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I. Key Economic Events during the Third Quarter

(1) July: Revaluation of the Yuan against the US dollar

On 21 July 2005, the Central Bank of China announced a 2.1 per cent revaluation of the yuan (Chinese currency) against the US dollar. The yuan has been pegged to the US dollar at a fixed exchange rate of 8.28 yaun per dollar, since 1994. However, the policy came under scrutiny, which resulted in complaints from some of the US manufacturers and labour groups that the peg unfairly assisted Chinese exports. Thus, the US argued that the peg was responsible for its huge current account deficit, and. China moved the yuan to a managed float regime. This is likely to have detrimental effects on the competitiveness of Chinese export sector, especially the textile and apparel industry.

Although this move is modest, it could contribute positively to the Lesotho economy. Following the expiry of the Multi Fibre Agreement (MFA) in January 2005, the Lesotho's textile and clothing industry has been performing poorly due to, amongst others, competition from other low-cost producers, such as China. Therefore, the Chinese policy of changing their foreign exchange regime to a managed float is likely to boost the competitiveness of Lesotho's textile and clothing exports.

(2) July: Australia To Assist In The Easing Of Food Crisis In Africa

Lesotho is among some African countries that will benefit from US\$9 million contribution from Australia to the World Food Programme (WFP) in an effort to ease food shortage in several African countries. The Southern African region is experiencing a fourth consecutive year of drought and in this region, US\$4.5 million will be allocated to Lesotho, Malawi, Mozambique, Swaziland, Zambia and Zimbabwe. The other US\$4.5 million will be allocated to some countries¹ in Eastern African region.

In Lesotho, the Australian assistance will augment financial resources available to the Government for the delivery of services. This will thus lessen the fiscal burden on the Government and facilitate the implementation of its development programmes such as the National Aids Strategic Plan and the Poverty Reduction Strategy.

¹ Eritrea, Ethiopia and Uganda.

(3) July: Government of Lesotho (GoL) Signs an Agreement of Corporation with International Finance Corporation (IFC)

The GoL and the IFC have signed an agreement through which IFC will assist the GoL with the design and implementation of a public-private partnership (PPP) for building a referral hospital. The latter will replace the old Queen Elizabeth II Hospital.

The building of a new hospital will benefit the economy by adding to gross fixed capital formation and hence economic growth. It will also reduce Government's burden of transporting patients to South Africa, which sometimes puts patients at risk because of distance, if they are in need of immediate medical attention. Therefore, the proposed hospital is likely to cut the service lag. However, it is noted that the benefit of the infrastructure has to be weighed against the risk of a loan guarantee for private sector, which the GoL will have to provide in the envisaged PPP.

(4) September: Revision of Minimum Wages

The Minister of Employment and Labour presented the Labour Code Wages Order, 2005, which contains the revised statutory minimum wages before the National Assembly on September 29, 2005. The new minimum wages for the different economic sectors have been increased by between 2.5 and 12.0 per cent in line with inflation and productivity by each sector during the previous year. The general minimum wage has been set at M673.00, which represents a 3.5 per cent increase from the previous year. The revised wages would be effective from October 01, 2005. Even though minimum wages have been set, employees are free to negotiate further wage adjustments through collective bargaining, based on productivity.

Since the increase was calculated taking sectoral performances into consideration, it is not expected to result in the retrenchment of workers. The wage increase is expected to, at least, maintain the purchasing power of minimum wage earners, which would otherwise be eroded as consumer prices have increased.

(5) September: Lesotho Highlands Water Project (LHWP) Phase II Feasibility Study Launched

The GoL and the SA Government signed an agreement on 23rd September this year for a two year feasibility study of Phase II of the LHWP worth M48 million. The purpose of the study is to provide a road map for possible implementation of this phase and avoid mistakes that were experienced during the construction of Phase I. If implemented, Phase II is expected to consist of construction of a

storage dam of about 170 metres high at Mashai, a pumping station, and a 19 km long conveyance between Mashai and Katse reservoirs and take 13 years to complete. The study is indeed a prelude to important economic activities that would shower from the project, as the implementation of this phase would have a number of positive spill-over effects on the economy of Lesotho.

Although the construction of Phase II may have social and environmental costs on affected communities, it is expected to have significant benefits as well. There may be costs associated with loss of arable and grazing land, as well as possible relocation of some communities. However, the project has potential to improve infrastructure, in the form of additional power and telecommunication lines and construction of new roads to connect project areas. Furthermore, construction of Phase II would considerably benefit Lesotho's balance of payments (BOP) position, due to capital inflows to fund the project. In addition, job opportunities would be created with attendant skills development for Basotho. Moreover, over the long term, the project development areas would have potential to promote tourism and strengthen participation of the local Small, Micro and Medium Size Enterprises (SMMEs). Overall, the construction of Phase II has prospects for accelerating the growth of the economy of Lesotho.

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 4.3 and 1.3 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 further to close the review quarter at 3.75 per cent compared with 3.25 per cent at the end of the previous 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.

The overall economic performance in the US looked positive during the review quarter. The US economy grew further in the third quarter of 2005. Preliminary estimates indicate that GDP in the US registered an annual growth rate of 3.8 per cent during the third quarter compared with 3.3 per cent in the previous quarter. This acceleration resulted

from a higher increase of 3.9 per cent in consumer spending compared with 3.4 per cent in the previous quarter. Government spending also rose by 7.7 per cent compared with 2.4 per cent in the second quarter. The impact of both consumer and government spending outweighed the negative impact of the deceleration in business investment, which increased by 6.2 per cent compared with 8.8 per cent registered in the previous quarter. The Conference Board's index of leading indicators declined during the quarter under review. This index fell by 0.3 per cent mainly indicating the negative impact of the hurricanes that hit the Gulf Coast region of the US during the review quarter. On the labour market front, the unemployment rate increased slightly to 5.1 per cent at the end of the review quarter compared with 5.0 per cent registered at the end of the previous quarter as a result of layoffs caused by the impact of hurricanes. Inflation increased during the review quarter, as a result of the surge in oil prices. The consumer price index rose at an annualised quarter to quarter rate of 4.7 per cent in September compared with 3.5 per cent registered in June.

Lesotho has strong trade links with the US. At least 60.0 per cent of the country'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 could boost demand for Lesotho's exports in the US.

Euro-zone²

The euro remained weak during the review period and, on the average, depreciated by 4.1 per cent against the US dollar. The depreciation of the euro could be attributed mainly to the relatively weak economic performance and low interest rates in the Euro area compared to the US. In addition, the sluggish economic activity reduced investor confidence in the Euro zone. These factors continued to lower the demand for euros and thus its foreign exchange value.

As already indicated, the economic performance of the Euro zone was generally weak during the review quarter. However, industrial production, seasonally adjusted, showed some recovery during the first two months of the quarter. It increased by an annual rate of 0.5 and 2.6 per cent in July and August, respectively. As a result, unemployment improved slightly to 8.4 per cent in September from 8.8 per cent at the end of the previous quarter. The annual rate of inflation in the Euro-zone, as measured by changes in the Harmonised Index of Consumer Prices (HICP) closed the review

² Euro-zone comprises of Austria, Belgium, Germany, Greece, Finland, France, Ireland, Italy, Luxembourg, Netherlands, Portugal and Spain.

quarter at 3.8 per cent compared with 3.2 per cent recorded at the end of the previous quarter. This was attributable to the increase in oil prices, which exerted upward pressure on transport and energy costs.

Movements of the euro against other major currencies tend to be positively correlated with fluctuations in the foreign exchange value of the rand, due mainly to close trade relations between SA and the European Union. Similarly, improvement in the Euro zone's labour market could boost SA's exports and, in the long run, the exchange rate of the rand. At the same time, the low and constant inflation could exert downward pressure on SA's imported inflation.

South Africa

Gold production in SA declined during the first two months of the review quarter. On an annual basis, gold production fell by 12.0 and 21.5 per cent in July and August, respectively. Although the rand has on average depreciated during the past nine months, 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 2001 to 2004. The situation could have been exacerbated by the strike that workers in the gold mining sector went on during the month of August. The workers were demanding a wage increase of 12.0 per cent against 2.5 per cent that the Chamber of Mines was offering. The strike ended after 4 days when the workers accepted the revised offer of between 6.0 and 7.0 per cent. In addition, they would also be paid a living out allowance of M1000.00 and their provident fund would be revised such that contributions by both employers and workers would be increased.

The South African Reserve Bank (SARB) Monetary Policy Committee (MPC) left the repo rate unchanged at 7.0 per cent and as such the prime lending rate closed the quarter at 10.5 per cent. While inflation remained within the SA target band, the MPC noted with concern the deterioration in the inflation outlook as a result of the increase in oil prices.

The CPIX, which is the consumer price index (CPI) excluding interest rates on mortgage bonds, grew at an annualised quarter to quarter rate of 4.7 per cent in September compared with 3.5 per cent in June. The observed increase in the CPIX during the quarter under review was mainly due to relatively large annual increases in the price indices for transport, food, housing (excluding interest rates on mortgage bonds), medical care and health expenses, household operations and education. These annual increases were slightly counteracted by a decrease in the price index of clothing and footwear.

Producer inflation, as measured by changes in the producer price index (PPI), rose by an annualised quarter to quarter rate of 4.6 per cent in September against 2.3 per cent in June. The acceleration emanated from both the imported and the domestically generated producer inflation. On an annual basis, imported producer price inflation accelerated from 3.4 per cent in June to 6.8 per cent in September. The acceleration was due to relatively large annual increases in the price indices of mining and quarrying, chemicals and chemical products; and basic metals. The domestic producer inflation rose from 1.9 per cent in June to 3.8 per cent during the review quarter. The acceleration was mainly due to annual increases in the price indices of petroleum and coal products, and basic metals.

Developments in SA during the quarter have mixed implications for Lesotho. 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. The negative performance of this sector could have resulted in retrenchments of some workers during the quarter, hence the 1.8 per cent decline in the number of Basotho workers in SA mines during the review quarter.

Commodity prices

Gold

The average price of gold increased by 2.9 per cent during the third quarter. It increased marginally from \$427.75 an ounce in the second quarter to \$440.02 an ounce during the review quarter. In rand terms, the average price of gold increased by 4.6 per cent from R2,737.99 per ounce in the previous quarter to R2,864.49 in the quarter under review.

The increase in the price of gold bodes well for the SA mining sector and employment prospects for Lesotho. This is because it could offset the impact of the increase in oil prices, which is an input for the SA mining sector, on the sector's production costs. In addition, 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 third quarter. On average, it rose at a higher rate of 14.3 per cent in the quarter under review compared with 11.6 per cent in the previous quarter. It grew from \$49.33 per barrel in the previous quarter to \$56.39 in the quarter under review. The persistent tensions in the Middle East coupled with the expansion in oil consumption in China and India continued to be the main reasons for the soaring of oil prices. The upward pressure that these two factors continued to exert on oil prices was exacerbated by disturbances on oil supplies as a result of unfavourable weather conditions in the Gulf of Mexico. Infrastructure in some of the oil refineries in the Gulf of Mexico were damaged by the hurricanes, which disrupted oil production. In maloti terms, the average price of oil increased by 29.8 per cent from M282.90 per barrel in the previous quarter to M367.10 a barrel in the review quarter.

The increase in international oil prices poses a threat to overall price developments in Lesotho. It resulted in two upward revisions of prices of fuel in the country during the review quarter. The prices of petrol, diesel and illuminating paraffin increased by 8.4, 8.1 and 12.8 per cent, respectively in August. The prices rose further by 4.6, 4.5 and 4.8 per cent for petrol, diesel and paraffin respectively in September.

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 the economy. During the third quarter of 2005, the various indicators reflected mixed signals. Employment in manufacturing sub-sector, a key indicator of manufacturing activity showed a decline of 1.8 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 3.2 per cent in the quarter under review compared with an 8.3 per cent fall observed in the previous quarter.

The number of permits issued, a proxy for building and construction activity, decreased by a seasonally adjusted 11.3 per cent following a 54.7 per cent rise registered in the previous quarter. The number of imported motor vehicles, also a measure of fixed capital formation, fell by a seasonally adjusted 138.5 per cent compared with 3.5 per cent drop realised in the previous quarter. The total number of calls to other countries is used as an indicator of the performance of the

export sub-sector. The number of calls fell by 12.4 per cent in the review quarter thus reflecting deterioration in the sub-sector.

Inflation

At the end of August 2005, inflation grew by 2.9 per cent compared with 3.1 per cent in June. Despite remaining largely under control, inflation was expected to accelerate in September 2005, on account of pressure from oil price increases.

Employment

The employment level by the Lesotho National Development Corporation (LNDC) assisted manufacturing companies declined by 1.4 per cent during the quarter under review. This rate of decline was slightly lower than that observed in the previous quarter, which could be a sign of stabilisation after the shock associated with closure of some firms during the first two quarters of the year.

Government employment has increased by 0.5 per cent, influenced mainly by growth in both the general civil servants and number of teachers. The increase in the number of teachers was consistent with the implementation of Free Primary Education policy adopted by Government since 2000.

The number of migrant mineworkers in SA maintained a downward trend since the beginning of the year. It was estimated that it decreased from 52,926 in the second quarter to 51,989 during the quarter under review. This has been blamed largely on problems associated with the loss of competitiveness by the sector.

Monetary Sector

Money supply (M2) rose by 9.6 per cent on quarterly basis in contrast to a decrease of 5.3 per cent recorded at the end of the previous quarter. On an annual basis, M2 grew by 2.8 per cent against a 1.4 per cent decrease recorded in June. The increase in M2 was driven by growth in both the banking sector's net foreign assets and domestic credit.

In line with regional developments, the prime lending rate in Lesotho retained its previous quarter's level of 11.50 percent. Meanwhile, the 91 day treasury bill declined by 81 basis points from its level in June 2005 to 6.89 per cent in September. At this level, it was below its South African counterpart by 10 basis points.

Fiscal position

The preliminary estimates on the outturn of government budgetary operations portrayed an overall surplus during the period under review. As percentage of GDP the surplus was estimated at 6.9 per cent in contrast to a deficit equivalent to 1.6 per cent realised in the previous quarter. The surplus slightly dropped to 6.3 per cent of GDP when grants were excluded. This surplus was attributable to increased government revenue while expenditure fell by 4.8 per cent.

Total public debt dropped by 4.6 per cent during the review period. This was mainly due to a 6.3 per cent reduction in external debt. As a ratio of GDP, the total debt stock stood at 48.9 per cent.

Balance of Payments

The balance of payments position worsened in the third quarter of 2005. The overall balance recorded a seasonally adjusted deficit of M28.1 million compared with a seasonally adjusted surplus of M92.5 million in the second quarter. Gross reserves declined by 1.3 per cent, reducing the imports coverage from 4.9 to 4.8 months. The worsening in the external sector position was driven primarily by net capital and financial flows, which, excluding the LHWP, declined from a surplus of M187.9 million in the second quarter to a deficit of M102.54 million during the review quarter. The capital and financial account was weakened by increased repayments on official loans during the quarter.

IV. Economic Indicators

Manufacturing Output

Manufacturing sub-sector is still the pillar of economic growth in Lesotho. Although its contribution to GDP has been deteriorating in recent years, it still remains the largest formal sector employer in the economy. It comprises textile and clothing, food and beverages, leather and footwear and all other manufacturing industries.

