

# Recent Economic Developments

MAY/JUNE 2022



**CENTRAL BANK OF ESWATINI**  
Umntsholi Wemaswati



## MAJOR HIGHLIGHTS

<ul style="list-style-type: none"> <li>GDP is estimated to have increased by 4.5 per cent, on a year-on-year and seasonally adjusted basis in the first quarter of 2022.</li> </ul>	Quarterly GDP (% y/y)	4.5 (June) <span style="color: blue;">▲</span>
<ul style="list-style-type: none"> <li>The country's annual consumer inflation grew by a slower 3.9 per cent in May 2022 compared to 4.0 per cent in April 2022.</li> </ul>	Inflation rate (% y/y)	3.9 (May) <span style="color: blue;">▼</span>
<ul style="list-style-type: none"> <li>Discount and prime lending rates were increased in May 2022 to 4.50 and 8.00 per cent respectively.</li> </ul>	Prime Lending (%)	8.00 <span style="color: blue;">▲</span>
	Discount rate (%)	4.50 <span style="color: blue;">▲</span>
<ul style="list-style-type: none"> <li>In the month of June 2022, the Lilangeni/Rand was stronger against the US Dollar.</li> </ul>	Exchange rate (US\$)	15.78 (June) <span style="color: blue;">▼</span>
<ul style="list-style-type: none"> <li>Credit extended to the private sector closed the review month at E16.3 billion at the end of May 2022.</li> </ul>	Private Sector Credit (% m/m)	1.5 (May) <span style="color: blue;">▲</span>
<ul style="list-style-type: none"> <li>Broad money supply (M2) amounted to E20.4 billion at the end of May 2022, depicting an increase of 2.4 per cent month-on-month.</li> </ul>	Broad Money (M2) (% m/m)	2.4 (May) <span style="color: blue;">▲</span>
<ul style="list-style-type: none"> <li>Gross official reserves went down by 4.4 per cent month-on-month and grew by 5.3 per cent year-on-year to reach E8.7 billion at the end of June 2022.</li> </ul>	Reserves (months of import cover)	3.3 (June) <span style="color: blue;">▲</span>
<ul style="list-style-type: none"> <li>Preliminary figures for the end of June 2022 indicate that total public debt is estimated at E29.2 billion.</li> </ul>	Total Public Debt (% of GDP)	37.4 (June) <span style="color: blue;">▲</span>
<ul style="list-style-type: none"> <li>In June 2022, the trade account registered a surplus of E149.9 million, the first positive monthly trade balance since February 2022.</li> </ul>	Trade Balance (% of GDP)	0.19 (June) <span style="color: blue;">▲</span>

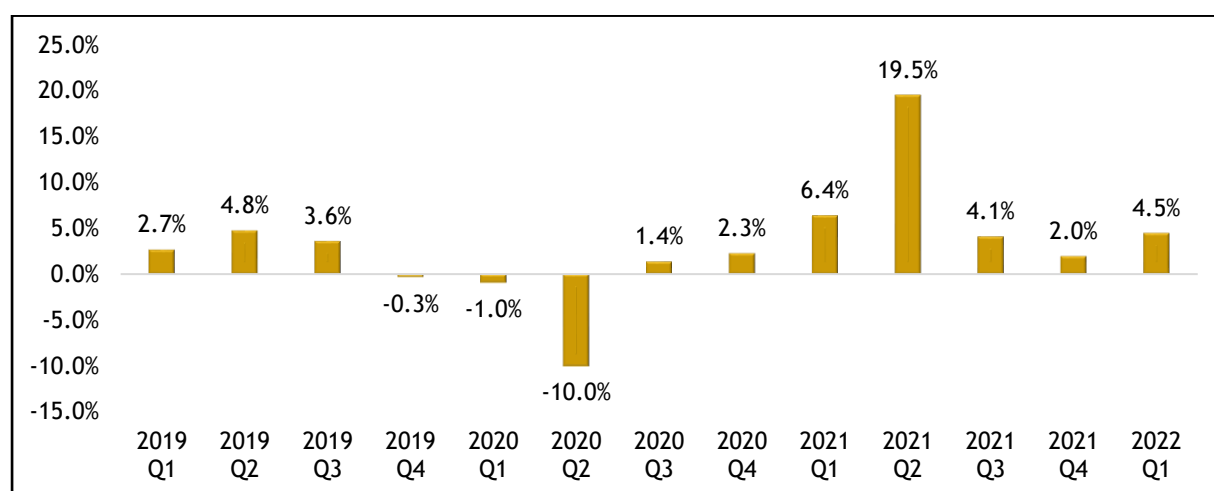
*NB: The table shows the most recent available data.*

## 1 QUARTERLY GDP DEVELOPMENTS

GDP is estimated to have increased by 4.5 per cent, on a year-on-year and seasonally adjusted basis, in the first quarter of 2022 from a revised growth of 2.0 per cent in the fourth quarter of 2021. The pick-up in economic activity was mainly supported by resilient growth in the primary and secondary subsectors. On a quarter-on-quarter basis, GDP rose by 4.4 per cent, seasonally adjusted, recovering from a decline of 1.0 per cent in the previous quarter.

The primary sector grew by 20.1 per cent, year-on-year, in the first quarter of 2022 from a revised growth of 2.7 per cent in the fourth quarter of 2021. Significant growth was observed in the ‘animal production’, ‘forestry activities’ and ‘mining & quarrying’. On animal production, all categories (i.e. cattle, pigs, goat and sheep) reported double digit growth in the number of slaughters. Forestry activities continued to benefit from strong external demand with continuous easing of restrictions locally and regionally. The ‘mining & quarrying’ subsector rose by 28.1 per cent largely benefiting from higher volumes of coal production in the period under review.

