KINGDOM OF ESWATINI

ECONOMIC REVIEW AND OUTLOOK

FY 2023/2024

MINISTRY OF ECONOMIC PLANNING AND DEVELOPMENT

ECONOMIC REVIEW AND OUTLOOK

April 2024

MINISTRY OF ECONOMIC PLANNING AND DEVELOPMENT

MACROECONOMIC ANALYSIS AND RESEARCH UNIT

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LIST OF ABBREVIATIONS

AE's	Advanced Economies
AGOA	African Growth Opportunity Act
ANC	African National Congress
AU	African Union
CAB	Current Account Balance
CBE	Central Bank of Eswatini
CMA	Common Monetary Area
COMESA	Common Markets for Eastern and Southern Africa
CSO	Central Statistical Office
COVID-19	Corona Virus Disease 2019
CPI	Consumer Price Index
EPA	Economic Partnership Agreements
EMDE's	Emerging Market and Developing Economies
ESCCOM	Eswatini Communications Commission
EU	European Union
EVERS	Early Voluntary and Early Retirement Scheme
FAO	Food and Agriculture Organisation
FAP	Fiscal Adjustment Plan
FFPI	FAO Food Price Index
FNB	First National Bank
FY	Fiscal Year
GDP	Gross Domestic Product
GOB	Gross Operating Balance
ICT	Information Communication Technology
LUSIP	Lower Usuthu Small-holder Irrigation Project
MFWG	Macro-Fiscal Working
MFT	Macro Forecasting Team
MNWAP	Mkhondvo-Ngwavuma Water Augmentation Project
MT	Metric Tonnes
NDP	National Development Plan
NDS	National Development Strategy
NRAP	Network Reinforcement and Access Project
NPL's	Non-Performing Loans
OPEC	Organization of the Petroleum Exporting Countries
PAYE	Pay-as-You-Earn
PPP	Purchasing Power Parity
RSA	Republic of South Africa
SASCCO	Eswatini Association of Savings and Credit Cooperatives
SACU	Southern African Customs Union
SADC	Southern African Development Community
SDR	Special Drawing Rights
SOE's	State-Owned Enterprises
S&P	Standards & Poor
SSA	Sub-Saharan Africa
TCH	Tonnes of Cane per Hectare
UK	United Kingdom
UNCTAD	United Nations Conference on Trade and Development
US	United States
VAT	Value Added Tax
W&R	Wholesale & Retail

EXECUTIVE SUMMARY

Four years later, the aftermath of COVID-19 prevails in most economies, which has seen their output continue to deteriorate and falling below historical trends. In the wake of these effects, the global economy is grappling with emerging challenges, heightened geopolitical tensions, and highly volatile commodity prices, which have amplified the situation and further triggered newer economic issues. Elevated global inflation coupled with a highly synchronized restrictive monetary policy stance globally were the leading economic challenges, which softened global demand. Evidently, global economic growth toned down to 3.2 percent in 2023 from a growth of 3.5 percent in 2022 (IMF, April 2024). However, amidst these economic turbulences, several economies reflected resilience, attaining better-than-expected growth in 2023, owing to stronger-than-expected private consumption and fiscal support, particularly in the United States and China.

Forceful implementation of tight monetary stance in response to the elevated global prices in most economies, yielded positive outcomes as global inflation decelerated in the period under review and averaged 6.8 percent in 2023 relative to 8.7 percent in 2022. However, most countries' inflation still remains well above their targets. The notable deceleration was backed by the moderating global food and energy price inflation, relatively low consumer demand for goods attributable to the tighter financial conditions, the rebalancing of demand back towards services post-COVID-19, as well as the recovery of global supply chains.

A steady 3.2 percent growth is envisaged for the global economy in 2024 and 2025, stimulated by an anticipated recovery and robust growth of the Advanced Economies, particularly the US and the Euro area, which will however be offset by the envisaged deceleration in the Emerging Markets and Developing Economies' growth, mainly China and India, emanating from the withdrawal of fiscal support and lower underlying productivity growth.

Global inflationary pressures are expected to further subside in the short to medium term. A slowdown in inflation is predicted to be much faster in the Advanced Economies than the Emerging Market and Developing Economies, with envisaged lower core inflation emanating from sustained restrictive monetary policies, a related softening in the labour markets as well as pass-through effects from earlier and ongoing declines in energy prices.

In the region of Sub-Saharan Africa, a moderated growth of 3.4 percent was recorded in 2023, compared to 4.0 percent in 2022. The region carried the lingering effects of COVID-19 and the effects of destabilized commodity prices, which weighed on productivity and triggered inflationary pressures. A multidimensional event of drought further dampened economic activity in the region. Though a slight rebound is envisaged in the medium term, the risk of instability is on the upside for this region. Major economies in the region, including the RSA economy, Eswatini's major trading partner, remain engulfed by domestic structural challenges, which are likely to persist in the short to medium term, weighing on growth prospects. Specifically, the RSA economy is expected to carry over the 2023 challenges of heightened power disruptions and logistical bottlenecks, weakening economic activity.

In the domestic economy, consumption demand surged, building on the rebounding of export demand for key products, thus contributing to the 4.8 percent estimated growth in 2023. The domestic economy reflected a strong resurgence, backed by notable performance in manufacturing, mining, and construction. The sectors' performance was underpinned by several factors, including improved external demand for the country's key exports in some destination markets, increasing production capacity under coal mining following the awarding of high-yielding crown land, and the commencement of construction of the Mpakeni dam, which is phase 1a of the Mkhondvo-Ngwavuma Water Augmentation Project (MNWAP).

On the negative, domestic inflation continued to weigh on stronger growth, as headline inflation increased from 4.8 percent in 2022 to 5.0 percent in 2023, nonetheless still falling within the 3-7 percent target band. Food and energy inflation remained sticky in the domestic economy, much against global developments, and together with price increases in housing and utilities, remained the key drivers for inflation in the period. On the positive, however, transport inflation decelerated.

Total merchandise exports reflected a robust growth of 18.1 percent in 2023, driven by commodities such as 'miscellaneous edibles', 'sugar', 'forestry products', mining, and 'beverage' amongst others. Merchandise imports also depicted growth, increasing by 8.3 percent in the period. With a depreciation broadly observed throughout the year, this bolstered export earnings. Import prices, however, were largely elevated on account of the depreciation fuelling increased costs of production in the period. On average, the Lilangeni traded at E18.45 against the major trading currency, the United States Dollar, reflecting a weakening equivalent of 12.7 percent compared to 2022.

Eswatini's growth outlook is envisaged to be positive in the short-to-medium term (2024–2026), averaging 3.9 percent. Growth in the medium term is underpinned by both demand and supply factors. Demand in the period is expected to be spurred by sustained improvements in the country's fiscal position, which will encourage spending from both public consumption and investment, mainly benefiting subsectors such as 'wholesale and retail', 'accommodation and food services', and construction. Likewise, supply developments in the period will include the anticipated growth from expansions under the manufacturing subsector as well as increasing agriculture activities mainly under sugarcane.

The country's macroeconomic framework, which depicts the medium term prospects picture in the Eswatini economy using the four sectors of the economy, broadly points to an optimistic outlook in the short to medium term. The positive outlook is supported by both demand and supply factors which are expected to drive domestic consumption and investment. On the supply side, private consumption is anticipated to benefit from planned expansions to increase production capacities, into new markets, and development of new products. Demand is expected to benefit from public consumption partly driven by the conclusion of the government's fiscal consolidation stance, which is anticipated to drive the public wage bill and consumption of goods and services due to fiscal pressures to replace vacant posts.

The fiscal position is anticipated to stabilize with debt levels averaging 38.0 percent of GDP and the fiscal balance averaging 2.0 percent of GDP. Moreover, the external position is projected to improve with the current account balance remaining in a surplus whilst gross official reserves are expected to average just above 3.0 months of import cover. Monetary policy is expected to remain restrictive in the short term due to sticky inflation at the back of administrative prices. Some risks and vulnerabilities still linger which may affect this optimistic picture of the Eswatini economy.

Eswatini continued to pursue macroeconomic stability and fiscal prudence as the cornerstone to drive the development objectives of becoming a middle-income country and improving the quality of life for Emaswati. At the forefront of these goals are the developmental frameworks such as the National Development Strategy (NDS) and National Development Plan (NDP) which are tools used to efficiently distribute resources to attain the pro-growth agenda.

INTRODUCTION

The Economic Review and Outlook report FY2023/24 – 2026/27 is a report that provides an analysis of economic developments domestically and globally. The report also provides short to medium term economic prospects, reflecting the key assumptions and implications of future economic developments on the domestic economy. This is to support policy direction in the domestic economy by depicting the prevailing macroeconomic environment as well as the portrayed picture of the country's medium term macroeconomic outlook.

The outline of the report is presented as follows: part 1 is the assessment of developments and prospects in the global economy including global growth, global prices as well as global trade trends. Part 2 assesses the performance in the four sectors of the domestic economy i.e., real performance, monetary developments, fiscal situation, the external sector performance, and the performance of socio-economic indicators. Finally, Part 3 of the report is the assessment of the country's macroeconomic framework and current policies pursued to achieve macroeconomic stability in the domestic economy.

ECONOMIC REVIEW AND OUTLOOK

CHAPTER 1

INTERNATIONAL DEVELOPMENTS

GLOBAL ECONOMIC GROWTH DEVELOPMENT

a. ADVANCED ECONOMIES

b. EMERGING MARKET AND DEVELOPING ECONOMIES

GLOBAL INFLATION

GLOBAL TRADE DEVELOPMENTS

COMMODITY PRICES

a. FAO FOOD PRICES

b. GOLD

c. CRUDE OIL

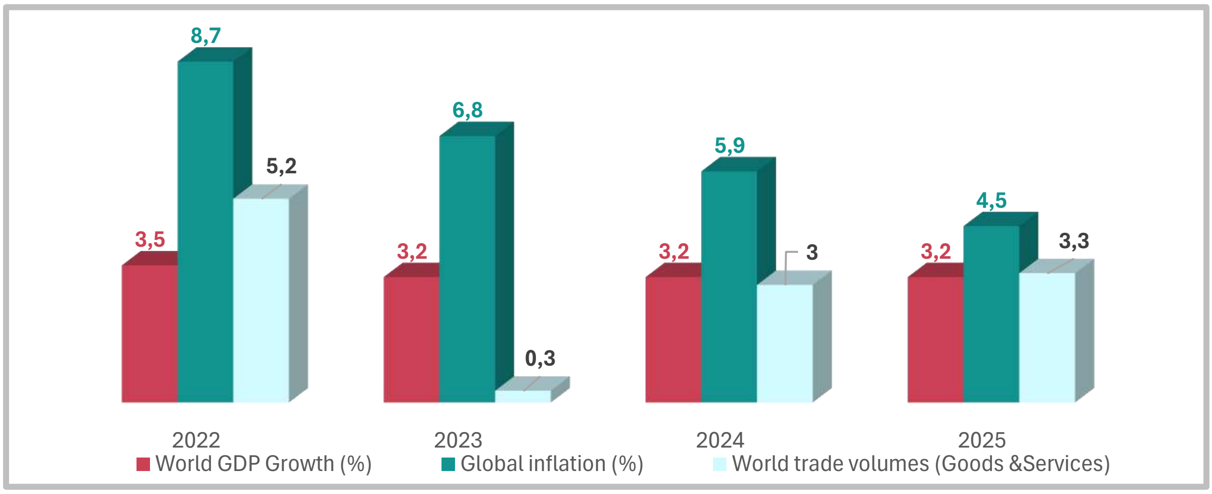
Global Economic Growth Development

Global economic activity continued to soften, post the COVID-19 pandemic and the recent heightened geopolitical tensions. However, resilience was seen in most economies, which have seen better-than-previously anticipated growth in 2023, amid the heightened inflationary pressures and a highly synchronized monetary policy stance. Contrary to expectations, global headline inflation decelerated in response to the tight monetary stance enacted by global central banks in 2023, leading to resilience in global economic activity, and thus defying the likelihood of stagflation and global recession.

Against this backdrop, the International Monetary Fund (IMF) World Economic Outlook update (WEO, April 2024) estimates that global economic activity slowed from 3.5 percent in 2022 to 3.2 percent in 2023; whilst the World Bank reflected a more pessimistic view with an estimated growth of 2.6 percent in 2023 (Global Economic Prospect report, January 2024).

Global growth is projected to remain flat at 3.2 percent in 2024 and 2025. The underlying factors for this growth include the anticipated recovery and robust growth of most advanced economies, in particular the US and Euro area, which will, however, be offset by envisaged deceleration in the EMDE's growth, mainly China and India. The slowdown of the EMDE's will be underpinned by restrictive monetary policies, withdrawal of fiscal support, and low underlying productivity growth.

Figure 1: *World Economic Developments*



Source: *International Monetary Fund, World Economic Outlook, April 2024*

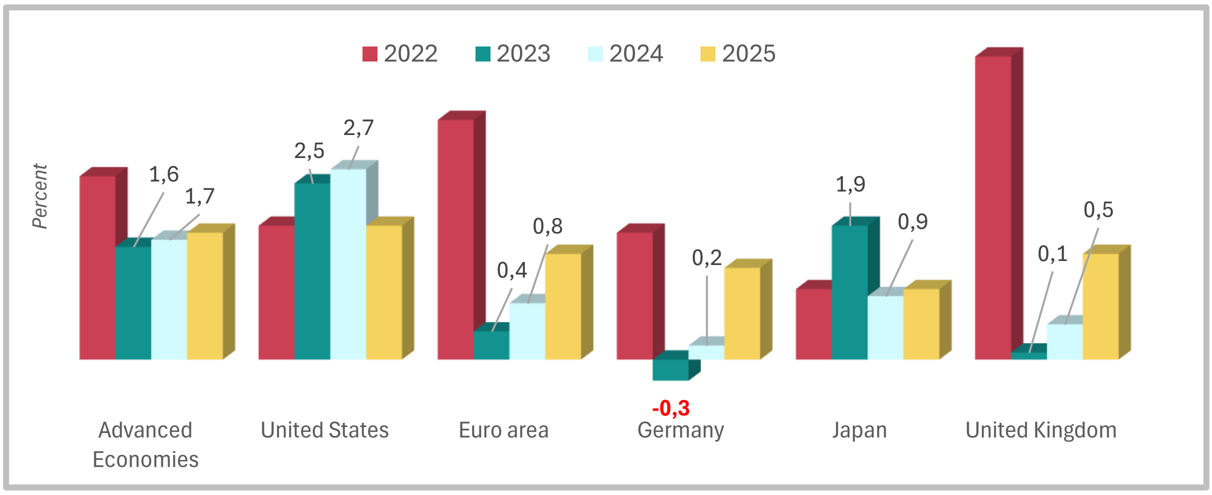
Advanced Economies

In 'advanced economies' (AEs), which comprise the most developed countries, growth is estimated to have slowed from 2.6 percent in 2022 to 1.6 percent in 2023. This slowdown was primarily due to high interest rates during the period, which hindered growth for this region, affecting economic subsectors such as manufacturing, real estate, as well as wholesale and retail, particularly in the United Kingdom and the Euro area, which are some of Eswatini's major trading partners.

On the contrary, the United States (US) economy was resilient as it grew by 2.5 percent in 2023, compared to 1.9 percent in 2022, supported by stronger-than-expected private consumption in the last half of the year, with households drawing down on accumulated savings post-COVID-19 era.

In 2024, growth in advanced economies is projected to moderate to 1.7 percent before rising to 1.8 percent in 2025. In the United States, growth is projected to slow to 2.7 percent in 2024 and 1.9 percent in 2025, attributable to the lagged impact of the restrictive monetary policy, gradual fiscal tightening as well as softening labour markets, which are expected to slow aggregate demand. On the other hand, economic activity in the United Kingdom is projected to recover, growing by 0.5 percent in 2024 and 1.6 percent in 2025. Similarly, the Euro area is forecasted to rebound by 0.8 percent before rising by 1.5 percent in 2025. The outlook in these economies will benefit from the waning of the lagged effects of high energy prices and the envisaged slowdown in inflation , which would ease financial conditions and improve real disposable incomes.

Figure 2: *Advanced Economies' Economic Developments*

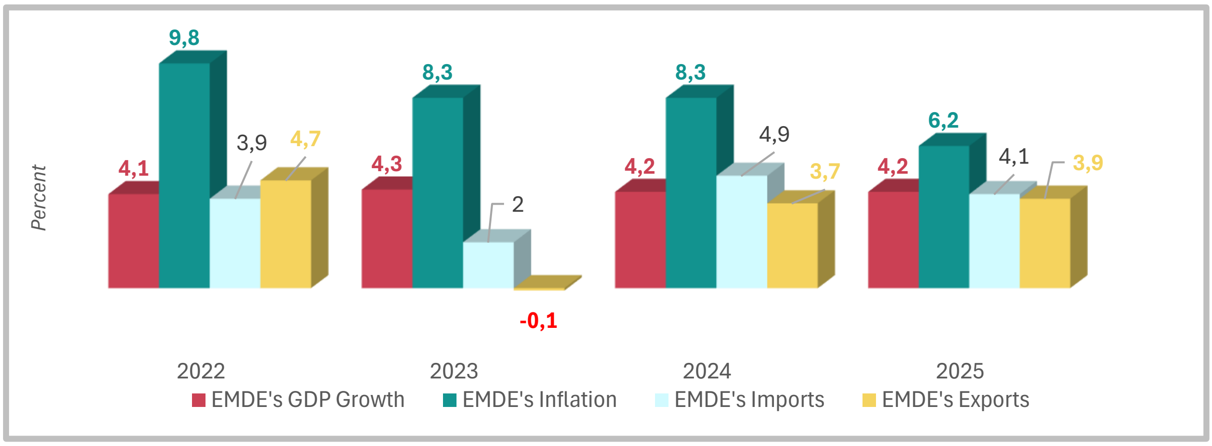


Source: *International Monetary Fund, World Economic Outlook, April 2024*

Emerging Market and Developing Economies

Growth in Emerging Market and Developing Economies (EMDE's), which comprises of developing countries, slightly improved by 0.2 percentage points to record 4.3 percent in 2023. The resilience in this region was broadly on account of better-than-expected growth in private consumption and the declining inflation following proactive monetary policy tightening, although other countries such as China reflected financial strain in the same period. Growth for this region is projected to slightly moderate to 4.2 percent in 2024 and 2025, due to the waning of positive effects of once-off fiscal stimulus that boosted consumption in key economies i.e., China.

Figure 3: Emerging Markets and Developing Economies' Economic Developments

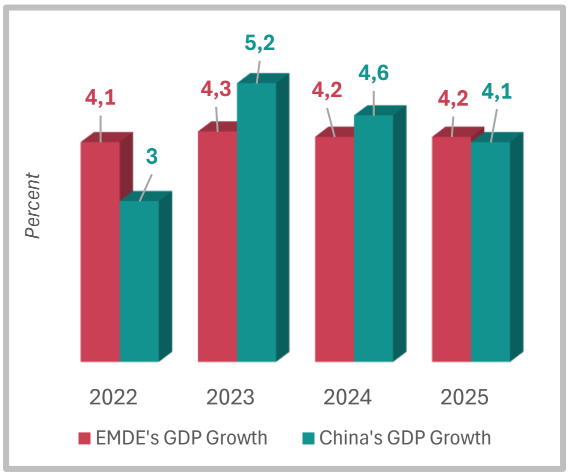


Source: *International Monetary Fund, World Economic Outlook, April 2024*.

China

Economic activity grew by 5.2 percent in 2023 relative to 3.0 percent in 2022, at the back of several fiscal stimulus supporting easing of interest rates and other deposit requirements for the real estate sector. Growth is envisaged to moderate to 4.6 percent in 2024, and further slowdown to 4.1 percent in 2025, on account of continued financial strain for the property sector. Furthermore, weakened consumption influenced by subdued global growth sentiments is envisaged to weigh on growth prospects, whilst limited fiscal space owing to the previous implementation of fiscal stimulus is expected to reduce public investment spending.

Figure 4: *China's Economic Developments*

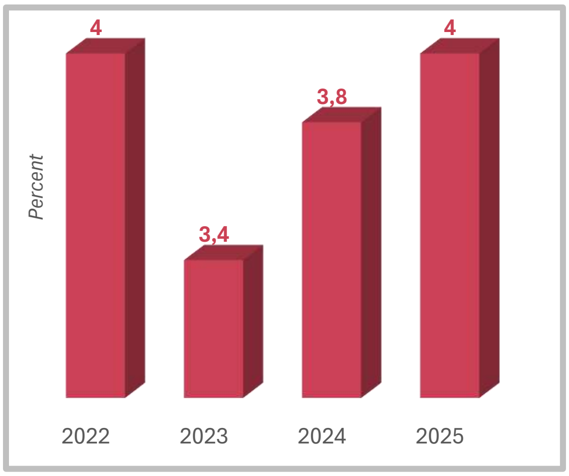


Source: *International Monetary Fund, World Economic Outlook, April 2024.*

Sub-Saharan Africa

In the Sub-Saharan Africa region, growth is estimated to have moderated from 4.0 percent in 2022 to 3.4 percent in 2023. The deceleration was attributed to the lingering effects of the COVID-19 pandemic as well as the ongoing Russia-Ukraine conflict, which destabilized commodity price markets triggering inflationary pressures across the region. To restore price stability across the region coupled with global restrictive monetary policy stance, the SSA region grappled with severe financial constraints, high debt burdens emanating from market-linked loans, and debt roll-over risk. Additionally, the SSA region experienced multidimensional events of droughts and conflicts which further dampened supply-side and demand-side developments. In 2024, economic activity for the region is expected to slightly rebound to 3.8 percent in 2024, and further marginally increase to 4.0 percent in 2025, although issues of instability may likely falter the optimism. The anticipated rebound will be supported by infrastructure investment spending, a recovery in tourist arrivals after the pandemic, and the benefits of economic diversification.

