MINISTRY OF ECONOMIC PLANNING AND DEVELOPMENT

CENTRAL BANK OF ESWATINI
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2021 | COMPANY SURVEY REPORT

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LIST OF ACRONYMS

AGOA	African Growth and Opportunity Act
BoP	Balance of Payments
CBE	Central Bank of Eswatini
EU	European Union
EFTA	European Free Trade Area
FDI	Foreign Direct Investment
GDP	Gross Domestic Product
GMO	Genetically Modified Organisms
GWh	Giga Watts Per Hour
ICC-FISH	International Convention Centre & Five Star Hotel
IIP	International Investment Position
IMF	International Monetary Fund
LUSIP	Lower Usuthu Smallholder Irrigation Project
MEPD	Ministry of Economic Planning and Development
MoA	Ministry of Agriculture
MT	Metric Ton
MW	Megawatt
MWh	Megawatts Per Hour
PPP	Public Private Partnership
SACU	Southern African Customs Union
ESCCOM	Eswatini Communications Commission
EPTC	Eswatini Post and Telecommunications
USA	United States of America
IPP	Independent Power Producers
ERS	Eswatini Revenue Services
FSRA	Financial Service Regulatory Authority
COVID-19	Coronavirus disease 2019
WHO	World Health Organization
Ha	Hectare
ROM	Run of Mine
IFRS 9	International Financial Reporting Standards 9
EVERS	Early Voluntary Exit and Retirement Scheme
JSE	Johannesburg Stock Exchange

1.0 INTRODUCTION

Policymakers need updated and timely information on the state of the economy, and the complex nature of both fiscal and monetary policies often involves the tracking and projecting of numerous economic variables that inform economic growth. Forecasting a country's growth trajectory is a demanding task, not only requiring an analysis of economic activity in the national economy, but also the examination of economic dynamics at sectoral level. Unless policy makers sufficiently appreciate what drives economic activity, it would be difficult to develop meaningful and relevant policy strategies that promote economic growth required to achieve enhanced economic development.

This can be achieved through several means, such as macro modelling, which is data-intensive. Another way of forecasting economic activity is supply side forecasting using production data. In order to do this, several countries undertake company surveys. Company surveys remain an important tool to obtain information on several aspects of production from enterprises in the economy, and to also gain insights into other aspects such as employment trends. Moreover, the tool can be used to obtain information on certain challenges that hinder the performance of the private sector and assist in understanding available opportunities that can further inform economic growth forecasts. The 2021 survey was also of critical interest in order to unpack and understand the impact of the COVID-19 pandemic in the economy.

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

2.0 BACKGROUND & PURPOSE

While this document encompasses a variety of issues and geared towards informing the key stakeholders about the recent economic developments and outlook, the ultimate goal is to contribute to fulfilling the mandate of policy planning and development. Company Surveys are carried out annually between late January and April by a survey team that comprises; the Macro-Forecasting team and Central Bank Research team. Despite the challenges presented by the COVID-19 pandemic, the team was able to adapt to the new normal and navigate through with speed to deliver this key policy tool. As with all documents produced under this banner, the primary purpose remains outlined as enlisted below:

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

3.0 METHODOLOGY

3.1 Data Overview

The Eswatini company survey exercise collects both qualitative and quantitative information for monitoring and understanding past and current trends as well as the short-term outlook for companies and organizations. Since the data is collected from individual businesses, it is considered primary in nature and covers variables such as, products and services supplied, volumes and values of products, companies' income, recurrent expenditures, staff costs, profits, employment numbers, trade, challenges, opportunities, investments and major trading partners for that company.

3.2 Sampling and Population

The population for the Eswatini company survey exercise consists of 266 companies from an in-house database and covers institutions that supply frequent data to both the Ministry of Economic Planning and Development and the Central Bank of Eswatini. Selection of companies to be included in the database follow a certain criterion. This criterion includes production that is representative of the sector, having significant influence in the sector and being available and willing to participate in the survey. The in-house database is updated every year before the start of the exercise to incorporate new entrants. Sampling of companies to be surveyed uses a simple random sampling procedure from the in-house

[1] Companies are classified into the different sectors according to the System of National Accounts (SNA) currently being used by the Central Statistical Office so that GDP projections (produced at a later stage) are comparable with the historical data. Companies are also classified using the ISIC 4 classification according to the main activity.

database. The simple random sampling is assisted by the unique company identity (CSID) which is assigned to each company included in the in-house database.

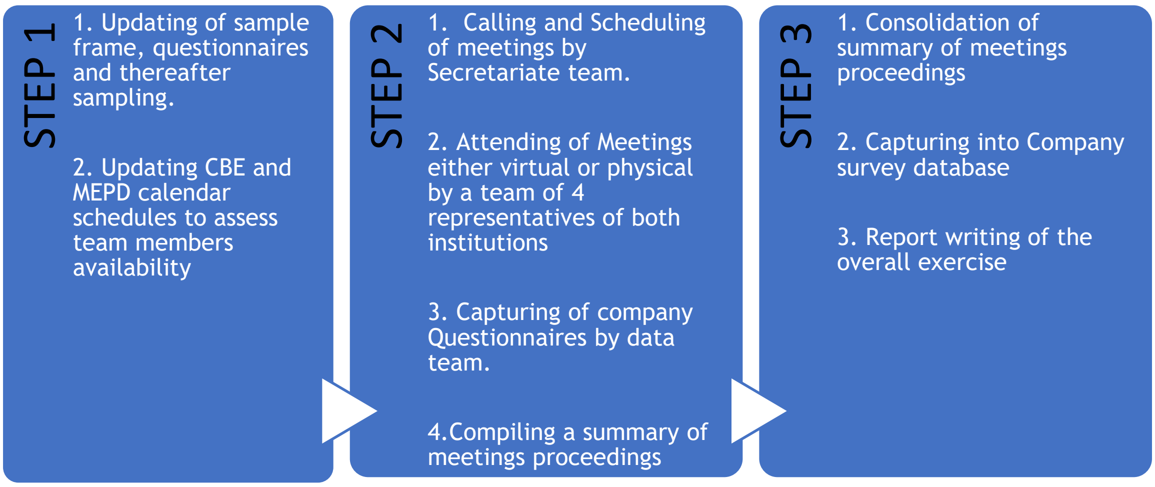
3.3 Survey Instruments

The survey instrument used is a sector-specific questionnaire. The questionnaire has two types; a company specific questionnaire and general questionnaires. The company specific questionnaire is the general questionnaire that has been adapted to suit a specific company, whilst the general questionnaire is adapted to suits general companies found in a certain sector and thus are categorized into sectors. The questionnaires are completed by analysts in the various companies (i.e. Economists, CEO's, CFO's, Financial Manager's, Business Development Officer's etc.). The questionnaire collects information on: general information of the company, ownership structure, performance indicators, total revenue and profits, employment, capital expenditure and sources of inputs and destinations of exports.

3.4 Survey Procedure

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

Figure 1: Survey Procedure



Source: Company Survey (2021)

3.5 Survey Implementation

Companies were approached for a virtual meeting, either via Microsoft Teams (MS. Teams), Zoom or Skype. Then, a data collection tool in the form of a sector specific questionnaire, was sent to the companies selected from the sampling frame, with guidelines to assist the completion. Meetings were convened to discuss the current trends based on the dynamics presented in the completed questionnaires, opportunities envisaged by the companies in the medium-term, as well as, the challenges they face in their operations. A group of up to four (4) members of the survey team participated in the confirmed virtual meetings for the day.

Upon conclusion of the meetings with the companies, a detailed company survey report is prepared by the participating survey team. These individual reports are then compiled together to produce the Company Survey Consolidated Report[2]. The information shared by the companies is kept strictly confidential in compliance with the confidentiality clauses of both institutions[3] and is solely used for analytical purposes. The consolidated Report is then summarized into sectoral performances through the Company Survey Summary Report detailing sector performance, challenges and opportunities. This report is shared with relevant stakeholders to provide insight on the important aspects mentioned earlier. The historic, present and future performance indicators play a pivotal role as inputs for the process of revisions of GDP estimates as well as the medium-term GDP growth forecasts. Moreover, the summary report is used as an advocacy tool aimed at stimulating discussions with policy makers from an informed perspective, to encourage gainful change.

4.0 RESULTS AND FINDINGS

4.1 Coverage and Summary Statistics

The entities selected are representative of the Eswatini economy according to the different sectors. In cases where numerous small players dominate the sector (e.g. agriculture), the team sampled the umbrella player (Ministry of Agriculture) or a regulator (or Marketing Boards). In other instances, like in the manufacturing sector where there are several different lines of production that need to be considered for national accounts, the team sampled a large number of companies since their operations are diverse and a true picture cannot be deduced by simply visiting the regulators. Important government agencies, which either regulate particular sectors or help in coordination and provide data for the several smaller players involved in the sector, are also surveyed in order to get an overall statistic

[2] This report is kept strictly confidential; it is never shared with any stakeholder.
[3] Ministry of Economic Planning and Development and the Central Bank of Eswatini

of the entire sector. Finally, the survey sample also considers geographical considerations such that all the businesses from the different regions are represented.

Table 1: Survey Coverage Statistics

Sector	Listed				Surveyed				Coverage (%)			
	2017	2018	2019	**2021**	2017	2018	2019	**2021**	2017	2018	2019	**2021**
Agriculture	10	8	11	**11**	6	6	10	**7**	60	75	91	**64**
Construction	7	7	7	**7**	7	5	5	**4**	100	71	71	**57**
Education	3	3	3	**3**	2	1	2	**0**	67	33	67	**0**
Financial Services	19	21	24	**24**	15	17	23	**18**	79	81	96	**75**
Government	7	5	5	**5**	3	4	3	**2**	43	80	60	**40**
Health	3	3	3	**3**	2	2	2	**2**	67	67	67	**67**
ICT	9	7	7	**7**	3	4	5	**2**	33	57	71	**29**
Manufacturing	48	39	39	**39**	29	32	29	**24**	60	82	74	**62**
Marketing Board	5	5	5	**5**	5	5	5	**5**	100	100	100	**100**
Mining	4	4	4	**4**	3	3	2	**2**	75	75	50	**50**
Other Services	0	9	10	**10**	0	3	3	**2**	-	33	30	**20**
Real Estate	6	6	6	**6**	3	4	5	**1**	50	67	83	**17**
Tourism	15	13	16	**16**	9	10	10	**8**	60	77	63	**50**
Transport	10	9	13	**13**	7	6	6	**5**	70	67	46	**39**
Utility	3	3	3	**3**	3	3	3	**3**	100	100	100	**100**
Wholesale & Retail	24	24	23	**23**	10	10	10	**7**	42	42	44	**30**
Total	173	166	179	179	107	115	123	**92**	62	69	69	**51**

NB: 1. Government covers departments of both central and local government

2. No data available for 2020 since company surveys were disturbed by Covid-19 pandemic, hence the gap between 2019 and 2021

Source: Company Survey (2021)

The sampling frame of companies selected to participate in the survey was maintained at the 2019 level at 179 entities. The survey coverage was recorded at 51.4 per cent (92 companies) compared to 68.7 per cent (123 companies) in 2019. The reduction was attributable to a combination of factors, namely, the advent of the COVID-19 pandemic as well as the use of virtual platforms to conduct meetings (see Table 1 for detailed statistics on coverage). A number of entities could not participate in the survey due to COVID-19 induced disruptions as well as a lack of access to virtual platforms to conduct the meetings.

In line with the structure of the economy, a large proportion of companies that partook in the survey was from the tertiary sector (51.1 per cent of all companies visited) followed by

33.7 per cent of companies from the secondary sector. Only 15.2 per cent of the companies that participated were from the primary sector. Information was also gathered from the biggest players within the important industries along with certain government agencies and regulators.

There was full coverage in sub-sectors such as Utilities and Marketing Boards. Conversely, there was low coverage in sectors like Education, Real Estate, ICT, 'Wholesale & Retail' as well as 'Other Services'. No entity was met in the Education subsector due to the closure of the subsector in response to the COVID-19 pandemic. Moreover, a single entity represented the Real Estate subsector.

4.2 Sectoral Performance and Outlook

This section provides a detailed narrative on all the different industries met in the course of the company survey exercise. Importantly, it must be noted that the findings presented here are only those received from the surveyed entities. Whilst, the information received from companies is treated with confidentiality, it is aggregated to provide a sectoral overview as presented below.

4.2.1 Agriculture

In an environment marred by the COVID-19 pandemic, characterized by lockdowns, travel restrictions and curfews, the agricultural sector was identified as one of those sectors deemed essential to ensure national food security.

4.2.1.1 Crop production

Maize: In the 2020/21 growing season domestic maize production grew modestly by 15.6 per cent to record 100,042 metric tons (Mt) from the 86,548 Mt reported in the 2019/20 season. This growth was mainly underpinned on favorable rains which benefited the harvest as well as efficiency gains derived from the input subsidy program. Despite, the rainfall being beneficial for most farmers, it became detrimental for those that planted earlier as the rains continued throughout the harvesting period thereby destroying some of the harvest. Additionally, the rainfall distribution was uneven as areas in the lowveld did not receive sufficient rains. The input subsidy project also contributed to the increase as farmer registrations grew by more than double from 5,000 farmers in 2019/20 planting season to 11,858 farmers in 2020/21. The decentralization of inputs collection centres created increased access for farmers, thus driving-up the demand and uptake for the program. However, some farmers were left-out due shortage of input supplies.

