

Namibia Consumer Price Index

SEPTEMBER, 2014



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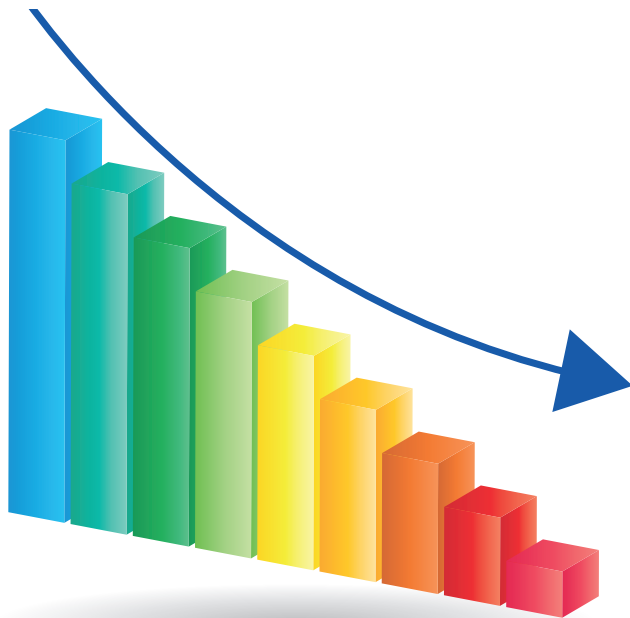
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Annual Inflation declined

Headline Inflation rate for September 2014 slowed to 5.3 percent from 5.4 percent in the previous month.

Summary

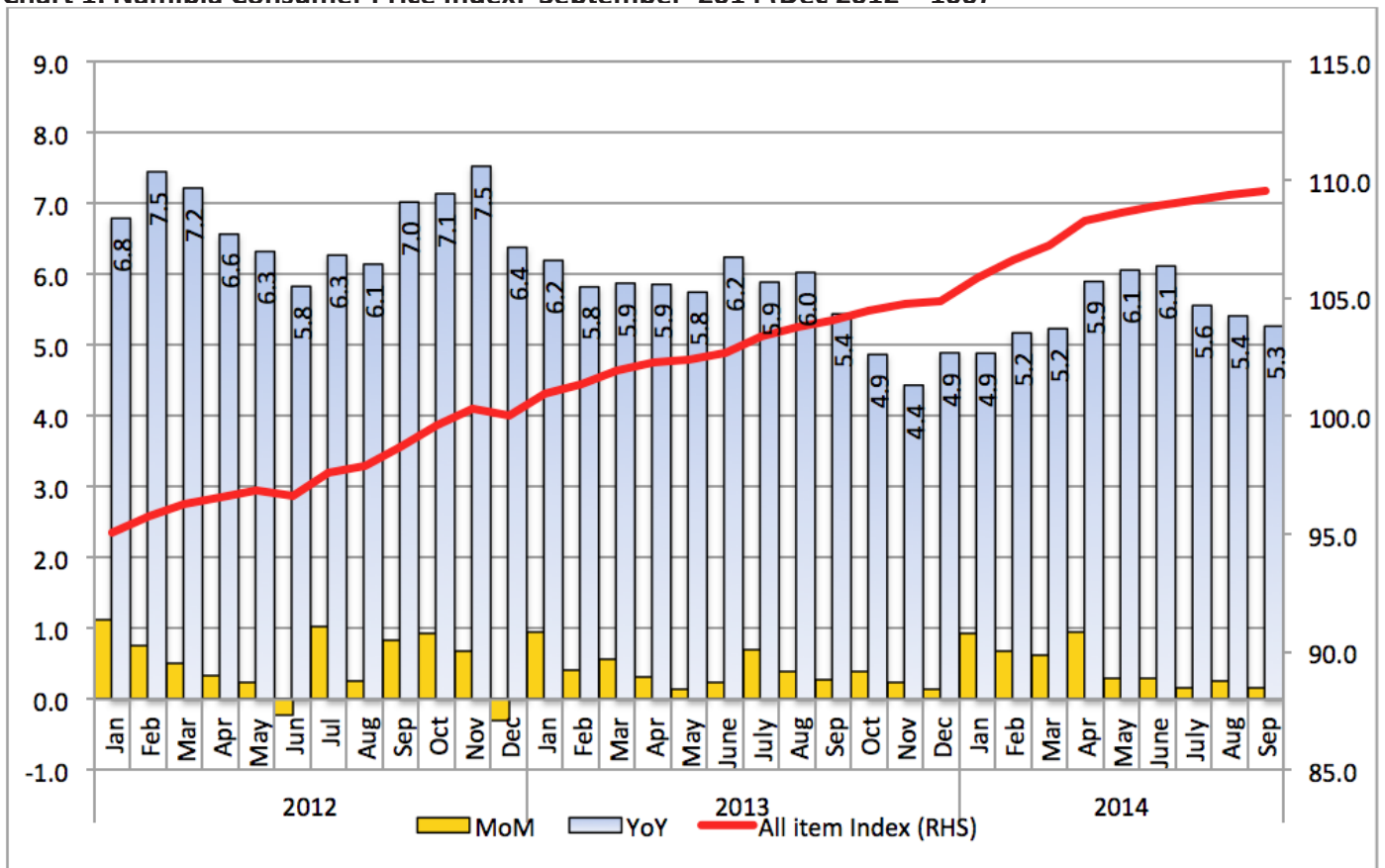
The annual inflation rate slowed to 5.3 percent in September from the 5.4 percent, registered in the previous month. On a monthly basis, the inflation rate slowed to 0.2 percent as compared to 0.3 percent in previous month. This increase resulted from monthly increases recorded in all groups comprising NCPI. The decline on annual inflation rate resulted from food and non-alcoholic beverages, transport, recreation and culture, housing, water, electricity gas and other fuels and communication which dropped to 8.4, 6.6, 5.6 3.0 and, -1.0, percent compared to 8.6, 7.1, 6.0, 3.3 and -0.5 percent respectively. The all items index for September 2014 stood at 109.6 as compared to 104.1 in September 2013.