**Figure 1: GDP Growth Year-on-Year Growth Seasonally Adjusted: 2019Q1 to 2022Q1**



Source: Central Statistical Office

The secondary sector also started on a high note as it recorded a 11.2 per cent year-on-year increase in the first quarter of 2022 compared to 4.7 per cent in the fourth quarter of 2021. Notable growth was observed in the ‘manufacturing’ and ‘electricity supply’ subsectors. The export-oriented manufacturing sector rose by 11.6 percent in the period under review largely driven by ‘manufacturing of food and beverages’ and ‘manufacturing of wood products’. On the contrary there was notable 33.0 per cent decline in the ‘manufacturing of textile’ subsector. Electricity supply rebounded with a 32.8 per cent year-on-year growth

in the quarter under review from a decline of 35.5 per cent in the previous quarter. Sustained rains resulted in improved dam levels, which in turn supported growth in hydro-power generation. On the other hand, 'water supply' and 'construction' grew by 8.5 per cent and 3.2 per cent, respectively.

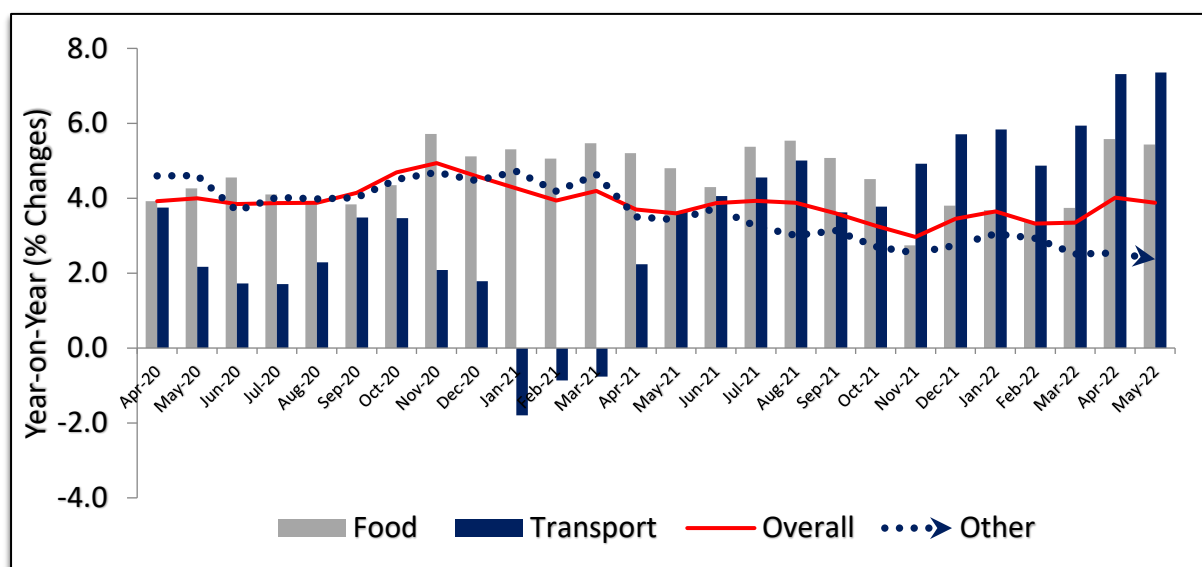
The tertiary sector recorded a contraction of 0.2 per cent year on year, in the period under review following another decline of 1.0 per cent in the previous quarter. The sustained contraction was largely due to poor performance in the 'wholesale & retail', 'financial services mainly insurance & pension services', 'real estate' and 'education & health services'. On a positive note, there was stronger recovery from 'tourism activities' and 'transport services' benefiting from further easing of COVID-19 restrictions effected in December 2021. Other services that recorded positive performance included 'professional & technical services' and 'public administration'.

## 2 PRICE DEVELOPMENTS

The country's annual consumer inflation grew by a slower 3.9 per cent in May 2022 compared to 4.0 per cent in April 2022. Slower increases were noted in the price indices for 'household furniture and maintenance', 'food & non-alcoholic beverages', 'alcoholic beverages & tobacco' and 'miscellaneous goods & services'. The growth rate in the price index for 'household furniture & maintenance' recorded a 1.2 per cent deflation during the month under review from a 4.5 per cent growth in the previous month, owing to a decrease in the prices for household appliances. Following a gradual uptick over the previous two months, food prices moderated by 0.2 of a percentage point to 5.4 per cent in May 2022. This was mainly driven by slower increases in the prices for 'bread & cereals', 'fish & seafood' and 'fruit'. Additional deflationary pressures came from the price indices for 'alcoholic beverages & tobacco' and 'miscellaneous goods & services', which decreased by 1.6 and 2.2 percentage points, respectively, between the two months under review.

The above decreases were partially counteracted by growth in the price indices for 'health care' and 'recreation & culture'. Health care inflation accelerated to a higher of 22.2 per cent in May 2022 compared to a 0.7 per cent growth rate in the previous month. This increase benefitted from a 26.0 per cent jump in the prices for outpatient medical services during the month under review, following a zero-growth recorded for the past 10 months since July 2021. Furthermore, the price index for 'clothing & footwear' rose by 0.8 of a percentage point to 3.8 per cent in May 2022, mainly driven by increases in the prices for 'garments & footwear'.

Figure 2: Inflation Trends: May 2021 to May 2022



Source: Central Statistical Office and Central Bank of Eswatini

On month-on-month basis, consumer prices recorded a 0.1 per cent deflation in May 2022 from a growth of 1.3 per cent in the previous month. Contributing to the decline were the price indices for ‘transport’, ‘food & non-alcoholic beverages’ and ‘housing & utilities’, which fell by 2.4, 1.9 and 1.3 percentage points, respectively. In addition, the index for ‘household furniture & maintenance’ also decreased by 6.2 percentage points to a 5.7 per cent deflation during the same month under review. On the contrary, increases were observed in the price indices for ‘health care’ and ‘recreation & culture’, thereby offsetting the above decreases.

Core inflation, which is CPI excluding volatile items such as food, auto-fuel and energy, declined to 1.6 per cent in May 2022 from 1.7 per cent in April 2022. The CPI for services further rose to 1.7 per cent, during the period under review, owing to increases in health care services. On a month-on-month basis, core inflation recorded a negative growth of 0.1 per cent in May 2022.

