

Recent Economic Developments

SEPTEMBER/OCTOBER 2022



CENTRAL BANK
OF ESWATINI
Umntsholi Wemaswati



MAJOR HIGHLIGHTS

<ul style="list-style-type: none"> The country's annual consumer prices remained on an upward trend, increasing to 6.7 per cent in September 2022 compared to 5.8 per cent in August 2022. 	Inflation rate (% y/y)	6.7 (Sept) ▲
<ul style="list-style-type: none"> The discount and prime lending rates were increased by 100 basis points in September 2022 to 6.00 per cent and 9.50 per cent respectively. 	Prime Lending (%)	9.50 ▲
	Discount rate (%)	6.00 ▲
<ul style="list-style-type: none"> In the month of October 2022, the Lilangeni/Rand exchange rate weakened against the major trading currencies. 	Exchange rate (US\$)	18.10 (Oct) ▼
<ul style="list-style-type: none"> Credit extended to the private sector amounted to E17.1 billion at the end of September 2022, reflecting an improvement of 2.2 per cent compared to August 2022. 	Private Sector Credit (% m/m)	2.2 (Sept) ▲
<ul style="list-style-type: none"> Broad money supply (M2) stood at E21.6 billion at the end of September 2022, expanding by 6.1 per cent month-on-month. 	Broad Money (M2) (% m/m)	6.1 (Sept) ▲
<ul style="list-style-type: none"> Gross official reserves stood at E8.2 billion at the end of October 2022, depicting a growth of 18.0 per cent compared to September 2022. 	Reserves (months of import cover)	2.8 (Oct) ▲
<ul style="list-style-type: none"> Preliminary figures indicate that total public debt stood at E30.3 billion as at the end October 2022, an equivalent of 41.0 per cent of GDP. 	Total Public Debt (% of GDP)	41.0 (Oct) ▲
<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 PRICE DEVELOPMENTS

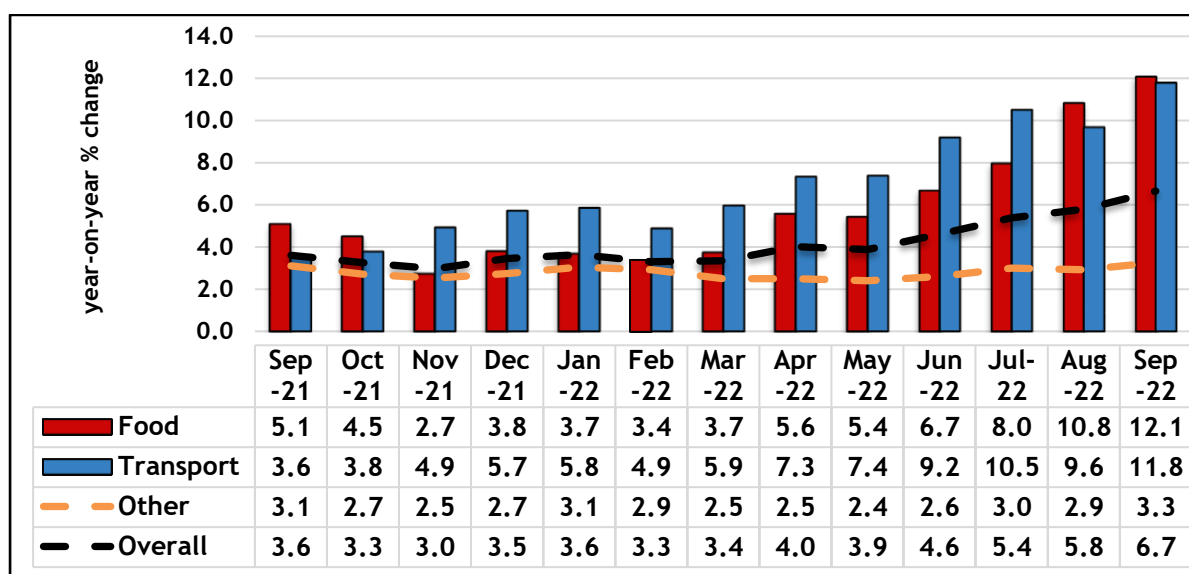
The country's annual consumer prices remained on an upward trend, increasing to 6.7 per cent in September 2022 compared to 5.8 per cent in August 2022. Increases were noted in the price indices for 'transport', 'food & non-alcoholic beverages', 'alcoholic beverages & tobacco' and 'recreation & culture'. Transport inflation rose by 11.8 per cent year-on-year in September 2022 from 9.6 per cent recorded in the previous month. The rise was mainly driven by a 9.9 per cent (year-on-year) jump in the prices of purchasing of motor vehicles during the month under review, picking up from 0.3 per cent in the previous month. Notably, this increase was partially offset by a 150 cents per litre decrease in fuel prices effective on the 2nd of September 2022. Similarly, food prices further increased to 12.1 per cent in September 2022 compared to 10.8 per cent in August 2022, benefitting from increases in the prices for 'bread & cereals', 'milk, eggs & cheese' and 'fish & seafood'. Furthermore, increases were noted in the price indices for 'alcoholic beverages & tobacco' and 'recreation & culture', which grew by 2.1 and 5.1 percentage points, respectively, between the two months under review.

