

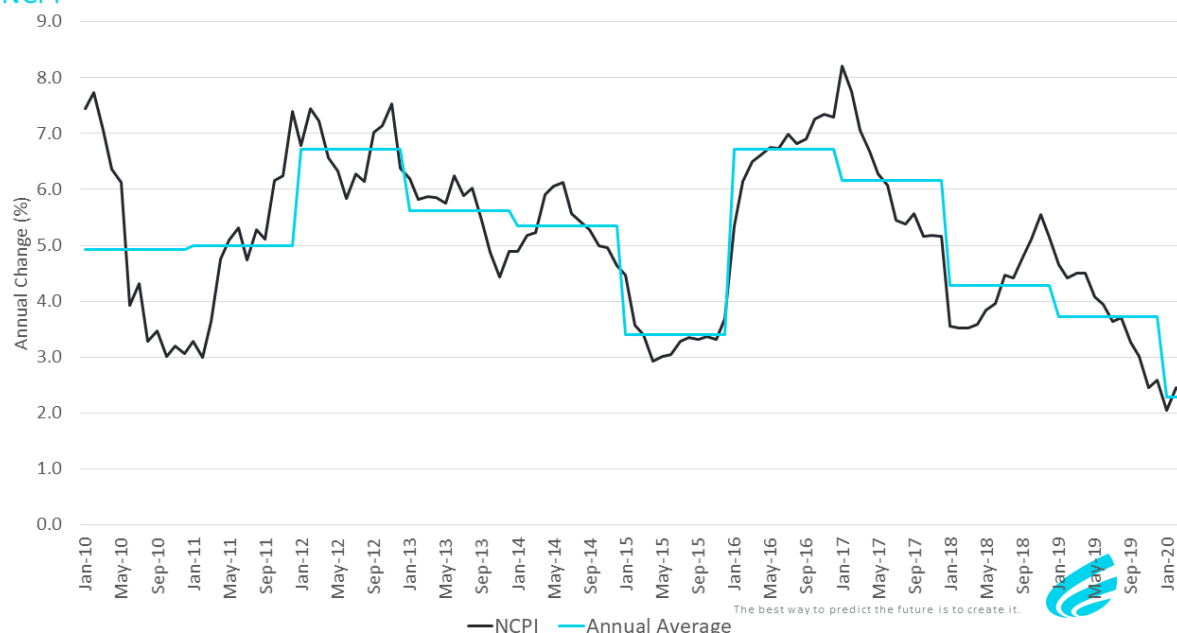


14 April 2020

NCPI Note – March 2020

Annual inflation for March 2020 printed at 2.4%, much slower than the 4.5% print in March 2019 and marginally slower than the 2.5% in February 2020. The monthly inflation rate was a low 0.1%.

NCPI

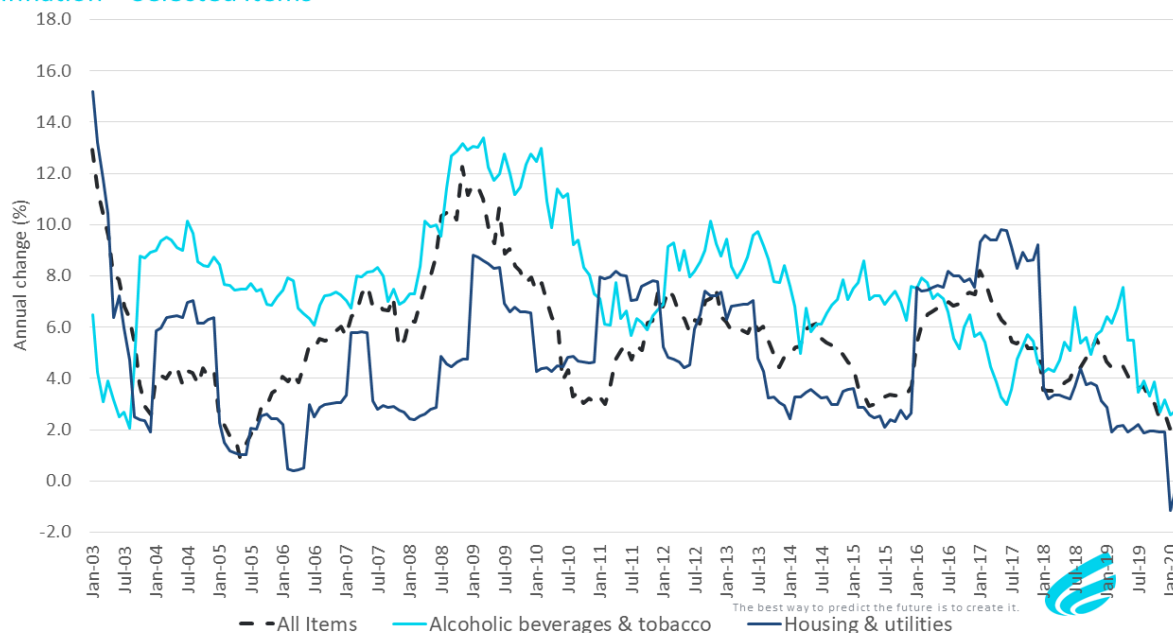


On an annual basis, inflation slowed across 9 of the 12 main lines. As expected, and will remain the case for the year, the Housing and utilities line was the largest reason for low inflation (down to -0.3% from +2.1%) as rental payment deflation anchors overall inflation (rental payments recording -2.3%). Inflation also slowed in Food and non-alcoholic beverages (2.9% from last year's 5.8%), owing to cheaper bread and cereals, as well as vegetables. However, as was anticipated, meat prices have stopped deflating and have started to increase at a fast rate (at 3.3% last month, compared to 3.1% in March 2019 and 2.0% in February 2020).

