

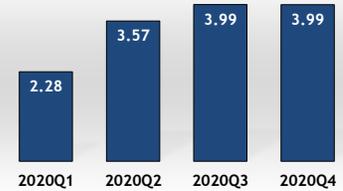


Forecasts notes

Since April 2019, the country's overall inflation dropped significantly, falling below 2 per cent for the most part of 2019. This was largely due to the freeze on utility tariffs (electricity and water) during the year. With the ongoing negotiations by the power utility company to increase the tariffs, inflation is expected to pick up in the short-to-medium term. The hike in public transport fares implemented in January 2020 is also expected to add more inflationary pressure to the year's trajectory over and above the already implemented fuel levy of 85 cents per litre and the increase in the price of bread. However, the Bank remains cautious of the magnitude of the pressure towards the inflation trajectory, particularly concerning the proposed 5.7 per cent increment in electricity tariff, which is lower than the previously anticipated 15 per cent, as well as lower than initially anticipated increases in public transport fares. Hence, the country's overall inflation forecast for 2020 has been revised downwards to 3.46 per cent, down from the previous (November 2019) forecast of 4.58 per cent, though remaining higher than the inflation rate in 2019. Medium term forecasts show that inflation will average 4.12 per cent in 2021 (lower than the 5.18 per cent forecasted previously) and slow to 3.89 per cent in 2022.

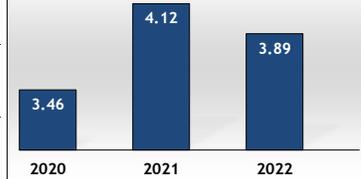
2020 INFLATION FORECASTS (% y/y)		
DATE	November 2019	January 2020
Quarter 1 Average	3.36	2.28
Quarter 2 Average	5.02	3.57
Quarter 3 Average	5.02	3.99
Quarter 4 Average	4.94	3.99
Annual Average	4.58	3.46

Quarterly Inflation Forecasts 2020



2021 INFLATION FORECASTS (% y/y)		
DATE	November 2019	January 2020
Quarter 1 Average	4.87	3.59
Quarter 2 Average	5.29	4.29
Quarter 3 Average	5.43	-
Quarter 4 Average	5.12	4.27
Annual Average	5.18	4.12

Annual Inflation Forecasts 2020-2022

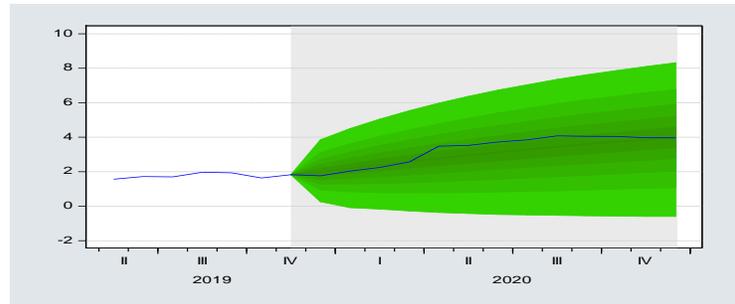


MEDIUM TERM INFLATION FORECASTS (% y/y)		
DATE	November 2019	January 2020
2020	4.58	3.46
2021	5.18	4.12
2022	-	3.89

FAN CHART FOR 2020 INFLATION PROJECTIONS

The near and medium term trajectory remain subject to change in the increases in administered prices. Furthermore, increases in the Brent oil prices and a weakening in the Rand against major currencies (driven by weak fundamentals in South Africa), pose an upside risk to the outlook.

Though inflation has been revised downwards 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.