



Eswatini Inflation Forecasts 2023 - 2025

Forecasts notes

The Bank has revised downwards its short-term forecasts while the medium-term remains relatively unchanged. The forecast for 2023 is now lower in line with the inflation outturn that somewhat shifted the trend downwards. Although inflation outturn for the quarter ended June 2023 was lower than the forecast, upward pressures to the inflation outlook still prove persistent. Relative to the previous meeting of the MPCC, global Brent crude oil prices have moderated although expected to remain elevated due to the expected fall in the global oil inventories. Hence, global oil prices for the third and fourth quarter of 2023 are forecasted to be slightly higher than previously expected.

In South Africa, the rise in food prices has caused inflation to remain elevated and is expected to trend upwards in the short-to-medium term. In its assessment, the SARB evaluates the risks to inflation to be on the upside given the sticky nature of petrol and food price inflation. Domestically, administered prices of utilities are still expected to exert upward pressure on domestic inflation and the effect is mostly pronounced in the outer years of the forecast period. The general upward shift in the trend of the exchange rate, mainly caused by the negative investor sentiments arising from poor economic outlook in South Africa, remains an upward risk to domestic inflation. Although expected to improve over time, the Rand exchange rate remains weaker. As a result, inflation for the third and fourth quarter of 2023 continues to trend upwards despite the downward shift from the lower outturn. The third quarter of 2023 is forecasted at 5.48 per cent (from 5.65 per cent) and the fourth quarter is forecasted at 5.53 per cent (from 5.76 per cent). Consequently, the annual average inflation forecast for 2023 is revised downwards to 5.55 per cent (from 5.71 per cent).

The inflation rate for 2024 is also slightly revised up. The slight upward revision in the forecasts generally aligns with elevated global oil prices that are expected to moderate towards the year 2025. The Rand is still expected to remain weaker and pose upward inflationary pressure on inflation, although a slight improvement in the exchange rate is expected when compared to 2023. With inflationary pressures expected to moderate in 2025, the inflation forecast for 2025 is thus unchanged from the previous projection. Therefore, inflation for 2024 is forecasted at 5.36 per cent (from 5.31 per cent) while for 2025 is unchanged at 5.13 per cent.

2023 INFLATION FORECASTS (% y/y)

Date	May	July
Quarter 1 Average	5.54	5.54
Quarter 2 Average	5.90	5.67
Quarter 3 Average	5.65	5.48
Quarter 4 Average	5.76	5.53
Annual Average	5.71	5.55

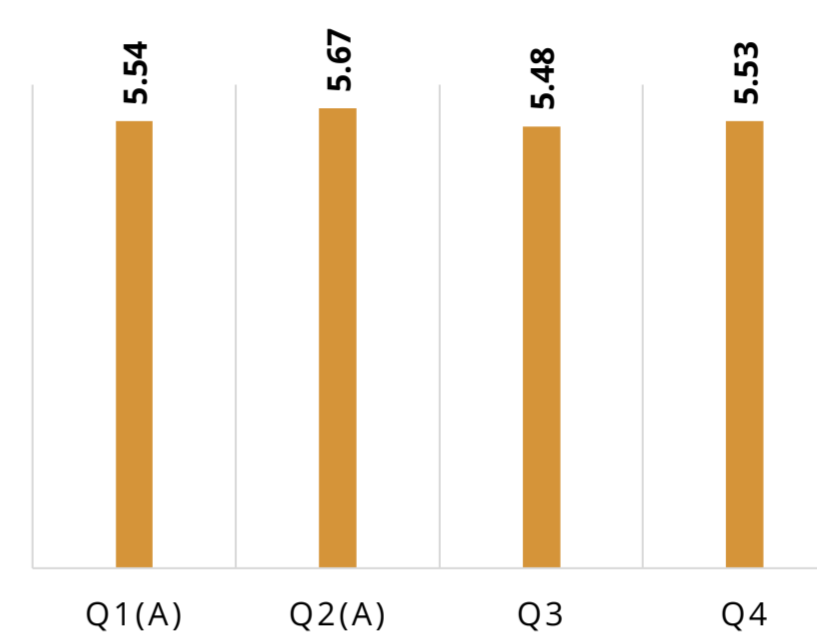
2024 INFLATION FORECASTS (% y/y)

Date	May	July
Quarter 1 Average	5.44	5.31
Quarter 2 Average	5.47	5.58
Quarter 3 Average	5.05	5.14
Quarter 4 Average	5.26	5.40
Annual Average	5.31	5.36

