

COVID-19 led Recession and Precarious Recovery

Executive Summary

The global economy is projected to be in recession in 2020 due to the COVID-19 pandemic, but recover in 2021 as the pandemic fades and economic activity normalises. Growth in advanced economies is projected to contract due to the widespread outbreaks and containment measures. Emerging and developing economies are also expected to contract, mainly reflective of, among others, low external demand, low commodity prices and limited resources to respond to the pandemic. In sub-Saharan Africa, the less diversified economies and those that depend on tourism are expected to be hit the hardest. Structural constraints compounded by the containment measures and low external demand, will lead to an overall decline in South Africa's growth. A rebound in global economic growth is expected in 2021 as containment measures are eased and economic activity normalises.

The domestic economic growth is set to suffer the brunt of the COVID-19 pandemic, as growth is expected to contract by 5.7 per cent in 2020. The growth contraction is reflective of mitigation measures which have hampered economic activity, and the low external demand which has adversely impacted the mining and manufacturing industries. However, a broad-based recovery is expected in 2021-22, attributed to the lifting of mitigation measures which will see economic activity returning to normalcy. Moreover, the recovery is expected to be boosted by the domestic policy responses to the health pandemic. Within the services sector, public administration and education are anticipated to remain unscathed by the pandemic shock while health services are anticipated to be boosted by the government's fight against the pandemic over the medium term.

The annual inflation rate is estimated to register 4.2 per cent in 2020 before increasing to 4.7 per cent and 5.2 per cent in 2021 and 2022, respectively. The inflation trajectory is expected to follow food price developments, since the food category commands the largest share in the domestic consumer price index (CPI) basket. Risks to the inflation outlook remain balanced, with the downside pressures emanating from low demand, and the upward pressures coming from administered prices and supply disruptions.

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Due to low domestic and external demand inflicted by the health pandemic, both exports and imports are expected to drop in 2020....

The fiscal position is expected to deteriorate over the forecast horizon as expenditures outpace revenues. The overall fiscal deficit is set to widen from 7.2 per cent in 2020 to 9.0 per cent in 2022. The COVID-19 shock is expected to worsen the fiscal position, as the shock calls for massive health-related spending, while tax revenues are set to decline due to low economic activity and consumer demand. SACU revenue is estimated to increase in 2020 before falling in 2021-22 owing to weak economic activity in the Southern African Customs Union (SACU). The projected deficit will be financed through domestic and foreign borrowing, supplemented by a drawdown of government deposits with the central bank.

The current account deficit is expected to worsen from a deficit of 10.1 per cent in 2020 to 12.89 per cent in 2022, reflective of low external demand as well as dwindling incomes and transfers. Due to low domestic and external demand inflicted by the health pandemic, both exports and imports are expected to drop in 2020. Incomes and remittances from Basotho working abroad are expected to be negatively affected as countries embark on containment measures to reduce the spread of the disease. Economic activity is expected to recover over the period 2021-22, which will boost export earnings, incomes and remittances. While financial and capital flows remain uncertain in 2020, these flows are anticipated to rebound in the subsequent years as economic and business sentiment improve. Official reserves are forecast to drop from 4.1 months in 2020 to 2.7 months of imports in 2022.

Money supply is expected to decline in 2020 but rebound in 2021-2022, in line with the projected economic recovery. The fall in 2020 largely reflects a decline in both foreign and domestic assets. It is expected that banks will tighten their credit conditions, which will see a fall in domestic credit, while foreign assets are set to drop in line with the deterioration in the trade deficit. However, a recovery in money supply in 2021-22, in line with the broad-based economic recovery.



Global Economic Outlook¹

Global Growth

The global economy is projected to record a deep and synchronized recession in the short – term, triggered by the pandemic and associated containment measures. June 2020 World Economic Outlook Update, the global economy is expected to contract by 4.9 per cent in 2020, the deepest decline since the great depression of the 1930s and much worse than the recession recorded during the 2008–09 financial crisis. All global economies are expected to register negative growth rates bearing testimony to the widespread adverse impact of COVID-19. Global growth is expected to rebound to 5.4 per cent in 2021, predicated on the assumption that there is a gradual recovery in the second half of 2020. Nonetheless, there is still extreme uncertainty around the global growth forecast owing to the uncertain pathway of the crisis and the effectiveness of the containment measures.

Growth in the advanced economy category is expected to contract significantly. Growth in the advanced countries – the majority of which have been hit the hardest - is projected to contract by a steep 8.0 per cent in 2020. Most economies in the group are forecast to contract this year. The United States is expected to register –8.0 per cent, Japan (–5.8 per cent), the United Kingdom (–10.2 per cent), Germany (–7.8 per cent), France (–12.5 per cent), Italy (–12.8 per cent), and Spain (–12.8 per cent). This category has been the hardest hit and almost all countries have deployed containment measures to suppress the spread of the pandemic and this has negatively impacted the economies in this group. The advanced economy group is expected to rebound to 4.8 per cent in 2021.

Growth in the advanced economy category is expected to contract significantly...

The emerging market economies are expected to contract though by a less margin relative to the advanced economies group. The emerging market and developing economies category is expected to decline by 3.0 per cent. This group faces extreme external demand shock, limited resources to respond to the pandemic, a plunge in commodity prices with adverse impact on commodity exporters. Emerging Asia is projected to contract by 0.8 per cent in 2020. China is forecast to grow at 1.0 per cent, while India is expected to register –4.5 per cent. Other regions are projected to experience severe contractions, including Latin America (–9.4 per cent), Brazil (–9.1 per cent) and Mexico (–10.5 per cent); emerging and developing Europe economy is projected to register (–5.8 per cent). The Middle East and Central Asia is projected to register –4.7 per cent. Growth for the emerging market and developing economy group is forecast to recover to 5.9 per cent in 2021.

Sub-Saharan Africa is expected to contract owing to weak external demand and limited policy support to counteract the impact of the pandemic. Growth in sub-Saharan Africa in 2020 is projected at –3.2 per cent, the

¹ This section benefited from the International Monetary fund (IMF) April 2020 World Economic Outlook (WEO), the IMF sub-Saharan Africa Economic Outlook and the South African Reserve Bank growth projections.

lowest level historically. The less diversified economies within sub-Saharan Africa are expected to be hit the hardest, reflecting the impact of lower commodity prices, lower external demand and containment efforts. Among the non-resource-intensive countries, those whose economies are dependent on tourism are expected to witness a severe contraction because of extensive travel restrictions, while emerging market and frontier economies are expected to face the consequences of large capital outflows and tightening financial conditions. South Africa (SA)'s economy is expected to be amongst the hardest hit countries within sub-Saharan Africa, given the severity of the pandemic and the associated containment measures. The IMF expects SA's GDP to contract by 8.0 per cent in 2020 while the South African Reserve Bank expects GDP to plummet by 7.0 per cent over the same period.

Table 1: The World Economic Outlook (Annual percentage changes in real GDP)

Region	Actuals				Projections	
	2016	2017	2018	2019+	2020*	2021*
World Output	3.3	3.7	3.6	2.9	-4.9	5.4
Advanced Economies	1.7	2.3	2.2	1.7	-8.0	4.8
United States	1.6	2.2	2.9	2.3	-10.8	4.5
Euro Area	1.9	2.4	1.8	1.2	-10.2	6.0
Germany	2.2	2.5	1.5	0.6	-7.8	5.4
Japan	1.0	1.7	0.8	0.7	-5.8	2.4
United Kingdom	2.4	1.3	1.4	1.4	-10.2	6.3
Emerging and Developing Economies	4.4	4.7	4.5	4.4	-3.0	5.9
Russia	-0.2	1.5	2.3	1.6	-5.5	3.5
Emerging and Developing Asia	6.5	6.5	6.5	6.3	-0.8	7.4
China	6.7	6.9	6.6	6.3	1.0	8.2
Sub-Saharan Africa	1.4	2.7	3.0	3.1	-3.2	3.4
South Africa	0.6	1.4	0.2	0.2	-8.0	3.5

Source: IMF World Economic Outlook, June 2020; * Projections, + Estimates



Domestic Economic Outlook

Overview of the Current Forecasts

The Bank's current Economic Outlook has substantially changed since the release of the Bank's Economic Outlook in December 2019. Relative to the December 2019 Economic Outlook, the 2020 growth forecast has been revised down by 7.9 percentage points whilst the growth forecast for 2021 has been revised up by 2.1 percentage points. Lesotho's economy is now projected to contract by 5.7 per cent in 2020. In the medium term, the economy is projected to recover gradually and register an average growth rate of 6.2 per cent in 2021 and 4.0 per cent in 2022. *Table 2* below shows the revisions to the current forecasts relative to the December 2019 forecasts.

