



## MAJOR HIGHLIGHTS

<ul style="list-style-type: none"> <li>Quarterly Gross Domestic Product (QGDP), increased by 9.0 per cent on a year-on-year basis (seasonally adjusted), in the first quarter of 2021.</li> </ul>	Quarterly GDP (% y/y)	9.0 (2021Q1) <span style="color: blue;">▲</span>
<ul style="list-style-type: none"> <li>Headline consumer inflation remained unchanged at 3.9 per cent in July 2021, same as in June 2021.</li> </ul>	Inflation rate (% y/y)	3.9 (Jul) <span style="color: grey;">—</span>
<ul style="list-style-type: none"> <li>Discount and prime lending rates were left unchanged in July 2021.</li> </ul>	Prime Lending (%)	7.25 <span style="color: grey;">—</span>
	Discount rate (%)	3.75 <span style="color: grey;">—</span>
<ul style="list-style-type: none"> <li>In the month of August 2021, the Lilangeni/Rand exchange rate weakened against the major trading currencies, from an average of E14.53 recorded in July 2021.</li> </ul>	Exchange rate (US\$)	14.79 (Aug) <span style="color: blue;">▼</span>
<ul style="list-style-type: none"> <li>Credit extended to the private sector reached E16.0 billion at the end of July 2021, growing by 0.3 per cent over the month under review.</li> </ul>	Private Sector Credit (% m/m)	0.3 (Jul) <span style="color: blue;">▲</span>
<ul style="list-style-type: none"> <li>Broad money supply (M2) amounted to E21.2 billion at the end of July 2021, depicting a fall of 3.2 per cent relative to June 2021.</li> </ul>	Broad Money (M2) (% m/m)	3.2 (Jul) <span style="color: blue;">▼</span>
<ul style="list-style-type: none"> <li>Gross official reserves amounted to E8.6 billion at the end of August 2021, representing growth of 5.9 per cent from July 2021.</li> </ul>	Reserves (months of import cover)	3.6 (Aug) <span style="color: blue;">▲</span>
<ul style="list-style-type: none"> <li>Preliminary figures for the end of August 2021 show that total public debt stood at E26.3 billion translating to 37.1 per cent of GDP.</li> </ul>	Total Public Debt (% of GDP)	37.1 (Aug) <span style="color: blue;">▲</span>
<ul style="list-style-type: none"> <li>During the month of August 2021, the country posted a merchandise trade surplus of E637.5 million, from a surplus of E305.1 million the previous month.</li> </ul>	Trade Balance (% of GDP)	0.9 (Aug) <span style="color: blue;">▲</span>

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

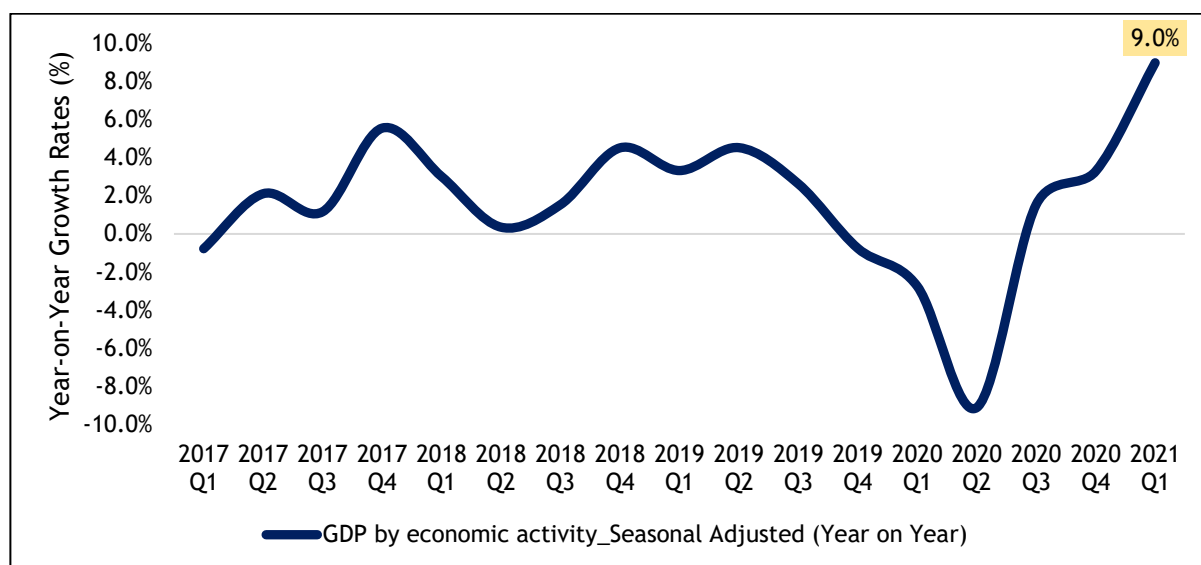
## 1 GDP DEVELOPMENTS

Economic activity as measured by the Gross Domestic Product (GDP) is estimated to have increased by 9.0 per cent, on a year-on-year and seasonally adjusted basis, in the first quarter of 2021 rising from 3.3 per cent recorded in the previous quarter. The significant growth observed in the quarter under review is largely attributed to strong performance in the secondary sector. On a quarter-on-quarter basis, GDP grew by 3.8 per cent in the quarter under review compared to 0.8 per cent in the previous quarter.

The secondary sector rebounded from -0.6 per cent in the fourth quarter of 2020 to record a 21.0 per cent growth in the first quarter of 2021. The growth largely benefitted from increased economic activity under the manufacturing and construction subsectors. The manufacturing subsector rose by 22.7 per cent year-on-year in the quarter under review compared to 0.7 per cent in the previous quarter. Subsectors that depicted significant improvement within the manufacturing sector included: ‘manufacturing of food and beverages’, ‘manufacturing of wood and wood products’ as well as ‘manufacturing of textile and wearing apparels’. These subsectors, which are export-oriented, benefitted from improved demand from key export destination markets following the easing of lockdown measures in key destination markets in the region.

The construction sector, on the other hand, rebounded from a decline of 16.6 per cent year-on-year recorded in the fourth quarter of 2020 to an increase of 6.1 per cent in the quarter under review. Construction activity benefitted from continuous development of road infrastructure in the country and was also buoyed by an improvement in input supplies of construction material, which was highly disrupted during lockdowns associated with the COVID-19 pandemic outbreak. Electricity supply remained strong with a year-on-year growth of 31.6 per cent in the first quarter of 2021, which benefitted from good dam water levels that supported effective hydro-power generation.

