

Namibia Consumer Price Index

December, 2014



Our Mission

To in a coordinated manner produce and disseminate relevant, quality and timely statistics that are fit-for-purpose in accordance with international standards and best practice.

Our Vision

To be a high performance institution in statistics delivery

Our Shared Values

Excellent Performance

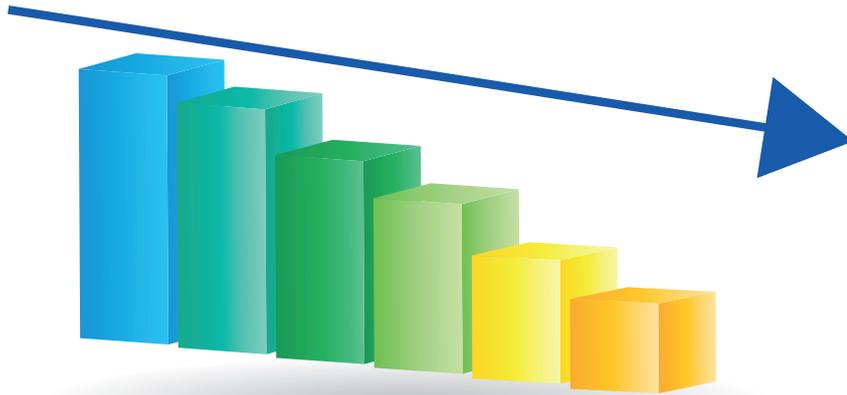
Integrity

Service focus

Transparency

Accuracy

Partnership



Annual Inflation went down

Headline Inflation for December 2014, dropped from 5.0 to 4.6 percent on an annual basis and also decreased on a monthly basis from 0.2 to -0.2 percent.

Summary

The inflation rate for December dropped from 5.0 to 4.6 percent on an annual basis and also decreased on a monthly basis from 0.2 to -0.2 percent. On a monthly basis, inflation was affected by decreases in the prices of goods and services in the categories of *Hotels, cafes and restaurants* which declined by 2.1 percent, transport by 1.3 percent and *alcohol beverages and tobacco* by 0.4 percent.

