



Forecasts notes

In 2018, inflation averaged 4.81 per cent, 0.35 percentage points lower than the forecasted 5.16 per cent. The forecast for 2019 has been revised downwards from the previously forecasted 5.99 per cent to 5.87 per cent with the Lilangeni expected to moderately appreciate and oil prices anticipated to be lower than previously estimated. Inflation is forecasted to average 5.18 per cent in the first quarter of 2019, 5.54 per cent in the second quarter, 6.09 per cent in the third quarter and further urge up to 6.65 per cent in the fourth quarter. In the medium term, inflation forecast for 2020 has been revised downwards to 6.27 per cent, from the previous forecast of 6.40 per cent. Developments in oil prices and exchange rate remain key risks to the inflation outlook. This is due to geopolitical tensions around the Iran USA nuclear deal unwinding and trade war threats particularly between the USA and China.

2018 CPI (% y/y)

DATE	Forecasts - 2018	Actuals - 2018
Quarter 1 Average	4.85	4.20
Quarter 2 Average	5.25	4.80
Quarter 3 Average	5.14	5.00
Quarter 4 Average	5.37	5.20
Annual Average	5.16	4.80

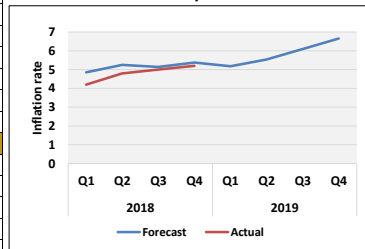
2019 CPI (% y/y)

DATE	Forecasts - 2019
Quarter 1 Average	5.18
Quarter 2 Average	5.54
Quarter 3 Average	6.09
Quarter 4 Average	6.65
Annual Average	5.87

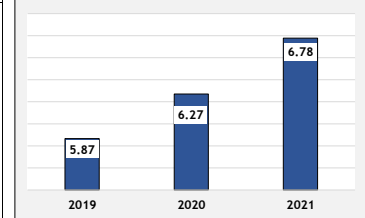
MEDIUM TERM CPI PROJECTIONS (% y/y)

2019	5.87
2020	6.27
2021	6.78

Graphs

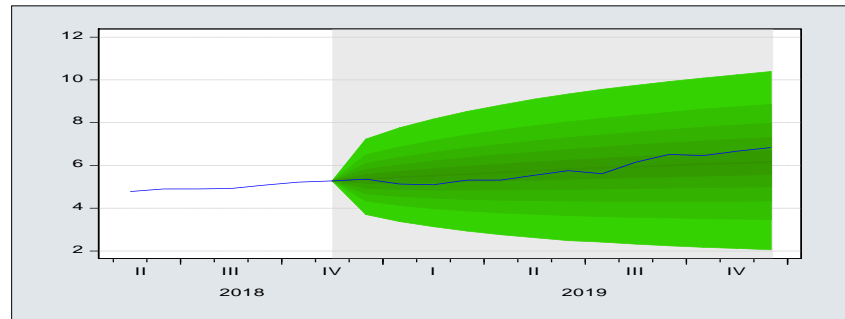


Inflation Forecasts 2019-2021



FAN CHART FOR 2019 INFLATION PROJECTIONS

The exchange rate of the Lilangeni/Rand is set to appreciate in the near term but remains vulnerable to significant global market events in particular geopolitical tensions and the threats arising from renewed trade tensions between China and the US. Political uncertainty emanating from the proposed land reform in South Africa and the faster normalisation of monetary policy in major economies, especially the US also presents an upside risk to the exchange rate.



Even though inflation is forecasted to be contained in 2019, the fan chart points to an upward bias of inflation in the outer months of 2019.

Note that the Central Bank of Eswatini will not be held liable for any eventualities resulting from the use of this information. For any queries please contact the Research Department at 2408 2244/2415.