

Namibia CPI

January 2024

0.0005	4.85%
0.0003	13.04%
0.0001	50.00%
0.0003	14.29%
0.0005	12.50%

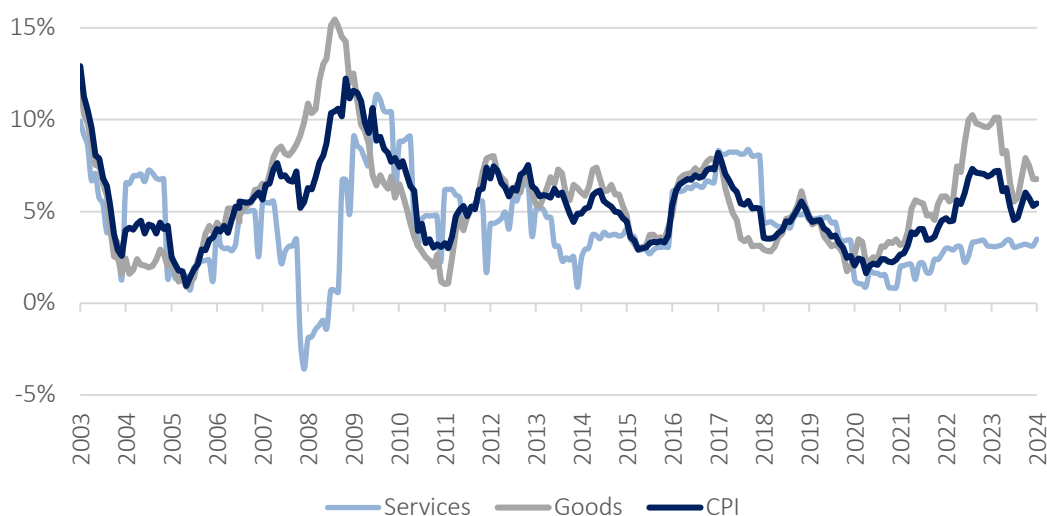
Overview

Category	Weight	Jan-24 m/m %	Dec-23 y/y %	Jan-24 y/y %	Direction
Food	16.4%	1.5%	7.4%	6.5%	↘
Alcoholic B&T	12.6%	1.4%	8.4%	7.3%	↘
Clothing	3.0%	0.3%	1.6%	1.5%	↘
Housing & Utilities	28.4%	2.8%	3.4%	4.5%	↗
Furniture	5.5%	0.9%	5.1%	5.0%	↘
Health	2.0%	1.4%	3.9%	3.5%	↘
Transport	14.3%	-1.3%	4.0%	6.1%	↗
Communications	3.8%	-0.3%	0.5%	0.1%	↘
Recreation	3.6%	0.5%	10.0%	10.6%	↗
Education	3.6%	1.3%	3.8%	1.3%	↘
Hotels	1.4%	0.9%	6.5%	6.6%	↗
Miscellaneous	5.4%	2.1%	4.9%	4.1%	↘
All Items	100%	1.3%	5.3%	5.4%	↗

Source: Namibia Statistics Agency, IIG Securities

Namibia's annual inflation rate ticked up to 5.4% y/y in January 2024, compared to the 5.3% y/y recorded in December 2023. This is lower than the 7.0% y/y inflation rate we witnessed in January 2022. On a monthly basis, prices rose by 1.3% m/m. Services inflation stood at 3.5% y/y, higher than the 3.1% recorded in the prior two months, while goods inflation remained steady at 6.8% y/y in January.

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



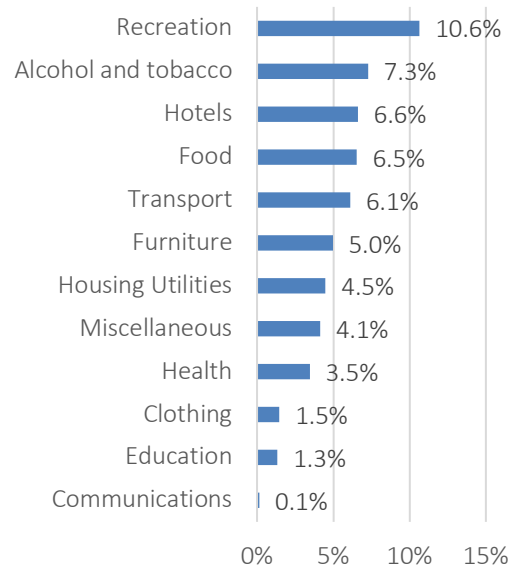
Source: Namibia Statistics Agency, IIG Securities

