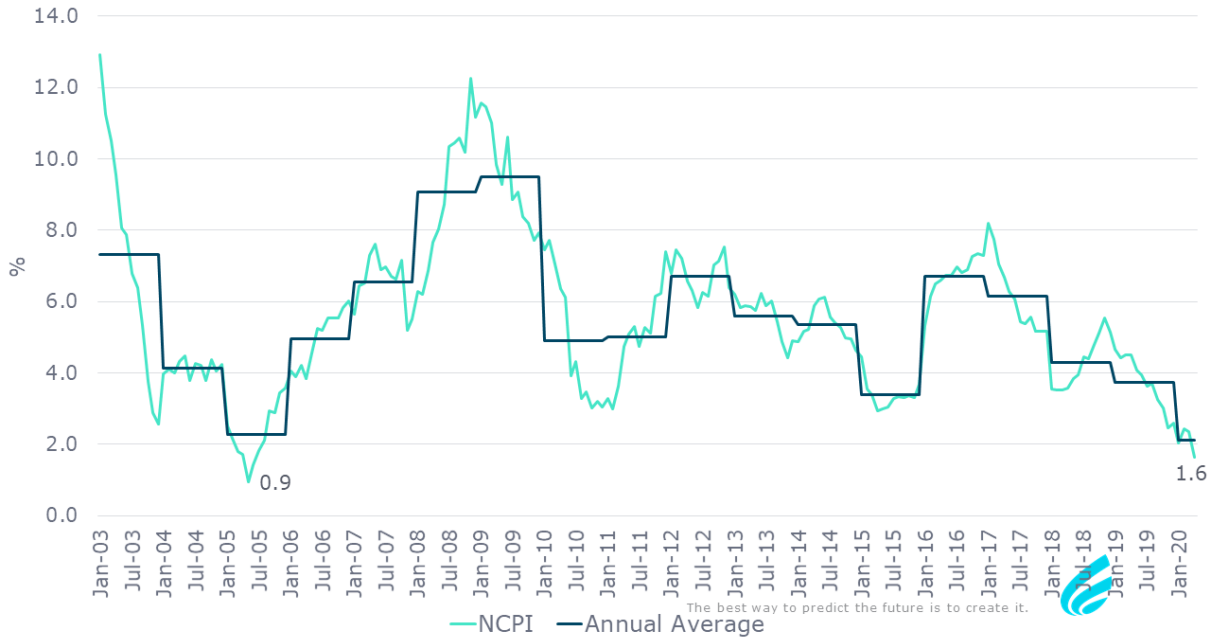
14 May 2020

# NCPI Note – April 2020

The annual inflation print for April 2020 came in at a record 1.6%, the lowest print since June 2005 and the third lowest print in the time series going back to 2003. This is a significant slowdown from the 4.5% reported in April 2019, as well as from the 2.4% in March 2020. Monthly inflation declined to -0.3%. The statistics agency noted that the COVID-19 pandemic and subsequent mitigative measures have impacted data collection for most price quotations.

**Namibia Inflation**




Inflation slowed across 7 of the 12 main lines in April. The two largest contributors to the slowdown are Housing and utilities, as well as Transport. Housing and utilities reported inflation of -0.5%, as rental payments remain deflationary (and account for 23.3% of the NCPI basket) and will not recover for the foreseeable future.

In addition to this, the lower fuel prices at the start of April resulted in the Transport line reporting inflation of -0.1%, as personal transport (9.0% of the NCPI basket) recorded inflation of -0.2%. With the fuel price reductions in April and again in May, pump prices will be down 18.8% for petrol and 16.5% for diesel compared to a year ago. This means that nearly a third of the NCPI basket is expected to remain deflationary for the next few months as rent prices will not improve and fuel prices are significantly lower than a year ago. Even if global oil prices were to increase, the Ministry of Mines and Energy granted temporary margin increases totalling 57c (to the industry and dealers) which, upon their expiry, would offset some increase in oil prices.

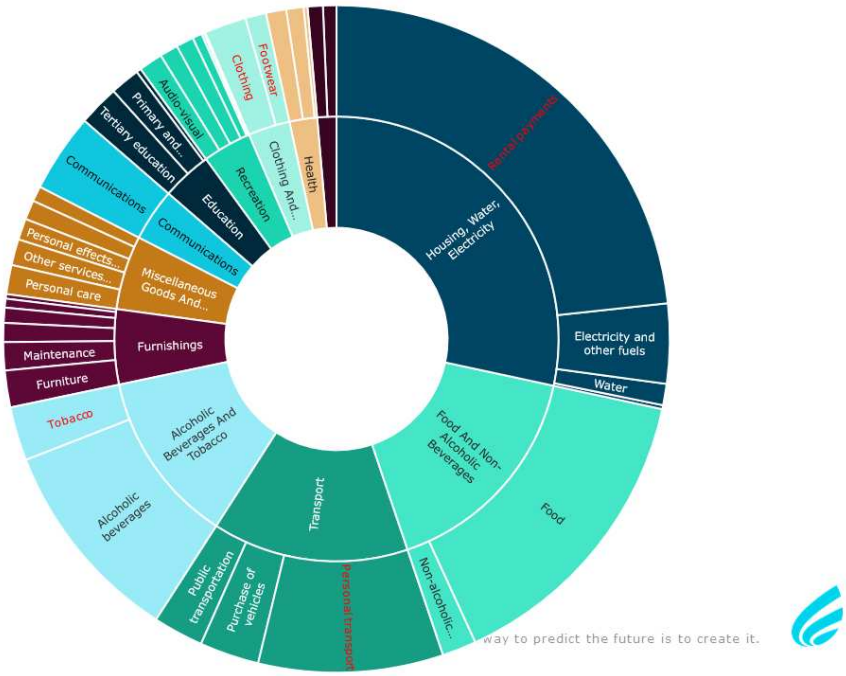
The Ministry of Transport announced a temporary 15% increase in public transport (taxi) fares in May, which will see the equivalent level of inflation in that line in that month's inflation print, however public transport only makes up 2.4% of the NCPI basket and thus will not have much impact thanks to the lower fuel pump price (and greater weighting for personal transport).

