

# Namibia Consumer Price Index

August, 2014



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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

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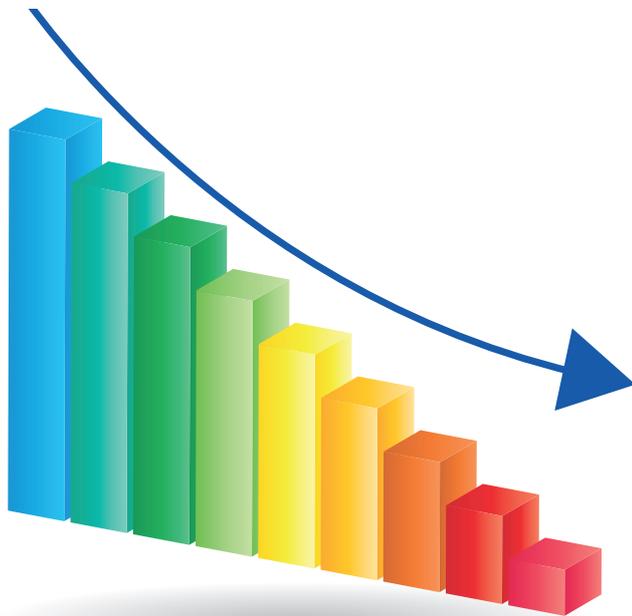
Integrity

Service focus

Transparency

Accuracy

Partnership



## Annual Inflation declined to 5.4 % in August

Headline inflation for August 2014 slowed to 5.4 percent from 5.6 percent recorded a month earlier, following a decline in food inflation.

## Summary

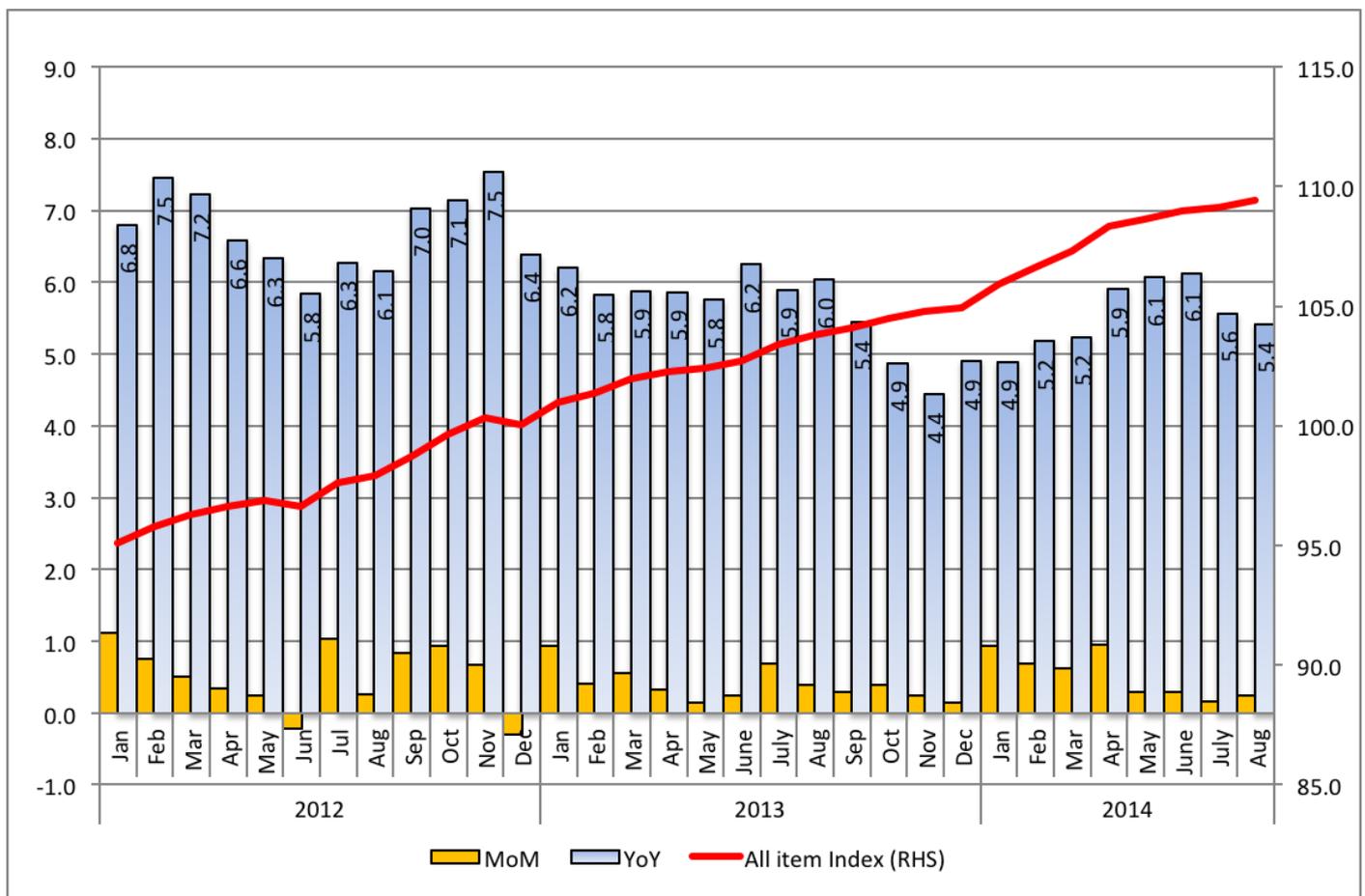
The annual Inflation for August 2014 stood at 5.4 percent as compared to 5.6 percent recorded a month earlier. On a monthly basis, the inflation rate increased to 0.3 percent from 0.2 percent in previous month. The annual decline in inflation was primarily on account of base effects, as well as price declines in a number of food category sub-items, and a decline in the cost of operation of personal transport equipment following fuel price decreases. On a monthly basis, the increase resulted from higher recorded prices in most groups comprising NCPI. The all items index for August 2014 stood at 109.4 as compared to 103.8 in August 2013.

