



Central Bank of Lesotho

Growth picking up against the backdrop of increasing risks

Overview

Global economic growth is expected to continue to slowdown in 2016; moderating further from 3.2 per cent registered in 2015 to 3.1 per cent projected in 2016. Subdued world growth in 2016 largely reflects weak productivity, stagnation in real wages, persistently low inflation and policy uncertainty in advanced economies. In 2017 through 2018, the world economy is expected to improve and grow by 3.6 per cent. The improvement in world output is mainly attributed to an increase in economic activities anticipated in emerging and developing countries with emerging and developing Asian economies (notably India and China) leading the global economic recovery in the medium term. In advanced world, growth is set to remain subdued.

Risks to global growth prospects continue to remain elevated. Geo-political issues and political discord in advanced economies pose a threat to global growth prospects as they may reverse the gains from globalisation process achieved thus far. The recovery in advanced economies has remained slow and subdued with little prospects for further improvement in the medium term. In emerging and developing economies, growth has been revised down amid low commodity prices and the possible normalisation on the US monetary policy in the medium term.

Domestic growth is expected to recover over the period 2016 – 2018 following a subdued performance in 2015. Real GDP is expected to accelerate from 1.6 per cent in 2015 to 4.2 per cent in 2018. The recovery is largely supported by moderate growth expected in the services sector and a strong rebound in primary sector, particularly strong growth anticipated in the mining industry. In the secondary sector, economic activities are expected to dip in 2017 due to a fall in construction activities before recovering in the 2018 as advanced infrastructure development associated with the second phase of the LHWP begins. Meanwhile manufacturing sector is set to register modest growth over the period 2016 – 2018. Lesotho's inflation rate is set to accelerate from 3.2 per cent in 2015 to an average of 6.6

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per cent in 2016 following a sharp increase in food prices. In the subsequent years, domestic inflation is set to subside and average 6.3 per cent and 6.4 per cent in 2017 and 2018, respectively, with moderating food prices.

The fiscal sector is set to deteriorate and dip into a deficit equivalent to 7.2 per cent of Gross Domestic Product (GDP) in 2016 as total revenue, notably Southern African Customs Union (SACU), falls. However, with SACU recovering in 2017 through 2018, government budgetary operations are expected to improve to a deficit of 1.6 per cent of GDP in 2018. Together with the expected deterioration in the current account of balance of payments, official international reserves are therefore projected to decline from 6.3 months of import cover in 2015 to about 3.6 months by 2018.

The risks to domestic growth outlook remain elevated. Uncertainties surrounding SA growth prospects including adverse weather conditions may put strains on domestic growth prospects. Lesotho's continued favoured access to the U.S. market, under AGOA, remain unclear with a potential to weigh heavily on domestic textiles and clothing industry. Furthermore, deterioration political environment have weakened implementation of economic policies and threaten investment.

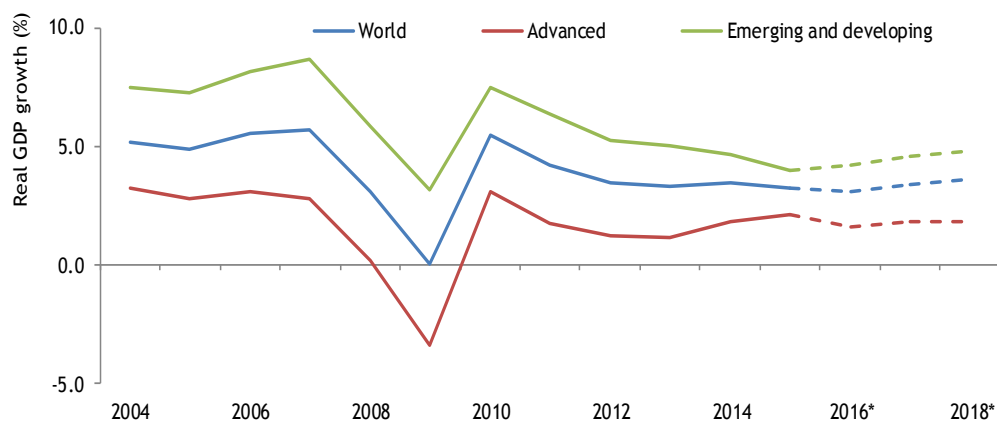
1. Global Economy

The global economic activity is expected to remain subdued and subside from 3.2 per cent in 2015 to 3.1 per cent in 2016. In 2017 and 2018, the world output is expected to pick up and increase by 3.4 per cent and 3.6 per cent, respectively. Global growth is set to benefit from an increase in economic activities in emerging and developing countries with these countries continuing to increase their contribution to global output. Meanwhile, advanced economies are expected to remain subdued in the medium term.

Following a subdued performance in 2016, global growth expected to pickup somewhat in the medium term...

Advanced economies are expected to grow at an annual average rate of 1.7 per cent in the medium term. This reflects low investor confidence in the wake of unclear policy direction following the UK decision to leave the European Union and US presidential elections in 2016. In the United States (US), growth is expected to slow down to 1.6 per cent in 2016 due to low investor confidence (particularly in the energy sector), dollar appreciation and increased uncertainty due to the current electoral cycle. In the subsequent years, the US economy is set to recover slightly and grow by 1.8 per cent in 2018 with improving consumer sentiments to pre-2008 levels.

Figure 1: Global Economic Outlook



Source: IMF World Economic Outlook (October 2016), * projections.

Recovery in the Euro Area remains slow and is anticipated to register a lacklustre growth of 1.6 per cent in the medium. While the full impact of the Brexit vote remains unclear, the region has thus far been able to recover from the initial shock. However, the region's growth continues to be held back by aging population, high unemployment and debt. Growth in the UK is likely to slow down to 1.5 per cent in the medium term as the Brexit vote is expected to increase investor uncertainty, with consequential effects on business expansionary plans, construction and growth in the property sector.

