

Annual profile: Swaziland

January 2003



Background

The British guaranteed autonomy for the Swazis in the late 19th century; independence was granted in 1968. Student and labour unrest during the 1990s have pressured the monarchy (one of the oldest on the continent) to grudgingly allow political reform and greater democracy.

Government

Government type:

Monarchy; independent member of Commonwealth.

Capital:

Mbabane.

Independence:

6 September 1968 (from UK).

Chief of state:

King Mswati III (since 25 April 1986).

Elections:

The monarchy is hereditary; prime minister appointed by the monarch. A bicameral parliament, an advisory body, consists of the Senate (appointed by the House of Assembly and the monarch) and the House of Assembly (appointed by the monarch and elected by popular vote). Elections for the House of Assembly were last held on 16 and 24 October 1998.

Next elections to be held in 2003.

People

Population: 1.1 million.

Population growth rate: 1.83% (2001 est.)

Life expectancy at birth:

total population: 38.62 years

male: 37.86 years

female: 39.4 years (2001 est)

Ethnic groups: African 97%, European 3%.

Religions:

Protestant 55%, Muslim 10%, Roman Catholic 5%, indigenous beliefs 30%

Languages:

English (official, government business conducted in English), siSwati (official).

Adult literacy rate:

Definition: % of population age 15 and over that can read and write.

1999: 78.9%.

Source: CIA World Factbook, UNDP 2002

Geography

Area:

Total: 17 363 sq km.

Land: 17 203 sq km.

Water: 160 sq km.

Land boundaries:

Total: 535 km.

Border countries: Mozambique 105 km, South Africa 430 km.

Coastline:

Landlocked

Climate:

Varies from tropical to near temperate.

Terrain:

Mostly mountains and hills; some moderately sloping plains.

Natural resources:

Asbestos, coal, clay, cassiterite, hydropower, forests, small gold and diamond deposits, quarry stone and talc.

Land use:

Arable land: 11%.

Permanent crops: 0%.

Permanent pastures: 62%.

Forests and woodland: 7%.

Other: 20% (1993 est.)

Irrigated land:

670 sq km (1993 est).

Natural hazards: N/A

Environment:

Limited supplies of potable water; wildlife population being depleted because of excessive hunting; overgrazing; soil degradation; soil erosion.

