THE WAVERLEY SERIES

ESWATINI

An Insight of Investment, Trade and Economy

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For Advisory & Partnership

LORD WAVERLEY

office@lordwaverley.com • www.lordwaverley.com

ESWATINI — AT A GLANCE

Capital	Mbabane (administrative); Lobamba (royal and legislative)
Population	≈ 1.2–1.3 million
Real GDP growth	Accelerated from 2.8% in 2024 to 4.6-5.1% in 2025; first-quarter 2026 growth reached 6.1% year-on-year, among the strongest in the Southern African Customs Union; full-year 2026 projected to moderate to around 4.0%, easing to 3.5% in 2027
GDP per capita	≈ USD 4,305–4,610 (2025)
Inflation	Projected to remain within the central bank's 3-6% target range through 2026
Youth unemployment	54.3% (2025) — with more than half the population under 25, according to the World Bank
Fiscal deficit	Projected to widen to 6.4% of GDP in 2026 before narrowing to 5.4% in 2027, driven by capital spending, a newly enacted public-sector wage review, and a 21% decline in Southern African Customs Union revenue transfers
Currency	Swazi lilangeni (SZL), pegged to the South African rand (ZAR)
Government debt	Risen to approximately 44% of GDP
Governing framework	King Mswati III, Africa's last absolute monarch, on the throne since April 1986 and marking his 40th anniversary (Ruby Jubilee) in April 2026; political parties have been banned from contesting parliamentary elections since 1973

Eswatini's economy posted a genuinely strong 6.1% year-on-year expansion in the first quarter of 2026, outpacing most of its Southern African Customs Union peers and continuing a multi-year acceleration in growth. This economic momentum unfolds under Africa's last absolute monarchy: King Mswati III, who marked 40 years on the throne in April 2026, continues to preside over a system in which political parties have been banned from contesting elections since 1973. Former members of parliament Mduduzi Bacede Mabuza and Mthandeni Dube remain a stark symbol of the government's response to 2021 pro-democracy protests that Amnesty International says left at least 46 people dead, having been sentenced in 2024 to 25 and 18 years respectively for their advocacy. Investors should weigh Eswatini's genuinely solid near-term growth performance against a governance environment independent assessors describe as among the most restrictive in Africa.

1. INVESTMENT & FDI

Public infrastructure investment continues driving growth even as independent governance assessment flags royal family economic dominance as a market-distorting concern.

The Lower Usuthu Smallholder Irrigation Project, financed by the African Development Bank and the European Investment Bank, continues improving agricultural water access and stimulating construction activity. Separately, independent governance assessment finds that royal family economic interests distort market conditions in a highly unequal economy; Tibiyo Taka Ngwane is commonly cited as the main royal economic vehicle, though no current primary source details its specific holdings or revenues, an absence of disclosure that makes it genuinely difficult for investors to separate royal commercial assets from ordinary public and private commercial activity.

- **Continued multilateral-backed infrastructure investment:** the Lower Usuthu project's dual AfDB and EIB financing represents genuine, verifiable development-finance engagement supporting both agricultural productivity and construction-sector activity.
- **A specific, sourced market-fairness concern:** the documented absence of disclosure around the main royal economic vehicle's holdings represents a genuine, structural transparency gap that any investor should factor into competitive-positioning analysis, particularly in sectors where royal commercial interests may be active.
- **A recommended financing diversification path:** the African Development Bank has specifically recommended Eswatini deepen multilateral development bank engagement for concessional finance and risk mitigation, while leveraging diaspora remittances and climate-aligned instruments such as green bonds.

2. TRADE & BUSINESS

Deepening reliance on South Africa and a specific US sugar quota define Eswatini's key trade relationships, even as SACU revenue volatility creates fiscal exposure.

Southern African Customs Union revenues declined 21% this year, a major driver of fiscal pressure given Eswatini's substantial dependence on SACU-linked trade and transfers. Eswatini received a 17,213 metric ton sugar tariff-rate quota allocation to the US market for fiscal year 2026, running from October 2025 through September 2026, though this remains small relative to the volumes routed through SACU. The lilangeni's peg to the South African rand directly exposes Eswatini to South African monetary and currency conditions.

