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Macroeconomic Analysis and Research Division
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Highlights

International

- The IMF has made marginal downward revisions to its global economic outlook for 2013. Europe is still in recession, while the UK and USA are slowly recovering (see section 1.1 to 1.3).
- The 2014 forecast for South Africa have been revised down from 4.1 percent to 3.3 percent by the IMF. Economic growth continues to slow in South Africa (see section 1.4).
- World Trade picked up slightly at the beginning of the quarter, but fell in February. USA imports were overtaken by Japan imports by the end of the quarter (see section 1.5).

Domestic

- The fall in global prices of cereals such as maize, rice and other grains resulted in a decelerating rate of food price inflation. Decelerating inflation was observed in all the CMA members except RSA.
- Despite CBS maintaining a 5% interest rate, credit extended to private sector firms declined by 0.4 percent, whilst credit extended to households reflected a small increase of 1 percent in 2013 Q1 (see section 2.3).
- The Rand/Lilangeni continued to depreciate against the major trading currencies in the first quarter of 2013 (see section 2.4).
- As a result of higher exports to South Africa and the EU, exports increased by 10.1 percent in nominal terms compared to the same period last year (see section 2.5)
- Total imports rose by 18.3 percent in Q1 2013, which represents a fourth consecutive quarterly increase (see section 2.6).
- Owing to increased treasury bills, domestic debt grew in the first quarter of 2013. The depreciation of the Lilangeni against major currencies increased the level of external debt. Hence, the overall debt stock increased in 2012/13 from 14.7 percent to 17.1 percent of GDP (see section 2.7).

1. International Developments

In the latest World Economic Outlook, the IMF revised down its growth forecast for the global economy from 3.5 percent to 3.3 percent.

Table 1 - Global Annual Growth Forecasts

	Jan 2013		Apr 2013	
	2013	2014	2013	2014
World	3.5	4.1	3.3	4.0
Advanced	1.4	2.2	1.2	2.2
E & D	5.5	5.9	5.3	5.7

Source: IMF WEO April 2013

The 2013 growth forecasts for both advanced, and emerging & developing economies have been revised down by a marginal 0.2 percent.

Table 2 - Advanced Economies Annual Growth Forecasts

	Jan 2013		Apr 2013	
	2013	2014	2013	2014
US	2.0	3.0	1.9	3.0
Euro	-0.2	1.0	-0.3	1.1
UK	1.0	1.9	0.7	1.5
Japan	1.2	0.7	1.6	1.4

Source: IMF WEO April 2013

Growth in the United States is forecast to be 1.9 percent in 2013 and 3.0 percent in 2014. In contrast, growth in the Euro Area is forecast to be -0.3 percent in 2013 and 1.1 percent in 2014.

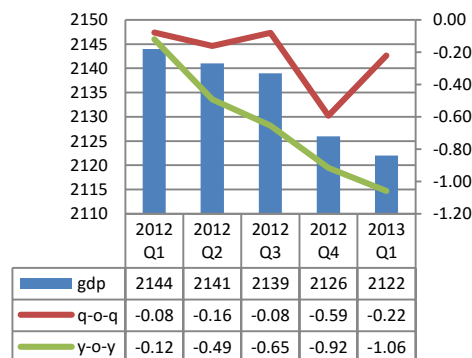
Japan's growth forecast has been revised up by 0.4 percent in 2013 and 0.7 percent in 2014. This reflects the IMF's confidence in the new

Japanese government's economic policies, including the fiscal stimulus.

1.1 Euro Area

Euro Area GDP contracted by 0.2 percent in Q1 2013, its sixth consecutive quarterly contraction.

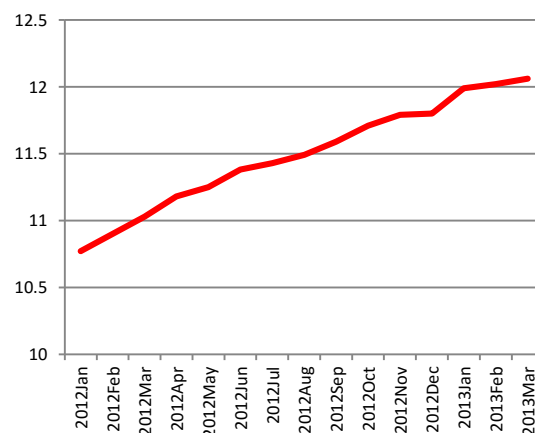
Figure 1 – Euro Area GDP at constant prices (EUR billions)



Source: ECB

The absence of economic growth in the Euro Area is affecting the region's Labour Market, which continues to worsen.

Figure 2 - Euro Area unemployment rate



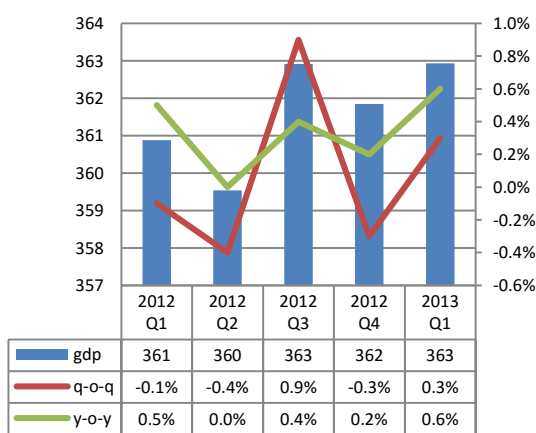
Source: ECB

The Euro labour market saw a steep increase in unemployment in January 2013 which may be due to the lapse of seasonal employment associated with December holidays. The average unemployment rate for the period under review was above 12 percent.

1.2 United Kingdom

The UK economy recorded 0.3 percent growth in 2013 Q1 compared to 2012 Q4. This is 0.6 percent more than the 2012 Q1 economic growth.

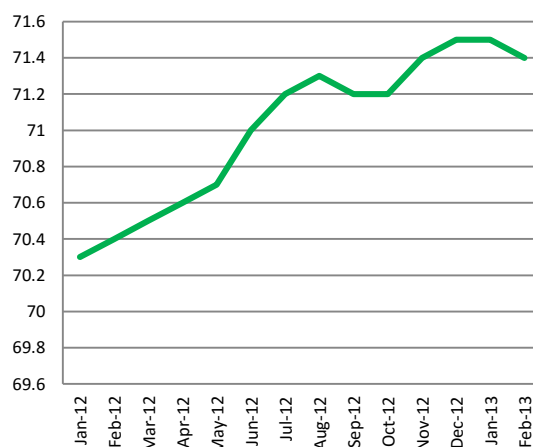
Figure 3 - UK GDP at constant prices (GBP billions)



Source: ONS

Despite the marginal growth, the UK has seen a decrease in employment during the period under review. The UK employment rate currently sits at 71.4 percent.