John Steytler

Overall Inflation

Annual Inflation rate for September stood at 5.3 percent with a decrease of 0.1 percentage point as compared to the previous month. The year leading up to November 2013 saw a decline in inflation from 7.5 percent to 4.4 percent, however once this variation point was reached the trend turned and a strong increase in inflation has been seen subsequently. This change in trend is largely on account of increases in global commodity prices, particularly fuel and to a lesser extent food, exacerbated by a weakening of the Namibia Dollar against major currencies. Moreover, following unprecedented monetary and fiscal stimulus in Namibia over recent years, increases in national disposable income appear to be contributing to demand side inflation, which can be seen coming through in a number of administered prices, including electricity and public transport costs.

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

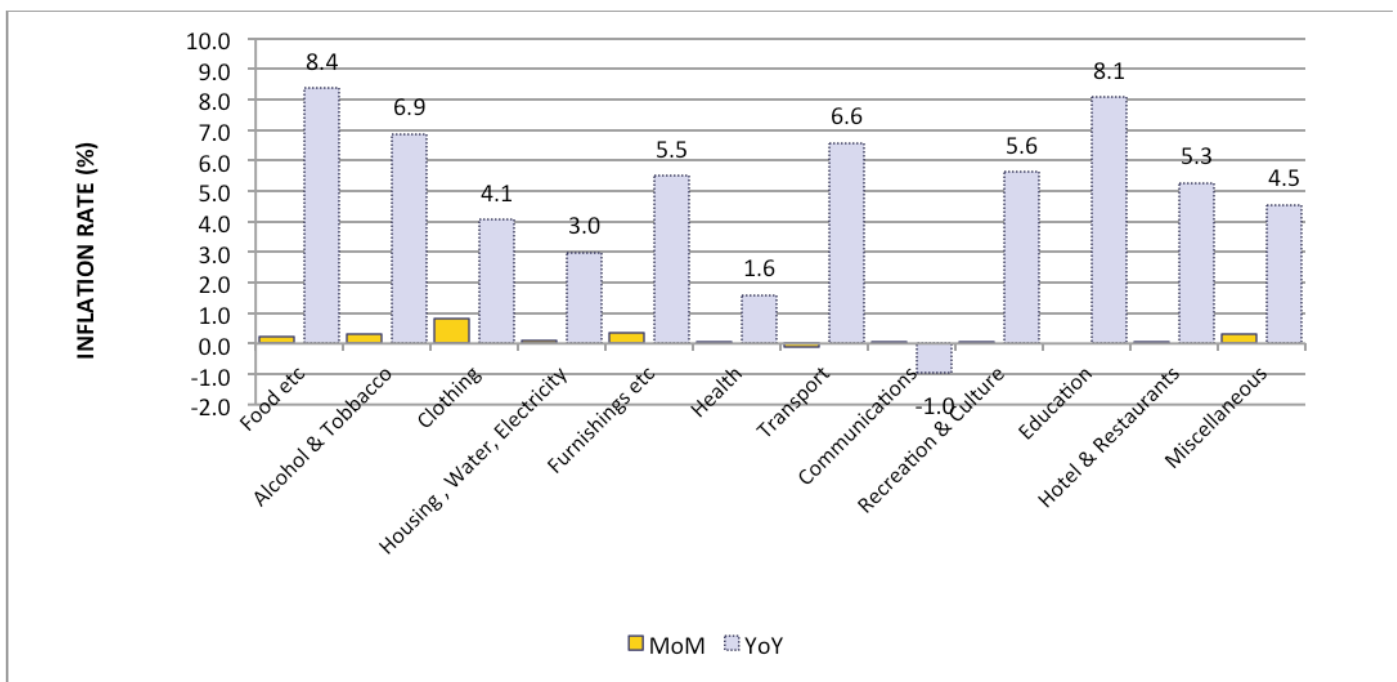


Over the past year, inflation has been driven predominantly by two categories of the overall inflation basket, namely, transport and food and non-alcoholic beverages, while only one category has seen prices fall, namely communications.

Main Drivers of Inflation

The big driver 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 (8.4 percent), transport (6.6 percent). Additional relatively smaller contributions to inflation were seen from the minor groups (by basket weighting), such as recreation and culture (5.6 percent), hotels, cafes and restaurants (5.3 percent) and miscellaneous goods and services (4.5 percent)..

Chart 2: NCPI; September 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.