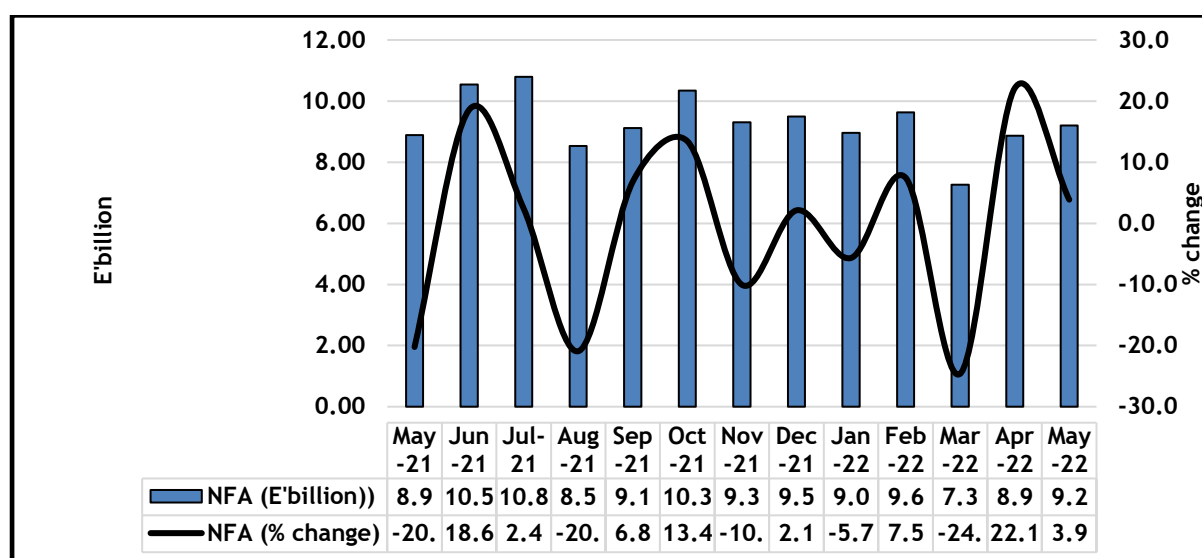
### 3 MONEY SUPPLY AND BANKING DEVELOPMENTS

The country’s net foreign assets amounted to E9.2 billion at the end of May 2022, higher by 3.9 per cent month-on-month and 3.6 per cent year-on-year, driven by net foreign assets of the official sector. Net foreign assets of other depository corporations however, contracted over the review month. Net foreign official assets increased by 6.0 per cent from the previous month and 18.4 per cent over the year to reach E6.8 billion at the end of May 2022. Growth in net foreign official assets was mainly due to an inflow of fiscal support

## RED - May/June 2022

funds from the World Bank and African Development Bank during May 2022. Net foreign assets of other depository corporations contracted by 1.6 per cent month-on-month to settle at E2.4 billion at the end of May 2022. This development was due to an increase in foreign liabilities of other depository corporations, largely in the Common Monetary Area. In special drawing rights (SDR), net foreign assets stood at SDR436.3 million at the end of May 2022, representing growth of 4.8 per cent from the previous month and a fall of 2.6 per cent year-on-year.

**Figure 3: Net Foreign Assets Monthly Changes: May 2021 to May 2022**

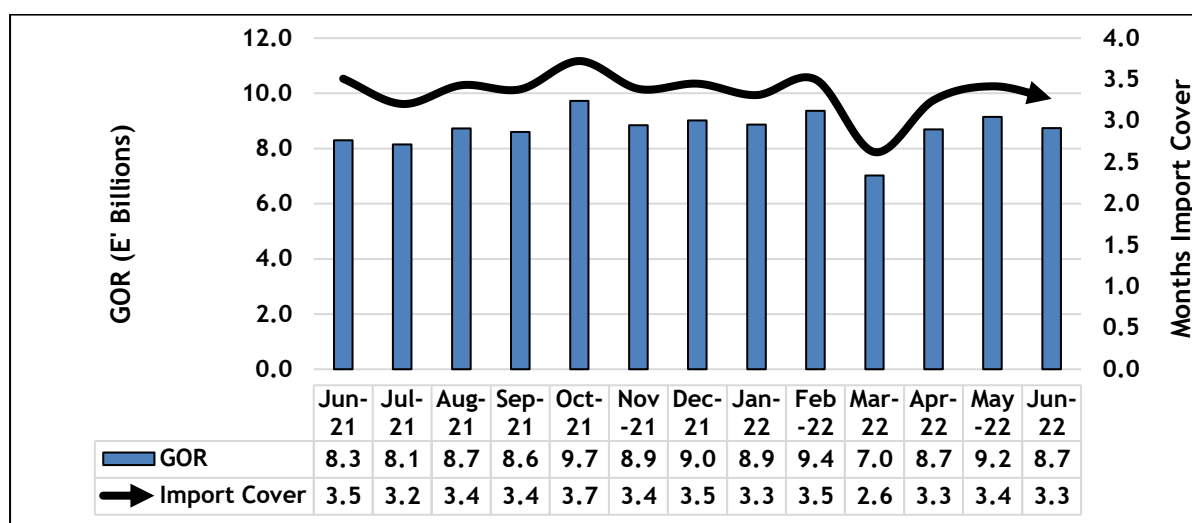


Source: Other Depository Corporations and Central Bank of Eswatini

Gross official reserves went down by 4.4 per cent month-on-month and grew by 5.3 per cent year-on-year to reach E8.7 billion at the end of June 2022. The month-on-month contraction in reserves was on account of net outflows of Rands from trades with commercial banks. At this level, the reserves were enough to cover 3.3 months of imports of goods and services, lower than the 3.4 months registered in May 2022. The value of reserves in special drawing rights (SDR), stood at SDR401.4 million at the end of June 2022, down by 7.5 per cent month-on-month and 1.5 per cent year-on-year.

