Eswatini Inflation Forecasts 2026 - 2028

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Forecasts notes

The Bank’s short-term inflation forecasts have been revised upwards despite the moderation in food inflation owing to the emerging inflationary pressures, largely driven by ongoing geopolitical tensions in the Middle East involving the United States, Israel, and Iran, which have contributed to a sharp increase in global oil prices. The expected uptick is largely on account of the anticipated impact of the upward pressure from increases in the non-food components of the consumption basket. These are expected to be driven by increases in fuel prices and utility tariffs. The recent geopolitical tensions, particularly the ongoing war between the US and Iran has ultimately intensified the upward risks to the inflation outlook through disruptions in global oil supply.

Exchange rate developments also present a key upside risk. Although the Rand/Lilangeni exchange rate marginally appreciated in April following the news of the ceasefire between the US and Iran, it is expected to remain on a weaker footing as the situation remains unresolved. This is expected to amplify imported inflationary pressures, particularly given Eswatini’s heavy reliance on imports from South Africa, especially fuel.

Developments in core inflation have seen it stabilize at an average of 2.31 per cent during the first quarter of 2026. This outcome is marginally lower than the Bank’s forecast of 2.53 per cent at the time of the previous meeting. In the short term, food inflation is expected to continue to remain stable with upside risks coming from a volatile Lilangeni against the US Dollar. Services inflation is anticipated to exert upward pressure sourcing mainly from the transport line with the upward adjustments in fuel prices during the months of April and May 2026, necessitating an application by operators to revise transport fares. Notwithstanding substantive pressures in the transport line, the stability of the food line situates the outlook on the downside in the short-term owing to its weight in the overall basket. While core inflation forecasts are revised downwards, the general trend will, however, be upwards as core inflation is projected to average 1.79 per cent in the second quarter of the year and rise to 2.12 per cent in the fourth quarter of 2026.

The Bank’s inflation forecasts for the second quarter have been revised slightly upward to 3.12 per cent from 3.08 per cent, while the third quarter forecast remains unchanged at 3.95 per cent. The fourth quarter forecast has also been revised upward to 4.29 per cent from 4.17 per cent. The upward trend in the second and fourth quarters mainly reflects lower base effects and upside risks associated with possible second-round effects from higher fuel prices. Consequently, the annual average inflation forecast for 2026 has been marginally revised upward to 3.31 per cent from 3.27 per cent.

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

Date	Mar-26		May-26	
	Headline inflation	Core inflation	Headline inflation	Core inflation
Quarter 1 Average	1.89	2.53	1.89	2.31
Quarter 2 Average	3.08	2.99	3.12	1.79
Quarter 3 Average	3.95	3.46	3.95	2.23
Quarter 4 Average	4.17	3.43	4.29	2.16
Annual Average	3.27	3.10	3.31	2.12

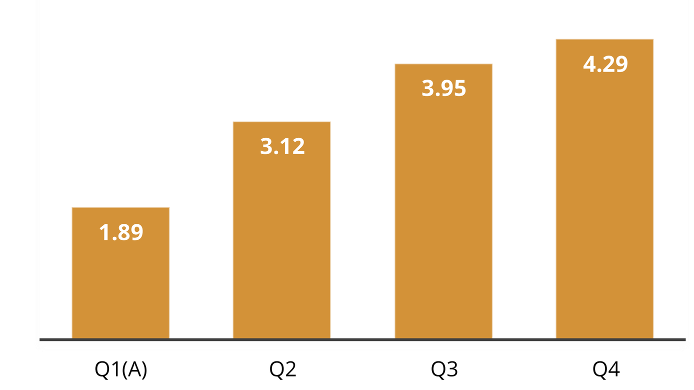
2027 INFLATION FORECASTS (% y/y)

Date	Mar-26	May-26
Quarter 1 Average	4.39	4.35
Quarter 2 Average	3.44	3.87
Quarter 3 Average	3.03	3.44
Quarter 4 Average	3.07	3.30
Annual Average	3.48	3.74

