

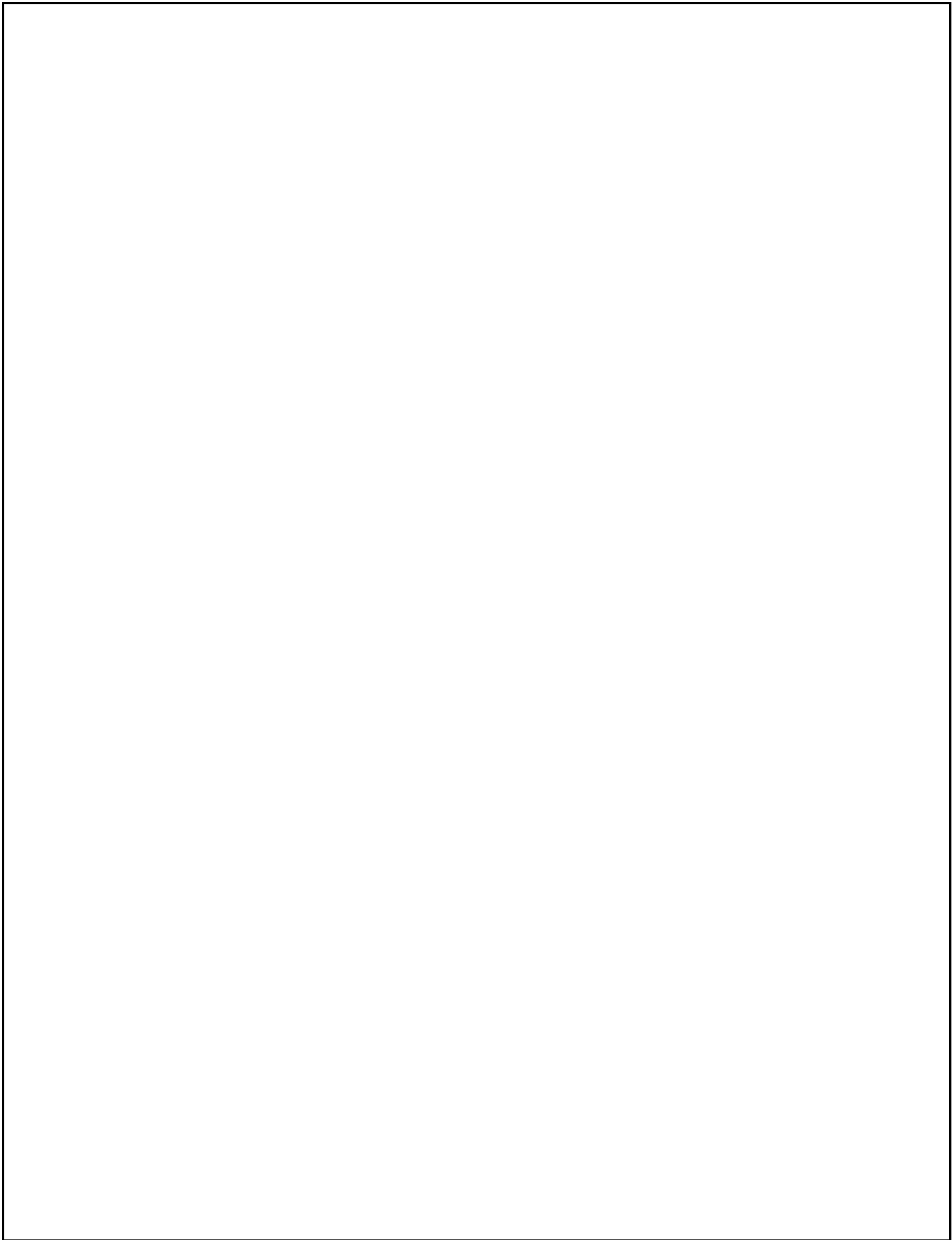


MINISTRY OF ECONOMIC
PLANNING AND DEVELOPMENT

MACROECONOMIC ANALYSIS
AND RESEARCH UNIT

Quarterly Economic Bulletin

2023 Q2
April – June





QUARTERLY ECONOMIC BULLETIN – 2023 QUARTER 2

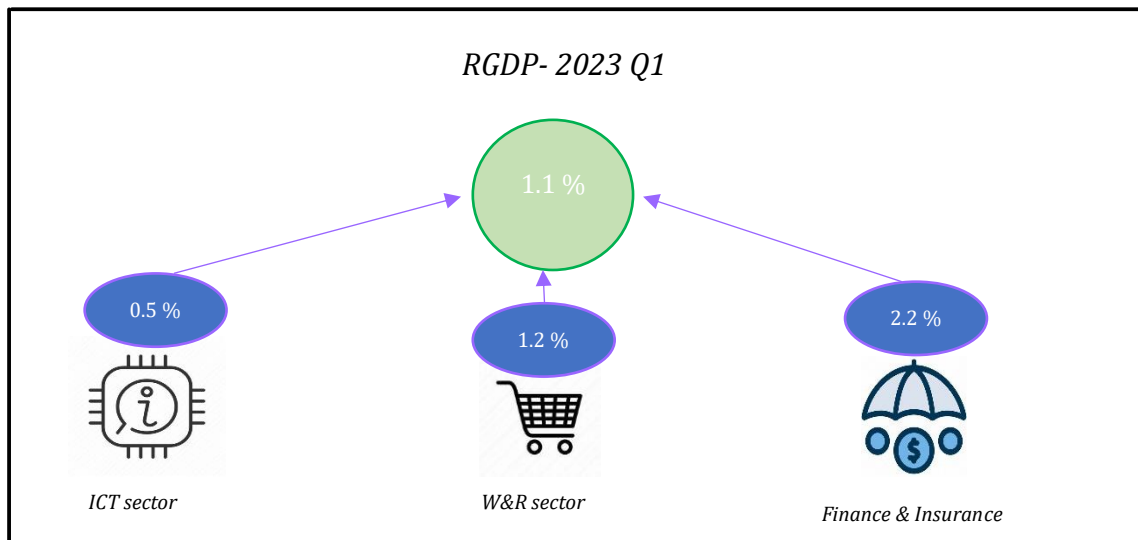
Key Highlights in 2023 Q2

Global and regional highlights

- ✚ A better-than-envisaged first quarter for the global economy. Global output growth is now envisaged to moderate to 3.0 percent in 2023, reflecting a 0.2 percentage point upward revision from the April 2023 update.
- ✚ Similarly, RSA economy, the country's key trading partner, despite continuing structural presented improving developments in Q1 which advocated for a revision of earlier forecasts. RSA is projected to grow by 0.3 percent in 2023.

Domestic highlights

- ✚ Economic activity began on a positive trajectory for the domestic economy, with positive performance observed in services.





