CBE
CENTRAL BANK OF ESWATINI
UMNTSHOLI WEMASWATI

Bek'e-Langa
Re-imagining Central Bank for a sustainable future

Economic Review and Inflation Report

January 2026

Major Highlights	
Annual GDP	*Eswatini's real GDP growth slowed to 3.0 per cent in 2024, down from 3.5 per cent in 2023.*
Quarterly GDP	*On a quarter-on-quarter basis, real GDP grew by a slower 2.1 per cent (seasonally adjusted), following the revised 2.6 per cent expansion in the previous quarter.*
Inflation	*The country's annual consumer price inflation maintained a downward trajectory, declining by 0.1 of a percentage point to be recorded at 2.3 per cent in December 2025.*
Inflation Forecasts	*The Bank revised up its annual inflation forecast to 3.97 per cent in 2026 (from 3.78 per cent), while the forecast for 2027 is revised up to 3.84 per cent (from 3.71 per cent).*
Foreign Exchange Reserves	*Gross official reserves stood at E11.4 billion in December 2025 depicting a decline of 26.2 per cent month-on-month, while posting an increase of 12.9 per cent year-on-year. At this level, the reserves were equivalent to 2.7 months of imports, lower than the 3.6 months recorded in November 2025.*
Exchange Rate	*Since the previous meeting of the MPCC, the Lilangeni/Rand generally strengthened against the major trading currencies. Compared to October 2025, the Lilangeni appreciated by 2.3 per cent, closing December 2025 at an average of E16.87 to the US Dollar.*
Credit Extension	*Credit extended to the private sector maintained its upward momentum in November 2025, expanding by 1.1 per cent month-on-month and 8.5 per cent year-on-year to reach E21.9 billion.*
Public Debt	*Total public debt stood at E40.2 billion as at December 2025, an equivalent of 41.8 per cent of GDP. This shows an increase of 1.3 per cent from the previous month while on a year-on-year basis, it shows an increase of 3.9 per cent in nominal terms.*
Balance of Payments	*Eswatini's trade surplus narrowed to E353.1 million in December 2025, slightly below the E386.9 million recorded in November 2025.*

PART A: ECONOMIC REVIEW

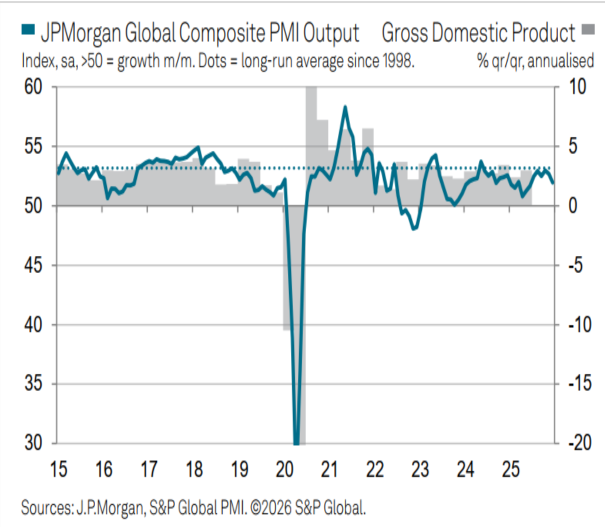
1.0 GLOBAL ECONOMIC CONDITIONS

1.1 Global Growth

In December 2025, the JP Morgan Global Composite PMI Output Index was recorded at 52.0 index points, reflecting a slowdown from November's reading of 52.7 index points. Notably, the headline output index has remained consistently above the neutral 50.0 index points differentiating between expansion and contraction for 35 months in a row. However, the latest reading suggests that momentum is reducing but not reversing. The slower growth was attributed to a decline in new orders and the continuous drop in foreign trade flows. Though expansion eased in both services and manufacturing sectors, the services sector (52.4 index points) outperformed the manufacturing sector (50.9 index points).

While new orders at manufacturers stagnated, new work placed with service providers grew at the slowest pace since June. In December 2025, price pressures increased modestly as input cost and selling price inflation rates reached seven and four-month highs, respectively. Looking ahead, companies were generally optimistic about business confidence at their second-highest point in the previous seven months.

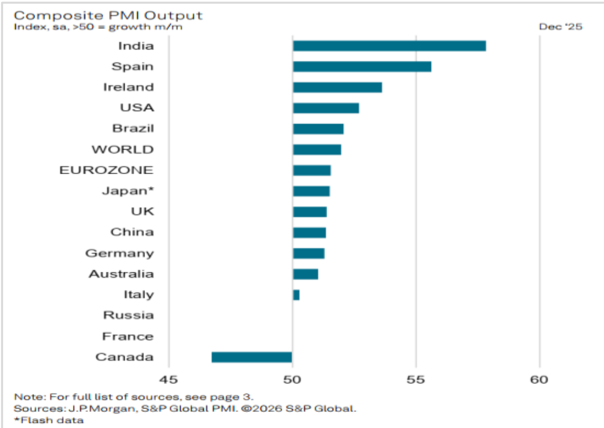
Figure 1: J.P. Morgan Global Composite PMI; December 2015 - December 2025



Topping the growth rankings was India, Spain, and Ireland, while the US and Brazil also registered rates of expansion above the global average. In contrast, China, the Eurozone, Japan, and the UK, all registered below par rates of growth. Canada was the only country to experience a contraction in the period.

While November data showed a slight uptick in employment, December data reflected no-change in employment in both sectors as firms seek to balance rising labour costs. The US, the Eurozone, and Japan were among those with employment increases, as opposed to job cuts in nations including China, the UK and Russia (S&P Global, 07 January 2025).

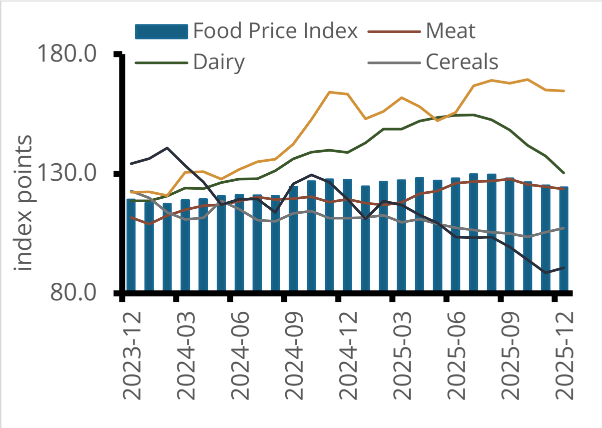
Figure 2: Index Summary



1.2 World Food Prices

According to the United Nation's Food and Agricultural Organization (FAO) food price index report published on 09 January 2026, the FAO Food Price Index (FFPI) averaged 124.3 index points in December 2025, down 0.8 index points from November as increases in cereals and sugar were more than offset by decreases in the price indices for meat, dairy, and vegetable oils. The FAO Food Price Index annual average exceeded that of 2024, despite consistent monthly declines in late 2025 (FAO.org – Food price index, 09 January 2026).

Figure 3: UN Food and Agricultural Organisation (FAO) Price Indices: December 2023 – December 2025



Source: https://www.fao.org/worldfoodsituation/FoodPricesIndex/en/, December 2025

The FAO Cereal Price Index averaged 107.3 index points in December, up 1.8 index points from November. International wheat prices were boosted by renewed concerns about Black Sea export flows, but markets were still under pressure from ample supply, and the downward trend was further reinforced by confirmation of strong crops in Australia and Argentina. While sorghum prices increased in tandem with maize despite a slow pace of sales to China, the world's largest importer of sorghum, global maize markets were stimulated by strong export demand and robust domestic ethanol production in both Brazil and the United States of America. The FAO Cereal Price Index was down by 4.9 per cent from 2024 while The FAO All Rice Price Index decreased by 35.2 per cent from 2024, suggesting downward pressure on rice amid increased exportable availability and decreased purchases by several Asian importing nations.

The FAO Vegetable Oil Price Index decreased by 0.4 points index points from November to an average of 164.6 index points in December 2025. The decrease was caused by lower global prices for sunflower, soy, and rapeseed oils, which more than offset higher quotes for palm oil. Larger rapeseed production in Australia and Canada put downward pressure on rapeseed markets, while global soy oil prices fell due to excess export supply from America. Sunflower oil prices decreased because of weakening price competitiveness and slow global import demand. In contrast, potential seasonal production slowdowns in Southeast Asia were a major factor in the slight increase in international palm oil prices. Amidst limited global supply, the FAO Vegetable Oil Price Index averaged 161.6 index points in 2025, up by 23.6 index points, year-on-year.

The FAO Sugar Price Index averaged 90.7 index points in December, up by 2.1 index points from November following three consecutive monthly declines, but it remained 28.6 index points below its level, a year ago. A significant decline in sugar production in Brazil's major southern growing regions, which reflected less sugarcane crushing and less utilization of sugarcane for sugar production, was the primary cause of the increase in December. However, the rising pressure on global prices was restrained by forecasts of ample global sugar supplies in the current season, which were bolstered by favourable production prospects in India and solid harvest progress. The FAO Sugar Price Index averaged 104.3 index points for the whole of 2025, down by 21.4 index points from 2024, attributed to ample export options.

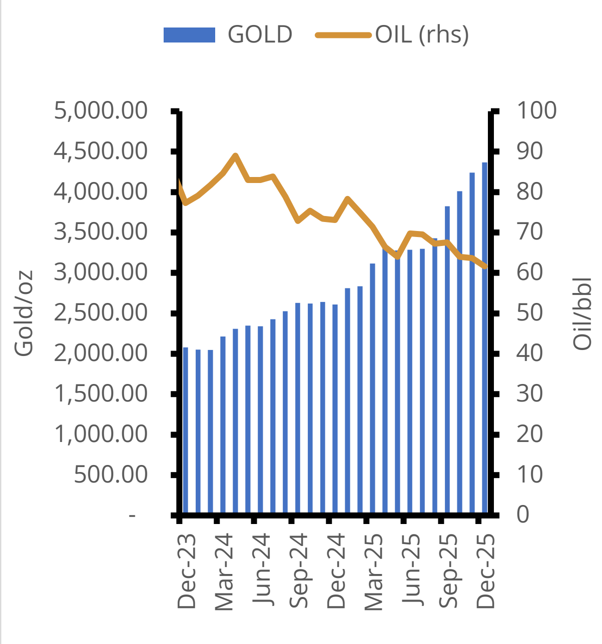
The FAO Meat Price Index averaged 123.6 index points in December, a decrease of 1.7 index points, but 4.1 index points higher than its 2024 level. All meat categories saw price reductions, although the biggest drops were in bovine and poultry meats. Lower beef prices were reported in Australia, where seasonally dry circumstances prompted farmers to herd destock, increasing the supply of cattle for slaughter. Driven by excess exportable supply exceeding the need for imports worldwide, international quotations for poultry meat decreased. Despite strong demand for imports worldwide, the price of ovine meat slightly decreased as more seasonal supply entered the market. Pig meat prices somewhat declined due to weaker quotes in the European Union and muted demand worldwide. The FAO Meat Price Index averaged 123.2 index points for the entire year of 2025, up 6.0 index points in 2024, due to strong international import demand and increased market uncertainty brought on by animal disease outbreaks and geopolitical tensions.

