

CENTRAL BANK OF LESOTHO

QUARTERLY REVIEW

JUNE, 2005

VOLUME XXIV, NO. 2

**MASERU
KINGDOM OF LESOTHO**

QUARTERLY REVIEW

VOL. XXIV

June, 2005

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I. Key Economic Events during the Second Quarter

(1) April: Lesotho Holds Local Government Elections

Lesotho held Local Government Elections on 30 April 2005, the first multi-party local government elections. The elections were held as part of government programme to decentralise administration and hence delivery of social programmes. The elections were held on first-past-the-post system, with every third constituency reserved for women. There will be 128 Community Councils, 10 District Councils and one Municipal Council for Maseru. The elections were budgeted M30 million, but it is estimated that the amount might have increased, due to the number of by-elections that were held, subsequent to the Election Day.

The holding of elections presents a promising scenario for enhancing service delivery in the country. If run well Local government structures can be better placed to administer social programmes due to their proximity to local communities.

(2) April: The Government of Lesotho Holds a Private Sector Development (PSD) Forum

The Government of Lesotho held a PSD forum in April. Participants at this forum were drawn from local and foreign private sector, civil society, and development partners. The objective of the forum was to identify impediments to private-sector-led growth and suggest ways in which these can be removed. The forum identified laws that need to be updated, infrastructural developments that are required, and training and skills needs of Lesotho's labour force. Furthermore, the forum identified sectors in which Lesotho has a comparative advantage and therefore stands a chance of competing with the rest of the world in these sectors. The sectors were: textile manufacturing, sandstone, tourism, and horticulture, and sheep farming. Following the forum deliberations, the Government signed an agreement with the World Bank to help implement issues identified at the forum.

The significance of the forum for Lesotho's economy lies in two areas. Firstly, it represents an emerging consensus between private-sector and Government on the areas that need attention in order to unlock the growth potential of the economy. Secondly, the forum's deliberations formed as a basis for developing funding proposals from donors such as the United States under the Millennium Challenge Account; and the World Bank. However, much remains to be done in terms of the design and implementation of the reforms.

(3) April: The Water and Sewerage Authority (WASA) increases tariffs

During the second quarter of 2005, WASA announced an increase in water tariffs. According to the announcement, the average increase in both domestic and non domestic use is 8.0 per cent per 1000 litres. The standing charges to all customers increase from M2.60 to M2.81 per month. The increases were generally above the rate of inflation currently at 3.1 per cent. Since 2004 WASA has adjusted prices every year. Prior to 2004 the last tariff change was effected in 2001. The observed trend to a large extent seems to reflect correction in the pricing structure of WASA. This may imply that urban Basotho may now face commercial water tariffs.

The increase in water tariffs appear to indicate a shift in WASA's policy of providing water which, until 2004 was done on non-commercial terms. The increase also comes at the time when Lesotho's manufacturing sector, dominated by wet industries is facing a difficult period following the expiry of a system of quotas. Increases in water tariffs are therefore likely to exacerbate the problem as will push the cost structure of manufacturing companies. Companies faced with this increase have several options. They could attempt to pass the costs to the buyers of their output and risk losing market share or they could absorb these increases and face lower profit margins. The third option might be to absorb these increases by negotiating lower wage increases. On the households, since water is the universal commodity, the increase may lead trade unions to demand higher wage adjustment to at least maintain their purchasing power. This may in turn lead to cost push inflation.

(4) April and May: Fuel prices Hiked Twice During the Quarter

During the second quarter of 2005, Lesotho Petroleum Fund announced two fuel price increases effective in mid - April and May. As a result, the total number of price increases this year rose to three. Of the three regulated petroleum products, paraffin recorded the largest increases of 10.68 per cent per litre and 12.86 per cent per litre in April and May, respectively. Diesel prices recorded least increases of 7.04 per cent per litre and 8.77 per cent per litre. Petrol prices rose by 7.39 per cent per litre and 9.17 per cent per litre in April and May, respectively. The observed increases are mainly driven by the continued rise in the price of crude oil. During the quarter, the price of crude oil hit the all time high of \$60 a barrel.

The increase in the price of petroleum products is likely to have wide ranging effects on Lesotho economy. Firstly, the majority of households who use paraffin is likely to be adversely affected.

Secondly, the increases raise the cost of transportation in the country. The implications of the increase in the cost of transportation depend on the number of factors. The increase could be passed to the commuters through increases in fares. This may cause trade unions to negotiate higher wage adjustments as the majority of Lesotho workforce rely on public transport. On the other hand, the transport operators could absorb the costs and take lower profit margins, which could in the long-run be detrimental to the transport sector.

(5) May: Imposition of Quotas on China's Exports of Clothing and Textiles

In May 2005, the US restricted imports of some clothing categories from China to a growth of 7.5 per cent per year. In so doing, the US was applying the Textiles-Specific Safeguard Clause (TSSC), which falls under the rules on China's accession to the World Trade Organisation (WTO). The TSSC allows WTO members to impose temporary quotas on products from China if they determine that imports of targeted merchandise originating from China are causing "market disruption". The EU held talks with China on the matter and as a consequence China has introduced new rules so that from July, 20 2005, Chinese exporters will have to apply for quotas. The quotas are aimed at limiting the growth of China's exports of selected types of textile goods to the EU to between 8 and 12.5 per cent per year. This safeguard provision expires on December, 31 2008.

Although this event may not have an immediate impact on Lesotho's exports to the US, it may in the long run tip the trading environment in Lesotho's favour if US importers decide to retain existing Lesotho supplies in order to diversify their sources of textiles.

(6) June: A Report By WFP And FAO Shows That Lesotho Faces Severe Food Shortages

A report released by Food Agricultural Organisation (FAO) and World Food Programme (WFP) showed that Lesotho is facing a fourth successive year of severe food insecurity. Cereal import requirements for 2005/06 marketing year are estimated at about 293 000 tonnes, of which 213 000 tonnes are expected to be imported commercially. With food aid stocks and pipeline as of 1 April 2005 at 61 000 tonnes, there remains an uncovered deficit of 19 000 tonnes which need to be covered by additional donor assistance. According to the report, an estimated 548 800 people will have a significant food shortage between June 2005 and March 2006.

(7) June: Government of Lesotho signs a Grant Agreement with the Millenium Challenge Corporation (MCC)

The Government of Lesotho and the MCC – a company established by the United States Government to administer development assistance to selected countries, have signed a pre-funding agreement totalling US\$1.4 million. Of this, \$600,000 is for the purpose of carrying out activities related to the improvement of business and investment climate in Lesotho, and \$800,000 is to undertake environmental impact assessment for the Metolong dam.

The signing of the pre-funding agreement is the first tangible indication that MCC will assist Lesotho. Additionally, the areas in which Lesotho will get assistance have been identified jointly by the private sector and the Government. The deliberations of the PSD forum have been used as a basis for agreement on the reform areas. In this sense the signing of the Agreement represented another step towards the implementation of the PSD forum deliberations.

(8) June: Ministers of Finance for the World's Group of Eight (G8) industrialized countries agree on a \$40 billion debt write-off for 18 Highly Indebted Poor Countries (HIPC)

The world's Group of Eight industrialised countries, G8¹, has agreed to write-off the \$40 billion debt owed by 18 highly-indebted poor countries (HIPC)², many from Sub-Saharan Africa. The package was agreed by G8 finance ministers in London ahead of July's summit in Scotland. Under this agreement, the World Bank (WB), the International Monetary Fund (IMF) and the African Development Bank (ADB) will immediately write-off 100% of the money owed by 18 countries. Nine other countries could benefit from debt relief within 12-18 months. Subsequently, 11 more countries could be eligible to join if they met targets for good governance. With these additional countries, the total debt relief package could then amount to \$55 billion.

Lesotho does not immediately qualify for relief as it is not a HIPC country. However, there is a small possibility that it may qualify if the terms of the deal could be amended. Should Lesotho qualify, approximately M176.8 million per year of debt service commitments would be released for other developmental needs such as improving access to health care, social welfare and fighting HIV/AIDS pandemic.

¹ Comprises Canada, France, Germany, Italy, Japan, Russia, United Kingdom and United States

² Benin, Bolivia, Burkina Faso, Ethiopia, Ghana, Guyana, Honduras, Madagascar, Mali, Mauritania, Mozambique, Nicaragua, Niger, Rwanda, Senegal, Tanzania, Uganda and Zambia

(9) June: Government Announces a Review of Salaries for Parliamentarians and Holders of Statutory Positions

The Right Honourable, the Prime Minister, Pakalitha Mosisili announced before Parliament that with effect from 1st July 2005 the salaries of Parliamentarians and holders of statutory positions will be increased. The increases would range between 1.9 and 84.9 per cent depending on the responsibilities of the incumbents. Additional funds required for the implementation of the salary review were estimated to be around M12.94 million and will be accommodated within the existing budget already approved by Parliament.

II. International Economic Developments and their Implications for the Lesotho Economy

United States (US)

The US dollar appreciated further against the euro and the rand during the review quarter. It strengthened by 2.6 and 6.5 per cent against the euro and the rand, respectively. A number of factors were cited as having supported the dollar during the second quarter. The increase in interest rates in the US improved the yield advantage of US's investment instruments. The Federal Open Market Committee (FOMC) raised the benchmark lending rate three times since the beginning of this year at the rate of 25 basis points each time. Two of these interest rate increases were effected during the review quarter. Furthermore, stronger economic growth in the US as indicated by high gross domestic product (GDP) growth boosted investor confidence in the US economy, which in turn boosted demand for US dollar denominated assets and therefore the value of the dollar. As investors revised their portfolios they also switched away from gold in favour of US dollar denominated assets. This also resulted in increased demand for dollars and therefore contributed to the strengthening of the US dollar.

During the quarter under review, the US imposed safeguard restrictions on imports of selected textiles and clothing categories from China. This followed an increase of 52.0 per cent in US's imports from China during the first four months of 2005, which the US found to be causing market disruption. Negotiations between the US and China on this matter were not concluded during the quarter and will be continuing in the third quarter.

The overall economic performance in the US looked positive during the review quarter. The US economy grew further in the second quarter of 2005. Preliminary estimates indicate that GDP in the US registered an annual growth rate of 3.4 per cent during the second quarter compared with 3.8 per cent in the previous quarter. Consumers

boosted spending while businesses increased their investment, helping to support economic growth in the second quarter. Consumer spending, which accounts for two thirds of US economic activity, rose by 3.3 per cent compared with 3.5 per cent in the previous quarter. Business investment rose by 11.0 per cent, better than the 8.3 per cent registered in the first quarter. The Conference Board's index of leading indicators surged during the quarter under review. This index rose by 0.9 per cent indicating positive economic performance during the quarter under review. This was reinforced by a pickup in the manufacturing sub-sector. On the labour market front, the unemployment rate improved to 5.0 per cent at the end of the review quarter compared with 5.2 per cent registered at the end of the previous quarter. Inflation continued to follow a downward trend as observed during the previous two quarters. The consumer price index rose at an annual rate of 2.5 per cent in June compared with 3.1 per cent registered in March.

Lesotho has strong trade links with the US. At least 60.0 per cent of Lesotho's exports are destined to the US. As a result, the appreciation of the US dollar could improve the price competitiveness of the country's exports to the US market. The positive overall economic performance of the US economy also bodes well for Lesotho. In particular, the increase in consumer spending coupled with the improvement in employment could boost demand for Lesotho's exports in the US. The imposition of safeguard restrictions on China's exports of textiles and clothing to the US could also be of benefit to Lesotho as US importers are likely to diversify their supplies to countries such as Lesotho. Additionally, continuing negotiations on the possible upward revaluation of the Chinese yuan, could benefit Lesotho. The upward revaluation of the Chinese yuan could result in an increase in the price of Chinese exports to the US.

Euro-zone³

The euro was rather weak during the review quarter. On average it depreciated by 5.3 per cent against the US dollar. The weakening of the euro during the quarter mainly resulted from the relatively low economic performance and low interest rates in the Euro area compared to the US. Economic activity in the Euro zone, which was sluggish in the review period, reduced investor confidence on the euro zone. Furthermore, the comparatively low interest rates in the Euro area rendered US dollar denominated instruments more attractive than euro securities. These factors continued to lower the demand for euros and thus its value.

The depreciation of the euro against the dollar during the quarter contributed to the depreciation of the rand. There has been a

³ Euro-zone comprises of Austria, Belgium, Germany, Greece, Finland, France, Ireland, Italy, Luxembourg, Netherlands, Portugal and Spain.

historically strong correlation between the euro and the rand. This correlation could be explained from the effect of exchange rate movements on the demand for exports and imports. A depreciation of the euro would lead to non-euro denominated imports by Euro zone country members becoming expensive while their exports to non Euro area members would become cheaper. It then follows that, SA's exports to the EU would become expensive while SA's imports from the EU would be cheap. SA's current account balance would worsen as a result of the decline in exports and the increase in imports. The rand would depreciate to correct the current account balance to equal the increase in the net capital flows. In the case of an appreciation of the euro the opposite would take place.

Economic indicators depicted mixed signals but were generally indicating slow economic activity during the review quarter. An indicator of economic growth, industrial production, seasonally adjusted, showed mixed signals during the first two months of the second quarter. On an annual basis, it increased by 0.7 per cent in April and declined by 0.3 per cent in May. Another leading indicator of economic growth, capacity utilization, also declined from 81.9 index points in March to 80.9 index points in June. As a result unemployment remained high at 8.8 per cent, a slight improvement from 8.9 per cent in the previous quarter. Annual inflation in the Euro-zone, as measured by changes in the Harmonised Index of Consumer Prices (HICP) remained unchanged at 2.1 per cent during the quarter under review, the same rate recorded during the previous quarter. This is attributable to high oil prices, which pushed up transport and energy costs.

Movements of the euro against other major currencies tend to result in movements of the rand hence loti. Furthermore, the persistent high rate of unemployment in the Euro zone could negatively affect SA's exports due to trade relations between SA and the European Union, which could in the long run affect the rand, hence loti, exchange rate.. On the other hand, the low and constant inflation could exert downward pressure on SA's imported inflation.

South Africa (SA)

Gold production in SA declined during the first two months of the second quarter. On an annual basis, gold production fell by 16.3 and 8.1 per cent in April and May, respectively. Although the rand depreciated during the first half of this year, it does not seem to have weakened enough to stimulate positive growth in gold production in SA. The SA gold mining industry has not yet recovered from the effects of the appreciation of the rand against the US dollar since the end of 2001 to the end of 2004. The appreciation of the rand during the mentioned period increased the costs of production, while reducing mining companies' earnings. The situation could have been

exacerbated by the annual declines of 16.3 and 14.4 per cent in the rand price of gold in April and May respectively.

The South African Reserve Bank (SARB) Monetary Policy Committee (MPC) cut its key interest rate by 50 basis points during the review quarter. As such, the repo rate as well as the prime lending rate closed the quarter at 7.0 and 10.5 per cent, respectively. While the MPC took note of the favourable inflation environment in SA, they also noted with concern evidence of some slackening activity in some sectors of the economy hence why they reduced interest rates during the quarter.

The CPIX, which is the Consumer Price Index (CPI) excluding interest rates on mortgage bonds, grew at a lower annual rate of 3.5 per cent in June compared with 3.6 per cent in March. The annual increase of 3.5 per cent during the quarter under review was mainly due to relatively large annual increases in the price indices for housing, excluding interest rates on mortgage bonds, medical care and health expenses, transport, education, food and household operation. These annual increases were slightly counteracted by an annual decrease in the price index of clothing and footwear.

Producer inflation as measured by changes in the producer price index (PPI) rose by a higher annual rate of 2.3 per cent in June compared with 1.9 per cent in March. The acceleration largely emanated from the imported producer inflation in contrast with domestic producer inflation. On an annual basis, imported producer price inflation accelerated from 0.8 per cent in March to 3.4 per cent in June. The acceleration was due to annual increases in the price indices of mining and quarrying, chemicals and chemical products; and basic metals. On the contrary, domestic producer inflation decelerated from 2.3 per cent in March to 1.9 per cent in June. The deceleration was due to annual decreases in the price indices of agricultural products, food at manufacturing; and textiles.

As explained under foreign exchange rates in section VIII, the rand weakened against the Special Drawing Rights (SDR), the euro, the US dollar and the pound sterling during the quarter. Since the loti is pegged at par to the rand, it also depreciated at the same rates as the rand against these currencies.

Developments in SA during the quarter have mixed implications for Lesotho. On the one hand, the negative performance of the gold mining industry does not augur well for Lesotho. Although the rand depreciated against the US dollar during the review quarter, gold mining production fell, indicating that the industry has not yet recovered from the increase in production costs, which resulted from previous appreciation of the rand. At the same time, production costs are being pushed upward by the increase in oil prices. This could have resulted in retrenchments of some workers during the quarter, hence

the 2.3 per cent decline in the number of Basotho workers in SA mines during the review quarter. On the other hand, the reduction in interest rates in Lesotho, particularly the 91 days treasury bill rate, the commercial banks' call deposit rate and the prime lending rate declined following the reduction in SA interest rates during the review quarter. Interest rates in Lesotho tend to follow interest rates developments in SA. Furthermore, because of the trade relationship between Lesotho and SA, developments in SA affect Lesotho's inflation. Thus subdued inflation in SA contributed to the favourable price developments in Lesotho during the quarter.

Commodity prices

Gold

The average price of gold remained more or less the same as in the previous quarter. It increased marginally from \$427.69 an ounce in the first quarter to \$427.75 an ounce during the review quarter. The dollar price of gold remained generally the same mainly due to the continuing appreciation of the dollar against the other major currencies, such as the euro, which induced lower demand by European investors as the metal became more expensive. In rand terms, the price of gold increased by 6.53 per cent from R2,570.12 per ounce in the previous quarter to R2,737.99 in the quarter under review.

The marginal increase in the price of gold does not bode well for the SA mining sector and employment prospects for Lesotho. This is because it does not seem sufficient to offset the impact of the increase in oil prices, which is an input for the SA mining sector, on the sector's production costs. However, the increase in the rand price of gold, if sustained could result in the improvement in profitability of the SA mining companies.

Oil

The price of oil increased further during the second quarter. On average, it rose at a slightly higher rate of 11.6 per cent in the quarter under review compared with 11.3 per cent in the previous quarter. It grew from \$44.19 per barrel in the previous quarter to \$49.33 in the quarter under review. The insistent expansion in oil consumption in China, Japan and India continued to be the main reason for the soaring oil prices. Uncertainties in Iraq and in the Middle East also continued to exert upward pressure on the international oil prices. In maloti terms, the average price of oil increased by 6.53 per cent from M265.55 per barrel in the previous quarter to M282.90 a barrel in the review quarter.

The increase in international oil prices poses a threat in the development of the Lesotho economy. It resulted in two upward revisions of prices of fuel in the country during the quarter. The petrol price (both leaded and unleaded), diesel and illuminating paraffin increased by 7.4, 7.4 and 10.7 per cent respectively in April. The prices rose further by 7.2, 8.8 and 12.9 per cent for petrol, diesel and paraffin respectively in May.

III. Overview of Macroeconomic Developments in Lesotho

Economic Growth

Lesotho does not yet produce national accounts data on a quarterly basis. As a result, the Central Bank relies on various indicators to get a picture of the likely direction of economic indicators. During the second quarter of 2005, the various indicators reflected mixed signals. Employment in manufacturing sub-sector, a key indicator of manufacturing activity, showed a decline of 4.5 per cent. There was a slight increase in employment of Government employees by, 1.0 per cent. In addition, water consumption by the industrial sector, a measure of activity in the manufacturing sub-sector, dropped on both quarterly and year-on-year basis. In unit terms, it dropped by a seasonally adjusted 8.3 per cent in the quarter under review compared with an 8.0 per cent rise observed in the previous quarter.

On the other hand, the number of permits issued, a proxy for building and construction activity, increased by a seasonally adjusted 54.7 per cent following a 36.9 per cent rise registered in the previous quarter. The number of imported motor vehicles, also a measure of economic activity, rose by a seasonally adjusted 26.1 per cent compared with 6.1 per cent drop realised in the previous quarter. The total number of calls to other countries is used as an indicator of the performance the export sub-sector. The number of calls recovered by 27.2 per cent in the review quarter, thus reflecting improved activity in the sub-sector.

Inflation

During the quarter under review inflation as measured by changes in Consumer Price Index decelerated to 3.1 per cent, compared with 3.7 per cent for the quarter ending March 2005. This has been influenced mainly by a slow down in the cost of foods category. Food category dropped from 2.6 in May to 1.7 in June. This has proved favourable for the current economic environment, which makes it conducive for low interest rate, thus having a potential to stimulate consumer demand.

Employment

Manufacturing sector employment of Lesotho National Development Corporation assisted companies has declined by 4.5 per cent owing to the shocks experienced as a result of the phasing out of Multi Fibre Agreement on 31 December 2004. The effect was permanent and is considered to have outlasted through to the quarter under review.

Government employment has increased by 1.1 per cent, and is underpinned by increases in the number of teachers. This is consistent with efforts to cement implementation of free primary educations policy adopted by government.

Migrant mineworkers have continued a downward trend estimated at 52,926 from 54,171 in the previous quarter. This is blamed on retrenchment policy adopted by mining companies in an effort to keep their profitability levels, which are being threatened by non-competitive gold price in international markets.

Monetary Sector

Money supply measured broadly by M2 decreased both on quarterly and annual basis during the period under review. On quarterly basis, it fell by 5.3 per cent in contrast to an increase of 3.3 per cent recorded at the end of the previous quarter. On an annual basis, M2 declined by 1.4 per cent against a 6.2 per cent increase recorded in March. The fall was at the back of a decline in the banking sector's net foreign assets which offset the rise in domestic credit.

In line with regional developments, major interest rates in Lesotho declined slightly. The prime lending rate fell by 54 basis points from its level in March to 11.63 per cent in June. Meanwhile, the 91 day treasury bill rate hovered 79 basis points below its previous level registered in March standing at 6.93 per cent in June.

Fiscal position

During the quarter ending in June 2005, preliminary estimates on the outturn of government budgetary operations portrayed an overall deficit. The deficit, as percentage of GDP was estimated at 1.6 per cent in contrast to a surplus equivalent to 11.7 per cent realised in the previous quarter. The deficit further increased to 4.6 per cent of GDP when grants were excluded. This was attributable to increased government expenditure while tax and non-tax revenue also fell by 1.3 per cent.

IV. Economic Indicators

Household and Business Sector Housing Statistics

Due to the unavailability of actual building and construction statistics on a quarterly basis, the number and value of building permits is used as a general indicator of activity in the construction sub-sector. Since the number of building permits is mostly influenced by seasonal factors, the data on total number of building permits issued is thus de-seasonalised to obtain time series without the influence of seasonal forces. The number of building permits adjusted for seasonality changes increased by 54.7 per cent in the second quarter of 2005, following a 36.9 per cent rise realised in the previous quarter. On annual basis, the value of building permits issued rose by 56.5 per cent. The improvement on both quarterly and year-on-year basis reflects good performance of the building and construction sub-sector. Thus, the current increase in value of permits approved contributed positively to the growth of the economy in the quarter under review.

