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## 2015 Q1 Highlights

### International

- The global economy is projected to grow by 3.5 percent and 3.8 percent in 2015 and 2016 respectively, projections for 2015 are in line with the January 2015 WEO Update while 2016 figures underwent an upward revision of 0.1 percent (see section 1).
- The Euro Area realized an annualized growth rate of 1.0 percent in Q1 2015; reflecting a slight increase of 0.1 percent from Q4 2014(see section 1.1).
- U.S. GDP growth rate contracted by 0.7 percentage points during the quarter under review, falling to -0.2 percent (see section 1.3).
- The US economy added 223 000 thousand jobs in April 2015. Unemployment fell from 5.5 percent in March 2015 to 5.4 percent in April 2015 (see section 1.3).
- RSA grew at an annualized growth rate of 1.3 percent during the quarter under review, down from 4.1 percent in Q4 2014 (see section 1.4).
- World trade was down 1.5 percent during the quarter under review compared to a rise of 1.2 percent in 2014 Q4 (see section 1.5).

### Domestic

- In Q1 2015, Swaziland's Monthly inflation rate remained high compared to other CMA economies, driven by increases in transport costs. Inflation averaged 5 percent in the period under review (see section 2.1).
- The CBS and MPCC maintained the discount rate at 5.25 percent on the 27<sup>th</sup> March 2015 in view of the low inflation rate and slow economic activity (see section 2.2).
- Lending in the period under review declined by 6 percent q-o-q from 1 percent growth recorded in Q4 2014. This decline is mainly attributed to a decline in lending to Industry which also recorded a 6 percent decline in credit extension (see section 2.3).
- In Q1 2015 the Swazi Lilangeni fared poorly against the US Dollar and British Pound and on the other hand performed well against the Japanese Yen and Euro. While these developments were favourable for textile and consumer goods exports to the USA they were however negative for US dollar external debt repayments denominated and sugar and citrus exports to Europe (see section 2.4).
- The total value of exported goods increased by 15 percent in Q1 2015 compared to the same period last year, mainly driven by increases in sugar, textile and concentrates exports. The

value of mining exports continued on a downward trend in the period under review (see section 2.5).

- The annualized growth of imports declined 6 percent in Q1 2015; most of it was driven by the persistent decrease in the value of fuel imports. The overall trend is strong performance of capital and intermediary goods, and deceleration of final consumption goods imports (see section 2.6).
- Domestic tax revenue collections increased by 13 percent year-on-year in Q1 2015, mainly driven by increases in company taxes and payroll taxes. VAT collections shrank by an annualised value of 16 percent in the period under review (see section 2.7).
- Overall domestic debt, and hence GDP to debt ratio, remained relatively unchanged quarter-on-quarter in the period under review (see section 2.8).

### **Macroeconomic Indicators**

- Please note that from this bulletin onwards, a table of Swazi macroeconomic indicators will be available at the end of the document. Initially, the indicators will be provided at an annual basis and efforts are underway to release them on a quarterly basis (see Annex 1).

## 1. International Developments

Global growth remains moderate with uneven prospects across many countries and regions; it is projected to be 3.5 percent in 2015, in line with forecasts in the January 2015 WEO Update. Relative to 2014, the growth outlook for advanced economies is improving, while the performance in emerging markets and developing economies is projected to lessen; primarily reflecting weaker prospects for some large emerging market economies and oil exporting countries.

**Table 1 - Global Annual Growth Forecasts**

	Jan 2015		Apr 2015	
	2015	2016	2015	2016
World	3.5	3.7	3.5	3.8
Advanced	2.4	2.4	2.4	2.4
E & D	4.3	4.7	4.3	4.7

*Source: IMF WEO April 2015*

Growth in the U.S. is projected to exceed 3 percent in 2015-2016 with domestic demand supported by lower oil prices; more moderate fiscal adjustment and continued support from an accommodative monetary policy stance despite the anticipated rise in interest rates and the recent fall in net exports due to the appreciation of the dollar.

Activity in the Euro area was weaker than expected for the most part of 2014, however there were signs of recovery in the fourth quarter which continued through to the first quarter of 2015 with increases in consumption supported by lower oil prices and higher net exports.

Activity in Japan is projected to experience a slight pick-up, reflecting support from the weaker yen; higher real wages; higher equity prices due to the Bank of Japan's additional quantitative and qualitative easing; as well as lower oil and commodity prices.

**Table 2 - Advanced Economies Annual Growth Forecasts**

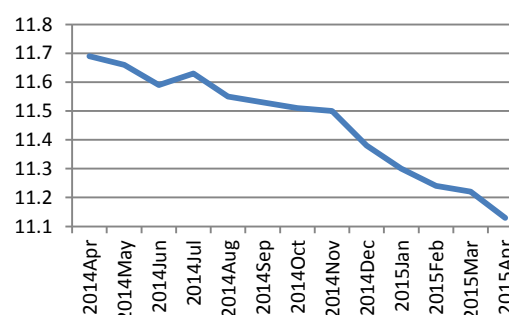
	Jan 2015		Apr 2015	
	2015	2016	2015	2016
US	3.6	3.3	3.1	3.1
Euro	1.2	1.4	1.5	1.6
Japan	0.6	0.8	1.0	1.2

*Source: IMF WEO April 2015*

### 1.2 Euro Area

Annualized growth for the Euro area was recorded at 1.0 percent during the quarter under review, 0.1 percentage points higher than the growth recorded in the previous quarter. Notable developments in the Euro area during the quarter included a quantitative easing programme by the European Central Bank (ECB) which resulted in a sharply falling Euro; the quantitative easing program is expected to boost economic performance in Europe by keeping the euro weak, supporting exports and cheaper interest rates as well as encouraging more lending.

**Figure 1 - Euro Area Total Unemployment Rate**

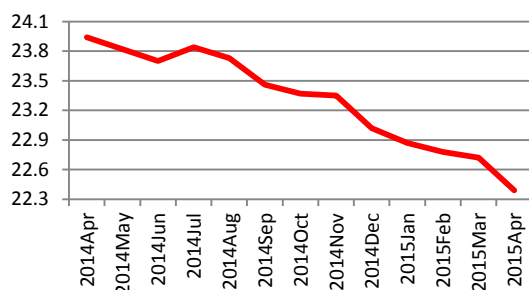


*Source: ECB*

It is estimated that 17.846 million people in the euro area were unemployed in April 2015. Compared with March 2015, the number of persons unemployed decreased by 130 000 and compared with April 2014, unemployment fell by 849 000. The euro area's seasonally-adjusted unemployment rate was 11.1 percent in April 2015, down

from 11.2 percent in March 2015, and down from 11.7 percent in April 2014.

**Figure 2 - Euro Area Youth Unemployment Rate**



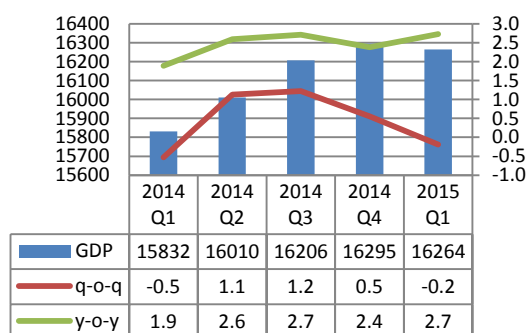
Source: ECB

In April 2015, 3.168 million young persons (under 25) were unemployed in the euro area. Compared with April 2014, youth unemployment decreased by 270 000. In April 2015, the youth unemployment rate was 22.3 percent in the euro area, compared with 23.9 percent in April 2014.

### 1.3 United States

The U.S. GDP growth rate contracted by 0.7 percentage points during the quarter under review, falling to -0.2 percent, a significant downward revision from an initial growth estimate of 0.2 percent. U.S. annualized economic growth is likely to remain lower, at 2 percent to 2.5 percent but high enough to create labour market shortages.

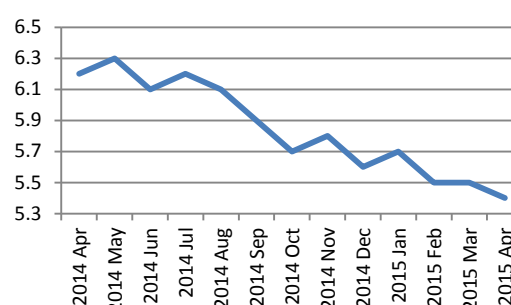
**Figure 3 - US Quarterly GDP and Growth Rates**



Source: FRED

The total number of employed workers in the U.S. increased by 223,000 in April 2015 and the unemployment rate decreased to 5.4 percent, a turnaround from the disappointing performance in March where unemployment rates remained fixed at 5.5 percent. Job gains occurred in professional and business services, leisure and hospitality, and health care while mining employment continued to decline.

**Figure 4 - US Unemployment Rate**



Source: FRED

### 1.4 Sub-Saharan Africa and South Africa Developments

Growth in Sub-Saharan Africa remains strong but is expected to slow to 4.5 percent during 2015 (from 5 percent in 2014) a downward revision relative to the 4.9 percent growth projection in the January 2015 WEO Update. The slowdown is attributed to headwinds from declining commodity prices as well as ongoing geo-political risks throughout the region.