Figure 5: *Sub-Saharan Africa's Economic Developments*

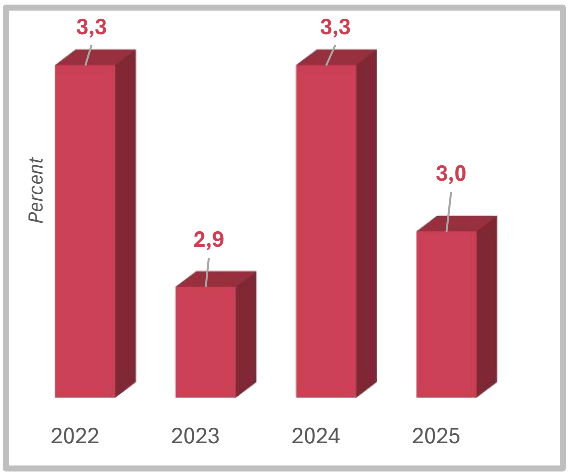


Source: *International Monetary Fund, World Economic Outlook, April 2024.*

Nigeria

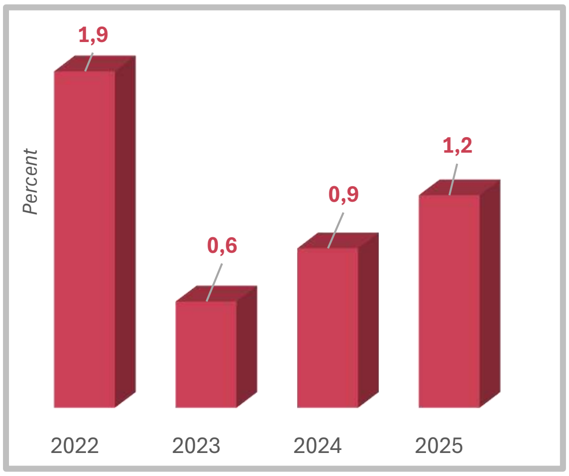
In line with the restrictive monetary policy aimed at taming inflationary pressures, developments in the Nigerian economy were further dampened by other challenges such as foreign currency shortages and import restrictions in 2023. Evidently, economic growth for Nigeria decelerated to 2.9 percent in 2023 relative to 3.3 percent in 2022. A rebound is expected in the short-to-medium term with growth forecasted at 3.3 percent in 2024, and 3.0 percent in 2025 at the back of increased oil production and an expected better harvest in the second half of 2024.

Figure 6: *Nigeria's Economic Developments*



Source: *International Monetary Fund, World Economic Outlook, April 2024.*

Figure 7: *RSA's Economic Developments*



Source: *International Monetary Fund, World Economic Outlook, April 2024.*

RSA

In 2023, the South African economy recorded a sluggish growth of 0.6 percent relative to 1.9 percent in 2022. The subdued growth was mainly attributed to the intense power cuts owing to the continued structural challenges in the energy sector, coupled with intensified logistical bottlenecks, particularly in the country's ports and railway. Moreover, investment is still low due to weak confidence and challenging business conditions linked to these structural constraints. In the period, weakened activity was observed in some key economic sub-sectors such as agriculture, forestry & fishing (-12.2 percent), electricity, gas & water (-3.8 percent), trade, catering & accommodation (-1.7 percent) as well as the mining & quarrying (-0.3 percent).

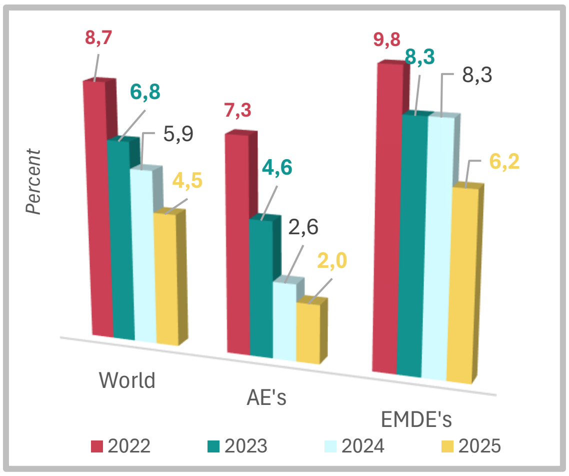
Persistent structural challenges in the RSA economy are expected to weigh heavily on the growth outlook for this economy. Whilst the IMF predicts a slow growth of 0.9 percent in 2024 for the RSA economy, a slight optimistic growth of 1.3 percent is being forecasted by the country's National Treasury on account of an expected recovery in household spending as inflation declines as well as an increase in energy-related fixed investments. In 2025, growth is forecasted to reach 1.2 percent (IMF April 2024).

Global Inflation

The global economy was in a disinflationary[1] trajectory in 2023, in varying magnitudes and remaining above targets across countries. Global headline inflation is estimated to have averaged 6.8 percent, relative to 8.7 percent in 2022, reflecting a 1.9 percentage point decline. Moderating global food and energy price inflation, low consumer demand for goods emanating from the tighter financial conditions, and the rebalancing of demand back towards services, as well as the recovery of global supply chains were the main drivers for the easing of inflationary pressures, in the period.

Headline inflation in advanced economies decelerated from an average of 7.3 percent in 2022, to 4.6 percent in 2023, while in the Emerging market and Developing Economies (EMDE's), headline inflation moderated by 1.4 percentage points in the review period, averaging 8.4 percent in 2023. In the short-to-medium term, global inflationary pressures are projected to further subside, with the global headline inflation anticipated to average 5.8 percent in 2024 and 4.4 percent in 2025. A faster disinflation is expected in the advanced economies than the Emerging market and Developing Economies (EMDE's) due to lower core inflation emanating from sustained restrictive monetary policies, a related softening in the labour markets as well as pass-through effects from earlier and ongoing declines in energy prices.

Figure 8: *Global Inflation Developments*



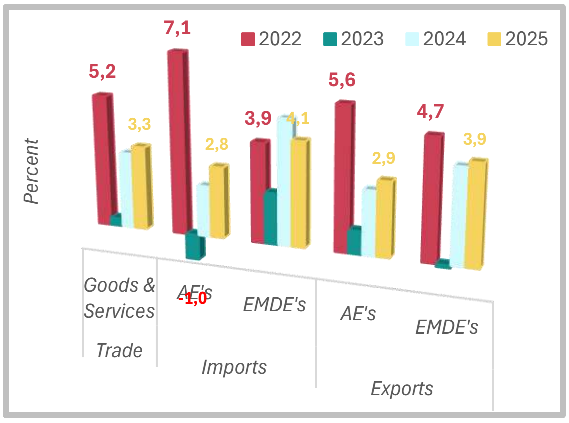
Source: *International Monetary Fund, World Economic Outlook, April 2024.*

Global Trade Developments

Global trade in goods and services fell by 3.0 percent to about US$31 trillion in 2023, following a pick-up in 2022 (United Nations Conference on Trade and Development (UNCTAD), March 2024). Weakened demand in developed economies, low commodity prices, as well as disrupted trade in East Asia and Latin America were the main drivers for the contraction in trade activity. Merchandise trade declined by 5 percent, whilst trade in services continued to reflect a strong rebound post the COVID-19 pandemic, growing by 8 percent in the period. In 2024 and 2025, world trade is expected to increase by 3.0 and 3.3 percent, respectively, on the back of rebounding global demand and moderating inflation.

[1] Disinflation refers to a decrease in the rate of inflation.

Figure 9: *Global Trade Developments*



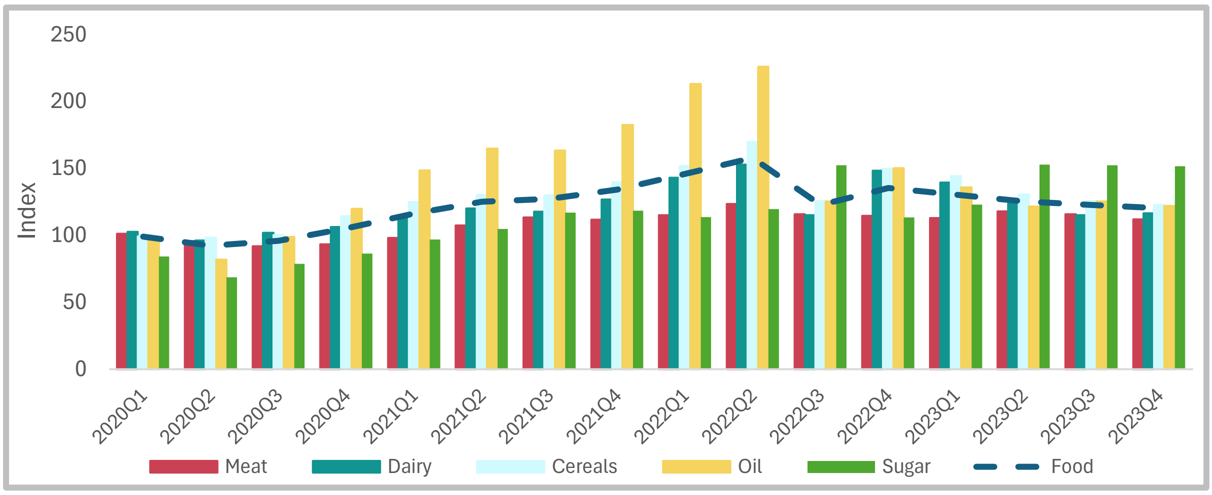
Source: *IMF, World Economic Outlook, April 2024.*

Commodity prices

Food

The global price of food (reflected by an index of different food commodities) decelerated by 13.8 percent relative to 2022, on account of a drop in the prices of vegetable oils (32.7 percent), dairy products (17.3 percent), cereals (15.4 percent) and meat (3.4 percent). The fall in these prices was mainly driven by abundant supplies in the global markets from the leading producers and exporters, which in the case of vegetable oils was boosted by reduced usage of this commodity as an input in the production of biofuels. On the contrary, the prices of sugar and rice soared by 26.7 percent and 21.3 percent, respectively in the review period. The hike in sugar prices was mainly due to port bottlenecks in Brazil, as well as unusually dry weather conditions tied to the El-Nino phenomenon in Asia, which affected other leading exporters - India and Thailand. Additionally, the price of rice escalated due to an export ban implemented by India, the leading exporter of rice, in July 2023.

Figure 10: *FAO Food Price Index (FFPI)*



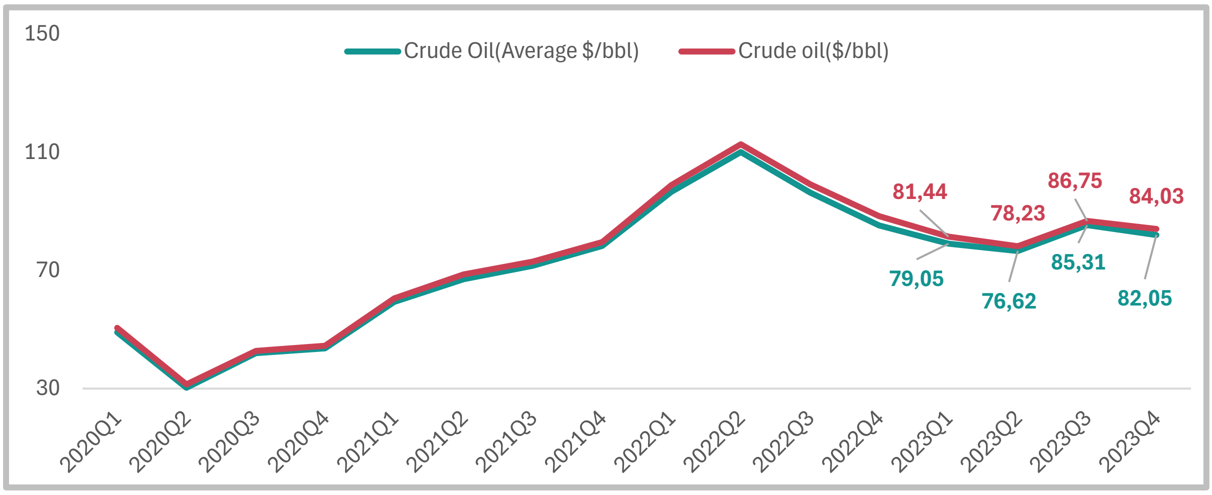
Source: *International Monetary Fund, World Economic Outlook, April 2024.*

Energy

Crude oil

On energy commodities, Brent crude oil was trading at an average of US$82.60/barrel in 2023, reflecting a 17.2 percent decline compared to the 2022 prices. The fall in the price of crude oil was on account of an increase in the global supply of crude oil, emanating from robust production in non-OPEC+ countries such as the United States, Brazil, Guyana as well as Iran, which offset the aggressive OPEC+ production cuts meant to support oil prices. According to the International Energy Agency (IEA) December 2023 report, following the high output, the OPEC+ market share fell to 51 percent in 2023, which was the lowest since the establishment of the bloc in 2016. Like all economies, monitoring crude oil price development is crucial for the Eswatini economy as oil prices tend to exert pressures on domestic inflation.

Figure 11: *Crude Oil Price Developments*

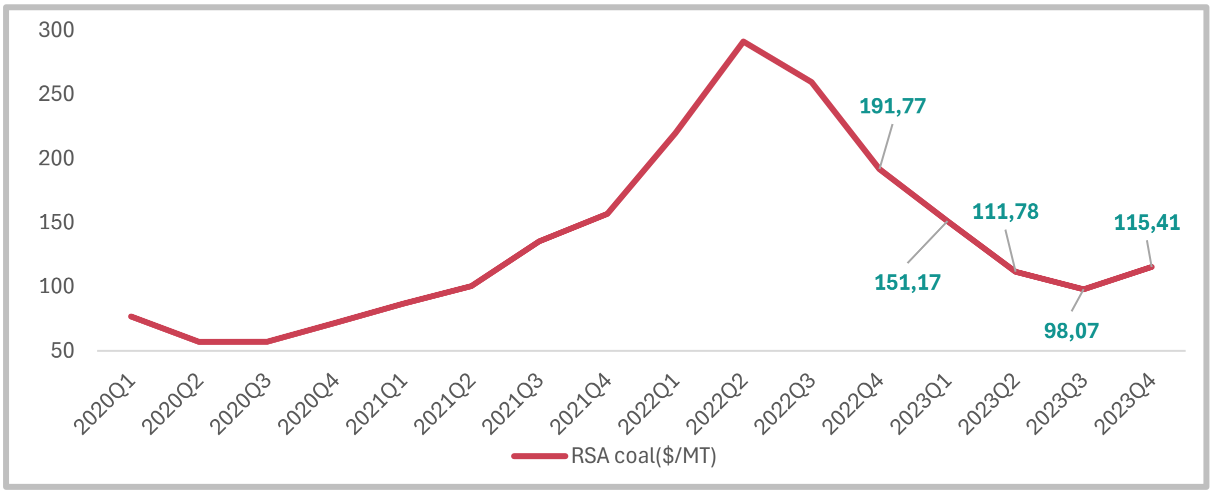


Source: *International Monetary Fund, World Economic Outlook, April 2024.*

Coal

Coal was trading at US$ 119.1 per Metric Tonnes in 2023, which reflects a 50.5 percent price decrease compared to 2022. Increased production in India and China as well as reduced demand, particularly from Europe, in line with the EU commitments to meet the 2040 climate target of reducing net greenhouse emissions by 90 percent, attributed to the declining coal prices in the period. Similarly, fertilizer prices declined by 34.9 percent due to a fall in the prices of natural gas, one of the major inputs in fertilizer production, emanating from increased production by the leading producer, the United States, leading to an oversupply of this commodity.

Figure 12: *RSA Coal Price Developments*

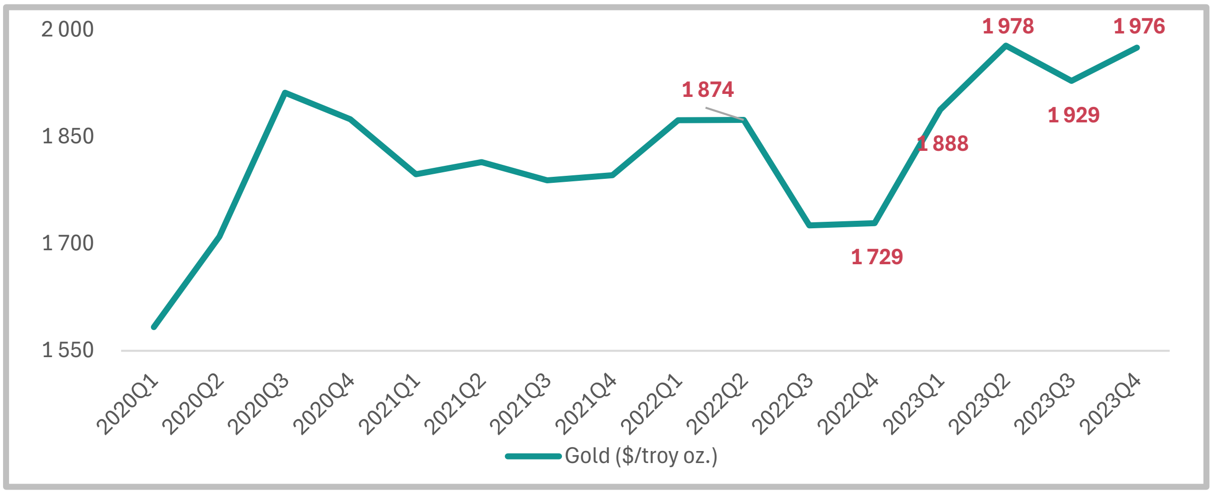


Source: *International Monetary Fund, World Economic Outlook, April 2024*

Gold

The price of gold increased by 7.9 percent backed by strong demand from the Emerging Market central banks. Moreover, the price of gold was influenced by increasing pressure from global investors to store the value of their assets in fear of loss of value amid the intensifying geo-political tensions as well as China's ongoing real estate crisis. These developments led investors to take advantage of gold's special attribute of being a haven in times of economic and geopolitical distress, whose price movements have a low correlation with those of other assets. The intensification of geopolitical tensions and continued central bank demand could potentially boost gold's performance in 2024.

Figure 13: *Gold Price Developments*



Source: *International Monetary Fund, World Economic Outlook, April 2024.*

CHAPTER 2

REAL SECTOR DEVELOPMENTS

DOMESTIC ECONOMIC GROWTH DEVELOPMENTS

GROSS DOMESTIC PRODUCT

MEDIUM TERM OUTLOOK

SECTORAL ANALYSIS

DOMESTIC CONSUMER PRICES

INFLATION DRIVERS

INFLATION FORECASTS

INFLATION FOR GOODS AND SERVICES

CORE INFLATION AND ADMINISTERED PRICES

SOUTHERN AFRICAN CUSTOMS UNION (SACU) INFLATION DEVELOPMENTS

DOMESTIC ECONOMIC GROWTH DEVELOPMENTS

Gross Domestic Product

Eswatini's Gross Domestic Product (GDP) growth, in real terms, rebounded from the previous year's low base of 0.5 percent. The domestic economy's real GDP growth was estimated at 4.8 percent in 2023 and recorded E49.186 billion (E84.847 billion in current prices) in monetary terms relative to an estimated real GDP of E46.915 billion (E78.390 billion in current prices.

The domestic economy reflected a strong resurgence in the review period, backed by notable performance of manufacturing, mining, and construction activities on the production side. These sectors' performance was underpinned by several factors including the improved external demand for the country's key exports in some destination markets, increasing production capacity under coal mining following the bringing under production of high yield crown land as well as the commencement of phase 1a of the MNWAP, which involves the construction of the Mpakeni dam in the Shiselweni region.

On the expenditure side, fiscal improvements owing to higher SACU revenues boosted both public consumption and investment in the period. The SACU share for the country was at a record high of E11.753 billion in FY2023/24, a 102 percent increase compared to the previous year.

