

MONETARY POLICY STATEMENT

On 24-25 November 2016 the Central Bank of Swaziland (Bank) in consultation with the Monetary Policy Consultative Committee (MPCC) held meetings to consider the appropriate monetary policy stance for the Bank.

The Bank has observed falling inflationary pressures with the inflation rate continuing to be below the high of 8.5 per cent recorded in April 2016. Inflation was recorded at 8.3 per cent in September 2016 and further fell to 8.2 per cent in October 2016. Pressure on inflation outcomes came from high food inflation, which remained in double digits. In October, food inflation was recorded at 17.6 per cent.

Further, during the two-month period to September, credit extended to private sector trended upwards slightly by 0.6 per cent. The increase in credit was driven by higher lending to local government and parastatals as well as a rise in credit to households. However, credit extended to businesses fell owing to the prevailing tough economic conditions.

Gross Official Reserves for the country grew by 3.7 per cent over the past two months to reach E8.2 billion at the end of October 2016. The increase was mainly due to an inflow of the quarterly SACU receipts during the first week of October 2016. At that level, the Reserves covered 3.9 months of imports. As at the 17th November 2016, Reserves declined to reach E7.9 billion and were enough to cover 3.8 months of imports.

Whilst the outlook is marred by persistent effects of drought on food supply, going forward, the Bank projects that inflation outcomes will average 7.8 per cent for 2016. The recent rains point to improving conditions in the first quarter of 2017 and as such the Bank expects inflation outcomes to improve as well.

The Bank will continue to monitor developments that will affect the inflation outcomes in the next few months to maintain price and financial stability.

The tough economic conditions are expected to continue in the short term with growth depressed. However, the Bank wishes to emphasise that monetary policy shall remain supportive of sustained long-term growth.

Considering the international, regional and domestic economic conditions, and pursuing its price and financial stability mandate, the Bank decided to keep the discount rate unchanged at 7.0 per cent.

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