

Central Bank of Lesotho



QUARTERLY ECONOMIC REVIEW

September 2024

MASERU KINGDOM OF LESOTHO

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1. Executive Summary

Global economic performance was mixed in the third quarter of 2024. Economic growth slowed in developed economies such as the United States, Japan, and China, reflecting weaker industrial output, cautious business investment, and softer export demand. Conversely, GDP growth improved in the Euro Area and the United Kingdom, supported by stronger consumer confidence, government spending, and net exports. Unemployment remained unchanged in the U.S., declined marginally in the Euro Area and Japan due to job growth in services and construction, but rose modestly in the UK and China amid structural adjustments and slowing industrial activity.

Inflation declined across most economies due to easing energy prices, improved supply chains, and stabilizing food costs. In response, central banks broadly adopted accommodative monetary policies. Trends in commodity prices varied. Gold prices rose significantly, driven by higher demand for the metal as a safe-haven asset. In contrast, platinum prices fell due to reduced automotive demand and substitution with cheaper alternatives. Oil prices also declined sharply, influenced by weaker Chinese demand and fears of a potential U.S. recession. Agricultural commodity prices also showed mixed movements, with maize prices rising due to adverse weather conditions, while wheat prices declined following record-high global harvests.

Domestically, the economy was estimated to have contracted in the third quarter of 2024. Economic performance was hindered by weakened domestic demand and a slowdown in manufacturing, though the transport subsector demonstrated resilience. Labour market conditions worsened across all sectors monitored by the Central Bank of Lesotho. Inflationary pressures eased, offering temporary relief to consumers despite subdued overall economic activity. Broad money declined for the second consecutive quarter, while private sector credit continued to grow, supported by more accommodative lending conditions in the banking sector. Short-term interest rates remained unchanged, consistent with the Central Bank of Lesotho's policy stance.

The government's budgetary operations resulted in a surplus estimated at 12.7 per cent of GDP, down from a revised 20.6 per cent surplus in the second quarter. Consequently, the public debt-to-GDP ratio improved slightly to 54.7 per cent, compared to the revised 54.9 per cent in the previous quarter.

Lesotho's external sector position remained in surplus in the third quarter of 2024, benefiting primarily from water royalties and construction activities under the Lesotho Highlands Water Project Phase II (LHWP II). As a share of GDP, the external sector surplus constituted 6.8 per cent, down from a revised 24.3 per cent surplus in the preceding quarter. The stock of foreign reserves rose to 4.6 months of import cover, from 4.5 months in the second quarter.

2. International Economic Developments

Overview

The third quarter of 2024 witnessed mixed economic performances across major economies. Growth slowed in some developed economies, including the United States, Japan, and China. Conversely, GDP growth improved in the Euro Area and the United Kingdom. Among emerging market economies, India maintained robust growth, while South Africa showed signs of recovery.

Labour markets were relatively stable. The unemployment rate remained unchanged in the U.S., declined slightly in the Euro Area and Japan due to job growth in services and construction, but rose modestly in the UK and China, reflecting structural adjustments and slowing industrial activity.

Inflation generally declined across most economies due to easing energy prices, improved supply chains, and stabilising food costs. Notable declines were observed in the United States, the Euro Area, and South Africa. However, inflation rose in China and India. In response, central banks broadly adopted accommodative monetary policies. The Federal Reserve, European Central Bank, and South African Reserve Bank reduced their policy rates to stimulate economic activity. In contrast, the Bank of Japan raised interest rates slightly to stabilize the yen.

Commodity prices displayed varied trends. Gold prices rose sharply, driven by central banks' demand and geopolitical tensions, while platinum prices fell due to reduced automotive demand and substitution with cheaper alternatives. Oil prices declined significantly, influenced by weaker Chinese demand and concerns over a potential U.S. recession. Agricultural commodity prices also showed divergence: maize prices increased due to production shortages caused by adverse weather conditions, whereas wheat prices fell amid record global harvests.

The South African rand strengthened against major currencies, reflecting domestic stability. This improvement was further supported by favourable international factors, including the Federal Reserve's rate cuts and China's stimulus efforts.

Table 1: Key World Economic Indicators

	Real GDP Growth		Inflation Rate		Key Interest Rate		Unemployment Rate	
	Q2	Q3	Q2	Q3	Q2	Q3	Q2	Q3
	2024	2024	2024	2024	2024	2024	2024	2024
United States	3.0	2.7	3.0	2.4	5.25	4.75	4.1	4.1
Euro Area	0.6	0.9	2.5	1.7	4.25	3.65	6.4	6.3
Japan	2.2	0.9	2.8	2.5	0.10	0.25	2.5	2.4
United Kingdom	0.7	1.0	2.0	1.7	5.25	5.00	4.2	4.3
China	4.7	4.6	0.2	0.4	3.45	3.35	5.0	5.1
India	6.7	5.4	5.1	5.5	6.50	6.50	N/A	N/A
South Africa	0.3	0.3	5.1	3.8	8.25	8.00	33.5	32.1

Source: STATSSA, SARB, OECD National Accounts Statistics (database), US Bureau of Economic Analysis, National Bureau of Statistics China, Statistics Bureau of Japan, Government of India Department of Labour, United Kingdom Office for National Statistics, EUROSTAT, Japan Ministry of Internal Affairs and Communications.

Advanced Economies

United States (US)

The U.S. economy experienced a slowdown in the third quarter of 2024, with real GDP growth easing to 2.7 per cent from 3.0 per cent in the second quarter. Growth was supported by increases in exports and consumer spending on goods and services, including vehicles, auto parts, prescription drugs, healthcare, and dining. This was further bolstered by Federal government expenditures, particularly in defence. However, declines in private inventory investment and residential fixed investment dampened overall growth.

The unemployment rate remained unchanged at 4.1 per cent, as job gains in sectors such as healthcare offset losses in manufacturing and retail. Labour force participation also remained stable, contributing to the steady unemployment rate.

The inflation rate fell to 2.4 per cent, down from 3.0 per cent, primarily due to a sharp decline in energy prices, particularly oil and natural gas, which reduced transportation and production costs. This decline was further supported by stabilised food prices and improvements in supply chain logistics. In response, the Federal Reserve lowered the Federal Funds Rate by 50 basis points to a range of 4.75–5.00 per cent.

Euro Area

The euro area displayed steady economic recovery in the third quarter of 2024. Real GDP growth increased to 0.9 per cent, from 0.6 per cent in the second quarter of 2024, driven by rising consumer confidence, strong net exports, and growth in construction.

The unemployment rate declined to 6.3 per cent from 6.4 per cent, reflecting job creation in the services and construction sectors, as well as supportive economic policies aimed at fostering growth and investment.

Inflation eased to 1.7 per cent from 2.5 per cent, largely due to lower energy prices and improved supply chain conditions. In response, the European Central Bank lowered its policy rate to 3.25 per cent, from 4.25 per cent in the previous quarter, to boost consumption and stimulate the economy.

Japan

Economic growth in Japan slowed to 0.9 per cent, down from a revised 2.2 per cent in the previous quarter. The slowdown was attributed to several factors. Business investment declined as companies remained cautious due to economic uncertainties stemming from weakening economies of major trading partners and fears of potential protectionist trade policies following the U.S. elections. Additionally, weaker export performance resulted from subdued external demand from key trading partners. Household spending also fell, reflecting higher living costs and increased saving tendencies.

The unemployment rate edged down to 2.4 per cent from 2.5 per cent, supported by seasonal employment and government policies that boosted hiring in sectors such as tourism and retail.

Inflation eased to 2.5 per cent, down from 2.8 per cent in the second quarter, driven by slower economic growth and reduced consumer spending amid high living costs. Despite this, the Bank of Japan raised the key interest rate to 0.25 per cent from 0.10 per cent, to stabilise the yen and reinforce economic stability. The move aimed to address pressures from the yen's depreciation and curb heightened inflation expectations.

United Kingdom

The United Kingdom experienced moderate economic growth in the third quarter of 2024, with real GDP expanding by 1.0 per cent, from 0.7 per cent in the previous quarter. This improvement was attributed to increases in household spending, business investment, and government spending. Household spending benefited from improved consumer confidence and easing inflationary pressures, while increased business investment in technology and infrastructure reflected optimism regarding future economic prospects.

The unemployment rate edged up to 4.3 per cent from 4.2 per cent in the second quarter. The rise in unemployment was driven by reduced business activity and hiring, as rising costs for raw materials and energy forced companies to cut jobs to mitigate higher overheads. Policy changes, including anticipated increases in national insurance costs for employers, also contributed to hiring delays and staff reductions.

The inflation rate eased to 1.7 per cent, down from 2.0 per cent in the second quarter, supported by interest rate adjustments and easing global supply chain disruptions. In response, the Bank of England lowered its key policy interest rate to 5.00 per cent from 5.25 per cent, with the inflation rate falling below the 2.00 per cent target, creating room for measures to support growth and employment.

Emerging Market Economies

China

China's economy displayed signs of slowing in the third quarter of 2024, with real GDP growth slightly decelerating to 4.6 per cent from 4.7 per cent in the second quarter. This slowdown was attributed to weaker industrial output and reduced export demand. The unemployment rate edged up to 5.1 per cent, from 5.0 per cent, reflecting structural adjustments across various industries and persistently high youth unemployment. The inflation rate rose modestly to 0.4 per cent, up from 0.2 per cent in the second quarter, driven by higher food prices and a recovery in consumer demand. To support economic growth and mitigate deflationary risks, the People's Bank of China lowered the key interest rate to 3.35 per cent, down from 3.45 per cent in the previous quarter.

India

Economic activity in India slowed during the third quarter of 2024. Real GDP growth decelerated to 5.4 per cent from 6.7 per cent, marking the slowest pace of growth in nearly two years. This slowdown was primarily attributed to a decline in manufacturing activity, driven by weak urban consumption. Contributing factors included rising food inflation, higher borrowing costs, and stagnant real wage growth.

The inflation rate increased to 5.5 per cent, up from 5.1 per cent in the second quarter, driven by adverse weather conditions impacting agriculture and global food price fluctuations. In response, the Reserve Bank of India held the key interest rate at 6.50 per cent, aiming to balance inflation control with economic growth.

South Africa

South Africa's economic growth stagnated at 0.3 per cent in the third quarter of 2024, primarily due to a significant contraction in the agricultural sector. Severe drought conditions affecting key crops such as maize and soy drove the decline in agriculture, which offset gains in sectors like finance, real estate, and business services that had previously supported economic growth.

The unemployment rate fell to 32.1 per cent, down from 33.5 per cent in the second quarter, driven by job creation in key sectors such as community and social services, construction, and trade. The informal sector also registered job gains, reflecting growth in small businesses. Improved economic conditions, including a more stable power supply, along with government initiatives to boost industrialisation and infrastructure, further supported employment growth.

The inflation rate declined to 3.8 per cent, down from 5.1 per cent in the second quarter, driven by lower fuel prices, improved agricultural output, and a stronger exchange rate, which reduced import costs. Reflecting these improvements, the South African Reserve Bank (SARB) reduced its key policy rate to 8.00 per cent, from 8.25 per cent, lowering borrowing costs and supporting economic activity. With inflation now within the target range, the SARB projected it would remain below the 4.5 per cent midpoint through to 2026, highlighting sustained progress in containing price pressures.

Commodities

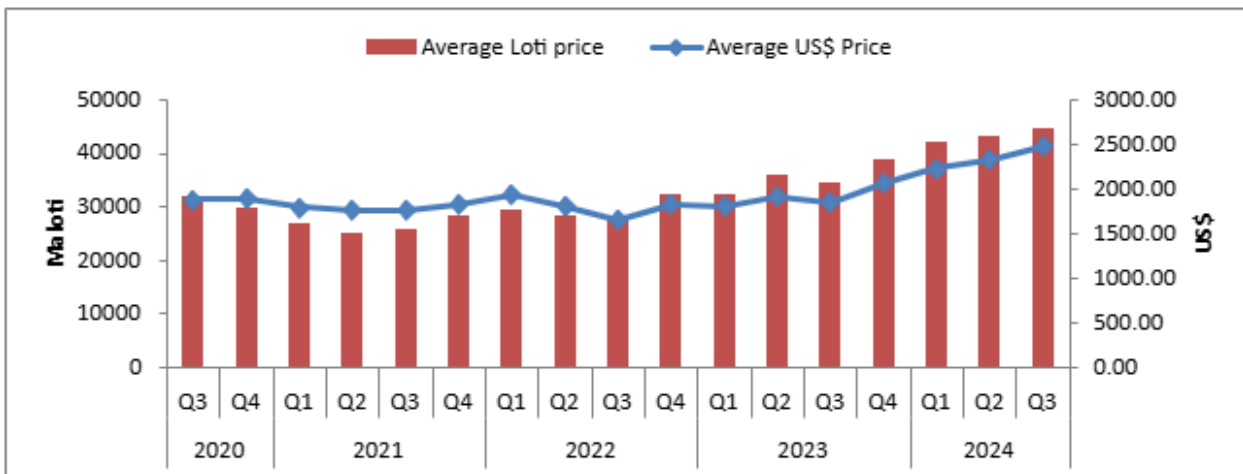
Minerals

Gold

The price of gold increased by 6.3 per cent in the third quarter of 2024, reaching USD 2475.89 per ounce, following a 4.4 per cent rise in the previous quarter. This increase was driven by several factors. Demand from central banks, particularly in emerging markets, continued to rise as they aggressively purchased gold to diversify their reserves.

Additionally, the anticipation of further interest rate cuts by the United States Federal Reserve enhanced gold's appeal as a non-yielding asset, particularly in response to low treasury yields. Geopolitical tensions further supported gold prices, particularly in the Middle East, where the conflict between Israel and Gaza amplified gold's appeal as a hedge against uncertainty.

