

Namibia CPI

December 2023

1.2023	0.0005	4.85%
1.2022	0.0003	13.04%
1.2021	0.0001	50.00%
1.2024	0.0003	14.29%
1.2025	0.0005	12.50%

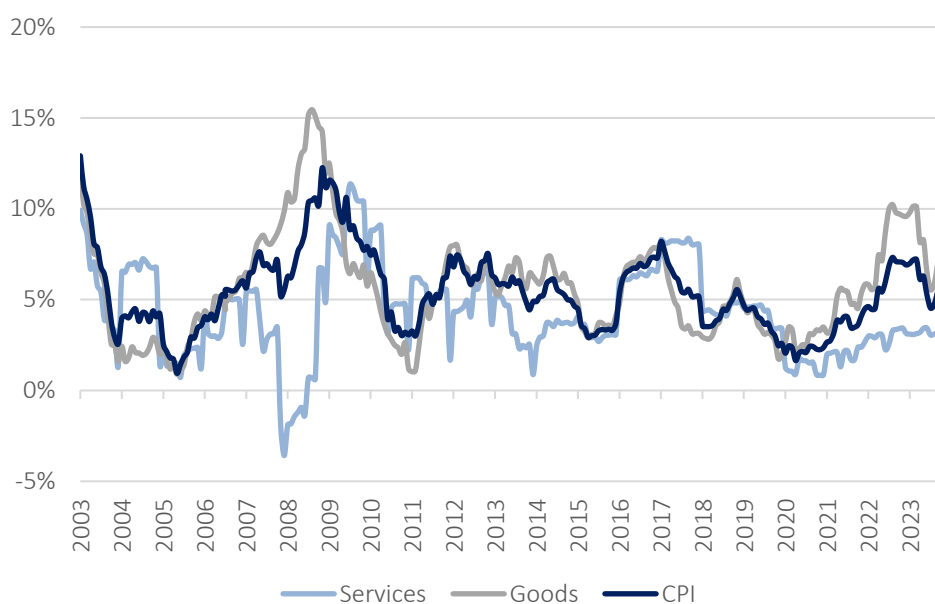
Overview

Category	Weight	Dec-23 m/m %	Nov-23 y/y %	Dec-23 y/y %	Direction
Food	16.4%	0.5%	9.2%	7.4%	↘
Alcoholic B&T	12.6%	0.3%	8.0%	8.4%	↗
Clothing	3.0%	0.3%	1.1%	1.6%	↗
Housing utilities	28.4%	0.0%	3.2%	3.4%	↗
Furniture	5.5%	0.3%	5.3%	5.1%	↘
Health	2.0%	0.5%	3.4%	3.9%	↗
Transport	14.3%	-2.0%	5.1%	4.0%	↘
Communications	3.8%	-0.1%	0.6%	0.5%	↘
Recreation	3.6%	0.2%	10.1%	10.0%	↘
Education	3.6%	0.0%	3.8%	3.8%	→
Hotels	1.4%	-0.4%	7.7%	6.5%	↘
Miscellaneous	5.4%	0.2%	5.2%	4.9%	↘
All Items	100%	-0.1%	5.7%	5.3%	↘

Source: Namibia Statistics Agency, IJG Securities

Namibia's annual inflation rate slowed to 5.3% y/y in 2023, from 5.7% y/y in November. On a monthly basis, the country experienced disinflation of 0.1% m/m for the first time in 28 consecutive months. Services inflation remained steady at 3.1% y/y while goods inflation moderated to 6.8% y/y (from 7.9% in November). Goods inflation is a significant contributing factor to the annual inflation rate, and its moderation in December has facilitated a decline in the overall inflation rate.

