MINISTRY OF ECONOMIC PLANNING AND DEVELOPMENT

MACROECONOMIC ANALYSIS AND RESEARCH UNIT

Quarterly Economic Bulletin

2023 Q4

Oct – Dec

QUARTERLY ECONOMIC BULLETIN – 2023 QUARTER 4

Key Highlights: 2023 Q4

Global economic developments turned out to be better than previously anticipated. World economic growth is estimated at 3.1 percent in 2023, remain at 3.1 percent in 2024 before moderately rising to 3.2 percent in 2025.

***GDP** grew by **7.7% in 2023Q3**.*

What were the factors supporting growth?

- Increased activity in mining and manufacturing industries, growing at 88.8%, and 2.1%, respectively.
- Improved performance in wholesale and retail 6.2%
- Increased activity in ICT-related services by 49.4%.
- Accommodation and food services increased by 30.9% in the quarter.
- Construction activity increased by 34.3% in the quarter.
- Growing of crops activity increased by 5.3% over the quarter.

Increasing inflation pressures, as inflation averages 4.7% in 2023q4.

What were the inflation drivers in the period?

- 'Housing and utilities' increased by 2.9 percentage points.
- 'Transport' increased by 2.8 percentage points at the back of higher fuel inflation, y-o-y.
- 'Food and non-alcoholic beverages' declined by 2.6 percentage points.

*The **Lilangeni depreciated over the US Dollar,** over the quarter.*

SZL/USD	SZL/GBP	SZL/Euro
-0.6%	***1.4%***	***0.5%***

***Interest rates** were maintained over the quarter.*

	2023Q3		**2023Q4**
Discount rate	***7.50%***	→	***7.50%***
Prime lending rate	***11.00%***	→	***11.00%***

***Total private sector credit** grew by 3.1% and 10.9%, q-o-q and y-o-y, respectively.*

	2023Q3	*2023Q4*
	E18.553 b	***E19.137 b***

2023q4 Trade Developments

Merch imports = E 10.248 billion

Merch exports = E 10.576 billion

Box Articles

1. *Recent dynamics in fuel prices in Eswatini*
2. *Macroeconomic Analysis and Research Unit Changes in Release Calendar*

1. International Developments

1.1. Global economic growth

Global economic developments turned out to be better than previously anticipated. World economic growth, according to the latest economic projections by the IMF, is estimated at 3.1 percent in 2023 compared to the October projection of 3.0 percent (IMF WEO, Jan 2024 update). This is on account of robust growth that was observed in advanced economies (AEs) (mainly the United States (US) economy) backed by resilient household consumption as well as stronger labor market. However, tighter monetary policies globally continued to weigh on business sentiments and dampened aggregate demand. Additionally, global conditions were further marred by other shocks (country-specific shocks), muted global trade, heightened geopolitical risks and climate-related threats.

Advanced economies' output grew by 1.6 percent, reflecting a 0.1 percentage point upward revision from the previous projection. The upward revision was supported by the impressive growth observed in the US, in the second half of the year, with its output estimated to have increased by 2.5 percent (previously projected to grow by 2.1 percent). Emerging and developing economies (EMDE's) reflected resilience in 2023 supported by strong demand, mainly coming from China and India, with growth in this region estimated at 4.1 percent.

Global growth is expected to remain at 3.1 percent in 2024 before moderately rising to 3.2 percent in 2025. These forecasts are supported by the anticipated declines in fuel and nonfuel commodity prices coupled with lower interest rates in some key economies. However, restrictive monetary policy, loss of fiscal support as well as low underlying productivity growth are some of the global headwinds in the short to medium-term. Economic growth in the AEs is expected to decelerate to 1.5 percent in 2024, with an anticipated moderation of growth in the US. The region is expected to rebound in 2025 with growth projected at 1.8 percent. On the other hand, EMDE's growth is expected to remain at 4.1 percent in 2024 and rise to 4.2 percent in 2025, supported by subsiding negative effects of earlier projected weather shocks coupled with improving supply developments.

Growth in Sub-Saharan Africa is expected to accelerate to 3.8 percent in 2024 from an estimated 3.3 percent in 2023, and further record 4.1 percent in 2025. The outlook for this region is underpinned by easing supply constraints as well as the fading of negative effects of previous weather shocks. Notably, the

South African (SA) economy is expected to grow by 1.0 percent in 2024 and 1.3 percent in 2025. Underlying economic conditions in this economy are expected to continue to manifest in the first half of 2024, before improving moderately during the second half. Key issues remain to be the energy crisis, wherein absence of significant operational improvements at Eskom will continue to outweigh on growth prospects. Additionally, considering escalating operational failures at Transnet, these are expected to affect the rail transport industry and significantly delay cargo processing at the ports resulting in disrupted output, inflated operating costs, and erode profitability across all industries. On the other hand, despite lingering concerns over drier weather conditions due to El Niño, most parts of S A experienced good rainfall in late 2023 and early 2024, which suggests that agricultural output should remain relatively steady in 2024.

Table 1: World Economic Outlook – January 2024

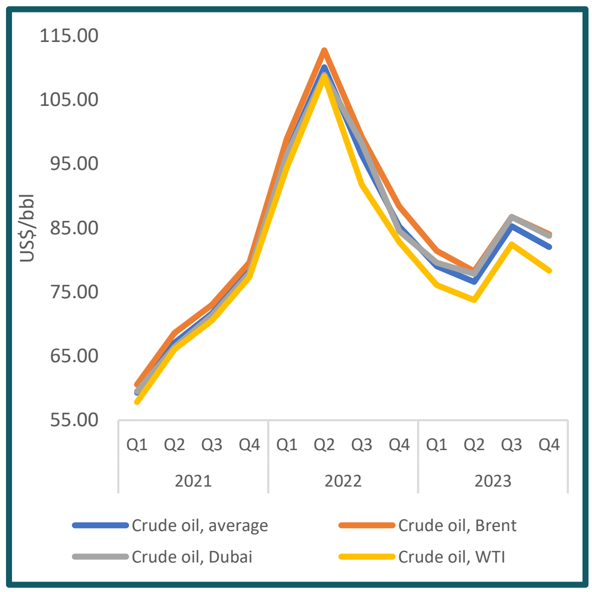
		Est.	**Projections**	
	2022	2023	2024	2025
World Output	**3.5**	**3.1**	**3.1**	**3.2**
Advanced Economies	***2.6***	***1.6***	***1.5***	***1.8***
United States	1.9	2.5	2.1	1.7
Euro Area	3.4	0.5	0.9	1.7
United Kingdom	4.3	0.5	0.6	1.6
Emerging Market and Developing Economies	***4.1***	***4.1***	***4.1***	***4.2***
Emerging and Developing Asia	4.5	5.4	5.2	4.8
China	3.0	5.2	4.6	4.1
India	7.2	6.7	6.5	6.5
Sub-Saharan Africa	4.0	3.3	3.8	4.1
Nigeria	3.3	2.8	3.0	3.1
South Africa	1.9	0.6	1.0	1.3

Source: *International Monetary Fund*

1.2. Global Commodity Prices

Global basic commodity prices reflected declining trends in 2023q4. Average crude oil prices traded at US$82.05 per barrel, relative to US$85.31 per barrel, indicating a 3.8 percent decline q-o-q (World Bank Pink Sheets Jan 2024). This decline was due to subdued global demand, weak growth prospects and expectations of lower US interest rates, amid Saudi Arabia and Russia maintaining their supply restrictions coupled with the Middle East ongoing tensions.

