Monetary Policy Statement

25 September 2026

Interest Rate

7.0%

The Central Bank of Eswatini (CBE) increased the discount rate by 25 basis points from **6.75 per cent** to **7.0 per cent.**

What does this mean?

Banks are expected to increase the prime lending rate on loans extended to individuals and businesses to **10.50 per cent** until the next monetary policy meeting.

Inflation

2.8%

Headline inflation increased to **2.8 per cent** in August 2026 from **2.5 per cent** in July 2026.

What to expect?

The CBE expects the cost of goods and services to increase moderately in 2026. The Bank revised down its inflation forecast for 2026 to **2.52 per cent** (from **3.0 per cent** forecasted in July).

Economic Activity

On a quarterly basis, Eswatini's real GDP grew by **6.1 per cent** in the first quarter of 2026, year-on-year on a seasonally adjusted basis, up from a revised growth rate of **5.8 per cent** in the fourth quarter of 2025.

On the 25th of September 2026, the Central Bank of Eswatini, 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 economic factors; as well as the price and financial stability mandate, the Bank decided to increase the discount rate by 25 basis points to 7.00% effective 26 September 2026.

Global economic activity remains subdued but resilient, in part, reflecting the effects of geopolitical tensions, the impact of the tighter monetary policy and ongoing infrastructure investments in AI. Among advanced economies, the US economy grew by 1.5 per cent quarter-on-quarter, in the second quarter down from 2.1 per cent in the previous quarter. The UK economy expanded by 0.4 per cent in the second quarter, compared with 0.6 per cent in the previous quarter, while the Eurozone grew by 0.6 per cent in the second quarter, following a flat growth in the preceding quarter.

Inflationary pressures have intensified across major economies, mainly driven by higher global energy prices following disruptions to oil supply chains associated with ongoing tensions in the Middle East. In response, the US Federal Reserve, European Central Bank and Bank of Japan raised policy rates by 25 basis points in September 2026, while the Bank of England maintained its policy rate.

In South Africa, on a quarter-on-quarter basis, real Gross Domestic Product (GDP) shrank by 0.2 per cent, in the second quarter of 2026 from a 0.4 per cent growth in the previous quarter. The South African Reserve Bank (SARB) revised down its GDP growth forecast to 1.1 per cent (from 1.4 per cent forecasted in July 2026) for 2026 while the forecast for 2027 was kept steady at 1.7 per cent. South Africa's inflation marginally increased to 4.4 per cent in August 2026 from 4.3 per cent in July 2026. The SARB revised up its inflation forecast to 4.4 per cent (from 4.0 per cent) for 2026 and 4.0 per cent (from 3.8 per cent) for 2027. The SARB increased its repo rate by 25 basis points to 7.25 per cent at its 23 September 2026 meeting, citing increasing inflationary pressures.

The Eswatini economy grew by 4.8 per cent in 2025 and it is projected to urge up to 5.3 per cent before moderating to 4.1 per cent in 2027. On a year-on-year basis, the Eswatini economy expanded by 6.1 per cent, seasonally adjusted, in the first quarter of 2026 from a revised growth rate of 5.8 per cent in the previous quarter. The stronger growth momentum was supported by a rebound in the secondary sector. The primary and the tertiary sectors also recorded positive performance during the review period, although developments within these sectors were mixed.

Headline consumer inflation rebounded by 0.3 of a percentage point to record 2.8 per cent in August 2026. This increase was mainly driven by elevated 'food' prices which increased from a 0.8 per cent deflation to record zero growth between July and August 2026 and 'transport' prices which remained elevated due to the supply-side pressures poised by the Middle East war, increasing by 0.2 of a percentage point to 3.5 per cent during the month under review.

The Bank revised down its short-term (2026) inflation outlook to 2.52 per cent (from 3.00 per cent forecasted in July 2026) due to lower-than-expected inflation outcomes in recent months, a slower pace of increase in food inflation and more favourable movements in the exchange rate. The medium-term forecasts were revised down to 3.86 per cent (from 4.35 per cent) for 2027 and 3.45 per cent (from 3.55 per cent) for 2028. Risks to inflation remain elevated, especially on account of the impasse in the Middle east and the potential effects of the expected El Nino drought.

Credit extended to the private sector increased by 0.2 per cent month-on-month to E23.8 billion in July 2026. The expansion was primarily driven by increased credit extended to households & non-profit institutions serving households (NPISH) which grew by 0.6 per cent to reach E10.0 billion, as well as credit to other sectors of the economy which grew by 0.8 per cent to close at E963.0 million in July 2026. On a year-on-year basis, private sector credit extension was up 11.4%, with credit extended to business recorded at E12.9 billion. Non-performing loans (NPLs) contracted by 2.7 per cent month-on-month and a growth of 3.2 per cent year-on-year to close at E1.4 billion in July 2026. As a result, the NPL ratio declined by 0.2 percentage points from June 2026 to reach 6.6 per cent in July 2026.

As of 18 September 2026, foreign exchange reserves stood at E11.4 billion, equivalent to 2.6 months of import cover. Preliminary figures indicate that total public debt stood at E43.1 billion, equivalent to 41.4 per cent of GDP, at the end of August 2026. This represented a month-on-month increase of 3.7 per cent from the revised E41.6 billion recorded at the end of July 2026.

The Bank will continue to monitor international, regional 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

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