

Central Bank of Lesotho



QUARTERLY ECONOMIC REVIEW

March 2024

MASERU KINGDOM OF LESOTHO

Table of Contents

Table of Contents	i
List of Tables	ii
List of Figures	iii
1. Executive Summary	iv
2. International Economic Developments	1
ADVANCED ECONOMIES	1
EMERGING MARKET ECONOMIES	3
COMMODITIES	4
EXCHANGE RATES.....	7
3. Real Sector Developments	8
OVERVIEW	8
OUTPUT DEVELOPMENTS	8
EMPLOYMENT DEVELOPMENTS	9
PRICE DEVELOPMENTS.....	11
4. Monetary and Financial Developments	14
OVERVIEW	14
BROAD MONEY (M2).....	14
CREDIT EXTENSION	17
LIQUIDITY OF COMMERCIAL BANKS	19
MONEY AND CAPITAL MARKET DEVELOPMENTS.....	20
5. Government Finance	23
OVERVIEW	23
REVENUE.....	23
TOTAL EXPENDITURE	24
FINANCIAL ASSETS AND LIABILITIES	27
TOTAL PUBLIC DEBT	27
6. Foreign Trade and Payments	29
OVERVIEW	29
CAPITAL ACCOUNT.....	31
FINANCIAL ACCOUNT.....	32
RESERVE ASSETS.....	33

List of Tables

Table 1: Key World Economic Indicators	1
Table 2: Composite Indicator of Economic Activity and its sub-components	9
Table 3: Employment by LNDC-Assisted Companies	10
Table 4: Inflation Rate (<i>Annual Percentage Changes</i>).....	12
Table 5: Domestic Claims (<i>Million Maloti: End Period</i>).....	15
Table 6: Net Foreign Assets (<i>Million Maloti: End Period</i>).....	15
Table 7: Components of Money Supply (<i>Million Maloti: End Period</i>).....	16
Table 8: Credit Extension by Economic Activity (<i>Million Maloti</i>).....	17
Table 9: Components of Liquidity (<i>Million Maloti</i>).....	19
Table 10: Sources of funds for ODCs (<i>Million Maloti</i>).....	20
Table 11: Interest rates	21
Table 12: Holding of Bills (<i>Million Maloti</i>)	22
Table 13: Holding of Bonds (<i>Million Maloti</i>).....	22
Table 14: Statement of Government Operations (<i>Million Maloti</i>)	25
Table 15: Total Outlays by Functions of Government (<i>Million Maloti</i>).....	26
Table 16: Public Debt Stock (<i>Million Maloti</i>)	28
Table 17: Current Account Balance (<i>Million Maloti</i>).....	29
Table 18: Financial Account Balance (<i>Million Maloti</i>)	32

List of Figures

Figure 1: Average Price of Gold	4
Figure 2: Average Price of Platinum	5
Figure 3: Average Price of Oil.....	5
Figure 4: Average Price of Maize.....	6
Figure 5: Average Price of Wheat.....	7
Figure 6: Nominal Exchange Rate of Loti against Major Trading Currencies	7
Figure 7: Quarterly Indicator of Economic Activity.....	9
Figure 8: Government Employment (Annual Percentage Changes).....	10
Figure 9: Migrant Mineworkers (<i>Annual Percentage Changes</i>).....	11
Figure 10: Core vs Headline Inflation (<i>Annual Percentage Changes</i>).....	12
Figure 11: Food vs Non-food Inflation (<i>Annual Percentage Changes</i>).....	13
Figure 12: Broad Money (M2) (<i>Quarterly Changes</i>).....	14
Figure 13: Net Foreign Assets (<i>Percentage shares</i>)	16
Figure 14: Distribution of Credit to Businesses (<i>Percentage Shares</i>).....	18
Figure 15: Credit Extension to Household (<i>Million Maloti</i>).....	18
Figure 16: Short Term Interest Rates (<i>Per Cent per Annum</i>).....	21
Figure 17: Fiscal Balance (<i>Percent of GDP</i>)	23
Figure 18: Total Revenue (<i>Million Maloti</i>).....	24
Figure 19: Total Expense (<i>Million Maloti</i>).....	24
Figure 20: Total Financing (<i>Million Maloti</i>)	27
Figure 21: Outstanding Public Debt (<i>Million Maloti</i>).....	27
Figure 22: Direction of Trade Merchandise Exports (<i>Percentage Share</i>).....	30
Figure 23: Capital Account (<i>Million Maloti</i>).....	32
Figure 24: Financial Account (<i>Million Maloti</i>).....	33
Figure 25: Reserve Assets	34

1. Executive Summary

The global economy displayed mixed performance across different regions in the first quarter of 2024. While some regions experienced a slight deceleration in growth, others saw improvements. Inflation rates varied globally, with the Euro Area experiencing a slowdown due to stabilising energy prices, while the United States (US) experienced a slight uptick, driven by housing and gasoline costs. India's inflation declined with lower fuel prices, contrasting with South Africa's increase from rising transport expenses. Commodity prices also exhibited mixed signals, largely due to the geopolitical tensions coupled with the climatic conditions.

Domestic economic activity slowed down in the first quarter of 2024, in contrast to positive developments observed in the previous quarter. Likewise, the labour market also continued a downward trajectory, with all three categories tracked by the Central Bank of Lesotho: LNDC-assisted firms, government employment, and migrant mineworkers, declining. The situation was worsened by the elevated inflationary pressures.

There were positive developments in monetary aggregates in the first quarter of 2024. Accordingly, private sector credit only followed a slight decline, though marginally, supported by growth in credit to households. Nonetheless, short-term rates, save for the 91-day treasury bill rate, were unchanged between the two quarters, as the CBL policy rate remained constant.

Government fiscal operations maintained a healthy position, registering positive fiscal balances during the review period. There was also improvement in public debt, with key debt indicators remaining within the debt sustainability threshold.

The external sector recorded a surplus amounting to 1.4 per cent of GDP in the first quarter of 2024, from a revised deficit of 2.4 per cent of GDP in the last quarter of 2023. The improved performance of the external sector mainly mirrored a positive current account balance. This was moderated by the lower capital account inflows, together with lower financial account outflows during the same period. Nonetheless, the stock of foreign reserves remained unchanged at 5.5 months.

2. International Economic Developments

The global economy displayed mixed performance across different regions during the first quarter of 2024. In the advanced economies, there were general positive developments, except for Japan that registered negative growth, and a slowdown in the US economy. The economic performance in the emerging market economies remained robust, except for South Africa which continued to suffer from the energy crisis, and the impending political uncertainty. China and India maintained relatively high and stable growth, supported by resilient domestic demand.

Inflation rates varied globally, with the Euro Area experiencing slowdown due to stabilising energy prices, while the United States experienced a slight uptick, driven by housing and gasoline costs. India's inflation declined with lower fuel prices, contrasting with South Africa's increase from rising transport expenses. Nonetheless, interest rates remained unchanged in many economies overall, except in Japan that ended its negative interest rate policy, with the Bank of Japan raising its key interest rates. Unemployment rates increased in the Euro Area and the United Kingdom due to labour market slowdowns. Furthermore, China experienced increased youth unemployment due to job-market mismatches.

In the commodities market, gold prices increased globally, driven by investor hedging amid economic uncertainties. However, platinum prices declined due to weak demand from the automotive industry. Crude oil prices surged, buoyed by growing demand from China and production cuts by OPEC, while agricultural products prices followed an upward trajectory influenced by various factors, such as unfavourable weather conditions and supply chain disruptions. The rand depreciated against the US dollar, pound, and euro, primarily influenced by challenges stemming from the energy and logistics crises which were compounded by political uncertainty surrounding elections.

Table 1: Key World Economic Indicators

	Real GDP Growth		Inflation Rate		Key Interest Rate		Unemployment Rate	
	Q4 2023	Q1 2024	Q4 2023	Q1 2024	Q4 2023	Q1 2024	Q4 2023	Q1 2024
United States	3.1	3.0	3.4	3.5	5.25	5.25	3.7	3.8
Euro Area	0.1	0.4	2.9	2.4	4.50	4.50	6.4	6.5
Japan	1.2	-0.2	2.6	2.7	-0.10	0.00	2.4	2.6
United Kingdom	-0.2	0.6	4.0	3.2	5.25	5.25	3.8	4.3
China	5.2	5.3	-0.3	0.1	3.45	3.45	5.1	5.2
India	8.4	7.8	5.7	4.9	6.50	6.50	N/A	N/A
South Africa	1.4	0.5	5.1	5.3	8.25	8.25	32.1	32.9

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)

In the first quarter of 2024, the US experienced a deceleration in economic performance. Real GDP growth declined to 3.0 per cent from 3.1 per cent in the fourth quarter of 2023. The slowdown was primarily due

to a worsened trade balance, driven by increased imports made cheaper by the strengthening dollar. This was coupled with a slowdown in government expenditure. Imports rose for automotive products, in addition to capital and consumer goods, while government spending slowed specifically for Federal spending, as well as state and local outlays. However, consumer spending remained robust thereby, moderating the observed slowdown. The unemployment rate rose slightly to 3.8 per cent from 3.7 per cent in the previous quarter, fuelled by the weaker economic performance.

The Inflation rate rose slightly to 3.5 per cent from 3.4 per cent in the preceding quarter. The slight uptick resulted from elevated housing costs due to a significant increase in residential investment that pushed by strong construction activity, as well as rising gasoline prices associated with the increase in global oil prices during the same period. Meanwhile, the Federal Reserve maintained the Fed Fund rate at 5.25 per cent, with the aim to control inflation without hindering economic growth.

Euro Area

The euro area economic performance improved during the quarter under review. The real GDP growth rate rose to 0.4 per cent, from 0.1 per cent in the previous quarter. This improvement was driven by several factors such as, easing inflation rates, improved consumer confidence, stabilisation of energy prices, recovery from a mild recession in the previous year, an improved global economic outlook, and steady domestic demand. The unemployment rate rose to 6.5 per cent in the first quarter of 2024, from 6.4 per cent in the previous quarter. This was attributed to a slowdown in demand for labour with fewer vacancies available in the review period.

Inflation moderated to 2.4 per cent from 2.9 per cent in the previous quarter, mainly due to a fall in energy prices and improved supply chains as pandemic disruptions eased. The European Central Bank (ECB) left its key interest rate unchanged at 4.50 per cent to maintain a balance between ensuring price stability and fostering economic growth amidst indications of gradual economic recovery.

Japan

The Japanese economy slowed down during the first quarter of 2024, with the Real GDP contracting by 0.2 per cent in contrast to an increase of 1.2 per cent in the fourth quarter of 2023. The slowdown largely resulted from subdued domestic demand due to elevated inflationary pressures which contributed negatively to export performance. Economic performance was further worsened by natural disasters that disrupted output during the same period. The unemployment rate thus increased slightly to 2.6 per cent from 2.4 in the last quarter of 2023.

The inflation rate rose to 2.7 per cent from 2.6 per cent in the preceding quarter. The increase in consumer prices was driven by rising cost of services, particularly hospitality costs due to a surge in inbound tourism. The Bank of Japan raised its key interest rate from -0.10 per cent to 0.0 per cent, thereby ending its negative interest rate policy and marking a historic shift away from an aggressive monetary easing program that was implemented over the years to fight chronic deflation.

United Kingdom

Economic growth remained modest in the UK during the first quarter of 2024. Real GDP grew by 0.6 per cent, following a contraction of 0.2 per cent a quarter earlier, mainly driven by relatively higher consumer and government spending. Despite these positive developments, the unemployment rate rose to 4.3 per cent, from 3.8 per cent in the previous quarter. This development was influenced by a cooling demand and growing economic inactivity due to long-term and short-term health concerns, as well as retirements.

Inflationary pressures eased during the review period. The rate of inflation declined to 3.2 per cent from 4.0 per cent in the last quarter of 2023. The reduction in inflation rate was attributed to a decline in housing prices. Housing costs declined as mortgage rates rose and dampened demand for housing. The Bank of England decided to maintain its key interest rate at 5.25 per cent in the quarter under review, reflecting concerns about inflationary pressures and uncertainties surrounding economic recovery.

EMERGING MARKET ECONOMIES

China

China's economic performance remained stable in the first quarter of 2023. The Real GDP growth rate was recorded at 5.3 per cent, following an increase of 5.2 per cent in the preceding quarter. Economic growth was supported by resilient domestic demand, robust industrial production, effective supply chain management, and supportive monetary and fiscal policies, despite challenges in the real estate market, such as the Evergrande crisis. Evergrande's collapse due to heavy indebtedness, as one of the world's largest real estate firms, threatened China's economic recovery, financial stability, and overall growth. The unemployment rate rose to 5.2 per cent from 5.1 per cent in the previous quarter. The higher unemployment rate was explained by high youth unemployment as a result of the mismatch between programmes that young people study for, and available jobs.

Consumer prices rose by 0.1 per cent from a decline of 0.3 per cent in the last quarter of 2023. The transition from deflation to mild inflation reflected increased domestic demand and industrial production. The People's Bank of China (PBOC) left its key interest rate unchanged at 3.45 per cent to support economic growth amid headwinds from the property sector and a near-record low in consumer confidence.

India

India's economic performance remained robust in the first quarter of 2024. Real GDP growth was recorded at 7.8 per cent, from 8.4 per cent in the previous quarter. The Indian economy continued to be supported by infrastructure spending and increased demand. Furthermore, there was robust growth in the manufacturing sector, which supported economic growth further.

The change in consumer prices declined to 4.9 per cent, from 5.7 per cent in the previous quarter. Consumer prices declined as fuel prices and light costs declined. This decline coincided with a fall in prices of non-food items such as fuel and light costs. The Reserve Bank of India maintained the key interest rate at 6.50 per cent, in alignment with medium-term inflation targets and growth objectives.

