

11 June 2020

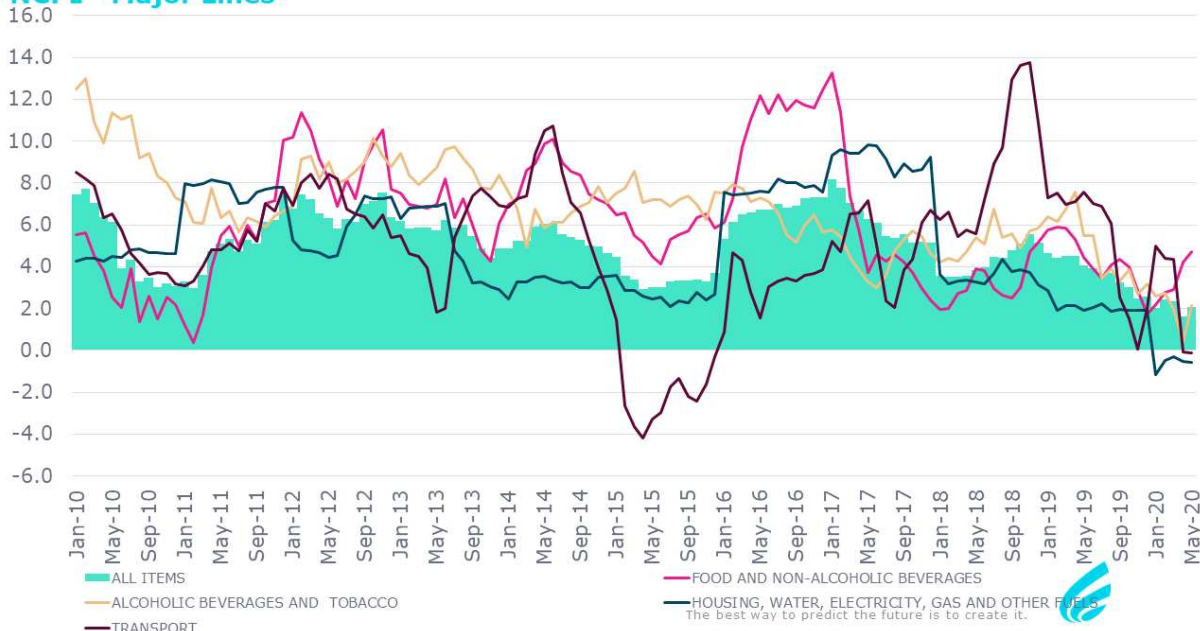
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NCPI Note – May 2020

Annual inflation for May 2020 printed at 2.1%, a significant slowdown from the 4.1% in May 2019 but up from the low 1.6% in April this year. Monthly inflation came in at 0.4%, up from -0.3% in February.

Three of the 12 main lines recorded deflation in May. Clothing and footwear has been deflationary every month so far this year. The Housing and utilities line also remains deflationary, at -0.6% in May, thanks to the continued -2.3% annual change in rent prices (which makes up 23.3% of the NCPI basket). As the domestic economy deteriorates, we expect this large portion of the basket to remain deflationary.

NCPI - Major Lines



The Transport line also recorded deflation, of 0.1%, as the large fuel price decrease at the start of May led to pump prices well below those of a year ago (with a 9.0% weighting in the NCPI basket) – more than enough to offset the temporary 15% increase in public transport due to COVID-19 restrictions. Personal transport and rent prices make up a third of the inflation basket, and are expected to remain deflationary resulting in continued low inflation. Future increases in fuel prices may change this, but the impact will not be as distinct owing to the weak rental adjustments for the foreseeable future. Increases in domestic fuel prices may also be delayed, owing to the temporary increases in the Dealer and Industry margins which are expected to be reversed in the next month or two.

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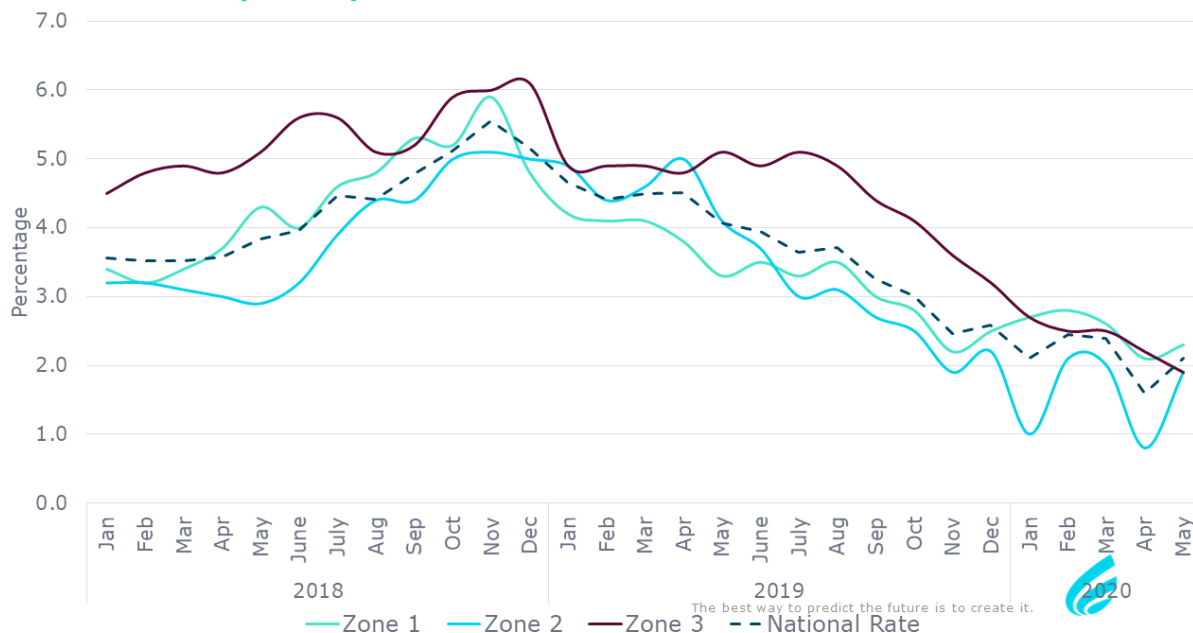
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Food price inflation edged up to 4.7%, compared to 4.4% a year prior and 4.2% in April. This was driven by larger price increases for items such as meat (6.5%), fish (7.2%), and vegetables (16.5%). Although lower than May last year, inflation for Alcoholic beverages and tobacco picked up to 2.2% compared to 0.4% in April as tobacco prices are no longer deflationary – rising 5.1% (annually) in May, according to the NSA.

Zonal Inflation (Annual)



Zone 1 (the northern areas) reported annual inflation of 2.3%, down from 3.3% a year prior and up slightly from the 2.3% in April. The relatively low inflation was the result of continued deflation in Housing and utilities, as well as benign inflation for Transport and Alcoholic beverages and tobacco.

Annual inflation for Zone 2 (Windhoek) came in at 1.9%, more than double April's 0.8% print but still well below the 4.1% of May last year. Again, rent price deflation anchored the overall print, while the Transport line reported no change (fuel prices decreases and public transport fare increases setting each other off).

Zone 3 (eastern, southern and western areas) saw annual inflation of 1.9%, down from 5.1% a year ago and 2.2% in April. This was the result of slower price increases across all main lines, except for Miscellaneous goods and services, and Furnishing and household equipment.