



**Forecasts notes**

Inflation forecasts have been revised downwards for the short-term but remain on the upward trajectory. The downward revision is as a result of a combination of lower than anticipated inflation figures received for February 2021 coupled with the lower than expected increase in domestic utility tariffs. Furthermore, the expected exchange rate appreciation in the short-term is expected to exert downward pressures on the domestic economy. Even though inflation has been revised downwards, it remains biased towards the upside risks due to persistent inflationary pressures. The global roll-out of COVID-19 vaccines, which is expected to restore economic activity, is anticipated to result in higher oil prices and therefore exerting inflationary pressures on domestic prices. On the other hand, the vaccines is expected to restore supply chain as countries relax the lockdowns and consequently putting downward pressures on inflation towards in the second half of the year 2021.

Upward pressure on inflation in the short term is also likely to come from the effected hike in domestic fuel price, the expected increase in housing rentals and the approved electricity tariff increase which transmit to Eswatini's inflation. While the approved electricity tariff is expected to add inflationary pressures, the effect is expected to be milder than previously anticipated. Consequently, inflation rate for the first quarter of 2021 is revised down to 4.07 per cent (from 5.04 per cent), the second quarter of 2021 is down to 4.48 per cent (from 5.88 per cent). As a result, the annual average inflation forecast for 2021 is lower at 4.33 per cent than the 5.42 per cent projected in January 2021.

In the medium term, overall inflation is forecasted to be lower than previously anticipated but remains elevated. A gradual depreciation of the Rand in the medium term is expected, exerting upward pressure on the domestic inflation. Upward pressure on overall inflation in the medium term is also expected from increases in domestic administered prices. Therefore, inflation for 2022 and 2023 are forecasted at 4.71 per cent (from 5.25 per cent) and 4.87 per cent (from 5.50 per cent), respectively.

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

DATE	January	March
<b>Quarter 1 Average</b>	5.04	4.07
<b>Quarter 2 Average</b>	5.88	4.48
<b>Quarter 3 Average</b>	5.48	4.41
<b>Quarter 4 Average</b>	5.27	4.36
<b>Annual Average</b>	5.42	4.33

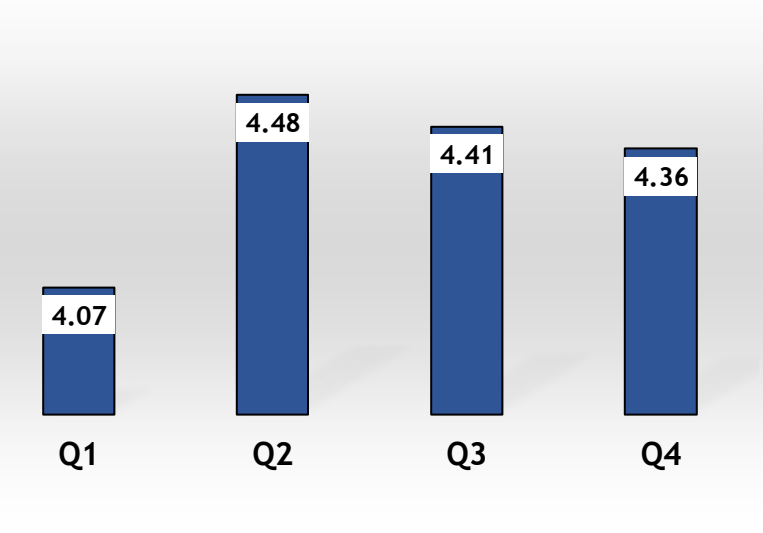
**2022 INFLATION FORECASTS (% y/y)**

DATE	January	March
<b>Quarter 1 Average</b>	5.17	4.61
<b>Quarter 2 Average</b>	5.66	5.12
<b>Quarter 3 Average</b>	4.95	4.43
<b>Quarter 4 Average</b>	5.20	4.67
<b>Annual Average</b>	4.68	4.71

