

Namibia Consumer Price Index

JULY, 2014



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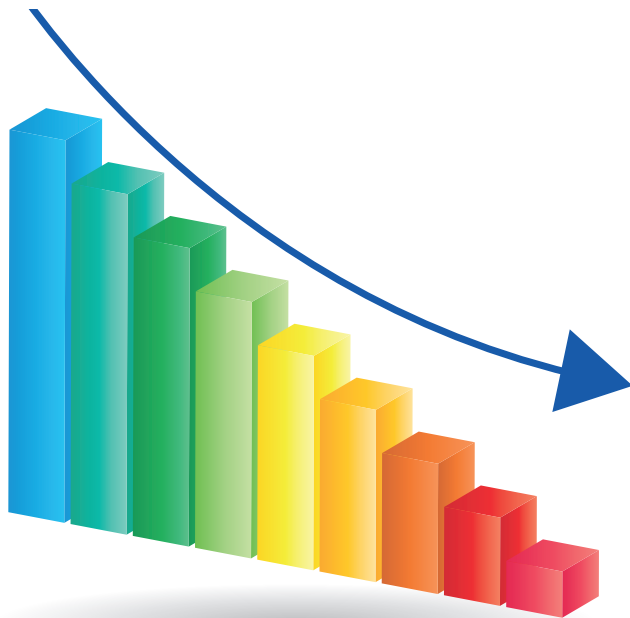
Integrity

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Annual Inflation declined

The annual rate of inflation slowed to 5.6 percent in July 2014 from 6.1 percent in the previous month.

Summary

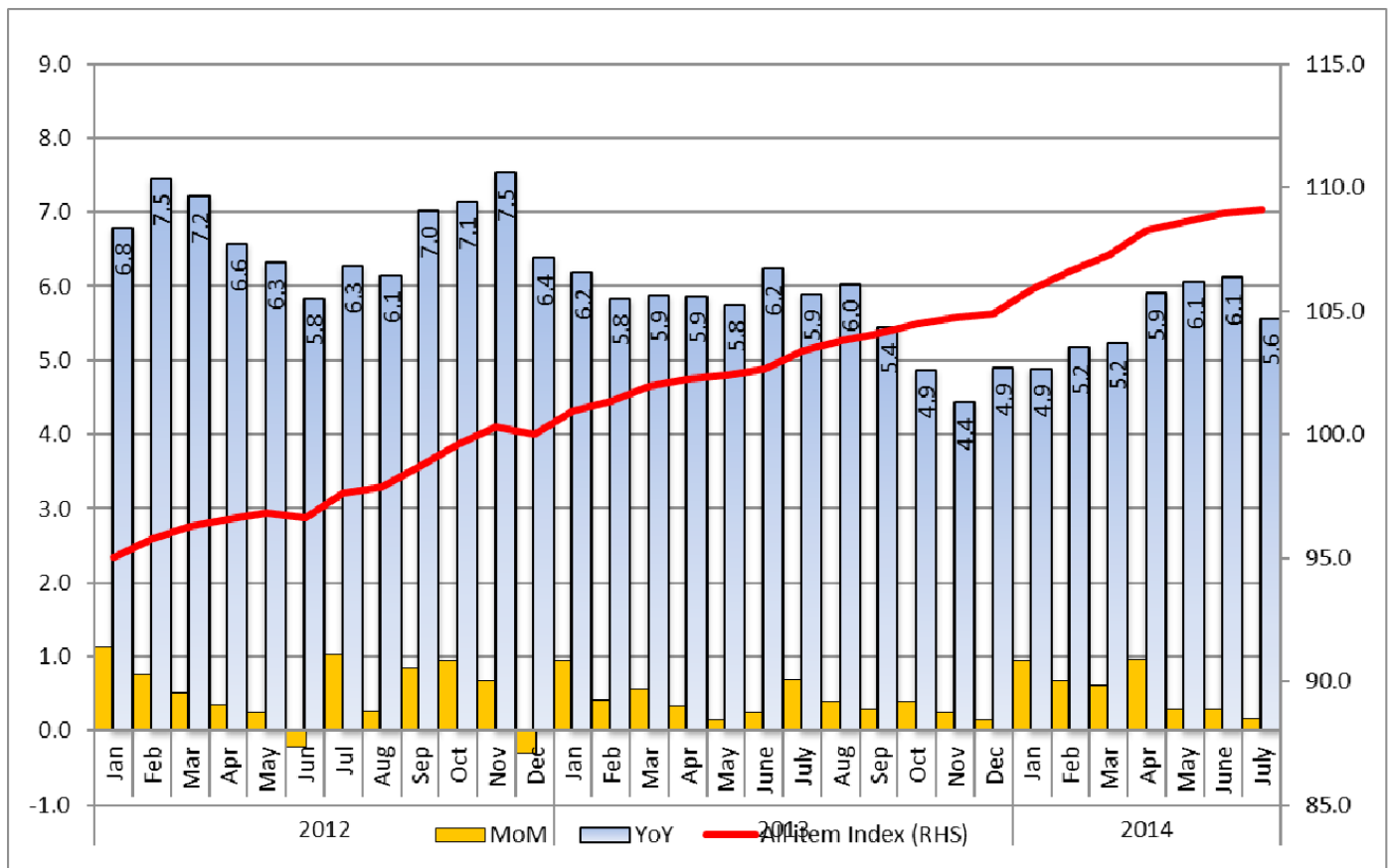
The annual Inflation for July 2014 slowed to 5.6 percent from 6.1 percent recorded a month earlier and 5.9 percent registered during the same period last year. The softening in price pressures over the year emanated mainly from food and non-alcoholic beverages and transport which slowed to 9.0 percent and 8.5 percent from 10.1 percent and 10.7 percent recorded in June. On a month on month basis inflation also slowed to 0.2 percent in July from 0.3 percent one month earlier. The softening in the inflation rate on a monthly basis resulted from monthly decreases in the prices of goods and services in the categories of food and non-alcoholic beverages of 0.9 percent, communications of 0.2 percent and health of 0.1 percent. 2014. The all items index for July 2014 stood at 109.1 as compared to 103.4 witnessed July 2013.