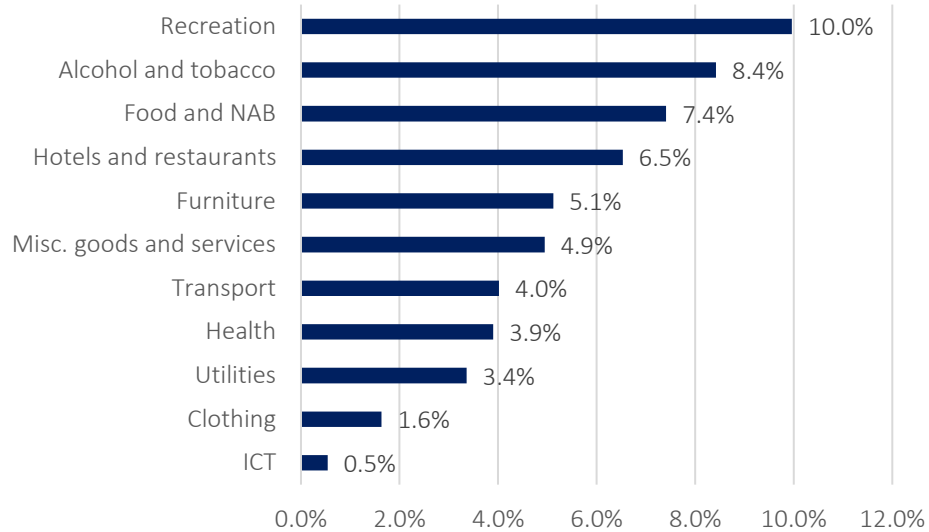
Annual CPI, Goods
and Services Inflation
(y/y %)



Source: Namibia Statistics Agency, IJG Securities

For 2023, **recreation and culture** had the highest inflation of 10.0% y/y, followed by **alcoholic beverages and tobacco**, and **food and non-alcoholic beverages**. The food and non-alcoholic beverages category recorded an increase of 7.4% y/y, the lowest rate since June 2022. At the same time, prices of alcoholic beverages and tobacco increased by 8.4% y/y in December, its fastest pace since March 2015.

Annual inflation per
Category
(y/y %)



Source: Namibia Statistics Agency, IJG Securities

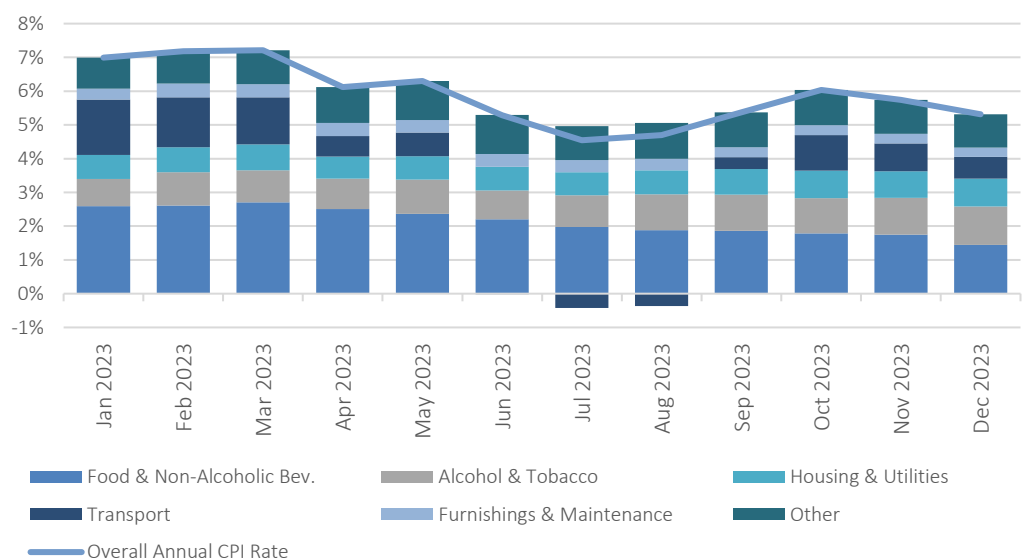
Inflation Contributors

The **food and non-alcoholic** beverages basket item, with a weighting of 16.4%, remained the largest contributor to overall inflation in December, contributing 1.44 percentage points. The **alcohol and tobacco** category contributed 1.14 percentage points, making it the second largest contributor, surpassing the **transport** category which contributed a meagre 0.64 percentage points. Fuel prices were 1.2% higher in December than they were a year ago, explaining the category's smaller contribution.

The **furnishings, household equipment and routine maintenance of the house** category carries the largest weight (28.36%) in the NCPI basket, but contributed a meagre 0.8 percentage points in December, ranking the third largest contributor.