**Figure 1: Quarterly GDP Seasonally Adjusted, Year-on-Year Growth Rates; 2017Q1 to 2021Q1**



Source: Central Statistics Office

The tertiary sector grew by 5.8 per cent on a year-on-year basis, in the first quarter of 2021, from 4.5 per cent in the previous quarter. Developments within this sector were mixed. Positive performance was observed in the ‘financial services’, ‘information and communication’ and ‘public administration’ subsectors. The information and communication subsector, continued to benefit strongly from the increased demand and usage of data and online services, which has become a new normal necessitated by coping measures in the advent of the COVID-19 coronavirus pandemic outbreak. Subsectors that performed poorly within the tertiary sector included: ‘Wholesale and retail trade’, ‘Transport and storage’, ‘Accommodation and food services activities’, ‘Professional and technical services’ and ‘Arts and culture’. Tourism subsectors continued to be negatively affected by travel restrictions, social distancing and other containment measures aimed at limiting the spread of the COVID-19 coronavirus.

The primary sector remained resilient rising from 1.3 per cent in the last quarter of 2020 to 4.3 per cent in the quarter under review. Strong positive performance was observed in the ‘forestry’ and ‘mining and quarrying’ subsectors.

## 2 PRICE DEVELOPMENTS

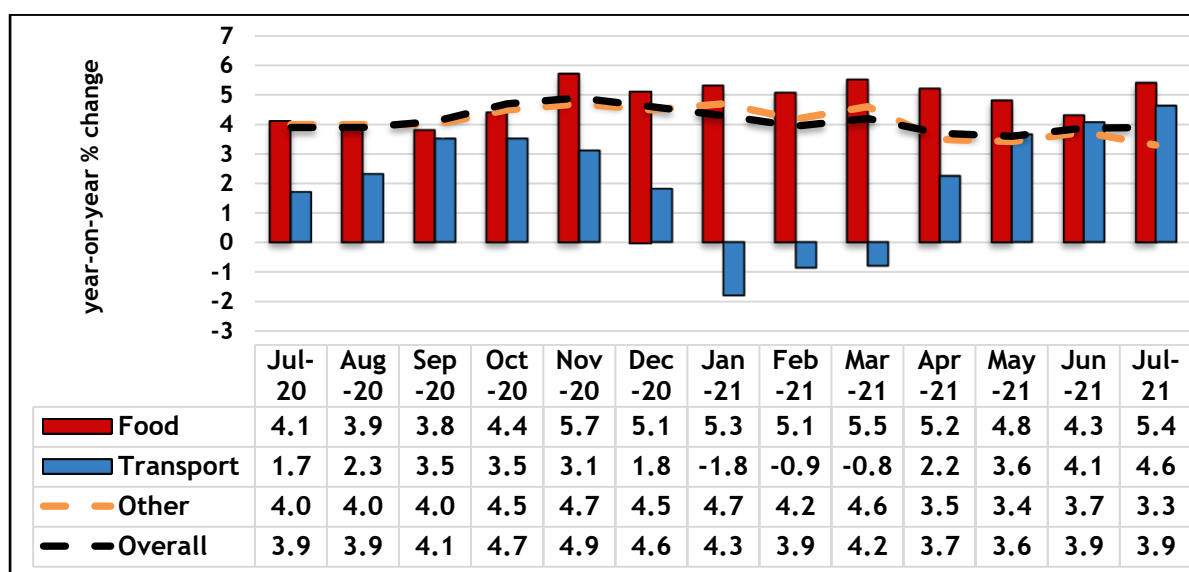
Headline consumer inflation remained unchanged at 3.9 per cent in July 2021, same as in June 2021. The index for 'housing & utilities' declined to 3.5 per cent in July 2021 from 4.3 per cent in the previous month, driven by slower increases in the prices for 'water supply' and 'solid fuels'. Notably, the price for water supply receded from a high of 29.2 per cent observed throughout the second quarter of 2021 to 13.7 per cent in July 2021, mainly driven by base effects (in relation to the timing of implementing the 13.7 per cent two-year tariff approved by Parliament in 2020, which was effected in July 2020 for the first year and in April 2021 for the second financial year). Additional deflationary pressures emanated from the price index for 'furnishing & household equipment', which fell by 3.0 per cent to 1.4 per cent in July 2021. The deceleration mainly came from decreases in the prices for 'furniture and furnishings' and 'household textiles'.

The above decreases were fully counteracted by increasing rates of growth in the price indices for 'food & non-alcoholic beverages', 'transport' and 'recreation & culture'. Following three months of consecutive declines, food inflation rose by 1.1 percentage points to 5.4 per cent in July 2021. Increases were noted in the prices for 'meat', 'milk & other dairy products' and 'vegetables'. Transport inflation maintained an upward trend, increasing to 4.6 per cent in July 2021 from 4.1 per cent in the previous month, owing to increases in the prices of 'purchase of motor vehicles' during the period under review. In addition, the price index for 'recreation & culture', which has remained volatile during the COVID-19 pandemic, further grew by 3.2 percentage points to record 4.5 per cent between the two months under review.

On month-on-month basis, consumer prices grew by 0.2 per cent in July 2021, same as in the previous month. Decreases were noted in the price indices for 'clothing & footwear', 'housing & utilities' and 'furnishing and household equipment', which declined by 2.8, 0.5 and 2.0 percentage points respectively between the two months under review. On the other hand, food inflation rose from a deflation of 0.1 per cent in June 2021 to a 1.0 per cent growth in July 2021, while the price index for 'transport' rose from zero growth to 0.5 per cent, during the same period.

Core inflation, which is CPI excluding volatile items such as food, fuel and energy, declined to 2.5 per cent in July 2021 from 2.7 per cent in June 2021. Contributing to this decline was a 0.1 of a percentage point decrease in the prices for 'services' to 0.5 per cent during the month under review. On month-on-month basis, core inflation recorded zero growth during the period under review.