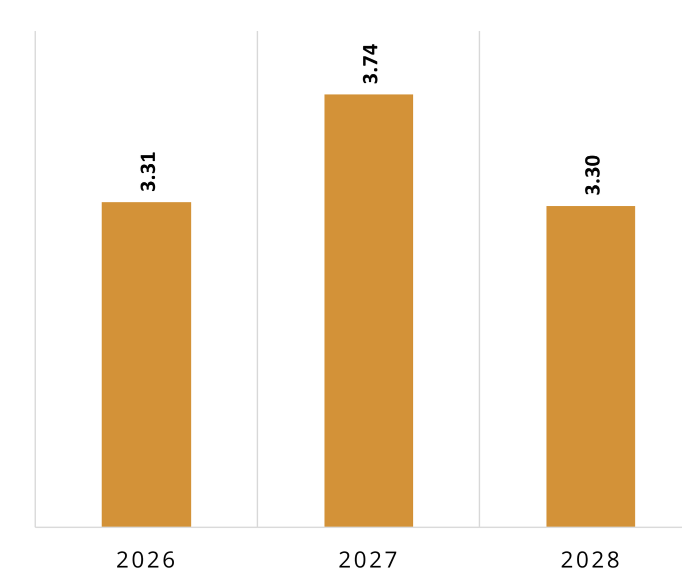
SHORT-MEDIUM TERM INFLATION FORECASTS (% y/y)

Date	Mar-26	May-26
2026	3.27	3.31
2027	3.48	3.74
2028	3.23	3.30

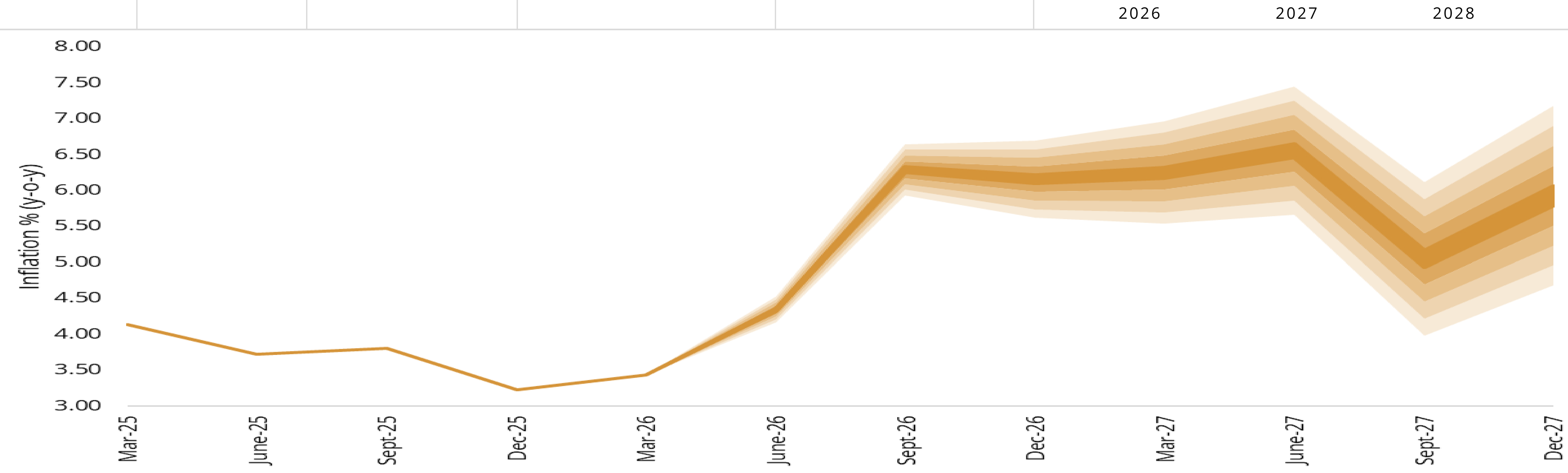
QUARTERLY INFLATION FORECASTS



ANNUAL INFLATION FORECASTS



Over the medium term, oil prices are expected to remain elevated amid expectations of a protracted conflict involving the United States, Israel, and Iran, compounded by the weaker outlook for the Rand/Lilangeni exchange rate. These developments are likely to sustain upward pressure on imported inflation and fuel-related costs. In addition, potential increases in domestically administered prices, particularly electricity tariffs and fuel prices, continue to present upside risks to the inflation outlook. Consequently, the inflation forecast for 2027 has been revised upward to 3.74 per cent from 3.48 per cent, while the 2028 forecast has also been revised upward to 3.30 per cent from 3.23 per cent, reflecting persistent medium-term inflationary pressures despite expectations of gradual moderation over the forecast horizon.



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