MINISTRY OF ECONOMIC PLANNING AND DEVELOPMENT

CENTRAL BANK OF ESWATINI
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ANNUAL COMPANY SURVEY REPORT 2023

2023 Company Survey Report

The Company Survey Report is an annual report prepared by the Ministry of Economic Planning & Development in collaboration with the Central Bank of Eswatini.

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TABLE OF CONTENTS

FIGURES AND TABLES

FIGURES

TABLES

1.0 INTRODUCTION

In the year 2022, the global economy partially returned to normalcy. The challenges related to COVID-19 were suddenly contained, as the pandemic became less of a disruption to society, making it possible to resume pre-pandemic activities like travel, attending large events and going to school. The COVID-19 virus was less severe and less deadly compared to the years 2020 and 2021, and no new variant with the capacity to fuel a major wave of cases emerged. By the end of 2022, the political tensions that culminated into the social unrest of June 2021, which resulted in disturbances in the economy were also reduced, bringing about much relief to business operations. The period February 2022 marked the onset of the Russia-Ukraine conflict, which brought about a new set of challenges for the global economy. Furthermore, central banks around the world embarked on a tightening monetary policy cycle in response to high inflationary pressures.

To measure the degree of impact and make meaningful decisions, analysts need to provide policy makers with accurate, and timely information on the state of the economy of Eswatini. Policy makers are expected to know what drives economic activity, in order to develop meaningful and relevant policy strategies that promote economic growth required to achieve enhanced economic development. Forecasting a country's growth trajectory requires an analysis of economic activity in the national economy, which incapsulates the examination of economic dynamics at sectoral level.

In 2023, the Company Survey team (Team) appreciated that the pandemic challenges introduced new ways of doing things and therefore allowed the survey meetings to be conducted using virtual platforms and re-introduced physical meetings with companies, depending on the company preference. This exercise is used as an important tool to obtain information on several aspects of production from enterprises in the economy, and to also gain insights into other aspects such as employment trends. Moreover, the tool is used to obtain information on challenges that affect the performance of the private sector and assist in understanding available opportunities that are used to inform economic growth forecasts.

This is a summary report from the 2023 Company Survey exercise, which looks at the performance of the economy in 2022 as compared to 2021. The report is structured as follows: Section 2 discusses a brief background and purpose of the company survey. Section 3 discusses the methodology used in the survey exercise. Section 4 provides an overview of findings and discusses some of the results including coverage, performance, employment, and investments, as reported by companies. Section 5 sheds light on the challenges and opportunities faced by companies. Finally, section 6 offers concluding remarks.

2.0 BACKGROUND & PURPOSE

While this document encompasses a variety of issues and is focused towards informing key stakeholders about recent economic developments and the medium-term economic outlook, the ultimate goal is to contribute to policy planning and development. The Company Survey exercise is conducted annually between late January and June by the Team. The country's return to normalcy, after the COVID-19 challenges, presented an opportunity for the Team to increase the sample size of companies surveyed during the period. As with all documents produced under this banner, the primary purpose remains outlined as enlisted below:

- To collect data on performance/production, employment and investment so as to come up with an aggregated picture of the macro-economy[1].
- To gather data and information that will inform the compilation and forecasts of the macroeconomic framework.
- To collect information on challenges and opportunities from different sectors of the economy, to inform relevant stakeholders and keep policy makers abreast of economic developments for purposes of planning and implementing appropriate policy measures.

3.0 METHODOLOGY

3.1 Data Overview

The Eswatini company survey exercise collected both quantitative and qualitative data for the purpose of monitoring and understanding the short-to-medium term outlook of domestic companies. Given that the data was collected through direct interactions with each company, it is considered primary in nature and covers several variables including: products and services supplied; production volumes; total revenue; total expenditure; pre-tax profit; staff complement; remuneration costs; capital investments; challenges and opportunities, amongst others.

3.2 Sampling Frame

The 2023 survey population comprised of 279 companies listed in an in-house database. Out of these, a total of 164 companies were sampled using a simple random sampling procedure, taking into consideration the following criteria: production volumes that are representative of the sector; having significant influence in the sector; and willingness and availability to be surveyed. Worth noting is that the in-house database is generally updated in the first two months of every calendar year, to incorporate new entrants and exclude closed companies, in preparation for the upcoming survey.

3.3 Survey Instruments

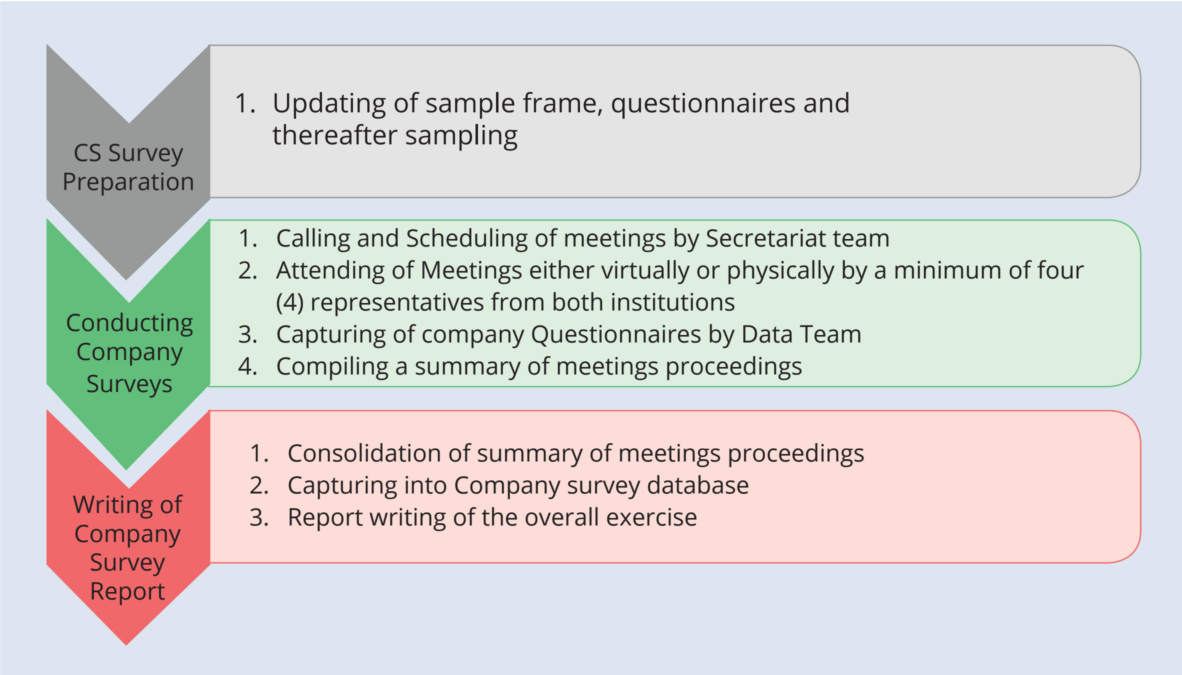
The survey instruments that were employed include a self-administered questionnaire, a tracker and meeting platforms. There are two types of self-administered questionnaires, namely: a general and a company specific questionnaire. The general questionnaire was utilized as the blueprint questionnaire, whilst the company specific version was developed as a customized questionnaire, dispatched to companies that have previously participated in the survey and/or have unique product(s) or service(s). The questions contained within both questionnaires were closed to allow for the collection of information regarding: company profile; ownership structure; performance indicators (revenue, volumes and profits); employment developments and capital expenditure. The company survey meetings were held virtually or physically for each entity, depending on company preference.

3.4 Survey Procedure

The survey procedure details how the company survey team conducts the exercise. This is done in a series of steps which can be better represented by figure 1.

[1]Companies are classified into the different sectors according to the International Standard for Industrial Classification (ISIC Rev IV) in line with the Central Statistical Office (CSO).

Figure 1: Survey Procedure



Source: Company Survey (2023)

3.5 Survey Implementation

Each company is firstly contacted via telephone and email for the purpose of scheduling a meeting. This is followed by the dispatching of a questionnaire, meant to be completed by the company prior to the meeting. The last phase of the data collection process entails holding a meeting with the sampled company to discuss the performance trends of the review period, based on the dynamics presented in the completed questionnaire; growth opportunities envisaged by the company in the medium term, as well as the challenges encountered during its operations.

Upon conclusion of the meetings with the companies, a detailed sector-specific consolidated report is then prepared by the Team. This report summarizes sectoral performances to give a good sense of where the economy is and where it is going, whilst consolidating challenges encountered for the ultimate purpose of presenting them to principals and policy makers. The final report is also shared with other relevant stakeholders to provide insights on the important aspects mentioned earlier. The historic, present, and future performance indicators play a pivotal role as inputs for the process of generating Gross Domestic Product (GDP) estimates, for the short-to-medium term. Moreover, the summary report is used as an advocacy tool aimed at stimulating discussions with policy makers from an informed perspective, to encourage gainful change.

4.0 RESULTS AND FINDINGS

4.1 Coverage and Summary Statistics

The survey exercise listed 164 entities as the sample for 2023, which is lower than the 179 companies sampled in 2022, as reflected in table 1 below. Coverage for the year 2023 stood at 121 companies, which equates to a 73.9 percent response rate, reflecting a notable improvement from the 55.3 percent coverage rate attained in 2022. Challenges around uneven business continuity plans which include working from home arrangements were minimal and supported improved coverage for the year 2023.

Table 1: Survey Coverage Statistics

Sector	Listed				Surveyed				Coverage (%)			
	2019	2021	2022	2023	2019	2021	2022	2023	2019	2021	2022	2023
Agriculture	11	11	11	10	10	7	4	5	91	64	36	50
Construction	7	7	7	7	5	4	3	4	71	57	43	57
Education	3	3	3	3	2	0	1	2	67	0	33	67
Financial Services	24	24	24	22	23	18	20	20	96	75	83	91
Government[2]	5	5	5	4	3	2	3	3	60	40	60	75
Health	3	3	3	6	2	2	2	5	67	67	67	83
ICT	7	7	7	6	5	2	5	6	71	29	71	100
Manufacturing	39	39	39	39	29	24	24	31	74	62	62	79
Marketing Board	5	5	5	5	5	5	5	5	100	100	100	100
Mining	4	4	4	4	2	2	3	2	50	50	75	50
Other Services	10	10	10	11	3	2	2	6	30	20	20	55
Real Estate	6	6	6	5	5	1	3	3	83	17	50	60
Tourism	16	16	16	15	10	8	8	8	63	50	50	53
Transport	13	13	13	8	6	5	6	7	46	39	46	88
Utility	3	3	3	3	3	3	3	3	100	100	100	100
Wholesale & Retail	23	23	23	16	10	7	7	11	44	30	30	69
Total	**179**	**179**	**179**	**164**	**123**	**92**	**99**	**121**	**69**	**51**	**55**	**74**

Source: Company Survey (2023)

In line with the structure of the economy, a large proportion of companies that participated in the survey, fell within the tertiary sector (62.8 percent), followed by entities within the secondary sector, which accounted for 31.4 percent of the total coverage. Companies within the primary sector of the economy, therefore, accounted for the remaining 5.8 per cent of total businesses that participated in the survey.

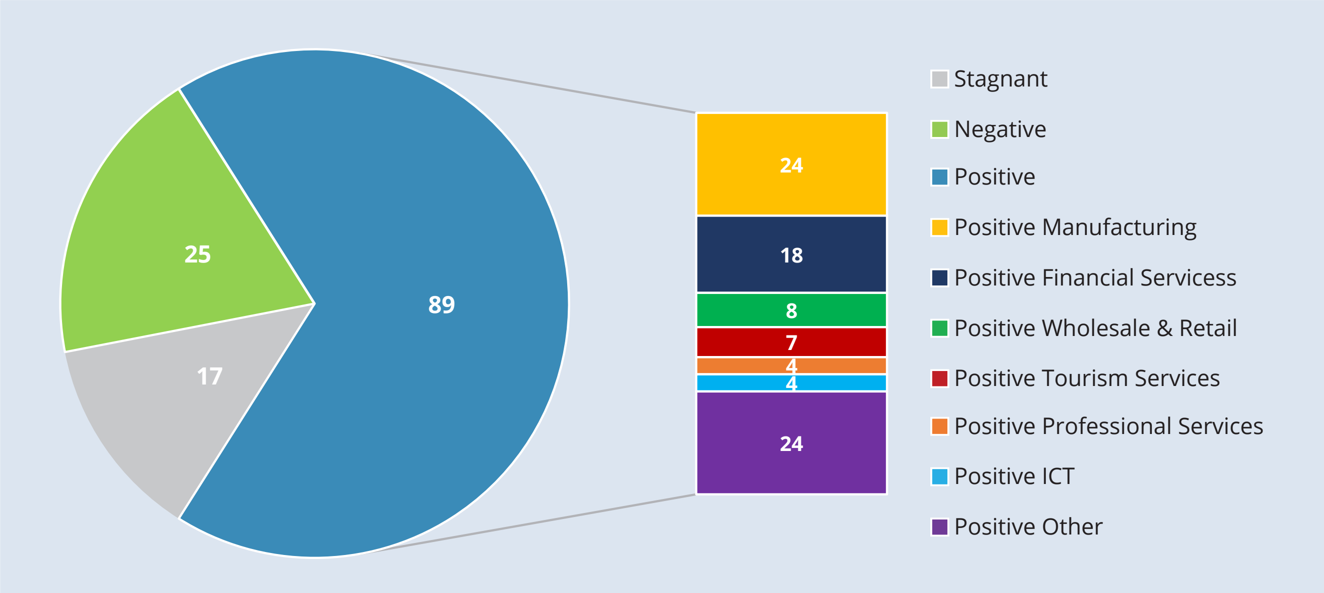
Information was also gathered from the biggest players within the important industries, along with government agencies and regulators. There was full coverage in sectors such as Utilities, Information and Communication Technology (ICT) and Marketing Boards. Conversely, there was low coverage in sectors such as 'mining', 'agriculture' and 'tourism'.

4.2 Overall Performance

A total of 121 companies participated in the 2023 Company Survey exercise. Of this total, 73.6 percent (89 companies) reported that they performed positively in the review period, 20.7 percent (25 companies) recorded negative performance, whilst 5.8 percent (7 companies) reported flat growth in the review period (2022). In line with the frequency distribution of the sample, the manufacturing and financial sectors dominated the positive performance tally. Twenty-four (24) companies (77 percent of a total of 31 entities) recorded positive growth in the manufacturing sector. Additionally, twenty (20) companies (90 percent of the financial sector) recorded positive growth. Other sectors that performed positively include tourism (88 percent of 8 tourism entities surveyed), 'professional & administrative' services (80 percent of 5 surveyed entities) and 'wholesale & retail' (73 percent of 11 surveyed entities).

