

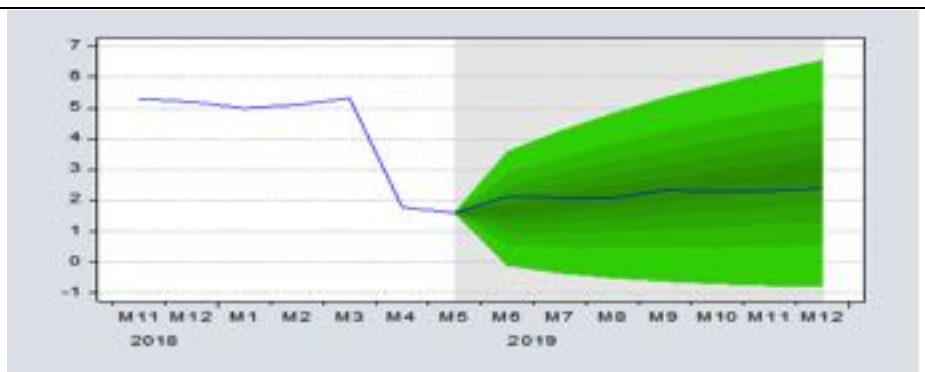


		2019 INFLATION (% y/y)			
		DATE	May 2019 (Prev.Forecast)	July 2019	
Forecasts notes The Bank's inflation forecasts reviewed in July 2019 reflect that the third quarter of 2019 will average 2.17 per cent, a significant downward review from 5.15 per cent reported in the previous forecasts. While the VAT on electricity remains an upside risk on overall inflation, the tax was not effected in July 2019 as previously anticipated, hence the review. The last quarter of 2019 was also reviewed downwards from 5.29 per cent to 2.33 per cent bringing the annual average inflation for 2019 to 2.87 per cent (from 4.37 per cent). Besides the domestic issues, the exchange rate and oil price developments were considered. In the short to medium term, the forecasts show that, in 2020, inflation will average 4.54 per cent from 5.84 previously forecasted, while 2021 was slightly reviewed upwards from 5.27 per cent estimated in May 2019 to 5.36 per cent. The upward bias in the medium term largely emanates from an expected significant impact of administered prices generated from a tariff on electricity and the exchange rate which would exert upward inflationary pressures on overall inflation.	Quarterly Inflation Forecasts 2019				
	2020 INFLATION (% y/y)				
			DATE	May 2019 (Prev.Forecast)	July 2019
	Quarter 1 Average			5.18	5.13
	Quarter 2 Average			1.92	1.70
	Quarter 3 Average			5.15	2.17
	Quarter 4 Average			5.30	2.33
	Annual Average			4.37	2.83
	2021 INFLATION (% y/y)				
			DATE	May 2019 (Prev.Forecast)	July 2019
Quarter 1 Average			5.39	2.47	
Quarter 2 Average			6.11	5.24	
Quarter 3 Average			5.95	5.30	
Quarter 4 Average			5.92	5.16	
Annual Average			5.84	4.54	
MEDIUM TERM INFLATION PROJECTIONS (% y/y)					
		DATE	May 2019 (Prev.Forecast)	July 2019	
2019			4.37	2.83	
2020			5.84	4.54	
2021			5.27	5.36	

FAN CHART FOR 2019 INFLATION PROJECTIONS

The Lilangeni/Rand depreciated is set to remain weaker for the year driven by the unstable supply of electricity in South Africa coupled with poor economic growth outlook. The anticipated rate cut by the US Fed is set to benefit the performance of the local unit.

Even though inflation is forecasted to be contained in 2019, the fan chart points to an upward bias of inflation in the outer months of 2019.



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.