South Africa

South Africa's economic performance was weak in the first quarter of 2024. The economy grew by a modest 0.5 per cent, slower than an increase of 1.4 per cent in the previous quarter. The economy continued to be

affected by the energy crisis, which resulted in contractions in the mining and construction sectors. Furthermore, the economy continued to battle with logistical constraints, which contributed negatively to economic performance. The unemployment rate increased to 32.9 per cent from 32.1 per cent in the last quarter of 2023. There were notable job losses in community and social services as well as construction while modest increase in employment in the manufacturing and trade sectors moderated the losses.

The rate of inflation rose to 5.3 per cent from 5.1 per cent a quarter earlier. The increase in inflation rate was mainly driven by increased transport costs due to a hike in fuel prices amid the weak exchange rate. As a consequence, the South African Reserve Bank left its policy rates unchanged at 8.25 per cent in the first quarter of 2024. The Bank noted that inflation was generally lower than a year ago, but underlying inflation pressures remained elevated.

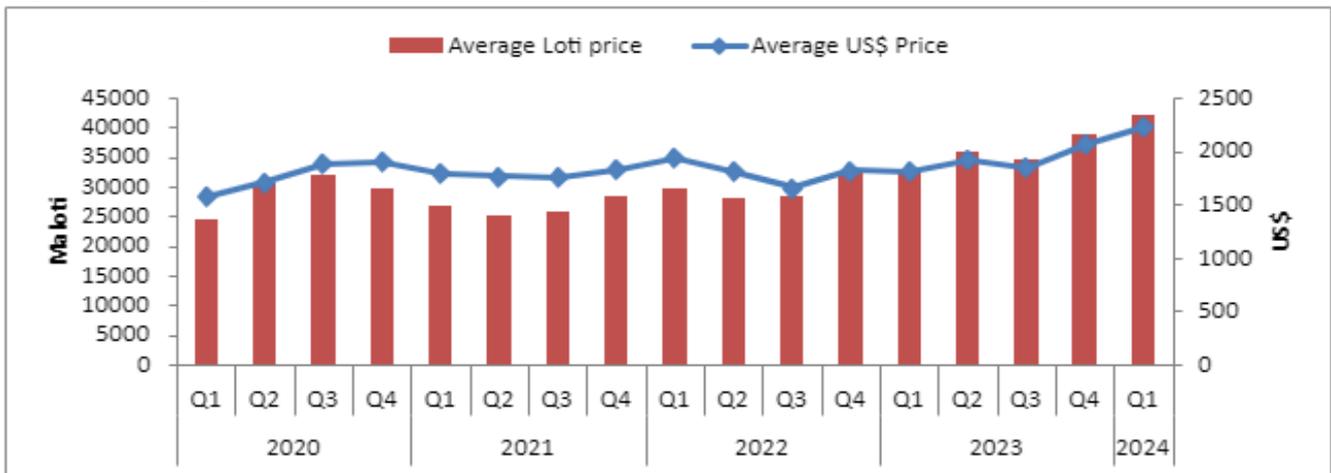
COMMODITIES

Minerals

Gold

The dollar price of gold increased by 8.1 per cent per ounce to USD 2230.30, following a 11.6 per cent increase in the previous quarter. The increase was mainly driven by additional purchases by the People’s Bank of China, boosting gold reserves as investors hedge against economic slowdowns and property sector downturns. Furthermore, expectations that the U.S. Federal Reserve could cut rates in the second half of 2024 and the ongoing geopolitical tensions in the Middle East pushed investors towards gold as a safe haven.

Figure 1: Average Price of Gold



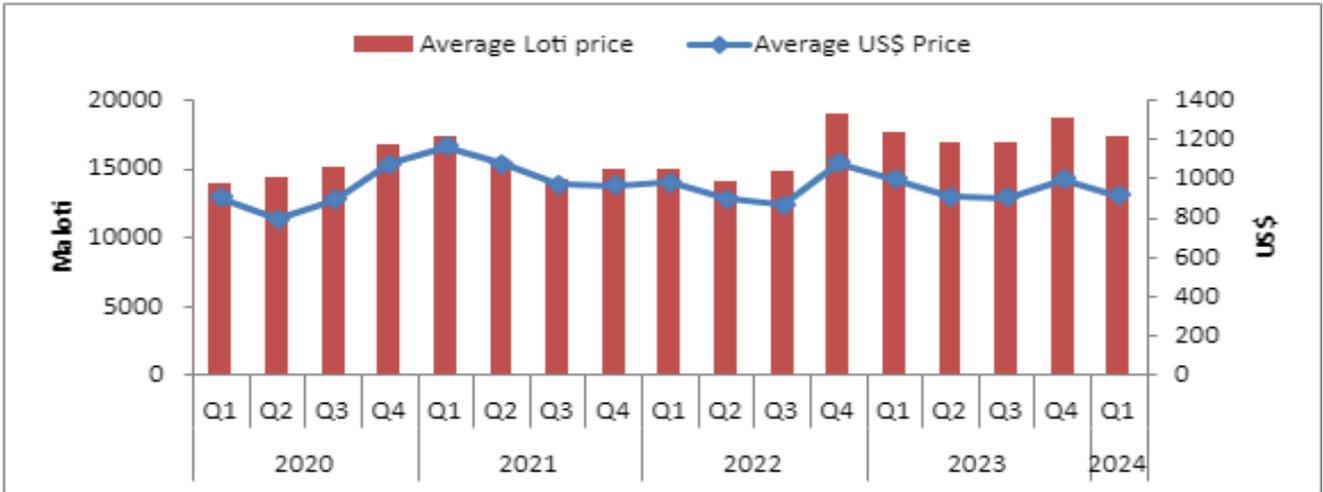
Source: Bloomberg

Platinum

The dollar price of platinum decreased by 8.3 per cent to USD 913.76 during the review period, relative to an increase of 10.1 per cent in the previous quarter. Platinum prices fell due to weak demand from the automotive industry, which increasingly used palladium instead of platinum for catalytic converters, and the

shift towards electric vehicles, which do not use platinum. High inventory levels and fading investment interest, with investors favouring gold as a safe haven, also contributed to the weaker demand for platinum at the beginning of 2024.

Figure 2: Average Price of Platinum



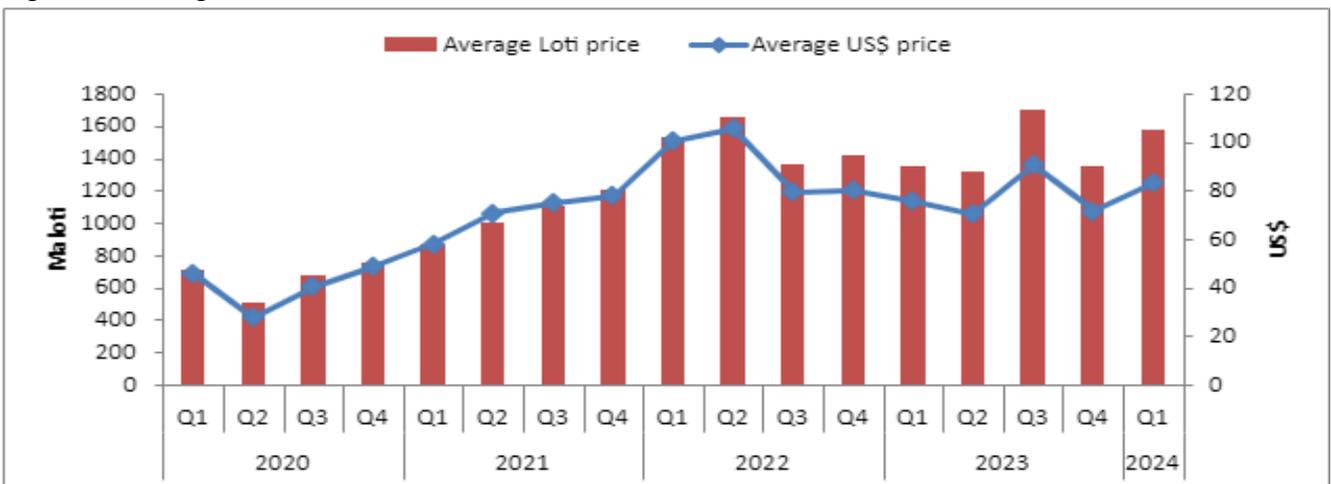
Source: Bloomberg

Energy

Crude Oil

Crude oil prices increased by 16.1 per cent per barrel to USD 83.17 in the current review period, contrasted with a decline of 21.1 per cent in the previous quarter. The increase in the value of oil was boosted by growing signs of demand from China, as the biggest importer of oil experienced an uptick in factory activity. Additionally, OPEC reduced production in January 2024 to counter the late 2023's oversupply and shipping disruptions in the Red Sea due to Middle East conflicts, thereby causing oil prices to spike.

Figure 3: Average Price of Oil



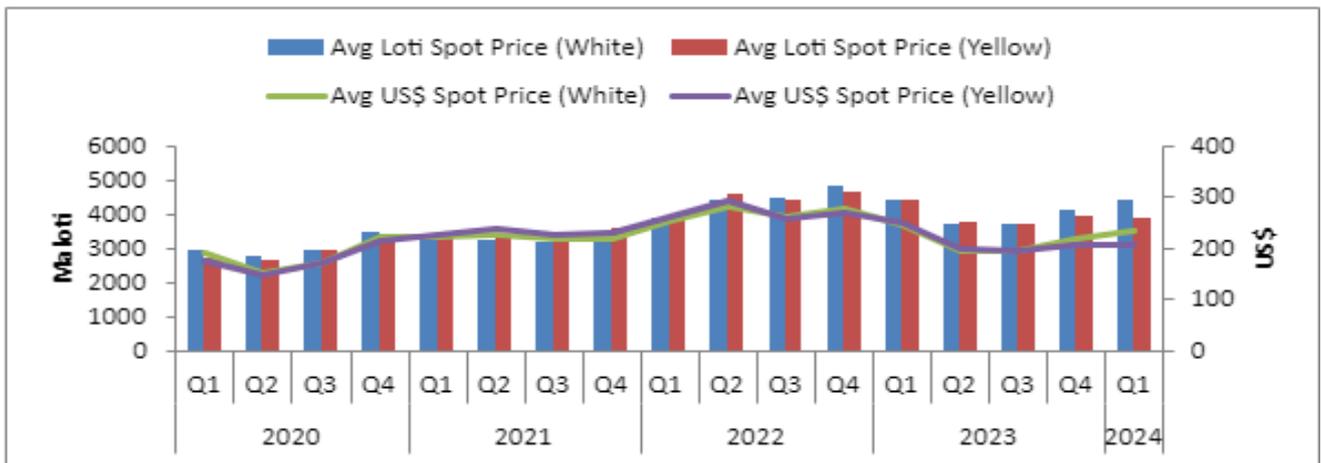
Source: Bloomberg

Agricultural Products

Maize

The dollar price of white maize increased by 3.8 per cent to USD 233.42 per ton after an increase of 15.4 per cent in the first quarter of 2024, while the dollar price of yellow maize increased by 27.7 per cent to USD 205.91 per ton following an increase of 4.3 per cent a quarter earlier. The increase in maize prices was due to a combination of factors, including adverse weather conditions and regional production constraints. The adverse climatic conditions in key maize-growing areas severely impacted crop production, leading to lower yields, and therefore, an increase in maize prices.

Figure 4: Average Price of Maize

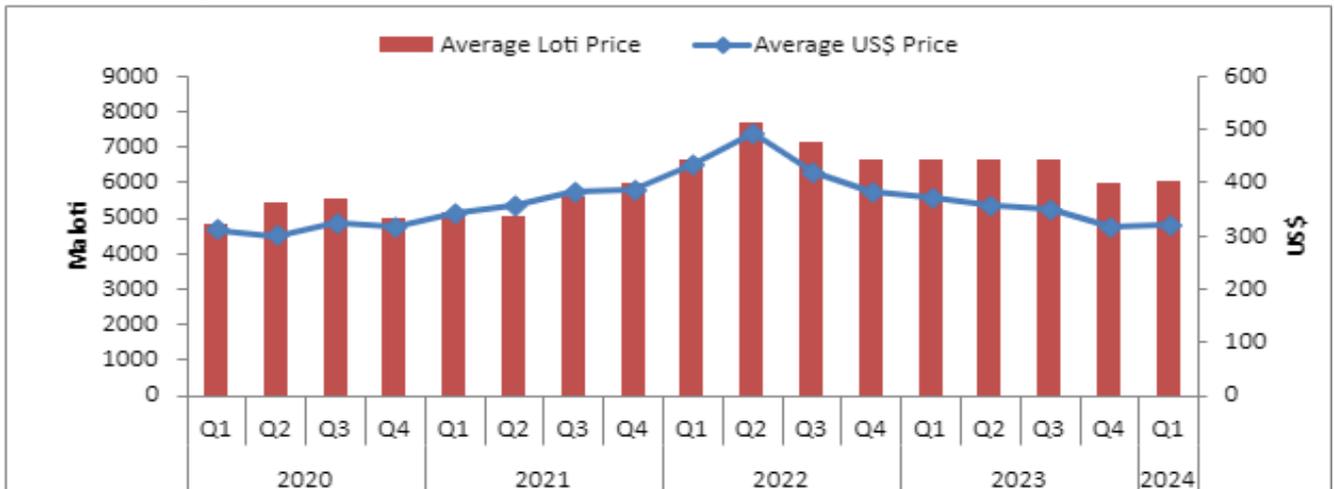


Source: Bloomberg

Wheat

Wheat prices increased by 0.4 per cent to USD 320.11 per ton compared to a decline of 9.0 per cent from the previous quarter. This was due to the improved supply from the Black Sea region and strong competition among global wheat suppliers. Supplies from the Southern hemisphere increased following their recent harvest season. This was coupled with weak global demand for wheat and the low-priced wheat from Russia, as it continued to command large inventories and contributed to the overall price decline.