In December, The FAO Dairy Price Index decreased by 5.9 index points, to average 130.3 index points. Butter prices plummeted due to stock building after robust production earlier in the year and seasonally increased cream availability in Europe. Prices for whole milk powder (WMP) also decreased, which is indicative of Oceania's peak seasonal milk production as well as falling demand from significant importing regions. In contrast, prices for cheese and skim milk powder (SMP) decreased more gradually. While cheese prices generally decreased, SMP prices slightly decreased due to sufficient export availability and steady market fundamentals. In 2025, the FAO Dairy Price Index was 13.2 per cent higher than the 2024 average, notwithstanding the recent drops, indicating significant price rises in the first half of the year (FAO.org – Food price index, 09 January 2026).

1.3 Review of Global Oil Prices and Gold Price Performance

Brent Crude oil spot prices fell to $61.63 per barrel on average in December 2025, notably lower than November's average of $63.66/barrel. Pressure from futures market selling which weighed on market sentiment, combined with refiners' and traders' efforts to keep inventories low to avoid high year-end value-based taxes, contributed to the decline. Additionally, elevated freight rates on major shipping routes weighed on prices. However, the drop was partly offset by factors supporting prices, including increased global refinery activity, stronger refining margins across key trading hubs, signs of renewed spot market demand, and concerns over sour crude supply due to further restrictions in Eastern Europe (OPEC Monthly Oil Market Report, 14 January 2026).

Figure 4: Gold & Brent Crude Oil Prices: December 2023- December 2025

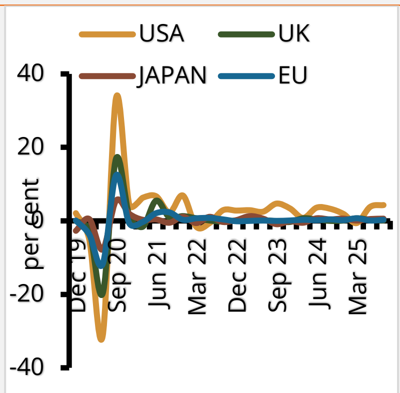


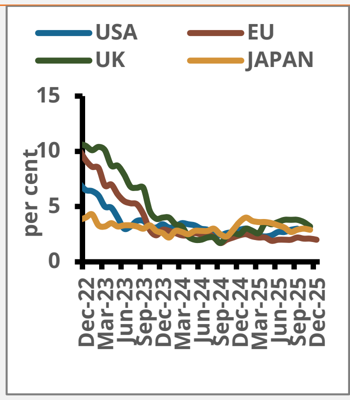
Source: World Gold Council-gold.org |OPEC.org| Reuters| January 2026

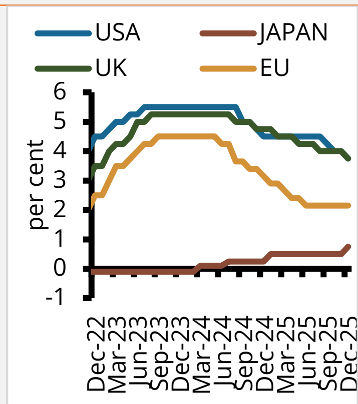
Gold ended the month up by 4.2 per cent at $4,368/ounce, after hitting 53 all-time highs and gaining over 67 per cent by the end of December 2025, making it one of the best-performing assets of 2025. The impressive performance in gold price was buoyed by geopolitical and economic uncertainties, sustained de-dollarization, and robust central bank purchases, in a bid to provide stability and diversification. Forward looking, markets anticipate this trend to continue in 2026. However, uncertainty remains due to concerns over the weakening US labor market and somewhat elevated inflation. Nonetheless, persistent geopolitical threats are more likely to strengthen gold than to weaken it (World Gold Council |Reuters|07 January 2026).

1.4 Advanced Economies Performance

Table 1: Advanced Economies Performance

<table>
<tr><th></th><th>Figure 5: AEs GDP Growth q-o-q</th><th>Figure 6: AEs Annual Inflation Rate</th><th>Figure 7: AEs Interest Rates</th></tr>
<tr><td></td><td>

Source: U.S. Bureau of Economic Analysis, Office for National Statistics, Japan Cabinet Office, Eurostat, December 2025.</td><td>

Source: Eurostat, U.S. Bureau of Labor Statistics, Japan's Statistics Office, UK Office for National Statistics, December 2025</td><td>

Source: BOE.co.uk, BOJ. Or.jp, US FED.gov, ECB.europa.eu, December 2025</td></tr>
<tr><td>UNITED STATES</td><td>The US economy expanded at an annualized rate of 4.3 per cent in Q3-2025, compared to 3.8 per cent in Q2-2025. Growth was largely driven by consumer spending, which saw a sharp increase of 3.5 per cent compared to 2.5 per cent in Q2-2025. Exports also rebounded by 8.8 per cent, up from -1.8 per cent in the previous quarter, while imports decreased even further (-4.7 per cent vs. -29.3 per cent) (US Bureau of Economic Analysis, 24 December 2025).</td><td>The annual inflation rate in the U.S. was steady at 2.7 per cent in December 2025, the same as in November. The energy sector saw a considerably slower pace of price growth, from 4.2 to 2.3 percent in December, driven by a decline in gasoline prices. Despite the steady outcome, consumers still face accelerated costs of food (3.1per cent vs. 2.6 percent) and shelter (3.2 per cent vs. 3.0 per cent), highlighting persistent inflationary pressure on household necessities (US Bureau of Labour Statistics, 14 January 2026).</td><td>The Federal Reserve lowered the federal funds rate by 25 bps to range of between 3.5 to 3.75 per cent in its December 2025 meeting. This move is underscored by the Fed's key mandate to attain maximum employment and an inflation target of 2.0 per cent. Available indicators signal a cooling labour market, growth that is anticipated to pick up steam in 2026, and inflation that remains somewhat elevated, hence the Fed's decision (Federal Reserve Bank, 15 December 2025).</td></tr>
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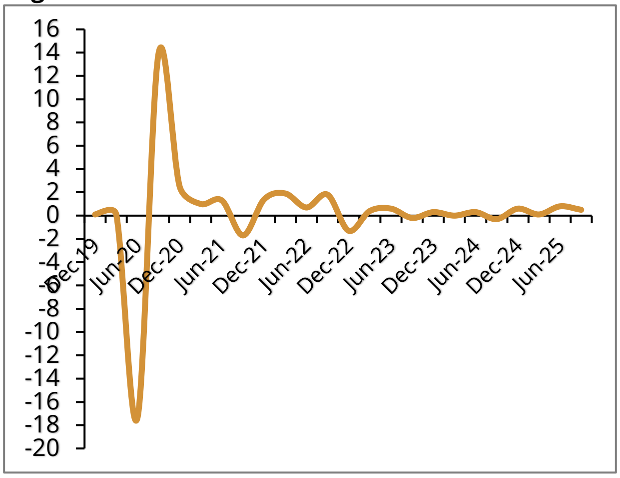
UNITED KINGDOM	The United Kingdom's economy expanded by a muted 0.1 per cent quarter-on-quarter in Q3-2025, easing from a 0.3 per cent growth in Q2-2025. The subdued growth was at the back of a 0.3 per cent contraction in the production sector, particularly manufacturing (-0.8 per cent) and mining and quarrying (-0.4 per cent). In contrast, the services sector rose by 0.2 per cent, moderating from 0.4 per cent in Q2-2025, supported by arts, entertainment, recreation, and real estate, (UK Office for National Statistics, 23 December 2025).	Annual consumer prices eased to 3.2 per cent in November 2025 from 3.6 per cent in October, below the Bank of England's 3.4 per cent forecast. The downward pressure on prices was largely driven by prices for food (particularly bread and cereals), and non-alcoholic beverages which moderated from 4.9 per cent to 4.2 per cent in November 2025. Prices also slowed for alcohol and tobacco, transport, and housing and utilities (Office for National Statistics, 24 December 2025).	The Bank of England reduced its bank rate by 25 bps to 3.75 per cent in December 2025. This move was driven by a notable slowdown in inflation to 3.2 per cent in November 2025, a second consecutive month of GDP contraction, and cooling wage growth. The MPC added that the level of policy restrictiveness had decreased, and that further policy easing will be determined by developments in the inflation outlook (Bank of England, 24 December 2025).
EURO	The Eurozone economy was revised up to 0.3 per cent q-o-q in Q3-2025, from 0.1 per cent increase in Q2-2025. Growth was attributed to a rebound in fixed investment (0.9 per cent) and government spending (0.7 per cent). In contrast, households remained cautious as spending slowed slightly to 0.2 per cent (from 0.3 per cent). Net exports weighed on growth with a 1.3 per cent rise in imports and a lower 0.7 per cent in exports. Spain and France led the expansion among the largest eurozone economies, while Germany's economy remained flat during the quarter under review (EUROSTAT, 23 December 2025).	Annual inflation rate in the Eurozone stood at 2.0 per cent year-on-year in December 2025, driven by a 3.4 per cent increase in services inflation which was quickly offset by a sharper decline in energy costs (-1.9 vs. -0.5 per cent). In contrast, prices for food, alcohol, and tobacco accelerated slightly to 2.6 per cent from 2.4 per cent, meanwhile core inflation slipped to 2.3 per cent (Eurostat, 09 January 2026).	The European Central Bank (ECB) kept all key interest rates unchanged for the fourth consecutive meeting in December 2025. The main refinancing rate remains at 2.15 per cent, the deposit facility rate at 2.0 per cent, and the marginal lending facility at 2.40 per cent. The decision was rooted in ECB's assessment of the outlook which remains broadly unchanged, and given the significant level of global uncertainty, the ECB does not have a fixed path for interest rates. As a result, it could not offer a forward-looking guide (European Central Bank | Trading Economics, 23 December 2025).

JAPAN	The Japanese economy shrank by 0.6 per cent quarter on quarter in Q3-2025, following a downward revised 0.5 per cent expansion in the previous quarter. This marked the first quarterly contraction since Q1-2024, driven by a decline in business spending, weak exports, and high borrowing costs. Although private consumption increased by 0.2 per cent, it was still slower than the 0.3 per cent increase in Q2-2025. Government spending also slipped to 0.2 per cent compared to 0.3 per cent growth in the Q2- 2025. Following Washington's 15 per cent baseline tariff on most Japanese goods in September 2025, net trade was a drag, with exports declining more quickly than imports (Cabinet Office Japan, 23 December 2025).	The annual inflation rate softened to 2.9 per cent in November 2025 from 3.0 per cent in the previous month, remaining above the 2.0 per cent target for a very long stretch (supporting continued normalization). The ease in inflation was driven by a slowdown in food inflation, to 6.1 per cent in November 2025, down from 6.4 per cent in October 2025. This marked the lowest food price increase in a year, attributed to subdued food prices, particularly rice (Ministry of Internal Affairs and Communications, 24 December 2025).	The Bank of Japan unanimously increased its benchmark short-term interest rate by 25 basis points to 0.75 per cent in December 2025. According to the December minutes, most members were convinced that economic conditions were favourable for a rate increase, but they would like further information about whether businesses will continue to raise wages in the upcoming year given the rising corporate earnings coupled with uncertainty about the effects of higher U.S. tariffs. (Bank of Japan, 23 December 2025).

