



Monthly ECONOMIC REVIEW

NOVEMBER 2024

CENTRAL BANK OF LESOTHO
www.centralbank.org.ls/publications

I. ECONOMIC ACTIVITY¹

Economic activity continued to improve in November 2024, with both domestic demand and manufacturing contributing to observed positive developments. This was further boosted by recovery in transport and financial services subsectors, while the construction subsector moderated the gains.

Overall Performance Index

Domestic economic activity expanded further, with the Composite Indicator of Economic Activity (CIEA) rising by 3.1 per cent, following a 1.5 per cent increase in the previous month. This growth was mainly driven by stronger domestic demand and increased activity in the manufacturing sector. Moreover, the transport and financial services sectors also contributed to the positive performance, as evidenced by higher fuel consumption, and increased private sector credit, respectively. However, the construction subsector remained under pressure, which limited the overall growth.

Domestic Demand Category

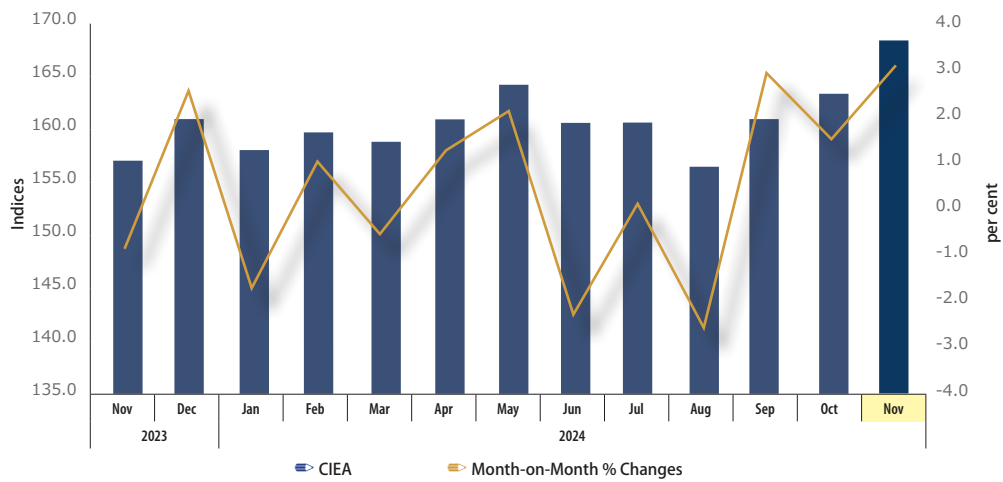
Domestic demand Index maintained its upward trend, rising by 5.1 per cent in November, after a notable 6.6 per cent increase in the previous month. This growth was observed in higher import demand from South Africa, particularly for consumer goods and mineral products, alongside a surge in sales tax revenue, reflecting enhanced business activity. Real earnings also improved, as indicated by increased Pay-As-You-Earn (PAYE) collections and higher compensation of employee. However, government activity assuaged, evidenced by a decline in spending on goods and services. The continued improvement in domestic demand highlighted a strengthening economic environment and growing confidence among consumers and businesses.

Manufacturing and Production Category

The manufacturing and production subsector also saw notable growth, with the index rising by 6.4 per cent, building on a revised 1.0 per cent increase in the previous month. This growth was driven by increased textile exports to both the U.S. and South African markets, as well as higher imports of raw materials from South Africa. These developments underscored the sector's continued reliance on both regional trade and global export markets.

¹ Composite Indicator of Economic Activity (CIEA) is constructed using seasonality adjusted data for variables with season patterns.

Figure 1 Overall Monthly Indicator of Economic Activity



Source: Central Bank of Lesotho (CBL) Calculations

Table 1: Composite Indicator of Economic Activity and its Sub-components

Indices	2024							
	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov
CIEA	160.7	164.1	160.3	160.5	156.3	160.9	163.3	168.3
Monthly changes	1.2	2.1	-2.3	0.1	-2.6	2.9	1.5	3.1
Domestic Demand Category	150.5	154.9	142.6	136.8	131.7	138.8	148.0	155.6
Monthly changes	-1.9	2.6	-7.6	-4.0	-3.8	5.4	6.6	5.1
Manufacturing & Production Category	120.2	119.9	124.2	122.9	118.9	113.9	115.0	122.4
Monthly changes	2.1	-0.2	3.6	-1.0	-3.2	-4.2	1.0	6.4

Source: Central Bank of Lesotho (CBL) Calculations

II. INFLATION AND PRICES

Headline Inflation

Headline inflation fell to 4.4 per cent in November 2024 from 4.7 per cent in October 2024. The major contributors were Food and Non-Alcoholic beverages, as well as Housing, Electricity, Gas and other fuels.