The observed increases were somewhat counteracted by decreasing rates of growth in the price indices for 'household furniture & maintenance' and 'restaurants & hotels'. The index for 'household furniture & maintenance' slowed to 4.8 per cent in September 2022, from 5.1 per cent in the previous month, owing to decreases in the prices for furniture and furnishings. Other deflationary pressures came from the price index for 'restaurants & hotels' that fell by 0.1 of a percentage point to 0.4 per cent, during the period under review.

On month-on-month basis, consumer prices grew by 0.9 per cent in September 2022 compared to 0.6 per cent in the previous month. Contributing to the increase were increases in the price indices for 'transport', 'alcoholic beverages & tobacco' and 'clothing & footwear'. Transport prices remained elevated, rising by 1.5 percentage points to record 1.8 per cent between the two months under review. Moreover, the price index for 'alcoholic beverages & tobacco' and 'clothing & footwear' grew by 2.3 and 1.9 percentage points, respectively, during the same period. These increases were partially counteracted by an observed decline in the price index for 'food & non-alcoholic beverages', which fell by 1.9 percentage points to 1.1 per cent in September 2022.

Core inflation, which is CPI excluding volatile items such as food, auto-fuel and energy, grew by 2.8 per cent in September 2022 from 2.5 per cent in the previous month. CPI for services remained unchanged at 1.7 per cent whilst the CPI for goods increased by 0.7 percentage points to 10.0 per cent, during the month under review. On a monthly basis, core inflation fell by 0.1 of a percentage point to 0.5 per cent in September 2022.

Figure 1: Inflation Trends: September 2021 to September 2022



Source: Central Statistical Office and Central Bank of Eswatini

2 MONEY SUPPLY AND BANKING DEVELOPMENTS

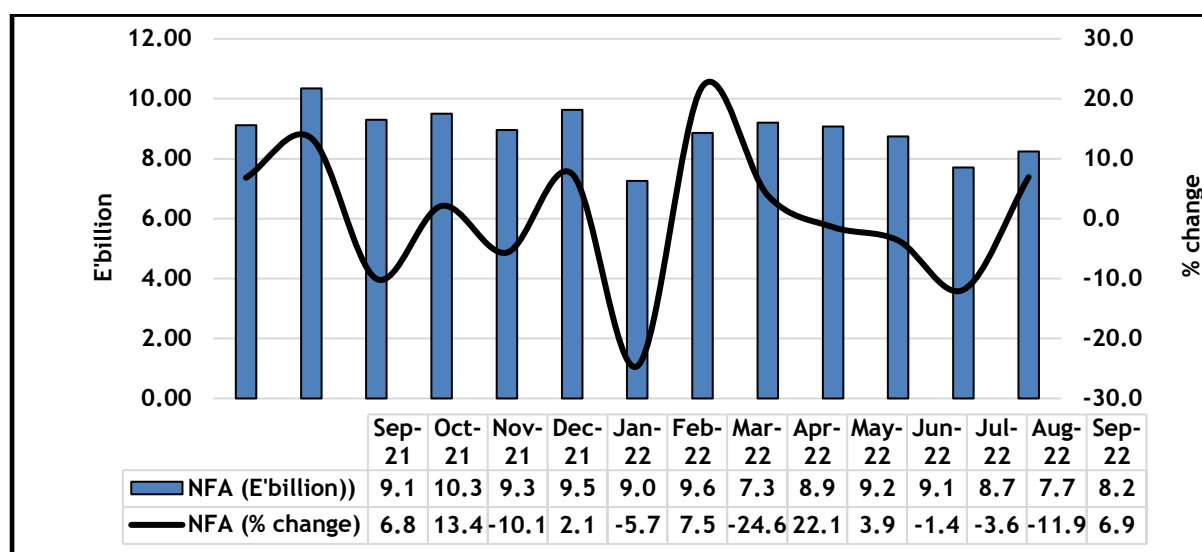
The country's net foreign assets increased by 6.9 per cent month-on-month and declined by 9.6 per cent year-on-year to settle at E8.2 billion at the end of September 2022. The month-on-month growth was registered in net foreign assets of other depository corporations while net foreign assets of the official sector contracted. Net foreign assets of other depository corporations closed the review month at E3.7 billion, higher by 29.7 per cent month-on-month and 34.7 per cent year-on-year. The increase was largely driven by an inflow of depositors' export proceeds invested in the Common Monetary Area over the month under review.

Net foreign assets of the official sector declined by 6.7 per cent from August 2022 and 29.0 per cent over the year to reach E4.5 billion at the end of September 2022. The reduction was on account of net outflow of Rands from trades with commercial banks coupled with payment of government's budgetary commitments over the month under review.

Valued in special drawing rights (SDR), net foreign assets improved by 3.1 per cent relative to August 2022, however, over the year declined by 16.5 per cent to settle at SDR358.4 million at the end of September 2022.