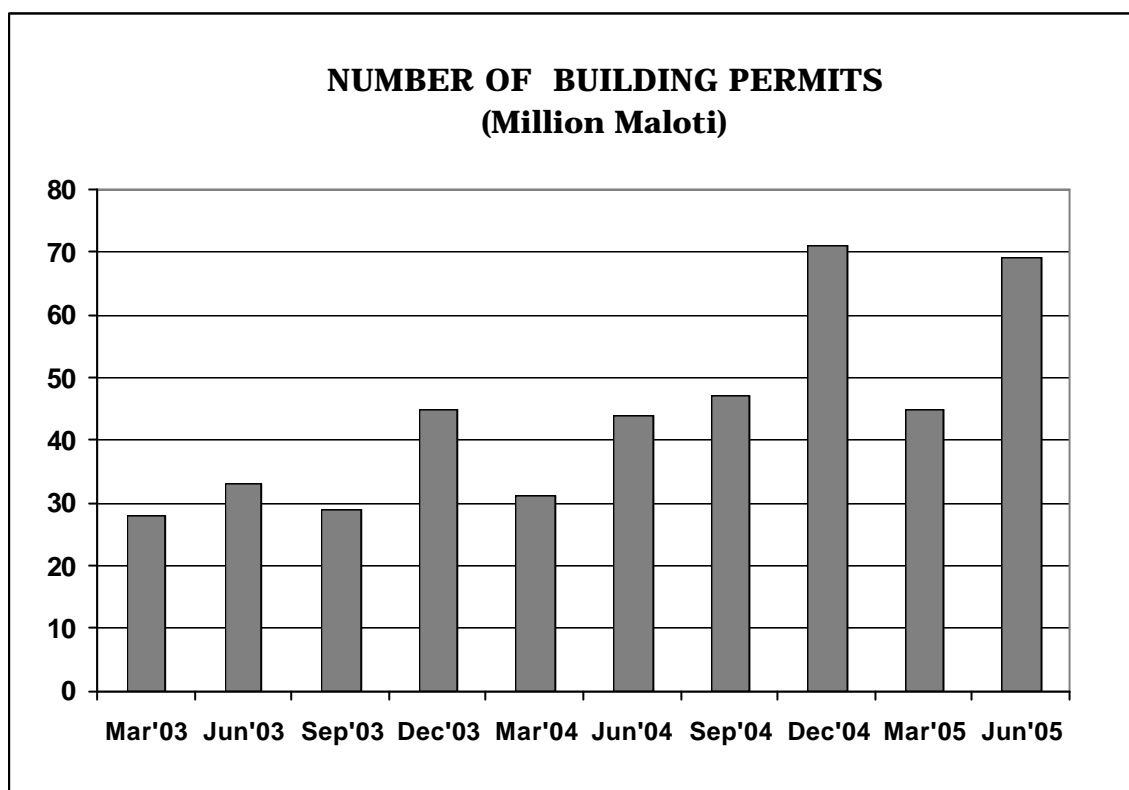
BUILDING PERMITS BY TYPE OF BUILDING (Value in Million Maloti)

Type	Permits	2004				2005	
		QI	QII	QIII	QIV	QI	QII
Residential	Value	3.75	8.13	11.51	17.28	8.49	8.27
	Number	20	33	40	58	37	49
Commercial	Value	6.61	1.91	2.73	0.65	6.50	1.14
	Number	4	4	3	4	3	5
Other	Value	5.34	10.35	6.65	1.49	3.44	22.87
	Number	6	9	5	5	4	18
Total	Value	12.70	20.39	20.89	19.42	18.43	32.28
	Number	30	46	48	67	44	72

Source: Maseru City Council and Land Survey and Physical Planning

(1) Excludes data on buildings constructed without obtaining building permits. The table also excludes data on Mafeteng, Mokhotlong and Mohale's Hoek districts.

Figure 1



Imported Motor Vehicles

Statistics on imports of motor vehicles by both the private sector and Government is used as an indicator of capital investment. Imports of motor vehicles continued on an upward trend in the second quarter of 2005. On a quarterly basis, the number of imported motor vehicles increased by a seasonally adjusted 26.1 per cent compared with 6.1 per cent drop observed in the previous quarter. It is realised that the seasonally adjusted number of imported vehicles in the second quarter of 2005 still reflected an increase. This significant upsurge can be partly be attributed to imports of motor vehicles by Government during the review quarter. On annual basis, the total number of imported motor vehicles rose by a huge 104.2 per cent, thus reflecting robust economic activity domestically. It can therefore be concluded that the higher number of imported motor vehicles contributed positively to the growth of the economy.

This significant upward movement in imports of motor vehicles was on the back of more imports of vans, cars and trucks. Partly, the increase can be attributed to amongst other factors, the continued extension of credit to the private sector. Credit to the private sector increased by an annualised 9.4 per cent. In addition, the relatively strong rand vis-

à-vis major international currencies led to a drop in import costs hence the fall in prices of imported motor vehicles.

MOTOR VEHICLE IMPORTS
(Value in Million Maloti)

		Cars	Vans	Trucks	Buses	Trac- tors	M/ Cycles	Trail- ers	Total	
2003	II	Value	25.50	33.42	8.75	2.62	0.21	0.00	0.40	70.90
		Number	253	330	23	22	7	0	10	645
III		Value	17.46	29.33	3.42	5.26	0.15	0.00	0.16	55.78
		Number	173	237	20	42	4	0	8	484
IV		Value	18.89	13.46	9.27	2.60	0.07	0.00	0.52	44.81
		Number	203	146	20	29	4	0	9	411
2004	I	Value	15.91	10.37	1.31	3.73	0.22	0.00	0.55	32.09
		Number	198	139	2	24	8	0	9	380
II		Value	8.49	8.69	0.53	0.85	0.09	0.00	0.38	19.03
		Number	198	164	2	11	4	0	5	384
III		Value	17.40	16.34	2.62	4.02	0.21	0.00	0.56	41.15
		Number	323	244	6	45	7	0	15	640
IV		Value	19.57	19.23	0.21	5.01	0.52	0.00	0.81	47.23
		Number	346	205	5	45	12	0	12	625
2005	I	Value	15.79	25.19	1.57	2.77	0.70	0.01	0.48	46.51
		Number	349	299	2	26	8	1	13	698
II		Value	22.04	33.28	3.73	5.63	0.22	0.59	0.22	65.71
		Number	359	358	9	35	4	13	6	784

Source: Imperial Fleet Services Lesotho and Customs Department

Water Consumption

The Lesotho manufacturing sub-sector is dominated by the textile, food and beverages industries, and these industries are heavily reliant on water. Therefore, water usage by the industrial sector serves as one of the indicators of activity within the Lesotho manufacturing sector. In the second quarter of 2005, performance of the manufacturing sub-sector, as measured by the units of water consumed by the industrial sector dropped. Seasonally adjusted, total water consumption by the

industrial sector fell by an 8.3 per cent on a quarterly basis compared with 8.0 per cent rise realised in March 2005. On annual basis, it fell by 9.5 per cent.

The fall in water consumption on both quarterly and annual basis was reflective of the new tariff structure effected on April 1, 2005. The average tariff increase was 8.0 per cent, 2.9 percentage points above the 2004 average annual rate of inflation. For industrial consumers, the tariff increase was 7.43 per cent per 1000 litres, while for domestic consumers the tariff rose by 7.53 per cent per 1000 litres. The standing charge for all consumers increased from M2.60 to M2.81. The increase in tariffs above the average annual inflation rate can have detrimental effects on consumption of water hence output by these industries. Furthermore, if the households' incomes are not adjusted for changes in the rate of inflation, the increase in tariffs will have an adverse impact on their earnings.

WATER CONSUMPTION

(Units in Million kilo-litres; value in Million Maloti)

Quarter		Domestic	Industrial	Other	Total	
2003						
	II	Value	2.70	4.08	2.46	9.24
		Units	0.79	1.08	0.64	2.51
III	Value	2.45	4.24	2.35	9.04	
	Units	0.73	1.12	0.61	2.46	
IV	Value	3.09	4.42	2.04	9.55	
	Units	0.88	1.16	0.53	2.57	
2004						
	I	Value	3.21	4.39	2.04	9.64
		Units	0.92	1.13	0.55	2.60
II	Value	3.16	5.79	2.38	11.33	
	Units	0.84	1.40	0.58	2.82	
III	Value	2.73	6.14	2.11	10.98	
	Units	0.76	1.49	0.52	2.77	
IV	Value	3.66	5.88	2.24	11.78	
	Units	0.95	1.44	0.54	2.93	
2005						
	I	Value	3.69	4.97	2.20	11.71
		Units	0.95	1.20	0.53	2.68
II	Value	3.07	6.05	2.59	11.71	
	Units	0.79	1.36	0.61	2.76	

Source: Water and Sewerage Authority

Telecommunications

The statistics on number of calls destined to SA and other countries is used as an indicator of the performance of the export sub-sector. During the review quarter, the number of calls, seasonally adjusted, recovered by 27.2 per cent in contrast to 66.0 per cent registered in the previous quarter. On annual basis, it rose by 22.9 per cent. The increase on both quarterly and annual basis was on the back of more calls destined to SA as a result of the close trade linkages between the two economies. As depicted by the table below, the total number of

calls destined to SA rose by 25.0 per cent, year-on-year basis. Thus, it can be inferred from the number of outgoing calls that there was robust activity hence an increase in GDP emanating from the export sub-sector, during the review quarter.

TELEPHONE TRAFFIC STATISTICS

		RSA Outgoing Calls	International Calls	Total Calls
2004				
I	No. of calls (millions)	3.01	0.16	3.17
	Total Duration (million minutes)	5.18	0.57	5.75
	Nominal Value (million maloti)	10.89	4.22	15.09
II	No. of calls (millions)	2.74	0.14	2.88
	Total Duration (million minutes)	4.68	0.46	5.14
	Nominal Value (million maloti)	9.86	4.01	13.87
III	No. of calls (millions)	2.72	0.13	2.85
	Total Duration (million minutes)	4.85	0.43	5.28
	Nominal Value (million maloti)	10.19	5.17	16.36
IV	No. of calls (millions)	3.06	0.12	3.18
	Total Duration (million minutes)	4.72	0.39	5.11
	Nominal Value (million maloti)	9.91	3.26	13.71
2005				
I	No. of calls (millions)	2.68	0.09	2.77
	Total Duration (million minutes)	4.68	0.29	4.97
	Nominal Value (million maloti)	9.82	2.60	12.42
II	No. of calls (millions)	3.43	0.11	3.54
	Total Duration (million minutes)	4.68	0.36	5.04
	Nominal Value (million maloti)	8.88	2.98	11.86

Source: Tele-Com Lesotho

V. Employment and Prices

Employment Developments

Manufacturing sub-sector has been experiencing downward pressure in the last two quarters. This was brought about by fears of losing market access after the expiry of Multi Fibre Agreement on 31 December 2004. Some manufacturing firms have closed down amidst this fear, while others closed down due to business failure as they experienced cash flow problems. The cash flow problem was brought about, by among others, the strengthening of the South African rand against the US dollar. Currency appreciation is a problem to business owners because it reduces profit margins of the US dollar denominated proceeds. Employment in Lesotho National Development Corporation (LNDC) assisted companies has followed a downward trend as depicted by the table below. Employment in manufacturing declined by an estimated 4.5 per cent to 40,111 employees for the quarter ending June 2005. This compares with 41,985 for the quarter ending March 2005.

Though the jump was once off at the beginning of the year, this is considered a permanent impact in the economy, however the sector is expected to stabilise going forward. This has started to show off as the level of decline narrows significantly.

It is further noted that a drop in employment is in contrast with the increase in water consumption, which, due to dominance of wet industries, is used as an indicator of activity in the sector. The drop in employment contrasted with the increase in water both in value and volume may indicate an increase in productivity. This is likely given expenditures allotted to training of staff by industrialists, since the period ending December 2004.

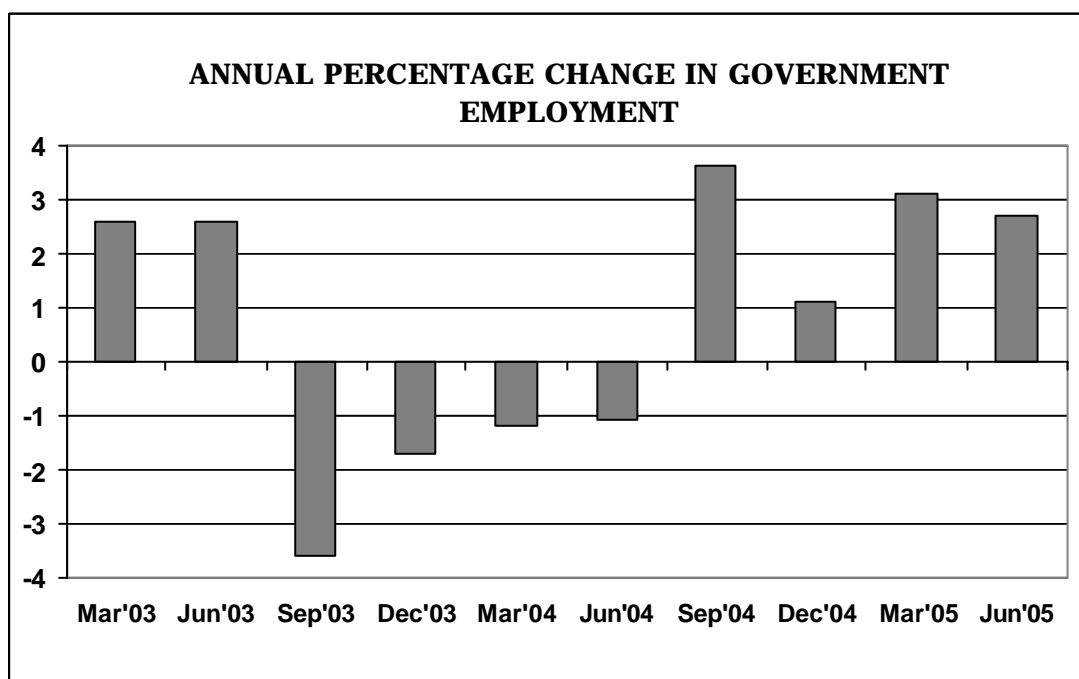
The decline in employment can further be attributed to restructuring of the sector, given the assistance that Government has introduced in an effort to keep the sector competitive. This will enhance reporting and communication between investors and the Government. Acceleration in developing an incentive structure can benefit the sector significantly, and in parallel activities are underway to investigate options for diversification away from dominance of manufacturing of textile and clothing.

EMPLOYMENT TREND OF LNDC ASSISTED COMPANIES

Period	QI	QII	QIII	QIV
2005	41985	40111	-	-
2004	52532	53525	52922	50607
2003	43525	46960	49862	51187
2002	36906	39255	42011	43773

Government employment was on the increase in the review quarter; this pattern has been consistent since the last quarter of 2004. Employment increased by 1.1 per cent on quarter-to-quarter basis, for the period ending June 2005. The overall employment increased from 36,710 in the first quarter to 37,097 in the quarter under review. This is considered a good indicator as the overall influence came from the increase in teachers, signalling continuing implementation of the policy of free primary education.

Figure 2

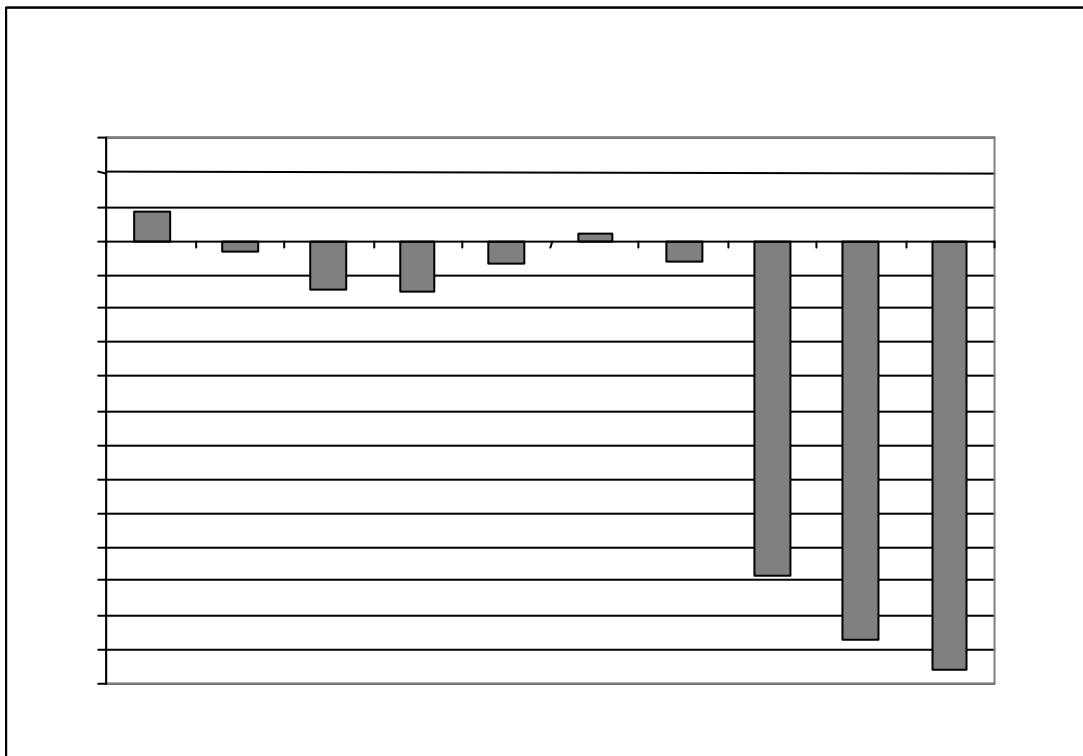


Migrant mineworkers' movements have been on the downward slope. The number of mineworkers for the period ending June 2005 was estimated at 52,926 from 54,171 registered for first quarter. This was a decline of 2.3 per cent. During the period, the price of Gold

fluctuated between \$415 an ounce and \$440 an ounce, at the London market.

The continuous decline in the number of mineworkers poses a problem for Lesotho in two dimensions; this implies the number of people in poverty will increase as the source of income dries off, hence undermining current efforts to address poverty, and the revenue pool that the economy enjoys is fast evaporating, along side declines of SACU related revenue. Government may be forced to consider increased borrowing to meet the shortfall from these conventional sources.

Figure 3



Prices Developments

The overall price movement as measured by change in headline Consumer Price Index (CPI), decelerated to 3.1 per cent for the quarter under review. This compares with the high of 3.7 recorded for the quarter ending March 2005. Lesotho inflation environment has been enjoying favourable inflation outlook from South Africa, and the decline is mainly attributed to a drop in the cost of food prices. This is consistent with the decline in South African Producer Price Index (PPI). The situation prevailed against the backdrop of increases in Brent crude oil price reaching the high of \$60 a barrel during the quarter. This poses a challenge of sustaining the low inflation

environment as petrol increased by 7.39 per cent, diesel by 7.04 per cent and Paraffin by 10.68 per cent in April. And in May petrol increased by 9.17 per cent, diesel by 8.77 per cent and paraffin by 12.86 per cent. Maintaining low inflation levels would help to have interest rate come down, thus stimulating consumer demand and help to revitalise the economy.

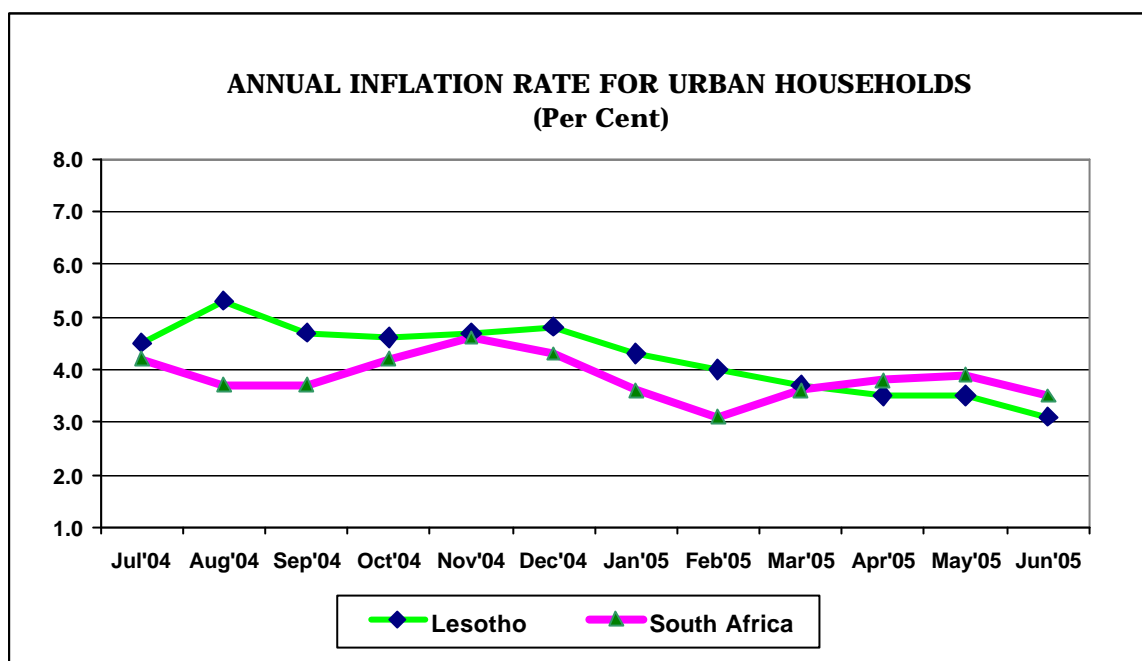
Generally, the inflation outlook was assisted by a cost decline in; housing, water, electricity, gas and other fuels category, furnishings, household equipment and routine maintenance of households category and miscellaneous goods and services, which constitute among others personal care and financial services. The relatively low level partly somewhat ushers well for macroeconomic stability. Lesotho has a reason to be worried by increasing fuel prices as this is bound to expose Lesotho to increasing inflation from South Africa, as inflation pass-through into Lesotho is estimated at 70 per cent.

INFLATION RATE
(Annualised Percentage Change)
Base Period: 1997

	Weight	2005					
		Jan	Feb	Mar	Apr	May	Jun
All items	100.0	4.3	4.0	3.7	3.5	3.5	3.1
Food and non-alcoholic beverages	39.8	4.4	3.7	3.2	2.5	2.6	1.7
Alcoholic beverages & Tobacco	6.4	8.0	6.9	5.5	5.2	5.5	5.8
Clothing & footwear	15.6	2.5	2.4	2.8	3.0	2.9	3.3
Housing, electricity gas & other fuels	3.7	6.7	6.7	6.3	6.7	7.4	6.8
Furniture, households equipment & routine maintenance of house	17.0	1.9	2.1	2.4	2.6	2.4	1.8
Health	1.4	1.7	1.8	2.0	0.8	1.3	2.6
Transport	7.8	10.2	9.7	9.2	9.8	10.0	10.6
Communication	0.1	6.9	6.9	6.9	6.9	6.9	0.0
Leisure, entertainment & Culture	1.2	0.9	1.0	-0.3	-0.5	-0.4	-0.7
Education	3.2	0.7	1.3	1.1	1.2	1.2	1.2
Restaurant & Hotels	0.4	3.1	2.7	2.3	2.3	2.3	3.7
Miscellaneous goods & services	3.2	2.8	3.5	3.1	3.5	3.5	3.2

Source: Bureau of Statistics, Lesotho

Figure 4



VI. Balance of Payments (BOP)

Overview

Lesotho's BOP position continued to improve during the second quarter of 2005. The overall balance recorded a seasonally adjusted surplus of M92.5 million compared with that of M115.3 million in the first quarter. The transactions balance, which represents the overall balance excluding the effects of currency fluctuations, was even stronger than in the previous quarter and recorded a surplus of M94.3 million compared with that of M13.8 million in the first quarter. The improvement in the BOP position during the review period was reflected in an increase in gross official reserves, from 5.8 months of import cover in the first quarter to 6.0 months.