South Africa's growth is expected to rise to 2 percent in 2015, and 2.1 percent in 2016. This reflects a 0.1 and 0.4 percentage point downward revision from the January 2015 WEO Update for 2015 and 2016, respectively. The slight drop in growth projections is anticipated given further binding electricity supply constraints and a tighter fiscal policy stance in 2016 than previously expected.

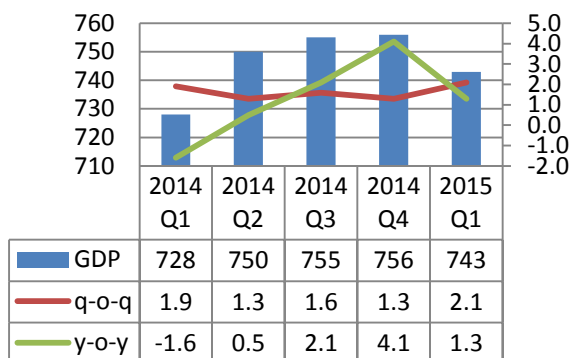
**Table 3 – Sub-Saharan Africa Annual Growth Forecasts**

	Jan 2015		Apr 2015	
	2015	2016	2015	2016
SSA	4.9	5.2	4.5	5.1
RSA	2.1	2.5	2.0	2.1

Source: IMF WEO April 2014

The South African economy expanded at an annualized rate of 1.3 percent during the quarter under review, down from 4.1 percent in the previous quarter and well below market expectation due to a slump in agriculture following the drought throughout the region as well as a fall in manufacturing following power constraints that compromised production levels.

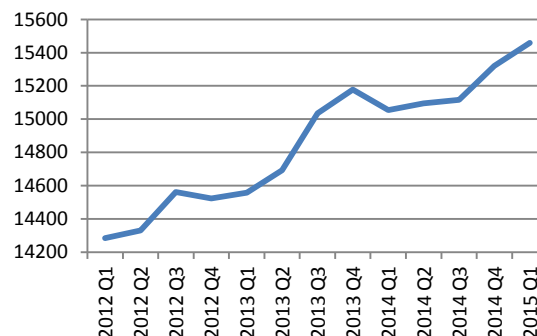
**Figure 5 – South Africa GDP at constant prices (ZAR billions)**



Source: StatsSA

The unemployment rate in South Africa increased to 26.4 percent during the quarter under review from 24.3 percent in the previous quarter. The number of employed people increased by 140 000 during Q1 2015 compared to Q4 2014. Compared to the same period last year, employment increased by 405 000.

**Figure 6 – South Africa Employment (Thousands)**



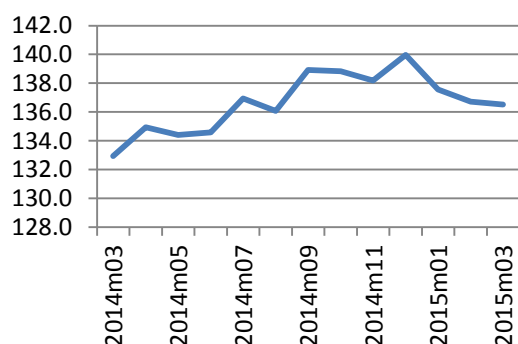
Source: StatsSA

### 1.5 World Trade

International prices of primary commodities have been on a downward trend in the past two years, and no measurable upturn is projected for 2015. Brent crude oil price is projected to continue softening in 2015, as the gap between demand growth and supply growth is expected to continue.

The volume of world trade fell by 0.1 percent in March 2015, following a 0.6 percent decline in February 2015. World trade was down 1.5 percent during the quarter under review compared to a rise of 1.2 percent in 2014 Q4. The slow performance in trade is mainly attributable to the stagnant growth in world industrial production in March 2015, following a 0.1 percent increase in February 2015. World industrial production was up a meager 0.3 percent during the quarter under review compared to a rise of 1.0 percent in February 2015.

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

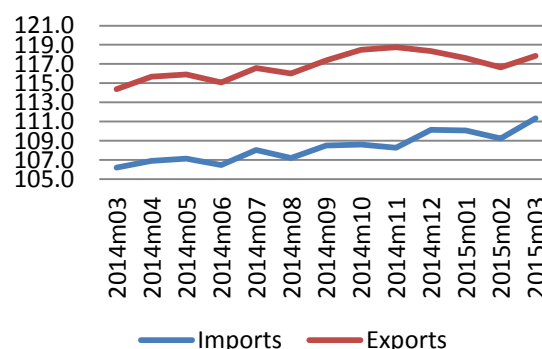


Source: World Trade Monitor

While regional outcomes were mixed, import volumes on the whole declined on account of a contraction in advanced economies, most notably to the United States. There were near-equal and widespread declines in export volumes in advanced economies and emerging economies, the Euro Area and Latin America being the only country blocks where export volumes were up.

The anticipated recovery in advanced economies is expected to strengthen export demand in 2015-16, offsetting the impact of China’s adjustment to a more sustainable long-term rate of growth. While there are substantial compositional differences between the export baskets to China and to advanced countries, the increased demand from the latter is projected to more than offset the decline in Chinese demand. Imports for advanced economies averaged at 110.2 on the world trade index during the quarter under review while exports averaged at 117.3.

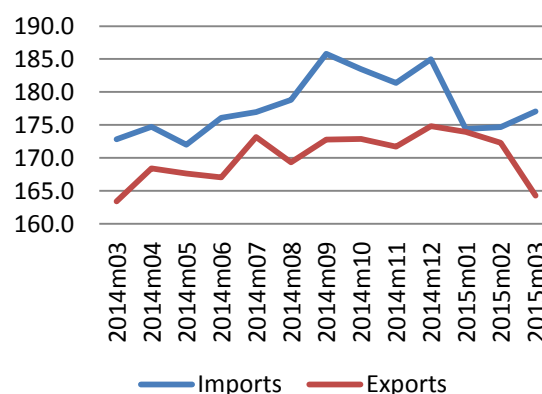
Figure 11 - Advanced Economies Indices (2005=100)



Source: World Trade Monitor

Trade performance in emerging economies has been on a moderate downturn since 2013 following deterioration in the growth prospects for these economies along with escalated geopolitical tensions. Imports in emerging markets experienced a sharp decline during the quarter under review following a weakening in domestic demand and currency depreciation. Imports for emerging economies averaged at 175.4 on the world trade index during the quarter under review while exports averaged at 170.2.

Figure 12 - Emerging Economies Indices (2005=100)



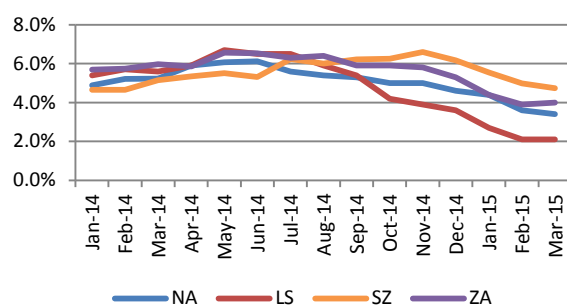
Source: World Trade Monitor

## 2. Domestic Developments

### 2.2 Prices

Monthly Inflation rates continued to fall in Q1 2015 in the Common Monetary Area economies. Swaziland’s inflation rate remained the highest averaging 5 percent in the period Q1 2015. At the end of the period under review inflation closed at 4.7 percent.

Figure 13 - CMA Monthly Inflation Rates (headline)

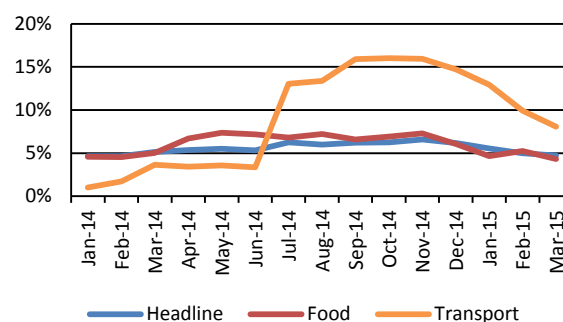


Source: CSO, StatsSA, NSA & SACU

Transport inflation continued to follow a declining trend that began in the last quarter of 2015. In Q1 2015 transport prices opened at 13 percent, 7 percentage points above headline inflation. Transport prices closed at 8 percent, 4 percentage points above inflation. Food inflation on the other hand opened Q1 2015 at 5 percent and closed at 4 percent, 1 percentage point below headline inflation.

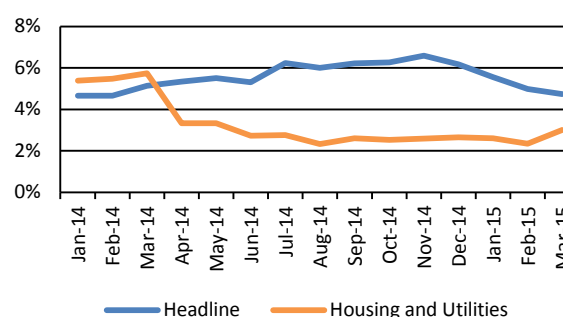
Housing and utilities inflation opened at 3 percent in Q1 2015, 3 percentage points above headline inflation. At the close of quarter housing and utilities inflation remained unchanged at 3 percent.

