



## **ESWATINI MEDIUM-TERM ECONOMIC GROWTH FORECASTS** **(2021-2024) - JANUARY REVIEW**

**“Statement on Recent Economic Performance – issued by the Honourable DR. E. T. Gina, Minister for Economic Planning and Development”.**

The domestic economy has continued to reflect resilience despite several headwinds experienced, including the unrelenting COVID-19 waves characterized by emergence of new highly infectious variants, erratic weather conditions (climatic shocks) with the country facing a LA ‘Nina phenomenon for the second consecutive year (that have produced continuous heavy rains) as well as uncertainty posed by the unprecedented socio-political unrests. On the global front, economic performance depicted continued resurgence as earlier anticipated, although the momentum of the recovery has marginally slowed with economic growth rates revised down from 6.0 percent in July 2021 to 5.9 percent, (IMF World Economic Outlook, October 2021). The downward revision was on the back of supply disruptions mainly in advanced economies and worsening pandemic dynamics in low-income developing countries.

In the second half of the year 2021, the third and fourth waves of the COVID-19 pandemic resulted in an upsurge in the number of new cases and fatalities in the domestic economy. Notably, these waves were not as stifling to economic activity compared to previous occurrences, due to relatively relaxed COVID-19 control measures that were aimed at striking the balance between the attainment of full economic recovery and the fight against the pandemic. Additionally, the domestic vaccination programme has been on a gradual upward trajectory reaching 26.7 percent of the total population as at mid-January 2022. The positive progress continues to help in containing the spread of the virus and ease the uncertainties, which then weigh heavily on supply and demand trends in the domestic economy. Nonetheless, the pandemic has remained a negative risk for the globe and the domestic economy alike, continuing to be a threat mainly on global tourism and international travel. According to the United Nations World Tourism Organization (UNWTO January 2022), global international travel is expected to remain about 70 percent below pre-COVID-19 levels in the short-term. Furthermore, socio-political unrests experienced in June and October 2021, which manifested through asset and inventory depletion, loss of operational hours, disruption of input supplies from neighbouring South Africa and internet interruptions, had a negative (short-lived) impact on domestic economic performance. However, actual data for 9 to 12 months of 2021 for selected high frequency indicators on production and trade depicted stronger rebound on a year-on-year comparison than earlier envisaged. This suggests that, while



negative shocks have curtailed growth, their impact were not as severe as initially projected (particularly for directly affected sectors). Moreover, the response through the prompt launching of the Reconstruction Fund, following the unrests supported the recouping of some losses and further fast-tracked recovery of affected sectors within the same year.

In light of these developments, the medium-term GDP projections have since been reviewed with 2021 reflecting a strong rebound than earlier anticipated. Domestic output is now expected to increase by 5.9 percent in 2021 relative to the earlier projected growth of 1.4 percent in August 2021. This notable increase underscored the low base effects from the same period in the previous year, where economic activity was severely disrupted by strict lockdown restrictions. With relaxed lock down restrictions in the three quarters of 2021, economic activity rebounded as most sectors depicted a recovery on a year-on-year basis. Third quarter real GDP grew by a 3.1 percent (year-on-year seasonally adjusted) mainly driven by animal production, forestry, manufacturing, electricity, ICT and financial services. This further reflected that economic output for the country in the 9 months to September 2021 was 9.2 percent higher than the same period in the previous year. Moreover, nominal exports rose by 7.2 percent for the year 2021, affirming stronger external demand particularly on key export commodities such as miscellaneous edibles (6.7%), textiles (19.8%), as well as forestry & wood products (32.6%).

Upward revisions in 2021 were mainly observed in the ‘manufacturing of beverages’, ‘ICT- related activities’ and ‘wholesale & retail subsectors’. Manufacturing of beverages (i.e. concentrates, ethanol and soft drinks) was revised from a growth of 12.5 percent in August 2021 to 21.0 percent in January 2022. The growth was attributable to higher than initially envisaged increase in external demand from key destination markets, which benefited from easing of lockdown restrictions on contact-based activities such as social gatherings. On the same vein, ICT remains on an upward trend benefiting from increased usage of digital platforms (with the “new normal”). Resultantly, the subsector was revised upwards from 9.5 percent in August 2021 to 15.7 percent in January 2022. The wholesale & retail subsector on the other hand, which was one of the hardest hit sectors by the recent socio-political unrests, was revised upwards from a significant 9.8 percent contraction in August 2021 to a muted decline of 1.2 percent in January 2022. The gains for this sector were mainly realised through the implementation of the reconstruction programme following the unrests, which were however moderated by the continued pressures on real wages.

On the contrary, downward revisions were mainly from the ‘manufacturing of sugar’, ‘mining & quarrying’ as well as ‘public administration’. Sugar manufacturing output for 2021 is estimated to



