



Ministry of Economic Planning and Development
Macroeconomic Analysis and Research Division
E-Bulletin No.13, Q4 2014

Disclaimer: Any views expressed in this publication are those of the authors and should not be interpreted as those of MEPD or the Government. Any errors are also our own.

Comments, criticisms and recommendations for improvement are most welcome. Please email: zagatti.swaziland@gmail.com or mmnisi@gmail.com

2014 Q4 Highlights

International

- The Global economy is projected to grow by 3.3 percent and 3.5 percent in 2014 and 2015 respectively, a downward revision relative to the October 2014 World Economic Outlook (WEO) (see section 1).
- The Euro Area realized an annualized growth rate of 0.9 percent in Q4 2014 reflecting a sizeable increase from the 0.2 percent figure realized the previous quarter (see section 1.1).
- UK GDP dropped by 0.5 percent during Q4 2014, compared to 0.7 percent growth in the previous quarter. (see section 1.2).
- The US realized an annualized growth rate of 2.4 percent during the quarter under review (see section 1.3).
- The US economy added 252 000 thousand jobs in December 2014. Unemployment fell from 5.8 percent in November 2014 to 5.6 percent in December 2014. (see section 1.3).
- RSA grew at an annualized rate of 1.3 percent in Q4 2014. (see section 1.4).
- World trade activity recorded an increase of 0.9 percent in the Q4 2014, mostly driven by emerging economies and weaker commodity and oil prices. (See section 1.5).

Domestic

- Swaziland recorded the highest inflation rate in the Common Monetary Area (CMA) at the end of Q4 2014 at 6.4 percent whilst the other CMA members were able to contain their inflation within the 3 percent - 6 percent target band. (see section 2.1).
- The CBS, in consultation with the MPCC, maintained the discount rate at 5.25 percent in its November 2014 meeting (see section 2.2).
- Q-o-q, credit extension to firms stagnated whilst credit to household increased by 3 percent (see section 2.3)
- The domestic currency depreciated against the US dollar and the Japanese Yen, whilst remaining steady against the British Pound and the Euro (see section 2.4).
- The total value of exports increased in Q4 2014 albeit at a slower rate compared to the same quarter in the previous year (see section 2.5)
- The annualised growth of imports declined for a second consecutive quarter owing to the weaker domestic currency against leading currencies (see section 2.6).
- Domestic tax revenue collections declined by 2 percent year-on-year in Q4 2014, though company taxes doubled q-o-q. (See section 2.7).
- Overall domestic debt increased by 8.4 percent quarter-on-quarter and Debt-to-GDP ratio rose to 18 percent at the close of the year 2014.

1. International Developments

Global growth for 2015 is projected at 3.5 percent, a downward revision of 0.3 percent relative to the October 2014 World Economic Outlook (WEO) projections. Revised growth figures are attributable to diminished expectations towards medium-term growth in advanced and emerging market economies. Since the October 2014 WEO was published, one key economic development that has affected global growth rates is the sharp drop in oil prices, which has resulted in weaker activity for major oil exporters while conversely boosting growth through production promotion in oil importing countries.

Table 1 - Global Annual Growth Forecasts

	Oct 2014		Jan 2015	
	2014	2015	2014	2015
World	3.3	3.8	3.3	3.5
Advanced	1.8	2.3	1.8	2.4
E & D	4.4	5.0	4.4	4.3

Source: IMF WEO Update January 2015

The IMF warns that uncertainty about oil prices in the future and the underlying drivers thereof create a new risk dimension to the global growth outlook. It is further highlighted that weaker projected growth for 2015 creates a greater need for countries to formulate policies that prioritise growth in actual and potential output.

Table 2 - Advanced Economies Annual Growth Forecasts

	Oct 2014		Jan 2015	
	2014	2015	2014	2015
US	2.2	3.1	2.4	3.6
Euro	0.8	1.3	0.8	1.2
UK	3.2	2.7	2.6	2.7
Japan	0.9	0.9	0.1	0.6

Source: IMF WEO Update January 2015

Downward revisions were extended to each of the advanced economies recognized in

Table 2 with the exception of the United States of America. Growth in the U.S rebounded ahead of expectations following the contraction in the first quarter of 2014. U.S growth rates are projected at 3.6 percent for 2015, an upward adjustment of 0.5 percent from the October 2014 WEO forecasts.

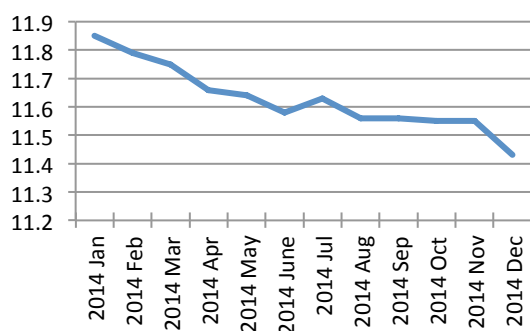
In the Euro area, growth in the third quarter of 2014 was modestly weaker than expected, although the fourth quarter performance experienced a sudden boost following the expansion of a few key European economies. The recovery is projected to be somewhat slower than forecasted in the October 2014 WEO, with annual growth projected at 0.8 percent and 1.2 percent for 2014 and 2015 respectively.

Japan's economy fell into a technical recession in the third quarter of 2014, however quantitative and qualitative monetary easing policies coupled with consumer tax increases and the yen depreciation are expected to strengthen growth in 2015.

1.2 Euro Area

Euro zone economic growth accelerated unexpectedly in the final quarter of 2014 as the bloc's largest member, Germany expanded at more than twice the expected rate. Year-on-year Euro zone growth was 0.9 percent in the fourth quarter, 0.1 percentage points higher than expected. The increase in growth was mainly driven by improvements in domestic demand conditions and the decline in unemployment rates.

Figure 1 - Euro Area total unemployment rate

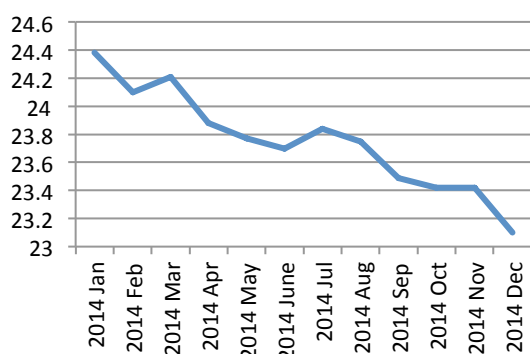


Source: ECB

The Euro zones seasonally-adjusted unemployment rate was 11.4 percent in December 2014, down from 11.5 percent in November 2014, and from 11.8 percent in December 2013. This is the lowest rate recorded in the euro area since August 2012.

In December 2014, 3.289 million young persons were unemployed in the Euro zone which shows a decrease of 168 000 compared with December 2013 unemployment levels. In December 2014, the youth unemployment rate was 23 percent, compared with 23.9 percent in December 2013.

Figure 2 - Euro Area youth unemployment rate



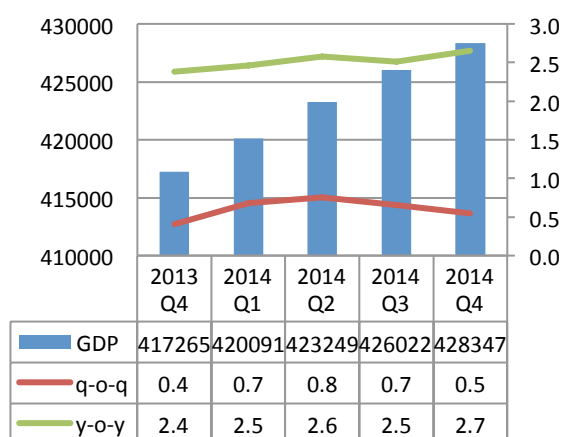
Source: ECB

1.3 UK Data

UK GDP growth was lower at 0.5 percent in the final quarter of the year, compared to the growth of 0.7 percent experienced in the previous quarter. In addition, GDP was 2.7

percent higher in Q4 2014 compared to the same quarter a year ago. Output increased in two of the four main industrial groupings within the UK economy in Q4 2014. Activity increased by 0.8% in services and 1.3% in agriculture, respectively. In contrast, output declined by 1.8% in construction and 0.1% for production.

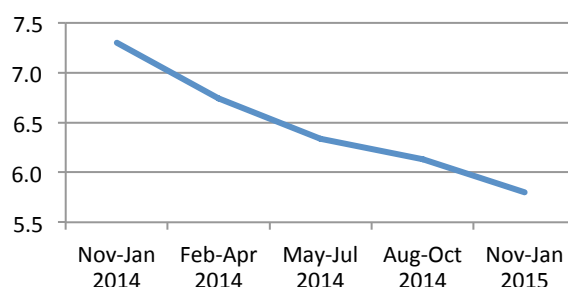
Figure 3 - UK GDP at constant prices (GBP billions)



Source: ONS

During the quarter under review, total unemployment continued a downward trend in the UK. These changes continued on this trend since late 2011 and early 2012. Unemployment fell by 102,000 to 1.86 million in Q4 2014. The employment rate now stands at 73.3%, the highest rate of people in work since the ONS (Office of National Statistics, UK) began keeping records in 1971.