- **Acute SACU revenue volatility as a fiscal risk:** the 21% decline in SACU transfers this year illustrates concretely how exposed Eswatini's public finances remain to a revenue source largely outside its own direct control.
- **A modest but existing US market access channel:** the sugar tariff-rate quota, while small relative to SACU-routed trade, provides a specific, existing diversification channel for Eswatini's agricultural export base.
- **Direct currency-policy linkage to South Africa:** the rand peg means Eswatini's monetary conditions move largely in tandem with South African policy, limiting independent monetary flexibility but providing currency stability relative to the region's dominant economy.

3. MAJOR ECONOMIC DEVELOPMENTS

Genuinely strong near-term growth continues under Africa's last absolute monarchy, where political dissent carries severe legal consequences and a controversial US deportee arrangement has drawn scrutiny.

According to the Central Bank of Eswatini's June 2026 Quarterly Review, the economy grew 6.1% year-on-year in the first quarter of 2026 on a seasonally adjusted basis, accelerating from a revised 5.8% in the fourth quarter of 2025 and placing Eswatini among the stronger-performing SACU economies. King Mswati III marked 40 years on the throne at a Ruby Jubilee ceremony held at Somhlolo National Stadium in Lobamba on 25 April 2026, attended by foreign heads of state including Lesotho's King Letsie III. Political parties have been banned from contesting parliamentary elections since 1973, and the King exercises ultimate authority over all branches of government, extending his influence over local governance through traditional chiefs. Pro-democracy protests in 2021 demanding constitutional reform and multiparty democracy were met with force from security forces; Amnesty International documented at least 46 killings, with local groups estimating more than 80, followed by an internet shutdown and mass arrests. Former members of parliament Mduduzi Bacede Mabuza and Mthandeni Dube, arrested in 2021 after advocating for a democratically elected prime minister, were sentenced in June 2024 to 25 and 18 years respectively under the Suppression of Terrorism Act on terrorism, sedition and murder charges, in a trial national and international human rights organisations condemned; Dube was released in November 2024 following a royal pardon, subject to conditions barring him from engaging with the press, using social media, or attending social gatherings. Separately, human rights lawyer Thulani Maseko, who chaired a forum advocating a peaceful democratic transition, was shot dead at his home in January 2023 by unidentified assailants. In May 2026, Eswatini agreed to accept up to 160 deportees from the United States in exchange for $5.1 million, which the finance minister confirmed receiving into the National Disaster Management Agency's account; Human Rights Watch states the funds were intended for border and migration management capacity, though the arrangement's broader financial rationale remains contested.

- **Genuinely strong, accelerating near-term growth:** the rise to 6.1% year-on-year growth in the first quarter of 2026, outpacing most SACU peers, represents real, verifiable economic momentum independent of the country's political system.
- **A political system offering no formal electoral pathway for dissent:** the ban on political parties contesting elections, in place since 1973, combined with the King's ultimate authority over all branches of government, means Eswatini's political system offers no formal mechanism through which citizens can vote for change in governing approach.
- **Severe, documented consequences for pro-democracy advocacy:** the killing of at least 46 protesters in 2021 per Amnesty International, the 25- and 18-year sentences given to former MPs Mabuza and Dube, and the unsolved killing of human rights lawyer Thulani Maseko together represent a pattern of severe consequences for political dissent that international human rights organisations have consistently and directly condemned.
- **A controversial but confirmed financial arrangement with the United States:** the $5.1 million deportee-acceptance deal, while confirmed by Eswatini's own finance minister, has drawn scrutiny over its financial rationale and represents a specific, current dimension of the country's international relationships worth monitoring for further developments.

4. MAJOR PROJECTS & INFRASTRUCTURE

Water, energy and irrigation infrastructure projects continue supporting growth, even as some deliver below initial expectations.

- **Lower Usuthu Smallholder Irrigation Project:** continuing to improve agricultural water access and stimulate construction activity, this AfDB and EIB co-financed project remains one of Eswatini's most significant current infrastructure investments.
- **Mpakeni Dam:** this energy project has contributed to growth, though the World Bank notes its contribution has come in below initial expectations, illustrating genuine execution-timeline risk in Eswatini's infrastructure pipeline.
- **Broader water, energy and transport investment:** the African Development Bank identifies continued public investment across these categories as a key growth support through 2026 and 2027.

5. CONFERENCES, FORUMS & EXHIBITIONS

No major international investment conferences or forums specific to this period were identified.

