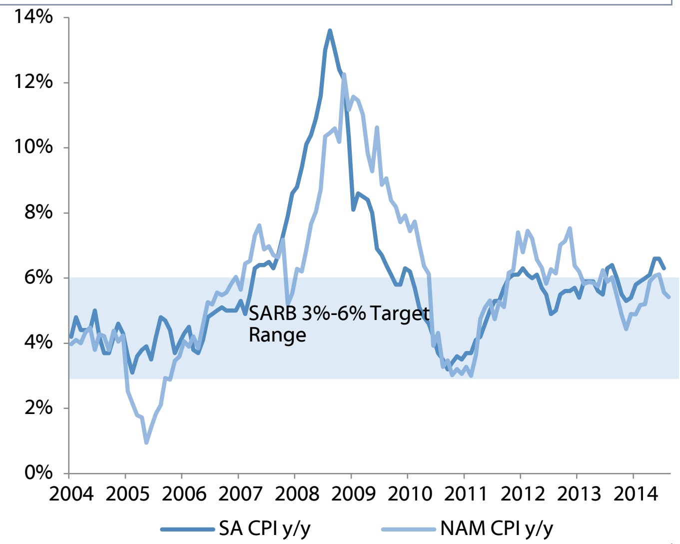
Namibia CPI – August 2014

11 September 2014

Inflation rate falls due to food and transport

Category	Weight	Aug14 m/m %	Jul14 y/y %	Aug14 y/y %	Direction
Food	16.4%	0.3%	9.0%	8.6%	↙
Alcoholic B&T	12.6%	0.6%	6.1%	6.6%	↗
Clothing	3.0%	0.8%	2.6%	3.4%	↗
Housing utilities	28.4%	0.1%	3.2%	3.3%	↗
Furniture	5.5%	1.2%	4.4%	5.2%	↗
Health	2.0%	0.2%	1.5%	1.5%	-
Transport	14.3%	-0.1%	8.5%	7.1%	↙
Communications	3.8%	0.1%	-0.5%	-0.5%	-
Recreation	3.6%	0.1%	6.2%	6.2%	-
Education	3.6%	0.0%	8.1%	8.1%	-
Hotels	1.4%	0.4%	5.9%	5.3%	↙
Miscellaneous	5.4%	0.0%	4.6%	4.5%	↙
All Items	**100%**	**0.3%**	**5.6%**	**5.4%**	↙



Source: Namibia Statistics Agency

Annual Inflation for August declined by 0.2 percentage points, to 5.4 percent as compared to 5.6 percent recorded a month earlier. On a monthly basis, the inflation rate increased to 0.3 percent from 0.2 percent. The annual decline in inflation was primarily on account of base effects, as well as price declines in a number of food category sub-items, and a decline in the cost of operation of personal transport equipment following fuel price decreases. On a monthly basis, the increase resulted from higher recorded prices in most groups comprising NCPI.

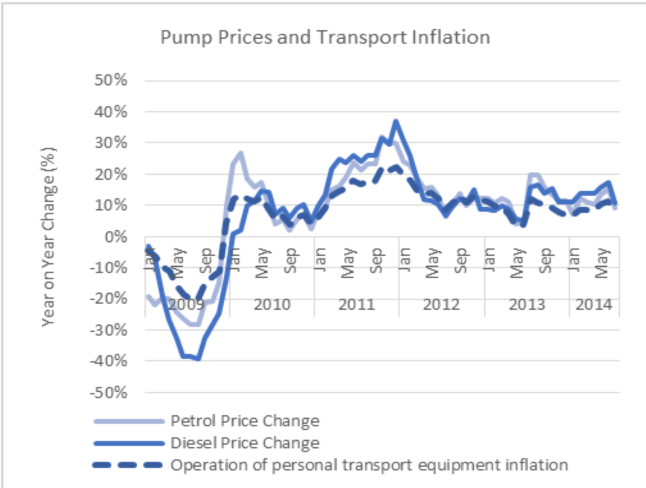
Category	Annual Inflation (%)
Food and Non-Alcoholic Beverages	8.6
Education	8.1
Transport	7.1
Alcoholic Beverages and Tobacco	6.6
Recreation and Culture	6.0
Hotels, Cafes and Restaurants	5.3
Furnishings, Household Equipment and Routine Maintenance of the House	5.2
Miscellaneous Goods and Services	4.5
Clothing and Footwear	3.4
Housing, Water, Electricity, Gas and Other Fuels	3.3
Health	1.5
Communications	-0.5

Over the past year the main drivers of inflation in Namibia were food and non-alcoholic beverage prices (up 8.6%), as well as the price of transport (up 7.1%) and education (up 8.1%). Only one NCPI basket category saw prices decrease over the year, namely communications (down 0.5%).