Figure 4 - UK total unemployment rate



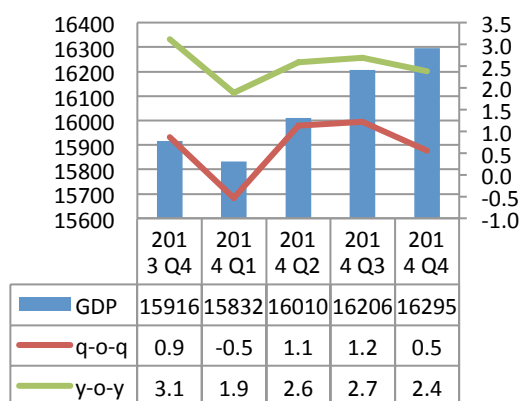
Source: ONS

1.4 United States

Real GDP growth increased at an annualized rate of 2.4 percent in 2014. The increase in real GDP growth can be attributed to positive contributions from personal consumption expenditures (PCE), non-residential fixed investment, increased exports that were driven by lower oil prices, state and local government spending, private inventory investment, as well as residential fixed investment.

U.S growth is projected to reach 3.6 percent in 2015 based on an assumption of increased domestic demand supported by lower oil prices, moderate fiscal adjustment and continued support from an accommodative monetary policy despite projected increases in interest rates.

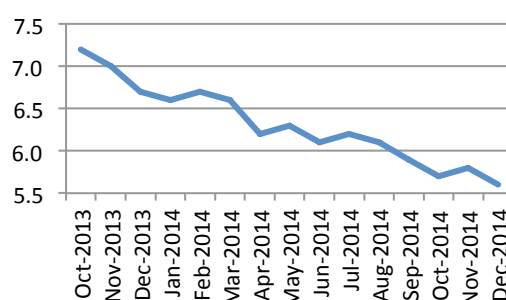
Figure 5 - US quarterly GDP and growth rates



Source: FRED

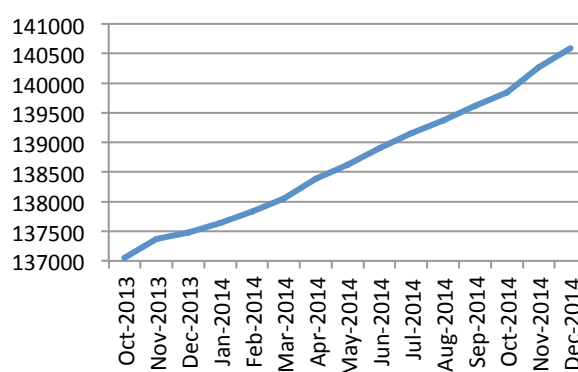
During December 2014, the U.S. economy added 252 000 jobs, which led to the unemployment rate declining by 0.2 percentage points to 5.6 percent. In November 2014, the economy added a net 353 000 jobs. The strong labor report shows that the labor market is maturing and the performance of the economy is improving.

Figure 6 - US unemployment rate



Source: FRED

Figure 7 - US Total Non-Farm Employment (thousands)



Source: FRED

1.5 SSA & RSA Developments

Sub-Saharan Africa (SSA) grew 4.8 percent in 2014 according to IMF estimates. For 2015, SSA is expected to grow by 4.9 percent. Both estimates were revised down in January 2015 by 0.3 and 0.9 respectively. The IMF urged countries to support policies that emphasize growth-enhancing measures, given the effect of a more pronounced slowdown in emerging markets and a disorderly normalization of

monetary policy in the US could have on the region's economies.

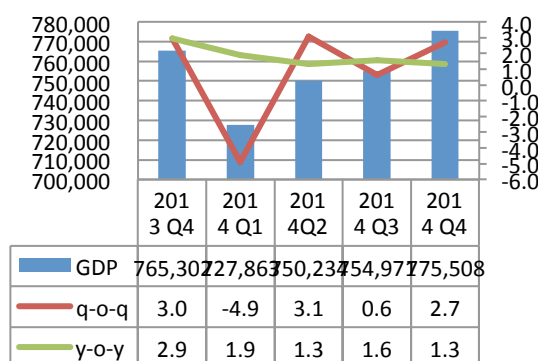
Table 3 - SSA Annual Growth Forecasts

	Oct 2014		Jan 2015	
	2014	2015	2014	2015
SSA	5.1	5.8	4.8	4.9
RSA	1.4	2.3	1.4	2.1

Source: IMF WEO October 2014

The South African economy grew at an annualized growth rate of 1.3 percent in 2014, reflecting a 0.3 percentage point decrease from growth rates that were estimated the previous quarter. The weaker than expected growth failed to spark any gains in strength on the rand currency. In addition, the poor growth in GDP levels remains a major stumbling block to significant job creation in the South African economy.

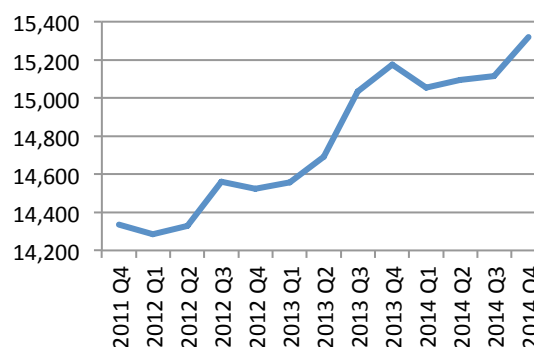
Figure 8 - RSA GDP at constant prices (ZAR billions)



Source: StatsSA

Between Q3 2014 and Q4 2014, the number of employed people increased by 203 000. Employment increases were observed in all sectors; 68 000 in the formal sector and 41 000 in the informal sector. During the quarter under review, the unemployment rate decreased by 1.1 percentage points to 24.3 percent, the absorption rate increased by 0.4 of a percentage point and the labor force participation rate decreased by 0.3 of a percentage point.

Figure 9 - RSA Employment, 15-64 (Thousands)

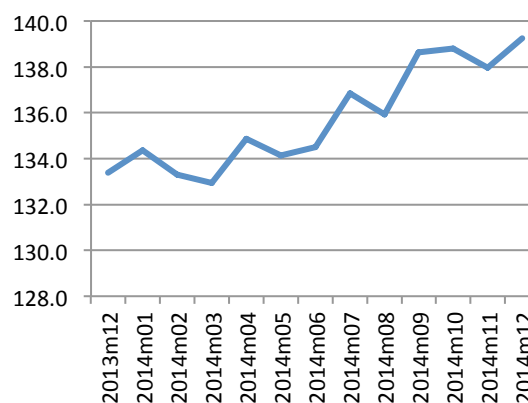


Source: StatsSA

1.6 World Trade

World trade volumes increased by 0.9 percent in December 2014, following a 0.6 percent decline in November 2014. Trade during the quarter under review was boosted by lower oil prices and currency depreciations in major economies, thus supporting increased productivity.

Figure 10 - Monthly World Trade Index (2005=100)



Source: World Trade Monitor

In advanced economies, imports reflected an increase during the quarter under review, closing at 110.0 on the world trade index, up from 108.3 in the previous quarter. On the other hand, exports contracted during the quarter, mainly driven by advanced commodity and oil exporters who were negatively impacted by the drop in commodity prices. The weak export

performance is forecast to continue throughout 2015.

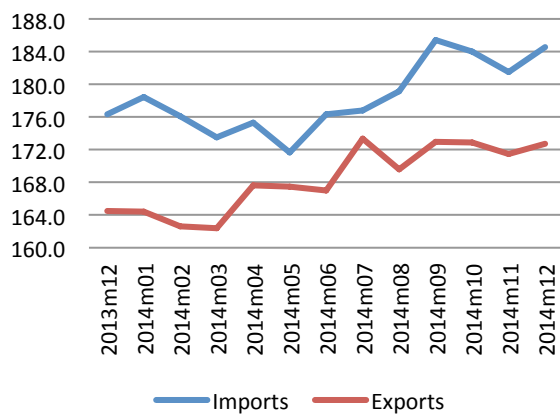
Figure 11 - Advanced Economies Indices (2005=100)



Source: World Trade Monitor

Emerging economies continued to import more than they exported. Both imports and exports experienced a hike in these countries during the quarter under review. At the end of December 2014, exports in emerging economies stood at 172.7 on the trade index while imports stood at 184.6.