On the contrary, proposals to bolster domestic maize production through irrigated-farming as a rotational crop for sugarcane, were not received well. This was on account of sugarcane and maize being in the same crop family: the grass family named poaceae; hence it would not be an optimal crop rotation strategy. Instead, beans would be the better rotational crop.

In the short-to-medium term, prospects on domestic maize production are envisaged to positively grow in the 2021/22 season, benefiting from the winter cropping project as well as expansion in contract farmers, which will add more hectarage under maize production. The winter cropping project is anticipated to increase local production through two (2) cycles of harvest (winter and summer crop). The expansion of contract farmers is expected to increase the area under contract cultivation from 600 hectares to 1,000 hectares thus adding approximately 6,000 Mt.

Cotton: In the 2020/21 season, domestic cotton production plummeted by 34.4 per cent to record 980 Mt, from the 1,493 Mt collected in 2019/20. This decline was mainly attributable to constraints faced at both the planting and harvesting phase. During the planting stage, the country experienced erratic weather patterns, which disturbed planting causing few growers to plant. Additionally, the later arrival of the cotton seed intensified the late planting challenge, as commercial farmers that grow cotton under irrigation did not plant at full scale. This was more evident in the area planted as it fell from 1,446 ha in the 2019/20 planting season to 1,047 ha in 2020/21.

At the harvesting stage, a drought was experienced affecting the fruiting stage and caused the cotton balls to shoot prematurely. Moreover, the industry piloted the use of a cotton harvester, which resulted in yield losses and also compromised the cotton quality due to poor planting specification affecting the optimal operation of the harvester.

In terms of the medium-term outlook, cotton production is anticipated to grow benefiting from the use of genetically modified organisms (GMO's) cotton, which would be supplied from the Republic of South Africa (RSA). This is envisaged to reduce the cost of the cotton seed and allow more farmers to invest in cotton production thereby increasing hectarage under cotton production. The South African GMO patent owner has been given all required documents for the contract to supply Eswatini with their technology. The approval is still awaited at this point.

Sugarcane: In the 2020/21 growing season, sugarcane production remained subdued growing by 1.2 per cent to 5.75 million Mt from the 5.69 million Mt recorded in the 2019/20 season. The flat growth was mainly underpropped by unfavorable cool weather conditions, which affected sucrose yields. Additionally, pest and disease infestations also affected the crop. Despite an increase from 57,000 to 59,000 ha in the area harvested, lower yields were obtained due to pest infestations, waterlogging as well as storms in the North and Southern region of the sugar belt.

In the short-to-medium term, sugar production is projected to rebound, largely benefiting from increased area under sugarcane production coming through the Lower Usuthu Smallholder Irrigation Project (LUSIP II). A total of 4,000 hectares has been approved for sugarcane production and the first harvest in the additional land is expected in the 2022/23 season. Moreover, improvement in efficiencies such as drip irrigation are also anticipated to increase sugarcane production.

Citrus and Banana: With regards to citrus production, the total volumes produced grew in the 2020/21 season compared to the 2019/20. This was mainly attributable to good weather patterns, which resulted in output becoming above average. Moreover, the sector benefited from favorable exchange rate developments and pricing which stabilized towards the end of the season. Banana production followed a similar trend benefiting from good weather and favourable price adjustments.

Within the short-term, particularly the 2021/22 season, citrus and banana production is anticipated to drop mainly affected by the effects of Cyclone E'loise, which transpired early in the season. This is expected to hinder export volumes of citrus and bananas in terms of standards and reduced quality through bruising and scarring.

Vegetables: In terms of vegetable production, the advent of the COVID-19 pandemic provided an opportunity for the country to bolster its domestic vegetable production as it increased by approximately 10,000 tons in 2020. The imposed lockdowns by most countries in the region promoted import substitution and to leverage on the opportunity; the Government in collaboration with other institutions initiated a vegetable seedling campaign to encourage domestic farmers to grow vegetables. This campaign managed to increase domestic production, however, it also led to oversupply of certain vegetable products thus plummeting their price. This became a deterrence for some farmers, causing them to stop producing vegetables altogether and this ultimately led to gross supply shortages for some vegetable products and exacerbated price hikes.

In the short-term, the impact of cyclone E'loise experienced in the country is anticipated to affect vegetable production (mainly vegetables that were ready for harvest) through flooding and delayed collection as some road infrastructures were damaged preventing access to some areas.

Other horticultural products: Some players were able to obtain their first harvest for macadamia nuts. The harvest is expected to improve over time as the trees mature. This is one of the up-and-coming horticultural fruits in the economy as numerous players have expressed keen interest in venturing into macadamia nuts.

Moreover, there were mixed developments with regards to bean production as some producers were able to obtain a good harvest benefiting from the favorable weather, while other experienced low yield emanating from the excessive rains in the period. Furthermore, beans production has been explored as a rotational crop in the sugar belt on a trial basis and it is also being considered for winter cropping.

Sorghum and rice production were also on an upward trajectory, as their yields improved benefitting from good rains experienced during the growing season, which bolstered production.

4.2.1.2 Livestock production

Cattle: The domestic cattle stock continued to recover from the effects of the severe drought experienced in the 2016/17 season. Improvements in the cattle herd have been observed in the post-drought years. In 2020/21 season, the livestock survey reported that the cattle stock stood at 553,776, depicting a modest growth of 5.1 per cent from the 527,153 cattle-herd reported in 2019/20 season. The growth in the cattle stock benefitted from favorable climate coupled with no major disease outbreak in the review period, which resulted in an improved calving rate. However, there were mild threats of the full army worm which was eventually washed away by the rains.

In terms of the medium-term outlook, the cattle stock is anticipated to continue towards full-recovery and the livestock project is expected to bolster domestic cattle production.

Poultry: The country continues to enjoy self-sufficiency in poultry production, with the sub-sector largely dominated by large commercial producers. Poultry production took a knock emanating from COVID-19 induced supply disruptions in the 2020/21 season. This resulted in escalated input costs mainly feed prices which grew by 20 per cent during the period.

The livestock survey revealed that poultry production fell by 29.0 per cent, with the broiler numbers declining from 31.7 million in 2019/20 to 22.5 million in 2020/21.

Despite, the availability of a market for indigenous chicken supply has become volatile partly due to stock theft, and high input costs, mainly feed.

Piggeries: The pig production has been growing rapidly over the past years, and this has resulted in the country reaching excess supply, as there is over supply of pork domestically. In the 2020/21 season the pig stock stood at 112,682, portraying a growth of 31.4 per cent from the 85,580 recorded in 2019/20 season. This growth was mainly underpinned by continued efforts by the Government to supply good pig breeding stock through the Mphisi farm initiative. This has led to the Government halting the importation of pork. Despite the maturity in the pork value chain, the processing aspect is compromised by the inconsistent supply particularly from the small scale farmers. The capacity of the industry is lagging behind due to lack of proper storage facilities and a few abattoirs complying to high standards.

In the medium-term, this subsector is anticipated to continue thriving, benefiting from the continued support from the Republic of Taiwan on the breeding program and building of abattoirs under the FINCLUDE project conducted by the Centre for Financial Inclusion in some parts of the country.

Raw milk: the domestic dairy industry has remained stagnant at approximately 5,195 over the past few years. In 2020, a total of 460 cattle were imported to boost the dairy herd. Moreover, raw milk production declined marginally due to an outbreak of the contagious abortion (CA) disease which led to the culling of some of the dairy herd to stop the outbreak. Moreover, the culled cows could not be replaced swiftly due to difficulties in sourcing the replacement stock consequent to the outbreak of the foot and mouth disease in some parts of RSA inhibiting the importation of livestock.

Goats: Goat production continued to be stable, with the goat population having grown by 5.6 per cent in 2020/21 and stood at 535,438 compared to the 506,998 reported in 2019/20. The growth was underpinned by the conducive climatic patterns which benefited the calving rate. Regardless of the stable growth in goat population, it remains below the cattle herd. There has been a number of projects aimed at stimulating goat production locally, particularly the SME goat project which has been performing exceptionally. The premise of the project is to aid individual farmers to commercialize their goat production. On the hand, though there is high demand for goat meat domestically, supply is quite volatile.

In the short-to-medium term, this sector is anticipated to continue developing, benefiting from project initiatives such as, the FINCLUDE, which seeks to improve domestic goat production as well as the SME goat project. Moreover, there is potential for goat milk locally as there are a few farmers involved in it, however it remains a niche market.

Sheep: Sheep production continues to lag behind as the sheep herd domestically is still very low. Domestic farmers have shown least interest in investing towards the rearing of sheep. The livestock survey reported that the domestic sheep herd stood at 18,128 in 2020, depicting a growth of 5.0 per cent from the 17,264 stock that was reported in 2019. The growth was driven by favorable climatic conditions in the period which benefitted the calving rate.

4.2.2 Forestry

Mixed performance was recorded in the forestry activity in 2020, amid the COVID-19 pandemic. There were three (3) major companies that were surveyed in the period under review with two (2) of the entities reporting better performance whilst one (1) entity reported subdued activity. Different dynamics were experienced in the period, which supported improvements in production, and these included the increasing demand for local products, better prices as COVID-19 restrictions were gradually eased as well as diversification in destination markets. In the period, export demand for transmission and structural poles surged. Production was also boosted by the new harvest of the replanted pine trees post the 2010 forest fires. On the contrary, the demand for building and fencing poles declined in the year resulting in the temporary halt of this product line. Additionally, COVID-19 disruptions resulted in some port closures, in July-August, which disrupted exporting of key products such as pulp and biomass.

Performance is expected to rebound for this industry in 2021. This is on the backdrop of already picking activity in the second half of 2020 on to earlier periods of 2021. The better outlook is envisaged to stem from the recovery in the demand for timber in key export markets, anticipated expansions, efficiency gains and the depreciation of the Rand, boosting the competitiveness of exports.

4.2.3 Mining and Quarrying

The mining industry in the country encompasses the mining of mainly two minerals; coal and quarrying with other minerals like gold on a small scale. Coal production (saleable output) improved significantly in 2020 due to a combination of better yields as well as imported Run of Mine (ROM) from South Africa, which had a high yield that could be blended with low yield coal sourced locally. Outsourced ROM from South Africa was 40,181 metric tonnes (MT) in 2020, equivalent to a yield of 76 per cent (i.e. 30,538 'clean' saleable coal output). As a result, total coal production (in terms of ROM) increased from 311,581 MT in 2019 to 322,198 MT in 2020. Of this, saleable coal sourced locally increased from 131,907 MT in 2019 to 170,287 MT in 2020. The blending of local and imported ROM resulted in an improvement in coal yields from 35.47 per cent in 2019 to 47.57 per cent in 2020.

On the contrary, quarried stone production declined by 24.3 per cent to 210,024 cubic meters in 2020, from 277,425 cubic meters the previous year. The decline in quarried stone production was a result of low demand of quarried stone by capital projects. Road infrastructure projects such as Big-Bend – Lukhula and Mpandze –Manzini roads were approaching completion and thus demanded less quarried stone. In addition, episodes of shutdowns and delayed operations were observed in some road construction sites as a result of discovered cases of the COVID-19 pandemic, which in turn curtailed demand for quarried stone in the year under review.

Prospects for the mining sector are broadly positive in the short-to-medium term. Coal production is set to increase, benefitting from 'newer' high-coal-yield sites that are underway following their application to mine the crown land. Notably, production volumes will continue to benefit from the blending of imported and local ROM as other geological constraints persist. On other developments, the envisaged application and approval of mining rights for the Lubhuku project is expected to boost coal production in the country and benefit the economy at large in the medium term. Furthermore, other minerals that had started production at low scale or prospective in the short-term, have either stopped production or not seen the light of the day. This can largely be attributed to investors struggling with cash-flow and management related issues.

In terms of quarried stone production, the short term (i.e. 2021 and 2022) is expected to benefit from a number of commissioned projects in the country, namely; Manzini Golf Course Interchange project at Moneni, Sicunusa-Nhlangano road, Mpatheni dam construction and its feeder roads, Siphambanweni-Nsalitje road and feeder roads around Siphofaneni.

4.2.4 Manufacturing

4.2.4.1 Food & Beverages Manufacturing

There were thirteen (13) companies that were surveyed within the 'manufacture of food and beverages' subsector. Nine (9) out of thirteen (13) companies in this category recorded positive performance, mainly under food processing. The good performance, despite disruptions induced by the COVID-19 pandemic, was mainly attributed to food processing being treated as an essential product thereby immune from severe lockdown restrictions. There was also induced demand that came with the lockdowns as people demanded more food products for home consumption. This was mainly observed under the 'manufacturing of bakery products' and 'manufacture of animal feeds', with the latter benefitting from households investing in agricultural activities during the lockdown period. Developments in 'meat processing' were mixed. In the early months of the lockdown (in the first half of 2020) there was artificial demand for 'meat products' (mainly poultry) as people stocked more in fear of disruptions in food supplies. However, there was a slowdown in demand in the second half of 2020, which was coupled with a significant escalation in input costs due to supply disruptions. These developments weighed negatively on overall production and profit margins for poultry processing.