In emerging market and developing economies, growth is projected to pickup from 4.0 per cent in 2015 to 4.8 per cent in 2018. In emerging Asia, China and India are expected to continue to register robust growth in the medium term. In particular, India is expected to increase at an annual average growth rate of 7.6 per cent per over the period 2016 – 2018. Strong growth in India is set to benefit from terms of trade gains, tax policy reforms and implementation of an inflation targeting framework; all of which work to boost investor confidence. China is projected to grow at an average growth of 6.4 per cent. Chinese economic growth is expected to benefit from increased policy support (particularly efforts to improve social safety nets) and deregulation of the services sector as the economy continues with a transition towards consumption-led growth.

Brazilian and Russia's economies are expected to remain under stress in 2016 and contract by 3.3 per cent and 0.8 per cent, respectively. For Russia, international sanctions including low oil prices and structural weaknesses continued to weigh

*India and China leading the
recovery in emerging and
developing economies ...*

heavily on growth. In Brazil, political uncertainties continued to constrain growth. Going forward these economies are expected to improve slightly with falling political and policy uncertainty and the waning effects of past economic shocks.

In Sub-Saharan Africa, growth is expected to slow down to 1.4 per cent in 2016 as the two main economies (South Africa and Nigeria) continue to face challenging macroeconomic conditions and policy uncertainty. In the subsequent years, regional growth is expected to improve to 3.6 per cent in 2018.

The South Africa (SA) economy is expected to remain subdued, only increasing by 0.4 per cent, reflecting low business and consumer confidence and hence weak demand amid political uncertainties. Over the period 2017 – 2018, SA growth is expected to pick up and increase by 1.2 per cent and 1.6 per cent in 2017 and 2018, respectively. This is largely due to an increase in investment spending (particularly government financed) and improving commodity prices as global economy picks up. Furthermore, with improving power supply and weather conditions, the SA economy is likely to recover.

Needless to say, risks to the global recovery remained elevated. Political discord continued to give rise to geo-political tensions and inward-looking policies, increasing financial market volatility in advanced economies and threaten global recovery. Policy uncertainty amid Brexit and the US presidential elections remains high. Sluggish growth in advanced economies with negative output gaps and persistently low inflation may undermine recovery elsewhere in the world. The start of contractionary monetary policies in the advanced economies is likely to exert pressures on emerging and developing economies currencies. Uncertainties surrounding SA growth prospects, with the risk of a credit ratings downgrade to ‘junk’ status in 2017 still elevated.

2. Domestic Economic Outlook

2.1. Overview of the current forecast

The current Bank’s Economic Outlook is shaped by a number of developments since the release of the Bank’s 2016 July Economic Outlook. Relative to the Bank’ 2016 July Economic Outlook, domestic growth has been marked-up by 0.4 and 0.8 percentage points in 2016 and 2017, respectively. In 2018, growth has been revised downwards by 0.4 percentage points as shown in table 1.

Table 1: Overview of Domestic Economic Outlook

	Actual	Estimate	Dec. 2016 projections			Differences from Jul. 2016 projections		
	2014	2015+	2016*	2017*	2018*	2015*	2016*	2017*
Economic growth	4.5	1.6	3.5	4.3	4.2	0.4	0.8	-0.4
Primary Sector	1.1	-2.9	4.0	19.6	4.5	3.8	4.3	-0.8
Agriculture	-3.5	-4.4	-0.9	3.1	1.8	6.7	-2.0	-1.5
Mining & Quarrying	8.2	-0.8	10.7	39.4	6.8	1.1	13.7	-0.2
Secondary Sector	-2.4	2.0	2.8	-2.4	3.9	1.9	2.0	-0.7
Manufacturing	-6.9	2.4	1.7	1.6	2.0	1.1	0.8	1.0
Textiles & Clothing	-10.2	4.7	1.5	1.4	2.1	2.6	2.3	2.7
Building & Construction	-2.6	4.6	6.3	-10.2	9.8	8.1	6.2	-1.4
Services Sector	7.0	2.9	3.7	4.2	4.3	-0.8	0.0	-0.2
Inflation rate %	5.4	3.2	6.6	6.3	6.1	-0.3	-0.4	0.1

Major revisions in growth forecasts, particularly in 2016, reflect a base effect of starting from a lower growth estimate for 2015 following rebasing (from 2004 to 2012 prices) and major improvements in national account dataset (1982—2015) by Bureau of Statistics (BoS) earlier this year (for more information visit www.bos.gov.ls). In addition, the revisions reflect the Bank's re-assessment of the prospects in different sectors of the economy in line with recent developments. In the primary sector, the initial forecasts assumed that there would be a delay in production at Liqhobong diamond mine which turned out otherwise. Production has started in the fourth quarter of 2016 in accordance with the initial plan.

In the secondary sector, growth has been revised upwards in 2016 – 2017 and downwards for the outer year. The current forecasts consider the positive impact of diversification process from the US market to the SA market. Recent data on textiles exports to SA suggests that there is growing appetite for the SA market in the textiles and clothing industry. Consequently, growth prospects in manufacturing sub sector have improved. The revisions in construction activities are mainly in line with recent government capital budget estimates (including Medium Term Fiscal Framework (MTFF)) and revised implementation schedule of major capital projects, particularly the second phase of LHWP. The services sector remains broadly unchanged.

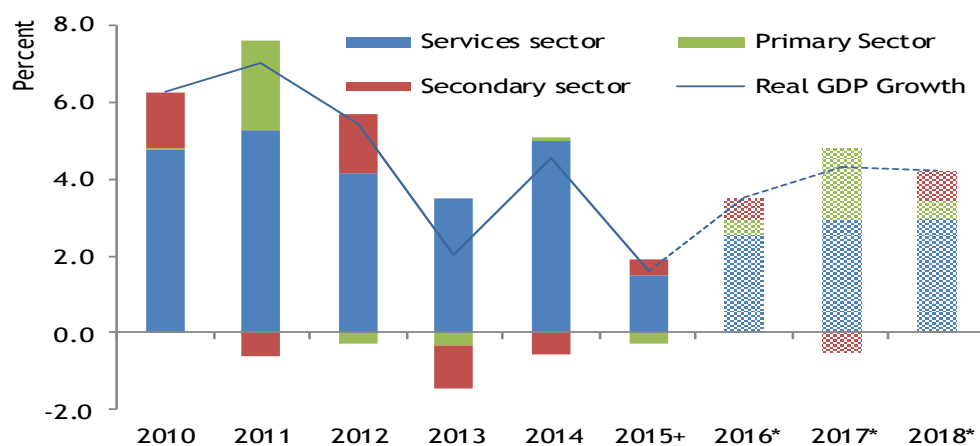
The improvements in inflation outlook were in line with the downwards adjustments of the SA inflation outlook, particularly food inflation. South African Reserve Bank (SARB) revised SA inflation outlook twice in the second half of 2016; in July and September 2016.