Structure of the Economy

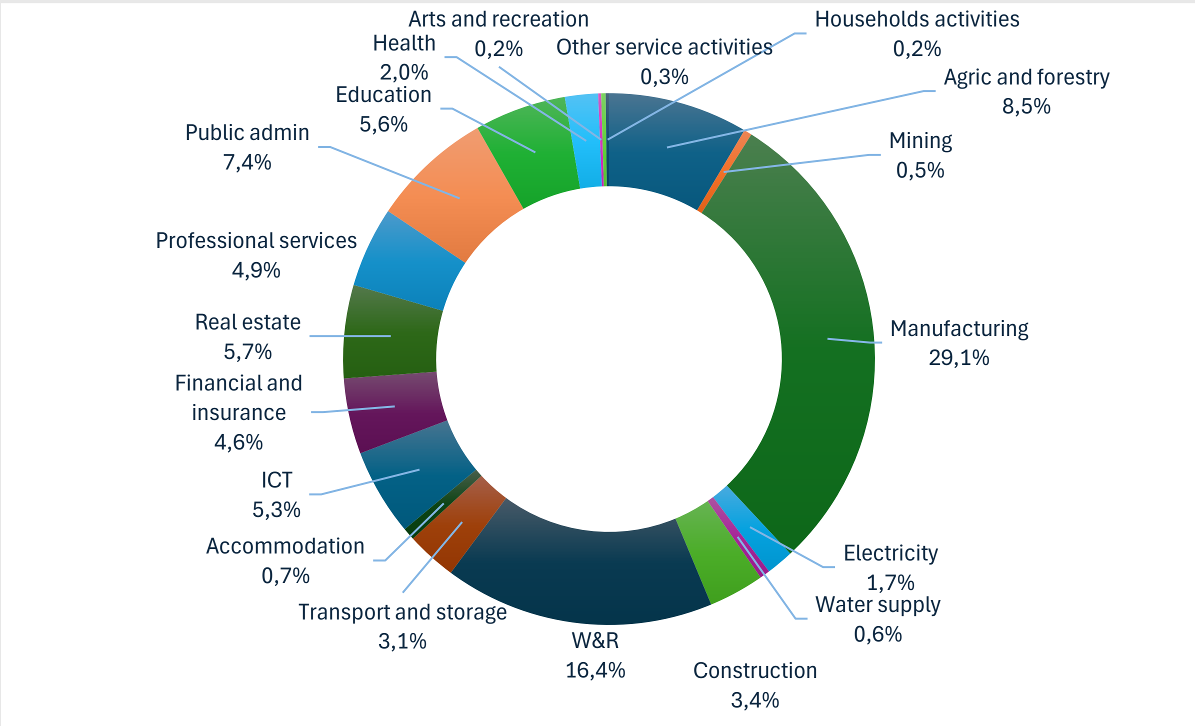
In 2023, the Eswatini economy continued to reflect strong drive of the services sector, against the pace of industrialization. The services sector stayed the largest contributor to GDP with the share of value-add[2] for this sector recorded at 57.2 percent.

On the other hand, the industry sector's contribution (including manufacturing, construction, and utilities) was estimated at 35.3 percent, reflecting a 0.1 percentage point decline in 2023. Manufacturing alone contributed an estimated 29.6 percent to total value added, compared to 29.9 percent in 2022. The decline in the performance of the manufacturing sector is partially attributed to high production costs, competition from imported goods, and the poor performance of the sugar industry in the recent past.

Likewise, agriculture activity has continued to reflect strain as the sector's value-add was recorded at 8.7 percent, indicating a 0.5 percentage point decline. Primary activity overall value-add was estimated at 9.1 percent, in the period. The economy reflects poor structural transformation, which has translated to higher unemployment and poverty rates.

[2] ***Value-add*** reflects the value attained by producing goods and services minus the value of intermediate consumption.

Figure 14: *2023 Shares of Domestic GDP*



Source: *Central Statistics Office & Author's calculations*

Medium Term Outlook

Eswatini's growth outlook is envisaged to be positive in the short-to-medium term (2024 – 2026), averaging 4.0 percent. The growth is underpinned by both demand and supply factors. Demand in the period is expected to be spurred by sustained improvement in the country's fiscal position, which will encourage spending from both public consumption and investment, mainly benefiting subsectors such as 'wholesale and retail', 'accommodation and food services', and construction. Moreover, supply developments in the period will include the anticipated growth driven by expansions under the manufacturing subsector, and agriculture activities mainly under sugarcane.

Medium Term Growth Drivers

Manufacturing activity is expected to contribute to higher growth in the medium term, benefiting from completed and ongoing expansions in different industries boosting supply capacities. Under the manufacture of beverages, the industry is anticipated to increase production capacity backed by new investment in plant capacity and a warehouse, an investment that was worth over E200 Million. Furthermore, the textile industry, which has been constrained for the past three (3) years, is expected to rebound in line with new investment in firms (i.e., Gamula, Jonson & Jonson factories) as well as capacity expansions in existing firms. Other food manufacturing, particularly sugar processing, is also expected to benefit from supply capacity expansions. The ongoing expansions under the LUSIP II project are expected to boost sugar production in the medium term, with ongoing cultivation earmarked to add 4500 ha to sugarcane output by the year 2025.

However, emerging demand factors are a major risk for the manufacturing sector in the short-to-medium term. These factors include the uncertainty with regards to recovery and the stability of global demand as well as supply chains, influenced by the perpetual geopolitical tensions, and the high volatility of global commodity prices. Additionally, structural challenges and weak economic activity in the RSA economy (the country's key trading partner) pose negative repercussions for the export-oriented manufacturing subsector in the domestic economy.

The construction subsector is also expected to be amongst the key contributors to economic growth in the short-to-medium term. On-going activity under the Multibillion MNWAP[3] coupled with other private sector projects including energy-related projects are expected to boost activity under the construction subsector and stimulate growth in other supporting sectors such as the Wholesale & Retail, Transport, and Professional services. However, for the outer year of the medium term, the construction subsector is expected to contract on account of slumping momentum in project implementation scope, with the current plans (government of Eswatini estimate book) indicating a lower replacement rate of public-sector driven projects completed in the period. A considerable negative risk for this sector is fiscal unsustainability, likely manifesting through cash flow challenges and thereby affecting operations and derailing project implementation.

On the demand side, the government sector is expected to drive growth in the short term, anchored on the improving fiscal position in line with the better revenue mobilization specifically the SACU receipts. The SACU receipts recorded two consecutive record windfalls that were above E11 billion, owing to improvements in the SACU Pool[4]. Both public consumption (wages, and goods & services) and investment (capital programme) are expected to contribute positively to economic growth in the short term.

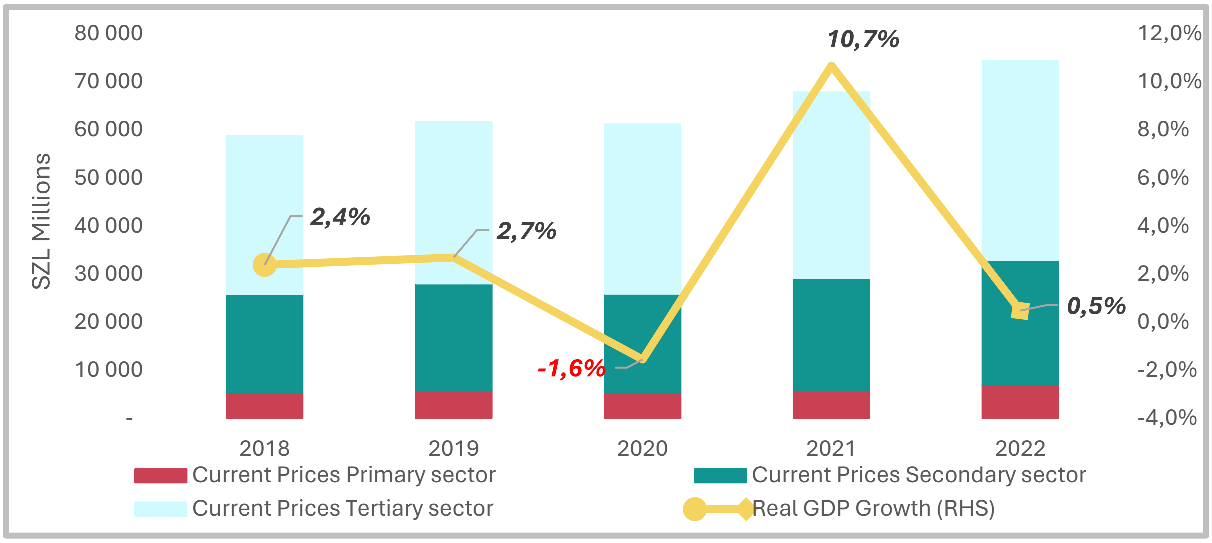
Box 1: Synopsis of the MNWAP

The Mkhondvo-Ngwavuma Water Augmentation Project (MNWAP) is a multifaceted project that aims to drive growth in the agriculture sector and contribute towards the attainment of national goals through increased and resilient agriculture production, increasing access to domestic water supply, industry development (anticipated value addition to produce, where the targeted crops include cotton, dry beans, soya beans, sunflower, banana, and vegetables), and power generation in the future. The overall scope of the project includes the construction of a dam/reservoir in the Mkhondvo River and the transfer of the water to the Ngwavuma River for storage in the Mpakeni Dam.

Once fully developed, this system will irrigate an estimated +25000ha with high prospects for non-sugar crops thus giving impetus to the country's diversification strategy to sustain economic growth. The first phase of the project will involve the construction of the Mpakeni Dam (Phase 1-A) whilst associated infrastructure in addition to the downstream development of about ten thousand hectares (10,000 ha) will be undertaken under different financing arrangements as Phase 1-B. The total estimated cost for the MNWAP is over E7.500

[3] See box 1 for detailed information on MNWAP.
[4] SACU pool is the common revenue pool that facilitates the sharing of all trade receipts by member states i.e., Botswana, Eswatini, Lesotho, Namibia, and the Republic of South Africa.

Figure 15: Eswatini Economic Developments



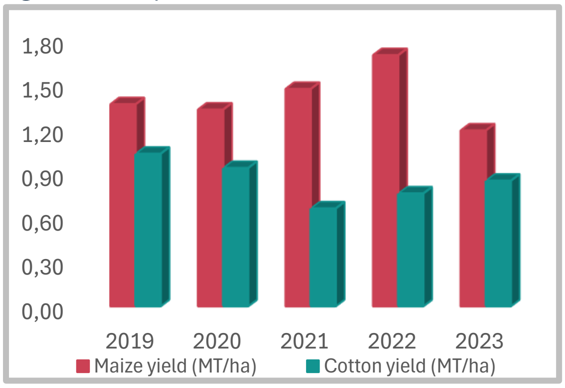
Source: *Central Statistics Office*

SECTORAL ANALYSIS

Agriculture and forestry

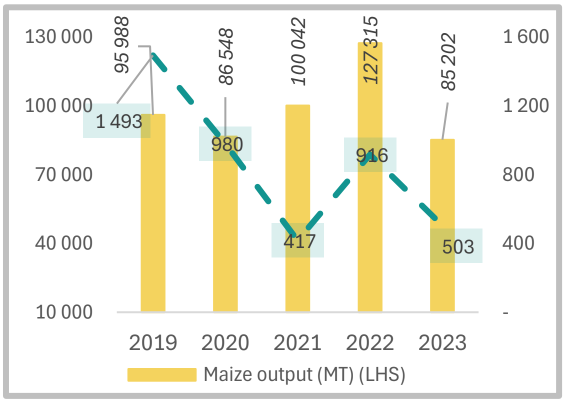
The 'agriculture and forestry' performance reflected a 2.5 percent contraction in 2023 relative to a significant growth of 5.9 percent in 2022, contributing a negative 0.2 percentage point to overall GDP growth. Varying degrees of unfavourable weather conditions, due to the climate change-induced challenges, weighed negatively on crop production in the 2022/23 season. The season was characterized by relatively droughty conditions coupled with high input costs, which affected the production of crops, mainly maize and cotton outputs. Maize output in the period declined by 33.1 percent to record 85,202 MT compared to a bumper harvest of 127,315 MT in 2022, whilst cotton output fell by 45.0 percent in the same period to reach 503 MT.

Figure 16: Crop Yield Production



Source: *Ministry of Agriculture & Company Survey*

Figure 17: Crop Production Output



Source: *Ministry of Agriculture & Company Survey*

Similarly, sugarcane output also reflected a decline of 5.8 percent, owing to poor cane quality. Above-normal rains in the latter part of

2023 increased the cloud cover and compromised yields for the industry. This development coupled with the harvesting of young cane due to a prolonged harvesting season in the previous year, affected sucrose level (sugar content per cane), which declined by 6.6 percent in the period. Against this backdrop, production of crops in the economy is estimated to have contracted by 6.8 percent in 2023.

Table 1: *Sugarcane Production*

Sugarcane Production	2018/19	2019/20	2020/21	2021/22	2022/23	2023/24
Cane Area (ha)	59,520	60,642	60,424	60,404	60,626	62,126
Area Harvested (ha)	57,397	59,080	58,523	56,936	57,394	57,394
Sugarcane (MT'000)	6.198	5.690	5.759	5.267	5.539	5.038
Cane yield (tons/ha)	108	96	98	93	97	90

Source: *Eswatini Sugar Association & Company Survey*

On animal production, which is mainly driven by the rearing of 3 types; cattle, poultry, and pigs, preliminary estimates indicate that the subsector grew by 4.3 percent in 2023. The subsector's growth was driven by a 0.8 percent increase in cattle, a 15.4 percent growth in poultry production as well as a 6.0 percent rise in piggery production. This subsector continues to benefit from government and private sector initiatives aimed at increasing local meat supply. However, in the review period, there were negative developments that affected the importation of hoofed animals due to the ongoing foot and mouth disease (FMD) ban on RSA livestock, dampening the restocking of livestock in the country.

Performance in the forestry subsector is estimated to have declined by 9.4 percent attributable to logistical challenges in the shipment of timber products. The subsector was further constrained by a slowdown in external demand (i.e., export of structural timber) by the mining subsector in the South African market, linked to continued load shedding in the RSA economy.

Table 2: *Animal Slaughters*

Animal Slaughters	2019	2020	2021	2022	2023
Cattle	43,412	36,744	40,991	44,235	45,746
Pigs	30,233	34,131	37,198	33,112	35,099
Poultry	15,843,993	14,342,445	13,082,386	12,926,020	14,921,657

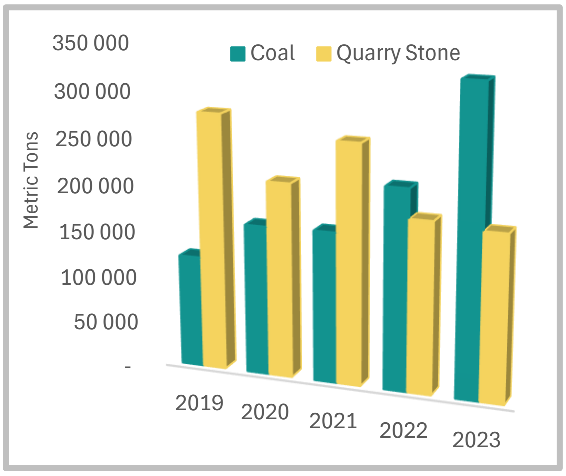
Source: *Ministry of Agriculture & Company Survey*

Mining

Mining output increased in 2023, reflecting an estimated growth of 46.5 percent. The subsector's growth was underpinned by the remarkable performance of coal production, which benefitted from the mining of high-yield crown land and the resuscitation of previously closed mining shafts due to geological constraints. Coal volumes increased by 52.0 percent in the period from 215,580 MT in 2022 to 327,682 MT. Demand for coal in destination markets as well as favourable prices also supported growth for coal production. The country is endowed with one of the high-quality types of coal, i.e., anthracite coal, which is predominantly used in steel smelting.

Quarry production, on the other hand, remained subdued in the period, falling by 3.0 percent although indicating an improvement compared to the decline of 29 percent realized in 2022. With the completion of some quarry stone-demanding projects such as roads, the bulk of the year reflected low replacement with only a slight rebound seen in the last quarter of the year following the commencement of the construction of one of the mega projects, the Mpakeni dam. Extraction of other minerals in the domestic economy has remained at a low scale and these include the mining of gold and iron ore.

Figure 18: *Coal and Quarry-Stone Production*



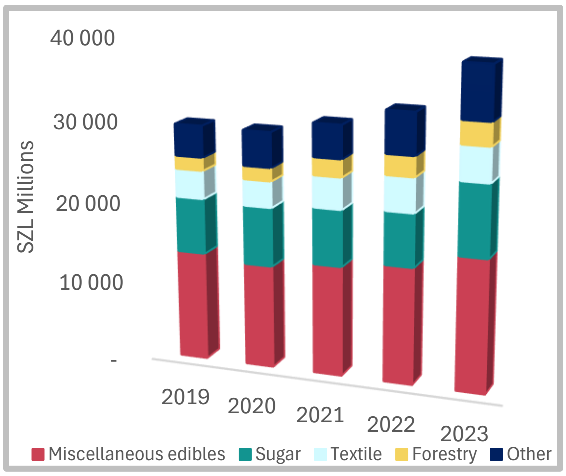
Source: *Department of Mining & Company Survey Stats*

Manufacturing

Overall manufacturing activity rebounded in 2023, although mixed developments were observed in the different industries. Manufacturing output stepped up by 1.3 percent in the period compared to a 0.6 percent contraction in 2022. Driving the growth was the manufacture of beverages, which benefited from both demand and supply factors. From a demand perspective, the easing of disruptions emanating from the Russia/Ukraine tension improved external demand, which translated to a relative increase in domestic exports of certain commodities. In terms of supply factors, expansions and investment in the period supported higher production volumes in this industry. The 'manufacture of wood and wood products', also recorded a significant growth of 7.9 percent in 2023 linked to higher demand in the period.

On the negative, growth in the manufacturing subsector was curtailed by the mediocre performance of food manufacturing in the period, specifically the manufacture of sugar. Poor sugarcane yields attributable to the effects of erratic weather conditions, translated into lower sucrose content hence affecting sugar output, which contracted by 4.3 percent in the period. The manufacture of textiles also slumped owing to weakened demand mainly in the regional markets.

Figure 19: *Exports of Key Manufacturing Products*

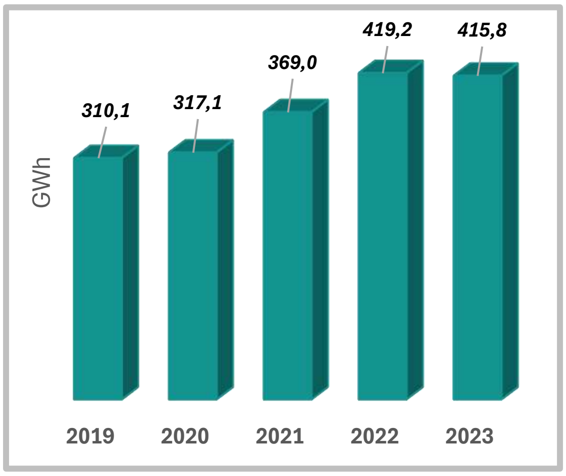


Source: *Eswatini Revenue Services*

Electricity Generation and Water Supply

Electricity generation contracted by 0.8 percent in 2023 from 419.2 GWh to 415.8 GWh, attributable to falling hydro-power generation in the period. Servicing of one of the major power generation stations resulted in scaled-down production at certain periods of the year. Nonetheless, on the positive, electricity generation benefited from favourable weather conditions, wherein above-normal rains in the period supported the dam's levels and higher production capacity. Regarding consumption, electricity consumers connected to the national grid increased from 267,934 to 282,851 mainly under the domestic category, whilst units sold increased from 1.140 million KWh to 1.149 million KWh in the period.

Figure 20: *Electricity Generation*



Source: *Eswatini Revenue Services*

Ongoing projects for the sector aimed at increasing energy supply and reliability include the Network Reinforcement and Access Project (NRAP) substations at Hluthi, Matsanjeni, and Lavumisa, which are intended to supply power to an estimated 8,000 households with an estimated completion date of October 2024. Upcoming projects in the near future include the expansion of the Maguga power plant with a capacity of 10MW and the construction of a 23MW plant in the Lower Maguga hydro-power station. Commencement of construction is envisaged to begin in 2024 and is assumed to take about 36 months to complete. Other plans include the procurement of an added capacity of both solar (75MW) and biomass (circa 40MW) from Independent Power Producers.

Activity on water treatment and supply reflected a conventional growth of 2.0 percent in 2023, rebounding from a previous decline (-1.5%) in 2022. The sector's growth depicted benefits from both supply and demand factors. On the supply side, favourable dam levels supported by considerable rainfall in the period together with a substantial number of new connections boosted growth. Domestic and commercial water connections were estimated at 63,371 in 2023 compared to 62,968 in the previous period. Water demand was recorded at 13.597 million kilolitres, of which 52.0 percent accounted for domestic consumption. During the period, several projects were being implemented to increase connectivity, particularly for domestic use. Amongst the projects implemented included the Manzini Region Water and Sanitation Project, which comprises the construction of a scheme to provide Potable Water and Sanitation services to the greater Manzini areas covering Nhlambeni, Mtfongwaneni, Manzini South, Mafutseni, and their surrounding areas. Additionally, works under the Shiselweni greater project, which includes Nhlangano-Siphambanweni water supply and sanitation, continued in the review period together with the Lomahasha/Namaacha Phase 1 water supply.

