Ministry of Economic Planning and Development

Macroeconomic Analysis and Research Division

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Comments, criticisms and recommendations for improvement are most welcome. Please email: macrodivision.gos@gmail.com

2018 Q4 Highlights

International

- The Global economy is anticipated to grow by 3.5 percent in 2019
- Advanced economies forecasted to grow by 2.0 percent in 2019, while Emerging economies and sub-Saharan Africa are projected to grow by 4.5 percent and 3.5 percent respectively

Domestic

- Inflationary pressure surges as headline inflation averages at 5.2 percent as the Central Bank maintains accommodative discount rate of 6.75 percent.
- There was mixed performance for the Lilangeni compared against the three major currencies, as the gross official reserves were at 2.9 months of import cover.
- Positive trade balance after 3 subsequent quarters of a merchandise trade deficit
- Total government revenues decline as total government expenditures continue to rise

Box 1: Box: Proposed Income Tax Changes: How It Will Likely Affect Your Take-Home Salary

1. International Developments

1.1 Global Growth Performance

The January 2019 World Economic Outlook (WEO), revealed that the global economy grew by 3.7 percent in 2018. This was partly due to a slow-down in performance of several significant economies such as China, the USA and Eurozone in the second half of the year. The gradual letdown of global economic growth in the second half of 2018 is anticipated to sieve to the succeeding quarters. This led to a downward revision for the medium-term projections with 2019 projected to grow by 3.5 percent, a downward revision of 0.2 percentage point and 2020 projected to grow by 3.6 percent, a 0.1 percentage point downward revision respectively.

	Estimates		Forecast	
	2017	**2018**	**2019**	**2020**
World Output	3.8	3.7	3.5	3.6
Advanced Economies	2.4	2.3	2.0	1.7
USA	2.2	2.9	2.5	1.8
UK	1.8	1.4	1.5	1.6
Emerging Economies	4.7	4.6	4.5	4.9
China	6.9	6.6	6.2	6.2
SSA	2.9	2.9	3.5	3.5
Nigeria	0.8	1.9	2.0	2.2
RSA	1.3	0.8	1.4	1.7

Source: WEO, January 2019

In terms of year-on-year projections, GDP growth for advanced economies is anticipated to decelerate from a projected 2.3 percent in 2018 to 2.0 percent in 2019 and 1.7 percent in 2020. This shows a downward revision of 0.1 percentage point for both 2019 and 2020. The downward revision in advanced economies was linked to developments in the Eurozone, the UK, and the USA.

Growth in the Eurozone is set to decelerate from 1.8 percent in 2018, to 1.6 percent in 2019 signifying a downward revision of 0.3 percent for both 2018 and 2019 and 1.7 percent in 2020. This downward revision in the Eurozone was mainly attributable to Germany, Italy and France's unfavorable economic developments. The German economy experienced a slowdown in private consumption, industrial production destabilizing due to the introduction of revised auto emission standards and subdued foreign demand. Whereas the Italian economy suffered weak domestic demand and increased costs of borrowing as sovereign yields remained elevated. Whilst, the French economy endured a negative impact on growth brought by industrial action and public picketing experienced during the period.

The United Kingdom's (UK) economic growth for the medium-term remained unchanged due to substantial uncertainty, with a baseline growth projection unchanged at 1.5 percent. This inviolate assumption vividly shows the counterweighing negative effect of continued insecurity about the Brexit aftermath. This is expected to be balanced out by a fiscal stimulus announced in the 2019 national budget which is anticipated to have positive impact on the British economy. These assumptions all assume that a Brexit deal is reached in 2019 and that the UK gradually transitions to the new regime.

The growth estimates for the United States also remains unaltered due to uncertainty over trade relations with China after the 90 day truce expires. Growth is expected to decline to 2.5 percent in 2019 and moderates further to 1.8 percent in 2020, driven by the unwinding of fiscal stimulus and federal fund rates remaining high compared to other interest rates. On the other hand, the projected pace of growth is above the US economy's estimated potential growth rate in both years. Strong domestic demand growth amid the tit-for-tat tariff hike on imported goods with China will support rising imports and contribute to a broadening of the US current account shortfall.

GDP growth for emerging markets and developing economies is projected to decrease slightly from a projected 4.6 percent in 2018 to 4.5 percent in 2019 and improve marginally to 4.9 percent in 2020. This depicts a downward revision of 0.2 percentage points for both 2019 and 2020.

China is expected to decrease from 6.5 percent in 2018 to 6.3 percent in 2019 and 6.4 percent in 2020. The impact of higher tariffs on Chinese imported goods imposed by the US will be mitigated by offsets brought about by implementing proposed fiscal stimulus, thus inferring China's economy to grow sluggishly due to the dual influence of needed financial regulatory tightening and the aforementioned US trade tensions.

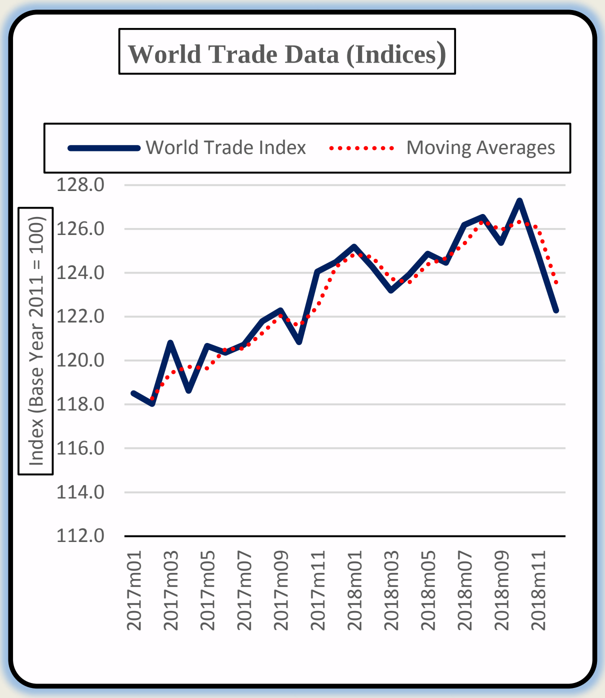
On the other hand, the Indian economy has been revised upward to 7.3 percent in 2018, 7.4 percent in 2019 and 7.7 percent in 2020. This 0.1 upward revision in 2019 for the Indian economy will be attributed to a reduction in oil prices and subdued inflationary pressure. These pressures would be eased by the slower pace in monetary tightening than anticipated.

In Sub-Saharan Africa, growth is forecasted to be 2.9 percent in 2018, 3.5 percent in 2019, and 3.6 percent in 2020. This indicates a downward revision of 0.3 percentage point for both 2019 and 2020. The downward modifications were informed by softening of oil prices in Angola and Nigeria. The projected figures for the region hide significant disparities in performance in the region, with over one-third of economies estimated to grow above 5 percent in 2019 and 2020. This growth rate is higher than the projected global economy outlook.