- ✚ *Consumer prices remained elevated, as headline inflation averaged 5.7 percent in 2023 Q2, depicting a 0.2 percentage point increase, following hikes in utility costs (electricity and water tariffs) together with the continued elevated food prices.*
- ✚ *MPCC's response was a continued tightening of monetary policy as the discount rate was raised by 100 basis points in 2023 Q2 in attempts to arrest the sticky inflationary pressures.*
- ✚ *Financial buffers were in a relatively weaker position in the period as the stock of gross official reserves were only equivalent to 2.2 months of imports cover, below the required 3 months cover.*
- ✚ *A trade deficit in 2023 Q2 following the fast rising imports against falling exports, due to price and exchange rate developments.*



1. International Developments

1.1. Global economic growth

Global output is projected to grow by 3.0 percent, reflecting a 0.2 percentage point upward revision from the previous forecast of 2.8 percent. (IMF WEO, July 2023). At this level, global output is envisaged to moderate from the 3.5 percent growth observed in 2022. Global projections for 2024 remain unchanged at 3.0 percent.

Anticipated weakening of economic activity in Advanced Economies (AD's) will likely slowdown global economic growth in 2023, as this region remain threatened by uncertainty in the performance of key sectors, such as the manufacturing sector, though the stronger growth of services will uplift the region. Advanced economies, growth is projected to backslide from 2.7 percent in 2022 to 1.5 percent in 2023, which depicts a 0.2 percentage point upward revision from the April 2023 forecast.

The United States economy is projected to slow down from 2.1 percent in 2022 to 1.8 percent in 2023 and 1.0 percent in 2024. The upward revision is on account of a resilient growth in consumption in the first quarter of 2023, which is not anticipated to last as

consumers have depleted the excess savings made during the COVID-19 pandemic and whilst the Federal Reserve (FED) is further expected to hike interest rates. Similarly, growth in the Euro area is anticipated to slow from 3.5 percent in 2022 to 0.9 percent in 2023 before increasing to 1.5 percent in 2024.

On the contrary, growth in Emerging Market and Developing Economies (EMDE's), is anticipated to be broadly stable at 4.0 percent in 2023 and 2024, reflecting 0.1 percentage point and -0.1 percentage point downward revision respectively, on account of China's projected growth which remains unchanged at 5.2 percent in 2023 and 4.5 percent in 2024. China's consumption generally improved while investment has under-performed as a result of the real estate sector, which has been netted off by stronger net exports whose contribution is diminishing as the global economy slows.

Sub-Saharan Africa (SSA) growth is forecasted to moderate to 3.5 percent in 2023 before rebounding to 4.1 percent in 2024. In Nigeria, growth is projected to moderate from 3.3 percent in 2022 to 3.2 percent in 2023 and 3.0 percent in 2024, reflecting uncertainty in the production and



supply of crude oil. Similarly, the South African economy, is also expected to slow from 1.9 percent in 2022 to 0.3 percent in 2023 before growing by 1.7 percent in 2024. The slowdown in economic activity for RSA economy in 2023 is underpinned on the ongoing electricity supply challenges. However, due to the first quarter's resilience in the services sector, the RSA economy was revised upward by 0.2 percentage points in 2023 from the initial projection of 0.1 percent.

Risks to the global outlook remain on the downside. China's recovery could be slowed down partly due to the real estate challenges with negative cross border effects, and is likely to dampen global demand. Furthermore, following the financial turbulences affecting the US and Swiss banking sectors, inflation could remain high and rise even further if other shocks could occur, including those from the intensification of the Russia-Ukraine conflict, which could lead to tight monetary policy. This could then increase debt distress.

Table 1: World Economic Outlook – July 2023

	2021	2022	2023	2024
WORLD OUTPUT	6.3	3.5	3.0	3.0
Advanced Economies	5.4	2.7	1.5	1.4
United States	5.9	2.1	1.8	1.0
Euro area	5.3	3.5	0.9	1.5
Germany	2.6	1.8	-0.3	1.3
Japan	2.2	1.0	1.4	1.0
United Kingdom	7.6	4.1	0.4	1.0
EMDE's	6.8	4.0	4.0	4.1
China	8.4	3.0	5.2	4.5
India	9.1	7.2	6.1	6.3
Sub-Saharan Africa	4.7	3.9	3.5	4.1
Nigeria	3.6	3.3	3.2	3.0
South Africa	4.7	1.9	0.3	1.7

Source: IMF WEO, July 2023

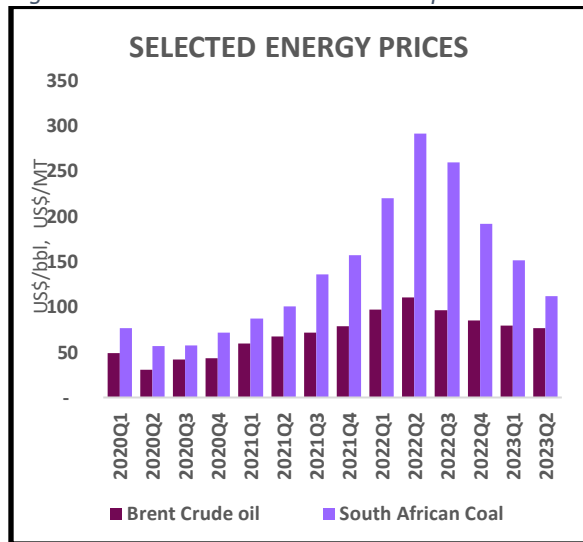
1.2. Global Commodity Prices

In 2023 Q2, global commodity prices continued to reflect a declining trend. Among the fuel and energy commodities, Brent crude oil was trading at USD 76.60 per barrel on average, which reflects a 3.1 percent decline on a quarter-on-quarter comparison. The fall was on account of increased oil flows from the United States and Russia, amidst the production cuts by Organization of the Petroleum Exporting Countries (OPEC), which was introduced in April 2023 in an effort to support prices as



well as the slower than expected recovery in China’s manufacturing sector post COVID-19, owing to weaker domestic demand. The price of coal averaged USD 111.80 per metric ton (MT) reflecting a contraction of 26.1 percent on a quarterly assessment in the review period on the back of ample supply and lower natural gas prices emanating from a milder winter than expected in Europe, which left many companies with large inventories of coal and natural gas.

Figure 1: Global crude oil and RSA coal prices

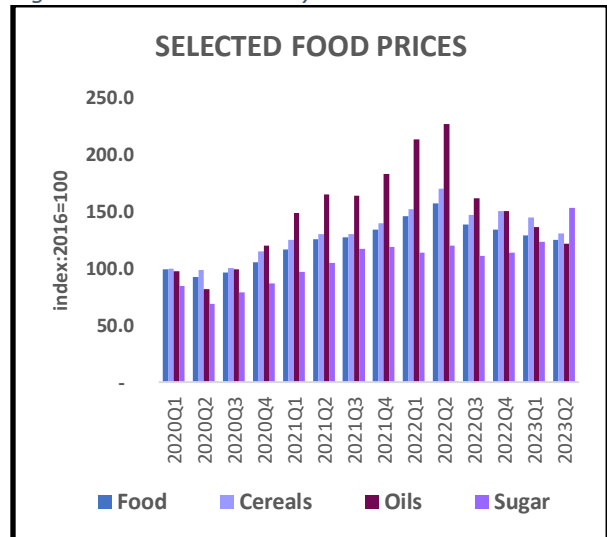


Source: World Bank Pink Sheets

Similarly, food prices continued to decline, with the prices of cereals and vegetable oils falling by 9.4 percent and 10.7 percent respectively, on a quarterly basis. The fall in the price of cereals was mainly underpinned by improved output prospects in key producing areas of the United States as well

as ongoing harvests in Argentina and Brazil. Edible oil prices also contracted due to lower world prices of palm and sunflower oils offsetting the increase in the prices of soy and rapeseed oils. On the contrary, sugar prices hiked by 24.3 percent on a quarter-on-quarter comparison, on account of a smaller than expected beet harvest across the European Union coupled with falling production in India, Thailand and China.

