

# **CENTRAL BANK OF LESOTHO**

**QUARTERLY REVIEW**

**JUNE, 2004**

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**MASERU  
KINGDOM OF LESOTHO**

## QUARTERLY REVIEW

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## **I. Key Economic Events in Lesotho during the Second Quarter**

### **1. Financial Sector Reforms during the Quarter**

#### ***A Credit Bureau is Licenced to Trade in Lesotho***

On June 18 2004, the Ministry of Trade, Industry, Marketing and Cooperatives, issued Transunion Lesotho (PTY) Ltd., a licence to operate a credit bureau in Lesotho. A credit bureau is a credit risk management information provider. It pools together information about the creditworthiness of borrowers from its different clients to create a readily available database. Creditworthiness, in this case can be determined by borrowers' payment history, existing credit, any defaults in payments and any judgments passed against the borrower. A credit bureau has to collect, verify that the information is accurate, credible, relevant, unbiased and up-to-date before disseminating it to its subscribers, who in turn have to prove beyond doubt that their need for the information is genuine. To fund its trade, a credit bureau charges a levy on its customers for services rendered.

It should be expected that by providing a credible source of credit information, the credit bureau would help address the problem of stagnating lending in the economy. This would in turn go a long way to reduce the gap between the lending and deposit rates. In essence, a credit bureau is not an organ to dictate to financial institutions who to give or deny credit but to facilitate the financial intermediation process. Therefore, its licensing was a welcome development. Since borrowers would henceforth have their profiles on record, it would be wise to manage them well to turn them into profitable assets. If managed badly, these records can turn into credit nightmares for most people.

## **II. International Economic Developments and their Implications for the Lesotho Economy**

### ***United States (US)***

The US economy grew at an annual rate of 3 per cent in the second quarter compared to 4.5 per cent in the previous quarter. The deceleration resulted from a slowdown in consumer spending to an annual rate of 1.0 per cent following an increase of 4.1 per cent in the first quarter. Government spending also grew at a slower pace of 2.3 per cent compared with 2.5 per cent. In contrast, business fixed investment rose by 8.9 per cent during the review quarter compared with an increase of 4.2 per cent realised in the previous quarter.

The increase in business fixed investment could have impacted positively on the US labour market. Unemployment fell from a quarterly average rate of 5.7 per cent in the previous quarter to 5.6 per cent in the review quarter.

Inflation in the US increased in the quarter ended June. On an annual basis, consumer prices rose by 2.9 per cent compared with 1.7 per cent at the end of the previous quarter. As a result, the US Federal Reserve Bank increased the overnight lending rate by 0.25 percentage points to 1.00 per cent during the quarter.

Despite the fact that the overall US economic growth remained strong during the review period, the deceleration in consumer spending does not augur well for Lesotho's exports, the bulk of which are destined to the US. However, if fixed investment expenditure by US businesses maintains its trend, it is likely to boost employment and thus consumer spending, which may in turn benefit Lesotho's exports.

### ***Euro-zone<sup>1</sup>***

Economic growth in the Euro area slowed down in the second quarter. Gross domestic product (GDP) registered a quarterly increase of 0.5 per cent following that of 0.6 per cent in the last quarter. This could have been influenced by the decline in the economies of Greece and the Netherlands as well as the slowdown in Italy's economy, which outweighed developments in Germany and France, the region's two largest economies. Germany's economy grew by 0.5 per cent compared to 0.4 per cent while France gained 0.8 per cent following an increase of 0.6 per cent in the previous quarter.

Though the rate of inflation in the region's economy was relatively high during the quarter, there was no monetary policy reaction. The European Central Bank (ECB) stated that interest rates would be left unchanged until the recovery feeds through to the labour market. Consumer inflation closed the quarter at 2.4 per cent, 0.7 percentage points higher than 1.7 per cent recorded at the end of the previous quarter and was 0.4 percentage points above the ECB's target of 2 per cent.

The rate of unemployment in the region increased from a quarterly average of 8.9 per cent in the previous quarter to 9.0 per cent in the review quarter. Prospects of improvement in the Euro labour market remain bleak as a result of the slow pace of economic recovery.

Since the European Union (EU) is South Africa's (SA's) main trading partner, economic developments in the Euro-zone have a direct effect

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<sup>1</sup> Euro-zone: Austria, Belgium, Germany, Greece, Finland, France, Ireland, Italy, Luxembourg, Netherlands, Portugal and Spain.

on SA's economy. Shocks to the SA economy can easily be transmitted to Lesotho because of the economic relationship between the two countries. Thus, the seemingly sluggish economic performance by the Euro-zone does not augur well for both SA and Lesotho economies.

### ***South Africa (SA)***

Interest rate cuts effected by the South African Reserve Bank (SARB) Monetary Policy Committee (MPC) in 2003 continued to boost domestic demand in SA. This was evidenced by sales of new vehicles, which increased by an annual rate of 27.3 per cent in June 2004. Manufacturing production in SA also remained strong during the first two months of the review quarter. It registered an annual increase of 2.9 per cent in April and 3.0 per cent in May. Mining production also held up during the same period, rising by an annual rate of 10.0 per cent in April and 8.9 per cent in May. However, at the same time, gold mining production remained weak and declined by 5.1 per cent and 4.2 per cent respectively.

Inflation in SA closed the quarter higher than at the end of the previous quarter. The CPI-X inflation rate, which excludes interest on mortgage bonds, increased from an annual rate of 4.0 per cent in March to 5.0 per cent in June 2004. At the same time, the headline consumer inflation rate rose to 5.7 per cent from 4.4 per cent. Upward pressure on inflation mainly emanated from increased transportation costs as a result of high international oil prices, which exerted upward pressure on fuel prices in SA.

Producer inflation in SA also increased during the review quarter. The producer price index (PPI) rose by 1.3 per cent on an annual basis in June compared with a decline of 1.2 per cent in March. The increase mainly arose from the 3.3 per cent rise in domestic prices while imported prices declined by 4.1 per cent because of the strong rand.

As a result of relatively subdued inflation, the SARB's MPC kept its benchmark-lending rate (repurchase rate) unchanged at 8 per cent during the quarter. This was also reinforced by the favourable inflation outlook.

Indications of a vibrant economic performance in SA have positive implications for the Lesotho economy. Low interest rates continued to stimulate aggregate demand in SA and as a consequence demand for Lesotho's exports to SA might also be boosted. In addition, subdued inflation in SA implies relatively subdued imported inflation for Lesotho. However, the fall in gold mining production could result in further declines in the number of basotho mineworkers in SA and therefore lower remittances.

## ***Commodity prices***

### Gold

The average price of gold fell from \$408.42 an ounce in the first quarter to \$394.25 during the review quarter. The decline in the dollar price of gold coupled with the appreciation of the rand against the US dollar resulted in a decrease in the average rand price of gold, from R2768.70 per ounce in the previous quarter to R2540.15 in the review period. As a consequence, profitability of the SA gold mining sector could fall and in response some mineworkers could be laid off to cut production costs. This may impact negatively on the number of basotho employed in the SA mines and therefore miners' remittances, which is one of the country's major sources of foreign exchange.

### Oil

The price of oil continued to increase during the quarter. On average, it rose at a slower pace of 5.5 per cent compared to that of 7.6 per cent realised in the previous quarter. It grew from \$30.98 per barrel in the first quarter to \$32.68 in the second quarter. Expressed in rand terms, the average price of oil rose by a modest 4 cents from R210.01 to R210.5 a barrel. The pace of increase in oil prices moderated in response to the decline in demand as winter ended in the Northern hemisphere. However the impact of the fall in demand on the price was somewhat counteracted by higher demand in Asia and China as a result of strong economic activity.

Moderate increases in the international price of oil at a time when the loti is appreciating against the US dollar is a welcome development to the economy of Lesotho as it implies easing inflationary pressures.

## **III. Overview of Macroeconomic Developments in Lesotho**

Based on the increase in number and value of building permits approved during the review quarter, the construction industry is estimated to have performed relatively well. The performance was in line with observed increase in credit to this sector. The transport industry relayed mixed signals given that the number of imported vehicles rose while total value of these vehicles was lower than in those imported during the first quarter. The reduced value of cars imported could partly be ascribed to a fall in government expenditure on imports of vehicles.

Water consumption trends are used to estimate the performance in the water gas and electricity sub-sectors. According to the indicator, performance in the sub-sector improved, both on quarterly and annual bases. The telecommunication sub-sector as approximated by

telephone traffic statistics was estimated to slow-down on a quarterly basis, but kept growing on an annual basis.

Employment in the country improved on a quarterly basis. This was estimated using levels in the manufacturing sector and in government. On annual basis, the two indicators produced conflicting signals, with employment in manufacturing increasing while registering a fall in government. Although the annual decline in government employment has persisted since September 2003, the decline looked likely to be contained given that during the review quarter it was relatively lower than in the previous three quarters. Employment outside the country as studied through the movement in the employment of migrant mineworkers in RSA improved marginally, both on quarterly and annual bases.

The balance of payments position improved from 5.1 to 5.5 months of import cover during the second quarter of 2004. Gross reserves increased from M3084.42 million in the previous quarter to M3334.81 million in the review quarter despite the appreciation of the loti against currencies in which the bulk of Lesotho's reserves were held. This mainly resulted from developments in the current account as well as the capital and financial account. The current account deficit narrowed down by 11.9 per cent and the capital and financial outflows declined by 57.7 per cent from the previous quarter's level.

Broad money supply (M2) was observed to rise faster than in the first quarter. On annual basis, the increase was more than double. The annual growth was in line with the 5.4 per cent annual inflation, which exceeded the 5.2 per cent in the first quarter. The inflation, was mostly supply driven, reflecting sustained increases in the international price of crude oil in the previous quarters which fed through increased prices of petrol in the economy.

Credit extended to the private sector and official entities continued to grow. The growth during the review quarter was mainly caused by unchanged borrowing costs. Interest rates, with the exception of the 91-day and 182-day treasury bill rates have remained unchanged for a third straight quarter. The banking system's net foreign assets (NFA), were also observed to grow as both the Central Bank of Lesotho (CBL) and the local commercial banks increased their foreign asset holdings.

Government budgetary operations yielded a surplus following one observed in the March quarter. This mostly reflected constrained expenditure coupled with a boost in the revenue from SACU receipts. The improved budgetary condition enabled government to accumulate deposits with the local banking system. It remained a net creditor. During the review quarter, the government was also able to settle

some of its external debt obligations. As a result, its debt position, which is mostly concessional at 73.5 per cent of total debt, improved.

In general, the economic indicators for the review quarter pointed towards an overall increase in economic activity.

#### **IV. Economic Indicators**

##### ***Manufacturing Output***

The manufacturing sub-sector has become the engine of growth in the economy of Lesotho. It accounts for approximately 18 per cent of the GDP, according to 2003 estimates. Manufacturing sub-sector in Lesotho is dominated by the manufacture of food and beverages, textiles and clothing, leather and footwear and the other manufacturing category. The textile and clothing industry is the most important as it constitutes a vital source of income and employment in Lesotho.

During the fourth quarter of 2003, the volume index of manufacturing output further dropped by an annualised 28.1 per cent following a 32.8 per cent slump observed in the preceding quarter. The textiles and clothing index fell by 24.6 per cent in the review quarter after registering 16.0 per cent in the third quarter of 2003. The major contributing factor to the decline in manufacturing output could be the appreciation of the rand/loti against the US dollar, which resulted in loss of competitiveness in the export market by the textile and clothing industry.

The leather and footwear and other manufacturing industries also displayed poor performance during the review quarter. As depicted by the table below, the leather and footwear index declined by 21.1 per cent at the end of December 2003 after falling by 33.6 per cent in the previous quarter. On the other hand, the food and beverages index improved by 1.3 per cent in contrast to a 0.5 per cent drop realised in the previous quarter. This was largely on account of high demand for food during the festive season.

## MANUFACTURING OUTPUT 2002 – 2003

Industry	Per cent change in production volume index						
	2002			2003			
	QII	QIII	QIV	QI	QII	QIII	QIV
Food and Beverages	0.0	17.0	10.3	-4.7	0.5	-0.5	1.3
Textiles and Clothing	2.5	-31.7	-3.0	-25.8	19.3	-16.0	-24.6
Leather and Footwear	1.7	-12.2	0.1	9.2	10.8	-33.6	-21.1
All other Manufacturing	-2.7	12.5	16.2	0.6	12.1	-32.8	-28.1

Source: Bureau of Statistics, February 2004.

### ***Household and Business Sector Housing Statistics***

Building permits are usually used to gauge construction activity in the economy, and although these numbers do not represent actual new construction, they provide a general indicator on construction activity. During the second quarter of 2004, the value of building permits issued recovered by 60.6 per cent following a 79.9 per cent drop in March. In number terms, permits issued increased by 53.3 per cent in contrast to a 30.2 per cent fall observed in the previous quarter. The rise in building permits for both residential and other buildings contributed to the observed upward movement in both value and number of building permits during the same period.

The major contributing factor to the overall upsurge in the value and number of building permits issued during the review quarter, was an improvement in credit extended to households. However, about 71.1 per cent drop in permits issued for commercial buildings was observed. Only 1.5 per cent credit was allocated to the business enterprises, hence the observed fall in permits issued for commercial purposes. On an annual basis, the value of building permits issued dropped by 11.5 per cent while their number increased by 35.3 per cent. As shown by the table below, the drop in value terms largely reflects more permits issued for residential purposes.

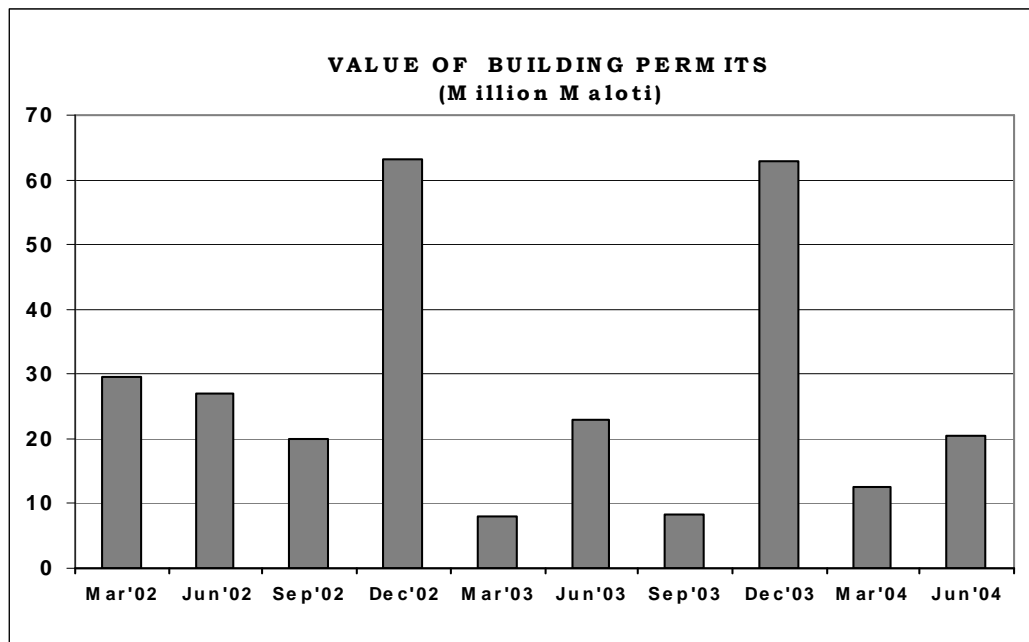
**BUILDING PERMITS BY TYPE OF BUILDING<sup>1</sup>**  
(Value in Million Maloti)

Type	Permits	2003				2004	
		QI	QII	QIII	QIV	QI	QII
Residential	Value	2.91	5.59	4.77	6.94	3.75	8.13
	Number	18	25	20	32	20	33
Commercial	Value	4.44	4.37	1.56	55.06	6.61	1.91
	Number	8	4	7	8	4	4
Other	Value	0.65	13.07	2.10	1.28	5.34	10.35
	Number	2	5	3	3	6	9
Total	Value	8.00	23.03	8.43	63.28	12.70	20.39
	Number	28	34	30	43	30	46

Source: Maseru City Council and Land Survey and Physical Planning

(1) Excludes data on buildings constructed without obtaining building permits. The table also excludes data on Mafeteng, Mokhotlong and Mophale's Hoek districts.

**Figure 1**



### ***Imported Motor Vehicles***

The value of imported motor vehicles fell by 40.7 per cent during the second quarter and 73.2 per cent on annual basis. Nonetheless, the number of vehicles imported increased marginally by 1.1 per cent on quarterly basis while a drop of 40.5 was registered on an annual basis. The quarterly change in the number of motor vehicles purchased was an improvement compared to a decline observed in the first quarter. Contrary to the previous quarter, only private motor vehicles were imported during the quarter under review.

The marginal rise in the number of vehicles imported could reflect the impact of newly implemented Value Added Tax (VAT) procedures on second hand vehicles by the Lesotho Revenue Authority (LRA). The LRA announced a new system through which VAT on imported second hand vehicles would be handled in the same way as it is applied on all other goods. In turn, this drove up the number of vehicles being imported as the car owners just had to present their tax invoices at the border post and go on to register their vehicles instead of waiting for three or four months before getting their refunds from SA. These new VAT procedures on used cars will lead to more motor vehicles being imported in the future, and hence improve tax revenue collection.

The year-on-year drop in value and number of motor vehicles purchased signals government policy to cut down its vehicle purchases in an effort to contain fleet management costs.

**MOTOR VEHICLE IMPORTS**  
(Value in Million Maloti)

		<b>Cars</b>	<b>Vans</b>	<b>Trucks</b>	<b>Buses</b>	<b>Trac- tors</b>	<b>M/ Cycles</b>	<b>Trail- ers</b>	<b>Total</b>
2001 IV	Value	7.07	11.61	4.22	3.87	0.00	0.00	0.72	27.49
	Number	149	181	25	43	0	0	6	404
2002 I	Value	6.51	9.90	6.71	2.64	0.11	0.00	0.30	26.13
	Number	146	168	49	36	6	0	13	418
II	Value	9.10	14.72	0.64	2.78	0.40	0.04	0.13	27.81
	Number	149	191	11	40	5	2	4	402
III	Value	12.38	22.81	3.48	4.04	0.23	0.03	0.34	43.31
	Number	209	235	12	36	3	1	9	505
IV	Value	17.21	31.71	4.84	5.62	0.32	0.04	0.47	60.21
	Number	253	285	14	43	5	2	11	613
2003 I	Value	10.53	27.90	1.13	5.17	0.15	0.00	0.15	45.03
	Number	136	249	12	39	4	0	5	445
II	Value	25.50	33.42	8.75	2.62	0.21	0.00	0.40	70.90
	Number	253	330	23	22	7	0	10	645
III	Value	17.46	29.33	3.42	5.26	0.15	0.00	0.16	55.78
	Number	173	237	20	42	4	0	8	484
IV	Value	18.89	13.46	9.27	2.60	0.07	0.00	0.52	44.81
	Number	203	146	20	29	4	0	9	411
2004 I	Value	15.91	10.37	1.31	3.73	0.22	0.00	0.55	32.09
	Number	198	139	2	24	8	0	9	380
II	Value	8.49	8.69	0.53	0.85	0.09	0.00	0.38	19.03
	Number	198	164	2	11	4	0	5	384

Source: Imperial Fleet Services Lesotho and Customs Department

***Water Consumption***

Following a 1.2 per cent rise observed in March 2004, total water consumption in the quarter ended June increased further by 8.5 per cent in unit terms. In value terms, it surged by 17.5 per cent after increasing by 0.7 per cent in the previous quarter. The rise in both

value and unit terms during the review quarter was driven largely by the rise in consumption of water by the industrial sector.

The growth in water consumption in the review period was driven largely by increased usage of water by the 'wet industries', which comprise 'textile and clothing' and 'food and beverages' industries. Despite the appreciation of the rand/loti against the US dollar and weak US consumer spending, the manufacturing sub-sector continued to perform well. Water consumption by non-industrial sector also rose during the period under review.

On annual basis, total water consumption increased by 12.4 per cent and 22.5 per cent in unit and value terms, respectively. The rise was pushed by the increase in industrial consumption that more than offset the marginal drop in consumption by households.

### **WATER CONSUMPTION**

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

<b>Quarter</b>		<b>Domestic</b>	<b>Industrial</b>	<b>Other</b>	<b>Total</b>
2002					
II	Units	0.50	0.82	0.34	1.66
	Value	1.74	3.39	1.29	6.42
III	Units	0.41	0.81	0.37	1.59
	Value	1.82	3.08	1.39	6.29
IV	Units	0.74	0.84	0.51	2.09
	Value	2.43	3.19	1.97	7.59
2003					
I	Units	0.79	0.91	0.58	2.28
	Value	2.67	3.45	2.25	8.37
II	Units	0.79	1.08	0.64	2.51
	Value	2.70	4.08	2.46	9.24
III	Units	0.73	1.12	0.61	2.46
	Value	2.45	4.24	2.35	9.04
IV	Units	0.88	1.16	0.53	2.57
	Value	3.09	4.42	2.04	9.55
2004					
I	Units	0.92	1.13	0.55	2.60
	Value	3.21	4.39	2.04	9.64
II	Units	0.84	1.40	0.58	2.82
	Value	3.16	5.79	2.38	11.33

Source: Water and Sewerage Authority

## ***Telecommunications***

Telephone traffic statistics largely map out activity in international trade, as well as, the performance of the telecommunications industry.

During the quarter under review, the number of calls made decreased by 9.1 per cent compared to the previous quarter. Annually, they increased by 21.0 per cent. The value of all calls made during this quarter fell by 8.2 per cent when compared to the previous quarter. On an annual basis, the value of all calls grew by 0.9 per cent.

The fall in the total number of calls and value during the review period was largely a result of a decline in both international and RSA outgoing calls, thus reflecting a slow-down in activity by this sub-sector.

Given the close linkage between the performance of the sub-sector and trading activity, the relatively sluggish performance during the quarter reflects the slow-down in consumer demand in the US economy, where most of Lesotho's exports are destined.

However, the increase in number of calls on annual basis reflects amongst others, increased coverage of the network. On the other hand, the rise in value of calls during the corresponding period could have been a result of a longer duration taken during the calls.