Figure 4 - UK employment-to-population ratio (age 16-64)

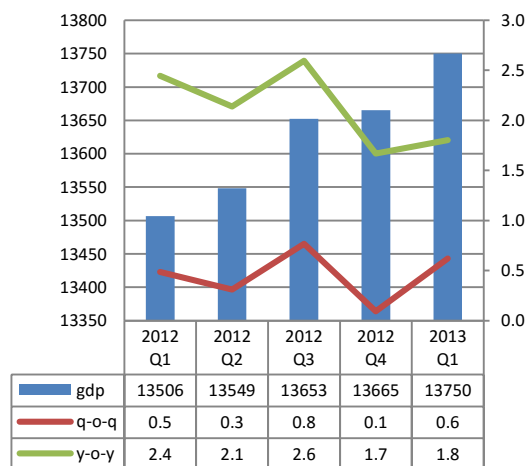


Source: ONS

1.3 United States

The US economy continues to grow, albeit slowly. Q1 2013 saw 0.6 percent quarter-on-quarter growth and 1.8 percent year-on-year growth.

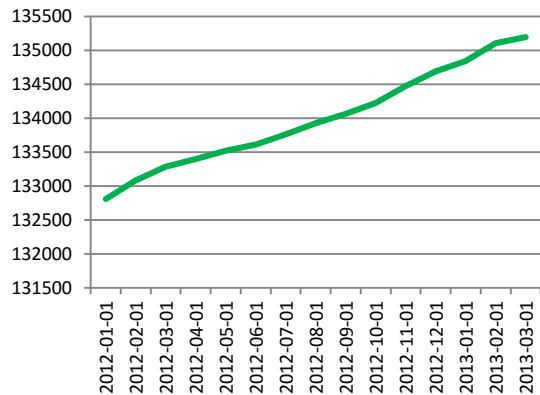
Figure 5 - US quarterly GDP and growth rates



Source: FRED

Despite the slower than expected growth, the US economy was able to add 1,753 jobs in the first three months of 2013.

Figure 6 - US Total Non Farm Employment (thousands)



Source: FRED

1.4 SSA & RSA Developments

The forecasts for SSA remain strong at 5.6 percent for 2013 and 6.1 percent for 2014.

Table 3 – SSA Annual Growth Forecasts

	Jan 2013		Apr 2013	
	2013	2014	2013	2014
SSA	5.8	5.7	5.6	6.1
RSA	2.8	4.1	2.8	3.3

Source: IMF WEO April 2013

South Africa’s 2014 forecast has been revised down from 4.1 percent to 3.3 percent owing to possible cutbacks in investment and capital outflows in emerging economies. This is expected to have an adverse effect on the BRICS, which includes RSA.

The RSA economy continued to slow in the first quarter of 2013. The economy grew by just 1.9

per cent compared to growth of 2.4 percent for the same period in 2012.

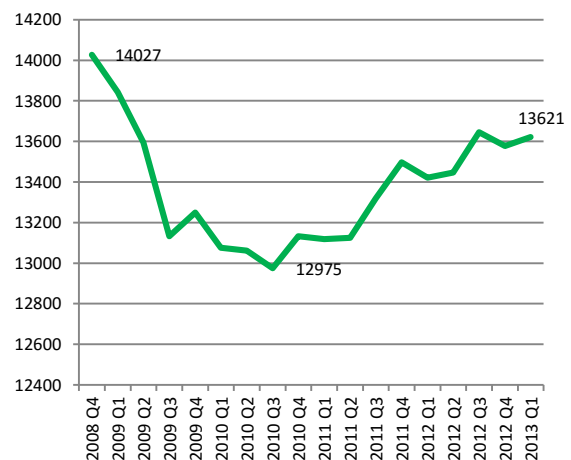
Figure 7 - RSA GDP at constant prices (ZAR billions)



Source: SSA

On the upside South African economy created 44,000 jobs in 2013 Q1. However the current employment level is 406,000 jobs lower than levels observed in 2008 Q4, prior to the recession.

Figure 8 - RSA Employment, 15-64 (Thousands)



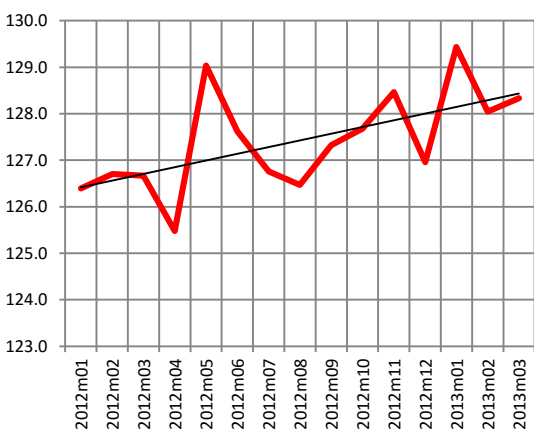
Source: Statistics South Africa

The implication is that the South African economic growth is currently not robust enough to restore employment to its pre-crisis levels.

1.5 World Trade

World trade increased significantly in January, fell in February, and then rose slightly in March 2013.

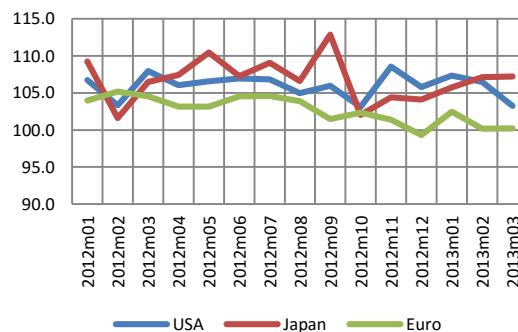
Figure 9 – Monthly World Trade Index (2005=100)



Source: World Trade Monitor

A similar trend is observed with imports into advanced economies which increased significantly in January 2013. Imports into Europe and USA dived in the second month of 2013, while imports to Japan continued to increase at a slower rate. By end of 2013 Q1 Japanese imports had overtaken USA imports.

Figure 11- Advanced Economies Imports Indices (2005=100)



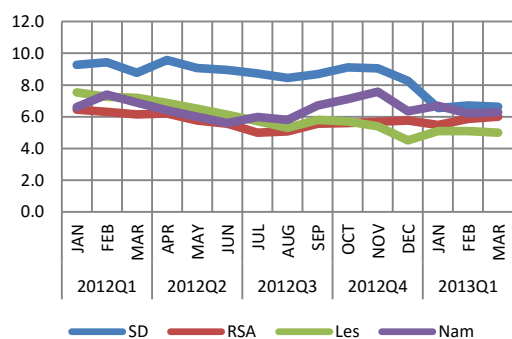
Source: World Trade Monitor

2. Domestic Developments

2.1 Prices

After escalating to an average of 8.8 percent in 2012 Q4, inflation decelerated in the first quarter of 2013. The inflation rate averaged 6.6 percent for the first 3 months.