6. BUSINESS & INVESTMENT EVENTS

The Central Bank of Eswatini's June 2026 Quarterly Review, detailing the first-quarter growth acceleration described in Section 3, represented the most significant recent institutional economic communication to investors and analysts.

7. GOVERNMENT & INTERNATIONAL PARTNERSHIPS

A controversial deportee arrangement with the United States and continued multilateral development financing define Eswatini's most notable current international relationships.

- **United States:** the $5.1 million arrangement to accept up to 160 deportees, confirmed by Eswatini's finance minister, keeps this relationship politically visible even as its underlying financial rationale remains contested; additional deportees were reportedly received as of August 2026, though these later figures should be treated cautiously pending primary confirmation.
- **African Development Bank and European Investment Bank:** joint financing of the Lower Usuthu Smallholder Irrigation Project represents Eswatini's most substantial current multilateral development-finance partnership.
- **IMF:** the most recent Article IV consultation, completed in September 2025, remains the primary channel of ongoing macroeconomic monitoring and dialogue.
- **Southern African Customs Union:** continued heavy dependence on SACU revenue transfers, which fell 21% this year, represents a significant and largely externally determined element of Eswatini's fiscal position.
- **Lesotho:** King Letsie III's attendance and tribute at King Mswati's Ruby Jubilee celebration reflects continued regional monarchical and diplomatic ties.

8. SME & PRIVATE-SECTOR DEVELOPMENTS

A highly unequal economy shaped by opaque royal-family commercial interests continues limiting broader private-sector dynamism.

Independent governance assessment describes Eswatini's economy as highly unequal, with royal-family commercial interests continuing to distort market conditions in ways that lack sufficient public disclosure for investors to fully assess. Meanwhile, with more than half of Eswatini's population under 25 and youth unemployment at 54.3% in 2025, the World Bank identifies job creation as the country's single biggest economic challenge, describing an extraordinary demographic opportunity that will be lost without urgent action to connect young people to the economy.

- **A specific, sourced private-sector competitive constraint:** the lack of clear disclosure separating royal commercial assets from broader market activity represents a genuine, structural limitation on fair competition that independent analysts have directly identified.

- **An urgent, unaddressed youth employment challenge:** the World Bank's explicit framing of Eswatini's youth demographic as an opportunity at risk of being lost represents a clear, evidence-based call to action for job-creating private-sector investment specifically targeting young workers.

9. NEW INVESTMENT OPPORTUNITIES / PROJECTS ANNOUNCED

Water, energy, transport and irrigation infrastructure, alongside climate-aligned financing instruments, define Eswatini's most actively promoted new investment channels.

- **Continued infrastructure investment:** water, energy, transport and irrigation projects remain the African Development Bank's identified priority areas for supporting Eswatini's growth through 2026 and 2027.
- **Climate-aligned financing instruments:** green bonds have been specifically recommended by the AfDB as a diversification tool for Eswatini's financing base, offering a concrete new instrument category for climate-focused investors.
- **Diaspora remittance channelling:** developing more structured mechanisms to direct diaspora remittances toward productive investment represents an identified but still underutilised financing opportunity.

SUMMARY ASSESSMENT

Eswatini's economy posted a genuinely strong 6.1% year-on-year expansion in the first quarter of 2026, outpacing most of its Southern African Customs Union peers and continuing a multi-year acceleration in growth. This economic momentum, however, unfolds under Africa's last absolute monarchy, where King Mswati III, having marked 40 years on the throne in April 2026, continues to preside over a system in which political parties have been banned from contesting elections since 1973.

Former members of parliament Mduduzi Bacede Mabuza and Mthandeni Dube remain a stark symbol of the government's response to 2021 pro-democracy protests that Amnesty International says left at least 46 people dead, having been sentenced in 2024 to 25 and 18 years respectively for their advocacy; human rights lawyer Thulani Maseko was separately shot dead at his home in January 2023. A controversial arrangement to accept deportees from the United States in exchange for $5.1 million has drawn additional international scrutiny. Independent governance assessment further identifies opaque royal-family commercial interests as a specific, ongoing distortion of market conditions.

Investors should weigh Eswatini's genuinely solid near-term growth performance and infrastructure investment pipeline against a governance environment that international human rights organisations consistently describe as among the most restrictive on the continent, and against the specific transparency gap surrounding royal commercial interests in a highly unequal economy.