

**CENTRAL BANK OF LESOTHO**

**QUARTERLY REVIEW**

**MARCH, 2010**

**VOLUME XXIX, NO. 1**

**MASERU  
KINGDOM OF LESOTHO**

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## **I. Introduction**

During the review quarter, the world economy continued on the recovery path which started during the third quarter of 2009. The speed of recovery, though better than previously thought, varies across major economic blocs of the world. In advanced economies, the recovery was moderate while relatively strong in emerging and developing economies. This might be a sign that the worse is over. The continued recovery was supported by expansionary macroeconomic policies. In terms of the outlook, the global economic growth is expected to maintain the same growth path in the medium term. The projected growth is mainly at the back of expected rebound in world trade coupled with accommodative macroeconomic policies.

The United States (US) continued to lead the recovery among advanced economies. The US Real Gross Domestic Product (GDP) registered 3.2 per cent growth in the first quarter of 2010 mainly on account of increase in domestic demand. As a result, unemployment fell to 9.7 per cent. The developments are likely to bode well for Lesotho's economy, though the effects will not be felt immediately. In particular, the domestic manufacturing sector (especially textile and clothing sub-sector) will benefit from these developments, since the US constitutes the largest portion of the market for domestic manufacturing sector's export. The Euro Area showed moderate growth, as evidenced by a slight increase in industrial production. The US and the Euro continued to maintain key interest rates at their lowest levels during the review quarter.

Recent economic indicators showed that the South African economy has emerged from the recession. Both the manufacturing and mining productivity improved during the quarter. This is likely to have positive spin off on Lesotho's economy, particularly on migrant labour market.

Economic activities in Lesotho also showed the signs of recovery, in line with the global economic developments. The decline in mining productivity moderated during the review period, compared to a steep decline observed in the last three quarters of 2009. The secondary sector continued to produce mixed signals. Water consumption increased while electricity consumption fell. In the tertiary sector, the value of sales turnover increased on annual basis, reflecting an increase in consumer demand and lower domestic inflation.

However, domestic labour market conditions continued to deteriorate during the quarter. Employment in Lesotho National Development Corporation (LNDC) - assisted companies declined by 4.9 per cent. The decline was a reflection of weak global demand which forced some of the companies to shut down their operations as orders continue to fall. Employment of Basotho in the South African mines continues to decline. Nevertheless, the level of employment in the public sector increased modestly by 0.7 per cent during the review period. Domestic inflation remained relatively stable at 4.2 per cent during the first quarter of 2010. Stability in inflation rate was largely attributed to flat growth in food and non-alcoholic beverages component, which constitutes a large portion of the Lesotho's CPI basket.

Money supply rose by 7.0 per cent during the review period compared with a decline of 10.7 per cent in the fourth quarter of 2009. The rise in money supply was largely driven by an increase in net foreign assets (NFA). Nevertheless, the decline in total domestic credit moderated the increase in money supply.

Interest rates in Lesotho declined slightly during the review quarter. The key interest rate, the 91-day Treasury bill rate, fell by 20 basis points to 6.46 per cent from 6.66 per cent in December 2009. Its SA counterpart declined by 50 basis points to 6.50 per cent and continued to remain above the domestic 91-day Treasury bill rate. The domestic prime lending rate continued to decline and registered 11.50 per cent. The SA counterpart also declined. It decreased by 50 basis points to 10.0 per cent.

Government budgetary operations are estimated to have recorded a deficit equivalent to 8.8 per cent of GDP, on a quarter-to-quarter basis, during the review period compared to a surplus equivalent to 11.2 per cent of GDP in the previous quarter. The deficit was largely on account of a larger increase in government expenditures compared to a moderate increase in total revenue. Government expenditure and net lending increased by 36.8 per cent while the total revenue increased by 1.4 per cent. The stock of public debt increased by 0.4 per cent; mainly as a result of a modest increase in external debt. External debt, which constitutes the largest percentage of public debt, increased by 0.3 per cent during the review quarter. As a percentage of GDP, total debt registered 40.3 per cent. Lesotho continues to meet the Southern African Development Community (SADC)'s convergence criteria of 60 per cent debt to GDP.

The external sector position registered a deficit during the review quarter. The overall balance displayed a deficit equivalent to M220.7 million compared to a surplus equivalent to M377.0 million in the previous quarter. The deficit is mainly attributed to capital and financial account deterioration coupled with the Loti/Rand appreciation against currencies in which Central Bank of Lesotho's (CBL's) foreign reserves are held. Gross reserves fell by approximately 2.6 per cent during the quarter, largely due to appreciation of the local currency against major currencies. In months of imports cover, they fell to 6.7 months.

## **II. International Economic Developments**

### **United States (US)**

Preliminary estimates indicate that recovery momentum in the US continued to consolidate. Real Gross Domestic Product (GDP) increased by 3.2 per cent in the three months ending March 2010 in comparison with a revised 5.6 per cent growth realized in the previous quarter. Growth was driven by domestic demand as retail sales surged by 17.9 per cent and fixed assets investment rose by 25.6 per cent. This was also supportive of industrial production which rose by 18.1 per cent. However, the growth was partially counterbalanced by deceleration in residential fixed investment, as well as state and local government spending.

The Consumer Price Index (CPI) remained stable during the review period. It rose by 2.3 per cent on annual basis in March 2010 compared with an increase of 2.7 per cent in the previous quarter. The acceleration in inflation largely reflected energy prices as well as used car and truck prices, which rose by 18.9 per cent and 16.3 per cent, respectively.

The unemployment rate fell to 9.7 per cent during the quarter compared with 10.0 per cent in December 2009. The Federal Reserve Bank's Open Market Committee (FOMC) anticipates a gradual return to higher levels of resource utilization, and subdued inflation trends, which are likely to warrant the exceptionally low federal funds rate for an

extended period. As a result, the FOMC maintained the benchmark lending rate at 0.25 per cent.

**Table 1: Key World Economic Indicators**

	Real GDP Growth		Inflation Rate		Key interest Rate		Unemployment Rate	
	QIV:09	QI:10	QIV:09	QI:10	QIV:09	QI:10	QIV:09	QI:10
China	10.7	11.9	1.9	2.3	5.31	5.31	4.3	4.3
Euro area	2.2	N/A	0.90	1.4	1.00	1.00	10.00	9.90
India	0.4	N/A	13.51	9.90	4.75	5.00	7.32	N/A
Japan	3.8*	N/A	-1.30	-1.10	0.10	0.10	5.20	4.90
South Africa	3.2	N/A	6.30	5.10	7.00	6.50	24.3	25.2
United States	5.6*	3.2	2.7	2.3	0.25	0.25	10.00	9.70

**Source:** Bloomberg, The Economist, STATSSA and SARB

### **Euro-zone<sup>1</sup>**

Preliminary economic indicators showed mixed signals for Euro-zone's economic performance during the quarter under review. Industrial production increased by 1.6 per cent and 4.1 per cent in January and February 2010. The robust industrial pickup was mainly a result of rising export demand as well as a jump in the production of intermediate and capital goods. However, retail sales dropped by 0.6 per cent and 1.1 per cent in January and February 2010, respectively. In this regard, consumer spending remained the weakest link in economic recovery.

The harmonized unemployment rate in the Euro-zone rose by 9.9 per cent and 10.0 per cent in January and February 2010, respectively. The highest unemployment rates were registered in Latvia (21.6 per cent) as well as Estonia (15.5 per cent). Inflation, measured by changes in Harmonized Index of Consumer Prices (HCIP), increased by 1.4 per cent in March 2010, compared with a rise of 0.9 per cent registered in December 2009. The rise in inflation rate was mainly a result of energy price increase, it rose by 7.2 per cent in March 2010, as well as the rising food prices. In the light of weak consumer demand and low inflationary pressures, the European Central Bank (ECB) maintained its benchmark lending rate at 1.00 per cent in the review period.

<sup>1</sup> Euro-zone: Austria, Belgium, Cyprus, Germany, Greece, Finland, France, Ireland, Italy, Luxembourg, Malta, the Netherlands, Portugal, Slovakia, Slovenia and Spain. Slovakia became the 16<sup>th</sup> Euro-zone member country with effect from the 1<sup>st</sup> of January, 2010.

## **South Africa (SA)**

Economic performance indicators show that the SA economy has emerged from recession, though the pace of recovery was still below potential. Mining production rose by 9.7 per cent and 5.8 per cent in January and February 2010, respectively. Production of platinum group metals was the main contributor. Manufacturing production increased by 3.5 per cent and 2.7 per cent in January and February 2010, from a rise of 3.2 per cent in December 2009. This rise was indicative of higher production in motor vehicles; and vehicles' parts and accessories.

Inflation, measured by headline CPI, reflected an increase of 5.1 per cent in March 2010, in comparison with 6.3 per cent in December 2009. This rate was within the target range of 3 per cent to 6 per cent. Alcoholic beverages, tobacco, housing and utilities contributed to the slowdown in inflation. The South African Reserve bank's (SARB) Monetary Policy Committee reduced the repurchase rate by 50 basis points to 6.50 per cent in March 2010. The MPC took this decision in the light of slow economic recovery as well as improved inflation environment.

## **Emerging Asian Markets and Japan**

### **China**

GDP growth estimates in China indicated a growth of 11.9 per cent in the review quarter compared with 10.7 per cent observed in the previous quarter. The acceleration was a result of implementation of stimulus packages. China maintained a double-digit-growth rate which was partially influenced by a low base effect in 2009 when the economy grew by 6.2 per cent, the lowest pace in more than a decade. The growth was driven by domestic demand as retail sales surged by 17.9 per cent, fixed assets rose by 25.6 per cent and industrial production soared by 18.1 per cent.

The Consumer Price Index (CPI) remained stable during the review period. It rose 2.3 per cent in March 2010 compared with an increase of 1.9 per cent in the previous quarter. The rise in inflation largely reflected rising international commodity prices and domestic production costs. Unemployment rate remained unchanged at 4.3 per cent in the period ending March 2010. The People's Bank of China kept the one year benchmark lending rate at 5.3 per cent during the quarter under review.

### **Japan**

Japan's economy exhibited a robust recovery during the period under review. Industrial output rose by 18.9 per cent and 31.3 per cent in January and February 2010, respectively. The performance was prompted by mining, manufacturing and electricity production, which rose by 12.2 per cent, 16.0 per cent and 6.7 per cent in February 2010, respectively. Japanese exports rose 43.5 per cent in the period ending March 2010 from an increase of 12.1 per cent registered in December 2009. This jump was fuelled by expanding global demand, especially from Asia.

Japan recorded an unemployment rate of 4.9 per cent in March 2010 compared with 5.3 per cent in the period ending December 2009. However, Japan continued to experience the problem of deflation during the quarter under review. Inflation fell by 1.1 per cent in March 2010 following a decline of 1.7 per cent in December 2009. The continuous



deflation was a result of ineffective monetary stimulus as well as weak demand in the real economy. The Bank of Japan (BOJ) left its key interest rate unchanged at 0.1 per cent in the quarter ending March 2010. The key interest rate has been at this level since December 2008.

## **India**

Economic estimates in India indicated that the economy is responding positively to fiscal and monetary stimulus measures. Industrial production grew by 16.7 per cent and 15.1 per cent in January and February 2010, respectively, from a rise of 16.8 per cent observed in December 2009. This was largely influenced by government stimulus measures that resulted in higher domestic demand.

The inflation rate in India declined to 14.86 per cent in March 2010 from 12.5 per cent in December 2009. Increasing capacity utilization, rising commodity prices, moderating food prices and energy prices exerted more pressure on the overall inflation. The Reserve Bank of India unexpectedly raised the repurchase rate from 4.75 per cent to 5.00 per cent in March 2010 citing intensifying inflationary pressures and a steady economic recovery. This was the first increase of the repo rate, from a record low level resulting from major cuts in 2008.

## **Commodity Prices**

### **Overview**

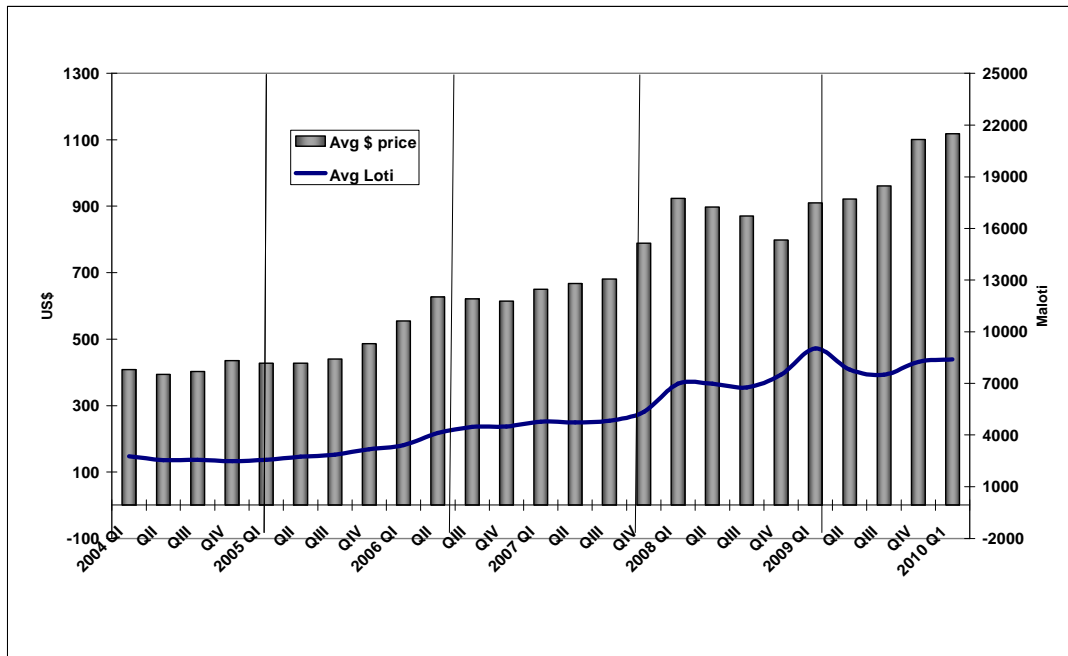
During the quarter under review, the price of mineral products continued to rise in both US dollar and Lesotho loti terms. The upward trend largely reflected the consolidated global recovery as well as the improved global demand. However, the price of agricultural products depicted a downward trend.

### **Mineral Products**

#### **Gold**

The average price of gold grew by 1.6 per cent to US\$1 118.9 per ounce in the first quarter of 2010. In SA rand terms, the average price of gold increased by 1.8 per cent to R8 395.2 per ounce during the review quarter, from R8 246.6 per ounce in the previous period.

**Figure 1: Average Price of Gold**

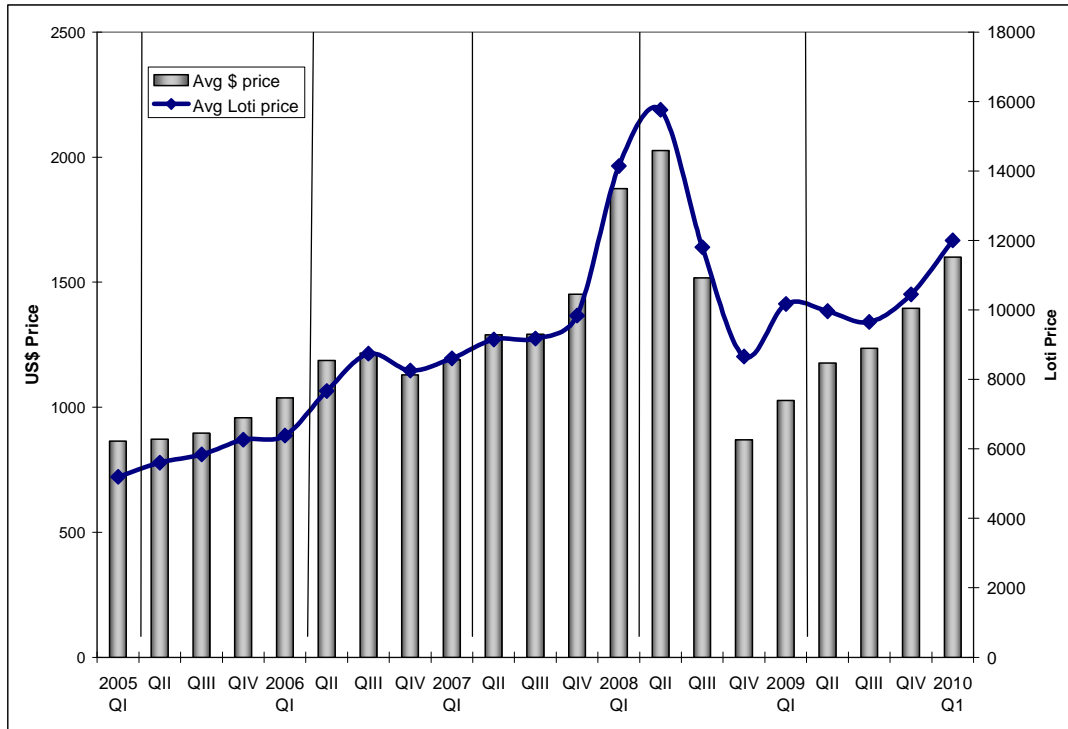


Source: Bloomberg

### Platinum

The price of platinum rose to US\$1 600.4 per ounce in the quarter ending March 2010 from US\$1 395.6 per ounce registered in December 2009. In Rand terms, the average price of platinum increased by 14.8 per cent to R12 002.8 per ounce during the review quarter, following R10 453.3 per ounce observed in the previous quarter.

**Figure 2: Average Price of Platinum**



Source: Bloomberg

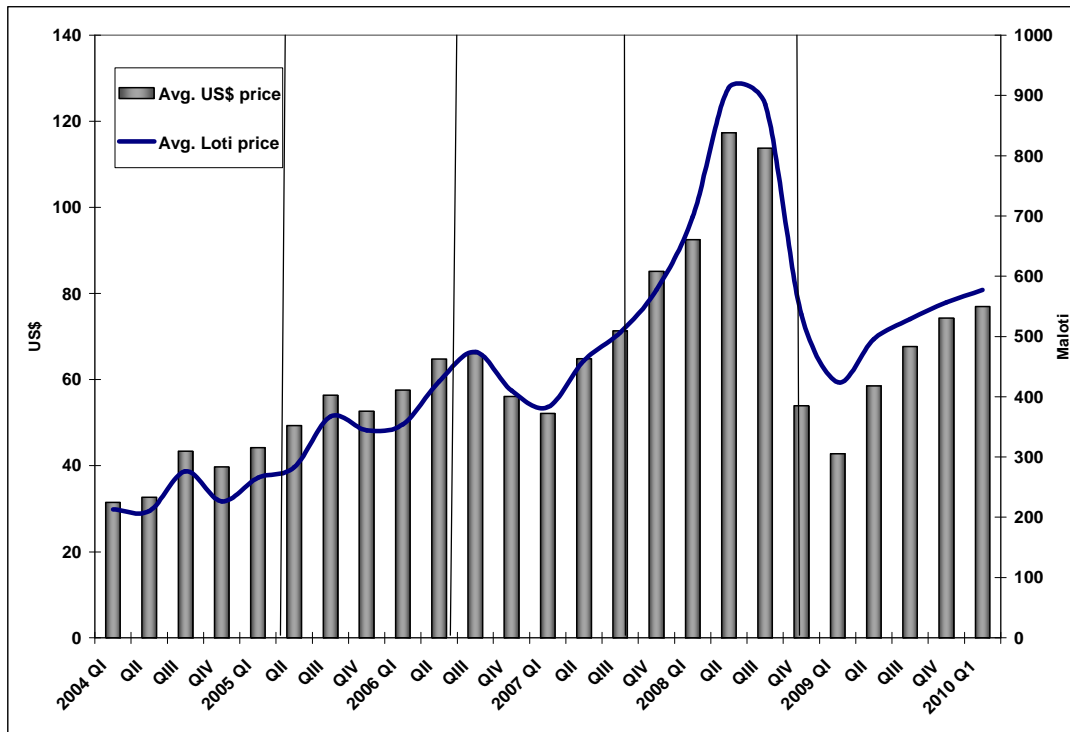
The improvement in the international price of gold and platinum could dampen the effect of the appreciation of the Rand against the US Dollar on production of these resources, and thus encourage SA gold and platinum mines to curb continuing retrenchments. This would increase job prospects for Basotho migrant mineworkers.

### Oil

During the quarter under review, the average price of crude oil maintained an upward trend. The average price of crude oil increased from US\$74.3 per barrel in the previous quarter to US\$76.9 per barrel in the quarter ending March 2010. In loti terms, the price of crude oil increased by 3.7 per cent to M577.3 per barrel in the review quarter, from M556.6 per barrel during the fourth quarter of 2009.

In line with persistent increase in crude oil prices, the domestic prices of petroleum products, in particular petrol and diesel, rose during the quarter under review. Petrol price closed the quarter ending March 2010 at 7.10 per litre compared with M6.90 per litre realised at the end of December 2009. Diesel increased to M7.25 per litre at the end of March 2010, from M7.20 recorded in December 2009. Illuminating paraffin remained unchanged at M4.95.

**Figure 3: Average Price of Oil**



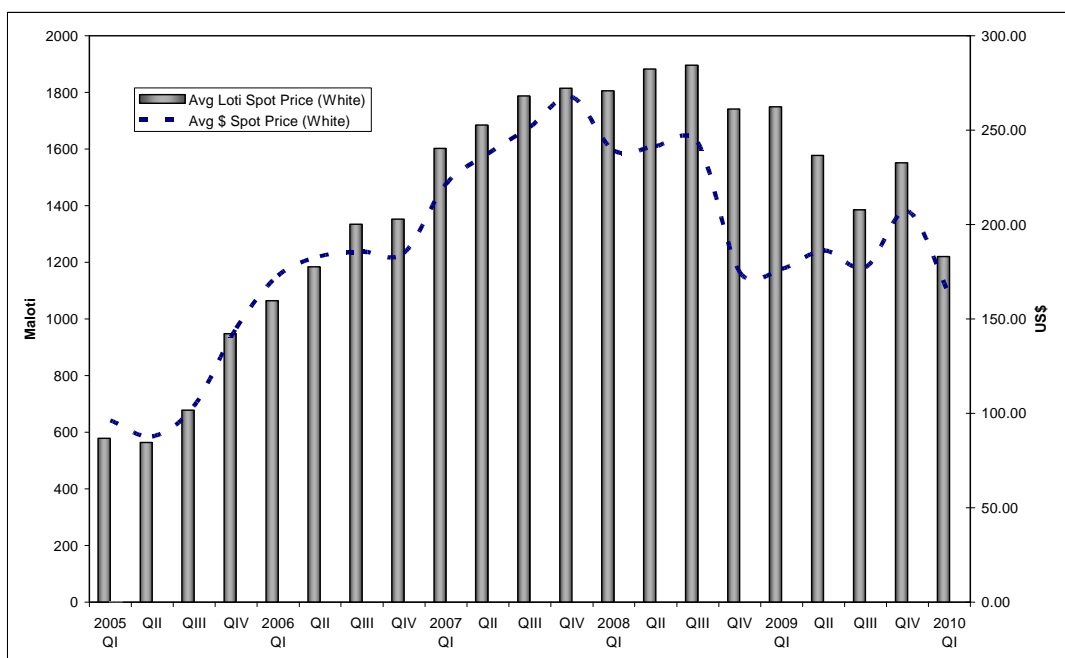
Source: Bloomberg

## Agricultural Products

### Maize

The average spot price of white maize declined by 21.4 per cent from US\$207.1 per tonne in the quarter ending December 2009 to US\$162.7 per tonne in the quarter ending March 2010. In Maloti terms, the average spot price of white maize fell by 21.3 per cent to M1 220.5 per tonne from M1 551.0 per tonne in the previous quarter.