Figure 1: Average Price of Gold

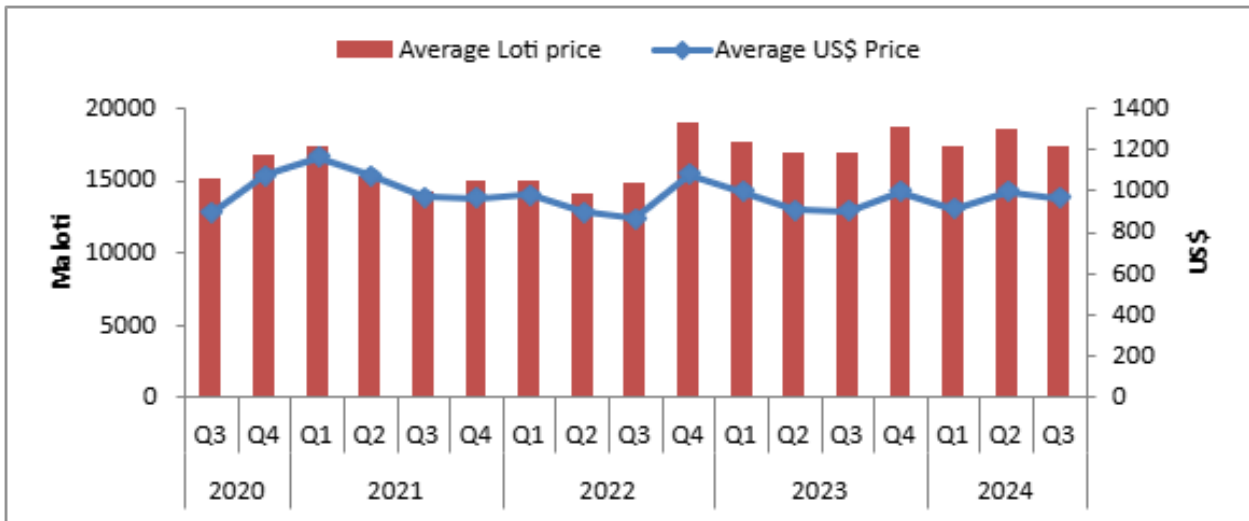


Source: Bloomberg

Platinum

The price of platinum fell by 2.9 per cent to USD 895.32 per ounce, following a 1.8 per cent decline in the second quarter. This decrease was driven by slower demand in the automotive sector, the largest consumer of platinum for catalytic converters. Despite tighter emissions regulations, automakers increasingly substituted platinum with cheaper palladium. Fading investment interest also played a role in the decline, as holdings in platinum exchange-traded funds (ETFs) have decreased significantly over the years.

Figure 2: Average Price of Platinum



Source: Bloomberg

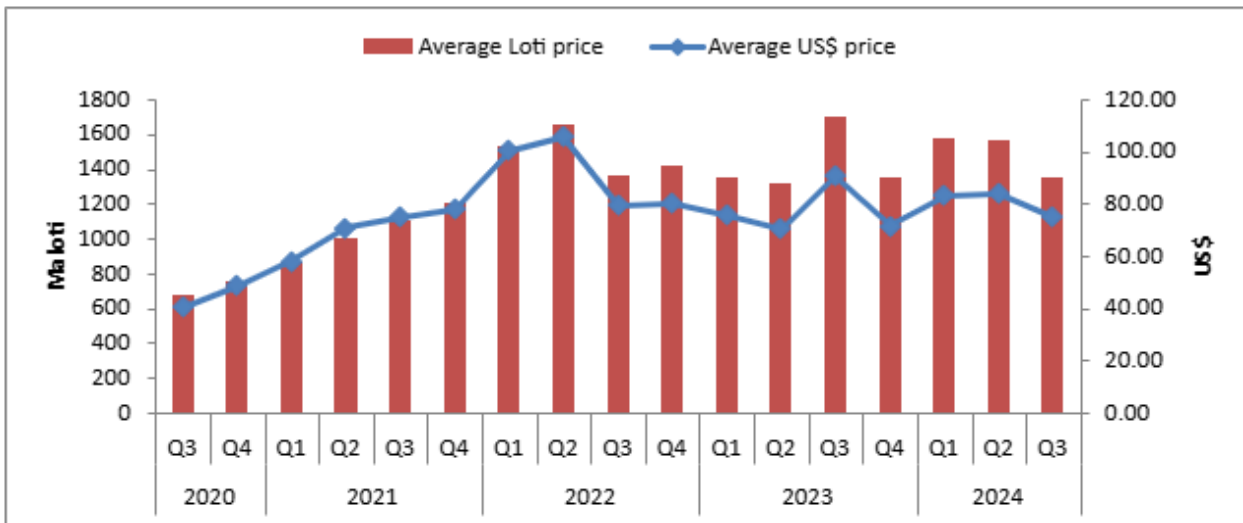
Energy

Crude Oil

The price of crude oil fell by 10.6 per cent to USD 75.27 per barrel, following a 7.8 per cent decline in the previous quarter. The drop in oil prices was attributed to several factors, including the slowdown in the Chinese economy, reflected in reduced industrial activity and transportation needs, which in turn lowered demand for oil.

Additionally, fears of a potential recession in the United States further dampened demand expectations. While OPEC sought to stabilise prices through production cuts, global oil production remained high, driven by record output levels in non-OPEC countries, particularly the United States.

Figure 3: Average Price of Oil



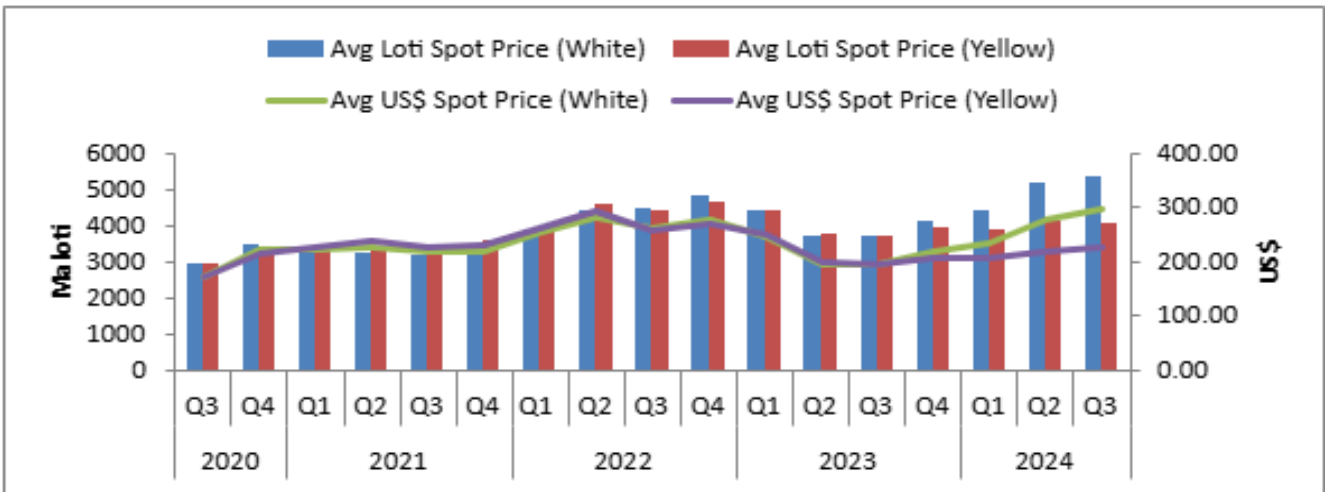
Source: Bloomberg

Agricultural Products

Maize

The price of maize rose by 1.3 per cent to USD 262.40 per metric tonne, following a 0.9 per cent increase in the previous quarter. The rise in prices was primarily attributed to a significant reduction in global maize production, caused by adverse weather conditions such as droughts and heatwaves in key producing regions, including the United States and South Africa. Additionally, increased demand from the biofuel industry, which uses maize as a key input, further contributed to upward pressure on prices.

Figure 4: Average Price of Maize

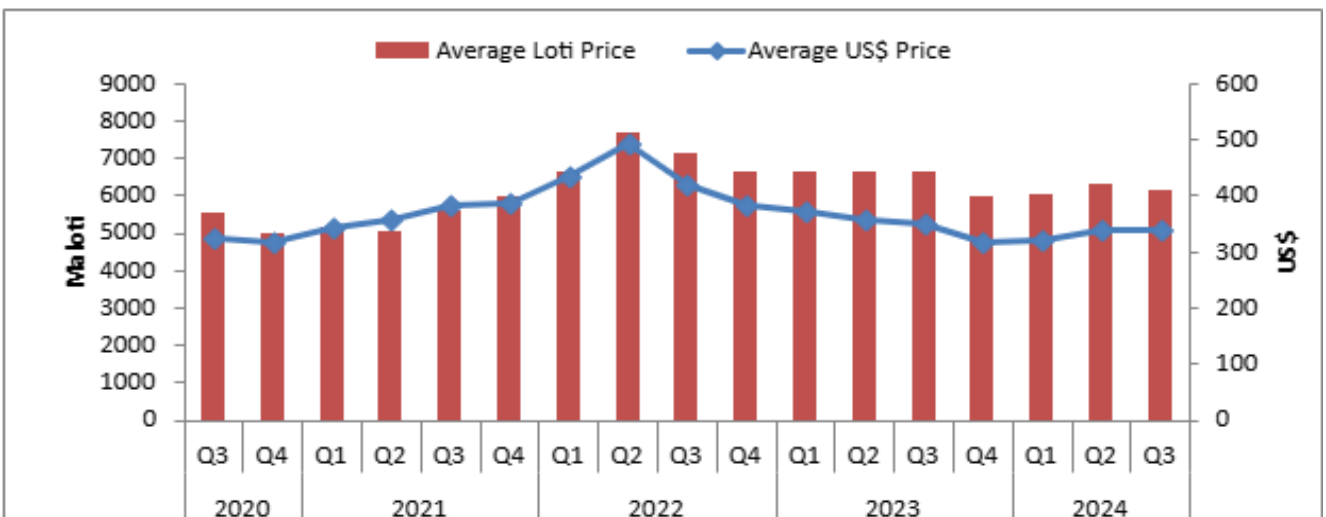


Source: Bloomberg

Wheat

The price of wheat declined by 1.5 per cent to USD 340.41 per metric tonne, following a 2.1 per cent decrease in the previous quarter. The decline in prices was attributed to a significant increase in global wheat production, with major exporters such as Russia and Australia reporting record harvests. The recovery of Ukrainian wheat exports, despite ongoing geopolitical tensions, further bolstered global market supply. Additionally, favourable weather conditions in key growing regions supported higher yields, alleviating supply concerns.

Figure 5: Average Price of Wheat



Source: Bloomberg

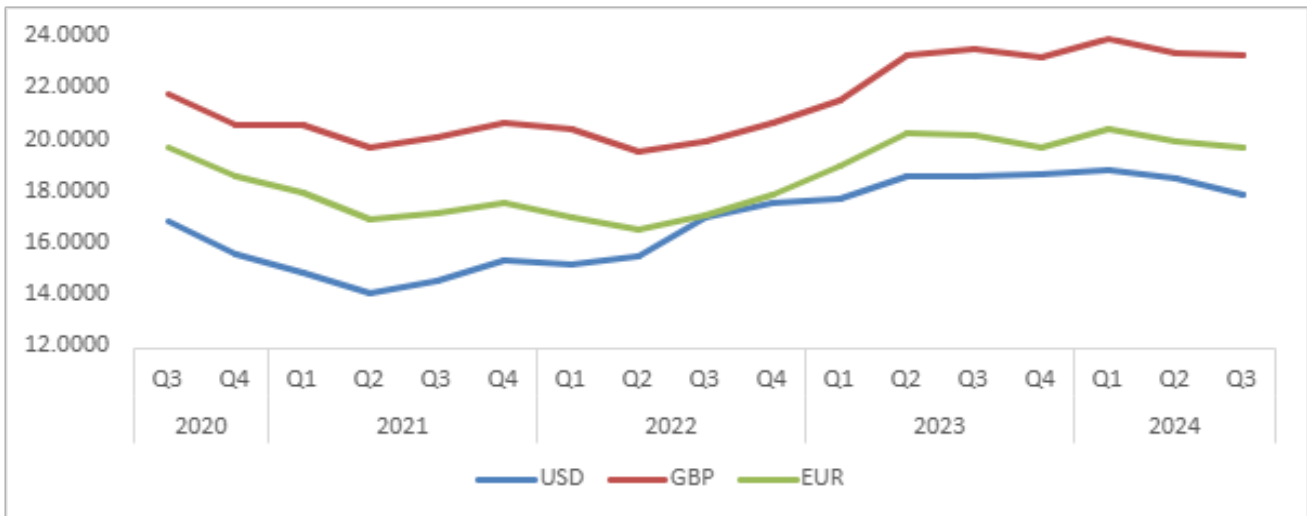
Exchange Rates

The rand, and consequently the loti, strengthened slightly against its major trading currencies in the third quarter of 2024. It appreciated by 3.1 per cent, 0.3 per cent, and 2.1 per cent against the US dollar, pound, and euro, respectively, contrasting with a depreciation of 1.8 per cent, 2.1 per cent, and 2.6 per cent against these currencies in the second quarter.

The rand's performance was influenced by both domestic and international factors. Domestically, South Africa's improved risk profile following the peaceful elections and formation of a new administration in May 2024 bolstered confidence in the currency. Additionally, improved economic performance, supported by a more stable electricity supply and favourable trade dynamics, played a pivotal role in the rand's strengthening.

On the international front, the rand benefited from the US Federal Reserve's rate cut, which weakened the dollar. Additionally, China's stimulus package contributed to the rand's appreciation by boosting global demand for key South African exports, such as gold and iron ore. The stimulus also bolstered investor confidence across emerging markets, further supporting the rand.

Figure 6: Nominal Exchange Rate of Loti against Major Trading Currencies



Source: Bloomberg

3. Real Sector Developments¹

Overview

The domestic economy was estimated to have contracted in the third quarter of 2024. Overall performance was constrained by subdued domestic demand and a slowdown in manufacturing, although the transport subsector showed signs of resilience. Labour market conditions continued to deteriorate across all sectors monitored by the Central Bank of Lesotho. While inflationary pressures eased, providing temporary relief to consumers, the broader economic performance remained weak during this period.