[2]Government covers departments of both central and local government

Figure 2: Overall Performance - Revenues

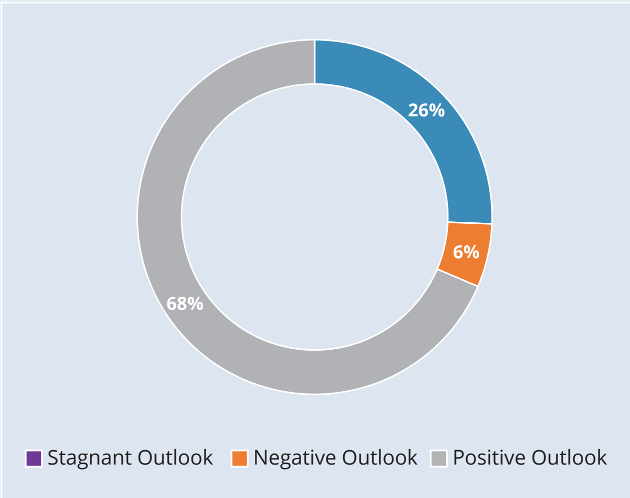


Source: Company Surveys 2023

Negative performance in terms of revenues was relatively higher in the following sectors: construction (50 percent of 4 surveyed companies), transport (43 percent of 7 surveyed entities), 'agriculture & forestry' (40 percent of 5 surveyed entities).

In terms of the outlook, ninety-five (95) companies (78 percent of 121 surveyed entities) reported that they expect to have an overall positive outlook on production volumes, revenues, and profitability. The positive outlook was broadly reported by all sectors. Negative outlook for 2023 was reported by fourteen (14) companies (12 percent of the total surveyed) and was relatively high for the construction sub-sector (i.e., 3 out 4 surveyed construction entities envisage a negative outlook). Twelve (12) companies (10 percent of the surveyed entities) reported a stagnant outlook for 2023. These were mainly in the textile manufacturing, professional services, and real estate sub-sectors.

Figure 3: Overall Medium-Term Outlook 2024-25



Source: Company Surveys 2023

The medium-term outlook (i.e. 2024 – 2025), appears less optimistic relative to the short-term (2023). Of the surveyed entities, 68 percent expect a positive outlook in the medium-term, compared to 78 percent in the short-term.

In the medium-term, more companies are uncertain about their performance relative to the short-term (as the proportion of companies with a stagnant outlook increased from 10 percent in the short-term to 26 percent in the medium-term outlook). Companies that expect a negative outlook to persist in the medium-term stand at 6 percent and are mainly from the construction, manufacturing (textile), 'agriculture & forestry', and financial services (asset management) sectors.

4.3 Sectoral Performance and Outlook

This section provides a detailed narrative on the performance and outlook of all the sectors of the economy. Importantly, it must be noted that the findings presented here are only those received from the surveyed entities. To ensure confidentiality of company information, all findings are presented in aggregated form.

4.3.1 Agriculture & Forestry

4.3.1.1 Crop Production

Maize: The 2022/23 growing season was plagued with a plethora of challenges that proved detrimental to the maize harvest in the period. A combination of high input costs, induced by the Russia-Ukraine conflict, coupled with a heat-wave at a critical flowering stage resulted in a fall in total maize production. Evidently, maize output declined by 33.1 percent, from a record high of 127,315 metric tonnes (MT) recorded in 2021/22 to 85,201 MT in the 2022/23 season. Moreover, the national average maize yield also fell by 29.8 percent from 1.70 to 1.19 tonnes per Ha between 2021/22 and 2022/23.

The area planted also declined by 4.7 percent from 74,799 Ha in the 2021/22 season to 71,305 Ha in the 2022/23 season due to agricultural input price hikes, which resulted in disinvestment for some maize producers. In line with the total area planted, the total tractor hours also declined by 3.4 percent from 78,757 hours in 2021/22 to 75,739 hours in the reporting period.

With regards to the input subsidy program, the government increased its financial contribution from 50.0 percent to 65.0 percent to cushion farmers from the effects of price hikes. In spite of the efforts made by government, the number of farmers that registered for the input subsidy program in the 2022/23 season fell by 30.6 percent, from 15,049 beneficiaries in the previous season to 11,519.

With regards to the winter cropping program, total area planted was reported at 97.0 Ha with an estimated output of 2.20 tonnes per Ha in 2022/23. A large portion of the area planted under the winter cropping project was at Balekani and Buseleni.

The outlook for maize production is positive, with the Government sanctioned commercial maize project expected to contribute positively towards maize output. This project is envisaged to add approximately 3,000 Ha of land annually to maize production, and commercial farmers have been identified in different parts of the country to participate in this project. The input subsidy program is targeting 12,250 beneficiaries for the 2023/24 season. However, this is not anticipated to translate to increases in production volumes since the enrolment criteria will revert to the initial 1 Ha per beneficiary unlike the previous year, where it was capped at 3 Ha per beneficiary.

Cotton: Good rains were received in the 2021/22 season, which encouraged farmers to plant cotton in the season. The number of small-scale cotton farmers in the period increased by 32.9 percent from 790 farmers to 1,050 in 2021/22, collectively contributing about 1,107 Ha of land. One (1) large scale cotton grower returned to cotton production in 2021/22, contributing 60 Ha of land, following their absence in the previous season due to droughty conditions.

As a result, cotton output increased by 119.7 percent, from 417 MT in 2020/21 to 917 MT in the review period. Of the 917 MT, small scale growers were able to contribute 712 MT, boasting an average yield of 0.8 tonnes per Ha. Whereas, the large-scale cotton producer was able to contribute 204 MT with an average yield of 3.4 tonnes per Ha. The improvements in yields also benefited from the use of genetically modified organism (GMO) cotton, as the country no longer uses conventional cotton.

From the seed cotton throughput, the ginnery was able to produce 225 MT of lint and 361 MT of fuzzy seed, which is almost double what was produced in the preceding year. The significant jump in volumes coupled with increases in the prices of lint, resulted in total revenue from the ginnery rising from E6.1 million in 2021 to E16.8 million in 2022.

The outlook for cotton production is positive in the short-to-medium term, all premised on the acquisition of the South African variety of GMO cotton, as the Indian GMO cotton is expensive and does not have a specific herbicide for the weeds. Moreover, the implementation of the upcoming Mkhondvo-Ngwavuma Water Augmentation Project (MNWAP) is bringing positive prospects for the cotton industry. In the project, about 10,000 ha of land will be allocated to cotton, as an anchor crop for the southern region of the country. This is likely to lead to the construction of a new ginnery in the area.

Sugarcane: The 2022/23 season was not ideal for sugarcane production as it had numerous challenges that affected the cane output in the period. Excessive rainfall hindered access to the fields, leading to delays in harvesting. This was further compounded by internal industrial actions in some sugar companies. In addition, pest and disease infestations compromised the yield and the quality of the cane. The advent of the Russia-Ukraine conflict resulted in price hikes in agricultural inputs such as fertilizer thereby compromising some crop upkeep practices. To counter the challenges, particularly those relating to the industrial action, the sugar industry players stretched their harvesting season by approximately 10 weeks, thereby recouping on lost production.

In 2022/23, sugarcane production volumes were reported at 5,539,322 MT, reflecting a 5.2 percent increase from the 5,266,602 MT recorded in the previous season. The tonnes of cane per Hectare (TCH) improved to 96.5 in 2022/23 from 92.5 recorded in the previous season. Of note, the sucrose yields (percent of cane) decreased from 13.79% in the 2021/22 to 13.71% in the review period reflecting a poor quality of cane.

The short-term outlook for sugarcane production remains optimistic in 2023/24 season, underpinned by an anticipated increase in the area planted, improvement in weather conditions and the normalisation from industrial actions which affected output for the previous 2 seasons. On the contrary, a heavy storm in the northern part of the country affected some of the sugarcane fields, which may weigh negatively on the output for the 2023/24 season. Also, the harvesting of young cane due to extended crushing from the previous year(s) will affect sucrose yields.

Citrus and Banana: Citrus volumes fell in the review period, resulting in a decline in revenues from the product. The fall in citrus volumes can largely be attributed to unfavourable weather conditions (storms in the previous season) and disinvestments particularly on grape fruits. Even though volumes declined, the industry has made significant improvements on product quality by prolonging shelf life to reduce losses. On the other hand, banana production volumes increased in the review period, benefiting from favourable weather conditions. An additional 20 Ha of land was allocated for banana production in the LUSIP II area, which also boosted the harvest.

In the short-term the sector is projecting a good year for citrus products, coming from a low base in the previous season. Notably, lemon production is anticipated to increase as citrus companies are replacing grapefruit in favour of lemon trees, in light of market dynamics. This has been in line with the prospects for value addition to lemon products in the medium-term. Additionally, the medium-term outlook for banana production is also positive as there are some planned expansions in the area allocated under banana production, with a target of adding about 500 Ha in the next 2 years.

Vegetables: Vegetable production faced headwinds in the form of the double effect of heavy rains and hikes in prices on agricultural inputs. Excessive rainfall experienced around December 2022 resulted in waterlogging, which affected the planting schedule for vegetables. This directly impacted both conventional and baby vegetables. An estimated area of 45.6 Ha across the country was affected by the heavy rains, with the damage estimated at 127.6 MT. Moreover, vegetables were also affected by pest and disease infestation induced by the waterlogging. In the short-to-medium term, domestic vegetable production is anticipated to improve in line with the import substitution and food security initiatives.

4.3.1.2 Livestock

Cattle: The above normal rainfall experienced in the period resulted in palatable pastures and the cattle birth rates, supporting increased cattle production. The cattle births in 2022 were reported at 97,340 compared to the 92,764 recorded in 2021. This depicted a 4.9 percent growth in cattle births in the review period. Similarly, total cattle slaughters (beef production) also increased by 7.9 percent, mainly driven by home and commercial slaughters. Home slaughters improved by 4.2 percent whilst commercial slaughters increased by 12.1 percent in the year under review. Registered cattle population stood at 613,815 in 2022, reflecting a 1.9 percent increase relative to the population reported in 2021. The foot and mouth disease (FMD) outbreak in some parts of South Africa (SA) affected artificial insemination mobilization, as well as bull importation as the movement of clove and hoofed animals entering the Eswatini boundaries was prohibited.

The short-to-medium term prospects for cattle production are positive conditional on favourable weather conditions. The continued FMD outbreak has offered an opportunity for local beef farmers to sell their stock at favourable prices, however, risks remain.

Poultry: in 2022 poultry production stood at 25,620.08 tonnes, of which 485.26 tonnes were exported. The imports of chicken and chicken products amounted to 212.69 tonnes, whilst processed chicken amounted to 1,527.19 tonnes. Mechanically deboned chicken meat amounted to 2,049.47 tonnes, with chicken skin amounting to 104.86 tonnes.

Locally produced hatching eggs amounted to 6,470,991 eggs, while 23,455,332 eggs were imported from South Africa with 22,570,230 eggs hatching in the period. Total day-old chicks imported were about 1,907,200, while about 20,008,733-day chicks were subsequently sold in the domestic market. The outbreak of Avian influenza in SA forced local poultry producers to source their eggs from South America using the Mozambican ports, due to RSA travel restrictions for poultry products.

Table egg production reflected a massive decline of 21.2 percent in the period, falling from 9,208,092 eggs in 2021 to 7,258,629 eggs in 2022. The underwhelming performance was attributable to the shortage in supply for laying hens as the current stock has aged reducing productivity, given that they are at peak production from 1-2 years. Additionally, the number of farmers producing eggs also fell as a result of unfair practices by the large-scale producers. They manipulate the selling prices to scare off new competition from small-scale producers as they enjoy economies of scale. The outlook for the poultry industry remains uncertain with the outbreak of the avian bird influenza virus affecting the importation of chicks and eggs from SA.

Piggery: Domestic pork production reflected a decline of 12.0 percent in 2022 as production volumes went down from 2,225 tonnes in 2021 to 1,958 tonnes in the review period. The decline was mainly attributable to hikes in feed costs, which caused some farmers to disinvest from pork production.

There were no pork imports reported in the period as the country continued to implement the import substitution program. To cover the deficit in pork production, processed pork imports increased by 79.4 percent from 328 tonnes reported in the previous year to 577 tonnes in the period. Despite the hikes in pig feed prices and the FMD outbreak in SA, pork production domestically is anticipated to thrive in the short-to-medium term, as there are plans for investment in value addition through the investment in processed pork products and the continued implementation of the import substitution program.

Raw Milk: Total dairy cattle population (includes bulls and calves) was reported at 7,294 whilst the milking herd stood at 5,302 in 2022, reflecting a decline of 7.9 and 18.3 percent, respectively, due to a plethora of challenges. Extremely high temperatures in summer affected the grass quality and also led to tick borne diseases which was detrimental to the performance of dairy cattle and thus milk production. Moreover, the extended summer period was unfavourable to milk production as milk per cow was reduced to 8 litres per day in summer, below the 10 to 15 litres target compared to winter months where production averages 17 litres per day.

Moreover, the heat in summer also made it difficult for the cows to fall pregnant, as the pregnancy rate fell to 50 percent, which is below the expected rate of 80 percent. This resulted in the cow herd used for milk production being drastically reduced. Additionally, the high cost of feed combined with the effects of the FMD outbreak also contributed to the subdued performance in the period. As a result, domestic milk production stood at 20.1 million kilolitres, reflecting a 10.7 percent reduction from the 22.5 million kilolitres recorded in 2021. The outlook for the subsector remains uncertain, with the continued ban of SA clove and hoofed animals likely to have a negative impact on the sector, in terms of replenishment of the dairy herd and milk production.

4.3.1.3 Forestry

The subsector performed well, benefiting from positive market developments amid the challenges posed by high inflation induced by the Russia-Ukraine conflict. Despite the reduction in production volumes for some forestry products, the revenues increased in the period driven by price increases and exchange rate dynamics. The area under cultivation remained relatively the same with no significant expansions undertaken in the period. The outlook for the sector is broadly positive on account of product diversification and exploration of other export market destination, though the risk of load shedding remains high for the sector.

4.3.2 Mining & Quarrying

This sector covers mining activities (coal, gold and other minerals) as well as quarrying activities (mainly quarried stone). Coal production increased by 32.5 percent to 215,581 MT, benefitting from the granting of mining licenses. Moreover, the coal mine continued to import run of mine (ROM) from South Africa, which is high yield that is blended with low yield coal to improve overall yields of the mine.

Resultantly, the yields for 2022 improved from 50% to about 60% contributing to the observed growth in volumes. The advent of the Russia-Ukraine conflict in early 2022 resulted in higher demand for anthracite coal.

Quarried stone production, on the other hand, dropped by 28.6 percent to record 184,226 cubic metres in 2022, down from 257,871 cubic metres in the previous year, indicating a slowdown in quarry demanding construction projects during the year under review. The subdued performance in quarried stone production stemmed from the completion of a number of public sector projects with a low replacement ratio. On the positive, the ongoing Nhlangano-Sicunusa road upgrade contributed to the quarry stone volumes recorded during the period under review.

The medium-term outlook for the mining sector is positive, benefiting from good prospects under coal and quarried stone production. The extension of the existing licenses together with the issuing of new mining rights for anthracite in 2023 is expected to accelerate coal volumes. Quarried stone production is expected to rebound, benefitting from road and dam constructions projects earmarked for the short-to-medium term.

