

Namibia CPI

October 2023

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

Overview

Category	Weight	Oct-23 m/m %	Sep-23 y/y %	Oct-23 y/y %	Direction
Food	16.4%	0.3%	9.8%	9.4%	↘
Alcoholic B&T	12.6%	0.2%	7.9%	7.7%	↘
Clothing	3.0%	0.1%	1.8%	1.9%	↗
Housing utilities	28.4%	0.3%	3.0%	3.3%	↗
Furniture	5.5%	0.6%	5.5%	5.6%	↗
Health	2.0%	0.2%	3.8%	3.2%	↘
Transport	14.3%	3.5%	2.2%	6.6%	↗
Communications	3.8%	0.3%	0.9%	0.8%	↘
Recreation	3.6%	0.6%	10.0%	10.4%	↗
Education	3.6%	0.0%	3.8%	3.8%	→
Hotels	1.4%	0.7%	6.9%	7.5%	↗
Miscellaneous	5.4%	0.0%	5.5%	5.4%	↘
All Items	100%	0.8%	5.4%	6.0%	↗

Source: Namibia Statistics Agency, IJG Securities

Namibia's annual inflation rate edged up to 6.0% in October, from 5.4% y/y in September, the highest rate since May. On a month-on-month basis, prices in the overall NCPI basket once again rose by 0.8%, mirroring September's increase. On an annual basis, overall prices in six of the twelve basket categories rose at a faster rate than in September, five recorded slower rates of inflation and only the education category recorded steady inflation. Services inflation remained steady at 3.2% y/y while goods inflation ticked up to 7.9% y/y (from 6.9% in September).

Goods vs Services Inflation (y/y %)



Source: Namibia Statistics Agency, IJG Securities

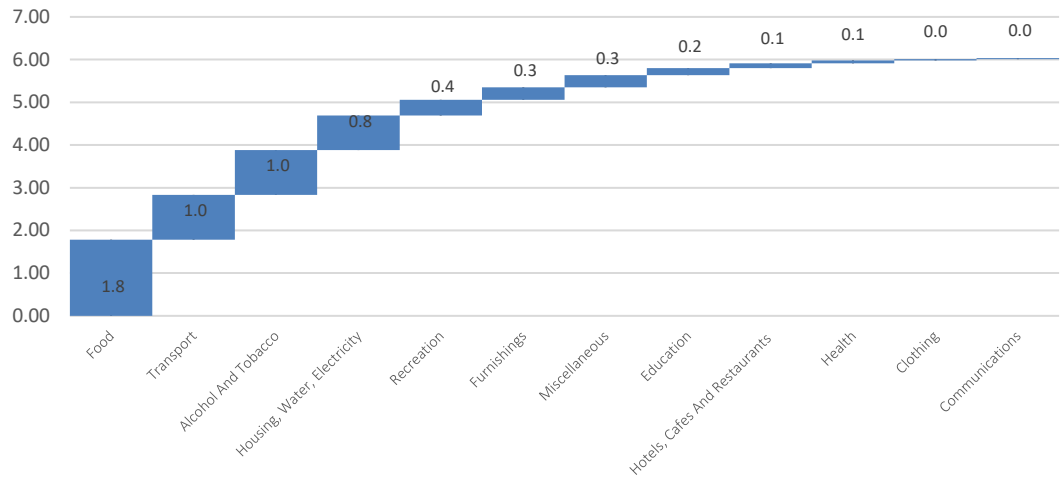
Inflation Contributors

The **food and non-alcoholic beverages** basket item remained the largest contributor to the NCPI rate, contributing 1.8 percentage points to October's overall inflation rate. The **transport** category was the second biggest contributor in October, contributing 1.0 percentage point (0.4 point in September). On a month-on-month basis, prices in the transport basket rose 3.5% in October. The increase was anticipated, given the 190 cent per litre hike in petrol prices and the 240 cent per litre increase in diesel prices that took effect in early October. The Ministry of Mines and Energy's decision to keep the local fuel prices unchanged in November means that local fuel prices are currently 4.2% higher on average than they were a year ago. We therefore anticipate the transport category to continue contributing to the Namibian inflation rate over the coming months, after having a deflationary impact a few months ago.





