

## Construction Activity Upturn Over the Medium-Term

### Executive Summary

**The world economy is projected to remain subdued over the medium-term for both the emerging market, developing and advanced economies.** Global growth is forecast at 3.0 per cent for 2019, its lowest level since 2008–09 and a 0.3 percentage points lower than the April 2019 World Economic Outlook (WEO) forecast. This subdued outlook is a consequence of rising trade tensions, geopolitical and idiosyncratic factors causing macroeconomic strain in a number of countries. Growth is projected to pick up to 3.4 per cent in 2020 - 0.2 percentage points downward revision compared with April 2019 - reflecting primarily a projected improvement in economic performance in a number of emerging markets. This global growth pattern reflects a major downturn and projected recovery in a group of emerging market economies. Growth is expected to moderate into 2020 and beyond for a group of economies comprising the United States, euro area, China, and Japan—which together account roughly 50 per cent of the global GDP. Given uncertainty about prospects for most of these countries, a projected slowdown in China and the United States, and prominent downside risks, a much more subdued global outlook is anticipated. Trade tensions, which had subsided earlier in the year, have risen again, resulting in significant tariff increases between the United States and China and hurting business sentiment and confidence globally. Accommodative monetary policy in the United States and many other advanced and emerging market economies has been playing an offsetting role.

**The domestic growth is expected to pick up steadily albeit highly sensitive to rapidly changing implementation schedules of ongoing major construction projects.** The annual growth rate is expected to average 2.7 per cent in the medium term. Growth is anticipated to be mainly boosted by buoyant construction related projects including construction works associated with the second phase of the Lesotho Highlands Water Project (LHWP II), Lesotho Lowlands Water Development Project (LLDWP), and government roads amongst others. Domestic demand continues to be suppressed with growth outcomes undershooting expectations. External demand conditions have become less favourable for both mining and textiles industry as the global economy slows down. Growth is expected to be more broad-based in the outer year with all sectors showing buoyant performance.

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**The annual inflation rate is expected to register 5.3 per cent in 2019, and then ease to 5.0 per cent and 4.8 per cent in 2020 and 2021, respectively.** Inflation remained above 5.0 per cent in the first half of 2019 underpinned by high food prices. In the medium term, food prices will continue to dictate the inflation trajectory given their proportion in the CPI basket. Risks are tilted to the upside mainly emanating from the persistent climate shocks and high imported food inflation from South Africa (SA). Additional domestic upside risks to inflation come from administered prices, particularly utilities and transport, which could be reviewed in the medium-term.

**The fiscal position is expected to improve modestly over the projection period as SACU revenue increases.** The overall fiscal balance is expected to register a 1.6 per cent deficit in 2019, and then improve somewhat over 2020-2021. SACU revenue is projected to increase by a sizeable 17.6 per cent in 2020 in line with the projected scenario by SA. However, the future of SACU still remains precarious in light of the still fragile SA economy. Tax revenue is also expected to increase supplementing recovery in SACU revenue. The fiscal deficit is anticipated to be financed through a mix of external and domestic borrowing in 2019. Pressure on government deposits is expected to temporarily ease due to increase in revenue and thus leading to accumulation of government deposits with the Central Bank.

**Medium term projections point to the widening of the current account deficit to 2.3 per cent of GDP in 2021.** While the income and current transfers' accounts are expected to be in surplus, the trade account will be in deficit. The trade account deficit largely reflects imports that grow at a faster pace than exports in line with heightened construction activity over the medium-term. Inflows of capital transfers are set to increase in the medium term in relation to the developmental projects, in particular the second phase of Lesotho highlands Project (LHWP II). More foreign investment is expected over the forecast horizon, associated the mining and cannabis industries. Official reserves are set to remain above the 3-months threshold.

**It is anticipated that money supply will increase in line with nominal GDP growth during the period 2019-2021.** The growth will continue to be split between a build-up foreign assets and domestic assets. The central bank NFA is expected to rise in 2019, but slightly decline in 2020 and 2021. Commercial banks' NFA will increase for the projection period, as banks' deposit base continues to grow and therefore increase their placements abroad. On domestic assets, private sector credit is expected to grow, rising by 8.8 per cent over the period 2019-2021, with more credit being extended to households than to businesses. Credit extended to businesses will benefit from the projects-related economic activity, including but not limited to: mining, manufacturing and wholesale and retail sectors.



# Global Economic Outlook<sup>1</sup>

## Global Growth

**The world economy is projected to remain subdued over the medium-term for both the emerging market, developing and advanced economies.** Global growth is forecast at 3.0 percent for 2019 its lowest level since 2008–09 and a 0.3 percentage points lower than the April 2019 World Economic Outlook (WEO) forecast. This subdued outlook is a consequence of rising trade tensions, geopolitical and idiosyncratic factors causing macroeconomic strain in a number of countries. Growth is projected to pick up to 3.4 percent in 2020 - 0.2 percentage points downward revision compared with April 2019 - reflecting primarily a projected improvement in economic performance in a number of emerging markets. This global growth pattern reflects a major downturn and projected recovery in a group of emerging market economies. Growth is expected to moderate into 2020 and beyond for a group of economies comprising the United States, euro area, China, and Japan—which together account roughly 50 percent of the global GDP. Given uncertainty about prospects for most of these countries, a projected slowdown in China and the United States, and prominent downside risks, a much more subdued global outlook is anticipated. Trade tensions, which had subsided earlier in the year, have risen again, resulting in significant tariff increases between the United States and China and hurting business sentiment and confidence globally. Accommodative monetary policy in the United States and many other advanced and emerging market economies has been playing an offsetting role.

Global growth is set to moderate after weak economic activity in the second half 2018....

## Advanced Economies

**Growth is projected to soften to 1.7 percent in 2019 and 2020 for advanced economies, 0.1 percentage points lower for 2019 than in the April 2019 WEO.** Beyond 2020, growth in the advanced economy category is projected to stabilize at about 1.6 percent, similar to the April 2019 WEO forecast. A modest uptick expected in productivity is projected to offset the drag on potential output growth from slower labour force growth as populations continue to age.

**In the United States, the economy maintained momentum during the first half of 2019 and despite sluggish investment, employment and consumption were buoyant.** Growth in 2019 is expected to be 2.4 percent, moderating to 2.1 percent in 2020. The projected moderation reflects an assumed shift in the fiscal stance from expansionary in 2019 to broadly neutral in 2020 as stimulus from the recently adopted two-year budget deal offsets the fading effects of the 2017 Tax Cuts and Jobs Act.

<sup>1</sup> This section benefited from the October 2019 World Economic Outlook (WEO) and Regional Economic Outlook for sub-Saharan Africa of the International Monetary Fund (IMF).

Growth is projected at 1.2 per cent in 2019 and 1.4 per cent in 2020...

**Weaker growth in foreign demand and a drawdown of inventories have constrained growth since mid-2018 in the Euro Area.** Activity is expected to pick up only modestly over the remainder of 2019, and into 2020, as external demand is projected to regain some momentum and temporary factors (including new emission standards that hit German car production) continue to fade. Growth is projected at 1.2 per cent in 2019 and 1.4 per cent in 2020. The 2019 forecast is revised down slightly for France and Germany. Both the 2019 and 2020 forecasts were marked down for Italy, owing to softening private consumption, a smaller fiscal impulse, and a weaker external environment. The outlook is also slightly weaker for Spain, with growth projected to slow gradually from 2.6 per cent in 2018 to 2.2 per cent in 2019 and 1.8 per cent in 2020.

**The United Kingdom is set to expand at 1.2 per cent in 2019 and 1.4 per cent in 2020.** The unchanged projection for both years (relative to the April 2019 WEO) reflects the combination of a negative impact from weaker global growth and ongoing Brexit uncertainty and a positive impact from higher public spending announced in the recent Spending Review. The economy contracted in the second quarter, and recent indicators point to weak growth in the third quarter. The forecast assumes an orderly exit from the European Union followed by a gradual transition to the new regime.

**Japan's economy is projected to grow by 0.9 per cent in 2019 (0.1 percentage points lower than anticipated in the April 2019 WEO).** Strong private consumption and public spending in the first half of 2019 outweighed continued weakness in the external sector. Growth is projected at 0.5 per cent in 2020 (unchanged from the April 2019 WEO), with temporary fiscal measures expected to cushion part of the anticipated decline in private consumption following the October 2019 increase in the consumption tax rate.