Figure 14 - SD Monthly Inflation Rates (Food and Transport)



Source: CSO

Figure 15 - SD Monthly Inflation Rates (Utilities)



Source: CSO

### 2.3 Interest Rates

The Central Bank of Swaziland in consultation with the Monetary Policy Consultative Committee (MPCC) maintained the bank rate at 5.25 percent in Q1 2015. This decision was made in view of the low inflation rate and slow economic activity as reflected in the deceleration in credit extension to households and the decline in credit extension to industry in the quarter under review. The interest rate differential between Swaziland and the Republic of South Africa consequently remained unchanged at 50 basis points as Commercial banks also maintained prime lending rates at 8.75 percent.

### 2.4 Lending

Lending in Q1 2015 declined by 6 percent, credit extended to households decelerated to

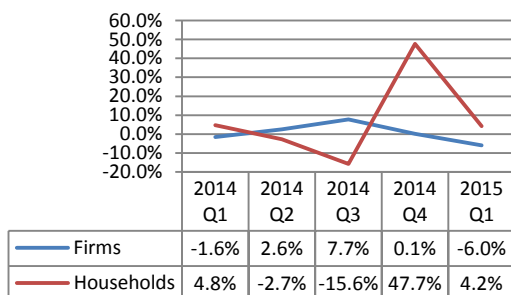


4 percent and credit extension to firms declined by 6 percent.

Other industries which also include Real Estate accounted for the largest share of credit extension to firms, accounting for 26 percent. Agriculture and Forestry, Distribution and Tourism, Manufacturing, Construction and Transport and Communication accounted for 17 percent, 14 percent, 13 percent, 10 percent, 10 percent of total industry lending respectively. Lending to manufacturing as a share of total lending to industry declined by 8 percent compared to the previous quarter. On the other hand other Industries, Agriculture and Forestry and Distribution and Tourism increased by 3 percent, 2 percent and 2 percent respectively in Q1 2015 as a share of total industry lending.

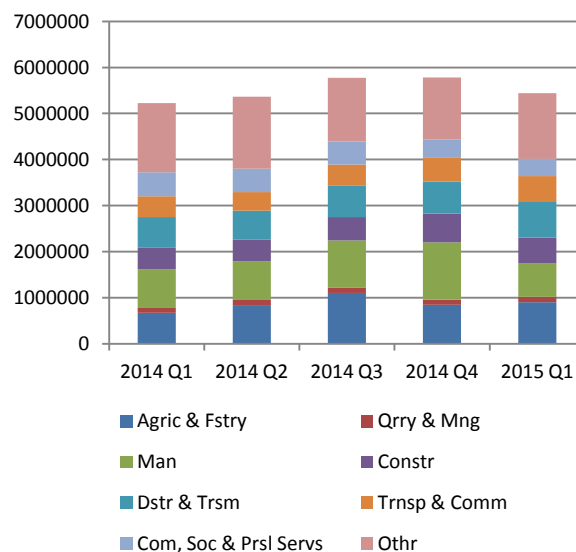
Credit extension to industry recorded a q-o-q decline of 6 percent in Q1 2015. This decline was mainly attributed to q-o-q 42 percent decline in lending to the Manufacturing sector in the period under review. Other sectors like Construction, community and Social and personal services recorded a negative growth in lending at 10 percent and 4 percent respectively. Agriculture and Forestry rebounded from a negative growth recorded in the previous quarter to grow 6 percent q-o-q in Q1 2015.

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



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

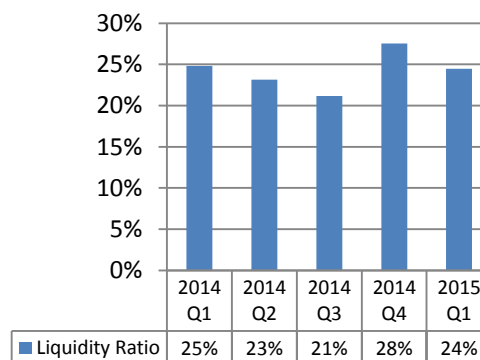
Figure 17 - Share of Total Lending



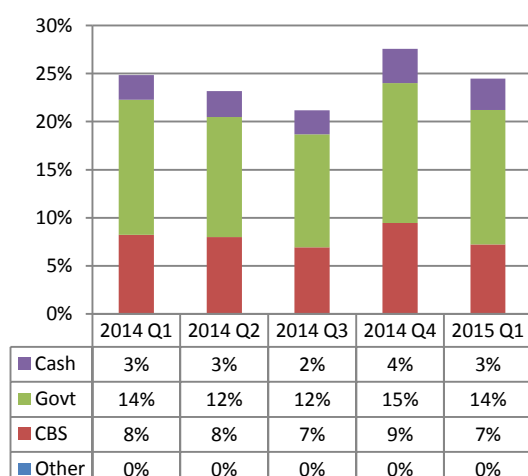
Source: CBS Mar. 2014 Quarterly Review, Table S 3.7

The liquidity of banks fell in Q1 2015 and settled at 24 percent of covered liabilities, 4 percentage points above the liquidity requirement of 20 percent. Most of the decline can be attributed to a fall in Rand Notes and Coins in Till and CBS, which fell by 32 percent and 25 percent year over year respectively.

Figure 18 - Liquidity Ratio



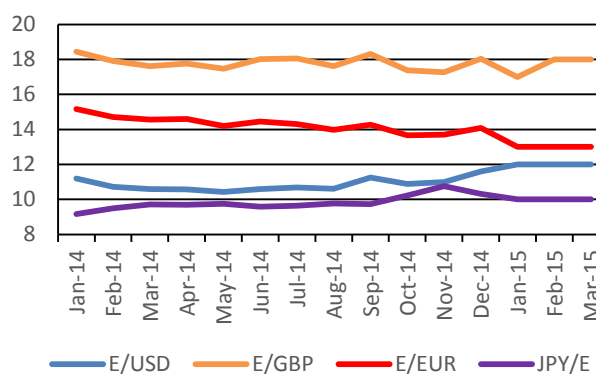
Source: CBS Mar. 2014 Quarterly Review, Table S 3.7

**Figure 19 - Liquidity to Required Liquidity Ratio by Type**


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

## 2.4 Exchange Rates

Over the past year the Swazi Lilangeni (SZL) has experienced volatility against major currencies. The Lilangeni fared poorly against the US Dollar and the British pound in Q1 2015 and on the other hand appreciated against the Euro and the Japanese Yen.

**Figure 20 - Selected daily exchange rates**


Source: SARB

**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%
q1-2015	12.07	18.08	9.98	13.07
Change	5%	1%	-4%	-8%

The US Dollar and British Pound appreciated against the Swazi Lilangeni by 5 percent and 1 percent respectively on a q-o-q basis in Q1 2015.

At the close of Q1 2015, the USD had appreciated by 5 percent against the Swazi Lilangeni, while British Pound recorded zero growth. The Japanese Yen and Euro recorded a decline of 4 percent and 7 percent at the end of the period under review.

The appreciation of the US dollar was favorable for US dollar denominated exporters in the domestic economy by increasing revenue from exports. On the other hand this had an adverse impact on the cost of US Dollar denominated imports like raw materials and machinery for the manufacturing sector and external debt repayment. The depreciation of the Euro against the SZL was negative for exports to Europe like sugar and citrus. On the other hand this was favorable for imports like pharmaceuticals due to lower exchange rate in Q1 2015.

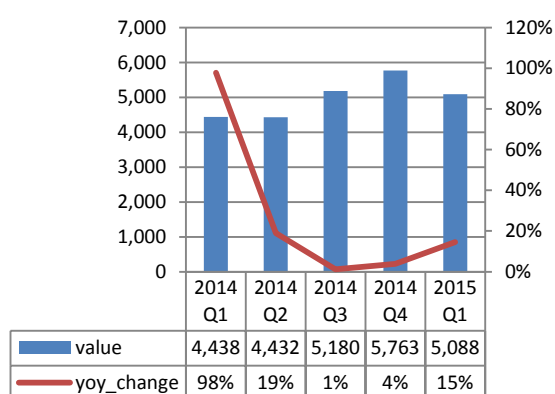
**Table 5 - Selected Quarterly Exchange Rates (EP)**

	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%
q1-2015	12.19	18.01	9.86	13.12
Change	5%	0%	-4%	-7%

## 2.5 Exports<sup>i</sup>

The total value of exported goods increased by 15 percent year-on-year in Q1 2015 following an annualized increase of 4 percent in Q4 2014. However, quarter-on-quarter, domestic exports dropped by 11 percent from E 5,763 million in Q4 2014 to E 5,088 million in the quarter under review.