Figure 2: Global Commodity Indices



Source: FAO Food Price Index



2.RSA Developments

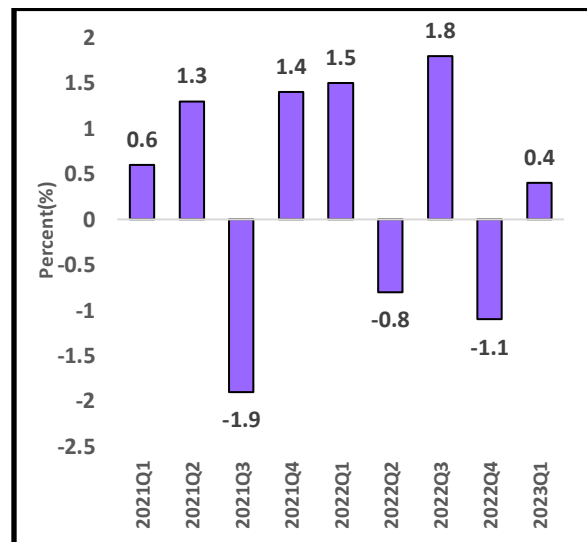
2.1. GDP Growth

South Africa's economy grew by 0.4 percent in 2023 Q1, following a 1.1 percent contraction in 2022 Q4. The rebound was fueled by a positive performance in the 'manufacturing', 'transportation', 'personal services', and 'finance' subsectors, which had marginal growth of 1.5 percent, 1.1 percent, 0.8 percent, and 0.6 percent, respectively. The manufacturing subsector grew partly due to higher output from 'food and beverages' as well as 'petroleum, chemical, plastic, and rubber' items, which increased by 4.6 percent and 2.8 percent, respectively in the period. Similarly, the transport subsector rose due to increasing activity under land and air transport as well as communication and transport support services. Moreover, higher activity in 'financial intermediation', 'insurance and pension funding', and 'real estate and business services' aided the finance subsector, whereas stronger activity in 'community services' supported personal services.

The agriculture subsector, on the other hand, continued to struggle contracting by

12.3 percent during the review period due to falling crops and animal output. Excessive rains during planting affected field crops, while animal production was hampered by the foot-and-mouth disease (FMD) outbreak and load-shedding.

Figure 3: RSA Quarterly GDP Growth



Source: Stat SA

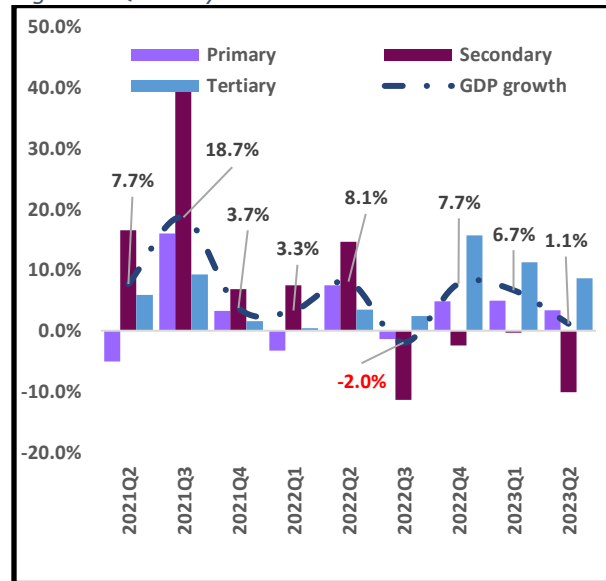


3. Domestic Developments

3.1. GDP Growth

Eswatini's real GDP growth slowed in 2023 Q1, growing by 1.1 percent year-on-year following a robust growth of 6.7 percent in 2022 Q4. Growth in the quarter was backed by a strong performance in the services sector, which increased by 8.6 percent during the period and contributed 4.2 percent to overall growth. The service sector's growth was primarily supported by financial and insurance operations, ICT, and the wholesale and retail subsectors. Financial and insurance activity increased by 28.5 percent, contributing 2.2 percent to overall growth, while ICT increased by 24.2 percent, contributing 1.2 percent. Furthermore, despite the ongoing inflationary pressures in the period, the 'W&R' subsector saw significant development, expanding by 4.1 percent to contribute 0.5 percent to overall growth. Conversely, 'manufacturing' activity remained subdued in the period falling by 10.1 percent to contribute -3.1 percent to overall growth. The contraction was at the back of constrained demand mainly for 'textile' and 'beverages' manufacturing.

Figure 4: Quarterly GDP Growth



Source: CSO

3.2. Prices

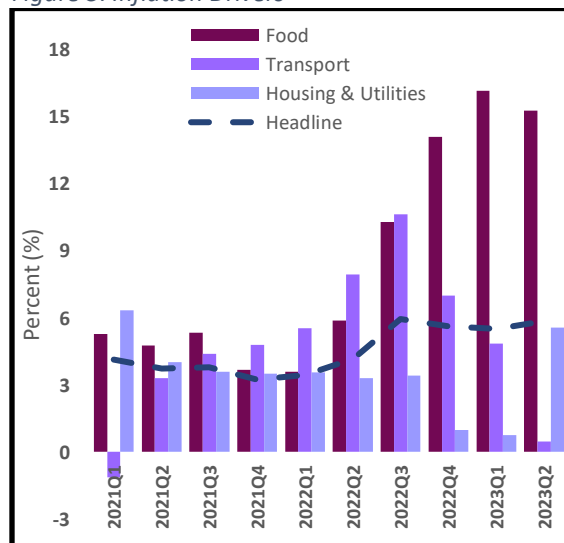
3.2.1. Headline inflation

Headline inflation averaged 5.7 percent in 2023 Q2, which was a 0.2 percentage point uptick from the 5.5 percent recorded in previous quarter. The increase in headline inflation was mainly driven by the 'housing and utilities' category which grew from 0.8 percent to 5.6 percent in the quarter under review, owing to hikes in actual rentals for housing as well as electricity and water tariffs which were up by 10.14 percent and 6.6 percent, respectively. 'Clothing and footwear' as well as 'alcohol beverages and cigarettes' also increased by 0.6 percentage points in the period, weighing 6.2 percent and 2.1 percent, respectively. However,



transport inflation saw a sharp decline of 4.4 percentage points, to average 0.5 percent compared to 4.8 percent in the preceding quarter. The fall in the 'transport' category was at the back of the decline in diesel prices which fell cumulatively by E1.20 while petrol prices fell by E0.50 in 2023 Q2. Moreover, 'food and non-alcoholic beverages' prices slightly moderated by 0.9 percentage points from 16.2 percent in the previous period.