John Steytler

Overall Inflation

The year leading up to November 2013 saw a decline in inflation from 7.5 percent to 4.4 percent, however once this inflection point was reached the trend turned and a strong increase in inflation has been seen subsequently. This change is largely on account of increases in global commodity prices, particularly fuel and food, exacerbated by a weakening of the Namibia Dollar against major currencies. Moreover, following exceptional 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; July 2014 (Dec 2012 = 100)

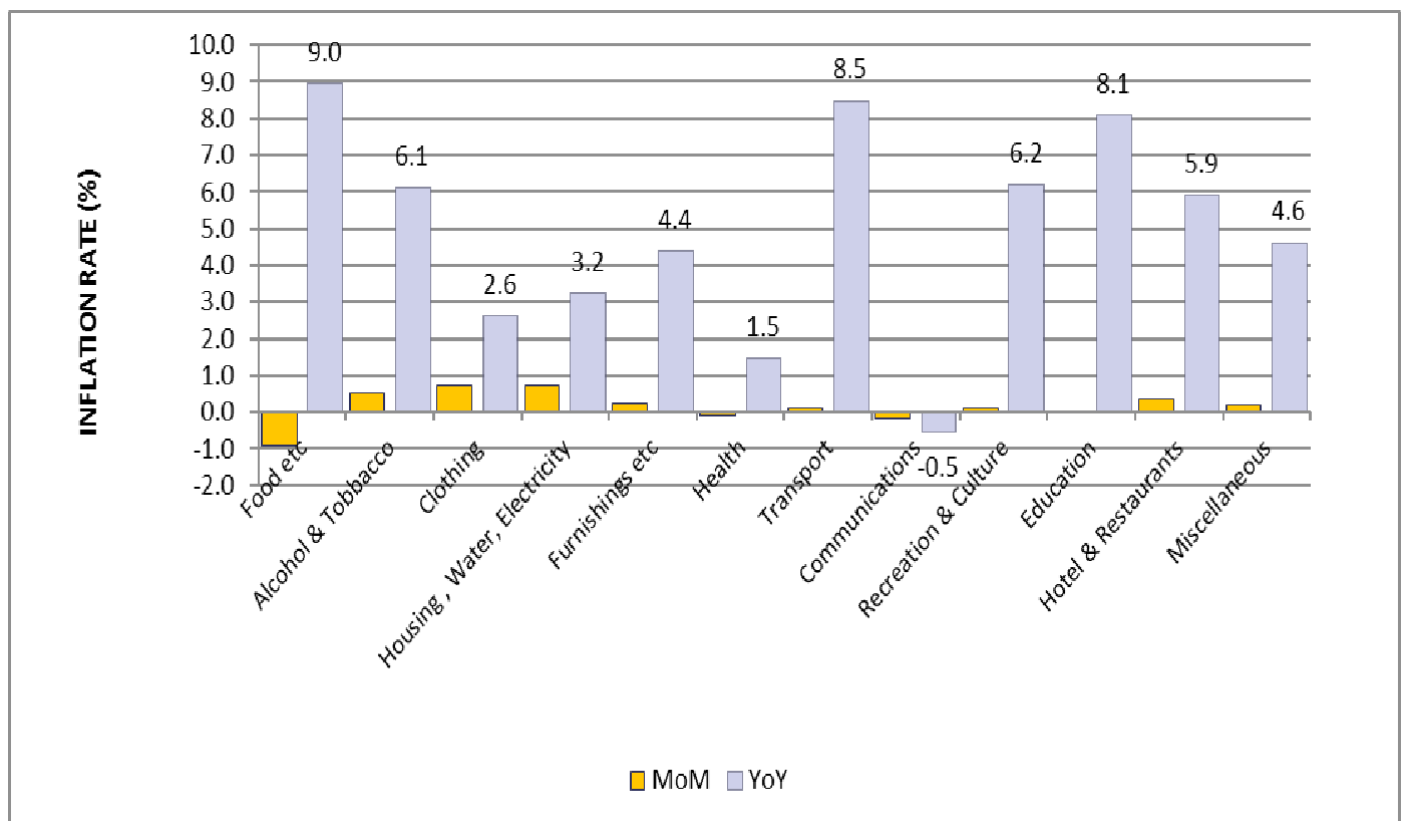


Over the past year, inflation has been driven predominantly by two categories of the overall inflation basket, namely, transport and food and non-alcoholic beverages, while only one category has seen prices fall, namely communications.

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 (9.0 percent), transport (8.5 percent) and housing, water, electricity, gas and other fuels (3.2 percent). Additional relatively smaller contributions to inflation were seen from the minor groups (by basket weighting), such as recreation and culture (6.2 percent).

Chart 2: NCPI; July 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.