2.0 Economic Developments in South Africa

2.1 GDP Growth

Figure 8: South Africa GDP Growth



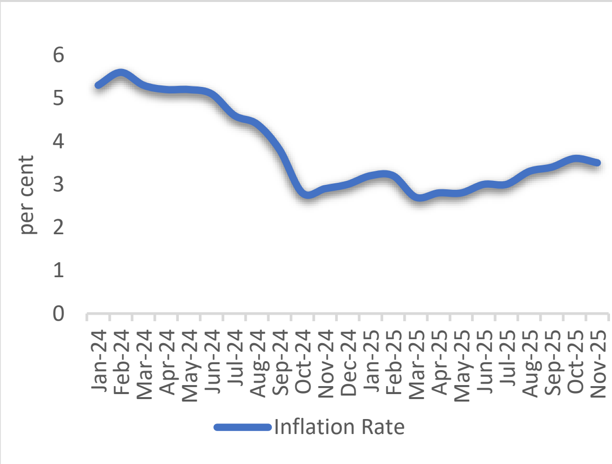
Source: STATS SA

The economy in South Africa continued its recovery in Q3-2025, expanding by 0.5 per cent q-o-q, following an upwardly revised 0.8 per cent in Q2-2025. The growth was broad-based, with 90 per cent of industries registering gains. The main drivers were strong performances in mining (+2.3 per cent), trade (+1.0 per cent), and agriculture (+1.1 per cent), while finance grew modestly (+0.3 per cent). On the demand side, household consumption, government spending, and especially fixed investment provided positive momentum. However, net trade was a significant drag, as imports increased by 2.2

per cent, while exports grew by 0.7 per cent (Statistics South Africa, 23 December 2025).

2.2 Inflation Developments

Figure 9: Inflation

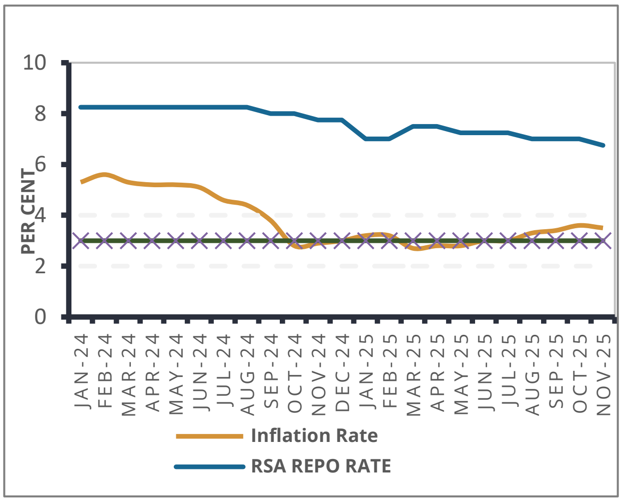


Source: STATS SA

South Africa's annual inflation rate eased to 3.5 per cent in November 2025, down from 3.6 per cent in October 2025, and slightly below market expectations of 3.6 per cent. This moderation brought inflation closer to the South African Reserve Bank's new 3.0 per cent target and strengthens the case for potential interest rate cuts in 2026. Price growth cooled in five of the 13 product categories, with the most notable slowdowns in transport inflation which dropped to 0.7 per cent from 1.5 per cent in October, largely due to a sharp deceleration in fuel prices (0.1 per cent vs 3.3 per cent).

2.3 Monetary Policy

Figure 10: RSA Interest rates



Source: SARB

The SARB cut its repo rate by 25 bps to 6.75 per cent in November 2025. The decision was unanimous, reflecting policy makers' view that the inflation outlook has improved enough to allow for policy easing. Inflation rose to 3.6 per cent in October 2025, though the SARB considers this a temporary uptick and inflation is still expected to meet the new 3.0 per cent medium-term target.

3.0 Economic Developments in Selected SADC Member Countries

Table 2: Developments in some SADC Member States (including Mozambique and Tanzania)

	GDP	Inflation	Interest Rates
Botswana	Botswana's GDP expanded by 10.9 per cent quarter-on-quarter in Q3-2025, marking the strongest quarterly growth	The annual inflation rate in Botswana moderated to 3.8 per cent in November 2025 and is within the	The Central Bank of Botswana held its benchmark interest rate steady at 3.5 per cent during its December 4, 2025 meeting. The

	since Q3-2020. This robust performance was primarily driven by a dramatic rebound in the diamond sector (surged by 88.1 per cent) and mining activities (grew by 39.5 per cent) (Central Statistics Office, Botswana, 23 December 2025).	central bank's 3–6 per cent target range. Certain CPI categories saw a slowdown in prices, including transportation, recreation & culture, and health. While housing and utility prices continued to decline (-3 per cent vs. -3.1 per cent), food prices grew at a rate of 5.5 per cent (Central Statistics Office, Botswana, 24 December 2025).	decision reflects a cautious approach aimed at supporting domestic economic activity amid heightened global uncertainty. This approach reflects a careful balancing act by the Bank of Botswana to foster growth while keeping inflation in check during challenging economic conditions. (Bank of Botswana, 23 December 2025).
Lesotho	Real GDP in Lesotho grew by 2.4 per cent quarter-on-quarter in Q2-2025, rebounding from 0.5 per cent contraction in Q1-2025. GDP growth is attributable to a recovery in mining and manufacturing sector output (Lesotho Bureau of Statistics, 13 November 2025).	The annual inflation rate in Lesotho was 4.3 per cent in November 2025 with the main contributors being food and non-alcoholic beverages (5.4 per cent), clothing & footwear (8.3 per cent), housing, water, electricity, gas and restaurants & hotels (4.1 per cent) (Lesotho Bureau of Statistics, 24 November 2025).	The Central Bank of Lesotho (CBL) reduced its policy (repo) rate by 25 basis points, bringing it down from 6.75 per cent to 6.5 per cent at its November 2025 Monetary Policy Committee (MPC) meeting. The CBL Governor emphasized that the decision was made to align with prevailing domestic economic conditions and broader regional monetary developments, particularly those in South Africa (Central Bank of Lesotho, 23 December 2025).
Namibia	Namibia's economy shrank by 2.47 per cent quarter on quarter in Q3-2025, reflecting a downturn in primary sector activities. The weakness was mainly driven by the agriculture and forestry sector and the mining and quarrying sector, which posted declines	Namibia's annual inflation rate eased to 3.2 per cent in December 2025, from 3.4 per cent in November 2025. The decline was driven by slower price increases in food, beverages, hospitality, and recreation sectors.	The Bank of Namibia's decision to keep its repo rate steady at 6.5 per cent in December 2025 was driven by the need to maintain the stability of the Namibian Dollar's peg to the South African Rand, especially considering South Africa's new, lower 3.0 per

	in real value added of 22.7 per cent and 4.2 per cent, respectively. This outcome mirrors a sharp reduction in livestock marketed as farmers focus on rebuilding herds, as well as lower output of diamonds and other metal ores, excluding uranium (Central Bureau of Statistics of Namibia |Trading Economics, 23 December 2025).	Meanwhile, prices accelerated mostly for housing & utilities (4.5 per cent vs 4.1 per cent) and recreation & culture (4.3 per cent vs 3.8 per cent) (Central Bureau of Statistics, Namibia, 18 January 2026).	cent inflation target (Bank of Namibia, 27 December 2025).
Mozambique	Mozambique's economy contracted by 0.9 per cent year-on-year in Q3-2025, matching the pace of decline recorded in the previous quarter and marking a fourth consecutive quarter of contraction. The downturn was mainly driven by weakness in the secondary and tertiary sectors, linked to the ongoing impact of post-election tensions. On the demand side, lower private consumption and subdued investment continued to drag on overall economic activity (Instituto Nacional De Estatistica, Mozambique, 29 December 2025).	Mozambique's annual inflation rate moderated to 3.23 per cent in December 2025, from 4.38 per cent in November, driven by price increases in food and non-alcoholic beverages, restaurants and hotels (Instituto Nacional De Estatistica, Mozambique|Trading Economics, 18 January 2026).	The Central Bank of Mozambique cut the MIMO (key policy) rate by 25 bps to 9.5 per cent, the lowest level since November 2015. This marked the 12th consecutive rate reduction, reflecting a sustained easing cycle. The central bank aims to stimulate economic activity amid ongoing recessionary pressures and weak domestic demand (Banco de Moçambique | Trading Economics, 22 November 2025).
Tanzania	Tanzania's economy expanded by 6.3 per cent year-on-year in 2025Q2, accelerating from 5.4 per cent in Q1-2025, marking the fastest pace since Q3-2019,	The annual inflation rate in Tanzania edged up to 3.6 per cent in December 2025 from 3.4 per cent in November 2025. The	The Bank of Tanzania maintained its benchmark interest rate at 5.75 per cent at its January 2026 meeting. The bank highlighted stable inflation alongside

	indicating a strong post-pandemic recovery trajectory. The growth was driven by a 19.0 per cent growth in mining and quarrying likely supported by higher global demand for critical minerals, and increased investment in extraction and processing. Information and communication also grew by 11.1 per cent signalling a rapidly digitalizing economy (Tanzania National Bureau of Statistics, 20 November 2025).	modest increase was attributed to seasonal fluctuations in food supply, particularly in cereals and vegetables (Trading Economics|National Bureau of Statistics (NBS) – Tanzania, 18 January 2026).	expectations of continued robust economic growth (Bank of Tanzania, 28 October 2025).
Zimbabwe	Zimbabwe's economy expanded by 7.01 per cent quarter on quarter in Q2-2025, rebounding from a contraction of 1.77 per cent in the first quarter. The recovery was driven by stronger performance in mining and quarrying, accommodation and food services, construction, electricity supply, and agriculture (ZimStat, 29 December 2025).	Zimbabwe's annual inflation rate declined further to 15.0 per cent in December 2025, down from 19.0 per cent in November 2025. Reduced volatility in the local currency has eased imported inflation and helped anchor price-setting behaviour, especially for fuel, food, and consumer goods (ZimStat, 18 January 2026).	In December 2025, Zimbabwe kept the Bank Policy Rate unchanged at 35 per cent. The Monetary Policy Committee (MPC) based this decision on the need to maintain ongoing stability in prices, the currency, and exchange rates, allowing the current monetary policy to have a full effect on the real economy and firmly anchor inflation expectations (Reserve Bank of Zimbabwe, 22 December 2025).

