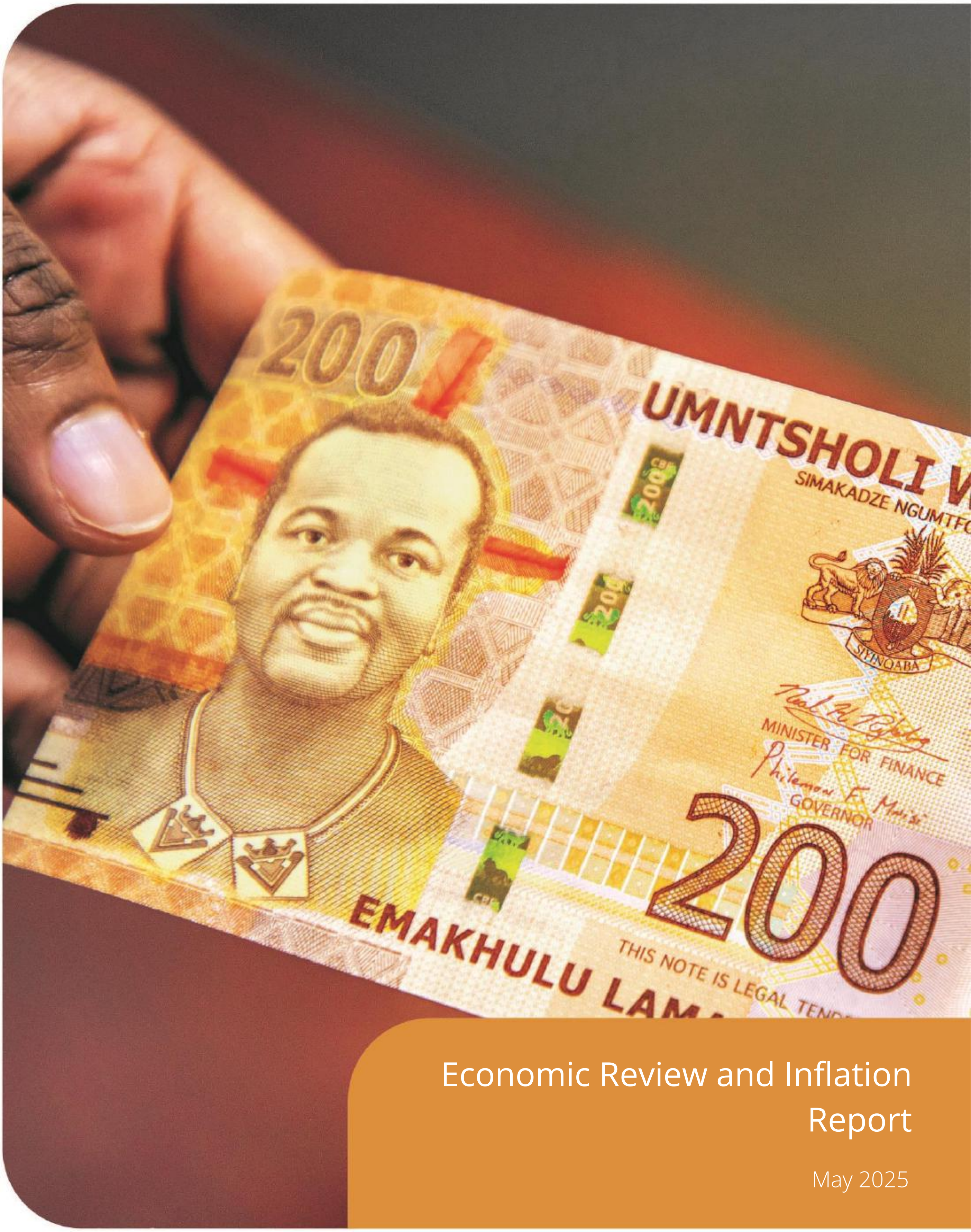
CENTRAL BANK OF ESWATINI
UMNTSHOLI WEMASWATI



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

Economic Review and Inflation Report

May 2025

Major Highlights	
Real GDP	*Preliminary estimates indicate that Eswatini's real GDP growth slowed to 2.6 per cent in 2024, down from a revised provisional estimate of 3.4 per cent in 2023.*
Quarterly GDP	*Economic activity for Eswatini slowed during the fourth quarter of 2024, with real gross domestic product (GDP) growing by 2.1 per cent year-on-year and seasonally adjusted. This represented a decline from 2.8 per cent in the previous quarter.*
Inflation	*Headline consumer price inflation continued its downward trend, easing to 3.3 per cent in April 2025 from 3.8 per cent in March 2025.*
Inflation Forecasts	*The Bank revised down the annual inflation forecast for 2025 to 3.66 per cent, from 4.91 per cent forecasted in March 2025, while the forecast for 2026 and 2027 is revised down to 4.05 per cent (from 4.58 per cent) and 3.92 per cent (from 4.34 per cent), respectively.*
Foreign Reserves	*Eswatini's gross official reserves grew by 14.2 per cent month-on-month and 5.5 per cent year-on-year to close at E10.4 billion at the end of April 2025. At this level, the reserves were enough to cover 2.4 months of imports, an improvement from the 2.1 months recorded in March 2025.*
Exchange Rate	*Compared against the US Dollar, the domestic currency depreciated from an average of E18.29 in March 2025 to close the month of April 2025 at E18.91 on average.*
Credit Extension	*Credit to the private sector contracted for the first time since September 2024, declining by 0.4 per cent month-on-month to E21.4 billion. However, on a year-on-year basis, credit to the private sector was higher by 10.8 per cent.*
Public Debt	*Total public debt stood at E35.7 billion in the period ending in April 2025, equivalent to 37.3 per cent of GDP. Compared to the previous month, overall public debt decreased by 1.5 per cent as the sources of debt reflected mixed dynamics.*
Balance of Payments	*Eswatini registered a current account surplus of E471.0 million in the fourth quarter of 2024, from a narrow surplus of E61.7 million in the third quarter.*

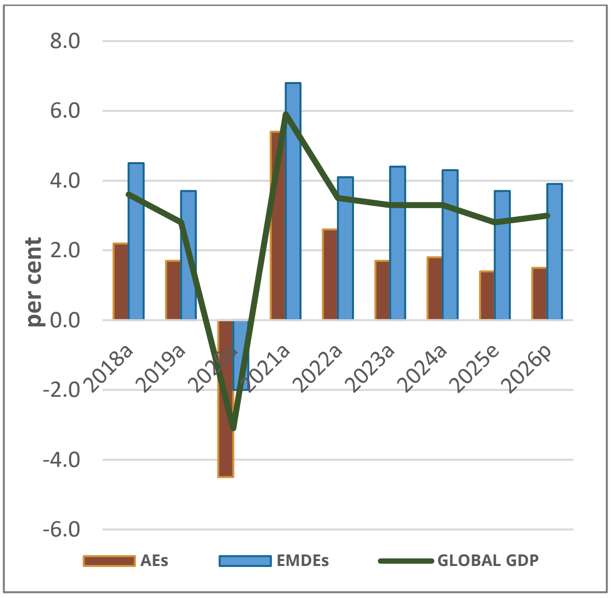
PART A: ECONOMIC REVIEW

1.0 GLOBAL ECONOMIC CONDITIONS

1.1 Global Growth

According to the IMF World Economic Outlook Report published in April 2025, in the near term, global growth is projected to fall from an estimated 3.3 per cent in 2024 to 2.8 per cent in 2025, before recovering to grow by 3 per cent in 2026. This is lower than the projections in the January 2025 WEO Update, by 0.5 per centage point (ppt) for 2025 and 0.3 ppt for 2026, with downward revisions for nearly all member countries. The downgrades are broad-based across countries and reflect mainly the direct effects of the new trade measures and their indirect effects through trade linkage spillovers, heightened uncertainty, and deteriorating sentiment.

Figure 1: Annual Global GDP Growth forecasts (Revised:2018-2026)



Source: IMF WEO, April 2025

1.2 Advanced Economies

The selected advanced economies bloc grew by 1.8 per cent in 2024, and is estimated to grow by a lower 1.4 per cent in 2025. In 2026, growth is forecast to edge up marginally by 1.5 per cent. Within the Eurozone countries, Germany has outlined plans for substantial investments in infrastructure and security worth over €500 billion. This multi-million euro spending injection is expected to also boost European GDP growth. Meantime, China has also announced new stimulus measures to bolster domestic demand.

1.3 Emerging Markets and Developing Economies (EMDEs)

Growth in EMDEs is estimated at 4.3 per cent in 2024 and will decline to 3.7 per cent in 2025. For 2026, EMDEs are forecast to grow by a much stronger 3.9 per cent. The IMF has advised that, the growth impact of tariffs in the short term varies across countries, depending on trade relationships, industry compositions, policy responses, and opportunities for trade diversification. Notably, fiscal support which has been rolled out by some countries like China and Eurozone offsets some of the negative growth impact (IMF World Economic Outlook, April 2025).

1.4 Risks to Global Growth and Outlook

According to the IMF, overall, risks to the outlook are tilted to the downside, in both the short and the medium term. Major policy shifts are resetting the global trade system and giving rise to uncertainty that is once again testing the resilience of the global economy. Escalating trade measures and prolonged trade policy uncertainty would negatively affect World GDP growth though the magnitude of the effect would vary across countries. Those directly targeted by new tariffs would be most affected, notably China and the U.S., but also a large set of countries in Asia and Europe in the medium term.

The swift escalation of trade tensions has generated extremely high levels of policy ambiguity, making it more difficult than usual to establish a central global growth outlook. The emergence of new trading clusters is likely to fragment FDI flows and weigh on capital accumulation. If uncertainty remains high for long, firms may delay investment projects, with a consequent reduction in global investment. Rising geopolitical tensions could open the possibility of sudden changes in the international monetary system, with potential implications for macro financial stability.

Increasing challenges to international cooperation: A reversal of global economic integration might also trigger suboptimal relocation of production units. There will also be technological decoupling, with negative growth effects in the longer term because of resource misallocation, loss of knowledge hubs, contraction in bank credit, and financial stability risk.

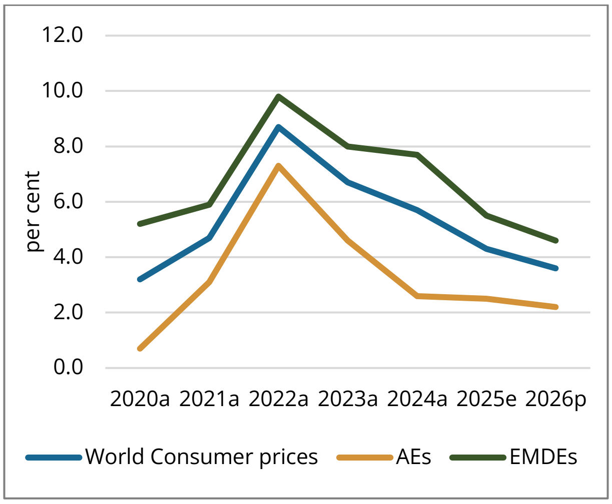
A trade war could also fuel inflationary pressures, primarily through rising import prices. Firstly, with more than 80 per cent of trade invoicing in US dollars, additional pressure may arise if the US dollar appreciates. Secondly, inflation expectations are currently higher than central bank targets and, in some cases, on the rise. Thirdly, restrictions on commodities may lead to significant price shifts.

According to the IMF WEO report – April 2025, a resolution or mitigation of ongoing conflicts could lead to a decrease in global commodity prices and reallocate resources for productive uses. The economic impact of war can be substantial, with studies showing that the "war tax" on growth can reach 30 per cent of GDP, contributing to inflation rates as high as 15 per cent, with neighbouring countries most affected on average (IMF World Economic Outlook, April 2025).