Output Developments

Domestic economic activity was estimated to have contracted in the third quarter of 2024, with the Quarterly Composite Indicator of Economic Activity (QCIEA) declining by 1.5 per cent, a stark contrast to the revised 1.8 per cent growth recorded in the previous quarter. This contraction marked a reversal of the upward growth trajectory observed in the first half of the year. The downturn was primarily driven by weaker domestic demand, a slowdown in manufacturing, and reduced activity in the construction and financial services subsectors.

The domestic demand index dropped sharply by 9.0 per cent, compared to a 3.0 per cent decline in the previous quarter. This decrease was largely attributed to lower import volumes of consumer goods from South Africa and a general downturn in business activity, as reflected in reduced Value Added Tax (VAT) collections, indicating weaker consumer spending. Additionally, reduced government spending on goods and services further compounded the contraction in demand.

According to the QCIEA, the production and manufacturing subsector declined by 2.3 per cent, reversing the 3.1 per cent growth observed in the prior quarter. This contraction was largely attributed to a reduction in volume of orders for textiles and clothing from the United States market, notwithstanding an increase in textile exports to South Africa. Similarly, the construction and financial services subsectors experienced contractions, as reflected by lower import volumes of construction materials and a decline in credit to the private sector.

¹ All growth rates in this section are reported as year-on-year, with the exception of output developments, which are seasonally adjusted quarter-on-quarter growth rates

Figure 7: Quarterly Indicator of Economic Activity



Source: Central Bank of Lesotho

Table 2: Composite Indicator of Economic Activity and its sub-components

Indices	2023		2024		
	Q3	Q4	Q1	Q2	Q3
CIEA	152.5	158.5	158.6	161.4	159.0
Quarter-on-quarter % changes	3.1	3.9	0.1	1.8	-1.5
Domestic Demand	139.8	155.9	153.4	148.8	135.5
Quarter-on-quarter % changes	-1.0	11.5	-1.6	-3.0	-9.0
Manufacturing and Production	109.8	118.4	117.7	121.4	118.6
Quarter-on-quarter % changes	-14.9	7.8	-0.5	3.1	-2.3
Construction	203.1	186.6	179.6	258.6	255.1
Quarter-on-quarter % changes	-43.4	-8.1	-3.7	43.9	-1.3
Transport	103.9	99.0	95.2	92.0	103.7
Quarter-on-quarter % changes	8.7	-4.7	-3.9	-3.4	12.7
Financial Service	179.9	185.5	187.0	191.2	190.1
Quarter-on-quarter % changes	-2.8	3.1	0.8	2.3	-0.6

Source: Central Bank of Lesotho

Employment Developments

Employment in companies supported by the Lesotho National Development Corporation (LNDC) declined by 8.5 per cent year-on-year, following a 9.8 per cent drop in the second quarter of 2024. This downward trend highlights the challenges faced by manufacturing firms, particularly in knitwear garments, woven garments, footwear, and retail. The decline was primarily attributed to a persistent decline in orders

from U.S.-based buyers of Lesotho’s exports and rising input costs, which forced firms to implement workforce reductions as part of cost-saving measures.

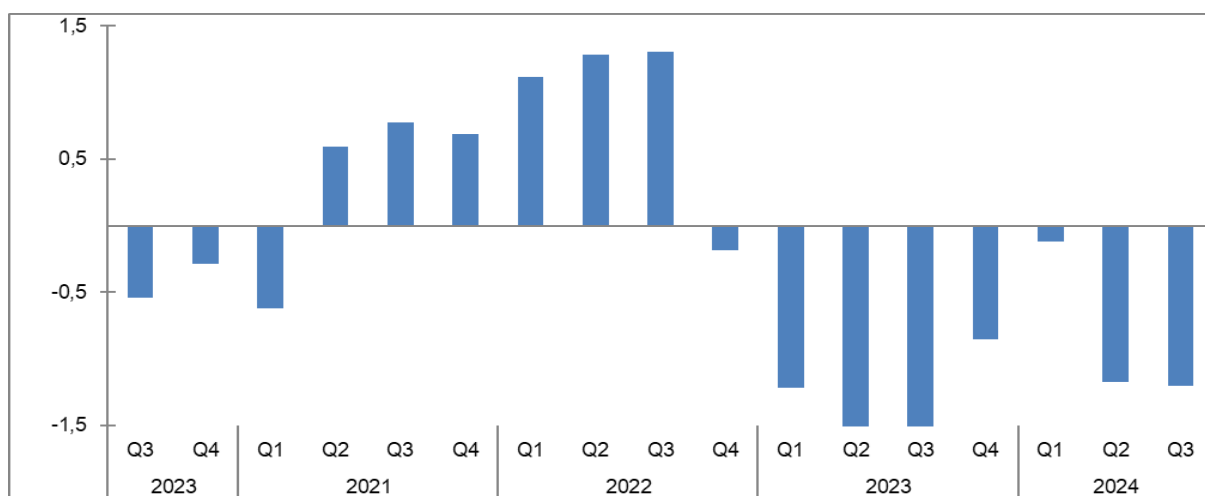
Table 3: Employment by LNDC- Assisted Companies

	2023		2024			%Changes	
	Q3	Q4	Q1	Q2	Q3	Q/Q	Y/Y
KNIT GARMENTS	19909	20750	18302	19415	17523	-9.7	-12.0
WOVEN GARMENTS	9011	8392	8253	8443	8625	2.2	-4.3
FABRICS AND EMBROIDERY	1771	1773	1744	1715	1760	2.6	-0.6
FOOTWEAR	849	824	795	793	774	-2.4	-8.8
CONSTRUCTION	395	387	386	395	399	1.0	1.0
FOOD & BEVERAGES	562	499	625	657	617	-6.1	9.8
ELECTRONICS	1223	1199	1213	1203	1204	0.1	-1.6
RETAIL	176	173	109	109	109	0.0	-38.1
HOTEL & ACCOMMODATION	407	376	345	346	345	-0.3	-15.2
AUTOMOTIVE	669	709	710	822	830	1.0	24.1
OTHER	793	823	689	925	637	-13.7	-19.7
TOTAL	35765	35905	33171	34636	32823	-5.2	-8.5

Source: Lesotho National Development Corporation

Government employment declined by 1.2 per cent in the third quarter of 2024, primarily due to a reduction in the civil service workforce. Although new teacher hires partially mitigated the overall contraction, the decrease was largely driven by natural attrition, including retirements and resignations, as well as contract terminations and dismissals, which collectively reduced civil service personnel numbers.

Figure 8: Government Employment (Annual Percentage Changes)

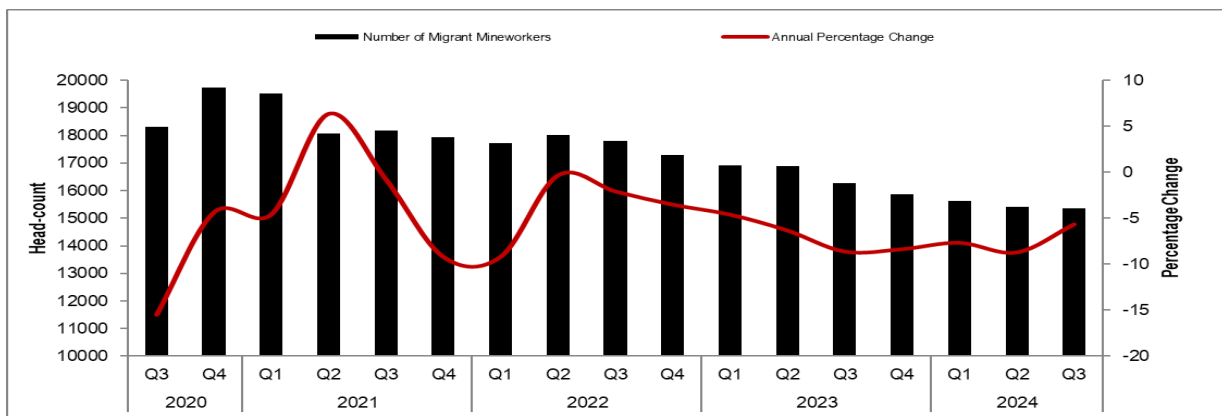


Source: Ministry of Finance

The employment of Basotho migrant mineworkers in South Africa continued to decline in the third quarter of 2024. Employment fell by 5.6 per cent, following a revised 8.7 per cent decrease in the previous quarter.

The slower pace of decline was attributed to the base effect, as the prior quarter’s sharp reduction provided a lower comparative starting point. However, the overall downward trend persisted, driven by ongoing industry challenges, including stringent mining regulations in South Africa, rising input costs, and falling commodity prices, particularly platinum, which prompted production cut

Figure 9: Migrant Mineworkers (Annual Percentage Changes)



Source: The Employment Bureau of Africa (TEBA)

Price Developments

Consumer prices continued to ease, with the headline inflation rate declining to 5.2 per cent in September from 6.5 per cent in June 2024. The slowdown was primarily driven by the Transport and Education categories, reflecting falling fuel prices and the normalisation of secondary education fees, which had been rising since August 2023. Additional contributors included the Alcoholic Beverages and Tobacco, Restaurants and Hotels, and Furniture, Household Equipment and Routine Maintenance categories.

Table 4: Inflation Rate (Annual Percentage Changes)

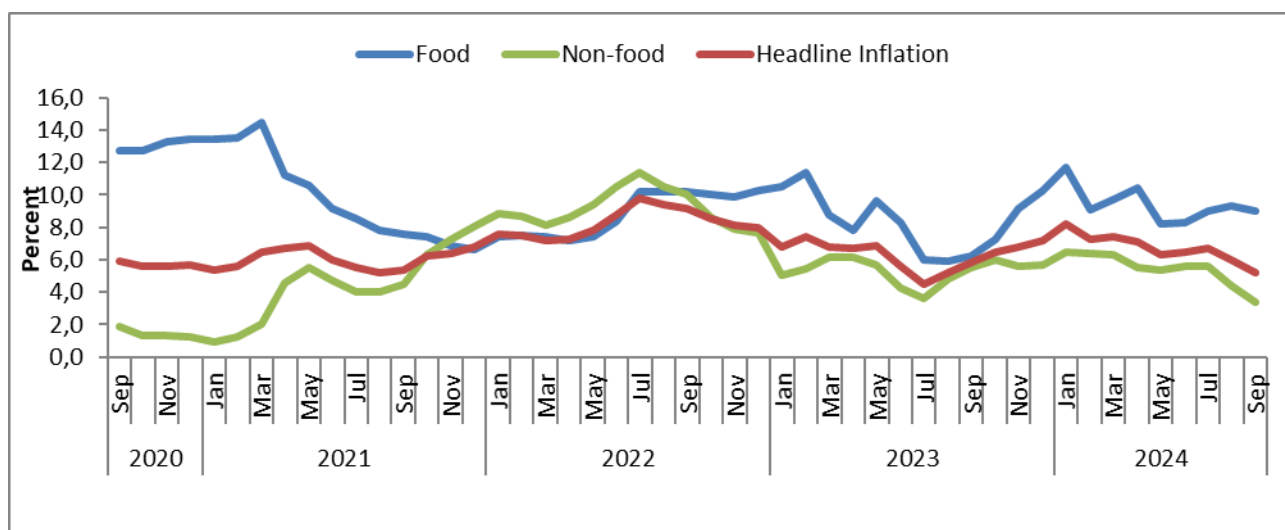
	Weight	2024					
		Apr	May	June	July	Aug	Sept
All items	1000	7.1	6.3	6.5	6.7	6.0	5.2
Food and non-alcoholic beverages	326	10.4	8.2	8.3	9	9.3	9.0
Alcoholic beverages & Tobacco	64	6.0	1.5	1.5	-0.2	-0.3	-0.7
Clothing & footwear	81	6.2	6.6	7.0	8.7	7.8	8.3
Housing, water, electricity, gas & other fuels	149	2.2	1.9	2.5	2.7	2.8	2.6
Furniture, households' equipment & routine maintenance	33	3.5	4.4	4.2	3	2.5	2.4
Health	19	1.2	5.3	5.3	2.9	4.8	2.4
Transport	111	9.8	9.7	10.5	11	9.0	3.1
Communications	44	0.0	0.0	0.0	0	0.0	0.0
Recreation & Culture	14	4.0	2.2	2.1	2	2.0	1.8
Education	49	13.8	13.8	13.8	13.8	5.1	5.1
Restaurant & Hotels	65	4.2	7.2	7.2	6.4	5.7	5.7
Miscellaneous goods & services	44	6.8	5.3	5.3	4.9	4.9	4.9

Source: Bureau of Statistics

Food inflation rose to 9.0 per cent in September from 8.3 per cent in June 2024, driven primarily by rising white maize prices. Maize supply was adversely impacted by severe drought conditions that disrupted the 2024 harvest.

In contrast, non-food inflation declined to 3.4 per cent, down from 5.6 per cent in June. This deceleration was attributed to falling international fuel prices, which subsequently led to lower domestic fuel costs.

