

## Governor's Remarks Media Briefing 31 October 2024

- Programme Director
- Management & Staff of the Central Bank
- Editors
- Journalists
- Ladies and Gentlemen

### 1. INTRODUCTION

- 1.1 May I welcome you all to this media engagement. Today, we are here to provide you with a briefing on the upcoming COMESA meetings.
- 1.2 In addition, I will address some key issues which I believe are of public interest. These include; recent economic developments, progress on CMA cross-border payments, and the status of the CBE Headquarters Project.
- 1.3 These regular engagements underscore the Bank's commitment to transparency and accountability. We aim to share crucial information of public interest and address any questions you may have regarding the Central Bank of Eswatini. The media is a valued partner, and we appreciate your time and dedication to being here today.

### 2. GLOBAL ECONOMIC DEVELOPMENTS

Ladies and gentlemen, let me start by briefly unpacking the global economic developments;

## GDP Developments

- 2.1 According to the IMF's World Economic Outlook (WEO) Report published on 22<sup>nd</sup> October 2024, global growth is projected to maintain a steady, yet uninspiring pace, persisting at 3.2% in both 2024 and 2025 from 3.3% in 2023. This projection aligns closely with the earlier forecasts presented in the April and July 2024 WEO reports. While the overall forecast has stayed consistent, there have been significant shifts within regions. The United States (US) is expected to perform better than previously anticipated, while major European economies are facing challenges.
- 2.2 In advanced economies, growth slowed markedly to 1.7% in 2023 and is expected to edge up marginally to 1.8% in 2024 and 2025. The US remains the engine of global growth in the latest IMF forecast, supported by robust consumer spending.
- 2.3 In emerging markets and developing economies (EMDEs), growth was estimated at 4.4% in 2023 and is projected to decrease to 4.2% for both 2024 and 2025.
- 2.4 Disruptions in commodity production and supply chains, heightened geopolitical tensions, and extreme weather events have collectively dampened economic prospects in the Middle East, Central Asia, and sub-Saharan Africa. However, these regional setbacks have been partially mitigated by robust growth in emerging Asia, fuelled by surging demand for semiconductors and electronics, driven by substantial investments in artificial intelligence.

## Global Inflation

- 2.5 According to the IMF, global inflation is projected to decelerate to 5.8% in 2024 and further ease to 4.3% in 2025 from 6.7% in 2023. The latest inflation trajectory reflects a broad-based decrease in core inflation.
- 2.6 For Advanced economies, inflation was recorded at 4.6% in 2023 and is expected to decelerate to 2.6% in 2024 and stabilize at around 2% in 2025.
- 2.7 At EMDEs, annual inflation was estimated at 8.1% in 2023 and is projected to decline to 7.9% in 2024 and further down to 5.9% in 2025.

## 3. DOMESTIC ECONOMIC DEVELOPMENTS

Distinguished ladies and gentlemen, let me turn to the domestic economic developments where I will cover just a few indicators;

### Inflation Dynamics

- 3.1 On inflation dynamics - annual headline inflation averaged 4.7% for the financial year 2023/24 down from 5.3% for the previous financial year. It averaged 5.0% for the calendar year 2023 from 4.8% the previous calendar year.
- 3.2 Headline consumer inflation declined to 3.6% in September 2024 from 4.1% in August. The month-on-month decrease is attributed to lower prices in transportation and clothing & footwear.

### External Reserves

- 3.3 On reserves management, the reserves' import cover increased from 2.2 months at end of March 2024 (our financial year end) to 3.1 months as at 18 October 2024.

3.4 Foreign reserves increased to E11.9 billion as at 18 October 2024 from E7.8 billion in March. This significant improvement was primarily driven by the receipt of SACU revenue in the first week of October.

3.5 The Bank continues to implement ongoing strategies to continually build reserves.

#### **4. COMESA MEETINGS**

4.1 Ladies and gentlemen, please allow me to report that the Central Bank of Eswatini will be hosting the Common Market for Eastern and Southern Africa (COMESA) Committee of Central Banks Governors (CCBG) Meetings from 2<sup>nd</sup> - 8<sup>th</sup> November 2024 at the CBE complex site by virtue of being the Chair of the COMESA CCBG.

