



**Forecasts notes**

Inflation forecasts have been revised upwards for the short-term and medium term. The upward revision is a result of a combination of higher than expected inflation outturn in October 2020 and the upside factors which outweighed the downside domestic and external factors. Among the upside factors is the expected higher trend in food inflation which is expected to be countered by the projected low Brent crude oil prices arising from slow global economic recovery. While the relaxation of some lockdown restrictions in the country and opening up of most sectors is expected to exert positive effects on domestic inflation, supply shocks somewhat exist, exerting upward pressure on domestic inflation.

While the Rand is expected to appreciate throughout the remainder of the year and through to 2021, there is still a minimal pass-through effect to domestic inflation. Furthermore, the threat of COVID-19 resurgence in some countries, pose as an upside risk to the inflation outlook due to the likelihood of reinstatement of lockdown regulations, however, the impact is likely to be lower than the first wave. Consequently, inflation rate for the fourth quarter of 2020 is expected to be higher at 4.65 per cent than the previous forecast of 4.21 per cent, bringing the annual average forecast slightly higher to 3.84 per cent from 3.74 per cent. The first quarter of 2021 is also revised up to 4.51 per cent from 4.06 per cent in September 2020 forecast.

In the medium-term expected upward adjustments on domestic administered prices, mainly utilities, are expected to exert upward pressure on the domestic inflation. Oil prices are expected to increase in 2021 in line with the expected recovery of economies while a projected rand appreciation in 2021 will relief inflationary pressures. On the other hand, higher oil prices and rand depreciation is expected in 2022. Therefore, inflation forecasts for the 2021 have been revised up to 5.23 per cent from 4.34 per cent; and for 2022 is up to 5.29 per cent from 4.06 per cent.

**2020 INFLATION FORECASTS (% y/y)**

DATE	September	November
Quarter 1 Average	2.83	2.83
Quarter 2 Average	3.92	3.92
Quarter 3 Average	4.00	3.96
Quarter 4 Average	4.21	4.65
Annual Average	3.74	3.84

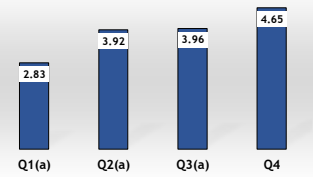
**2021 INFLATION FORECASTS (% y/y)**

DATE	September	November
Quarter 1 Average	4.06	4.51
Quarter 2 Average	4.59	5.55
Quarter 3 Average	4.39	5.44
Quarter 4 Average	4.24	5.28
Annual Average	4.34	5.23

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

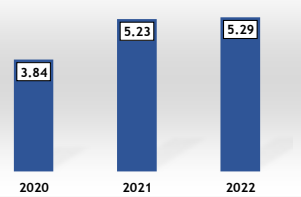
DATE	September	November
2020	3.74	3.84
2021	4.34	5.23
2022	4.06	5.29

Quarterly Inflation Forecasts 2020

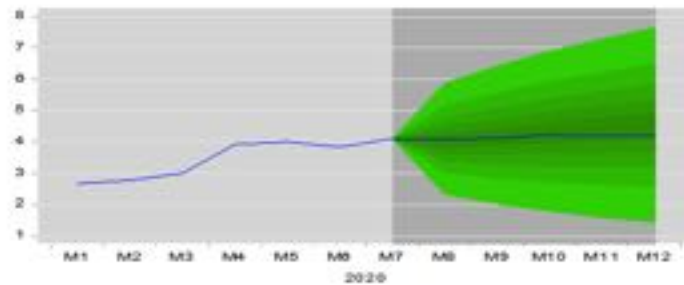


Notes: (a) Actual inflation rate

Inflation Forecasts 2020-2022



FAN CHART FOR 2020 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 enquiries please contact the Research Department at 2408 2244/2415.