### *Emerging Market Economies and sub-Saharan Africa*

**Growth in the emerging market and developing economy group is expected to be at 3.9 per cent in 2019, and increasing to 4.6 per cent in 2020.** The forecasts for 2019 and 2020 are 0.5 percentage points and 0.2 percentage points lower, respectively, than in April, reflecting downward revisions in all major regions except emerging and developing Europe.

**In China, the effects of escalating tariffs and weakening external demand have worsened the slowdown associated with needed regulatory strengthening to contain the accumulation of debt.** With policy stimulus expected to continue supporting activity in the face of the adverse external demand, growth is forecast at 6.1 per cent in 2019 and 5.8 per cent in 2020—0.2 and 0.3 percentage points lower than in the April 2019 WEO projection.



**India's economy is set to grow at 6.1 percent in 2019, picking up to 7.0 per cent in 2020.** The downward revision relative to the April 2019 WEO of 1.2 percentage points for 2019 and 0.5 percentage points for 2020 reflects a weaker-than-expected outlook for domestic demand. Growth will be supported by effects of monetary policy easing, a reduction in corporate income tax rates, recent measures to address corporate and environmental regulatory framework.

**Growth in sub-Saharan Africa is projected to remain at 3.2 per cent in 2019 and rise to 3.6 per cent in 2020.** Growth is forecast to be slower than previously envisaged for about two-thirds of the countries in the region. Growth prospects vary considerably across countries in the region in 2019 and beyond. Growth is projected to remain strong in non-resource intensive countries, averaging about 6.0 per cent. In contrast, growth is expected to move in slow gear in resource-intensive countries (2.5 per cent). The downward revision reflects a more challenging external environment, continued output disruptions in oil-exporting countries, and weaker-than-anticipated growth in big economies such as South Africa.

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**South Africa's growth is projected to remain subdued, increasing only mildly from 0.7 per cent in 2019 to 1.1 per cent in 2020, as private investment and export growth are expected to remain low.** Medium-term growth is projected to be slightly lower than 2 per cent. This reflects structural constraints (including high cost of doing business, inflexible product and labour markets, and low public enterprise efficiency), which are expected to keep business confidence and private investment lacklustre. South Africa's economy faces two large macroeconomic risks. The first is global, a slowdown in trade growth that could precipitate a global recession. The second is domestic, a deteriorating fiscal situation linked to bailouts for state-owned enterprises. Both could worsen an already difficult domestic growth situation.

Region	Actuals				Projections	
	2015	2016	2017	2018	2019*	2020*
World Output	3.5	3.4	3.8	3.6	3.0	3.4
Advanced Economies	2.3	1.7	2.5	2.3	1.7	1.7
United States	2.9	1.6	2.4	2.9	2.4	2.1
Euro Area	2.1	1.9	2.5	1.9	1.2	1.4
Germany	1.7	2.2	2.5	1.5	0.5	1.2
Japan	1.2	0.6	1.9	0.8	0.9	0.5
United Kingdom	2.3	1.8	1.8	1.4	1.2	1.4
Emerging and Developing Economies	4.3	4.6	4.8	4.5	3.9	4.6
Russia	-2.3	0.3	1.6	2.3	1.1	1.9
Emerging and Developing Asia	6.8	6.7	6.6	6.4	5.9	6.0
China	6.9	6.7	6.8	6.6	6.1	5.8
Sub-Saharan Africa	3.1	1.4	3.0	3.2	3.2	3.6
South Africa	1.2	0.4	1.4	0.8	0.7	1.1

Source: IMF World Economic Outlook, April 2019; \* Projections, + Estimates

# Domestic Economic Outlook

## Overview of the Current Forecasts

**The current Bank's Economic Outlook is broadly unchanged since the release of the Bank's 2019 June Economic Outlook.** Growth is projected at 1.7 per cent in 2019 before picking up to 2.2 per cent in 2020. In 2021, growth is expected to accelerate to 4.1 per cent. Relative to the June Economic Outlook, the 2019 growth has been marked down by 1.0 per cent whilst growth for 2020 has been marked up by 0.5 per cent. The growth for 2021 remains unchanged. The projected medium-term growth trajectory is still largely shaped by, and sensitive to, the pace of activity in the construction related projects. Table 2 below shows the revisions to the current forecasts relative to the 2019 June forecasts.

The downward revision of growth in 2019 reflects idiosyncratic shocks to main growth drivers...

**The revisions to growth forecasts reflect the Bank's re-assessment of the economy's prospects in line with developments in some key sectors since the release of June forecasts.** The downward revision of growth in 2019 reflects idiosyncratic shocks to main growth drivers. The low discovery of exceptional diamonds and depressed rough diamond prices through to the third quarter of 2019 restrained the overall mining industry performance. The weaker performance coupled with a power shortage-induced production halt throughout October at Liqhobong Mine is expected to significantly affect the industry output in 2019. Thus, mining industry growth has been marked down by 3.6 per cent leading to a downward revision of 1.9 per cent in the primary sector. The secondary sector has also been revised down by 3.7 per cent owing to negative demand shocks to the textiles industry. The rather slow execution of planned construction projects also weighed down on the sector's growth. The upward revision to 2020 growth reflects part of construction activity initially scheduled for 2019 that is expected to spill over into 2020. It also reflects moderate recovery expected in the mining industry and textiles.



**Table 2: Overview of Domestic Economic Outlook**

	Actual	Estimate	December 2019 projections			Differences from June 2019 projections		
	2017	2018+	2019*	2020*	2021*	2019*	2020*	2021*
<b>Economic growth</b>	-0.9	1.2	1.7	2.2	4.1	-1.0	0.5	0.0
<b>Primary Sector</b>	2.1	8.1	-2.3	4.9	2.6	-1.9	1.9	0.0
Agriculture	-19.1	1.6	-0.6	2.8	2.9	0.0	0.0	0.0
Mining & Quarrying	39.3	15.7	-3.8	6.9	2.3	-3.6	3.8	0.0
<b>Secondary Sector</b>	-4.8	2.7	4.3	0.1	9.6	-3.7	0.6	0.3
Manufacturing	-6.8	14.8	-1.8	3.7	4.9	-4.5	-1.0	0.0
Textiles & Clothing	-2.8	14.6	-2.8	3.9	5.3	-5.6	-1.2	0.0
Building & Construction	-4.7	-21.4	26.0	-11.0	29.1	-5.5	5.0	0.0
<b>Services Sector</b>	-0.9	0.1	1.4	2.4	2.5	0.3	0.1	0.1
<b>Inflation rate (%)</b>	5.23	4.7	5.3	5.0	4.8	0.1	0.0	0.0

Source: Central Bank of Lesotho. +estimates by the Bureau of Statistics, \* CBL projections

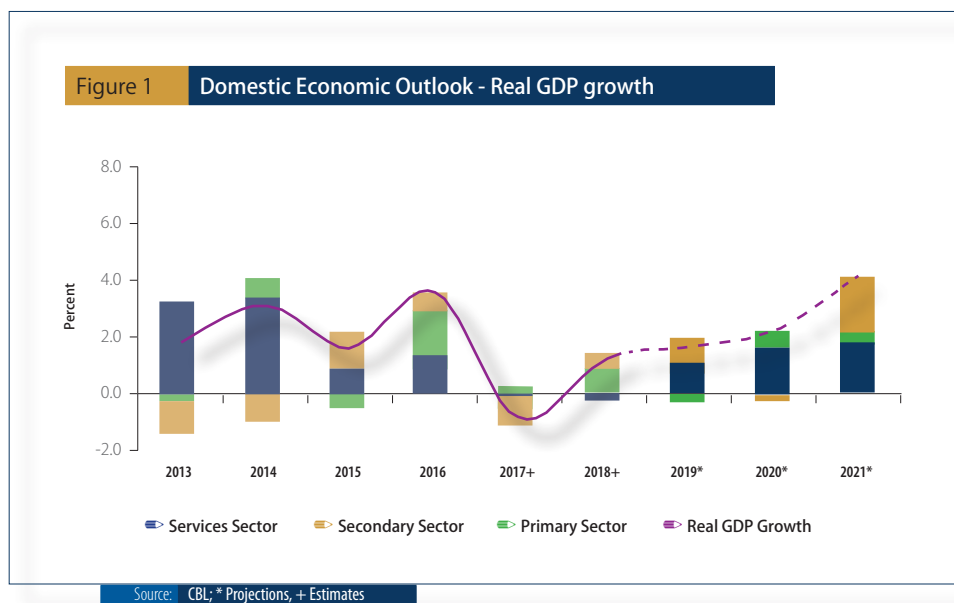
**Inflation has remained relatively high hovering above 5.0 per cent since January 2019 due to food inflation pressures amid prolonged climate shocks.**

Domestic inflation forecast for 2019 was revised up by 0.1 per cent despite inflation pressures easing in South Africa that resulted in the SARB revising down their inflation forecasts for 2019. Food prices, which account for the largest portion of the domestic CPI basket, mostly trended upwards with moderate easing in June and July before picking up again. All the while SA saw slowing prices in housing, utilities and transport categories that account for more weight in their CPI basket. The forecasts for 2020 and 2021 remain unchanged.