4.3.3 Manufacturing

The manufacturing sector bounced back impressively in 2022, rebounding from the impact of the COVID-19 pandemic, which caused supply chain disruptions and reduced demand. Producers were acclimatized to the effects of the Russia-Ukraine conflict, such as higher input costs.

A total of thirty-one (31) companies were surveyed within the manufacturing sector. In volume terms, twenty (20) companies reported positive performance; seven (7) recorded a decline and four (4) reported unchanged quantities. With regards to revenues, twenty-four (24) companies reported an increase, four (4) recorded a decline whilst three (3) indicated flat revenues. Profitability in the sector was mixed with twenty-four (24) companies reporting an increase in profits, four (4) recording a decline in profitability and three (3) reporting to an unchanged position. All the manufacturing sub-sectors are optimistic about the short-to-medium term, with this assumption hinged on global economic shocks being mitigated in the period.

4.3.3.1 Manufacture of Food and Beverages

The 'food and beverages' sub-sector was represented by thirteen (13) surveyed companies, which reported movements in production volumes as follows; eight (8) companies reported positive performance, four (4) reported a negative movement, whilst, one (1) recorded flat growth. In revenue terms, eleven (11) companies reported positive performance and two (2) recorded negative performance.

Food manufacturers attributed the positive performance in volumes and revenues to new investments, capacity increases and novel markets. Bolstered output recorded by the agro-processing entities (which incapsulate processors of sugar, meat and dairy inputs), benefitted from the recovery of the agricultural sector from the devastation of the La Nina weather conditions. Beverage manufacturers, that reported positive performance in production volumes and revenues, broadly benefited from exchange rate gains and the economic recovery following the COVID-19 pandemic. Companies that reported negative movements in volumes and revenues were largely affected by market dynamics, growing competition and the outbreak of animal disease, such as FMD as well as bird influenza, which affected the supply of meat to agro-processors.

In terms of profitability, ten (10) entities reported improved profits, two (2) companies reported a drop-in profit margins and one (1) company recorded similar losses year-on-year. A majority of companies recorded increased profits, although input costs continued to rise given the continuing Russia-Ukraine conflict. Entities recorded healthy revenues benefiting from favourable pricing and growing demand as economies began to normalise, post-COVID. The companies that recorded negative profits for the year, cited animal disease as a key cause for the losses, which reduced outputs coming from the agricultural sector resulting in the short supply of inputs within our economy. In the short-to-medium term, most companies envisage a positive outlook with eight (8) reporting growth supported by planned expansions, diversification, favourable weather conditions and confirmed orders for the medium-term. On the other hand, five (5) companies reported that they expected a sluggish performance due to the slow growth in the economy, disease outbreaks in the agricultural sector and rising costs of production.

4.3.3.2 Manufacture of Textiles and Wearing Apparel

Following significant disruptions in 2021 due to the covid-19 pandemic, the local textile and apparel industry embarked on a journey to recovery in 2022. However, the recovery was not broad-based as some companies remained under pressure. Six (6) companies were surveyed and provided information on volume and financial performance. Amongst these, four (4) companies reported positive performance, having recorded significant recoveries in the number of orders, revenues and profitability, though overall performance remained below pre-COVID-19 levels. These companies were able to acquire new clients, regain business that was lost during the pandemic, and maintain production costs at sustainable levels. Performance was boosted further by expansions in production lines and factory capacity, as well as products and market diversification.

On the contrary, two (2) companies reported difficulty in fulfilling orders and financial performance. As a result, one (1) of these companies realised financial losses whilst the other company reported a flat performance. Challenges faced included unfavourable global market conditions and prolonged labour disputes which resulted in the closure of certain productions lines, reduced work shifts and retrenchments within the industry.

The sub-sector outlook remains positive with a few downside risks. The ongoing post-COVID-19 recovery is expected to continue in the short-term, supported by recently acquired markets, product line diversification, efficiency gains from technological advancements in the value chain, and recently completed factory renovations and expansions. However, the outlook is threatened by lingering labour disputes, rising production costs, weakening demand, slow and unstable global recovery, as well as the ongoing energy crisis and saturated market in SA.

4.3.3.3 Other Manufacturing

A total of twelve (12) companies were surveyed in the review period. Of these, eight (8) performed well in 2022 driven by increased momentum in post-COVID-19 recovery, diversification of products and markets, efficiency gains from the automation of processes, and the gradual pickup in demand in local and export markets. Ten (10) entities reported higher revenues in 2022 relative to 2021, benefiting from higher volume production, price adjustments, efficiency enhancements, and new markets. Subsequently, nine (9) companies realised profits in 2022, though profit levels have not returned to pre-COVID-19 levels. Profits were boosted by the increased revenues and cost cutting measures implemented during the year. Two (2) companies recorded lower production volumes and revenues in 2022, on account of increased competition from cheaper imports.

The outlook is generally positive, owing to continued post-pandemic recovery, momentum in new regional and global markets, capacity expansions, and new products. Manufacturers of construction materials anticipate improvements in the implementation of the government capital programme and a general uptick in private sector construction projects.

4.3.4 Electricity and Water Services

To gauge utilities' performance during the period under review, three (3) companies were surveyed, including the energy regulator.

4.3.4.1 Electricity

On the supply side, total electricity generation (both hydro and solar) grew by 23.5 percent to record 373.9 GWh in 2022/23 from 302.8 GWh in 2021/22. Hydro power generation rose by 24.8 percent to 352.5 GWh in 2022/23, benefitting from good rains that supported generation for longer periods. Solar generation, on the other hand, grew by a slower 4.7 percent to record 21.4 GWh during the same period. In line with the good performance of local power generation, total imports for the review period declined by 7.4 percent to 853.7 GWh from 920.6 GWh in the previous period. Electricity consumption grew by a marginal 0.5 percent to 1,129.4 GWh in the review period, from 1,123.6 GWh in the previous year. On account of slower increase in sales coupled with a bigger increase in production, the country imported approximately 75 percent of its power in total, with a bulk sourced from SA and the difference from Mozambique.

Prospects for the energy subsector remain relatively positive, in line with electricity generation projects earmarked for the short-to-medium term. Approximately 50.0 MW is planned for hydro power, 40.0 MW biomass, and a staggering 300.0 MW on thermal.

4.3.4.2 Water

Treated water consumption fell by 9.1 percent in 2022/23 to record 12.88 million kilolitres compared to 14.16 million kilolitres in the previous period. The decrease was observed both in commercial and households' categories. In the medium term, the subsector is expected to continue with the implementation of projects targeted at increased access to potable water. Some of these projects will include the ongoing Ezulwini water project, and new projects such as Lomahasha – Namaacha, Manzini Water Supply (Lot 1 and 2) and Shiselweni project.

4.3.5 Construction

Three (3) companies and the regulator were surveyed under the construction sector in the period under review. All three (3) companies reported poor performance in the period owing to the completion of several major projects, particularly those under government. As a result, revenue generated, and profit margins were on a downward trend in the review period. On the other hand, the regulator reported that there was growth observed in subscriptions and registration fees, reflecting increased compliance by industry players.

In terms of industry performance, there were several projects implemented in 2022, cutting across both the public and private sector, and classified under building, civil, artisans, mechanical and electrical works. According to the industry statistics, 326 projects were registered in 2022 relative to 224 projects in 2021. The outlook for the industry is broadly positive, as all surveyed entities reported positive prospects in the short-to-medium term. Earmarked projects in the short term include road construction, water projects, dams' construction, and buildings amongst others.

4.3.6 Wholesale & Retail

The 'wholesale & retail' sector comprises of car dealerships, fuel retailers, supermarkets, wholesale & retail of construction material, and pharmaceutical products. The sector was represented by a total of twelve (12) companies, of which six (6) companies recorded positive performance, whilst the other six (6) reported negative performance. Six (6) companies reported revenue amounting to E2.433 billion in 2022, reflecting a growth of 31.8 percent, with the fuel sub-sector accounting for 57.7 percent of the revenue.

Three (3) companies in the wholesale of fuel participated in the survey. On average, the sub-sector recorded an increase in volume sales due to higher demand, mainly from commercial activities. This was particularly from coal transportation coupled with support from SA depots which boosted supply. However, one (1) company in the sub-sector reported a decline in fuel volumes due to supply constraints. The developments in fuel volumes supported revenue growth for two (2) companies that recorded growth in volumes, whilst the other company that had a decrease in volumes also recorded a decline in revenues. All the companies surveyed within the fuel retail segment reported that their profit margins were under pressure due to high cost of sales, that could not be fully transferred to the consumer due to the regulated selling prices. The medium-term outlook for the fuel retail subsector is broadly positive, on account of planned expansions and anticipated relaxation of the policy on the importation of fuel.

A total of four (4) companies in the car dealership retail sub-sector participated in the survey. Three (3) companies reported a positive performance in terms of volumes and revenues, whilst one (1) establishment reported a negative performance. On average, revenues were on the upside mainly driven by an increase in demand for passenger and heavy-duty commercial vehicles. However, one (1) company reported that revenues significantly fell in the period under review, owing to dwindling local demand for their car brands. In line with the revenue movements, two (2) establishments reported an increase in profits during the period under review, whilst one company reported a loss. In the medium term, the subsector remained optimistic that positive performance would be sustained, largely benefiting from increasing local demand and product diversification to include motorcycles and electric cars.

Three (3) supermarkets participated in the survey, of which two (2) recorded poor performance on account of higher operational costs mainly electricity, petrol and rising cost of sales, which were linked to the effects of the Russia-Ukraine conflict. In addition, there was a temporary closure of some branches for refurbishment in the aftermath of the vandalization of property, that was linked to the socio-political unrest experienced in 2021. One (1) establishment reported an improved performance in the period under review, owing to high volumes of sales particularly from the rural customers as people migrated to the rural areas during the COVID-19 lockdowns.

The medium term remains broadly positive as companies anticipate expansions and increasing coverage to rural and peri-urban areas coupled with product diversification.

Other sub-sectors within the 'wholesale & retail' was represented by two (2) companies in the period under review. Volume sales fell in 2022 due to supply chain disruptions emanating from production challenges relating to the energy crisis in, rising costs and logistics. Similarly, revenues fell in the year under review, depicting a slowdown in volumes sold on account of base effects from the COVID-19 pandemic. The outlook for the sub-sector is on the downside, owing to the persistent energy crisis in SA and increasing costs of imports due to a depreciation of the local currency.

4.3.7 Tourism

In the 2023 company survey, eight (8) entities were surveyed including the regulating authority. The tourism sector signalled a strong rebound in 2022, following the easing of COVID-19 restrictions and opening-up of the economy. Tourist arrivals increased by 138.5 percent to 502,541 in the review period, indicating strong recovery by the sector. Notably, the growth in international arrivals was driven by short-haul travellers. On the other hand, international arrivals by long-haul travellers recorded marginal growth, discouraged by the high inflationary environment. The regulator, also reported an improvement in day visitors for the year 2022, which grew by a significant 187.0 percent to 107,945 visitors in the year under review, from 37,525 visitors the previous year.

The stated favourable performance was mostly driven by conference bookings, as the government and non-governmental organizations (NGOs) continued to select distant workshops with lodging. Additionally, all of the establishments reported increases in the total number of bed nights sold during the year. Two (2) of the surveyed enterprises reported a minor increase in international visitors in the form of tour busses, indicating a return to normalcy for the sector post-COVID. The sector's performance was also supported by an increase in domestic tourism, which was driven by outdoor promotional events that increased food and beverage sales for the evaluated establishments.

In terms of financial performance, all the establishments reported record high revenues on account of base effects from the COVID-19 period, ranging between 30 and 70 percent. Though profitability drastically improved, it was toned down by the relatively high expenditures as well as marginal price increases, in light of the inflationary environment.

Over the medium term, the subsector is expected to grow primarily due to an anticipated growth in both domestic and international tourism. Tourism industry players intend to invest in their facilities to increase capacity on conferencing, as well as improve their venues for entertainment services. Partnerships with business entities and marketing tactics present additional chances to support the projected expansions. Furthermore, with the operation of the new airline and the increase in bus trips, are amongst other reasons that will support the tourism industry in the shor.t-to-medium term.

4.3.8 Financial Sector

Twenty (20) entities from the financial sector participated in the 2023 survey. The sub-sector is divided into banking and non-banking institutions (NBIs). During the review period, five (5) banking institutions and fifteen (15) non-banking institutions were surveyed.

4.3.8.1 Banking

All the surveyed banks reported on the performance of their loan books. Data reported by the five (5) institutions depicted that performance of the loan book value increased by 5.2 percent in 2022 relative to 2021. Growth in the loan book value was partly supported by the economy's notable recovery from the COVID-19 setbacks, which saw an upsurge in capital business loans. Major improvements made within the digital banking space gave consumers better access to services, which supported growth in credit extension, particularly towards unsecured loans.

Four (4) of the total surveyed banking institutions reported on revenue performance. Data indicates that all the institutions realized revenue growth of 19.5 percent year-on-year, to E2.810 billion in 2022. The increase in total revenue was mainly attributed to higher transaction volumes and growth in the loan book value, for most of the institutions. This was mainly in housing, vehicle finance, as well as corporate loans. The cumulative 225 basis point increase in interest rates in 2022 bolstered revenue growth for the majority of the institutions' credit lines, resulting in a 27.0 percent year-on-year increase in the net interest income to E1.436 billion in 2022.

Data on profitability was received from four (4) banking institutions. The consolidated profit for the sub-sector grew from E758.2 million in 2021 to E990.9 million in 2022, depicting a year-on-year increase of 30.7 percent. The sub-sector had mixed developments in profitability, with only three of the banks reporting profits, whilst one (1) bank realized a loss during 2022. Performance for the sub-sector was counteracted by the high operating cost environment, weak economic conditions, as well as high non-performing loans (NPLs).

The sub-sector's outlook is broadly positive for all the financial institutions in the short-to-medium term, leveraging on the prevailing high interest rates environment. On the other hand, the institutions expect to increase credit extended to companies within the agricultural and manufacturing sectors as well as SMEs, and the government. The combination of high interest rates and increasing credit extension will support growth in interest income. Furthermore, efficiencies aimed at cutting operating costs, through the rolling out of Automated Teller Deposits (ADTs), as well as investments in Fintech solutions will add to the positive prospects for the banking sector.

4.3.8.2 Other Non-Bank Financial Institutions

Asset Management

From the asset management subsector, a total of four (4) companies participated in the 2023 survey. Performance was mixed, with three (3) companies reporting good performance whilst one (1) had a tough year. In terms of financial performance, three (3) companies recorded an increase in revenues benefitting from several factors: a rise in assets under management, good performance of the different portfolio investments, high interest rates, refinancing, the acquisition of new clients, as well as the gradual post-COVID-19 recovery. As a result, two (2) companies recorded an increase in profits. On the other hand, one (1) company did not perform well in 2022, recording declines in revenue, and pre-tax losses. The company is faced with internal challenges that are expected to filter into the medium term. Though its outlook remains bleak, the loss position is gradually improving, mainly supported by cost containment initiatives.

