



INTEREST RATE

We have maintained interest rate at **6.75%**



INFLATION

Inflation has increased from **5.0%** in January to **5.1%** in February 2019



WHAT DOES THIS MEAN?

- Banks will continue charging the same interest rate on loans as per the last two months i.e. interest rates on loans will not increase
- In total, inflation changes show that in February 2019 the costs of goods and services increased slightly than they were in January 2019.
- Going forward, a lower increase in inflation is expected than previously estimated in January 2019. This means that the costs of goods and services is expected to increase at a lower rate.



WHAT TO EXPECT

- Inflation will rise slightly
- Interest rate decisions will depend on economic conditions



CENTRAL BANK
OF ESWATINI
Umntsholi Wemaswati

MONETARY POLICY STATEMENT

29 MARCH 2019

On the 29th of March 2019, the Central Bank of Eswatini (Bank), together with the Monetary Policy Consultative Committee (MPCC), held a meeting to consider the appropriate monetary policy stance for the upcoming two months.

The Bank decided to maintain the discount rate at 6.75 per cent.

This monetary policy stance was found appropriate after considering international, regional, and domestic economic conditions.

Global growth has weakened compared to the growth realized in 2017-2018. Global growth is estimated at 3.7 per cent in 2018 and the forecast for 2019 has been revised down to 3.5 per cent (from 3.7 per cent). Uncertainty arising from trade tensions, geopolitical risks, Brexit concerns and some country specific factors continue to pose downside risks to the global growth outlook. The global growth number for 2020 is forecasted at 3.6 per cent, also slower than previous forecasts. Inflation in advanced economies is now on a downward trajectory and global monetary policy remains largely accommodative.

The South African economy grew by a seasonally adjusted annualised 1.4 per cent quarter-on-quarter in the fourth quarter of 2018, following a 2.6 per cent growth in the third quarter of 2018. The South African economy is estimated to have grown by 0.8 per cent in 2018 and the growth forecast for 2019 has been revised down to 1.3 per cent in 2019 (from 1.7 per cent in January). The downward revision, in part, is mainly due to a further slowdown in the global economy, a decline in business confidence and potential supply side disruptions from load shedding. Inflation forecasts remain broadly unchanged. Inflation is forecast to average 4.8 per cent in 2019, before increasing to 5.3 per cent in 2020 and moderating to 4.7 per cent in 2021 (down from 4.8 per cent).

On the domestic front, real GDP for Eswatini is estimated to have grown modestly by 0.6 per cent in 2018 (from a previous estimated -0.4 per cent) compared to 1.9 per cent recorded in 2017. Economic activity is expected to remain modest at below 2 per cent in the short to medium term largely due to fiscal challenges that have necessitated stronger fiscal consolidation measures, which weigh heavily on domestic demand. This is further augmented by the weak external demand from major trading partners in the short term, particularly South Africa, which affects export-oriented manufacturing growth.

Headline consumer inflation rose slightly to 5.1 per cent in February 2019 from 5.0 per cent in January 2019. The increase mainly resulted from a gradual increase in food prices. The Bank's inflation forecast for the year 2019 has been revised down to 5.41 per cent (from 5.87 per cent), largely due to significant changes in the underlying factors that drive overall inflation. Quarterly, inflation is now forecast to average 5.17 per cent in first quarter (from 5.18 per cent), 5.52 per cent in the second (from 5.54 per cent), and 5.78 per cent in third and the fourth quarter (from 6.09 per cent and 6.65 per cent, respectively).

Credit extended to the private sector declined by 0.3 per cent month-on-month to reach E14.8 billion at the end of February 2019 mainly on account of a fall in credit extended to Businesses. Credit extended to Other Sectors and Households increased. Year-on-year, credit extended to the private sector increased by 6.0 per cent.

The country's Gross Official Reserves have been under pressure this financial year. Gross Official Reserves declined from E5.6 billion at the end of February 2019 to E5.0 billion on 22 March 2019. The fall in Reserves was attributed to the payment of Government's obligations as well as an outflow of Rands sold by the Central Bank to commercial banks over the review period. Consequently, the import cover of the Reserves fell from 2.5 months at the end of February 2019 to reach 2.2 months on 22 March 2019.

The Bank will continue to monitor developments that will influence the movements of inflation and reassures the public that it will act appropriately if there are significant changes to the inflation outlook. The Bank further reassures the public that the Bank's monetary policy stance remains supportive to economic growth.

Majozi V. Sithole
GOVERNOR