



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

DATE	April 2020	May 2020
<b>Quarter 1 Average</b>	2.81	2.83 (Actual)
<b>Quarter 2 Average</b>	3.56	3.99
<b>Quarter 3 Average</b>	3.35	3.76
<b>Quarter 4 Average</b>	3.15	3.57
<b>Annual Average</b>	3.22	3.54

#### Forecasts notes

Eswatini's inflation has lately been under pressure from the effects of the COVID-19 outbreak resulting in changes in the patterns of demand and supply of goods and services. The outlook for both domestic and external factors has exerted some upward and downward pressures on the inflation forecast with upward pressures dominating in the short term. Consequently, the short-term has been revised upwards while the medium term was left unchanged. Overall inflation is expected to grow slightly faster in 2020 than previously forecasted. On the upward pressures, the country's inflation takes significant pressure from the supply chain disruptions due to the COVID-19, expected utilities tariff hike expected in June, the projected increase in food prices, increase in house rentals and the weakening of the exchange rate, although exhibiting a weak pass-through. However, downward pressures in the short run will emanate from reductions in domestic fuel prices effected in April 2020 and another one in May 2020 in line with low Brent crude oil prices.

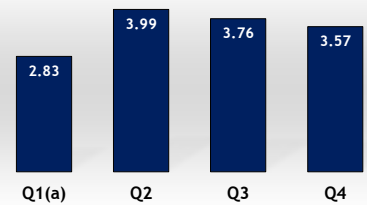
As a result, the second quarter forecast is revised up from 3.56 per cent forecasted in April 2020 to 3.99 per cent. The third quarter was revised up to 3.76 per cent (from 3.35) and the fourth quarter to 3.57 (from 3.15). Generally, inflation is forecasted to slow down in the second half of 2020 in line with expected reduced demand due to the second round effect of the COVID-19 as household income reduces. Therefore, the annual forecast for 2020 was revised upwards to 3.54 per cent, from 3.22 forecasted in April 2020. Changes in administered prices remain major determinants of the medium term inflation trend.

DATE	April 2020	May 2020
<b>Quarter 1 Average</b>	3.10	3.10
<b>Quarter 2 Average</b>	3.93	3.93
<b>Quarter 3 Average</b>	4.40	4.40
<b>Quarter 4 Average</b>	4.30	4.30
<b>Annual Average</b>	3.93	3.93

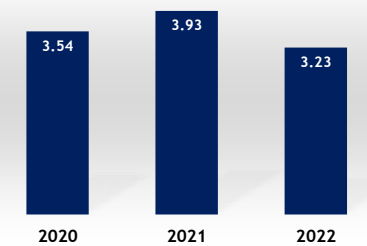
### MEDIUM TERM INFLATION FORECASTS (% y/y)

DATE	April 2020	May 2020
<b>2020</b>	3.22	3.54
<b>2021</b>	3.93	3.93
<b>2022</b>	3.59	3.59

#### Quarterly Inflation Forecasts 2020

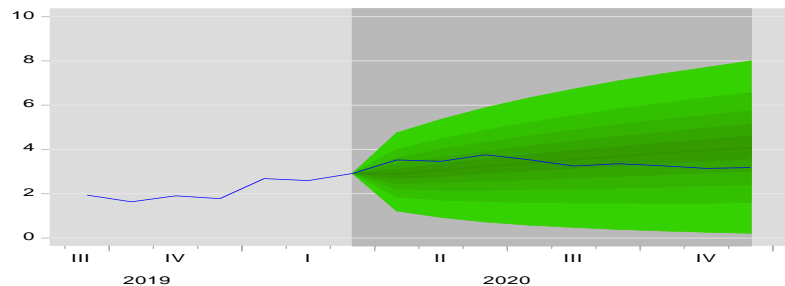


#### Inflation Forecasts 2020-2022



#### FAN CHART FOR 2020 INFLATION PROJECTIONS

Also risks to the outlook are Brent oil prices, the weakening Rand against major currencies as influenced by weak fundamentals in South Africa and the effects of the coronavirus COVID-19 which are expected to influence inflation outlook in the medium term. In the medium term, the forecasts show that inflation will average 3.93 per cent in 2021 and 3.59 per cent in 2020 unchanged from the April 2020 forecasts.



Though inflation has been revised upwards for 2020, the fan chart points to an upward bias towards the beginning of the second quarter 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.