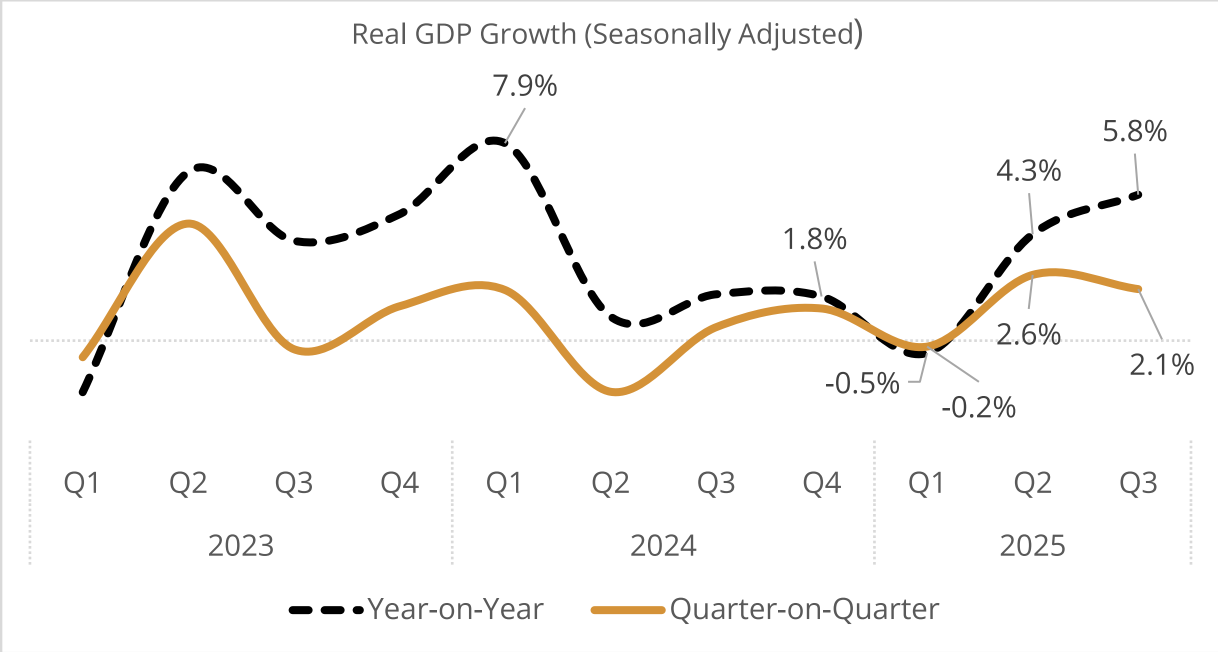
4.0 DOMESTIC ECONOMIC DEVELOPMENTS

4.1 GDP Growth

Aggregate economic activity, as measured by real Gross Domestic Product (GDP) accelerated by 5.8 per cent year-on-year (seasonally adjusted), in the third quarter of 2025, relative to the revised 4.3 per cent growth observed in the previous quarter. Growth was broad based across all the three (3) sectors of the economy, anchored by a robust recovery in the primary sector, as well as the sustained momentum in the secondary and tertiary sectors.

On a quarter-on-quarter basis, real GDP grew by a slower 2.1 per cent (seasonally adjusted), following the revised 2.6 per cent expansion in the previous quarter.

Figure 11: Eswatini Quarterly GDP Trends; 2023Q1 to 2025Q3



Source: Central Statistics Office (CSO)

Table 3: Sectoral GDP

SECTOR	PERFORMANCE	DRIVERS
PRIMARY	In a pivotal shift, the primary sector, exited its recent slump, rebounding strongly with an 11.8 per cent year-on-year growth in the third quarter of 2025, thereby contributing 0.9 percentage points to the observed overall growth rate of total industries.	i. *The primary catalyst for this performance was the 'mining and quarrying' subsector, which improved by a 65.3 per cent in the third quarter of 2025, depicting a strong pick-up from the -22.7 per cent decline observed in the previous quarter. This growth signifies a recovery from the demand-side disruptions that previously stifled extraction activities, signalling a resurgence of activity within the local coal industry.* ii. *The 'agriculture and forestry subsector' also improved, posting a year-on-year growth of 1.7 per cent in the third quarter of 2025, indicating a recovery from the -9.4 per cent decline in the second quarter of the same year. Notable growth stemmed from the 'forestry' subsector, which recovered from the -9.4 per cent decline to a growth of 13.4 per cent in the quarter under review, reflecting relatively stronger external demand for forestry products on a year-on-year comparison. Moreover, activity in the 'growing of*

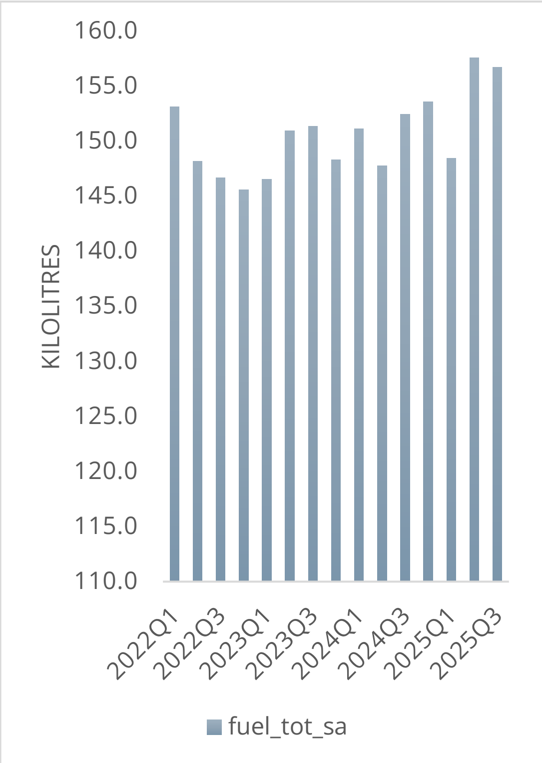
		crops' and 'animal production' subsectors remained suppressed.
SECONDARY	The secondary sector, which accounts for 37.7 per cent of total industries, rose by 9.9 per cent (year-on-year) in the third quarter of 2025, further increasing from 6.8 per cent in the previous quarter.	*i. Posting as a primary anchor for the overall GDP outcome, the sector contributed 3.7 percentage points to the 5.8 per cent aggregate growth. Growth was noted in the 'manufacturing', 'electricity supply' and 'construction' subsectors, whilst the 'water & sewerage' subsector slightly slummed. The manufacturing sector, a key driver of industrial activity, grew by 10.0 per cent in the third quarter of 2025, relative to the 6.3 per cent growth observed in the previous quarter. This steady recovery path continues to reflect a stabilization in external demand for non-food export-oriented commodities.* *ii. Within the utilities subsectors, the 'electricity supply' subsector registered a growth of 5.6 per cent, benefitting from stable local generation and distribution capacity. Conversely, the 'water supply' subsector contracted by 13.5 per cent in the quarter under review, following a 4.4 per cent growth in the second quarter, partly linked to a slight decline in the number of treated water customers during the quarter.* *iii. The construction subsector exhibited strong momentum, expanding by 13.0 per cent during the quarter under review, compared to 11.6 per cent in the preceding quarter. The sustained double-digit growth in this subsector remains underpinned by the continued implementation of major public infrastructure projects, and active private sector developments across the Kingdom. Collectively, these subsectors offset moderated growth in other areas, ensuring the secondary sector remained a vital engine of economic expansion during the period.*
TERTIARY	The tertiary sector's growth remained positive, increasing by 6.2 per cent year-on-year, a further increase from the 4.1 per	*i. Robust growth was primarily spearheaded by the 'information and communication' subsector, which grew by 30.6 per cent, a significant acceleration from the 17.5 per cent growth registered in the quarter ending June 2025. This surge reflects the continued*

	cent growth recorded in the second quarter.	*roll-out of innovative digital products and expanded FINTECH services nationwide.* *ii. Other key drivers within the services sector include; the 'wholesale & retail' subsector that grew by 7.2 per cent, compared to 2.9 per cent in the prior quarter, while 'financial & insurance activities' expanded by 9.9 per cent, up from 4.1 per cent in the previous quarter. Whilst public administration and tourism-related indicators showed contrasting trends, the overall tertiary sector benefited from strong activity in core service industries, including transport and trade, ensuring the sector remained a dominant contributor to the quarterly GDP outcome.*

4.2 Selected Quarterly Economic Indicators

FUEL IMPORT VOLUMES

Figure 12: Fuel Import Volumes



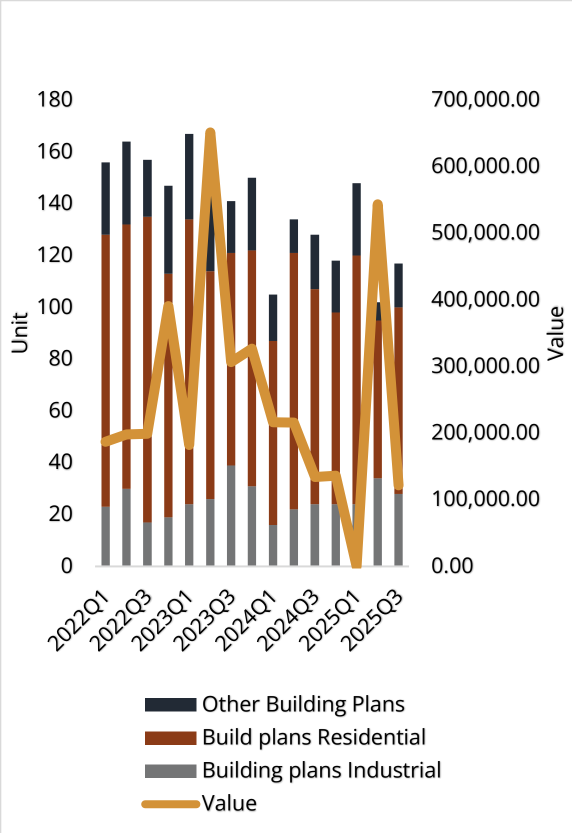
Source: Eswatini Electricity Company (EEC)

According to data sourced from the Ministry of Natural Resources and Energy (MNRE), total fuel import volumes declined slightly by 0.6 per cent (seasonally adjusted) in the quarter ended September 2025, down from a 6.2 per cent growth recorded in the previous quarter. Petrol imports volumes fell by 4.0 per cent in the third quarter of 2025, following a 6.2 per cent increase recorded in the second quarter of 2025. Similarly, paraffin imports volumes remained on a downward trajectory, decreasing by 0.9 per cent in the quarter under review, after falling by 3.1 per cent in the previous quarter.

Meanwhile, diesel import volumes, which constitute more than half of total fuel imports, registered a modest increase of 2.0 per cent in the quarter under review, which was a slowdown from a 6.4 per cent growth observed in the preceding quarter. This increase depicts positive performance in commercial freight activity in the domestic economy.

CONSTRUCTION

Figure 13: Building Plans Approved



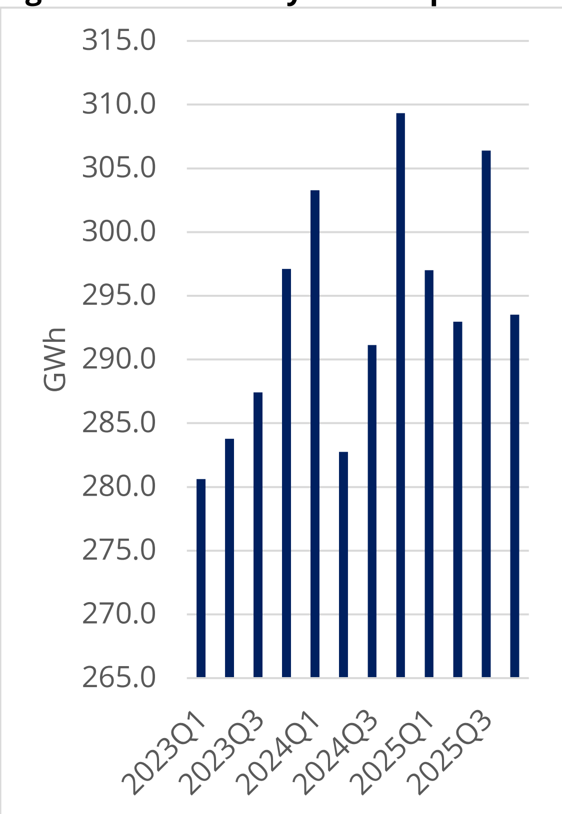
Source: Eswatini Water Services Corporation

According to statistics provided by Municipalities and Town Boards in the country, the total number of building plans approved increased by 15.0 per cent, rising to 117 units in the third quarter of 2025, from 102 units recorded in the previous quarter. The increase was primarily driven by an 18.0 per cent increase in residential building plans, which rose from 61 units to 72 units, between the two quarters under review. In addition, building plans classified under the 'other' category, mainly comprising institutional and religious structures, rose markedly to 17 units, from 7 units in the second quarter. On the downside, industrial building plans declined to 28 units during the quarter under review, compared to 34 units in the previous quarter.