**Figure 4: Average Spot Price of Maize**

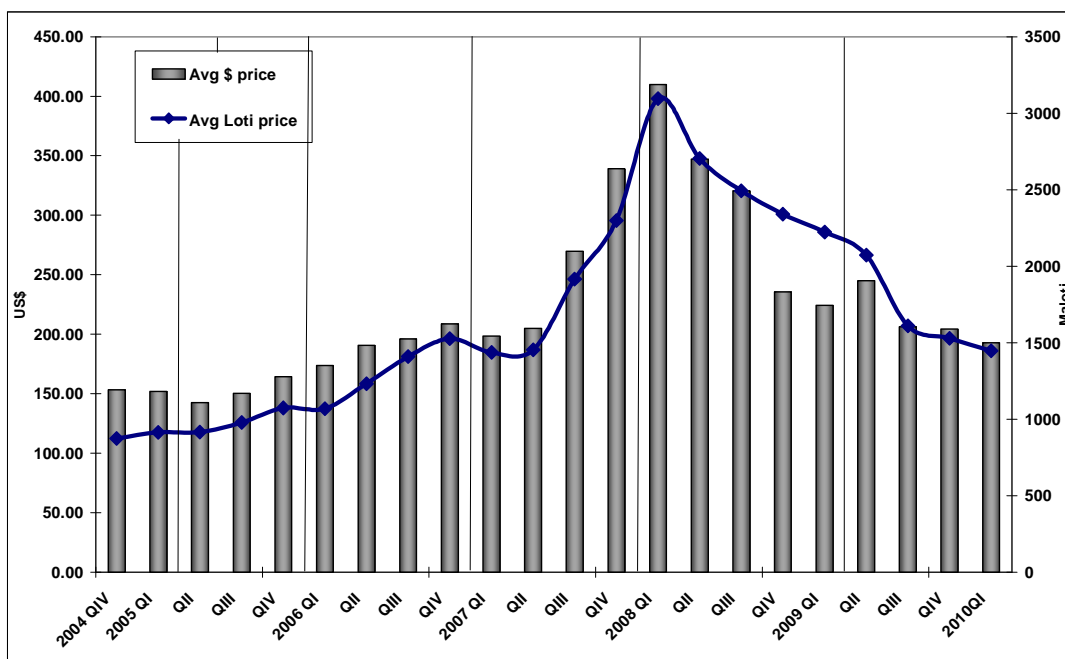


Source: Bloomberg

### Wheat

During the quarter under review, the average spot price of wheat declined by 5.6 per cent to US\$192.8 per tonne compared with 204.2 per cent registered in the quarter ending December 2009. In Maloti terms, the average spot price fell by 5.5 per cent to M1 445.9 per tonne during the review period, in comparison with M1 529.5 per tonne observed in the previous quarter.

**Figure 5: Average Spot Price of Wheat**



### III. Real Sector, Employment and Price Developments

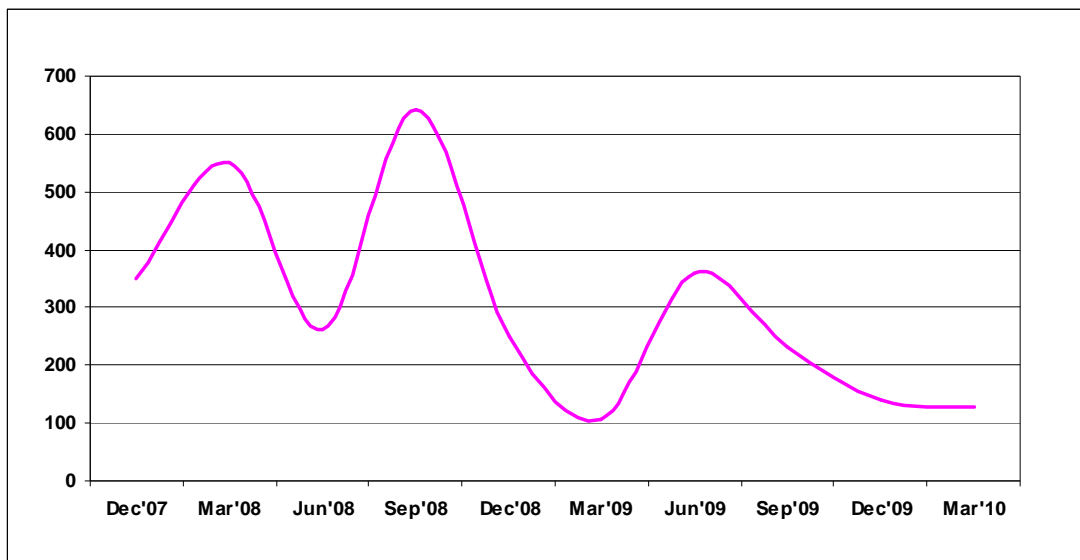
#### Overview

The domestic economy in the review period showed some signs of recovery. Economic activity in the primary sector remained low as mining production declined, although at a lower rate than in the previous quarters. However, secondary sector developments were mixed, with improved consumption of water and a decline in electricity. In addition, tertiary sector improved in the first quarter of 2010. Employment developments were favourable for the government sector while it declined in LNDC-assisted companies and migrant mine workers category.

#### Primary Sector Developments

The diamond production index declined from 141.8 percentage points during the last quarter of 2009 to 126.6 percentage points in the period under review. However, this decline is lower than the steep consecutive declines registered in the three previous quarters, signaling some form of moderation in the fall in global demand. The decline could be attributable to relatively lower average price per carat realized and lower than expected grade of diamonds recovered in the first quarter of 2010. Lets'eng Diamonds, which is the only diamond mine currently in operation, sold diamonds at an average price of \$1,753.00 per carat in the period under review, compared to \$1,893.00 per carat realized in the last quarter of 2009, constituting a decline of 7.4 per cent. Diamond production in Lesotho is expected to recover as the global economic recovery accelerates and as other mines come on board.

**Figure 6: Diamond Production Index**  
(2005: QI=100)



Source: Department of Mines and Geology

## Secondary Sector Developments

### Electricity Consumption

Electricity consumption declined by a modest 1.4 per cent on a quarterly basis in the first quarter of 2010 compared with a slump of 12.9 per cent observed in the previous quarter. The decline was observed mainly in the domestic component and to a smaller extent, in the “general purpose”. Nonetheless, commercial and industrial component increased by 3.2 per cent, mainly reflecting an improvement in wet industries as a result of the ongoing but fragile global economic recovery, especially in advanced economies.

**Table 2: Electricity Consumption**  
(Million Maloti)

	2009						2010	
	QII		QIII		QIV		QI	
	Kwh	Value	Kwh	Value	Kwh	Value	Kwh	Value
General Purpose	21.84	15.63	22.89	17.07	22.39	16.26	21.92	16.86
Domestic	45.04	29.2	46.92	31.39	42.95	28.69	39.35	26.29
Commercial & Industrial	78.6	37.53	84.28	40.64	68.86	33.58	71.06	31.86
<b>Total</b>	<b>145.48</b>	<b>82.37</b>	<b>154.09</b>	<b>89.10</b>	<b>134.2</b>	<b>78.54</b>	<b>132.34</b>	<b>75.02</b>

**Source:** Lesotho Electricity Authority and Lesotho Electricity Company

### **Water Consumption**

Water consumption increased by a seasonally adjusted 35.4 per cent in the quarter under review compared with a lower increase of 8.5 per cent observed in the previous quarter. On an annual basis, it increased by a seasonally adjusted 10.6 per cent. The performance in water consumption was driven mainly by increases in 'domestic' and 'other categories' on both annual and quarterly basis. Industrial water consumption, on the other hand, declined by 7.2 per cent on annual basis but increased by 15.3 per cent on a quarterly basis. The quarterly improvement in industrial water consumption is at the back of a recovery in the textile and clothing sector.



**Table 3: Water Consumption**

(Units in Million kilo-litres; value in Million Maloti)

		<b>Domestic</b>	<b>Industrial</b>	<b>Other</b>	<b>Total</b>
<b>2009</b> <b>I</b>	Units	0.92	1.18	0.56	2.66
	Value	3.68	7.55	3.37	14.60
	Units*		1.38		3.11
<b>II</b>	Units	0.87	2.00	0.56	3.43
	Value	3.65	8.75	3.40	16.11
	Units*		2.03		3.48
<b>III</b>	Units	0.88	1.01	0.57	2.46
	Value	3.85	8.04	3.44	15.33
	Units*		0.96		2.34
<b>IV</b>	Units	1.01	1.23	0.58	2.82
	Value	4.64	8.03	3.48	16.15
	Units*		1.11		2.54
<b>2010</b> <b>1</b>	Units	1.11	1.10	0.74	2.94
	Value	5.20	7.16	3.72	16.07
	Units*		1.28		3.44

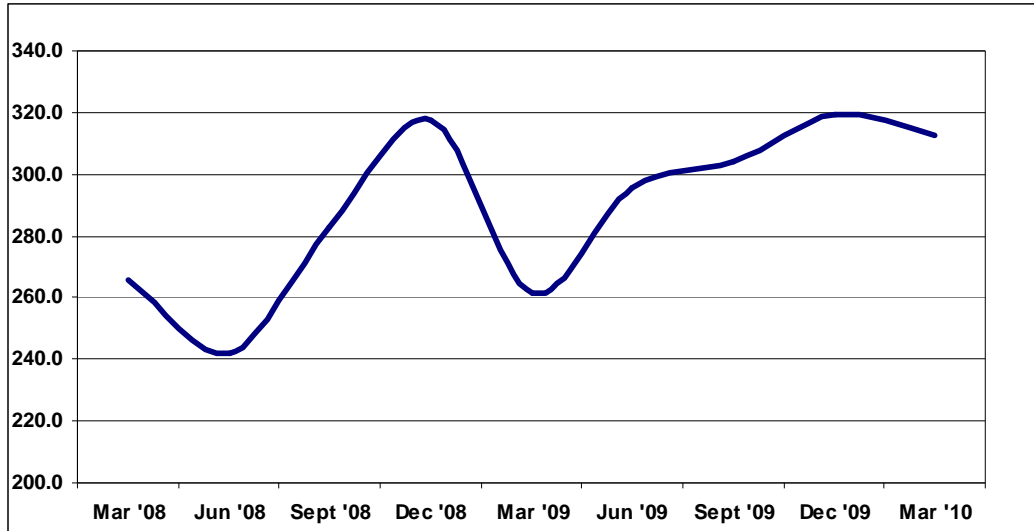
**Source:** Water and Sewerage Authority

\*denotes seasonally adjusted figures

**Tertiary Sector Developments****Sales Turnover**

The value of sales turnover declined by 2.1 per cent in the quarter ending in March 2010 compared with an increase of 5.1 per cent in the preceding quarter. On an annual basis, it increased by 19.5 per cent. The decline on the quarterly basis is a reflection of slower business activity compared with the buoyancy observed in the quarter ending in December 2009.

**Figure 7: Value of Sales Turnover**  
(Million Maloti)



Source: Lesotho Revenue Authority

### Telephone Statistics

The total number of telephone calls increased by an estimated 5.1 per cent in the quarter ending March 2010, from an increase of 8.3 per cent in the preceding quarter. On an annual basis, however, the number of telephone calls declined by 0.5 per cent. The quarterly increase may reflect early signs of recovery by the textile and clothing subsector while the annual decline may imply that the recovery is slow.

**Table 4: Telephone Traffic Statistics**

		SA Outgoing Calls	International Calls	Total Calls
<b>2009</b>				
<b>I</b>	No. of calls (millions)	2.09	0.12	2.21
	No. of calls*			2.35
	Total Duration (million minutes)	3.51	0.42	3.92
	Nominal Value (million maloti)	8.06	3.13	11.19
<b>II</b>	No. of calls (millions)	1.95	0.11	2.06
	No. of calls*			2.13
	Total Duration (million minutes)	3.39	0.36	3.75
	Nominal Value (million maloti)	7.79	2.57	10.36
<b>III</b>	No. of calls (millions)	2.09	0.11	2.21
	No. of calls*			2.00
	Total Duration (million minutes)	3.67	0.37	4.04
	Nominal Value (million maloti)	8.44	2.58	11.02
<b>IV</b>	No. of calls (millions)	2.04	0.12	2.15
	No. of calls*			2.17
	Total Duration (million minutes)	3.50	0.39	3.88
	Nominal Value (million maloti)	8.04	2.74	10.78
<b>2010</b>				
<b>I</b>	No. of calls (millions)	2.03	0.11	2.14
	No. of calls*			2.28
	Total Duration (million minutes)	3.52	0.37	3.89
	Nominal Value (million maloti)	8.09	2.63	10.72

**Source:** Tele-Com Lesotho and Vodacom Lesotho

\* Adjusted for seasonality.

### Investment Expenditure

#### Imported Motor Vehicles

On a quarterly basis, the number of imported motor vehicles declined by a seasonally adjusted 7.8 per cent in contrast with a 26.1 per cent increase observed in the previous quarter. However, the number of imported motor vehicles increased by 7.0 per cent on annual basis. The category of 'Cars' performed well while others categories declined. This performance was mainly driven by a drastic decline in government vehicles whereas purchase of vehicles by the private sector rose.

**Table 5: Motor Vehicle Imports<sup>+</sup>**

(Value in Million Maloti)

		Cars	Vans	Trucks	Buses	Tractors	M/ Cycles	Trailers	Total
<b>2009</b>									
<b>I</b>	Value	36.80	59.16	20.54	10.72	1.37	0.06	2.80	131.45
	Units *								781
	Units	385	340	34	46	5	3	18	831
<b>II</b>	Value	28.96	66.18	65.95	12.48	0.15	0.09	2.40	176.21
	Units *								859
	Units	317	354	84	42	4	1	11	813
<b>III</b>	Value	29.46	58.05	18.90	4.77	0.53	0.01	0.91	112.62
	Units *								719
	Units	374	329	42	20	11	1	14	791
<b>IV</b>	Value	51.29	45.64	5.29	9.07	0.43	0.08	2.03	113.83
	Units *								907
	Units	498	233	23	27	8	3	18	810
<b>2010</b>									
<b>I</b>	Value	39.99	52.08	8.91	3.09	2.4	0.13	1.61	110.30
	Units *								786
	Units	479	272	18	23	15	2	20	836

**Source:** Avis Fleet Services Lesotho and Customs Department

\*denotes seasonally adjusted figures

+Includes imports of second hand cars

### Employment Developments

Employment in LNDC- assisted companies declined by 4.9 per cent and 1.2 per cent on a quarterly and on an annual basis, respectively. The quarterly decline mainly reflects job losses of about 2400 people resulting from closure of a knit garment firm in Mafeteng, the southern part of the country in February 2010. The firm closed down due to a drastic reduction in orders from foreign buyers. This indicated that the recovery in global demand could be too weak for some domestic exporters of manufactured goods. Employment in clothing and textiles constitutes the largest share of employment in LNDC assisted companies. Nonetheless, employment in subsectors, such as, construction, hotels and accommodation and electronics performed well, whereas employment in food and beverages, retail and other manufacturing declined.

**Table 6: Employment Trend of LNDC-Assisted Companies**

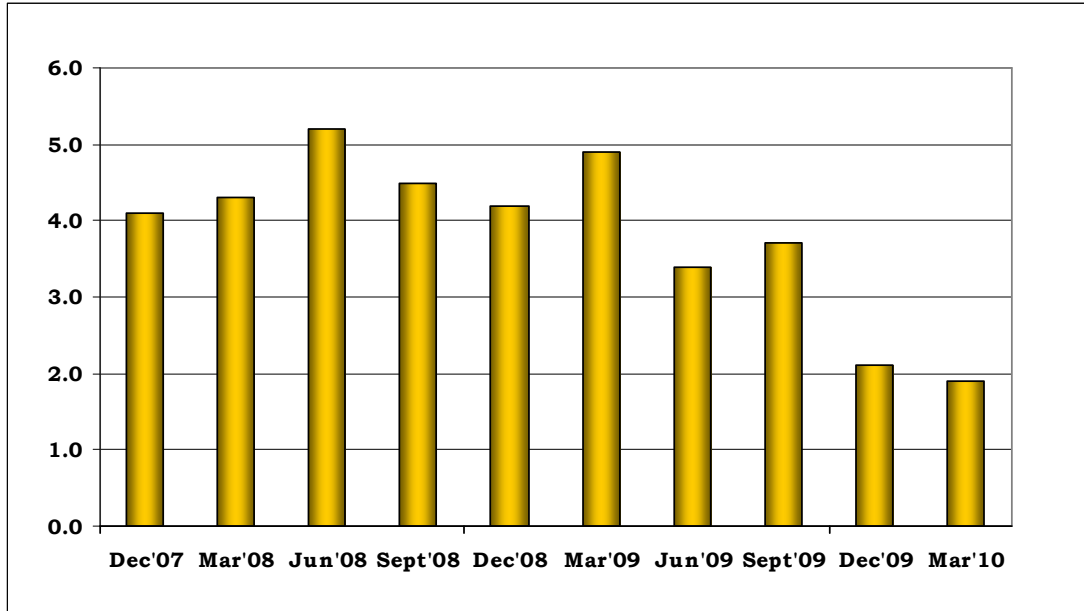
Industry	2009				2010
	QI	QII	QIII	QIV	QI
Knit Garments	23 665	24 295	24 559	24 427	22 228
Woven Garments	13 063	13 298	13 588	13 443	13 677
Footwear	2 010	2 931	2 928	2 929	2 884
Fabrics, Yarn etc.	1 616	1 590	1 667	1 628	1 449
Construction	169	268	273	270	295
Food & Beverages	921	864	871	867	855
Electronics	1 566	1 367	1 349	1 358	1 456
Retail	210	165	165	165	150
Hotel & Accommodation	446	404	404	404	461
Other	999	895	895	895	643
<b>TOTAL</b>	<b>44 665</b>	<b>46 077</b>	<b>46 699</b>	<b>46 386</b>	<b>44 098</b>

**Source:** Lesotho National Development Corporation

\*denotes LNDC preliminary estimate

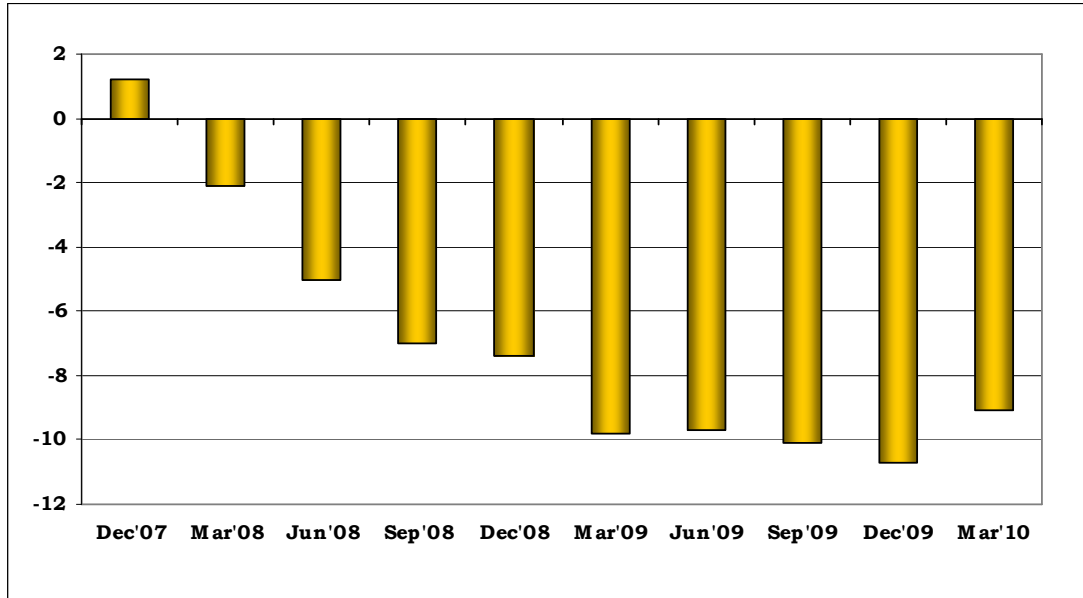
The number of government employees increased by a modest 0.7 per cent during the quarter ending March 2010, coming from a decline of 0.5 per cent registered in the previous quarter. On an annual basis, public sector employment increased by 1.9 per cent in the first quarter compared to the 2.1 per cent realized in the last quarter of 2009, representing a deceleration of 20 percentage points. The category of teachers performed well on an annual basis, with an increase of 2.3 per cent.

**Figure 8: Government Employment**  
(Annual Percentage Change)



The number of migrant mineworkers continued to decline during the quarter ending March 2010, falling by 2.2 per cent on a quarterly basis. It declined from 48 715 to 44 284 on an annual basis, equivalent to 9.1 per cent decline, driven mainly by the low global demand as the world struggles to get out of the global recession. However, the buoyant global gold market resulted in improvement in the rate of decline on an annual basis. Employment in South African mines, in the quarter under review, remained almost constant as compared to the previous quarter. Although there are clear signs of economic recovery, the recovery is sluggish and its sustainability is still uncertain.

**Figure 9: Migrant Mineworkers Employment**  
(Annual Percentage Change)



### Price Developments

The overall inflation rate, measured as a percentage change in Consumer Price Index (CPI), remained flat at 4.2 per cent in the quarter ending in March 2010. Increases in components such as “Alcoholic beverages and tobacco” and “Education” as well as a significant slowdown in the fall in “Housing, electricity, gas & other fuels” dampened the effect of lower inflation rates in components such as “food and non-alcoholic beverages”, “transport” and “furniture, household equipment and routine house maintenance”. Lesotho’s inflation rate stayed below the South African counterpart as shown in Figure 10 below, though the gap between the two inflation rates is narrowing.

**Table 7: Inflation Rate**

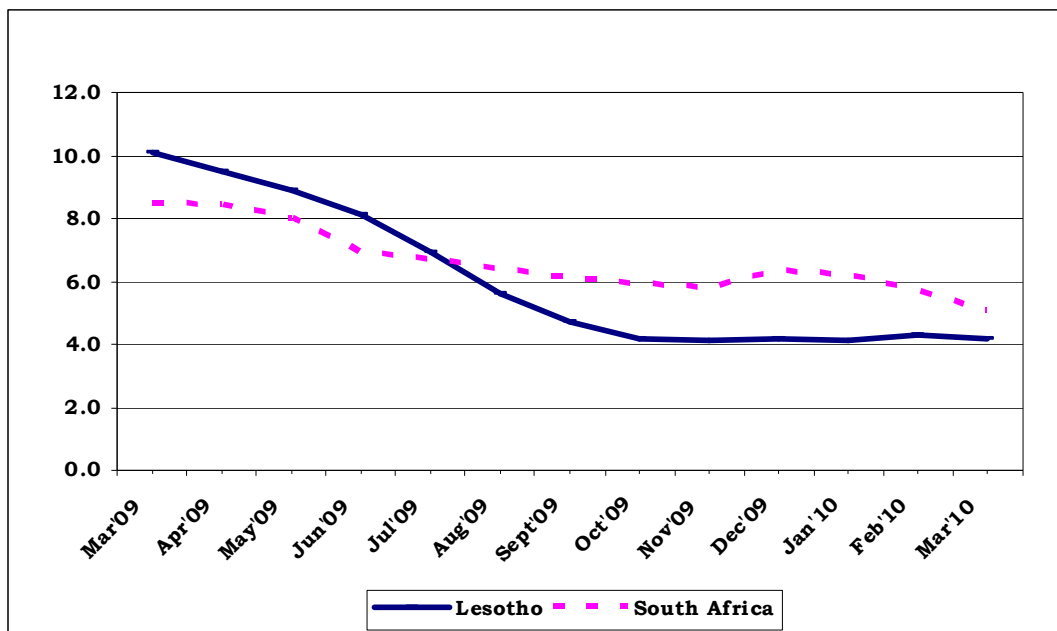
(Annualised Percentage Change: April 1997=100)

	Weight	2009		2010		
		Nov	Dec	Jan	Feb	Mar
All items	100.0	4.1	4.2	4.1	4.3	4.2
Food and non-alcoholic beverages	39.8	3.7	3.2	3.1	3.5	3.0
Alcoholic beverages & Tobacco	6.4	9.0	8.9	9.0	9.3	10.8
Clothing & footwear	15.6	5.4	5.2	4.4	5.0	5.2
Housing, electricity gas & other fuels	3.7	-6.5	-6.4	-2.6	-2.4	-0.6
Furniture, households equipment & routine maintenance of house	17.0	5.4	5.2	5.0	4.8	4.7
Health	1.4	2.8	3.1	3.1	3.7	2.6
Transport	7.8	3.8	7.4	6.6	6.6	6.2
Communication	0.1	0.0	0.0	0.0	0.0	0.0
Leisure, entertainment & Culture	1.2	3.8	3.0	4.0	2.8	3.2
Education	3.2	2.2	2.0	5.7	5.6	5.7
Restaurant & Hotels	0.4	7.0	5.4	5.9	5.2	4.7
Miscellaneous goods & services	3.2	4.8	4.2	3.8	4.2	4.5

**Source:** Bureau of Statistics, Lesotho



**Figure 10: Annual Inflation Rate for Urban Households**  
(Percent)



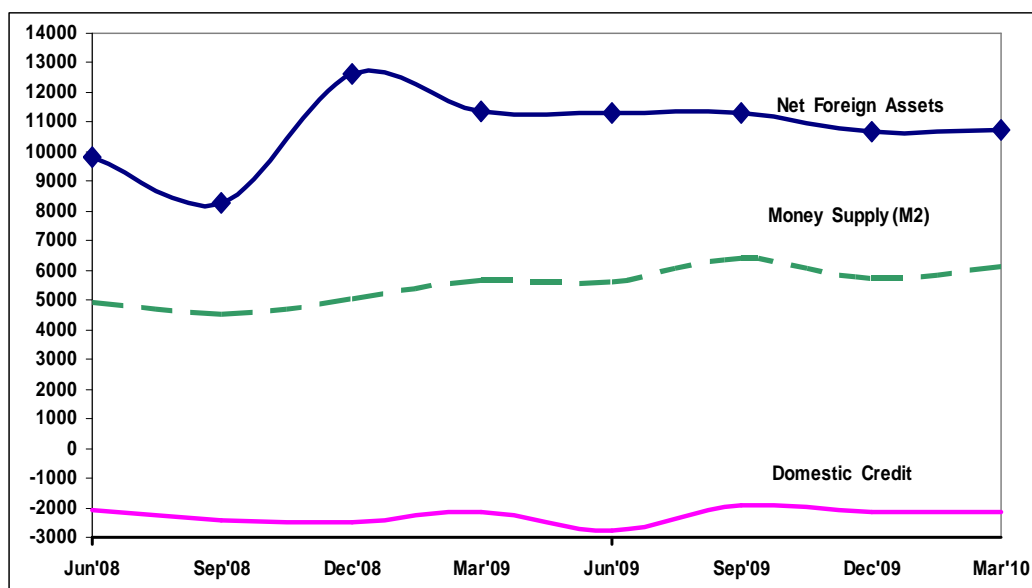
#### IV. Monetary and Financial Developments

##### Determinants of Money Supply

During the quarter ending March 2010, money supply rose by 7.0 per cent contrasted with a decline of 10.7 per cent recorded at the end of December 2009. On annual basis, broad money registered an increase of 8.8 per cent during the review quarter which was slower than a rise of 14.0 per cent observed in the fourth quarter of 2009. The growth in money supply during the review quarter was mainly due to the increase in net foreign assets (NFA) which outweighed the decline in total domestic credit including net claims on government.

