



**Forecasts notes**

The Bank has revised upwards its short-to-medium term forecasts reflecting persistent inflationary pressures. The actual average inflation for the second quarter of 2022 came out high reflecting stronger upward pressures. The Bank's assessment of the overall risks to the inflation outlook continue to show that they are skewed to the upside thus suggesting an upward trend in the inflation forecasts for forecast period.

Inflation is forecasted to remain elevated due to: expected further increase in South Africa's and domestic fuel prices due to the extended Russia-Ukraine war which continues to suppress global Brent Crude Oil supplies. Also the supply of other inputs such as fertilizer and wheat have been put under pressure due to the war. As a result, food prices are also expected to remain elevated due to the persistent high input costs. Moreover, higher inflation in South Africa which mainly transmit via import of finished goods is expected to influence domestic inflation to the upside. These risks are, however, counteracted by the expected stronger Rand and the dissipating effects of COVID-19 as measures to recover from the pandemic continue to be put in place, especially in the short-term.

As a result, the annual average inflation forecast for 2022 is revised up to 4.38 per cent, from 4.10 per cent forecasted in May 2022. The third quarter of 2022 is also revised up to 4.92 per cent (from 4.35 per cent) and the fourth quarter of 2022 to 4.98 per cent (from 4.48 per cent).

In the medium term, inflation for 2023 is forecasted to be higher than previously expected and the forecast for 2024 is marginally higher. In this period, the Rand is expected to remain weaker, exerting upward pressure on inflation. Increases in domestic administered prices pose as an upside risk. However, while Brent oil prices are revised up for 2023 exerting inflationary pressures, a slower increase in 2024 is expected, somewhat cushioning against the inflationary pressures. Therefore, inflation for 2023 is forecasted at 4.38 per cent (from 4.02 per cent) and 2024 at 4.20 per cent (from 4.17 per cent).

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

DATE	May	July
Quarter 1 Average	3.44	3.44
Quarter 2 Average	4.13	4.17
Quarter 3 Average	4.35	4.92
Quarter 4 Average	4.48	4.98
Annual Average	4.10	4.38

**2023 INFLATION FORECASTS (% y/y)**

DATE	May	July
Quarter 1 Average	4.11	4.85
Quarter 2 Average	3.93	4.76
Quarter 3 Average	3.97	4.33
Quarter 4 Average	4.08	4.13
Annual Average	4.02	4.52

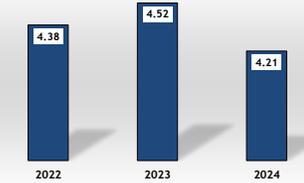
**SHORT-MEDIUM TERM INFLATION FORECASTS (% y/y)**

DATE	May	July
2022	4.10	4.38
2023	4.02	4.52
2024	4.17	4.21

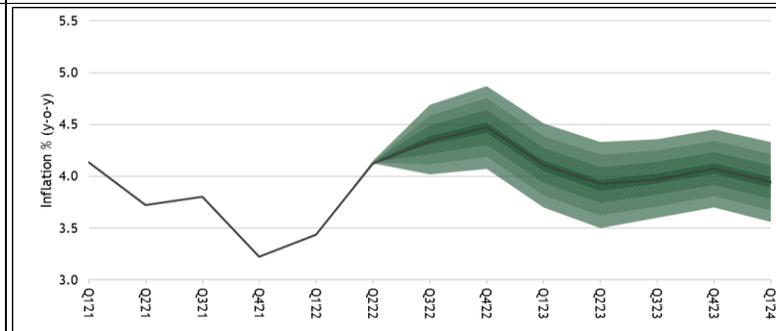
**Quarterly Inflation Forecasts 2022**



**Annual Inflation Forecasts**



**FAN CHART FOR THE INFLATION PROJECTIONS**



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