## TELEPHONE TRAFFIC STATISTICS

	<b>RSA Outgoing Calls</b>	<b>International Calls</b>	<b>Total Calls</b>
<b>2003 Quarter I</b>			
No. of Calls (millions)	2.57	0.31	2.88
Total Duration (million minutes)	4.81	1.52	6.33
Nominal Value (million maloti)	10.02	13.15	23.17
<b>Quarter II</b>			
No. of Calls (millions)	2.23	0.15	2.38
Total Duration (million minutes)	4.28	0.60	4.88
Nominal Value (million maloti)	9.45	4.30	13.75
<b>Quarter III</b>			
No. of calls (millions)	3.97	0.18	4.15
Total Duration (million minutes)	6.83	0.70	7.53
Nominal Value (million maloti)	14.35	4.78	19.13
<b>Quarter IV</b>			
No. of calls (millions)	3.26	0.15	3.41
Total Duration (million minutes)	5.24	0.53	5.77
Nominal Value (million maloti)	11.00	4.09	15.09
<b>2004 Quarter I</b>			
No. of calls (millions)	3.01	0.16	3.17
Total Duration (million minutes)	5.18	0.57	5.75
Nominal Value (million maloti)	10.89	4.22	15.11
<b>Quarter II</b>			
No. of calls (millions)	2.74	0.14	2.88
Total Duration (million minutes)	4.68	0.46	5.14
Nominal Value (million maloti)	9.86	4.01	13.87

Source: Tele-Com Lesotho

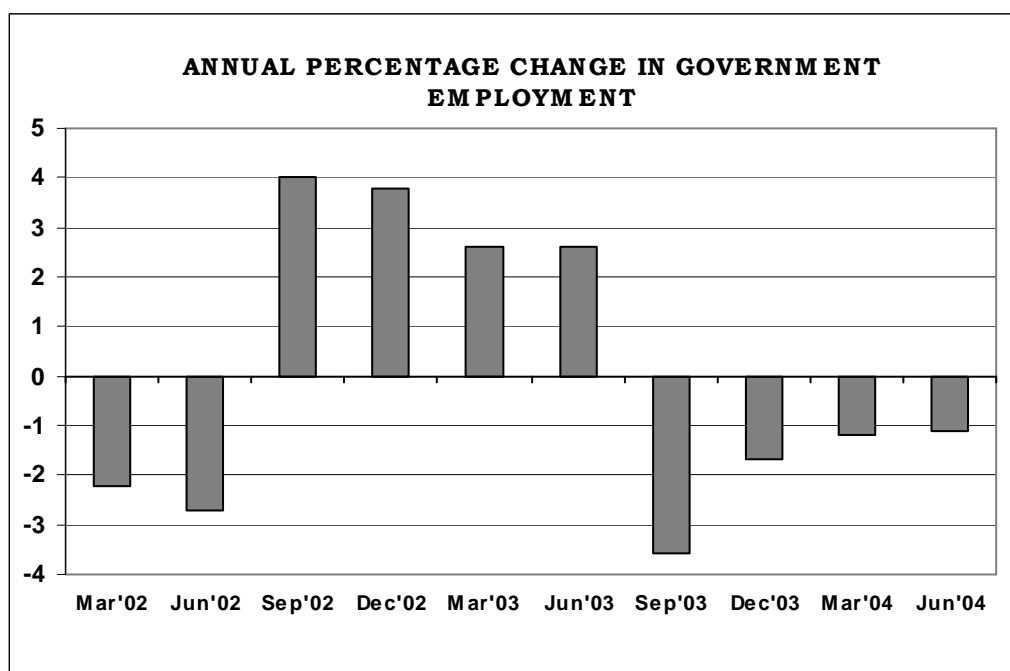
### V. Employment and Prices

#### *Employment*

Employment developments in the domestic economy are usually estimated based on movements in the manufacturing sub-sector, the largest employer, and in government, the second largest. Employment in manufacturing improved marginally by an estimated 0.1 per cent on quarterly basis and 12.0 per cent annually. It increased from 52532 in the first quarter to 52587 in June 2004. Despite the appreciation of the loti against the US dollar, coupled with low consumer demand in the US during the review quarter, employment continued to improve.

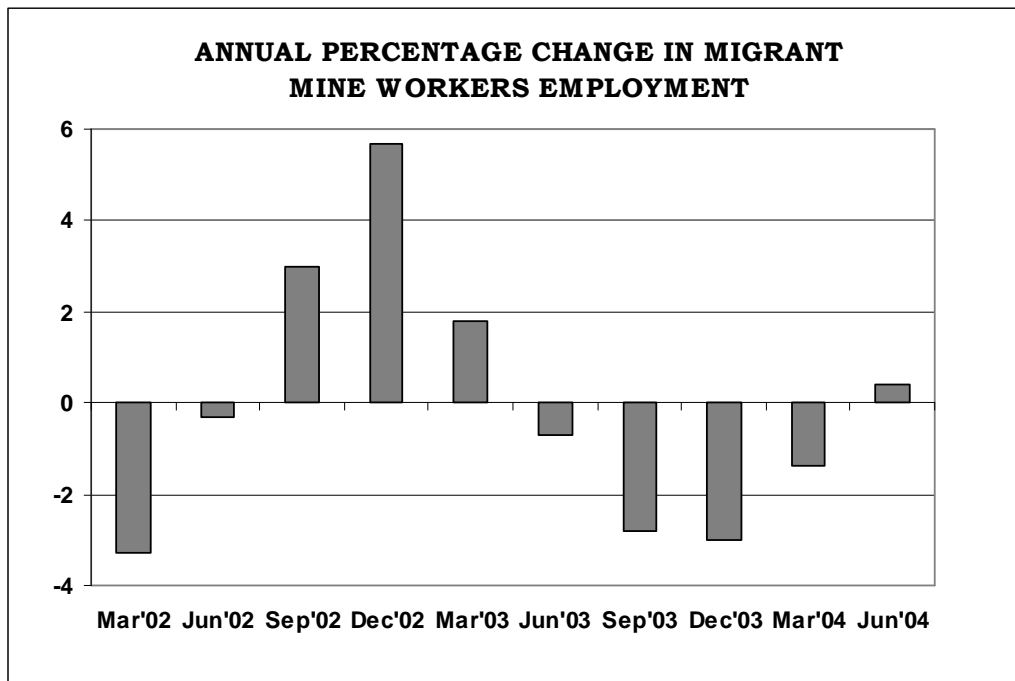
The Government of Lesotho (GOL) is the second largest employer in the domestic formal sector. In the second quarter of 2004, government employment stood at 36,120, which represented a 1.4 per cent quarterly growth rate. All components of government employment contributed to the upward movement. The rise is consistent with the 2004/05 proposed budget for wages and salaries. However, as depicted by the Figure below, government employment level declined by 1.1 per cent on an annual basis.

**Figure 2**



The high rate of unemployment in Lesotho has over the years been assuaged by migration to the South African mines, especially the gold mining industry. In the second quarter of 2004, employment of Basotho in the South African mines was estimated at 61529, a slight improvement from 61525 observed in the previous quarter. On annual basis, it increased from 61305 to 61529. Despite the appreciation of the rand against the US dollar, coupled with a 5.3 per cent drop in the production of gold during the same period a year ago, the mining industry outlook still looked positive.

**Figure 3**



### **Prices**

The year-on-year inflation rate, measured by the changes in Consumer Price Index (CPI) rose marginally from 5.2 per cent in March 2004, to 5.4 per cent at the end of June. The rise reflected the impact of mounting inflationary pressures on some of the major items in the CPI. The major contributing factor to the rise in inflation rate during the period under review, was the rise in 'food and non-alcoholic beverages' category although the drop in indices of most components of the CPI mitigated the adverse effect. The index of 'food and non-alcoholic beverages' category increased by 1.9 per cent in March and 5.4 per cent at the end of June. The higher growth could reflect amongst others, the drought impact on agricultural sector in the economy, which continued to push food prices higher. If drought persists, the food inflation component of the CPI will shoot up in the future, and thus drive the overall inflation rate upwards as this category carries the largest weight in the CPI basket of goods, at 39.8 per cent.

Despite the efforts made by the Lesotho Revenue Authority (LRA) to exempt some of the basic food items from the Value Added Tax (VAT) in July 2003, the high food prices still have a negative impact on the incomes of the poor. In addition to high food prices, the 'Housing, electricity, gas and other fuels' category contributed to rise in the overall inflation rate.

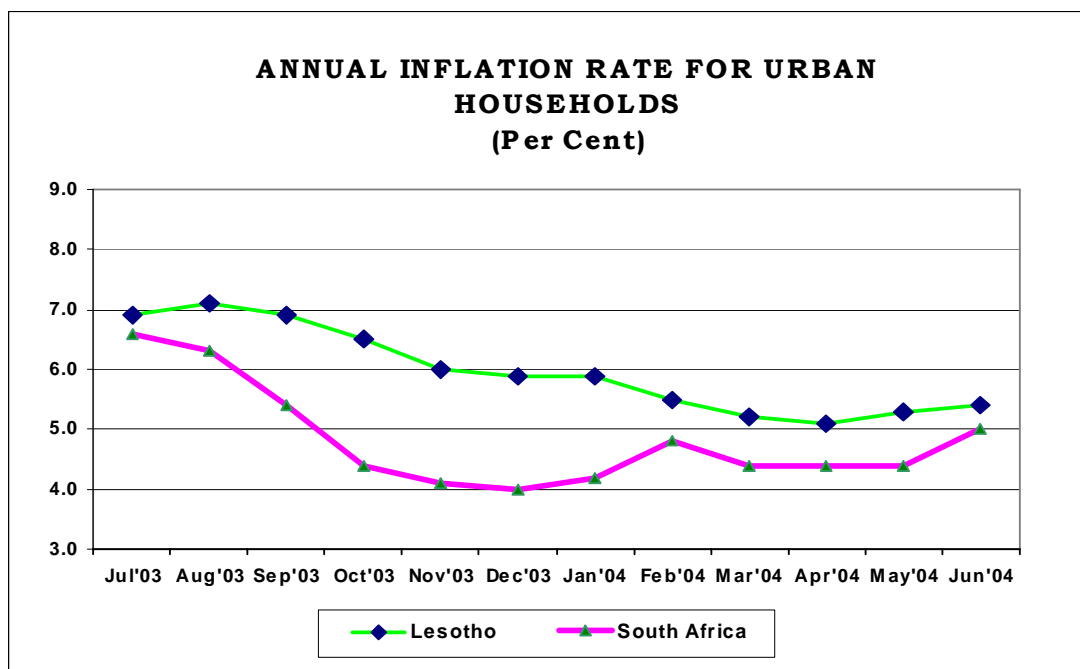
However, the strengthening of the rand/loti against major currencies, which resulted in a slowdown in imported inflation, moderated the higher increase in the general price level.

**INFLATION RATE**  
(Annualised Quarter-to-Quarter Percentage Change)  
Base Period: April 1997

	Weight	2004					
		Jan	Feb	Mar	Apr	May	Jun
All items	100.0	5.9	5.5	5.2	5.1	5.3	5.4
Food and non-alcoholic beverages	39.8	1.4	2.2	1.9	2.3	3.1	5.4
Alcoholic beverages & Tobacco	6.4	10.9	12.3	10.0	10.5	10.6	10.0
Clothing & footwear	15.6	3.9	3.4	3.5	3.2	3.0	3.2
Housing, electricity gas & other fuels	3.8	5.5	4.7	4.7	4.8	4.0	5.5
Furniture, households equipment & routine maintenance of house	17.0	6.6	6.7	6.1	5.6	5.4	5.8
Health	1.4	3.7	4.2	4.5	5.3	5.3	3.8
Transport	7.8	6.3	5.7	5.7	3.8	3.7	4.8
Communication	0.1	43.4	43.4	43.4	5.0	5.0	5.0
Leisure, entertainment & Culture	1.2	9.9	7.4	7.8	6.2	6.3	5.2
Education	3.2	7.5	4.1	4.3	4.3	4.2	4.3
Restaurant & Hotels	0.4	2.2	4.3	4.4	4.2	2.6	2.3
Miscellaneous goods & services	3.2	7.8	6.3	6.5	5.5	5.2	4.7

Source: Bureau of Statistics, Lesotho

**Figure 4**



## **VI. Balance of Payments (BOP)**

### ***Overview***

The balance of payments position showed a remarkable improvement in the second quarter of 2004. In seasonally adjusted terms, the overall balance grew from a deficit of M262.04 million to a surplus of M249.38 million. Though the loti appreciated against the currencies in which the bulk of the country's reserves were held, official reserves increased from 5.1 to 5.5 months of imports cover. Including the foreign assets of the commercial banks, imports coverage rose from 6.8 months in the first quarter to 7.5 months in the review period. The transactions balance also improved from a deficit of M138.67 million in the previous quarter to a surplus of M214.31 million during the review quarter as a result of positive developments in both the current and the capital and financial accounts. Excluding LHWP, the current account deficit narrowed down to M337.04 million from M453.03 million in the last quarter and the net capital and financial outflows decelerated and contributed to the improvement in the transactions balance.

**SUMMARY OF BALANCE OF PAYMENTS**  
(Million Maloti)

	2003			2004	
	QII	QIII	QIV	QI*	QII+
<b>I. CURRENT ACCOUNT</b>	-304.91	-300.59	-274.98	-193.28	-104.16
<u>Goods, Services and Income</u>	-670.72	-601.61	-565.94	-527.17	-521.14
(a) GOODS	-1085.41	-964.57	-997.68	-988.66	-950.02
Merchandise exports f.o.b.	801.74	1011.68	919.06	849.02	902.15
Merchandise imports f.o.b.	-1887.15	-1976.25	-1916.74	-1837.68	-1852.17
(b) SERVICES	-60.83	-94.00	-57.27	-56.64	-51.83
(c) INCOME	475.52	456.96	489.01	518.13	480.71
Labour	453.51	450.92	515.53	522.69	517.06
Other	22.01	6.04	-26.52	-4.56	-36.35
(d) CURRENT TRANSFERS	365.81	301.02	290.96	333.89	416.98
Government, net	353.89	281.65	276.19	322.64	388.75
SACU non-duty receipts	272.74	265.90	256.49	245.59	386.50
Other	81.15	15.75	19.70	77.05	2.25
Other Sectors	11.92	19.37	14.77	11.25	28.23
<b>II. CAPITAL AND FINANCIAL ACCOUNT</b>	319.29	155.52	317.03	-23.53	189.08
(e) CAPITAL ACCOUNT	46.10	39.50	52.70	39.50	14.50
(f) FINANCIAL ACCOUNT	273.19	116.02	264.33	-63.03	174.58
Special Financing – LHWP	131.01	221.01	99.23	93.08	231.11
<b>III. RESERVE ASSETS</b>	-0.82	391.66	-156.57	257.49	-251.39
<b>IV. ERRORS AND OMISSIONS</b>	-13.56	-246.59	114.52	-40.68	166.47
of which valuation adjustment	-66.22	-168.54	-23.97	-118.92	37.08

\* Revised estimates  
+ Preliminary estimates

## ***Merchandise Trade***

### Exports

Merchandise exports showed some recovery during the review period. In seasonally adjusted terms, exports grew by 7.2 per cent after falling by 2.7 per cent in the last quarter. As mentioned in section 3, water consumption and employment by the manufacturing sub sector increased, indicating improvement in activity in the sub sector. This is in contrast with the deceleration in consumer spending in the US as well as the appreciation of the loti against the US dollar during the quarter. The bulk of Lesotho's exports are destined to the US market. However, on an annual basis, exports dropped by 1.2 per cent. This indicates that, despite the quarterly increase, exports remained weak.

### Imports

Imports weakened further during the review quarter. According to preliminary estimates, merchandise imports seasonally adjusted fell by 0.1 per cent after gaining 0.4 per cent in the last quarter. Compared to the same period last year, imports fell by 1.5 per cent. Sluggish government activity during the quarter, as reflected by the decrease in capital expenditure, might have dampened imports.

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

COMMODITY	2003				2004	
	I	II	III	IV	I*	II+
0. Food & Live Animals	26.68	26.25	33.28	31.70	29.21	29.40
Cattle	2.01	2.65	3.38	3.22	2.96	3.13
Wheat Flour	8.60	7.64	9.74	9.28	8.57	7.15
Maize Meal	5.58	5.12	6.52	6.21	5.72	5.85
Other	10.49	10.84	13.64	12.99	11.95	13.27
1. Beverages & Tobacco	23.46	15.72	31.94	25.33	21.21	19.72
Beverages	23.46	15.72	31.94	25.33	21.21	19.72
2. Crude Materials	14.24	21.78	27.79	26.48	24.51	0.04
Wool	14.24	21.78	27.79	26.48	24.51	0.04
4. Chemicals	10.12	11.23	14.31	13.63	12.57	8.81
5. Manufactured Goods	13.43	13.21	16.74	15.95	14.68	13.39
6. Machinery & Transport Goods	86.15	85.58	102.10	100.01	92.38	42.12
7. Miscellaneous Manufactured Goods	648.64	625.84	782.15	702.77	649.63	784.84
8. Unclassified Goods	2.17	2.13	3.37	3.19	4.84	3.83
<b>TOTAL EXPORTS</b>	<b>824.89</b>	<b>801.74</b>	<b>1011.68</b>	<b>919.06</b>	<b>849.02</b>	<b>902.15</b>

Note: Totals may not tally due to rounding

\* Revised estimates

+ Preliminary estimates

#### Direction of Trade

As mentioned above, the US continued to be the largest recipient of Lesotho's exports. During the review period, the share of exports to the US rose by 4.6 percentage points to 85.8 per cent, from 81.2 per cent in the previous quarter. Slow consumer spending in the US during the quarter does not seem to have had any negative impact on Lesotho's exports to the US market. Southern African Customs Union (SACU) remained the second largest consumer of Lesotho's exports at 13.8 per cent compared to 18.6 per cent in the last quarter. The share of Lesotho's exports to Europe, Asia and Oceania remained negligible during the review period.

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

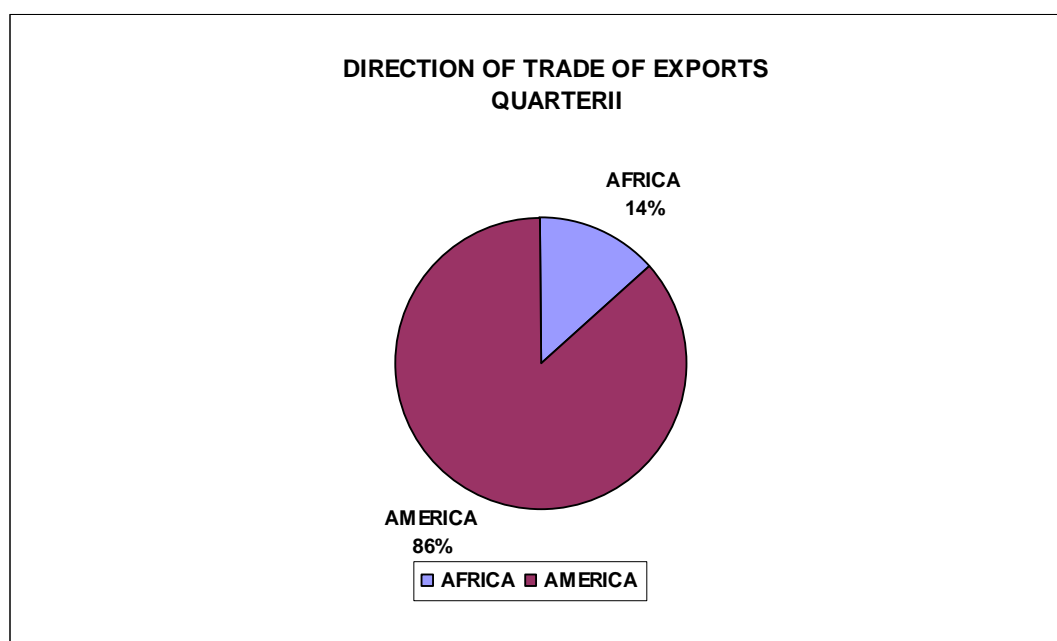
REGION	2003				2004			
	QIII AMOUNT	Per cent SHARE	QIV AMOUNT	Per cent SHARE	QI* AMOUNT	Per cent SHARE	QII+ AMOUNT	Per cent SHARE
World	1011.68	100.00	919.06	100.00	849.02	100.00	902.15	100.00
Africa	154.57	15.28	199.92	21.75	158.96	18.72	126.89	14.06
SACU	154.57	15.28	199.72	21.73	158.06	18.62	124.61	13.81
SADC	0.00	0.00	0.20	0.02	0.90	0.11	0.00	0.00
Other	0.00	0.00	0.00	0.00	0.00	0.00	2.28	0.25
Europe	0.91	0.09	0.68	0.07	0.17	0.02	0.50	0.06
EC	0.91	0.09	0.68	0.07	0.17	0.02	0.50	0.06
America	855.41	84.55	712.05	77.48	689.50	81.21	774.28	85.83
Asia	0.79	0.08	6.41	0.70	0.39	0.05	0.48	0.05

Note: Totals may not agree due to rounding

\* Revised estimates

+Preliminary estimates

**Figure 5**



### ***Labour Income***

Labour income, seasonally adjusted, fell further by 5.6 per cent in the review quarter following a decline of 0.3 per cent in the previous quarter. This could mainly be attributed to the continued deceleration in the growth rate of miners' remittances from 0.2 per cent in the last quarter to 0.01 per cent. The strong rand could have reduced mining companies' earnings. This could have in turn put pressure on the level of mineworkers employment and thus remittances.

### ***Investment Income***

Inflows from investment income fell by 2.8 per cent, after increasing by 57.3 per cent in the previous quarter. This mainly resulted from the decline in interest earnings of both the Central Bank and the commercial banks. Interest earned by the Central Bank fell by 11.7 per cent following an increase of 16.6 per cent in the last quarter while earnings by the commercial banks declined by 47.3 per cent after rising by more than two fold in the last quarter.

Investment income outflows plunged by 27.9 per cent following a decline of 1.4 per cent in the last quarter. This arose mainly from the fall of 42.6 per cent in interest payments on official loans. Interest payments by commercial banks on their liabilities abroad also fell by a significant 87.1 per cent and contributed to the decline in outflows of investment income.