In line with the improvements observed in cattle herd, domestic beef production has also benefited from a 50:50 quota system pronounced by the Ministry of Agriculture to promote domestic beef production. This stance has compelled all local meat outlets inclusive of supermarkets to procure 50 per cent of their meat locally. This has translated to improved prices for local beef producers as it is now on premium. This policy stance was put in place to promote domestic beef production and grow the local market while controlling beef imports.

Export oriented food processing such as beef, sugar and canned fruit recorded modest increases in volumes and notable increases in revenues, which was mainly supported by the weaker exchange rate, particularly in the first half of 2020. In terms of beef exports, the country continued to struggle to fully supply the EFTA quota. Moreover, the country is not yet exporting to the Taiwan market, due to better prices offered in the EFTA market and the ease of access.

Poor performance in the 'manufacturing of food and beverages' subsector was mainly dominated by the 'manufacturing of beverages', which was affected by weak external demand following the banning of selling of alcoholic beverages in major export destination markets for extended periods. General sales for beverages were also hampered by travel and gatherings restrictions, which weighed negatively on tourism activities – a sector that supports selling of both non-alcoholic and alcoholic beverages.

Other aspects of manufacturing of beverages, such as ethanol, recorded mixed developments. In terms of production volumes, ethanol was lower due to a decline in molasses throughput (one of the major inputs in ethanol production). However, the demand for sanitizers in the first half of 2020, considering the COVID-19 pandemic, supported strong growth in ethanol demand thereby yielding higher premium prices for ethanol. The price increases coupled with a weaker exchange rate resulted in an increase in revenues and bottom line for ethanol producing entities.

Prospects for the 'manufacturing of food and beverages' subsector are positive in the short-to-medium term mainly backed by continuous easing of restrictions locally and in key export destination markets. Sugar production is expected to increase in line with investments at the agricultural level where area under sugarcane production is expected to remain on an upward trend. Similarly, fruit processing and canning would benefit from expansions in pineapple production. Developments under meat processing in the short-to-medium-term are mixed. In the short-term, high input costs (feeding costs) are expected to weigh negatively on production volumes and profitability. In the medium-term, there are more positive prospects for meat processing industries linked to a potential increase in exports. The 'manufacturing of beverages' is expected to recover from the sharp decline noted in 2020, in line with prospective recovery in external demand, which would benefit from a roll-out of vaccination programs for COVID-19.

4.2.4.2 Textiles and Wearing Apparel

There were three (3) major textile & wearing apparel companies that were surveyed with mixed performance observed in this subsector. Two (2) of them managed to record considerable growth in spite of the negative effects presented by COVID-19 and its restrictions by gearing production towards manufacturing essential products and by serving as alternative to Chinese suppliers that had shut down. The company that reported poor performance cited mandated sales outlet closures and subsequent restrictions in trading days and hours as the cause of the contraction in performance.

A depressed outlook was presented across this subsector. All textile companies reported that their major customers are situated in RSA and indicated that they anticipated negative effects on the industry due to adverse effects caused by the South African Trade Department policy that will likely be implemented by reducing imports to RSA in a bid to promote their textile/wearing apparel industry. Constrained disposable income was also highlighted as a cause of the depressed outlook. On the other hand, one company cited a possibility of increased demand from the AGOA market due to a possible increase of orders.

4.2.4.3 Other Manufacturing

There were seven (7) companies surveyed under this subsector. Five (5) companies reported growth in production and sales. These included manufacturers of 'plastic & plastic products', zippers, building material and one under 'handicraft products & other artworks'. Reasons behind the positive growth, in spite of implications presented by COVID-19, included a reduction in the cost of production, increased production due to categorization as essential (originally producing essential products or diversification to do so), increased demand under zippers which are inputs for medical suppliers (PPE) production, 'building material' due to increased demand observed from increased private construction activity caused by people working remotely as well as continued government projects. This was particularly evident in the manufacture of cement. Two (2) companies cited a decline in output due to decreased demand for their products and the shutdown of the tourism industry having had devastating effects on their production levels.

The outlook for most of the companies in this category ranges between flat growth and modest increases based on uncertainty. Some indicated increased demand from export markets and diversification to higher value export goods.

4.2.5 Electricity and Water Supply

4.2.5.1 Electricity

The energy sector's performance was reported by the company responsible for the production and distribution of electricity in the domestic economy and the energy regulator. On the supply side, hydro-power generation increased by 12.8 per cent to 256.5 GWh in the 2020/21 financial year from 227.3 GWh in the 2019/20 financial year. The increase benefitted from the above normal rains received in the year 2020 boosted by cyclone E'loise, which kept water at high levels in all major dams and reservoirs used for hydro power generation. Complementary electricity contributed by other Individual Power Producers (IPP's) to the grid, including the fully operational Lavumisa 10MWh solar plant, fell by 14.4 per cent to 108.4 GWh in the year under review, from a higher 126.6 GWh in the previous financial year. Total domestic power generation rose by 15.2 per cent to 337.14 GWh in the 2020/21 financial year from 292.7 GWh generated in 2019/20. The increase in domestic power generation facilitated a reduction in electricity imports (from ESKOM South Africa and Mozambique), which significantly fell by approximately 49.3 per cent to 927.0 GWh in 2020/21. Notably, increasing the country's power generation capacity in order to reduce dependency on electricity imports remains a priority for the regulator.

On the demand side, total electricity sales fell by 5.9 per cent to 1,064.1 GWh in the 2020/21 financial year compared to 1,131.3 GWh in the previous financial year. Electricity demand was negatively affected by the COVID-19 pandemic induced partial lockdown in the economy, which resulted in the closure of some industries, especially those that were not categorized as essential. The total number of EEC connections remained on an upward trend rising by 4.7 per cent to 246,108 at the end of the 2020/21 financial year. Domestic customers continued to dominate, increasing by 4.8 per cent in the period under review and accounting for approximately 92.3 per cent of total electricity customers. The sustained increase in the number of domestic customers benefited from the continuous roll-out of rural electrification projects by Government.

Prospects for electricity generation are broadly positive in the medium term. This is in line with the positive developments on prospective projects aimed at raising domestic power generation. Projects remain wide and diverse ranging from renewable energy to thermal power. If all prospective projects are fully implemented, production capacity for the country will grow beyond the local demand of about 220 MW and will enable the country not only to self-sustain but also to export some of its power to the region. From a sales point of view, the recovery of economies, opened industries and relaxed COVID-19 restrictions would boost demand for electricity in the short-to-medium term. The country's Power Supply Agreement with ESKOM will be renewed in 2025 and negotiations are expected to commence in the financial year 2021/22.

In the year 2020, the regulator issued two (2) new licenses to generate and supply electricity to the grid and issued eight (8) new exemption licenses, which will enable the license holders to generate electricity for their own consumption. On projects currently in the pipeline, generation is anticipated to increase from the completion of the tendering processes for the 40 MW Solar Photovoltaic (PV) plant and the 40 MW Biomass plant being implemented by the regulator. Positive prospects have also been reported for the Lubhuku coal thermal power station as a collaboration with the Taiwan Power Company (TPC). This has resulted in the completion of the feasibility study and also the environmental assessments. This project, worth about E12 billion, is now at a stage where stakeholders are discussing the financing model of the entire project and actual production is projected to commence in the financial year 2025/26. Furthermore, there are between three (3) and four (4) licenses that will be issued in the next year within the generation of solar power landscape, whilst one (1) license will be issued for hydro-power generation projected to produce 13.5 MW of electricity. Biomass is still being explored whilst regulation of the petroleum space (excluding prices) has been secured already with effect from April 2021. As at June 2020, there were 20 pending licenses within the petroleum landscape.

4.2.5.2 Water

The sector performed fairly well in 2020 when compared to the previous year, in terms of treated water consumption sales. Total treated water consumption grew by 4.0 per cent to record 13.27 million cubic decimetres in 2020 from 12.76 million cubic decimetres in 2019. Growth in 2020 mainly benefitted from increases in sales to residential households (domestic sales). Sales from the domestic category benefitted from lockdown measures implemented by the Eswatini Government to curb the spread of the COVID-19 pandemic. However, increases were slightly counteracted by decreases in sales to commercial businesses, as they were closed following lockdown restrictions.

The short-to-medium term remains vulnerable to natural disasters and unforeseen events. In 2021, the company saw a reduction in sales due to lockdowns which affected consumption by businesses significantly during the first quarter. This was further exacerbated by cyclone E'loise which destroyed gravity pipeline and pumps from Hawane dam to woodlands, causing a two (2) week disruption in water supply. On a positive note, the cyclone boosted water levels in dams and this will ensure continued supply of water for the better part of the year 2021. This will further be complemented by the company's WaterAid programme, which was started to try and reduce pumping costs through the management of high demand technology and time of pumping to reduce costs.

4.2.6 Construction

There were four (4) entities in the construction industry within the 2021 survey, including the regulator. They mostly recorded positive performance largely due to a number of projects being completed within the financial year. This performance was not without significant challenges, which were brought about by the emergence of the COVID-19 pandemic whose impact was felt first in 2020 and onwards. Increased revenue was observed in most companies, with some reporting a squeeze on profit margins.

Some of the completed projects which contributed to the increased revenue in 2020 included; Lukhula-Big Bend road, refurbishment of some streets in Mbabane, fourth street Nhlangano, Ludzidzini and St Joseph's feeder roads, Mlilwane, the Government Hospital and factory shell construction, to name a few. The industry registered projects with the regulator worth over E1 billion in the 2020/21 financial year, significantly lower than the E3 billion registered in the previous term. The surveyed companies continued to work on ongoing projects through the year, namely, the ongoing Mbadlane-Manzini road (expected to be completed in June 2021), Mhobodleni Housing Project, Mankayane Prison, projects related to Micro-projects, Eswatini Electricity Company and Eswatini Water Services Corporation as well as continued work on the ICC-FISH. Government funded projects continue to form a bulk of the work done as private sector jobs were put on hold in the wake of the COVID-19 pandemic in the period under review.

Fiscal challenges and their subsequent effects in terms of cash-flow and initiating new projects or honouring existing contracts continued unabated in 2020. Government indebtedness to the industry remains high as arrears were not fully settled in the period under review. This was compounded by the difficulties brought about by COVID-19 lockdown measures, which resulted in delays and disruptions in input supplies, particularly steel and cement. All these combined affected the implementation rates of both public and private sector projects.

The outlook in the sector is pointing towards a sluggish performance given the government's continued fiscal challenges. There are a number of projects on the pipe-line that will depend on both the economic situation and governments ability to allocate capital towards them; Nhlangano-Sicunusa road, Siphocosini-Sigangeni road, Piggs Peak-Magoga-Bulembu road, EWSC projects, EEC projects, Manzini City roads, a number of bridges including Mzimnene river bridge towards Ngwane park to mention a few. The economic situation and pandemic status remain high risk factors for the sector going forward.

4.2.7 Wholesale and Retail

This sector is divided into four subsectors; car dealership, fuel and supermarket. A total of seven (7) companies were surveyed in this sector with four (4) companies falling under the car dealership subsector, two (2) companies in the fuel retail subsector and one (1) company was surveyed in the supermarket subsector.

The supermarket category reported an overall growth in total revenue during 2020, increasing by 14.2 per cent compared to 2019 though highlighting that the year 2020 was not a good year as business was mostly affected by the COVID-19 pandemic, especially during the first quarter of the year. The growth benefitted from the fact that the retail sector was allowed to operate during lockdowns with the only negative being the constrained demand from customers due to travel restrictions and curfew hours, which limited the movement of persons. The only positive about the retail industry, as opposed to other industries, is that this sector was not tightly restricted during the lockdowns. The outlook remains uncertain but the sector remains positive that the economy will turn around and find solutions to the existing challenges.

The performance of car dealerships was broadly negative based on the four (4) major surveyed companies in this subsector. Three (3) of the four (4) surveyed companies reported declines in sales volumes, while one (1) company indicated an increase in volumes mainly supported by an increase in vehicle units sold during the year coupled with a decrease in total expenditure for the year. The three (3) companies reported that volumes were on a downward trend owing to COVID-19 regulations, which weighed heavily on the domestic economy as people were forced to reduce driving, as well as the suspension of social events and sporting activities. The subsector was not classified as an essential service during lockdowns and yet the car sales business thrives on face-to-face sales, which was not possible during COVID-19 lockdowns. Moreover, external factors also contributed to the slow performance as production was curtailed from the vehicle manufacturers' side, as they could not cope with the slump in demand thus had to cut down on production. The surveyed companies indicated that the exchange rate depreciation during 2020 also weighed negatively on costs of sales especially coming imports. On a positive note, the border restrictions benefitted local car dealerships as vehicle owners were compelled to service their vehicles locally.

