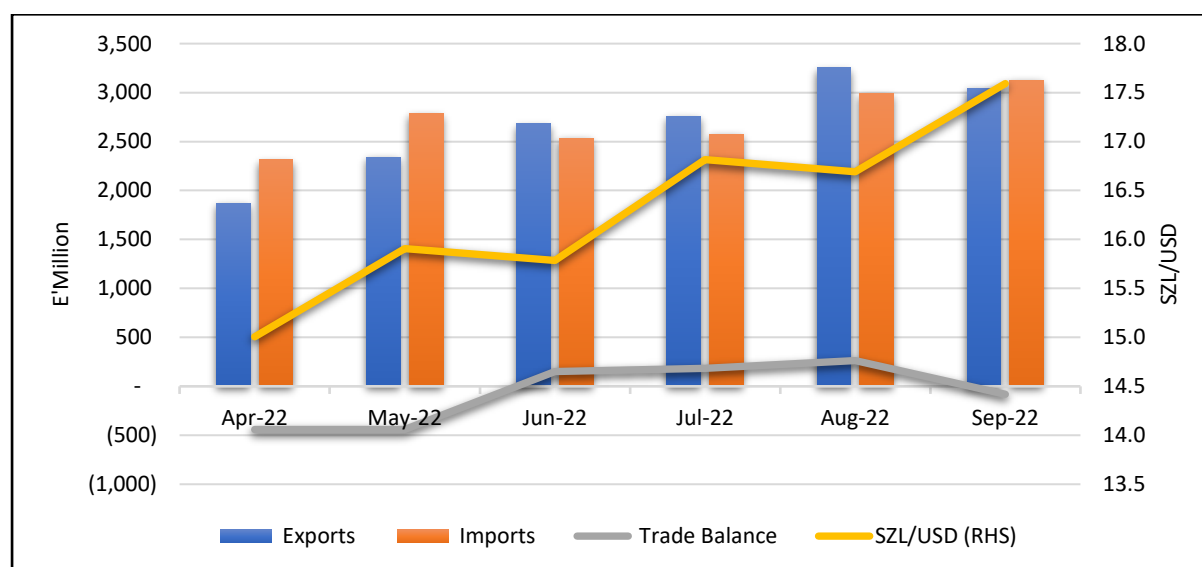
5 THE EXTERNAL SECTOR

In September 2022, Eswatini recorded a trade deficit of E79.7 million from a surplus of E263.1 million in the previous month. The deterioration in the merchandise trade balance was due to a 6.3 per cent month-on-month decline in exports to E3.046 billion, while year-on-year exports exhibited an increase of 6.5 per cent. Imports on the other hand increased by 4.6 per cent month-on-month to E3.126 billion and on a yearly comparison imports were 18.8 per cent higher, contributing to the deficit observed in the trade balance.

Seasonally adjusted trade data recorded a trade deficit of E199.2 million from a surplus of E94.9 million in the previous month. This trade gap resulted from seasonally adjusted imports which increased by 7.9 per cent month-on-month to E2.992 billion, while seasonally adjusted exports demonstrated a decline of 2.6 per cent compared to the previous month to settle at E2.792 billion.

Cumulative trade balance for January to September 2022 reflects a deficit of E632.4 million, a turnaround from the surplus of E653.4 million logged in the same period of 2021. Exports to date recorded a growth of 8.3 per cent year-on-year when compared to the first 9 months of 2021 to E23.442 billion. Cumulative imports grew by a higher 14.7 per cent to E24.074 billion compared to the same period in the previous year.

Figure 12: Merchandise Trade: April 2022 - September 2022



Source: Central Bank of Eswatini

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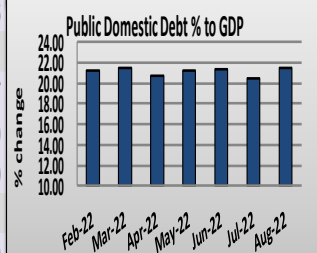
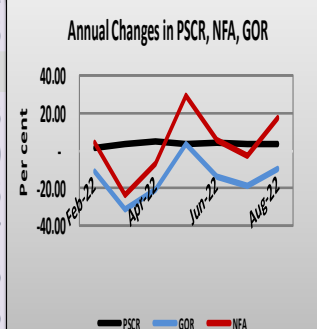
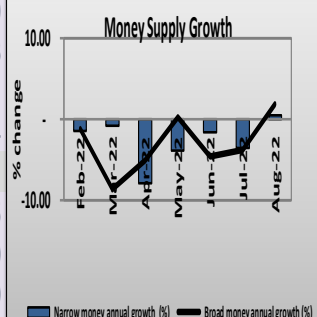
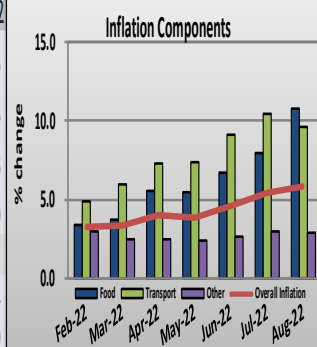
The country's major exports continue to be dominated by 'soft drink concentrates', 'sugar', 'textile', and 'wood and articles of wood'. Of these, only 'Soft drink concentrates' recorded an increase in the month of September amounting to E1.379 billion, up by 13.0 per cent. While 'sugar and sugar' confectionary in the month of September fell by 40.0 per cent to E548.6 million, underpinning the deficit observed in the trade balance. When compared on an annual basis 'sugar and sugar confectionary' exports were also lower by 24.2 per cent. 'Textile and textile apparel' also recorded a decline, falling by 6.3 per cent monthly to E288.0 million, year-on-year this decline was more pronounced at 16.4 per cent. 'Wood and articles of wood' were no exception, contracting by 1.3 per cent month-on-month, however, year-on-year only increased by 1.0 per cent.

