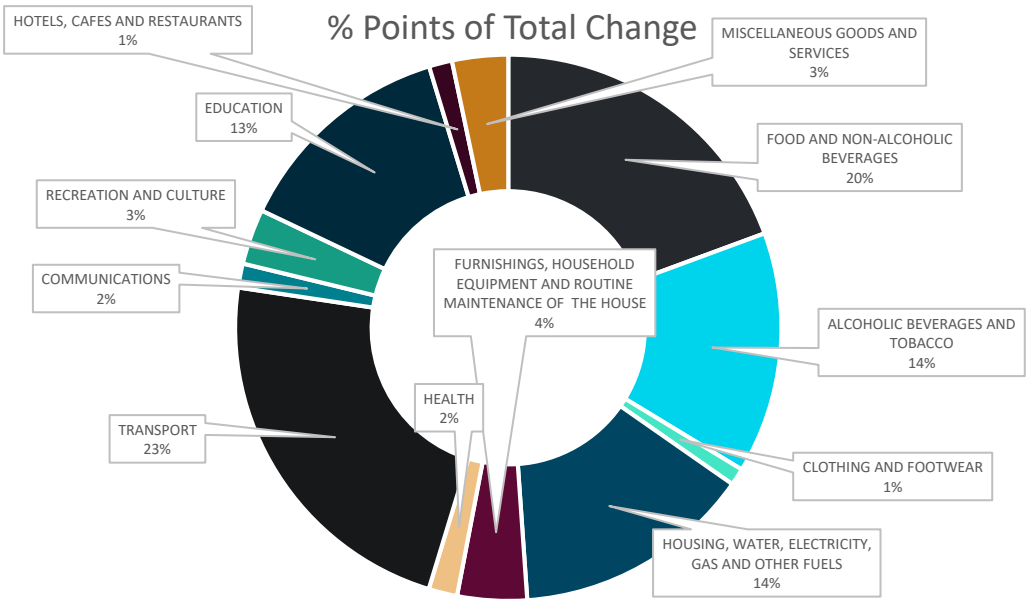
**NCPI Note – August 2019**

Annual inflation continued its moderate run into the month of August, coming in at 3.7%. This is a slight increase of 10 bps, as compared to the month of July. This is the third lowest figure in the previous 16 months. This brings the national average annual inflation for 2019 to 4.2%, 0.3 percentage points higher than was experienced over the same period last year. Month-on-month prices increased by 0.1%, down 0.1 percentage points from the previous month and up 0.1 percentage points from the comparable period in 2018.




The main drivers of annual inflation were Transport (contributing 0.8 percentage points to overall inflation); Food and Non-Alcoholic Beverages (contributing 0.7 percentage points); and Alcoholic Beverages and Tobacco and Housing, Water, Electricity, Gas and Other Fuels (both contributing 0.5 percentage points).

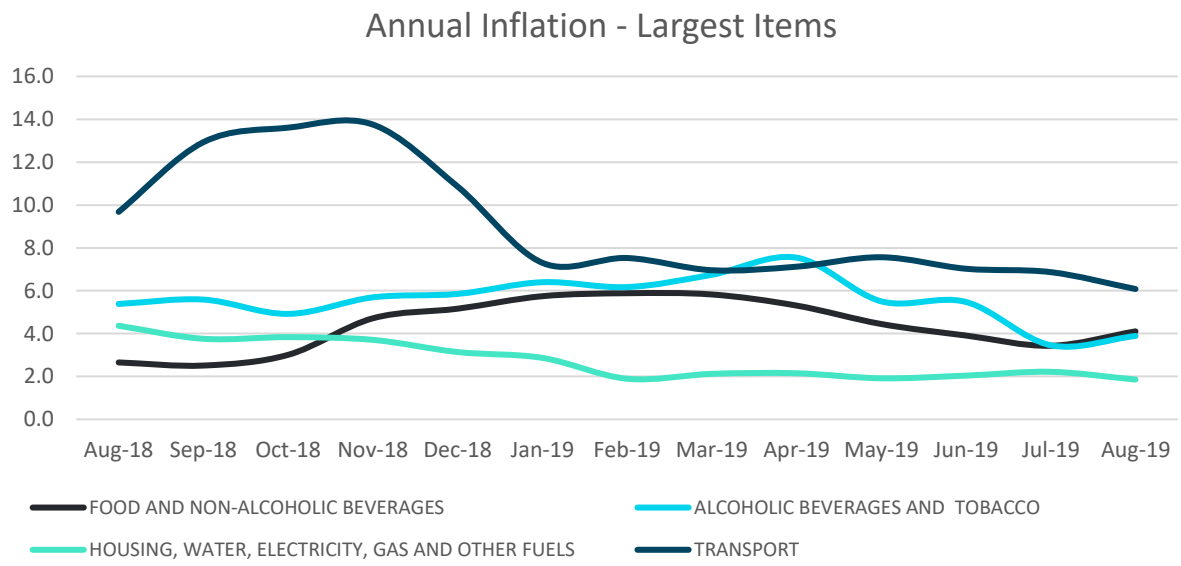
Transportation inflation persisted with its disinflationary trend, with transport inflation coming in at 6.1%, the lowest observable value in 15 months. This is due to the 1.1 percentage point drop in operation of personal transport equipment inflation and a 0.6 percentage point drop in purchase vehicle price inflation. Slow inflation in these lines are attributable to lower Petrol and diesel price growth which saw annual growth of 4% and 6%, respectively, in 2019 down from growth rates of 20% and 25% in the comparable period of 2018. Moreover, demand side effect has continued to slow vehicle purchase inflation with YTD sales down by 1181 units compared to the same period last year.