The textile and clothing production index increased by an estimated 28.5 per cent at the end June 2005 compared with 31.6 per cent rise observed in March 2005. The slow-down in output by the textile and clothing industry continued to partially reflect the impact of the phasing out of the quota system under the MFA of the World Trade Organisation in January 2005. Since the expiry of the MFA, competition has intensified from other low-cost producers, such as China and India, against Lesotho's textile and clothing exports.

The food and beverages production index dropped by an estimated 3.6 per cent in the second quarter of 2005 compared with 3.2 per cent decrease realised at the end of March. This was in line with the drop in consumption of water by the industrial sub-sector. The leather and footwear production index dropped by about 19.4 per cent at the end of June 2005 as against a 19.6 per cent decline recorded in March. This industry has been performing poorly since 2003. The production index of all other manufacturing industries expanded by an estimated 35.9 per cent in June 2005, compared with 38.8 per cent rise observed in March.

MANUFACTURING OUTPUT 2003 - 2005

Industry	% Change in production volume index						
	2003	2004				2005	
	QIV	QI	QII	QIII	QIV	QI	QII*
Food and Beverages	1.3	17.9	17.4	0.8	-2.8	-3.2	-3.6
Textiles and Clothing	-24.6	24.1	38.7	29.7	34.7	31.6	28.5
Leather and Footwear	-21.1	-8.9	-32.4	-23.5	-19.8	-19.6	-19.4
All other Manufacturing	-28.1	6.7	56.7	52.8	41.7	38.8	35.9

Source: Bureau of Statistics,
* denotes estimates

Household and Business Sector Housing Statistics

The number and value of building permits is used as a general indicator of activity in the construction sub-sector, in the absence of quarterly building and construction statistics. The number of building permits, adjusted for seasonality changes, fell by 11.3 per cent in the third quarter of 2005, in contrast to a 54.7 per cent rise realised in the previous quarter. The quarterly decrease was mostly accounted for by building permits for commercial purposes. Thus, the fall in the

number of permits approved was reflective of the lethargic performance in the construction sub-sector, which might have a detrimental effect on the overall economy. However on annual basis, building permits increased by 25 per cent.

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

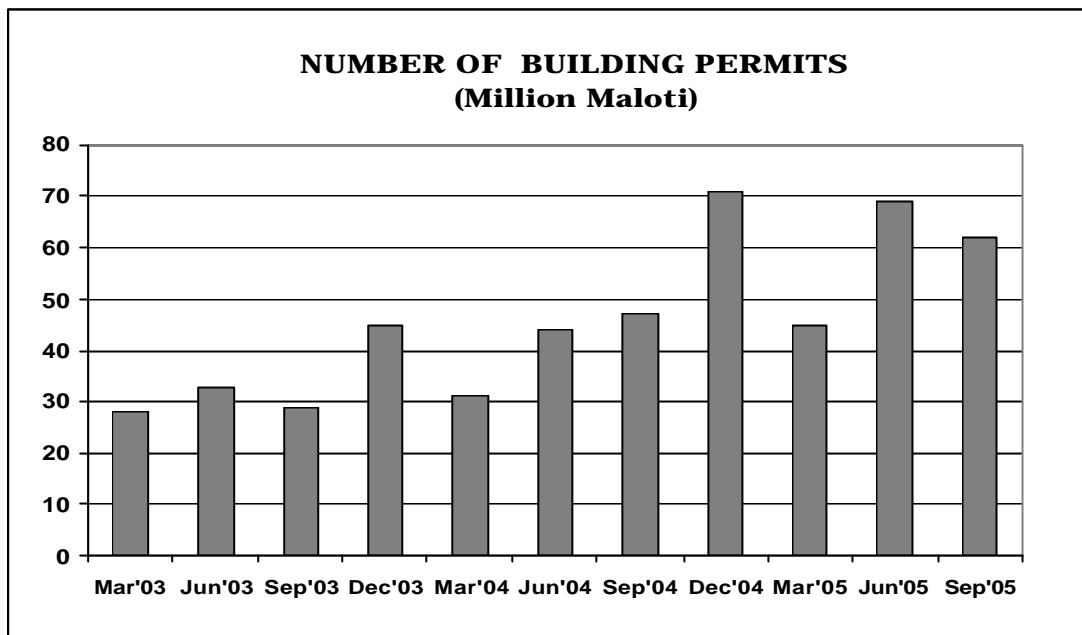
Type	Permits	2004			2005		
		QII	QIII	QIV	QI	QII	QIII
Residential	Value	8.13	11.51	17.28	8.49	8.27	11.93
	Number	33	40	58	37	49	61
Commercial	Value	1.91	2.73	0.65	6.50	1.14	0.00
	Number	4	3	4	3	5	0
Other	Value	10.35	6.65	1.49	3.44	22.87	1.38
	Number	9	5	5	4	18	3
Total	Value	20.39	20.89	19.42	18.43	32.28	13.31
	Number	46	48	67	44	72	64
	Number*	44	47	71	45	69	62

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.

(2) Number* denotes seasonally adjusted

Figure 1



Imported Motor Vehicles

Data on imports of motor vehicles by both the private sector and Government is used as an indicator of fixed capital formation. Imports of motor vehicles dropped in the third quarter of 2005. On a quarterly basis, the number of imported motor vehicles decreased by a seasonally adjusted 138.5 per cent in contrast with a 26.1 per cent rise observed in the previous quarter. Significant decreases were observed in cars, and vans and trucks. The total number of imported motor vehicles fell by 150.3 per cent on annual basis, thus reflecting sluggish economic activity. However, the decline in motor vehicle imports contrasted with the 7.8 per cent rise in credit extended to the private sector.

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*								682
	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*								440
	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*								460
	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*								357
	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*								406
	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*								1011
	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*								700
	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*								658
	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*								829
	Number	359	358	9	35	4	13	6	784
III	Value	7.81	17.73	0.02	0.16	0.55	0.12	0.38	53.88
	Number*								585
	Number	162	176	2	12	12	8	12	382

Source: Imperial Fleet Services Lesotho and Customs Department

(1) Number* denotes seasonally adjusted

Water Consumption

Water usage by the industrial sector serves as one of the indicators of activity within the Lesotho manufacturing sub-sector. The dominant industries in the manufacturing sub-sector are the textile and clothing, food and beverages industries, which are heavily reliant on water usage. In the third quarter of 2005, the units of water consumed by the 'wet' industries maintained a downward trend and fell by 3.2 per cent on seasonally adjusted terms. This compared with a drop of 8.3 per cent that was realised in June 2005. On an annual basis, water consumption by the wet industries fell by 13.6 per cent.

The fall in water consumption on both quarterly and annual bases reflected, in part, the new tariff structure that was effected earlier during the year. The decline in water consumption by the 'wet' industries could be attributed to a slowdown in the performance of the textile and clothing industries since the beginning of the year. However, overall consumption of water rose by 2.9 per cent quarterly compared with 1.9 per cent growth realised in the previous quarter. Year-on-year, it increased by 2.5 per cent. The observed overall increase was driven by the rise in water consumption for domestic purposes.

WATER CONSUMPTION

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

Quarter		Domestic	Industrial	Other	Total
II	Units	0.79	1.08	0.64	2.51
	Value	2.70	4.08	2.46	9.24
	Units*	.....	0.97	.....	2.52
III	Units	0.73	1.12	0.61	2.46
	Value	2.45	4.24	2.35	9.04
	Units*	.....	1.06	.....	2.40
IV	Units	0.88	1.16	0.53	2.57
	Value	3.09	4.42	2.04	9.55
	Units*	.....	1.05	.....	2.59
2004					
I	Units	0.92	1.13	0.55	2.60
	Value	3.21	4.39	2.04	9.64
	Units*	.....	1.32	.....	2.56
II	Units	0.84	1.40	0.58	2.82
	Value	3.16	5.79	2.38	11.33
	Units*	.....	1.42	.....	2.93
III	Units	0.76	1.49	0.52	2.77
	Value	2.73	6.14	2.11	10.98
	Units*	.....	1.42	.....	2.70
IV	Units	0.95	1.44	0.54	2.93
	Value	3.66	5.88	2.24	11.78
	Units*	.....	1.30	.....	2.96
2005					
I	Units	0.95	1.20	0.53	2.68
	Value	3.69	4.97	2.20	10.86
	Units*	.....	1.40	.....	2.64
II	Units	0.79	1.36	0.61	2.76
	Value	3.07	6.05	2.59	11.71
	Units*	.....	1.29	.....	2.69
III	Units	0.80	1.38	0.57	2.75
	Value	3.07	6.14	2.53	11.74
	Units*	.....	1.25	.....	2.77

Source: Water and Sewerage Authority
 (1) Units* denotes seasonally adjusted

Telecommunications

The statistics on number of calls destined to SA and other foreign countries is used as an indicator of activity in the export sub-sector. During the quarter under review, the number of calls, adjusted for seasonal changes, decreased by 12.4 per cent in contrast with a 27.2 per cent increase registered in the previous quarter. The decrease was attributed to reductions in the number of calls destined to SA and other countries. This was in line with the observed decrease in exports as mentioned under the balance of payments section.

TELEPHONE TRAFFIC STATISTICS

		SA Outgoing Calls	International Calls	Total Calls
2004				
II	No. of calls (millions)	2.74	0.14	2.88
	No. of calls*	2.98	.....	3.12
	Total Duration (million)	4.68	0.46	5.14
	Nominal Value (million)	9.86	4.01	13.87
III	No. of calls (millions)	2.72	0.13	2.85
	No. of calls*	2.44	.....	2.58
	Total Duration (million)	4.85	0.43	5.28
	Nominal Value (million)	10.19	5.17	16.36
IV	No. of calls (millions)	3.06	0.12	3.18
	No. of calls*	2.91	.....	3.03
	Total Duration (million)	4.72	0.39	5.11
	Nominal Value (million)	9.91	3.26	13.71
2005				
I	No. of calls (millions)	2.68	0.09	2.77
	No. of calls*	2.93	.....	3.01
	Total Duration (million)	4.68	0.29	4.97
	Nominal Value (million)	9.82	2.60	12.42
II	No. of calls (millions)	3.43	0.11	3.54
	No. of calls*	3.73	.....	3.83
	Total Duration (million)	4.68	0.36	5.04
	Nominal Value (million)	8.88	2.98	11.86
III	No. of calls (millions)	3.19	0.12	3.31
	No. of calls*	3.25	0.10	3.15
	Total Duration (million)	4.53	0.35	4.88
	Nominal Value (million)	8.60	2.88	11.84

Source: Tele-Com Lesotho

(1) No. of calls* refers to number of calls that have been adjusted for seasonality.

V. Employment and Prices

Employment Developments

The level of employment by the manufacturing sub-sector has been declining since the beginning of the year. However, the rate at which employment in the sub-sector was falling seemed to be slowing down in the review quarter. Nonetheless, the decline was mainly an indication of continued weakness in the business activity and new sales orders.

Employment within the LNDC assisted companies declined by 1.4 per cent from 40,111 employees in the second quarter to 39,537 in the third quarter of 2005. In annual terms, employment decreased by 25.3 per cent.

The drop in employment was largely in line with an observed decrease in industrial water consumption, which is used as an indicator of activity in the manufacturing sub-sector. However, despite pressures on the competitiveness of the subsector, economic activity in manufacturing was expected to recover due mainly to strong demand in the US, although rising oil prices remained a risk factor.

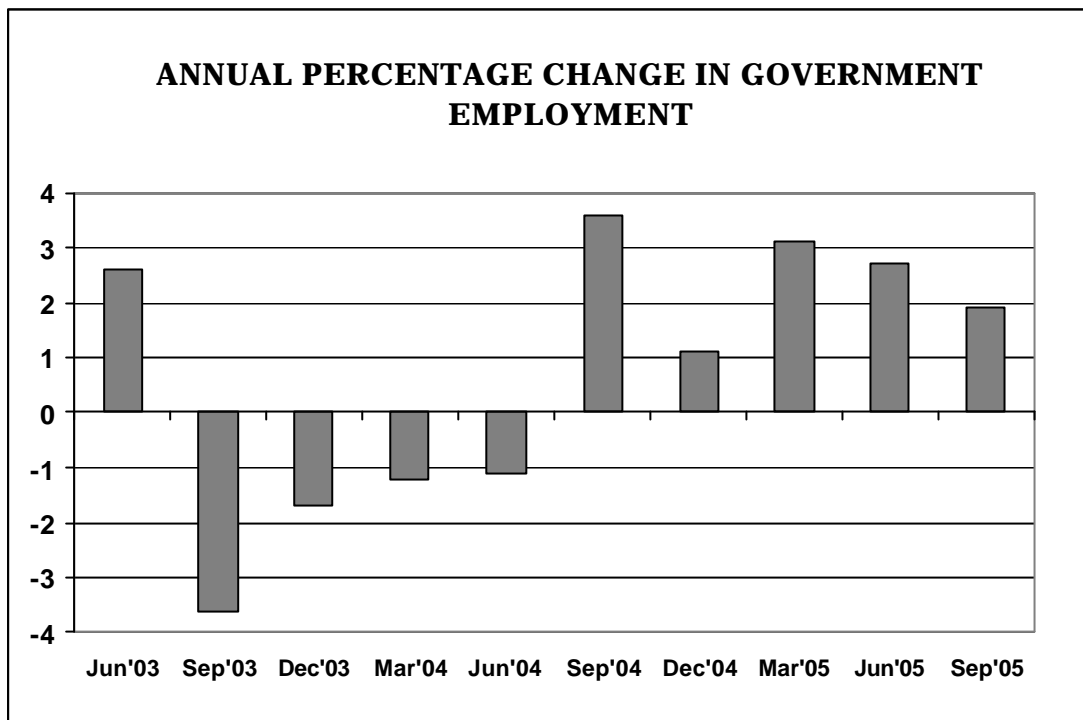
EMPLOYMENT TREND OF LNDC ASSISTED COMPANIES

	2004			2005		
	QII	QIII	QIV	QI	QII	QIII
No. of Employees	53525	52922	50607	41985	40111	39537

Source: LNDC

The employment level within the Government sector increased by 0.5 per cent during the review quarter. This was attributed mainly to growth in the number of teachers, coupled with a marginal increase in civil servants. Overall employment rose from 37,097 in the second quarter to 37,265 in September 2005. The increase in the number of teachers reflected the implementation of the Government's policy of Free Primary Education.

