

**CENTRAL BANK OF LESOTHO**

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**MASERU  
KINGDOM OF LESOTHO**

# QUARTERLY REVIEW

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## **I. Key Economic Events in Lesotho during the third quarter**

Millennium Challenge Account (MCA) assistance

### *Background*

The MCA, an initiative by the United States (US) Government, was established by the US legislation as a development assistance mechanism to assist eligible countries in their endeavours to achieve sustainable economic growth and reduce poverty. For this purpose, the US Congress has appropriated \$1 billion for the 2004 fiscal year, which ends in September. The US Government is hoping that Congress will approve that this amount be increased to \$2.5 billion for the year 2005 and further to \$5 billion in 2006.

A new government corporation, the Millennium Challenge Corporation (MCC), has been established to administer the MCA. The MCC is intended to support development strategies and “*ensure accountability for measurable results*”.

### *Intensions of MCA*

This assistance is intended for countries that “*rule justly, invest in their people and encourage economic freedom*”. To achieve the objectives of the MCA, the MCC pays attention to the following areas: policy reform, sustainable growth, spirit of partnership, consideration of public views in determining priorities, outcome-based standards for success, and accountability and progress monitoring.

### *Eligibility of countries*

Eligibility of nations is based on national performance relative to *governing justly, investing in people and encouraging economic freedom*. Among the 63 identified candidates, on 6 May 2004, the MCC selected 16 countries, which included Lesotho, as eligible for funding under the MCA in this year.

### *Proposal*

Eligible countries that will produce sound proposals - clearly outlining the purpose, justification, consultative process, implementation and sustainability of their programmes - will enhance their prospects to be granted assistance under the MCA. As such, Lesotho prepared a comprehensive proposal during the third quarter in order to be among the first countries to be considered for this assistance.

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

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

Preliminary estimates indicate that the US economy, as measured by gross domestic product (GDP), grew by 3.7 per cent on an annual basis in the third quarter compared to the revised annual growth of 3.3 per cent in the second quarter. This acceleration resulted mainly from an increase of 4.6 per cent in consumer spending compared to 1.6 per cent in the last quarter. The other components of GDP registered lower growth rates compared to the previous quarter. Business investment dropped to 11.7 per cent from 12.5 per cent, housing investment slumped to 3.1 per cent from 16.5 per cent, while government spending grew by a lower rate of 1.4 per cent following an increase of 2.2 per cent in the previous quarter. The trade gap widened as imports increased by 7.7 per cent while exports rose by a lower 5.5 per cent.

The relatively strong economic growth could have stimulated the slight recovery observed in the US labour market during the review quarter. The unemployment rate fell to 5.4 per cent in September from 5.6 per cent at the end of the last quarter.

Inflation in the US continued on an upward trend. The consumer price index rose at an annual rate of 3.5 per cent in September compared to 2.9 per cent in June. As a result, the Federal Reserve policy makers increased the benchmark lending rate twice during the review quarter at the rate of 25 basis points in each case. This put the rate at 1.75 per cent from 1.25 per cent at the end of the previous quarter. Inflation was expected to remain relatively low, while the pick up in economic activity was expected to continue.

Since the bulk of Lesotho's exports are destined to the US market, strong US economic growth augurs well for the Lesotho economy. The increase in consumer spending, if sustained, could boost demand for Lesotho's exports in the US and therefore provide some stimulus for the manufacturing sector in Lesotho, particularly production of clothing and textiles.

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

Economic growth in the Euro area continued to slow down in the third quarter. Gross domestic product registered a quarterly increase of 0.3 per cent following that on 0.5 per cent in the second quarter. This could have been influenced by the slowdown in the economies of Germany and France, which together account for about half of the region's economy. Both economies grew by 0.1 per cent in the review period. This followed growths of 0.5 and 0.8 per cent in Germany and France respectively in the previous quarter.

Inflation in the Euro-zone, as measured by the Harmonised Index of Consumer Prices (HICP) closed the quarter at a lower annual rate of 2.1 per cent compared to 2.4 per cent at the end of the last quarter. The downward pressure mainly emanated from lower food prices. Had prices of fuel for transport not increased, a stronger decline in inflation could have been realised.

Though inflation in the region was relatively low during the review quarter, there was still no monetary policy reaction. In the last quarter the European Central Bank (ECB) stated that they would not take any action until some recovery in the labour market could be observed.

Preliminary estimates indicated that unemployment remained high in the Euro zone during the third quarter. Unemployment remained unchanged, during the review quarter, at the seasonally adjusted rate of 8.9 per cent on.

The European Union is South Africa's (SA's) main trading partner, as such economic developments in the Euro area have a direct effect 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 sluggish economic performance by the Euro-zone does not augur well for both SA and Lesotho economies.

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

Car sales in SA remained robust in the final month of the third quarter. On a year on year basis, vehicle sales registered an increase of 22.7 per cent at the end of the quarter under review compared to that of 27.3 per cent at the end of the previous quarter. Interest rate reductions, the latest of which was effected in mid-August, also lowered the cost of funds and therefore encouraged buyers to enter the market sooner rather than later. This surge could also be ascribed to the strength of the rand, which has kept inflation subdued.

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

Manufacturing production and sales of manufactured goods also remained strong during the first two months of the third quarter. On a seasonally adjusted and annualized basis, manufacturing production increased by 5.4 per cent in July and by 6.8 per cent in August. The value of sales of manufactured goods grew by a seasonally adjusted and annualized rate of 8.3 per cent in July and that of 9.7 per cent in August. The manufacturing sector was boosted by strong domestic demand as a result of low interest rates. Demand for SA exports has also recently picked up and contributed to the good performance of the manufacturing sector.

Mining production registered an annual increase of 8.9 per cent in July, mainly as a result of an increase of 13.0 per cent in the production of non gold minerals, while gold production fell by 6.9 per cent. In August, mining production rose at a lower rate of 1.6 per cent. This was mainly due to an increase of 6.3 per cent in non gold mining production, while gold production fell further by 3.2 per cent.

Business confidence in SA, as measured by the Rand Merchant Bank, First Rand Ltd. and the University of Stellenbosch's Bureau for Economic Research, increased to 79 points in the third quarter compared to 71 points in the previous quarter. Business sentiment was boosted by expectations that consumer demand would remain strong on account of low interest rates and thus stimulate further improvement in manufacturing production.

Inflation in SA closed the quarter lower than at the end of the previous quarter. The CPIX, which is the consumer price index (CPI) excluding interest rates on mortgage bonds for the historical metropolitan and other urban areas, grew by 3.7 per cent in September against 5.0 per cent in June. This resulted mainly from the decline in food prices. The deceleration was minimized to a certain extent by high transportation costs as a result of the surge in international crude oil prices, which exerted upward pressure on fuel prices in SA.

Producer inflation as measured by the producer price index increased by an annual rate of 1.4 per cent in September compared to 1.3 per cent in June. The increase mainly arose from the 2.4 per cent rise in the prices of domestically produced commodities while those of imported commodities fell by 1.7 per cent.

In response to generally subdued inflation, the South African Monetary Policy Committee (MPC) reduced interest rates in the review period. This move put the repo rate at 7.5 per cent from 8.0 per cent since December 2003. The commercial banks followed suit and cut the prime lending rate by the same magnitude to 11.0 per cent.

Indications of a vibrant economic performance bode well for the overall economic growth and job creation prospects in SA and

therefore 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 increase. In addition, subdued inflation in SA implies relatively low imported inflation in Lesotho. However, the fall in gold mining production could have negative implications for employment prospects of Basotho in SA mines. This could also result in further declines in mineworkers' remittances.

### ***Commodity prices***

#### **Gold**

The average price of gold increased from \$394.25 an ounce in the first quarter to \$401.96 an ounce during the review quarter. The dollar price of gold increased due to high demand by European investors as the metal became cheaper following the depreciation of the dollar against the euro. In rand terms, the price increased by a meagre 0.8 per cent from R2540.15 per ounce in the last quarter to R2561.69 per ounce. The benefit of the increase in the price of gold in US dollar terms to SA mining companies was minimised by the appreciation of the rand against the US dollar.

This could result in further reductions in the number of Basotho employed in the SA mines, as companies could lay off some of the workers to cut down production costs. As a consequence, miners' remittances, which is one of the country's major sources of foreign exchange could continue to fall.

#### **Oil**

The price of oil continued to increase during the quarter. On average, its rate of increase accelerated to 19.3 per cent from 5.5 per cent in the previous quarter. It grew from \$32.68 per barrel in the second quarter to \$38.98 in the third quarter. Expressed in rand terms, the average price of oil rose by 18.0 per cent from R210.46 to R248.30 a barrel. The Organisation of Oil Exporting Countries (OPEC) was of the view that the observed increase in international oil prices was not driven by insufficient supply, as there was enough oil to meet demand from growing economies such as China and other emerging markets. It has been argued that the pressure arose mainly from non fundamental, market related factors beyond the control of oil producing countries. These included concerns over supply as a result of the continuing instability in Iraq and the recent social and political unrest in Venezuela. Furthermore oil installations in Saudi Arabia were attacked during the review period. The situation was aggravated by a number of hurricanes experienced in some parts of the US during the quarter.

The surge in international oil prices, which could not be moderated by the appreciation of the loti against the US dollar could have negative implications for the Lesotho economy. It could result in increases in domestic fuel prices and therefore inflation. It could also increase the country's import bill.

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

#### *Economic Growth*

During this quarter, most of the economic indicators reflect a positive performance of the economy. Although economic growth in the country is not measured on quarterly basis, the performance has been mixed during the third quarter as evidenced by the following indicators.

- **Construction:** On quarterly basis, the value of building permits dropped by 11.6 per cent in the review period compared to a rise of 60.6 per cent in the previous quarter. However, on annual basis, the industry is estimated to have performed relatively well. The total value of building permits more than doubled from M8.43 million registered in the third quarter of 2003 to M18.03 million recorded in the third quarter of 2004.
- **Transport:** During the third quarter, the value of imported motor vehicles declined both in quarterly and annual basis. The value of imported motor vehicles registered a quarterly drop of 6.35 per cent during the quarter under review compared to an increase of 36.93 per cent during the second quarter. On annual basis, the value dropped by 26.23 per cent in the third quarter compared to a drop of 38.03 per cent in the second quarter. However, the number of imported motor vehicles increased by 32.23 per cent on annual basis and dropped by 28.25 per cent on quarterly basis. An annual increase is attributed to among other factors, the rise in private sector credit due to lower interest rates in the economy and the incentive for more vehicle imports due to newly implemented value added tax (VAT) procedures on imported used vehicles.
- **Electricity and water:** Water consumption trends are used to give an indication of the performance in the 'electricity and water' sub-sector. The overall consumption of water dropped on quarterly basis by 3.09 per cent during the quarter under review. However, it increased on annual basis by 21.46 per cent from M9.04 million in the third quarter of 2003 to M10.98 million in the third quarter of 2004. The increase on year-on-year basis is

mostly due to an upward revision of tariffs by Water and Sewage Authority (WASA) in April this year.

- Telecommunications: The performance level in the telecommunication industry is assessed by telephone traffic statistics. Activity in this industry is estimated to have mixed signals. On quarterly basis, the nominal value of telephone calls increased by 10.74 per cent during the quarter. However, on annual basis, it declined by 19.71 per cent from M19.13 million recorded during the third quarter of 2003 to M15.36 million recorded in the third quarter of 2004.

### *Inflation*

The change in the consumer price index (CPI), dropped from 5.4 per cent in June to 4.7 per cent at the end of September. The main driver of this slowdown was a continuous decline in South African (SA) inflation rate since Lesotho imports most of inflation from SA. In addition, this moderate inflation rate was mostly on the back of the strengthening of the loti/rand exchange rate against the major currencies (especially the US dollar) that led to a decline in costs of imported products. Although the increase in oil prices was expected to bring upward pressure on inflation rate, the currency appreciation to some extent reduced that pressure.

### *Employment*

Employment in the manufacturing sub-sector fell on quarterly basis and rose on annual basis. An increase on annual basis is consistent with the increased productivity in the sub-sector. On the government employment front, employment increased on quarterly basis compared to the level observed during the previous quarter. The number of Basotho employed in the mining industry of South Africa (SA) declined on quarterly basis, owing largely to the continuing appreciation of the loti/rand exchange rate against the United States (US) dollar, which basically reduced the profitability of SA mines and hence led to the retrenchment of some workers.

### *Monetary Sector*

Broad measure of money supply, M2, increased both on quarterly and annual basis in the quarter under review. On quarterly basis, it increased by 5.1 per cent at the end of the third quarter following a 2.0 per cent rise at end of the second quarter. On annual basis, it grew by 11.9 per cent in the third quarter against a slower 4.4 per cent observed in the second quarter. The annual growth was in line with the observed decline in inflation rate for September.

Net foreign assets (NFA) of the banking system increased during the quarter. This was coupled with a moderate growth in domestic credit. NFA rose by 2.6 per cent in September compared with a significant growth of 10.9 per cent at the end of June. Simultaneously, domestic credit increased by 7.2 per cent against 9.4 per cent in the previous quarter.

#### *Balance of Payments*

The balance of payments position deteriorated during the third quarter of 2004. The overall balance, seasonally adjusted, fell from a surplus of M249.38 million in the second quarter to that of M15.53 million in the quarter under review. Official reserves measured in months of import cover remained unchanged at the previous quarter's level of 5.5 months of imports. The transactions balance also weakened from a surplus of M214.34 million in the previous quarter to a deficit of M28.80 million in the quarter under review.

#### *Fiscal position*

Preliminary estimates on the outturn of government budgetary operations depicted an overall surplus for the second time consecutively this fiscal year. The surplus was facilitated by the continued good revenue performance.

### **IV. Economic Indicators**

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

Manufacturing is an important sub-sector in the economy, due to its significant contribution to national income. The stronger growth in manufacturing sub-sector bodes well for the overall economic growth as it contributes about 20 per cent of GDP, and is the largest formal employer in the economy. This sub-sector is subdivided into four broad components namely: textile and clothing, food and beverages, leather and footwear, and other manufacturing component.

In the second quarter of 2004, the textile and clothing production index increased by 36.2 per cent following a 21.6 per cent increase observed in the first quarter of 2004. The increase underlies the significance of this component as one of the fastest growing in the economy, and also the largest employer. Food and beverage production index rose by 17.4 per cent in the review quarter after increasing by 17.9 per cent in the previous quarter.

The leather and footwear production index continued on its downward trend since the third quarter of 2003. In the second quarter of 2004, it

further slumped by 32.4 per cent compared to 8.9 per cent drop registered in the first quarter of 2004. The production index of all other manufacturing component registered a voluminous increase of 56.7 per cent in the quarter ended September 2004, compared to a 6.7 per cent registered in the first quarter. Despite interim fluctuation since the second quarter of 2003, there is an improvement in this component.