Figure 5: Inflation Drivers



Source: Central Statistics Office

3.2.2. Inflation drivers' analysis

The prices of 'housing and utilities' hiked in the review period, due to an increase in actual rentals for housing which increased by 7.0 percentage points to average at 3.7 percent. Inflation on electricity grew by 1.1 percentage points driven by a 10.14 percent electricity tariff increase effected by EEC in

April 2023. Similarly, inflation on water grew by 1.5 percentage points driven by a 6.6 percent water tariff increase effected by EWSC in April 2023.

Whilst a slight moderation was observed in food prices in the period under review, these remained relatively high when compared to the same period in 2022 owing to the lingering effects of the Russia-Ukraine conflict induced disruptions.

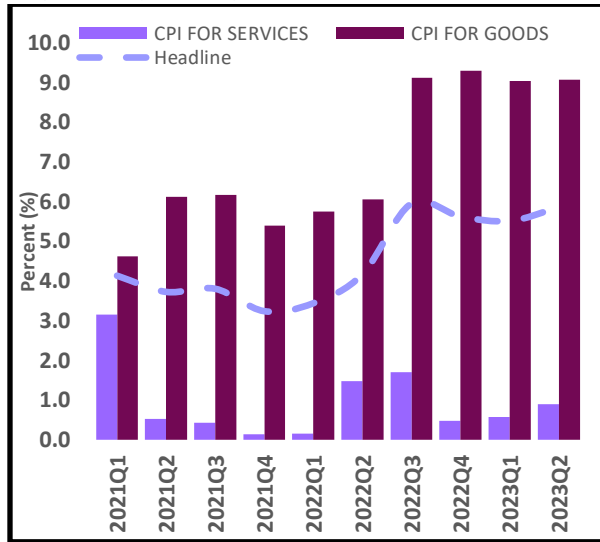
In the period, commodities such as dairy products, vegetables and edible oils, reflected price moderation. Transports costs also fell in the period following decreases in of global oil prices. Prices for fuels and lubricants declined by 8.3 percentage points from 13.8 percent in the previous quarter to 5.5 percent.

3.2.3. Inflation for goods & services

On quarterly comparison, consumer goods marginally increased, averaging 9.1 percent owing to a rise in prices of durable and semi-durable goods. However, prices of non-durable goods moderated by 0.5 percentage points. Furthermore, prices for services increased by 0.3 percentage points.



Figure 6: Inflation by Goods and Services

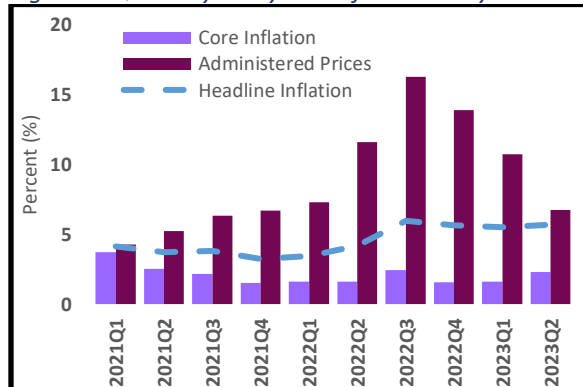


Source: Central Statistics Office

3.2.4. Core inflation & Administered prices

Core inflation¹ in this quarter increased by 0.7 percentage points from 1.6 percent in the previous quarter, owing to a rise in other non-volatile categories. On the contrary, administered prices continued to decrease even in this period by 4.0 percentage points, averaging 6.7 percent.

Figure 7: Quarterly Analytical Inflation Analysis



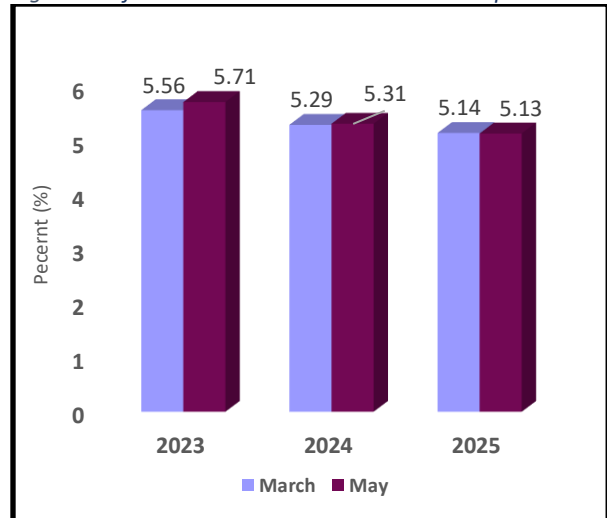
¹ Core inflation is the measure of inflation that excludes volatile items such as food, auto fuel, and energy.

Source: Central Statistics Office

3.2.5. Inflation forecast

In 2023, inflationary pressures are anticipated to remain elevated, with an upward revision 0.15 percentage points upward revision on the CBE March forecast of 5.56 percent. Headline inflation is anticipated to remain sticky averaging 5.71 percent in 2023. This forecast is underpinned on the intensifying load shedding crises in South Africa which affects operational costs for businesses, hence food prices remain high. However, in the medium term, inflation is projected to slightly decrease with 2024 averaging 5.31 percent and 5.13 percent in 2025.

Figure 8: Inflation Forecasts - November 2022 update



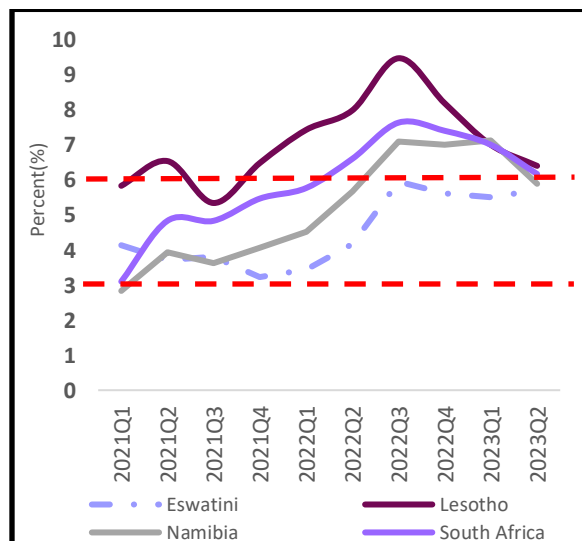
Source: Central Bank of Eswatini



3.2.6. Price developments in the CMA

Despite the marginal rise in inflation in Eswatini during the quarter under review, the inflationary headwinds eased in the other Common Monetary Area (CMA) countries. On a quarterly comparison, in South Africa and Lesotho, inflation averaged above the 3-6 percent target band, at 6.2 percent and 6.4 percent in 2023 Q2 respectively, which reflects a 0.8 and 0.6 percentage points decrease relative to 2023 Q1. In contrast, Namibia's inflation moderated by 1.2 percentage points in this period. These developments were mainly supported by a fall in the prices of transport and food which reflects the moderation of global commodities.