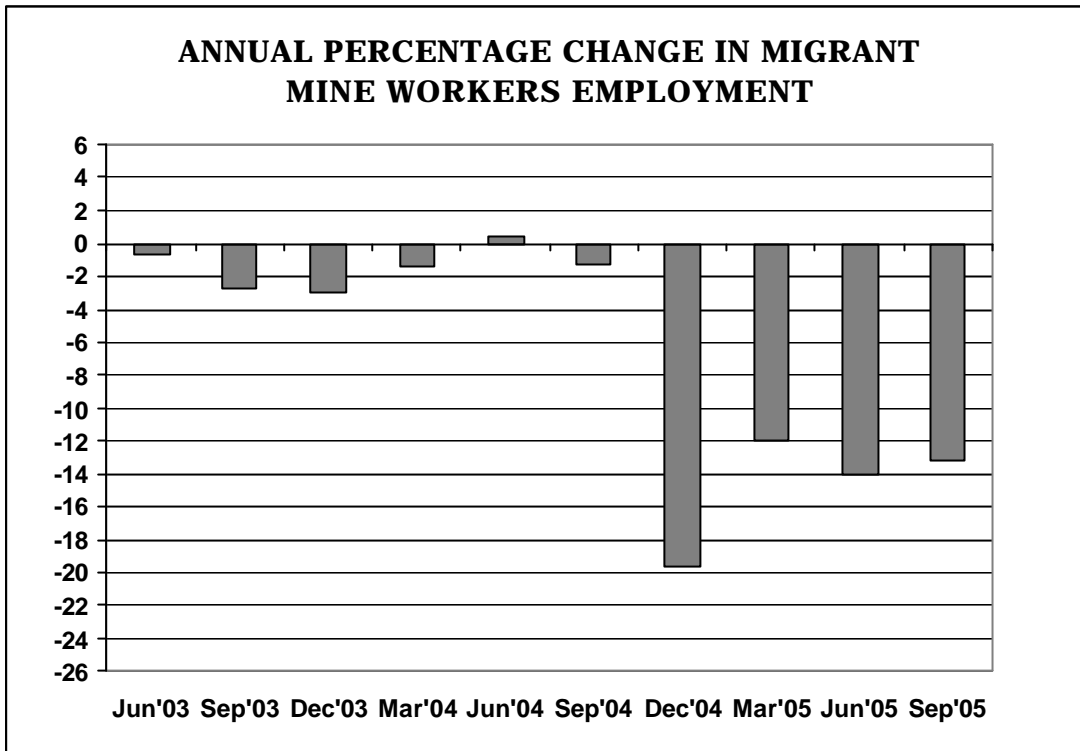
Figure 2



Migrant mineworker's numbers have been drifting downwards. The number of mineworkers for the period ending September 2005 was estimated at 51,989 from 52,926 registered in the second quarter, which was equivalent to a 1.8 per cent decline. This was also in line with the reported closure of some mining companies, coupled with the observed decrease in gold production during the first half of the year. However, platinum output increased and thus, to some extent, mitigated the impact of a decline in gold production.

However, as the majority of Basotho migrant workers in SA are employed in the gold mines, negative shocks to gold production could have severe implications for the Lesotho economy. In particular, this could reduce Basotho employment prospects in the SA mines, whose production costs have also been under pressure from persistent increases in the international oil prices.

Figure 3



Prices Developments

The rate of inflation, as measured by changes in CPI, was recorded at 2.9 for the period ending August 2005, compared with 3.1 per cent observed in June 2005. For the period under review, there has been divergence between rates of inflation in Lesotho and South Africa. This has been caused mainly by differences in the administered prices in both countries.

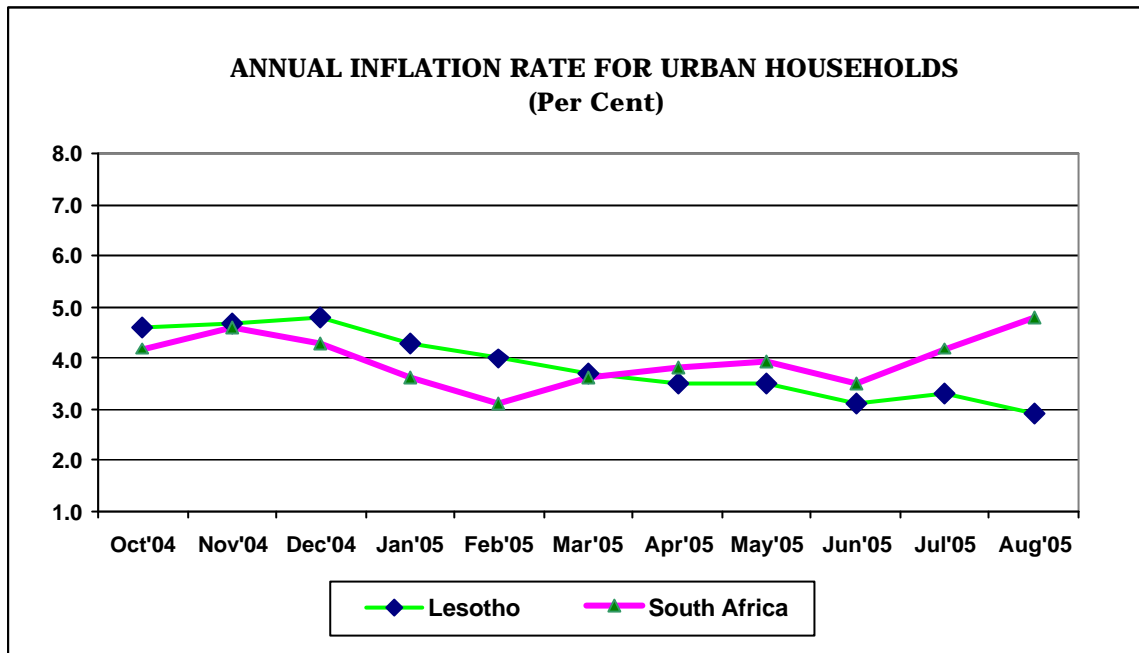
The observed growth in inflation remained largely under control. However, price increases were expected to somewhat accelerate in September 2005 due to continued rise in oil prices.

INFLATION RATE
(Annualised Percentage Change)
Base Period: 1997

	Weight	2005				
		Apr	May	Jun	Jul	Aug
All items	100.0	3.5	3.5	3.1	3.3	2.9
Food and non-alcoholic beverages	39.8	2.5	2.6	1.7	1.9	1.8
Alcoholic beverages & Tobacco	6.4	5.2	5.5	5.8	6.3	5.2
Clothing & footwear	15.6	3.0	2.9	3.3	3.5	3.6
Housing, electricity gas & other fuels	3.7	6.7	7.4	6.8	7.4	7.9
Furniture, households equipment & routine maintenance of house	17.0	2.6	2.4	1.8	1.9	2.5
Health	1.4	0.8	1.3	2.6	2.1	2.8
Transport	7.8	9.8	10.0	10.6	9.7	4.6
Communication	0.1	6.9	6.9	0.0	0.0	0.0
Leisure, entertainment & Culture	1.2	-0.5	-0.4	-0.7	0.1	0.1
Education	3.2	1.2	1.2	1.2	1.1	1.1
Restaurant & Hotels	0.4	2.3	2.3	3.7	4.7	4.8
Miscellaneous goods & services	3.2	3.5	3.5	3.2	2.9	2.8

Source: Bureau of Statistics, Lesotho

Figure 4



VI. Balance of Payments (BOP)

Overview

Lesotho's BOP position deteriorated during the third quarter of 2005. The overall balance recorded a seasonally adjusted deficit of M28.1 million compared with a seasonally adjusted surplus of M92.6 million in the second quarter. The transactions balance, which represents the overall balance excluding the effects of currency fluctuations, was also lower, in seasonally adjusted terms, than in the previous quarter and recorded a deficit of M35.4 million compared with a surplus of M107.6 million in the second quarter. The worsening in the BOP position during the review period was reflected in the decrease in gross official reserves, from 4.9 months of import cover in the second quarter to 4.8 months.

The deceleration in the transactions balance reflected negative developments in the capital and financial account, which outweighed positive developments in the current account. The capital and financial account worsened from a net inflow of M247.7 million in the second quarter to a net outflow of M53.3 million during the review quarter. This was on the back of the increase in repayments of official loans from M114.9 million in the previous quarter to M179.6 million in the quarter under review. The current account, on the other hand, registered a surplus of M14.7 million following a deficit of M163.3 million in the previous quarter. This was mainly due to the narrowing of the trade deficit, as detailed in the following paragraphs. In

addition, current transfers, which had declined by 12.4 per cent in the previous quarter, increased by 22.7 per cent during the review quarter.

SUMMARY OF BALANCE OF PAYMENTS
(Million Maloti)

	2004		2005		
	QIII	QIV	QI	QII*	QIII+
I. CURRENT ACCOUNT	-214.60	-95.93	14.06	-163.31	14.71
<u>Goods, Services and Income</u>	-639.92	-498.68	-463.33	-581.70	-498.50
(a) GOODS	-1123.20	-951.87	-902.37	-990.51	-930.60
Merchandise exports f.o.b.	1402.19	1256.15	920.31	1060.65	1021.77
Merchandise imports f.o.b.	-2525.39	-2208.02	-1822.69	-2051.16	-1952.37
(b) SERVICES	-46.97	-49.72	-43.52	-76.40	-54.96
(c) INCOME	530.25	502.91	482.56	485.20	487.06
Labour	501.88	497.97	458.49	464.50	458.49
Other	28.37	4.94	24.07	20.7	28.57
(d) CURRENT TRANSFERS	425.32	402.75	477.39	418.39	513.20
Government, net	416.65	393.55	473.19	398.38	496.66
SACU non-duty receipts	381.26	382.91	383.14	394.46	497.7
Other	26.72	1.44	89.85	3.91	-16.87
Other Sectors	8.67	9.20	4.20	20.01	16.54
II. CAPITAL AND FINANCIAL ACCOUNT	170.63	223.98	-15.24	247.65	-53.30
(e) CAPITAL ACCOUNT	92.20	24.00	54.60	8.7	14.40
(f) FINANCIAL ACCOUNT	78.43	199.98	-69.84	238.95	-67.70
Special Financing - LHWP	71.64	61.33	53.81	59.77	49.24
III. RESERVE ASSETS	-15.53	-1.18	-119.83	-94.55	26.53
IV. ERRORS AND OMISSIONS	15.17	0.81	15.00	10.0	10.00
V. VALUATION ADJUSTMENT	44.33	-127.68	106.01	0.21	2.06

* Revised estimates
+ Preliminary estimates

Merchandise Trade

Exports

Merchandise exports declined during the review quarter. In seasonally adjusted terms, they decreased by 9.8 per cent following an increase of 16.1 per cent in the previous quarter. The decrease was driven mainly by relatively lower sales of diamonds during the review period. The value of diamond exports decreased by 58.3 per cent, from M228.9 million recorded in the second quarter, to M95.5 million during the review period. This resulted in a decline of 55.4 per cent in the 'manufactured goods' category of the Standard International Trade Classification (SITC), under which diamonds are captured. On an annual basis, exports declined by 27.1 per cent compared with an increase of 6.4 per cent in the previous quarter.

Imports

Merchandise imports, seasonally adjusted, increased by 0.4 per cent during the quarter under review, compared with the growth rate of 0.6 per cent in the previous quarter. In unadjusted terms, the value of imports declined by 20 percent and 2.6 per cent on annual and quarterly basis, respectively. A decline in imports could be attributed to, firstly, lower imports of private motor vehicles. Secondly, as explained under the government finance section, capital expenditure by Government declined by 6.1 per cent during the third quarter, which could have led to decreased demand for imported input factors.

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

COMMODITY	2004			2005		
	II	III	IV	I	II*	III+
0. Food & Live Animals	29.40	21.06	19.24	22.50	23.9	21.56
Cattle	3.13	3.15	3.13	2.13	2.22	1.83
Wheat Flour	7.15	6.65	5.72	8.97	9.72	6.64
Maize Meal	5.85	3.51	3.44	4.00	3.68	3.68
Other	13.27	7.75	6.95	7.40	8.29	8.95
1. Beverages & Tobacco	19.72	37.95	21.31	27.19	35.39	65.18
Beverages	19.72	37.95	21.31	27.19	35.39	65.18
2. Crude Materials	0.04	1.98	1.23	14.20	1.28	5.78
Wool	0.04	1.98	1.23	14.20	1.28	5.78
4. Chemicals	8.81	1.83	1.42	3.50	3.09	2.20
5. Manufactured Goods	12.83	233.06	329.16	153.23	236.21	105.36
6. Machinery & Transport Goods	42.12	68.80	68.94	64.80	58.23	92.21
7. Miscellaneous Manufactured Goods	880.17	1033.93	811.74	632.38	697.99	724.35
8. Unclassified Goods	3.83	3.46	3.10	2.36	4.34	5.13
TOTAL EXPORTS	996.92	1402.19	1256.15	920.31	1060.65	1021.77

Note: Totals may not tally due to rounding

* Revised estimates

+ Preliminary estimates

Direction of Trade

The US still remained the largest recipient of Lesotho's exports. The share of exports to the US increased, from 60.8 per cent in the previous quarter to 64.1 per cent during the review period. Africa, mainly SACU region, was the second largest consumer of Lesotho's exports at 19.4 per cent compared with 17.3 per cent in the last quarter. The share of exports to Europe declined from 21.8 per cent in June to 15.9 per cent in September 2005. This decline resulted mainly from the fall in the exports of diamonds, which are mainly destined to the European market. The proportion of exports to Asia, although increased, continued to remain negligible.

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

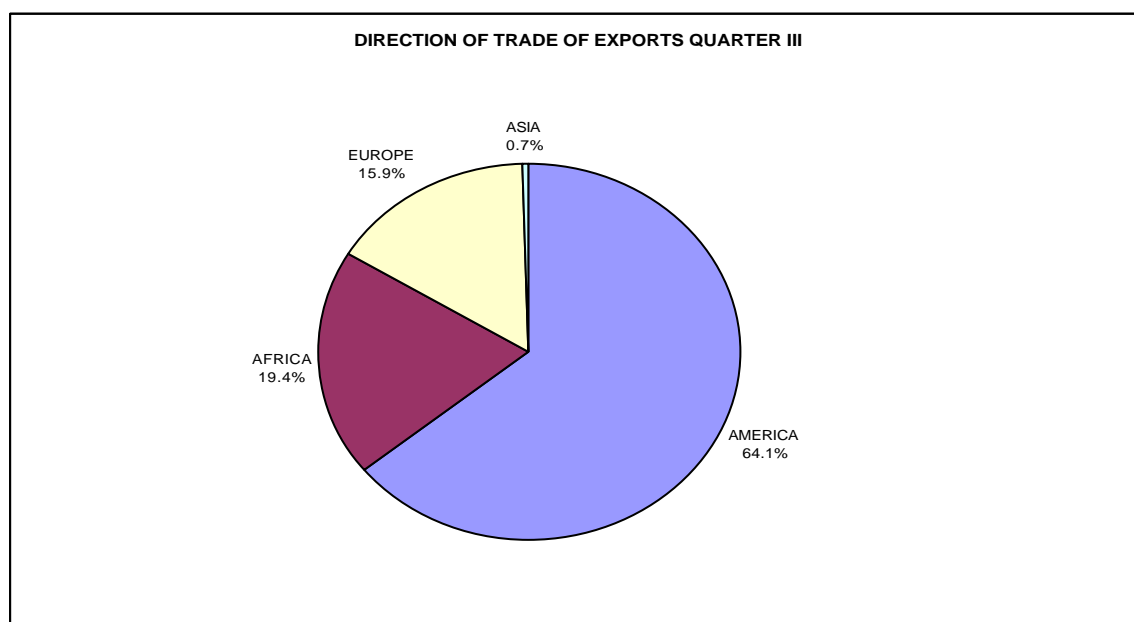
REGION	2004		2005					
	QIV AMOUNT	% SHARE	QI AMOUNT	% SHARE	QII* AMOUNT	% SHARE	QIII+ AMOUNT	% SHARE
World	1256.15	100	920.31	100	1060.7	100	1021.7	100
Africa	167.45	15.88	146.89	15.96	183.59	17.31	197.88	19.37
SACU	141.40	14.48	117.94	12.81	155.10	14.62	166.67	16.31
SADC	0.00	0.00	1.89	0.21	1.76	0.17	0.46	0.05
Other	13.60	1.40	27.06	2.94	26.73	2.52	30.80	3.01
Europe	79.33	8.13	147.73	16.05	231.46	21.82	161.98	15.85
EC	79.33	8.13	147.73	16.05	231.46	21.82	161.98	15.85
America	736.39	75.45	622.87	67.68	644.46	60.76	655.26	64.13
Asia	5.34	0.54	2.82	0.31	1.64	0.10	6.65	0.65

Note: Totals may not tally due to rounding

* Revised estimates

+Preliminary estimates

Figure 5



Labour Income

Labour income, seasonally adjusted, registered a decline of 3.6 per cent in the review quarter following that of 2.4 per cent in the previous quarter. In unadjusted terms, it fell by 1.5 per cent and 8.8 per cent on quarterly and annual basis, respectively. This decline could be attributed mainly to the recent decrease in miners' remittances. Although the average wage per worker remained high, the remittances maintained a downward trend, due to a decline in the number of mine workers as explained under the employment section of this report. During the review quarter, miners' remittances fell by 2.0 per cent following a decline of 2.3 per cent in the second quarter. Prospects for improvement of labour income, in the short to medium term, remained bleak, as the SA mining industry continued to face competitiveness challenges. The reduction in labour income does not augur well for Lesotho's current account of the BOP.