Figure 2: Inflation Trends: July 2020 to July 2021



Source: Central Statistical Office and Central Bank of Eswatini

### 3 MONEY SUPPLY AND BANKING DEVELOPMENTS

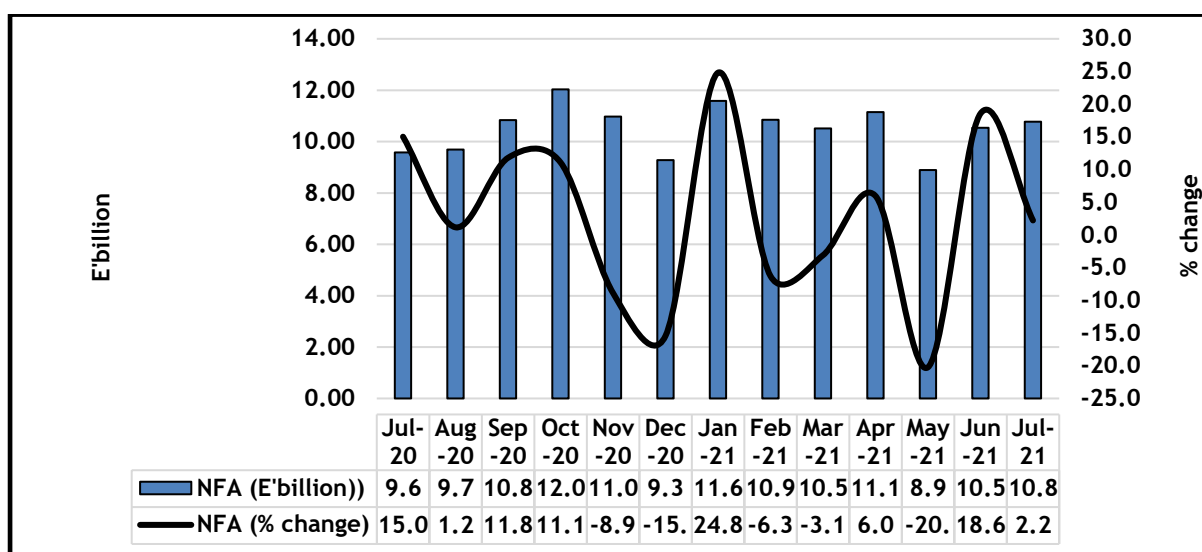
The country's net foreign assets grew by 2.2 per cent month-on-month and 12.5 per cent year-on-year to reach E10.8 billion at the end of July 2021. Growth was observed in net foreign assets of the official sector whilst those of other depository corporations declined over the month ended July 2021.

Net foreign official assets increased by 7.1 per cent from June 2021 and 8.3 per cent over the year to reach E7.5 billion at the end of July 2021. The growth in net foreign official assets was mainly attributed to the quarterly inflow of the Southern African Customs Union revenues at the beginning of July 2021 coupled with the depreciation of the Lilangeni/Rand against its major trading currencies over the month under review. Net foreign assets of other depository corporations stood at E3.3 billion at the end of July 2021, representing a reduction of 7.2 per cent relative to June 2021 and growth of 23.1 per cent year-on-year. The month-on-month improvement mainly stemmed from other depository corporations' investments in the Common Monetary Area and abroad.

In special drawing rights (SDR), net foreign assets stood at SDR516.5 million at the end of July 2021, down by 0.2 per cent from the previous review month and higher by 29.6 per cent from July 2020.

RED - July/August 2021

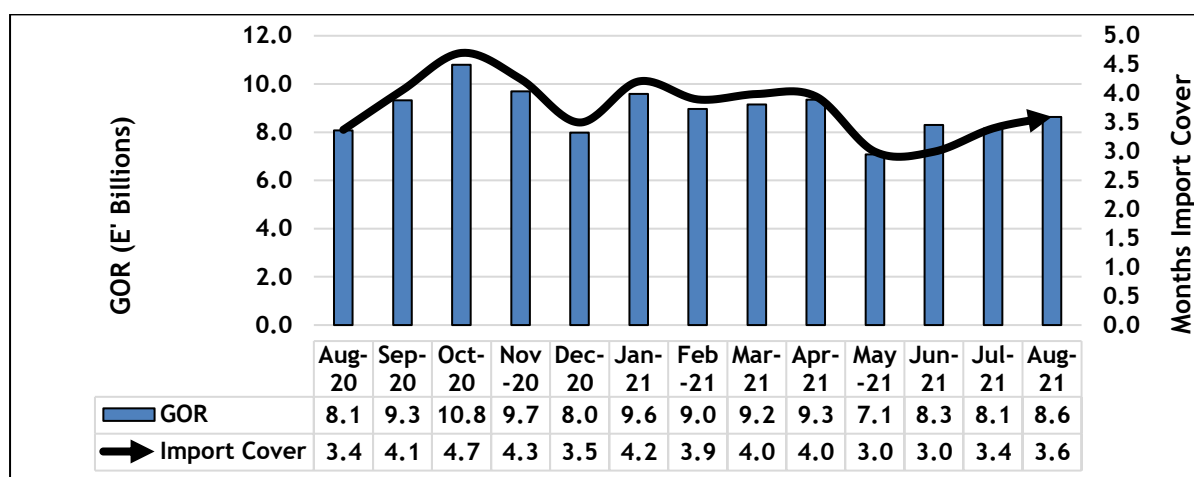
Figure 3: Net Foreign Assets Monthly Changes: July 2020 to July 2021



Source: Other Depository Corporations and Central Bank of Eswatini

Gross official reserves amounted to E8.6 billion at the end of August 2021, representing growth of 5.9 per cent from July 2021 and 2.0 per cent over the year. The increase in reserves was mainly attributed to the country's SDR allocation from the IMF over the period under review. At this level, the reserves were adequate to cover 3.6 months of imports of goods and services compared to 3.4 months observed in July 2021. The value of the reserves in special drawing rights (SDRs), was at SDR417.2 million at the end of July 2021, up by 6.8 per cent month-on-month and 16.6 per cent over the year.

