

15 October 2019

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NCPI Note – September 2019

The annual inflation rate for September 2019 came in at 3.3%, the slowest rate of price increases recorded since November 2015 (nearly four years). This is a 1.5 percentage point slowdown from the 4.8% annual inflation in September 2018, 0.4 percentage points down from the 3.7% in August this year. Annual inflation has trended downwards since late last year, with the average rate for 2019 now standing at 4.1%.

Month-on-month prices increased by 0.3%, up from the 0.1% in August. This is still lower than the 1.2% month-on-month inflation in January, however the large increases in January are typical as prices are generally raised across the board for the new calendar year.

Of the four largest categories in the NCPI basket, only Food and non-alcoholic beverages saw fast price increase of 4.4% last month compared to 2.5% a year prior. The uptick in food price inflation remains driven by bread, cereals, as well as vegetables, no doubt owing to the impact of the drought on harvests and therefore supply. Meat prices remain deflationary on an annual basis, also due to ongoing drought conditions. This may well be a boon for consumers at the moment, when conditions improve and farmers look to restock their herds, we may well see significant increases in meat inflation as the supply of meat drops and prices of live cattle increase.

Diesel 50ppm Price (Coastal)

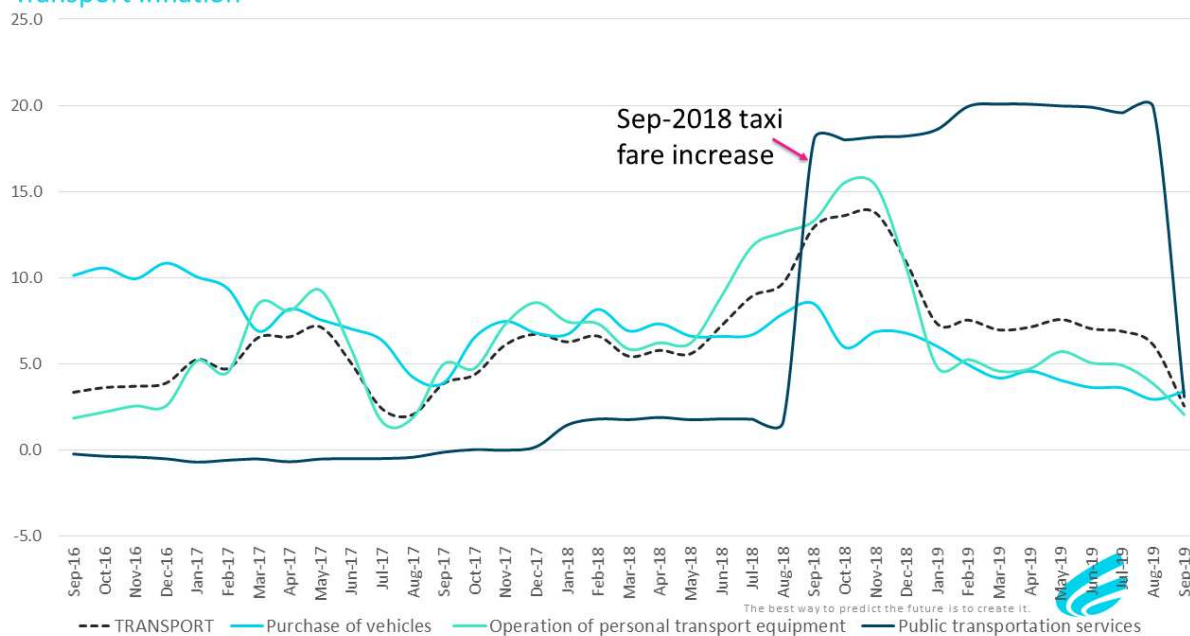


The largest reason for the slowdown in inflation is attributed to the Transport line, slowing down from 12.9% to 2.5%. This is due to drops of more than 10 percentage points for the operation of personal transport equipment and the public transport services sub-categories. Taxi fares increased by N\$2.00 (20%) in September 2018, and with no increase in September resulted in the low annual price change for public transport. Similarly, fuel pump prices were only 10c/l higher last month compared to September 2018, as opposed to the more than

