



Forecasts notes

The Bank's forecasts show that inflation will average 1.92 per cent in the second quarter of 2019, a downward review from the 5.18 per cent forecasted in March 2019. The moratorium on increases in the tariff for electricity has been reflected in the inflation outcome for April 2019 where inflation fell to a low of 1.8 per cent. The suspension on the increase in the tariff for water would therefore remain a dampening factor on inflation. In the third and fourth quarters of 2019, inflation is expected to average 5.15 per cent and 5.30 per cent, from a previous forecast of 5.52 per cent and 5.78 per cent respectively. Upside risks to the inflation outlook are the introduction of VAT on electricity and fuel levy in the months to come as parliament debates through bills supportive of the budget. As a result, the Bank's inflation forecast for the year 2019 has been revised down to 4.37 per cent, from 5.41 per cent forecasted in March 2019. The forecasts also take into consideration increases in oil prices following an expectation of tighter global oil supply balances and the projected depreciation of the domestic unit against the US Dollar. In the short to medium term, inflation is expected to decelerate to 5.84 per cent in 2020 (from 5.99 per cent) and 5.27 per cent in 2021 (from 6.19 per cent).

2019 INFLATION (% y/y)

| DATE | Mar 2019 (Prev.Forecast) | May 2019 |
|-------------------|--------------------------|----------|
| Quarter 1 Average | 5.17 | 5.18 |
| Quarter 2 Average | 5.18 | 1.92 |
| Quarter 3 Average | 5.52 | 5.15 |
| Quarter 4 Average | 5.78 | 5.30 |
| Annual Average | 5.41 | 4.37 |

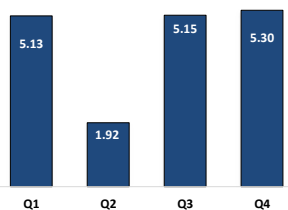
2020 INFLATION (% y/y)

| DATE | Mar 2019 (Prev.Forecast) | May 2019 |
|-------------------|--------------------------|----------|
| Quarter 1 Average | 5.77 | 5.39 |
| Quarter 2 Average | 5.75 | 6.11 |
| Quarter 3 Average | 5.97 | 5.95 |
| Quarter 4 Average | 6.47 | 5.92 |
| Annual Average | 5.99 | 5.84 |

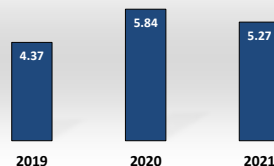
MEDIUM TERM INFLATION PROJECTIONS (% y/y)

| DATE | Mar 2019 (Prev.Forecast) | May 2019 |
|------|--------------------------|----------|
| 2019 | 5.41 | 4.37 |
| 2020 | 5.99 | 5.84 |
| 2021 | 6.19 | 5.27 |

Quarterly Inflation Forecasts 2019

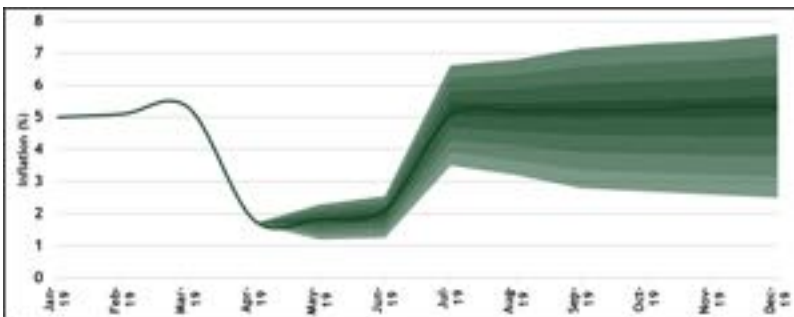


Inflation Forecasts (2019-2021)



FAN CHART FOR 2019 INFLATION PROJECTIONS

The exchange rate of the Lilangeni/Rand is set to depreciate in near term due to the sluggish world economy growth, propelled by rise in global long-term real interest rates and continued trade war by China and the United States. Political uncertainty in South Africa also presents an upside risk to the exchange rate.



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.