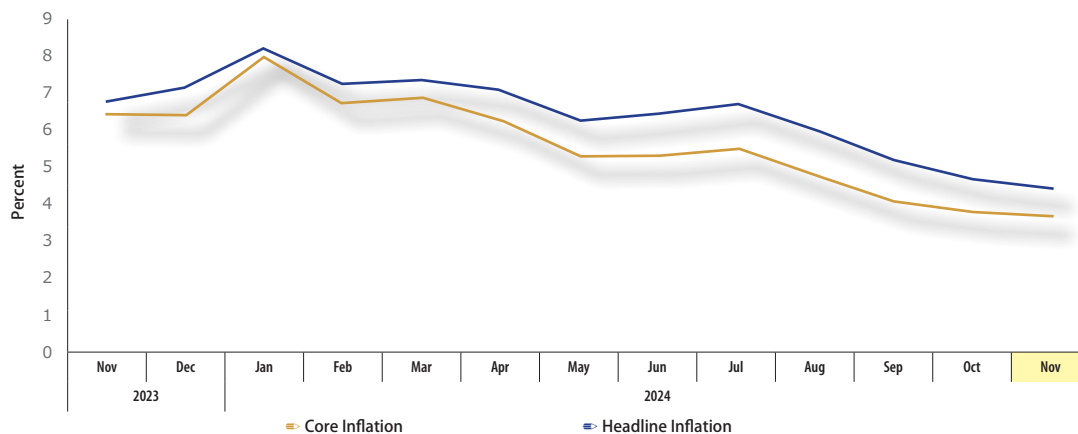
The decline in international wholesale wheat prices precipitated a reduction in production and distribution costs for the food and non-alcoholic beverage sector, subsequently resulting in lower consumer prices for these goods. The downward trajectory in Food and Non-Alcoholic beverages continued for the fourth consecutive month due to excess supply of wheat, which coincided with harvest season in wheat exporting countries.

Moreover, fall in prices of liquid fuels, particularly paraffin contributed to the decline in Housing, Electricity, Gas and other fuels category, leading to a fall in overall headline inflation. The Transport category, however, partially offsets the overall decrease due to rising prices of spare parts and accessories equipment for personal vehicles.

Core Inflation

The underlying inflationary pressures, as measured by core inflation, decreased to 3.7 per cent in November 2024 from 3.8 per cent in October 2024.

Figure 2 Headline and Core Inflation (year-on-year changes)

