Small is beautiful but vulnerable: the Swazi economy aftermath of the global financial crisis

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Abstract - This paper documents economic trend in Swaziland aftermath of the global economic and financial crisis, establishing that Swaziland's economy is highly dependent on external market and the country's growth prospect is largely contingent on developments in South Africa. The declining trend in Swaziland's growth trajectory has arisen in part from the country's reliance on revenues from a few primary commodity exports and foreign inflows, and falling revenue from SACU's revenue sharing pool, which reaffirms both the impact of the global economic crisis and the binding constraints to economic growth and country's eroding global competitiveness. Government borrowing and the rate of build-up of public debt is directly link to changes in SACU revenue.

JEL Classification: E62, E66, F43, F65, H12, H63, O55.
Key words: Economic Growth, Fiscal Policy, Financial Crisis, Fiscal Risk, Government Borrowing, Public Debt, Small States, SACU, Swaziland

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1. Introduction

Small States, defined as countries with population of less than 2 million people, face unique economic challenges (emanating from their specific vulnerabilities and small size) that exacerbate their economic vulnerabilities. These states are spread across the Caribbean, African, Asia Pacific and European regions. Examples are the Bahamas, Barbados, Balize, Bhutan, Botswana, Cape Verde, Comoros, Eastern Caribbean Currency Union, Estonia, Fiji, Gambia, Ginea-Bissau, Iceland, Kiribati, Lesotho, Meldives, Marshal Islands, Mauritius, Samoa, Seychelles, Solomon Islands, Suriname, Swaziland, Timor Leste, Tonga, and Vanuatu. At the beginning of the decade, several of these small states experienced a decline in their economic growth reflecting both the impact of global economic trends and key obstacles to growth. This paper inquires into the impacts of the 2008–2010 global financial crisis on the economy of Swaziland.

Disadvantaged by its small population size and domestic market, Swaziland, like other small states, is highly dependent on external market and is susceptibility to terms of trade shocks due to limited production and export bases. She remains vulnerable to global economic shocks due to her high degree of openness. Again, most small states suffer from underdeveloped financial markets that promote a disproportionate reliance on external aid and debt. Limited institutional capacity is common as a consequence of skill shortages. As a landlocked country, the Kingdom of Swaziland faces high bilateral trade costs (transportation costs for exports and imports) that reduce her global competitiveness. Similar challenges are faced by other small states as a result of their geographic remoteness.

Because of her high GDP per capita (estimated at US$3,074 in 2014), Swaziland is considered a lower-middle-income country despite evidence of widespread poverty. With an estimated 60 percent of the country's population living below the poverty line, and an average life expectancy of 49 years, Swaziland falls among the extremely poor nations, ranked 148th out of 187 countries in the UNDP Human Development Index 2013. An unemployment rate stands at about 30 percent. Inequality remains high and the depth of poverty worsened as indicated by the poverty gap index. The GINI coefficient stood at 51.1 in 2013 and there are huge regional disparities. The high prevalence of HIV/AIDS (with 26 percent of the population aged 15-49 suffering from HIV, the highest incidence in the world), exacerbates poverty conditions and represents a binding constrain to economic growth.

As international organizations (the International Monetary Fund and World Bank) continue to base eligibility for concessional finance on income thresholds, the majority of small states remain excluded from sources of concessional finance – such as International Development Association (IDA) and Poverty Reduction and Growth Trust (PRGT) or debt relief from international financial institutions. Consequently, many small states rely more heavily on non-concessional borrowing to finance their budget deficit. This condition prevails amidst overwhelming evidence of greater vulnerability of small states comparable to those of low income countries.[1] At the onset of the global financial crisis, the already precarious debt situation of many small states worsened as most of them rely on external markets and tourism. Their close ties to the industrialized economies make them highly susceptible to exogenous shocks.

This paper set out to document the issues facing the economy of Swaziland especially aftermath of the global financial crisis. In the sections that follow, section one gives a brief historical account of Swaziland's economic journey (achievements) since independence dubbed, 'Swazi silk-road'. The third section delves on macroeconomic trends, while section four provides an in-depth analysis of industry sectors: agriculture, manufacturing, mining and services, followed by developments in international trade in section five, and section six concludes.

[1] The World Bank includes the small island state as exception. Thirteen small states have access to IDA under the small islands economies exception, in recognition of their vulnerability to economic shocks and natural disasters despite having GNI per-capita levels on average four times the IDA operational cutoff and in some cases as high as six times the operational cutoff. International Monetary Fund has also pledged to increase the level of technical assistance directed towards addressing some of the specific issues of small states.

2 The Swazi's silk-road

At the time of her independence in 1968, Swaziland's economy relied primarily on traditional agriculture, with most of the inputs used in agriculture and services coming from the Republic of South Africa. Commercial agricultural activity was almost nonexistent and there was virtually no industrial activity at the time. Two small mines producing iron and asbestos, and some timber and sugar plantations employed a few Swazis, but foreigners controlled most commercial and trade activity. Government had too few resources to provide even the basic services such as education and health.

By 1990, the structure of the economy had changed dramatically. The economy had managed to move into new dynamic and less vulnerable areas of trade, with a well developed, and an integrated and vibrant agro-industrial sector. Swazi grown cotton was being spun into some of the best yarn in the world, woven locally into fine cloth, and made into high quality clothing. Swazi timber was also being processed locally into furniture and shipped directly to retail chains in Europe; and Swazi fruit and sugar too was being converted into variety of beverage concentrates. Swazi sugar industry (based on irrigated cane) developed into a leading export earner and private-sector employer. The other major export earners are soft drink concentrate, and wood pulp and lumber from cultivated pine forests. Others include pineapple and citrus fruit, coal and diamonds.

At least two factors have contributed significantly to Swazi economic progress. The first one is political stability (uninterrupted peace). Swaziland has experienced over four decades of uninterrupted peace, unparalleled on the African continent. Unlike in many African states where ethnicity and ethnic divisions contributed to civil strives in some cases, Swaziland is a rare example of a culturally homogenous society. Compared to many systems where governments are short-lived, or policies are bound to change every election cycle of five to seven years, Swaziland's political agenda is more durable. Her political leadership has been stable and pragmatic, adopting long-term, conservative economic policies that have enabled the country to maintain a steady course on the road to growth and development.

The second reason for its success is its strong economic ties with South Africa. Historically, Swaziland has relied heavily on import revenues and its trade ties with South

Africa—its main trading partner—who accounts for 70 percent of all Swaziland's exports, and about 90 percent of its imports. Swaziland enjoys well-developed road links with South Africa. It also has railroads running east to west and north to south. The old east-west link, called the Goba line, enables exportation of bulk goods from Swaziland through the Port of Maputo in Mozambique. Conflict in Mozambique in the 1980s diverted many Swazi exports (from Port of Maputo) to the ports in South Africa. Swaziland mainly uses the port today to ship her sugar, citrus, and forest products, and export traffic through this port is expected to increase. A north-south rail link, completed in 1986, provides a connection between the Eastern Transvaal rail network and the South African ports of Richard's Bay and Durban.

The volume of investment has been rising, even going beyond traditional resource extraction activities. The country has managed to attract significant investment from the Republic of South Africa as well as the industrialized economies (the United Kingdom, US, Australia and the EU) and emerging economies (notably, China and India). A number of industrial firms have located at the industrial estate at Matsapha near Manzini. In addition to processing agricultural and forestry products, the industrial sector at Matsapha also produces garments, textiles, and a variety of light manufactured products. The Swaziland Industrial Development Company (SIDC) and the Swaziland Investment Promotion Authority (SIPA) have been instrumental in bringing many of these industries to the country. Tourism has grown in importance as well, attracting more than 424,000 visitors annually, mostly from Europe and South Africa.

Swaziland's textile and apparel sector too, made a significant break-through towards the end of the 1990s. It became eligible for the AGOA in 2000 and qualified for the apparel provision in 2001. Subsequently, over 30 000 jobs, mostly for women, were created in the sub-sector. In 2005-06, the industry began to experience major setbacks, due to increased global competition arising from the end of the Agreement on Textiles and Clothing (ATC) in early 2005, and the then strong lilangeni which reduced exports.

Since 2006, Swaziland economy continues to underperform, reflecting the impact of erosion of preferences (the end of EU sugar protocol and multi-fibre agreement), relocation of firms (to South Africa and other more favourable investment locations) and the recent global economic crisis. The Usutu Pulp that used to be the leading wood pulp processing company and Swaziland's largest employer, with a capacity to produce 220,000 metric tons of bleached kraft pulp every year wound up operation in January 2010. When Sappi, the

London-based management of Usutu Pulp, decided to wind up operation in Swaziland, up to 550 jobs were lost. Further job losses are likely to occur as the effects of the Usutu Pulp closure cascade through the economy. As the effect of global financial crisis loomed over the Swazi economy, a number of companies restructured their operations, others closed shop entirely. Swazi Paper Mills, closed with a loss of 223 jobs, while Peak Timbers retrenched half of its 170-workforce at its Piggs Peak plantation. Most of the local firms (250 or so) that supplied the mill may also be forced to close. Others will continue to make losses. In 2009 alone, the Swaziland Electricity Company incurred financial loss of SZL 15.6 million. The Swaziland Railway and other firms providing road transport services might have incurred similar loss of SZL 7 million and SZL 6 million, respectively.

Despite growing challenges, there is great optimism that the once vibrant and progressive economy can be turned around with the right economic reforms. The private sector has played a fundamental role in Swaziland's development and Swazi policymakers still look to the private sector to help resolve current development challenges and concerns. Moreover, its political leadership is committed to the principles of a free-market economy. In the next section (Section 3), we take a close look at recent economic developments in Swaziland and discuss some of the key issues that warrant policy attention or may shape policy debate, going forward.

3 Macroeconomic Trends

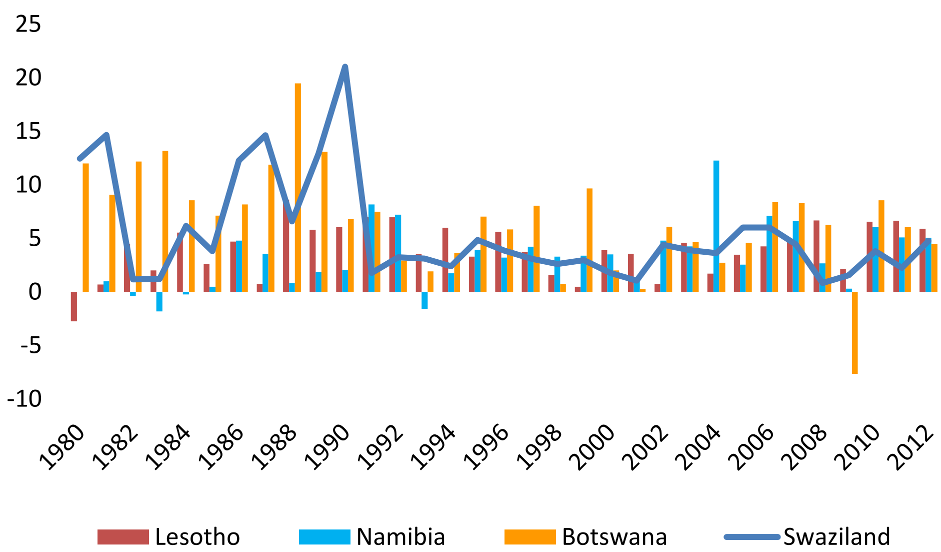
The Kingdom of Swaziland is a landlocked country, is heavily dependent on international trade, with an average ratio of trade in goods and services to GDP of 127.6% in the period 2008-12.

3.1 Recent trends in economic growth

In the 1980s, a decade characterized by low or negative economic growth in a number of countries in Sub-Saharan Africa region, Swaziland maintained the fourth highest average rate of real growth in Sub-Saharan Africa (above 4 percent per year), higher than Mauritius and Namibia, and almost at par with Botswana (Figure 1).

Between 1976 and 1984, GDP expanded by 5 percent annually. Between 1985 and 1989, the high output growth – of 8.8 percent per annum (Figure 1), was particularly attributed to rapid expansion of the manufacturing sector and high rates of foreign direct investment (IMF, 2000). Over the 1990–97 period, GDP growth slowed down to an average of 3.9 percent annually; and while real GDP growth was 3 percent during 1998-99, it fell to 2 percent in 2000 and further to 1.1 percent in 2001.

Figure 1. Trend in GDP growth (PERCENT)



Source: World Bank

The downward real GDP growth trajectory (1990 – 2001), was caused by the economic slowdown in South Africa, the declining share of investment in GDP, and the contraction of the agricultural sector. While South Africa's real output slowed from 3.4 percent in 2000 to 2.2 percent in 2001, the share of investment in Swaziland's GDP fell from 21 percent during 1990–99 to 18 percent in 2001 arising partly from the relocation of firms from Swaziland to thoer countries in the region. The emergence of South Africa from economic isolation reduced some of Swaziland's relative attractiveness as an investment destination. More importantly, the historic drought of 1991/92 led to dramatic fall in agricultural output (maize production, for example, fell dramatically from 145,000 metric tons in 1990/91 to 54,000 metric tons in 1991/92) resulting into a low growth rate of 1.7 percent in 1991. The prospects for GDP growth was weakened further in 2002, with agricultural output affected by drought and manufacturing output affected of additional closures by foreign firms. Since then, growth remained below the 1980s level.