2.2. Real Sector Outlook

Domestic economic activities are expected to pick up and increase from 1.6 per cent in 2015 to an annual average growth of 4.0 per cent in the medium term. The improvement in economic activities is largely supported by growth acceleration anticipated in the services sector and a rebound in primary sector, particularly strong growth anticipated in the mining industry. In the secondary sector, economic activities are expected to dip in 2017 due to a fall in construction activities before recovering in the 2018 as the auxiliary works associated with the second phase of the LHWP begins. Meanwhile manufacturing sector is set to register modest growth over the period 2016 – 2018.

Following a slow down in 2015, growth is set to recover in the medium term amid some challenges and uncertainties ...

Figure 2: Domestic Economic Outlook: sectoral contributions



*Projections

The primary sector is projected to rebound strongly and grow by 19.6 per cent in 2017. In 2018, the sector is expected to subside to 4.5 per cent. The sector is expected to benefit from strong growth prospects in the mining industry which will see the commencement of production activities at Liqhobong mining plant alongside the engagement of full production capacity of existing mines (Lets'eng and Kao). Liqhobong diamond mine, which started production in the fourth quarter of 2016, is expected to see production ramping up to the potential level of approximately 1.1 million carats per year in the medium term. The agricultural sub sector is set to remain under stress in 2016 following severe drought conditions in 2015/16. In 2017—2018, the sub sector is set to recover as weather conditions improves (transition from El Nino to weak La Nina or Neutral position) associated with normal to above normal rainfall in the agricultural year 2016/17.

Mining Industry expected to rebound strongly in the medium term ...

The secondary sector is projected to accelerate further and registers the growth rate of 2.8 per cent in 2016. The improvement largely reflects the strong performance anticipated in construction and moderate growth expected in electricity and water sub sector. Electricity and water sub sector is set to benefit from the increased domestic water supply and reliability of water supply following the completion of Metolong dam while the on-going construction of Liqhobong mining plant and other major government construction works will provide a boost to the construction sub sector. In 2017, the secondary sector is projected to decline by approximately 2.4 per cent largely due to a dip in construction activities following the completion of Liqhobong mining plant in 2016.

In 2018, the secondary sector is expected to recover and grow by 3.9 per cent in 2018 due to a strong rebound anticipated in construction activities. A rebound in construction activities mainly reflects the commencement of the advance infrastructure development (particularly access road, accommodation facilities, power supply and telecommunication infrastructure) associated with the implementation of the second phase of LHWP; construction of the 165-m-high, 2.2-billion-cubic-metre Polihali Dam. Furthermore, government construction activities and other major private construction projects including property boom in relation to home ownership by households will continue to boost the sub sector.

The manufacturing sub sector is set to grow moderately over the period 2016 – 2018, largely due to marginal growth anticipated in the textiles and clothing industry. Textiles and clothing exports to the US markets are set to remain under pressure with the continual erosion of Lesotho's competitiveness in the US market. Furthermore, the recently signed Trans-Pacific Partnership (TPP) agreement between the US and several Pacific Rim countries also poses a significant threat to the textiles industry provided the US goes ahead with the trade deal. The TPP is yet to be ratified by at least six members including the US. On the bright side of the story, exports to SA market are expected to increase with the country's efforts to diversify away from the US market. Nevertheless, whether exports to the SA market can offset the challenges in the US markets is yet to be seen.

*Textiles and clothing industry set
to remain under subdued ...*

The tertiary sector is projected to pick up from 2.9 per cent in 2015 and grow steadily at an annual average growth rate of 4.2 per cent in the medium term. The improvement is largely supported by modest recovery anticipated in wholesale and retail trade, transport and communications as well as financial and insurance services. Meanwhile

government services (public administration, education and health services) are expected to remain subdued as government endeavours to maintain fiscal sustainability in the medium term.

A rebound in general economic growth, which is expected to boost domestic demand, is set to provide impetus to consumer spending boosting wholesale and retail trade services. Information and communication services are set to continue to benefit from the on-going enhancement of telecommunication products including increased coverage of internet services and mobile money services by mobile operators. Buoyant economic activities in the construction and mining industries are expected to support transport services. The financial and insurance activities are expected to register a growth rate of –0.03 per cent in 2015 to an average growth of 6.5 per cent per annum over the period 2016 – 2018. The sub sector is expected to benefit from the on-going financial sector reforms (in line with Financial Sector Development Strategy (FSDS)) geared towards improving access to credit and financial inclusion. These reforms include credit bureau project, the establishment of secured transactions regimes on movables and collateral registry, as well as the development of financial leasing market.

2.3. Inflation Outlook

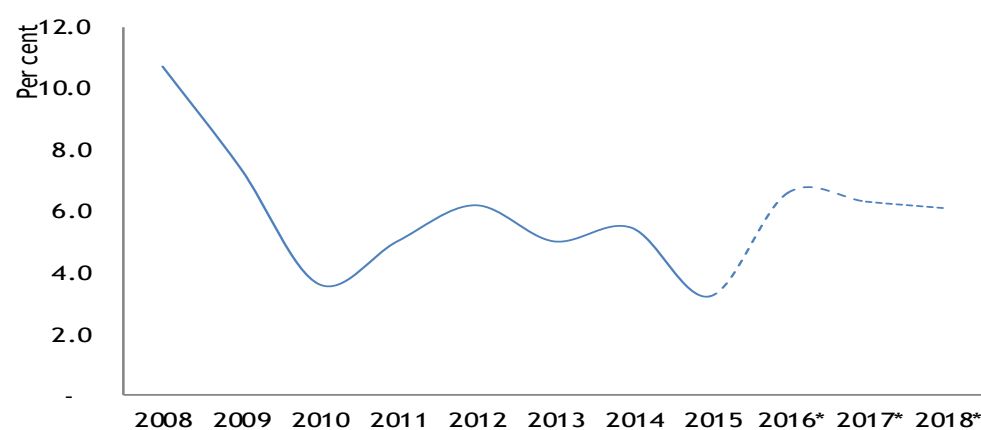
Following a sustained increase in food prices since May 2015, domestic inflation rates accelerated until it reached a peak of 8.0 per cent in May 2016, with food prices reaching the heights of 14.8 per cent. However, the second quarter of 2016 saw a turnaround in inflation rates as food prices started decelerating during the harvest season. With food prices decelerating, annual average inflation rate is expected to register 6.6 per cent in 2016. In 2017 – 2018, domestic inflation is expected to slow down from 6.3 per cent in 2015 to 6.0 per cent in 2018.