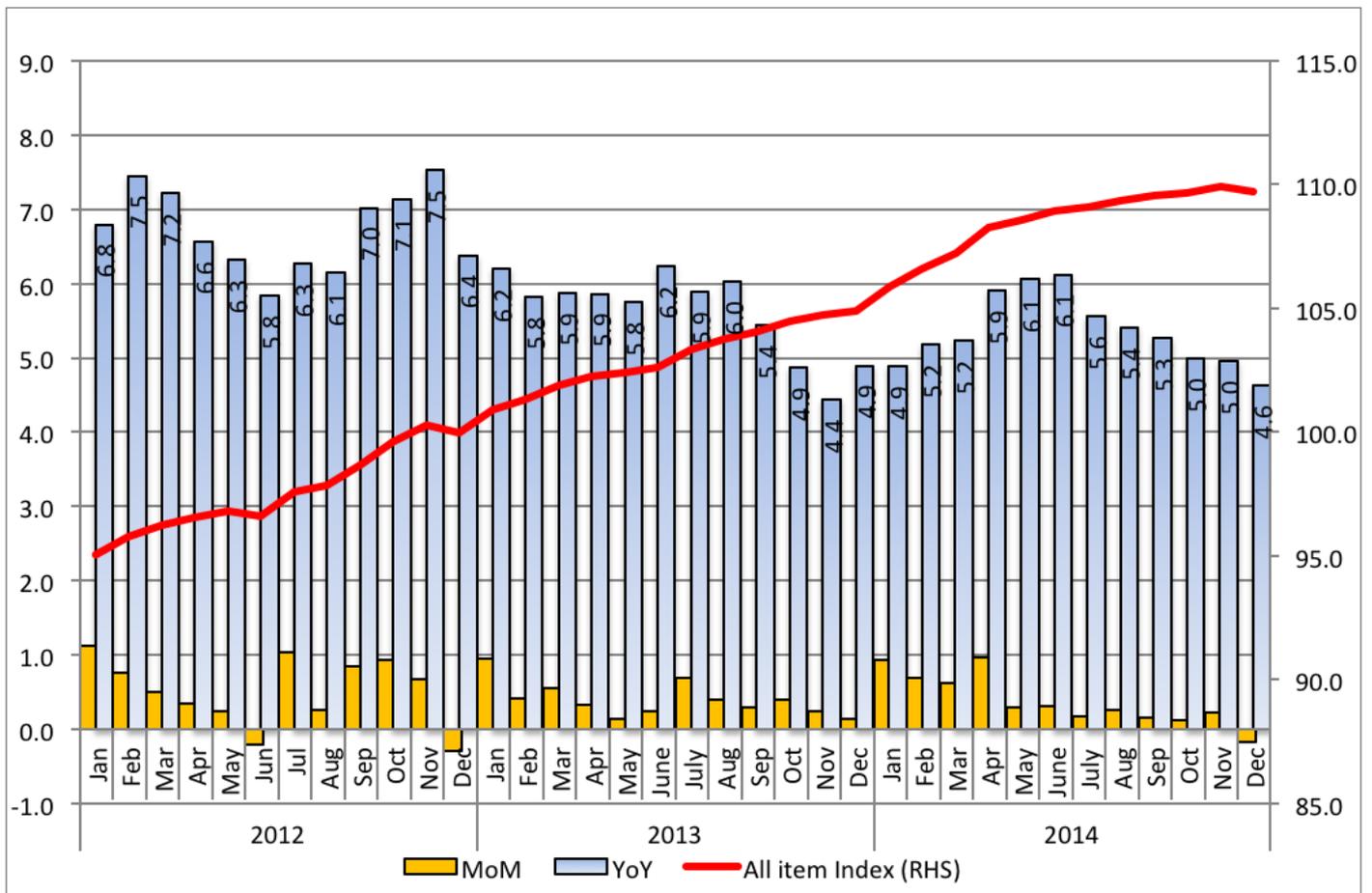
On an annual basis however, inflation remains driven by prices in the categories of *alcohol beverages and tobacco and food and non-alcohol beverages*, which have expanded by 7.1 and 7.0 percent respectively. The December 2014 All Items Index increased to 109.8 up from 104.9 in December 2013. The average annual and average monthly inflation rates for the year 2014 stood at 5.4 and 0.4 percent as compared to 5.6 and 0.4 percent registered a year earlier.

John Steytler

Overall Inflation

The December annual Inflation rate dropped to 4.6 percent showing a continuation of the general downward trend in inflation seen since May 2014. During the period between December 2013 and December 2014, the inflation fluctuated between 4.6 and 6.1 percent. This wavering in inflation is largely on account of prices of food and fuel, exacerbated by a weakening of the Namibia Dollar against major currencies.

Chart 1: Namibia Consumer Price Index; November 2014 (Dec 2012 = 100)