Figure 9: Common Monetary Area Inflation Trends



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

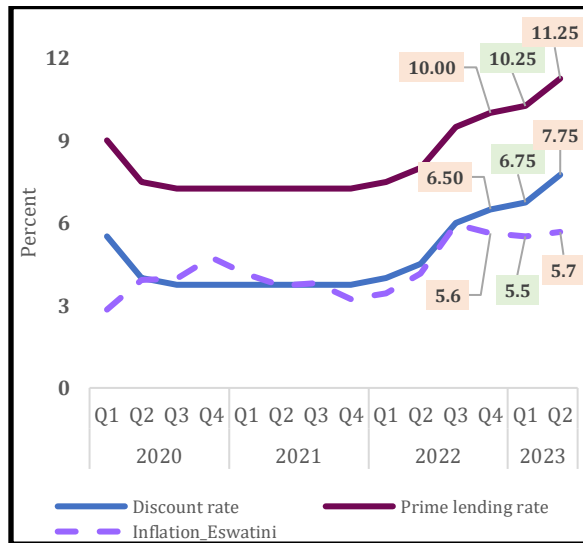
3.2.7. Domestic Interest Rates

The Monetary Policy Consultative Committee (MPCC) hiked interest rates by another 100 basis points cumulatively in 2023 Q2, taking the discount and prime rates to 7.75 and 11.25 percent, respectively. The stance was motivated mainly by the elevated inflationary environment in Eswatini as well as the volatile global risk sentiment amid weakening world growth.

Policy rates outlook, from an events perspective is anticipated to remain restrictive. The risk of drier weather conditions in the upcoming planting season as well as rising production costs remain serious concerns for domestic inflation. These developments may propel the MPCC to tighten the policy stance in a bid to contain inflation induced by these events, as explained by the *Taylor rule* economic concept.

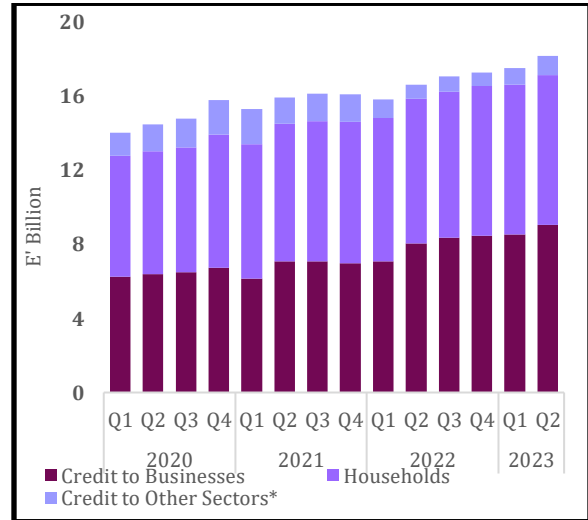


Figure 10: Interest Rates Developments



Source: Central Bank of Eswatini; Central Statistics Office

Figure 11: Private Sector Credit Extension



Source: Central Bank of Eswatini

3.3. Total Credit Extension

Total private sector credit increased by 3.6 percent in 2023 Q2, amounting to E18.151 billion following the sluggish 1.6 percent growth in the preceding quarter. The q-o-q growth in private sector credit was attributable to credit demand by 'other sectors' (other financial corporations, parastatals and local government) increasing by 12.1 percent; credit extended to 'businesses' which grew by 5.8 percent; as well as the marginal growth of 0.2 percent credit extended to 'households', in the period.

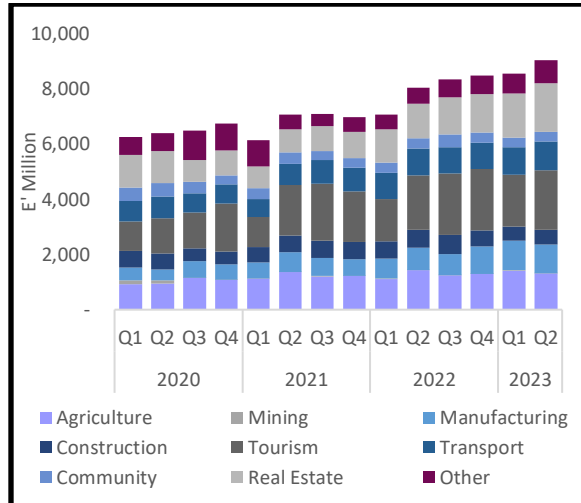
3.3.1. Credit to businesses

Credit to 'businesses' grew by 5.8 percent, from E8.540 billion in 2023 Q1 to a total of E9.040 billion in 2023 Q2. The growth in this category was in line with improved activity observed in 2023 Q2 as demand for money increased in key industries including 'mining' (3.2 percent), 'construction' (6.1 percent), 'distribution and tourism' (14.9 percent), 'transport' (3.8 percent), 'community, personal and social services' (1.3 percent), 'real estate' (9.2 percent) as well as 'other' (20.2 percent). On the contrary, the increase was dampened by a fall in credit to industries including 'agriculture' (-7.2 percent), and 'manufacturing' (-4.1 percent). Credit to 'businesses' has benefited from the recovery of the economy from recent headwinds as



well as gains from investments thus supporting ongoing expansionary initiatives.

Figure 12: Credit to Businesses - by Business Type

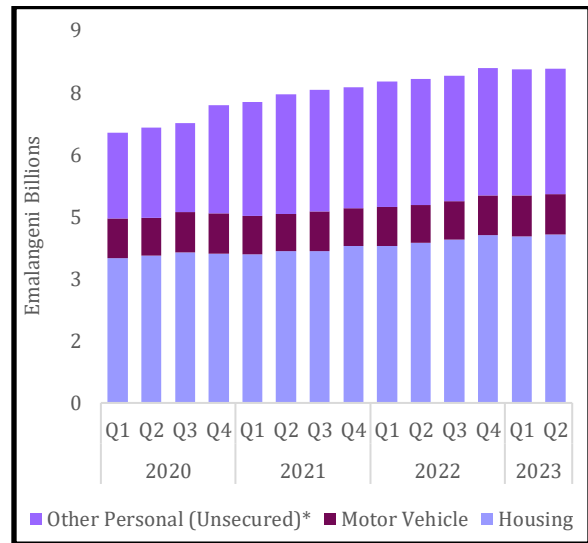


Source: Central Bank of Eswatini

3.3.2. Household credit

Credit to ‘households’ grew marginally by 0.2 percent, to total E8.078 billion in 2023 Q2 from E8.061 billion in the previous quarter. The marginal growth emanated from a 1.0 percent growth in ‘housing loans’ whilst a slower down in the growth of ‘motor vehicle loans and other personal (unsecured) loans’, both falling by 0.5 percent, moderated the growth.

Figure 13: Household Credit Extension by Purpose



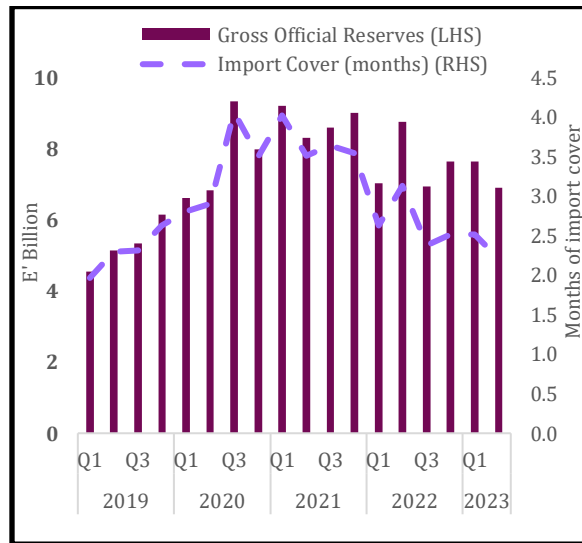
Source: Central Bank of Eswatini

3.4. Gross Official Reserves

The stock of gross official reserves (GOR) was recorded at E6.898 billion in 2023 Q2, sufficient to cover 2.2 months of imports during the period, compared to the E7.642 billion recorded in 2023 Q1, reflecting a 9.7 percent decline. This decline was mainly attributed to a continued net outflow of foreign currency from trades with local banks coupled with payment of government’s fiscal obligations over the quarter.