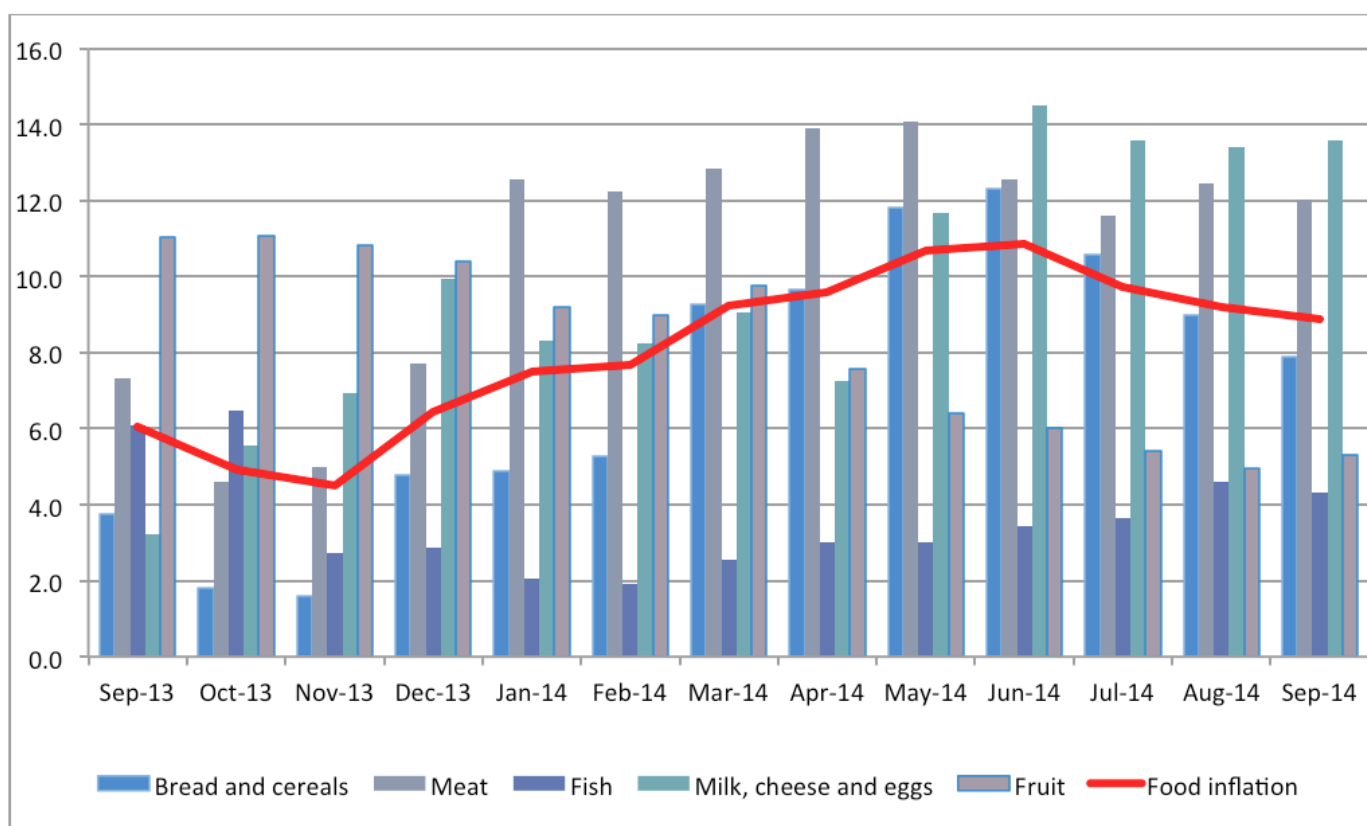
Category	Weighting (%)
Housing, Water, Electricity, Gas and Other Fuels	28.36
Food and Non-Alcoholic Beverages	16.45
Transport	14.28
Alcoholic Beverages and Tobacco	12.59
Furnishings, Household Equipment...	5.47
Miscellaneous Goods and Services	5.39
Communications	3.81
Education	3.65
Recreation and Culture	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 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. The annual inflation for the