In the SACU region, particularly the Republic of South Africa (RSA), growth in 2018 has been projected to be 0.8 percent and 1.3 percent in 2019. Growth in 2019 is anticipated to remain subdued due to a number of factors namely, challenges in mining sector, low business confidence due to political uncertainty, as well as developments in the management of State owned enterprises particularly Eskom. The high unemployment levels coupled with slow growth in household credit extension is expected to constrain domestic demand in 2019, while fiscal consolidation is likely to limit government spending. The higher growth sentiments in 2020 echoes the expectation that the government's structural reform agenda will gradually gather speed, helping to boost investment growth, as policy uncertainty recedes and investor sentiment improves. The economy is expected to grow by 1.7 percent in 2020, and 1.8 percent in 2021.

1.2 World Trade

World trade volume decreased by 1.7 percent in December 2018 compared to a month earlier. This is evident from the monthly World Trade Monitor of the Netherlands Bureau for Economic Policy Analysis (CPB). In November, world trade also went down by 1.8 percent. Global industrial production declined in December by 0.1 percent on a monthly basis. In the previous month a larger decrease of 0.2 percent was registered. This time the trade figures are excluding the data for the United States, where data was not provided due to the Federal shutdown in December and January 2019. This was contrary to Eswatini Domestic trade which had a positive trade balance with exports surpassing imports in the fourth quarter of 2018.



Source: CPB World Trade Monitor

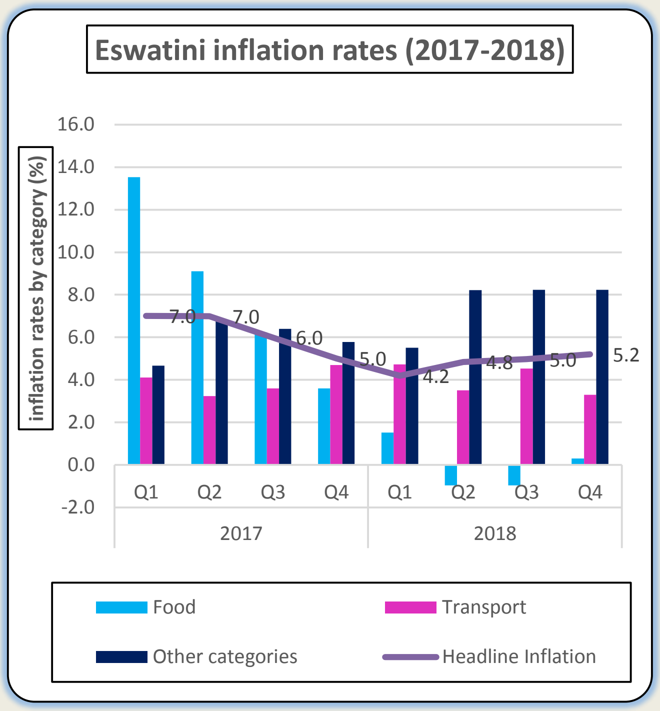
2. Domestic Developments

2.1 Prices

Headline inflation averaged at 5.2 percent in 2018 Q4. This shows a marginal 0.2 percent increase on a y-o-y basis compared to 2017 Q4. This was mainly attributed to an upsurge in the costs of housing and utilities as well as a slight increase in health inflation. Housing and utilities costs had surged by 14 percent in 2018 Q4, compared to 8.2 percent in 2017 Q4 as a result of a 15 percent hike in electricity tariffs early in the year 2018 and the annual increase in housing rentals, which had accelerated by 15 percent in 2018 Q4 from 8.2 percent in 2017 Q4. Costs of health services averaged 0.9 percent in 2018 Q4, rising from 0.3 percent in the same period in 2017. This was mainly driven by higher costs of medicines and medical drugs which accelerated by 7.8 percent and 7.6 percent in 2018Q4, respectively.

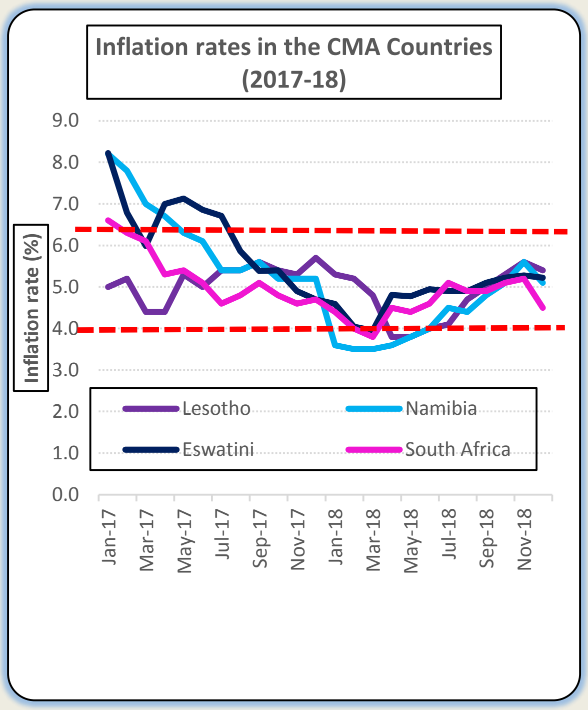
The upsurge in housing and utilities costs was counterbalanced by a plunge in the cost of food and non-alcoholic beverages from 3.6 percent in 2017 Q4 to 0.3 percent in 2018 Q4. The sustained recovery from the drought, subsequent to favorable weather conditions, normalized food prices, with vegetables, maize and other cereal products experiencing substantial deflation.

Similarly, on a q-o-q basis headline inflation grew by 0.2 percent. The modest increase was largely attributed by a massive 131 percent increase in food prices which grew -1.0 percent in 2018 Q3 to 0.3 percent in 2018 Q4. This was due to a low base effect with food inflation normalizing after a decline for 2 consecutive quarters. However, the increase in food price was moderated by the 27 percent decline in transport inflation which decelerated from 4.5 percent in 2018 Q3 to 3.3 percent in 2018 Q4. The decline in transport inflation was attributed to moderation in global oil prices in the last quarter of the year.



Source: CSO

Apart from Eswatini, the headline inflation within the Common Monetary Area (CMA) countries also increased slightly, however, all the rates fell within the 3-6 percent target band in the quarter under review. On average, Lesotho had the highest inflation rate in 2018 Q4 at 5.4 percent, showing a 0.1 percent deflation compared to 2017 Q4. The deflation was due to a decline in cost of food and non-alcoholic beverages. Whereas in Namibia headline inflation was recorded at 5.2 percent, portraying a 0.1 percent rise in prices which was attributed to a 123 percent increase in transport inflation compared to 2017 Q4. The lowest headline inflation rate was recorded in the Republic of South Africa which reported 4.9 percent in 2018 Q4. This shows a 0.2 percent price increase compared to 2017 Q4, driven by a hike in fuel prices during the period.