In terms of value, the total approved building plans registered a sharp decline of 78.0 per cent, falling to E121.5 million in the quarter under review from E543.8 million recorded in the previous quarter.

ELECTRICITY

Figure 14: Electricity Consumption



Source: Eswatini Electricity Company (EEC)

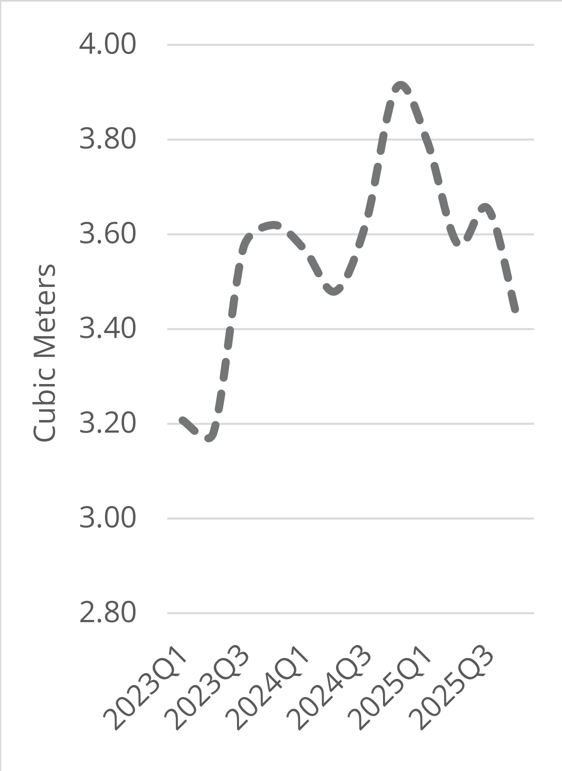
Figures sourced from the Eswatini Electricity Company (EEC) indicate that total electricity sales fell by 4.2 per cent (seasonally adjusted) in the quarter ended December 2025, relative to the 4.6 per cent growth registered in the quarter ended September 2025. The observed moderation was mainly driven by lower demand by the 'commercial' and 'irrigation power & bulk' categories. Electricity sales to non-agricultural industries decreased by 2.8 per cent in the fourth quarter of 2025, from a growth of 2.7 per cent recorded in the previous quarter, depicting constrained economic activity. In the same line, electricity demanded by the 'irrigation power & bulk' category dropped by 10.6 per cent during the quarter under review, compared to a growth of 8.0 per cent in the previous quarter. This contraction reflects the delays encountered by the sugar industry due to the excessive rains that have slowed the harvesting of cane from the fields.

On a positive note, electricity demanded by households remained on an upward trend, further increasing by 0.9 per cent in the quarter under review from 0.4 per cent in the preceding quarter.

The number of total electricity customers stood at 309,852 in the last quarter of 2025, reflecting a 1.1 per cent growth when compared to the third quarter of the same year. All three (3) categories recorded growth in customers on a quarter-on-quarter comparison.

WATER

Figure 15: Water Consumption



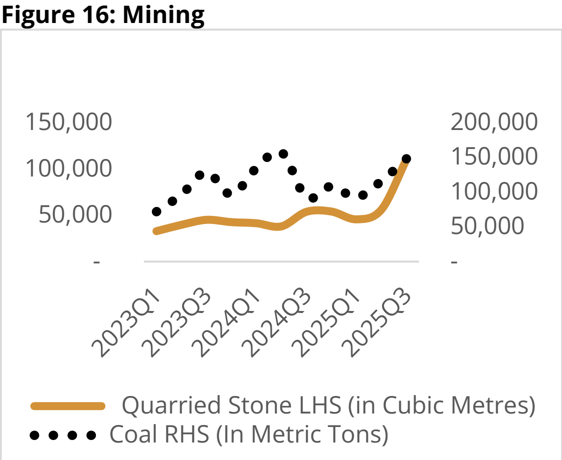
***Source**: Eswatini Water Services Corporation (EWSC)*

According to statistics sourced from the Eswatini Water Services Corporation (EWSC), treated water sales recorded a 6.7 per cent slump in the fourth quarter of 2025, following a growth of 2.1 per cent observed in the previous quarter. The drop in sales was attributable to both domestic and commercial sales in the review period. Treated water demanded by the 'domestic' category fell by 8.1 per cent in the fourth quarter of 2025, from a growth of 10.4 per cent in the previous quarter. Similarly, water sales to the 'commercial' category, representing industry activity decreased by 4.6 per cent, a further decline following the -6.1 per cent recorded in the previous quarter.

In line with the fall in total treated water sales, the total number of connections decreased by 1.1 per cent, reaching 69,230 in the quarter ended December 2025. Notably, connections for both 'domestic' and 'commercial' treated water customers each fell by 1.1 per cent, during the review period.

MINING

Figure 16: Mining



Mining activity posted a strong rebound in the third quarter of 2025, following positive developments in the challenges faced by the ferrochrome industry that affected demand for anthracite coal. As a result, coal production grew by 27.6 per cent, quarter-on-quarter to 147,907 metric tonnes in the third quarter of 2025, relative to the 115,891 metric tonnes recorded in the previous quarter. On a similar note, ongoing public and private sector infrastructure projects in the economy

Source: Mining Department

continued to support quarried stone production, which surged by 96.1 per cent to 109,971 cubic meters. Of note, gold production stood at 13.92 kilograms in the third quarter of 2025, same as in the previous, with volumes remaining higher than the previous year.

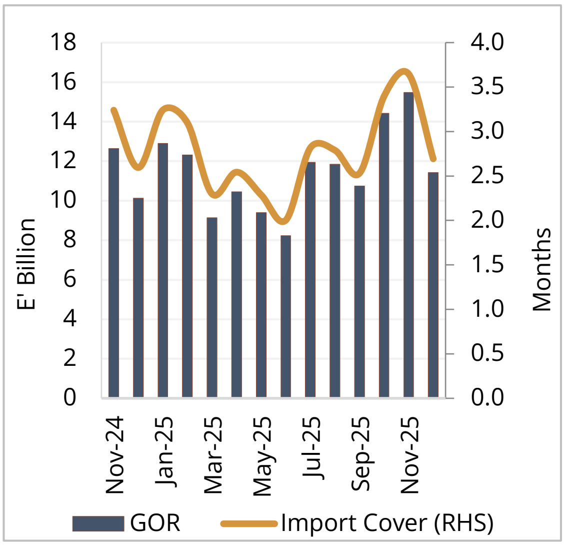
4.3 Monetary Sector Developments

4.3.1 Gross official Reserves

Provisional gross official reserves figures stood at E11.4 billion in December 2025 depicting a decline of 26.2 per cent month-on-month, while posting an increase of 12.9 per cent year-on-year. The drawdown in reserves was partly driven by net foreign currency outflows arising from trades with commercial banks coupled with the payment of government external obligations.

Consequently, the import cover weakened from 3.6 months in November 2025 to 2.7 months in December 2025. At this level, the reserves remained slightly below the internationally recommended adequacy threshold of three months of import cover.

Figure 17: Gross Official Reserves & Import Cover



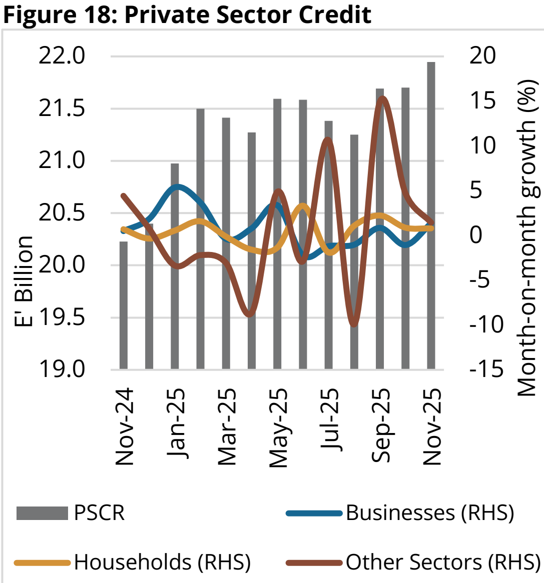
Source: Central Bank of Eswatini

4.3.2 Credit Extension

Credit extended to the private sector maintained its upward momentum in November 2025, expanding by 1.1 per cent month-on-month and 8.5 per cent year-on-year to reach E21.9 billion. The growth was broad-based, supported by all sectors, namely businesses, households & nonprofit institutions serving households (NPISH), and other sectors of the domestic economy.

Credit to other domestic sectors stood at E1.2 billion in November 2025, reflecting growth of 1.4 per cent month-on-month and 4.6 per cent year-on-year. The increase was largely driven by lending to other financial corporations, which rose by 3.2 per cent to E666.2 million. However, this growth was partially offset by declines in credit to local government and

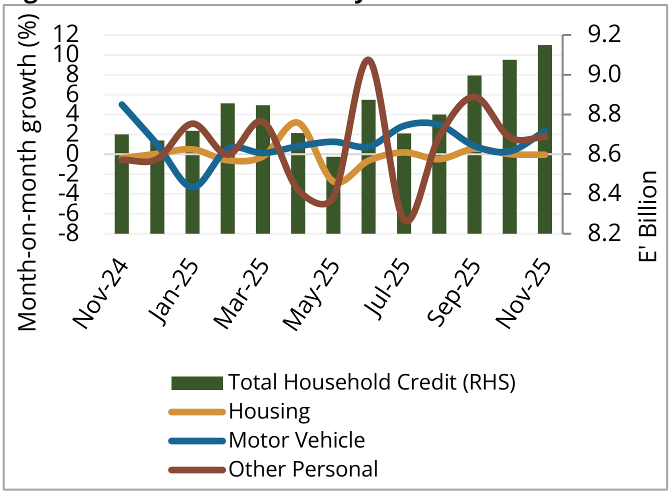
Figure 18: Private Sector Credit



Source: Central Bank of Eswatini & Other Depository Corporations parastatal corporations, which fell by 2.5 per cent to E89.7 million and 0.3 per cent to E451.6 million, respectively.

