



Monthly ECONOMIC REVIEW

June 2019

CENTRAL BANK OF LESOTHO

I. ECONOMIC ACTIVITY

Economic activity contracted in June 2019 following a positive growth observed in the previous month. The decline was on account of poor performance from both the demand, and the production and manufacturing sides of the economy.

Overall Performance Index

Economic performance as measured by the monthly indicator of economic activity (MIEA), declined by 0.7 per cent in June 2019, in contrast to a growth of 1.0 per cent realised in May. The negative growth was as a result of sluggish domestic demand and weak performance of the manufacturing and production side of the economy. Out of the fourteen variables that make up the index, seven contributed negatively.

Domestic Demand Category

The domestic demand index showed a negative growth for the first time in 2019 in June. This category was estimated to have declined by 0.6 per cent compared with 1.8 per cent growth in May 2019. The growth represented negative contributions from government use of goods and services, and PAYE. PAYE signals reductions in earnings, which translate into lower levels of employment in the country. In addition, VAT collections and imports of goods and services showed a relatively lower contributions, signalling lower domestic demand.

Manufacturing & Production Category

The production and manufacturing index declined significantly in the review month. The index declined by 2.8 per cent in June 2019 as opposed to a decline of 1.3 per cent in the preceding month. The decline continued to emanate from declines in electricity and water consumption used for production purposes, thus signalling a persistent deterioration in domestic production. In addition, export of textiles contributed negatively during the review month, indicating reduced output in the textile and clothing industries. This observation is in line with reduced employment in these industries.