1.5 Global Inflation

According to the IMF, global headline inflation is expected to decline at a pace that is slightly slower than what was expected in January 2025. According to the IMF, global headline inflation is expected to decrease to 4.3 per cent in 2025 from 5.7 per cent in 2024, and edge even lower to 3.6 per cent in 2026. The latest global inflation forecasts represent significant downward revisions for Japan, the United Kingdom, Canada, and the United States, with an upward revision for Spain.

Figure 2: Global Annual Inflation Rate-Advanced Economies and EMDEs; 2020-2026



Source: IMF WEO, April 2025

Global Inflation is projected to converge back to target quicker in advanced economies, reaching 2.2 per cent in 2026. The US and the UK stand out in both the magnitude and direction of the trajectory. In the US it reflects stubborn price dynamics in the services sector and the supply shock from recent tariffs. In the UK, it primarily reflects once-off regulated price changes, while in the Eurozone the forecast is unchanged. Meanwhile, for emerging markets and developing economies, inflation will decrease to 4.6 per cent over the same time horizon. The trajectory is, however, mixed, inflation in China will remain subdued while in developing Asia and Russia will take an upward path (IMF World Economic Outlook, April 2025).

1.6 World Food Prices

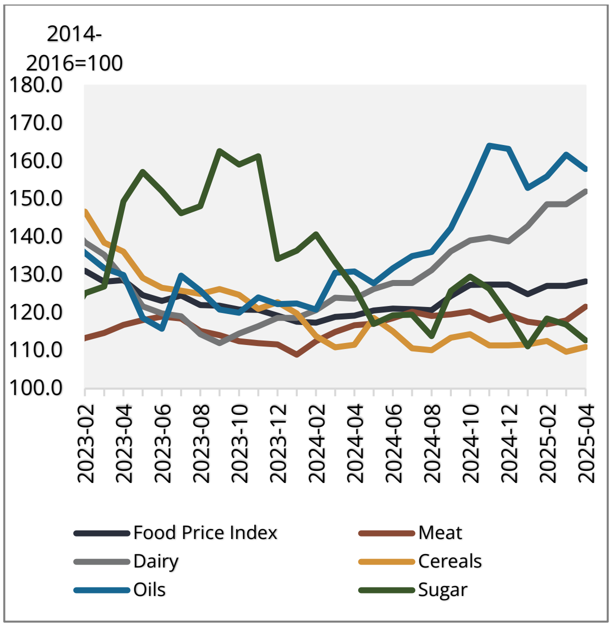
According to the Food and Agriculture Organization (FAO) of the United Nations report published on 2nd May 2025, the FAO Food Price Index averaged 128.3 index points in April 2025, reflecting a 1.2 index points increase from March. This rise was primarily driven by increases in the price indices for cereals, dairy, and meat, which outweighed the declines observed in the indices for sugar and vegetable oils.

The FAO Vegetable Oil Price Index recorded 158.0 index points in April, showing a decline of 3.7 index points from March. However, it remained significantly higher at 20.7 per cent above its level from the previous year. The most notable development was the marked decrease in palm oil prices, which was the primary driver of the overall index decline, attributed to seasonal increases in production from Southeast Asian countries, particularly Indonesia and Malaysia, who together account for over 80 per cent of global palm oil market share.

The FAO Cereal Price Index averaged 111.0 index points in April 2025, reflecting a 1.3 points increase from March. Global wheat prices saw a marginal increase, supported by tightening exportable supplies in the Russian Federation, which is a major wheat exporter, a steady export pace from other significant exporters helped to stabilize the market and currency movements, particularly a weaker U.S. dollar against the euro, which can make wheat more competitive in international markets. International maize prices also experienced an increase, driven by seasonally tighter stock levels in the United States, which typically occurs as the planting season approaches.

The FAO Sugar Price Index averaged 112.8 index points in April 2025, largely driven by concerns over the uncertain global economic outlook, which has raised apprehensions about potential impacts on demand from key sectors such as beverages and food processing. These sectors account for the bulk of global sugar consumption. Larger-than-expected sugar output in Brazil added further downward pressure on prices. Increased production levels typically lead to higher supply, which can reduce prices if demand does not keep pace. The depreciation of the Brazilian real against the U.S dollar contributed to the decline in world sugar prices and lower international crude oil prices also played a role in the price decline and since sugar is often used in biofuel production, lower oil prices can reduce the incentive to produce sugar for energy purposes, impacting overall demand (UN FAO Food Price Index, 12 May 2025).

Figure 3: World Food Prices (FAO) Food Price Index; February 2023 – April 2025



Source: Food and Agricultural Organization of the UN, April 2025

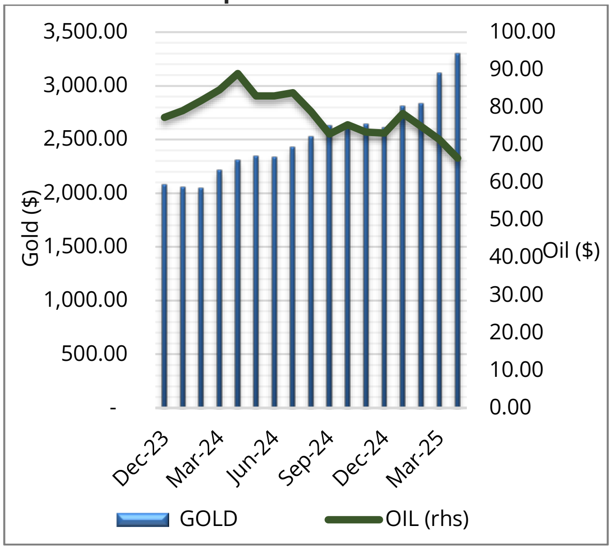
The FAO Dairy Price Index stood at 152.1 index points in April 2025, reflecting a 3.5 index points increase from March. This marked a significant rise of 28.4 index points compared to the same month last year. International butter prices rose for the third consecutive month, reaching a new all-time high with a 2.9 per cent increase from March, primarily driven by international butter prices which surged for the third consecutive month, achieving a new all-time high with a 2.9 per cent increase from March. Prices for skimmed milk powder (SMP) and whole milk powder (WMP) also saw increases of 1.6 per cent and 2.9 per cent, respectively. International cheese prices increased by 2.3 per cent from March 2025.

The FAO Meat Price Index averaged 121.6 index points in April 2025, reflecting a 3.7 index points increase from March, marking a 5.0 points increase compared to the same month last year. The rise in international meat prices was observed across all categories, with pig meat prices experiencing the most significant increase. The increase in pig meat prices was particularly pronounced in the European Union, driven by stronger global import demand, following the reinstatement of Germany's foot-and-mouth disease-free status, the lifting of related restrictions by importers, which facilitated trade. Increased seasonal demand associated with the Easter holidays also further boosting prices (UN FAO Food Price Index, 12 May 2025).

1.7 Review of Global Oil Prices and Gold Price Performance

According to the OPEC Monthly Oil Market Report published on 14th May 2025, Brent Crude oil prices experienced a significant decline dropping nearly 7 per cent on average in April compared to March. This downturn was part of a broader selloff across financial markets, primarily influenced by escalating trade tensions between the US and China, which negatively impacted trader sentiment. The ongoing trade disputes, particularly the newly imposed tariffs, created uncertainty that weighed heavily on market sentiment and this uncertainty was reflected in the volatility of oil prices. Uncertainty over the full impact of the newly imposed tariffs weighed heavily on trader sentiment, keeping oil prices under sustained pressure (OPEC Monthly Oil Market Report, 15 May 2025).

Figure 4: Gold & Brent Crude Oil Prices (US$) December 2023– April 2025

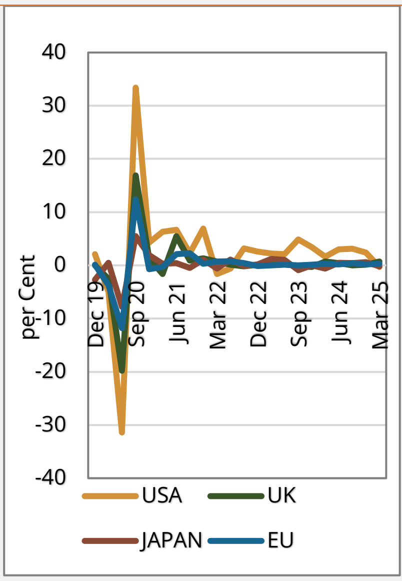
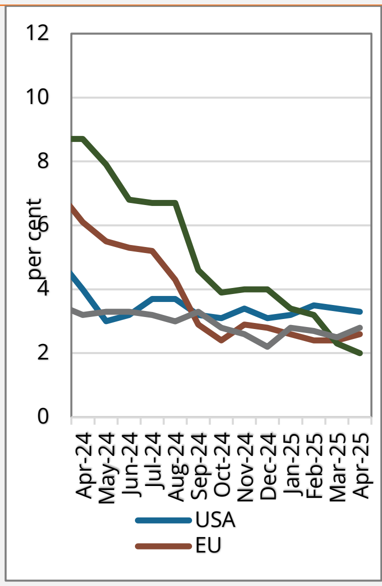
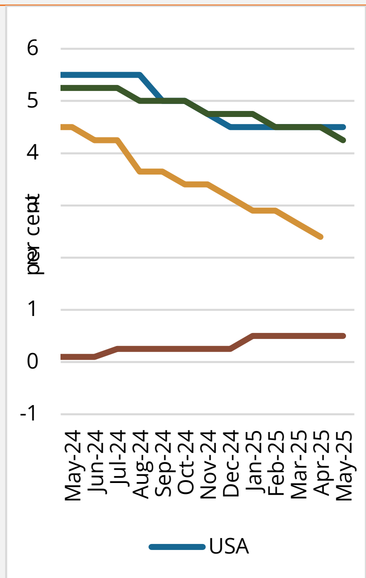


Source: World Gold Council |OPEC |May 2025

According to the World Gold Council's Market Commentary Report published in April 2025, gold prices continued their upward trajectory, reaching $3,302 per ounce in April. A significant factor contributing to the precious metal's rise was the plunge in the US dollar, which reduced the opportunity cost of holding gold as an investment. This decline in the dollar's value made gold more attractive to investors. Heightened market volatility and ongoing geopolitical uncertainties, particularly related to trade tensions, further fuelled demand for gold as a safe-haven asset. The combination of these factors created a risk-induced premium that supported gold prices (OPEC Monthly Oil Market Report, 15 May 2025).

1.8 Advanced Economies Performance

Table 1: Advanced Economies Performance

	Figure 5: AEs GDP Growth q-o-q	**Figure 6: AEs Annual Inflation Rate**	**Figure 7: AEs Interest Rates**
	 *Source: U.S. Bureau of Economic Analysis, Office for National Statistics, Japan Cabinet Office, Eurostat, May 2025.*	 *Source:Eurostat, U.S. Bureau of Labor Statistics, Ministry of Internal Affairs & Communications, Office for National Statistics, May 2025*	 *Source: BOE.co.uk, BOJ. Or.jp, US FED.gov, ECB.europa.eu, May 2025*
UNITED STATES	The US economy contracted by 0.3 per cent in Q1-2025, compared to 2.4 per cent in Q4-2024. This contraction is attributed to a rise in trade tensions that weighed on the economy. Net exports cut nearly 5 points from GDP as imports jumped by over 40 per cent. Consumer spending rose by a meagre 1.8 per cent, the weakest since mid-2023, while federal government outlays fell by 5.1 per cent, the most since the first quarter of 2022.	The annual inflation rate in the U.S. eased to 2.3 per cent in April 2025, marking the lowest level since February 2021, driven by a significant decline of 3.7 per cent in energy costs, which is a larger drop compared to the 3.3 per cent fall in March. Specifically, gasoline prices decreased by 11.8 per cent (up from a 9.8 per cent decrease in March), and fuel oil prices fell by 9.6 per cent.	The Federal Reserve decided to maintain the federal funds rate at 4.25 per cent to 4.50 per cent for the third consecutive meeting in May 2025. This decision aligned with market expectations as officials adopted a "wait-and-see" approach amid growing concerns regarding the potential economic impact of President Trump's tariffs, which could lead to increased inflation and hinder economic growth.

