

# Namibia CPI

## June 2024



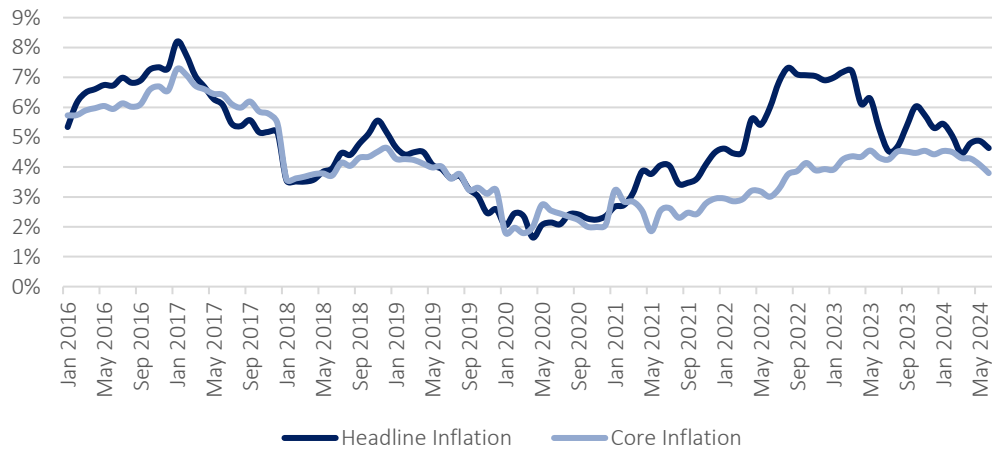
## Overview

Category	Weight	June 2024 m/m %	May 2024 y/y %	June 2024 y/y %	Direction
Food & NAB	16.4%	-0.4%	4.7%	4.3%	↘
Alcohol & Tobacco	12.6%	-1.0%	6.6%	5.3%	↘
Clothing	3.0%	0.1%	2.4%	2.6%	↗
Housing & Utilities	28.4%	0.0%	3.7%	3.6%	↘
Furniture	5.5%	-0.1%	4.1%	3.7%	↘
Health	2.0%	0.1%	4.3%	4.1%	↘
Transport	14.3%	0.1%	7.7%	8.3%	↗
Communications	3.8%	-0.6%	0.2%	-0.4%	↘
Recreation	3.6%	0.9%	6.2%	6.7%	↗
Education	3.6%	0.0%	1.7%	1.7%	→
Hotels	1.4%	0.6%	7.9%	8.4%	↗
Miscellaneous	5.4%	0.2%	3.2%	2.8%	↘
<b>All Items</b>	<b>100%</b>	<b>-0.2%</b>	<b>4.9%</b>	<b>4.6%</b>	<b>↘</b>

Source: Namibia Statistics Agency, IJG Securities

Annual inflation in Namibia slowed down in June after two consecutive months of acceleration. The annual inflation rate stood at 4.6% y/y in June, compared to 4.9% y/y in May. Core inflation (headline inflation excluding food and energy prices) reached its lowest rate in 22 months, at 3.8% y/y in June.

### Headline and Core Inflation (y/y %)

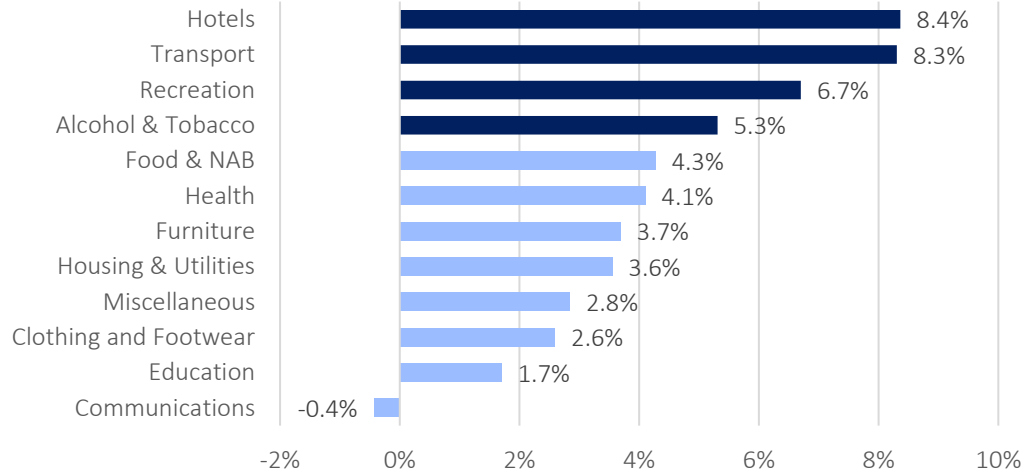


Source: Namibia Statistics Agency, IJG Securities

All categories in the NCPI basket recorded annual inflation except the communications category, which experienced deflation of 0.4% y/y. The dark blue bars in the accompanying chart represent inflation drivers, while the light blue bars indicate categories with inflation below the overall rate.



Annual Inflation per Category (June)



Source: Namibia Statistics Agency, IIG Securities

The highest annual inflation rate was recorded in the hotels and restaurants category at 8.4% y/y, the highest since January 2023. The tourism industry's strong performance has driven up prices due to improved demand.