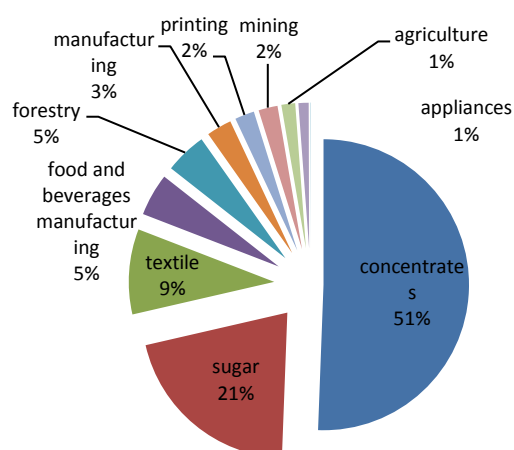
Figure 21 - Exports at current prices (E millions)



Source: SRA

Concentrates remain Swaziland’s largest export commodity, though their total share to the export basket decreased by 1 percentage point to 51 percent compared to Q4 2014, followed by sugar which was at 21 percent. Textile exports also accounted for a significant share at 9 percent, whilst food and beverage manufacturing, and forestry had equal shares of 5 percent. Due to the indefinite cessation of iron ore mining in Q4 2014, exports from the mining sector declined by 1 percentage point in Q1 2015 and accounted for only 2 percent of the country’s exports. Other manufacturing exports remained at 3 percent while agricultural exports declined by 2 percentage points in Q1 2015, contributing 1 percent to total exports.

Figure 22 - Share of total exports by sector Q1 2015 YTD

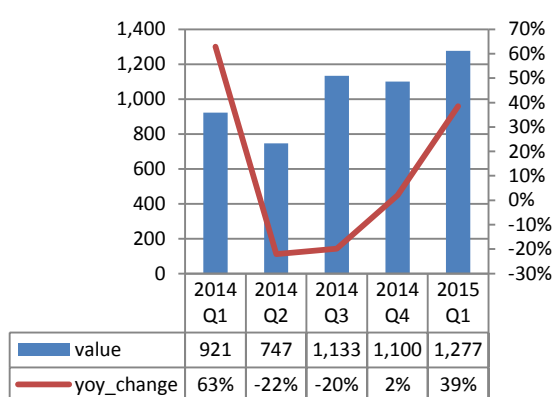


Source: SRA

### 2.5.1 Sugar<sup>ii</sup>

Total sugar exports recorded a significant increase of 39 percent in Q1 2015 compared to the same period last year, picking up from an annualized increase of 2 percent in Q4 2014 despite the continuing downward trend in sugar prices globally. This can be explained by Swaziland increasing its sugar export volumes, most of which going to the SACU region.

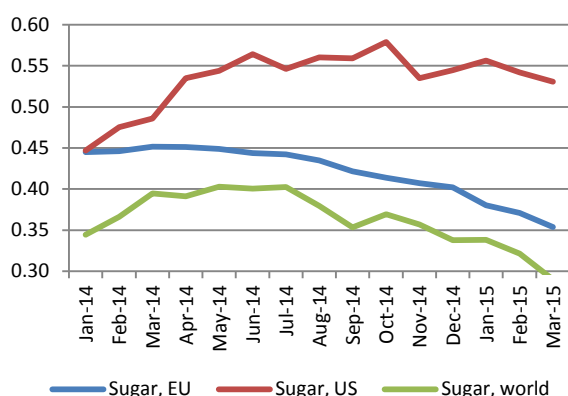
Figure 23 - Sugar exports at current prices (E' millions)



Source: SRA

Global and EU sugar prices continued on a downward trend closing at USD0.29/kg and USD0.35/kg, respectively, at end of Q1 2015. These sugar prices depict annualized declines of 25 percent and 22 percent in the World and EU markets. In the US, sugar prices eased down, falling from USD0.56/kg at the beginning of Q1 2015 to USD0.53/kg at the end of the same quarter.

**Figure 24 - Sugar prices in nominal \$US**

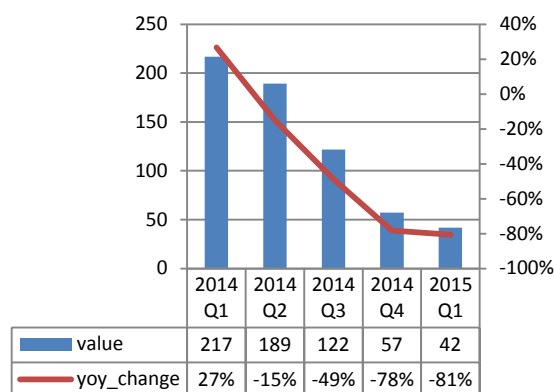


Source: World Bank "pink sheet"

### 2.5.2 Mining<sup>iii</sup>

After a quarter-on-quarter decline of 64 percent in Q4 2014, the total value of mining exports continued on a downward trend in Q1 2015, declining by 26 percent quarter-on-quarter. Mining exports declined drastically by 81 percent year-on-year in the period under review. In Q1 2014, mining exports contributed E 217 million to the export basket whilst in Q1 2015 only E 42 million was generated. This is attributed to the closure of the iron ore mine in Q4 2014 owing to falling iron ore prices globally in the past year.

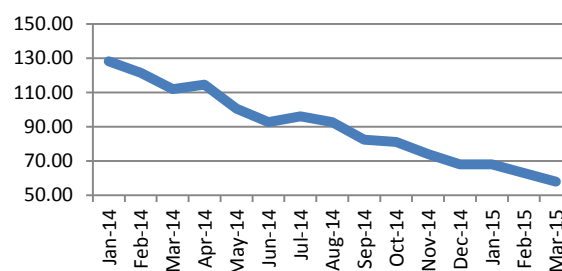
**Figure 25 - Mining exports at current prices (E millions)**



Source: SRA

Iron ore prices continued on a downward trend, falling from USD68.00/dmtu at the end of Q4 2014 to USD58.00/dmtu at the end of the quarter under review. Year-on-year, iron ore prices tumbled by 48 percent in Q1 2015 to USD58.00/dmtu, compared to the USD111.83/dmtu recorded in March 2014. This trend led to the closure of the Ngwenya iron ore mine in the last quarter of 2014, leaving coal as Swaziland's only mining export commodity.

**Figure 26 - Iron Ore Prices in nominal USD/dmtu**

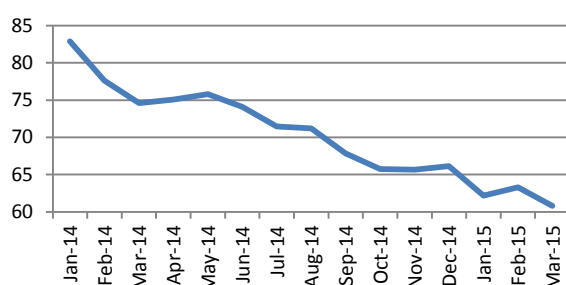


Source: World Bank "pink sheet"

Coal prices in the South African market, which consumes a large share of Swaziland's coal, are also experiencing downward pressures which have hit most commodities globally in the past year. Coal prices declined by 18 percent in the South African market at the end of Q1 2015 compared to the same period last year. The same trend was observed in coal prices quarter-on-quarter, settling at

USD60.82/Mt in Q1 2015 from USD66.14/Mt in the previous quarter.

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

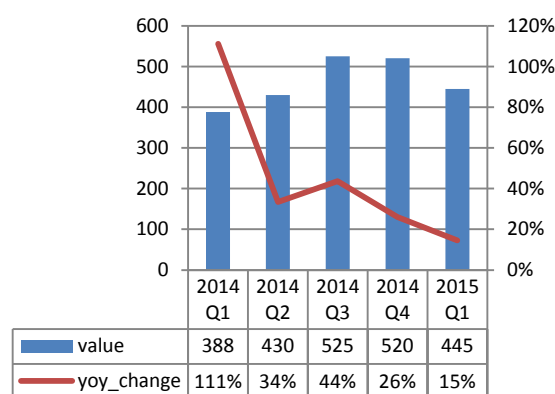


Source: World Bank "pink sheet"

### 2.5.3 Textiles<sup>iv</sup>

Total textile exports dropped in Q1 2015 compared to Q4 2014, and only grew by 15 percent year-on-year from an annualized increase of 26 percent in the previous quarter. Quarter-on-quarter, textile exports dropped from a total value of E 520 million in Q4 2014 to E 445 million in the quarter under review. Some textile firms shut operations in Q4 2014 after the country lost the US AGOA market, hence the slight decline in textile export. However, other domestic textile manufacturers who were supplying the US market have been observed to be shifting to the South African market to counter the effects of AGOA loss in the medium-term.

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

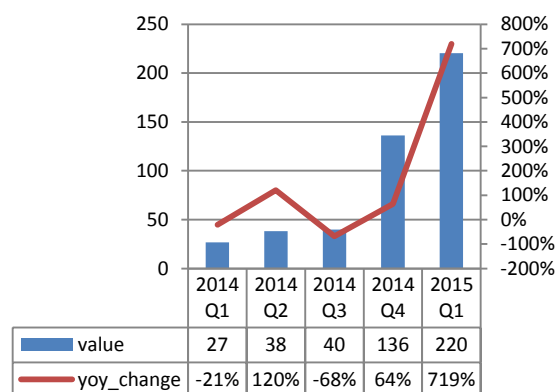


Source: SRA

### 2.5.4 Printing<sup>v</sup>

Printing exports surged by an annualized value of 719 percent in Q1 2015 recording receipts of E 220 million, compared to only E 27 million observed in the same period last year. Quarter-on-quarter, printing exports have been on an upward trend since Q2 2014. However, it is worth noting that printing exports have depicted a high degree of volatility in recent years.