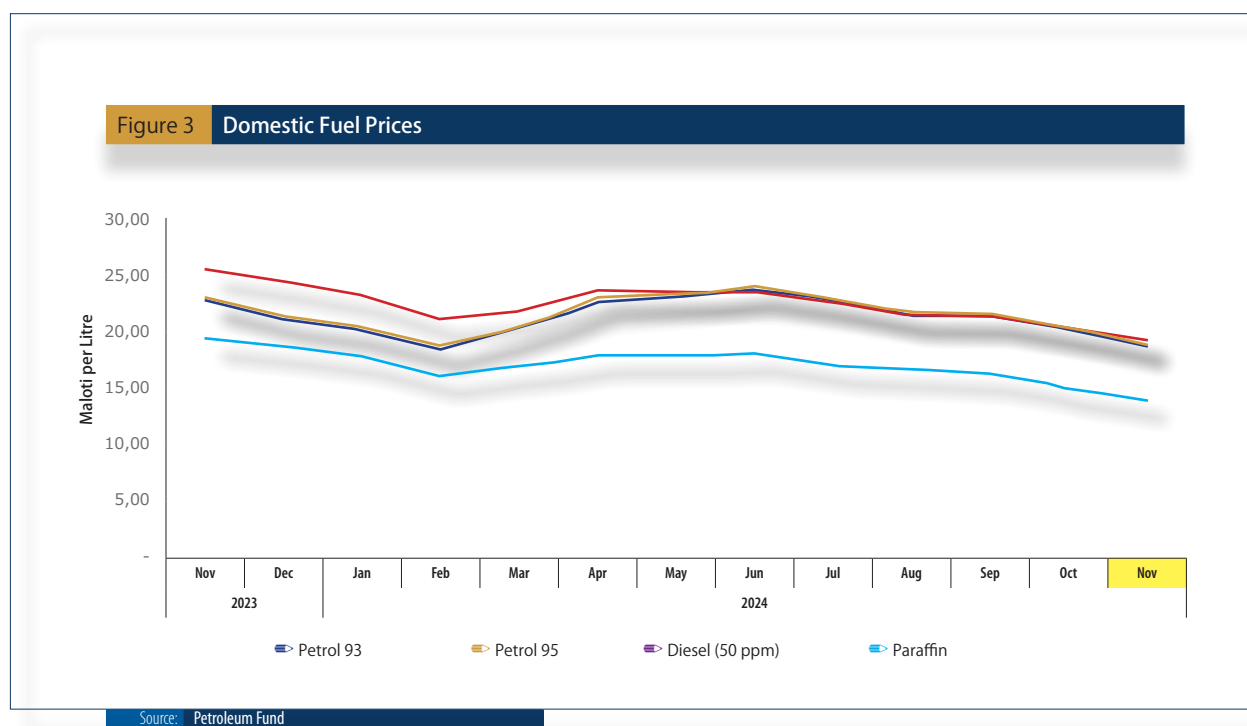


Source: Lesotho Bureau of Statistics & CBL Computations

Domestic Fuel Prices

The prices of all petroleum products increased in the review period. Where both grades of petrol (*Petrol₉₃* and *Petrol₉₅*), increased by M0.30 and M0.45, respectively. Both were sold at M 18.65 per litre and M 19.20 per litre, respectively, at the pump.

The pump prices of *diesel₅₀* and illuminating paraffin increased by M0.45 and M0.40, respectively. Both were sold at M 19.50 per litre and M13.90 per litre in the retail market, respectively.



III. MONETARY AND FINANCIAL INDICATORS

Broad Money (M2)

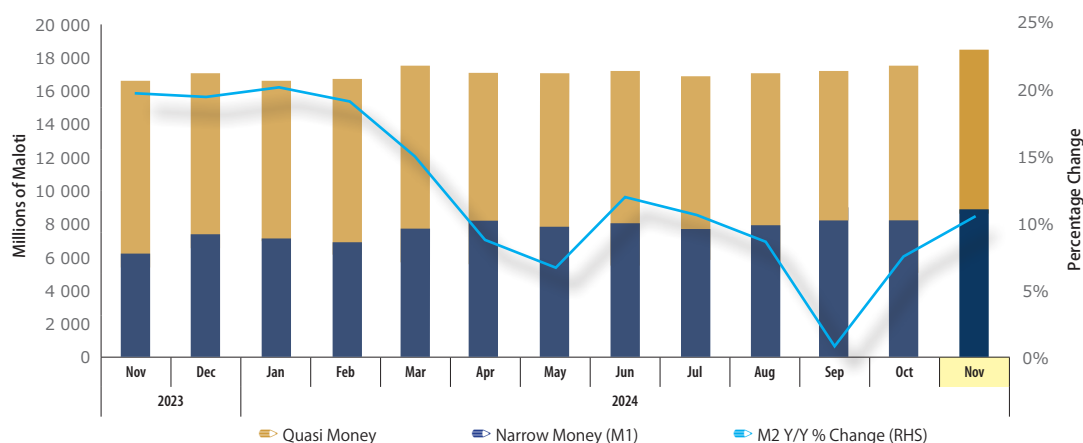
In November 2024, money supply (M2) continued the upward trajectory, growing by 5.2 per cent, following the 1.9 per cent growth observed in October. The expansion was supported by growth in net domestic claims (NDA), despite a contraction in net foreign assets (NFA). In particular, NDA grew by 21.9 per cent, in contrast to the 31.6 per cent decline in the preceding month. The draw-down of government deposits within the central bank, coupled with growth in credit extended to Other Financial Corporations, were the main drivers of overall NDA. On the contrary, NFA fell by 1.8 per cent, in contrast to the 9.2 per cent growth a month earlier. The contraction was explained by a fall in the

central bank's net claims on non-residents. Year-on-year, M2 grew by 10.6 per cent.