The improvement in domestic inflation outlook benefited from improving inflation outlook in SA, given the trade link between the two countries. In particular, SA inflation rate is projected to decelerate gradually from 6.4 per cent in 2016 to 5.5 per cent in 2018 and well below upper band of the SA inflation target band of 3 per cent to 6 per cent. This mainly reflects the expected moderation in food prices in the South African region with improving weather pattern and hence crop production. The base effects from a higher starting point of food prices is also likely to help in moderating food price inflation.

With abiding inflationary pressures from food prices, domestic inflation to is expected to moderate ...

Food prices are set to decelerate from well above 10.0 per cent in 2016 to below 7.0 per cent in the medium term. Owing to the importance of food prices in the domestic CPI basket, Lesotho's inflation rate is therefore expected to decelerate in the medium term. In the international oil market, the price of crude oil is set to pick up in the medium term as supply and demand dynamics normalize following the supply glut observed over the past two years. This is expected to put a moderate pressure on domestic inflation.

Figure 3: Inflation Outlook



*Projections

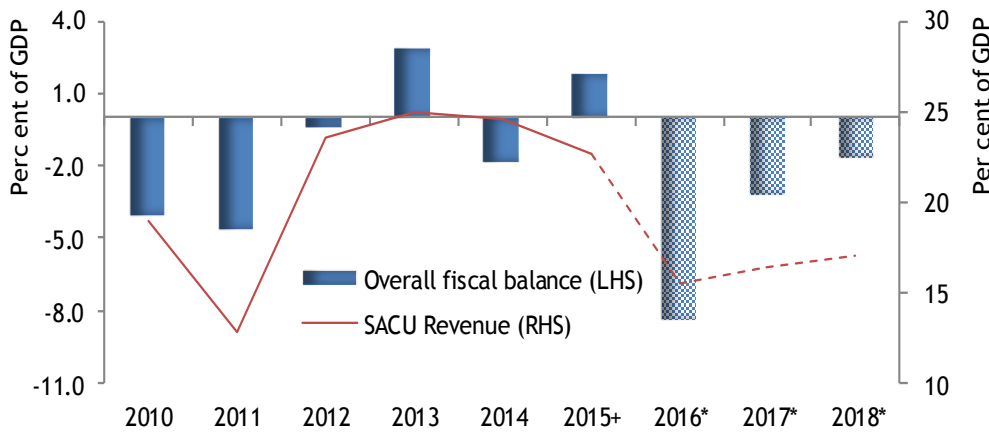
Although Lesotho's inflation dynamics are mainly driven by SA inflation, internal developments also have implications for inflation. Ideally, domestically generated inflation is mainly due to changes in administered prices (particularly utilities and transport services prices). These prices are expected to increase moderately in the medium term without substantial impact on domestic inflation.

2.4. Fiscal Outlook

Government budgetary operations are expected to deteriorate and dip into deficit equivalent to 8.3 per cent of GDP in 2016. The fiscal deterioration in 2016 largely reflects a drop in total revenues, notably a 24.5 per cent fall in SACU receipts. This is against the backdrop of fairly elevated government expenditures, particularly recurrent expenditures. In 2017 – 2018, the government budgetary operations are expected to improve, with the fiscal deficit narrowing to 3.1 and 1.6 per cent of GDP in 2017 and 2018, respectively.

*Fiscal operations to deteriorate
in the medium term ...*

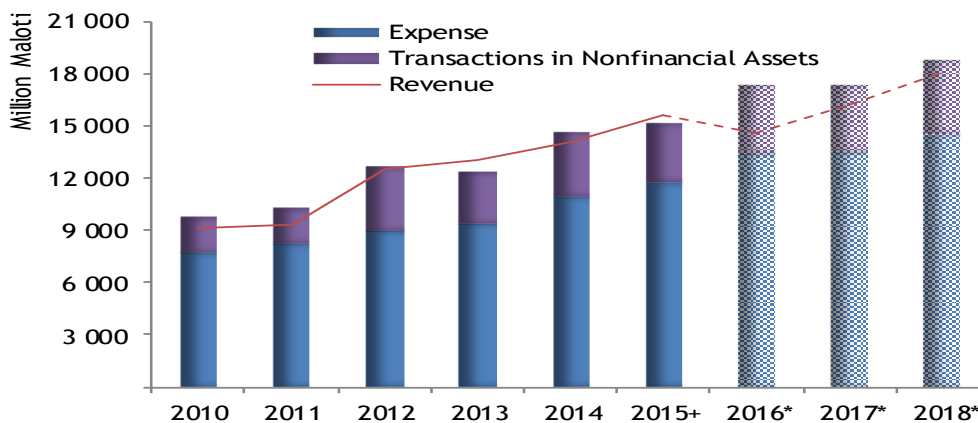
Figure 4: SACU Revenue and Overall Fiscal Balance



The improvements in the budgetary operations are largely supported by anticipated increases in total revenues as SACU revenues recovers. SACU revenue is expected to recover and increase at an average growth rate of 16.5 per cent per year in 2017 through 2018. Meanwhile, total government expenditures are expected to increase moderately over the period 2017 – 2018 with government efforts to maintain fiscal sustainability.

Fiscal operation continue to remain vulnerable to SACU revenue ...

