



Monthly ECONOMIC REVIEW

May 2019

CENTRAL BANK OF LESOTHO

I. ECONOMIC ACTIVITY

Economic activity remained subdued, as it moderated slightly in the month of May 2019 compared with a growth observed in the previous month. The observed growth continued to be supported by demand side variables, while the production and manufacturing side of the economy remained on the downturn.

Overall Performance Index

Economic performance as measured by the monthly indicator of economic activity (MIEA), increased at a lower rate of 0.9 per cent in May 2019, compared with a growth of 1.0 per cent in April 2019. The positive contributions came from the eight component variables that make up the index, while the other six variables contributed negatively. Domestic demand continued to support growth as indicated by positive contributions from imports of goods and services and VAT collections. In addition, the transport and construction subsectors remained supportive as evidenced by increased consumption of fuel and imports of cement, respectively.

Domestic Demand Category

The domestic demand index showed a subdued positive growth in May 2019 compared with the previous month. This category was estimated to have grown by 1.8 per cent compared with 3.1 per cent growth in April 2019. The growth represented positive contributions from VAT collections and imports of goods and services. The observed trend signalled strong demand for goods and services in the economy. However, the PAYE contributed negatively signalling some shrinkage in earnings, which is highly correlated to employment levels in the economy.

Manufacturing & Production Category

The production and manufacturing index continued to decline in the review month, though moderately. The index declined by 1.4 per cent in May 2019 following 2.0 per cent observed in the preceding month. The decline continued to emanate from declines in the use of electricity and water consumption in the production sector, thus signalling a persistent decline in domestic production.