Figure 1: Global crude oil



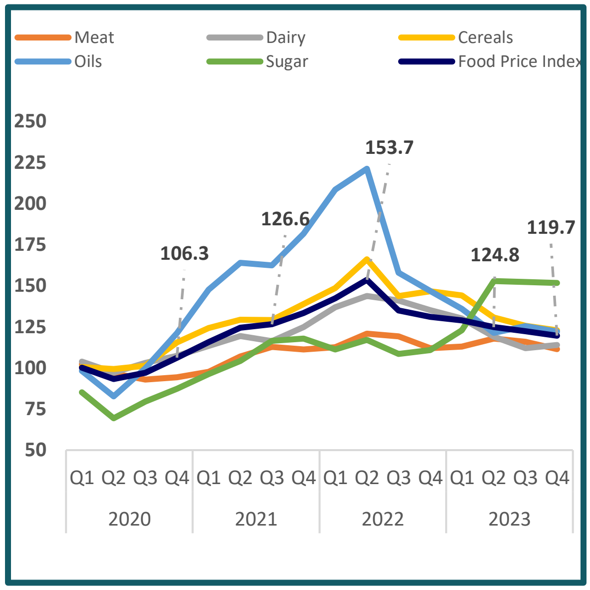
Source: *World Bank Pink Sheets*

In the same vein, food prices continued to trend downwards. According to the FAO Food Price Index (FFPI), global food prices declined by 2.2 percent q-o-q, attributable to moderating prices of sugar, vegetable oils, cereals, and meat, outweighing the increase in the prices of dairy products. The outlook for food prices, however, remains clouded by the uncertainty of weather conditions in view of the predicted El Niño phenomenon.

In the period, cereal prices reflected a 2.3 percent decline driven by a sharp fall in the prices of maize, in line with increasing supply from the US markets as well as strong competition among exporters. Similarly, vegetable oil prices declined by 2.6 percent over the quarter owing to seasonally higher outputs and subdued global import demand. The fall in meat prices was driven by an oversupply of red and white meat in the period.

The FAO Sugar Price Index marginally declined by 0.4 percent, mainly driven by a strong pace of production in Brazil, bolstered by conducive weather conditions. The FAO Dairy Price Index, on the other hand, grew by 1.8 percent as world milk powder prices rose the most, on the back of surging import demand for both near and longer-term supplies as well as some uncertainty over the impact of the El Niño weather conditions on the upcoming milk production in Oceania.

Figure 2: Global Commodity Indices



Source: *FAO Food Price Index*

BOX 1: RECENT DYNAMICS IN FUEL PRICES IN ESWATINI

Globally, fuel is an essential commodity which is critical as an input to businesses production, as well as a consumption source for daily use by people. The recent fluctuations in global fuel prices have had significant effects on economies including Eswatini.

Following stable prices in 2019, fuel prices have been rising on average since then with the exception of the shock year 2020. Prices dipped in 2020 on account of COVID-19 disruption which was then followed by a surge in prices in 2021, fuelled by recovering demand and supply chain constraints. In 2022, there were more frequent fuel price hikes due to the Russia-Ukraine conflict which caused disruptions in trade routes making it harder and expensive for importers to trade goods, as a result import prices increased and were passed on to consumers. In recent months, Russia and Saudi Arabia extended their production cuts which began in March 2023. This removed an additional 1.3 million barrels per day from global supplies which then triggered new hikes in fuel prices. Brent crude oil price rose by 6.4 percent in the third quarter of 2023, hitting $98.36 in the final week of September 2023. However, in October 2023, there was a decline in Brent crude oil prices, falling back to $85 as the US Dollar strengthened on fears that the US interest rates will remain high for longer, in turn offering some respite with a gradual decrease in fuel prices.

	PRICE AT YEAR END (E)			PRICE DIFF AT YEAR END (E)			PRICE DIFF FROM 2019		
YEAR	PARAFFIN	PETROL_95	DIESEL	PARAFFIN	PETROL_96	DIESEL	PARAFFIN	PETROL_97	DIESEL
2019	9.15	13.65	13.70						
2020	7.95	12.45	12.90	-1.20	-1.20	-0.80	-13.1%	-8.8%	-5.8%
2021	11.75	17.45	17.00	3.80	5.00	4.10	28.4%	27.8%	24.1%
2022	16.45	19.50	22.40	4.70	2.05	5.40	79.8%	42.9%	63.5%
2023	18.05	20.80	23.40	1.60	1.30	1.00	97.3%	52.4%	70.8%

Source: Ministry of Natural Resources and Energy, & Author's Calculations.

Similar to other countries, the Eswatini economy has felt the sting of fluctuating fuel prices in recent years. According to the Ministry of Natural Resources and Energy, the average Liswati in December 2023 paid E18.05, E20.80, and E23.40 for paraffin, petrol 95, and diesel, respectively (table above). The transmission of these global fuel prices fluctuations has had immediate effect on consumers necessitating the implementation of hard decisions relating to consumption patterns and spending. The effect of rising fuel prices stretched far beyond the mere inconveniences at the gas station, as transportation costs also surged making essential travel more expensive and creating uncertainty around the prices of food and other commodities, since Eswatini is a net importer of these commodities. The price of fuel has an impact on businesses as well, as these rely heavily on transportation. Hikes in fuel prices are immediately absorbed by the logistic entities and translates higher delivery charges, potentially impacting consumer pricing and profitability. On the production side businesses using fuel in manufacturing processes face higher production costs on account of fuel price hikes, leading to higher product prices and loss of competitiveness.

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2. RSA Developments

2.1. RSA Real GDP Growth

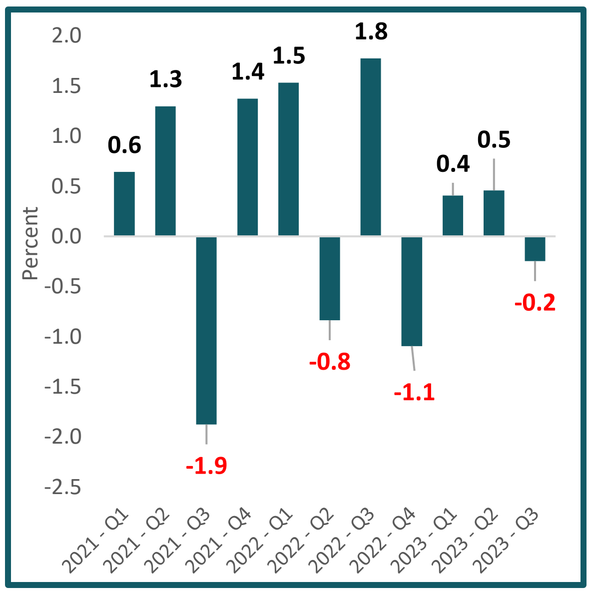
Subsequent to a slight growth of 0.5 percent in 2023q2, the SA economy slumped in 2023q3 and contracted by 0.2 percent on a q-o-q basis. The downturn was significantly contributed by both the primary and secondary sectors of the economy, which slipped by 4.4 percent and 1.3 percent, respectively, in the period. On a positive note, the tertiary sector portrayed some resilience, with growth recorded at 0.3 percent.