Figure 5: Average Price of Wheat



Source: Bloomberg

EXCHANGE RATES

The rand, hence, loti, experienced a slight depreciation of 0.6 per cent, 2.8 per cent and 3.5 per cent against the US dollar, pound and euro, respectively in the first quarter of 2024. The loti traded at 18.8855 against the US dollar, 23.9496 against the pound and 20.5074 against the euro. This compared with a depreciation of 0.7 per cent against the dollar, an appreciation of 1.1 per cent and 2.3 per cent against the pound and the euro, respectively, in the preceding quarter. Domestic factors which negatively affected the rand included challenges stemming from ongoing energy and logistics crises, in South Africa, compounded by impending political uncertainty surrounding elections. On the international front, the relative strength of the US economy bolstered the dollar, while the positive performance of European stocks buoyed the euro. The UK experienced a substantial rebound in economic activity, leading to a surge in the pound's performance.

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



Source: Bloomberg

3. Real Sector Developments¹

OVERVIEW

Economic activity slowed down in the first quarter of 2024, in contrast to positive developments observed in the previous quarter. Consequently, the labour market also continued a downward trajectory, with all three categories tracked by the Central Bank of Lesotho: LNDC-assisted firms, government employment, and migrant mineworkers, declining. The situation was worsened by the elevated inflationary pressures.

OUTPUT DEVELOPMENTS

Lesotho's economic performance slowed down relative to the previous quarter's robust performance. The Quarterly Composite Indicator of Economic Activity (QCIEA) reflected a modest expansion of 0.9 per cent, significantly lower than the prior quarter's 4.4 per cent increase. The slowdown was due to a confluence of factors, notably weakened domestic demand, which emerged as a key driver. This was evidenced by lower import volumes from South Africa, especially for non-durable goods, suggesting a potential reduction in consumer spending. The manufacturing sub-sector mirrored this trend, experiencing a deceleration in growth, particularly in textile exports. The financial services sub-sector also exhibited muted growth, evidenced by a marginal increase in credit extended to the private sector. Additionally, declining construction material imports and decreased fuel consumption signalled contraction in construction and transportation activities, further impeding overall economic expansion in the first quarter of 2024.

A more granular examination of domestic demand revealed a significant slowdown. The domestic demand index grew by 0.8 per cent, a significant slowdown compared to the robust growth of 12.8 per cent observed in the last quarter of 2023. The sharp moderation was mainly due to slowdown in consumer spending, which was reflected by reduced imports of goods & services from South Africa, particularly non-durable consumer goods, such as mineral products and prepared foodstuffs. However, a slight uptick in Value Added Tax (VAT) and Pay As You Earn (PAYE) collections offered a glimmer of hope, suggesting a possible nascent increase in business activity and real earnings, respectively. Despite these improvements, the overall growth in domestic demand was dampened by negative contributions from government activities, specifically the compensation of employees.

The manufacturing index rose by 0.7 per cent, a significant slowdown compared to the 6.2 per cent growth observed in the previous quarter. This weaker performance was largely observed in textile exports. While a slight uptick in raw material imports and utility consumption (industrial water and electricity) indicated some ongoing activity within the sub-sector, it was insufficient to compensate for weak export performance.

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
	Q1	Q2	Q3	Q4	Q1
CIEA	148.6	145.8	151.4	158.0	159.4
Quarter-on-quarter changes	-5.7	-1.9	3.8	4.4	0.9
Domestic Demand	149.0	141.1	138.0	155.7	156.3
Quarter-on-quarter changes	-1.5	-5.3	-2.2	12.8	0.4
Manufacturing and Production Category	126.9	129.1	110.3	117.2	117.9
Quarter-on-quarter changes	-1.0	1.7	-14.5	6.2	0.7

Source: Central Bank of Lesotho

EMPLOYMENT DEVELOPMENTS

Employment by LNDC-assisted companies declined by 4.3 per cent in the first quarter of 2024, following a 9.4 per cent reduction observed in the last quarter of 2023. The categories contributing to this fall in employment included woven garments, fabrics, and retail, among others. This was mainly due to a reduction in orders for textiles and clothing.

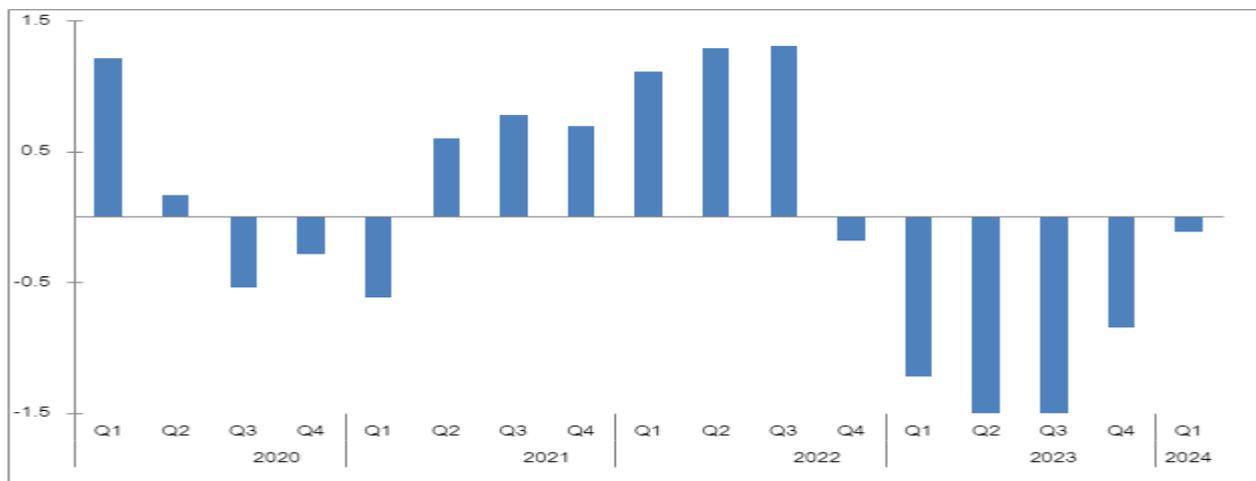
Table 3: Employment by LNDC-Assisted Companies

Industry	2023				2024	% Changes	
	Q1	Q2	Q3	Q4	Q1	Q/Q	Y/Y
Knit Garments.....	23012	22211	19909	20925	21496	2.7	-6.6
Woven Garments.....	9291	9142	9011	8392	8125	-3.2	-12.5
Footwear.....	787	811	849	824	1561	89.4	98.3
Fabrics. Yarn etc.....	1 815	1708	1724	1755	1695	-1.9	-6.9
Construction.....	411	407	395	394	384	-2.5	-6.6
Food & Beverages.....	601	703	546	561	564	0.5	-6.2
Electronics.....	1 178	1173	1223	1199	1199	0.0	1.8
Retail.....	196	160	176	173	173	0.0	-11.7
Hotel Accom.....	305	330	407	497	395	-20.5	29.5
Other.....	1454	1648	1625	1522	1777	16.8	22.2
TOTAL.....	39050	38293	35865	36242	37369	3.1	-4.3

Source: Lesotho National Development Corporation

In terms of government employment, there was a 0.1 per cent decrease in headcount during the first quarter of 2024, compared to a 0.8 per cent decrease in the previous quarter. The observed decline occurred following a decrease in the number of teachers during the quarter. The contraction in the teachers' category resulted from retirements observed in the review period.

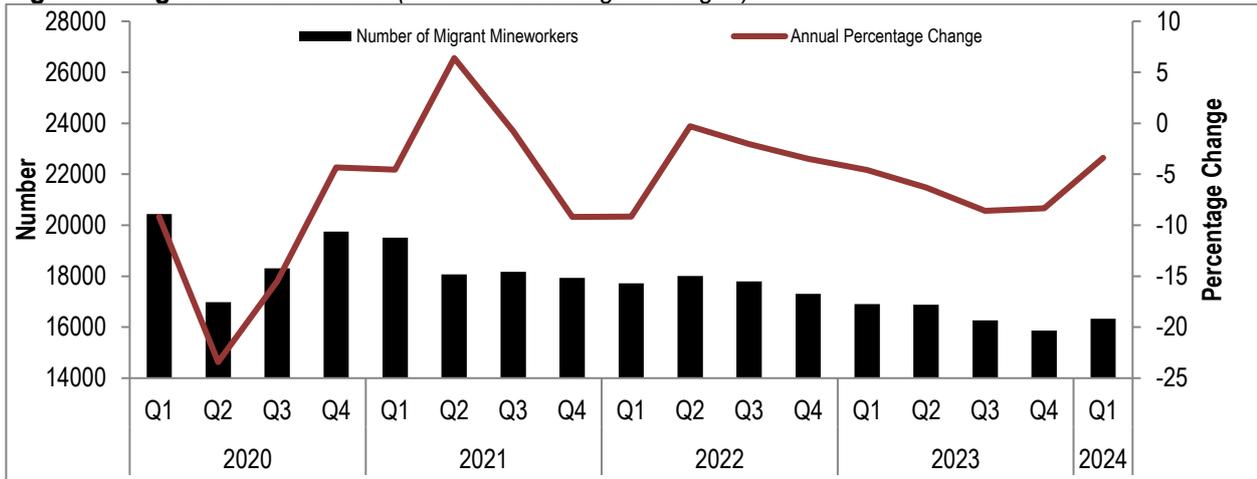
Figure 8: Government Employment (Annual Percentage Changes)



Source: Ministry of Finance

The number of Basotho migrant workers in South Africa continued to decrease, falling by 3.4 per cent during the first quarter of 2024 relative to a decline of 8.3 per cent in the preceding quarter. This was mainly due to a closure of some Gold and Platinum mines, and the enactment of a South African Bill that promotes the use of quotas for foreign labour, thereby giving preference to local workers over foreign workers.

Figure 9: Migrant Mineworkers (Annual Percentage Changes)



Source: The Employment Bureau of Africa (TEBA)

PRICE DEVELOPMENTS

The headline inflation rate rose to 7.4 per cent in March 2024 from 7.2 per cent in December 2023. The inflation from transport, restaurants & hotels, and education categories were the major contributors to the rise in inflation during the period. Nonetheless, the fall in inflation from Alcoholic beverages & tobacco, Clothing & footwear, and Food & non-alcoholic beverages moderated the increase in headline inflation. Consequently, the core inflation rate rose to 6.9 per cent in March 2024 from 6.4 per cent in December 2023.

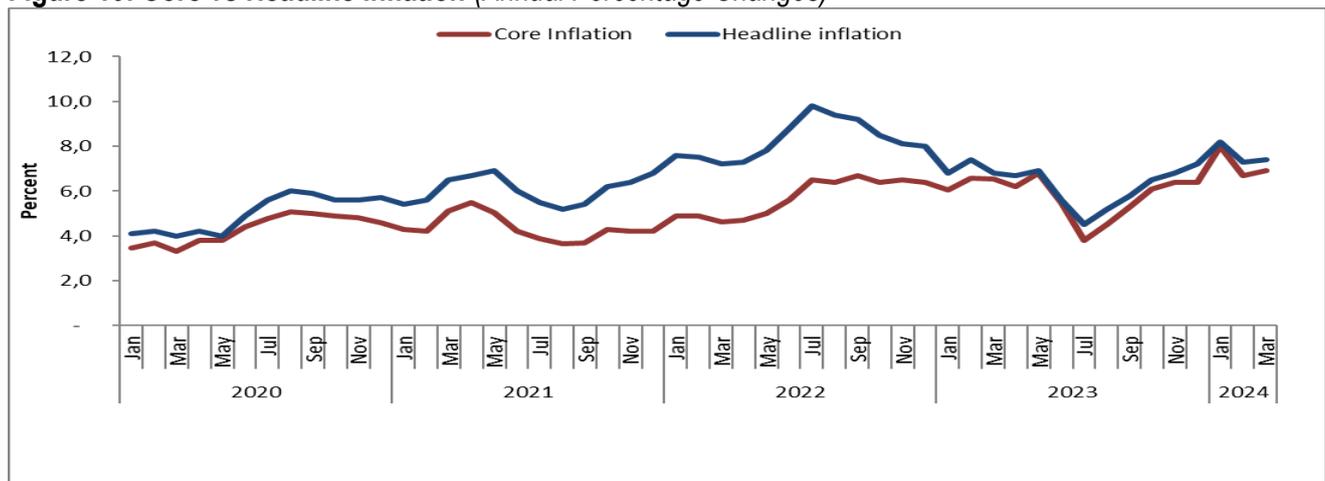
The major determinants of the rise in inflation rate were the international crude oil prices amid the weak exchange rate. The soaring crude oil prices reflected strong global oil demand buoyed by an improved outlook for the US economy, while production fell due to heavy weather-related shut-ins and production curbs from the OPEC bloc, as well as the geopolitical tensions in the Red Sea.