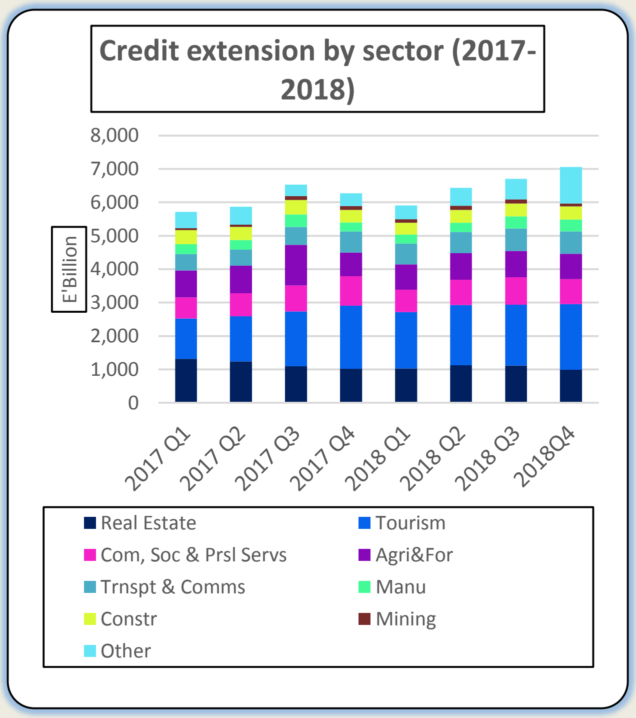
Source: National Statistics Offices of Member States

2.2 Interest Rates

Monetary policy was accommodative in 2018 Q4, with the discount rate unchanged at 6.75 percent at the end of the review period. This was at par with the South African repo-rate which was also 6.75 percent during this period. The parity of the local discount rate and SA repo rate was mainly driven by the SA Reserve Bank creating an accommodative monetary policy stance to boost growth after RSA's recovery form a technical recession. The local discount rate was maintained, in consideration of global, regional and domestic economic conditions which could have a negative impact on Eswatini's economy. Increasing the discount rate could place further strain on the economy, which is showing signs of slowing down. On the other hand, there are still inflationary concerns, despite inflation subsiding to be within the 3-6 percent CMA target band recently. Furthermore, there are global and regional apprehensions, such as the rising trade tensions and inflationary pressures that prompt a more cautionary monetary policy stance. In line with the unchanged discount rate, the prime lending rate was recorded at 10.25 percent, similar to 2018 Q3.

2.3 Lending

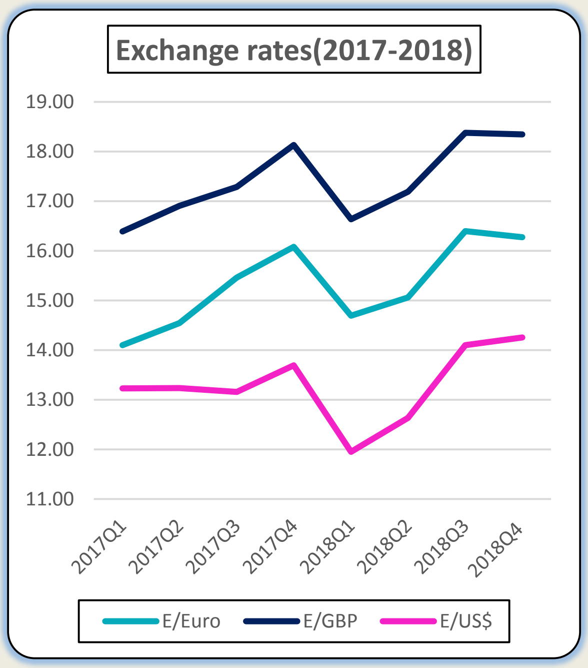
In line with the accommodative monetary policy stance, total credit extension to household and business was reported to be E12.9 billion in 2018 Q4. This was a marginal increase of 5.3 percent compared to the same period in 2017 Q4. This increase was mainly attributed to a marginal growth of 13 percent in business credit extension, although household credit extension decelerated by 2.2 percent. Business credit extension was recorded at E7.05 billion, growing from the E6.27 billion in 2017 Q4, whereas household credit extension was reported at E5.81 billion, contracting from the E5.95 billion recorded in 2017 Q4. The decline in credit extension to households was mainly driven by a decline in unsecured personal loans. Whereas the growth in business credit extension was attributed to a modest growth in distribution & tourism as well as transport & communication credit extension, among other sectors.



Source: CBE

2.4 Exchange Rates

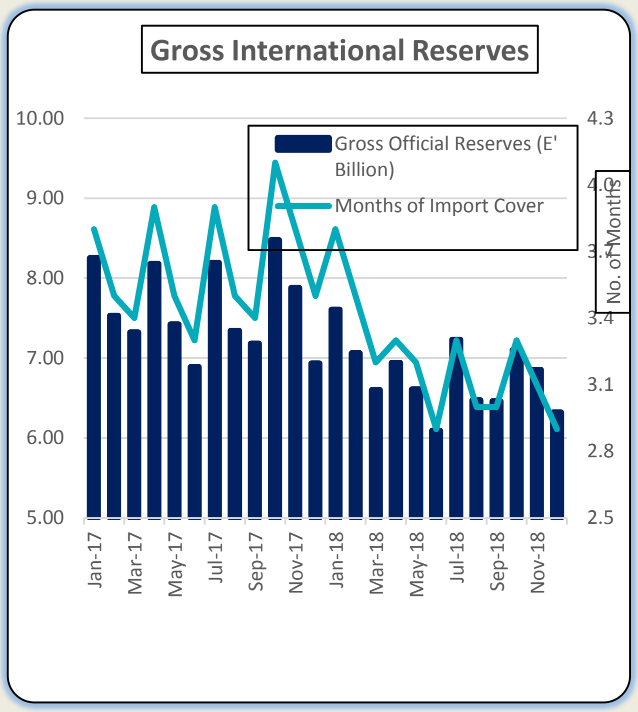
The Lilangeni, which is pegged to the Rand, had mixed performances in 2018 Q4 when compared against the Euro (EUR), British Pound (GBP) and the US Dollar (USD), on a quarter-on-quarter basis. The performance of the local currency is tied to the developments in the SA economy including the political situation and the economic recovery from the technical recession in 2018 Q3. When compared against the US Dollar, the Lilangeni depreciated by 1.09 percent averaging 14.26 in 2018 Q4. Whereas, against the Euro and the British Pound the Lilangeni appreciated moderately by 0.75 percent and 0.16 percent, averaging 16.28 and 18.35 respectively. The modest appreciation of the local currency against the Euro and Pound was largely driven by uncertainty surrounding Brexit as the deal deadline approaches, as well as other political developments in Europe.