The subdued performance in the SA economy was largely attributed to five industries, one of which was the 'agriculture and forestry industry' declining by 9.3 percent at the back of weak performance in field crops as well as animal and horticultural production. Mining industry's output also contracted by 1.1 percent, driven by platinum group metals, gold, and other metallic minerals. Food manufacturing and other manufacturing subsectors attributed to the weakened activity of the manufacturing sector, which declined by 1.3 percent, in the period under review.

Under the construction industry, declining activity relating to buildings, both residential and non-residential, contributed to the overall 2.8 percent decline in this subsector. Trade, catering and accommodation industry also declined in the period (0.2 percent), driven by the 'wholesale and retail of motor vehicles' as well as 'food and beverages' subsectors.

Mitigating the negative performance, sectors such as transportation, banking, government, and personal services recorded growth in the period.

Figure 3: RSA Quarterly GDP Growth



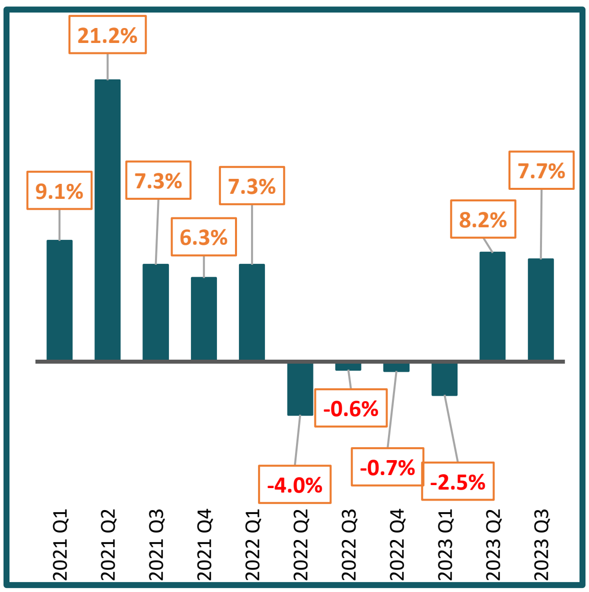
Source: *Stats South Africa*

3. Domestic Developments

3.1. *Eswatini Real GDP Growth*

The domestic economy reflected sustained growth momentum in 2023q3, recorded at 7.7 percent, y-o-y seasonally adjusted, relative to 8.2 percent in the preceding quarter. The remarkable performance of the domestic economy was supported by resilient activity in the 3 sectors (primary, secondary, and services) of the economy in the period.

Figure 4: Quarterly GDP Growth trends



Source: *Central Statistics Office*

Growth in the primary sector is recorded at 0.7 percent, supported by higher output in the 'growing of crops' (5.3 percent) and 'animal production' (12.7 percent). Favorable weather conditions, in the period, boosted output for these subsectors.

Mining and quarry activities recorded a stellar growth of 88.8 percent, supported by better coal extraction coupled with increasing demand in quarry output in line with the commencement of numerous quarry-dependent projects by public and private sector, in the period.

Manufacturing activity benefited from a recovery in external demand, which boosted beverage manufacturing, wood manufacturing and cocoa and chocolate production. Moreover, electricity generation gained from the favorable weather conditions in the period, which supported hydro power generation. Construction activity also grew by 34.3 percent, benefiting from construction of buildings and major roads. As a result, the secondary sector improved by 4.9 percent in 2023q3.

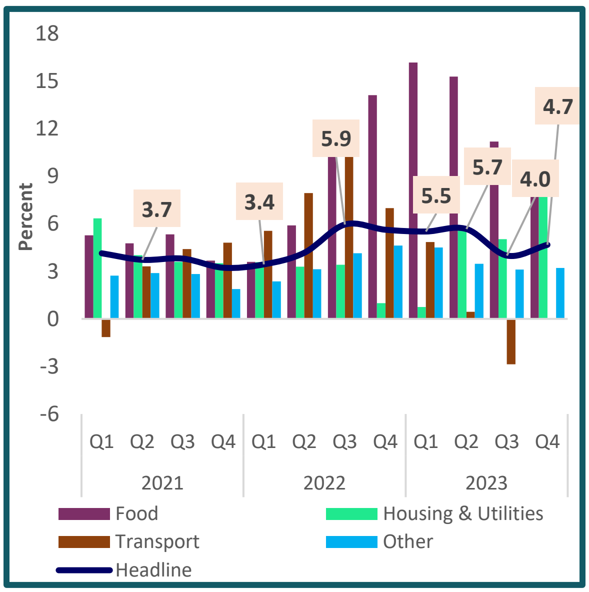
Services sector grew by a robust 11.1 percent underpinned by demand-driven sectors such as 'wholesale and retail' (6.2 percent), tourism-related activity (30.9 percent), 'financial and insurance' (11.4 percent) as well as Information Communication and Technology (ICT) (49.4 percent).

3.2. Prices

3.2.1. Headline inflation

Domestic inflationary pressures slightly mounted in 2023q4 with the headline inflation recorded at an average of 4.7 percent, reflecting a 0.7 percentage point increase from the previous quarter. Amongst the key drivers in the period were increases in the 'housing & utilities' (2.9 percentage points) and 'transport' (2.8 percentage points) prices. Moderating the pressures was the observed falling prices of 'food and non-alcoholic beverages' declining by 2.6 percentage points, over the quarter.

Figure 5: Inflation Drivers



Source: *Central Statistics Office*

3.2.2. Inflation drivers' analysis

Prices of 'housing & utilities' over the quarter increased by 2.9 percentage points to average 8.0 percent growth, owing to a notable increase in 'housing rentals' prices, which grew by 0.9 percent in October 2023. 'Liquid fuels' prices also increased by 12.1 percentage points, exerting upward pressure to the 'electricity, gas, and other fuels' category.

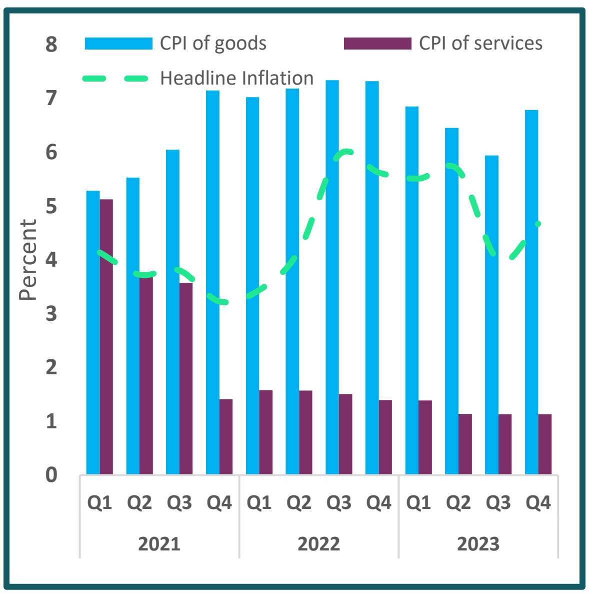
Additionally, 'transport' prices grew by 2.8 percentage points relative to the previous quarter, owing to increases in the prices of 'cars' (4.5 percentage points), and 'petrol and diesel' prices (10.0 percentage points). Over the quarter, petrol and diesel pump prices cumulatively declined by E1.50, and E0.50, respectively. 'Air transport' prices counteracted the price increases in this category, decreasing by 1.3 percentage points, driven by continued price competition within the air transport space.