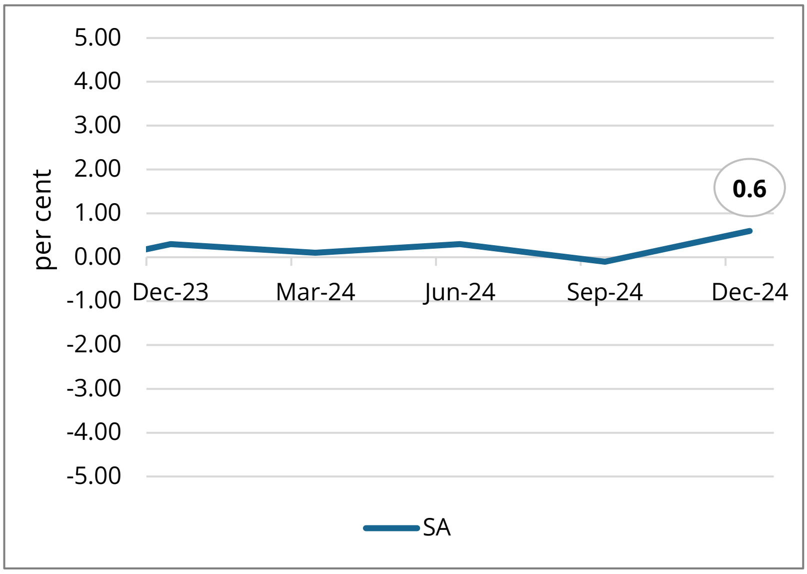
UNITED KINGDOM	The British economy showed a strong expansion of 0.7 per cent in Q1-2025. The largest contribution to this growth came from the services sector, which grew by 0.7 per cent. Within this sector, administrative and support service activities saw a notable increase of 3.3 per cent, while retail trade contributed a solid 1.5 per cent. The production sector also rebounded, increasing by 1.1 per cent after experiencing declines in the previous three quarters.	The annual inflation rate in the UK decreased to 2.6 per cent in March 2025, down from 2.8 per cent in February. The decline was primarily influenced by a significant drop in prices for recreation and culture with inflation falling to 2.4 per cent from 3.4 per cent. Transport inflation also decreased to 1.2 per cent from 1.8 per cent while restaurant and hotels prices rose less with inflation at 3 per cent.	The MPC of the Bank of England cut the Bank Rate by 0.25 basis points, bringing it down to 4.25 per cent in May. The MPC also noted that there has been substantial progress on disinflation over the past two years, attributed to the receding of previous external shocks and the restrictive stance of monetary policy, which has effectively curbed second-round effects and stabilized longer-term inflation expectations.
EURO	The Eurozone economy grew by 0.4 per cent in Q1-2025, accelerating from a 0.2 per cent expansion in the previous quarter, The pickup was supported by stronger domestic demand, driven by easing inflation, lower borrowing costs, renewed optimism. This follows Germany's agreement to loosen fiscal constraints, and expectations of increased defence spending in the coming months. These developments helped offset persistent concerns over volatile U.S. tariff policies.	The annual inflation rate in the Eurozone remained steady at 2.2 per cent in April 2025, slightly exceeding market expectations of 2.1 per cent and hovering just above the European Central Bank's (ECB) target midpoint of 2.0 per cent. A sharper drop in energy prices was observed, declining by 3.5 per cent compared to a 1.0 per cent decrease in March. This significant reduction contributed to the overall inflation stability but also indicates volatility in energy markets.	The ECB cut all three of its key interest rates by 25 basis points in April 2025, bringing the main refinancing rate down to 2.40 per cent, the deposit rate to 2.25 per cent, and the marginal lending facility to 2.65 per cent. Both headline and core inflation have continued to ease, with a notable cooling in services inflation as well. Additionally, wage growth is moderating, and firms are beginning to absorb some of the cost pressures, which indicates a shift in how businesses are managing inflationary impacts.

JAPAN	Japan's GDP shrank by 0.2 per cent quarter-on-quarter, in Q1-2025. The contraction was driven by the net trade balance which subtracted 0.8 per centage points from GDP growth, as exports fell by 0.6 per cent while imports rebounded by 2.9 per cent. Private consumption, which accounts for over half of Japan's economic output, was flat, missing forecasts of a 0.1 per cent increase.	Annual inflation rate in Japan edged down to 3.6 per cent in March 2025, from 3.7 per cent in February, marking the lowest inflation rate since November 2024. The decrease can be attributed to food inflation rising at a slower pace, with a year-on-year increase of 7.4 per cent, down from 7.6 per cent in February. Prices for electricity eased to 8.7 per cent from 9.0 per cent, and gas prices decreased to 2.4 per cent from 3.4 per cent, aided by energy subsidies.	During its May meeting, the Bank of Japan decided to keep its key short-term interest rate unchanged at 0.5 per cent. The unanimous decision came amid rising concerns regarding U.S. President's tariff measures, which could potentially dampen both U.S. and global economic growth. The BoJ revised its FY 2025 GDP growth forecast down to 0.5 per cent, and the growth outlook for FY 2026 was also lowered to 0.7 per cent from 1.0 per cent.

2.0 Economic Developments in South Africa

2.1 GDP Growth

Figure 8: South Africa GDP Growth

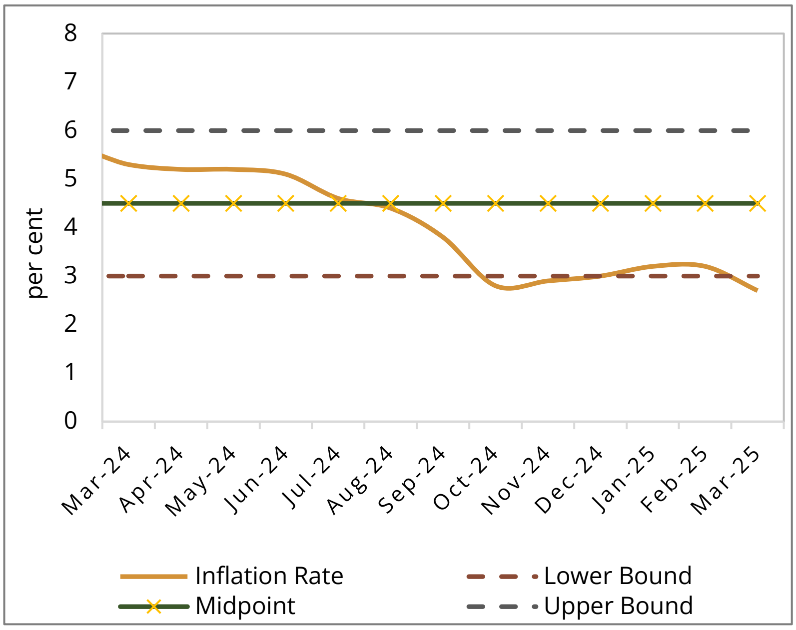


Source: STATS SA

The real gross domestic product (RGDP) in South Africa grew by 0.6 per cent in the fourth quarter of 2024, following a contraction of 0.1 per cent in the third quarter of 2024. The agriculture sector was the largest positive contributor, growing by 17.2 per cent. The finance sector increased by 1.1 per cent, contributing 0.3 per centage points to GDP growth and the trade sector also grew by 1.4 per cent (Statistics South Africa, 14 May 2025).

2.2 Inflation Developments

Figure 9: Inflation

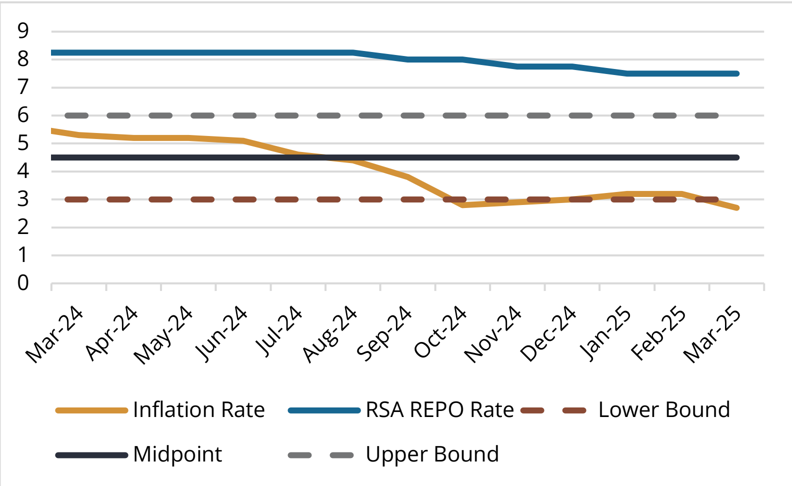


Source: STATS SA

The inflation rate in South Africa fell sharply to 2.7 per cent in March 2025, down from 3.2 per cent in February. The fuel index experienced a steep decline of 8.8 per cent, compared to a decrease of 3.6 per cent in February, impacting the overall headline inflation. Food and non-alcoholic beverages prices were down by 2.7 per cent, down from 2.8 per cent in the previous month. Restaurants and hotels inflation eased to 4.2 per cent from 4.6 per cent in February 2025 (Statistics South Africa, 12 May 2025).

2.3 Monetary Policy

Figure 10: RSA Interest rates



Source: SARB

The SARB kept the repo rate unchanged at 7.5 per cent during its March 2025 meeting, with risks to economic stability calling for caution. The inflation rate has fallen below the lower bound of SARB's 3-6 per cent target. The central bank sees headline inflation at 3.6 per cent this year and at a higher 4.5 per cent next year (South African Reserve Bank, 25 April 2025).

3.0 Economic Developments in Selected SADC Member Countries

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

	GDP	Inflation	Interest Rates
Botswana	The economy in Botswana expanded by 1.3 per cent quarter-on-quarter in Q4-	The annual inflation rate in Botswana was recorded at 2.3 per cent in April,	The Bank of Botswana maintained the Monetary Policy Rate at 1.9 per cent at a meeting

	2024, recovering from a 2.8 per cent contraction in Q3. Public administration and defence sector were the major contributors to GDP by 18.7 per cent, followed by wholesale & retail trade at 13.0 per cent, construction at 12.4 per cent and mining & quarrying at 7.1 per cent. The non-mining GDP increased by 4.0 per cent in the fourth quarter of 2024 compared to a 4.3 per cent increase in the previous quarter.	reflecting a decline of 0.5 per centage points from the 2.8 per cent noted in March 2025. The food and non-alcoholic beverages category was a significant contributor to the inflation rate, accounting for an increase of 0.9 per centage points. The rising costs in this sector often reflect changes in supply chain dynamics and consumer demand.	held on 17th April 2025. This decision was based on current economic conditions at that time. The economy was expected to operate below full capacity in the short term, though improving slightly into the medium term and would not generate demand-driven inflationary pressures. Thus, inflation was forecast to remain within the objective range in the medium term.
Lesotho	The economy in Lesotho grew by 0.3 per cent in Q4-2024, from a 1.6 per cent expansion in Q3. The main contribution came from the hotels and restaurants sector that grew by 37.7 per cent, followed by the other services sector, which grew by 28.1 per cent growth. Conversely, the public administration and electricity and water sectors were the only industries to experience contractions.	Inflation rate in Lesotho increased to 4.2 per cent in March 2025. The main contributors to the price increase include the rise in food and non-alcoholic beverages prices by 6.4 per cent. Clothing & footwear experienced a significant increase of 8.8 per cent. Alcoholic beverages and tobacco increased by 3.5 per cent and restaurants & hotels saw a notable rise of 10.7 per cent.	The Bank of Lesotho at its meeting held in March 2025 decided to keep the CBL rate at 7.25 per cent per annum to align with prevailing domestic and regional economic conditions.
Namibia	Namibia's economy grew by 7.6 per cent quarter-on-quarter in Q4-2024, marking a significant rebound from a 2.4 per cent decline in the third quarter. This impressive growth reflects a recovery in	Namibia's annual inflation rate eased to 3.6 per cent in April 2025, down from a six-month high of 4.2 per cent in March 2025. This decline is primarily attributed to slower price	On 16th April 2025, The Bank of Namibia decided to keep its key lending rate unchanged at 6.75 per cent following a two-day Monetary Policy Committee (MPC) meeting. This decision came after four consecutive rate