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**Real Sector Outlook**

**The domestic growth is expected to pick up steadily albeit highly sensitive to ongoing the rapidly changing implementation schedules of big construction projects.** The annual growth rate is expected to average 2.7 per cent in the medium term. Growth is anticipated to be mainly boosted by the construction related projects including construction works associated with the Lesotho Highlands Water Project Phase II, Lesotho Lowlands Water Development Project (LLDWP), government roads amongst others. Domestic demand continues to be suppressed with growth outcomes undershooting expectations. External demand conditions have become less favourable for both mining and textiles industry as the global economy slows down. Growth is expected to be more broad-based in the outer year with all sectors coming on board.



The decline in the near-term is mainly due to the 3.8 per cent growth contraction in the mining industry...

**The primary sector is projected to contract in 2019, with a recovery expected in 2020-2021.** The growth in the primary sector is expected to decline by 2.3 per cent in 2019 before rebounding to average 3.8 per cent in 2020-2021. The decline in the near-term is mainly due to the 3.8 per cent growth contraction in the mining industry. The lower than expected performance in the mining industry is attributable to two factors. Firstly, the mines in the smaller stones market segment continue to be hit by oversupply hence unfavourable prices. The oversupply coupled with low exceptional diamonds discoveries through to the third quarter of 2019 has in part led the expected relatively weaker performance of the sector. Secondly, the temporary production halt at Lihobong mine in October due to power outage led to a significant loss of output undermining the overall industry output. The expected contraction in the agricultural sub-sector will exacerbate the weak sectoral performance. Growing of crops will see a third consecutive annual decline in 2019 amidst unfavourable seasonal rainfall outlook. Normal to above normal rainfall is only expected for December 2019 to February 2020 that will only benefit winter crops, as this will be late for summer crops.

**In the medium-term, the secondary sector is expected to be driven by the construction sub-sector.** The ongoing construction projects including LHWP Phase II and the Mononts'a and Sehlabathebe road construction works are expected to offset the anticipated decline in manufacturing and urge the sectoral growth to 4.3 per cent in 2019. However, the construction activities are lagging behind planned schedule for 2019 leading to a moderate downward revision for 2019 growth to 26.0 per cent. Manufacturing sub-sector is projected to contract by 1.9 per cent in 2019 following the decline in textiles industry output on the backdrop of low orders from both the USA and SA. In 2020, the secondary sector is expected to stagnate as the expansion in manufacturing and water & electricity virtually offsets the decline in





construction as the advance infrastructure associated with LHWP Phase II ends. A broad-based growth of 9.6 per cent is expected in the secondary sector in 2021. Construction is expected to be bolstered by commencement of the construction of the Polihali dam under the LHWP Phase II, Water and Electricity to be boosted by the green energy projects and LLWDP whilst textiles manufacturing will benefit from anticipated favourable external demand.

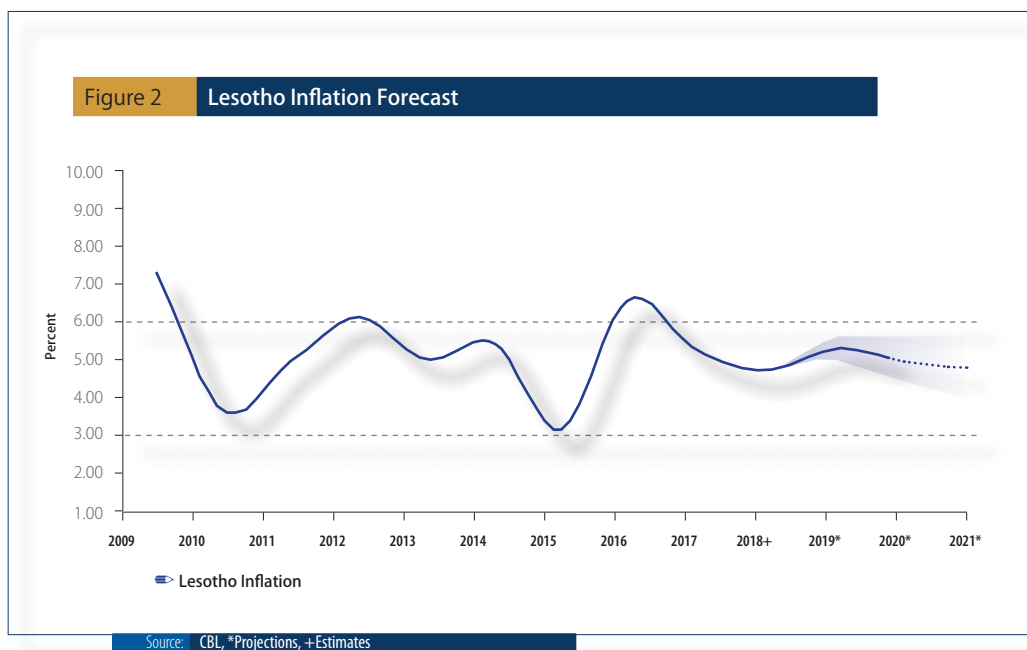
**The tertiary sector is expected to steadily regain its position as the anchor of growth towards the end of the forecast horizon.** The sectoral growth is expected to account for about half of the average overall growth in the medium-term relative to a third of average overall growth in the past three years. Nonetheless, the projected 2.1 per cent growth in the medium-term still falls short of the sectors' potential on the back external spillovers from the feeble SA economy. The sector is expected to experience an even growth in 2020-2021 following a run of negative growth rates across key sub-sectors in 2017-2018. Government activities, followed by financial and insurance activities and transport & telecommunications, drive the projected modest recovery. The expected positive spillovers from the ongoing major projects are undermined by the generally low consumer demand and slowing regional growth. Thus, the economy is not able to reap full benefits from the current projects wave.

The sector is expected to experience an even growth in 2020-2021 following a run of negative growth rates across key sub-sectors in 2017-2018....

### *Inflation Outlook*

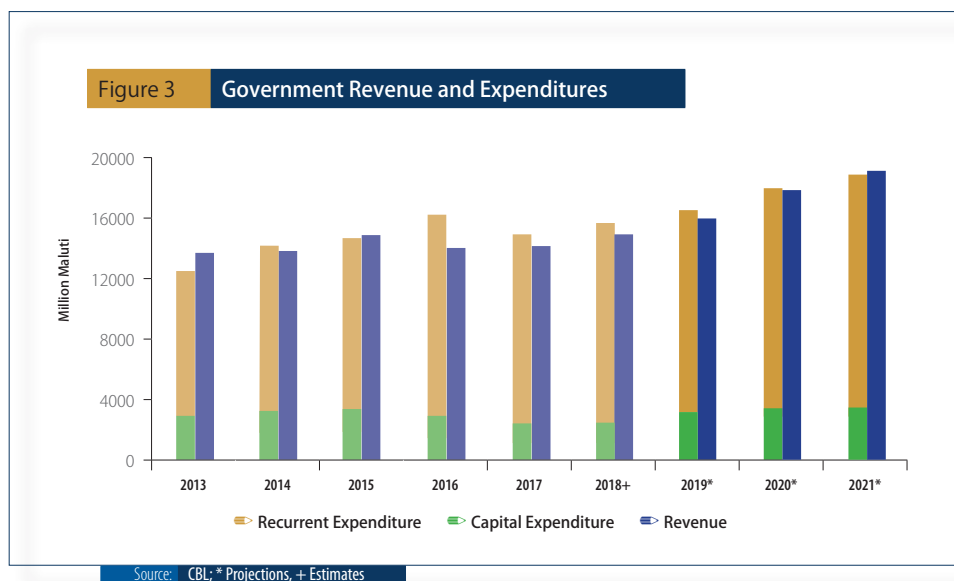
**Inflation outcomes registered at least 5.0 per cent through the first three quarters of 2019 as food prices remained stubbornly high.** Food prices were the key inflationary drivers due to generally increasing imported food inflation from SA. Inflation urged higher since January before slightly moderating in July to average 5.3 per cent between January and September 2019. Additional pressures came from electricity, gas & other fuels and transport services. During the same period, annual inflation in SA averaged 4.3 per cent as gains in high weight CPI components like housing & utilities and transport offset inflationary food pressures. This development tended to break the usually observed synchrony in inflation paths between the two economies.

**The medium-term annual inflation outlook is broadly unchanged relative to June 2019.** The annual inflation rate is expected to register 5.3 per cent in 2019, and then ease to 5.0 per cent and 4.8 per cent in 2020 and 2021, respectively. The projection for 2019 is slightly up by 0.1 per cent given the slow pace of stabilization in food prices. Food prices will continue to dictate the medium-term inflation trajectory given their proportion in the CPI basket. While food prices are expected to continue easing into the fourth quarter, there remains upside risks emanating from high imported food inflation in the third quarter of 2020. Additional domestic upside risks to inflation come from administered prices, particularly utilities and transport, which could be reviewed in the medium-term.



### Government Budgetary Operations Outlook

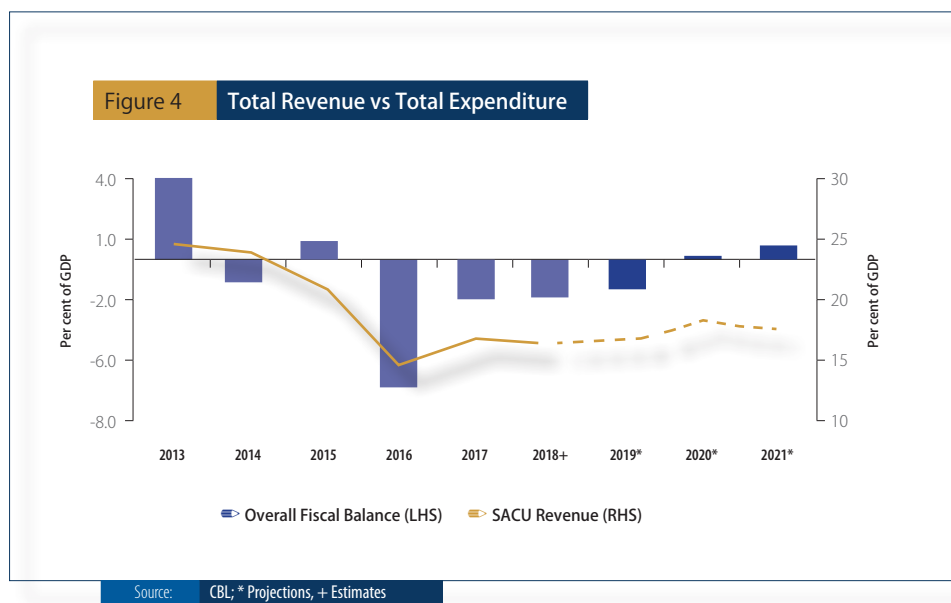
**The overall fiscal deficit observed in 2018 persisted in the first half of 2019 as government struggled to rein in expenditure.** The deficit moderated slightly to 1.8 per cent in the first half of 2019 from 1.9 per cent in 2018. Amidst falling SACU revenue in 2018, government efforts to rein in spending did not yield results. The focus to curtail spending was directed to low impact components. The slight moderation in fiscal deficit during the first half of 2019 was due to preserved gains in tax revenue as LRA improved tax compliance measures, coupled with rallied SACU revenue.





**In the medium term, the overall fiscal balance is expected to register modest surpluses as SACU revenue increases.** The overall fiscal balance is expected to register a 1.6 per cent deficit in 2019, and then improve somewhat over 2020-2021. SACU revenue is projected to increase by a sizeable 17.6 per cent in 2020 in line with the projected scenario by SA. However, the future of SACU revenue remains precarious in light of currently weak SA economy. Tax revenue is also expected to increase supplementing recovery in SACU revenue. The projected increase in tax revenue is attributable to the expected pick-up in economic activity and improved tax collection by LRA following their concerted effort to streamline tax compliance.

The overall fiscal balance is expected to register a 1.6 per cent deficit in 2019, and then improve somewhat over 2020-2021....

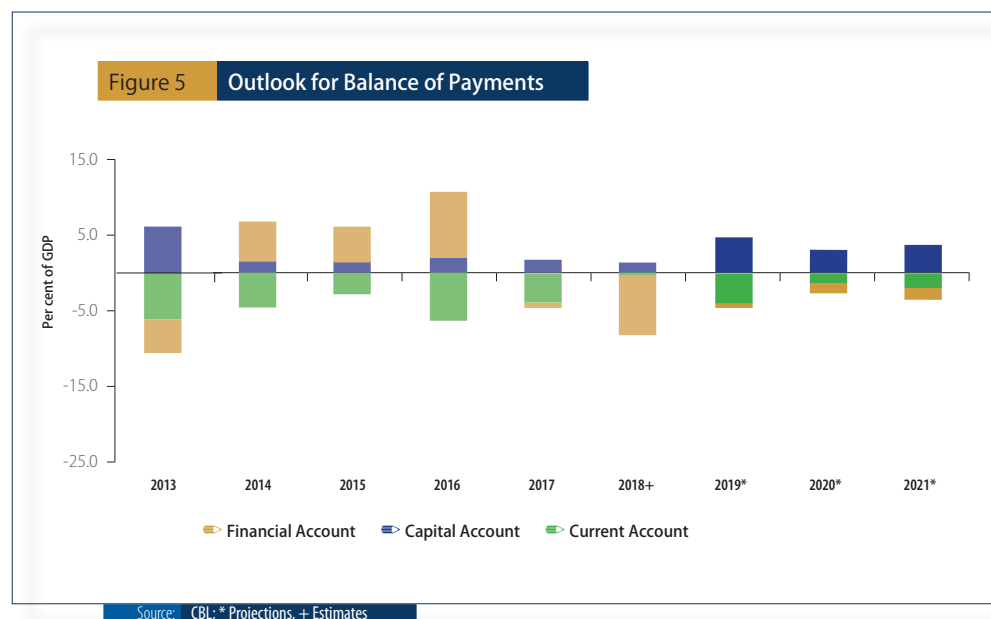


**The fiscal deficit is expected to be financed through a mix of external and domestic borrowing in 2019.** Government is expected to raise more financing domestically with government’s securities issuance set to increase by 20.2 per cent. This level of domestic borrowing combined with the external debt will be enough to fill the financing gap. Thus, pressure on government deposits will ease and result in slight drawdown in 2019. Government budgetary operations are expected to improve over 2020-2021 as revenue is expected to outpace expenditure. This will lead to accumulation of government deposits with the Central Bank by 1.7 per cent of GDP by the end of 2021.

### External Sector Outlook

**The external sector position improved as evidenced by the narrowing of the trade account deficit due to lower imports in the first half of 2019.** The current account registered a lower deficit of 2.3 per cent of GDP in June 2019 relative to a deficit of 3.1 per cent in 2018. The economy continued to receive income and transfers which contributed positively to the current account. On the financial account, there was a build-up of official reserves and more commercial banks’ placements abroad.

**On the outlook, the current account deficit is projected to widen to 3.2 per cent in 2021 up from 0.3 per cent of GDP in 2018.** This reflects a modest decline in exports in the trade account and the shortfall in services account. The economy is projected to continue to receive more income and current transfers from abroad.



Diamond exports also are estimated to decline by 7.9 per cent in 2019 due to softening prices in the international markets....

**Medium term projections suggest that the economy will continue to import than it exports, thus widening of the trade account deficit.** Merchandise exports are expected to slow down by 5.3 per cent in 2019 before picking up to an average of 3.7 per cent to 2021. Textile exports are estimated to decline in 2019, but pick up in 2020-21, still benefiting from the fragile external demand. Diamond exports also are estimated to decline by 7.9 per cent in 2019 due to softening prices in the international markets. Lower domestic production and low recovery of high-value diamonds also contributed to the fall in diamond exports. For the period 2020-2021, diamond exports are set to increase by an average of 9.3 per cent due to increased domestic production, amid weak demand and prices in the rough diamond international markets. Prices are likely to remain low over the forecast horizon, given the oversupply in the market; competition with man-made diamonds and weak global macroeconomic conditions. Moreover, the emerging medical cannabis industry will also contribute positively to the trade account, as it is envisaged that the commercial export of the cannabis products to international markets will start off before the end of 2019. In terms of the direction of trade, more exports will be destined to the US, SA and Europe.

Merchandise imports are estimated to grow by an average of 4.6 per cent over the forecast horizon. The increase is largely to support consumption and investment in the economy. Construction activities related to the mining sector, fishing farm, LHWP II and other projects will exert an upward pressure on the imports in the medium term.

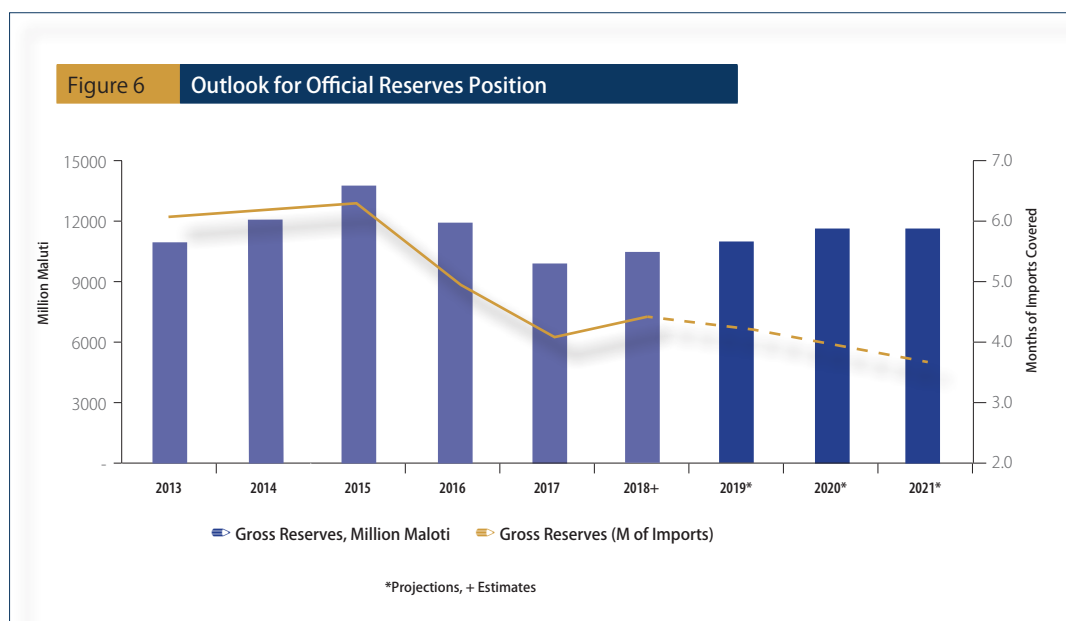


**It is anticipated that the income and current transfers accounts will continue to register positive balances for the medium term.** The surplus in the income account will primarily reflect higher compensation of employees, in particular from SA. The current transfers account is projected to record a surplus of 17.1 per cent of GDP for the period 2019-2021, relative to 16.0 per cent in 2018. This account is dominated by SACU revenue which is likely to increase by an average of 9.5 per cent, consistent with the modest recovery expected in the SA economy.

**In relation to capital grants geared towards investment, more inflows associated with LHWP II and government developmental projects are expected.** Foreign support for government developmental projects is expected to increase modestly in the medium-term. On LHWP II, capital transfers related to the construction of advance infrastructure (access roads, shelter, power lines and diversion tunnels, etc.) which commenced in early 2019, are set to increase until completion in mid-2020. Transfers for the construction of the dam and water transfer tunnel will only commence in 2021.

Foreign support for government developmental projects is expected to increase modestly in the medium-term....

**The financial account will remain in surplus, recording a surplus of M495.2 million and M534.1 million for 2020 and 2021, respectively.** The surplus reflects increased commercial banks net foreign assets abroad for trade and investment purposes. The increase will be moderated by the expected direct investment flows associated with the expansion works within the mining, construction, fishing and medical cannabis industries. On official reserves, while a build-up is expected for 2019, a slight depletion is expected in the outer years. Official reserves are set to average 3.9 months, above the 3-months threshold, over the medium term. Relative to GDP, the financial account will account for 1.0 per cent over the medium term.



### Box 1: Assessment of Lesotho's External Competitiveness Landscape

The role of foreign direct investment (FDI) as a driver of economic growth has been discussed extensively by both academics and policy makers. Specifically, for small and least developing economies with inadequate domestic capital mobilisation, strategies to lure FDI become the best avenue to grow the economy and create necessary jobs. This note seeks to discuss Lesotho's competitiveness landscape which is a key determinant of FDI globally. Recent empirical evidence shows that decisions to invest in a country are influenced by tools used for FDI promotion and as such more competitive countries are better placed to attract FDI. This note therefore assesses Lesotho's competitiveness relative to better performing countries in the region; it also seeks to identify key areas for improvement with a view to enhance Lesotho's competitive edge.

A 1995 survey conducted by OECD on the role of incentives and drivers of investment decisions revealed that primary determinants are economic and institutional background of a country. If countries are ranked the same, then considerations are done on infrastructure level and incentive packages offered by each country.

Table 3 below summarises key incentives that can be used by countries in order to lure investment into the country. A country willing to employ one of these (or a combination) incentives can do so through change or development of new policies. In some cases, these incentives can be employed through bilateral agreements (between the government and the company).

Type of incentive	Purpose	Elements
Fiscal	To reduce the tax burden on the investor	Tax credit, tax relief, exemption, tax base reduction, VAT exemption, accelerated depreciation, reinvestment allowance, loss accrual
Financial	To provide direct financial assistance.	Soft loans, grants, sovereign guarantees, insurance and credit, subsidies funding
Other	To increase profitability/ reduce the costs of investment through non-financial means	Preferential governments contracts, real estate provided below market prices, promotion of institutional investment, SME development programmes, customs free areas, special economic zones, industrial parks

Various countries have used different strategies to lure foreign investment, in the mid-1980s Mauritius used an export processing zone initiative as an incentive to Asian investors to invest in manufacturing subsector. This initiative assured access to European and American markets, with whom Mauritius had trade agreements. Lately, Mauritius uses fiscal incentives in terms of lower taxes specifically for financial services. For instance, as of July 2018, banks and other financial institutions were required to 1.7 percent and 0.5 percent on book profit and operating income respectively. While some companies categorised in Global Business category are exempt from paying taxes.

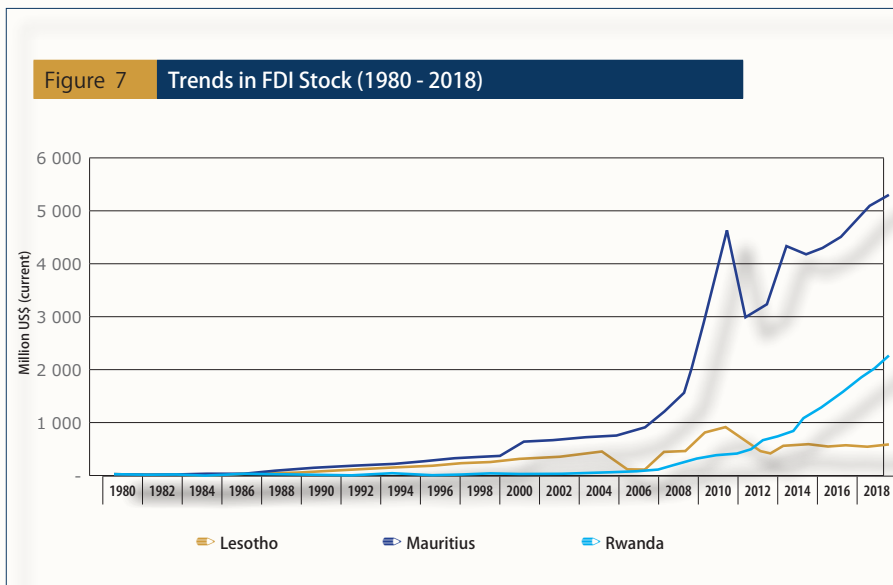
Rwanda on the other hand has resorted to using other measures. These



**Box 1: Assessment of Lesotho's External Competitiveness Landscape (continued)**

include reforming its institutions (i.e. improving its ease of doing business through substantially shortening time it takes to register a business among others), investment in telecommunications and roads infra-structure and investing in human capital. Besides being several bilateral trade agreements it has made, Rwanda also has forged investment agreements with the US, South Africa and other European countries. As foreign investors particularly from those countries would find it easier to invest in Rwanda.

Table 4 below summarises indicators and incentive packages for comparators countries briefly discussed above. As can be seen in terms of fiscal incentives, Mauritius offers the lowest tax rates, which makes the country more attractive for investment. It also boasts, relatively better road and telecommunications infrastructures (relative to Lesotho and Rwanda). Though Lesotho and Rwanda are neck in neck in most of the indicators (taxes and infrastructure), it is the institutions, economic performance and investment policy tools that sets the two countries apart. A fact that can be seen in exponential increase in FDI stock in the recent years as see figure 7.



Source: Central Bank of Lesotho & Ministry of Finance

**Box 1: Assessment of Lesotho's External Competitiveness Landscape (continued)**

**Table 4: Summary of select indicators important to attract FDI**

Country	Taxes <sup>a</sup>			Infra-structure <sup>b</sup>		Institutions <sup>c</sup>		
	VAT	Income tax	PAYE	Roads (1 - 7)	Tele-communications (1 - 7)	Starting a business (0-100)	Getting credit (0-100)	Trading across borders (0-100)
Lesotho	15%	25% 10% (manufacturing)	30%	3.5	2.9	88.2	55.0	91.9
Rwanda	18%	28%	30%	3.8	2.9	93.2	95.0	75
Mauritius	15%	15% (3% on export based activities)	15%	4.7	4.7	94.5	65.0	81.0
South Africa	15%	28%	36%	5.8	4.7	81.2	60	59.6

<sup>a</sup> Source: Countries' respective revenue collecting agencies. PAYE rate is the top marginal rate  
<sup>b</sup> Source: 2016 Global Enabling Trade Report by World Economic Forum. (scale of 1 to 7; 7 is the best)  
<sup>c</sup> Source: 2020 World Bank's Doing Business Report.

This note intended to cast light on Lesotho's competitiveness relative to best performing countries in Africa. Economic background, infrastructure and institution appeared to be areas Lesotho is lagging behind.

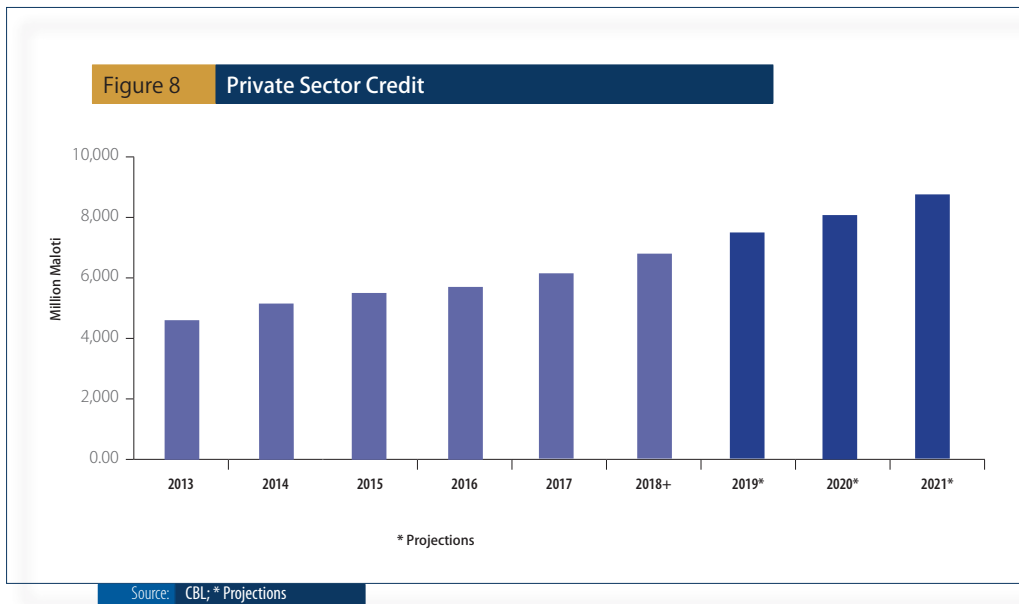
**Monetary Sector Outlook**

**During the first half of 2019, money supply fell by 4.0 per cent, largely attributed to a decline in both domestic and foreign assets.** The slight build-up in central bank foreign assets was offset by the decline in Commercial banks assets abroad. The fall in domestic claims reflected the build-up in government deposits, following the slow execution of the 2019/20 budget. In terms of the components of money supply, narrow money declined by 10.7 per cent, while quasi money increased by 1.7 per cent.

The central bank NFA is expected to rise in 2019, but slightly decline in 2020 and 2021....

**For the period 2019-2021 money supply is expected to increase by an average of 6.7 per cent in line with the growth in nominal GDP.** The growth will continue to be split between foreign assets and domestic assets. With regard to components of money supply, both narrow money and other deposits are expected to increase in the medium-term. The central bank NFA is expected to rise in 2019, but slightly decline in 2020 and 2021. This performance is consistent with government budgetary operations. Commercial banks' NFA will increase for the projection period, as banks' deposit base continues to grow and thus placements abroad. The deposit base will increase in accordance with robust growth within the textiles and mining industries.





**Projections indicate an increase in domestic claims, growing by an average of 1.2 per cent in 2020 and 2021.** The increase is underpinned by rising net claims on government due to the issuance of treasury bills and bonds to support government budgetary operations. The projected increase will be moderated by accumulation of government deposits with the central bank and commercial banks. Claims on the private sector are also expected to grow, rising by 8.8 per cent over the period 2019-2021. It is anticipated that more credit will continue to be extended to households than to businesses. Credit extended to businesses will benefit from the projects-related economic activity, mining, manufacturing and wholesale and retail sectors. The agricultural sector will also gain momentum as the emerging medical cannabis industry continues to grow.

Claims on the private sector are also expected to grow, rising by 8.8 per cent over the period 2019-2021....

*Risks to Domestic Growth Outlook*

**Despite an expected steady growth over the medium-term, risks remain elevated over the medium-term and this could offset growth gains from the current momentum.** The largely risks with emanate from global growth uncertainty which has significant affected global trade and supply chains. Lesotho could be affected indirectly though Lesotho's trading partners such as the US, China and Europe.

South Africa's growth is projected to remain subdued, increasing only mildly from 0.7 percent in 2019 to 1.1 percent in 2020, as private investment and export growth are expected to remain low....

**In light of strong economic ties between SA and Lesotho, the fragile South Africa's economy and uncertain outlook will continue to negatively impact Lesotho through several channels.** South Africa's growth is projected to remain subdued, increasing only mildly from 0.7 percent in 2019 to 1.1 percent in 2020, as private investment and export growth are expected to remain low. South Africa's economy faces two large macroeconomic risks: a slowdown in trade growth and second, a deteriorating fiscal situation linked to bailouts for state-owned enterprises. Both could worsen an already difficult domestic growth and employment prospects in South Africa. This in turn continues to affect Lesotho through remittances channel.

**Despite the expected increase in SACU for 2020/21 downside risks will also emanate from possible fiscal slippages that could trigger debt increases.** In light of weakened government savings, there is a risk of fiscal slippages as government undertakes a number of discretionary projects and that could also fuel debt. Further, climate shocks have in recent years featured amongst the major downside risks to the economy and posing the risk of food insecurity and an escalation in food prices.

**Other major risks include political and policy uncertainty.** Both policy and political uncertainty have intensified since the release of June 2019 economic outlook. The uncertainty negatively impacts business and consumer confidence. Weak confidence will negatively affect investment prospects and therefore weighing down the economy.



## Conclusion

**The current Bank's Economic Outlook is broadly unchanged since the release of the Bank's 2019 June Economic Outlook.** Growth is projected at 1.7 per cent in 2019 before picking up to 2.2 per cent in 2020. In 2021, growth is expected to accelerate to 4.1 per cent. Relative to the June Economic Outlook, the 2019 growth has been marked down by 1.0 per cent whilst growth for 2020 has been marked up by 0.5 per cent. The growth for 2021 remains unchanged. The projected medium-term growth trajectory is still largely shaped by, and sensitive to, the pace of activity in the construction related projects. Despite a pick-up in growth over the medium-term, risks remain elevated in over the medium-term and this could offset growth gains from the expect construction momentum.

Growth is projected at 1.7 per cent in 2019 before picking up to 2.2 per cent in 2020....

Appendix I: Selected Macroeconomic Indicators						
	Projections					
	2016	2017	2018+	2019*	2020*	2021*
<b>Output - Constant prices</b>						
Gross Domestic Product (% p.a.)	3.57	-0.89	1.21	1.71	2.21	4.13
Per capita GDP (% p.a.)	-0.49	-1.35	0.73	1.23	2.21	4.13
Gross National Income (% p.a.)	7.68	-0.61	1.00	1.59	1.94	3.62
Per capita GNI (% p.a.)	3.46	-1.08	0.53	1.11	1.94	3.62
<b>Output - Constant prices (M Million)</b>						
Gross Domestic Product (M Million)	24312.09	24095.95	24387.32	24803.56	25351.84	26398.95
Per Capita GDP	12102.79	11938.81	12026.39	12174.17	12443.28	12957.22
Gross National Income (M Million)	27592.84	27425.00	27700.34	28140.72	28687.87	29726.35
Per Capita GNI	13735.98	13588.26	13660.17	13812.12	14080.68	14590.38
<b>Output - Current prices</b>						
Nominal GDP (% p.a.)	7.82	1.34	1.43	4.57	7.16	8.39
Nominal GNI (% p.a.)	14.02	2.24	1.88	4.60	6.76	7.81
Nominal GDP (M Million)	33903.96	34359.31	34851.58	36445.56	39054.84	42331.89
Nominal GNI (M Million)	40434.20	41339.92	42117.15	44054.49	47032.62	50706.08
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Manufacturing	18.06	-6.79	14.78	2.67	4.71	4.85
Construction	-13.88	-4.66	-21.38	31.52	-15.95	29.06
Tertiary Sector	1.90	-0.86	0.14	1.15	2.34	2.40
Wholesale and retail trade,repairs	1.62	-3.47	-7.05	-0.13	1.91	1.99
Financial and insurance activities	-4.39	-0.79	8.60	3.91	3.41	3.53
Real estate activities	1.66	1.73	-0.47	1.29	1.27	1.27
Public Admin, Education & Health	1.85	2.35	6.56	0.93	2.30	2.11
<b>Output - Current prices (M Million)</b>						
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Of which Government Investment	9.02	8.56	7.20	10.38	8.87	0.00
Of which Private Sector Investment	22.15	19.36	9.88	6.92	8.56	18.27
Resource Balance	-5.40	-3.69	-0.20	-1.19	-0.74	-2.07

+ Estimate, \* Projection



<b>Appendix I: Selected Macroeconomic Indicators (continued)</b>						
	<b>Projections</b>					
	<b>2016</b>	<b>2017</b>	<b>2018+</b>	<b>2019*</b>	<b>2020*</b>	<b>2021*</b>
<b>Savings and Investment - Per cent of GDP</b>						
National Savings	30.74	29.15	20.19	19.62	20.59	20.64
Of which Government Savings	-0.23	3.35	3.34	6.61	7.76	7.93
Of which Private Sector Savings	30.97	25.80	16.85	13.02	12.83	12.71
Investment	37.18	33.60	20.43	23.97	22.20	22.95
Of which Government Investment	10.76	10.30	8.71	11.19	10.81	10.30
Of which Private Sector Investment	26.42	23.29	11.72	12.77	11.39	12.65
Resource Balance	-6.44	-4.45	-0.25	-4.34	-1.61	-2.31
Inflation rate % (CPI)	6.60	5.23	4.71	5.26	4.97	4.83
<b>External Sector - Per cent of GDP</b>						
Current Account	-6.44	-4.45	-0.25	-4.34	-1.61	-2.31
Imports of Goods	69.90	70.87	72.95	72.43	71.36	69.50
Exports of Goods	38.15	39.88	46.15	41.02	41.18	39.52
Capital Flows (+ means an inflow)	2.11	1.53	1.41	4.71	2.88	3.57
Financial Account	8.55	-0.15	-8.23	-0.37	-1.27	-1.26
Official Reserves (Months of Imports)	4.84	3.88	4.22	4.18	3.94	3.70
<b>Government Finance - Per cent of GDP</b>						
Revenue (excluding grants)	39.41	40.42	42.79	43.66	44.99	44.35
Recurrent Expenditure	-39.27	-36.24	-38.09	-36.57	-37.23	-36.42
Transaction in non-financial assets	-8.62	-7.08	-6.97	-8.95	-8.65	-8.23
Budget Balance (+ means a surplus)	-6.36	-2.00	-1.94	-1.60	0.03	0.67
<b>Monetary Aggregates - Nominal growth</b>						
Money supply (M2)	-4.84	25.53	10.69	4.57	7.16	8.39
Private Sector Credit	2.96	8.53	10.77	10.19	7.53	8.59
+ Estimate, * Projection						

<b>Appendix II: Real GDP Growth Rates</b>						
	2016	2017	2018+	2019*	2020*	2021*
<b>Primary Sector</b>	<b>16.08</b>	<b>2.13</b>	<b>8.06</b>	<b>-2.28</b>	<b>4.94</b>	<b>2.59</b>
Agriculture, forestry and fishing	27.80	-19.07	1.58	-0.62	2.84	2.88
Growing of crops; market gardening; horticulture	151.77	-3.99	-9.73	-3.07	1.81	3.09
Farming of animals (incl. fishing)	18.43	-28.58	7.40	-0.40	3.50	2.95
Agricultural and animal husbandry service activities	-0.34	-0.71	1.29	1.65	1.50	1.41
Forestry	-19.74	-13.23	4.09	2.68	2.68	2.68
Fishing and aquaculture	-40.77	42.01	2.00	4.00	3.00	4.00
Mining and quarrying	0.01	39.31	15.73	-3.78	6.89	2.34
<b>Secondary sector</b>	<b>2.92</b>	<b>-4.80</b>	<b>2.65</b>	<b>4.25</b>	<b>0.14</b>	<b>9.56</b>
Manufacturing	18.06	-6.79	14.78	-1.85	3.74	4.88
Food products and beverages	8.50	-21.43	18.85	1.52	2.05	1.96
Textiles, clothing, footwear and leather	20.84	-2.75	14.62	-2.78	3.92	5.34
Other manufacturing	9.33	-21.34	13.46	2.81	3.57	3.48
Electricity and water	-6.67	0.33	0.68	1.65	2.93	3.28
Electricity supply	-6.25	5.57	0.14	1.33	5.84	1.78
Water and sewerage; waste collection	-6.86	-2.02	0.94	1.81	1.54	4.02
Construction	-13.88	-4.66	-21.38	25.96	-11.03	29.14
<b>Tertiary sector</b>	<b>1.90</b>	<b>-0.86</b>	<b>0.14</b>	<b>1.43</b>	<b>2.45</b>	<b>2.50</b>
Wholesale and retail trade; repair of motorvehicles	1.62	-3.47	-7.05	-0.19	1.96	2.00
Transportation and storage	1.49	-1.93	-4.99	1.81	4.51	2.91
Accommodation and food service activities	4.66	5.03	-11.82	2.00	2.49	0.89
Information and communication	13.12	-11.34	-7.39	0.87	2.64	4.00
Financial and insurance activities	-4.39	-0.79	8.60	4.63	3.45	4.31
Financial service activities, except insurance	-7.68	-1.59	9.62	4.50	2.89	3.98
Insurance and pension funding	15.82	2.34	5.69	4.63	5.75	5.56
Activities auxiliary to financial services	6.77	3.41	1.16	6.63	6.25	6.03
Real estate activities	1.66	1.73	-0.47	1.29	1.27	1.27
Professional, scientific and technical activities	-2.24	-1.62	-3.82	3.16	3.11	2.97
Administrative and support service activities	-1.23	-4.33	-14.67	1.30	3.36	4.24
Public administration and defense; compulsory social security	1.52	3.57	-0.97	1.65	1.64	1.63
Education	0.40	-0.55	16.62	1.72	2.95	3.75
Human health and social work activities	6.17	4.35	11.49	0.09	3.10	0.09
Other service activities	8.35	1.08	-4.37	-1.18	1.91	1.92
<b>GDP at factor cost (Unadjusted)</b>	<b>3.66</b>	<b>-1.42</b>	<b>1.69</b>	<b>1.59</b>	<b>2.22</b>	<b>4.13</b>
Financial services indirectly measured	0.47	-12.36	5.31	4.63	3.45	4.31
<b>GDP at factor cost</b>	<b>3.70</b>	<b>-1.30</b>	<b>1.65</b>	<b>1.55</b>	<b>2.21</b>	<b>4.13</b>
of which: Government activities	0.16	2.02	0.20	3.20	2.21	4.13
Taxes on products	2.40	2.76	-2.58	3.07	2.21	4.13
<b>GDP at market prices</b>	<b>3.57</b>	<b>-0.89</b>	<b>1.21</b>	<b>1.71</b>	<b>2.21</b>	<b>4.13</b>

+ Estimate, \* Projection



<b>Appendix III: GDP by sector 2012 prices (In Million Maloti)</b>						
	<b>2016</b>	<b>2017</b>	<b>2018+</b>	<b>2019*</b>	<b>2020*</b>	<b>2021*</b>
<b>Primary Sector</b>	<b>2650.47</b>	<b>2706.95</b>	<b>2925.20</b>	<b>2858.48</b>	<b>2999.71</b>	<b>3077.50</b>
Agriculture, forestry and fishing	1687.96	1366.12	1387.73	1379.17	1418.40	1459.24
Growing of crops; market gardening; horticulture	429.13	412.03	371.92	360.49	367.03	378.37
Farming of animals (incl fishing)	1004.00	717.07	770.13	767.03	793.90	817.33
Agricultural and animal husbandry service activities	80.70	80.13	81.17	82.51	83.74	84.93
Forestry	163.62	141.97	147.78	151.73	155.80	159.97
Fishing and aquaculture	10.51	14.92	16.74	17.41	17.93	18.65
Mining and quarrying	962.51	1340.83	1537.47	1479.32	1581.31	1618.25
<b>Secondary sector</b>	<b>5176.33</b>	<b>4927.69</b>	<b>5058.48</b>	<b>5273.49</b>	<b>5280.63</b>	<b>5785.68</b>
Manufacturing	2821.96	2630.44	3019.28	2963.54	3074.44	3224.43
Food products and beverages	234.14	183.97	218.65	221.97	226.51	230.95
Textiles, clothing, footwear and leather	2210.78	2149.90	2464.13	2395.60	2489.59	2622.66
Other manufacturing	377.04	296.58	336.50	345.97	358.34	370.81
Electricity and water	1053.03	1056.56	1063.74	1081.30	1113.00	1149.50
Electricity supply	326.24	344.43	344.91	349.49	369.89	376.49
Water and sewerage; waste collection	726.79	712.13	718.83	731.81	743.11	773.01
Construction	1301.34	1240.69	975.46	1228.66	1093.19	1411.75
<b>Tertiary sector</b>	<b>14266.71</b>	<b>14144.26</b>	<b>14163.46</b>	<b>14366.23</b>	<b>14718.13</b>	<b>15085.64</b>
Wholesale and retail trade; repair of motorvehicles	2833.42	2735.21	2542.28	2537.50	2587.33	2639.13
Transportation and storage	611.21	599.39	569.47	579.79	605.91	623.52
Accommodation and food service activities	314.02	329.83	290.85	296.68	304.08	306.77
Information and communication	1197.59	1061.84	983.38	991.92	1018.14	1058.87
Financial and insurance activities	1431.34	1420.00	1542.17	1613.59	1669.26	1741.19
Financial sector activities (except insurance)	1163.00	1144.54	1254.69	1311.16	1349.00	1402.69
Insurance and pension funding	190.39	194.85	205.93	215.47	227.87	240.53
Activities auxiliary to financial services	77.96	80.61	81.55	86.96	92.39	97.96
Real estate activities	1343.36	1366.60	1360.22	1377.70	1395.23	1412.94
Professional, scientific and technical activities	248.48	244.46	235.11	242.54	250.08	257.50
Administrative and support service activities	671.84	642.73	548.45	555.55	574.24	598.56
Public administration and defense; compulsory social security	2778.13	2877.34	2849.42	2896.38	2943.87	2991.98
Education	1738.82	1729.29	2016.77	2051.43	2111.94	2191.19
Human health and social work activities	830.86	867.04	966.63	967.49	997.51	998.45
Other service activities	267.64	270.54	258.71	255.66	260.54	265.53
<b>GDP at factor cost (Unadjusted)</b>	<b>22093.52</b>	<b>21778.90</b>	<b>22147.14</b>	<b>22498.20</b>	<b>22998.46</b>	<b>23948.81</b>
Financial services indirectly measured	-245.66	-215.29	-226.73	-237.23	-245.41	-255.99
<b>GDP at factor cost</b>	<b>21847.86</b>	<b>21563.61</b>	<b>21920.42</b>	<b>22260.98</b>	<b>22753.05</b>	<b>23692.83</b>
of which: Government activities	4954.65	5054.93	5065.04	5226.97	5342.51	5563.17
Taxes on products, net of subsidies	2464.23	2532.33	2466.91	2542.59	2598.79	2706.13
<b>GDP at market prices</b>	<b>24312.09</b>	<b>24095.95</b>	<b>24387.32</b>	<b>24803.56</b>	<b>25351.84</b>	<b>26398.95</b>
* Projections						

<b>Appendix IV: GDP at Current Prices (In Million Maloti)</b>						
	<b>Projections</b>					
	<b>2016</b>	<b>2017</b>	<b>2018+</b>	<b>2019*</b>	<b>2020*</b>	<b>2021*</b>
<b>Primary Sector</b>	<b>4466.16</b>	<b>4760.86</b>	<b>4783.76</b>	<b>4501.90</b>	<b>5008.41</b>	<b>5313.57</b>
Agriculture, forestry and fishing	2090.99	1777.91	1886.21	1973.91	2131.20	2298.27
Growing of Crops	478.21	456.97	484.78	494.60	528.61	571.24
Farming of Animals(incl fishing)	1283.89	1005.98	1061.74	1113.11	1209.37	1305.17
Agricultural and animal husbandry service activities	107.45	109.90	116.91	125.10	133.28	141.69
Forestry	207.54	185.77	200.11	216.28	233.11	250.91
Fishing and aquaculture	13.90	19.29	22.67	24.81	26.83	29.25
Mining and Quarrying	2375.17	2982.95	2897.55	2527.99	2877.21	3015.29
<b>Secondary sector</b>	<b>8386.38</b>	<b>7705.74</b>	<b>7847.12</b>	<b>8120.53</b>	<b>8419.95</b>	<b>9317.13</b>
Manufacturing	5340.12	4615.67	5035.56	4817.85	5080.82	5313.06
Food products and beverages	327.02	261.95	274.76	293.61	314.51	336.16
Textiles, clothing, footwear and leather	4499.19	3942.06	4320.68	4047.93	4248.45	4415.13
Other manufacturing	513.90	411.66	440.12	476.32	517.87	561.77
Electricity and water	1579.55	1657.57	1663.77	1780.89	1917.82	2079.98
Electricity	335.22	403.17	406.36	433.42	481.53	513.77
Water	1244.33	1254.40	1257.41	1347.47	1436.29	1566.21
Building and Construction	1466.71	1432.49	1147.79	1521.79	1421.31	1924.10
<b>Tertiary sector</b>	<b>17962.91</b>	<b>18659.12</b>	<b>18917.21</b>	<b>20246.02</b>	<b>21795.24</b>	<b>23520.48</b>
Wholesale and retail trade, repairs	3559.10	3642.46	3502.63	3680.01	3938.81	4211.61
Transport and storage	726.23	720.21	751.35	805.21	883.32	952.87
Accommodation and food service activities	342.65	366.94	331.81	356.27	383.30	405.37
Information and communication	1128.61	991.94	892.61	947.75	1021.16	1113.27
Financial and insurance activities	2485.35	2682.92	3057.00	3367.11	3661.48	4006.71
Financial sector activities (except insurance)	1839.96	2048.64	2334.28	2567.71	2773.13	3022.71
Insurance and pension funding	530.39	492.41	561.06	617.95	685.98	759.07
Activities auxiliary to financial services	114.99	141.87	161.65	181.44	202.37	224.92
Real estate activities	1373.76	1390.34	1368.61	1459.14	1551.15	1646.68
Professional and support service activities	278.73	279.27	274.60	298.19	322.74	348.35
Administrative and support service activities	747.57	729.73	640.57	683.01	741.08	809.76
Public administration and defense; compulsory social security	3615.50	3958.00	3804.15	4083.07	4358.70	4723.13
Education	2391.39	2494.18	2703.20	2894.34	3127.84	3401.86
Human health and social work activities	1020.62	1099.74	1295.63	1365.02	1477.34	1550.11
Other service activities	293.40	303.39	295.05	306.91	328.32	350.76
<b>GDP at factor cost (Unadjusted)</b>	<b>30815.45</b>	<b>31125.72</b>	<b>App4</b>	<b>32868.45</b>	<b>35223.60</b>	<b>38151.18</b>
Financial services indirectly measured	-376.28	-407.00	-417.88	-460.27	-500.50	-547.70
<b>GDP at factor cost</b>	<b>30439.17</b>	<b>30718.72</b>	<b>31130.21</b>	<b>32408.19</b>	<b>34723.09</b>	<b>37603.48</b>
of which: Government activities	5200.01	5435.63	5603.43	6086.86	6530.67	7128.69
Taxes on products, net of subsidies	3464.79	3640.59	3721.38	4037.37	4331.75	4728.41
<b>GDP at market prices</b>	<b>33903.96</b>	<b>34359.31</b>	<b>34851.58</b>	<b>36445.56</b>	<b>39054.84</b>	<b>42331.89</b>
* Projections						





No.	Notes



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