In January 2024, the **recreation and culture** category had the highest inflation for the fifth consecutive month, at 10.6% y/y, mostly driven by higher prices of holiday packages, which was confirmed by stakeholders that it was on account of higher flight prices. In recent months, the category has been contributing more to the overall inflation rate (0.4 percentage point in January) than its small weighting of 3.6% in the basket would suggest.

Alcoholic beverages and tobacco, **hotels** and **food and non-alcoholic beverages** followed closely behind with alcoholic beverages and tobacco category posting inflation of 7.3% y/y, hotels of 6.6% y/y and the food and non-alcoholic beverages category of 6.5% y/y, the lowest rate since May 2022.

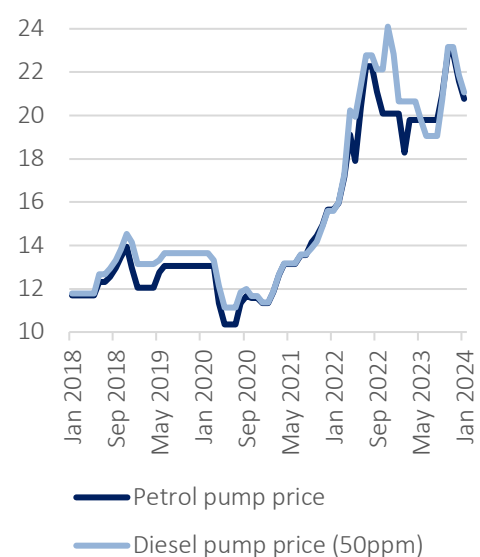
The **transport** category posted its highest inflation rate of 6.1% y/y in January since the 9.2% in March 2023. Air transportation (↑ 13.2% y/y) and spare parts (↑ 10.5% y/y) posted the highest rates in the category. Following this is petrol and diesel prices (↑ 7.5% y/y). The Ministry of Mines and Energy (MME) announced steady fuel prices for February 2024, resulting in petrol being N\$20.78 per litre and diesel N\$21.05 per litre at pumps in Walvis Bay. Despite this, petrol and diesel prices will be 13.5% and 1.7% higher, respectively, than last year February.

Annual inflation per Category (y/y %)



Source: Namibia Statistics Agency, IJG Securities

Recreation and Culture inflation (y/y %)

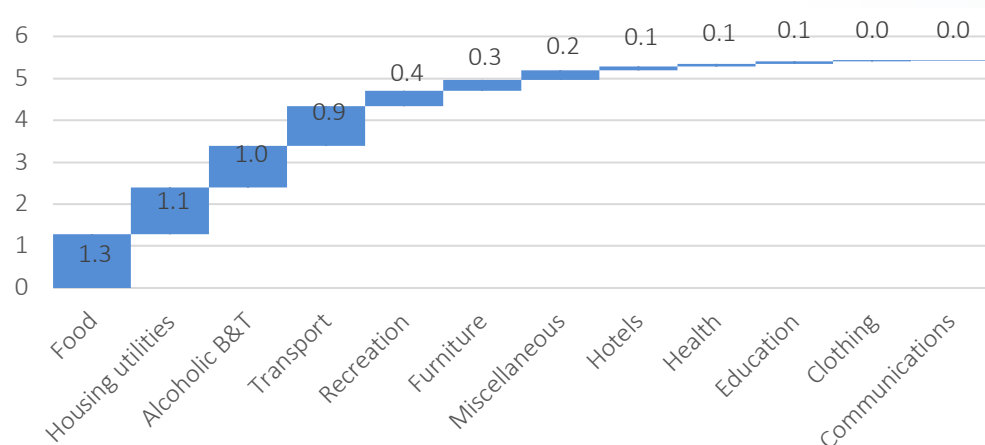


Source: Ministry of Mines and Energy, IJG Securities

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 1.29 percentage points. The **housing and utilities** category carries the largest weight (28.36%) in the NCPI basket, but contributed a meagre 1.1 percentage points in January, ranking the second largest contributor. The **alcohol and tobacco** category contributed 1.00 percentage point, being the third largest contributor. The **transport** category contributed 0.94 percentage points, higher than the 0.64 percentage points contributed last month. This was driven by the fuel line item, posting an inflation rate of 7.5% y/y in January 2024, compared to the 1.2% in December 2023.

