

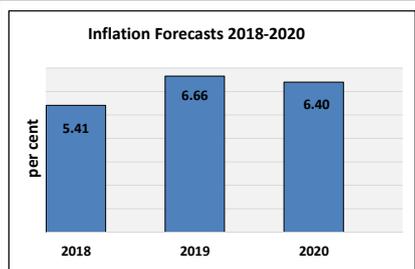
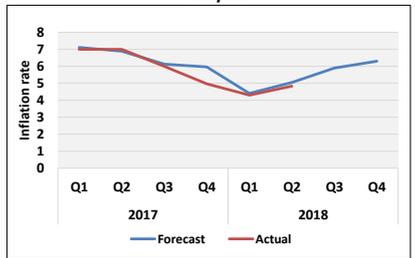


2017 CPI (% y/y)		
DATE	Forecasts - 2017	Actuals - 2017
Quarter 1 Average	7.11	7.00
Quarter 2 Average	6.89	7.00
Quarter 3 Average	6.13	6.00
Quarter 4 Average	5.96	4.97
Annual Average	6.52	6.24
2018 CPI (% y/y)		
DATE	Forecasts - 2018	Actuals - 2018
Quarter 1 Average	4.40	4.30
Quarter 2 Average	5.05	4.83
Quarter 3 Average	5.89	
Quarter 4 Average	6.31	
Annual Average	5.41	
MEDIUM TERM CPI PROJECTIONS (% y/y)		
2018	5.41	
2019	6.66	
2020	6.40	

Forecasts notes

Inflation averaged 4.83 per cent in the second quarter of 2018, 0.22 per cent below the forecast average of 5.05 per cent for the quarter. The average inflation forecast for the year 2018 remains unchanged at 5.41 per cent with an upward revision for the third and fourth quarter. Inflation is now projected to rise above the previously forecasted 5.66 per cent for the third and fourth quarter to 5.89 per cent and 6.31 per cent, respectively. Risks to the inflation outlook appear to be skewed to the upper side and include the volatile exchange rate largely emanating from geopolitical tensions in the global environment. Domestic drivers to the upward adjustment include the imminent VAT increase (from 14 per cent to 15 per cent) which will be effected in August 2018 and the increase in utility prices (15 per cent in electricity & 13.7 per cent for water tariffs) which were effected in April 2018. The Organization of the Petroleum Exporting Countries' (OPEC) decision to raise oil supply by 1 million barrels a day pose a downside risk to the inflation outlook in the medium term. The Bank's forecasts for 2019 has been reviewed upwards from the previous 6.08 per cent to 6.66 per cent.

Graphs



FAN CHART FOR 2018 INFLATION PROJECTIONS

The exchange rate of the Lilangeni/Rand is set to depreciate in near term and remains vulnerable to significant global market events in particular geopolitical tensions, proposed protectionist trade policy by the US and the prospects of a tighter monetary policy stance by developed economies in the near term. Political uncertainty emanating from the proposed land reform in South Africa also presents an upside risk to the exchange rate.

Even though inflation is forecasted to moderate in 2018 compared to 2017, the fan chart indicates that inflation is biased towards the upper side in the outer months of 2018.



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.