Figure 12 - Emerging Economies Indices (2005=100)



Source: World Trade Monitor

2.Domestic Developments

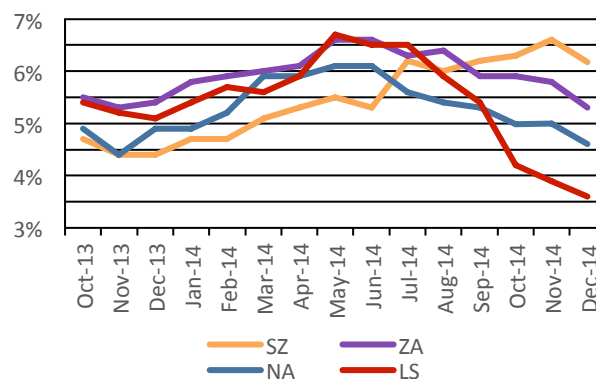
2.1 Prices

During the fourth quarter of 2014 inflation in Swaziland averaged 6.3 percent from 6.2 percent in the quarter ended September

2014. The rise in inflation is attributed to an increase in the cost of food and transport experienced in the domestic economy during the period under review and due to the overall weakening of the Lilangeni against major currencies in 2014.

Swaziland continued to experience the highest growth acceleration in inflation rates in the CMA during the fourth quarter 2014, while the other CMA countries experienced a slight decrease in the monthly inflation rates. Swaziland recorded the highest inflation rate at the end of Q4 2014 at 6.4 percent, followed by South Africa at 5.7 percent, Namibia at 4.9 percent and then Lesotho at 4. Thus, except for Swaziland, all CMA countries remained within the 3-6 percent target band.

Figure 13 - CMA monthly inflation rates (headline)



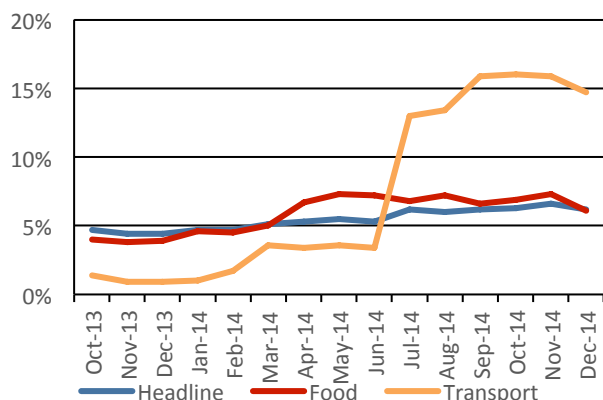
Source: CSO, StatsSA, NSA & SACU

Transport prices inflation remained stable compared to the previous quarter at 16 percent from the month of September to November 2014. Transport prices average inflation was 15.5 percent in Q4 2014, 1.4 percentage points higher than the figure recorded in the third quarter. Food inflation remained rather stable maintaining on average a constant inflation rate of about 7 percent in Q3 2014 and Q4 2014.

In the month of December 2014, transport and food inflation dropped to 15 and 6

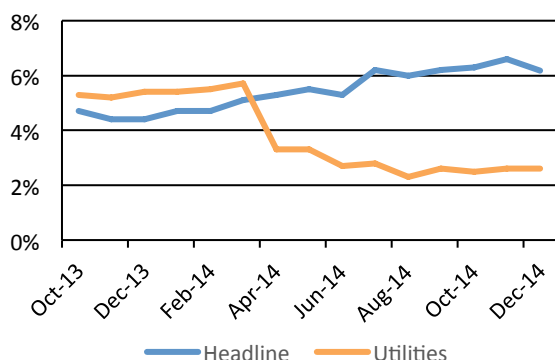
percent respectively, suggesting a deceleration of inflation for the next quarter.

Figure 14 - SD monthly inflation rates (Food and Transport)



Source:CSO

Figure 15 - SD monthly inflation rates (Utilities)



Source: CSO

2.2 Interest Rates

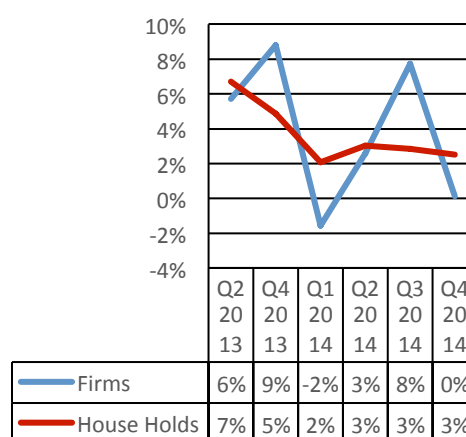
The Central Bank of Swaziland, in consultation with the MPCC, taking into consideration international, regional and domestic economic developments, maintained the discount rate at 5.25 percent at its meeting in November 2014. This policy stance was mainly supported by economic fundamentals in the local economy, mainly the subdued growth in credit to the private sector. Commercial banks therefore maintained the prime lending rate at 8.75 percent. The interest rate differential between Swaziland and the Republic of South Africa remained at 50

basis points. However, the Bank remains concerned about the inflationary pressures likely to arise from electricity and water tariffs hike and to the weak exchange rate as observed in the upward trend in headline inflation.

2.3 Lending

Credit extension to firms grew zero percent q-o-q, while household borrowing recorded 3 a percent growth.

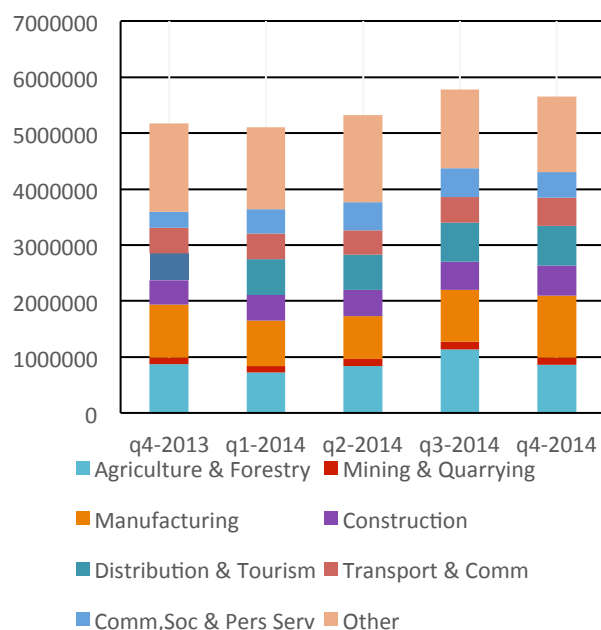
Figure 16 - Lending to Firms and Households (q-o-q)



Source: CBS Mar. 2014 Quarterly Review, Table S 3.7

By the end of Q4 2014 lending to the Manufacturing sector recorded the highest growth at 20 percent q-o-q, followed by Transport & Communication and Construction which grew by 9 percent and 5 percent respectively. Distribution and tourism recorded the lowest growth in credit extension at 2 percent q-o-q. On the decline were Agriculture and Forestry, Community, Social & Personal Services, Mining & Quarrying and Other Sectors which fell by 24, 10, 5 and 4 percent respectively.

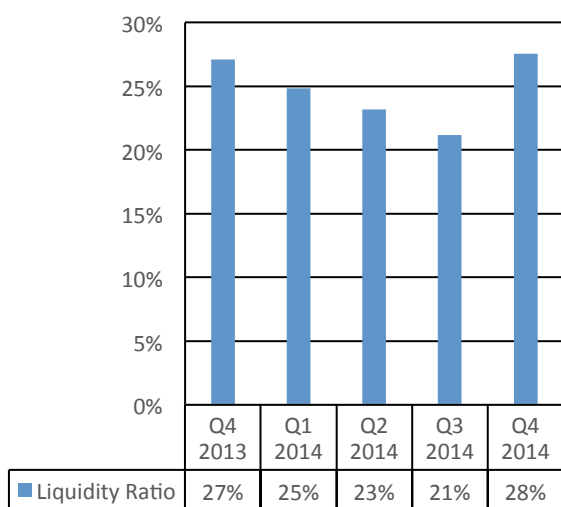
Figure 17 - Share of total lending



Source: CBS Mar. 2014 Quartely Review, Table S 3.7

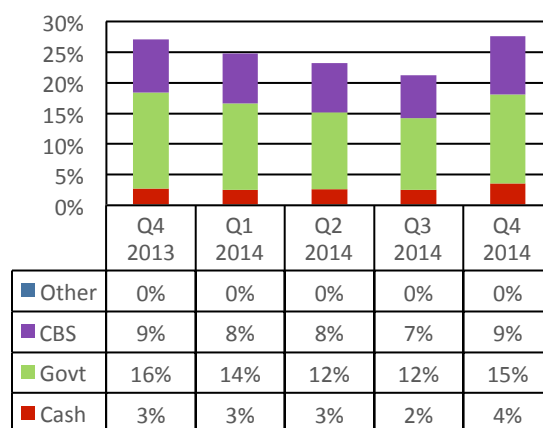
The bank liquidity rebounded to 28 percent of covered liabilities, recovering seven percentage points above Q3 2014. Growth was mainly attributed to Government and Central Bank of Swaziland liquid asset growth at 32 percent and 19 percent on a quarterly basis. Cash only contributed 7 percent to the growth.