**Figure 11: Overview of Recent Monetary Developments**

(Million Maloti: End of Period)



**Table 8: Determinants of Money Supply**

(Million Maloti: Changes)

Determinants	2009				2010
	Mar	Jun	Sep	Dec	Mar
Net foreign assets	227.1	-218.3	19.6	-662.0	88.8
Domestic credit	378.4	-581.3	760.9	-247.3	349.6
Net Claims on Govt	328.0	-693.0	671.7	-352.0	358.5
Statutory bodies	-3.8	-2.4	-2.2	-35.4	30.6
Private sector	54.6	114.1	91.5	140.1	-39.5
Other items, net	-1.5	-745.8	-55.9	-206.8	59.3
Money Supply (M2)	607.0	-54.8	836.4	-686.3	398.2

## Components of Money Supply

Broad money comprises narrow and quasi money. During the review quarter, the two major components of money supply followed opposing trends. On the one hand, narrow money rose by 10.2 per cent at the end of March, contrasted with a 14.0 per cent recorded at the end of the previous quarter. The increase was due to 11.7 per cent rise in demand and call deposits held with commercial banks, as well as a 2.4 per cent rise in currency with the public. Therefore, demand and call deposits continued to constitute a dominant share of money supply. On the other hand, quasi money dropped by 1.8 per cent during the same quarter, largely because of a decline of 8.2 per cent in time deposits which swamped the 8.0 per cent rise in savings deposits.

**Table 9: Money Supply**

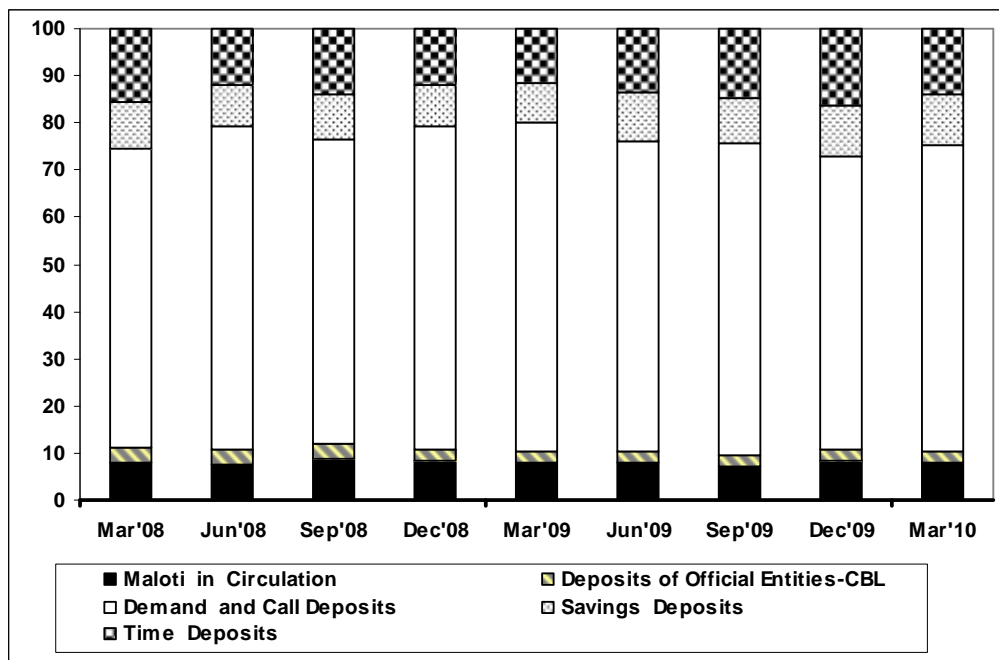
(Million Maloti; End of Period)

	2009				2010
	Mar	Jun	Sep	Dec	Mar
Money Supply (M2)	5629.1	5574.8	6411.2	5725.0	6123.1
Money (M1)	4394.8	4234.5	4853.6	4176.5	4602.8
Maloti with public	441.3	434.8	471.0	487.2	498.9
Demand deposits <sup>1</sup>	3823.9	3666.8	4221.1	3552.9	3967.2
Deposits of official Entities with CBL	129.8	133.8	135.7	136.4	136.7
Quasi-Money	1234.3	1340.3	1557.6	1548.5	1520.3
Savings deposits	587.3	593.1	621.1	607.0	655.6
Time deposits	647.0	747.2	936.6	941.5	864.7

<sup>1</sup> includes call deposits

NB: Totals may not tally due to rounding off

**Figure 12: Components of Money Supply**  
(Percentage shares)



### Commercial Banks' Deposits by Holder

The quantity of deposits held with the local commercial banks grew by 8.8 per cent at the end of the March 2010 in contrast with a decline of 12.8 per cent recorded at the end of December 2009. The upward trend was at the back of an increase in the deposits of both the private sector and statutory bodies which rose by 6.3 and 153.4 per cent, respectively. The deposits of the private sector rose mainly as a result of a 9.7 per cent increase in demand and call deposits coupled with an 8.0 per cent rise in savings deposits (see Table 10). Conversely, time deposits of the private sector declined by 7.3 per cent during the review quarter. The increase in commercial bank's deposits may reflect increased activity associated with deposit mobilisation in the country. Furthermore, commercial banks continued to predominantly hold private sector deposits at the end of March 2010.

**Table 10: Commercial Banks' Deposits by Holder**

(Million Maloti: End of Period)

	2009				2010
	Mar	Jun	Sep	Dec	Mar
<b>Total Deposits</b>	5029.3	4977.7	5778.8	5041.4	5485.0
<b>Private Sector</b>	4918.4	4879.9	5637.0	4956.6	5270.3
Demand deposits	3685.6	3541.4	4082.0	3420.0	3751.9
Savings deposits	587.2	593.0	621.0	606.9	655.5
Time deposits	645.5	745.5	933.9	929.7	862.9
<b>Statutory Bodies</b>	110.9	97.8	141.8	84.7	214.8

NB: Totals may not tally due to rounding off

**Liquidity of Commercial Banks**

The liquidity of commercial banks, measured by the ratio of liquid assets to deposit liabilities and placements of other banks, remained high at the end of the first quarter of 2010 (see Table 11). The ratio stood at 78.8 per cent during the review period which was slightly higher than 78.0 per cent recorded at the end of the fourth quarter of 2009. The increase resulted from a rise in liquid assets which suggests that the commercial banks anticipate a turnaround in interest rates in the near future and avoid tying funds in assets with longer dated maturities. The credit deposit ratio deteriorated from the 34.1 per cent recorded in December 2009 to 31.2 per cent at the end of the review quarter.

**Table 11: Components of Commercial Banks' Liquidity**

(Million Maloti: End of Period)

COMPONENT	2009				2010
	Mar	Jun	Sep	Dec	Mar
Maloti Notes and Coins	59.8	62.7	70.4	97.1	99.1
Rand Notes and Coins	37.0	38.6	40.8	65.9	63.9
Balances due from Lesotho Banks	994.9	875.1	1400.0	1116.2	1482.6
Balances due from Foreign Banks	3286.1	2954.0	4061.2	3282.3	3330.1
Clearing Balances with CBL	233.9	196.8	190.4	43.6	2.2
CBL Bills	0.0	0.0	0.0	0.0	0.0
Lesotho Government Securities	480.2	479.7	477.8	472.8	500.6

**Table 12: Consolidated Balance Sheet of Commercial Banks**

(Million Maloti: End of Period)

	2009				2010
	Mar	Jun	Sep	Dec	Mar
Net foreign assets	3321.6	3133.1	4023.8	2986.7	3282.5
Deposits with CBL	233.9	196.8	190.4	235.4	223.7
Credit:	2040.4	2172.6	2140.3	2105.6	2121.7
Statutory Bodies	40.0	37.6	35.4	0.0	0.0
Private Sector	1493.2	1605.4	1694.9	1721.5	1712.6
Government securities	530.2	529.6	410.0	384.1	409.1
Assets/Liabilities	5466.4	5502.5	6354.5	5092.3	5627.9
Private sector deposits <sup>2</sup>	5029.3	4977.7	5778.8	5041.4	5485.0
Government deposits	37.8	33.8	35.3	26.8	22.2
Capital, reserves & other, net	542.3	491.0	540.4	259.5	120.7

<sup>2</sup> includes statutory bodies' deposits.**Demand for Money****Domestic Credit**

During the quarter under review, domestic credit including commercial banks' claims on government rose by 0.8 per cent compared with an increase of 5.7 per cent at the end of the quarter ending December, 2009. This increase reflected a rise in commercial banks' holding of treasury bills during the review quarter. However, domestic credit slowed down by 0.5 per cent during the review quarter contrasted with the growth of 6.5 per cent realised in the previous quarter. Moreover, domestic credit increased by 22.8 per cent on an annual basis during the review quarter following a 29.2 per cent recorded at the end of December 2009.

**Table 13: Domestic Credit Excluding Net Claims on Government\***

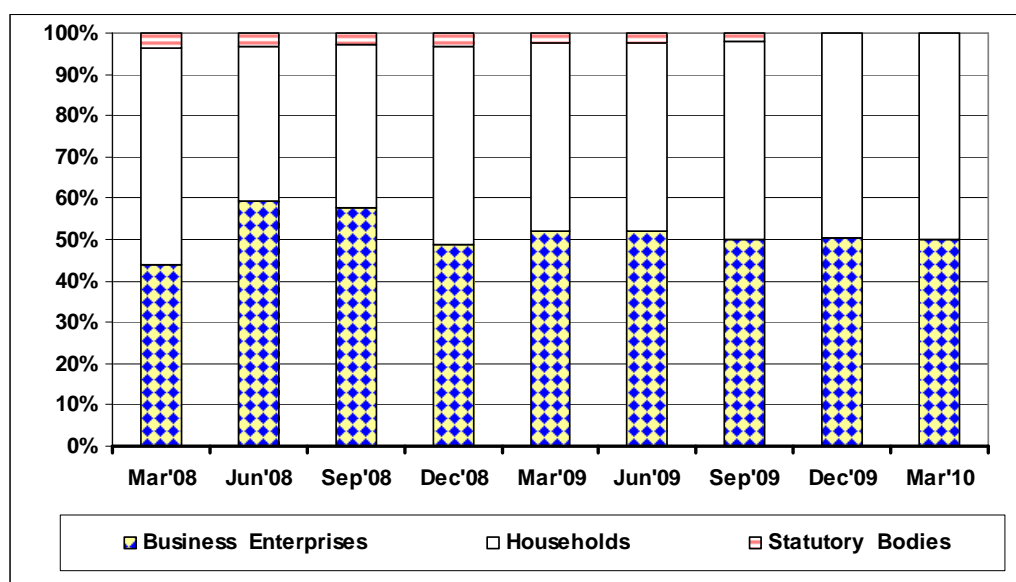
(Million Maloti: End of Period)

	2009				2010
	Mar	Jun	Sep	Dec	Mar
Domestic Credit	1533.2	1643.0	1730.3	1775.9	1769.9
Credit to private sector	1493.2	1605.4	1694.9	1748.9	1740.0
Business enterprises	797.7	852.2	864.9	878.7	868.9
Households	695.5	753.2	830.0	870.2	871.1
Credit to statutory bodies	40.0	37.6	35.4	0.0	0.0

\*excludes non performing loans

**Figure 13: Distribution of Credit by Holder**

(Percentage shares)



### Credit to Private Sector

Credit to the private sector by domestic commercial banks is an efficient way to support investment in an economy. At the end of March 2010, credit extended to this sector decreased by 0.5 per cent. This decline was attributable to both credit granted to businesses which offset a small increase in credit to households. Credit to businesses recorded a 1.1 per cent decline in the review quarter, compared with 14.2 per cent increase recorded during the previous quarter. Credit to households rose by 0.1 per cent



during the review quarter, slower than the 3.6 per cent increase observed at the end of December. This led to a decrease in the share of credit granted to businesses to total private sector credit from 48.4 per cent in December 2009 to 47.4 per cent in March. On an annual basis, credit to the private sector recorded an increase of 22.8 per cent following a 29.8 per cent observed during the previous quarter. The growth in private sector credit was driven by 21.7 and 24 per cent increase in credit to businesses and households, respectively.

### **Sectoral Distribution of Credit**

The portion of private sector credit granted to business enterprises, declined by 0.5 per cent in the review quarter. The driver of the trend was mainly the fall in credit to the mining, manufacturing and construction sub-sectors. However, the decline was moderated by the rise in credit extended to the transport, storage and communication, electricity, retail, hotel and restaurant and the non-bank financial institutions and real estate sub-sectors. On the contrary, credit extended to businesses had increased by 3.8 per cent in December 2009. The transport, storage and communication sub-sector had a share of 27.2 per cent of total private sector credit followed by the manufacturing sector with a 16.2 per cent share. The share of credit extended to the wholesale, retail, hotel and restaurant sub-sector increased from 9.4 per cent in the previous quarter to 17.0 per cent in March 2010.

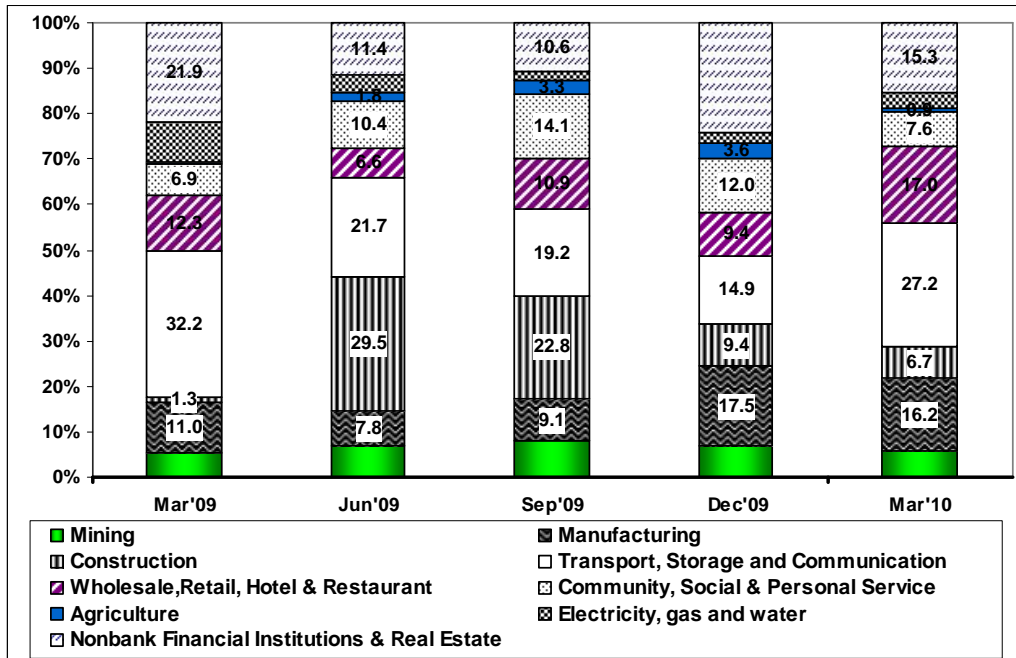
**Table 14: Sectoral Distribution of Credit to Enterprises\***

(Million Maloti: End of period)

SECTOR	2009				2010
	Mar	Jun	Sep	Dec	Mar
Agriculture	2.2	15.5	28.4	32.2	8.4
Mining	43.0	57.8	69.7	61.9	52.5
Manufacturing	80.1	66.4	78.1	156.5	151.4
Construction	215.0	212.9	164.6	84.7	62.6
Transport, storage and communication	72.6	184.0	164.9	133.6	253.9
Electricity, gas and water	10.5	32.9	16.7	20.6	31.1
Wholesale, retail, hotel and restaurant	62.4	56.3	93.7	83.9	158.2
Non-bank financial institutions and real estate	173.7	96.4	91.1	215.2	142.9
Community, social and personal services.	94.5	88.3	121.4	108.0	71.2
All sectors	754.0	810.2	828.6	896.6	932.2

\* includes non-performing loans

**Figure 14: Commercial Banks' Credit to Business Enterprises**  
(Percentage shares)



### Net Claims on Government

The banking system's net claims on government increased by 4.4 per cent at the end of the quarter ended March, as opposed to a 9.6 per cent increase registered at the end of December 2009. Net claims on government by the commercial banks, which predominantly comprise holdings of treasury bills, plummeted by 28.7 per cent in the review quarter. However, net claims on government by the CBL rose by 7.6 per cent during the quarter ending March. The increase reflected a significant decline of 11.4 per cent in deposits of government held with the Central Bank. This reflected an increase in the excess of government spending over revenue during the quarter under review.

**Table 15: Banking System's Net Claims on Government**

(Million Maloti: End of Period)

Holder	2009				2010
	Mar	Jun	Sep	Dec	Mar
Commercial banks	492.4	495.7	374.7	357.3	386.9
Claims on Government	530.2	529.6	582.3	573.8	409.1
o/w MP T Bills <sup>3</sup>	461.8	490.5	477.8	472.8	319.1
Less Government deposits	37.8	33.8	35.3	26.8	22.2
CBL	-4115.0	-4811.4	-4018.7	-4353.4	-4024.4
Claims on Government <sup>4</sup>	345.5	292.8	288.3	308.3	273.1
Less Government deposits	4460.5	5104.2	4307.1	4661.7	4297.5
o/w blocked account	475.7	506.1	512.0	509.9	514.3
<b>Total Net Claims</b>	<b>-3645.7</b>	<b>-4315.7</b>	<b>-3644.0</b>	<b>-3806.3</b>	<b>-3637.5</b>

<sup>3</sup> 'MP T Bills' means monetary policy treasury bills.<sup>4</sup> IMF loans on-lent to the GOL.**Net Foreign Assets**

During the quarter under review, the net foreign assets of the banking system increased by a small 0.8 per cent at the end of March in contrast with a decline of 5.9 per cent recorded in December 2009. The increase resulted from a 9.9 per cent rise in net foreign assets of commercial banks. Consequently, the share of commercial banks' net foreign assets increased from the December 2009 level (see Figure 15). The net foreign assets of the central bank fell by 2.7 per cent during the same period reflecting shrinkage of 2.6 per cent of the portfolio of foreign assets.

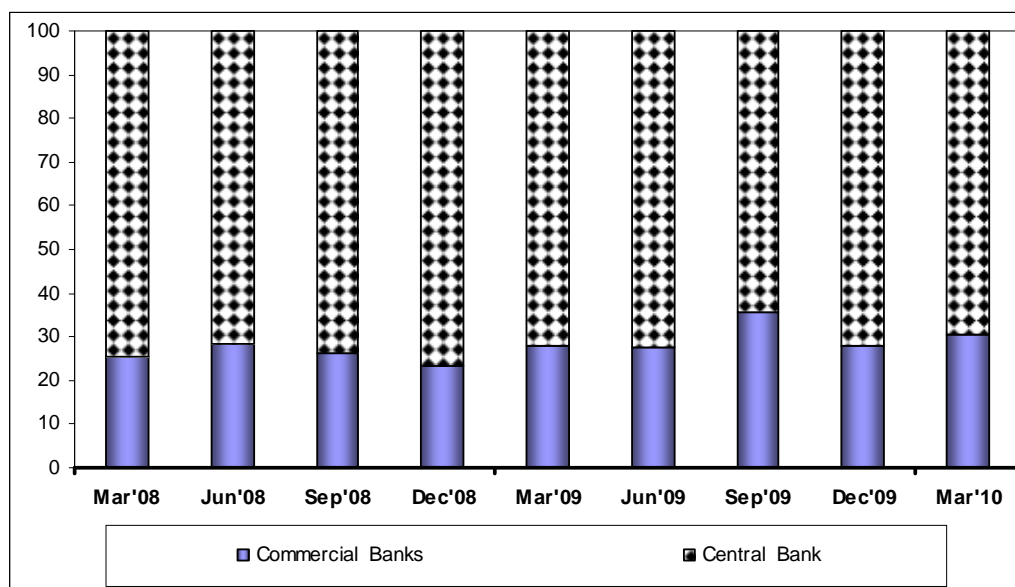
**Table 16: Banking System's Foreign Assets and Liabilities**

(Million Maloti: End of Period)

Holder	2009				2010
	Mar	Jun	Sep	Dec	Mar
A. Commercial Banks	3321.6	3133.1	4023.8	2986.7	3282.5
Foreign Assets	3453.3	3206.2	4075.7	3297.2	3345.1
Foreign Liabilities	-131.7	-73.1	-51.8	-310.5	-62.6
B. Central Bank of Lesotho	8191.2	8160.8	7289.8	7664.9	7457.8
Foreign Assets	8921.9	8852.0	7976.5	8345.4	8129.2
Foreign Liabilities	-730.8	-691.1	-686.7	-680.5	-671.3
Net Total	11 512.8	11 294.0	11 313.6	10 651.6	10 740.3

**Figure 15: Net Foreign Assets**

(Percentage shares)



## Money Market Developments

### Overview

The first quarter of 2010 saw a 0.9 per cent increase in total holdings of treasury bills contrasted with a fall of 1.4 per cent during the fourth quarter of 2010. The holdings of treasury bills by commercial banks increased by 3.3 per cent in March, viz-avis a decline of 1.0 per cent in December. Nonetheless, commercial banks continued to dominate the market. Consequently, the share of the non-bank sector in the total holding of treasury bills fell from 17.3 per cent in the quarter ending December 2009 to 15.3 per cent at the end of March 2010. The share held by commercial banks rose from 82.7 per cent in the previous quarter to 84.7 per cent in the review quarter.

**Table 17: Holding of Treasury Bills**

(Face Value; Million Maloti)

Type of Holder	2009				2010
	Mar	Jun	Sep	Dec	Mar
Total	561.4	592.6	582.3	586.4	591.6
Banking System	507.4	508.7	478.1	484.9	500.9
Central Bank	0.3	0.3	0.3	0.3	0.3
Commercial Banks	507.1	508.4	477.8	484.6	500.6
Non-Bank Sector	54.0	83.8	104.1	101.4	90.7
NBFIs	7.3	45.4	62.3	61.6	44.2
Others	46.7	38.4	41.8	39.8	46.5
Memorandum Item					
Average Yield (per cent)	9.92	7.05	7.14	6.94	6.73

### Money Market and Short-term Interest Rates

The domestic deposit rates generally remained intact during the quarter ending March 2010. However, the domestic prime lending rate fell further from an average of 11.67 per cent in December 2009 to 11.50 per cent at the end of March. This trend was in line with counterpart rate in South Africa which decreased from 10.50 per cent in December to 10 per cent during the review quarter (see Table 18). In addition, the 91-day Treasury bill rate decreased during the review quarter from 6.66 per cent in December 2009 to 6.46 per cent in March. Similarly, the 91-day Treasury bill rate in South Africa declined from 7.14 per cent in December to 6.60 per cent during the same period. Consequently, the gap between the two rates narrowed from 28 basis points to 14 basis points.