Construction

The construction industry rebounded in 2023, increasing by 4.0 percent, picking up from a muted performance in 2022. The subsector benefited from the implementation of several projects in the public and private sector space. Amongst the public sector projects implemented in the period include the construction of the International Convention Centre (ICC), the commencement of the Mpakeni dam, Nhlangano – Sicunusa road, and the rehabilitation of the country's road network. On the private sector side completed and ongoing projects in 2023 comprised of FNB headquarters, SASCCO building offices, and ESCCOM head office amongst others.

Services

The services sector recorded a growth of 8.2 percent in 2023 underpinned by a broad-based growth of the different services in the economy. Subsectors such as 'Information, Communication and Technology' (ICT), 'Wholesale and Retail' (W&R), 'Professional Services' and 'Public Administration', were the leading contributors to overall growth accounting for 2.9 percentage points to the overall GDP growth (of 4.8 percent) in the period. The performance of these subsectors mainly hinged on the rebounding of domestic demand, which was previously eroded by high inflationary pressures in 2022, coupled with spurred consumption demand in line with ongoing national events in the period such as the 2023 elections.

Information, Communication Technology

The ICT subsector continued to reflect sustained growth in the recent period following the strong drive seen since the COVID-19 pandemic in 2020 in line with the new norm of doing business. Although growth was observed to have bottomed out in 2022, with this subsector significantly declining by 8.7 percent, the subsector rebounded by 17.3 percent in 2023, with new demand observed during the elections period as well as benefiting from increased investment in improving infrastructure network by some players aiming to increase connectivity in previously untapped places.

Wholesale and Retail

The 'Wholesale and Retail' subsector grew by 6.0 percent in 2023 partially supported by moderating inflation in some categories such as transport, which was recorded at elevated levels in 2022 thus influencing changes in consumption patterns for both public and private entities. The subsector further benefitted from newer demand due to national elections and other events in the domestic economy during the period. Moreover, growth in 'Wholesale and Retail' also reflected the spillover effects from the government's fiscal accounts, which depicted an improved position on account of higher SACU revenues and supported higher public sector consumption.

Public Administration, Education, and, Health

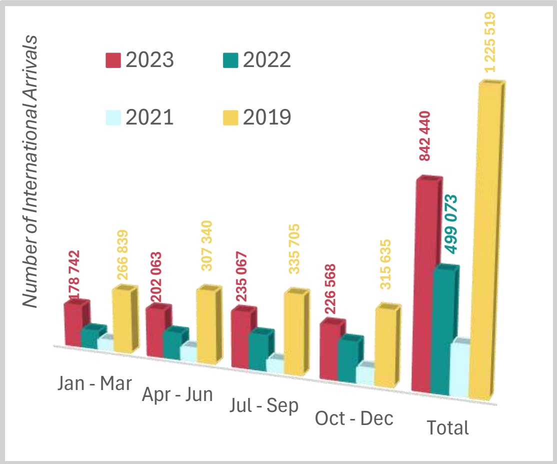
Activity under 'Public Administration' reflected sustained growth in the period under review, increasing by 7.7 percent following a growth of 4.7 percent in 2022. The subsector's growth was supported by increased activity in administration services and operations in line with the improved fiscal position in the period. Due to financial constraints and cashflow challenges in the past periods most government operations were downscaled, including the size of the civil servants following the implementation of the hiring freeze policy.

Education and health activities reflected contrasting developments in the period. Performance in the 'Education' subsector slowed in 2023, with declines observed since 2020, depicting the long-lasting effects of the COVID-19 pandemic on this subsector. Output in the health sector, however, picked from a previous low base with a growth of 2.4 percent in 2023, indicating gradual recovery from the COVID-19 effects.

Tourism and related services

Growth in tourism and tourism-related subsectors continues to trend upward post the COVID-19 pandemic in line with global tourism trends. The subsector's performance in the period reflected a 21.3 percent increase (up from 16.4 percent in 2022) supported by a recovery in international tourist arrivals, increased domestic tourism, and improved demand for accommodation and conferencing activities. International tourists increased by 69.0 percent in 2023 to reach 842,044 though still falling short by 31.0 percent from the pre-COVID-19 levels. This shows that, two (2) years later the tourism subsector has not fully recovered from the COVID-19 repercussions. Art, entertainment, and recreation services also reflected strong growth in 2023 increasing by 49.3 percent, in line with tourist arrivals and the full return of trademark events in the domestic economy, such as the MTN Bushfire festival, national trade fair, and cultural events (e.g. Reed dance, Marula festival), amongst others.

Figure 21: *Tourism Trends*



Source: *Eswatini Tourism Authority*

Transport Services

Growth in the transport subsector increased by 8.4 percent in 2023, mainly reflecting strong activity in air transport services. The air transport sector is still recovering from the COVID-19 pandemic and growth continues to be supported by the recovery of other related subsectors such as the tourism subsector. Additionally, in the period under review, there was an added airline for the domestic economy, which introduced new routes i.e., Sikhuphe-Durban, Sikhuphe-Cape Town, and Sikhuphe-Harare. Similarly, rail transport reflected increased activity, attributable to the positive performance of exports, specifically coal and bagged sugar, as well as transit traffic in 2023.

Financial and Insurance

Overall financial and insurance services grew by 13 percent in 2023 from a low base of (-5.4) percent in 2022. Monetary intermediation reflected growth in the period owing to recovered demand for credit extension, rebounding from a previous financial squeeze due to tightening monetary policy. Insurance services also rebounded in the period under review, increasing from a low base in 2022, depicting the waning effects of the COVID-19 pandemic (associated with previous high claim rates) on this subsector.

Real Estate

Activity under real estate continues to benefit from the ongoing construction of commercial properties for office and retail space, head offices, and residential units by the private sector. In 2023, the subsector posted a growth rate of 6.8 percent compared to 2.8 percent in 2022. The sector experienced robust growth in 2023 despite the observed net-off effect owing to the ongoing construction of head offices that were previously under rental space. Overall rental occupancy rates have been compromised for some facilities due to this substitution effect.

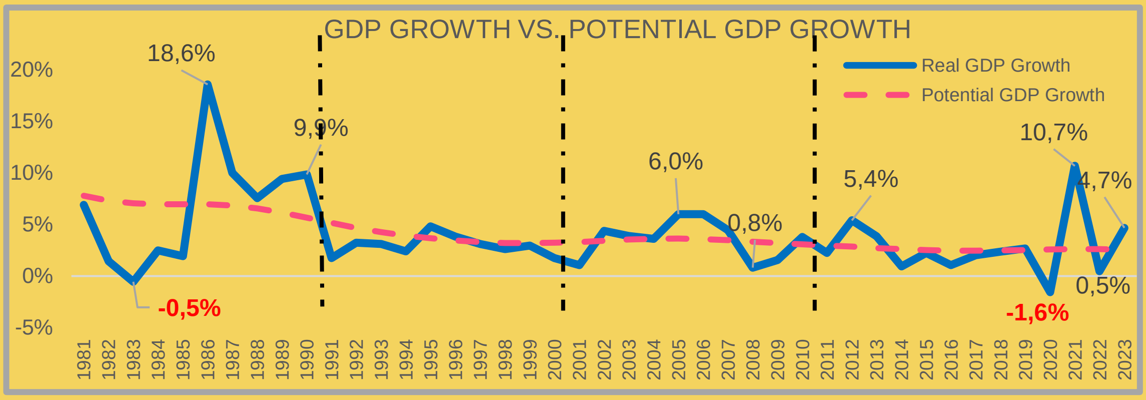
Other Services

Other services, such as professional and household-linked activities, benefitted from increased activity in other related subsectors such as construction and manufacturing activities amongst others. Professional, administrative, and support services recorded a 11.7 percent increase in the period and were bolstered by higher activity in the manufacturing and construction subsectors. Travelling agency and tour operators' output increased by 44.0 percent in line with growth in the tourism sector.

Box 2: Eswatini in a Low Growth Trap: The Challenges and Outcomes of this Low Growth

The Eswatini economy proved to be resilient amidst the repeated economic shocks experienced (i.e., COVID-19, climate change dynamics, and socio-political riots) recently, and rebounded stronger than most developing economies. However, the local economy continues to be trapped in a low growth trajectory since the turn of the millennium, with the poor-quality growth[a] registered recently and insufficient to create enough jobs in the formal sector to tackle the high unemployment and inequality in the economy. The country's Gross Domestic Product (GDP) growth just averaged 3 percent between 2000 – 2023 relative to an impressive growth of about 7 percent in the 1980s – a period where the economy surpassed growth of most peers in the SACU (except Botswana) and SADC regions. This presents a dire situation for the domestic economy, reflecting the several structural obstacles still existing in the domestic economy.

Figure 22: *Historical GDP Trends*



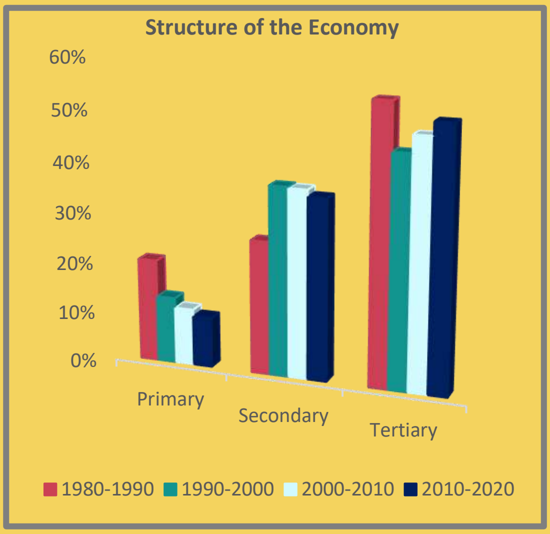
Source: *Central Statistics Office & Author's calculation*

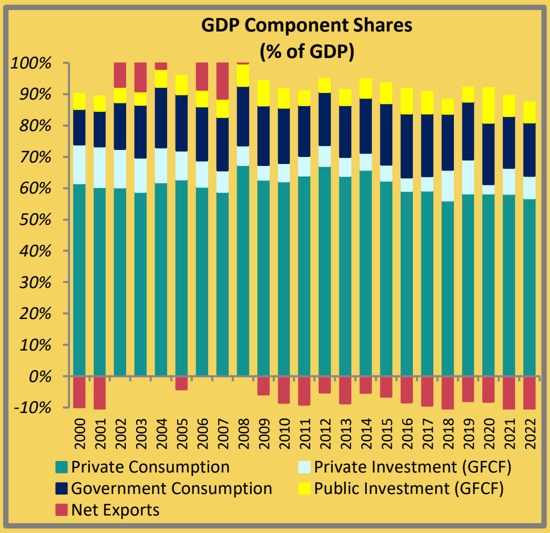
The low economic transformation[b] between and within key sectors, is amongst the key drivers to the persistent low growth in Eswatini. The economy shifted its productivity from agriculture to services, however this was not matched by meaningful gains of productivity in the services sector. The services sector currently accounts for about 51 percent (average) of total output; however, this sector is to large extent driven by the public sector, which had reflected highly erratic performance in most periods due to the volatile revenue sources and dwindling fiscal space to sustain the public consumption and investment spending. Contribution to growth for the public sector have declined significantly as the fiscal policy became less conservative in the recent periods due to gradual increases in fiscal deficits and dwindling fiscal space matched by the fast-rising pace of debt servicing in the economy. On employment, the services sector share is estimated at 66.7 percent (LFS, 2021), however, the value added per worker is relatively lower compared to other key economies (estimated at 0.59 in 2019, World Bank Study).

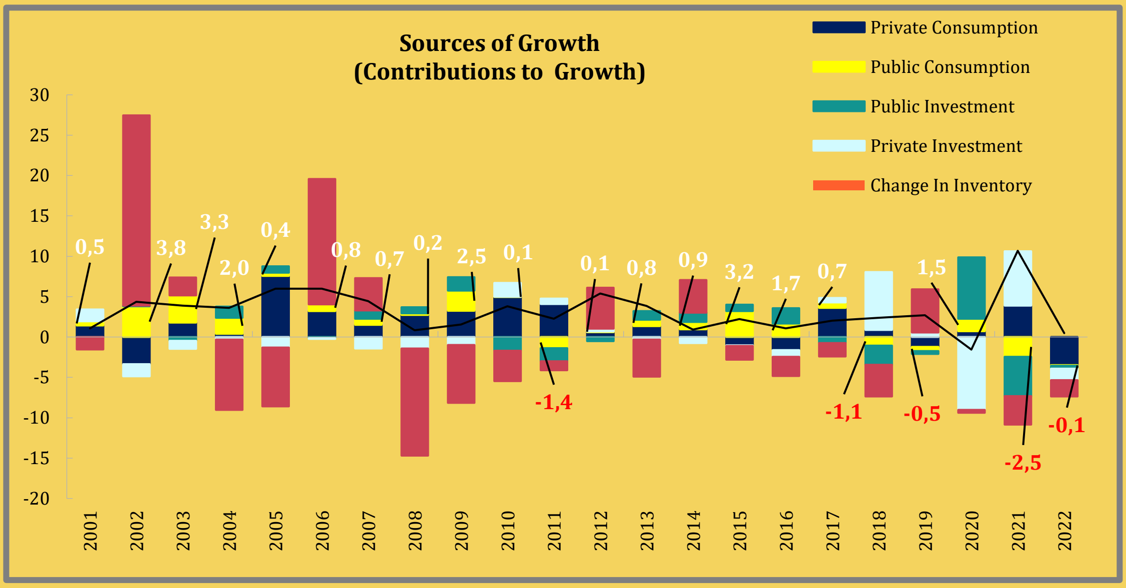
The manufacturing sector, which is crucial for the economy accounts for an estimated 31 percent of the value added. However, full transformation for this sector has been constrained by several factors including the strong capital flight, limited industrialization and export diversification, and declining productivity since the turn of the millennium. Foreign Direct Investment (FDI) trends have significantly collapsed, and the regulatory framework having been identified as key challenge for businesses, sitting amongst the top three challenges reported by businesses in the recent company surveys.

Decomposing further the growth in the domestic economy, data have indicated that both the public and external sectors have not contributed to economic growth in recent years. Also there has been marginal contribution of physical capital accumulation to economic growth attributable to insufficient public savings to generate fiscal space for additional public investment, declining private investment due to allocation of savings toward non-capital assets and declining FDI inflows.

The obstinately low growth in the domestic economy has had implications for the country' socio-economic indicators which have worsened over the years. The unemployment rate has been amongst the highest in the region, as the economy struggle the creation of sustainable jobs. Unemployment rate in Eswatini increased from 21.6 percent in 1995 (ILO-stats) to reach about 35.7 percent in 2022 (LFS,2023) The country's youth has been the most vulnerable, with unemployment for this category estimated at 48.7 percent (for ages 15-35 years). Similarly, poverty has remained high recorded at 59 percent of the population. Poverty level is higher in the domestic economy much against the country's income per capita. According to the country's income per capita, the local economy is categorised as a middle-income country, which is not felt by most Emaswati due to high inequality.







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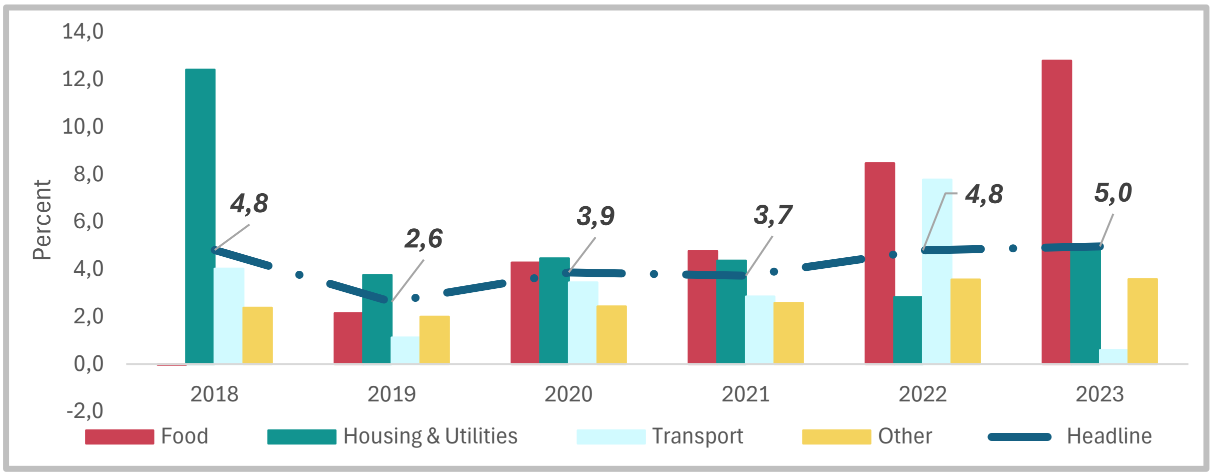
[a] **Growth is of higher quality** when it is less skewed and more inclusive, generates sustained increases in productive employment, raises income levels (broadly across the income distribution) and facilitates large and sustainable reductions in poverty.

[b] **Economic transformation is defined** as a continuous process of shifting labour and other resources from lower- to higher-productivity activities, facilitating aggregate labour productivity growth over a sustained period and resulting in more diversified and complex productive activities. These shifts can occur both between sectors (structural change) through movements from lower- to higher-productivity sectors (e.g. through the movement of labour out of agriculture into manufacturing) and within sectors (e.g. from low-value, low-productivity subsistence agriculture to high-value crop farming; or from low- to high-productivity firms) (McMillan et al., 2017).

DOMESTIC CONSUMER PRICES

In spite of decelerating global inflation, the domestic economy depicted a lagged response to the disinflation developments with food and energy inflation remaining sticky, i.e. not adjusting quickly to the response to changes in supply and demand factors. In 2023, domestic prices remained slightly elevated, as on average, headline inflation increased from 4.8 percent in 2022, to 5.0 percent in 2023. Food prices, which began peaking in the 3rd quarter of 2022, broadly remained on the upside in 2023, contributing 2.7 percentage points to overall inflation in the period relative to 1.7 percentage points in 2022. However, in terms of the rate of change, the speed in the increase in food prices was observed to be relatively decelerating. Higher housing rentals and utilities prices were among the key drivers to the uptick in inflation in 2023 contributing 1.3 percentage points to headline inflation. In contrast, transport inflation decelerated in the period under review influenced by stabilizing global crude oil prices.

Figure 23: *Domestic Inflation Developments*



Source: *Central Statistics Office*

Box 3: Domestic Inflationary Pressures Explained

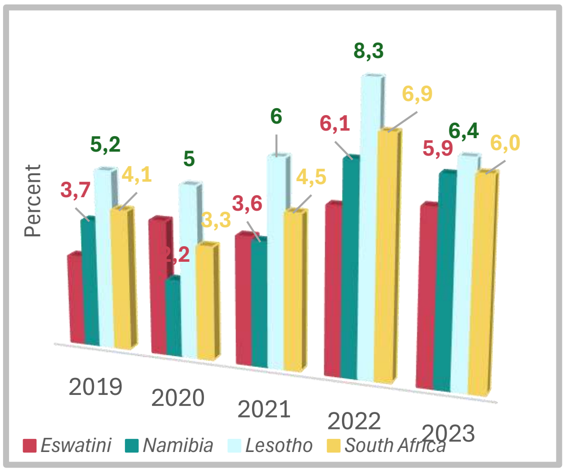
In an economy, inflation occurs when there is a persistent increase in the prices of goods and services that households purchase over time (usually a year). This is usually measured by a consumer price index (CPI), which tracks the price changes in a representative basket of goods and services that these households consume. In the context of the Eswatini economy, the consumer's basket is represented by the following categories: 'food and non-alcoholic beverages', 'clothing and footwear', 'alcoholic beverages, tobacco, and narcotics', 'housing, water, electricity, gas, and other fuels', 'furnishing, household equipment and routine household maintenance', 'recreation and culture', 'transport', 'hotels and restaurants', ''education', 'health', 'communication' as well as 'miscellaneous goods and services'.

The weights of the categories in the basket are determined by the average spending habits of all households. Goods and services that account for a larger share of consumer spending in Eswatini include: 'food & non-alcoholic beverages', which account for 20.2 percent of the total basket, Housing & utilities (27.7 percent), transport (17.5 percent), communication (7.4 percent) and Education (6.6 percent).

Domestic food inflation averaged 12.8 percent, which reflected a 4.3 percentage points increase compared to the preceding year, owing to a rise in the price indices of products such as 'rice'; 'flour and other products'; 'milk, cheese, and eggs'; as well as 'vegetables', partly emanating from the elevated food prices in South Africa as well as the inclusion of dairy products into valued added tax (VAT) in September 2022. Notably, in the year under review, the country remained a net importer of food as food imports grew by 10.2 percent and RSA remained the main source of imports.

