Eswatini National Industrial Development Corporation

Investment Prospects Import-Export Analysis 2024

Presented by the Research Unit

www.enidc.org.sz

LIVE

Presentation Outline

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Background

Definitions

- Imports; the inward movement of commodities and services into a country
- Exports; The outward movement of Goods and Services of a country.

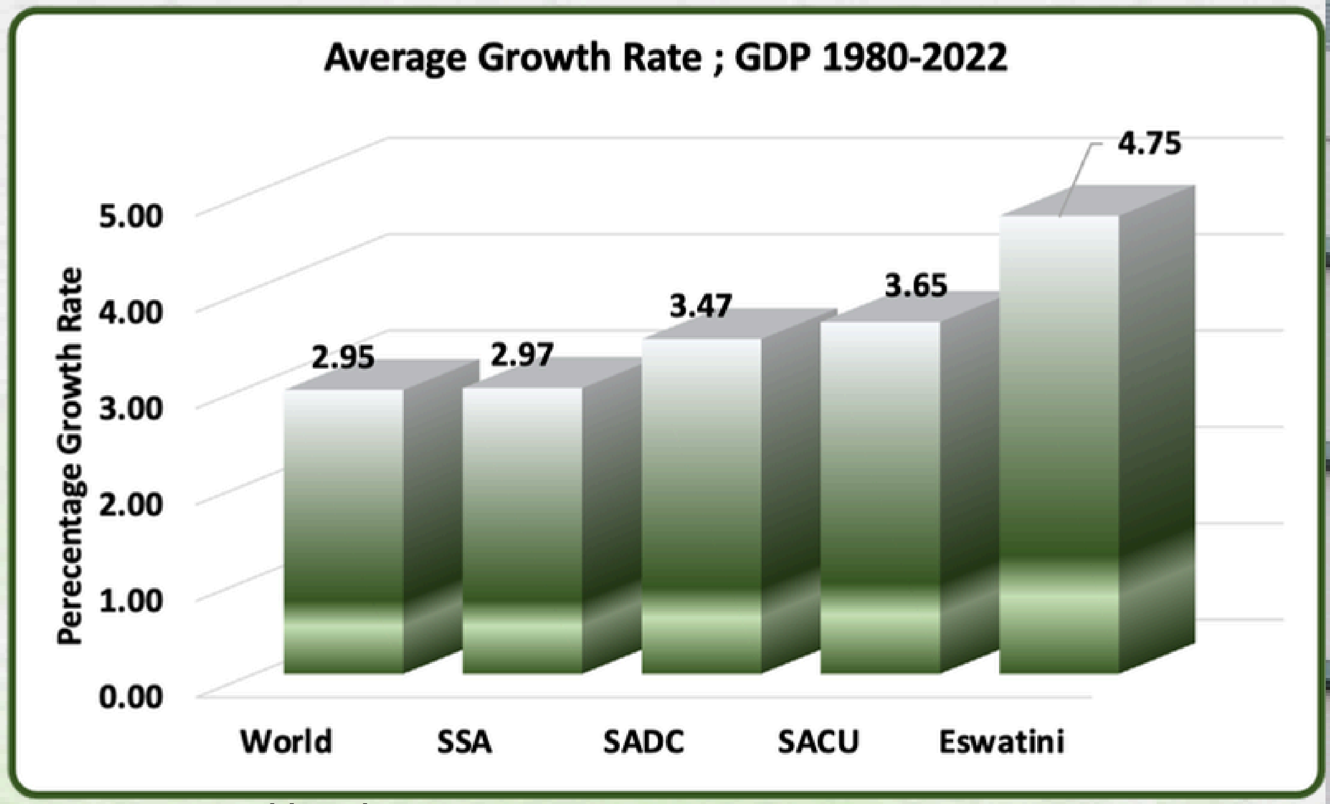
Systems

- Two systems of recording merchandise exports and imports are in common use.

Valuation

- Exports are valued at transaction value, including the cost of transportation and insurance to bring the merchandise to the frontier of the exporting country or territory (“free on board” valuation).
- Imports are valued at transaction value plus the cost of transportation and insurance to the frontier of the importing country or territory (“cost, insurance and freight” valuation).

GLOBAL AND REGIONAL PERSPECTIVE



Data Source; World Bank Data

- **Between 1980 and 2022, global prosperity has seen an annual average growth rate of 2.95%, with Eswatini gleaming slightly brighter at 4.75% above the planetary norm.**
- **Within Sub-Saharan (SSA) region, economic growth resonates at 2.97%, SADC at 3.47% and SACU at 3.65% during the same period.**
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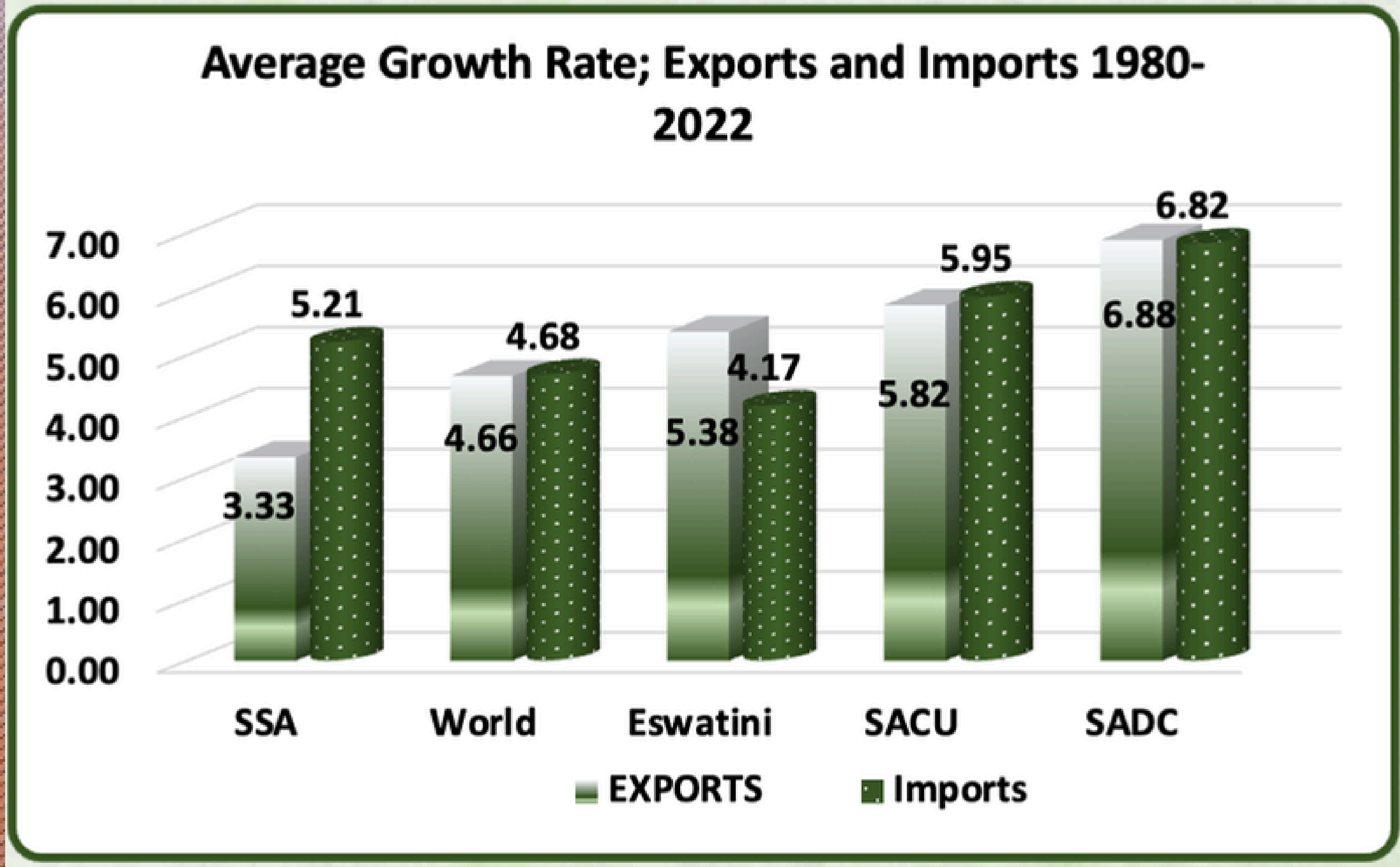
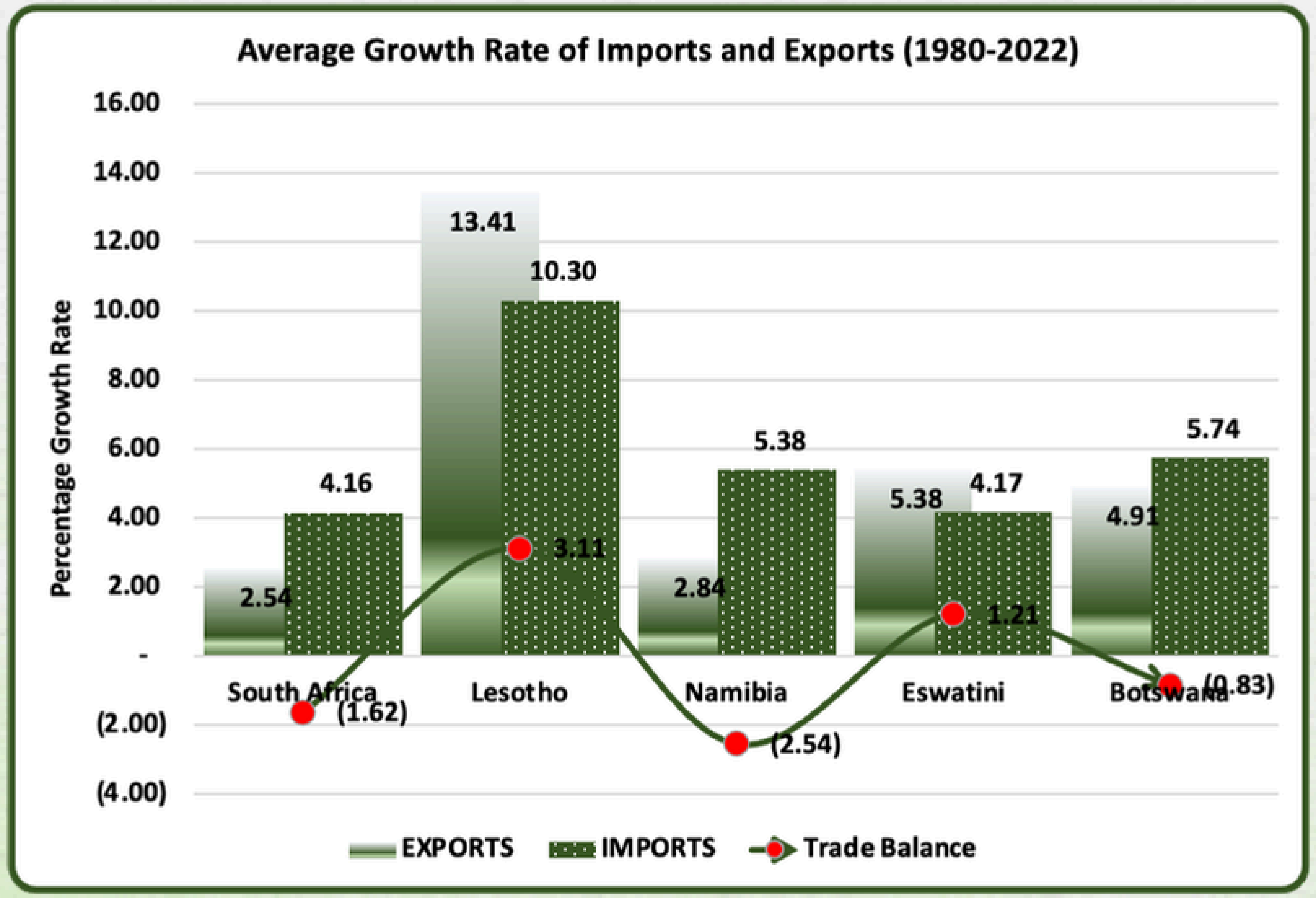