**Table 18: Major Money Market Interest Rates**

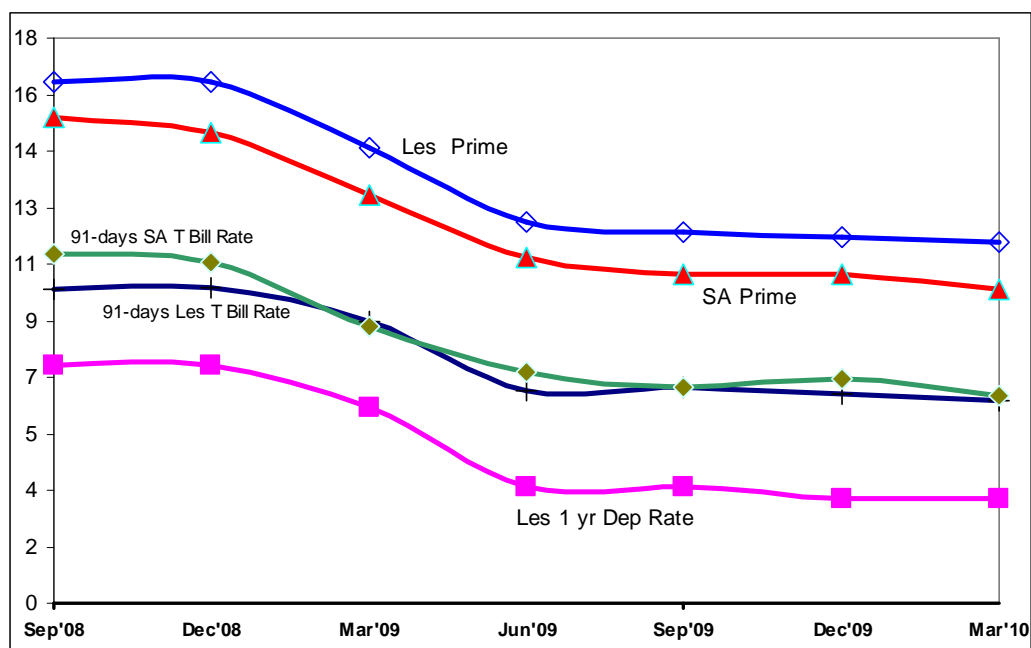
(Percent: End of Period)

Interest Rates by Type	2009				2010
	Mar	Jun	Sep	Dec	Mar
Central Bank					
T Bill Rate – 91 Days	9.00	6.76	6.84	6.66	6.46
Lombard Rate	13.00	10.76	10.84	10.66	10.46
Commercial Banks <sup>5</sup>					
Call	4.75	1.75	1.75	1.75	1.75
Time:					
31 days	3.96	1.65	1.65	1.65	1.65
88 days	4.64	2.20	2.20	1.95	1.95
6 months	5.02	2.63	2.53	2.26	2.26
1 year	6.23	3.69	3.69	3.35	3.35
Savings	3.64	2.11	2.11	2.05	2.05
Prime	14.50	12.17	11.83	11.67	11.50
South Africa *					
Repo	9.50	7.50	7.00	7.00	6.50
T Bill Rate – 91 Days	8.82	7.38	6.90	7.14	6.60
Marginal Lending					
Rate	14.50	12.50	12.00	12.00	11.50
Prime	13.00	11.0	10.50	10.50	10.00

\* Figures for South Africa were obtained from the SARB

<sup>5</sup> Average rates by commercial banks

**Figure 16: Short-Term Interest Rates**  
(Percent Per Annum)



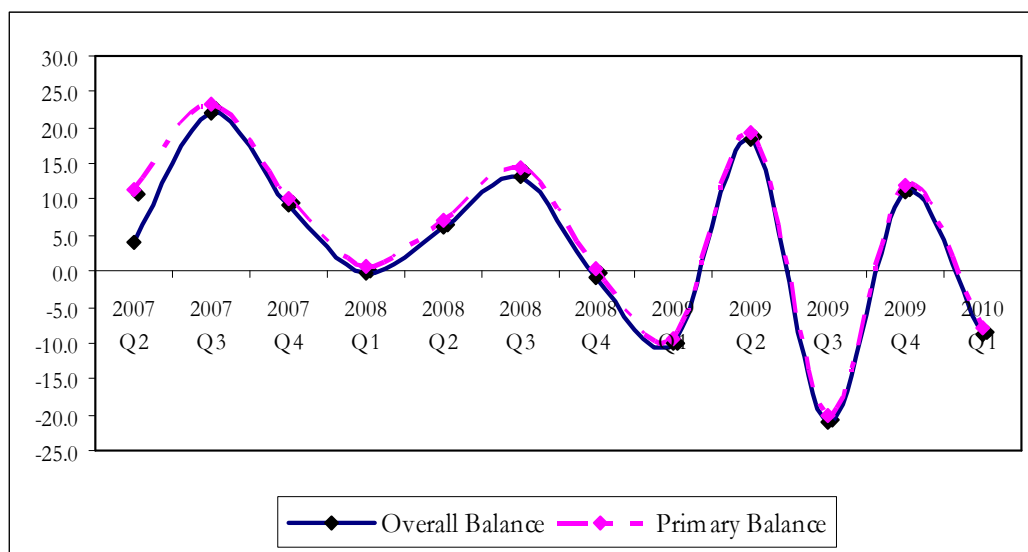
## V. Government Finance

### Summary of Budget Outturn

Preliminary estimates on government budgetary operations indicate that a deficit equivalent to 8.8 per cent of GDP was recorded on a quarter-to-quarter basis during the review period compared to a surplus equivalent to 11.2 per cent of GDP during the quarter ending December 2009. Government expenditure and net lending increased by 36.8 per cent on a quarter-to-quarter basis. As a share of total expenditure, recurrent expenditure recorded 66.6 per cent, compared with 83.4 per cent observed in the previous quarter. Capital expenditure constituted 33.4 per cent of total expenditure during the review period. Total revenue and grants were also estimated to have increased by 1.4 per cent in the review period compared to a decline of 8.0 per cent observed in the previous quarter. The overall balance is slightly lower than the primary balance as depicted below, on Figure 17.



**Figure 17: Primary Balance versus Overall Balance**



## Revenue

Total revenue, including grants, increased slightly by 1.4 per cent on a quarter-to-quarter basis. The increase was largely driven by 81.3 per cent quarterly increase in non-tax revenue which partially dampened by 2.4 percent fall in tax revenue, following a 4.4 per cent increase recorded in the previous quarter. Southern African Customs Union (SACU) revenue continues to comprise the largest share of total receipts at 56.8 per cent, followed by income tax and value added tax (VAT) at 20.4 per cent and 12.6 per cent, respectively.

**Table 19: Government Revenue**

(Million Maloti)

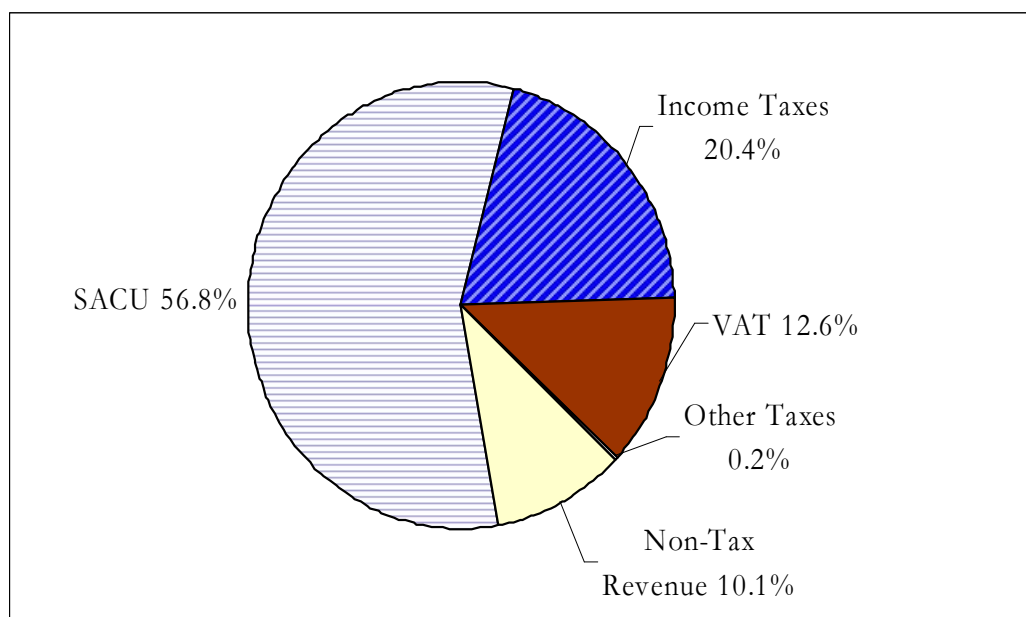
	2008/09	2009/10			
	Jan-Mar	Apr-Jun	July-Sep	Oct-Dec Revised	Jan-Mar * Preliminary
Total Revenue and Grants	1779.0	2154.2	2302.6	2284.1	2315.1
Total Revenue	1749.2	1988.1	2034.1	2114.8	2165.1
<i>Tax Revenue</i>	1497.8	1890.4	1910.8	1994.5	1947.0
Customs	959.5	1229.5	1229.5	1229.5	1229.5
Non-customs	538.3	660.9	681.3	765.0	717.5
Income Taxes	301.8	393.8	449.2	496.5	440.8
Taxes on goods & services	230.5	263.3	232.1	266.2	273.3
Other Taxes	23.7	3.8	0.0	2.3	3.4
<i>Non-Tax Revenue</i>	251.4	97.7	123.3	120.3	218.1
Of which: Water royalties	67.9	78.5	90.0	92.5	75.6
Grants	29.8	166.1	268.5	169.3	150.0

**Source:** Ministry of Finance and Development Planning (MoFDP)

\*Preliminary estimates

Non-tax revenue comprises water royalties, administrative fees, dividends and interest on loans on-lent to public enterprises. It increased by 81.3 per cent during the quarter under review, following a 2.4 per cent decline recorded in the previous period. The increase was largely a result of receipt of rand compensation which is normally received at the beginning of the year. As a share of total receipts, it registered 10.1 per cent. Water royalties has been the major contributor to this component although it declined to M75.6 million from M92.5 million, recorded in the previous quarter. Development grants dropped by 11.4 per cent, following a significant drop of 36.9 per cent in the previous quarter. Although there was a drop in grants, they continued to be high and were reflective of on-going donor sponsored capital projects in the economy.

**Figure 18: Sources of Government Revenue**



### **Expenditure**

Government expenditure and net lending increased by 36.8 per cent on a quarter-to-quarter basis and the significant increase was largely due to year-end payments. Personnel emoluments continued to account for 40.3 per cent of recurrent expenditure. Expenditure on goods and services increased by 15.6 per cent compared to a drop of 20.7 per cent observed in the previous quarter. However, it registered 34.8 per cent as a share of total expenditure. Transfers and subsidies fell by 9.8 per cent on a quarterly basis compared to a marginal increase of 5.6 per cent observed during the previous quarter.

**Table 20: Government Expenditure**  
(Million Maloti)

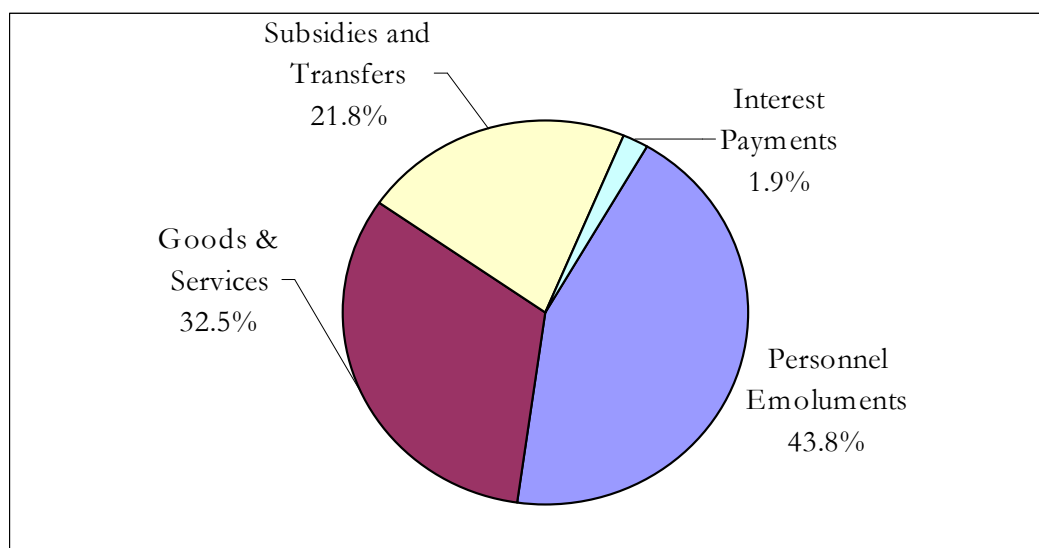
	2008/09	2009/10			
	Jan-Mar	Apr-Jun	July-Sep	Oct-Dec Revised	Jan-Mar* Preliminary
Total Expenditure & Net Lending	1788.8	1534.9	3008.1	1907.5	2609.5
Recurrent Expenditure	1208.9	1079.0	1827.2	1590.4	1737.2
Personnel Emoluments	406.9	636.7	711.4	704.6	700.0
Interest Payments	30.9	31.3	31.0	31.3	27.2
Foreign	12.5	13.5	17.1	16.3	18.9
Domestic	18.4	17.8	13.9	15.0	8.3
Other Expenditure	771.1	411.0	1084.8	854.5	1010.0
Capital Expenditure	582.8	455.9	1180.9	317.1	872.3
Net Lending	0.0	0.0	0.0	0.0	0.0

**Source:** MoFDP

\*Preliminary estimates

Capital expenditure more than doubled in the quarter under review compared to a slump of 83.1 per cent in the previous quarter. As a share of total expenditure, it recorded 33.2 per cent from a share of 16.6 per cent in the quarter ending December 2009. This increase in capital expenditure marked end of fiscal year final payments. Capital expenditure continues to be in line with a number of projects outlined in the 2009/10 budget speech, such as construction and maintenance of urban and rural roads. These expenditures are funded from three sources, namely, Government funds, Grants and Loans.

**Figure 19: Recurrent Expenditure by Type**



### Financing

Government budgetary operations were financed exclusively from the drawdown of Government deposits with the banking system. They were projected to result in a fiscal deficit of 8.8 per cent of GDP during the current quarter compared to a surplus of 11.2 per cent recorded in the quarter ending December 2009.

**Table 21: Government Financing**  
(Million Maloti)

	2008/09	2009/10			
	Jan-Mar	Apr-Jun	Jul-Sep	Oct-Dec Revised	Jan-Mar * Preliminary
Financing	9.8	-622.5	705.5	-376.6	294.3
Foreign	-26.0	44.0	2.6	-27.3	-59.4
Loan drawings	36.7	94.6	61.4	30.2	27.5
Amortization	-62.7	-50.8	-58.8	-57.5	-86.9
Domestic	35.8	-666.5	702.9	-349.3	353.5
Bank Financing	50.6	-693.0	671.7	-352.0	358.5
Non – Bank	-14.8	26.5	31.2	2.7	-4.7

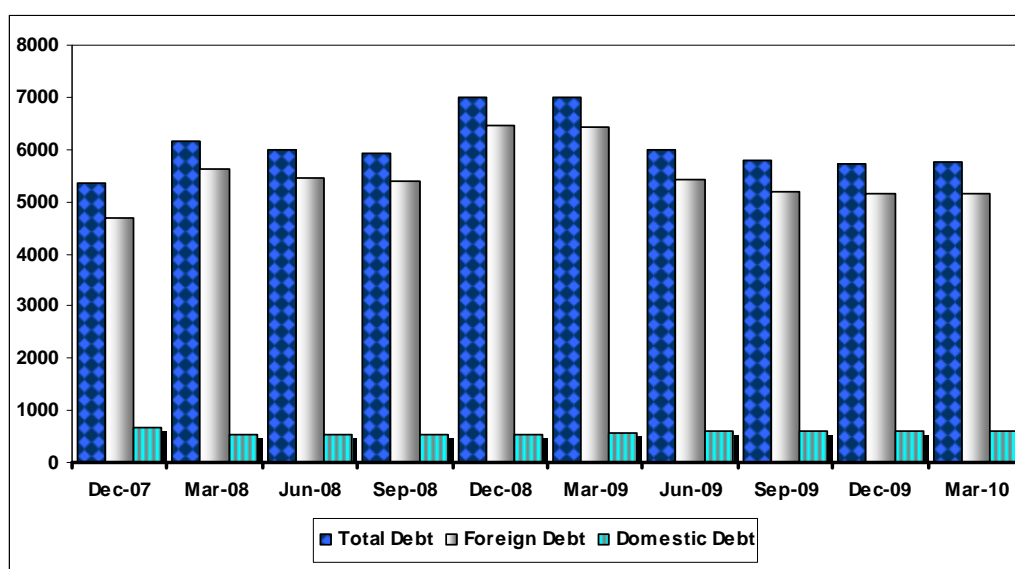
Source: MoFDP Public Debt

## Public Debt

### Overview

During the review period, public debt increased by 0.4 per cent on a quarterly basis compared to a decline of 0.8 per cent in the previous quarter. Total debt registered 40.3 per cent of GDP compared to a proportion of 40.1 per cent during the quarter ending December, 2009. Debt service ratio registered a 3.3 per cent during the review period compared to 3.1 per cent observed in the previous quarter. This is calculated as the ratio of debt service to exports of goods and services and factor income from abroad. External debt continued to constitute a greater percentage of overall debt stock. During the review quarter, the ratio of external debt to total debt was 89.9 per cent on a quarter-to-quarter basis while domestic debt's share was 10.1 per cent.

**Figure 20: Outstanding Public Debt**  
(Million Maloti: End of Period)



### External debt

External debt increased by 0.3 per cent in the quarter under review. The slight increase in external debt was attributable to disbursements recording a 29.1 per cent increase in suppliers' credit and a 4.3 per cent increase in bilateral loans. Although multilateral loans declined by 1.0 per cent in the review period, it still continued to constitute a larger share of 88.9 per cent of external debt. Loans from bilateral sources rose by 4.3 per cent in the first quarter of 2010 compared to a 5.4 per cent increase observed in the fourth quarter of 2009.

External debt accounted for 36.2 per cent of GDP compared with 36.1 per cent recorded in the previous quarter. However, concessional debt as a percentage of external debt has declined slowly to 93.2 per cent in the quarter under review compared to 94.6 per cent recorded in the previous quarter.

**Table 22: External Debt**  
(Million Maloti)

	2009				2010
	QI	QII	QIII	QIV	QI
External Debt	6435.1	5408.1	5181.5	5143.1	5160.8
Bilateral Loans	426.3	231.5	227.4	239.7	250.1
Concessional	387.6	231.5	227.4	239.7	250.1
Non-concessional	38.7	0.0	0.0	0.0	0.0
Multilateral Loans	5874.6	4895.9	4683.0	4635.6	4589.8
Concessional	5833.6	4864.4	4654.8	4609.1	4544.6
Non-concessional	41.0	31.5	28.2	26.5	45.2
Financial Institutions	75.3	73.1	71.9	71.9	68.0
Concessional	22.4	20.2	19.0	19.0	15.1
Non-concessional	52.9	52.9	52.9	52.9	52.9
Suppliers' Credit	58.9	207.6	199.2	195.9	252.9

Source: MoFDP

### Domestic Debt

Domestic debt reflects short-term debt comprising of treasury bills issued for monetary policy purposes. Domestic debt holding increased slightly by 0.9 per cent in the quarter under review, compared with a decline of 1.5 per cent recorded in the quarter ending December, 2009. As a percentage of GDP, domestic debt increased from 4.0 per cent to 4.1 per cent on a quarter-to-quarter basis.

## VI. Foreign Trade and Payments

### Overview

The external sector position displayed a deficit during the quarter under review. The overall balance, in seasonally adjusted terms, recorded a deficit of M220.7 million in the first quarter of 2010, in contrast to a surplus of M377.0 million observed in the previous quarter. The performance reflected deterioration in the capital and financial account coupled with appreciation of the Loti against currencies in which CBL's foreign reserves were held. Transaction balance, which represents the overall balance without the effects of currency fluctuations, in seasonally adjusted terms, recorded a deficit of M183.0 million in the review quarter, following a surplus of M819.2 million observed in the previous quarter.

### Current Account

The Current account continued to show deficit, though slightly lower, in the quarter under review. It narrowed to a deficit of M216.7 million in the review quarter from a

deficit of M331.4 million in the previous quarter, on account of improvement in the merchandise exports. In addition, the growth in current transfers supported the narrowing of current account deficit. As percentage of GDP, current account registered a deficit of 9.1 per cent in the first quarter of 2010 from a deficit of 14.4 per cent in the quarter ending December 2009.

**Table 23: Current Account Balance**  
(Million Maloti)

	2009				2010
	QI	QII	QIII	QIV*	QI <sup>+</sup>
<b>I. Current Account</b>	-134.77	379.82	-77.00	-331.42	-216.66
<b>(a) Goods</b>	-2231.44	-1566.17	-1955.65	-2216.83	-2165.74
Merchandise exports f.o.b.	1403.67	1485.46	1782.76	1299.75	1313.19
Of which diamonds	187.80	355.67	343.92	233.23	332.25
Of which textiles & clothing	846.12	773.09	854.16	602.23	626.31
Other exports <sup>#</sup>	399.75	356.70	584.68	464.29	354.63
Merchandise imports f.o.b.	-3635.11	-3051.63	-3738.41	-3516.58	-3478.93
<b>(b) Services</b>	-97.13	-94.11	-88.71	-73.77	-101.31
<b>(c) Income</b>	990.35	909.12	832.39	839.24	798.54
<b>(d) Current Transfers</b>	1203.45	1130.98	1134.97	1119.94	1251.86

\* Revised estimates

<sup>+</sup> Preliminary estimates

<sup>#</sup> All other merchandise exports excluding 'textiles and clothing' and 'diamonds'

### Merchandise Exports

Merchandise exports improved during the quarter under review, reflecting revival in the global demand which benefited from the monetary and fiscal stimulus packages which were implemented in most parts of the world. In seasonally adjusted terms, merchandise exports rose by 5.9 per cent in the review period, in contrast with a decline of 26.7 per cent registered in the previous quarter. The improved merchandise exports emanated largely from diamond exports which grew by 42.4 per cent. On an annual basis, merchandise exports fell by 6.4 per cent. Relative to GDP, merchandise exports



registered 55.0 per cent during the quarter, following 56.5 per cent recorded in the previous quarter.

### **Merchandise Imports**

In seasonally adjusted terms, merchandise imports increased by 0.1 per cent during the quarter under review, following a growth of 7.0 per cent registered in the previous quarter. This reflected continuing recovery of domestic expenditure and the world trade. On an annual basis, merchandise imports declined by 4.3 per cent. As percentage of GDP, merchandise imports fell to 145.7 per cent in the first quarter of 2010 from 152.9 per cent observed in the fourth quarter of 2009.

**Table 24: Value of Exports by Section of the S.I.T.C. #**  
(Million Maloti)

COMMODITY	2009				2010
	QI	QII	QIII	QIV*	QI+
0. Food & Live Animals	58.16	52.14	76.83	51.12	38.87
Cattle	0.00	0.0	0.05	0.03	0.01
Wheat Flour	17.53	14.32	23.21	18.04	13.94
Maize Meal	12.14	5.77	23.04	15.20	13.11
Other	28.49	32.05	30.53	17.85	11.81
1. Beverages & Tobacco	36.38	38.53	50.80	46.09	42.16
Beverages	36.38	38.53	50.80	46.09	42.16
2. Crude Materials	193.49	356.99	346.48	249.49	334.48
Textiles fibres	5.69	1.29	2.56	16.23	12.24
Of which Wool	5.69	1.13	0.74	15.86	12.17
Of which Mohair	0.00	0.16	1.82	0.37	0.07
Crude fertilizers & crude minerals	187.80	355.70	343.92	233.23	322.24
Of which Diamond	187.80	355.70	343.92	233.23	322.24
5. Manufactured Goods	49.78	46.35	51.36	39.86	88.71
Of which textiles yarn and fabric	36.04	41.19	25.30	14.04	71.62
Other manufactured goods	13.74	5.16	26.07	25.82	17.09
6. Machinery & Transport Goods	198.03	201.82	317.49	243.87	192.49
7. Miscellaneous					
Manufactured Goods	853.42	780.48	912.63	664.96	608.58
Of which clothing accessories	810.09	731.91	828.86	588.20	554.68
Other	43.33	48.57	83.77	79.76	53.90
8. Unclassified Goods	14.41	9.15	27.16	4.36	7.80
<b>TOTAL EXPORTS</b>	<b>1403.67</b>	<b>1485.46</b>	<b>1782.75</b>	<b>1299.75</b>	<b>1313.19</b>

Note: Totals may not tally due to rounding

\* Revised estimates

+ Preliminary estimates

# Standard International Trade Classification

### Direction of Trade

During the quarter ending March 2010, the SACU region remained the largest destination of Lesotho's exports with a share of 37.2 compared with 46.9 per cent observed in the previous quarter. The US market continued to be the second largest

recipient of Lesotho's exports, especially in respect of textiles and clothing. Its share remained unchanged at 33.6 per cent in the review period. The European market was the third destination of Lesotho's exports with a share of 27.0 per cent during the period from 18.2 per cent registered in the previous quarter. The bulk of Lesotho's diamond exports is destined for the European market. The share of Lesotho's export to the Asian market recorded 1.6 per cent compared with 0.3 per cent in the previous quarter, while the Lesotho's exports destined for Oceania remained insignificant with a share of 0.5 per cent in the review quarter from 0.2 per cent registered in the previous quarter.