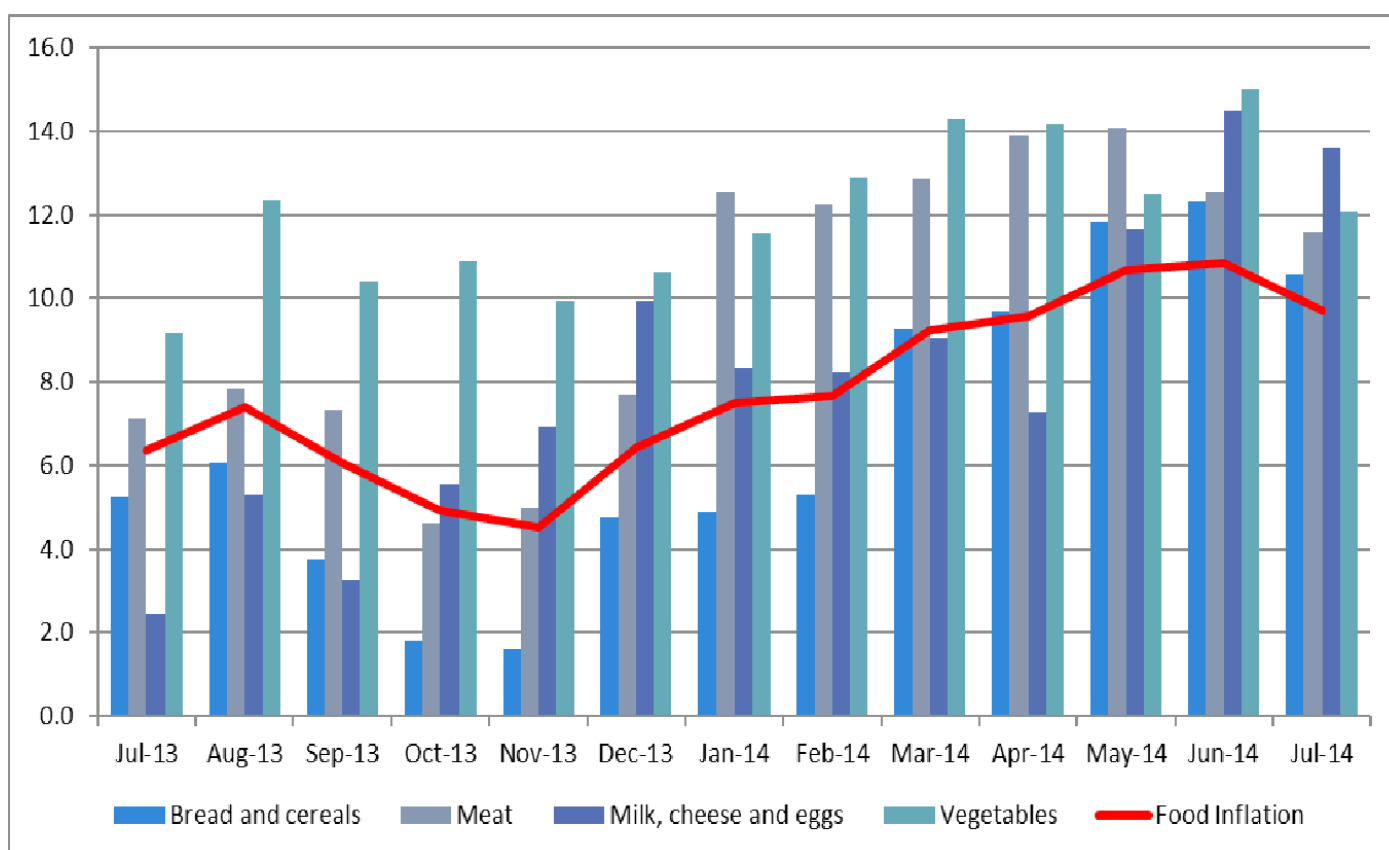
Category	Weighting (%)
Housing, Water, Electricity, Gas and Other Fuels	28.36
Food and Non-Alcoholic Beverages	16.45
Transport	14.28
Alcoholic Beverages and Tobacco	12.59
Furnishings, Household Equipment...	5.47
Miscellaneous Goods and Services	5.39
Communications	3.81
Education	3.65
Recreation and Culture	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. As of July, the category's annual inflation stood at 9.0 percent, following a 0.9 percent decrease month on month. The deceleration in food price inflation was reflected in most of its sub-components except milk, cheese and eggs (0.4 percent), fish (0.2 percent) and sugar, jam honey etc. (0.1 percent) that recorded increases of the previous month.