### **MANUFACTURING OUTPUT 2002 – 2004**

<b>Industry</b>	<b>% change in production volume index</b>						
	<b>2002</b>	<b>2003</b>				<b>2004</b>	
	<b>QIV</b>	<b>QI</b>	<b>QII</b>	<b>QIII</b>	<b>QIV</b>	<b>QI</b>	<b>QII</b>
Food and Beverages	10.3	-4.7	0.5	-0.5	1.3	17.9	17.4
Textiles and Clothing	-3.0	-37.6	-29.7	-26.8	-24.6	21.6	36.2
Leather and Footwear	0.1	9.2	10.8	-33.6	-21.1	-8.9	-32.4
All other Manufacturing	16.2	0.6	12.1	-13.8	-28.1	6.7	56.7
<b>Total</b>	8.1	-9.7	-3.6	-15.9	-13.2	15.5	23.7

Source: Bureau of Statistics, September 2004.

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

Building permits are used as a general indicator of construction activity in the economy, although they may not necessarily reflect actual new construction activity. During the third quarter of 2004, the value of building permits dropped by 11.6 per cent compared to 60.6 per cent increase registered in the previous quarter. The number of building permits contracted by 6.5 per cent in contrast to 53.3 per cent upturn observed in the previous quarter. Therefore, the slow-down in the value of building permits is mostly underpinned by the decrease in total number of permits issued.

The plunge was attributed to a 61.8 per cent decrease in the value of permits issued for commercial purposes, compared to a decline of 31.0 per cent in the quarter ended June 2004. The number of permits proposed for residential purposes grew by 22.1 per cent compared to a 48.1 per cent decrease recorded in the preceding quarter. However, both the value and number of building permits picked up, on a year-to-year basis. On overall, number of permits increased by 43.3 per cent on annual basis, while their value increased by 113.9 per cent. This increase can be ascribed to; amongst other factors, the improvement in credit allocation to the private sector.

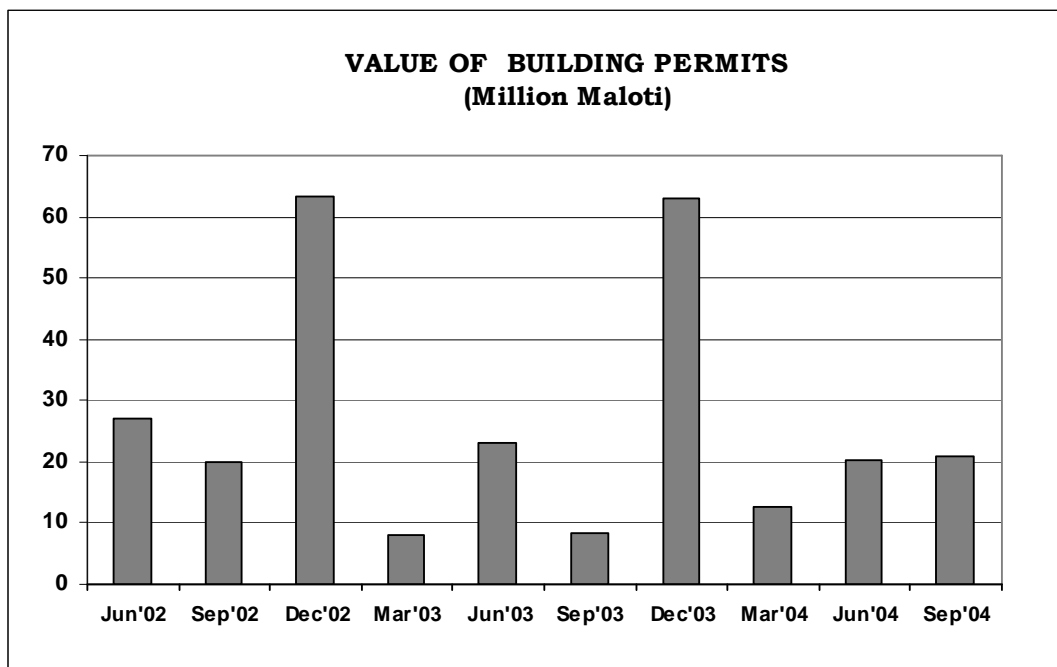
**BUILDING PERMITS BY TYPE OF BUILDING<sup>1</sup>**  
(Value in Million Maloti)

Type	Permits	2003			2004		
		QII	QIII	QIV	QI	QII	QIII
Residential	Value	5.59	4.77	6.94	3.75	8.13	10.85
	Number	25	20	32	20	33	38
Commercial	Value	4.37	1.56	55.06	6.61	1.91	0.73
	Number	4	7	8	4	4	1
Other	Value	13.07	2.10	1.28	5.34	10.35	6.45
	Number	5	3	3	6	9	4
Total	Value	23.03	8.43	63.28	12.70	20.39	18.03
	Number	34	30	43	30	46	43

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 Mohale's Hoek districts.

**Figure 1**



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

Despite a drop on quarterly basis, the third quarter of 2004 recorded the second highest number and value of motor vehicles imported since the beginning of the year. The value of motor vehicles registered an 8.1 per cent drop in the quarter under review, in contrast to 36.9 per cent recovery observed in the second quarter of 2004. In number terms, it fell by 28.3 per cent in the review quarter following a huge 134.7 per cent upsurge observed in the preceding quarter. On annual basis, the value and number of imported motor vehicles showed a substantial improvement. This resurgence was largely bolstered by the rise in the number of cars, vans and buses imported.

The improvement can be attributed to among other factors, the rise in credit extended to the private sector (both the corporate and household sectors combined). The cut in interest rates in the economy led to a reduction in costs of borrowing, hence an increase in credit to the private sector. In addition, the upturn can also be ascribed to the three-month moratorium from April 1 to July 30, 2004 during which motor vehicles with foreign registration were expected to register their cars locally. The other contributing factor was also the newly implemented Value Added Tax (VAT) procedures on imported second hand cars, which has been an incentive for more motor vehicle imports. Last, the strengthening of the rand/loti against major foreign currencies might also have resulted in more motor vehicles being imported at a relatively lower cost.

## MOTOR VEHICLE IMPORTS

(Value in Million Maloti)

		Cars	Vans	Trucks	Buses	Tractors	M/Cycles	Trail-ers	Total
<b>2002</b>									
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
<b>2003</b>									
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
<b>2004</b>									
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	18.38	18.12	3.38	2.54	0.27	0.02	1.23	43.94
	Number	476	356	5	30	9	1	15	892
III	Value	16.63	16.34	2.62	4.02	0.21	0.00	0.56	41.15
	Number	323	244	6	45	7	0	15	640

Source: Imperial Fleet Services Lesotho and Customs Department

### ***Water Consumption***

Statistics on water consumption give an indication of the performance of the water sub-sector. It largely reflects the level of activity in construction, 'food and beverages' and 'textiles and clothing' industries. The overall consumption of water dropped marginally during the third quarter of 2004. It fell by 3.0 per cent in value and 1.7 per cent in unit terms respectively. However, the industrial sector was dominant in usage of water, with 6.4 per cent increase in the third quarter compared to 31.9 per cent growth observed in the

previous quarter. This bodes well with the level of economic activity in the manufacturing sub-sector in the second quarter of 2004. The non-industrial sector consumption of water slowed down on quarterly basis. Nonetheless, there was an improvement in water consumption in both value and unit terms, on an annual basis. On year-to-year basis, the value of water consumption increased by 21.5 per cent. This was mostly on account of the upward revision of tariffs by Water and Sewage Authority (WASA) earlier this year.

### **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>
<b>2002</b>					
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
<b>2003</b>					
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
<b>2004</b>					
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
III	Units	0.76	1.49	0.52	2.77
	Value	2.73	6.14	2.11	10.98

Source: Water and Sewerage Authority

## **Telecommunications**

Telephone traffic statistics can be used to assess the level of performance in the telecommunications industry, as well as map out activity in international trade. Activity in the telecommunications industry during the third quarter of 2004 is estimated to have mixed signals. On quarterly basis, total number of calls dropped by 1.0 per cent, however, their value surged by 10.7 per cent. The overall decline in the number of telephone calls was driven largely by a slowdown in both RSA outgoing calls and international calls. On year-to-year basis, the total number of telephone calls plunged by 8.8 per cent, while their value dropped by 19.7. The drop in number of calls since the second quarter of 2004 can be attributed to amongst others, the 6.9 per cent upward revision of tariffs earlier this year. This also sends a clear message on the price elasticity of demand for telephone usage.

### **TELEPHONE TRAFFIC STATISTICS**

	<b>RSA Outgoing Calls</b>	<b>International Calls</b>	<b>Total Calls</b>
<b><u>2003 Quarter II</u></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><u>Quarter III</u></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><u>Quarter IV</u></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><u>2004 Quarter I</u></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	15.09
<b><u>Quarter II</u></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
<b><u>Quarter III</u></b>			
No. of calls (millions)	2.72	0.13	2.85
Total Duration (million minutes)	4.85	0.43	5.28
Nominal Value (million maloti)	10.19	5.17	15.36

Source: Tele-Com Lesotho

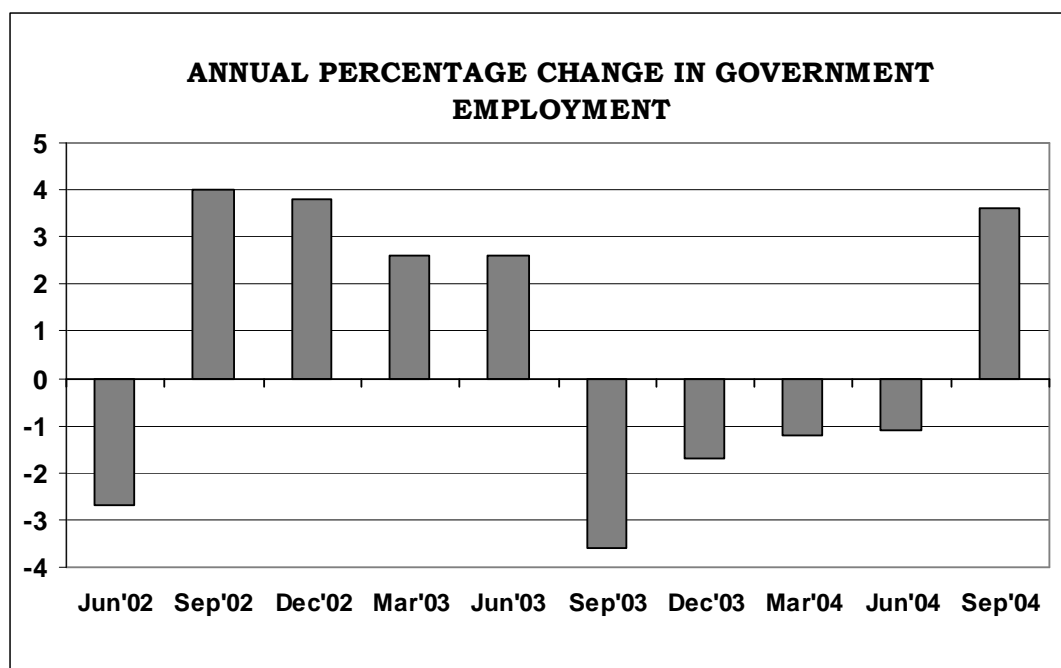
## V. Employment and Prices

### *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 fell marginally by an estimated 0.03 per cent, on quarterly basis. It dropped from 53525 in the second quarter to 53507 at the end of September 2004. However, it increased by 8.4 per cent on a year-to-year basis. This upsurge on an annual basis is consistent with the improvement in production by the manufacturing sub-sector during the second quarter of 2004.

The Government of Lesotho (GOL) is the second largest employer in the domestic formal sector. At the end of September 2004, government employment stood at 36,576, which represented a 1.3 per cent quarterly growth rate. The increase was partly due to an increase in the number of teachers, in accordance with Government's aim of expanding access to free primary education.

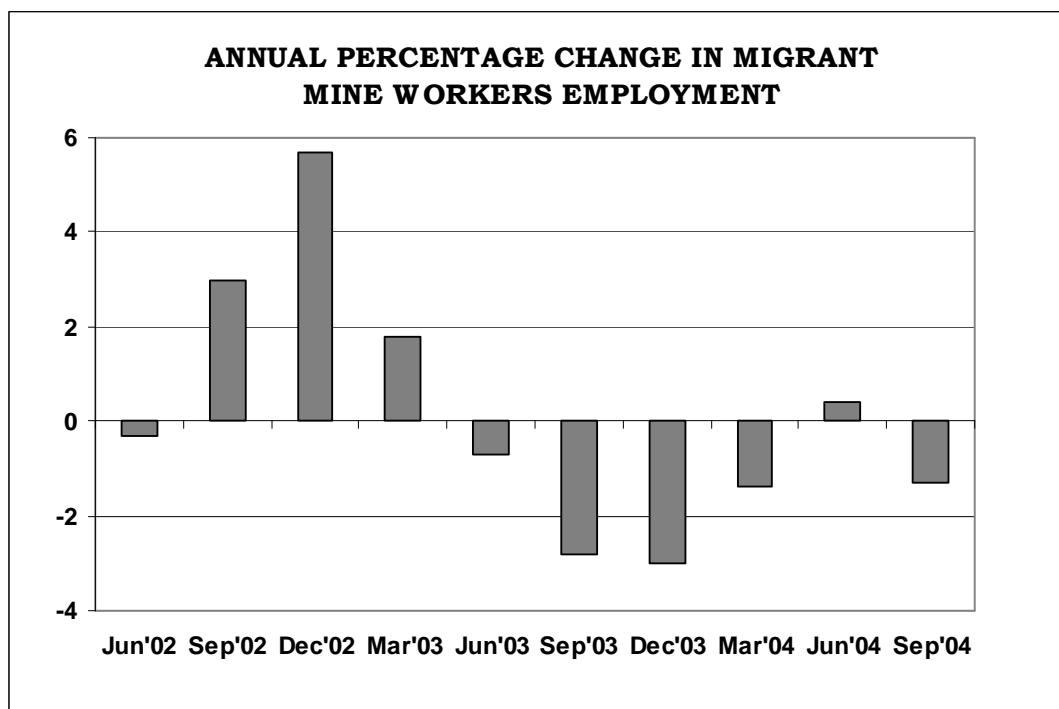
**Figure 2**



Limited employment opportunities in the country have been largely overcome by migration to South Africa, particularly the gold mining

industry. In the third quarter of 2004, the number of Basotho employed in the South African mines was estimated at 52,543. This represented a decline from 61,529 observed in the previous quarter. The major contributing factor cited as responsible for the observed movement was the appreciation of the rand/loti against the US dollar which impacted adversely on the profitability of the mining industry, hence that resulted in some mineworkers being laid-off. Durban Roodepoort Deep Ltd, which is one of the mining companies, was reported to have retrenched about 1 169 workers in September.

**Figure 3**



***Price Developments***

The change in Consumer Price Index, used a measure of inflation in Lesotho, dropped from 5.4 per cent to 4.7 per cent at the end of September. The major contributing factor to the relatively subdued inflation rate was a result the continuous decline in South African inflation rate. Given the one-to-one peg of the loti to the rand, about 65 per cent of the inflation rate is estimated to be imported from Lesotho's major trading partner, South Africa. Furthermore, this moderate inflation rate was mostly on the back of the strengthening of the loti/rand against major foreign currencies that led to a decline in costs of imported products.

Given that food accounts for the significant portion of the overall weight, a mild price decrease in 'food and non-alcoholic beverages' category was also responsible for the observed movement in inflation rate. Nonetheless, current increases in crude oil prices still remain a threat to the inflation outlook.