The revisions to the current forecasts mainly reflect the Bank's assessment of the impact of COVID-19 shock and adopted containment measures on the economy. The downward revision of the 2020 growth forecast largely reflects a fall in economic activity as a result of containment measures aimed at containing the spread of COVID-19 adopted across the world. In the primary sector, the growth forecast for the mining industry has been revised downwards by 34.5 percentage points in 2020. In the secondary sector, the growth forecasts for textiles and clothing industry and construction industry have been revised downward by 29.3 and 9.9 percentage points, respectively, in 2020. The services sector was also not spared, as disruptions affected service sub-sectors varyingly. The growth forecast for the services sector has been revised downwards by 4.2 percentage points in 2020. Over the period 2021 – 2022, the economy is projected to recover gradually and register an average growth rate of 5.1 per cent. The projected recovery in the medium-term largely reflects a pick-up in economic activity across key sectors, especially the expected rebound in construction activity. With the exception of the construction industry, it will take about two years (2021 and 2022) for most of the hardest hit sub-sectors to recover fully and produce beyond the levels registered prior the pandemic.

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	Actual	Estimate	June 2020 projections			Differences from December 2019 projections		
	2018	2019+	2020*	2021*	2022*	2019*	2020*	2021*
Economic growth	-0.5	-1.2	-5.7	6.2	4.0	-2.5	-7.9	2.1
Primary Sector	-10.1	-2.2	-11.3	13.1	3.1	-2.1	-16.2	10.5
Agriculture	-20.0	-1.0	2.3	2.2	2.7	-3.0	-0.5	-0.7
Mining & Quarrying	15.7	-3.6	-27.6	31.6	3.6	-1.6	-34.5	29.3
Secondary Sector	5.2	-8.5	-16.9	15.4	11.7	-9.8	-17.0	5.8
Manufacturing	9.6	-4.5	-19.6	15.0	1.8	-1.3	-23.3	10.1
Textiles & Clothing	14.0	-6.1	-25.4	19.8	1.7	-1.6	-29.3	14.5
Building & Construction	-4.2	-28.0	-20.9	28.9	41.4	-28.8	-9.9	-0.2
Services Sector	-0.2	0.9	-1.8	2.9	1.7	-0.2	-4.2	0.4
Inflation rate (%)	4.7	5.2	4.2	4.7	5.2	-0.1	-0.8	-0.1

Source: Central Bank of Lesotho. +estimates by the Bureau of Statistics, * CBL projections

Real Sector Outlook

The domestic economy is expected to suffer from the economic fallout of the COVID-19 outbreak in 2020 with lingering effects into the medium term....

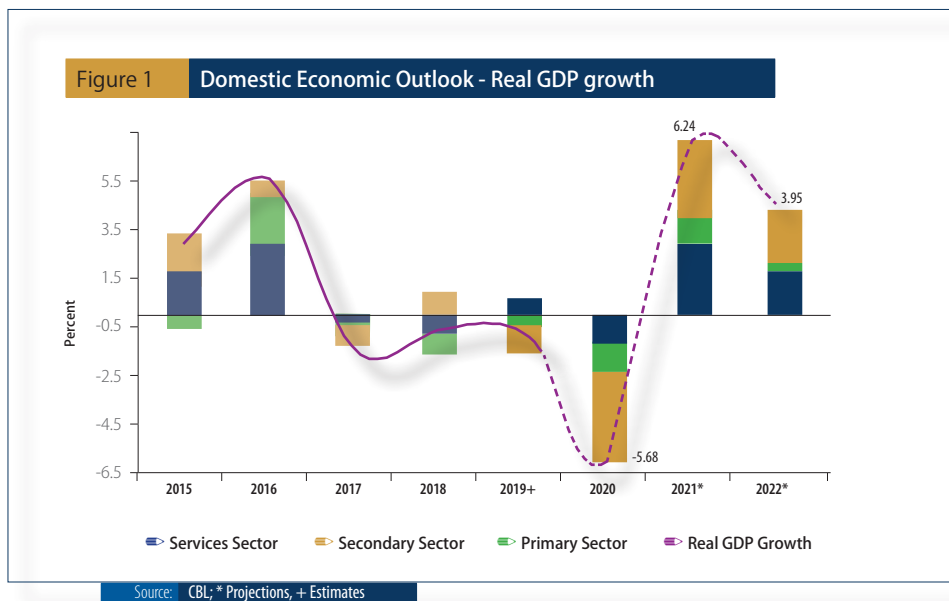
The domestic economy is expected to suffer from the economic fallout of the COVID-19 outbreak in 2020 with lingering effects into the medium term.

The baseline scenario², assumes that the domestic economy is projected to contract by 5.7 per cent in 2020. The growth contraction is expected to be led by a decline in economic activity in the secondary and tertiary sectors and somewhat a decline in the primary sector, especially the mining sub-sector. External demand conditions have also worsened at the backdrop of weak global economic prospects, adding to the woes of the export-oriented industries such as textiles and clothing industry and mining industry. Only few sub-sectors, namely public administration and education services, are anticipated to remain unscathed by the pandemic shock while health services are anticipated to be boosted by government's fight against the pandemic.

In the medium-term, the economy is projected to recover gradually with the level of output (GDP) barely reaching the pre-pandemic level in 2022.

Specifically, the economy is set to grow by 6.2 per cent in 2021 as economic activity returns to normalcy, in part bolstered by a strong rebound in the mining and construction activities as well as policy responses undertaken to bolster business and consumer spending. The economy is expected to continue on the recovery path in 2022 and grow by 4.0 per cent as construction activity associated with the second phase of Lesotho Highlands Water Project (LHWP II) gains momentum and the services sector improves further. Despite the improvement in economic activity, the level of output (GDP) is expected to remain below the pre-pandemic levels.

² The baseline assumes that government containment efforts (national lockdowns and travel restrictions) will last for at least 3 - 6 months followed by a gradual re-opening of the economy as the impact of the pandemic subsides in the second half of 2020.



The primary sector is projected to decline by 11.3 per cent in 2020, largely driven by a 27.6 per cent contraction in mining activity. The mining industry faces an inevitable contraction due to the widespread effects of the COVID-19 shock and the resulting containment efforts throughout the mining value chain. This manifested through production curtailments by mining companies due to national shutdown, travel restrictions, temporary closure of some mining operations and weak global demand which is expected to exert downward pressure on diamond prices. Meanwhile crop production is expected to increase by 1.8 per cent in 2020, somewhat driven by the expected increase in winter cropping as a result of normal to above normal rainfall observed over the period December 2019 to February 2020.

In the medium-term, the primary sector is projected to recover gradually and grow at 13.1 per cent in 2021 and a moderate 3.1 per cent in 2022. This recovery is expected to be led by a 31.6 per cent rebound in the mining activities in 2021 as the industry ramps up production following the shock. The rebound in mining activity will largely benefit from the expected recovery in the global diamond market anticipated in the medium term. Crop production is expected to continue to increase moderately by an average growth rate of 4.5 per cent in 2021-22 mainly supported by favourable weather conditions and government grants to farmers.

The secondary sector is projected to contract by 16.9 per cent in 2020, mainly driven by a sharp decline in textiles and clothing manufacturing and construction activity. The textiles and clothing industry is projected to decline by 25.4 per cent in 2020 due to a mix of supply-side and demand-side shocks consequent upon the COVID-19 pandemic. On the supply-side, the pandemic has disrupted the supply of textiles and clothing inputs from Asian markets while the domestic lockdown is expected to disrupt the production process, especially in the second quarter of 2020. On the demand-side, weak global economic activity (due to higher uncertainty

The mining industry faces an inevitable contraction due to the widespread effects of the COVID-19 shock and the resulting containment efforts throughout the mining value chain.....

and increased precautionary spending), especially in the US and in SA, is expected to have a negative impact on domestic textiles and clothing exports. Overall, these developments are expected to have a severe negative impact on the industry leading to a protracted fall in production and temporary (and even permanent) job losses in some cases.