Food and Non-Alcoholic Beverage inflation grew by 4.1% on an annual basis, an increase of 0.7 percentage points and 1.4 percentage point on a monthly and annual basis, respectively.

Meat continued to have deflationary effects through supply side measures due to more farmers looking to reduce their herd sizes through sales and slaughter. However, this deflationary effect was offset by strong growth in all other food line items, barring oils and fats, but specifically with strong growth in Fruit and Vegetables inflation. The drought also had an inverse effect on horticulture inflation. Fruit inflation grew by 11% on an annual basis compared to a growth of 7.9% in the comparable period in 2018. Vegetable (including potatoes and other tubers) inflation grew by 13.9%.

Alcoholic Beverages and Tobacco ramped up in the month of August growing by 3.9%, this was due to an increase of 6% in alcoholic beverages inflation line, however overall Alcoholic Beverages and Tobacco inflation growth was slowed with deflationary growth of 5.1% in tobacco inflation.

Finally, Housing, Water, Electricity, Gas and Other Fuels inflation slowed to 1.9%, down 0.3 and 2.5 percentage points on a monthly and annual basis, respectively. This mainly due to Electricity, Gas and Other Fuels experiencing deflation of 0.7% over the period.

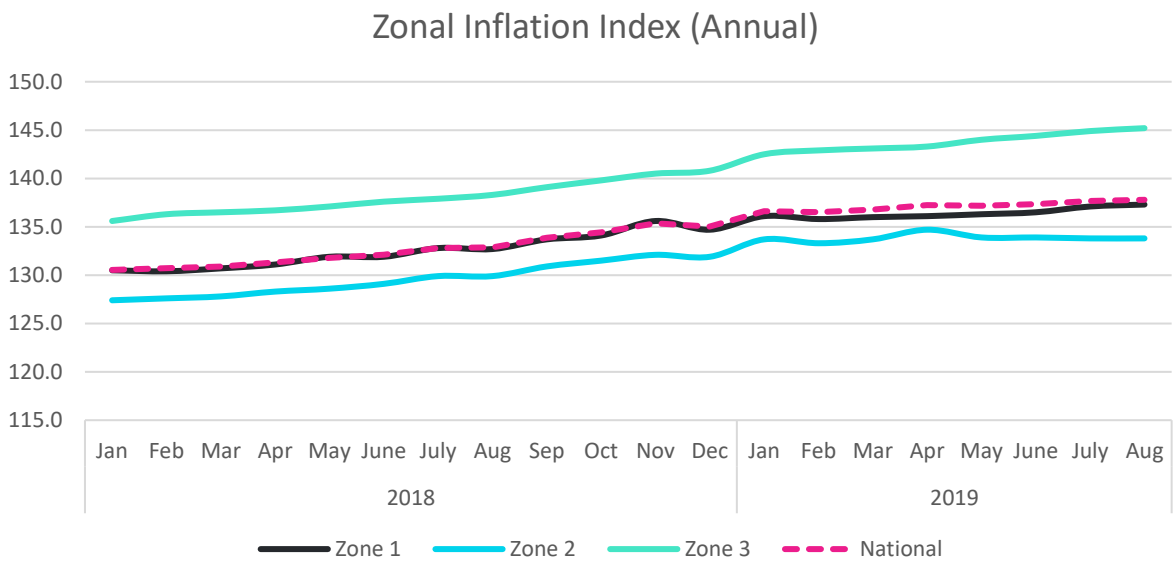


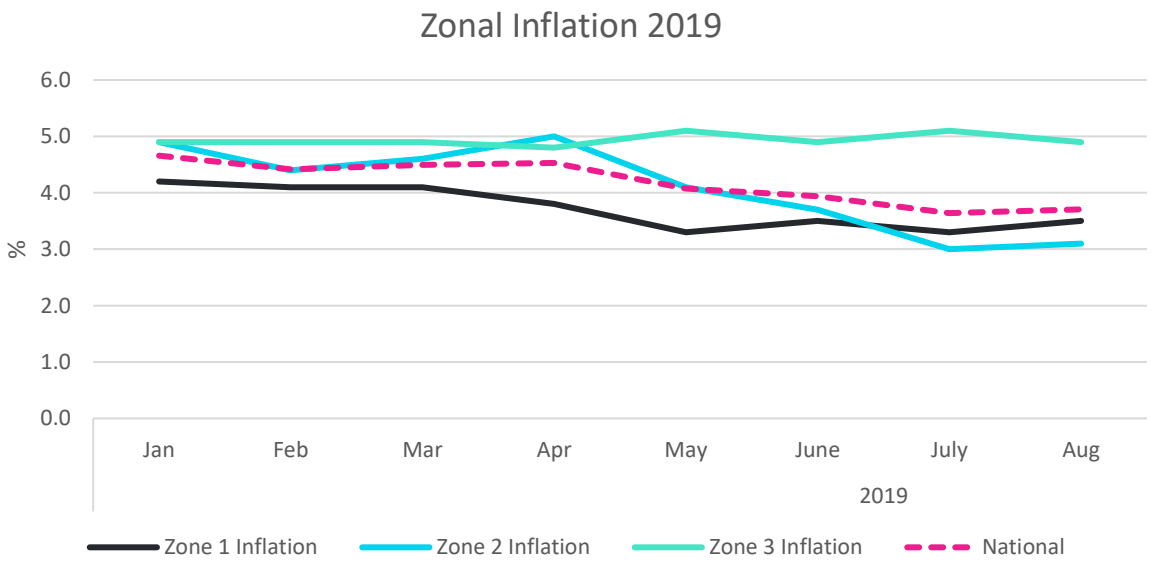