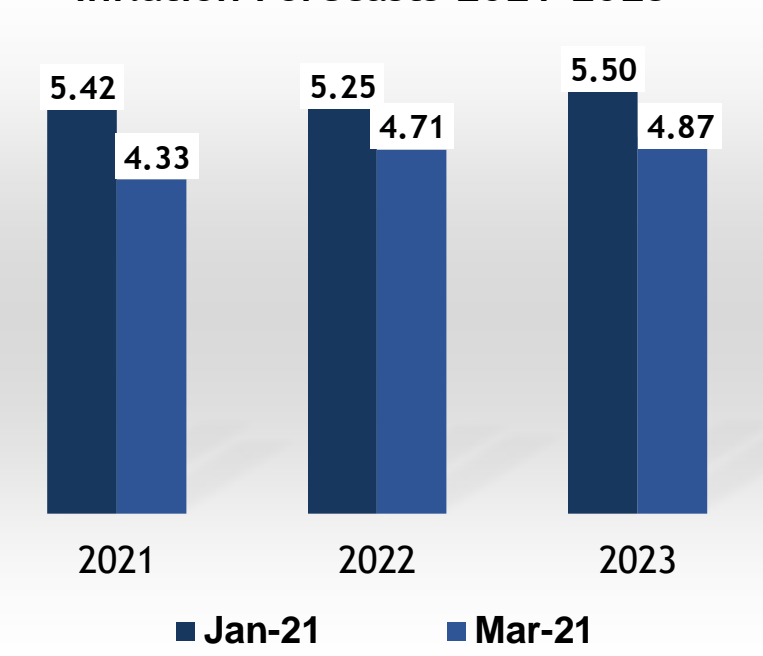
**SHORT-MEDIUM TERM INFLATION FORECASTS (% y/y)**

DATE	January	March
<b>2021</b>	5.42	4.33
<b>2022</b>	5.25	4.71
<b>2023</b>	5.50	4.87

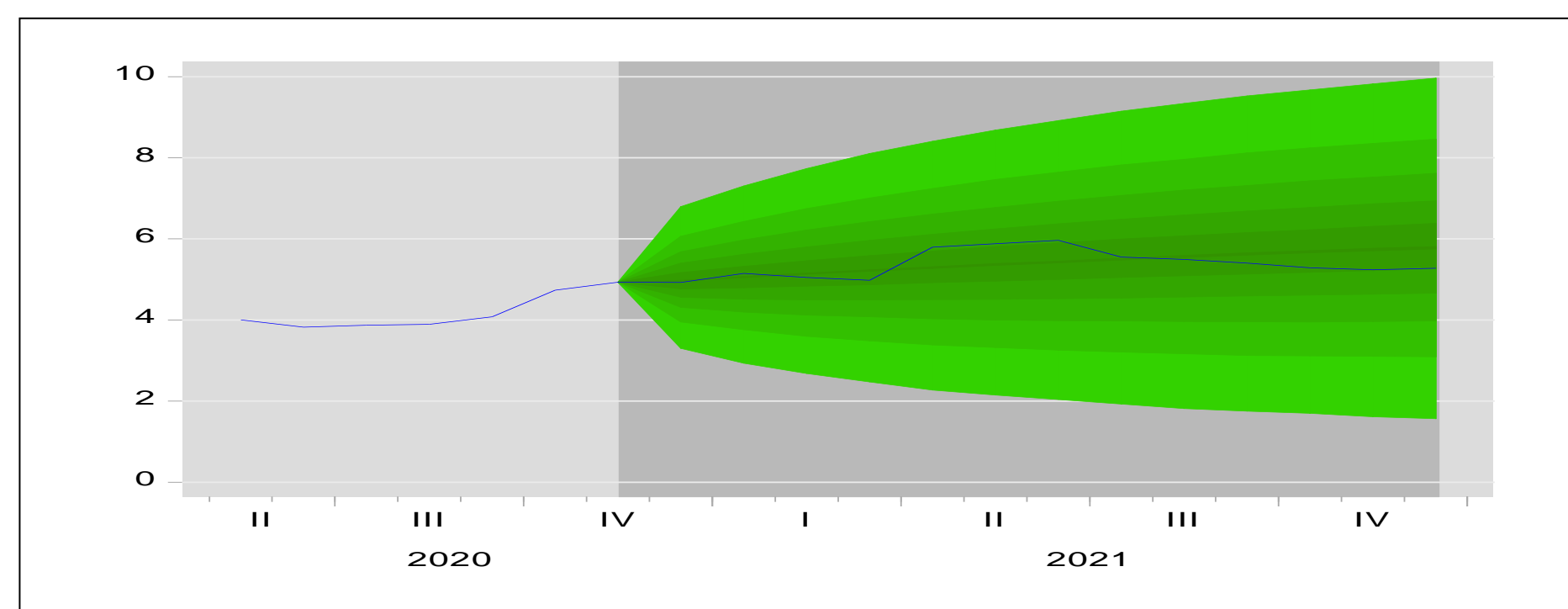
**Quarterly Inflation Forecasts 2021**



**Inflation Forecasts 2021-2023**



**FAN CHART FOR 2021 INFLATION PROJECTIONS**



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