The acceleration in the transactions balance reflected positive developments in the capital and financial account, which outweighed negative developments in the current account. The capital and financial account recovered from a net outflow of M11.1 million in the first quarter to a net inflow of M312.55 million during the review quarter. This improvement resulted mainly from transactions of the commercial banks, which reduced their foreign assets and increased their holding of Lesotho Government securities. As explained under money market developments, commercial banks' holding of treasury bills almost doubled in the review quarter. The current account, on the other hand, registered a deficit of M228.2 million following a surplus of M19.7 million in the previous quarter. This was mainly due

to the widening of the trade deficit, as detailed under merchandise trade section. In addition, current transfers, which had increased by 18.5 per cent in the previous quarter, declined by 10.1 per cent during the review quarter.

SUMMARY OF BALANCE OF PAYMENTS
(Million Maloti)

	2004			2005	
	QII	QIII	QIV	QI*	QII+
I. CURRENT ACCOUNT	-40.91	-214.60	-95.93	19.74	-228.23
<u>Goods, Services and Income</u>	-476.77	-639.92	-498.68	-457.65	-657.37
(a) GOODS	-869.73	-1123.20	-951.87	-913.96	-1077.41
Merchandise exports f.o.b.	996.92	1402.19	1256.15	920.31	1060.65
Merchandise imports f.o.b.	-1866.65	-2525.39	-2208.02	-1834.28	-2138.06
(b) SERVICES	-42.83	-46.97	-49.72	-43.52	-61.55
(c) INCOME	435.79	530.25	502.91	499.83	481.59
Labour	491.14	501.88	497.97	475.76	461.69
Other	-55.35	28.37	4.94	24.07	19.9
(d) CURRENT TRANSFERS	435.86	425.32	402.75	477.39	429.14
Government, net	406.02	416.65	393.55	473.19	409.13
SACU non-duty receipts	386.50	381.26	382.91	383.14	394.46
Other	-10.32	26.72	1.44	85.85	-5.47
Other Sectors	29.84	8.67	9.20	4.20	20.01
II. CAPITAL AND FINANCIAL ACCOUNT	240.58	170.63	223.98	-11.14	312.55
(e) CAPITAL ACCOUNT	60.60	92.20	24.00	54.60	68.20
(f) FINANCIAL ACCOUNT	179.98	78.43	199.98	-65.74	244.35
Special Financing – LHWP	231.11	71.64	61.33	53.81	59.77
III. RESERVE ASSETS	-251.39	-15.53	-1.18	-119.83	-94.55
IV. ERRORS AND OMISSIONS	14.64	15.17	0.81	5.22	10.02
V. VALUATION ADJUSTMENT	37.08	44.33	-127.68	106.01	0.21

* Revised estimates

+ Preliminary estimates

Merchandise Trade

Exports

Merchandise exports increased during the review quarter. In seasonally adjusted terms, they increased by 16.1 per cent following a decline of 21.8 per cent in the previous quarter. The increase was driven mainly by sales of large, high value diamonds⁴ discovered at the Lets'eng La-Terai Mine. The value of diamond exports during the review period increased by 57.1 per cent, from M147.7 million recorded in the first quarter, to M228.9 million. Consequently, the category of 'manufactured goods', under which diamonds are captured, increased by 54.2 per cent during the quarter. On an annual basis, exports grew by 6.4 per cent compared with 4.8 per cent in the previous quarter. The value of exports to the US also showed a modest recovery following a decrease in the last quarter. However, this could be a reflection of currency movements as the loti depreciated by 6.5 per cent against the US dollar during the quarter compared with 5.3 per cent in the previous quarter.

Imports

Merchandise imports, seasonally adjusted, increased by 0.9 per cent during the quarter under review, compared with the growth rate of 1.7 per cent in the previous quarter. In unadjusted terms, the value of imports increased by 18.9 per cent compared with a decline of 18.6 per cent in the previous quarter. Growth in imports could be attributed to, firstly, a recovery in the manufacturing sub-sector, which depends heavily on imported raw materials. Secondly, as explained under section IX, capital expenditure by Government rose considerably during the second quarter. This could also have increased demand for imported input factors. In addition, imports were boosted by purchases of motor vehicles as well as petroleum products.

⁴ These followed earlier discoveries of large diamonds during the previous quarter.

VALUE OF EXPORTS BY SECTION OF THE S.I.T.C.
(Million Maloti)

COMMODITY	2004				2005	
	I	II	III	IV	I*	II+
0. Food & Live Animals	29.21	29.40	21.06	19.24	22.50	23.9
Cattle	2.96	3.13	3.15	3.13	2.13	2.22
Wheat Flour	8.57	7.15	6.65	5.72	8.97	9.72
Maize Meal	5.72	5.85	3.51	3.44	4.00	3.68
Other	11.95	13.27	7.75	6.95	7.40	8.29
1. Beverages & Tobacco	21.21	19.72	37.95	21.31	27.19	35.39
Beverages	21.21	19.72	37.95	21.31	27.19	35.39
2. Crude Materials	24.51	0.04	1.98	1.23	14.20	1.28
Wool	24.51	0.04	1.98	1.23	14.20	1.28
4. Chemicals	12.57	8.81	1.83	1.42	3.50	3.09
5. Manufactured Goods	13.95	12.83	233.06	329.16	153.23	236.21
6. Machinery & Transport Goods	92.38	42.12	68.80	68.94	64.80	58.23
7. Miscellaneous Manufactured Goods	679.26	880.17	1033.93	811.74	632.38	697.99
8. Unclassified Goods	4.84	3.83	3.46	3.10	2.36	4.34
TOTAL EXPORTS	877.92	996.92	1402.19	1256.15	920.31	1060.65

Note: Totals may not tally due to rounding

* Revised estimates

+ Preliminary estimates

Direction of Trade

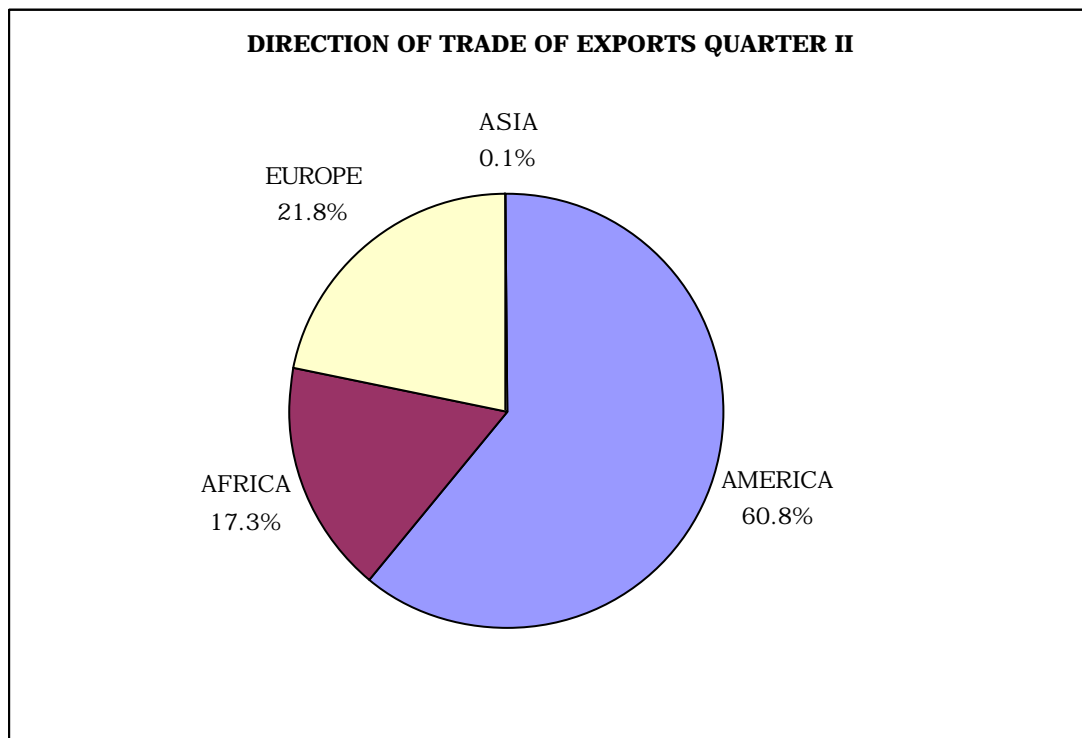
The US remained the largest recipient of Lesotho's exports. However, despite a 3.5 per cent increase in value, the share of exports to the US declined further, from 67.7 per cent in the previous quarter to 60.8 per cent during the review period. Europe was the second largest consumer of Lesotho's exports at 21.8 per cent compared with 16.0 per cent in the last quarter. The increase resulted mainly from the rise in the exports of diamonds, which were mainly destined to the European market. The share of exports to the Southern African Customs Union (SACU), the third largest market for Lesotho, rose to 14.6 per cent in June 2005 compared with 12.8 per cent in March 2005. The proportion of exports to Asia remained negligible.

DIRECTION OF TRADE - EXPORTS AND RE-EXPORTS, f.o.b.
(Million Maloti)

REGION	2004				2005			
	QIII AMOUNT	% SHARE	QIV AMOUNT	% SHARE	QI* AMOUNT	% SHARE	QII+ AMOUNT	% SHARE
World	1403.09	100.0	1256.15	100.00	920.31	100.00	1060.7	100
Africa	164.53	11.73	167.45	15.88	146.89	15.96	183.59	17.31
SACU	145.16	10.35	141.40	14.48	117.94	12.81	155.10	14.62
SADC	0.00	0.00	0.00	0.00	1.89	0.21	1.76	0.17
Other	19.37	1.38	13.60	1.40	27.06	2.94	26.73	2.52
Europe	263.98	18.81	79.33	8.13	147.73	16.05	231.46	21.82
EC	263.98	18.81	79.33	8.13	147.73	16.05	231.46	21.82
America	968.63	69.04	736.39	75.45	622.87	67.68	644.46	60.76
Asia	5.95	0.42	5.34	0.54	2.82	0.31	1.64	0.10

Note: Totals may not agree due to rounding
* Revised estimates
+Preliminary estimates

Figure 5



Labour Income

Labour income, seasonally adjusted, registered an increase of 5.4 per cent in the review quarter following a rise of 1.3 per cent in the previous quarter. However, in unadjusted terms, it fell by 2.9 per cent. This decline could be attributed mainly to the continued decline in miners' remittances. During the review quarter, miners' remittances fell by 1.9 per cent following a decline of 3.3 per cent in the first quarter. The number of Basotho workers in SA mines was estimated to have declined by 2.3 per cent in the review quarter. Prospects for improvement of labour income in the short to medium term remained bleak as SA mining companies' earnings declined on account of the relatively strong currency and weak global demand. In response, the companies laid off some workers, which would exert downward pressure on miners' remittances. The reduction in labour income could contribute to the deterioration in the current account of the BOP.

Investment Income

Inflows of investment income grew by 19.1 per cent in the quarter under review compared with an increase of 32.9 per cent in the previous quarter. This growth resulted largely from interest earnings by the Central Bank; while the deceleration reflected a decline in interest income earned by the commercial banks. Interest earned by CBL increased by 1.8 per cent from M43.9 million in the previous quarter to M44.8 million, while interest income earned by the commercial banks declined by 43.4 per cent. The overall growth in investment inflows was partly attributable to a 50 basis points increase in interest rates in the US, where part of CBL portfolio reserves were invested. In addition, investment income benefited from revaluation gains due to the depreciation of the local currency against major currencies.

Investment income outflows fell by 19.8 per cent after increasing by 5.9 per cent in the previous quarter. The observed decrease arose mainly from a 27.7 per cent decline in interest payments on official loans, reflecting seasonal debt payment structure by the government.

Travel

The country's travel receipts increased by 7.2 per cent during the review quarter compared with 17.1 per cent in the previous quarter. On an annual basis, travel earnings grew by 5.8 per cent against 11.0 per cent in the previous quarter. Growth in travel earnings in the review period was driven mainly by personal expenditure by

expatriates, which compensated for sluggish performance by tourism spending.

Travel payments rose by 3.1 per cent during the quarter under review, following a decline of 9.7 per cent in the previous quarter. This resulted mainly from increased expenditure by government funded students abroad. Expenditure by private funded students abroad also increased considerably. In addition, foreign spending by other residents also increased by 19.4 per cent during the quarter under review.

Current Transfers

Net current transfers declined by about 10 per cent during the review period. On annual basis, they fell by 1.5 per cent. The observed quarterly decline was largely a reflection of the fact that rand compensation was paid to Lesotho Government during the first quarter of the calendar year. Financing of expatriates also fell by 25 per cent during the review quarter.

Capital and Financial Account

The capital and financial account improved from a net outflow of M11.14 million in the first quarter to a net inflow of M312.6 million during the quarter under review. Excluding the Lesotho Highlands Water Project (LHWP), the capital and financial account registered a surplus of M252.8 million in the review quarter compared with a deficit of M64.9 million in the previous quarter. This improvement resulted from financial inflows of commercial banks, which reduced their foreign assets and increased their holding of domestic treasury bills. During the review quarter, commercial bank's holding of treasury bills rose by M178.2 million. Capital grants also increased by 24.9 during the review period.

VIII. Money and Banking

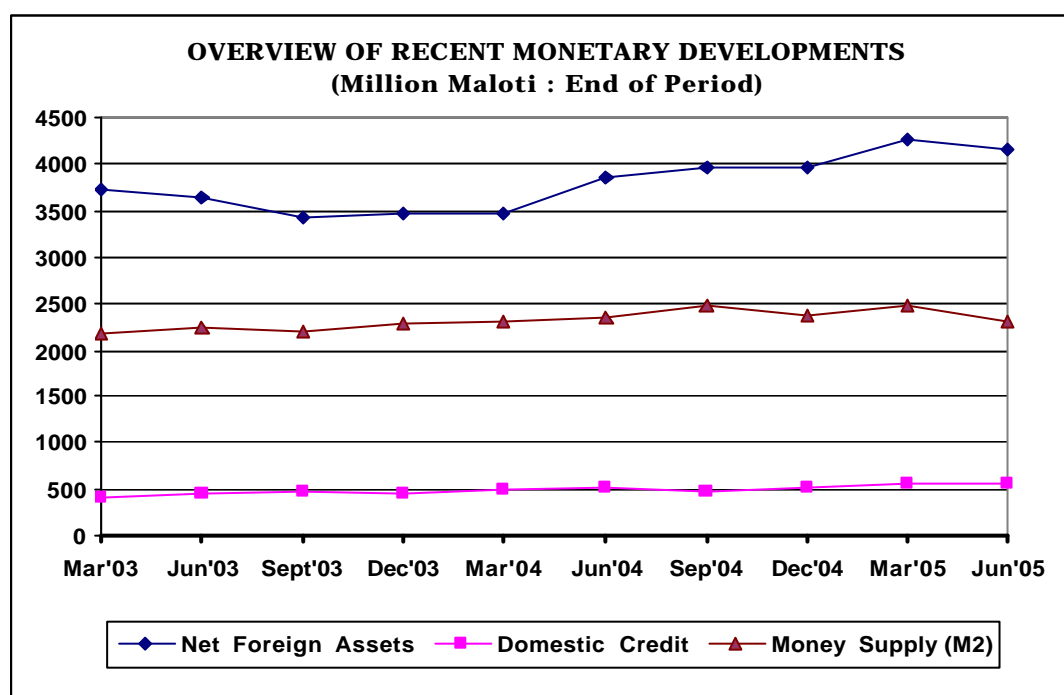
Money Supply

Determinants of Money Supply

The broad measure of money supply (M2) registered a quarterly decline of 5.3 per cent at the end of June in contrast to an increase of 3.3 per cent registered at the end of March. On an annual basis, money supply slowed down by 1.4 per cent converse to a 6.2 per cent growth reported at the end of the previous quarter. As expected, the annualised quarter to quarter fall in broad money eased inflationary pressures in the economy because as mentioned earlier under the

subsection on prices, inflation in June was 3.1 per cent compared with 3.7 per cent in March. The decline in money supply was mainly driven by a decrease in net foreign assets adjusted for valuation changes during the period, which overshadowed a rise in domestic credit.

Figure 6



DETERMINANTS OF MONEY SUPPLY
(Million Maloti; Changes)

Determinants	2004				2005	
	Mar	Jun	Sep	Dec	Mar	Jun
Net foreign assets	16.6	378.5	180.7	-67.0	293.9	-115.3
Domestic credit	43.6	20.0	-42.0	32.3	44.7	9.7
To statutory bodies	7.1	7.4	-5.8	4.5	10.7	-8.3
To private sector	36.5	12.6	-36.3	27.8	34.0	18.0
Other items, net	49.7	353.4	17.8	66.5	255.9	25.4
Money Supply (M2)	10.5	45.1	120.8	-101.2	78.8	-130.9

Components of Money Supply

Money supply is composed of Narrow money (M1) and quasi money. The Narrow money fell by 10.8 per cent at the end of the review quarter contrasted with an increase of 6.9 per cent registered at the end of March while quasi money rose by 7.1 per cent in June. The decrease in narrow money mostly reflected a 13.3 per cent decline in demand and call deposits while the rise in quasi money was largely attributable to a 17.7 per cent increase in time deposits. The fall in demand and call deposits reflected telegraphic transfers of funds abroad by commercial banks on behalf of their clients which led to a decrease in their foreign assets.

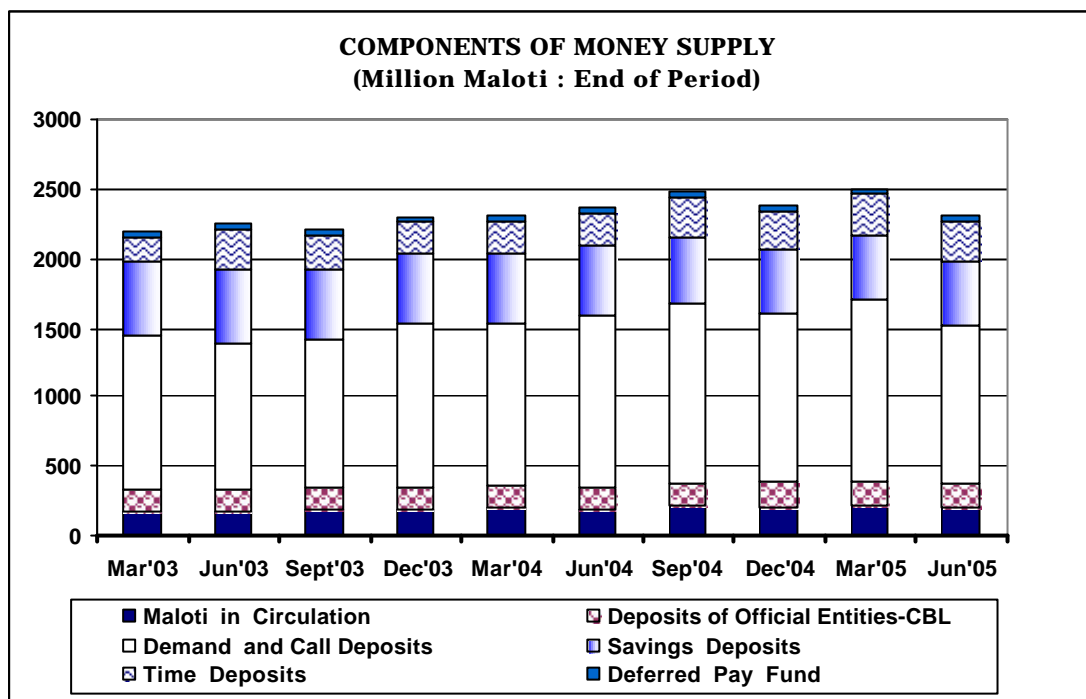
MONEY SUPPLY (Million Maloti; End of Period)

	2004				2005	
	Mar	Jun	Sep	Dec	Mar	Jun
Money Supply (M2)	2308.4	2353.5	2474.3	2373.0	2451.8	2320.9
Money (M1)	1539.1	1588.8	1662.6	1589.4	1698.4	1514.2
Maloti with public Demand deposits ⁽¹⁾	207.6 1174.0	189.7 1241.3	219.6 1283.9	204.5 1209.0	212.6 1308.9	202.5 1135.3
Deposits of official Entities with CBL	157.4	157.9	159.0	175.9	176.9	176.4
Quasi-Money	769.3	764.6	811.7	783.6	753.4	806.7
Savings deposits	499.3	501.1	480.9	463.4	453.2	453.4
Time deposits	270.0	263.6	330.9	320.3	300.2	353.3

⁽¹⁾ – includes call deposits

NB: Totals may not tally due to rounding off

Figure 7



Commercial Banks' Deposits by Holder

Total deposits, which comprise the private sector, statutory bodies, and migrant mineworkers' deferred pay fund, decreased by 5.9 per cent at the end of June. The fall was in contrast to 3.5 per cent increase registered at the end of the previous quarter. From the table below, it can be observed that the decline was largely due to a decrease in deposits of the private sector which offset the rise in those of statutory bodies. Private sector deposits plummeted by 7.7 per cent as a result of a decrease of 15.5 per cent in demand and call deposits. However, deposits of the statutory bodies increased by a small 0.4 per cent following a significant increase of 11.2 per cent reported at the end of the last quarter. Furthermore, deferred pay fund rose considerably by 23.1 per cent against a 23.3 per cent decrease registered at the end of March.

COMMERCIAL BANKS DEPOSITS BY HOLDER

(Million Maloti; End of Period)

	2004				2005	
	Mar	Jun	Sep	Dec	Mar	Jun
TOTAL DEPOSITS	1932.5	1994.9	2084.4	1981.1	2050.3	1930.1
Private Sector	1571.7	1621.9	1698.9	1628.9	1672.1	1543.7
Demand deposits	925.6	970.2	1027.6	968.4	1031.2	871.4
Savings deposits	499.3	501.0	480.8	463.3	453.2	453.4
Time deposits	146.9	150.6	190.5	197.2	187.6	219.0
Statutory Bodies	323.0	338.0	337.5	313.3	348.5	349.7
Deferred Pay Fund	37.8	35.2	48.0	38.9	29.8	36.7

NB: Totals may not tally due to rounding off

Liquidity of Commercial Banks

Commercial Banks' liquidity is measured by the ratio of all their assets that could be easily converted into cash, including investment with maturities of less than twelve months at issue, to all their deposit liabilities. The ratio represents a cash-credit mix which enables the bank to meet customer's cash withdrawals as well as maintain a reasonable loan book to grow investment in the country. Should the ratio be too high, then that implies that banks prefer holdings of cash and near cash assets to extending credit.

The ratio decreased slightly from 77.6 per cent in March to 77.1 per cent in June reflecting a relatively stable commercial banks' liquidity position. It could be adduced from the high ratio that banks held more assets with relatively shorter maturities than those with relatively longer maturities such as Loans. This highlights their reluctance to extend credit during the reporting period.