The Ministry of Mines and Energy (MME) announced lower fuel prices for January 2024, resulting in petrol being N\$20.78 per litre and diesel N\$21.05 per litre at pumps in Walvis Bay (declines of 80 cents per litre, respectively). Fuel inflation is expected to increase to 7.4% y/y in January 2024 due to January 2023's low base.

Contribution to the
Annual Inflation Rate
(%)



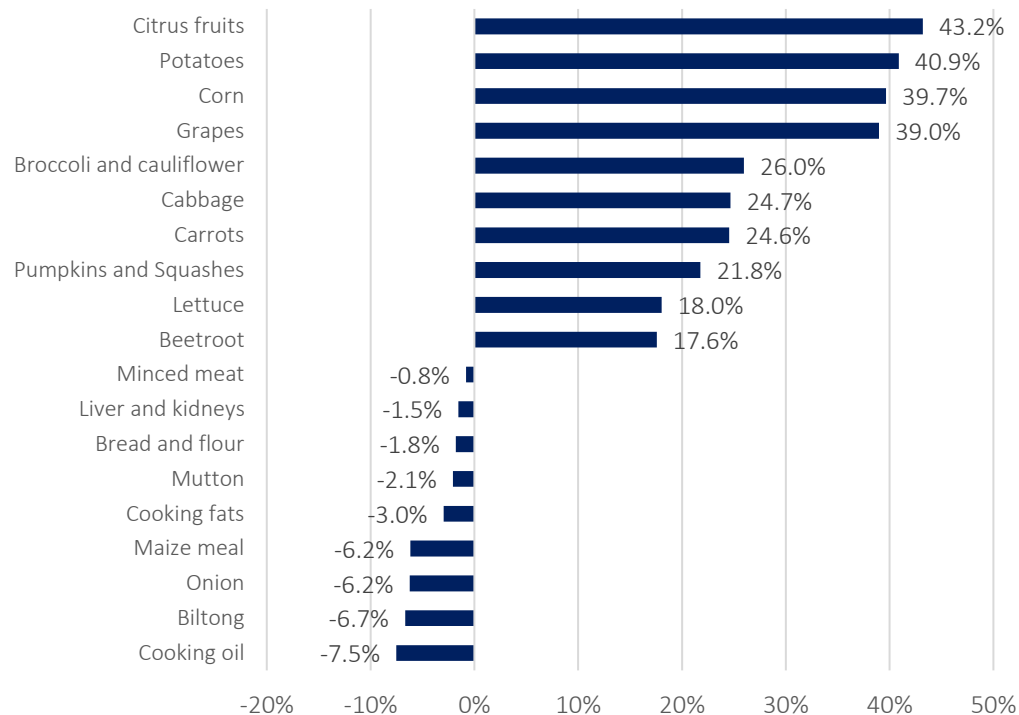
Source: Namibia Statistics Agency, IJG Securities

0.0005	4.85%
0.0003	13.04%
0.001	50.00%
0.0003	14.29%
0.0005	12.50%

Food & Non-Alcoholic Beverages

The drivers of food and non-alcoholic beverages in December 2023 were citrus fruits (↑ 43.2% y/y), potatoes (↑ 40.9% y/y), corn (↑ 39.7% y/y), grapes (↑ 39.0% y/y), while cooking oil (↓ 7.5% y/y), biltong (↓ 6.7% y/y), onion (↓ 6.2% y/y), maize meal (↓ 6.2% y/y) and cooking fats (↓ 3.0% y/y) were deflationary.

Annual inflation of selected food items in food and non-alcoholic beverages category in December 2023 (y/y %)