Components of Money Supply

Broken into its components, the growth in M2 emanated from a rise in both narrow money (M1) and quasi money. M1 grew by 7.6 per cent, whereas quasi money grew by 3.1 per cent in November. Growth in M1 was explained by a rise in transferable deposits held by both businesses and households. The increase in transferable deposits of business enterprises was due to the transfer of Polihali funding from customer foreign currency (CFC) accounts to demand accounts of the contracted entities.

Figure 4 Broad Money Growth



Source: Central Bank of Lesotho

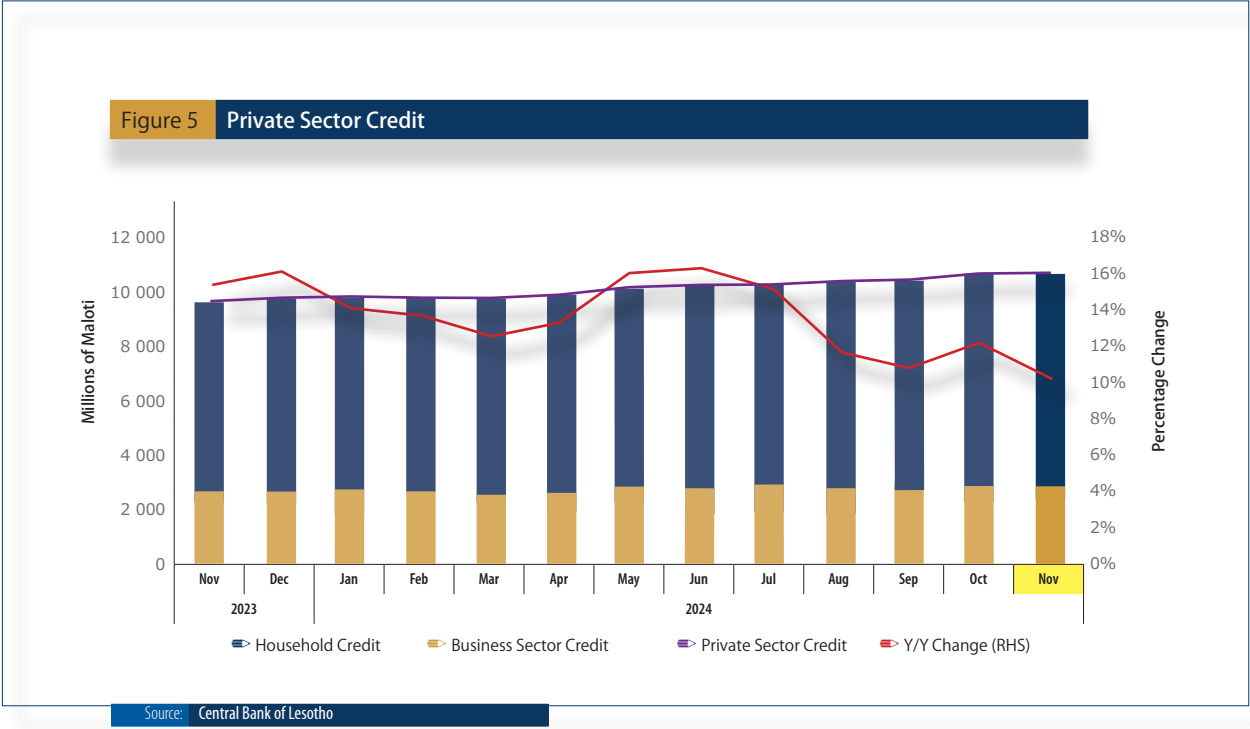
Private Sector Credit

Private sector credit declined by 0.2 per cent, in contrast to the 2.5 per cent growth a month earlier. The fall was evident in credit to households, even

though business sector credit grew. In particular, household credit contracted by 0.7 per cent, contrary to 2.4 per cent growth observed in the prior month. The decline was attributable to personal loans, despite a meagre growth in mortgages. The growth

in business credit, on the other hand, was driven by the transport, storage and communications, and wholesale and retail, as well as, the real estate industries. On the share of credit by business sectors, the wholesale and retail trade, restaurants & hotels sub-sector continued to command the highest

share of credit extension, followed by real estate & business services sector, while the construction industry completed the top three. The community, social, & personal services remained the smallest recipient of credit extension. On an annual basis, private sector credit grew by 10.4 per cent.