Figure 18 - Liquidity Ratio



Source: CBS Mar. 2014 Quartely Review, Table S 3.7

Figure 19 - Liquidity to Required Liquidity Ratio by type

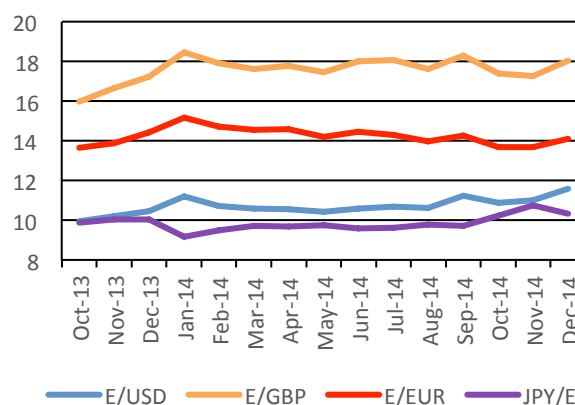


Source: CBS Mar. 2014 Quartely Review, Table S 3.7

2.4 Exchange Rates

Over the past year the Lilangeni has experienced some volatility against selected leading currencies. The Lilangeni has reported an overall weaker performance compared to the same period last year, depreciating considerably against the U.S. dollar.

Figure 20 - Selected daily exchange rates



Source: SARB

During the quarter under review, the Rand depreciated by 4 percent on average against the U.S. dollar and 6 percent against the Japanese Yen. On average, the Rand remained unchanged against the British Pound and Euro compared to the previous quarter.

The prolonged depreciation of the Rand against the US dollar continues to benefit the

export oriented manufactured commodities in the domestic economy. However, on the downside, production costs as well as inflation are increasing as most production inputs are imported and many consumer goods are imported from dollar denominated markets.

Table 4- Selected Quarterly Exchange Rates (AP)

	E/USD	E/GBP	JPY/E	E/EUR
q1-2014	10.76	17.89	9.50	14.88
Change	4%	5%	-5%	5%
q2-2014	10.68	18.05	9.56	14.52
Change	-1%	1%	1%	-2%
q3-2014	10.98	17.90	9.78	14.17
Change	3%	-1%	2%	-2%
q4-2014	11.47	17.94	10.40	14.15
Change	4%	0%	6%	0%

In addition, the end of period exchange rate saw the Rand depreciate against the US dollar at 3 percent, while appreciating against both the Great Britain Pound and the European Euro by 2 percent and 1 percent respectively.

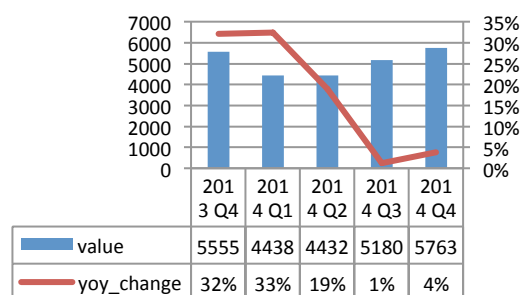
Table 5 - Selected Quarterly Exchange Rates (EP)

	E/USD	E/GBP	JPY/E	E/EUR
q1-2014	10.59	17.61	9.72	14.56
Change	1%	2%	-3%	1%
q2-2014	10.59	18.02	9.58	14.44
Change	0%	2%	-1%	-1%
q3-2014	11.25	18.31	9.72	14.27
Change	6%	2%	1%	-1%
q4-2014	11.59	18.03	10.32	14.09
Change	3%	-2%	6%	-1%

2.5 Exportsⁱ

The total value of exports increased slightly by 4 percent year-on-year in Q4 2014 compared to the 1 percent year-on-year increase observed in Q3 2014. This increase is still significantly lower than the 32 percent increase observed in Q4 2013. Total value of exports continued on an upward trend that commenced in Q3 2014 after successive declines in Q1 and Q2 of 2014.

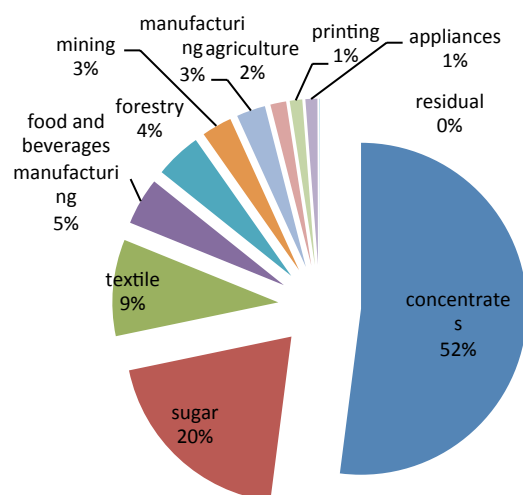
Figure 21 - Exports at current prices (E millions)



Source: SRA

Concentrates constitute more than half of Swaziland’s export commodities followed by sugar at about 20 percent. Other sectors with significant contribution to the country’s exports are textile, food and beverage manufacturing and forestry at 9 percent, 5 percent and 4 percent respectively. Mining exports declined from 4 percent to 3 percent of total export goods whilst food and beverage manufacturing exports increased their contribution from 4 percent to 5 percent of total exports in Q4 2014.

Figure 22 - Share of total exports by sector Q4 2014 YTD



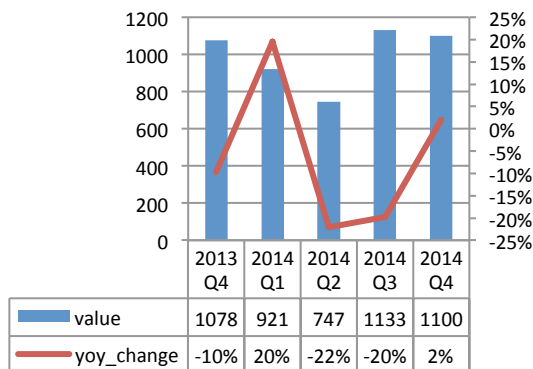
Source: SRA

2.5.1 Sugarⁱⁱ

Sugar exports increased by 2 percent year-on-year in Q4 2014 settling at E 1, 100 million. However, quarter-on-quarter, the value of

sugar exports dropped marginally to E1, 100 million in Q4 2014 from E 1,133 million recorded in Q3 2014.

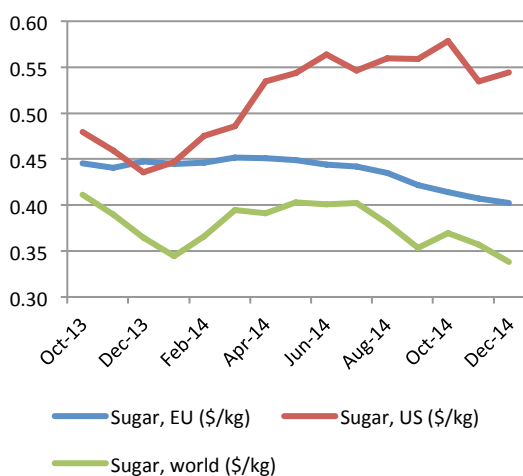
Figure 23 - Sugar exports at current prices (E' millions)



Source: SRA

Sugar prices in the US eased a bit closing at USD 0.54/kg in the period under review, a drop of 3.6 percent from the price of USD 0.58/kg at the beginning of the quarter. EU and World sugar prices continued unabated on a downward trend in the quarter under review closing at USD 0.40/kg and USD 0.34/kg respectively compared to the USD 0.42/kg and USD 0.35/kg prices recorded at the end of Q3 2014. Since Swaziland export a major share of its sugar production to the EU, the drop in prices negatively affect the value of export from the country.

Figure 24 - Sugar prices in nominal \$US

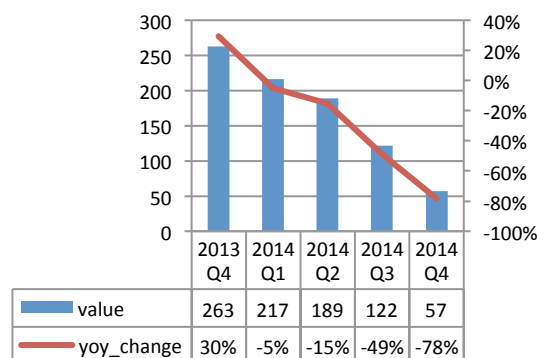


Source: World Bank "pink sheet"

2.5.2 Miningⁱⁱⁱ

The indefinite cessation of iron ore mining which was a major contributor to the country's mining industry in Q3 2014 has drastically reduced the share of mining to the country's GDP.