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

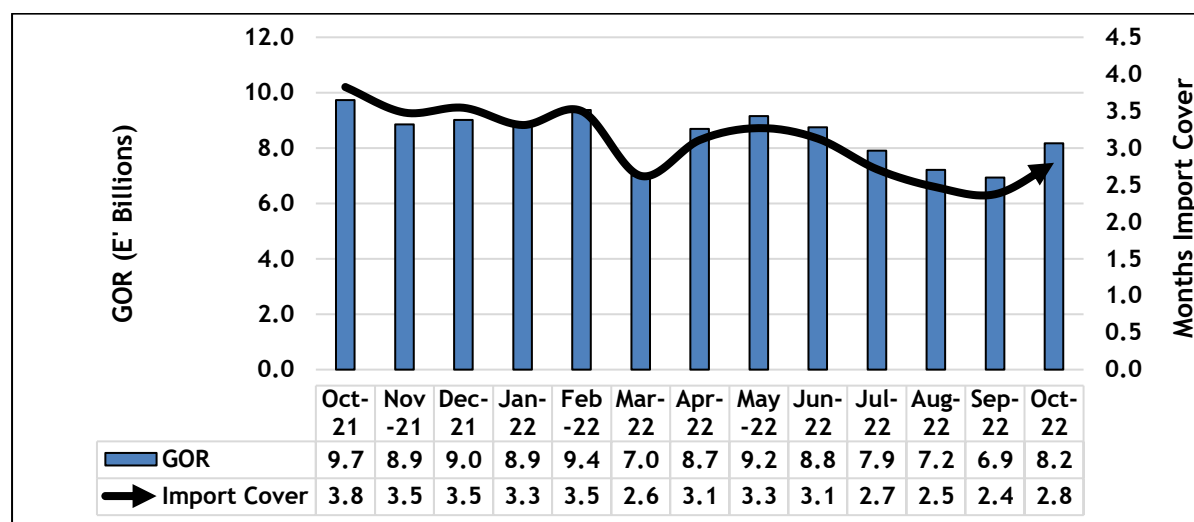


Source: Other Depository Corporations and Central Bank of Eswatini

Gross official reserves stood at E8.2 billion at the end of October 2022, depicting growth of 18.0 per cent compared to September 2022 and a reduction of 16.0 per cent year-on-year. The increase in reserves was on account of Southern African Customs Union receipts at the beginning of October 2022. At this level, the reserves were estimated to cover 2.8 months of imports of goods and services, higher than the 2.4 months in September 2022.

Valued in special drawing rights (SDR), the reserves stood at SDR347.5 million at the end of October 2022, reflecting an expansion of 15.3 per cent from the previous month and a decline of 22.9 per cent over the year.

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



Source: Central Bank of Eswatini

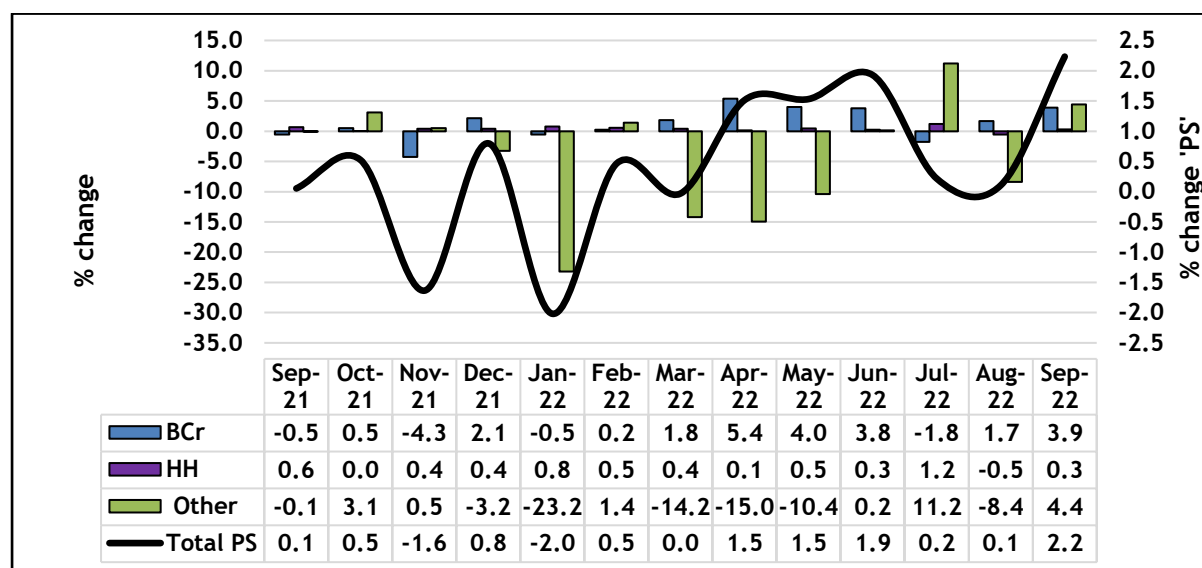
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Credit extended to the private sector amounted to E17.1 billion at the end of September 2022, reflecting an improvement of 2.2 per cent compared to August 2022 and 5.7 per cent year-on-year. Growth was on account of a rise in all private sector credit categories, which are credit to other sectors of the domestic economy, businesses and households & nonprofit Institutions serving households (NPISH).

