Press Release

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Monetary Policy Statement

The Central Bank of Swaziland (Bank) in consultation with the Monetary Policy Consultative Committee (MPCC) held a meeting on 18th July 2014 to formulate its monetary policy stance.

Taking into consideration the international, regional and domestic economic conditions, the Bank in consultation with the MPCC decided to increase the discount rate by 25 basis points to 5.25 percent.

The underlying rationale for the MPCC to increase the discount rate was supported by key economic indicators in the local economy. These include the recent rise in inflation, driven by a hike in electricity and water tariffs, upward fuel price adjustment, public transport fare augmentation, emerging sings of capital outflows and a weak exchange rate.

The increase in all these variables has an effect of raising the level of prices (inflation) going forward hence the need for an increase in the interest rates to contain the rise in inflation. The primary responsibility of the Bank is to keep inflation stable and ensure that inflation expectations remain under control. A stable inflation environment is essential for sustained economic growth and development supportive to job creation and poverty alleviation.

The South African Reserve Bank has also adjusted its interest rates upwards and a wider interest rate differential between South Africa and Swaziland would result in sizeable outflows of capital. The MPCC resisted a higher interest rate increase considering the need to support economic growth through, among other things, credit extension. It is expected that the lower interest rate would be passed-on by the commercial banks to the business sector, particularly Small and Medium Sized Enterprises (SMEs) resulting in increased job opportunities and stimulating economic growth.

The Bank will continue to monitor the developing inflationary pressures aggravated by the deteriorating exchange rate and the recent hike in fuel prices and other commodities. It will remain vigilant to these and other inflationary pressures likely to emanate both from the rapidly emerging external and domestic shocks, and will not hesitate to take the necessary action at its disposal in order to ensure price stability supportive to economic growth and development.

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