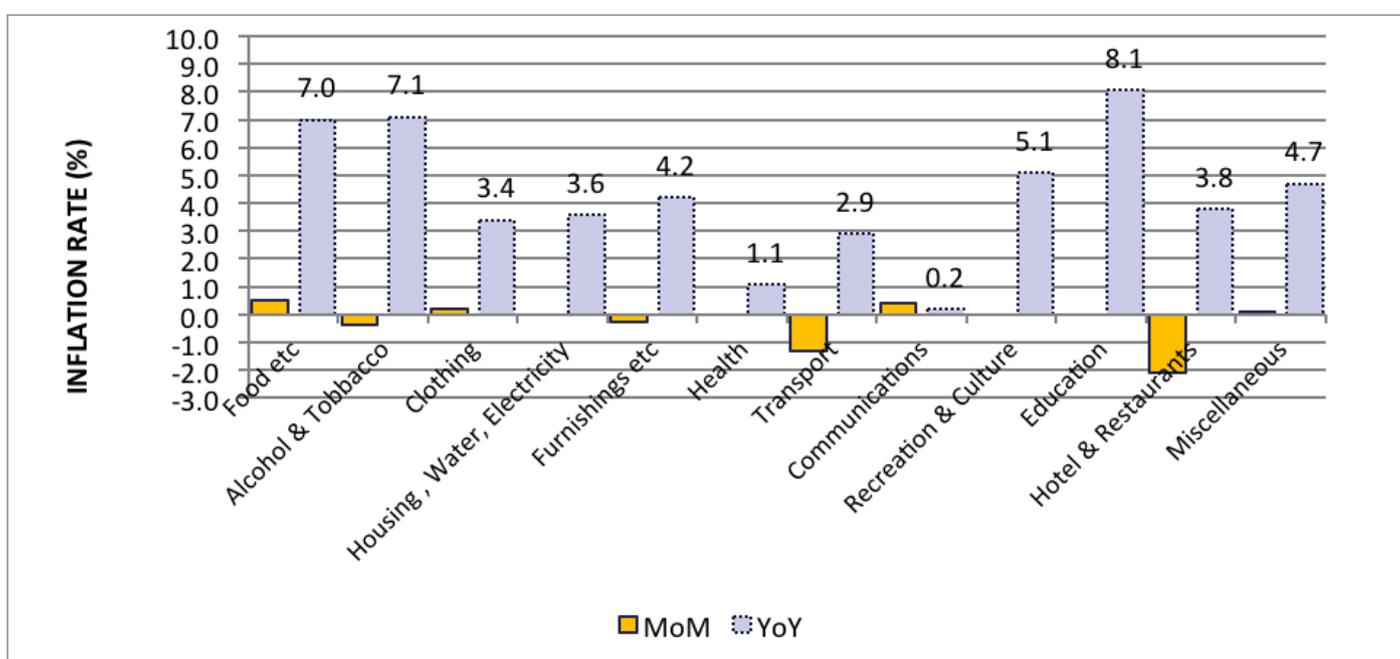


Over the past year, inflation has been driven predominantly by three categories of the overall inflation basket, namely, *alcoholic beverages, food and non-alcoholic beverages and transport*.

Main Drivers of Inflation

The major drivers of the annual inflation were, mainly on account of relatively large weighting of these categories in the overall inflation basket, *food and non-alcoholic beverages* (7.2 percent), *alcoholic beverages and tobacco* (7.8 percent) *transport* (3.9 percent). Additional relatively smaller contributions to inflation were recorded from the minor groups (by basket weighting), such as *recreation and culture* (5.1 percent), *hotels, cafes and restaurants* (3.8 percent) and *miscellaneous goods and services* (4.7 percent).

Chart 2: NCPI; November 2014 percent changes by main groups (Dec 2012 = 100)



BOX 1: NCPI Basket Weighting

Inflation is calculated based on a basket of goods and services, containing a representative sample of the goods and or services commonly consumed in a country, and weighted in accordance to the relative percentage of expenditure allotted to each of the said goods at household level. The price of these goods and services are then tracked over time, to illustrate the change in the cost of living over time. As spending patterns change, new products and services are added to the basket, and the basket reweighted so as to better capture the current spending patterns of the consumer at the current point in time. As such, the inflation basket is generally reconstituted every five years. In Namibia, the basket was last rebased in 2013, using household expenditure data collected in the 2009/10 Household Income and Expenditure Survey. As such, the basket now contains over 350 items, grouped into 12 categories and 55 sub-categories, for which prices are collected on a monthly basis from more than 900 retail outlets.