Source: CIA World Factbook 2002

Health	Human development																																												
<p>People living with HIV/Aids: Adults (age 15-49) 2001: 33.4% Woman (age 15-49) 2001: 89 000. Children (age 0-14) 2001: 14 000.</p> <p>Tuberculosis cases (per 100 000 people): 1996: 433.</p> <p>Undernourished people (1997/99): 12% of total population.</p> <p><i>Source: UNDP 2002</i></p>	<p style="text-align: center;">HDI Ranking (2000) 122 out of 173 countries (1=most developed, 173= least developed)</p> <table> <tr><td>Norway</td><td style="text-align: right;">1</td></tr> <tr><td>Mauritius</td><td style="text-align: right;">67</td></tr> <tr><td>South Africa</td><td style="text-align: right;">107</td></tr> <tr><td>Gabon</td><td style="text-align: right;">117</td></tr> <tr><td>Namibia</td><td style="text-align: right;">122</td></tr> <tr style="background-color: #cccccc;"><td>Swaziland</td><td style="text-align: right;">125</td></tr> <tr><td>Botswana</td><td style="text-align: right;">126</td></tr> <tr><td>Zimbabwe</td><td style="text-align: right;">128</td></tr> <tr><td>Ghana</td><td style="text-align: right;">129</td></tr> <tr><td>Lesotho</td><td style="text-align: right;">132</td></tr> <tr><td>Kenya</td><td style="text-align: right;">134</td></tr> <tr><td>Madagascar</td><td style="text-align: right;">147</td></tr> <tr><td>Nigeria</td><td style="text-align: right;">148</td></tr> <tr><td>Uganda</td><td style="text-align: right;">150</td></tr> <tr><td>Tanzania</td><td style="text-align: right;">151</td></tr> <tr><td>Zambia</td><td style="text-align: right;">153</td></tr> <tr><td>DRC</td><td style="text-align: right;">155</td></tr> <tr><td>Ivory Coast</td><td style="text-align: right;">156</td></tr> <tr><td>Angola</td><td style="text-align: right;">161</td></tr> <tr><td>Malawi</td><td style="text-align: right;">163</td></tr> <tr><td>Mozambique</td><td style="text-align: right;">170</td></tr> <tr><td>Sierra Leone</td><td style="text-align: right;">173</td></tr> </table> <p>The Human Development Index (HDI) measures a country's achievements in three aspects of human development: longevity, knowledge and a decent standard of living. Longevity is measured by life expectancy at birth; knowledge is measured by a combination of the adult literacy rate and the combined gross primary, secondary, and tertiary enrolment ratio; and standard of living, as measured by GDP per capita.</p> <p><i>Source: UNDP</i></p>	Norway	1	Mauritius	67	South Africa	107	Gabon	117	Namibia	122	Swaziland	125	Botswana	126	Zimbabwe	128	Ghana	129	Lesotho	132	Kenya	134	Madagascar	147	Nigeria	148	Uganda	150	Tanzania	151	Zambia	153	DRC	155	Ivory Coast	156	Angola	161	Malawi	163	Mozambique	170	Sierra Leone	173
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Corruption perceptions index (2002)																																													
<p>Score: N/A (where 10 is "highly clean" and 0 is "highly corrupt").</p> <p>Place: N/A (91 countries surveyed, 1 = least corrupt, 91 = most corrupt). (The surveys reflect the perceptions of business people, academics and country analysts. The surveys were undertaken over the past three years and no country has been included in the index without results from a minimum of three surveys).</p> <p>Source: Transparency International</p>																																													
Restrictions on capital flows																																													
<p>Swaziland is a member of the Common Monetary Area (CMA). Exchange controls are governed by the CMA. There are no foreign exchange restrictions between CMA members and it constitutes a single exchange control area. However, CMA members' exchange controls with the rest of the world cannot be less strict than South Africa's.</p>																																													
Taxation																																													
<p>Company tax: 30% (10% for companies with development approval) Personal tax: the maximum rate is 33%.</p>	<p style="background-color: #cccccc;">Sovereign Credit Rating</p> <p>Standard & Poors</p> <p>Local currency Long-term: not rated Short-term: not rated</p> <p>Foreign currency Long-term: not rated Short-term: not rated</p> <p>Moody's Investor Service</p> <p>Foreign currency debt: not rated Foreign currency bank deposits: not rated Namibia Government</p> <p>Issuer rating –Foreign currency: not rated Issuer rating –Domestic currency: not rated</p> <p>Fitch ratings</p> <p>Local currency Short-term: not rated</p> <p>Foreign currency Long-term: not rated Short-term: not rated</p>																																												

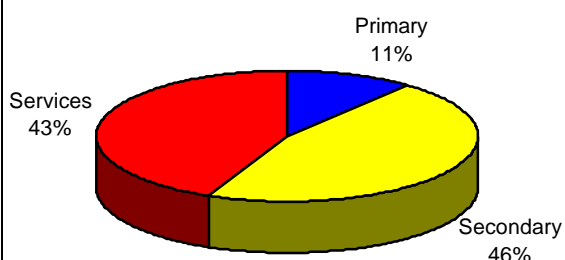
Economy

Selected statistics

	1996	1997	1998	1999	2000	2001	2002e	2003f
Population (million)	0.93	0.90	0.90	0.91	0.93	1.10	1.1	1.1
Nominal GDP (US\$m)	1302.6	1354.4	1399.3	1451.2	1483.2	1504.9	1510	1530
GDP/head (US\$)	1402.9	1504.9	1554.8	1594.7	1594.8	1368.1	1372	1390
Exchange reserves – excl. gold (US\$m)	254.00	294.84	358.61	375.93	351.79	271.8	277 (Sep)	280
Import cover (months)	2.9	3.3	3.7	4.0	3.8	3.8	3.8	3.9
External debt (US\$bn)	0.268	0.244	0.308	0.322	0.387	0.4
External debt (% of GDP)	20.6	18.0	22.0	22.2	26.1	26.5