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



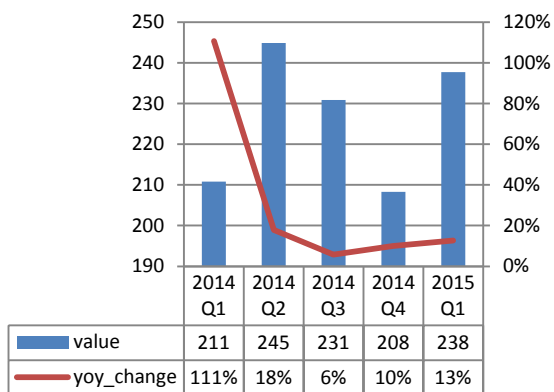
Source: SRA

### 2.5.5 Forestry<sup>vi</sup>

In Q1 2015, forestry exports picked up from the downward trend observed in the last two quarters of 2014. The total value of forestry exports increased by 13 percent year-on-year, a phenomenal recovery when compared to the annualized decline of 10 percent recorded in Q4 2014. Quarter-on-quarter, an increase

of 14 percent to E 238 million was recorded in Q1 2015 for this export commodity.

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

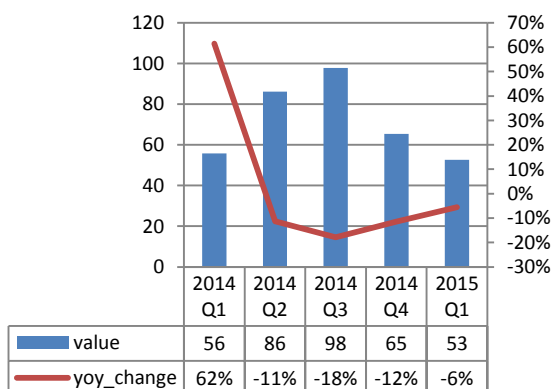


Source: SRA

### 2.5.6 Agriculture<sup>vii</sup>

The total value of agriculture exports had an annualized decline of 6 percent in the quarter under review compared to the 22 percent year-on-year increase recorded in Q1 2014. Quarter-on-quarter, agricultural exports declined for a second consecutive quarter, from E 65 million in Q4 2014 to E 53 million in Q1 2015.

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



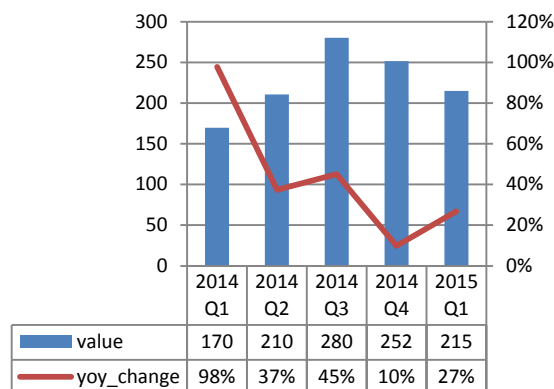
Source: SRA

### 2.5.7 Food and Beverage<sup>viii</sup>

The total value of food and beverage exports declined to E 215 million in Q1 2015 from E 252 million recorded in the previous quarter. Year-on-year, this export commodity again

showed to be a slowing down, increasing by only 27 percent, 71 percentage points lower than the annualized growth observed in the same period last year.

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

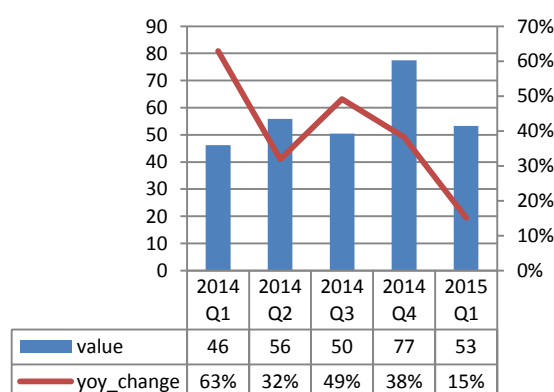


Source: SRA

### 2.5.8 Appliances<sup>ix</sup>

The total value of export appliances settled at E53 million in Q1 2015, recording an annualized increase of 15 percent, a slow down when compared to the year-on-year improvement of 38 percent observed in the previous quarter. Quarter-on-quarter, this export commodity dropped from E 77 million in Q4 2014 to E 53 million in the review period, a more than 30 percent decline.

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

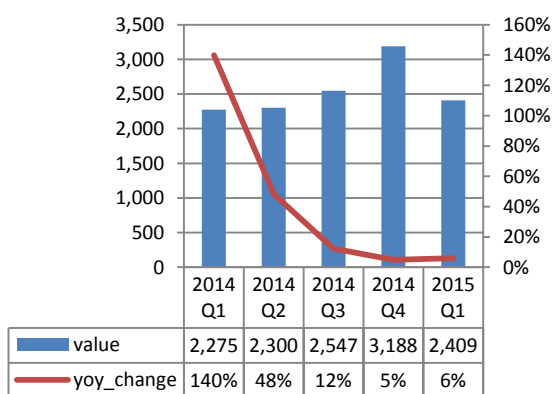


Source: SRA

### 2.5.9 Concentrates<sup>x</sup>

Concentrates which account for more than half the value of total exports have only been able to attain single digit annualized increases in the past two quarters. After an annualized increase of 5 percent in Q4 2014, the total value of concentrate exports recorded another marginal year-on-year increase of 6 percent in the quarter under review. Conversely, concentrate exports declined from E 3, 188 million in Q4 2014 to E 2, 409 million in Q1 2015. However, the year-on-year increase of 6 percent in the value of concentrate exports recorded in Q1 2015 is 134 percentage points less than the annualized increase observed in the same period last year.

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

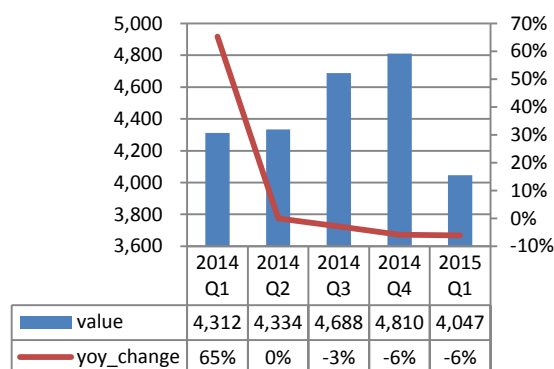


Source: SRA

### 2.6 Imports<sup>xi</sup>

Swaziland is a small open-economy with little diversification given its specialization towards export-oriented industries. Thus, the country relies on trade to fulfill its demand for goods and services. The composition of domestic imports mainly consists of fuel with a share of 14 percent, followed by construction material and capital goods. Final consumption goods also represent a substantial amount of its import basket, accounting for about 30 percent.

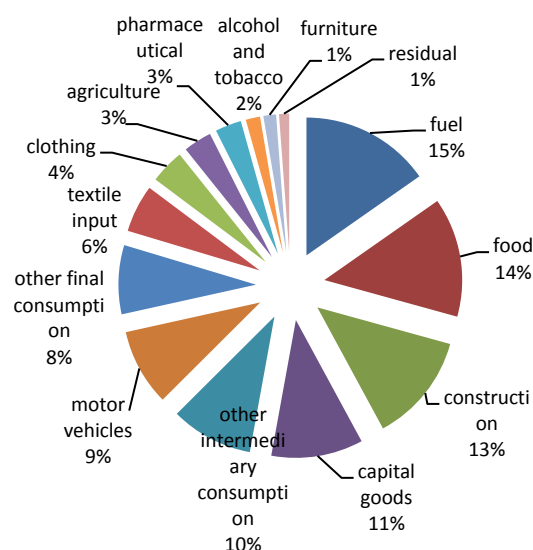
**Figure 35 - Total imports at current prices (E millions)**



Source: SRA

In Q1 2015, the accumulated value of imports over a quarter declined by 6 percent, following a declining trend in growth which started the previous year. The accumulated value of imports year-to-date has also declined by 4 percent, reaching E 17 billion. Most of the decline can be attributed to a decline in the value of imported fuel and final consumption goods. Therefore, the overall under-performance of the import basket can be attributed to declining commodity prices, and in particular the fuel component. On the other hand, there has been positive growth in the amount of capital and intermediary goods imported, suggesting investment and production are picking up.

**Figure 36 - Share of total imports Q1 2015 YTD**

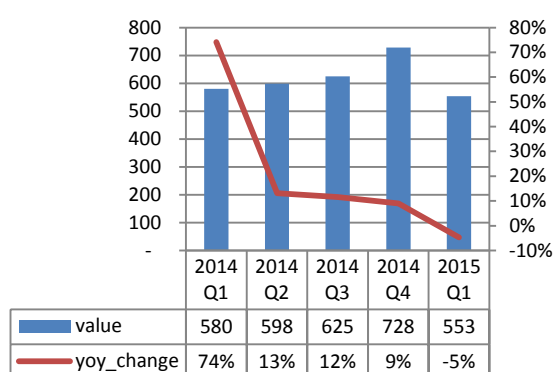


Source: SRA

### 2.6.1 Food Imports<sup>xii</sup>

The amount of food imported in Q1 2015 declined by 5 percent compared to the previous quarter, suggesting a deceleration in the growth of imported food items after continued growth in the past year. Most of the decline comes from animal products and cereals.