Two (2) asset managers anticipate a positive outlook into the medium-term, on the backdrop of continued post-COVID-19 recovery. Money market funds are expected to perform better in the short term due to ongoing global high interest rates cycle. In addition, asset managers linked to infrastructure bond and related developments, will benefit from the improvement in the government's financial position. However, all surveyed asset managers noted risks to the short-to-medium term outlook. This arises from the elevated geopolitical tensions, the tightening financial conditions, the energy crisis in South Africa that is threatening investors, and the implications of the grey listing of South Africa, which remains Eswatini's key investment hub.

Credit Provision

Three (3) credit providers participated in the 2023 survey. These included both development financiers and micro money lenders. All surveyed credit providers reported good performance in 2022, as SMME's and the general populace gradually recovered from the COVID-19 pandemic.

In terms of revenues, all three (3) companies experienced growth, which was driven by upward adjustments in credit limits, an increase in the number of customers both new and recently whitelisted ones, as well as the recapitalization of non-performing loans and unpaid interest. Though elevated, revenues were below budget for the year due to the slower than anticipated post-COVID-19 recovery by SMMEs, which resulted in them exercising caution when it came to new investments. In addition, growth in personal loans was muted as their clients had over-extended themselves during the pandemic and had not fully recovered, whilst also facing stagnant incomes and rising cost of living. As a result, the profit levels of two (2) of the companies fell below 2021 levels, with only one (1) company gaining higher profit margins. Profitability was also affected by an increase in expenditures associated with once-off capital expenditures. Furthermore, an increase in non-performing loans was observed as rising interest rates increased clients' loan burdens and inflation eroded their purchasing power.

The outlook for the subsector is positive as all surveyed entities project improved performance. The companies have embarked on various strategies to increase the loan book and diversify their products. These include the revamping of products and services offered, further adjustments in credit limits, and the vigorous promotion of micro loans via mobile platforms. In addition, the subsector expects to benefit from the continuous post-COVID-19 recovery by SMMEs.

Insurance

A total of five (5) insurance subsector companies were visited during the 2023 company survey. All five (5) entities reported positive performance in terms of profitability, however, the profits regressed from the previous financial year. With regards to policy holders or membership, there was a net-off as some entities reported increased membership whilst others cited reduction in their policy holders. Similarly, a majority of the companies (4) reported an increase in premiums, mainly benefiting from either price adjustments effected in the period or new membership. Entities that posted increased premiums reaped the rewards of product diversification, the launch of digital products and intense marketing. Only a single entity reported a decline in its premiums in the period.

Moreover, the insurance industry saw a massive reduction in claims in the review period, as most entities reported lower claims in 2022 relative to the previous year, mainly attributable to the recovery from the COVID-19 pandemic. Claims in the period were cumulatively reported to have fallen by 50.0 percent, supporting company profitability. Moreover, a majority of the entities were able to curtail their expenses in the period.

Resultantly, the combined revenue for the five (5) companies amounted to E2.050 billion in 2022, depicting a growth of 10.2 percent from the E1.860 billion recorded in 2021. In terms of profitability, the entities' combined profits regressed from E439.0 million in 2021 to E335.0 million, reflecting a slowdown of 23.7 percent in the review period.

The short-to-medium outlook for the sector was reported to be optimistic. This benefitted from the automation and digitalization of systems, launch of digital products, as well as the diversification of insurance products, coupled with sensitization of clients on available products. Additionally, the construction of new mega projects such as the Mkhondvo-Ngwavuma water augmented project presents positive prospects for the insurance industry.

Pension and Retirement

Two (2) entities were surveyed under this subsector. There were mixed developments in revenues for the entities that participated. One entity reported declining revenues, on account of lower premiums, whilst the other entity reported an increase in revenues owing to increased member contributions and property income. Regarding profitability, both entities recorded surpluses in 2022, though lower than those of the previous year. The narrowing of profitability margins is attributed to the market-self-correcting amid the high inflationary environment, which triggered interest rates to rise drastically.

The outlook for the sector is uncertain. On the positive, inflationary pressures are anticipated to moderate in the short-term curtailing the rise in interest rates. On the contrary, geopolitical tensions are expected to have a negative impact on offshore investments.

4.3.9 Transport & Storage

The survey team visited six (6) entities involved in the transportation services and the storage of goods in the 2023 survey exercise. The entities visited fell within the different modes of transportation i.e., air, rail and road freight.

4.3.9.1 Air transport

The commercial aviation industry reported continued recovery in the period, following the complete easing of COVID-19 restrictions. However, newer restrictions related to entry visa requirements in SA dampened potential traffic for the domestic economy, particularly for passengers with Asian descent. Moreover, negative pressures also emanated from the high costs of fuel and other maintenance fees, due to the high inflationary environment in the period, which affected profitability. Furthermore, cargo traffic declined owing to falling imports, mostly for the SME clients. The outlook is positive for the industry following the establishment of a new airline, which will introduce additional routes and time schedules.

4.3.9.2 Rail transport

Activity under the rail transport improved in 2022, benefiting from the execution of a business diversification strategy by the surveyed rail company. The company managed to transport more volumes, despite observed mixed performance in the different product lines, thereby boosting revenue generation in the review period. The company envisages positive performance in the short-term, in line with the potential of good performance in some products transported, as well as diversification in the product base.

4.3.9.3 Road freight

A total of three (3) entities were surveyed under the road freight in 2022. Positive performance was reported in two (2) of the companies, following growth in the volume of goods transported in the period. The two (2) companies further reported higher revenues in the period as well as positive bottom-line balances, despite grappling with rising transportation costs. On the other hand, poor performance was reported by one (1) of the companies due to disruptions experienced in operations, which negatively impacted transport volumes in the period. The medium-term outlook for the industry is broadly positive, however uncertainty remains on the recovery of consumer spending from the inflationary pressures in the short term. A rebound for the industry will be boosted by growth in key sectors i.e., manufacturing and construction, whilst limited volumes are expected under agriculture, in particular sugar cane production.

4.3.9.4 Storage

The storage subsector was represented by a single company in the period, which reported positive performance. Revenue margins were reported to have increased in line with the return to full operation of the domestic economy, following the COVID-19 pandemic. Positive prospects are further envisaged in the short-term, supported by enhanced operational systems.

4.3.10 Information & Communication

A total of five (5) companies and one (1) regulator were surveyed from the information, communication, and technology (ICT) sector. Of the five (5) entities, all were able to report information on revenues, while three (3) companies provided insight on volume indicators. Likewise, there were four (4) companies that provided information on profitability.

Overall, the ICT industry was reported to have a positive performance in 2022. In terms of volumes, the three (3) companies that reported on volumes information recorded growth in the period emanating from heightened demand in the ICT services, in the form of data usage, owing to technological advancements, as well as price decreases in the period. Additionally, the sector also saw an increase in network capacity and coverage, which supported new customer entrance to boost activity in the period.

All five (5) companies reported information on revenue performance. Four (4) of the five (5) companies reported positive revenue growth, emanating from increased internet (data) demand due to overall increased subscribers in the period. In terms of profitability, two (2) companies realized profits in line with the increase in revenue. The other two (2) companies reported losses in the period, which were attributable to rising costs linked to the impact of the Russia-Ukraine conflict. This impacted exchange rates, making bandwidth prices very costly, as they are US dollar denominated. Moreover, losses emanated from increased ICT-related infrastructure damages in the period, curtailing revenue mobilization efforts.

Regardless of these mixed developments in the period, all companies surveyed reported a relatively positive outlook in the medium-term. The outlook is dependent on the implementation of strategies, in relation to continued infrastructure investment, as well as improvements in network coverage.

Projects earmarked to drive growth in the medium-term include increasing network capacity, the anticipated 5G network, fibre network rollout, as well as other company-specific projects that will benefit the industry. Likewise, the availability of ICT services in the economy will spur development in ICT-linked sectors such as supporting existing and new Fintech platforms and other solutions.

The regulator reported that there were price changes in the ICT industry, especially for voice and data, which were reduced by an accumulated 60.0 percent, between the periods 2019/2020 and 2021/22. The regulator issued 89 licenses in 2022 from 56 licenses in 2021, which reflected a 58.9 percent growth. Due to the demand for licenses for supply of ICT-related services to Emaswati, the regulator anticipates awarding 121 licenses for the year 2023/24.

4.3.11 Real Estate

A total of three (3) companies participated in the survey. The surveyed companies reported a mixed performance, with two (2) indicating growth and the other reporting a decline in activity.

The higher interest rates, owing to a tight monetary policy stance, resulted in higher mortgage repayments, which compelled landlords to increase rental prices in order to cushion their mortgage repayments. The three (3) companies recorded narrower losses in the year on account of lower default rates on rental payments, given the recovery from the effects of the COVID-19 pandemic, higher listings as people dispose of property on account of the rising interest rates and the increasing demand for commercial spaces.

The outlook for the short-to-medium term is broadly positive, on the back of the legislation allowing for sectional title deeds and a number of estates that have properties that are still in the market. In addition, the proposed construction of new headquarters by some entities is expected to drive growth in this sector, though likely to have a dampening effect on occupancy levels, resulting in a decline in rental income.

4.3.12 Health and Education

A total of six (6) entities were surveyed under the health and education sectors in the period, with four (4) falling within health, and two (2) coming from education.

Out of the four (4) companies surveyed under the health sector, three (3) reported growth in volumes in the period, whilst one (1) recorded flat growth. Overall, inpatients and outpatients were on the rise following the return to normalcy post the COVID-19 pandemic. Health conditions attended in the period included those related to flu, lower and upper respiratory conditions, diabetes, hypertension, and maternal health care amongst others. In terms of financial performance, three companies provided information on net income, of which two (2) reported surpluses in the period, whilst the other recorded a deficit. The outlook for the sector is expected to remain positive in line with the full recovery from the pandemic, as medical cases are expected to increase to pre-COVID-19 levels. Additionally, some institutions are expected to adopt cost-cutting measures and hire medical specialists that remain scarce in the domestic economy.

Two (2) entities were surveyed under the education sector and reported mixed performance in 2022. One (1) entity reported recovery, in line with an increase in private-sponsored students, hence recording improved enrolment in the period under review. This boosted the financial performance of the entity, which had previously been recording deficits. The other company reported declining enrolment, due to a number of issues related to funding and changes in entry requirements. As a result, revenues for this entity continued to be on a downward trend and further recorded a deficit in the period. In the short-term, both entities anticipate a better outlook, which will benefit from higher admissions and the implementation of cost-cutting measures. Notably, Government remains a crucial factor in the operations of the health and education sectors through subvention and the funding of infrastructure development mainly for the public entities.

4.3.13 Public Administration

The public administration sector involves operations undertaken by regulatory entities that are not sector specific, coupled with activities of local government. Four (4) entities were therefore, surveyed under this sector, which included three (3) municipalities and an entity with a regulatory mandate. All four (4) entities reported a positive performance in the period.

The regulator's performance was reported to have improved in the period, as more resolutions were taken to support a conducive playing field for businesses. In terms of financial performance, the regulator's total revenue increased, and it also recorded a surplus in the period under review, supported by the recovery in market activity. In the short-to-medium term, more regulatory work is planned to support a conducive business environment.

Under municipalities' performance, all three (3) entities reported growth as revenue generated increased. The main source of revenue remained the payment of rates, whilst government subvention was either declining or flat for the three reporting entities. In terms of infrastructure development and projects implemented in the period, works included construction and rehabilitation of roads, installation of streetlights, construction of drainage systems as well as Public Private Partnerships (PPP)-funded projects i.e., township developments, commercial office space, residential flats, shopping centres, amongst others. In the short-medium-term, all three (3) municipalities anticipate a better outlook, supported by the envisaged increase in activity including selling of plots, implementation of private sector projects and PPP-funded projects. Infrastructure development projects such as road upgrades and other maintenance works are planned to continue in the medium term.

4.3.14 Professional Services

Five (5) companies were surveyed under the 'Professional Services' sector in the period. These companies cut across business administrative, legal, security and investigation activities. In the period under review, there was mixed performance observed for this sector as three (3) of the five (5) companies reported improving performance, whilst the other two (2) indicated flat and declining performance, respectively. Supporting the positive performance was the increasing economic activity, in line with the full recovery post the COVID-19 era, with more clients demanding business administrative services such as auditing and security. However, economic activity in this sector was weighed down by escalating costs in the period, due to inflation challenges, which affected profitability in most of these entities.

In the short-to-medium term, positive performance is envisaged as more contracts are being secured, coupled with predicted expansions in critical sectors, as well as efficiency gains in some entities.

4.4 Employment

This section covers the employment trends of surveyed entities, cost-of-living adjustments (where provided) as well as the general labour environment over the period.

4.4.1 Employment Trends

Employment trends were calculated using a pooled sample with 2021 kept as the base for the analysis. For companies that did not provide employment data in the 2023 Company Surveys, figures from the previous survey (2022) were assumed to remain constant. In cases where earlier years of data was missing for companies that were added in the 2023 survey, employment trends in earlier years were assumed to be the same as current data or adjusted as per qualitative information provided. The pooled sample stood at 129 companies.

Employment trends for the pooled sample depicted a 4.1 percent growth in 2022 from a 3.8 percent growth in 2021. The main contributing sector to the growth in the overall employment trend was 'manufacturing', which recorded a growth 9.1 percent. The growth within the manufacturing sector employment was supported by developments in the 'food & beverage' and 'textile & wearing apparel', which grew by 9.4 percent, and 9.0 percent, respectively.

Within the 'food & beverage' subsector positive employment trends benefited from agro-processing mainly sugar, sugar products and manufacturing of bakery products. Of note is that the growth in the sugar industry was dominated by temporal employment as opposed to permanent jobs. The significant increase on temporal employment was due to challenges that were posed by above normal rains weather conditions that required more manpower in order to get sugarcane to the mills. Other factors that supported growth in employment included positive impacts of product diversification, ongoing subsector-specific capacity expansions, and increased external demand amid various international disruptions, in the year. The 'mining' sector employment increased by 8.7 percent, benefitted from an increase in the mining of coal activities. Other increases were observed in the 'tourism' (8.9 percent), 'health' (1.4 percent), and 'professional, scientific, and technical activities' (12.6 percent) sectors. Growth in the 'tourism', and 'professional, scientific, and technical activities' benefitted from increased demand for such services, particularly tourism-related activities which continued to recover from the COVID-19-induced losses that were linked to travel restrictions.

On the contrary, decreases in employment levels were observed in 'agriculture & forestry' subsector, which decreased by 6.4 percent due to consolidation measures that resulted in cut-backs in employment numbers in the forestry subsector.