While real GDP growth averaged 2.3 percent per annum over the 1999 – 2009 period, between 2008–2012, GDP growth deteriorated to a level not seen since 1980s: at less than 1 percent in 2008 and 2009, 1.3 percent in 2011 and about 1 percent in 2012, far short of the growth necessary for tackling the problem of unemployment, poverty and the HIV/AIDS pandemic. The sharp decline in GDP growth in 2008 and 2009 came as a result of the global economic downturn, propergated by the financial crisis that began in the United States (as subprime crisis) and spread to other advanced economies – pushing the global economy into recession. The primary sector (agriculture, and forestry, which constitutes about 10 percent of total GDP) contracted by 0.3 percent in 2008 and 1.3 percent in 2009 (Table 1).

Table 1. REAL GDP Growth Rates

	Weight	2008	2009	2010	2011
Agriculture, mining & quarrying	10.3	-0.3	-1.3	3.5	8.0
Industry	38.5	1.2	-2.8	-2.7	-0.9
Services	51.2	4.0	5.1	5.3	1.3
Total	100.0	2.4	1.2	1.9	1.2

Source: Ministry of Finance and Central Bank of Swaziland
Note: Industry includes manufacturing, electricity and water
Services sector includes wholesale and retail; restaurants and hotels; transport and communication; central government services and other private market services subsector

The primary sector has seen some recovery in the last two years, growing by 3.5 percent in 2010 and 8 percent in 2011 in 2011 mainly due to increased production in both the Swazi Nation Land and the individual tenure farms. Whether this growth will continue in the meduium term will depend on a number of factors, including weather. The industry sector, which contributes close to 40 percent of GDP (38.5 percent in 2011), has not fully recovered from the impact of global economic downturn; it contracted by 0.9 percent in 2011, a slight improvement from the 2.7 percent fall in 2010. The industry consists of agro-based processing (food processing, beverages, textiles, and apparel), leather and footwear, wood and wood products, paper and paper products, printing and publishing, among others.

The negative performance of the industrial sector has been driven by decline in electricity and water supply (there was a 6.8 percent drop in local power generation - despite complementary power generation by the sugar mills, which have invested a substantially in power generation projects) and the construction sector. The construction sector contracted by 3 percent in 2009 and 10 percent in 2011, while the textile and apparel sector shed an estimated 3 000 jobs in 2009 due to falling global demand and production cuts. Swaziland's textile and apparel sector thrived on preferential trade arrangement with the United States under the African Growth and Opportunity Act (AGOA) initiative for which Swaziland became eligible in 2000. Swaziland qualified for the apparel provision in 2001 through which over 30 000 jobs, mostly for women, were created in the textiles and apparel sub-sector. This was significant for an industry emerging from the setbacks created by increased global competition when the Agreement on Textiles and Clothing (ATC) came to an end on 1 January, 2005.

Growth in agro-based processing reflects growth in the agricultural sector, notably, sugar and citrus related products. Performance of other manufacturing sectors (textiles, edible concentrates and production of specialise products) remain benign due to the fall in demand in mayor export markets: the Republic of South Africa, US and EU. In the aftermath of the fiscal crisis, the Government (the major player in the construction sector) cut its spending on capital projects and to accumulate payment arrears to some private entities involved in the construction sector.

The services sector out (services contributed 51.2 percent of GDP in 2011) grew by 1.3 percent in 2011 compared to 4 percent in 2008 (Table 1) – due to decline in government spending and the poor performance of the wholesale and retail trade sector as consumer spending (and government spending on goods and services) went down. Uncertainties surrounding the Government fiscal deficit and the move towards fiscal consolidation had a profound effect on spending patterns. The 'wholesale and retail trade' sector was negatively affected by this crisis as consumers opted to curtail spending during the course of 2011. Poor performance of the construction sector also affected the transport sector particularly in 2011 as transport operators rely on the construction activity for some of their businesses. However, communication and real estate subsectors remain fairly buoyant. The activity related to financial intermediation contracted by 5 percent in 2011 (as financial institutions became more cautious in their lending operations so as to avoid exposure to risks associated with projects linked to government financing) – despite the Central Bank's pursuit of an accommodative monetary policy, with interest rates at record low of 5.5 over the 2011 period.

On the external position, two events have had major setbacks on Swaziland's exports development: the end of EU preferential treatment for the country's main sugar and textile exports, and the global economic crisis. The textile sector is experiencing increased global competition as the Agreement on Textiles and Clothing (ATC) recently came to an end. The year 2007 marked the end of the EU preferential treatment for Swaziland's main sugar and textile exports. The global economic downturn led to a decline in the demand for Swazi exports a concomittant fall in the level of economic activity. Being unable to respond to the external shocks and current account deficits by devaluing its currency as its currency is pegged to the South Africa Rand, Swaziland's output contracted by 2.4 percentage point of GDP in 2009 alone, as a result.

Swaziland suffered sharp reductions in export volumes for most of its manufacturing products (cement, agricultural machinery, electronic equipment, refrigerator production, footwear, gloves, office equipment, confectionery, furniture, glass and bricks) as a result of the slowdown in global demand. The manufacturing sector contracted by 1.6 percent in 2008 and 2 percent in 2009, and 0.7 percent in 2010 before showing a slight recovery of 1.5 percent in 2011. The most affected sub-sector was wood and wood products[2].

Revenue from tourism declined dramatically, and so are the SACU receipts—magnifying Government cash-flow problems, which led to reduced public sector spending (particularly capital projects) and buildup of payment arrears to private sector suppliers, affecting growth in return. On the sideline, the shrinking revenue has led to worsening fiscal balance. On the

[2] The wood-pulp industry was also further impacted by forest fires that destroyed timber supplies.

social front, the decade of persistently sluggish growth has resulted in an expansion of poverty and unemployment, which together with the high prevalence rate of HIV/AIDS (32.4 percent) continues to exert considerable pressure on government resources. Real GDP per capita contracted by 2.4 percent in the year to March 2009 and grew at 0.1 percent in the year to March 2010. By most measures, Swaziland is still a very poor country. Over 60 percent of the population lives in poverty, and close to 70 percent of the youth population is unemployed. An estimated 25 percent of the adult population is living with HIV, and the average life expectancy at birth is by far, the lowest in the world. Moreover, one-quarter of children who enroll in primary school drop out of school before the end of Grade 7.

To ensure a return to robust and sustainable economic growth; able to tackle the problem of unemployment and poverty, the policy focus should be on measures that increase the country's reliance on direct taxes on income and profits and indirect taxes on goods and services while encouraging a continued recovery in external trade, foreign direct investment (FDI) inflows as well as increases in remittances from the Swazis living abroad.

Again, an inclusive growth that is able to tackle problem of poverty will definitely ensure participation of over 70 percent of Swazis who live in rural areas and are engaged in subsistence agriculture. Apparently, the question of land use and ownership is still unresolved issue that may continue to affect equitable participation of the Swazis in agricultural activities. Most of the high-level economic activity is in the hands of non-Africans, but ethnic Swazis are increasingly becoming more involved. Nearly 60 percent of Swazi territory is held by the Crown in trust of the Swazi nation. The balance is privately owned, much of it by foreigners.

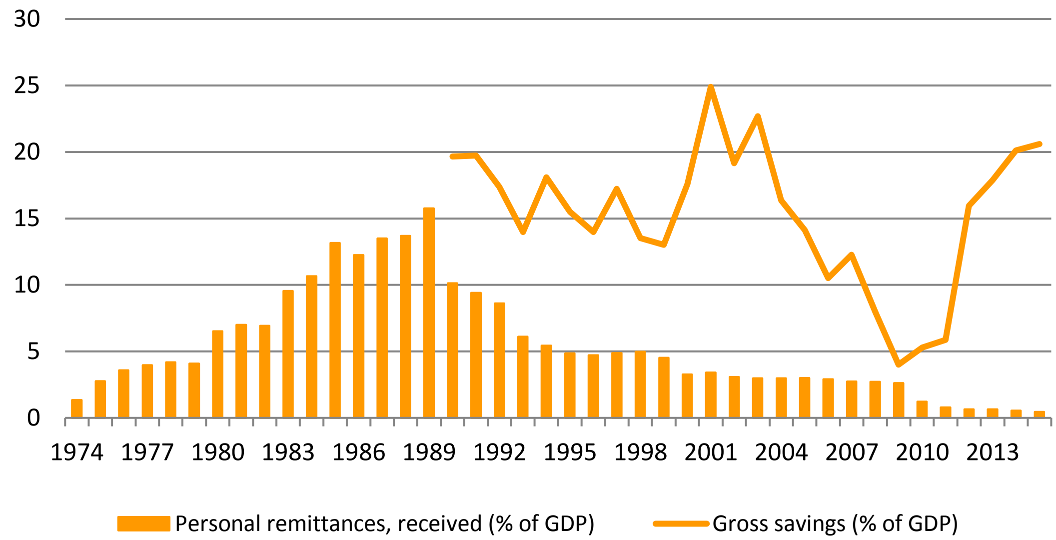
On the whole, the combination of low investment, the end of EU preferential treatment for the country's main sugar and textile exports, low productivity, deteriorating trade receipts, low domestic resource mobilisation and the lingering effects of the global economic crisis and fiscal austerity (the fical adjustment underway) mean that sustained growth will remains elusive for some time.

3.2 Domestic savings and foreign direct investment

Consumption has increased steadily in recent years and is above 85 percent of GDP. Domestic savings, however, remain low and the country can barely sustain a deficit without breaching reserve requirements. National saving fell from 18 percent of GDP during 1997 –

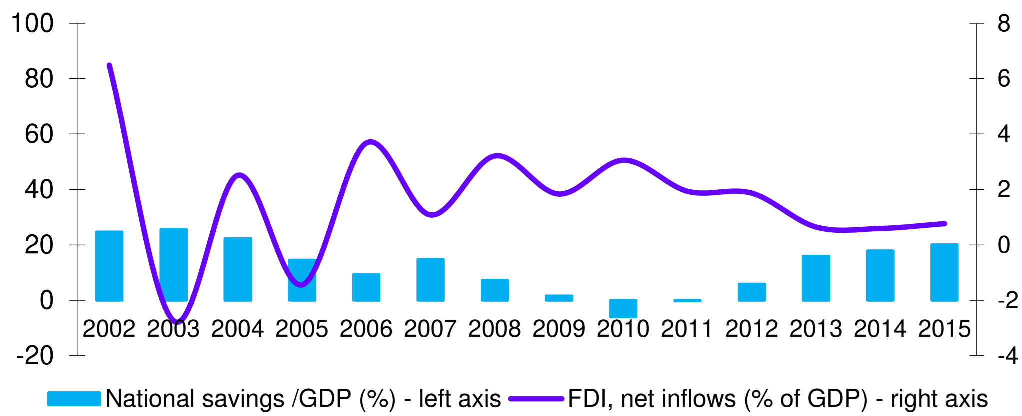
99 to 16 percent in 2000 and 14 percent in 2001 (IMF, 2003), particularly owing to decreased remittances from migrant mining workers in South Africa. Figure 2 illustrates the declining trend in personal remittances since 1990, from 15.7 percent of GDP in 1989 to 0.8 percent in 2011, which is reflected in the ratio of national savings to GDP of -0.3 percent in 2011. Net inflows of foreign investment average about 2 percent of GDP annually (Figure 3).

Figure 2. Gross savings and personal remittances, received (% of GDP)



Source: The World Bank

Figure 3. National savings and net inflows of foreign direct investment, 2002 – 2015



Source: Ministry of Finance and IMF staff reports

In the mid-1980s to early-1990s, foreign investment in the manufacturing sector boosted economic growth significantly. Net investment inflow averaged 8 percent of GDP during this period. New foreign direct investment is concentrated in foods and beverages industry, petroleum, construction and wholesale trade, and in finance (mostly banking) and insurance sector.

Table 2 indicates a 49 percent increase in the overall stock of foreign direct investment from E4,972.3 million in 2005 to E7,428.9 million in 2011. The bulk of the FDI have gone to the manufacturing sector, and the main contributor being the Republic of South Africa, United Kingdom, US, Australia and the EU. But the emerging Asian economies, notably, China and India are rapidly increasing their footprints.

Table 2 Foreign Direct Investment into Swaziland (by Sector) (E'Million)

	2005	2006	2007	2008	2009	2010	2011	2012	2013
Manufacturing	3,111.3	3,351.4	3,387.4	2,684.0	3,025.5	3,870.7	4,450.2	4,298.8	4,977.6
Services	337.2	731.9	935.0	662.6	905.5	784.3	1,003.8	916.1	903.8
Investment	124.1	178.3	248.4	239.6	254.7	201.7	179.8	196.3	215.0
Agriculture	970.7	1,051.7	980.0	720.0	864.8	643.1	1,054.1	1,792.7	1,247.8
Finance	351.5	373.3	427.5	731.3	925.5	576.9	678.0	720.8	705.1
Mining	77.5	77.5	77.5	5.0	-5.8	68.9	63.1	220.4	183.1
Total	4,972.3	5,764.1	6,055.8	5,042.5	5,970.2	6,145.7	7,428.9	8,145.10	8,232.4

Source: *Central Bank of Swaziland*

Memo item (% of total FDI)

	2008	2009	2010	2011
Manufacturing	53.2	50.7	63.0	59.9
Services	13.1	15.2	12.8	13.5
Investment	4.8	4.3	3.3	2.4
Agriculture	14.3	14.5	10.5	14.2
Finance	14.5	15.5	9.4	9.1
Mining	0.1	-0.1	1.1	0.8
Total	100.0	100.0	100.0	100.0

Table 3. Percentage change in stock of investment

	2005	2006	2007	2008	2009	2010	2011	2012	2013
Manufacturing	-9.6	7.7	1.1	-20.8	12.7	27.9	15.0	-3.4	15.8
Services	-29.3	117.1	27.7	-29.1	36.7	(13.4)	28.0	-8.7	-1.3
Investment	-31.3	43.7	39.3	-3.5	6.3	(20.8)	(10.9)	9.2	9.5
Agriculture	36.8	8.3	-6.8	-26.5	0.0	(25.6)	63.9	70.1	-30.4
Finance	21.0	6.2	14.5	71.1	26.6	(37.7)	17.5	6.3	-2.2
Mining	-53.5	0.0	0.0	-93.5	-216.0	1,288.6	(8.5)	249.6	-16.9

Source: *Central Bank of Swaziland*

Evidence from Tables 2 and 3 suggests that Swaziland has received little new foreign direct investment (FDI) inflows since 2010. The low inflows of FDI is partly explained by growing competition for FDI in the region, and by the country's weak economic performance over the past ten years exacerbated by slow pace of structural reforms, particularly slow progress in improving the business climate. The World Bank/IFC Ease of Doing Business report 2011 places Swaziland 118th (out of 183 countries surveyed globally) and 120th in protecting investors. Among the doing business indicators, Swaziland scores relatively well in dealing with construction permits and paying taxes categories, but worse than the regional average in the in the area of regulatory quality and rule of law categories category particularly enforcing contracts. Swaziland's performance in the *trading across borders* subcategory deteriorated from below 140th position (out of 178 countries) the previous year to 147th position (out of 183 countries) in 2011.