**Table 25: Direction of Trade - Exports and Re-Exports, f.o.b.**

(Million Maloti)

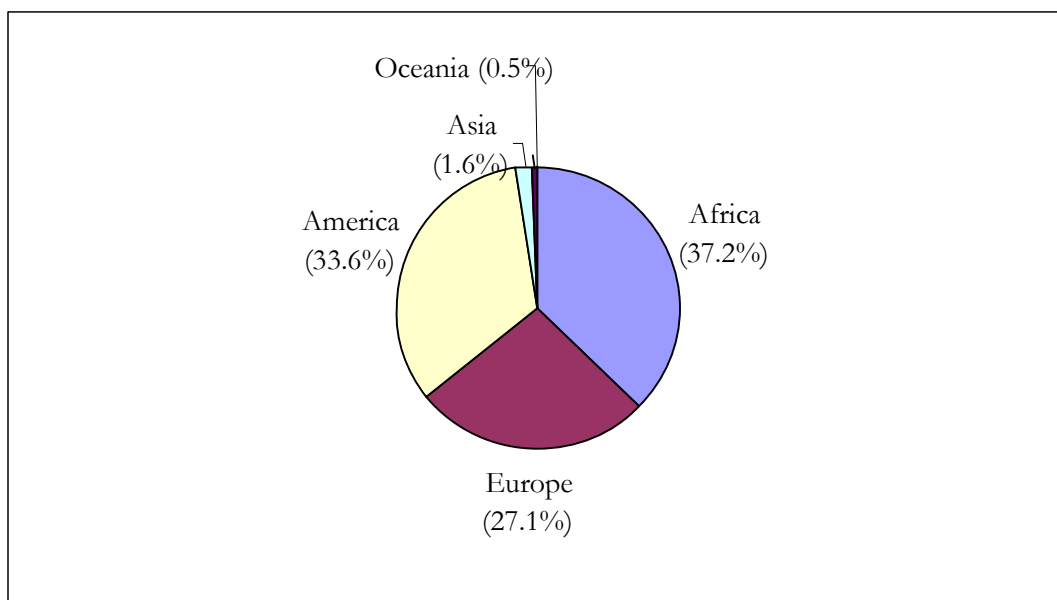
Region	2009				2010
	QI	QII	QIII	QIV*	QI <sup>+</sup>
World	1403.67	1485.46	1782.75	1299.75	1313.19
Africa	601.41	643.74	767.18	620.44	488.81
SACU	585.28	622.54	745.23	610.16	472.37
SADC	3.79	0.52	2.09	3.00	8.43
Other	12.34	20.68	19.86	7.28	8.01
Europe	195.07	358.29	348.90	236.65	355.18
EC	195.07	358.29	348.90	236.65	334.87
America	600.75	477.52	663.49	436.94	441.54
Asia	5.65	3.63	2.68	3.65	20.90
Oceania	0.79	2.28	0.51	2.07	6.76

Note: Total may not tally due to rounding

\* Revised estimates

+ Preliminary estimates

**Figure 21: Direction of Merchandise Exports**



### **Services Account**

The overall services account displayed a net outflow of M131.1 million in the review quarter from M108.4 million recorded in the previous quarter. An increase in net services outflow emanated from a rise in Lesotho's embassies' expenditure abroad which rose by 69.8 per cent during the review period from a fall of 36.4 per cent observed in the period ending December 2009. In addition, water royalties, which climbed by 20.6 per cent during the quarter, supported the rise in net services outflows.

### **Travel**

During the first quarter of 2010, international travel services recorded a net inflow equivalent to M71.0 million, lower than an inflow of M75.8 million registered in the quarter ending December 2009. The deterioration of net travel services is largely attributed to a decline of 11.4 per cent of personal expenditures by expatriates. The value of international travel receipts plunged by 4.5 per cent during the period under review compared with a fall of 18.8 per cent in the previous quarter, while the value of international travel payments remained unchanged during the review quarter.

### **Income**

In the first quarter of 2010, net income plummeted by 4.8 per cent, in contrast with 0.8 per cent rise in the previous quarter. The decline emanated largely from a fall in investment income.

### **Labour income**

During the quarter ending March 2010, labour income, in seasonally adjusted terms, rose by 0.2 per cent, following 0.4 per cent rise recorded in the previous quarter. The deceleration of labour income would be attributed to a drop in miners' remittances on the back of a fall in the number of Basotho migrant mineworkers in SA mines. However,

an increase in prices of commodities due to higher global demand could sustain the profitability of mining industry in SA and thus curb the negative impact on Basotho employment in SA mines. However, on an annual basis, labour income declined by 1.7 per cent.

### **Investment Income**

Net investment income slowed by additional 22.9 per cent to a net inflow of M97.5 million in the period under review, from a net inflow of M126.5 million registered in the previous quarter. The weak performance resulted from the fall in returns on investments.

Investment income inflow plunged by 16.6 per cent to M132.7 million in the quarter ending March 2010, from an inflow of M159.1 million observed during the fourth quarter of 2009. The fall was on account of the weakness in interest earnings by CBL and commercial banks investments abroad. Investment income outflows rose by 7.9 per cent to M35.2 million in the review quarter from an outflow of M32.6 million in the previous quarter, due to an increase in interest paid on government loans.

### **Current Transfers**

During the quarter ending March 2010, current transfers, in seasonally adjusted terms, grew by 9.6 per cent, following a drop of 1.2 per cent registered in the fourth quarter of 2009. Increased current transfers was reflective of Rand compensation receipts worth M127.7 million, as a payment made by SA Government to Lesotho for loss of seigniorage on Rand circulation in Lesotho. However, the fall in SACU non duty receipts, which dropped by 0.2 per cent, marginally counterbalanced the improvement of current transfers during the review period.

### **Capital and Financial Account**

The net capital and financial account displayed an outflow during the review quarter. It recorded an outflow equivalent to M59.2 million in the first quarter of 2010, compared with an inflow of M1.3 billion in the quarter ending December 2009. The observed performance was underpinned by commercial banks' foreign assets and liabilities which registered an outflows of M47.9 million and M247.9 million, respectively. In addition, an increase in government foreign loan repayments which rose by 51.1 per cent in the review quarter, supported outflows in capital and financial account.

**Table 26: Capital and Financial Account**  
(Million Maloti)

	2009				2010
	QI	QII	QIII	QIV*	QI <sup>+</sup>
<b>I. Capital and Financial Account</b>	132.85	607.24	-501.78	1303.29	-59.24
Capital Account	30.80	6.70	47.30	169.30	150.00
Financial Account	102.05	600.54	-549.06	1133.99	-209.24
Special Financing – LHWP	27.98	45.21	22.88	30.36	55.11
<b>II. Reserve Assets</b>	67.28	70.01	875.49	-368.88	216.18

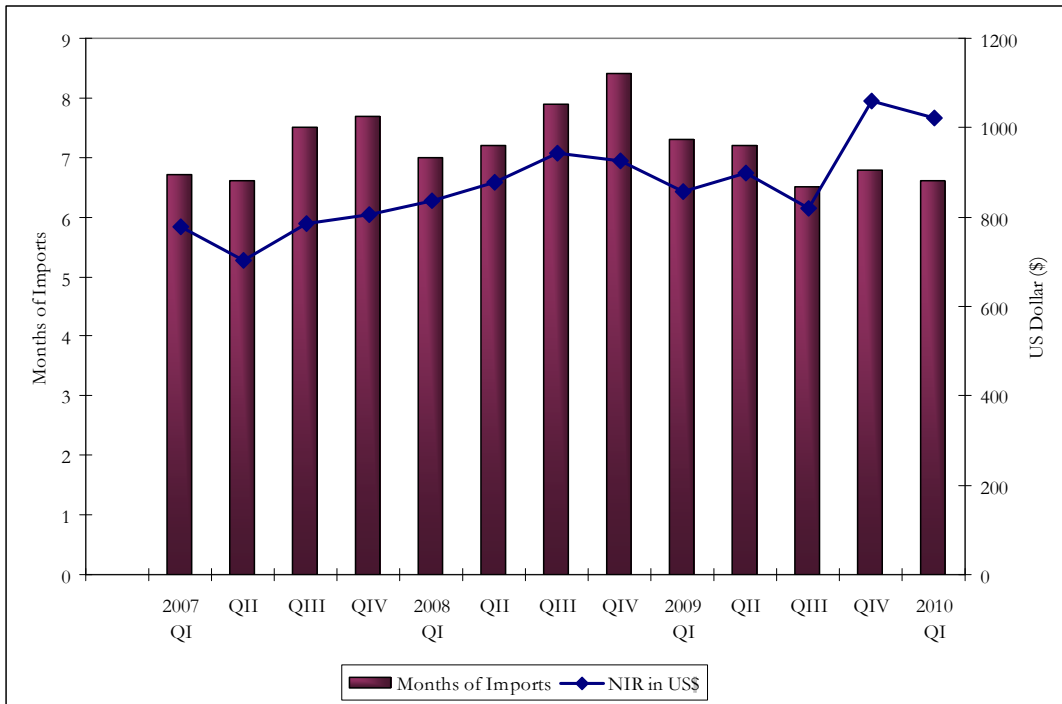
\* Revised estimates

<sup>+</sup> Preliminary estimates

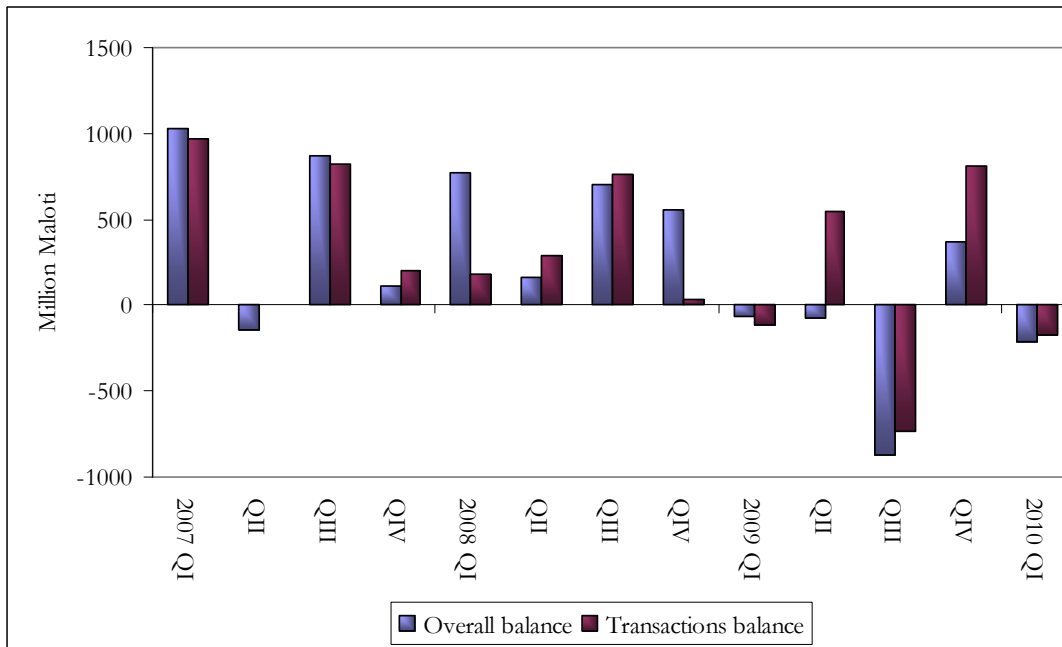
#### **Reserve Assets**

Gross reserves fell by 2.6 per cent to M8.1 billion during the quarter ending March 2010, following M8.3 billion recorded in the previous period, due to among other factors, appreciation of the local currency against the major trading currencies. In line with poor performance in gross reserves, the months of import covered by reserves declined to 6.7 months during the review period from 6.8 months recorded in the previous quarter.

**Figure 22: Reserve Assets**



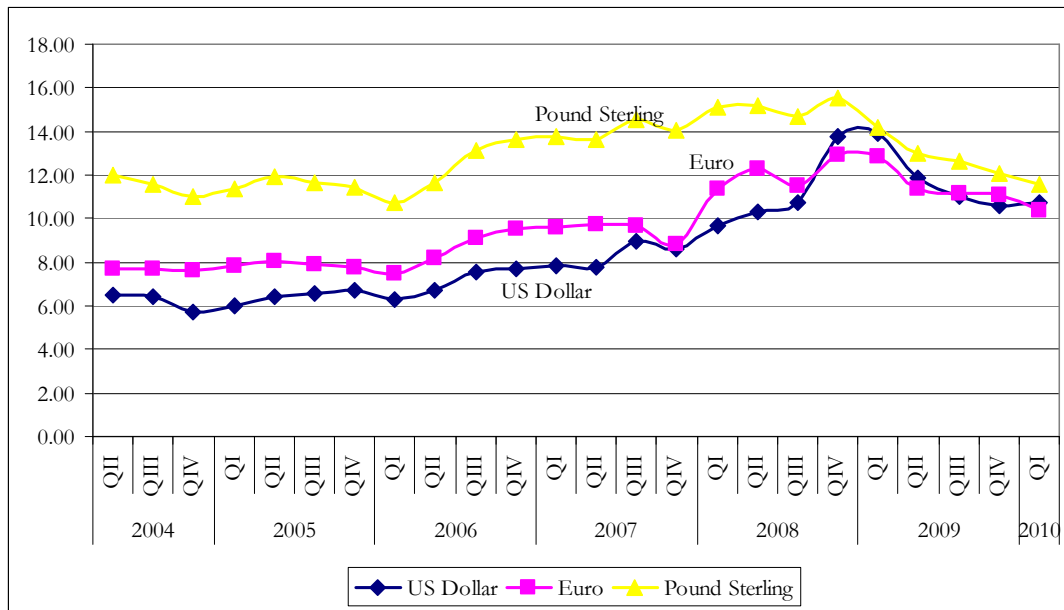
**Figure 23: Balance of Payments**



## Exchange Rates

The Rand, which is at par with the Loti, continued to strengthen against major trading currencies in the first quarter of 2010, due to among other factors, the persistent rise in international commodity prices and a positive sentiment towards SA in anticipation of successful hosting of the 2010 World Cup tournament. On average, and in nominal terms, the Loti appreciated by 6.2 per cent and 4.1 per cent against the Euro and pound Sterling, respectively. However, against the US Dollar, the Loti depreciated by 0.1 per cent during the review quarter. In real terms, the local currency appreciated by 6.3 per cent and 4.2 per cent against the Euro and Pound Sterling, respectively, while it depreciated by 1.4 per cent against US Dollar.

**Figure 24: Real Exchange Rate of the Loti against Major Currencies**





# **STATEMENT OF MONETARY POLICY COMMITTEE**

**9 February 2010**

## **1. Introduction**

The Monetary Policy Committee (MPC) of the Central Bank of Lesotho (CBL) held its 24<sup>th</sup> meeting on 9 February 2010. The Committee discussed international, regional and domestic economic developments with a view to assess likely impact on the inflation outlook.

## **2. Inflation Developments**

Annual inflation rate registered 4.2 per cent in December 2009. The same rate was observed by the Committee at its last meeting for the month of October. In November 2009, the inflation rate reached a lowest point since December 2005 at 4.1 per cent. The low inflation in the recent months was driven by slowing food price inflation, which settled at 3.2 per cent in December from a high of 18.5 per cent in January 2008. Furthermore, inflation in non-food categories of the Consumer Price Index remained subdued, increasing by a weighted average of 4.8 per cent in December 2009. Items that experienced relatively high increases such as ‘alcoholic beverages and tobacco’ at 8.9 per cent were partially dampened by ‘housing, water, electricity and other fuels’ and education, which experienced a deflation of 6.4 per cent and an inflation of 2.0 per cent, respectively.

The low domestic inflation is in line with trends in the region, where Common Monetary Area member countries have seen generally falling inflation rates in the recent months. South Africa’s inflation reached 6.3 per cent in December 2009, from 5.9 per cent in October the same year. The recent low inflation in the region is driven by improved food supply due to better climatic conditions in 2009; generally subdued demand for goods and services in line with the slowdown in economic activity; and strengthening of the rand currency.

### **3. Prospects for the Maintenance of Price Stability**

#### **a. Balance of Payments**

In the fourth quarter of 2009, the current account balance deteriorated to a deficit equivalent to 14.5 per cent of GDP following surpluses in the preceding three quarters of the year. However, official reserves improved to 6.8 months of import cover in the last quarter of 2009 cover from the 6.5 month of imports recorded in the third quarter of 2009. The growth was influenced by an increase in the capital and financial account.

#### **b. Fiscal Balance Outlook**

Government budgetary operations recorded a surplus equivalent to 9.9 per cent of GDP in the quarter ended December 2009. This indicated that the government financial position remained strong during the year 2009. The second and third quarters of the year also showed a combined surplus, implying that government expenditure remained below budget during the period. This outcome is favourable for the inflation outlook.

### **4. Monetary Policy Stance**

In December 2009, growth in money supply slowed to 9.7 per cent on an annual basis in December 2009, from an increase of over 30 per cent in September 2009. The deceleration in money supply was driven by a 5.6 per cent fall in net foreign assets and a smaller increase in domestic credit.

The Net International Reserves (NIR) of the Central Bank of Lesotho continued to perform well against the target minimum set by the Committee. It recorded USD1.2 billion on 14 January 2010 against the target of USD700 million. The Committee expressed satisfaction with the performance of NIR, and observed that the prevailing low inflation, strong currency and subdued growth of money supply augur well for a stable inflation outlook in the medium term. However, increases in the oil price pose a risk to the inflation outlook. The Committee maintained the prevailing NIR target.

M.P. Senaoana (PhD)

**GOVERNOR**

**9 February 2010**

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Table S1(a)

**CENTRAL BANK OF LESOTHO ASSETS AND LIABILITIES**  
(Million Maloti)  
**A – ASSETS**

End of period	EXTERNAL SECTOR							Total	Claims on Government	Claims on Private Sector	Unclassified Assets	Total
	Cash and Balances	Reserve Tranche	Holdings of SDRs	Other Investments	Rand Notes and Coins	Other Foreign Assets						
<b>2008</b>												
May	3668.35	44.31	0.49	3381.52	12.53	785.44	7892.64	301.57	21.97	270.33	8486.51	
Jun	3499.08	45.78	0.51	3419.88	12.28	748.24	7725.77	311.71	22.57	302.38	8362.43	
Jul	4541.50	42.86	0.48	3241.81	10.72	813.08	8650.45	291.72	22.58	297.42	9262.17	
Aug	4360.55	43.51	0.48	3204.08	13.76	818.82	8441.19	296.12	22.57	301.13	9061.01	
Sep	4326.75	46.49	0.52	3203.69	8.26	844.72	8430.42	316.57	23.14	303.29	9073.41	
Oct	5452.06	54.81	0.61	3580.88	2.56	817.03	9907.95	373.21	23.15	326.08	10630.39	
Nov	5044.00	54.27	0.60	3498.34	17.05	1012.34	9626.60	369.49	24.06	327.66	10347.81	
Dec	4011.35	51.85	0.58	3913.73	70.37	941.36	8989.24	529.86	26.11	281.92	9827.12	
<b>2009</b>												
Jan	4651.51	55.45	0.62	3983.59	38.08	982.56	9711.81	377.38	24.28	257.34	10370.81	
Feb	4459.58	53.73	0.60	3856.65	10.19	947.60	9328.34	365.66	24.66	247.48	9966.14	
Mar	4391.78	50.76	0.56	3548.99	8.14	921.72	8921.95	345.45	24.57	247.62	9539.58	
Apr	5083.38	45.80	0.51	3413.05	13.18	928.50	9484.41	311.69	25.07	269.51	10090.68	
May	4715.54	43.96	0.49	3303.38	24.96	1012.47	9100.79	299.17	25.65	279.64	9705.25	
Jun	4427.05	43.02	0.48	3248.75	28.37	1104.29	8851.96	292.78	25.95	249.09	9419.77	
Jul	5379.31	43.77	0.49	3218.22	16.52	1060.77	9719.06	297.85	26.41	281.17	10324.48	
Aug	4745.11	43.85	0.49	3073.09	18.11	1081.52	8962.17	397.06	26.14	283.19	9668.56	
Sep	3981.56	42.37	0.47	2866.06	17.40	1068.61	7976.46	288.34	26.78	278.54	8570.13	
Oct	5281.03	44.37	0.49	2880.84	25.49	1085.99	9318.20	301.94	26.21	383.13	10029.49	
Nov	4814.05	42.70	0.47	2886.21	15.95	971.48	8730.86	290.59	27.09	326.73	9375.28	
Dec	4509.51	41.45	0.46	2882.80	50.49	860.64	8345.35	308.33	27.03	250.61	8931.32	
<b>2010</b>												
Jan	5663.73	42.40	0.47	2850.47	61.30	868.88	9487.24	288.56	27.24	249.61	10052.65	
Feb	4495.72	42.68	0.47	3408.43	53.08	871.29	8871.68	290.45	26.58	326.85	9515.55	
Mar	3766.21	40.11	0.45	3418.19	55.23	848.98	8129.17	273.10	26.99	314.57	8743.82	

**Table S1(b)****CENTRAL BANK OF LESOTHO ASSETS AND LIABILITIES**

(Million Maloti)

**B – LIABILITIES**

End of Period	Currency outside CBL <sup>1</sup>	Foreign Liabilities	Deposits					Capital Accounts	Allocation of SDRs	Unclassified Liabilities	Total
			----- Government	Official Entities	Private Sector	Banks					
<b>2008</b>											
May	381.08	686.81	4422.00	142.04	10.87	236.59	2453.76	46.04	107.34	8115.57	
Jun	412.63	697.01	4225.71	142.90	10.98	108.82	2664.50	47.57	52.31	8179.12	
Jul	387.88	676.94	5360.95	147.11	12.06	184.29	2374.04	44.53	74.37	8639.90	
Aug	410.55	681.33	5042.37	147.11	11.96	171.18	2481.02	45.20	70.30	8486.51	
Sep	438.77	701.68	4635.11	150.32	12.28	284.72	2734.76	48.29	67.49	8362.43	
Oct	459.02	758.30	5419.37	154.40	11.18	225.12	3481.50	56.94	64.56	9262.17	
Nov	508.10	754.62	5139.25	126.65	11.32	198.75	3485.34	56.38	67.40	9061.01	
Dec	481.25	737.67	4762.46	126.66	11.47	99.07	3095.50	53.87	459.18	9073.41	
<b>2009</b>											
Jan	439.93	762.68	5286.53	129.79	8.80	173.83	3400.95	57.61	110.68	10630.39	
Feb	454.15	750.97	4986.51	129.79	8.85	188.90	3356.61	55.82	34.54	10347.81	
Mar	501.11	730.76	4460.50	129.79	28.69	248.85	3278.82	52.73	108.33	9827.12	
Apr	494.81	698.23	5580.48	132.19	28.68	169.41	2831.69	47.58	107.62	10370.81	
May	556.26	697.51	5326.48	132.19	28.79	125.11	2691.15	45.67	102.10	9966.14	
Jun	497.54	691.12	5104.20	133.38	28.87	205.95	2614.89	44.69	99.13	9539.58	
Jul	529.48	696.19	5816.49	133.74	28.84	293.51	2671.06	45.47	109.71	10090.68	
Aug	555.20	696.78	5188.81	135.54	25.79	232.80	2683.97	45.56	104.12	9705.25	
Sep	541.46	686.68	4307.08	135.66	25.77	168.62	2554.70	44.02	106.13	9419.77	
Oct	562.96	700.28	5500.33	136.50	25.41	216.74	1381.00	46.09	1460.17	10029.49	
Nov	611.83	688.94	5003.62	136.37	24.77	209.10	2560.95	44.36	95.34	9375.28	
Dec	584.24	680.46	4661.68	136.37	60.02	235.37	1709.12	43.07	821.00	8931.32	
<b>2010</b>											
Jan	534.88	686.90	5319.27	136.67	2.80	352.07	1827.89	44.05	1148.12	10052.65	
Feb	524.44	688.79	4764.38	136.67	2.81	285.86	1943.30	44.34	1124.97	9515.55	
Mar	597.97	671.34	4297.52	136.67	2.47	223.69	1759.65	41.67	1012.83	8743.82	

(1) Includes South African rand with commercial banks.