Credit extended to businesses stood at E8.3 billion at the end of September 2022, reflecting an increase of 3.9 per cent from August 2022 and 17.8 per cent year-on-year. The month-on-month improvement emanated from the following subsectors; community, social & personal services (17.6 per cent), distribution & tourism (6.6 per cent), construction (2.8 per cent), real estate (2.7 per cent), agriculture & forestry (1.4 per cent), manufacturing (1.2 per cent) as well as mining & quarrying (0.1 per cent). In contrast, credit to the transport & communications sector declined by 0.2 per cent from August 2022.

Credit extended to other sectors expanded by 4.4 per cent month-on-month, however, over the year declined by 45.6 per cent to settle at E807.9 million at the end of September 2022. The month-on-month rise was evident in credit to other financial corporation and public nonfinancial corporations, which grew by 7.1 per cent and 0.2 per cent, respectively. Partly dampening the increase was credit to local government, which receded by 0.4 per cent month-on-month.

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



Source: Central Bank of Eswatini

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

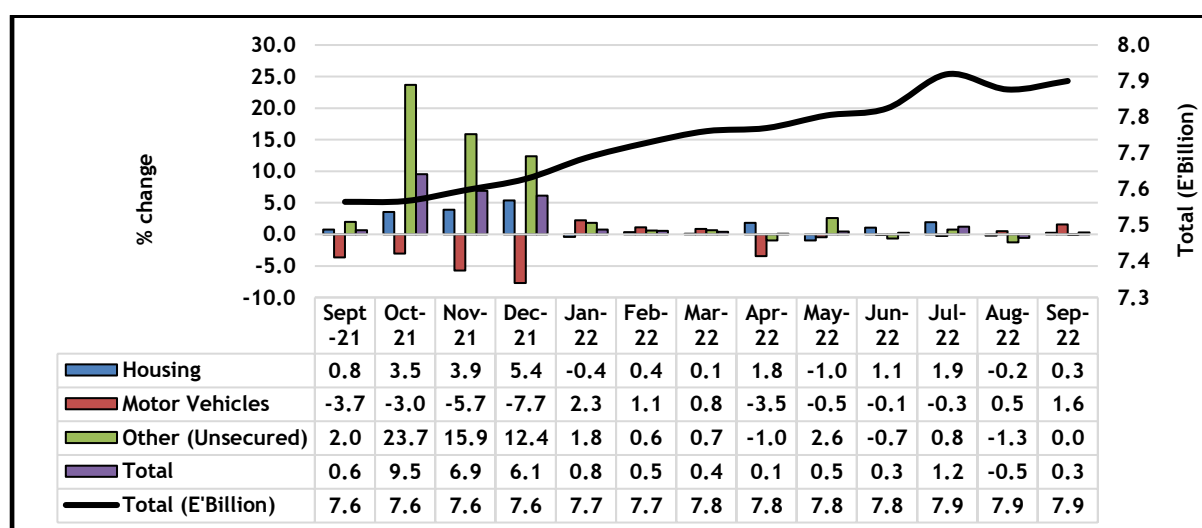
Credit extended to households & NPISH rose by 0.3 per cent month-on-month and 4.4 per cent year-on-year to reach E7.9 billion at the end of September 2022. The

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improvement was driven by motor vehicle and mortgage loans, which surpassed a fall in other personal (unsecured) loans. Consequently, motor vehicle and housing finance increased by 1.6 per cent to E922.2 million and 0.3 per cent to E3.9 billion, respectively. Other personal (unsecured) loans, however, declined by 0.04 per cent month-on-month to E3.0 billion.

Net claims on government by the banking sector closed the month under review at E3.1 billion, higher by 8.1 per cent month-on-month and 75.5 per cent year-on-year, due to an advance from the Central Bank. As a result, claims on government depicted an improvement of 5.8 per cent month-on-month. Likewise, government deposits held by the banking sector grew by 4.3 per cent from the previous month.