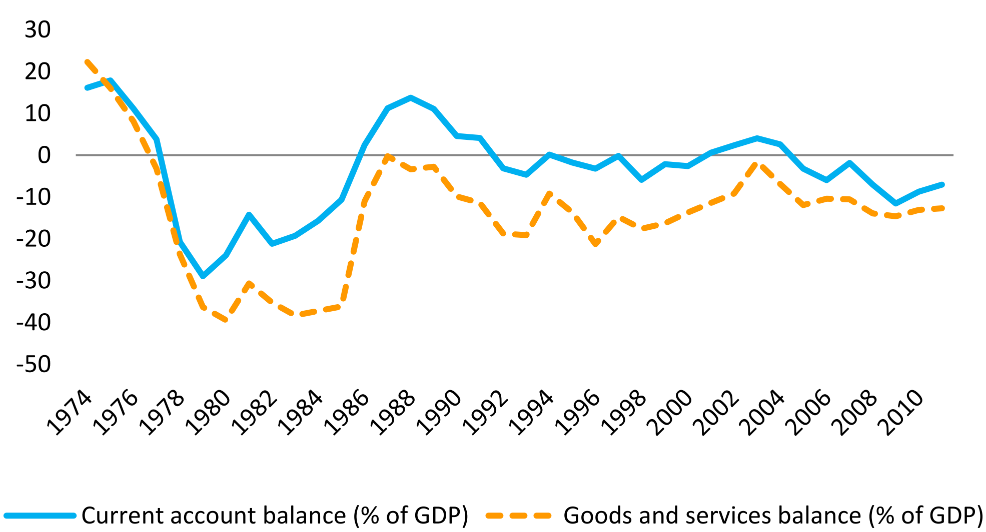
3.3 External position

The high degree of openness of Swaziland's economy (—the degree of openness, as measured by the ratio of external trade in goods and nonfactor services to GDP is over 150 percent) makes it susceptible to external shocks.

3.3.1 Current account position

Beginning mid-1985, the depreciated value of the domestic currency increased the competitiveness of Swazi exports and moderated the growth of imports, generating trade surpluses—reflected in current account surpluses during the mid - to late–1980s (Figure 4). Beginning mid–1990s, however, the country started to run into small trade deficits leading to current account deficit, partly due to appreciation of the lilangeni.

Figure 4. Current account balance (Percent of GDP)



Source: World Bank

During 1998–2001, the trade deficit averaged 17 percent of GDP and was financed by income payments and transfers (mainly SACU transfers) of 12.5 percent of GDP and capital inflows, mainly foreign direct investment equivalent to 4 percent of GDP (IMF, 2003). Between 2001 and 2004 the overall current account balance was in surplus. The current account was pushed back into deficit by the deterioration in export receipts especially following the removal of trade preferences for textiles under the Multi Fiber Agreement, MFA in December 2004, and the phasing out of the preferential prices for sugar to the EU market.

Textile exports declined by 9 percent in 2006 (over the 2005 level)—the first time in five years. The fall happened, despite the extension of AGOA to 2015. Similarly, sugar exports continue to register weak performance as the industry grapples with the drop in the EU preferential prices. The situation deteriorated when the financial and economic crisis hit in September 2008. Swaziland economy's being closely linked to that of South Africa and exported primary commodities, suffered from declining export prices, which impacted negatively on output.

Swaziland's trade account posted a deficit of E319.2 million in 2011, compared to a deficit of E1,097.2 million in 2010. This resulted from the 1.5 percentage fall in the import bill by the 4.7 percentage rise in export earnings registered in 2011. In 2011, current account deficit rose to 7.4 percent of GDP (from 5.4 percent in 2010) – resulting from the fall in SACU receipts. Despite the weak current account position (and export revenues and sluggish growth of the economy), Swaziland managed to maintain a stable foreign exchange, and a single-digit inflation rate as the Lilangeni remained relatively stable against the US dollar.[3] However, the effect of the global crisis continues to be felt in employment front as companies struggle to retain cost cutting measures such as scaled down production. In the wake of the global financial crisis, employment in the textile and apparel sector fell from 15,000 in 2008 to 12,000 by mid-2009. More jobs would have been lost had it not been for the Lilangeni's depreciation, which kept exports going.

Customs receipts – the government's primary revenue source – declined, following a fall in Southern African Customs Union (SACU) trade. The fall in SACU receipts (SACU receipt

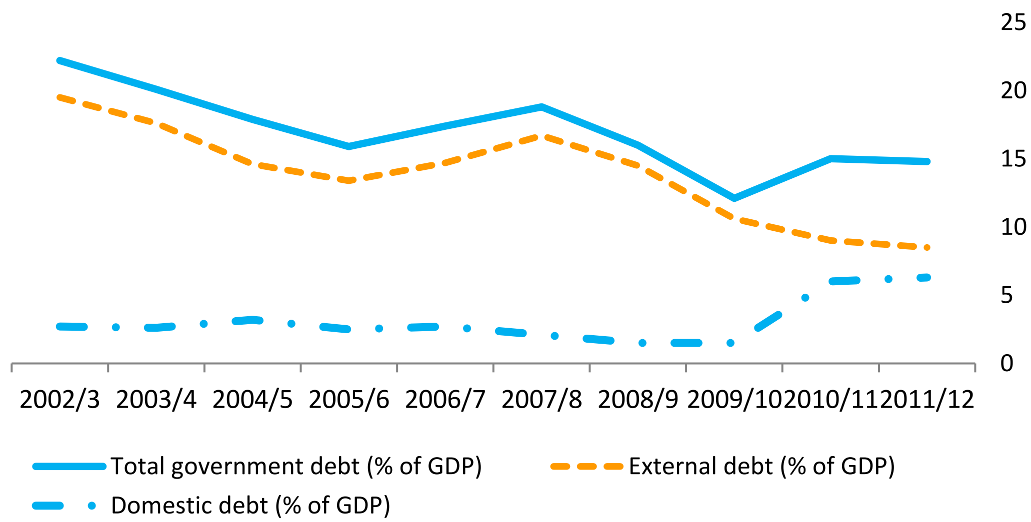
[3] As a member of the Southern Africa Customs Union (SACU) and the Common Monetary Area (CMA), Swaziland's the lilangeni (plural: emalangeni) is pegged to the South African rand, and its monetary policy tracks the South African trends. The other members of SACU are Botswana, Namibia, Lesotho, and South Africa.

fell by 60 percent in 2010) promoted Cabinet to approve a Fiscal Adjustment Roadmap in 2011 that hopes to see a deficit of less than 3 percent of GDP in 2014/15.

3.3.2 External debt

Between 2000 and 2009, higher commodity prices led to sizable government revenues (ensured through the SACU revenue sharing agreement) and a decline in government borrowing requirements—translated into downward public debt trajectory (Figure 5). However, the onset of the global financial crisis—and the fall in SACU revenues—reversed the downward trend in debt to GDP ratio.

Figure 5. Swaziland: Public debt to GDP ratio



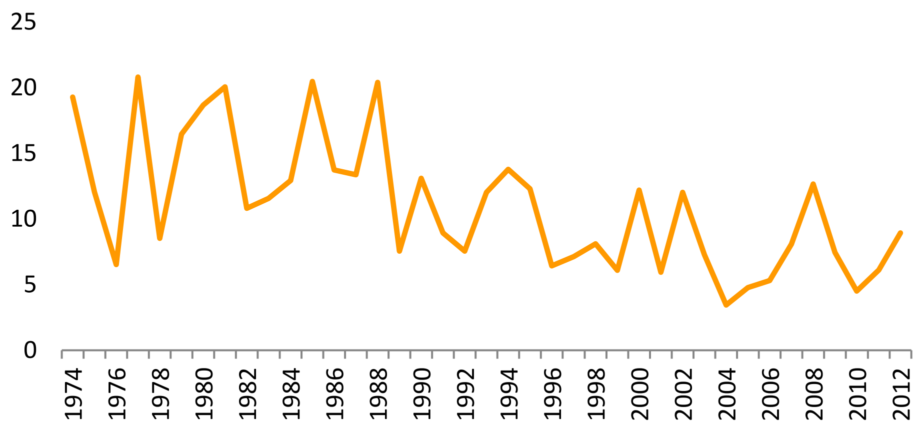
Source: Ministry of Finance

However, the increase in public debt in aftermath of the financial crisis is driven by domestic debt; the ratio of external debt to GDP remains on a downward path (Figure 5). In 2010, Government indicated its intention to increase the weekly borrowing limit from SZL 10 million to SZL 40 million that would enable it to generate up to SZL 520 million during the 2010/11 fiscal year. The government is also considering reviewing the legislation governing domestic borrowing, with a view to increasing the annual limit to more than the current SZL 1 billion. Therefore, domestic debt to GDP ratio is projected to rise to 7.3 percent in 2011/2012.

3.4 Price developments

The rise in inflation to 10.2 percent in 2011, from 4.6 percent in 2009 and 6.9 percent in 2010 was due to rising food prices. Consumer inflationary pressures resurfaced in 2011 mainly driven by rising food and transport prices. The average headline inflation rose by 1.6 percentage points from 4.5 percent average inflation rate recorded in 2010 to 6.1 percent in 2011. This was driven by food prices.

Figure 6. Inflation, consumer prices (annual %)



Source: World Bank

The growth rate of the price index for food and non-alcoholic beverages, which constitutes the largest weight at 37.8 percent in the consumption basket, rose from an average record low of 0.4 percent in 2010 to an average of 6.0 percent in 2011. The increase in food inflation was largely due to increases in the prices of rice, bread, cereals and meat.

Exacerbating further the inflationary pressures in 2011 were increases in distribution costs due to rising fuel costs. Petrol prices rose from an average 748 cents per litre in 2010 to an average of 936 cents per litre in 2011. Over the same period, diesel prices rose from an average of 759 cents per litre to 982 cents per litre. The increase in fuel prices mainly benefited from high international oil prices coupled with the depreciation of the Lilangeni/Rand exchange rate against the major trading currencies in the second half of 2011. In line with the above developments, transport inflation soared to an average of 13.3 percent in 2011—i.e. 8.3 percentage points higher than the average of 5.0 percent recorded in 2010.

Swaziland has maintained a peg of the lilangeni to the South African rand at par for over 50 years. As such, monetary policy plays a passive role in Swaziland, following closely the policy rate in South Africa—hence the need of structural reforms to keep the economy competitive.

The Central Bank of Swaziland has managed to align the interest rate (discount rate) with the South African Reserve Bank's repo rate. The CMA agreement, which became effective on April 1, 1986, gradually introduced free capital mobility among its member countries. The nominal effective exchange rate (NEER) of the lilangeni fell on average by 1 percent annually during 1991–2001, but the real effective exchange rate (REER) remained virtually unchanged, as Swaziland's inflation exceeded inflation rates in its trading- partner countries. The Lilangeni depreciated by 36 percent against the U.S. dollar during 2001, reflecting movements in the South African foreign exchange market, but it recovered some of its value over the January–October 2002 period, appreciating by about 17 percent. Between January and July 2002, the NEER and REER appreciated by about half percent each. In aftermath of the financial crisis, Swaziland's real effective exchange rate continued on a declining trend since its peak at end-2010. The depreciation followed the deprecation of South African rand. The REER has depreciated 14 percent over the 2011–2014 period.

3.5 Overall fiscal situation

Table 4 summarises government fiscal operations. In 2010/11 financial year, total tax revenue collected amounted to E5,574.4 million, representing 72 percent of Swaziland government's operating revenue and about 40 percent of her gross domestic product. Swaziland relies on revenues from international trade taxes (import duties and excise/ sales tax on imports), which account for over 70 percent of total government revenue. Over 80 percent of this import revenue comes from SACU Customs Union receipts.

