

The Bank has the goal of attaining price stability as well as stable and sound financial systems that will ensure sustainable economic growth. Eswatini's monetary policy objective, as stated in Section 4 (a) of the CBS Order of 1974 (as amended), is to promote price and financial stability. Monetary policy formulation is, to a large extent, influenced by the country's membership to the Common Monetary Area (CMA). To influence monetary conditions in the country and achieve its mandate, the Bank uses four different tools – namely, discount rate (which happens to be the major one), reserve requirement, liquidity requirement and open market operations.

Goal

Given the CMA Agreement, the goal of monetary policy in Eswatini is to maintain the peg with the South African Rand (ZAR). This requires that the country's currency in circulation be backed by ZAR in circulation, as well as keeping the level of reserves at least to three months of import cover.

Conduct

Under the membership to the CMA, Eswatini has little scope to undertake discretionary monetary policy in response to domestic developments and other prudential measures. With that level of monetary policy discretion, the CBE has the liberty to use the discount rate as a major policy instrument to fight domestic inflationary pressures and curb capital flight. The discount rate can be at par or

at different levels with that of South Africa depending on the domestic macroeconomic fundamentals. Despite the reduced scope to independently conduct its monetary policy, Eswatini's membership to the CMA has benefitted the country in supporting macroeconomic stability as well as dampening the effects of shocks to the currency. To have a meaningful effect on inflation, the Bank uses all policy tools at its disposal. However, the implementation of monetary policy is more forward-looking and of a medium-term orientation. Such ensures that timely action is taken to address any potential threats to price stability.

Monetary Policy Decisions

The Governor makes monetary policy decisions in consultation with the MPCC in meetings held bi-monthly. In 2021/22, the MPCC held 6 ordinary meetings as per schedule. In these meetings, the MPCC reviewed developments on inflation (including inflation forecasts) as well as other macroeconomic indicators of the domestic, regional and international economies. Over the reporting period, the Bank held the discount rate flat at 3.75 per cent in 2021 in line with subdued inflationary pressures and only effected a 25 basis points hike to 4.0 per cent in January 2022 as inflationary pressures began to emerge. The Bank kept a positive differential against the South African repo rate until November 2021 wherein the repo rate and the discount rate were at par. In March 2022, the Bank held the discount rate at 4.0 per cent creating a negative differential of 25 basis points against the repo rate.

Frequency and Attendance of MPCC Meetings in 2021/22

	21 May 2021	23 Jul 2021	24 Sept 2021	19 Nov 2021	28 Jan 2022	25 Mar 2022
Mr. Majozi Sithole (Governor and Chairperson)	+	+	-	+	+	+
Ms. Felicia Dlamini-Kunene (Deputy Governor)	+	+	+	+	+	+
Mr. Mfanfikile Dlamini (Assistant Governor)	+	-	+	+	+	+
Mr. Dumsani Masilela	+	+	+	+	+	n/a
Dr. Dumsile Dlamini	+	+	+	+	+	+
Ms. Busi Dlamini	+	+	+	+	+	+
Ms. Khetsiwe Dlamini	+	+	+	+	+	+
Mr. Nathi E. Dlamini	+	+	+	+	+	-

Note: (+): Present; (-): Apologies; (n/a) – not applicable as he was no longer a member