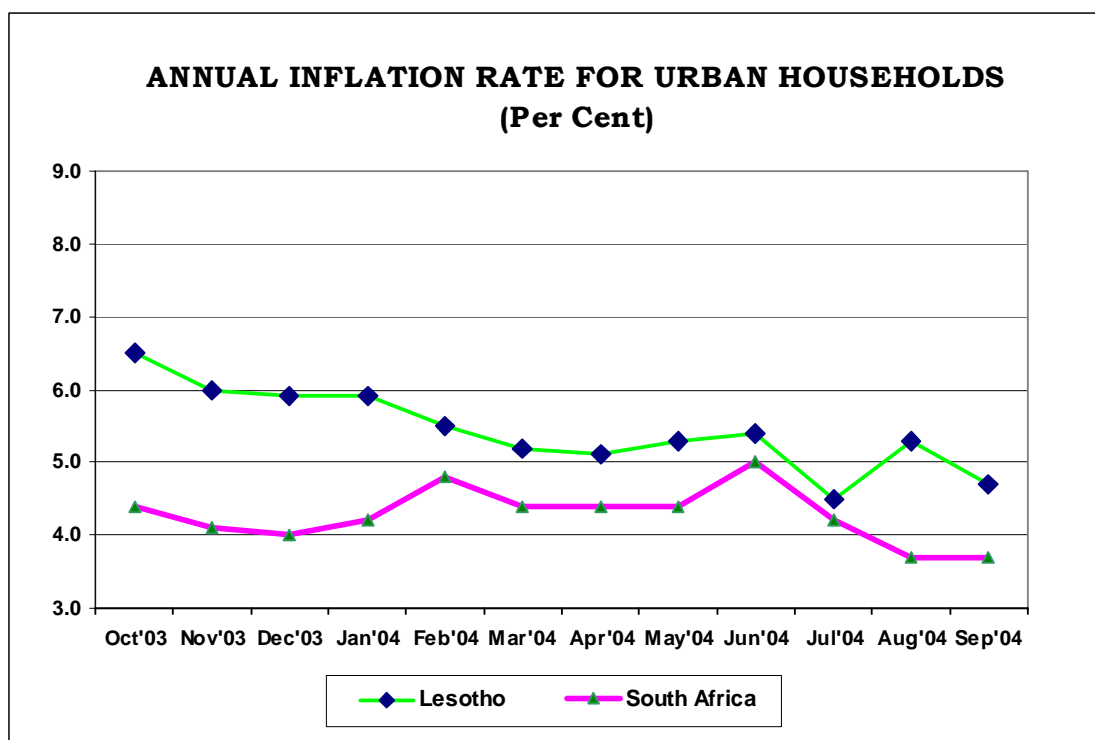
The 'housing, electricity, gas and other fuels' category increased, though marginally. Transport category also picked-up from 5.5 per cent to 8.9 per cent, thus reflecting price increases in transport services, which came into effect in August.

**INFLATION RATE**  
(Annualized Percentage Changes)  
Base Period: 1995

	Weight	2004					
		Apr	May	Jun	Jul	Aug	Sep
All items	100.0	5.1	5.3	5.4	4.5	5.3	4.7
Food and non-alcoholic beverages	39.8	2.3	3.1	5.4	5.4	5.8	5.3
Alcoholic beverages & Tobacco	6.4	10.5	10.6	10.0	6.5	8.4	8.2
Clothing & footwear	15.6	3.2	3.0	3.2	2.0	2.1	2.4
Housing, electricity gas & other fuels	3.8	4.8	4.0	5.5	4.7	5.6	5.8
Furniture, households equipment & routine maintenance of house	17.0	5.6	5.4	5.8	3.6	3.6	2.2
Health	1.4	5.3	5.3	3.8	4.3	3.7	3.1
Transport	7.8	3.8	3.7	4.8	5.5	11.0	8.9
Communication	0.1	5.0	5.50	5.0	0.0	6.9	6.9
Leisure, entertainment & Culture	1.2	6.2	6.3	5.2	3.0	3.0	3.4
Education	3.2	4.3	4.2	4.3	4.1	4.1	3.5
Restaurant & Hotels	0.4	4.2	2.6	2.3	2.3	2.3	1.9
Miscellaneous goods & services	3.2	5.5	5.2	4.7	3.1	3.5	2.5

Source: Bureau of Statistics, Lesotho

**Figure 4**



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

### **Overview**

The balance of payments position deteriorated in the third quarter of 2004. In seasonally adjusted terms, the overall balance fell from a surplus of M249.38 million in the second quarter to that of M15.53 million in the review quarter. This could have resulted from the appreciation of the loti against the currencies in which the country's reserves were held during the third quarter. Official reserves remained unchanged at the previous quarter's level of 5.5 months of imports. Including the foreign assets of the commercial banks, imports coverage rose marginally from 7.5 months in the previous quarter to 7.6 months in the review quarter. The transactions balance also weakened from a surplus of M214.31 million in the last quarter to a deficit of M28.80 million in the review quarter. This deterioration resulted from negative developments in the capital and financial account, which outweighed the improvement in the current account. Whereas the current account deficit narrowed down to M50.59 million from M71.97 million in the last quarter mainly as a result of the strong increase in exports, the capital and financial account surplus fell to M114.33 million from M237.08 million in the last quarter.

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

	2003		2004		
	QIII	QIV	QI	QII*	QIII+
<b>I. CURRENT ACCOUNT</b>	-300.59	-274.98	-193.28	-71.97	-50.59
<u>Goods, Services and Income</u>	-601.61	-565.94	-526.31	-508.43	-467.01
(a) GOODS	-964.57	-997.68	-987.80	-928.90	-957.98
Merchandise exports f.o.b.	1011.68	919.06	849.02	925.17	1173.52
Merchandise imports f.o.b.	-1976.25	-1916.74	-1836.82	-1854.07	-2131.50
(b) SERVICES	-94.00	-57.27	-56.64	-35.70	-59.76
(c) INCOME	456.96	489.01	518.13	456.17	550.73
Labour	450.92	515.53	522.69	491.72	506.56
Other	6.04	-26.52	-4.56	-35.55	44.17
(d) CURRENT TRANSFERS	301.02	290.96	333.89	436.46	416.42
Government, net	281.65	276.19	321.78	406.62	407.75
SACU non-duty receipts	265.90	256.49	245.59	386.50	381.26
Other	15.75	19.70	76.19	20.12	26.49
Other Sectors	-19.37	14.77	11.25	29.84	8.67
<b>II. CAPITAL AND FINANCIAL ACCOUNT</b>	155.52	317.03	-23.53	237.08	114.33
(e) CAPITAL ACCOUNT	39.50	52.70	39.50	62.40	64.60
(f) FINANCIAL ACCOUNT	116.02	264.33	-63.03	174.68	49.73
Special Financing – LHWP	221.01	99.23	93.08	231.11	71.64
<b>III. RESERVE ASSETS</b>	391.66	-156.57	257.49	-251.39	-15.53
<b>IV. ERRORS AND OMISSIONS</b>	-246.59	114.52	-40.68	86.28	-48.21
of which valuation adjustment	-168.54	-23.97	-118.92	37.08	44.33

\* Revised estimates  
+ Preliminary estimates

## ***Merchandise Trade***

### Exports

Merchandise exports continued on an upward trend during the review period. In seasonally adjusted terms, exports grew by a remarkable 20.7 per cent after increasing by 9.0 per cent in the last quarter. The main reason behind this increase could be the recovery in consumer spending in the US as indicated in section II, as the bulk of Lesotho's exports are destined to the US market. This was in spite of the negative impact of the appreciation of the loti against the US dollar on the demand for Lesotho's exports in the US. This increase was in line with developments in the supply side of the economy. As mentioned in section III, water consumption for industrial purposes increased, indicating some recovery in activity by the manufacturing sub-sector. On an annual basis, exports grew by 16.6 per cent. This could be an indication that exports may have recovered after weakening markedly in the fourth quarter of 2003 and the first quarter of this year.

### Imports

In seasonally adjusted terms, imports were estimated to have fallen by 2.3 per cent in the third quarter after falling by 0.1 per cent in the last quarter. However, in unadjusted terms, imports improved remarkably during the review quarter. According to preliminary estimates, merchandise imports grew by 15.0 per cent during the quarter following a rise of 0.9 per cent in the last quarter. Compared to the same period last year, imports grew by 7.9 per cent. The improvement resulted from the relatively strong performance of the manufacturing sub sector, as indicated by the increase in exports. The sub sector relies heavily on imported raw materials. Government activity also showed some recovery during the quarter, as reflected by the increase of 13.9 per cent in government capital expenditure.

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

COMMODITY	2003			2004		
	II	III	IV	I	II*	III+
0. Food & Live Animals	26.25	33.28	31.70	29.21	29.40	21.06
Cattle	2.65	3.38	3.22	2.96	3.13	3.15
Wheat Flour	7.64	9.74	9.28	8.57	7.15	6.65
Maize Meal	5.12	6.52	6.21	5.72	5.85	3.51
Other	10.84	13.64	12.99	11.95	13.27	7.75
1. Beverages & Tobacco	15.72	31.94	25.33	21.21	19.72	37.95
Beverages	15.72	31.94	25.33	21.21	19.72	37.95
2. Crude Materials	21.78	27.79	26.48	24.51	0.04	1.98
Wool	21.78	27.79	26.48	24.51	0.04	1.98
4. Chemicals	11.23	14.31	13.63	12.57	8.81	1.83
5. Manufactured Goods	13.21	16.74	15.95	14.68	13.39	9.07
6. Machinery & Transport Goods	85.58	102.10	100.01	92.38	42.12	68.80
7. Miscellaneous Manufactured Goods	625.84	782.15	702.77	649.63	807.86	1029.37
8. Unclassified Goods	2.13	3.37	3.19	4.84	3.83	3.46
<b>TOTAL EXPORTS</b>	<b>801.74</b>	<b>1011.68</b>	<b>919.06</b>	<b>849.02</b>	<b>925.17</b>	<b>1173.52</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 was estimated at 82.5 per cent, from 83.7 per cent in the previous quarter. Strong consumer demand in the US continued to benefit Lesotho's exports during the quarter. It overshadowed the negative impact of the appreciation of the loti against the US dollar on Lesotho's exports to the US market. Southern African Customs Union (SACU) remained the second largest consumer of Lesotho's exports at 16.4 per cent compared to 16.2 per cent in the last quarter. The share of Lesotho's exports to Europe and Asia remained negligible at 0.2 per cent and 0.1 per cent, respectively, during the review period.

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

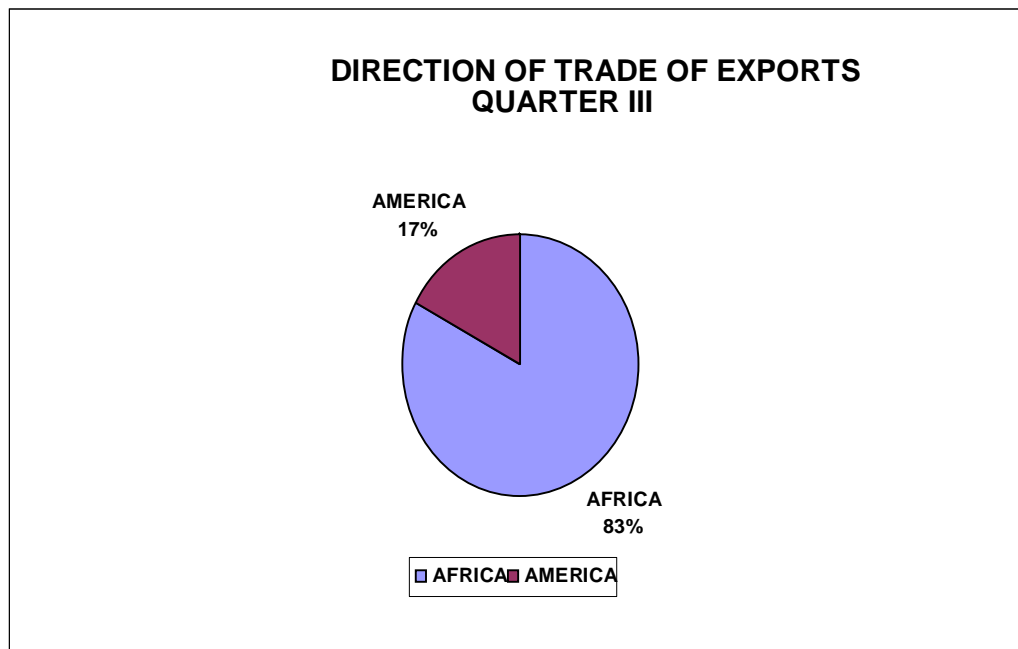
REGION	2003		2004					
	QIV AMOUNT	% SHARE	QI AMOUNT	% SHARE	QII* AMOUNT	% SHARE	QIII+ AMOUNT	% SHARE
World	919.06	100.00	849.02	100.00	925.17	100.00	1173.52	100.00
Africa	199.92	21.75	158.96	18.72	150.15	16.23	201.76	17.20
SACU	199.72	21.73	158.06	18.62	147.87	15.98	198.91	16.95
SADC	0.20	0.02	0.90	0.11	0.00	0.00	0.00	0.00
Other	0.00	0.00	0.00	0.00	2.28	0.25	2.93	0.25
Europe	0.68	0.07	0.17	0.02	0.50	0.05	2.35	0.20
EC	0.68	0.07	0.17	0.02	0.50	0.05	2.35	0.20
America	712.05	77.48	689.50	81.21	774.28	83.67	968.63	82.54
Asia	6.41	0.70	0.39	0.05	0.48	0.05	0.70	0.06

Note: Totals may not agree due to rounding

\* Revised estimates

+Preliminary estimates

**Figure 5**



### ***Labour Income***

Labour income, seasonally adjusted, fell by 6.0 per cent in the review quarter following an increase of 0.3 per cent in the previous quarter. This could mainly be attributed to the 2.9 per cent decline in miners' remittances from M462.51 million in the last quarter to M448.91 million. This was in line with the estimated decline of 2.9 per cent in the number of Basotho workers in SA mines in the same period. The strong rand could have reduced mining companies' earnings. In response, the companies could have retrenched some workers, hence the fall in the number of mineworkers and therefore the decline in miners' remittances. One SA mining company was reported to have retrenched 1,619 workers in September.

### ***Investment Income***

Inflows from investment income more than doubled during the review period after falling by 28.4 per cent in the previous quarter. This resulted mainly from significant increases in interest earnings of both the Central Bank and the commercial banks. Interest earned by the Central Bank rose by 101.0 per cent following a decline of 11.7 per cent in the previous quarter. Meanwhile, interest earnings by the commercial banks grew by 186.3 per cent after falling by 47.3 per cent in the last quarter. This could have resulted from the maturity of some of their investments abroad and interest rate increases in countries such as the US and the United Kingdom (UK), where part of the local banks' portfolio investments were held during the review quarter.