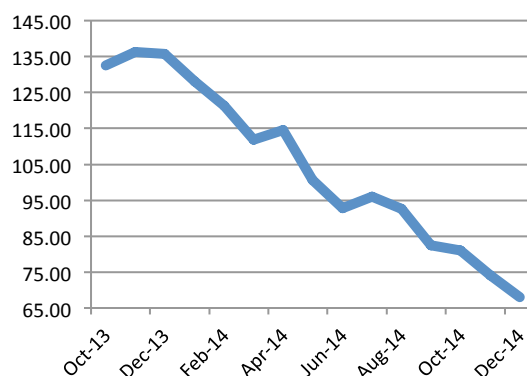
Figure 25 - Mining exports at current prices (E millions)



Source: SRA

The value of total mining exports declined by 78 percent year-on-year in Q4 2014, following an annualised decline of 49 percent in Q3 2014 and the value of total mining exports have been deteriorating since Q1 2014. This is largely attributed to the unrelenting downward trend in global iron ore prices which plummeted from USD 135.79/dmtu at the end of Q4 2013 to USD 68.00/dmtu at the end of the quarter under review.

Figure 26 - Iron Ore Prices in nominal USD/dmtu

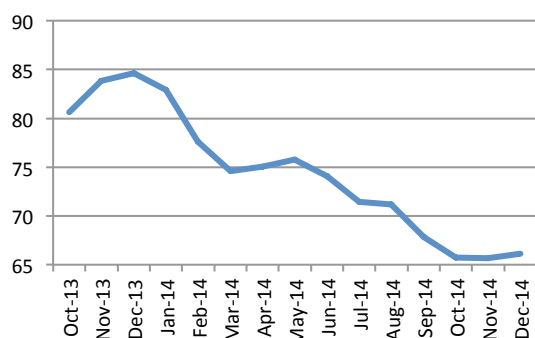


Source: World Bank "pink sheet"

Swaziland exports most of its coal to South Africa. South African coal prices steadied at

USD 66.14/Mt at the end of Q4 2014, only declining slightly from the USD 67.86/Mt recorded at the end of Q3 2014. Year on year, South African coal prices declined by a huge margin from USD 84.61/Mt at close of Q4 2013 to USD 66.14/Mt at the end of the period under review.

Figure 27 - Coal, South Africa Prices in nominal USD/Mt

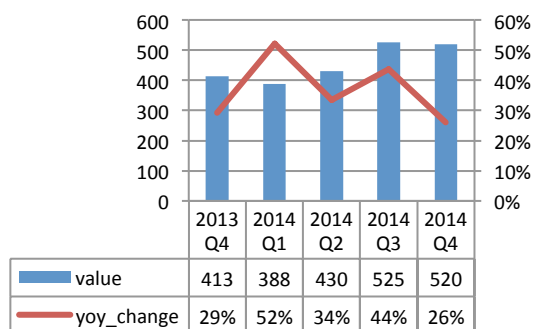


Source: World Bank "pink sheet"

2.5.3 Textiles^{iv}

Textile exports annualized growth stalled in Q4 2014 at 26 percent compared to the 44 percent year-on-year increase recorded in Q3 2014. However, the total value of textile exports only declined by about 1 percent in the period under review when compared to Q3 2014, reflecting that the loss of AGOA is not likely to significantly impact the local textile industry as most firms have shifted to the South African market.

Figure 28 - Textile exports at current prices (E millions)

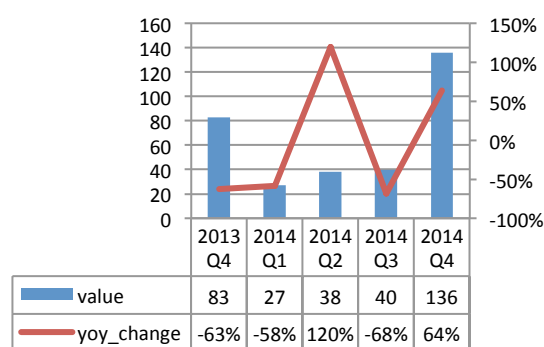


Source: SRA

2.5.4 Printing^v

After a slump of 68 percent year-on-year in Q3 2014, printing exports rebounded in Q4 2014 recording an annualised increase of 64 percent. The value of printing exports surged by 240 percent between Q3 2014 and Q4 2014 settling at E 40 million and E 136 million respectively, displaying a high degree of volatility that has been observed even in preceding quarters.

Figure 29 - Printing exports at current prices (E millions)

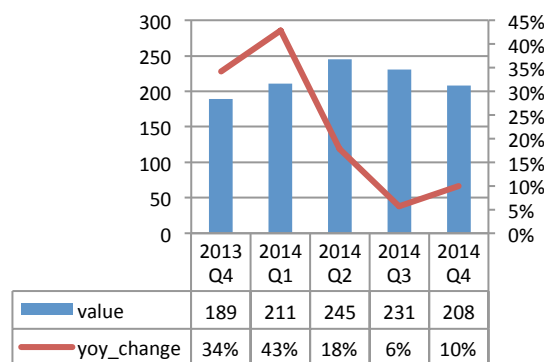


Source: SRA

2.5.5 Forestry^{vi}

Forestry exports have started to accelerate again, rising 10 percent year-over-year. The trend suggests that the forestry sector might be picking up after the consolidations in the sector have started to mature. In Q4 2014, Swaziland exported 208 million worth of forestry product, slight lower than Q3 2014.

Figure 30 - Forestry exports at current prices (E millions)

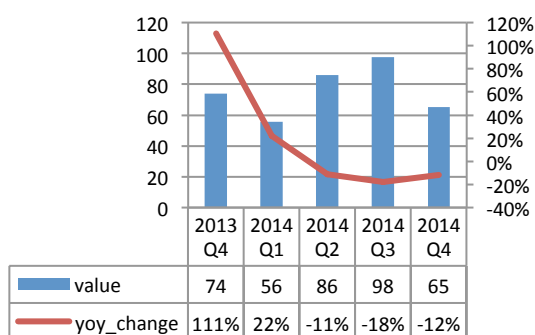


Source: SRA

2.5.6 Agriculture^{vii}

A weaker performance for exports of agricultural products was recorded in the past three quarters and decreased by 12 percent year-on-year in Q4 2014, which is 123 percentage points lower than the annualised growth of 111 percent reported in Q4 2013. There was a drop of 34 percent from E 98 million in Q3 2014 to E 65 million for the period under review in agricultural exports.

Figure 31 - Agriculture exports in current prices(E millions)

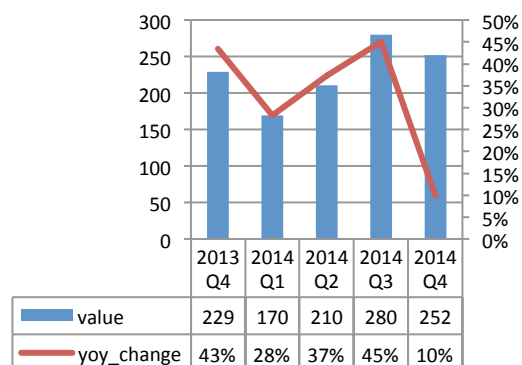


Source: SRA

2.5.7 Food and Beverage^{viii}

Food and beverage manufacturing exports excluding concentrates only increased by 10 percent year-on-year in Q4 2014, 30 percent points lower than the figure recorded for Q4 2013. Their value also dropped by 10 percent q-o-q from E 280 million in Q3 2014 to E 252 million in the period under review.

Figure 32 - Beverage exports at current prices (E millions)

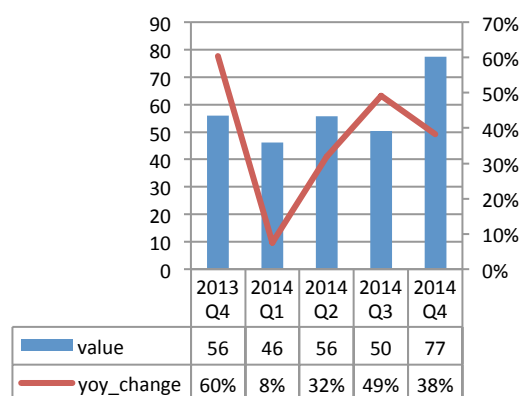


Source: SRA

2.5.8 Appliances^{ix}

The value of exports of appliances recorded a 38 percent annualised growth in Q4 2014 and this figure is still well below the year-on-year growth of 60 percent recorded for the same period in 2013. On the other hand, the real value of exported appliances surged by 54 percent quarter-on-quarter from E 50 million in Q3 2014 to E 77 million in Q4 2014.

