



## INTEREST RATE

- The CBE maintained the interest rate at **3.75%** per cent.



## INFLATION

- Headline inflation remained unchanged at **3.9** per cent in August 2021, the same as recorded in the previous month.
- Inflation remains moderate.



## WHAT DOES THIS MEAN?

- Banks are expected to maintain the prime lending rate on loans extended to individuals and businesses at **7.25** per cent until the next monetary policy meeting.



## WHAT TO EXPECT

- The Bank expects the cost of goods and services to continue increasing moderately over the year 2021 with inflation forecasted to average **3.94** per cent in 2021 (from **3.90** per cent forecasted in July 2021).



## ECONOMIC ACTIVITY

- Economic activity, as measured by the Quarterly Gross Domestic Product is estimated to have increased by **9.0** per cent, on a year-on-year and seasonally adjusted basis, in the first quarter of 2021 rising from **3.3** per cent recorded in the previous quarter.

# MONETARY POLICY STATEMENT

**24 SEPTEMBER 2021**

On the 24th of September 2021, the Central Bank of Eswatini (Bank), together with the Monetary Policy Consultative Committee (MPCC) held a meeting to consider the appropriate monetary policy stance. Taking into consideration relevant global, regional, and domestic factors, and the price and financial stability mandate, the Bank decided to maintain the discount rate at 3.75 per cent.

The IMF estimates the global economy to rebound to 6 per cent in 2021 from an estimated contraction of 3.3 per cent in 2020 before moderating to 4.4 per cent in 2022. The slower than anticipated vaccine roll-out in some emerging markets and developing economies and the possibility of faster monetary policy tightening as inflation expectations increase more rapidly than anticipated in advanced economies, pose as downside risks to the outlook. Advanced economies are estimated to have contracted by 4.7 per cent in 2020 and are forecasted to rebound to 5.1 per cent in 2021 before moderating to 3.6 per cent in 2022.

Emerging market economies are estimated to have contracted by 2.2 per cent in 2020 and are forecasted to grow by 6.7 per cent and moderate to 5.0 per cent in 2022. The South African economy grew by 1.2 per cent quarter-on-quarter (seasonally adjusted) in the second quarter of 2021 following a revised 1.0 per cent expansion in the first quarter of 2021 (not annualised). The South African Reserve Bank (SARB) revised up the growth forecast to 5.3 per cent (from 4.2 per cent) for 2021 whilst the forecasts for 2022 was revised down to 1.7 per cent (from 2.3 per cent) and 1.8 per cent (from 2.4 per cent) for 2023. The SARB marginally revised up its 2021 inflation forecast to 4.4 per cent (from 4.3 per cent forecasted in July 2021) whilst the forecast for 2022 remained unchanged at 4.2 per cent. The SARB Monetary Policy Committee kept the repo rate unchanged at 3.5 per cent in its September 2021 meeting.

The Eswatini economy grew by a seasonally adjusted 9.0 per cent, year-on-year in the first quarter of 2021 from 3.3 per cent in the previous quarter. The significant growth observed in the quarter under review is largely attributed to strong performance in the secondary sector. On a quarter-on-quarter basis, GDP grew by 3.8 per cent in the second quarter of 2021 compared to 0.8 per cent in the first quarter. On a year-on-year basis, the secondary sector rebounded from a 0.6 per cent contraction in the fourth quarter of 2020 to record a 21.0 per cent growth in the first quarter of 2021. The tertiary sector grew by 5.8 per cent on a year-on-year basis in the first quarter of 2021, from 4.5 per cent in the previous quarter. The primary sector remained resilient rising from a 1.3 per cent growth in the last quarter of 2020 to 4.3 per cent growth in the first quarter of 2021.

The year-on-year headline consumer inflation was recorded at 3.9 per cent in August 2021, the same figure recorded in July 2021. A decrease was observed in price indices for “furnishing and household equipment”, which decreased from 1.4 per cent in July 2021 to 0.2 per cent in August 2021, “miscellaneous good and services”, which decreased from 3.9 per cent in July 2021 to 2.7 per cent in August 2021 and “clothing and foot wear”, which decreased from 6.8 per cent in July 2021 to 5.6 per cent in August 2021. The decrease was counteracted by an increase in the price index for “recreation and culture” which rose from 9.1 per cent in July to 11.1 per cent in August 2021. The third and fourth quarter inflation forecasts were slightly revised up to 3.99 per cent (from 3.95 per cent) and 3.92 per cent (from 3.87 per cent), respectively. Consequently, the annual average inflation forecast for 2021 is slightly higher at 3.94 per cent from 3.90 per cent projected in July 2021. The marginal upward revision is mainly on account of expected depreciation in the currency and elevated oil prices. The inflation forecasts for 2022 and 2023, remain unchanged at 4.11 per cent and 4.27 per cent, respectively.

Credit extended to the private sector increased by 0.3 per cent at the end of July 2021 compared to the previous month to settle at E16.0 billion. The month-on-month improvement was due to a rise in credit to the other sectors of the economy (other financial corporations, parastatals, and local government) and households & non-profit institutions serving households (NPISH) sector. Credit extended to businesses declined by 0.5 per cent to reach E7.0 billion at the end of July 2021 whilst credit to households and non-profit institutions serving households (NPISH) closed at E7.5 billion at the end of July 2021, reflecting an increase of 0.4 per cent. Credit extended to other sectors of the economy grew by 3.4 per cent in July 2021 to settle at E1.5 billion. Non-performing loans rose by 2.4 per cent month-on-month to settle at E763.6 million at the end of July 2021.

As at 17 September 2021, the country’s stock of reserves stood at E8.8 billion, enough to cover an estimated 3.7 months of imports. Preliminary figures show that total public debt stood at E26.3 million (37.0 per cent of GDP) as at end of August 2021, a 3 per cent expansion compared to the previous month. Total public external debt stood at E10.6 billion (14.9 per cent of GDP) whilst total domestic debt stood at E15.7 billion (22.1 per cent of GDP).

The MPCC further appreciates the roll-out of the vaccine in the Kingdom of Eswatini. It noted that this will boost business and consumer confidence and fast-track the economic recovery.

The Bank will continue to monitor international and domestic developments that influence the movements of inflation and will act appropriately in line with its mission to foster price and financial stability that is conducive to the economic development in Eswatini.

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GOVERNOR