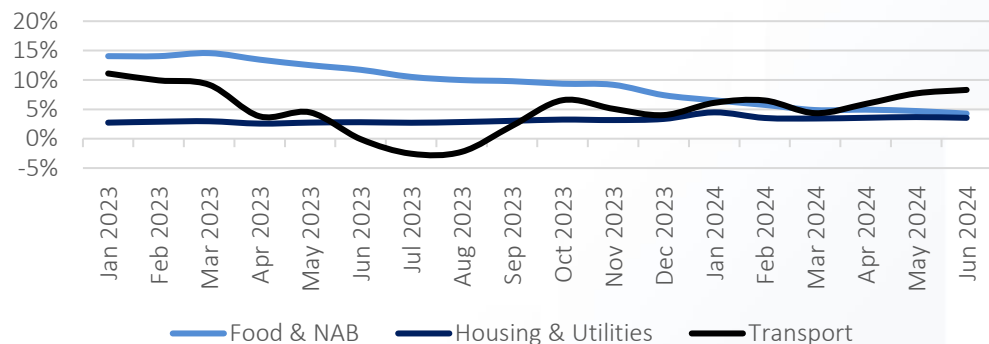
The transport, recreation, and alcohol and tobacco categories have, in general, been the drivers of inflation. Higher flight prices last year pushed recreation and culture inflation into the high double digits, but it is now starting to normalize into disinflationary rates. This trend is expected to continue as the higher base from 2H23 kicks in, leading to lower annual inflation rates. Alcohol and tobacco prices increased by 5.3% y/y in June, down from 6.6% y/y in May and 7.3% y/y in April.

Transport was the largest driver of inflation in June, with a 14.28% weight in the inflation basket and an 8.3% y/y rate, the fastest rise in transport costs since April 2023. Higher fuel prices, which increased by 16.0% y/y in June, drove transport inflation. The Ministry of Mines and Energy announced petrol prices would decrease to N\$22.20 per litre and diesel to N\$21.57 per litre. Despite the reduction, these prices are still 12.2% and 13.2% higher than in July last year, respectively, exerting upward inflationary pressure.

Although housing and utilities have the largest weight in the basket (28.36%), the category was the second-largest contributor to June's annual inflation. Housing and utilities inflation stood at 3.6% y/y in June, slightly lower than the 3.7% y/y recorded in May.

Food inflation has decelerated from its peak of 14.6% y/y in March 2023 to 4.3% y/y in June 2024, the lowest rate since May 2020. This is significant given its 16.4% weight in the NCPI basket. However, El Niño remains a risk to food supply levels, potentially accelerating food inflation in 3Q24.

Food & NAB, Transport and Housing & Utilities Inflation (% y/y)



Source: Namibia Statistics Agency, IIG Securities





## Conclusion & Forecast

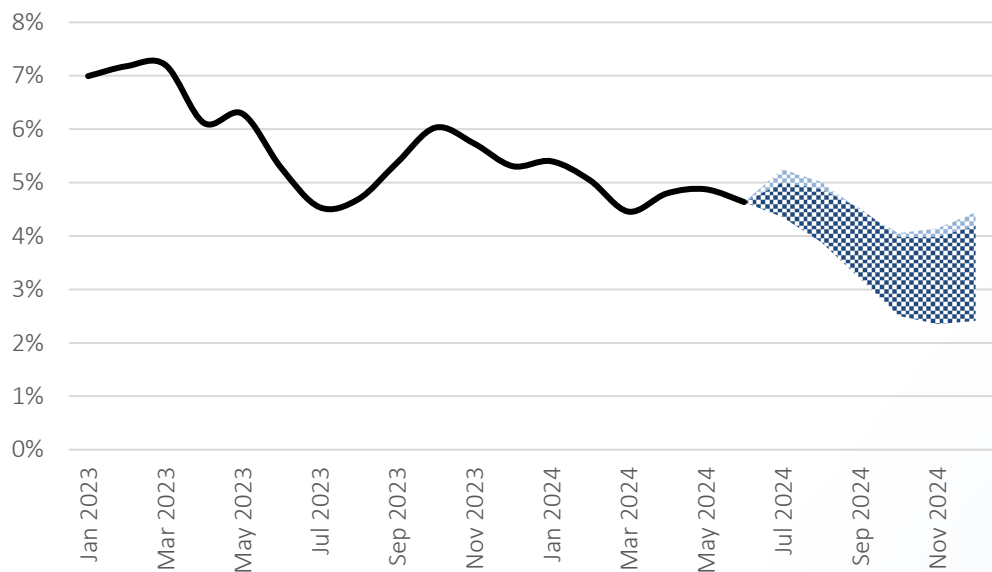
Namibia’s inflation rate decreased moderately in June indicating the trend of moderating inflation remains intact. During the first half of 2023 (1H23), the Consumer Price Index (CPI) rose at a monthly average of 0.5%. This contrasts with the 1H24, where the monthly average increase was 0.4%, and June recorded a monthly deflation of 0.2%. The year-to-date average inflation rate in 1H24 was 4.9%, down from 5.3% in the 2H23 and 6.5% in 1H23.

A lower base effect can lead to higher annual inflation rates in the coming months. Although the global economy is experiencing lower inflation rates, which is expected to affect Namibia, the low base from 2H23 might moderate the passthrough effects of inflation. Upward inflationary risks include anticipated challenges for shipped freight carriers due to the ongoing Red Sea conflict, as noted by the CEO of Maersk. Longer shipping routes and squeezed capacity have raised container prices, which may remain high beyond the conflict.

The strengthening of the rand has contributed to lower expected inflation. Recently, the rand has been trading around R18.20/USD and appreciated to R18.00/USD as of July 10, 2024. Market expectations are tilted toward further strengthening in the third quarter of 2024 in light of an expected US Federal Reserve rate cut in November. This skews inflation expectations locally to the downside.

IJG’s inflation model forecasts Namibia’s annual inflation rate to average between 4.0% and 4.7% in 2024, lower than previous predictions. The model also predicts slightly higher rates in 3Q24, followed by a deceleration towards 4.0% in 4Q24.

Annual Inflation Forecast (% y/y)



Source: Namibia Statistics Agency, IJG Securities



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