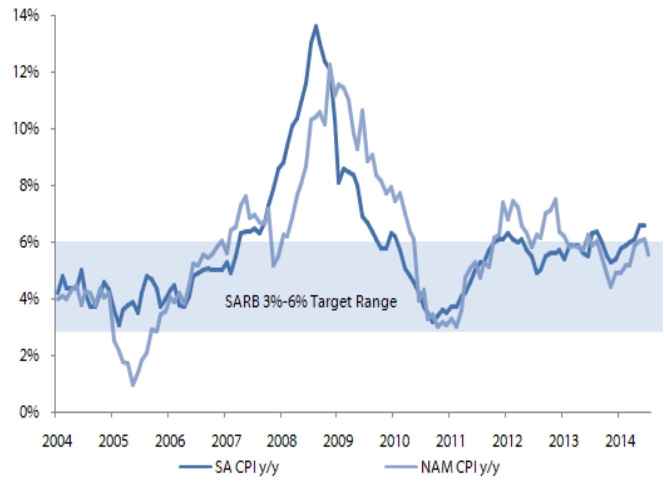
Namibia CPI – July 2014

14 August 2014

Inflation rate falls due to food and transport

Category	Weight	Jul14 m/m %	Jun14 y/y %	Jul14 y/y %	Direction
Food	16.4%	-0.9%	10.1%	9.0%	↙
Alcoholic B&T	12.6%	0.5%	6.1%	6.1%	-
Clothing	3.0%	0.7%	2.4%	2.6%	↗
Housing utilities	28.4%	0.7%	3.4%	3.2%	↙
Furniture	5.5%	0.3%	4.7%	4.4%	↙
Health	2.0%	-0.1%	1.7%	1.5%	↙
Transport	14.3%	0.1%	10.7%	8.5%	↙
Communications	3.8%	-0.2%	-0.4%	-0.5%	↙
Recreation	3.6%	0.1%	6.4%	6.4%	-
Education	3.6%	0.0%	8.1%	8.1%	-
Hotels	1.4%	0.4%	5.9%	5.9%	-
Miscellaneous	5.4%	0.2%	4.6%	4.6%	-
All Items	**100%**	**0.2%**	**6.1%**	**5.6%**	↙



Source: Namibia Statistics Agency

Key Data

The year-on-year rate of inflation fell from 6.1% in June 2014 to 5.6% in July 2014. Heavy weighted items in the consumption basket such as food, housing and transport were the main sources of the ease in price increase, while only clothing price inflation accelerated year on year.On a monthly basis, inflation also slowed downdue to the decrease in prices of food and non-alcoholic beverages, down 0.9%, prices of communications, down 0.2% and prices of health, down 0.1%.

Under the Microscope

Food and non-alcoholic beverages (CPI basket weight: 16.4%): Food price inflation decreased from 10.1% y/y in June to 9.0% y/y in July. The decrease in the annual rate was reflected in nearly all of the subgroups, except milk, cheese and eggs (up 0.4%), fish (up 0.2%) and sugar, jam honey(up 0.1%).Bread and cereals and vegetables both experienced notable declines in inflation.