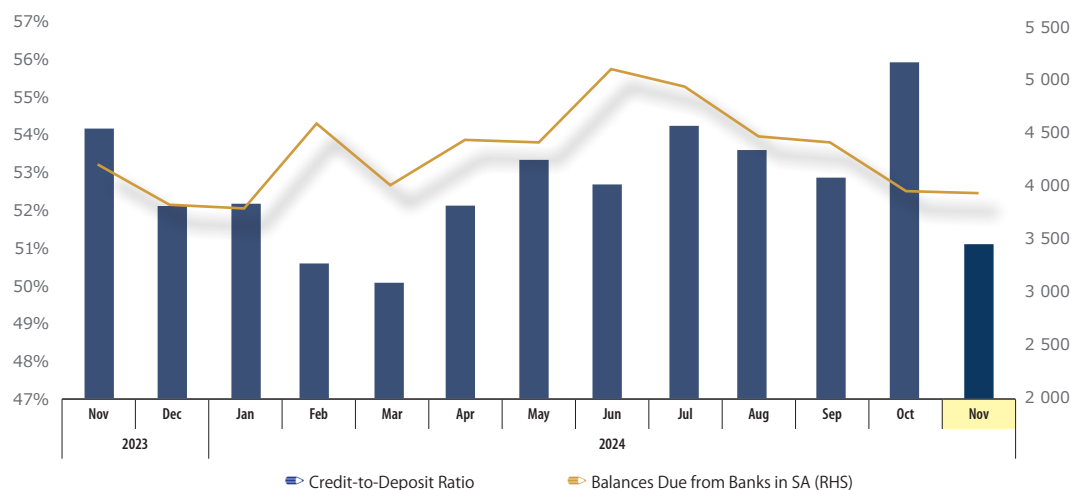
Non-Performing Loans

The ratio of non-performing loans (NPLs) to total loans increased by 0.1 percentage points to 4.0 per cent in November 2024, compared to the 3.9 per cent ratio observed in October. The highest shares of NPLs were attributed to the construction and wholesale & retail trade, restaurants & hotels subsectors.

Sources of Funds

The credit-to-deposit ratio declined to 51.1 per cent in November, compared to 56.0 per cent in October 2024. The decrease was mainly attributable to a rise in the deposit base of commercial banks.

Figure 6 Credit to Deposit Ratio



Source: Central Bank of Lesotho

Interest Rates

The CBL rate was reduced to 7.50 per cent between October and November 2024. Consequently, the prime lending rate and the 1-year deposit rate declined to 11.00 and 4.72 per cent, respectively. However, the 91-day treasury bill rate increased by 2 basis points to 6.88 per cent from 6.86 per cent a month earlier.

Foreign Exchange

In November 2024, the rand, hence loti, weakened by 2.06 per cent against the dollar from a 2.61 per cent depreciation in October. Against the euro and the pound, however, the rand appreciated by 0.46 per cent and 0.33 per cent, respectively, reversing the 3.64 per cent and 1.71 per cent depreciations recorded in October.

The rand's decline against the dollar was largely driven by strong US economic data, including robust consumer demand and persistent inflation, which reinforced expectations that the Federal Reserve

would maintain higher interest rates. Additionally, structural challenges within South Africa, such as Transnet's logistical constraints, and persistently high unemployment, dampened investor confidence.

Conversely, the rand appreciated against the euro and the pound, benefiting from weaker economic conditions in the Euro Area and the UK. The European Central Bank (ECB) maintained its dovish stance, raising concerns about slowing growth, while the Bank of England (BoE) faced increased uncertainty over its rate policy due to weaker economic data. South Africa's higher interest rates also boosted carry trade activity, attracting investors seeking higher yields.

Relative political stability post-election and recovering commodity prices, mainly gold and platinum, improved sentiment, supporting gains against the euro and pound. However, the current account deficit and reliance on foreign inflows kept the rand vulnerable to dollar strength, limiting broader recovery.

IV. GOVERNMENT BUDGETARY OPERATIONS

Expenditure

In November 2024, government spending experienced a 13.8 per cent decrease, marking a significant reversal from the 12.9 per cent increase reported in October 2024. This reduction was largely attributed to decreased operating costs, notably within health services, as well as reduced expenditures on student grants and capital projects.