Investment income outflows also rose by 13.0 per cent after falling by 29.8 per cent in the last quarter. This arose mainly from an increase of 114.7 per cent in interest payments on official loans, which offset the impact of the 62.5 per cent decline in interest payments by commercial banks on their foreign liabilities. The observed rise in payments of interest on official loans was primarily a reflection of the fact that the bulk of government debt service fell due during the quarter.

### ***Travel***

The country's earnings on travel rose by a meagre 1.6 per cent during the review quarter following an increase of 12.5 per cent in the last quarter. On an annual basis, travel earnings grew by 15.7 per cent. The main contributing factor to the quarterly increase was the 5.9 per cent rise in expenditure by foreign students. Personal expenditure by expatriates also contributed to the observed increase. It rose by 3.5 per cent in the review quarter. This was in line with the 3.5 per cent increase in the receipts of grants for implementation of capital

projects, which normally boost expenditure by expatriates. Tourism spending remained sluggish.

Travel payments grew by 5.0 per cent following a decrease of 3.5 per cent in the last quarter. This resulted from a substantial increase of 65.4 per cent in expenditure by government officials on business trips abroad, complemented by the 7.9 per cent growth in expenditure on other travel related activities by residents abroad.

### ***Current Transfers***

Net current transfers, seasonally adjusted, declined by 3.0 per cent during the review quarter following an increase of 37.3 per cent in the previous quarter. On an annual basis, current transfers rose by 38.3 per cent. The observed quarterly decrease was mainly due to the 55.2 per cent fall in transfers to other sectors of the economy outside of the government sector. This could be accounted for by the decline in remittances by Basotho workers in countries other than members of the Common Monetary Area (CMA) from M24.76 million in the last quarter to M4.88 million. Transfers to the Government remained high at M407.75 million from M406.62 million in the last quarter. It continued to be supported by SACU non duty receipts. SACU revenue for the current fiscal year increased by 41.5 per cent against the previous fiscal year, as a result of robust growth in imports for the 2002/2003 fiscal year compared to the previous one.

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

The capital and financial account deteriorated from a higher surplus of M237.08 million in the second quarter to that of M114.33 million in the review quarter. This arose mainly from the decline in financial flows to the Lesotho Highlands Water Project (LHWP). Thus, excluding the LHWP related flows, the capital and financial account improved from a surplus of M5.97 million in the second quarter to that of M42.69 million. The improvement emanated from the 'other investment' category, which recovered from a net outflow of M121.15 million in the last quarter to that of M49.31 million during the review quarter. Foreign assets of the commercial banks increased at a slower pace compared to the previous quarter as banks invested fewer funds abroad. They rose by M49.31 million following an increase of M121.15 million in the second quarter. The 3.5 per cent rise in capital grants also contributed to the increase in the capital and financial account surplus. The improvement was somewhat minimised by the deterioration of the external debt position as well as the decline of M69.79 million in the liabilities of the commercial banks, which overshadowed the increase of M33.40 million in the liabilities of the Central Bank. Official loans registered a net outflow of M23.30 million compared to that of M17.20 million in the first quarter.

## VII. Money and Banking

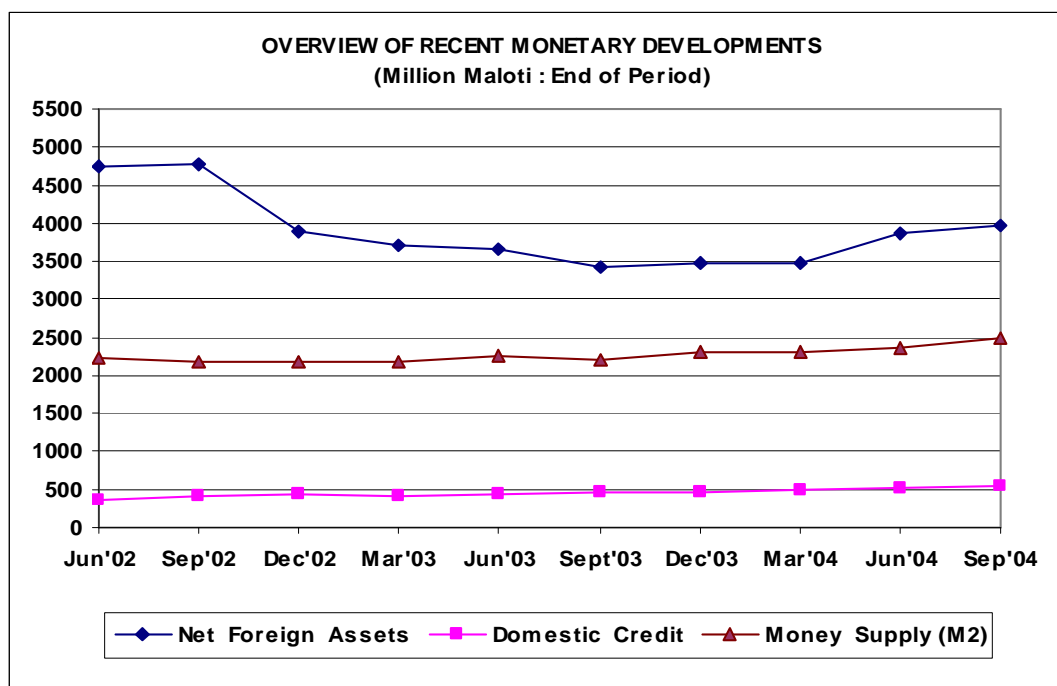
### *Money Supply*

#### Determinants of Money Supply

Broad money supply increased by 5.1 per cent at the end of the quarter ending September 2004 following a 2.0 per cent increase at the end of June 2004. On an annual basis, money supply grew by 11.9 per cent against a slower 4.4 per cent observed in June. The annual growth in broad money was in line with the observed decline in inflation rate for June 2004. As mentioned earlier under the subsection on prices, inflation in September was 4.7 per cent compared to 5.4 per cent in June.

As depicted by the table on determinants of money supply below, the 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 2.6 per cent in the review period compared with a significant growth of 10.9 per cent at the end of June. At the same time, domestic credit increased by 7.2 per cent against 9.4 per cent in the previous quarter. The same conclusion can also be deduced from figure 6 below.

**Figure 6**



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

Determinants	2003			2004		
	Jun	Sep	Dec	Mar	Jun	Sep
Net foreign assets	-86.7	-205.0	33.2	16.6	378.5	101.5
Domestic credit	29.1	19.8	-6.4	43.6	20.0	37.4
To statutory bodies	2.3	1.8	-1.8	7.1	7.4	-5.8
To private sector	26.8	18.0	-4.7	36.5	12.6	43.2
Other items, net	-120.6	-142.5	-59.5	49.7	353.4	18.1
Money Supply (M2)	63.1	-42.7	86.2	10.5	45.1	120.8

#### 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. Narrow money (M1) increased by 4.6 per cent in September following a 3.2 per cent rise in June. M1 registered a relatively faster growth mostly on account of a 15.8 per cent increase in Maloti with the public, plus a 3.4 per cent rise in demand deposits.

Quasi-money rose by 6.2 per cent following a 0.6 per cent decline at the end of June. The increase in this component of broad money supply was mainly attributed to the 25.5 per cent increase in time deposits that more than offset a decrease of 4.0 per cent in saving deposits. Savings deposits fell mainly due to decreases of 12.0 per cent, and 1.0 per cent in deposits of statutory bodies, and resident businesses, respectively.

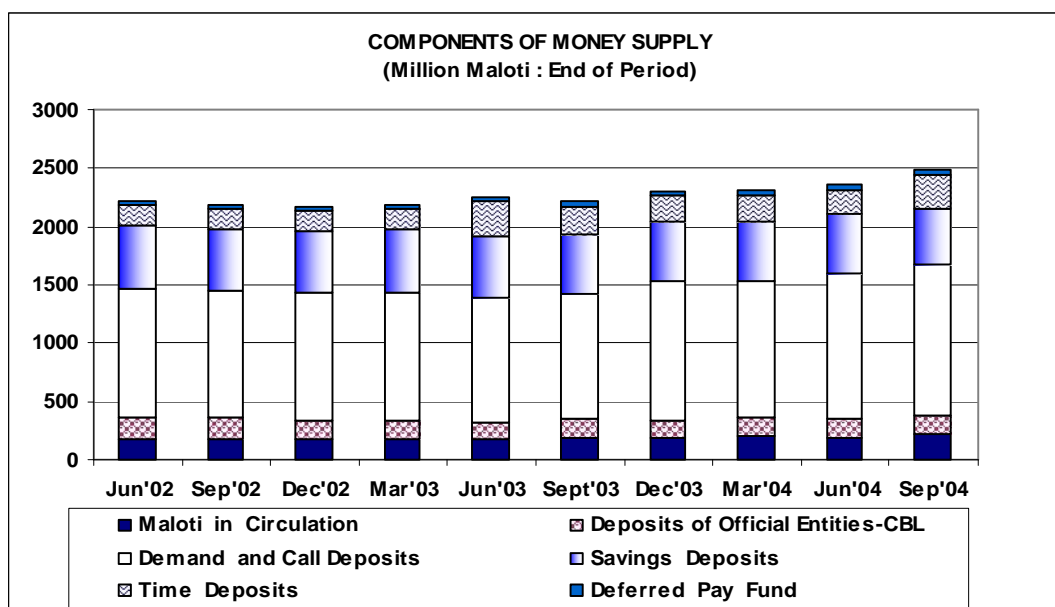
**MONEY SUPPLY**  
(Million Maloti; End of Period)

	2003			2004		
	Jun	Sep	Dec	Mar	Jun	Sep
Money Supply (M2)	2254.4	2211.6	2297.8	2308.4	2353.5	2474.3
Money (M1)	1395.8	1422.9	1537.7	1539.1	1588.8	1662.6
Maloti with public Demand deposits <sup>(1)</sup>	175.8	188.2	183.5	207.6	189.7	219.6
Deposits of official Entities with CBL	1069.9	1073.9	1195.9	1174.0	1241.3	1283.9
Quasi-Money	150.0	160.8	158.4	157.4	157.9	159.0
Savings deposits	858.6	788.7	760.1	769.3	764.6	811.7
Time deposits	521.2	505.9	507.0	499.3	501.1	480.9
	337.5	282.8	253.1	270.0	263.6	330.9

(1) - includes call deposits

\* Totals may vary due to rounding off.

**Figure 7**



## Commercial Banks' Deposits by Holder

At the end of September 2004, total deposits of the private sector and statutory bodies, including migrant mineworkers' deferred pay fund, rose by 4.5 per cent, following a 3.2 per cent increase registered at the end of June 2004. From the table below, it can be observed that the increase was derived from an increase in deposits of the private sector and mineworkers' deferred pay fund. Private sector deposits grew by 5.4 per cent as a result of increases in demand and Time deposits that more than offset a decline registered in savings deposits. Deposits of the statutory bodies fell by 0.1 per cent and the effect of this fall on total deposits was thwarted by the increase in other components. Meanwhile, deferred pay fund grew, by a further 6.3 per cent following a 19.4 per cent registered in June.

### COMMERCIAL BANKS DEPOSITS BY HOLDER

(Million Maloti; End of Period)

	2003			2004		
	Jun	Sep	Dec	Mar	Jun	Sep
<b>TOTAL DEPOSITS</b>	1918.2	1852.3	1945.3	1932.5	1994.9	2084.4
<b>Private Sector</b>	1487.3	1481.2	1578.5	1571.7	1621.9	1698.9
Demand deposits	778.8	814.4	929.1	925.6	970.2	1027.6
Savings deposits	521.1	505.8	507.0	499.3	501.0	480.8
Time deposits	187.4	161.0	142.4	146.9	150.6	190.5
<b>Statutory Bodies</b>	389.6	333.3	335.4	323.0	338.0	337.5
<b>Deferred Pay Fund</b>	41.4	37.8	31.4	37.8	35.2	48.0

\* 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 while low liquidity can indicate high credit extension.

At the end of the review period, commercial banks' liquidity decreased from 65.7 per cent in June to 60.7 per cent in September. 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 because doing so would only reduce 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		
	Jun	Sep	Dec	Mar	Jun	Sep
Maloti Notes and Coins	37.5	34.7	51.5	43.1	34.9	43.8
Rand Notes and Coins	6.1	7.3	15.5	9.0	8.2	7.2
Balances due from Lesotho Banks	253.5	341.3	449.6	411.2	345.5	410.1
Balances due from Foreign Banks	334.6	304.9	167.8	720.0	858.1	839.4
Clearing Balances with CBL	0.0	0.0	34.3	0.0	0.0	3.6
RSA Short-term Securities	315.8	214.2	668.6	14.6	0.0	0.0
CBL Bills	120.0	0.0	0.0	0.0	0.0	0.0
Lesotho Government Securities	671.6	557.1	702.3	471.9	435.1	294.9

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 to 26.0 per cent from 25.3 per cent in June. This implies that an

increase in loans and advances to these sectors during the period was slightly higher than the increase in their deposits.

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

	2003			2004		
	Jun	Sep	Dec	Mar	Jun	Sep
Net foreign assets	579.3	743.1	610.7	903.4	1027.3	1146.7
Deposits with CBL	173.0	34.7	114.5	50.6	64.0	84.6
Credit	1380.1	1295.1	1433.0	1245.5	1229.0	1125.8
<b>ASSETS/LIABILITIES</b>	2132.4	2073.0	2158.2	2199.5	2320.3	2357.1
Private sector deposits <sup>(2)</sup>	1918.2	1852.3	1945.3	1932.5	1994.9	2084.4
Government deposits	80.5	71.9	68.3	59.7	58.4	57.9
Capital, reserves & other, net	133.7	148.8	144.5	207.3	267.0	214.8

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

***Demand for Money***

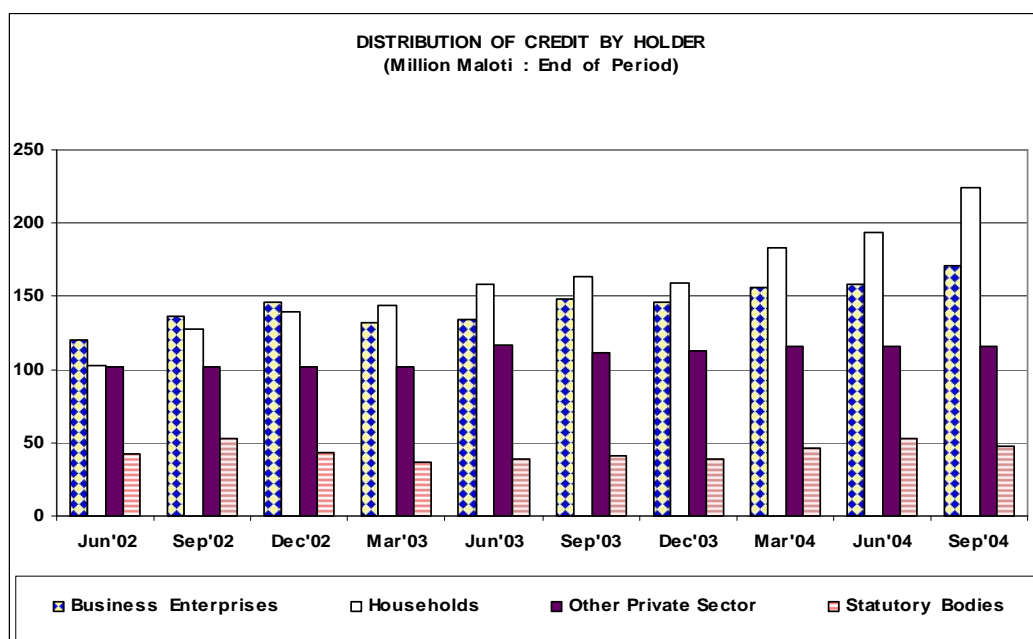
Domestic Credit

At the end of the review quarter, domestic credit increased by 7.2 per cent following a 4.0 per cent observed at the end of June. This reflected increased credit extended to the private sector and harmonized with the expectation that credit to this sector would continue to rise in response to the Government's privatization strategy. On an annual basis, domestic credit was observed to climb by 20.4 per cent following an increase of 17.4 per cent in June.