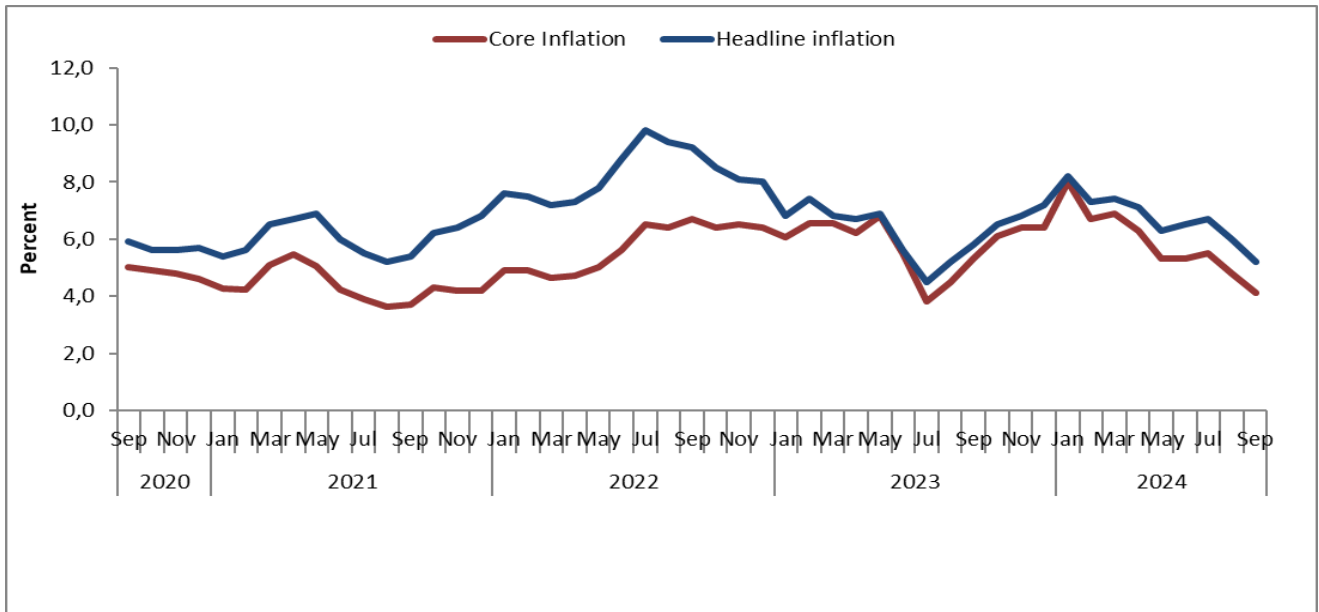
Figure 10: Food vs Non-Food Inflation (Annual Percentage Changes)



Source: BoS and CBL Computations

Core inflation on the other hand also declined to 4.1 per cent in September from 5.3 per cent in June 2024, providing a more optimistic outlook for consumers.

Figure 11: Core vs Headline Inflation (Annual Percentage Changes)



Source: CBL Computations

4. Monetary and Financial Developments

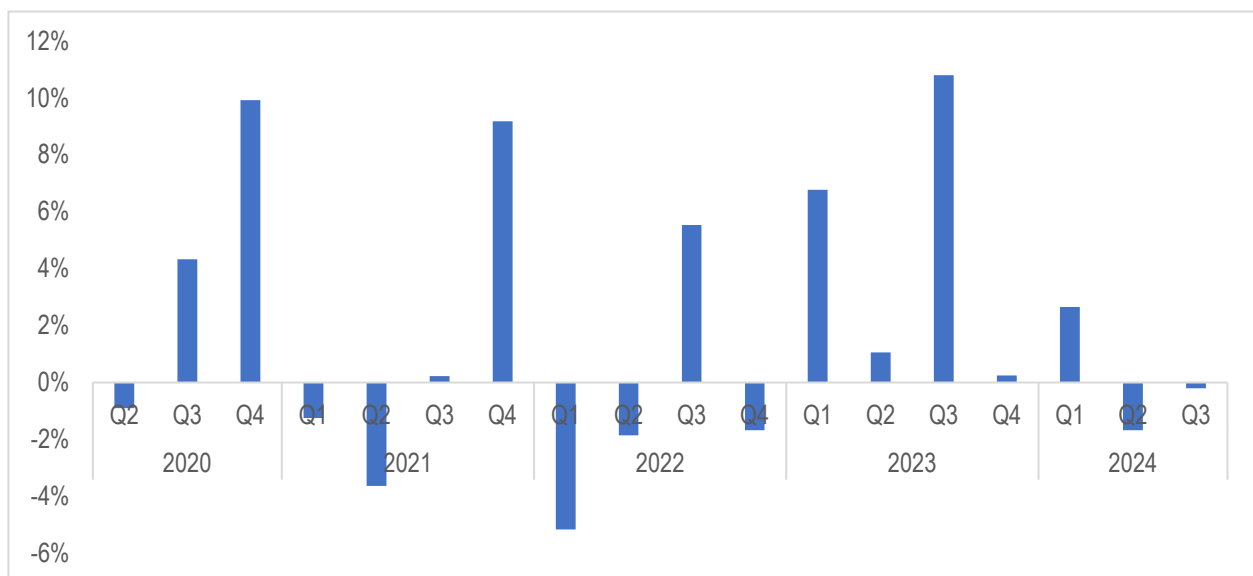
Overview

Broad money declined for the second consecutive quarter. In contrast, private sector credit continued to grow, supported by less stringent credit conditions introduced during the review period. Meanwhile, domestic interest rates remained broadly unchanged, as the Central Bank of Lesotho (CBL) policy rate was held constant.

Broad Money

The broad money supply (M2) contracted by 0.2 per cent, following a 1.7 per cent decline in the previous quarter. This contraction was primarily attributed to a decline in net domestic assets, partially offset by an increase in net foreign assets (NFA). On a year-on-year basis, M2 grew by 1.0 per cent.

Figure 12: Broad Money (M2) (Quarterly Changes)



Source: Central Bank of Lesotho

Determinants of M2

Domestic Claims

Domestic claims fell by 16.0 per cent, following a 33.5 per cent contraction in the previous quarter. This decline was driven by reductions in both the CBL and commercial banks' net claims on the central government, reflecting a build-up in government deposits. Net claims on the government by the CBL declined by 12.9 per cent, while commercial banks' net claims decreased by 5.1 per cent, supported primarily by fiscal surpluses. In contrast, claims on other sectors of the economy increased, driven mainly by growth in claims on the private sector.

Table 5: Domestic Claims (Million Maloti; End Period)

	2023		2024			Changes(%)	
	Q3	Q4	Q1	Q2	Q3	Quarterly	Annual
Domestic Claims	6478.58	5894.11	6161.25	4103.69	3537.06	-16.0	-45.4
Net Claims on Government	-3277.93	-4183.88	-3917.83	-6501.17	-7322.65	-11.2	-123.4
Commercial Banks Net Claims	-380.06	-859.27	-792.92	-1522.07	-1604.51	-5.1	-322.2
Claims on Central Government	2231.75	1733.11	1861.60	1590.40	1680.18	5.3	-24.7
Liabilities to Central Government	2611.81	2592.38	2654.53	3112.48	3284.70	5.2	25.8
Central Bank Net Claims	-2897.88	-3324.61	-3124.91	-4979.10	-5718.14	-12.9	-97.3
Claims on Central Government	28.07	0.00	1.57	0.10	0.09	-15.2	-99.7
Liabilities to Central Government	2925.95	3324.61	3126.48	4979.20	5718.23	12.9	95.4
Claims on Other Sectors	9756.52	10077.99	10079.08	10604.86	10859.72	2.3	11.3
<i>Claims on OFCs</i>	296.51	303.07	305.10	310.76	364.41	14.7	22.9
<i>Claims on Public Nonfinancial Corporations</i>	53.28	57.77	47.45	60.45	72.98	17.2	37.0
<i>Claims on St & Local Government</i>	0.00	0.00	0.00	0.00	0.00		
Claims on Private Sector	9406.73	9717.15	9726.54	10233.66	10422.33	1.8	10.8
Claims on Business Enterprises	2573.41	2717.72	2577.61	2806.05	2771.40	-1.3	7.7
Claims on Households	6833.32	6999.44	7148.93	7427.61	7650.93	2.9	12.0

Source: Central Bank of Lesotho

Net Foreign Assets

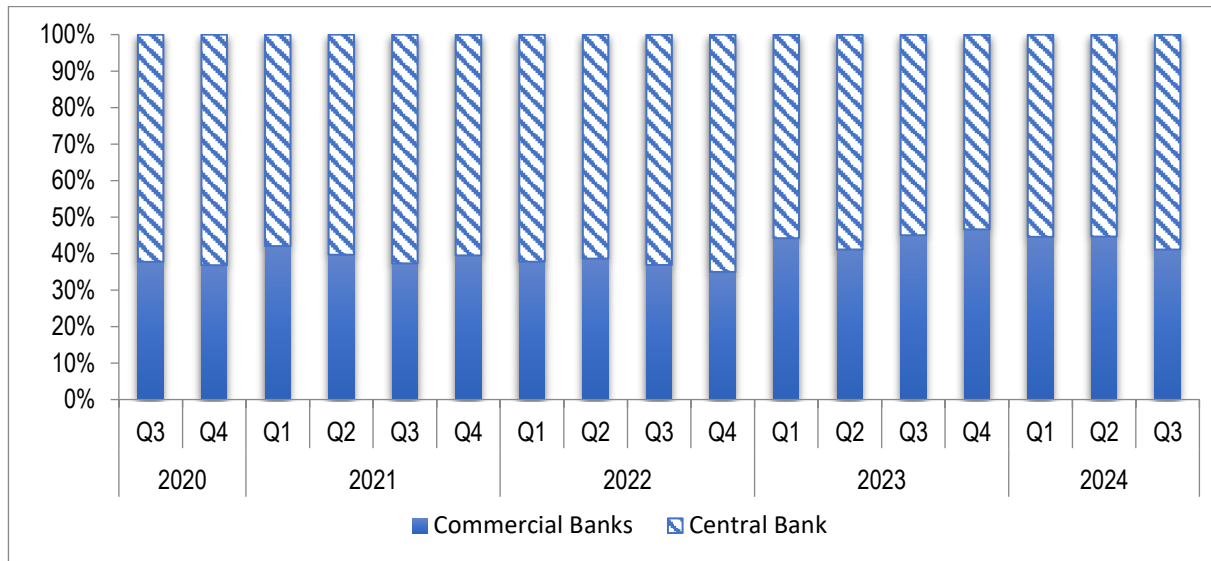
The overall net foreign assets (NFA) increased by 0.3 per cent, compared to the 9.3 per cent rise recorded in the previous quarter. This marginal growth was primarily driven by an increase in the CBL's NFA, which rose by 5.0 per cent, following an 8.7 per cent increase in June 2024. The growth in the CBL's NFA was attributed to higher claims on non-residents and a reduction in liabilities to non-residents. In contrast, the commercial banks' NFA contracted by 5.5 per cent, largely due to the maturity of placements abroad.

Table 6: Net Foreign Assets (Million Maloti; End Period)

	2023		2024			Changes (%)	
	Q3	Q4	Q1	Q2	Q3	Quarterly	Annual
Commercial Banks	9214.75	10297.75	9642.86	10609.46	10022.60	-5.5	8.8
Claims on Non-residents	9593.67	10840.31	10335.19	10970.17	10505.75	-4.2	9.5
Liabilities to Non-residents	378.91	542.56	692.33	360.71	483.14	33.9	27.5
Central Bank	11251.77	11781.22	11985.10	13030.15	13681.97	5.0	21.6
Claims on Non-residents	14578.45	15037.37	15224.26	15699.92	16279.04	3.7	11.7
Liabilities to Non-residents	3326.67	3256.15	3239.15	2669.77	2597.07	-2.7	-21.9
Net Foreign Assets Total	20466.52	22078.97	21627.96	23639.61	23704.58	0.3	15.8

Source: Central Bank of Lesotho

Figure 13: Net Foreign Assets (Percentage shares)



Source: Central Bank of Lesotho

Components of M2

In terms of its components, the decline in broad money was driven by a 1.6 per cent contraction in quasi money. This contraction was primarily attributed to a reduction in fixed-time deposits held by the business sector, following the maturity of time deposit accounts from construction companies and other financial corporations. In contrast, narrow money (M1) increased by 1.4 per cent, supported mainly by an expansion in transferable deposits held by statutory bodies.

Table 7: Components of Money Supply (Million Maloti: End Period)

	2023		2024			Changes (%)	
	Q3	Q4	Q1	Q2	Q3	Quarterly	Annual
Broad Money (M2)	17138.36	17180.65	17636.62	17340.59	17306.37	-0.2	1.0
Narrow Money (M1)	7179.66	7403.29	7794.06	8173.76	8290.68	1.4	15.5
Currency Outside DCs	1578.58	1657.26	1606.61	1436.38	1384.29	-3.6	-12.3
Transferable Deposits	5601.08	5746.03	6187.45	6737.38	6906.39	2.5	23.3
Quasi Money	9958.69	9777.36	9842.56	9166.83	9015.69	-1.6	-9.5
Other Deposits Commercial Banks	9956.76	9773.98	9839.60	9163.41	9012.91	-1.6	-9.5
Other Deposits Central Bank	1.94	3.38	2.96	3.42	2.79	-18.5	43.8

Source: Central Bank of Lesotho

Credit Extension

Private sector credit grew by 1.8 per cent, following a 5.2 per cent increase in June. This growth was driven by an expansion in household credit, while credit to business enterprises contracted. On an annual basis, private sector credit surged by 10.8 per cent.

Trends in Credit Extended to Business Enterprises

Credit extended to the business sector declined by 1.2 per cent, contrasting with the 8.9 per cent increase observed in the previous quarter. This reduction was primarily attributed to a decline in credit to the mining and transport subsectors, driven by accelerated loan repayments and relatively lower demand for credit.