Table 4: Inflation Rate (Annual Percentage Changes)

	Weight	2023			2024		
		Oct	Nov	Dec	Jan	Feb	Mar
All items	1000	6.5	6.8	7.2	8.2	7.3	7.4
Food and non-alcoholic beverages	326	7.3	9.2	10.3	11.7	9.1	9.7
Alcoholic beverages & Tobacco	64	22.5	21.8	21.7	22.6	17.9	14.7
Clothing & footwear	81	6.1	6.6	7.8	8.3	7.5	4.1
Housing, Electricity, gas & other	149	5.3	5.4	4.1	5.0	4.9	4.7
Furniture & households' equipment	33	11.7	11.6	11.0	11.2	6.5	6.6
Health	19	13.8	13.8	13.7	11.7	7.3	5.1
Transport	111	2.1	-0.8	0.2	4.5	5.1	8.4
Communication	44	-0.4	-0.4	-0.4	0.0	-0.0	0.0
Leisure, entertainment & Culture	14	4.9	5.3	5.3	5.9	0.8	2.3
Education	49	11.4	11.4	11.4	13.8	13.8	13.8
Restaurant & Hotels	65	5.3	6.1	-5.2	-10.1	-0.5	0.9
Miscellaneous goods & services	44	11.2	11.5	9.2	6.8	4.3	5.0

Source: Bureau of Statistics

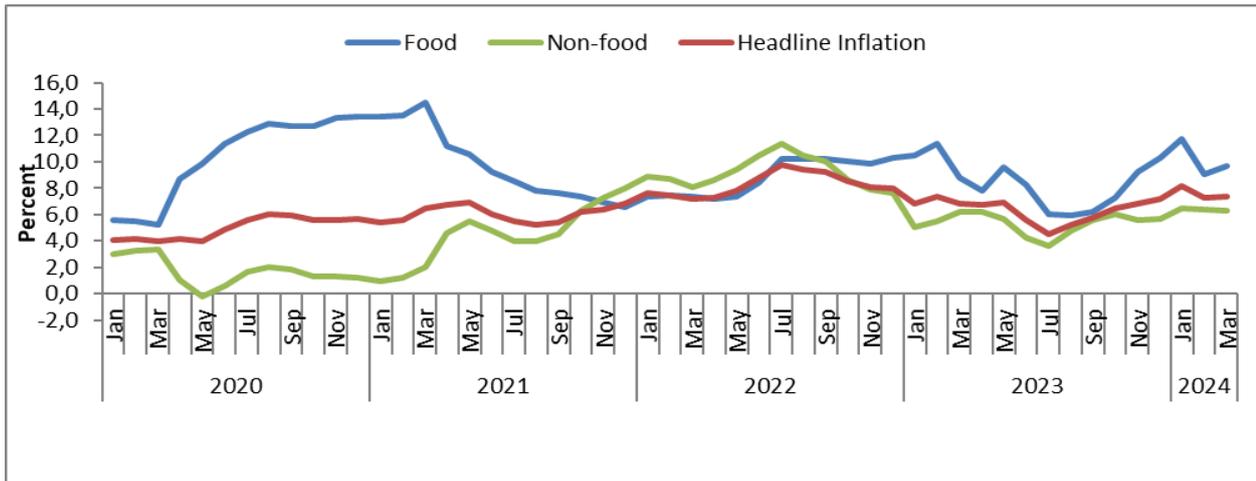
Figure 10: Core vs Headline Inflation (Annual Percentage Changes)



Source: CBL Computations

During the review period, food inflation fell to 9.7 per cent in March 2024 from 10.3 per cent in the previous quarter. In contrast, non-food inflation rose to 6.3 per cent, up from 5.7 per cent in the prior quarter. The decline in the food inflation rate was largely attributed to decreasing international food prices, whereas the increase in non-food inflation was driven by soaring oil prices and a weaker exchange rate.

Figure 11: Food vs Non-food Inflation (Annual Percentage Changes)



Source: BoS and CBL Computations

4. Monetary and Financial Developments

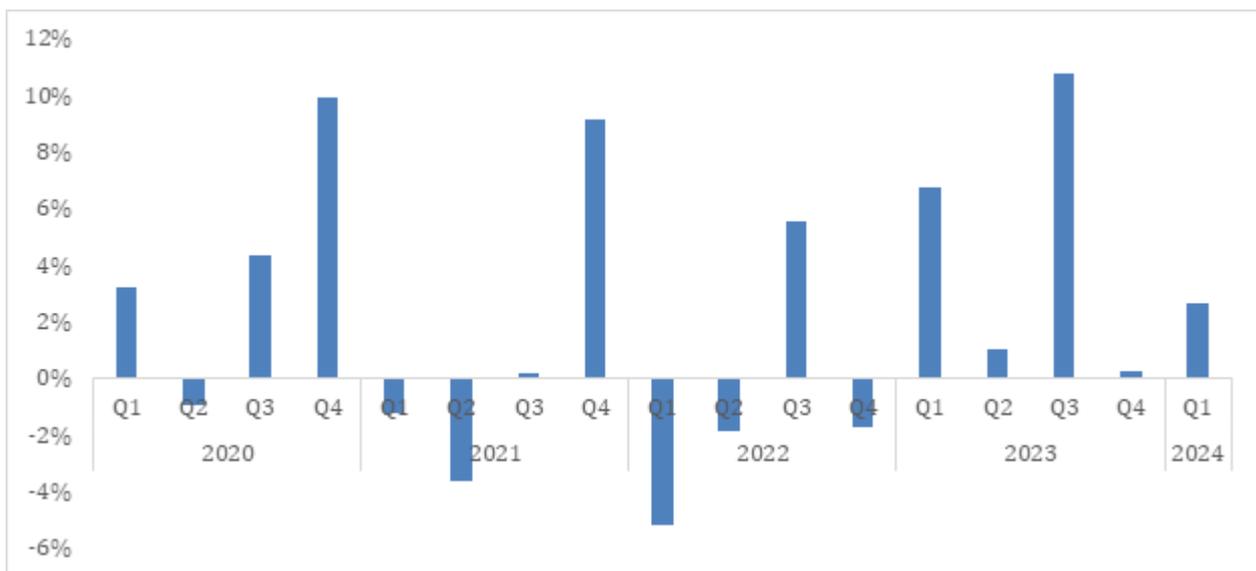
OVERVIEW

Broad money supply grew further between the last quarter of 2023 and the first quarter of 2024. Accordingly, private sector credit followed suit, though marginally, mainly driven by growth in credit extended to households. However, short-term rates, save for the 91-day treasury bill rate, were unchanged between the two quarters as the CBL policy rate remained constant.

BROAD MONEY (M2)

Broad money (M2) grew by 2.7 per cent, compared to the 0.4 per cent growth in December 2023. This was mainly attributed to an increase in net domestic assets (NDA), which was, however, moderated by a decrease in net foreign assets (NFA). The rise in NDA largely benefited from the issuance of government securities.

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



Source: Central Bank of Lesotho

Determinants of M2

Domestic Claims

Domestic claims increased by 6.8 per cent, contrary to the 3.5 per cent decline recorded in the preceding quarter. The growth was largely explained by a rise in both the central bank and commercial banks' net domestic claims on government, and to a less extent, by an increase in claims on other sectors of the economy. Net claims on government were mainly underpinned by the issuance of T-bonds during the review period, plus relatively higher government expenditure that coincides with close of the fiscal year,

which translated into a fall in government deposits. The rise in claims on other sectors benefitted from an increase in credit to other financial corporations and the private sector.

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

	2023				2024	Changes(%)	
	Q1	Q2	Q3	Q4	Q1	Quarterly	Annual
Domestic Claims	7593.92	6455.46	6478.58	5894.11	6292.36	6.8	-17.1
Net Claims on Government	-1413.98	-2696.17	-3277.93	-4183.88	-3796.73	9.3	-168.5
Commercial Banks Net Claims	822.35	578.03	-380.06	-859.27	-792.92	7.7	-196.4
Claims on Central Government	2693.19	2942.40	2231.75	1733.11	1861.60	7.4	-30.9
Liabilities to Central Government	1870.84	2364.38	2611.81	2592.38	2654.53	2.4	41.9
Central Bank Net Claims	-2236.34	-3274.19	-2897.88	-3324.61	-3003.81	9.6	-34.3
Claims on Central Government	38.82	28.26	28.07	0.00	1.57		-95.9
Liabilities to Central Government	2275.16	3302.46	2925.95	3324.61	3005.38	-9.6	32.1
Claims on Other Sectors	9007.91	9151.63	9756.52	10077.99	10089.09	0.1	12.0
<i>Claims on OFCs</i>	297.19	300.58	296.51	303.07	305.10	0.7	2.7
<i>Claims on Public Nonfinancial Corporations</i>	55.18	53.40	53.28	57.77	47.45	-17.9	-14.0
<i>Claims on St & Local Government</i>	0.00	0.00	0.00	0.00	0.00		
Claims on Private Sector	8655.54	8797.65	9406.73	9717.15	9736.55	0.2	12.5
Claims on Business Enterprises	2344.73	2344.63	2573.41	2717.72	2577.61	-5.2	9.9
Claims on Households	6310.80	6453.02	6833.32	6999.44	7158.94	2.3	13.4

Source: Central Bank of Lesotho

Net Foreign Assets

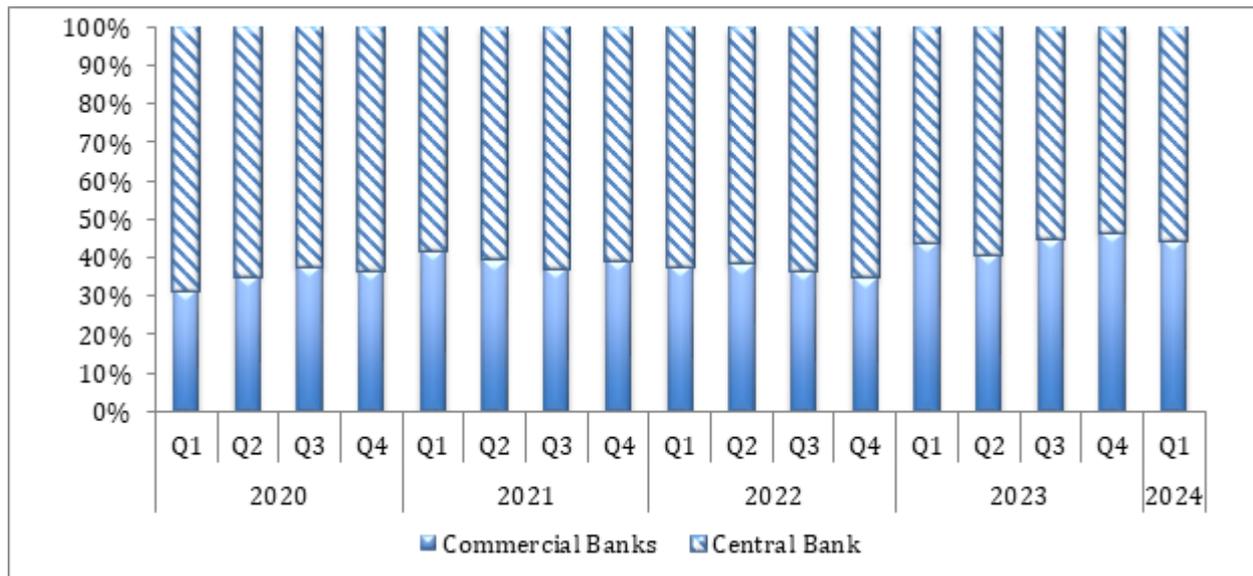
Net Foreign Assets contracted by 2.1 per cent in the quarter, in contrast to the 7.9 per cent growth in the previous period. Commercial banks' NFA was the main contributor to the decline, with a contraction of 6.4 per cent, whereas the 1.6 per cent growth in central bank's NFA cushioned the overall decline in NFA. The fall in commercial banks' NFA resulted from a drop in banks' placements abroad, coupled with a drawdown in holding of rands notes post the festive season.

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

	2023				2024	Changes (%)	
	Q1	Q2	Q3	Q4	Q1	Quarterly	Annual
Commercial Banks	7772.72	8017.00	9214.75	10297.75	9642.86	-6.4	24.1
Claims on Non-residents	8242.44	8469.23	9593.67	10840.31	10335.19	-4.7	25.4
Liabilities to Non-residents	469.72	452.23	378.91	542.56	692.33	27.6	47.4
Central Bank	9805.76	11481.60	11251.77	11781.22	11969.76	1.6	22.1
Claims on Non-residents	13293.43	14885.77	14578.45	15037.37	15208.92	1.1	14.4
Liabilities to Non-residents	3487.67	3404.17	3326.67	3256.15	3239.16	-0.5	-7.1
Net Foreign Assets Total	17578.48	19498.61	20466.52	22078.97	21612.62	-2.1	22.9

Source: Central Bank of Lesotho

Figure 13: Net Foreign Assets (Percentage shares)



Source: Central Bank of Lesotho

Components of M2

A breakdown of broad money components revealed an expansion in both the narrow money (M1) and quasi money. M1, on one hand, grew by 0.9 per cent, far softer than the 9.8 per cent growth observed in the preceding quarter. This growth was driven mainly by an increase in transferable deposits held by households. Quasi money, on the other hand, grew by 4.3 per cent, contrary to the 7.3 per cent decline observed in December 2023. The growth in quasi money emanated from an increase in call deposits held by business enterprises, whereas a fall in fixed-time deposits held by business enterprises and households undermined the increase.

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

	2023				2024	Changes (%)	
	Q1	Q2	Q3	Q4	Q1	Quarterly	Annual
Broad Money (M2)	15306.80	15467.92	17138.36	17180.65	17636.19	2.7	15.2
Narrow Money (M1)	7906.98	7344.69	7702.91	8448.94	8528.66	0.9	7.9
Currency Outside DCs	1479.73	1507.88	1578.58	1657.26	1607.24	-3.0	8.6
Transferable Deposits	6427.26	5836.82	6124.33	6791.68	6921.43	1.9	7.7
Quasi Money	7399.81	8123.22	9435.45	8731.71	9107.53	4.3	23.1
Other Deposits Commercial Banks	7397.54	8120.44	9433.52	8728.33	9105.63	4.3	23.1
Other Deposits Central Bank	2.27	2.78	1.94	3.38	1.90	-43.8	-16.4

Source: Central Bank of Lesotho

CREDIT EXTENSION

Private sector credit grew by 0.2 per cent, albeit slower than the 3.3 per cent growth observed in the preceding quarter. This was driven by credit extended to household sector following aggressive drive by the banking sector to grow their respective loan books. Specifically, credit to households increased by 2.3 per cent, following a 2.4 per cent growth in the previous period. However, a 5.2 per cent decrease in credit to business enterprises moderated the overall credit growth. This was contrary to the 5.6 per cent growth of credit to this sector in December 2023. Annually, private sector credit grew by 12.5 per cent.

Trends in Credit Extended to Business Enterprises

Credit extension to the business sector contracted by 5.2 per cent, emanating predominantly from a fall in credit to the mining sub-sector. This was because of a contraction in the utilisation of existing lines of credit coupled with the payoffs experienced during the review quarter.