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



Source: Central Bank of Eswatini and Other Depository Institutions

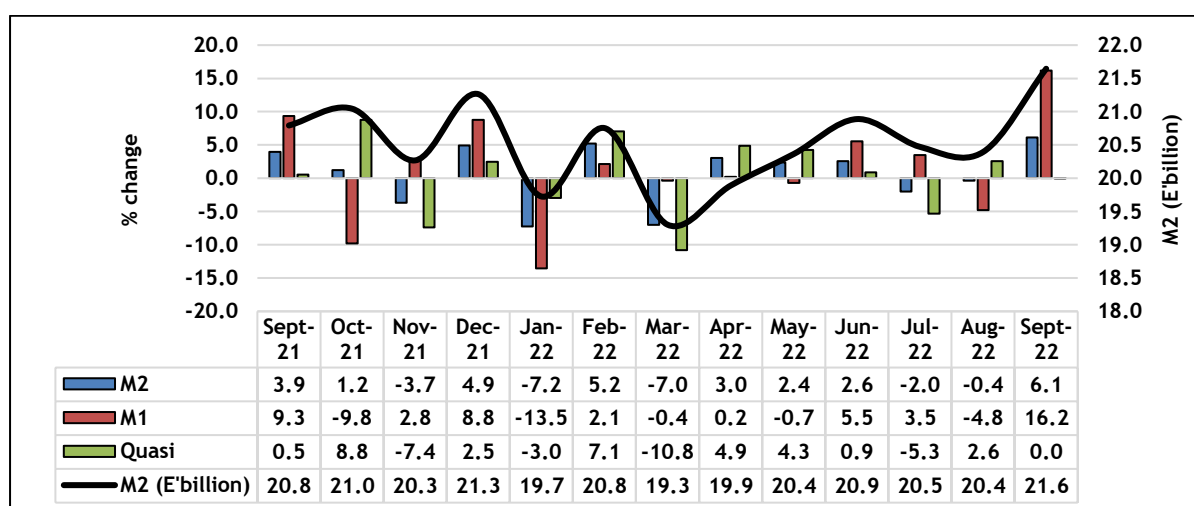
Broad money supply (M2) stood at E21.6 billion at the end of September 2022, expanding by 6.1 per cent month-on-month and 4.1 per cent relative to the corresponding period in 2021. This development was in line with growth in both net foreign assets and private sector credit. The increase was reflected in narrow money supply (M1) while quasi money supply decreased over the month under review.

Narrow money supply (M1) accelerated by 16.2 per cent from the previous month and 6.6 per cent year-on-year to settle at E9.0 billion at the end of September 2022. Growth was driven by both components; Emalangeni outside depository corporations and transferable (demand) deposits. Emalangeni outside depository corporations and transferable (demand) deposits reflected an expansion of 19.2 per cent to E803.2 million and 15.9 per cent to E8.2 billion, respectively.

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Quasi money supply recorded a month-on-month decline of 0.05 per cent and growth of 2.4 per cent year-on-year to settle at E12.6 billion at the end of September 2022. The month-on-month decline was observed in savings deposits, which fell by 5.3 per cent to E2.0 billion. Time deposits on the other hand, improved by 1.0 per cent to E10.7 billion at the end of September 2022.

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

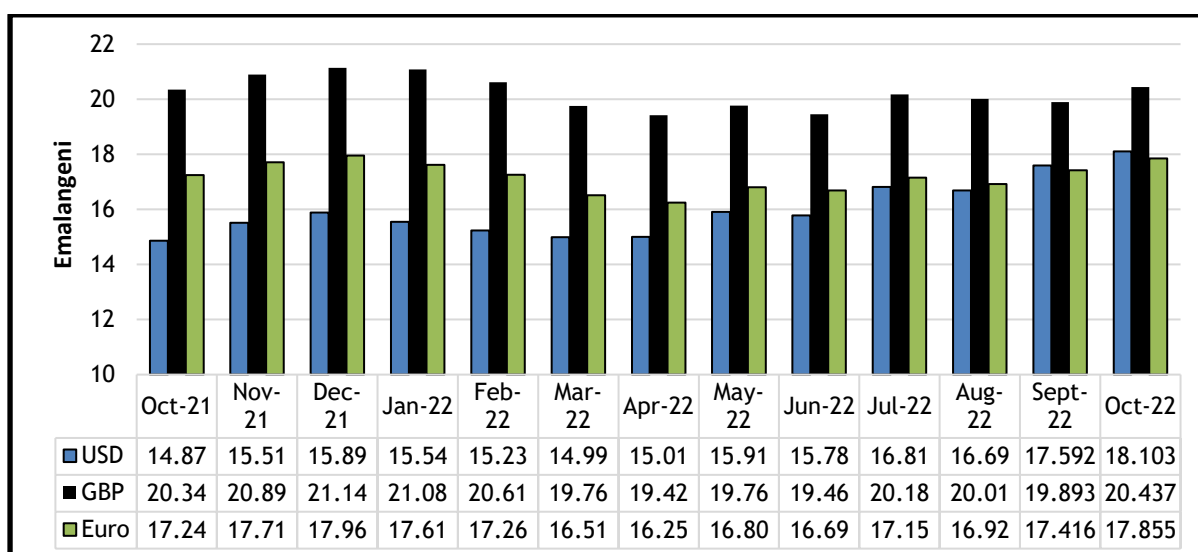


Source: Other Depository Institutions and Central Bank of Eswatini

During the month of October 2022, the rand/ Lilangeni weakened against major trading currencies. The Lilangeni depreciated by 2.9 per cent further, trading at a month average of E18.10 against the US Dollar. The local unit generally weakened as risk aversion levels against emerging market assets rose globally. The continuous tightening policy stance by the Federal Reserve to curb the inflationary pressures strengthened the dollar. boosted the US Dollar demand as it is regarded as a safe-haven asset, to the detriment of emerging market currencies. The Rand depreciated by 2.7 per cent against the Pound Sterling and by 2.5 per cent against the Euro on a month average.