Namibian inflation, however, is largely determined by three categories of the overall NCPI basket, namely *housing, water, electricity, gas and other fuels, food and non-alcoholic beverages* and *transport*, which cumulatively make up just under 60 percent of the total inflation basket. Additionally, following the rebasing of the NCPI basket in 2013, *alcoholic beverages and tobacco* make up an additional 12.6 percent of the basket, meaning that the four largest categories represent well over 70 percent of the total basket. As such, large increases in inflation in these categories has a greater impact on overall inflation than do increases in the lower weighted categories. Thus, it is rare to see major increases in overall inflation attributed to the lower weighted categories, despite the fact that these categories may have seen relatively high inflation in their own right.

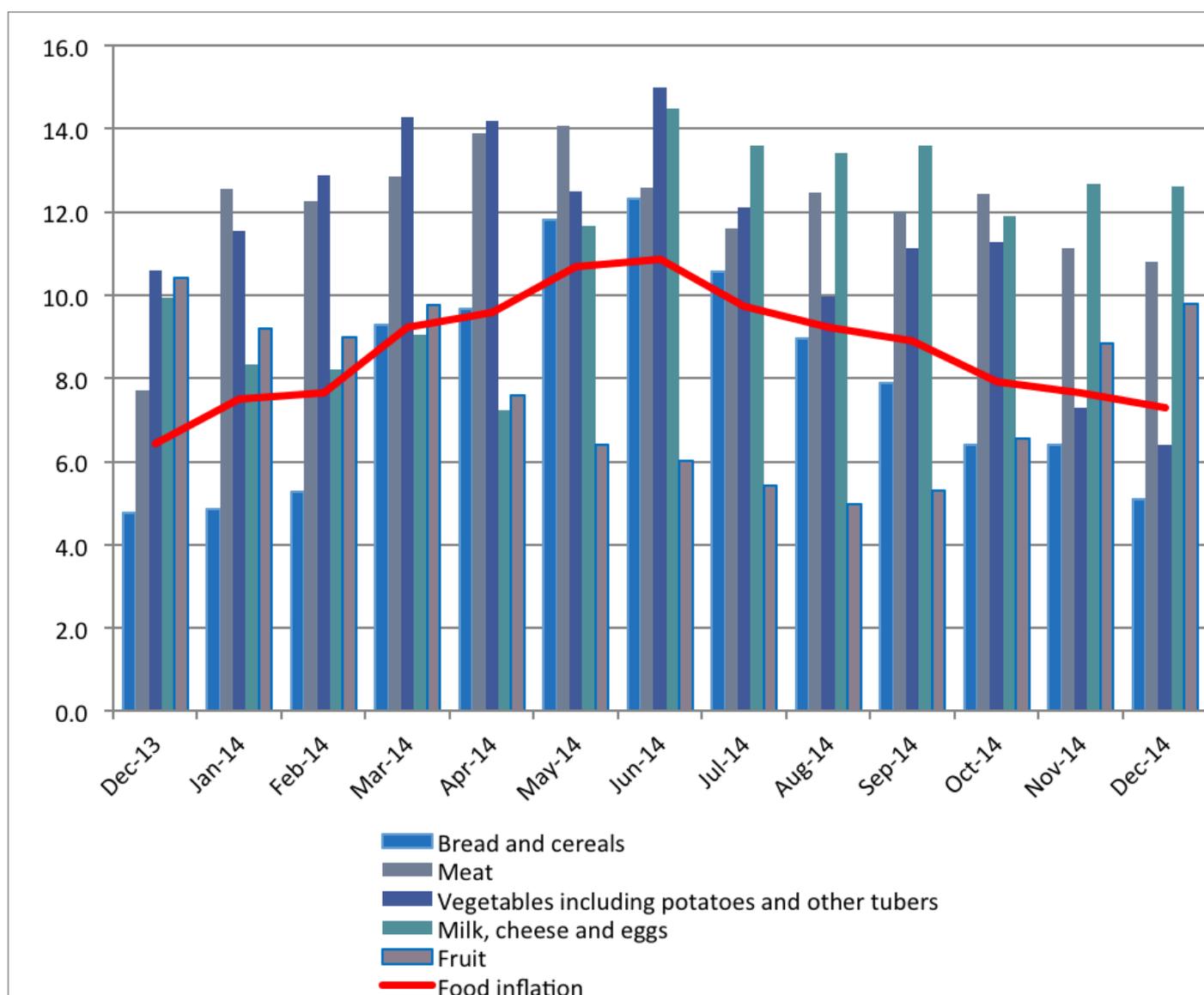
Category	Weighting (%)
Housing, Water, Electricity, Gas and Other Fuels	28.36
Food and Non-Alcoholic Beverages	16.45
Transport	14.28
Alcoholic Beverages and Tobacco	12.59
Furnishings, Household Equipment...	5.47
Miscellaneous Goods and Services	5.39
Communications	3.81
Education	3.65
Recreation and Culture	3.55
Clothing and Footwear	3.05
Health	2.01
Hotels, Cafes and Restaurants	1.39