category stood at 8.4 percent, following a 0.2 percent increase on monthly basis. The increase in food prices were recorded in most of the sub-groups except of sugar, jam, honey, syrups chocolate and confectionery n.e.c. which dropped to (1.0 percent), bread cereals (0.7 percent), fish and milk, cheese and eggs both (0.2 percent) respectively

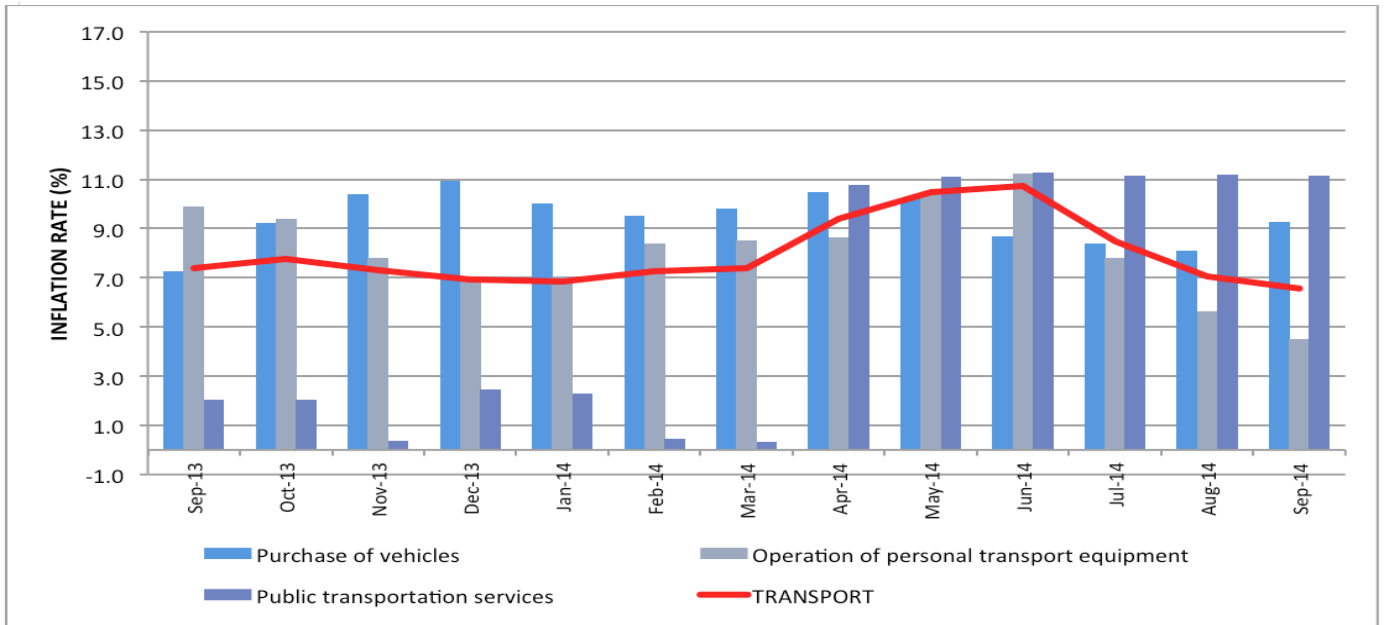
Chart 3: NCPI; Selected food and non-alcoholic beverage sub-category annual inflation (Dec 2012 = 100)