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

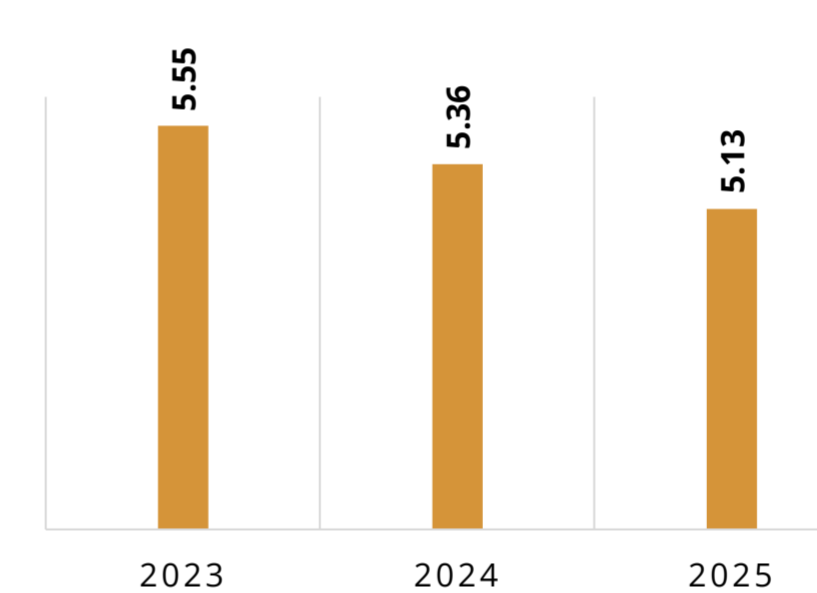
Date	May	July
2023	5.71	5.55
2024	5.31	5.36
2025	5.13	5.13

QUARTERLY INFLATION FORECASTS 2023

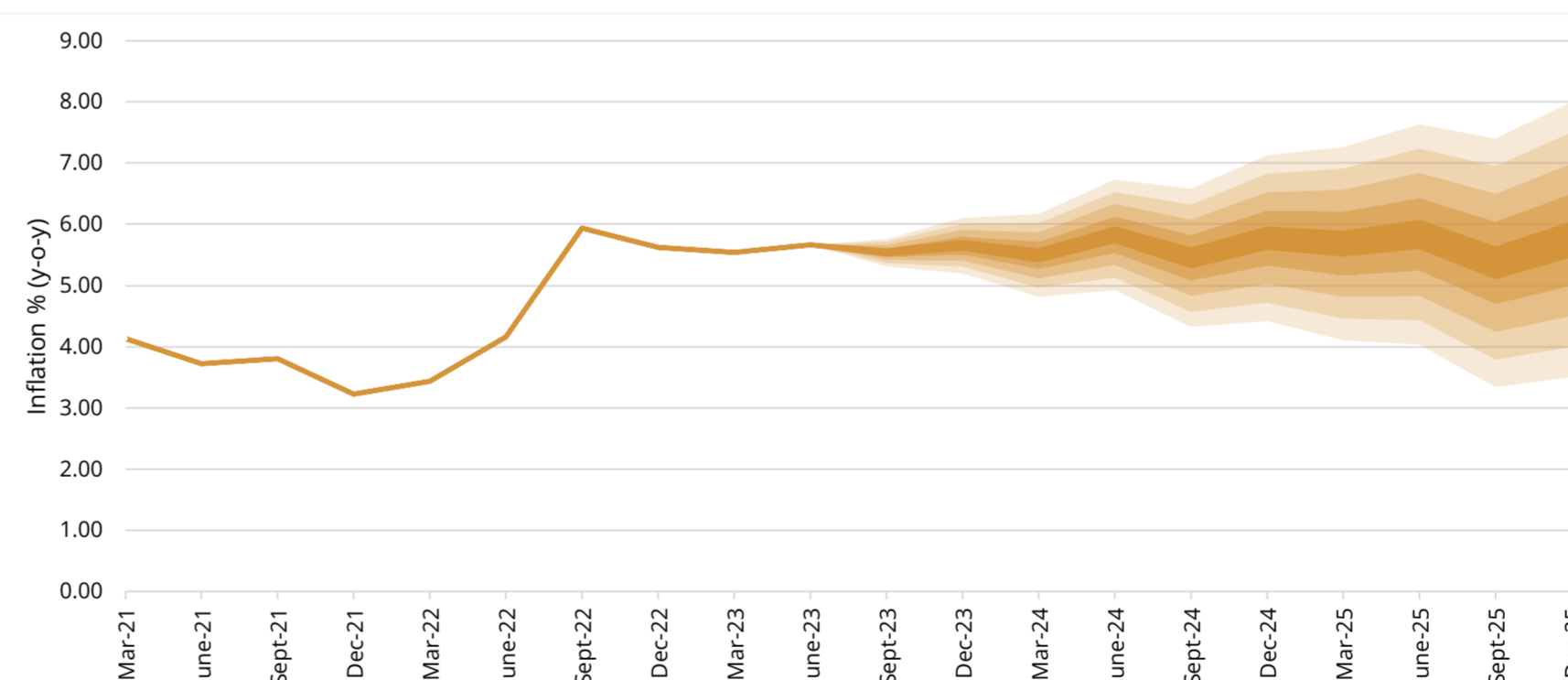


Note: (A)- Actual rate

ANNUAL INFLATION FORECASTS



FAN CHART FOR THE INFLATION PROJECTIONS



Note: 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.