### ***Travel***

The country's earnings on travel fell by 8.6 per cent during the quarter. On an annual basis, they declined by 9.1 per cent. The main contributing factor to this decrease was a fall of 48.6 per cent in personal expenditure by expatriates. This was in line with the decline in the receipts of grants for implementation of capital projects, which normally boost expenditure by expatriates. Tourism spending remained sluggish.

Travel payments declined by 3.5 per cent following an increase of 16.2 per cent in the last quarter. Although expenditure on education abroad increased by 24.5 per cent, expenditure on other travel related activities by residents abroad fell by 45.6 per cent, hence the fall in total travel payments. Government international subsistence allowance also contributed to this decline. It fell by 9.1 per cent, reflecting efforts by Government to contain expenditure.

### ***Current Transfers***

Net current transfers, seasonally adjusted, rose by 31.4 per cent during the review period following an increase of 6.4 per cent in the previous quarter. On an annual basis, current transfers rose by 14.5 per cent. The observed quarterly increase was mainly due to the 57.4 per cent rise in SACU non-duty receipts, which constitute the bulk of transfers to the Government. SACU revenue for the current fiscal year increased by 41.5 per cent compared to the previous fiscal year as a result of the higher value of imports for the 2002/2003 fiscal year compared to the previous one.

### ***Capital and Financial Account***

The capital and financial account registered a deficit for the second consecutive quarter. However, the deficit narrowed compared to the previous quarter. Excluding LHWP, the capital and financial account improved from a deficit of M116.61 million in the first quarter down of M42.03 million. The improvement emanated from the 'other investment' category, which improved from a net outflow of M237.10 million in the first quarter to that of M144.33 during the review quarter. Foreign assets of the commercial banks increased at a slower pace compared to the first quarter as banks continued to invest their funds abroad. They rose by M121.15 million following an increase of M229.41 in the previous quarter. This was complemented by a slower decline of M5.88 million compared to M44.69 million in the liabilities of the banking sector. The improvement was somewhat minimised by the deterioration of the external debt position as well as the decline in capital grants. Official loans registered a net outflow of M17.30 million compared to an inflow of M37.00 million in the first quarter. Government capital grants fell by a substantial 63.3 per cent after declining by 25.0 per cent in the last quarter.

## **VII. Money and Banking**

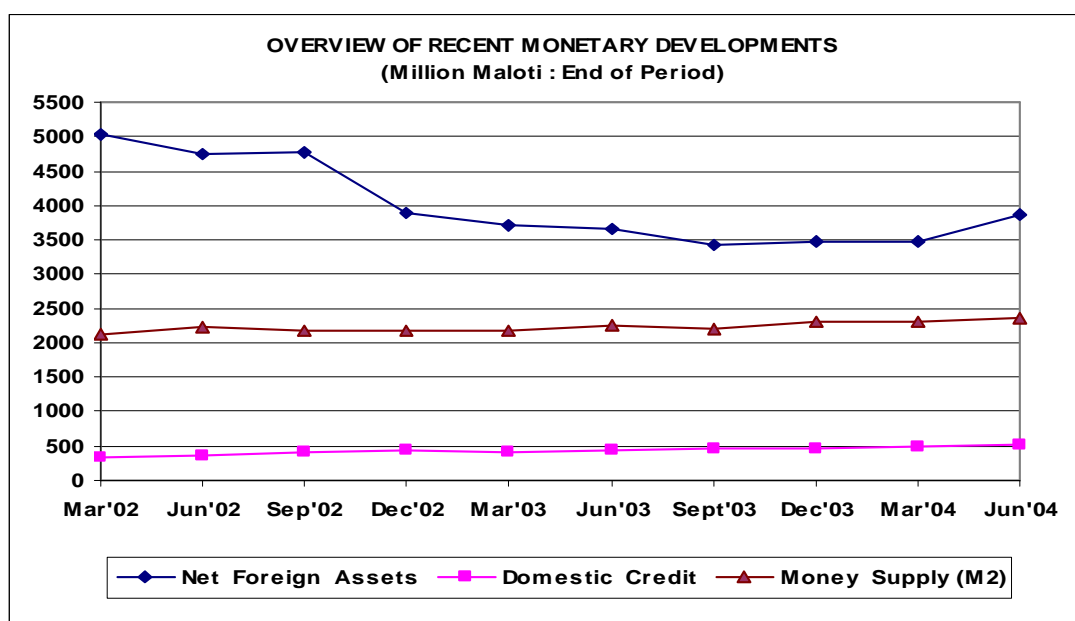
### ***Money Supply***

#### Determinants of Money Supply

Following a 0.5 per cent increase at the end of March 2004, the growth in broad money supply grew by 2 per cent at the end of the quarter ending June 2004. On annual basis, money supply grew by 4.4 per cent against a slower 1.6 per cent observed in March. The annual growth in broad money was in line with the observed pick-up in inflation rate in June 2004. As mentioned earlier under the subsection on prices, inflation in June rose by 5.4 per cent in June compared to 5.2 per cent in March.

As depicted by the table on determinants of money supply below, the slight acceleration in quarterly growth of money supply was largely a reflection of a relatively larger increase in the banking system's net foreign assets (NFA), coupled with a moderate growth in domestic credit. NFA rose by 10.9 per cent in the review period compared with a marginal growth of 0.6 per cent at the end of March. At the same time, domestic credit increased by 9.4 per cent against 1.4 per cent in the previous quarter. The same story can also be told in figure 6 below.

**Figure 6**



**DETERMINANTS OF MONEY SUPPLY**  
(Million Maloti; Changes)

Determinants	2003				2004	
	Mar	Jun	Sep	Dec	Mar	Jun
Net foreign assets	-161.8	-86.7	-205.0	33.2	16.6	378.5
Domestic credit	-16.2	29.1	19.8	-6.4	43.6	20.0
To statutory bodies	-6.1	2.3	1.8	-1.8	7.1	7.4
To private sector	-10.1	26.8	18.0	-4.7	36.5	12.6
Other items, net	-201.2	-120.6	-142.5	-59.5	49.7	353.4
Money Supply (M2)	23.1	63.1	-42.7	86.2	10.5	45.1

## Components of Money Supply

The narrow component of money supply was observed to increase at the end of the review quarter while the quasi component fell. Following a marginal 0.1 per cent rise in March, narrow money (M1) increased by a faster 3.2 per cent in June. M1 registered a relatively faster growth mostly on account of a 5.7 per cent increase in demand deposits, which offset 8.8 per cent fall in maloti with public. The growth in demand deposits was largely explained by 23.0 and 11.0 per cent increases in demand deposits of the statutory bodies and resident businesses, respectively.

On the other hand, quasi-money fell by 0.6 per cent following a 1.2 per cent increase at the end of March. The decline in this component of broad money supply was mainly attributed to the 2.4 per cent decrease in time deposits that more than offset a marginal increase of 0.4 per cent in saving deposits. Time deposits fell mainly due to decreases of 2.0 per cent, 1.8 per cent and 2.0 per cent in deposits of statutory bodies, resident businesses and non-bank financial institutions, respectively. The combined effect of these decreases was enough to offset an upward effect applied by a 6.8 per cent increase in deposits of the households.

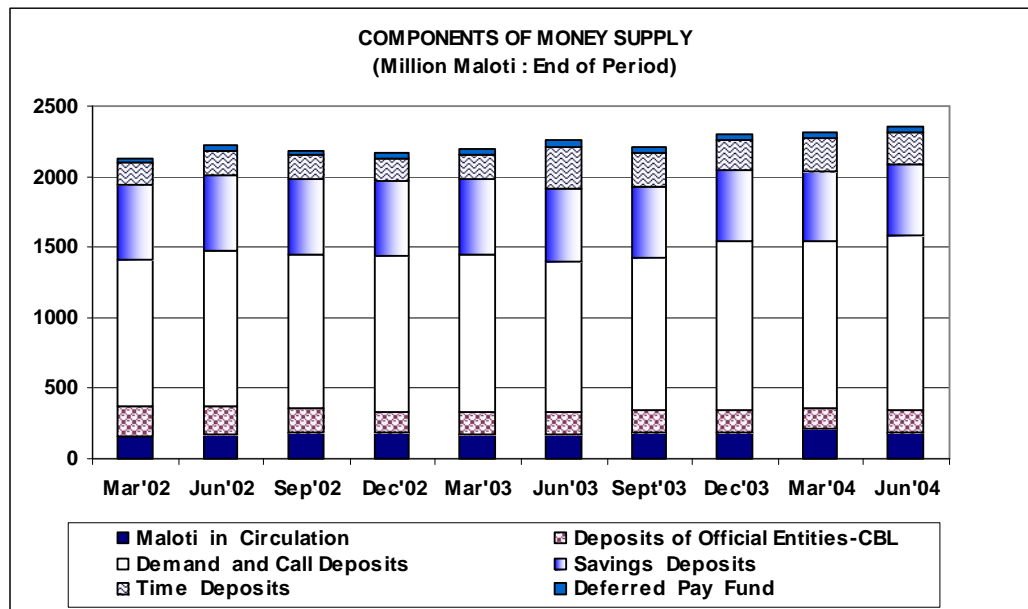
### **MONEY SUPPLY** (Million Maloti; End of Period)

	2003				2004	
	Mar	Jun	Sep	Dec	Mar	Jun
Money Supply (M2)	2191.3	2254.4	2211.6	2297.8	2308.4	2353.5
Money (M1)	1443.9	1395.8	1422.9	1537.7	1539.1	1588.8
Maloti with public	178.6	175.8	188.2	183.5	207.6	189.7
Demand deposits <sup>(1)</sup>	1114.1	1069.9	1073.9	1195.9	1174.0	1241.3
Deposits of official Entities with CBL	151.1	150.0	160.8	158.4	157.4	157.9
Quasi-Money	747.5	858.6	788.7	760.1	769.3	764.6
Savings deposits	540.1	521.2	505.9	507.0	499.3	501.1
Time deposits	207.3	337.5	282.8	253.1	270.0	263.6

(1) - includes call deposits

\* Totals may vary due to rounding off.

**Figure 7**



#### Commercial Banks' Deposits by Holder

At the end of June 2004, total deposits of the private sector and statutory bodies, including migrant mineworkers' deferred pay fund, recovered by 3.2 per cent, following a marginal 0.7 per cent fall at the end of March 2004. From the table below, it can be observed that the increase was derived from all components. Private sector deposits grew by 2.6 per cent as a result of increases in demand and savings deposits that more than offset a decline registered in time deposits. Deposits of the statutory bodies rose by 4.6 per cent to more than offset the effect of a 3.7 per cent decline in March. Meanwhile, deferred pay fund grew, by a further 19.4 per cent following a 20.4 per cent registered in March.

## COMMERCIAL BANKS DEPOSITS BY HOLDER

(Million Maloti; End of Period)

	2003				2004	
	Mar	Jun	Sep	Dec	Mar	Jun
<b>TOTAL DEPOSITS</b>	1850.9	1918.2	1852.3	1945.3	1932.5	1994.9
<b>Private Sector</b>	1398.6	1487.3	1481.2	1578.5	1571.7	1611.8
Demand deposits	743.8	778.8	814.4	929.1	925.6	970.3
Savings deposits	539.9	521.1	505.8	507.0	499.3	501.0
Time deposits	114.9	187.4	161.0	142.4	146.9	140.6
<b>Statutory Bodies</b>	415.8	389.6	333.3	335.4	323.0	338.0
<b>Deferred Pay Fund</b>	36.5	41.4	37.8	31.4	37.8	45.2

\* Totals may vary due to rounding off.

### Liquidity of Commercial Banks

Banks' liquidity is measured by the ratio of all their easily convertible assets, which includes investment with maturities of less than twelve months at issue, to all their deposit liabilities. This ratio represents the banks' ability to meet customers' demand for cash withdrawals. The higher the ratio, the higher the ability of banks to meet customers' withdrawal demands. It also measures the extent of financial intermediation in the economy. To this end, high liquidity can reflect low credit extension and the opposite is also true.

At the end of the review period, commercial banks' liquidity increased slightly to 65.7 per cent from 65.2 per cent in March. Against the minimum required liquidity ratio of 25 per cent, the local banking system remained highly liquid. According to this ratio, it can be interpreted that banks prefer to hold assets of a relatively shorter maturity to the detriment of credit extension, which is of a relatively longer maturity. It can also be projected that in the short to medium-term, banks would not improve their deposit rates. That is, there is no need for increased deposits and to increase deposit rates would only eat into the banks marginal profits, as marginal cost of mobilizing deposits would climb.

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

COMPONENT	2003				2004	
	Mar	Jun	Sep	Dec	Mar	Jun
Maloti Notes and Coins	31.7	37.5	34.7	51.5	43.1	34.9
Rand Notes and Coins	6.3	6.1	7.3	15.5	9.0	8.2
Balances due from Lesotho Banks	247.9	253.5	341.3	449.6	411.2	345.5
Balances due from Foreign Banks	724.7	334.6	304.9	167.8	720.0	858.1
Clearing Balances with CBL	40.1	0.0	0.0	34.3	0.0	0.0
RSA Short-term Securities	110.0	315.8	214.2	668.6	14.6	0.0
CBL Bills	150.0	120.0	0.0	0.0	0.0	0.0
Lesotho Government Securities	386.8	671.6	557.1	702.3	471.9	435.1

Another important ratio in determining the depth of financial intermediation in the economy is the credit deposit ratio. This ratio seeks to establish the extent to which banks utilise deposits mobilised from the private sector and statutory bodies to provide lending to these sectors. At the end of the review period, the ratio increased slightly to 25.3 per cent from 25.1 per cent in March. This implies that an increase in loans and advances to these sectors during the period was commensurating to the increase in their deposits.

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

	2003				2004	
	Mar	Jun	Sep	Dec	Mar	Jun
Net foreign assets	766.3	579.3	743.1	610.7	903.4	1027.3
Deposits with CBL	104.4	173.0	34.7	114.5	50.6	64.0
Credit	1075.9	1380.1	1295.1	1433.0	1245.5	1229.0
<b>ASSETS/LIABILITIES</b>	1946.6	2132.4	2073.0	2158.2	2199.5	2320.3
Private sector deposits <sup>(2)</sup>	1850.9	1918.2	1852.3	1945.3	1932.5	1994.9
Government deposits	73.1	80.5	71.9	68.3	59.7	58.4
Capital, reserves & other, net	22.6	133.7	148.8	144.5	207.3	267.0

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

***Demand for Money***

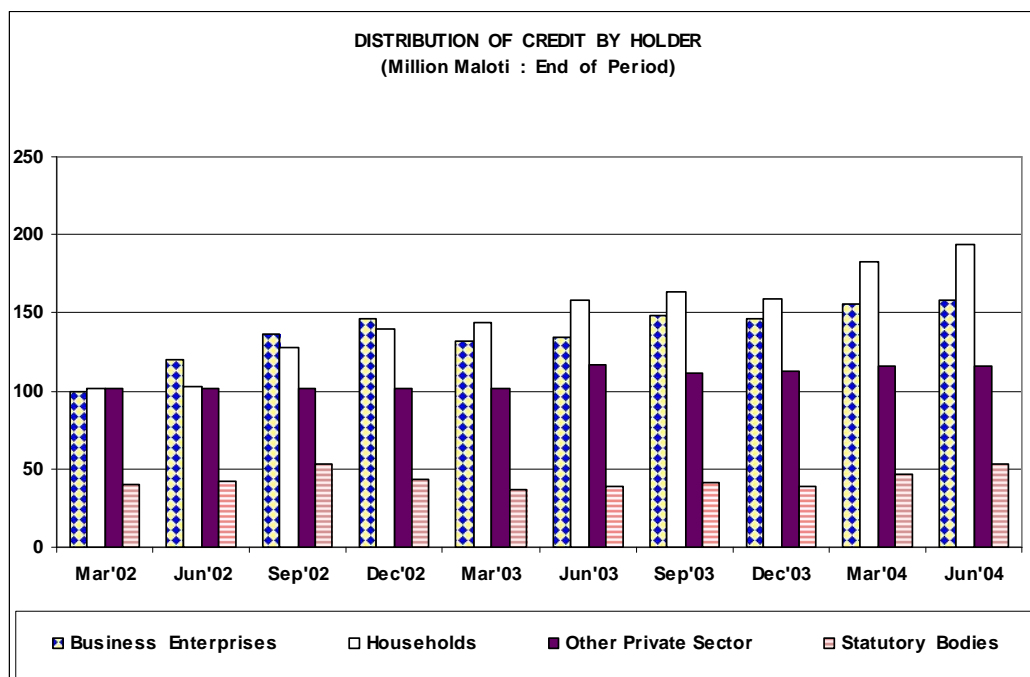
Domestic Credit

At the end of the review quarter, domestic credit increased by a further 4.0 per cent following a 9.6 per cent observed at the end of March. This continued to reflect increased credit extended to both the private sector and statutory bodies. On annual basis, domestic credit was observed to climb by 17.4 per cent following an increase of 20.8 per cent in March.

**DOMESTIC CREDIT**  
(Million Maloti; End of Period)

	2003				2004	
	Mar	Jun	Sep	Dec	Mar	Jun
<b><u>DOMESTIC CREDIT</u></b>	414.0	443.1	463.0	456.5	500.1	520.2
Credit to private sector	377.4	404.2	422.2	417.6	454.1	466.7
Business enterprises	131.5	134.4	147.2	146.1	155.7	158.1
Households	144.0	157.8	163.1	158.6	183.0	193.2
Others	101.8	111.9	111.9	112.9	115.4	115.4
Credit to statutory bodies	36.7	38.9	40.7	38.9	46.0	53.5

**Figure 8**



### Credit to Private Sector

At the end of June, credit to this sector improved by a further 2.8 per cent following 8.7 per cent increase observed for the quarter ending March. The continued strong performance in credit extended to this sector was reflective of lower borrowing costs for this sector as lending rates remained unchanged since December 2003. On the other hand, it may mean that the banking sector's confidence in this sector is slowly recovering.

Major components of private sector credit are businesses and households. At the end of the review period, credit extended to resident businesses was observed to increase by a further 1.5 per cent following a 6.6 per cent growth registered in March. Meanwhile, credit to households improved by 5.6 per cent following a 15.4 per cent recorded for end March.

On annual basis, private sector credit increased by 15.5 per cent following a 20.3 per cent in March. Credit to this sector has been on an uninterrupted increase since June 2001, which increases the prospects of improved productivity in this sub-sector in the medium to long term, especially if it is extended to businesses. However, it should be underscored that about 41 per cent of this credit is extended to households and therefore utilised for consumption purposes.

## Credit to Statutory Bodies

Credit to official entities rose by a 16.2 per cent, which was slightly lower than 18.2 per cent in end-March. On an annual basis, credit to this sub-sector grew by 37.4, which was higher than 25.6 per cent recorded in March. It is surprising that growth in credit in this sector seems to be sustained both on quarterly and annual basis. In essence, it should be expected to wane as the privatisation process continues resulting in a diminishing size of this sector.

## Sectoral Distribution of Credit to Business Enterprises and Statutory Bodies

Total distribution of credit to all business-oriented sectors of the economy, including statutory bodies, but excluding government and non-performing loans, increased by 5.1 per cent, which was lower than 8.8 per cent observed in end of March. The continued strong performance in this form of credit could be attributed to credit extended to the construction sector, other development sectors as well as to other services.

Credit to the construction subsector grew by 11.9 per cent following a 12.3 per cent improvement in March. Other development sectors, which comprise, electricity, gas and water, transport, storage and communication, grew by 1.7 per cent following a 2.0 per cent increase in March. Most of the increase in credit extended to these subsectors was destined to transport, storage and communication, which grew by 5.6 compared to a mere 0.2 per cent registered in credit to electricity, gas and water. Other services consist of non-bank financial institutions, real estate, community, social and personal services and these subsectors recorded a 10.4 per cent increase in June compared with a lower increase of 3.6 per cent in March.

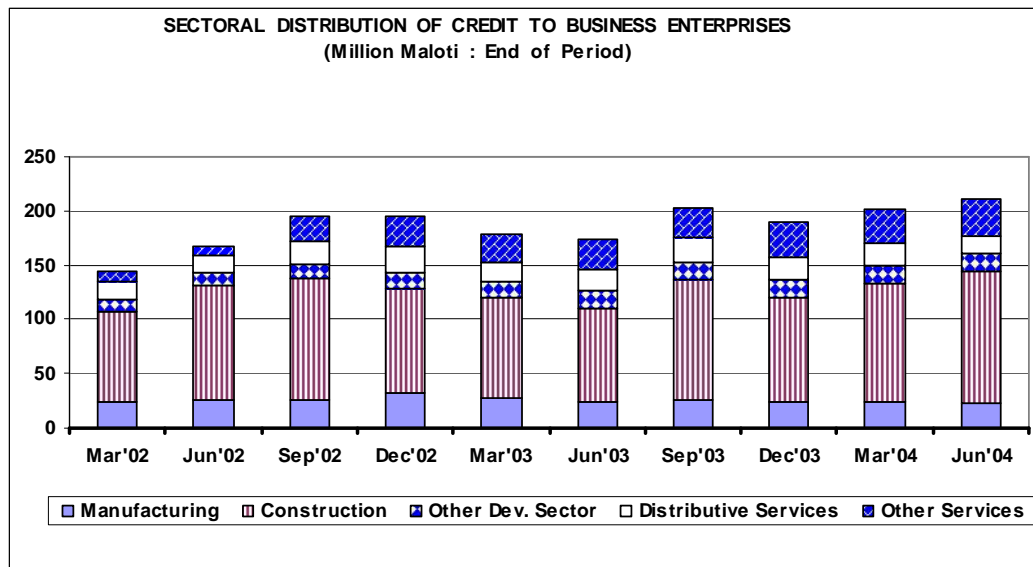
Credit to the manufacturing sector slumped by 5.6 per cent following a recovery of 6.0 per cent in March. Credit to this sector has been fluctuating, possibly in line with the fluctuations in the loti/US dollar currency. It would be recalled that the bulk of Lesotho exports are destined to the US, hence a fluctuation in this exchange rate means a fluctuation in manufacturing exports and ultimately a fluctuation in credit required by the sector. Credit received by distributive services (made up of wholesale, retail and trade) slumped by 21.4 per cent following a rise of 8.0 per cent in March.

