Monetary Policy Statement

20 November 2026

Interest Rate

7.00%

The Central Bank of Eswatini (CBE) decided to keep the discount rate unchanged at **7.00%.**

What does this mean?

Banks are expected to maintain the prime lending rate on loans extended to individuals and businesses at **10.50%** until the next monetary policy meeting.

Inflation

3.4%

Headline inflation increased to **3.4%** in October 2026, up from **2.9%** in September 2026.

What to expect?

The CBE expects the cost of goods and services to increase moderately in 2026. The Bank revised its inflation forecasts for 2026 to **2.67%** (from a forecast of **2.52%** in September 2026).

Economic Activity

On a quarterly basis, domestic economic activity, as measured by quarterly GDP, expanded by **6.5%** year-on-year and seasonally adjusted in the second quarter of 2026 building on a revised **5.9%** growth in the previous quarter.

Policy Decision

The Central Bank of Eswatini (CBE), together with the Monetary Policy Consultative Committee (MPCC), has decided to maintain the discount rate at 7.00%. Consequently, the prime lending rate will remain unchanged at 10.50% until the next monetary policy meeting.

Global Economic Developments

The global economy remains resilient despite elevated uncertainty. According to the latest projections by the International Monetary Fund (IMF), global growth is expected at 3.1% in 2026 and 3.4% in 2027. Growth in advanced economies has strengthened, while prospects for emerging market and developing economies have softened slightly. Risks to the growth outlook remain elevated, reflecting ongoing geopolitical tensions, uncertainty surrounding international trade, climate-related shocks and volatility in commodity markets.

Inflation remains above target in most jurisdictions and global inflation is projected at 4.7% in 2026 and 4.1% in 2027. Against the backdrop of stronger upward pressures to inflation, global monetary policy conditions remain relatively restrictive, as central banks, globally and regionally continue to balance inflation risks against growth considerations.

Regional Economic Developments

In South Africa, our major trading partner, the economy shrank by 0.3% in the second quarter of 2026 from a 0.5% growth in the previous quarter. The South African Reserve Bank (SARB) maintained its growth forecast at 1.2% for 2026, 1.7% for 2027 and 1.9% for 2028. Inflation increased to 5.2% in October 2026 from 4.5% in September 2026. The SARB lowered its inflation forecast for 2026 to 4.3% (from 4.4%) while the medium-term forecasts were steady at 4.0% for 2027 and 3.2% for 2028.

Domestic Economic Developments

The domestic economy expanded by 6.5% year-on-year, in the second quarter of 2026 following growth of 5.9% in the preceding quarter. The expansion was broad-based, reflecting positive contributions from the primary, secondary and tertiary sectors of the economy.

Headline inflation increased to 3.4% in October 2026, up from 2.9% in the previous month. The increase was primarily driven by a higher increase in the price indices for 'transport' and 'housing & utilities'. Relatively contained food prices as well as slower rates of growth in the price indices for 'clothing & footwear', 'alcoholic beverages & tobacco', 'recreation & culture' and 'miscellaneous goods & services' somewhat counteracted the above increases.

The Bank has revised up its inflation forecasts to 2.67% (from 2.52% forecasted in September 2026) for 2026, 4.14% (from 3.86%) for 2027, and 3.61% (from 3.45%) for 2028. Risks to the inflation outlook remain elevated and are largely tilted to the upside. These include the expected drought conditions because of the El Nino effect, persistent high international oil prices, and a weaker exchange-rate.

Credit extension remains robust, and the domestic financial system continues to be sound, liquid and adequately capitalised. Nevertheless, non-performing loans (NPLs) grew by 5.3% month-on-month and a marginal 0.5% year-on-year to reach E1.3 billion in September 2026. The NPL ratio increased from 6.2% in August 2026 to 6.4% in September 2026.

Gross official reserves stood at E11.4 billion as at 13 November 2026, equivalent to 2.6 months of import cover. The Bank is closely monitoring the foreign exchange reserves position and will continue to intensify efforts to protect reserves and build buffers. Meanwhile, public debt increased moderately during October 2026, to reach E43.9 billion, equivalent to 42.5% of GDP.

Policy Rationale and Outlook

In reaching its decision, the Bank carefully assessed recent global, regional and domestic economic developments, the inflation outlook, financial-sector conditions and the need to safeguard price and financial stability. While inflation remained relatively moderate, risks to the outlook have increased since the previous MPCC meeting.

The Committee noted that inflation is expected to remain contained in the near term but could face upward pressure over the medium term from both external and domestic developments.

The Bank will continue to closely monitor relevant factors and assess their implications on inflation, economic activity, financial stability and the sustainability of the exchange-rate arrangement.

Monetary policy decisions will remain data-dependent and guided by the Bank's mandate of fostering price and financial stability conducive to sustainable economic growth and development in Eswatini. The Bank will not hesitate to implement the correct policy stance should there be signs of further inflation pressures or emerging challenges to the sustainability of the peg.

The next Monetary Policy Consultative Committee meeting will be held on 29 January 2027.

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GOVERNOR

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