Figure 4: Gross Official Reserves and Import Cover: August 2020 to August 2021



Source: Central Bank of Eswatini

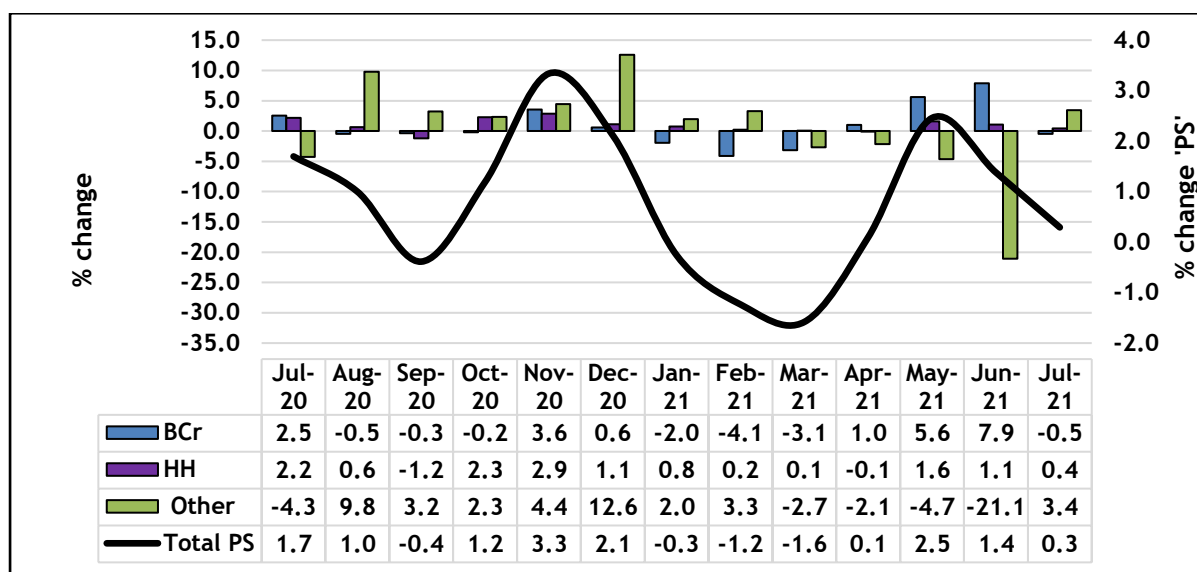
Credit extended to the private sector reached E16.0 billion at the end of July 2021, growing by 0.3 per cent over the month under review and 8.6 per cent year-on-year. Growth was discernible in credit to other sectors and households & non-profit institutions

## RED - July/August 2021

servicing households (NPISH). Credit to businesses on the other hand, contracted over the month under review.

Credit extended to other sectors improved by 3.4 per cent from June 2021 and 6.4 per cent year-on-year, to settle at E1.5 billion at the end of July 2021. Growth was driven by credit to other financial corporations and public non-financial corporations, which rose by 5.6 per cent and 0.1 per cent, respectively. Credit to local government on the other hand, fell by 8.5 per cent over the month under review. Credit extended to businesses stood at E7.0 billion at the end of July 2021, down by 0.5 per cent from the previous month and higher by 7.5 per cent year-on-year. The month-on-month reduction in credit to businesses was observed in these subsectors; distribution & tourism (-4.6 per cent), agriculture & forestry (-4.2 per cent), community, social & personal services (-2.4 per cent) and mining & quarrying (-0.7 per cent). A notable growth of 11.3 per cent was however, observed in credit to the manufacturing sector particularly sugar and molasses. Meanwhile, credit to the transport & communications, construction and real estate subsectors depicted moderate growth of 2.8 per cent, 1.6 per cent and 1.5 per cent, respectively.

Figure 5: Private Sector Credit Monthly Changes: July 2020 to July 2021

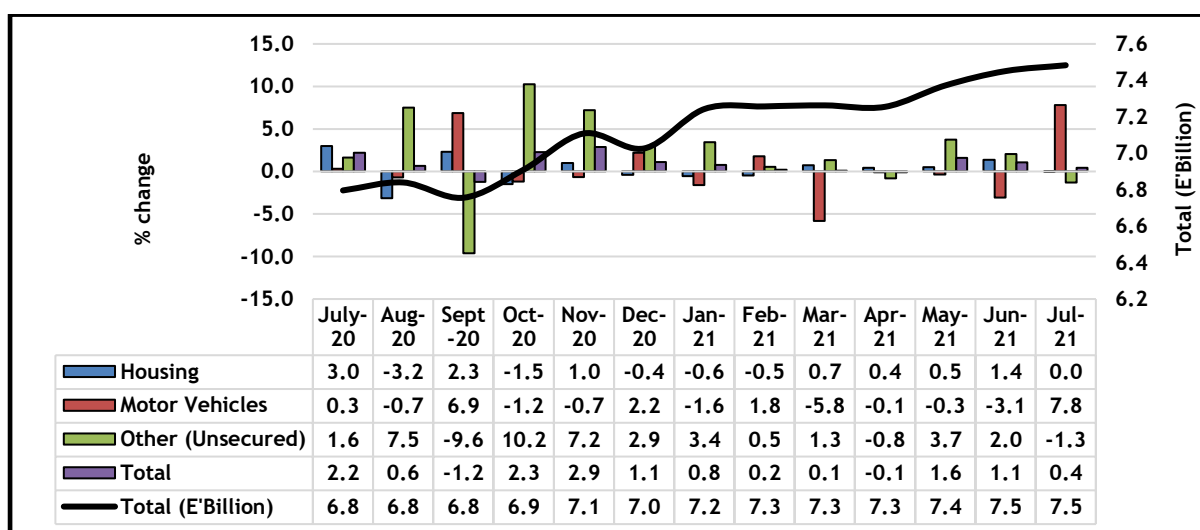


Source: Central Bank of Eswatini (BCr: Business Credit HH: Household Credit PS: Private Sector Credit)

Credit extended to households & NPISH improved by 0.4 per cent relative to June 2021 and 10.1 per cent over the year to settle at E7.5 billion at the end of July 2021. The increase was supported by motor vehicle loans which improved by 7.8 per cent month-on-month to settle at E1.0 billion at the end of July 2021. Partly offsetting the increase was other personal (unsecured) and housing loans, which fell by 1.3 per cent to E2.8 billion and 0.02 per cent to E3.7 billion, respectively.



Figure 6: Household Credit Monthly Changes: July 2020 to July 2021



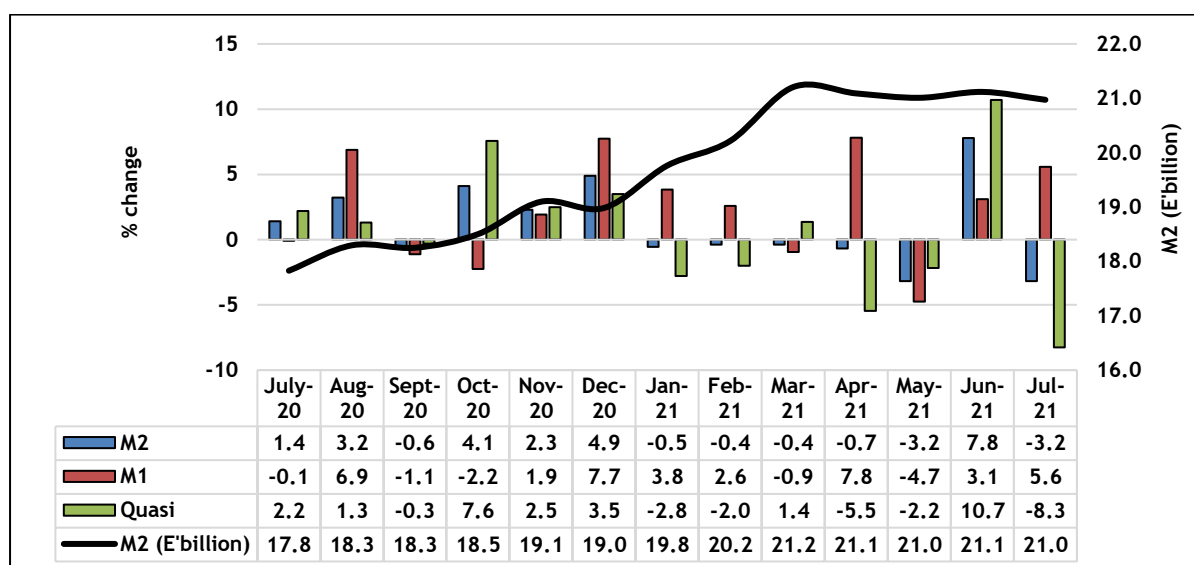
Source: Central Bank of Eswatini and Other Depository Institutions