COMPONENTS OF COMMERCIAL BANKS' LIQUIDITY
(Million Maloti; End of Period)

COMPONENT	2004				2005	
	Mar	Jun	Sep	Dec	Mar	Jun
Maloti Notes and Coins	43.1	34.9	43.8	52.4	57.9	58.3
Rand Notes and Coins	9.0	8.2	7.2	7.7	10.5	9.4
Balances due from Lesotho Banks	411.2	345.5	410.1	616.4	824.6	606.3
Balances due from Foreign Banks	720.0	858.1	839.4	818.4	1127.1	974.5
Clearing Balances with CBL	0.0	0.0	3.6	32.6	73.2	12.2
RSA Short-term Securities	14.6	0.0	0.0	0.0	0.0	0.0
CBL Bills	0.0	0.0	0.0	0.0	0.0	0.0
Lesotho Government Securities	471.9	435.1	467.9	427.7	196.6	376.9

The credit deposit ratio is an important measure of the depth of financial intermediation in the economy. This ratio seeks to establish the extent to which banks endeavour to channel deposits mobilised from surplus sectors in the economy to deficit sectors. The ratio increased to 28.4 per cent from 26.1 per cent in March implying that banks extended relatively more credit in June than in the March quarter. Nevertheless, the ratio was still low indicating that banks preferred holding of liquid assets to credit extension.

CONSOLIDATED BALANCE SHEET OF COMMERCIAL BANKS

(Million Maloti; End of Period)

	2004				2005	
	Mar	Jun	Sep	Dec	Mar	Jun
Net foreign assets	903.4	1027.3	1146.7	1117.9	1306.2	1150.1
Deposits with CBL	50.6	64.0	84.6	114.8	168.5	96.3
Credit	1245.5	1229.0	1125.8	892.0	807.6	1000.8
ASSETS/LIABILITIES	2199.5	2320.3	2356.8	2270.2	2282.2	2247.3
Private sector deposits ⁽²⁾	1932.5	1994.9	2084.4	1981.1	2050.3	1930.1
Government deposits	59.7	58.4	57.9	57.8	87.5	77.1
Capital, reserves & other, net	207.3	267.0	214.8	231.3	148.2	240.1

⁽²⁾ – includes statutory bodies' deposits and deferred pay fund.

Demand for Money

Domestic Credit

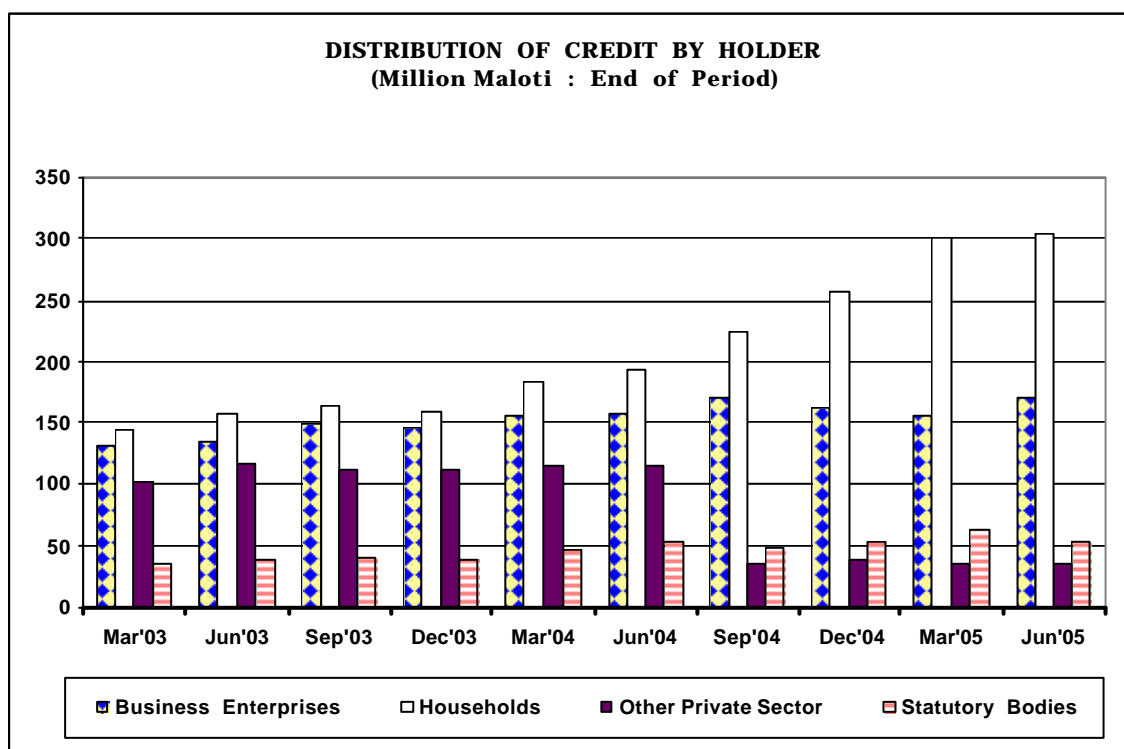
During the quarter under review, domestic credit increased further by 1.7 per cent following 8.8 per cent recorded at the end of the previous quarter. The increase was mainly due to a rise in credit extended to the private sector which offset the decrease in credit extended to statutory bodies. These sectors continued to benefit from the low cost of borrowing in the economy as a result of the low interest rates. Domestic credit was further observed to have risen further by 8.6 per cent on an annual basis following an increase of 11.0 per cent registered at the end of March.

DOMESTIC CREDIT
(Million Maloti; End of Period)

	2004				2005	
	Mar	Jun	Sep	Dec	Mar	Jun
<u>DOMESTIC CREDIT</u>	500.1	520.2	478.2	510.4	555.1	564.8
Credit to private sector	454.1	466.7	430.5	458.3	492.3	510.3
Business enterprises*	155.7	158.1	170.7	162.7	155.5	171.1
Households	183.0	193.2	223.8	256.8	300.8	303.2
Others	115.4	115.4	36.0	38.8	36.0	36.0
Credit to statutory bodies	46.0	53.5	47.7	52.2	62.8	54.5

* This amount excludes credit to business enterprises extended by old Lesotho Bank

Figure 8



Credit to Private Sector

Credit extended to the private sector is assumed to be more effective in lubricating the economy than credit extended to the Government. Moreover, credit extended to business enterprises is assumed to be

more productive than that granted to households. This is so because the former invests in productive activities while the latter spends funds mostly on consumption commodities, except with car and house purchases.

Credit to the private sector improved further by 3.7 per cent in June compared with 7.4 per cent increase observed for the previous quarter. This rise resulted from an increase of 10.0 per cent in credit extended to businesses as well as a 0.8 per cent increase in credit extended to households. The continued strong performance in credit extended to the private sector reflected lower borrowing costs for this sector as lending rates remained low during the review period. Again, it indicated the impact of the diversification in products as commercial banks introduced micro-loan schemes. Furthermore, it could imply that the banking sector's confidence in the private sector is recovering.

On an annual basis, private sector credit rose further by 9.4 per cent during the period under review compared with March's 8.4 per cent. It could be highlighted that a huge portion of the funds were granted to households. The share of credit to households in total private sector credit fell from 61.6 per cent in March to 59.4 per cent in June. Conversely, the share of credit to business enterprises increased from 31.1 per cent in March to 33.5 per cent during the period under review. However, it should be noted that credit extended to households still exceeded that granted to businesses in absolute terms implying that domestic financial resource mobilisation efforts were expended to finance household consumption more than productive investment.

Credit to Statutory Bodies

Credit to this sector is expected to continue to wane due to the ongoing privatisation process in the medium to long-term, as the size of the sector diminishes. In line with this expectation, credit to official entities declined by 13.2 per cent in June, in contrast to an increase of 20.4 per cent recorded in March. However, on an annual basis, credit to this sub-sector continued to grow by 1.9 per cent, which was significantly below 36.5 per cent reported in March.

Sectoral Distribution of Credit to Business Enterprises and Statutory Bodies

Total credit distributed to all business-oriented sectors of the economy, including official entities, but excluding non-performing loans, increased by 3.3 per cent in June following an increase of 0.4 per cent reported in March. The performance in this form of credit, during the quarter under review, could largely be due to credit extended to the manufacturing and distributive services sub sectors.

Credit received by distributive services sub sector (made up of wholesale and retail trade) increased by 99.3 per cent in June, in contrast to a decline of 0.9 per cent reported at the end of March. This reflected increased activity in this sub sector.

Credit to the manufacturing sub sector increased significantly by 63.3 per cent in contrast to 4.0 per cent fall in March. The increase in credit to this sub sector belied the expectation that declining activity due to the phasing out of the MFA and the effect of the strong currency would reduce its prospects of receiving more credit. The amount of credit channelled to this sub sector in June was destined to non-textile and clothing manufacturing firms.

However, credit granted to the construction sub sector fell by 9.5 per cent in contrast to a 5.7 per cent increase recorded in June. Moreover, other services sub sector which comprised of non-bank financial institutions, real estate, community, social and personal services recorded a considerable decrease of 60.3 per cent in credit granted during the period under review following a fall of 16.4 per cent recorded in March.

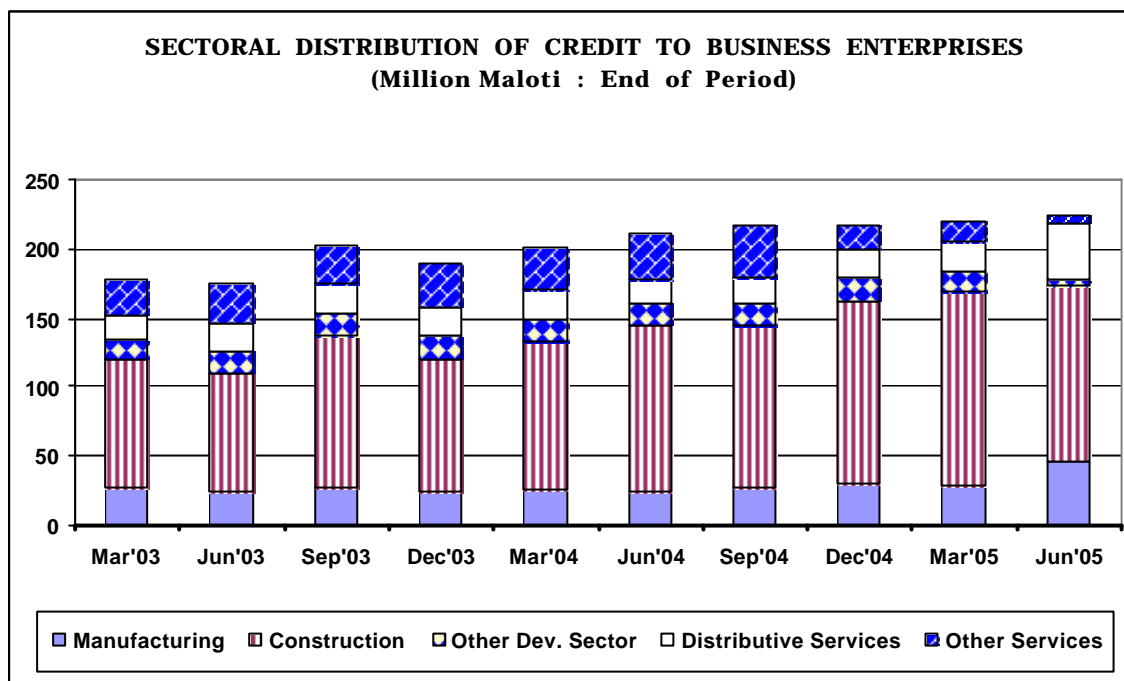
SECTORAL DISTRIBUTION OF CREDIT TO ENTERPRISES

(Million Maloti; End of period)

SECTOR	2004				2005	
	Mar	Jun	Sep	Dec	Mar	Jun
Manufacturing	24.7	23.3	26.2	29.3	28.2	46.0
Construction	108.4	121.3	117.5	132.5	140.0	126.8
Other development sectors	15.7	16.0	17.6	16.7	14.3	5.6
Distributive services	21.5	16.9	18.1	20.9	20.7	41.2
Other services	30.9	34.1	39.0	18.1	15.1	6.0
All sectors*	201.2	211.5	218.4	217.4	218.3	225.6

*This amount excludes loans granted to business enterprises by old Lesotho Bank

Figure 9



Net Claims on Government

The banking system's net claims on Government increased by 14.7 per cent contrasted with a decrease of 29.0 per cent recorded in the March quarter. The increase was mainly at the back of a decrease in government deposits, coupled with a rise in commercial bank holding of government securities in June. The table below portrays that net claims by the commercial banks increased remarkably by 102.5 per cent against a 61.8 per cent decline recorded in March, while net claims by the Central bank fell by 4.3 per cent in June.

BANKING SYSTEM'S NET CLAIMS ON GOVERNMENT

(Million Maloti; End of Period)

Holder	2004				2005	
	Mar	Jun	Sep	Dec	Mar	Jun
Commercial banks	701.5	666.1	526.6	485.7	185.7	376.1
Claims on Government	761.2	724.5	584.5	543.4	273.2	453.2
<i>o/w MP T Bills</i> ⁽³⁾	371.9	335.1	467.9	427.7	196.6	374.8
Less Government deposits	59.7	58.4	57.9	57.8	87.5	77.1
Central Bank of Lesotho	-1021.4	-1205.6	-1099.5	-1228.3	-1143.8	-1193.3
Claims on Government ⁽⁴⁾	196.1	192.5	198.7	183.5	197.8	237.6
Less Government deposits	1217.4	1398.1	1298.2	1411.8	1341.6	1430.9
<i>o/w those in blocked acct.</i>	519.2	530.3	533.3	536.3	292.3	295.3
TOTAL NET CLAIMS	-319.9	-539.5	-572.9	-742.7	-958.1	-817.2

(3) – 'o/w' means of which and 'MP T Bills' means monetary policy treasury bills

(4) – IMF loans on-lent to the GOL

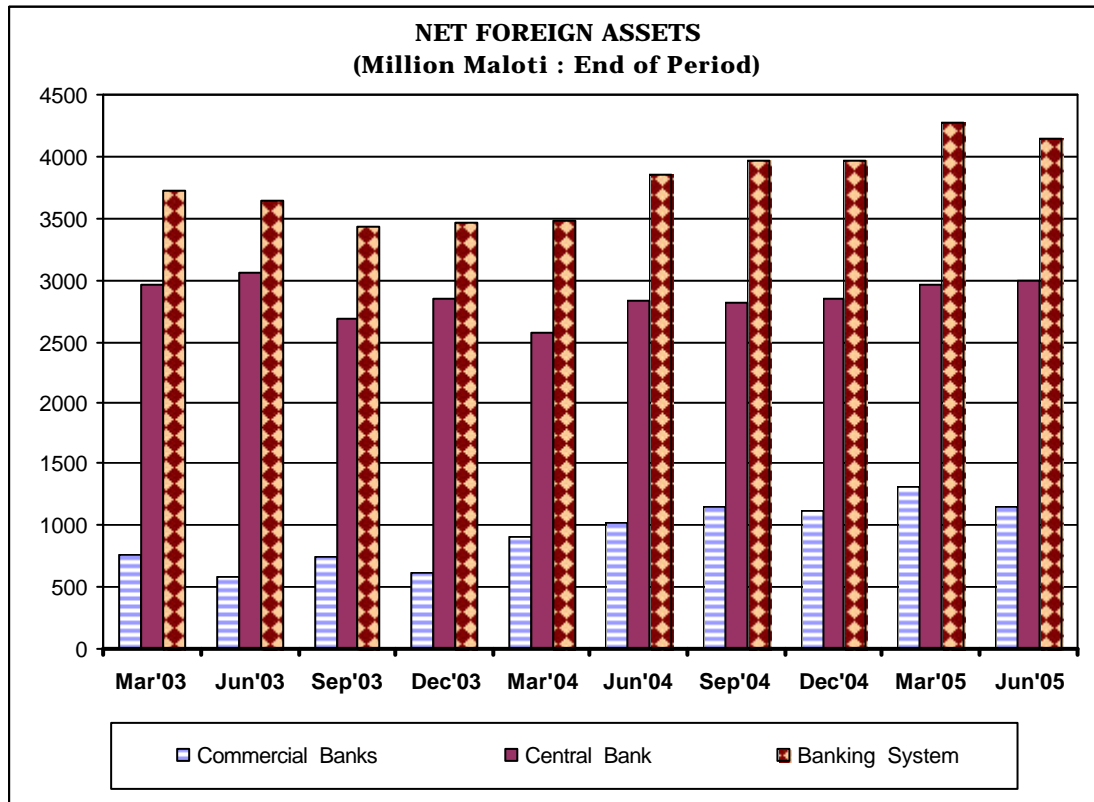
Net Foreign Assets

The banking system's Net Foreign Assets (NFA) declined by 2.7 per cent in June. This increase mainly reflected a fall in NFA of commercial banks which off-set an increase in CBL's NFA. The commercial banks managed to increase their holding of Government securities substantially in June and were forced to transfer funds from abroad thus reducing their foreign assets.

BANKING SYSTEM'S FOREIGN ASSETS AND LIABILITIES
(Million Maloti; End of Period)

Holder	2004				2005	
	Mar	Jun	Sep	Dec	Mar	Jun
A. Commercial Banks	903.4	1027.3	1225.8	1117.9	1306.2	1150.2
Foreign Assets	1069.8	1191.0	1319.7	1253.8	1409.7	1274.3
Foreign Liabilities	-166.4	-163.7	-93.9	-135.9	-103.5	-124.1
B. Central Bank of Lesotho	2576.9	2831.4	2813.5	2854.5	2960.1	3000.9
Foreign Assets	3083.5	3334.8	3350.3	3351.5	3471.4	3566.0
Foreign Liabilities	-506.6	-503.4	-536.8	-497.0	-511.3	-565.1
NET TOTAL	3480.3	3858.7	4039.4	3972.4	4266.3	4151.0

Figure 10



VIII. Money and Capital Markets

Money Market Developments

The CBL conducted open market operations in an endeavour to maintain favourable liquidity conditions in the economy. Three 91-day treasury bill auctions, with a total amount of M400.0 million, were undertaken to achieve monetary policy goals. In addition, M20 million worth of 182-day treasury bills were offered to encourage investment by all members of the public. For the quarter ending June, total holdings of treasury bills recorded an increase of 63.2 per cent to M489.5 million from March's figure of M300.0 million.

The holdings of treasury bills in June were composed of commercial banks, Non-Bank Financial Institutions (NBFI's), and others. The banking sector continued to dominate the market by holding more securities than the Non-Bank Financial Institutions (NBFI's). The share of NBFI's increased slightly to 15.8 per cent of the total in June following that of 15.2 per cent reported in March. Furthermore, the commercial banks' share rose from 65.5 per cent in the March to 76.6 per cent during the review period. The general public lost on their previous share of 19.2 per cent in March to 7.6 per cent in June.

HOLDINGS OF TREASURY BILLS ⁽⁵⁾ (Million Maloti)

Holders Type	2004				2005	
	Mar	Jun	Sep	Dec	Mar	Jun
Total	519.3	530.4	535.1	532.2	300.0	489.5
Banking System	379.6	368.1	415.2	427.9	196.6	374.8
Central Bank	0.0	0.0	0.0	0.0	0.0	0.0
Commercial Banks	379.6	368.0	415.2	427.9	196.6	374.8
Non-Bank Sector	139.7	162.4	119.9	104.4	103.4	114.7
NBFIs	101.4	111.9	68.9	33.9	45.7	77.3
Others	38.3	50.5	51.0	70.5	57.7	37.4
Memorandum Item						
Average Yield per cent	9.35	9.31	8.27	8.26	8.11	7.25

⁽⁵⁾ – Figures at face value

Money Market and Short-term Interest Rates

Movements in the Lesotho 91-day treasury bill rate continued to be in line with the general trend of rates in the region. The 91-day treasury bill rate fell by 79 basis points in June from its March level of 7.72 per cent to 6.93. At this level, it reached the lowest margin since May 2003 of 17 basis points above the South African counterpart rate, which fell from its level of 7.17 per cent in March to 6.76 per cent in June.

The prime lending rate in the country declined in line with the overall tide of the money market prices from 12.17 per cent reported in March to 11.63 per cent in June. In addition, the margin between this rate and similar South African rate narrowed to 113 basis points in June, from its previous level of 117 basis points.

The table below presents the rates that were registered in Lesotho and South Africa during the period under review. The average deposit rates remained relatively constant thus maintaining the large spread between lending and deposit rates. The size of the spread indicates the extent of the efficiency of financial intermediaries in the economy. Therefore, a high spread could imply relative inefficiency. In addition, real deposit rates (adjusted for inflation) remained negative. For example, the real savings rate was negative 1.1 per cent. This simply meant that the return on deposits did not protect the banking public against the loss of their purchasing power.

MAJOR MONEY MARKET INTEREST RATES

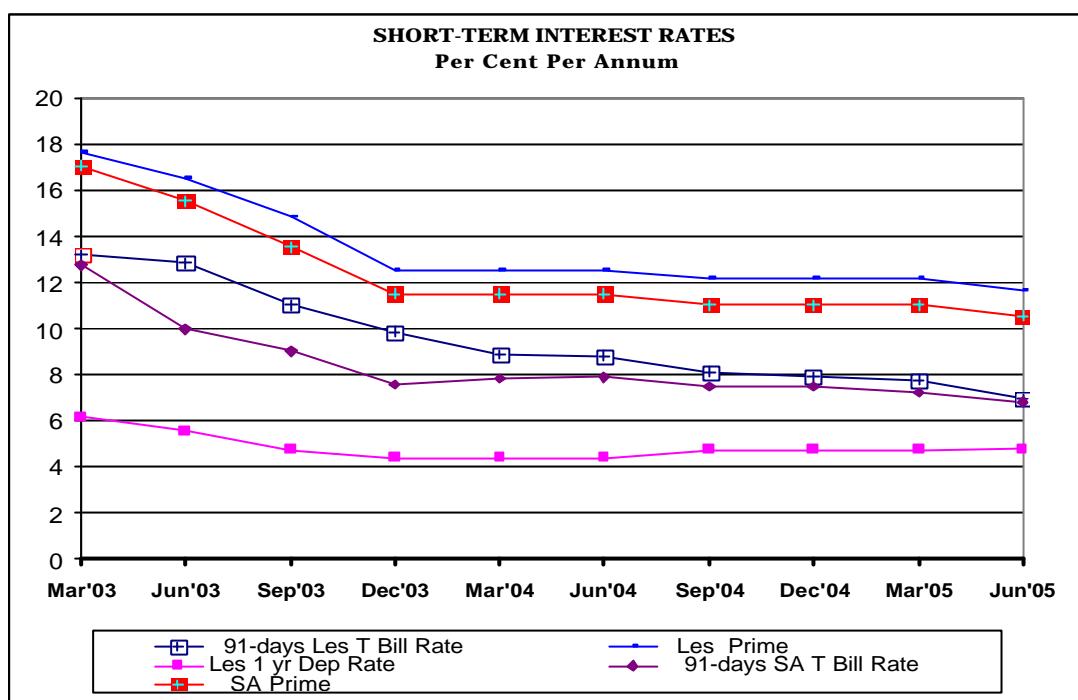
(Per cent; End of Period)

Interest Rates by Type	2004				2005	
	Mar	Jun	Sep	Dec	Mar	Jun
Central Bank						
T Bill Rate – 91 Days	8.84	8.80	8.10	7.86	7.72	6.93
Lombard Rate	13.00	13.00	13.00	13.00	13.00	13.00
Commercial Banks ⁽⁶⁾						
Call	3.06	3.06	3.25	3.25	3.25	2.83
Time						
31 days	3.32	3.32	3.10	3.10	3.50	3.50
88 days	3.87	3.87	4.15	4.15	4.25	4.25
6 months	4.07	4.07	3.65	3.65	4.50	4.50
1 year	4.37	4.37	4.74	4.74	4.75	4.75
Savings	1.89	1.89	1.35	1.35	2.00	2.00
Prime	12.50	12.50	12.17	12.17	12.17	11.63
South Africa*						
Repo	8.00	8.00	7.50	7.50	7.50	7.00
T Bill Rate – 91 Days	7.80	7.87	7.49	7.49	7.17	6.76
Marginal Lending Rate	13.00	13.00	12.50	12.50	12.50	12.00
Prime	11.50	11.50	11.00	11.00	11.00	10.50

* Figures for South Africa were obtained from the SARB

⁽⁶⁾ - Average rates by commercial banks

Figure 11



Foreign Exchange Rates

The rand and therefore the loti weakened during the second quarter of 2005. On average, the local currency unit depreciated by 0.04, 0.02, 5.1 and 0.04 per cent against the SDR, the euro, the US dollar and the pound sterling respectively.