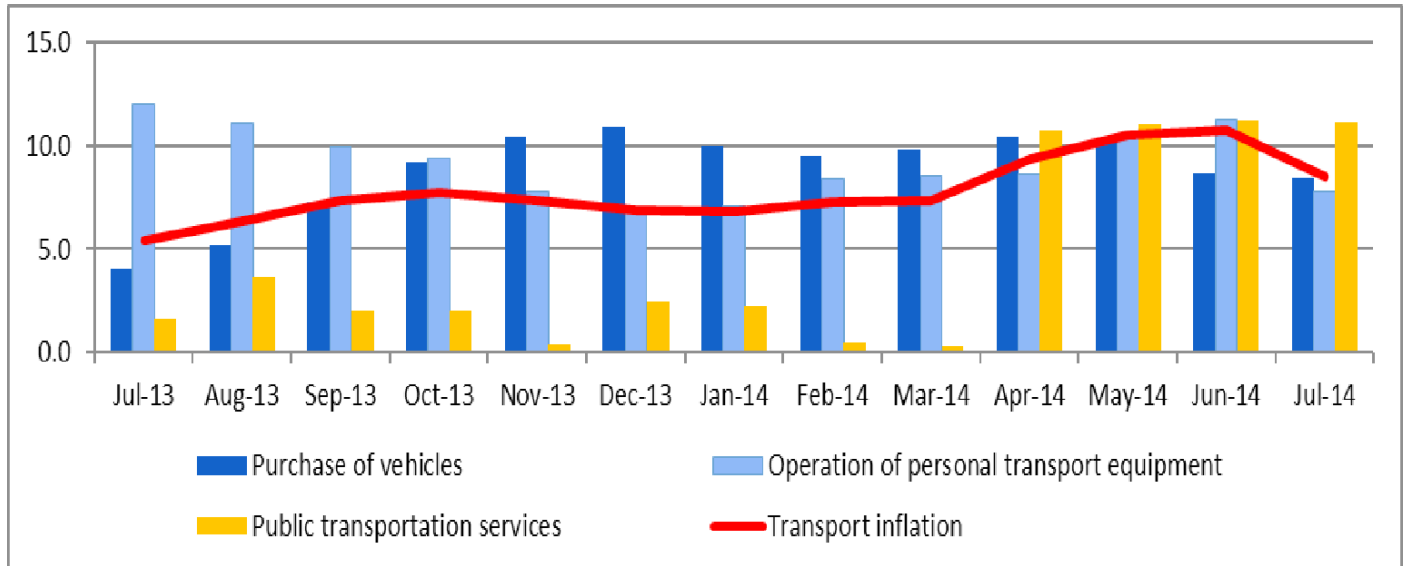
Chart 3: NCPI; Selected food and non-alcoholic beverage sub-category annual inflation (Dec 2012 = 100)



Transport:

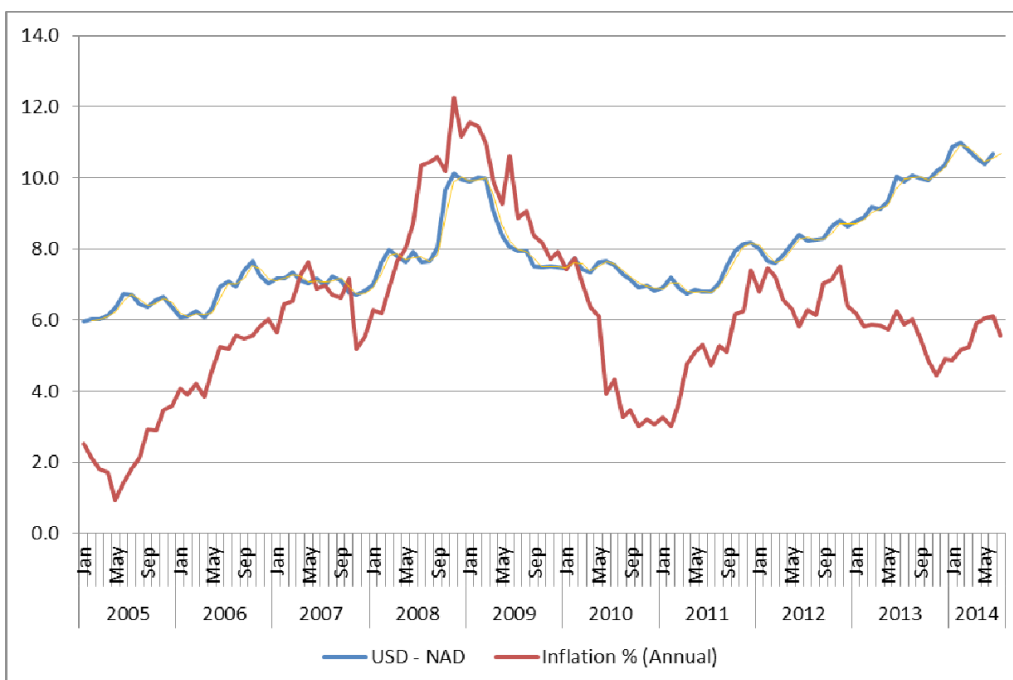
An additional driver of inflation is the category of Transport, which represents 14.3 percent of the overall basket, and as of July 2014, has experienced an 8.5 percent increase in prices when compared to the same period of 2013. This increase has been largely driven by increases in the public transportation 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 below. When the Namibia Dollar weakened against the US Dollar (the red 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.