Figure 4: Government revenue and expenditures



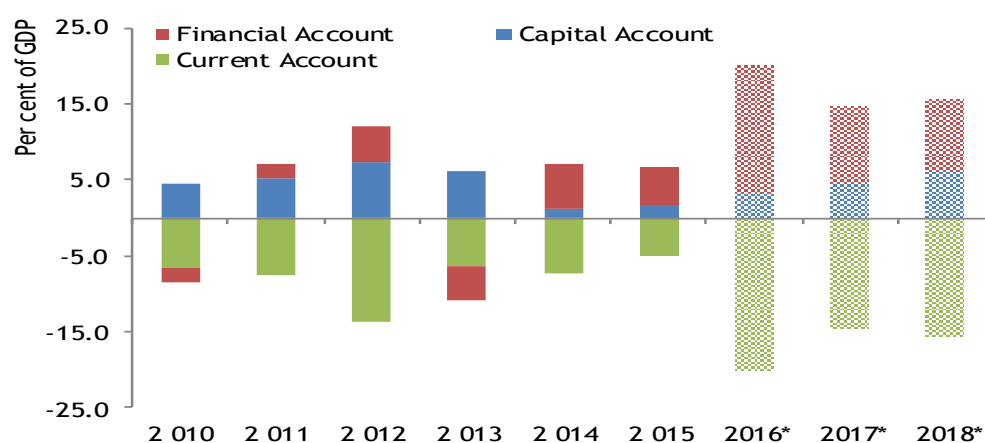
The envisaged fiscal deficit is expected to be financed predominately by the use of government savings. In particular, a dip in fiscal position in 2016 is expected result in a drawdown of government savings equivalent to 6.4 per cent of GDP. However, the use of government savings will subside to approximately 1.6 per cent of GDP in 2018 with improvements in budgetary operations in 2017 through 2018. Meanwhile, net external and domestic borrowing estimated to remain subdued in the medium term.

2.5. External Sector Outlook

The external sector position is expected to deteriorate as current account deficit widens in the medium term. In particular, current account deficit is set to widen from 4.9 per cent of GDP in 2015 to 20.2 per cent of GDP projected for 2016. The envisaged widening of current account deficit largely reflects an increase in trade deficit and a sharp fall in current transfers from abroad (secondary income), particularly SACU revenue. Trade deficit is set to widen with increasing imports of goods to support domestic consumption and investment. This is against the backdrop of subdued exports of goods.

The external sector position is expected to deteriorate, due in large part to the decline in SACU revenue ...

Figure 5: Outlook for Balance of Payments



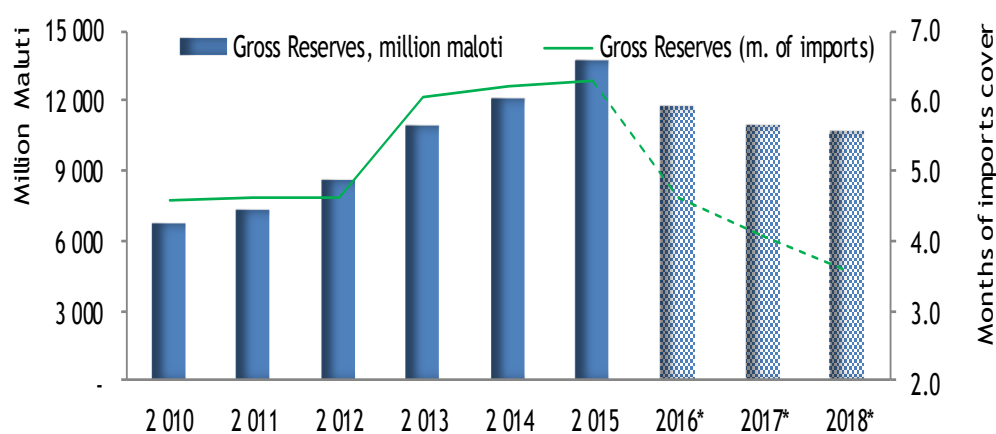
In 2017 through 2018, the current account deficit is projected to narrow marginally from 19.8 per cent of GDP to 15.5 per cent of GDP in 2018. This is largely supported by the improvement in trade balance as well as the increase in current transfers from abroad. The improvement in trade balance mainly reflects a substantial growth in merchandise exports, particularly diamond exports. Diamond exports are projected to accelerate from -1.3 per cent in 2016 to 62.5 per cent in 2017 before decelerating to 7.1 per cent in 2018 with commencement of production at Liphobong diamond mine. Meanwhile, textile and clothing exports are projected to remain subdued in the medium term. Merchandise imports are expected to grow by 12.5 per cent on average over the projection period reflecting the increase in domestic consumption and investment as the economy recovers. Furthermore, the implementation of the second phase of LHWP is likely to boost imports.

Net receipts of income from abroad (primary income) are set to remain subdued with diminishing employment opportunities for migrant workers in SA. However, net inflows of current transfers from abroad (secondary income) are expected to increase as SACU revenues recovers in 2017 through 2018.

The economy will continue to attract capital inflows, foreign direct investments (FDI) and other foreign borrowings (investments) over the period 2016—2018. Capital inflows are expected to increase from 1.7 per cent of GDP in 2015 to 6.1 per cent supported by government capital grants geared to finance developmental projects and the implementation of second phase of the LHWP. Meanwhile, FDI are expected to fall from 4.9 per cent of GDP to 2.3 per cent in 2018 following the completion of Lihobong mining plant which attracted significant FDI over the last two years. Nevertheless, these will not be sufficient to finance the envisaged gap in the current account of balance of payments. The country will ultimately dip into official reserves (dis-saving) to meet the shortfall. To this end, official reserves are expected to fall from 6.3 months of import cover in 2015 to approximately 3.6 months in 2018.

With deteriorating current account position, gross official reserves (in months of import cover) to decline to 3.4 months in 2018 ...