Figure 3 - CMA monthly inflation rates (headline)

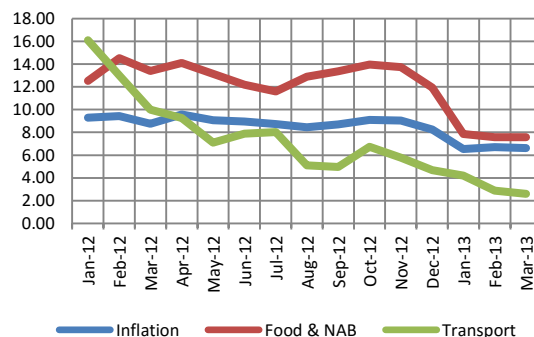


Source: CSO, StatsSA, BoN, SACU

Decelerating inflation was observed in all CMA members with the exception of RSA. Inflation in Swaziland remains higher relative to other CMA member states, but at a lower differential when compared to the same period in 2012.

The decelerating inflation rate in the first quarter is as a result of decelerating food and transport price inflation, arising as a result of the fall in global prices of cereals such as maize, rice and other grains.

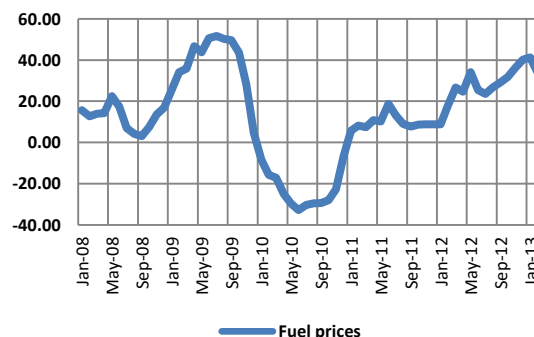
Figure 4 - SD monthly inflation rates (Food & Transport)



Source: CSO

Transport prices continued with the observed downwards trend since 2012 Q1, primarily driven by the decline in the price of fuel.

Figure 5 – SD monthly inflation rates (Fuel)



Source: CSO

2.2 Interest Rates

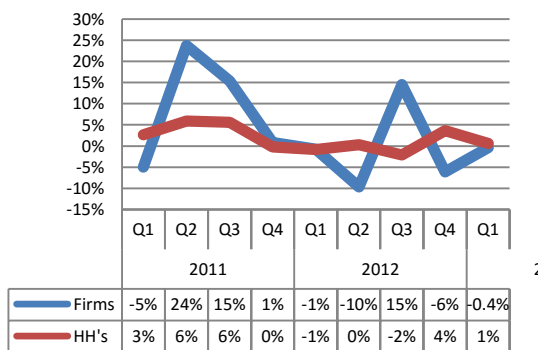
Interest rates remained unchanged at 5.0 percent in an effort to stimulate economic activity. This interest rate was at par with the RSA Repo rate. The prime lending rate was at 8.5 percent over the same period.

2.3 Lending

Despite the accommodative monetary policy, there has been no increase in domestic credit extension. Domestic lending declined by 2 percent compared to the same period last year.

Credit extended to private sector firms declined by 0.4 percent, reflecting low demand for new credit; whilst credit extended to households reflected a slight increase of 1 percent in 2013 Q1. Firms and households combined account for 97 percent of all credit extended: 54 percent and 43 percent respectively.

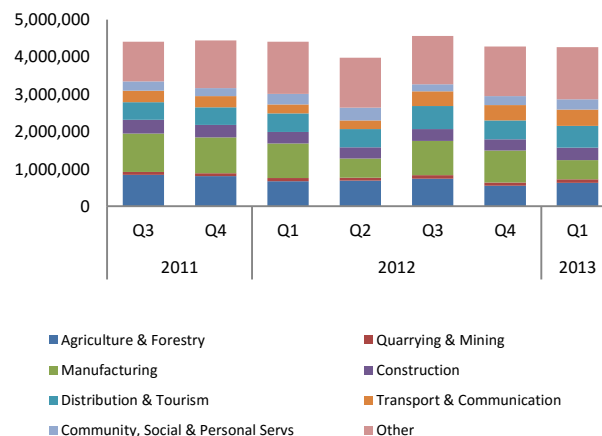
Figure 6 – Lending to Firms and Households



Source: CBS March 2013 Quarterly Review, Table S 3.7

The fall in private sector lending reflects decrease in lending extended to the manufacturing sector, a major player in the economy. Credit extension to the sector declined by 39 percent on a quarter on quarter basis and by 44 percent on a year on year basis.

Figure 7 – Share of total lending to firms at Q4 2012

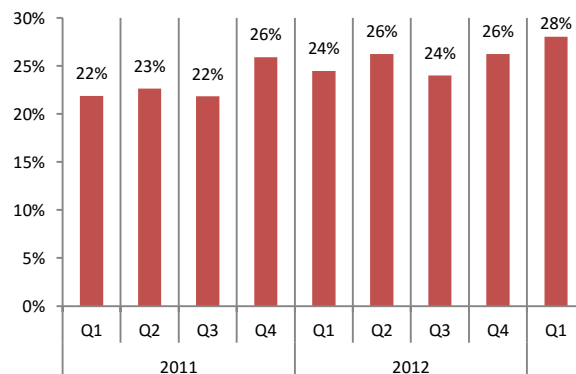


Source: CBS March 2013 Quarterly Review, Table S 3.8

The decline in lending to private sector remains a major concern to economic recovery as it reflects continued sluggish economic activity.

This has further increased the liquidity-to required-liquidity ratio of the banks from the 26 percent observed in 2012 Q4 to 28 percent in 2013 Q1, 8 percent above the required liquidity to be held by banks.

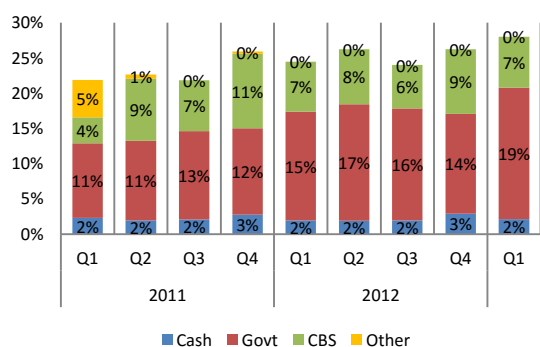
Figure 8 - Liquidity to Required Liquidity Ratio



Source: CBS March 2013 Quarterly Review, Table S 3.3

Lending to Government grew by 5 percent in the first quarter of 2013 as purchases of Treasury bills increased (see section 2.8). Cash held by the financial sector and central bank deposits slightly declined.