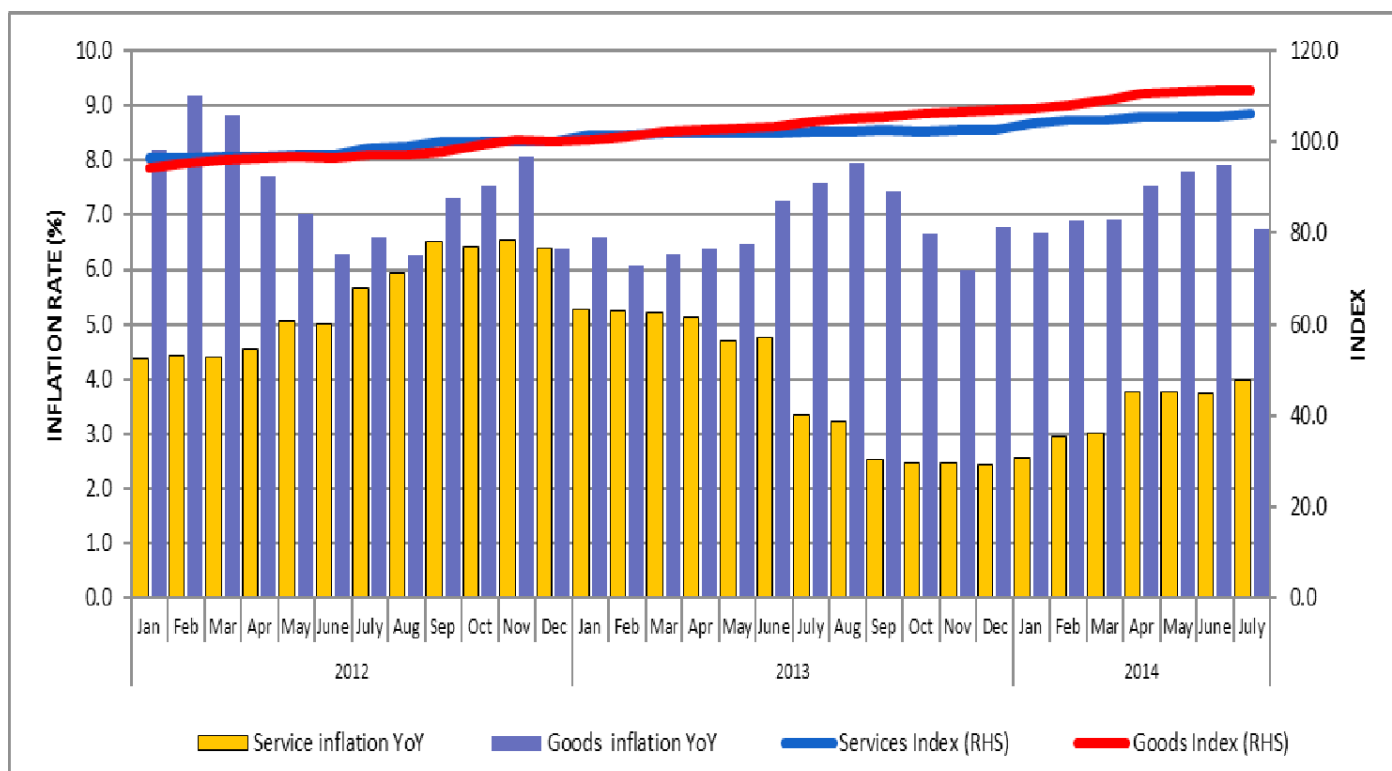


While services inflation has remained fairly low through most of 2014, it appears to be experiencing a strengthening upward trend. On the other hand, goods inflation has been strong, and remains so in July.

Goods and Services Inflation

For the month of July 2014 the Index for Goods and Services stood at 111.4 and 106.1 respectively as compared to the corresponding indices of 104.4 and 102.1 recorded during the same period last year.

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



In July 2014, the monthly and annual inflation rates for Goods were estimated at 0.0 and 6.8 percent while that for Services stood at 0.4 and 4.0 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 1.1 and 7.6 percent and 0.2 and 3.4 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-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



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