Contribution to the Annual Inflation Rate (percentage points)

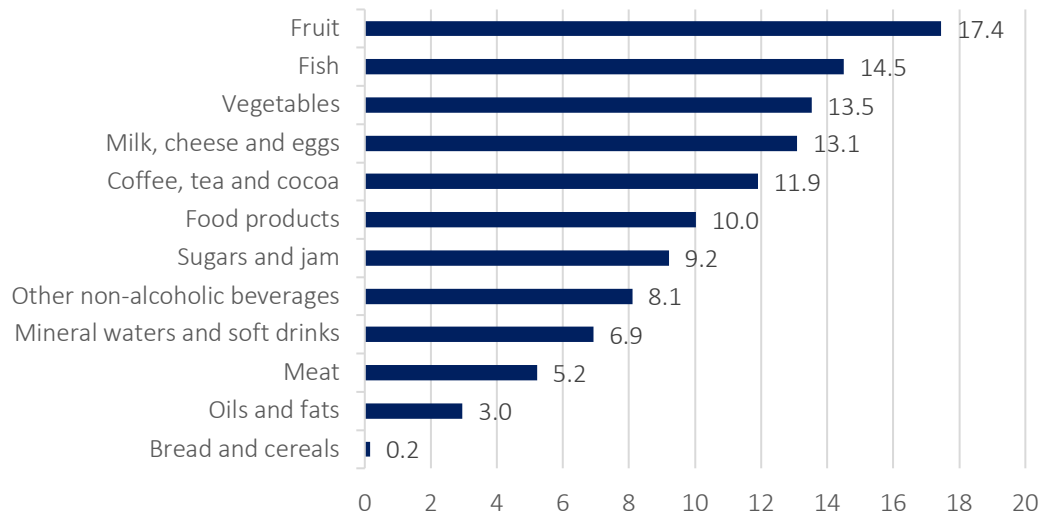


Source: Namibia Statistics Agency, IJG Securities

Food & Non-Alcoholic Beverages

The drivers of food and non-alcoholic beverages inflation in January 2024 were fruits (↑ 17.4% y/y), fish (↑ 14.5% y/y), vegetables (↑ 13.5% y/y) and milk, cheese and eggs (↑ 13.1% y/y). In the subcategories below, grapes (↑ 52.5% y/y), citrus fruits (↑ 38.17% y/y), cabbage (↑ 31.4% y/y) and corn (↑ 30.5% y/y) posted the highest inflation rates, while onions (↓ 11.1% y/y), maize meal (↓ 7.5% y/y), biltong (↓ 6.9% y/y), minced meat (↓ 2.4% y/y) and cooking fats (↓ 2.02% y/y) experienced deflation.

Annual inflation of the Food and Non-Alcoholic Beverages Subcategories (y/y %)