John Steytler

# Overall Inflation

Annual Inflation rate for August stood at 5.4 percent a decrease of 0.2 percentage point when compared to the previous month. Following inflation increases from November 2013 to June 2014 on account of a currency-depreciation pass-through to prices, lagged first round effects of this currency weakness appear to be abating, and the stronger currency from January to August 2014 appear to be causing prices to stabilise, albeit marginally. This marginal strengthening of the currency is likely to be partially on account of interest rate increases in South Africa; while increasing interest rates locally can be expected to slowly start to wind in abnormally high aggregate demand and thus demand-side price pressures in Namibia.

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

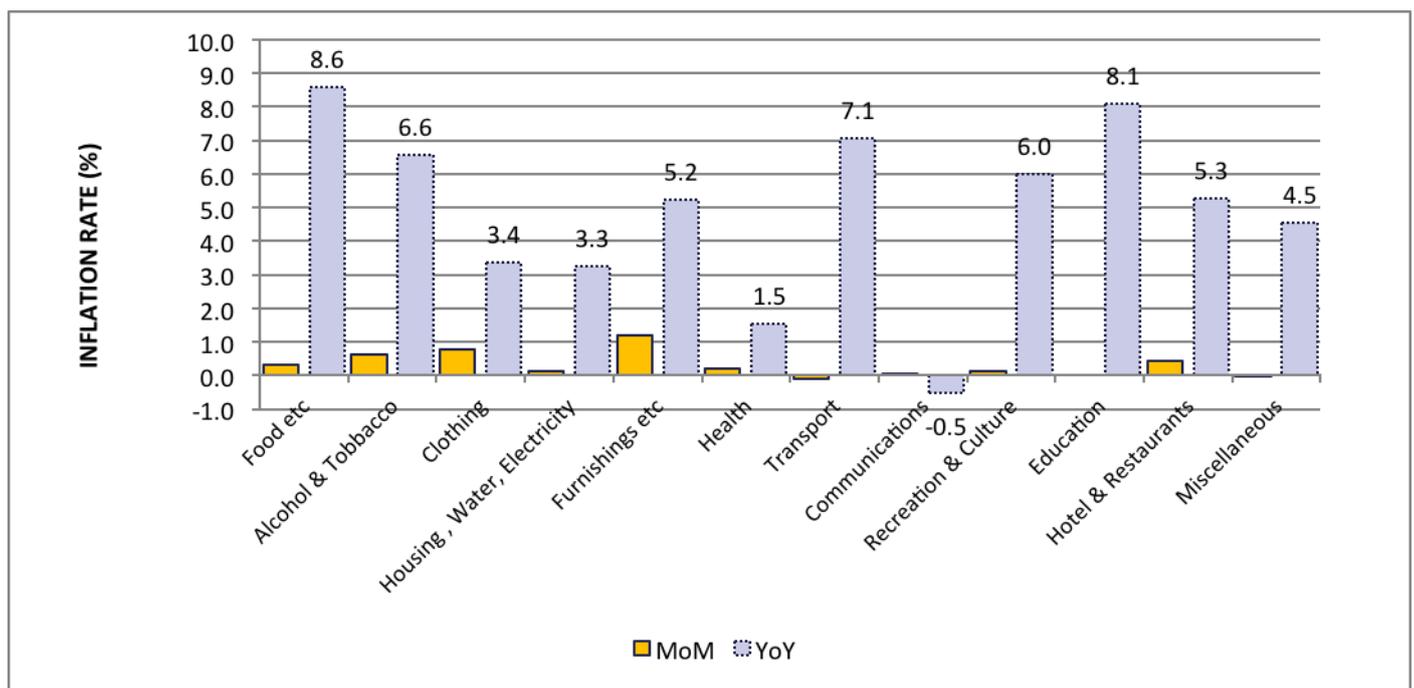


Over the past year, inflation has been driven predominantly by two categories of the overall inflation basket, namely, transport and food and non-alcoholic beverages, while only one category has seen prices fall, namely communications.

