



Forecasts notes

The country's overall inflation is on an upward trend driven mainly by increases in food and transport inflation. As a result, the August 2022 inflation outturn reached 5.8 per cent, slightly higher than the Bank's forecast. The Bank has revised upwards its short-to-medium term inflation forecasts. The upward revision is a result of the persistent upside pressures which generally continue to weigh on the domestic consumer price inflation. Among the upside factors is the escalating inflation in South Africa which transmits to domestic inflation through imported finished goods and services. Also the supply of key inputs such as fertilizer and wheat remain under pressure due to the ongoing war between Russia and Ukraine. As a result, food inflation is expected to remain elevated hence an increase in overall inflation. Another factor is the weakening Rand outlook which is expected to exert further upward pressure on domestic inflation especially in the forecast period.

While the outlook for global Brent crude oil prices suggest slower increases than previously expected, they remain elevated. The recent and expected further decreases in South Africa's and domestic fuel prices due to the slower increases in global Brent Crude Oil prices are expected to exert minimal downside pressure on inflation. As a result, the annual average inflation forecast for 2022 is revised up to 4.79 per cent, from 4.38 per cent forecasted in July 2022. The third quarter of 2022 is also revised up to 5.67 per cent (from 4.92 per cent) and the fourth quarter of 2022 to 5.86 per cent (from 4.98 per cent).

In the medium term, inflation for 2023 and 2024 are higher than the previous forecasts. This upward revision also aligns with more pronounced second-round effects which will, in turn, generate persistent inflationary pressures. In this forecast period, the Rand is expected to remain weaker, exerting upward pressure on inflation. Increases in domestic administered prices are expected to continue as an upside risk. Although the forecasts for 2024 is revised upward, it is still lower than the forecast rate for 2023. This is partly due to expected Brent oil prices being lower for 2024 than 2023. Overall Brent crude oil prices though, are expected to remain elevated. Therefore, inflation for 2023 is forecasted at 5.29 per cent (from 4.52 per cent) and 2024 at 4.76 per cent (from 4.21 per cent).

2022 INFLATION FORECASTS (% y/y)

DATE	July	September
Quarter 1 Average	3.44	3.44
Quarter 2 Average	4.17	4.17
Quarter 3 Average	4.92	5.67
Quarter 4 Average	4.98	5.86
Annual Average	4.38	4.79

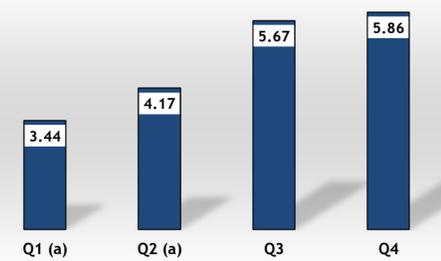
2023 INFLATION FORECASTS (% y/y)

DATE	July	September
Quarter 1 Average	4.85	5.73
Quarter 2 Average	4.76	5.55
Quarter 3 Average	4.33	5.00
Quarter 4 Average	4.13	4.89
Annual Average	4.52	5.29

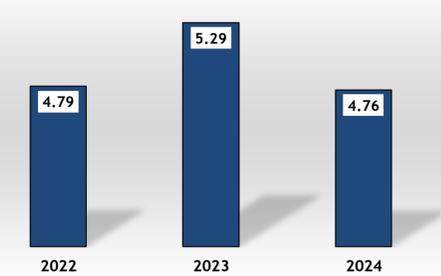
SHORT-MEDIUM TERM INFLATION FORECASTS (% y/y)

DATE	July	September
2022	4.38	4.79
2023	4.52	5.29
2024	4.21	4.76

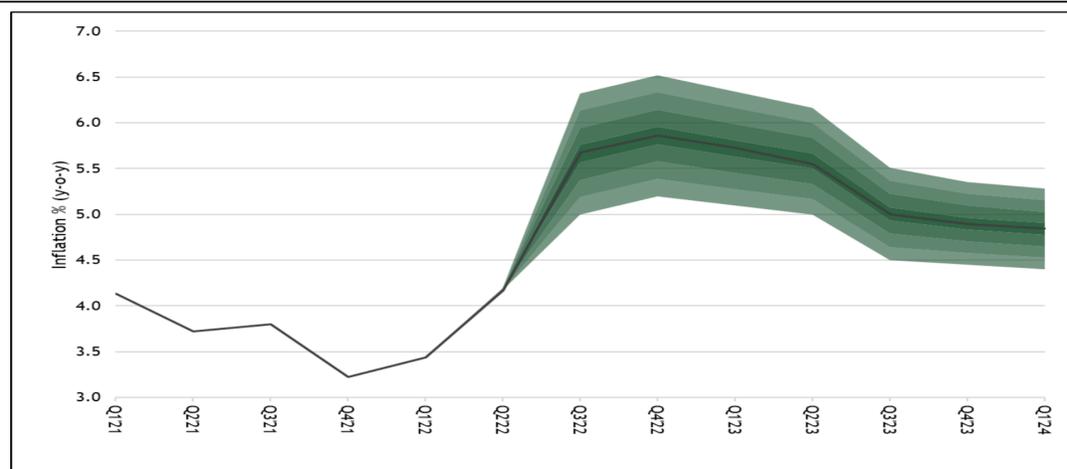
Quarterly Inflation Forecasts 2022



Annual Inflation Forecasts



FAN CHART FOR THE 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.