On the positive, 'Food and non-alcoholic beverages' prices cooled by 2.6 percentage points over the quarter, owing to the decline in the prices of 'bread and cereals' (-7.3 percentage points), 'meat' (-0.6 percentage points), 'fish' and seafood' (-1.0 percentage points), while 'milk, cheese and eggs', (2.0 percentage points), 'vegetables' (0.8 percentage points), and 'sugar, jam, honey, chocolate, and confectionery' (0.8 percentage points) posted rising prices in the period.

3.2.3. Inflation for goods & services

Analytically, in the period under review, prices for goods slightly increased (by 0.4 percentage point) owing to an increase in the prices of durable and semi durables goods, which were higher by 3.1 and 0.4 percentage points respectively relative to the previous quarter. Prices of services also increased by 1.4 percentage points due to an increase in miscellaneous goods and services (by 0.7 percentage points).

Figure 6: Inflation of Goods and Services

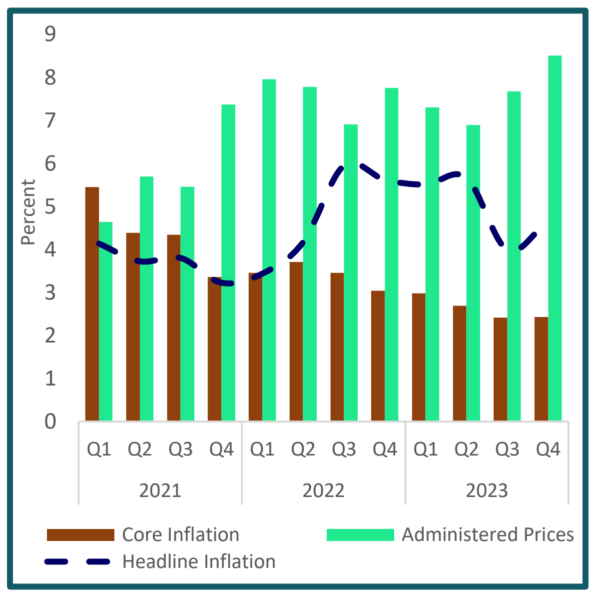


Source: *Central Statistics Office*

3.2.4. Core inflation & Administered prices

Eswatini's core inflation, which is the rate of inflation that excludes prices of volatile goods (i.e., food, autofuel, and energy), increased by 1.3 percentage points relative to the previous quarter and averaged 3.1 percent in the period. This was mainly driven by fuel and energy prices in the period. On the other hand, administered prices, which are prices for essential goods and services directly controlled by the government (e.g., public transportation, utilities, healthcare, and some food items), increased by 1.1 percentage points relative to the previous quarter.

Figure 7: Quarterly Analytical Inflation



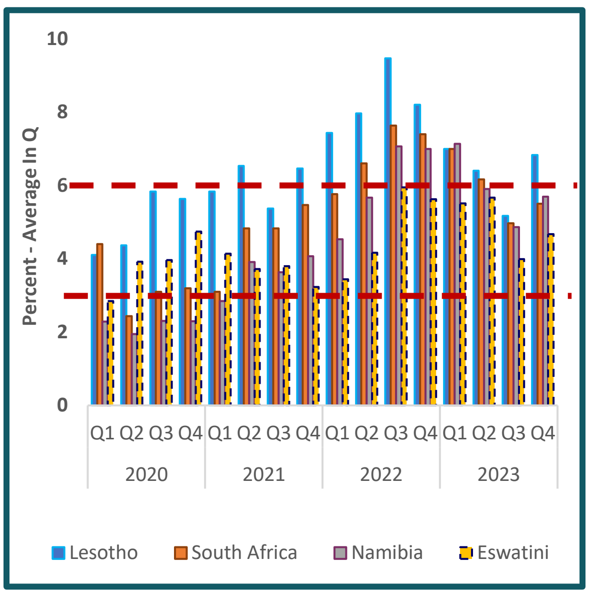
Source: *Central Statistics Office*

3.2.5. Price developments in the CMA

Inflationary pressures in the Common Monetary Area (CMA) (comprising Eswatini, Lesotho, South Africa, and Namibia) increased in the quarter under review, however, headline inflation remained within the target band of 3-6 percent for all member states except for Lesotho. Lesotho's inflation rate was estimated 6.8

percent in 2023q4 owing to heightened 'food', 'alcohol and tobacco', 'housing and utilities', and 'miscellaneous goods and services' prices, over the quarter. Namibia and South Africa's inflation was recorded within the target band at 5.7 and 5.5 percent, respectively. Common inflation drivers for the region were the increases in the prices of 'food and non-alcoholic beverages', 'transport', and 'housing & utilities'.

Figure 8: CMA inflation trends



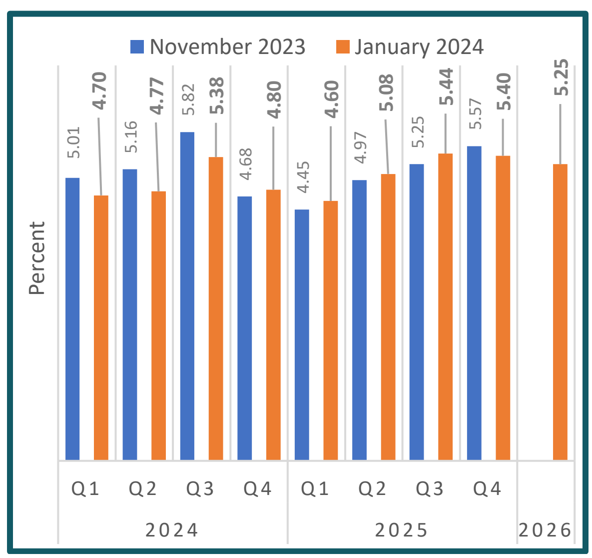
Source: *Central Statistics Office; Stats SA; Lesotho Central Bureau of Statistics; Namibia Statistics Agency.*

3.2.6. Inflation forecast

Latest inflation forecasts by the Central Bank of Eswatini's indicate a downward revision in prices outlook, underpinned by an anticipated moderation in inflationary pressures in the short-term (2024). Food prices are expected to remain subdued, driven by the downward trend in food prices experienced since August 2023, and continued to cause a moderation in overall prices. Subsequently, inflation forecast for 2023q4 was lower by 0.31 percentage point at 4.7 percent than the previously forecasted 4.98 percent. Additionally, the latest projections depict that inflationary pressures emanating from fuel prices are expected to exert downward pressure on inflation in the short-term following the January 5th, 2024, pronouncement by Government where petrol and diesel prices were reduced by E0.30 and E0.80, respectively.