The outlook remains mixed with some companies hoping that the relaxation of lockdown restrictions will boost demand for passenger vehicles in the short-to-medium term. However, they opined that opening up of borders will reverse the gains in the car servicing business as local clients are likely to revert to servicing in South Africa, mainly in Johannesburg and Nelspruit. Other companies within the subsector expressed that they will remain on a wait-and-see outlook approach as the COVID-19 pandemic is still troubling the global economy.

The team visited two (2) fuel companies during the survey. Both companies recorded negative growth in sales volumes during 2020. The decline in the volumes sold was attributed to the lockdown measures that affected the consumption patterns of clients, which limited the movement of people especially for leisure purposes. Moreover, the pro-SACU import policy stance effected by Government affected some companies' bottom-line (especially those without parent companies within SACU) as they were discouraged from sourcing fuel imports outside of the SACU region. These companies showed mixed performance during 2020, in terms of revenues. One establishment reported an increase in revenue due to the sector being categorized as an essential service provider, which enabled operation throughout the lockdown period. This helped to cushion the effects of the COVID-19 pandemic. On the flip side, one company reported a decline in total revenue during 2020 mainly stemming from the effects of the COVID-19 pandemic. The demand for fuel from both the individuals and commercial clients waned in the year as the lockdowns affected people movements and some company operations came to a standstill, thus affecting the demand for fuel.

The outlook for this subsector is generally positive, as some companies expect their operations to continue in the midst of the pandemic as the sector provides an essential service. On the downside though, some players anticipate a number of disruptions in fuel supply into the country in the future emanating from the Government single supplier within the SACU region, which may continue to create fuel shortages.

4.2.8 Tourism

In the 2021 company survey, eight (8) entities were surveyed including the regulating authority. Given that activity in the tourism sector was already suppressed in 2019, 2020 was worse with all the entities recording mild to severe losses in the period under review. The few entities whose losses were contained were establishments who participated in the Government's task teams aimed at COVID-19 response measures. These establishments accommodated health workers and also provided quarantine facilities for locals returning home from travel as well as guests. Providing these services buffered some of the losses incurred during lockdowns and subsequent cancellations in tours and bookings, as during lockdowns some establishments saw a reduction of activity of up to 90 per cent and at times complete stoppage of operations.

Due to the pandemic, the industry recorded a decline of 71.8 per cent in arrivals compared to the previous year due to travel bans, resulting in occupancy rates being below 45 per cent while bed nights sold were down to 17 per cent in 2020. It was also reported that 60 per cent of registered tourist establishments applied for retrenchments and implemented pay cuts as well as reduced work hours in the form of shift systems.

Within the accommodation subsector, performance in all surveyed entities indicates that they all documented falling revenues and others significant losses in 2020. The subsector was affected most by international travel restrictions, curfews, alcohol bans, the cost of COVID-19 precautions; limiting scope for profitability. Conferencing was down in all the surveyed entities due to capacity constraints such as social distancing and the new normal of hosting virtual conferences and meetings as a response to the COVID-19 pandemic. Food and beverage sales also plummeted as very few social events such as weddings were hosted for more than half the year, this led to expiry of some of the stock which had to be destroyed. The operations of casinos were also severely affected during the year, specifically the periods, which required more stringent restrictions to contain the spread of the virus.

With regards to cost containment, half the entities surveyed reported to have laid off staff which means they incurred the cost of terminal benefits, while reducing outsourced services such as security. Other entities focused on using the shift system and re-call staff as and when there were bookings, operating at a third of the capacity from higher pre-COVID numbers.

The 'Arts & Culture' subsector, that produces Eswatini-made products, was also not spared from the pandemic, however recording mixed performance. Of the two entities surveyed, one had a positive 2020 due to diversifying towards the production of sanitisers thus getting essential entity classification. The other was closed for almost the whole of 2020 as it relies heavily on tourist activities and traffic.

The outlook for the sector remains uncertain and difficult to predict. Planned renovations and other CAPEX has largely been halted for the time being as there remains risk of poor economic performance due to the pandemic, which has a direct bearing on how the tourism sector performs. A few entities however expressed optimism with regard to the global vaccine roll-out and easing of travel restrictions bringing hopes of tours coming back into South Africa, Eswatini and Mozambique. In the short-to-medium term, aggressive marketing strategies were put in place while also offering specials and specifically targeting domestic tourism to try and improve the performance of the sector.

4.2.9 Financial Sector

4.2.9.1 Banking

All four (4) commercial banks and a building society participated in the 2021 company survey meetings. All five (5) entities reported that 2020 was a challenging year both in terms of income and profitability. Even though the banking subsector recorded an increase in terms of the overall loan book, the entities reported a drop in interest incomes, which was attributed to a decrease in interest rates in line with the Central Bank expansionary monetary policy. The Central Bank reduced interest rates by 275 basis points (cumulatively) between January and July 2020. Disruptions in economic activity caused by lock-down measures to contain the COVID-19 pandemic also weighed negatively on non-interest income in the period under review. As a result, total revenues for the banking sector in the period under review decreased. The banking sector also reported an increase in deposits as customers parked their cash and postponed projects considering the uncertainty posed by the pandemic. Provisions in line with the International Financial Regulation Standards (IFRS 9) also wiped profitability margins.

During the second quarter of 2020, when tougher lockdowns were in place, the banking sector provided relief measures in terms of loan rescheduling and debt restructuring amounting to E771 million to different sectors of the economy. The most affected sectors included 'tourism related activities', 'public transport', 'education', 'construction' and 'manufacturing'. Even when the lockdown restrictions were eased in the third and fourth quarter of 2020, application for debt relief (though smaller in magnitude) continued for subsectors such as 'tourism related activities', 'transport' and 'education'.

In the short-to-medium term, the banking sector expects the economy to recover considering easing of lockdown restrictions as economies roll out vaccination programs. It is envisaged that this would restore the implementation of investment plans that were halted during COVID-19 and boost economic activity. The banking sector also highlighted that they were accelerating the use of digital platforms, wherein there has been significant investment in supporting systems. This would prospectively increase non-interest revenues.

4.2.9.2 Non-Bank Institutions

The non-bank financial sector comprises of four (4) categories: asset management, 'development finance & micro lending', insurance, and 'pension & retirement funds'. A total of eleven (11) non-bank financial entities across the four subsectors plus their regulator were surveyed during the 2021 survey.

Asset Management:

Performance in the asset management industry was fair to good in 2020, despite the impact of COVID-19 in the global and domestic economies. Surveyed entities were hit hard by the national COVID-19 response, particularly restrictions on travel and in-person interactions in the first half of 2020. However, with the gradual easing of the lockdown restrictions and deepened technological penetration across the economy, the industry recovered from the first-half losses and recorded fair to good overall performance for the year. All the surveyed management firms recorded an increase in revenues and profit margins relative to 2019, mainly due to growth in managed assets. Assets under management grew by double-digit figures in 2020 not only due to the resilience of the industry during the COVID era but also due to fresh investments flows from clients as the industry continued to implement the 50 per cent local investment requirement.

Despite the good performance, the industry was not left unscathed by the COVID-19 pandemic; traveling and gathering restrictions affected contact-intensive activities as well as deferred potential growth opportunities in the industry. The mobile financial and property investment portfolios were the hardest hit sectors. The volume of mobile money transactions lessened as face-to-face contact is a major requirement for most transactions. The property investment portfolio was affected by the work-from-home arrangements and the numerous closures of businesses. The quality of the aggregated loan book suffered as some loans were not serviced as expected resulting in the recapitalization of the credit portfolio.

The outlook for the asset management industry was mixed, largely based on one's interpretation of developments in 2020. Optimistic managers are of the view that the implementation of the 50 per cent local asset requirement will continue to propel growth in the short-to-medium term with greater diversity in the technological and food security spaces. Furthermore, the government stimulus packages earmarked for post COVID-19 economic recovery and private sector expansions that couldn't kick-off in 2020 will boost investment in the short term. On the other hand, some managers believe that the better-than-expected performance in 2020 cannot be repeated in the near term on account of worsening COVID-19 waves and base effects.

Development Finance and Micro Lending:

The overall performance of the development finance and micro lending industry was subdued in 2020 as its major clients were the hardest hit by the COVID-19 induced lockdowns and restrictions. These are mainly small and medium enterprises, some of which operate in the informal sector of the economy. However, individual lender performance was mixed ranging from poor to fair depending on the level of exposure to the industries severely affected by the lockdowns. Most of the surveyed lenders reported a decline in revenues due to poor performance of the loan book. Gross lending declined due to the suspension of new lending, customers experiencing difficulties in servicing existing loans, requests for repayment holidays and other revisions to loan terms, as well as the cyclical liquidity constraints affecting the industry. The most affected customers were in the transport, textile, construction, 'hotels & restaurants', private education, and informal trade sectors.

However, the agricultural sector and its support services were not severely affected by the lockdowns.

Poor performance in 2020 was also attributed to internal accounting, operational and management developments. For instance, some lenders implemented revisions in the IFRS 9 provisions for impairments on loans, which resulted in technical losses for the year. Some entities realised an increase in unplanned costs associated with the COVID-19 pandemic, mostly towards communications, travel for staff, health and hygiene costs which offset savings made in other expenditure lines.

On the other hand, lenders with a significant exposure to the agricultural sector were able to record generally fair to good performance, especially in the last quarter of 2020 due to an increase in lending towards sugarcane and vegetable production as well as agriculture haulage. The only agricultural component affected by the pandemic was livestock production, which was hit by rising input costs, particularly feed costs. Furthermore, lenders with adequately diversified clientele, particularly in the telecommunications and property rental space were able to generate healthy interest incomes over the COVID-19 era.

The short-to-medium term outlook for the development finance & micro lending industry remains uncertain. The outlook for development financing will be shaped by the economy's ability to develop and implement recovery plans, as well as the lenders' ability to penetrate other sectors of the economy, especially the industries that were spared from the effects of the pandemic. Micro lending, which is mostly biased towards civil servants, is expected to be influenced by the proposed implementation of the government's early voluntary exit and retirement scheme (EVERS). Micro lending stands to be positively affected by the return to 'normal' operations in the country with reduced incidents of lockdowns, the reopening of closed companies and engagement of laid-off employees.

Insurance:

Performance in the insurance industry was mixed in 2020. Though most volume indicators and revenues took a dive, the industry was able to realise profits on account of lower operational costs during the COVID-19 induced lockdowns. There was an increase in the uptake of life insurance policies in 2020, in part due to COVID-19 induced fear but also due to generic growth as insurance coverage is low in the country. Non-life and health insurance did not perform well. There was a decline in non-life policies, while health insurance users downgraded their covers in response to the poor economic performance and loss of incomes due to the pandemic. Furthermore, clients cut back and/or deferred the purchase of insurable goods and machinery due to uncertainty on the impact of COVID-19 on their businesses.

With regards to insurance claims, there was a decline in short-term and non-life claims as the lockdown and travel restrictions reduced risk factors as people were working from home and the social scene was limited. However, there was a bit of increase in funeral cover claims and life cover due to COVID-19 related deaths. Claims on health insurance were lower in 2020 due to the greater focus placed on COVID-19 compared to other ailments. Health insurance users decided to cut down on elective health procedures and limited hospital visits in fear of exposure to COVID-19. Also, at the start of the pandemic the treatment and management of COVID-19 was largely on public health centres, hence COVID-19 related claims were lower.

Gross revenue across the insurance industry fell in 2020 as customers experienced difficulties in paying premiums and investment markets took a nosedive in the first half of the year. COVID-19 came at a time when the domestic economy had been struggling for a while and the country had been hit by the El Nino rains that had damaged client properties. Due to these financial pressures, some customers requested premium holidays, others cancelled their policies while a few went out of business. As a result, growth in profits fell below expectations. The financial performance of the insurance subsector was cushioned by the recovery in investment markets in the last quarter of 2020 and savings made on operational expenses during the lockdown.

The outlook of the insurance industry is uncertain. On the upside, the industry stands to benefit from the roll-out of COVID-19 vaccines, more easing of lockdown restrictions and the continued recovery of investment markets. Also, insurance penetration is still very low in the country, hence there is always scope for growth. Negative risks to the outlook include a delayed recovery of the domestic economy and the emergence of fatal COVID-19 variants.

Pension and Retirement Funds:

The pension and retirement funds industry recorded poor performance in 2020, underpinned by losses in foreign market investments and local property investment incomes on the backdrop of increasing claims due to the COVID-19 pandemic. Foreign market investments in the Johannesburg Stock Exchange (JSE) were negatively affected by the 'COVID-19 crush' of March 2020. Local investments, particularly in retail, agriculture and the hospitality industries were hampered by the international and local travel restrictions, lockdowns as well as operational restrictions such as operational times (curfews) and capacity thresholds.

Though there was an increase in the occupancy rates of investment properties, tenants could not pay rent due to a slowdown in business activity.

On the positive side, the industry recorded modest increases in member contributions and asset base. Member contributions increased, in 2020, due to generic increases in membership, annual notching and cost of living adjustments, while assets grew on account of investment property fair value gains and re-invested contributions. The outlook for the industry is mostly positive, characterized by rebounds in global markets as vaccination efforts intensify across the globe. The recovery in the JSE that commenced at the end of 2020 is anticipated to proceed through to the year 2021. Local investments will also benefit from the continued easing of lockdown restrictions.