Figure 14: Gross Official Reserves and Import Cover



Source: Central Bank of Eswatini

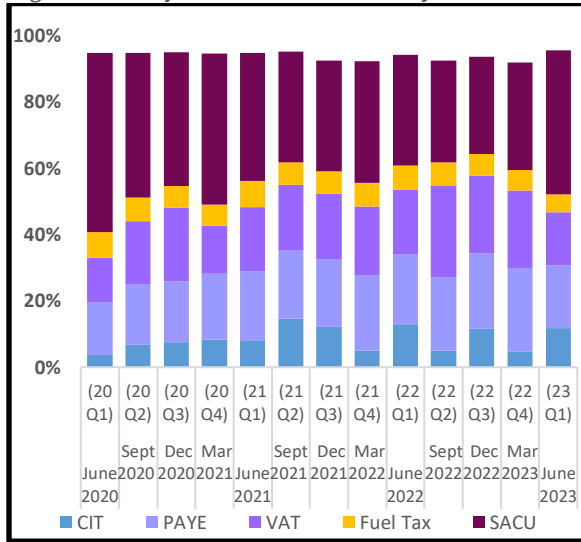
3.5. Fiscal Developments

3.5.1. Government Revenue

Government total revenue reflected an increase of 35.1 percent on a year-on-year comparison. This growth was due to increases in major revenue categories such as SACU receipts, corporate income tax (CIT), Pay as You Earn (PAYE) and Value Added Tax (VAT). In line with the improved SACU share, this revenue source reflected a 76.2 percent increase compared to the same period in 2022. Moreover, CIT depicted a stellar growth of 23.7 percent at the back of an increase in provisional payments from 'financial', 'wholesale and retail' as well as the 'manufacturing' sector. Similarly, PAYE also increased by 19.9 percent driven by payments received from the 'public administration', 'manufacturing', and 'retail' sectors. Additionally, VAT also reflected an increase of 12.0 percent benefitting from an expansion in the product base for taxable goods particularly dairy products and electricity as well as efficiencies in the collection of VAT.



Figure 15: Major revenue Lines as % of total revenue

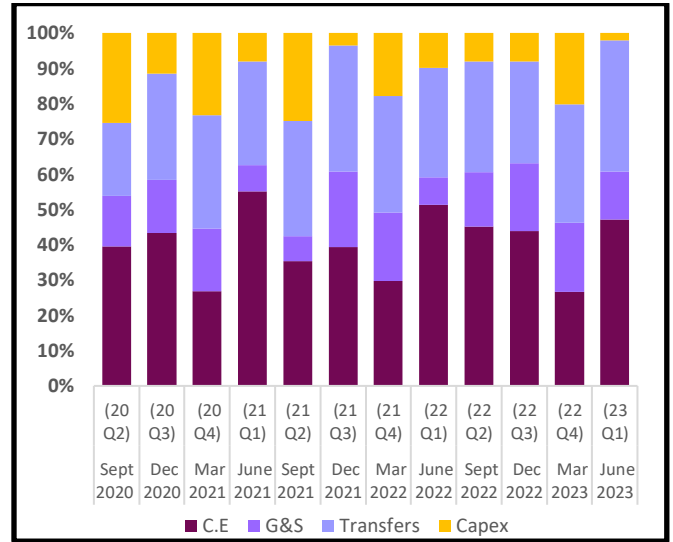


Source: Ministry of Finance

3.5.2. Government Expenditure

Total government expenditure contracted by 4.0 percent, y-o-y, in the period under review. The decline was underpinned on compensation of employees which fell by 11.7 percent driven by the low replacement rate for vacant positions. Additionally, capital expenditure also fell by 80.0 percent at the back of the low implementation rate observed in the period. On the contrary, goods and services as well as transfers increased by 65.9 percent and 15.1 percent respectively. Goods and services were driven by professional services, rentals as well as consumables. Moreover, the growth in transfers was driven by internal subventions.

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



Source: Ministry of Finance



Box 1: El Nino: Should the economy of Eswatini anticipate a double-digit inflation?

Drought is a climate change related macroeconomic risk for agriculturally based economies such as Eswatini. Eswatini is an agrarian economy with agriculture contributing around 10 percent to GDP, however, this share has been declining in recent years. Moreover, through forward and backward linkages, agriculture is linked to some sectors such as manufacturing specifically agro-processing, financial sector, transport and wholesale and retail. Eswatini is a net importer mainly of food, meaning that it has not yet reached self-sufficiency levels on most agricultural and food commodities. Therefore, the country imports some agricultural commodities to cover the domestic requirements, thus exposing the country to imported inflationary pressures. In a case whereby the supply is constrained due to supply shocks (drought), price is used to control the demand, in such cases this would be observed through food inflation.

Recently, the National Disaster Management Agency (NDMA) in collaboration with Eswatini Meteorological Services (EMS) sensitized the public at large of a 90.0 percent probability of El Nino phenomenon that may occur in the upcoming farming season (2023/2024). The El Nino phenomenon by geographical terms is simply elucidated as a naturally occurring phenomenon of periodic warming of the sea surface temperatures in the central and eastern regions of the Pacific Ocean.

The Eswatini economy has had long standing history with the effects of reoccurring drought episodes. The 2014-2016 drought, which is one of the most severe in recent memories, had detrimental effects on some sectors such as agricultural, water and electricity generation. The extreme weather condition affected food security as harvest for crops such as maize decreased drastically by (-59%), as well as livestock production was hit hard falling by (-11%), and to date the sector has not yet reached its pre-drought levels in terms of stock population. Moreover, in the northern part of the country there were potable water crises. This was brought up by the drying up of Hawane dam which is the main source of water for the capital city, Mbabane.

According to table 1 below, the 2014-2016 El Nino actually began in the fourth quarter of 2014. This condition was sustained up to the second quarter of 2016. However, impacts were observed in the first quarter of 2016 where food prices were seen to be skyrocketing averaging 10.2 percent compared to 4.3 percent of the previous quarter. The situation further worsened for the whole year of 2016, reaching maximum levels of 18.4 percent for food inflation. In the same vein, headline inflation followed suit averaging at 6.9 percent in first quarter of 2016 from 4.7 percent in 2015 Q4. On an annual perspective headline inflation worsened to 8.5 percent 2016 and thereafter moderated the following year (2017), though inflationary pressures were still heightened. Due to scarcity of water in 2015, the Eswatini Water Services Corporation started the process of water rationing in Mbabane, and water tariffs kept fluctuating reaching it highest peak of 10.8 percent in 2016Q3.