In the construction sector, the lockdown measures have inflicted delays on the on-going construction projects and postponement of new projects. For large infrastructure projects, non-essential travel restrictions are expected to adversely impact construction through several channels including disruptions to the procurement of construction materials from the rest of the world (e.g., from China and Europe), given the heterogeneous implementation of national lockdowns globally. Thus, the construction sub-sector is projected to contract by 20.9 per cent in 2020. Meanwhile, the water and electricity sub-sector is projected to contract by 4.5 per cent largely driven by negative growths anticipated in the manufacturing sub-sector (in particular textiles and clothing industry), in the mining industry as well as a general decline in economic activity within the economy.

In the medium-term, the secondary sector is projected to recover and grow at an average rate of 13.5 per cent per year over the period 2021-2022. The expected recovery is largely at the back of a substantial rebound of approximately 35.2 per cent in construction activity, especially activity associated with the LHWP II and somewhat government infrastructure development. The textiles and clothing sub-sector is also anticipated to recover gradually and grow at an average rate of 10.7 per cent with the re-opening of the global economy supported by an improvement in business and consumer confidence, especially economic recovery in the US and SA. The water and electricity sub-sector is also set to recover and grow at an average rate of 3.4 per cent alongside the recovery in the manufacturing sub-sector.

The information and telecommunication sub-sector is projected to decline by 3.8 per cent in 2020 due to a general slowdown in economic activity....

The tertiary sector is projected to contract by 1.8 per cent in 2020 due to the repercussions of the pandemic across the economy. Within the sector, wholesale and retail sub-sector is projected to contract by 10.1 per cent in 2020, largely driven by a fall in consumer spending and temporary closure of non-essential businesses. The COVID-19 containment efforts and the resultant fall in general economic activity, tighter financial conditions and the anticipated fall in remittances are expected to reduce consumers' ability to spend and therefore act as a drag on the sub-sector. The information and telecommunication sub-sector is projected to decline by 3.8 per cent in 2020 due to a general slowdown in economic activity. Consumption of telecommunication services by individual customers is expected to drop substantially due to the loss of income by the majority of individual households. Corporate clients are also expected to reduce consumption of telecommunication services as most businesses temporarily suspend their operations while only a few embark on working remotely during the national lockdown period.



In the banking industry, financial services are projected to decline by 8.3 per cent due to a fall in credit supply as banks restrain lending amid heightened credit risk, as well as the low-interest-rate environment in the region. The projected decline in economic activity across major sectors of the economy is also expected to increase credit risk as the most affected borrowers struggle to meet their loan repayment schedules. Insurance services are also set to suffer a major blow emanating from potential failure by most affected clients to honour their monthly insurance premiums, especially those in the informal sector and SMEs. Within the tertiary sector, the hospitality and food service industry is expected to be hit the hardest, contracting by 23.4 per cent in 2020, due to the containment measures such as travel restrictions and lockdown to limit social interaction. On the contrary, human health and social work services are projected to increase by 21.8 per cent, in line with government efforts to aid in the fight against the COVID-19. National budget reallocation towards recurrent health spending is expected to give a boost to the sub-sector. Meanwhile, public administration and education services are projected to continue to grow moderately in 2020.

In the medium-term, the tertiary sector is projected to recover gradually and grow by 2.9 per cent and 1.7 per cent in 2021 and 2022, respectively. The recovery in the sector is expected to be supported by the projected pick-up in general economic activity, especially the spill-overs from the manufacturing and construction activities. This sector is expected to benefit from the re-opening of the rest of the industries and businesses starting from the second half of 2020, which is anticipated to improve business and consumer confidence in the medium-term. Specifically, growth in this sector will be supported by the recovery in wholesale and retail services, financial and insurance services, and telecommunication services. Meanwhile, public administration services and real estate activities are projected to continue to grow moderately in the medium-term. The re-opening of the global economy and withdrawal of travel restrictions and social distancing measures will also give impetus to the hotel and food service industry in the medium term-term.

Financial services are projected to decline by 8.3 per cent due to a fall in credit supply as banks restrain lending amid heightened credit risk....

**Box 1: Unpacking the transmission channel of COVID-19 shock:
from health crisis to economic crisis**

The coronavirus (COVID-19) pandemic, which originated in Wuhan city, Hubei province, China, was initially a global health crisis but soon metamorphosed into a global economic crisis. According to the International Monetary Fund (IMF), the economic fallout of the pandemic is expected to be far greater than that of the global financial crisis of 2008. The global economy is projected to contract by at least -3.0 per cent in 2020; the biggest contraction since the great depression of the 1930s. Unlike previous economic crises, the economic fallout of the COVID-19 pandemic is not driven by a demand shock, but a combined effect of shocks to both supply and demand. This note, highlights some of the key mechanisms through which the global health crisis translates into economic crisis in Lesotho.

From the domestic perspective, much of the economic fallout of the pandemic is expected to emanate from government efforts to contain the potential spread of the virus....

From the domestic perspective, much of the economic fallout of the pandemic is expected to emanate from government efforts to contain the potential spread of the virus. National lockdown and travel restrictions cause substantial disruptions to domestic economic activity, inducing both supply and demand shocks. On the supply side, workplace closures due to imposition of domestic lockdown disrupts production, leading to a fall in the country's ability to produce goods and services. This is further amplified by domestic supply chain disruptions. For firms relying on domestic supply chains, access to input materials (intermediate goods) dries out while in some cases there is a delay in delivery of input materials, adversely impacting production for a majority of firms. Though the country has only recorded two active cases of coronavirus, as of June 19, 2020, it is worth mentioning that the pandemic could trigger economic crisis directly through a reduction in labour supply. At the same time, firms experiencing economic difficulties would be forced to lay off workers temporarily and even permanently, leading to a widespread unemployment. This will result in a significant loss of income for those workers in the affected firms. The knock-on effect of the supply shock is likely to be more pronounced in those industries wherein human interaction is inevitable (e.g., transport, accommodation and food services).

On the demand side, temporary and even permanent loss of income by households tend to cause a decline in consumption spending, creating demand deficiency within the economy. Furthermore, heightened uncertainty surrounding the pathway of the pandemic also reduces both consumer and business confidence. As a result, firms hold back on investment spending while households reduce consumption spending, thereby compounding the economic fallout of the COVID-19 pandemic. These will have knock-on effects on aggregate spending, setting a negative demand shock motion within the economy. In particular, the fall in aggregate spending would exacerbate workplace closures and job losses, amplifying the initial impact of the supply shock on the economy.



**Box 1: Unpacking the transmission channel of COVID-19 shock:
from health crisis to economic crisis (continued)**

The domestic economy will also be affected through the spillovers from the global economic fallout of COVID-19. The domestic economy is expected to suffer from a wide range of negative external shocks. These include shocks to trade, financial inflows, and remittances.

With regard to the trade shock, the COVID-19 outbreak will affect the domestic economy through its impact on global supply chains. COVID-19 containment measures (national lockdowns and travel restrictions) have caused significant disruptions to the production and delivery of goods across countries. On the supply side, for the domestic industries with greater backward integration (e.g., whose exports embody significant share of imported intermediate goods), the pandemic has caused a reduction in supply of critical inputs, and therefore disrupting production process. On the demand side, the global economic fallout of the COVID-19 outbreak has reduced external demand for domestic exports among Lesotho's major trading partners, especially the United States and South Africa (SA). This is likely to be so for domestic export industries with greater forward integration (e.g., domestic industries whose exports are primarily intermediate goods). For these industries, demand does not only depend on the second country (especially manufacturing centres), but also on the third countries (final consumers).

Turning to financial inflows and remittances, tighter global financial conditions consequent upon the COVID-19 effects is expected to reduce foreign direct investment and official financial inflows into the country, with attendant consequences on economic growth and development. At the same time, weak global economic activity especially in SA (one of the hardest hit economy in the region) is anticipated to translate into a decline in remittance flows into the country. The importance of remittances in Lesotho, as a source of source of income, cannot be understated. The fall in remittance flows would negatively impact households spending on goods and services, with a knock-on effect on aggregate demand.

In conclusion, the COVID-19 pandemic will have a devastating impact on the domestic economy. At the household level, it will be far harder for the majority of the populace to sustain livelihoods. A substantial share of households is likely to fall back into poverty. At the firm level, the pandemic will cause a cascade of business failures with attendant consequences on employment and economic growth. Considering the pandemic's broad reach across all the sectors of the economy, the argument for a timely and targeted policy response is clear. Swift and targeted policy measures, aimed at saving lives and mitigating the economic effects of the pandemic on the most-affected households and firms, will go a long way in this regard. Without cohesive economic response and policies, the pandemic is likely to result in a deep and long-lasting economic downturn.