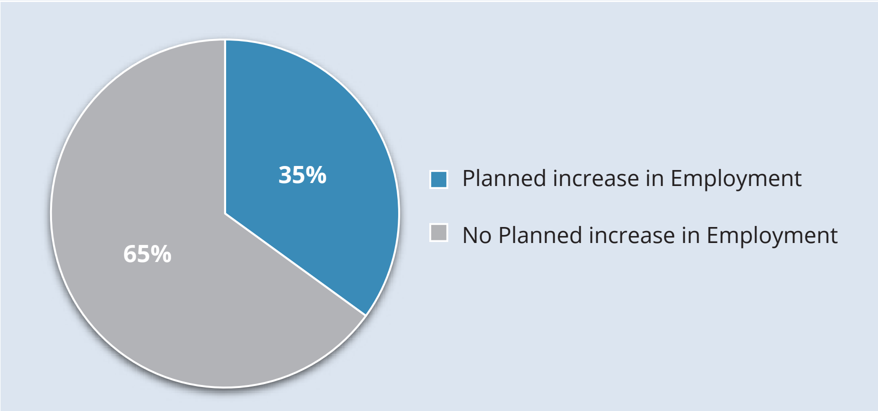
Table 2: Employment Numbers by Sector

Sub-sector	Count	Headcount Levels				Growth Rates		
		2020	2021	2022	2023	2021	2022	2023
Agriculture	5	4,856	5,335	4,992	4,986	9.9%	-6.4%	-0.1%
Mining	2	572	481	523	523	-15.9%	8.7%	0.0%
Manufacturing	32	20,973	21,543	23,513	24,007	2.7%	9.1%	2.1%
Utility	2	1,234	1,410	1,397	1,433	14.3%	-0.9%	2.6%
Construction	4	1,623	2,023	2,030	2,025	24.6%	0.3%	-0.2%
Wholesale & Retail	12	2,999	2,955	2,889	2,891	-1.5%	-2.2%	0.1%
Transport	7	1,571	1,528	1,526	1,513	-2.7%	-0.1%	-0.9%
Tourism	9	689	639	696	744	-7.3%	8.9%	6.9%
Information, Communication and Technology	6	1,356	1,378	1,383	1,407	1.6%	0.4%	1.7%
Financial Services	19	2,380	2,466	2,487	2,675	3.6%	0.9%	7.6%
Real Estate	4	127	120	120	109	-5.5%	0.0%	-9.2%
Professional, Scientific and Technical Activities	5	795	898	1,011	1,116	13.0%	12.6%	10.4%
Public admin	1	23	25	25	25	8.7%	0.0%	0.0%
Education	2	785	804	787	783	2.4%	-2.1%	-0.5%
Health	4	1,636	1,602	1,625	1,609	-2.1%	1.4%	-1.0%
Regulator	7	166	172	176	168	3.6%	2.3%	-4.5%
Marketing Board	5	301	286	276	276	-5.0%	-3.5%	0.0%
Government	3	149	154	157	157	3.4%	1.9%	0.0%
Total	**129**	**42,235**	**43,819**	**45,613**	**46,447**	**3.8%**	**4.1%**	**1.8%**

Source: Company Surveys (2023)

Headcount in the short-term is expected to grow modestly by 1.8 percent following better overall economic expectation depicted by year-to-date performance of various subsectors in 2023. 'Manufacturing' (2.1 percent), 'financial services' (7.6 percent), 'ICT' (1.7 percent), and 'tourism' (6.9 percent) are all expected to grow at the back of increased activity in these subsectors as they continue with their subsector-specific expansion plans. Continued market exploration, better economic activity for 2023, company expansions, as well as the multiplier effect of Government-linked capital programmes are expected to lead headcount increases in Eswatini in 2023 towards the outlook. A sustained positive economic growth outlook will support increases in headcount as companies continue to be active in the economy. Of note, is that the growth in employment levels is not broad-based. From the surveyed entities, employment outlook for 2023 depicted that only 35 percent are planning to increase employment against 65 percent of companies that reported that they have no plans to increase employment levels in the short term.

Figure 4: Planned increase in Employment Numbers for the Short-to-Medium Term



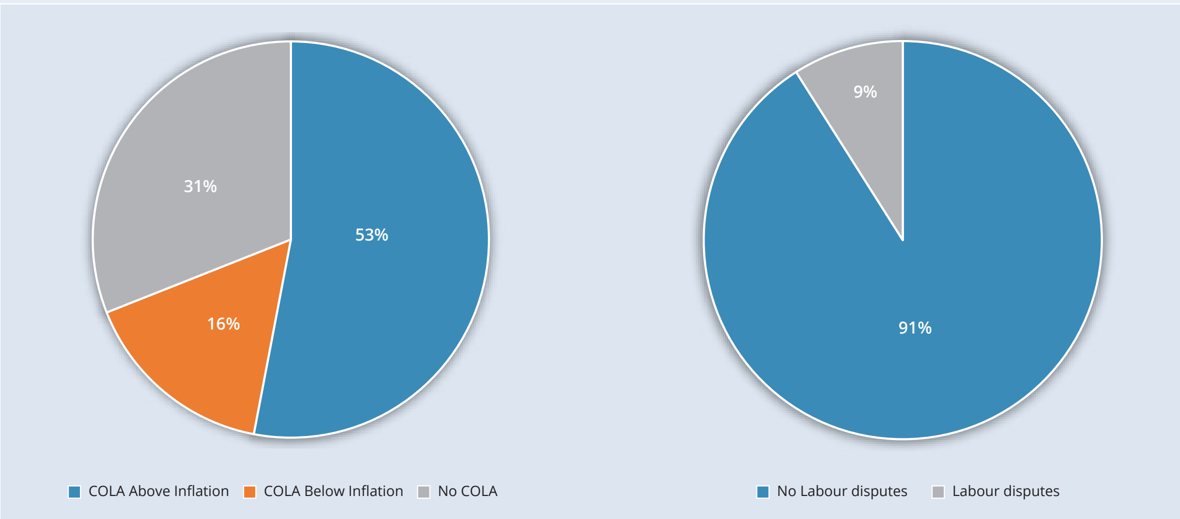
Source: Company Surveys (2023)

4.4.2 Other Labour Developments

In 2022, there was a notable acceleration in prices from an average of 3.7 percent in 2021 to 4.8 percent in 2022, with food and fuel prices recording double-digit growth. Of the total surveyed companies, sixty-four (64) companies (52.9 percent) awarded cost of living adjustment (COLA) that is above inflation while 48 companies (30.8 percent) awarded below inflation. Twenty (20) companies (6.5 percent) did not award COLA in the review period.

The awarding of cost of living was positively correlated with performance of companies. Companies that reported poor performance in the review period were unable to award COLA. In terms of industrial action 11 companies (9 percent of total entities surveyed) reported to have had an industrial action in the review period. These were mainly in manufacturing sector (mainly food and textile manufacturing), education sector, mining and transport sectors.

Figure 5: Cost of Living Adjustments in 2022



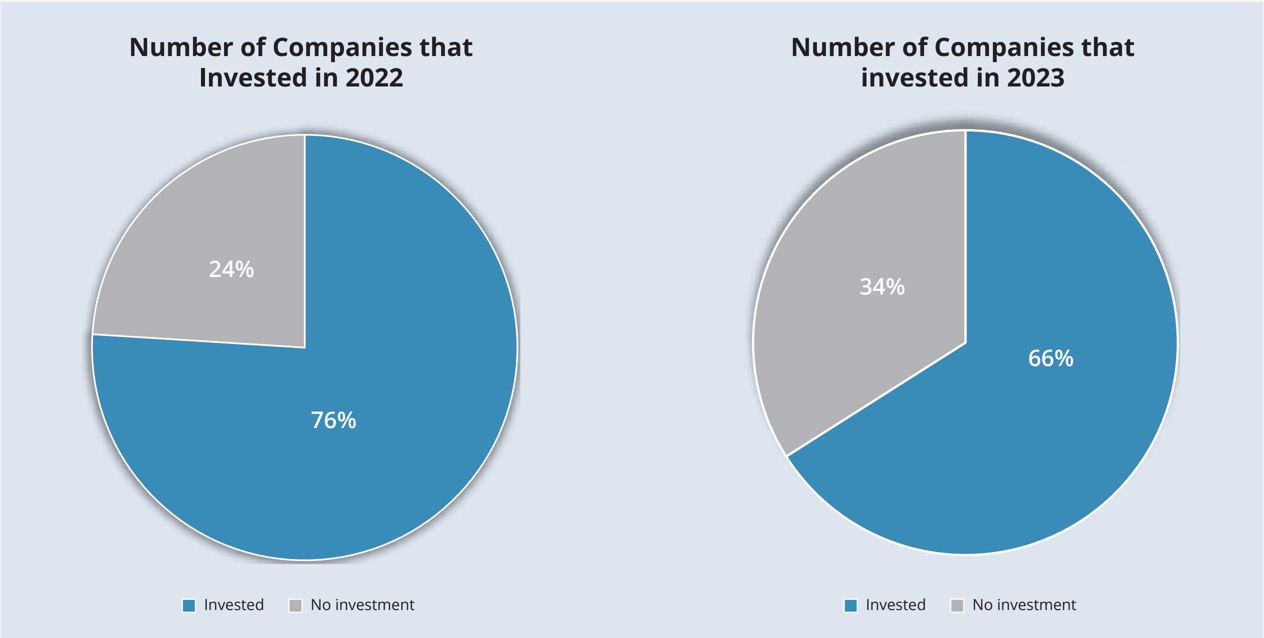
Source: Company Surveys (2023)

4.5 Investment

All companies that participated in the 2023 survey were requested to provide detailed information on investment in 2022 and planned investment for the short-to-medium term (2023 to 2025). Ninety-two (92) companies

(76 percent) reported that they engaged in some aspect of capital investment in 2022. The investments undertaken were broadly on 'equipment & machinery,' 'land & buildings,' 'vehicles' and 'software'. Fifty (50) companies reported to have invested in 'machinery & equipment', thirty-seven (37) companies reported investment in 'land & buildings', twenty-seven (27) companies reported investment in vehicles while twenty-two (22) companies recorded investment in intangible assets – mainly software.

Figure 6: Investment Trends of Companies 2022 and 2023



Source: Company Surveys (2023)

For 2023, the number of companies with investment plans was recorded at 80 (66 percent of the total companies) while, forty-one (41) companies (34 percent) reported that they had no plans on future investments. Planned investment by category is dominated by 'machinery & equipment' at 44 companies, followed by 'land & buildings' reported by 29 companies. Investments in 'vehicles' and 'software' stood at 13 and 10 companies, respectively.

Data collected from the surveyed entities reflected that investment increased significantly in 2022 relative to the figures reported in 2021, surging by 51.2 percent year-on-year to E2.612 billion, mainly buoyed by sizable investment undertaken by entities in the manufacturing and utility sectors.

A sectoral analysis of capital investment indicated that the 'utilities' sector spent about E878.5 million in capital investment during 2022, depicting a growth of 71.5 percent from E512.3 million posted the prior year. Bulk of the investment in this subsector was channelled towards capital projects, in water and sanitation infrastructure, as well as electricity generation. A further E36.1 million was utilised for the procurement of working vehicles during the same year.

Within the 'manufacturing' sector, an estimated E922.0 million was invested in 2022, with 88.8 percent (E818.4 million) being spent in the 'food and beverages' sub-sector. Bulk of the investment, amounting to E476.1 million, was directed towards capacity expansion and automation in the sub-sector. A further E69.9

million (versus E61.0 million in 2021) capital investment expenditure was undertaken in the 'textile' sub-sector in 2022. The expenditure was primarily focused on the expansion of working space and procurement of vehicles.

Investment towards the 'financial services' sector amounted to E240.7 million in the period, depicting a two-fold increase from the capital investment expenditure in 2021. Investments were observed in the 'banking', 'insurance', and 'pension funds' sub-sectors. A value of E159.9 million capital investment was expensed in the 'banking' sub-sector during the review period, with E50.0 million channelled towards land & buildings. A sum of E21.1 million was invested towards the acquisition of computer hardware and software, as the sub-sector implemented its digital strategies. The sub-sector spent E24.2 million in other projects aimed at improving efficiency in the financial system. The 'pension funds' sub-sector reported an investment of E40.0 million that was channelled towards the construction of office buildings, whilst E39.5 million was directed towards improving IT systems and purchasing equipment, as part of the automation and digitization strategy within the insurance sub-sector.

Capital investment spent in the 'wholesale & retail' sector totalled E135.7 million during 2022, distributed among 'supermarkets', 'fuel wholesalers' and 'car dealerships' sub-sectors. Investment expenditure in the 'supermarket' sub-sector, which accounted for 50.9 percent of total investment in the 'wholesale & retail' sector, amounted to E69.1 million and was spent on refurbishment of existing shops and the construction of new shops, as well as acquiring new vehicles and equipment. In the 'fuel wholesalers' sub-sector, an amount of E46.6 million was invested in the equipment category (mainly the installation of new tanks and pumps) and refurbishment and building of new filling stations. Furthermore, the 'car dealerships' sub-sector expensed an amount of E20.0 million, which was attributable to the purchase of vehicles.

The 'agriculture & forestry' sector reported an expenditure of E117.2 million in 2022, which was mainly channelled towards the construction of warehousing space, as well as the erection of treatment plants to improve production in the 'forestry' sub-sector. Investment expenditure in the 'information & communication' sector amounted to E156.3 million. The investment was related to the construction of office buildings, vehicles, acquisition of software, as well as expenditure on 'machinery & equipment' to improve quality and network coverage. The 'mining & quarrying' sector spent a minimum of E72 million in capital expenditure in 2022 on 'machinery & equipment' which was aimed at improving efficiencies and enhancing productivity.