Transport:

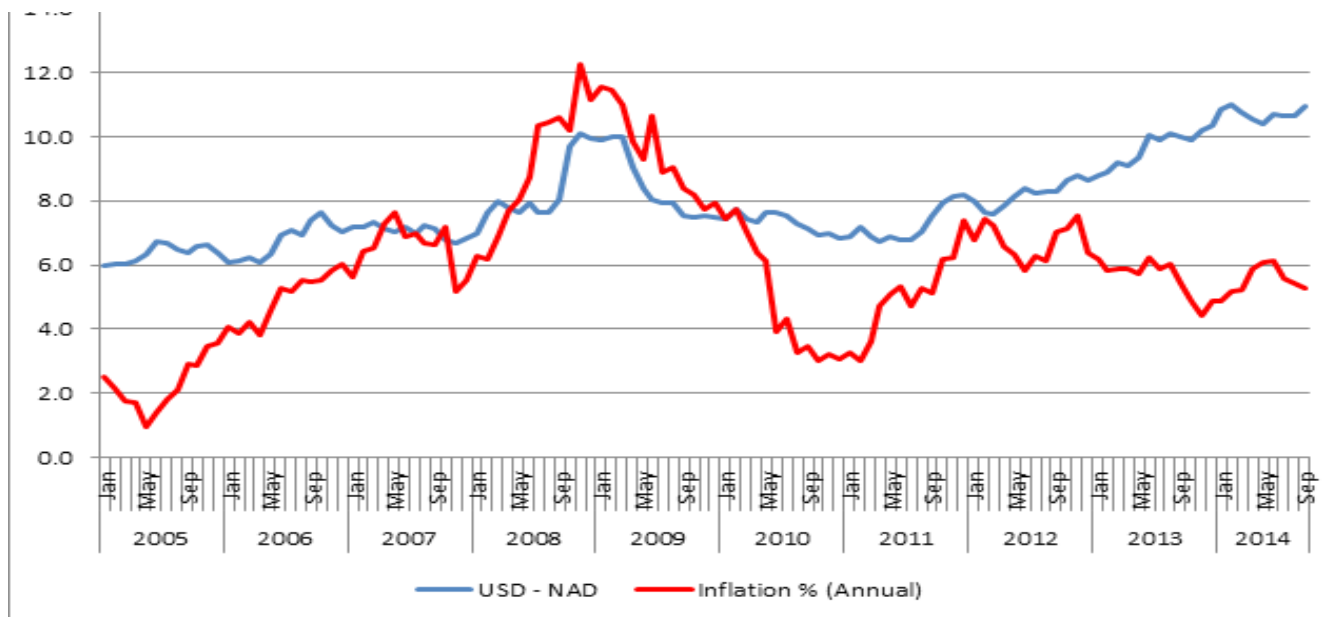
An additional driver of inflation is the category of Transport, which represents 14.28 percent of the overall basket, and as of September 2014, has experienced 6.6 percent increase in prices when compared to the same period of 2013. This increase has been largely driven by increases in the Public transportation services.