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

SECTOR	2023				2024	Changes (%)	
	Q1	Q2	Q3	Q4	Q1	Quarterly	Annual
Agriculture	64.06	58.90	87.53	87.22	67.38	-22.7	5.2
Mining	452.09	401.17	425.00	468.30	340.88	-27.2	-24.6
Manufacturing	74.55	113.48	128.38	131.06	125.85	-4.0	68.8
Electricity, gas and water	6.63	6.54	6.82	12.41	30.19	143.3	355.7
Construction	284.96	331.31	443.21	477.83	477.59	-0.1	67.6
Wholesale, Retail, Hotel & Restaurant	624.64	639.42	664.29	672.90	688.38	2.3	10.2
Transport, Storage and Communication	235.69	228.70	255.61	312.90	323.45	3.4	37.2
NBFIs, Real Estate and Business Services	594.08	557.60	554.53	546.34	515.07	-5.7	-13.3
Community, Social & Personal Service	8.04	7.50	8.03	8.76	8.82	0.7	9.7
All Sectors	2344.73	2344.63	2573.41	2717.72	2577.61	-5.2	9.9

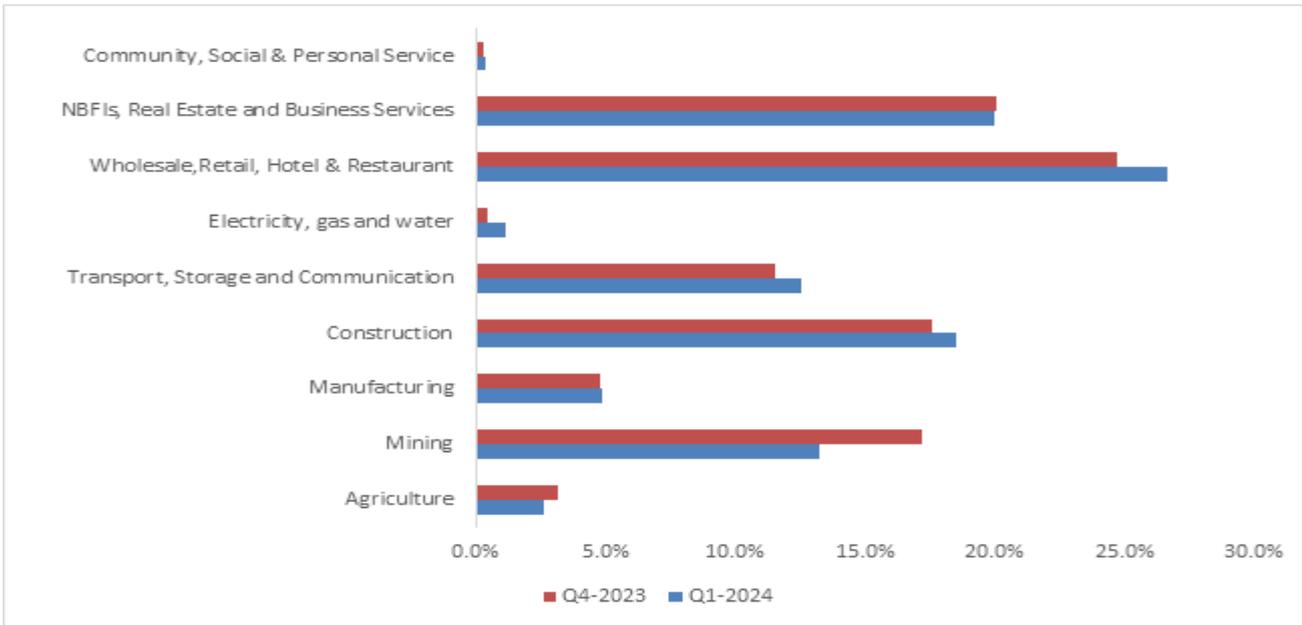
Source: Central Bank of Lesotho

Distribution of Credit extended to Business Enterprises

In terms of the distribution of credit to business enterprises by sector, the wholesale, retail, hotel & restaurant sub-sector maintained its position as the largest recipient, accounting for 26.7 per cent of total credit, followed by the non-bank financial institutions, real estate & business services sub-sector at 20.0 per cent. The top three recipients were completed by the construction industry, accounting for 18.5 per cent of the total credit allocation. The smallest recipient, community, social, and personal services sub-sector received only 0.3 per cent. The allocation of credit to sectors identified by the National Strategic Development Plan (NSDP) II², as the potential sectors for job creation and achievement of inclusive economic growth, stood at 66.7 per cent during the quarter under review.

² NSDP II targets the following sectors: (1) technology and innovation – estimated by credit to real estate & business services, and transport, storage & communication sectors, (2) tourism – proxied by credit to wholesale, retail, hotel and restaurants sector, (3) agriculture and (4) manufacturing.

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

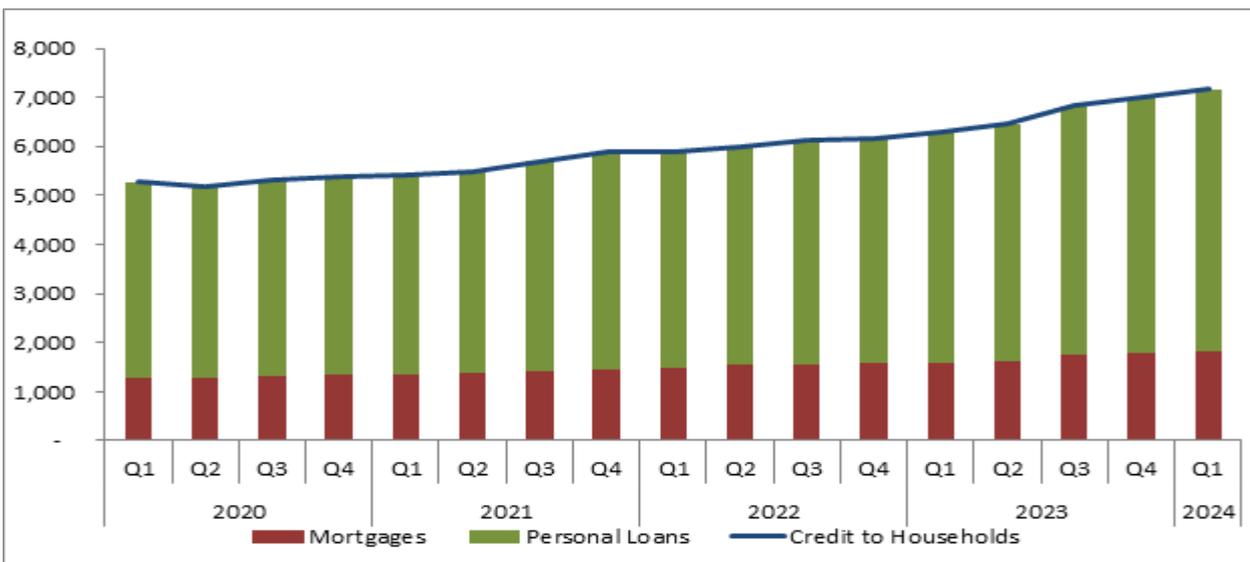


Source: Central Bank of Lesotho

Credit extended to Households

Credit extension to the household sector continued the upward trajectory, growing by 2.3 per cent in March 2024 compared to the 2.4 per cent growth realised in December 2023. Growth was observed in both personal and mortgage loans of 2.5 and 1.6 per cent, respectively. Both loan schemes were buoyed by continuing strategies by the banking sector to improve access to and making credit cheaper. Annually, household credit grew by 13.4 per cent.

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 fell to 51.1 per cent from 52.7 per cent, mainly due to an increase in total deposits. The fixed time, savings and transferable deposits were the main contributors to the upsurge in overall deposit base. The banking sector's liquidity ratio increased to 40.3 per cent from 35.1 per cent, primarily driven by an increase in commercial banks' surplus funds at the central bank.

Table 9: Components of Liquidity (Million Maloti)

	2023				2024
	Q1	Q2	Q3	Q4	Q1
Credit to Deposit Ratio³	54.1	52.9	50.9	52.7	51.1
Private Sector Credit	8491.12	8634.33	9245.06	9561.30	9546.07
Total Deposits	15705.21	16326.50	18170.44	18137.11	18682.67
Liquidity Ratio	47.6	41.7	35.2	35.1	40.3
Notes and Coins	692.30	683.75	592.52	1086.98	811.97
Net Balance due from banks in Lesotho	-10.65	44.36	-31.34	11.64	102.64
Net Balance due from banks in SA	3860.66	3002.96	3500.67	3818.97	4008.40
Surplus funds	242.04	130.59	102.27	-291.24	751.56
Government Securities	2693.19	2942.40	2231.75	1733.11	1861.60
Total	7477.53	6804.05	6395.87	6359.46	7536.16

Source: Central Bank of Lesotho

Commercial Banks Sources of Funds

The commercial banks' total deposit liabilities grew by 1.2 per cent in the review quarter, slower than the 2.6 per cent growth observed in December 2023. The increase in deposit liabilities was attributed to a rise in transferable deposits and savings held by households, as well as fixed time deposits held by private non-financial corporations. Growth in households deposits was driven by an influx of new accounts opened during the quarter. On an annual basis, total deposits grew by 12.7 per cent.

³ Credit to deposit ratio and total deposits both exclude import deposits

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

	2023				2024	Changes (%)	
	Q1	Q2	Q3	Q4	Q1	Quarterly	Annual
Transferable Deposits Incl. in BM	6427.26	5836.82	6124.33	6791.68	6921.43	1.9	7.7
Other Financial Corporations	13.41	31.90	15.77	69.75	32.95	-52.8	145.8
Transf. Dep. State & Local Govt NC	12.50	5.49	55.97	57.53	39.72	-31.0	217.8
Public Nonfinancial Corporations	24.18	32.40	43.23	34.16	23.93	-29.9	-1.0
Private Sector	6377.17	5767.02	6009.35	6630.24	6824.82	2.9	7.0
Other NFCs	4594.85	4043.80	4265.27	4920.46	4912.92	-0.2	6.9
Other Sectors (Households)	1782.32	1723.22	1744.08	1709.78	1911.90	11.8	7.3
Other Deposits Incl. in BM	7397.54	8120.44	9433.52	8728.33	9105.63	4.3	23.1
Other Financial Corporations	273.25	217.52	197.70	57.81	106.81	84.8	-60.9
Public Nonfinancial Corporations	106.52	154.69	321.69	238.64	217.07	-9.0	103.8
Private Sector	7017.76	7748.22	8914.12	8431.88	8781.75	4.1	25.1
Other NFCs	4238.63	4919.70	5983.90	5387.90	5562.18	3.2	31.2
Other Sectors (Households)	2779.13	2828.53	2930.22	3043.98	3219.57	5.8	15.8
Deposits excluded in MB	3407.87	3809.11	3135.84	3662.75	3389.59	-7.5	-0.5
of which Import deposits	1527.45	1439.86	523.24	1045.66	733.98	-29.8	-51.9
Total Deposits	17232.66	17766.36	18693.69	19182.76	19416.64	1.2	12.7

Source: Central Bank of Lesotho

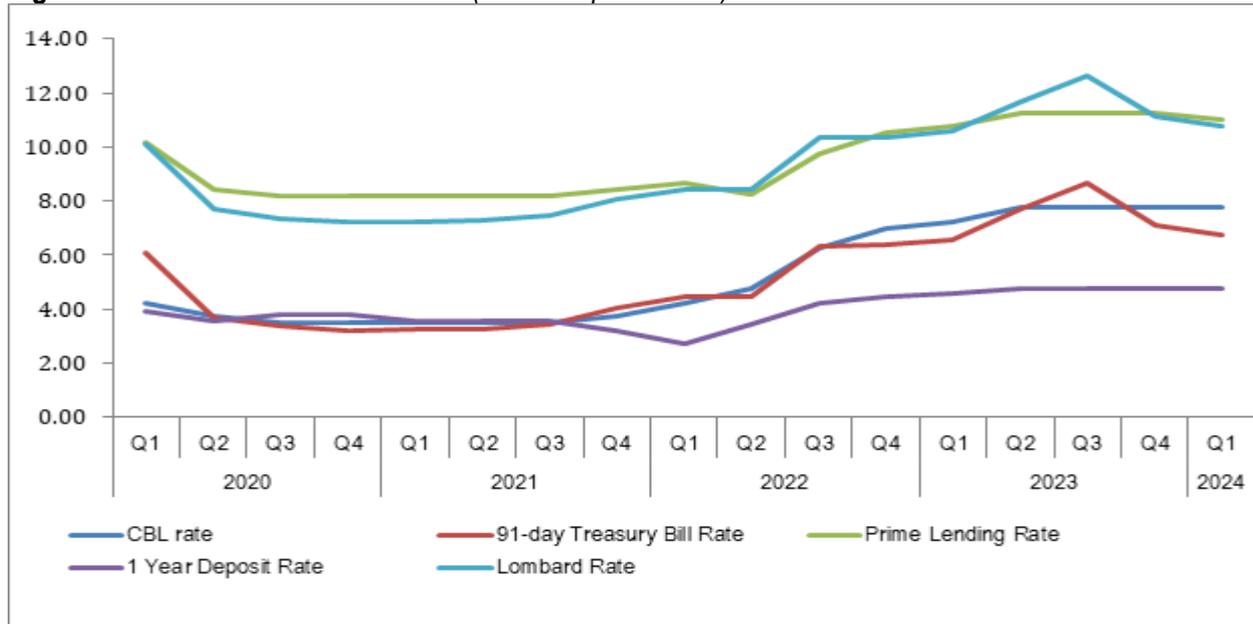
MONEY AND CAPITAL MARKET DEVELOPMENTS

Money Market

Interest Rates

The key policy rate set by the CBL remained unchanged at 7.75 per cent. Consequently, the prime lending rate and the 1-year deposit rate also remained unchanged at 11.25 per cent and 4.74 per cent, respectively. The 91-day Treasury bill rate, however, fell by 3 basis points to 7.09 per cent, remaining within the desired range of +/- 200 basis points with 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
	Q1	Q2	Q3	Q4	Q1
Central Bank					
CBL rate	7.25	7.75	7.75	7.75	7.75
T-Bill Rate - 91 days	6.59	7.7	8.7	7.12	7.09
Lombard Rate	10.59	11.7	12.7	11.12	11.09
Commercial Banks					
Call	2.55	2.65	2.65	2.65	2.65
Time:					
31 days	1.39	1.47	1.47	1.47	1.47
88 days	2.39	2.46	2.46	2.46	2.46
6 months	3.84	4.12	4.02	4.01	4.01
1 year	4.57	4.74	4.74	4.74	4.74
Savings	1.53	1.60	1.60	1.60	1.60
Prime	10.75	11.25	11.25	11.25	11.25
South Africa					
Repo	7.75	8.25	8.25	8.25	8.25
T-Bill Rate - 91 days	7.34	8.63	8.37	8.43	8.40
Prime	11.25	11.75	11.75	11.75	11.75

Source: Central Bank of Lesotho

Holding of Treasury Bills

The total outstanding stock of treasury bills (T-Bills) remained relatively stable, with no significant change. However, there was a slight change in holding percentages: the banking system's holding declined from 62.1 to 60.8 per cent while that of the non-banking sector increased from 37.9 to 39.2 per cent.