Data Source; World Bank Data

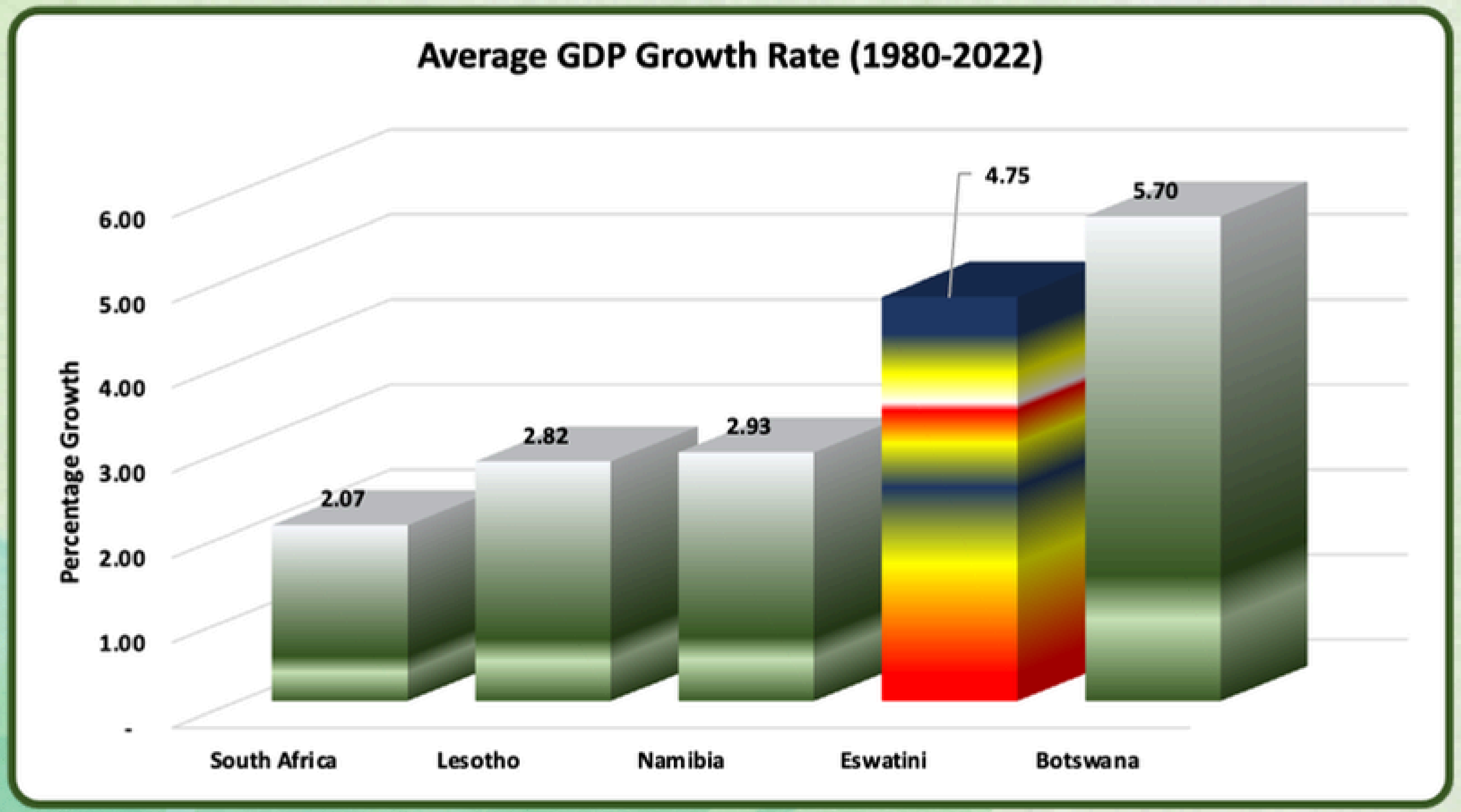
- **Average world exports between 1980 and 2022 has remained at 4.66%, slightly below imports at 4.68% leaving a trade deficit of 0.02%.**
- **Regional balances shows a more disingenuous case as both SSA and SACU seems to have a trade deficit meanwhile SADC region has a trade surplus as exports are above imports**
- **Amidst these economic constellations, Eswatini boasts the highest of crescendo in imports (4.17%) and exports (5.38), soaring beyond the world's average stride therefore leaving an average trade surplus of 1.21%.**

SACU REGION PERSPECTIVE



Data Source; World Bank Data

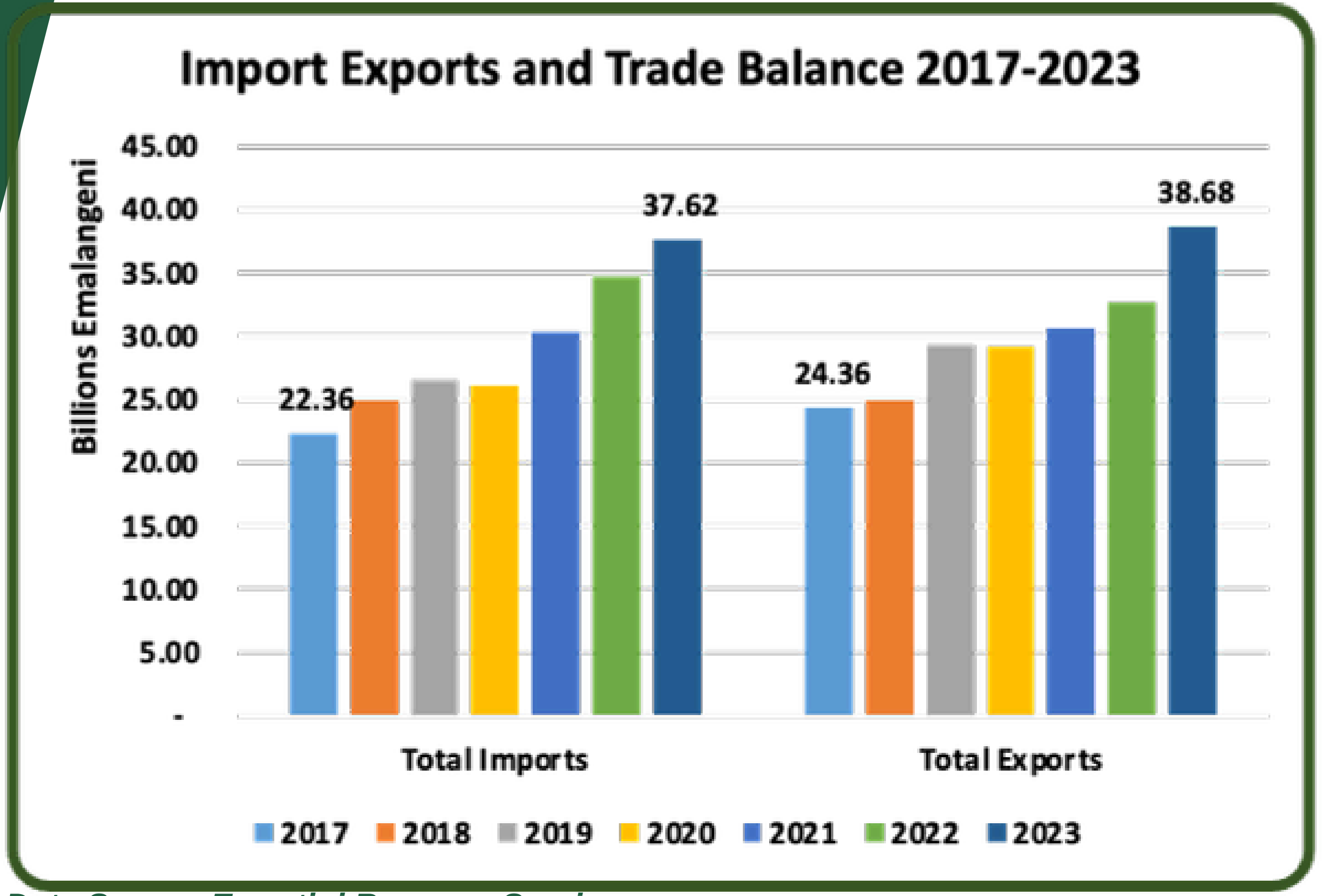
- **Within the SACU member-states, Eswatini and Lesotho have managed to maintain a positive average growth rate of the trade balance with Lesotho maintaining a higher average at 3.11% between 1980 and 2022.**
- **South Africa, Botswana and Namibia remain in the deficit zone with Namibia highly exposed than other member states.**
- **A negative trade balance means imports>exports while a positive trade balance (surplus) means imports<exports.**
- **Lesotho yields the highest average growth rate of exports and imports.**



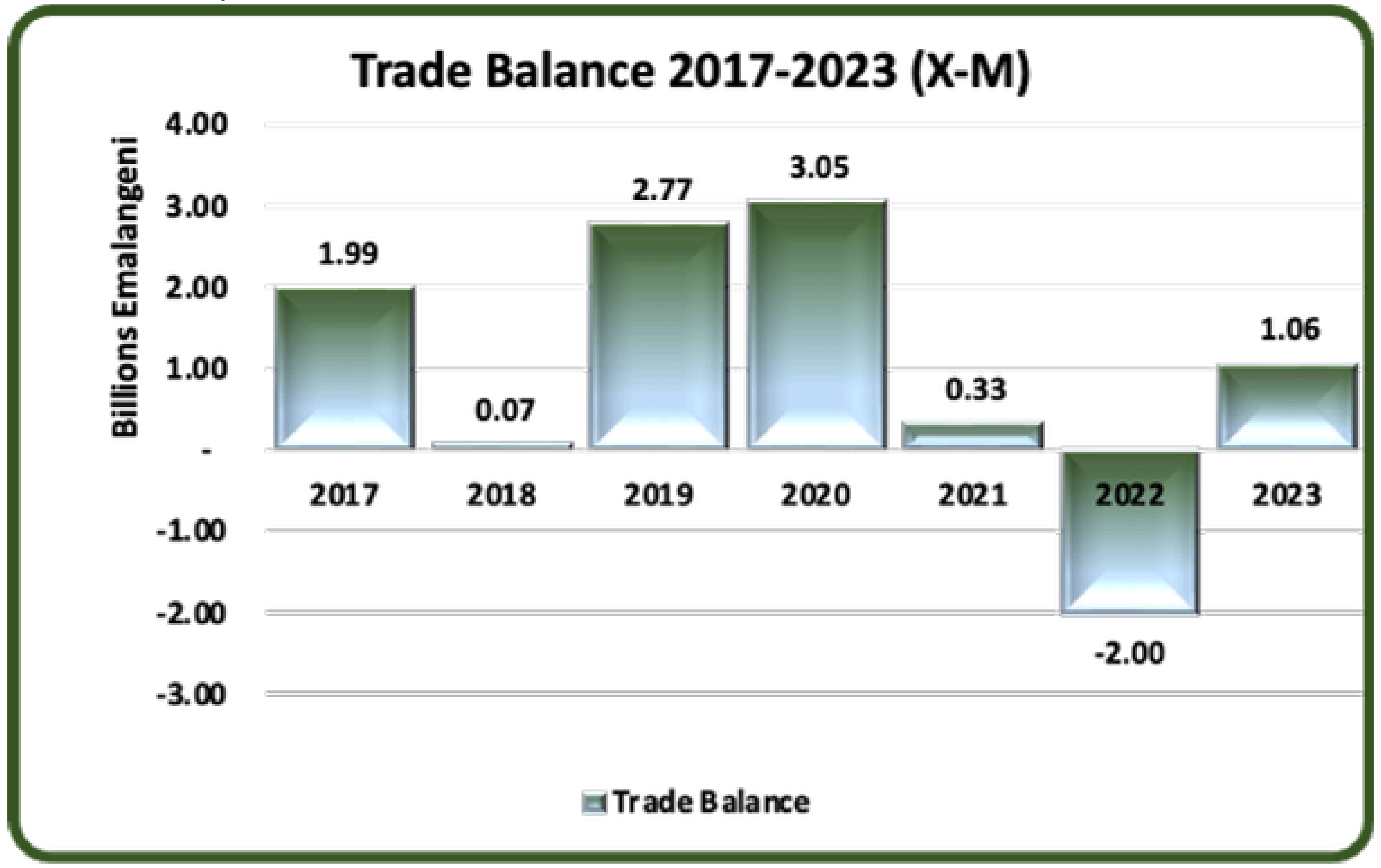
Data Source; World Bank Data

- **Botswana has the highest average GDP growth rate over the last 40 years at 5.7% meanwhile Eswatini has managed to grow at 4.75% on average over the last 42 years.**
- **Between 1980 and 2022, South Africa has the lowest average growth rate at 2.07%**