Alcoholic beverages and tobacco recorded inflation of just 2.0%, the lowest dating back to 2003 (the extent of available data), as the NSA reports continuing deflation in tobacco prices. Transport inflation also slowed, recording 4.4% last month compared to 13.6% a year prior. The reason for the much lower increase last month is that there have been no adjustments to public transport prices in well over a year now, while fuel prices were somewhat higher. On that note, the large decrease in fuel prices effective in April 2020 will mean deflation in this line, as fuel pump prices are at their lowest in nearly 2 years. This may not be much relief for motorists, owing to lockdowns and travel restrictions, but will filter through into lower transport costs for goods and services.

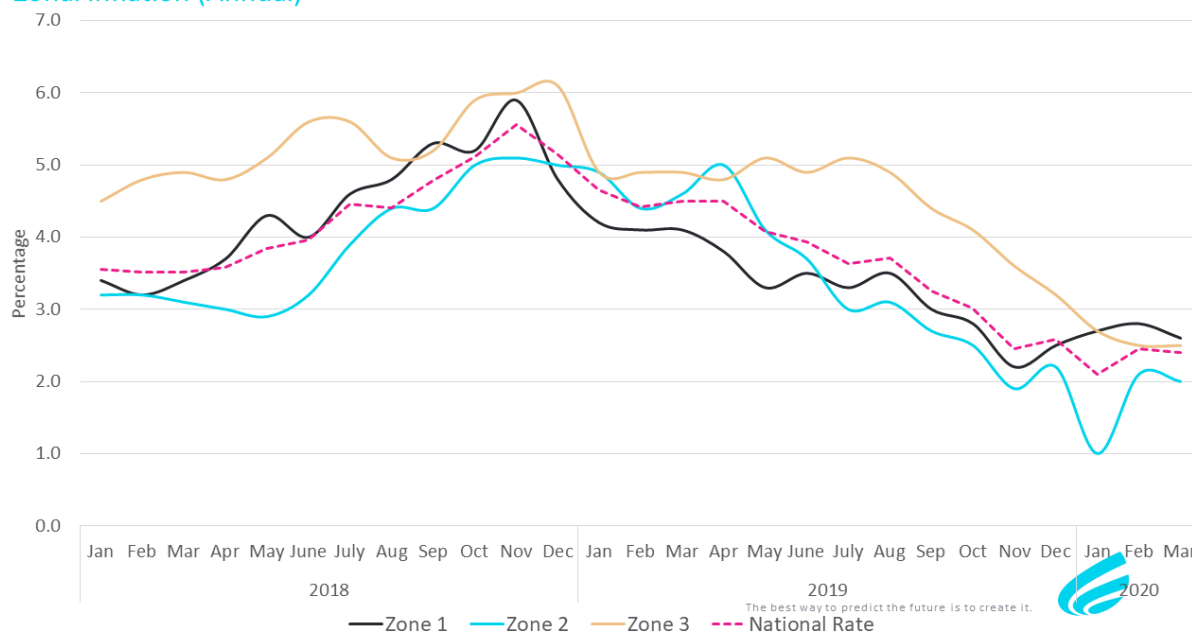


Inflation – Selected Items



The deflationary rental payments and much lower fuel prices are a welcome sign, playing a key role in the low inflation we are seeing this year and thereby reducing the rate at which consumers' buying power is eroded. While of little consolation given recent and ongoing events, it translates into one less thing to worry about. Additionally, the continued weak oil prices and potential recovery in the rand may well see further fuel price cuts next month.

Zonal Inflation (Annual)



Annual inflation in Zone 1 (northern areas) was reported at 2.6%, down from 4.1% a year prior and 2.8% in February. The main reasons for the lower inflation were slower price increases in Transport, Alcohol and tobacco, and Food and non-alcoholic beverages.

Zone 2 (Windhoek) reported annual inflation of 2.0%, less than half the 4.6% in March 2019 and down marginally from the 2.1% in February. Slower price increases were recorded for Food and non-alcoholic beverages, Alcoholic beverages and tobacco (which deflated), and Housing and utilities (also deflating).

Lastly, Zone 3 (eastern, southern and western areas) registered inflation of 2.5%, the same as in February but down from the 4.9% in March 2019. All categories in Zone 3 reported slower price increases when compared to February 2019, barring Miscellaneous goods and services, Household furnishings and equipment, and Communications.