² Countries with high inflections (widespread cases of Covid-19) are likely to experience a reduction in labour supply due to widespread sickness and deaths.

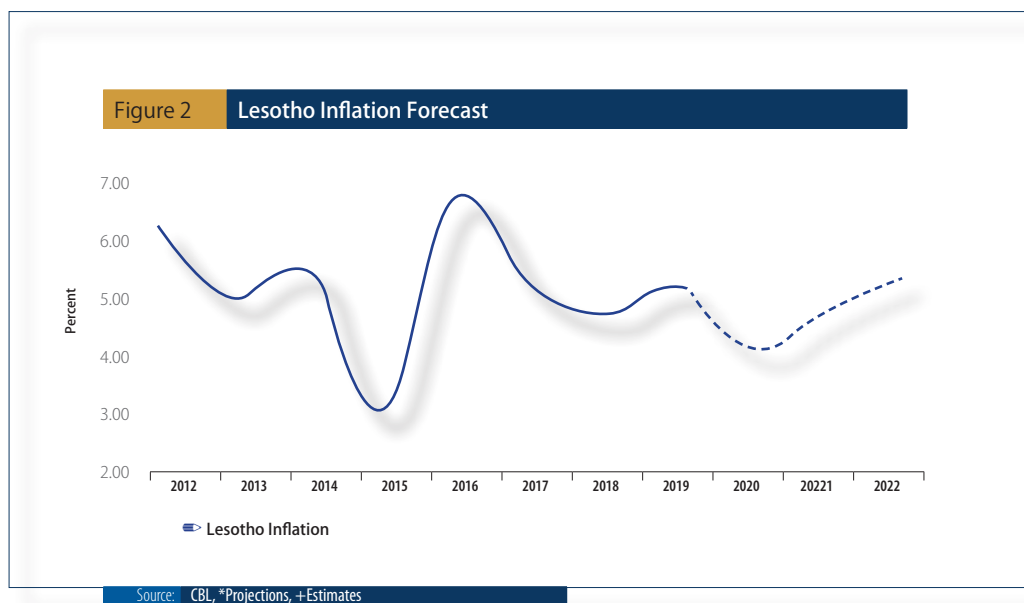
² Much of the spillovers from the global economic fallout largely originate from South Africa, the country hit hardest by the pandemic, given economic linkages/ties between Lesotho and South Africa.

Inflation Outlook

The inflation rate is projected to decline from 5.2 per cent in 2019 to 4.2 per cent in 2020t....

Inflationary pressures are expected to ease in 2020 owing largely to weak consumer demand. The inflation rate is projected to decline from 5.2 per cent in 2019 to 4.2 per cent in 2020. The slowdown in the inflation rate largely reflects subdued demand due to the economic fallout of the COVID-19 outbreak. In addition, lower fuel prices on the back of a collapse in global oil prices are expected to ease inflationary pressures. However, the impact of the depreciation of the rand (hence the loti) against the US dollar, is expected to fuel prices of imported goods and therefore offsetting the ease in inflationary pressures in 2020.

In the medium term, inflation pressures are expected to gradually build up. The inflation rate is projected to increase to 4.7 per cent and 5.2 per cent in 2021 and 2022, respectively. Domestic food prices³ are expected to tick up slightly in the medium term, benefiting largely from lower food price inflation anticipated in SA. In addition, the global oil prices are expected to recover in line with the anticipated economic recovery. As a result, the overall effect is an increase in the domestic inflation rate over the medium term.



The risks to the inflation outlook are somewhat balanced. Near-term upside risks to inflation are expected to emanate from administered prices, especially an increase in utility prices. The supply chain disruptions and the associated shortages of consumption goods could also add inflation pressures. On the downside, demand pressures on inflation could subside further if output growth in the CMA contracts further given heightened uncertainty surrounding the fade of the COVID-19 shock.

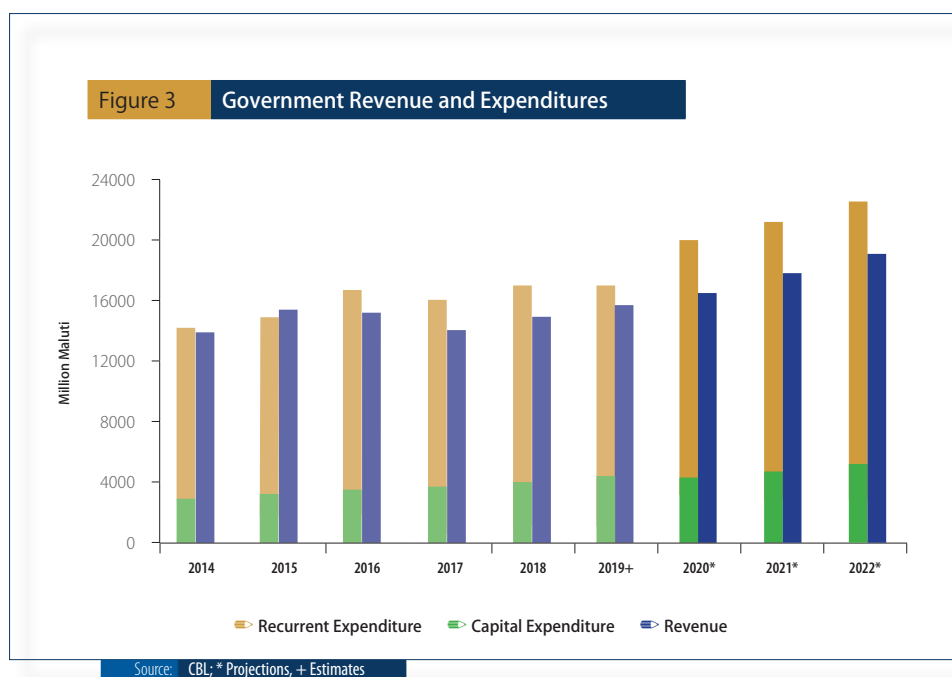
³ The inflation path is largely shaped by food prices owing to the larger share of food prices in the domestic consumer price index (CPI) basket.



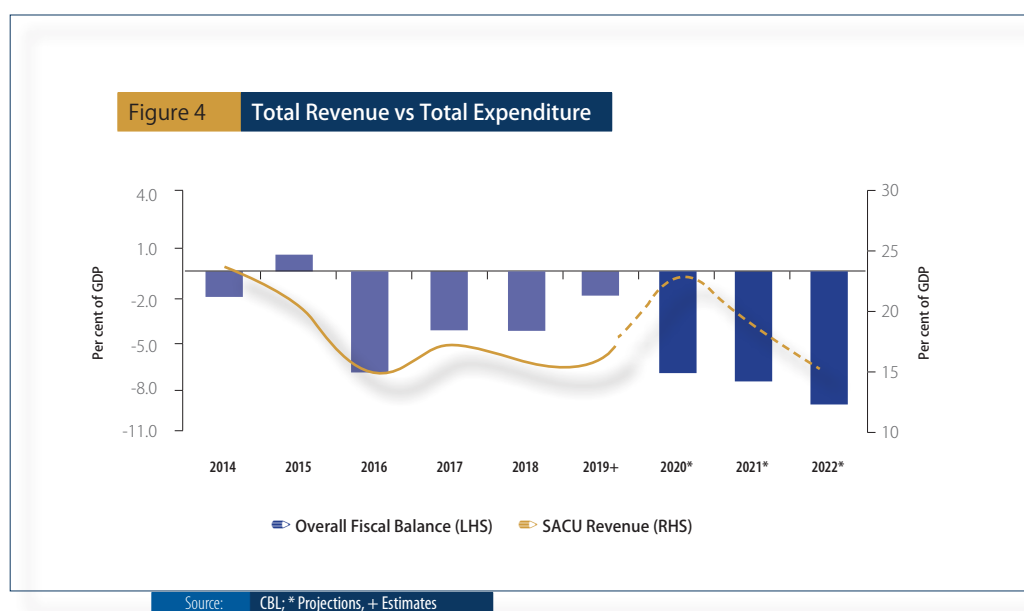
Government Budgetary Operations Outlook

The fiscal position is expected to deteriorate in the medium term. Following an estimated fiscal deficit of 1.3 per cent of GDP in 2019, the overall fiscal deficit is set to widen to 7.2 per cent of GDP in 2020. The deterioration in the fiscal position is largely driven by a substantial increase in government expenditures, especially recurrent expenditures. In particular, government recurrent spending is expected to increase by an average of 25.0 per cent in 2020 largely driven by an increase in the wage bill and government spending on health care to fight the spread of COVID-19. This increase in government spending is against a backdrop of a moderate increase in government revenues. Weak economic activity, consequent upon the negative impact of the COVID-19 shock, is expected to result in a decline in both tax and non-tax revenues. With regard to the tax revenue, both corporate tax and tax on goods and services are expected to dip in 2020 due to a fall in productivity and consumer demand within the economy. Non-tax revenues are also expected to decline, largely driven by a decline in the profitability of most state-owned entities. However, SACU - which still takes a lions' share of government revenue - is set to increase substantially by 37.0 per cent in 2020 and more than offset the impact of a decline in tax and non-tax revenue on overall fiscal revenue.