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

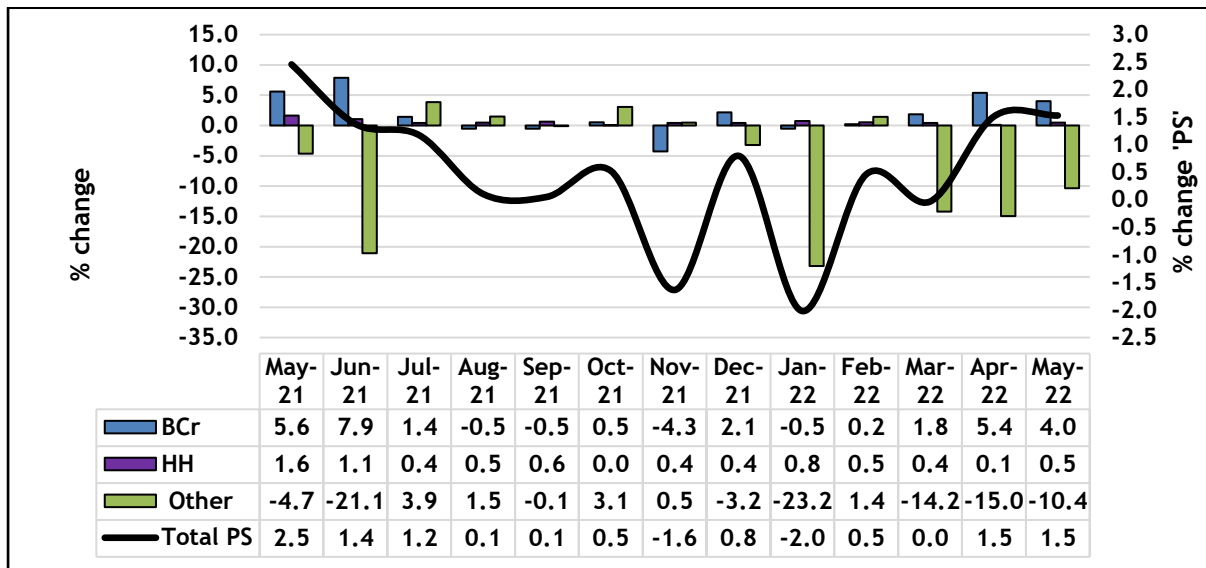


Source: Central Bank of Eswatini

Credit extended to the private sector closed the review month at E16.3 billion at the end of May 2022, registering growth of 1.5 per cent over the month under review and 3.9 per cent over the year. Growth was discernible in credit to businesses and households & non-profit institutions serving households (NPISH). Credit to other sectors of the domestic economy, on the contrary, fell during the review month. Credit extended to businesses grew by 4.0 per cent relative to April 2022 and 18.3 per cent year-on-year to settle at E7.8 billion at the end of May 2022. The improvement was evident in the distribution & tourism (15.3 per cent), community, social & personal services (7.2 per cent), construction (3.4 per cent) as well as transport & communication (2.6 per cent) sectors. A decline was observed in the mining & quarrying (-11.4 per cent), manufacturing (-1.4 per cent), real estate (-1.1 per cent) and agriculture & forestry (-0.1 per cent) sectors.

Credit extended to households & NPISH improved by 0.5 per cent relative to April 2022 and 5.9 per cent over the year to settle at E7.8 billion at the end of May 2022. Accounting for the increase were other personal (unsecured) loans, which grew by 2.6 per cent to E3.1 billion at the end of May 2022. Housing and motor vehicle loans on the other hand, receded by 1.0 per cent to E3.8 billion and 0.5 per cent to E906.6 million, respectively. Credit extended to other sectors fell by 10.4 per cent month-on-month and 57.6 per cent year-on-year, to settle at E758.3 million at the end of May 2022. The reduction was driven by credit to other financial corporations and local government, which receded by 17.7 per cent and 8.7 per cent, respectively. Public nonfinancial corporations, on the other hand, grew by 4.1 per cent over the review month.

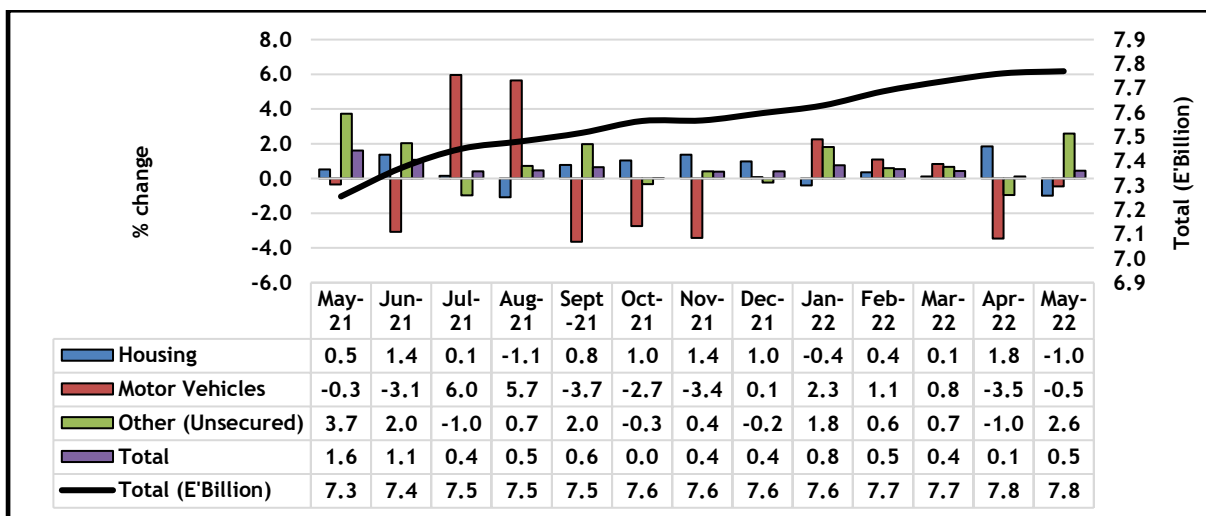
Figure 5: Private Sector Credit Monthly Changes: May 2021 to May 2022



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

Net claims on government with the banking industry declined by 25.2 per cent over the review month and 69.9 per cent year-on-year to reach E1.4 billion at the end of May 2022. Government deposits grew notably by 20.5 per cent month-on-month to E6.0 billion, largely boosted by the inflow of external funds mentioned above. Claims on government also rose by a lower margin of 7.8 per cent month-on-month to reach E7.5 billion over the month ended May 2022. This was largely on account of an increase in government’s liability with the Central Bank during the month under review.