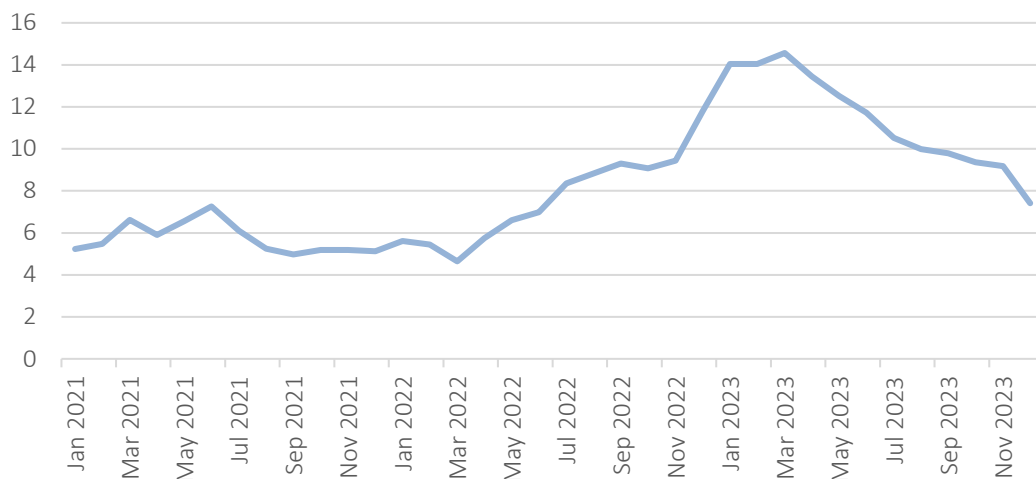
Source: Namibia Statistics Agency, IJG Securities

Global food prices recorded its largest annual drop since 2015, falling by 10% y/y in 2023 and are expected to continue easing in 2024. Indeed, the graph below shows the disinflationary trend of Namibia food inflation in 2023, in line with global trends. However, geopolitical tensions currently pose a large risk to this. Large shipping companies are rerouting their vessels to avoid the Suez Canal, resulting in a more expensive route, extended lead times and potentially higher costs of transport goods.

Although global food inflation has eased, pockets of pressure exist, including the cocoa rally driven by adverse weather in West Africa and edible oil and coffee beans due to higher freight costs. Indeed, most of Namibia's food imports are from South Africa which are delivered by ship to the continent.

Food and non-alcoholic beverages inflation rates are slowing in line with the global trend in 2023 and we could see this trend to continue, depending on geopolitical tensions and rainfall. The current El Niño climate pattern could adversely affect crop yields and food security in 2024, depending on its severity.

Food and Non-Alcoholic Beverages Inflation (y/y %)

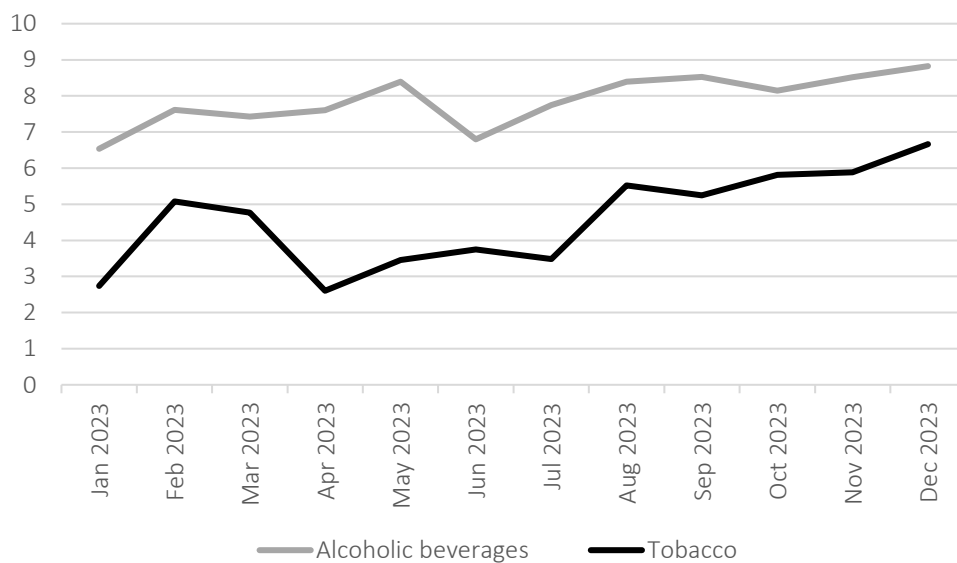


Source: Namibia Statistics Agency, IJG Securities

Alcohol & Tobacco

Alcohol and tobacco prices saw an uptick in prices in 2023, mostly attributed to higher 'sin' taxes but also the glass bottle shortage. Alcoholic beverages recorded inflation of 8.8% y/y, while tobacco logged 6.7% y/y in December 2023. Namibia Breweries experienced a significant 12% increase in revenue during their fiscal year 2022/23, primarily driven by higher prices resulting from increased input costs. The rapid price increase could have been influenced by higher transportation expenses, and it is possible that some retail owners took advantage of the increased demand over the festive season by raising prices.