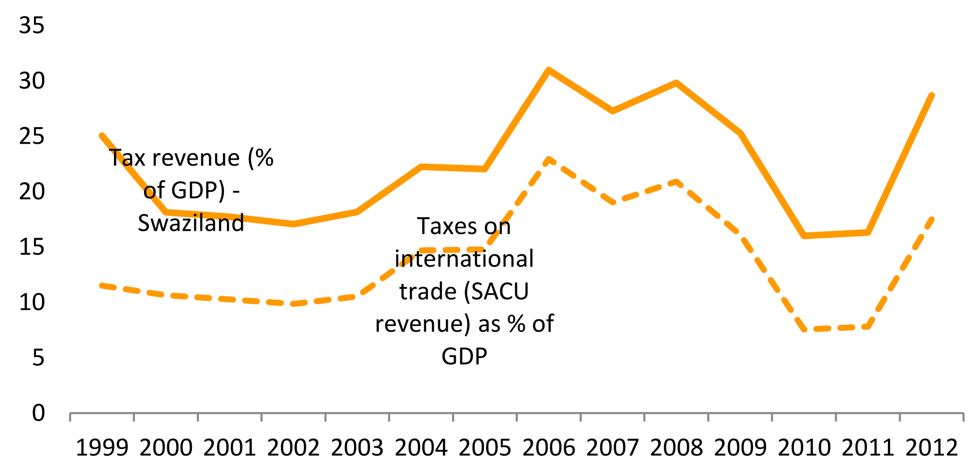
Overall, SACU revenue account for about 60 percent of total government operating revenue. The proportion of the government budget financed by external aid stood at 5 percent of GDP in 2010/11. Aid flows increased from E126.9 million in 2003/04 to E499.4 million in 2010/11. During the 1990s, the country often ran small budget deficits. Government spending as a share of GDP was broadly stable from 1993 to 1999 at around 30 percent.

Table 4 Swaziland: Government fiscal operations, 2003/04 – 2010/11

	2003/04	2004/05	2005/06	2006/07	2007/08	2008/09	2009/10	2010/11
Revenue and grant	**3,890.7**	**4,842.3**	**5,499.1**	**8,020.4**	**8,085.5**	**9,409.9**	**9,145.7**	**6,584.1**
Revenue	3,763.9	4,726.7	5,326.8	7,854.8	7,898.3	9,264.9	8,899.0	6,084.7
Grant from abroad	126.9	115.6	172.2	165.6	187.3	145.0	246.7	499.4
Total expenditure and net lending	**4,324.7**	**5,557.4**	**5,828.9**	**6,062.7**	**7,472.6**	**9,780.3**3	**10,427.8**	**10,231.4**
Current expenditure	3,457.7	4,295.8	4,416.3	4,681.3	5,522.2	7,308.2	7,957.5	7,683.5
Capital expenditure	867.1	1,258.7	1,409.7	1,436.6	1,950.4	2,472.1	2,470.3	2,547.8
Net lending	(0.1)	2.9	2.9	(55.2)	0.0	0.0	0.0	0.0
Overall surplus(deficit)	**(434.0)**	**(715.0)**	**(329.9)**	**1,957.7**	**612.9**	**(370.4)**	**(1,282.1)**	**(3,647.3)**
Financing	**434.0**	**715.0**	**329.9**	**(1,957.7)**	**(612.9)**	**370.4**	**1,282.1**	**3,647.3**
Foreign	75.2	220.0	211.5	140.2	413.1	(154.1	12.6	357.5
Gross Borrowing	182.8	349.1	383.1	323.4	257.8	236.5	289.4	712.5
Amortization	(107.5)	(129.1)	(171.6)	(183.2)	155.3	(390.7)	(276.8)	(355.0)
Domestic	358.8	495.1	118.4	(2,097.9)	(1,026.0)	524.6	1,269.5	3,289.8
Capital Invest. Facility								
Monetary Authorities	(179.5)	(59.3)	(705.4)	(1,026.7)	(1,768.6)	(1,823.4)	--	--
Banks	115.0	36.7	(85.8)	48.4	(123.9)	(272.2)	--	--
Other	423.3	517.7	909.6	(1,119.7)	866.5	2,620.1	--	--

Source: Ministry of Finance

Figure 7. Swaziland's tax effort

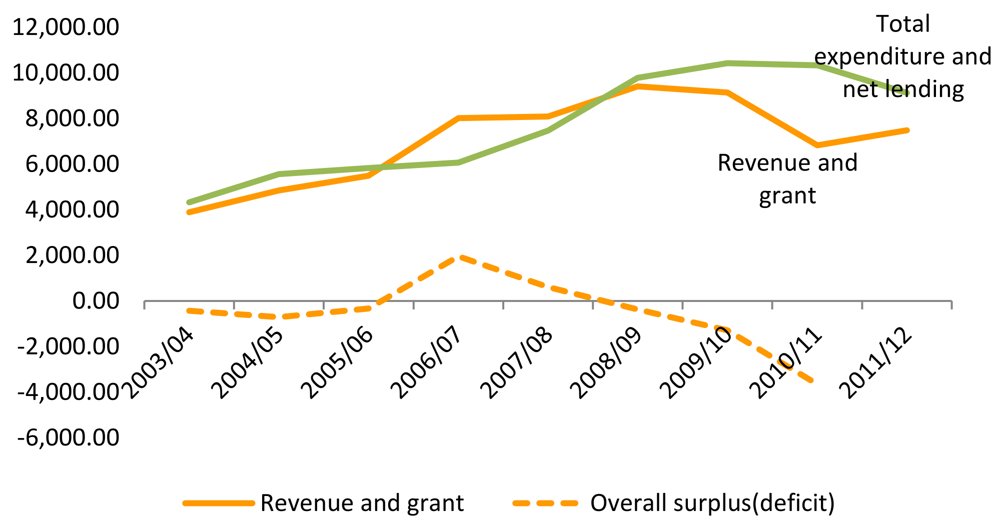


Source: World Bank

Spending shifted to 35 percent of GDP in 2004/05 and remained at that level until 2007, then rose dramatically to 40.6 percent in 2008/09 and 43.3 percent in 2009/10 due to salary rise, before returning to 34.5 percent in 2010/11 as fiscal adjustment measures began to take effect.

Figure 8 compares the trends in government expenditure and net lending with government revenue. Between 2009 and 2011, net taxes reduced by over 6.2 percent of GDP and government spending increased by 2.1 percent of GDP. With the reduction in government revenue, and a continuation of current spending, it will be difficult to finance growing deficit (projected at 10 percent of GDP in 2016) from the domestic resources without resorting to domestic borrowing and stockpiling debt—compromising private sector growth (Central Government debt is projected to increase from 15 percent of GDP at end 2011/12 to 20 percent by end of 2016. Recent experiences with sovereign debt crisis in Europe has reawakened the world to the reality of how fiscal insolvency can destabilise an economy and put at risk the development of a country.

Figure 8. Government spending, revenue, and budget balance



Source: IMF

The budget deficit, estimated at about 14.3 percent of GDP (in 2011) is one of the highest in Sub-Saharan Africa. The large fiscal deficit, which is always financed by domestic borrowing, government deposits at the central bank, and an accumulation of domestic payment arrears amounting to over E 1 billion, annually, is holding the economy hostage and stands on the way of building a vibrant private sector. It is also largely responsible for the growing public debt now standing at about 50 percent of GDP. Although some relief has been provided through the Highly Indebted Poor Countries (HIPC) initiative, the requirements of debt servicing continue to direct investment away from essential social programmes. Quite often, Government is forced to cut in-year expenditure in certain areas by restricting releases.

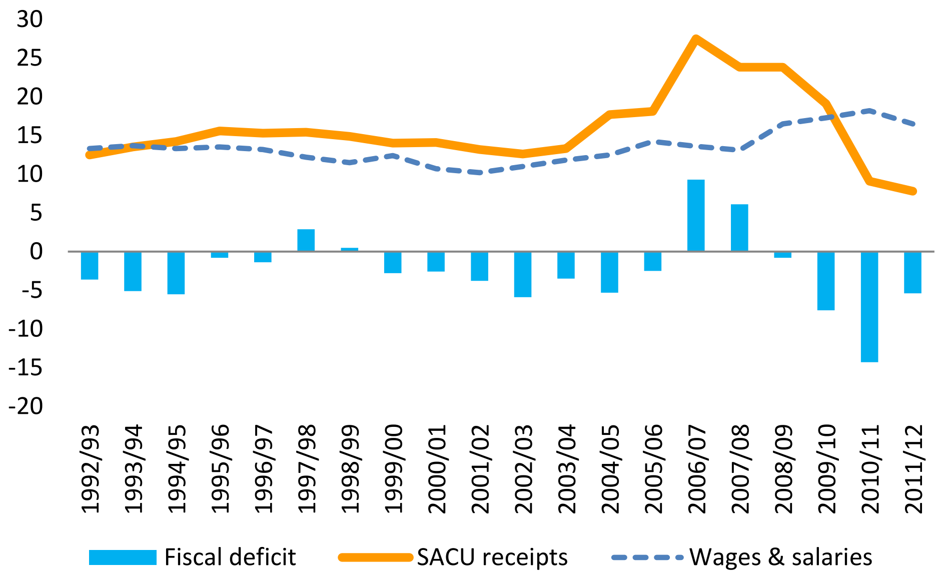
It is necessary for Government to reconfigure the recovery pattern for the economy with recourse to domestic revenue mobilisation (so as to reduce its reliance on international trade taxes and increased its reliance on direct and indirect domestic taxes), and job creation, and careful management of debt and inflation pressures. The call for reducing the over-dependence on SACU receipts through increased collections from direct taxes on income and profits, and indirect taxes on goods and services remains. Streamlining Government expenditure patterns still remains a crucial strategy for the country going forward. Left unaddressed for too long, an increase in the structural budget deficit of this size would see the burden of government debt and interest payments increase to unsustainable levels.

The nominal benchmark interest rate, after falling initially, rises to an all time high of 11.5 percent in April 2008 before reducing to about 7.25 percent by 2011. The country's escalating budget deficit of 14.3 percent of gross domestic product (GDP) for fiscal year 2010/11 that ended March 31, 2011 and deteriorating debt following a fall in SACU revenue has tested the resilience of Swaziland's fiscal policy.

Recent budgets seem to reaffirm Government commitment to some form of austerity, aimed at reducing the fiscal deficit, restoring economic growth, creating more jobs, improving the quality and efficiency of public spending and to effectively tackle corruption. Above all, the government will need to strengthen public resource management engaging in consolidated efforts to improve the quality of spending and to direct resources to critical social services, including investment in human capital and infrastructure development order to foster economic growth. Available evidence points to two major drivers of fiscal deficit: the decline in revenue from the Southern African Customs Union (SACU), and the public wage bill (Figure 9).

The experience of the twentieth century has shown that countries with economies dependent on revenues from a few primary commodity exports and foreign inflows are likely to suffer big swings of income through causes over which they frequently have little or no control. Fiscal policies in the importing countries especially when caused by events such as the recent debt crisis in Europe will affect demand in importing countries and revenues of the trading partners. Between 2005 and 2007, SACU receipts (accrued to Swaziland) increased by close to 8 percentage points of GDP, from 33 percent of GDP in 2005/06, to 40 percent in 2008/09, with a peak in 2006/07 (43 percent of GDP) – translated into a huge surplus of E1.957 billion in 2006/07 (10 percent of GDP) and E612.9 million in 2007/08.

Figure 9. Fiscal balances and SACU revenue (Percent of GDP)



Source: World Bank

The budget surplus of 2006/07 and 2007/08 resulted from South Africa's growing economy and the rise in international trade, contributing to increased SACU customs revenue pool.[4] In 2008/09, the wage bill rose by 3.4 percentage point of GDP, turning the fiscal balance (surplus) into a deficit (Figure 9). In 2009/2010, SACU revenue fell by about two-thirds (11 percent of GDP) as a result of the global economic crisis and the country slipped further into deeper deficits. In FY 2010/11, SACU imports fell sharply due to the contraction of economic activity in South Africa and the unwinding of infrastructure spending after the 2010 World Cup. Consequently, the transfers from the common revenue pool to Swaziland fell by 11 percentage point of GDP in FY 2010/11. The shortfall in SACU revenue and a high wage bill fueled a fiscal crisis.

Unless robust and shift corrective measures are implemented, and if the decline in SACU revenue continues, the deficit could deteriorate to 10 percent of GDP in 2011/12 given a further wage increase granted in mid-2010.

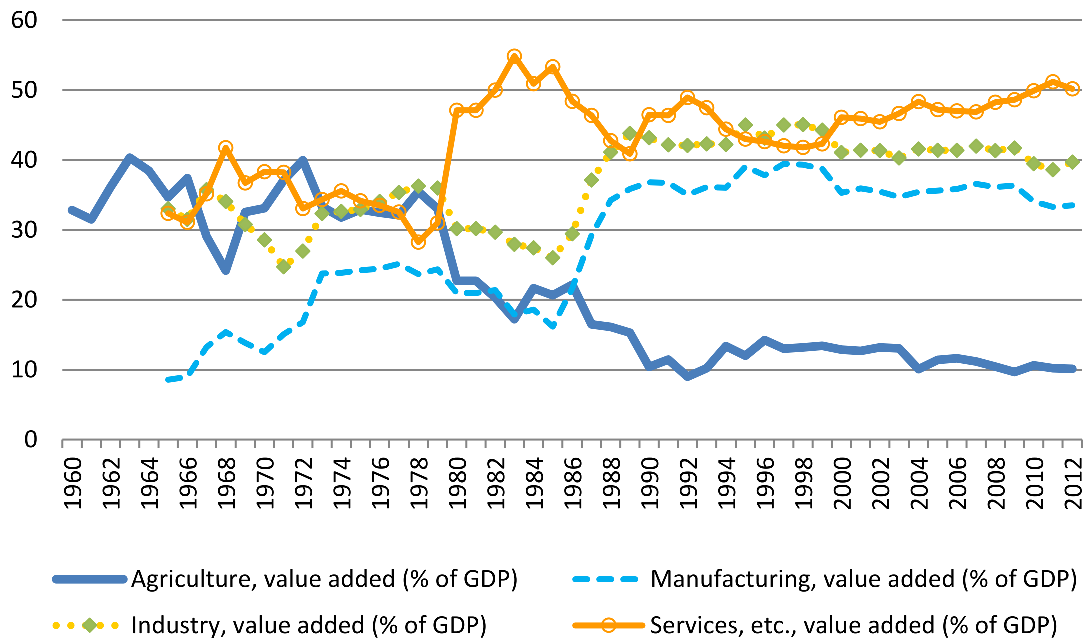
[4] The new SACU revenue sharing formula came into force in 2005/06. The new formula was meant to facilitate equitable and transparent sharing of SACU revenues amongst the member states, and to facilitate efficient fiscal planning.