Net claims on government with the banking industry declined notable by 72.6 per cent month-on-month and 36.4 per cent year-on-year to reach E374.3 million at the end of July 2021. The decline in net claims on government was largely on account of SACU revenues at the beginning of July 2021, which reduced government's advance from the Central Bank. Government deposit also fell, albeit, at a lower rate of 2.9 per cent over the month under review.

Broad money supply (M2) amounted to E21.2 billion at the end of July 2021, depicting a fall of 3.2 per cent relative to June 2021 and growth of 14.5 per cent over the year. The month-on-month decline in M2 was on account of quasi money supply whilst narrow money supply (M1) increased. Quasi money supply reached E12.7 billion at the end of July 2021, down by 8.3 per cent from June 2021, however over the year grew by 4.5 per cent. An analysis of the components of quasi money supply revealed that time deposits decreased whilst savings deposits improved over the month under review. Time deposits therefore, contracted by 9.8 per cent month-on-month to close at E10.8 billion at the end of July 2021. Savings deposits on the other hand, grew by 1.5 per cent over the review month to settle at E1.9 billion at the end of July 2021.

Narrow money supply (M1) rose by 5.6 per cent month-on-month and 33.8 per cent compared to July 2020 to reach E8.5 billion at the end of July 2021. Growth was supported by both components, transferable (demand) deposits and Emalangeneni outside depository corporations. As a result, transferable deposits improved by 5.9 per cent to E7.6 billion whilst Emalangeneni outside depository corporations grew by a lesser margin of 2.9 per cent to E853.4 million at the end of July 2021.

Figure 7: Money Supply Monthly Changes: July 2020 to July 2021

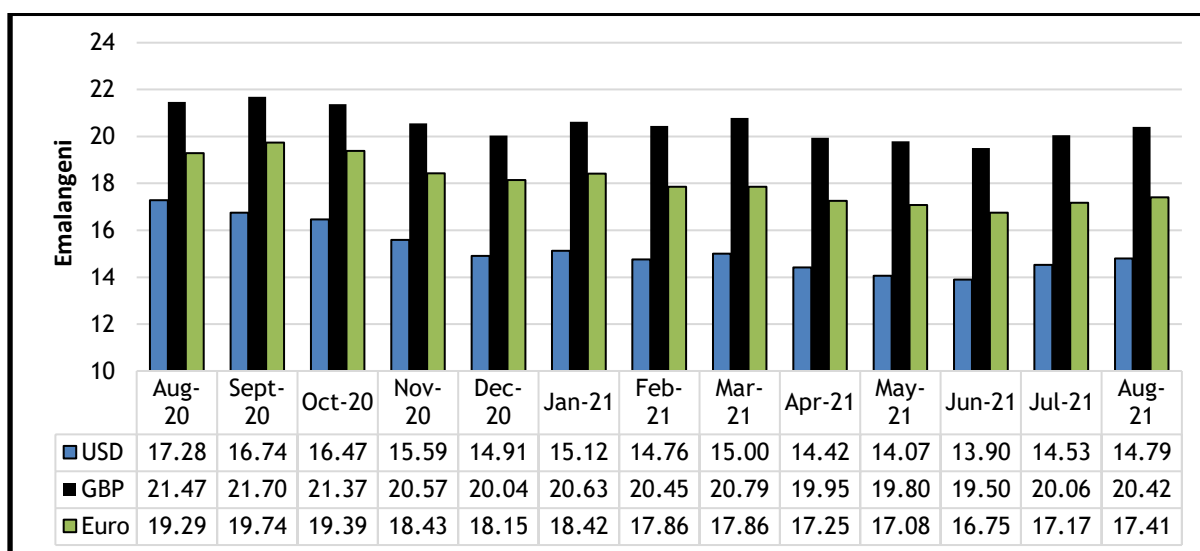


Source: Other Depository Institutions and Central Bank of Eswatini

During the month of August 2021, the Lilangeni/Rand weakened against the currencies of major trading partners, extending its losses from the previous month. Compared to the previous month, the domestic unit was weaker by 1.8 per cent against the US Dollar; closing the month of August 2021 at an average of E14.79. The Lilangeni/ Rand depreciation was mainly fueled by a generally stronger US Dollar which was cushioned by positive investor response to the U.S Fed's hawkish tone with regards to cutting back on its asset purchases. The Rand was also affected as the appetite for the South African treasury bonds which gunner large foreign assets inflows deteriorated. Moreover, concerns about the rising U.S inflation which heighten the prospect of the beginning of the tightening cycle by the U.S Fed also made for the attractiveness of the US Dollar against the Rand.

Despite the deprecation of the Lilangeni, the currency remained volatile with upward pressure especially towards the end of the month. These were to a large extent driven by rising U.S third wave Covid-19 infections which threaten to halt Fed's tapering of the bond purchase programme. Compared to the Pound Sterling, the local unit also depreciated by 1.8 per cent and by 1.4 per cent against the Euro over the period. At the end of August 2021, the local unit stood at E14.64 to the US Dollar, E20.17 to the Pound Sterling and E17.30 to the Euro.

Figure 8: Average Exchange Rates: August 2020 to August 2021.

