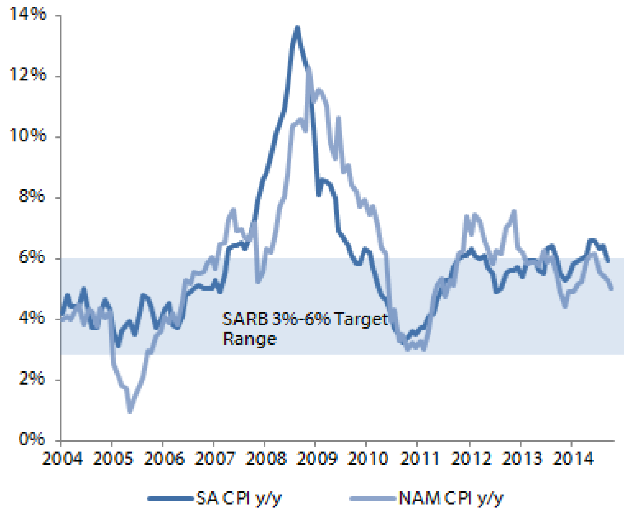
Namibia CPI – October 2014

14 November 2014

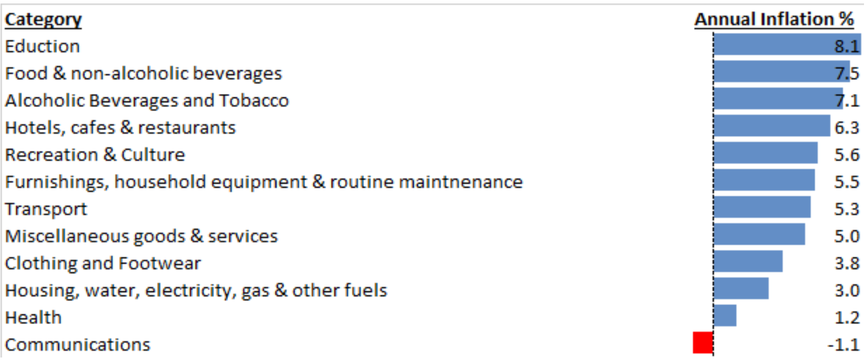
Inflation rate falls due to food and transport

Category	Weight	Oct14 m/m %	Sep14 y/y %	Oct14 y/y %	Direction
Food	16.4%	0.2%	8.4%	7.5%	↙
Alcoholic B&T	12.6%	0.1%	6.9%	7.1%	↗
Clothing	3.0%	0.5%	4.1%	3.8%	↙
Housing utilities	28.4%	0.0%	3.0%	3.0%	↙
Furniture	5.5%	0.0%	5.5%	5.5%	↗
Health	2.0%	0.1%	1.6%	1.2%	-
Transport	14.3%	0.0%	6.6%	5.3%	↙
Communications	3.8%	0.0%	-1.0%	-1.1%	-
Recreation	3.6%	0.6%	5.6%	5.6%	-
Education	3.6%	0.0%	8.1%	8.1%	-
Hotels	1.4%	0.1%	5.3%	6.3%	↗
Miscellaneous	5.4%	0.5%	4.5%	5.0%	↗
All Items	**100%**	**0.2%**	**5.3%**	**5.0%**	↙



Source: Namibia Statistics Agency

Annual inflation for October slowed by 0.3 percentage points, to 5.0 percent as compared to 5.3 percent recorded a month earlier. On a monthly basis, the inflation rate increased to 0.2 percent. The annual decline in inflation was primarily on account of base effects, with food inflation continuing to slow and transport prices remaining unchanged month-on-month. Housing utilities, the largest weighting in the CPI basket, also saw no growth during October.