Key Components

Food and non alcoholic beverages

The *food and non-alcoholic beverages* category of inflation is usually a key driver of inflation in Namibia due to the fact that it tends to be fairly volatile, usually above average inflation. The annual inflation for this category stood at 7.0 percent, following a 0.5 percent increase on monthly basis. The increase in food prices were recorded in most of the sub-groups except vegetables including potatoes and other tubers and bread and cereals which dropped to 1.0 and 0.1 percent respectively.

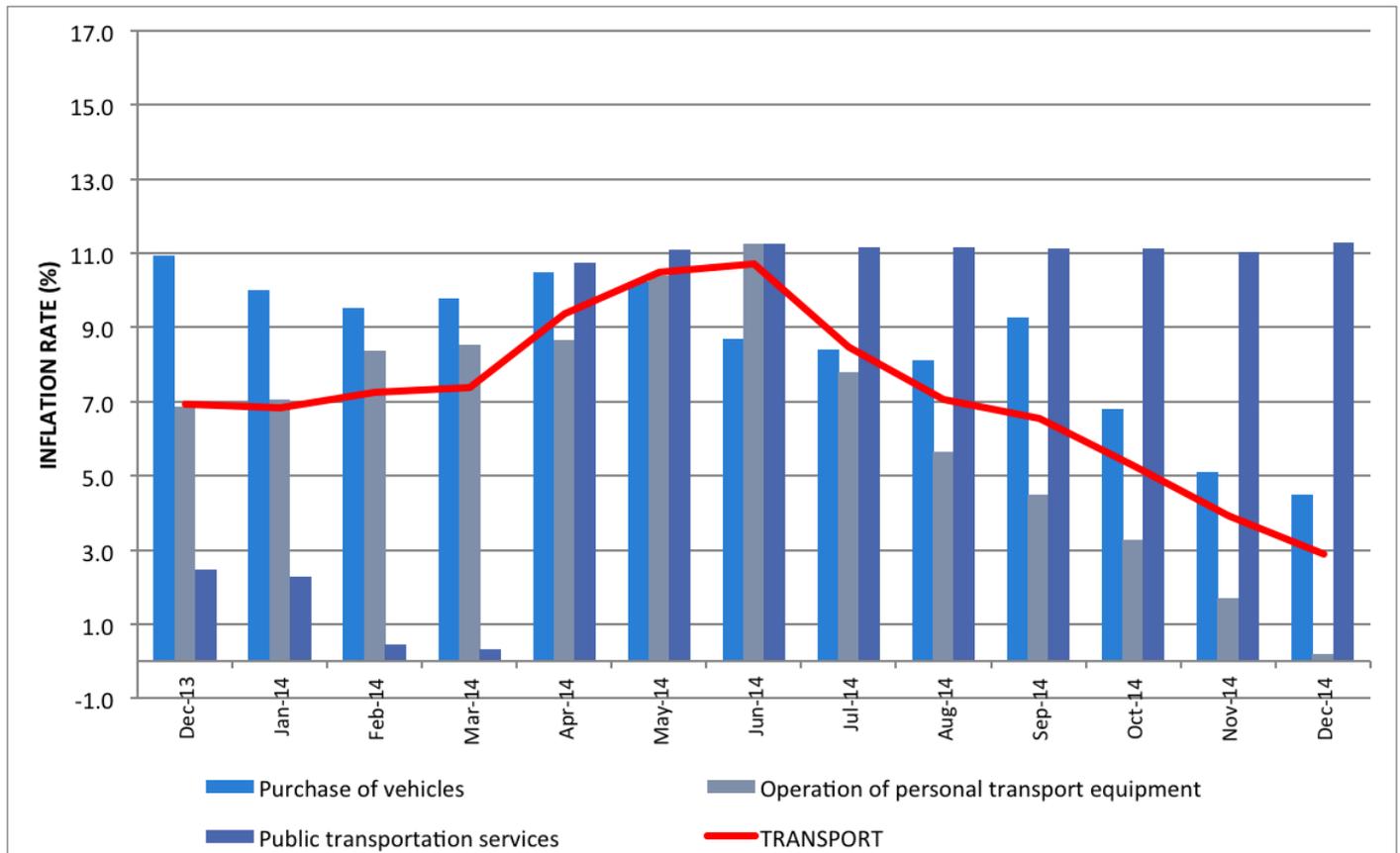
Chart 3: NCPI; Selected food and non-alcoholic beverage sub-category annual inflation (Dec 2012 = 100)