Several reasons were advanced for the weakening of the rand during the first quarter. Investment instruments in the US became more attractive as a result of the increase in interest rates in that country during the review quarter. As a result investors revised their investment portfolios and switched away from gold. As the demand for gold, declined, the demand for rand and therefore its value also fell. The euro also weakened during the quarter and dragged the rand down with it. The Euro zone is SA’s major trading partner.

The depreciation of the rand against major currencies has direct implications for the economy of Lesotho, since the loti is fixed at par to the rand. On the one hand, it improves the price competitiveness of the country’s exports in international markets, particularly in the US, where the bulk of Lesotho’s exports are destined. This, in turn, impacts positively on export earnings and therefore manufacturing production. On the other hand, it increases the cost of non-rand denominated imports and thus increases inflationary pressure.

SELECTED EXCHANGE RATES
(Loti per Currency units; Quarterly Averages)

Currency	2004				2005	
	Mar	Jun	Sept	Dec	Mar	Jun
SDR	10.103	9.431	9.347	8.778	9.1544	9.553
EURO	8.484	7.790	7.788	7.665	7.8739	8.054
USD	6.779	6.443	6.373	5.707	6.0093	6.402
POUND STERLING	12.462	11.926	11.580	10.999	11.3584	11.876

IX. Government finance

Summary of Budget Outturn

Government expenditure increased during the review period mainly due to the postponement of some of expenditure items from the previous quarter to the period under review. This was confirmed by the deficit equivalent to 1.6 per cent of GDP realised during the quarter. However, a deficit of 4.6 per cent of GDP was achieved when grants were excluded. The deficit was a result of increased Government expenditure pressures while revenue was falling. Total revenue and grants was estimated to slightly fall by 1.3 per cent due to the decline in tax and non-tax revenue during the quarter.

Overall government expenditure and net lending increased by 33.6 per cent as a result of local government elections that took place early during the quarter, and improved implementation of capital projects. As percentage of total expenditure, capital expenditure stood at 20 per cent, while recurrent expenditure constituted 80 per cent.

Revenue

Compared with the previous quarter, total government revenue, including grants, was estimated to have marginally declined by 1.3 per cent during the review period. This was the result of the decrease in the level of tax and non-tax collections during the quarter. As a percentage of GDP, total revenue and grants dropped to 47.5 per cent from 48.2 per cent realised in the previous quarter.

Tax revenue was estimated to have declined by 2.0 per cent during the review period. This emanated primarily from the deterioration in the levels of SACU receipts, which declined during the second quarter, following the initial implementation of the new sharing formula. Low collection of Value Added Tax (VAT), which was highly responsive to levels of economic activity also contributed to the decline in revenue. VAT receipts had declined by 7.7 per cent during the review period. The fall in tax collections occurred despite the LRA's continued efforts to enhance revenue collections through tax payer education and other measures, which were intended to enforce tax compliance. Income tax collections for the review period grew by 0.4 per cent as a result of implementation of the self-assessment, and the timing of public servants pay increase.

SACU receipts fell by 1.4 per cent during the period under review. This was a result of the implementation of the new revenue sharing formula, which takes into account the intra SACU trade, excise duties, and domestic economic development. Despite the decline, SACU receipts continued to dominate other forms of government revenue during the review period. It constituted 57 per cent of total tax receipts. Income tax and VAT contributed 26 per cent and 17 per cent to tax revenue respectively. The extensive reliance on SACU continues to expose government to the fiscal risk posed by the reductions in receipts from this source of revenue.

Non tax revenue was estimated to have decreased by 8.2 per cent during the review period. This was primarily due to a slowdown in receipts of dividends from companies in which Government is a shareholder, as well as, the increase in other property income. Grants were estimated to rise following the inflow of funds directed towards the fight against HIV and AIDS related illnesses and for financing the implementation of donor supported projects.

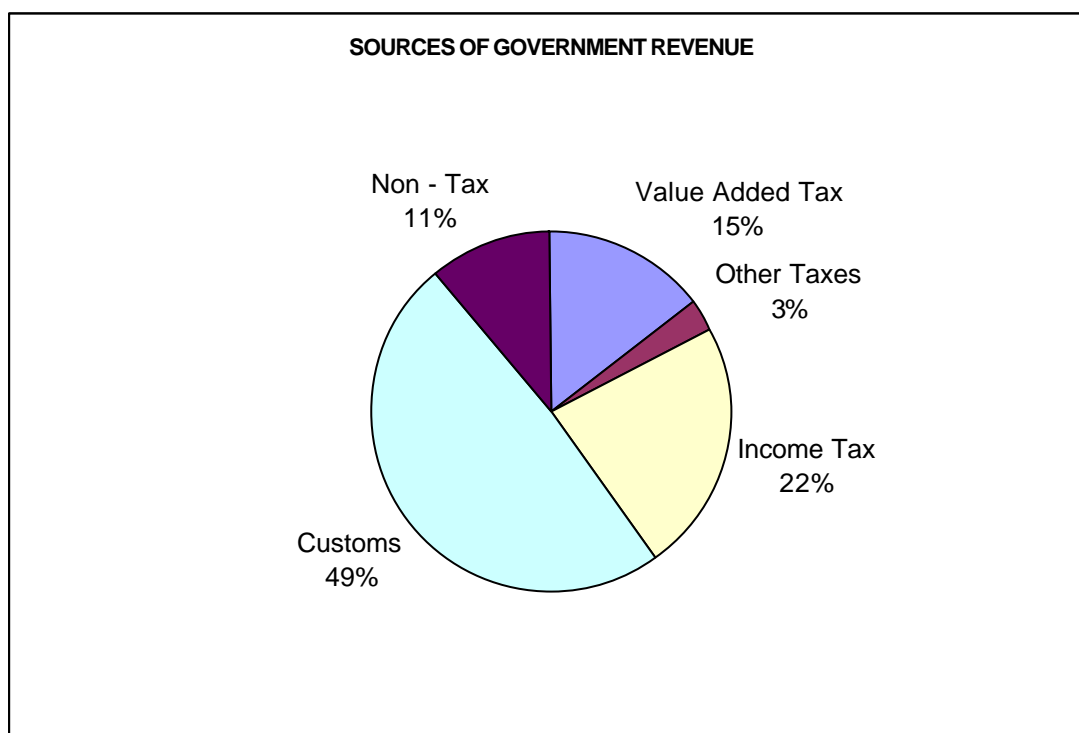
GOVERNMENT BUDGETARY OPERATIONS
(Million Maloti)

DETAILS	2004/05				2005/06
	Apr-Jun	Jul-Sep	Oct-Dec	Jan-Mar Revised	Apr-Jun [?] Preliminary
Total Revenue and Grants	1032.9	1165.4	1081.7	1081.8	1068.0
Total Revenue	972.3	1073.2	1057.7	1027.2	999.8
<i>Tax Revenue</i>	879.8.2	923.8	954.7	920.1	901.5
Customs	503.1	503.1	503.1	503.1	496.0
Non-customs	376.7	420.7	451.5	417.0	405.5
Income Taxes	195.0	231.6	248.8	226.5	227.3
Taxes on goods & services	179.9	182.3	201.4	185.8	163.4
Other Taxes	1.8	6.4	1.3	4.7	14.8
<i>Non-Tax Revenue</i>	92.5	149.4	103.1	107.1	98.3
Of which: Water royalties	40.7	63.7	49.0	41.3	43.7
Grants	60.6	92.2	24.0	54.6	68.2
Total Expenditure & Net Lending	823.5	1095.0	873.0	826.0	1103.2
Recurrent Expenditure	623.5	862.0	735.5	702.7	876.3
Personnel Emoluments	283.0	297.4	295.3	298.6	313.5
Interest Payments	33.4	45.0	33.0	40.8	29.5
Foreign	13.6	29.2	19.4	24.9	20.0
Domestic	19.8	15.8	13.6	16.0	9.5
Other Expenditure	307.1	519.6	407.2	363.3	533.2
Capital Expenditure	200.0	233.0	112.9	123.3	222.1
Net Lending	0.0	0.0	24.6	0.0	4.8
Surplus/deficit before grants	148.8	-21.8	184.7	201.2	-103.4
Surplus/deficit after grants	209.4	70.5	208.7	255.8	-35.2
Financing	-209.4	-70.5	-208.7	-255.8	35.2
Foreign	-12.0	-5.4	-17.3	-35.7	-80.1
Loan drawings	32.2	78.8	38.5	68.3	30.0
Amortization	-44.2	-73.4	-55.8	-104.0	-110.1
Domestic	-197.3	-75.89	-191.4	-220.1	115.3
Bank Financing	-220.0	-33.4	-172.3	-213.1	107.9
Non - Bank	22.7	-42.5	-19.1	-7.0	7.4

Source: Ministry of Finance

*CBL Estimates

Figure 14



Expenditure

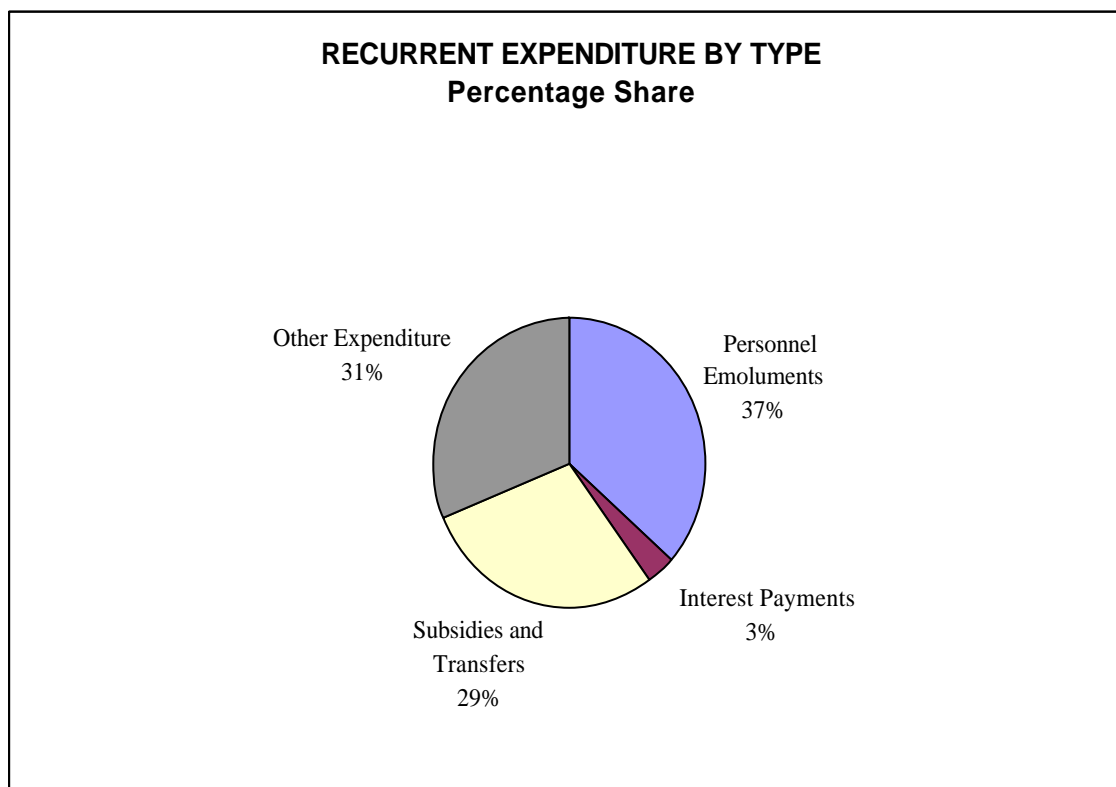
Total expenditure and net lending, increased by 33.6 per cent, in nominal terms, during the quarter ending in June 2005. As a percentage of GDP it rose by almost 12.3 percentage points from 36.8 per cent in the previous quarter to a level equivalent to 49.1 per cent of GDP. Recurrent expenditure increased by 24.7 per cent due to the 5 per cent increase in the salaries of public servants, plus increased expenditure on goods and services as a result of the local government elections held at the end of April, and subventions to public institutions.

Other purchases of goods and services, which includes subsidies and transfers, increased by 46.8 per cent during the period under review. The increase was a result of the local government elections held in April 2005, which was originally scheduled for implementation in the previous quarter. Fleet management cost, as sub-component of other expenditure, increased by 65 per cent. Interest payments on both domestic and external debt declined appreciably during the quarter. Foreign interest payments dropped by 27.6 per cent compared with the previous quarter. This reflected the seasonal payment structure of government external debt. Domestic interest payments were estimated to be significantly lower than in the last quarter reflecting the lower maturing debt issued in the previous quarter compared with the debt issued during the period under review.

The level of subsidies and transfers extended during the review period increased significantly. This was primarily due to higher subventions to public institutions, plus scholarships for students studying abroad. Virtually the same level of pensions and gratuities, as those of the last quarter were paid. The pensions went mostly to the elderly people aged 70 or above and were not receiving any other pension. Subventions extended to support government institutions such as the National University of Lesotho were significantly higher during the review period.

Spending on capital projects was estimated to increase during the review period. Government of Lesotho funded projects constituted 55.8 per cent of capital expenditure while external loans accounted for 14 per cent and grant funded projects contributed 31 per cent. The increase in Government of Lesotho funded projects was mainly due to construction of road networks, and extension and improvement of electricity grid.

Figure 15



Financing

As earlier indicated, the fiscal deficit of 1.6 per cent of GDP was realized during the review period. The deficit was financed by running down government deposits with the banking system. This method of

financing the deficit, if sustained, could have the negative macroeconomic implications because it could lead to erosion of the country's external reserves and worsen the country's balance of payments position. This was evident during the period under review, where the banking system's net claims on government increased by 14.7 per cent, while the net foreign assets declined, as mentioned in money and banking section above. Interest payable on 91-day treasury bills also increased during the review period, which could hamper private sector investment.

Public Debt

Overview

Total public debt increased by 4.5 per cent during the second quarter of 2005. The increase was mainly attributable to domestic debt, which grew by 45.3 per cent. The external debt also increased marginally by 0.6 per cent, mainly driven by the multilateral loans. The rise in external borrowing emanated from the depreciation of the local currency against major world currencies, in which foreign debt is denominated, while domestic debt was increased by issuance of more government securities than those that were maturing. As a ratio of GDP, the total debt stock was estimated to have increased by 230 basis points to 53.2 per cent. Foreign debt took the larger share of total debt stock during the review period. It accounted for approximately 87.9 per cent of total government debt, while domestic debt comprised 12.1 per cent.

External debt

External debt increased by 0.6 per cent during the period under review. The increase in foreign indebtedness was due to the depreciation of the loti against major world currencies in which external debt was contracted. As a percentage of GDP, the level of foreign debt had increased by 20 basis points to 46.7 per cent compared with 46.5 per cent recorded in the last quarter. The US dollar and the SDR continued to dominate the Lesotho debt portfolio and the loti depreciated by 6.5 and 4.4 per cent against both these currencies, respectively. The effect of new loan drawings on the stock of external debt was offset by the higher level of amortisation during the quarter. External debt constituted 87.9 per cent of the total public debt stock and about 80 per cent of it was concessional. This was in line with Government's policy to borrow on concessional terms in order to moderate the country's future debt burden.

Debt sustainability indicators continued to show a favourable position for the country during the review period, mainly as a result of the concessionality nature of the overall public debt stock. The external

debt to GDP was 46.7 per cent, compared with 46.5 per cent recorded in the previous quarter. At this level, the debt to GDP ratio was lower than the 60 per cent sustainability threshold for Highly Indebted Poor Countries (HIPC). This position was also strengthened by the maturity structure and the long payment spread of the overall external debt stock.

OUTSTANDING GOVERNMENT DEBT
(Million Maloti)

	2004				2005	
	QI	QII	QIII	QIV	QI	QII
A. EXTERNAL DEBT	4320.4	4224.2	4318.0	4112.8	4352.9	4379.4
Bilateral Loans	484.2	474.7	485.2	531.4	467.3	422.0
Concessional	196.3	420.8	430.1	432.0	370.8	381.6
Non-concessional	287.9	53.9	55.1	99.4	96.5	40.4
Multilateral Loans	3406.6	3333.3	3407.3	3183.7	3490.6	3581.6
Concessional	2929.9	3298.1	3371.3	2737.4	3030.8	3125.0
Non-concessional	476.7	35.2	36.0	446.3	459.9	456.6
Financial Institutions	338.9	326.8	334.1	315.8	316.5	306.7
Concessional	0.8	62.0	63.4	60.1	58.0	2.7
Non-concessional	338.1	264.8	270.7	255.7	258.4	304.0
Suppliers' Credit	90.7	89.4	91.4	81.9	78.5	69.1
B. DOMESTIC DEBT	922.3	933.8	665.6	648.2	415.7	604.2
Banks	778.0	766.4	541.2	543.7	312.3	489.5
Long-term	287.7	287.7	114.7	114.7	114.7	114.7
Short-term	490.3	478.7	426.5	427.9	197.6	374.8
<i>Of which: treasury bills</i>	388.7	376.9	424.6	427.9	196.6	374.8
Non-bank	144.3	167.4	124.4	104.5	103.4	114.7
Short-term (TBs)	144.3	167.4	124.4	104.5	103.4	114.7
TOTAL (A + B)	5242.7	5158.0	4983.6	4761.0	4768.6	4983.6

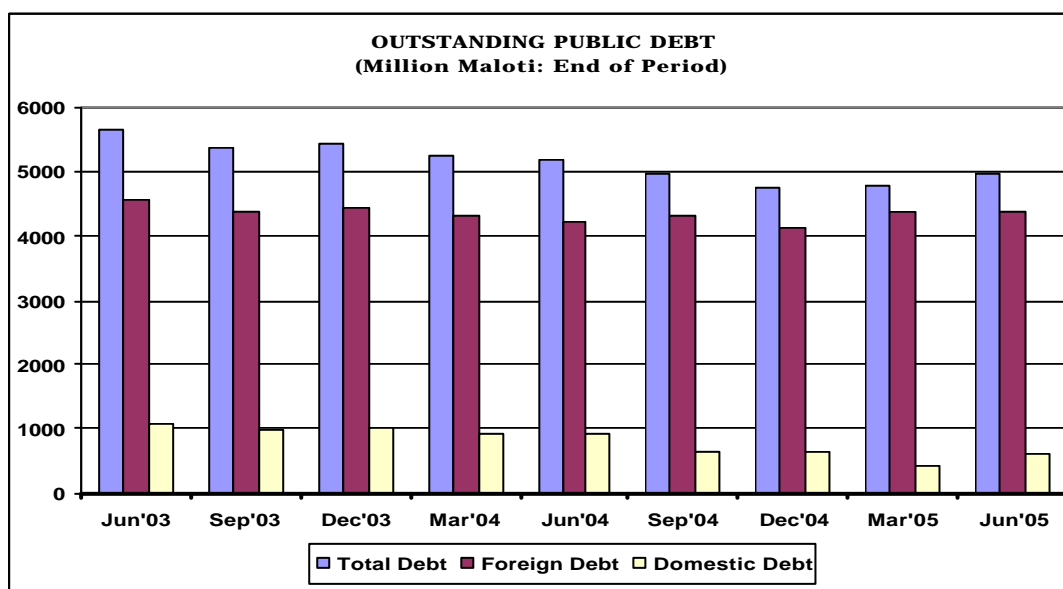
N.B: External debt figures are from the Ministry of Finance

Domestic Debt

In contrast to the previous quarter, the level of domestic debt went up during the quarter ending in June 2005. It rose by 45.3 per cent as a result of the higher level of treasury bills issued for monetary policy purposes during the quarter. The short term debt escalated by 56.7 per cent during the review period. Long term debt remained unchanged, comprising only of the ten year bond which was due to retire in 2009⁵. As a percentage of GDP domestic debt had increased from 4.4 per cent recorded in the last quarter to 6.4 per cent and it constituted 12.1 per cent of total public debt. The share of short term borrowing to total domestic debt rose to 81 per cent during the review period compared with 72.2 per cent in the last quarter. Long term debt constituted 19 per cent of domestic debt.

As in the previous quarter, short term debt consisted entirely of treasury bills, which were used in the implementation of monetary policy. Commercial banks' holding of treasury bills had soared by 89.7 per cent, compared with their previous quarter's holding. This emanated from the fact that more 91-day treasury bills were issued during the quarter. Non-bank holding of government securities also increased by 10.9 per cent from their holdings in the previous quarter.

