



ESWATINI MEDIUM-TERM ECONOMIC GROWTH PROJECTIONS 2024 – 2027

Statement on the Recent Economic Performance – Issued by the Honourable Dr. E. T. Gina, Minister for Economic Planning and Development – November 2024

1. Overview

According to the IMF World Economic Outlook Update (October 2024), global growth is projected to moderate from 3.3 percent in 2023 to 3.2 percent in 2024 and 2025, reflecting no change from the previous (July 2024) projections for 2024 and a marginal 0.1 percentage point downward revision for 2025. Growth in the Advanced Economies (AEs) is projected to marginally improve from 1.7 percent in 2023 to 1.8 percent in 2024 and 2025, largely attributable to stronger outturns in consumption and non-residential investments in the United States coupled with an improvement in real incomes in the Euro Area, which has supported domestic demand.

In the Emerging Market and Developing Economies (EMDE's), growth is projected to remain stable at 4.2 percent in 2024 and 2025, with varying dynamics in different countries. Regionally, the Sub-Saharan Africa (SSA) region is projected to grow by 3.6 percent in 2024, owing to weak growth prospects in the Nigerian and South African economies. Growth in South Africa is projected at 1.1 percent in 2024 and to rise to 1.7 percent in 2025 due to the waning effects of load -shedding, supporting a rebound in economic activity. Inflation is also under control both globally and regionally.

In South Africa, Eswatini's major trading partner, inflation is expected to moderate to less than 5 percent in 2024 and is projected to remain contained in 2025 and 2026. In the short-term, the disinflation would be supported by the appreciation of the Rand as well as lower oil prices, which the United States Energy Information Agency (EIA, October 2024), has projected to fall from an average of US\$81.00 per barrel in 2024, to US\$ 78.00 per barrel in 2025. This development will be on account of an

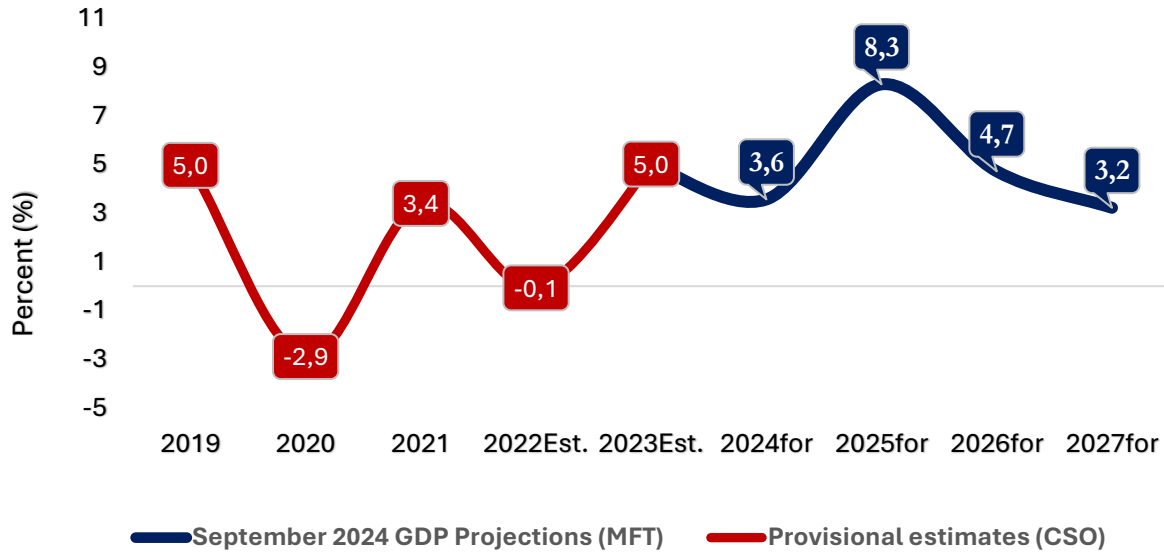


increase in production from the non- Organization of Petroleum Exporting Countries (non - OPEC+) such as Guyana, Brazil, Canada and the United States.