Investment Income

Inflows of investment income grew by 28.5 per cent in the quarter under review compared with a decline of 19.1 per cent in the previous quarter. This growth resulted largely from interest earnings by both the Central Bank and the commercial banks. Interest earned by CBL increased by 15.0 per cent from M44.8 million in the previous quarter to M51.5 million, while interest income earned by the commercial banks increased by 56.9 per cent. The overall growth in investment inflows was partly attributable to increases in global interest rates, particularly 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 rose by 24.2 per cent after falling by 21.2 per cent in the previous quarter. The observed increase arose mainly from a 39.0 per cent rise in interest payments on official loans, reflecting seasonal debt payment³ structure by the Government.

Travel

The country's travel receipts increased by 4.2 per cent during the review quarter compared with a decline of 19.7 per cent in the previous quarter. Growth in travel earnings in the review period continued to be driven mainly by personal expenditure by expatriates, which compensated for sluggish performance by tourism spending.

³ Most of the Government loans are repayable in July and January.

In the meantime, travel payments rose by 4.8 per cent following an increase of 3.1 per cent in the previous quarter. This resulted mainly from increased government expenditure on international subsistence allowance. In contrast, expenditures by Basotho students abroad, both government and private funded, remained largely unchanged.

Current Transfers

Net current transfers, seasonally adjusted, rose by 24.5 per cent during the review period compared with a decline of 9.5 per cent in the previous quarter. On annual basis, they rose by 20.5 per cent. The observed quarterly growth was largely a reflection of increased SACU non-duty receipts as a result of an adjustment payment of M107.3 million received during the quarter under review.

Capital and Financial Account

The capital and financial account worsened from a net inflow of M247.7million in the second quarter to a net outflow of M53.3 million during the quarter under review. Excluding the LHWP, the capital and financial account registered a deficit of M102.5 million from a surplus of M187.9 million in the review quarter. This was attributed mainly to increased official loan repayments, which rose from M114.9 million in June 2005 to M179.6 million in the review quarter. In addition, the deterioration resulted from the commercial banks' financial outflows. This was in line with the observed growth in commercial banks' foreign assets, as explained under the money and banking section.

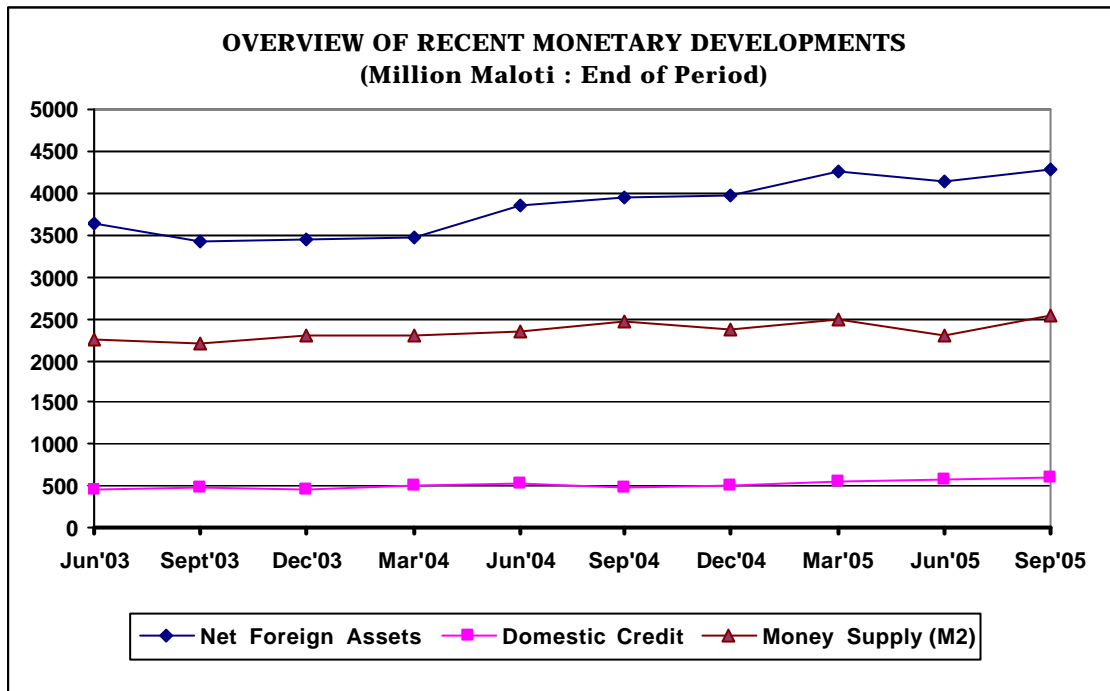
VII. Money and Banking

Money Supply

Determinants of Money Supply

At the end of September, the broad measure of money supply (M2) registered a quarterly increase of 9.6 per cent, in contrast with a decrease of 5.3 per cent registered at the end of June. On an annual basis, money supply rose by 2.8 per cent converse to a slowdown of 1.4 per cent reported at the end of the previous quarter. The rise in money supply was mainly driven by an increase in both net foreign assets adjusted for valuation changes during the period and domestic credit. The increase in broad money could exert inflationary pressure in the economy.

Figure 6



DETERMINANTS OF MONEY SUPPLY
(Million Maloti; Changes)

Determinants	2004			2005		
	Jun	Sep	Dec	Mar	Jun	Sep
Net foreign assets	378.5	180.7	-67.0	293.9	-115.3	144.8
Domestic credit	20.0	-42.0	32.3	44.7	9.7	32.1
To statutory bodies	7.4	-5.8	4.5	10.7	-8.3	-7.8
To private sector	12.6	-36.3	27.8	34.0	18.0	39.9
Other items, net	353.4	17.8	66.5	255.9	25.4	-46.6
Money Supply (M2)	45.1	120.8	-101.2	78.8	-130.9	223.5

Components of Money Supply

Money supply in Lesotho comprises narrow money (M1) and quasi money. The narrow money increased significantly by 16.0 per cent at the end of the review quarter in contrast to a decline of 10.8 per cent registered at the end of June. On the contrary, quasi money fell by 2.3 per cent in September against a 7.1 per cent rise recorded at the end

of the previous quarter. On the one hand, the increase in narrow money mostly reflected an 18.7 per cent rise in demand and call deposits. On the other hand, the fall in quasi money was largely due to a decline of 0.5 per cent and 4.6 per cent in savings and time deposits, respectively.

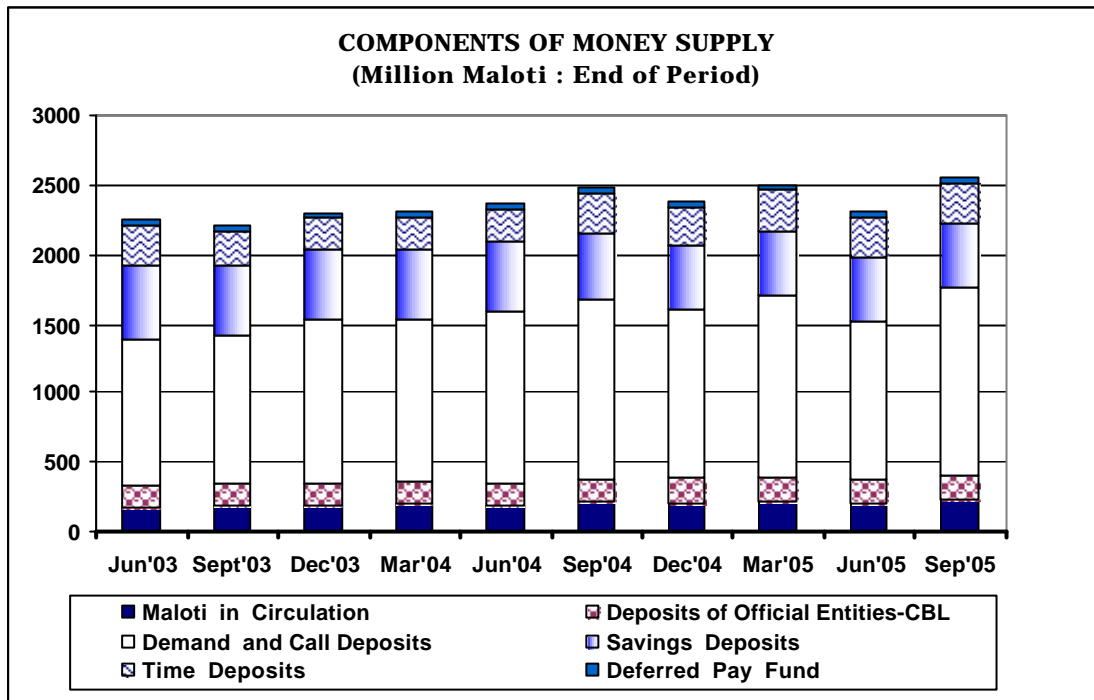
MONEY SUPPLY
(Million Maloti; End of Period)

	2004			2005		
	Jun	Sep	Dec	Mar	Jun	Sep
Money Supply (M2)	2353.5	2474.3	2373.0	2451.8	2320.9	2544.4
Money (M1)	1588.8	1662.6	1589.4	1698.4	1514.2	1756.1
Maloti with public Demand deposits ⁽¹⁾	189.7 1241.3	219.6 1283.9	204.5 1209.0	212.6 1308.9	202.5 1135.3	232.0 1347.4
Deposits of official Entities with CBL	157.9	159.0	175.9	176.9	176.4	176.7
Quasi-Money	764.6	811.7	783.6	753.4	806.7	788.3
Savings deposits	501.1	480.9	463.4	453.2	453.4	451.1
Time deposits	263.6	330.9	320.3	300.2	353.3	337.2

(1)- includes call deposits

NB: Totals may not tally due to rounding off

Figure 7



Commercial Banks' Deposits by Holder

Holders of total deposits comprised the private sector, statutory bodies, and migrant mineworkers' deferred pay fund. During the quarter under review, total deposits rose by 10.0 per cent in contrast to a 5.9 per cent decrease registered at the end of the previous quarter. From the table below, it can be observed that all components of total deposits increased in the review period. Private sector deposits grew by 8.0 per cent due to an increase of 16.5 per cent in demand and call deposits. In addition, deposits of the statutory bodies increased by 18.9 per cent following a marginal increase of 0.4 per cent reported at the end of the last quarter. Furthermore, deferred pay fund rose by 11.2 per cent compared with a 23.3 per cent increase registered at the end of June.

COMMERCIAL BANKS DEPOSITS BY HOLDER
(Million Maloti; End of Period)

	2004			2005		
	Jun	Sep	Dec	Mar	Jun	Sep
TOTAL DEPOSITS	1994.9	2084.4	1981.1	2050.3	1930.1	2123.7
Private Sector	1621.9	1698.9	1628.9	1672.1	1543.7	1667.1
Demand deposits	970.2	1027.6	968.4	1031.2	871.4	1014.8
Savings deposits	501.0	480.8	463.3	453.2	453.4	451.1
Time deposits	150.6	190.5	197.2	187.6	219.0	201.2
Statutory Bodies	338.0	337.5	313.3	348.5	349.7	415.9
Deferred Pay Fund	35.2	48.0	38.9	29.8	36.7	40.8

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 that enables banks to meet customers' cash withdrawals as well as maintain reasonable loan books. Should the ratio be too high, then that implies that banks prefer holdings of cash and near cash assets to extending credit.

The ratio went up slightly from 77.1 per cent in June to 78.6 per cent in September. It thus reflected 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 continued reluctance to extend credit.

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

COMPONENT	2004			2005		
	Jun	Sep	Dec	Mar	Jun	Sep
Maloti Notes and Coins	34.9	43.8	52.4	57.9	58.3	57.1
Rand Notes and Coins	8.2	7.2	7.7	10.5	9.4	9.1
Balances due from Lesotho Banks	345.5	410.1	616.4	824.6	606.3	793.6
Balances due from Foreign Banks	858.1	839.4	818.4	1127.1	974.5	1152.2
Clearing Balances with CBL	0.0	3.6	32.6	73.2	12.2	63.2
RSA Short-term Securities	0.0	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	435.1	467.9	427.7	196.6	374.8	386.2

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 attempt to channel deposits mobilised from surplus sectors in the economy to deficit sectors. The ratio worsened from 28.4 per cent in June to 27.2 per cent in September implying that banks extended relatively less credit in the latter period than in the former. More importantly, the ratio remained consistently low, which continued to indicate the banks' preference to hold liquid assets rather than extend credit.