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



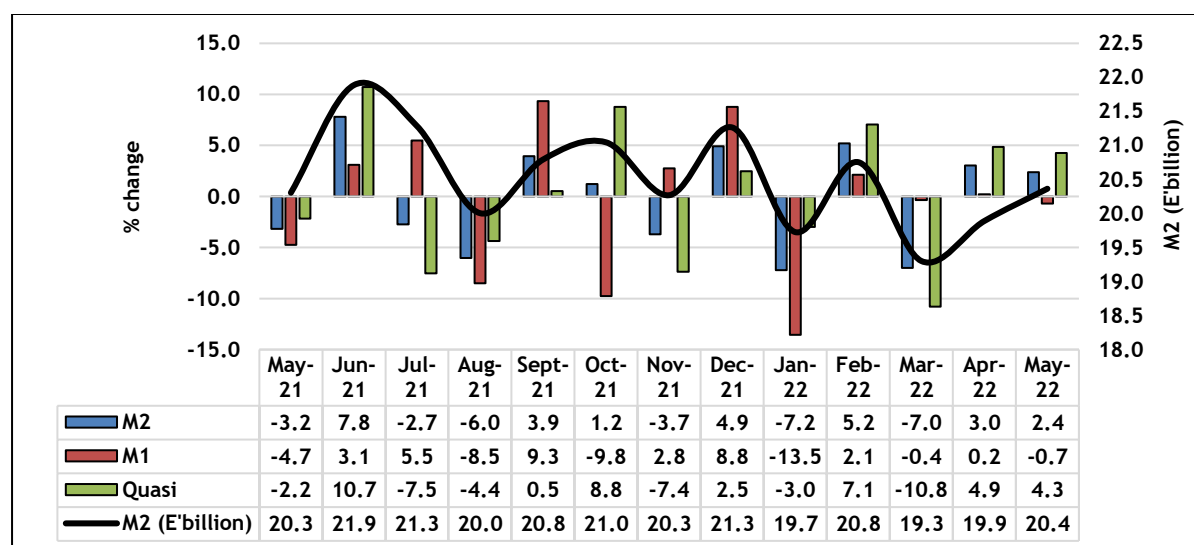
Source: Central Bank of Eswatini and Other Depository Institutions



Broad money supply (M2) amounted to E20.4 billion at the end of May 2022, depicting an increase of 2.4 per cent month-on-month and 0.3 per cent over the year, driven by quasi money supply while narrow money supply (M1) contracted. This was largely in line with growth in private sector credit and net foreign assets over the month under review. Quasi money supply amounted to E12.9 billion at the end of May 2022, representing an improvement of 4.3 per cent from April 2022 and 2.9 per cent over the year. The increase was driven by both time and savings deposits, which expanded by 4.9 per cent to E10.9 billion and 1.1 per cent to E2.0 billion, respectively.

Narrow money supply (M1) amounted to E7.5 billion at the end of May 2022, registering a decline of 0.7 per cent month-on-month and 4.0 per cent year-on-year. Accounting for the decrease in M1 was Emalangeni outside depository corporations, which went down by 9.4 per cent month-on-month to E672.8 million. In contrast, transferable (demand) deposits grew by 0.2 per cent relative to April 2022 to reach E6.8 billion.

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



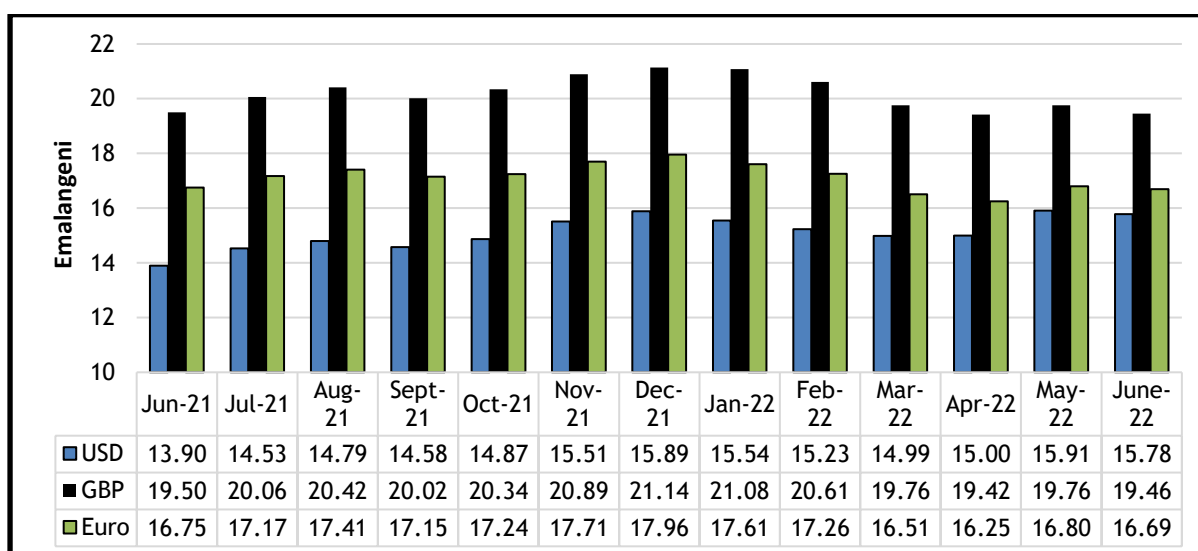
Source: Other Depository Institutions and Central Bank of Eswatini.