Conversely, anticipated price increases emanating from administered prices, with the anticipated higher utility tariffs in April 2024, are expected to exert upward inflationary pressures in the economy. Moreover, inflation developments in SA economy as well as lower global oil prices are likely to moderate domestic prices.

Figure 9: Inflation Forecasts - January 2024 update



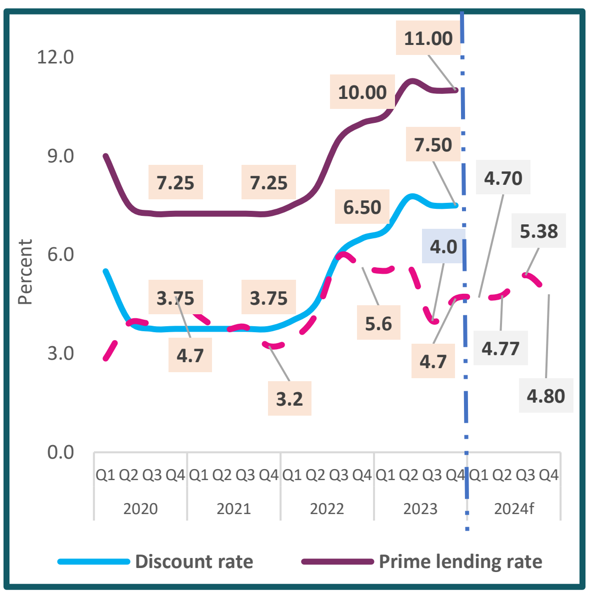
Source: *Central Bank of Eswatini*

3.3. Monetary Policy

The Monetary Policy Consultative Committee (MPCC) kept the monetary policy stance unchanged in the period under review. The discount rate was kept at 7.5 percent, whilst the prime lending rate remained at 11.0 percent. The MPCC opted to hold the monetary policy stance unchanged, on account of relatively easing domestic inflationary pressures.

In the short-to-medium term, interest rates are expected to remain volatile, emanating from uncertainty surrounding global tensions, which may trigger hikes in basic commodity prices such as 'food' and 'fuel' potentially rising inflation risks, likely to keep borrowing costs on edge in the near future.

Figure 10: Interest Rates Developments



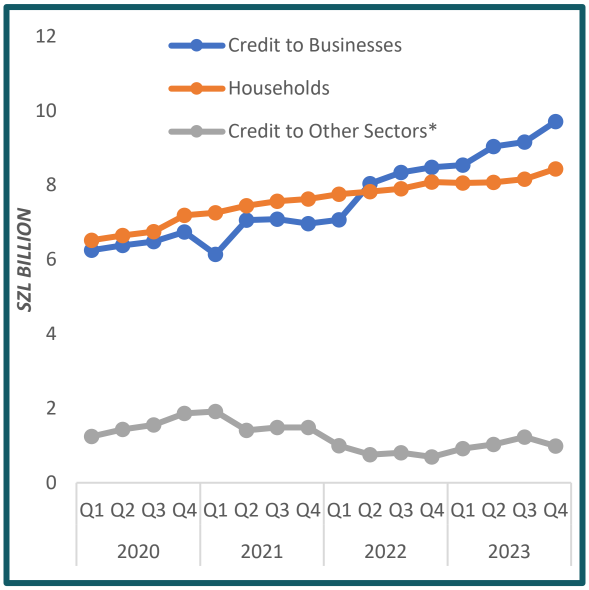
Source: *Central Bank of Eswatini; Central Statistics Office*

3.4. Total Credit Extension

Over the quarter, total private sector credit grew by 3.1 percent to total E19.137 billion, following a growth of 2.2 percent in the preceding quarter. The increase in total private sector credit extension was attributable to better performance of 'credit to businesses', which grew by 6.0 percent, as well as a 3.4 percent growth in 'household' credit. On the contrary, 'credit to other sectors' declined by 19.7 percent, in the period.

Overall credit demand is likely to remain soft in the first half of 2024. The cumulative impact of the interest rate hikes is expected to continue to filter through the domestic economy and dampen credit demand both from households and business perspective. Considering lingering strains on household's finances, this will deter credit demand by households as well as extension by commercial banks. On businesses, higher interest rates will increase cost of borrowing and financing options which would increase their respective operational costs. Credit extension growth is expected to improve gradually somewhat during the second half of the year as the interest rates ease and the economy recovers slightly.

Figure 11: Private Sector Credit Extension

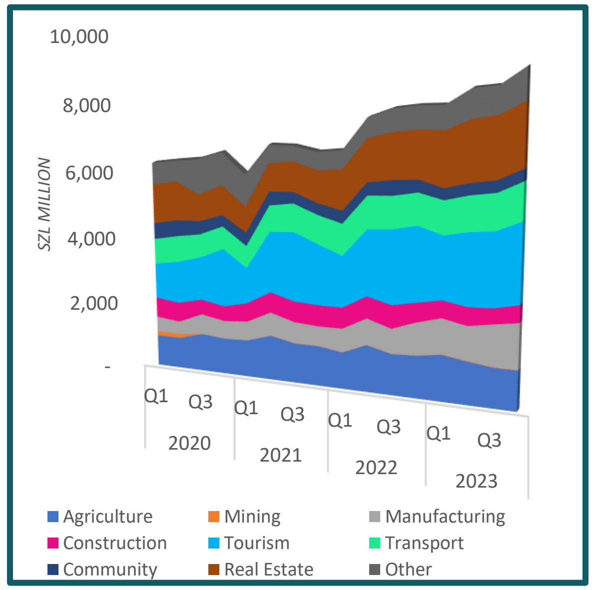


Source: *Central Bank of Eswatini*

3.4.1. Credit to businesses

Credit extended to 'businesses' grew by 6.0 percent, from E9.161 billion to a total of E9.711 billion in the quarter. This increase was due to mixed performances in key industries. 'Agriculture' (0.3 percent), 'manufacturing' (9.6 percent), 'construction' (11.0 percent), 'distribution and tourism' (7.6 percent), 'transport' (3.6 percent), 'community, personal and social services' (0.1 percent), 'real estate' (2.4 percent), and 'other' (15.6 percent) sectors reported positive growth in the period, whilst only the 'mining' (-8.8 percent) sector contracted. Credit to business has benefited from the continued recovery of the economy from recent shocks, supporting ongoing expansionary initiatives. Similarly, continued implementation of Government-linked projects is expected to spur credit demand in the short-to-medium term.