## SECTORAL DISTRIBUTION OF CREDIT TO ENTERPRISES

(Million Maloti; End of period)

SECTOR	2003				2004	
	Mar	Jun	Sep	Dec	Mar	Jun
Manufacturing	24.5	22.3	24.2	23.3	24.7	23.3
Construction	90.3	92.8	107.7	96.6	108.4	121.3
Other development sectors	13.3	14.5	13.7	15.4	15.7	16.0
Distributive services	16.8	19.3	19.5	19.9	21.5	16.9
Other services	23.3	24.5	22.9	29.9	30.9	34.1
All sectors	168.2	173.4	187.9	185.0	201.2	211.5

**Figure 9**



### Net Claims on Government

At the end of the June quarter, the banking system's net claims on Government fell by a further 68.7 per cent following a decrease of 91.5 per cent observed in end March. The decrease was attributable to a

decline in net claims by both the commercial banks and the CBL. As shown in the accompanying table below, net claims by the commercial banks fell by a further 5.0 per cent following a 24.0 per cent decline recorded in March, mainly on account of a reduction in the holdings of monetary policy treasury bills.

The decline in CBL net claims on government was a reflection of the accumulation of government deposits during the quarter. This was made possible by the 41.7 per cent increase in SACU revenue compared with previous quarter.

**BANKING SYSTEM'S NET CLAIMS ON GOVERNMENT**  
(Million Maloti; End of Period)

Holder	2003				2004	
	Mar	Jun	Sep	Dec	Mar	Jun
<b>Commercial banks</b>	602.0	880.3	774.1	923.1	701.5	666.1
Claims on Government	675.0	960.7	846.0	991.4	761.2	724.5
<i>o/w MP T Bills</i> <sup>(3)</sup>	286.8	503.8	457.1	475.3	371.9	335.1
Less Government deposits	73.1	80.5	71.9	68.3	59.7	58.4
<b>Central Bank of Lesotho</b>	-792.2	-966.1	-971.1	-1090.1	-1021.4	-1205.6
Claims on Government <sup>(4)</sup>	184.0	196.1	183.2	173.8	196.1	192.5
Less Government deposits	976.2	1162.1	1154.3	1263.9	1217.4	1398.1
<i>o/w those in blocked acct.</i>	356.5	605.1	551.58	605.9	519.2	530.3
<b>TOTAL NET CLAIMS</b>	-190.3	-85.8	-197.1	-167.0	-319.9	-539.5

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

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

***Net Foreign Assets (NFA)***

At the end of June, the NFA of the banking system continued to grow. Following a marginal increase of 0.5 per cent at the end of March, NFA grew by another 10.9 per cent at the end of June. This increase was mainly a reflection of the accumulation of foreign asset holdings by both the commercial banks and the CBL.

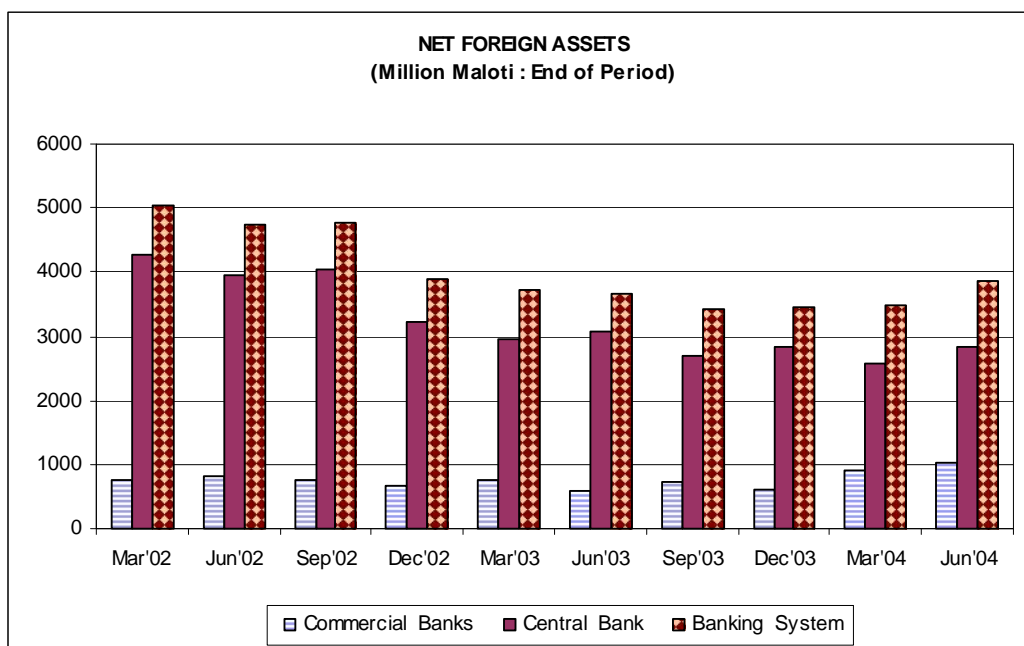
Commercial banks' NFA rose by a further 13.7 per cent following a 47.9 per cent surge at the end of March. The rise in the NFA of commercial banks stemmed from excess liquidity build-up in the economy, which they decided to invest abroad. This was evidenced by their M304.7 million overall net transfers through the CBL. However, only about M155.8 million of these transfers was invested.

The improvement in the CBL NFA was largely ascribed to receipt of SACU revenue, mentioned under the section on net claims on government.

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

Holder	2003				2004	
	Mar	Jun	Sep	Dec	Mar	Jun
<b>A. Commercial Banks</b>	766.3	569.3	743.09	610.7	903.4	1027.3
Foreign Assets	835.7	651.1	875.91	840.4	1069.8	1191.0
Foreign Liabilities	-69.4	-81.8	-132.8	-229.6	-166.4	-163.7
<b>B. Central Bank of Lesotho</b>	2956.0	3066.2	2694.7	2853.0	2576.9	2831.4
Foreign Assets	3575.4	3576.2	3184.5	3341.0	3083.5	3334.8
Foreign Liabilities	-619.5	-510.0	-489.7	-488.0	-506.6	-503.4
<b>NET TOTAL</b>	3722.3	3635.5	3437.8	3463.7	3480.3	3858.7

**Figure 10**



## VIII. Money and Capital Markets

### *Money Market Developments*

At the end of the quarter ending June 2004, total holdings of treasury bills increased by 2.1 per cent to M530.4 million from March's figure of M519.3 million. These treasury bills were mainly the 91-days for monetary policy purposes, aimed at maintaining favourable liquidity conditions in the economy and the 182-days aimed to encourage investment by individuals, be they small or large investors.

During the review quarter, three 91-day treasury bill auctions were undertaken, same number of auctions as in the March quarter. However, the amount of treasury bills announced for auction at M450 million was lower than March's figure of M550 million. In spite of the higher amount auctioned in March than in June, the amount finally issued in June was the same as that announced for auction, higher than that for March since only M442.0 million was finally issued for that quarter.

With regards to the 182-day securities, by the end of the review quarter three issues worth M94.4 million were outstanding. This figure was slightly higher than M89.9 million outstanding at the end of March. However, during each quarter, amounts finally issued continued to be below the auction amount of M110.0 million per quarter.

From the table on holding of treasury bills below it can be observed that the distribution continued to be largely skewed towards the banking sector. However, this sector's share fell again to 69.4 per cent of the total during the review quarter following a decline to 73.1 per cent at the end of March from December's share of 77.1 per cent. The non-bank financial institutions (NBFIs) and the general public's shares improved to 21.1 per cent and 9.5 per cent respectively. In the March quarter, NBFIs held 19.5 per cent while the general public held 7.4 per cent.

**HOLDING OF TREASURY BILLS <sup>(4)</sup>**  
(Million Maloti)

Holders Type	2003				2004	
	Mar	Jun	Sep	Dec	Mar	Jun
<b>Total</b>	<b>464.9</b>	<b>698.1</b>	<b>588.7</b>	<b>747.8</b>	<b>519.3</b>	<b>530.4</b>
<b>Banking System</b>	405.4	579.4	437.5	593.3	379.6	368.1
Central Bank	19.4	0.1	0.0	0.0	0.0	0.0
Commercial Banks	405.4	579.4	437.5	593.3	379.6	368.0
<b>Non-Bank Sector</b>	59.5	118.6	151.2	154.4	139.7	162.4
NBFIs	10.5	72.1	93.1	104.7	101.4	111.9
Others	49.0	46.5	58.1	49.8	38.3	50.5
<b>Memorandum Item</b>						
Average Yield per cent	14.27	13.26	11.79	10.46	9.35	9.31

(4) – Figures at cost value

**Money Market and Short-term Interest Rates**

During the quarter under review, money market rates in Lesotho remained largely unchanged. As shown in the accompanying table and graph below, a change was observed only in the three-month treasury bill rate. This rate declined by 4 basis points from 8.84 per cent at the end of March to stand at 8.8 per cent at the end of the review quarter. At this level, it was 93 basis points above the similar rate offered in South Africa, which increased from its March level of 7.8 per cent to 7.87 per cent in June. This represented a slight narrowing in the margin between the two rates from 100 basis points at end-March.

In line with the overall trend, the prime lending rate in the country remained the same as in March 2004 and December 2003 at 12.5 per cent. Since the counterpart rate did not change in SA during the review period, the margin of 100 basis points between the two rates remained intact, with Lesotho's rate higher.

As indicated in the table below, the average deposit rates remained very low in the review quarter, which maintained a wide margin between the prime lending and deposit rates. In addition, compared to the inflation rate of 5.4 per cent in June, real deposit rates (adjusted for inflation) remained negative. For instance, the six-month real deposit rate was negative 1.33 per cent, while the real savings rate was negative 3.51 per cent.

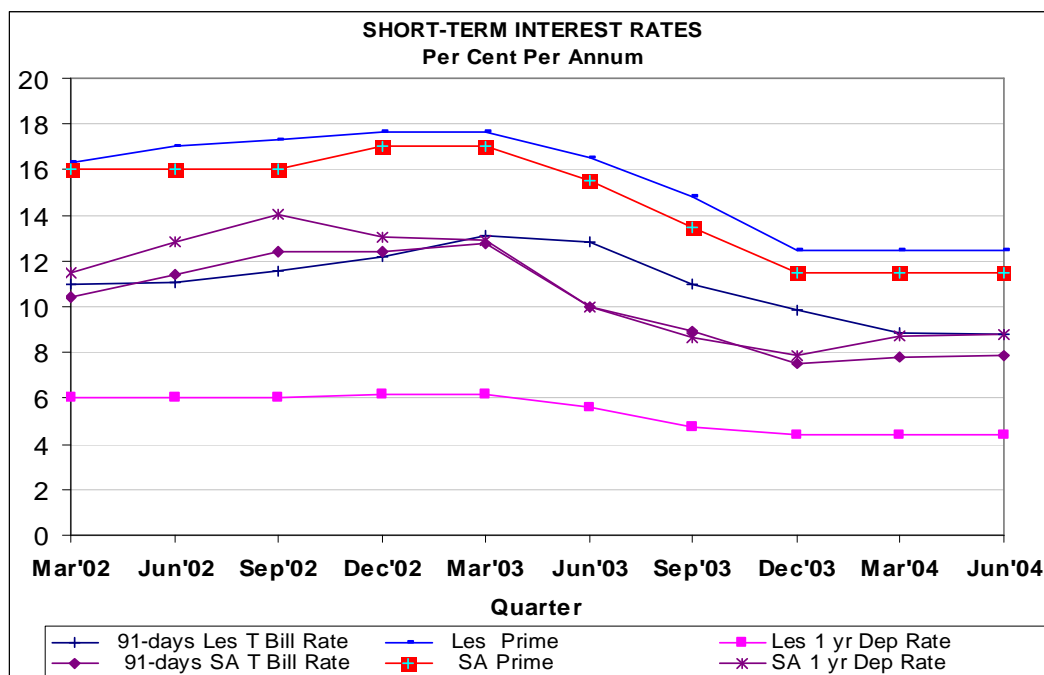
### MAJOR MONEY MARKET INTEREST RATES

(Per cent; End of Period)

Interest Rates by Type	2003				2004	
	Mar	Jun	Sep	Dec	Mar	Jun
Central Bank						
T Bill Rate – 91 Days	13.12	12.83	10.99	9.83	8.84	8.80
Lombard Rate	17.12	16.83	14.71	15.00	13.00	13.00
Commercial Banks <sup>(5)</sup>						
Call	5.06	3.80	3.55	3.04	3.06	3.06
Time						
31 days	4.50	4.29	4.13	3.32	3.32	3.32
88 days	5.50	4.97	4.40	3.87	3.87	3.87
6 months	5.50	5.05	4.72	4.07	4.07	4.07
1 year	6.17	5.57	4.72	4.37	4.37	4.37
Savings	3.44	2.51	2.51	1.95	1.89	1.89
Prime	17.67	16.50	14.83	12.50	12.50	12.50
South Africa						
Repo	13.50	12.00	10.00	8.00	8.00	8.00
T Bill Rate – 91 Days	12.75	10.78	8.97	7.54	7.80	7.87
Marginal Lending Rate	18.5	17.00	15.00	13.00	13.00	13.00
Time						
31 days	12.94	11.49	9.35	7.69	7.66	8.25
1 year	12.91	10.02	8.65	7.84	8.7	8.80
Prime	17.00	15.5	13.50	11.50	11.50	11.50

(5) - Average rates by commercial banks.

**Figure 11**



### **Foreign Exchange Rates**

The rand and therefore the loti strengthened during the quarter. On average the local currency unit appreciated by 7.1 per cent against the SDR, 8.9 per cent against the euro, 5.2 per cent against the US dollar and by 6.2 per cent against the UK pound sterling.

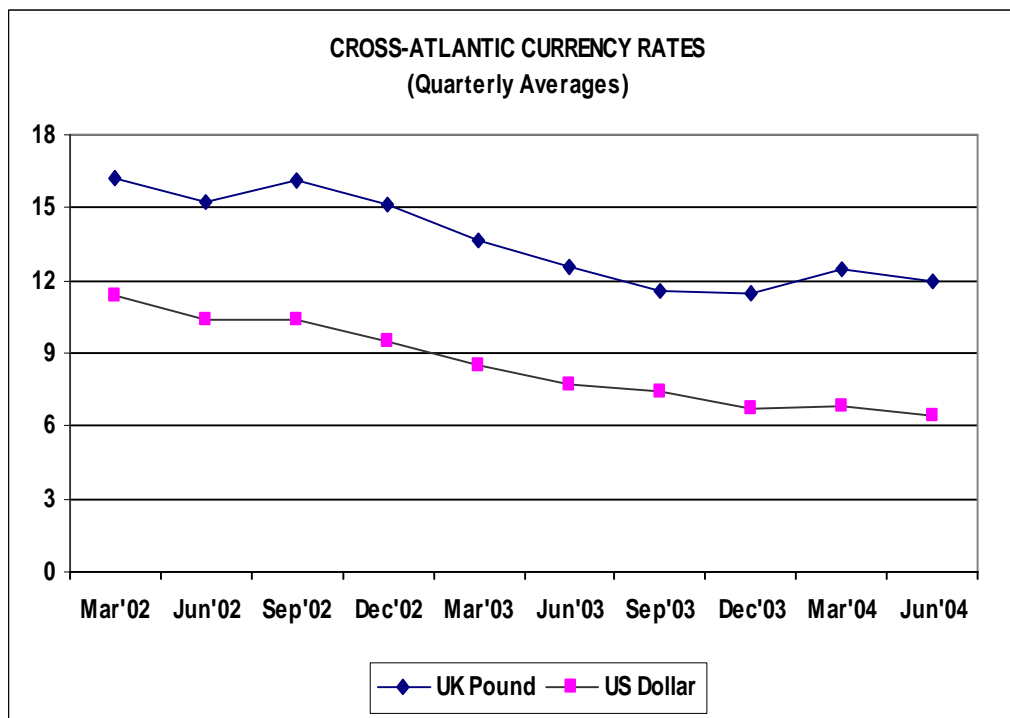
A number of factors continued to support the rand during the quarter. Interest rates in SA remained relatively high compared to the world's major economies. This continued to enhance the attractiveness of rand denominated assets and therefore attracted portfolio investment flows into SA market. High commodity prices, particularly, gold and platinum as well as stronger economic growth prospects also contributed to the strengthening of the loti against major currencies. Exporters repatriated their earnings to take advantage of earlier declines in the value of the rand. The dollar was generally weak during the review quarter and as such contributed to the appreciation of the loti.

The appreciation of the loti has some implications for the economy of Lesotho. On the one hand, it reduces price competitiveness of the country's exports in the US market. This in turn impacts negatively on export earnings and therefore manufacturing production. As mentioned earlier, the bulk of Lesotho's exports are destined to the US. On the other hand, it reduces the cost of imports and as a result eases inflationary pressures.

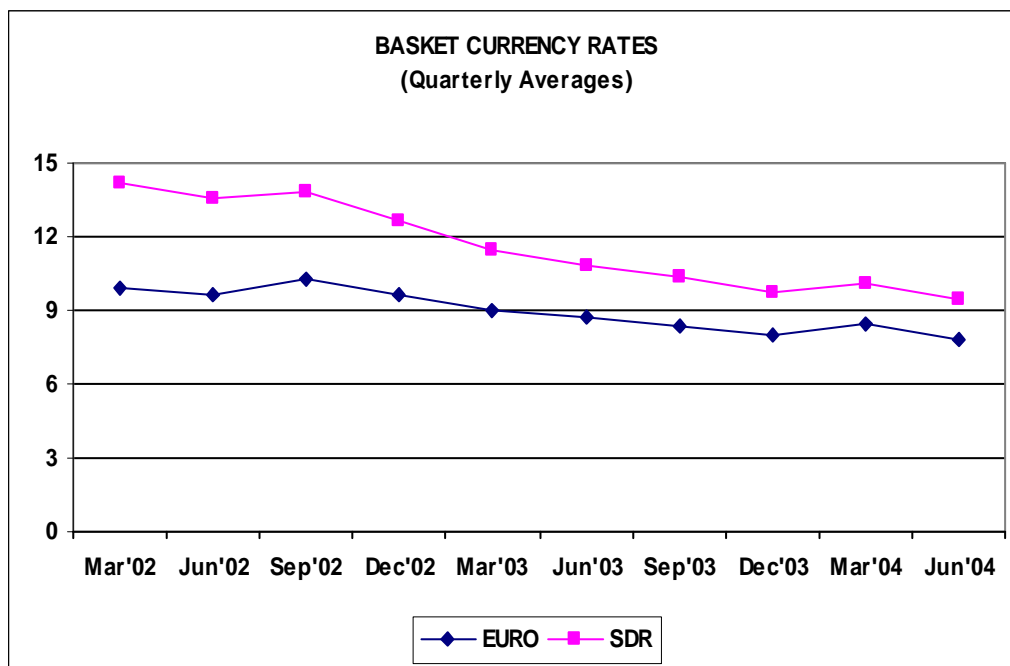
**SELECTED EXCHANGE RATES**  
(Loti per Currency units; Quarterly Averages)

Currency	2003				2004	
	Mar	Jun	Sept	Dec	Mar	Jun
SDR	11.451	10.785	10.331	9.730	10.103	9.431
EURO	8.956	8.762	8.340	8.004	8.484	7.790
USD	8.474	7.737	7.416	6.745	6.779	6.443
UK	13.038	12.538	11.534	11.510	12.462	11.926

**Figure 12**



**Figure 13**



## **IX. Government Finance**

### ***Summary of Budget Outturn***

Government budgetary operations for the first quarter of the 2004/05 fiscal year were estimated to have resulted in an overall surplus equivalent to 9.0 per cent of GDP. The continued good fiscal performance during the period under review manifests the sustained improvement in revenue collections as well as contained expenditure by Government. Total receipts excluding grants grew from 43.0 per cent of GDP in the previous quarter to 43.6 per cent of GDP while total spending fell to 35.2 per cent of GDP from 38.2 per cent in the quarter to March. The surplus realised during the quarter was used to pay-off part of the Government's domestic and external debt.

### ***Revenue***

Total revenue and grants received by Government were observed to have fallen by 1.2 per cent, in nominal terms, during the first quarter of the 2004/05 fiscal year. As a percentage of GDP, they fell from 44.8 per cent in the last quarter to 44.2 per cent. The main driving force behind the decline was a 62.8 per cent nominal fall in grants. However, excluding grants, total receipts performed well, increasing by a nominal 1.4 per cent. The increase was on the back of a strong

surge in SACU revenue that more than offset declines in both non-customs tax and non-tax receipts.

SACU revenue for the current fiscal year increased by a nominal 41.6 per cent and as a share of GDP, it increased to 22.6 per cent from 16 per cent in the last fiscal year. The windfall in this form of revenue was mostly a result of increased imports in the fiscal year 2002/03 as the current formula for deciding each member's share is based on the level of imports with two years' lag.

Non-customs tax revenue was observed to fall by 12.8 per cent during the review period. The main source of this decline was the 24.1 per cent nominal fall in income taxes. The fall in income taxes in the first quarter followed their peaking by a nominal 25.9 per cent during the last quarter of 2003/04. The plausible explanation for this observation was that during the fourth quarter Pay As You Earn (PAYE) bulges as taxes payments are made in order to meet the tax year completion. This was coupled with the fact that most companies usually pay their dues during the first quarter following the end of their financial year in December. These effects tend to dwarf the first quarter compared with the last one of the preceding fiscal year.

At the same time, Value Added Tax (VAT) revenue, for the first quarter of fiscal year 2004/05, increased by a nominal 4.2 per cent to fully offset the effects of decline of 4.1 per cent in the last quarter of 2003/2004. The movement in the last quarter 2003/2004 was contrary to expectations that, this form of revenue would peak during the quarter immediately following the festive season of December. However, for the review quarter, the increase might have been spawned largely by expenditures during the Easter festive season, coupled with the increase in imports of private cars following LRA implementation of new procedures on importation of second-hand cars. This new LRA stance has been explained under the section on imports motor vehicles above.

Non-tax revenue fell by 46.4 per cent to reverse the 89.5 per cent increase realised in the last quarter of 2003/04. During the same period, the level of grants fell by a further 62.8 per cent following a 25.1 per cent decline in the preceding quarter on account of the reduction in budgetary support grants.