4.5.1 Investment Outlook

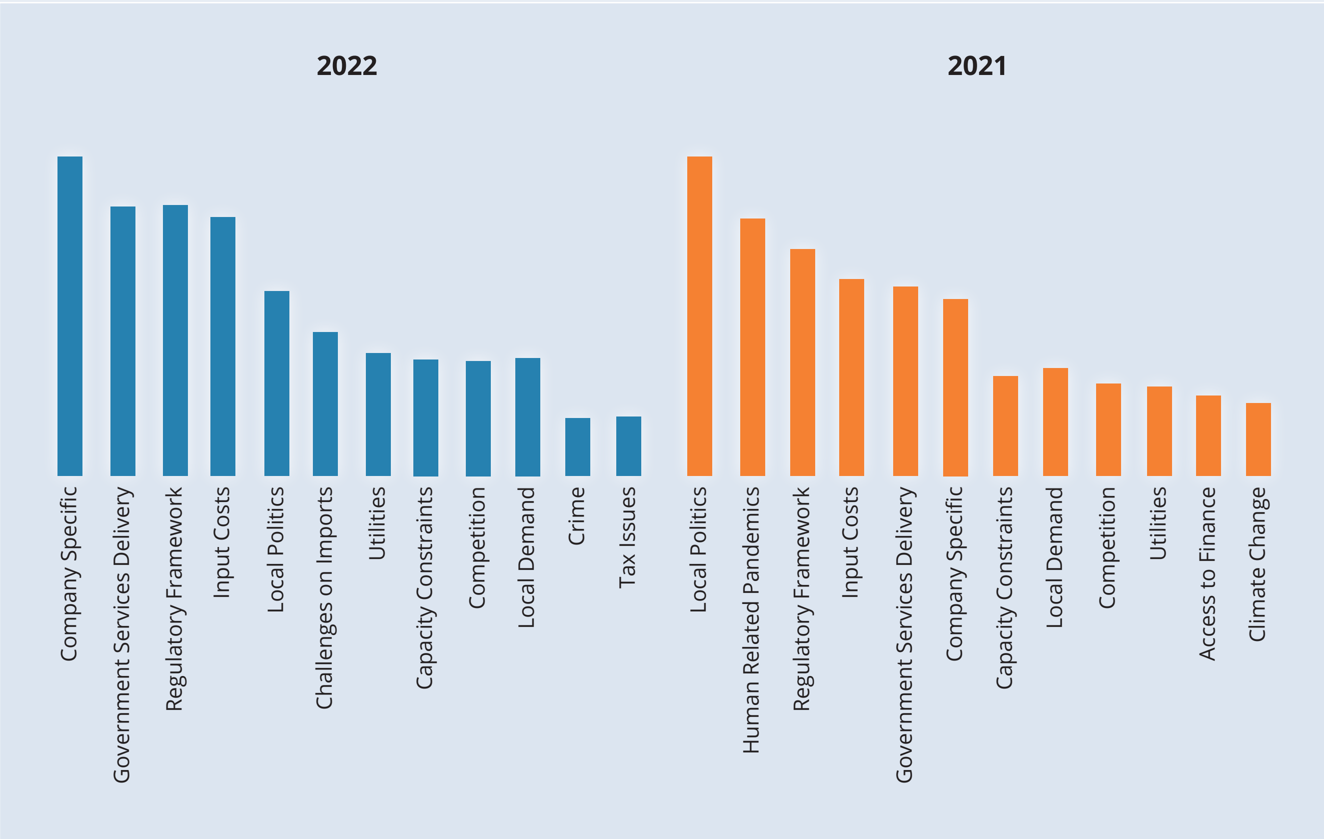
The forecast for capital investment appears modest in the medium term. Total capital investment is anticipated to average E2.244 billion for the next three years, with bulk of the investment being forecast to be expensed in the 'utility', 'manufacturing' and 'Mining' sectors. In the short-to-medium term, the 'utility' sector is planning to continue spending an average of E566.8 million for the next three years on 'machinery & equipment', specifically projects aimed at improving water supply. Furthermore, scheduled capital investment in the 'manufacturing' sector, averaging E876.9 million for the next three years, will come from the 'food and beverage' sub-sector, specifically towards 'machinery & equipment'. A further E450 million will be invested in the short-to-medium term towards capacity expansion and efficiency. Other projected investments are envisaged to be undertaken in the 'other manufacturing' sub-sector. The 'financial services' sector anticipates expenditure in capital investment in the short-to-medium term, averaging E222.5 million, mainly expected to come from the 'banking' sub-sector, for software procurement as part of the digitisation of banking products.

5.0 CHALLENGES & OPPORTUNITIES

5.1 Challenges

In 2022, the country's businesses and government offices returned to normal operations. However, this did not mean less economic challenges for the different sectors of the economy. All restrictions related to the COVID-19 pandemic were relaxed in the latter part of 2022, and South Africa, the country's major trading partner, also removed all travel restrictions. These changes would bring about an opportunity for business and personal travel to resume again, positively impacting gains in the tourism sector, which suffered the most during the lockdowns. While the country was enjoying a sigh of relief from the challenges that gripped the nation for 2 years, there was the emergence of geopolitical tensions in Eastern Europe that had a trickle-down effect even on small economies like Eswatini, largely affecting source markets through supply chain disruptions. Figure 7, below, shows that the two top challenges, encountered in 2022, were 'company specific' and 'government service delivery', signifying a turnaround in focus for most businesses whose main aim was to regain the lost opportunities during the years 2020 and 2021.

Figure 7: Top 12 Challenges in 2022 vs 2021



Source: Company Surveys (2023)

In 2021, the two challenges that showed the highest frequency were 'local politics' and 'human related pandemics', as the country experienced social unrest and COVID-19 related lockdowns which negatively affected the domestic economy. Challenges relating to the 'regulatory framework' were the third highest challenge in both years, followed by 'input costs'. While regulation challenges persist and were notably ranked at the top of the list, pre-COVID-19, other challenges that had a greater economic impact have emerged along the years. The survey also highlighted a growing phenomenon, crime, that is slowly draining efforts made by companies towards growth. Crime was in the top twelve (12) of challenges recorded in the survey and seven out of nineteen sectors of the economy reported to have been affected by it.

5.1.1 Challenge by Type

Challenge 1: Company Specific

Of the 19 surveyed sectors of the economy, 18 reported company specific challenges in 2022, with 13 of the challenges coming from the financial sector. Some players within the financial sector reported that since the COVID-19 pandemic era, some staff members were allowed to work from home. The arrangement continued into 2022, resulting in the companies incurring additional expenditure, mainly due to the purchasing of laptops and other work-from-home related expenses. The banking subsector reported that interest rates, during the period, were high and expected to rise, and adversely affected their loan books by increasing NPLs. Some bank's experienced ICT infrastructure challenges in 2022, resulting in a loss of clientele to competitors. In the Insurance subsector, the challenges experienced revolved around fears of fraud and corruption related to insurance claims.

The manufacturing sector was dominated by company specific challenges reported by the textile subsector. This subsector noted serious challenges with government owned factory buildings, in that they are dilapidated, and the landlord has been alerted about the issue. Moreover, problems reported to the landlord took a longer than the desirable time to resolve. In a worst-case scenario, one company lost its stock due to damage caused mainly by heavy rains. Subsequently, the concerned company opted to fix the roofing and other aspects of the building using its own funds to prevent the incurrence of losses brought about by the damage in stock.

The tourism industry had one company reporting a challenge on the over-reliance on government for conferencing in their establishment, in the midst of the current fiscal challenges. The location of the facility was also reported as a deterrent for business, especially for conferences, given that most customers preferred day conferences with only a few overnight stays.

Challenge 2: Government Services Delivery

For some years, the government of Eswatini has been faced with a fiscal crisis, largely exacerbated by the ever emerging global economic and socio-political challenges. In 2022, government services delivery appears as the second most reported challenge, after showing in fourth position in 2021. The survey reflects that 14 of 19 sectors reported challenges related to government services delivery inefficiencies.

The sector with the most reported challenges was the manufacturing sector. Entities within the sector cited that the government owned premises that they are leasing are old, requiring frequent maintenance and posing a threat to the health and safety of employees. Moreover, there remains a challenge on who should address these maintenance issues between the different government entities responsible for these premises. The government, therefore, needs to demarcate clear lines of responsibility for its institutions to avoid these types of challenges. Another example was made, where ownership of some portions of the country's main roads is not clear, as the responsibility to maintain them rests on the municipalities which have limited resources. With government subventions for municipalities drastically reduced, some budgetary obligations tend to be postponed.

The lack of adequate government funding also affects hospitals, who suffer from drug shortages, negatively affecting privately funded hospitals who are then flooded with patients. The lack of a referral system in the country also causes fatigue on hospital staff.

The tourism sector reported that the poor condition of access roads and inadequate road signage (Motjane-Piggs Peak, and Piggs Peak-Bulembu routes) continued to act as a deterrent to the growth of the tourism business, as this reduces the chances of their facilities becoming reputable travel destinations. Government also owns a number of tourism establishments that it cannot maintain due to limited budgets, affecting the acceptable standards demanded by customers who visit these sites.

Challenge 3: Regulatory Framework

The regulatory space in the country appears to be challenging for businesses as it has featured in the top three (3) challenges in the last four (4) surveys. Twelve (12) percent of the 399 challenges recorded in the survey focused on issues pertaining to the regulatory framework in the country.

Of the 47 reported challenges related with regulation, 10 came from the financial sector. Some sector players did not seem to appreciate the role played by the regulator, highlighting the fact that the presence of the regulator creates costs through levies and compliance. The general perception is that regulators do not add much value to the industry, as opposed to enabling these services and encouraging value for money, regulators tend to stifle the market. Furthermore, the non-bank financial services legislation was said to have inadequate guidelines to operationalize it.

In the manufacturing sector, some players complained about rising competition brought about by the influx of the externally sourced products which are available in Eswatini. Consequently, these firms advanced that the government should protect local producers through imposing import levies and barriers to trade. Due to rules of origin, car dealerships cannot sell their products outside the country's borders, which raises a challenge for them since their competitors in South Africa are allowed to sell their products in the Eswatini market. These rules favour some, and present stiff and unfair competition for local business. Moreover, the biggest prevailing challenge is that banks in Eswatini finance direct car purchases from South Africa, which raises the need for government to create legislation that will protect local car dealers.

Price regulation by the government was highlighted as a problem for the 'wholesale & retail' sector. Price adjustments are released late for regulated products and the stickiness of margin adjustment by government creates cashflow challenges within the sector. Fuel wholesalers, specifically, advanced that the retrospective nature of price adjustments effected by government do not enable an optimal adjustment to the demand and supply dynamics which they face at market level. Moreover, the government does not pay recoveries immediately, resulting in cashflow challenges.

In the construction space contractors have, for many years, been complaining that the levies they pay to the regulator are quite steep. The regulator quotes the legislation which grants her the powers to institute a levy on all registered contractors, to justify the action of collecting levies. Disputes normally arise and the challenge raised was that there is no clear dispute resolution mechanism in place to mediate between parties.

Challenge 4: Input Costs

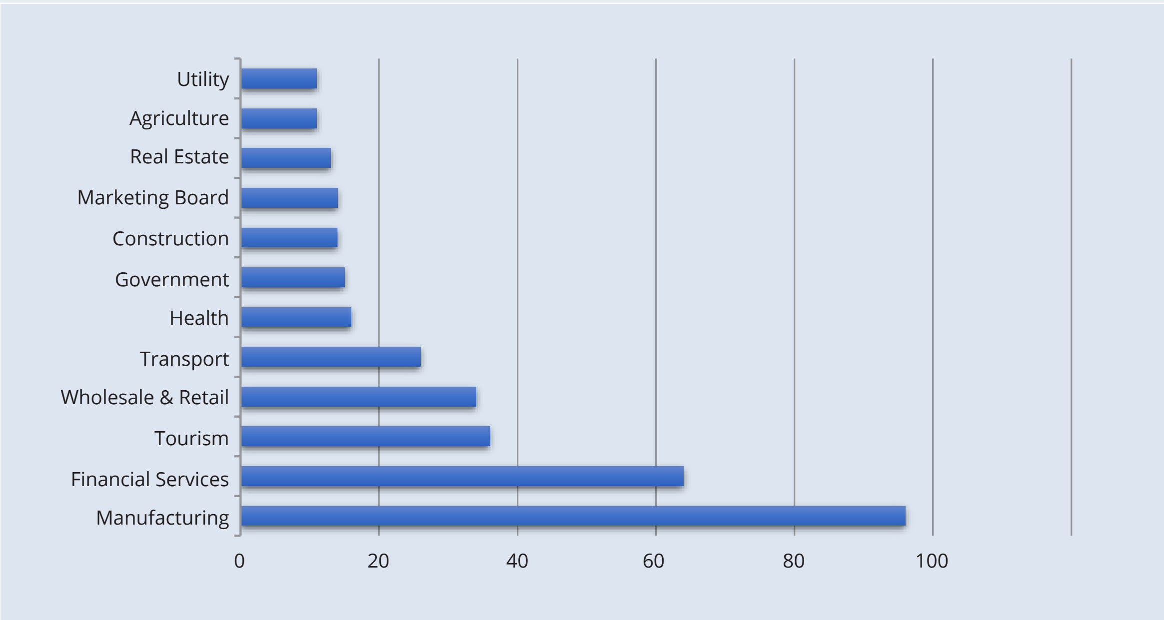
In 2022, challenges related to input costs were positioned in fourth place, the same position as in the year 2021, signifying the impact that these costs have on business in the country. There were 16 of 19 sectors that raised concerns regarding input costs, with the manufacturing sector reporting 33 percent of the 45 challenges.

The Russia-Ukraine conflict, which has continued for more than a year, has been a source of much pain to the global economy, including Eswatini. The food and beverages sub-sector expressed that, due to the conflict, they have been burdened with high input costs. The geopolitical tensions largely disrupted the supply chain networks, with prices of animal feed rising exponentially, ultimately affecting agricultural consumer markets. These costs were also influenced by fuel price increases. The general increase in the price of fuel was exacerbated by the rising global oil prices coming from the effects of the Russia-Ukraine conflict and the depreciation of the Rand against the US Dollar. Some companies were not able to pass on all the price increases to the consumer, as this would have made their products less competitive.

The rise in the price of goods and services also affected the insurance industry, as a direct effect on prices meant an increase in the value of claims. One car dealership related that as part of the franchise requirements, some dealerships are compelled to send staff for training in South Africa, on a monthly basis, which is an extremely expensive exercise given the need to pay the training fees and allowances for the staff, and further lose labour hours from those who attend these trainings. Additionally, these companies felt that the government should have some form of compensation for the companies in the form of tax concessions, as these companies are, in retrospect, contributing to skills development in the country.

5.1.2 Challenges by Sector

Figure 8: Top 12 Challenges by Sector



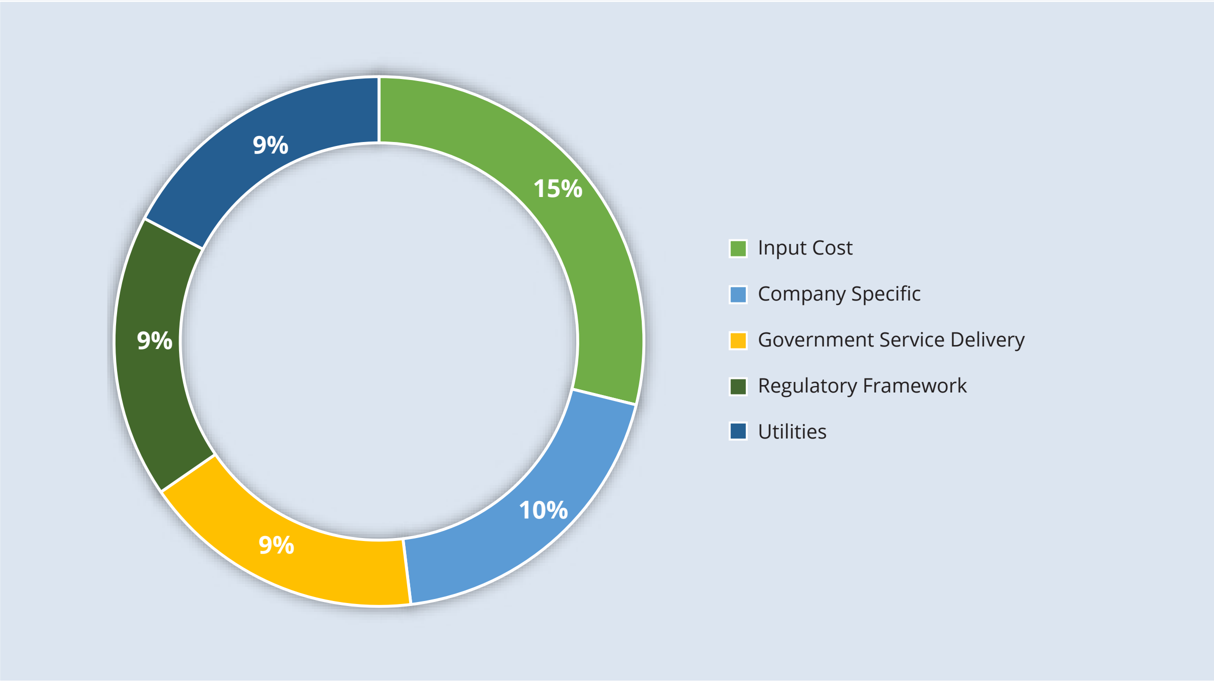
Source: Company Surveys (2023)

Entities surveyed in 2023 continued to face unprecedented challenges within their various sectors, as shown in figure 5. The manufacturing and financial sectors continue to report the highest challenges in the survey, reporting 96 and 64 challenges respectively, in the year under review. Results from the 2023 company survey exercise revealed that the manufacturing sector continues to have the most reported challenges, followed by the financial services sector. The tourism sector has shifted upwards to third position in the sectors, indicating intensifying challenges, post-COVID-19, following slight improvements in 2022. Contrary to the results of 2022, the wholesale & retail sector continues to take the fourth position, indicating continued challenges in the sector. Sectors that ranked fifth and sixth were transport and health.