Source: CBE

2.5 Reserves

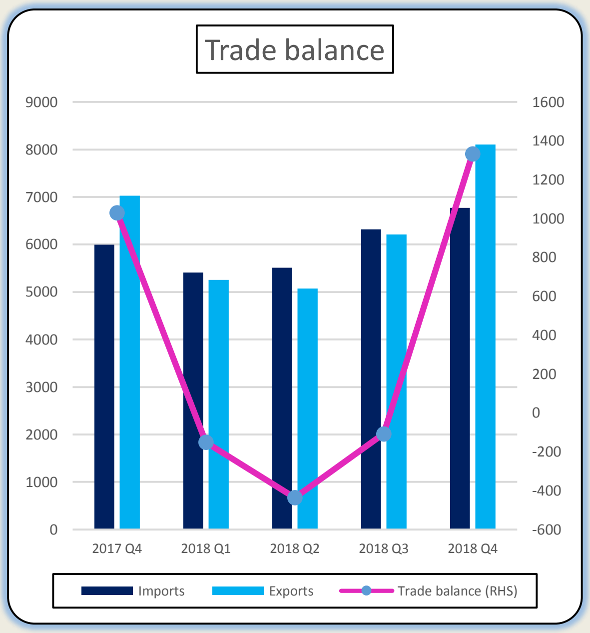
In 2018 Q4, the gross official reserves were reported to be at E6.3 billion, an 8.8 percent decline compared to the same period in 2017. This was sufficient to cover 2.9 months of imports of goods and services. This level of reserves was below the 3 months recommended international threshold but far below the SADC macroeconomic convergence target of 6 months import cover. Reserves have been on a downward trend in 2018, primarily due to fiscal challenges and sluggish growth which resulted in the rapid drawdown of reserves.



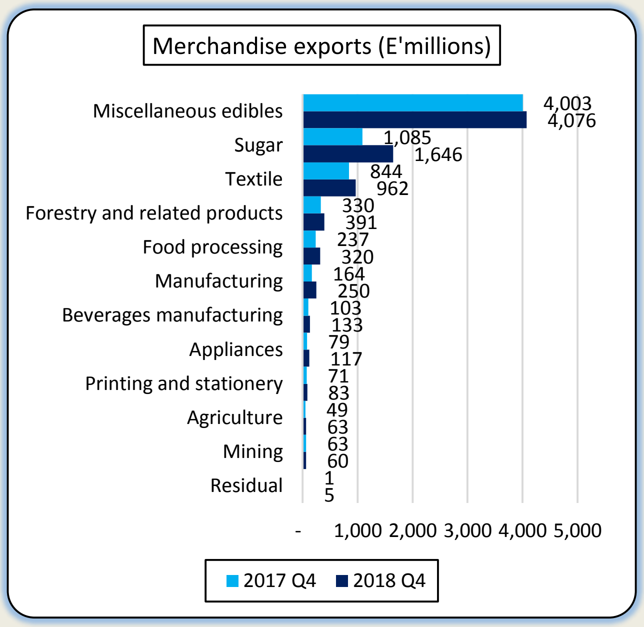
Source: CBE

3. External Trade

In the last quarter of 2018, a merchandise trade surplus of E1.3 billion was recorded following 3 subsequent quarters of a deficit. 2018 Q4 also reflected a better performance compared to 2017 Q4 which recorded a smaller trade surplus of E1.03 billion. This shows a 29.4 percent acceleration on a year-on-year basis.