The largest budget allocations were directed towards the economic affairs and social protection sectors. On a year-on-year basis, total expenditure increased by 10.9 per cent owing to a fall in student grants and infrastructure projects.

Revenue

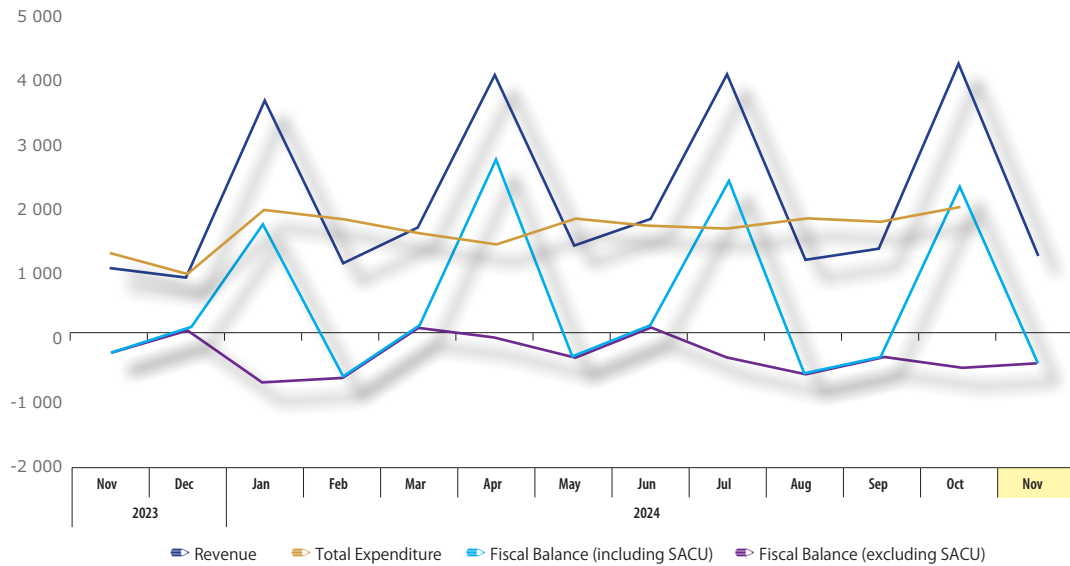
Government total revenue, excluding SACU receipts, fell by 15.7 per cent, mainly due to decreases in VAT and mining royalties. This was in contrast to a 12.6 per cent increase in the previous month. Year-on-year, total revenue rose by 30.5 per cent, primarily due to water royalties.

Fiscal Balance²

The government recorded a deficit of 4.8 per cent of GDP. This shortfall was financed through the utilisation of government deposits and the accumulation of both domestic and foreign debt, leading to a reduction in financial assets and an increase in liabilities.

² All financing items are on net basis.

Figure 7 Government Fiscal Balance (Million Maloti)



Source: Central Bank of Lesotho & Ministry of Finance (MOF)

Table 2: Cross Classification of Expenditure by Function and Economic Item (Percentage Change)