Challenges within top 5 Sectors

Results showed that the most challenged sector was the manufacturing sector, in relation to input costs, as they were impacted by the Russia-Ukraine conflict. Secondly, challenges that are 'company specific' were also prevalent in this sector, with specific issues on cashflow. Other challenges that were amongst the top 5 challenges categories include those that pertain to utilities, the 'regulatory framework' and 'government services delivery'.

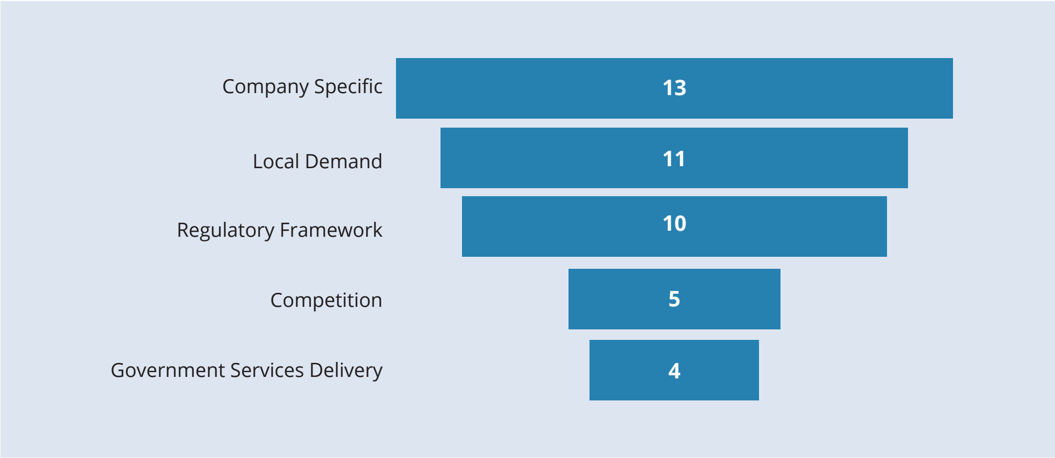
Figure 9: Manufacturing Sector at a Glance



Source: Company Surveys (2023)

The financial sector was the second to report most challenges. These were mainly issues pertaining to low investor confidence, weak local demand due to (sluggish economic growth) and other company specific challenges. Among the reported company specific challenges were, revenue generation measures, housing accommodation for employees at close proximity was another challenge, together with the management of a high staff count also prove to be cumbersome.

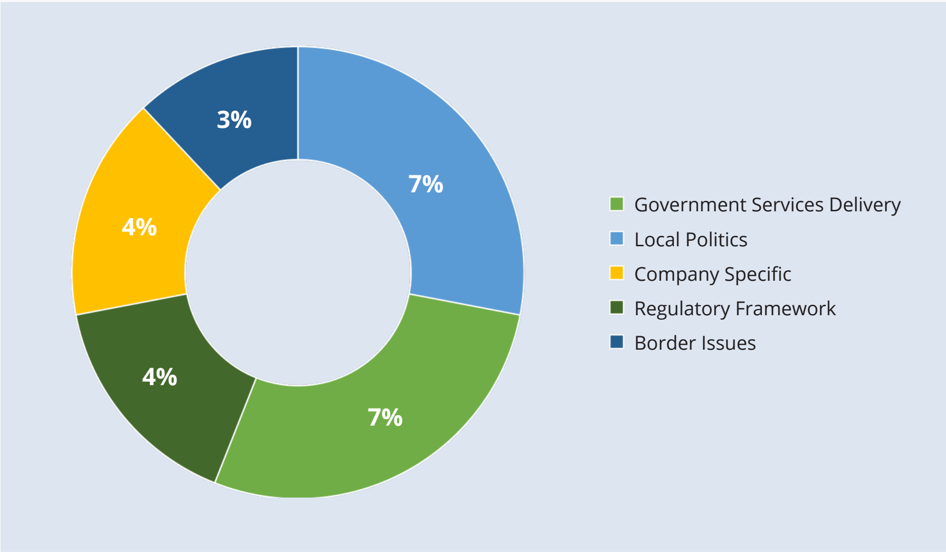
Figure 10: Financial Sector at a Glance



Source: Company Surveys (2023)

Other challenges that were reported included the 'regulatory framework', and 'competition'. On the 'regulatory framework', issues on imposed levies and projects were a major concern to banks, whilst 'Local demand' was a challenge reported by some non-bank institutions within the financial sector. The tourism sector, which was previously reported to be recovering from the effects of COVID in 2022, regressed significantly in the review period. Challenges that were reported in the tourism sector were 'local politics', and 'government services delivery'. 'Local Politics' were mainly cited to continue to negatively affect tourist appetite. Consequently, 'government services delivery' was also cited, mainly on concerns around delayed payments and road infrastructure.

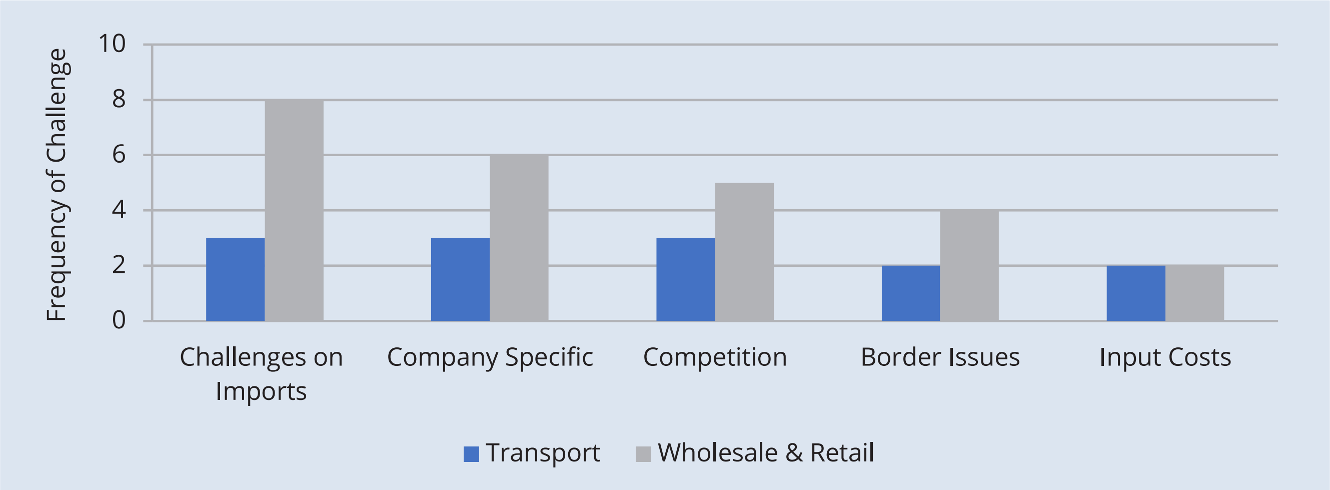
Figure 11: Tourism Sector



Source: Company Surveys (2023)

Other sectors that reported the most challenges were the 'wholesale & retail' together with the transport sectors. The above-mentioned sectors reported challenges on imports, and 'competition' whilst some were 'company specific.' On the challenges on imports, the load shedding in South Africa together with the Russia-Ukraine conflict were amongst the major cited challenges that affected imports. Company specific issues that were raised bordered around high staff turnover, and preferences to alternative routes that do not favour Eswatini.

Figure 12: Wholesale & Retail and Transport

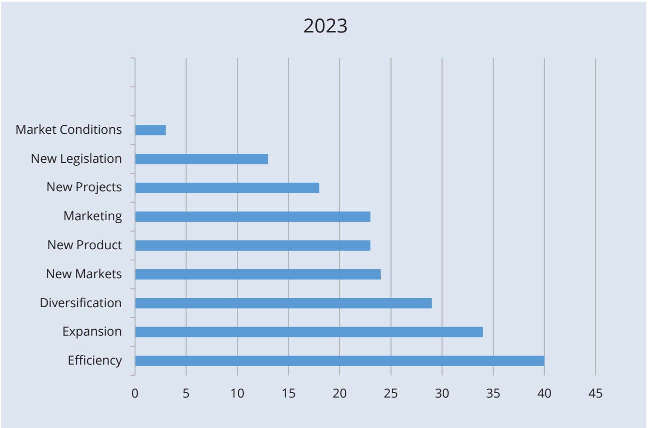


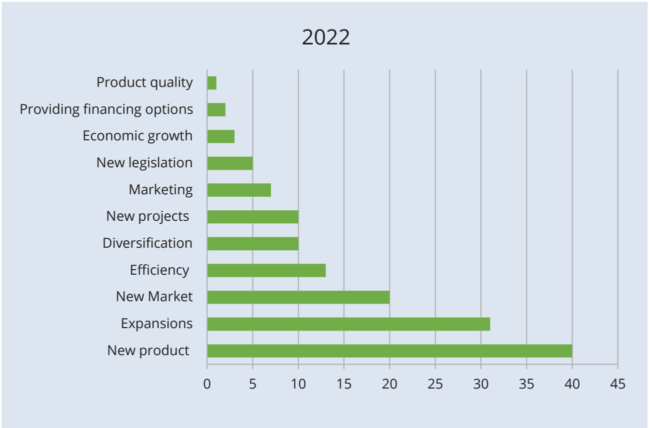
Source: Company Surveys (2023)

5.2 Opportunities

During the 2023 survey, all companies were afforded the platform to highlight opportunities which they intended to pursue in the short-to-medium term. Figure 13, below, depicts all opportunities identified in 2023 relative to 2022, ranked from the least to the highest.

Figure 13: Major Opportunities Identified in 2023 vs 2022





Source: Company Surveys (2023)

The next section will unpack the top 5 envisaged opportunities as reported by businesses in various sectors.

Efficiency – A total of forty (40) efficiency related opportunities were identified by surveyed companies across multiple sectors. Worth highlighting is that, twelve (12) out of nineteen (19) sectors reported that they will engage in a number of cost-cutting initiatives, including integrating cheaper sources of power, with the ultimate goal of improving profit margins. The 'manufacturing' sector accounted for 25 percent of total opportunities reported within this category, followed by 'financial services' and 'wholesale & retail' with contributions of 20 percent and 10 percent respectively.

Expansion – A total of thirteen (13) out of nineteen (19) sectors identified thirty-four (34) output expansion opportunities, as the companies concerned reported that that they have commenced increasing their production of existing products, in tandem with a full recovery from setbacks attributable to the COVID-19 pandemic. Companies within the 'manufacturing' sector reported 23.5 percent of total output growth efforts to be pursued, whilst 'wholesale & retail' accounted for 17.6 percent. 'Health', 'Tourism', and 'Financial Services' followed with each accounting for 8.8 percent of the total.

Diversification – As a means to mitigate risks associated with having a narrow income stream, eleven sectors (11) reported twenty-nine (29) opportunities, with all entities advancing that they are on the verge of broadening their income streams in order to realize base driven growth and manage risk more effectively. The following sectors collectively accounted for 58.6 percent of total diversification opportunities envisaged: financial services (20.6%); manufacturing (20.6%); as well as 'wholesale & retail' (17.2%).

New Markets – Companies identified a total of 24 opportunities within the 'new markets' landscape. Businesses across seven (7) sectors reported that they are working towards securing new markets, primarily outside Eswatini in order to enhance their revenue base. The 'manufacturing' sector reported 37.5 percent of total opportunities envisaged within this class, followed by 'financial services' with 20.8 percent.

New Product – Companies mostly within 'manufacturing', 'financial services' and the 'wholesale & retail' sectors advanced that they are currently engaged in new product development, with the ultimate goal of diversifying their income sources and increasing profits. A total of twenty-three (23) opportunities were reported within this class, with the aforementioned sectors accounting for a collective figure of 65.2 percent of the total.

Figure 9, below, reflects the top 5 sectors that reported the most opportunities, analysed from highest to lowest.

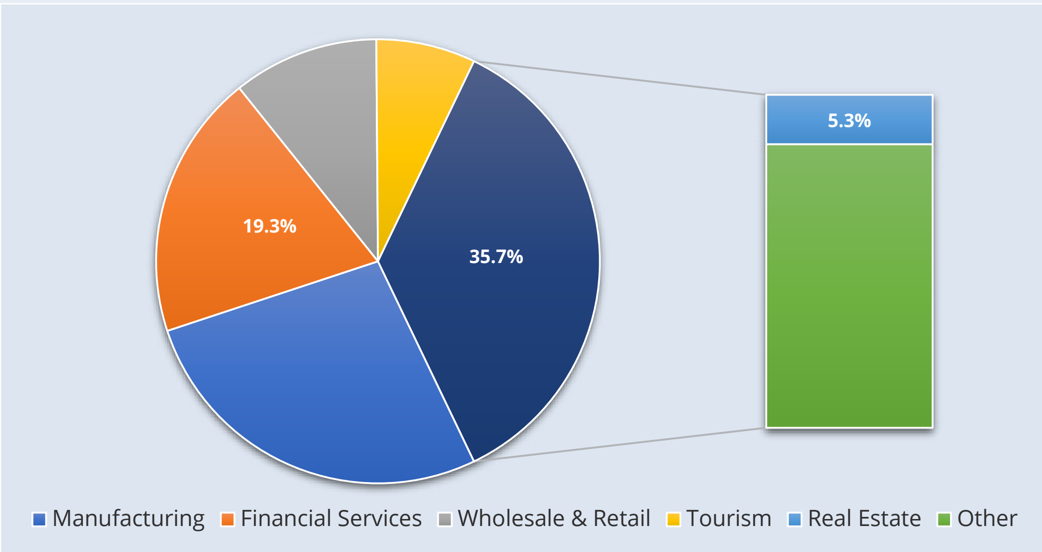
The 'manufacturing' sector reported fifty-six (56) opportunities, which were grouped into nine (9) classes. The adoption of more efficient means of production accounted for 17.5 percent of the total, followed by new product development and the securing of new export markets, at 16.1 percent each. The expansion of production capacity to improve output levels accounted for 14.2 percent, whilst diversification towards the production of new products and the adopting of improved marketing means each contributed 10.7 percent towards to the total.