4.2.10 Transport and Storage

The team visited companies engaged in transport activities including air, rail, road, and 'warehousing & storage'. A total of five (5) companies were surveyed under this sector.

The air transport subsector was severely affected by the COVID-19 health crisis due to the industry's global nature. The subsector reported that air-travel in 2020 was rather minimal due to lockdown and COVID-19 restrictions on travel. Operations came to a halt in March 2020 and resumed again in October 2020, though with limited capacity due to the drastic fall in demand for air-travel. Revenue declined by almost half in 2020 relative to 2019 mainly on account of subdued operations due to COVID-19 restrictions. Net interest income also plummeted in tandem with the low performance during the year, while profits were also not spared as they declined significantly during the year under review. The outlook is very difficult to project due to prolonged lockdown and travel restrictions imposed due to the global pandemic. The anticipated easing of the lockdown and relaxation of travel restrictions in the last quarter of the 2021 may bring stability to industry.

The rail subsector had a tough year during 2020 as COVID-19 disrupted operations in the subsector. Total revenue for the subsector declined by over 10 per cent during 2020 compared to 2019. The subdued activity in the subsector contributed significantly to the low revenue as a result of decreases in volumes of all major lines transported by rail (exports volumes, import volumes, as well as transit volumes). The poor performance was also partly due to the COVID-19 pandemic and sectoral challenges that influenced output. Good performance is envisaged to continue over the medium term and is expected to make a positive impact on growth in the industry. The subsector is projecting a good year for 2021.

Performance will be driven by an increase in volumes due to a roll-out of the COVID-19 vaccine programme, which will boost business activity.

Two (2) companies surveyed in the road subsector recorded negative performance in 2020 due to the fact that road activity was negatively influenced by COVID-19 developments which disrupted road networks as well as other economic factors such as lockdowns which reduced the consumption of fuel as people worked at home and schools were closed. Cross border activities were the most affected as borders were closed, especially for those sectors that were not categorised as essential services. This limited the movement of goods across the border especially trade activity between South Africa and Eswatini. The outlook in this subsector shows some recovery signs as performance in the subsector began to improve when the COVID-19 restrictions were lifted in the two countries, which will somehow positively benefit the subsector in the short-to-medium term. For the year 2021, the subsector anticipates performing better than the previous year, however not optimally.

The 'warehousing & storage' performance in 2020 was fairly the same as in the previous year though revenue declined by 9.5 per cent. This was mainly because core business was not affected by the COVID-19 pandemic.

4.2.11 Information and Communication

This sector covers entities that are in the communication sector as well as the regulatory institution of the industry.

Companies in the telecommunications subsector were visited including the industry regulator. The telecommunications subsector performed well in 2020, recording an increase in revenue during the year. The increase in revenue lines in 2020 was largely attributable to the work from home arrangement that was adopted due to the COVID-19 pandemic. This contributed to an increase in clients which was motivated by the more affordable data provided by the companies within the sector, enabled by the decrease in spectrum fees which allowed for lower prices. This was an effort from the industry players to reduce the burden on telecommunications in the midst of the pandemic as it led to an inevitable surge in the use of digital technologies due to social distancing norms and nationwide lockdowns. This subsector is expected to continue to grow in the medium term driven by the increased demand that came with the advent of Covid-19, which has placed more emphasis on the use of technology in the way businesses are operated. The move by the industry regulator to set aggressive targets for the service providers such as improving 4G coverage in the country as well as ongoing discussions on bringing 5G services into the country, will all help the subsector to realize growth in the short to medium term.

4.2.12 Real Estate

Only a single company was surveyed during the exercise. The company reported that the industry was negatively affected by COVID-19 implications which exacerbated the poor economic climate regulatory and structural challenges that had been prevailing in the past. The COVID-19 pandemic effects resulted in a decline in demand for housing as reduced disposable incomes and job losses were witnessed leading to increased vacant rentals in both commercial and residential spaces. The pandemic effects also contributed to a decline in total revenues across the sector due to declines in property sales as providers of finance became more skeptical in granting credit due to the compromised credit worthiness of prospective buyers as a result of the economy's uncertain outlook.

4.2.13 Health and Education

Due to interruptions caused by Covid-19 to the education sector, the Company Survey team could not meet entities representing the education sector. Issues of working from home; education sector activity being suspended owing to social distancing measures; virtual, 'radio & television' classes have posed a risk to the number of students actually enrolled. This then rendered entities to delay the Company Survey exercise beyond the closing dates.

On the health sector, one (1) establishment was surveyed by the team. There were issues with the dilapidated infrastructure, which created a backlog for surgical procedures that would have benefited from the much-needed renovations. Also, the ongoing fiscal challenges have exacerbated issues of drug shortages, procurement and distribution delays on top of the inadequate government subventions.

The outlook for the 'education & health' sub-sector is dependent on the economic environment and the fiscal position, with a worsening situation expected to amplify the challenges in this sub-sector including medical drug shortages, worn-out infrastructure and declining Government subventions for operations.

4.2.14 Local Government

The team surveyed one (1) municipality during the survey period. The surveyed municipality recorded slight improvements in their revenues supported by the clearing of arrears by government. Due to COVID-19, there were no reported price increases and evaluations done in the year. For the medium-term, the plan is to continue increasing the scope of rates collection and more development in infrastructure subject to availability of financing.

4.2.15 Professional Services

Two (2) entities were surveyed under the professional services category. Performance was observed to be positive in 2020 despite the COVID-19 pandemic and disruptions. This category was classified amongst the essential services hence allowed to operate even during the lockdowns. However, with the new norm of working, there were a number of disruptions in operations thus impeding on efficiencies. Profitability was however slightly eroded due to higher expenditures in the period. The outlook for the sector is not promising, with the short term anticipated to suffer from the second-round effects of the pandemic. Nonetheless, the implementation of cost-effective measures and diversification to other potential services may likely support growth in the medium term.

4.3 Investment

There were twenty-five (25) companies that reported information on investment expenditure. Data collected from the surveyed entities shows that total investment amounted to E586 million in 2020, a significant decline from the investment of E1.868 billion that was undertaken in 2018.

A sectoral analysis of investment indicates that the manufacturing sector recorded the highest investment in 2020, accounting for 25 per cent of the total investment that was reported in the review period. Total investment in this sector amounted to E146 million, with a bulk of this investment being channeled towards improving the processing efficiencies, especially in poultry manufacturing, warehouse expansion and replacement of factory equipment. The sector also undertook investment towards the replacement/repairing of obsolete equipment, and improvements in manufacturing plants in order to increase production. In the medium term the sector is planning to spend about E200 million for warehouse expansion capacity in order to improve efficiency.

Investment towards the marketing board sub-sector amounted to E110 million in 2020. This represents a share of 19 per cent of the total investment during the period. This investment was reported to have been spent on the procurement of packaging facilities to ensure consistent and seamless supply of final products in the regional markets. A total of E96 million was spent in the utility sector towards extensions and maintenance of production plants in the provision of water supply, while the telecommunication sector spent about E86 million for the improvement of the country's mobile network coverage.

The tourism sector made a E57 million worth investment in 2020, with the bulk of the investment expenditure directed towards the expansion of accommodation facilities in terms of more rooms, while the rest of the expenditure was for land and property acquisition as well as expansion of available facilities and equipment replacement within the sector. Investment expenditure in the construction sector amounted to E25 million in 2020. Most of the expenditure was for the financing of the procurement of new equipment, machinery and trucks. The sector anticipates to spend a further E5 million for purchasing additional construction equipment.

A total of E20 million investment was spent in the agricultural sector during 2020. The reported investment was channeled towards purchasing land machinery and installation of lighting systems as well as land preparations and irrigation systems. The mining sector invested about E10 million on water filtration and pumping equipment as well as acquiring underground man carrier machinery. In the medium term, investment in this sector is projected to be in the region of E65 million mainly towards more land acquisition and shaft entrance expenditure. The lowest investments were recorded in the 'wholesale & retail' sector, financial sector, and transport sector. These sectors reported investment expenditure valued at E14 million, E12 million, and E4 million respectively. Investment in the 'wholesale & retail' sector was on account of the relocation of a petrol service station which had to be moved due to infrastructural developments. The financial sector, on the other hand, spent E12 million in investment towards banking software and replacement of ICT equipment. This sector is projected to spend about E0.4 million towards replacement of fixed assets in 2021. Within the transport sector, an investment of E4 million was made in 2020, mainly for the refurbishment of existing buildings, office space acquisition, as well as maintenance of office equipment such as computers. In the short-to-medium term, the sector anticipates to spend about E400 million for a warehousing facility.

4.4 Employment and Labour Development

This section covers employment trends of surveyed entities, cost of living adjustments (where provided) as well as general labour climate issues in the review period.

In line with the slowdown in economic activity in 2020, in the advent of the COVID-19 pandemic, employment trends depicted a decline of 0.9 per cent in 2020. Notable decreases were observed in the manufacturing, tourism activities and 'agriculture & forestry'. Weak external demand as well as need for social distancing, as containment measures for the pandemic, affected export-oriented and labour-intensive activities; mainly 'manufacturing of textile & wearing apparel'. International travel restrictions and other containment measures weighed negatively on tourism related activities with surveyed entities reporting a decline of 10.9 per cent in 2020. On a positive note, there was a notable increase in employment levels for the telecommunications sector in line with positive performance in this sector during the pandemic.

The impact of poor performance in 2020 is expected to be felt more in 2021 as employment levels (on surveyed entities) showed a further decline of 2.1 per cent in 2021 following a 0.9 per cent decrease in 2020. Sectors that are expected to shed more jobs include tourism, transport, construction and financial services. Continuous travel restrictions, social distancing and other containment measures are expected to put more strain on the tourism and transport subsectors. The cut-back in employment levels in the construction sector is largely attributable to the completion of major infrastructural projects with no similar magnitude projects in the pipeline. Investing in systems, automation and acceleration in the use of digital platforms is expected to weigh negatively on job prospects for the financial sector, where employment levels are expected to fall by nearly 20 per cent (on surveyed entities) in the short term.

Table 2: Employment Numbers by Sector

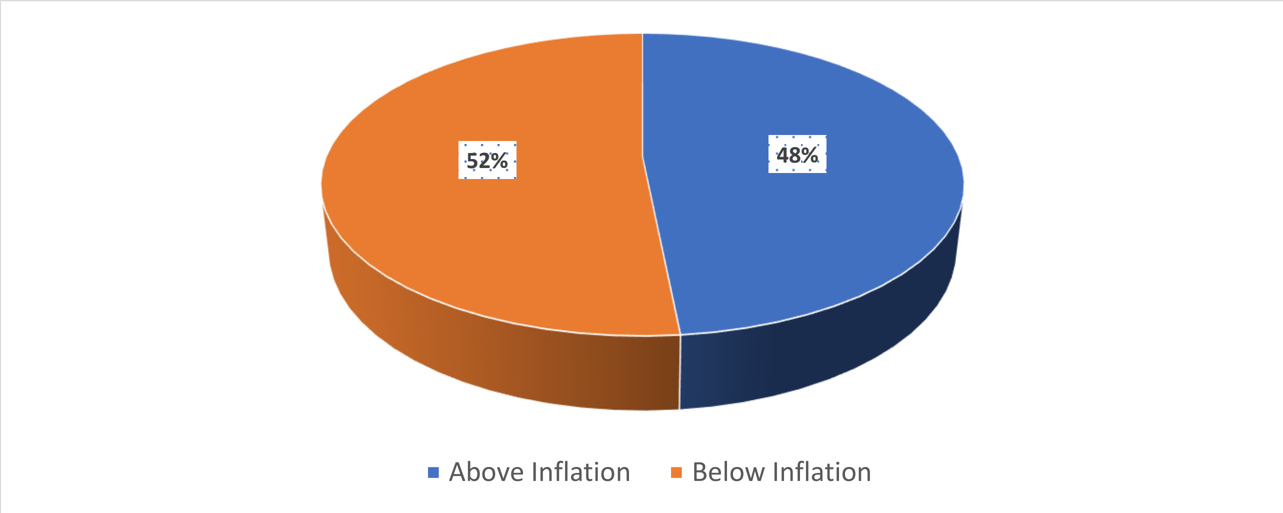
		Employment Levels			Growth (%)	
Sectors	Sample	2019	2020	2021	2020	2021
Agriculture and Forestry	6	2,478	2,298	2,331	-7.3	1.4
Construction	2	2,100	2,100	1,800	0.0	-14.3
Financial Services	17	2,245	2,251	1,818	0.3	-19.2
Telecommunication	2	290	378	378	30.3	0.0
Manufacturing	23	18,375	18,038	18,142	-1.8	0.6
Government	1	40	42	42	5.0	0.0
Marketing Board	3	351	353	343	0.6	-2.8
Health	1	750	750	750	0.0	0.0
Mining	2	433	433	501	0.0	15.7
Professional, Scientific and Technical Activities	2	127	131	131	3.1	0.0
Real Estate	1	107	108	108	0.9	0.0
Tourism	8	641	571	474	-10.9	-17.0
Transport	5	1,082	1,138	1,085	5.2	-4.7
Utility	3	1,351	1,375	1,394	1.8	1.4
Wholesale & Retail	7	1,039	1,152	1,152	10.9	0.0
Overall	83	31,409	31,118	30,449	-0.9	-2.1

Source: Company Survey (2021)

4.4.1 Other Labour Developments

Salary Adjustments: There were 64 companies that provided information in relation to cost-of-living adjustments over the review period. Due to the strain posed by the COVID-19 pandemic, a higher proportion (52 per cent) of entities reported that they awarded a cost-of-living adjustment that was below the average inflation for 2020 (i.e. 3.9 per cent). This was mainly reported in sectors that were hit hard by the pandemic, which included tourism, transport, 'manufacture of textiles & wearing apparel' as well as utilities. On the contrary, above inflation awards of cost-of-living were observed in 'food & beverages' manufacturing, mining and financial sectors.