Figure 6: Gross Official Reserve



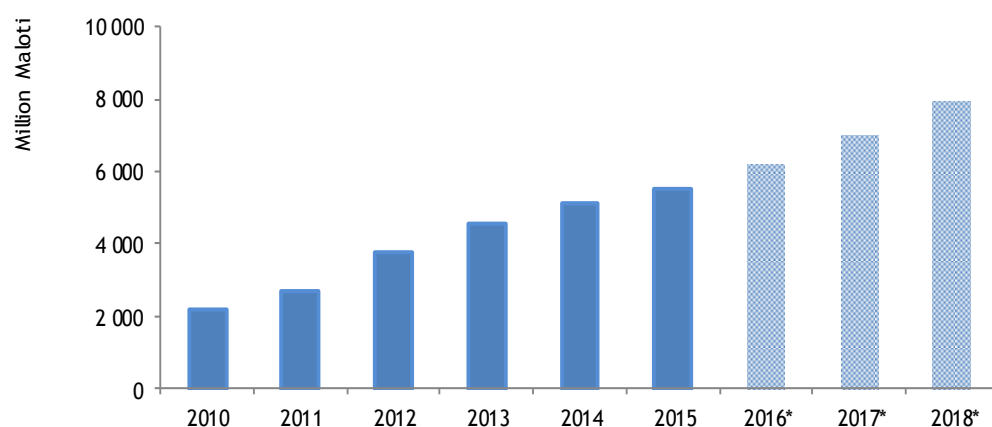
2.6. Monetary and Financial Sector Outlook

Following a strong growth of 12.6 per cent in 2015, money supply is set to decelerate somewhat in 2016 and increase at an average growth rate of 8.8 per cent per year in the medium term. The slowdown in money supply mainly reflects a fall in net foreign assets as the country's external sector position deteriorates in the medium term. Meanwhile, credit to the private sector is set to remain resilient.

Private sector credit is projected to increase at an annual average growth rate of 13.1 per cent over the period 2016—2018. Specifically, credit to private sector will benefit from the improvement in economic performance anticipated in the medium term. A surge anticipated in mining industry, the expected growth in transport and communication, wholesale and retail trade, and building and construction activities are set to boost credit. Moreover, financial sector reforms (such as credit bureau project, the establishment of secured transactions regimes on movables and collateral registry, and the development of financial leasing market) geared towards promoting credit in line with the Financial Sector Development Strategy (FSDS) are also expected to have positive impact on credit growth.

*Private sector to benefit from
improving economic growth
including financial sector
reforms ...*

Figure 7: Private Sector Credit Relative to GDP



2.7. Risks to Domestic Growth Prospects

Risks to domestic economic prospects remains elevated. From the external environment, the following risks are worth mentioning. Political discord continued to give rise to geo-political tensions and inward-looking policies, increasing financial market volatility in advanced economies and threaten global recovery. The new policy directions in advanced economies still remain unclear following the UK decision to leave the European Union and US presidential elections. Subdued growth in advanced economies with negative output gaps and persistently low inflation may undermine recovery elsewhere in the world. The start of contractionary monetary policies in the advanced economies is likely to increase exchange rate volatilities in emerging market and developing economies. SA growth prospects remain uncertain, with the risk of a credit ratings downgrade to 'junk' status in 2017 still elevated.

Domestic growth prospects is also suggest to other risks. Unfavourable weather conditions may have adverse effects on the growth prospects in agricultural sub sector. Recovery in agricultural sub sector may be delayed provided that sufficient rainfalls are received well in time, at beginning of agriculture year, and the current transition to weak La Nina episode do not results into floods within the region. Possible delays in the implementation of major capital investment projects may also hamper growth prospects in construction industry. Uncertainty about Lesotho's favoured access to the U.S. market, under AGOA, is likely to weigh heavily on domestic textiles and clothing industry. Furthermore, recent political developments weakens the implementation of economic policies and the investment climate. Investment is likely slow down with some development partners expressing concerns over deteriorating political environment.

3. Conclusion

The global economic growth is expected to slow down to 3.1 per cent in 2016 largely reflecting subdued growth anticipated in advanced economies including some emerging economies, particularly sub-Saharan Africa. In 2017 through 2018, the world economic growth is anticipated to pick up and increase by 3.6 per cent in 2018. This is largely supported by an increase in economic activities anticipated in emerging and developing countries with emerging and developing Asian economies (notably India and China) leading the global economic recovery in the medium term. In advanced world, growth is set to remain subdued.

Against the backdrop of a shallow pickup in global growth and increasing risks, domestic economic growth is expected to improve from 1.6 per cent in 2015 to an annual average growth rate of 4.0 per cent in the medium term. The recovery is largely supported by a moderate growth expected in the services sector and a strong rebound in primary sector, particularly strong growth anticipated in the mining industry. In the secondary sector, economic activities are expected to dip in 2017 as construction activities declines. However, the sector is expected to recover in the 2018 as auxiliary works associated with the second phase of the LHWP begins. Meanwhile manufacturing sub sector is set to register modest growth over the period 2016 – 2018. Lesotho's inflation rate is set to accelerate to an average rate of 6.6 per cent in 2016 following a sharp increase in food prices. In the subsequent years, domestic inflation is set to subside and increase by 6.3 per cent and 6.1 per cent in 2017 and 2018, respectively, with moderating food prices.

The fiscal sector is set to deteriorate and dip into a deficit equivalent to 7.2 per cent of GDP in 2016 as revenues, notably SACU receipts, falls. However, with SACU recovering in 2017 through 2018, government budgetary operations are expected to improve to a deficit of 1.6 per cent of GDP in 2018. With net external and domestic borrowing projected to fall short of the financing requirements of the fiscus, the government will ultimately dip into its savings. Together with the expected deterioration in the current account of balance of payments, official international reserves are therefore projected to decline from 6.3 months of import cover in 2015 to about 3.6 months by 2018.

Despite positive growth prospects, the country still faces a number of challenges going forward. Uncertainty about Lesotho's favoured access to the U.S. market, unfavourable weather conditions, deteriorating political environment have potential to weigh on growth. Uncertainties surrounding SA growth prospects, with the risk of a credit ratings downgrade to 'junk' status in 2017 still elevated, are likely to put strains on domestic economic prospects including the country's external position and fiscal outlook.