4.3.2.1 Household Credit

Figure 19: Household Credit by Product



Source: Central Bank of Eswatini & Other Depository Corporations

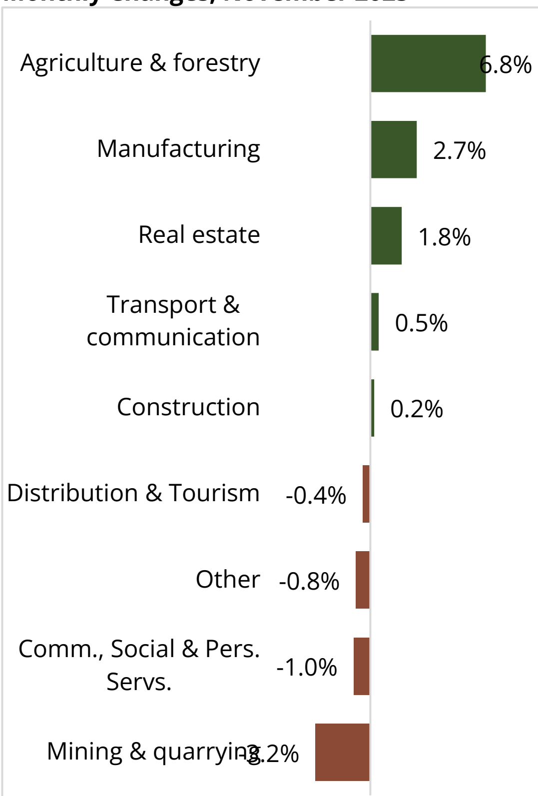
Credit to households and NPISH edged up by 0.8 per cent month-on-month and 5.2 per cent year-on-year, reaching E9.1 billion in November 2025. The increase was supported by motor vehicle loans, which grew by 2.3 per cent to E1.4 billion, and other personal (unsecured) loans, which rose by 1.7 per cent to E3.6 billion. However, mortgage lending declined slightly by 0.4 per cent to E4.2 billion over the same period.

4.3.2.2 Credit to Businesses

Credit to businesses rose by 1.4 per cent month-on-month and 11.8 per cent year-on-year, closing at E11.6 billion in November 2025. The increase was largely driven by the credit to agriculture & forestry (6.8 per cent), manufacturing (2.7 per cent), real estate (1.8 per cent), transport & communications (0.5 per cent), and construction (0.2 per cent) subsectors. However, the increase was partly offset by declines in the following subsectors, mining & quarrying (-3.2 per cent), community, social & personal services (-1.0 per cent), and distribution & tourism (-0.4 per cent).

An assessment of credit to businesses by enterprise size indicated that the overall increase was solely driven by large enterprises, while lending to small and medium enterprises (SMEs) declined. Credit to large enterprises rose by 2.9 per cent to E7.9 billion, whereas credit to SME dropped by 1.8 per cent to E3.6 billion. Consequently, the share of credit to businesses held by large enterprises increased from 67.6 per cent in October 2025 to 68.6 per cent in November 2025, while

Figure 20: Business Credit by Industry: Monthly Changes, November 2025



Source: Central Bank of Eswatini and Other Depository Corporations the share of credit to SMEs fell from 32.4 per cent to 31.4 per cent.

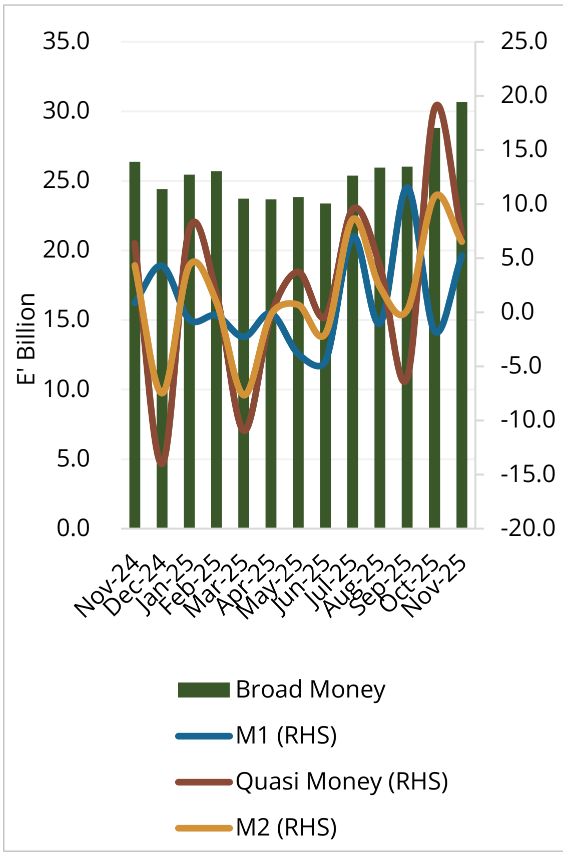
4.3.4 Broad Money Supply

Broad money supply (M2) sustained an upward trajectory for the fifth consecutive month, recording growth of 6.5 per cent month-on-month and 16.3 per cent year-on-year to close at E30.7 billion in November 2025, consistent with the increase in credit to the private sector. Growth in M2 was driven by expansions in both quasi-money supply and the narrow money (M1) supply.

Quasi-money supply grew by 7.2 per cent month-on-month and 18.1 per cent year-on-year to close at E20.0 billion at the end of November 2025. The growth was attributed to increases in both its components; time deposits rose by 8.0 per cent to E17.8 billion while savings deposits grew by 1.6 per cent to E2.2 billion.

Narrow money supply (M1) grew by 5.2 per cent month-on-month and 13.1 per cent year-on-year to E10.7 billion in November 2025, supported by a sharp increase in currency outside the banking sector and steady growth in transferable (demand) deposits. Currency outside the banking sector rose by 10.9 per cent to E1.1 billion, while transferrable (demand) deposits grew by 4.6 per cent to E9.6 billion.

Figure 21: Money Supply



Source: Central Bank of Eswatini & Other Depository Corporations

4.4 Developments in the Banking Sector

The banking system remained sound and stable during Q4-2025. Banks complied with minimum capital requirements, improving from Q3-2025 positions. Asset quality also improved during the quarter under review. There was an improvement in banking sector earnings and profitability. Banks complied with regulatory minimum requirements for liquidity and showed improvements compared to the previous quarter.

4.4.1 Banking Sector Assets

Aggregate banking sector assets increased by 10.0 per cent from E32.8 billion to E36.1 billion over the quarter to December 2025. This is attributable to a 74.6 per cent increase in balances with the central bank and a 4.5 per cent increase in lending. Total loans amounted to E17.2 billion as at end December 2025. On the funding side, total deposits increased by 12.3 per cent to total E27.7 billion. Total shareholders' funds amounted to E4.5 billion, a 4.3 per cent increase.

4.4.2 Capital Adequacy

Banks remained adequately capitalized, with total capital and Tier 1 ratios comfortably above regulatory minima. The improvement in capital ratios during the quarter enhances loss-absorption capacity and provides a buffer against potential shocks. The aggregated common equity tier 1 capital to risk-weighted assets and risk asset ratio improved from 14.0 per cent and 15.8 per cent, respectively, to 14.4 per cent and 16.1 per cent, respectively.

4.4.3 Earnings and Profitability

Profitability improved during Q4-2025, supported by higher net profits and improving operating efficiency. However, the marginal decline in ROA highlights pressure from balance sheet expansion. The average return on banks' total assets (ROA) marginally decreased from 2.0 per cent to 1.9 per cent, mainly a result of the larger asset base. However, return on total equity (ROE) improved, rising from 14.8 per cent to 15.1 per cent. The total cost-to-income ratio marginally improved from 79.4 per cent, to settle at 79.0 per cent. Banks' operating expenses accounted for 48.8 per cent of total income during the quarter under review.

4.4.4 Asset Quality

Credit risk moderated during the quarter, as evidenced by the decline in the non-performing loans (NPL) ratio from 7.1 per cent to 6.7 per cent and a reduction in the stock of NPLs. This improvement reflects enhanced loan recoveries and cautious lending practices. The stock of non-performing loans (NPLs) decreased by 1.2 per cent to total E1.3 billion. The sectorial distribution of NPLs show that distribution and tourism sector was the most affected with a share of 15.1 per cent, real estate sector (15.1 per cent), the transport and communications sector (13.8 per cent), and the construction sector (6.34 per cent).

4.4.5 Liquidity Risk

Liquidity conditions in the banking sector strengthened significantly during Q4-2025, with the liquid assets to total deposits ratio rising to 41.6 per cent, driven largely by higher deposit inflows. The industry liquid assets to total deposits (liquidity ratio) improved from 34.3 per cent to 41.6 per cent. Total liquidity held by banks improved by 36.2 per cent to total 11.5 billion during the quarter. Government securities represented the largest portion of liquidity held by banks, accounting for 44.0 per cent. As a share of total assets, liquid assets increased from 25.8 per cent to 31.9 per cent. The ratio of loans to deposits (intermediation) fell from 75.1 per cent to 69.9 per cent during the review period, mainly a result of the increase in total deposits.

4.5 Public Finance

The 2025/26 fiscal year National Budget in February, projected total revenue at E29.725 billion. However, the Mid-term Budget Review (MTBR) estimates for November 2025, reflect that the projected outturn for revenue collection will amount to E29.638 billion, representing a shortfall of E86.86 million, approximately 0.29 per cent below the February Budget estimates.

Total tax revenue was projected at E28.140 billion in the February Budget, however, the November 2025 MTBR has revised this estimate downward to E28.100 billion. This represents an underrun of E39.76 million, equivalent to 0.14 per cent decline relative to the initial budget.

Domestic revenue was budgeted at E16.723 billion, the latest outturn estimates indicate collections of E16.687 billion, projecting a shortfall of E36.02 million. The envisaged underperformance is mainly driven by lower-than-expected receipts from corporate income tax (CIT) and the fuel levy, which are off-target by 8.19 per cent (E191.4 million) and 5.32 per cent (E75.8 million), respectively. This was at the back of slower than envisaged economic activity hindering possible revenue collection. In contrast, value-added tax (VAT) is anticipated to outperform expectations, with collections budgeted at E5.852 billion against an estimated outturn of E6.082 billion, representing an overrun of E229.7 million partly benefiting from increased efficiencies in collection amongst others. Similarly, pay-as-you-earn (PAYE) collections are anticipated to surpass expectation, rising from a budgeted E5.800 billion to an estimated outturn of E5.856 billion, reflecting an overrun of E56.1 million benefiting from the envisaged salary review awarded to civil servants. In contrast, Non-tax revenue was budget at E999 million; however, the outturn has been revised downwards to E942 million, reflecting a shortfall of E57.1 million (5.7 per cent) compared to the initial budget.

In terms of spending, total expenditure was budgeted at E32.608 billion, however, the November MTBR projects an outturn of E34.701 billion. This represents an overrun of E2.093 billion relative to the budget. Recurrent expenditure was initially estimated at E25.410 billion, while the projected outturn has been revised up to E26.551 billion, reflecting an overrun of E1.141 billion, equivalent to a 4.49 per cent increase. In depth analysis of recurrent expenditure, depict that the wage bill was budgeted at E10.478 billion, and has been adjusted upwards by E479.9 million with the projected outturn set to reach E10.958 billion. This is primarily due to the salary review awarded to civil servants. Furthermore, Interest payments were initially budgeted at E2.512 billion; however, the outturn is expected to rise to E3.336 billion, representing an overrun of E824 million attributed to the new loans undertaken in the period.