Balances; Trade Account



Data Source;Eswatini Revenue Service



Data Source;Eswatini Revenue Service

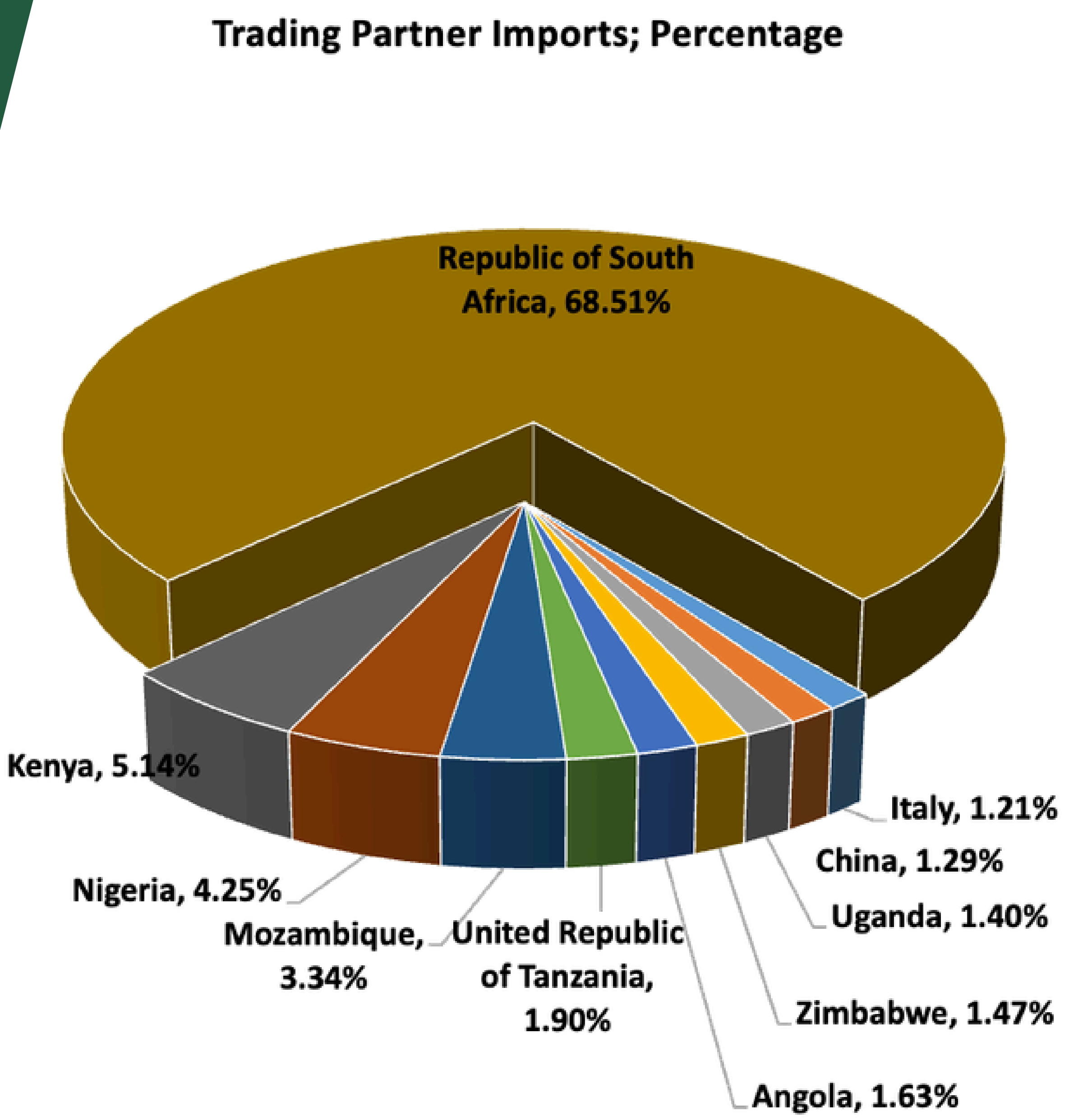
- Between 2017 and 2023 exports increased by 58% (E24.3-E38.6bn) while imports increased by 68% (E22.3bn-E37.6bn).

- Year on year growth rate for both import and exports shows an upward trajectory with imports exhibiting lower deviations than exports.

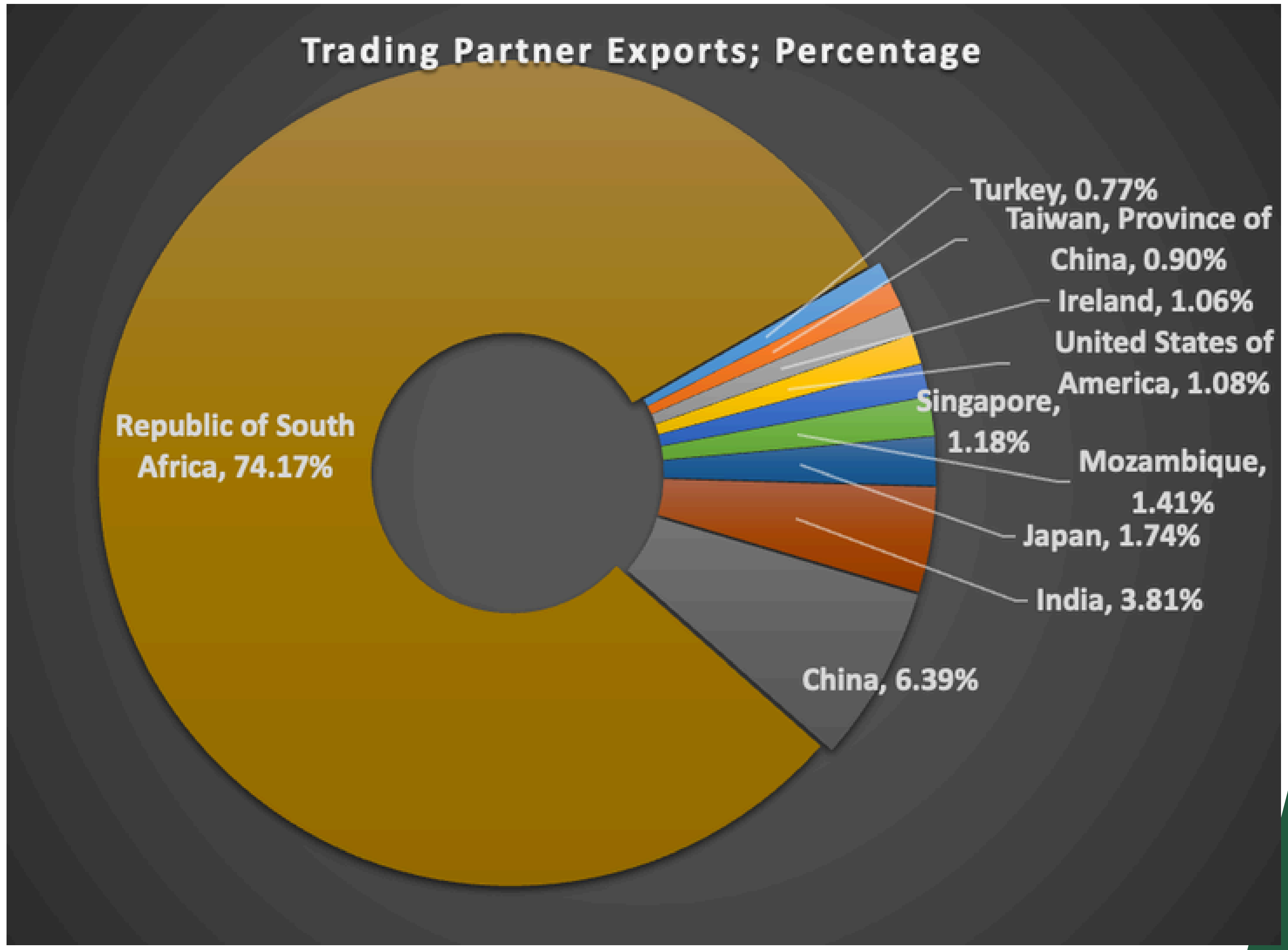
- Trade balance for the year 2022 was -E2.2bn showing a deficit.

Major Trading Partners

- 68.51 of imports are sourced from South Africa while 74.17% of exports are sold to South Africa
- Leaving a positive trade balance of around 5% with South Africa
- More than 84% of imports to Eswatini are sourced from Africa while more than 75% of Exports are sold to African Countries.
- China is 2nd trading partner for exports from Eswatini.



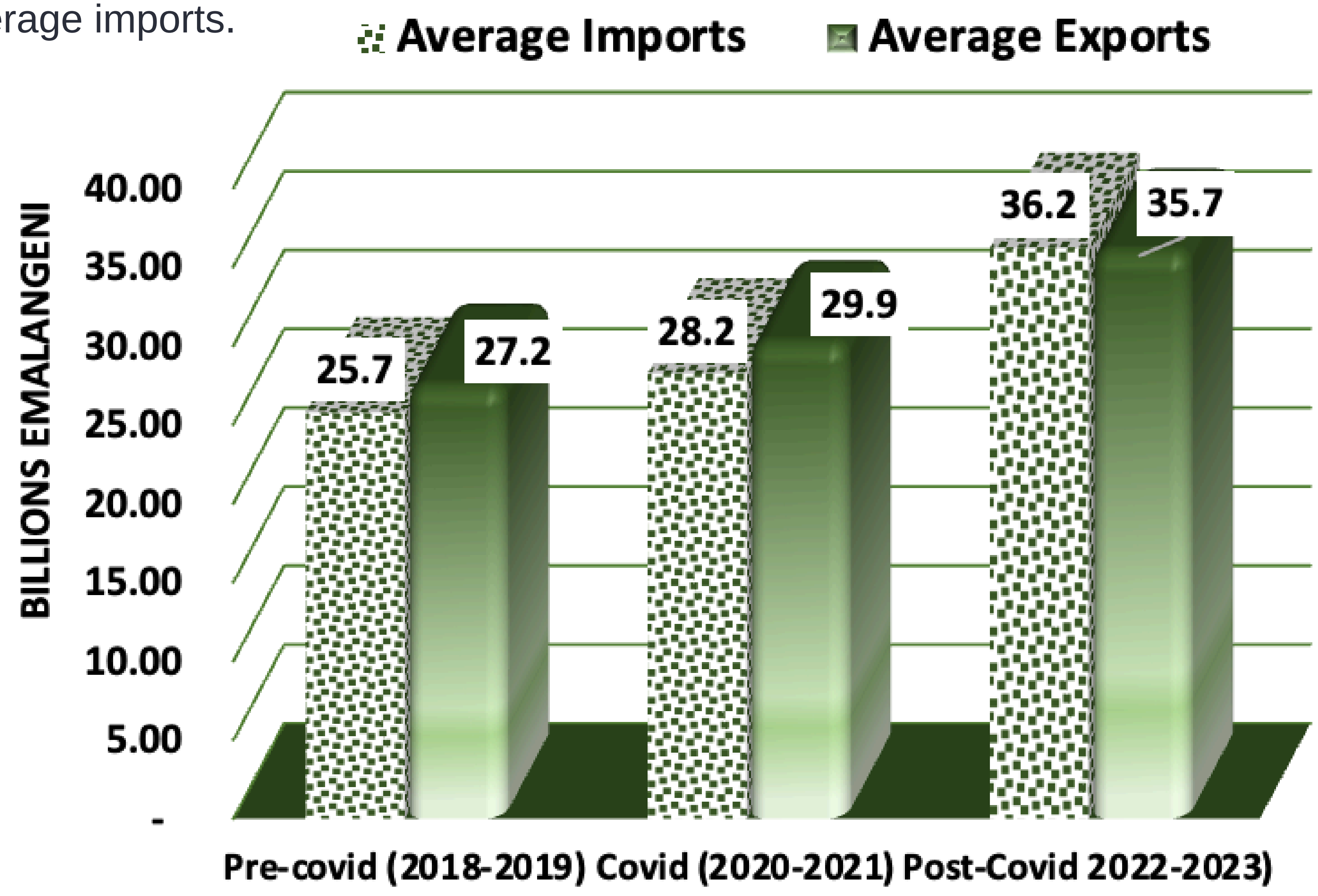
Source;Eswatini Revenue Service



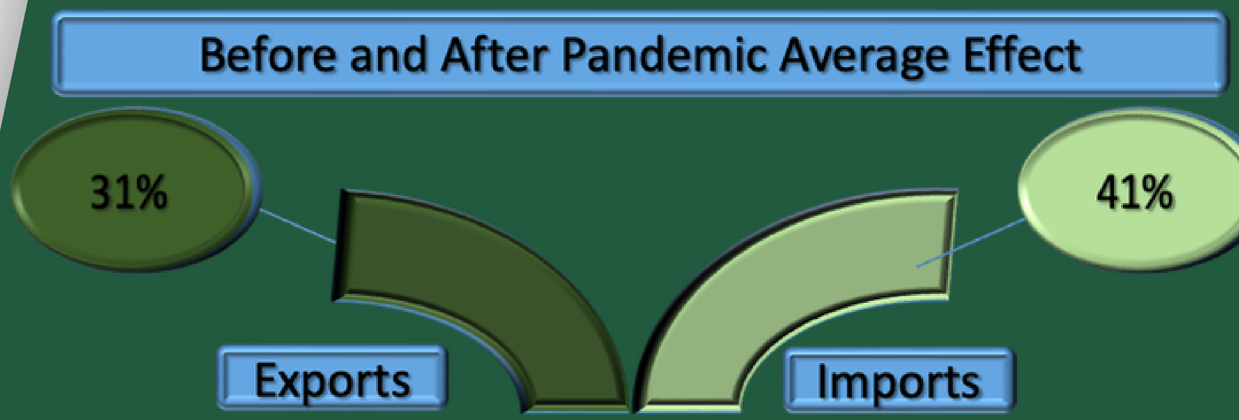
Source;Eswatini Revenue Service

Pre-Covid and Post-Covid Analysis

•The average effect of COVID 19 on trade (import/export) cannot be overlooked given pandemics influence on supply chains.
•Pre-Covid and during Covid exports dominated, however post Covid period imports have remained higher on average than exports.
•Eswatini's industry exports were worth E27.2bn and imports worth E25.7bn leaving a surplus trade balance of E1.5bn pre-covid.
•During Covid-19 pandemic, imports significantly increased by E2.5bn and exports increased by E2.7bn leaving a higher trade balance of E1.7bn.
•Between 2022 and 2023, year on year average shows a declining capacity to export as average exports are less than average imports.