2. GDP Developments in 2024

Eswatini economic activity as measured by gross domestic product (GDP) is expected to increase by 3.6 percent in 2024, following a notable growth of 5.0 percent in 2023 (NB: based on GDP series by the Central Statistical Office (CSO), 2024). The slowdown in the period will be on account of high base effects in the services sector in 2023 (which was an election year), coupled with a slow start in the implementation of mega projects earmarked for the medium-term.

Figure 1: GDP Projection 2024-2027 growth rates (%)



Source: Macro-forecasting team (MFT)



a. Primary Sector Developments

Economic activity in the primary sector is projected to expand by a significant 9.4 percent in 2024, from a growth of 7.1 percent in 2023. Positive performance in the primary sector will be driven by 'agriculture & forestry' as well as 'mining & quarrying' activities. The 'agriculture & forestry' subsector, is forecasted to expand by a significant 6.0 percent in 2024, compared to 2.2 percent in the previous year. Droughty weather conditions experienced in the first half of 2024 are envisaged to have weighed negatively on rainfed crops (such as maize and cotton). On the contrary, the weather conditions are expected to result in better yields in the sugar industry, which were previously affected by above normal rains (high cloud cover and less sunshine). Animal production, on the other hand, is projected to contract by 1.2 percent in 2024, mainly due to the 1.0 percent decline projected for the total cattle population, coupled with a 2.5 percent fall envisaged for poultry slaughters during the period.

Forestry and logging activities are forecasted to grow by a slower 8.2 percent in 2024 compared to 38.5 percent in 2023. Load shedding in South Africa is expected to hamper demand for domestic forestry products. Moreover, sales of forestry products outside the South African markets (mainly destined overseas) will continue to be affected by the ongoing logistical challenges in South African harbors.

Activity in the 'mining & quarrying' sector is forecasted to expand by 33.0 percent in 2024 following a significant increase of 61.4 percent in 2023. Expansions in coal production owing to the mining of high yielding crown land are expected to drive growth in this sector.



b. Secondary Sector Developments

The secondary sector, which comprises manufacturing, construction, electricity and water supply, is projected to rebound and record 4.9 percent in 2024, from a contraction of 0.7 percent in 2023. Growth would broadly emanate from positive developments in the 'manufacturing' sector, which is expected to grow by 5.6 percent in 2024, an improvement from a contraction of 1.2 percent in the previous year. Food manufacturing will mainly be driven by positive developments in the sugar industry on the back of prospective improvements in sucrose yields and additional cane harvested under the Lower Usuthu Smallholder Irrigation Project (LUSIP II). Similarly, the manufacture of 'chemical products' as well as manufacture of 'textiles & wearing apparel' are expected to reflect positive developments in 2024 benefiting from improvements in external demand. However, there are heightened downside risks for the manufacturing sector, which may impede growth prospects. These include the ongoing protectionism policies in the South African market for the textile industry, which is likely to constrain the optimal performance of the domestic textile industry.

Output on electricity supply is envisaged to remain suppressed in 2024, mainly on account of lower hydro-power generation due to droughty weather conditions in the first half of 2024.

The construction sector is expected to perform below potential in 2024, despite an improvement in government cashflow position following the higher Southern Africa Custom Union (SACU) revenues received during the 2024/25 fiscal year. A slow start in the implementation of the Multi-Billion Mkhondvo – Ngwavuma Water Augmentation Project (MNWAP), coupled with slow implementation of ongoing projects such as the International Convention Centre and Five Star Hotel (ICCFISH)



and the New Parliament building are some of the factors accounting for a slower growth in construction activity in 2024. Nonetheless, private sector construction activity is on course in complementing the public sector, but more growth is expected in subsequent years and will be driven by activities such as construction of company head offices and the Manzini Mall amongst others.