Figure 9 - Liquidity to Required Liquidity Ratio by type



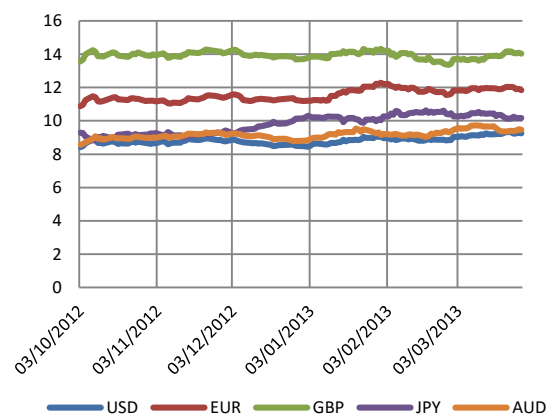
Source: CBS March 2013 Quarterly Review, Table S 3.3

2.4 Exchange Rates

The Rand/Lilangeni remained volatile against the major trading currencies in the first quarter of 2013. The local currency weakened against the US Dollar in the period to reach a historical high of R9 due to continued labor instability in the SA mining industry coupled with falling commodity prices.

The continued depreciation of the rand against the major trading currencies poses a risk to the inflation outlook over the short term arising from the rising cost of imported goods, and may force interest rates to rise.

Figure 19 - Selected daily exchange rates



Source: SARB

Table 4 - Selected Quarterly Exchange Rates (AP)

	ZAR/USD	ZAR/EUR	ZAR/GBP	ZAR/JPY	ZAR/AUD
2012Q2	8.144	10.429	12.871	9.844	8.201
change	5.00	2.55	5.63	-3.79	0.24
2012Q3	8.267	10.336	13.048	9.513	8.578
Change	1.52	-0.90	1.38	-3.36	4.58
2012Q4	8.697	11.271	13.964	9.313	8.390
change	5.20	9.04	7.02	-2.11	-2.18
2013Q1	8.942	11.818	13.892	10.303	8.093
Change	2.82	4.86	-0.52	10.63	-3.54

Source: SARB

Table 5 - Selected Quarterly Exchange Rates (EP)

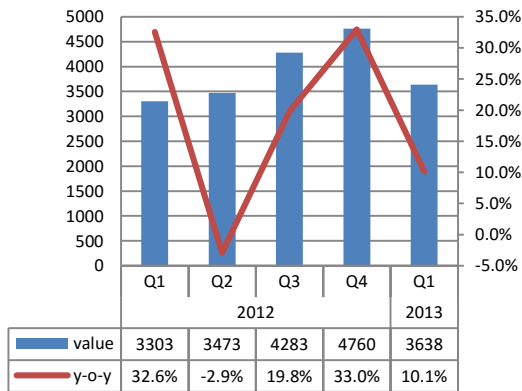
	ZAR/USD	ZAR/EUR	ZAR/GBP	ZAR/JPY	ZAR/AUD
2012Q2	8.3075	10.4375	12.9775	9.5703	8.4408
Change	8.14	1.90	5.65	-10.46	5.42
2012Q3	8.2222	10.635	13.3438	9.436	8.6047
change	-1.03	1.89	2.82	-1.40	1.97
2012Q4	8.4838	11.1902	13.7112	10.1487	8.8004
Change	3.18	5.22	2.75	7.55	2.24
2013Q1	9.2521	11.8408	14.0326	10.1799	9.4601
change	9.06	5.81	2.34	0.31	7.50

Source: SARB

2.5 Exports¹

Although exports declined compared to 2012 Q4, there was a 10.1 percent increase compared to the same period in 2012.

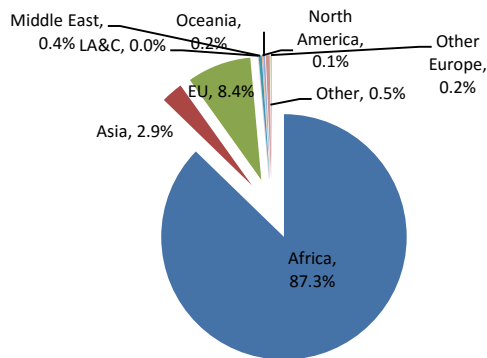
Figure 10 –Exports at current prices (E millions)



Source: SRA

The year on year increase was as a result of higher exports to South Africa and the EU.

Figure 11 - Exports by region Q1 2013 (% of total exports)

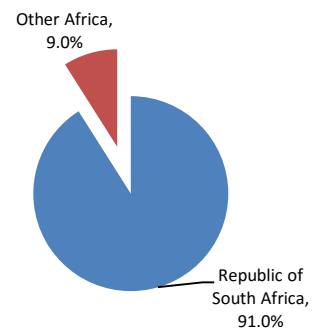


Source: SRA

In the first quarter exports to South Africa grew by 8.8 percent while exports to the EU grew by 52.3 percent.

The trend towards further reliance on the South African market remains concerning.

Figure 12 - Exports to Africa 2012 (% of total African Exports)



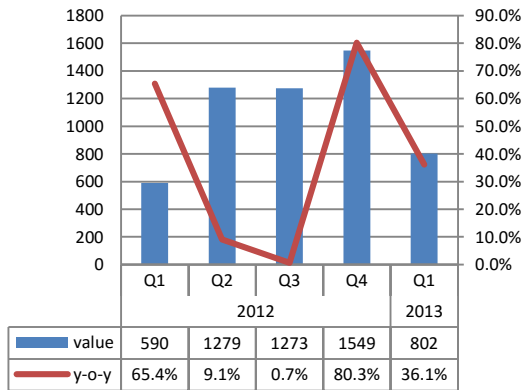
Source: SRA

For the first quarter exports from Swaziland to the African region were 87.3 percent of total exports compared to approximately 80 percent on average over the three years from 2010 to 2012. However, this may be due to a seasonal spike in exports to South Africa which was also observed in Q1 2012.

2.5.1 Sugar²

While there was a quarter on quarter decline in sugar exports, year on year sugar exports rose by 36.1 percent.

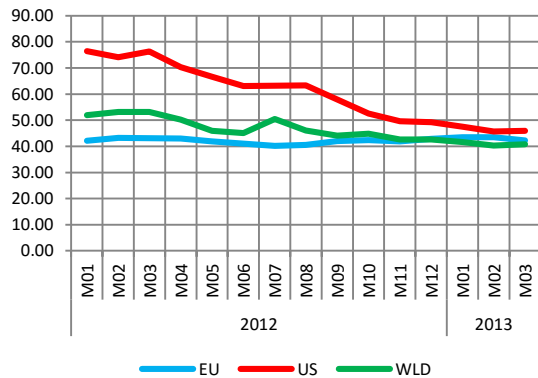
Figure 13 - Sugar exports at current prices (E millions)



Source: SRA

The EU and world sugar prices remained relatively stable over the period while the US price continued to decline.