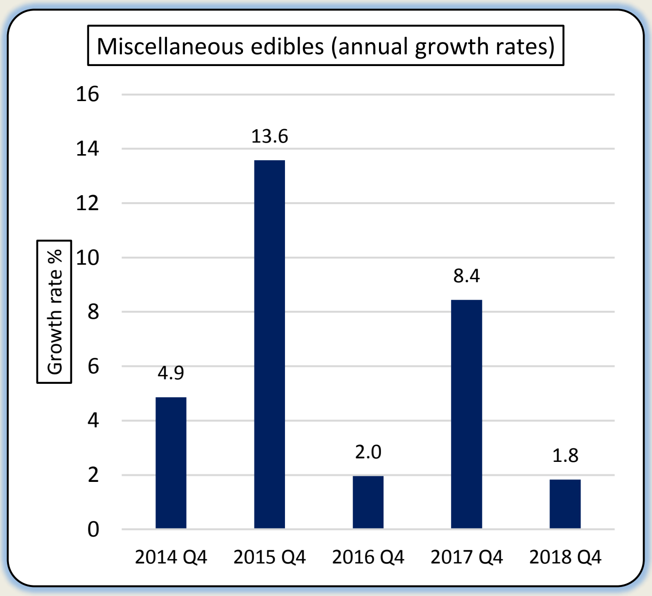
Source: SRA



Source: SRA

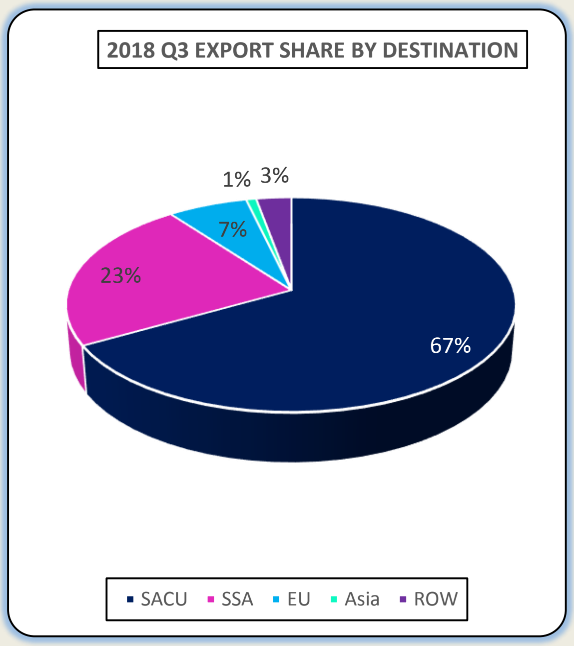
3.1 Exports

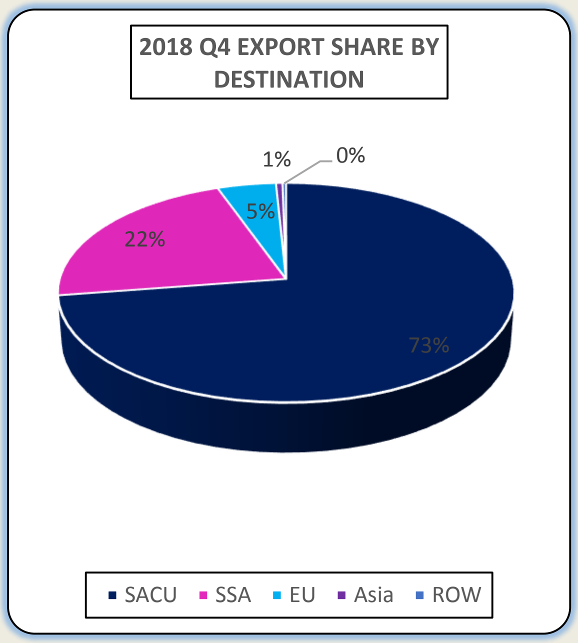
Total Exports for 2018 Q4 were E8.1 billion, having increased by 30.4 percent from the previous quarter. On a y-o-y quarter comparison, exports grew by 15.3 percent. Trade with the Europe also increased from E106 million to E378 million indicating a 257 percent substantial acceleration, driven by positive changes in sugar prices as well as exchange rates and resumed export trade of beef to the EFTA market. As a proportion of total international trade for Eswatini, trading with the EU grew from 2 percent in 2017 Q4 to 5 percent on 2018 Q4. Sugar Exports in particular grew substantially by 51.7 percent from E1.084 in Q4 2017 to E1.645 billion in Q4 2018 signaling a contribution increase of 5 percent to total export growth. The higher growth in sugar exports was also boosted by good yields for the current season and stock piling during tough market conditions. A shortfall in sugar production in the Eurozone resulted in increased demand of sugar, hence, resulting in Eswatini's sugar exports being increased to mitigate Europe's demand deficit. Moreover, miscellaneous edibles exports increased on a y-o-y quarter, albeit at the lowest rate observed in the past 5 years.



Source: SRA

In the quarter under review, the SACU region increased its proportion as a destination for Eswatini's exports, accelerating by 6 percentage points to E5.89 billion from E4.15 billion in 2018 Q3. The growth was attributed to the improved economic performance in the region particularly the RSA economy which rebounded in the last half of 2018.





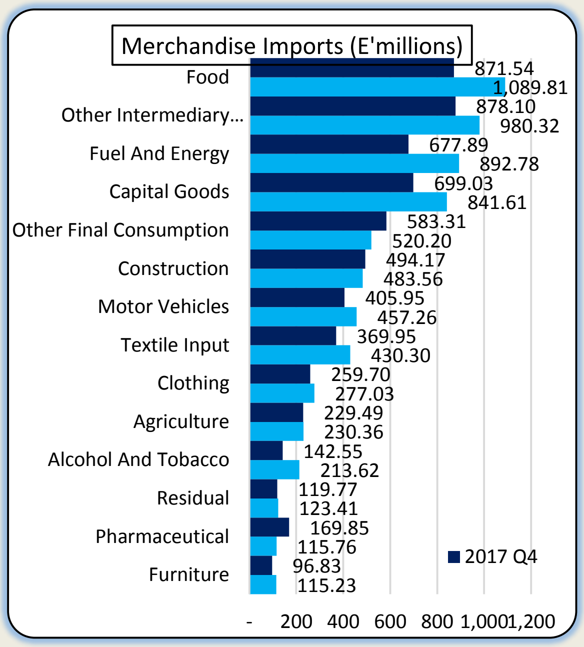
Source: SRA

Furthermore, global sugar prices improved following Brazil's sugar industry contraction after a shift in production from sugar to ethanol. This had particular positive effects on sugar exports to the SACU region where in some member countries had increasingly been sourcing sugar from Brazil due to its relatively cheaper prices. To illustrate the shift in market dynamics there was an increase export values to the SACU region in 2018 Q4 of E5.886 billion from E5.228 billion in Q4 2017 signaling a 13 percent growth. Also, delays occurred in the imposing of tariffs on sugar imports for SACU member states. Once put in place, regional exporters became competitive.

In September 2017 Q3 Eswatini beef exports were banned from the EFTA market. Regaining of the market resulted in a 15 percent increase in exports to Norway from E 1.9 billion in 2017 Q3 to 2018, E2.2 billion in of 2018 Q4.

3.2 Imports

In 2018 Q4 on a q-o-q basis, total imports grew by 7.1 per cent, recording E6.77 billion from E6.62 billion in 2018 Q3. On an annualized basis total imports increased by 12.9 percent in 2018 Q4 when compared to 2017 Q4. The highest contributor to the nominal increase in imports was 'Alcohol and Tobacco' which grew by 50 percent. Additionally, 'Fuel & Energy' as well as 'Food' imports grew considerably by 32 present and 24 percent, respectively. Furthermore, 'furniture' increased by 19 percent which can be justified by the completion of major construction projects. On the other hand, to moderate the acceleration of 'food' imports and 'fuel & energy', 'pharmaceuticals' imports declined by 31.8 percent as a result of reduced imports by government due to the continued fiscal challenges. 'Construction' imports also declined modestly by 2 percent due to the completion of major projects and the reduction of the government's capital program. 'Fuel' imports also fell marginally by 2 percent as fuel consumption is linked to construction activity. The slowing down of construction, due to winding up of contracts, has resulted in low fuel consumption.



Source: SRA

3.3 Trade balance and current account[1]

The current account measures international trade, net income on investments, and direct payments. Apart from ensuring that foreign currency is enough to cover a country's imports, a good current account balance signals a country's ability to produces enough economic output to ensure growth. It also shows the country's potential to be an ideal business partner by evaluating the economic performance of a country in international economic competition.

According to the CBE's preliminary data, the current account recorded a deficit in 2018 Q3. On an annualised basis 2018 Q3 reflected a E69.4 million deficit as compared to the surplus that was recorded during the same quarter of the previous year of E1.28 billion. This was due to a deficit in merchandise and service trade balances resulting from the 2.5 percent decrease in demand of Eswatini's export goods in the SACU region. This is particularly the case in RSA which was facing a technical recession and is the country's major export destination. There is a need to improve the country's domestic industries international competitiveness so as to encourage both local and foreign investment intended for export markets. Also, the negative developments that were due to the dependence on the RSA economy highlighted the increased need to diversify trading partners and make increased use of the country's multiple trade agreements.

Imports, on the other hand, continued to expand by a substantial 20.8 percent. The increased E287 million merchandise trade deficit continues to place pressure foreign currencies in order to purchase imports.

Net primary income performance worsened further signalling a reduction in investment income by non-residents within the Eswatini and an increase in employee compensation paid to non-residents due to the country continuing to outsource a majority of its services to non-residents. Similarly, there was increased payments sent out of the country related to local assets and businesses owned by foreign counterparts.