Alcohol & Tobacco Inflation (% y/y)



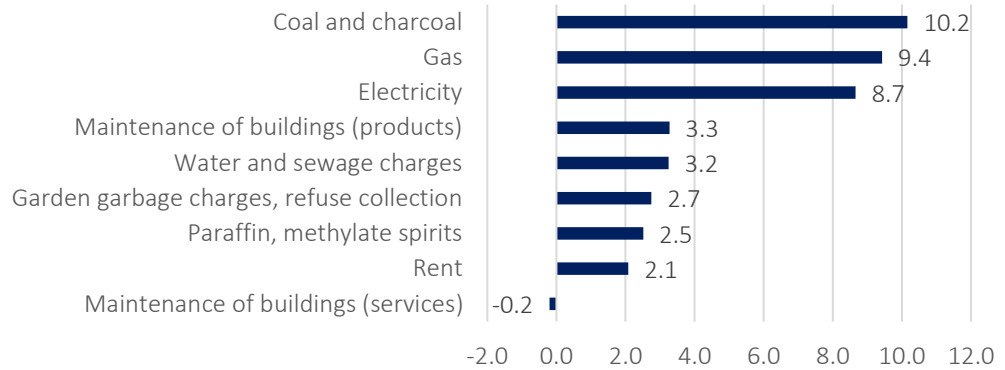
Source: Namibia Statistics Agency, IJG Securities

Housing, Water & Electricity

The housing, water, and electricity category has recorded relatively steady annual inflation during 2023, with December being the highest at 3.3% y/y. The driver of this category was mainly the prices of coal and charcoal (↑ 10.2% y/y), gas (↑ 9.4% y/y) and electricity (↑ 8.7% y/y), while maintenance services recorded deflation of 0.2% y/y in December 2023. Indeed, the ECB approved an average tariff increase of 7.30% earlier in the year which could explain this increase.

4.85%
13.04%
50.00%
14.29%
12.50%

Annual Inflation rate
for Housing, water
and electricity
components (% y/y)



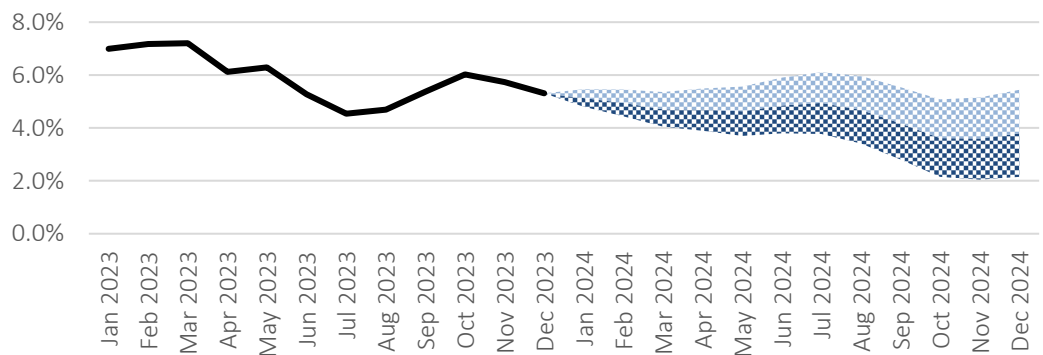
Source: Namibia Statistics Agency, IJG Securities

Conclusion & Forecast

Slowing food and transport inflation were the main drivers for the slower inflation rate in 2H23. With the current repo and prime rates of 7.75% and 11.5%, respectively, together with the assumption that rates will remain flat in 1H24, inflation is likely to remain on a downward trajectory in Namibia over the short-term. However, given the global risk mentioned above, supply-side pressures may offset weak demand.

IJG's inflation model is currently forecasting the NCPI rate to end 2024 between the range 2.3% y/y and 5.4% y/y for 2024.

NCPI Forecast
(y/y)



Source: Namibia Statistics Agency, IJG Securities

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