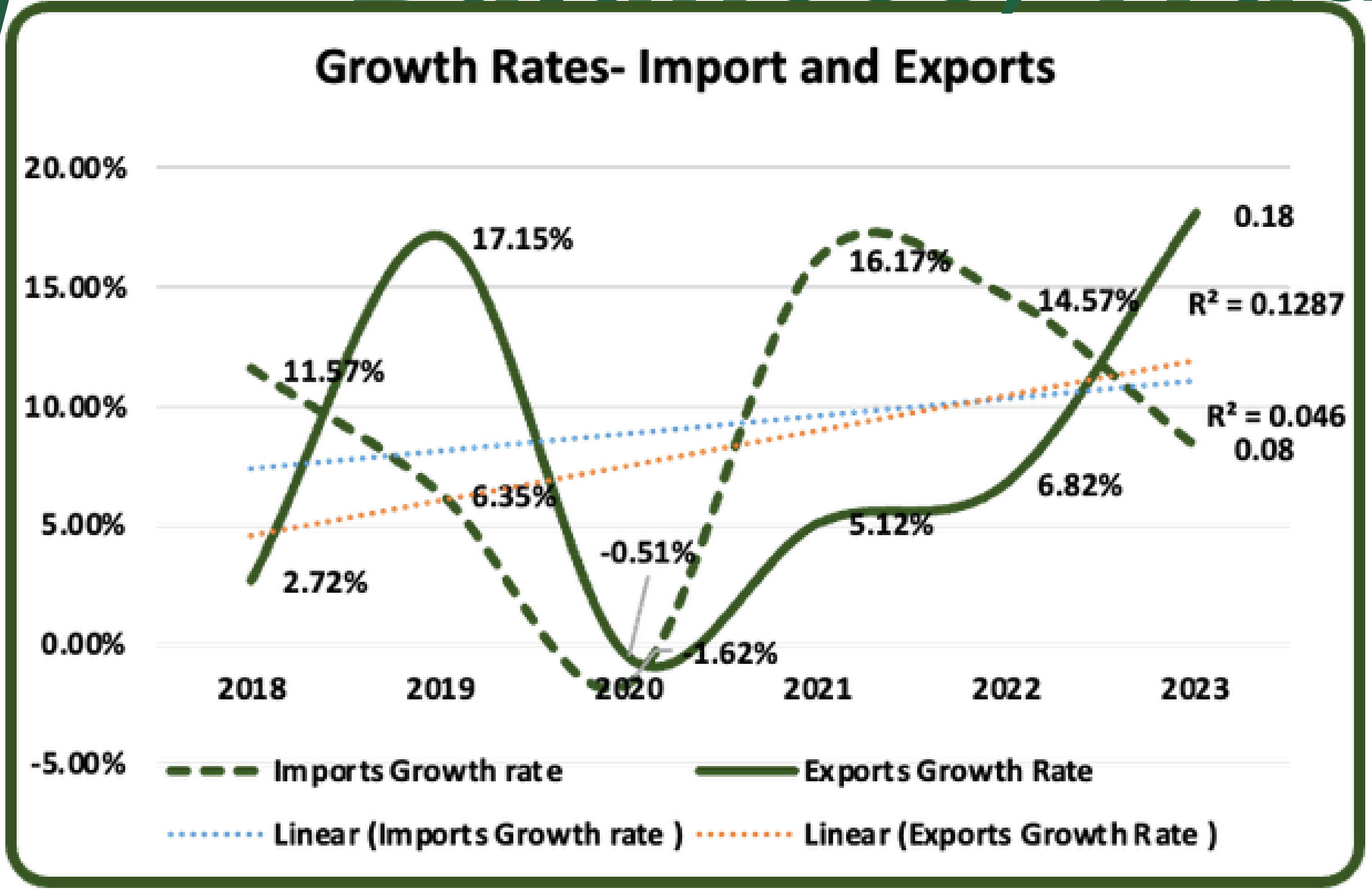
Data Source;Eswatini Revenue Service



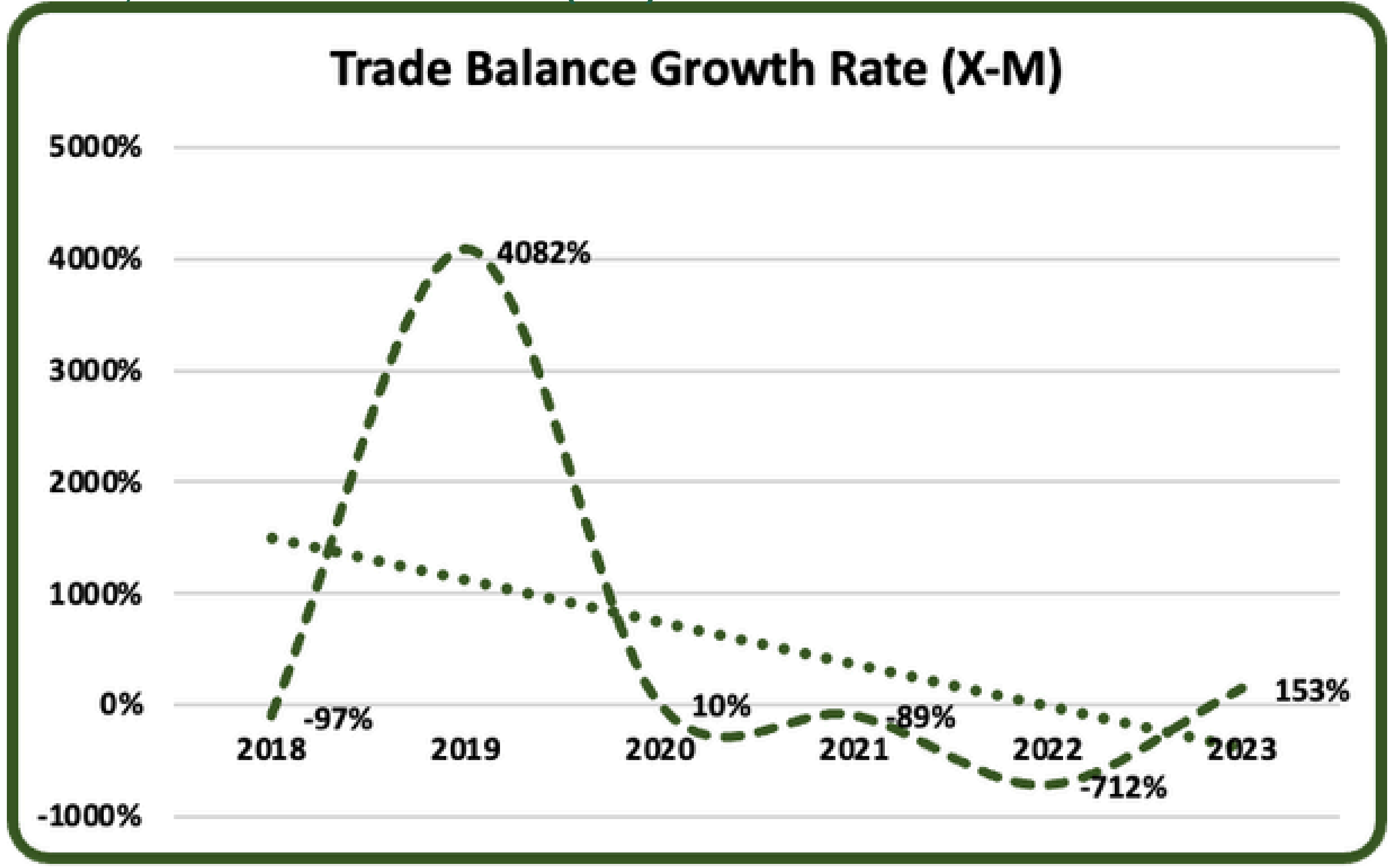
•Overall, exports increased by lesser margins in-comparison to imports.
•Capacity to export declined post covid 19
•Over the last 6 years, exports increased by 31% meanwhile imports increased by 41%.

Source;Eswatini Revenue Service

Balances; Trade Account



Source;Eswatini Revenue Service (ERS)



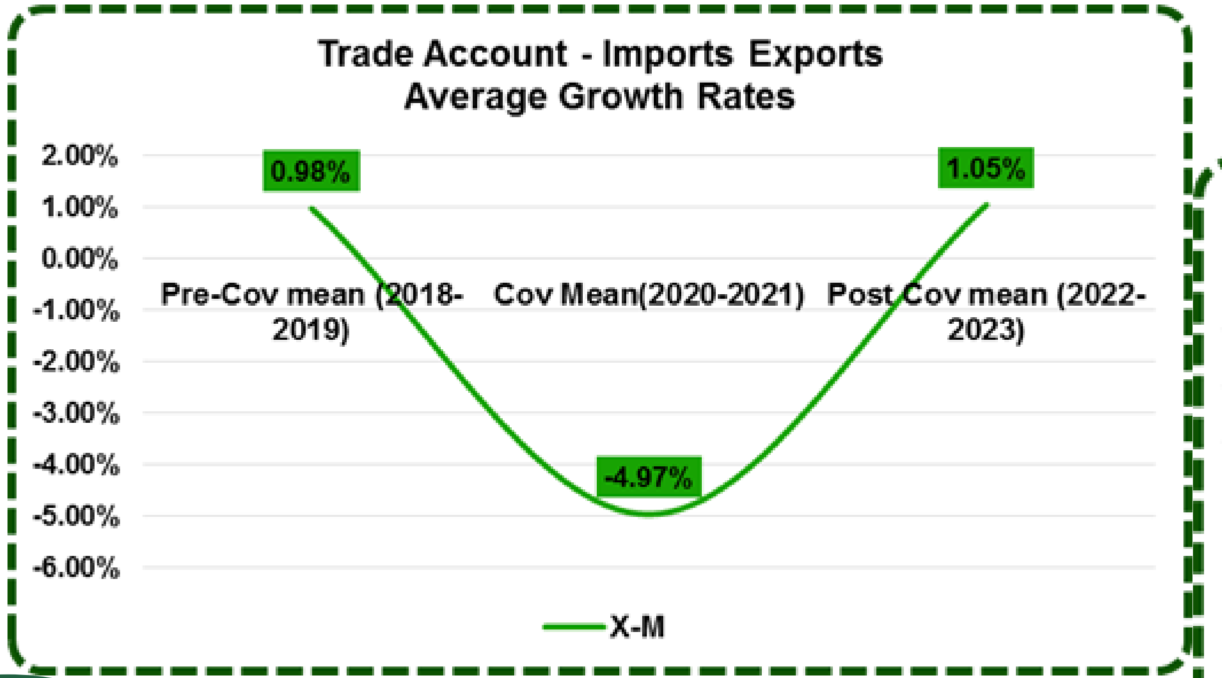
Source;Eswatini Revenue Service (ERS)