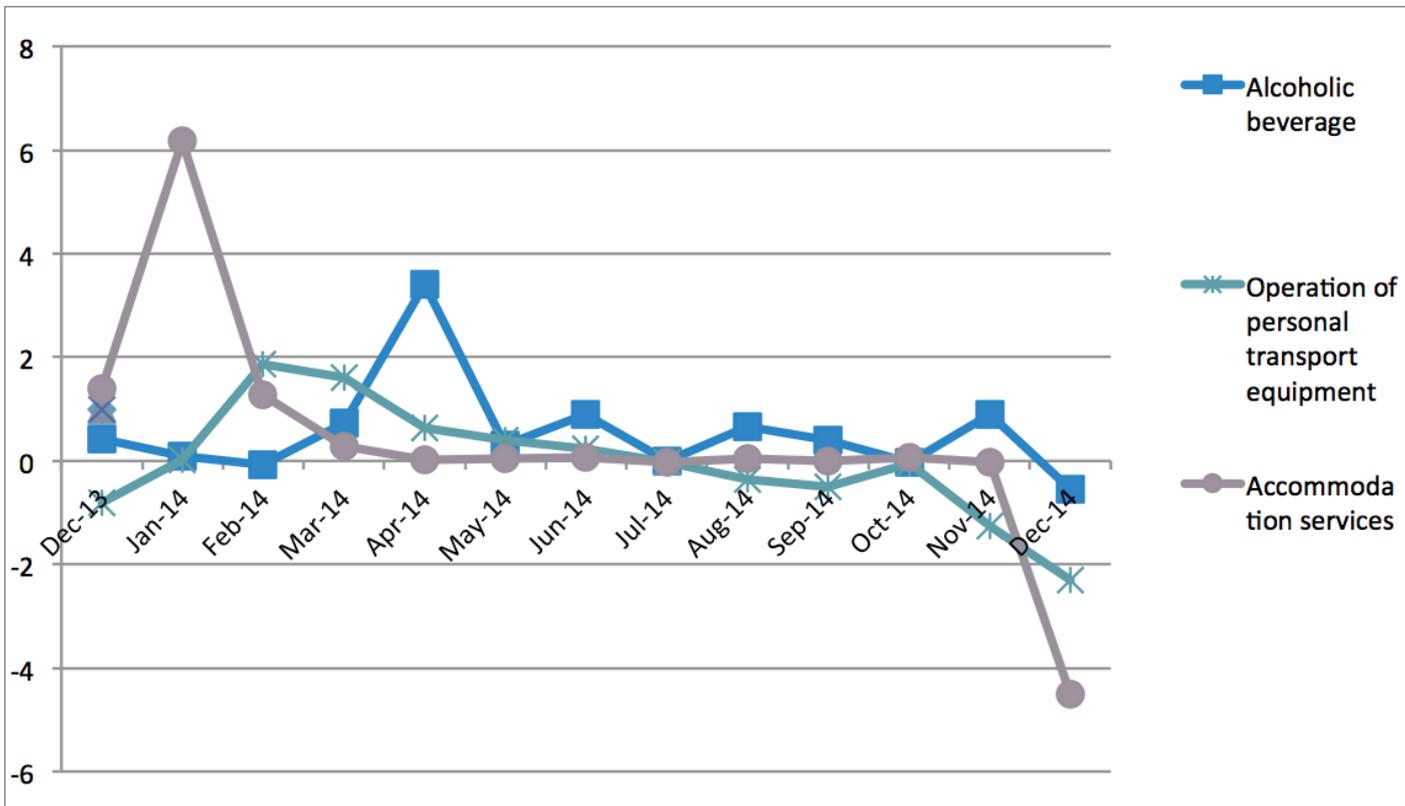
Transport:

