



CENTRAL BANK OF SWAZILAND

Research Department - Modeling Section

"we project the future"

Swaziland Financial Indicators Forecast

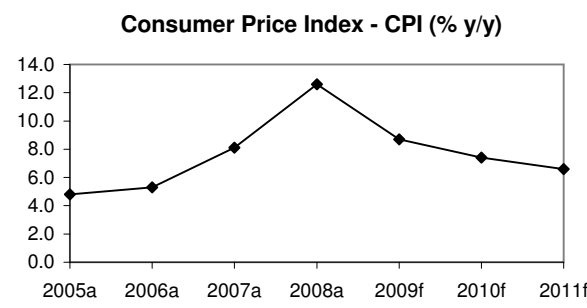


Updated August 2009 2005 2006 2007 2008 2009 2010 2011

Inflation
CPI (% y/y)

The consumer price inflation is projected to average a single digit figure of 8.7 percent in 2009 after projecting a double digit figure of 12.5 percent in 2008. The consumer price inflation has receded to single digit figure as oil prices fell, the recessionary effect and a relatively stable Lilangeni/Rand to US dollar exchange rate. Despite inflationary pressures emanating from the recovery in the price of oil and other supply side costs, the consumer price inflation will not be pushed to double digit figures in 2009 and the outer years. Given the declining consumer price inflation for South Africa projected by South Africa's Standard Bank, Swaziland's imported component of inflation will be low and domestic inflation low in the medium term.

4.8	5.3	8.2	12.6	8.7	7.4	6.6
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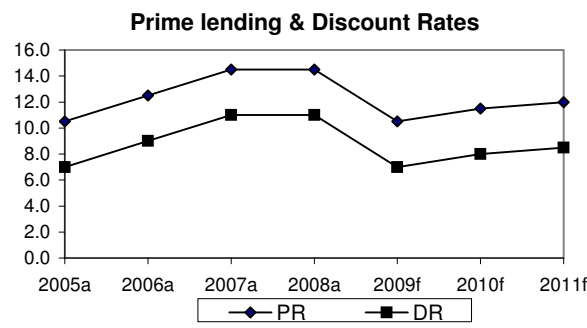


Source: CSO and CBS Modeling Section

Interest rates
Prime lending rate (PR)
Discount rate (DR)

Due to the recession Central Bank through out the world reduced their interest rates to stimulate economy and South Africa joined the bandwagon end of 2008 and decreased interest rates. Swaziland followed suite but was more accommodative as it kept a differential of 50 basis points below South Africa's discount rate. Interest rates have been falling starting from end of 2008 and are expected to end the year at 7 percent. Due to mounting inflationary inertia erring on the side of caution interest rates will increase moderately in the medium term, lest there be break away inflation.

10.5	12.5	14.5	14.5	10.5	11.5	12.0
7.0	9.0	11.0	11.00	7.0	8.0	8.5

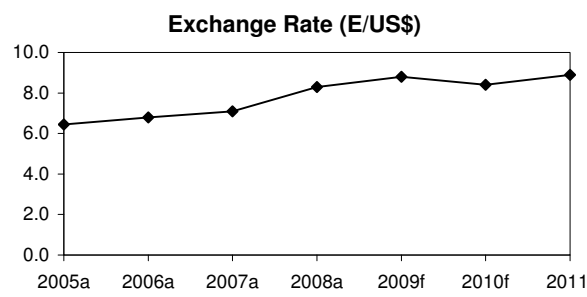


Source: CBS Modeling Section

Exchange rate
Exchange rate (E/US\$)

The Lilangeni/Rand is further expected to depreciate on average against the US dollar reaching E8.8 in 2009. Even though in between months the local unit appreciates due to market perturbations the general trend borders on depreciation. The exchange rate is expected to further depreciate in the outer years but at a slow pace given the moderate rise in interest rates, the depreciation will be driven by the anticipated recovery in the US economy hence the strengthening of the US dollar. Risk reassessment in the emerging markets will weigh against the local unit as the developed economies emerge from the recession.

6.4	6.8	7.1	8.3	8.8	8.4	8.9
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Source: Average Nedbank and Standard Bank