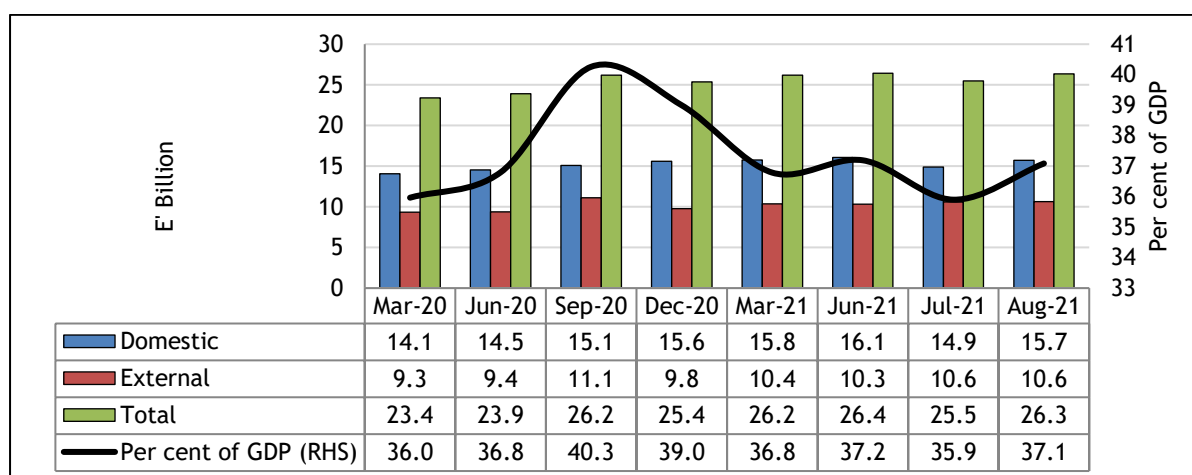


Source: Central Bank of Eswatini

#### 4 TOTAL PUBLIC DEBT

Preliminary figures for the end of August 2021 show that total public debt stood at E26.3 billion translating to 37.1 per cent of GDP. This shows a marginal increase of 3.1 per cent when compared to E25.5 billion recorded in July 2021. The increase in total public debt is largely due to an increase in domestic debt.

Figure 9: Total Public Debt: March 2020 to August 2021



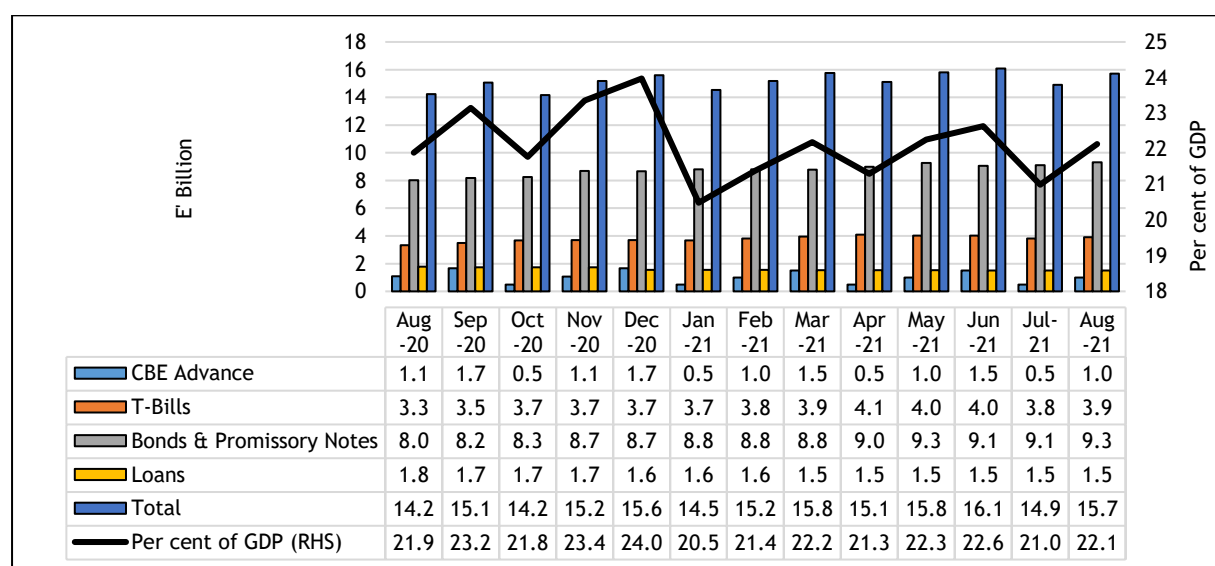
Source: Ministry of Finance and Central Bank of Eswatini

Preliminary figures show that public external debt stood at E10.6 billion, an equivalent of 15.0 per cent of GDP. This shows that public external debt has remained constant when compared to July 2021.

## RED - July/August 2021

As at end of August 2021 outstanding public domestic debt stood at E15.7 billion an equivalent of 22.1 per cent of GDP. This shows an increase of 5.4 per cent when compared to E14.9 billion recorded in July 2021. This increase is because of a further advance of E500 million accessed by Government, bringing the total advance to E1 billion so far. Alongside bond maturities amounting to E155 million, during the same month government further issued suppliers' bonds totaling to E195 million as well as plain vanilla bonds amounting to E200 million.

Figure 10: Total Domestic Debt: August 2019 to June 2020



Source: Ministry of Finance and Central Bank of Eswatini

In the month under review, the Central Bank on behalf of Government reopened four Plain Vanilla Bonds of tenures 3, 5, 7, and 10 years totaling to an amount of E200 million. A total of E213.8 million was received in bids and E163.8 million was allotted giving a bid-cover ratio and allotment ratio of 106.9 per cent and 81.9 per cent respectively.

Table 1: Bonds Auction Summary

Year-to-Maturity	Amount Offered	Bids Received	Bids Allotted	Coupon Rate (%)	Weighted Average Yield (%)
2.4	50	160.01	150.01	8.500	8.567
4.4	50	22.00	12.00	9.000	9.188
6.4	50	10.00	0.00	9.500	0.000
9.4	50	21.80	1.80	10.000	10.105
<b>Total</b>	<b>200</b>	<b>213.81</b>	<b>163.81</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.