This increase in government spending is against a backdrop of a moderate increase in government revenues....



Over the period 2021 – 2022, the fiscal position is expected to deteriorate further and register an average deficit of 8.7 per cent of GDP. While government expenditures are set to remain elevated in the medium term, largely driven by recurrent spending, government revenues are expected to increase moderately and therefore resulting in a wider fiscal gap. In particular, government revenues are expected to increase by an average of 3.3 per cent per year over the period 2021 – 2022. On the one hand, both tax and non-tax revenues are expected to recover in the medium term and increase by an average of 17.2 per cent per year, as the domestic economy recovers gradually from the fallout of the COVID-19 shock. On the other hand, SACU revenue is expected to drop by an average of 12.8 per cent per year over the period 2021 – 2022 owing to weak economic activity within the SACU region, especially in SA, partially offsetting the increase in tax and non-tax revenues.



The projected fiscal deficits will be financed through a mix of a drawdown in government savings within the banking sector, domestic and foreign borrowings. Over the period 2021 – 2022 much of fiscal financing gap is expected to be met through foreign borrowing unless the government undertakes substantial fiscal adjustments to curb the widening fiscal deficit and the associated accumulation of foreign debt, which may threaten debt sustainability. This is in light of limited domestic financing options, especially domestic borrowing due to the under-developed nature of the domestic financial markets.

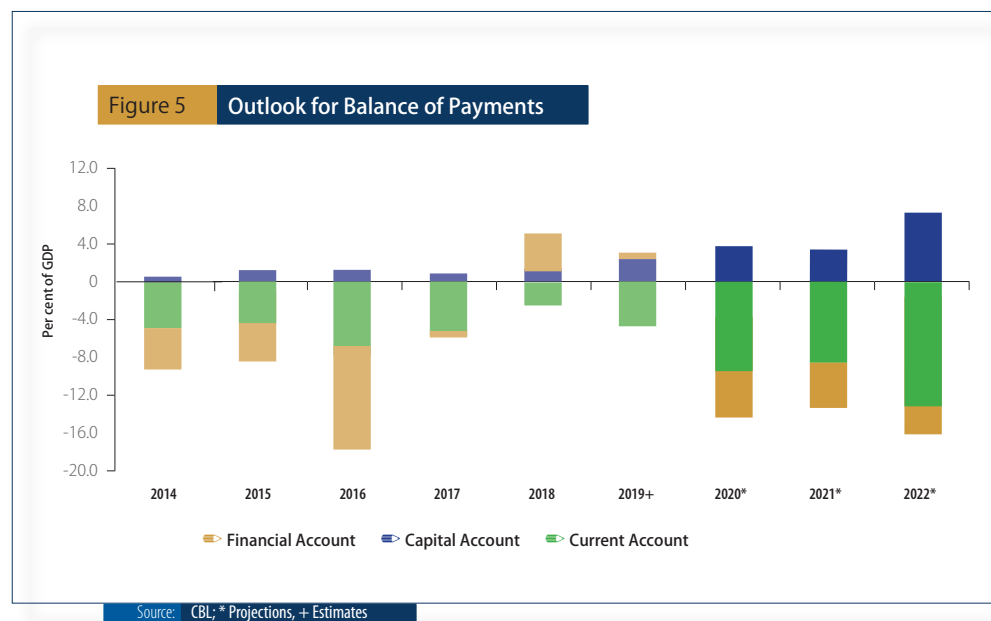


External Sector Outlook

COVID-19 has had a severe negative impact on the global economy, and adversely impacting external positions of many economies, including Lesotho. With the imposition of lockdowns and travel bans between countries, there has been a significant slowdown in economic activity globally which has negatively affected households, businesses and financial institutions. The global economy has seen trade supply value chains disruptions, a collapse in commodity prices as well as tight financing conditions. The transmission mechanisms of this pandemic to Lesotho's external position are diverse, ranging from disrupted trade, transfers and income flows to uncertain financial flows. Lesotho's external position is expected to deteriorate in the medium term. The current account deficit is set to record 10.1 per cent of GDP in 2020 and widen to 12.9 per cent of GDP in 2022. This will primarily reflect movements in the trade account. The income accounts will continue to register surpluses and moderate the deficit in the trade account. In the financial account, official reserves are projected to drop from 4.1 months in 2020 to 2.7 months of imports in 2022.

Export earnings are set to decline in 2020 but recover in the outer years as the global economy gradually normalises. Textiles exports are projected to decline by 21.2 per cent in 2020 partly due to low orders and weak external demand inflicted by the pandemic. The decline in textile exports is also explained by low production caused by lockdown measures that were intended to reduce contagion of the disease. However, manufacturing production is expected to resume in the second half of the year. Diamond exports are expected to decline by 26.6 per cent in 2020 attributed to low external demand, low price environment and temporary closure of Lihobong mine. The mine will be closed for at least a year or until favourable market conditions have returned. The rough diamond industry was further hit by the containment measures of the pandemic which include, travel bans and lockdowns. Cancellation of some trading shows and low domestic production as a result of cessation of some mining operations temporarily, signals a very weak outlook for the remainder of the year. For the period 2021-2022, a rebound in export earnings is expected with an average growth of 15.9 per cent, on the assumption that there is recovery in global demand and commodity prices.

Textiles exports are projected to decline by 21.2 per cent in 2020 partly due to low orders and weak external demand inflicted by the pandemic....



Imports are forecast to decline in 2020 due to subdued domestic demand and lockdown measures that limit trade mainly to essential goods and services only. Merchandise imports are forecast to fall by 1.5 per cent underpinned by low domestic demand induced by the containment measures. However, the overall decline in imports is set to be moderated by higher demand for imports related to policy response to the pandemic. A rebound in economic activity will see a rise in imports largely associated with consumption, investment and health care. Imports associated with LHWP II are set to be the main driver of the increase in imports in 2022. The services account is projected to remain in deficit for the projection period. Due to lockdown measures and travel bans, the imports on travel and transportation are likely to be lower in 2020 and return to pre-COVID levels in 2021-22. The main assumption for 2021-22 is that the policy and containment actions taken would create a conducive condition for economic recovery and continuous improvement in the health system.

SACU receipts are forecasted to decline from 2021-22 in line with the subdued economic growth is expected in SA....