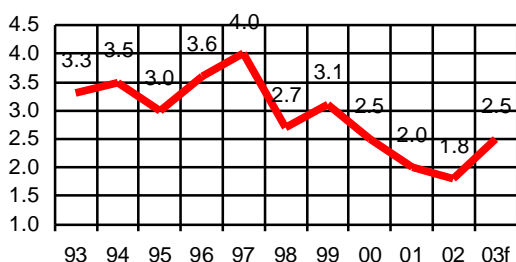
e = estimate, f = forecast

Economic structure



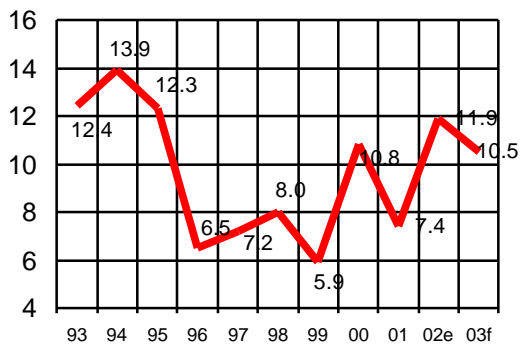
- The economy is largely dependent on agriculture (mainly sugar) as a primary sector activity. Agriculture also provides inputs for the manufacturing sector.
- Agriculture (8.7% of GDP) has been negatively affected by adverse weather conditions.
- Sugarcane and maize are two important agricultural crops. Sugarcane is largely grown on irrigated land and has been partially protected from the effects of the regional drought.
- The manufacturing sector (35.6% of GDP) is expected to have suffered as a result of lower agricultural output. It is the second largest contributor to output after the services sector, which accounts for 43.4% of GDP.
- Sugar refining and soft drink processing in the manufacturing sector have strong linkages with the agricultural sector.
- The banking sector is relatively well developed. There are four commercial banks, three of which are foreign owned.
- The Swaziland Stock Exchange (as a full exchange) opened its doors in 2000. The small exchange has five listed shares. The market capitalization capitalisation was about US\$145 million in January 2003.

Real GDP growth (%)



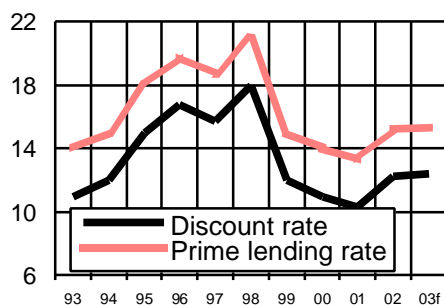
- Economic growth has stagnated since 1997. Swaziland lost some advantage as an investment destination when South Africa became a democracy in 1994.
- The outlook for the economy is not positive given the high incidence of HIV/Aids, poverty, hunger and unemployment.
- Higher output in the manufacturing sector should be a source of growth, in spite of recent setbacks. Development of the tourism industry could boost the growth rate.
- As more than half of Swaziland's exports are to South Africa, economic conditions are largely dependent on South Africa's.
- Growth in South Africa has slowed in recent years. However, South Africa is well positioned to grow and attract investment relative to the rest of the world amid the current global uncertainty and the threat of war in the Middle East. This may benefit Swaziland as well as other neighbouring countries.

Consumer inflation (%)



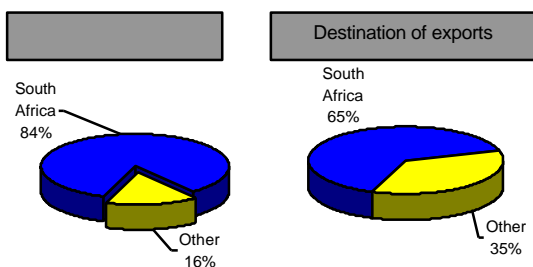
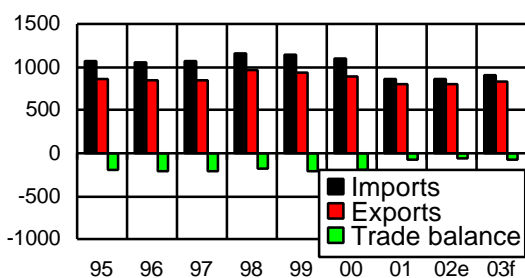
- Due to its membership of the Common Monetary Area (CMA) and the fact that a significant portion of its imports are from South Africa, inflation largely moves in tandem with that country's. The CMA members are South Africa, Lesotho, Namibia and Swaziland.
- Membership of the CMA limits the Central Bank of Swaziland's (CBS) monetary policy options. Swaziland's monetary policy is largely determined by the South African Reserve Bank (SARB).
- Inflation in Swaziland has, however, been slightly above South Africa's since 1998. The main reasons are higher transport costs for imports and a larger food weight in the consumer price index.
- Inflation has moved higher in South Africa (despite its inflation target is 3% to 6% for 2002) with the sharp depreciation of the currency.
- Swaziland's inflation was largely caused by the sharp currency depreciation in 2001 and 2002.
- The recent recovery and relative stability of the currency will reduce inflationary pressures.
- The drought will put upward pressure on the inflation rate, as food prices, with a weight of almost 25% in the consumer price index, have increased sharply in recent months.