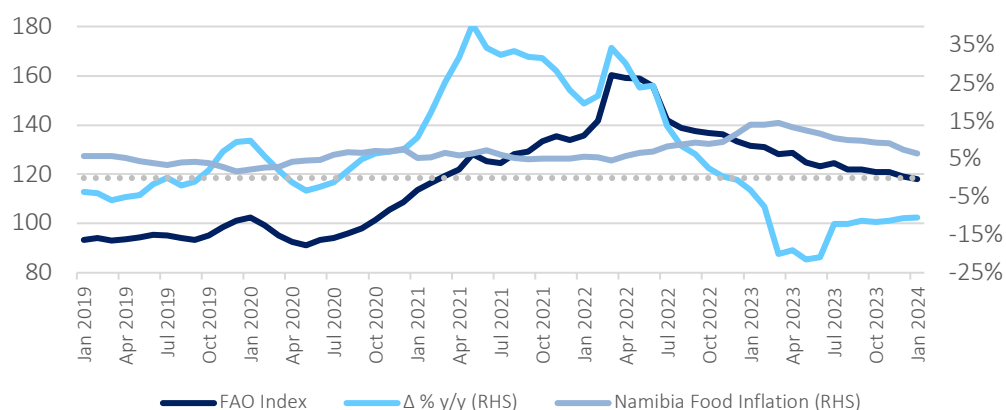


Source: Namibia Statistics Agency, IJG Securities

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. The graph below shows the disinflationary trend of Namibia food inflation in 2023 together with the decreasing FAO Food Price Index, mirroring global trends. According to the Food and Agriculture Organisation (FAO) of the UN, global cereals and meat prices decreased but were offset by an increase in sugar prices, while dairy and vegetable oil prices only registered slight upwards adjustments.

According to the World Bank's latest Food Security Update, inflation was greater than 5% in 63.2 percent of low-income countries, while in high-income countries, 44.4 percent experienced food inflation surpassing 5%. In real terms, food price inflation exceeded overall inflation in 71% of the 165 countries where data was available. Recent Houthi rebel attacks on Red Sea ships have caused a 40% drop in Suez Canal trade, raising concerns about worsening global food security, according to the International Food Policy Research Institute (IFPRI).

FAO Food Price Index

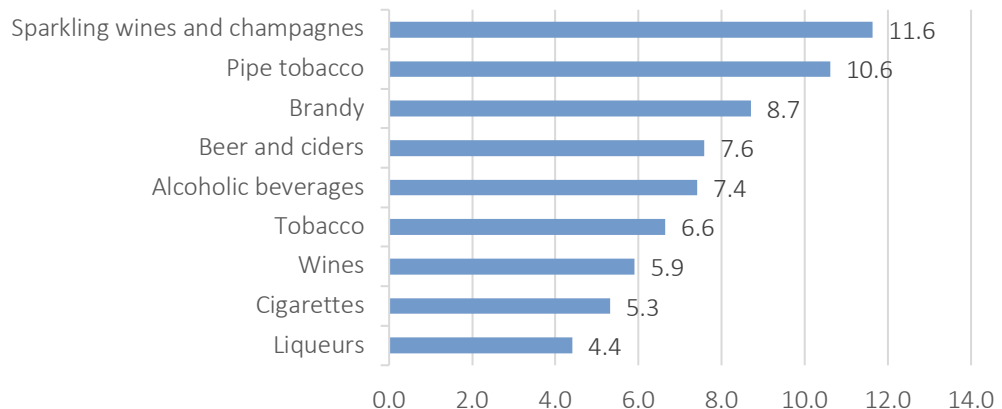


Source: Bloomberg, IJG Securities

Alcohol & Tobacco

The alcohol and tobacco basket item witnessed disinflation during January 2024, coming in at 7.3% y/y in January, compared to 8.4% y/y in December. Alcoholic beverage prices rose by 7.4% y/y in January, slower than the 8.4% y/y recorded in December. At the same time, tobacco inflation logged 6.6% y/y in January, compared to 6.7% y/y in December. The item that saw the largest price increase was sparkling wines and champagnes (↑ 11.6% y/y) and has been posting double digit price growth since May 2023. Pipe tobacco (↑ 10.6% y/y), brandy (↑ 8.7% y/y) and beer and ciders (↑ 7.6% y/y) follow closely thereafter.

Alcohol & Tobacco Inflation (% y/y)