Table 8: Credit Extension by Economic Activity (Million Maloti)

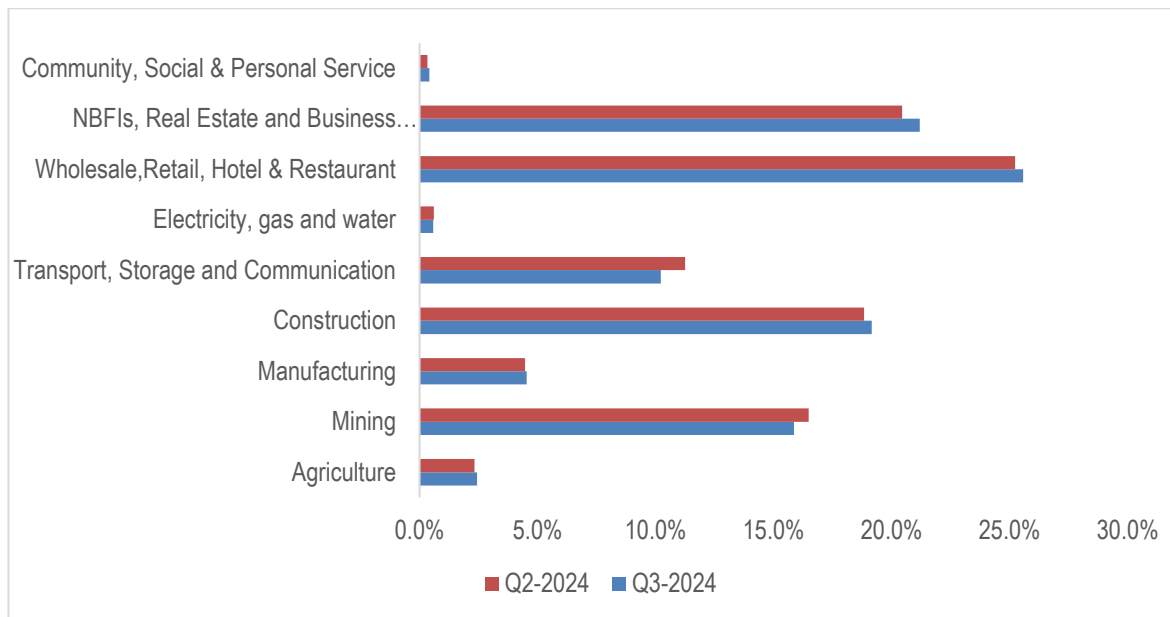
SECTOR	2023		2024			Changes (%)	
	Q3	Q4	Q1	Q2	Q3	Quarterly	Annual
Agriculture	87.53	87.22	67.38	65.35	67.69	3.6	-22.7
Mining	425.00	468.30	340.88	462.70	439.58	-5.0	3.4
Manufacturing	128.38	131.06	125.85	125.38	125.71	0.3	-2.1
Electricity, gas and water	6.82	12.41	30.19	16.88	16.13	-4.5	136.3
Construction	443.21	477.83	477.59	528.50	531.14	0.5	19.8
Wholesale, Retail, Hotel & Restaurant	664.29	672.90	688.38	708.35	708.98	0.1	6.7
Transport, Storage and Communication	255.61	312.90	323.45	315.91	283.34	-10.3	10.8
NBFIs, Real Estate and Business Services	554.53	546.34	515.07	573.69	587.32	2.4	5.9
Community, Social & Personal Service	8.03	8.76	8.82	9.29	11.53	24.2	43.6
All Sectors	2573.41	2717.72	2577.61	2806.05	2771.40	-1.2	7.7

Source: Central Bank of Lesotho

The wholesale, retail, hotel, and restaurant subsector remained the largest recipient of credit, accounting for 25.6 per cent of the total allocation. This was followed by the non-bank financial institutions, real estate, and business services subsector, which accounted for 21.2 per cent. The construction industry completed the top three recipients, with a share of 19.2 per cent. The community, social, and personal services subsector was the smallest recipient, receiving only 0.4 per cent of total credit allocation.

Credit allocated to sectors identified by the National Strategic Development Plan (NSDP) II as potential drivers of economic growth constituted 64.0 per cent of the total during the review quarter.

Figure 14: Distribution of Credit to Businesses (Percentage Shares)

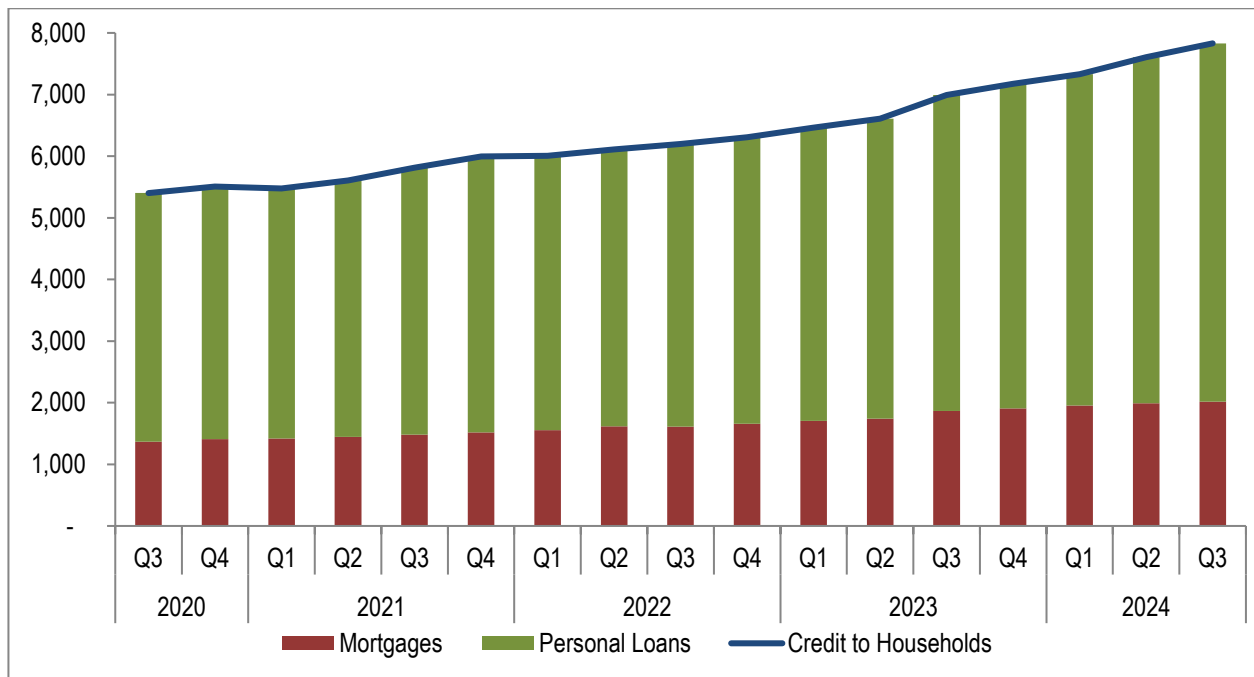


Source: Central Bank of Lesotho

Credit Extended to Households

Credit extended to households maintained an upward trajectory, increasing by 2.9 per cent during the third quarter of 2024, following a 3.7 per cent growth in the second quarter. The increase was driven by growth in both personal loans and mortgages, reflecting the banking sector's concerted efforts to enhance credit accessibility. For personal loans, the expansion was supported by increased loan ceilings and more flexible repayment schedules, which made borrowing more attractive to households. Similarly, mortgages benefited from relaxed lending criteria and competitive financing options offered by banks. On an annual basis, household credit grew by 12.0 per cent, underscoring sustained demand for credit from households.

Figure 15: Credit Extension to Household (Million Maloti)



Source: Central Bank of Lesotho

Liquidity of Commercial Banks

Components of liquidity

The credit-to-deposit ratio increased to 53.2 per cent, up from 52.8 per cent in the previous quarter. This rise reflected faster growth in credit extension compared to deposits, excluding import deposits. In contrast, the banking sector's liquidity ratio declined to 36.8 per cent, falling below 40 per cent for the first time in three quarters. The decline was primarily attributed to a reduction in net balances held by banks in South Africa.

Table 9: Components of Liquidity (Million Maloti)

	2023		2024		
	Q3	Q4	Q1	Q2	Q3
Credit to Deposit Ratio	50.9%	52.7%	51.1%	52.8%	53.2%
Private Sector Credit	9245.06	9561.30	9546.07	10035.89	10225.56
Total Deposits	18170.44	18137.11	18682.67	19014.20	19206.24
Liquidity Ratio	35.2%	35.1%	40.3%	41.4%	36.8%
Notes and Coins	592.52	1086.98	811.97	776.57	690.09
Net Balance due from banks in Lesotho	-31.34	11.64	102.64	80.77	6.55
Net Balance due from banks in SA	3500.67	3818.97	4008.40	5090.02	4405.88
Surplus funds	102.27	-291.24	751.56	330.18	286.20
Government Securities	2231.75	1733.11	1861.60	1590.40	1680.18
Total	6395.87	6359.46	7536.16	7867.95	7068.90

Source: Central Bank of Lesotho

Commercial Banks Sources of Funds

The total deposit liabilities of commercial banks contracted by 3.6 per cent, reversing the 6.1 per cent growth recorded in the previous quarter. This decline was evident in both deposits excluded from broad money and other deposits included in broad money.

The reduction in other deposits included in broad money was primarily driven by withdrawals of call deposits and the maturity of fixed-time deposits held by the business sector. Meanwhile, the contraction in deposits excluded from broad money was attributed to a decline in import deposits, reflecting acquisitions of goods and services abroad by the construction industry.

In contrast, transferable deposits increased, supported by higher deposits from statutory bodies. On an annual basis, total deposits in the banking sector grew by 6.2 per cent.

Table 10: Sources of Funds for ODCs (Million Maloti)

	2023		2024			Changes (%)	
	Q3	Q4	Q1	Q2	Q3	Quarterly	Annual
Transferable Deposits Incl. in BM	5601.08	5746.03	6187.45	6737.38	6906.39	2.5	23.3
Other Financial Corporations	15.77	69.75	32.95	112.20	36.49	-67.5	131.3
Transf. Dep. State & Local Govt							
NC	55.97	57.53	39.72	12.05	11.51	-4.4	-79.4
Public Nonfinancial Corporations	43.23	34.16	23.93	42.79	216.67	406.4	401.2
Private Sector	5486.11	5584.59	6090.84	6570.34	6641.72	1.1	21.1
Other NFCs	3742.03	3874.81	4178.94	4730.57	4799.55	1.5	28.3
Other Sectors (Households)	1744.08	1709.78	1911.90	1839.77	1842.16	0.1	5.6
Other Deposits Incl. in BM	9956.76	9773.98	9839.60	9163.41	9012.91	-1.6	-9.5
Other Financial Corporations	197.70	57.81	106.81	66.37	138.94	109.3	-29.7
Public Nonfinancial Corporations	321.69	238.64	217.07	259.89	334.11	28.6	3.9
Private Sector	9437.37	9477.53	9515.72	8837.15	8539.86	-3.4	-9.5
Other NFCs	6507.14	6433.56	6296.15	5548.06	5157.26	-7.0	-20.7
Other Sectors (Households)	2930.22	3043.98	3219.57	3289.09	3382.60	2.8	15.4
Deposits excluded in MB	3135.84	3662.75	3389.59	4695.50	3926.48	-16.4	25.2
of which Import deposits	523.24	1045.66	733.98	1582.09	639.54	-59.6	22.2
Total Deposits	18693.69	19182.76	19416.64	20596.29	19845.78	-3.6	6.2

Source: Central Bank of Lesotho

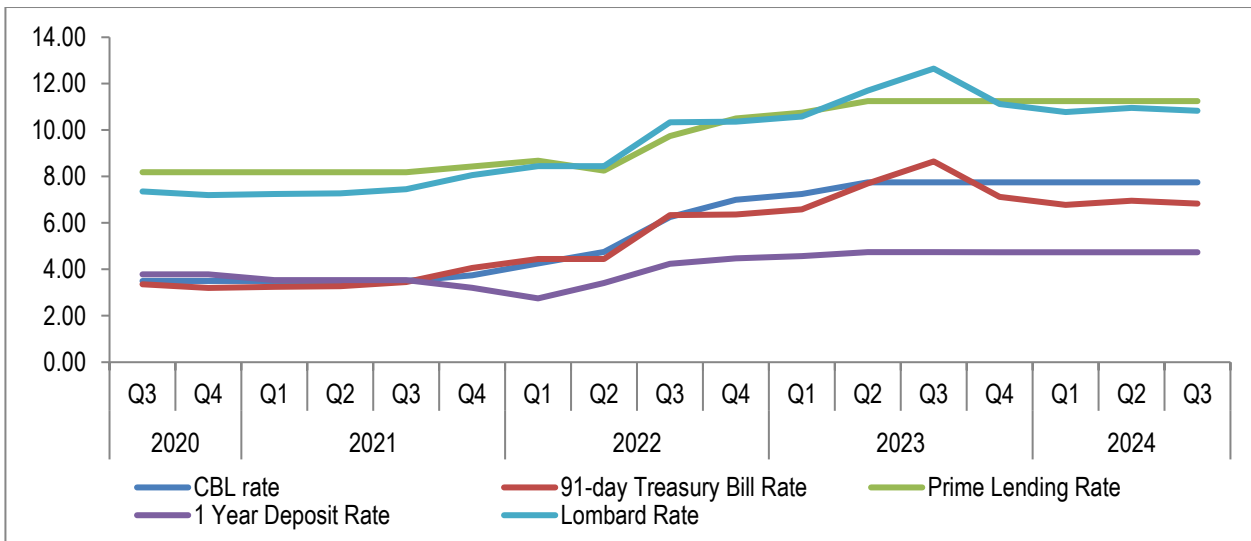
Money Market

Interest Rates

The prime lending rate and the one-year deposit rate remained unchanged at 11.25 per cent and 4.74 per cent, respectively, during the review period. This stability followed the decision by the Monetary Policy Committee (MPC) of the Central Bank of Lesotho to maintain its policy rate at 7.75 per cent.

In contrast, the 91-day Treasury bill rate and the Lombard rate declined by 13 basis points, settling at 6.83 per cent and 10.83 per cent, respectively. Despite this decline, the 91-day Treasury bill rate remained within the desired range of +/- 200 basis points relative to its South African counterpart.

Figure 16: Short Term Interest Rates (Per Cent per Annum)



Source: Central Bank of Lesotho

Table 11: Interest rates

	2023		2024		
	Q3	Q4	Q1	Q2	Q3
Central Bank					
CBL rate	7.75	7.75	7.75	7.75	7.75
T-Bill Rate - 91 days	8.65	7.12	6.78	6.96	6.83
Lombard Rate	12.7	11.12	10.78	10.96	10.83
Commercial Banks					
Call	2.65	2.65	2.65	2.65	2.65
Time:					
31 days	1.47	1.47	1.47	1.47	1.47
88 days	2.46	2.46	2.46	2.46	2.46
6 months	4.02	4.01	4.01	4.01	4.01
1 year	4.74	4.74	4.74	4.74	4.74
Savings	1.60	1.60	1.60	1.60	1.60
Prime	11.25	11.25	11.25	11.25	11.25
South Africa					
Repo	8.25	8.25	8.25	8.25	8.00
T-Bill Rate - 91 days	8.37	8.43	8.40	8.40	8.03
Prime	11.75	11.75	11.75	11.75	11.5

Source: Central Bank of Lesotho

Holding of Treasury Bills

The total outstanding stock of Treasury Bills (T-Bills) increased by 1.4 per cent, reversing the 2.8 per cent decline recorded in the previous quarter. This growth was driven by a 9.5 per cent increase in the share held by the banking sector, while the share held by the non-bank sector declined by 9.8 per cent.