During the month of June 2022, the Rand/Lilangeni recovered from previous losses and was stronger against the major currencies. On a month average, the Rand/Lilangeni appreciated by 0.8 per cent against the US Dollar with an exchange rate of E15.78 per one US Dollar. While South Africa's monetary policy has remained supportive of the Rand; the interest rate hikes and hinted future increases, the Rand/Lilangeni benefitted mainly from economic growth developments in South Africa. The positive GDP growth numbers in the first quarter beat market expectations and backed investor confidence. Also, the Rand was favoured by the markets' expectations of higher interest rates by SARB, more so, as the

interest rate differential with the US would narrow. The resilient Rand appreciated by 1.5 per cent against the Pound Sterling and by 0.7 per cent against the Euro on a month average.

The Rand gained amid negative pressures that emanated from suppressed energy supply in South Africa that resulted in severe load shedding, especially towards the end of the period. However, the Rand/Lilangeni ended June 2022 weaker than the end-period in May 2022; trading at E16.19 to the US Dollar, at E19.67 to the Pound Sterling and at E16.91 to the Euro. The outlook performance of the Rand leans more on South Africa's growth prospects that are presently reliant heavily on the power supply in South Africa and US monetary policy performance.

**Figure 8: Average Exchange Rates: June 2021 to June 2022**

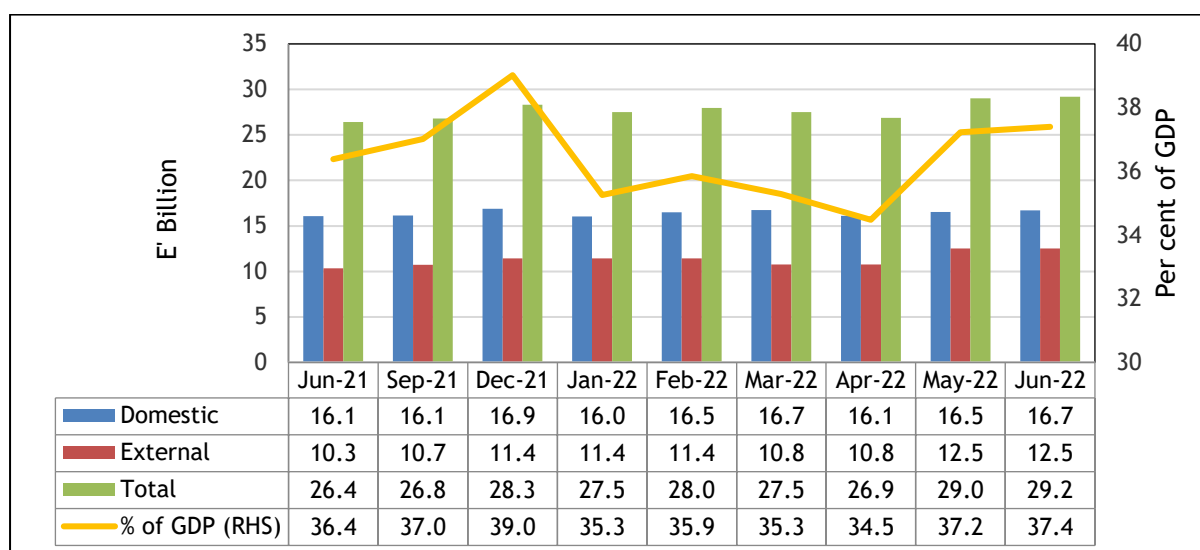


Source: Central Bank of Eswatini

#### 4. TOTAL PUBLIC DEBT

Preliminary figures for the end of June 2022 indicate that total public debt is estimated at E29.2 billion, an equivalent of 37.4 per cent of GDP. This depicts a marginal increase of 0.7 per cent when compared to E29.0 billion recorded in May 2022 and is as a result of a slight increase in domestic debt.

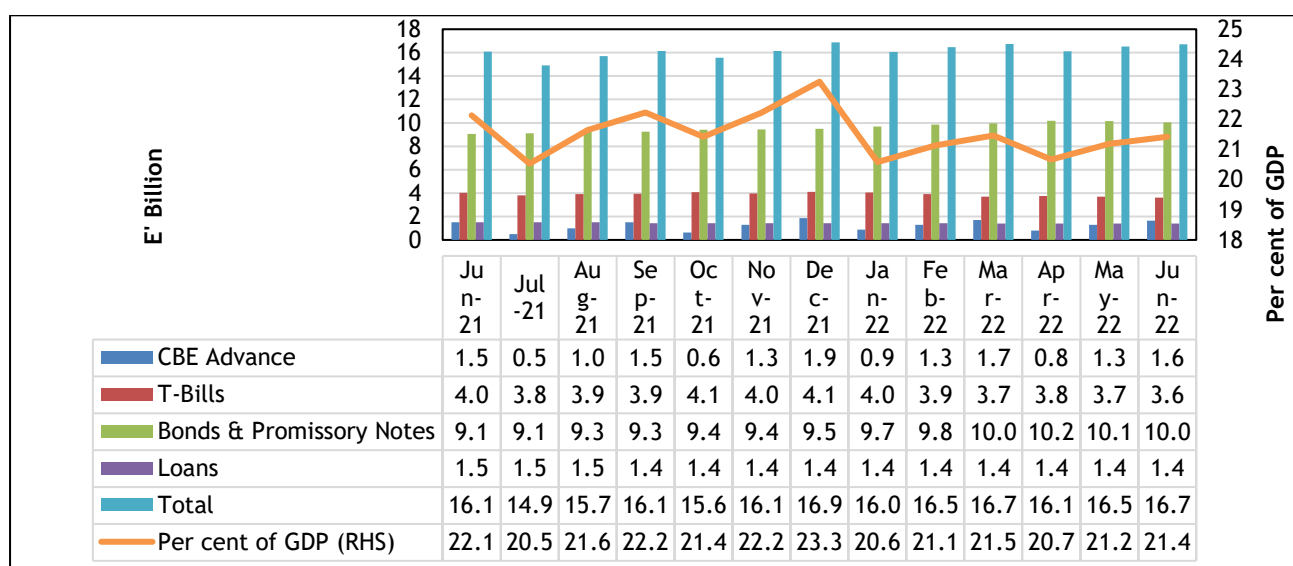
Figure 9: Total Public Debt: March 2021 to June 2022