Domestic factors in South Africa also contributed to the depreciation. Market sentiments reacted negatively as Eskom continued to face electricity supply shortages and Transnet strike action which affected commercial rail and port services in the month. As a result, the Rand/Lilangeni ended October 2022 weaker than the end-period in September 2022; trading at E18.24 to the US Dollar, at E21.17 to the Pound Sterling and at E18.16 to the Euro.

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



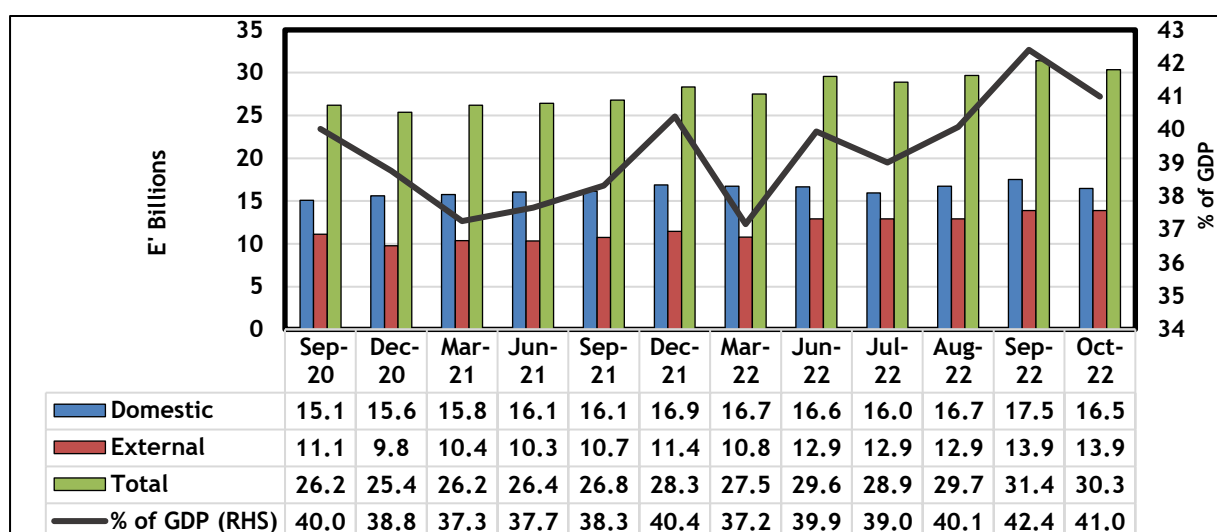
Source: Central Bank of Eswatini

3 TOTAL PUBLIC DEBT

Preliminary figures indicate that total public debt stood at E30.3 billion as at the end October 2022, an equivalent of 41.0 per cent of GDP. This shows a decline of 3.3 per cent when compared to E31.4 billion recorded in September 2022. The decline is as a result of a fall in domestic debt.

Preliminary figures show that public external debt stood at E13.9 billion translating to 18.7 per cent of GDP. This shows that external debt has remained fairly constant over the month under review.