4 Agriculture, industry and mining

4.1 Overview

The structure of Swaziland's economy has evolved—becoming increasingly diversified since independence in 1968—moving away from reliance on primary sectors (agriculture) to developing a sizable industrial base (Figure 10).

Figure 10. Share of value added (percent of GDP), 1960–2012



Source: World Bank database

Share of agriculture to GDP dropped from an average of 34 percent during 1960–1979 (it was 40 percent of GDP in 1963 and 1972) to an average of 20 percent over the 1980–1989 period and down to an average of 12 percent over the 1990 to 2011 period. In 2011, agriculture sector accounted for about 10 percent of GDP and 70 percent of total employment. Agriculture sector is strongly linked to the manufacturing sector, which grew from 12 percent of GDP in 1967 to 25 percent in 1988 and over 30 percent of GDP in 2011, putting Swaziland on the scale of the industrialized countries in sub-Saharan Africa. In contrast, the manufacturing sector in 1988 represented 15 percent of GDP in Lesotho, 11 percent in Kenya, 24 percent in Mauritius, and 17 percent in Zambia. Despite the fast growth of Swaziland's industrial base, however, up to 75 percent of the country's economically active population are still engaged in agriculture (as primarily subsistence farmers living on Swazi Nation Land), and only 25 percent is employed in the modern wage sector.

Important export earners are sugar, soft drink concentrate, wood pulp and lumber from cultivated pine forests, pineapple and citrus fruit. Swaziland also mines coal and diamonds for export. Of these, Sugar is Swaziland's leading export earner and private-sector employer. In 2005, mining contributed about 0.6 percent of Swaziland's GDP. The services sector is dominated by finance and banking, and transport industry – and it contributed about 38 percent of GDP in 2008. Tourism contributes about 7 percent of GDP. It attracts more than 424,000 visitors annually, mostly from Europe and South Africa, and is a potential source of future growth.

4.2 Agriculture

Whereas agriculture sector contribution to the economy has gradually declined from over 30 percent in 1960s–1980s, agriculture still employs a larger proportion of the labor force and over 60 percent of the population depends on it for their livelihood. This seems to suggest that overall structural transformation has not yet taken place given that there is still excess labor force in agriculture, which could either join the industry and the service sectors. There is lack of inter-sectoral shift in output and labor, which supports the commonly held view that the economy has not yet witnessed significant technological changes in all sectors. Agriculture provides raw material for the bulk of the manufacturing industries in the country. The major commodities include sugar, maize, cotton, citrus, and livestock products.

4.2.1 Sugar

Sugar production rose by 11.1 percent from 582,019 metric tonnes to 646,781 metric tonnes over the same period. a fall in export volumes which declined from 333,192 metric tonnes in the 2010/11 to 314,830 metric tonnes in 2011/12.

Table 5. Swaziland: GDP by sector of origin (at 2000 constant prices), 2003-10

	2003	2004	2005	2006	2007	2008	2009	2010
Agriculture & livestock	1,072.7	1,042.1	1,098.1	1,073.8	1,102.6	--	---	--
Forestry	67.3	72.5	74.9	71.3	80.4	--	--	--
Mining	29.1	31.8	24.9	28.8	14.9	--	--	--
Total	1,169.2	1,146.3	1,197.8	1,173.9	1,197.9	--	--	--
Industry	4,146.6	4,170.4	4,145.6	4,243.8	4,353.4	--	--	--
Manufacturing	3,526.7	3,566.1	3,600.0	3,677.0	3,787.8	--	--	--
Electricity & water	133.0	129.6	134.3	141.1	154.3	--	--	--
Construction	487.0	474.7	411.3	425.7	411.3	--	--	--
Services	3,960.2	4,193.1	4,382.1	4,589.4	4,796.3	--	--	--
Wholesale & retail	579.9	638.6	689.2	766.4	843.5	--	--	--
Hotels & restaurants	174.4	180.1	196.9	212.5	228.2	--	--	--
Transport	354.0	374.0	389.6	372.0	378.9	--	--	--
Communications	395.2	493.6	561.4	589.8	602.3	--	--	--
Finance, & insurance	390.7	394.3	399.1	423.2	430.1	--	--	--
Real estate	434.7	446.3	456.7	470.9	490.3	--	--	--
Government services	1,382.1	1,426.8	1,446.8	1,512.5	1,578.8	--	--	--
Other services	166.1	169.4	173.3	177.5	184.0	--	--	--
Owner-occupied dwellings	297.7	291.7	297.4	302.6	309.8	--	--	--
Bank service charge	-214.5	-221.7	-228.3	-238.0	-249.6	--	--	--
GDP at factor cost	9,276.0	9,509.9	9,725.5	10,007.2	10,347.6	--	--	--
Indirect taxes – subsidies	1,935.3	1,976.8	2,008.1	2,066.7	2,146.0	--	--	--
GDP at market prices 3/	11,211.3	11,486.6	11,733.7	12,073.9	12,493.6	24,947	26,647	25,828
	(Annual percentage change)							
Agriculture & livestock	4.9	-2.9	5.4	-2.2	2.7	--	--	--
Forestry	2.8	7.7	3.3	-4.8	12.8	--	--	--
Mining	-20.1	9.0	-21.6	15.8	-48.3	--	-21.0	27.0
Manufacturing	1.9	1.1	0.9	2.1	3.0	--	-2.0	-3.2
Electricity & water	2.5	-2.5	3.6	5.1	9.3	--	5.7	9.9
Construction	35.4	-2.5	-13.3	3.5	-3.4	--	-3.0	-2.6
Services	2.7	5.9	4.5	4.7	4.5	--	1.2	1.9
GDP at market prices	3.9	2.5	2.2	2.9	3.5	--	--	--
	(In percent of GDP at factor cost)							
Agriculture, & forestry	12.3	11.8	12.1	11.4	11.5	10.4	10.1	10.5
Mining	0.3	0.3	0.3	0.3	0.1	0.1	0.1	0.1
Manufacturing	38.0	37.5	37.0	36.7	36.6	35.8	34.3	33.0
Electricity & water	1.4	1.4	1.4	1.4	1.5	1.2	1.3	1.2
Construction	5.2	5.0	4.2	4.3	4.0	3.8	3.6	3.5
Services	42.7	44.1	45.1	45.9	46.4	48.7	50.6	51.7

Source: Central Statistical Office.
1/ Swazi Nation Land (SNL).
2/ Title Deed Land (TDL).

With the advent of the duty free quota free access in the EU, there was a shift in market concentration for sugar export sales outside SACU. As a result, the volume of sugar sales to the EU market rose from about 280,000 metric tonnes in 2010/11 to 314,830 metric tonnes in 2011/12.

4.2.2 Maize

Total maize production increased by 9.3 percent, from 75,068 metric tonnes in 2009/10 to 82,057 metric tonnes in 2010/11. However, yields per hectare declined from 1.3 tonnes in 2009/10 to 1.2 tonnes in 2010/11due to harsh weather conditions experienced in 2010. The average import price increased in 2010/11 to E2,900 per tonne from E1,900 per tonne in 2009/10. The increase in the average import price arose from shortage of maize in Republic of South Africa. Maize shortage in the RSA and the region remains the key driver of high maize import prices.

4.2.3 Cotton

The area under cotton production decreased from 3,000 hectares in 2009/10 to 2,900 hectares in 2010/11, due to erratic weather conditions (excessive rains). As a result, cotton lint decreased from 936 tonnes in 2009/10 season to 866 tonnes in 2010/11, translated into a fall in the by-product of cotton, fuzzy cotton seeds, from 1,329 metric tonnes to 1,203 tonnes over the same period.

4.2.4 Citrus

Citrus production rose by 8.9 percent to 77,580 tonnes in 2011, from 71,209 tonnes in 2010 while export volumes rose by 13.2 percent (to 36,928 tonnes) in 2011. The outbreak of E.Coli bacteria (suspected to have been caused by organic cucumbers from Europe) resulted into the banning of imports of fresh fruits and vegetables in Russia. Consequently, there was oversupply of citrus products in the European market where demand was low following the European debt crisis. Prices for the perishable citrus products plummeted from about EUR16 / box at the start of marketing season to EUR4 / box towards the end of the marketing season. The 9.3 percent increase in export earnings to E106.4 million in 2011 was driven by the rise in export volumes and the weaker exchange rate (Lilangeni/EURO) during 2011.

4.2.5 Dairy and livestock production

Domestic production of raw milk increased by 12 percent from 7.71 million litres in 2010 to 8.66 million litres in 2011. About 70 percent of domestic production in 2011 was from commercial farms (on Title Deed Land). Meanwhile, domestic demand for dairy products (milk and milk products) grew by 7 percent to 57.31 million litres in 2011 from 53.53 million litres in 2010. The huge gap between the domestic demand and production was met through imports, estimated at 48.65 million (Liquid Milk Equivalent) litres in 2011 compared to the 2010 imports of 45.8 million litres.

The number of dairy farmers increased from 488 in 2010 to 498 farmers in 2011 but milk production rose marginally to 2.17 million litres per quarter. The buying price of milk in 2011 stood at E4.00 per litre.

Beef export declined from 1,400 tonnes in 2010 to 1,339 tonnes in 2011. The outbreak of foot-and-mouth disease in South Africa (Kwa-Zulu Natal region) in February 2011 led to a stoppage of beef imports from RSA (for two months). This resulted in diverting beef meant for export to the domestic market. The main destination export markets in 2011 were Norway, France and Mozambique. Despite the fall in export volumes, export receipts grew by 13.6 percent to E70.6 million in 2011 due to high beef prices coupled with the depreciation of the Lilangeni against the Euro.

In December 2009, the government outlined a new agricultural policy focusing on achieving greater food security, increasing farm tools, crop yields and storage facilities, diversifying food and commercial crops via agribusiness, and lastly, supporting price stabilisation and better market access programmes, but it remains to be seen how far this can be realised given the limited participation of the indigenous Swazis.

4.3 Industry

4.3.1 Manufacturing

The main contributors of the manufacturing sector's value-added are the five export-oriented industries: unbleached wood pulp; processing of soft-drink concentrate; fruit canning; refrigerators; and sugar processing. Other important (agro-based) industries include sweets and food processing. Edible concentrates and soft drink concentrates, which are the country's leading export earner, recorded an average growth rate of 2 percent in 2011, down from the double digit growth rate observed in 2010 resulting from high inventory holdings as companies were maximizing on their stocks and due to falling demand in major trading partners. On the other hand, growth in soft drinks concentrate exports benefited from a short-term arrangement of selling to sister companies who had capacity constraints that prevented them from meeting their demands.

The textile sector recorded a negative growth in 2011 due to slow demand in both US and RSA markets. The value of textile apparels destined for the US market dropped by 18 percent from E685 million in 2010 to E558 million in 2011 due to falling prices and continuous slowdown in demand for textile products in the US market from the global financial crisis. The strengthening of the local currency against the US dollar had a negative effect on the profitability of textile sector in 2011. However, the zippers industry performed well in 2011 due to rising demand for this product in the South Africa mines (i.e. used for mining clothing).

Textile export earnings declined by 11.2 percent, to E702.5 million in 2011. The subdued performance resulted from weakening demand in the US which impacted negatively on domestic production levels of textile and apparel. Some textile companies, as a result, have since shifted focus to domestic and regional markets in a bid to boost their businesses. Performance of other manufacturing subsector, including edible concentrates, and soft drinks, canned fruit and meat and meat products stagnated in 2011 due to a slowdown in demand for these products in destination markets.

4.3.2 Mining and quarrying

Swaziland exports mainly two types of minerals, coal and lately iron ore. The opening of the iron ore mine at Ngwenya in 1904 led to construction of the railway to transport ore to the port of Maputo in Mozambique. The mining industry played an important role in the pre-and early post-independence periods. The Havelock asbestos mine was the first major project opened in 1939, involving foreign investment in Swaziland. It marked the beginning of development of modern sector. By 1989, however, the importance of the mining subsector had declined significantly.

The mining sector contributed E125.9 million to the country's export earnings in 2010. It declined slightly to E125.7 million in 2011. Coal production dropped by 17 percent, from 145,903 tonnes in 2010 to 121,050 tonnes in 2011. The only active coal mine at Maloma was engaged in an infrastructural development of mining space to allow for future movements into a higher yielding coal seam to enhance production. The development of 30 metres underground mining space resulted in a diversion of some productive resources away from the actual extraction of coal, and a one-third drop in the production levels. Consequent upon the drop in production and sales volumes, mining revenue declined from E125.9 million in 2010 to E111.6 million in 2011. About 99 percent of the anthracite coal was sold to the South African smelter plants with the residual sold to Mozambique.

The decline in the coal export in 2011 was compensated for by the re-opening of the Ngwenya Iron Ore Mine (by the Salgaocar Group), which started exporting raw iron ore in the last quarter of 2011, and there are indications that production will go up over the medium term.

Quarried stone production plummeted by 32.3 percent, from 304,844 cubic meters in 2010 to 206,341 cubic meters in 2011 (after recording a significant increase in 2010), driven by decline of the construction sector in 2011 and the halting of public sector capital projects in view of the government cash-flow crisis. Most of the quarried stone production serviced limited private sector construction developments. Despite the drop in volumes of production, quarried stone revenue increased by 10.1 percent to E21.4 million owing to rise in prices during 2011.