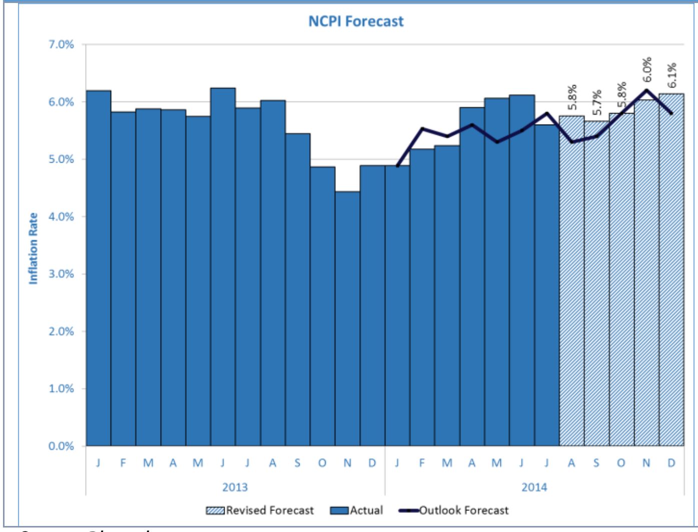
Housing and utilities (CPI basket weight: 28.4%): Housing and utilities inflation fell from 3.4% y/y in June to 3.2%. The decrease in the annual rate was solely on account of a decrease in price inflation of electricity, gas and other fuel prices, slowing from 9.5% y/y, to 7.0%. The maintenance and repair subgroup and the water supply and sewage services subgroup inflation continued to experience strong price increases.

Transport (CPI basket weight: 14.3%): Transport price inflation was lower in July than in June, down from 10.7% y/y to 8.5%. The main factor affecting the softening in price increases was the personal transport inflation rate, which eased from 11.3% in June to 7.8%. The transport category has been a main driver in inflation this year, which is largely on account of rising fuel costs in Namibia Dollar terms. 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

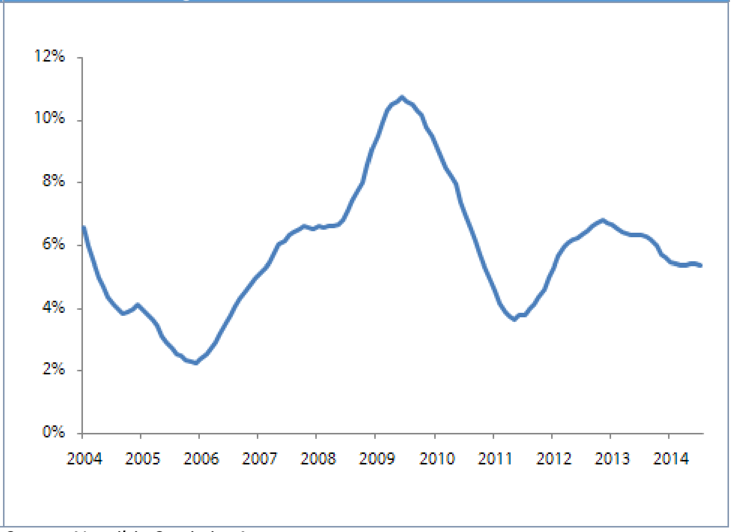
The12-month average inflation remained 5.4% in July, down 0.2 percentage points from the average level of2013. In the IJG Outlook for 2014, we forecast average inflation for the year of 5.6%. Going forward, we have revised our annual forecast up by 0.15 percent, to 5.75% average inflation for 2014.

