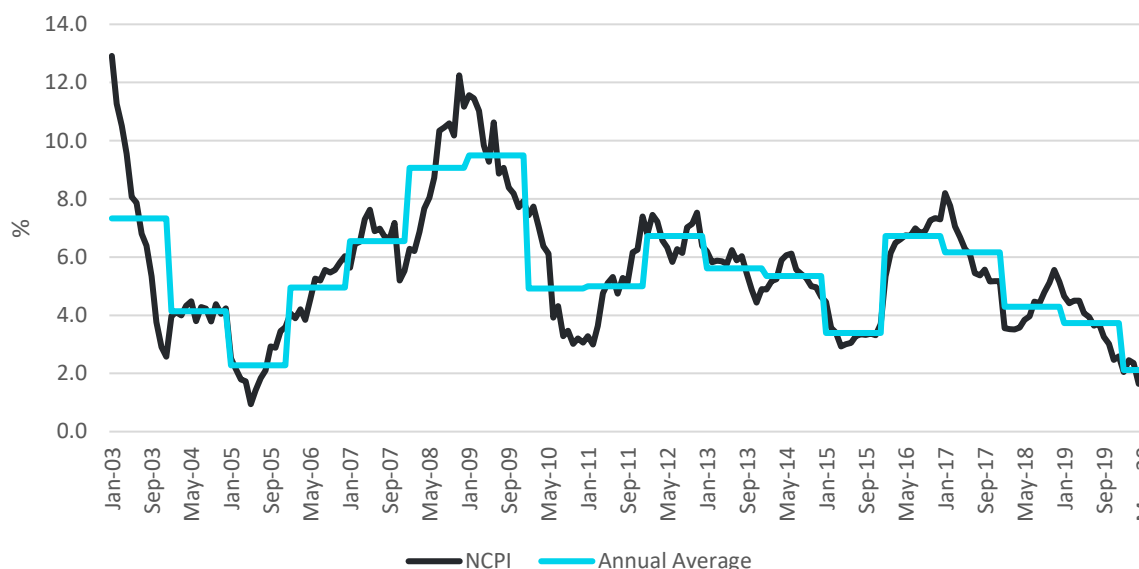


15 July 2020

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NCPI Note – June 2020

The annual inflation print for June 2020 came in at 2.1%. This is a significant slowdown from the 3.9% reported in June 2019 however remained constant over the month. Monthly inflation increased by a mere 0.2 percentage points.



Inflation slowed significantly in the transportation line which fell deeper into deflationary territory from -0.1% to -0.8%. This was largely driven by a decrease in fuel prices which inherently affected the operation of personal transport equipment line. May saw both fuel pump prices for both petrol and diesel decrease by 100c/l. This represents a 18.8% and 16.5% decrease for petrol and diesel, respectively, as compared to a year ago.

In addition to lower Transport pricing, housing and utilities reported inflation of -0.6% anchoring overall inflation lower. As rental payments remain deflationary (and account for 23.3% of the NCPI basket) and will not recover for the foreseeable future.

With the fuel price reductions in April and again in May, 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 Clothing and footwear line fell deeper into deflationary territory moving down 0.5 percentage points to -1.8% in June 2020 (-1.3% in May).

The price level for Alcoholic beverages and tobacco reportedly increased by 3.6%, thanks to an increase of 3.6% for alcoholic beverages (with the sale of alcohol being banned and in effect until June) and more importantly a reverting of tobacco prices into inflationary territory.

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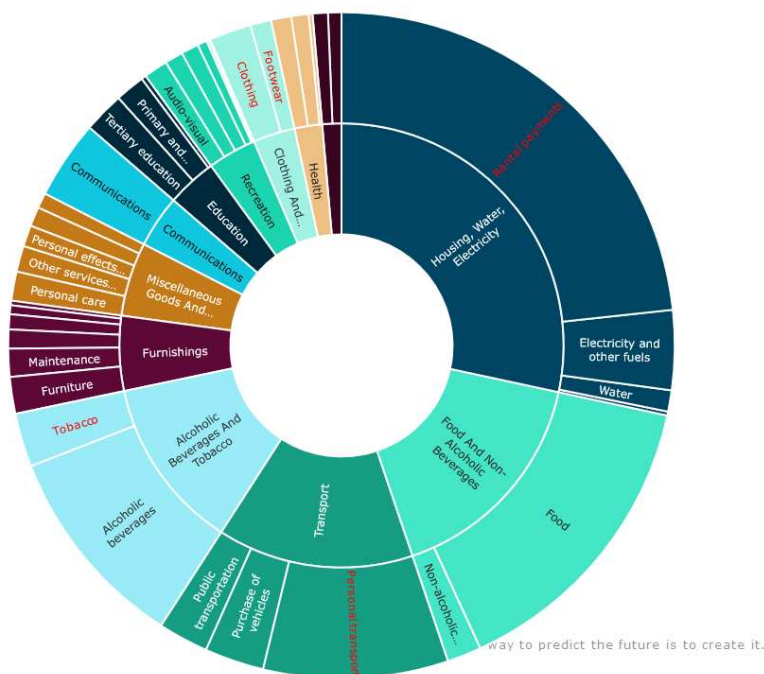
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Tobacco prices moved from deflationary territory into inflationary territory amounting to 3.9% in June 2020, according to the NSA.