Figure 14 - Sugar prices in nominal \$US

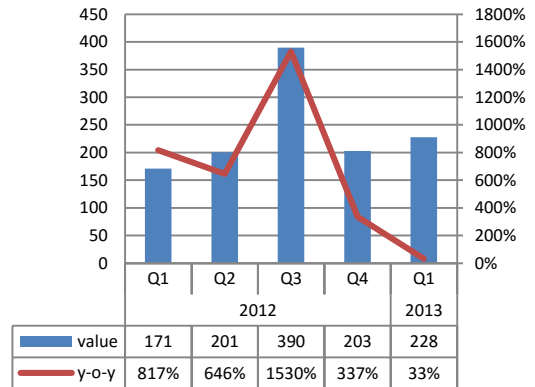


Source: World Bank "pink sheet"

2.5.2 Mining³

Both quarter on quarter as well as year on year mining exports increased in 2013 Q1.

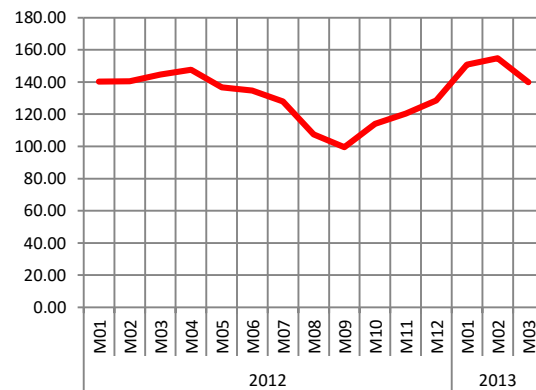
Figure 15 - Mining exports at current prices (E millions)



Source: SRA

This was likely due to the improving price of iron ore in international markets.

Figure 16 - Iron Ore Prices in nominal \$US

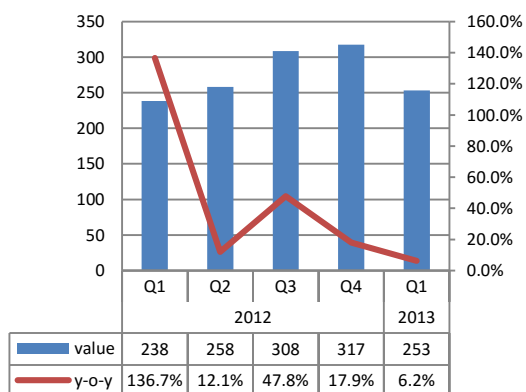


Source: World Bank "pink sheet"

2.5.3 Textiles⁴

While export growth for the sector slowed, textile exports still grew by 6.2 percent in nominal terms compared to the same period in 2012.

Figure 17 - Textile exports at current prices (E millions)

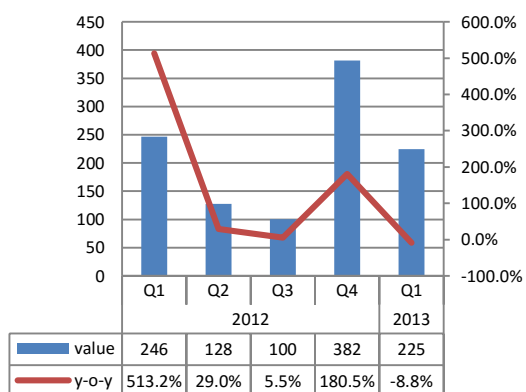


Source: SRA

2.5.4 Printing

Export growth slowed in 2013 Q1 and this trend can be expected to continue given that the high growth in 2012 was a result of a revision in the RSA education curriculum which required the printing of new education materials which are shipped through Swaziland.

Figure 18 – Printing exports at current prices (E millions)

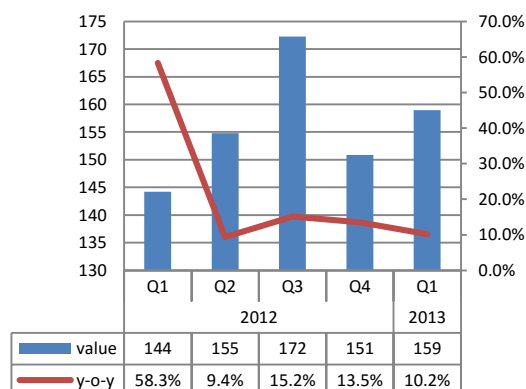


Source: SRA

2.5.5 Forestry⁵

The resurgence in the forestry sector continued in the first quarter of 2013 which saw both quarter on quarter and year on year growth.

Figure 19 – Forestry exports at current prices (E millions)

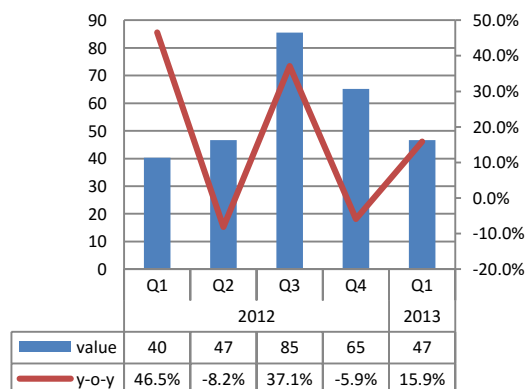


Source: SRA

2.5.6 Horticulture⁶

Following the negative 2012 Q4 growth in horticulture exports, this quarter they grew by 15.9 percent year on year.

Figure 20 - Horticulture exports in current prices (E millions)

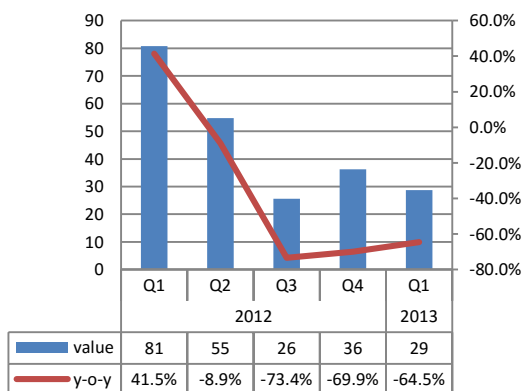


Source: SRA

2.5.7 Beverages⁷

Exports of beverages continued to decline in 2013 Q1. As highlighted in previous issues this reflects more the franchising arrangements in the Southern African market which restrict exports unless there are supply constraints in other countries as was the case in previous years.