Figure 12: Credit to Businesses - by Business Type

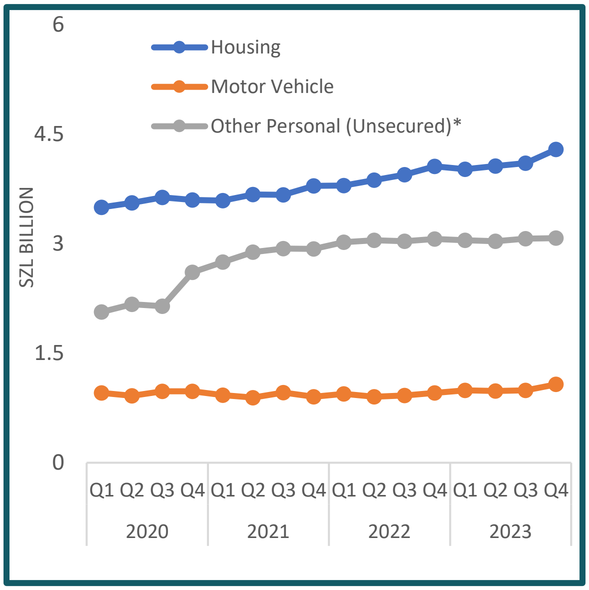


Source: *Central Bank of Eswatini*

3.4.2. Household credit

'Household' credit recorded E8.440 billion, following a modest growth of 1.1 percent in the previous quarter. The growth was broad-based as 'housing' (4.5 percent), 'motor vehicles' (8.1 percent), and 'other personal (unsecured)' (0.3 percent) loans supported the growth. Carried over salary adjustments and increases in government hiring are estimated to have positively influenced household credit in the quarter.

Figure 13: Household Credit Extension by Purpose

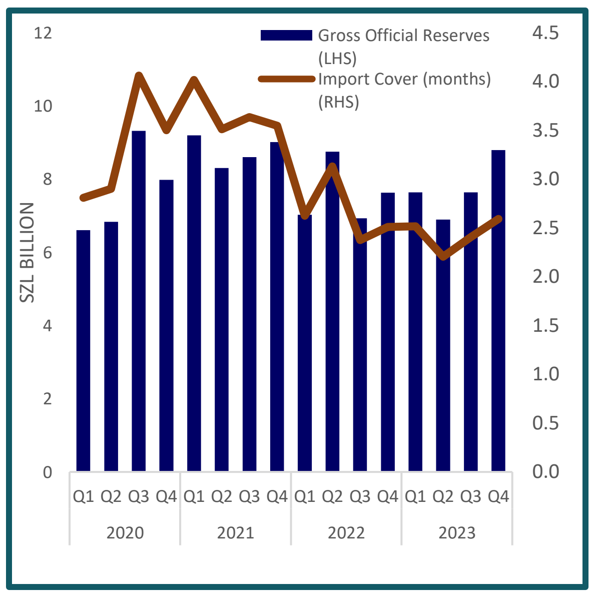


Source: *Central Bank of Eswatini*

3.5. Gross Official Reserves

The stock of gross official reserves (GOR) was recorded at E8.793 billion in 2023q4, sufficient to cover 2.6 months of imports, compared to the E7.636 billion recorded in the previous period. Over the quarter, the growth emanated from the increase in the quarterly inflows of Southern African Customs Union (SACU) receipts, which was netted off by net outflows of Rands from trades with local banks coupled with payment of government's fiscal obligations over the quarter under review.

Figure 14: Gross Official Reserves and Import Cover



Source: *Central Bank of Eswatini*

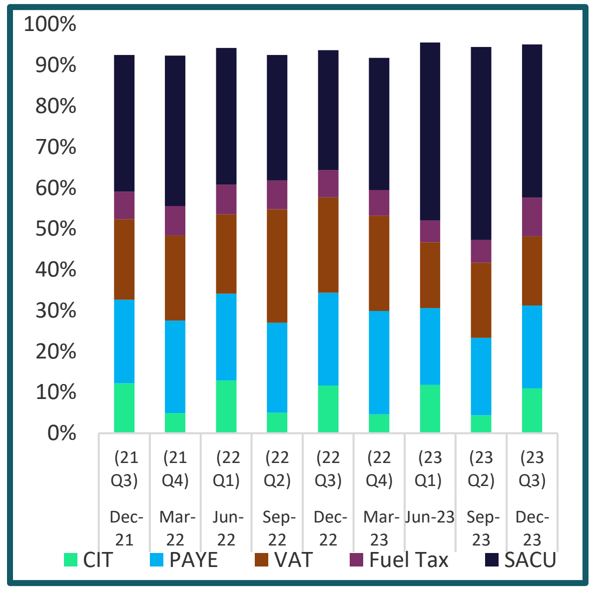
3.6. Fiscal Developments

3.6.1. Government Revenue

Government revenue reflected a y-o-y increase of 18.0 percent in 2023q4. This growth was supported by increases in major revenue categories such as SACU receipts, Corporate Income Tax (CIT), Pay As You Earn (PAYE) as well as fuel tax. In line with the improved SACU share, this revenue source reflected a 50 percent increase compared to the same period in 2022. CIT depicted a growth of 10 percent at the back of an increase in provisional payments from the 'financial sector', 'manufacturing sector', as well as the 'wholesale and retail sector'.

The 6 percent marginal increase in individual tax was attributed to tax on end of year bonuses offered by corporate companies as well as gratuity for contracted employees upon ending of contracts. Additionally, fuel tax had a stellar growth of 68 percent driven by the increase in fuel and energy imports. Value-Added Tax (VAT) decreased by 15 percent reflecting that there was less economic activity, y-o-y. Graded tax was scrapped off in the last quarter of the calendar year.

Figure 15: Major revenue Lines as % of total revenue

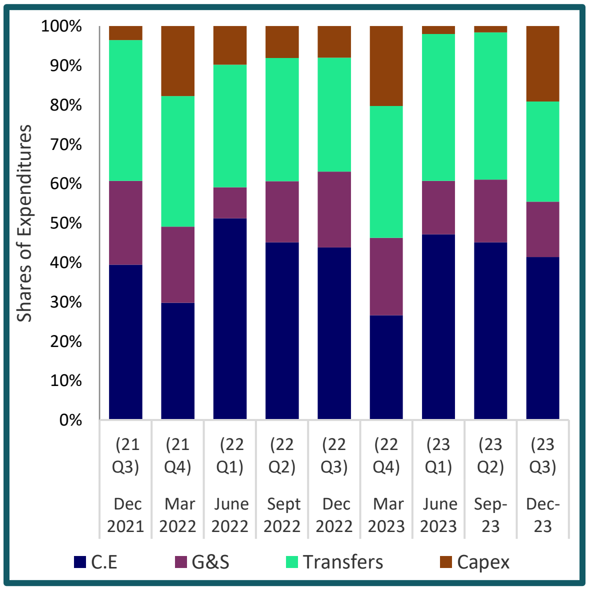


Source: *Ministry of Finance*

3.6.2. Government Expenditure

In line with government operations, expenditures reflected a 15 percent increase relative to the same period in FY 2022/23. The increase reflected higher spending on the compensation of employees (41.3%) in line with new hiring, awarding cost of living adjustment of 4.0 percent, and increased allowances paid in the year. Other expenses also reflected growth in the period, and these include transfers (25.4%), capital expenditure (19.2%), and goods and services (14%). These increases reflected higher implementation in government's capital programme as well as adjustments relating to previous budget shortfall.