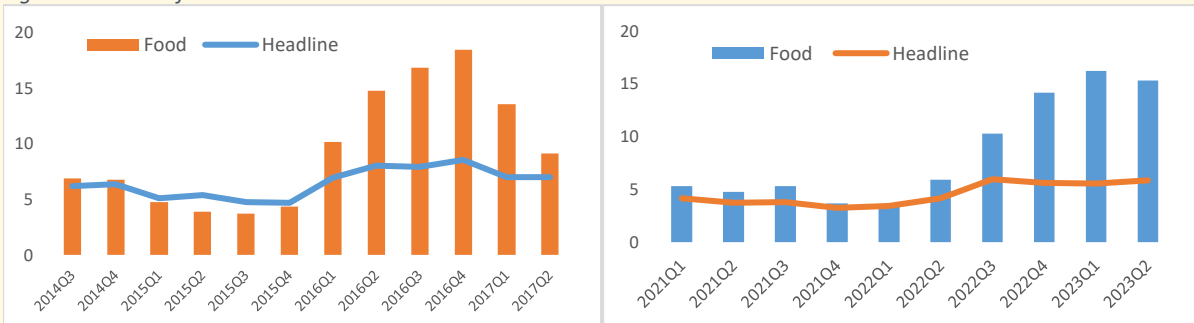
Table 2: ENSO Trends

Year	DJF	JFM	FMA	MAM	AMJ	MJJ	JJA	JAS	ASO	SON	OND	NDJ
2011	-1.4	-1.2	-0.9	-0.7	-0.6	-0.4	-0.5	-0.6	-0.8	-1.0	-1.1	-1.0
2012	-0.9	-0.7	-0.6	-0.5	-0.3	0.0	0.2	0.4	0.4	0.3	0.1	-0.2
2013	-0.4	-0.4	-0.3	-0.3	-0.4	-0.4	-0.4	-0.3	-0.3	-0.2	-0.2	-0.3
2014	-0.4	-0.5	-0.3	0.0	0.2	0.2	0.0	0.1	0.2	0.5	0.6	0.7
2015	0.5	0.5	0.5	0.7	0.9	1.2	1.5	1.9	2.2	2.4	2.6	2.6
2016	2.5	2.1	1.6	0.9	0.4	-0.1	-0.4	-0.5	-0.6	-0.7	-0.7	-0.6
2017	-0.3	-0.2	0.1	0.2	0.3	0.3	0.1	-0.1	-0.4	-0.7	-0.8	-1.0
2018	-0.9	-0.9	-0.7	-0.5	-0.2	0.0	0.1	0.2	0.5	0.8	0.9	0.8
2019	0.7	0.7	0.7	0.7	0.5	0.5	0.3	0.1	0.2	0.3	0.5	0.5
2020	0.5	0.5	0.4	0.2	-0.1	-0.3	-0.4	-0.6	-0.9	-1.2	-1.3	-1.2
2021	-1.0	-0.9	-0.8	-0.7	-0.5	-0.4	-0.4	-0.5	-0.7	-0.8	-1.0	-1.0
2022	-1.0	-0.9	-1.0	-1.1	-1.0	-0.9	-0.8	-0.9	-1.0	-1.0	-0.9	-0.8
2023	-0.7	-0.4	-0.1	0.1								

Source: Eswatini Meteorological Services

The Eswatini economy is currently faced with high inflationary pressures owing to the Russia-Ukraine conflicts and the electricity crises in the Republic of South Africa. Evidently food prices remain at high levels, recorded at around 15.3 percent in the second quarter of 2023 (though showing signs of slowing down). Projections for headline inflation are anticipated to average around 5 percent in the medium term (2024 - 2025). Though these forecasts only assume El Nino as a risk to the inflation outlook and have not incorporated the potential impact of the El Nino. Therefore, if history can repeat itself, having the same intensity and lasting almost the same period as the recent one, then we can expect inflation to reach double digit.

Figure 17: Food Inflation Trends



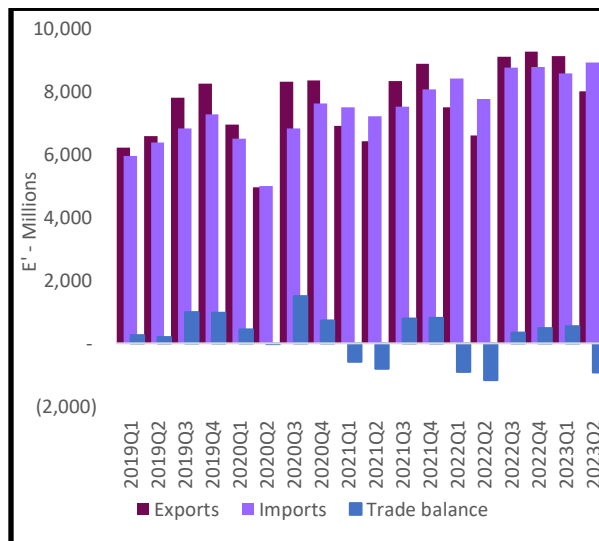


3.6. External Developments

3.6.1. Trade Developments

Eswatini recorded a trade deficit as imports worth E8.925 billion exceeded exports of E7.999 billion in the 2023 Q2. Trade dynamics were impacted by the period's mixed economic trends, which led to the deficit.

Figure 18: Overall Trade Developments

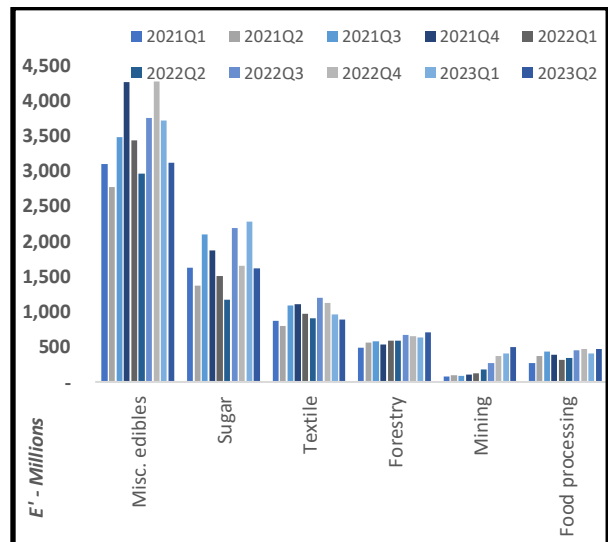


Source: Eswatini Revenue Service

Goods exports plunged by 12.3 percent, in the second quarter of 2023, following mixed developments in major export commodities. Commodities such as 'Beverage manufacturing' (-0.9%), 'miscellaneous edibles' (-16.3%), 'manufacturing' (-7.8%), 'printing and stationery' (-52.0%), 'sugar' (-29.1%), as well as 'textile' (-8.1%) exports

were amongst the negatively performing export products. However, 'agriculture' (46.2%), 'appliances' (10.8%), 'food processing' (15.4%), 'forestry and related products' (10.9%), as well as 'mining' (22.5%) recorded increases in the period, counteracting a steeper decline in exports.