Figure 21 - Beverage exports at current prices (E millions)

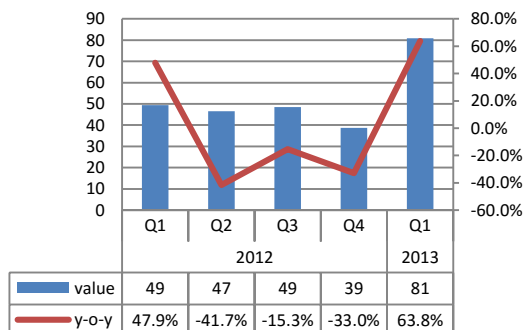


Source: SRA

2.5.8 White Goods⁸

There was significant growth in the export of appliances in the first quarter of 2013.

Figure 22 – Exports of white goods at current prices (E millions)

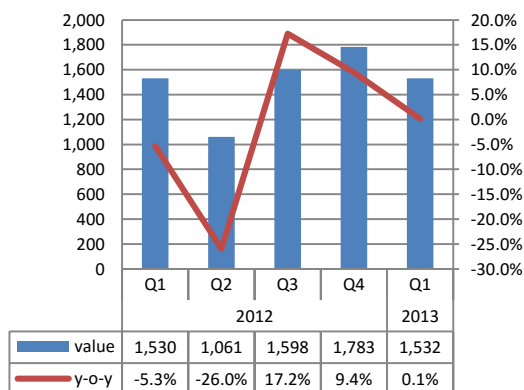


Source: SRA

2.5.9 Concentrates⁹

In first quarter of 2013, exports of concentrates remained flat when compared to the same period last year.

Figure 23 - Concentrates exports at current prices (E millions)



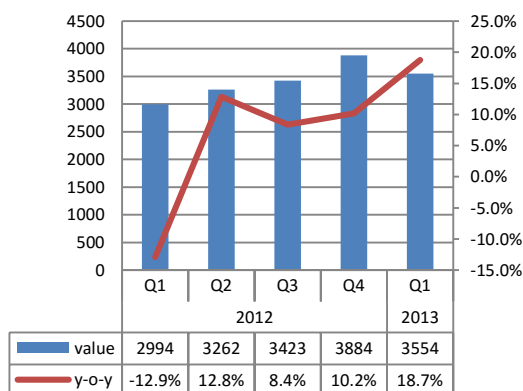
Source: SRA

2.6 Imports¹⁰

Imports are an important indicator of private consumption in a small open economy like Swaziland where consumer spending is primarily on imports. Also, imports are an important indicator of capital investment and of economic activity.

Total imports rose by 18.3 percent in 2013 Q1, which represents a fourth consecutive quarterly increase on a year on year basis. The value of total imports decreased by E330 million when compared to last quarter.

Figure 24 - Imports at current prices (E millions)

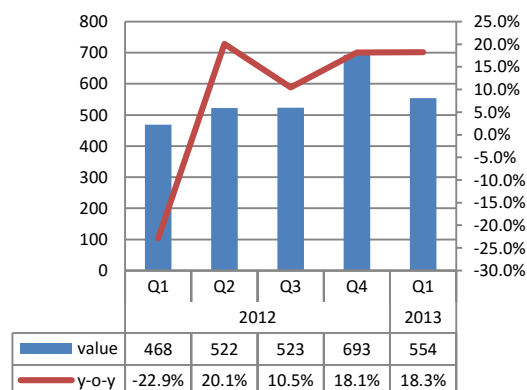


Source: SRA

2.6.1 Food Imports¹¹

The overall increase in imports was mirrored by an increase in food imports which rose by 18.3 percent in Q1 2013 compared to the same period last year.

Figure 25 - Food imports at current prices (E millions)

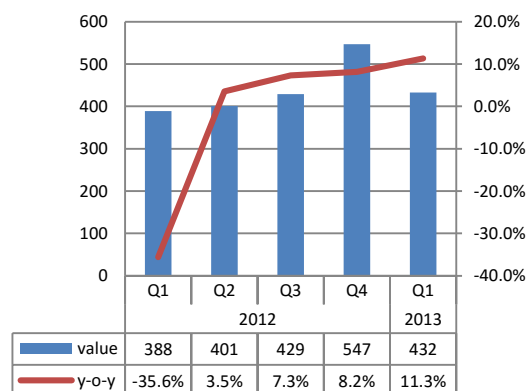


Source: SRA

2.6.2 Other Consumer Goods¹²

Imports of other consumer goods also increased for a fourth consecutive quarter Q1 2013.

Figure 26 - Other consumer goods imports at current prices (E millions)

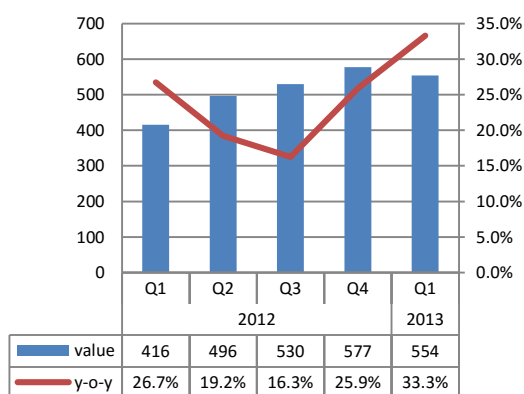


Source: SRA

2.6.3 Fuel Imports¹³

Imports of fuel rose at an increasing rate, up 33.3 percent in Q1 compared to the same period last year.

Figure 27 - Imports of fuel at current prices (E millions)

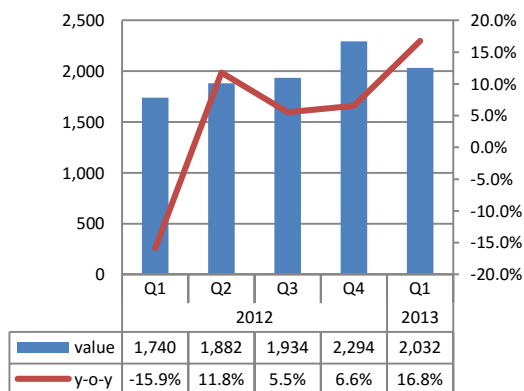


Source: SRA

2.6.4 Other indicators of private consumption

Other indicators of private consumption¹⁴ also rose for a fourth consecutive quarter, up 16.8 percent compared to the same time last year.