**Table 2: Domestic Debt Instruments Outstanding by Holder as at 31 August 2021**

(E' Million)

Holder	Treasury Bills	Government Bonds	Promissory Notes	CBE Advance	Total	Share of Holdings (%)
CBE	4.9	1,293.9	0	1,000.0	2,298.8	16.2
Commercial banks	2,493.2	1,805.0	0	0	4,298.2	30.2
NBFIs	1,286.8	5,210.7	0	0	6,497.5	45.7
Other	123.8	904.8	96.0	0	1,124.6	7.9
	<b>3,908.7</b>	<b>9,214.4</b>	<b>96.0</b>	<b>1,000.0</b>	<b>14,219.0</b>	<b>100</b>

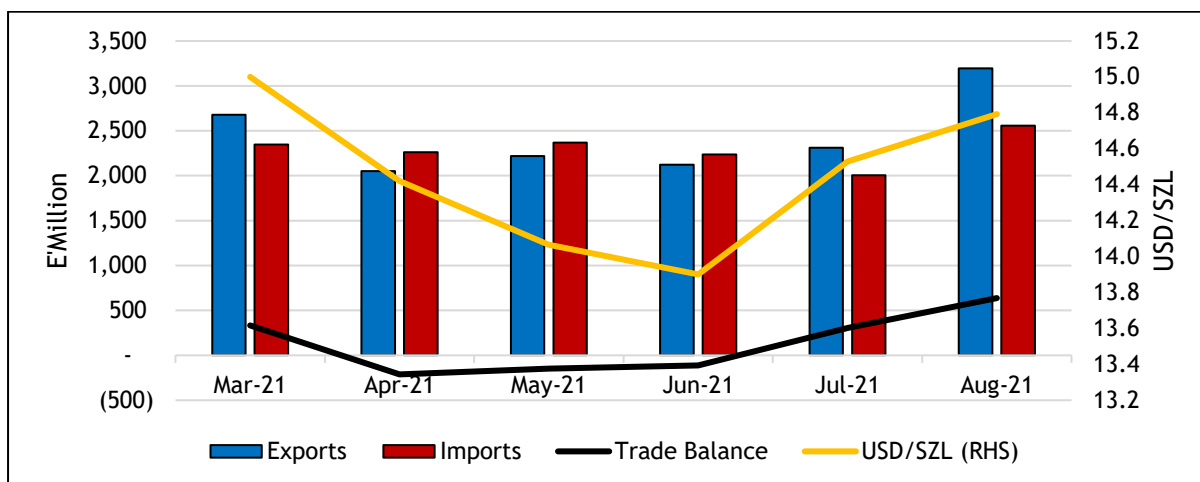
Source: Central Bank of Eswatini

## 5 THE EXTERNAL SECTOR

During the month of August 2021, the country posted a merchandise trade surplus of E637.5 million, from a surplus of E305.1 million the previous month. Merchandise exports during the month, increased by 38.3 per cent, month-on-month and 18.5 per cent year-on-year, amounting to E3.195 billion, the depicting the highest exports figure recorded in the year, to date. The increase was influenced by a significant month-on-month surge in Eswatini's four major export commodities. Imports during the month increased by 27.6 per cent month-on-month and 14.7 per cent year-on-year, totalling E2.558 billion.

Year-to-date figures, indicate that the trade balance as at August 2021, recorded a surplus of E425.0 million, a switch from the deficit trend that has prevailed since the start of the year, and lower than the surplus of E1.999 billion posted in the same period last year. Cumulative export numbers as at August 2021, were valued at E18.784 billion, 9.8 per cent higher when compared to figures as at August 2020. Cumulative import figures as at August 2021 amounted to E18.359 billion, 21.5 per cent greater, than figures reported as at August 2020.

Figure 11: Merchandise Trade Account: May 2021 - August 2021

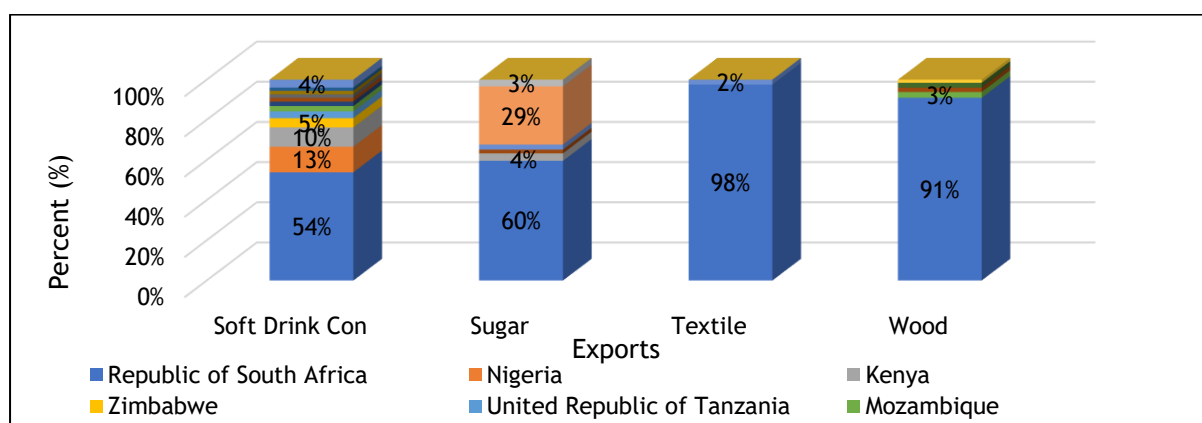


Source: Central Bank of Eswatini

An analysis of exports for the month of August 2021, shows that exports of ‘soft drink concentrates’ which amounted to E1.310 billion, recorded a significant month-on-month increase of 32.5 per cent and 26.9 per cent, year-on-year. ‘Sugar and sugar products’ export receipts recorded a 72.5 per cent month-on-month increase and a 17.8 per cent year-on-year growth, totalling E868.5 million in the month. Exports of ‘textile and textile apparel’ were valued at E402.6 million, up month-on-month by 15.7 per cent and year-on-year by 23.2 per cent. Exports of ‘wood and wood articles’ also grew in the month, increasing by 25.3 per cent when compared to the preceding month, and by 29.2 per cent year-on-year.

South Africa remained the country’s main trading partner, with 64.3 per cent of exports destined for that market, and 76.7 per cent of imports coming from the market in August 2021. In the month, exports to South Africa increased by 29.4 per cent and imports by 37.3 per cent, month-on-month.