Imports in the period increased by 4.6 per cent month-on-month, the biggest contributor being 'energy products', encompassing fuel and electricity, which amounted to E730.7 million in September accounting for 23.4 per cent of all imports for the month. Other significant import lines include food items in terms of 'meat and vegetables' which amounted to E235.8 million, 13.7 per cent higher than the previous month. 'Textile and apparel' including inputs for the sector increased by 4.2 per cent month-on-month to E311.0 million while 'machinery and equipment' increased to E267.8 million, a 7.7 per cent increase from August 2022. Although vehicle imports remain significant, the country imported 8.9 per cent less in the month of E138.1 million, while importing 0.9 per cent less in the same period of 2021.



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Economic Policy, Research and Statistics Department							
Kingdom of Eswatini Economic Indicators at a glance							
Sectors	Feb-22	Mar-22	Apr-22	May-22	Jun-22	Jul-22	Aug-22
Overall Inflation	3.3	3.4	4.0	3.9	4.6	5.4	5.8
Food	3.4	3.7	5.6	5.4	6.7	8.0	10.8
Transport	4.9	5.9	7.3	7.4	9.2	10.5	9.6
Other	2.9	2.5	2.5	2.4	2.6	3.0	2.9
Money and banking							
Narrow money annual growth (%)	-1.43	-0.85	-7.9	-4.0	-1.7	-3.5	0.4
Broad money annual growth (%)	-1.21	-8.60	-5.2	0.3	-4.6	-3.8	1.9
Domestic credit (net) - E' Million	18,305.97	18,796.29	18,004.7	17,761.7	18,783.0	18,619.9	19,584.9
Government	2,472.87	2,968.06	1,936.9	1,447.8	2,154.6	1,955.3	2,902.8
Private sector	15,833.10	15,828.23	16,067.8	16,313.8	16,628.4	16,664.6	16,682.1
Private sector credit annual growth (%)	1.74	3.34	4.8	3.9	4.4	3.4	3.4
Interest rates (% p.a)							
Prime lending	7.50	7.50	7.5	8.0	8.0	8.5	8.5
Discount rate	4.00	4.00	4.0	4.5	4.5	5.0	5.0
Deposit rate - 31 days	1.43	1.43	1.4	1.6	1.6	1.6	2.0
- 12 months	2.49	2.49	2.5	3.0	3.0	3.1	3.2
- T. bill rate	5.51	5.75	5.8	6.1	6.4	7.3	7.5
Ratios							
Liquidity ratio (required = 20 %)	41.60	38.17	38.9	38.7	36.9	32.3	34.8
Loans/deposits ratio	68.34	72.76	73.1	72.5	72.2	74.2	74.0
Net foreign assets (E'million)	9,630.11	7,259.12	8,862.4	9,205.5	9,074.8	8,744.1	7,705.5
Annual % change in NFA	-11.25	-30.96	-20.5	3.6	-13.9	-19.0	-9.7
Gross official foreign reserves E'Millions	9,372.11	7,022.11	8,699.0	9,150.0	8,753.6	7,921.5	7,212.3
Annual % change in GOR	4.06	-23.66	-6.9	29.1	5.5	-2.8	17.3
In months of import cover	3.50	2.62	3.1	3.3	3.1	2.8	2.6
Exchange Rates							
US\$	15.23	14.99	15.0	15.9	15.8	16.8	16.7
EURO	17.26	16.51	16.2	16.8	16.7	17.2	16.9
GBP	20.61	19.76	19.4	19.8	19.5	20.2	20.0
Public Finance							
Total public domestic debt [E' million]	16,510.01	16,739.61	16,112.59	16,518.57	16,648.16	15,961.09	16,749.59
As a % of GDP	21.18	21.47	20.67	21.19	21.35	20.47	21.48



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