## Main Drivers of Inflation

Over the past year, the main drivers of inflation were, mainly on account of relatively large weighting of these categories in the overall inflation basket, *food and non-alcoholic beverages* (8.6 percent) and *transport* (7.1 percent). Additional relatively smaller contributions to inflation were seen from the minor groups (by basket weighting), such as *recreation and culture* (6.0 percent), *hotels, cafes and restaurants* (5.3 percent) and *miscellaneous goods and services* (4.5 percent).

Chart 2: NCPI; August 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.

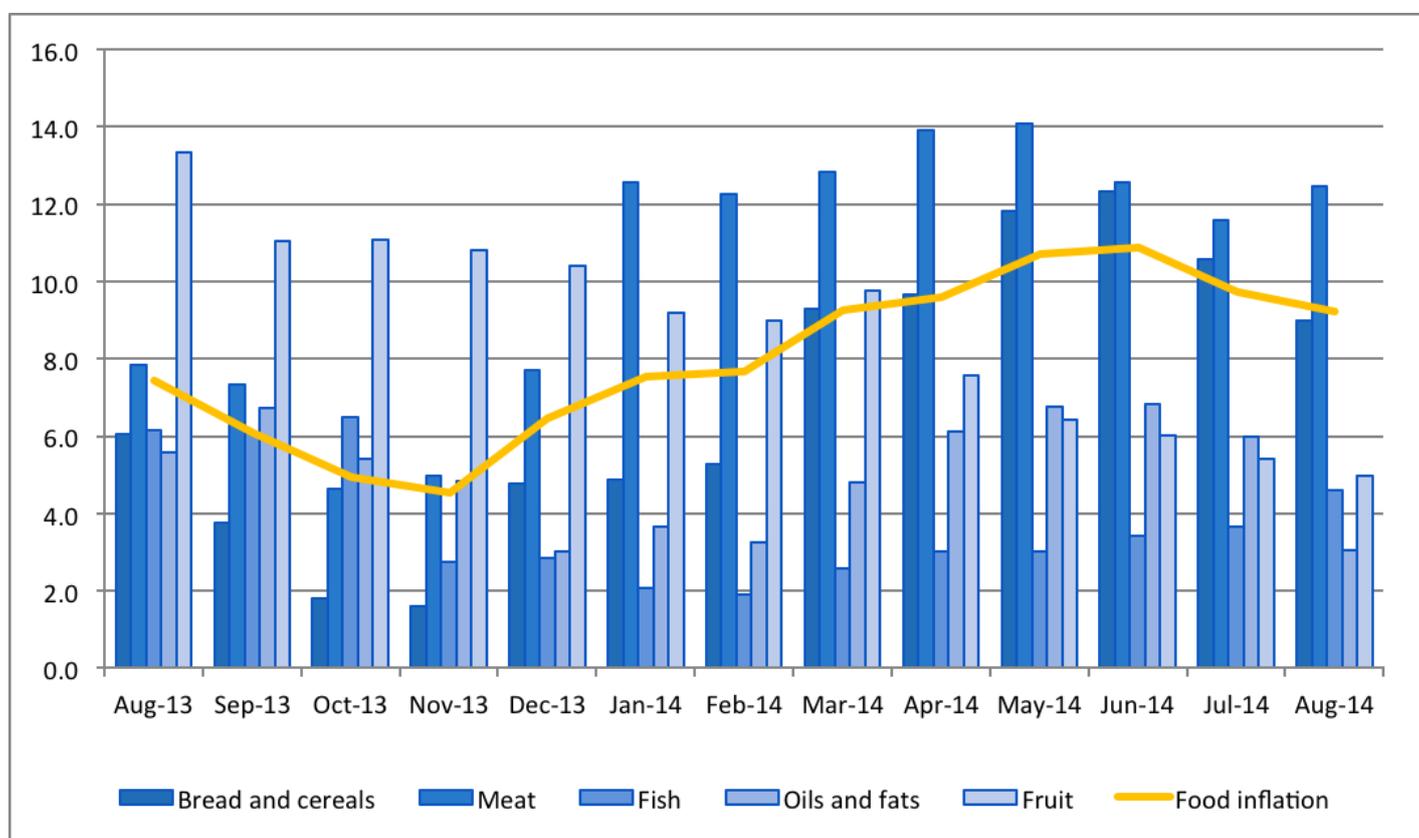
Category	Weighting (%)
<b>Housing, Water, Electricity, Gas and Other Fuels</b>	<b>28.36</b>
<b>Food and Non-Alcoholic Beverages</b>	<b>16.45</b>
<b>Transport</b>	<b>14.28</b>
<b>Alcoholic Beverages and Tobacco</b>	<b>12.59</b>
<b>Furnishings, Household Equipment and Routine Maintenance of the House</b>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

