



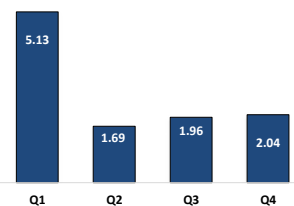
Forecasts notes

As reviewed in September 2019, the Bank's inflation forecasts indicate that the third quarter of 2019 will average 1.96 per cent down from 2.17 reported in the previous forecasts. Also, the fourth quarter was reviewed downwards to 2.04 per cent from 2.33 per cent projected in July 2019. Therefore, the average inflation for 2019 is forecasted at a slower 2.71 per cent, down from 2.83 per cent estimated in the previous forecasts. Upside risks to inflation are expected to emanate from the VAT on electricity and the depreciation in the exchange rate, while expected decline in oil prices will exert positive risks to inflation. In the short to medium term, the forecasts show that inflation will average 4.32 per cent in 2020 from 4.54 per cent forecasted previously; 2021 inflation was slightly revised downwards from 5.36 per cent estimated in July 2019 to 5.29 per cent. The medium trends in inflation will be influenced by the impact of administered prices coming from the likely increase in electricity tariffs and pressures from the weakening exchange rate. The milder oil prices are however expected to counteract the effect of these upside risks.

2019 INFLATION (% y/y)

DATE	July 2019 (Prev.Forecast)	Sept 2019
Quarter 1 Average	5.13	5.13
Quarter 2 Average	1.70	1.69
Quarter 3 Average	2.17	1.96
Quarter 4 Average	2.33	2.04
Annual Average	2.83	2.71

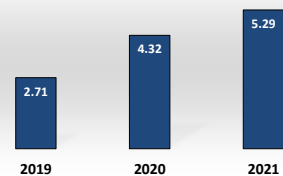
Quarterly Inflation Forecasts 2019



2020 INFLATION (% y/y)

DATE	July 2019 (Prev.Forecast)	Sept 2019
Quarter 1 Average	2.47	2.24
Quarter 2 Average	5.24	5.08
Quarter 3 Average	5.30	5.15
Quarter 4 Average	5.16	4.80
Annual Average	4.54	4.32

Inflation Forecasts (2019-2021)



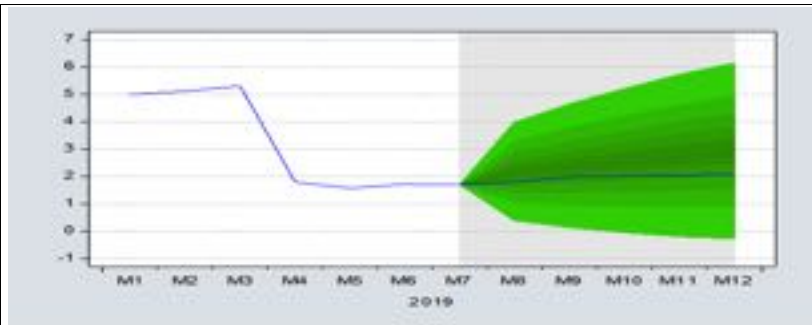
MEDIUM TERM INFLATION PROJECTIONS (% y/y)

DATE	July 2019 (Prev.Forecast)	Sept 2019
2019	2.83	2.71
2020	4.54	4.32
2021	5.36	5.29

FAN CHART FOR 2019 INFLATION PROJECTIONS

In the near term, the rand along with other emerging market currencies will likely remain volatile largely due to an unexpected Fed's stance on interest rates given the convincing strong economic and employment growth by the U.S economy, which would force the Fed to backtrack on its monetary easing path.

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.