



Monthly ECONOMIC REVIEW

July 2020

CENTRAL BANK OF LESOTHO

I. ECONOMIC ACTIVITY

Economic performance is expected to have recovered in July 2020 with the easing of restrictions and resumption of some activities following the nationwide lockdowns of the previous months. Both domestic demand and manufacturing exhibited positive contributions to economic activity as the economy recorded growth for the first time in 2020.

Overall Performance Index

In July 2020, economic activity estimated by the monthly indicator of economic activity (MIEA), recovered significantly as all sectors of the economy were operating close to normal. The index recorded a 10.6 per cent increase after being on the decline for the rest of the first half of the year, dominated mostly by the COVID-19 pandemic restrictions. Both domestic demand and manufacturing sides of the economy received boosts from easing of the lockdown restrictions after the first half of the year. Despite the improved performance in July, pre-pandemic output levels have not been close to attainment.

Domestic Demand Category

Domestic demand index recorded a 2.4 per cent growth in July as the economy started a recovery path. After being under pressure from the close of 2019, the recovery in July in domestic demand was boosted mainly by tax collections, both VAT and incomes taxes as well as increasing demand for goods and services as indicated by positive contributions by imports from South Africa (SA).

Manufacturing & Production Category

Production recovered very significantly in July, with a 19.7 per cent growth in the index. The recovery comes after a 2.6 per cent decline in the index recorded during the previous month. Production was boosted mostly by the recommencement of most of operations in the textile industry around the country. Demand for exports of textiles both abroad and regionally boosted the performance of the industry as markets around the world started to open more for economic activity.