Zippers export revenue declined by 6.3 percent in 2011 from E113.0 million in 2010 as a result of the slow pace of economic recovery in export markets. Citrus fruits performed well in 2011, registering E104.5 million compared to E65.4 million recorded in 2010, mainly due increased to increased production levels. Other traditional exports, including meat and meat products, canned fruits, remained stable with marginal change in export revenues.

4.3.3 Electricity

The 2010/11 drought exposed a long-standing investment deficit in the energy sector. Power generation dropped by about 7 percent from 333.4 GWh in 2011/12 to 310.7 GWh in 2011/12. Insufficient water in dams to support effective hydro-power generation in the wake of the prolonged dry spell (late rains) in 2011 resulted in a substantial decrease in domestic power generation by SEC, and only saved by the complementary generation under Ubombo Sugar Cogen-Power generation project. Domestic electricity consumption decreased by 2.9 percent to 948.1 GWh in 2011/12 from 976.8 GWh in 2010, with commercial sales accounting for a substantial share of the fall due to the closure and scaling down of operations by some commercial entities.

4.3.4 Construction

A 20 percent cut in national budget for capital expenditure (at the back of government cash-flow crisis) led to a slowdown in public sector infrastructure projects (major source of business for the construction industry) and a slower growth of the construction sector output in 2011 compared to 2010. The cash flow problem resulted in accumulated arrears of about E630 million on capital projects – a bulk of which was earmarked for infrastructural development. These imposed significant cash flow constraints on businesses in the construction industry—which undermined growth for the construction sector. Growth was supported by growth of real estate sector particularly the rise in residential buildings. Completed commercial buildings increased from14 units in 2010 to 37 units in 2011. The value of total buildings completed amounted to E123.2 million in 2011 compared to E72.7 million in 2010.

The real estate sector relates to ownership and development of properties. It comprises servicing of raw land, construction of residential housing, commercial offices and trading spaces. The development of such properties may be done for sale or for leasing purposes. In Swaziland, this sector has grown tremendously in the past five years. It currently accounts for 6 percent of overall output.

4.4 Services

Swaziland's service sector (comprising both commercial and public services) accounts for over 50 percent of the total GDP (Table 6). All industries in service sector, combined, accounted for 48 percent of GDP in 2008 and 53 percent in 2011. Between 2003 and 2010, the service sector grew at an average rate of 3.6 percent per annum—the key drivers of this growth have been public administration (public services) and transport and communications. This trend was reversed aftermath of the global economic and financial crisis, with growth receding to 1.2 percent in 2009 and 1.9 percent in 2010 (from 4.5 percent in 2007)—attributed in part, to the freezing of spending to some public sector projects in 2011.

Table 6. Services activity (at 2000 constant basic prices), 2008 – 2011 (percent of GDP)

	2008	2009	2010	2011
Wholesale and retail trade	10.4	10.8	11.0	11.5
Hotels and restaurants	2.3	2.3	2.2	2.2
Transport, storage and communications	9.8	10.2	10.6	11.2
Financial intermediation	3.6	3.8	3.6	4.2
Real estate, renting and business activities	6.9	7.0	7.1	7.2
Public administration and defence; education; health and social care	16.4	17.1	17.7	18.1
Other community, social and personal service activities	1.8	1.8	1.9	1.9
Total	48.7	50.6	51.7	53.4

Source: Central Statistical Office.

4.4.1 Transport and communications

Communication services comprise fixed line telephones, mobile telephony, and internet services (Table 7). There are two telecom operators in Swaziland—MTN Swaziland, and Swaziland Post and Telecommunications Corporation (SPTC), hosting approximately 1million subscribers.

Table 7. Developments in the telecommunications sector: selected indicators, 2008-12

	2008	2009	2010	2011	2012
Fixed-line subscriptions	45,162	45,162	52,966	75,825	45,565
Fixed-line subscriptions per 100 inhabitants	3.91	3.85	4.44	6.26	3.70
Mobile subscriptions	531,643	664,432	725,802	766,540	805,000
Mobile subscriptions per 100 inhabitants	46.07	56.61	60.83	63.24	65.39
Fixed (wired) Internet subscriptions	20,000	3,507	4,200	4,700	3,812
Fixed (wired) Internet subscriptions per 100 inhabitants	1.73	0.30	0.35	0.39	0.31
Fixed (wired) broadband subscriptions	772	1,504	1,970	2,778	3,429
Fixed (wired) broadband subscriptions per 100 inhabitants	0.07	0.13	0.17	0.23	0.28
Individuals using the Internet (% of the population)	6.85	8.94	11.04	18.13	20.78

Source: International Telecommunications Union, ICT-EYE Statistics Database. Viewed at: http://www.itu.int/net4/itu-d/icteye/..

The Electronic Communications Act 2013 provides a framework for the development and regulation of electronic communications networks and services. The Communications Commission Act 2013 created the Swaziland Communications Commission (SCCOM)—an independent regulator for the communications sector—ending the dual role played by the Swaziland Post and Telecommunications Corporation (SPTC) as a market operator and regulator.

4.4.2 Financial sector

The financial services industry comprises 4 commercial banks, 1 building society and other 2 financial institutions (the banking sector—Table 8) regulated by the Central Bank of Swaziland and the non-banking sector (regulated by the Financial Services Regulatory Authority–FSRA), made up of 237 retirement funds, 67 SACCOs (savings and credit cooperatives) and 10 insurance companies.

Table 8. Banking institutions in Swaziland, 2013

	Ownership (PERCENT)		
	Government	Foreign	Public
Commercial banks			
First National Bank Swaziland Ltd.	--	100	--
Nedbank (Swaziland) Ltd.	23	67	10
Standard Bank Swaziland Ltd.	25	65	10
Swaziland Development and Savings Bank (Swazibank)	100	--	--
Other financial services institutions			
Swaziland Building Society	--	--	100
Blue Financial Services	--	100	--
First Finance	100	--	--

Source: Central Bank of Swaziland, Annual Report 2013/14.

Three of the commercial banks are subsidiaries of South African holding companies (account for about 85.5 percent of the overall banking sector's assets). The non-banking institutions (sixty of them) account for close to 60 percent of the financial sector's assets.

The Financial Services Regulatory Authority (FSRA) was established in 2010, and is responsible for supervising and regulating all non-banking financial institutions, including insurance companies, retirement funds, and SACCOs, which previously were under supervision of different agencies.

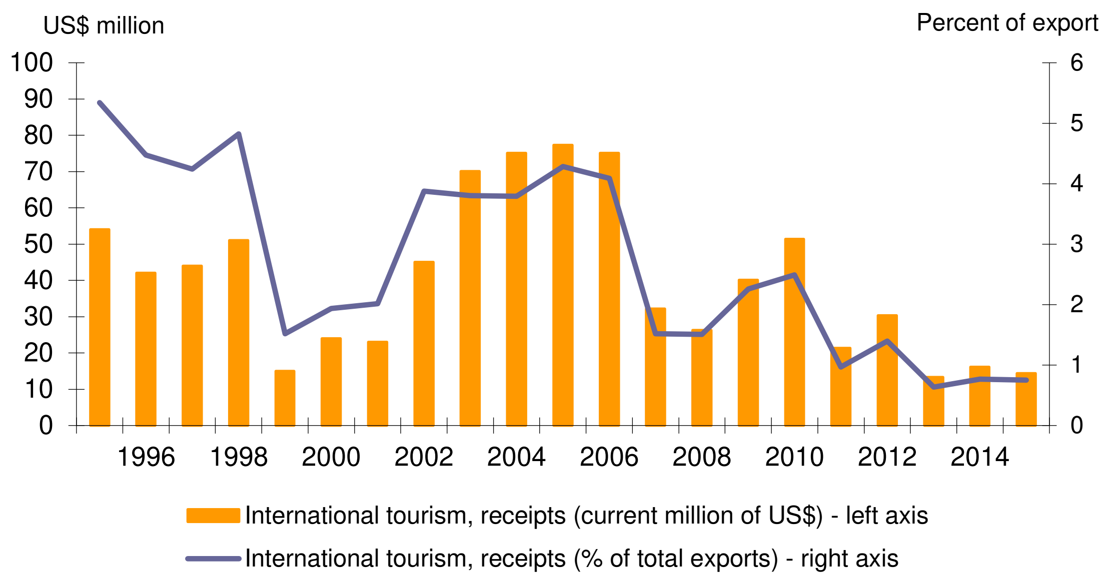
The effects of the fiscal crisis were also felt in the financial sector. Growth in financial intermediation felt as financial institutions became more risk averse in their lending especially to projects linked to government financing.

4.4.3 Tourism

Swaziland is perceived as a medium-market tourist destination. Between 2005 and 2016, Swaziland attracted over 800,000 tourists annually. Tourism accounts for 2.8 percent of total

GDP in Swaziland. In the SACU region, Swaziland ranks third in tourism earnings (after Botswana and South Africa). Figure 11 shows the trend in tourism receipts.

Figure 11. Swaziland: Trends in international tourism receipts, 1995–2015

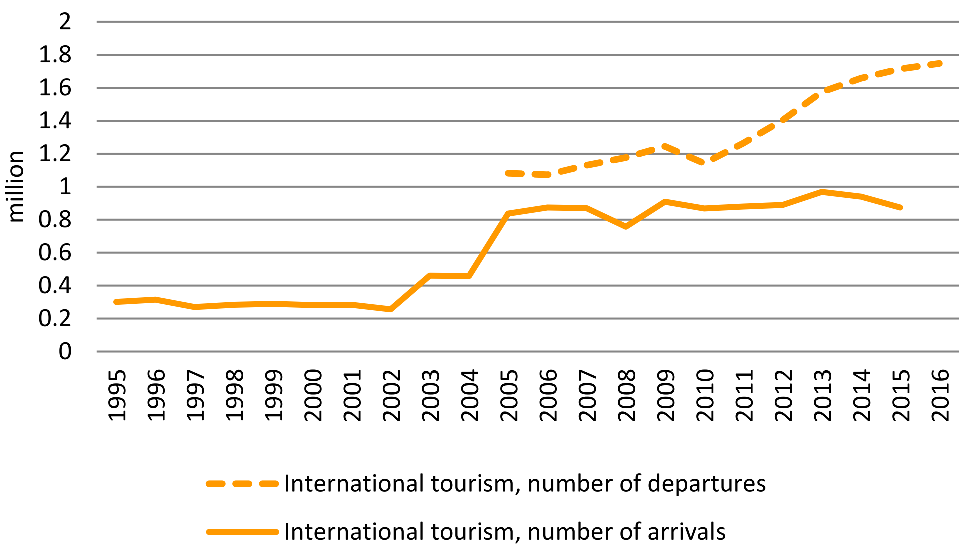


Source: World Tourism Organization, Yearbook of Tourism Statistics, Compendium of Tourism Statistics and data files, and IMF and World Bank exports estimates.

Note: International tourism receipts are expenditures by international inbound visitors, including payments to national carriers for international transport in the destination country. They also may include receipts from same-day visitors, except when these are important enough to justify separate classification. For some countries they do not include receipts for passenger transport items. Their share in exports is calculated as a ratio to exports of goods and services, which comprise all transactions between residents of a country and the rest of the world involving a change of ownership from residents to nonresidents of general merchandise, goods sent for processing and repairs, nonmonetary gold, and services (World Bank).

Because of Swaziland's close links with the Republic of South Africa, it is argued that prospects for any significant future expansion of tourism in Swaziland, at least in the short term, will be largely contingent on developments in South Africa (Harrison, 1995). In 1995, David Harrison wrote, "In the light of the country's landlocked location and its inability to provide attractions not also found in other tourism destinations further north, its reliance on tourists from the Republic of South Africa is likely to continue." Figure 12 shows the flow of international tourism over the past two decades.

Figure 12. Swaziland: international tourism, 1995–2016



Source: World Bank

4.4.4 Wholesale and retail sector

The wholesale and retail sector remained fairly resilient aftermath of the global economic crisis. It grew at about 2 percent in 2010 and 4.5 percent in 2011 and its share of the value added to GDP has been fairly stable at average of 11 percent for the past five years or so.

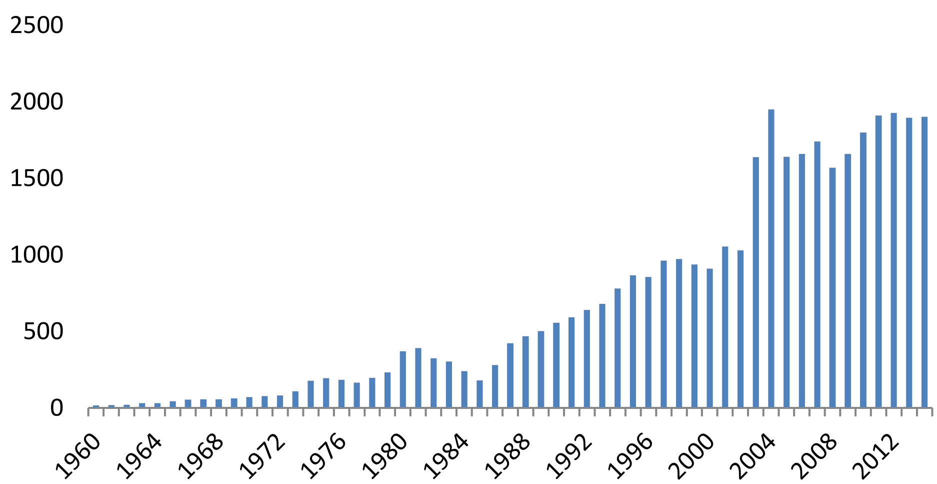
5 Developments and trends in international trade

Swaziland is highly dependent on international trade, with a trade/GDP ratio of 122 percent in 2012. Nonetheless, the country's share in world trade remains very small (0.01 percent for both exports and imports in 2012 and 2016). Swaziland ranked 110 in 2013 and 139 in 2016 among world merchandise exporters (excluding intra-EU trade) and 133 and 162, respectively, among importers. In 2013, the country ranked 131 among world exporters of commercial services (excluding intra-EU trade), and 121 among importers. In 2016, it ranked 151 among exporters and 142 among importers[5]

5.1 Structure of exports

Swaziland is a member of the South African Customs Union (SACU), together with South Africa, Lesotho, and Botswana. Therefore, its external trade policy is governed by the SACU common external tariff (CET), which is currently set by South Africa and administered by a South African statutory body - the Board of Tariffs and Trade. Figure 12 shows the trend in Swaziland exports since 1960.

