Eswatini Inflation Forecasts 2026 - 2028

Research Department, Modelling & Forecasting Unit **Updated July 2026**

Forecasts notes

The Bank's short-term headline inflation forecasts have been revised downwards, reflecting the continued moderation in food inflation and the emergence of deflationary pressures associated with recent developments in the Middle East. Although the conflict initially heightened uncertainty in global energy markets, oil prices have since moderated as supply disruptions remained contained leading to an improvement in market expectation. Given the direct transmission of lower global oil prices to the domestic economy, the decline in international oil prices has eased fuel and transportation inflation, thereby exerting downward pressure on headline inflation. Consequently, the inflation outlook is expected to record an improvement relative to the previous forecast round.

Exchange rate developments also present a key downside risk. Recenltly, the Rand/Lilangeni exchange rate proved resilient notwithstanding the weakness of precious metal prices and the risks emanating from the ongoing negotiations between the US and Iran. This is expected to ameliorate imported inflationary pressures, particularly given Eswatini's heavy reliance on imports from South Africa, especially fuel.

During the month of May 2026, core inflation moved in tandem with headline inflation with outturn of 2.2 percent being lower than the banks forecast of 3.0 per cent at the time of the previous meeting. In the short term, food inflation is expected to remain stable with upside risks expected to emanate from a possible El Ninho drought envisaged to hit the country in the latter part of the year. Services inflation experienced upward pressure mainly sourcing from the delayed effects on the transport line, however, these are expected to ameliorate as the pressures on transport line shows signs of easing. This is on the back of a moderation in global oil prices and the relative strength of the Lilangeni, which is anticipated to continue in the near term. Consequently, core inflation forecasts for the third quarter are revised down to 2.20 percent from 3.53 percent and the fourth quarter to 2.14 percent from 3.64 percent.

The Bank's headline inflation forecasts for the third quarter have been revised downward to 3.54 percent from 3.95 percent, while the fourth quarter forecast is marginally revised down to 4.14 percent from 4.29 per cent. Consequently, the annual average inflation forecast for 2026 has been revised down to 3.0 percent from 3.31 percent.

Over the medium term, oil prices are expected to remain volatile with risks skewed towards the upside on the possibility of an escalation of the war between the US and Iran. While the Rand/Lilangeni exchange rate is expected to appreciate against major currencies, it remains vulnerable to the US monetary policy rate hikes as inflation in the US remains stubbornly high. These developments are likely to support upward pressure on imported inflation and fuel-related costs. Consequently, the inflation forecast for 2027 has been revised upward to 4.35 percent from 3.74 percent, while the 2028 forecast has also been revised upward to 3.55 percent from 3.30 percent.

2026 HEADLINE/CORE INFLATION FORECASTS (% y/y)

Date	May-26		Jul-26	
	Headline inflation	Core inflation	Headline inflation	Core inflation
Quarter 1 Average	1.89	2.31	1.89	2.31
Quarter 2 Average	3.12	2.59	2.41	1.92
Quarter 3 Average	3.95	3.53	3.54	2.20
Quarter 4 Average	4.29	3.64	4.14	2.14
Annual Average	3.31	3.02	3.00	2.14

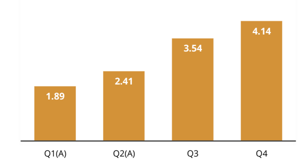
2027 INFLATION FORECASTS (% y/y)

Date	May-26	Jul-26
Quarter 1 Average	4.35	4.63
Quarter 2 Average	3.87	4.72
Quarter 3 Average	3.44	4.31
Quarter 4 Average	3.30	3.75
Annual Average	3.74	4.35

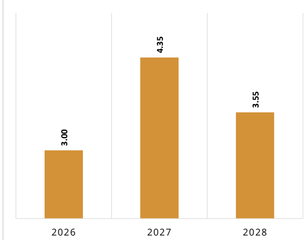
SHORT-MEDIUM TERM INFLATION FORECASTS (% y/y)

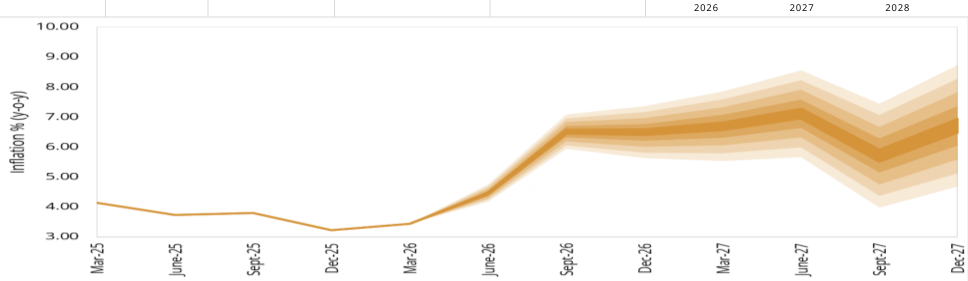
Date	May-26	Jul-26
2026	3.31	3.00
2027	3.74	4.35
2028	3.30	3.55

QUARTERLY INFLATION FORECASTS



ANNUAL INFLATION FORECASTS





Note: the Central Bank of Eswatini will not be held liable for any eventualities resulting from the use of this information. For an y quiries please contact the Research Department at 2408 2244/2415.