During August, however, annual food inflation saw a marginal decline of 0.4 percentage points, from 9.0% to 8.6%. This decline was largely driven by a month on month price decline in the sub-categories of oils and fats and vegetables.

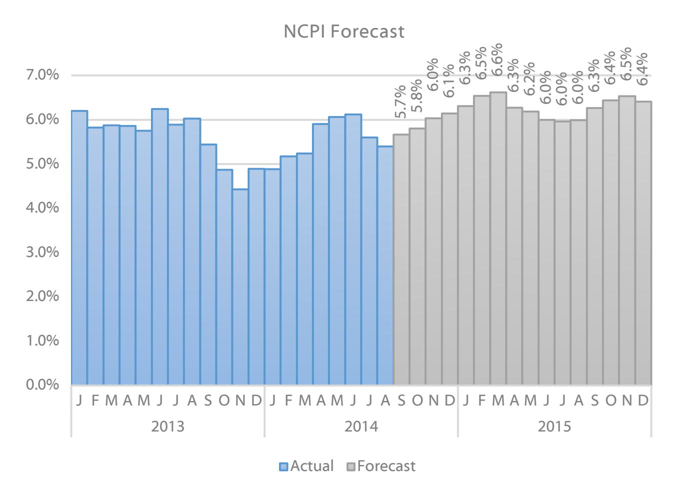
Transport inflation declined from 8.5 to 7.1% between July and August, due to a decline in the fuel pump price during the month. Thus, the sub-component of operation of personal transport equipment, which contains fuel costs, declined by 2.2 percentage points, to 5.6% inflation year on year.

Following inflation increases from November 2013 to June 2014 on account of a currency-depreciation pass-through to prices, lagged first round effects of this currency weakness appear to be abating, and the stronger currency from January to August 2014 appear to be causing prices to stabilise, albeit marginally.



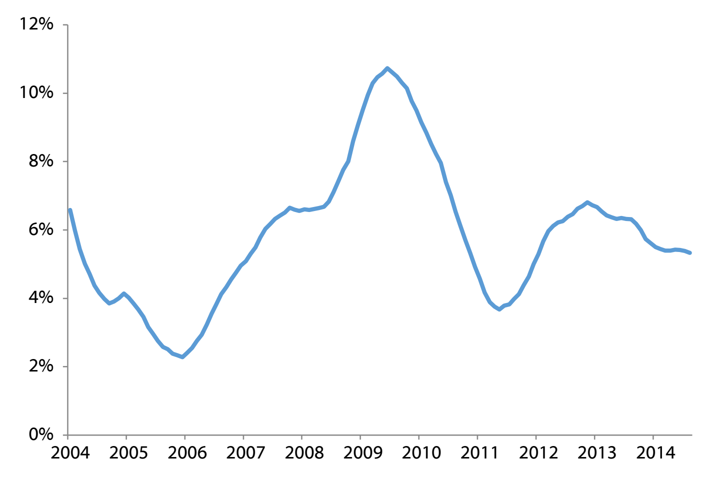
Going forward, we continue to forecast average inflation of 5.7% in 2014, picking up to 6.3% in 2015. Additionally, as a result of strong growth in the Namibian economy over recent years, we are starting to witness demand driven increases in a number of administered and services prices, such as administered transport prices (taxi fares), education prices, property and rent prices, and utility prices (electricity, municipal costs etc.) Additionally, pervasive Rand and thus Namibia Dollar weakness continues to drive increases in the Namibia Dollar price of commodities relative to US dollar prices.