Table 12: Holding of Bills (Million Maloti)

	2023				2024
	Q1	Q2	Q3	Q4	Q1
Treasury Bills	1596.38	1597.25	867.22	746.76	747.88
Banking System	1354.00	1357.59	587.43	463.90	454.41
Non-Bank Sector	242.38	239.66	279.79	282.86	293.47

Source: Central Bank of Lesotho

Holding of Treasury Bonds

There was a growth of 4.5 per cent in overall holding of T-bonds. Within the banking sector, the holding increased by 8.9 per cent, while the non-banking sector exhibited growth of 2.5 per cent, emanating from an increase in holdings by the households, private organisations as well as societal groups. The banking sector's share of the total stock of bonds increased from 31.9 to 33.3 per cent, while the non-banking sector's share decreased from 68.1 to 66.7 per cent between the two quarters.

Table 13: Holding of Bonds (Million Maloti)

	2023				2024
	Q1	Q2	Q3	Q4	Q1
Holding of Treasury Bonds	3757.58	4157.58	4337.59	3835.20	4008.20
Banking System	1311.31	1547.51	1597.68	1225.86	1334.39
Non-Bank Sector	2446.28	2610.08	2739.91	2609.34	2673.82

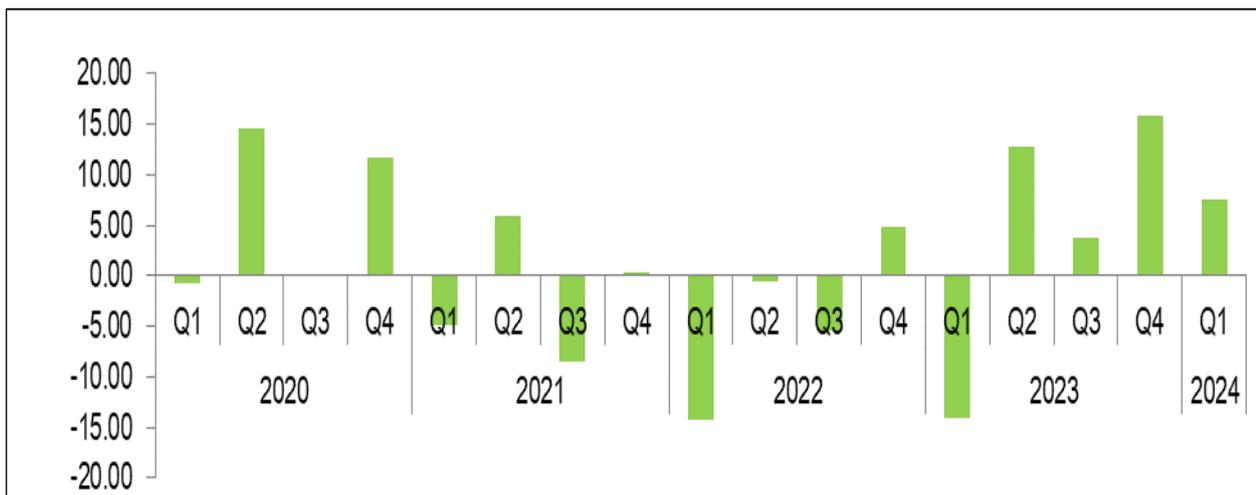
Source: Central Bank of Lesotho

5. Government Finance

OVERVIEW

In the first quarter of 2024, government budgetary operations continued to register positive balances. The surplus was estimated at 7.5 per cent of GDP, following the revised surplus of 15.9 per cent of GDP recorded in the previous quarter. There was also improvement in public debt, wherein the stock of debt to GDP declined marginally to 48.5 per cent.

Figure 17: Fiscal Balance (Percent of GDP)



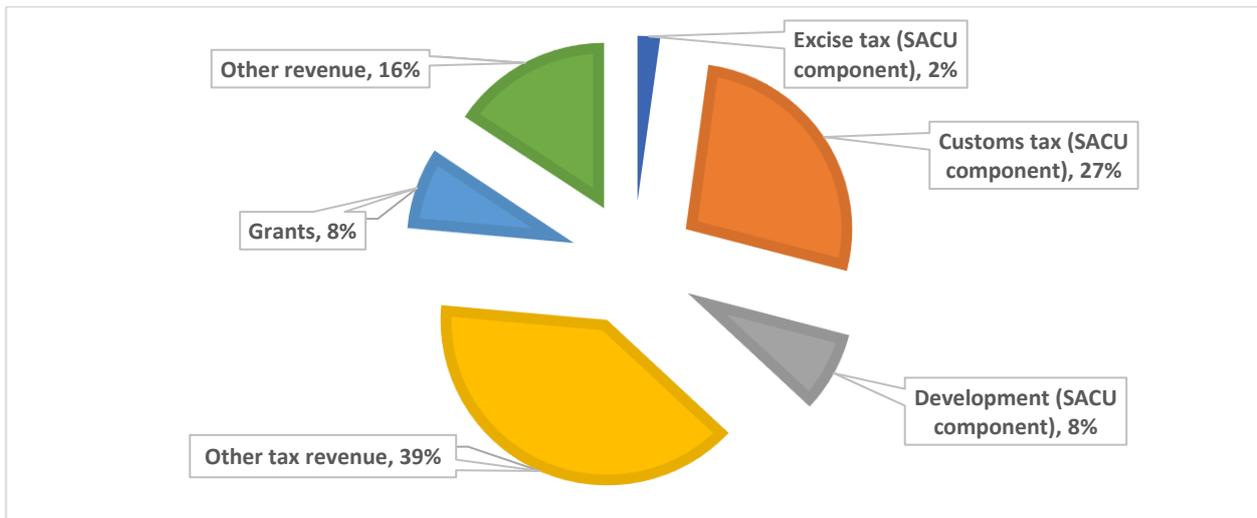
Source: Central Bank of Lesotho and Ministry of Finance

REVENUE⁴

Government revenue increased by 15.7 per cent, after an upward revision of water royalties effected in 2023. This also benefited from receipt of the rand monetary compensation, which is paid every first quarter of the year, in addition to improvements in collection of income tax. On a year-on-year basis, government revenue surged by 51.7 per cent, largely driven by substantial Southern African Customs Union (SACU) receipts.

⁴ SACU receipts have been disaggregated into three components: excise tax, customs and other imports duties, and grants from international organisations. They are received during the first month of each quarter, making four inflows in a fiscal year.

Figure 18: Total Revenue (Million Maloti)

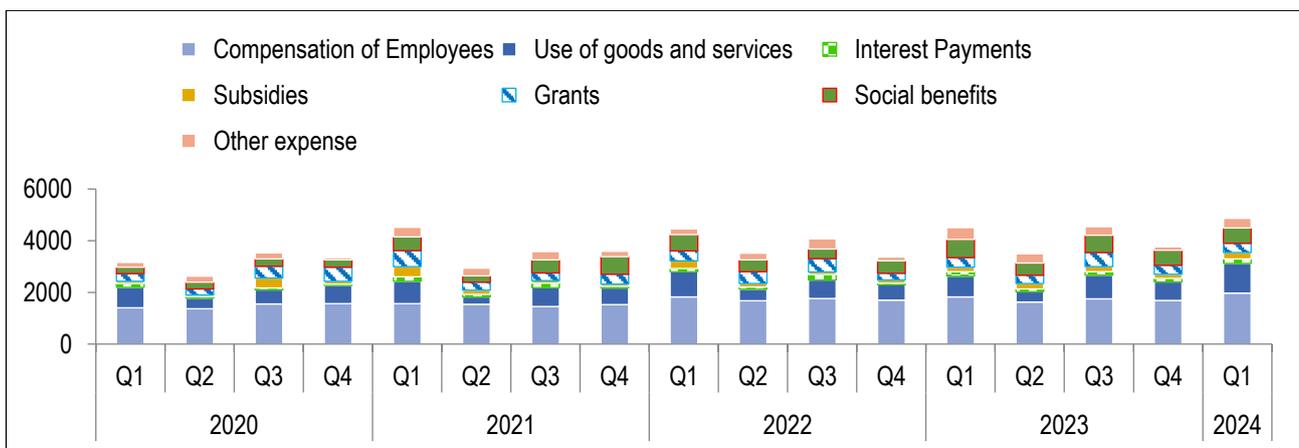


Source: Central Bank of Lesotho and Ministry of Finance

TOTAL EXPENDITURE

Total expenditure significantly increased by 39.7 per cent, reversing a previous quarter's decline of 18.3 per cent. This growth was mainly fuelled by higher investments in fixed assets, greater use of goods and services, increased compensation of employees, and other expense categories. Regarding sectoral budget distribution, general public services and economic affairs received the largest portions, which on annual basis resulted in 2.3 per cent increase in total spending.

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 (%)
	Q1	Q2	Q3	Q4	Q1			
Total Revenue	4250.05	5375.03	5351.02	5571.33	6447.00	15.7	51.7	63.3
Tax revenue	3460.18	4180.37	4245.02	4433.67	4797.00	8.2	38.6	47.1
Income Tax	1084.25	1038.76	1072.65	1222.90	1293.04	5.7	19.3	12.7
Value Added Tax	847.79	864.77	982.66	1025.27	940.03	-8.3	10.9	9.2
SACU Receipts (excise & customs)	1056.09	1984.93	1984.93	1984.93	1984.93	0.0	88.0	19.5
Other tax revenue	472.06	291.91	204.78	200.57	579.00	188.7	22.7	5.7
Grants	293.80	552.20	552.20	552.20	552.20	0.0	88.0	5.4
o/w SACU Receipts (development)	293.80	552.20	552.20	552.20	552.20	0.0	88.0	5.4
Other revenue	496.08	642.46	553.80	585.46	1097.81	87.5	121.3	10.8
Total Expense	4509.05	3496.30	4543.01	3770.73	4863.80	29.0	7.9	47.7
Compensation of Employees	1829.41	1630.40	1750.94	1687.31	1972.24	16.9	7.8	19.4
Use of goods and services	799.20	388.70	915.15	716.09	1149.31	60.5	43.8	11.3
O/W Purchase of Health Services	90.98	110.26	112.37	111.31	110.99	-0.3	22.0	1.1
Interest Payments	168.17	118.60	129.72	136.67	176.77	29.3	5.1	1.7
Subsidies	176.10	202.70	201.40	158.61	239.27	50.9	35.9	2.3
Grants	370.54	319.24	548.78	355.47	362.49	2.0	-2.2	3.6
Social benefits	700.69	471.32	669.49	570.81	595.10	4.3	-15.1	5.8
Other expense	464.93	365.34	327.52	145.78	368.62	152.9	-20.7	3.6
Gross Operating Balance	-259.00	1878.73	808.01	1800.60	1583.20	-	-	15.5
Total Nonfinancial Assets	1046.71	681.59	438.35	298.75	822.22	175.2	-21.4	8.1
Fixed Assets	1046.71	681.59	438.35	298.75	822.22	175.2	-21.4	8.1
Non-Produced Assets	0.00	0.00	0.00	0.00	0.00	-	-	0.0
Total Expenditure	5555.75	4177.89	4981.36	4069.48	5686.02	39.7	2.3	55.8
Primary balance	1137.53	1315.73	499.38	1638.51	937.74	-	-	9.2
Net lending/borrowing	1305.71	1197.13	369.66	1501.85	760.98	-	-	7.5
Financing	1482.38	1027.96	466.11	1680.68	342.10	-	-	3.4
Net Acquisition of Financial Assets	-707.40	1329.22	-606.35	591.05	764.35	-	-	7.5
O/W Domestic Currency and Deposits	-638.17	1422.99	-458.70	1094.54	-135.98	-	-	-1.3
Net Incurrence of Liabilities	774.98	301.25	-1072.47	-1089.63	422.25	-	-	4.1
O/W Domestic Other Accounts Payable	712.97	43.66	-287.05	-966.38	452.33	-	-	4.4
Statistical Discrepancy	176.68	169.17	-96.45	-178.83	418.87	-	-	4.1
Memo Items								
SACU receipts	1349.88	2537.13	2537.13	2537.13	2537.13	0.0	88.0	24.9
GDP (quarterly, red colour = forecast)	9277.78	9329.27	9702.71	9440.16	10190.50	-	-	-