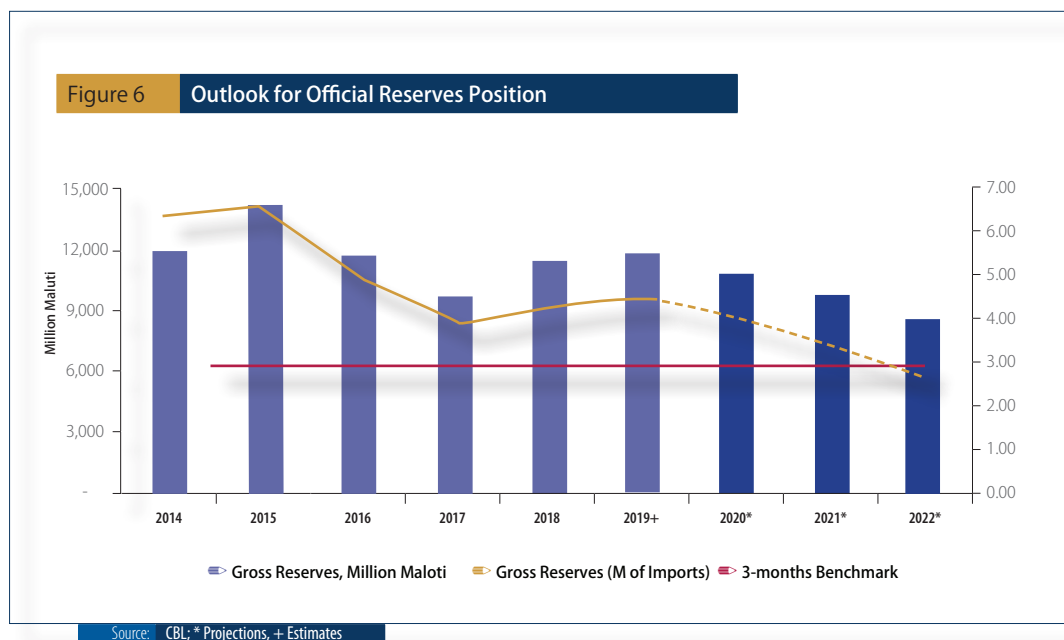
Medium term projections suggest a decline in income inflows while current transfers are set to increase due to higher SACU receipts in 2020. Incomes and remittances are expected to decline as economic activity in many countries takes a hit, in particular the SA economy. Remittance inflows reduction is likely to be triggered by lockdowns and job losses in some cases, especially for Basotho working in the mining and informal sectors. The projected gradual economic recovery in SA will have positive spillovers on the inflows of income and remittances in 2021 and 2022. SACU receipts are forecasted to decline from 2021-22 in line with the subdued economic growth is expected in SA. SACU receipts are likely to drop from 24.0 per cent in 2020 to 18.8 per cent and 14.7 per cent of GDP in 2021 and 2022, respectively.



Inflows associated with capital projects, mainly the LHWP II and government infrastructure projects, are set to increase in the medium term. Delays in the execution of the LHWP II are anticipated, which could see the economy receiving those transfers later than was envisaged. It is assumed that construction of advance infrastructure will be completed by June 2021, while the major construction works of the dam and tunnel will commence in the second half of 2021. Foreign support for government developmental projects is expected to increase modestly in the medium-term.

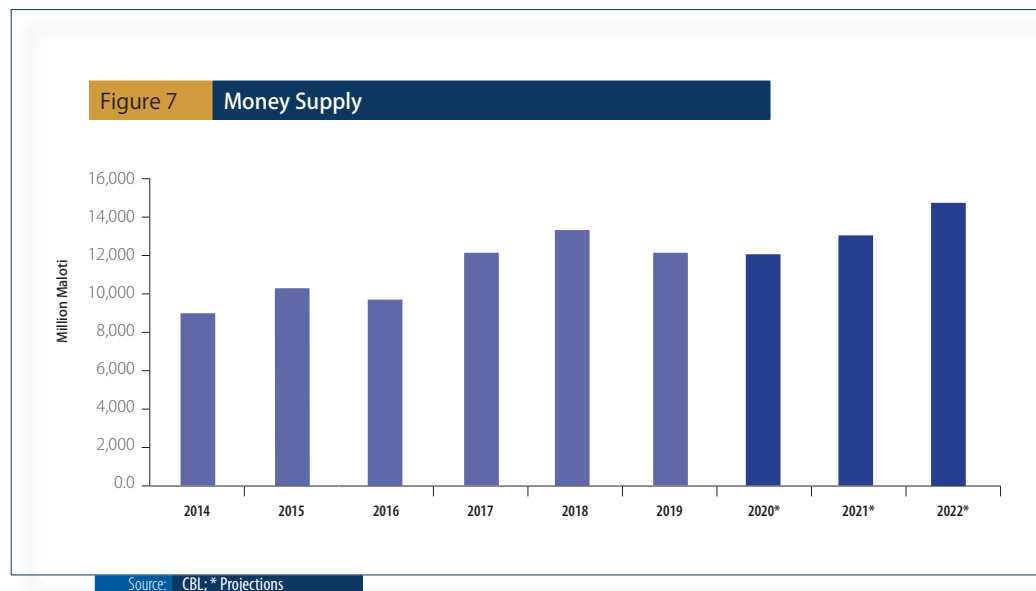
Financial flows related to direct investment remain uncertain and are likely to decline as this pandemic unfolds. There is heightened uncertainty regarding expansion works that were expected within the mining, construction, fishing and medical cannabis industries, as the pandemic continues to evolve. In-bound foreign investment flows are forecast to drop in 2020 and rebound in the outer years, assuming a rebound in investor sentiment. Commercial banks foreign assets abroad are projected to increase, as banks adjust their portfolios in favour of safe and liquid assets in SA during 2020. In the outer years, commercial banks foreign assets abroad are set to rise further, taking into account the expected economic turnaround. Foreign debt levels are set to climb over the medium term, amid tight international financing conditions. A drawdown on foreign reserves is expected during the forecast horizon, to finance the current account deficit. Official reserves, measured in months of imports, will decline from 4.1 months in 2020 to 2.7 months in 2022, below the 3-months threshold.

A drawdown on foreign reserves is expected during the forecast horizon, to finance the current account deficit....



Monetary Sector Outlook

Money supply is projected to decline by 1.0 per cent in 2020, largely reflecting a fall in both domestic credit and foreign reserves. On the one hand, credit extension to the private sector is expected to decline in line with the deteriorating economic activity anticipated in 2020. The fall in economic activity is expected to increase credit risk as most of the borrowers affected by the economic fallout of the pandemic struggle to meet their loan repayment schedules. This will result in banks tightening lending conditions and exercising more caution in their lending activities. On the other hand, the fall in foreign reserves mainly reflects a drawdown in Central Bank's foreign assets to finance the balance of payments (external) deficit anticipated in 2020.



Over the period 2021 – 2022, money supply is expected to increase at an average growth rate of 11.1 per cent as private sector credit recovers. The recovery in private sector credit extension in 2021 and 2022 will benefit from a broad-based economic recovery, especially growth pick-up in the mining, manufacturing, construction and the services sectors. With regard to components of money supply, both narrow money and other deposits are expected to increase in the medium-term.



Risks to Domestic Growth Outlook

The risks to the outlook are tilted to the downside reflective of the uncertain path of the pandemic and limited domestic policy support. The open-ended nature of the crisis presents a huge risk to the outlook. Depending on the pathway of the pandemic, a steeper economic contraction in 2020 and a tepid recovery in 2021 is highly likely. The growth trajectory and recovery in the domestic export sector largely depend on the external demand pick-up alongside the re-opening of the global economy; all of which remain fragile given the uncertainty associated with the fading of the COVID-19 shock. In the construction sector, there is a likelihood that a substantial number of government construction projects will be suspended for the fiscal year 2020/21, as government reallocates funds towards pressing health care system. The implementation of the LHWP II is likely to be disrupted by, amongst others, an increase in the costs of imports of major construction materials as well as technical expertise due to weak rand-dollar exchange rate. This may result in a further delay in the construction of the LHWP II dam, prolonging the recovery in the construction sector.

Lesotho remains highly susceptible to economic spillovers from the South African economy, the hardest hit economy by the COVID-19 shock within the sub-Saharan Africa for which the growth trajectory remains highly uncertain. There is still substantial uncertainty on how long it will take for the COVID-19 shock to fade and the SA economy to return to normalcy. Lesotho's growth trajectory and recovery are highly dependent on the path of the pandemic in South Africa given strong economic ties between the two economies. To the extent that it takes longer than anticipated for the pandemic to fade in SA and containment measures remain in place for the extended period, the domestic economy is likely to contract further in 2020 with a further delay in recovery going forward.

In terms of the policy response, there is a limited fiscal space for the government to adequately respond to the crisis owing to already elevated expenditures. Although the debt-to-GDP ratio (debt sustainability analysis) suggests some scope for borrowing, the volatile and weak loti-dollar exchange rate constrains foreign borrowing.

The risks to the outlook are tilted to the downside reflective of the uncertain path of the pandemic and limited domestic policy support....

Conclusion

The domestic economy is projected to contract by 5.7 per cent in 2020 largely due to the impact of COVID-19 shock...

