Eswatini Inflation Forecasts 2025 - 2027

Updated July 2025

Forecasts notes

The Bank's forecasts for the short term have been marginally revised downwards. Sustained moderation in food inflation, along with stable house rentals inflation, have situated the short-term outlook on the downside. As a result, the inflation outturn for the quarter ended June 2025 was recorded at 3.13 per cent, lower than the Bank's forecast of 3.31 per cent at the time of the previous meeting. Externally, oil prices are expected to continue to be depressed in the short-to-medium as excess global supply keeps driving prices down.

Further augmenting the moderation in headline inflation, was the relative strength of the Rand/Lilangeni exchange rate against the US dollar, in particular. The Rand's recent rally can be attributed primarily to a weaker US dollar, which has lost some ground amid renewed economic volatility and ambiguity surrounding US tariff policy. However, even in this volatile period, global markets have responded to mounting uncertainty in the United States, driving capital flows into higher-yielding emerging market assets, with the Rand among the beneficiaries. Consequently, the Rand/Lilangeni improved to average E18.74 per US dollar in June 2025 from E18.11 per US dollar in May 2025.

Developments in core inflation (CPI excluding volatile items such as food, auto-fuel, and energy) have seen it continue to move in tandem with headline inflation. The outcome for the month of June 2025 came out marginally lower (at 3.3 per cent), than the Bank's forecast of 3.7 per cent at the time of the previous meeting. Moderation in services and food inflation, key indicators of the movements in core inflation, situates the outlook on the downside in the short-term.

The South African headline inflation is forecast to marginally rebound in the third and fourth quarters of 2025, albeit at levels lower than previous forecasts. The lower inflation in South Africa, which mainly transmit via import of finished goods, is therefore anticipated to influence headline inflation in Eswatini to the downside. As a result, the third quarter of 2025 is revised down to 3.39 per cent (from 3.85 per cent). The fourth quarter is also revised down to 3.52 per cent (from 3.52 per cent). Consequently, the annual inflation forecast for 2025 is revised down to 3.49 per cent, from the May 2025 forecast of 3.66 per cent.

In the medium term, the oil price assumption has been revised downwards although upside risks remain, with then US intending to cut production. From the Bank's assessment, the decrease in oil prices is expected to exert downward pressure on domestic headline inflation, particularly the transport and food components. Domestically, the downward review of the multi-year electricity tariffs is expected to exert downward pressure on overall inflation. As a result, the forecast for 2026 is revised down 3.95 per cent (from 4.05 per cent), while the forecast for 2027 is revised down to 3.71 per cent (from 3.92 per cent).

2025 INFLATION FORECASTS (% y/y)

Date	May-25	Jul-25
Quarter 1 Average	3.94	3.94
Quarter 2 Average	3.31	3.13
Quarter 3 Average	3.85	3.39
Quarter 4 Average	3.56	3.52
Annual Average	3.66	3.49

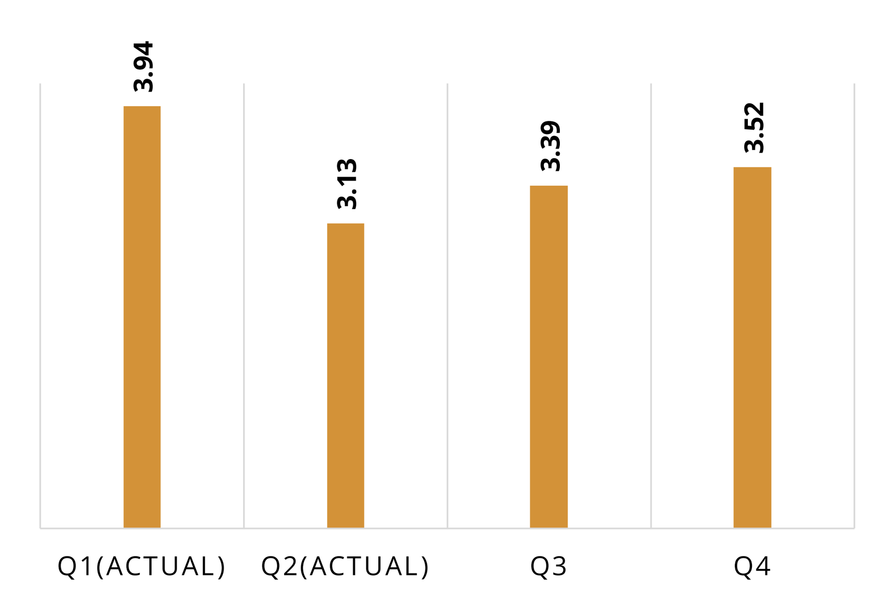
2026 INFLATION FORECASTS (% y/y)

Date	May-25	Jul-25
Quarter 1 Average	3.53	3.46
Quarter 2 Average	4.18	4.10
Quarter 3 Average	4.20	4.28
Quarter 4 Average	4.27	3.95
Annual Average	4.05	3.95

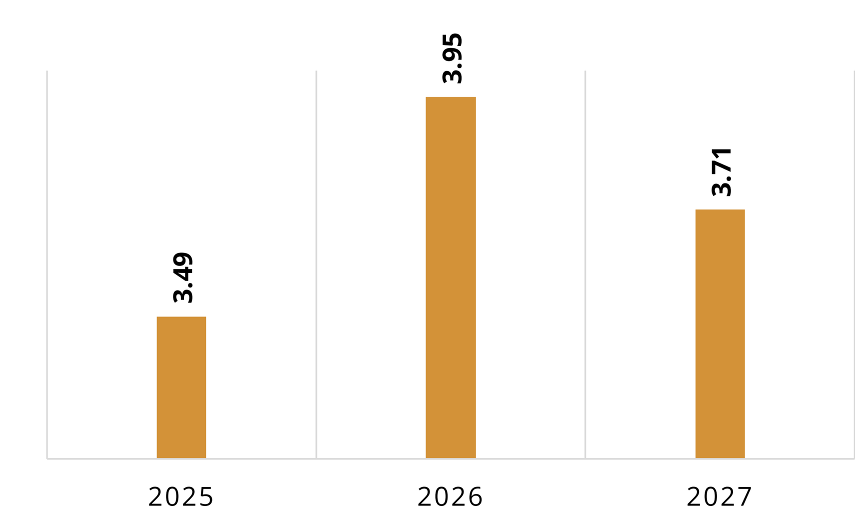
SHORT-MEDIUM TERM INFLATION FORECASTS (% y/y)

Date	May-25	Jul-25
2025	3.66	3.49
2026	4.05	3.95
2027	3.92	3.71

QUARTERLY INFLATION FORECASTS 2025



ANNUAL INFLATION FORECASTS



FAN CHART FOR THE INFLATION PROJECTIONS