Source: Ministry of Finance & Central Bank of Eswatini

Preliminary figures show that public external debt stood at E12.5 billion, an equivalent of 16.0 per cent of GDP. This shows that public external debt remained constant in the month under review. Outstanding public domestic stood at E16.7 billion, an equivalent of 21.4 per cent of GDP. This shows an increase of 1.2 per cent compared to E16.5 billion recorded in May 2022. The increase is due to an additional advance accessed by government from the central bank.

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



Source: Ministry of Finance & Central Bank of Eswatini

During the month of June 2022, the government accessed a further E360 million from the Advance facility bringing the total advance to E1.6 billion.

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

Holder	Treasury Bills	Government Bonds	Promissory Notes	CBE Advance	Total	Share of Holdings (%)
CBE	2.2	1,293.9		1,640.0	2,936.1	19.2
Commercial banks	2,354.8	1,987.3			4,342.1	28.3
NBFIs	1,121.6	5,847.3			6,968.9	45.5
Other	129.5	896.8	58.0		1,084.4	7.1
<b>TOTALS</b>	<b>3,608.1</b>	<b>10,025.3</b>	<b>58.0</b>	<b>1,640.0</b>	<b>15,331.5</b>	<b>100</b>

Source: Ministry of Finance & Central Bank of Eswatini

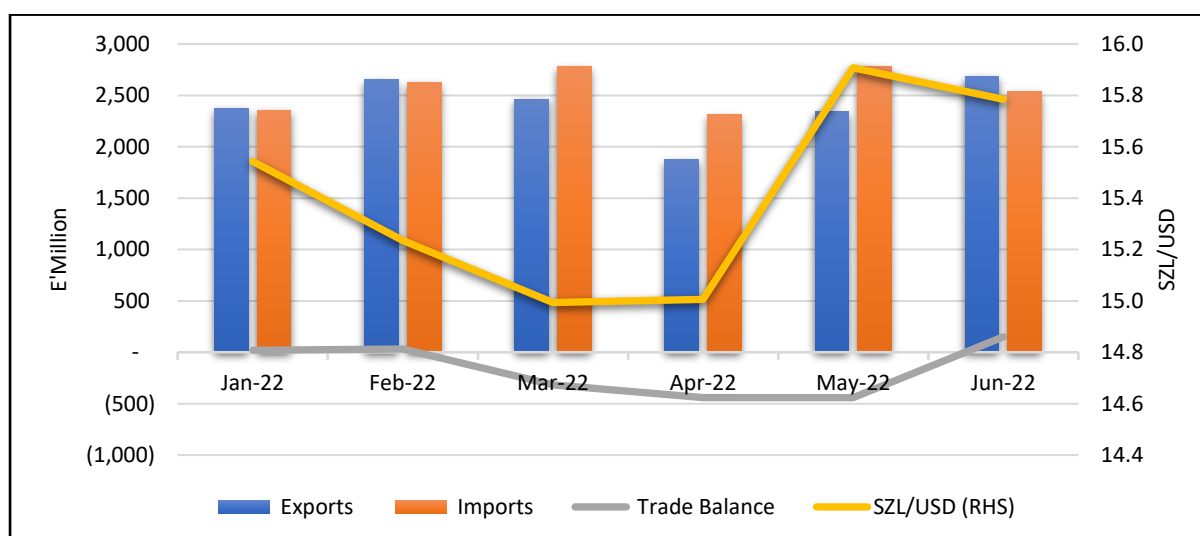
While commercial banks continued to dominate participation in Government securities on the shorter end of the yield curve, non-bank financial institutions dominate on the longer-term securities.

#### 4 THE EXTERNAL SECTOR

In June 2022, the trade account registered a surplus of E149.9 million, the first positive monthly trade balance since February 2022. Exports in the month were valued at E2.683 billion, reflecting a month-on-month increase of 14.6 per cent when compared to May 2022, while on a year-on-year basis, exports were 26.4 per cent higher. Imports for the month, amounted to E2.533 billion, indicative of a fall of 8.9 per cent when compared to the previous month. Year-on-year, imports grew by 13.3 per cent. The trade balance, year-on-year, posted a surplus of E149.9 million compared to a deficit of E112.8 million in June of the previous year. Seasonally adjusted exports data indicates that exports amounted to E2.870 billion, a growth of 8.8 per cent in exports for the month of June 2022 when compared to May 2022, while on a year-on-year basis, exports grew by 22.7 per cent. Seasonally adjusted imports were valued at E2.548 billion, reflecting a 7.0 per cent decline month-on-month and a 13.6 per cent increase year-on-year. The seasonally adjusted trade balance for June 2022 is E176.9 million.

As at June 2022, exports amounted to E14.386 billion, 8.3 per cent higher than exports recorded in June 2021. Imports on the other hand were valued at E15.385 billion, 11.5 per cent higher than imports of June 2021. In June 2022, the cumulative trade account balance recorded a deficit of E998.3 million. South Africa remained the country's major trading partner, accounting for 67.1 per cent of exports and 74.6 per cent of imports.