CONSOLIDATED BALANCE SHEET OF COMMERCIAL BANKS
(Million Maloti; End of Period)

	2004			2005		
	Jun	Sep	Dec	Mar	Jun	Sep
Net foreign assets	1027.3	1146.7	1117.9	1306.2	1150.1	1310.3
Deposits with CBL	64.0	84.6	114.8	168.5	96.3	159.6
Credit:	1229.0	1046.1	1037.6	811.5	1000.8	1033.2
o/w: Statutory Bodies	53.5	47.7	52.2	62.8	54.5	46.7
Private Sector	451.0	414.2	442.0	475.4	493.1	531.3
Government:	724.5	584.5	543.4	273.2	453.2	455.2
o/w: Securities	722.7	582.5	542.4	272.3	452.5	454.5
Loans and Advances	1.8	2.0	1.1	1.0	0.6	0.7
ASSETS/LIABILITIES	2320.3	2356.8	2270.2	2282.2	2247.3	2503.2
Private sector deposits ⁽²⁾	1994.9	2084.4	1981.1	2050.3	1930.1	2123.7
Government deposits	58.4	57.9	57.8	87.5	77.1	140.4
Capital, reserves & other, net	267.0	214.8	231.3	148.2	240.1	239.1

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

Demand for Money

Domestic Credit

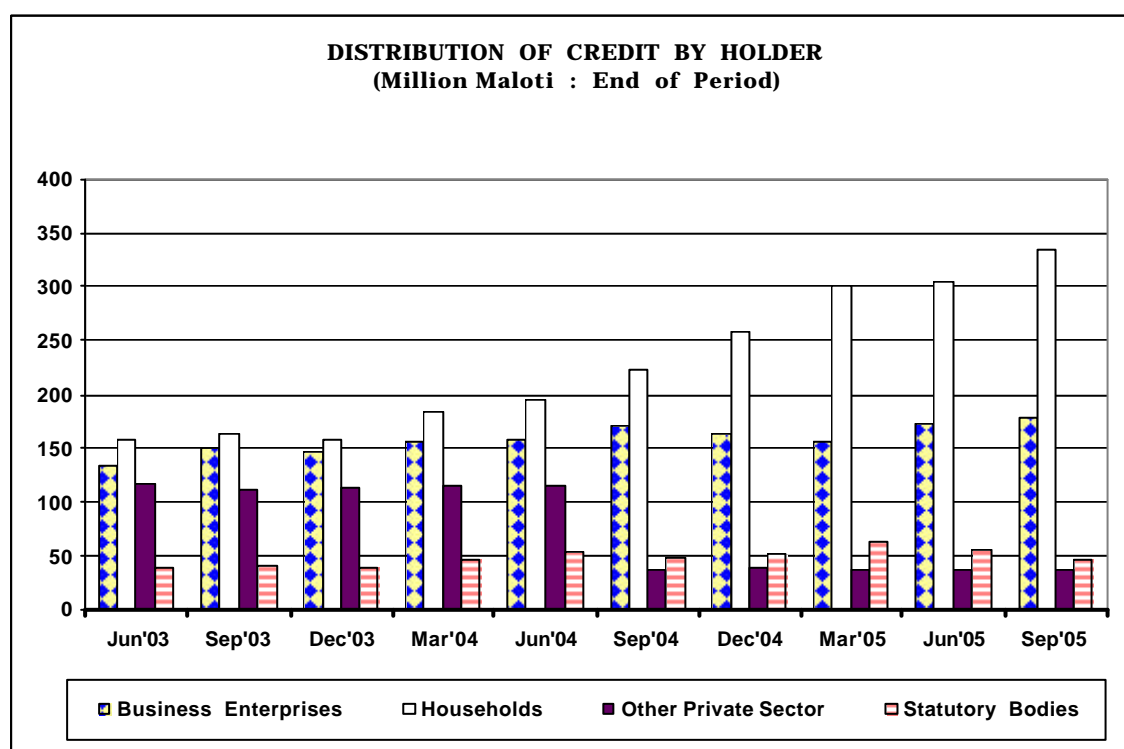
Domestic credit increased further by 5.7 per cent during the quarter under review following a 1.7 per cent growth recorded at the end of the previous quarter. The increase was mainly due to a rise in credit extended to the private sector, particularly the household, which counteracted the decrease in credit extended to statutory bodies. The private sector continued to benefit from the low cost of borrowing in the economy as a result of low interest rates. On an annual basis, domestic credit also maintained an upward trend and rose further by 24.8 per cent following an increase of 8.6 per cent registered at the end of June.

DOMESTIC CREDIT
(Million Maloti; End of Period)

	2004			2005		
	Jun	Sep	Dec	Mar	Jun	Sep
<u>DOMESTIC CREDIT</u>	520.2	478.2	510.4	555.1	564.8	596.9
Credit to private sector	466.7	430.5	458.3	492.3	510.3	550.2
Business enterprises*	158.1	170.7	162.7	155.5	171.1	179.1
Households	193.2	223.8	256.8	300.8	303.2	335.1
Others	115.4	36.0	38.8	36.0	36.0	36.0
Credit to statutory bodies	53.5	47.7	52.2	62.8	54.5	46.7

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

Figure 8



Credit to Private Sector

One of the important functions of financial intermediaries is to channel deposits into investments in order to propel economic growth. This investment creation is attained through extension of credit to the

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.

Credit to the private sector improved further by 7.8 per cent in September compared with a 3.7 per cent increase observed at the end of June. This rise resulted from an increase of 4.7 per cent in credit extended to businesses as well as a 10.5 per cent growth in credit extended to households. The relatively strong performance in credit extended to the private sector reflected lower borrowing costs as lending rates remained low during the review period. It also indicated the impact of the diversification in banking products as commercial banks introduced micro-loan schemes. Furthermore, it could imply that the banking sector's confidence in the private sector was recovering.

On an annual basis, private sector credit rose further by 27.8 per cent during the period under review compared with 9.4 per cent reported at the end of the second quarter. However, a large portion of the funds were granted to households. The share of credit to households in total private sector credit rose from 59.4 per cent in June to 60.9 per cent in September. Conversely, at the same time, the share of credit to business enterprises decreased marginally from 33.5 per cent to 32.6 per cent. This clearly indicated that households continued to overshadow businesses in terms of growth in credit extension. Such financial resource allocation – with a bias to household consumption as opposed to productive investment – would not have as much economic growth potential as it would otherwise have.

Credit to Statutory Bodies

Credit to statutory bodies was expected to continue to shrink as a result of the on-going privatisation process in the medium to long-term, as the size of the sector continued to diminish. Therefore, as expected, credit to official entities declined further by 14.4 per cent in September, following a decrease of 13.2 per cent recorded in June. In addition, credit to this sub sector declined by 2.1 per cent on an annual basis in contrast to a 1.9 per cent rise recorded at the end of June.

Sectoral Distribution of Credit to Business Enterprises and Statutory Bodies

The analysis of the distribution of credit provides a clear picture of which sectors in the economy benefit more from the pool of loanable

funds. Hence, depending on the contribution of each sector to GDP growth, the analysis reveals the extent of financial deepening in the economy. Total credit⁴ distributed to all business-oriented sectors of the economy, including official entities, fell marginally by 0.1 per cent in September as opposed to an increase of 3.4 per cent reported in June. The slowdown in total credit during the quarter under review was largely attributable to a fall in credit extended to the manufacturing and construction sub sectors.

Credit allocated to distributive services sub sector (made up of wholesale and retail trade) increased further by 10.4 per cent in September, following a rise of 104.0 per cent reported at the end of June. This could be a reflection of increased activity in this sub sector.

At the end of September, the manufacturing sub sector's allocation of credit decreased by 10.1 per cent in contrast to a significant 63.2 per cent rise registered in June. The decrease in credit to this sub sector reflected full settlement of loans by producers. Furthermore, the amount of credit granted to the construction sub sector fell by 4.6 per cent in September, following a 9.5 per cent decrease recorded in June.

SECTORAL DISTRIBUTION OF CREDIT TO ENTERPRISES

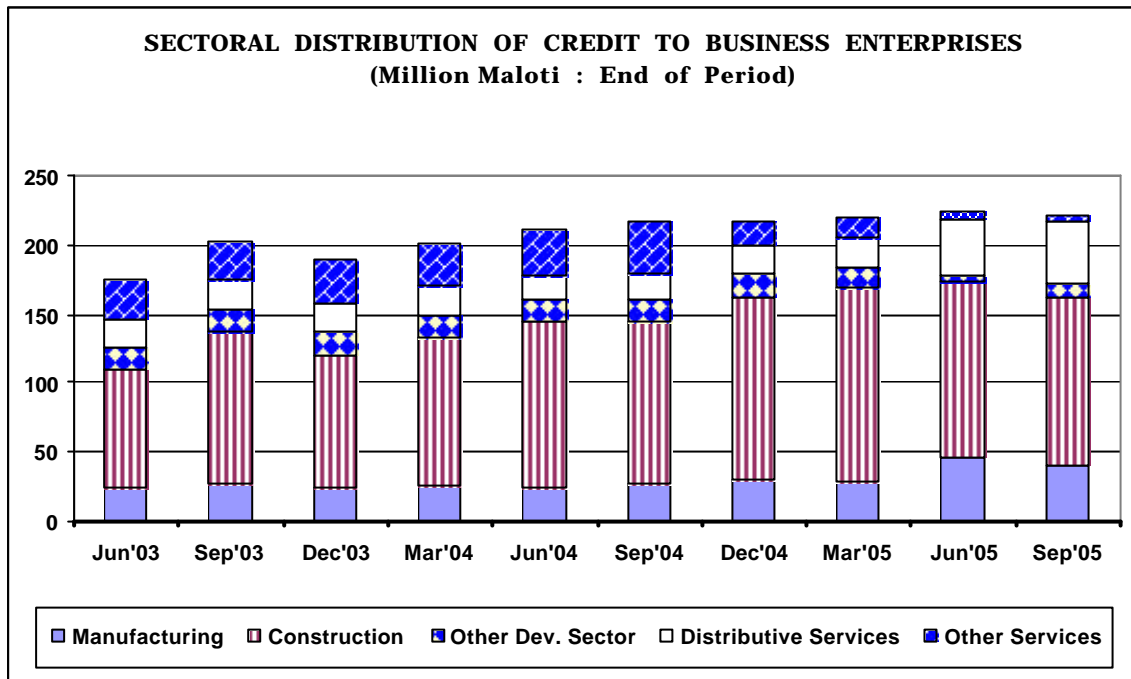
(Million Maloti; End of period)

SECTOR	2004			2005		
	Jun	Sep	Dec	Mar	Jun	Sep
Manufacturing	23.3	26.2	29.3	28.2	46.0	41.3
Construction	121.3	117.5	132.5	140.0	126.8	121.0
Other development sectors	16.0	17.6	16.7	14.3	4.9	10.7
Distributive services	16.9	18.1	20.9	20.7	42.2	46.5
Other services	34.1	39.0	18.1	15.1	6.0	6.1
All sectors*	211.5	218.4	217.4	218.3	225.9	225.7

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

⁴ excluding non-performing loans

Figure 9



Net Claims on Government

During the quarter under review, the banking system’s net claims on Government declined by 5.8 per cent contrasted with an increase of 14.7 per cent in the previous quarter. The decrease was caused mainly by an increase in government deposits with commercial banks in order to provide funding for project implementation. Consequently, as the table below portrays, net claims by the commercial banks decreased by 16.3 per cent against a 102.5 per cent increase recorded in June. On the contrary, net claims by the Central bank rose by 1.1 per cent in September.

BANKING SYSTEM'S NET CLAIMS ON GOVERNMENT

(Million Maloti; End of Period)

Holder	2004			2005		
	Jun	Sep	Dec	Mar	Jun	Sep
Commercial banks	666.1	526.6	485.7	185.7	376.1	314.9
Claims on Government	724.5	584.5	543.4	273.2	453.2	455.2
o/w MP T Bills ⁽³⁾	335.1	467.9	427.7	196.6	374.8	386.2
Less Government deposits	58.4	57.9	57.8	87.5	77.1	140.4
Central Bank of Lesotho	-1205.6	-1099.5	-1228.3	-1143.8	-1193.3	-1179.8
Claims on Government ⁽⁴⁾	192.5	198.7	183.5	197.8	237.6	226.3
Less Government deposits	1398.1	1298.2	1411.8	1341.6	1430.9	1406.2
o/w those in blocked acct.	530.3	533.3	536.3	292.3	478.72	484.2
TOTAL NET CLAIMS	-539.5	-572.9	-742.7	-958.1	-817.2	-865.0

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

(4) - IMF loans on-lent to the GOL

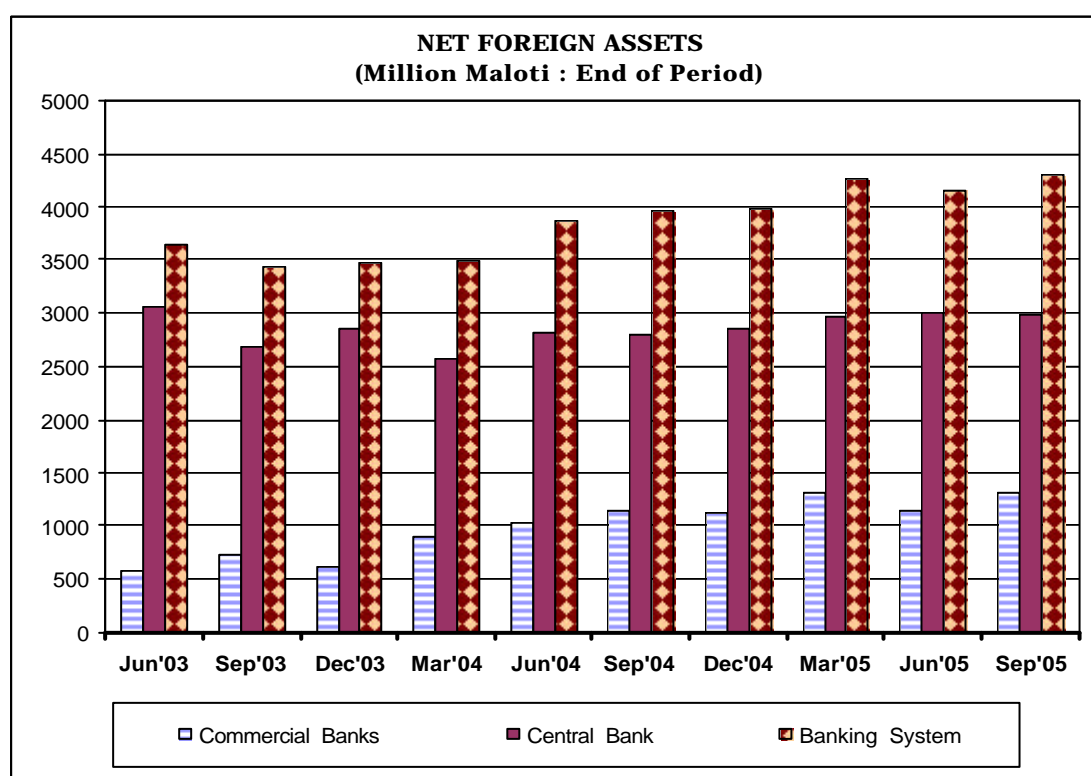
Net Foreign Assets

The banking system's net foreign assets (NFA) rose by 3.5 per cent in September. This increase mainly reflected a faster growth in commercial banks' NFA which offset a decrease in CBL's NFA. The latter declined mainly due to the repayment of government foreign debt worth M172.0 million. However, as already indicated, the Government also received funds from the SACU revenue pool, in addition to the normal quarterly receipts, which moderated the impact of the mentioned loan repayment.