Inflation for 'housing & utilities' averaged 4.8 percent in 2023 compared to 2.8 percent in 2022. This was mainly attributable to a 3.8 percent hike in the private housing rentals as well as the utility tariff hikes (i.e. 10.1 percent on electricity and 6.6 percent on water supply) effected in April 2023. To cushion consumers against the erosion of their purchasing power, both public and private sector employees were granted a cost-of-living adjustment, with the public sector employees awarded 4.0 percent COLA in August 2023. Transport inflation (consist of fuel prices) decelerated by 7.2 percentage points in the review period, in line with the moderation of global fuel prices in 2023. Notably, transport inflation was the common driver for moderated inflation in the SACU countries. In the period under review, Lesotho had the highest at 6.4 percent followed by South Africa and Namibia at 6.0 percent and 5.9 percent, respectively.

Figure 24: *Common Market Area Inflation*



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

Inflation For Goods and Services

In 2023, inflationary pressures in the domestic economy were mainly driven by high prices of goods, which averaged 7.6 percent. Services inflation, on the other hand, increased by 1.2 percent on average. In the period, durable and semi-durable goods increased by 1.1 and 0.7 percentage points relative to the preceding year respectively, mainly due to an increase in the prices of 'furnishing, household equipment, and routine household maintenance' as well as 'clothing & footwear'. On the other hand, non-durable goods fell by 0.2 percentage points primarily driven by a fall in the prices of 'oils & fats'.

On services, the increase in 2023 was driven by housing rental services averaging 3.1 percent in 2023.

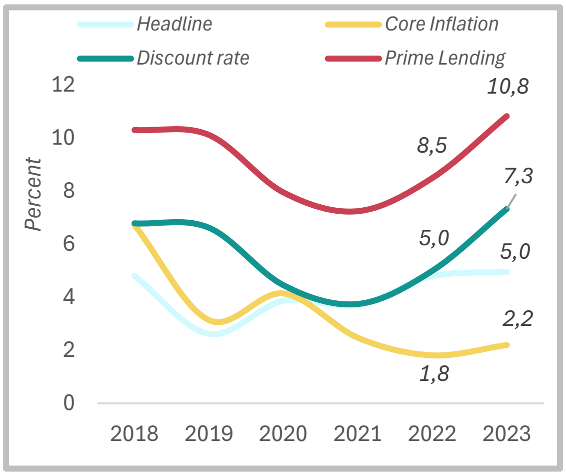
Core Inflation and Administered Prices

Core inflation[5] averaged 2.2 percent in 2023 compared to an average of 1.8 percent recorded in 2022. Core inflation reflected a marginal increase of 0.4 percentage point depicting that headline inflation remains influenced by the volatile goods i.e. food and transport. Regarding administered prices[6], which include products such as electricity, water, bread, and fuel amongst others indicated a decline of 6.6 percentage points to an average of 5.6 percent in 2023. This implies that some of the administered prices were not adjusted upwards in the year under review, except for utilities and housing rentals hiked in April 2023.

[5] Core inflation refers to the rate of inflation that excludes the prices of volatile goods (i.e. food and transport). It is considered an indicator of underlying long-term inflation.

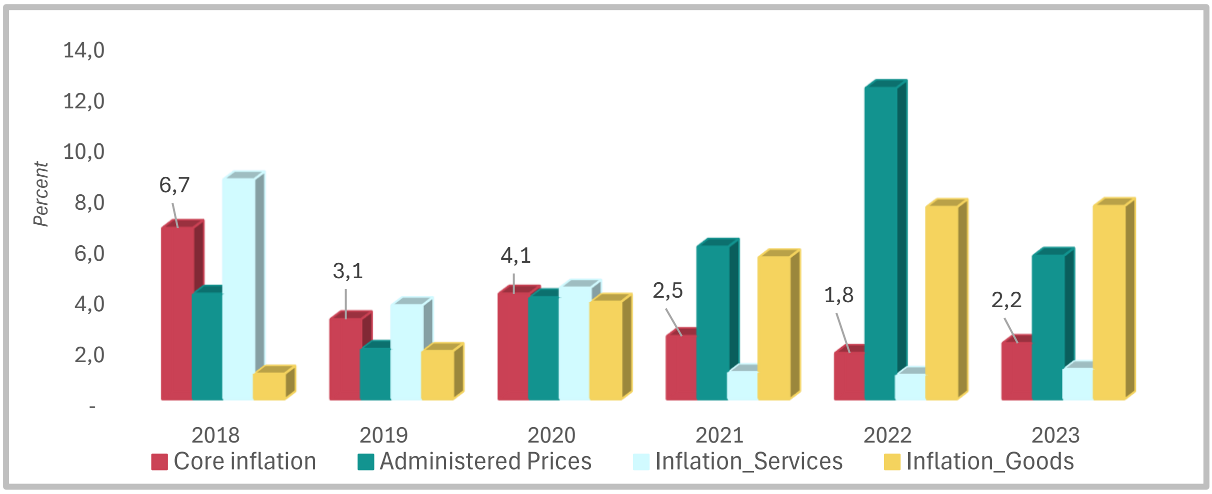
[6] Administered prices are prices of essential commodities (e.g. basic food items, utilities, health care) determined by a government or a centralized authority instead of supply and demand factors and are usually held constant for a certain period.

Figure 25: Inflation and Policy Rates Relationship



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

Figure 26: Inflation for Goods, Services, Core Inflation, and Administered Prices

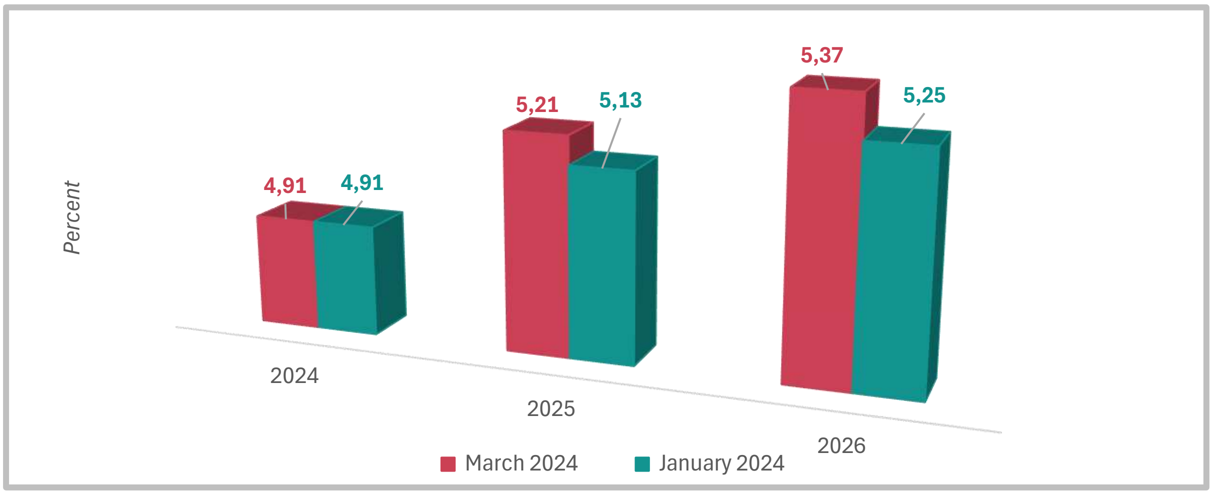


Source: *Central Statistics Office*

Inflation Forecasts

According to the Central Bank inflation forecasts (March 2024), inflationary pressures are anticipated to ease in the short term. This is mainly on account of the lower South African inflation outlook. However, the upward fuel price adjustments effected March 2024, which increased petrol and diesel prices by E1.10 per litre, respectively as well as the anticipated 8.0 percent hike in the electricity tariff in April 2024 are expected to exert upward pressures on domestic inflation. Hence, the inflation forecast for 2024 is estimated at 4.9 percent. In the medium term, the inflation rate is predicted to rise to 5.2 percent and 5.4 percent in 2025 and 2026, respectively. This outlook is assumed at the back of an anticipated increase in the global Brent crude oil prices due to extended OPEC oil production cuts as well as continued depreciation of the local currency.

Figure 27: *Domestic Inflation Forecasts*



Source: *Central Bank of Eswatini*

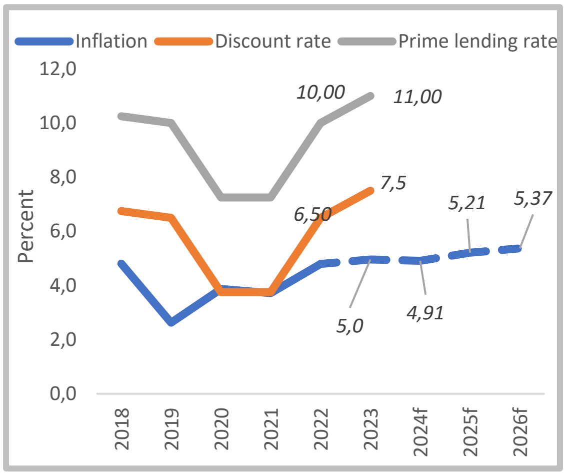
CHAPTER 3

MONETARY DEVELOPMENTS

Monetary Policy

The Central Bank of Eswatini (CBE), in line with global sentiments, pursued a tightening monetary policy in 2023, a stance that was kept since 2022, to tame inflationary pressures and continue to ensure price stability in the domestic economy. During this period, the discount rate[7] remained the main monetary tool used in influencing the country's monetary policy. The discount rate also referred to as 'the bank rate' was raised by a cumulative 100 basis points, to reach 7.50 percent in 2023. At this rate, the domestic discount rate was recorded at a differential of 75 basis points compared to the RSA Repo rate. The country's prime lending rate, the rate at which banks lend to consumers, ended the year at 11.0 percent, which is above the long-term average (10-year average) of 9.0 percent, reflecting the high cost of borrowing in the domestic economy in the period.

Figure 28: *Monetary Policy Stance*

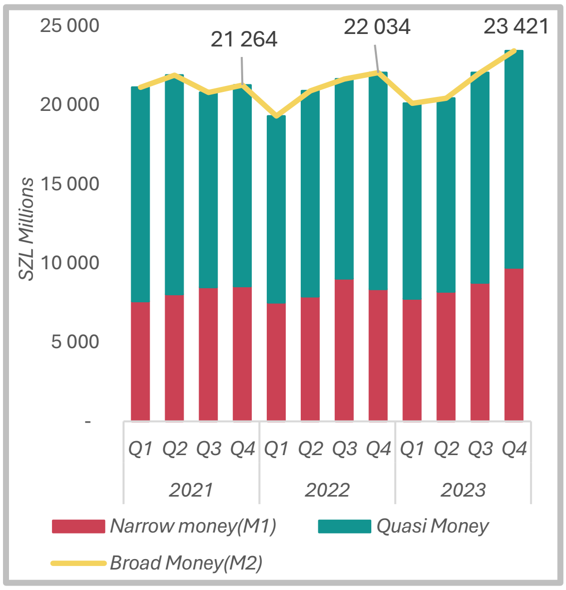


Source: *Central Bank of Eswatini*

Money Supply

The domestic economy reflected signs of resilience as the broad money supply (M2) increased in 2023 against a challenging environment of restrictive monetary policy. M2 grew by 6.3 percent at the end of 2023 to close at E23.421 billion. Growth in M2 emanated from both narrow money supply (M1) and quasi-money supply. Narrow money supply (M1) increased by 16.2 percent in 2023, in line with higher consumer spending. Quasi-money, on the other hand, expanded by 0.2 percent, driven by time deposits, which grew by 3.7 percent whilst savings deposits receded by 0.2 percent owing to an increase in time (interest earning) deposits. Transferable (demand) deposits edged up by 16.6 percent while Emalangeni in circulation grew by 12.1 percent.

Figure 29: *Money Supply Developments*



Source: *Central Bank of Eswatini*

Credit Extension

The total private sector credit was reported at E19.137 billion in 2023, depicting a 10.9 percent growth compared to 2022. The year-on-year growth in credit extended to the private sector was on account of an increase in credit extension to businesses and households.

Credit to businesses edged up by 14.5 percent in the review period and amounted to E9.710 billion. Credit to businesses was driven by mining and quarrying (97.6 percent), Manufacturing (39.2 percent), Real Estate

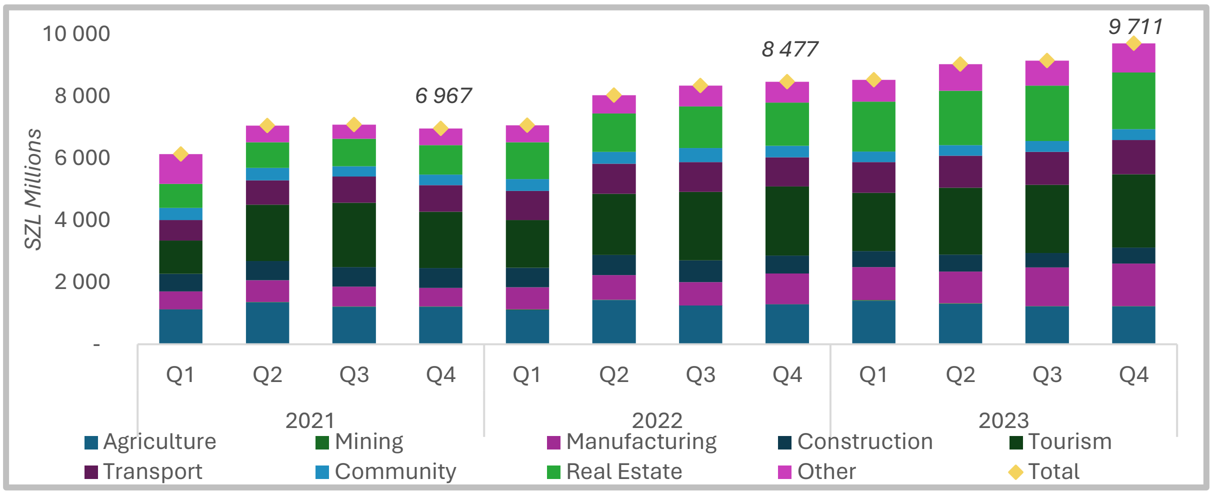
[7] The rate at which Central Banks charge commercial banks for short-term loans

(31.0 percent), Transport & Communication (17.4 percent), Distribution and Tourism (6.0 percent) which reflects continued economic activity in this period. On the negative, credit extended to the Construction, Agriculture as well as Community, Social and Personal Services fell by 11.3, 5.4 and 4.6 percent respectively in 2023 largely indicating completion of major public sector projects, together with less activity in agriculture and social services subsectors.

Figure 30: *Private Sector Credit Extension*

Source: *Central Bank of Eswatini*

Figure 31: *Credit to Businesses*

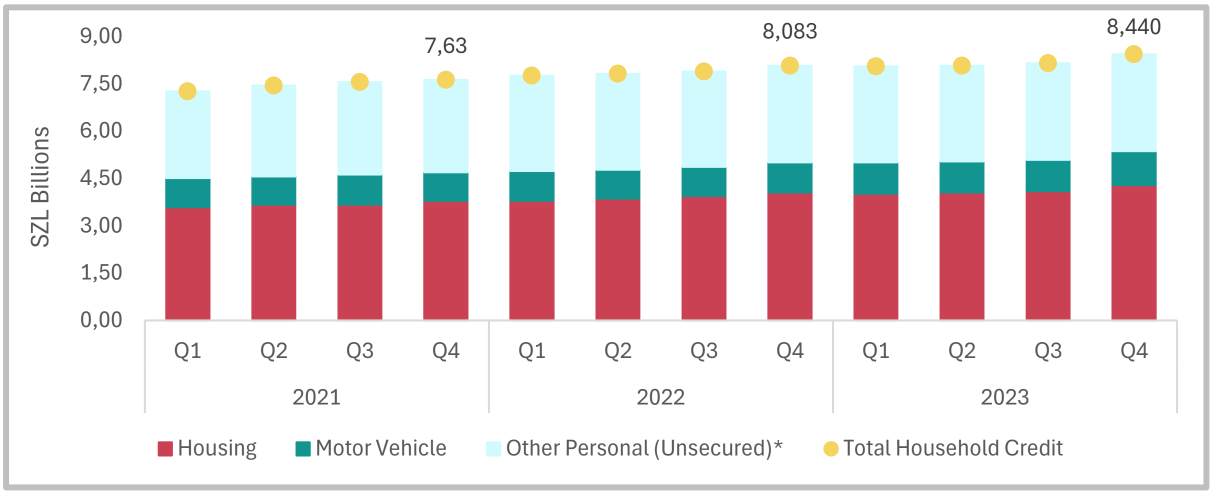


Source: *Central Bank of Eswatini*

Households credit rose by 4.4 percent and was estimated at E8.440 billion in 2023 against a total amount of E8.083 billion. Motor vehicles loans recorded a significant growth of 12.2 percent, whilst mortgage credit increased by 5.6 percent. Additionally, personal (unsecured) loans reflected a marginal increase of 0.3 percent. Credit to other sectors[8] of the domestic economy increased by 41.9 percent.

[8] Credit to other sectors include other financial corporations, parastatals, and local government.

Figure 32: *Credit to Households*

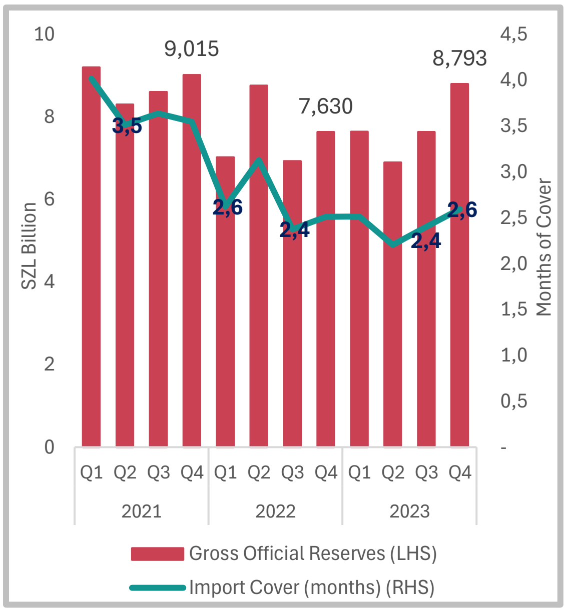


Source: *Central Bank of Eswatini*

Gross Official Reserves

Eswatini's gross official reserves increased by 15.2 percent in 2023 compared to a contraction of 15.4 percent in 2022. Improvements in SACU receipts in FY2023/24 influenced the replenishment of the domestic reserves, which amounted to E8.793 billion in 2023. At this level, the country's reserve was equivalent to 2.6 months of imports and was below the internationally recommended import cover of 3 months. Long-term trends for the country's domestic reserves continued to reflect unsustainability and remain a major source of vulnerability for the domestic economy. Despite efforts by the CBE in ensuring continued reserves accumulation at least to levels above the 3 months of import cover, the attempt is counteracted by the fast pace of drawdowns partly due to sustained and heightened fiscal pressures for the government.

Figure 33: *Gross Official Reserves & Months of Cover*



Source: *Central Bank of Eswatini*

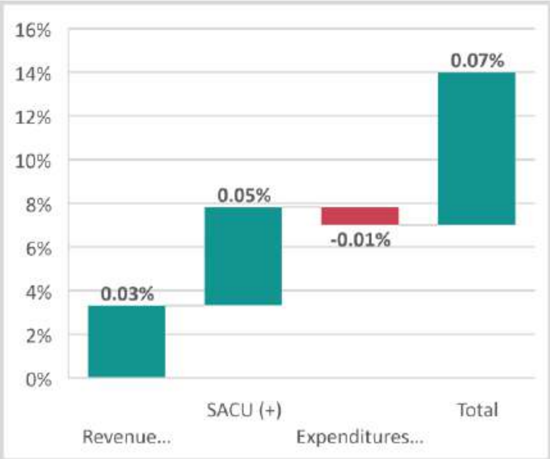
CHAPTER 4

FISCAL DEVELOPMENTS

Fiscal Policy Developments

The country's fiscal position reflected improvements in the past 2 fiscal years, anchored on the strong drive of revenue mobilization in line with the 2021-2024 Fiscal Adjustment Plan. Following the developments of the adjustment plan, which advocated for an adjustment of about 4.2 percent of GDP to restore fiscal prudency, the country managed to adjust more on the revenue aspect than the expenditure side (figure 34). Notwithstanding these developments, the country's fiscal path is still in an unsustainable position as reflected by continued fiscal pressures and heightened uncertainty. Amongst the fiscal pressures for the domestic economy include the continued reliance on volatile revenue sources, high and unsustainable wage bill, the fast-rising interest payment obligation, and sustained though narrowing fiscal deficits.