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

	2003			2004		
	Jun	Sep	Dec	Mar	Jun	Sep
<b><u>DOMESTIC CREDIT</u></b>	443.1	463.0	456.5	500.1	520.2	557.6
Credit to private sector	404.2	422.2	417.6	454.1	466.7	509.9
Business enterprises	134.4	147.2	146.1	155.7	158.1	170.7
Households	157.8	163.1	158.6	183.0	193.2	223.8
Others	111.9	111.9	112.9	115.4	115.4	115.4
Credit to statutory bodies	38.9	40.7	38.9	46.0	53.5	47.7

**Figure 8**



**Credit to Private Sector**

At the end of September, credit to this sector improved by a further 9.3 per cent following 2.8 per cent increase observed for the quarter ending June. The continued strong performance in credit extended to this sector was reflective of lower borrowing costs for this sector as lending rates plummeted further during the review period. Moreover, it may imply that the banking sector's confidence in the private sector

is recovering. Although credit both to households and business enterprises is growing, it is discouraging to observe that credit extended to the latter is still lower than that extended to the former.

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 further by 8 per cent following a 1.5 per cent growth registered in June. Meanwhile, credit to households improved by 15.8 per cent following a 5.6 per cent increase recorded for end June.

On an annual basis, private sector credit increased by 20.8 per cent following a 15.5 per cent increase in June. Credit to this sector has been on a continuous increase since June 2001, and this increases the prospects of increased productivity in this sub-sector in the medium to long term, especially if a larger portion of this is extended to businesses. However, it should be underscored that about 44 per cent of this credit is extended to households and therefore utilised for consumption purposes. Credit extended to businesses constitutes about 33.5 per cent of total credit.

#### Credit to Statutory Bodies

Credit to official entities fell by 10.8 per cent in September, following an increase of 16.2 per cent in the second quarter. However, on an annual basis, credit to this sub-sector grew by 17.1 per cent, which was lower than 37.4 per cent recorded in June. In essence, credit to this sector is expected to continue to wane, as the privatisation process continues, and to struggle in the medium to long-term, due to the diminishing size of the 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 non-performing loans, increased by 3.2 per cent, which was lower than 8.8 per cent observed in end of June. The continued strong performance in this form of credit could be attributed to credit extended to the manufacturing sector, other development sectors as well as to other services.

Credit to the construction subsector fell by 3.1 per cent following an 11.9 per cent improvement in June. Other development sectors, which comprise, electricity and gas, water, transport, storage and communication, grew by 10.3 per cent following a 1.7 per cent increase in June. Most of the increase in credit extended to these

subsectors was destined to transport, storage and communication. Other services consist of non-bank financial institutions, real estate, community, social and personal services and these subsectors recorded a further 14.2 per cent increase in September following a 10.4 per cent increase in June.

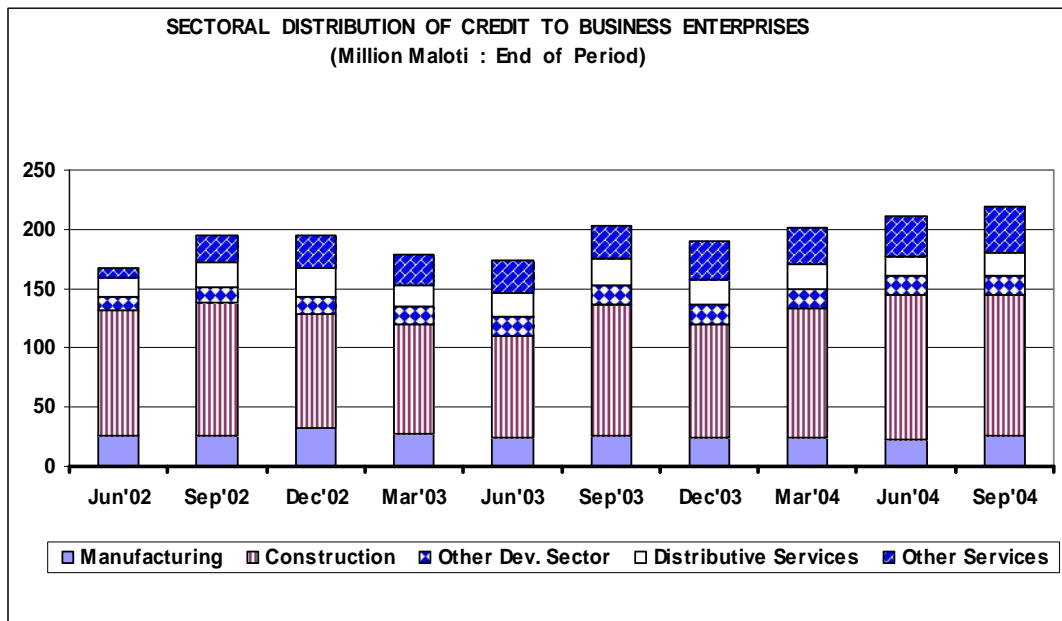
Credit to the manufacturing sector increased by 12.3 per cent following a slump of 5.6 per cent in June. Credit to this sector has possibly been rising and sinking with the fluctuations in the loti/US dollar exchange rate. It would be recalled that the bulk of Lesotho exports are destined to the US, hence a fluctuation in the exchange rate causes 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) rose by 7.5 per cent following a decline of 21.6 per cent in June.

### **SECTORAL DISTRIBUTION OF CREDIT TO ENTERPRISES**

(Million Maloti; End of period)

<b>SECTOR</b>	<b>2003</b>			<b>2004</b>		
	<b>Jun</b>	<b>Sep</b>	<b>Dec</b>	<b>Mar</b>	<b>Jun</b>	<b>Sep</b>
Manufacturing	22.3	24.2	23.3	24.7	23.3	26.2
Construction	92.8	107.7	96.6	108.4	121.3	117.5
Other development sectors	14.5	13.7	15.4	15.7	16.0	17.6
Distributive services	19.3	19.5	19.9	21.5	16.9	18.1
Other services	24.5	22.9	29.9	30.9	34.1	39.0
All sectors	173.4	187.9	185.0	201.2	211.5	218.4

**Figure 9**



#### Net Claims on Government

At the end of the September quarter, the banking system's net claims on Government fell by a marginal 6.2 per cent compared to a decrease of 68.7 per cent observed in end June. The decrease was mainly attributable to a decline in net claims by the commercial banks. As shown in the accompanying table below, net claims by the commercial banks continued to fall by 20.9 per cent following a 5.0 per cent decline recorded in June, mainly on account of a reduction in the holdings of structural policy treasury bills by M100 million and the redemption of Government three-year bond valued at M173 million

During the review period, CBL gross claims rose reflecting the disbursement of funds amounting to SDR 3.5 million, under the Government's PRGF loan from the IMF, which is processed through the CBL for administrative purposes.

## BANKING SYSTEM'S NET CLAIMS ON GOVERNMENT

(Million Maloti; End of Period)

Holder	2003			2004		
	Jun	Sep	Dec	Mar	Jun	Sep
<b>Commercial banks</b>	880.3	774.1	923.1	701.5	666.1	526.6
Claims on Government	960.7	846.0	991.4	761.2	724.5	584.5
<i>o/w MP T Bills</i> <sup>(3)</sup>	503.8	457.1	475.3	371.9	335.1	194.9
Less Government deposits	80.5	71.9	68.3	59.7	58.4	57.9
<b>Central Bank of Lesotho</b>	-966.1	-971.1	-1090.1	-1021.4	-1205.6	-1099.5
Claims on Government <sup>(4)</sup>	196.1	183.2	173.8	196.1	192.5	198.7
Less Government deposits	1162.1	1154.3	1263.9	1217.4	1398.1	1298.2
<i>o/w those in blocked acct.</i>	605.1	551.58	605.9	519.2	530.3	533.3
<b>TOTAL NET CLAIMS</b>	-85.8	-197.1	-167.0	-319.9	-539.5	-572.9

(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***

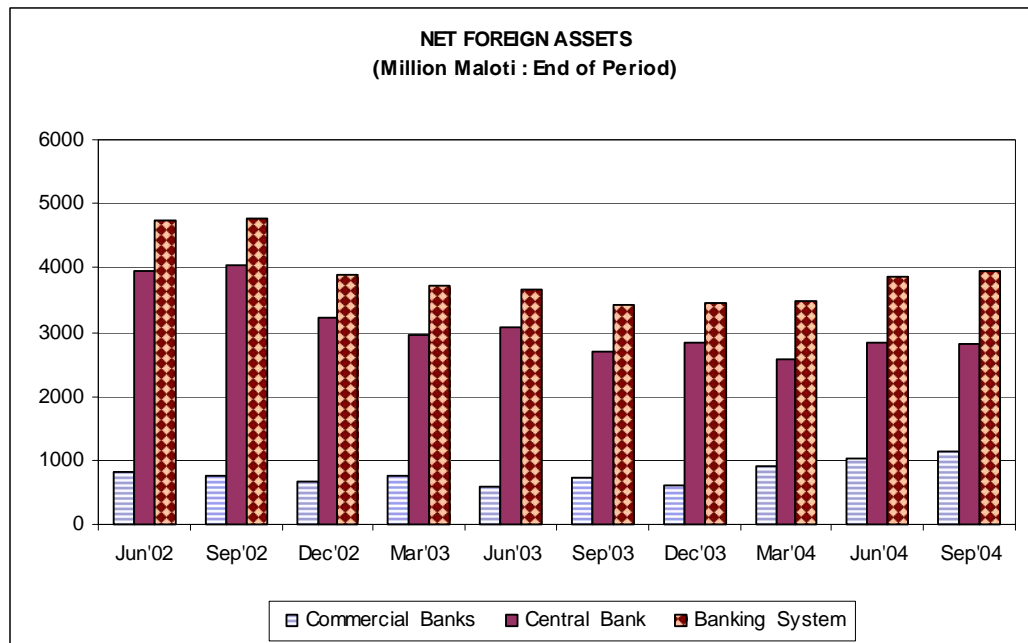
At the end of September, the Net Foreign Assets (NFA) of the banking system continued to grow. NFA grew by another 2.6 per cent at the end of September following an increase of 10.9 per cent at the end of June. This increase was mainly a reflection of the accumulation of foreign asset holdings by the commercial banks

On one hand, commercial banks’ NFA rose by a further 11.6 per cent following a 13.7 per cent surge at the end of June. The rise in the NFA of commercial banks stemmed from excess liquidity accumulation in the economy. Even though the overall banks’ net transfers abroad through the CBL were M193.0 million, only about M98.8 million of these transfers was ultimately invested. On the other hand, CBL NFA fell by 0.6 per cent in September 2004, following a 9.9 per cent increase in June. The fall resulted from an increase of 6.6 per cent in foreign liabilities that overshadowed the marginal increase of 0.5 per cent in foreign assets.

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

Holder	2003			2004		
	Jun	Sep	Dec	Mar	Jun	Sep
<b>A. Commercial Banks</b>	569.3	743.09	610.7	903.4	1027.3	1146.7
Foreign Assets	651.1	875.91	840.4	1069.8	1191.0	1240.6
Foreign Liabilities	-81.8	-132.8	-229.6	-166.4	-163.7	-93.9
<b>B. Central Bank of Lesotho</b>	3066.2	2694.7	2853.0	2576.9	2831.4	2813.6
Foreign Assets	3576.2	3184.5	3341.0	3083.5	3334.8	3350.3
Foreign Liabilities	-510.0	-489.7	-488.0	-506.6	-503.4	-536.8
<b>NET TOTAL</b>	3635.5	3437.8	3463.7	3480.3	3858.7	3960.2

**Figure 10**



## **VIII. Money and Capital Markets**

### ***Money Market Developments***

At the end of the quarter ending September 2004, total holdings of treasury bills increased by 0.9 per cent to M535.3 million from June's figure of M530.3 million. These were mainly the 91-day treasury bills for monetary policy purposes, which were aimed at maintaining favourable liquidity conditions in the economy as well as the 182-day treasury bills aimed to encourage both small and large investors to participate in.

During the review quarter, three 91-day treasury bill auctions were undertaken, same number of auctions as in the June quarter. Although the amount of treasury bills announced for auction were the same at M450 million in the two periods, in the September quarter M449.0 million worth of treasury bills was issued while in the June quarter the whole amount was issued.

Two auctions for the 182-day securities took place during the review quarter valued at M70.0 million. This figure was slightly higher than M50.0 million worth of securities that were auctioned in the previous quarter. However, during each quarter, amounts finally issued continued to be below the auction amounts. These amounted to M35.0 million and M64.3 million in June and September quarters, respectively.

From the table on holding of treasury bills below it can be observed that the banking sector held more treasury bills than the the Non-Bank Financial Institutions (NBFIs). However, this sector's share increased to 77.6 per cent of the total during the review quarter following a decline of 69.4 per cent at the end of June. The non-bank financial institutions (NBFIs) lost their share down to 12.9 per cent from 21.1 per cent in the June quarter. The general public retained their previous share of 9.5 per cent.

**HOLDING OF TREASURY BILLS <sup>(5)</sup>**  
(Million Maloti)

Holders Type	2003			2004		
	Jun	Sep	Dec	Mar	Jun	Sep
<b>Total</b>	<b>698.1</b>	<b>588.7</b>	<b>747.8</b>	<b>519.3</b>	<b>530.4</b>	<b>535.1</b>
<b>Banking System</b>	579.4	437.5	593.3	379.6	368.1	415.2
Central Bank	0.1	0.0	0.0	0.0	0.0	0.0
Commercial Banks	579.4	437.5	593.3	379.6	368.0	415.2
<b>Non-Bank Sector</b>	118.6	151.2	154.4	139.7	162.4	119.9
NBFIs	72.1	93.1	104.7	101.4	111.9	68.9
Others	46.5	58.1	49.8	38.3	50.5	51.0
<b>Memorandum Item</b>						
Average Yield per cent	13.26	11.79	10.46	9.35	9.31	8.27

(5) – Figures at cost value

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

During the quarter under review, money market rates in Lesotho changed in response to the 0.5 per cent repo rate cut by the South African Reserve Bank (SARB). As shown in the accompanying table and graph below, although some changes are small, all the major interest rates declined. The 91- day Treasury bill rate fell by 70 basis points from 8.80 per cent in June to 8.10 per cent in September. At this level this rate was 61 basis points above the similar rate offered in South Africa, which fell from its level of 7.87 per cent in June to 7.49 per cent in September. As a result the margin between the two rates narrowed from 93 basis points registered at the end of June.