## GOVERNMENT BUDGETARY OPERATIONS

(Million Maloti)

DETAILS	2003/04				2004/05
	Apr-Jun	Jul-Sep	Oct-Dec	Jan-Mar Revised	Apr-Jun Prelimi- nary
<b>Total Revenue and Grants</b>	<b>772.0</b>	<b>960.9</b>	<b>887.1</b>	<b>996.9</b>	<b>985.0</b>
<b>Total Revenue</b>	725.9	921.4	834.4	957.4	970.3
<i>Tax Revenue</i>	591.0	767.9	743.4	785.0	877.8
Customs	355.4	355.4	355.4	355.4	503.1
Non-customs	235.6	412.5	388.0	429.6	374.7
Income Taxes	134.0	257.5	204.0	256.8	195.0
Taxes on goods & services	100.5	153.7	181.3	167.4	177.9
Other Taxes	1.1	1.3	2.7	5.4	1.8
<i>Non-Tax Revenue</i>	134.9	153.5	91.0	172.4	92.5
Of which: Water royalties	46.9	57.2	46.7	42.3	40.7
<b>Grants</b>	46.1	39.5	52.7	39.5	14.7
<b>Total Expenditure &amp; Net Lending</b>	<b>918.6</b>	<b>871.0</b>	<b>904.7</b>	<b>851.1</b>	<b>784.1</b>
<b>Recurrent Expenditure</b>	714.3	747.6	783.1	685.0	634.7
Personnel Emoluments	278.5	279.2	281.8	283.8	283.1
Interest Payments	39.4	53.4	68.1	55.8	34.2
Foreign	14.1	18.1	33.5	25.1	14.4
Domestic	25.3	35.3	34.6	30.7	19.8
Other Expenditure	396.4	415.0	433.2	345.4	317.4
<b>Capital Expenditure</b>	208.0	123.4	126.7	166.8	149.4
<b>Net Lending</b>	-3.7	0.0	-5.1	-0.7	0.0
<b>Surplus/deficit before grants</b>	-192.7	50.4	-70.3	106.4	186.2
<b>Surplus/deficit after grants</b>	-146.6	89.9	-17.6	145.8	200.9
<b>Financing</b>	146.7	-89.8	17.6	-145.8	-200.9
Foreign	-16.4	-9.4	-46.1	37.0	-17.4
Loan drawings	29.3	34.5	48.2	58.4	26.9
Amortization	-45.7	-43.9	-94.3	-21.4	-44.2
Domestic	163.1	-80.4	63.7	-182.9	-183.5
Bank Financing	104.5	-111.3	37.5	-152.9	-206.2
Non – Bank	58.6	30.9	26.2	-29.9	80.5

### ***Expenditure***

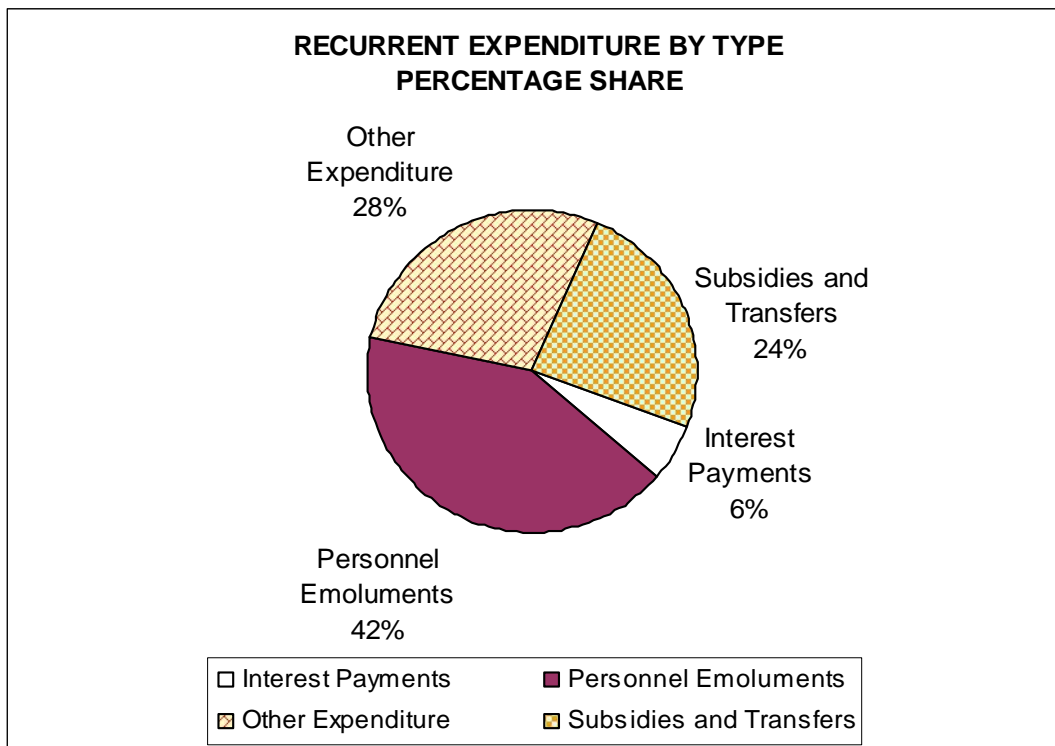
Total government expenditure and net lending during the review period declined by a further 8.0 per cent in nominal terms, following a fall of 6.4 per cent in the quarterly ending March 2004. As a proportion of GDP, it was recorded at 35.2 per cent compared with 38.2 per cent in the previous quarter. This mainly emanated from a

decrease in both recurrent and capital components of government expenditure.

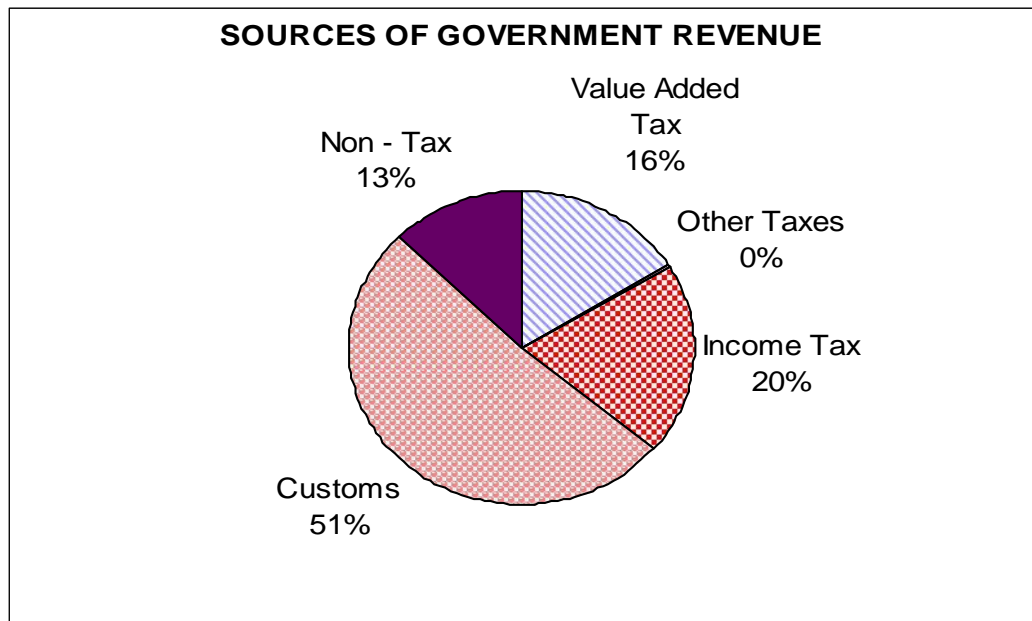
Recurrent spending was estimated to have decreased by 7.3 per cent compared with 12.5 per cent decrease observed in the preceding quarter. The main determinants of the current decline were a 38.7 per cent decrease in interest payments and a 17.1 per cent fall in expenditure on goods and services. With regards to interest payments, the domestic component, which mostly comprises accrued interest on treasury bills and interest on Lesotho Bank restructuring bonds and treasury bills, demonstrated the larger decline. This follows the retirement of all fiscal policy treasury bills, in the March quarter, which were issued in September and December 2003. These were subsequently never reissued as government's budgetary position had improved.

Capital expenditure was reported to have declined by a quarterly 10.4 per cent following a growth of 31.7 per cent in the last quarter of 2003/04. Compared to the same period last year, this form of government spending has fallen by 28.2 per cent.

**Figure 14**



**Figure 15**



### ***Financing***

As already indicated, a budget surplus of 9.0 per cent of GDP was realised during the review quarter. This facilitated net repayments of M165.3 million in Government's debt stock. This reduced domestic indebtedness, mainly treasury bills, by a further M183.5 million following a similar reduction in the last quarter of 2003/04. In terms of foreign financing, repayments surpassed loan drawings by M17.3 million.

### ***Public Debt***

#### Overview

The Government's debt position continued to improve during the quarter ending in June 2004, to cement a significant improvement realised in March. Following a decline of almost 10 percentage points, from 67.0 per cent of GDP in December 2003 to 57.2 per cent in March, at the end of June total debt again improved by 1.6 per cent to 56.1 per cent of GDP. The improvement was ascribed to the decrease in the level of external loans that more than offset an increase in domestic debt. External debt declined from 47.1 per cent of GDP to 46.1 per cent. On the contrary, domestic debt increased slightly from 9.9 per cent of GDP in March to 10.1 per cent of GDP at the end of June.

## External Debt

The stock of external debt fell further by 2.2 per cent, in nominal terms, during the review period following a 2.5 per cent decline observed at the end of March. Most of the decline could be attributed to about M46.9 million repayments of principal plus the effect of the appreciation of the loti against major world currencies in which Government foreign loans are denominated. The decline in external debt as a share of GDP bodes well for the external debt sustainability as the level of indebtedness fell below the 60 per cent of GDP sustainability threshold for developing countries. Although the external debt service ratio increased from 1.4 per cent at the end of March to 4.1 per cent at the end of the review period it continued to reflect sustainability.

The bulk of external debt continued to be concessional, at 89.5 per cent of total external debt, showing an increase from March's share of 72.4 per cent. Liabilities with multilateral creditors accounted for 78.9 per cent foreign debt while bilateral and financial institutions' loans constituted 11.2 per cent and 7.7 per cent, respectively.

## Domestic Debt

The domestic component of public debt comprises Lesotho Bank restructuring treasury bills and long-term bonds, 91-day monetary policy treasury bills as well as 182-day treasury bills. Since the principal component of the Lesotho Bank restructuring bonds and treasury bills has been held constant in nominal terms, changes in domestic debt are completely determined by changes in the monetary policy treasury bills and 182-day treasury bills.

At the end of the review quarter, domestic debt grew by a minimal 1.1 per cent following a decline of 20.4 per cent at the end of March. This reflected increased holding of both the 182-day and monetary policy securities. As indicated earlier under the holding of treasury bills, the auction amounts remained constant between the two quarters and the observed increase in holding was a result of more auction participants winning bids than in the previous quarter.

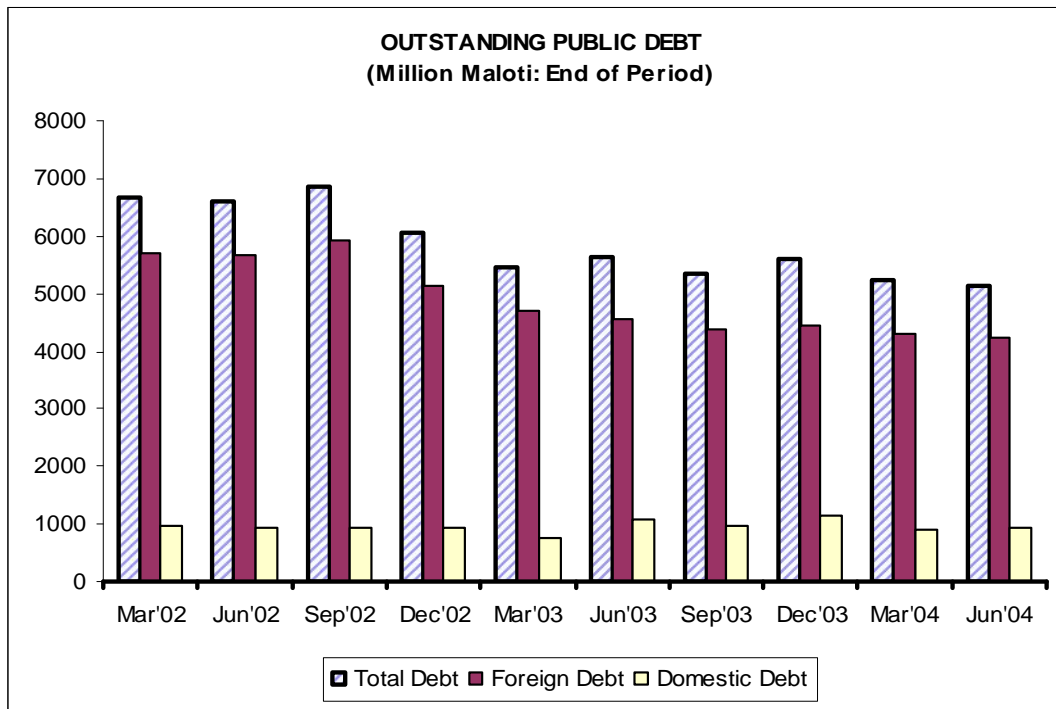
Short-term debt constituted about 68.5 per cent of domestic debt, while the remainder was made up of long-term bonds. About 81.2 per cent of domestic debt was owed to the banking sector.

**OUTSTANDING GOVERNMENT DEBT**  
(Million Maloti)

	2003				2004	
	QI	QII	QIII	QIV	QI	QII
<b>A. EXTERNAL DEBT</b>	<b>4684.1</b>	<b>4559.5</b>	<b>4376.0</b>	<b>4432.0</b>	<b>4320.4</b>	<b>4224.2</b>
Bilateral Loans	403.4	378.7	369.3	504.4	484.2	474.7
Concessional	202.3	286.0	203.0	205.3	196.3	420.8
Non-concessional	201.1	92.7	166.3	299.1	287.9	53.9
Multilateral Loans	3771.0	3729.2	3563.2	3485.8	3406.6	3333.3
Concessional	3105.4	3434.5	3060.7	2997.7	2929.9	3298.1
Non-concessional	665.6	294.7	502.5	488.1	476.7	35.2
Financial Institutions	372.7	353.2	349.3	343.8	338.9	326.8
Concessional	0.9	3.0	0.8	0.8	0.8	62.0
Non-concessional	371.8	350.2	348.5	343.0	338.1	264.8
Suppliers' Credit	137.0	98.4	94.2	98.0	90.7	89.4
<b>B. DOMESTIC DEBT</b>	<b>758.7</b>	<b>1085.7</b>	<b>919.5</b>	<b>1159.7</b>	<b>908.5</b>	<b>918.2</b>
Banks	701.2	967.1	826.4	982.5	768.9	745.8
Long-term	287.7	287.7	287.7	287.7	287.7	287.7
Short-term	413.5	679.4	538.7	694.8	481.2	458.1
<i>Of which: treasury bills</i>	412.9	679.4	537.5	693.3	479.6	456.3
Non-bank	57.5	118.6	151.2	177.2	139.6	172.9
Short-term (TBs)	57.5	118.6	151.2	177.2	139.6	172.9
<b>TOTAL (A + B)</b>	<b>5442.8</b>	<b>5645.2</b>	<b>5295.5</b>	<b>5591.7</b>	<b>5228.9</b>	<b>5142.9</b>

Source: Ministry of Finance and Central Bank of Lesotho

**Figure 16**



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Table 1(a)

## CENTRAL BANK OF LESOTHO ASSETS AND LIABILITIES

(Million Maloti)

## A – ASSETS

End of period	EXTERNAL SECTOR						Total	Claims on Government	Claims on Private Sector	Unclassified Assets	Total
	Cash and Balances	Reserve Tranche	Holdings of SDRs	Other Investments	Rand Notes and Coins	Other Foreign Assets					
<b>2002</b>											
Mar	2885.59	50.77	6.57	1408.20	3.22	450.07	4804.41	231.82	13.37	107.11	5156.70
Jun	2702.09	48.35	6.18	1276.37	4.29	428.51	4465.78	192.05	13.49	100.30	4771.62
Sep	2993.09	49.20	6.21	1051.52	5.39	436.38	4541.79	185.93	13.48	114.80	4855.99
Dec	2580.23	41.36	5.15	854.71	10.32	366.38	3858.15	191.31	13.53	141.48	4204.46
<b>2003</b>											
Mar	2394.26	38.53	4.80	790.26	6.29	341.29	3575.43	183.97	13.18	150.16	3922.73
Apr	2275.05	35.40	4.41	723.43	7.85	313.53	3359.65	170.61	13.51	145.65	3689.41
May	2556.35	40.60	5.05	519.39	4.63	359.47	3485.50	192.83	13.50	141.38	3833.21
Jun	2710.96	37.27	4.64	487.15	6.07	330.17	3576.25	196.08	13.81	147.38	3933.53
Jul	2896.50	36.98	4.60	484.15	7.94	327.59	3757.76	194.51	13.79	128.80	4094.86
Aug	2614.57	35.50	4.42	474.87	5.54	314.48	3449.38	182.96	13.83	131.44	3777.61
Sep	2383.47	34.82	4.33	446.35	7.30	308.32	3184.59	175.75	13.76	148.54	3522.65
Oct	2627.71	35.13	4.37	447.69	5.78	311.26	3431.94	177.35	14.30	147.71	3771.30
Nov	2495.21	32.64	4.06	416.61	6.00	289.14	3243.66	164.76	14.49	159.47	3582.38
Dec	2555.98	34.42	4.29	426.08	15.47	304.92	3341.14	173.76	14.99	177.45	3707.34
<b>2004</b>											
Jan	3067.23	37.18	4.43	246.76	8.12	329.34	3693.05	187.63	14.84	208.37	4103.89
Feb	2789.72	35.29	4.20	432.49	4.70	312.58	3578.97	212.95	15.20	195.19	4002.31
Mar	2339.31	33.00	3.93	405.96	8.98	292.29	3083.47	196.06	15.27	227.62	3522.41
Apr	2933.78	35.21	4.14	447.13	6.25	360.16	3786.67	208.75	15.41	199.52	4210.35
May	2765.29	33.89	3.99	422.78	7.89	348.66	3582.46	200.91	15.26	189.62	3988.25
Jun	2548.67	32.46	3.82	405.37	8.19	336.30	3334.81	192.49	15.64	189.39	3732.33

Table 1 (b)

## CENTRAL BANK OF LESOTHO ASSETS AND LIABILITIES

(Million Maloti)

## B – LIABILITIES

End of Period	Currency outside CBL(1)	Foreign Liabilities	Deposits				Capital Accounts	Allocation of SDRs	Unclassified Liabilities	Total
			Government	Official entities	Private Sector	Banks				
<b>2002</b>										
Mar	199.43	532.21	1528.85	205.85	10.80	78.41	2512.22	53.64	35.30	5156.70
Jun	202.57	521.12	1432.89	202.46	10.81	62.04	2289.51	51.09	-0.85	4771.62
Sep	214.65	511.57	1322.79	178.15	10.77	82.17	2457.89	51.99	26.02	4855.99
Dec	233.40	646.75	1257.31	151.33	10.77	105.41	1728.13	43.66	27.71	4204.46
<b>2003</b>										
Mar	216.64	619.45	976.21	151.07	10.74	254.38	1540.25	40.66	113.33	3922.73
Apr	204.58	605.26	1211.96	151.06	10.63	48.53	1394.09	37.36	25.95	3689.41
May	218.83	626.83	1011.34	150.98	10.16	73.74	1672.11	42.85	26.37	3833.21
Jun	219.34	509.97	1162.14	150.04	10.27	173.02	1643.50	39.34	25.90	3933.53
Jul	219.67	506.58	1534.53	150.04	10.39	94.94	1514.73	39.03	24.95	4094.86
Aug	230.13	498.53	1327.58	157.54	10.27	64.81	1426.16	37.47	25.11	3777.61
Sep	230.22	489.73	1154.32	160.82	10.36	34.73	1371.83	36.75	33.88	3522.65
Oct	245.55	490.03	1350.26	160.58	10.48	63.46	1387.99	37.08	25.87	3771.30
Nov	256.85	475.94	1298.39	160.58	10.44	78.59	1241.56	34.45	25.58	3582.38
Dec	250.46	488.00	1263.91	158.36	10.66	114.47	1356.61	36.33	28.55	3707.34
<b>2004</b>										
Jan	236.74	504.93	1487.04	158.36	10.68	96.90	1529.47	39.24	40.54	4103.89
Feb	235.93	526.47	1457.65	158.00	10.88	86.15	1469.06	37.24	20.94	4002.31
Mar	259.73	506.57	1217.42	157.43	10.83	50.56	1256.12	34.83	28.92	3522.41
Apr	244.58	519.69	1663.96	160.81	10.88	85.07	1459.00	37.17	29.17	4210.35
May	257.74	511.83	1547.37	158.67	10.90	68.48	1379.20	35.77	18.30	3988.25
Jun	232.77	503.39	1398.10	157.87	11.03	63.96	1312.58	34.26	18.37	3732.33

(1) includes South African Rand with commercial banks.

Table 2

**RESERVE MONEY**  
**(Million Maloti)**

End of Period	Currency in circulation outside CBL (1)							Total	Bankers' Deposits	Total
	Maloti Issued		With commercial banks		Maloti Outside commercial banks	Total	Bankers' Deposits			
	Notes	Coins	Maloti Notes & Coins	Rand Notes & Coins						
<b>2002</b>										
Mar	189.62	8.17	32.12	3.22	164.09	199.43	78.41	277.84		
Jun	192.39	7.77	29.97	4.29	168.31	202.57	62.04	264.61		
Sep	201.50	8.43	27.93	5.39	181.33	214.65	82.17	296.82		
Dec	215.14	8.66	43.40	10.32	179.68	233.40	105.41	338.81		
<b>2003</b>										
Jan	211.73	8.57	31.55	6.02	187.86	225.43	55.48	280.91		
Feb	204.30	8.76	31.87	5.64	179.50	217.01	48.44	265.45		
Mar	202.77	9.20	31.70	6.29	178.65	216.64	254.38	471.02		
Apr	190.93	8.53	37.08	7.85	159.66	204.58	48.53	253.11		
May	205.52	9.01	34.96	4.63	179.23	218.83	73.74	292.57		
Jun	205.16	9.40	37.45	6.07	175.82	219.34	173.02	392.36		
Jul	203.50	9.00	31.96	7.94	179.76	219.67	94.94	314.60		
Aug	216.42	9.07	34.77	5.54	189.82	230.13	64.81	294.94		
Sep	215.21	9.02	34.74	7.30	188.18	230.22	34.73	264.95		
Oct	231.24	9.34	40.74	5.78	199.04	245.55	63.46	309.01		
Nov	242.40	9.24	39.79	6.00	211.06	256.85	78.59	335.44		
Dec	226.11	9.40	51.48	15.47	183.52	250.46	114.47	364.93		
<b>2004</b>										
Jan	220.15	9.20	39.44	8.12	189.18	236.74	96.90	333.64		
Feb	222.80	9.14	37.05	4.70	194.18	235.93	86.15	322.07		
Mar	242.84	9.16	43.12	8.98	207.63	259.73	50.56	310.29		
Apr	229.92	9.14	37.25	6.25	201.09	244.58	85.07	329.66		
May	241.27	9.12	42.17	7.86	207.72	257.74	68.48	326.22		
Jun	216.36	9.21	34.92	8.19	189.65	232.77	63.96	296.72		

(1) Excludes rand with public as its amount is not known.