Appendices

Appendix I: Selected Macroeconomic Indicators	Projections					
	2013	2014	2015+	2016*	2017*	2018*
Output - Constant prices						
Gross Domestic Product (% p.a.)	2.05	4.54	1.61	3.50	4.28	4.21
Per capita GDP (% p.a.)	1.69	4.15	1.20	3.05	3.79	3.72
Gross National Income (% p.a.)	0.94	1.77	3.05	2.58	3.26	3.43
Per capita GNI (% p.a.)	0.59	1.39	2.63	2.13	2.78	2.94
Gross Domestic Product (M Million)	22 332	23 346	23 722	24 553	25 605	26 682
Per Capita GDP	11 696	12 181	12 327	12 703	13 185	13 675
Gross National Income (M Million)	25 694	26 150	26 947	27 641	28 542	29 521
Per Capita GNI	13 457	13 644	14 003	14 301	14 698	15 130
Output - Current prices						
Nominal GDP (% p.a.)	10.24	14.18	5.49	10.52	10.97	11.17
Nominal GNI (% p.a.)	9.04	11.15	6.98	9.53	9.88	10.34
Nominal GDP (M Million)	24 132	27 553	29 065	32 124	35 649	39 629
Nominal GNI (M Million)	27 766	30 863	33 016	36 164	39 738	43 846
Sectoral Growth rates (% p.a.)						
Primary Sector	-3.09	1.09	-2.92	4.05	19.62	4.48
Crops	-3.67	-18.28	-7.42	-15.00	7.50	0.26
Mining and Quarrying	-27.51	8.23	-0.83	10.66	39.41	6.84
Secondary Sector	-4.64	-2.42	2.04	2.75	-2.39	3.85
Manufacturing	-2.50	-6.88	2.39	1.67	1.57	2.01
Construction	-8.91	-2.63	4.55	6.33	-10.23	9.77
Tertiary Sector	5.23	7.01	2.90	3.73	4.24	4.32
Wholesale and retail trade, repairs	12.19	11.76	0.65	4.38	4.49	4.58
Financial intermediation	22.62	6.26	-0.03	6.37	6.70	6.99
Real Estate activities	2.22	1.27	1.84	1.30	1.30	1.27
Public Admin, Education & Health	-2.49	3.75	4.67	1.57	2.53	2.36
Savings and Investment - Per cent of GDP						
National Savings	31.45	28.24	25.27	14.97	18.59	18.48
Of which Government Savings	11.97	10.06	11.61	1.24	5.39	6.70
Of which Private Sector Savings	19.48	18.18	13.65	13.73	13.20	11.78
Investment	37.93	35.51	30.22	35.14	33.36	34.02
Of which Government Investment	20.05	21.20	18.45	19.29	17.43	17.04
Of which Private Sector Investment	17.89	14.31	11.77	15.85	15.92	16.97
Resource Balance	-6.49	-7.27	-4.95	-20.17	-14.76	-15.54
Inflation rate % (CPI)	5.00	5.44	3.20	6.59	6.30	6.08
External Sector - Per cent of GDP						
Current Account	-6.49	-7.27	-4.95	-20.17	-14.76	-15.54
Imports of Goods	75.41	71.78	76.01	82.18	77.40	79.10
Exports of Goods	33.90	32.53	39.74	38.63	39.27	40.11
Capital Flows (+ means an inflow)	6.16	1.30	1.68	3.40	4.52	6.10
Financial Account	-4.31	5.72	5.01	16.76	10.24	9.43
Official Reserves (Months of Imports)	6.0	6.2	6.3	4.6	4.1	3.6
Government Finance - Per cent of GDP						
Revenue (excluding grants)	49.35	49.09	50.94	42.88	43.15	43.29
Recurrent Expenditure	35.14	35.65	36.72	39.08	34.81	33.68
Transaction in non-financial assets	16.04	17.40	15.38	14.70	13.91	13.63
Budget Balance (+ means a surplus)	2.88	-1.82	1.79	-8.32	-3.15	-1.63
Monetary Aggregates - Nominal growth						
Money supply (M2)	21.16	3.95	12.56	8.91	8.47	13.02
Private Sector Credit	20.59	12.41	7.43	12.75	13.14	13.43

Appendices

Appendix II: Real GDP growth rates	Projections					
	2013	2014	2015+	2016*	2017*	2018*
Primary Sector	-3.09	1.09	-2.92	4.05	19.62	4.48
Agriculture, forestry and fishing	23.73	-3.50	-4.44	-0.91	3.06	1.81
Growing of crops; market gardening; horticulture	-3.67	-18.28	-7.42	-15.00	7.50	0.26
Farming of animals (incl. fishing)	22.77	-5.06	1.77	1.51	1.51	1.51
Agricultural and animal husbandry service activities	12.41	8.52	-5.36	3.17	2.87	2.74
Forestry	122.93	15.61	-18.08	4.36	4.36	4.36
Fishing and aquaculture	76.17	40.04	-17.57	2.65	5.20	-4.11
Mining and quarrying	-27.51	8.23	-0.83	10.66	39.41	6.84
Secondary sector	-4.64	-2.42	2.04	2.75	-2.39	3.85
Manufacturing	-2.50	-6.88	2.39	1.67	1.57	2.01
Food products and beverages	-17.02	-2.41	-7.34	1.23	0.58	0.19
Textiles, clothing, footwear and leather	-1.85	-10.21	4.75	1.46	1.45	2.07
Other manufacturing	9.13	11.92	-3.17	3.17	3.01	2.92
Electricity and water	-3.19	6.70	-1.43	0.38	0.43	0.47
Building & Construction	-8.91	-2.63	4.55	6.33	-10.23	9.77
Tertiary sector	5.23	7.01	2.90	3.73	4.24	4.32
Wholesale and retail trade; repair of motor vehicles	12.19	11.76	0.65	4.38	4.49	4.58
Transportation and storage	8.11	8.47	1.30	4.44	4.44	4.44
Accommodation and food service activities	4.20	0.50	-12.27	1.98	1.98	1.98
Information and communication	14.89	23.56	15.23	12.48	12.59	12.66
Financial and insurance activities	22.62	6.26	-0.03	6.37	6.70	6.99
Financial service activities, except insurance	25.99	9.63	0.36	5.78	6.44	6.92
Insurance and pension funding	12.65	-8.81	-5.31	8.87	7.53	6.88
Real estate activities	2.22	1.27	1.84	1.30	1.30	1.27
Professional, scientific and technical activities	25.13	1.19	-1.60	3.68	4.07	4.29
Administrative and support service activities	-2.54	10.29	6.17	4.65	4.87	4.93
Public administration and defense; compulsory social security	-4.59	2.99	6.65	0.75	2.38	1.92
Education	0.14	0.39	0.35	0.34	0.32	0.32
Human health and social work activities	-0.63	19.77	8.94	8.62	8.80	8.89
Other service activities	1.99	5.28	-4.73	1.74	1.71	1.70
GDP at factor cost (Unadjusted)	1.65	4.02	2.07	3.54	4.31	4.24
Financial services indirectly measured	13.99	6.09	9.45	6.37	6.70	6.99
GDP at factor cost	1.54	3.99	1.99	3.50	4.28	4.21
Taxes on products, net of subsidies	6.32	8.94	-1.30	3.50	4.28	4.21
GDP at market prices	2.05	4.54	1.61	3.50	4.28	4.21

