



Monthly ECONOMIC REVIEW

October 2019

CENTRAL BANK OF LESOTHO

I. ECONOMIC ACTIVITY

Economic activity increase at a lower rate in October 2019, after the slight increase observed in September. Growth was supported mainly by strong domestic demand, while the production side remained weak.

Overall Performance Index

Economic performance as measured by the monthly indicator of economic activity (MIEA), increased by 0.2 per cent in October 2019, compared with an increase of 0.3 per cent in September. The growth was attributed to positive contributions from eight components that make up the MIEA with the exception of six variables, which contributed negatively. Economic activity continued to be supported by high domestic demand, increased activity in the construction sector as indicated by high imports of cement and metallic products used for construction purposes. In addition, credit to the private sector contributed positively to the overall economic activity in the month under review.

Domestic Demand Category

The domestic demand index showed a positive growth in the month under review though slightly lower than the growth observed in September 2019. This index was estimated to have grown by 1.4 per cent relative to 1.9 per cent realised in the preceding month. The growth was mainly attributable to positive contributions from Government compensation of employee, PAYE collections signifying increased earnings that translates into increased employment levels by both the Government and the private sector. Imports of goods and services also contributed positively indicative of increased demand for goods and services in the month under review. However, VAT collections contributed negatively moderating the growth in the demand side

Manufacturing & Production Category

The production index continued on a downward trajectory in the review month, albeit with a slightly smaller percentage of a decline. The index declined by 2.5 per cent in October 2019 following a decline of 2.7 per cent in the preceding month. The decline came as a result of negative contributions from water and electricity consumption used for production purposes. On the flipside, manufacturing of textiles and clothing moderated the decline of the production index as shown by positive contributions from exports of textiles and clothing.