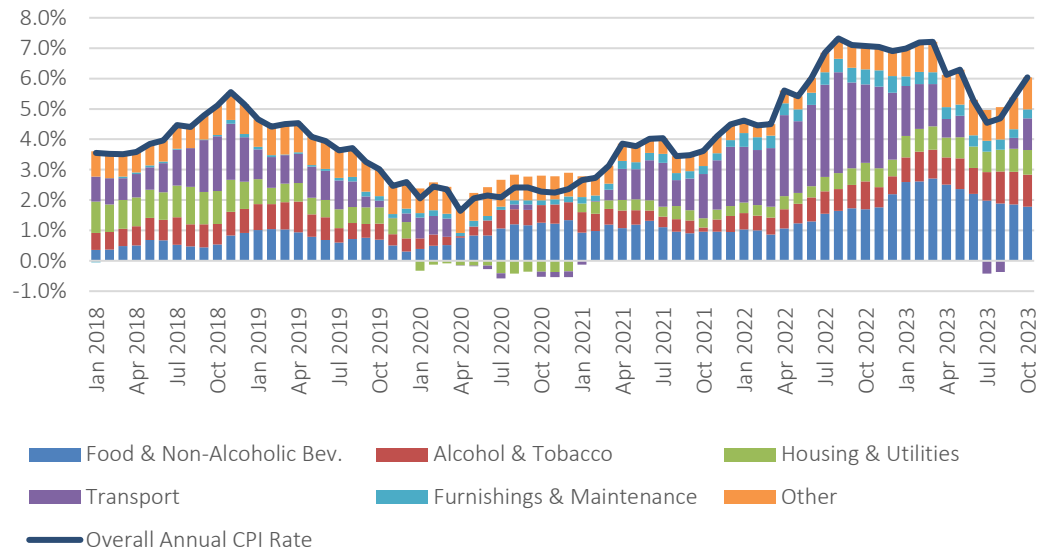
Contribution to the Annual Inflation Rate



Source: Namibia Statistics Agency, IJG Securities

The **alcohol and tobacco** category contributed 1.0 percentage point, while **housing and utilities** again contributed 0.8 percentage point, despite the category having the heaviest weighting at 28.4%. The **recreation** basket steadily contributed 0.4 percentage point in October.

Historic NCPI Contribution Breakdown



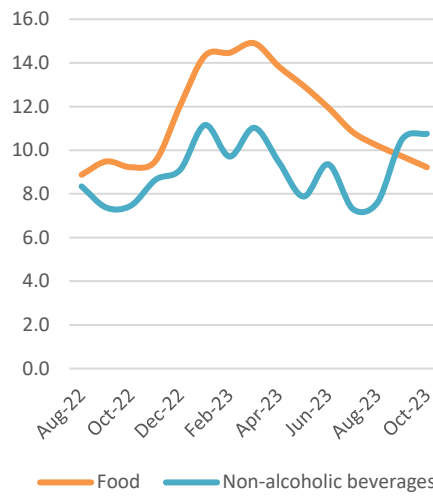
Source: Namibia Statistics Agency, IJG Securities



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Food & Non-Alcoholic Beverages

Historic Food & Non-Alcoholic Beverages Inflation (% y/y)



Source: Namibia Statistics Agency, IJG Securities

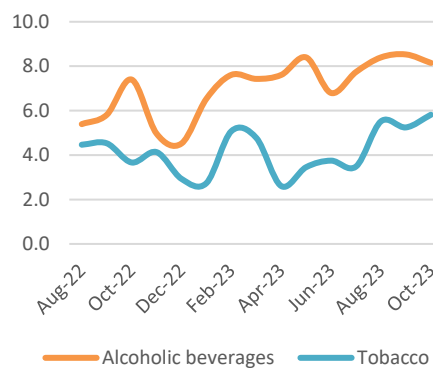
Food and non-alcoholic beverage prices rose 9.4% y/y in October, with inflation in the basket decelerating for a seventh consecutive month on an annual basis. The basket item posted inflation of 0.3% on a month-on-month basis.

