

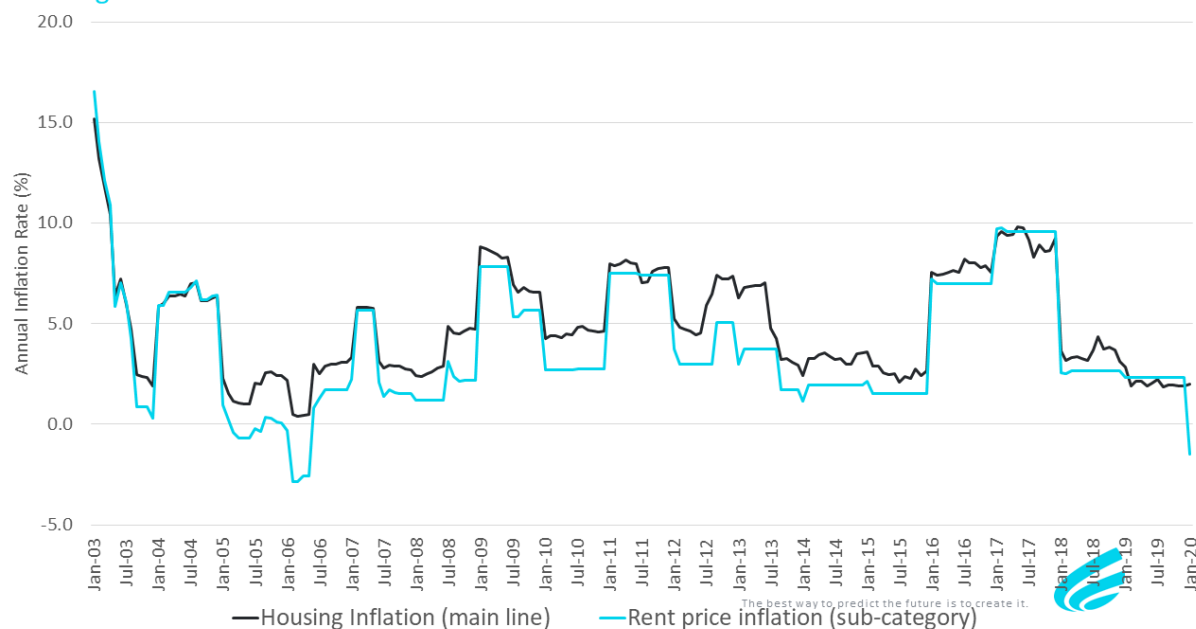


13 February 2020

NCPI Note – January 2020

The highly anticipated first annual inflation print for 2020 came in at 2.1%, a significant slowdown from the 4.7% recorded in January 2019. This is the slowest annual inflation rate since August 2005. On a monthly basis, prices increased 0.6% compared to -0.1% in December 2019.

Housing Inflation

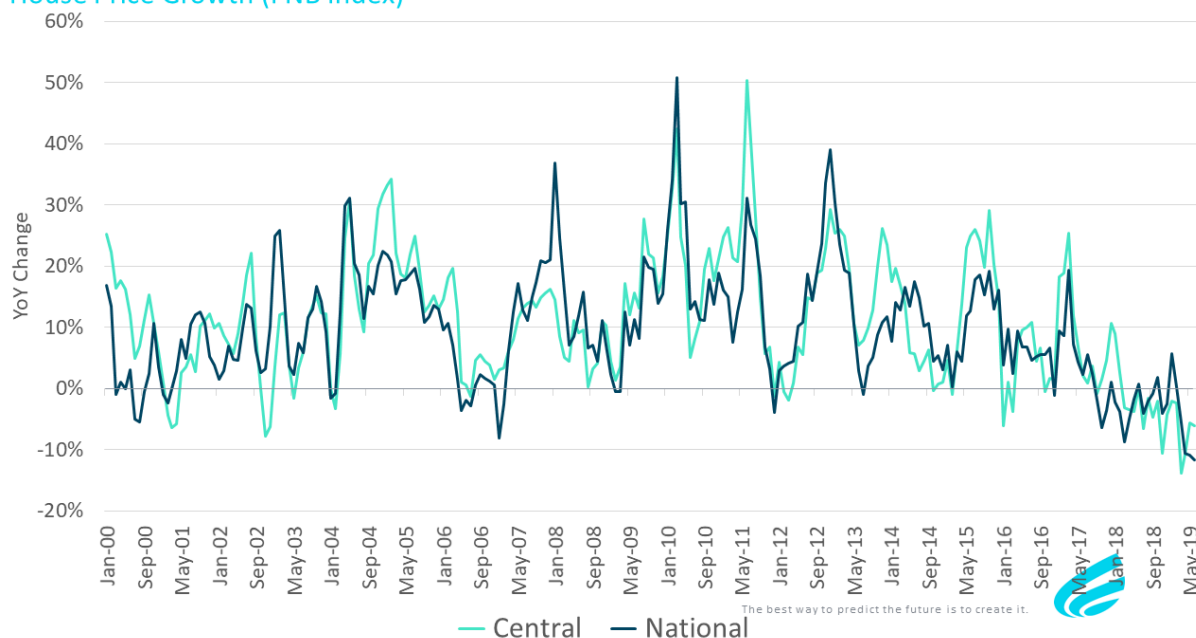


The slowdown in inflation is attributed to several categories, the most significant of which is the Housing, water, electricity and other fuels category. This category accounts for 28.4% of the NCPI basket, recording an annual inflation rate -1.2%.