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.

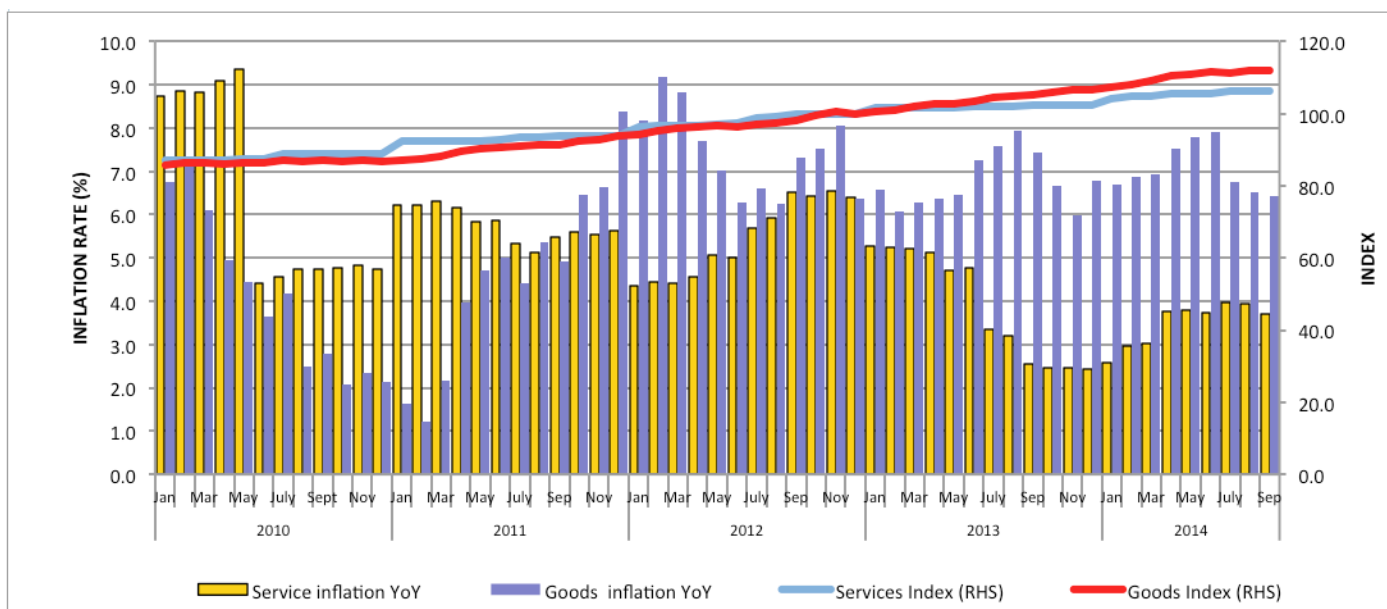


While services inflation has generally remained fairly low through most of 2014, it appears to be experiencing a strengthening upward trend. On the other hand, goods inflation has been strong, and remains so in September.

Goods and Services Inflation

For the month of September 2014 the Index for Goods and Services stood at 112.1 and 106.2 respectively as compared to the corresponding indices of 105.3 and 102.4 recorded during the same period last year.

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



In September 2014, the monthly and annual inflation rates for Goods were estimated at 0.3 and 6.4 percent while that for Services stood at 0.0 and 3.7 percent, accordingly indicating that prices of Goods continue accelerating faster than those of Services. Corresponding rates recorded during the same period the preceding year stood at 0.3 and 7.4 percent and 0.2 and 2.5 percent respectively.

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

Period	CPI	m-o-m	y-o-y
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
An. Av	97.6	0.5	6.7
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
An. Av	103.1	0.4	5.6
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
Sep-14	109.6	0.2	5.3



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