Figure 13. Merchandise exports (in million current US$)



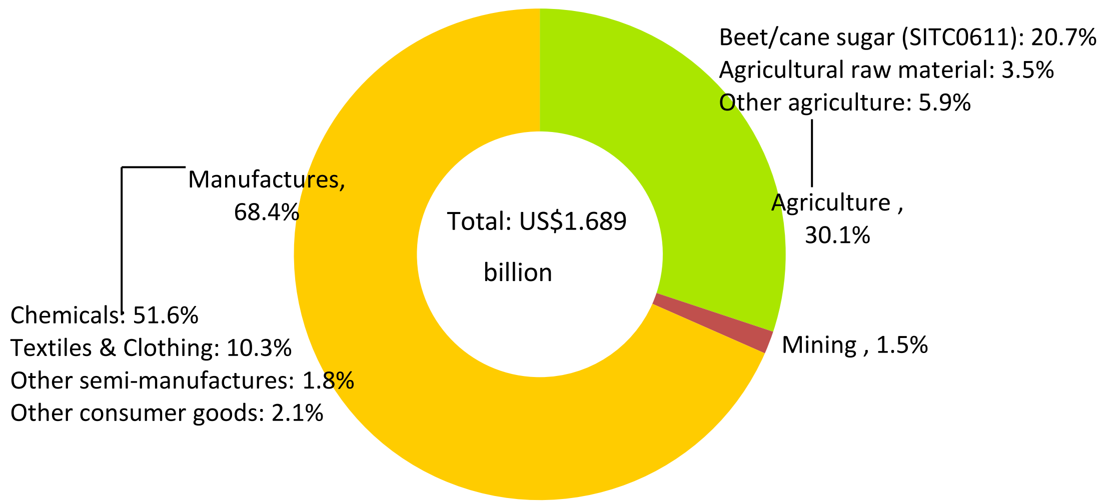
Source: World Bank

[5] WTO (viewed at: http://stat.wto.org/CountryProfiles/SZ_e.htm).

Total merchandise exports (f.o.b) fell by 4 percent between 2010 and 2016, from US$1.964 billion in 2010, to 1.433 billion in 2016.

Figure 12 shows the composition of exports in 2011 (detail in Table A1.1). The structure of exports has changed dramatically since independence. Manufactures are the leading export commodities accounting for over 60 percent of total exports, from 12 percent of export value it represented in 1986 and almost zero percent in 1968. Growth in the export-oriented manufacturing sector accelerated in the 1990s (it was 25 percent in 1996).

Figure 14. Exports including re-exports (f.o.b.), 2011



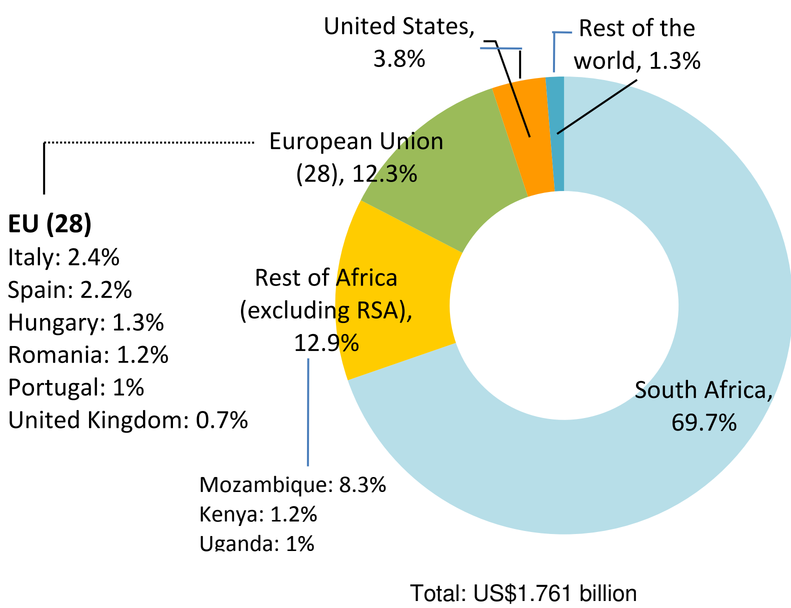
Source: Author's calculations based on WTO data

Much of the growth in manufactures exports is attributed to the Coca-Cola operations. Available data shows that soft-drink concentrate is now the major single export commodity (i.e. highest revenue earner). Apart from the agro-based industries, the manufacturing sector produces refrigerators, appliances, zippers, textile fabrics, clothing, shoes and security appliances, which are all destined for consumption in either the SACU or SADC markets.

Second in importance to manufacturing exports are the primary commodity exports (basically agricultural commodities), which account for over 30 percent of total exports earnings, followed by mining. The traditional agricultural exports of sugar, wood pulp and citrus, and exports from the mining sector have experienced slower growth than the more vibrant manufacturing and processing sectors. Minerals, which contributed over 38 percent to export value in 1968, contributed just 7 percent in 1986 and less than 1 percent over the last five years or so except in 2012 when this number jumped to 6 percent. Available data also shows that exports have continued to diversify as the industrial sector has continued to expand.

In terms of exports markets, the direction of exports from Swaziland has changed dramatically since independence. South Africa now takes about 60 percent of Swaziland's exports (Figure 12), compared to 37.8 percent in 1988 and 16 percent in 1908; while the United Kingdom accounts for less than 1 percent of Swaziland's exports (compared to 1.1 percent in 1988 and over 35 percent in 1968).

Figure 15 Share of regions as destinations for Swaziland's exports, 2011 (PERCENT)



Source: Author's calculations based on WTO data

Swaziland's export sector has continued to expand into new markets and has gradually diversified the product base (Table A1.3 and A1.2). Sugar, wood pulp and citrus are destined for the European Union, the second major trading partner, and the United States under special trading arrangements. Sugar in particular, benefits in terms of favourable prices from trade with the European Union under the Lomé Convention. Swaziland exports citrus fruits, sugar and beef to the European Union, wood pulp to Japan, and textiles to the United States.

The current highest revenue earner is soft-drink concentrates. Receipts from these exports brought in substantial revenues as a result of the depreciation of the rand. The depreciation effects largely offset the low commodity prices experienced on the international markets.

Change in preferential trade regime of the EU exacerbated the situation. The year 2007 marked the end of the EU preferential treatment for Swaziland's main sugar and textile exports. From the same year (2007) that the European Community began to remove subsidies on sugar, Swaziland's exports of raw and processed sugar declined steadily in value. With prices set by the Sugar Protocol and the EU, the 60 percent rise in world sugar prices in 2009 (came on the heel of a failed sugar crop in Brazil) did not have significant impact on the sector's performance. Appreciation of lilangeni eroded the benefits from increased sugar export receipts.

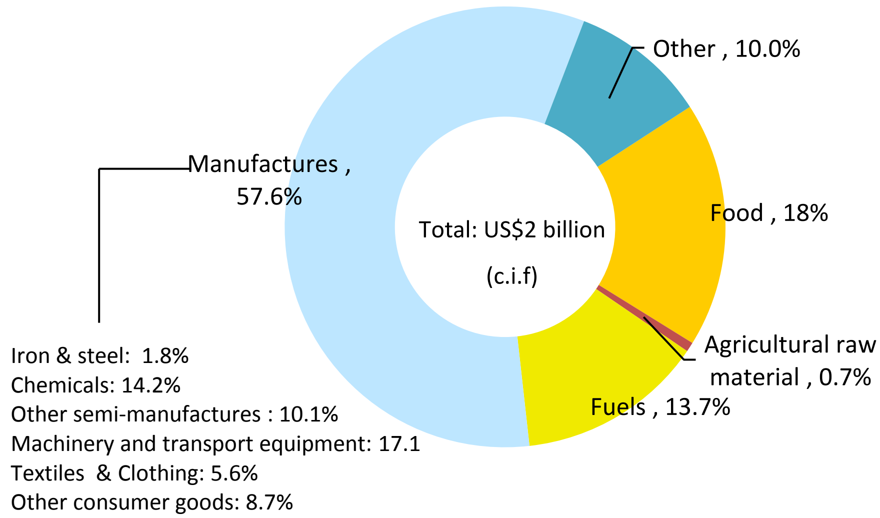
5.3 Structure of imports

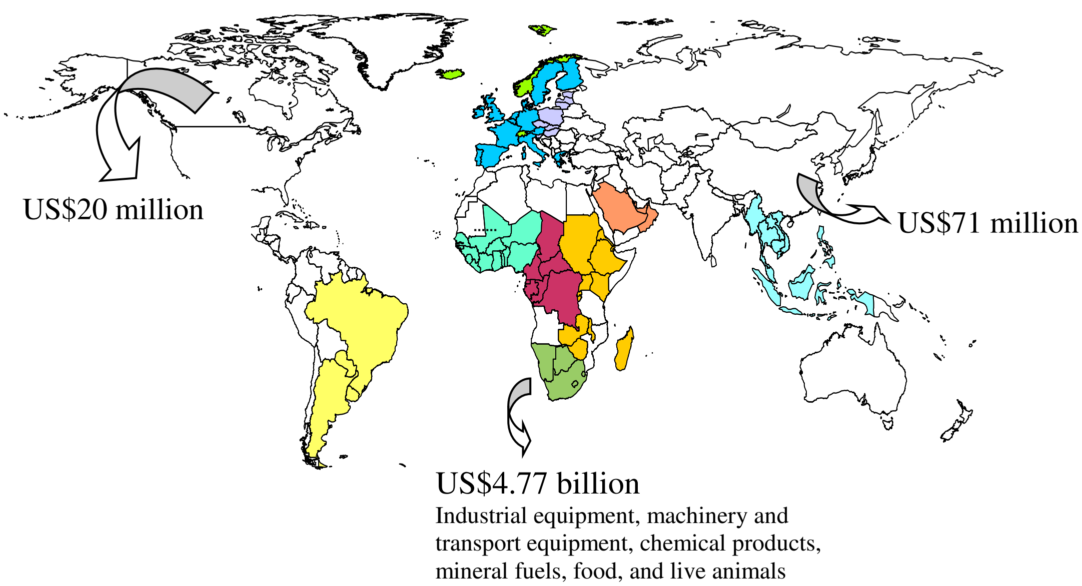
Imports to Swaziland grew at an average of 10-15% on a year-to-year basis from 1990-95. Imports into Swaziland can be categorized as: 20% for food, beverages, animals and edible oils; 25% for chemicals, fuels and crude materials; while 55% relates to machinery and manufactured goods. Value of imports decreased from E14,303.6 million in 2010 to E14,085 million in 2011, mainly reflecting the low economic activity in the public sector during the year.

More than 85 percent of the imports are from South Africa, the country's major trading partner since independence. In 1968, South Africa provided 91.2 percent of Swaziland's imports. In 1986, the figure was 90 percent. It was 93.7 percent in 2008, and 88.7 percent in 2011 (imports from overseas that are re-exported by South African agents are listed as South African). Swaziland's recorded imports from South Africa amounted to US$4.77 billion in 2011 compared with US$1.24 billion in 2008. South Africa's dominant position can be explained by its proximity, providing the quickest and least expensive supply. Major commodities imported during 2011 included industrial equipment, machinery and transport equipment, chemical products, mineral fuels, food, and live animals.

Swaziland's recorded imports from China amounted to US$71 million (3.9 percent of total imports) in 2011, up from US$13.2 million (1 percent of total imports) in 2008. EU's share in total imports increased from 1.3 percent in 2008 to 3 percent in 2009, but fell to 1.9 percent in 2010. In 2011, it increased slightly to 2.4 percent in 2011and remained at about the same rate in 2012 (Table A1.3 and Chart 1.2). Merchandise imports from non-SACU African countries declined in 2012, reflecting the effect of the depreciation of the Lilangeni against major trading currencies.

Figure 16. Swaziland: Product composition of merchandise imports, 2011 (PERCENT)





The total imports volume from China to the four SACU countries combined, amounted to US$15.3 billion in 2011, up from US$ 10.22 billion in 2008. In 2011 food accounted for a substantial 12.6 percent of Swaziland's import bills (Figure 13) and the share continues to grow.

6 Conclusions and implications for policy

This paper set out to document economic trend in Swaziland aftermath of the global economic and financial crisis. From the discussions (in sections 1–5), the following conclusions can be made:

First, Swaziland's economy is highly dependent on external market and the country's growth prospect is largely contingent on developments in South Africa due to her close links with the Republic of South Africa. The declining trend in Swaziland's growth trajectory has arisen in part from the country's reliance on revenues from a few primary commodity exports and foreign inflows, and falling revenue from SACU's revenue sharing pool, which reaffirms both the impact of the global economic crisis and binding constraints to economic growth and country's global competitiveness.

Second, government's borrowing and the rate of build-up of public debt is directly link to changes in SACU revenue. For example, while between 2000 and 2009, higher commodity prices led to sizable government revenues and a decline in government borrowing—translated into downward public debt trajectory—the onset of the global financial crisis and the fall in SACU revenues reversed the downward trend in debt to GDP ratio.