Rental payments, which make up 23.3% of the NCPI basket (and thus the single largest item) recorded annual inflation of -1.5%, reflecting Namibia's contractionary housing market. Rent price inflation is typically set in January and rarely adjusted during the course of the year, meaning that the single largest component for the inflation basket is recording deflation and therefore will act as a strong anchor for low overall inflation for the year ahead. House price growth in Namibia has been negative since early 2018, according to the FNB House Price Index, and we do not anticipate a recovery any time soon.



House Price Growth (FNB Index)

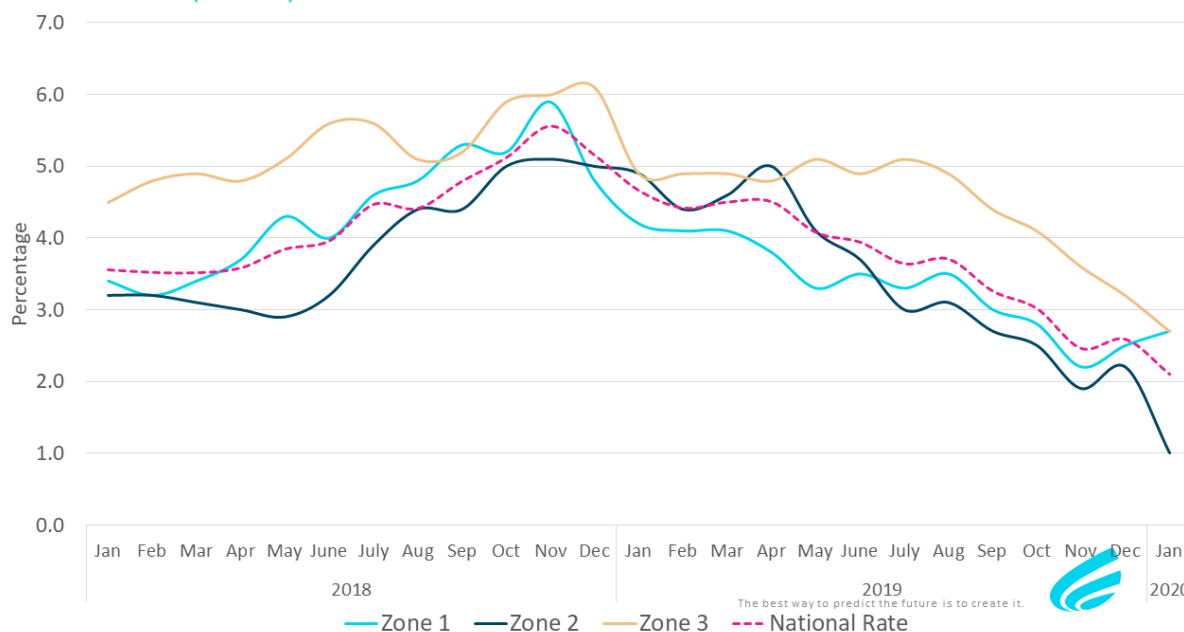


The rate of price increases also slowed for the other major categories. Food and non-alcoholic beverage inflation slowed to 2.2% from 5.7% a year prior, owing to slower price growth for breads and cereals, as well as vegetables. Meat prices once again recorded annual deflation.

Prices for alcoholic beverages and tobacco increased 2.6% compared to 6.4% in January 2019. Transport inflation was reported at 5.0%, down from 7.3% a year ago. Despite fuel prices being higher than they were a year ago, price increases for the purchase of vehicles and public transport were much slower in January 2020 than in January 2019.

Overall, we anticipate inflation to remain relatively low for the year ahead owing to the large weighting of rental payments, which reported deflation on an annual basis. The significant variables for inflation this year will be food prices, highly dependent on whether Namibia's drought will be broken in 2020, and fuel prices, which are determined by global oil prices and the USD-ZAR exchange rate.

Zonal Inflation (Annual)



Unsurprising given the overall slowdown in inflation, zonal inflation slowed down significantly across all three monitored areas. In Zone 1 (the northern areas), inflation slowed to 2.7% in January from 4.2% a year prior. This slowdown is mainly due to slower price increases for Transport and overall Housing deflation 1.3% (compared to inflation of 2.5% a year ago).

In Zone 2 (Windhoek), the rate of price increases slowed dramatically from 4.9% in 2019 to just 1.0% in January 2020. This zone recorded deflation for Clothing and footwear, Alcoholic beverages and tobacco, Food and non-alcoholic beverages, and most importantly Housing (-1.4%).

Lastly, the remainder of the country (Zone 3) saw price increases of 2.7% in January 2020 compared to 4.9% in January 2019. Inflation slowed down across all categories in this zone, except for Miscellaneous goods and services, and Communication.