



INTEREST RATE

We have maintained the interest rate at

6.5%



INFLATION

Inflation has increased from **1.7%** in July 2019 to **2%** in August



WHAT DOES THIS MEAN?

- Banks will maintain their lending rates on loans dispersed to individuals and business until the next monetary policy meeting.
- Overall, inflation remains low indicating that the growth rate of the cost of goods and services is slow.



WHAT TO EXPECT

- The Bank holds the view that the cost of goods and services will continue to increase at a slower pace.



ECONOMIC ACTIVITY

- Economic activity (GDP) increased by **4.2%** on a year-on-year basis (seasonally adjusted) in the first quarter of 2019. The main contributing sectors were manufacturing, wholesale and retail as well as agriculture and forestry.



CENTRAL BANK
OF ESWATINI

Umntsholi Wemaswati

MONETARY POLICY STATEMENT

21 SEPTEMBER 2019

On the 20th of September 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 6.5 per cent after considering global, regional and domestic economic developments.

The global economy is estimated to have grown by 3.6 per cent in 2018 and the forecast for 2019 has been revised down to 3.2 per cent (from 3.3 per cent). The Bank has also observed heightening uncertainty arising from trade tensions, geopolitical developments and declining business confidence which continue to pose downside risks to the global growth outlook. Inflation in advanced economies remains stable and below target, and global monetary policy remains largely accommodative with the US having effected cuts in both its July and September 2019 meetings.

In South Africa, the economy grew by an annualised 3.1 per cent in the second quarter of 2019 following a contraction of the same magnitude in the previous quarter. GDP growth forecast remains unchanged at 0.6 per cent in 2019 while the forecast for 2020 and 2021 decreased to 1.5 per cent and 1.8 per cent from 1.8 per cent and 2.0 per cent forecasted in July, respectively. The South African Reserve Bank (SARB) maintained its benchmark repo rate at 6.5 per cent on 19 September 2019.

On the domestic front, revised figures indicate that the economy grew by 2.4 per cent in 2018 from 2 per cent in 2017. On a quarterly basis, real GDP growth marginally increased by 0.9 per cent (quarter-on-quarter) in the first quarter of 2019 from a 7.2 per cent growth recorded in the fourth quarter of 2018. The notable increase on a year-on-year basis largely benefitted from improvements in the secondary sector which expanded by 6.9 per cent (year-on-year) in the first quarter of 2019 compared to 3.8 per cent in the previous quarter. The primary sector increased at a slower rate of 5.6 per cent (year-on-year), while the tertiary sector recorded a growth of 4.1 per cent in the same period.

The year-on-year headline inflation rate increased from 1.7 per cent in July 2019 to 2.0 per cent in August 2019. The increase in August 2019 was mainly due to an increase in prices for 'Education', 'Clothing and Footwear', and 'Furnishing, Household Equipment and Household Maintainance'. The freeze on utility tariffs continues to dampen the country's inflation as seen in the low inflation rate observed in the past few months. The Bank's quarterly inflation is forecasted to average 1.96 per cent in the third quarter (down from 2.17 per cent) before increasing to 2.04 per cent in the fourth quarter (down from 2.33 per cent). The average inflation forecast for 2019 has therefore been revised down from 2.87 per cent to 2.71 per cent.

Private Sector Credit declined by 3.0 per cent (month-on-month) in July 2019 from a 2.3 per cent growth in June 2019. The fall in credit was noticeable in credit to Other Sectors (Local Government, Parastatals and Other Financial Corporations), which contracted by 31.2 per cent over the month to reach E1.6 billion, and Households credit was 1.0 per cent lower than recorded the previous month. Credit extended to the Business Sector went up by 4.8 per cent month-on-month to E7.2 billion in July 2019. Non-Performing Loans (NPLs) declined from E1.1 billion (9.2 per cent) in June 2019 to reach E1.0 billion (8.5 per cent) in July 2019. The country's stock of reserves stood at E6.1 billion as at 13 September 2019, equivalent to 2.7 months of imports of goods and services.

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

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GOVERNOR