Table 3(a)

**CONSOLIDATED BALANCE SHEET OF COMMERCIAL BANKS**  
**(Million Maloti)**  
**A S S E T S**

End of Period	Cash at Hand <b>(1)</b>	Balances with Central Bank	Foreign Assets <b>(2)</b>	Claims on Government	Claims on Statutory Bodies	Claims on Private Sector	Unclassified Assets	Total
<b>2002</b>								
Mar	35.34	100.41	830.67	830.25	40.16	289.88	910.74	3037.44
Jun	34.26	77.76	857.28	794.19	42.13	311.21	851.03	2967.85
Sep	33.32	77.25	829.77	814.89	53.52	351.91	916.79	3077.46
Dec	53.72	105.44	772.31	808.38	42.75	372.31	985.25	3140.15
<b>2003</b>								
Jan	37.57	55.55	813.07	806.59	48.81	367.31	922.48	3051.36
Feb	37.50	40.28	945.76	678.56	45.90	367.85	650.90	2766.74
Mar	38.00	249.85	835.67	675.04	36.66	364.18	577.65	2777.05
Apr	44.92	64.37	925.48	698.29	37.16	365.28	597.36	2732.86
May	39.60	82.88	984.72	741.80	38.03	368.91	580.32	2836.26
Jun	43.52	173.01	651.07	960.74	38.94	390.39	583.20	2840.87
Jul	39.90	94.71	674.50	1022.01	37.77	377.96	620.42	2867.28
Aug	40.31	70.08	778.05	953.18	38.47	378.19	647.41	2905.67
Sep	42.05	36.44	875.91	845.95	40.71	409.94	674.10	2925.09
Oct	46.52	63.46	877.69	823.34	38.29	399.75	685.39	2934.43
Nov	45.79	76.14	813.71	931.44	38.87	401.06	681.52	2988.51
Dec	66.94	114.16	837.34	991.45	38.94	402.58	764.87	3216.28
<b>2004</b>								
Jan	47.56	115.32	835.33	907.65	41.18	410.90	776.76	3134.70
Feb	41.75	73.56	913.79	902.15	42.98	419.14	731.19	3124.56
Mar	52.10	74.98	1069.78	761.20	46.04	438.83	720.03	3162.96
Apr	43.49	81.13	973.71	723.69	42.12	450.58	622.84	2937.55
May	50.02	64.03	1035.18	708.86	48.77	448.07	668.54	3023.47
Jun	43.11	70.94	1190.98	724.51	53.49	451.04	640.23	3174.30

**(1) Maloti and rand notes**

**(2) Excludes rand notes and coins**

Table 3(b)

**CONSOLIDATED BALANCE SHEET OF COMMERCIAL BANKS**  
**(Million Maloti)**  
**LIABILITIES**

End of period	DEMAND AND CALL DEPOSITS			TIME DEPOSITS			SAVINGS DEPOSITS			Deferred Pay Fund	Capital and Reserves	Foreign Liabilities	Unclassified Liabilities	Total
	Government	Official Entities	Private Sector	Government	Official Entities	Private Sector	Government	Official Entities	Private Sector					
<b>2002</b>														
Mar	44.50	331.58	700.84	0.09	76.73	75.65	0.06	0.19	530.12	37.24	322.34	79.45	838.65	3037.44
Jun	35.36	362.00	727.41	0.10	73.62	99.42	0.03	0.20	534.90	42.76	319.05	46.75	726.26	2967.85
Sep	59.17	348.12	732.11	0.09	58.63	107.57	0.04	0.20	531.60	38.88	346.05	86.91	768.09	3077.46
Dec	63.74	345.53	753.63	0.09	56.85	108.96	0.05	0.19	526.78	34.47	287.36	99.63	862.88	3140.15
<b>2003</b>														
Jan	65.29	338.17	737.65	0.09	55.75	94.69	0.07	0.19	540.71	33.23	262.74	109.15	813.62	3051.36
Feb	70.16	330.68	708.57	0.09	54.72	105.13	0.06	0.19	540.52	35.84	246.43	84.49	589.86	2766.74
Mar	72.93	359.60	743.81	0.09	55.97	114.86	0.05	0.19	539.92	36.52	249.63	69.38	534.11	2777.05
Apr	80.71	360.34	743.59	0.09	49.89	108.23	0.04	0.14	531.70	34.12	249.03	62.91	512.08	2732.86
May	77.29	365.73	783.60	0.10	71.24	131.74	0.04	0.12	529.98	35.01	265.60	73.60	502.22	2836.26
Jun	80.30	280.80	778.82	0.12	108.72	187.40	0.04	0.10	521.06	41.35	253.41	81.79	506.96	2840.87
Jul	80.43	263.27	753.46	0.21	108.32	187.20	0.04	0.10	512.27	39.35	261.03	112.75	548.85	2867.28
Aug	67.86	253.80	792.48	0.16	109.06	188.40	0.00	0.10	509.34	37.49	268.67	108.70	569.61	2905.67
Sep	71.75	249.19	814.37	0.15	83.97	161.01	0.01	0.10	505.84	37.82	302.97	132.82	565.10	2925.09
Oct	71.01	230.01	857.34	0.14	78.89	136.80	0.01	0.08	509.05	37.20	307.90	134.01	571.99	2934.43
Nov	65.11	232.94	848.19	0.09	80.23	144.46	0.01	0.07	511.00	38.43	307.06	81.39	679.54	2988.51
Dec	68.25	256.07	929.14	0.09	79.27	142.39	0.01	0.07	506.97	31.40	303.43	229.64	669.56	3216.28
<b>2004</b>														
Jan	67.08	246.51	866.72	0.11	81.80	144.56	0.05	0.05	491.31	28.76	307.65	209.21	690.90	3134.70
Feb	65.07	244.99	920.71	0.10	84.21	143.31	0.06	0.06	493.20	29.58	311.96	189.42	641.88	3124.56
Mar	59.58	237.63	925.57	0.10	85.30	146.86	0.06	0.07	499.26	37.80	317.49	166.38	686.86	3162.96
Apr	54.99	226.50	876.02	0.09	83.56	145.66	0.06	0.07	489.52	31.42	319.05	150.15	560.45	2937.55
May	55.93	222.29	930.43	0.06	79.48	141.23	0.05	0.08	507.48	35.72	319.91	143.05	587.76	3023.47
Jun	58.31	260.05	970.23	0.05	77.85	150.65	0.05	0.08	500.99	35.06	296.54	163.68	660.78	3174.30

Table 4

**NET FOREIGN ASSETS OF THE BANKING SYSTEM**  
(Million Maloti ; End of Period)

End of Period	FOREIGN ASSETS				FOREIGN LIABILITIES			Net Foreign Assets
	-----		Total	-----		Total		
	Central Bank of Lesotho	Of which: Rand notes and coins with banks		Commercial Banks	Central Bank of Lesotho		Commercial Banks	
<b>2002</b>								
Mar	4804.41	3.22	830.67	5635.08	532.21	79.45	611.67	5023.41
Jun	4465.78	4.29	857.28	5323.06	521.12	46.75	567.87	4755.19
Sep	4541.79	5.39	829.77	5371.56	679.29	86.91	766.19	4605.37
Dec	3858.15	10.32	772.31	4630.46	646.75	99.63	746.38	3884.08
<b>2003</b>								
Mar	3575.43	6.29	835.67	4411.10	619.45	69.38	688.83	3722.27
Apr	3359.65	7.85	925.48	4285.13	605.26	62.91	668.17	3616.96
May	3485.50	4.63	984.72	4470.22	626.83	73.60	700.43	3769.79
Jun	3576.25	6.07	651.07	4227.32	509.97	81.79	591.76	3635.56
Jul	3757.76	7.94	674.50	4432.26	506.58	112.75	619.33	3812.93
Aug	3449.38	5.54	778.05	4227.43	502.32	108.70	611.02	3616.41
Sep	3184.59	7.30	875.84	4060.44	497.15	132.82	629.98	3430.46
Oct	3431.94	5.78	877.69	4309.63	490.03	134.01	624.04	3685.59
Nov	3243.66	6.00	813.71	4057.37	475.94	81.39	557.33	3500.04
Dec	3341.14	15.47	837.34	4178.48	488.00	229.64	717.64	3460.84
<b>2004</b>								
Jan	3693.05	8.12	835.33	4528.38	504.93	209.21	714.14	3814.24
Feb	3578.97	4.70	913.79	4492.76	526.47	189.42	715.89	3776.87
Mar	3083.47	8.98	1069.78	4153.25	506.57	166.38	672.95	3480.30
Apr	3786.67	6.25	973.71	4760.37	519.69	150.15	669.84	4090.54
May	3582.46	7.86	1035.18	4617.64	511.83	143.05	654.88	3962.76
Jun	3334.81	8.19	1190.98	4525.79	503.39	163.68	667.06	3858.72

Table 5

**DISTRIBUTION OF COMMERCIAL BANKS' DEPOSITS BY TYPE**  
(Million Maloti /Percent)

End of Period	Demand & Call Deposits	Savings Deposits	Time Deposits	Deferred Pay Fund	Total	As Percentage of Total			
						Demand & Call Deposits	Savings Deposits	Time Deposits	Deferred Pay Fund
<b>2002</b>									
Mar	1032.42	530.31	152.37	37.24	1752.35	58.92	30.26	8.70	2.13
Jun	1089.41	535.09	173.04	42.76	1840.31	59.20	29.08	9.40	2.32
Sep	1080.23	531.80	166.21	38.88	1817.11	59.45	29.27	9.15	2.14
Dec	1099.16	526.96	165.81	34.47	1826.40	60.18	28.85	9.08	1.89
<b>2003</b>									
Mar	1103.41	540.11	170.83	36.52	1850.86	59.62	29.18	9.23	1.97
Apr	1103.94	531.84	158.11	34.12	1828.00	60.39	29.09	8.65	1.87
May	1149.33	530.09	202.97	35.01	1917.41	59.94	27.65	10.59	1.83
Jun	1059.62	521.17	296.11	41.35	1918.25	55.24	27.17	15.44	2.16
Jul	1016.73	512.37	295.52	39.35	1863.96	54.55	27.49	15.85	2.11
Aug	1046.28	509.45	297.46	37.49	1890.67	55.34	26.95	15.73	1.98
Sep	1063.56	505.94	244.98	37.82	1852.30	57.42	27.31	13.23	2.04
Oct	1087.35	509.13	215.69	37.20	1849.37	58.80	27.53	11.66	2.01
Nov	1081.13	511.07	224.69	38.43	1855.32	58.27	27.55	12.11	2.07
Dec	1185.21	507.04	221.66	31.40	1945.31	60.93	26.06	11.39	1.61
<b>2004</b>									
Jan	1113.23	491.37	226.36	28.76	1859.71	59.86	26.42	12.17	1.55
Feb	1165.70	493.27	227.52	29.58	1916.06	60.84	25.74	11.87	1.54
Mar	1163.20	499.33	232.16	37.80	1932.49	60.19	25.84	12.01	1.96
Apr	1102.52	489.59	229.22	31.42	1852.75	59.51	26.43	12.37	1.70
May	1152.72	507.55	220.70	35.72	1916.70	60.14	26.48	11.51	1.86
Jun	1230.28	501.06	228.50	35.06	1994.91	61.67	25.12	11.45	1.76

Table 6

**DISTRIBUTION OF COMMERCIAL BANKS' DEPOSITS BY HOLDER**  
(Million Maloti /Percent)

End of Period	Private Sector	Government	Statutory Bodies	Deferred Pay Fund	Total	As Percentage of Total			
						Private Sector	Government	Statutory Bodies	Deferred Pay Fund
<b>2002</b>									
Mar	1306.60	44.65	408.50	37.24	1796.99	72.71	2.48	22.73	2.07
Jun	1361.73	35.48	435.82	42.76	1875.79	72.59	1.89	23.23	2.28
Sep	1371.28	59.30	406.96	38.88	1876.41	73.08	3.16	21.69	2.07
Dec	1389.37	63.89	402.56	34.47	1890.28	73.50	3.38	21.30	1.82
<b>2003</b>									
Jan	1373.06	65.45	394.11	33.23	1865.85	73.59	3.51	21.12	1.78
Feb	1354.22	70.31	385.58	35.84	1845.96	73.36	3.81	20.89	1.94
Mar	1398.58	73.07	415.76	36.52	1923.93	72.69	3.80	21.61	1.90
Apr	1383.52	80.84	410.37	34.12	1908.85	72.48	4.24	21.50	1.79
May	1445.31	77.43	437.08	35.01	1994.84	72.45	3.88	21.91	1.76
Jun	1487.28	80.46	389.62	41.35	1998.70	74.41	4.03	19.49	2.07
Jul	1452.92	80.69	371.70	39.35	1944.65	74.71	4.15	19.11	2.02
Aug	1490.22	68.02	362.96	37.49	1958.69	76.08	3.47	18.53	1.91
Sep	1481.22	71.90	333.26	37.82	1924.20	76.98	3.74	17.32	1.97
Oct	1503.19	71.16	308.98	37.20	1920.53	78.27	3.71	16.09	1.94
Nov	1503.66	65.20	313.23	38.43	1920.52	78.29	3.39	16.31	2.00
Dec	1578.50	68.35	335.41	31.40	2013.65	78.39	3.39	16.66	1.56
<b>2004</b>									
Jan	1502.59	67.24	328.36	28.76	1926.95	77.98	3.49	17.04	1.49
Feb	1557.22	65.24	329.26	29.58	1981.30	78.60	3.29	16.62	1.49
Mar	1571.69	59.73	323.00	37.80	1992.22	78.89	3.00	16.21	1.90
Apr	1511.21	55.14	310.13	31.42	1907.89	79.21	2.89	16.26	1.65
May	1579.14	56.04	301.85	35.72	1972.74	80.05	2.84	15.30	1.81
Jun	1621.86	58.41	337.41	35.06	2053.32	78.09	2.84	16.46	1.71

Table 7

## COMMERCIAL BANKS' FIXED TIME DEPOSITS BY MATURITY

(Million Maloti/Percent)

End of Period	A M O U N T			Total	As Percentage of Total		
	Short-term (Less than 31 days)	Medium-term (31 days to 6 months)	Long-term (More than 6 months)		Short-term	Medium-Term	Long-term
<b>2002</b>							
Mar	47.28	82.62	18.93	148.83	31.77	55.51	12.72
Jun	68.60	47.51	46.28	162.39	42.24	29.26	28.50
Sep	74.66	59.73	35.61	170.00	43.92	35.13	20.95
Dec	97.17	28.49	43.86	169.52	57.32	16.81	25.87
<b>2003</b>							
Mar	47.57	94.04	24.66	166.27	28.61	56.56	14.83
Apr	52.45	83.01	25.97	161.43	32.49	51.42	16.09
May	68.94	109.53	29.37	207.84	33.17	52.70	14.13
Jun	105.56	165.05	33.76	304.37	34.68	54.23	11.09
Jul	103.14	166.78	33.26	303.18	34.02	55.01	10.97
Aug	102.82	172.14	42.94	317.90	32.35	54.15	13.51
Sep	81.45	144.15	37.09	262.70	31.01	54.87	14.12
Oct	76.18	133.84	39.30	249.32	30.56	53.68	15.76
Nov	66.90	147.98	16.05	230.92	28.97	64.08	6.95
Dec	66.47	148.80	12.54	227.81	29.18	65.32	5.50
<b>2004</b>							
Jan	68.76	151.71	12.10	232.57	29.56	65.23	5.20
Feb	70.39	151.16	12.36	233.90	30.09	64.63	5.28
Mar	71.28	155.48	11.87	238.62	29.87	65.16	4.97
Apr	68.66	147.91	12.25	228.82	30.01	64.64	5.35
May	68.71	150.29	12.21	231.21	29.72	65.00	5.28
Jun	67.17	103.89	12.80	183.86	36.53	56.50	6.96

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

ECONOMIC ACTIVITIES	2002				2003				2004
	Jun	Sep	Dec	Mar	Jun	Sep	Dec	Mar	Jun
1. Agriculture, Hunting Forestry and Fishing	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
2. Mining and Quarrying	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
3. Manufacturing	25.9	25.8	32.2	26.9	24.0	26.1	23.6	24.7	23.3
4. Electricity, gas and water	4.7	5.8	7.7	8.3	8.5	8.9	8.9	8.7	8.7
5. Construction	106.2	112.8	96.6	92.8	86.1	110.9	97.0	108.4	121.3
6. Wholesale, Retail, Hotel and Restaurant	15.9	20.9	23.8	18.0	20.6	21.6	20.7	21.5	16.9
7. Transport, Storage and Communication	6.1	6.4	7.1	6.4	7.6	7.3	7.3	7.0	7.3
8. Non-Bank Financial Institutions, Real Estate	3.2	3.2	4.2	4.0	4.2	4.4	5.3	5.4	5.8
9. Community, Social and Personal Services	4.7	19.6	23.7	21.7	23.0	23.3	26.7	25.5	28.4
<b>TOTAL</b>	<b>166.7</b>	<b>194.3</b>	<b>195.3</b>	<b>178.1</b>	<b>174.1</b>	<b>202.4</b>	<b>189.5</b>	<b>201.2</b>	<b>211.5</b>
Of which:									
Business Enterprises	124.5	140.8	152.5	141.4	143.8	161.7	150.6	155.2	158.1
Statutory Bodies	42.1	53.5	42.8	36.7	30.3	40.7	38.9	46.0	53.5

Table 8(b)

## COMMERCIAL BANKS' LOANS AND ADVANCES TO BUSINESS ENTERPRISES AND STATUTORY BODIES

(As percent of total : End of Period)

ECONOMIC ACTIVITIES	2002			2003			2004		
	Jun	Sep	Dec	Mar	Jun	Sep	Dec	Mar	Jun
1. Agriculture, Hunting Forestry and Fishing	0.2	0.2	0.2	0.1	0.1	0.0	0.0	0.0	0.0
2. Mining and Quarrying	0.1	0.1	0.1	0.0	0.0	0.0	0.0	0.0	0.0
3. Manufacturing	17.4	16.6	17.5	15.7	14.8	12.9	12.4	12.3	11.0
4. Electricity, gas and water	0.9	1.0	1.3	3.7	3.8	4.4	4.7	4.3	4.1
5. Construction	16.9	17.2	14.8	40.8	38.5	54.8	51.2	53.9	57.3
6. Wholesale, Retail, Hotel and Restaurant	16.0	16.2	16.6	11.9	3.3	10.7	10.9	10.7	8.0
7. Transport, Storage and Communication	23.9	22.9	23.0	9.6	10.3	3.6	3.9	3.5	3.4
8. Non-Bank Financial Institutions, Real Estate	6.5	6.3	6.4	3.6	3.7	2.2	2.8	2.7	2.7
9. Community, Social and Personal Services	18.1	19.5	20.1	14.7	15.5	11.5	14.1	12.7	13.4
TOTAL	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0
of which:									
Business Enterprises	93.7	92.3	93.9	84.0	86.6	79.9	79.5	77.1	74.1
Statutory Bodies	6.3	7.7	M 6.1	16.0	13.4	20.1	20.3	22.9	25.3

Table 9 (a)

**COMMERCIAL BANKS' MAJOR RATIOS**  
( Million Maloti / Per Cent)

End of Period	Liabilities to the Public in Lesotho	Liquid Assets	Liquidity Ratio	Capital	Capital Ratio	Statutory Reserves	Local Assets	Local Assets Ratio
<b>2002</b>								
Mar	1876.45	1472.49	78.47	499.16	26.60	58.00	2206.77	90.68
Jun	1922.54	1452.83	75.57	500.16	26.02	64.35	2110.57	84.86
Sep	1963.32	1486.38	75.71	499.16	25.42	64.35	2247.68	88.95
Dec	1989.91	1514.61	76.11	499.16	25.08	68.15	2367.84	92.59
<b>2003</b>								
Mar	1993.31	1698.07	85.19	474.16	23.79	68.15	1941.37	76.56
Apr	1971.75	1691.29	85.78	474.16	24.05	68.15	1807.38	71.89
May	2068.44	1837.63	88.84	474.16	22.92	68.15	1851.53	70.92
Jun	2080.49	1729.95	83.15	474.16	22.79	68.15	2189.80	83.49
Jul	2057.41	1776.79	86.36	474.16	23.05	68.15	2192.78	84.35
Aug	2067.39	1472.84	71.24	474.16	22.94	68.15	2127.63	81.53
Sep	2057.02	1435.27	69.77	474.16	23.05	68.15	2049.18	78.83
Oct	2054.54	1513.27	73.65	474.16	23.08	68.15	2056.74	79.20
Nov	2001.91	1587.91	79.32	474.16	23.69	68.15	2174.80	85.48
Dec	2243.30	1814.10	80.87	479.11	21.36	68.15	2378.94	85.25
<b>2004</b>								
Jan	2136.15	1667.00	78.04	479.11	22.43	68.15	2299.37	85.69
Feb	2170.71	1656.49	76.31	479.11	22.07	68.15	2210.77	81.34
Mar	2158.60	1669.12	77.32	479.11	22.20	68.15	2093.18	77.36
Apr	2058.04	1862.12	90.48	477.61	23.21	68.15	1963.84	75.42
May	2115.79	1926.36	91.05	479.11	22.64	68.15	1988.29	74.66
Jun	2216.99	2085.54	94.07	479.11	21.61	68.15	1983.33	71.75

