



**ESWATINI MEDIUM
TERM REAL GDP
FORECAST**

2023 – 2026

**BY
MACRO FORECASTING TEAM
(MFT)**

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ESWATINI MEDIUM-TERM ECONOMIC GROWTH FORECASTS **(2023 – 2026).**

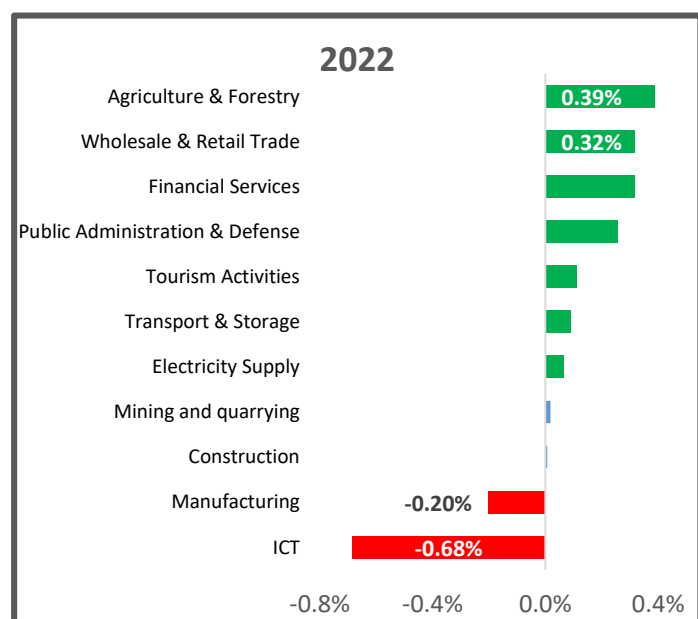
“Statement on the Recent Economic Performance – Issued by the Honourable Dr. E. T. Gina, Minister for Economic Planning and Development” – September 2023.

1. Overview

Recent economic shocks, such as the COVID-19 and the intensifying geo-political tensions – specifically the Russia-Ukraine conflict - have magnified economic fragmentation in most economies including Eswatini. These shocks have continuously triggered several challenges including global supply chain disruptions, elevated inflationary pressures, tightening financial conditions, and heightened debt stress in most economies. As a result, the International Monetary Fund (IMF), through its July 2023 World Economic Outlook (WEO) Update, has projected a slower 3.0 percent on global growth for 2023, compared to 3.5 percent in 2022. On the other hand, regional economic growth, as proxied by South Africa’s (SA) economic growth – Eswatini’s key trading partner – remains muted. The South African Reserve Bank (SARB, July 2023) forecasted the South African economy to grow by a marginal 0.4 percent in 2023, from 1.9 percent in 2022, largely on account of weaker commodity export prices and constraints on energy supply, which manifested through load-shedding. The challenges in the SA market affected both supply of inputs for production and demand for exports, thereby constraining growth in key trading partners.

2. Developments in 2022

As previously predicted, economic activity was suppressed in 2022. According to provisional estimates produced by the Central Statistical Office (CSO), Gross Domestic Product (GDP) slowed to 0.5 percent in 2022 from a revised growth of 10.7 percent in 2021. This was on account of previous year’s high base effects, negative impacts of geo-political tensions, tightening financial conditions as well as fiscal challenges due to lower Southern African Customs Union (SACU) inflows in the fiscal year

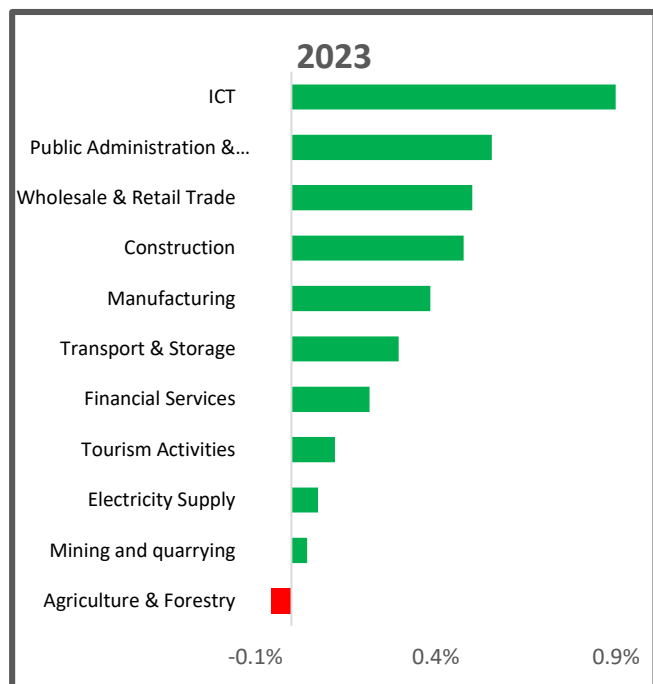




2022/23. In terms of production sectors, the secondary sector recorded a marginal decline of 0.4 percent in the period, due to weaker manufacturing and construction output. High inventory levels and relatively weak external demand weighed negatively on manufacturing output, whilst fiscal challenges affected the implementation of public infrastructure projects. On a positive note, primary sector output improved and recorded a growth of 5.2 percent in 2022 compared to 4.6 percent in the previous year, mainly buoyed by agriculture (i.e., growing of crops and animal production) and mining activities. The tertiary sector, on the other hand, recorded a flat growth of 0.1 percent in 2022 compared to 6.8 percent in 2021. Developments in the tertiary sector were mixed. On the positive side, sub-sectors such as ‘Wholesale & Retail’ (W&R) and ‘Financial Services’ reflected positive performance, whilst ‘Information Communication Technology’ and ‘Human Health & Social Work’ performed negatively, on account of high base effects from the previous year.

