



## INTEREST RATE

The CBE maintained the interest rate at **3.75%**



## INFLATION

Headline inflation decreased to **3.9** per cent in February 2021 from **4.3** per cent in January 2021. Inflation is moderate.



## WHAT DOES THIS MEAN?

Banks are expected to maintain the prime lending rate on loans extended to individuals and businesses at **7.25** per cent until the next monetary policy meeting.



## WHAT TO EXPECT

The Bank expects the cost of goods and services to continue increasing moderately over the year 2021 with inflation forecasted to average **4.33** percent in 2021 (from **5.42** per cent forecasted in January 2021).



## ECONOMIC ACTIVITY

The Eswatini economy is projected to have contracted by **2.4** per cent in 2020 and rebound in 2021 and grow by **2.7** per cent. The observed growth is on account of a recovery in economic activity in all sectors of the economy.



CENTRAL BANK  
OF ESWATINI  
Umntsholi Wemaswati

# MONETARY POLICY STATEMENT

## 26 MARCH 2021

On the 26<sup>th</sup> of March 2021, the Central Bank of Eswatini (Bank), together with the Monetary Policy Consultative Committee (MPCC) held a meeting to consider the appropriate monetary policy stance. Taking into consideration relevant global, regional, and domestic factors, and the price and financial stability mandate, the Bank decided to keep the discount rate unchanged at 3.75 per cent.

The IMF estimates that the global economy contracted by 3.5 per cent in 2020, and projects it to rebound by 5.5 per cent in 2021. Advanced economies are estimated to have contracted by 4.9 per cent in 2020, and are projected to expand by 4.3 per cent in 2021. Emerging market economies are estimated to have contracted by 2.4 per cent in 2020 and are projected to grow by 6.3 per cent in 2021. Consumer price inflation in advanced economies is projected to increase by 1.3 per cent in 2021 and rise to 1.5 per cent in 2022 whilst emerging market and developing economies' inflation is projected at 4.2 per cent in 2021 and 2022.

Statistics South Africa indicates that the South African economy contracted by 7.0 per cent in 2020. In 2021, the economy is expected to grow by 3.8 per cent. The annual inflation rate eased to 2.9 per cent in February 2021, from 3.2 per cent recorded in January 2021. The South Africa Reserve Bank (SARB) marginally revised up its inflation forecasts to 4.3 per cent (from 4.0 per cent forecasted in January 2021) for 2021 and 4.4 per cent in 2022 (down from 4.5 per cent). The SARB Monetary Policy Committee kept the repo rate unchanged at 3.5 per cent.

The Eswatini economy is projected to have contracted by 2.4 per cent in 2020 and rebound in 2021 and grow by 2.7 per cent. The observed growth is on account of a recovery in economic activity in all sectors of the economy.

The year-on-year headline consumer inflation eased to 3.9 per cent in February 2021, from 4.3 per cent in January 2021. Contributing to the slowdown, were prices for education which recorded a zero-growth on a year-on-year basis, compared to 6.8 per cent in the previous month. In addition, there was a slower increase in food prices from 5.3 per cent in January to 5.1 per cent in February 2021, as well as prices for 'furnishing and household equipment' which grew at a slower rate of 4.8 per cent in February compared to 5.5 per cent in the previous month. Inflation forecasts were revised down to 4.33 per cent in 2021 from 5.42 per cent projected in January 2021. The downward revision is due to a combination of lower than anticipated inflation outcomes for February 2021 coupled with lower than expected increase in domestic utility tariffs.

Credit extended to the private sector declined by 0.3 per cent at the end of January 2021 compared to the previous month to settle at E15.8 billion. The decline was on account of a 2.0 per cent fall in credit to the business sector to reach E6.6 billion. Credit extended to other sectors increased by 2.0 per cent over the month to reach E1.9 billion whilst credit extended to households and non-profit institutions serving households (NPISH) improved by 0.8 per cent to E7.2 billion. The stock of non-performing loans declined by 12.4 per cent over the review month to settle at E607 million at the end of January 2021.

As at 19 March 2021, the country's stock of reserves stood at E8.8 billion, enough to cover an estimated 3.9 months of imports. Preliminary figures show that total public debt stood at E25.8 billion (and equivalent to 36.3 per cent of GDP) as at February 2021, a 2.5 per cent expansion compared to previous month. Total public external debt stood at E10.6 billion (14.9 per cent of GDP) whilst total domestic debt stood at E15.2 (21.4 per cent of GDP).

The Bank will continue to monitor international and domestic developments that influence the movements of inflation and will act appropriately in line with its mission to foster price and financial stability that is conducive to the economic development in Eswatini.

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GOVERNOR