Figure 16: Primary Expenditure Categories as a share of total expenditures



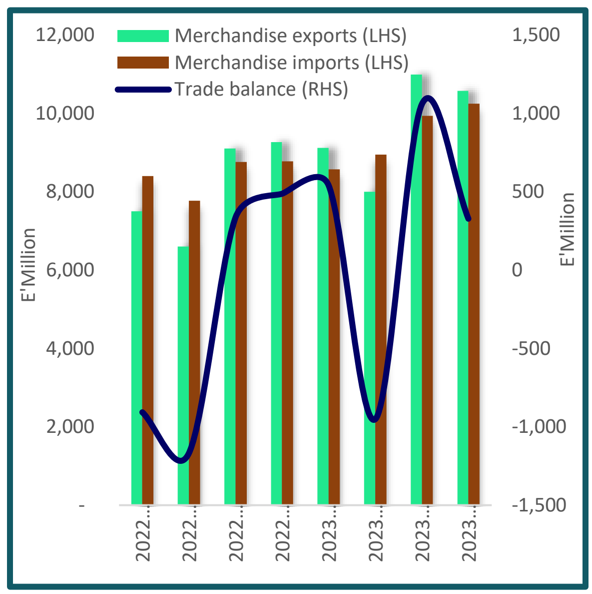
Source: *Ministry of Finance*

3.7. External Developments

3.7.1. Trade Developments

Eswatini's trade balance remained in positive territory in 2023q4 reflecting a surplus amounting to E328.0 million, which was however 69.0 percent lower than the surplus recorded in 2023q3. In the quarter under review, merchandise exports were recorded at E10.576 billion whilst the merchandise imports were at E10.248 billion.

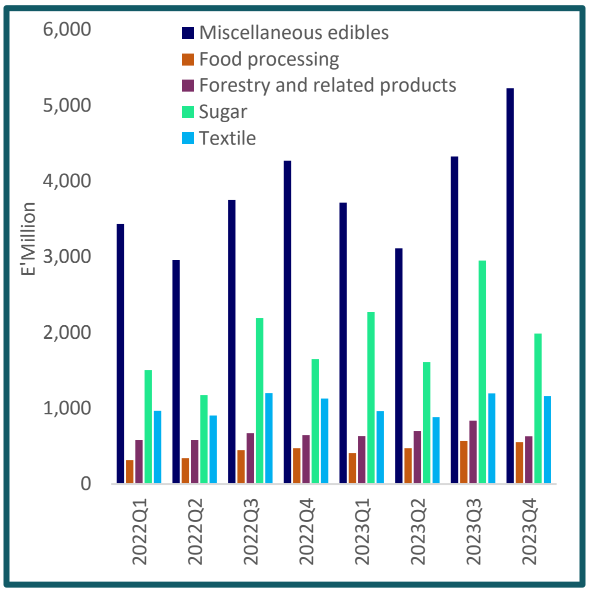
Figure 17: Overall Trade Developments



Source: *Eswatini Revenue Service*

During the quarter, merchandise exports declined by 3.8 percent relative to the previous quarter. This was mainly on account of a decrease in the exports of 'sugar' (-32.6 percent), 'forestry & Related Products' (-24.8 percent), 'food processing' (-3.2 percent), as well as 'textiles' (-2.5 percent), at the back of dampened demand for Eswatini goods. On the contrary, 'miscellaneous edibles' grew by 20.8 percent supported by stronger external demand in the second half the year. On a y-o-y comparison, merchandise exports grew by 14.2 percent in line with stronger economic activity.

Figure 18: Top 5 Eswatini Exports

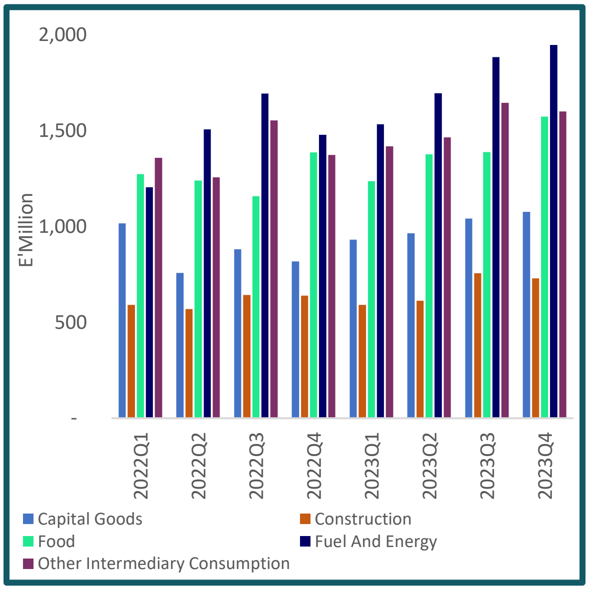


Source: *Eswatini Revenue Service*

On the other hand, merchandise imports grew by 3.2 percent when compared to 2023q3. The uptick in the imports was mainly due to an increase in the imports of 'food' (13.4 percent), 'capital goods' (3.4 percent) as well as 'fuel and energy' (3.3 percent). However, imports of 'construction' as well as 'other intermediary consumption' goods declined by 3.5 percent and 2.8 percent, respectively. On a y-o-y comparison, merchandise imports grew by 16.8 percent when compared to the same period in 2022.

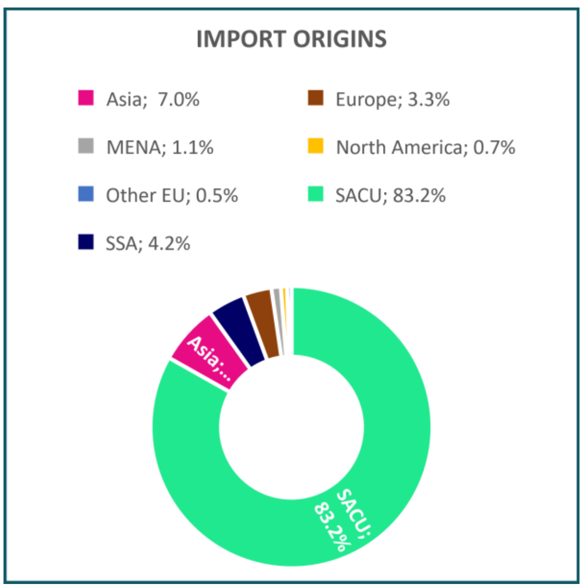
In terms of export destinations, the SACU market remained a major destination for the country's exports as the region absorbed 71.7 percent of the total exports, reflecting a 6.1 percentage points increase compared to 2023q3. Other key markets such as the SSA region, the European Union (EU) as well as Asia accounted for 24.0 percent, 2.8 percent, and 0.8 percent respectively, which is, however, lower than in the preceding quarter. On imports, the SACU region accounted for 83.2 percent of the country's major imports, which reflects a 4.5 percentage points increase relative to the preceding quarter. However, imports from the other key markets also declined relative to the preceding quarter. This decline in trade with the other markets was mainly attributed to the logistic challenges in the SA market in the review period.