Table 9(b)

**COMMERCIAL BANKS' CREDIT DEPOSIT RATIOS**  
(Million Maloti /Per Cent)

End of period	Deposits (1)	Deferred Pay Fund	Government Deposits	Borrowing From Abroad	Credit (2)	Treasury Bills & Bonds	Credit-Deposit Ratios				Other Related Ratios		
							5 as % of 1	5 as % of (1+2)	5 as % of (1+2+3)	5 as % of (1+2+3+4)	6 as % of (1+2+3)	(5+6) as % of (1+2+3)	(5+6) as % of (1+2+3+4)
	1	2	3	4	5	6	7	8	9	10	11	12	13
<b>2002</b>													
Mar	1715.10	37.24	44.65	79.45	330.03	829.62	19.24	18.83	18.37	17.59	46.17	64.53	61.80
Jun	1797.55	42.76	35.48	46.75	353.34	793.60	19.66	19.20	18.84	18.38	42.31	61.14	59.66
Sep	1778.23	38.88	59.30	86.91	405.43	812.13	22.80	22.31	21.61	20.65	43.28	64.89	62.02
Dec	1791.93	34.47	63.89	99.63	415.06	806.08	23.16	22.73	21.96	20.86	42.64	64.60	61.37
<b>2003</b>													
Mar	1814.34	36.52	73.07	69.38	400.84	674.43	22.09	21.66	20.83	20.11	35.05	55.89	53.94
Apr	1793.89	34.12	80.84	62.91	402.45	696.95	22.43	22.02	21.08	20.41	36.51	57.60	55.60
May	1882.39	35.01	77.43	73.60	406.94	740.40	21.62	21.22	20.40	19.67	37.12	57.52	55.47
Jun	1876.90	41.35	80.46	81.79	429.33	959.24	22.87	22.38	21.48	20.64	47.99	69.47	66.74
Jul	1824.62	39.35	80.69	112.75	415.73	1020.69	22.78	22.30	21.38	20.21	52.49	73.87	69.82
Aug	1853.18	37.49	68.02	108.70	416.65	951.81	22.48	22.04	21.27	20.15	48.59	69.87	66.19
Sep	1814.48	37.82	71.90	132.82	450.65	844.74	24.84	24.33	23.42	21.91	43.90	67.32	62.97
Oct	1812.17	37.20	71.16	134.01	438.03	822.20	24.17	23.69	22.81	21.32	42.81	65.62	61.34
Nov	1816.89	38.43	65.20	81.39	439.92	930.34	24.21	23.71	22.91	21.98	48.44	71.35	68.45
Dec	1913.91	31.40	68.35	229.64	441.52	989.92	23.07	22.70	21.93	19.68	49.16	71.09	63.81
<b>2004</b>													
Jan	1830.95	28.76	67.24	209.21	452.07	906.46	24.69	24.31	23.46	21.16	47.04	70.50	63.60
Feb	1886.49	29.58	65.24	189.42	462.12	901.13	24.50	24.12	23.32	21.29	45.48	68.81	62.80
Mar	1894.69	37.80	59.73	166.38	484.87	759.59	25.59	25.09	24.34	22.46	38.13	62.47	57.65
Apr	1821.33	31.42	55.14	150.15	792.69	7210.96	27.05	26.59	25.82	23.94	37.84	63.66	59.02
May	1880.98	35.72	56.04	143.05	496.83	707.13	26.41	25.92	25.18	23.48	35.85	61.03	56.90
Jun	1959.84	35.06	58.41	163.68	504.53	722.75	25.74	25.29	24.57	22.76	35.20	59.77	55.36

(1) Excludes deposits of non-residents and government

(2) Excludes non-performing loans and advances as well as loans and advances to non-residents and government.

**Table 10****NARROW MONEY**  
**(Million Maloti)**

End of Period	M A L O T I			Demand and Call Deposits				Money (1) (3+7)	Annual Rate of Increase (percent)
	Issued	With Banks	With Public	Private Sector	Statutory Bodies	Deferred Pay Fund	Total		
	1	2	3	4	5	6	7		
<b>2002</b>									
Mar	197.78	32.12	164.09	711.63	537.44	3.72	1252.79	1416.89	23.29
Jun	200.16	29.97	168.31	738.22	564.46	4.28	1306.95	1475.26	21.64
Sep	209.94	27.93	181.33	742.88	526.28	3.89	1273.04	1454.37	18.67
Dec	223.80	43.40	179.68	764.41	496.85	3.45	1264.71	1444.39	11.42
<b>2003</b>									
Mar	211.97	31.70	178.65	754.55	510.68	3.65	1268.87	1447.52	2.16
Apr	199.46	37.08	159.66	754.22	511.40	3.41	1269.03	1428.69	0.43
May	214.53	34.96	179.23	793.75	516.71	3.50	1313.96	1493.20	1.20
Jun	214.55	37.45	175.82	789.08	430.84	4.14	1224.06	1399.89	-5.11
Jul	212.50	31.96	179.76	763.84	413.32	3.93	1181.09	1360.86	-6.47
Aug	225.49	34.77	189.82	802.75	411.34	3.75	1217.84	1407.66	-2.79
Sep	224.23	34.74	188.18	824.73	410.01	3.78	1238.52	1426.70	-1.90
Oct	240.58	40.74	199.04	867.82	390.59	3.72	1262.13	1461.17	0.27
Nov	251.63	39.79	211.06	858.64	393.51	3.84	1255.99	1467.05	3.01
Dec	235.51	51.48	183.52	939.80	414.43	3.14	1357.37	1540.89	6.68
<b>2004</b>									
Jan	229.35	39.44	189.18	877.39	404.87	2.88	1285.14	1474.32	3.17
Feb	231.94	37.05	194.18	931.58	403.00	2.96	1337.53	1531.71	10.65
Mar	252.01	43.12	207.63	936.39	395.06	3.78	1335.23	1542.86	6.59
Apr	239.05	37.25	201.09	886.90	387.31	3.14	1277.35	1478.44	3.48
May	250.39	42.17	207.72	941.33	380.97	3.57	1325.86	1533.58	2.70
Jun	225.57	34.92	189.65	981.26	417.92	3.51	1402.69	1592.34	13.75

Although South African Rand is also legal tender in Lesotho, there are no estimates of the rand suitable for this table.

Table 11

## MONETARY SURVEY

(Million Maloti: End of Period)

	2002				2003				2004
	Jun	Sep	Dec	Mar	Jun	Sep	Dec	Mar	Jun
Foreign Assets, Net	4755.192	4605.366	3884.084	3722.270	3635.559	3437.952	3460.841	3480.297	3858.725
-----	-----	-----	-----	-----	-----	-----	-----	-----	-----
Commercial Banks	810.529	742.866	672.684	766.295	569.282	743.087	607.697	903.400	1027.300
Central Bank of Lesotho	3940.376	3857.115	3201.084	2949.681	3060.212	2687.563	2837.679	2567.914	2823.235
Rand with Banks	4.287	5.385	10.316	6.294	6.065	7.302	15.465	8.983	8.190
Domestic Credit	-106.189	76.862	105.448	223.764	357.366	259.890	289.466	180.243	-19.348
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Claims on private sector & statutory bodies	366.826	418.913	428.586	414.019	443.141	464.409	456.510	500.137	520.168
Claims on Government, net of deposits	-473.015	-342.051	-323.138	-190.255	-85.775	-204.519	-167.044	-319.894	-539.516
Money Supply	2222.882	2187.368	2168.182	2191.321	2254.379	2211.647	2297.846	2308.372	2353.463
-----	-----	-----	-----	-----	-----	-----	-----	-----	-----
Money	1470.988	1450.484	1440.940	1443.865	1395.751	1422.915	1537.745	1539.076	1588.836
Maloti with public	168.314	181.328	179.682	178.645	175.823	188.178	183.517	207.629	189.652
Demand and call deposits	1302.674	1269.156	1261.258	1265.220	1219.928	1234.737	1354.228	1331.447	1399.184
Quasi-money	751.894	736.884	727.242	747.456	858.628	788.732	760.101	769.296	764.627
Time deposits	216.803	205.088	200.278	207.349	337.462	282.794	253.057	269.964	263.564
Savings deposits	535.091	531.796	526.964	540.107	521.166	505.938	507.044	499.332	501.063
Other Items, Net	2426.120	2494.861	1821.350	1754.713	1738.546	1486.195	1452.461	1352.168	1485.914
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**Table 12**

**BROAD MONEY  
(Million Maloti)**

End of Period	Savings Deposits	Time Deposits			Quasi-Money (1+2+3+4)	Money (M1)	Money Supply (M2) (5+6)	Annual Rate of Increase (percent)	
		-----	Private Sector	Statutory Bodies					Deferred Pay Fund
		1							
<b>2002</b>									
Mar	530.31	75.65	76.73	33.52	716.20	1416.89	2133.09	17.05	
Jun	535.09	99.42	73.62	38.49	746.62	1475.26	2221.88	18.32	
Sep	531.80	107.57	58.63	34.99	733.00	1454.37	2187.37	15.69	
Dec	526.96	108.96	56.85	31.03	723.79	1444.39	2168.18	8.81	
<b>2003</b>									
Mar	540.11	114.86	55.97	32.87	743.80	1447.52	2191.32	2.73	
Apr	531.84	108.23	49.89	30.70	720.66	1428.69	2149.35	0.44	
May	530.09	131.74	71.24	31.51	764.58	1493.20	2257.78	1.74	
Jun	521.17	187.40	108.72	37.22	854.49	1399.89	2254.38	1.46	
Jul	512.37	187.20	108.32	35.41	843.30	1360.86	2204.16	0.34	
Aug	509.45	188.40	109.06	33.74	840.64	1407.66	2248.30	3.36	
Sep	505.94	161.01	83.97	34.04	784.95	1426.70	2211.65	1.11	
Oct	509.13	136.80	78.89	33.48	758.30	1461.17	2219.47	1.52	
Nov	511.07	144.46	80.23	34.59	770.34	1467.05	2237.39	4.22	
Dec	507.04	142.39	79.27	28.26	756.96	1540.89	2297.85	5.98	
<b>2004</b>									
Jan	491.37	144.56	81.80	25.88	743.60	1474.32	2217.93	3.15	
Feb	493.27	143.31	84.21	26.62	747.41	1531.71	2279.12	7.65	
Mar	499.33	146.86	85.30	34.02	765.52	1542.86	2308.37	5.34	
Apr	489.59	145.66	83.56	28.28	747.09	1478.44	2225.53	3.54	
May	507.55	141.23	79.48	32.15	760.40	1533.58	2293.98	1.60	
Jun	501.06	150.65	77.85	31.56	761.12	1592.34	2353.46	4.40	

Table 13

**COMMERCIAL BANKS' DEPOSITS, WITHDRAWALS FROM DEPOSITS AND TURNOVER**  
(Million Maloti)

End of Period	Demand and Call Deposits	Withdrawals from Demand and Call Deposits	Turnover	Savings Deposits	Withdrawals from Savings Deposits	Turnover	Fixed Time Deposits	Withdrawals from Fixed Time Deposits	Turnover	Total Deposits	Total Withdrawals	Turnover
<b>2002</b>												
Mar	1271.71	304.92	0.24	530.40	134.59	0.25	195.20	0.018	0.00	1997.30	439.53	0.22
Jun	1334.96	316.29	0.26	535.21	135.73	0.25	219.22	0.015	0.00	2089.39	452.04	0.22
Sep	1304.08	334.77	0.26	531.85	153.42	0.29	208.79	0.03	0.00	2044.71	488.21	0.24
Dec	1290.29	457.89	0.26	527.01	165.93	0.26	203.90	0.03	0.26	2021.20	623.85	0.31
<b>2003</b>												
Mar	1295.33	658.37	0.26	540.13	196.08	0.26	210.90	4.83	0.26	2046.37	859.28	0.42
Apr	1300.20	719.41	0.55	531.86	120.37	0.23	195.45	4.39	0.02	2027.50	844.17	0.42
May	1348.09	744.79	0.55	530.12	122.21	0.23	242.76	5.51	0.02	2120.96	872.51	0.41
Jun	1251.73	740.26	0.59	521.19	125.98	0.24	345.60	4.38	0.26	2118.52	870.62	0.41
Jul	1215.39	406.82	0.33	512.40	125.38	0.24	342.97	0.05	0.26	2070.76	532.24	0.26
Aug	1261.20	414.83	0.33	509.50	128.91	0.25	343.10	0.04	1.26	2113.80	543.78	0.26
Sep	1267.68	412.71	0.33	506.02	134.41	0.27	289.06	0.04	2.26	2062.75	547.15	0.27
Oct	1292.66	797.99	0.62	509.20	161.22	0.32	265.35	5.57	0.02	2067.20	964.78	0.47
Nov	1282.98	765.85	0.60	511.13	156.89	0.31	269.09	5.43	0.02	2063.20	928.17	0.45
Dec	1389.29	774.97	0.56	507.10	157.70	0.31	258.96	6.11	0.02	2155.36	938.78	0.44
<b>2004</b>												
Jan	1316.93	716.70	0.54	491.44	156.61	0.32	261.21	6.29	0.02	2069.59	879.59	0.43
Feb	1370.14	652.22	0.48	493.32	128.06	0.26	263.38	6.12	0.02	2126.84	786.40	0.37
Mar	1372.96	686.90	0.50	499.37	139.02	0.28	276.32	6.92	0.03	2148.65	832.84	0.39
Apr	1314.27	674.68	0.51	489.62	125.16	0.26	266.87	7.63	0.03	2070.76	807.47	0.39
May	1362.52	670.33	0.49	507.58	101.41	0.20	262.51	7.23	0.03	2132.61	778.97	0.37
Jun	1441.84	536.13	0.37	501.09	98.33	0.19	269.53	7.70	0.03	2212.46	641.16	0.29

**Table 14(a) DEPOSIT RATES PAID BY COMMERCIAL BANKS**  
**(With Comparable South African Rates)**  
**(Per Cent Per Annum)**

End of Period	Lending Rates		South African Prime	Deposit rates	
	Prime	Maximum		Savings	Call
<b>2002</b>					
Mar	16.33	24.67	13.00	2.17-4.00	5.00
Jun	17.00	25.33	13.00	2.42-4.00	5.00
Sep	17.33	24.00	17.00	2.42-4.00	5.00
Dec	17.67	26.00	17.00	2.58-4.00	5.50
<b>2003</b>					
Mar	17.67	26.00	17.00	2.58-4.00	5.50
Apr	17.67	26.00	17.00	2.58-4.00	5.50
May	17.67	26.00	17.00	2.58-4.00	6.50
Jun	16.50	23.17	15.00	1.88-3.50	5.00
Jul	16.50	23.17	15.50	2.42-3.50	5.00
Aug	16.50	23.17	14.50	2.42-3.50	5.00
Sep	14.83	19.83	13.50	2.00-2.00	4.08
Oct	14.00	19.00	12.00	2.00-2.59	4.08
Nov	13.00	18.00	12.00	2.00-2.55	3.70
Dec	12.50	17.67	11.50	1.68-2.48	3.55
<b>2004</b>					
Jan	12.50	17.67	11.50	1.68-2.41	2.11
Feb	12.50	19.17	11.50	1.68-2.31	2.10
Mar	12.50	17.50	11.50	1.68-2.32	2.09
Apr	12.50	19.17	11.50	1.68-2.11	2.36
May	12.50	19.17	11.50	1.68-2.08	2.29
Jun	12.50	19.17	11.50	1.68-2.09	2.33

**Table 14 (b)**

**TIME DEPOSIT RATES BY COMMERCIAL BANKS**

**With comparable South African Rates  
(Per Cent Per Annum)**

<b>I N T E R E S T P A I D</b>						
End of Period	Lesotho Time Deposits				South African Time Deposits	
	31Days	88Days	6 Months	1 Year	31 Days	1 Year
<b>2002</b>						
Mar	4.00	5.00	5.00	6.00	9.75	11.50
Jun	4.50	5.00	5.50	6.00	11.7	12.82
Sep	4.50	5.00	5.50	6.00	12.81	14.03
Dec	4.75	5.75	5.75	6.25	13.03	13.02
<b>2003</b>						
Mar	4.75	5.75	5.75	6.25	13.50	12.90
Apr	4.75	5.75	5.75	6.25	13.40	12.90
May	4.75	5.75	5.75	6.25	13.05	12.05
Jun	4.38	5.20	5.20	5.45	11.55	10.00
Jul	4.50	5.20	5.50	6.00	11.24	9.70
Aug	4.50	5.20	5.50	6.00	10.42	9.70
Sep	4.47	4.47	4.75	5.25	9.38	8.65
Oct	4.47	4.47	4.75	5.25	8.05	7.73
Nov	4.00	4.25	4.75	5.25	7.89	7.33
Dec	3.75	4.40	4.50	6.00	7.69	7.84
<b>2004</b>						
Jan	3.75	4.40	4.50	6.00	7.71	9.37
Feb	3.75	4.40	4.50	6.00	7.76	8.60
Mar	3.75	4.40	4.50	6.00	7.66	8.70
Apr	3.75	4.40	4.50	6.00	8.35	9.30
May	3.75	4.40	4.50	6.00	8.30	8.95
Jun	3.75	4.40	4.50	6.00	8.25	9.05

**Table 15 COMPARATIVE MONEY MARKET RATES**

End of Period	Central Bank Rates -----		Treasury Bills -----	
	*CBL	+SARB	LESOTHO	RSA
<b>2002</b>				
Mar	13.00	11.50	10.99	10.24
Jun	13.00	12.50	11.03	11.42
Sep	15.53	13.50	11.53	12.41
Dec	16.19	13.50	12.19	12.42
<b>2003</b>				
Mar	18.50	13.50	13.12	12.71
Apr	17.20	13.50	13.20	12.74
May	17.24	13.50	13.24	11.90
Jun	16.84	12.50	12.84	9.65
Jul	16.04	12.00	13.04	10.68
Aug	16.63	11.00	12.63	10.63
Sep	14.99	10.00	10.99	8.97
Oct	15.00	8.50	10.71	7.87
Nov	15.00	8.50	10.01	7.85
Dec	14.99	8.00	9.83	7.54
<b>2004</b>				
Jan	15.00	8.00	9.00	7.56
Feb	13.00	8.00	9.00	7.58
Mar	13.00	8.00	8.84	7.80
Apr	13.00	8.00	8.84	7.71
May	13.00	8.00	8.84	7.75
Jun	13.00	8.00	8.80	7.87

**Note: \*CBL – Central Bank of Lesotho overdraft rate  
+ SARB - South African Reserve Bank marginal lending rate**

Table 16

## GOVERNMENT BUDGETARY OPERATIONS

(Million Maloti / Percent of GDP)

	2002/2003			2003/2004		Revised			Preliminary
	2002/2003	2002/2003	2002/2003	2003/2004	2003/2004	2003/2004	2003/2004	2004/2005	
	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	
Total Receipts	814.7	817.7	868.3	772.0	960.9	887.1	996.9	1001.8	
Revenue	771.0	761.6	798.5	725.9	921.4	834.4	957.4	981.4	
Customs	367.5	367.5	367.5	355.4	355.4	355.4	355.4	503.1	
Income Taxes	179.0	172.5	215.0	134.0	257.5	204.0	256.8	195.0	
of which :Individual Tax	124.9	127.0	125.7	94.7	134.6	121.3	143.2	118.0	
Company Tax	28.9	40.7	53.1	21.5	81.8	58.2	75.0	44.5	
Taxes on goods & services	107.0	118.2	117.0	100.5	153.7	181.3	167.4	178.4	
Other Tax	1.2	2.4	2.4	1.1	1.3	2.7	5.4	2.2	
Non-Tax Revenue	116.3	101.0	96.6	134.9	153.5	91.0	172.4	102.7	
of which : Water Royalties	54.4	53.9	52.9	46.9	57.2	46.7	42.3	40.7	
Grants	43.7	56.1	69.8	46.1	39.5	52.7	39.5	20.4	
Total Expenditure & Net Lending	922.9	831.3	945.7	918.6	871.0	904.7	851.1	826.4	
Recurrent	746.3	659.0	759.9	714.3	747.6	783.1	685.0	679.6	
Personnel Emoluments	272.6	271.7	270.6	278.5	279.2	275.8	283.8	296.8	
Interest Payments	65.5	54.6	58.7	39.4	53.4	68.1	55.8	40.5	
of which: Bank Restructuring	11.9	12.0	12.1	13.2	13.6	12.0	10.0	8.5	
LHDA	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	
Subsidies and Transfers	132.5	123.4	141.7	149.0	149.1	163.5	155.2	177.2	
Other Expenditure	275.7	209.3	288.9	247.4	265.9	275.7	190.2	165.1	
of which: Bank Restructuring	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	
Agricultural Support	0.0	0.0	0.0	16.3	10.3	10.1	28.1	0.0	
Imperial Fleet Services	38.3	24.0	31.2	31.6	39.8	40.9	37.7	29.3	
Capital Expenditure & Net Lending	176.6	172.3	185.8	204.3	123.4	121.6	166.1	156.8	
Surplus/Deficit before LHDA	-108.2	-13.6	-77.4	-146.6	89.9	-17.6	145.8	165.4	
Overall Surplus/Deficit	-108.2	-13.6	-77.4	-146.6	89.9	-17.6	145.8	165.4	
Total Financing	108.2	13.7	77.4	146.7	-89.8	17.6	-145.9	-165.3	
Foreign financing (net)	-9.0	-13.5	1.7	-16.4	-9.4	-46.1	37.0	-26.1	
Domestic financing (net)	117.2	27.2	75.7	163.1	-80.4	63.7	-182.9	-139.2	
Bank financing	130.9	20.6	142.7	104.5	-111.3	37.5	-152.9	-219.6	
Non-bank financing	-13.7	6.6	-67.0	58.6	30.9	26.2	-30.0	80.5	
<b>In Percent of GDP (%)</b>									
Total Receipts	42.1	42.3	44.9	36.1	44.9	41.5	46.6	46.8	
Total Expenditure	47.7	43.0	48.9	43.0	40.7	42.3	39.8	39.1	
Budget Balance	-5.6	-0.7	-4.0	-6.9	4.2	-0.8	6.8	7.7	