Figure 16



IX. Statistical Tables

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Table 1(a)

CENTRAL BANK OF LESOTHO ASSETS AND LIABILITIES
(Million Maloti)
A – ASSETS

End of period	EXTERNAL SECTOR										Total
	Cash and Balances	Reserve Tranche	Holdings of SDRs	Other Investments	Rand Notes and Coins	Other Foreign Assets	Claims on Government	Claims on Private Sector	Unclassified Assets		
2002											
Sep	2993.09	49.20	6.21	1051.52	5.39	436.38	4541.79	185.93	13.48	114.80	4855.99
Dec	2580.23	41.36	5.15	854.71	10.32	366.38	3858.15	191.31	13.53	141.48	4204.46
2003											
Jun	2710.96	37.27	4.64	487.15	6.07	330.17	3576.25	196.08	13.81	147.38	3933.53
Sep	2383.47	34.82	4.33	446.35	7.30	308.32	3184.59	175.75	13.76	148.54	3522.65
Dec	2555.98	34.42	4.29	426.08	15.47	304.92	3341.14	173.76	14.99	177.45	3707.34
2004											
Mar	2339.31	33.00	3.93	405.96	8.98	292.29	3083.47	196.06	15.27	227.62	3522.41
Apr	2933.78	35.21	4.14	447.13	6.25	360.16	3786.67	208.75	15.41	199.52	4210.35
May	2765.29	33.89	3.99	422.78	7.89	348.66	3582.46	200.91	15.26	189.62	3988.25
Jun	2548.67	32.46	3.82	405.37	8.19	336.30	3334.81	192.49	15.64	189.39	3732.33
Jul	2853.47	31.99	3.77	402.52	8.26	389.02	3689.02	189.63	15.48	184.86	4078.98
Aug	2512.11	34.50	4.01	434.16	9.72	411.95	3406.44	204.53	15.96	232.97	3859.90
Sep	2484.66	33.52	3.90	418.82	7.19	402.26	3350.34	198.73	16.30	269.05	3834.42
Oct	2914.07	32.40	3.77	395.41	1.35	394.51	3741.50	192.12	16.04	166.23	4115.89
Nov	2688.27	31.46	3.66	376.92	5.49	417.79	3523.59	186.53	16.09	207.93	3934.14
Dec	2429.16	30.95	3.60	366.93	7.71	513.18	3351.53	183.51	16.30	217.65	3768.99
2005											
Jan	2643.05	32.28	3.75	387.95	9.60	609.68	3686.32	191.40	16.23	348.68	4242.62
Feb	2453.78	31.27	3.64	376.35	7.78	567.57	3440.38	185.40	16.53	283.16	3925.47
Mar	2499.98	33.36	3.88	436.98	10.53	486.64	3471.36	197.80	16.92	265.39	3951.47
Apr	3239.65	32.99	3.82	244.75	9.21	290.31	3820.73	226.93	17.00	208.43	4273.09
May	2713.51	35.54	4.11	649.43	13.13	312.68	3728.39	244.43	16.75	200.84	4190.41
Jun	1659.44	34.55	4.00	1554.42	9.45	304.11	3565.96	237.59	17.18	227.64	4048.37

Table 1 (b)

CENTRAL BANK OF LESOTHO ASSETS AND LIABILITIES

(Million Maloti)

B - LIABILITIES

End of Period	Currency outside CBL(1)	Foreign Liabilities	Deposits				Capital Accounts	Allocation of SDRs	Unclassified Liabilities	Total
			Government	Official entities	Private Sector	Banks				
2002										
Sep	214.65	511.57	1322.79	178.15	10.77	82.17	2457.89	51.99	26.02	4855.99
Dec	233.40	646.75	1257.31	151.33	10.77	105.41	1728.13	43.66	27.71	4204.46
2003										
Jun	219.34	509.97	1162.14	150.04	10.27	173.02	1643.50	39.34	25.90	3933.53
Sep	230.22	489.73	1154.32	160.82	10.36	34.73	1371.83	36.75	33.88	3522.65
Dec	250.46	488.00	1263.91	158.36	10.66	114.47	1356.61	36.33	28.55	3707.34
2004										
Mar	259.73	506.57	1217.42	157.43	10.83	50.56	1256.12	34.83	28.92	3522.41
Apr	244.58	519.69	1663.96	160.81	10.88	85.07	1459.00	37.17	29.17	4210.35
May	257.74	511.83	1547.37	158.67	10.90	68.48	1379.20	35.77	18.30	3988.25
Jun	232.77	503.39	1398.10	157.87	11.03	63.96	1312.58	34.26	18.37	3732.33
Jul	276.52	500.55	1456.54	159.03	11.08	353.94	1266.18	33.76	21.39	4078.98
Aug	261.40	559.97	1354.33	159.04	11.22	77.39	1384.31	36.41	15.84	3859.90
Sep	270.62	536.79	1298.24	159.04	11.25	84.62	1323.63	35.38	114.84	3834.42
Oct	268.24	498.44	1748.89	159.05	11.32	67.48	1234.72	34.20	93.57	4115.89
Nov	284.44	497.86	1540.03	175.93	11.35	99.82	1194.98	33.21	96.52	3934.14
Dec	264.64	497.01	1411.84	175.90	11.48	114.76	1171.55	32.67	89.15	3768.99
2005										
Jan	274.68	504.90	1810.36	176.91	11.52	86.67	1244.77	34.07	98.73	4242.62
Feb	256.08	498.84	1548.46	176.91	11.61	100.54	1211.63	33.00	88.40	3925.47
Mar	281.09	511.26	1341.61	176.91	11.97	168.48	1338.00	35.21	86.96	3951.47
Apr	275.33	540.37	1687.40	174.94	11.57	148.45	1311.53	34.63	88.87	4273.09
May	273.15	571.91	1575.40	174.94	12.17	66.82	1386.63	37.30	92.10	4190.41
Jun	270.30	565.08	1430.94	176.37	11.88	96.34	1364.41	36.26	96.80	4048.37

Table 2**RESERVE MONEY
(Million Maloti)**

End of Period	Currency in circulation outside CBL (1)						Total	Bankers' Deposits
	Maloti Issued		With commercial banks		Maloti Outside commercial banks			
	Notes	Coins	Maloti Notes & Coins	Rand Notes & Coins				
2002								
Sep	201.50	8.43	27.93	5.39	181.33	214.65	82.17	
Dec	215.14	8.66	43.40	10.32	179.68	233.40	105.41	
2003								
Mar	202.77	9.20	31.70	6.29	178.65	216.64	254.38	
Jun	205.16	9.40	37.45	6.07	175.82	219.34	173.02	
Jul	203.50	9.00	31.96	7.94	179.76	219.67	94.94	
Aug	216.42	9.07	34.77	5.54	189.82	230.13	64.81	
Sep	215.21	9.02	34.74	7.30	188.18	230.22	34.73	
Oct	231.24	9.34	40.74	5.78	199.04	245.55	63.46	
Nov	242.40	9.24	39.79	6.00	211.06	256.85	78.59	
Dec	226.11	9.40	51.48	15.47	183.52	250.46	114.47	
2004								
Mar	242.84	9.16	43.12	8.98	207.63	259.73	50.56	
Apr	229.92	9.14	37.25	6.25	201.09	244.58	85.07	
May	241.27	9.12	42.17	7.86	207.72	257.74	68.48	
Jun	216.36	9.21	34.92	8.19	189.65	232.77	63.96	
Jul	259.67	9.15	38.94	8.26	229.32	276.52	353.94	
Aug	244.01	9.12	44.45	9.72	207.23	261.40	77.39	
Sep	255.31	9.11	43.84	7.19	219.59	270.62	84.62	
Oct	258.39	9.13	45.39	1.35	221.50	268.24	67.48	
Nov	270.52	9.18	43.60	5.49	235.36	284.44	99.82	
Dec	247.83	9.35	52.40	7.71	204.54	264.64	114.76	
2005								
Jan	256.78	9.24	49.66	9.60	215.42	274.68	86.67	
Feb	159.80	89.21	41.80	7.78	206.50	256.08	100.54	
Mar	262.49	9.28	57.94	10.53	212.61	281.09	168.48	
Apr	258.02	9.27	50.50	9.21	215.62	275.33	148.45	
May	251.13	9.44	48.84	13.13	211.18	273.15	66.82	
Jun	252.33	9.47	58.32	9.45	202.53	270.30	96.34	

(1) Excludes rand with public as its amount is not known.

Table 3(a)

CONSOLIDATED BALANCE SHEET OF COMMERCIAL BANKS
(Million Maloti)
A S S E T S

End of Period	Cash at Hand (1)	Balances with Central Bank	Foreign Assets (2)	Claims on Government	Claims on Statutory Bodies	Claims on Private Sector	Unclassified Assets
2002							
Sep	33.32	77.25	829.77	814.89	53.52	351.91	916.79
Dec	53.72	105.44	772.31	808.38	42.75	372.31	985.25
2003							
Mar	38.00	249.85	835.67	675.04	36.66	364.18	577.65
Jun	43.52	173.01	651.07	960.74	38.94	390.39	583.20
Jul	39.90	94.71	674.50	1022.01	37.77	377.96	620.42
Aug	40.31	70.08	778.05	953.18	38.47	378.19	647.41
Sep	42.05	36.44	875.91	845.95	40.71	409.94	674.10
Oct	46.52	63.46	877.69	823.34	38.29	399.75	685.39
Nov	45.79	76.14	813.71	931.44	38.87	401.06	681.52
Dec	66.94	114.16	837.34	991.45	38.94	402.58	764.87
2004							
Mar	52.10	74.98	1069.78	761.20	46.04	438.83	720.03
Apr	43.49	81.13	973.71	723.69	42.12	450.58	622.84
May	50.02	64.03	1035.18	708.86	48.77	448.07	668.54
Jun	43.11	70.94	1190.98	724.51	53.49	451.04	640.23
Jul	47.19	81.36	929.34	771.33	45.38	459.52	593.57
Aug	54.17	67.69	1229.12	559.81	51.01	508.74	687.92
Sep	51.02	82.30	1240.29	584.50	47.69	493.61	728.25
Oct	46.73	64.31	1212.81	554.78	56.52	460.65	801.52
Nov	49.08	107.72	1205.47	537.29	49.69	447.56	893.17
Dec	60.10	112.36	1253.79	543.43	52.16	441.18	885.39
2005							
Jan	59.27	83.88	1147.96	461.59	52.65	459.42	939.00
Feb	49.58	183.63	1207.41	463.54	57.96	446.19	931.66
Mar	68.47	163.47	1409.65	273.24	62.82	470.19	1131.22
Apr	59.71	142.06	1390.31	379.18	48.75	477.83	874.04
May	61.97	66.84	1402.79	438.50	54.50	485.46	966.30
Jun	67.77	94.00	1274.26	453.18	54.50	492.39	915.06

(1) Maloti and rand notes

(2) Excludes rand notes and coins

Table 3(b)

CONSOLIDATED BALANCE SHEET OF COMMERCIAL BANKS
(Million Maloti)
LIABILITIES

End of period	DEMAND AND CALL DEPOSITS			TIME DEPOSITS			SAVINGS DEPOSITS			Deferred Pay Fund	Capital and Reserves	Foreign Liabilities	Unclassified Liabilities	Total
	Government	Official Entities	Private Sector	Government	Official Entities	Private Sector	Government	Official Entities	Private Sector					
2002														
Sep	59.17	348.12	732.11	0.09	58.63	107.57	0.04	0.20	531.60	38.88	346.05	86.91	768.09	3077.46
Dec	63.74	345.53	753.63	0.09	56.85	108.96	0.05	0.19	526.78	34.47	287.36	99.63	862.88	3140.15
2003														
Jun	80.30	280.80	778.82	0.12	108.72	187.40	0.04	0.10	521.06	41.35	253.41	81.79	506.96	2840.87
Sep	71.75	249.19	814.37	0.15	83.97	161.01	0.01	0.10	505.84	37.82	302.97	132.82	565.10	2925.09
Dec	68.25	256.07	929.14	0.09	79.27	142.39	0.01	0.07	506.97	31.40	303.43	229.64	669.56	3216.28
2004														
Mar	59.58	237.63	925.57	0.10	85.30	146.86	0.06	0.07	499.26	37.80	317.49	166.38	686.86	3162.96
Apr	54.99	226.50	876.02	0.09	83.56	145.66	0.06	0.07	489.52	31.42	319.05	150.15	560.45	2937.55
May	55.93	222.29	930.43	0.06	79.48	141.23	0.05	0.08	507.48	35.72	319.91	143.05	587.76	3023.47
Jun	58.31	260.05	970.23	0.05	77.85	150.65	0.05	0.08	500.99	35.06	296.54	163.68	660.78	3174.30
Jul	56.74	259.81	982.20	0.06	82.83	164.35	0.05	0.07	485.73	49.78	301.22	86.49	458.38	2927.71
Aug	60.18	239.03	1037.57	0.06	87.52	186.27	0.05	0.08	478.68	41.95	306.97	102.26	617.83	3158.46
Sep	57.80	245.05	1027.62	0.05	92.40	190.46	0.05	0.07	480.83	47.99	310.54	93.89	680.92	3227.66
Oct	56.48	176.03	1006.25	0.06	86.01	183.74	0.06	0.04	473.63	43.13	315.78	157.02	699.09	3197.31
Nov	59.01	181.64	1026.41	0.05	84.44	197.06	0.06	0.03	473.76	43.13	326.66	86.15	811.58	3289.97
Dec	57.66	229.11	968.40	0.05	84.20	197.20	0.06	0.02	463.34	38.87	345.75	135.90	827.88	3348.42
2005														
Jan	73.77	244.28	851.00	0.00	81.82	166.04	0.06	0.03	454.01	33.64	343.84	106.47	848.80	3203.76
Feb	82.70	256.40	974.49	0.00	82.36	182.25	0.07	0.03	460.36	30.63	348.45	90.77	831.49	3339.98
Mar	87.48	265.69	1031.2	0.00	82.75	187.64	0.06	0.02	453.21	29.81	353.54	103.48	984.18	3579.06
Apr	84.90	287.22	981.95	0.00	87.58	205.98	0.06	0.02	454.07	32.22	357.77	92.81	787.29	3371.87

Table 4

NET FOREIGN ASSETS OF THE BANKING SYSTEM
(Million Maloti ; End of Period)

End of Period	FOREIGN ASSETS			FOREIGN LIABILITIES			Net Foreign Assets	
	Central Bank of Lesotho	Commercial Banks	Total	Central Bank of Lesotho	Commercial Banks	Total		
	Of which: Rand notes and coins with banks							
2002								
Sep	4541.79	5.39	829.77	5371.56	679.29	86.91	766.19	4605.37
Dec	3858.15	10.32	772.31	4630.46	646.75	99.63	746.38	3884.08
2003								
Jun	3576.25	6.07	651.07	4227.32	509.97	81.79	591.76	3635.56
Sep	3184.59	7.30	875.84	4060.44	497.15	132.82	629.98	3430.46
Dec	3341.14	15.47	837.34	4178.48	488.00	229.64	717.64	3460.84
2004								
Mar	3083.47	8.98	1069.78	4153.25	506.57	166.38	672.95	3480.30
Apr	3786.67	6.25	973.71	4760.37	519.69	150.15	669.84	4090.54
May	3582.46	7.86	1035.18	4617.64	511.83	143.05	654.88	3962.76
Jun	3334.81	8.19	1190.98	4525.79	503.39	163.68	667.06	3858.72
Jul	3689.02	8.26	929.34	4618.36	500.55	86.49	587.04	4031.32
Aug	3406.44	9.72	1229.12	4635.56	559.97	102.26	662.23	3973.33
Sep	3350.34	7.19	1240.29	4590.63	536.79	93.89	630.68	3959.95
Oct	3741.50	1.35	1212.81	4954.31	498.44	157.02	655.45	4298.86
Nov	3523.59	5.49	1205.47	4729.05	497.86	86.15	584.01	4145.04
Dec	3351.53	7.71	1253.79	4605.32	497.01	135.90	632.91	3972.41
2005								
Jan	3686.32	9.60	1147.96	4834.28	504.90	106.47	611.37	4222.91
Feb	3440.38	7.78	1207.41	4647.80	498.84	90.77	589.61	4058.18
Mar	3471.36	10.53	1409.65	4881.01	511.26	103.48	614.74	4266.28
Apr	3820.73	9.21	1390.31	5211.04	540.37	92.81	633.19	4577.85
May	3728.39	13.13	1402.79	5131.18	571.91	165.81	737.72	4393.46

Table 5 **DISTRIBUTION OF COMMERCIAL BANKS' DEPOSITS BY TYPE**
(Million Maloti /Per cent)

End of Period	Demand & Call Deposits	Savings Deposits	Time Deposits	Deferred Pay Fund	Total	As Percentage of Total			
						Demand & Call Deposits	Savings Deposits	Time Deposits	Deferred Pay Fund
2002									
Sep	1080.23	531.80	166.21	38.88	1817.11	59.45	29.27	9.15	2.14
Dec	1099.16	526.96	165.81	34.47	1826.40	60.18	28.85	9.08	1.89
2003									
Jun	1059.62	521.17	296.11	41.35	1918.25	55.24	27.17	15.44	2.16
Sep	1063.56	505.94	244.98	37.82	1852.30	57.42	27.31	13.23	2.04
Dec	1185.21	507.04	221.66	31.40	1945.31	60.93	26.06	11.39	1.61
2004									
Mar	1163.20	499.33	232.16	37.80	1932.49	60.19	25.84	12.01	1.96
Apr	1102.52	489.59	229.22	31.42	1852.75	59.51	26.43	12.37	1.70
May	1152.72	507.55	220.70	35.72	1916.70	60.14	26.48	11.51	1.86
Jun	1230.28	501.06	228.50	35.06	1994.91	61.67	25.12	11.45	1.76
Jul	1242.01	485.80	247.18	49.78	2024.77	61.34	23.99	12.21	2.46
Aug	1276.61	478.76	273.79	41.95	2071.11	61.64	23.12	13.22	2.03
Sep	1272.66	480.89	282.86	47.99	2084.41	61.06	23.07	13.57	2.30
Oct	1182.28	473.67	269.75	43.13	1968.83	60.05	24.06	13.70	2.19
Nov	1208.06	473.79	281.49	43.13	2006.47	60.21	23.61	14.03	2.15
Dec	1197.50	463.36	281.40	38.87	1981.13	60.45	23.39	14.20	1.96
2005									
Jan	1095.29	454.04	247.86	33.64	1830.82	59.82	24.80	13.54	1.84
Feb	1230.89	460.38	264.61	30.63	1986.51	61.96	23.18	13.32	1.54
Mar	1296.89	453.23	270.40	29.81	2050.32	63.25	22.11	13.19	1.45
Apr	1269.17	454.09	293.56	32.22	2049.04	61.94	22.16	14.33	1.57
May	1174.74	452.99	332.01	34.24	1993.98	58.91	22.72	16.65	1.72

Table 6

DISTRIBUTION OF COMMERCIAL BANKS' DEPOSITS BY HOLDER
(Million Maloti /Per cent)

End of Period	Private Sector	Government	Statutory Bodies	Deferred Pay Fund	Total	As Percentage of Total			
						Private Sector	Government	Statutory Bodies	Deferred Pay Fund
2002									
Sep	1371.28	59.30	406.96	38.88	1876.41	73.08	3.16	21.69	2.07
Dec	1389.37	63.89	402.56	34.47	1890.28	73.50	3.38	21.30	1.82
2003									
Mar	1398.58	73.07	415.76	36.52	1923.93	72.69	3.80	21.61	1.90
Jun	1487.28	80.46	389.62	41.35	1998.70	74.41	4.03	19.49	2.07
Sep	1481.22	71.90	333.26	37.82	1924.20	76.98	3.74	17.32	1.97
Dec	1578.50	68.35	335.41	31.40	2013.65	78.39	3.39	16.66	1.56
2004									
Jan	1502.59	67.24	328.36	28.76	1926.95	77.98	3.49	17.04	1.49
Feb	1557.22	65.24	329.26	29.58	1981.30	78.60	3.29	16.62	1.49
Mar	1571.69	59.73	323.00	37.80	1992.22	78.89	3.00	16.21	1.90
Apr	1511.21	55.14	310.13	31.42	1907.89	79.21	2.89	16.26	1.65
May	1579.14	56.04	301.85	35.72	1972.74	80.05	2.84	15.30	1.81
Jun	1621.86	58.41	337.41	35.06	2053.32	78.09	2.84	16.46	1.71
Jul	1632.28	56.85	342.71	49.78	2081.62	78.41	2.73	16.46	2.39
Aug	1702.53	60.29	326.63	41.95	2131.40	79.88	2.83	15.32	1.97
Sep	1698.90	57.90	337.51	47.99	2142.31	79.30	2.70	15.75	2.24
Oct	1663.62	56.60	262.08	43.13	2025.43	82.14	2.79	12.94	2.13
Nov	1697.23	59.12	266.11	43.13	2065.58	82.17	2.86	12.88	2.09
Dec	1657.42	57.76	284.84	38.87	2038.89	81.29	2.83	13.97	1.91
2005									
Jan	1471.05	73.83	326.14	33.64	1904.65	77.23	3.88	17.12	1.77
Feb	1617.09	82.76	338.79	30.63	2069.27	78.15	4.00	16.37	1.48
Mar	1672.06	87.53	348.46	29.81	2137.85	78.21	4.09	16.30	1.39
Apr	1642.01	84.95	374.81	32.22	2134.00	76.95	3.98	17.56	1.51
May	1615.57	81.64	344.17	34.24	2075.61	77.84	3.93	16.58	1.65

Table 7 COMMERCIAL BANKS' FIXED TIME DEPOSITS BY MATURITY
(Million Maloti/Per cent)

End of Period	A M O U N T			Total	As Percentage of Total		
	Short-term (Less than 31 days)	Medium-term (31 days to 6 months)	Long-term (More than 6 months)		Short - Term	Medium- term	Long- term
2002							
Jun	68.60	47.51	46.28	162.39	42.24	29.26	28.50
Sep	74.66	59.73	35.61	170.00	43.92	35.13	20.95
Dec	97.17	28.49	43.86	169.52	57.32	16.81	25.87
2003							
Jun	105.56	165.05	33.76	304.37	34.68	54.23	11.09
Sep	81.45	144.15	37.09	262.70	31.01	54.87	14.12
Dec	66.47	148.80	12.54	227.81	29.18	65.32	5.50
2004							
Mar	71.28	155.48	11.87	238.62	29.87	65.16	4.97
Apr	68.66	147.91	12.25	228.82	30.01	64.64	5.35
May	68.71	150.29	12.21	231.21	29.72	65.00	5.28
Jun	67.17	103.89	12.80	183.86	36.53	56.50	6.96
Jul	67.60	172.28	13.52	253.40	26.68	67.99	5.34
Aug	73.11	193.57	13.69	280.36	26.08	69.04	4.88
Sep	96.18	180.08	13.52	289.78	33.19	62.14	4.67
Oct	80.87	197.37	12.42	290.67	27.82	67.90	4.27
Nov	69.14	206.44	12.16	287.73	24.03	71.75	4.22
Dec	101.25	174.20	11.32	286.77	35.31	60.75	3.95
2005							
Jan	83.05	156.13	13.58	252.76	32.86	61.77	5.37
Feb	77.93	167.74	10.69	256.37	30.40	65.43	4.17
Mar	68.59	187.27	15.64	271.50	25.26	68.98	5.76
Apr	79.13	198.32	15.85	293.29	26.98	67.62	5.40
May	96.98	297.17	11.08	405.23	23.93	73.33	2.73
Jun	106.30	205.15	13.57	325.03	32.71	63.12	4.18

Table 8(a) COMMERCIAL BANKS' LOANS AND ADVANCES TO BUSINESS ENTERPRISES AND STATUTORY BODIES
(Million Maloti : End of Period)

ECONOMIC ACTIVITIES	2003				2004				2005	
	Mar	Jun	Sep	Dec	Mar	Jun	Sep	Dec	Mar	Jun
1. Agriculture, Hunting Forestry and Fishing	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.00
2. Mining and Quarrying	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.00
3. Manufacturing	26.9	24.0	26.1	23.6	24.7	23.3	26.2	29.3	28.6	45.97
4. Electricity, gas and water	8.3	8.5	8.9	8.9	8.7	8.7	8.9	8.0	8.7	3.79
5. Construction	92.8	86.1	110.9	97.0	108.4	121.3	117.5	132.5	140.1	126.79
6. Wholesale, Retail, Hotel and Restaurant	18.0	20.6	21.6	20.7	21.5	16.9	18.1	20.9	21.1	42.17
7. Transport, Storage and Communication	6.4	7.6	7.3	7.3	7.0	7.3	8.7	8.6	6.4	1.14
8. Non-Bank Financial Institutions, Real Estate	4.0	4.2	4.4	5.3	5.4	5.8	7.1	7.9	7.5	5.05
9. Community, Social and Personal Services	21.7	23.0	23.3	26.7	25.5	28.4	31.8	10.2	8.4	0.95
TOTAL	178.1	174.1	202.4	189.5	201.2	211.5	218.4	217.4	220.8	225.85
of which:										
Business Enterprises	141.4	143.8	161.7	150.6	155.2	158.0	170.7	165.2	158.0	171.35

Table 8(b) COMMERCIAL BANKS' LOANS AND ADVANCES TO BUSINESS ENTERPRISES AND STATUTORY BODIES
(As per cent of total : End of Period)