Figure 28 – Private consumption imports at current prices (E millions)

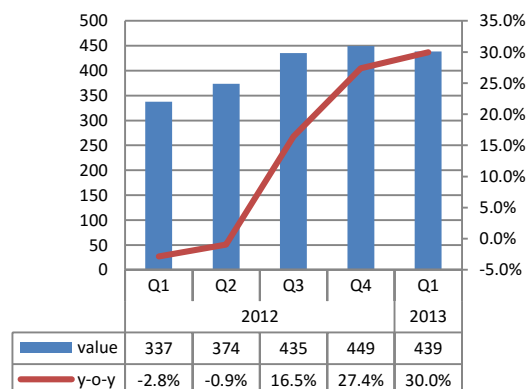


Source: SRA

2.6.5 Construction Imports¹⁵

Construction imports rose for a third consecutive quarter, by 30 percent compared to the same period in 2012.

Figure 29 - Imports of construction material at current prices (E millions)

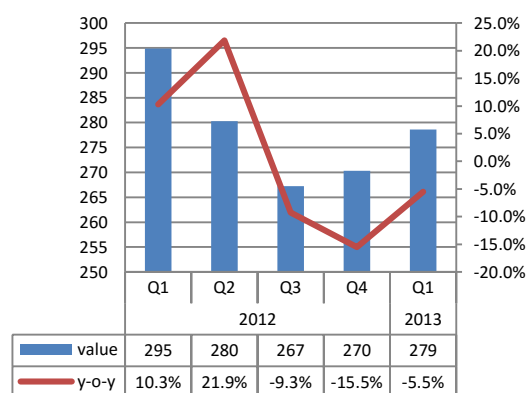


Source: SRA

2.6.6 Industrial imports¹⁶

Industrial imports declined for the third consecutive quarter, which remains a worrying trend for the manufacturing sector in particular.

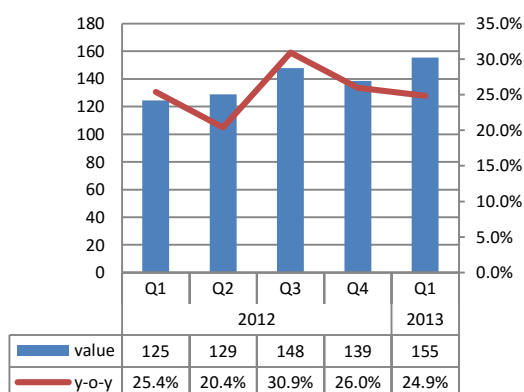
Figure 30 - Industrial imports at current prices (E millions)



Source: SRA

However, this was not the case for the textile manufacturing sector where imports of inputs rose by 24.9 percent, mirroring the improving export performance of this sector.

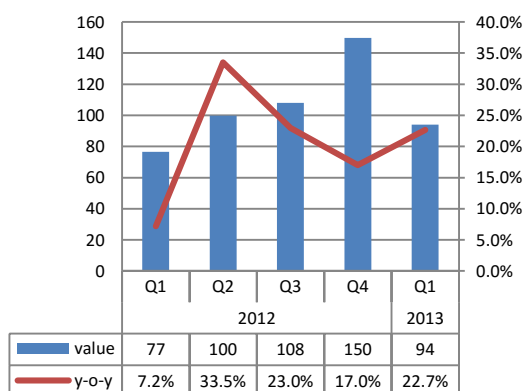
Figure 31 - Textile imports at current prices (E millions)



Source: SRA

Agribusiness imported inputs also rose, by 22.7 percent in Q1 2013 compared to the same period last year.

Figure 32 – Agriculture imports at current prices (E millions)



Source: SRA

2.7 Taxes

In his 2013 Budget speech, the Honourable Minister for Finance announced a review of some taxes including the company tax, personal income tax and graded tax. Company taxes will be cut by 2.5 percent from 30 percent to 27.5

percent, and graded tax will be phased out in the 2013/14 financial year. Personal income tax thresholds will also be reviewed. Table 6 below presents the current and proposed changes.

Table 6 - Current and Proposed Income Tax Rates

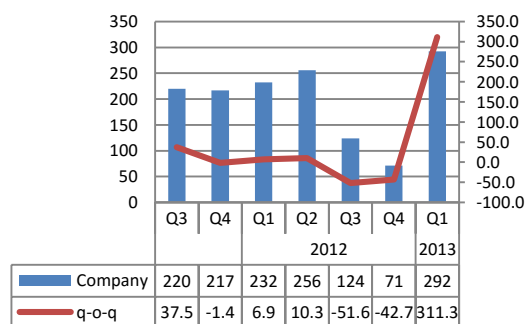
	Tax Bracket	Tax Rate
Current Tax Rates	E0 - E60	0 + 20% of the excess of E0
	E60 - E80	E12,000 + 25% of the excess of E60,000
	E80 - E100	E17,000 + 30% of the excess of E80,000
	E100+	E23,000 + 33% of the excess of E100,000
Proposed Tax Rates	E0 - E100	0 + 20% of the excess of E0
	E100 - E150	E20,000 + 25% of the excess of E100,000
	E150 - E200	E32,500 + 30% of the excess of E150,000
	E200+	E47,500 + 33% of the excess of E200,000

Source: MoF

2.7.1 Company Taxes

Company taxes took a plunge in 2012 Q3 and Q4 before rebounding in 2013 Q1. This is due to that some taxes received in 2012 Q4 were captured in 2013 Q1 and may include provisional taxes which are payable in December but at times received in January.

Figure 33 – Company Taxes at current prices (E millions)



Source: SRA

2.7.2 Payroll Taxes

Following a poor performance last quarter, payroll taxes increased by 52.2 percent in 2013 Q1. Still, this quarter’s collection is 4.4 percent lower than what was collected in 2012 Q1. Between 2011 Q2 and 2013 Q1, the average income taxes from civil servants were 45 percent of total payroll taxes.

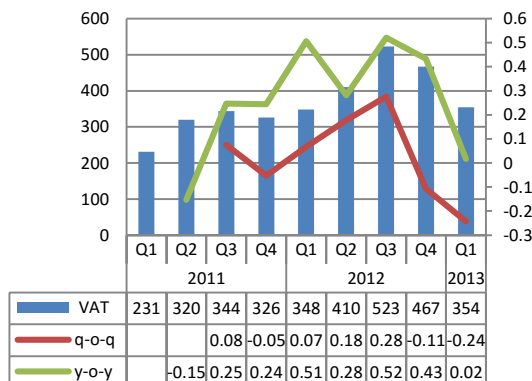
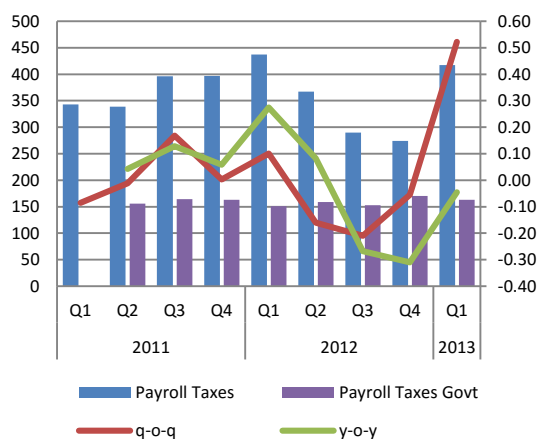


Figure 34 – Payroll Taxes at current prices (E millions)



Source: SRA

2.7.3 VAT

VAT (which replaced General Sales Tax in April 2012) further declined by 24 percent this quarter.