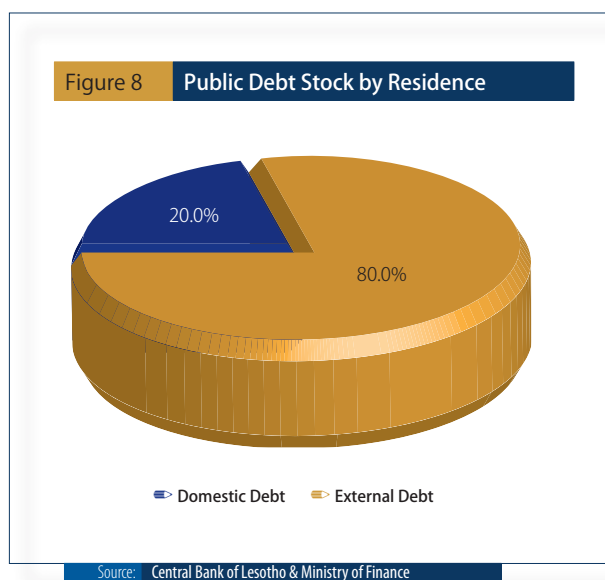
Function	Economic Item	Compensation of Employees	Use of Goods and Services	Interest Payments	Subsidies	Grants	Social Benefits	Other Expenses	Net Investment in Nonfinancial Assets	Share per Function
General Public Services		6.3%	11.9%	100.0%	0.0%	27.1%	1.2%	64.7%	23.6%	13.2%
Defense		8.1%	5.0%	0.0%	0.0%	0.0%	0.0%	0.0%	18.4%	5.2%
Public Order and Safety		18.7%	10.7%	0.0%	0.0%	0.4%	0.0%	8.2%	17.8%	10.1%
Economic Affairs		6.9%	48.0%	0.0%	0.0%	65.7%	0.0%	15.5%	28.1%	25.8%
Environmental Protection		1.3%	1.3%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.7%
Housing and Community Amenities		6.6%	4.9%	0.0%	0.0%	0.8%	0.5%	0.0%	1.7%	3.7%
Health		7.4%	11.4%	0.0%	97.7%	6.0%	3.7%	0.0%	6.8%	10.5%
Recreation, Culture, and Religion		1.1%	3.4%	0.0%	0.0%	0.0%	1.1%	4.0%	0.3%	1.4%
Education		34.2%	2.0%	0.0%	2.3%	0.0%	10.7%	0.0%	1.3%	13.5%
Social Protection		9.5%	1.4%	0.0%	0.0%	0.0%	82.8%	7.6%	2.1%	16.0%
Share per Economic Item		32.8%	24.7%	2.1%	3.5%	14.6%	14.9%	0.5%	6.9%	100.0%

Source: CBL and MOF

V. PUBLIC DEBT

The public debt stock stood at 56.2 per cent of GDP, slightly higher than the revised 55.7 per cent of GDP in the previous month. This 1.0 per cent monthly increase was attributed to disbursements

of ongoing foreign projects. On an annual basis, the total debt stock decreased by 4.4 per cent, following foreign exchange effects and the redemption of bonds.



Appendix: Key Economic Indicators

		24-Apr	24-May	24-Jun	24-Jul	24-Aug	24-Sep	24-Oct	24-Nov
Economic Activity (MIEA (% change, M/M))		1.2	2.1	-2.3	0.1	-2.6	2.9	1.5	3.1
Consumer price Index (% change)	Headline Inflation (year-on-year)	7.3	7.4	6.8	7.2	8.2	7.3	7.4	7.1
	Core Inflation	6.7	6.9	6.4	6.4	8.0	6.7	6.9	6.3
Exchange Rates (Monthly End Period)	EUR	20.7950	20.5085	20.5233	20.3424	20.3817	20.7950	20.5085	19.0793
	GBP	24.3030	23.9695	23.7452	23.6012	23.8757	24.3030	23.9695	22.9335
	USD	19.1910	18.8596	18.7082	18.6699	18.8456	19.1910	18.8596	18.0603
Money Supply (Millions of Maloti)	M2	16,887.51	17,636.19	17,340.59	16,929.25	17,160.89	17,306.37	17,631.19	18,545.63
	M1	7,722.71	8,528.66	8,173.76	7,814.50	7,997.34	8,290.68	8,270.95	8,896.13
	Quasi Money	9,164.81	9,107.53	9,166.83	9,114.75	9,163.55	9,015.69	9,360.24	9,649.50
Interest Rates	CBL Rate	7.75	7.75	7.75	7.75	7.75	7.75	7.75	7.50
	91 day Treasury bill rate	6.93	6.78	6.96	6.96	6.74	6.83	6.86	6.88
	Prime lending rate	11.25	11.25	11.25	11.25	11.25	11.25	11.25	11.00
	1 year deposit rate	4.74	4.74	4.74	4.74	4.74	4.74	4.74	4.72
Private sector Credit (Millions of Maloti)		9,838.10	9,736.88	10,233.44	10,288.53	10,347.59	10,422.71	10,684.74	10,658.79
	Households	2,716.99	2,577.61	2,806.05	2,903.51	2,784.48	2,771.40	2,853.12	2,882.57
	Non-profit Organisations	7,121.11	7,159.28	7,427.40	7,385.01	7,563.11	7,651.31	7,831.62	7,776.22
Bank Deposit Liabilities (Millions of Maloti)		19,412.48	19,375.00	19,374.92	18,882.97	19,254.43	19,689.38	19,040.65	20,787.42
Credit to Deposit Ratio (%)		50.6	50.1	52.7	54.3	53.7	52.9	56.0	51.1
Fiscal Operations (Millions of Maloti)	Fiscal Balance	2,781.12	-409.78	97.33	2,459.24	-694.82	-398.08	2,328.19	-477.65
	Total Revenue (with SACU receipts)	4,166.39	1,410.53	1,790.38	4,127.29	1,152.04	1,383.14	4,339.21	1,255.62
	Total Expenditure	1,385.27	1,820.31	1,693.05	1,668.04	1,846.86	1,781.22	2,011.02	1,733.27
	O/W Capital	197.41	250.79	334.18	187.91	351.73	430.43	288.47	201.53
Total Public Debt (Millions of Maloti)		22,977.71	23,226.40	22,314.33	22,437.65	22,207.56	21,903.04	22,111.55	22,339.88
	Total External Debt	18,223.85	18,494.28	17,840.51	17,963.07	17,649.29	17,344.34	17,654.88	17,872.27
External Debt	Concessional	11,372.76	11,493.20	11,031.10	11,074.77	10,862.34	10,792.52	11,015.88	11,195.20
	Non-concessional	6,851.09	7,001.08	6,809.41	6,888.30	6,786.94	6,551.81	6,639.00	6,677.07
Domestic Debt		4,753.86	4,732.13	4,658.95	4,473.82	4,474.57	4,558.27	4,558.71	4,456.66
Memo Item: Arrears (Millions of Maloti)		0.00	-201.98	26.28	-135.19	9.63	-1.66	-1.67	-135.08