3. Economic Projections 2023

Domestic economic activity is projected to recover in the short-term, benefiting from a relatively buoyant domestic demand, which is expected to outweigh the envisaged global economic challenges, though downside risks are still imminent. In the 2023/24 fiscal year, the country recorded a windfall in SACU revenues, which increased to E11.750 billion from E5.818 billion in the previous fiscal year. This provided the much-needed fiscal space supporting recovery in public spending, public investment and demand driven sectors. Real GDP growth in 2023 is forecasted to strengthen to 4.7 percent driven by the secondary and tertiary sectors, whilst weaker performance is envisaged in the primary sector in the period.





a. Primary Sector Developments

The primary sector, which involves agricultural and mining activities, is forecasted to contract by 0.2 percent in 2023 compared to a high base of 5.2 percent in 2022. Weather-related challenges, coupled with high input costs weighed negatively on crop production particularly maize and sugarcane production. In addition, animal production is envisaged to decline by 1.7 percent, due to supply constraints linked to the prolonged outbreak of foot and mouth disease in SA, which weigh negatively on hoofed animal output. Other livestock such as ‘raising of pigs’ will continue to be affected by high feed costs, as well as saturation in the domestic market. The poor performance in crops and animal production will be partially offset by stronger growth from ‘mining & quarrying activities’ as well as the forestry subsector. Coal production is expected to grow by more than double benefitting from the mining of high yielding crown land awarded in 2022. The ‘forestry and logging activities’ subsector is forecasted to grow by 14.5 percent, benefitting from relatively high external demand for forestry products. Notably, nominal exports for ‘forestry and related products’ grew by 17.8 percent, on a year-on-year basis, in the first eight (8) months of 2023.

b. Secondary Sector

Following muted performance in 2022, the secondary sector is projected to recover and record 2.7 percent in 2023 from a contraction of 0.4 percent in 2022. The rebound will be supported by the manufacturing and construction subsectors. The manufacturing subsector is forecasted to benefit from agro-processing (sugar, fruit canning, dairy and processing of wood & wood products) and other manufacturing mainly linked to construction activity. On the negative side, the manufacturing of textile and wearing apparel is projected to decline considering the deterioration in the terms of trade in the SA market, where the protectionism policies being implemented in the textile industry will affect the demand of textile imports (i.e., Eswatini textile exports) into the SA market. In the eight months to August 2023, textile exports declined by 0.8 percent, reflecting the weak external demand for these products.

Construction activity is envisaged to recover in 2023. Improvement in the government cashflow position will support an acceleration in the implementation of existing projects as well as the uptake of new projects. Ongoing projects under implementation include Lower Usuthu Smallholder Irrigation Project II (LUSIP II), International Convention Centre & Five Star Hotel (ICC-FSH), construction of factory shells and Nhlanguano-Sicunusa road amongst others. New projects commencing in 2023 include the Multi-Billion Mkhondvo – Ngwavuma Water Augmented



Program (MNWAP). The first phase of MNWAP entails the construction of the Mpakeni Dam and supporting infrastructures valued at approximately E2.890 billion. Other new projects include the construction of the parliament building (valued at E1.651 billion) and several private sector projects.

c. Tertiary Sector

Broad based growth is envisaged for the tertiary sector benefitting from the performance of the other two (2) sectors. Evidently, the sector is projected to grow by 6.7 percent in 2023 compared to 0.1 percent in the previous year. Subsectors expected to contribute positively in the period include; 'wholesale & retail', 'transport', 'tourism activities', 'information & communication services', 'public administration' and 'professional activities'. The 'wholesale & retail' subsector will benefit from increased government spending linked to consumption related to national events particularly the elections. In line with global trends, tourism activities are expected to continue growing at double digits and reach at least 70 percent of pre-COVID levels by the end of 2023. Other services subsectors will benefit from developments in the primary and secondary sectors.

4. Medium-Term Outlook 2024-26

Economic growth in the medium-term (2024 – 2026) is projected to average 3.3 percent with a peak of 4.9 percent in 2024. Continuous implementation of multi billion projects (such as the MNWAP) as well as the commencement of projects earmarked to support the energy sector (i.e., solar, biomass and hydro related projects) will be the main drivers of growth in the medium term.

However, the outer years' growth will slightly moderate on account of base effects with the anticipated completion of mega public projects coinciding with the low uptake of newer projects of similar magnitude in consideration of public debt sustainability. The cyclicity of SACU inflows, rising debt levels and interest payments as a share of GDP, will curtail spending in the outer years thereby yielding relatively lower growth outcomes. Private sector investment, on the other hand, will be conditional on easing financial conditions and improvement in both global and domestic uncertainties.