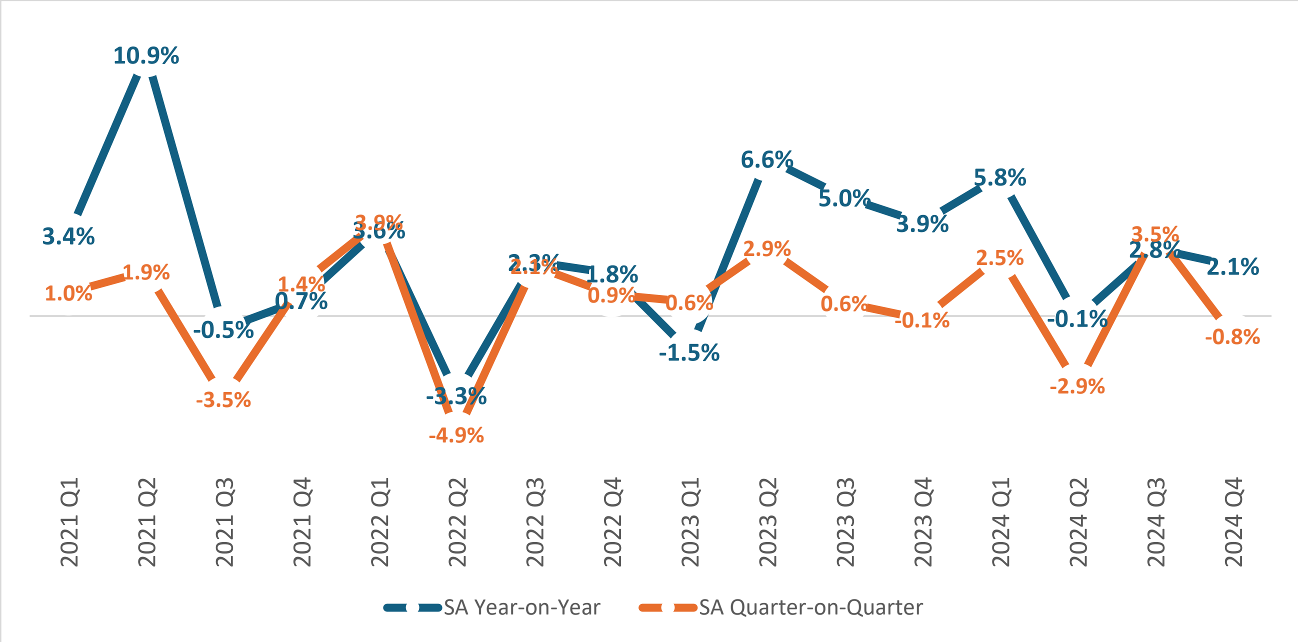
	economic activity, particularly driven by sectors such as natural resources, including mining and petroleum exploration.	increases in food and non-alcoholic beverages Inflation which decreased to 5.6 per cent from 6.2 per cent in March. There were notable decreases in transportation and communications sectors.	cuts and reflects the bank's strategy to maintain stability in the face of global economic uncertainties.
Mozambique	The economy in Mozambique faced a significant downturn in Q4-2024, with the GDP contracting by 4.9 per cent year-on-year. The most substantial declines in economic activity were observed in the hotel and restaurant sector which decreased by 14.7 per cent. Manufacturing fell by 11.14 per cent, trade and repair services experienced a decline of 10.64 per cent and mining contracted by 10.06 per cent. These declines were exacerbated by a combination of devastating droughts and cyclones linked to climate change, as well as post-election protests that erupted.	Mozambique's annual inflation rate fell to 3.99 per cent in April 2025, down from a near 1.5-year high of 4.77 per cent in March 2025. The slowdown in inflation was primarily attributed to reduced price increases in food and non-alcoholic beverages to 8.79 per cent from 12.08 per cent in March. Recreation and culture inflation declined to 2.72 per cent.	The Central Bank of Mozambique reduced its key MIMO interest rate by 50 basis points to 11.75 per cent in March 26, 2025. This decision marked the eighth consecutive rate cut, bringing borrowing costs to their lowest level since 2020. Policymakers indicated that this move was influenced by a sustained outlook for single-digit inflation in the medium term. Despite the central bank's optimistic outlook, the annual inflation rate accelerated for the fifth month, reaching 4.74 per cent in February 2025, the highest level since November 2023. The central bank acknowledged that the risks and uncertainties surrounding inflation projections have increased.

4.0 DOMESTIC ECONOMIC DEVELOPMENTS

4.1 GDP Growth

Economic activity for Eswatini slowed during the fourth quarter of 2024, with real gross domestic product (GDP) growing by 2.1 per cent year-on-year and seasonally adjusted. This represented a decline from 2.8 per cent in the previous quarter. The slowdown was largely driven by poor performance in the tertiary sector. However, the primary sector registered a rebound, and the secondary sector continued to show strong growth in the last quarter of 2024.

Figure 11: Quarterly GDP 2021Q1 - 2024Q4



Source: Central Statistics Office

Table 3: Sectoral GDP

SECTOR	PERFORMANCE	DRIVERS
PRIMARY	The primary sector grew by 5.0 per cent in the fourth quarter of 2024, rebounding from a 5.6 per cent decline in the third quarter of 2024.	*I. This growth was supported by a recovery in animal production and mining & quarrying activities. The livestock subsector grew by 6.1 per cent in the last quarter of 2024, recovering from a 16.9 per cent contraction in the third quarter. Animal production was boosted by cattle slaughters and 'raising of piggeries', though the 'raising of poultry' contracted during the review period. The 'mining & quarrying' subsector expanded by 13.5 per cent in the fourth quarter of 2024, rebounding from a significant decline of 25.6 per cent in the previous quarter.* *II. Coal production grew by 12.2 per cent year-on-year in the fourth quarter of 2024, recovering from a 28.5 per cent decline observed in the third quarter. Similarly, quarried stone production rose by 27.0 per cent year-on-year in the last quarter of 2024, building on a growth of 19.2 per cent in the previous quarter, largely driven by construction activity, especially the commencement of the Mpakeni dam in the southern part of the country. Additionally, the 'forestry & logging'*

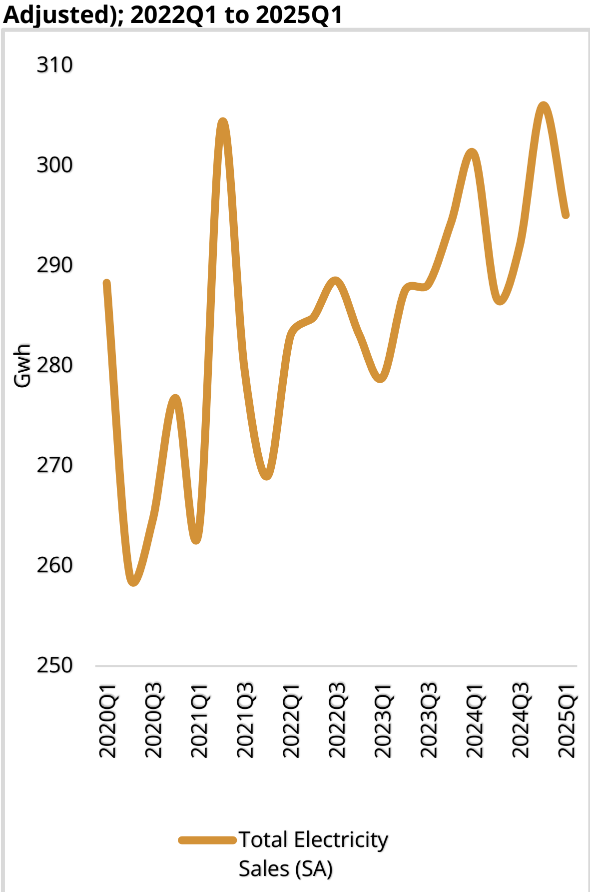
		subsector grew by 2.9 per cent, improving from 1.0 per cent in the previous quarter, driven by higher export demand for forestry products.
SECONDARY	The secondary sector maintained a strong growth trajectory, expanding by 6.2 per cent year-on-year, in the fourth quarter of 2024, up from 4.8 per cent in the third quarter of 2024.	I. *This growth was primarily supported by the manufacturing sector. Food manufacturing rose significantly, from 10.1 per cent in the third quarter of 2025 to 19.7 per cent in the fourth quarter of 2024, largely due to increased sugar production. Other sectors within food manufacturing, such as meat processing and the manufacturing of grain mill products and animal feed, also contributed to the growth. In non-food manufacturing, notable growth was seen in textiles, paper products, machinery and chemical products, although the latter grew at a slower pace compared to the previous quarter.* II. *In addition to manufacturing, there was a slight recovery in the construction and electricity supply subsectors. The construction sector grew by 0.2 per cent in the fourth quarter of 2024, following four consecutive quarters of contraction. Commencement of mega projects such as the Mpakeni dam in the last quarter of 2024 helped to stimulate construction activity. Similarly, the electricity supply subsector grew by 3.8 per cent in the last quarter of 2024, marking a positive shift after ten consecutive quarters of negative growth.*
TERTIARY	The tertiary sector, recorded a decline of 0.2 per cent year-on-year in the fourth quarter of 2024, a sharp contrast to the 2.9 per cent growth seen in the third quarter of 2024.	I. *Several subsectors experienced negative performance, including wholesale & retail, financial services, real estate, professional & technical services, and 'human health services'. The wholesale and retail trade subsector contracted for the third consecutive quarter, shrinking by 6.4 per cent in the fourth quarter of 2024, compared to a decline of 1.0 per cent in the previous quarter. The financial services subsector recorded a significant contraction of 15.5 per cent year-on-year in the fourth quarter, following a 14.9 per cent decline in the third quarter. The turmoil in global financial markets, largely driven by the election of Donald Trump as US President in November 2024, as well as prospective policy shifts and synchronized rate cuts by central banks, weighed heavily on investment returns in the sector. Insurance and pension services contracted by 39.8 per cent, while asset managers registered a 16.3 per cent decline in offshore investments. The real estate and other business services subsector recorded subdued growth of 0.3 per cent, while the health services subsector contracted by 4.5 per cent.*

II. On a more positive note, the 'transport, storage and communication services' subsector recorded substantial growth, expanding by 26.3 per cent year-on-year in the fourth quarter of 2024, following a 12.0 per cent increase in the previous quarter. This growth was driven by gains in air transport, publishing & broadcasting activities, and broader ICT services. Similarly, tourism-related activities subsector experienced a strong recovery, with a growth of 12.9 per cent year-on-year in the fourth quarter of 2024, rebounding from a decline of 2.1 per cent in the previous quarter. This growth was largely due to increased activity in travel agencies, tour operators, and the arts, recreation, and culture subsectors.

