CENTRAL BANK OF LESOTHO

STATEMENT OF THE MONETARY POLICY COMMITTEE

24 July 2026

The Monetary Policy Committee of the Central Bank of Lesotho met on 24 July 2026 to review global and domestic economic developments and determine the appropriate monetary policy stance.

Net international reserves stood at US$1,353 million on 16 July 2026, equivalent to 5.4 months of import cover. This level of reserves is adequate to safeguard the peg against potential external shocks. The near-term outlook remains favourable; however, reserves are expected to moderate gradually as higher oil costs feed through to the import bill, reaching a projected US$1,217 million by March 2027.

The global environment remains uncertain. Supply disruptions arising from the conflict in the Middle East have driven energy prices sharply higher. Although the June ceasefire talks provided temporary relief, the resumption of hostilities has renewed uncertainty over the energy-price outlook.

Global growth is expected to slow, although investment in artificial intelligence may provide some support. Downside risks include a further escalation of the conflict, increased trade fragmentation and the development of a strong El Niño. The effects of the energy shock have been uneven, with commodity-importing low-income countries and emerging market economies bearing the greatest burden.

Global headline inflation is projected to rise in 2026, driven mainly by higher energy and fertiliser prices, before easing in 2027. Against this backdrop, most major central banks kept their policy rates unchanged during their recent meetings.

In South Africa, rising fuel prices exerted upward pressure on inflation. Nevertheless, the South African Reserve Bank (SARB) kept its policy rate unchanged at 7.00 per cent per annum on 23 July 2026.

Domestic economic activity has weakened. The moderate rebound recorded earlier in the year was not sustained, while recent indicators point to subdued demand in the transport and manufacturing subsectors. Over the medium term, growth is expected to remain modest and supported mainly by the services sector.

Private-sector credit growth remained subdued and is expected to stay broadly aligned with the medium-term outlook.

Domestic inflation edged higher, driven mainly by rising transport costs, while food price pressures remained contained. The medium-term inflation outlook was revised marginally upwards, with risks tilted to the upside.

Key risks to the outlook include higher oil prices, the possible withdrawal of fuel levy relief, weather-related disruptions to food supply, and second-round effects on wages and other prices.

After considering these developments, the Committee decided to:

- **Maintain the CBL Rate at 6.75 per cent per annum**.

The Committee will continue to monitor evidence of second-round effects and stand ready to act decisively, as necessary, to safeguard the peg and preserve macroeconomic stability.

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