The category of Transport, which represents 14.28 percent of the overall basket, recorded 2.9 percent in December 2014, a 4.0 percentage points decrease in prices when compared to 6.9 percent registered in the same period of 2013. This decrease has been largely driven by decreases in the subgroup of operation of personal transport equipment of which includes fuel.

Chart 4: NCPI; Transport annual inflation (Dec 2012 = 100)



BOX 2: CHART OF THE MONTH



During the year 2014 some items had high volatile prices which had significant impact in the overall inflation and contributed immensely to the decline of inflation rate. The items such as Alcoholic beverages prices have been fluctuating between (-0.6 and 3.2 percent), Personal transport equipment (-2.3 and 1.9 percent) and Accommodation services (-4.5 and 6.2 percent) since December 2013.

The Accommodation and the Alcoholic beverage categories prices went down significantly in December 2014 due to special prices applied in some hotels and bottle stores.

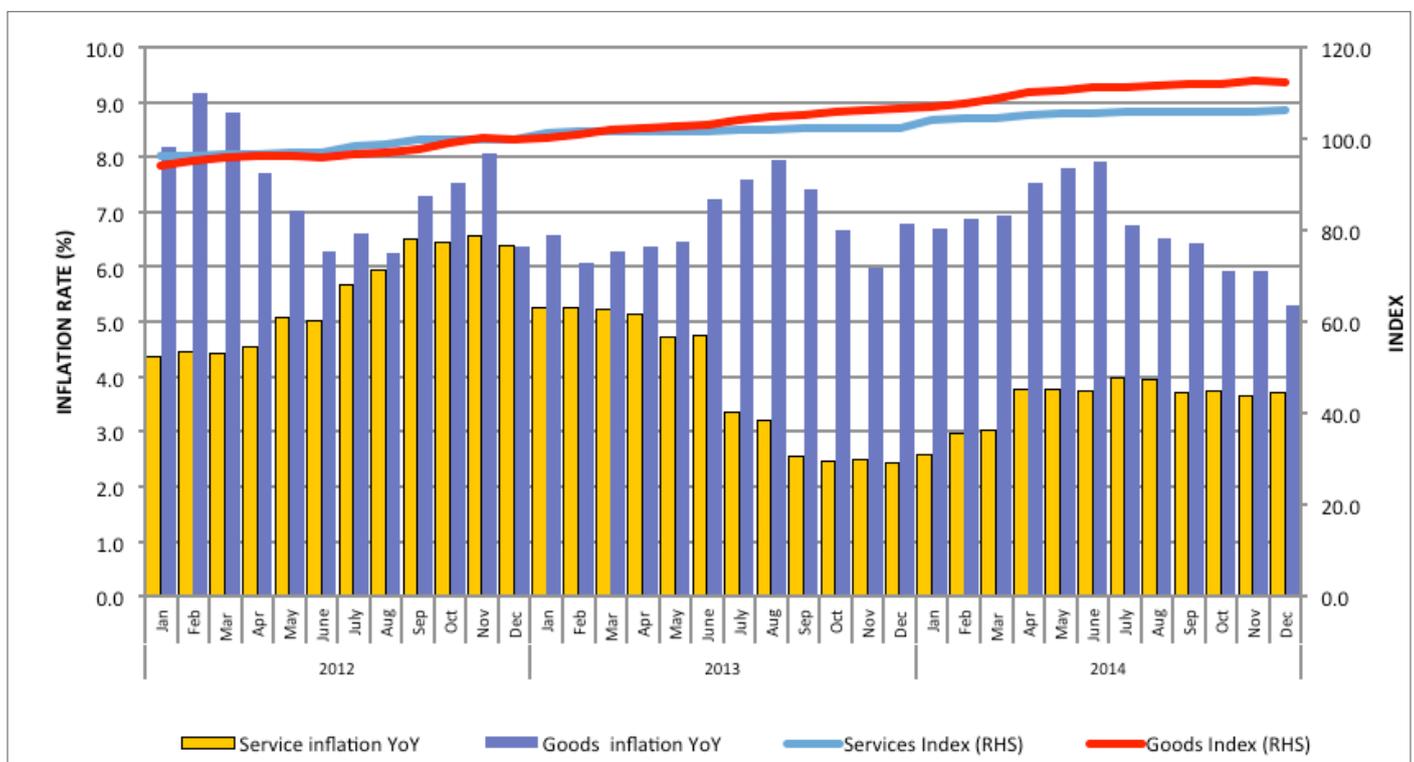
The Personal transport equipment sub category declined because of petrol/diesel prices which have been dropping since July 2014 due to declines in the price of crude oil.

