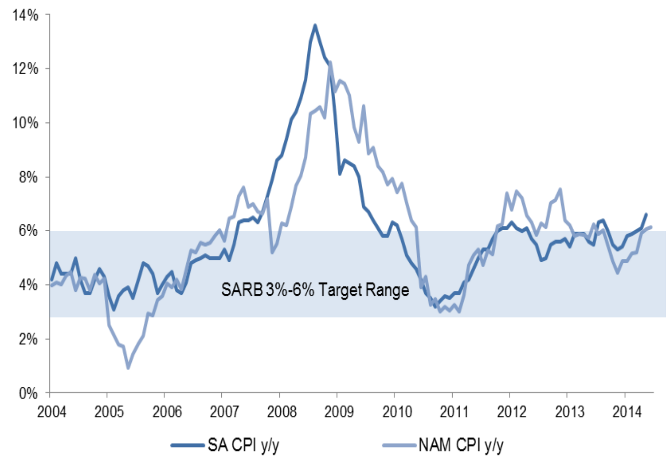
Economic Flash Note

Namibia CPI – June 2014

15 July 2014

Heavy weights underpin price increases

Category	Weight	Jun14 m/m %	May14 y/y %	Jun14 y/y %	Direction
Food	16.4%	0.5%	9.9%	10.1%	↗
Alcoholic B&T	12.6%	0.8%	5.8%	6.1%	↗
Clothing	3.0%	-0.6%	2.9%	2.4%	↙
Housing utilities	28.4%	0.0%	3.6%	3.4%	↙
Furniture	5.5%	0.8%	4.1%	4.7%	↗
Health	2.0%	0.0%	2.1%	1.7%	↙
Transport	14.3%	0.3%	10.5%	10.7%	↗
Communications	3.8%	0.1%	-0.5%	-0.4%	↗
Recreation	3.6%	0.4%	6.8%	6.8%	-
Education	3.6%	0.0%	8.1%	8.1%	-
Hotels	1.4%	0.4%	6.3%	5.9%	↙
Miscellaneous	5.4%	0.5%	4.3%	4.6%	↗
All Items	**100%**	**0.3%**	**6.1%**	**6.1%**	-



Source: Namibia Statistics Agency

Key Data

The year-on-year rate of inflation remained unchanged from May 2014 to June 2014 at 6.1%. Heavy weighted items in the consumption basket such as food, alcoholic beverages and tobacco and transportwere the main sources of the price increase, offsetby decreases in other categories, most notably housing utilities.

Under the Microscope

Food and non-alcoholic beverages (CPI basket weight: 16.4%): Food prices increased from 9.9% y/y in May to 10.1% y/y. The increase in the annual rate was due to higher prices in most of the subgroups, which were marginally offset by lower fruit and fish prices. Meat inflation will continue to intensify in 2014 as the red meat prices are likely to 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.

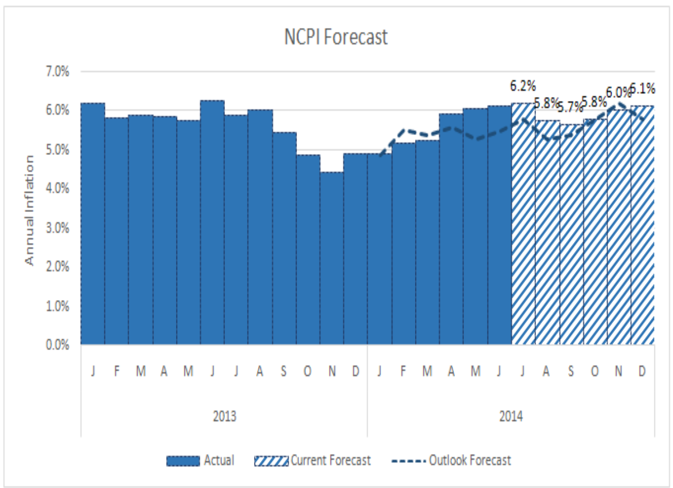
Housing and utilities (CPI basket weight: 28.4%): Housing and utilities inflation fell from 3.6% y/y in May to 3.4%. The decrease in the annual rate was mainly on account of a decrease in electricity and other fuel price inflation, slowing from 11.0% y/y, to 9.5%. We expect the price of electricity to 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 is effective as of 1 July 2014.

Transport (CPI basket weight: 14.3%): Transport price inflation was higher in June than in May, up from 10.5% y/y to 10.7%. The main factor affecting the increase was the personal transport equipment inflation rate, which accelerated from 10.4% in May to 11.3%. This is mainly due to rising fuel costs. 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

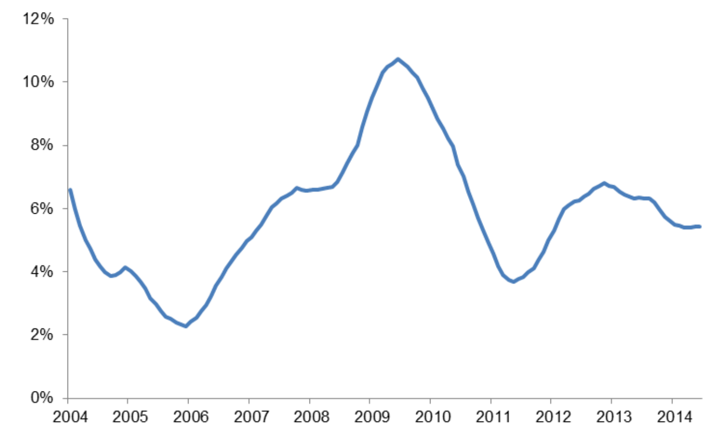
The12-month average inflation remained 5.4% in June, down 0.2 percentage points from the average level of2013. In the IJG Outlook for 2014, we forecast average inflation for the year of 5.6%. Going forward, we have revised our annual forecast up by 0.15 percent, to 5.75% average inflation for 2014.