The economic fallout of the COVID-19 pandemic is expected to have significant repercussions across all the sectors of the economy. In the real sector, COVID-19 containment measures are expected to result in a significant reduction in economic activity, reducing both business and consumer sentiments with dire consequences for employment and income (substantial loss of jobs and income). The domestic economy is projected to contract by 5.7 per cent in 2020 largely due to the impact of COVID-19 shock, and gradually recover and grow at an average rate of 5.1 per cent over the period 2021 – 2022. In the public sector, weak economic activity is expected to exert downward pressures on revenue collection while government measures aimed at mitigating the impact of the pandemic will exert upward pressure on government expenditures, creating urgent fiscal financing needs. In the external sector, weak global economic activity and plummeting commodity prices are expected to have dire consequences for domestic export industries and result in a fall in export receipts and remittances. Meanwhile, tighter global financial conditions are expected to have a severe impact on foreign financial assistance as well as foreign direct investment. Consequently, the external sector is expected to deteriorate, with a negative impact on international reserves and thus creating external financing needs.



Appendix I: Selected Macroeconomic Indicators						
	Projections					
	2017	2018	2019+	2020*	2021*	2022*
Output - Constant prices						
Gross Domestic Product (% p.a.)	2017	2018	2019+	2020*	2021*	2022*
Per capita GDP (% p.a.)	-0.49	-1.35	0.73	1.23	2.21	4.13
Gross National Income (% p.a.)	7.68	-0.61	1.00	1.59	1.94	3.62
Per capita GNI (% p.a.)	3.46	-1.08	0.53	1.11	1.94	3.62
Output - Current prices						
Nominal GDP (% p.a.)	2017	2018	2019+	2020*	2021*	2022*
Nominal GNI (% p.a.)	14.02	2.24	1.88	4.60	6.76	7.81
Nominal GDP (M Million)	33903.96	34359.31	34851.58	36445.56	39054.84	42331.89
Nominal GNI (M Million)	40434.20	41339.92	42117.15	44054.49	47032.62	50706.08
Sectoral Growth rates (% p.a.)						
Primary Sector	-0.86	-10.06	-4.40	-11.28	13.14	3.09
Crops	-5.78	-24.99	-8.13	1.81	3.09	5.81
Mining and Quarrying	14.76	15.73	-5.38	-27.61	31.63	3.61
Secondary Sector	-3.86	5.19	-5.46	-16.92	15.38	11.68
Manufacturing	-5.78	9.61	-3.06	-19.64	14.96	1.76
Construction	-3.43	-4.20	-3.75	-20.94	28.86	41.43
Tertiary Sector	-0.86	-0.17	1.21	-1.76	2.91	1.66
Wholesale and retail trade, repairs	-3.48	-10.06	-0.93	-10.08	2.21	2.18
Financial and insurance activities	-2.88	4.47	0.75	-8.30	4.02	3.56
Real estate activities	2.01	-0.66	-0.27	-1.39	0.64	0.60
Public Admin, Education & Health	1.61	5.01	4.47	5.92	2.95	1.15
Savings and Investment - Per cent of GNI						
National Savings	17.99	20.77	18.08	15.57	17.09	15.62
Of which Government Savings	3.76	3.08	7.21	2.91	1.69	1.07
Of which Private Sector Savings	14.24	17.69	10.86	12.67	15.39	14.55
Investment	23.25	22.77	23.50	24.40	24.84	26.55
Of which Government Investment	9.76	8.73	5.18	4.62	4.36	4.28
Of which Private Sector Investment	13.49	14.04	18.32	19.77	20.48	22.27
Resource Balance	-5.26	-2.00	-5.42	-8.82	-7.75	-10.93

+ Estimate, * Projection



Appendix I: Selected Macroeconomic Indicators (continued)						
	Projections					
	2017	2018	2019+	2020*	2021*	2022*
Savings and Investment - Per cent of GDP						
National Savings	20.36	23.60	19.97	17.88	19.99	18.41
Of which Government Savings	4.25	3.50	7.97	3.34	1.98	1.26
Of which Private Sector Savings	16.11	20.11	12.00	14.54	18.01	17.15
Investment	26.32	25.88	25.95	28.01	29.06	31.29
Of which Government Investment	11.05	9.92	5.72	5.31	5.10	5.05
Of which Private Sector Investment	15.27	15.95	20.23	22.70	23.96	26.24
Resource Balance	-5.95	-2.27	-5.99	-10.13	-9.07	-12.88
Inflation rate % (CPI)	5.23	4.71	5.20	4.16	4.71	5.24
External Sector - Per cent of GDP						
Current Account	5.23	4.71	5.20	4.16	4.71	5.24
Imports of Goods	69.90	70.87	72.95	72.43	71.36	69.50
Exports of Goods	38.15	39.88	46.15	41.02	41.18	39.52
Capital Flows (+ means an inflow)	2.11	1.53	1.41	4.71	2.88	3.57
Financial Account	8.55	-0.15	-8.23	-0.37	-1.27	-1.26
Official Reserves (Months of Imports)	4.84	3.88	4.22	4.18	3.94	3.70
Government Finance - Per cent of GDP						
Revenue (excluding grants)	43.57	43.75	45.47	49.01	44.87	42.43
Tax Revenue	20.90	21.67	23.12	20.24	21.25	22.41
Recurrent Expenditure	-38.43	-38.86	-36.72	-46.27	-43.40	-41.66
Of which compensation of employees	-16.66	-17.14	-16.87	-20.24	-20.10	-19.91
Transaction in non-financial assets	-11.38	-11.74	-13.65	-12.67	-12.17	-12.05
Budget Balance (+ means a surplus)	-4.36	-4.19	-1.34	-7.17	-8.45	-8.95
Monetary Aggregates - Nominal growth						
Money supply (M2)	25.53	10.69	-8.99	-1.02	12.32	9.86
Private Sector Credit	8.53	10.77	8.15	-7.49	12.86	10.29
+ Estimate, * Projection						



Appendix II: Real GDP Growth Rates

	2017	2018	2019+	2020*	2021*	2022*
Primary Sector	-0.86	-10.06	-4.40	-11.28	13.14	3.09
Agriculture, forestry and fishing	-8.86	-20.02	-3.57	2.34	2.23	2.70
Growing of crops; market gardening; horticulture	-5.78	-24.99	-8.13	1.81	3.09	5.81
Farming of animals (incl. fishing)	-11.14	-19.95	-1.82	2.70	1.98	1.56
Agricultural and animal husbandry service activities	-3.47	-0.19	-3.81	0.29	0.29	0.29
Forestry	41.98	36.02	6.69	3.00	4.00	3.50
Fishing and aquaculture	14.76	15.73	-5.38	-27.61	31.63	3.61
Mining and quarrying	0.01	39.31	15.73	-3.78	6.89	2.34
Secondary sector	-3.86	5.19	-5.46	-16.92	15.38	11.68
Manufacturing	-5.78	9.61	-3.06	-19.64	14.96	1.76
Food products and beverages	25.32	-1.03	2.81	0.11	2.68	2.68
Textiles, clothing, footwear and leather	-7.10	14.03	-4.36	-25.44	19.76	1.66
Other manufacturing	-20.04	-8.70	0.86	3.00	1.62	1.40
Electricity and water	0.68	4.92	-13.38	-4.50	3.59	3.23
Electricity supply	6.90	1.80	-16.06	-3.34	1.86	1.47
Water and sewerage; waste collection	-2.29	6.55	-12.04	-5.05	4.43	4.06
Construction	-3.43	-4.20	-3.75	-20.94	28.86	41.43
Tertiary sector	-0.86	-0.17	1.21	-1.76	2.91	1.66
Wholesale and retail trade; repair of motorvehicles	-3.48	-10.06	-0.93	-10.08	2.21	2.18
Transportation and storage	-3.43	-6.95	0.66	-7.56	10.89	2.24
Accommodation and food service activities	5.33	-9.47	-1.19	-23.42	3.43	2.54
Information and communication	-4.49	1.18	-6.91	-3.77	2.00	1.30
Financial and insurance activities	-2.88	4.47	0.75	-8.30	4.02	3.56
Financial service activities, except insurance	-2.77	3.24	0.47	-9.48	4.09	3.58
Insurance and pension funding	-5.16	13.44	2.80	-1.60	4.46	4.22
Activities auxiliary to financial services	-0.04	10.55	1.64	-0.66	1.82	1.73
Real estate activities	2.01	-0.66	-0.27	-1.39	0.64	0.60
Professional, scientific and technical activities	-1.32	-1.87	2.12	0.86	2.63	2.52
Administrative and support service activities	-4.07	-8.18	-1.61	-9.01	1.88	0.90
Public administration and defense; compulsory social security	1.60	5.17	4.90	4.86	3.65	1.13
Education	2.50	2.20	0.94	1.47	1.61	2.30
Human health and social work activities	1.52	3.93	0.09	21.75	-4.84	1.15
Other service activities	-0.17	2.43	3.70	1.45	1.67	1.84
GDP at factor cost (Unadjusted)	-1.55	0.02	-0.88	-6.01	6.24	3.95
Financial services indirectly measured	0.00	0.00	0.00	0.00	0.00	0.00
GDP at factor cost	-1.55	0.02	-0.88	-6.01	6.24	3.95
of which: Government activities	1.08	3.39	-3.73	-10.09	6.24	3.95
Taxes on products	0.62	-4.38	-0.18	-2.80	6.24	3.95
GDP at market prices	-1.32	-0.45	-0.81	-5.68	6.24	3.95
+ Estimate, * Projection						