The Clothing and footwear line remains in deflationary territory this far into 2020 (-1.7% in April).

The price level for Alcoholic beverages and tobacco reportedly increased just 0.4%, thanks to an increase of 1.3% for alcoholic beverages (with the sale of alcohol being banned and in effect until June) while tobacco prices continue to report deflation, according to the NSA.

Food and non-alcoholic beverages recorded inflation of 4.2%, and while a decrease from the 5.3% a year prior, it is a sudden jump from the range of 2.2%-2.9% so far this year. The rate of price increases slowed for items such as bread and cereals (from 9.0% to 2.0%) and vegetables; whereas the prices of meat, fruit, and oils and fats have been increasing at a faster rate. A reduction in the availability of animals for domestic slaughter, thanks to the better rains this year, will continue driving up meat prices.

**Inflation Basket**

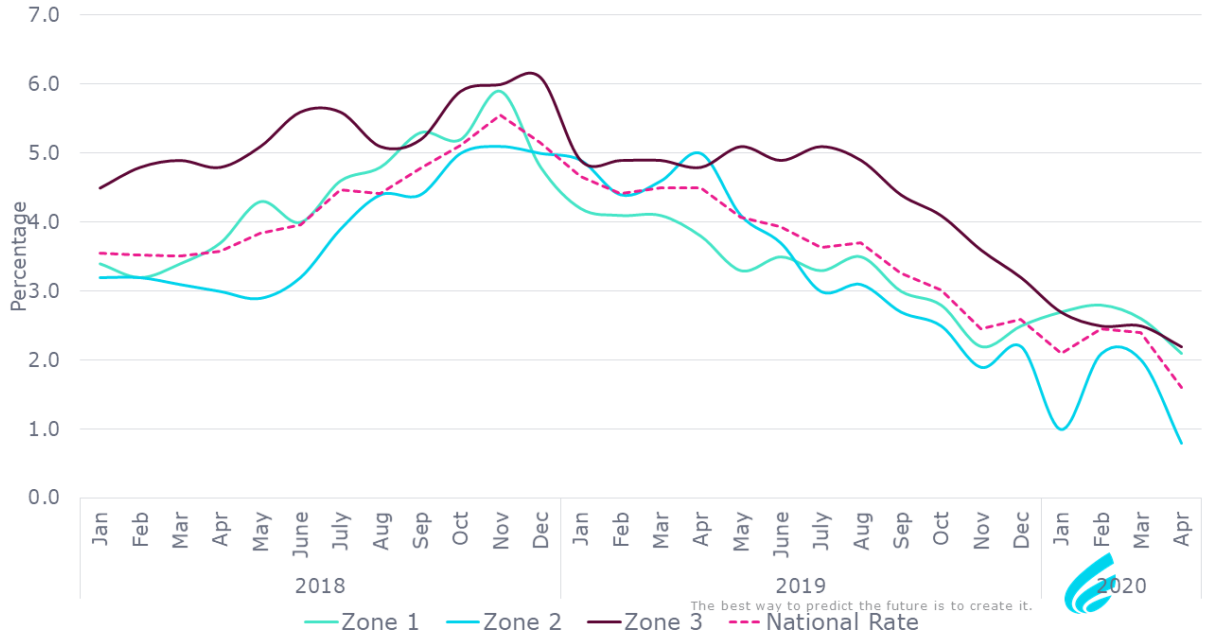



Even with an uptick in food price inflation and the 15% increase in public transport fares, the large weighting of the two deflationary items (rent payments and personal transport) will result in inflation remaining very low this year.



CIRRUS SECURITIES

**Zonal Inflation (Annual)**




Annual inflation in Zone 1 (northern areas) slowed to 2.1% in April, down from 2.6% in March and 3.8% a year ago. The slowdown was due to declines in the price levels for Transport (thanks to lower fuel pump prices), as well as Alcoholic beverages and tobacco, and Clothing and footwear.

Zone 2 (Windhoek) reported annual inflation of just 0.8%, compared to 2.0% in March and 5.0% in April 2019. The slowdown here is attributable to most main lines, including deflation for Alcoholic beverages and tobacco, as well as Housing and utilities. The significant slowdown in price increases for many line items here comes as no surprise, as Zone 2 was placed under lockdown from the end of March and throughout April, thereby hampering consumer spending in April.

Lastly, Zone 3 (eastern, southern and western areas) saw inflation of 2.2% in April, compared to 2.5% in March and 4.8% a year ago. The slowdown here is also attributable to most main lines, including deflation in Transport, and Housing and utilities.