Figure 34: *Implementation of the FAP 2021/22 – 2023/24 (in percent of GDP)*



Source: *Ministry of Finance*

Revenue

In FY 2023/24, revenue mobilization improved broadly in line with the recovery in domestic economic activity and efficiency gains. Additionally, revenue generation was supported by higher SACU revenues in the period. Better performance was seen in most revenue categories including Personal Income Tax (PIT), Corporate income tax (CIT), Value Added Tax (VAT), and other taxes. As a result, total revenues without grants grew by 32.1 percent equivalent to 28.6 percent of GDP.

The PIT category grew by 10.5 percent in FY2023/24 boosted by gains from changes in personal incomes influenced by the awarding of COLA and hiring in the public sector. CIT increased by 11.5 percent reflecting improved company's profitability in line with the rebounding of economic activity. Overall taxes on income, profits, and capital gains reflected a sturdy growth of 9.5 percent, contributing 28.9 percent to total revenue.

Domestic policy reforms aimed at boosting Intra-SACU coupled with a higher SACU pool in FY2023/24 supported growth of the country's SACU share, which was recorded at 102 percent more than the previous year. SACU revenue reached a new historical record of more than E11 billion in the period.

Taxes on goods and services, which include VAT; excise on fuel (fuel tax); and excise on alcohol and cigarettes (sin tax), also recorded an increase in FY2023/24, rising by 5.3 percent. The growth was mainly driven by VAT, which was up by 5.4 percent on account of higher efficiencies as well as the introduction of previously exempted goods into the VAT tax base. In the same vein, taxes on fuel increased by 4.4 percent in line with consumption demand in the period. Other developments in the tax revenue in the period were that of repealing the country's graded tax following the enactment of the Graded Tax Act of 2023, which repealed the Graded Tax Act of 1986.

Developments under non-tax revenue depicted a 5.7 percent increase, with growth driven by property income, and the sales of goods and services in the period. However, fees and fines fell by 2.8 percent and moderated growth in this category.

Expenditure

Total government expenditure increased by 12.8 percent in FY 2023/24, accounting for a 31.1 percent share of GDP. The growth was driven by the increase in both recurrent and capital expenditures. In terms of the recurrent expenditure, compensation of employees (C.E) grew by 6.2 percent in FY2023/24. The increase in employee compensation reflected a 4.0 percent cost of living adjustment awarded by the government as well as replacements of vacant critical positions in the civil service.

Purchases of goods and services were flat at 0.4 percent in FY2023/24, whilst interest payments recorded a 36.1 percent increase in the period. Interest payment is among the major expenses for the government influenced by the rise in the acquisition of loans. Similarly, transfers increased in the period, rising by 16.1 percent due to growth in transfers to international organizations (21.9 percent) and other general government units (15.8 percent).

On public investment, the country's total capital expenditure increased by 48.9 percent in FY 2023/24. The increase was mainly attributed to the implementation of ongoing and commencement of some major projects such as the construction of Sicunusa road, rehabilitation of major roads, ICC-FSH, MNWAP, and construction of parliament, amongst others.

Table 3: *Medium Term Fiscal Framework (shares of GDP) - March 2024*

E' Millions – 2022/23 outturns; 2023/24 Bud.	2019/20	2020/21	2021/22	2022/23	2023/24
Total Revenue and Grants (%)	27.5	28.7	24.3	23.6	29.3
Total Revenue (%)	26.6	28.4	24.3	23.3	28.6
Taxes (%)	25.1	27.8	23.6	22.5	27.8
Taxes on income, profits (%)	8.7	8.5	8.4	8.2	8.2
Taxes on international trade (%)	9.7	12.5	8.7	7.3	12.7
Taxes on goods and services (%)	6.6	6.8	6.3	6.9	6.7
Other taxes (%)	0.1	0.0	0.1	0.1	0.1
Other revenue (%)	1.3	0.6	0.7	0.9	0.8
Grants (%)	0.8	0.3	0.2	0.2	0.7

Source: *Ministry of Finance*

Fiscal Balance

In terms of fiscal balances, the gross operating balance (G.O.B), which is all costs of operations for the government in a financial year, recorded a surplus equivalent to 3.7 percent of GDP in FY 2023/24. This implied that, when excluding capital expenditures, the government's financing was sufficient to fund all operations (excluding the capital program). Overall fiscal balance, which is the net financing needs for the government, recorded a deficit of 1.8 percent of GDP. The deficit in this period reflected significant improvement from past trends and was within the country's fiscal adjustment targets of less than 2.0 percent. Fiscal Balance excluding interest payment (primary) was recorded at a surplus of 0.9 percent of GDP, depicting heightened pressure of government's debt obligations competing with spending on other core expenditures.

Table 4: *Fiscal Balances - MTFF, March 2024*

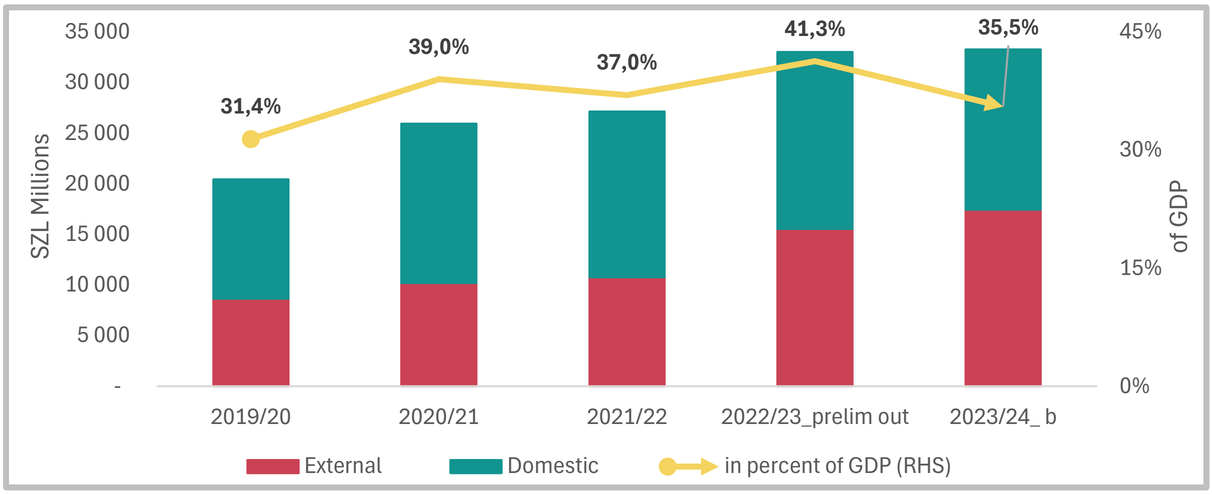
E' Millions 2022/23 outturns; 2023/24 budg.		2019/20	2020/21	2021/22	2022/23	2023/24
Gross Operating Balance	Nominal	952	1,736	336	(1,644)	3,198
	Share of GDP (%)	1.5%	2.6%	0.5%	-2.1%	3.7%
Primary Balance	Nominal	(2,912)	(1,586)	(1,960)	(3,312)	804
	Share of GDP (%)	-4.5%	-2.4%	-2.7%	-4.1%	0.9%
Overall Fiscal Balance	Nominal	(4,255)	(3,030)	(3,293)	(5,060)	(1,575)
	Share of GDP (%)	-6.5%	-4.5%	-4.5%	-6.3%	-1.8%

Source: *Ministry of Finance*

Financing and Debt

Consistent with the increase in the net financing needs for the government (overall fiscal balance), the total debt stock stood at 35.5 percent of GDP in FY2023/24. External debt grew by 12.2 percent and was equivalent to 18.6 percent of GDP, whilst the domestic debt declined by 9.5 percent accounting for 16.9 percent of GDP in the review period. The growth in public debt was mainly attributable to disbursed project loans received in the period.

Figure 35: *Domestic Debt Developments*



Source: *Ministry of Finance*

Medium Term Fiscal Framework

In the fiscal year 2024/25, the national budget appropriated the total revenues and grants at E27.581 billion (29 percent of GDP) reflecting a slight improvement in revenue collection. The improvement is to emanate from continued efficiency in tax collection, coupled with a windfall in SACU receipts in the period. In line, with the improvement in revenue mobilization, total expenditures were appropriated at E29.415 billion (31 percent of GDP). The projected growth in expenditures has been attributed to an increase in expenses on health, education, and national security, which have been prioritized in the period. As such, the allocation for capital and recurrent expenditures will increase by 19.0 percent and 7.0 percent, respectively. Capital expenditure in the period is mainly pro-growth, targeting projects that will spur higher growth in the short to medium term including the construction of dams, roads, factory shells, buildings as well as water and energy projects, amongst others. The fiscal balance is expected to record a deficit of 2.0 percent of GDP, remaining within the fiscal prudency targets.

Figure 36: *Expenditure Developments (shares of GDP) - MTFF, March 2024*

E' Millions – 2022/23 outturns; 2023/24 Budget	2019/20	2020/21	2021/22	2022/23	2023/24
Total Expenditure (%)	34.0	33.3	29.0	29.9	31.1
Expense (%)	25.2	25.8	23.8	25.4	24.9
Compensation of employees (%)	*12.2*	*12.5*	*11.2*	*10.7*	*10.4*
Purchase/use of goods and services (%)	*4.4*	*4.3*	*3.8*	*4.8*	*4.2*
Interest (%)	*2.1*	*2.2*	*1.8*	*2.2*	*2.7*
Transfers (%)	*4.4*	*5.3*	*4.9*	*4.6*	*4.9*
Capital expenditure (%)	8.8	7.4	5.2	4.5	6.2

Source: *Ministry of Finance*

Box 4: Fiscal Policy as a Tool to Stimulate Growth in Eswatini

Governments wield a powerful tool for influencing economic activity through fiscal policy, a toolbox with two main levers: government spending and tax collection strategies. By adjusting these two levers, policy makers aim to achieve economic goals like fostering growth, maintaining price stability, and ensuring full employment.

Eswatini like most countries, uses the fiscal policy to steer its economy. In the economy, fiscal policy has exhibited periods of both expansions and contractions. Expansionary phases involve the injection of money into the economy through increased government spending or tax cuts intended to stimulate economic activity during slowdowns. Conversely, contractionary periods see the government tighten its belt by reducing spending and raising taxes to control inflation or manage budget deficits. It is also important to note that there can be a lag between implementing fiscal policy changes and seeing their effect on the economy.

Eswatini can effectively use the fiscal policy to reignite growth by investing in the future through increased spending and tax cuts for businesses, this is in consideration of the repercussions, which may include a debt trap that can lead to a ballooning national debt when there is excessive spending without corresponding increasing revenue. For example, the boom and bust of SACU revenue in the economy directly impact budget deficit, relying heavily on expansionary fiscal policy to offset lower SACU revenue can be unsustainable. It can lead to chronic budget deficits and a growing national debt, limiting the government's ability to invest in critical areas for long term growth. While SACU and budget deficits are important considerations in Eswatini's fiscal policy the government needs to strike a balance between stimulating growth, managing deficits and maintaining a healthy level of debt.

Expansionary policies might provide a short term boost to consumption, but for sustainable long-term growth, Eswatini needs to look beyond immediate gratification. Strategic investments in productive sectors can significantly enhance the country's long-term economic potential.

Assessing the direct impact of fiscal policy on Eswatini's growth presents a challenge, as external factors can also influence the country's performance. The relationship between fiscal policy and economic growth in Eswatini can be analysed by using the fiscal balance, which is the difference between government spending and revenue, also by looking at tax income. In this case the correlation between the two variables is 97 percent which is close to the maximum value of +1. This means that higher tax income leads to surplus in the fiscal balance indicating a healthy financial situation for the government. Conversely, a decrease in tax income might lead to a deficit. This could put a strain on government finances and limit its ability to deliver public services or invest in growth initiatives. It is also important to note that correlation does not equal causation.

Fiscal policy can be a valuable tool in Eswatini's growth toolbox. However, a balanced approach is crucial. Policymakers need to consider sustainability, prioritize investments in productive sectors and foster a thriving private sector to ensure that fiscal policy stimulates sustainable and lasting economic growth in Eswatini. Additionally, by analysing the composition of government spending, particularly the allocation between goods and services versus employee compensation, to get a deeper insight into the effectiveness of the fiscal policy.

CHAPTER 5

EXTERNAL DEVELOPMENTS

EXTERNAL DEVELOPMENTS

TRADE DYNAMICS

PRIMARY INCOME

SECONDARY INCOME

FINANCIAL ACCOUNT

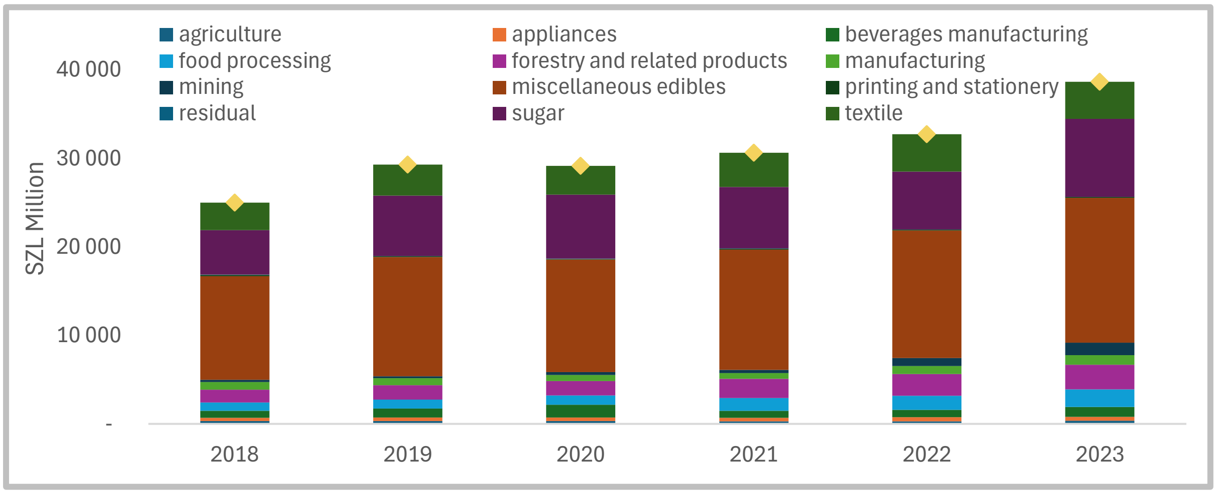
EXCHANGE RATE DEVELOPMENTS

External Developments

Merchandise Trade Exports

Domestic merchandise trade rebounded in 2023, much against developments that were seen globally. Domestic trade depicted a stronger growth in merchandise exports, which edged up by 18.1 percent in 2023 following a 6.3 percent growth in the previous year. In the review period growth was observed in export commodities including 'miscellaneous edibles' (13.6%), 'sugar' (35.4%), 'forestry products' (12.8%), 'food processing' (26.7%), 'mining' (48.3%), 'manufacturing' (24.1%), 'beverages manufacturing' (33.2%), and 'agriculture' (19.9%). On the contrary commodities such as 'appliances' (-6.6%), 'printing and stationery' (-6.8%), and 'textile' (-1.0%) counteracted the merchandise exports growth in the period. Amongst the key factors supporting growth in exports include the favourable global sugar prices, which were recorded at their highest level since 2011 amid lower global supplies. As a result, key sugar exporters such as Eswatini benefited from better export earnings in the period. Similarly, growth in mining exports specifically coal was influenced by favourable prices coupled with industry expansions in 2023. Other fundamentals that supported growth in overall exports were improved external demand in key export destinations, as well as the exchange rate depreciation.

Figure 37: *Export Trade Developments*



Source: *Eswatini Revenue Services*

In terms of destination markets, the SACU region continued to dominate Eswatini's exports in 2023 accounting for 69.9 percent of the total exports and reflecting a decline from an earlier share of 71.8 percent in 2022. This could indicate a slight diversification outside of SACU in terms of exports, a position that will cushion the country against any unanticipated shocks in this region. The Sub-Saharan Africa region[9] came second at 20.7 percent in 2023 from 22.1 percent in 2022., whilst the European Union (6.6%), North America (1.4%), and Asia (1.0%) dominated the shares. The domestic trade to these markets is supported by the country's affiliation with trading arrangements including the African Growth Opportunity Act (AGOA), Economic Partnership Agreements (EPA), Taiwan Economic Corporation Agreement, Common Markets for Eastern and Southern Africa (COMESA), and Southern African Development Community (SADC).

Merchandise Trade Imports

Merchandise imports reflected a significant growth momentum in 2023 increasing by 8.3

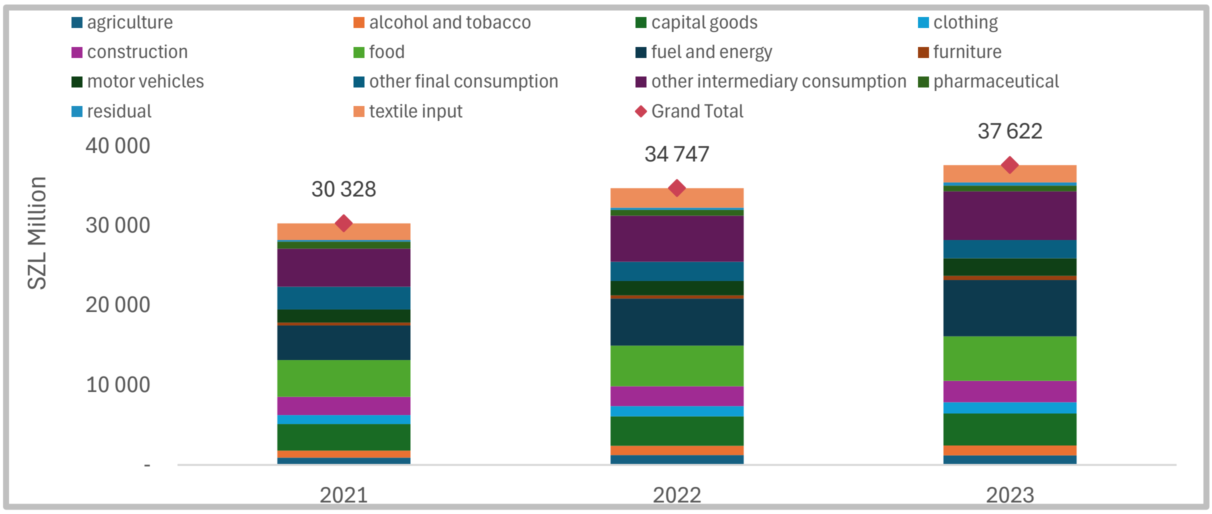
[9] Sub-Saharan Africa region excluding SACU.

percent compared to 14.6 percent in 2022. Growth in the period was observed in the imports of articles of 'furniture' (25.1%), 'motor vehicles' (23.0%), 'fuel and energy' (19.5%), 'capital goods' (7.7%), 'pharmaceuticals' (3.8%), 'clothing' (12.4%), 'other intermediary consumption' (5.1%), 'alcohol and tobacco' (10.5%), 'food' (9.3%), and 'construction' (7.1%). On the other hand, imports of 'textile input' (-11.8%), 'agriculture' (-3.6%), and 'other final consumption' (-3.6%) counteracted the growth in overall imports.

Growth in total nominal imports was driven by factors such as the price volatility in commodities such as Brent crude oil, influencing demand in the 'fuel and energy' imports category. Fuel imports were up by 19.5 percent, however, in volume terms fuel imports increased marginally by 0.6 percent, reflecting the impact of price and exchange rate volatility on domestic import prices in the year under review.

Moreover, the growth was also influenced by higher imports of 'other intermediary consumption', which are used in the production of goods and services. Following the resurgence of economic activity in 2023, this stance supported the demand for intermediary consumption, as well as other imports used in the production process i.e., capital goods, and imports used in the construction industry.

Figure 38: *Import Trade Developments*



Source: *Eswatini Revenue Services*

In contrast, textile inputs declined reflecting weakened demand for Eswatini's textile products (from its main customer (RSA) following the restriction of exports in line with the country's policies to support the textile industry. In terms of markets of origin, Eswatini continued to rely on the SACU region for imports in 2023, at 81.4 percent relative to 76.6 percent in 2022. Other source markets for the country's imports included Asia (7.8%), the European Union (3.9%), Middle East and North Africa (1.4%), and North America (1.0%).

Services Trade

The service's trade balance (net of inflow and outflows was recorded at (-E6.364 billion), which indicated a widening gap equivalent to 53.6 percent compared to the previous period. The deficit in the country's services trade balance depicts the continued reliance on imported services for Eswatini's economy rather than exported services. Key imported services in the year remained transport services (the movement of goods and services across borders), travel services (expenditures by travellers visiting foreign countries including accommodation, meals, entertainment), 'telecommunications, computer, and information services' (cross-border transactions related to communication service, data transmission, internet, and software licensing), other business services (professional, technical, managerial, legal, accounting, consulting, and engineering services).