Figure 33 - Exports of appliances at current prices (E millions)

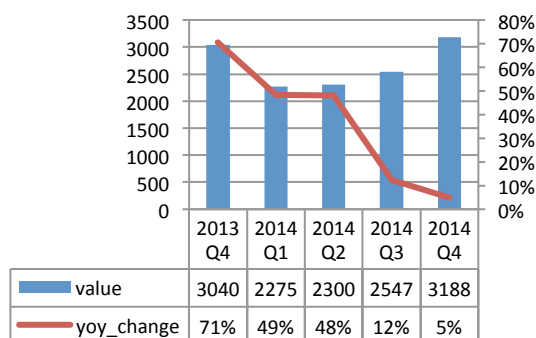


Source: SRA

2.5.9 Concentrates^x

Year-on-year growth for export concentrates has been on a downward trend since Q1 2014 after reaching a peak of 71 percent in Q4 2013. The annualised value of concentrates exports slowed to 5 percent in Q4 2014 from a year-on-year change of positive 12 percent in Q3 2014. The value of concentrates export improved quarter-on-quarter from E 2, 547 million in Q3 2014 to E 3, 188 million in Q4 2014, maintaining the more than 50 percent share of concentrates in the export basket.

Figure 34 - Concentrates exports at current prices (E millions)

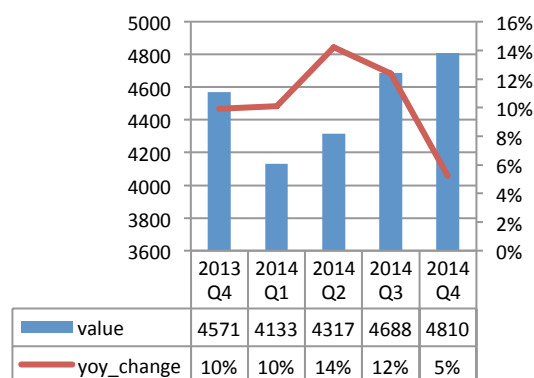


Source: SRA

2.6 Imports^{xi}

In small open economies like Swaziland whose consumer spending is largely on the imports of final goods and services, imports are an important indicator of private consumption. Imports in the domestic economy mainly comprises capital goods and industrial inputs, therefore they are a key indicator of capital investment and economic activity. Swaziland's imports are also a vital indicator of economic vibrancy than exports because they are more diversified.

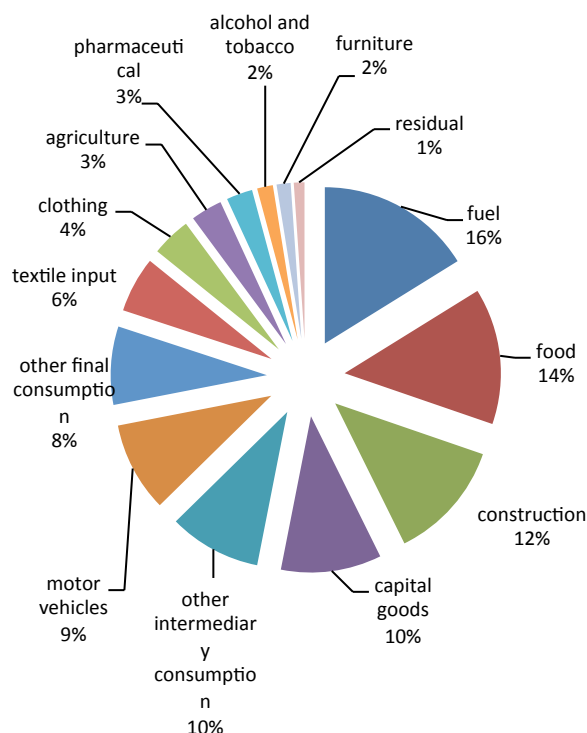
Figure 35 - Total imports at current prices (E millions)



Source: SRA

The annualized value of imports continued to decline in the period under review as the domestic currency remained weak against other global leading currencies. However, imports increased slightly by just about 3 percent quarter-on-quarter from E 4, 688 million in Q3 2014 to E 4, 810 million in Q4 2014. This increase can be attributed to the drastic drop in world crude oil prices as the year closes and a general increase in consumer spending at that time of the year.

Figure 36 - Share of total imports Q2 2014 YTD



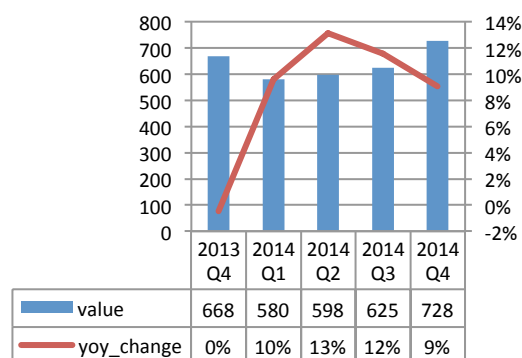
Source: SRA

Economies with small manufacturing sectors like Swaziland have to either import goods that are not readily available locally or are available at cheaper prices abroad. The composition of domestic imports mainly consists of fuel with a share of 16 percent followed by food and construction inputs with a share of 14 percent and 12 percent respectively.

2.6.1 Food Imports^{xii}

The annualised value of food imports increased by 9 percent in Q4 2014. Quarter-on-quarter, an increase of 16 percent was recorded on food imports between Q3 2014 and Q4 2014, from E 625 million to E 728 million.

Figure 37 - Food imports at current prices (E millions)

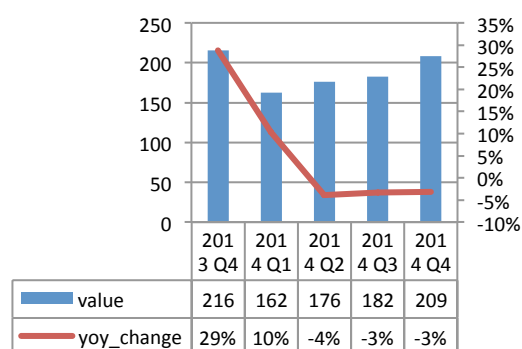


Source: SRA

2.6.2 Clothing^{xiii}

The annualised growth of clothing imports recorded a decline for the third consecutive quarter in Q4 2014. After a 3 percent year-on-year fall in the previous quarter, clothing imports dropped by another 3 percent in Q4 2014. However, the value of clothing imports increased quarter-on-quarter from E 182 million in the third quarter of 2014 to E 209 million in the period under review.

Figure 38 - Clothing imports at current prices (E millions)



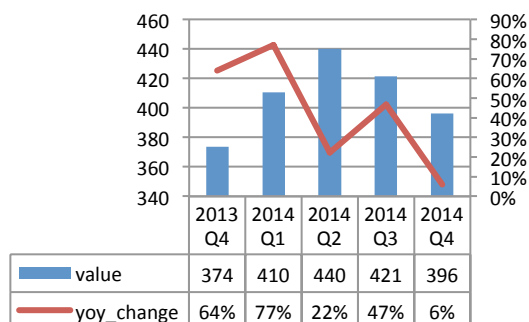
Source: SRA

2.6.3 Motor Vehicle^{xiv}

Motor vehicle imports into Swaziland are quite volatile and their value declined from E 421 million in Q3 2014 to E 396 million in Q4 2014. Moreover, motor vehicle imports year-on-year growth plummeted by more than 50

percentage points in the period under review when compared to Q4 2013.

Figure 39 - Motor vehicles imports at current prices (E millions)

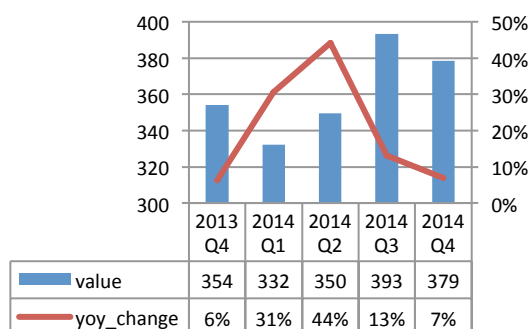


Source: SRA

2.6.4 Other Final Consumption

Consumer goods such as printing materials, toiletry, games and musical instruments amongst others fall in this category. Imports of such products declined from E 393 million in the third quarter of 2014 to E 379 million in the quarter under review. The annualised value of final consumption goods growth rate remained steady at around 7 percent in Q4 2014 when compared to the same period last year.

Figure 40 - Other final consumption imports at current prices (E millions)



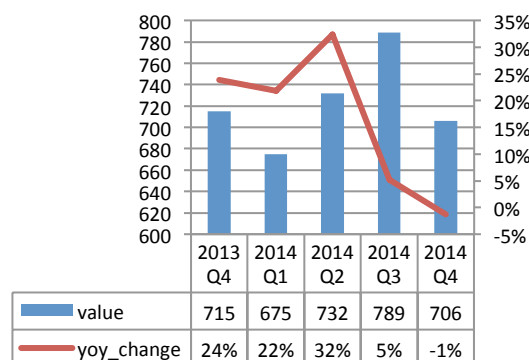
Source: SRA

2.6.5 Fuel Imports^{xv}

Of the total imports into the country, fuel constitute the largest share at about 16 percent. Despite the drop in global crude oil

prices which was followed by a slash in fuel prices in neighbouring South Africa and subsequently Swaziland, the value of fuel imports fell from E 789 million in Q3 2014 to E 706 million in Q4 2014. The annualised value of imports dropped by 1 percent in the period under review compared to the 24 percent increase recorded in the same period last year.