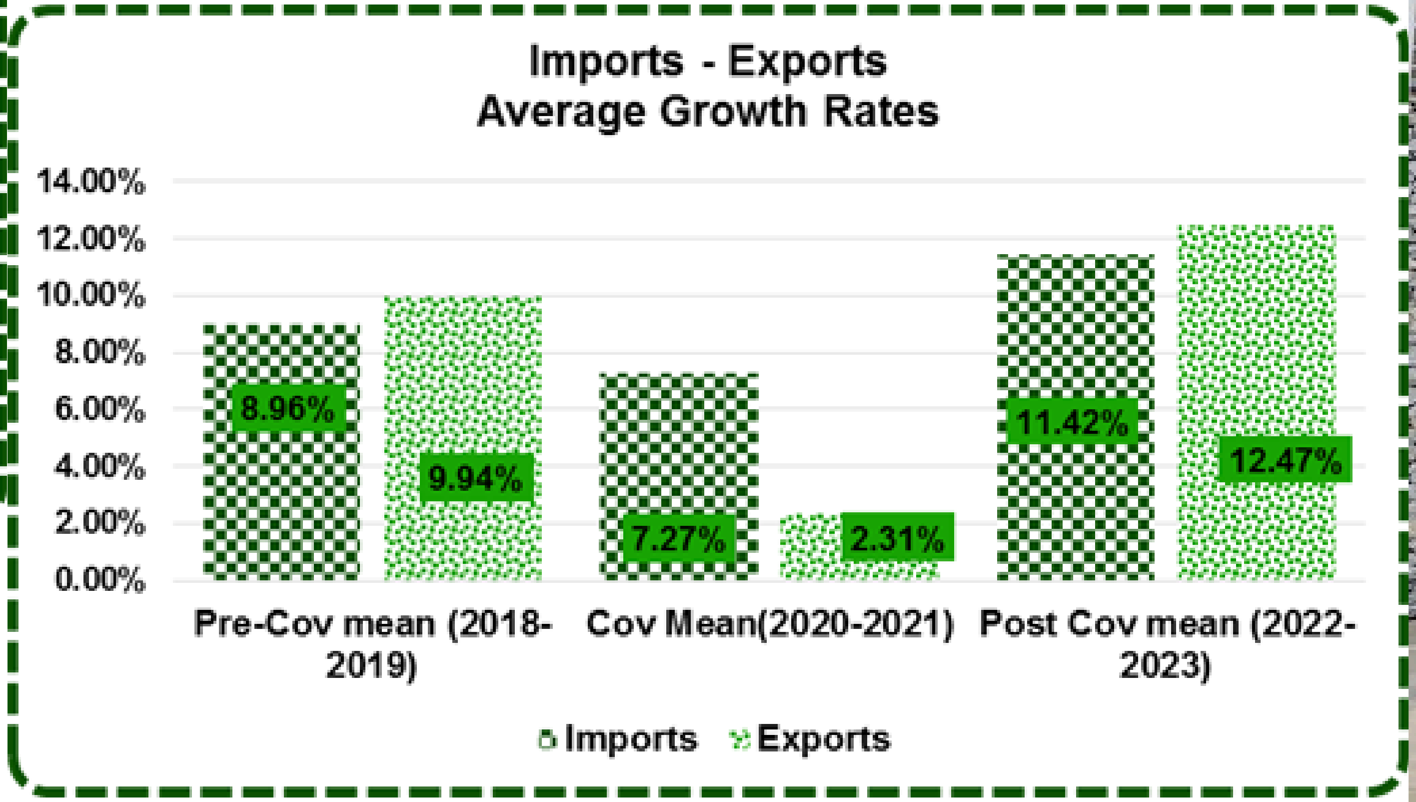
- Year on year average growth rate of imports has been 9.22% between 2017 and 2023 while exports has been below at 8.24% on average.
- Furthermore, growth rate of exports have a higher standard deviation (risk) than the growth rate of imports.

- Between 2018 and 2019, trade balance increased by 4082% from E0.07bn - E2.77bn.
- Eswatini’s capacity to export has been downward sloping since 2019.

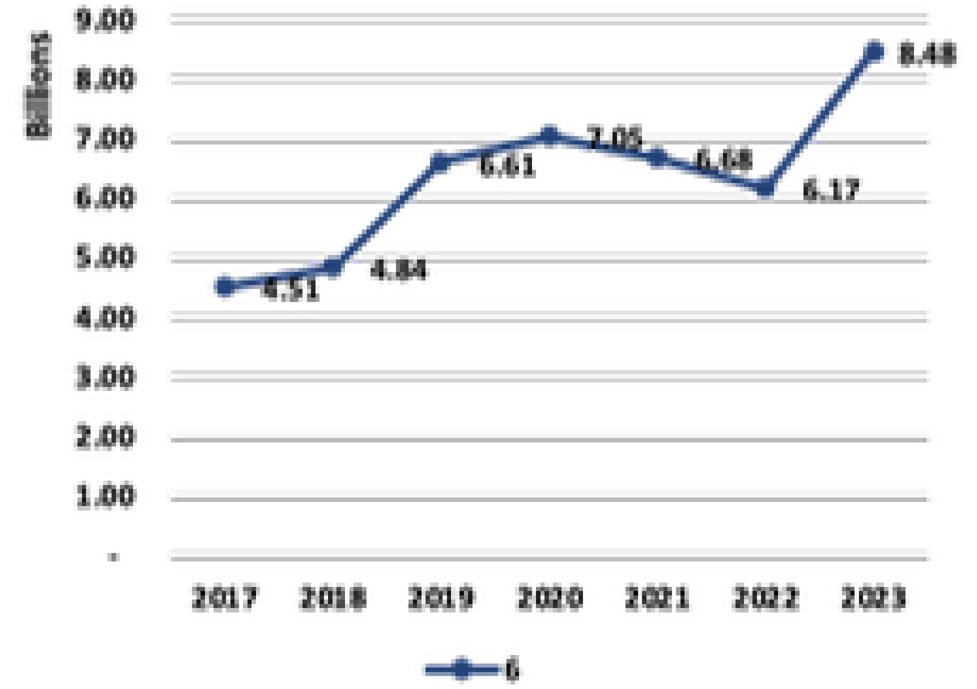
Methodolody
Pre-Covid and Post-Covid Analysis

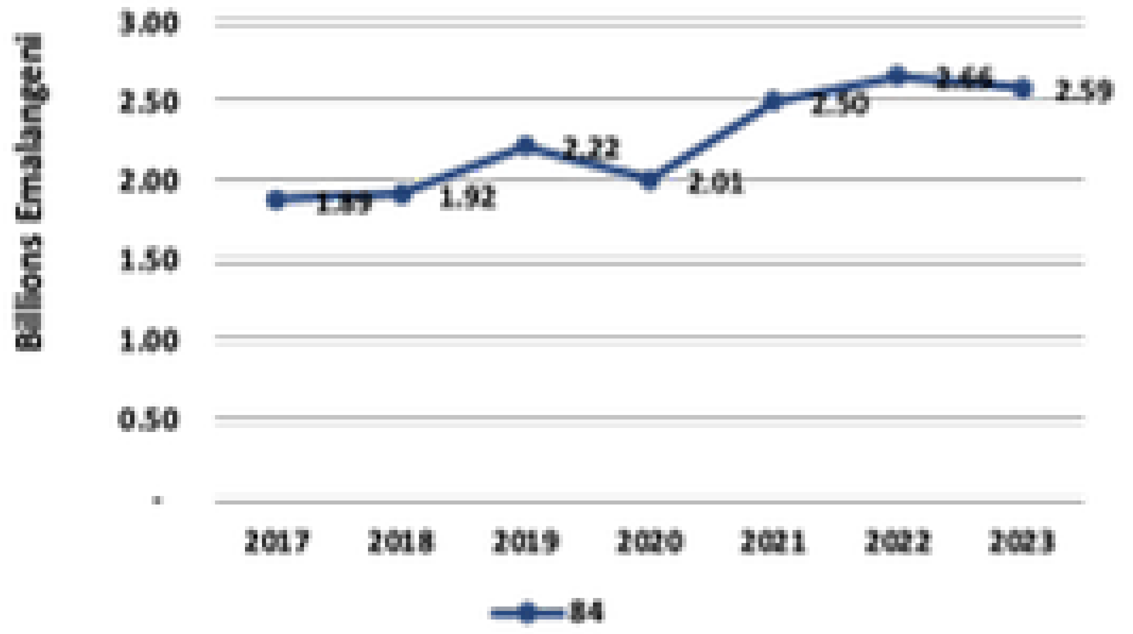
- **Trade Balance= Exports - Imports**
- **Pre covid average growth rate of imports was at 8.96% while exports was at 9.94% year on year.**
- **During the covid period, average growth rate of imports declined from 8.96% to 7.27% (1.69%) meanwhile decline in exports was higher at 7.63% from 9.94% to 2.31%**
- **Post covid, average growth rate of imports is at 11.42% while for exports is at 12.47 %.**
- **The overall impact of the pandemic on trade remains negative as on average, trade account growth rate was at 0.98% and post covid period the trade account is growing at 1.05%.**
- **Overall effect as measured by the Average Treatment Effect (ATE)= E(Yb-Ya) is approximately -4.89% decline in the trade account.**