Primary Income

In 2023, the primary income account reflected a deficit of E5.692 billion from a 2022 deficit of E6.165 billion. This 7.7 percent decrease reflects lessened monetary obligations paid to foreign entities (i.e., investors, workers, and lenders) relative to income inflows. Amongst the notable factors contributing to the continued primary income deficit in the country include the high debt servicing owing to the substantial external debt the country is holding; and profit repatriations paid to foreign-owned companies.

Secondary Income

Over the period, the secondary income account reflected a surplus balance of E10.996 billion relative to E7.071 billion recorded in 2022, reflecting a growth of 55.5 percent. This stellar growth emanated from the increased SACU receipts estimated at E11.750 billion for FY 2023/24.

Current Account

The current account balance improved in 2023 recording a surplus of E2.013 billion compared to a deficit of E2.117 billion in the previous year. At this level, the current account surplus was estimated at 3.3 percent of GDP from a previously estimated deficit of 2.7 percent in 2022. The current account surplus was largely driven by improvement in the secondary income balance, although a widening deficit in the primary income counteracted the positive performance of the other balances.

Table 5: *Current Account Balance*

Current Account	2020	2021	2022	Q1' 23	Q2' 23	Q3' 23	Q4' 23	2023
Net Trade	1,970	(557)	(3,023)	(118)	(1,573)	(51)	(1,549)	(817)
Merchandise Trade Balance	3,912	1,891	1,120	1,029	(515)	1,635	924	3,073
Services Trade Balance	(1,942)	(2,448)	(4,143)	(1,147)	(1,058)	(1,686)	(2,473)	(3,890)
Income Balance	2,663	2,436	906	(27)	2,081	1,579	1,671	3,633
Primary income	(6,369)	(5,359)	(6,165)	(1,532)	(984)	(1,754)	(1,422)	(4,270)
Secondary income	9,033	7,795	7,071	1,505	3,064	3,334	3,093	7,903
Current account	**4,633**	**1,879**	**(2,117)**	**(145)**	**508**	**1,529**	**121**	**2,816**
Current account/GDP (%)	**7.1**	**2.6**	**(2.7)**	**(0.8)**	**2.4**	**6.5**	**0.5**	**3.3**

Source: *Central Bank of Eswatini*

Financial Account

In 2023, the financial account balance recorded a surplus of E2.9804 billion from a deficit of E2.243 billion in 2022, due to better performance of the portfolio account (relating to equity securities, debt securities, and money market instruments).

Direct Investment

Over the year, the direct investment account balance recorded a deficit of E940.4 million from a deficit of E522.5 million in 2022. This deficit reflects that Eswatini, in 2023 was repatriating profits coupled with loss of equity over foreign investments. Over the period, direct investment asset outflows held by Eswatini residents in 2023 recorded a deficit of E398.9 million relative to a deficit of E284.5

million in 2022. Whereas direct investment liabilities' inflows in Eswatini by non-residents recorded a sustained surplus of E541.5 million from E238.1 million in 2022.

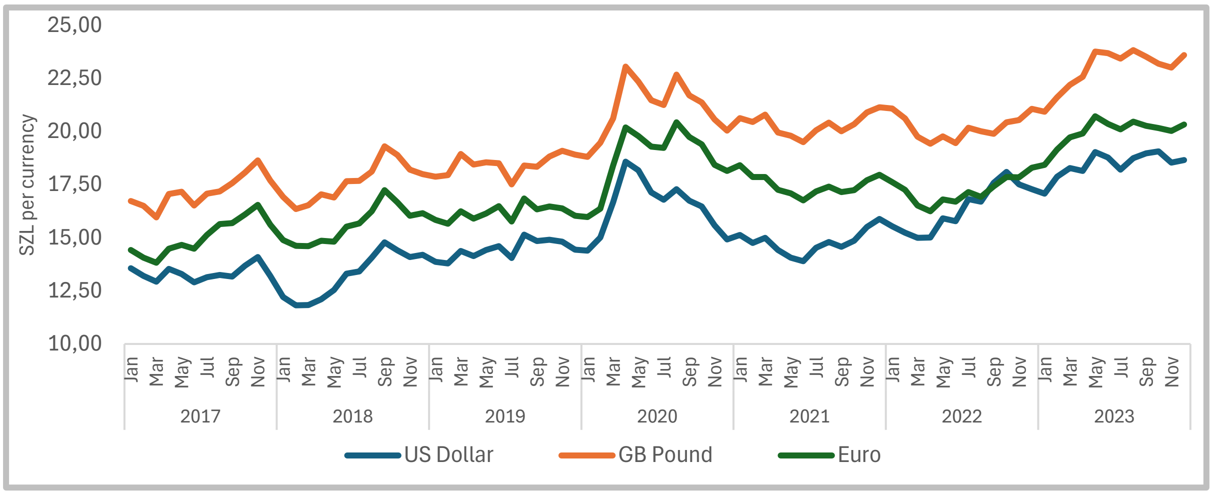
Exchange Rate Development

Currency movements globally, including the local currency, reflected strong volatility in 2023 disrupted by the ongoing geo-political tensions and the financial sector developments. On average the local currency, the Lilangeni, which is pegged one-on-one with the RSA Rand, depreciated when compared against major currencies. The local currency depreciated by 12.7 percent against the US Dollar to average E18.45 relative to E16.37 in the previous year. Similarly, a depreciation was also observed against the Great British Pound and the Euro, reflecting a 13.7 percent and 16.0 percent change, respectively. The Lilangeni was equivalent to E22.95 to the pound and E19.97 to the Euro.

In the period, the Rand, which is the anchor currency for CMA countries'[10] currencies, was under pressure in the first half of the year when South Africa's grey-listing influenced the negative weakening of the Rand, coupled with weak global risk sentiments. Additionally, the Rand faced pressure due to US tensions threatening economic consequences. In the second half of the year, the Rand continued to face pressure as global risk aversion escalated due to uncertainty in global growth in light of the struggling Chinese economy and falling commodity prices. In the RSA economy, the widening fiscal and current account deficits and persisting load-shedding's disruptive impact also exerted pressure on the Rand.

Looking ahead into 2024, the exchange rate is anticipated to remain highly volatile and influenced by global developments such as the uncertainty on investor risk appetites, the direction of interest rates in the major economies, as well as domestic developments including the persistent energy challenges and the policy uncertainties emanating from the elections approach.

Figure 39: *Exchange Rates Developments*



[10] CMA countries are Eswatini, Lesotho, Namibia, and the Republic of South Africa.

CHAPTER 6

OTHER SOCIO INDICATORS

OTHER SOCIO INDICATORS

POPULATION

UNEMPLOYMENT

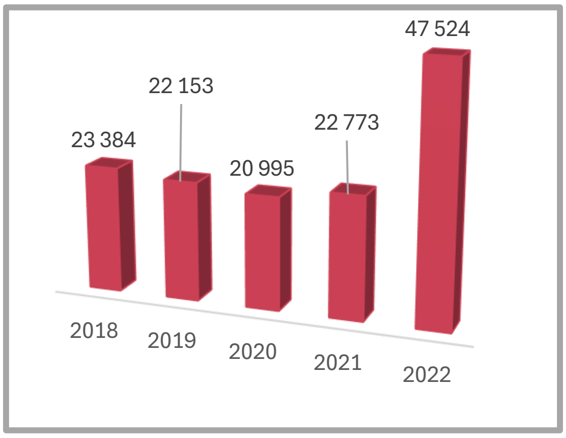
EMPLOYMENT

Population

According to the Eswatini population census projections of 2017, the country's population was estimated at 1,174,014 in 2023 with a projection of 1.2 percent population growth rate. In terms of population flows, Eswatini's recent vital statistics report (2022) showed that there was a diverting dynamic in the trends of total registered births and deaths. A surge was seen in total births increasing by 109.0 percent in 2022 relative to 2021, whilst overall deaths declined by 21.0 percent in the same period. The slowdown in deaths in the period indicates the waning of high base effects following the impact of COVID-19 in 2020-2021. Considering age composition in the country, the percentage of the working-age population was projected to reach 59.6 percent in 2023, showing an important trajectory for the domestic economy.

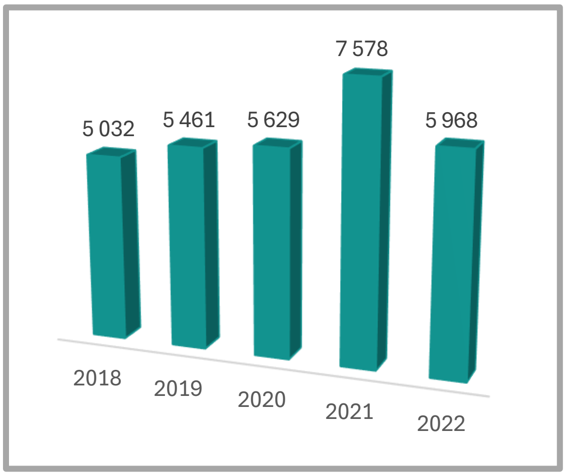
The recent population trends present a potential economic opportunity known as the demographic dividend. However, this can only be realized if accompanied by the implementation of relevant policies and initiatives supporting the creation of jobs in the economy. Currently, the domestic economy is facing challenges in the creation of sustainable employment to absorb the available labour force, particularly the youth population (15-35 years). To address the challenges government continues to prioritize initiatives aimed at providing the youth with opportunities.

Figure 40: *Total Heath Facility Births*



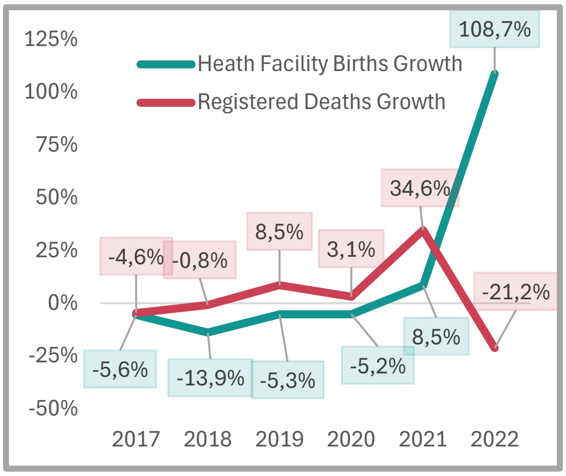
Source: *Central Statistics Office*

Figure 41: *Total Registered Deaths*



Source: *Central Statistics Office*

Figure 42: *Health Facility Births vs. Registered Deaths*



Source: *Central Statistics Office*

Unemployment

Recent economic reports depicted an increase in the country's unemployment situation. In 2023, the unemployment rate jumped to 35.4 percent from 33.3 percent (Labour Force Survey 2023). Youth unemployment, when defined as ages between 15-24 years, declined by 2.2 percentage points from 58.2 to 56.0 percent in the review period. However, when considering the ages 15-35 years the unemployment rate in this category increased from 45.7 percent to 48.7 percent in 2023.

In the period under review notable sectors that contributed to the increase in unemployment included the mining and quarrying industry from

0.5 percent in 2021 to 0.2 percent in 2023, real estate subsector from 0.6 percent in 2021 to 0.4 percent in 2023, administrative and support services, arts from 4.7 percent in 2021 to 3.5 percent in 2023, entertainment and recreation industries from 0.4 percent in 2021 to 0.2 percent in 2023, and other activities from 2.7 percent in 2021 to 2.4 percent in 2023.

The persistent increase in unemployment continues to reflect a struggling job market in Eswatini on account of several factors. These factors may include the relatively slowing economic growth, which continues to create fewer job opportunities and hinders the absorption of new entrants into the workforce. On the supply side, the country continues to struggle with contrasting development in the supply of skills in which certain sectors are faced with an oversupply of skills, whilst some sectors struggle with insufficient relevant skills, indicating a skills mismatch in the labour market.

Figure 43: *Employed Population by Industry*

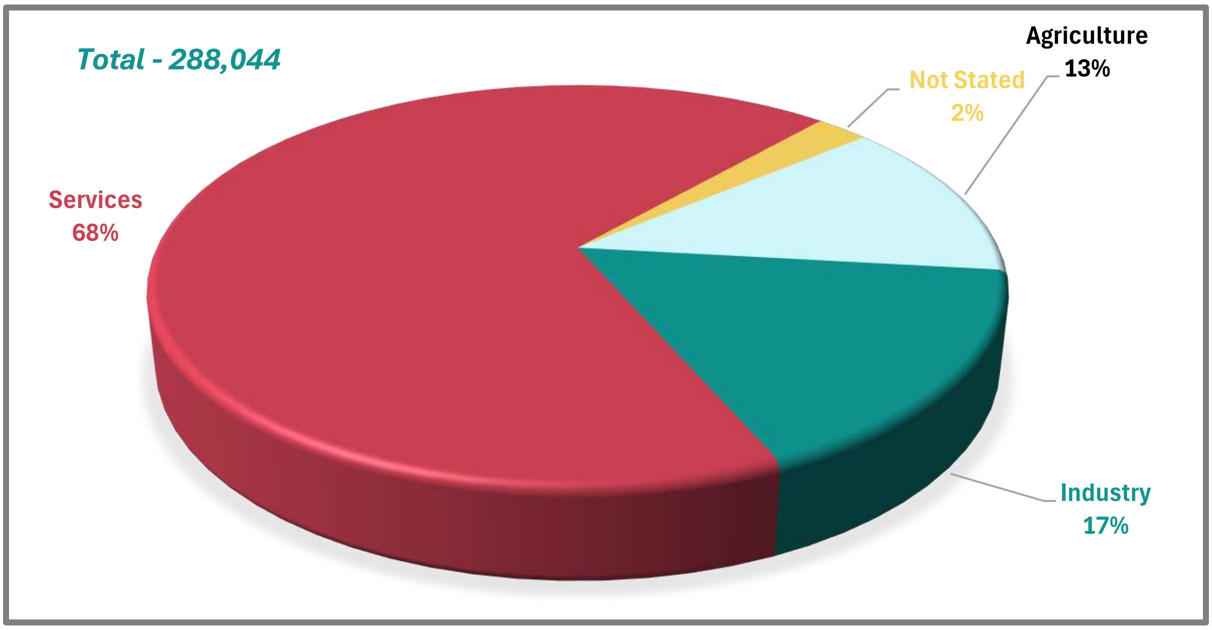


Figure 44: *Employment and Unemployment Trends*

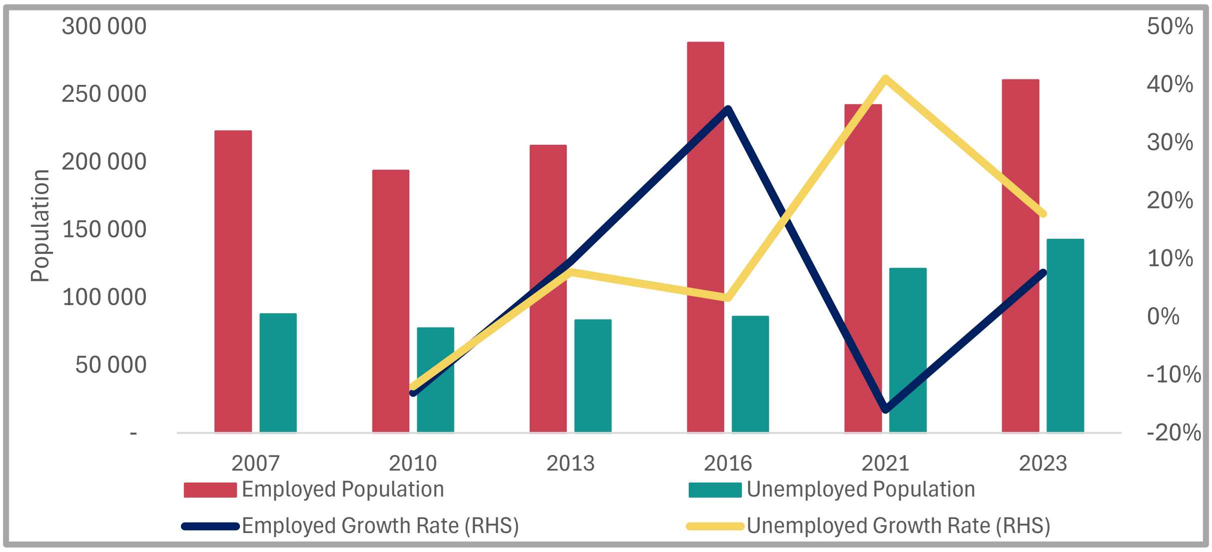


Table 6: *Distribution of employed population by economic activity*

Employed population	Number of People 2021	Number of People 2023	Change 2023
Agriculture, forestry, and fishing	32,661	36,710	12.4%
Mining and quarrying	1,210	521	-56.9%
Manufacturing	30,000	43,219	44.1%
Electricity, gas, steam, and air conditioning su	726	1,822	151.0%
Water supply	968	521	-46.2%
Construction	13,064	16,923	29.5%
Wholesale and retail trade	44,516	46,604	4.7%
Transportation and storage	6,290	10,935	73.8%
Accommodation and food service activities	8,710	4,426	-49.2%
Information and communication	3,387	4,166	23.0%
Financial and insurance activities	6,290	7,290	15.9%
Real estate activities	1,452	1,041	-28.3%
Professional, scientific, and technical activities	4,113	3,385	-17.7%
Administrative and support service	11,371	9,112	-19.9%
Public administration and defense	11,855	10,675	-10.0%
Education	21,048	25,515	21.2%
Human health and social work activities	14,516	10,675	-26.5%
Arts, entertainment, and recreation	968	521	-46.2%
Other service activities	6,532	6,249	-4.3%
Activities of households as employers	19,113	1,041	-94.6%
Activities of extraterritorial organizations	484	260	-46.3%
Not elsewhere classified	2,661	18,746	604.5%
All activities	***241,933***	***260,356***	***7.6%***

Source: *Central Statistics Office & Ministry of Labour and Social Security*

Box 5: Situational Analysis of Poverty in Eswatini

Eswatini grapples with a significant challenge: the intertwined issues of climate change and poverty. While the country boasts economic improvements, a substantial portion of the population, particularly in rural areas, remains vulnerable. This vulnerability is in the future exacerbated by the loaming threat of climate change. Climate change disproportionately affects the most vulnerable population, particularly those reliant on rain-fed agriculture for subsistence and income. Reduced agricultural yields lead to food insecurity and malnutrition, directly impacting health and livelihoods. This creates a vicious cycle, as poverty makes it harder for people to invest in adapting to climate change, further perpetuating the cycle.

Climate change acts as a threat multiplier for poverty in Eswatini, impacting lives of many, particularly those in vulnerable situations. In Eswatini around 75 percent of the population practice subsistence farming. Climate change brings about erratic weather patterns, which disrupt traditional planting cycles leading to crop failure and reduced harvest. Extreme events like storms can displace families, forcing them to abandon their homes and livelihoods. This creates a cycle of poverty as they struggle to rebuild their lives. Climate change exacerbate the existing disparity between rural and urban areas in Eswatini. The decline in agriculture productivity due to climate change directly pushes rural population deeper into poverty, hindering their ability to escape the cycle and potential migrate to urban areas for better opportunities. This creates a situation where the urban-rural poverty gap continues to widen.

Widening of the urban-rural poverty gap, fuels the unequal distribution of the climate change impact with most of its consequences often felt by rural areas compared to urban centres. This is due to factors like dependence on rain-fed agriculture, rural communities in the country rely heavily on rain for crop production making them more susceptible to droughts and erratic rainfall. The impacts extend far beyond agriculture. Increased water scarcity strains the already limited resource in most areas, impacting sanitation and hygiene, and potentially leading to outbreaks of water-borne diseases. Infrastructure damages caused by floods and storms, on the other hand, disrupt transportation and communication networks, hindering economic activity and access to essential services. Eswatini is a water scarce country. Water is perhaps the most cross-cutting sector in the country where any changes impact the entire nation. For instance, impacts of droughts extend to food insecurity, water and sanitation and livelihoods vulnerabilities mostly in rural areas of the country. Over 75 percent of smallholder farmers rely heavily on rain-fed agriculture for their livelihoods making them more vulnerable to climate change impacts. The exposure to drought has resulted in the loss of both crop and livestock productivity in Eswatini.

Eswatini can break the cycle of poverty and build a more resilient future for its citizens. This path requires a delicate balance between immediate survival needs and long-term sustainability. By embracing innovation and collaboration, Eswatini can turn this challenge into an opportunity to create a more equitable and climate resilient society. Empowering communities through capacity building and financial inclusion programs equips them to better adapt to changing weather patterns. Investing in renewable energy sources can reduce dependence on fossil fuels and contribute to a cleaner environment. By taking decisive action on climate change adaptation and mitigation, coupled with social and economic development strategies. The country's poverty rate is estimated at 58.8 percent (SHIES, 2017). Eswatini has seen some progress in reducing poverty, it remains a significant challenge for the country with the current poverty rate at 58.9 percent. Despite some decline Eswatini poverty rate remain high because of uneven progress since the decline is unevenly distributed, with most progress seen in urban areas.