# Key Components

## Food and non alcoholic beverages

The *food and non-alcoholic beverages* category of inflation is a key driver of inflation in Namibia due to the fact that it tends to be fairly volatile, usually above average inflation, and represents a large weight in the overall basket. As of August, the category's annual inflation stood at 8.6 percent, following a 0.3 percent increase on monthly basis. The increase in food prices were recorded in most of the sub-groups except those of oils and fats (2.5 percent), vegetables including potatoes and other tubers (1.3 percent) and fruits (0.8 percent).

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

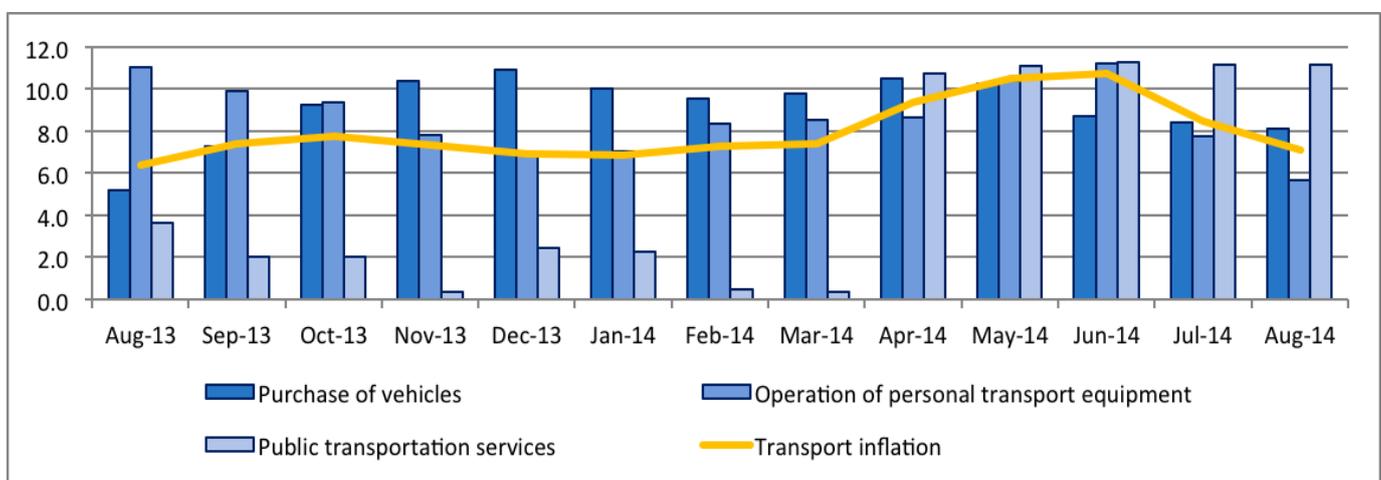


## Transport:

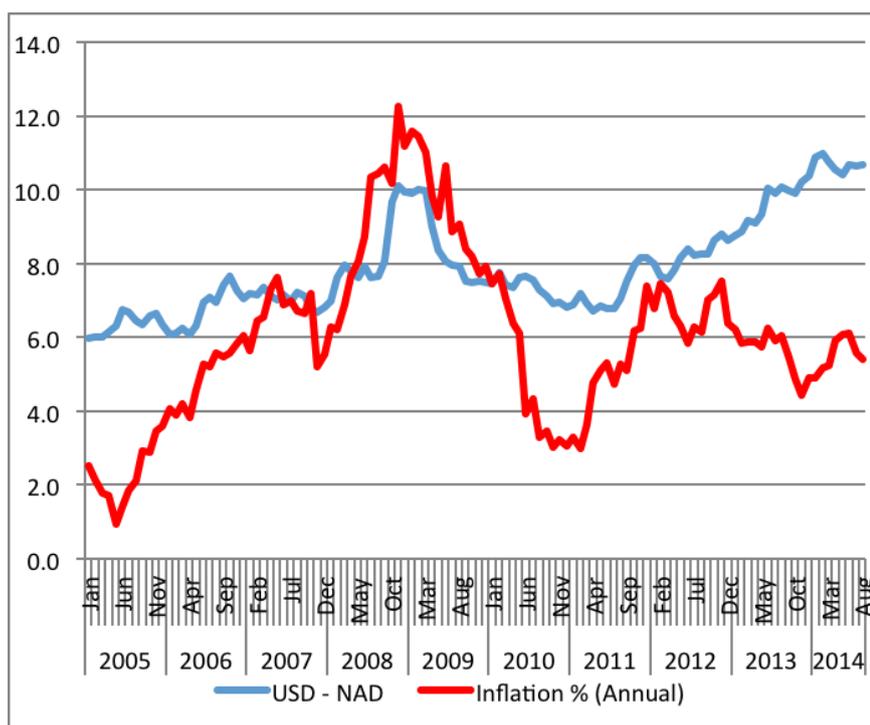
An additional driver of inflation is the category of Transport, which represents 14.28 percent of the overall basket, and as of August 2014, has experienced 7.1 percent increase in prices when compared to the same period of 2013. This increase has been largely driven by increases in the public transportation services.

Transport represents a major expenditure item for most Namibian households, and thus transport forms a large part of the Namibian Consumer Price Index basket. This category of inflation is largely driven by fuel prices. For public transport, for which prices are administered, fuel prices manifest as second-round effects when such prices are taken into account when administered prices are set. However, for the operation of personal transport, fuel prices play a very direct role in determining monthly and annual inflation in the country.

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



## Box 2: Chart of the Month



A major determinant of Namibian inflation is the Namibia Dollar to US Dollar exchange rate, as can be seen from the chart above. When the Namibia Dollar weakened against the US Dollar (the yellow line increases in value), inflation too tends to increase, and when such weakness is dramatic, such as was seen in late 2008, the inflationary impact can be notable.