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

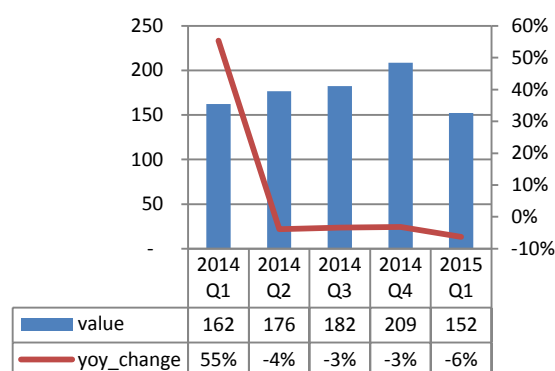


Source: SRA

### 2.6.2 Clothing<sup>xiii</sup>

Clothing imports in Q1 2015 recorded and annualized declined of 6 percent, after continued decline over the past year. At the end of Q1 2015, Swaziland imported E 720 million YTD worth of clothing products, 70 percent of which from South Africa. Most of the decline in clothing imports is due to decline imports from South Africa. Imports from Asia, which represents the remaining of clothing imports recorded an annualized 2 percent increase at the end of 2015 Q1 YTD.

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

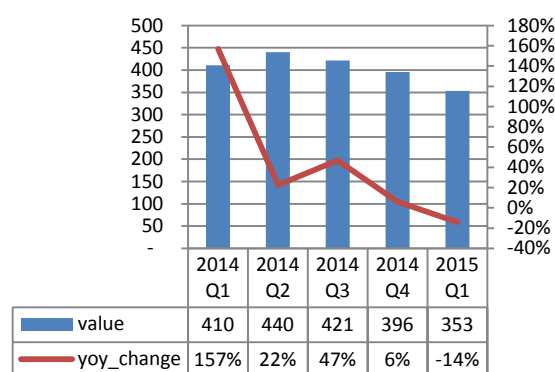


Source: SRA

### 2.6.3 Motor Vehicle<sup>xiv</sup>

After a prolonged period of strong growth, motor vehicle imports saw a substantial decline of 14 percent in Q1 2015 compared to the previous year suggesting that the car market in Swaziland might be reaching saturation point. The annual YTD growth rate remains strong at 13 percent.

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



Source: SRA

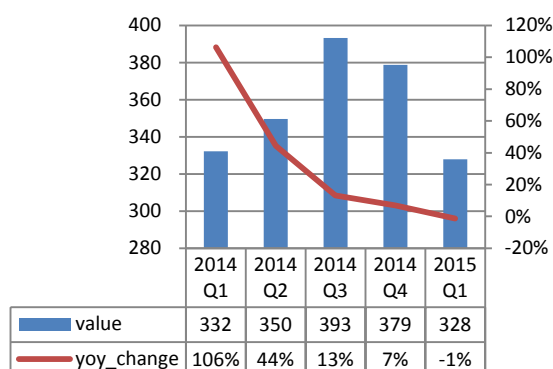
### 2.6.4 Other Final Consumption

Consumer goods such as printing materials, toiletry, games and musical instruments amongst others fall in this category. Following the trend in food and clothing imports, other final consumption goods imports declined in Q1 2015 after having experience continued growth during the past year. Other final



consumption imports declined by 1 percent compared to Q1 2014, reaching E 328 million during the period.

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

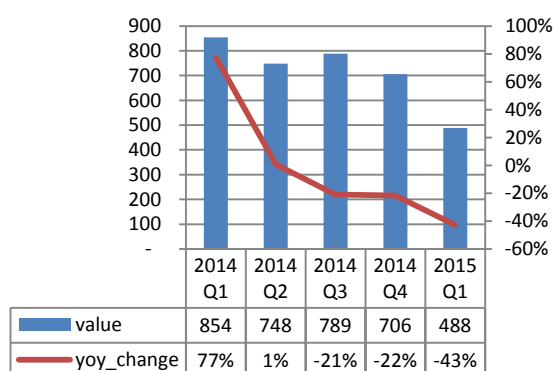


Source: SRA

### 2.6.5 Fuel Imports<sup>xv</sup>

Fuel is the largest item in the import basket as mentioned above. Due to persistent decline in international fuel prices, the value of fuel imports continued to decline. During Q1 2015 the total value of fuel imported was E 488 million, which is 43 percent lower than in 2014 Q1.

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



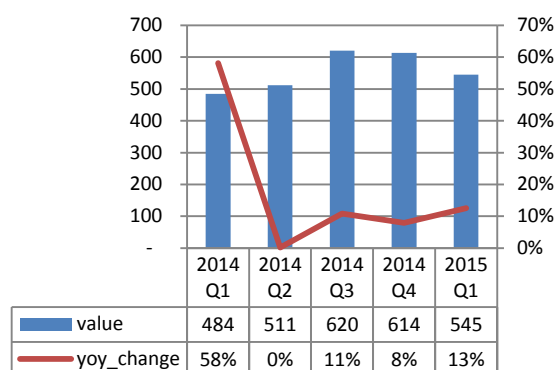
Source: SRA

### 2.6.6 Construction Imports<sup>xvi</sup>

Construction imports have continued to increase during Q1 2015, recording an annualized growth rate of 13 percent. The good performance of construction imports can be attributed to the expansion of the

government capital budget and continued implementation of its projects. As mentioned above construction is the second largest category in the import basket and its relative size has been increasing in the past year. YTD construction imports reached E 2.3 billion and recorded growth of 8 percent.

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

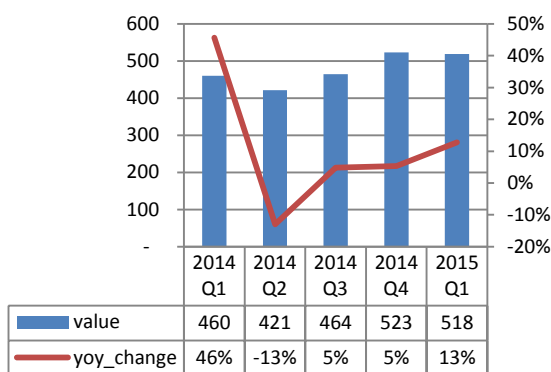


Source: SRA

### 2.6.7 Capital Goods imports<sup>xvii</sup>

Capital goods imports are directly linked to domestic investment and are therefore a critical component in determining the overall economic activity. Together with construction imports, capital goods imports recorded strong growth of 13 percent in Q1 2015 reaching E 518 million. Capital goods imports have shown strong acceleration in the past three quarters suggesting that investments are picking up in the country drive by increased public capital expenditure.

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

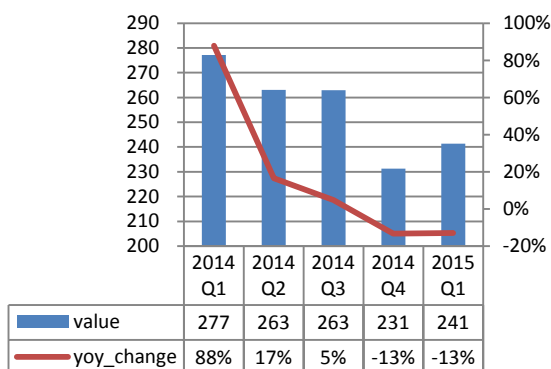


Source: SRA

### 2.6.8 Industrial Goods imports

Due to the loss of AGOA and the closure of a number of textile firms, the value of imported textile input has started to decline since Q4 2014. In Q1 2015, textile inputs declined by about 13 percent compared to Q1 2014 where it had grown by 88 percent. In Q1 2014, the import of textile inputs reached its peak after continued growth from Q1 2012. It is likely that the import of textile inputs will stabilize in the near future once the sector has consolidated and all firms which had been oriented to the US market are closed or change their strategy. It is worth noting that most of textile exports from Swaziland are aimed at the South African market and its big clothing chain stores.

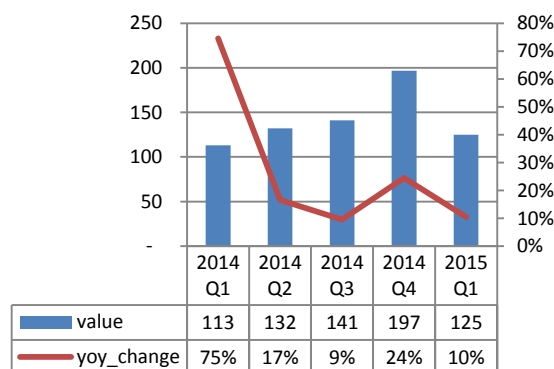
**Figure 45 - Textile imports<sup>xviii</sup> at current prices (E millions)**



Source: SRA

Imports of agriculture inputs include fertilisers, seeds, pesticides and livestock. The import of agriculture imports continued to grow in Q1 2015, recording an annualized growth rate of 10 percent during this quarter. The continued increase in the value of imported agricultural inputs suggest that activity in this sector is still buoyant.