Figure 19: Top 6 Eswatini Exports



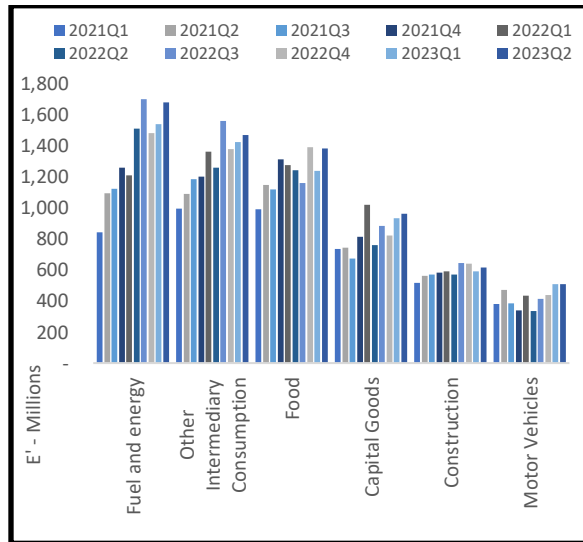
Source: Eswatini Revenue Service

Imports, on the other hand, grew by 4.1 percent in 2023 Q2. Notable growth in imports emanated from commodities such as 'capital goods' (3.2%), 'construction' (3.7%), 'food' (11.4%), 'fuel and energy' (9.2%), 'other final consumption' (3.8%), 'other intermediary consumption' (3.2%), as well as 'pharmaceutical' (49.1%). On the contrary, 'agriculture' (-6.3%), 'alcohol and tobacco' (-3.0%), 'clothing' (-0.6%), 'furniture' (-22.3%), 'motor vehicles' (-0.2%),



as well as 'textile input' (-8.3%) commodities all fell, offsetting the growth in the period.

Figure 20: Top 6 Eswatini Imports



Source: Eswatini Revenue Service

In the review period, major exports were destined to the SACU region, accounting for 73.5 percent of total exports, followed by Sub-Saharan Africa (21.3%), the European Union (3.8%) as well as Asia (0.9%). Eswatini imports mainly originated from the SACU region, accounting for 82.2 percent of total imports in the quarter, followed by Asia (8.2%), SSA (4.1%) as well as EU (3.1%).

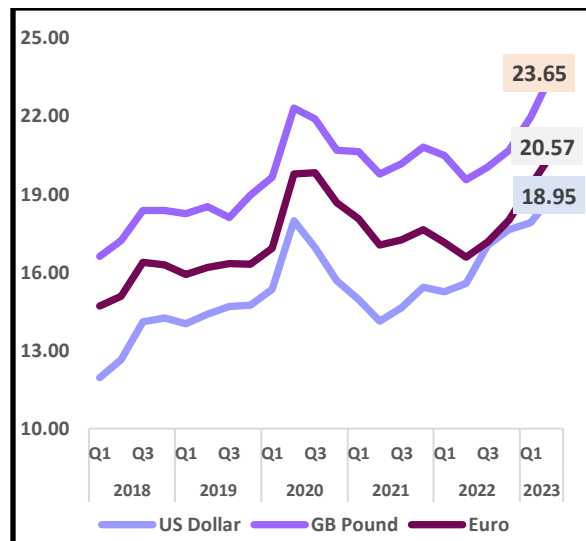
3.6.2. Exchange Rate Developments

On a quarterly comparison, the Lilangeni depreciated when paired against the three major trading currencies in 2023 Q2, relative to the preceding quarter. The local currency depreciated by 5.9 percent against the US Dollar and averaged E18.95. Against the

British Pound, the Lilangeni depreciated by 7.8 percent, averaging E23.65, while against the Euro, the local currency devalued by 6.5 percent and averaged E20.57.

Through the Lilangeni's link with the RSA Rand, the Lilangeni weakened further in the second quarter, severely impacted by the developments with the US-RSA on Russia in the quarter, over the allegations of arms supply to Russia and fears of sanctions. Though risks persist for the Lilangeni, concerns about the disruptive impact of RSA load-shedding, the potential consequences of BRICS as well as the political developments ahead of the 2024 elections will continue to influence investor sentiment in the RSA context.

Figure 21: Exchange Rates Developments



Source: Central Bank of Eswatini



	2015	2016	2017	2018	2019	2020	2021	2022
Real sector								
Population	1,119,375	1,132,657	1,093,238	1,120,092	1,133,522	1,146,903	1,160,362	1,174,014
GDP at market prices (E' Million)*	51,781	56,132	58,689	61,768	64,965	65,588	70,123	74,350
GDP per capita	46,820	50,146	53,043	55,162	57,312	57,187	60,432	63,329
GDP growth rate (%)	2.2	1.1	2.0	2.4	2.7	-1.6	7.9	0.4
Share of Agriculture & Forestry to GDP (%)	9.4	9.0	8.4	8.5	8.5	8.1	8.1	
Share of manufacturing to GDP (%)	31.7	31.2	29.8	29.0	29.6	26.5	26.7	
Share of tertiary sector to GDP (%)	50.1	51.4	53.1	53.3	51.8	53.8	54.0	
Unemployment rate (%)	-	23	-	-	-	-	33.3	-
Human Development Index (HDI)	0.581	0.588	0.597	0.605	0.611	-	0.597	-
Proportion of population below poverty line (%)	-	58.9	-	-	-	-	-	-
Monetary Sector								
Inflation rate (%)	5.0	7.8	6.2	4.8	2.6	3.9	3.7	4.8
CPI (Dec-12 =100)	78.3	84.4	89.6	94.0	96.4	100.1	103.9	108.9
Discount rate (%)	5.75	7.0	7.25	6.75	6.5	3.75	3.75	6.50
Prime lending rate (%)	9.25	10.50	10.75	10.25	10	7.25	7.25	10.0
Average exchange rate (E/US Dollar)	12.75	14.72	13.33	13.24	14.48	16.45	14.79	16.37
Average exchange rate (E/Pound Sterling)	19.49	20.02	17.04	17.64	18.45	21.00	20.33	20.18
External sector								
Merchandise Exports (E' Million)	22,175	23,062	24,006	24,345	28,856	28,577	30,531	32,327
Merchandise Imports (E' Million)	18,864	19,084	21,374	23,956	26,425	25,939	30,322	33,423
Merchandise Trade Balance (E' Million)	3,311	3,977	2,632	387	2,431	2,638	209	1,096
Gross Official Reserves (E' Million)	8,485	7,720	6,933	6,321	6,171	8,002	9,015	7,632
Gross Official Reserves (Months of Import Cover)	4.0	3.6	3.3	2.9	2.6	3.5	3.5	2.6
Fiscal sector* (Fiscal Years)								
Total Revenue and Grants (E' Million)	14,595	14,334	16,785	15,684	17,893	19,289	17,986	18,965
Total Expenditure (E' Million)	17,749	19,189	20,343	19,997	22,148	22,319	21,279	23,154
Fiscal Surplus/Deficit (E' Million)	(3,154)	(4855)	(3,558)	(4,313)	(4,255)	(3,030)	(3,293)	(4,189)
Fiscal Surplus/Deficit as % of GDP	-5.9	-8.6	-6.0	-6.9	-6.5	-4.6	-4.6	-5.5
Total External Debt (E' Million)	4921.9	5216.1	5,336.3	6,379.8	8,645.3	10,207.3	10,767.9	15,757.8
Total External Debt as % of GDP	9.3	9.2	9.0	10.2	13.3	15.3	15.0	20.9



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