Figure 8: Total Public Debt: September 2020 to October 2022



Source: Ministry of Finance & Central Bank of Eswatini

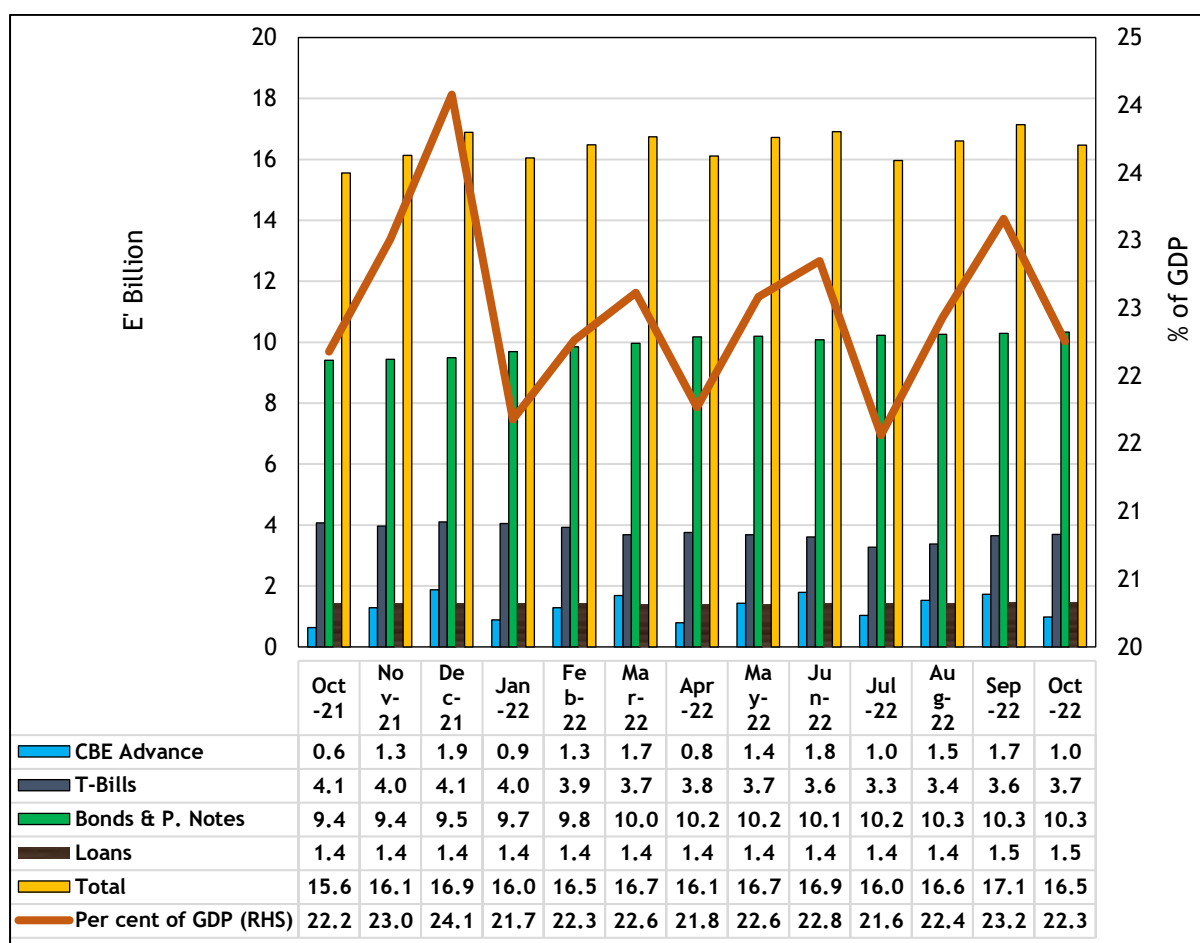
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For the month of October 2022, outstanding domestic debt stood at E16.5 billion translating to 22.3 per cent of GDP. This change shows a decrease of 6.0 per cent when compared to the E17.5 billion reported in September 2022. The decrease is attributed to payment of CBE Advance by Government in the first week of October 2022.

During the month of October 2022, Government after paying off the Advance, later re-accessed an amount of E590 million bringing the total outstanding Advance to E979 million at the end of the reporting period.

A total of E202.5 million was issued in private placements in respect of Plain Vanilla Bonds and Suppliers' Bonds, while a total of E162.9 matured resulting in a positive net financing of E39.6 million during the month. In November 2022, the CBE will, on behalf of Government issue a total of E200 million in multiple bonds re-openings through public auction. Tenures to be on offer are 3, 5, 7 and 10-years.

Figure 9: Outstanding Domestic Debt; October 2021 to October 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 October 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	19.1
Commercial banks	2,341.7	2,125.4	-	-	4,467.1	28.2
NBFIs	1,170.9	6,127.6	-	-	7,298.5	46.0
Other	136.0	877.2	58.0	-	1,071.2	6.7
TOTALS	3,651.0	10,424.2	58.0	1,729.0	15,862.2	100

Source: Ministry of Finance & Central Bank of Eswatini

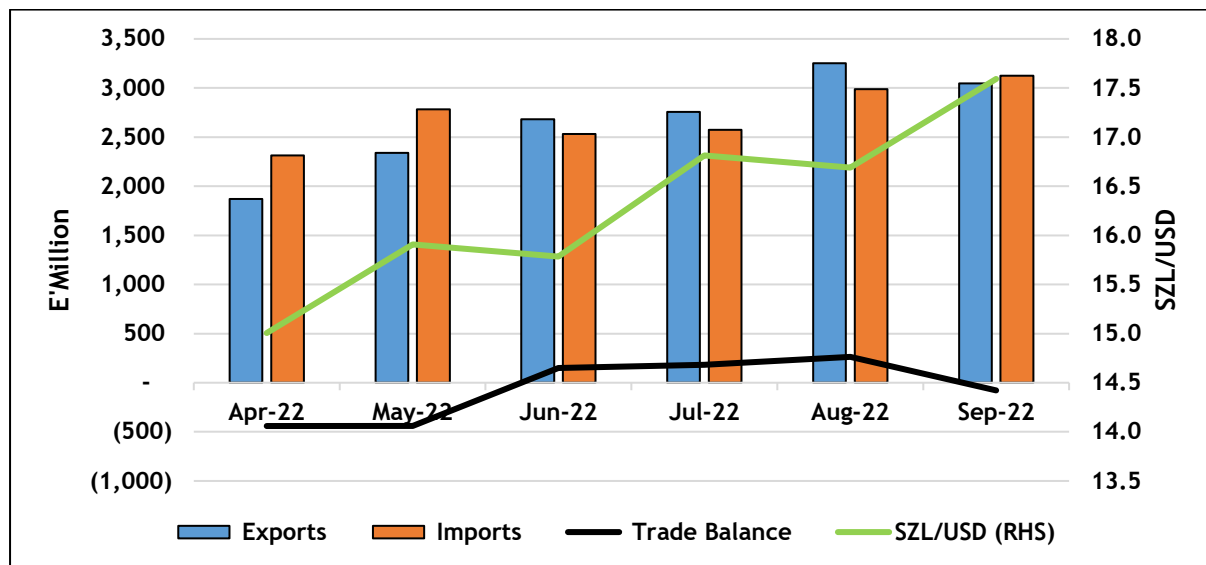
4 THE EXTERNAL SECTOR

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 10: Merchandise Trade: April 2022 - September 2022