Table 12: Holding of Bills (Million Maloti)

	2023		2024		
	Q3	Q4	Q1	Q2	Q3
Treasury Bills	867.22	746.76	747.88	726.74	736.63
Banking System	587.43	463.90	454.41	420.78	460.68
Non-Bank Sector	279.79	282.86	293.47	305.96	275.95

Source: Central Bank of Lesotho

Holding of Treasury Bonds

The total stock of government bonds increased by 2.0 per cent, following an auction amounting to M75 million during the quarter. The new issuance was distributed nearly evenly between the banking sector and the non-bank sector, with the former acquiring M40 million and the latter taking the remaining M35 million.

However, the proportional share of each sector remained unchanged. The banking sector accounted for 30 per cent, while the non-bank sector maintained its 70 per cent share, consistent with the proportions observed in June 2024.

Table 13: Holding of Bonds (Million Maloti)

	2023		2024		
	Q3	Q4	Q1	Q2	Q3
Holding of Treasury Bonds	4337.59	3835.20	4008.20	3747.08	3822.08
Banking System	1597.68	1225.86	1334.39	1105.42	1145.31
Non-Bank Sector	2739.91	2609.34	2673.82	2641.65	2676.76

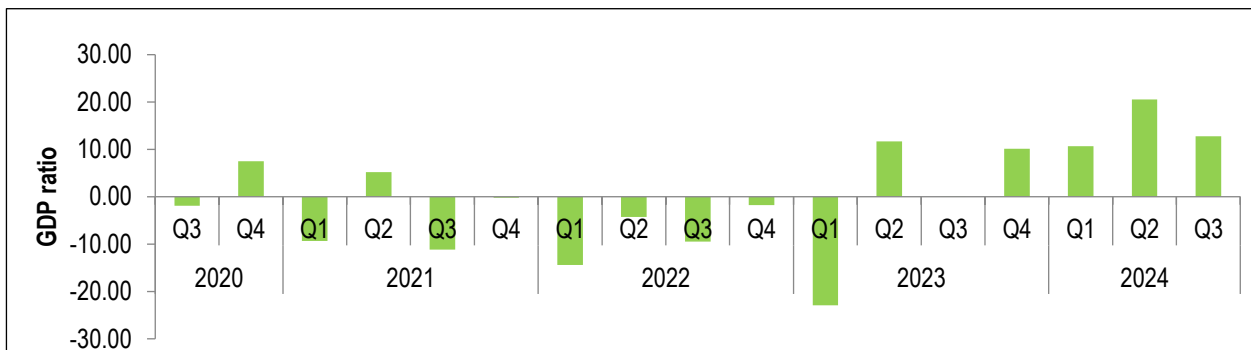
Source: Central Bank of Lesotho

5. Government Finance

Overview

The government's budgetary operations were estimated to have resulted in a surplus equivalent to 12.7 per cent of GDP, compared to a revised 20.6 per cent surplus in the second quarter. Despite this decline, government operations have consistently maintained a positive balance since the second quarter of 2023. As a result, the public debt-to-GDP ratio improved modestly, declining to 54.7 per cent from a revised 54.9 per cent in the previous quarter.

Figure 17: Fiscal Balance (Percent of GDP)



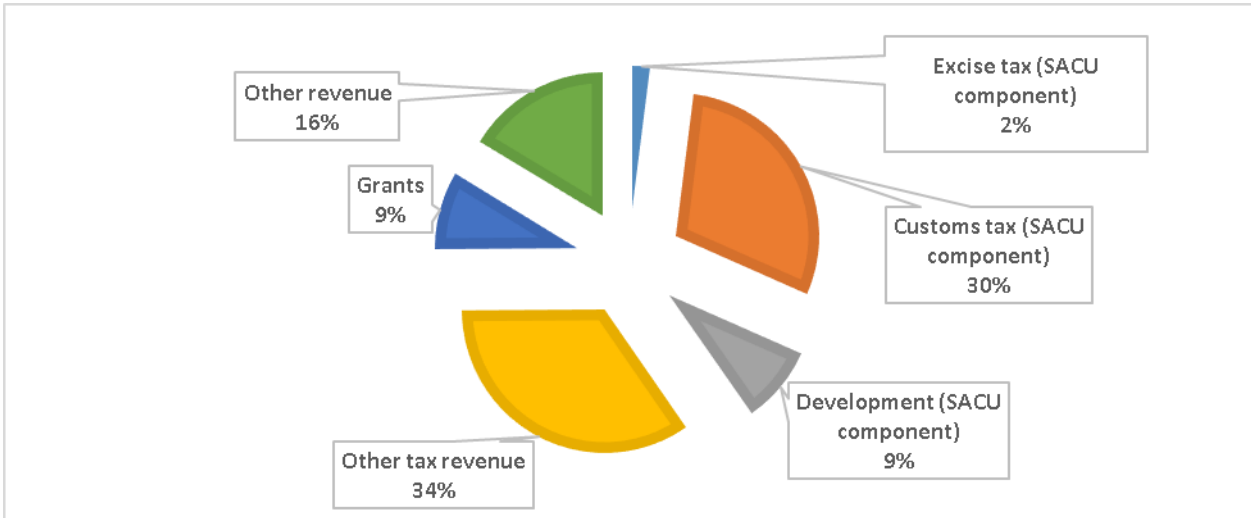
Source: Central Bank of Lesotho and Ministry of Finance

Revenue

Government revenue declined by 10.3 per cent, driven primarily by reduced collections from VAT and property income. The decrease in VAT was attributed to a slowdown in economic activity and higher VAT refunds. Meanwhile, the fall in property income was largely due to a decline in interest income and dividends.

Despite the quarterly decline, government revenue increased by 23.3 per cent year-on-year, supported mainly by higher water royalties.

Figure 18: Total Revenue (Million Maloti)



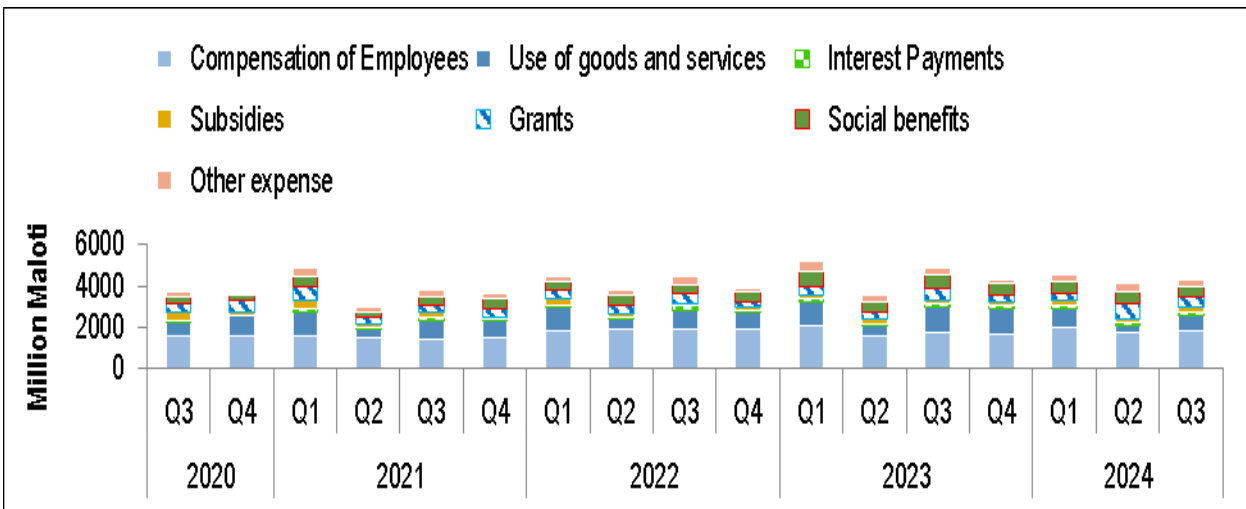
Source: Central Bank of Lesotho and Ministry of Finance

Total Expenditure

Total expenditure increased by 8.2 per cent, reversing a revised 9.0 per cent decline in the previous quarter. This uptick was primarily attributed to higher spending on goods and services and development initiatives. Notable increases were observed in the education and social protection sectors.

On an annual basis, total spending decreased slightly by 0.9 per cent, driven mainly by reduced spending on the use of goods and services.

Figure 19: Total Expense (Million Maloti)



Source: Central Bank of Lesotho and Ministry of Finance

Table 14: Statement of Government Operations (Million Maloti)

	2023		2024			Q-to-Q (%)	Y-on-Y (%)	GDP ratio (%)
	Q3	Q4	Q1	Q2	Q3			
Total Revenue	5351.02	5571.33	6459.08	7358.03	6597.56	-10.3	23.3	64.7
Tax revenue	4245.02	4433.67	4796.91	5232.14	4783.49	-8.6	12.7	46.9
Income Tax	1072.65	1222.90	1293.04	1267.47	1416.63	11.8	32.1	13.9
Value Added Tax	982.66	1025.27	940.03	1451.34	888.75	-38.8	-9.6	8.7
SACU Receipts (excise & customs)	1984.93	1984.93	1984.93	2258.89	2258.89	0.0	13.8	22.2
Other tax revenue	204.78	200.57	578.91	254.45	219.22	-13.8	7.1	2.2
Grants	552.20	552.20	552.20	629.50	631.68	0.3	14.4	6.2
o/w SACU Receipts (development)	552.20	552.20	552.20	628.41	628.41	0.0	13.8	6.2
Other revenue	553.80	585.46	1109.98	1496.38	1182.40	-21.0	113.5	11.6
Total Expense	4887.47	4298.38	4570.87	4116.77	4329.43	5.2	-11.4	42.5
Compensation of Employees	1784.61	1690.85	1969.30	1797.90	1845.13	2.6	3.4	18.1
Use of goods and services	1218.51	1211.44	912.04	323.96	712.84	120.0	-41.5	7.0
O/W Purchase of Health Services	112.37	111.31	110.99	111.35	121.35	9.0	8.0	1.2
Interest Payments	129.72	136.67	184.90	138.74	167.19	20.5	28.9	1.6
Subsidies	201.40	161.73	239.27	191.66	234.86	22.5	16.6	2.3
Grants	549.97	357.26	359.91	687.19	510.20	-25.8	-7.2	5.0
Social benefits	675.74	594.65	536.97	598.32	522.47	-12.7	-22.7	5.1
Other expense	327.52	145.78	368.47	378.99	336.74	-11.1	2.8	3.3
Gross Operating Balance	463.55	1272.94	1888.21	3241.26	2268.13	-	-	22.3
Total Nonfinancial Assets	458.07	308.76	814.73	782.37	970.31	24.0	111.8	9.5
Fixed Assets	458.07	308.76	814.73	782.37	970.31	24.0	111.8	9.5
Non-Produced Assets	0.00	0.00	0.00	0.00	0.00	-	-	0.0
Total Expenditure	5345.54	4607.14	5385.60	4899.14	5299.74	8.2	-0.9	52.0
Primary balance	135.20	1100.85	1258.38	2597.62	1465.01	-	-	14.4
Net lending/borrowing	5.47	964.18	1073.48	2458.89	1297.82	-	-	12.7
Financing	101.93	681.04	999.50	2355.56	1061.13	-	-	10.4
Net Acquisition of Financial assets	-606.35	591.05	258.50	2870.38	1190.96	-	-	11.7
O/W Domestic Currency and Deposits	-458.70	1094.54	-135.98	2303.56	918.36	-	-	9.0
Net Incurrence of Liabilities	-708.28	-89.99	-741.00	514.82	129.84	-	-	1.3
O/W Domestic Other Accounts Payable	77.14	33.26	-722.17	779.22	44.88	-	-	0.4
Statistical Discrepancy	-96.45	283.15	73.98	103.33	236.70	-	-	2.3
Memo Items								
SACU receipts	2537.13	2537.13	2537.13	2887.30	2887.30	0.0	13.8	28.3
GDP (quarterly, red colour = forecast)	9702.71	9496.43	10076.14	11959.40	10190.50	-	-	-

Source: Central Bank of Lesotho and Ministry of Finance

Table 15: Total Outlays by Functions of Government (Million Maloti)