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

Holder	2004			2005		
	Jun	Sep	Dec	Mar	Jun	Sep
A. Commercial Banks	1027.3	1225.8	1117.9	1306.2	1150.2	1310.3
Foreign Assets	1191.0	1319.7	1253.8	1409.7	1274.3	1388.6
Foreign Liabilities	-163.7	-93.9	-135.9	-103.5	-124.1	-78.3
B. Central Bank of Lesotho	2831.4	2813.5	2854.5	2960.1	3000.9	2985.5
Foreign Assets	3334.8	3350.3	3351.5	3471.4	3566.0	3539.3
Foreign Liabilities	-503.4	-536.8	-497.0	-511.3	-565.1	-553.8
NET TOTAL	3858.7	4039.4	3972.4	4266.3	4151.0	4295.8

Figure 10



VIII. Money and Capital Markets

Money Market Developments

One of the key objectives of CBL's monetary policy is to maintain favourable liquidity conditions in the economy. This objective is achieved through employment of open market operations (OMOs). Three 91-day treasury bill auctions, with a total amount of M405.0 million, were undertaken during the review period to achieve monetary policy goals. In addition, M70 million worth of 182-day treasury bills were offered, which are used mainly to encourage investment in securities by all members of the public. For the quarter ending September, total holdings of treasury bills recorded an increase of 9.2 per cent from M489.5 million in June to M534.7 million.

Holdings of Lesotho treasury bills comprise commercial banks, non-bank financial institutions (NBFI's), and other institutions. The banking sector continued to dominate the market by holding more securities than the NBFIs. The share of NBFIs increased slightly from 15.8 per cent of the total in June to 16.8 per cent in September. Although commercial banks' share fell from 76.6 per cent in June to 72.2 per cent during the review period, they still retained the largest share of the market. The general public controlled an 11.0 per cent share in September compared with 7.6 per cent in June.

HOLDINGS OF TREASURY BILLS ⁽⁵⁾ (Million Maloti)

Holders Type	2004			2005		
	Jun	Sep	Dec	Mar	Jun	Sep
Total	530.4	535.1	532.2	300.0	489.5	534.7
Banking System	368.1	415.2	427.9	196.6	374.8	386.2
Central Bank	0.0	0.0	0.0	0.0	0.0	0.0
Commercial Banks	368.0	415.2	427.9	196.6	374.8	386.2
Non-Bank Sector	162.4	119.9	104.4	103.4	114.7	148.6
NBFI's	111.9	68.9	33.9	45.7	77.3	89.8
Others	50.5	51.0	70.5	57.7	37.4	58.8
Memorandum Item						
Average Yield per cent	9.31	8.27	8.26	8.11	7.25	7.21

(5) - Figures at face value

Money Market and Short-term Interest Rates

As an indication of financial stability, movements in the Lesotho 91-day treasury bill rate continued to be in line with the general trend in the region. The 91-day treasury bill rate fell by 81 basis points from its June level of 6.93 per cent to 6.89 per cent in September. At this level, it reached the lowest margin since May 2003 of 10 basis points above the South African counterpart rate, which fell from its level of 6.76 per cent in June to 6.79 per cent in September.

The prime lending rate in the country remained unchanged at 11.5 per cent, also in line with the overall stability in the money market within the region. In addition, the margin between this rate and similar South African rate stood at 100 basis points in September, from its previous level of 113 basis points.

The average deposit rates remained relatively constant and the spread between lending and deposit rates continued to be large. The magnitude of the spread indicates the level of efficiency of an economy's financial intermediation process. To this end, a high spread within the system could imply relative inefficiency. In addition, real deposit rates⁵ in Lesotho remained negative. For example, the real savings rate was negative 0.9 per cent in August. This simply meant that the return on deposits did not protect the banking public against the loss of their purchasing power, as interest rates on deposits remained consistently lower than the rate of inflation.

⁵ Adjusted for the rate of inflation

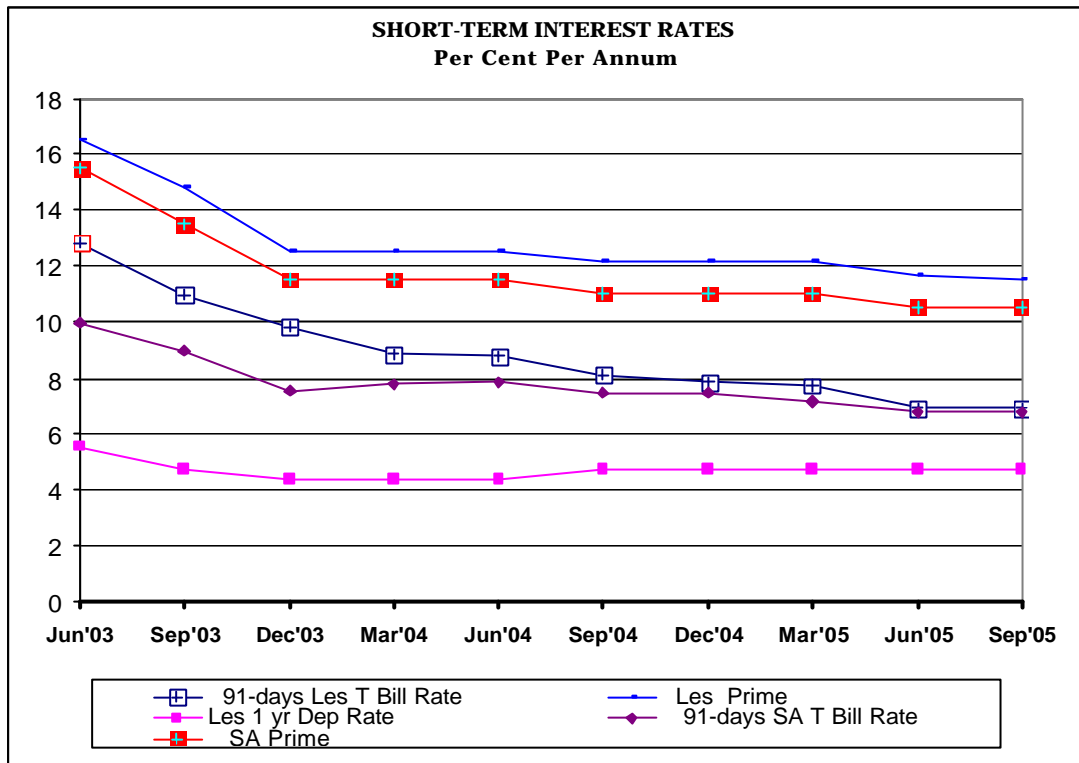
MAJOR MONEY MARKET INTEREST RATES
(Per cent; End of Period)

Interest Rates by Type	2004			2005		
	Jun	Sep	Dec	Mar	Jun	Sep
Central Bank						
T Bill Rate – 91 Days	8.80	8.10	7.86	7.72	6.93	6.89
Lombard Rate	13.00	13.00	13.00	13.00	13.00	13.00
Commercial Banks ⁽⁶⁾						
Call	3.06	3.25	3.25	3.25	2.83	2.83
Time						
31 days	3.32	3.10	3.10	3.50	3.50	3.50
88 days	3.87	4.15	4.15	4.25	4.25	4.25
6 months	4.07	3.65	3.65	4.50	4.50	4.50
1 year	4.37	4.74	4.74	4.75	4.75	4.75
Savings	1.89	1.35	1.35	2.00	2.00	2.00
Prime	12.50	12.17	12.17	12.17	11.50	11.50
South Africa*						
Repo	8.00	7.50	7.50	7.50	7.00	7.00
T Bill Rate – 91 Days	7.87	7.49	7.49	7.17	6.76	6.79
Marginal Lending Rate	13.00	12.50	12.50	12.50	12.00	12.00
Prime	11.50	11.00	11.00	11.00	10.50	10.50

* Figures for South Africa were obtained from the SARB

(6) - Average rates by commercial banks

Figure 11



Foreign Exchange Rates

The performance of the loti against the major currencies was mixed during the third quarter of 2005. On average, the local currency unit appreciated by 0.8, 1.8 and 2.5 per cent against the SDR, the euro and the pound sterling, respectively, but depreciated by 1.3 per cent against the US dollar.

Several reasons were advanced for the weakening of the rand against the US dollar during the review quarter. Investors expected further increases in US interest rates, which would erode the yield advantage of SA assets. As a result they switched away from SA investment instruments. Thus the demand for rand and therefore its value declined. The euro also weakened against the US dollar during the quarter and dragged the rand down with it. The Euro zone is SA's major trading partner.

The depreciation of the loti against the US dollar could improve the price competitiveness of the Lesotho's exports in international markets, particularly in the US, where the bulk of country's exports are destined. This, in turn, impacts positively on export earnings and therefore manufacturing production. At the same time, it increases

the cost of US dollar denominated imports and may thus increase inflationary pressure.

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

Currency	2004			2005		
	Jun	Sept	Dec	Mar	Jun	Sept
SDR	9.431	9.347	8.778	9.154	9.584	9.512
EURO	7.790	7.788	7.665	7.874	8.077	7.937
USD	6.443	6.373	5.707	6.009	6.425	6.510
POUND STERLING	11.926	11.580	10.999	11.358	11.909	11.611

IX. Government Finance

Summary of Budget Outturn

Preliminary estimates on the budget outturn indicated a surplus equivalent to 6.9 per cent of GDP. This resulted from increased government revenue mainly due to the receipt of SACU revenue windfall. However, the estimated surplus fell to 6.3 per cent of GDP when grants were excluded. The surplus was a result of a rise in revenues coupled with a fall in expenditures. Total revenue and grants were estimated to have increased by 15.7 per cent.

Overall government expenditure and net lending fell by 4.8 per cent, as a result of a slowdown in both recurrent and capital expenditures. As a percentage of total expenditure, capital expenditure stood at 14.0 per cent, while recurrent expenditure constituted 86.0 per cent. This continued to reflect the need for a better balanced resource allocation, as economic development stands to benefit more from capital than recurrent expenditure.

Revenue

In contrast to the previous quarter, total Government revenue, including grants, was estimated to have increased significantly by 15.7 per cent during the review period. This was mainly attributed to

the surge in SACU revenue worth M107.3 million, following SACU revenue adjustments. As a percentage of GDP, total revenue and grants increased to 47.2 per cent from 40.8 per cent realised in the previous quarter.

Tax revenue was estimated to have increased by 13.6 per cent during the review period. This emanated primarily from the windfall in the levels of SACU receipts, which increased during the period under review, following the adjustment made to the country's allocation. Revenue from value added tax (VAT) also increased by 6.6 per cent during the review period. The increase in tax collections reflected 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 marginally by 0.13 per cent.

SACU receipts rose by 21.6 per cent during the period under review. This took into account the intra SACU trade, excise duties, and domestic economic development. SACU receipts continued to account for the bulk of government revenue and constituted 59.9 per cent of total tax receipts during the review period. Income tax and VAT contributed 22.6 per cent and 15.8 per cent, respectively, to tax revenue. The extensive reliance on SACU continued to expose Lesotho to the fiscal risk posed by the possible reductions in receipts from this source of revenue.

Non tax revenue was estimated to have increased by 32.8 per cent during the review period. This was primarily due to an improvement in dividends from companies in which Government was a shareholder, as well as, the increase in water royalties. Grants, which are normally used to finance development projects, were also estimated to have increased by 65.1 per cent.

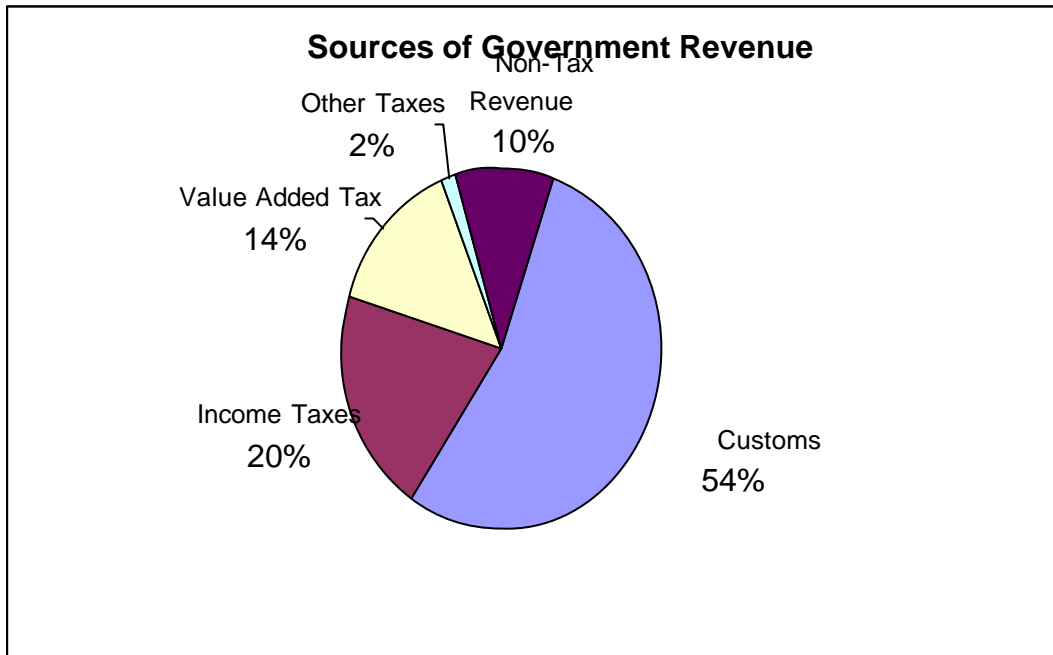
GOVERNMENT BUDGETARY OPERATIONS
(Million Maloti)

DETAILS	2004/05			2005/06	
	Jul-Sep	Oct-Dec	Jan-Mar	Apr-Jun Revised	Jul-Sep [?] Preliminary
Total Revenue and Grants	1165.4	1081.7	1081.8	992.2	1147.7
Total Revenue	1073.2	1057.7	1027.2	983.5	1133.4
<i>Tax Revenue</i>	923.8	954.7	920.1	898.7	1020.8
Customs	503.1	503.1	503.1	496.0	603.3
Non-customs	420.7	451.5	417.0	402.7	417.4
Income Taxes	231.6	248.8	226.5	227.3	227.6
Taxes on goods & services	182.3	201.4	185.8	163.4	172.7
Other Taxes	6.4	1.3	4.7	11.9	17.1
<i>Non-Tax Revenue</i>	149.4	103.1	107.1	84.8	112.6
Of which: Water royalties	63.7	49.0	41.3	43.7	66.5
Grants	92.2	24.0	54.6	8.7	14.4
Total Expenditure & Net Lending	1095.0	873.0	826.0	1029.1	979.6
Recurrent Expenditure	862.0	735.5	702.7	884.2	842.5
Personnel Emoluments	297.4	295.3	298.6	309.7	313.1
Interest Payments	45.0	33.0	40.8	28.7	39.9
Foreign	29.2	19.4	24.9	21.3	22.2
Domestic	15.8	13.6	16.0	7.4	17.7
Other Expenditure	519.6	407.2	363.3	545.8	489.5
Capital Expenditure	233.0	112.9	123.3	146.1	137.2
Net Lending	0.0	24.6	0.0	-1.2	0.0
Surplus/deficit before grants	-21.8	184.7	201.2	-45.7	153.7
Surplus/deficit after grants	70.5	208.7	255.8	-36.9	168.1
Financing	-70.5	-208.7	-255.8	36.9	-168.1
Foreign	-5.4	-17.3	-35.7	-85.5	-151.9
Loan drawings	78.8	38.5	68.3	29.4	27.7
Amortization	-73.4	-55.8	-104.0	-114.9	-179.6
Domestic	-75.89	-191.4	-220.1	122.4	-16.2
Bank Financing	-33.4	-172.3	-213.1	107.9	-47.8
Non - Bank	-42.5	-19.1	-7.0	14.5	31.6