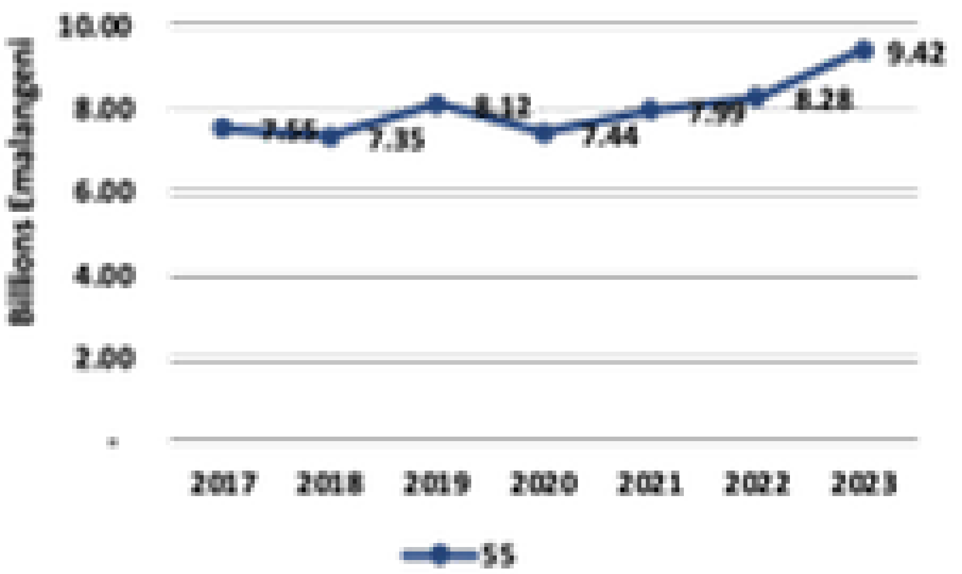


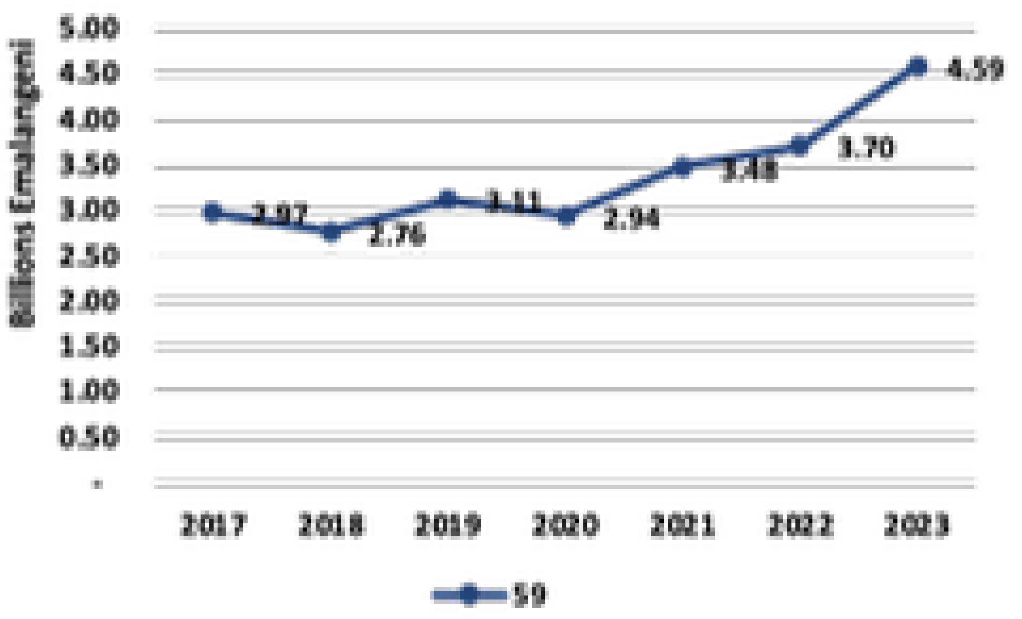


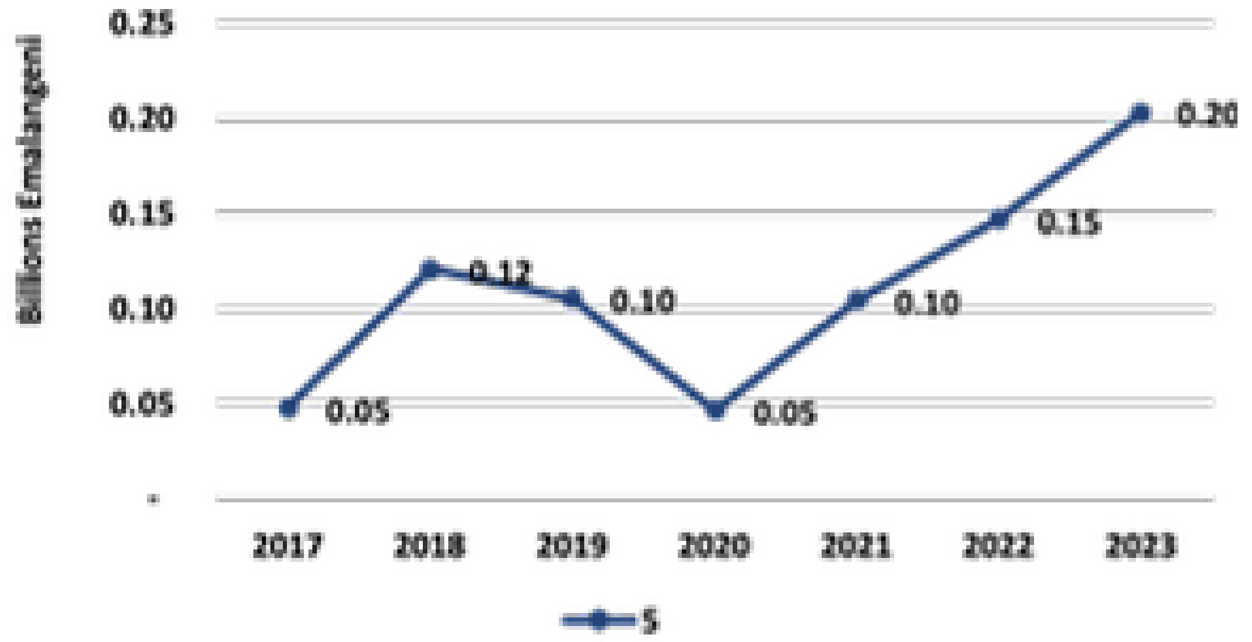
Trend Analysis- Sectoral Investments Prospects- Positive Trade Account; Exports>Imports





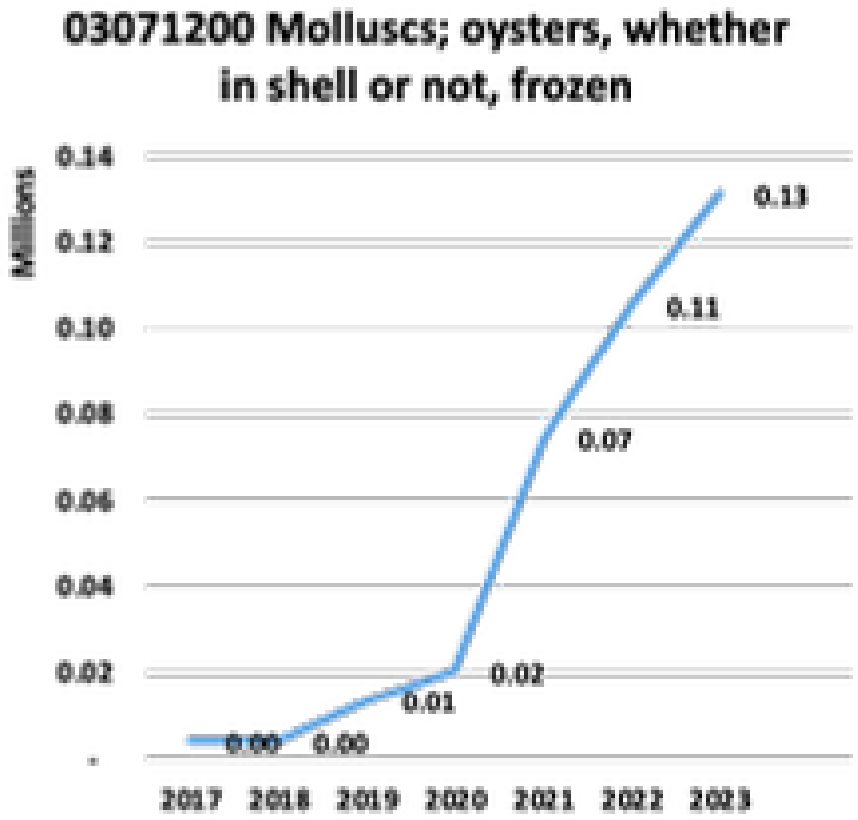


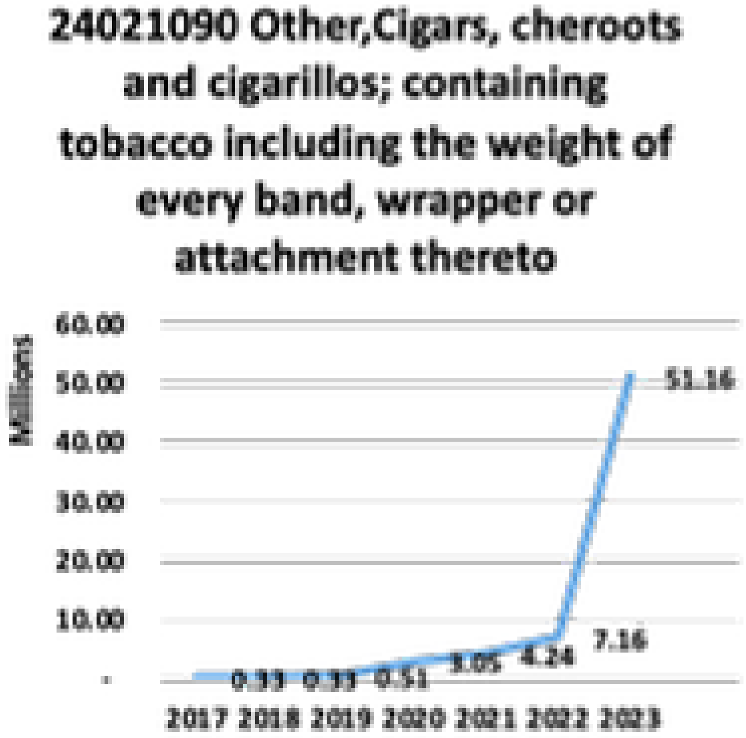


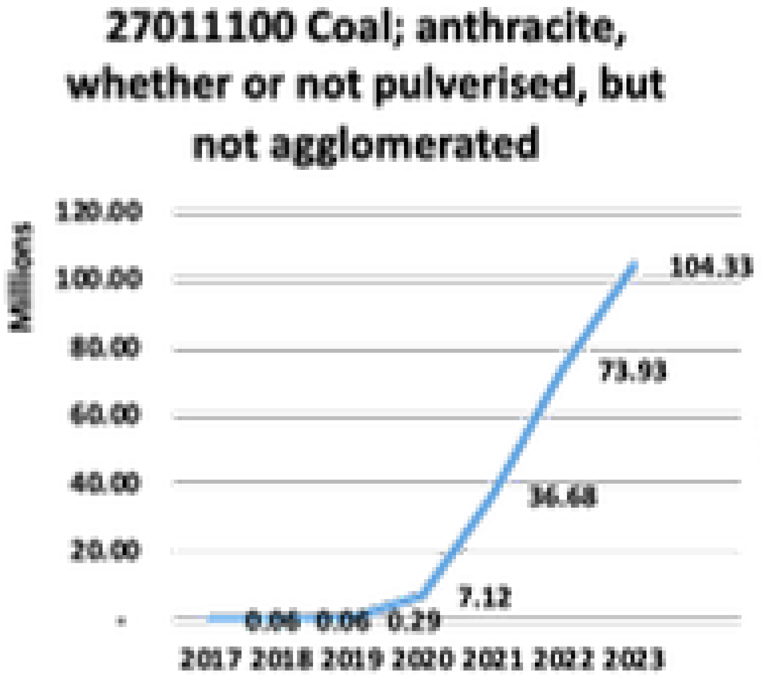


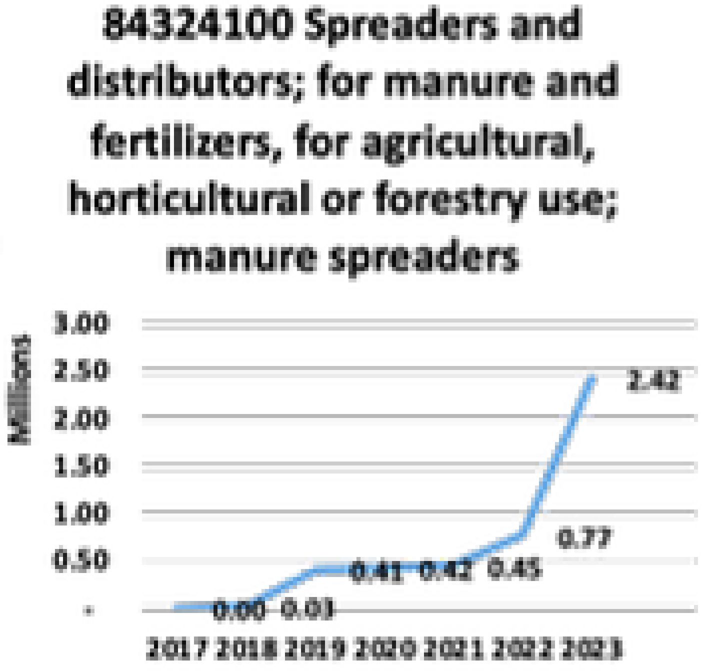
Data Source; Eswatini Revenue Service

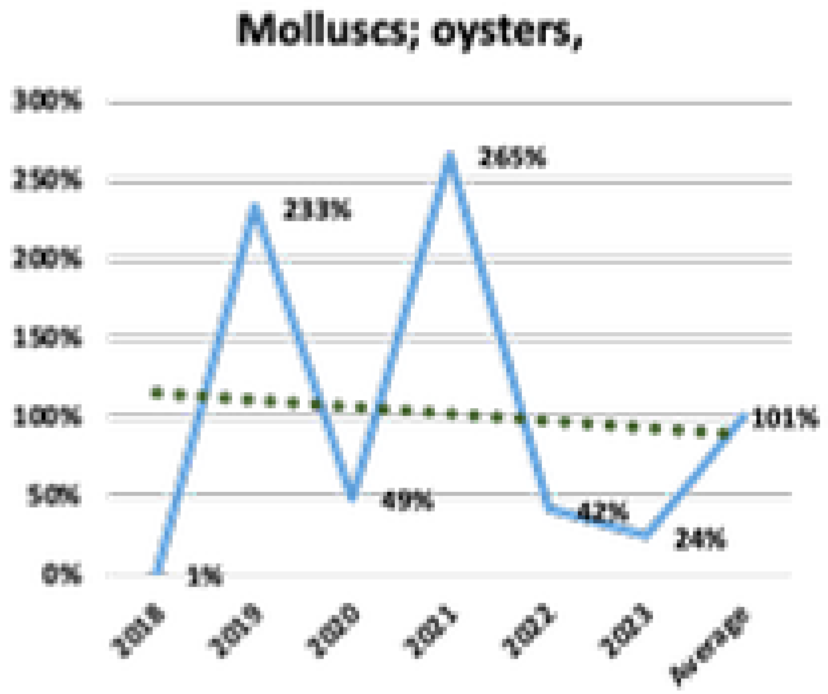
Investment Opportunities Commodities; Import Substitution