4.2 Selected Quarterly Economic Indicators

ELECTRICITY CONSUMPTION

Figure 12: Electricity Consumption (Seasonally Adjusted); 2022Q1 to 2025Q1



Source: Eswatini Electricity Company (EEC)

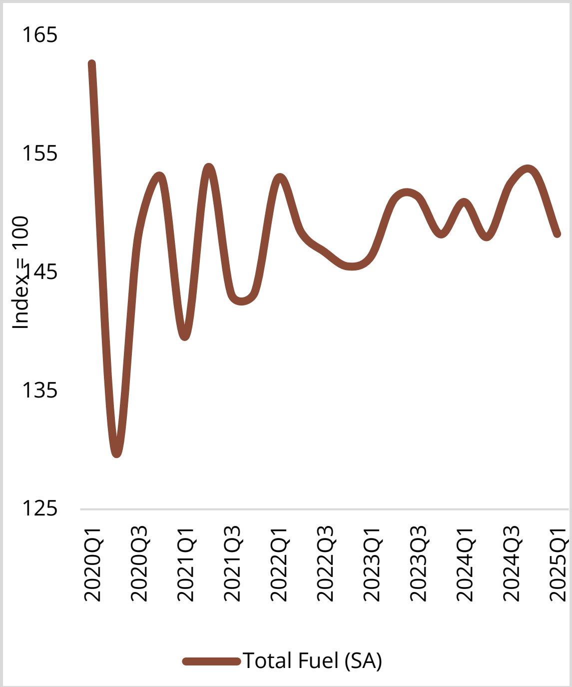
According to figures sourced from the Eswatini Electricity Company (ECC), electricity consumption fell by 3.6 per cent (seasonally adjusted) in the quarter ended March 2025, reversing the 4.8 per cent growth recorded in the previous quarter. The decline was driven by a 6.7 per cent drop in the electricity consumed by the 'irrigation power & bulk' category, indicating reduced demand by irrigated farms (particularly those under sugar-cane production), which benefitted from improved rainfall during the period.

'Commercial' electricity sales also fell by 2.6 per cent during the quarter under review, down from a 5.5 per cent growth in the previous quarter, suggesting a slight slowdown in non-agricultural commercial activity. In contrast, household electricity consumption increased marginally by 0.2 per cent in the first quarter of 2025.

The total number of electricity connections grew by 0.9 per cent in the quarter under review, driven by increases across customer categories: 'domestic' (0.9 per cent), 'commercial' (1.1 per cent), and 'irrigation power & bulk' (1.2 per cent).

FUEL IMPORTS

Figure 13: Fuel Imports; 2021Q1 to 2024Q3



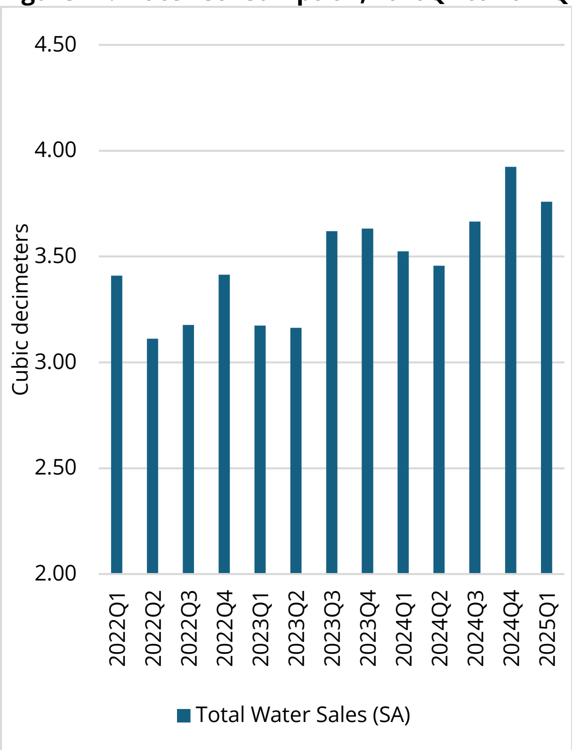
Source: Ministry of Natural Resources and Energy

Figures sourced from the Ministry of Natural Resources and Energy (MNRE), indicate that total fuel import volumes fell by 3.4 per cent (seasonally adjusted) in the quarter ended March 2025, reversing the 0.6 per cent growth recorded in the previous quarter. All fuel categories experienced declines: diesel imports fell by 3.3 per cent, compared to 0.1 per cent in the fourth quarter of 2024, petrol volumes dropped by 3.5 per cent down from 1.4 per cent growth in the previous quarter, and paraffin imports volumes also declined by 3.5 per cent, following a 1.8 per cent rise in the prior quarter.

These declines reflect weaker economic activity in the first quarter of 2025, driven by a sluggish recovery in both business and household demand in the beginning of the year.

WATER CONSUMPTION

Figure 14: Water Consumption; 2020Q1 to 2024Q3



Source: Eswatini Water Services Corporation

In the first quarter of 2025, Eswatini Water Services Corporation (EWSC) reported a 4.2 per cent decline in total treated water sales (seasonally adjusted), reversing the 7.1 per cent increase recorded in the quarter.

Both key customer categories showed weaker performance. Domestic water sales fell by 1.6 per cent, down from 3.0 per cent growth recorded in the previous quarter, while commercial water sales declined by 2.5 per cent in the first quarter of 2025, following an 8.4 per cent growth recorded in the prior quarter.

The total number of connections fell slightly by 0.7 per cent to 67,230 in the quarter ended March 2025. This included a 0.8 per cent decrease in the number of domestic customers decreased by 0.8 per cent (to 62,560), while commercial customers edged up by 0.2 per cent to 4,670.

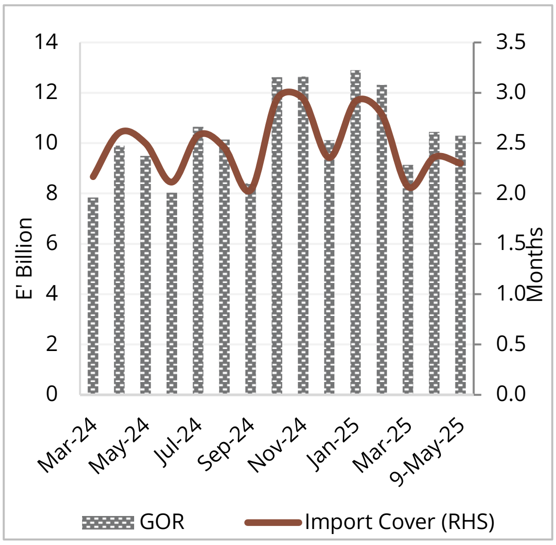
4.3 Monetary Sector Developments

4.3.1 Gross official Reserves

Gross official reserves grew by 14.2 per cent month-on-month and 5.5 per cent year-on-year to close at E10.4 billion at the end of April 2025. The increase was mainly attributed to the quarterly inflow of the Southern African Customs Union revenue at the beginning of April 2025. At this level, the reserves were enough to cover 2.4 months of imports, an improvement from the 2.1 months recorded in March 2025.

As of 09 May 2025, the reserves fell slightly to E10.3 billion, enough to cover 2.3 months of imports. The reduction was on account of a net outflow of Rands resulting from trades with commercial banks.

Figure 15: Gross Official Reserves & Import Cover



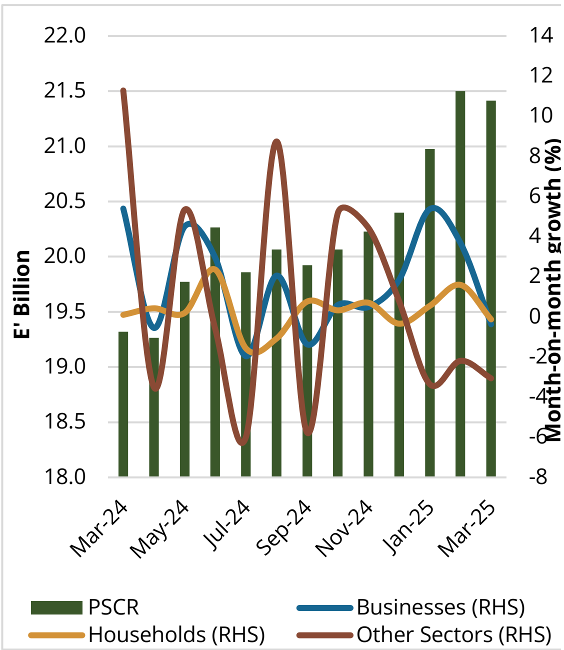
Source: Central Bank of Eswatini

4.3.2 Credit Extension

Credit to the private sector contracted for the first time since September 2024, declining by 0.4 per cent month-on-month to E21.4 billion. However, on a year-on-year basis, private to the private sector was higher by 10.8 per cent. The month-on-month decline in private sector credit was observed across all sectors: the other sector of the domestic economy, businesses and households & nonprofit Institutions serving households (NPISH).

Credit extended to other sectors of the economy receded by 3.1 per cent month-on-month and 1.3 per cent year-on-year, to reach E1.1 billion in March 2025. The decrease was broad-based, with credit to parastatals falling by 3.9 per cent to E478.1 million, credit to other financial corporations declining by 2.5 per cent to E515.5 million, and credit to local government down by 1.9 per cent to E72.8 million.

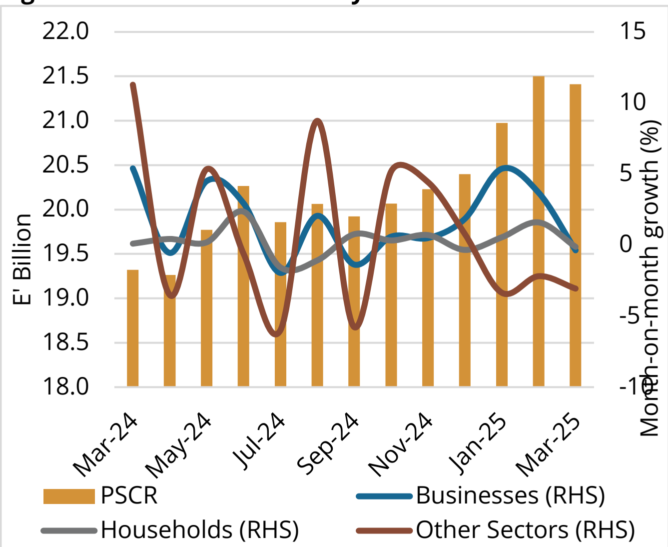
Figure 16: Private Sector Credit



Source: Central Bank of Eswatini & Other Depository Corporations

4.3.2.1 Household Credit

Figure 17: Household Credit by Product:



Source: Central Bank of Eswatini & Other Depository Corporations

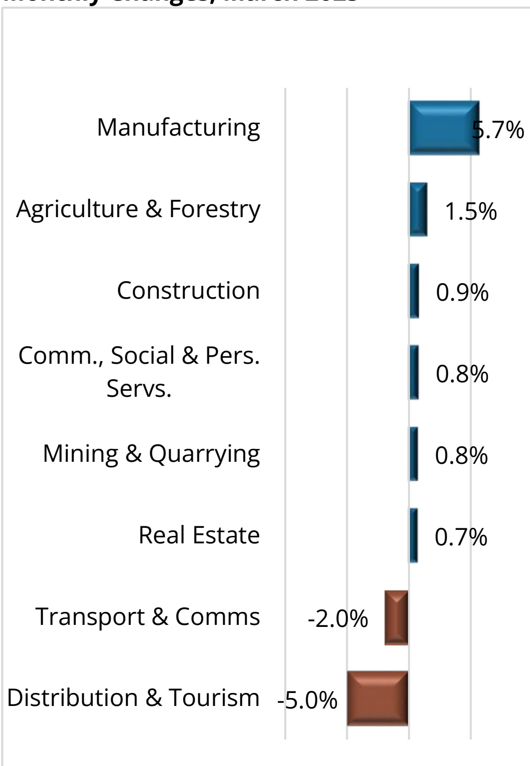
Credit extended to the households & nonprofit organisations serving households (NPISH) sector declined marginally by 0.1 per cent month-on-month but expanded by 3.8 per cent year-on-year, to reach E8.8 billion at the end of March 2025. The month-on-month decline was driven by housing loans, which fell by 2.7 per cent to E4.3 billion. In contrast, growth was recorded in other personal (unsecured) and motor vehicle loans, which grew by 3.3 per cent to E3.4 billion and 0.1 per cent to E1.2 billion, respectively.