Interest rates (%)



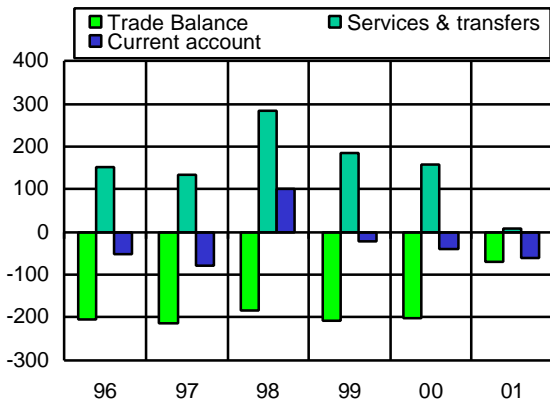
- As Swaziland is a member of the CMA, its monetary policy is generally set by the SARB and interest rates follow similar trends to South Africa.
- The CMA membership is based on the close economic ties between South Africa and Swaziland. It has benefited Swaziland by contributing to monetary integration and stability.
- However, the CBS maintains slightly lower interest rates than South Africa to stimulate investment, but manages the differential to prevent arbitrage.

International trade (US\$m)



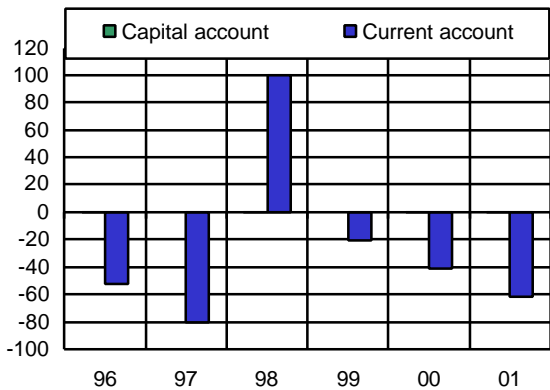
- South Africa is the country's main trading partner.
- Swaziland is a member of the Southern African Customs Union (SACU). Other SACU members are South Africa, Botswana, Lesotho and Namibia.
- In 2001 a slowdown in imports, while exports remained buoyant, resulted in lower trade deficits.
- Main export items are edible concentrates, sugar, woodpulp and textiles.
- Main merchandise imports are manufactured goods, machinery, chemicals and minerals and fuels.
- Exports of mostly textiles and apparel to the US under the Generalized System of Preferences (GSP) and the African Growth and Opportunity Act (AGOA) improved dramatically, to US\$54,9 million from January to September 2002, compared to US\$141 000 over the same period in 2001.
- Sugar continues to support export performance.

Current account (US\$m)



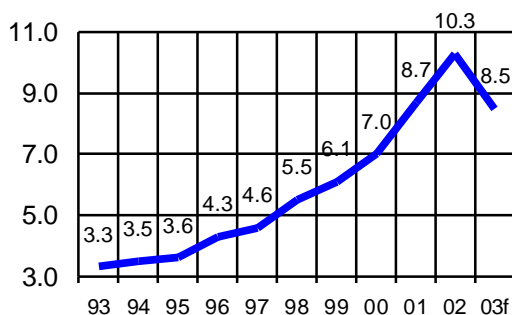
- The negative trade balance was only partly offset by inflows from services and transfers, resulting in a deteriorating current account balance since 1998.
- Labour income and SACU transfers are important contributors to the services account.
- The declining trend in labour income since 1998 indicates lower earnings from this source, a trend that is expected to continue.
- Transfers from the SACU also boosted the services account. Income from this source is expected to decline under the new SACU agreement.
- These factors combined will impact negatively on the current account.