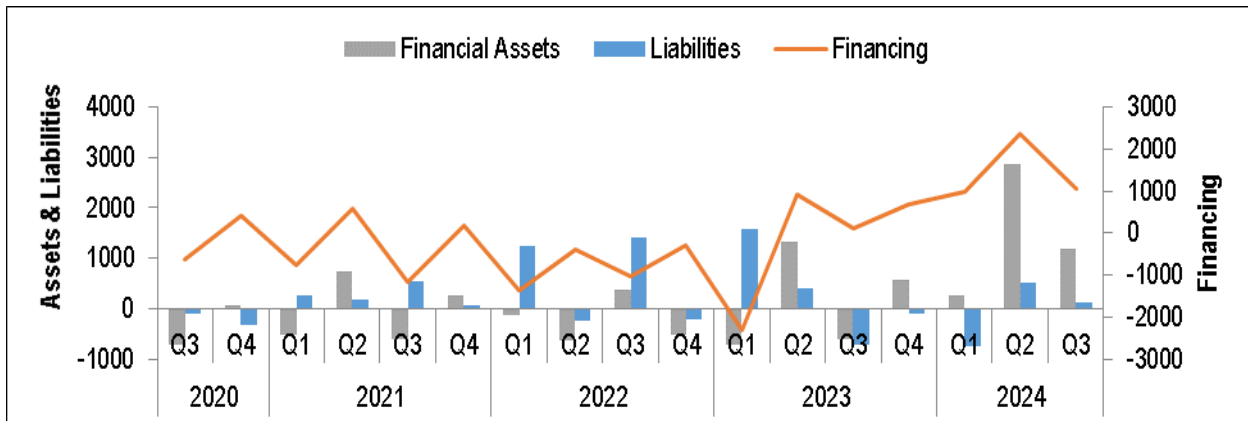
	2023		2024			Q-to-Q (%)	Y-on-Y (%)	GDP ratio (%)
	Q3	Q4	Q1	Q2	Q3			
Current Outlays	4279.75	3238.77	4344.65	3775.99	4435.75	17.5	3.6	43.5
General public services	1480.20	836.82	1475.15	1459.55	850.68	-41.7	-42.5	8.3
Defence	223.04	185.48	9.69	0.00	233.75		4.8	2.3
Public order and safety	493.49	371.85	530.30	349.73	407.29	16.5	-17.5	4.0
Economic affairs	541.58	457.14	552.25	340.04	331.76	-2.4	-38.7	3.3
Environmental protection	5.17	4.57	5.33	4.92	27.26	453.6	426.8	0.3
Housing and community amenities	11.51	11.04	15.25	11.05	135.93	1130.2	1081.0	1.3
Health	535.95	393.27	626.75	499.30	618.82	23.9	15.5	6.1
Recreation, culture and religion	32.22	30.67	35.17	40.73	51.71	26.9	60.5	0.5
Education	681.98	693.14	742.01	707.10	1063.06	50.3	55.9	10.4
Social protection	274.61	254.78	352.75	363.56	715.49	96.8	160.6	7.0
Capital Outlays	379.39	275.95	780.08	431.96	852.33	97.3	124.7	8.4
General public services	15.24	44.17	107.02	45.51	143.50	215.3	841.4	1.4
Defence	0.00	0.00	0.00	0.00	27.61	-	-	0.3
Public order and safety	10.06	15.18	23.32	5.63	2.11	-62.6	-79.0	0.0
Economic affairs	241.63	192.26	535.79	295.02	600.05	103.4	148.3	5.9
Environmental protection	0.00	0.00	0.00	0.00	0.91	-	-	0.0
Housing and community amenities	95.44	12.69	12.17	70.64	76.26	8.0	-20.1	0.7
Health	4.90	5.31	30.41	9.26	1.90	-79.5	-61.3	0.0
Recreation, culture and religion	4.63	2.01	1.06	7.24	0.00	-100.0	-100.0	0.0
Education	7.49	4.33	52.23	-1.34	0.00	-100.0	-100.0	0.0
Social protection	0.00	0.00	18.08	0.00	0.00		-	0.0
Total Outlays	4659.14	3514.72	5124.73	4207.94	5288.09	25.7	13.5	51.9
General public services	1495.44	881.00	1582.17	1505.06	994.19	-33.9	-33.5	9.8
Defence	223.04	185.48	9.69	0.00	261.36		17.2	2.6
Public order and safety	503.55	387.03	553.62	355.36	409.39	15.2	-18.7	4.0
Economic affairs	783.21	649.40	1088.04	635.07	931.81	46.7	19.0	9.1
Environmental protection	5.17	4.57	5.33	4.92	28.17	472.0	444.3	0.3
Housing and community amenities	106.95	23.74	27.41	81.69	212.19	159.8	98.4	2.1
Health	540.85	398.58	657.15	508.56	620.72	22.1	14.8	6.1
Recreation, culture and religion	36.85	32.68	36.23	47.97	51.71	7.8	40.3	0.5
Education	689.48	697.47	794.25	705.76	1063.06	50.6	54.2	10.4
Social protection	274.61	254.78	370.82	363.56	715.49	96.8	160.6	7.0
Unidentified Outlays	686.41	1092.43	260.87	691.19	11.65			

Source: Central Bank of Lesotho and Ministry of Finance

Financial Assets and Liabilities²

The realized fiscal surplus contributed to the growth of financial assets, particularly increases in currency and deposits, other receivables, and loan assets extended to extra-budgetary units. However, government liabilities also increased, reflecting the issuance of Treasury bonds and the accumulation of outstanding supplier payments.

Figure 20: Total Financing (Million Maloti)



Source: Central Bank of Lesotho and Ministry of Finance

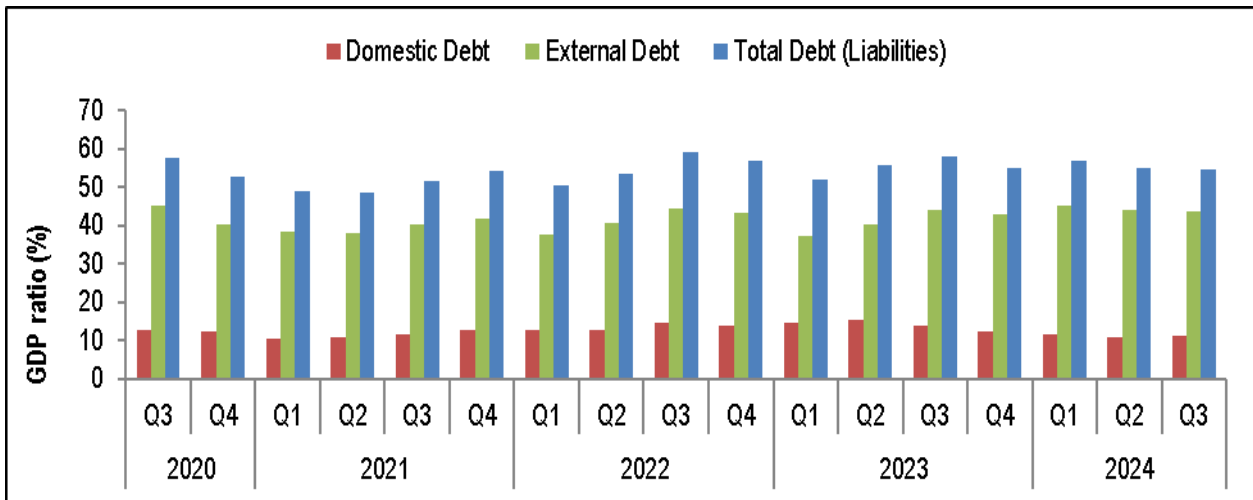
Total Public Debt³

The total public debt stock declined marginally by 0.3 per cent, following a revised 3.6 per cent reduction in the previous quarter. This decrease was primarily attributed to exchange rate gains, which helped lower the value of external debt. However, the decline was partially offset by the issuance of Treasury bonds. On a year-on-year basis, the public debt stock increased by 1.9 per cent.

² All categories are on net terms. The difference between financing and net lending is captured under other accounts payable. However, existing statistical discrepancy caters for some funds in the banks that are totally unexplained as they are highly aggregated.

³ All categories are on net terms. The stock of public external debt is converted using an end-of-period exchange rate.

Figure 21: Outstanding Public Debt (Million Maloti)



Source: Central Bank of Lesotho and Ministry of Finance

Table 16: Public Debt Stock (Million Maloti)

	2023		2024			Q-to-Q (%)	Y-on-Y (%)	Debt / GDP
	Q3	Q4	Q1	Q2	Q3			
Total Public Debt	21877.99	20831.76	23209.48	22367.91	22300.04	-0.3	1.9	54.7
External Debt	16582.22	16172.80	18453.39	17894.09	17741.33	-0.9	7.0	43.5
Bilateral Loans	1031.55	957.34	956.23	881.91	860.04	-2.5	-16.6	2.1
Concessional	858.32	796.44	811.51	755.79	737.71	-2.4	-14.1	1.8
Non-concessional	173.23	160.90	144.72	126.12	122.32	-	-	0.3
Multilateral Loans	12745.40	12423.32	14002.58	13731.62	13708.85	-0.2	7.6	33.6
Concessional	9573.75	9233.88	10630.69	10328.89	10338.61	0.1	8.0	25.4
Non-concessional	3171.65	3189.44	3371.89	3402.73	3370.24	-1.0	6.3	8.3
Financial Institutions	238.46	176.89	59.90	0.00	0.00	-	-100.0	0.0
Concessional	238.46	176.89	59.90	0.00	0.00	-	-	0.0
Non-concessional	0.00	0.00	0.00	0.00	0.00	-	-	0.0
Suppliers' Credit	2566.81	2615.24	3434.68	3280.56	3172.45	-3.3	23.6	7.8
Concessional	0.00	0.00	1369.00	1309.11	1287.15	-1.7		3.2
Non-concessional	0.00	0.00	2065.68	1971.46	1885.30	-4.4		4.6
Domestic Debt	5295.77	4658.95	4756.08	4473.82	4558.71	1.9	-13.9	11.2
Banks	2276.07	1766.75	1788.79	1526.20	1606.00	5.2	-29.4	3.9
Long-term	1688.64	1302.85	1334.39	1105.42	1145.31	3.6	-32.2	2.8
Treasury bonds	1597.68	1225.86	1334.39	1105.42	1145.31	3.6	-28.3	2.8
Central Bank (IMF)	90.96	76.99	0.00	0.00	0.00	-	-100.0	0.0
Short-term (t-bills)	587.43	463.90	454.41	420.78	460.68	9.5	-21.6	1.1
Non-bank	3019.70	2892.20	2967.29	2947.62	2952.71	0.2	-2.2	7.2
Long-term (t-bonds)	2739.91	2609.34	2673.82	2641.65	2676.76	1.3	-2.3	6.6
Short-term (t-bills)	279.79	282.86	293.47	305.96	275.95	-9.8	-1.4	0.7
DEBT INDICATORS								
External Debt-to-Total Debt	75.79	77.64	79.51	80.00	79.56	-	-	-
Concessional Debt-to-External Debt	64.35	63.11	62.33	69.26	62.43	-	-	-
External Debt Service-to-Revenue	5.39	5.43	6.85	3.56	5.38	-	-	-
External Debt Service-to-Exports	7.16	7.03	9.79	6.07	8.62	-	-	-

Source: Central Bank of Lesotho and Ministry of Finance

6. Foreign Trade and Payments

Overview

Lesotho's external sector position remained in surplus in the third quarter of 2024. The surplus was primarily supported by water royalties and construction activities under LHWP II. As a share of GDP, the external sector surplus constituted 6.8 per cent, a reduction from a revised 24.3 per cent in the preceding quarter.

Current Account

The current account surplus increased by 66.8 per cent, reaching M557.8 million in the third quarter of 2024. This performance was primarily driven by positive balances in the primary and secondary income accounts, while the services account recorded a deficit. As a share of GDP, the current account surplus amounted to 4.7 per cent, up from a revised 2.8 per cent in the previous quarter.

Table 17: Current Account Balance (Million Maloti)

	2023		2024			% Changes	
	Q3	Q4	Q1	Q2	Q3	Q/Q	Y/Y
Current Account	-195.04	-654.46	792.8254	335.3718	557.8251	66.3	386.0
(a) Goods	-3509.85	-3913.99	-2897.33	-3251.08	-3085.74	5.1	12.1
Merchandise exports, f.o.b.	4027.92	4302.71	4517.40	4316.55	4666.83	8.1	15.9
Of which diamonds	930.04	1486.73	1478.85	1052.42	1154.00	9.7	24.1
Of which textiles & clothing	2075.94	1960.92	1828.68	1835.87	1976.37	7.7	-4.8
Of which water	358.06	391.37	874.09	962.63	978.8	1.7	173.4
Of which agriculture	122.26	140.62	130.21	136.89	126.48	-7.6	3.5
Of which re-exports	94.62	65.22	40.71	46.86	46.86	0.0	-50.5
Other exports	447.00	257.85	164.85	281.88	384.32	36.3	-14.0
Merchandise imports, f.o.b.	7537.77	8216.70	7414.73	7567.63	7752.57	2.4	2.8
(b) Services	-1802.65	-1886.51	-1814.02	-1849.35	-1853.05	-0.2	-2.8
(c) Primary Income	2298.15	2339.21	2286.45	2328.31	2430.63	4.4	5.8
(d) Secondary Income	2819.31	2806.84	3217.73	3107.49	3065.98	-1.3	8.7

Source: Central Bank of Lesotho

Merchandise Exports

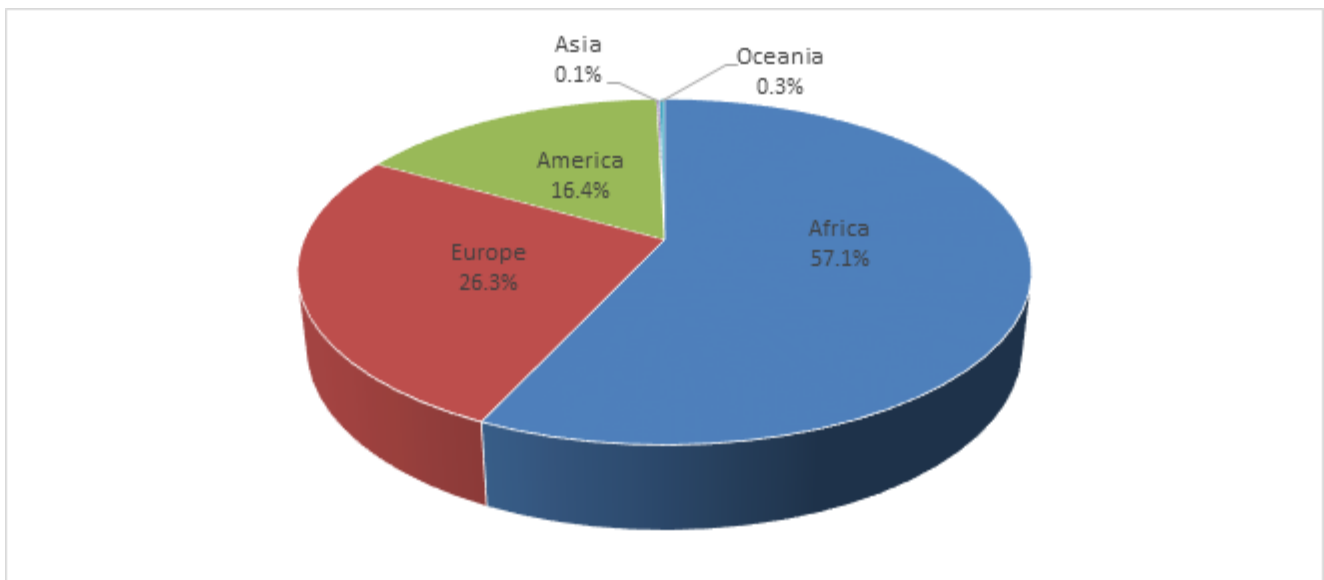
Merchandise exports increased by 8.1 per cent, reversing a 4.4 per cent decline recorded in the previous quarter. This growth was supported by higher exports of diamonds, textiles and clothing, and water. Diamond exports benefited from the recovery of high-value carats from one of the mines, which partially offset the impact of subdued global diamond prices. The increase in textiles and clothing exports was driven by higher orders, particularly from South Africa, which led to an expansion in production. Meanwhile, water exports benefited from higher proceeds following the revision of water royalties implemented at the start of 2024.