Appendices

Appendix III: GDP by sector 2012 prices (In Million Maloti)	Projections					
	2013	2014	2015+	2016*	2017*	2018*
Primary Sector	2 242	2 267	2 200	2 289	2 738	2 861
Agriculture, forestry and fishing	1 364	1 317	1 258	1 247	1 285	1 308
Growing of crops; market gardening; horticulture	302	247	228	194	209	209
Farming of animals	755	717	730	741	752	763
Agricultural and animal husbandry service activities	79	86	81	84	86	88
Forestry	215	249	204	213	222	232
Fishing and aquaculture	13	18	15	16	16	16
Mining and quarrying	878	950	942	1 043	1 453	1 553
Secondary sector	4 960	4 840	4 939	5 075	4 954	5 144
Manufacturing	2 326	2 166	2 217	2 254	2 290	2 336
Food products and beverages	232	226	210	212	214	214
Textiles, clothing, footwear and leather	1 825	1 639	1 717	1 742	1 767	1 803
Other manufacturing	268	300	291	300	309	318
Electricity and water	1 170	1 249	1 231	1 236	1 241	1 247
Building Construction	1 464	1 426	1 491	1 585	1 423	1 562
Tertiary sector	12 866	13 768	14 168	14 696	15 320	15 982
Wholesale and retail trade; repair of motor vehicles	2 900	3 242	3 263	3 406	3 558	3 721
Transportation and storage	589	639	647	676	706	737
Accommodation and food service activities	339	341	299	305	311	317
Information and communication	744	919	1 059	1 191	1 341	1 511
Financial and insurance activities	1 206	1 281	1 281	1 362	1 454	1 555
Financial service activities, except insurance	935	1 026	1 029	1 089	1 159	1 239
Insurance and pension funding	200	182	172	188	202	216
Real estate activities	1 278	1 295	1 319	1 336	1 353	1 370
Professional, scientific and technical activities	255	258	254	264	274	286
Administrative and support service activities	414	457	485	507	532	558
Public administration and defense; compulsory social security	2 585	2 662	2 839	2 860	2 928	2 985
Education	1 811	1 818	1 824	1 830	1 836	1 842
Human health and social work activities	502	601	654	711	773	842
Other service activities	243	256	244	248	252	257
GDP at factor cost (Unadjusted)	20 069	20 874	21 307	22 060	23 012	23 987
Financial services indirectly measured	-211	-223	-244	-260	-278	-297
GDP at factor cost	19 858	20 651	21 062	21 800	22 734	23 690
Taxes on products, net of subsidies	2 474	2 695	2 660	2 753	2 871	2 992
GDP at market prices	22 332	23 346	23 722	24 553	25 605	26 682

Appendices

Appendix IV: GDP at current prices (In Million Maloti)	Projections					
	2013	2014	2015+	2016*	2017*	2018*
Primary Sector	2 697	3 792	3 605	3 912	5 283	5 679
Agriculture, forestry and fishing	1 429	1 452	1 453	1 537	1 684	1 819
Growing of crops; market gardening; horticulture	311	262	250	227	259	276
Farming of animals	786	784	834	902	974	1 049
Agricultural and animal husbandry service activities	86	99	101	112	122	133
Forestry	231	285	248	276	306	338
Fishing and aquaculture	14	22	19	21	23	24
Mining and quarrying	1 269	2 340	2 153	2 375	3 599	3 860
Secondary sector	5 411	5 794	6 059	6 765	6 541	7 565
Manufacturing	2 590	2 758	2 752	3 123	2 864	3 473
Food products and beverages	248	257	260	281	300	319
Textiles, clothing, footwear and leather	2 053	2 149	2 136	2 451	2 135	2 686
Other manufacturing	289	352	356	391	428	468
Electricity and water	1 316	1 517	1 670	1 787	1 906	2 031
Building Construction	1 505	1 519	1 637	1 855	1 770	2 061
Tertiary sector	13 733	15 286	16 232	17 960	19 968	22 131
Wholesale and retail trade; repair of motor vehicles	3 044	3 586	3 580	3 983	4 424	4 908
Transportation and storage	619	742	750	835	927	1 028
Accommodation and food service activities	339	355	322	350	379	410
Information and communication	733	889	1 011	1 212	1 450	1 733
Financial and insurance activities	1 411	1 482	1 589	1 805	2 048	2 325
Financial service activities, except insurance	986	1 106	1 192	1 344	1 521	1 725
Insurance and pension funding	352	289	302	351	401	454
Real estate activities	1 297	1 319	1 348	1 455	1 567	1 684
Professional, scientific and technical activities	262	274	278	307	340	376
Administrative and support service activities	424	483	525	586	653	727
Public administration and defense; compulsory social security	2 810	3 106	3 559	3 859	4 292	4 708
Education	2 017	2 123	2 253	2 410	2 570	2 735
Human health and social work activities	528	658	752	871	1 007	1 164
Other service activities	249	268	265	287	311	335
GDP at factor cost (Unadjusted)	21 841	24 872	25 897	28 637	31 792	35 376
Financial services indirectly measured	-231	-240	-274	-311	-353	-400
GDP at factor cost	21 610	24 632	25 623	28 326	31 439	34 976
Taxes on products, net of subsidies	2 522	2 921	3 442	3 797	4 210	4 653
GDP at market prices	24 132	27 553	29 065	32 124	35 649	39 629



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