NCPI Forecast



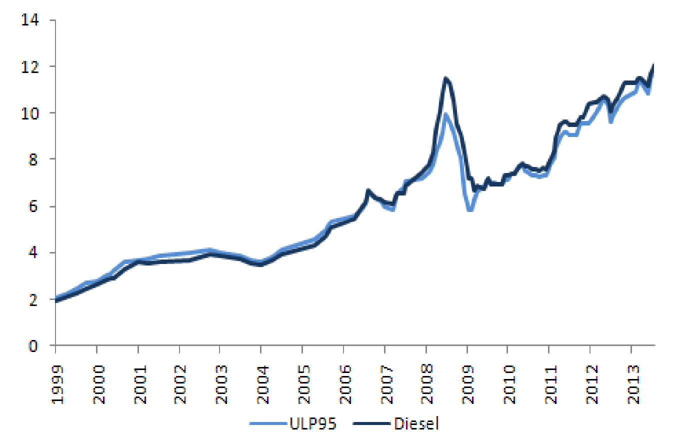
Source: Bloomberg

12 month average inflation rate

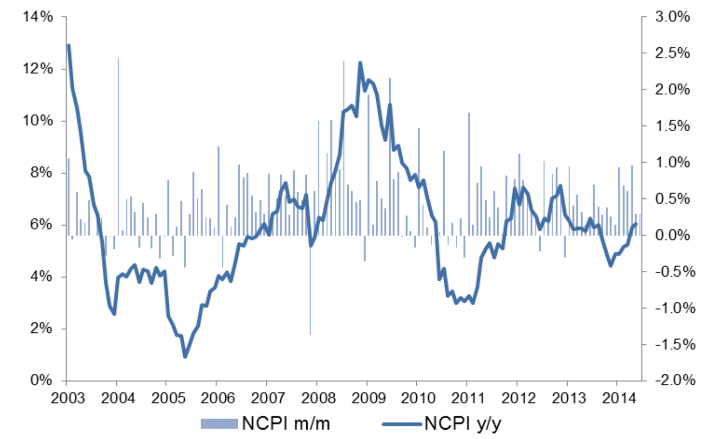


Source: Namibia Statistics Agency

Windhoek fuel prices– N$/litre

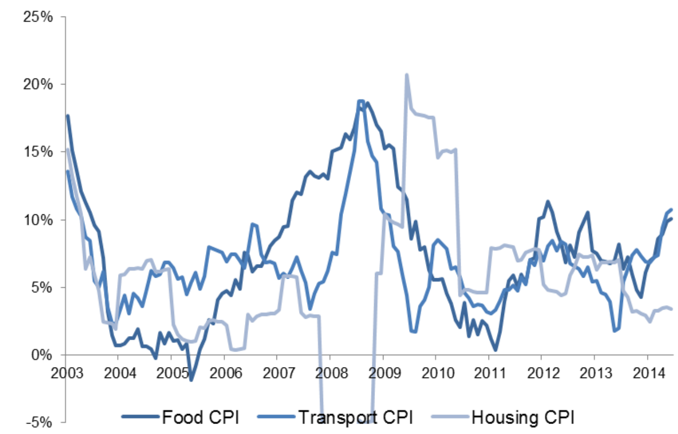


NCPI y/y versus m/m

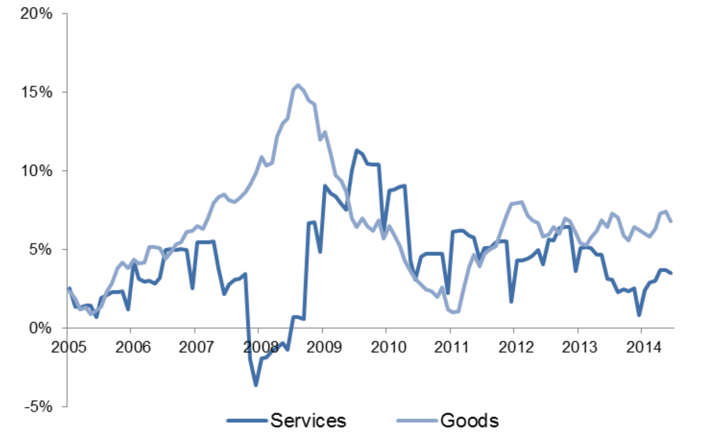


Source: Ministry of Mines and Energy

Main Categories to CPI



Services versus Goods



Source: Namibia Statistics Agency

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