In line with the overall trend, the prime lending rate in the country fell from 12.5 per cent in June to 12.17 per cent in September. It is notable that the induced effect of the SARB repo rate cuts on the prime rate in Lesotho last year was equal to the cuts in the repo rate. However, during the review period, although the direction of the change in the two rates was similar, the induced effect differed from the repo rate cut. For instance, the repo rate fell by 0.5 per cent but the pass-through of the change into Lesotho's prime rate was 0.33 per cent. The margin between this rate and its counterpart in South Africa widened from 100 basis points to 117 basis points in June and September, respectively

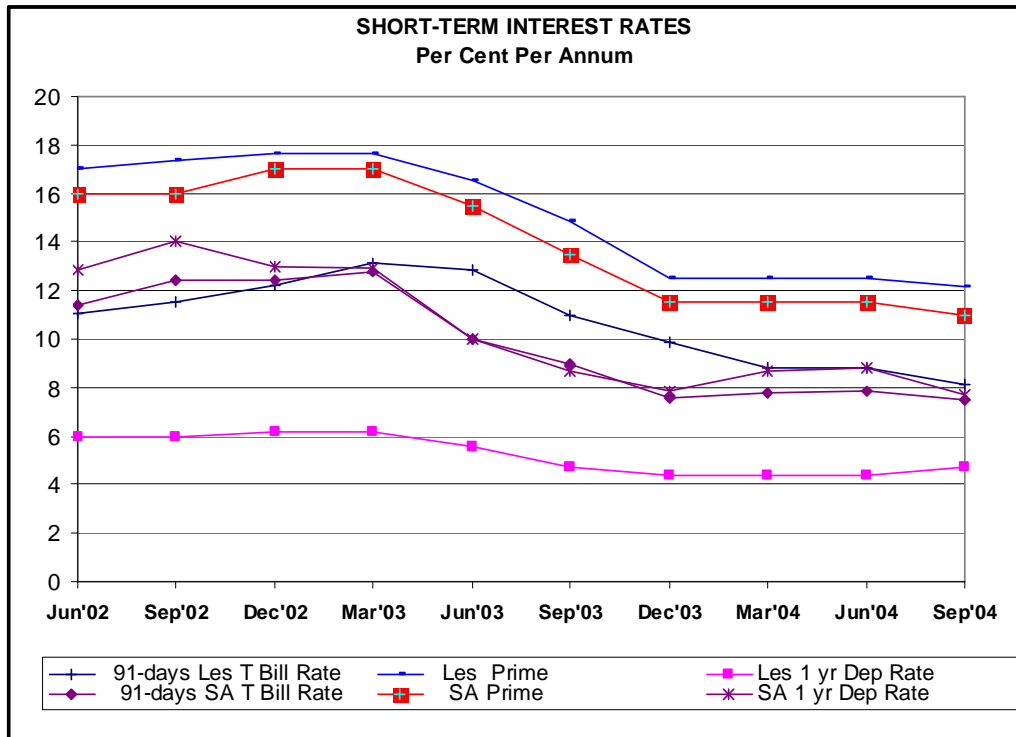
As indicated in the table below, the average deposit rates fell slightly in the review quarter. The spread between lending and deposit rates is quite large. The narrower this spread, the more effective financial intermediaries in the economy are. In addition, compared to the inflation rate of 5.4 per cent in September, real deposit rates (adjusted for inflation) remained negative. For instance, the six-month real deposit rate was negative 1.05 per cent, while the real savings rate was negative 3.35 per cent.

**MAJOR MONEY MARKET INTEREST RATES**  
(Per cent; End of Period)

Interest Rates by Type	2003			2004		
	Jun	Sep	Dec	Mar	Jun	Sep
Central Bank						
T Bill Rate – 91 Days	12.83	10.99	9.83	8.84	8.80	8.10
Lombard Rate	16.83	14.71	15.00	13.00	13.00	13.00
Commercial Banks <sup>(6)</sup>						
Call	3.80	3.55	3.04	3.06	3.06	1.78
Time						
31 days	4.29	4.13	3.32	3.32	3.32	3.10
88 days	4.97	4.40	3.87	3.87	3.87	4.15
6 months	5.05	4.72	4.07	4.07	4.07	3.65
1 year	5.57	4.72	4.37	4.37	4.37	4.74
Savings	2.51	2.51	1.95	1.89	1.89	1.35
Prime	16.50	14.83	12.50	12.50	12.50	12.17
South Africa						
Repo	12.00	10.00	8.00	8.00	8.00	7.50
T Bill Rate – 91 Days	10.78	8.97	7.54	7.80	7.87	7.49
Marginal Lending Rate	17.00	15.00	13.00	13.00	13.00	12.50
Time						
31 days	11.49	9.35	7.69	7.66	8.25	7.47
1 year	10.02	8.65	7.84	8.7	8.80	7.73
Prime	15.5	13.50	11.50	11.50	11.50	11.00

(6) - Average rates by commercial banks.

**Figure 11**



**Foreign Exchange Rates**

The rand and therefore the loti continued to strengthen during the quarter. On average, the local currency unit appreciated by 1.3 per cent against the Special Drawing Rights (SDR), 1.1 per cent against the US dollar and by 2.4 per cent against the UK pound sterling and remained unchanged against the euro.

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 the SA market. High metal prices, particularly, gold and platinum as well as stronger economic growth prospects in SA also contributed to the strengthening of the loti against major currencies. SA exporters continued to shorten the lag between the time of sale and that of repatriation of export proceeds. Furthermore, the local currency movement in the review quarter reflected, in part, the general weakness of the US dollar.

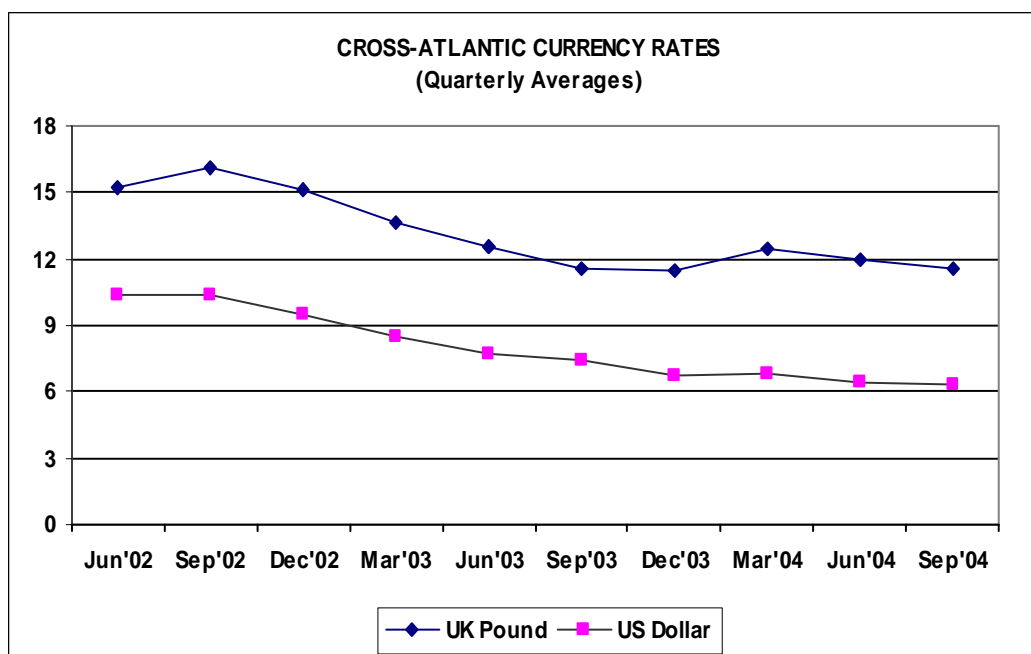
The appreciation of the loti has some implications for the economy of Lesotho. On the one hand, it reduces price competitiveness of the

country's exports in foreign markets, particularly the US. This, in turn, impacts negatively on Lesotho's export earnings and therefore manufacturing production. As already mentioned in section II, the bulk of Lesotho's exports are destined to the US. On the other hand, the appreciation of the loti reduces the cost of foreign currency denominated imports, and as a result, eases inflationary pressures.

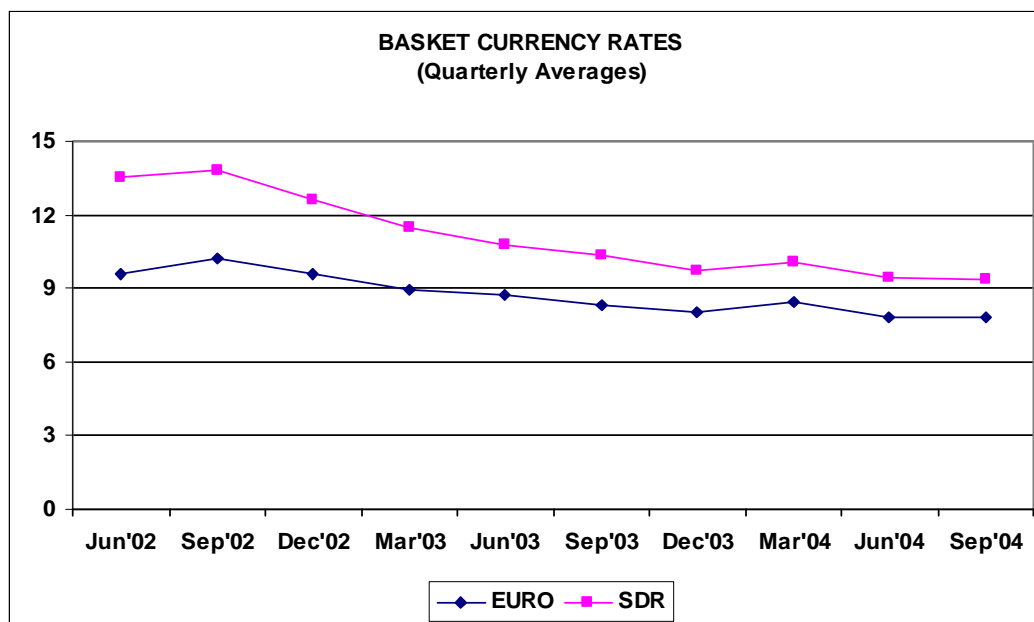
**SELECTED EXCHANGE RATES**  
(Loti per Currency units; Quarterly Averages)

Currency	2003			2004		
	Jun	Sept	Dec	Mar	Jun	Sept
SDR	10.785	10.331	9.730	10.103	9.431	9.347
EURO	8.762	8.340	8.004	8.484	7.790	7.788
USD	7.737	7.416	6.745	6.779	6.443	6.373
UK	12.538	11.534	11.510	12.462	11.926	11.580

**Figure 12**



**Figure 13**



## **IX. Government Finance**

### **Summary of Budget Outturn**

Preliminary estimates on the outturn of government budgetary operations indicate that an overall budget surplus of 4.6 per cent of GDP was realized during the second quarter of the 2004/05 fiscal year. This was the third consecutive quarter in which a surplus was realized. Thus, suggesting a positive outlook for fiscal operations in the near future. The surplus was facilitated by the continued good revenue performance. Total revenue and grants were estimated to increase by 9.5 per cent to a level equivalent to 49.8 per cent of GDP. This was mainly a result of 9.9 per cent growth in revenue collections as well as the estimated 3.5 per cent rise in the level of grants received during the quarter. When grants were excluded, a surplus of 1.7 per cent of GDP was realized.

Following declines in the last two quarters, total expenditure and net lending was estimated to rise by 23.4 per cent to 45.2 per cent of GDP during the review period. The impact on the budget balance was overshadowed by the positive revenue performance discussed above.

## **Revenue**

During the second quarter of the 2004/05 fiscal year, total government receipts were estimated to have risen by 9.5 per cent in nominal terms. When grants were excluded a nominal increase of 9.9 per cent was realized. The main forces behind this were the respective increases of 10.4 per cent and 61.5 per cent in non-customs tax revenue and non-tax revenues. As percentage of GDP, total revenue and grants had risen to 49.8 per cent compared with 45.4 per cent of GDP during the previous quarter.

Tax revenue was estimated to have grown by 9.9 per cent during the review period. The 18.8 per cent recovery of income tax collections, which had fallen significantly in the last quarter, facilitated this marked improvement in total tax revenue. Improvements in income tax collections were mainly a result of intensified revenue enhancement measures undertaken by the LRA. These included intensified tax payer education through tax clinics to various stakeholders as well as notifications to companies whose taxes were in arrears. The income tax division had also taken measures to improve service delivery in order to assist tax payers to meet their obligations.

Value added tax (VAT) receipts rose by 2.34 per cent during the quarter. This was also facilitated by the continued use of various techniques to encourage tax payers to pay their outstanding tax obligations. These included, verification visits, tax payer audits, follow-ups on non-filers as well as collections of outstanding debts.

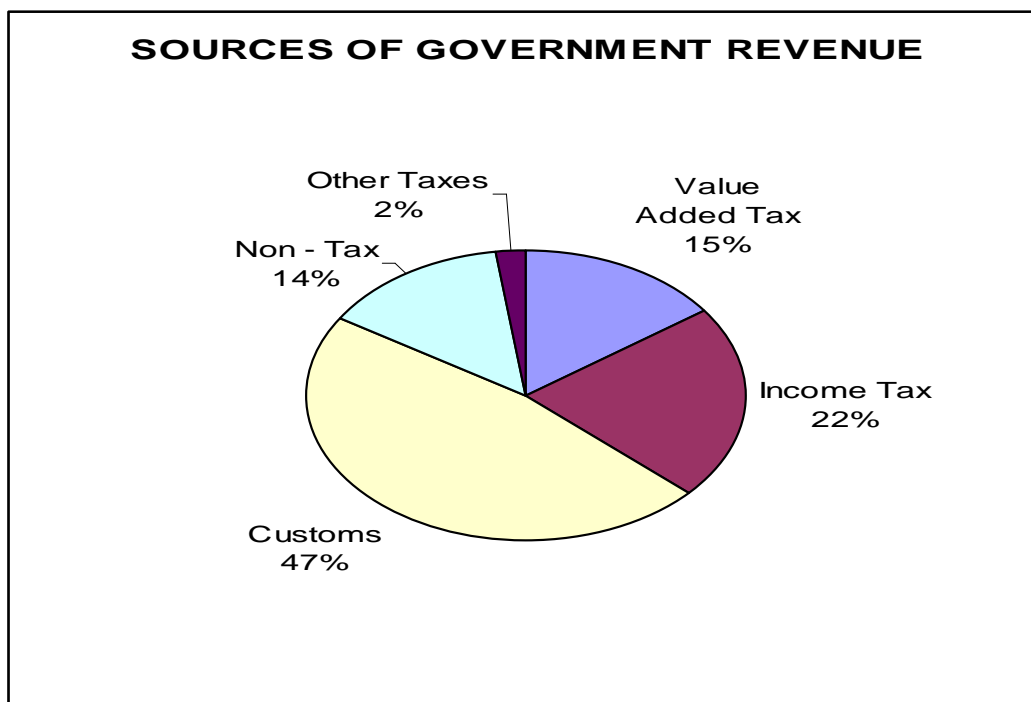
The composition of tax revenue continued to be dominated by SACU revenue at around 47 per cent of total tax receipts. Income tax and VAT were the next significant contributors at 22 per cent and 15 per cent of tax receipts respectively. Although this indicates an improvement in domestic tax collections, compared to the past when SACU revenue accounted for more than 50 per cent of government revenue, the reliance on SACU remains large. Thus more work still has to be done to enhance domestic taxes.