4.3.2.2 Credit to Businesses

Credit extended to the business sector stood at E11.5 billion at the end of March 2025, reflecting a 0.4 per cent month-on-month contraction but a strong 18.3 per cent year-on-year growth. The month-on-month decrease was driven by declines in credit to the distribution & tourism, and transport & communications industries, which fell by 5.0 per cent and 2.0 per cent, respectively. However, an increase was observed in credit to the following industries: manufacturing (5.7 per cent), agriculture & forestry (1.5 per cent), construction (0.9 per cent), community, social & personal services (0.8 per cent), mining & quarrying (0.8 per cent), as well as real estate (0.7 per cent).

An analysis of credit to businesses by size indicated that the overall month-on-month fall was driven by large enterprises, which contracted by 3.2 per cent to E7.9 billion, accounting for 68.6 per cent of total business credit. In contrast, credit to small and medium enterprises (SMEs) grew by 6.5 per cent to reach E3.6 billion, and accounting for 31.4 per cent of total credit to businesses.

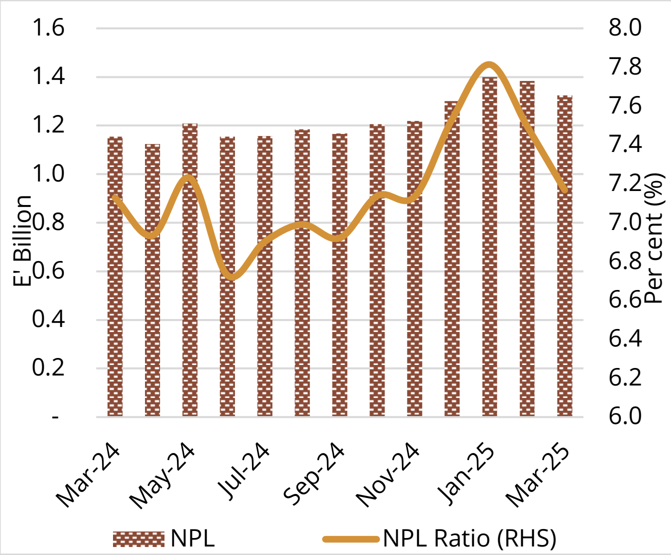
Figure 18: Business Credit by Industry: Monthly Changes, March 2025



Source: Central Bank of Eswatini and Other Depository Corporations

4.3.3 Non-Performing Loans

Figure 19: Non-Performing Loans (NPLs) and NPLs Ratio



Source: Central Bank of Eswatini & Other Depository Corporations

The quality of the banking industry's loan book improved over the review month, with nonperforming loans (NPLs) declining by 4.3 per cent month-on-month to E1.3 billion in March 2025. However, compared to the previous year, NPLs were 14.7 per cent higher. The month-on-month improvement in the NPLs was driven by the business and household sectors which recorded a decline of 4.6 per cent and 2.5 per cent, respectively. The NPL ratio fell by 0.3 per centage points month-on-month but showed a marginal increase of 0.04 per centage points year-on-year, to reach 7.2 per cent in March 2025.

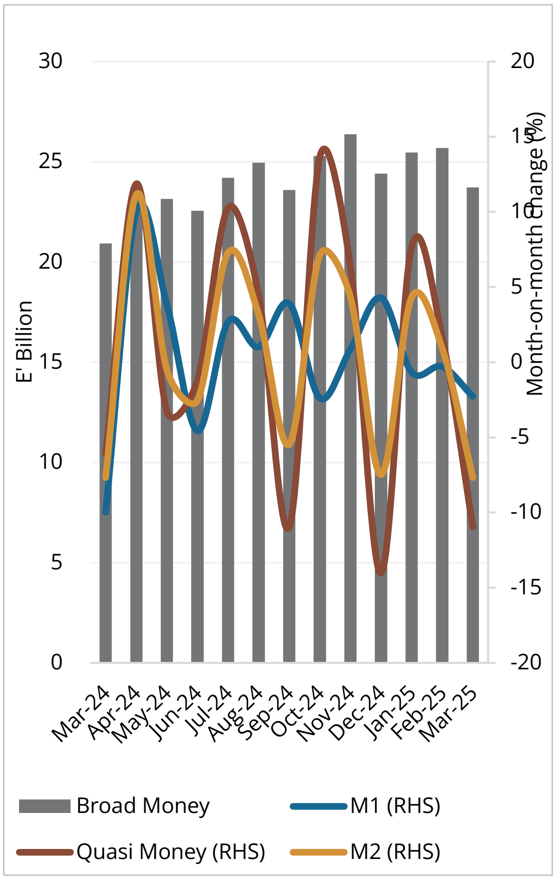
4.3.4 Broad Money Supply

Broad money supply (M2) declined by 7.7 per cent month-on-month but rose by 13.4 per cent year-on-year, closing at E23.7 billion at the end of March 2025, in line with the decline in private sector credit. This month-on-month decrease was reflected in both quasi and narrow money supply. Real year-on-year growth in M2 improved slightly, rising from 9.4 per cent the previous month to 9.6 per cent in March 2025.

Quasi money supply declined by 11.0 per cent month-on-month but grew by 11.2 per cent year-on-year, to close at E14.2 billion at the end of March 2025. The month-on-month decrease was attributed to time deposits which, contracted by 12.7 per cent to E12.2 billion. In contrast, savings deposits increased by 1.4 per cent to E2.0 billion during the same period.

Narrow money supply (M1) amounted to E9.5 billion at the end of March 2025, reflecting a month-on-month decline of 2.3 per cent and year-on-year growth of 16.8 per cent. The month-on-month decline was driven by both of its components: transferable (demand) deposits and Emalangeni outside

Figure 20: Money Supply



Source: Central Bank of Eswatini & Other Depository Corporations

depository corporations. Transferrable (demand) deposits declined by 2.3 per cent to E8.7 billion, while Emalangeni outside depository corporations receded by 2.2 per cent to E836.9 million.	

4.4 Developments in the Banking Sector

The banking system remained sound and stable during Q1-2025. Banks complied with minimum capital requirements, decreasing from Q4-2024 positions. Asset quality showed some improvements during the quarter under review. There was a deterioration in banking sector earnings and profitability. Likewise, liquidity levels decreased, however, banks complied with regulatory minimum requirements.

4.4.1 Banking Sector Assets

Aggregate banking sector assets marginally decreased by 0.8 per cent from E30.9 billion to E30.6 billion in the quarter to March 2025. This is attributable to a 29.8 per cent decrease in balances held with the Central Bank of Eswatini and a 5.6 per cent decrease in balances with banks abroad. Total loans and advances stood at E18.5 billion after a 7.0 per cent growth during the quarter under review. On the funding side, total deposits decreased by 2.8 per cent to reach E21.9 billion. Total shareholders' funds remained relatively stable at E4.4 billion.

4.4.2 Capital Adequacy

Banks remained adequately capitalized as at end March 2025, meeting regulatory requirements. The aggregated common equity tier 1 capital to risk-weighted assets and risk asset ratio decreased to 15.4 per cent and 17.4 per cent, respectively, from 16.2 per cent and 18.2 per cent respectively.

4.4.3 Earnings and Profitability

There was a deterioration in the banking industry's aggregate earnings and profitability during Q1-2025, mainly as a result of increased operational costs. The average return on banks' total assets (ROA) declined from 2.1 per cent to 1.8 per cent. Return on total equity (ROE) followed suite, falling from 14.7 per cent to 12.4 per cent. The total cost-to-income ratio increased from 77.8 per cent to 82.1 per cent during the quarter under review. Banks' operating expenses accounted for 50.4 per cent of total income in the quarter to March 2025.

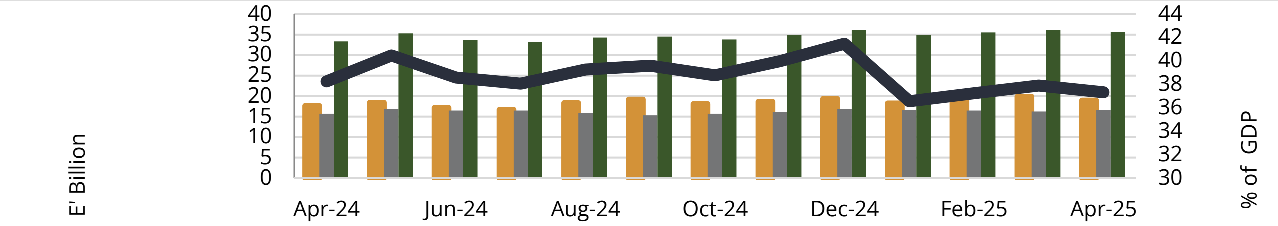
4.4.4 Liquidity Risk

Banks continued to hold sufficient liquidity, meeting minimum regulatory requirements. The aggregate banks' liquid assets decreased by 11.8 per cent to total E7.4 billion as at end March 2025. As a result, the industry ratio of liquid assets to total deposits (liquidity ratio) fell from 37.4 per cent to 33.9 per cent in March 2025. Government securities represented the largest portion of liquidity held by banks, accounting for 55.5 per cent. As a share of total assets, liquid assets decreased from 27.3 per cent to 24.3 per cent. The ratio of loans to deposits (intermediation) increased from 76.6 per cent to 84.4 per cent during the review period.

4.5 Public Debt

Total public debt stood at E35.7 billion in the period ending in April 2025, equivalent to 37.3 per cent of GDP. Compared to the previous month, overall public debt decreased by 1.5 per cent as the sources of debt reflected mixed dynamics. In the period under review domestic debt fell while external debt reflected an increase.

Figure 21: Total Public Debt; April 2024 to April 2025



	Apr-24	May-24	Jun-24	Jul-24	Aug-24	Sep-24	Oct-24	Nov-24	Dec-24	Jan-25	Feb-25	Mar-25	Apr-25
Domestic	17.7	18.4	17.2	16.7	18.4	19.2	18.2	18.7	19.4	18.3	19.1	19.9	19.0
External	15.7	16.9	16.5	16.5	15.9	15.3	15.7	16.2	16.8	16.7	16.5	16.3	16.7
Total Stock	33.4	35.3	33.7	33.2	34.3	34.6	33.9	34.9	36.2	34.9	35.6	36.2	35.7
% of GDP (RHS)	38.3	40.5	38.6	38.1	39.3	39.6	38.8	40.0	41.5	36.6	37.3	37.9	37.3

Source: Ministry of Finance and Central bank of Eswatini

4.5.1 Public External Debt

In April 2025, external debt stood at E16.7 billion, about 17.4 per cent of GDP, portraying a 2.3 per cent increase relative to the E16.3 billion recorded end of March 2025. The increase in external debt was mainly driven by exchange rate depreciation as the Lilangeni weakened against some major currencies in which the debt is dominated such as the SDR and the Euro amongst others.