Source: Central Bank of Lesotho

Explanatory Box

Indicator of Economic Activity

The Indicator of Economic Activity is an index constructed from 14-time series variables. Key considerations in the choice of the variables were (1) the frequency with which the data is available and (2) the extent of their ripple effect to other sectors of the economy. The variables can be grouped into two important economic categories – the domestic demand category and the manufacturing & production category. This enables the determination of whether the economic activity is affected by the demand components, the production components or both sides of the activity.

Core Inflation

Lesotho's core inflation is the 30% trimmed mean of the headline inflation. This core inflation measure excludes the consumer price index (CPI) items with extreme price changes.

Government Budgetary Operations

In the process of improving compilation of Government expenditure using Government Finance Statistics Manual 2014 (GFSM 2014) of the International Monetary Fund, the Government spending for the month of March 2019 has been disaggregated into due-for-payments and commitments (normal payment delays or arrears).

The due-for-payments spending transactions refer to the payment instructions from the Government's financial information system (known as IFMIS) to the Central Bank of Lesotho for actual payment process. The commitments are described as pending spending transactions in respect of delivered goods and services, which have passed their due date for payments, and hence, the arrears. The data on these components (arrears and due-for-payments) fulfil the aim of GFSM 2014, which requires the Governments to compile the spending, among others, using accrual basis method of recording.

However, in terms of Lesotho's expenditure data, interest payments of loans are still being compiled using cash basis method of recording. All other expenditure components (including use of goods and services, compensation of employees, and social benefits) are in accrual basis.

Apart from spending by economic classification above, the database on the spending by functions was rebuilt starting from the April 2019 onwards while at the same time the historical data was compiled bit by bit. Thus, the table on the classification of outlays by functions of government (known as COFOG) was last updated by Ministry of Finance in 2008/09, just before the implementation of new IFMIS chart of accounts.

© 2024 November Central Bank of Lesotho

All rights reserved. No part of this publication may be reproduced, stored in a retrieval system, or transmitted in any form or by any means, electronic, mechanical, photocopying, recording or otherwise, without fully acknowledging the Monthly Economic Review of Central Bank of Lesotho as the source.

The contents of this publication are intended for general information only and are not intended to serve as financial or other advice. While every precaution is taken to ensure the accuracy of information, the Central Bank of Lesotho shall not be liable to any person for inaccurate information or opinions contained in this publication.

Enquiries relating to this Publication should be addressed to:

Statistics Division

Research Department, Central Bank of Lesotho

Central Bank of Lesotho

Corner Airport and Moshoeshoe Roads • Maseru Central • P. O. BOX 1184 • Maseru 100

Phone: (+266) 2231 4281 / 2223 2000 • Fax: (+266) 2231 0051 • E-mail: info@centralbank.org.ls