Capital expenditure was budgeted at E7.198 billion, while the projected outturn is estimated at E8.151 billion, reflecting an overrun of E953 million. This was largely due to the Strategic Oil Reserve (SOR) loan which was disbursed earlier than initially anticipated to cover set-up and administrative cost for the project.

Consequently, the fiscal deficit deteriorated, from a budgeted 3.1 per cent of GDP, widening to a projected outturn of 5.4 per cent of GDP in the November 2025 MTBR. This was mainly attributed to the increasing expenditure pressures – particularly rising wage bill, interest payments, and infrastructure investment, occurring in the midst of dwindling revenue growth due to lower-than-expected economic activity.

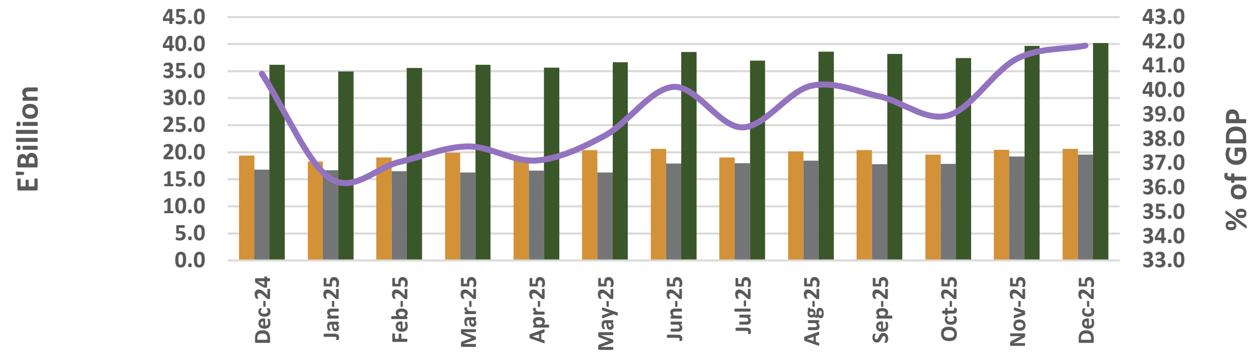
4.6 Public Debt

Total public debt stood at E40.2 billion as at December 2025 an equivalent of 41.8 per cent of GDP. This shows that public debt increased by 1.3 per cent from the previous month while on a year-on-year basis this shows an increase of 3.9 per cent in nominal terms, underpinned by developments in both domestic and external debt.

In the month under review domestic debt increased by 1.0 per cent to reach E20.6 billion, from E20.4 billion recorded in November 2025. The increase emanated from improved performance of T-bills in December 2025.

External debt also grew by 1.6 per cent, rising from E19.2 billion in November 2025 to E19.6 billion in December 2025. While disbursements from major project loans as well as the AfDB Budget Support Loan disbursement amounting to USD47.5 million were made in December 2025, the strengthening of the local currency helped to moderate the increase in external debt.

Figure 22: Total Public Debt September 2024 to September 2025



	Dec-24	Jan-25	Feb-25	Mar-25	Apr-25	May-25	Jun-25	Jul-25	Aug-25	Sep-25	Oct-25	Nov-25	Dec-25
Domestic	19.4	18.3	19.1	19.9	19.0	20.4	20.6	19.0	20.2	20.4	19.6	20.4	20.6
External	16.8	16.7	16.5	16.3	16.6	16.3	17.9	17.9	18.4	17.8	17.9	19.2	19.6
Total Stock	36.2	34.9	35.6	36.2	35.6	36.6	38.6	37.0	38.6	38.2	37.4	39.7	40.2
% of GDP (RHS)	40.7	36.4	37.0	37.7	37.1	38.1	40.1	38.5	40.2	39.7	39.0	41.3	41.8

Source: Ministry of Finance and Central bank of Eswatini

4.7 External Sector

Eswatini's trade surplus narrowed to E353.1 million in December 2025, slightly below the E386.9 million recorded in November 2025.The contraction in the trade surplus was primarily on account of a stronger decline in exports than imports. Export earnings declined by 6.7 percent from the previous month to reach E3.6 billion, mainly influenced by reduced shipments of wood and wood articles. Despite the month-on-month fall, exports were still 21.2 percent higher compared to the same period in 2024. Imports amounted to E3.2 billion, a 6.4 percent month-on-month contraction but a 5.0 percent higher on a year-on-year basis. Seasonally adjusted estimates indicate exports at E3.8 billion and imports at E3.3 billion for December, resulting in an adjusted trade surplus of E510.2 million.

For the January to December 2025 period, the cumulative trade surplus stood at E5.0 billion, a 9.9 percent improvement from the E4.6 billion surplus registered in 2024. Total exports for the year reached E44.1 billion, up 3.6 percent, while annual imports increased by 2.8 percent to E39.1 billion.

Trade direction analysis indicates that South Africa continued to dominate Eswatini's trade landscape in December, accounting for 65.4 percent of exports and 73.4 percent of imports. Other notable export destinations included the UK, Kenya, Mozambique, Zimbabwe, and Nigeria, collectively making up 22.5 percent of exports. On the import side, China, India, Thailand, Oman, and Singapore jointly contributed 13.7 percent of total outflows in December 2025.

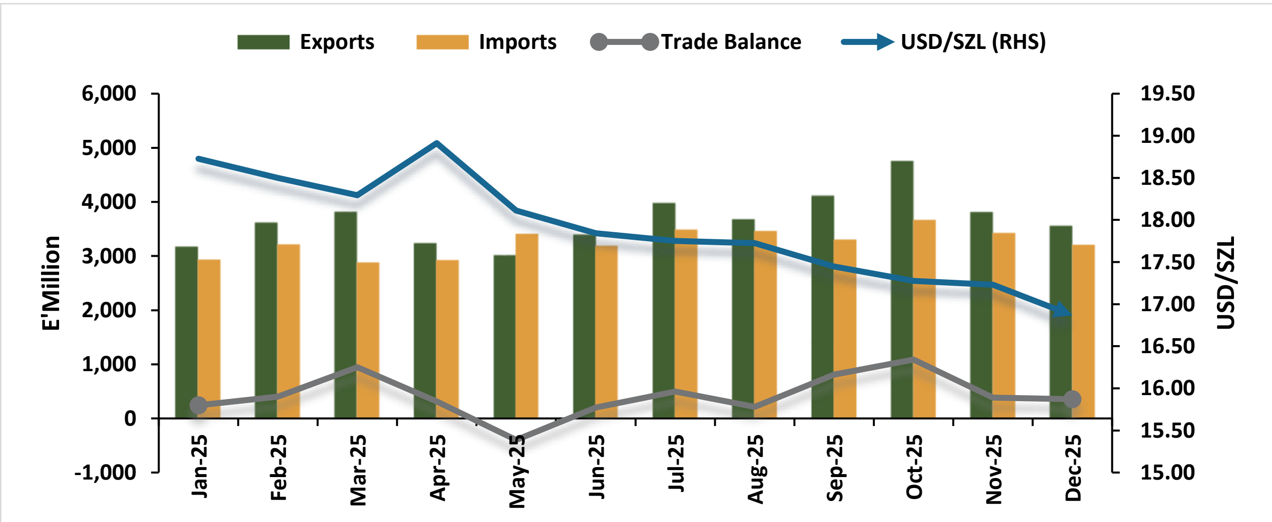
4.6.1 Export commodity performance

In December 2025, soft drink concentrates exports totalled E1.7 billion, marking a 12.1 percent rise from November and a 10.2 percent increase relative to the previous year. Exports of sugar and sugar products amounted to E843.7 million at the end of the month. This represented a growth of 9.1 percent from the preceding month and a substantial 50.3 percent year on year increase, largely influenced by higher consignments destined for South Africa and the United Kingdom. Shipments of textiles and textile apparel reached E234.6 million, reflecting a significant 38.5 percent decline compared to November 2025. However, on an annual basis, these exports were 14.9 percent higher, supported by increased volumes of cotton, wadding, felts, and specialised textile products. Exports of wood and wood articles totalled E180.3 million, decreasing by 34.2 percent month on month but registering a 7.6 percent improvement year-on-year.

4.6.2 Import commodity performance

Imports of energy products were valued at E580.3 million in December, rising by 4.7 percent from November and by 9.8 percent compared to the same period last year. Imports of machinery and electrical equipment reached E374.8 million, reflecting a modest 1.1 percent in the month increase and strong annual growth of 32.9 percent. Imports of animal and vegetable products expanded by 6.3 percent month on month to E363.4 million, though 3.3 percent lower than a year earlier, mainly due to a reduction in imports of live trees and vegetable extracts. Textile and apparel products, imports fell by 9.9 percent from November to E192.4 million. Despite the monthly decline, they still registered a 9.9 percent year on year growth driven by increased imports of knitted fabrics. Vehicle imports amounted to E180.4 million, dropping by 12.0 percent relative to the prior month but increasing by 15.0 percent when compared to December 2024.

Figure 23: Merchandise Trade; January 2025 – December 2025



Source: Central Bank of Eswatini

4.8 Exchange Rates Developments

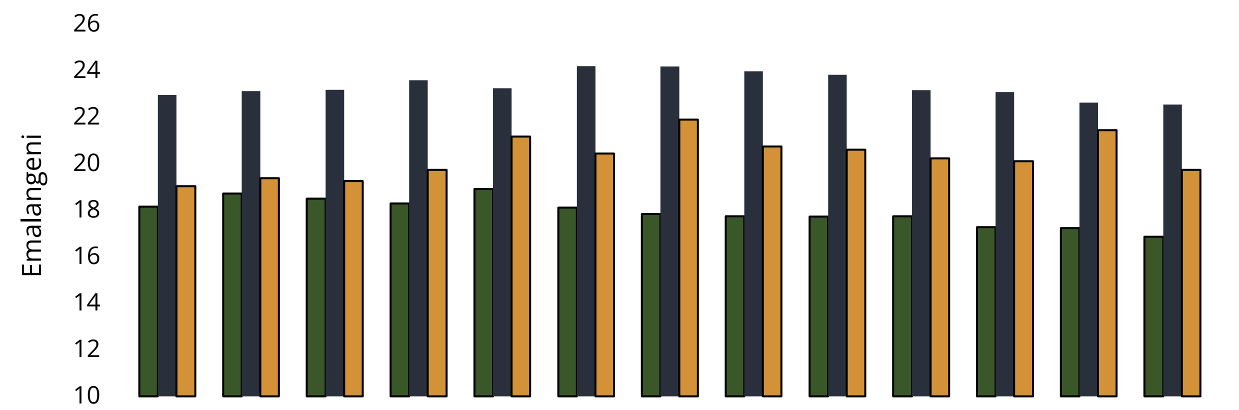
Since the previous meeting of the MPCC, the Lilangeni/Rand generally strengthened against the major trading currencies. The Rand, along with the Lilangeni, broke through the E16-mark against the US Dollar for the first since August 2022, on the back of robust investor optimism about South Africa's policy framework, where monetary strategy, fiscal clarity, and inflation management are showing signs of alignment. The Rand's strength was buttressed by robust domestic economic data, including a rise in the leading business cycle indicator and slightly softerthan-expected consumer inflation. Compared to October 2025, the Lilangeni appreciated by 2.3 percent, closing December 2025 at an average of E16.87 to the US Dollar.