Figure 2: Cost of Living Adjustment in 2020



Source: Company Survey (2021)

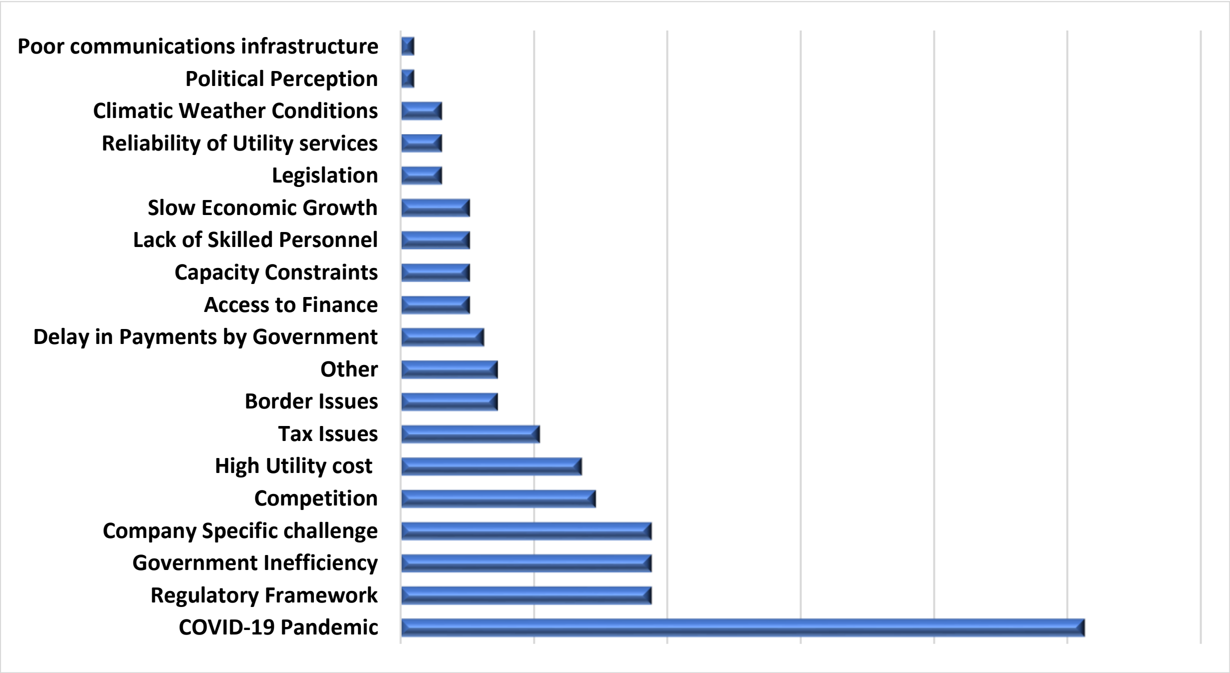
In the review period, no company reported labour strikes and other labour disputes. However, surveyed entities reported disruptions due to the COVID-19 pandemic, which led to temporal shutdown of operations in some instances. About 15 companies shared statistics in relation to COVID-19 infections. In the reporting entities, a total of 257 was reported to have tested positive for COVID-19 during the review period with about 18 deaths. This translates to a mortality rate of 7 per cent, which was significantly higher than the overall national mortality of 2.6 per cent at the time. The most affected sectors in terms of COVID-19 infections were health, forestry and selected tourism subsectors.

5.0 CHALLENGES AND OPPORTUNITIES

5.1 Challenges

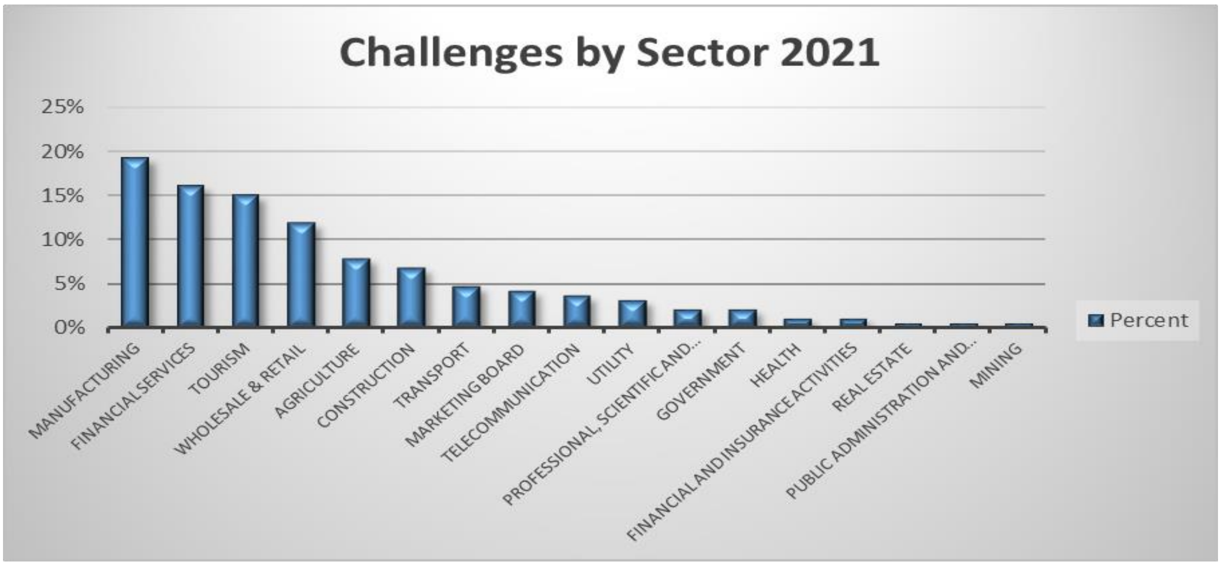
In 2021, the survey of companies and organisations presents a different set of challenges, classified within 19 categories, mainly arising from the pressure associated with the COVID-19 pandemic. The graph below shows that challenges related to the COVID-19 pandemic were significantly predominant, as the Eswatini government followed the guidelines set by the World Health Organisation (WHO) and issued lockdown measures to limit the spread of the virus. The restrictions brought about a ripple effect across all sectors of the economy causing supply-chain bottlenecks. This slowed down economic activity causing a significant loss of income as production decreased and ultimately some people lost their jobs and many were laid off. Issues around regulation, mostly government related, once again appeared along with challenges related to government inefficiency and others in the form of company specific challenges. Ranked number three (3) are challenges related with business competition and high utility costs which cause operational inefficiencies, ultimately raising costs to the business. While tax issues appeared lower in 2019, in the year under review more companies raised pertinent issues surrounding taxes and their effects on their businesses.

Figure 3: Categorization of Challenges in 2021



Source: Company Survey (2021)

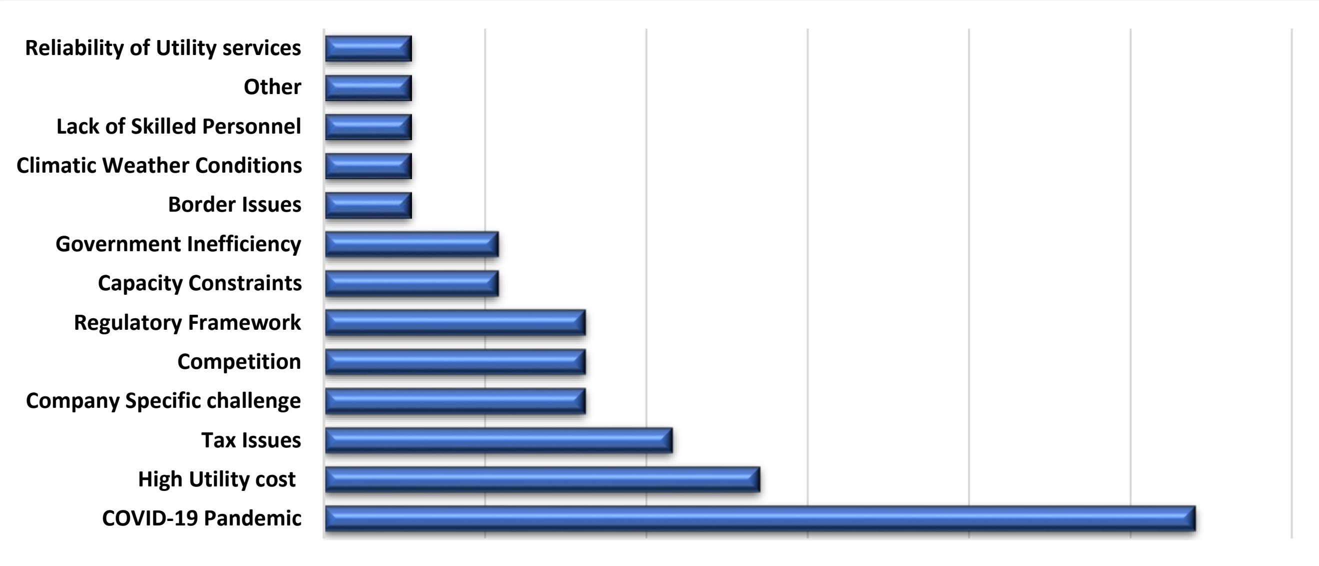
Figure 4: Challenges by Sector



Source: Company Survey (2021)

An analysis of the challenges by sector reveals that companies within the manufacturing sector accounted for the largest share of reported challenges, followed by the financial services sector. As expected, the tourism sector was highly affected by the COVID-19 restrictions which limited inbound travel, raising a plethora of challenges for the industry. Companies operating in the wholesale and retail space also followed suite and reported a number of challenges they faced in the year 2020. The agricultural sector was ranked number five (5) amongst the sectors in terms of the percentage share that reported challenges during the year under review.

Figure 5: Challenges in the Manufacturing Sector



Source: Company Survey (2021)

A further look at the challenges in the manufacturing sector reveals that the COVID-19 pandemic was the main challenge within the sector as most companies reported that, for the most part, the pandemic created uncertainties in the economy and markets. Following the devastating impact of the COVID-19 pandemic, some companies felt it would take time for them to find new markets. The loss of lives had a negative impact on production as well, since most companies already had a reduced staff complement to accommodate for social distancing while working in shifts. Utility costs remained a challenge amongst manufacturing companies citing the high costs of electricity as a major challenge besides the costs of water, phone bills and the internet. During 2020, many companies expected to be given some sort of tax relief as a buffer to the challenges that arose due to COVID-19. The textile industry felt that as a major employer in the country, they deserved some kind of tax relief during the pandemic period in order to avoid laying off some of their staff at such a delicate period where the economy and people are facing many challenges.

CHALLENGE BY TYPE

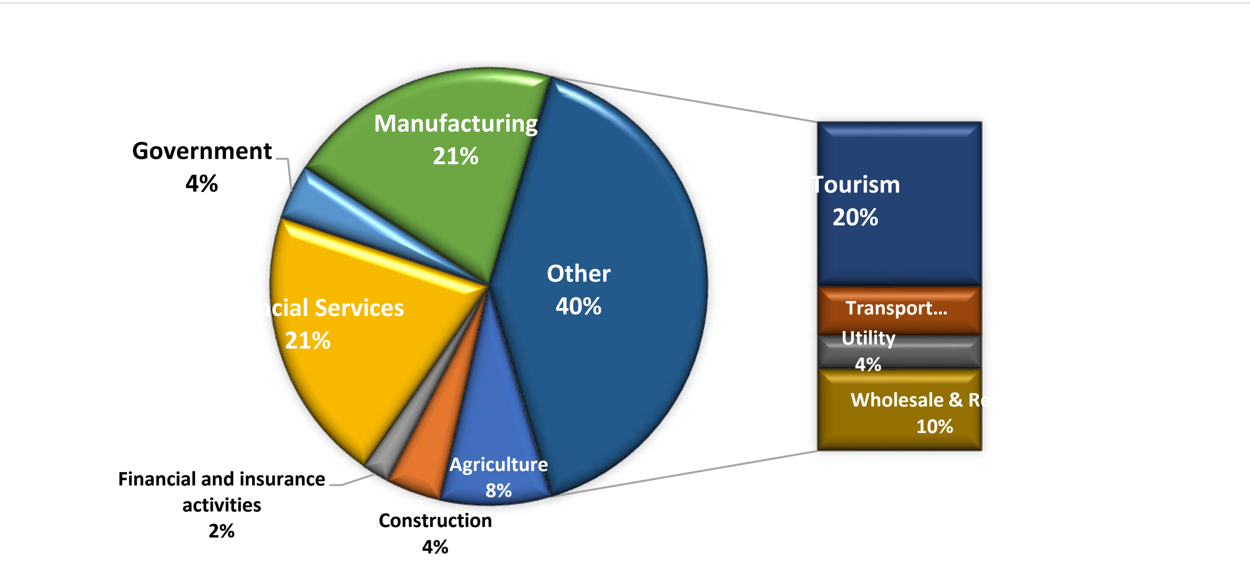
Challenge 1: COVID-19 Pandemic

The year 2020 was faced with an unprecedented challenge in the form of a flu virus called COVID-19 which the country, as advised by the WHO, categorized as a pandemic. This pandemic, as reported by many companies, posed a major threat to their business in the country. Of the forty-nine (49) reported challenges 62 per cent were cited by companies and organizations in the manufacturing, financial services and tourism sectors. For one organization operating in the financial services sector, the COVID-19 pandemic induced some contraction in total membership and late payment of premiums by some members, which posed a challenge for the organization. The uncertainties limited the financial services sector from financing both SME's and big projects, especially in the forestry and construction industries. The re-emerging of the pandemic waves and associated lockdowns tended to weigh negatively on performance and provided likely risks of defaults.