NCPI Forecast



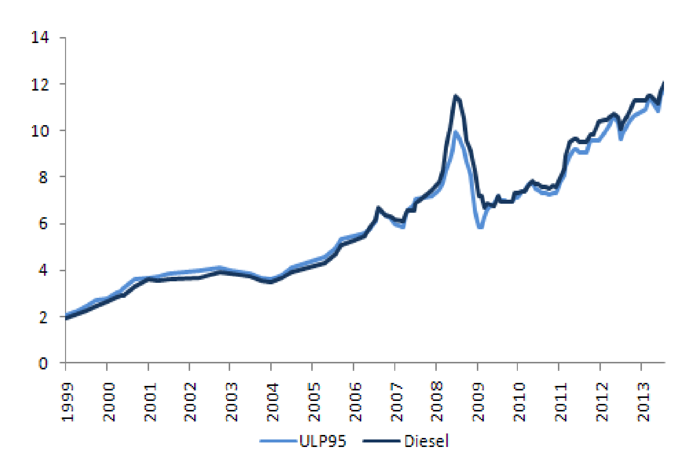
Source: Bloomberg

12 month average inflation rate



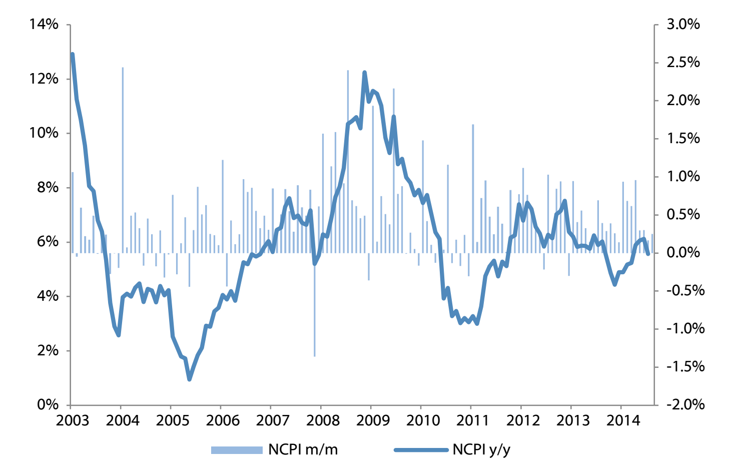
Source: Namibia Statistics Agency

Windhoek fuel prices– N$/litre

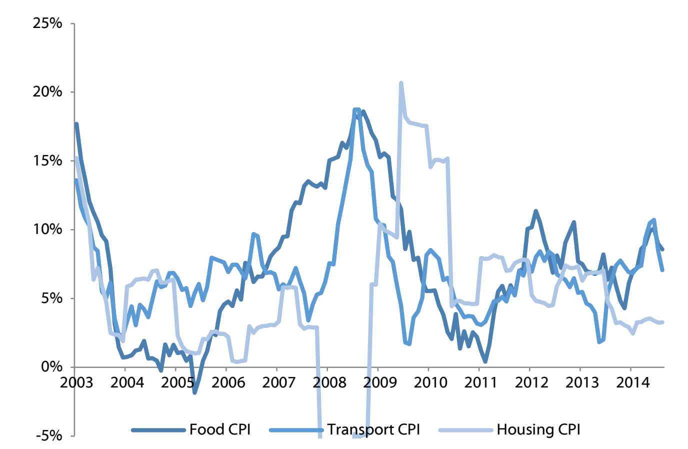


Source: Ministry of Mines and Energy

NCPI y/y versus m/m

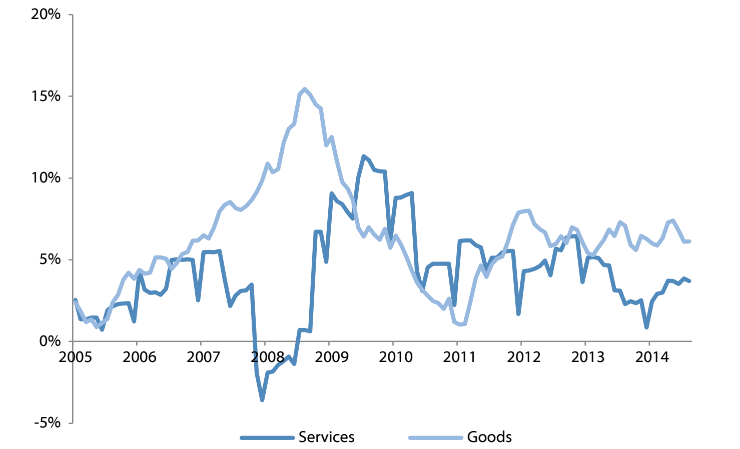


Main Categories to CPI



Source: Namibia Statistics Agency

Services versus Goods



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