Non tax revenue was estimated to have grown by 61.5 per cent. The main factors behind this were the receipt of water royalties to the tune of M63.7 million and Central Bank of Lesotho dividends worth M39.7 million. Muela electricity income also contributed M16.4 million (property income). The level grants was estimated to have risen by 3.5 per cent. About 83 per cent of these went towards the financing of government projects while the remainder was for budgetary support.

**GOVERNMENT BUDGETARY OPERATIONS**  
(Million Maloti)

DETAILS	2003/04			2004/05	
	Jul-Sep	Oct-Dec	Jan-Mar	Apr-Jun Revised	Jul-Sep Preliminary
<b>Total Revenue and Grants</b>	<b>960.9</b>	<b>887.1</b>	<b>996.9</b>	<b>1035.1</b>	<b>1133.5</b>
<b>Total Revenue</b>	921.4	834.4	957.4	972.7	1068.9
<i>Tax Revenue</i>	767.9	743.4	785.0	880.2	919.5
Customs	355.4	355.4	355.4	503.1	503.1
Non-customs	412.5	388.0	429.6	377.1	416.4
Income Taxes	257.5	204.0	256.8	195.0	231.6
Taxes on goods & services	153.7	181.3	167.4	180.3	183.3
Other Taxes	1.3	2.7	5.4	1.8	1.5
<i>Non-Tax Revenue</i>	153.5	91.0	172.4	92.5	149.4
Of which: Water royalties	57.2	46.7	42.3	40.7	63.5
<b>Grants</b>	39.5	52.7	39.5	62.4	64.6
<b>Total Expenditure &amp; Net Lending</b>	<b>871.0</b>	<b>904.7</b>	<b>851.1</b>	<b>834.3</b>	<b>1029.2</b>
<b>Recurrent Expenditure</b>	747.6	783.1	685.0	637.8	805.4
Personnel Emoluments	279.2	281.8	283.8	283.1	298.8
Interest Payments	53.4	68.1	55.8	33.4	51.6
Foreign	18.1	33.5	25.1	13.6	29.2
Domestic	35.3	34.6	30.7	19.8	22.4
Other Expenditure	415.0	433.2	345.4	321.3	455.0
<b>Capital Expenditure</b>	123.4	126.7	166.8	196.5	223.8
<b>Net Lending</b>	0.0	-5.1	-0.7	0.0	0.0
<b>Surplus/deficit before grants</b>	50.4	-70.3	106.4	138.4	39.7
<b>Surplus/deficit after grants</b>	89.9	-17.6	145.8	200.8	104.3
<b>Financing</b>	-89.8	17.6	-145.8	-200.9	-104.3
Foreign	-9.4	-46.1	37.0	-17.3	-23.3
Loan drawings	34.5	48.2	58.4	26.9	45.0
Amortization	-43.9	-94.3	-21.4	-44.2	-68.3
Domestic	-80.4	63.7	-182.9	-183.5	-81.0
Bank Financing	-111.3	37.5	-152.9	-206.2	-33.4
Non – Bank	30.9	26.2	-29.9	22.7	-47.6

**Figure 14**



### ***Expenditure***

A nominal growth of 23.4 per cent in total expenditure was estimated to have taken place during the quarter ending in September 2004, to a level equivalent to 45.2 per cent of GDP. Increases in both recurrent and capital spending were responsible for this growth.

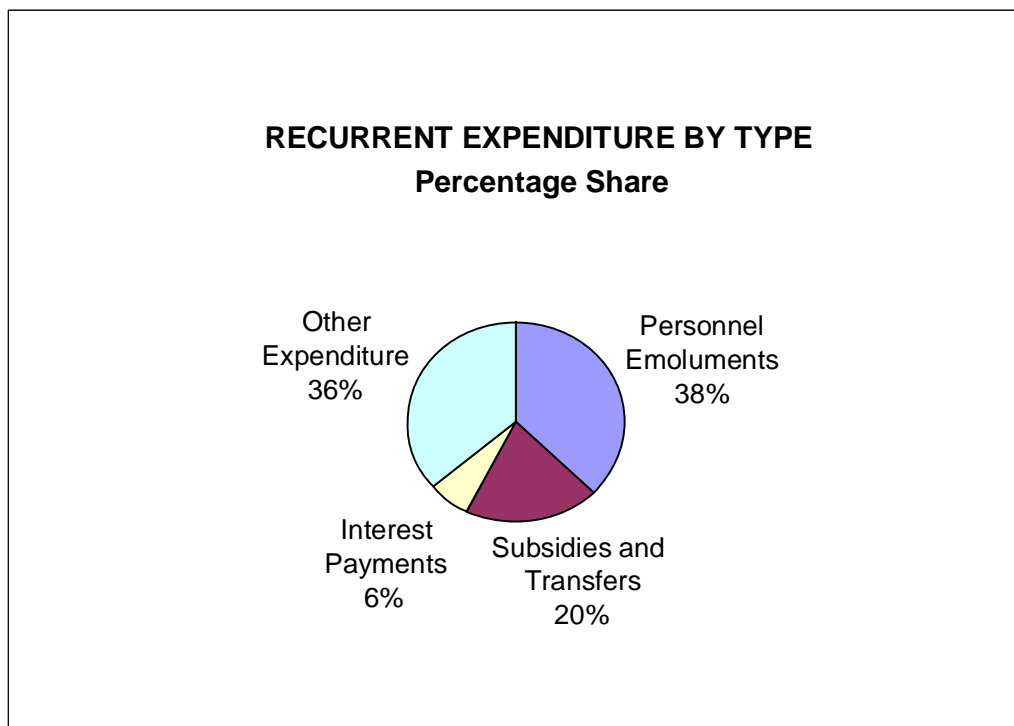
Recurrent expenditure was estimated to have risen by 26.3 per cent. All expenditure categories contributed to this increase. Personnel emoluments increased by 5.5 per cent from the previous level owing mainly to increased payments on allowances as well as wages and salaries. Interest payments grew by 54.5 per cent primarily as a result of higher interest payments on external debt. Interest payments on external debt for the quarter were higher as interest on most foreign loans falls due during the month of September. Other expenditures increased by 41.6 per cent due to increased purchases of goods and services. The main contributor to this expenditure was travel and transport as well as operating costs, whose spending grew by 27.0 per cent and 15.0 per cent respectively.

The level of subsidies and transfers extended during the review period was virtually the same as that of the last quarter. The bulk of these,

64.0 per cent, went toward the education sector. Finance and development planning (excluding National Manpower) received 15.2 per cent while the health and social welfare got 7.7 per cent.

Capital expenditure was estimated to have risen by 13.9 per cent on a quarterly basis. Government of Lesotho funded 50.1 per cent of total capital spending while external loans and grants were used to fund 24.7 and 25.2 per cent of capital projects respectively.

**Figure 15**



### ***Financing***

As indicated earlier, government budgetary operations for the quarter ended in September 2004 resulted in an estimated surplus equivalent to 4.6 per cent of GDP. The surplus allowed Government to be a net repayer of foreign debt to the tune of M23.3 million. Domestic indebtedness to both the banking as well as the non-bank sectors was also reduced.

## **Public Debt**

### Overview

The total stock of outstanding public debt was estimated to decline by 3.4 per cent to 54.3 per cent of GDP during the third quarter of 2004. The cause of this was the 28.8 per cent fall in domestic borrowing due to the repayment of the 5 year bond as well as the Lesotho bank treasury bills which had been issued to finance the privatization of the Old Lesotho Bank in 1999. External debt was estimated to rise by 2.2 per cent as a result of the depreciation of the loti against major currencies in which external debt is contracted. External debt constituted approximately 83 per cent of total government debt while domestic debt accounted for about 17 per cent.

### External Debt

The level of external debt was estimated to have increased by 2.2 per cent during the review period. This was mainly the result of the appreciation of the loti against major world currencies in which external is contracted. As a percentage of GDP the level of external debt was estimated at 47.1 per cent. This was in contrast with the 46.1 per cent of GDP recorded at the end of the previous quarter.

External debt indicators exhibited a generally sustainable debt position with debt service ratio at 3.6 per cent. At 47.1 per cent of GDP external debt was significantly less than the 60 per cent threshold for classification of less indebted countries. In line with Government policy for prudent debt management external borrowing continued to be limited to concessional terms. Concessional borrowing constituted about 90 per cent of foreign debt and 86.0 per cent of this was from multilateral institutions.

### Domestic Debt

During the review period, the level of domestic indebtedness declined by 28.8 per cent compared with the previous quarter's level. This was brought about by the repayment of the 5 year bond which came to maturity during the quarter as well as the retirement of the remaining M100 million worth of the Lesotho Bank treasury bills. The bond had been issued in 1999 to finance the privatisation of the old Lesotho Bank. This was also accompanied by the issuance of a M114.7 million ten year bond as well as some treasury bills worth M125.0 million. These treasury bills, which had been rolled over every three months except in January 2003 when they were reduced by M25.0 million, were also retired during the review period. The ten year bond will fall due in 2009. As a percentage of GDP domestic debt was equivalent to 7.3 per cent and it constituted 13.4 per cent of total public debt.

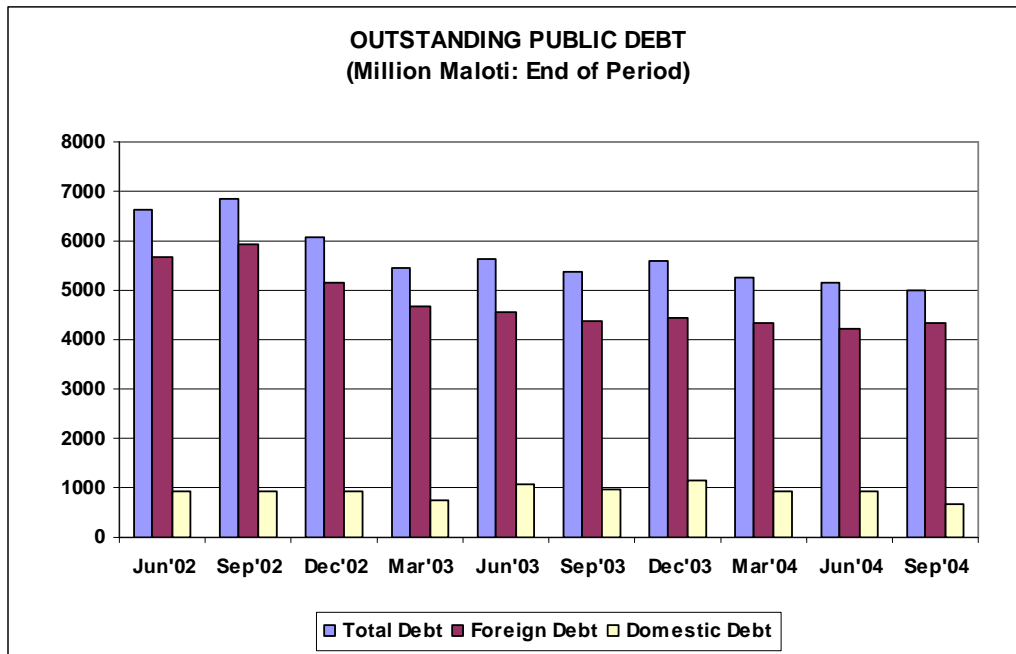
Long term debt constitutes about 17.2 of domestic debt while short term borrowing takes up 82.7 per cent. About 86.0 per cent of domestic debt was owed to the banking sector.

**OUTSTANDING GOVERNMENT DEBT**  
(Million Maloti)

	2003			2004		
	QII	QIII	QIV	QI	QII	QIII
<b>A. EXTERNAL DEBT</b>	<b>4559.5</b>	<b>4376.0</b>	<b>4432.0</b>	<b>4320.4</b>	<b>4224.2</b>	<b>4218.0</b>
Bilateral Loans	378.7	369.3	504.4	484.2	474.7	485.2
Concessional	286.0	203.0	205.3	196.3	420.8	430.1
Non-concessional	92.7	166.3	299.1	287.9	53.9	55.1
Multilateral Loans	3729.2	3563.2	3485.8	3406.6	3333.3	3407.3
Concessional	3434.5	3060.7	2997.7	2929.9	3298.1	3371.3
Non-concessional	294.7	502.5	488.1	476.7	35.2	36
Financial Institutions	353.2	349.3	343.8	338.9	326.8	334.1
Concessional	3.0	0.8	0.8	0.8	62.0	63.4
Non-concessional	350.2	348.5	343.0	338.1	264.8	270.7
Suppliers' Credit	98.4	94.2	98.0	90.7	89.4	91.4
<b>B. DOMESTIC DEBT</b>	<b>1085.7</b>	<b>919.5</b>	<b>1159.7</b>	<b>923.8</b>	<b>935.2</b>	<b>665.7</b>
Banks	967.1	826.4	982.5	779.5	767.8	541.3
Long-term	287.7	287.7	287.7	287.7	287.7	114.7
Short-term	679.4	538.7	694.8	491.8	480.1	426.6
<i>Of which: treasury bills</i>	679.4	537.5	693.3	490.2	478.3	424.6
Non-bank	118.6	151.2	177.2	144.3	167.4	124.4
Short-term (TBs)	118.6	151.2	177.2	144.3	167.4	124.4
<b>TOTAL (A + B)</b>	<b>5645.2</b>	<b>5295.5</b>	<b>5591.7</b>	<b>5244.2</b>	<b>5159.4</b>	<b>4983.7</b>

Source: Ministry of Finance and Central Bank of Lesotho

**Figure 16**



## **XI. Statistics Tables**

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Table 1(a)

**CENTRAL BANK OF LESOTHO ASSETS AND LIABILITIES**  
**(Million Maloti)**  
**A – ASSETS**

End of period	EXTERNAL SECTOR										Total
	Cash and Balances	Reserve Tranche	Holdings of SDRs	Other Investments	Rand Notes and Coins	Other Foreign Assets	Total	Claims on Government	Claims on Private Sector	Unclassified 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
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
Jul	2853.47	31.99	3.77	402.52	8.26	389.02	3689.02	189.63	15.48	184.86	4078.98
Aug	2512.11	34.50	4.01	434.16	9.72	411.95	3406.44	204.53	15.96	232.97	3859.90
Sep	2484.66	33.52	3.90	418.82	7.19	402.26	3350.34	198.73	16.30	269.05	3834.42

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
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
Jul	276.52	500.55	1456.54	159.03	11.08	353.94	1266.18	33.76	21.39	4078.98
Aug	261.40	559.97	1354.33	159.04	11.22	77.39	1384.31	36.41	15.84	3859.90
Sep	270.62	536.79	1298.24	159.04	11.25	84.62	1323.63	35.38	114.84	3834.42