Source: Central Bank of Lesotho and Ministry of Finance

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

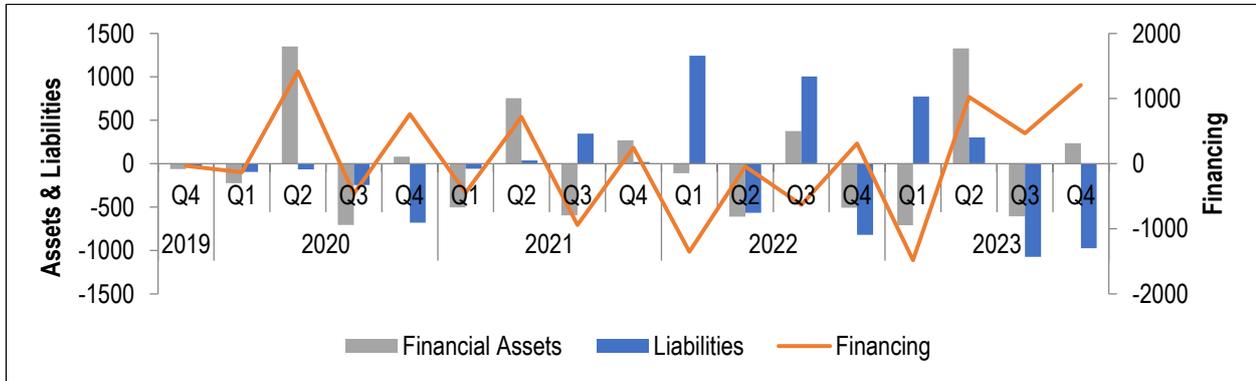
	2023				2024	Q-to-Q (%)	Y-on-Y (%)	GDP ratio (%)
	Q1	Q2	Q3	Q4	Q1			
Current Outlays	4535.23	3231.83	4372.10	3589.91	4628.30	28.9	2.1	45.4
General public services	848.05	1058.31	1509.57	858.85	1528.94	78.0	80.3	15.0
Defence	222.05	220.17	230.50	201.33	0.00	-100.0	-100.0	0.0
Public order and safety	420.85	450.12	506.00	447.83	590.80	31.9	40.4	5.8
Economic Affairs	805.41	273.32	559.35	558.73	669.78	19.9	-16.8	6.6
Environmental protection	2.91	4.74	5.18	4.80	5.41	12.7	85.9	0.1
Housing and community amenities	68.76	11.30	12.09	11.61	15.77	35.8	-77.1	0.2
Health	525.06	338.02	558.15	514.49	657.20	27.7	25.2	6.4
Recreation, culture and religion	30.34	29.90	32.50	31.61	36.38	15.1	19.9	0.4
Education	776.70	611.96	682.93	694.60	745.96	7.4	-4.0	7.3
Social protection	835.10	233.99	275.85	266.04	378.05	42.1	-54.7	3.7
Capital Outlays	575.30	422.30	379.64	277.82	785.60	182.8	36.6	7.7
General public services	128.49	0.00	15.24	44.17	108.65	146.0	-15.4	1.1
Defence	0.00	0.00	0.00	0.00	0.00	-	-	0.0
Public order and safety	14.79	0.00	10.06	16.56	24.90	50.4	-	0.2
Economic Affairs	310.13	403.01	241.79	192.75	538.11	179.2	73.5	5.3
Environmental protection	0.00	0.00	0.00	0.00	0.00	-	-	0.0
Housing and community amenities	88.77	5.62	95.44	12.69	12.17	-4.2	-86.3	0.1
Health	11.87	11.12	4.99	5.31	30.41	472.8	156.3	0.3
Recreation, culture and religion	11.54	2.27	4.63	2.01	1.06	-47.2	-90.8	0.0
Education	9.71	0.28	7.49	4.33	52.23	1106.2	-	0.5
Social protection	0.00	0.00	0.00	0.00	18.08	-	-	0.2
Total Outlays	5110.53	3654.13	4751.74	3867.73	5413.90	40.0	5.9	53.1
General public services	976.54	1058.31	1524.81	903.02	1637.59	81.3	67.7	16.1
Defence	222.05	220.17	230.50	201.33	0.00	-100.0	-100.0	0.0
Public order and safety	435.63	450.12	516.05	464.39	615.70	32.6	41.3	6.0
Economic Affairs	1115.54	676.34	801.13	751.48	1207.90	60.7	8.3	11.9
Environmental protection	2.91	4.74	5.18	4.80	5.41	12.7	85.9	0.1
Housing and community amenities	157.53	16.91	107.53	24.31	27.94	14.9	-82.3	0.3
Health	536.92	349.14	563.15	519.80	687.61	32.3	28.1	6.7
Recreation, culture and religion	41.88	32.16	37.13	33.62	37.44	11.4	-10.6	0.4
Education	786.41	612.24	690.42	698.93	798.19	14.2	1.5	7.8
Social protection	835.10	233.99	275.85	266.04	396.12	48.9	-52.6	3.9
Unidentified Outlays	445.23	523.77	229.61	201.75	272.13			

Source: Central Bank of Lesotho and Ministry of Finance

FINANCIAL ASSETS AND LIABILITIES⁵

The healthy fiscal position translated into net acquisition of financial assets, as other accounts receivable increased. This was, despite, a rise in the net incurrence of liabilities following issuance of T-bonds.

Figure 20: Total Financing (Million Maloti)

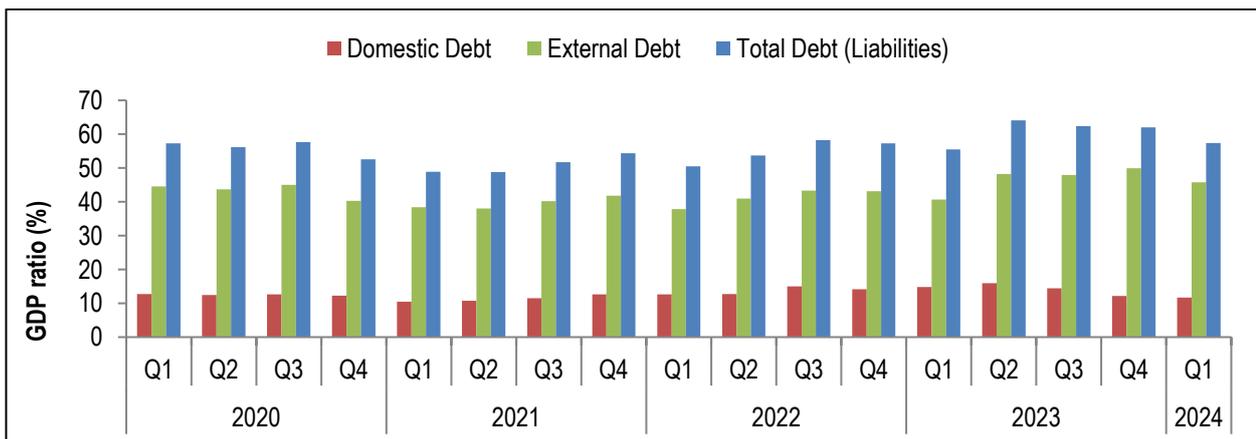


Source: Central Bank of Lesotho and Ministry of Finance

TOTAL PUBLIC DEBT⁶

The public debt stock declined by meagre 0.1 per cent, following a reduction of 0.6 per cent in the previous quarter. This fall was attributed to the repayment of existing foreign loans, particularly non-concessional component. However, this was partially moderated by the issuance of T-bonds, which added to the overall debt stock. Public debt stock remained within debt sustainability threshold, with more pronounced on solvency and liquidity indicators.

Figure 21: Outstanding Public Debt (Million Maloti)



Source: Central Bank of Lesotho and Ministry of Finance

⁵ 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.

⁶ All categories are on net terms. The stock of public external debt is converted using an end-of-period exchange rate.

Table 16: Public Debt Stock (Million Maloti)

	2023				2024	Q-to-Q (%)	Y-on-Y (%)	Debt / GDP
	Q1	Q2	Q3	Q4	Q1			
Total Public Debt	20944.02	24197.76	23559.34	23421.89	23400.31	-0.1	11.7	57.4
EXTERNAL DEBT	15347.13	18194.40	18111.80	18839.40	18643.70	-1.0	21.5	45.7
Bilateral Loans	756.73	1039.90	1032.10	1008.10	1004.20	-0.4	32.7	2.5
Concessional	756.73	1039.90	1032.10	1008.10	1004.20	-0.4	32.7	2.5
Non-concessional	0.00	0.00	0.00	0.00	0.00	-	-	0.0
Multilateral Loans	11478.60	13941.60	13778.70	14425.80	14351.70	-0.5	25.0	35.2
Concessional	10199.00	12675.90	12545.40	13156.80	13059.10	-0.7	28.0	32.0
Non-concessional	1279.60	1265.70	1233.30	1269.00	1292.60	1.9	1.0	3.2
Financial Institutions	155.30	133.20	107.60	80.70	53.80	-33.3	-65.4	0.1
Concessional	0.00	0.00	0.00	0.00	0.00	-	-	0.0
Non-concessional	155.30	133.20	107.60	80.70	53.80	-33.3	-65.4	0.1
Suppliers' Credit	2956.50	3079.70	3193.40	3324.80	3234.00	-2.7	9.4	7.9
DOMESTIC DEBT	5596.89	6003.36	5447.54	4582.49	4756.61	3.8	-15.0	11.7
Banks	2908.23	3153.62	2427.83	1690.29	1789.32	5.9	-38.5	4.4
Long-term	1554.23	1796.03	1840.41	1226.39	1334.91	8.8	-14.1	3.3
Treasury bonds	1311.31	1547.51	1597.68	1225.86	1334.39	8.9	1.8	3.3
Central Bank (IMF)	242.93	248.53	242.73	0.53	0.53	0.0	-99.8	0.0
Short-term (t-bills)	1354.00	1357.59	587.43	463.90	454.41	-2.0	-66.4	1.1
Non-bank	2688.66	2849.74	3019.70	2892.20	2967.29	2.6	10.4	7.3
Short-term (t-bills)	242.38	239.66	279.79	282.86	293.47	3.8	21.1	0.7
Long-term (t-bonds)	2446.28	2610.08	2739.91	2609.34	2673.82	2.5	9.3	6.6
DEBT INDICATORS								
External Debt-to-Total Debt	73.28	75.19	76.88	80.44	79.67	-	-	-
Concessional Debt-to-External Debt	71.39	75.38	74.96	75.19	75.43	-	-	-
External Debt Service-to-Revenue	10.66	6.27	5.39	5.43	5.92	-	-	-
External Debt Service-to-Exports	12.47	7.97	7.04	6.85	8.64	-	-	-

Source: Central Bank of Lesotho and Ministry of Finance

6. Foreign Trade and Payments

OVERVIEW

The external sector recorded a surplus amounting to 1.4 per cent of GDP in the first quarter of 2024, from a revised deficit of 2.4 per cent of GDP in the last quarter of 2023. The improved performance of the external sector mainly mirrored a positive current account balance. This was moderated by the lower capital account inflows, together with lower financial account outflows during the same period.

CURRENT ACCOUNT

During the first quarter of 2024, a current account surplus of M806.86 million was realised following a revised deficit of M640.00 million in the previous quarter. The surplus was explained by the decline in the goods and services accounts deficits, together with the increase in the secondary income account surplus. However, the primary income account surplus declined, and moderated the observed surplus in the current account. Expressed as a share of GDP, the current account surplus amounted to 8.5 per cent, compared to a 6.8 per cent deficit in the previous quarter.

Table 17: Current Account Balance (Million Maloti)

	2023				2024	% Changes	
	Q1	Q2	Q3	Q4	Q1	Q/Q	Y/Y
Current Account	-1724.37	-42.70	-190.47	-640.00	806.86	226.1	146.8
(a) Goods	-3958.98	-3254.06	-3509.85	-3913.99	-2897.33	26.0	26.8
Merchandise exports, f.o.b.	3556.34	4155.91	4027.92	4302.71	4517.40	5.0	27.0
Of which diamonds	1130.35	1221.62	930.04	1486.73	1478.85	-0.5	30.8
Of which textiles & clothing	1744.26	2117.11	2075.94	1960.92	1828.68	-6.7	4.8
Of which water	335.86	364.17	358.06	391.37	874.09	123.3	160.3
Of which agriculture	105.90	140.72	122.26	140.62	130.21	-7.4	23.0
Of which re-exports	25.42	34.94	94.62	65.22	40.71	-37.6	60.2
Other exports	214.55	277.35	447.00	257.85	164.85	-36.1	-23.2
Merchandise imports, f.o.b.	7515.32	7409.97	7537.77	8216.70	7414.73	-9.8	-1.3
(b) Services	-1822.20	-1793.16	-1800.66	-1874.63	-1810.92	3.4	0.6
(c) Primary Income	2034.87	2195.39	2300.73	2341.79	2297.39	-1.9	12.9
(d) Secondary Income	2021.94	2809.12	2819.31	2806.84	3217.73	14.6	59.1

Source: Central Bank of Lesotho

Merchandise Exports

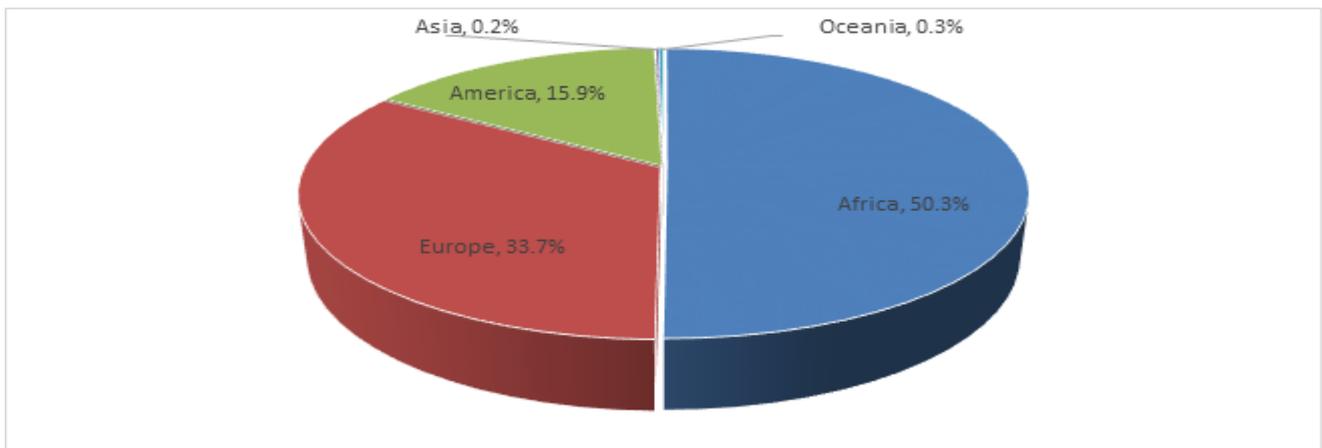
Merchandise exports rose by 5.0 per cent, compared to a revised increase of 6.6 per cent in the preceding quarter. The increase in merchandise exports resulted from the surge in royalties associated with water exports. This share rose on account of the review and recalculation of water royalties and water transferred to South Africa, in line with the implementation of Phase II of the LHWP project. Nonetheless, the increase in receipts of water royalties was moderated by the decline in all export categories. Diamond exports declined because of the lower recovery of high-value diamonds in the mining industry. Textiles and clothing exports fell due to lower orders from South Africa, while an increase in orders from the US moderated the decline. In comparison to the same period a year earlier, merchandise exports rose by 27.0 per cent, from

an increase of 7.1 per cent in the fourth quarter of 2023. As a share of GDP, merchandise exports constituted 47.4 per cent, from a revised 45.6 per cent in the previous quarter.