A significant reduction by 23.2 percent in the net receipts posted in the secondary income account was reflected. SACU revenues reflected under the secondary income category, were unable to prevent the current account from an overall deficit. Given the recovery of RSA, the trade balance improved in 2018 Q3 mainly from improved SACU revenues and returned to a surplus. They are projected to be higher in the following quarters which will drive net secondary income and the current account balance into higher surpluses. However, decreased global trade continues to pose a risks to forecasts. The quarter reflected a worsened performance in the primary income category with locally owned

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[1] *Balance of Payment is reported a quarter behind due to data lags.*

foreign business inflows having declined by 10.6 percent whilst foreign owned local business income outflows increased by 16.3 percent.

The financial account reflects the net acquisition or disposal of foreign assets in the period under review, Eswatini was a net borrower to the rest of the world by E343.4 million. However, this was an improved position from 2017 Q3, where a E1.1 billion increased FDI disinvestment occurred. On the other hand, data reflects that net direct investment worsened as foreign assets were sold off and local liabilities increased. Reserves reflected a drastic decline in the period under review as they were drawn down in the face of fiscal challenges. They also tend to be volatile as they depend largely on SACU revenues.

4. Fiscal Developments[2]

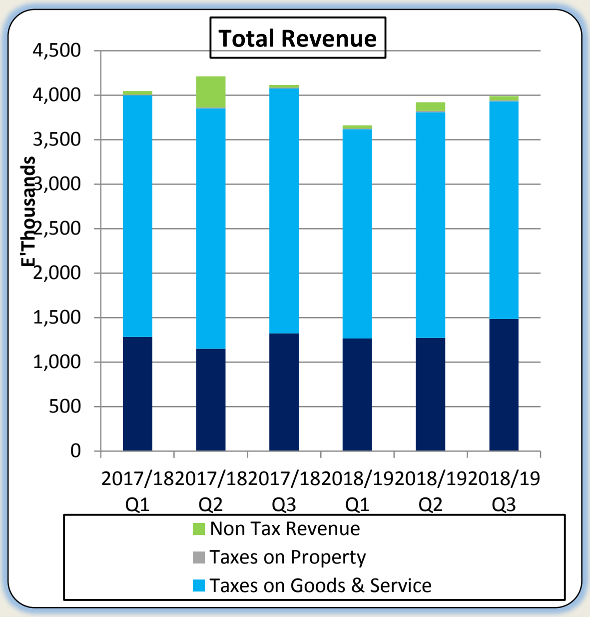
4.1 Government Revenue

Total Government revenue is collected from 4 major sources of revenue streams in Eswatini namely income tax, property tax, taxes on goods and services and non-tax revenue. A large proportion of the Government revenue is collected through taxes on goods and services which includes custom union receipts namely SACU, representing 61.4 percent of revenue as well as income tax accounting for 37.2 percent of overall revenue.

During the review period, total revenue declined by 3.1 percent from E4,114 million in 2017/18 Q3 to E3,918 million in 2018/19 Q3. The decline in overall total revenue was largely attributed to a 11.1 percent contraction in taxes on goods and services. More specifically, external revenue sources, such as custom union receipts fell by 17.8 percent due to the volatility of SACU receipts and domestic revenue sources such as VAT which declined by 1.7 percent due to the introduction of the 1 percentage point increase in VAT from 14 percent to 15 percent in August 2018. The VAT increase drove consumer to stock piled their supplies before the tax reform was implemented, furthermore, it led to changes in consumption patterns as a result of depressed disposal incomes, thus leading to the decline in VAT collection for the quarter. However, it might be too early to determine the impact of the VAT increase. Both, SACU receipts and VAT collectively account for 87.5 percent of taxes on goods and services.

In contradiction, the decline in overall total revenue was moderated by an increase in other domestic revenue sources, as income tax grew by 12.2 percent from E1,321 million reported in 2017/18 Q3 to E1,483 million in 2018/19 Q3. The 12.2 percent growth in income taxes was largely driven by individual tax, corporate tax as well as other income tax which grew robustly by 4.5 percent, 22.3 percent and 33.9 percent respectively. The 4.5 percent marginal increase in individual tax was attributed to taxes on end of the year bonuses offered by corporate companies which offered the cost of living at inflationary levels as well as taxes on gratuity from contracted employees upon ending of contracts. Additionally, fuel tax grew modestly at 5.3 percent to E273, 029 in 2018/19 Q3 from E258, 822 during the same period in 2017/18 this was supported by the increase in fuel and energy imports which grew by 34 percent during the period under review. The lack of a balanced budget and limited supply of lending has compelled the Government to draw from Gross official reserves in order to cover the deficit between revenues collected and total expenditures.

[2] *Fiscal developments are reported a quarter behind due to data lag.*

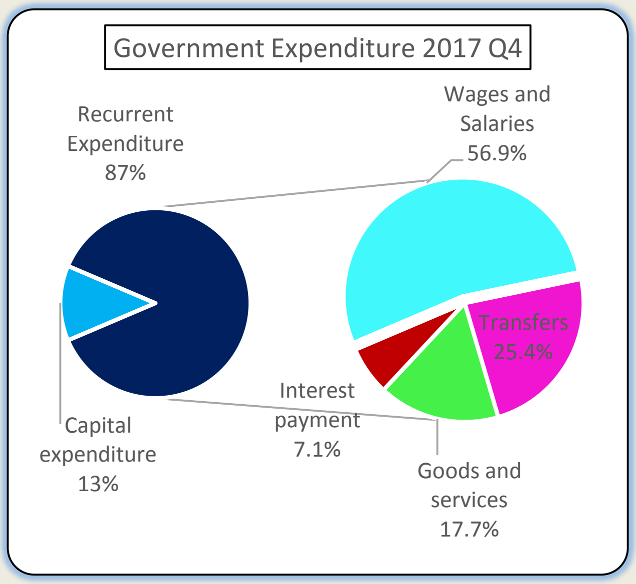


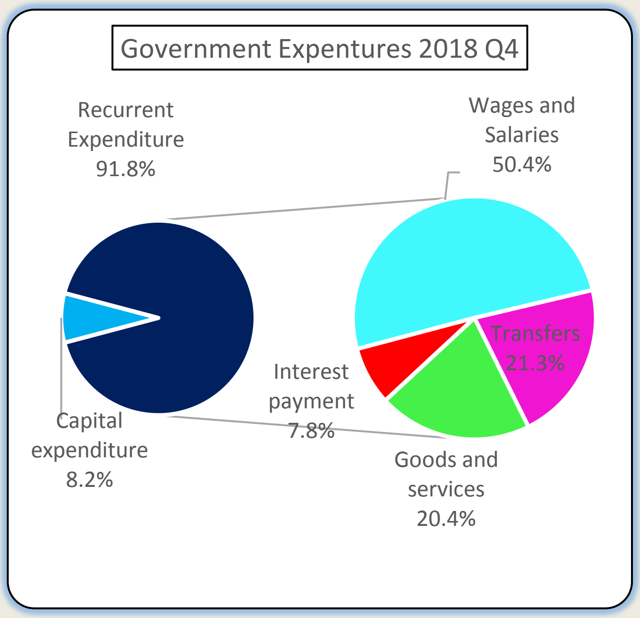
Source: MOF

4.2 Government Expenditures

The expenditure account is made up to two components namely, recurrent expenditure and capital expenditure. Recurrent expenditures are divided into four (4) sub category accounts consisting of goods and services, wages and salaries, transfers and interest payments.