Moving to zonal inflation, for the northern areas (Zone 1), annual price increases grew by 3.5% in August, up 0.2 percentage points from July and down 0.7 percentage points from the comparable period in 2018. This decrease, on an annual basis, was mainly a result from decreases in Housing, water, electricity, gas and other fuels, Transport, Hotels, cafes and restaurants and Health inflation.

Annual inflation also saw slight upticks in the Windhoek area (Zone 2), moving up 0.1 percentage points, from 3.0% in July 2019, to 3.1% in August, however this is down 1.3 percentage points from the comparable period in 2018. The decrease resulted from declines in Food and non-alcoholic beverages, Health, Alcoholic beverages and tobacco, Furnishings, household equipment and routine maintenance of the house, Transport, Miscellaneous goods and services, and Clothing and footwear. On a monthly basis, prices remained unchanged for the third consecutive month.

Finally, the eastern, southern and western parts of the country (Zone 3) posted the highest inflation figures coming in at 4.9%, down 0.2 percentage points both on an annual and monthly basis. The decrease resulted from decreases recorded in Housing, water, electricity and other fuels, Health, Hotels, cafés and restaurants and Transport.

Annual inflation in Zones 1 and 2 continues to moderate national inflation as disinflation continues in these regions. As these areas are the most populous, if the trend continues national inflation will continue to be subdued. In Zone 3, annual inflation during 2019 has remained stable between 4.9% to 5.1%.






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