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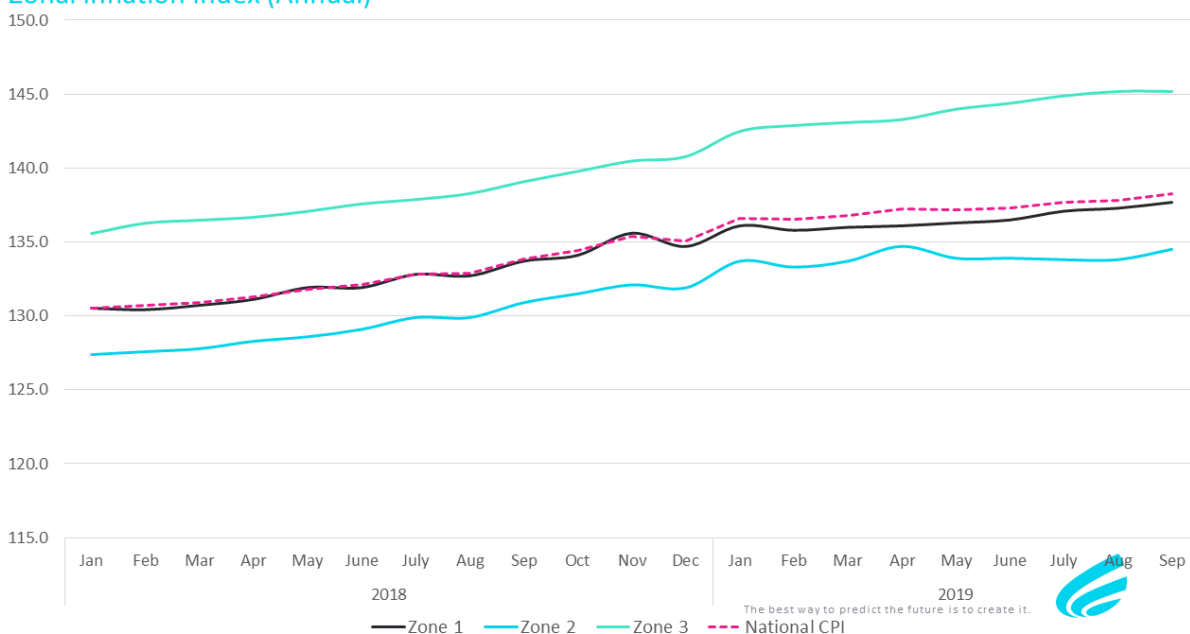
N\$2.00 change from September 2017 to September 2018, thus the low change in price level for personal transport equipment.

Transport Inflation



Inflation for Alcoholic beverages and tobacco slowed to 3.3% from 6.8% a year ago. Similarly, inflation for Housing, water, electricity, gas and other fuels slowed to 2.0% from 3.7% a year prior, thanks to lower rental price inflation and a recorded decrease in the electricity, gas and other fuels sub-category.

Zonal Inflation Index (Annual)



Zonal inflation has similarly slowed down across the three monitored zones, likely owing to the abovementioned slowdown in the Transport line which is nationwide – thus impacting all three zones.

In the northern areas (Zone 1), annual inflation slowed to 3.0% compared to 5.3% a year prior and 3.5% in August. As is the case with overall NCPI, this slowdown is attributed to slower price increases across three of the major items, namely Transport, Alcoholic beverages and tobacco, and Housing, water, electricity, gas and other fuels. Monthly inflation came in at 0.3%, up from 0.1% in August.

In the Windhoek area (Zone 2), annual inflation slowed to 2.7% from 4.4% in September last year and 3.1% in August this year. Price increases were slower for Transport, Alcoholic beverages and tobacco, Clothing and footwear, Health, and Food and non-alcoholic beverages. Monthly inflation increased to 0.5% from just 0.02% in August.

The remainder of the country (Zone 3) recorded annual inflation of 4.4%, down from 5.2% the prior year and 4.9% in August. This was due to lower inflation recorded in Transport; Housing, water, electricity, gas and other fuels; Hotels, cafés and restaurants, and Recreation and culture. Monthly inflation slowed to 0.03% from 0.2% in August.