

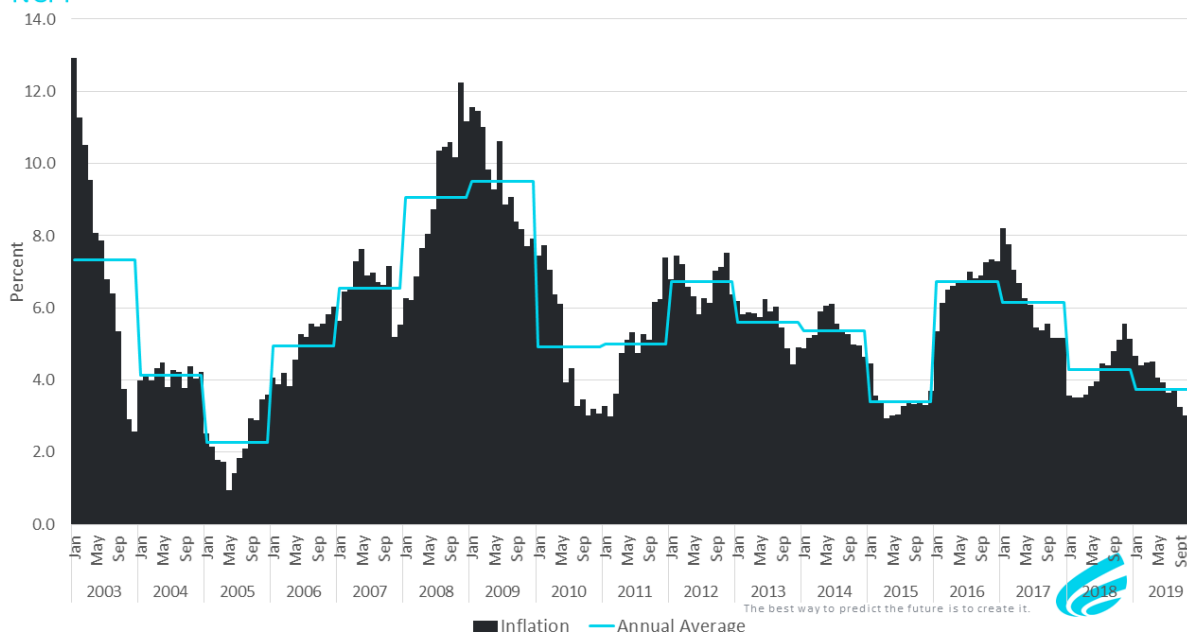


15 January 2020

NCPI Note – December 2019

Inflation remained low in December 2019, printing at 2.6% compared to 5.1% in December 2018 and 2.5% in November 2019. This brings average annual inflation down to 3.7% in 2019 – 0.6 percentage points lower than the 4.3% average for 2018. This is the second lowest annual average for the decade, as 2015 printed at 3.4%, and only the third time an annual average has been below 4.0%. On a monthly basis, the Namibia Statistics Agency reports that prices fell 0.1%.

NCPI



Prices increased more slowly across 9 of the 12 main lines in the inflation basket compared to a year prior, with the exception of Clothing and footwear, Furnishing and maintenance, and Education. Prices for Housing and utilities increased just 1.9% compared to December 2018, anchored by the low rental adjustments (2.3%) and minor deflation in electricity (-0.8%). Looking ahead, rental prices are likely to anchor inflation to a low base set in January 2020 as the housing market continues to cool and many advertised prices appear unchanged from 2019.