c. Tertiary Sector Developments

The tertiary sector constitutes all services including activities such as 'wholesale & retail', 'transport & storage', 'financial services', 'information communication & technology' (ICT), 'tourism related activities', 'health', 'education', 'government services' and 'other services'. The services sector is projected to slow to 1.5 percent in 2024 due to base effects, following a robust growth of 8.3 percent in 2023. The slowdown is underpinned by a 0.3 percent decline in the 'wholesale & retail' subsector, reflecting a winding down of consumption demand in 2024 after the 10.8 percent growth recorded in the previous year. Additionally, the public administration subsector is projected to contract by 2.3 percent during this period owing to lower hiring compared to the previous year, when the sector grew by 9.3 percent. The slowdown in these sectors is largely attributed to high base effects from previous year, spurred by activities related to elections in 2023.

On the positive side, ICT, 'tourism' and 'transport' sectors are projected to be on an upward trajectory in the short term. The ICT and transport sectors are anticipated to grow by 14.0 percent in 2024. The ICT sector will continue to benefit from investments in infrastructure including fibre connections, whilst the transport sector will benefit from envisaged improvements in the manufacturing sector. The tourism sector, on the other hand, is expected to remain on a recovery path and expand by 7.8 percent in 2024.



3. GDP Projections 2025 – 2027

Economic activity is projected to accelerate in the medium-term with an average of 5.4 percent between 2025 and 2027. The medium-term growth would be largely on account of expansions in the energy related projects as well as prospective upscaling of implementation of public sector investment projects. These covers dam construction (i.e., Mpakeni dam under MNWAP project), road construction (mainly the construction of MR14 and MR21 roads), and other mega projects (such as the construction of parliament building, strategic oil reserve and the continuous implementation of ongoing projects such as the ICCFISH among others).

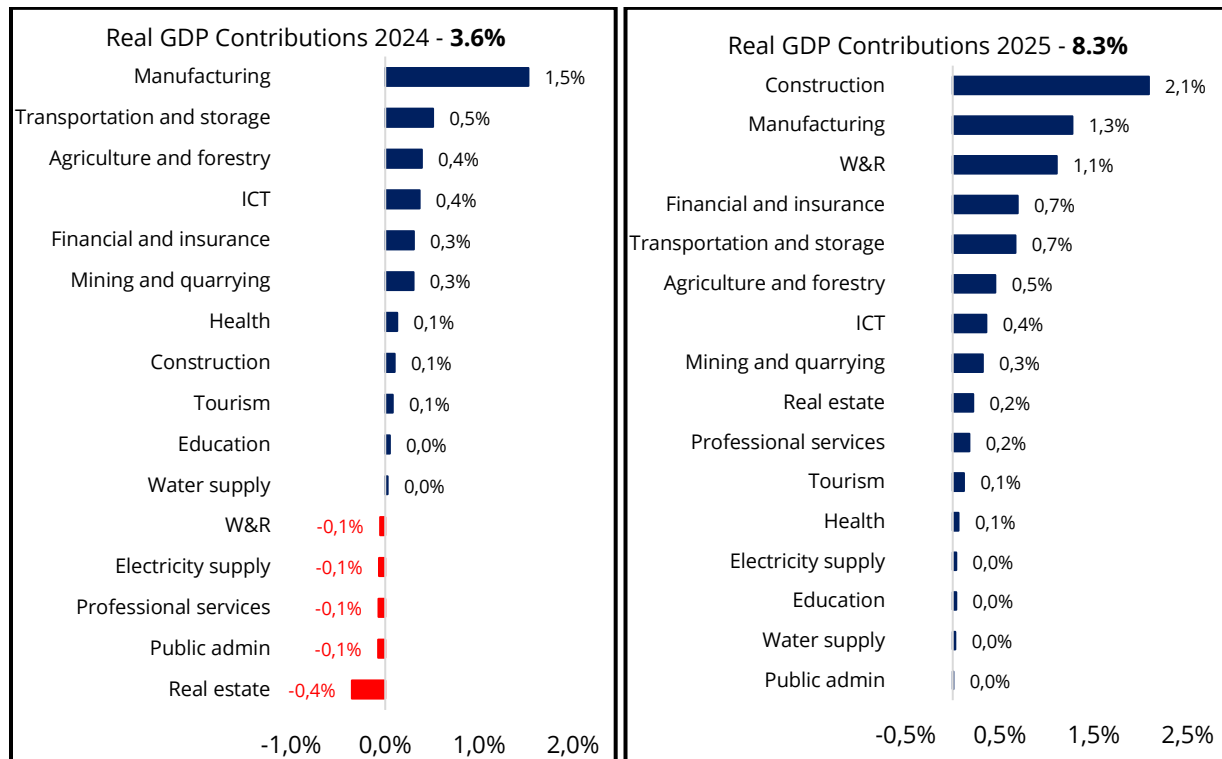
GDP is projected to expand by 8.3 percent in 2025 from 3.6 percent in 2024. The significant acceleration in economic growth is largely accounted for by construction activity earmarked for the medium-term on above-mentioned projects. Construction activity is projected to directly contribute 2.1 percentage points in the overall growth outcome in 2025. Other supporting sectors such as 'transportation', 'quarried stone production', 'manufacturing', 'wholesale & retail' and 'financial services' will also benefit from construction activity and contribute positively to the overall outcome. In the primary sector, double digit growth is expected for 'mining & quarrying' and 'forestry activities'. The 'mining & quarrying' subsector growth would be on account of expansions in coal mining and anticipated increase in quarried stone production to support construction activities particularly dams and road construction.

