



Forecasts notes

Average inflation for the quarter ended December 2022 was recorded at 5.62 per cent slightly lower than the 5.68 per cent projected in November 2022. This outcome indicates that risks affecting the outlook have slightly shifted downwards. Even though short-to-medium term risks to the inflation outlook have slightly shifted to the downside, they remain elevated with high uncertainty. This is necessitated by the ongoing Ukraine-Russia war which continues to distort global economic activity especially the pricing of fuel and other goods and services. Global Brent crude prices have declined on concerns of weak global oil demand mainly driven by the ongoing COVID-19 lockdown restrictions in China. This uncertain path of the pandemic remains a significant risk to the inflation outlook.

On the domestic front, upward adjustments on administered prices still remain a major upside risk to the inflation outlook. The downward fuel price adjustment seen in December 2022 which aligns with the decline in global oil prices is also expected to soften inflationary pressures. Food inflation, however, remains elevated. The Bank has therefore kept its short-term inflation forecast practically unchanged and the medium-term technically revised upwards. The country's inflation remains unchanged as South Africa's inflation which persistently transmits to domestic inflation through imported finished goods and services is marginally revised upwards but showing signs of significant deceleration towards the end of 2023. The recent decrease in South Africa's fuel prices coupled with the weakening in the Rand are expected to soften any upward pressure on overall domestic inflation. The annual average inflation forecast for 2023 is almost unchanged at 5.54 per cent, from 5.52 per cent forecasted in November 2022. The first quarter of 2023 is forecasted at 5.63 per cent (from 5.73 per cent). The second quarter of 2023 is forecasted at 5.67 per cent (from 5.70 per cent).

In the medium term, inflation for 2024 is higher than the previous forecast. This upward revision also aligns with strong base effects which will be an important factor in the 2024 inflation outcome. Although the forecasts for 2024 is revised upward, it is still lower than the forecast rate for 2023. In this forecast period, the upward revision in inflation is on account of the expected weaker Rand coupled with an expected deceleration in oil prices (although they remain elevated). Increases in domestic administered prices are expected to continue as an upside risk. Therefore, inflation for 2024 is forecasted at 5.23 per cent (from 5.02 per cent) and 2025 at 5.47 per cent.

2023 INFLATION FORECASTS (% y/y)

DATE	November	January
Quarter 1 Average	5.73	5.63
Quarter 2 Average	5.76	5.67
Quarter 3 Average	5.32	5.40
Quarter 4 Average	5.29	5.45
Annual Average	5.52	5.54

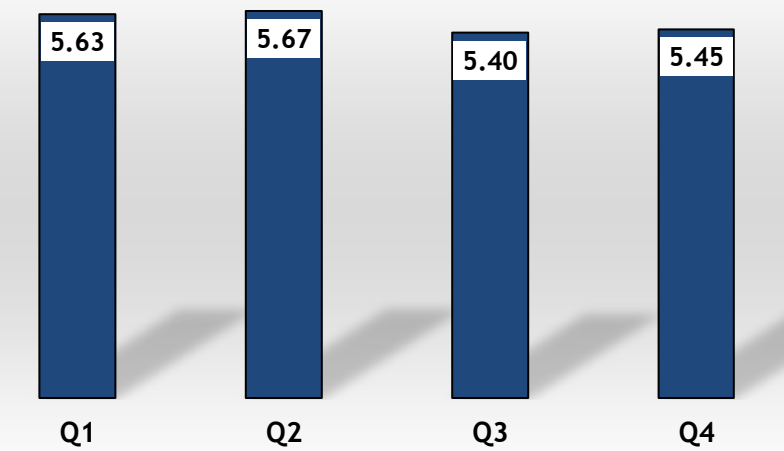
2024 INFLATION FORECASTS (% y/y)

DATE	November	January
Quarter 1 Average	5.49	5.09
Quarter 2 Average	5.23	5.40
Quarter 3 Average	4.63	5.06
Quarter 4 Average	4.74	5.36
Annual Average	5.02	5.23

