



2018 CPI (% y/y)		
DATE	Forecasts - 2018	Actuals - 2018

<i>Quarter 1 Average</i>	4.85	4.2
<i>Quarter 2 Average</i>	5.25	4.8
<i>Quarter 3 Average</i>	5.14	5.0
<i>Quarter 4 Average</i>	5.45	*
<i>Annual Average</i>	5.17	*

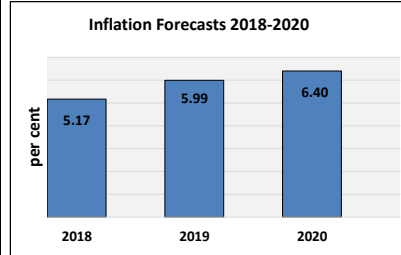
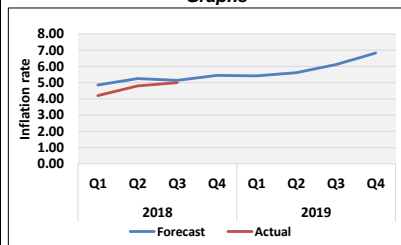
2019 CPI (% y/y)	
DATE	Forecasts - 2019
<i>Quarter 1 Average</i>	5.42
<i>Quarter 2 Average</i>	5.61
<i>Quarter 3 Average</i>	6.11
<i>Quarter 4 Average</i>	6.82
<i>Annual Average</i>	5.99

MEDIUM TERM CPI PROJECTIONS (% y/y)	
2018	5.17
2019	5.99
2020	6.40

Forecasts notes

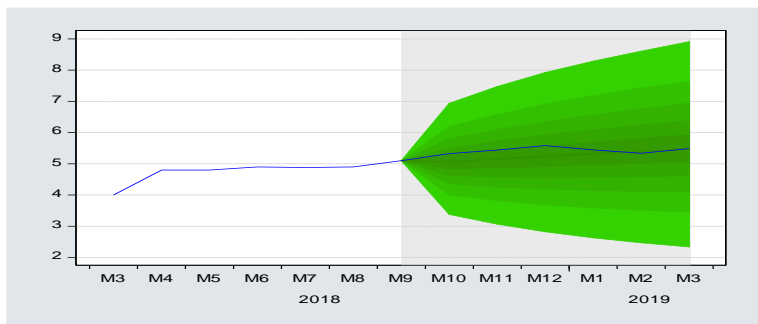
In the third quarter of 2018, inflation averaged 5.0 per cent up from the average 4.8 per cent recorded in the second quarter. At this level, the actual inflation is 0.2 percentage point below the Bank's forecast of 5.14 per cent for the quarter. The Bank's inflation forecast for the fourth quarter has been revised downwards from the 5.59 per cent forecasted in September 2018 to 5.45 per cent. The downward revision in the quarter is largely driven by the huge decline in international oil prices and the expectation of more oil price reductions that is expected to exert downward pressure on domestic prices. Increased US shale production is expected to counteract OPEC's November 2017 decision to curtail production. The Bank's forecast for 2018 is revised downwards to 5.17 per cent from the 5.21 per cent forecasted in September 2018. In 2019, headline inflation is expected to be slightly higher at 5.99 per cent compared to the previously projected 5.91 per cent. The marginally higher inflation forecast for 2019 largely emanates from expected higher oil prices and the weaker exchange rate, which would impact negatively on the country's headline inflation. In the medium term, the Bank forecasts inflation to average 6.40 per cent in 2020, unchanged from the previous forecast.

Graphs



FAN CHART FOR 2018-2019 INFLATION PROJECTIONS

The exchange rate of the Lilangeni/Rand is expected to remain volatile over the medium term. The local unit continues to be vulnerable to significant global market events such as the tightening of monetary policy in developed economies and the change in investor sentiments towards emerging market economies. Developments on the proposed land reform in South Africa continue to present an upside risk to the



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 later months of 2018 and return to the central projection path by the first quarter 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 enquiries please contact the Research Department at 2408 2244/2415.

*: data not yet available