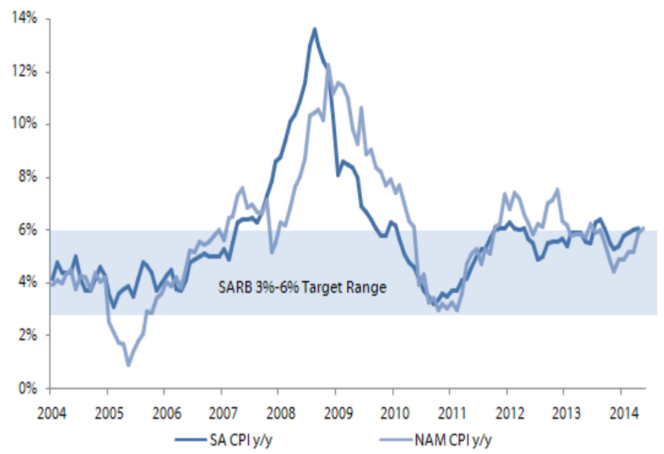
Economic Flash Note

Namibia CPI – May 2014

Jan-Hendrik Conradie - *12 June 2014*

Heavy weights underpin price increases

Category	Weight	May14 m/m %	Apr14 y/y %	May14 y/y %	Direction
Food	16.4%	1.1%	8.9%	9.9%	↗
Alcoholic B&T	12.6%	0.3%	6.8%	5.8%	↙
Clothing	3.0%	0.0%	3.2%	2.9%	↙
Housing utilities	28.4%	0.0%	3.5%	3.6%	↗
Furniture	5.5%	-0.1%	4.7%	4.1%	↙
Health	2.0%	0.2%	2.1%	2.1%	-
Transport	14.3%	0.3%	9.4%	10.5%	↗
Communications	3.8%	-0.2%	-0.3%	-0.5%	↙
Recreation	3.6%	0.5%	6.8%	6.8%	-
Education	3.6%	0.0%	8.1%	8.1%	-
Hotels	1.4%	0.1%	6.5%	6.3%	↙
Miscellaneous	5.4%	0.0%	4.4%	4.3%	↙
All Items	**100%**	**0.3%**	**5.9%**	**6.1%**	↗



Source: Namibia Statistics Agency

Key Data

The year-on-year rate of inflation accelerated from 5.9% in April 2014 to 6.1% in May. The heavy weighted items in the consumption basket - food, housing and transport - continue to underpin price increases, offset to some extent by the other categories.

Under the Microscope

Food and non-alcoholic beverages (CPI basket weight: 16.4%): Food prices increased by 9.9% y/y from 8.9% y/y in April. The increase in the annual rate was due to higher prices in most of the subgroups, which were marginally offset by lower fruit and vegetables prices and non-alcoholic beverages inflation cooling down. Meat inflation will continue to intensify in 2014 as the red meat prices recover during the year in response to lower sales volumes. Following abnormally high sales volumes in 2013 on account of the drought, extensive herd re-building is expected through 2014.

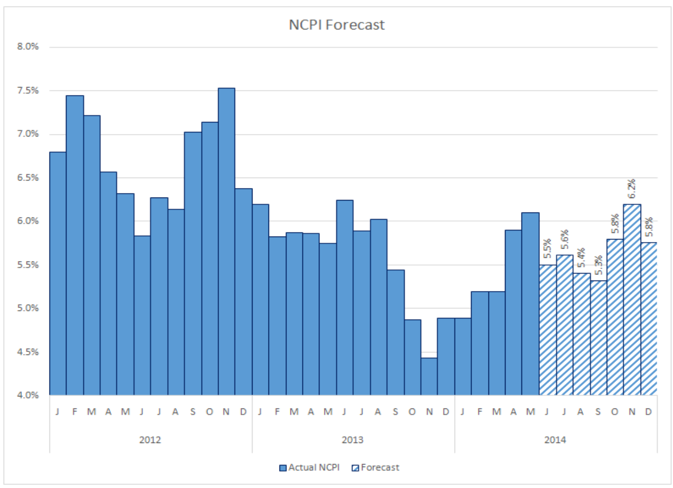
Housing and utilities (CPI basket weight: 28.4%): Housing and utilities inflation rose from 3.5% y/y in April to 3.6%. The increase in the annual rate was mainly on account of an increase in electricity and other fuel price inflation, accelerating from 10.3% year on year, to 11.0%. We expect the price of electricity to continue to rise as the ECB approved a tariff increase on large scale supply of power for 2014/15 of more than 13% after NamPower applied for an increase of 21.3%. The price increase will be effective as of 1 July 2014.

Transport (CPI basket weight: 14.3%): Transport price inflation was higher in May than in April, up from 9.4% y/y to 10.5%. The main factor affecting the increase was the public transport services inflation rate that spiked 10.4 percentage points to 10.8%in April, this is on account of the taxi fee increase effective 1 April. It is forecasted that transport price inflation will continue to increase in 2014, on account of increasing oil prices in ZAR, due to currency depreciation and uncertainty surrounding Ukraine.