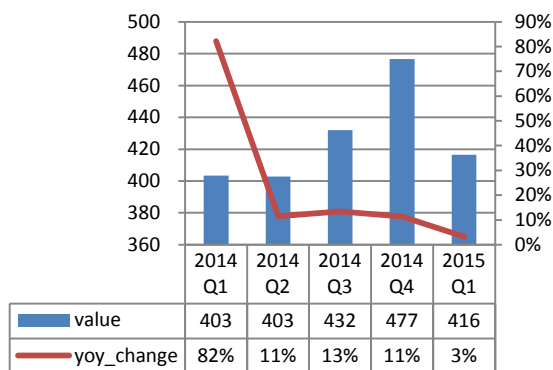
**Figure 45 - Agriculture imports<sup>xix</sup> at current prices (E millions)**



Source: SRA

The intermediate consumption category includes a wide range of industrial inputs. Despite an observed deceleration, intermediate goods continued to grow, recording an annualized growth rate of 3 percent in Q1 2015. The value of intermediate goods YTD reached E 1.5 billion, growing by 14 percent year-over-year. Overall, industry related imports both on the capital and intermediate consumption sides have shown strong performance over the last quarter, suggesting that activity and investment in Swaziland are picking up.

**Figure 46 - Other intermediate consumption imports<sup>xx</sup> at current prices (E millions)**

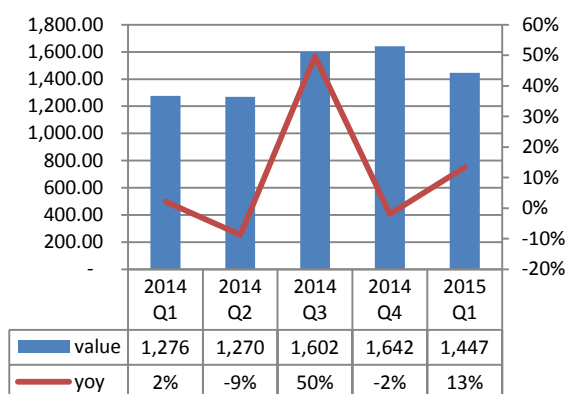


Source: SRA

### 2.7 Domestic Tax Revenue

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 1.447 billion in Q1 2015, 13 percent more than was collected during the same period last year. However, domestic revenue collections dropped by 11 percent between Q4 2014 and Q1 2015 due to large quarter-on-quarter declines in company taxes and VAT.

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

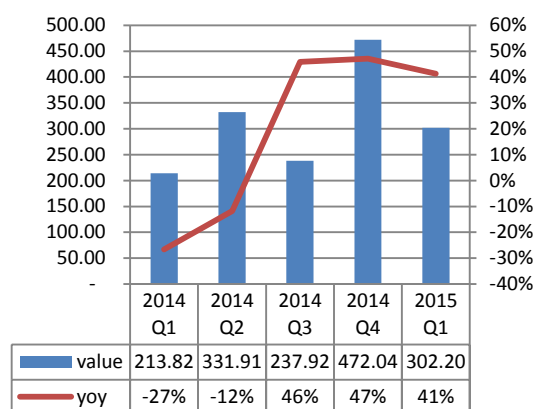


Source: SRA

### 2.7.1 Company Taxes

There was a significant decline of 36 percent in the value of company taxes collected from E 472 million in Q4 2014 to E 302 million in Q1 2015 due to cyclical effects. On the other hand, the annualised value of corporate taxes increased by 41 percent in Q1 2015, a notable improvement when compared to the year-on-year decline of 27 percent recorded during the same period in 2014.

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

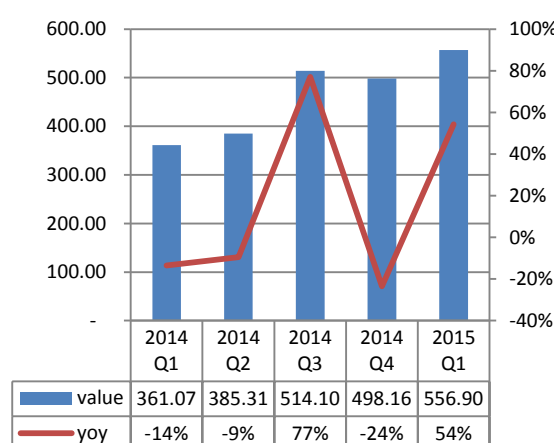


Source: SRA

### 2.7.2 Payroll Taxes

Payroll taxes (PAYE source deductions) improved by 11 percent quarter-on-quarter from E 498 million in Q4 2014 to E 556 million in the period under review. However, the annualised value of company taxes in Q1 2015 depicts a surge of 54 percent from the E 361 million collected in the same period in 2014.

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

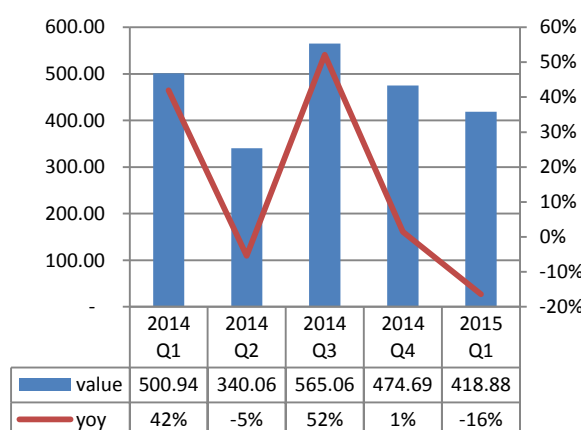


Source: SRA

### 2.7.3 VAT

Contrary to the annualised growth of 42 percent recorded in Q1 2014, the period under review saw a decline of 16 percent in VAT collections year-on-year. VAT collections decreased for a second consecutive quarter, indicating a possible slowdown in economic activity.

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



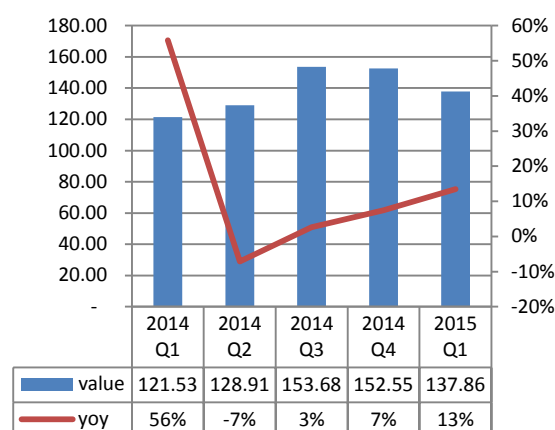
Source: SRA

### 2.7.4 Fuel Tax

The annualised value of fuel tax collections increased slightly by 13 percent in Q1 2015, which is still far less than the year-on-year growth of 56 percent achieved in the same period in 2014. Quarter-on-quarter, receipts

from fuel tax dropped by nearly 10 percent from E 152 million in Q4 2014 to E 137 million in Q1 2015 due to the sustained low crude oil prices globally.

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

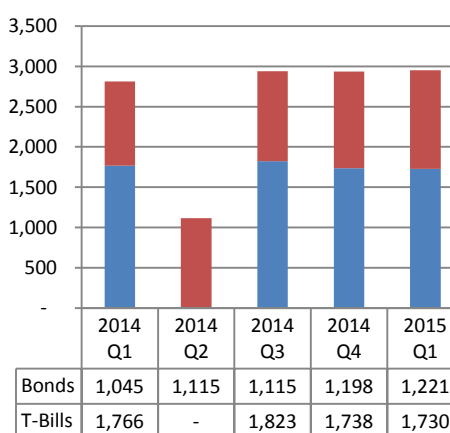


Source: SRA

## 2.8 Government Financing

Both long-term domestic bonds and outstanding treasury bills remained almost stable in Q1 2015 compared to the previous quarter. Therefore, overall domestic debt remained relatively unchanged quarter-on-quarter in the period under review whilst increasing marginally by close to 5 percent year-on-year.

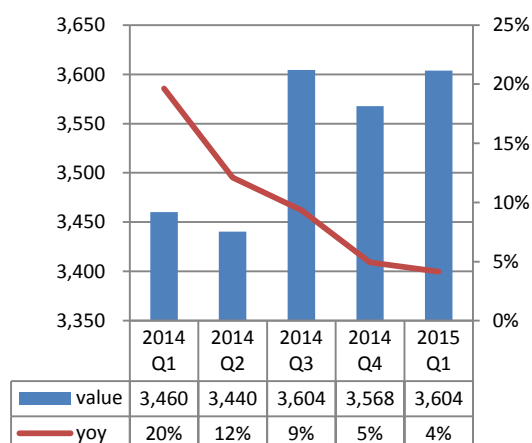
**Figure 52 - Domestic debt at current prices (E millions)**



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

External debt closed at E 3.604 billion in Q1 2015 compared to the revised value of E 3.460 billion recorded in Q1 2014, showing a minor increase of only 4 percent year-on-year. The annualised value of external debt has been increasing though at a decreasing rate since Q1 2014.