4.2 COMESA consists of 21-member states and its mandate is to attain regional integration through trade and investment. Under the supervision of the COMESA Committee of Central Banks Governors, COMESA has two institutions, namely the COMESA Monetary Institute (CMI) and the COMESA Clearing House. The core mandate of CMI is to undertake technical, policy, statistical, institutional, and legal preparatory work with the goal of creating the COMESA Monetary Union. Hence, the primary objective of CMI is to establish and maintain macroeconomic stability in COMESA member countries. The COMESA Clearing House facilitates settlements of cross border trade and services among member states. It enables member states to use local currencies in their intra-COMESA trade.

4.3 From 2<sup>nd</sup> – 3<sup>rd</sup> of November 2024, there will be a meeting for the Experts of the Bureau. The Bureau consists of five-member central banks which

are voted into office on an annual basis and the chairmanship is rotational among member central banks. The function of the Bureau is to guide on COMESA issues and reports to the COMESA CCBG. The Experts of the Bureau meeting will be followed by an experts meeting for all COMESA central banks from the 4-5<sup>th</sup> of November 2024. This meeting discusses issues which were deliberated by the preceding Experts of the Bureau meeting and makes and/endorsees recommendations to the Bureau of the COMESA CCBG.

- 4.4 The Bureau of the COMESA CCBG meeting will be held on the 6<sup>th</sup> of November 2024 to consider the report of the Experts of the Bureau. The Committee will deliberate on the report and further table it to the 28<sup>th</sup> Meeting of the COMESA CCBG on the 8<sup>th</sup> of November 2024. This is the meeting in which the report is finally endorsed.
- 4.5 A symposium will be held on the 7<sup>th</sup> of November 2024 in which two key thematic areas will be discussed and they are as follows:
- Digital Banking and the impact of Cyber Security and Other Emerging Risks to Central Banks in the COMESA region.
  - The Era of Using Big Data and Machine Learning in Central Banks and Financial Institutions: Implications for Monetary Policy.
- 4.6 The symposium will be officially opened by the Honorable Minister of Finance. The key speakers on the themes will be Ms. Audry Mnisi from Ghana Association of Banks for the first theme and Prof. Victor Murinde, Executive Director, African Economic Research Consortium for the second theme. Panelists for the thematic areas will consist of four selected Central Bank Governors.

## 5. CMA CROSS-BORDER TRANSACTIONS

- 5.1 Ladies and gentlemen, let me know turn to the topical issue of the CMA Cross Border Transactions. The frustration of sending money from Eswatini to South Africa should soon be a thing of the past. This follows the South African Reserve Bank's (SARB) directive to its regulated entities, relaxing regulatory requirements that had previously made sending money to South Africa expensive and slow.
- 5.2 This development has been made possible by the engagements I had with Lesetja Kganyago, the Governor of the South African Reserve Bank, to address concerns raised by the public and the business community regarding the recent regularization of cross-border transactions in the Common Monetary Area (CMA) region. The CMA region comprises South Africa, Namibia, Lesotho, and Eswatini.
- 5.3 The challenges were largely regarding the increased time it takes to make payments within the region and the additional transaction fees. Most affected were transactions between Eswatini and South Africa.
- 5.4 The challenges emerged after implementation of changes within the CMA, which were aimed at ensuring compliance with international Anti-Money Laundering (AML) standards as issued by the Financial Action Task Force (FATF), regional foreign exchange regulations issued by the central banks, and the Money Laundering and Terrorist Financing (Prevention) Act, 2011 (as amended).
- 5.5 The regional foreign exchange regulations stipulated that all cross-border transactions should be reported to the Central Banks through the Cross Border Foreign Exchange Transaction Reporting System, specifying

accurate sender and receiver information and the purpose of the transaction.

- 5.6 However, following the successful migration of the CMA transactions by the local banks, some payments going to South Africa were not being processed within the expected timelines and cost.
- 5.7 This meant that when payments were received by CMA member countries, for instance, South Africa, the receiving bank was required to contact the customer to confirm the transaction details before the funds could be credited to the customer's account, thus causing significant delays.
- 5.8 Furthermore, some receiving banks outside of Eswatini, charged additional fees to process these payments into the customer's account, over and above the transactional fees collected in-country where the transaction was initiated.
- 5.9 In this regard, the CBE liaised with the SARB to engage South African banks to allow payments to be sent and received within the usual and expected speed and cost, thereby guaranteeing the free flow of funds within the region. These provisions/relaxations were already being implemented for payments coming into Eswatini.
- 5.10 The engagements led to SARB implementing these relaxations, through a directive to South African banks issued on October 4, 2024, which marked the start of seamless transactions between Eswatini and South Africa. Banks within the CMA are in the process of implementing changes in their systems so that all the information that need to be captured by customers when initiating payments is easily accessible.