**Table S2****RESERVE MONEY**

(Million Maloti)

End of Period	Currency in circulation outside CBL <sup>1</sup>						Bankers' Deposits	Total
	Maloti Issued		With commercial banks		Maloti Outside commercial banks	Total		
	Notes	Coins	Maloti Notes & Coins	Rand Notes & Coins				
<b>2008</b>								
May	368.90	12.75	35.86	25.79	345.22	406.87	236.59	617.67
Jun	400.12	12.93	43.77	27.30	368.86	439.93	108.82	521.45
Jul	375.88	12.71	47.16	33.62	340.72	421.50	184.29	572.17
Aug	398.44	12.93	46.04	31.68	364.52	442.23	171.18	581.73
Sep	424.83	13.16	59.14	37.44	379.64	476.21	284.72	723.49
Oct	446.96	12.89	50.52	31.40	408.50	490.42	225.12	684.14
Nov	495.46	13.16	58.67	38.68	449.44	546.78	198.75	706.85
Dec	467.49	14.18	79.17	56.35	402.08	537.60	99.07	580.32
<b>2009</b>								
Jan	427.18	13.57	53.95	35.92	385.98	475.85	173.83	613.76
Feb	441.23	13.46	44.52	33.04	409.63	487.19	188.90	643.05
Mar	489.20	13.46	56.96	37.04	444.14	538.14	248.85	749.96
Apr	482.92	12.99	60.83	40.60	433.98	535.41	169.41	664.22
May	543.67	13.15	65.16	40.73	491.10	597.00	125.11	681.37
Jun	485.07	13.21	62.70	38.57	434.84	536.11	205.95	703.50
Jul	517.24	13.06	65.56	38.91	463.92	568.38	293.51	822.99
Aug	543.35	13.32	61.89	33.54	493.31	588.74	232.80	788.00
Sep	528.92	13.65	70.44	40.79	471.02	582.25	168.62	710.08
Oct	549.94	13.83	62.21	38.45	500.75	601.41	216.74	779.70
Nov	598.59	13.87	66.51	39.19	545.32	651.02	209.10	820.94
Dec	570.23	14.76	97.06	65.87	487.18	650.11	235.37	819.61
<b>2010</b>								
Jan	521.07	14.88	71.34	43.62	463.55	578.51	352.07	886.95
Feb	510.18	14.84	63.32	39.72	461.12	564.17	285.86	810.30
Mar	584.34	15.08	99.06	63.92	498.92	661.89	223.69	821.66

<sup>1</sup>Excludes Rand with public

**Table S3(a)****CONSOLIDATED BALANCE SHEET OF COMMERCIAL BANKS**

(Million Maloti)

**A S S E T S**

End of Period	Cash at Hand <sup>1</sup>	Balances with Central Bank	Foreign Assets <sup>2</sup>	Claims on Government	Claims on Statutory Bodies	Claims on Private Sector	Unclassified Assets	Total
<b>2008</b>								
Feb	72.09	71.12	2413.79	523.13	50.22	1148.55	998.44	5277.35
Mar	92.22	31.98	2448.38	532.78	50.12	1177.35	977.89	5310.71
Apr	75.54	84.59	2978.03	525.91	47.94	1203.86	1006.15	5922.03
May	61.65	225.08	2606.66	549.57	47.52	1255.19	1122.95	5868.62
Jun	71.08	103.13	2858.39	552.50	47.75	1309.32	1166.57	6108.72
Jul	80.78	130.11	2289.56	550.64	45.66	1354.21	1073.34	5524.30
Aug	77.72	103.13	2334.26	561.21	45.44	1387.76	915.25	5424.77
Sep	96.57	269.63	2208.32	547.06	44.25	1361.52	1137.42	5664.77
Oct	81.92	188.59	2502.13	516.34	44.30	1425.63	883.57	5642.48
Nov	97.34	154.40	2479.17	461.63	45.25	1385.13	1114.79	5737.71
Dec	135.52	75.24	3013.73	453.96	43.83	1326.79	1115.54	6164.60
<b>2009</b>								
Jan	89.87	172.23	3562.96	506.10	43.83	1347.13	1345.09	7067.20
Feb	77.56	236.80	3377.59	506.31	45.77	1400.90	1382.82	7027.74
Mar	94.00	224.41	3333.31	507.19	40.05	1450.92	1301.96	6951.83
Apr	101.43	211.73	3235.34	520.72	39.56	1414.94	1333.01	6856.72
May	105.90	124.95	3244.95	542.09	39.36	1463.22	1229.54	6750.00
Jun	101.27	196.76	3206.21	529.58	37.60	1493.35	1265.49	6830.26
Jul	104.46	292.75	3285.12	431.21	36.91	1562.05	1255.99	6968.49
Aug	95.43	222.84	3772.45	410.69	36.60	1572.95	1575.55	7686.51
Sep	111.23	190.36	4075.66	410.04	35.39	1581.65	1798.94	8203.27
Oct	100.67	215.29	3337.80	383.43	36.35	1658.54	1553.29	7285.36
Nov	105.70	292.32	3304.41	391.81	4.41	1716.94	1529.84	7345.41
Dec	162.93	184.36	3297.17	384.12	0.00	1721.47	1609.99	7360.03
<b>2010</b>								
Jan	114.96	387.84	3381.08	392.98	0.00	1759.74	1529.12	7565.73
Feb	103.05	205.24	3598.47	389.12	31.61	1716.04	1623.60	7667.13
Mar	162.98	205.98	3345.11	409.10	30.61	1681.98	1930.31	7766.07

<sup>1</sup>Maloti and Rand notes<sup>2</sup>Excludes Rand notes and coins

Table S3(b)

**CONSOLIDATED BALANCE SHEET OF COMMERCIAL BANKS**

(Million Maloti)

**LIABILITIES**

End of period	DEMAND AND CALL DEPOSITS			TIME DEPOSITS			SAVINGS DEPOSITS			Deferre d Pay Fund	Capital and Reserve s	Foreign Liabilitie s	Unclassi- fied Liabilities	Total
	Government	Official Entities	Private Sector	Government	Official Entities	Private Sector	Government	Official Entities	Private Sector					
<b>2008</b>														
May	166.51	603.07	2489.20	0.04	128.25	480.66	3.75	0.13	427.12	0.00	491.55	66.47	1011.88	5868.62
Jun	165.89	635.05	2602.59	0.04	128.00	431.66	3.75	0.13	427.74	0.00	447.85	65.95	1200.09	6108.72
Jul	155.54	512.51	2317.84	0.03	134.87	446.91	3.62	0.12	424.92	0.00	465.67	74.03	988.26	5524.30
Aug	157.36	522.07	2303.64	0.03	135.66	463.28	3.60	0.12	427.40	0.00	479.59	73.03	858.99	5424.77
Sep	164.15	585.64	2219.95	0.03	136.73	469.56	3.55	0.12	424.33	0.00	452.32	45.54	1162.84	5664.77
Oct	185.08	691.05	2353.85	0.03	136.92	431.68	3.52	0.11	439.15	0.00	460.83	76.03	863.24	5641.48
Nov	190.31	206.79	2752.25	0.03	135.70	431.72	3.50	0.11	435.21	0.00	487.16	67.98	1026.96	5737.71
Dec	191.36	206.46	3128.15	0.03	136.95	446.16	2.68	0.11	422.95	0.00	464.69	92.67	1072.40	6164.60
<b>2009</b>														
Jan	200.40	221.51	3721.86	0.03	138.22	446.82	2.80	0.11	441.25	0.00	492.82	103.65	1297.74	7067.20
Feb	202.36	217.27	3404.60	0.03	136.65	641.36	2.80	0.12	464.55	0.00	506.31	47.33	1404.37	7027.74
Mar	35.20	109.39	3685.61	0.02	1.40	629.06	2.61	0.12	460.75	0.00	520.67	131.73	1375.27	6951.83
Apr	30.64	102.69	3576.88	0.02	1.33	632.27	2.70	0.12	584.64	0.00	545.98	51.80	1327.67	6856.72
May	30.67	101.20	3552.06	0.02	1.52	675.82	2.70	0.12	586.15	0.00	550.21	41.03	1208.51	6750.00
Jun	31.11	96.00	3541.42	0.02	1.70	745.46	2.70	0.12	592.98	0.00	567.83	73.07	1177.86	6830.26
Jul	31.67	91.03	3568.25	0.03	2.32	868.75	2.70	0.12	597.72	0.00	585.54	48.83	1134.63	6931.58
Aug	32.97	86.50	3886.54	0.03	2.48	887.27	1.65	0.12	611.45	0.00	602.81	66.33	1508.37	7686.51
Sep	33.67	139.08	4082.05	0.03	2.60	933.95	1.60	0.11	620.96	0.00	618.59	51.82	1718.81	8203.27
Oct	174.00	171.40	3097.78	88.72	2.73	857.07	1.61	0.12	623.50	0.00	611.38	213.76	1443.32	7285.36
Nov	25.94	191.32	3281.52	0.03	2.78	885.24	1.60	0.11	630.26	0.00	621.13	209.68	1495.81	7345.41
Dec	25.18	72.82	3420.01	0.03	11.82	929.68	1.56	0.11	606.92	0.00	631.69	310.48	1330.63	7340.93
<b>2010</b>														
Jan	24.37	137.68	3686.18	0.03	16.66	865.80	1.66	0.11	629.88	0.00	640.84	80.45	1482.07	7565.73
Feb	23.72	145.43	3787.32	0.02	18.08	767.41	1.67	0.12	645.35	0.00	650.97	66.63	1560.42	7667.13
Mar	20.51	212.87	3751.90	0.03	1.78	862.92	1.67	0.12	655.46	0.00	673.36	62.60	1522.87	7766.07



Table S4

## NET FOREIGN ASSETS OF THE BANKING SYSTEM

(Million Maloti : End of Period)

End of Period	FOREIGN ASSETS				FOREIGN LIABILITIES			
	Central Bank of Lesotho	Commercial Banks	Total	Central Bank of Lesotho	Commercial Banks	Total	Net Foreign Assets	
	Of which: Rand notes and coins with banks							
<b>2008</b>								
May	7892.64	25.79	2606.66	10499.30	686.81	66.47	753.28	9746.02
Jun	7725.77	27.30	2858.39	10584.16	697.01	65.95	762.95	9821.21
Jul	8650.45	33.62	2289.56	10940.02	676.94	74.03	750.97	10189.05
Aug	8441.19	31.68	2334.26	10775.46	681.33	73.03	754.35	10021.10
Sep	8430.42	37.44	2208.32	10638.73	701.68	45.54	747.22	9891.51
Oct	9907.95	31.40	2502.13	12410.08	758.30	758.30	76.03	834.32
Nov	9626.60	38.68	2479.17	12105.77	754.62	754.62	67.98	822.60
Dec	8989.24	56.35	3013.73	12002.97	737.67	737.67	92.67	830.34
<b>2009</b>								
Jan	9711.81	35.92	3562.96	13274.77	762.68	762.68	103.65	866.33
Feb	9328.34	33.04	3377.59	12705.93	750.97	750.97	47.33	798.30
Mar	8921.95	37.04	3333.31	12255.25	730.76	730.76	131.73	862.49
Apr	9484.41	40.60	3235.34	12719.75	698.23	51.80	750.03	11969.72
May	9100.79	40.73	3244.95	12345.74	697.51	41.03	738.54	11607.20
Jun	8851.96	38.57	3206.21	12058.17	691.12	73.07	764.18	11293.98
Jul	9719.06	38.91	3285.12	13004.18	696.19	48.83	745.02	12259.16
Aug	8962.17	33.54	3772.45	12734.62	696.78	66.33	763.11	11971.51
Sep	7976.46	40.79	4075.66	12052.12	686.68	51.82	738.50	11313.62
Oct	9318.20	38.45	3336.47	12654.68	700.28	213.76	914.04	11740.64
Nov	8730.86	39.19	3304.41	12035.28	688.94	209.68	898.61	11136.66
Dec	8345.35	65.87	3297.17	11642.52	680.46	310.48	990.94	10651.58
<b>2010</b>								
Jan	9487.24	43.62	3381.08	12868.33	686.90	80.45	767.35	12100.97
Feb	8871.68	39.72	3598.47	12470.15	688.79	66.63	755.42	11714.73
Mar	8129.17	63.92	3345.11	11474.28	671.34	62.60	733.94	10740.34

Table S5

## DISTRIBUTION OF COMMERCIAL BANKS' DEPOSITS BY TYPE

(Million Maloti)

End of Period	Demand & Call Deposits	Savings Deposits	Time Deposits	Deferred Pay Fund	Total	As Percentage of Total			
						Demand & Call Deposits	Savings Deposits	Time Deposits	Deferred Pay Fund
<b>2008</b>									
May	3092.27	427.25	608.91	0.00	4128.43	74.90	570.41	106.75	0.00
Jun	3237.64	427.86	559.66	0.00	4225.17	76.63	558.37	100.23	0.00
Jul	2830.34	425.04	581.78	0.00	3837.16	73.76	576.23	100.96	0.00
Aug	2825.71	427.52	598.94	0.00	3852.17	73.35	582.82	102.76	0.00
Sep	2805.59	424.44	606.30	0.00	3836.33	73.13	580.38	104.47	0.00
Oct	3044.90	439.26	568.60	0.00	4052.76	75.13	584.66	97.25	0.00
Nov	2959.03	435.32	567.42	0.00	3961.78	74.69	582.84	97.35	0.00
Dec	3334.62	423.06	583.11	0.00	4340.78	76.82	550.71	105.88	0.00
<b>2009</b>									
Jan	3943.37	441.36	585.04	0.00	4969.77	79.35	556.23	105.18	0.00
Feb	3621.87	464.67	778.02	0.00	4864.55	74.45	624.10	124.66	0.00
Mar	3795.00	460.87	630.46	0.00	4886.33	77.67	593.40	106.25	0.00
Apr	3679.57	584.75	633.60	0.00	4897.92	75.13	778.37	81.40	0.00
May	3653.26	586.27	677.34	0.00	4916.87	74.30	789.05	85.84	0.00
Jun	3637.42	593.09	747.16	0.00	4977.67	73.07	811.62	92.06	0.00
Jul	3659.28	597.84	871.07	0.00	5128.19	71.36	837.82	103.97	0.00
Aug	3973.04	611.57	889.75	0.00	5474.35	72.58	842.66	105.59	0.00
Sep	4221.13	621.07	936.55	0.00	5778.75	73.05	850.25	110.15	0.00
Oct	3269.18	623.61	859.80	0.00	4752.59	68.79	906.58	94.84	0.00
Nov	3472.84	630.37	888.02	0.00	4991.23	69.58	905.98	98.02	0.00
Dec	3492.83	607.03	941.50	0.00	5041.36	69.28	876.15	107.46	0.00
<b>2010</b>									
Jan	3823.86	629.99	882.47	0.00	5336.32	71.66	879.18	100.37	0.00
Feb	3932.75	645.46	785.50	0.00	5363.71	73.32	880.32	89.23	0.00
Mar	3964.77	655.57	864.70	0.00	5485.04	72.28	906.95	95.34	0.00

Table S6

**DISTRIBUTION OF COMMERCIAL BANKS' DEPOSITS BY HOLDER**  
(Million Maloti)

End of Period	Private Sector	Government	Statutory Bodies	Deferred Pay Fund	Total	As Percentage of Total			
						Private Sector	Government	Statutory Bodies	Deferred Pay Fund
<b>2008</b>									
May	3396.98	170.29	731.45	0.00	4298.72	79.02	3.96	17.02	0.00
Jun	3461.99	169.68	763.18	0.00	4394.84	78.77	3.86	17.37	0.00
Jul	3189.67	159.19	647.49	0.00	3996.34	79.81	3.98	16.20	0.00
Aug	3194.32	160.99	657.85	0.00	4013.16	79.60	4.01	16.39	0.00
Sep	3113.84	167.73	722.49	0.00	4004.07	77.77	4.19	18.04	0.00
Oct	3224.68	188.62	828.08	0.00	4241.38	76.03	4.45	19.52	0.00
Nov	3619.18	193.84	342.60	0.00	4155.62	87.09	4.66	8.24	0.00
Dec	3997.26	194.06	343.52	0.00	4534.84	88.15	4.28	7.58	0.00
<b>2009</b>									
Jan	4609.92	203.23	359.84	0.00	5172.99	89.12	3.93	6.96	0.00
Feb	4510.50	205.19	354.05	0.00	5069.74	88.97	4.05	6.98	0.00
Mar	4775.42	37.83	110.91	0.00	4924.16	96.98	0.77	2.25	0.00
Apr	4793.78	33.35	104.14	0.00	4931.28	97.21	0.68	2.11	0.00
May	4814.03	33.39	102.84	0.00	4950.25	97.25	0.67	2.08	0.00
Jun	4879.86	33.83	97.82	0.00	5011.50	97.37	0.68	1.95	0.00
Jul	5034.72	34.39	93.47	0.00	5162.58	97.52	0.67	1.81	0.00
Aug	5385.26	34.65	89.09	0.00	5509.00	97.75	0.63	1.62	0.00
Sep	5636.96	35.30	141.80	0.00	5814.05	96.95	0.61	2.44	0.00
Oct	4578.34	264.33	174.25	0.00	5016.92	91.26	5.27	3.47	0.00
Nov	4797.02	27.57	194.21	0.00	5018.80	95.58	0.55	3.87	0.00
Dec	4975.72	26.77	84.75	0.00	5087.23	97.81	0.53	1.67	0.00
<b>2010</b>									
Jan	5181.86	26.06	154.46	0.00	5362.37	96.63	0.49	2.88	0.00
Feb	5200.08	25.40	163.63	0.00	5389.11	96.49	0.47	3.04	0.00
Mar	5270.27	22.20	214.77	0.00	5507.24	95.70	0.40	3.90	0.00

Table S7

## COMMERCIAL BANKS' FIXED TIME DEPOSITS BY MATURITY

(Million Maloti)

End of Period	A M O U N T			Total	As Percentage of Total		
	Short-term (Less than 31 days)	Medium-term (31 days to 6 months)	Long-term (More than 6 months)		Short- Term	Medium- term	Long- term
<b>2008</b>							
May	209.66	373.38	0.45	583.48	35.93	63.99	0.08
Jun	169.84	360.28	0.40	530.52	32.01	67.91	0.08
Jul	205.35	345.85	0.40	551.61	37.23	62.70	0.07
Aug	232.81	333.65	0.40	566.86	41.07	58.86	0.07
Sep	174.22	398.50	0.37	573.09	30.40	69.54	0.06
Oct	124.71	431.58	12.37	568.67	21.93	75.89	2.18
Nov	140.72	425.32	1.45	567.49	24.80	74.95	0.26
Dec	115.11	466.66	1.40	583.17	19.74	80.02	0.24
<b>2009</b>							
Jan	120.56	426.98	0.08	547.61	22.02	77.97	0.01
Feb	281.20	459.60	0.16	740.96	37.95	62.03	0.02
Mar	127.41	461.20	15.02	603.62	21.11	76.40	2.49
Apr	103.39	463.42	10.27	577.08	17.92	80.30	1.78
May	113.96	544.42	1.33	659.71	17.27	82.52	0.20
Jun	66.43	660.53	1.91	728.86	9.11	90.62	0.26
Jul	125.27	673.02	0.32	798.60	15.69	84.27	0.04
Aug	152.15	663.26	0.05	815.46	18.66	81.34	0.01
Sep	190.95	646.74	10.93	848.62	22.50	76.21	1.29
Oct	186.81	662.94	1.96	851.71	21.93	77.84	0.23
Nov	164.27	637.92	2.81	804.99	20.41	79.25	0.35
Dec	337.41	569.70	2.61	909.72	37.09	62.62	0.29
<b>2010</b>							
Jan	299.98	548.87	1.55	850.40	35.27	64.54	0.18
Feb	70.26	627.90	0.54	698.70	10.06	89.87	0.08
Mar	75.61	698.62	0.68	774.91	9.76	90.16	0.09

**Table S8(a) COMMERCIAL BANKS' LOANS AND ADVANCES TO BUSINESS ENTERPRISES AND STATUTORY BODIES**

(Million Maloti ; End of Period)

ECONOMIC ACTIVITIES	2008				2009			2010	
	Mar	Jun	Sep	Dec	Mar	Jun	Sep	Dec	Mar
1. Agriculture, Hunting Forestry and Fishing	52.68	67.19	75.02	12.59	2.33	15.61	28.41	32.21	8.27
2. Mining and Quarrying	3.81	3.80	11.41	6.82	43.09	56.86	69.75	61.87	52.48
3. Manufacturing	80.52	84.53	107.29	62.43	87.47	66.44	78.07	156.50	143.95
4. Electricity, gas and water	3.83	6.35	7.79	7.22	10.62	32.92	16.70	20.23	31.10
5. Construction	221.86	210.74	200.39	248.73	215.58	249.91	195.62	84.66	98.63
6. Wholesale, Retail, Hotel and Restaurant	70.31	84.83	82.338	83.05	69.85	56.34	93.69	83.93	150.58
7. Transport, Storage And Communication	197.33	281.02	241.06	205.36	97.82	184.02	164.92	133.60	241.15
8. Non-Bank Financial Institutions, Real Estate	40.52	71.11	18.90	0.00	173.69	96.37	91.13	215.15	139.51
9. Community, Social and Personal Services	110.31	113.18	174.51	16.38	94.54	88.28	121.42	108.01	61.58
<b>TOTAL</b>	781.17	919.74	918.75	642.58	794.99	847.75	859.70	896.56	927.24
of which:									
Business Enterprises	731.05	871.99	874.50	598.76	754.95	756.84	769.08	842.86	825.28
Statutory Bodies	50.12	47.75	44.25	43.82	40.04	37.60	35.39	0.00	36.61

**Table S8(b) COMMERCIAL BANKS' LOANS AND ADVANCES TO BUSINESS ENTERPRISES AND STATUTORY BODIES**

(As per cent of total ; End of Period)

ECONOMIC ACTIVITIES	2008				2009				2010
	Mar	Jun	Sep	Dec	Mar	Jun	Sep	Dec	Mar
1. Agriculture, Hunting Forestry and Fishing	6.74	7.31	8.17	1.96	0.29	1.84	3.30	3.59	0.89
2. Mining and Quarrying	0.49	0.41	1.24	1.06	5.42	6.82	8.11	6.90	5.66
3. Manufacturing	10.31	9.19	11.68	9.72	11.00	7.84	9.08	17.46	15.52
4. Electricity, gas and water	0.49	0.69	0.85	1.12	1.34	3.88	1.94	2.30	3.35
5. Construction	28.40	22.91	21.81	38.71	32.15	29.48	22.75	9.44	10.64
6. Wholesale, Retail, Hotel and Restaurant	9.00	8.90	8.97	12.96	8.79	6.65	10.90	9.36	16.24
7. Transport, Storage and Communication	25.26	30.55	26.24	31.96	12.30	21.71	19.18	14.90	26.01
8. Non-Bank Financial Institutions, Real Estate	5.19	7.73	2.06	0.00	21.85	11.37	10.60	24.00	15.05
9. Community, Social and Personal Services	14.12	12.31	18.99	2.55	6.85	10.41	14.12	12.05	6.64
<b>TOTAL</b>	100.00	100.00	100.00	100.00	100.00	100.00	100.00	100.00	100.00
of which:									
Business Enterprises	93.58	94.81	95.18	93.18	94.96	95.56	89.46	94.01	89.00
Statutory Bodies	6.42	5.19	4.82	4.82	5.04	4.44	4.27	0.00	3.48

**Table S9(a)**

**COMMERCIAL BANKS' MAJOR RATIOS**  
(Million Maloti)

End of Period	Liabilities to the Public in Lesotho	Liquid Assets	Liquidity Ratio	Capital	Capital Ratio	Statutory Reserves	Local Assets	Local Assets Ratio
<b>2008</b>								
May	5127.52	4007.48	78.16	416.80	8.13	68.15	3261.96	58.12
Jun	5345.58	4143.92	77.52	417.03	7.80	68.15	3250.33	55.75
Jul	4824.93	3552.14	73.62	421.83	8.74	68.15	3234.74	60.86
Aug	4702.04	3569.00	75.90	421.63	8.97	68.15	3090.51	59.53
Sep	4772.81	3823.11	80.10	418.49	8.77	68.15	3456.46	65.72
Oct	4867.23	3723.12	76.49	498.40	10.24	68.15	3140.35	57.79
Nov	4918.20	3827.58	77.82	507.40	10.32	68.15	3258.54	59.31
Dec	5383.93	4336.48	80.54	514.71	9.56	68.15	3150.88	52.81
<b>2009</b>								
Jan	6311.95	5246.52	83.12	516.35	8.18	68.15	3504.24	50.81
Feb	6139.28	5126.21	83.50	516.67	8.42	68.15	3650.16	54.28
Mar	6029.95	5031.52	83.44	516.51	8.57	68.15	3618.52	54.70
Apr	5830.50	4830.63	82.85	519.09	8.90	68.15	3621.38	56.43
May	5841.30	4776.69	81.77	529.59	9.07	68.15	3505.05	54.43
Jun	5914.42	4791.17	81.01	529.65	8.96	68.15	3624.05	55.65
Jul	6043.72	4829.18	79.90	529.03	8.75	68.15	3683.366	55.47
Aug	6722.06	5565.48	82.79	529.15	7.87	68.15	3914.063	53.48
Sep	7219.25	6069.22	84.07	529.02	7.33	68.15	4127.61	52.81
Oct	6373.95	5110.60	80.18	530.29	8.32	68.15	3947.56	56.62
Nov	6336.97	5111.15	80.66	529.82	8.36	68.15	4041.00	58.27
Dec	6430.44	5027.42	78.18	548.13	8.52	68.15	4062.86	57.66
<b>2010</b>								
Jan	6534.56	5291.08	80.97	543.09	8.31	68.15	4184.65	58.56
Feb	6674.67	5391.07	80.77	540.95	8.10	68.15	4068.65	55.86
Mar	6757.07	5488.40	81.22	541.12	8.01	68.15	4420.96	60.02