Due to the COVID-19 pandemic, the tourism sector was forced to effect some retrenchments due to the restrictions imposed during the period. The curfew hours imposed was another detractor to business activity for this sector. With government imposing a ban on the sale of alcohol, people were discouraged from going out for dinner as most entertainment events and venues use alcohol as an attraction which invariably meant that these companies suffered irreparable harm during the period.

Wholesale & Retail contributed 10 per cent to the overall COVID-19 pandemic challenges. As a result of this challenge the sector had to dig deep and spend on unbudgeted personal protective equipment (PPE) as per government expectations, raising costs in the event. The other challenge was the loss of lives due to the pandemic which meant companies and stores had to get replacement staff for crucial positions in an uncertain environment. Supply chain disruptions, due to travel restrictions and limited production in South Africa, especially, increased the challenges in an already volatile situation.

Figure 6: COVID-19 PANDEMIC



Source: *Company Survey (2021)*

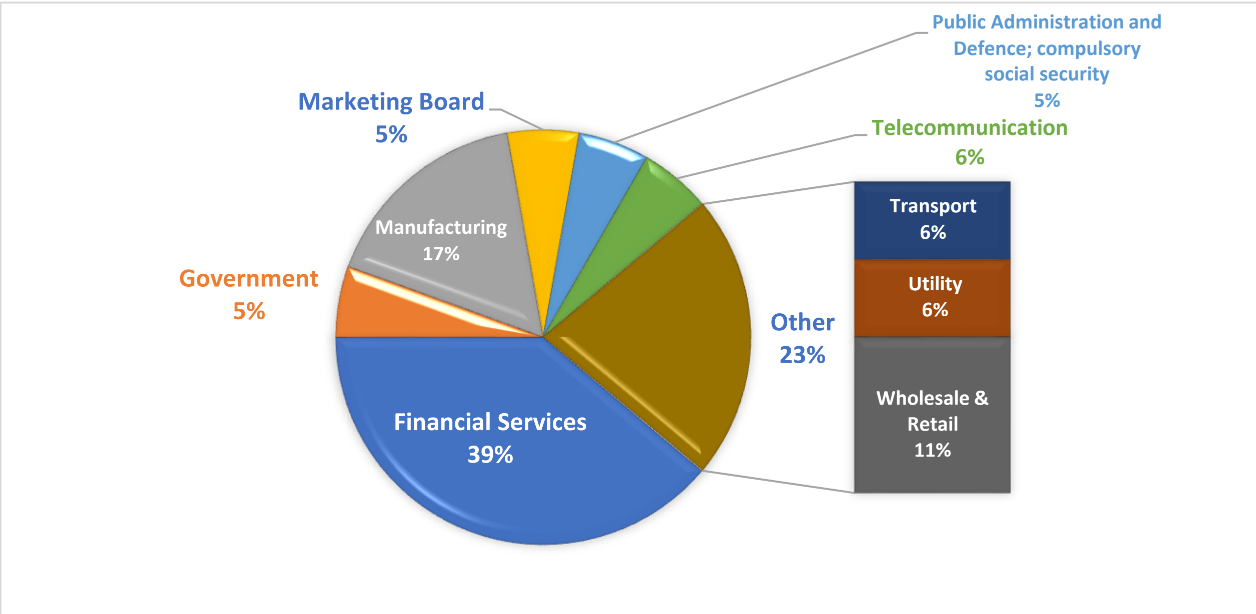
Challenge 2: Regulatory Framework

The regulatory framework has been the main highlight in the past three years and in the 2021 survey it fell to second position. The financial services sector dominated the discussions on issues around regulation, with 39 per cent of challenges registered. Over-regulation primarily appeared to be the main highlight, with the different regulators issuing many guidelines and circulars which were viewed as confusing and limited progression. As a result, this challenge increased compliance costs during the year while the given time to prepare and implement most of the guidelines was not enough.

Municipalities reported that the Rating Act and Billing Act reviews were still not finalized and this affected their rate collection exercise. The pending reviews were deemed as a necessary recipe to help provide the legal basis on how to treat child headed families and pensioners in billing among city councils and municipalities.

The manufacturing sector highlighted the lack of proper regulation for maize prices in the country. The maize market was said to be uncompetitive because government regulates the maize prices at a higher level. The Ministry of Agriculture regulates a higher maize price in the country but somehow allows imports for finished products, which becomes ineffective for consumers. Even though import quotas were introduced, it becomes impossible to manage the importation of the finished product.

Figure 7: Regulatory Framework



Source: Company Survey (2021)

Another challenge that may affect the sugar industry in the short-to-medium term is the South African Sugar Master Plan as it aims to cut back imports of sugar from Eswatini. This was observed to be inconsistent with the SACU Agreement on trade, as well as other international trade agreements.

The fuel industry reported a challenge of a lack of transparency from the regulator. There was a feeling that the regulatory authority does not engage retailers on changes in the industry and retailers were expected to adapt promptly to any changes that were effected. The fact that the Government, as a regulator, will be a competitor to the fuel retailers through the Strategic Oil Reserve project was highlighted as a major challenge. It was gathered that fuel retailers have not been informed on the way forward concerning the Strategic Oil Reserve project and the industry is uneasy on future prospects.

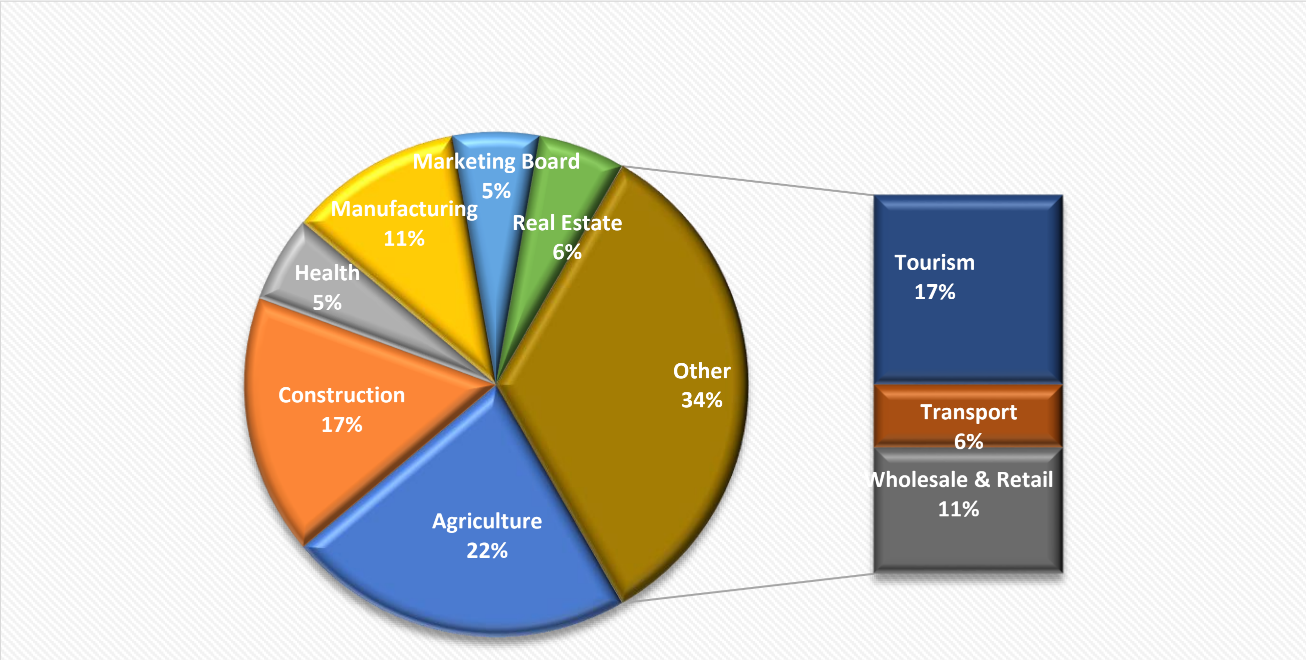
Challenge 3: Government Inefficiency

The agricultural sector registered 22 per cent of the challenges related to government inefficiency. It was reported that due to lack of funds from government, there is minimal animal disease surveillance in the country and this elevates the risk profile. It is said to be difficult to discover disease outbreaks on time and therefore this delays the much needed interventions. On the road networks, one company was of the opinion that some highways are not in a good state resulting in an increase in operation costs – higher transportation and vehicle maintenance costs. The other challenge is the deterioration in the quality of roads in the company's operational areas which affected their performance.

The construction industry which brought up three (3) of the eighteen (18) challenges highlighted under government inefficiency raised an issue around the non-segmentation of public capital projects which was said to delay completion of projects and ultimately causes an escalation of costs. The delay in the approval of the CIC regulations, which would help break down the oligopoly in the industry, is seen as a government problem that needs to be attended to with urgency. The lack of capitalisation from the Government, which is much needed to develop housing schemes & upgrading of Mobeni flats which are old is another challenge. The Government currently lacks the funds to expand this model to other towns like Nhlangano & Piggs Peak.

On health issues, the governments non-prioritisation of funding for hospital operations has been a continued recipe for the frequent occurrence of drug shortages in the country. The arrears negatively affect procurement and delay distribution of medicines.

Figure 8: Government Inefficiency



Source: Company Survey (2021)

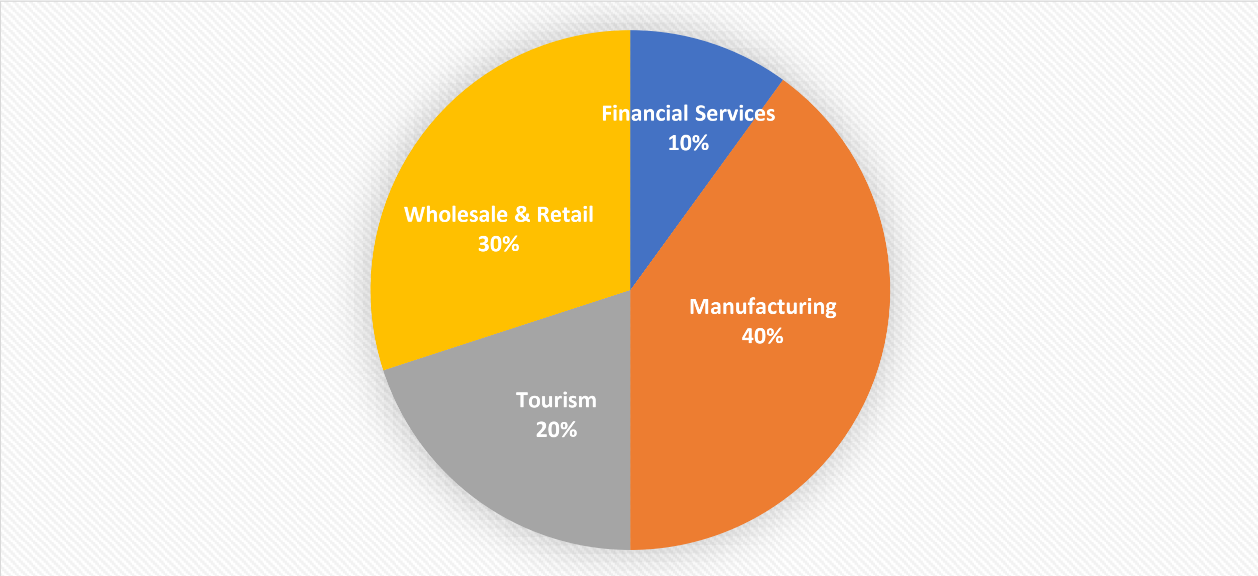
Challenge 4: Competition

The financial services sector raised a concern that the Central Bank of Eswatini is not using Fintech regulatory systems and this may cause challenges in future, from a macro-prudential standpoint. The problem that was highlighted was that there was a liquidity risk associated with keeping money on the mobile money platform for too long as this had a tendency of decreasing deposits for deposit taking corporations. There is also growing competition in the insurance market with older players losing some customers to new entrants.