Source: Ministry of Finance

*CBL Estimates

Figure 14



Expenditure

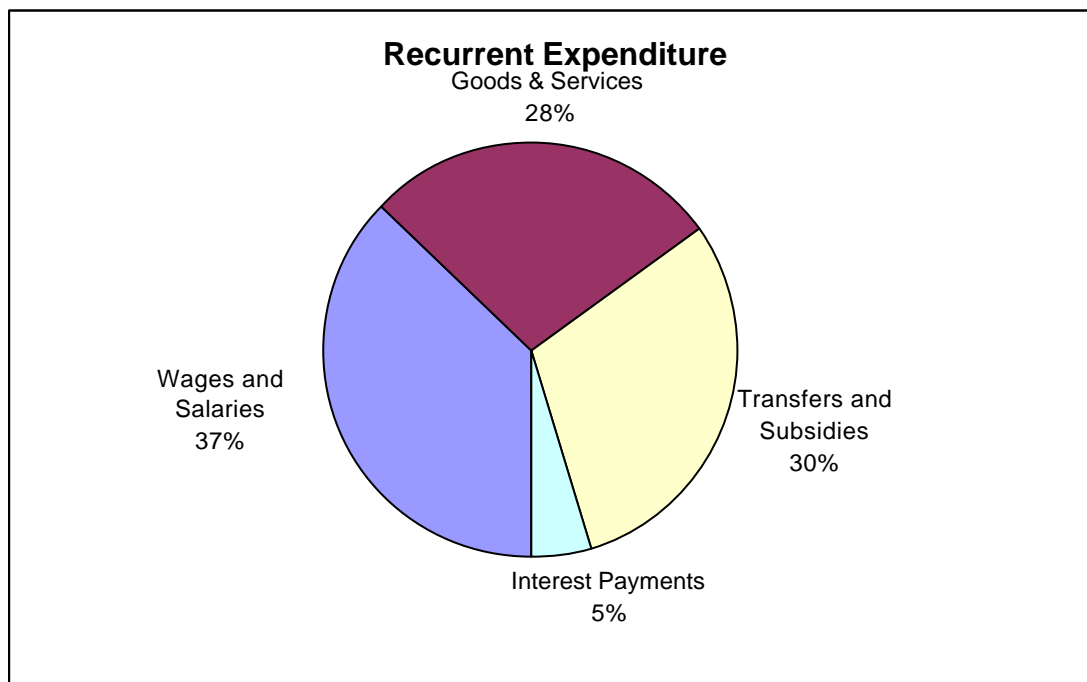
Total expenditure and net lending, in absolute terms, decreased by 4.8 per cent during the quarter ending in September 2005. As a percentage of GDP, they fell by almost 210 basis points from 42.4 per cent in the previous quarter to a level equivalent to 40.3 per cent of GDP. Recurrent expenditure fell by 4.7 per cent due to a decline in expenditure on goods and services.

Expenditure on goods and services, which includes subsidies and transfers, plummeted by 10.3 per cent during the period under review. Fleet management cost, a sub-component of other expenditure, increased by 6.1 per cent. Interest payments on both domestic and external debt soared during the quarter. Foreign interest payments increased by 4.2 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 higher than in the last quarter.

The level of subsidies and transfers extended during the review period maintained an upward trend. This was primarily due to higher subventions to public institutions, plus scholarships for students studying abroad. Spending on pensions and gratuities remained virtually the same as in the last quarter. Subventions extended to support government institutions such as the National University of Lesotho were significantly higher during the review period following the reopening and operationalisation of Basotho Cannery.

Capital expenditure was estimated to decline during the review period. Projects funded from the Government's own resources constituted 68 per cent of capital expenditure; while those financed from external loans and grants accounted for 21 per cent and 11 per cent, respectively.

Figure 15



Financing

The fiscal operations during the review period were estimated to have realised a surplus equivalent to 6.9 per cent of GDP. This enabled the Government to reduce its foreign debt to the tune of M151.9 million without necessarily reducing its deposit levels with the banking sector. The bulk of debt service was directed towards non-concessional debt.

Public Debt

Overview

Total public debt dropped by 4.6 per cent during the period under review. The decrease was mainly attributable to the settlement of a loan used to finance the post office building, which resulted in a 21.9 per cent reduction in non-concessional debt. Consequently, the overall external debt declined by 6.3 percent. On the contrary, domestic debt increased by 7.5 per cent. This was mainly on account of the issuance of more government securities than those that were maturing. As a ratio of GDP, the total stock of debt was estimated to have decreased by 430 basis points to 48.9 per cent. As usual, foreign debt accounted for the larger share of total debt stock at 86.3 per cent, while domestic debt comprised 13.7 per cent.

External debt

External debt fell by 6.3 per cent during the period under review. The decrease in foreign indebtedness was due to the redemption of the commercial loan used for construction of the post office building, plus appreciation of the loti against some major world currencies in which external debt was contracted. 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 86.3 per cent of the total public debt stock and about 83 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 relatively favourable position for the country during the review period, mainly as a result of the concessional nature of the overall government loans. As a percentage of GDP, the level of foreign debt had shrunk by 450 basis points to 42.2 per cent compared with 46.7 per cent recorded in the last 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		
	QII	QIII	QIV	QI	QII	QIII
A. EXTERNAL DEBT	4224.2	4318.0	4112.8	4352.9	4379.4	4105.6
Bilateral Loans	474.7	485.2	531.4	467.3	422.0	408.6
Concessional	420.8	430.1	432.0	370.8	381.6	375.9
Non-concessional	53.9	55.1	99.4	96.5	40.4	32.7
Multilateral Loans	3333.3	3407.3	3183.7	3490.6	3581.6	3484.6
Concessional	3298.1	3371.3	2737.4	3030.8	3125.0	3037.4
Non-concessional	35.2	36.0	446.3	459.9	456.6	447.2
Financial Institutions	326.8	334.1	315.8	316.5	306.7	147.9
Concessional	62.0	63.4	60.1	58.0	2.7	2.6
Non-concessional	264.8	270.7	255.7	258.4	304.0	145.4
Suppliers' Credit	89.4	91.4	81.9	78.5	69.1	64.4
B. DOMESTIC DEBT	935.5	665.7	647.1	415.7	604.2	649.3
Banks	767.8	541.3	542.6	312.3	489.5	500.9
Long-term	287.7	114.7	114.7	114.7	114.7	114.7
Short-term	480.1	426.5	427.9	197.6	374.8	386.2
<i>Of which: treasury bills</i>	478.3	424.6	427.9	196.6	374.8	386.2
Non-bank	167.4	124.4	104.5	103.4	114.7	148.5
Short-term (TBs)	167.4	124.4	104.5	103.4	114.7	148.5
TOTAL (A + B)	5159.4	4983.7	4759.9	4768.6	4983.6	4754.9

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

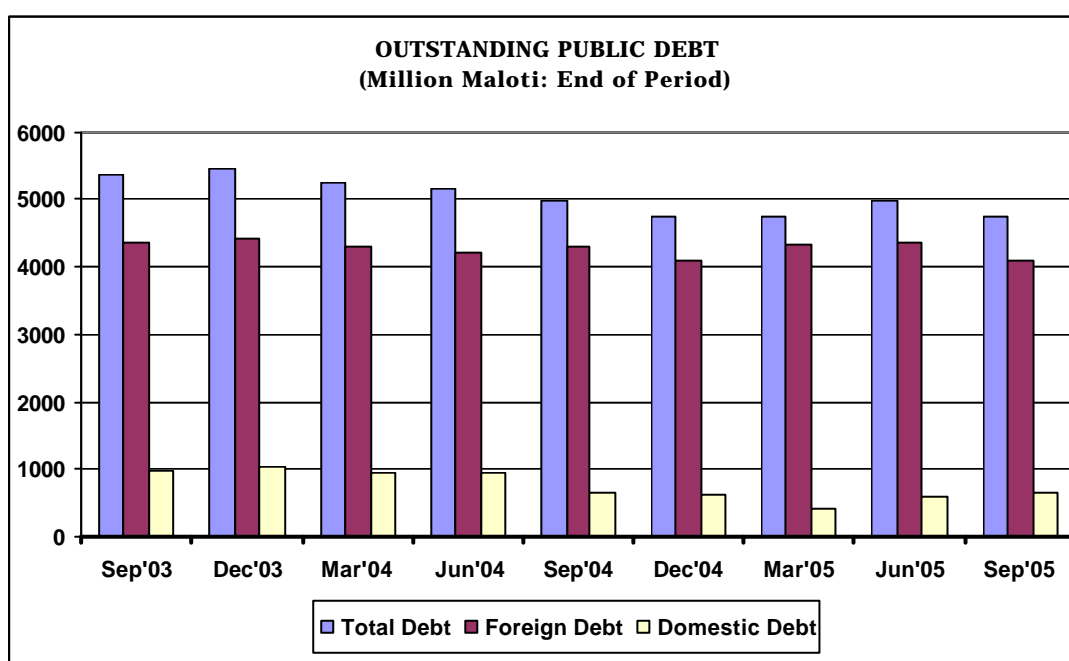
Domestic Debt

The level of domestic debt continued to rise during the quarter ending in September 2005. It rose by 7.5 per cent, as a result of the higher level of treasury bills issued for monetary policy purposes during the quarter. In this regard, short term debt grew by 9.2 per cent, while the long term component, which constitutes entirely of the ten year

bond⁶ that was due to retire in 2009, remained unchanged. As a percentage of GDP domestic debt had increased from 6.4 per cent recorded in the last quarter to 6.7 per cent and it constituted 13.7 per cent of total public debt. The share of short term borrowing to total domestic debt rose to 82.3 per cent during the review period compared with 81.0 per cent in the last quarter. Long term debt constituted 17.7 per cent of domestic debt.

Short term debt continued to consist entirely of treasury bills, which were used in the implementation of monetary policy. Commercial banks as well as the non-banks holding of treasury bills rose during the review period and thus increased short term debt.

Figure 16



⁶This bond had been issued to finance the restructuring of the old Lesotho Bank in 1999.

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Table 1(a)

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

End of period	EXTERNAL SECTOR											
	Cash and Balances	Reserve Tranche	Holdings of SDRs	Other Invest-ments	Rand Notes and Coins	Other Foreign Assets	Total	Claims on Government	Claims on Private Secto	Unclassified Assets	Total	
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				
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
Jul	269.15	562.41	1747.64	176.37	12.01	90.38	1355.99	35.85	87.52	4337.32
Aug	275.48	559.76	1533.49	176.37	11.92	99.23	1344.94	35.45	86.98	4123.62

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				
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	
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	
Jul	260.98	9.40	52.09	9.28	217.06	278.43	90.38	
Aug	268.02	8.86	52.20	10.30	223.29	285.79	99.23	
Sep	281.00	9.14	57.13	9.14	232.01	298.28	159.63	

(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
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
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
Jul	61.37	88.19	1301.89	450.97	53.95	506.64	818.04
Aug	62.50	97.55	1521.39	346.92	50.51	533.86	1062.54
Sep	66.27	157.64	1388.59	455.21	46.67	529.63	1092.81

(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					
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
May	81.58	246.21	928.52	0.00	97.93	234.08	0.06	0.02	452.97	34.24	362.23	165.81	872.71	3476.36
Jun	76.99	252.03	871.39	0.00	97.64	218.99	0.07	0.03	453.35	36.68	363.34	124.11	856.54	3351.16
Jul	78.86	300.36	953.54	0.00	97.39	214.47	0.08	0.04	442.27	42.55	368.55	79.91	703.04	3281.05
Aug	72.80	295.42	1062.02	0.00	110.47	172.14	0.08	0.02	464.82	28.51	275.20	120.02	652.76	3275.26

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							
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	737.73	4393.46
Jun	3565.96	9.45	1274.26	4840.21	565.08	124.11	689.19	4151.03
Jul	3006.21	6.98	1201.80	4208.20	562.41	70.01	632.22	4585.90

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
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
Jun	1123.43	453.38	316.63	36.68	1930.12	58.20	23.49	16.40	1.90
Jul	1253.90	442.31	311.86	42.55	2050.62	61.15	21.57	15.21	2.08
Aug	1267.44	464.85	322.81	38.51	2153.61	62.58	21.58	13.18	1.70

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
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
Jun	1543.74	77.06	349.70	36.68	2007.18	76.91	3.84	17.42	1.83
Jul	1610.28	78.94	397.78	42.55	2129.55	75.62	3.71	18.68	2.00
Aug	1698.98	72.97	415.92	38.51	2226.38	76.31	3.28	18.68	1.73

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
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
Jul	115.15	67.50	11.38	194.03	59.34	34.79	5.87
Aug	94.48	68.88	11.33	174.69	54.08	39.43	6.48
Sep	81.25	96.47	11.82	189.55	42.87	50.90	6.24

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

ECONOMIC ACTIVITIES	2003				2004				2005	
	Jun	Sep	Dec	Mar	Jun	Sep	Dec	Mar	Jun	Sep
1. Agriculture, Hunting Forestry and Fishing	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.00	0.00
2. Mining and Quarrying	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.00	0.00
3. Manufacturing	24.0	26.1	23.6	24.7	23.3	26.2	29.3	28.6	46.0	40.73
4. Electricity, gas and water	8.5	8.9	8.9	8.7	8.7	8.9	8.0	8.7	3.79	3.59
5. Construction	86.1	110.9	97.0	108.4	121.3	117.5	132.5	140.1	126.79	120.90
6. Wholesale, Retail, Hotel and Restaurant	20.6	21.6	20.7	21.5	16.9	18.1	20.9	21.1	42.17	45.94
7. Transport, Storage and Communication	7.6	7.3	7.3	7.0	7.3	8.7	8.6	6.4	1.14	6.12
8. Non-Bank Financial Institutions, Real Estate	4.2	4.4	5.3	5.4	5.8	7.1	7.9	7.5	5.05	5.77
9. Community, Social and Personal Services	23.0	23.3	26.7	25.5	28.4	31.8	10.2	8.4	0.95	-0.69
TOTAL	174.1	202.4	189.5	201.2	211.5	218.4	217.4	220.8	225.85	222.37
of which:										
Business Enterprises	143.8	161.7	150.6	155.2	158.0	170.7	165.2	158.0	171.35	175.71
Statutory Bodies	30.3	40.7	38.9	46.0	53.5	47.7	52.2	62.8	54.50	46.66