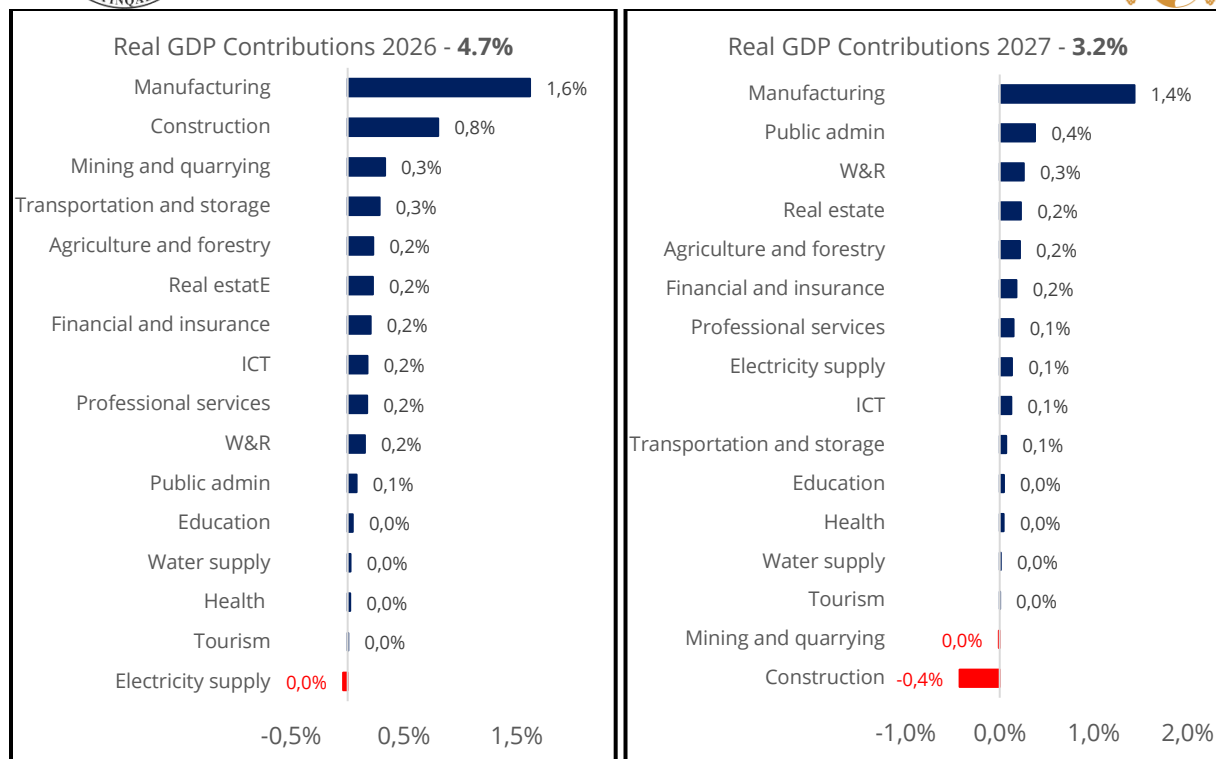
GDP growth is projected to slow down in the outer years, to 4.7 percent in 2026 and 3.2 percent in 2027. The envisaged deceleration in economic growth is on account of high base effects from 2025, coupled with the completion of some mega projects with prospectively slower replacement ratio. The implementation of public and private projects (i.e., energy projects, roads, dams and other infrastructural