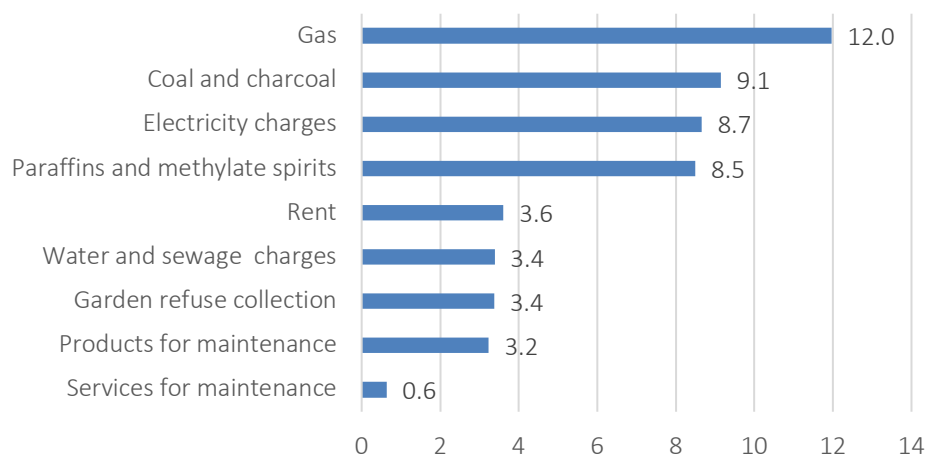


Source: Namibia Statistics Agency, IJG Securities

Housing, Water & Electricity

The housing, water, and electricity category has recorded relatively steady annual inflation, but saw a mild uptick in January, posting inflation of 4.5% y/y compared to 3.4% y/y in December. The prices for the rental payments for dwellings subcategory rose by 3.6% y/y from 2.1% y/y previously. As rental payments make up a large portion (23.3%) of the CPI basket, the modest inflationary adjustment is not expected to be a significant contributor to inflation in 2024. The sub-categories that recorded the highest inflation were the prices of gas (↑ 12.0% y/y), coal and charcoal (↑ 9.1% y/y), and electricity (↑ 8.7% y/y), while maintenance services recorded the lowest increase of 0.6% y/y in January. While rent only increased by 3.6% y/y in January, it has a bigger weighting in the category than those mentioned above.

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



Source: Namibia Statistics Agency, IJG Securities

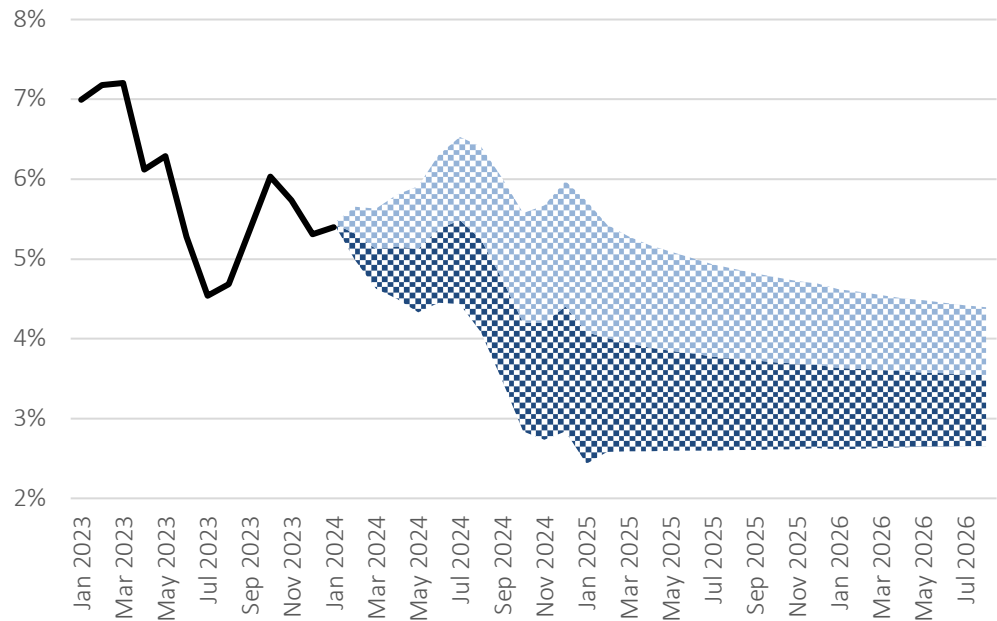
0.0005	4.85%
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Conclusion & Forecast

The IMF forecasts global headline inflation to slow to 5.8% y/y in 2024, and 4.4% in 2025. These forecasts are underpinned by current disinflation and steady growth, lower likelihood of a hard landing in the US and risks to global growth being broadly balanced.

Based on IJG’s inflation model, we expect Namibian inflation to average between 2.8% and 6.0% in 2024, with our base case being 4.4%.

Annual inflation
Forecast (% y/y)



Source: Namibia Statistics Agency, IJG Securities

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