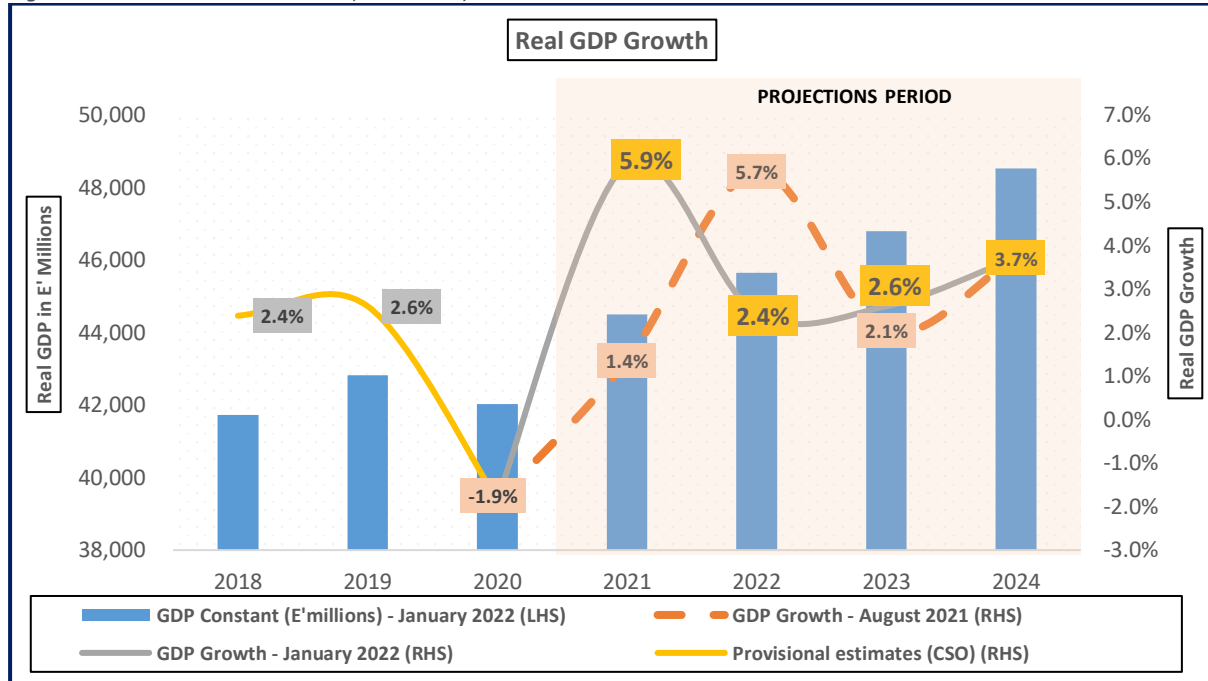
decline from 1.1 percent (in the August 2021 Projections) to a significant decline of 6.7 percent in the January 2022 review, owing to a prolonged industrial strike that lasted for approximately seven (7) weeks during the second half of 2021, coupled with unfavourable weather conditions that weighed negatively on yields. Moreover, the mining sector was revised downwards from a high increase of 42.8 percent to a relatively modest 10.2 percent growth in January 2022. This was on account of unforeseen delays in the mining of coal on an earlier envisaged prospective high yielding crown land. Finally, the public administration subsector was revised downwards from 2.6 percent to a contraction of 0.9 percent attributable to a higher natural attrition rate in personnel against a slower replacement rate.

In view of the changing base, 2022 performance has been revised downwards indicating a shift in the distribution of the recovery to 2021, which had been earlier envisaged to be postponed to 2022 following the riot disruptions. Domestic economic growth for 2022 is projected to grow by 2.4 percent from an estimated 5.9 percent increase in 2021. Sectors expected to perform positively in 2022 include manufacturing, ICT and financial services; although these sectors are expected to grow at a much slower pace than in 2021. From a fiscal perspective, the second-round effects of COVID-19 are anticipated to result in a relatively reduction SACU revenues than in 2021, however with this fall now projected to be lower than earlier anticipated. In addition, as the country continues to pursue a fiscal consolidation plan, this will prospectively result in expenditure rationalization and thus lay pressure on the demand driven activities such as; construction and 'wholesale & retail'.

Economic activity in the outer years; 2023 and 2024 is projected to grow by 2.6 and 3.7 percent respectively, with key assumptions broadly remaining unchanged. However, major risks to this medium-term outlook remain and include; the uncertainty around the efficacy of the COVID-19 vaccine programme, as well as the risks around the socio-political unrests. Eventualities of the above developments could result in a much-muted growth than projected.



Figure 1: Real GDP & Growth rates (2018-2024)



Source: Macro Forecasting Team (MFT)

Table 1: Growth Rates by Production Sectors

GDP Growth Rates by Production Sectors							
	2020 (provis.)	2021 (Aug '21)	2021* (Jan '22 Review)	2022 (Aug '21)	2022* (Jan '22 Review)	2023* (Jan '22 Review)	2024* (Jan '22 Review)
<b>Primary Sector</b>	<b>-5.1</b>	<b>4.3</b>	<b>5.0</b>	<b>7.4</b>	<b>4.0</b>	<b>4.6</b>	<b>2.2</b>
Agriculture & Forestry	-5.4	3.8	4.9	7.5	4.1	4.5	2.6
Mining	25.1	37.2	10.2	4.1	-1.7	12.1	-27.9
<b>Secondary Sector</b>	<b>-9.8</b>	<b>5.5</b>	<b>12.6</b>	<b>5.6</b>	<b>1.8</b>	<b>3.2</b>	<b>5.4</b>
Manufacturing	-10.1	6.0	13.4	6.3	3.0	3.9	4.0
Construction	-3.3	1.3	6.7	-0.5	-12.9	-4.8	24.9
<b>Tertiary Sector</b>	<b>4.5</b>	<b>-1.8</b>	<b>2.2</b>	<b>5.3</b>	<b>2.5</b>	<b>1.8</b>	<b>2.5</b>
Wholesale & Retail	0.0	-9.3	1.2	7.5	-0.1	0.2	0.9
Information Communication & Tech.	75.6	7.1	14.4	2.0	3.2	7.9	10.9
General Government Services	1.2	2.6	-0.9	1.5	1.7	-0.7	-4.8
<b>Overall GDP</b>	<b>-1.9</b>	<b>1.4</b>	<b>5.9</b>	<b>5.7</b>	<b>2.4</b>	<b>2.6</b>	<b>3.7</b>

Source: Macro Forecasting Team (MFT)

Provis. - Provisional figure by CSO

\* - GDP Forecasts as at January 2022