Table S9(b)

## COMMERCIAL BANKS' CREDIT DEPOSIT RATIOS

(Million Maloti /Per Cent)

End of period	Deposit <sup>1</sup>	Deferred Pay Fund	Government Deposits	Borrowing From Abroad	Credit <sup>2</sup>	Treasury Bills & Bonds	Credit-Deposit Ratios				Other Related Ratios		
							5 as % of 1	5 as % of (1+2)	5 as % of (1+2+3)	5 as % of (1+2+3+4)	6 as % of (1+2+3)	(5+6) as % of (1+2+3)	(5+6) as % of (1+2+3+4)
							7	8	9	10	11	12	13
1	2	3	4	5	6	7	8	9	10	11	12	13	
<b>2008</b>													
May	4128.43	0.00	170.29	66.47	1302.71	549.57	31.55	31.55	30.30	29.84	12.78	43.09	42.43
Jun	4225.17	0.00	169.68	65.95	1357.06	552.50	32.12	32.12	30.88	30.42	12.57	43.45	42.81
Jul	3837.16	0.00	159.19	74.03	1399.87	550.64	36.48	36.48	35.03	34.39	13.78	48.81	47.92
Aug	3852.17	0.00	160.99	73.03	1433.20	561.21	37.21	37.21	35.71	35.07	13.98	49.70	48.81
Sep	3836.33	0.00	167.73	45.54	1405.77	547.06	36.64	36.64	35.11	34.71	13.66	48.77	48.22
Oct	4052.76	0.00	188.62	76.03	1469.93	516.34	36.27	36.27	34.66	34.05	12.17	46.83	46.01
Nov	3961.78	0.00	193.84	67.98	1430.38	461.63	36.10	36.10	34.42	33.87	11.11	45.53	44.80
Dec	4340.78	0.00	194.06	92.67	1370.62	453.96	31.58	31.58	30.22	29.62	10.01	40.23	39.43
<b>2009</b>													
Jan	4969.77	0.00	203.23	103.65	1390.96	506.10	27.99	27.99	26.89	26.36	9.78	36.67	35.95
Feb	4864.55	0.00	205.19	47.33	1446.67	506.31	29.74	29.74	28.54	28.27	9.99	38.52	38.17
Mar	4886.33	0.00	37.83	131.73	1490.97	507.19	30.51	30.51	30.28	29.49	10.30	40.58	39.52
Apr	4897.92	0.00	33.35	51.80	1454.50	520.72	29.70	29.70	29.50	29.19	10.56	40.05	39.64
May	4916.87	0.00	33.39	41.03	1502.58	542.09	30.56	30.56	30.35	30.10	10.95	41.30	40.96
Jun	4977.67	0.00	33.83	73.07	1530.95	529.58	30.76	30.76	30.55	30.11	10.57	41.12	40.53
Jul	5128.19	0.00	34.39	48.83	1598.96	394.30	31.18	31.18	30.97	30.68	7.64	38.61	38.25
Aug	5474.35	0.00	34.65	66.33	1609.55	410.69	29.40	29.40	29.22	28.87	7.45	36.67	36.24
Sep	5778.75	0.00	35.30	51.82	1617.04	410.04	27.98	27.98	27.81	27.57	7.05	34.87	34.56
Oct	4752.59	0.00	264.33	213.76	1694.89	383.43	35.66	35.66	33.78	32.40	7.64	41.43	39.73
Nov	4991.23	0.00	27.57	209.68	1721.34	391.81	34.49	34.49	34.30	32.92	7.81	42.10	40.42
Dec	5060.46	0.00	26.77	310.48	1721.47	384.12	34.02	34.02	33.84	31.89	7.55	41.39	39.01
<b>2010</b>													
Jan	5336.32	0.00	26.06	80.45	1759.74	392.98	32.98	32.98	32.82	32.33	7.33	40.14	39.55
Feb	5363.71	0.00	25.40	66.63	1747.65	389.12	32.58	32.58	32.43	32.03	7.22	39.65	39.17
Mar	5485.04	0.00	22.20	62.60	1712.61	409.10	31.22	31.22	31.10	30.75	7.43	38.53	38.09



Table S10

**NARROW MONEY**  
(Million Maloti)

End of Period	M A L O T I			Demand and Call Deposits			Money (M1) (3+7)	Annual Rate of Increase (per cent)	
	Issued	With Banks	With Public	Private Sector	Statutory Bodies	Deferred Pay Fund			Total
	1	2	3	4	5	6	7	8	9
<b>2008</b>									
Apr	393.70	46.59	346.69	2557.30	652.86	0.00	3210.15	3556.84	20.21
May	381.65	35.86	345.22	2500.07	745.11	0.00	3245.17	3590.40	27.62
Jun	413.05	43.77	368.86	2613.57	777.96	0.00	3391.52	3760.38	35.28
Jul	388.58	47.16	340.72	2329.90	659.61	0.00	2989.51	3330.23	28.04
Aug	411.38	46.04	364.52	2315.60	669.18	0.00	2984.78	3349.29	20.33
Sep	439.32	59.14	379.64	2232.23	735.96	0.00	2968.19	3347.83	21.50
Oct	459.85	50.52	408.50	2365.03	845.45	0.00	3210.48	3618.98	26.40
Nov	508.62	58.67	449.44	2763.57	333.44	0.00	3097.00	3546.44	14.68
Dec	481.66	79.17	402.08	3139.63	333.12	0.00	3472.75	3874.83	26.49
<b>2009</b>									
Jan	440.74	53.95	385.98	3730.66	351.31	0.00	4081.96	4467.94	48.34
Feb	454.69	44.52	409.63	3413.44	347.07	0.00	3760.51	4170.14	30.57
Mar	502.66	56.96	444.14	3714.30	239.18	0.00	3953.48	4397.63	41.28
Apr	495.92	60.83	433.98	3605.56	234.88	0.00	3840.43	4274.41	20.17
May	556.82	65.16	491.10	3580.85	233.39	0.00	3814.24	4305.34	19.91
Jun	498.28	62.70	434.84	3570.29	229.38	0.00	3799.67	4234.51	12.61
Jul	530.30	65.56	463.92	3597.09	224.78	0.00	3821.87	4285.79	28.69
Aug	556.67	61.89	493.31	3912.33	222.04	0.00	4134.37	4627.68	38.17
Sep	542.58	70.44	471.02	4107.82	274.74	0.00	4382.56	4853.58	44.98
Oct	563.77	62.21	500.75	3123.18	307.90	0.00	3431.09	3931.83	8.64
Nov	612.46	66.51	545.32	3306.29	327.69	0.00	3633.98	4179.30	17.84
Dec	584.99	97.06	487.18	3480.03	209.19	0.00	3689.22	4176.40	7.78
<b>2010</b>									
Jan	535.95	71.34	463.55	3688.98	274.35	0.00	3963.33	4426.88	-0.92
Feb	525.02	63.32	461.12	3790.12	282.11	0.00	4072.23	4533.35	8.71
Mar	599.42	99.06	498.92	3754.37	349.55	0.00	4103.91	4602.83	4.73

**Table S11**

**MONETARY SURVEY**  
(Million Maloti; End of Period)

	2007				2008				2009	2010
	Dec	Mar	Jun	Sep	Dec	Mar	Jun	Sep	Dec	Mar
Foreign Assets, Net -----	8377.645	9258.579	9833.493	9899.778	11243.001	11400.900	11322.356	11331.013	10702.08	10795.56
Commercial Banks	2202.342	2371.362	2792.445	2162.775	2921.057	3201.578	3133.146	4023.837	2986.69	3282.51
Central Bank of Lesotho	6129.579	6866.655	7028.766	7728.740	8251.571	8191.185	8160.837	7289.781	7664.89	7457.82
Rand with Banks	47.724	20.562	12.282	8.263	70.373	8.137	28.373	17.395	50.49	55.23
Domestic Credit -----	-2177.444	-2053.259	-2151.549	-2404.321	-2465.727	-2087.894	-2758.771	-1855.947	-2136.21	-1774.56
Claims on private sector & statutory bodies	1146.872	1220.498	1379.634	1534.886	1506.976	1557.791	1556.907	1788.050	1859.79	1862.96
Claims on Government, net of deposits	-3324.316	-3273.757	-3531.183	-3939.207	-3972.703	-3645.685	-4315.678	-3643.997	-3996.00	-3637.52
Money Supply -----	4154.148	4176.619	4747.904	4378.564	4880.991	5488.954	5574.764	6411.203	5744.03	6123.10
Money	3063.355	3112.678	3760.377	3347.826	3874.828	4397.625	4234.509	4853.579	4176.40	4602.83
Maloti with public	339.311	331.048	368.856	379.637	402.079	444.144	434.843	471.020	487.18	498.92
Demand and call deposits	2724.044	2781.630	3391.521	2968.189	3472.749	3953.481	3799.666	4382.559	3689.22	4103.91
Quasi-money	1090.793	1063.941	987.527	1030.738	1006.163	1091.329	1340.255	1557.624	1567.63	1520.27
Time deposits	686.750	652.500	559.663	606.295	583.106	630.463	747.163	936.551	960.60	864.70
Savings deposits	404.043	411.441	427.864	424.443	423.057	460.866	593.092	621.073	607.03	655.57
Other Items, Net -----	2046.053	3028.702	2934.040	3116.893	3896.283	3824.052	2988.821	3063.864	2821.84	2897.90

Table S12

**BROAD MONEY**  
(Million Maloti)

End of Period	Savings Deposits	Time Deposits			Quasi-Money (1+ 2+ 3+ 4) 5	Money (M1) 6	Money Supply (M2) (5+ 6) 7	Annual Rate of Increase (per cent) 8
		Private Sector	Statutory Bodies	Deferred Pay Fund				
<b>2008</b>								
May	427.25	480.66	128.25	0.00	1036.16	3590.40	4626.55	27.74
Jun	427.86	431.66	128.00	0.00	987.53	3760.38	4747.90	27.42
Jul	425.04	446.91	134.87	0.00	1006.82	3330.23	4337.04	20.77
Aug	427.52	463.28	135.66	0.00	1026.46	3349.29	4375.75	15.77
Sep	424.44	469.56	136.73	0.00	1030.74	3347.83	4378.56	16.26
Oct	439.26	431.68	136.92	0.00	1007.86	3618.98	4626.84	19.59
Nov	435.32	431.72	135.70	0.00	1002.75	3546.44	4549.19	10.84
Dec	423.06	446.16	136.95	0.00	1006.16	3874.83	4880.99	17.50
<b>2009</b>								
Jan	441.36	446.82	138.22	0.00	1026.40	4467.94	5494.34	36.50
Feb	464.67	641.36	136.65	0.00	1242.68	4170.14	5412.83	26.30
Mar	460.87	629.06	1.40	0.00	1091.33	4397.63	5488.95	31.42
Apr	584.75	632.27	1.33	0.00	1218.36	4274.41	5492.77	16.51
May	586.27	675.82	1.52	0.00	1263.61	4305.34	5568.95	17.14
Jun	593.09	745.46	1.70	0.00	1340.26	4234.51	5574.76	14.19
Jul	597.84	868.75	2.32	0.00	1468.90	4285.79	5754.69	29.01
Aug	611.57	887.27	2.48	0.00	1501.31	4627.68	6128.99	36.16
Sep	621.07	933.95	2.60	0.00	1557.62	4853.58	6411.20	42.22
Oct	623.61	857.07	2.73	0.00	1483.41	3931.83	5415.24	13.73
Nov	630.37	885.24	2.78	0.00	1518.39	4179.30	5697.69	21.60
Dec	607.03	929.68	11.82	0.00	1548.53	4176.40	5724.93	14.10
<b>2010</b>								
Jan	629.99	865.80	16.66	0.00	1512.46	4426.88	5939.34	5.52
Feb	645.46	767.41	18.08	0.00	1430.96	4533.35	5964.31	7.46
Mar	655.57	862.92	1.78	0.00	1520.27	4602.83	6123.10	8.78

Table S13

## COMMERCIAL BANKS' DEPOSITS, WITHDRAWALS FROM DEPOSITS AND TURNOVER

(Million Maloti)

End of Period	Demand and Call Deposits	Withdrawals from Demand and Call Deposits	Turnover	Savings Deposits	Withdrawals from Savings Deposits	Turnover	Fixed Time Deposits	Withdrawals from Fixed Time Deposits	Turnover	Total Deposits	Total Withdrawals	Total Turnover
<b>2007</b>												
May	3259.74	1403.96	0.43	427.64	278.92	0.65	608.94	270.80	0.44	4296.33	1953.67	0.45
Jun	3563.57	2612.88	0.73	428.28	279.64	0.65	559.70	338.12	0.60	4551.55	3230.63	0.71
Jul	3000.85	2991.17	1.00	425.49	286.24	0.67	581.81	288.93	0.50	4008.15	3566.33	0.89
Aug	2995.91	3036.39	1.01	428.41	284.70	0.66	598.97	292.92	0.49	4023.30	3614.01	0.90
Sep	2979.26	2964.73	1.00	424.94	325.96	0.77	606.33	294.33	0.49	4010.53	3585.02	0.89
Oct	3222.13	2825.09	0.88	439.75	369.17	0.84	568.63	294.54	0.52	4230.51	3488.80	0.82
Nov	3107.32	2811.54	0.90	435.82	332.21	0.76	567.46	308.36	0.54	4110.60	3452.12	0.84
Dec	3485.66	2438.20	0.70	423.60	307.98	0.73	583.14	23.55	0.04	4492.41	2769.73	0.62
<b>2009</b>												
Jan	4143.34	2145.79	0.52	441.88	235.36	0.53	585.083	1.10	0.00	5170.30	2382.25	0.46
Feb	3770.72	2516.16	0.67	465.36	244.19	0.52	778.052	82.24	0.11	5014.13	2842.58	0.57
Mar	4011.07	2397.91	0.60	461.11	344.05	0.75	630.46	191.20	0.30	5102.65	2933.16	0.57
Apr	3852.01	2145.79	0.56	585.32	245.54	0.42	635.04	81.67	0.13	5072.37	2473.00	0.49
May	3825.10	2516.16	0.66	586.93	257.13	0.44	677.37	29.36	0.04	5089.39	2802.64	0.55
Jun	3807.32	2397.91	0.63	593.71	266.15	0.45	747.20	0.86	0.00	5148.23	2664.92	0.52
Jul	3832.78	2278.42	0.59	598.53	258.91	0.43	871.10	3.92	0.00	5302.42	2541.25	0.48
Aug	4141.39	1992.03	0.48	612.29	270.93	0.44	889.78	78.05	0.09	5643.46	2341.01	0.41
Sep	4389.22	2413.63	0.55	621.88	304.46	0.49	936.59	80.60	0.09	5947.68	2798.69	0.47
Oct	3586.09	3132.69	0.87	624.38	302.24	0.48	859.83	80.59	0.09	5070.29	3515.52	0.69
Nov	3790.40	2107.10	0.56	631.14	293.39	0.46	888.03	126.23	0.14	5309.57	2526.72	0.48
Dec	3854.62	2838.76	0.74	607.77	353.40	0.58	941.52	144.32	0.15	5403.91	3336.48	0.62
<b>2010</b>												
Jan	3971.33	2454.01	0.62	630.66	283.35	0.45	882.48	115.70	0.13	5484.47	2853.06	0.52
Feb	4081.32	2406.67	0.59	646.15	274.21	0.42	785.52	103.82	0.13	5512.99	2784.69	0.51
Mar	4111.76	2893.48	0.70	655.92	309.84	0.47	864.72	23.12	0.03	5632.39	3226.44	0.57

Table S14(a)

**INTEREST RATES OF COMMERCIAL BANKS**

(With Comparable South African rates)

(Per Cent Per Annum)

End of Period	Lending Rates		South African Prime	Deposit rates	
	Prime	Maximum		Savings	Call
<b>2007</b>					
Nov	14.50	19.17	14.00	2.00-6.00	5.75
Dec	15.42	19.83	14.50	3.00-6.75	6.30
<b>2008</b>					
Jan	15.50	19.83	14.50	3.00-6.75	6.30
Feb	15.67	20.67	14.50	3.00-6.75	6.30
Mar	15.67	20.67	14.50	3.00-6.75	6.30
Apr	15.92	24.05	15.00	2.80-6.95	6.50
May	15.92	24.08	15.00	3.63-6.95	6.50
Jun	16.25	25.25	15.50	3.64-7.52	6.75
Jul	16.58	24.75	15.50	3.64-7.25	6.75
Aug	16.58	24.75	15.50	3.64-7.25	6.75
Sep	16.58	24.75	15.50	3.64-7.25	6.75
Oct	16.58	24.75	15.50	3.64-7.25	6.75
Nov	16.58	24.75	15.50	3.64-7.25	6.75
Dec	16.58	24.75	15.00	3.64-7.26	7.75
<b>2009</b>					
Jan	16.00	24.83	15.50	3.64-5.75	5.25
Feb	15.17	23.83	15.50	2.18-5.75	5.25
Mar	14.50	23.17	14.50	1.46-5.00	4.75
Apr	13.83	21.42	13.00	1.00-5.00	4.75
May	12.83	20.83	11.00	1.00-5.00	2.75
Jun	12.17	20.83	11.00	1.00-5.00	2.75
Jul	12.17	20.83	11.50	1.00-5.00	2.75
Aug	12.00	20.67	10.50	1.00-5.00	2.75
Sep	11.83	20.50	10.50	1.00-5.00	2.75
Oct	12.00	20.67	10.50	1.00-5.00	2.75
Nov	11.83	20.50	10.50	1.00-5.00	2.75
Dec	11.67	20.50	10.50	1.00-5.00	2.75
<b>2010</b>					
Jan	12.00	20.83	10.50	0.75-5.00	2.75
Feb	12.00	20.83	10.50	0.75-5.00	2.75
Mar	11.83	20.67	10.00	0.75-5.00	2.75

**Table S14(b)**

**TIME DEPOSIT RATES BY COMMERCIAL BANKS**  
(With comparable South African rates)  
(Per Cent Per Annum)

<b>INTEREST PAID</b>						
End of Period	Lesotho Time Deposits				South African Time Deposits	
	31 Days	88 Days	6 Months	1 Year	31 Days	1 Year
<b>2007</b>						
Nov	4.88	6.50	6.75	7.25	10.34	11.68
Dec	4.88	7.25	7.50	8.00	10.97	11.85
<b>2008</b>						
Jan	4.88	7.25	7.50	8.00	9.37	11.72
Feb	6.00	7.25	7.50	8.00	10.97	11.84
Mar	6.25	7.25	7.50	8.00	11.13	12.22
Apr	5.18	5.63	5.83	6.37	11.48	12.91
May	5.19	5.87	6.32	7.20	11.57	13.30
Jun	5.41	6.09	6.52	7.42	12.00	13.75
Jul	5.54	6.29	6.60	7.57	11.84	13.07
Aug	5.54	6.22	6.60	7.57	11.80	12.68
Sep	5.54	6.22	6.60	7.57	11.93	12.44
Oct	5.54	6.22	6.60	7.57	12.00	13.08
Nov	5.54	6.22	6.60	7.57	11.84	11.03
Dec	5.54	6.22	6.60	7.57	11.28	10.31
<b>2009</b>						
Jan	4.96	5.64	6.02	6.98	11.13	9.64
Feb	4.47	5.04	5.68	6.55	10.05	8.43
Mar	3.96	4.64	5.02	6.23	9.22	8.25
Apr	3.11	3.79	4.13	5.04	8.79	8.28
May	2.36	2.97	3.26	4.44	7.85	7.90
Jun	1.65	2.20	2.63	3.69	7.28	8.28
Jul	1.65	2.20	2.53	3.69	7.37	8.39
Aug	1.65	2.20	2.51	3.69	6.79	7.88
Sep	1.65	2.20	2.53	3.69	6.81	8.03
Oct	1.65	1.90	2.25	3.41	6.87	8.20
Nov	1.65	1.90	2.25	3.41	6.76	8.14
Dec	1.65	1.95	2.26	3.35	6.85	8.09
<b>2010</b>						
Jan	1.65	1.95	2.26	3.35	6.84	8.03
Feb	1.65	1.95	2.26	3.35	6.86	7.97
Mar	1.65	1.95	2.26	3.35	6.37	7.29

**Table S15****COMPARATIVE MONEY MARKET RATES**

End of Period	Central Bank Rates -----		Treasury Bills -----	
	CBL*	SARB+	LESOTHO	RSA
<b>2007</b>				
Nov	12.74	15.50	8.74	9.96
Dec	12.82	15.50	8.82	9.96
<b>2008</b>				
Jan	13.10	16.00	9.10	10.52
Feb	13.17	16.00	9.17	10.37
Mar	13.21	16.00	9.21	10.29
Apr	13.81	16.50	9.71	10.46
May	13.91	16.50	9.81	11.55
Jun	13.94	17.00	9.91	11.38
Jul	13.94	15.50	9.94	11.27
Aug	13.94	15.50	9.94	11.16
Sep	14.01	15.50	10.01	11.11
Oct	14.05	15.50	10.05	10.74
Nov	14.15	15.50	10.15	10.90
Dec	14.05	15.00	10.05	10.84
<b>2009</b>				
Jan	14.01	15.50	10.01	10.52
Feb	13.83	15.50	9.83	8.92
Mar	13.00	14.50	9.00	8.24
Apr	13.27	14.50	9.27	8.01
May	11.60	12.50	7.60	7.51
Jun	10.76	12.50	6.76	7.38
Jul	10.80	12.50	6.80	7.44
Aug	10.80	12.00	6.80	6.98
Sep	10.86	12.00	6.86	6.90
Oct	10.78	12.00	6.78	7.03
Nov	10.99	12.00	6.99	7.03
Dec	10.66	12.00	6.66	7.14
<b>2010</b>				
Jan	10.66	12.00	6.66	7.07
Feb	10.62	12.00	6.62	7.05
Mar	10.46	11.50	6.46	6.60

Note: \*CBL – Central Bank of Lesotho overdraft rate

+ SARB – South African Reserve Bank marginal lending rate

Table S16

## GOVERNMENT BUDGETARY OPERATIONS

(Million Maloti / Per cent of GDP)