Figure 41 - Imports of fuel at current prices (E millions)

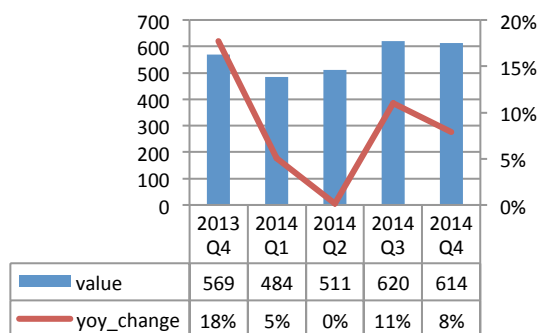


Source: SRA

2.6.6 Construction Imports^{xvi}

There has been an increase in the number of both public and private construction projects in the pipeline in the last and current fiscal years. However, due to the general slowdown in the construction industry experienced in the last quarter of a calendar year as companies halt operations for vacations, construction imports declined marginally from E 620 million in Q3 2014 to E 614 million in the quarter under review. The annualised value of construction imports grew at a slower rate of 8 percent in the period under review compared to the 18 percent recorded in the same period in 2013.

Figure 42 - Imports of construction material at current prices (E millions)

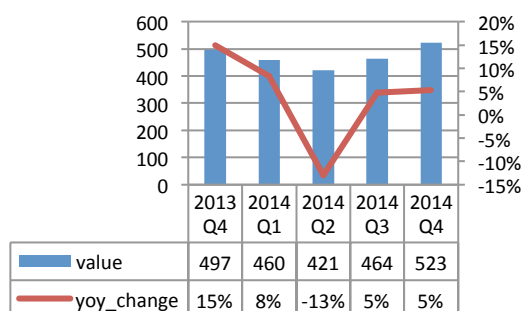


Source: SRA

2.6.7 Capital Goods imports^{xvii}

The acquisition of capital goods is directly linked to domestic investment in an economy and is therefore a critical component in determining the overall economic activity and value adding abilities of the economy in question. The annualised growth in the value of capital goods imports remained stagnant at 5 percent in the third and fourth quarters of 2014 though their actual value increased from E 464 million to E 523 million in the two respective quarters.

Figure 43 - Capital goods imports at current prices (E millions)



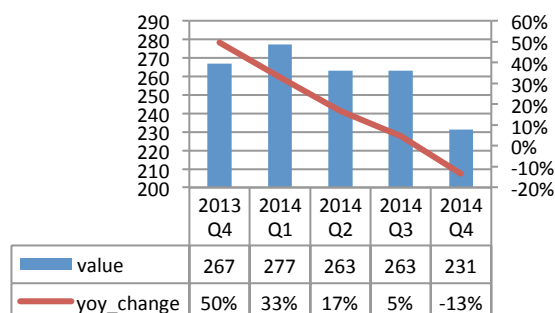
Source: SRA

2.6.8 Industrial Goods imports

The value of textile imports which are inputs in the textile industry declined from E 263 million in Q3 2014 to E 231 million in the quarter under review as some textile firms closed shop owing to the loss of AGOA. The

annualised value of imports of textile inputs finally hit a dip and shrank by 13 percent in Q4 2014 after growing at decreasing rates in the preceding three quarters.

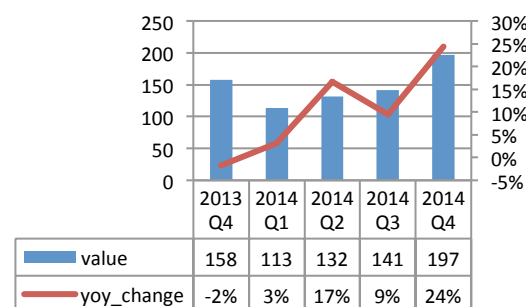
Figure 45 - Textile imports^{xviii} at current prices (E millions)



Source: SRA

Imports of agriculture inputs include fertilisers, seeds, pesticides and livestock. The value of imports on these products rose by 40 percent quarter-on-quarter reaching E 197 million in the period under review as the planting season got underway. The annualised value of agriculture imports also increased by 24 percent in Q4 2014, which is significantly higher when compared to the 2 percent shrink recorded during the same period last year.

Figure 45 - Agriculture imports^{xix} at current prices (E millions)

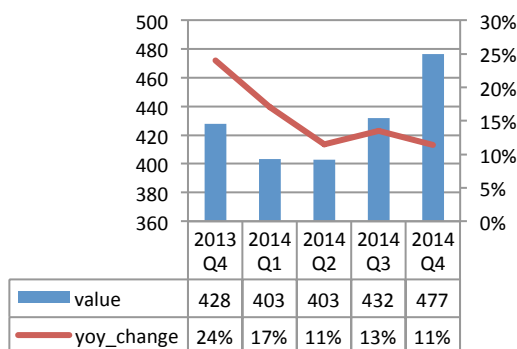


Source: SRA

Import goods in the category of intermediate consumption include a wide range of industrial inputs. Year-on-year growth of intermediate consumption imports was 11 percent in Q4 2014, a decline from the

annualised growth of 24 percent recorded in the same period the previous. However, the value of imports of intermediate goods experienced a significant rise from E 432 million in Q3 2014 to E 477 million in the quarter under review.

Figure 46 - Other intermediate consumption imports^{xx} at current prices (E millions)

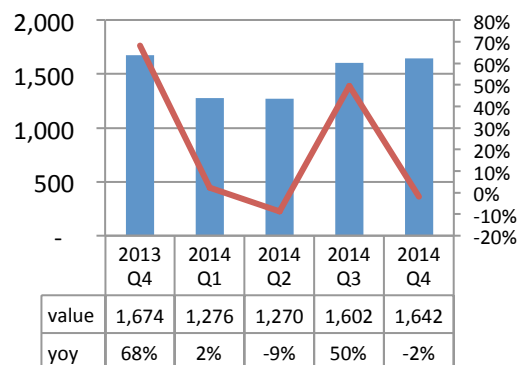


Source: SRA

2.7 Domestic Tax Revenue

The Government revenue base comprises, amongst others, company taxes, payroll taxes (PAYE source deductions), VAT, fuel tax and SACU receipts. Domestic tax revenues collections which comprises mainly of company taxes, payroll taxes, VAT and fuel tax amounted to E 1.642 billion in Q4 2014, 2 percent lower than was collected during the same period last year. However, domestic revenue collections increased marginally by 3 percent between Q3 2014 and Q4 2014.

Figure 47-Domestic Tax Revenues at current prices (E Millions)

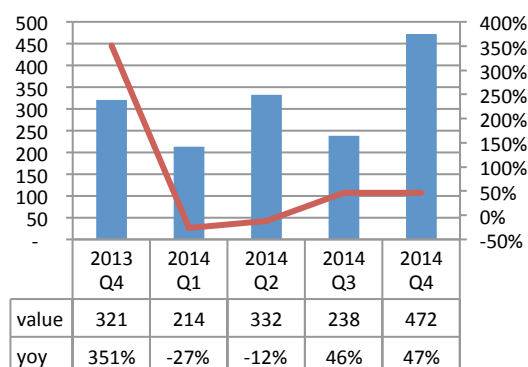


Source: SRA

2.7.1 Company Taxes

Company taxes almost doubled from E 238 million in Q3 2014 to E 472 million in Q4 2014 and this surge in company tax collections can be attributed to the fact that most companies pay their taxes at the close of the calendar year. Year-on-year collections increased by 47 percent, more than 300 percentage points lower than the annualised increase of 351 percent recorded during the same period in the preceding year.

Figure 48- Company Taxes at current prices (E millions)



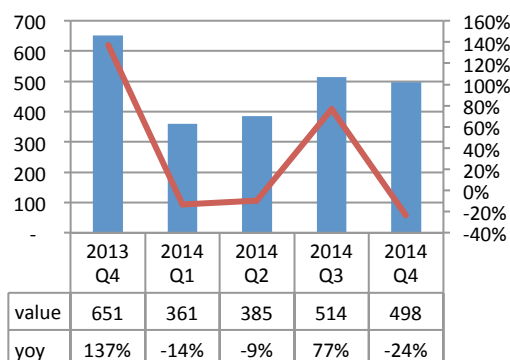
Source: SRA

2.7.2 Payroll Taxes

Payroll taxes (PAYE source deductions) declined by 3 percent from E 514 million in Q3 2014 to E 498 million in the period under review. Moreover, the annualised value of company taxes in Q4 2014 depicts a

significant shrink of 24 percent from E 651 million collected in the same period in 2013.