Figure 355 – VAT receipts at current prices (E millions)

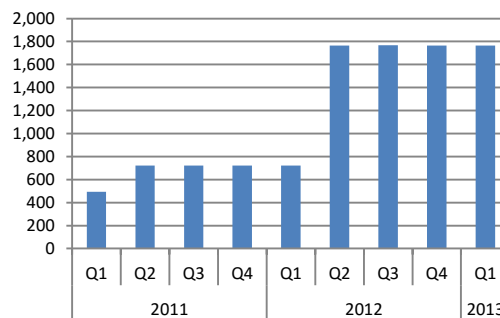
Source: SRA

2.7.4 SACU

SACU receipts increased by 145 percent in 2013 Q1 compared to 2012 Q1. Quarterly disbursements for 2012/13 fiscal year increased due to significantly higher overall SACU receipts for the same period.

The custom union’s receipts in 2013/14 are expected to remain similar to the 2012/13 receipts; consequently, quarterly disbursements are expected to remain relatively unchanged.

Figure 366 – SACU receipts at current prices (E millions)



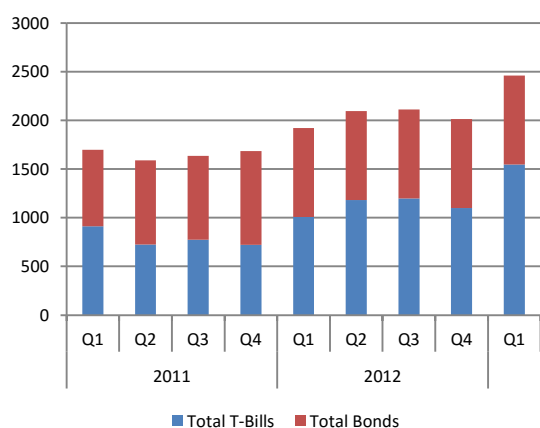
Source: MoF

2.8 Government Financing¹⁷

Due to increased treasury bills (TBs), domestic debt increased in first quarter of 2013. There has been full subscription to all (four) TBs auctions, reflecting an increase in market confidence in the new fiscal year.

Two bonds worth E419M mature in 2013/14; however, public domestic debt is not expected to decline as it is anticipated that the Government will issue more bonds to take advantage of the increased appetite.

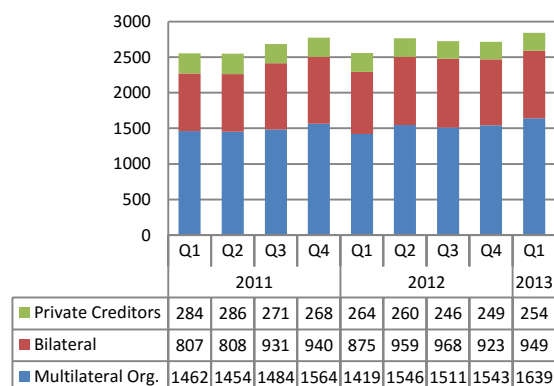
Figure 37 - Domestic debt at current prices (E millions)



Source: CBS

Total external debt increased during the review period owing to the depreciation of Lilangeni against the US dollar and other major currencies in which most of the external liabilities are denominated.

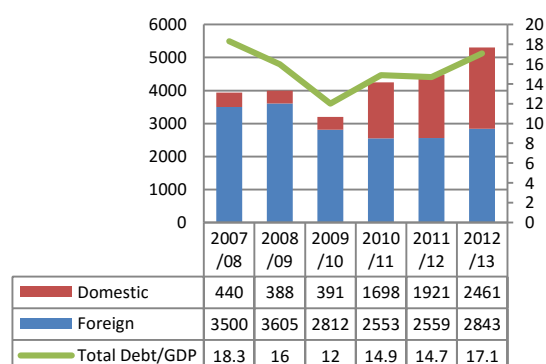
Figure 38 - Foreign Debt at current prices (E millions)



Source: CBS March 2013 Quarterly Review, Table S7.5.1

In line with the growth in domestic and foreign debt, overall debt stock increased in 2012/13 from 14.7 percent to 17.1 percent of GDP. The gap between domestic and foreign debt has been narrowed by increasingly rising levels of domestic debt. Given the growing appetite for treasury bills, domestic debt is likely to exceed foreign debt in coming quarters.

Figure 39 - Total debt at current prices (E Millions)



Source: CBS

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
SSA	Statistics South Africa
WEO	World Economic Outlook

Other:

BS	Botswana
DD	Domestic Debt
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
SD	Swaziland
TB	Treasury Bill

¹ Export figures may not reconcile 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

² Sugar exports correspond to ASYCUDA Chapter 18

³ Mining export figures correspond to chapter 26 (for iron ore) and chapter 27 (for coal) of ASYCUDA

⁴ 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.

⁵ Forestry exports correspond to chapters 44 to 48 of ASYCUDA

⁶ Horticulture exports correspond to chapter 20 of ASYCUDA

⁷ Beverages exports correspond to chapter 22 of ASYCUDA

⁸ *White goods* refer to large domestic appliances and correspond to chapter 84 of ASYCUDA. In the case of Swaziland exports this category refers to refrigerators.

⁹ Concentrates exports correspond to chapters 28, 29, 33 and 38 of ASYCUDA

¹⁰ NB – import data from Q2 2011 to Q4 2012 has yet to be reconciled with RSA data. This will tend to understate the import figures for 2011 and 2012, in particular Q4 2011 and Q1 2012. Statistics in this section must therefore be considered in this context.

¹¹ Food imports correspond to chapters 2 to 21 of ASYCUDA

¹² These imports correspond to the remaining chapters not categorised in one of the other sections

¹³ Fuel imports correspond to chapter 27 of ASYCUDA

¹⁴ Includes imports of food, alcohol and tobacco, pharmaceuticals, clothing, consumer durables and motor vehicles

¹⁵ Construction imports correspond to chapters 72 to 81 and 86 of ASYCUDA. Real values are obtained by deflating the nominal series using the South African PPI

¹⁶ Imports of industrial imports are deflated by the South African PPI to obtain the real series.

¹⁷ Unfortunately this issue does not contain data on tax receipts which we hope to rectify going forward