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	
	Jun	Sep	Dec	Mar	Jun	Sep	Dec	Mar	Jun	Sep
1. Agriculture, Hunting Forestry and Fishing	0.1	0.0	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	14.8	12.9	12.4	12.3	11.0	12.0	13.5	13.0	20.36	18.31
4. Electricity, gas and water	3.8	4.4	4.7	4.3	4.1	4.1	3.7	3.9	1.68	1.61
5. Construction	38.5	54.8	51.2	53.9	57.3	53.8	61.0	63.4	56.14	54.37
6. Wholesale, Retail, Hotel and Restaurant	3.3	10.7	10.9	10.7	8.0	8.3	9.6	9.6	18.67	20.66
7. Transport, Storage and Communication	10.3	3.6	3.9	3.5	3.4	4.0	4.0	2.9	0.50	2.75
8. Non-Bank Financial Institutions, Real Estate	3.7	2.2	2.8	2.7	2.7	3.3	3.6	3.4	2.23	2.60
9. Community, Social and Personal Services	15.5	11.5	14.1	12.7	13.4	14.6	4.7	3.8	0.42	-0.31
TOTAL	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.00
of which:										
Business Enterprises	86.6	79.9	79.5	77.1	74.1	78.2	76.0	71.6	75.87	79.01
Statutory Bodies	13.4	20.1	20.3	22.9	25.3	21.8	24.0	28.4	24.13	20.99

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
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	2131.29	2232.66	104.76	497.95	23.36	68.15	2076.90	77.00
Jul	2209.47	2186.79	98.97	497.95	22.54	68.15	1979.16	71.31
Aug	2347.30	2555.64	108.88	497.95	21.21	68.15	2153.87	73.93
Sep	2342.30	2651.37	113.20	498.03	21.26	68.15	2348.23	80.74

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)	5 as % of (1+2+3)	5 as % of (1+2+3+4)	6 as % of (1+2+3)	(5+6) as % of (1+2+3)	(5+6) as % of (1+2+3+4)
							7	8	9	10	11	12	13
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
Jul	2008.06	42.55	78.94	79.91	560.59	450.60	27.92	27.34	26.32	25.37	21.16	47.48	45.77
Aug	2114.90	38.51	72.97	120.93	584.37	346.40	27.63	27.14	26.25	24.90	15.56	41.81	39.65
Sep	2082.90	40.79	140.35	78.26	576.30	454.54	27.67	27.14	25.45	24.60	20.08	45.53	44.01

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				7	8	9
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	-4.74
Jul	270.38	52.09	217.06	965.54	476.73	4.26	1446.53	1663.59	1.04
Aug	276.88	52.20	223.29	1073.95	481.79	3.85	1559.59	1782.88	7.51
Sep	280.14	57.12	223.01	1080.81	487.87	4.08	1588.15	1780.10	5.57

Table 11

MONETARY SURVEY
(Million Maloti: End of Period)

	2003				2004				2005	
	Jun	Sep	Dec	Mar	Jun	Sep	Dec	Mar	Jun	Sep
Foreign Assets, Net	3635.559	3437.952	3460.841	3480.297	3858.725	4039.378	3972.415	4266.278	4151.026	4295.814
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Commercial Banks	569.282	743.087	607.697	903.400	1027.300	1225.831	1117.896	1306.169	1150.145	1310.335
Central Bank of Lesotho	3060.212	2687.563	2837.679	2567.914	2823.235	2806.361	2846.811	2949.577	2991.436	2976.114
Rand with Banks	6.065	7.302	15.465	8.983	8.190	7.186	7.708	10.532	9.445	9.365
Domestic Credit	357.366	259.890	289.466	180.243	-19.348	-94.742	-233.017	-408.179	-253.155	-269.767
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Claims on private sector & statutory bodies	443.141	464.409	456.510	500.137	520.168	478.170	509.641	549.926	564.070	595.214
Claims on Government, net of deposits	-85.775	-204.519	-167.044	-319.894	-539.516	-572.912	-742.658	-958.105	-817.225	-864.981
Money Supply	2254.379	2211.647	2297.846	2308.372	2353.463	2474.297	2373.048	2451.807	2320.903	2544.414
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Money	1395.751	1422.915	1537.745	1539.076	1588.836	1662.553	1589.421	1698.372	1514.208	1756.085
Maloti with public	175.823	188.178	183.517	207.629	189.652	219.593	204.539	212.614	202.533	232.012
Demand and call deposits	1219.928	1234.737	1354.228	1331.447	1399.184	1442.960	1384.882	1485.758	1311.675	1524.073
Quasi-money	858.628	788.732	760.101	769.296	764.627	811.744	783.627	753.435	806.695	788.329
Time deposits	337.462	282.794	253.057	269.964	263.564	330.850	320.265	300.202	353.314	337.242
Savings deposits	521.166	505.938	507.044	499.332	501.063	480.893	463.362	453.233	453.381	451.087
Other Items, Net	1738.546	1486.195	1452.461	1352.168	1485.914	1470.339	1366.350	1406.292	1576.968	1481.633

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 1	Private Sector 2	Statutory Bodies 3	Deferred Pay Fund 4				
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
May	452.99	234.08	97.93	30.81	815.82	1576.44	2392.26	4.28
Jun	453.38	218.99	97.64	33.01	803.03	1517.88	2320.90	-1.38
Jul	442.31	214.47	97.39	38.30	792.46	1663.59	2456.06	1.31

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
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
Jul	1487.72	745.84	0.50	442.41	106.57	0.24	361.68	33.08	0.09	2291.81	885.49	0.39
Aug	1605.78	667.90	0.42	464.96	112.64	0.24	328.25	36.71	0.11	2398.98	817.25	0.34
Sep	1568.48	715.69	0.46	451.20	111.57	0.25	344.35	48.87	0.14	2364.02	876.13	0.37

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
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	11.50	16.88	10.20	1.00-2.00	2.83
Jun	11.50	16.88	10.20	1.00-2.00	2.83
Jul	11.50	16.75	10.50	1.00-2.00	2.83
Aug	11.50	16.75	10.50	0.97-2.00	2.83
Sep	11.50	16.75	10.50	0.97-2.00	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 D	
		88Days	6 Months	1 Year	31 Days	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	
Jul	3.50	4.25	4.50	4.75	6.82	
Aug	3.25	4.25	4.50	4.75	6.83	
Sep	3.25	4.25	4.50	4.75	6.83	

Table 15

COMPARATIVE MONEY MARKET RATES

End of Period	Central Bank Rates		Treasury Bills	
	*CBL	+SARB	LESOTHO	RSA
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	7.72	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
Jul	13.00	15.50	7.08	6.73
Aug	13.00	15.50	7.02	6.75
Sep	13.00	15.50	6.89	6.79

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	2004/2005	2004/2005	2004/2005	2004/2005	Revised	Preliminary
	Q3	Q4	Q1	Q2	Q3	Q4	2005/2006	2005/2006
							Q1	Q2
Total Receipts	887.1	996.9	1032.9	1165.4	1081.7	1081.8	992.1	1147.7
Revenue	834.4	957.4	972.3	1073.2	1057.7	1027.2	983.4	1133.3
Customs	355.4	355.4	503.1	503.1	503.1	503.1	496.0	603.3
Income Taxes	204.0	256.8	195.0	231.6	248.8	226.5	227.3	227.6
of which :Individual Tax	121.3	143.2	118.0	155.3	152.3	141.9	148.6	149.2
Company Tax	58.2	75.0	44.5	53.9	68.3	52.4	51.0	52.8
Taxes on goods & services	181.3	167.4	179.5	182.3	201.4	185.8	163.4	172.7
Other Tax	2.7	5.4	2.2	6.8	1.3	4.7	11.9	17.1
Non-Tax Revenue	91.0	172.4	92.5	149.4	103.1	107.1	84.8	112.6
of which : Water Royalties	46.7	42.3	40.7	63.7	49.0	41.3	43.7	66.5
Grants	52.7	39.5	60.6	92.2	24.0	54.6	8.7	14.4
Total Expenditure & Net Lending	904.7	851.1	823.5	1095.0	873.0	826.0	1029.2	979.7
Recurrent	783.1	685.0	623.5	862.0	735.5	702.7	884.3	842.5
Personnel Emoluments	275.8	283.8	283.0	297.4	295.3	298.6	309.7	313.1
Interest Payments	68.1	55.8	33.4	45.0	33.0	40.8	28.7	39.9
Of which: Bank Restructuring	12.0	10.0	8.5	3.5	2.7	2.5	0.0	0.0
Subsidies and Transfers	163.5	155.2	162.4	167.4	186.6	193.3	182.4	255.4
Other Expenditure	275.7	190.2	144.7	352.0	220.6	170.0	363.5	234.1
Of which: Bank Restructuring	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Agricultural Support	10.1	28.1	0.0	0.0	0.0	0.0	0.0	0.0
Imperial Fleet Services	40.9	37.7	29.3	20.4	35.6	9.3	31.8	33.7
Capital Expenditure & Net Lending	121.6	166.1	200.0	233.0	137.5	123.3	144.9	137.2
Overall Surplus/Deficit	-17.6	145.8	209.4	70.4	208.7	255.8	-37.1	168.0
Total Financing	17.6	-145.9	-209.3	-70.5	-208.7	-255.8	36.9	-168.1
Foreign financing (net)	-46.1	37.0	-12.0	5.4	-17.3	-35.7	-85.5	-151.9
Domestic financing (net)	63.7	-182.9	-197.3	-75.9	-191.4	-220.1	122.4	-16.2
Bank financing	37.5	-152.9	-220.0	-33.4	-172.3	-213.1	107.9	-47.8
Non-bank financing	26.2	-30.0	22.7	-42.5	-19.1	-7.0	14.5	31.6
In Per cent of GDP (%)								
Total Receipts	43.0	48.3	46.1	52.0	48.3	48.3	40.8	47.2
Total Expenditure	43.9	41.3	36.7	48.8	38.9	36.8	42.4	40.3
Budget Balance	-0.9	7.1	9.3	3.1	9.3	11.4	-1.5	6.9

Table 17

TREASURY BILLS BY TYPE OF HOLDER
(Million Maloti)

End of Period	CBL	Comm. Banks	NBFI	Others	Total
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
Jul	0.0	380.8	64.5	49.3	494.6
Aug	0.0	325.3	107.0	52.3	484.6
Sep	0.0	386.2	89.8	58.8	534.7

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													
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
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
July	3.3	1.9	6.3	3.5	7.4	1.9	2.1	9.7	0.0	0.1	1.1	4.7	2.9
Aug	2.9	1.8	5.2	3.6	7.9	2.5	2.8	4.6	0.0	0.1	1.1	4.8	2.8
Sept	3.2	2.4	5.9	3.3	8.9	2.5	2.4	4.5	0.0	0.3	1.1	6.0	2.3

Source : The Bureau of Statistics

Note: Compilation methodology changed in January 2002
(for both coverage and classification)

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													
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
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
Jul	0.3	0.3	0.7	0.2	1.0	0.1	0.0	0.1	0.0	0.4	0.1	1.0	0.1
Aug	0.4	0.3	0.8	0.2	1.1	0.6	0.0	0.3	0.0	0.0	0.0	0.2	0.2
Sept	0.6	0.6	0.7	0.6	1.5	0.3	0.1	0.8	0.0	0.4	0.0	1.1	0.1

Source: The Bureau of Statistics

Note: Compilation methodology changed in January 2002

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
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												
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	0.824	4.069	0.057	1.640	9.289	0.874	5.142	11.215	6.152	0.001
May	1.352	8.052	0.817	4.117	0.059	1.697	9.525	0.873	5.212	11.353	6.356	0.001
Jun	1.235	8.151	0.805	4.168	0.061	1.786	9.845	0.877	5.285	11.508	6.697	0.007
Jul	1.209	8.070	0.813	4.126	0.060	1.787	9.721	0.856	5.206	11.734	6.702	0.001
Aug	1.194	7.948	0.825	4.064	0.059	1.724	9.485	0.851	5.119	11.600	6.467	0.000
Sep	1.183	7.791	0.842	3.984	0.057	1.696	9.329	0.835	5.027	11.501	6.361	0.000

Loti per unit of foreign currency, period average

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)

	2003			2004					2005	
	QII	QIII	QIV	QI	QII	QIII	QIV	QI	QII*	QIII+
I CURRENT ACCOUNT	-252.62	-373.64	-153.88	-137.81	-40.91	-214.60	-95.93	14.06	-163.32	14.71
Goods, Services and Income	-618.43	-674.66	-444.84	-470.84	-476.77	-639.92	-498.68	-463.33	-581.71	-498.49
a) GOODS	-1033.12	-1037.62	-876.58	-882.31	-869.73	-1123.20	-951.87	-902.37	-990.51	-930.59
Merchandise exports f.o.b.	801.74	1011.68	919.06	877.92	996.92	1402.19	1256.15	920.31	1060.65	1021.78
Merchandise imports f.o.b.	-1834.86	-2049.19	-1795.64	-1760.23	-1866.65	-2525.39	-2525.39	-1822.68	-2051.16	-1952.37
b) SERVICES	-60.83	-94.00	-57.27	-69.15	-42.83	-46.97	-49.72	-43.52	-76.40	-54.96
c) INCOME	475.52	456.96	489.01	480.63	435.79	530.25	502.91	482.56	485.20	487.06
Labour income	453.51	450.92	515.53	515.89	491.14	501.88	497.97	458.49	464.50	458.49
Other	22.01	6.04	-26.52	-35.26	-55.35	28.37	4.94	24.07	20.70	28.57
d) CURRENT TRANSFERS	365.81	301.02	290.96	333.03	435.86	425.32	402.75	477.39	418.39	513.20
Government, net	353.89	281.65	276.19	321.78	406.62	416.65	393.55	473.19	398.38	498.66
SACU non-duty receipts	272.74	265.90	256.49	245.59	386.50	381.26	382.91	383.14	394.46	497.70
Other	81.15	15.75	19.70	76.19	19.52	35.39	10.64	90.05	3.92	-0.33
Other sectors	11.92	19.37	14.77	11.25	29.84	8.67	9.20	4.20	20.01	16.54
II CAPITAL AND FINANCIAL ACCOUNT	319.29	155.52	317.03	-23.53	240.58	170.63	223.98	-15.24	247.65	-53.30
e) CAPITAL ACCOUNT	46.10	39.50	52.70	39.50	60.60	92.20	24.00	54.60	8.70	14.40
f) FINANCIAL ACCOUNT	273.17	116.02	264.33	-63.03	179.98	78.43	199.98	-69.84	238.95	-67.70
Special Financing- LHWP	131.01	221.01	99.23	93.08	231.11	71.64	61.33	53.81	59.77	49.24
III RESERVE ASSETS	-0.82	391.66	-156.57	257.49	-251.39	-15.53	-1.18	-119.83	-94.55	26.53
IV ERRORS AND OMISSIONS	0.39	-5.00	17.39	22.67	14.64	15.17	0.81	15.00	10.00	10.00
V VALUATION ADJUSTMENT	-66.22	-168.54	-23.97	-118.82	37.08	44.33	-127.68	106.01	0.21	2.06

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	1822.69	920.31	-902.38
Quarter II	2051.16	1060.65	-990.51
Quarter III	1952.37	1021.77	-930.60

Source : Customs and CBL estimates
* Provisional CBL estimates

Table 22

STATISTICS OF BASOTHO MINERS 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	10,894	50,017	6	29,800	0
Q II	61,529	10,391	50,394	0	29,646	6
Q III	52,643	10,514	122,882	114	33,780	25
Q IV	56,357	10,495	70,041	31	38,567	15
2005						
Q I	54,171	10,770	63,290	26	38,702	30
Q II	52,926	10,836	45,367	-9	41,870	41
Q III	51,867	10,298	29,788	-75	34,380	2

(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.