Total expenditure grew by 18.6 percent from E 3,657 million in 2017/18 Q3 to E 4,338 million in 2018/19 Q3. The growth in total expenditure was mainly driven by a 26.8 percent increase in recurrent expenditures due to a 45 percent growth in goods and services, a 11 percent growth in wages and salaries, a 5.9 percent growth in transfers coupled with a substantial 37.9 percent increase in interest payment. The increase in goods and services expenses was directly linked to the payment of goods and services procured during the Eswatini 2018 National Elections as well as clearing of arrears. While, growth in wages and salaries expenses resulted from payment of exit package for former politicians, payment of gratuity for contract teachers, payment of the electoral officials as well as payment of overtime payment for some civil servants. Regarding the payment of interest, Government incurred a cost of E309 million in interest payments during the review period. Interest payment consists of interest paid by Government on loans, bonds and line of credit. On the contrary, capital expenditure was the most affected item by the difficult fiscal situation faced by the Government. The local capital expenditure was cut by 28.21 percent to E357 million in 2018/19 Q3 compared to E498 million reported in 2017/18 Q3. The cash flow challenges necessitated the implementation of fiscal consolidation measures including curtailing local capital expenditure and reducing the wage bill by effecting a hiring freeze in the civil service.





Source: MOF

4.3 Government Financing

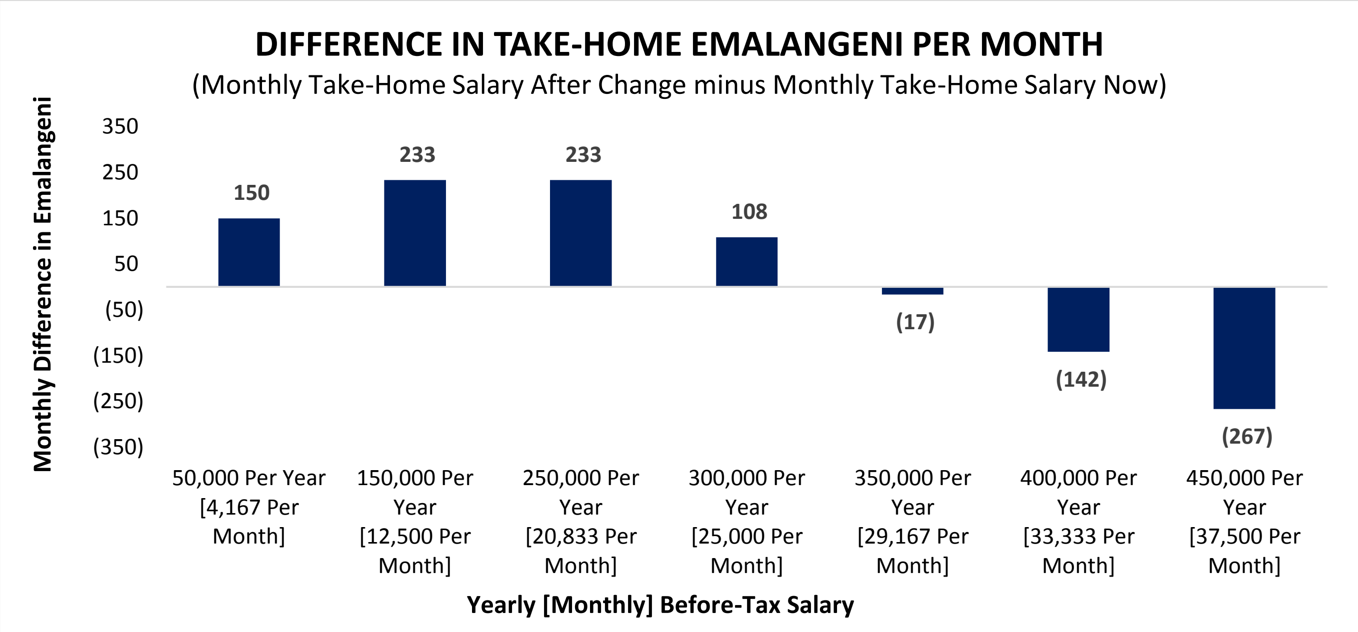
Preliminary data from the Central Bank of Eswatini indicate that total public debt stood at E14.7 billion an equivalent of 23.8 percent of the GDP for 2018/19 Q4, this shows a 17.6 percent increase compared to the E12.5 billion recorded in 2017/18 Q4. External debt stood at E5.4 billion, an equivalent of 8.8 percent of GDP, showing a marginal increase of 3.8 percent compared to the same period in 2017/18 where it stood at E5.2 billion. The acceleration in external debt was caused by the depreciation of the Lilangeni against the US dollar and other major currencies in which the country's liabilities are denominated during the course of the year.

Domestic debt was recorded at E9.3 billion equivalent to 13 percent of GDP, indicating a 27.4 percent growth compared to the same period in 2017/18 where it was reported at E7.3 billion. The increase in domestic debt was due to an improved uptake of T-bills and issuance of CBE advance to Government during the review period.

Box 1: PROPOSED INCOME TAX CHANGES: HOW IT WILL LIKELY AFFECT YOUR TAKE-HOME SALARY?

The Minister of Finance presented the 2019/20 Budget Speech on the 27th of February. Amongst other reforms, the budget proposes several poverty-reduction changes, including a potential increase in the minimum wages and an adjustment to the income tax brackets. The income tax changes would increase the minimum taxable income threshold from E41,000 to E55,000 annually, while also creating a new tax bracket for earnings above E250,000 annually, taxed at 36 percent.

This income tax change proposal has stirred-up some confusion, with many perceiving that it will have a significantly negative impact on all of those individuals that are earning above E250,000 annually before tax (E20,833 monthly). The aim of the box is to clarify how the new proposed tax structure will impact individual take-home salaries in practice. The following graph illustrates the take-home pay difference for individuals on different incomes, comparing what they receive now under the current tax structure with what they would receive after the income tax changes.