Capital flows (US\$m)



- Capital inflows have been relatively low in recent years. According to the IMF, foreign direct investment (FDI) in Swaziland is largely determined by agriculture and manufacturing. Its proximity to the relatively large South African market has given it a location advantage.
- Historically, Swaziland has attracted strong FDI inflows on the strength of its high economic growth, moderate inflation, stable exchange rate, productive workforce, close ties with the South African market, tax incentives and political stability. However, since its transition to democracy, South Africa has become a comparatively more attractive FDI destination.
- The country's good performance under AGOA, however, may reverse the downward trend in the medium term, if it can continue to attract new investment, particularly in the textile and apparel sector.

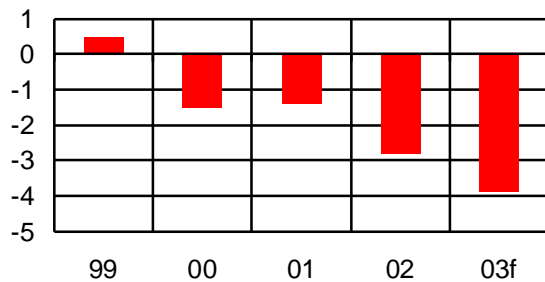
Emalangi/US\$



- The Lilangeni is linked at par to the South African rand, as the two countries are members of the CMA.
- The Swazi currency (and the rand) depreciated sharply against many currencies and most noticeably the US\$ during 2001 and 2002.
- The relatively weak currency is not expected to boost Swaziland's exports as most are to South Africa. Exports priced in other currencies, such as textiles to the US, will have benefited.
- The recent strength of the currencies will impact positively on import prices.

Government finances

Budget deficit % of GDP



- The widening fiscal deficit is cause for concern. Falling government revenue is generally a result of lower SACU receipts, which represent half of Swaziland's tax revenue.
- A new SACU revenue-sharing agreement has been reached. Each member's revenue will be based on a share of the customs and excise pools and a development component. Although it should not affect the country in the short-term, the global trend of phasing out barriers to trade will eventually reduce tariffs on imports and SACU revenues.

Economic outlook

- Economic growth remains relatively low due to adverse weather conditions and disruptions in manufacturing and mining.
- The regional drought has adversely affected the country and the food crisis is affecting about a quarter of the population.
- The sugar industry remains the backbone of the economy. According to Swaziland Sugar Association data, output represents a quarter of GDP; an eighth of exports; and three-fifths of agricultural production. All sugar cane is irrigated by either furrows or sprinklers. The regional drought has therefore not affected the sugar industry as severely as the rest of the agricultural sector.
- The long-term outlook for the sugar industry is uncertain. The existing European Union and African, Caribbean and Pacific (EU-ACP) Sugar Protocol and the Agreement on Special Preferential Sugar (SPS) will be renegotiated when they expire in 2008. Also, the EU's new Everything But Arms (EBA) initiative will phase out preferential access between 2006 and 2009.
- A new SACU agreement has been reached, which is expected to gradually reduce government revenue.
- Tourism could become an important growth source, with the development of the Lubombo Spatial Development Initiative (SDI), launched in 1997 between South Africa, Swaziland and Mozambique, as well as other initiatives.
- South Africa's dominance in trade with Swaziland is a mixed blessing. Swaziland will need to diversify its export portfolio; thereby lowering some of the risks attached to having a dominant trade partner.
- The Constitutional Review Commission's recommendations are contrary to democratic principles, which entrench the constitutional monarchy and extend the king's powers.
- Opposition parties have been banned since 1973.
- High unemployment and poverty levels are cause for concern. The incidence of HIV/Aids is also clouding the country's economic outlook. The economic impact on the small population is difficult to quantify, but it is likely to be severe. The dependency ratio suggests that each breadwinner has about seven dependants under their care.
- The issue of a luxury private executive jet for King Mswati III has damaged the country's reputation. The purchase appears wasteful, particularly in the context of the regional drought and food shortages. According to reports, the price and operational and maintenance costs are equal to a quarter of the country's government budget. Some donor countries have objected and threatened to withhold their support.
- The country has also received negative publicity regarding the king and the alleged abduction of a new bride.
- The country's continued membership of AGOA is under discussion after Prime Minister Sibusiso Dlamini disregarded rulings by the Court of Appeal, which were in conflict with royal decrees. The court's South African judges resigned in protest.
- The country continues to be divided between the traditionalist monarchy and the more progressive forces, which envisage a democratisation of the political dispensation.

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