In the manufacturing sector, production material is mostly sourced from South Africa. Due to lower prices in South Africa, local farmers are not keen on tapping into the yellow maize market as there is a feeling that the lower SA prices will squeeze their profits. The struggle to get higher prices also exists in the chicken industry, however, demand remains good as chicken remains the cheapest protein for the economy.

Challenge 5: Tax Issues

Figure 9: Tax Issues



Source: Company Survey (2021)

Companies across most sectors reported that the requirement to remit Value Added Tax (VAT) on an accrual basis (remit billed rather than collected VAT) continued to pose major cash flow challenges, which magnified during the course of the pandemic, as even their most reliant customers could not settle their bill on time, while invoices issued to the Government continued to age beyond bearable levels. As a result, these companies incurred exorbitant VAT interest and the ERS was not very accommodative in that no VAT relaxations were introduced. The cash basis method to remit VAT (remit collected rather than billed VAT) is currently made available to companies that make a turnover of less than E3 million, as prescribed in 2012, therefore this rigidity makes this option out of reach for most SME's.

On another note, local suppliers of fuel complained about the quota and fuel levy imposed in an effort to boost intra-SACU imports, as this has since eliminated the Mozambican market as an alternative supplier of fuel. Most fuel suppliers now source fuel from Durban, South Africa, which is now prone to congestions emanating from the increase in demand. This could potentially cause fuel shortages if not remedied within a reasonable turnaround time. Stamp duty hikes were also reported to have increased the importation costs of fuel.

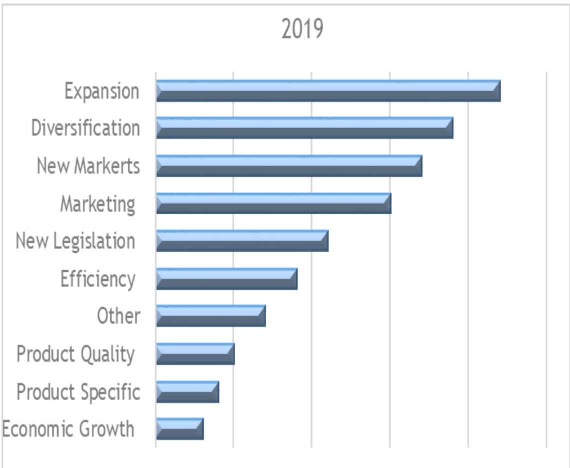
Lastly, most companies raised concerns over the aggressive tax collection methods exercised by the ERS, post the COVID-19 pandemic, as they expected to be afforded a certain degree of leniency, as an acknowledgement that usual income streams were subdued. Most companies advanced that it would help if the ERS would consider the survival and sustainability of businesses, as it aggressively collects taxes.

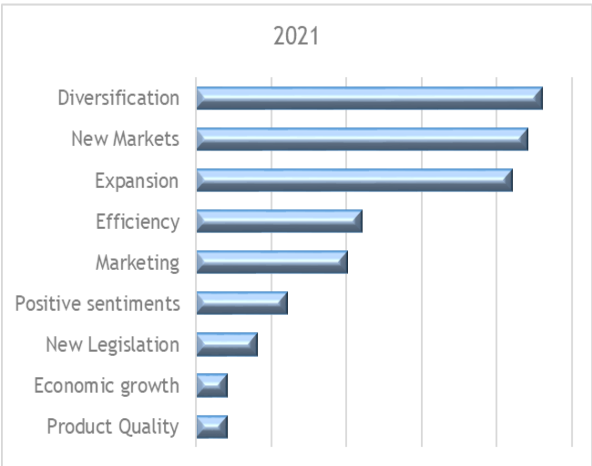
5.2 Opportunities

This section highlights the opportunities that participating companies identified as enhancements for performance within their landscape. The top five (5) reported opportunities in 2021 were: diversification, new markets, expansion, efficiency and marketing. These opportunities were relatively the same as the top five (5) reported in 2019, insofar as composition is concerned, with the exception of efficiency, which replaced new legislation reported in 2019.

Figure 10 below depicts how the rankings have emerged, from the pre-pandemic year in 2019 up to the year 2021. Diversification transitioned from 2nd position to 1st in 2021, as companies plan to introduce new and resilient income streams in order to reduce their proneness to the adversities of the pandemic.

Figure 10: Major Opportunities Identified by Surveyed Companies 2021 vs 2019





Source: Company Survey (2021)

The opportunity relating to new markets moved up from 3rd to 2nd in the rankings, as companies strive towards broadening their customer base across the SADC region in order to cushion international demand against major shocks. The opportunity relating to expansion dropped to 3rd place, due to subdued income streams brought about by the pandemic. Most companies reported that the COVID-19 challenges forced them to halt and postpone their capital expenditure plans. Efficiency, as an opportunity, moved up the ladder from 6th to 4th, as most companies adopted cost efficient means of production through reducing utility costs and other major operational expenditure lines in an effort to preserve their bottom line. Marketing opportunities replaced opportunities relating to new legislation in the top five (5) rankings for 2021, as the financial setback caused by the pandemic compelled businesses to increase their level of advertising in order to complement their diversification efforts, whilst reaching out to new customers.

By way of summary, table 3 below presents an elaborative version of all major opportunities reported in the 2021 Company Survey from the most to the least opportunity identified.

Table 3: Major Opportunities Highlighted by businesses in Eswatini

OPPORTUNITY	DESCRIPTION
Diversification	Majority of companies within the financial sector still see agriculture as a lucrative investment landscape.
	Companies within the manufacturing sector are considering investing in new less risky product lines in order to create a hedge against economic shocks. Others are working towards investing in alternative sources of energy in order to reduce utility costs.
New Markets	A notable number of companies within the manufacturing landscape are on the verge of securing new markets abroad, predominantly within the SADC region and outside the CMA.
	Fund Managers are exploring the possibility of placing funds in offshore investment platforms, which will offer a higher return in order to help their portfolios recover from the pandemic induced dip.
	Providers of Credit regard the agricultural sector as a sphere of the economy worth lending money, given that food is a necessity hence there are measures that will be introduced to increasing lending towards this sector. Other sectors

	reported to be less risky were providers of emergency medical services and forestry.
Expansion	Companies within the agriculture, financial and manufacturing sector are working towards expanding their product base in order to fill in gaps that exist within their markets and improve income generation.
Efficiency	The manufacturing sector commenced the implementation of cost efficiency initiatives, aimed at reducing utility costs and instilling more reliable sources of electricity and water - through installation of solar plant, which will generated green energy.
	Providers of financial services are pursuing the broadening of their digital banking landscape, in order to appropriately adjust to the new normal and hence continue to accommodate their customers' needs.
Marketing	Companies within the wholesale and retail sector adopted social media as one of their key platforms for advertising their products, and thereafter offered to make deliveries to customers in order to adjust to the new normal and cushion their companies against the adverse effects of the pandemic.
	The tourism sector is working towards strengthening their relations with the domestic market through offering more accommodative travelling packages, given that the increase in EmaSwati's travelling appetite in the midst of the pandemic cushioned the sector against major financial setbacks.
Positive sentiments	Companies across all sectors look forward to rebounding from the COVID-19 setback, given that the globe is now on a notable recovery path as evidenced by better containment of second and third wave of the pandemic.
New Legislation	Suppliers of vehicles and accessories hope the new legislation, which discourages the purchasing of grey import cars from outside the Common Monetary Area - hope vehicle sales will increase.
	Providers of financial services hope the Government will make a consideration to revise the tax legislation in order enable individuals to have more disposable income - as their product sales are currently subdued by the assertion that employment income is taxed heavily.
	Regulators responsible for ensuring that fair competition prevails within the domestic market have signed agreements that will enhance this mandate.
Product Quality	Companies across all sectors are aiming to improve product quality and customer service speed up the recovery from COVID-19 trough.

Economic growth	Companies within the primary sector of production hope the South African economy recovers faster than expected in the short to medium term, as that will restore demand for raw materials sourced from Eswatini.

Source: Company Survey (2021)

6.0 CONCLUSION

The company survey exercise remains a critical platform for engagement between economic agents and policy makers on issues relating to the country's business environment. The exercise, which involves assessment of underlying factors in the performance and doing business by both public and private, allows for the monitoring of performance trends in the economy in order to inform policy direction. Specifically, the output is used to inform the forecasting of macro-economic trends in the domestic economy as well as providing the advocacy measure for our policy makers.

In the period under review, the economy, similar to other economies around the globe, faced distressing pressures at the back of the global health pandemic, known as the corona virus (COVID-19). The COVID-19 induced effects such as lockdowns, travel restrictions and social distancing measures resulted to severe disruptions and restrained economic activity. Most businesses experienced labour disruptions, supply disruptions, and border closures amongst others.

In the 2021 survey, 92 companies were surveyed through the virtual platforms. These surveyed companies were chosen from almost all the sectors of the economy. The assessment results indicated that despite the COVID-19 challenges most entities managed to endure the storm and realized marginal growth, though could not outperform 2019 performance due to inhibited performance. Most entities reported to have been supported by government policies, which classified certain operations as essential as well as some internal deliberate moves in containing operational costs. Additionally, given the new norm of doing business, this benefitted sectors such as the ICT-related, whilst others sectors were compromised in the process. Assessing the employment and investment trends in the period, declines were recorded owing to the COVID-19 situation.

Ranking the challenges reported in the period under review, taking the lead was the pandemic as an emerging challenge to the economy, whilst challenges such as regulatory framework, government inefficiencies, company specific issues and competition remained amongst the leading issues even in the period. On country's opportunities that could enhance growth, issues such as diversification, new markets and expansions have been ranked as some of the observed opportunities that could be explored by most companies.

Annex 1: General Questionnaire

Introduction

Thank you for taking part in the Eswatini Company Survey 2021 organized by the Ministry of Economic Planning and Development and the Central Bank of Eswatini.

The questionnaire is divided into 7 sections and we would appreciate if you could answer all the fields either electronically or in print. If your company participated in the survey in 2020, some fields may have been completed with the information provided last year. Feel free to amend any of the information if it has changed since then. If you need further assistance do not hesitate to contact us.

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

Section 1. General Information

Q.1.1. Company Name:

Q.1.2. Financial Year End (Month):

Q1.3. Please indicate whether the questionnaire is being answered according to the company's financial year or the calendar year:

__ Financial Year __ Calendar Year

Section 2. Ownership Structure

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

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

Please add rows as required

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

Subsidiary Name	Share (%)

Please add rows as required

CONTINUES NEXT PAGE

Section 3. Production and Sales

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

No.	Unit of Measurement	Product Description
1		
2		
3		

Please add rows as required

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

No.	2019	2020	2021	2022	2023
1					
2					
3					

Please add rows as required

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

No.	2019	2020	2021	2022	2023
1					
2					
3					

Please add rows as required

Section 4. Total Revenue, Expenditure and Profits

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

	2019	2020	2021	2022	2023
Total Revenue					
Net Rental Income					
Net Interest Income					
Total Expenditure					
Cost of Goods Sold					
Utilities Costs					
Pre-Tax Profit					

Section 5. Employment

Q.5.1. Please provide details of employment levels:

Type	2019	2020	2021	2022	2023
Permanent					
Temporary					
Total					

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

	2019	2020	2021	2022	2023

Section 6.   Sector 6. Capital Expenditure

Q.6.1. Please provide details of capital expenditure and entity value (E Million):

	2019	2020	2021	2022	2023
Total Capital Expenditure					
Gross Book Value of entity/enterprise					

Q.6.2. Please provide details on the capital structure:

	2019	2020	2021	2022	2023
Liabilities (as % of Total Assets)					
Overdrafts (as % of Total Liabilities)					
Long-Term Loans (as % of Total Liabilities)					
To Non-Residents (as % of Total Liabilities)					
Equity (as % of Total Assets)					
Reinvested Earnings (as % of Total Equity)					
Of Non-Residents (as % of Total Equity)					

Section 7.   Trade

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

Country	Inputs (% of total input cost)		Markets (% of total revenue)	
	2019	**2020**	**2021**	**2022**
Eswatini				
South Africa				
Botswana, Lesotho and Namibia				
Rest of Africa				
United States				
European Union				
Rest of Europe				
Rest of the World				

END

MINISTRY OF ECONOMIC PLANNING AND DEVELOPMENT

CENTRAL BANK OF ESWATINI
Umntsholi Wemaswati

Annex 2: 2021 Company Survey Team

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Nomvuyo Mabuza	CBE
Nonhlanhla Mamba	CBE
Nonhlanhla Simelane	CBE
Ntobeko Dlamini	CBE
Sibusiso Shongwe	MEPD
Siphiwo Dlamini	MEPD
Sipho Skosana	CBE
Sive Kunene	CBE
Sizwe Bhangu	CBE
Thandeka Mdladla	CBE
Thokozani Sibiya	MEPD
Vangile Dlamini	CBE
Vusi Khumalo	CBE
Welcome Nxumalo	CBE
Zamokuhle Magagula	CBE
Zana Mabuza	CBE