Figure 49 - Payroll Taxes at current prices (E millions)

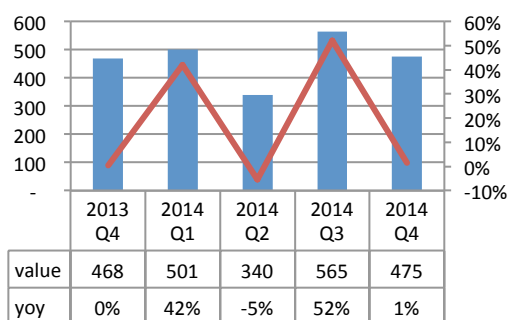


Source: SRA

2.7.3 VAT

The period under review saw a decline of 16 percent in VAT collections compared to the previous quarter. This decline, coupled with barely a 1 percent annualised increase in Q4 2014 indicates a slow down in economic activity.

Figure 50 - VAT receipts at current prices (E millions)

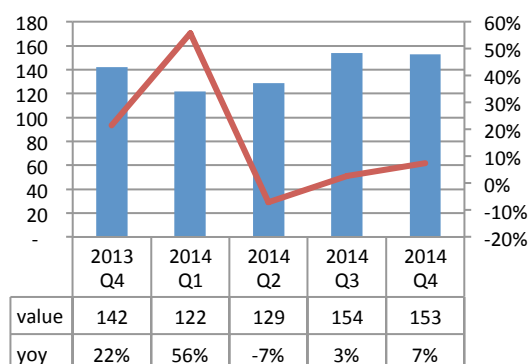


Source: SRA

2.7.4 Fuel Tax

In Q3 2014 and Q4 2014, fuel tax receipts remained rather constant at E 154 million and only showed an annualised increase of 3 and 7 percent respectively compared to the same quarters in the previous year.

Figure 51 -Fuel tax receipts at current prices (E millions)

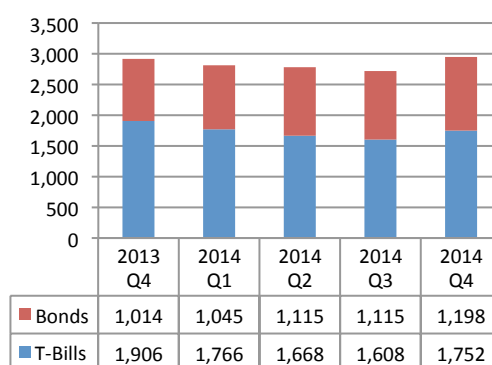


Source: SRA

2.8 Government Financing

Overall domestic debt increased by 8.4 percent from E 2,722 in Q3 2014 to E 2,950 in Q4 2014. This increase in domestic debt was driven by an increase of 7.4 percent in long-term bonds and 9.0 percent in treasury bills between Q3 2014 and Q4 2014.

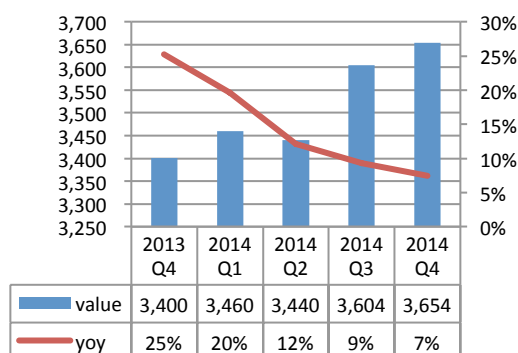
Figure 52- Domestic debt at current prices (E millions)



Source: CBS, Dec. 2014 Quarterly Review, Table S 5.3

External debt closed at E 3.654 billion in Q4 2014 compared to the E 3.40 billion in Q4 2013, showing a marginal increase of 7 percent year-on-year. The annualised value of external debt has been increasing though at a decreasing rate in all the quarters for the duration of 2014.

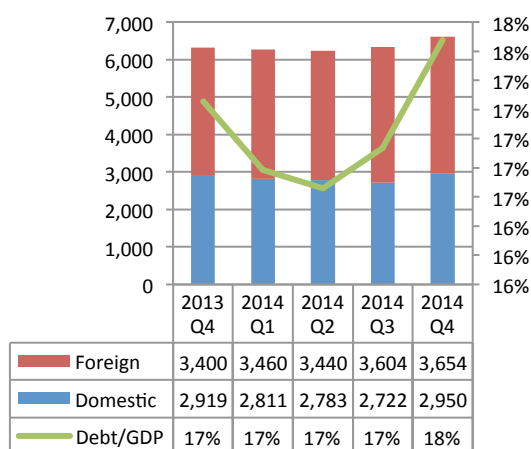
Figure 53- Foreign Debt at current prices (E millions)



Source: CBS Dec. 2014 Quarterly Review, Table S7.5.1

An increase in both domestic and external debt led to a rise of 4.4 percent in total debt from E 6.327 billion in Q3 2014 to E 6.604 billion in the quarter under review. Debt-to-GDP ratio also grew by 1 percent to 18 percent in Q4 2014 after a sustained value of 17 percent since Q4 2013.

Figure 54 - Total debt at current prices (E Millions)



Source: CBS Dec. 2014 Quarterly Review

List of Acronyms

Sources:

AGOA	African Growth and Opportunity Act
BoB	Bank of Botswana
BoN	Bank of Namibia
CBS	Central Bank of Swaziland
CSO	Central Statistics Office (SD)
FRED	Federal Reserve Economic Data
IMF	International Monetary Fund
JSE	Johannesburg Stock Exchange
LBS	Lesotho Bureau of Statistics
LFS	Labour Force Survey
MEPD	Ministry of Economic Planning & Development
ONS	Office of National Statistics
SARB	South Africa Reserve Bank
SIPA	Swaziland Investment Promotion Authority
StatsSA	Statistics South Africa
WEO	World Economic Outlook

Other:

BS	Botswana
CMA	Common Monetary Area
E & D	Emerging & Developing Economies
FD	Foreign Debt
Kg	Kilogram
LS	Lesotho
Mt	Metric Ton
NB	Namibia
QAG	Quarterly Annualized Growth
QAI	Quarterly Annualized Inflation
RSA	Republic of South Africa
SACU	Southern Africa Customs Union
SSA	Sub-Saharan Africa
SD	Swaziland
TB	Treasury Bill

ⁱⁱExport figures may not reconcile fully with other data sources particularly the *Balance of Payments* due to ongoing reconciliation and revision at SRA and due to adjustments for under coverage at the CBS particularly in relation to exports of sugar and concentrates. Work is ongoing to ensure that these differences are reconcilable in future periods ongoing reconciliation and revision at SRA and due to adjustments for under coverage at the CBS particularly in relation to exports of sugar and concentrates. Work is ongoing to ensure that these differences are reconcilable in future periods.

ⁱⁱSugar exports correspond to ASYCUDA Chapter 17

ⁱⁱⁱMining export figures correspond to chapter 25, 26 (for iron ore) and chapter 27 (for coal) of ASYCUDA

^{iv}Textile export figures for the United States do not currently reconcile with trade data provided by the US Department of commerce under the AGOA agreement. Future issues will attempt to explain the reason for the differences in the figures. Textile exports correspond to ASYCUDA Chapter 57 to 65

^v Printing corresponds to ASYCUDA chapter 49.

^{vi} Forestry exports correspond to ASYCUDA chapters 44 to 48.

^{vii} Agriculture exports correspond to ASYCUDA chapters 1 to 15.

^{viii} Food and beverages manufacturing correspond to ASYCUDA chapters 16 and 18 to 22.

^{ix} *Appliances* refer to large domestic appliances and correspond to chapter 84 of ASYCUDA. In the case of Swaziland exports this category refers to refrigerators.

^x Concentrates exports correspond to chapters 28, 29, 33 and 38 of ASYCUDA

^{xi} Import figures may not reconcile fully with other data sources particularly the *Balance of Payments* due to ongoing reconciliation and revision at SRA and due to adjustments for under coverage at the CBS particularly in relation to exports of sugar and concentrates. Work is ongoing to ensure that these differences are reconcilable future periods ongoing reconciliation and revision at SRA and due to adjustments for under coverage at the CBS particularly in relation to exports of sugar and concentrates. Work is ongoing to ensure that these differences are reconcilable in future periods.

^{xii} Food imports correspond to ASYCUDA chapters 2 to 21.

^{xiii} Clothing imports corresponds to ASYCUDA chapters 42, 43 and 61 to 65.

^{xiv} Motor vehicle imports correspond to ASYCUDA chapter 87.

^{xv} Motor vehicle imports correspond to ASYCUDA chapter 87.

^{xvi} Construction imports correspond to ASYCUDA chapters 25, 39, 40, 68, 69, 72 to 76, 79 to 81 and 86.

^{xvii} Capital goods imports correspond to ASYCUDA chapters 82, 84, 85, 88 and 89.

^{xviii} Textile imports correspond to ASYCUDA chapters 50 to 60.

^{xix} Agriculture imports correspond to ASYCUDA chapters 1, 6, 12, 23 and 31

^{xx} Other intermediary imports correspond to ASYCUDA chapter 13, 14, 26, 28, 29, 32, 35, 36, 38, 41, 44, 45, 47, 48, 70 and 83.