developments) will continue in the medium-term, conditional on availability of financing. The mining sector is expected to maintain strong growth buoyed by increased production in coal and exploration of other minerals. The tourism industry is expected to reach pre-COVID levels and maintain steady growth in the medium-term. Strong growth is also expected in the textile industry driven by expansions in factory shells and a better penetration of markets including the United States (US) earmarked for the medium-term.

Figure 2: GDP Projections 2024-2027 (Contributions %)





Source: Macro-forecasting team (MFT)

4. Downside Risks to the Projections

Globally, the chief risks to economic growth are geopolitical tensions, conflicts and transitions of political leadership in major economies. These developments lead to uncertainty and global supply chain disruptions that translate to higher costs of production and curtail investment plans, leading to weaker economic growth outcomes. In addition, unfavourable weather conditions arising from climate change remain a major concern largely affecting output in the agriculture, agro-processing and hydro-power generation subsectors. Other risks would emanate from any potential squeeze on fiscal buffers that can affect the implementation rate of public mega projects. Also, delayed implementation of significant private sector-led projects particularly those relating to energy projects by individual power producers (IPPs), can lead to lower than forecasted growth outcomes particularly in 2025. Notably, a



failure or delay in the implementation of energy projects could lower projected GDP growth rates by up to one percentage point in 2025.

Table 1: Growth rates by Productive sectors

Description	2023	2024	2025	2026	2027
Agriculture and forestry	2.22%	6.04%	6.87%	3.46%	3.32%
Mining and quarrying	61.44%	32.96%	27.21%	24.07%	-0.58%
Primary sector	7.09%	9.38%	9.93%	7.06%	2.54%
Manufacturing	-1.19%	5.57%	4.57%	6.01%	5.26%
Construction	9.12%	2.91%	60.34%	15.70%	-7.55%
Secondary sector	-0.67%	4.92%	10.49%	7.23%	3.36%
Wholesale and retail trade	10.81%	-0.33%	7.09%	0.98%	1.72%
Transportation and storage	3.38%	14.67%	17.31%	6.78%	1.62%
ICT	15.88%	13.95%	12.41%	5.88%	4.03%
Financial activities	8.90%	5.08%	12.26%	4.39%	3.58%
Public administration	9.50%	-0.91%	0.08%	1.09%	5.32%
Tertiary sector	8.28%	1.51%	6.74%	2.87%	3.07%
Overall Growth	5.02%	3.56%	8.29%	4.72%	3.22%
Real GDP (E' million)	69,975.28	72,469.43	78,476.04	82,176.75	84,822.17
Nominal GDP (E' million)	81,987.02	87,268.35	95,521.29	102,568.35	110,796.05
MEMORANDUM					
GDP per capita (SZL)	69,015.20	72,585.41	78,486.50	83,243.12	88,812.19
GDP per capita (US\$)	3,741.62	3,968.58	4,389.63	4,494.77	4,711.52

Notes: GDP constant 2019 prices (E'million), GDP at current prices (E'million). 2023 is based on Rebased numbers from the Central Statistics Office. 2024-2027 represents the MFT projections.