Appendix III: GDP by sector 2012 prices (In Million Maloti)						
	2017	2018	2019+	2020*	2021*	2022*
Primary Sector	2161.33	1943.94	1858.34	1648.73	1865.40	1923.07
Agriculture, forestry and fishing	1313.93	1050.88	1013.33	1037.02	1060.19	1088.81
Growing of crops; market gardening; horticulture	401.89	301.44	276.93	281.96	290.67	307.55
Farming of animals (incl fishing)	841.19	673.35	661.09	678.96	692.38	703.15
Forestry	56.03	55.92	53.79	53.94	54.10	54.25
Fishing and aquaculture	14.83	20.17	21.52	22.16	23.05	23.85
Mining and quarrying	847.40	893.05	845.02	611.71	805.21	834.26
Secondary sector	4729.71	4975.38	4703.73	3907.88	4508.80	5035.33
Manufacturing	2536.30	2780.08	2694.87	2165.67	2489.74	2533.66
Food products and beverages	315.11	311.87	320.65	321.00	329.60	338.43
Textiles, clothing, footwear and leather	1936.66	2208.43	2112.21	1574.81	1885.91	1917.17
Other manufacturing	284.53	259.78	262.01	269.87	274.23	278.06
Electricity and water	1030.31	1081.01	936.40	894.27	926.40	956.29
Electricity supply	353.27	359.62	301.86	291.79	297.23	301.59
Water and sewerage; waste collection	677.04	721.39	634.54	602.48	629.18	654.69
Construction	1163.10	1114.30	1072.46	847.94	1092.66	1545.38
Tertiary sector	14216.87	14193.30	14365.14	14112.86	14522.98	14764.68
Wholesale and retail trade; repair of motorvehicles	2673.27	2404.29	2381.98	2141.76	2189.17	2236.98
Transportation and storage	535.26	498.07	501.35	463.44	513.93	525.47
Accommodation and food service activities	307.93	278.77	275.46	210.96	218.20	223.73
Information and communication	1088.35	1101.20	1025.09	986.43	1006.16	1019.24
Financial and insurance activities	1855.97	1938.90	1953.53	1791.40	1863.47	1929.80
Financial sector activities (except insurance)	1610.83	1663.04	1670.93	1512.51	1574.41	1630.71
Insurance and pension funding	168.12	190.72	196.05	192.91	201.52	210.03
Activities auxiliary to financial services	77.02	85.14	86.54	85.97	87.54	89.05
Real estate activities	1275.87	1267.49	1264.00	1246.37	1254.34	1261.92
Professional, scientific and technical activities	220.00	215.89	220.47	222.37	228.22	233.97
Administrative and support service activities	600.06	550.99	542.12	493.25	502.53	507.04
Public administration and defense; compulsory social security	4905.76	5159.52	5412.15	5675.35	5882.43	5948.67
Education	127.38	130.18	131.41	133.34	135.49	138.60
Human health and social work activities	384.02	399.10	399.45	486.33	462.81	468.13
Other service activities	243.00	248.91	258.12	261.85	266.23	271.13
GDP at factor cost (Unadjusted)	21107.91	21112.62	20927.21	19669.47	20897.18	21723.08
Financial services indirectly measured	0.00	0.00	0.00	0.00	0.00	0.00
GDP at factor cost	21107.91	21112.62	20927.21	19669.47	20897.18	21723.08
of which: Government activities	6727.84	6956.14	6696.71	6020.87	6396.68	6649.49
Taxes on products, net of subsidies	2553.43	2441.61	2437.24	2369.04	2516.91	2616.38
GDP at market prices	23661.34	23554.23	23364.45	22038.51	23414.09	24339.46
* Projections						



Appendix IV: GDP at Current Prices (In Million Maloti)						
	2017	2018	2019+	Projections		
				2020*	2021*	2022*
Primary Sector	3103.44	3643.37	3090.07	2759.08	3485.34	3975.47
Agriculture, forestry and fishing	1730.15	1493.00	1480.48	1578.09	1689.41	1825.87
Growing of Crops	445.64	372.15	404.60	429.07	463.18	515.75
Farming of Animals	1197.35	1026.06	965.86	1033.20	1103.30	1179.14
Forestry	67.99	66.83	78.59	82.09	86.21	90.98
Fishing and aquaculture	19.18	27.96	31.43	33.72	36.73	40.00
Mining and Quarrying	1373.29	2150.37	1609.59	1180.99	1795.93	2149.60
Primary Sector	3103.44	3643.37	3090.07	2759.08	3485.34	3975.47
Agriculture, forestry and fishing	1730.15	1493.00	1480.48	1578.09	1689.41	1825.87
Growing of Crops	445.64	372.15	404.60	429.07	463.18	515.75
Farming of Animals	1197.35	1026.06	965.86	1033.20	1103.30	1179.14
Forestry	67.99	66.83	78.59	82.09	86.21	90.98
Fishing and aquaculture	19.18	27.96	31.43	33.72	36.73	40.00
Mining and Quarrying	1373.29	2150.37	1609.59	1180.99	1795.93	2149.60
Water	1244.33	1254.40	1257.41	1347.47	1436.29	1566.21
Building and Construction	1466.71	1432.49	1147.79	1521.79	1421.31	1924.10
Tertiary sector	17579.17	17950.65	18753.15	19876.87	21723.35	23487.54
Wholesale and retail trade, repairs	3566.05	3336.37	3500.22	3278.08	3508.61	3772.98
Transport and storage	629.84	646.27	706.08	679.82	789.43	849.41
Accommodation and food service activities	341.47	318.25	316.50	252.46	273.44	295.06
Information and communication	1001.90	991.33	901.41	903.48	964.99	1028.73
Financial and insurance activities	2681.01	2834.03	2823.61	2718.42	2961.45	3228.74
Financial sector activities (except insurance)	2133.40	2227.64	2156.07	2032.80	2215.75	2415.16
Insurance and pension funding	422.79	462.84	518.23	531.12	580.97	637.22
Activities auxiliary to financial services	124.82	143.55	149.31	154.50	164.73	176.35
Real estate activities	1293.87	1272.71	1269.05	1303.38	1373.55	1454.21
Professional and support service activities	248.41	248.44	273.62	287.45	308.91	333.28
Administrative and support service activities	679.10	637.19	638.27	604.88	645.30	685.19
Public administration and defense; compulsory social security	6273.13	6760.29	7391.38	8778.78	9792.91	10658.31
Education	219.67	232.04	237.90	251.43	267.54	288.01
Human health and social work activities	378.04	397.43	398.19	504.95	503.19	535.62
Other service activities	266.69	276.29	296.93	313.75	334.04	358.00
GDP at factor cost (Unadjusted)	28450.75	30157.61	30213.71	29813.64	33529.90	36858.57
Financial services indirectly measured	0.00	0.00	0.00	0.00	0.00	0.00
GDP at factor cost	28450.75	30157.61	30213.71	29813.64	33529.90	36858.57
of which: Government activities	8216.31	8374.30	8481.19	7942.29	8835.84	9666.05
Taxes on products, net of subsidies	3596.85	3931.49	4128.52	4179.83	4650.08	5087.00
GDP at market prices	32047.59	34089.10	34342.23	33993.47	38179.98	41945.57
* Projections						



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