CENTRAL BANK OF SWAZILAND

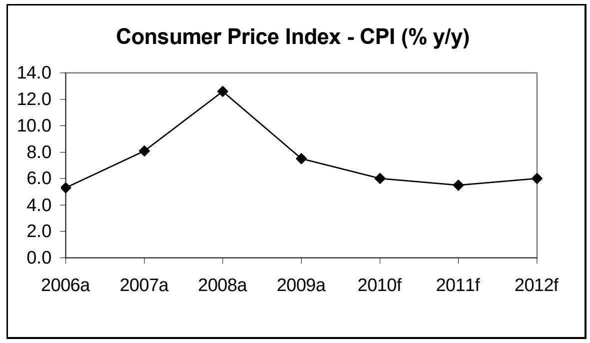
Research Department - Modeling Section

"we project the future"

Swaziland Financial Indicators Forecast

Updated April 2010	2006	2007	2008	2009	2010	2011	2012
Inflation							
CPI (% y/y)	5.3	8.1	12.6	7.5	6.0	5.5	6.0

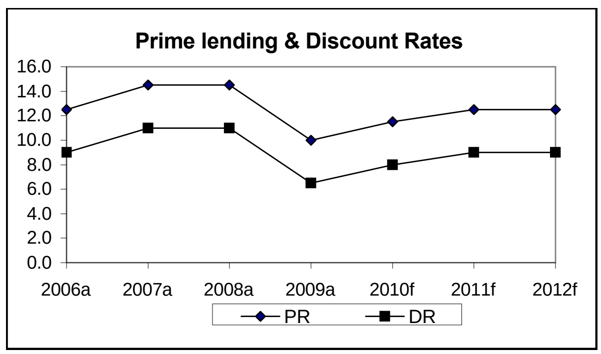
The consumer price inflation is projected to average 6.0 percent in 2010 after inflation turned out to average 7.5 percent in 2009. The inflation rate is expected to continue to moderate in the medium term influenced by a strong Lilangeni and suppressed de mand pressures emanating from the lagged effects of the recession. The recession has prompted banks to tighten their lending conditions hence restraining domestic consumption expenditure and therefore less inflationary pressures are expected from the demand side. This is despite the inflationary threat imposed by the recent electricity tariffs hike by Eskom which is expected to have a negative bearing on local electricity prices as well. In the first outer year inflation is expected to average 5.5 percent, picking up slightly in the last outer year driven by the domestic unit losing some grounds against other currencies particularly the US dollar.



Source: CSO and CBS Modeling Section

	2006	2007	2008	2009	2010	2011	2012
Interest rates							
Prime lending rate (PR)	12.5	14.5	14.5	10.0	11.0	11.5	11.5
Discount rate (DR)	9.0	11.0	11.0	6.5	7.5	8.0	8.0

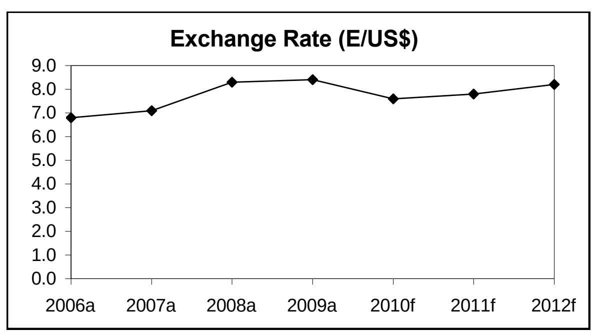
During the course of the recession central banks in the developed world engaged in a synchronized reduction in interest rates with South Africa and Swaziland following suit later. The discount rate was reduced on six consecutive occasions by a cumulative 5 00 basis points to reach 6.5 percent and was maintained at 50 basis points below the South African repo rate since June 2008 to March 2010 as a temporary measure at the height of the resilient high oil and food prices. Commensurately, commercial banks reduced their prime lending rates by the same margin to 10 percent. Interest rates are expected to pick up to 7.5 percent in 2010 to counter any inflationary pressures coming from the second round effects of the possible hike in domestic electricity prices in line with the hike in SA electricity tariffs.



Source: CBS Modeling Section

	2006	2007	2008	2009	2010	2011	2012
Exchange rate							
Exchange rate (E/US$)	6.8	7.1	8.3	8.4	7.6	7.8	8.2

The exchange rate has remained stable in the E7-8 range from July 2009 and is expected to remain within that range in the first two years of the medium term. Driving the exchange rate in the medium term will be the performance of the US dollar which is expected to strengthen in the last year of the medium term in line with a tight monetary policy meant to rein in inflationary pressures expected from the effects of the stimulus packages.



Source: SA Standard Bank

Forecasts Actuals

Note that the Central Bank of Swaziland will not be liable for any eventualities resulting from the use of this information. For any queries please call the Research Department of the Central Bank of Swaziland at +268 4082204/4082349.