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



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

Due to insignificant changes observed in both domestic and foreign debt in the quarter under review, total debt only increased by a mere percentage point quarter-on-quarter and Debt-to-GDP ratio also remained stable at 18 percent. The annualised value of total debt increased by 4 percent in the quarter under review, compared to a 20 percent year-on-year increase recorded in the same period last year.

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



**Source: CBS Dec. 2014 Quarterly Review**

## Annex 1 – Key Economic Indicators

	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
<b>Real Sector</b>										
Population			1,020,102	1,031,747	1,043,509	1,055,506	1,067,773	1,080,337	1,093,158	1,106,189
GDP at Market Prices (E' Million)							36,538	42,633	46,513	50,662
GDP per Capita							34,219	39,462	42,549	45,798
GDP Growth Rate (%)	2.5	3.3	3.5	2.4	1.3	1.8	1.3	1.8	2.7	2.3
Agriculture Sector's Contribution to GDP (%)							6.3	5.7	5.6	5.5
Manufacturing Sector's Contribution to GDP (%)							36.9	34.3	33.9	33.5
Public (Govt) Sector's Contribution to GDP (%)							11.1	10.6	11.3	11.6
Unemployment Rate (%)			28.2			28.5			28.5	
Human Development Index (HDI)	0.498					0.527	0.530	0.529	0.530	
Proportion of Population Below Poverty Line (%)	66				63				63	
<b>Monetary Sector</b>										
Inflation Rate (%)	4.8	5.3	8.1	12.6	7.5	4.5	6.1	8.9	5.6	5.7
Consumer Price Index (CPI)	58.5	61.6	66.6	75	80.7	84.3	89.5	97.5	103	108.8
Discount Rate (%)	7.00	9.00	11.00	11.00	6.50	5.50	5.50	5.00	5.00	5.25
Prime Lending Rate (%)	10.50	12.50	14.50	14.50	10.00	9.00	9.00	8.50	8.50	8.75
Exchange Rate (E/US Dollar)*	6.37	6.77	7.05	8.26	8.44	7.33	7.26	8.24	9.65	10.85
Exchange Rate (E/Pound Sterling)*	11.57	12.5	14.11	15.14	13.12	11.32	11.63	13.01	15.11	17.85
<b>External Sector</b>										
Total FDI Inflows (E' Million)	4,972.4	5,791.9	6,056.0	5,042.5	5,970.2	6,145.7	7,386.3	7,841.4	8,075.1	
Merchandise Exports (E' Million)	10,407.3	11,260.2	12,292.6	12,958.5	14,066.9	13,217.4	13,837.9	15,813.4	18,294.7	14,776.0
Merchandise Imports (E' Million)	12,049.0	12,967.0	12,997.7	13,040.0	15,094.4	14,314.6	14,157.1	15,174.2	16,343.8	13,512.0
Merchandise Trade Balance(E' Million)	(1,641.7)	(1,706.8)	(705.1)	(81.5)	(1,027.5)	(1,097.2)	(319.2)	639.2	1,950.8	1,263.0
Gross Official Reserves (E' Million)	1,538.20	2,604.60	5,165.50	7,064.70	6,479.37	4,496.60	4,179.40	5,579.67	7,911.01	7,916.08
Gross Official Reserves (Months of Import Cover)	1.3	2.1	3.7	4.6	4.1	2.8	2.3	2.9	3.9	3.6

**Fiscal Sector**

<b>Total Revenue and Grants (E' Million)</b>	5,499.10	8,020.40	8,085.52	9,409.87	9,642.04	6,830.63	7,184.15	12,034.70	13,106.18	14,835.57
<b>Total Expenditure and Net Lending (E' Million)</b>	5,828.90	6,062.70	7,472.61	9,780.23	10,935.36	10,338.30	9,132.33	10,567.40	12,889.82	15,658.70
<b>Fiscal Surplus/Deficit (E' Million)</b>	(329.80)	1,957.70	612.91	(370.36)	(1,293.32)	(3,507.67)	(1,948.18 )	1,467.30	216.36	(823.13)
<b>Fiscal Surplus/Deficit as % of GDP</b>							(5.33)	3.92	0.56	(2.08)
<b>Total External Debt (E' Million)</b>	2,749.53	3,076.76	3,392.52	4,135.08	3,327.18	2,542.66	2,772.87	2,715.21	3,400.41	3,653.78
<b>Total External Debt as % of GDP</b>							7.59	7.25	8.82	9.23

**Sources**

Population: CSO, Population Projections

GDP at Market Prices: CSO, SNA

GDP per Capita: CSO, SNA

GDP Growth Rate: CBS and MEPD

Agriculture Sector's Contribution to GDP: CSO, SNA

Manufacturing Sector's Contribution to GDP: CSO, SNA

Public (Govt) Sector's Contribution to GDP: CSO, SNA

Unemployment Rate: CSO, Labour Force Survey

HDI: UNDP

Proportion of Population Below Poverty Line (%): WFP, UNDP

Inflation Rate: Central Statistical Office: CSO

CPI: CSO

Discount Rate: CBS, BOP Section

Prime Lending Rate: CBS, BOP Section

Exchange Rate (E/US Dollar): CBS, BOP Section

Exchange Rate (E/Pound Sterling): CBS, BOP Section

Total FDI Inflows: CBS, BOP Section

Merchandise Exports and Imports: CBS, BOP Section

Trade Balance: Net Exports and Imports: CBS, BOP Section

Gross Official Reserves: CBS, BOP Section

Gross Official Reserves (Months of Import Cover): CBS, BOP Section

Total Revenue and Grants: MoF, Estimate Book

Total Expenditure and Net Lending: MoF, Estimates Book

Fiscal Surplus/Deficit: MoF, Estimates Book

Fiscal Surplus/Deficit as % of GDP: MoF, Estimates Book

Total External Debt: CBS

Total External Debt as % of GDP: CBS

## List of Acronyms

AGOA	African Growth and Opportunity Act	WEO	World Economic Outlook
BoB	Bank of Botswana	BS	Botswana
BoN	Bank of Namibia	CMA	Common Monetary Area
CBS	Central Bank of Swaziland	FD	Foreign Debt
CSO	Central Statistics Office (SD)	E&D	Emerging and Developing Economies
FRED	Federal Reserve Economic Data	Kg	Kilogram
IMF	International Monetary Fund	LS	Lesotho
JSE	Johannesburg Stock Exchange	Mt	Metric Ton
LBS	Lesotho Bureau of Statistics	NB	Namibia
LFS	Labour Force Survey	QAG	Quarterly Annualized Growth
MEPD	Ministry of Economic Planning & Development	QAI	Quarterly Annualized Inflation
MoF	Ministry of Finance	RSA	Republic of South Africa
ONS	Office of National Statistics	SACU	Southern Africa Customs Union
SARB	South Africa Reserve Bank	SSA	Sub-Saharan Africa
SIPA	Swaziland Investment Promotion Authority	SD	Swaziland
StatsSA	Statistics South Africa	SNA	System of National Accounts
		TB	Treasury Bill



<sup>ii</sup>Export 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 period's 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.

<sup>ii</sup>Sugar exports correspond to ASYCUDA Chapter 17

<sup>iii</sup>Mining export figures correspond to chapter 25, 26 (for iron ore) and chapter 27 (for coal) of ASYCUDA

<sup>iv</sup>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

<sup>v</sup> Printing corresponds to ASYCUDA chapter 49.

<sup>vi</sup> Forestry exports correspond to ASYCUDA chapters 44 to 48.

<sup>vii</sup> Agriculture exports correspond to ASYCUDA chapters 1 to 15.

<sup>viii</sup> Food and beverages manufacturing correspond to ASYCUDA chapters 16 and 18 to 22.

<sup>ix</sup> *Appliances* refer to large domestic appliances and correspond to chapter 84 of ASYCUDA. In the case of Swaziland exports this category refers to refrigerators.

<sup>x</sup> Concentrates exports correspond to chapters 28, 29, 33 and 38 of ASYCUDA

<sup>xi</sup> 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 period's 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.

<sup>xii</sup> Food imports correspond to ASYCUDA chapters 2 to 21.

<sup>xiii</sup> Clothing imports corresponds to ASYCUDA chapters 42, 43 and 61 to 65.

<sup>xiv</sup> Motor vehicle imports correspond to ASYCUDA chapter 87.

<sup>xv</sup> Motor vehicle imports correspond to ASYCUDA chapter 87.

<sup>xvi</sup> Construction imports correspond to ASYCUDA chapters 25, 39, 40, 68, 69, 72 to 76, 79 to 81 and 86.

<sup>xvii</sup> Capital goods imports correspond to ASYCUDA chapters 82, 84, 85, 88 and 89.

<sup>xviii</sup> Textile imports correspond to ASYCUDA chapters 50 to 60.

<sup>xix</sup> Agriculture imports correspond to ASYCUDA chapters 1, 6, 12, 23 and 31

<sup>xx</sup> Other intermediary imports correspond to ASYCUDA chapter 13, 14, 26, 28, 29, 32, 35, 36, 38, 41, 44, 45, 47, 48, 70 and 83.