	2008/2009 Q1	2008/2009 Q2	2008/2009 Q3	2008/2009 Q4	2009/2010 Q1	Preliminary 2009/2010 Q2	Preliminary 2009/2010 Q3	Preliminary 2009/2010 Q4
Total Receipts	1987.8	2223.2	2221.6	2337.6	2115.0	2302.6	2284.1	2315.1
Revenue	1981.1	2151.4	2190.8	2306.7	2044.8	2034.1	2114.8	2165.1
Customs	1866.3	1225.5	1225.2	1225.2	1229.5	1229.5	1229.5	1229.5
Income Taxes	390.1	392.6	331.0	429.3	393.8	449.2	496.5	440.8
of which :Individual Tax	191.2	255.8	180.9	222.7	137.7	255.7	366.0	265.3
Company Tax	106.7	62.0	114.9	86.9	199.5	153.0	234.0	107.4
Taxes on goods & services	248.5	277.2	258.6	247.0	267.2	232.1	268.5	273.3
Other Tax	2.5	2.9	152.6	23.7	0.0	0.0	120.3	0.0
Non-Tax Revenue	114.8	253.5	223.4	381.5	97.7	123.3	219.6	218.1
of which : Water Royalties	77.9	96.7	81.6	67.9	78.5	90.0	73.3	75.6
Grants	6.7	71.7	30.8	30.8	126.8	0.0	150.0	150.0
Total Expenditure & Net Lending	1781.0	1778.4	2248.2	2670.5	1486.9	2704.2	1907.5	2609.5
Recurrent	1302.7	1344.4	1768.1	2201.7	1115.7	1860.1	1708.2	1737.2
Personnel Emoluments	466.1	482.8	495.4	495.7	576.9	576.3	704.6	700.0
Interest Payments	30.2	35.9	41.5	21.6	31.3	31.0	49.8	27.2
Of which: Bank Restructuring	0.0	3.6	4.0	3.9	3.9	0.0	0.0	0.0
Subsidies and Transfers	462.6	398.0	588.8	1040.0	601.2	1002.6	449.0	405.0
Other Expenditure	806.5	825.6	1231.2	1684.4	507.5	1252.8	1227.9	1305.0
Of which: Bank Restructuring	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Agricultural Support	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Imperial Fleet Services	25.9	56.7	14.6	61.3	61.3	0.0	0.0	0.0
Capital Expenditure & Net Lending	478.2	434.0	480.1	468.8	371.5	844.1	199.3	872.3
Overall Surplus/Deficit	206.8	444.8	-26.8	-333.0	627.7	-670.1	376.6	-294.3
Total Financing	-208.8	-444.8	26.8	332.9	-627.7	670.0	-376.6	294.3
Foreign financing (net)	47.7	-36.1	69.1	2.7	17.9	-19.0	-27.3	-59.4
Domestic financing (net)	-254.5	-408.7	-42.3	330.2	-645.6	689.0	-349.3	353.5
Bank financing	-257.4	-408.0	-33.5	327.0	-693.0	671.7	-352.0	358.5
Non-bank financing	2.9	-0.7	-8.8	3.2	47.4	17.3	0.0	-4.7
				<b>In Per cent of GDP (%)</b>				
Total Receipts	58.60	64.33	64.74	68.97	63.23	60.82	68.29	68.88
Total Expenditure	52.50	53.19	66.46	79.85	44.46	80.86	57.03	77.64
Budget Balance	7.00	13.30	-0.80	-9.96	18.77	-20.04	11.26	-8.0

Source: Ministry of Finance and Development Planning



**Table S17****TREASURY BILLS BY TYPE OF HOLDER**

(Million Maloti)

End of Period	CBL	Comm. Banks	NBFI	Others	Total
<b>2008</b>					
Feb	0.32	455.02	0.31	77.09	532.74
Mar	0.32	457.88	0.31	74.49	532.99
Apr	0.32	444.97	0.31	87.40	532.99
May	0.32	456.73	0.31	75.80	533.15
Jun	0.32	455.15	0.31	77.37	533.15
Jul	0.32	462.40	0.31	45.65	508.67
Aug	0.32	442.22	0.31	65.83	508.67
Sep	0.32	468.24	0.31	68.88	537.74
Oct	0.32	392.69	0.31	49.20	442.52
Nov	0.32	449.22	0.31	56.98	506.83
Dec	0.32	485.46	0.96	57.88	544.62
<b>2009</b>					
Jan	0.32	487.25	0.94	48.56	537.07
Feb	0.32	493.85	0.94	51.26	546.37
Mar	0.32	507.06	7.30	46.73	561.41
Apr	0.32	503.05	16.04	45.53	564.93
May	0.32	522.25	19.79	35.39	577.75
Jun	0.32	508.41	45.44	38.41	592.58
Jul	0.32	497.36	46.82	36.89	581.40
Aug	0.32	505.57	56.77	39.45	602.10
Sep	0.32	489.66	60.54	44.37	594.90
Oct	0.32	473.38	56.15	44.31	574.16
Nov	0.32	481.78	53.88	43.17	579.15
Dec	0.32	484.62	61.63	39.81	586.38
<b>2010</b>					
Jan	0.32	481.92	62.97	41.15	586.37
Feb	0.32	480.32	61.34	45.64	587.62
Mar	0.32	500.57	44.18	46.52	591.59

**Table S18****DIAMOND PRODUCTION**

(Carats)

<b>Period</b>	<b>QI</b>	<b>QII</b>	<b>QIII</b>	<b>QIV</b>
<b>2005</b>	12716.28	14670.80	9891.46	8101.48
<b>2006</b>	10709.61	18426.62	39121.74	32334.73
<b>2007</b>	40929.69	35085.16	48321.40	44323.43
<b>2008</b>	69857.24	33286.86	81507.45	31894.84
<b>2009</b>	13510.78	45482.55	29347.55	17932.88
<b>2010</b>	16104.31			

Source: Department of Mines and Geology

Table S19(a)

**LESOTHO ANNUAL INFLATION RATE**  
(APRIL 1997 = 100)

	ALL ITEMS INDEX	Food & Non- Beverages	Alcoholic Beverages & Tobacco	Clothing & Footwear	Housing, Water, Electricity & Other Fuels	Furnishings, H/h Equipment & Routine Maintenance of House	Health	Transport	Communi- -cation	Leisure, Enter- tainment & Culture	Education	Restau- rants & Hotels	Misce- llaneous Goods & Services
<b>2008</b>													
May	9.5	13.8	5.0	6.1	13.6	3.0	1.8	10.1	0.0	0.3	2.2	11.8	4.2
Jun	9.6	13.6	5.0	6.3	13.8	3.5	1.9	10.7	0.0	0.2	2.2	12.1	5.4
Jul	10.5	14.7	4.7	7.3	16.2	3.9	1.9	12.3	0.0	0.8	2.2	10.7	5.5
Aug	11.2	15.1	4.7	7.4	20.3	4.7	1.8	14.0	0.0	3.6	2.6	8.5	6.4
Sep	12.1	16.5	5.6	7.3	19.7	5.5	2.3	14.3	0.0	4.0	2.8	9.4	7.3
Oct	12.1	16.3	5.8	7.1	19.4	5.6	1.8	15.3	0.0	4.9	2.9	11.0	7.1
Nov	11.8	15.7	5.8	6.7	17.8	6.2	1.8	14.9	0.0	5.1	2.8	11.7	8.5
Dec	10.6	14.3	5.4	5.8	16.5	6.2	1.9	11.4	0.0	7.5	2.9	11.5	8.3
<b>2009</b>													
Jan	10.7	14.2	5.5	6.4	13.5	6.2	0.4	11.4	0.0	6.4	2.9	12.0	8.0
Feb	10.2	13.5	5.0	6.1	12.3	7.2	-0.1	10.3	0.0	6.8	2.8	10.6	7.5
Mar	10.1	13.6	5.6	6.1	10.5	7.0	1.4	8.8	0.0	7.6	2.8	9.1	7.5
Apr	9.5	13.0	6.2	6.1	6.7	6.7	1.6	6.7	0.0	8.0	2.9	7.9	7.1
May	8.9	12.1	6.5	6.0	3.5	7.4	1.5	4.4	0.0	7.3	3.0	7.6	7.2
Jun	8.1	11.1	6.1	6.1	0.1	6.7	1.6	3.9	0.0	7.3	3.0	8.0	6.8
Jul	6.9	8.9	6.0	5.1	-2.9	6.6	1.7	5.3	0.0	7.8	2.9	9.6	6.5
Aug	5.6	6.7	6.8	5.0	-4.7	6.1	1.5	3.9	0.0	4.9	2.4	9.0	6.6
Sep	4.7	4.6	8.8	5.4	-5.6	5.6	1.9	4.5	0.0	4.7	2.2	8.2	6.4
Oct	4.2	3.9	8.6	5.5	-5.1	5.6	2.6	3.1	0.0	4.2	2.1	7.6	6.1
Nov	4.1	3.7	9.0	5.4	-6.5	5.4	2.8	3.8	0.0	3.8	2.2	7.0	4.8
Dec	4.2	3.2	8.9	5.2	-6.4	5.2	3.1	7.4	0.0	3.0	2.0	5.4	4.2
<b>2010</b>													
Jan	4.1	3.1	9.0	4.4	-2.6	5.0	3.1	6.6	0.0	4.0	5.7	5.9	3.8
Feb	4.3	3.5	9.3	5.0	-2.4	4.8	3.7	6.6	0.0	2.8	5.6	5.2	4.2
Mar	4.2	3.0	10.8	5.2	-0.6	4.7	2.6	6.20	0.0	3.2	5.7	4.7	4.5

Source: Bureau of Statistics

Table S19(b)

## LESOTHO MONTHLY INFLATION RATE

(APRIL 1997 = 100)

	ALL ITEMS INDEX	Food & Non- Beverages	Alcoholic Beverages & Tobacco	Clothing & Footwear	Housing, Water, Electricity & Other Fuels	Furnishings, H/h Equipment & Routine Maintenance of House	Health	Transport	Communi- -cation	Leisure, Enter- tainment & Culture	Education	Restau- rants & Hotels	Misce- llaneous Goods & Services
<b>2008</b>													
May	1.0	1.2	0.4	0.4	3.3	0.3	0.0	2.3	0.0	0.6	0.0	0.0	0.5
Jun	1.0	1.3	0.7	0.5	1.7	0.8	0.0	0.8	0.0	0.2	0.0	0.0	1.0
Jul	1.4	2.0	0.3	1.0	2.7	0.5	0.0	1.9	0.0	0.3	0.1	0.3	0.5
Aug	1.5	1.9	0.3	0.7	4.1	0.8	0.0	1.5	0.0	3.2	0.5	.03	0.7
Sep	1.3	2.1	0.9	0.4	0.6	0.7	0.4	0.3	0.0	1.0	0.2	0.8	0.8
Oct	0.7	1.0	0.4	0.8	0.0	0.4	-0.4	0.6	0.0	0.5	0.1	0.5	0.2
Nov	0.4	0.7	0.0	0.2	-0.1	0.8	0.0	-0.3	0.0	0.0	0.0	0.6	1.2
Dec	0.04	0.6	0.1	0.4	-0.1	0.2	0.0	-2.9	0.0	0.8	0.1	1.7	0.6
<b>2009</b>													
Jan	0.4	0.3	0.2	0.8	-2.4	0.6	0.2	0.3	0.0	-0.6	1.8	0.4	0.2
Feb	0.2	0.1	0.1	0.2	-0.5	0.8	-0.4	0.8	0.0	0.6	0.1	1.2	0.4
Mar	0.5	0.7	1.2	0.4	-1.4	0.3	1.5	0.6	0.0	0.8	0.0	0.5	0.3
Apr	0.5	0.6	1.5	0.6	-0.2	0.3	0.2	0.5	0.0	0.3	0.1	1.2	0.5
May	0.5	0.4	0.7	0.4	0.2	1.0	0.0	0.1	0.0	-0.1	0.1	-0.3	0.6
Jun	0.3	0.4	0.3	0.5	-1.7	0.1	0.1	0.4	0.0	0.2	0.0	0.4	0.6
Jul	0.3	0.0	0.2	0.1	-0.3	0.5	0.1	3.3	0.0	0.8	0.0	1.7	0.2
Aug	0.3	-0.2	1.1	0.6	2.0	0.2	0.2	0.1	0.0	0.4	-0.1	-0.3	0.8
Sep	0.5	0.1	2.8	0.7	-0.1	0.3	0.4	1.1	0.0	0.9	-0.1	0.1	0.7
Oct	0.2	0.3	0.2	0.4	0.5	0.4	0.3	-0.8	0.0	0.0	0.0	0.0	-0.1
Nov	0.3	0.5	0.3	0.1	-2.5	-2.8	0.6	0.1	0.4	0.0	0.0	0.0	-0.1
Dec	0.1	0.1	0.0	0.2	0.0	0.1	0.3	0.5	0.0	0.0	0.0	0.2	0.0
<b>2010</b>													
Jan	0.3	0.2	0.3	0.1	1.5	0.3	0.2	-0.3	0.0	0.4	5.4	0.9	-0.1
Feb	0.5	0.4	0.4	0.8	-0.3	0.6	0.2	0.7	0.0	-0.5	0.1	0.5	0.7
Mar	0.5	0.3	2.6	0.7	0.4	0.1	0.5	0.2	0.0	1.1	0.0	0.1	0.6

Source: Bureau of Statistics

**Table S20**

**EXCHANGE RATES**  
(Loti per unit of foreign currency, period average)

	Botswana Pula	EURO	French Franc	German Mark	Japanese Yen	Saudi Riyal	SDR	Swedish Kronor	Swiss Franc	UK Pound	US Dollar
<b>2008</b>											
Jul	1.184	12.025	0.546	6.148	0.071	2.030	12.420	1.268	7.426	15.168	7.627
Aug	1.171	11.476	0.572	5.867	0.070	2.045	12.174	1.221	7.080	14.479	7.668
Sep	1.184	11.582	0.567	5.922	0.076	2.148	12.550	1.211	7.267	14.502	8.060
Oct	1.261	12.928	0.509	6.610	0.094	2.593	14.760	1.312	8.530	16.434	9.742
Nov	1.266	12.873	0.495	6.581	0.104	2.691	14.996	1.273	8.495	15.507	10.110
Dec	1.270	13.484	0.487	6.893	0.110	2.671	15.199	1.252	8.735	14.913	10.020
<b>2009</b>											
Jan	1.262	13.150	0.499	6.714	0.127	2.646	15.025	1.224	8.794	14.299	9.925
Feb	1.255	12.804	0.512	6.547	0.108	2.670	14.893	1.175	8.587	14.442	9.864
Mar	1.248	12.987	0.505	6.640	0.102	2.652	14.749	1.162	8.613	14.123	9.947
Apr	1.198	11.829	0.555	6.048	0.091	2.391	13.372	1.087	7.807	13.180	8.968
May	1.173	11.419	0.574	6.172	0.087	2.233	12.716	1.079	7.557	12.892	8.374
Jun	1.160	11.343	0.578	5.800	0.083	2.109	12.477	1.052	7.492	13.125	8.059
July	1.151	11.192	0.586	5.677	0.084	2.119	12.332	1.035	7.364	13.005	7.947
Aug	1.152	11.337	0.579	5.796	0.084	2.120	12.397	1.111	7.440	13.136	7.951
Sep	1.129	10.953	0.599	5.600	0.116	2.005	11.857	1.075	7.227	12.298	7.535
Jul	1.151	11.192	0.586	5.677	0.084	2.119	12.332	1.035	7.364	13.005	7.947
Aug	1.152	11.337	0.579	5.796	0.084	2.120	12.397	1.111	7.440	13.136	7.951
Sep	1.129	10.953	0.599	5.600	0.116	2.005	11.857	1.075	7.227	12.298	7.535
Oct	1.129	11.140	0.591	5.672	0.083	1.997	11.876	1.076	7.332	12.124	7.489
Nov	1.129	11.214	0.585	5.733	0.084	2.004	12.014	1.085	7.423	12.475	7.516
Dec	1.119	10.939	0.600	5.593	0.083	1.990	11.822	1.053	7.279	12.148	7.463
<b>2010</b>											
Jan	1.1105	10.6575	0.6160	5.4488	0.0818	1.9887	11.6725	1.0685	7.2162	12.0617	7.4576
Feb	1.1112	10.4827	0.6253	5.3603	0.0809	2.0362	11.7453	1.0511	7.1406	11.9499	7.6360
Mar	1.0908	10.0577	0.6524	5.1424	0.0810	1.9713	11.2994	1.0320	6.9538	11.1989	7.3926

**Table S21****PURCHASES AND SALES OF FOREIGN CURRENCY**

(in Thousands of Maloti)

End of Period	PURCHASES					SALES				
	USD	GBP	EURO	OTHERS	TOTAL	USD	GBP	EURO	OTHERS	TOTAL
<b>2007</b>										
May	73.174	9.604	55.734	1.371	131.152	120.042	3.025	49.774	0.942	161.400
Jun	76.423	14.74	35.81	2.344	114.639	126.941	3.508	24.601	0.391	112.784
Jul	85.320	8.789	33.153	3.129	130.391	379.705	2.369	4.153	1.019	387.246
Aug	66.670	8.845	31.164	1.257	107.936	168.954	9.387	17.508	0.596	196.445
Sep	73.243	5.177	12.46	2.053	92.933	147.404	3.615	6.194	1.396	158.609
Oct	67.805	6.162	17.85	0.432	92.249	264.646	5.847	22.110	0.613	293.216
Nov	58.469	6.942	8.891	0.353	74.655	187.076	11.848	4.426	0.746	204.096
Dec	59.895	14.613	50.527	3.985	129.02	246.868	2.378	57.590	0.398	307.234
<b>2009</b>										
Jan	81.666	4.745	5.594	0.670	92.675	220.607	2.360	5.749	0.832	229.548
Feb	61.968	4.012	11.249	0.800	78.029	172.340	3.023	7.151	5.010	187.524
Mar	51.634	2.227	27.295	1.921	83.077	220.371	10.790	24.370	1.680	257.211
Apr	47.524	3.847	25.536	0.572	77.479	254.065	1.737	37.713	13.056	306.571
May	36.993	4.638	3.971	0.600	46.202	125.249	2.304	8.811	0.501	136.865
Jun	75.398	1.202	3.503	0.536	80.639	129.498	0.962	2.249	4.135	136.844
Jul	72.064	14.817	35.929	1.437	124.247	162.449	2.599	34.606	5.530	205.184
Aug	48.986	3.207	16.330	0.436	68.959	166.382	2.453	16.662	1.006	186.503
Sep	31.281	2.702	6.669	0.961	41.613	175.205	2.057	10.207	5.486	192.955
Oct	52.855	3.641	35.001	15.941	107.438	171.130	2.577	17.556	18.817	210.080
Nov	39.347	5.030	24.881	1.229	70.487	192.197	4.003	27.349	5.579	229.128
Dec	67.582	4.348	9.938	1.550	83.418	146.619	3.974	8.821	5.450	164.864
<b>2010</b>										
Jan	31.761	2.642	30.160	3.514	68.077	179.341	2.191	29.752	3.535	214.819
Feb	29.738	4.102	26.807	3.858	64.505	132.696	2.374	26.708	2.531	164.309
Mar	34.565	2.604	29.127	3.985	70.281	109.306	2.647	26.617	3.729	142.299

Table S22

**QUARTERLY BALANCE OF PAYMENTS**  
(Million Maloti)

	2007	2008	2009				2010			
	QIV	QI	QII	QIII	QIV	QI	QII	QIII+	QIV*	QI
I CURRENT ACCOUNT	328.39	525.97	829.12	269.04	330.59	-134.77	339.97	-132.30	-366.04	-213.69
Goods, Services and Income	-499.13	-421.73	-265.09	-814.14	-762.76	-1338.22	-791.01	-1267.27	-1485.98	-1484.07
a) GOODS	-1382.65	-1399.37	-1223.39	-1724.69	-1705.87	-2231.44	-1566.17	-1955.65	-2216.83	-2165.74
Merchandise exports f.o.b.	1456.93	1445.27	1846.99	2216.05	1675.60	1403.67	1485.46	1782.76	1299.75	1313.19
Merchandise imports f.o.b.	-2839.58	-2844.64	-3070.38	3940.74	-3381.47	-3635.11	-3051.63	-3738.41	-3516.58	-3478.93
b) SERVICES	-66.48	-61.52	-78.33	-109.48	-102.42	-97.13	-133.96	-144.01	-108.39	-131.10
c) INCOME	950.00	1039.16	1036.63	10230.03	1045.53	990.35	909.12	832.39	839.24	812.78
Labour income	794.71	884.05	870.47	835.63	828.99	806.33	739.04	694.15	712.71	712.71
Other	155.29	155.11	166.16	185.40	212.54	184.02	170.08	138.24	126.53	100.07
d) CURRENT TRANSFERS	827.52	947.70	1094.21	1083.18	1093.35	1203.45	1130.98	1134.97	1119.94	1270.38
Government, net	826.36	946.67	1093.37	1079.49	1085.47	1184.19	1121.78	1120.26	1112.06	1251.12
SACU non-duty receipts	820.69	840.05	1102.82	1064.62	1074.68	1061.86	1072.02	1039.50	1057.93	1054.87
Other	5.67	106.62	-9.45	14.87	10.79	122.33	49.76	80.76	54.13	196.25
Other sectors	1.16	1.03	0.84	3.69	7.88	19.26	9.20	14.71	7.88	19.26
II CAPITAL AND FINANCIAL ACCOUNT	-83.21	330.96	114.48	1079.61	-184.20	-155.65	507.34	-501.16	1303.29	-34.97
e) CAPITAL ACCOUNT	24.50	29.80	6.70	47.30	30.80	29.80	166.10	268.50	169.30	169.30
f) FINANCIAL ACCOUNT	-107.71	301.16	107.78	1032.31	-215.00	-185.45	341.24	-769.66	1133.99	-204.27
Special Financing - LHWP	50.97	37.79	46.67	22.88	27.49	27.98	45.21	22.88	30.36	27.98
III RESERVE ASSETS	-116.19	-774.19	-165.33	-704.65	-558.82	67.28	-70.01	875.49	-368.88	216.18
IV ERRORS AND OMISSIONS	-49.02	-672.89	-653.89	-585.70	-112.24	176.88	-297.73	-101.23	-121.75	76.15
V VALUATION ADJUSTMENT	-79.97	590.15	-124.38	-58.30	524.67	46.26	-619.59	-140.80	-446.62	-43.67

\* Revised estimates

+ Preliminary estimates

**Table S23**                      **SUMMARY OF FOREIGN TRADE**  
(Million Maloti)

	<b>IMPORTS F.O.B</b>	<b>EXPORTS F.O.B</b>	<b>TRADE BALANCE</b>
<b>2005</b>			
Quarter I	1861.07	920.31	-940.76
Quarter II	2196.09	1060.65	-1135.44
Quarter III	1966.70	992.00	-974.70
Quarter IV	2289.84	1165.09	-1124.75
<b>2006</b>			
Quarter I	1969.52	876.07	-1093.45
Quarter II	2025.54	1049.43	-976.11
Quarter III	2657.71	1517.91	-1139.80
Quarter IV	2603.08	1293.24	-1309.84
<b>2007</b>			
Quarter I	2703.21	1305.93	-1397.28
Quarter II	2605.13	1244.83	-1360.30
Quarter III	3145.81	1656.58	-1489.23
Quarter IV	2839.58	1456.93	-1431.86
<b>2008</b>			
Quarter I	2844.64	1445.27	-1399.37
Quarter II	3070.38	1846.99	-1223.39
Quarter III	3940.74	2216.05	-1724.69
Quarter IV	3381.47	1747.76	-1633.71
<b>2009</b>			
Quarter I	-3635.11	1403.67	-2231.44
Quarter II	-3051.63	1485.46	-1566.17
Quarter III	-3738.41	1782.76	-1956.65
Quarter IV	-3516.58	1299.75	-2216.83
<b>2010</b>			
Quarter I	-3478.93	1313.19	-2166.74

\* Provisional CBL estimates.



Table S24

## STATISTICS OF BASOTHO MINERS IN SOUTH AFRICA

	Average Number Employed	Average Earnings <sup>1</sup>	Deferred Pay <sup>2</sup>		Remittances Payments <sup>3</sup>	
			Maloti '000	Annual % change	Maloti '000	Annual % change
<b>2006</b>	54,105	53,859	231,578	36.8	48,885	-70.8
<b>2007</b>	54,729	18,588	82,862	22.0	3,341	6.3
<b>2008</b>	50,686	20,519	108,999	31.5	6,617	98.0
<b>2005</b>						
Q IV	52,042	12,050	30,785	-56.0	52,435	36.0
<b>2006</b>						
Q I	51,339	12,508	41,813	-33.9	43,097	11.4
Q II	51,844	13,108	57,694	27.2	1,057	-97.5
Q III	52,951	13,777	64,152	115.4	1,587	-95.4
Q IV	54,105	14,466	67,919	120.6	3,144	-94.0
<b>2007</b>						
Q I	55,153	15,174	63,855	56.7	1,843	-95.7
Q II	55,216	16,146	74,106	28.4	2,193	107.5
Q III	55,348	17,227	69,945	9.0	2,678	68.7
Q IV	54,729	18,519	82,862	22.0	3,341	6.3
<b>2008</b>						
Q I	53,979	20,519	68,925	7.9	3,346	81.6
Q II	52,453	20,519	66,413	-10.4	4,989	127.5
Q III	51,478	20,519	72,372	3.5	4,944	84.6
Q IV	50,686	20,519	108,999	31.5	6,617	98.0
<b>2009</b>						
Q I	48,715	20,519	66,223	-3.9	7,483	123.6
Q II	47,354	20,519	68,554	3.2	7,326	46.8
Q III	46,275	20,519	63,998	-11.6	7,442	50.5
Q IV	45,276	20,519	92,111	-15.5	9,767	47.6
<b>2010</b>						
Q I	44,284	20,519	59,638	-9.9	9,408	25.7

<sup>1</sup>These figures are average earnings, including overtime payments, and repatriation allowances earned by workers in the mines. Figures are supplied by South African Chamber of Mines.

<sup>2</sup>Deferred pay as shown in this table, represents miners' withdrawals from the Fund processed through recruiting agencies.

<sup>3</sup>Part of miners' wages transferred to Lesotho through recruiting agencies.