The upgrade of South Africa's credit rating during the month of November strengthened the positive general feeling of investors about the economy as clarity on fiscal policy during the period reinforced the optimistic macro-outlook. Finance Minister Enoch Godongwana's endorsement of the 3 per cent inflation target improves coordination between Treasury and SARB and consolidates investor confidence. This rare combination of easing rates and credible price management creates a predictable environment that encourages both domestic and foreign capital inflows.

Furthermore, commodity prices have been kind to South Africa as gold remained above $4,000 per ounce during the months of November and December. Additionally, platinum, and other precious metals that South Africa exports also performed well. A rise in commodity prices means more foreign currency earnings from exports, which increases demand for the rand and pushes its value higher.

The Lilangeni also appreciated by 2.3 percent and 1.9 percent against the Pound Sterling and the Euro to close the month of December 2025 at averages of E22.55 and E19.74, respectively. At the end of December 2025, the domestic unit was trading at E16.64 to the US Dollar, E22.36 to the Pound Sterling and E19.50 to the Euro.

Figure 24: Average Exchange Rates: December 2024 to December 2025



	Dec-24	Jan-25	Feb-25	Mar-25	Apr-25	May-25	Jun-25	Jul-25	Aug-25	Sep-25	Oct-25	Nov-25	Dec-25
USD	18.16	18.73	18.50	18.29	18.91	18.11	17.84	17.75	17.73	17.74	17.28	17.23	16.87
GBP	22.97	23.12	23.18	23.60	23.25	24.20	24.18	23.99	23.83	23.17	23.08	22.63	22.55
Euro	19.03	19.38	19.26	19.75	21.18	20.44	21.91	20.75	20.61	20.24	20.12	21.44	19.74

Source: Central Bank of Eswatini

PART B: INFLATION DEVELOPMENTS

5.1 Headline Inflation

The country's annual consumer price inflation maintained a downward trajectory, declining by 0.1 of a percentage point to be recorded at 2.3 per cent in December 2025. Contributing to this slowdown were the price indices for 'housing & utilities', 'clothing & footwear', 'household furniture & maintenance' and 'recreation & culture'.

The index for 'housing & utilities' declined to 4.1 per cent in December 2025, from 4.4 per cent in the previous month, owing to decreases in the prices for 'water supply' and 'liquid fuels' on a year-on-year comparison. Notably, water supply grew by a slower

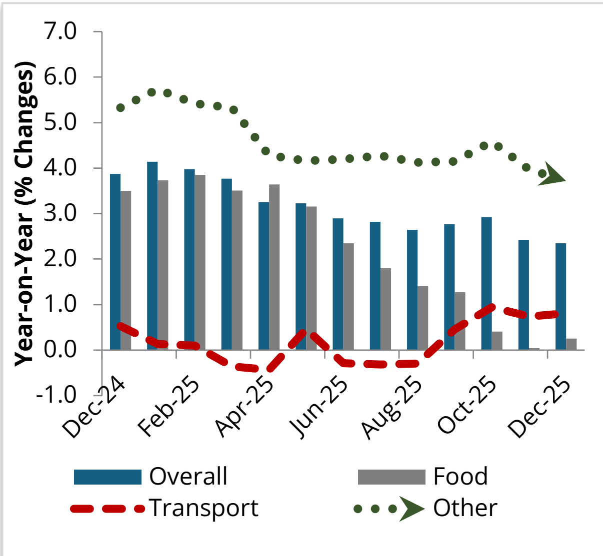
4.0 per cent in the month under review, down from 8.2 per cent in the previous month, as the second tranche of the approved multi-year tariff was not implemented this year as in the same period in the previous year. In the same tune, the price index for 'clothing & footwear', dropped by 1.1 percentage points to record at 5.9 per cent in December 2025, benefitting from decreases in the prices for both 'garments, shoes & other footwear'. Other slower increases were also noted in the price indices for 'household furniture & maintenance' and 'recreation & culture', which slowed by 0.5 and 0.3 of a percentage point, respectively, between the two months under review.

Of note, increases observed in the price indices for 'food & non-alcoholic beverages & tobacco', 'transport' and 'miscellaneous goods & services' partially offset the above decreasing rates of growth. Following a seven-month elongated decline, food prices slightly picked-up by 0.3 of a percentage point to record 0.3 per cent during the month under review, as the prices for 'meat', 'oils & fats', 'fruit' and 'milk, cheese & eggs slightly increased on a year-on-year comparison. The 'transport' index also increased from 0.7 per cent to 0.8 per cent, between November and December 2025, mainly driven by a 5.9 percentage points rise in the prices for 'passenger prices by air'. Additionally, the price index for 'miscellaneous goods & services' also aided upward pressures, increasing by 0.5 of a percentage point to 5.6 per cent during the same period under review.

Month-on-month, consumer price inflation sustained the zero growth for the second consecutive month. On one hand, downward pressures were noted in the price indices for 'clothing & footwear', 'household furniture & maintenance' and 'recreation & culture', which fell by a cumulative 3.0 percentage point. On the other hand, increases in the price indices for 'food & non-alcoholic beverages', alcoholic beverages & tobacco' and 'transport' fully counteracted the above decreases.

Core inflation (which is CPI excluding volatile items such as food, auto-fuel, and energy) further declined by 0.2 of a percentage point to 2.8 per cent in December 2025, whilst falling from 0.2 per cent to record zero growth on a month-on-month comparison. Supply-side pressures remained on the downside as the CPI for goods fell from 2.5 per cent to 2.3 per cent, owing to declines in the prices for non-durables and semi-durables.

Figure 25: Inflation Trends and components Dec 2024 to Dec 2025

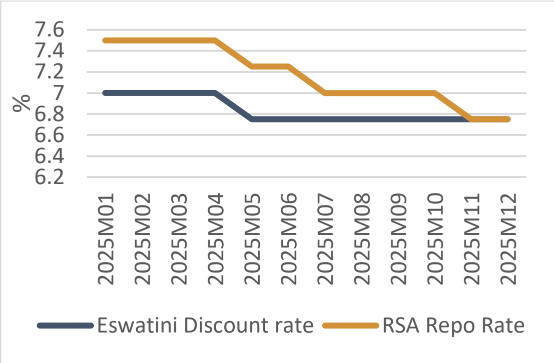


Source: Central Statistics Office (CSO)

5.2 Interest Rates Trends in Eswatini and RSA

The Bank maintained the discount rate at 6.75 per cent in its November 2025 meeting while the SARB also reduced the repo rate to 6.75 per cent. The differential between discount rate and the SARB repo rate was therefore closed.

Figure 26: Repo and Discount Rate Trends



Source: Central Statistics Office and Central Bank of Eswatini

5.3 Headline Inflation Outlook

The Bank's short-term inflation forecasts have been revised slightly downwards, consistent with the continued moderation in the assumptions underlying the forecasts, particularly food inflation, stable oil prices, and a relatively strong exchange rate. The revision also reflects the lower-than-anticipated inflation out turn of 2.53 per cent for the fourth quarter of 2025 against 2.67 per cent forecast during the November, which has shifted the inflation trajectory over the near term.

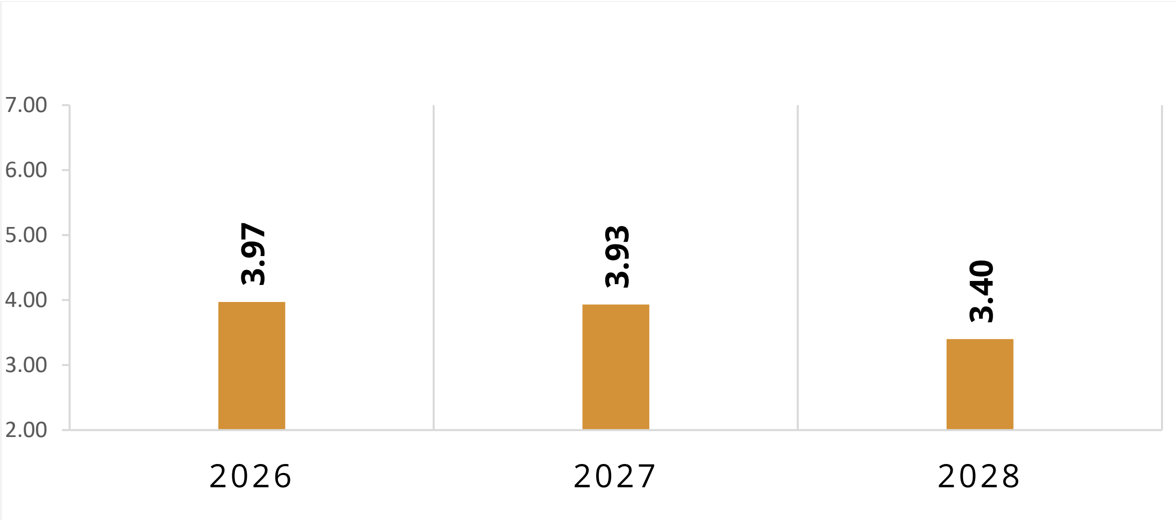
From an external perspective, global oil prices have remained subdued, in line with increased output from OPEC. In the near term, oil prices are expected to remain broadly stable below the US$65-mark, supporting a stable domestic inflation outlook. The Rand has also remained resilient against the US Dollar, largely driven by a generally weaker US Dollar, improved domestic fundamentals, firm commodity prices, and favourable investor sentiments towards the South African economy. As a result, the Rand is expected to remain on a stronger footing, particularly as the US FED considers loosening its monetary policy stance further, which could benefit the Rand and exert additional downward pressure on domestic inflation.

While the South African headline inflation has been slightly revised upwards and demand pressures from the salary increase, it is expected that its impact will be much felt in 2026. Consequently, the first quarter of 2026 is projected to increase to 2.83 percent, with the fourth quarter peaking at 4.66 percent.

Core inflation (CPI excluding volatile items such as food, auto-fuel, and energy) has continued to generally keep in step with headline inflation. The outcome for the fourth quarter of 2025 came out consistent with the Bank's forecast of 3.2 per cent at the time of the previous meeting. From an annual perspective, core inflation was 3.50 per cent in line with the 3.48 per cent forecast at the time of the previous meeting. In the short term, moderation in services (restaurant & hotels, recreation & culture, housing & rentals) and food inflation, key indicators of the movements in core inflation, situates the outlook on the downside. Consequently, the first quarter of 2026 forecast at 3.1 percent.

Over the medium term, oil prices are projected to remain broadly stable, supported by efforts to withdraw excess supply from the global market. From the Bank's assessment, the stability of oil prices is expected to have a muted impact on domestic headline inflation, particularly the transport and food components. However, the recent government-implemented wage increase, together with higher bread prices and lingering base effects, is projected to exert upward pressure on domestic inflation. The resulting liquidity injection, particularly from the wage adjustment, is expected to stimulate aggregate demand. As a result, the forecast for 2026 remains unchanged at 3.97 per cent, while the forecast for 2027 is revised up to 3.93 per cent (from 3.84 per cent) with the 2028 forecast at 3.40 per cent.

Figure 27: Short-Medium Term Forecasts, 2026-2028



Source: Central Bank of Eswatini

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