(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		
Jul	259.67	9.15	38.94	8.26	229.32	276.52	353.94	630.46		
Aug	244.01	9.12	44.45	9.72	207.23	261.40	77.39	338.79		
Sep	255.31	9.11	43.84	7.19	219.59	270.62	84.62	355.24		

(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 (1)	Balances with Central Bank	Foreign Assets (2)	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
Jul	47.19	81.36	929.34	771.33	45.38	459.52	593.57	2927.71
Aug	54.17	67.69	1229.12	559.81	51.01	508.74	687.92	3158.46
Sep	51.02	82.30	1240.29	584.50	47.69	493.61	728.25	3227.66

(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>														
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
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
Jul	56.74	259.81	982.20	0.06	82.83	164.35	0.05	0.07	485.73	49.78	301.22	86.49	458.38	2927.71
Aug	60.18	239.03	1037.57	0.06	87.52	186.27	0.05	0.08	478.68	41.95	306.97	102.26	617.83	3158.46
Sep	57.80	245.05	1027.62	0.05	92.40	190.46	0.05	0.07	480.83	47.99	310.54	93.89	680.92	3227.66

Table 4

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

End of Period	FOREIGN ASSETS				FOREIGN LIABILITIES			Net Foreign Assets
	-----		Commercial Banks	Total	-----			
	Central Bank of Lesotho	Of which: Rand notes and coins with banks			Central Bank of Lesotho	Commercial Banks	Total	
<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
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
Jul	3689.02	8.26	929.34	4618.36	500.55	86.49	587.04	4031.32
Aug	3406.44	9.72	1229.12	4635.56	559.97	102.26	662.23	3973.33
Sep	3350.34	7.19	1240.29	4590.63	536.79	93.89	630.68	3959.95

Table 5

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

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
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
Jul	1242.01	485.80	247.18	49.78	2024.77	61.34	23.99	12.21	2.46
Aug	1276.61	478.76	273.79	41.95	2071.11	61.64	23.12	13.22	2.03
Sep	1272.66	480.89	282.86	47.99	2084.41	61.06	23.07	13.57	2.30

Table 6

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

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>									
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
Jul	1632.28	56.85	342.71	49.78	2081.62	78.41	2.73	16.46	2.39
Aug	1702.53	60.29	326.63	41.95	2131.40	79.88	2.83	15.32	1.97
Sep	1698.90	57.90	337.51	47.99	2142.31	79.30	2.70	15.75	2.24

Table 7

## COMMERCIAL BANKS' FIXED TIME DEPOSITS BY MATURITY

(Million Maloti/Per cent)

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
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
Jul	67.60	172.28	13.52	253.40	26.68	67.99	5.34
Aug	73.11	193.57	13.69	280.36	26.08	69.04	4.88
Sep	96.18	180.08	13.52	289.78	33.19	62.14	4.67

**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	Sep
1. Agriculture, Hunting Forestry and Fishing	0.0	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	0.0
3. Manufacturing	25.9	25.8	32.2	26.9	24.0	26.1	23.6	24.7	23.3	26.2
4. Electricity, gas and water	4.7	5.8	7.7	8.3	8.5	8.9	8.9	8.7	8.7	8.9
5. Construction	106.2	112.8	96.6	92.8	86.1	110.9	97.0	108.4	121.3	117.5
6. Wholesale, Retail, Hotel and Restaurant	15.9	20.9	23.8	18.0	20.6	21.6	20.7	21.5	16.9	18.1
7. Transport, Storage and Communication	6.1	6.4	7.1	6.4	7.6	7.3	7.3	7.0	7.3	8.7
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	7.1
9. Community, Social and Personal Services	4.7	19.6	23.7	21.7	23.0	23.3	26.7	25.5	28.4	31.8
<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>	<b>218.4</b>
of which:										
Business Enterprises	124.5	140.8	152.5	141.4	143.8	161.7	150.6	155.2	158.1	170.7
Statutory Bodies	42.1	53.5	42.8	36.7	30.3	40.7	38.9	46.0	53.5	47.7

**Table 8(b) COMMERCIAL BANKS' LOANS AND ADVANCES TO BUSINESS ENTERPRISES AND STATUTORY BODIES**  
(As per cent of total : End of Period)

ECONOMIC ACTIVITIES	2002				2003				2004	
	Jun	Sep	Dec	Mar	Jun	Sep	Dec	Mar	Jun	Sep
1. Agriculture, Hunting Forestry and Fishing	0.2	0.2	0.2	0.1	0.1	0.0	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	0.0
3. Manufacturing	17.4	16.6	17.5	15.7	14.8	12.9	12.4	12.3	11.0	12.0
4. Electricity, gas and water	0.9	1.0	1.3	3.7	3.8	4.4	4.7	4.3	4.1	4.1
5. Construction	16.9	17.2	14.8	40.8	38.5	54.8	51.2	53.9	57.3	53.8
6. Wholesale, Retail, Hotel and Restaurant	16.0	16.2	16.6	11.9	3.3	10.7	10.9	10.7	8.0	8.3
7. Transport, Storage and Communication	23.9	22.9	23.0	9.6	10.3	3.6	3.9	3.5	3.4	4.0
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	3.3
9. Community, Social and Personal Services	18.1	19.5	20.1	14.7	15.5	11.5	14.1	12.7	13.4	14.6
<b>TOTAL</b>	100.0	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	78.2
Statutory Bodies	6.3	7.7	M 6.1	16.0	13.4	20.1	20.3	22.9	25.3	21.8

**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
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
Jul	2168.10	1921.87	88.64	479.11	22.10	68.15	1998.37	73.59
Aug	2233.66	2079.46	93.10	479.11	21.45	68.15	1929.34	69.38
Sep	2236.20	2173.21	97.18	479.11	21.43	68.15	1987.37	71.40

Table 9(b)

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

4

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)
							7	8	9	10	11	12	13
	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
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
Jul	1974.98	49.78	56.85	86.49	504.91	769.57	25.57	24.94	24.26	23.29	36.97	61.23	58.78
Aug	2029.15	41.95	60.29	102.26	559.76	557.91	27.59	27.03	26.26	25.06	26.18	52.44	50.04
Sep	2036.42	47.99	57.90	93.89	541.29	582.54	26.58	25.97	25.27	24.21	27.19	52.46	50.26

(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 (per cent)
	-----	-----	-----	-----	-----	-----	-----		
	Issued	With Banks	With Public	Private Sector	Statutory Bodies	Deferred Pay Fund	Total		
1	2	3	4	5	6	7	8	9	
<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
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
Jul	268.82	38.94	229.32	993.27	418.84	4.98	1417.09	1646.41	20.98
Aug	253.12	44.45	207.23	1048.79	398.07	4.20	1451.06	1658.29	17.80
Sep	264.42	43.84	219.59	1038.87	404.09	4.80	1447.76	1667.35	16.87

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	Sep
Foreign Assets, Net	4755.192	4605.366	3884.084	3722.270	3635.559	3437.952	3460.841	3480.297	3858.725	3959.52
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Commercial Banks	810.529	742.866	672.684	766.295	569.282	743.087	607.697	903.400	1027.300	1146.40
Central Bank of Lesotho	3940.376	3857.115	3201.084	2949.681	3060.212	2687.563	2837.679	2567.914	2823.235	206.36
Rand with Banks	4.287	5.385	10.316	6.294	6.065	7.302	15.465	8.983	8.190	7.19
Domestic Credit	-106.189	76.862	105.448	223.764	357.366	259.890	289.466	180.243	-19.348	-15.32
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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	557.60
Claims on Government, net of deposits	-473.015	-342.051	-323.138	-190.255	-85.775	-204.519	-167.044	-319.894	-539.516	-572.91
Money Supply	2222.882	2187.368	2168.182	2191.321	2254.379	2211.647	2297.846	2308.372	2353.463	2474.30
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Money	1470.988	1450.484	1440.940	1443.865	1395.751	1422.915	1537.745	1539.076	1588.836	1662.55
Maloti with public	168.314	181.328	179.682	178.645	175.823	188.178	183.517	207.629	189.652	219.60
Demand and call deposits	1302.674	1269.156	1261.258	1265.220	1219.928	1234.737	1354.228	1331.447	1399.184	1442.96
Quasi-money	751.894	736.884	727.242	747.456	858.628	788.732	760.101	769.296	764.627	911.74
Time deposits	216.803	205.088	200.278	207.349	337.462	282.794	253.057	269.964	263.564	330.85
Savings deposits	535.091	531.796	526.964	540.107	521.166	505.938	507.044	499.332	501.063	480.89
Other Items, Net	2426.120	2494.861	1821.350	1754.713	1738.546	1486.195	1452.461	1352.168	1485.914	1470.34
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Table 12

## BROAD MONEY

(Million Maloti)

End of Period	Savings Deposits	Time Deposits			Quasi-Money (1+2+3+4) 5	Money (M1) 6	Money Supply (M2) (5+6) 7	Annual Rate of Increase (per cent) 8
		Private Sector	Statutory Bodies	Deferred Pay Fund				
		2	3	4				
<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
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
Jul	485.80	164.35	82.83	44.80	777.78	1646.41	2424.19	9.98
Aug	478.76	186.27	87.52	37.76	790.31	1658.29	2448.60	8.91
Sep	480.89	190.46	92.40	43.19	806.94	1667.35	2474.30	11.88

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	
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
Jul	1452.20	721.15	0.50	485.83	103.63	40.09	303.12	8.17	0.03	2241.15	832.94	0.37
Aug	1487.88	739.75	0.50	478.78	98.78	41.02	322.25	8.67	0.03	2288.92	847.21	0.37
Sep	1486.13	766.27	0.52	480.92	102.40	43.17	337.72	8.69	0.03	2304.77	877.36	0.38

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
Jul	12.50	19.17	11.50	1.10-1.68	1.82
Aug	12.42	19.00	11.00	1.08-1.68	1.79
Sep	12.17	18.83	11.00	0.97-1.35	1.78

Table 14 (b)

**TIME DEPOSIT RATES BY COMMERCIAL BANKS****With comparable South African Rates****(Per Cent Per Annum)**

End of Period	<b>I N T E R E S T P A I D</b>					
	31Days	Lesotho Time Deposits			South African Time Deposits	
		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
Jul	3.20	3.50	4.00	5.00	8.20	8.90
Aug	3.20	3.50	4.00	5.00	7.70	7.85
Sep	3.10	4.15	3.65	4.74	7.48	7.74

**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
Jul	13.00	13.00	8.76	8.76
Aug	13.00	13.00	8.44	7.11
Sep	13.00	13.00	8.10	8.10

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



**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
Jul	0.0	403.1	79.5	66.8	549.4
Aug	0.0	415.3	75.0	59.1	549.4
Sep	0.0	424.2	71.5	52.8	548.5

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
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
July	4.5	5.4	6.5	2.0	4.7	3.6	4.3	5.5	0.0	3.0	4.1	2.3	3.1
Aug	5.3	5.8	8.4	2.1	5.6	3.6	3.7	11.0	6.9	3.0	4.1	2.3	3.5
Sept	4.7	5.3	8.2	2.4	5.8	2.2	3.1	8.9	6.9	3.4	3.5	1.9	2.5

**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- tainment & 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
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
Jul	0.2	0.1	0.3	-0.01	0.4	0.0	0.5	0.9	0.0	-0.4	0.1	0.0	0.4
Aug	0.7	0.3	1.8	0.1	0.5	-0.1	-0.6	5.2	0.0	0.0	0.0	0.0	0.3
Sept	0.3	0.0	0.1	0.8	0.7	0.4	0.4	1.0	0.0	0.2	0.0	0.0	0.5

**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
Jul	1.336	7.512	.873	3.841	.056	1.637	9.014	.817	4.919	11.279	6.121	0.001
Aug	1.359	7.864	.835	4.021	.059	1.721	9.455	.857	5.102	11.741	6.454	0.001
Sep	1.366	7.987	.821	4.084	.059	1.743	9.573	.879	5.167	11.721	6.545	0.001

Loti per unit of foreign currency, period average

Table 20 (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 20 (b)

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

	QIII	2002 QIV	QI	QII	QIII	2003 QIV	QI	QII*	2004 QIII+
I CURRENT ACCOUNT	-286.00	-320.62	-359.66	-304.79	-300.59	-274.98	-193.28	-17.97	-50.59
Goods, Services and Income	-594.24	-612.09	-685.43	-670.72	-601.11	-566.94	-526.31	-508.43	-467.01
a) GOODS	-959.64	-992.07	-1090.65	-1085.41	-964.57	-997.68	-987.80	-928.90	-957.98
Merchandise exports f.o.b.	1057.80	997.58	824.89	801.74	1011.68	919.06	849.02	925.17	1173.52
Merchandise imports f.o.b.	-2017.44	-1989.65	-1915.54	-1887.15	-1976.25	-1916.74	-1836.82	-1854.07	-2131.50
									-59.76
b) SERVICES	-65.02	-55.70	-47.65	-60.83	-94.00	-58.05	-56.64	-35.70	
c) INCOME	430.42	435.68	452.87	475.52	456.96	489.01	518.13	456.17	550.73
Labour income	438.70	436.34	448.11	453.51	450.92	515.53	522.69	491.72	506.56
Other	-8.28	-0.66	4.76	22.01	6.04	-26.52	-4.56	-35.55	44.17
d) CURRENT TRANSFERS	308.24	291.47	325.77	365.81	301.02	290.96	333.89	436.46	416.42
Government, net	293.80	288.88	309.68	353.89	281.65	276.19	322.64	406.62	407.75
SACU non-duty receipts	276.72	267.01	286.66	272.74	265.90	256.49	245.59	386.50	381.26
Other	17.08	21.87	23.02	81.15	15.75	19.70	76.19	20.12	26.48
Other sectors	14.44	2.59	16.09	11.92	19.37	14.77	11.25	29.84	8.67
II CAPITAL AND FINANCIAL ACCOUNT	307.46	314.43	137.71	319.29	155.52	317.03	-23.53	237.08	114.33
e) CAPITAL ACCOUNT	43.70	56.10	69.80	46.10	39.50	52.70	39.50	62.40	64.60
f) FINANCIAL ACCOUNT	263.76	258.33	67.91	273.19	116.02	264.33	-63.03	174.68	49.73
Special Financing - LHWP	151.88	164.72	101.01	131.01	221.01	99.23	93.08	231.11	71.64
III RESERVE ASSETS	-76.00	683.62	282.72	-0.82	391.66	-156.57	257.49	-251.39	-15.53
IV ERRORS AND OMISSIONS 1/	54.54	-677.43	-60.77	-13.56	-246.39	114.52	-40.68	86.28	-48.21

**1/ Including valuation adjustments**

**\* Revised estimates**

**+ Preliminary estimates**

**Table 21**

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

	<b>IMPORTS F.O.B</b>	<b>EXPORTS F.O.B</b>	<b>TRADE BALANCE</b>
<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	1836.82	849.02	-987.80
Quarter II	1854.07	925.17	-928.90
Quarter III	2131.50	1173.52	-957.98

**Source : Customs and CBL estimates**

**\* Provisional CBL estimates**

Table 22

## 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
Q III	52,643	...	122,882	114	33,780	25

(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.

