

CENTRAL BANK OF SWAZILAND



Research Department - Modeling Section

Swaziland Inflation Forecasts 2017 - 2019 "we project the future"

Updated April 2017

Forecasts notes

The consumer price inflation projections have been revised downwards from the annual average of 7.36 per cent in 2017 to 7.27 per cent, still lower than the 7.8 per cent 2016 average. Headline inflation averaged 7.0 per cent in the first quarter of 2017, 0.54 per cent lower than the first quarter forecast of 7.54 per cent. Quarterly inflation for the remaining three quarters of 2017 is expected to average 7.41 per cent, 7.28 per cent and 6.84 per cent for quarter 2, 3 and 4, respectively. Inflation in 2017 is still expected to decelerate mainly due the high base effects of 2016 and the good harvests as the drought effects dissipate. However, the curtailing of oil production by OPEC and non-OPEC oil producing countries creates uncertainty in oil prices. Upside risks to inflation include the increase of 15 per cent and 5 per cent in electricity and water prices effected on the 1st of April 2017, respectively and the likely increase of other administered prices like fuel and bread which may negate the inflation deceleration.

The outlook for Lilangeni remains uncertain following international developments like the new administration in the US which is likely to change trade policies and Brexit as well as political developments in South Africa. Should these risks not materialize, the Lilangeni is expected to remain stronger and thus contributing to the deceleration in inflation outlook in the medium term.

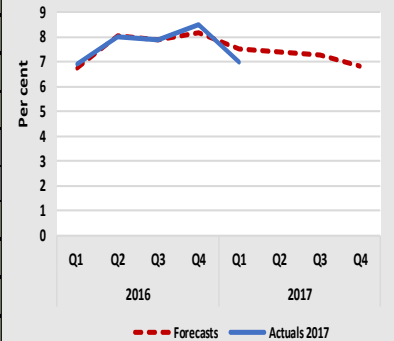
Even though, the fan chart is showing inflation biased downwards with more dark area leaning downwards. The darkest area is where the inflation is most likely to fall, which is the area of the projections.

2017 CPI (% y/y)

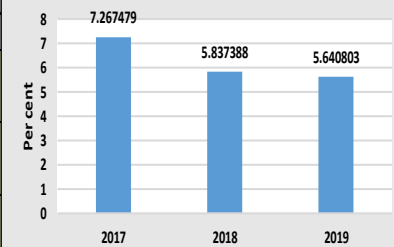
DATE	Forecasts - 2016	Actuals - 2016
Quarter 1 Average	6.75	6.90
Quarter 2 Average	8.05	8.00
Quarter 3 Average	7.89	7.90
Quarter 4 Average	8.19	8.50
Annual Average	7.73	7.83

Graphs

2017 Quarterly Inflation Projections



Medium Term Inflation Forecasts



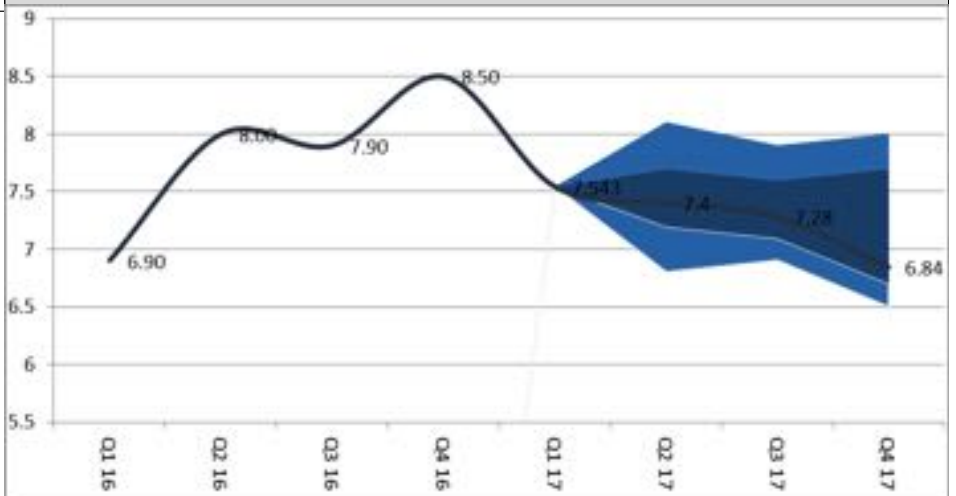
2017 CPI (% y/y)

DATE	Forecasts - 2017	Actuals - 2017
Quarter 1 Average	7.54	7.00
Quarter 2 Average	7.41	
Quarter 3 Average	7.28	
Quarter 4 Average	6.84	
Annual Average	7.27	

MEDIUM TERM CPI PROJECTIONS (% y/y)

2017	7.27	
2018	5.84	
2019	5.64	

FAN CHART FOR 2017 INFLATION PROJECTIONS



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 2408 2244 / 2408 2415.