The 'financial services' sector indicated that most growth prospects will come as a product of adopting more efficient means of conducting operations, primarily through cost-cutting initiatives and improving the productivity of each employee. Consequently, 20.0 percent of opportunities envisaged by this sector fell within the 'efficiency' class, followed by 'marketing' at 17.5 percent, as non-bank financial institutions will be engaging in a deeper level of advertising. 'Diversification' in the form of investing in a wider array of financial assets, accounted for 15.0 percent of the total, whilst the pursuit for new domestic customers (new markets) contributed 12.5 percent towards all opportunities envisaged by the financial sector.

The 'tourism' sector anticipates receiving the most growth through engaging in a deeper level of advertising ('marketing'), which in turn will assist in the penetration of new domestic and international markets, ultimately improving income earning prospects. Resultantly, 33.3 percent of total opportunities reporting by this sector fell under the 'marketing' class. 'Expansion' was the second most envisaged opportunity within this sector, as it accounted for 20.0 percent of the total and is anticipated to manifest through spill-over effects from the establishment of a new local airline, which will introduce new flying routes. Additionally, some companies have invested towards expanding their buildings, therefore they anticipate making more revenue from accommodation and entertainment in the short-to-medium term. 'Efficiency' means and 'diversification' each contributed 13.3 percent towards the total, as businesses within this sector will be adopting more cost-efficient means of operating, whilst introducing new products within their entertainment space.

The 'real estate' sector is working towards introducing more efficient means of operating through upskilling estate agents and adopting technology that will enable transactions to be pursued to finality within a better turnaround period. Consequently, 'efficiency' accounted for 27.3 percent of total opportunities advanced by this sector. This was followed by 'new legislation', 'new markets' and 'diversification' at 18.2 percent each, as real estate firms hope for an amendment of the laws restricting foreign citizens from purchasing land in Eswatini, as this limits the scope for sales. Additionally, companies are hoping for the integration of a more concrete and centralised regulatory framework within this sector in order to level the playing ground in terms of fair competition and instil more credibility on formally registered real estate companies. Furthermore, real estate firms expect to perform better, as they have secured more corporate domestic customers who require rental of residential property. Diversification will be realised through the introduction of new products, which will complement the core income stream within the real estate sector.

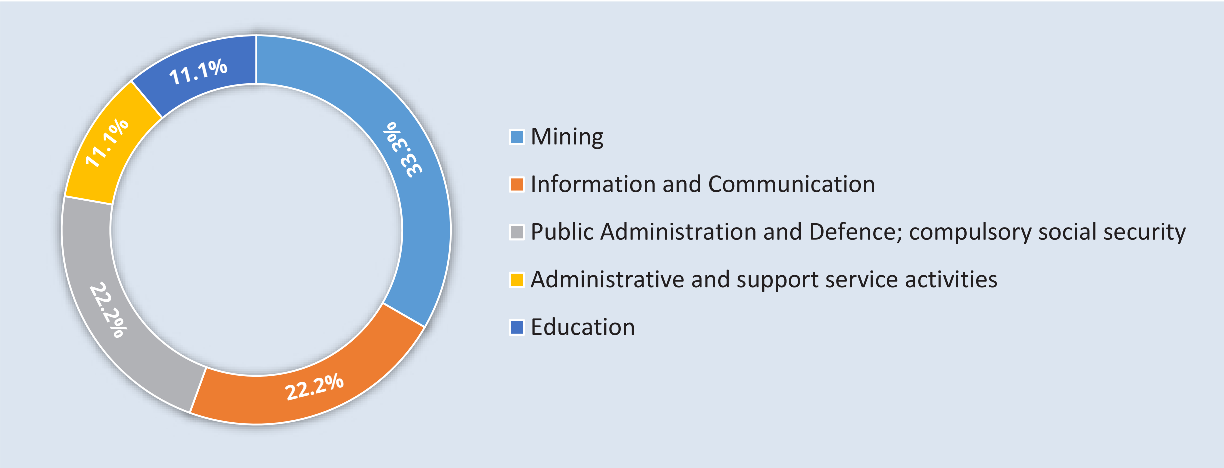
Figure 14: Top 5 Most Optimistic Sectors



Source: Company Surveys (2023)

On the other hand, figure 15 below depicts sectors which reported the least number of opportunities, primarily due to the narrow landscape of players present. From these, companies other than those within the mining sector will be working towards adopting better marketing strategies whilst improving efficiencies in operations that will create a conducive platform for expansion. Companies within the mining sector envisage growth prospects from: diversifying their income sources, expanding production and increasing the competitiveness of their exports.

Figure 15: Sectors Which Reported the Least Opportunities



Source: Company Surveys (2023)

Table 3: Major Opportunities Highlighted by Businesses in Eswatini

OPPORTUNITY	DESCRIPTION
Diversification	Companies within the financial sector reported that they are working towards diversifying their investment portfolios for the purpose broadening their income streams and hedging against revenue loss risk.
	Businesses within 'Manufacturing', 'Wholesale & Retail', and 'Tourism' reported that they intending to introduce additional products in order to diversify their product base and increase revenue.
New Markets	The "Manufacturing' sector demonstrated the greatest intent to tap into new markets outside the country with the ultimate goal of generating more revenue from a wider customer base.
	Other sectors looking to secure new markets include 'Financial Services', 'Wholesale & Retail', 'Professional Services', 'Real Estate' 'Tourism' and 'Transport.'
Expansion	The 'Manufacturing' and 'Wholesale & Retail' sectors are working towards expanding their output levels in order meet additional demand coming from both the domestic and international market.
Efficiency	Almost all sectors will be working towards adopting more efficient means of conducting their operations in order to minimize costs and optimize productivity
Marketing	The financial services and tourism sectors reported that they adopted better marketing strategies with the ultimate goal of increasing their customer/tourist base.
	Companies within 'Manufacturing', 'Information & Communication' 'Real Estate' and other sectors also reported an intent to engage in a deeper level of advertising to realize income growth.
New Legislation	Quite a number of sectors anticipate growth to come from prospective or recommended legislative reform, with the 'Manufacturing' sector indicating an interest to have immigration and labor laws relaxed towards enabling a seamless importation of scarce skills, normally required when new technological means of operating are adopted.
	Other sectors long for the passing of new laws, which will instill a better and more effective regulatory framework within these: 'Financial Services', 'Transport', 'Real Estate', and 'Telecommunications' sectors.
New Product	There's a notable number of companies within the manufacturing and financial services landscape, which are engaged in new product development, which is driven by the identification of gaps that can be closed in the market and having the equipment to produce other products compatible with available machinery.
New Projects	Companies which generate their revenue from State-linked tenders are anticipating to grow their revenue base from multiple projects which the Government currently has on the pipeline
Market Conditions	There's a few Asset Managers within the Financial Services sector, which are working towards realigning their investment portfolios to generate the greatest returns from financial assets that pay the highest returns in times of high interest rates

6.0 CONCLUSION

The 2023 Company Survey exercise focused on evaluating performance of participating entities in the review period 2022 compared to the previous year, 2021. The performance review covers volume trends (where applicable), financial performance, employment trends, capital expenditure, as well as a review of challenges and opportunities. Such information provides an inference on the future trajectory of the companies. To ensure information is comprehensive and representative of the Eswatini economy, the Survey covered both private and public sector entities, including local government (i.e., municipalities), sector regulators and marketing boards. Out of a target (list) of 164 companies, 121 companies participated in the 2023 survey, representing a coverage ratio of 74 percent, which is a notable improvement from the 55 percent observed in the 2022 Survey. The sector representation mirrored the structure of the economy in terms of its contribution to GDP. The tertiary sector accounted for 62.8 percent of total companies visited, the secondary sector was at 31.4 percent, while the primary sector constituted 5.8 percent of the total sample.

In terms of performance, 73.6 percent (89 companies) reported that they performed positively in the review period, 20.7 percent (25 companies) recorded negative performance, while 5.8 percent (7 companies) reported flat growth. Positive performance, in terms of revenue growth, was mainly observed in 'manufacturing', 'financial services', 'tourism related activities', 'wholesale & retail', 'ICT' and 'professional & administration services' sectors. Negative performance was observed in 'construction', 'agriculture & forestry' and 'transport & storage' sectors. The medium-term outlook was mixed, with only 68 percent of surveyed entities hoping for a positive outlook. Relative to 2023, more companies are uncertain about their performance in the medium term (2024-2025), as the proportion of those who indicated an uncertain outlook increased from 10 percent to 26 percent. Ninety-two (92) companies (76 percent) reported that they engaged in some form of capital investment in 2022. The investments were broadly on 'equipment & machinery', 'buildings', 'vehicles' and 'software'. Fifty (50) companies reported to have invested in 'machinery & equipment', thirty-seven (37) companies reported investment in 'buildings', twenty-even (27) companies reported investment in vehicles while 22 companies recorded investment in intangible assets – mainly software. Data collected from the surveyed entities reflected that investment increased significantly in 2022 relative to the 2021, surging by 51.2 percent year-on-year to E2.580 billion, mainly buoyed by sizable investment undertaken by entities in the manufacturing and utility sectors.

Employment trends, which were based on a pooled sample (from 2022 and 2023 surveys) depicted a 4.1 percent growth in 2022 from a 3.8 percent growth in 2021. The main contributing sector to the growth in the overall employment trend was 'manufacturing', which recorded a growth of 9.1 percent. The growth within the manufacturing sector employment was supported by developments in the 'food & beverage' and 'textile & wearing apparel', which grew by 9.4 percent, and 9.0 percent, respectively. Of note, however, was that the employment growth that was observed was largely on temporal jobs as opposed to permanent, thus, the growth in employment figures may not be sustainable in the medium term. Henceforth, the projected growth for employment in 2023, was reportedly lower at 1.8 percent.

On other labour dynamics, it was observed that 52.9 percent of reporting entities awarded COLA that was above the average inflation of the review period. Of the reporting entities, 30.8 percent awarded a COLA that is below average inflation, while 6.5 percent of the reporting entities did not award any COLA in the review period. In terms of industrial action, 11 companies (9 percent of the sampled entities) reported to have faced some industrial action in the review period. The sectors that were affected by industrial action included ‘manufacturing’, ‘mining’, ‘transport’ and ‘education’.

Reporting entities also highlighted challenges faced during the reporting period. Most challenges were company specific as companies were grabbling with negative impacts from the previous two years, specifically on cashflows as well as coping with new ways of doing business, post-COVID-19. The top three challenges that were cutting across all sectors included: regulatory framework, government service delivery and rising input costs. On a positive note, surveyed entities also reported opportunities of different aspects. Among the top 5 opportunities is, optimizing on cost-effective efficiencies, expansions on existing lines, tapping into new markets, and invention into new products.

ANNEX 1: GENERAL QUESTIONNAIRE

Eswatini Company Survey 2023 **General Questionnaire**

Introduction

Thank you for taking part in the Eswatini Company Survey 2023 organized by the *Ministry of Economic Planning and Development and the Central Bank of Eswatini.*

The questionnaire is divided into 7 sections and we would appreciate if you could answer all the fields either electronically or in print. If your company participated in the survey in 2022, some fields may have been completed with the information provided last year. Feel free to amend any of the information if it has changed since then. If you need further assistance do not hesitate to contact us.

We appreciate that some or all of the information provided might be confidential. For that reason, all the data provided is kept secure and confidential. The data is used solely for the purpose of assessing the state of Eswatini economy and to inform estimates and forecasts of economic aggregates.

Section 1. General Information

Q.1.1. Company Name: ________________________

Q.1.2. Financial Year End (Month): ____________

Please indicate whether the questionnaire is being answered according to the company's financial year or the calendar year:

__ Financial Year __ Calendar Year

Section 2. Ownership Structure

Q.2.1. Please indicate the ownership structure of the company:

Shareholder	Shareholder Current Country of Residence (for a year or more)	Share (%)

Please add rows as required

Q.2.2. Please indicate any subsidiaries (if any) within and outside Eswatini with the associated percentage shareholding:

Subsidiary Name	Share (%)

Please add rows as required

Section 3. Production and Sales

Q.3.1. Please identify the company's main product lines and their units of measurements:

No.	Unit of Measurement	Product Description
1		
2		
3		

Please add rows as required

Q.3.2. Please indicate the company's production levels for each product line above:

No.	2021	2022	2023	2024	2025
1					
2					
3					

Please add rows as required

Q3.3. Please indicate the company's turnover for each product line above (E Million):

No.	2021	2022	2023	2024	2025
1					
2					
3					

Please add rows as required

Section 4. Total Revenue, Expenditure and Profits

Q.4.1. Please indicate the company's total revenue, net rental income, net interest income, expenditures and pre-tax profit (E Million):

	2021	2022	2023	2024	2025
Total Revenue					
Net Rental Income					
Net Interest Income					
Total Expenditure					
Cost of Goods Sold					
Utilities Costs					
Pre-Tax Profit					

Section 5. Employment

Q.5.1. Please provide details of employment levels:

Type	2021	2022	2023	2024	2025
Permanent					
Temporary					
Total					

Q.5.2. Please indicate the total amount of remuneration (E Million):

	2021	2022	2023	2024	2025

Section 6. Capital Expenditure

Q.6.1. Did the company make any CAPEX in 2022?

Yes
No

Kindly tick the box suits your answer

Q.6.2. Please provide details of capital expenditure and depreciation (E Million):

	2021	2022	2023	2024	2025
Total Capital Expenditure	0.24				
Buildings					
Vehicles					
Software's					
Other					

Section 7. Trade

Q.7.1. Please state the sources of your inputs (as % of total input cost) and the markets in which you operate (as % of total revenue):

Country	Inputs (% of total input cost)		Markets (% of total revenue)	
	2022	2023	2022	2023
Eswatini				
South Africa				
Botswana, Lesotho and Namibia				
Rest of Africa				
United States				
European Union Rest of Europe				
Rest of the World				

ANNEX 2: 2023 COMPANY SURVEY TEAM

NAME	INSTITUTION
Khetsiwe Dlamini	CBE
Kwanele Shongwe	CBE
Mcebo Zikalala	MEPD
Njabulo Nkambule	CBE
Nombuso Dlamini	MEPD
Nomvuyo Hlophe	CBE
Nomvuyo Mabuza	CBE
Nonhlanhla Mamba	CBE
Nonhlanhla Simelane	CBE
Ntobeko Dlamini	CBE
Sibusiso Shongwe	MEPD
Sifakazelo Sibiya	MEPD
Sipho Skosana	CBE
Sive Kunene	CBE
Sizwe Bhangu	CBE
Tebenguni Simelane	CBE
Thandeka Mdladla	CBE
Vangile Dlamini	CBE
Vusi Khumalo	CBE
Welcome Nxumalo	CBE
Zamokuhle Magagula	CBE
Zana Mabuza	CBE

Contact

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