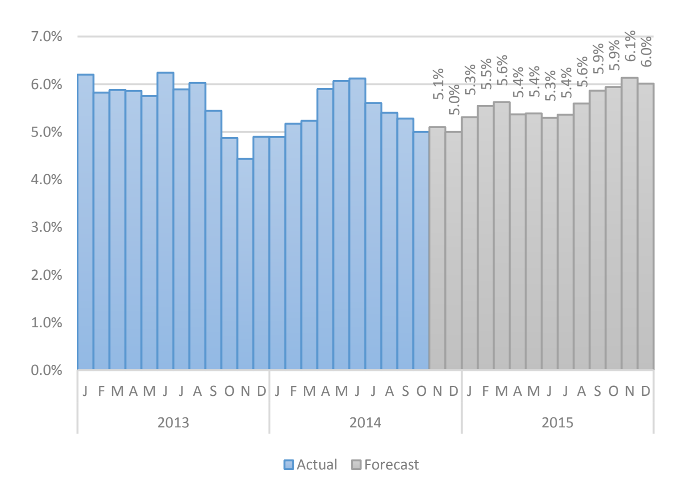
Education has surpassed food and non-alcoholic beverages as basket category with the highest inflation, with the cost of tertiary education continuing to grow at a rate of 9.8% per year. The rate of growth of food and non-alcoholic beverage prices has declined for the past 5 months, whereas the cost of alcoholic beverages and tobacco continues to grow at an increasing pace. The Communications category continues to see prices decrease year on year (down 1.1%), and is thus the only category of expenditure seeing actual price declines.

The decline in communications prices is a direct result of the low interconnection rates between operators within the country. The increased use of internet based communication has added further competition within the sector which has contributed to the decrease in prices.

Decreases in the global oil price are expected to filter through to the consumer in two parts over the next 18 months. First round effects should be felt in the next two months as fuel pump prices decline, while second round effects are expected to have a price-reducing effect on food prices 8-18 months out.

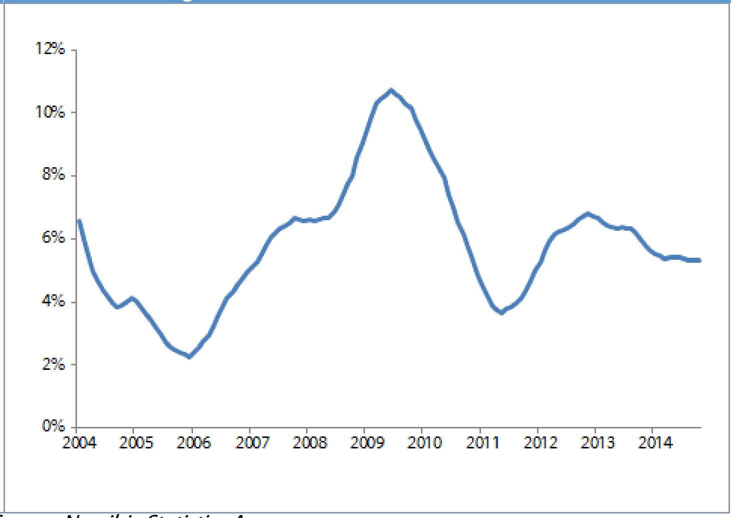
On account of falling oil prices, we have revised our forecast average inflation for 2014 to 5.4% in 2014, down from previous forecasts of 5.7%. We maintain our view that demand-factors are starting to lead inflation in Namibia, as strong growth in the economy with rural urban migration contributing to demand driven increases in prices. Administered and services prices are especially prone to increases caused by these effects. Recent unrest about the cost of housing is not likely to have a long term effect on the rate at which these prices grow but may have a short term influence on the rate of price increases.