The services annual inflation rate has generally remained fairly low in the year 2014 when compared to goods inflation. The goods inflation fluctuated between 7.9 and 5.3 recorded in the months of June and December 2014.

Goods and Services Inflation

For the month of December 2014 the Index for Goods and Services stood at 112.4 and 106.3 respectively as compared to the corresponding indices of 106.8 and 102.4 recorded during the same period last year.

Chart 5: NCPI; All Items, Goods and Services (Dec 2012 = 100)



The December 2014 monthly and annual inflation rates for Goods were estimated at -0.3 and 5.3 percent respectively while those for Services stood at 0.0 and 3.7 percent an indication that prices of Goods continue to accelerate faster than those of Services. Corresponding rates recorded during the same period a year earlier stood at 0.3 and 6.8 percent and -0.1 and 2.4 percent respectively.

Table 1: Namibia CPI: All-Items Index, monthly and annual percentage changes (Dec 2012 =100)				
Period		Index	Monthly inflation rate	Annual inflation rate
2013	Jan	100.9	0.9	6.2
	Feb	101.4	0.4	5.8
	Mar	101.9	0.6	5.9
	Apr	102.3	0.3	5.9
	May	102.4	0.1	5.8
	June	102.7	0.2	6.2
	July	103.4	0.7	5.9
	Aug	103.8	0.4	6.0
	Sep	104.1	0.3	5.4
	Oct	104.5	0.4	4.9
	Nov	104.7	0.2	4.4
	Dec	104.9	0.1	4.9
		An. Av	103.1	0.4
2014	Jan	105.9	0.9	4.9
	Feb	106.6	0.7	5.2
	Mar	107.3	0.6	5.2
	Apr	108.3	1.0	5.9
	May	108.6	0.3	6.1
	June	108.9	0.3	6.1
	July	109.1	0.2	5.6
	Aug	109.4	0.3	5.4
	Sep	109.6	0.2	5.3
	Oct	109.7	0.1	5.0
	Nov	109.9	0.2	5.0
	Dec	109.8	-0.2	4.6
		An. Av	108.6	0.4

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