



**Forecasts notes**

Inflation forecasts have been revised downwards for the short-to-medium term. The downward revision largely emanates from the zero increase in housing rental which weighed heavily on the overall inflation than the electricity tariff increase effected in April 2021. The improved Rand outlook also pose as a positive risk to the outlook. This outturn of the inflationary pressure therefore shifts the inflation outlook trajectory to the downside. On the other hand, the recent surge in domestic fuel prices resulting from the increase in Brent crude oil prices pose as an upward pressure on domestic inflation outlook. The increase in fuel prices largely transmits directly and indirectly on domestic inflation. Even though inflation has been revised downwards, it remains biased towards the upside risks due to these inflationary pressures.

While the global roll-out of COVID-19 vaccines is still expected to strengthen economic activity, exerting inflationary pressures on domestic prices, the advent of domestic factors, more so housing rentals, weighed down on overall inflation resulting in the downward revision of the remainder of 2021. As a result, the second quarter of 2021 is revised down to 3.76 per cent (from 4.48 per cent), the third quarter of 2021 is down to 3.85 per cent (from 4.41 per cent). Therefore, the annual average inflation forecast for 2021 was also revised down to 3.88 per cent from 4.33 per cent projected in March 2021.

In the medium term, underlying price pressures in the form of a slightly weaker Rand outlook and elevated Brent crude oil prices are expected to remain unchanged from the previous assessment and in line with the projected economic recovery. However, the lower than expected inflation outturn in the short-term has resulted in the downward revision of the medium-term projections. Therefore, inflation forecasts for 2022 and 2023 are revised down to 4.11 per cent (from 4.71 per cent) and 4.27 per cent (from 4.87 per cent), respectively.

**2021 INFLATION FORECASTS (% y/y)**

DATE	March	May
<b>Quarter 1 Average</b>	4.07	4.13
<b>Quarter 2 Average</b>	4.48	3.76
<b>Quarter 3 Average</b>	4.41	3.85
<b>Quarter 4 Average</b>	4.36	3.79
<b>Annual Average</b>	4.33	3.88

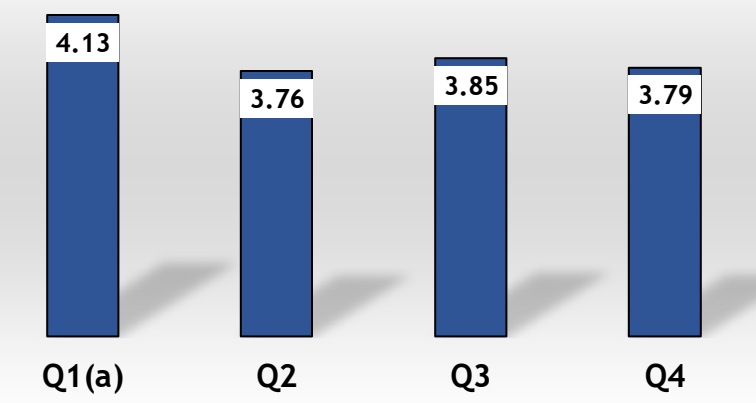
**2022 INFLATION FORECASTS (% y/y)**

DATE	March	May
<b>Quarter 1 Average</b>	4.61	4.01
<b>Quarter 2 Average</b>	5.12	4.52
<b>Quarter 3 Average</b>	4.43	3.83
<b>Quarter 4 Average</b>	4.67	4.07
<b>Annual Average</b>	4.71	4.11

**SHORT-MEDIUM TERM INFLATION FORECASTS (% y/y)**

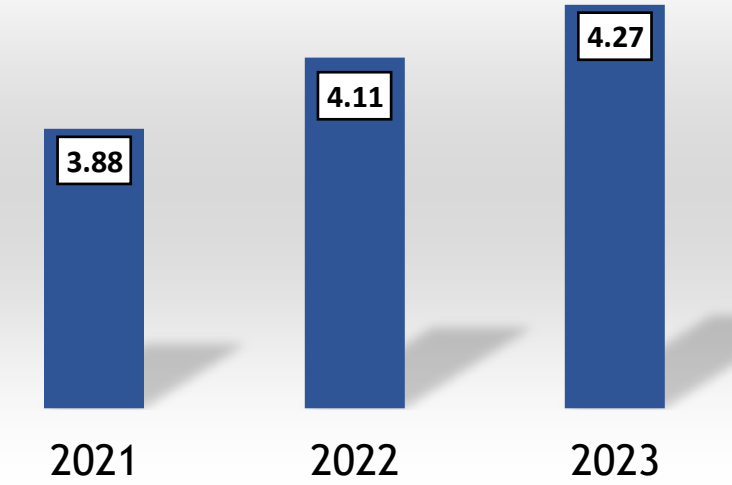
DATE	March	May
<b>2021</b>	4.33	3.88
<b>2022</b>	4.71	4.11
<b>2023</b>	4.87	4.27