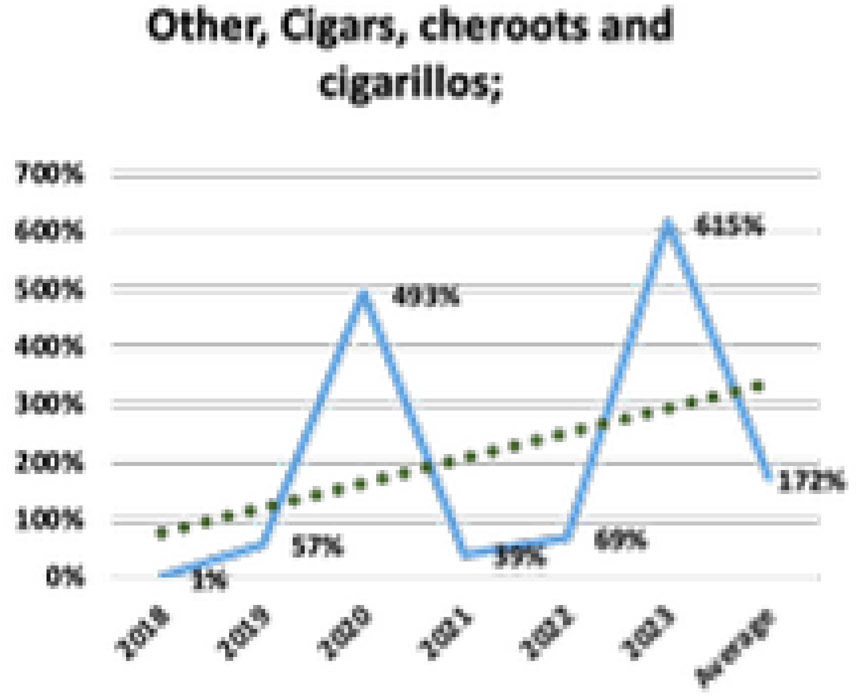


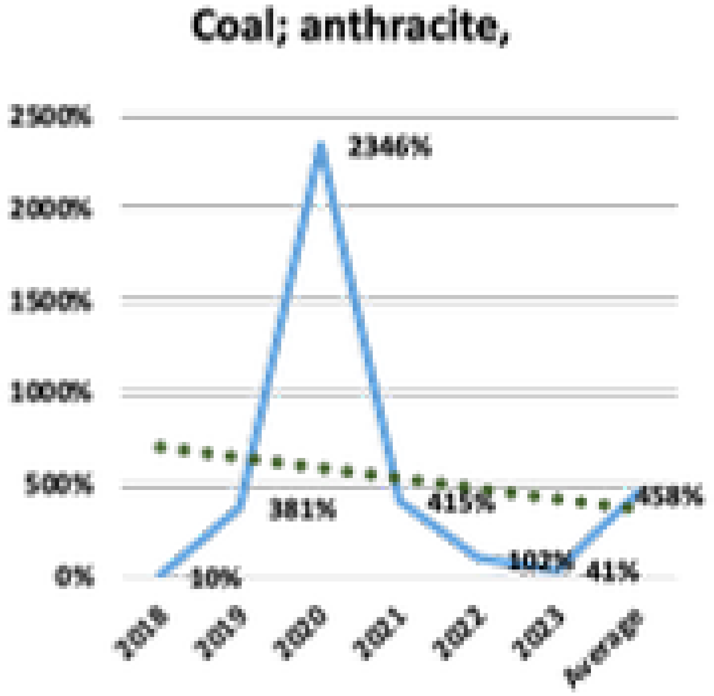


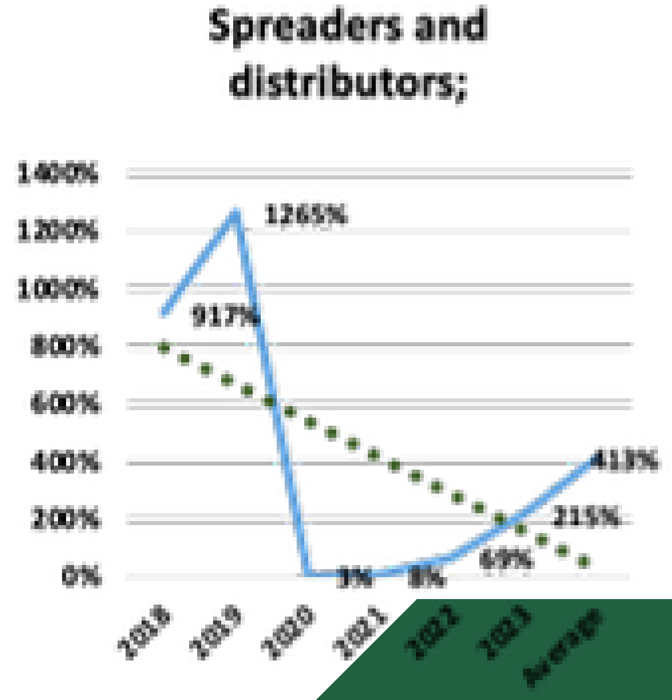








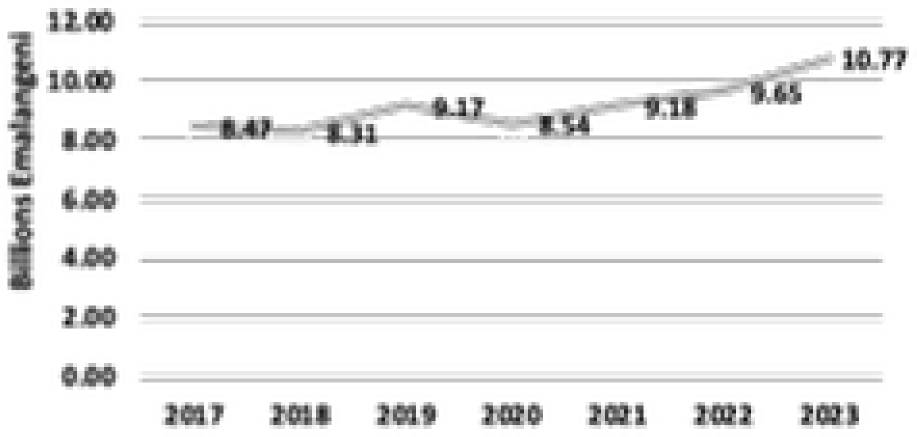




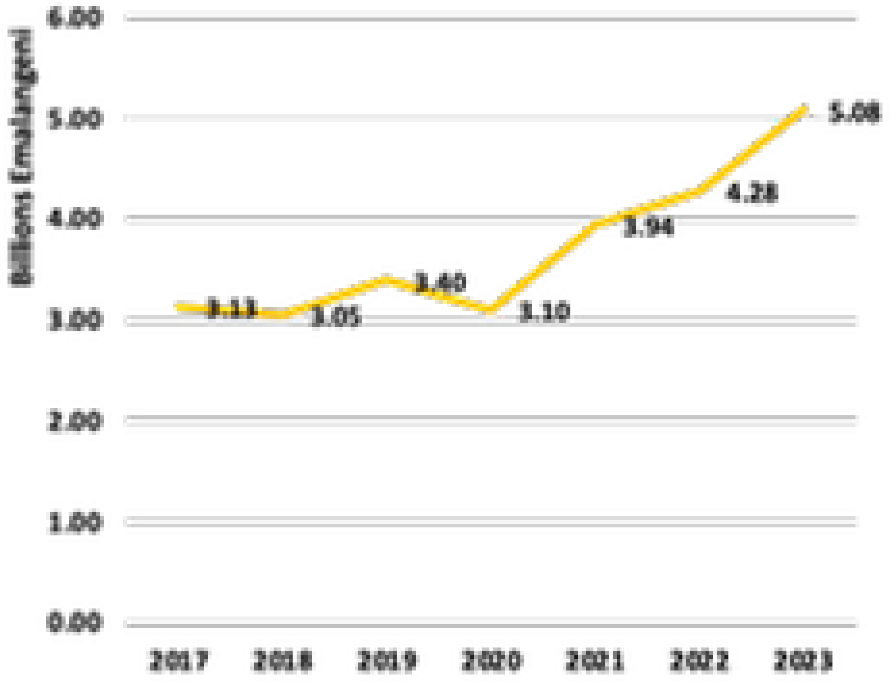
Source;Eswatini Revenue Service

Commodities High Value/ Impact Sectors- Exports

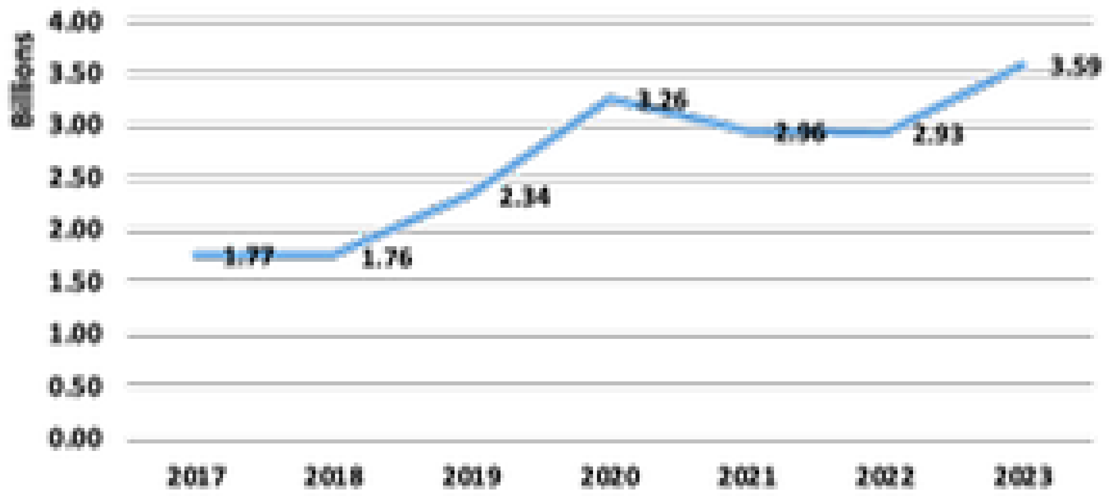
Odoriferous substances and mixtures; of a kind used in the food or drink industries



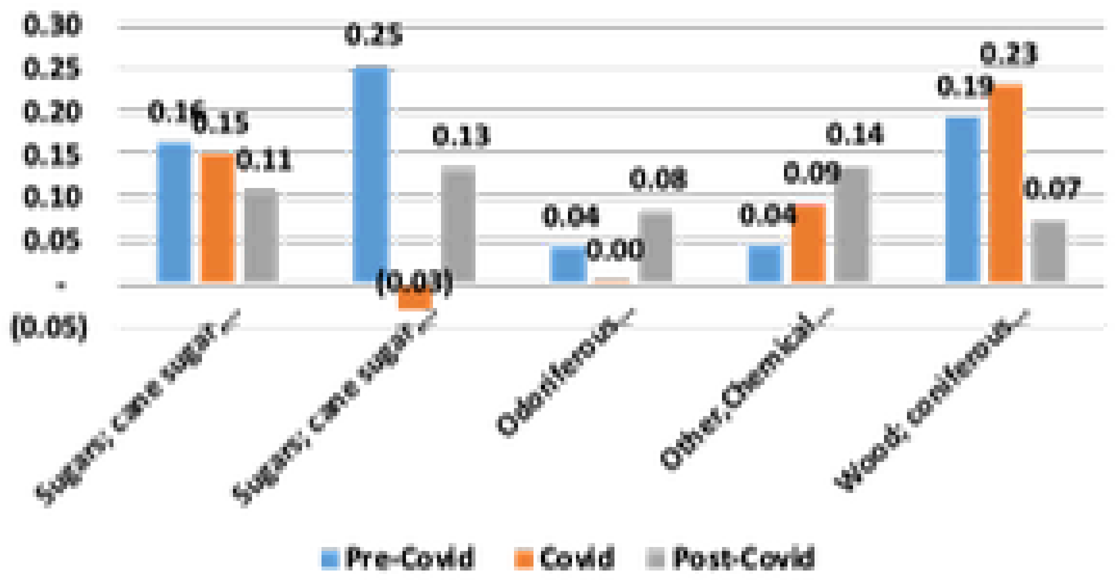
Other,Chemical products, mixtures and preparations; n.e.c. heading 3824



Sugars; cane sugar, raw, in solid form, as specified in Subheading Note 2 to this chapter, not containing added flavouring or colouring matter