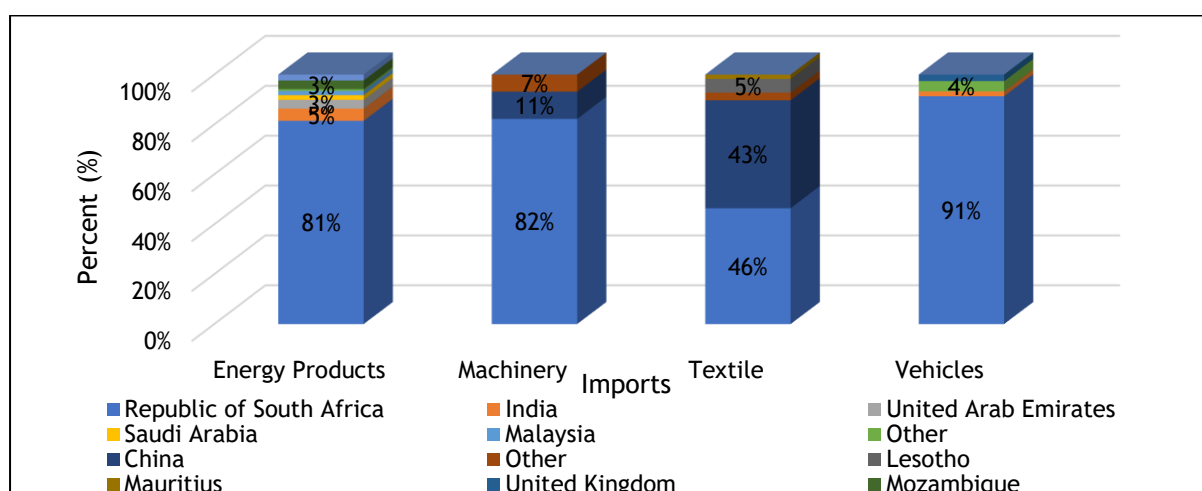
Figure 12: Trading Partner by Export Commodity: August 2021



Source: Central Bank of Eswatini

Analysis of import numbers reported in the month, indicates that invoices from 'energy products' imports increased to a total of E390.7 million in August 2021, higher by 13.1 per cent when compared to July 2021, and higher by 16.2 per cent when compared to August 2020. Fuel imports came solely from South Africa in the month, as there was no need for alternative sources, following the stabilization in the political unrests both in South Africa and Eswatini. Imports of 'machinery and electrical equipment' were E242.7 million in the review month, reflecting a 58.1 per cent month-on-month increase and a 3.4 per cent year-on-year decrease. 'Textile and textile apparel' imports amounted to E233.6 million in the review month, down by 9.0 per cent, month-on-month and up by 8.4 per cent, year-on-year. Imports of 'vehicles' were higher by 54.8 per cent, month-on-month, and 36.3 per cent, year-on-year.

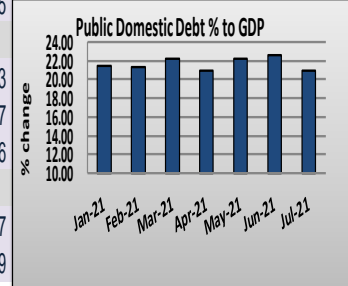
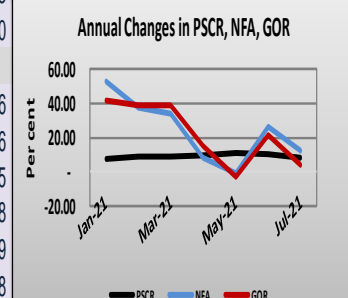
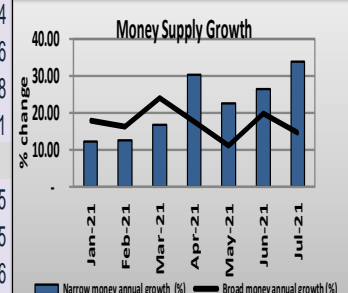
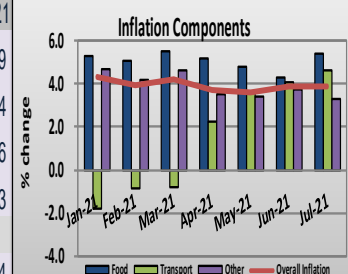
Figure 13: Trading Partner by Export Commodity: August 2021



Source: Central Bank of Eswatini

## RED - July/August 2021

Economic Policy, Research and Statistics Department							
Kingdom of Eswatini Economic Indicators at a glance							
Sectors	Jan-21	Feb-21	Mar-21	Apr-21	May-21	Jun-21	Jul-21
<b>Overall Inflation</b>	4.3	3.9	4.2	3.7	3.6	3.9	3.9
Food	5.3	5.1	5.5	5.2	4.8	4.3	5.4
Transport	-1.8	-0.9	-0.8	2.2	3.6	4.1	4.6
Other	4.7	4.2	4.6	3.5	3.4	3.7	3.3
<b>Money and banking</b>							
Narrow money annual growth (%)	12.24	12.50	16.60	30.35	22.46	26.57	33.84
Broad money annual growth (%)	17.80	16.20	24.10	17.54	10.98	19.92	14.53
Domestic credit (net) - E' Million	15,228.88	15,965.91	16,418.88	15,276.60	16,560.74	17,292.01	16,346.04
Government	-528.71	402.99	1,102.06	-55.11	852.00	1,366.70	374.26
<b>Private sector</b>	15,757.59	15,562.92	15,316.83	15,331.72	15,708.74	15,925.31	15,971.78
Private sector credit annual growth (%)	7.89	9.30	9.30	9.80	10.98	10.13	8.61
<b>Interest rates (% p.a)</b>							
Prime lending	7.25	7.25	7.25	7.25	7.25	7.25	7.25
Discount rate	3.75	3.75	3.75	3.75	3.75	3.75	3.75
Deposit rate - 31 days	1.26	1.26	1.26	1.26	1.26	1.26	1.26
- 12 months	2.13	2.13	2.13	2.13	2.13	2.13	2.13
- T. bill rate	4.90	4.89	4.71	4.92	4.77	4.81	5.10
<b>Ratios</b>							
Liquidity ratio (required = 20 %)	38.15	38.58	43.06	41.59	35.23	38.04	36.16
Loans/deposits ratio	64.52	63.35	62.09	61.67	66.53	63.25	65.86
Net foreign assets (E'million)	11,577.97	10,850.55	10,514.36	11,142.33	8,887.87	10,537.84	10,772.15
<b>Annual % change in NFA</b>	52.89	37.46	34.10	8.63	-0.78	26.57	12.48
Gross official foreign reserves E'Millions	9,670.35	9,006.03	9,198.35	9,345.03	7,085.31	8,300.78	8,147.99
<b>Annual % change in GOR</b>	41.87	39.32	39.26	14.95	-2.54	21.53	4.08
In months of import cover	4.25	3.95	3.99	4.06	3.00	3.00	3.45
<b>Exchange Rates</b>							
US\$	15.12	14.76	15.00	14.42	14.07	13.90	14.53
EURO	18.42	17.86	17.86	17.25	17.08	16.75	17.17
GBP	20.63	20.45	20.79	19.95	19.80	19.50	20.06
<b>Public Finance</b>							
Total public domestic debt [E' million]	14,547.32	15,186.73	15,755.10	14,856.86	15,809.49	16,074.53	14,906.57
As a % of GDP	21.49	21.39	22.19	20.92	22.26	22.64	20.99



**NB: For consistency, the table shows data up to the end of July 2021.**