5.11 For individuals, transactions below R1 000 000 (E1 million) flowing into South Africa, will no longer be affected, **provided that all the required details, including the purpose of the transaction, are clearly and unambiguously disclosed in the payment customer transfer message** whilst for corporates, transactions below R5 000 000 (E5 million) will not be affected.

5.12 The public is forewarned and discouraged in utilizing unlicensed entities or individuals to send money across borders as it carries a huge risk of losing hard-earned income. Furthermore, this is a violation of the Financial Institutions Act, 2005 (as amended) which stipulates that only licensed institutions can provide such services to the public. This is a punishable offense by law.

## 6. CBE EZULWINI COMPLEX

6.1 Ladies and gentlemen, I am excited to report progress on the Bank's ambitious project in Ezulwini – The CBE Ezulwini Complex where we will develop a world class headquarters for the CBE.

6.2 Subsequent to the purchase of the 20ha land here in Ezulwini, the Bank intends to relocate its headquarters from Mbabane to Ezulwini. The Central Bank of Eswatini Ezulwini Complex (CBE Complex) will be executed in four distinct phases. The aim of the project is to enhance the Bank's infrastructure and provide state-of-the-art facilities for various functions.

6.3 The four distinct phases of construction are as follows:

### **Phase 1:**

The construction of the high-rise office park (18 storey-building) together



with the data centre, innovation hub, museum and parking;

**Phase 2:**

Cash Centre, the Centre of Excellence, Wellness Centre, Clinic and Conferencing Facility;

**Phase 3:**

Sports Centre, Flats for Staff Accommodations, Car Park with Solar Panel Canopies; and

**Phase 4:**

Multi-Purpose Hall.

- 6.4 The project is currently at Phase 1 and this phase is earmarked for completion in June 2028. The Bank has engaged CECI Consulting Engineers, a Taiwanese Government owned company with extensive experience in high-rise buildings, as project Manager through single sourcing.
- 6.5 The project is nearing the completion of its basic design, with geotechnical surveys and traffic assessments underway. The Bank intends to tender for Phase 1 early in 2025, aiming to sign a Design-Build agreement by the end of May 2025. Construction is anticipated to commence in June 2025.
- 6.6 CECI's scope has been expanded to include the development of preliminary designs. To ensure compliance with local standards and regulations, CECI has partnered with local sub-consultants.
- 6.7 Specialist consultants have been engaged for various services, including environmental consultancy, geotechnical surveys, and traffic assessments.

6.8 The Bank's procurement policy will be followed in order to ensure transparency, fairness and accountability. International best practice standards will be followed, with the start of the issuance of the Expression of Interest. Only shortlisted partnerships will be invited to tender for the Design-Build contract.

6.9 To ensure fairness, independent evaluators will be appointed by the Bank. A verification exercise will also be carried out by the Bank to ensure that submissions by Bidders is authentic.

6.10 There exists an opportunity for local participation in the following areas:

**Design-Build Contractor:**

Where the Bank will advocate for a minimum 30% local partnership as well as advocating for skills transfer. An international open tender will be issued.

**Construction Supervision:**

The Bank is looking to engage a local team to carry out the construction supervision through a limited tender process.

6.11 The Bank has also engaged local companies in the renovation of the existing structure at the Ezulwini site. The companies engaged include architects, consulting engineers, contractors and building services contractors.

6.12 Key stakeholders have also been actively engaged such as the Ezulwini Municipal Council, Ezulwini Community, Eswatini Environmental Authority, and the Construction Industry Council. These engagements were crucial to ensure a transparent and disruption-free project implementation.

6.13 Specific information will be shared periodically throughout the project implementation stages or on a need basis, in line with our procurement policy which adhere to international standards.

## 7. CONCLUSION

7.1 Ladies and gentlemen, having explored these important developments, I want to thank you all for your participation. The media plays a vital role in keeping the public informed, and we appreciate your dedication. Let us now turn the floor over to you for any questions or comments that you may have.

**Once Again, I Thank You ALL!**