Food prices continued to moderate in October to 9.2% y/y, from 9.7% in September. Only two of the nine sub-food categories recorded quicker annual inflation than in September. Fish recorded slower inflation at 15.5% y/y. Fruit prices rose by 10.5% y/y in October, from 15.3% witnessed in September. Meanwhile, the prices of oils and fats fell by 5.6% y/y.

Non-alcoholic beverages inflation ticked up marginally to 10.8% y/y, from 10.5% previously.

Alcohol & Tobacco

Historic Alcohol & Tobacco Inflation (% y/y)



Source: Namibia Statistics Agency, IJG Securities

The alcohol and tobacco category posted inflation of 0.2% m/m and 7.7% y/y, following the 7.9% y/y rate recorded in September. Prices of alcoholic beverages rose by 8.1% y/y, while prices of tobacco products saw a 5.8% y/y rise.

Housing, Water & Electricity

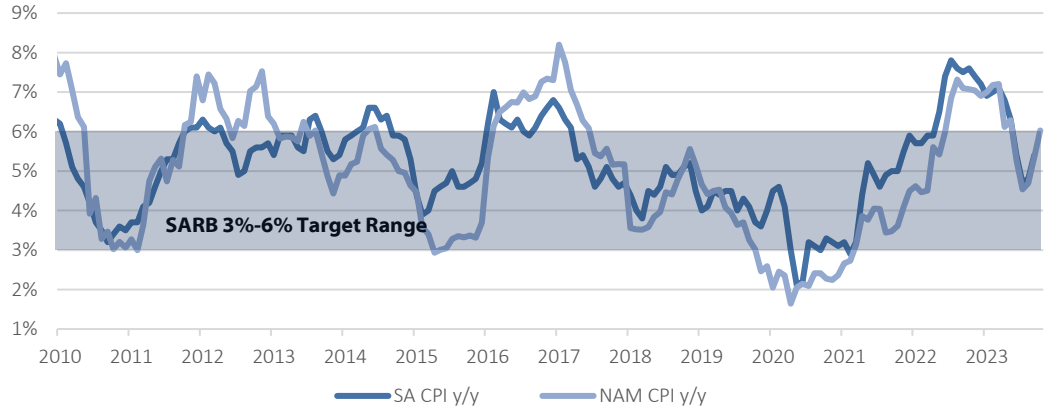
The houses and utilities basket recorded quicker inflation of 0.3% m/m and 3.3% y/y in October. Three of the four basket sub-items logged quicker annual inflation in October than in September. Rental inflation, which is typically only adjusted in January, remained steady at 2.1% y/y. Electricity gas and other fuels ticked up to 8.9% y/y, the quickest since October 2018. Water supply and sewerage service inflation rose 2.8% y/y (from 2.7% in September), while regular maintenance and repair of dwelling inflation marginally ticked up to 1.9% y/y (from 1.8% in September).

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Conclusion & Forecast

The uptick in the NCPI rate in October was expected, given the relatively sharp fuel price increase at the start of the month. As mentioned earlier in this report, the unchanged prices of November means that fuel prices are still 4.2% higher on average than at the same point last year. Inflationary risks therefore remain to the upside. A similar uptick in the South African CPI rate could prompt the hawkish SARB to hike rates by 25bps at its November MPC meeting. All eyes will then be on the BoN to see whether the follow in-kind on 05 December.

Namibia vs South Africa CPI (y/y)



Source: Namibia Statistics Agency, IJG Securities

IJG’s inflation model is currently forecasting the NCPI rate to end 2023 between 5.6% and 6.4%, although the upper end of this range seems more likely at this stage, and for it to slow to around 4.3% in 2024.

NCPI Forecast (y/y)



Source: Namibia Statistics Agency, IJG Securities





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