CENTRAL BANK OF LESOTHO

STATEMENT OF THE MONETARY POLICY COMMITTEE

20 November 2026

The Central Bank of Lesotho's Monetary Policy Committee (CBL MPC) met on 20 November 2026 to assess global, regional and domestic economic and financial developments and determine the appropriate monetary policy stance. In pursuing price stability and sustainable economic growth, the Committee focused on maintaining a policy stance consistent with preserving adequate external reserves and the exchange-rate peg.

International crude oil prices declined from their late-October peak, but broader energy pressures remained elevated. Brent crude fell from US$117.64 per barrel at the end of October to US$94.86 in mid-November amid expectations of a possible settlement between the United States and Iran. However, shipping through the Strait of Hormuz remained well below normal, while elevated refining margins continued to sustain pressure on fuel prices.

Against this backdrop, global growth is projected to slow to 3.1 per cent in 2026 before recovering to 3.4 per cent in 2027. Global headline inflation is projected to rise to 4.7 per cent in 2026 before easing to 4.1 per cent in 2027. These projections assume that the Strait of Hormuz reopens in March 2027. Risks remain tilted to the downside, mainly from renewed conflict, tighter-for-longer monetary policy and the possible effects of a strong El Niño event.

Higher energy prices have contributed to an increase in inflation across nearly all major economies. In response, major central banks have maintained restrictive monetary policy stances. The US Federal Reserve and the European Central Bank kept their policy rates unchanged, while the Bank of England and the Reserve Bank of India raised theirs.

In South Africa, headline inflation rose to 5.2 per cent in October from 4.5 per cent in September, driven largely by fuel prices. The inflation outlook remains uncertain, as part of the fuel-levy relief is temporary and is expected to be reversed in January 2027. In this environment, the South African Reserve Bank (SARB) maintained its policy rate at 7.25 per cent per annum at its November 2026 meeting.

Lesotho's external position remains adequate to support the exchange-rate peg. Net international reserves (NIR) stood at US$1,304 million on 10 November 2026, US$234 million above the target floor of US$1,070 million. NIR is projected to remain above the floor through June 2027. The main risks to the outlook are accelerated government spending, net outflows by commercial banks and higher imported inflation.

Domestic inflation remained low at 2.6 per cent in September 2026. Falling food prices kept headline inflation down, while transport prices rose. Inflation is projected to rise to 4.5 per cent in 2027 as the effect of the exceptional 2025/26 harvest fades, before easing to 3.5 per cent in 2028. Higher fuel prices, El Niño-related food shortages and administered price adjustments pose upside risks to inflation.

Domestic economic activity recovered in the third quarter of 2026, supported by the manufacturing, construction and transport subsectors. However, domestic demand remained subdued. Real GDP growth is projected at 0.8 per cent in 2026, rising to 1.5 per cent in 2028. Risks to the outlook are tilted to the downside, mainly from volatility in Southern African Customs Union (SACU) revenues, continued pressure on household incomes and weaker global demand for natural diamonds.

Private-sector credit growth picked up, driven mainly by household borrowing, although growth is expected to moderate over the forecast horizon. The credit-to-deposit ratio eased, reflecting faster growth in deposits than in credit. The small credit-to-GDP gap indicates limited broad-based demand pressure from credit.

In reaching its decision, the Committee assessed global and domestic developments. First, the external position remained adequate, with NIR above the target floor and projected to remain sufficient to support the exchange-rate peg, although government spending and commercial-bank outflows remained key risks. Second, global and regional financial conditions remained restrictive and uncertain, with elevated energy and food-price pressures and the SARB policy rate maintained at 7.25 per cent per annum. Third, domestic inflation remained contained, but the medium-term outlook was subject to upside risks from fuel prices, food-supply pressures and administered price adjustments. Fourth, domestic activity had recovered modestly and private-sector credit had increased, but domestic demand remained subdued and credit developments did not point to broad-based demand pressures. On balance, the Committee judged that the prevailing conditions warranted a cautious and data-dependent policy stance. The Committee decided to:

- **Maintain the CBL Rate at 7.00 per cent per annum**

The Committee considers this rate appropriate in light of the adequate reserve position, the inflation outlook and subdued domestic demand. It maintains a modest negative interest-rate differential of 25 basis points relative to the SARB policy rate of 7.25 per cent per annum, thereby supporting the exchange-rate peg while avoiding unnecessary restraint on domestic economic activity.

The Committee will continue to monitor global, regional and domestic developments, particularly movements in energy and food prices, inflation, financial conditions and Lesotho's external position. The Committee stands ready to act decisively, as necessary, to defend the exchange-rate peg, safeguard reserves and preserve macroeconomic stability.

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