Figure 11: Merchandise Trade; January - June 2022



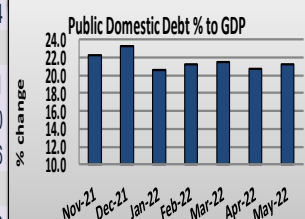
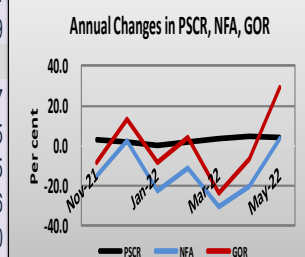
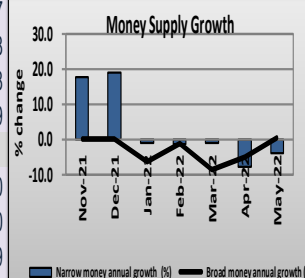
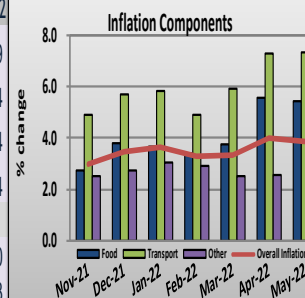
Source: Central Bank of Eswatini.

An analysis of exports composition depicts that in the month of June 2022, exports of ‘soft drink concentrates’ accounted for 37.5 per cent of total exports. Sales of ‘soft drink concentrates’ amounted to E1.006 billion, lower month-on-month by 6.3 per cent, and higher year-on-year by 23.8 per cent. Export receipts from ‘sugar and sugar products’ totaled E699.1 million, more than doubling in June 2022 when compared to May 2022, owing to a recovery in the sugar industry after suffering from the effects of the unfavorable weather conditions, arson attacks and industrial strike action in the sugar sector in 2021, which affected sugar exports in the preceding months. Sugar exports grew by 29.4 per cent year-on-year. Exports of ‘textile and textile apparel’, which grew by 13.9 per cent month-on-month and by 3.1 per cent year-on-year, were valued at E267.5 million in June 2022. ‘Wood and wood articles’ exports amounted to E172.8 million in the month, 2.2 per cent lower when compared to May 2022, and falling by 2.2 per cent when compared to May 2021.

The analysis of imports indicated that invoices from ‘energy products’ grew by 2.4 per cent month-on-month, and by 35.2 per cent year-on-year, amounting to E519.0 million in June 2022. Imports of ‘machinery and electrical equipment’ in June 2022, were up by 15.0 per cent compared to the previous month and by 15.7 per cent when compared to the same period last year. Import invoices from ‘animal and vegetable products’ totaled E240.3 million in the review month, falling by 12.2 per cent month-on-month, and recording a growth of 28.8 per cent year-on-year. ‘Textile and textile apparel’ imports which were valued at E194.7 million in the month, grew by 34.5 per cent when compared to the preceding month and were up by 10.2 per cent year-on-year. Imports of ‘vehicles’ were E114.6 million in the review month, recording a 2.3 per cent decline month-on-month and a decrease of 28.1 per cent year-on-year.

## RED - May/ June 2022

Economic Policy, Research and Statistics Department							
Kingdom of Eswatini Economic Indicators at a glance							
Sectors	Nov-21	Dec-21	Jan-22	Feb-22	Mar-22	Apr-22	May-22
<b>Overall Inflation</b>	3.0	3.5	3.6	3.3	3.4	4.0	3.9
Food	2.7	3.8	3.7	3.4	3.7	5.6	5.4
Transport	4.9	5.7	5.8	4.9	5.9	7.3	7.4
Other	2.5	2.7	3.1	2.9	2.5	2.5	2.4
<b>Money and banking</b>							
Narrow money annual growth (%)	17.8	18.9	-1.0	-1.4	-0.9	-7.9	-4.0
Broad money annual growth (%)	0.3	0.3	-6.5	-1.2	-8.6	-5.2	0.3
Domestic credit (net) - E' Million	17,825.7	18,538.3	17,246.5	18,306.0	18,796.3	18,004.7	17,761.7
Government	1,868.3	2,453.4	1,486.4	2,472.9	2,968.1	1,936.9	1,447.8
Private sector	15,957.4	16,084.9	15,760.1	15,833.1	15,828.2	16,067.8	16,313.8
Private sector credit annual growth (%)	3.1	1.8	0.0	1.7	3.3	4.8	3.9
<b>Interest rates (% p.a)</b>							
Prime lending	7.25	7.25	7.50	7.50	7.50	7.50	8.00
Discount rate	3.75	3.75	4.00	4.00	4.00	4.00	4.50
Deposit rate - 31 days	1.26	1.26	1.43	1.43	1.43	1.43	1.59
- 12 months	2.13	2.13	2.49	2.49	2.49	2.49	3.04
- T. bill rate	5.19	5.22	5.56	5.68	5.75	6.07	6.29
<b>Ratios</b>							
Liquidity ratio (required = 20 %)	37.9	40.1	40.3	41.6	38.2	38.9	38.7
Loans/deposits ratio	67.9	65.7	70.4	68.3	72.8	73.1	72.5
Net foreign assets (E'million)	9,301.5	9,499.1	8,960.6	9,630.1	7,259.1	8,862.4	9,205.5
<b>Annual % change in NFA</b>	-15.2	2.4	-22.6	-11.2	-31.0	-20.5	3.6
Gross official foreign reserves E'Millions	8,850.1	9,015.2	8,864.3	9,372.1	7,022.1	8,699.0	9,150.0
<b>Annual % change in GOR</b>	-8.7	13.0	-8.3	4.1	-23.7	-6.9	29.1
In months of import cover	3.4	3.5	3.4	3.6	2.6	3.3	3.4
<b>Exchange Rates</b>							
US\$	15.5	15.9	15.5	15.2	14.99	15.01	15.91
EURO	17.7	18.0	17.6	17.3	16.5	16.2	16.80
GBP	20.9	21.1	21.1	20.6	19.8	19.4	19.76
<b>Public Finance</b>							
Total public domestic debt [E' million]	16,134.9	16,884.6	16,047.2	16,510.0	16,739.6	16,112.6	16,518.6
As a % of GDP	22.2	23.3	20.6	21.2	21.5	20.7	21.2



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