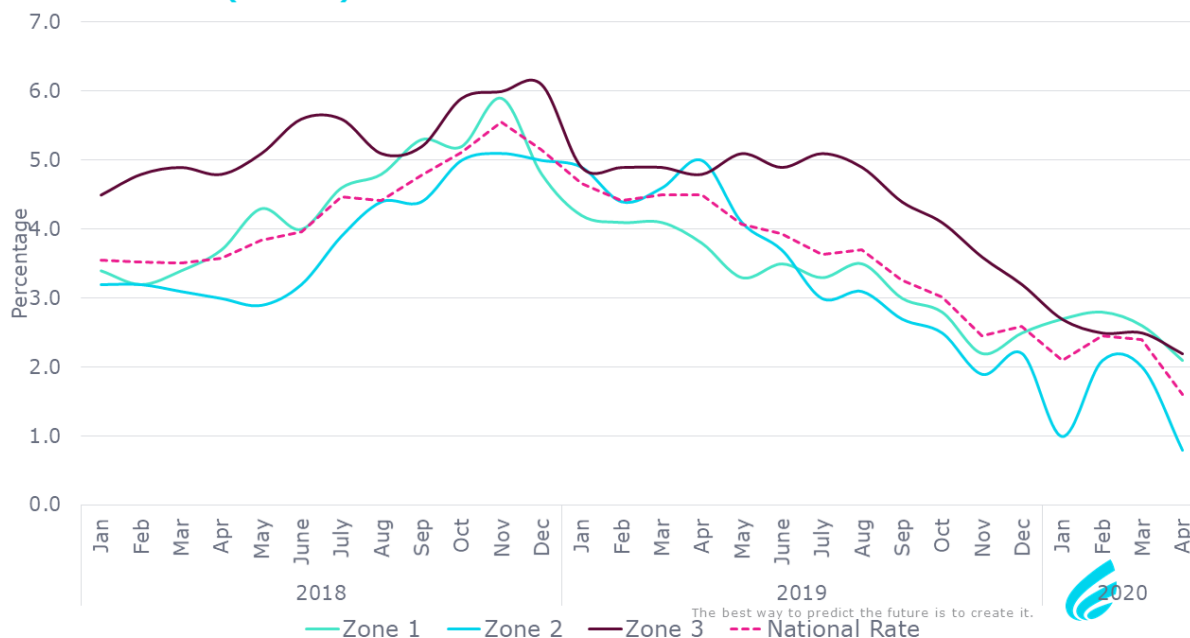
Food and non-alcoholic beverages inflation remained rigid at 4.7% however, this represents a 0.8 percentage point increase from the comparable period in 2019. Vegetables and fruit inflation continues to drive the food and non-alcoholic basket inflation with respective upticks of 13.1 and 4.4 percentage points to 21.2% and 11.7%, respectively.

Inflation Basket



Even with an uptick in food and non-alcoholic beverage inflation (representative of 16.45% of the basket) and the 15.0% 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.

Zonal Inflation (Annual)



Annual inflation in Zone 1 (northern areas) increased to 2.4% in June, up from 2.3% in May and down 0.9 percentage points from 3.5% a year ago. The slowdown, on an annual basis, 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 2.1%, compared to 1.9% in May and 3.7% in June 2019. The slowdown, on an annual basis, is attributable to most main lines, including deflation for Alcoholic beverages and tobacco, as well as Housing and utilities.

Lastly, Zone 3 (eastern, southern and western areas) saw inflation of 1.8% in June, compared to 1.9% in May and 4.9% a year ago. The slowdown, on an annual basis, is also attributable to most main lines, including deflation in Transport, and Housing and utilities.