On a year-on-year basis, merchandise exports grew modestly by 0.5 per cent, recovering from an 11.6 per cent contraction in the previous quarter. As a share of GDP, merchandise exports accounted for 39.6 per cent, up from a revised 28.0 per cent in the preceding quarter.

Direction of Trade - Exports

The African continent remained the largest market for Lesotho's exports, accounting for 57.1 per cent of total exports in the third quarter of 2024, up from 50.3 per cent in the preceding quarter. Europe maintained its position as the second-largest recipient, with a share of 26.3 per cent, slightly higher than 25.4 per cent a quarter earlier. This growth was driven by diamond exports to Belgium. America represented the third-largest share, primarily due to textiles and clothing exports to the US, accounting for 16.4 per cent, down from 17.7 per cent in the previous quarter. The smallest shares of Lesotho's exports were directed to Oceania and Asia, with proportions of 0.3 per cent and 0.1 per cent, respectively.

Figure 22: Direction of Trade Merchandise Exports (Percentage Share)



Source: Central Bank of Lesotho

Merchandise Imports

Merchandise imports maintained an upward trend, rising by 2.4 per cent in the third quarter of 2024, following a 2.1 per cent increase in the second quarter. This growth was primarily driven by imports of transport and machinery equipment, mineral products, and food and vegetables.

On a year-on-year basis, merchandise imports increased by 2.9 per cent, up from a 2.1 per cent rise recorded in the previous quarter. As a share of GDP, merchandise imports accounted for 65.8 per cent, compared to a revised 63.3 per cent in the preceding quarter.

Services account

The services account deficit widened marginally by 0.2 per cent, following a revised 2.0 per cent widening in the second quarter of 2024. This deterioration was primarily driven by an increase in freight costs, reflecting higher merchandise imports, and elevated payments for official travel. However, a decline in payments for telecommunications services partially offset the worsening deficit.

On a year-on-year basis, the services account deficit increased by 2.8 per cent, remaining unchanged from the previous quarter. As a share of GDP, the services account deficit amounted to 15.7 per cent, slightly higher than the revised 15.5 per cent recorded in the preceding quarter.

Primary Income Account

The primary income account surplus increased by 4.4 per cent, following a 2.4 per cent rise in the preceding quarter. This improvement was primarily driven by higher interest income from financial institutions' investments held abroad, supported by elevated global interest rates. Additionally, inflows for maintenance and repair activities under LHWP Phase I further contributed to the surplus. Further support stemmed from a reduction in government interest payments on foreign loans, which lowered external obligations.

On a year-on-year basis, the primary income account surplus rose by 5.8 per cent, compared to a 7.2 per cent increase in the previous quarter. As a share of GDP, the primary income account surplus amounted to 20.6 per cent, up from 19.5 per cent in the prior quarter.

Secondary Income Account

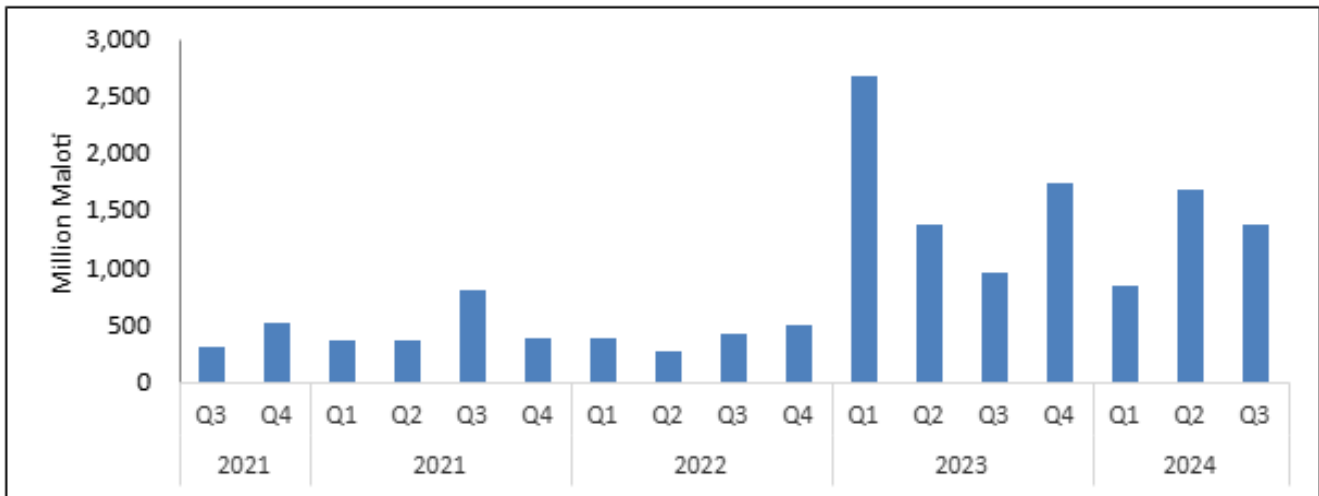
The secondary income account surplus declined by 1.3 per cent, following a 3.4 per cent decrease in the previous quarter. The decline in the surplus was primarily attributed to an increase in subscriptions to international organizations, while SACU receipts remained unchanged. On a year-on-year basis, the secondary income account surplus grew by 8.8 per cent, following a 10.6 per cent increase in the preceding quarter. As a share of GDP, it remained steady at 26.0 per cent

Capital Account

Capital account inflows remained strong, amounting to M1.38 billion in the third quarter of 2024, compared to M1.68 billion in the previous quarter. The inflows were primarily driven by ongoing construction activities under LHWP II, including the Senqu River Bridge and the transfer tunnel.

On a year-on-year basis, capital account inflows increased by 44.6 per cent, compared to a 24.4 per cent rise in the preceding quarter. However, as a share of GDP, capital account inflows declined to 11.7 per cent, from 14.1 per cent in the previous quarter.

Figure 23: Capital Account (Million Maloti)



Source: Central Bank of Lesotho

Financial Account

The financial account remained in surplus during the third quarter of 2024. Outflows decreased significantly to M399.60 million, down from M1.41 billion in the previous quarter. The primary drivers of these outflows were direct investment, portfolio investment, and changes in reserve assets.

Table 18: Financial Account Balance (Million Maloti)

	2023		2024		
	Q3	Q4	Q1	Q2	Q3
Financial account	1295.90	1439.16	126.34	1407.90	399.60
Direct Investments, net	308.83	389.09	149.90	245.55	216.15
Portfolio Investments, net	394.73	403.70	16.49	-301.57	43.98
Financial Derivatives, net	0.00	0.00	0.00	0.00	0.00
Other Investments, net	979.08	417.97	-176.47	1,016.20	-890.57
Of which Loans	120.31	-431.40	373.86	-255.98	-81.13
Claims on Non-Residents	34.48	34.48	34.48	34.48	34.48
Liabilities to Non-Residents	-85.83	465.88	-339.38	290.46	115.61
Of which Currency and Deposits	932.83	923.43	-476.27	1,346.24	-735.38
Claims on Non-Residents	859.51	1,087.08	-326.50	1,014.62	-612.27
Liabilities to Non-Residents	-73.32	163.65	149.77	-331.62	123.11
Of which Special Drawing Rights	0.00	0.00	0.00	0.00	0.00
Reserve Assets	-386.74	228.41	136.41	447.72	1,030.03

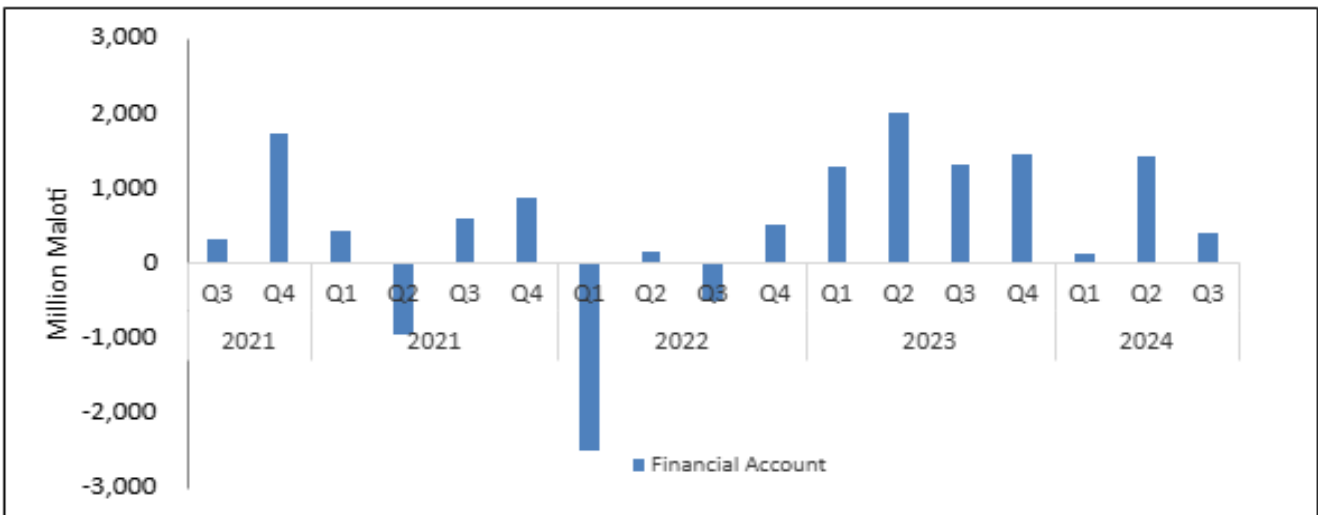
Source: Central Bank of Lesotho

Direct investment outflows amounted to M216.15 million, down from M245.55 million in the preceding quarter. These outflows were primarily driven by loan repayments by resident entities to non-resident shareholders. However, they were partially offset by loan disbursements from non-resident shareholders to resident entities, particularly in the construction sector.

Portfolio investment recorded outflows of M43.98 million, compared to an inflow of M301.57 million in the previous quarter. This shift was attributed to increased placements abroad by other financial institutions, as they sought higher yields.

In contrast, other investments recorded an inflow of M890.57 million, primarily driven by the maturity of commercial banks’ overseas investment. Additionally, government loan repayments increased, while disbursements to the government decreased.

Figure 24: Financial Account (Million Maloti)

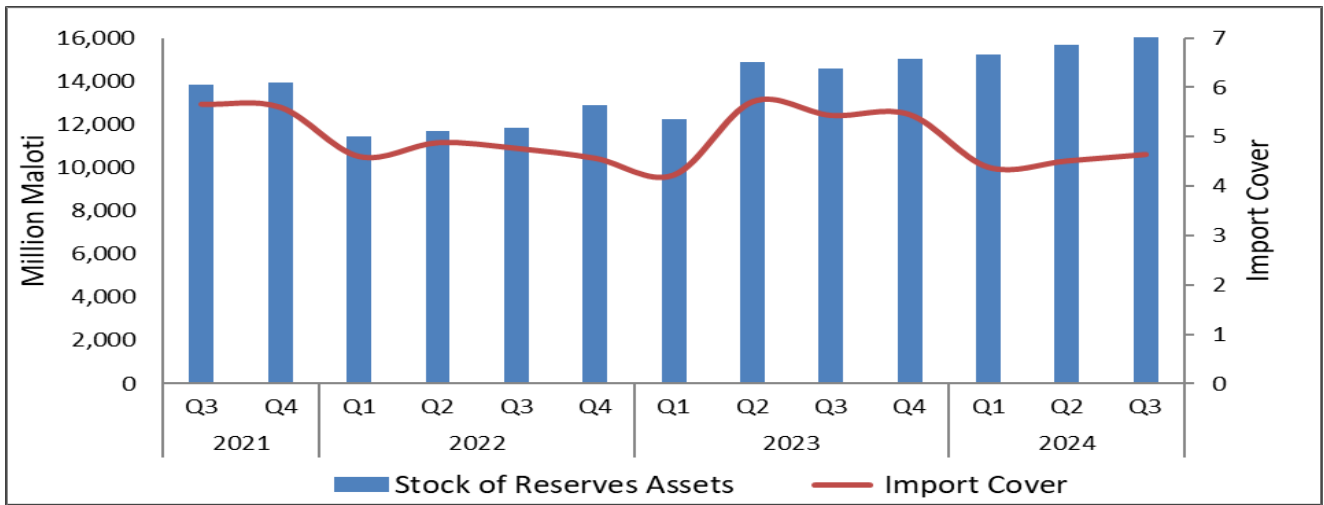


Source: Central Bank of Lesotho

Reserve Assets

The stock of foreign reserves increased to M16.28 billion, from M15.70 billion in the second quarter of 2024. This growth was attributed to fiscal surpluses and higher loan disbursements during the period. As a result, the months of import cover rose slightly to 4.6 months, from 4.5 months.

Figure 25: Reserve Assets



Source: Central Bank of Lesotho