ECONOMIC ACTIVITIES	2003				2004				2005	
	Mar	Jun	Sep	Dec	Mar	Jun	Sep	Dec	Mar	Jun
1. Agriculture, Hunting Forestry and Fishing	0.1	0.1	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
2. Mining and Quarrying	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
3. Manufacturing	15.7	14.8	12.9	12.4	12.3	11.0	12.0	13.5	13.0	20.36
4. Electricity, gas and water	3.7	3.8	4.4	4.7	4.3	4.1	4.1	3.7	3.9	1.68
5. Construction	40.8	38.5	54.8	51.2	53.9	57.3	53.8	61.0	63.4	56.14
6. Wholesale, Retail, Hotel and Restaurant	11.9	3.3	10.7	10.9	10.7	8.0	8.3	9.6	9.6	18.67
7. Transport, Storage and Communication	9.6	10.3	3.6	3.9	3.5	3.4	4.0	4.0	2.9	0.50
8. Non-Bank Financial Institutions, Real Estate	3.6	3.7	2.2	2.8	2.7	2.7	3.3	3.6	3.4	2.23
9. Community, Social and Personal Services	14.7	15.5	11.5	14.1	12.7	13.4	14.6	4.7	3.8	0.42
TOTAL	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0
of which:										
Business Enterprises	84.0	86.6	79.9	79.5	77.1	74.1	78.2	76.0	71.6	75.87

Table 9 (a)

COMMERCIAL BANKS' MAJOR RATIOS
(Million Maloti / Per Cent)

End of Period	Liabilities to the Public in Lesotho	Liquid Assets	Liquidity Ratio	Capital	Capital Ratio	Statutory Reserves	Local Assets	Local Assets Ratio
2002								
Sep	1963.32	1486.38	75.71	499.16	25.42	64.35	2247.68	88.95
Dec	1989.91	1514.61	76.11	499.16	25.08	68.15	2367.84	92.59
2003								
Jun	2080.49	1729.95	83.15	474.16	22.79	68.15	2189.80	83.49
Sep	2057.02	1435.27	69.77	474.16	23.05	68.15	2049.18	78.83
Dec	2243.30	1814.10	80.87	479.11	21.36	68.15	2378.94	85.25
2004								
Mar	2158.60	1669.12	77.32	479.11	22.20	68.15	2093.18	77.36
Apr	2058.04	1862.12	90.48	477.61	23.21	68.15	1963.84	75.42
May	2115.79	1926.36	91.05	479.11	22.64	68.15	1988.29	74.66
Jun	2216.99	2085.54	94.07	479.11	21.61	68.15	1983.33	71.75
Jul	2168.10	1921.87	88.64	479.11	22.10	68.15	1998.37	73.59
Aug	2233.66	2079.46	93.10	479.11	21.45	68.15	1929.34	69.38
Sep	2236.20	2173.21	97.18	479.11	21.43	68.15	1987.37	71.40
Oct	2182.44	2146.22	98.34	479.11	21.95	68.15	1984.51	72.70
Nov	2151.73	2240.31	104.12	479.11	22.27	68.15	2084.51	77.23
Dec	2174.79	2370.90	109.02	495.55	22.79	68.15	2096.12	76.54
2005								
Jan	2011.13	2158.03	107.30	495.27	24.63	68.15	2055.80	79.85
Feb	2160.04	2245.42	103.95	494.45	22.89	68.15	2132.56	78.33
Mar	2241.34	2488.87	111.04	494.08	22.04	68.15	2169.41	77.38
Apr	2226.81	2326.70	104.49	497.95	22.36	68.15	1981.57	70.95
May	2241.42	2325.26	103.74	497.95	22.22	68.15	2073.57	73.86
Jun	2241.42	2325.26	103.74	497.95	22.22	68.15	2073.57	73.86

Table 9 (b)

COMMERCIAL BANKS' CREDIT DEPOSIT RATIOS
(Million Maloti / Per Cent)

End of period	Deposits (1)	Deferred Pay Fund	Government Deposits	Borrowing From Abroad	Credit (2)	Treasury Bills & Bonds	Credit-Deposit Ratios				Other Related Ratios		
							5 as % of 1	5 as % of (1+2) 8	5 as % of (1+2+3) 9	5 as % of (1+2+3+4) 10	6 as % of (1+2+3) 11	(5+6) as % of (1+2+3) 12	(5+6) as % of (1+2+3+4) 13
	1	2	3	4	5	6	7	8	9	10	11	12	13
2002													
Sep	1778.23	38.88	59.30	86.91	405.43	812.13	22.80	22.31	21.61	20.65	43.28	64.89	62.02
Dec	1791.93	34.47	63.89	99.63	415.06	806.08	23.16	22.73	21.96	20.86	42.64	64.60	61.37
2003													
Jun	1876.90	41.35	80.46	81.79	429.33	959.24	22.87	22.38	21.48	20.64	47.99	69.47	66.74
Sep	1814.48	37.82	71.90	132.82	450.65	844.74	24.84	24.33	23.42	21.91	43.90	67.32	62.97
Dec	1913.91	31.40	68.35	229.64	441.52	989.92	23.07	22.70	21.93	19.68	49.16	71.09	63.81
2004													
Mar	1894.69	37.80	59.73	166.38	484.87	759.59	25.59	25.09	24.34	22.46	38.13	62.47	57.65
Apr	1821.33	31.42	55.14	150.15	792.69	721.96	27.05	26.59	25.82	23.94	37.84	63.66	59.02
May	1880.98	35.72	56.04	143.05	496.83	707.13	26.41	25.92	25.18	23.48	35.85	61.03	56.90
Jun	1959.84	35.06	58.41	163.68	504.53	722.75	25.74	25.29	24.57	22.76	35.20	59.77	55.36
Jul	1974.98	49.78	56.85	86.49	504.91	769.57	25.57	24.94	24.26	23.29	36.97	61.23	58.78
Aug	2029.15	41.95	60.29	102.26	559.76	557.91	27.59	27.03	26.26	25.06	26.18	52.44	50.04
Sep	2036.42	47.99	57.90	93.89	541.29	582.54	26.58	25.97	25.27	24.21	27.19	52.46	50.26
Oct	1925.70	43.13	56.60	157.02	517.17	552.78	26.86	26.27	25.53	23.70	27.29	52.83	49.03
Nov	1963.34	43.13	59.12	86.15	497.25	535.71	25.33	24.78	24.07	23.11	25.93	50.01	48.01
Dec	1942.27	38.87	57.76	135.90	493.34	542.38	25.40	24.90	24.20	22.68	26.60	50.80	47.62
2005													
Jan	1797.19	33.64	73.83	106.47	512.07	460.24	28.49	27.97	26.89	25.46	24.16	51.05	48.35
Feb	1955.88	30.63	82.76	90.77	504.16	461.83	25.78	25.38	24.36	23.34	22.32	46.68	44.72
Mar	2020.52	29.81	87.53	103.48	533.01	272.26	26.38	26.00	24.93	23.78	12.74	37.67	35.93
Apr	2016.82	32.22	84.95	92.81	526.58	378.20	26.11	25.70	24.68	23.65	17.72	42.40	40.63
May	1959.74	34.24	81.64	165.81	539.96	437.88	27.55	27.08	26.01	24.09	21.10	47.11	43.63
Jun	1893.44	36.68	77.06	124.11	546.89	452.54	28.88	28.33	27.25	25.66	22.55	49.79	46.89

Table 10

NARROW MONEY
(Million Maloti)

End of Period	M A L O T I			Demand and Call Deposits			Total	Money (1) (3+7)	Annual Rate of Increase (per cent)
	Issued	With Banks	With Public	Private Sector	Statutory Bodies	Deferred Pay Fund			
	1	2	3	4	5	6			
2002									
Sep	209.94	27.93	181.33	742.88	526.28	3.89	1273.04	1454.37	18.67
Dec	223.80	43.40	179.68	764.41	496.85	3.45	1264.71	1444.39	11.42
2003									
Jun	214.55	37.45	175.82	789.08	430.84	4.14	1224.06	1399.89	-5.11
Sep	224.23	34.74	188.18	824.73	410.01	3.78	1238.52	1426.70	-1.90
Dec	235.51	51.48	183.52	939.80	414.43	3.14	1357.37	1540.89	6.68
2004									
Mar	252.01	43.12	207.63	936.39	395.06	3.78	1335.23	1542.86	6.59
Apr	239.05	37.25	201.09	886.90	387.31	3.14	1277.35	1478.44	3.48
May	250.39	42.17	207.72	941.33	380.97	3.57	1325.86	1533.58	2.70
Jun	225.57	34.92	189.65	981.26	417.92	3.51	1402.69	1592.34	13.75
Jul	268.82	38.94	229.32	993.27	418.84	4.98	1417.09	1646.41	20.98
Aug	253.12	44.45	207.23	1048.79	398.07	4.20	1451.06	1658.29	17.80
Sep	264.42	43.84	219.59	1038.87	404.09	4.80	1447.76	1667.35	16.87
Oct	267.52	45.39	221.50	950.01	335.08	4.31	1289.41	1510.91	3.40
Nov	279.70	43.60	235.36	953.77	357.57	4.31	1315.65	1551.01	5.72
Dec	257.18	52.40	204.54	979.87	376.52	3.89	1360.28	1564.82	1.55
2005									
Jan	266.02	49.66	215.42	862.52	421.19	3.36	1287.07	1502.49	1.91
Feb	249.01	41.80	206.50	986.10	433.31	3.06	1422.46	1628.97	6.35
Mar	271.77	57.94	212.61	1043.17	442.59	2.98	1488.74	1701.35	10.27
Apr	267.29	50.50	215.62	993.53	462.16	3.22	1458.90	1674.52	13.26
May	260.56	48.84	211.18	940.69	421.15	3.42	1365.26	1576.44	2.80
Jun	261.80	58.32	202.53	883.27	428.41	3.67	1315.34	1517.88	-1.74

Table 11

MONETARY SURVEY
(Million Maloti: End of Period)

	2003				2004				2005	
	Mar	Jun	Sep	Dec	Mar	Jun	Sep	Dec	Mar	Jun
Foreign Assets, Net	3722.270	3635.559	3437.952	3460.841	3480.297	3858.725	4039.378	3972.415	4266.278	4151.026
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Commercial Banks	766.295	569.282	743.087	607.697	903.400	1027.300	1225.831	1117.896	1306.169	1150.145
Central Bank of Lesotho	2949.681	3060.212	2687.563	2837.679	2567.914	2823.235	2806.361	2846.811	2949.577	2991.436
Rand with Banks	6.294	6.065	7.302	15.465	8.983	8.190	7.186	7.708	10.532	9.445
Domestic Credit	223.764	357.366	259.890	289.466	180.243	-19.348	-94.742	-233.017	-408.179	-253.155
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Claims on private sector & statutory bodies	414.019	443.141	464.409	456.510	500.137	520.168	478.170	509.641	549.926	564.070
Claims on Government, net of deposits	-190.255	-85.775	-204.519	-167.044	-319.894	-539.516	-572.912	-742.658	-958.105	-817.225
Money Supply	2191.321	2254.379	2211.647	2297.846	2308.372	2353.463	2474.297	2373.048	2451.807	2320.903
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Money	1443.865	1395.751	1422.915	1537.745	1539.076	1588.836	1662.553	1589.421	1698.372	1514.208
Maloti with public	178.645	175.823	188.178	183.517	207.629	189.652	219.593	204.539	212.614	202.533
Demand and call deposits	1265.220	1219.928	1234.737	1354.228	1331.447	1399.184	1442.960	1384.882	1485.758	1311.675
Quasi-money	747.456	858.628	788.732	760.101	769.296	764.627	811.744	783.627	753.435	806.695
Time deposits	207.349	337.462	282.794	253.057	269.964	263.564	330.850	320.265	300.202	353.314
Savings deposits	540.107	521.166	505.938	507.044	499.332	501.063	480.893	463.362	453.233	453.381

Table 12

BROAD MONEY

(Million Maloti)

End of Period	Time Deposits				Quasi-Money (1+ 2+ 3+ 4) 5	Money (M1) 6	Money Supply (M2) (5+ 6) 7	Annual Rate of Increase (per cent) 8
	Savings Deposits	Private Sector	Statutory Bodies	Deferred Pay Fund				
	1	2	3	4				
2002								
Sep	531.80	107.57	58.63	34.99	733.00	1454.37	2187.37	15.69
Dec	526.96	108.96	56.85	31.03	723.79	1444.39	2168.18	8.81
2003								
Jun	521.17	187.40	108.72	37.22	854.49	1399.89	2254.38	1.46
Sep	505.94	161.01	83.97	34.04	784.95	1426.70	2211.65	1.11
Dec	507.04	142.39	79.27	28.26	756.96	1540.89	2297.85	5.98
2004								
Mar	499.33	146.86	85.30	34.02	765.52	1542.86	2308.37	5.34
Apr	489.59	145.66	83.56	28.28	747.09	1478.44	2225.53	3.54
May	507.55	141.23	79.48	32.15	760.40	1533.58	2293.98	1.60
Jun	501.06	150.65	77.85	31.56	761.12	1592.34	2353.46	4.40
Jul	485.80	164.35	82.83	44.80	777.78	1646.41	2424.19	9.98
Aug	478.76	186.27	87.52	37.76	790.31	1658.29	2448.60	8.91
Sep	480.89	190.46	92.40	43.19	806.94	1667.35	2474.30	11.88
Oct	473.67	183.74	86.01	38.81	782.23	1510.91	2293.14	3.32
Nov	473.79	197.06	84.44	38.81	794.10	1551.01	2345.11	4.81
Dec	463.36	197.20	84.20	34.98	779.74	1564.82	2344.56	2.03
2005								
Jan	454.04	166.04	81.82	30.27	732.17	1502.49	2234.66	0.75
Feb	460.38	182.25	82.36	27.56	752.56	1628.97	2381.52	4.49
Mar	453.23	187.64	82.75	26.82	750.45	1701.35	2451.81	6.21
Apr	454.09	205.98	87.58	29.00	776.65	1674.52	2451.17	10.14

Table 13

COMMERCIAL BANKS' DEPOSITS, WITHDRAWALS FROM DEPOSITS AND TURNOVER
(Million Maloti)

End of Period	Demand and Call Deposits	Withdrawals from Demand and Call Deposits	Turnover	Savings Deposits	Withdrawals from Savings Deposits	Turnover	Fixed Time Deposits	Withdrawals from Fixed Time Deposits	Turnover	Total Deposits	Total Withdrawals	Turnover
2002												
Sep	1304.08	334.77	0.26	531.85	153.42	0.29	208.79	0.03	0.00	2044.71	488.21	0.24
Dec	1290.29	457.89	0.26	527.01	165.93	0.26	203.90	0.03	0.26	2021.20	623.85	0.31
2003												
Jun	1251.73	740.26	0.59	521.19	125.98	0.24	345.60	4.38	0.26	2118.52	870.62	0.41
Sep	1267.68	412.71	0.33	506.02	134.41	0.27	289.06	0.04	2.26	2062.75	547.15	0.27
Dec	1389.29	774.97	0.56	507.10	157.70	0.31	258.96	6.11	0.02	2155.36	938.78	0.44
2004												
Mar	1372.96	686.90	0.50	499.37	139.02	0.28	276.32	6.92	0.03	2148.65	832.84	0.39
Apr	1314.27	674.68	0.51	489.62	125.16	0.26	266.87	7.63	0.03	2070.76	807.47	0.39
May	1362.52	670.33	0.49	507.58	101.41	0.20	262.51	7.23	0.03	2132.61	778.97	0.37
Jun	1441.84	536.13	0.37	501.09	98.33	0.19	269.53	7.70	0.03	2212.46	641.16	0.29
Jul	1452.20	721.15	0.50	485.83	103.63	40.09	303.12	8.17	0.03	2241.15	832.94	0.37
Aug	1487.88	739.75	0.50	478.78	98.78	41.02	322.25	8.67	0.03	2288.92	847.21	0.37
Sep	1486.13	766.27	0.52	480.92	102.40	43.17	337.72	8.69	0.03	2304.77	877.36	0.38
Oct	1323.74	725.79	0.55	473.70	106.13	0.22	319.27	9.36	0.03	2116.71	841.28	0.40
Nov	1352.04	220.24	0.16	473.82	61.77	0.13	330.90	-1.78	-0.01	2156.75	280.22	0.13
Dec	1400.12	751.24	0.54	463.39	109.73	0.24	326.53	7.70	0.02	2190.03	868.67	0.40
2005												
Jan	1326.94	696.67	0.53	454.15	106.53	0.23	287.60	2.69	0.01	2068.69	805.89	0.39
Feb	1463.10	765.81	0.52	460.50	103.42	0.22	301.38	2.58	0.01	2224.98	871.80	0.39
Mar	1531.66	795.69	0.52	453.28	103.64	0.23	306.38	2.67	0.01	2291.31	901.99	0.39
Apr	1501.12	766.33	0.51	454.13	107.82	0.24	332.32	16.92	0.05	2287.58	891.07	0.39
May	1405.29	742.83	0.53	453.02	106.92	0.24	373.93	18.01	0.05	2232.24	867.76	0.39
Jun	1371.66	748.46	0.55	453.42	61.78	0.14	369.57	19.80	0.05	2194.65	830.04	0.38

Table 14(a)

DEPOSIT RATES PAID BY COMMERCIAL BANKS
(With Comparable South African Rates)
(Per Cent Per Annum)

End of Period	Lending Rates		South African Prime	Deposit rates	
	Prime	Maximum		Savings	Call
2002					
Jun	17.00	25.33	13.00	2.42-4.00	5.00
Sep	17.33	24.00	17.00	2.42-4.00	5.00
Dec	17.67	26.00	17.00	2.58-4.00	5.50
2003					
Mar	17.67	26.00	17.00	2.58-4.00	5.50
Jun	16.50	23.17	15.00	1.88-3.50	5.00
Sep	14.83	19.83	13.50	2.00-2.00	4.08
Dec	12.50	17.67	11.50	1.68-2.48	3.55
2004					
Jan	12.50	17.67	11.50	1.68-2.41	2.11
Feb	12.50	19.17	11.50	1.68-2.31	2.10
Mar	12.50	17.50	11.50	1.68-2.32	2.09
Apr	12.50	19.17	11.50	1.68-2.11	2.36
May	12.50	19.17	11.50	1.68-2.08	2.29
Jun	12.50	19.17	11.50	1.68-2.09	2.33
Jul	12.50	19.17	11.50	1.10-1.68	1.82
Aug	12.42	19.00	11.00	1.08-1.68	1.79
Sep	12.17	18.83	11.00	0.97-1.35	1.78
Oct	12.17	17.17	11.00	0.96-1.35	1.79
Nov	12.17	17.17	11.00	0.98-1.35	1.77
Dec	12.17	17.17	11.00	0.96-1.36	1.80
2005					
Jan	12.17	17.17	11.00	0.97-1.35	1.78
Feb	12.17	17.17	11.00	0.96-1.36	1.78
Mar	12.17	17.17	10.50	0.98-1.35	1.79
Apr	11.83	16.83	10.20	0.98-1.00	2.80
May	11.63	16.88	10.20	1.00-2.00	2.83
Jun	11.63	16.88	10.20	1.00-2.00	2.83

Table 14(b)

TIME DEPOSIT RATES BY COMMERCIAL BANKS

With comparable South African Rates

(Per Cent Per Annum)

End of Period	INTEREST PAID					
	31Days	Lesotho Time Deposits			South African Time I	
		88Days	6 Months	1 Year	31 Days	1
2002						
Jun	4.50	5.00	5.50	6.00	11.7	1
Sep	4.50	5.00	5.50	6.00	12.81	1
Dec	4.75	5.75	5.75	6.25	13.03	1
2003						
Mar	4.75	5.75	5.75	6.25	13.50	1
Jun	4.38	5.20	5.20	5.45	11.55	1
Sep	4.47	4.47	4.75	5.25	9.38	
Dec	3.75	4.40	4.50	6.00	7.69	
2004						
Jan	3.75	4.40	4.50	6.00	7.71	
Feb	3.75	4.40	4.50	6.00	7.76	
Mar	3.75	4.40	4.50	6.00	7.66	
Apr	3.75	4.40	4.50	6.00	8.35	
May	3.75	4.40	4.50	6.00	8.30	
Jun	3.75	4.40	4.50	6.00	8.25	
Jul	3.20	3.50	4.00	5.00	8.20	
Aug	3.20	3.50	4.00	5.00	7.70	
Sep	3.10	4.15	3.65	4.74	7.48	
Oct	3.10	4.15	3.65	4.74	7.25	
Nov	3.10	4.15	3.65	4.74	7.14	
Dec	3.10	4.15	3.65	4.00	7.20	
2005						
Jan	3.10	4.15	3.65	4.74	5.00	
Feb	3.10	4.15	3.65	4.74	5.00	
Mar	3.10	4.15	3.65	4.74	5.00	
Apr	3.00	3.10	3.50	4.74	6.70	
May	3.50	4.25	4.50	4.75	6.78	
Jun	3.50	4.25	4.50	4.75	6.80	

Table 15

COMPARATIVE MONEY MARKET RATES

End of Period	Central Bank Rates		Treasury Bills	
	*CBL	+SARB	LESOTHO	RSA
2002				
Jun	13.00	12.50	11.03	11.42
Sep	15.53	13.50	11.53	12.41
Dec	16.19	13.50	12.19	12.42
2003				
Mar	18.50	13.50	13.12	12.71
Jun	16.84	12.50	12.84	9.65
Sep	14.99	10.00	10.99	8.97
Dec	14.99	8.00	9.83	7.54
2004				
Jan	15.00	8.00	9.00	7.56
Feb	13.00	8.00	9.00	7.58
Mar	13.00	8.00	8.84	7.80
Apr	13.00	8.00	8.84	7.71
May	13.00	8.00	8.84	7.75
Jun	13.00	8.00	8.80	7.87
Jul	13.00	13.00	8.76	8.76
Aug	13.00	13.00	8.44	7.11
Sep	13.00	13.00	8.10	8.10
Oct	13.00	13.00	8.02	7.28
Nov	13.00	13.00	7.90	7.20
Dec	13.00	13.00	7.86	7.32
2005				
Jan	13.00	16.00	7.90	7.38
Feb	13.00	16.00	7.94	7.20
Mar	13.00	16.00	7.86	7.17
Apr	13.00	15.50	7.70	6.86
May	13.00	15.50	7.16	6.75
Jun	13.00	15.50	6.93	6.76

Note: *CBL – Central Bank of Lesotho overdraft rate
+ SARB - South African Reserve Bank marginal lending rate

Table 16

GOVERNMENT BUDGETARY OPERATIONS
(Million Maloti / Per cent of GDP)

