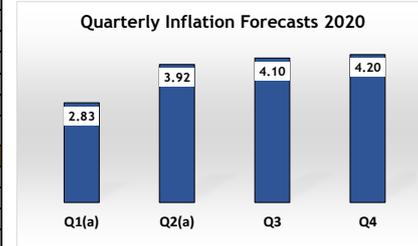




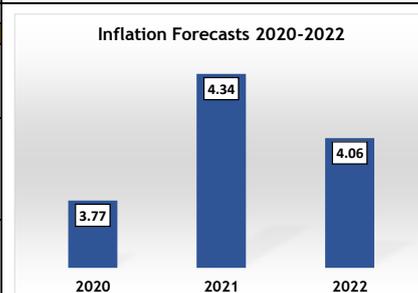
2020 INFLATION FORECASTS (% y/y)

| DATE | May 2020 | July 2020 |
|--------------------------|----------|-----------|
| Quarter 1 Average | 2.83 | 2.83 |
| Quarter 2 Average | 3.99 | 3.92 |
| Quarter 3 Average | 3.76 | 4.10 |
| Quarter 4 Average | 3.57 | 4.20 |
| Annual Average | 3.54 | 3.77 |



2021 INFLATION FORECASTS (% y/y)

| DATE | May 2020 | July 2020 |
|--------------------------|----------|-----------|
| Quarter 1 Average | 3.10 | 4.06 |
| Quarter 2 Average | 3.93 | 4.59 |
| Quarter 3 Average | 4.40 | 4.39 |
| Quarter 4 Average | 4.30 | 4.24 |
| Annual Average | 3.93 | 4.34 |



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

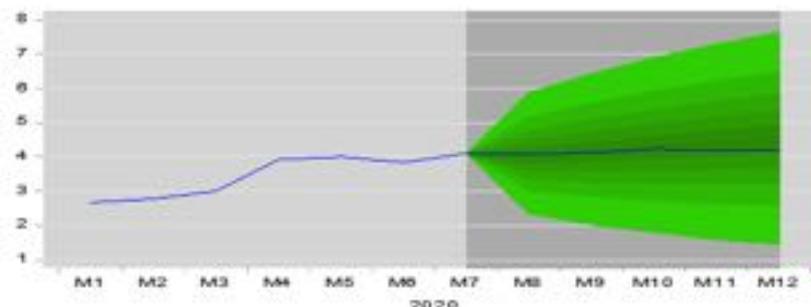
| DATE | May 2020 | July 2020 |
|-------------|----------|-----------|
| 2020 | 3.54 | 3.77 |
| 2021 | 3.93 | 4.34 |
| 2022 | 3.23 | 4.06 |

Forecasts notes

In the second quarter inflation averaged 3.92 per cent, lower than the 3.99 per cent projected in May 2020. The effects of the COVID-19 outbreak continue to take centre stage in the country's inflation with upward risks outweighing the downward pressures. Hence, overall consumer price inflation has been revised upwards in the short to medium term. Domestically, upward pressures to the outlook are expected from the implementation of the water tariff increase while the suspension of the electricity tariff increase for the year is expected to offset the upward pressures. The recurrence of COVID-19 infections threaten to prolong the lockdown causing further delays and disruption in the supply of goods and services hence exerting upward pressure on inflation. Externally, the expected rise in Brent crude oil prices adds to the upward pressure on the inflation outlook, more so on South African's inflation which has effects on domestic inflation. On the other hand, while the exchange rate is expected to recover in the short-term, the persistent increase in COVID-19 cases in South Africa and domestically is anticipated to outweigh the downward effect of the exchange rate on inflation. As a result, inflation in the third quarter of 2020 has been revised up to 4.10 per cent (from 3.76 per cent) and the fourth quarter to 4.20 per cent (from 3.57 per cent). Consequently, the annual forecast for 2020 has been revised up to 3.77 per cent from 3.54 per cent.

FAN CHART FOR 2020 INFLATION PROJECTIONS

Overall, the medium-term outlook has been revised upwards when compared to the May forecasts. In the medium term, inflation is forecasted to be significantly higher at 4.34 per cent (from 3.93 per cent) in 2021 and at 4.06 per cent (from 3.23 per cent) in 2022. The upward revision in medium term considers the second round effects of the COVID-19 pandemic, anticipated upward adjustments in administered prices and the forecasted increase in Brent crude oil prices, which have a significant pass through to domestic inflation. Even though inflation has been revised upwards for 2020, the fan chart points towards a steady state of inflation towards the end of the year.



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.