4.5.2 Public Domestic Debt

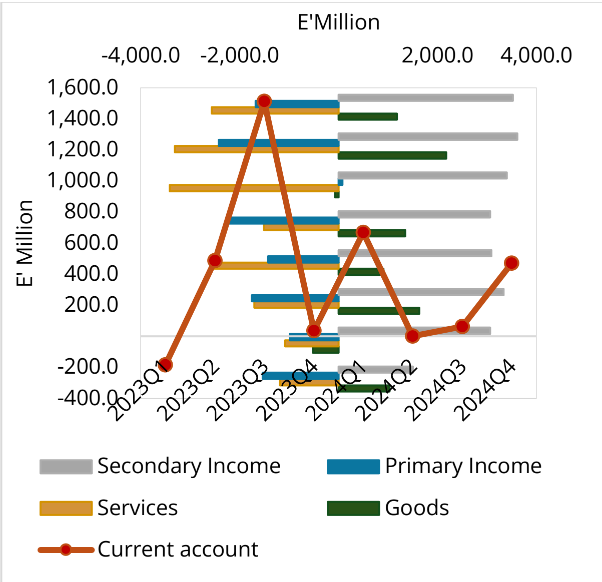
Public domestic debt was reported at E19.0 billion, equivalent to 19.9 per cent of GDP at the end of April 2025. This reflected a decline of 4.6 per cent compared to the E19.9 billion recorded in March 2025. The decline was primarily driven by an E900 million repayment of the CBE Advance by the Government in the review period. No new bonds were issued in the review period.

4.6 External Sector

4.6.1 Balance of Payments

In Eswatini registered a current account surplus of E471.0 million in the fourth quarter of 2024, from a narrow surplus of E61.7 million in the third quarter. The current account improved as outflows reduced mainly on account of narrower services and primary income accounts deficits in the quarter. The overall current account balance was 0.5 per cent of GDP for the fourth quarter, compared to 0.07 per cent for the preceding one.

Figure 22: Current Account; Q1 2023 -Q4 2024



The goods account which contributed positively to the current account, recorded a trade surplus of E1.183 billion, almost half the surplus of the third quarter, on account of seasonality as there are fewer trading days in the final quarter of the year. Exports for the final quarter of 2024, fell by 6.1 per cent to E11.402 billion, while imports grew by 2.5 per cent to 10.218 billion. During this period, South Africa as the country's biggest trading partner received 63.6 per cent of exports and supplied 75.4 per cent of imports.

Conversely, the services account recorded a deficit of E2.560 billion in the fourth quarter, which is 22.7 per cent lower than the deficit of the previous quarter. Similarly, the primary income account recorded a narrower deficit of E1.677 billion, 30.1 per cent lower quarter-on-quarter, yet 17.9 per cent higher, year-on-year. The secondary income account, which also contributed positively to the current account balance, posted a surplus of E3.524 billion, albeit 2.5 per cent lower than the third quarter, all the while 13.9 per cent higher year-on-year.

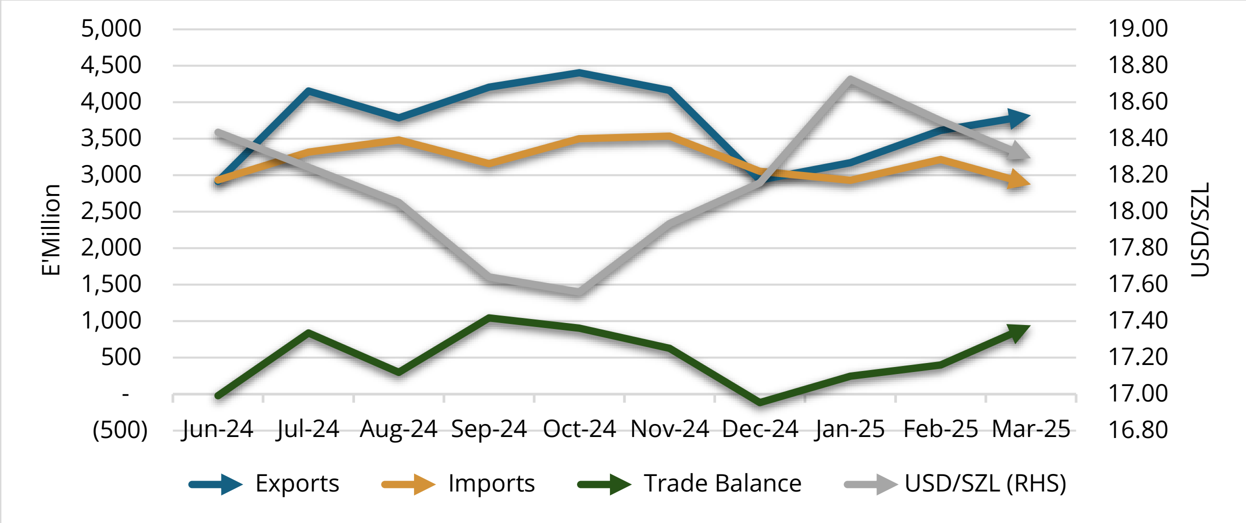
On the flip side, the financial account, during the fourth quarter, recorded a net outflow position of E468.2 million from a net outflow of E394.5 million in the third quarter, buoyed by an increase of E3.010 billion in foreign assets invested abroad against a lesser increase of E2.542 billion in the country's foreign liabilities.

4.6.2 Trade Developments March 2025

In March 2025, the trade account recorded a positive balance of E945.5 million from a trade balance of E400.1 million recorded in the previous month. Exports for the month amounted to E3.820 billion, recording a month-on-month increase of 5.6 per cent, and a year-on-year increase of 7.0 per cent. Imports were valued at E2.874 billion in March, falling by 10.6 per cent month-on-month and by a marginal 0.5 per cent year-on-year, on account of a decline in a majority of import categories. Exports to South Africa, which is the country's major trading partner, accounted for 66.5 per cent of total receipts in the month, with imports from the same market accounting for 75.4 per cent of total imports.

On a cumulative basis, total exports for the first quarter of the year, totalled E10.611 billion, 4.2 per cent higher than the same period last year. On the other hand, imports for the same period amounted to E9.021 billion, reflecting a year-on-year decline of 1.1 per cent. The decline is coming from the fall in the imports of meat and dairy, as South Africa grapples with the impact of the foot and mouth disease outbreak, which has resulted in the banning of imports of those products into Eswatini. The trade surplus recorded in the first quarter of 2025 was wider, amounting to E1.590 billion, reflective of the lower imports posted in the quarter.

Figure 23: Merchandise Trade; June 2024 – March 2025



Source: Central Bank of Eswatini Database

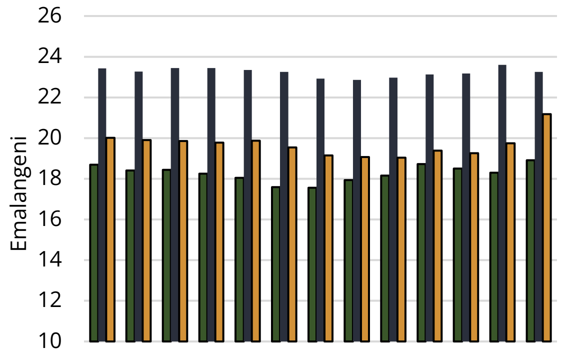
An analysis by major commodities indicates that trade for March 2025 reflects a 2.1 per cent month-on-month increase and 14.7 per cent year-on-year decrease in exports of soft drink concentrates to E1.462 billion. Exports of sugar and sugar products were valued at E1.114 billion in the month, remaining flat month-on-month, and increasing by 17.8 per cent year-on-year. Textile and textile apparel receipts increased in the quarter, growing month-on-month by 8.8 per cent and by 12.0 per cent on a year-on-year basis. Exports of wood and wood articles amounted to E237.1 million, up month-on-month by 8.5 per cent and by 14.0 per cent year-on-year.

Imports of fuels and electricity increased by 16.0 per cent month-on-month and declined by 7.6 per cent year-on-year to E560.3 million. Imports of animal and vegetable products decreased by 9.1 per cent month-on-month and increased by 32.5 per cent year-on-year to E324.8 million in the month. Imports of textile and textile apparel declined by 18.9 per cent in the month of March 2025 in comparison to February figures but were higher year-on-year by 4.1 per cent, amounting to E303.5 million. Vehicle purchases abroad amounted to E186.2 million, reflecting a month-on-month decrease of 8.2 per cent and a year-on-year decrease of 1.1 per cent. Machinery and electrical equipment amounted to E162.5 million, higher month-on-month by 37.4 per cent and year-on-year by 34.5 per cent.

4.7 Exchange Rates Developments

During the month of April 2025, the Rand along with the Lilangeni depreciated against the US Dollar, the Euro and appreciated against the Pound Sterling. Compared against the US Dollar, the domestic currency depreciated from an average of E18.29 in March 2025 to close the month of April 2025 at E18.91 on average. The depreciation in the month was mainly on account of political dynamics that ensued from both in the South African and global economy, leaving the Rand/ Lilangeni remaining highly volatile. On the South African front, the negative performance of the Rand along with the Lilangeni mainly reflected the negative impact of the delayed treasury budget which was compounded by disagreements within the Government of National Unity (GNU) in South Africa regarding the Value Added Tax (VAT) hike.

Figure 24: Lilangeni Exchange Rates against Selected Major Currencies



	Apr-24	May-24	Jun-24	Jul-24	Aug-24	Sep-24	Oct-24	Nov-24	Dec-24	Jan-25	Feb-25	Mar-25	Apr-25
USD	18	18	18	18	18	17	17	17	18	18	18	18	18
GBP	23	23	23	23	23	23	22	22	22	23	23	23	23
Euro	20	19	19	19	19	19	19	19	19	19	19	19	21

Source: Central Bank of Eswatini

On the global front, investors sentiments were negatively impacted as the United States (US) Government enacted a 30 per cent reciprocal tariff on several economies, including South African exports to the United States. Furthermore, trade tariffs between the US and South Africa's major export partner, China, accelerated rapidly during the month with US tariffs on Chinese goods reaching highs of 145 per cent, and retaliatory tariffs by China on US goods peaking at 125 per cent. As a result, investor sentiments towards emerging markets and developing economies (EMDEs), including the Rand, were dented. The Lilangeni also depreciated by 7.2 per cent against the Euro and appreciated by 1.5 per cent against Pound Sterling to average E21.18 and E23.25 in April 2025, respectively.

Despite the temporary relief on tariff provided by the US Administration which somehow reversed some of the losses, the Rand's trajectory remained on a weaker footing. As a result, the domestic unit closed the month of April 2025 trading at E18.55 to the US Dollar, E23.06 to the Pound Sterling and E21.12 to the Euro.

PART B: INFLATION DEVELOPMENTS

5.1 Headline Inflation

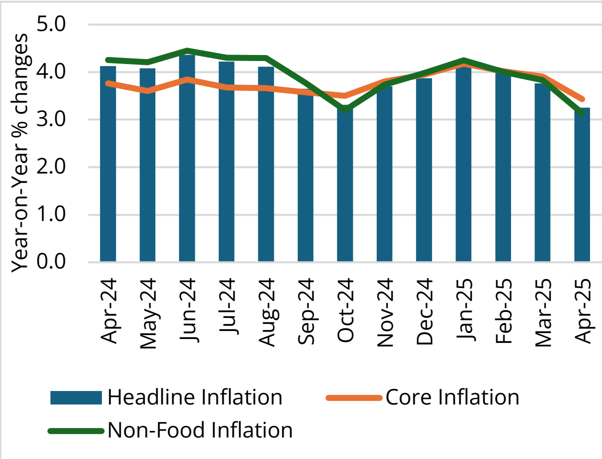
Headline consumer price inflation continued its downward trend, easing to 3.3 per cent in April 2025 from 3.8 per cent in March 2025. Slower increases were observed in the price indices for 'housing & utilities', restaurants & hotels' and 'alcoholic beverages & tobacco'.

The index for 'housing & utilities', weighing approximately 27.7 per cent in the consumer basket, declined to 3.7 per cent in April 2025 from 6.0 per cent in March 2025, mainly due to moderate increases in the prices for 'electricity' and 'actual rentals for housing'. Following the proposed multi-year tariff increase approval by the Eswatini Energy Regulatory Authority (ESERA), electricity prices increased by a slower 6.9 per cent in April 2025, down 4.1 per centage points compared to April 2024. Further downward pressures came from the prices for 'actual rentals for housing', which slowed to 3.6 per cent in April 2025, compared to 6.6 per cent in the same month last year.