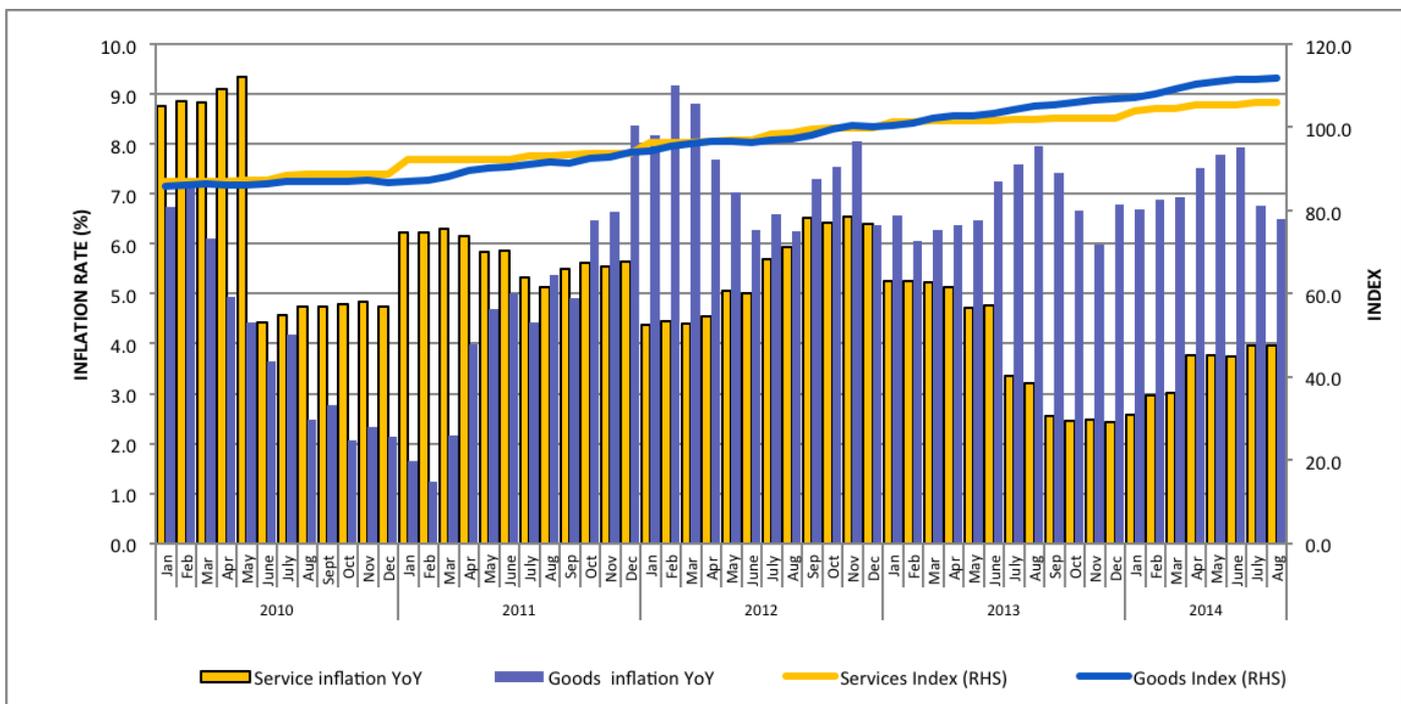
The reason for this relationship is that Namibia imports a large number of goods which are priced in US Dollars, such as fuel and food.

While services inflation has generally remained fairly low through most of 2014, it appears to be experiencing a strengthening upward trend. On the other hand, goods inflation has been strong, and remains so in August.

## Goods and Services Inflation

For the month of August 2014, the indices for goods and services stood at 111.8 and 106.2, respectively, as compared to the corresponding indices of 105.0 and 102.2 recorded during the same period last year.

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



In August 2014, the monthly and annual inflation rates for goods were 0.4 and 6.5 percent, respectively, while those of services stood at 0.1 and 4.0 percent, respectively. This indicates that the prices of goods continue to increase faster than those of services. Corresponding rates recorded during the same period the preceding year stood at 0.6 and 8.0 percent and 0.1 and 3.2 percent respectively.

**Table 1: NCPI: All-Items Index, monthly and annual percentage changes (Dec 2012 =100)**

<b>Period</b>	<b>CPI</b>	<b>m-o-m</b>	<b>y-o-y</b>
Jan-12	95.1	1.1	6.8
Feb-12	95.8	0.8	7.5
Mar-12	96.3	0.5	7.2
Apr-12	96.6	0.3	6.6
May-12	96.8	0.2	6.3
Jun-12	96.6	-0.2	5.8
Jul-12	97.6	1.0	6.3
Aug-12	97.9	0.3	6.1
Sep-12	98.7	0.8	7.0
Oct-12	99.6	0.9	7.1
Nov-12	100.3	0.7	7.5
Dec-12	100.0	-0.3	6.4
<b>An. Av</b>	<b>97.6</b>	<b>0.5</b>	<b>6.7</b>
Jan-13	100.9	0.9	6.2
Feb-13	101.4	0.4	5.8
Mar-13	101.9	0.6	5.9
Apr-13	102.3	0.3	5.9
May-13	102.4	0.1	5.8
Jun-13	102.7	0.2	6.2
Jul-13	103.4	0.7	5.9
Aug-13	103.8	0.4	6.0
Sep-13	104.1	0.3	5.4
Oct-13	104.5	0.4	4.9
Nov-13	104.7	0.2	4.4
Dec-13	104.9	0.1	4.9
<b>An. Av</b>	<b>103.1</b>	<b>0.4</b>	<b>5.6</b>
Jan-14	105.9	0.9	4.9
Feb-14	106.6	0.7	5.2
Mar-14	107.3	0.6	5.2
Apr-14	108.3	1.0	5.9
May-14	108.6	0.3	6.1
Jun-14	108.9	0.3	6.1
Jul-14	109.1	0.2	5.6
Aug-14	109.4	0.3	5.4



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