NCPI Forecast



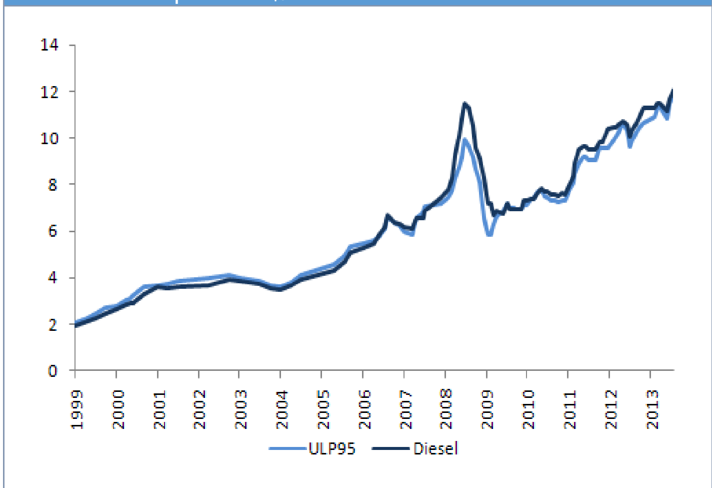
Source: Bloomberg

12 month average inflation rate

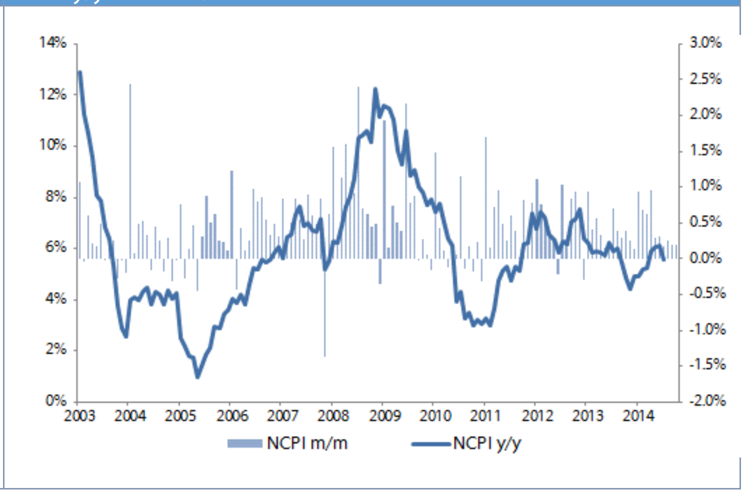


Source: Namibia Statistics Agency

Windhoek fuel prices– N$/litre

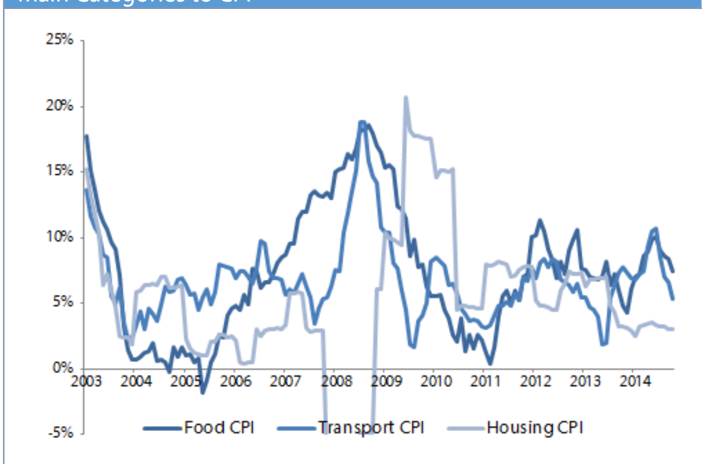


NCPI y/y versus m/m

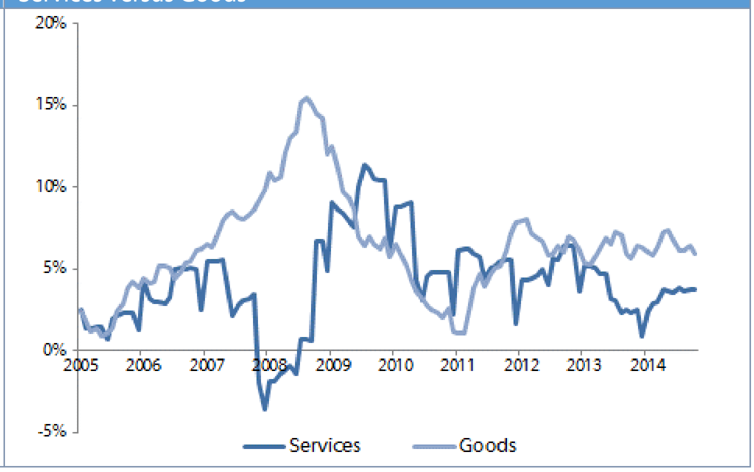


Source: Ministry of Mines and Energy
Source: Namibia Statistics Agency

Main Categories to CPI



Services versus Goods



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