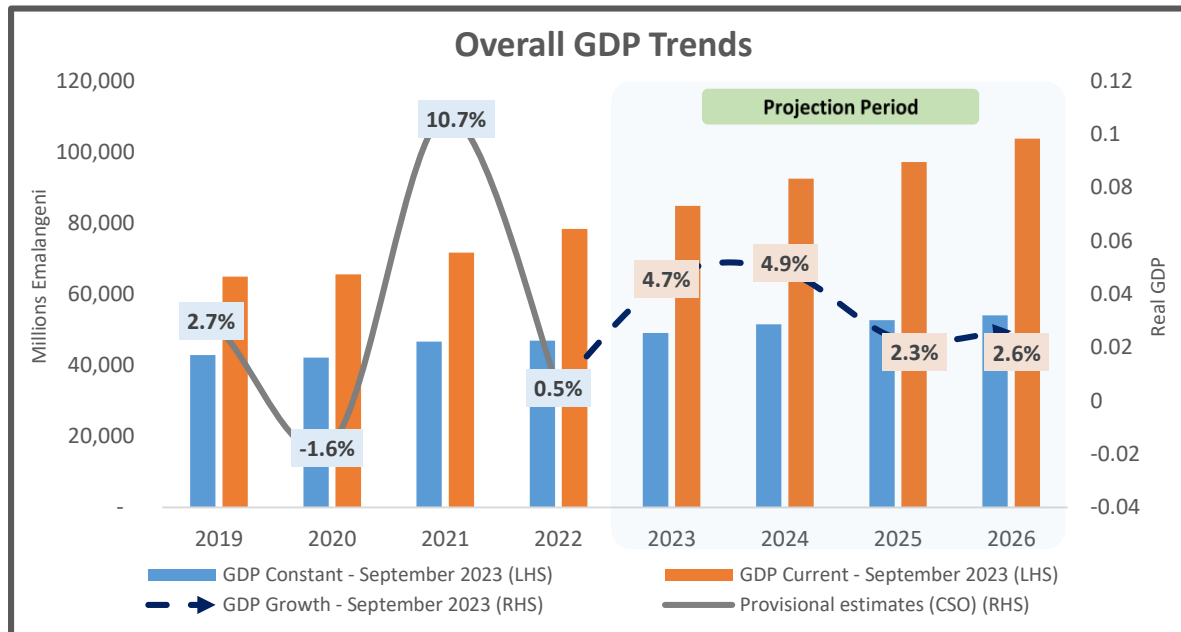
5. Downside Risks to the Projections

Global shocks remain a major risk to the domestic economy's outlook, given strong trade links with the rest of the world. Recurring geopolitical tensions as well as unforeseen outbreaks of pandemics are amongst the recent high risks to growth. Climate change continues to be a threat to agricultural production and other key economic sectors. From a domestic perspective, tighter



fiscal space, and any potential delays in the implementation of mega projects form part of the critical risks for the medium-term outlook.

Figure 1: Overall GDP Trends



Source: Macro Forecasting Team (September 2023)

Figure 2: GDP Growth by Economic Sectors (in percent, unless specified otherwise)

GDP Growth Rates by Production Sectors									
	Weight	2020	2021	2022 ^e	2023 ^f	2024 ^f	2025 ^f	2026 ^f	
Primary Sector	8.9	-7.2	4.6	5.2	-0.2	6.9	-0.7	3.0	
Agriculture & Forestry	8.6	-7.5	4.6	5.1	-0.7	4.9	-0.6	3.1	
Mining	0.3	25.1	3.1	17.3	35.5	100.5	-3.4	0.7	
Secondary Sector	33.1	-9.8	17.9	-0.4	2.7	5.8	2.3	3.1	
Manufacturing	27.9	-10.0	20.1	-0.6	1.2	4.2	3.0	4.3	
Construction	3.1	-5.1	-0.1	0.3	17.9	32.3	-4.1	-10.8	
Tertiary Sector	53.0	5.4	6.8	0.1	6.7	3.9	2.9	2.1	
Wholesale & Retail	15.9	0.0	0.5	2.5	3.9	4.0	2.5	-1.0	
Transport	2.7	-11.0	-1.3	5.6	4.9	7.4	-2.7	-12.9	
Info. Com. & Tech.	4.5	93.3	46.5	-8.7	12.5	6.0	6.0	4.7	
General Government Services	6.8	1.2	-6.1	4.7	9.9	-1.0	1.5	1.5	
Overall GDP	100	-1.6	10.7	0.5	4.7	4.9	2.3	2.6	
GDP Constant (E' Millions)		42,186	46,692	46,915	49,111	51,502	52,706	54,088	
GDP Current (E' Millions)		65,588	71,712	78,390	84,879	92,538	97,182	103,739	

Source: Macro Forecasting Team (MFT)

^e denotes CSO provisional estimates

^f denotes MFT forecast year as of September 2023.