From the graph above, we can determine that it isn't until an individual earns roughly E350,000 per year before tax (E343, 333.34 to be exact), before an individual begins to lose money from the proposed 36 percent income tax change. Even then, an individual currently earning E450,000 per year before tax (or E37, 500 per month) will lose less than 1% of their current take-home salary. On the other hand, lower-income individuals, such as those earning E50,000 per year before tax (or E4,167 per month), will see their take-home salary increase by close to 4%.

There may be some surprise that those with before-tax earnings of between E250,000 and E343,333 per year will actually benefit from this tax change. There are two points that may help to clarify the reasons for this. First, the new tax rate of 36% is only applied to any income earned above E250,000, while income below this amount is taxed at the lower rates. Secondly, the increase in the minimum taxable income from E41,000 to E55,000 benefits anyone earning above E41,000. For anyone earning above E55,000, this is E2,800 less that they need to pay in tax every year. It isn't until the additional 3% tax (36% - 33%) on earnings above E250,000 erodes this E2,800 that the individual begins to receive less take-home salary.

Annex 1 – Key Economic Indicators

	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
Real Sector										
Population	1,031,747	1,043,509	1,055,506	1,067,773	1,080,337	1,093,158	1,106,189	1,119,375	1,132,657	1,093,238
GDP at Market Prices (E' Million)	27,213	30,339	32,497	35,002	39,604	44,034	47,505	51,294	54,730	59,118
GDP per Capita	26,376	29,074	30,788	32,780	36,659	40,282	42,945	45,824	48,321	0.054*
GDP Growth Rate (%)	0.8	1.6	3.8	2.2	4.3	6.4	1.9	0.4	1.4	1.9*
Share of Agriculture & Forestry to GDP (%)	10.0	9.3	10.2	9.7	10.4	10.3	9.5	9.6	9.5	8.9*
Share of Manufacturing to GDP (%)	34.6	34.8	32.5	31.7	31.4	29.8	30.8	31.8	31.4	30.4*
Share of Tertiary Sector to GDP (%)	48.5	48.6	49.6	50.2	47.7	49.0	49.8	49.7	51.0	52.9*
Unemployment Rate (%)	-	-	28.5	-	-	28.1	-	-	23.0	
Human Development Index (HDI)	0.518	-	0.538	0.534	0.539	0.541	0.541	0.584	0.586	0.588
Proportion of Population Below Poverty Line (%)	-	63	-	-	-	-	-	-	-	58.9
Monetary Sector										
Inflation Rate (%)	12.7	7.4	4.5	6.1	8.9	5.6	5.7	5.0	7.8	6.2
Consumer Price Index (Dec-12=100)	75.1	80.7	84.3	89.5	97.5	103.0	108.8	114.2	123.2	130.8
Discount Rate (%)	11.00	6.50	5.50	5.50	5.00	5.00	5.25	5.75	7.0	7.25
Prime Lending Rate (%)	14.50	10.00	9.00	9.00	8.50	8.50	8.75	9.25	10.50	10.75
Average Exchange Rate (E/US Dollar)	8.26	8.44	7.33	7.26	8.24	9.65	10.85	12.75	14.72	13.33
Average Exchange Rate (E/Pound Sterling)	15.14	13.12	11.32	11.63	13.01	15.11	17.85	19.49	20.02	17.04
External Sector										
Merchandise Exports (E' Million)	11,170	13,269	14,378	16,820	14,274	18,292	22,676	22,175	23,062	24,006
Merchandise Imports (E' Million)	10,942	12,127	14,821	19,563	15,524	18,390	19,980	18,864	19,084	21,374
Merchandise Trade Balance (E' Million)	228	1,142	(443)	(2,743)	(1,249)	(98)	2,696	3,311	3,977	2,632
Gross Official Reserves (E' Million)	7,065	6,479	4,497	4,231	5,638	7,979	7,916	8,485	7,720	6,933
Gross Official Reserves (Months of Import Cover)	4.6	4.1	2.8	2.3	2.9	3.9	3.6	4.0	3.6	3.3
Fiscal Sector+										
Total Revenue and Grants (E' Million)	9,611	9,253	6,985	7,489	12,178	12,910	14,744	14,586	13,882	-
Total Expenditure (E' Million)	9,242	10,153	9,988	8,854	10,778	12,582	15,304	16,999	19,917	-
Fiscal Surplus/Deficit (E' Million)	369	(900)	(3,003)	(1,365)	1,390	328	(560)	(2,413)	(6,035)	-
Fiscal Surplus/Deficit as % of GDP	1.4	(3.0)	(9.2)	(3.9)	(3.5)	0.7	1.2	4.6	11.3	-
Total External Debt (E' Million)	3,605	2,812	2,553	2,559	2,843	3,333	3,366	3,891	5,219	-
Total External Debt as % of GDP	13.2	9.3	7.9	7.3	7.2	7.5	6.9	7.4	9.7	-

Note: Data according to CSO report from October 2017. * - estimate. + - data in fiscal year (April 01-March 31) e.g. data under 2007 shows data for FY 2007

Sources

Population: CSO, Population Projections

GDP at Market Prices: CSO, SNA

GDP per Capita: CSO, SNA

GDP Growth Rate: CSO, SNA

Agriculture Sector's Contribution to GDP: CSO, SNA

Manufacturing Sector's Contribution to GDP: CSO, SNA

Public (Govt) Sector's Contribution to GDP: CSO, SNA

Unemployment Rate: CSO, Labour Force Survey

HDI: UNDP

Proportion of Population Below Poverty Line (%): WFP, UNDP

Inflation Rate: Central Statistical Office: CSO

CPI: CSO

Discount Rate: CBS, BOP Section

Prime Lending Rate: CBS, BOP Section

Exchange Rate (E/US Dollar): CBS, BOP Section

Exchange Rate (E/Pound Sterling): CBS, BOP Section

Total FDI Inflows: CBS, BOP Section

Merchandise Exports and Imports: SRA

Trade Balance: Net Exports and Imports: CBS, BOP Section

Gross Official Reserves: CBS, BOP Section

Gross Official Reserves (Months of Import Cover): CBS, BOP Section

Total Revenue and Grants: MoF, MTFF as of November 2016

Total Expenditure and Net Lending: MoF, MTFF as of November 2016

Fiscal Surplus/Deficit: MoF, MTFF as of November 2016

Fiscal Surplus/Deficit as % of GDP: MoF, MTFF as of November 2016

Total External Debt: CBS

Total External Debt as % of GDP: CBS

List of Acronyms

AGOA	African Growth and Opportunity Act
CBS	Central Bank of Swaziland
CMA	Common Monetary Area
CSO	Central Statistics Office
FY	Fiscal Year
IMF	International Monetary Fund
MEPD	Ministry of Economic Planning & Development
SACU	Southern Africa Customs Union
SRA	Swaziland Revenue Authority
SSA	Sub-Saharan Africa
US	United States of America
UK	United Kingdom
WEO	World Economic Outlook