Direction of Trade - Exports

In the first quarter of 2024, the majority of Lesotho's exports were destined to Africa, at a share of 50.3 per cent. However, this was lower than a share of 41.9 per cent in the last quarter of 2023. This was primarily due to a surge in exports to South Africa, particularly water exports. Europe was the second largest destination for Lesotho exports at 33.7 per cent, compared with a share of 29.5 per cent in the previous quarter. These largely constituted diamond exports to Belgium. America remained the third largest recipient of Lesotho exports, with a share of 15.9 per cent, following a share of 28.3 per cent a quarter earlier. Textiles and clothing exports to the US continued to account for the largest exports to America. The least shares of exports were destined to Oceania and Asia, which constituted 0.3 per cent and 0.2 per cent respectively.

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



Source: Central Bank of Lesotho

Merchandise Imports

Merchandise imports declined by 9.8 per cent in the review quarter, from a revised increase of 9.0 per cent in the last quarter of 2023. The fall in merchandise imports was explained by the decline in imports for machinery and transport equipment, crude material such as petroleum, coal, and electricity, as well as food products. The decline in these import components resulted as advance infrastructure activities at LHWP had reached final stages, which resulted in fewer imports. Year on year, merchandise imports declined by 1.3 per cent, following an increase of 8.7 per cent in the previous quarter. Expressed as a share of GDP, merchandise imports amounted to 77.8 per cent, compared with a revised 87.0 per cent in the preceding quarter.

Services account

The services account deficit declined by 3.4 per cent, following an increase of 4.1 per cent in the previous quarter. The improved performance of the services account largely emanated from the decline in freight

services, associated with the decline in merchandise imports. This was coupled with the decline in telecommunications services during the same period. On an annual basis, the services account deficit declined marginally by 0.6 per cent, from an increase of 7.6 per cent in the previous quarter. As a share of GDP, the services account deficit amounted to 19.0 per cent, relative to 19.9 per cent in the fourth quarter of 2023.

Primary Income Account

The primary income account surplus declined by 1.9 per cent, in contrast to a increase 1.8 per cent in the preceding quarter. The decline was explained by the fall in interest receipts for foreign investments held by the central bank, commercial banks and other financial institutions. These were, however, moderated by higher receipts for maintenance and operational costs for Phase II of the LHWP, and a decline in interest payments for the government's foreign loans. Year on year, the primary income account rose by 12.9 per cent, slightly lower than 13.0 per cent in the previous quarter. As a ratio of GDP, the primary income account constituted 24.1 per cent, compared to a revised 24.8 per cent in the previous quarter.

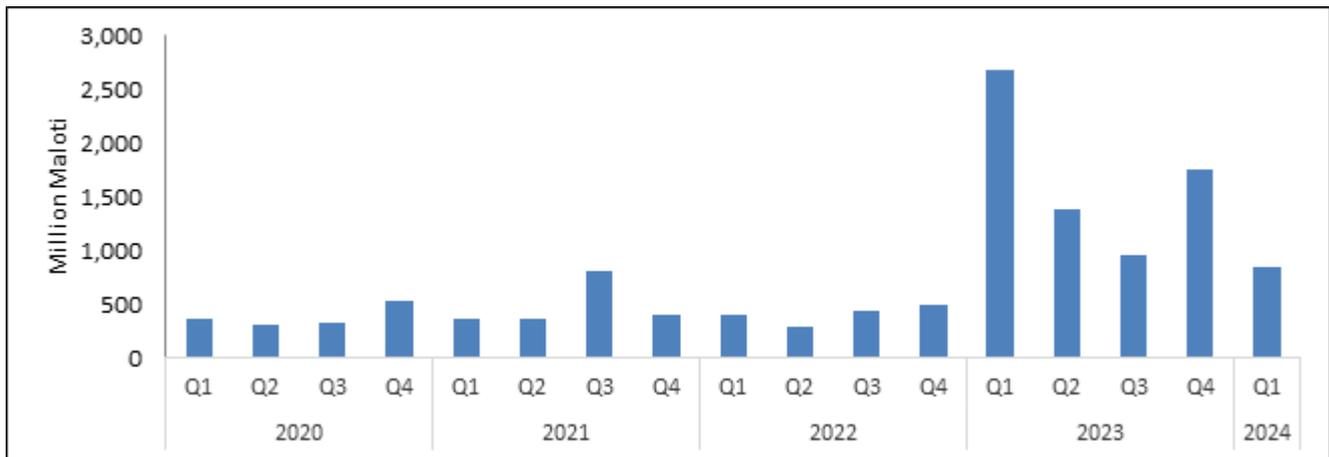
Secondary Income Account

The secondary income account surplus rose by 14.6 per cent, following a slight decline of 0.4 per cent in the previous quarter. The improved balance on the secondary income account emanated from higher receipts for rand monetary compensation. However, there was an increase in subscriptions to international organisations during the same period, which partly offset the observed surplus. In comparison to a year earlier, the secondary income account surplus was 59.1 per cent, compared to 72.1 per cent in the previous quarter. As a percentage of GDP, the secondary income account constituted 33.8 per cent, from a revised 29.7 per cent in the last quarter of 2023.

CAPITAL ACCOUNT

The capital account inflows declined to M851.80 million in the first quarter of 2024, from M1.75 billion in the preceding quarter. The decline in the quarter under review followed a quarter in which substantial transfers had been made for the auxiliary activities and advance payments for construction activities at Phase II of the LHWP. Expressed as a ratio of GDP, the capital account inflows amounted to 8.9 per cent from 18.5 per cent in the last quarter of 2023.

Figure 23: Capital Account (Million Maloti)



Source: Central Bank of Lesotho

FINANCIAL ACCOUNT

The financial account recorded an outflow amounting to M108.01 million in the first quarter of 2024, from M1.44 billion in the last quarter of 2023. Financial account outflows declined following a reduction in direct investment outflows and portfolio investment outflows. However, there was an increase in reserve assets, which partly offset the observed outflows in the financial account.

Table 18: Financial Account Balance (Million Maloti)

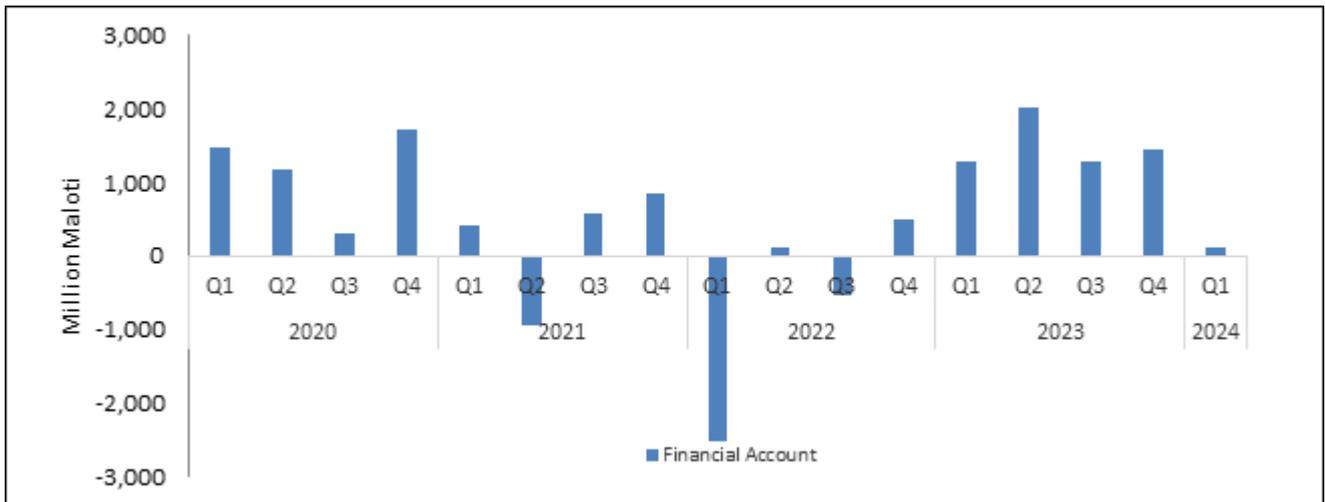
	2023				2024
	Q1	Q2	Q3	Q4	Q1
Financial account	1277.75	2006.36	1295.90	1439.16	108.01
Direct Investments, net	-138.28	-72.37	308.83	389.09	149.90
Portfolio Investments, net	752.51	440.57	394.73	403.70	16.49
Financial Derivatives, net	0.00	0.00	0.00	0.00	0.00
Other Investments, net	1,658.40	601.00	979.08	417.97	-194.80
Of which Loans	389.30	257.02	120.31	-431.40	355.53
Claims on Non Residents	34.48	34.48	34.48	34.48	34.48
Liabilities to Non Residents	-354.82	-222.54	-85.83	465.88	-321.05
Of which Currency and Deposits	1,343.17	418.04	932.83	923.43	-476.27
Claims on Non Residents	1,481.05	400.55	859.51	1,087.08	-326.50
Liabilities to Non Residents	137.88	-17.49	-73.32	163.65	149.77
Of which Special Drawing Rights	0.00	0.00	0.00	0.00	0.00
Reserve Assets	-994.88	1,037.16	-386.74	228.41	136.41

Source: Central Bank of Lesotho

The fall in direct investment outflows resulted from the decline in loan repayments to non-resident shareholders, which outweighed the loan disbursements made by non-resident shareholders to resident enterprises in the financial sector. The decline in portfolio investment resulted from the fall in foreign

portfolio investments held by commercial banks and other financial institutions abroad. Meanwhile, the decline in other investments was also primarily explained by the fall in commercial banks' foreign assets, following significant adjustments in placements abroad. These developments were, however, moderated by the decline in loan disbursements to the government during the same period.

Figure 24: Financial Account (Million Maloti)

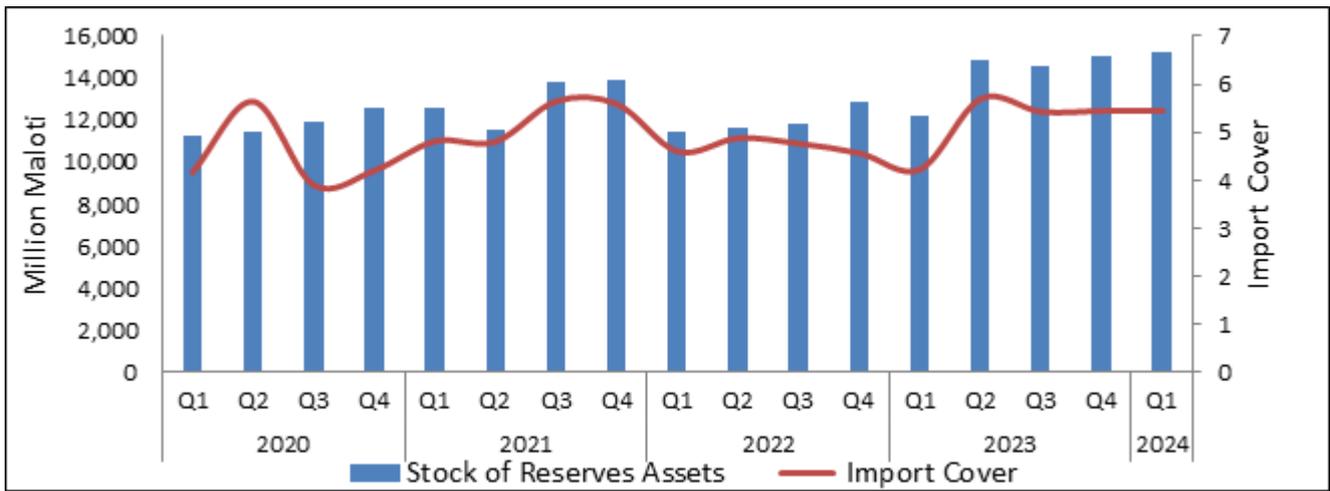


Source: Central Bank of Lesotho

RESERVE ASSETS

The stock of foreign reserves rose to M15.20 billion in the first quarter of 2024, from M15.04 billion in the last quarter of 2023. The increase in the stock of foreign reserves was partly explained by the rand monetary compensation received during the quarter under review. As a result, months of import cover remained unchanged at 5.5 months.

Figure 25: Reserve Assets



Source: Central Bank of Lesotho