Outlook

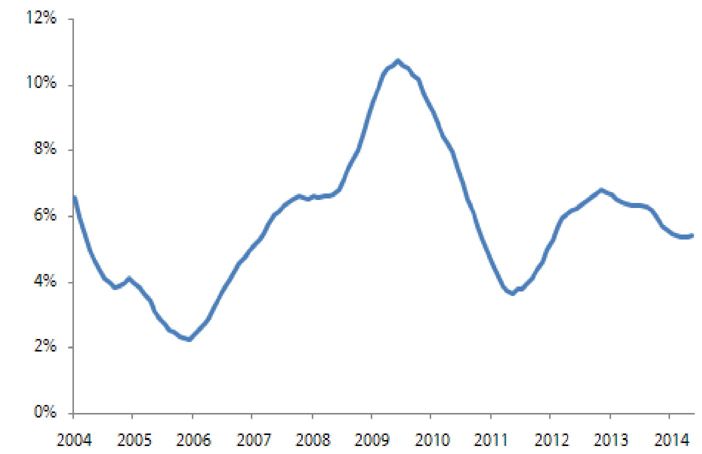
The12-month average inflation remained 5.4% in May, down 0.2 percentage points from the average level of 2013. In the IJG Outlook for 2014, we forecast average inflation for the year of 5.6%. Going forward, our monthly forecasts have remained largely unchanged for the year.

NCPI Forecast



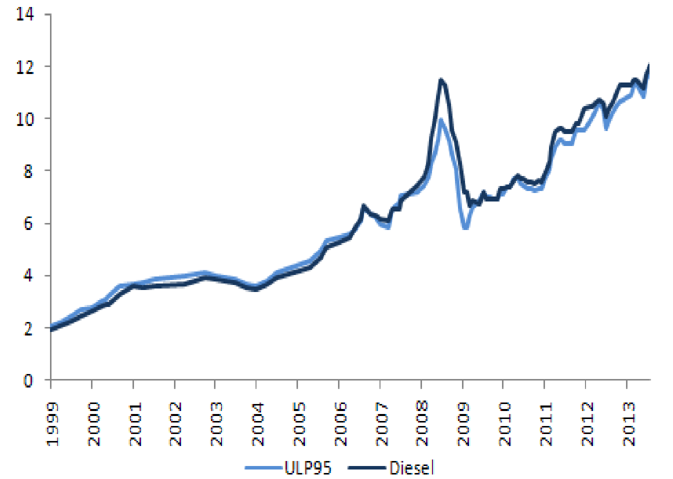
Source: *Bloomberg*

12 month average inflation rate



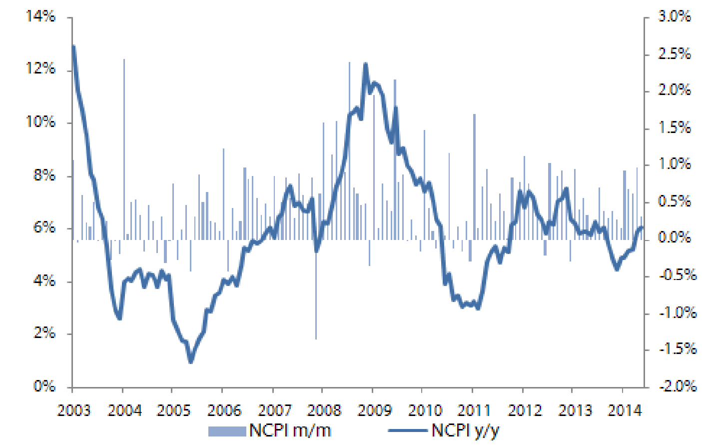
Source: Namibia Statistics Agency

Windhoek fuel prices– N$/litre

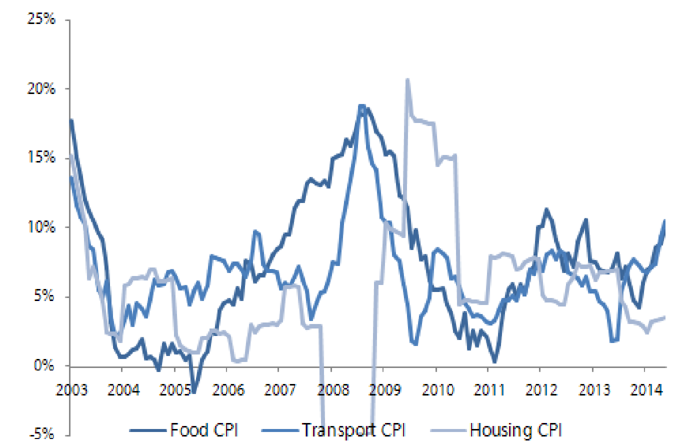


Source: Ministry of Mines and Energy

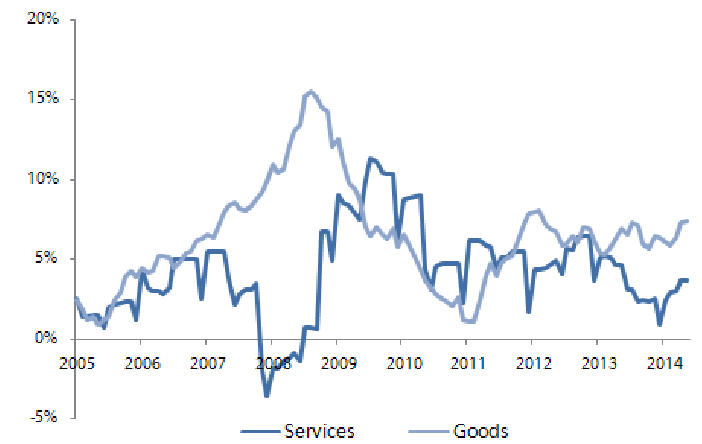
NCPI y/y versus m/m



Main Categories to CPI



Services versus Goods



Source: Namibia Statistics Agency

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