This then widens the urban-rural poverty gap meaning rural areas experiencing high poverty rate. While income poverty is a major concern, Eswatini also faces multidimensional poverty, encompassing deprivations in health, education and living standards. According to UNDP 19.2 percent of the population is estimated to be multidimensionally poor. Children are especially vulnerable, with over half being classified as multidimensionally poor, meaning they lack necessities like proper healthcare, education, and sanitation.

High income inequality, the wealth gap in Eswatini is significant with a GINI coefficient of 54.6 percent in 2017, indicating high levels of inequality. This concentration of wealth in the hands of a few hinders broad-based economic growth and poverty reduction. There is also the issue of vulnerabilities to external shock, with Eswatini dependency on a few exports and sectors and imports to energy makes it vulnerable to external shocks like global economic downturns, commodity price fluctuations and climate change which can exacerbate poverty.

The fight against global poverty has been a long and arduous journey for most economies. While significant progress has been made in recent decades, the recent updates from the World Bank paint a complex picture, highlighting both setbacks and the crucial role of Purchasing Power Parity (PPP) in understanding poverty trends. The world bank updated the extreme poverty line, from $1.90 (2011 PPP) to $2.15 (2017 PPP), The PPP accounts for the varying costs of living across countries. While the trend did not significantly alter the need to consider local contexts when comparing poverty levels. The COVID-19 pandemic, coupled with economic downturns and escalating conflicts, has pushed millions back into poverty. The world bank estimated that as of March 2023, roughly 659 million people globally still face extreme poverty, representing a slight increase from previous estimates.

Following strong commitment by the Government, poverty reduction in Eswatini is achievable though this hinges on the successful implementation of interventions. Aligning interventions with the SDGs and adopting a multi-pronged approach that focuses on economic growth, investing in people, reducing inequality, and addressing contextual challenges, form one of the crucial approaches that the country is targeting. The SDGs as a guiding framework, provides a comprehensive approach to tackling poverty and consist of specific goals such as the SDG 1 (No Poverty) and has identified Social Protection Programs, as a key target to providing social safety nets that can provide a critical buffer for vulnerable populations, particularly during economic downturns. These programs include cash transfers, food assistance, and access to healthcare. Moreover, SDG 8 (Decent Work and Economic Growth), which has identified the development of Small and Medium Enterprises (SMEs) as a key node to job creation. According to this goal, fostering an environment conducive to SMEs through access to finance, training programs, and business development services can create employment opportunities, are crucial programs to support employment and thereby tackle poverty in the economy particularly for youth. SDG 10 (Reduced Inequalities), land Reform Unequal land distribution can perpetuate poverty, particularly in rural areas. The SDG advocates for the Implementation of equitable land reform measures, which can empower marginalized communities and promote inclusive economic growth.

CHAPTER 7

MACROECONOMIC FRAMEWORK

The short to medium term macro framework prospects for the Eswatini economy remain optimistic, anchored on improved fiscal position. Public consumption and investment are expected to be amongst the key sources of growth in the medium term together with private consumption, with the economic growth projected to average 3.3 percent between 2024/25 to 2025/26.

On the fiscal side, the country targets to continue to implement reforms to restore fiscal prudence. The recently concluded FAP has set the country on the right path towards fiscal stability. The FAP is anticipated to have stabilized the debt levels at an average of 38.0 percent of GDP and narrowed the fiscal deficit to 2.0 of GDP, mainly benefiting from revenue mobilization efficiency gains and SACU which was equivalent to a cumulative 6.3 percent of GDP in the periods FY2021/22-FY2023/24. The adjustment, however, lagged on expenditures as the initial expenditure adjustment target was not achieved at the end of the plan. Other anchors for the fiscal sector included the establishment and capitalization of a SACU stabilization fund, which is to safeguard the country's financial buffer against future volatility shocks.

In the medium term, continued depreciation of the exchange rate is expected to boost export earnings, counteracting increasing imports that will be influenced by higher domestic demand. As a result, the county's CAB is predicted to remain in a surplus, which will also be anchored by higher secondary income in line with the envisaged better SACU inflow. From a financial position, gross official reserves are projected to average 3.0 months of import cover.

Despite the positive prospects in the medium term, there are still some vulnerabilities that need to be addressed, particularly with regard to the country's fiscal policy. The lack of a clear stance on expenditure rationalization to support a fiscally sustainable path for the domestic economy is still a major concern. Specifically, a plan to speed up the proposed measures to reduce the wage bill under the Early Voluntary and Early Retirement Scheme (EVERS) is lacking in the domestic economy. Although recent measures implemented have had positive gains with the observed decelerating growth trends in the country's wage-bill, this could be watered down by ongoing and planned wage-bill increasing measures i.e., salary review if not complemented with measures to control the wage-bill.

Moreover, the SACU stabilization fund remains a crucial source of relief to mitigate volatility. Failure to recapitalize the SACU stabilization fund or undercapitalization of the fund could pose a vulnerability for the government, particularly with the high debt servicing which is among the obligatory expenses for the government.

In relation to the external sector, an excessive reliance on the South African economy poses a considerable risk to domestic growth. The medium term outlook for the RSA economy continues to present several structural economic challenges, which are likely to affect future growth and is seen as a significant threat to Eswatini's medium term outlook with major vulnerability likely to be on private consumption and investment.

Figure 45: *Baseline Macroeconomic Framework (Selected Economic Indicators)*

Indicator	2017/18	2018/19	2019/20	2020/21	2021/22	2022/23	2023/24	2024/25	2025/26
	Act.	Act.	Act.	Act.	Est	Projc.	Projc.	Projc.	Projc.
Real Sector Indicators									
Nominal GDP	59,463	62,581	65,121	67,119	73,382	80,012	86,794	93,699	98,765
Real GDP (2011 Prices)	41,003	42,011	42,687	43,312	46,748	47,464	49,709	51,803	53,051
CPI Index (2012 Base)	91	95	97	101	105	110	116	122	128
Fiscal Sector indicators (shares of GDP)									
Total Revenue & Grants	28.2%	25.1%	27.5%	28.7%	24.5%	23.5%	29.3%	28.9%	27.7%
Total Expenditure	4.2%	32.0%	34.0%	33.3%	29.0%	28.3%	30.5%	30.6%	30.6%
Overall Budget Balance	6.0%	-6.9%	-6.5%	-4.5%	-4.5%	-4.9%	-1.2%	-1.7%	-2.9%
Public Debt Stock (excl. Arrears)	21.9%	26.5%	31.4%	38.7%	37.0%	41.3%	40.4%	38.4%	37.6%
External Sector indicators (shares of GDP)									
Current Account Balance	4.6%	1.7%	4.7%	5.9%	1.2%	-1.0%	3.2%	2.1%	2.9%
Trade Balance	-1.5%	-2.1%	2.8%	2.0%	-1.6%	-3.4%	-2.9%	-4.2%	-2.5%
Primary Income Balance	-7.0%	-7.7%	-10.0%	-9.3%	-8.0%	-7.9%	-7.4%	-8.3%	-8.3%
Secondary Income Bal.	13.1%	11.5%	11.9%	13.2%	10.8%	10.4%	13.5%	14.5%	13.7%
Months of Import Cover	3.0	2.0	2.9	3.9	2.5	2.4	2.9	3.2	2.8
Monetary Sector Indicators (Shares of GDP)									
Net Foreign Assets	14.7%	11.5%	11.9%	7.6%	10.7%	8.1%	9.6%	10.1%	8.4%
Net Domestic Assets	14.6%	18.9%	14.1%	15.8%	16.4%	17.0%	16.8%	15.9%	17.4%
Broad Money	27.7%	27.1%	26.1%	31.5%	26.3%	25.1%	26.4%	25.9%	25.8%
Money Multiplier (Broad Money / Reserve Money)	6.6	5.3	4.9	3.9	5.0	6.1	5.0	5.0	5.0
Other memorandum indicators									
Population growth	1.2%	1.2%	1.2%	1.2%	1.2%	1.2%	1.2%	1.2%	1.2%
Unemployment	23.0	-	-	-	33.3	-	35.4	-	-
Exchange rate	13.2	14.5	16.5	14.8	16.4	18.5	18.3	18.4	19.0

Source: *Macro Fiscal Working Group (MFWG) December 2023*

Box 6: National Development Strategy Milestones

Since the development of the National Development Strategy (NDS) in 1997, significant strides have been made by the country. Amongst these, include the tightening of the legislative framework; the enactment of the 2005 National Constitution, the promulgation of the Public Service Act of 2018, the formulation of the E-Government Strategy, the establishment of the local revenue authority, Eswatini Revenue Services, through an Act in 2008, and the introduction of value-added tax (VAT) in 2009. In terms of infrastructural development, notable accomplishments were registered. These include an increase in paved road coverage to 1,643 km, improved access to electricity (84%) through the rural electrification program, enhanced access to clean drinking water (75%), the construction of bulk infrastructure such as dams (e.g., Lower Usuthu smallholder Irrigation project - LUSIP), and the construction of the Sikhuphe KMIII airport, among others. In the areas of human capital development and social protection, major accomplishments have been made. These include the implementation of free primary education, the introduction of information and technology (IT) in schools, the achievement of the 95:95:95 target in the fight against HIV/AIDS, the elimination of malaria-related deaths, improvements to integrated disease surveillance and response, the provision of free medical care for the elderly in state facilities, and the introduction of grants for the elderly, people with disabilities, orphans, and vulnerable children (OVC).

Despite the achievements made during the NDS period, there are still economic and structural constraints. Some of the economic challenges include a sluggish 3.0 percent growth rate (between 1997 and 2022), a dominant government presence in the economy, and fiscal challenges as public expenditures rose from 23 percent in 1997 to 34 percent of GDP in 2020/21 due to the public wage bill. Public debt has also escalated from 19 percent of GDP in 1997 to 40.4 percent of GDP in 2021, unemployment levels remain stubbornly high at 35 percent in 2023, and poverty and inequality remained persist high. Additionally, there are structural challenges such as rampant corruption (ranked 117 out of 180 in 2020), a decline in the ease of doing business (ranking 119 in 2019), a deterioration in the quality of education as demonstrated by the Human Development Index (HDI) which has increased by 30 points from 108 in 1997 to 138, and the absence of a coherent land policy.

CHAPTER 8

ESWATINI DEVELOPMENT FRAMEWORKS

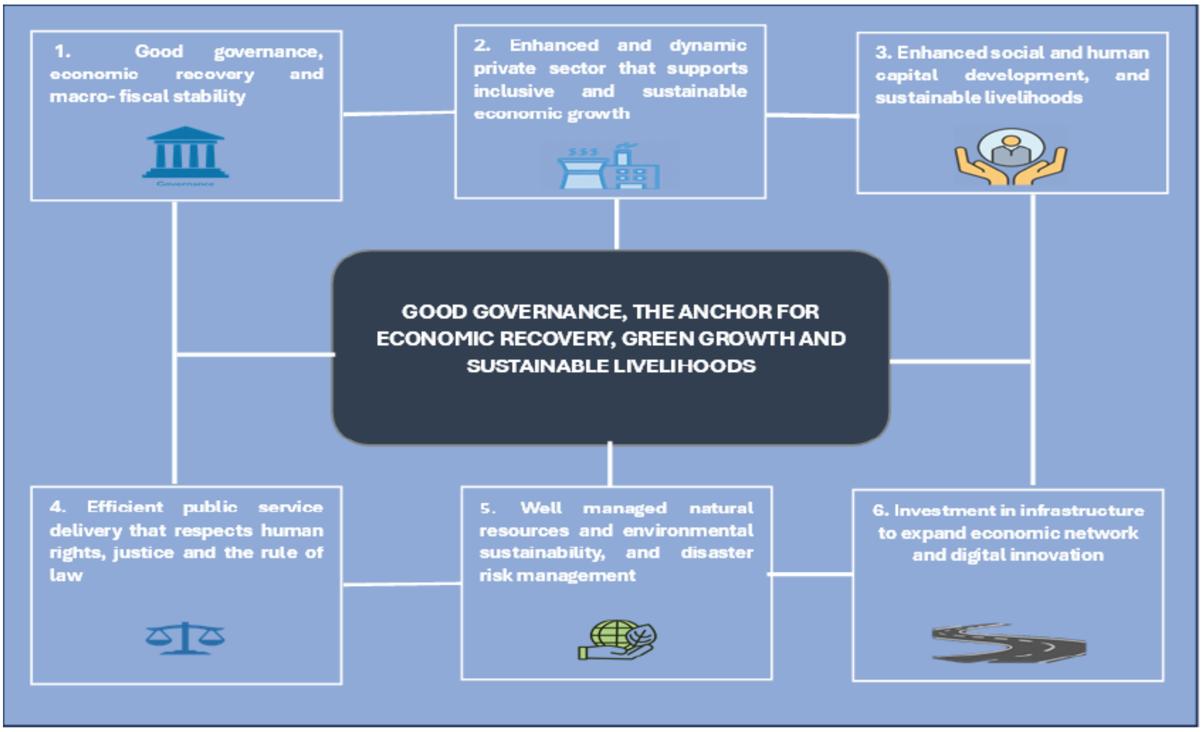
Eswatini is committed to pursuing the standing development goal of attaining middle-income status and improving the quality of life for citizens as enshrined in the country's National Development Strategy (NDS) of 1997. According to this 25-year strategy, Eswatini envisioned being amongst the top 10% of the medium human development group of countries founded on sustainable economic development, social justice, and political stability. The NDS, together with other development frameworks such as the National Development Plan (NDP), the Sustainable Development Goals (SDGs), Regional Development Frameworks that the country affiliates to (e.g. AU Agenda 2063, and SADC Regional Indicative Strategy Development Plan), and other government development frameworks[11], embraces macroeconomic stability as a key pillar for economic development. The end goal to be achieved by the country is to promote wealth creation, sustainability, and fair resource distribution.

Following the elapse of the NDS in 2022, the government is developing a successor development strategy, which will determine the country's future development path. Evidence-based research and emulation of successful development models will be used as a key guide in the development process of this successor plan. Amongst the development quagmire the country is grappling with includes climate change vulnerabilities, growth inclusiveness as well as social pressures i.e., poverty, unemployment, and population dynamics, which the strategy is expected to give considerable focus and aim to eradicate in the future.

In the short to medium term, the NDP 2023/24-2027/28, is a key policy framework that operationalizes the NDS but also ensures that currently there is no vacuum in the policy frameworks with the elapsing of the NDS. The NDP, which is a 5-year rolling plan, aims at ensuring economic resuscitation underpinned by economic and social transformation with good governance serving as the cornerstone for achieving sound macro-fiscal management, effective and efficient public service, peace, political stability, and national unity. The NDP demonstrates the government's commitment to improving the livelihoods of every Liswati and is themed "Good governance, the anchor for economic recovery, green growth and sustainable livelihoods". The plan has informed the FY2024/25 budget, identifying the key priorities in the current financial year with an expected mid-term review in the FY2025/26 budget (at its 3rd year of implementation).

[11] Government development frameworks include the strategic five-year government action plans/ manifesto.

Figure 46: Eswatini National Development plan (2023/242027/28)



The Implementation of agenda 2030 also aligns with the pursuit of the country's development objectives. However, there has been slow progress in the implementation of the SDGs. In response the country developed an SDG Acceleration Plan in 2023 to expedite the execution of the SDGs in the remaining 7 years leading up to 2030. The acceleration plan prioritizes three thematic areas of the SDGs as the key pillars for accelerating progress towards achieving the SDGs, specifically SDG 5.5 (increased women's leadership), SDG 6.2 (improved sanitation), and SDG 8.5 (creation of decent jobs). Within these targets 9 priority areas have been identified to influence the acceleration and these are efficient public service, agricultural systems, education systems, social protection mechanisms, the environment, energy security, industrial development, health systems, and WASH. Furthermore, four transformational enablers were identified namely digitalization, monitoring and evaluation (M&E), resource mobilization, as well as partnerships and communication. This ambitious plan is estimated at E30.612 billion (~ USD 1.654 billion) with 25 targeted projects.

In view of the plethora of development and societal issues raised by the masses during the Sibaya people parliament, championed by the new cabinet, the government has developed the Eswatini Government Programme of Action based on Sibaya Peoples' Parliament Submissions, which is a 5-year program for government to address the challenges raised by the populace. The program of action based on Sibaya Peoples parliament submissions depicts the government's intentions and commitment to tackle issues such as poverty, corruption, decentralization of all government services and other social challenges.

Box 7: Improving National Accounts and Gross Domestic Product (GDP) Compilation

In accordance with common practice, countries employ a range of international guidelines, classifications, and relevant manuals to generate their macroeconomic statistics. The system of national accounts (SNA) and the quarterly national accounts manual (QNAM) serve as the foundation for this process. The latest edition of the SNA, referred to as SNA 2008, represents an updated version of the SNA 1993 that aligns the national accounts framework with the needs of data users. Additionally, SNA 2008 is consistent with related manuals, including those for balance of payments, government financial statistics, and monetary and financial statistics. The process of revising national accounts and Gross Domestic Product (GDP) is crucial and should be conducted periodically, focusing on three key aspects: (i) rebasing, (ii) benchmarking, and (iii) methodological changes.

Rebasing:
Rebasing refers to the process of replacing an outdated base year that is used to calculate GDP estimates in constant (real) prices, with a more recent base year. This practice is in accordance with internationally recognized best practices, as well as the recommendation of the United Nations, which advises the regular updating of the base year. Ideally, rebasing should be carried out every 5 years. However, due to financial constraints, it is often challenging to do so frequently. The primary purpose of rebasing is to analyse the behaviour of GDP over time while eliminating the impact of price effects. Generally, constant or real price measures accurately reflect the volume of goods and services produced, without the influence of price changes.

Benchmarking:
Benchmarking refers to the incorporation of new or additional data sources into national account estimates. These datasets are typically detailed and periodic. In essence, benchmarking is the process of combining datasets with different characteristics to take advantage of the strengths of each series. The economic census serves as the primary source for all benchmarking statistics, encompassing all economic activities within a country. Additionally, benchmarking is used in national accounts to derive quarterly series that align with their corresponding annual benchmarks. This ensures that the short term movements of quarterly economic indicators are preserved and addresses the challenge of combining high-frequency data (e.g., quarterly) with low-frequency data (e.g., annual). As a general guideline, the high-frequency data series are benchmarked to the low-frequency series (International Monetary Fund: Quarterly National Accounts Manual, 2017 – IMF QNAM, 2017).

Methodological changes:
This entails the implementation of new procedures and the revision of current practices to ensure compliance with current international standards. Methodological changes primarily arise from the integration of new standards (transitioning from the System of National Accounts (SNA) 1993 to SNA 2008), the redefinition of industries and product classifications, modifications in concepts and calculation methods, and alterations in data sources.

Importance of benchmarking and rebasing:
The overhaul of national accounts and GDP is necessary to ensure better estimates of GDP by adopting new standards. It is customary for statistical agencies to periodically review the methodologies used to measure the economy, as it is crucial to remain up to date given the dynamic and ever-changing nature of economies. The process of rebasing and benchmarking guarantees that these changes are duly considered, thereby offering a more precise representation of the economy's structure. Furthermore, enhancing national accounts is of utmost importance as it influences other key economic indicators. For instance, GDP data plays a significant role in calculating other national indicators such as the fiscal balance as a percentage of GDP, the debt-to-GDP ratio, and the level of trade openness. By obtaining a more accurate understanding of the economy, policymakers are furnished with superior data to inform their decision-making processes.

The Eswatini Rebasing and Benchmarking exercise
The Central Statistics Office (CSO) is in the process of overhauling the Eswatini national accounts and the compilation of the gross domestic product, as they have undertaken an economic census with phase I having commenced in 2019. The base data collected through the economic census will be utilized to rebase the national accounts and GDP from 2011 to 2019, meaning that economic activity will be compiled using the prices of 2019. Apart from the rebasing, a benchmarking exercise will also be undertaken and will assist in updating the size and structure of the Eswatini economy. This is essential to capture the change in dynamics that have occurred in the domestic economy since the last census in 2011, i.e., the incorporation of new companies that have since entered the domestic economy and the removal of companies that have ceased to operate in the economy. According to the Economic Census 2019 Phase 1 report, significant developments have taken place in the domestic economy over the past 8 years. The total number of establishments has witnessed a notable growth of 60 percent, surging from 17,069 in 2011 to 27,462 in 2019. Similarly, the number of employees has experienced an increase, rising from 154,109 in 2011 to 194,841. Moreover, the turnover has shown remarkable growth, escalating from E80.811 billion to E121.010 billion.

Indicator	2011 Census	2019 Census
# of Establishments	17,069	27,462
# of Employees	154,109	194,841

Source: *Eswatini Economic Census 2019 Phase 1 report*

The significance of benchmarking and rebasing national accounts cannot be overemphasized. By utilizing the latest year, policymakers and analysts can make well-informed decisions grounded in present economic circumstances. Furthermore, benchmarking aids in augmenting the credibility and dependability of national accounts, rendering them more valuable for economic analysis, forecasting, and policy creation. Ultimately, this fosters the comprehensive development and stability of the economy.

Notes: