ESWATINI

Table 1	2023
Population, million	1.2
GDP, current US$ billion	4.6
GDP per capita, current US$	3822.9
International poverty rate ($2.15)[a]	36.1
Lower middle-income poverty rate ($3.65)[a]	58.0
Upper middle-income poverty rate ($6.85)[a]	78.1
Gini index[a]	54.6
School enrollment, primary (% gross)[b]	120.9
Life expectancy at birth, years[b]	57.1
Total GHG emissions (mtCO2e)	3.1

Source: WDI, Macro Poverty Outlook, and official data.
a/ Most recent value (2016), 2017 PPPs.
b/ Most recent WDI value (2021).

Real GDP is projected to grow by 4.1 percent in 2024, driven by continued increase in public spending financed by higher Southern African Customs Union (SACU) revenues. Despite easing global inflationary pressures, annual average inflation increased in 2023 but is projected to slightly decline to 4.9 percent in 2024. The budget deficit is projected to continue declining in 2024, though fiscal policy remains highly procyclical. The poverty rate is projected to decrease slightly to 52 percent in 2024 using the poverty line for lower and middle-income countries.

Key conditions and challenges

Over the past 20 years, Eswatini's GDP per capita growth only averaged 1.8 percent. The proportion of the population living below the US$3.65/day (2017 PPP) poverty line fell from 76.4 percent to 58.1 percent between 2000 and 2016, but at 52 percent in 2024 poverty remains high. The country's low growth rate can partly be explained by deteriorating public finances, characterized by rising public debt, the accumulation of domestic expenditure arrears, and public spending inefficiencies. Concurrently, structural weaknesses have hindered the development of the private sector. These include a weak investment climate due to cumbersome regulations, distortions caused by inefficient state-owned enterprises, and a limited access to regional and international markets. Adopting a comprehensive strategy that accumulates more physical and human capital, while ensuring more efficient and inclusive use of these resources, will be critical for Eswatini to meet its development goals. The government is working on a new growth strategy.

Volatile SACU revenues have shaped the macro-fiscal dynamics. The increase in rigid spending lines, such as wages and interest payments in the face of volatile SACU revenue, contributed to rising fiscal deficits, public debt, and arrears. To make fiscal policy more predictable and countercyclical, there is an urgent need to consolidate expenditure including implementing the state owned enterprises (SOEs) reforms and, improve domestic revenue mobilization.

Poverty and inequality remain high. Over 50 percent of the population live below the US$3.65/day (2017 PPP) lower middle-income country poverty line. High and persistent inequality (54.6 percent in 2016) is also a risk to social stability.

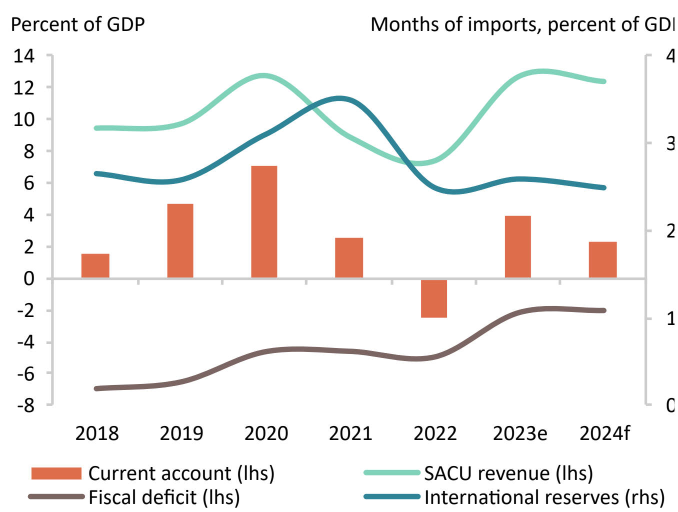
Recent developments

Real GDP rebounded to an estimated 4.8 percent in 2023 (from 0.5 percent in 2022), driven by an increase in services and exports. The doubling of SACU receipts allowed the government to reduce the overall fiscal deficit, while increasing spending that boosted government-linked services. Meanwhile, agriculture contracted by 2.5 percent, mainly due to weather-related challenges that affected production.

Annual average inflation increased from 4.8 percent in 2022 to 5.0 percent in 2023 despite easing global inflationary pressures. The increase was partly the result of higher prices for transport and food. These pressures continued in early 2024, with inflation increasing from 4.3 percent in December 2023 to 4.5 percent in January 2024 (yoy). However, inflation remained within the 3-6 percent band, with the central bank maintaining the repo rate at 7.5 percent since July 2023.

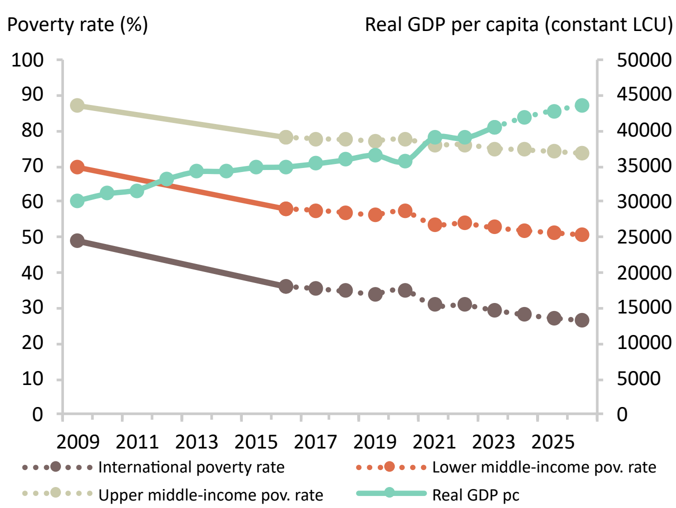
The fiscal deficit declined from 5 percent of GDP in 2022 to 2.1 percent in 2023, but expenditure arrears increased again. Revenue was boosted by the more than doubling of SACU receipts in 2023.

FIGURE 1 Eswatini / SACU revenues and macroeconomic variables



Sources: Eswatini Ministry of Finance and World Bank projections.

FIGURE 2 Eswatini / Actual and projected poverty rates and real GDP per capita



Source: World Bank. Notes: see Table 2.

Expenditure also increased as a result of a higher public sector wage bill, interest payments, and election-related expenditures. While the level of public debt declined between 2022 and 2023, arrears increased again, due weak commitment controls, reaching an estimated 2.0 percent of GDP in February 2024. The government established a SACU Revenue Stabilisation Fund in 2023, but it has not been fully capitalized, as expenditure pressures continued in 2023.

The current account returned to a surplus in 2023, reflecting higher SACU revenue and an increasing trade surplus, fueled by higher exports of key commodities as such soft drink concentrates, sugar and sugar products. The level of international reserves remained constant at 2.6 months of imports in 2023.

While the increase in economic activity has contributed to higher income, higher transport and food prices disproportionately affect the poor, who spend a larger share of their resources on these items. High inflation has limited the progress in poverty reduction, with estimated poverty rates only showing a slight decline from 54 percent in 2022 to 52.8 percent in 2023, using the lower-middle-income country poverty line.

Outlook

The medium-term economic outlook looks moderately favorable, with GDP growth stabilizing at about 3 percent over 2024-26. Growth is expected to be driven by higher investments, including from the government (due to higher SACU revenue), and sustained improvements in industry and services. By contrast, the agricultural sector could be negatively affected by climate change, which could hurt the poor most. Risks are tilted to the downside given uncertainty in a major trading partner (South Africa), especially on energy supply, and international geopolitical tensions. Domestically, the country remains exposed to social and political uncertainty. Inflation is projected to slow slightly to 4.9 percent in 2024, following global trends, but elevated crude oil prices, a weaker exchange rate, and higher food prices could mar this outlook.

On the fiscal side, SACU revenues are projected to increase again in 2024, by 11.5 percent relative to FY2023/24. This increase should contribute to a reduction in the fiscal deficit and the payment of accumulated expenditure arrears. However, the magnitude of the adjustment will also depend on public expenditures, especially the public sector wage bill and SOEs reforms. The government should capitalize on the positive revenue shock by fully operationalize the SACU Revenue Stabilisation Fund while continuing with fiscal consolidation- both expenditure reducing and domestic revenue mobilization measures. Debt is projected to stabilize in the medium term, as the fiscal deficit declines. The current account is expected to remain in surplus in 2024, on the back of higher SACU receipts and increased export demand of key products.

Poverty, based on the lower-middle-income country poverty line, is projected to decline from 52 percent in 2024 to 51.3 percent in 2025. While the projected economic recovery should have a positive impact on households, such improvement will be constrained by the lower agricultural production and structural challenges facing the poor including low job creation and low access to services.

TABLE 2 Eswatini / Macro poverty outlook indicators (annual percent change unless indicated otherwise)

	2021	2022	2023e	2024f	2025f	2026f
Real GDP growth, at constant market prices	10.7	0.5	4.8	4.1	3.3	2.7
Private consumption	5.7	-5.3	4.1	3.2	2.6	2.6
Government consumption	-10.6	-0.3	9.7	2.2	0.8	0.8
Gross fixed capital investment	11.4	-10.8	1.0	9.6	7.0	3.5
Exports, goods and services	8.8	-0.4	8.0	2.6	2.4	2.4
Imports, goods and services	14.0	3.4	7.0	2.7	2.0	2.0
Real GDP growth, at constant factor prices	10.7	0.2	4.8	4.1	3.3	2.7
Agriculture	4.6	5.1	-2.5	-1.2	1.9	2.5
Industry	17.9	-0.3	1.5	4.0	3.0	2.0
Services	7.1	-0.1	8.2	4.9	3.7	3.2
Inflation (consumer price index)	3.7	4.8	5.0	4.9	5.2	5.3
Current account balance (% of GDP)	2.6	-2.4	4.0	2.3	0.6	-1.5
Net foreign direct investment inflow (% of GDP)	1.2	0.7	0.8	0.8	0.7	0.7
Fiscal balance (% of GDP)	-4.6	-5.0	-2.1	-2.0	-2.7	-1.3
Revenues (% of GDP)	25.1	23.9	29.4	27.7	26.3	24.5
Debt (% of GDP)	37.9	41.8	38.9	35.4	33.5	31.2
Primary balance (% of GDP)	-2.7	-2.7	-0.2	-0.3	-1.2	0.1
International poverty rate ($2.15 in 2017 PPP)[a,b]	30.9	31.0	29.6	28.5	27.5	26.9
Lower middle-income poverty rate ($3.65 in 2017 PPP)[a,b]	53.7	54.0	52.8	52.1	51.4	50.7
Upper middle-income poverty rate ($6.85 in 2017 PPP)[a,b]	76.1	76.2	75.1	74.7	74.2	73.7
GHG emissions growth (mtCO2e)	5.8	0.4	0.7	2.8	4.0	4.1
Energy related GHG emissions (% of total)	48.2	47.9	47.5	48.0	49.1	50.3

Source: World Bank, Poverty & Equity and Macroeconomics, Trade & Investment Global Practices. Emissions data sourced from CAIT and OECD.
Notes: e = estimate, f = forecast.
a/ Calculations based on 2016-HIES. Actual data: 2016. Nowcast: 2017-2023. Forecasts are from 2024 to 2026.
b/ Projection using neutral distribution (2016) with pass-through = 0.87 (Med (0.87)) based on GDP per capita in constant LCU.