Source: Ministry of Finance

**Table 17**

**TREASURY BILLS BY TYPE OF HOLDER**  
**(Million Maloti)**

End of Period	CBL	Comm. Banks	NBFI	Others	Total
<b>2002</b>					
Mar	20.0	425.4	31.9	76.4	553.7
Jun	0.1	399.0	34.3	86.9	520.3
Sep	0.0	408.6	23.5	83.7	515.8
Dec	0.0	402.0	23.7	90.0	515.7
<b>2003</b>					
Mar	20.0	292.9	10.5	47.0	370.4
Apr	20.0	316.7	18.3	52.4	407.4
May	20.0	352.9	40.1	45.0	458.0
Jun	0.0	579.4	72.1	46.5	698.0
Jul	0.0	640.4	74.0	54.0	768.4
Aug	0.0	547.5	84.5	52.4	684.4
Sep	0.0	437.5	93.1	58.1	588.7
Oct	0.0	410.8	106.4	55.4	572.6
Nov	0.0	462.2	119.5	52.7	634.4
Dec	0.0	463.4	108.2	52.6	624.2
<b>2004</b>					
Jan	0.0	387.7	98.0	38.2	523.9
Feb	0.0	412.3	69.9	45.9	528.1
Mar	0.0	388.7	104.6	39.7	533.0
Apr	0.0	3434	150.2	47.5	541.1
May	0.0	340.9	179.6	23.7	544.2
Jun	0.0	376.8	115.3	52.1	544.2

**Table 18(a)**

**LESOTHO ANNUAL INFLATION RATE**

**APRIL 1997 = 100**

	ALL ITEMS INDEX	Food & Non- Beverages	Alcoholic Beverages & Tobacco	Clothing & Footwear	Housing, Water, Electricity & Other Fuels	Furnishings, H/h Equipment & Routine Maintenance of House	Health	Transport	Communi- cation	Leisure, Enter- tainment & Culture	Education	Restau- rants & Hotels	Misce- llaneous Goods & Services
<b>2002</b>													
Mar	13.7	29.2	9.2	3.6	10.3	3.8	0.5	11.0	0.0	4.6	1.3	10.5	5.3
Jun	12.6	30.9	6.4	2.4	10.4	4.1	0.8	7.3	0.0	6.1	0.2	14.9	5.9
Sept	11.3	26.6	6.8	2.1	9.7	4.6	1.6	6.7	0.0	6.6	0.5	20.8	6.8
Dec	11.2	23.7	6.5	3.9	11.8	7.6	2.7	8.3	0.0	6.0	0.3	20.4	8.3
<b>2003</b>													
Mar	7.7	7.8	8.1	4.2	9.3	7.5	3.2	5.7	0.0	9.3	3.5	18.6	9.0
April	7.2	6.8	6.8	3.6	9.3	7.1	2.6	7.4	36.6	8.9	3.6	15.7	9.7
May	6.9	5.8	7.4	4.2	9.0	6.9	2.6	6.7	36.6	8.3	4.1	16.1	9.0
June	6.4	2.8	8.1	3.8	7.2	6.5	3.2	5.9	36.6	9.7	3.9	14.6	8.1
July	6.9	2.2	12.0	4.3	8.4	8.7	3.4	5.3	43.4	11.6	4.2	14.6	8.6
Aug	7.1	2.1	11.0	4.4	8.1	8.7	3.9	8.3	43.4	9.6	4.4	12.5	9.0
Sept	6.9	1.7	11.4	4.5	7.9	9.3	3.1	7.2	43.4	12.1	4.7	6.6	9.4
Oct	6.5	0.9	12.5	3.5	7.1	9.0	3.6	8.2	43.4	10.8	4.8	3.3	9.0
Nov	6.0	0.8	11.6	3.9	4.6	7.4	3.9	7.4	43.4	10.8	4.8	4.8	9.5
Dec	5.9	0.7	11.1	3.8	5.0	7.8	4.4	7.0	43.4	11.3	4.5	4.3	7.8
<b>2004</b>													
Jan	5.9	1.4	10.9	3.9	5.5	6.6	3.7	6.3	43.4	9.9	7.5	2.2	7.8
Feb	5.5	2.2	12.3	3.4	4.7	6.7	4.2	5.7	43.4	7.4	4.1	4.3	6.3
Mar	5.2	1.9	10.0	3.5	4.7	6.1	4.5	5.7	43.4	7.8	4.3	4.4	6.5
April	5.1	2.3	10.5	3.2	4.8	5.6	5.3	3.8	5.0	6.2	4.3	4.2	5.5
May	5.3	3.1	10.6	3.0	4.0	5.4	5.3	3.7	5.0	6.3	4.2	2.6	5.2
June	5.4	5.4	10.0	3.2	5.5	5.8	3.8	4.8	5.0	5.2	4.3	2.3	4.7

**Source : The Bureau of Statistics**

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

Table 18(b)

**LESOTHO MONTHLY INFLATION RATE**  
**APRIL 1997 = 100**

	ALL ITEMS INDEX	Food & Non- Beverages	Alcoholic Beverages & Tobacco	Clothing & Footwear	Housing, Water, Electricity & Other Fuels	Furnishings, H/h Equipment & Routine Maintenance of House	Health	Transport	Communi- cation	Leisure, Enter- tainmen t & Culture	Education	Restau- rants & Hotels	Misce- llaneous Goods & Services
<b>2002</b>													
Mar	1.7	2.8	2.5	0.2	1.6	0.4	-2.0	4.0	0.0	0.2	0.0	3.9	0.5
June	0.8	1.3	-0.3	0.3	1.1	0.7	0.3	0.1	0.0	-0.2	0.1	1.6	1.2
Sept	0.5	0.5	-0.2	0.4	0.2	0.2	0.8	1.0	0.0	-1.9	0.1	5.9	0.2
Dec	0.2	0.3	0.4	0.1	0.1	-0.2	0.0	0.5	0.0	0.6	0.2	0.4	1.4
<b>2003</b>													
Mar	0.7	0.6	4.3	0.2	0.3	0.6	0.0	0.5	0.0	0.9	0.0	0.1	0.3
April	0.5	0.3	0.5	0.4	0.5	0.4	0.1	1.9	36.6	1.8	0.1	0.3	0.8
May	0.1	-0.2	0.4	0.5	0.7	0.4	0.1	0.1	0.0	0.1	0.1	0.4	0.7
June	0.4	-1.6	0.4	-0.1	-0.5	0.3	0.9	-0.6	0.0	1.1	-0.1	0.3	0.4
Jul	0.9	0.1	3.6	1.2	1.2	2.1	0.0	0.3	5.0	1.7	0.3	0.0	1.9
Aug	0.6	0.4	0.2	0.0	0.4	1.0	0.9	2.9	0.0	-0.5	3.0	0.0	0.9
Sept	0.3	0.1	0.1	0.6	0.1	0.7	0.1	0.0	0.0	0.3	0.3	0.4	0.5
Oct	0.3	0.0	0.7	0.2	0.6	0.4	1.0	1.0	0.0	0.6	0.1	0.7	0.2
Nov	0.2	0.3	0.0	0.2	-0.3	0.4	0.3	-0.5	0.0	0.4	0.0	0.0	0.8
Dec	0.2	0.2	0.0	0.1	0.5	0.2	0.5	0.1	0.0	1.0	-0.04	0.0	-0.2
<b>2004</b>													
Jan	0.7	1.2	0.0	0.2	1.2	0.1	-0.4	0.0	0.0	-0.2	3.0	0.0	0.3
Feb	0.5	0.8	1.5	0.1	0.0	-0.1	0.5	0.0	0.0	0.0	0.1	2.1	-0.6
Mar	0.4	0.3	2.2	0.2	0.4	0.1	0.3	0.5	0.0	1.3	0.2	0.1	0.6
April	0.4	0.6	1.0	0.1	0.5	-0.1	0.9	0.1	0.0	0.3	0.1	0.1	-0.1
May	0.4	0.5	0.5	0.3	-0.1	0.2	0.1	0.0	0.0	0.2	0.0	-1.1	0.4
June	0.4	0.6	-0.1	0.1	1.0	0.7	-0.4	0.4	0.0	0.0	0.0	0.0	0.0

**Source : The Bureau of Statistics**

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

Table 19

## EXCHANGE RATES

	Botswana Pula	EURO	French Franc	German Mark	Japanese Yen	Saudi Riyal	SDR	Swedish Kronor	Swiss Franc	UK Pound	US Dollar	Zimbabwe Dollar
<b>2002</b>												
Mar	1.695	9.945	0.649	5.199	0.088	3.076	14.160	0.927	6.737	16.176	11.345	0.209
Jun	1.663	9.592	0.685	4.903	0.081	2.774	13.384	0.954	6.561	15.275	10.420	0.189
Sep	1.687	10.241	0.641	5.728	0.087	2.768	13.803	0.903	6.983	16.131	10.418	0.191
Dec	1.582	9.093	0.687	4.649	0.073	2.370	11.980	0.986	6.205	14.169	8.933	0.161
<b>2003</b>												
Mar	1.463	8.286	0.759	4.441	0.068	2.139	11.047	0.945	5.917	12.743	8.059	0.000
Apr	1.514	8.310	0.790	4.249	0.064	2.035	10.562	0.909	5.560	12.091	7.673	0.009
May	1.528	8.858	0.747	4.548	0.064	2.032	10.718	0.968	5.853	12.425	7.657	0.009
Jun	1.547	9.119	0.766	4.696	0.067	2.092	11.074	1.011	5.968	13.098	7.881	0.010
Jul	1.516	8.578	0.765	4.386	0.064	2.049	10.563	0.935	5.549	12.267	7.673	0.009
Aug	1.503	8.243	0.798	4.203	0.062	1.960	10.241	0.891	5.356	11.772	7.391	0.009
Sep	1.507	8.198	0.800	4.223	0.064	1.944	10.190	0.906	5.322	11.774	7.307	0.009
Oct	1.502	8.155	0.777	4.168	0.064	1.832	9.995	0.906	5.271	11.708	6.981	0.009
Nov	1.486	7.882	0.832	4.031	0.062	1.802	9.677	0.877	5.061	11.400	6.757	0.008
Dec	1.477	7.974	0.824	4.077	0.060	1.732	9.518	0.884	5.135	11.419	6.497	0.008
<b>2004</b>												
Jan	1.522	8.780	0.752	4.489	0.094	1.857	10.397	0.960	5.614	12.645	6.963	0.009
Feb	1.417	8.551	0.767	4.372	0.064	1.805	10.145	0.935	5.441	12.630	6.770	0.006
Mar	1.377	8.120	0.808	4.338	0.059	1.767	9.767	0.879	5.185	12.112	6.605	0.003
Apr	1.357	7.803	0.841	3.990	0.059	1.733	9.444	0.853	5.135	11.868	6.450	0.001
May	1.356	7.791	0.843	3.983	0.059	1.733	9.434	0.852	5.127	12.138	6.445	0.001
Jun	1.356	7.775	0.844	3.975	0.059	1.731	9.414	0.850	5.117	11.771	6.435	0.001

Loti per unit of foreign currency, period average

Table 20

**SUMMARY OF COMMERCIAL BANKS' NON-RAND FOREIGN EXCHANGE TRANSACTIONS  
(Million Maloti)**

	PURCHASES			SALES			Net Inflow / Net Outflow
	Exports	Other	Total	Imports	Other	Total	
<b>2002</b>							
Mar	92.46	55.14	147.60	88.69	52.40	141.09	6.51
Jun	159.95	48.05	208.00	221.54	59.67	281.21	-73.21
Sep	78.44	15.44	93.88	36.11	17.31	53.42	40.46
Dec	44.16	24.706	68.86	41.20	17.94	59.14	9.72
<b>2003</b>							
Jan	58.92	27.37	86.29	41.01	24.46	65.47	20.82
Feb	43.31	23.93	67.24	52.02	12.89	64.91	2.33
Mar	53.35	42.77	96.12	75.25	20.38	95.63	0.49
Apr	96.91	37.11	134.02	35.33	33.74	69.07	64.95
May	72.38	35.82	108.20	21.48	23.85	45.32	62.88
Jun	73.21	27.28	100.49	20.76	21.51	42.27	58.22
Jul	61.14	20.49	81.63	17.89	24.76	42.65	38.98
Aug	24.65	13.48	38.13	7.62	28.11	35.73	2.40
Sep	83.38	22.89	106.27	9.19	20.13	29.32	76.95
Oct	147.94	16.01	163.95	21.59	17.71	39.29	124.66
Nov	53.37	22.70	76.07	27.31	29.31	56.62	19.45
Dec	74.22	15.58	89.80	18.08	24.04	42.12	47.68
<b>2004</b>							
Jan	20.05	21.43	41.48	12.86	61.21	74.07	-32.59
Feb	11.24	21.36	32.60	38.66	42.58	81.24	-48.64
Mar	84.17	21.73	105.90	5.48	22.05	27.53	78.37
Apr	34.97	17.84	52.81	12.78	21.49	34.27	18.54
May	52.37	37.62	89.99	1.78	16.40	18.18	71.81
Jun	50.34	38.74	89.08	17.61	26.74	44.35	44.73

Table 21 (a)

## ANNUAL BALANCE OF PAYMENTS

(Million Maloti)

	1994	1995	1996	1997	1998	1999	2000	2001	2002	2003
I CURRENT ACCOUNT	-719.41	-1174.43	-1350.63	-1295.69	-1413.72	-1349.40	-1083.76	-837.32	-1255.38	-1240.14
Goods, Services and Income	-1368.56	-1936.28	-2154.82	-2227.37	-2255.89	-2252.43	-2019.87	-1990.18	-2533.10	-2523.70
a) GOODS	-2491.21	-2995.90	-3490.87	-3818.14	-3589.63	-3707.35	-3582.17	-3398.18	-4017.99	-4138.31
Merchandise exports f.o.b.	509.28	580.57	812.13	903.98	1109.60	1054.09	1468.36	2425.97	3739.89	3557.37
Merchandise imports f.o.b.	-3000.49	-3576.47	-4303.00	-4722.12	-4699.23	-4761.44	-5050.53	-5824.15	-7757.88	-7695.68
b) SERVICES	-31.87	-80.20	-86.86	46.69	-58.09	-38.51	-1.24	-99.72	-213.24	-259.75
c) INCOME	1154.52	1139.82	1422.91	1544.08	1391.83	1493.43	1563.55	1507.72	1698.13	1874.36
Labour income	1206.11	1213.03	1390.21	1472.72	1409.56	1473.53	1553.81	1555.30	1712.81	1868.07
Other	-51.59	-73.21	32.70	71.36	-17.73	19.90	9.74	-47.58	-14.68	6.29
d) CURRENT TRANSFERS	649.15	761.85	804.19	931.68	842.17	903.03	936.11	1152.86	1277.72	1283.56
Government, net	635.34	749.04	792.58	921.40	826.39	891.46	919.84	1121.82	1241.21	1221.41
SACU non-duty receipts	532.72	599.52	682.62	804.25	709.84	792.76	803.22	1016.99	1097.22	1081.79
Other	102.62	149.52	109.96	117.15	116.55	98.70	116.62	104.83	143.99	139.62
Other sectors	13.81	12.81	11.61	10.28	15.78	11.57	16.27	31.04	36.51	62.15
II CAPITAL AND FINANCIAL ACCOUNT	1192.27	1426.50	1699.85	1672.26	1595.84	922.70	773.58	924.57	1177.76	929.55
e) CAPITAL ACCOUNT	142.90	158.32	194.20	206.10	122.60	92.90	150.70	138.00	247.10	208.10
f) FINANCIAL ACCOUNT	1049.37	1268.18	1505.65	1466.16	1473.24	829.80	622.89	786.57	930.66	721.45
Special Financing - LHWP	817.92	913.64	1107.40	1093.78	1303.13	798.23	608.12	772.23	595.70	552.26
III RESERVE ASSETS	-461.55	-346.87	-487.40	-626.38	-589.10	285.73	-92.00	-1637.18	1278.78	516.99
IV ERRORS AND OMISSIONS 1/	-1131.00	94.80	138.18	248.81	406.98	142.10	73.38	1549.93	-1200.82	-206.40

1/ Including valuation adjustments

**Table 21 (b)**

**QUARTERLY BALANCE OF PAYMENTS**  
**Million Maloti**

	<b>QII</b>	<b>QIII</b>	<b>2002 QIV</b>	<b>QI</b>	<b>QII</b>	<b>QIII</b>	<b>2003 QIV</b>	<b>QI*</b>	<b>2004 QII+</b>
I CURRENT ACCOUNT	-351.95	-286.00	-320.62	-359.66	-304.79	-300.59	-274.98	-193.28	-114.76
Goods, Services and Income	-723.85	-594.24	-612.09	-685.43	-670.72	-601.11	-566.94	-527.17	-526.91
a) GOODS	-1098.09	-959.64	-992.07	-1090.65	-1085.41	-964.57	-997.68	-988.66	-1003.35
Merchandise exports f.o.b.	833.54	1057.80	997.58	824.89	801.74	1011.68	919.06	849.02	897.92
Merchandise imports f.o.b.	-1931.63	-2017.44	-1989.65	-1915.54	-1887.15	-1976.25	-1916.74	-1837.68	-1901.27
b) SERVICES	-46.47	-65.02	-55.70	-47.65	-60.83	-94.00	-58.05	-56.64	-64.29
c) INCOME	420.70	430.42	435.68	452.87	475.52	456.96	489.01	518.13	540.73
Labour income	419.41	438.70	436.34	448.11	453.51	450.92	515.53	522.69	562.68
Other	1.29	-8.28	-0.66	4.76	22.01	6.04	-26.52	-4.56	-21.95
d) CURRENT TRANSFERS	371.90	308.24	291.47	325.77	365.81	301.02	290.96	333.89	412.15
Government, net	359.41	293.80	288.88	309.68	353.89	281.65	276.19	322.64	383.92
SACU non-duty receipts	276.37	276.72	267.01	286.66	272.74	265.90	256.49	245.59	386.50
Other	83.04	17.08	21.87	23.02	81.15	15.75	19.70	77.05	-2.58
Other sectors	12.49	14.44	2.59	16.09	11.92	19.37	14.77	11.25	28.23
II CAPITAL AND FINANCIAL ACCOUNT	272.65	307.46	314.43	137.71	319.29	155.52	317.03	-23.53	185.88
e) CAPITAL ACCOUNT	90.10	43.70	56.10	69.80	46.10	39.50	52.70	39.50	0.00
f) FINANCIAL ACCOUNT	182.55	263.76	258.33	67.91	273.19	116.02	264.33	-63.03	185.88
Special Financing - LHWP	153.02	151.88	164.72	101.01	131.01	221.01	99.23	93.08	231.11
III RESERVE ASSETS	338.62	-76.00	683.62	282.72	-0.82	391.66	-156.57	257.49	-251.39
IV ERRORS AND OMISSIONS 1/	-259.32	54.54	-677.43	-60.77	-13.56	-246.39	114.52	-40.68	180.27

**1/ Including valuation adjustments**

**\* Revised estimates**

**+ Preliminary estimates**

**Table 22**

**SUMMARY OF FOREIGN TRADE**  
**(Million Maloti)**

	IMPORTS F.O.B	EXPORTS F.O.B	TRADE BALANCE
<b>1999</b>			
Quarter I	992.66	205.29	-787.37
Quarter II	1329.51	231.02	-1098.49
Quarter III	1244.28	304.63	-939.65
Quarter IV	1194.99	313.15	-881.84
<b>2000</b>			
Quarter I	1139.98	312.26	-827.72
Quarter II	1262.20	338.32	-923.88
Quarter III	1256.95	408.78	-848.17
Quarter IV	1391.40	409.00	-982.40
<b>2001</b>			
Quarter I	1337.33	476.79	-860.54
Quarter II	1367.97	490.87	-877.10
Quarter III	1481.86	636.73	-845.13
Quarter IV	1636.99	821.58	-815.41
<b>2002</b>			
Quarter I	1819.16	850.97	-968.19
Quarter II	1931.63	833.54	-1098.09
Quarter III	2017.44	1057.80	-959.64
Quarter IV	1989.65	997.58	-992.07
<b>2003</b>			
Quarter I	1915.54	824.89	-1090.65
Quarter II	1887.15	801.74	-1085.41
Quarter III	1976.25	1011.68	-964.57
Quarter IV	1916.74	919.06	-997.68
<b>2004*</b>			
Quarter I	1837.68	849.02	-988.66
Quarter II	1901.27	897.92	-1003.35

**Source : Customs and CBL estimates**

**\* Provisional CBL estimates**

**Table 23**

**STATISTICS OF BASOTHO MINERS IN SOUTH AFRICA**

	Average Number Employed	Average Earnings(1)	Deferred Pay (2)		Remittances Payments (3)	
			Maloti '000	% change on a year ago	Maloti '000	% change on a year ago
<b>1999</b>	68,604	27,657	146,863	-9	91,983	-5
<b>2000</b>	64,907	30,131	151,414	3	87,441	-5
<b>2001</b>	61,412	32,030	152,877	1	102,797	18
<b>2002</b>	62,158	35,326	182,479	19	112,496	9
<b>2003</b>	61,416	38,513	208,450	14	118,333	5
<b>2001</b>						
Q I	63,367	7,672	30,566	17	24,335	57
Q II	61,948	7,868	34,299	-29	23,041	-25
Q III	60,470	8,223	42,231	12	25,305	47
Q IV	59,861	8,267	45,781	16	30,116	26
<b>2002</b>						
Q I	61,307	8,471	40,561	33	25,360	4
Q II	61,745	8,794	43,078	26	22,858	-1
Q III	62,281	8,850	45,307	7	27,018	7
Q IV	63,298	9,211	53,533	17	37,260	24
<b>2003</b>						
Q I	62,397	9,076	47,387	17	29,696	17
Q II	61,305	9,282	50,486	17	28,081	23
Q III	60,536	9,615	57,311	26	26,897	0
Q IV	61,424	10,540	53,266	0	33,659	-10
<b>2004</b>						
Q I	61,525	...	50,017	6	29,800	0
Q II	61,529	...	50,394	0	29,646	6

**(1) These figures are average earnings, including overtime payments, and repatriation allowances earned by workers in the mines.**

**Figures are supplied by South African Chamber of Mines.**

**(2) Deferred pay as shown in this table, represents miners' withdrawals from the Fund processed through recruiting agencies.**

**(3) These are part of miners' wages transferred to Lesotho through recruiting agencies.**