NCPI Forecast



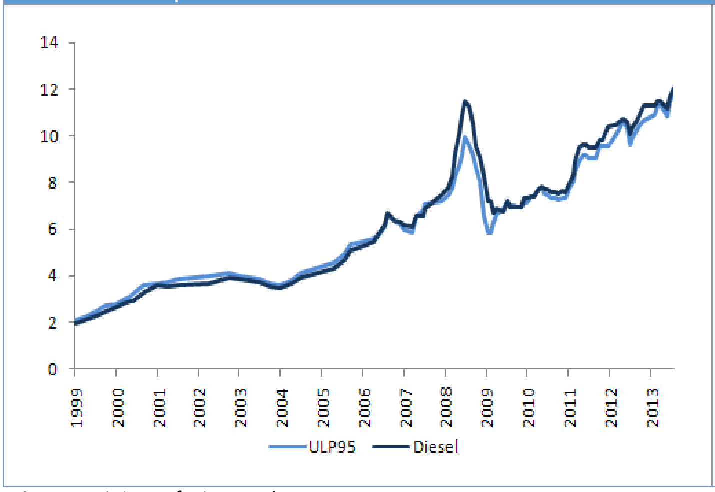
Source: *Bloomberg*

12 month average inflation rate

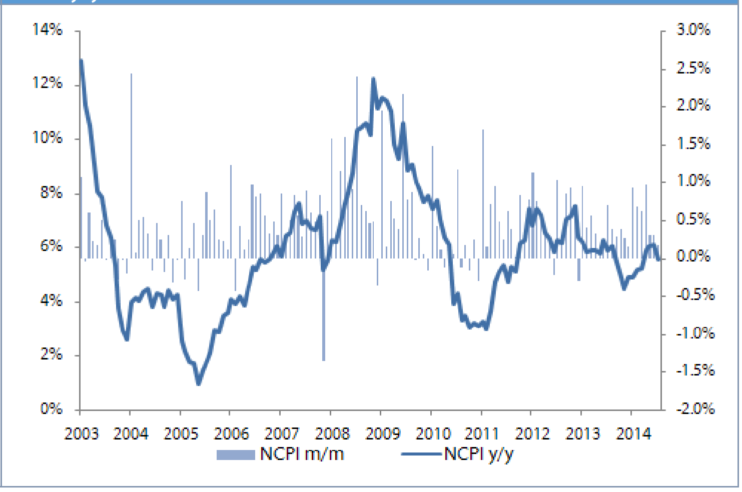


Source: Namibia Statistics Agency

Windhoek fuel prices– N$/litre

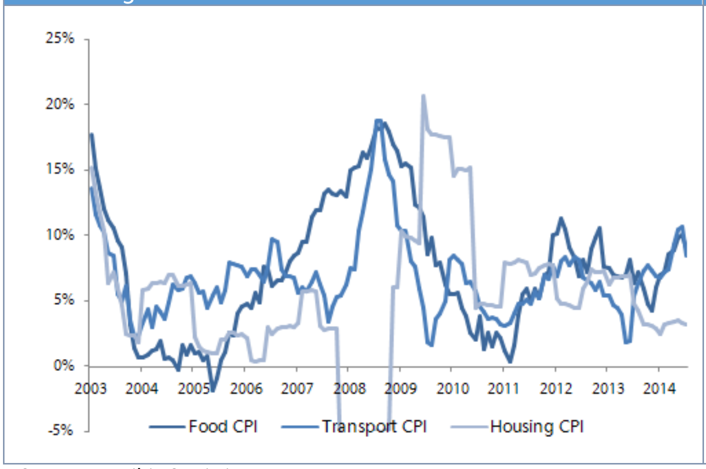


NCPI y/y versus m/m

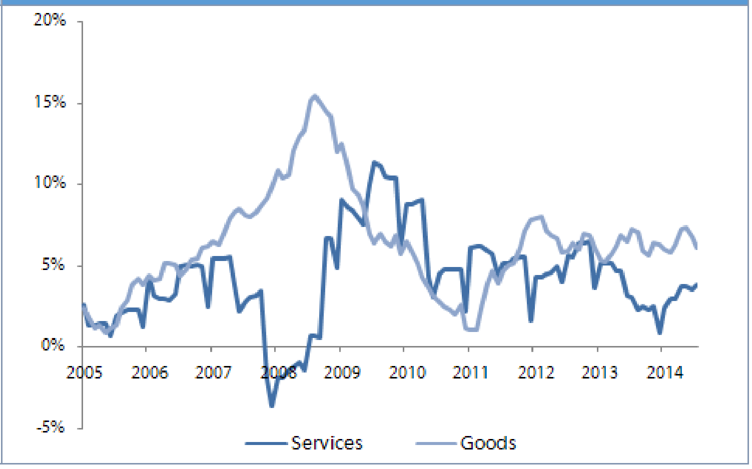


Source: Ministry of Mines and Energy

Main Categories to CPI



Services versus Goods



Source: Namibia Statistics Agency

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