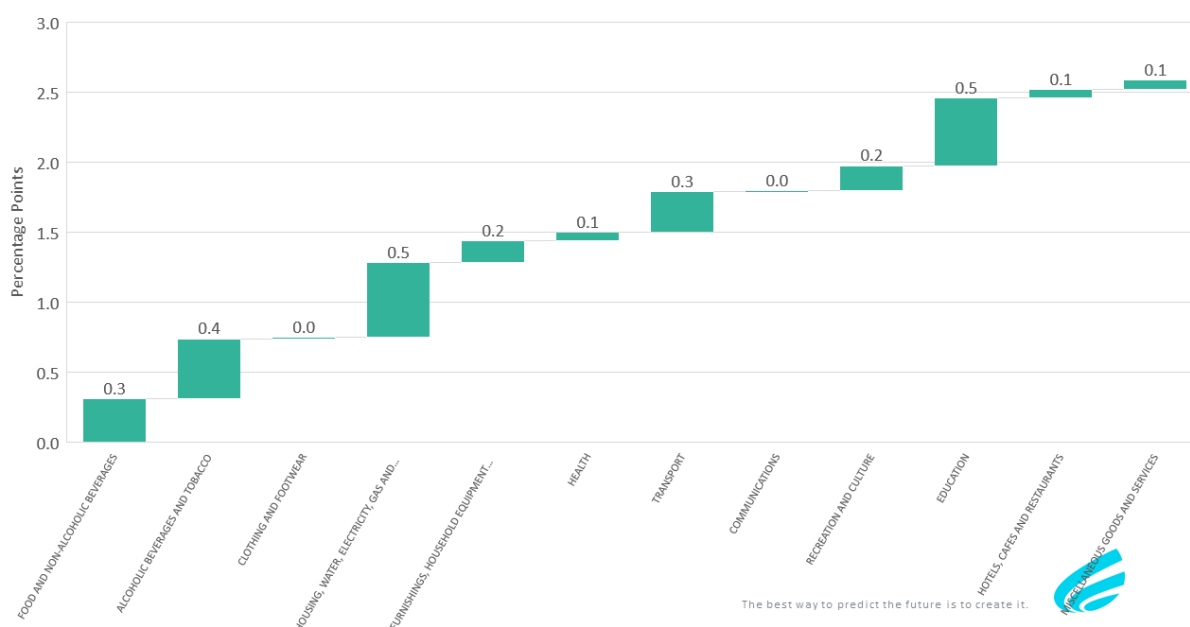
Food prices also increased at a much slower pace compared to the previous December, at just 1.7% compared to the previous 5.2%. This was likely due to retailers competing for market share in a constrained environment over the festive period. Prices for breads and cereals increased just 0.2%, as meat prices once again fell thanks to increased supply because of the drought. Should decent rain continue for the first quarter of 2020, we should expect a reversal of the trends within food price inflation: a slower rate of increase for cereal crops, fruit and vegetables owing to improved harvests; countered by higher meat prices as the ready supply of slaughter animals drops when farmers choose to restock.



Transport prices increased 2.0% compared to 10.9% in December 2019. This marked slowdown is thanks to unchanged fuel prices in the second half of 2019 coupled with no increase in taxi fares. Fuel prices may run higher in 2020, depending on tensions in the Middle East (particularly between Iran and the USA) as well as whether the rand will depreciate (as it has so far in 2020). The knock-on effect is that higher fuel prices would lead to higher costs for other goods and services (such as food), but this will be a second-round effect seen only months later.

Monthly inflation will undoubtedly tick higher in January 2020, as most business factor in their annual price increases for the start of the calendar year. Housing prices will likely keep annual inflation relatively low yet again, however food and fuel prices (depending on variables such as rainfall, conflict, politics) could well see upticks in other key line items.

Contribution to Dec NCPI



On an annual basis, inflation slowed significantly across all three zones. In Zone 1 (the northern areas), inflation slowed to 2.5% in December from 4.8% a year prior. The average annual rate of price increases for the north slowed to 3.4% in 2019, compared to 4.4% in 2018. This slowdown is mainly due to slower price increases for housing (rent) and transport.

In Zone 2 (Windhoek), the rate of price increases more than halved to just 2.2% in December 2019 compared to 5.0% in December 2018. The average annual inflation rate slowed marginally to 3.5% from 3.9% in 2018. The lower inflation rate is attributed to transport, as well as alcoholic beverages and tobacco, and food.

Lastly, the remainder of the country (Zone 3) saw price increases of 3.2% in December 2019 compared to 6.1% in December 2018. Prices increased an average of 4.6% during 2019, slower than the average 5.3% recorded for 2018. Again, the slowdown is attributed to the major lines such as housing (rent), food, transport, and alcoholic beverages and tobacco.