**Quarterly Inflation Forecasts 2021**

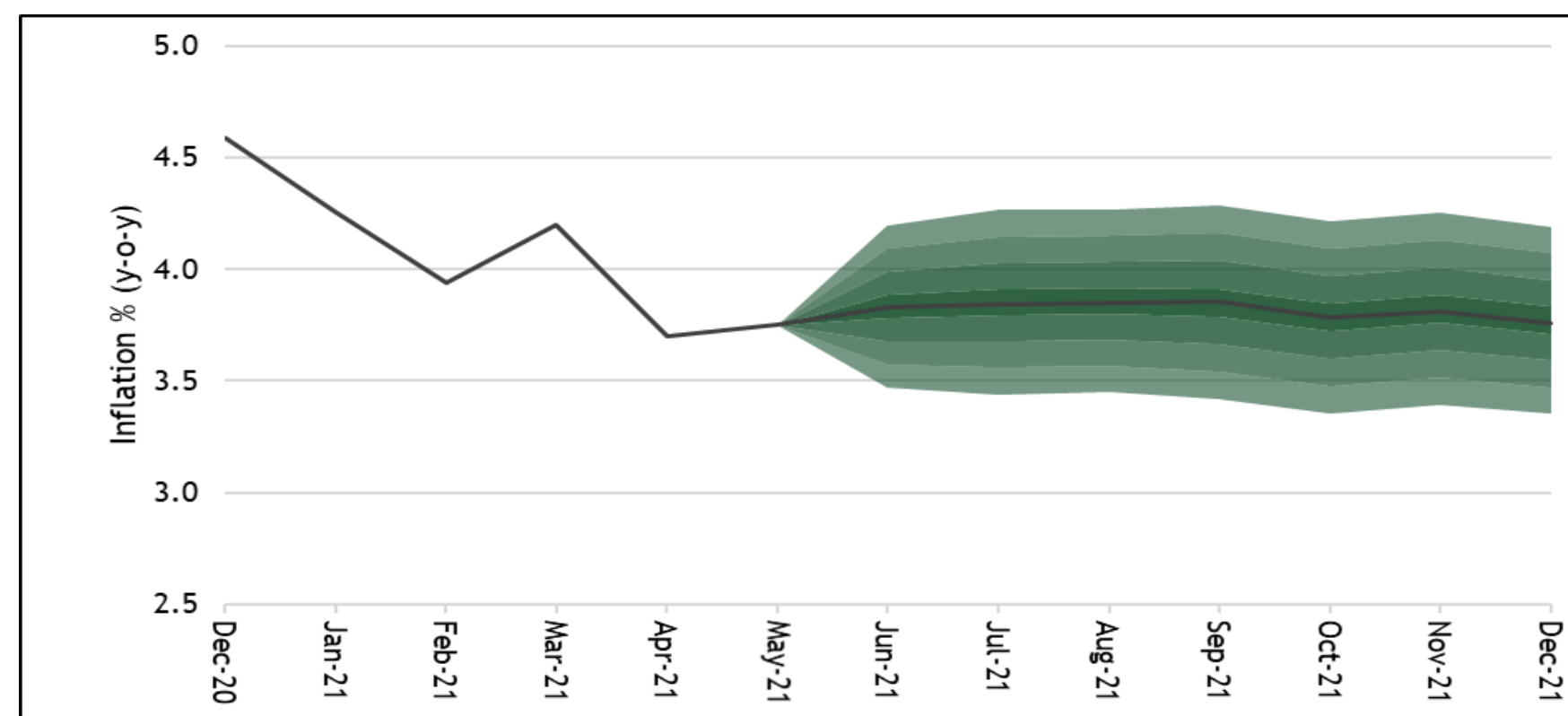


a: actual inflation

**Inflation Forecasts 2021-2023**



**FAN CHART FOR 2021 INFLATION PROJECTIONS**



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