Average Growth Rate of High Value Exports



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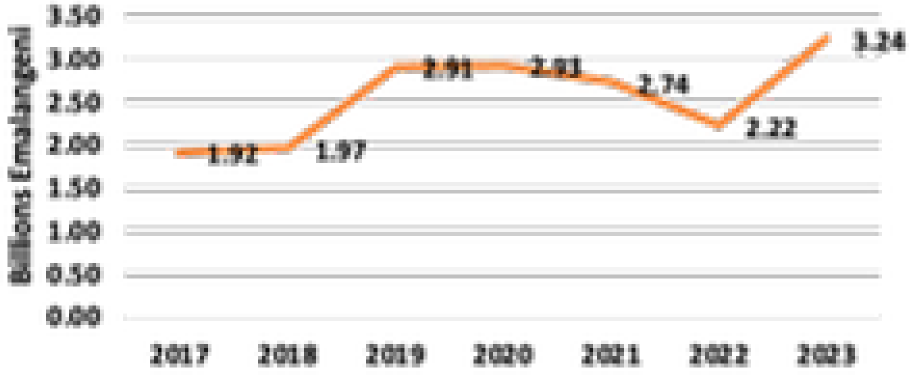
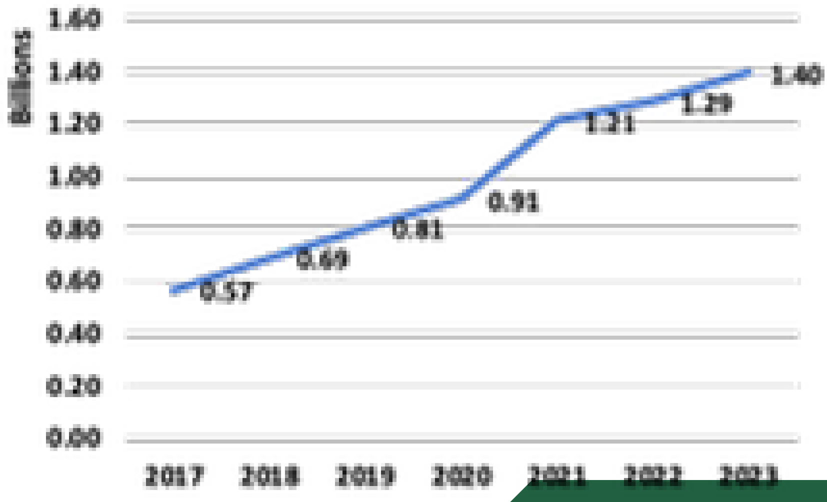
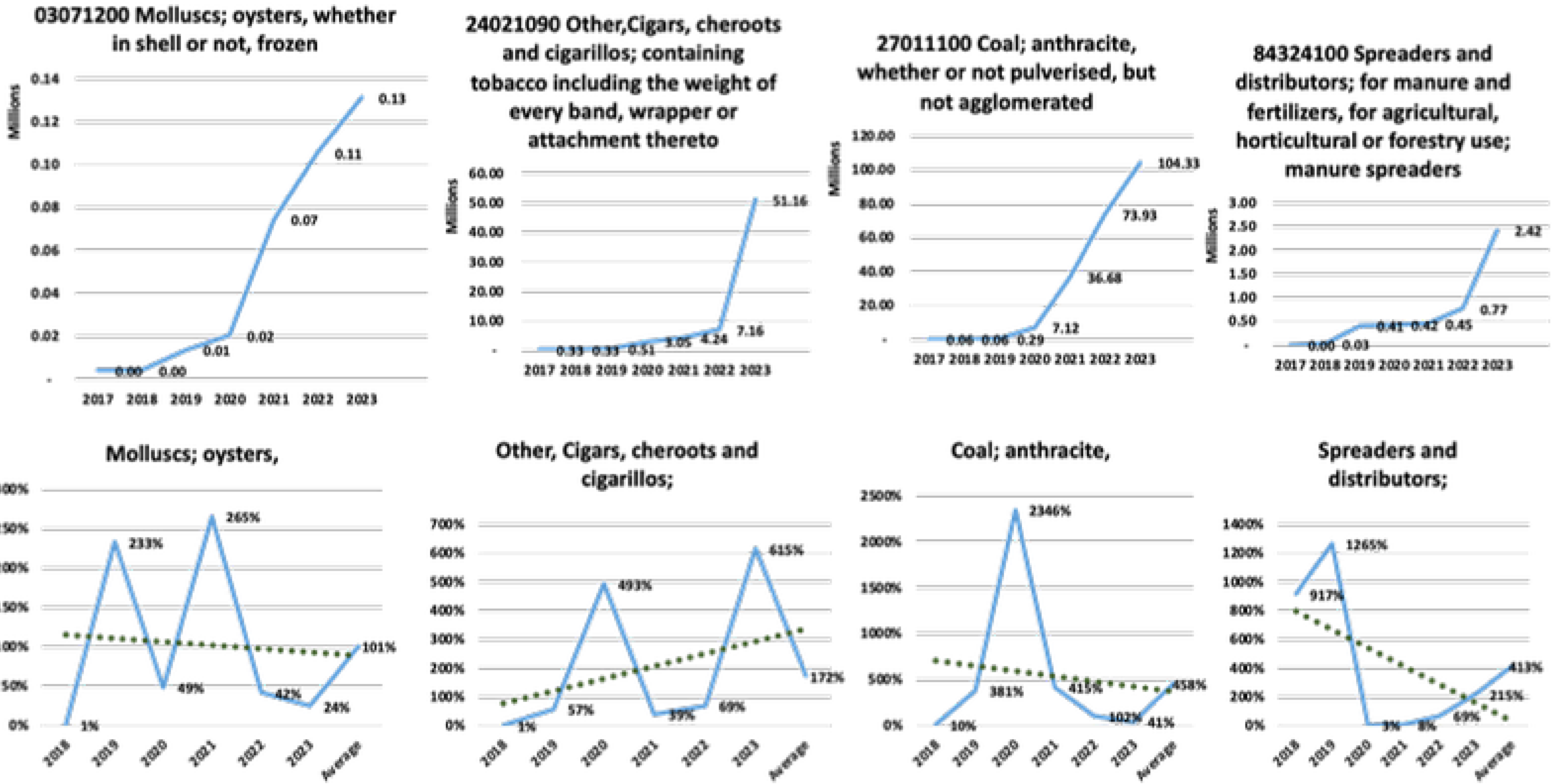


Wood; coniferous species, of pine (Pinus spp.), sawn or chipped lengthwise, sliced or peeled, whether or not planed, sanded or finger-jointed, of a thickness exceeding 6mm



Source;Eswatini Revenue Service

Investment Opportunities ; Import Substitution

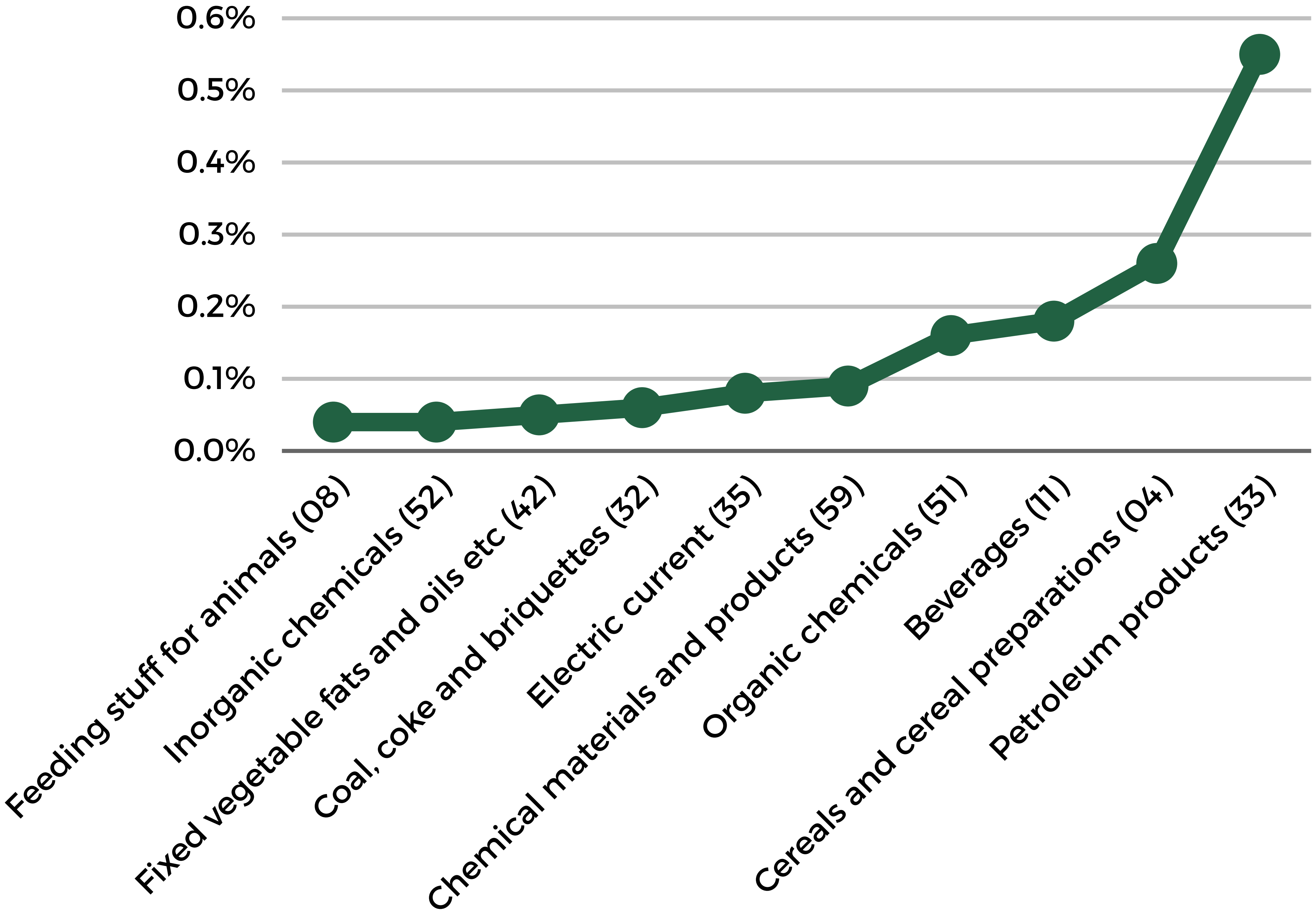


Source;Eswatini Revenue Service

High Growth Sectors; Imports

Imports

- Year on year average growth rate of imports has been constrained.
- Since 2017, year on year average growth of petroleum and petroleum products has remained at 0.5% while cereals and cereal preparations has been below at approximately 0.25%



Source;Eswatini Revenue Service

Conclusion

- There is a need for a more introspective research and the development of strategic industrialisation programme for Eswatini.
- Quantifying the value of investment is needed to further develop a clear funding mechanism to support sustainable growth.
- Strengthening trade with key markets remains critical for maximising profitability.
- The domestic market is our fooprint for establishing small-scale industries with a potential for growth.

Conclusion; High Impact sectors of interests

Export Promotion and high value addition

- Odoriferous substances
- Sugar
- Wood
- Mining
- Clothing and apparel manufacturing
- Agriculture; Fruits and Vegetables i.e. pineapples, oranges, carrots
- Yarn production
- Sauces and Soaps

Import Substitution Industrialisation

- Cereal production
- Distillate fuel distribution channels
- Energy production
- Fabrics ; Cotton Yarn
- Maize and Rice
- Soya-bean oil
- Fertilizers
- Milk Production
- Ceramic tiles
- Baby food products (Instant porridge)

Conclusion; Emerging Sectors

Import Substitution Industrialisation Sectors

- Fibres synthetic filament tow (55019000)
- Marble, travetine and alabaster
- Paper or paperboard
- Coal Anthracite (27011100)
- Knitted or crocheted sacks and bags

Import Substitution Industrialisation

- Promoting an import substitution and export promotion strategy could yield positive returns on our compromised trade balance.

Conclusion; Robust and Broad-based Industrialisation Programme

Robust and Broad based Industrialisation

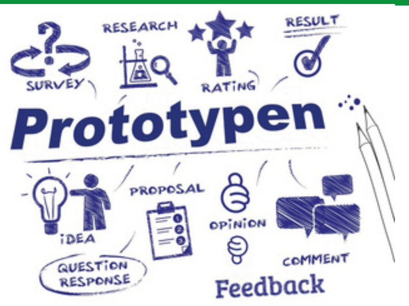
- Walk-in projects are not yielding the desired outcome.
- The quality of the projects are either poor or outside our funding models.
- Projects are also failing to service their financial obligations.
- Therefore a need to reinvent the wheel.
- The complexity and diversity of our projects require a know-how component.

Proposed Industrialisation Programme

4. Commercialisation

1. Research and Development Funding

3. Proto-typing



2. Strategic Partnership

Recommandations

1 Funding

- Establishment of a research and project development fund within ENIDC.
- More studies on the sector products within each HS code to strategise in developing sector-specific products.

2 Strategic Partnership

- Develop strategic partnerships with think tanks to leverage commercialisation of indegenous products unique to Eswatini.
- Both backward and forward partnerships can be proposed

3 Proto-typing

- Select local reserach and development institutions/ graduate students are awarded the research grant.
- Funding must be inclusive of support incentives to facilitate proficient research.

4 Commercialisation

- Full-scale commercialisation of the proto-typed projects requires capitalisation. Therefore, a need for a presentation of financial models to prospective clients.

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Questions &
Answer Session