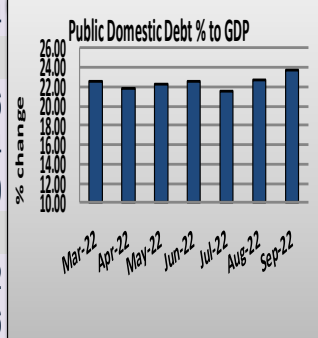
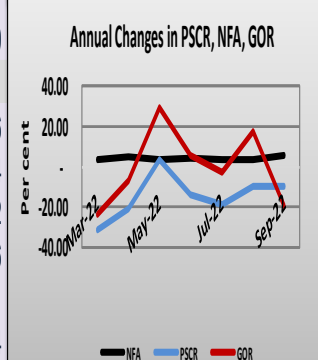
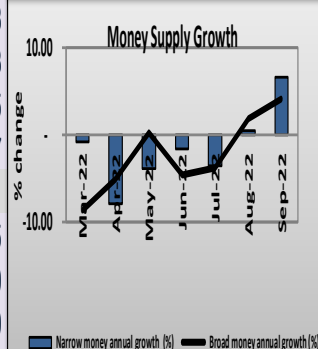
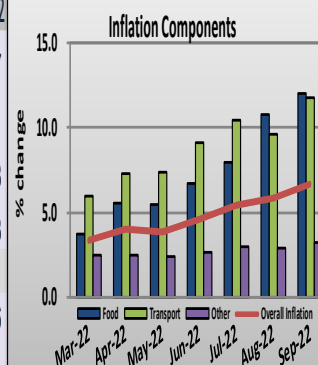
Source: Central Bank of Eswatini

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	Mar-22	Apr-22	May-22	Jun-22	Jul-22	Aug-22	Sep-22
Overall Inflation	3.4	4.0	3.9	4.6	5.4	5.8	6.7
Food	3.7	5.6	5.4	6.7	8.0	10.8	12.1
Transport	5.9	7.3	7.4	9.2	10.5	9.6	11.8
Other	2.5	2.5	2.4	2.6	3.0	2.9	3.3
Money and banking							
Narrow money annual growth (%)	-0.85	-7.9	-4.0	-1.7	-3.5	0.4	6.6
Broad money annual growth (%)	-8.60	-5.2	0.3	-4.6	-3.8	1.9	4.1
Domestic credit (net) - E' Million	18,796.29	18,004.7	17,761.7	18,783.0	18,619.9	19,584.9	20,192.8
Government	2,968.06	1,936.9	1,447.8	2,154.6	1,955.3	2,902.8	3,138.3
Private sector	15,828.23	16,067.8	16,313.8	16,628.4	16,664.6	16,682.1	17,054.5
Private sector credit annual growth (%)	3.34	4.8	3.9	4.4	3.4	3.4	5.7
Interest rates (% p.a)							
Prime lending	7.50	7.5	8.0	8.0	8.5	8.5	9.5
Discount rate	4.00	4.0	4.5	4.5	5.0	5.0	6.0
Deposit rate - 31 days	1.43	1.4	1.6	1.6	1.6	2.0	2.0
- 12 months	2.49	2.5	3.0	3.0	3.1	3.2	3.7
- T. bill rate	5.75	5.8	6.1	6.4	7.3	7.5	6.9
Ratios							
Liquidity ratio (required = 20 %)	38.17	38.9	38.7	36.9	32.3	34.8	31.6
Loans/deposits ratio	72.76	73.1	72.5	72.2	74.2	74.0	72.4
Net foreign assets (E'million)	7,259.12	8,862.4	9,205.5	9,074.8	8,744.1	7,705.5	8,239.2
Annual % change in NFA	-30.96	-20.5	3.6	-13.9	-19.0	-9.7	-9.6
Gross official foreign reserves E'Millions	7,022.11	8,699.0	9,150.0	8,753.6	7,921.5	7,212.3	6,931.1
Annual % change in GOR	-23.66	-6.9	29.1	5.5	-2.8	17.3	-19.4
In months of import cover	2.62	3.1	3.3	3.1	2.8	2.6	2.4
Exchange Rates							
US\$	14.99	15.0	15.9	15.8	16.8	16.7	17.6
EURO	16.51	16.2	16.8	16.7	17.2	16.9	17.4
GBP	19.76	19.4	19.8	19.5	20.2	20.0	19.9
Public Finance							
Total public domestic debt [E' million]	16,739.61	16,112.59	16,518.57	16,648.16	15,961.09	16,749.59	16,473.02
As a % of GDP	22.62	21.77	22.32	22.49	21.56	22.63	23.66



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