Meanwhile, the index for 'restaurants & hotels' dropped by 5.7 per centage points, recording just 0.4 per cent in April 2025 driven by lower prices for 'catering services' and 'accommodation services'. The index for 'alcoholic beverages & tobacco' also declined, falling from 12.0 per cent to 10.7 per cent between the two months under review, due to reduced prices for 'spirits' and 'wine'.

Offsetting some of the declines were modest increases in the price indices for 'food & non-alcoholic beverages', 'clothing & footwear' and 'recreation & culture'. Food inflation ticked up by 0.1 per centage point to 3.6 per cent in April 2025, with higher prices for 'meat', 'oils & fats', 'fruit' and 'sugar, jam & honey', on a year-on-year comparison. Other upward pressures came from the price indices for 'clothing & footwear' and 'recreation & culture', which grew by 0.9 and 1.0 per centage points, respectively.

Figure 25: Food, Core and Overall Inflation Trends; April 2024 to April 2025



Source: Central Statistics Office (CSO)

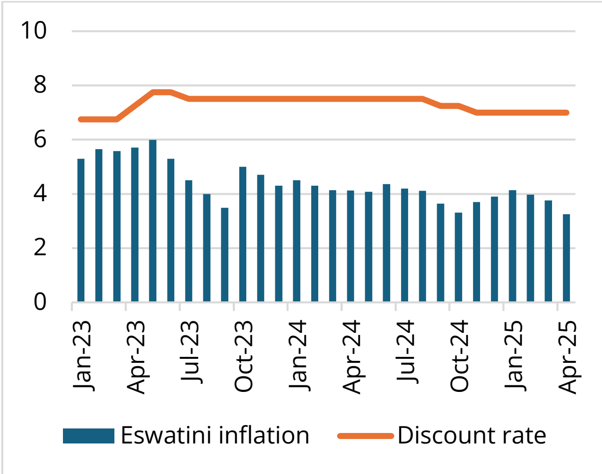
On a month-on-month basis, consumer inflation accelerated to 0.9 per cent in April 2025, up from 0.2 per cent in March 2025. This was driven by a 3.2 per cent increase in the price index for 'housing & utilities', from 0.1 per cent to 3.2 per cent, reflecting higher prices for 'electricity' and 'water'. However, smaller increases in the price indices for 'transport' and 'alcoholic beverages & tobacco' partially offset the above increase.

Core inflation (which is CPI excluding volatile items such as food, auto-fuel, and energy) fell by 0.5 per centage points to 3.4 per cent in April 2025, though it increased by 0.8 per cent on a month-on-month. The CPI for services fell by 0.9 per centage points to 2.5 per cent, while the CPI for goods slowed by 0.3 per centage point to 3.7 per cent in April 2025.

5.2 Inflation and Interest Rate Trends in Eswatini

The Bank maintained the discount rate at 7.00 per cent in March 2025 following a maintenance of the repo rate by the SARB at 7.50 per cent. The differential between discount rate and the SARB repo rate therefore is -50 bps.

Figure 26: Inflation and Discount Rates



Source: Central Statistics Office and Central Bank of Eswatini

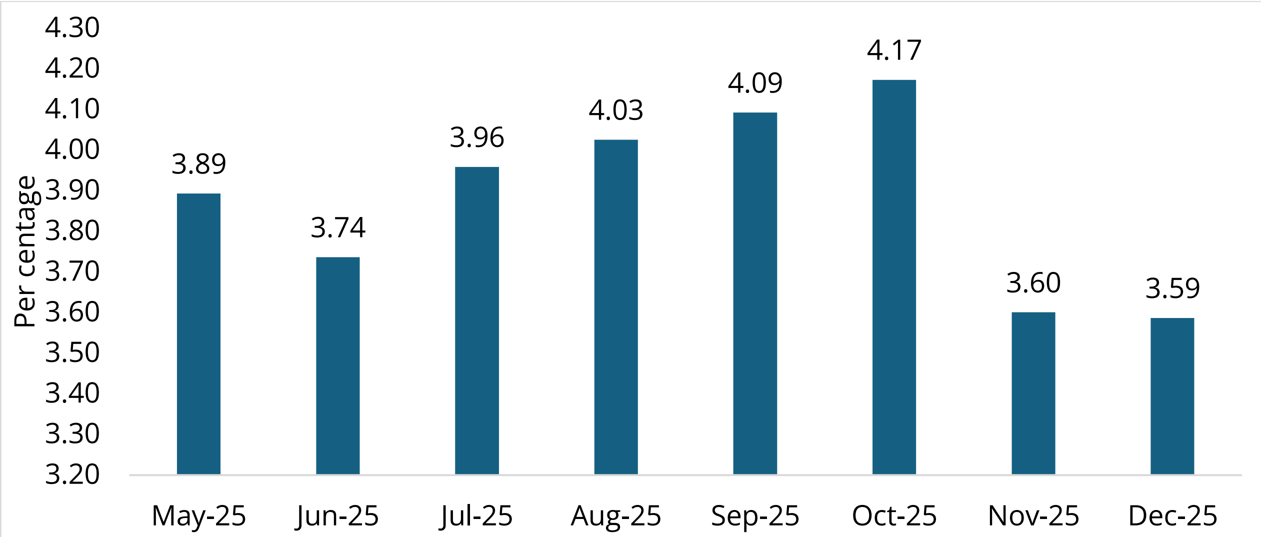
5.3 Headline Inflation Outlook

The Bank's forecasts for the short-term have been markedly revised downwards on account of sustained moderation in food, and housing & utilities components of the consumer basket, which account for a combined weight of 47.8 per cent. As a result, the inflation outturn for the month of April 2025 was recorded at 3.3 per cent, significantly lower than the Bank's forecast of 5.0 per cent. Externally, the slowdown in oil prices is expected to continue in the short-to-medium term mainly driven by an anticipated increase in supply and the negative impact of US tariffs on global growth, amid a muted demand outlook.

While the factors supporting a moderation in headline inflation have proven potent, inflationary pressures still obtain, mainly coming from a relatively weaker exchange rate. The Rand/Lilangeni exchange rate has been under stress mainly due to unfavourable policy developments in South Africa, and pressure coming from the 30 per cent tariff on all South African exports to the US. Consequently, the Rand/Lilangeni fell to a low of E18.91 to the US Dollar in April 2025, much lower than the E18.50 recorded at the time of the previous meeting.

Developments in core inflation (CPI excluding volatile items such as food, auto-fuel, and energy) have seen it move in tandem with headline inflation, albeit at a lower rate. The outcome for the month of April 2025 came out marginally lower (at 3.4 per cent), than the Bank's forecast of 3.6 per cent. Moderation in services and food inflation, key indicators of the movements in core inflation, has situated the outlook towards the downside in the short-term.

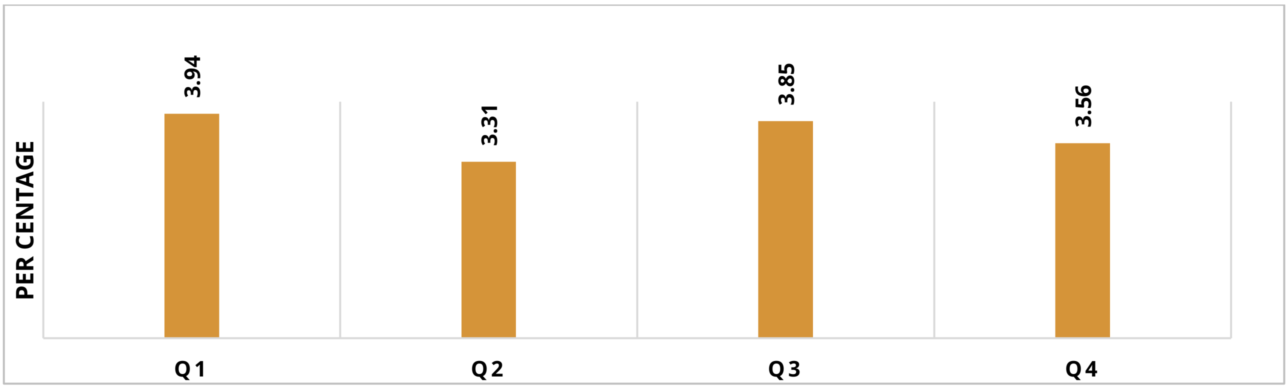
Figure 27: Core Inflation Forecasts May-December 2025



Source: Central Bank of Eswatini

The South African headline inflation is forecasted to slowdown, mainly on account of expected lower core and food inflation in the near term. The lower inflation in South Africa, which mainly transmit to domestic inflation via import of finished goods, is therefore expected to influence Eswatini's overall inflation to the downside. As a result, the second quarter of 2025 was revised down to 3.31 per cent (from 5.26 per cent). The third quarter was also revised down to 3.85 per cent (from 5.15 per cent). Consequently, the annual inflation forecast for 2025 is revised down to 3.66 per cent, from 4.91 per cent forecasted in March 2025.

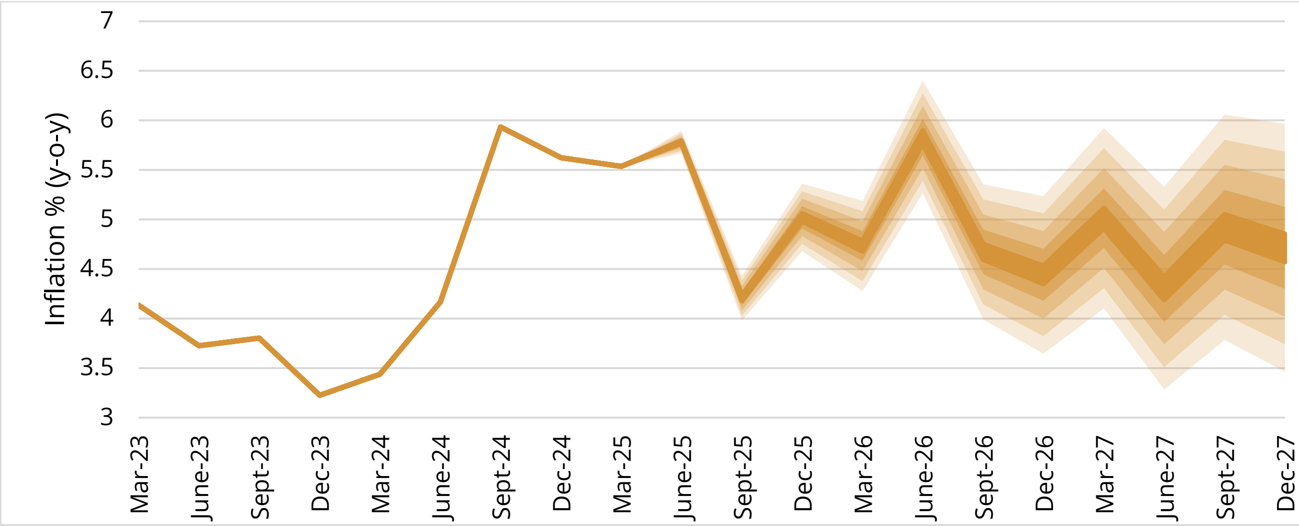
Figure 28: Quarterly Inflation Forecasts 2025



Source: Central bank of Eswatini

In the medium term, the oil price assumption has been slightly revised downwards while the Rand exchange rate is expected to depreciate. From the Bank's assessment, the decrease in oil prices is expected to exert downward pressure on domestic headline inflation, particularly the transport and food component. Domestically, the downward review of the multi-year electricity tariffs is expected to exert downward pressure on overall inflation. As a result, the forecast for 2026 was revised down to 4.05 per cent (from 4.58 per cent), while the forecast for 2027 was revised down to 3.92 per cent (from 4.34 per cent).

Figure 29: Short-Medium term Forecasts, 2025-2027



Source: Central Bank of Eswatini

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