



2021 INFLATION FORECASTS (% y/y)					
DATE	May	July			
Forecasts notes					
<p>Inflation forecasts have been revised upwards for 2021 and remain unchanged for the medium term. While the second quarter of 2021 came out lower than previously forecasted, inflation is expected to grow slightly faster in the remaining quarters of the year. Driving the outlook, domestically, administered prices continue to exert minimal pressure on the overall inflation. However, external factors linked in part to the effects of COVID-19 continue to exert upward pressures on domestic inflation. These factors include among others, an increase in global Brent crude prices which is in line with the increase in global economic activity. In addition, the resultant hike in fuel prices in South Africa which mainly transmits to Eswatini's inflation via the importation of the finished goods, further adds more pressure on the inflation outlook. Due to the COVID-19 third wave outbreak resulting in a stricter lockdown measures intended to contain the spread of virus, supply constraints are likely to set in. Supply constraints are further to be exacerbated by the political unrest in the country and in South Africa which resulted in major disturbances of business operations.</p> <p>Despite an expected upward pressure on overall inflation, the effects are expected mainly in the short-term. While the inflation outlook in the short-term is expected to be slightly offset by the relatively strong Rand, the latest signs of rand depreciation will pose as an upside risk to the overall inflation. Consequently, the inflation rate for the third and fourth quarters are slightly revised up to 3.95 per cent (from 3.85 per cent) and 3.87 per cent (from 3.79 per cent) respectively. Therefore, the annual average inflation forecast for 2021 is higher at 3.92 per cent from 3.88 per cent projected in May 2021.</p> <p>In the medium term, underlying price pressures in the form of a weaker Rand, elevated Brent crude oil prices are expected to remain unchanged from the previous assessment and in line with the projected economic recovery. Therefore, inflation forecasts for 2022 and 2023 are unchanged at 4.11 per cent and 4.27 per cent, respectively.</p>	Quarter 1 Average	4.13	4.13	<p>Quarterly Inflation Forecasts 2021</p> <p>Notes: (a) Actual inflation</p>	
	Quarter 2 Average	3.76	3.72		
	Quarter 3 Average	3.85	3.95		
	Quarter 4 Average	3.79	3.87		
	Annual Average	3.88	3.92		
	2022 INFLATION FORECASTS (% y/y)				
	DATE	May	July		
	Quarter 1 Average	4.01	4.01		<p>Inflation Forecasts 2021-2023</p>
	Quarter 2 Average	4.52	4.52		
	Quarter 3 Average	3.83	3.83		
Quarter 4 Average	4.07	4.07			
Annual Average	4.11	4.11			
SHORT-MEDIUM TERM INFLATION FORECASTS (% y/y)					
DATE	May	July			
2021	3.88	3.92			
2022	4.11	4.11			
2023	4.27	4.27			
FAN CHART FOR 2021 INFLATION PROJECTIONS					

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.