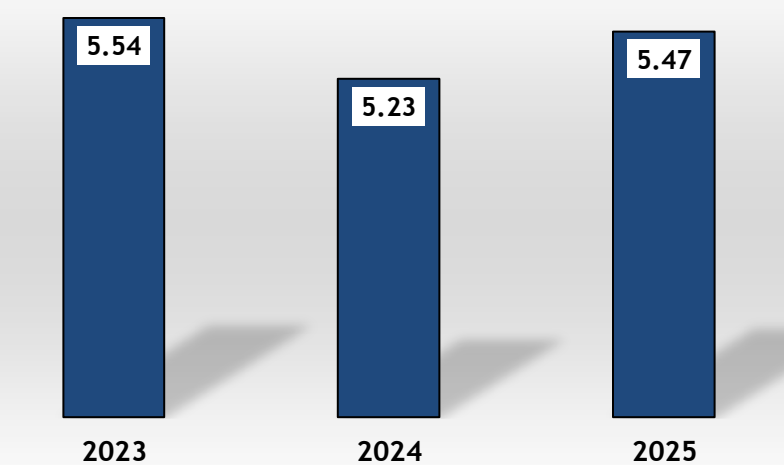
SHORT-MEDIUM TERM INFLATION FORECASTS (% y/y)

Date	November	January
2023	5.52	5.54
2024	5.02	5.23
2025		5.47

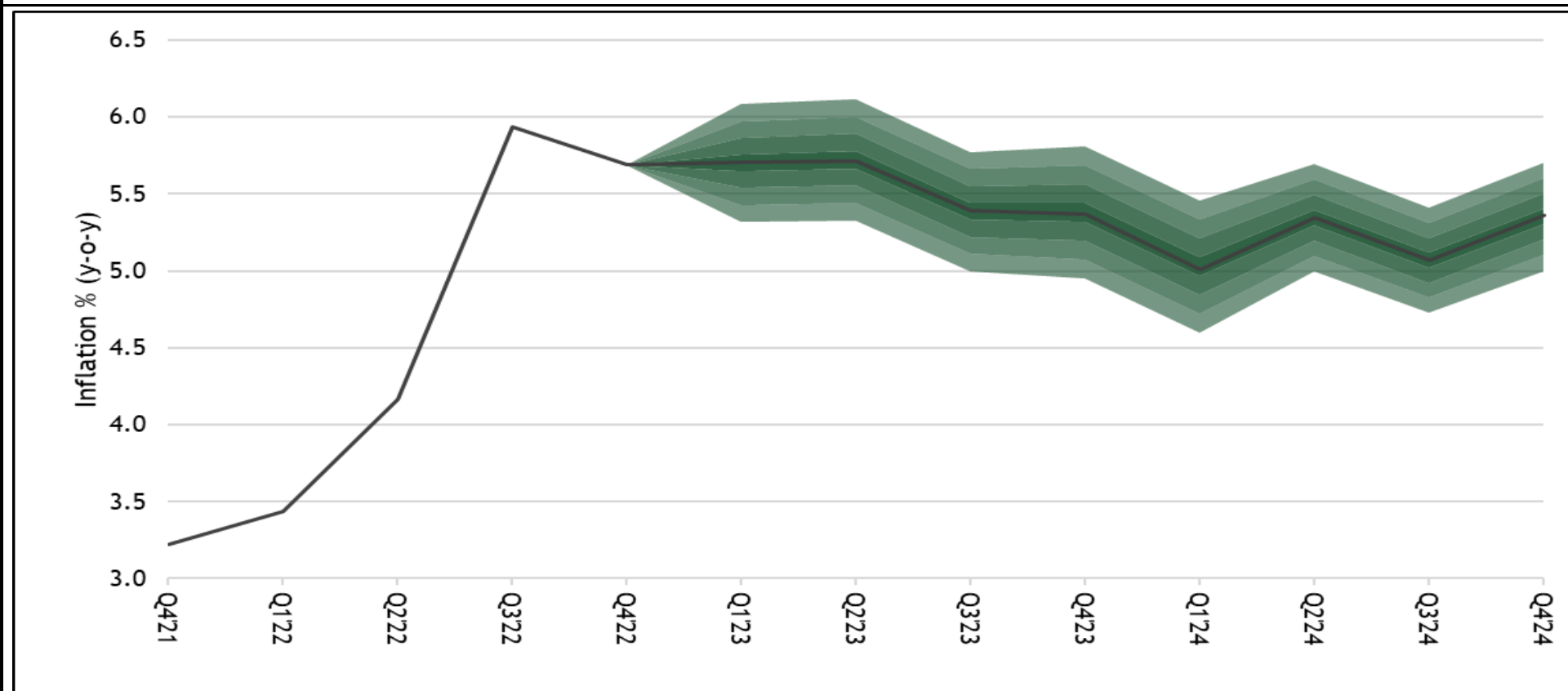
Quarterly Inflation Forecasts 2023



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.