Although the all-inclusive total public debt to GDP ratio remains under 50 percent in face of large expansion of public administration spending and subsequent buildup of public debt in recent years (in wake of the of revenue fall), the risk remains manageable to the extent that government is able to stabilise the debt burdens (i.e. if debt stops growing). This would be achieved with increased growth and diversified tax system. But growth alone or tax reforms per se won't resolve the problems. More attention is required in improving and reforming the Swaziland fiscal system, particularly strengthening public resource management, engaging in consolidated efforts to diversify the tax base and to improve the quality of spending as well as to direct resources to critical social services, including investment in human capital and infrastructure development and business environment in order to attract investment.

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Table A1.1 Merchandise exports by product group, including re-exports, 2008-13
(US$ million and %)

	2008	2009	2010	2011	2012
Total (US$ million)	1,352	1,566	1,964	1,689	1,761
(% of total exports)					
Total primary products	34.6	34.7	27.9	31.5	39.6
Agriculture	32.5	33.7	26.6	30.1	32.5
Food	25.1	28.7	23.9	26.6	28.9
0611 Sugars, beet/cane, raw, solid, no added flavor /colour	15.4	14.0	13.1	17.7	19.6
0622 Sugar confectionery, not containing cocoa	1.2	0.9	1.1	1.1	1.4
0612 Other beet, cane and chemically pure sucrose, solid form	0.8	7.1	3.6	1.3	2.0
0581 Jams, fruit jellies, marmalades, fruit or nut puree, etc.	0.1	0.1	1.0	0.9	0.8
0619 Other sugars	0.5	0.5	0.6	0.6	0.7
0589 Fruit, nuts, n.e.s., whether or not sweetened	1.0	1.1	0.5	0.6	0.7
Agricultural raw material	7.4	5.1	2.7	3.5	3.6
2484 Wood of non-coniferous, sawn of a thickness > 6 mm	1.3	0.8	0.7	1.3	1.4
2483 Wood, coniferous (incl. for parquet flooring) shaped	0.5	0.3	0.3	0.4	0.7
Mining	2.1	1.0	1.3	1.5	7.1
Ores and other minerals	0.6	0.3	0.3	0.7	6.1
2815 Iron ores and concentrates, not agglomerated	0.0	0.0	0.0	0.2	5.6
Non-ferrous metals	0.0	0.0	0.0	0.0	0.0
Fuels	1.5	0.6	0.9	0.8	1.0
3212 Other coal, whether or not pulverized, not agglomerated	0.2	0.2	0.1	0.1	0.6
Manufactures	65.3	65.2	72.0	68.4	60.3
Iron and steel	0.0	0.1	0.0	0.0	0.0
Chemicals	45.9	48.4	56.2	51.6	42.5
5514 Mixtures of odoriferous substances, industrial use	24.1	24.4	29.8	28.1	24.1
5989 Chemical products and preparations, n.e.s.	15.8	17.3	20.7	18.1	14.2
5139 Carboxylic acids, etc.	0.7	1.1	1.3	1.7	1.9
Other semi-manufactures	2.3	1.7	1.5	1.8	1.8
6421 Packing containers, of paper, paperboard, cellulose wadding etc.	0.2	0.4	0.7	0.7	0.9
Machinery and transport equipment	4.3	3.5	3.1	2.6	1.7
Power generating machines	0.0	0.1	0.0	0.0	0.0
Other non-electrical machinery	1.8	0.8	1.3	1.7	0.9
Agricultural machinery and tractors	0.0	0.1	0.1	0.2	0.1
Office machines and telecommunication equipment	0.1	0.1	0.1	0.0	0.0
Other electrical machines	1.3	1.8	0.6	0.4	0.2
Automotive products	0.9	0.7	1.0	0.3	0.4
Other transport equipment	0.1	0.1	0.0	0.0	0.0
Textiles	0.9	0.4	0.5	1.5	1.6
6581 Sacks/bags, of textile, for packing goods	0.2	0.0	0.2	0.7	1.0
Clothing	7.6	8.2	8.3	8.8	9.3
8454 T-shirts, singlets and other vests, knitted or crocheted	2.2	2.5	2.4	2.4	2.2
8426 Trousers, breeches, etc., women's/girls', not knitted/crocheted	1.5	1.5	1.8	1.2	1.5
8414 Trousers, bib and brace overalls, breeches and shorts	0.8	0.3	0.5	1.4	1.4
8432 Suits, ensembles, jackets, trousers, etc.	0.2	0.3	0.5	0.6	0.7
Other consumer goods	4.2	3.0	2.4	2.1	3.4
8921 Printed books, pamphlets, maps, etc. (excl. ad. material)	0.3	0.8	0.8	0.9	2.2
Other	0.1	0.1	0.1	0.1	0.0

Source: WTO Secretariat calculations, based on data provided by the authorities (SITC Rev.3).

Table A1.2 Merchandise imports by product group, 2008-13
(US$ million and %)

	2008	2009	2010	2011	2012
Total (US$ million)	1,325	1,431	2,024	2,000	1,817
(% of total)					
Total primary products	38.3	32.7	31.6	33.3	34.7
Agriculture	20.7	19.6	20.1	18.8	18.2
Food	19.2	18.6	19.2	18.0	17.3
0449 Other maize, unmilled	1.7	1.5	1.2	0.9	1.2
0423 Rice, milled, semi-milled	0.9	0.7	0.6	0.8	0.6
0481 Cereal grains, prepared n.e.s.	0.5	0.5	0.6	0.6	0.6
0819 Food waste, animal feeds n.e.s.	0.8	0.8	0.7	0.7	0.8
Agricultural raw material	1.5	1.0	1.0	0.7	0.9
Mining	17.6	13.2	11.5	14.6	16.5
Ores and other minerals	0.5	0.3	0.4	0.5	0.4
Non-ferrous metals	0.3	0.3	0.3	0.4	0.3
Fuels	16.7	12.5	10.8	13.7	15.8
Manufactures	61.0	60.2	59.2	57.6	55.7
Iron and steel	2.2	2.1	2.3	1.8	1.8
Chemicals	15.5	14.6	14.1	14.2	13.5
5429 Medicaments, n.e.s.	1.3	1.8	1.9	1.9	1.5
5514 Mixtures of odoriferous substances, industrial use	1.5	1.1	1.0	1.3	1.5
5621 Mineral or chemical fertilizers, nitrogenous	1.3	0.7	0.6	0.6	1.0
5541 Soap	0.7	0.6	0.7	0.7	0.7
Other semi-manufactures	10.6	9.9	10.3	10.1	9.4
6612 Portland cement and similar hydraulic cements	0.8	1.0	1.2	1.2	1.0
6911 Iron or steel structures, tubes and the like, for use in structures	0.9	0.7	0.7	0.6	0.7
6414 Kraft paper, etc., uncoated, n.e.s., rolls/sheets	0.6	0.6	0.5	0.9	0.8
Machinery and transport equipment	18.3	19.3	17.9	17.1	16.5
Power generating machines	0.4	0.3	0.6	0.8	0.3
Other non-electrical machinery	5.6	5.8	5.7	4.9	5.1
Agricultural machinery and tractors	0.6	0.7	0.4	0.6	0.6
Office machines and telecommunication equipment	2.7	3.9	2.8	2.3	2.4
Other electrical machines	2.8	3.0	3.2	2.9	2.8
7731 Insulated wire, cable etc.; optical fibre cables	0.6	0.5	0.6	0.4	0.5
Automotive products	6.3	5.7	5.1	5.4	5.3
7821 Goods vehicles	2.0	1.8	1.3	1.6	1.2
7812 Motor vehicles for the transport of persons, n.e.s.	2.5	2.3	2.3	2.5	2.7
7843 Other motor vehicle parts & accessories of 722, 781 to 783	1.1	1.0	0.9	0.9	1.1
Other transport equipment	0.5	0.6	0.5	0.8	0.6
Textiles	3.7	2.2	3.0	3.4	4.6
6552 Other knitted/crocheted fabrics, not impregnated/coated, etc.	0.9	0.1	0.1	0.1	0.7
6513 Cotton yarn, excluding thread	0.1	0.1	0.2	0.4	0.5
6531 Fabrics, woven, of synthetic filament yarn, excl. pile/chenille	0.4	0.3	0.3	0.3	0.6
Clothing	2.3	2.3	3.0	2.2	2.2
Other consumer goods	8.4	9.7	8.6	8.7	7.6
8931 Plastics containers, stoppers, lids, etc.	1.2	1.1	1.0	1.1	1.1
8921 Printed books, pamphlets, maps, etc. (excl. ad. material)	0.7	0.5	0.5	0.7	0.9
Other	0.7	7.0	9.1	9.1	9.7

Source: WTO Secretariat calculations, based on data provided by the authorities (SITC Rev.3).

Table A1.3 Merchandise exports by destination, including re-exports, 2008-13
(US$ million and %)

	2008	2009	2010	2011	2012
Total (US$ million)	1,352	1,566	1,964	1,689	1,761
(% of total)					
America	6.4	7.0	6.8	4.1	3.8
United States	6.3	6.9	6.7	4.1	3.8
Other America	0.1	0.1	0.0	0.1	0.0
Europe	5.1	12.2	9.1	10.4	12.3
EU(28)	5.1	12.2	9.1	10.4	12.3
Italy	0.1	1.1	1.5	3.6	2.4
Spain	0.2	1.4	1.0	1.1	2.2
Romania	0.0	1.6	1.1	0.3	1.2
Portugal	3.3	4.3	0.8	1.0	1.0
Finland	0.0	0.0	0.0	0.0	0.0
Hungary	0.0	0.0	0.0	0.0	1.3
United Kingdom	0.9	1.4	3.1	0.7	0.7
EFTA	0.0	0.0	0.0	0.0	0.0
Other Europe	0.0	0.0	0.0	0.0	0.0
Commonwealth of Independent States (CIS)	0.0	0.0	0.0	0.0	0.0
Africa	81.5	72.7	76.7	80.9	82.6
South Africa	67.1	51.1	57.7	63.8	69.7
SACU (excluding South Africa)	1.4	0.8	1.4	1.7	1.1
Mozambique	4.8	5.3	3.5	4.2	8.3
Nigeria	0.0	1.9	3.0	2.3	0.0
Kenya	1.9	4.3	2.7	2.1	1.2
Angola	2.6	2.1	1.8	1.3	0.0
United Republic of Tanzania	0.9	1.8	1.5	1.5	0.8
Zimbabwe	0.3	0.8	0.8	0.6	0.0
Ethiopia	0.3	0.7	0.6	0.3	0.0
Zambia	0.4	0.5	0.6	0.4	0.2
Uganda	0.5	1.1	1.0	1.1	1.0
Malawi	0.2	0.5	0.5	0.4	0.0
Mauritius	0.2	0.7	0.5	0.2	0.0
Middle East	2.4	0.0	2.5	2.4	0.3
Asia	4.5	8.1	4.6	1.8	1.0
China	1.0	2.5	0.2	0.0	0.7
Japan	0.1	0.1	0.0	0.0	0.0
Six East Asian Traders	0.6	0.4	0.0	0.0	0.0
Other Asia	2.8	5.2	4.4	1.7	0.2
Other	0.0	0.0	0.2	0.3	0.0

Source: WTO Secretariat calculations, based on data provided by the authorities.

RegionalTable A1.4 Merchandise imports by origin, 2008-13
(US$ million and %)

	2008	2009	2010	2011	2012
Total (US$ million)	1,325	1,431	2,024	2,000	1,817
America	0.9	0.8	1.0	1.9	1.0
United States	0.7	0.5	0.6	1.0	0.7
Other America	0.2	0.3	0.4	0.9	0.4
Europe	1.3	3.0	2.0	2.6	2.5
EU(28)	1.3	3.0	1.9	2.4	2.3
Germany	0.1	0.3	0.3	0.3	0.3
Italy	0.3	0.5	0.1	0.1	0.2
The Netherlands	0.1	0.2	0.1	0.2	0.2
United Kingdom	0.3	0.6	0.4	0.4	0.2
France	0.1	0.1	0.1	0.1	0.2
Ireland	0.0	0.0	0.0	0.5	0.8
Sweden	0.1	0.4	0.1	0.0	0.0
Belgium	0.0	0.1	0.0	0.2	0.1
EFTA	0.0	0.1	0.1	0.2	0.2
Switzerland	0.0	0.1	0.1	0.2	0.2
Other Europe	0.0	0.0	0.0	0.1	0.0
Commonwealth of Independent States (CIS)	0.0	0.0	0.0	0.0	0.0
Africa	94.2	91.7	91.9	89.7	89.6
South Africa	93.7	90.5	91.2	88.7	88.7
SACU (excluding South Africa)	0.1	0.2	0.1	0.1	0.1
Egypt	0.0	0.4	0.1	0.1	0.1
Mozambique	0.1	0.4	0.1	0.4	0.4
Mauritius	0.0	0.0	0.1	0.1	0.1
Middle East	0.1	0.1	0.2	0.1	0.2
United Arab Emirates	0.0	0.0	0.2	0.1	0.1
Asia	3.4	4.4	4.6	5.1	6.7
China	1.0	1.7	1.8	2.8	3.9
Japan	0.5	0.1	0.1	0.2	0.1
Six East Asian Traders	1.3	1.6	1.0	0.8	1.6
Chinese Taipei	0.8	0.6	0.4	0.4	1.1
Malaysia	0.3	0.4	0.2	0.2	0.1
Hong Kong, China	0.1	0.6	0.3	0.1	0.2
Korea, Republic of	0.0	0.0	0.0	0.0	0.1
Other Asia	0.7	1.0	1.7	1.2	1.1
India	0.4	0.9	1.6	1.1	0.9
Other	0.0	0.0	0.3	0.7	0.0

Source: WTO Secretariat calculations, based on data provided by the authorities.