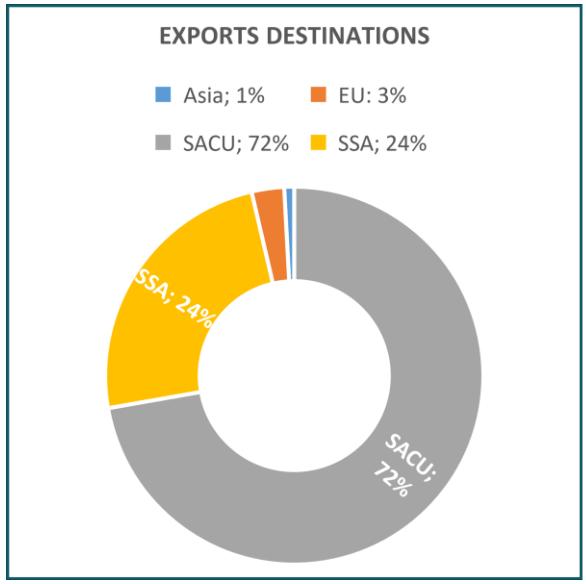
Figure 19: Top 5 Eswatini Imports



Source: *Eswatini Revenue Service*

Figure 20: Eswatini Import Origins & Export Destination





Source: *Eswatini Revenue Service*

* MENA – Middle East & North America

* Other Europe – countries not affiliated with the Euro Zone

3.7.2. Exchange Rate Developments

The Lilangeni depicted contrasting dynamics when compared against the three major trading currencies in 2023q4. The local currency weakened against the US Dollar, however, gained strength against the British Pound and the Euro. The Lilangeni depreciated by 0.6 percent against the US Dollar and averaged E18.75, mainly underpinned by unfavorable global and domestic factors. Against the British Pound, the Lilangeni appreciated by 1.4 percent, averaging E23.27 per British Pound, while gaining strength by 0.5 percent against the Euro and averaged E20.18.

Over the quarter, changes in global investors' risk appetite, speculation about the direction of interest rates in major economies as well as concerns about load shedding all negatively affected the SA Rand. These factors will continue to impact the local currency in 2024 as there is policy uncertainties dominating the short term. The National elections outcome is expected to weigh negatively to the rands outlook as the ruling party is expected to lose its outright majority. Additionally, a further deterioration of the RSA's key fiscal and financial metrics also remains high.

Figure 21: Exchange Rates Developments

Source: *Central Bank of Eswatini*

Box 2: Macroeconomic Analysis and Research Unit

Changes in Release Calendar

The Ministry of Economic Planning and Development's Macroeconomic Analysis and Research Unit has revised its quarterly Economic Bulletin (EB) release dates. Indicators' data is released from sources at different intervals ranging from weeks – quarter lags.

Due to this reason, quarterly GDP growth (both Eswatini and RSA) reporting will maintain a quarter lag i.e., economic bulletin 2023Q4 will analyse QGDP 2023Q3, while the rest of the document analyses developments within 2023Q4.

The release schedule, which will be added at the last page of every EB, will be as follows:

Revised Economic Bulletin Release Calendar	
Timelines	**Schedule date**
Q1	*1st week May*
Q2	*1st week August*
Q3	*1st week November*
Q4	*1st week February*

SOCIO-ECONOMIC INDICATOR	2015	2016	2017	2018	2019	2020	2021	2022	2023
REAL SECTOR									
POPULATION	1,119,375	1,132,657	1,093,238	1,120,092	1,133,522	1,146,903	1,160,362	1,174,014	1,187,956
GDP AT MARKET PRICES (E'MILLION)*	51,781	56,132	58,689	61,768	64,965	65,588	71,712	78,390	84,847
GDP PER CAPITA (E')	46,820	50,146	53,043	55,162	57,312	57,187	61,802	66,771	71,423
GDP PER CAPITA (US $)	4,315	3,417	4,002	4,167	3,959	3,471	4,180	4,078	3,872
GDP GROWTH RATE (%)	2.2	1.1	2.0	2.4	2.7	-1.6	10.7	0.5	4.8
SHARE OF AGRICULTURE& FORESTRY TO GDP (%)	9.4	9.0	8.4	8.5	8.5	8.1	8.1	8.6	8.2
SHARE OF MANUFACTURING TO GDP (%)	22.9	24.4	24.4	25.0	26.8	24.3	27.3	27.9	27.4
SHARE OF TERTIARY SECTOR TO GDP (%)	36.2	40.2	43.4	45.9	46.9	49.2	53.9	53.0	53.1
UNEMPLOYMENT RATE (%)	-	23	-	-	-	-	33.3	-	-
HUMAN DEVELOPMENT INDEX (HDI)	0.581	0.588	0.597	0.605	0.611	-	0.597	-	-
PROPORTION OF POPULATION BELOW POVERTY LINE (%)	-	58.9	-	-	-	-	-	-	-
MONETARY SECTOR									
INFLATION RATE (%)	5.0	7.8	6.2	4.8	2.6	3.9	3.7	4.8	5.0
CPI (JUNE 2020 =100)	78.3	84.4	89.6	94.0	96.4	100.1	103.9	108.9	114.2
DISCOUNT RATE (%)	5.75	7.0	7.25	6.75	6.5	3.75	3.75	6.50	7.5
PRIME LENDING RATE (%)	9.25	10.50	10.75	10.25	10	7.25	7.25	10.0	11.0
AVERAGE EXCHANGE RATE (E/US DOLLAR)	12.75	14.72	13.33	13.24	14.48	16.45	14.79	16.37	18.45
AVERAGE EXCHANGE RATE (E/POUND STERLING)	19.49	20.02	17.04	17.64	18.45	21.00	20.33	20.18	22.95
EXTERNAL SECTOR									
MERCHANDISE EXPORTS (E' MILLION)	22,175	23,062	24,006	24,345	28,856	28,577	30,531	32,327	38,682
MERCHANDISE IMPORTS (E' MILLION)	18,864	19,084	21,374	23,956	26,425	25,939	30,322	33,423	37,708
MERCHANDISE TRADE BALANCE (E' MILLION)	3,311	3,977	2,632	387	2,431	2,638	209	1,096	974
GROSS OFFICIAL RESERVES (E' MILLION)	8,485	7,720	6,933	6,321	6,171	8,002	9,015	7,630	8,793
GROSS OFFICIAL RESERVES (MONTHS OF IMPORT COVER)	4.0	3.6	3.3	2.9	2.6	3.5	3.5	2.6	2.6
FISCAL SECTOR* (FISCAL YEARS)									
TOTAL REVENUE AND GRANTS (E' MILLION)	14,595	14,334	16,785	15,684	17,893	19,289	17,986	18,773	24,640
TOTAL EXPENDITURE (E' MILLION)	17,749	19,189	20,343	19,997	22,148	22,319	21,279	22,655	26,439
FISCAL SURPLUS/DEFICIT (E' MILLION)	(3,154)	(4855)	(3,558)	(4,313)	(4,255)	(3,030)	(3,293)	(3,881)	(1,799)
FISCAL SURPLUS/DEFICIT AS % OF GDP	-5.9	-8.6	-6.0	-6.9	-6.5	-4.6	-4.6	-5.1	-2.2%
TOTAL DEBT (E' MILLION)	8,162	11,250	13,019	16,615	20, 453	25,944	27,157	32,738	34,150
TOTAL DEBT AS % OF GDP	15.4	19.8	21.9	26.5	31.4	39.0	37.9	43.4	41.9

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