	2003/2004	2003/2004	2003/2004	2004/2005	2004/2005	2004/2005	Revised	Preliminary
	Q2	Q3	Q4	Q1	Q2	Q3	2004/2005	2005/2006
							Q4	Q1
Total Receipts	960.9	887.1	996.9	1032.9	1165.4	1081.7	1081.8	1068.0
Revenue	921.4	834.4	957.4	972.3	1073.2	1057.7	1027.2	999.8
Customs	355.4	355.4	355.4	503.1	503.1	503.1	503.1	496.0
Income Taxes	257.5	204.0	256.8	195.0	231.6	248.8	226.5	227.3
of which :Individual Tax	134.6	121.3	143.2	118.0	155.3	152.3	141.9	148.6
Company Tax	81.8	58.2	75.0	44.5	53.9	68.3	52.4	51.0
Taxes on goods & services	153.7	181.3	167.4	179.5	182.3	201.4	185.8	163.4
Other Tax	1.3	2.7	5.4	2.2	6.8	1.3	4.7	14.8
Non-Tax Revenue	153.5	91.0	172.4	92.5	149.4	103.1	107.1	98.3
of which : Water Royalties	57.2	46.7	42.3	40.7	63.7	49.0	41.3	43.7
Grants	39.5	52.7	39.5	60.6	92.2	24.0	54.6	68.2
Total Expenditure & Net Lending	871.0	904.7	851.1	823.5	1095.0	873.0	826.0	1103.1
Recurrent	747.6	783.1	685.0	623.5	862.0	735.5	702.7	876.2
Personnel Emoluments	279.2	275.8	283.8	283.0	297.4	295.3	298.6	313.5
Interest Payments	53.4	68.1	55.8	33.4	45.0	33.0	40.8	29.5
Of which: Bank Restructuring	13.6	12.0	10.0	8.5	3.5	2.7	2.5	0.0
LHDA	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Subsidies and Transfers	149.1	163.5	155.2	162.4	167.4	186.6	193.3	244.0
Other Expenditure	265.9	275.7	190.2	144.7	352.0	220.6	170.0	289.2
Of which: Bank Restructuring	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Agricultural Support	10.3	10.1	28.1	0.0	0.0	0.0	0.0	0.0
Imperial Fleet Services	39.8	40.9	37.7	29.3	20.4	35.6	9.3	31.8
Capital Expenditure & Net Lending	123.4	121.6	166.1	200.0	233.0	137.5	123.3	226.9
Surplus/Deficit before LHDA	89.9	-17.6	145.8	209.4	70.4	208.7	255.8	-35.1
Overall Surplus/Deficit	89.9	-17.6	145.8	209.4	70.4	208.7	255.8	-35.1
Total Financing	-89.8	17.6	-145.9	-209.3	-70.5	-208.7	-255.8	35.2
Foreign financing (net)	-9.4	-46.1	37.0	-12.0	5.4	-17.3	-35.7	-80.1
Domestic financing (net)	-80.4	63.7	-182.9	-197.3	-75.9	-191.4	-220.1	115.3
Bank financing	-111.3	37.5	-152.9	-220.0	-33.4	-172.3	-213.1	107.9
Non-bank financing	30.9	26.2	-30.0	22.7	-42.5	-19.1	-7.0	7.4
In Per cent of GDP (%)								
Total Receipts	44.9	41.5	46.6	48.3	54.5	50.6	50.6	49.9

Table 17

TREASURY BILLS BY TYPE OF HOLDER
(Million Maloti)

End of Period	CBL	Comm. Banks	NBFI	Others	Total
2002					
Mar	20.0	425.4	31.9	76.4	553.7
Jun	0.1	399.0	34.3	86.9	520.3
Sep	0.0	408.6	23.5	83.7	515.8
Dec	0.0	402.0	23.7	90.0	515.7
2003					
Mar	20.0	292.9	10.5	47.0	370.4
Jun	0.0	579.4	72.1	46.5	698.0
Sep	0.0	437.5	93.1	58.1	588.7
Dec	0.0	463.4	108.2	52.6	624.2
2004					
Jan	0.0	387.7	98.0	38.2	523.9
Feb	0.0	412.3	69.9	45.9	528.1
Mar	0.0	388.7	104.6	39.7	533.0
Apr	0.0	343.4	150.2	47.5	541.1
May	0.0	340.9	179.6	23.8	544.3
Jun	0.0	376.8	135.6	31.8	544.2
Jul	0.0	403.1	99.8	46.6	549.5
Aug	0.0	415.3	95.3	38.8	549.4
Sep	0.0	424.2	91.9	32.6	548.7
Oct	0.0	434.1	77.3	37.3	548.7
Nov	0.0	427.8	56.0	47.5	531.3
Dec	0.0	427.9	54.2	50.3	532.4
2005					
Jan	0.1	368.4	48.0	33.6	449.9
Feb	0.1	357.7	55.0	37.3	449.9
Mar	0.1	196.6	66.0	37.4	300.0
Apr	0.0	307.2	73.4	52.0	432.6
May	0.0	378.1	76.9	34.5	489.5
Jun	0.0	374.8	77.3	37.4	489.5

Table 18(a)

LESOTHO ANNUAL INFLATION RATE
APRIL 1997 = 100

	ALL ITEMS INDEX	Food & Non- Beverages	Alcoholic Beverages & Tobacco	Clothing & Footwear	Housing, Water, Electricity & Other Fuels	Furnishings, H/h Equipment & Routine Maintenance of House	Health	Transport	Communi- -cation	Leisure, Enter- tainment & Culture	Education	Restau- rants & Hotels	Misce- llaneous Goods & Services
2003													
June	6.4	2.8	8.1	3.8	7.2	6.5	3.2	5.9	36.6	9.7	3.9	14.6	8.1
Sept	6.9	1.7	11.4	4.5	7.9	9.3	3.1	7.2	43.4	12.1	4.7	6.6	9.4
Dec	5.9	0.7	11.1	3.8	5.0	7.8	4.4	7.0	43.4	11.3	4.5	4.3	7.8
2004													
Mar	5.2	1.9	10.0	3.5	4.7	6.1	4.5	5.7	43.4	7.8	4.3	4.4	6.5
April	5.1	2.3	10.5	3.2	4.8	5.6	5.3	3.8	5.0	6.2	4.3	4.2	5.5
May	5.3	3.1	10.6	3.0	4.0	5.4	5.3	3.7	5.0	6.3	4.2	2.6	5.2
June	5.4	5.4	10.0	3.2	5.5	5.8	3.8	4.8	5.0	5.2	4.3	2.3	4.7
July	4.5	5.4	6.5	2.0	4.7	3.6	4.3	5.5	0.0	3.0	4.1	2.3	3.1
Aug	5.3	5.8	8.4	2.1	5.6	3.6	3.7	11.0	6.9	3.0	4.1	2.3	3.5
Sept	4.7	5.3	8.2	2.4	5.8	2.2	3.1	8.9	6.9	3.4	3.5	1.9	2.5
Oct	4.6	5.7	7.6	2.7	5.1	1.8	1.9	6.6	6.9	3.4	3.4	1.2	3.0
Nov	4.7	5.6	7.9	2.7	7.4	1.7	1.6	7.7	6.9	1.7	3.5	3.1	2.2
Dec	4.8	5.5	8.1	2.4	7.1	1.9	1.1	10.4	6.9	0.7	3.6	3.1	2.8
2005													
Jan	4.3	4.4	8.0	2.5	6.7	1.9	1.7	10.2	6.9	0.9	0.7	3.1	2.8
Feb	4.0	3.7	6.9	2.4	6.7	2.1	1.8	9.7	6.9	1.0	1.3	2.7	3.5
Mar	3.7	3.2	5.5	2.8	6.3	2.4	2.0	9.2	6.9	-0.3	1.1	2.3	3.1
Apr	3.5	2.5	5.2	3.0	6.7	2.6	0.8	9.8	6.9	-0.5	1.2	2.3	3.5
May	3.5	2.6	5.5	2.9	7.4	2.4	1.3	10.0	6.9	-0.4	1.2	2.3	3.5
Jun	3.1	1.7	5.8	3.3	6.8	1.8	2.6	10.6	0.0	-0.7	1.2	3.7	3.2

Source : The Bureau of Statistics

Table 18(b)

LESOTHO MONTHLY INFLATION RATE
APRIL 1997 = 100

	ALL ITEMS INDEX	Food & Non- Beverages	Alcoholic Beverages & Tobacco	Clothing & Footwear	Housing, Water, Electricity & Other Fuels	Furnishings, H/h Equipment & Routine Maintenance of House	Health	Transport	Communi- cation	Leisure, Enter- tainment & Culture	Education	Restau- rants & Hotels	Misce- llaneous Goods & Services
2003													
June	0.4	-1.6	0.4	-0.1	-0.5	0.3	0.9	-0.6	0.0	1.1	-0.1	0.3	0.4
Sept	0.3	0.1	0.1	0.6	0.1	0.7	0.1	0.0	0.0	0.3	0.3	0.4	0.5
Dec	0.2	0.2	0.0	0.1	0.5	0.2	0.5	0.1	0.0	1.0	-0.04	0.0	-0.2
2004													
Mar	0.4	0.3	2.2	0.2	0.4	0.1	0.3	0.5	0.0	1.3	0.2	0.1	0.6
April	0.4	0.6	1.0	0.1	0.5	-0.1	0.9	0.1	0.0	0.3	0.1	0.1	-0.1
May	0.4	0.5	0.5	0.3	-0.1	0.2	0.1	0.0	0.0	0.2	0.0	-1.1	0.4
June	0.4	0.6	-0.1	0.1	1.0	0.7	-0.4	0.4	0.0	0.0	0.0	0.0	0.0
Jul	0.2	0.1	0.3	-0.01	0.4	0.0	0.5	0.9	0.0	-0.4	0.1	0.0	0.4
Aug	0.7	0.3	1.8	0.1	0.5	-0.1	-0.6	5.2	0.0	0.0	0.0	0.0	0.3
Sept	0.3	0.0	0.1	0.8	0.7	0.4	0.4	1.0	0.0	0.2	0.0	0.0	0.5
Oct	0.2	0.4	0.1	0.5	-0.1	0.1	-0.2	-1.1	0.0	0.6	0.0	0.0	0.6
Nov	0.3	0.2	0.3	0.2	1.9	0.2	0.1	0.5	0.0	-1.2	0.2	1.8	0.0
Dec	0.3	0.1	0.2	-0.2	0.2	0.3	0.0	2.6	0.0	0.0	0.0	0.0	0.4
2005													
Jan	0.1	0.2	-0.1	0.2	0.8	0.1	0.1	-0.2	0.0	0.0	0.0	0.0	0.4
Feb	0.1	0.2	0.5	0.0	0.0	0.1	0.7	-0.4	0.0	0.0	0.7	1.8	0.0
Mar	0.2	-0.1	0.8	0.7	0.1	0.4	0.4	0.1	0.0	0.0	0.0	-0.2	0.2
Apr	0.2	-0.1	0.7	0.3	0.9	0.2	-0.3	0.6	0.0	0.1	0.1	0.0	0.3
May	0.1	0.1	0.3	-0.1	0.7	-0.2	0.5	0.1	0.0	0.1	0.0	0.0	0.0
Jun	0.4	0.3	0.7	0.8	0.6	0.3	0.9	0.9	0.0	0.0	0.0	0.3	0.1

Source: The Bureau of Statistics

Note: Compilation methodology changed in January 2002.

(For further information, see the website)

Table 19

EXCHANGE RATES

	Botswana Pula	EURO	French Franc	German Mark	Japanese Yen	Saudi Riyal	SDR	Swedish Kronor	Swiss Franc	UK Pound	US Dollar	Zimbabwe Dollar
2002												
Sep	1.687	10.241	0.641	5.728	0.087	2.768	13.803	0.903	6.983	16.131	10.418	0.191
Dec	1.582	9.093	0.687	4.649	0.073	2.370	11.980	0.986	6.205	14.169	8.933	0.161
2003												
Mar	1.463	8.286	0.759	4.441	0.068	2.139	11.047	0.945	5.917	12.743	8.059	0.000
Jun	1.547	9.119	0.766	4.696	0.067	2.092	11.074	1.011	5.968	13.098	7.881	0.010
Sep	1.507	8.198	0.800	4.223	0.064	1.944	10.190	0.906	5.322	11.774	7.307	0.009
Dec	1.477	7.974	0.824	4.077	0.060	1.732	9.518	0.884	5.135	11.419	6.497	0.008
2004												
Jan	1.522	8.780	0.752	4.489	0.094	1.857	10.397	0.960	5.614	12.645	6.963	0.009
Feb	1.417	8.551	0.767	4.372	0.064	1.805	10.145	0.935	5.441	12.630	6.770	0.006
Mar	1.377	8.120	0.808	4.338	0.059	1.767	9.767	0.879	5.185	12.112	6.605	0.003
Apr	1.357	7.803	0.841	3.990	0.059	1.733	9.444	0.853	5.135	11.868	6.450	0.001
May	1.356	7.791	0.843	3.983	0.059	1.733	9.434	0.852	5.127	12.138	6.445	0.001
Jun	1.356	7.775	0.844	3.975	0.059	1.731	9.414	0.850	5.117	11.771	6.435	0.001
Jul	1.336	7.512	0.873	3.841	0.056	1.637	9.014	0.817	4.919	11.279	6.121	0.001
Aug	1.359	7.864	0.835	4.021	0.059	1.721	9.455	0.857	5.102	11.741	6.454	0.001
Sep	1.366	7.987	0.821	4.084	0.059	1.743	9.573	0.879	5.167	11.721	6.545	0.001
Oct	1.327	7.672	0.855	3.923	0.055	1.524	8.794	0.853	4.984	11.013	5.717	0.001
Nov	1.325	7.663	0.856	3.918	0.055	1.521	8.776	0.852	4.977	10.997	5.707	0.001
Dec	1.325	7.660	0.857	3.917	0.055	1.519	8.766	0.852	4.975	10.988	5.699	0.001
2005												
Jan	1.343	7.837	0.837	4.007	0.058	1.595	9.113	0.866	5.065	11.215	5.973	0.001
Feb	1.344	7.821	0.839	4.004	0.057	1.603	9.130	0.861	5.051	11.353	6.017	0.001
Mar	1.342	7.964	0.833	4.072	0.057	1.610	9.221	0.875	5.139	11.508	6.037	0.001
Apr	1.350	7.958	.824	4.069	0.057	1.640	9.289	.874	5.142	11.215	6.152	.001
May	1.352	8.052	.817	4.117	0.059	1.697	9.525	.873	5.212	11.353	6.356	.001
Jun	1.235	8.151	.805	4.168	0.061	1.786	9.845	.877	5.285	11.508	6.697	.007

Table 20(a)

ANNUAL BALANCE OF PAYMENTS

(Million Maloti)

	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004
I CURRENT ACCOUNT	-1174.43	-1350.63	-1295.69	-1413.72	-1349.40	-1083.76	-837.32	-1489.07	-1021.70	-489.25
Goods, Services and Income	-1936.28	-2154.82	-2227.37	-2255.89	-2252.43	-2019.87	-1990.18	-2766.79	-2305.26	-2086.21
a) GOODS	-2995.90	-3490.87	-3818.14	-3589.63	-3707.35	-3582.17	-3398.18	-4250.29	-3917.21	-3827.12
Merchandise exports f.o.b.	580.57	812.13	903.98	1109.60	1054.09	1468.36	2425.97	3739.89	3557.37	4533.18
Merchandise imports f.o.b.	-3576.47	-4303.00	-4722.12	-4699.23	-4761.44	-5050.53	-5824.15	-7990.18	-7474.58	-8360.30
b) SERVICES	-80.26	-86.86	46.69	-58.09	-38.51	-1.24	-99.72	-214.63	-262.41	-208.68
c) INCOME	1139.82	1422.91	1544.08	1391.83	1493.43	1563.55	1507.72	1698.13	1874.36	1949.58
Labour income	1213.03	1390.21	1472.72	1409.56	1473.53	1553.81	1555.30	1712.81	1868.07	2006.88
Other	-73.21	32.70	71.36	-17.73	19.90	9.74	-47.58	-14.68	6.29	39.72
d) CURRENT TRANSFERS	761.85	804.19	931.68	842.17	903.03	936.11	1152.86	1277.72	1283.56	1596.96
Government, net	749.04	792.58	921.40	826.39	891.46	919.84	1121.82	1241.21	1221.41	1538.00
SACU non-duty receipts	599.52	682.62	804.25	709.84	792.76	803.22	1016.99	1097.22	1081.79	1396.26
Other	149.52	109.96	117.15	116.55	98.70	116.62	104.83	143.99	139.62	141.74
Other sectors	12.81	11.61	10.28	15.78	11.57	16.27	31.04	36.51	62.15	58.96
II CAPITAL AND FINANCIAL ACCOUNT	1426.50	1699.85	1672.26	1595.84	922.70	773.58	924.57	1176.76	929.53	611.66
e) CAPITAL ACCOUNT	158.32	194.20	206.10	122.60	92.90	150.70	138.00	247.10	208.10	216.30
f) FINANCIAL ACCOUNT	1268.18	1505.65	1466.16	1473.24	829.80	622.89	786.57	929.66	721.43	395.36
Special Financing - LHWP	913.64	1107.40	1093.78	1303.13	798.23	608.12	772.23	595.70	552.26	457.16
III RESERVE ASSETS	-346.87	-487.40	-626.38	-589.10	285.73	-92.00	1637.18	-1278.78	516.99	-10.61
IV ERRORS AND OMISSIONS	73.03	-13.82	253.42	103.72	142.10	84.68	39.73	-26.16	21.94	53.29
V VALUATION ADJUSTMENT	21.72	152.00	-3.61	303.26	-1.12	328.80	1510.20	-940.31	-446.76	-165.09

Table 20(b)

QUARTERLY BALANCE OF PAYMENTS
(Million Maloti)

	QI	QII	QIII	2003 QIV	QI	QII	QIII	2004 QIV	QI*	2005 QII+
I CURRENT ACCOUNT	-241.56	-252.62	-373.64	-153.88	-137.81	-40.91	-214.60	-95.93	19.74	-228.23
Goods, Services and Income	-567.33	-618.43	-674.66	-444.84	-470.84	-476.77	-639.92	-498.68	-457.65	-657.37
a) GOODS	-968.89	-1033.12	-1037.62	-876.58	-882.31	-869.73	-1123.20	-951.87	-913.96	-1077.41
Merchandise exports f.o.b.	824.89	801.74	1011.68	919.06	877.92	996.92	1402.19	1256.15	920.31	1060.65
Merchandise imports f.o.b.	-1794.78	-1834.86	-2049.19	-1795.64	-1760.23	-1866.65	-2525.39	-2525.39	-1811.68	-2138.06
b) SERVICES	-50.31	-60.83	-94.00	-57.27	-69.15	-42.83	-46.97	-49.72	-43.52	-61.55
c) INCOME	452.87	475.52	456.96	489.01	480.63	435.79	530.25	502.91	499.83	481.59
Labour income	448.11	453.51	450.92	515.53	515.89	491.14	501.88	497.97	475.76	461.69
Other	4.76	22.01	6.04	-26.52	-35.26	-55.35	28.37	4.94	24.07	19.90
d) CURRENT TRANSFERS	325.77	365.81	301.02	290.96	333.03	435.86	425.32	402.75	477.39	429.14
Government, net	309.68	353.89	281.65	276.19	321.78	406.62	416.65	393.55	473.19	409.13
SACU non-duty receipts	286.66	272.74	265.90	256.49	245.59	386.50	381.26	382.91	383.14	394.46
Other	23.02	81.15	15.75	19.70	76.19	19.52	35.39	10.64	90.05	14.67
Other sectors	16.09	11.92	19.37	14.77	11.25	29.84	8.67	9.20	4.20	20.01
II CAPITAL AND FINANCIAL ACCOUNT	137.71	319.29	155.52	317.03	-23.53	240.58	170.63	223.98	-11.14	312.55
e) CAPITAL ACCOUNT	69.80	46.10	39.50	52.70	39.50	60.60	92.20	24.00	54.60	68.20
f) FINANCIAL ACCOUNT	67.91	273.17	116.02	264.33	-63.03	179.98	78.43	199.98	-65.74	244.35
Special Financing - LHWP	101.01	131.01	221.01	99.23	93.08	231.11	71.64	61.33	53.81	59.77
III RESERVE ASSETS	282.72	-0.82	391.66	-156.57	257.49	-251.39	-15.53	-1.18	-119.83	-94.55
IV ERRORS AND OMISSIONS	9.16	0.39	-5.00	17.39	22.67	14.64	15.17	0.81	5.22	10.02
V VALUATION ADJUSTMENT	-188.03	-66.22	-168.54	-23.97	-118.82	37.08	44.33	-127.68	106.01	0.21

Table 21

SUMMARY OF FOREIGN TRADE
(Million Maloti)

	IMPORTS F.O.B	EXPORTS F.O.B	TRADE BALANCE
1999			
Quarter II	1329.51	231.02	-1098.49
Quarter III	1244.28	304.63	-939.65
Quarter IV	1194.99	313.15	-881.84
2000			
Quarter I	1139.98	312.26	-827.72
Quarter II	1262.20	338.32	-923.88
Quarter III	1256.95	408.78	-848.17
Quarter IV	1391.40	409.00	-982.40
2001			
Quarter I	1337.33	476.79	-860.54
Quarter II	1367.97	490.87	-877.10
Quarter III	1481.86	636.73	-845.13
Quarter IV	1636.99	821.58	-815.41
2002			
Quarter I	1971.46	850.97	-1020.49
Quarter II	1981.63	833.54	-1148.09
Quarter III	2082.44	1057.80	-1024.64
Quarter IV	2099.65	997.58	-1102.07
2003			
Quarter I	1794.78	824.89	-969.89
Quarter II	1834.86	801.74	-1033.12
Quarter III	2049.30	1011.68	-1037.62
Quarter IV	1795.64	919.06	-876.58
2004			
Quarter I	1760.23	877.92	-882.31
Quarter II	1866.65	996.92	-869.73
Quarter III	2525.39	1402.19	-1123.20
Quarter IV	2208.39	1256.15	-952.24
2005*			
Quarter I	1834.28	920.31	-913.97
Quarter II	2138.03	1060.65	-1077.41

Source : Customs and CBL estimates
* Provisional CBL estimates

Table 22

STATISTICS OF BASOTHO MNERS IN SOUTH AFRICA

	Average Number Employed	Average Earnings (1)	Deferred Pay (2)		Remittances Payments (3)	
			Maloti '000	% change on a year ago	Maloti '000	% change on a year ago
2000	64,907	30,131	151,414	3	87,441	-5
2001	61,412	32,030	152,877	1	102,797	18
2002	62,158	35,326	182,479	19	112,496	9
2003	61,416	38,513	208,450	14	118,333	5
2004	58,014	42,116	293,334	41	131,793	11
2001						
Q I	63,367	7,672	30,566	17	24,335	57
Q II	61,948	7,868	34,299	-29	23,041	-25
Q III	60,470	8,223	42,231	12	25,305	47
Q IV	59,861	8,267	45,781	16	30,116	26
2002						
Q I	61,307	8,471	40,561	33	25,360	4
Q II	61,745	8,794	43,078	26	22,858	-1
Q III	62,281	8,850	45,307	7	27,018	7
Q IV	63,298	9,211	53,533	17	37,260	24
2003						
Q I	62,397	9,076	47,387	17	29,696	17
Q II	61,305	9,282	50,486	17	28,081	23
Q III	60,536	9,615	57,311	26	26,897	0
Q IV	61,424	10,540	53,266	0	33,659	-10
2004						
Q I	61,525	10,385	50,017	6	29,800	0
Q II	61,529	10,522	50,394	0	29,646	6
Q III	52,643	10,639	122,882	114	33,780	25
Q IV	56,357	10,570	70,041	31	38,567	15
2005						
Q I	54,171	...	63,290	26	38,702	30
Q II	52,926	...	45,367	-9	41,870	41

(1) These figures are average earnings, including overtime payments, and repatriation allowances earned by workers in the mines.
Figures are supplied by South African Chamber of Mines.

(2) Deferred pay as shown in this table, represents miners' withdrawals from the Fund processed through recruiting agencies.

(3) These are part of miners' wages transferred to Lesotho through recruiting agencies.

