

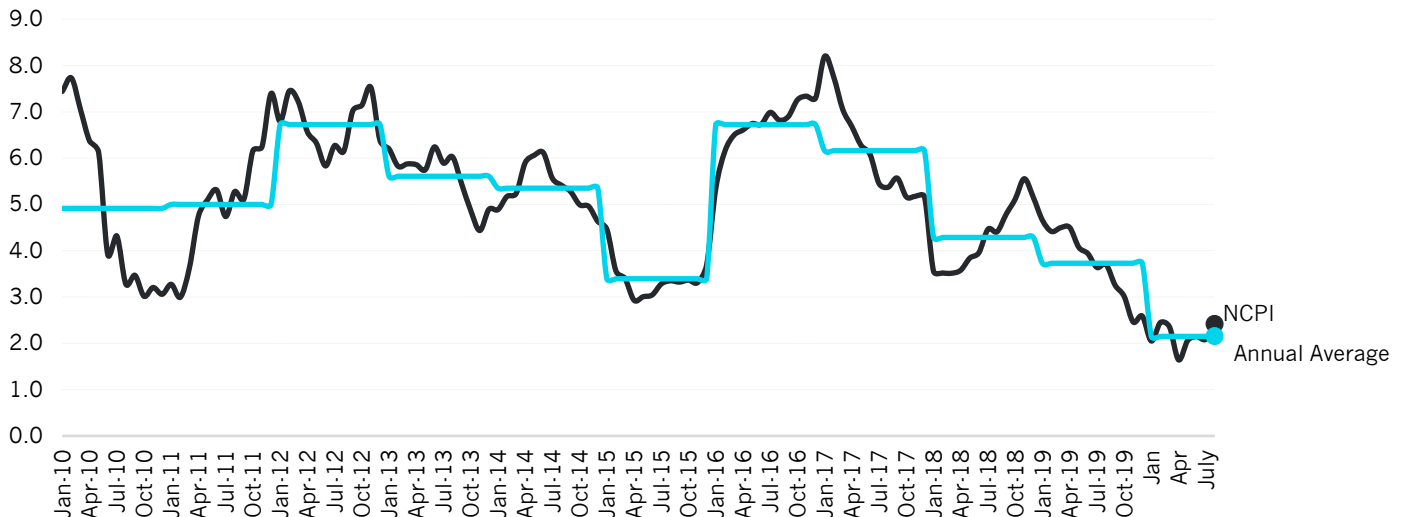
August NCPI

15 Sep '20

The annual inflation print for August 2020 came in at 2.4%. This is a significant slowdown from the 3.7% reported in August 2019, however an uptick of 0.3 percentage points compared to the 2.1% in the three months leading up to August. This brings the annual average at 2.2% for 2020. Monthly inflation increased a mere 0.4%.

Annual inflation

Inflation at decade low



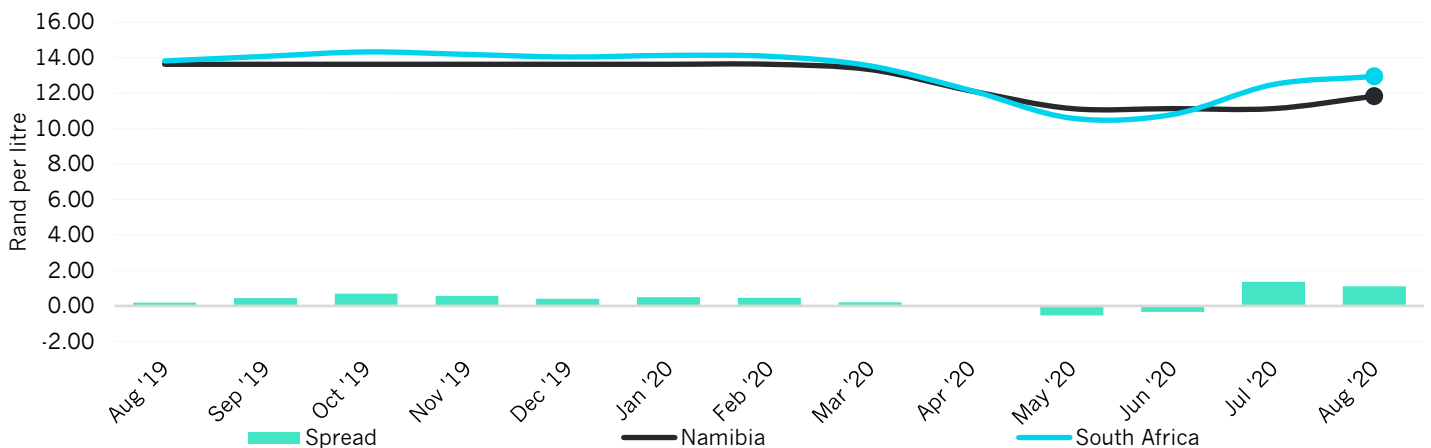
Source: Namibia Statistics Agency

Demand-side deflationary pulls remained in Clothing and footwear, with annual growth of -5.1% in August 2020. With individuals struggling with retrenchments or facing downward wage adjustments, retail shops will continue to struggle with fewer feet passing through the shop. Housing and utilities reported deflation of 1.5% for the second consecutive month, driven by the ongoing 2.3% deflation in rental payments.

Inflation picked up significantly in the transportation line in August, moving out of deflationary territory for the first time since April 2020. The line saw growth of 1.2%, 2.3 ppt higher than was experienced in July. August saw coastal pump prices increase by 100c/l to N\$11.35/l for ULP95 and diesel price (50ppm) increases by 70c/l to N\$11.83/l. The increase in fuel prices saw the operation of personal transport line move up from inflation of -7.9% to -4.4%, however as fuel prices remain lower than a year ago the line remains deflationary. Surprisingly, purchases of vehicles saw inflation move up to 6.0% from 4.8% in July 2020 and 3.0% in August 2020. This comes as some surprise due to weaker sales experienced over the course of this year.

Diesel prices

Despite increase in September, fuel prices remain lower than a year ago

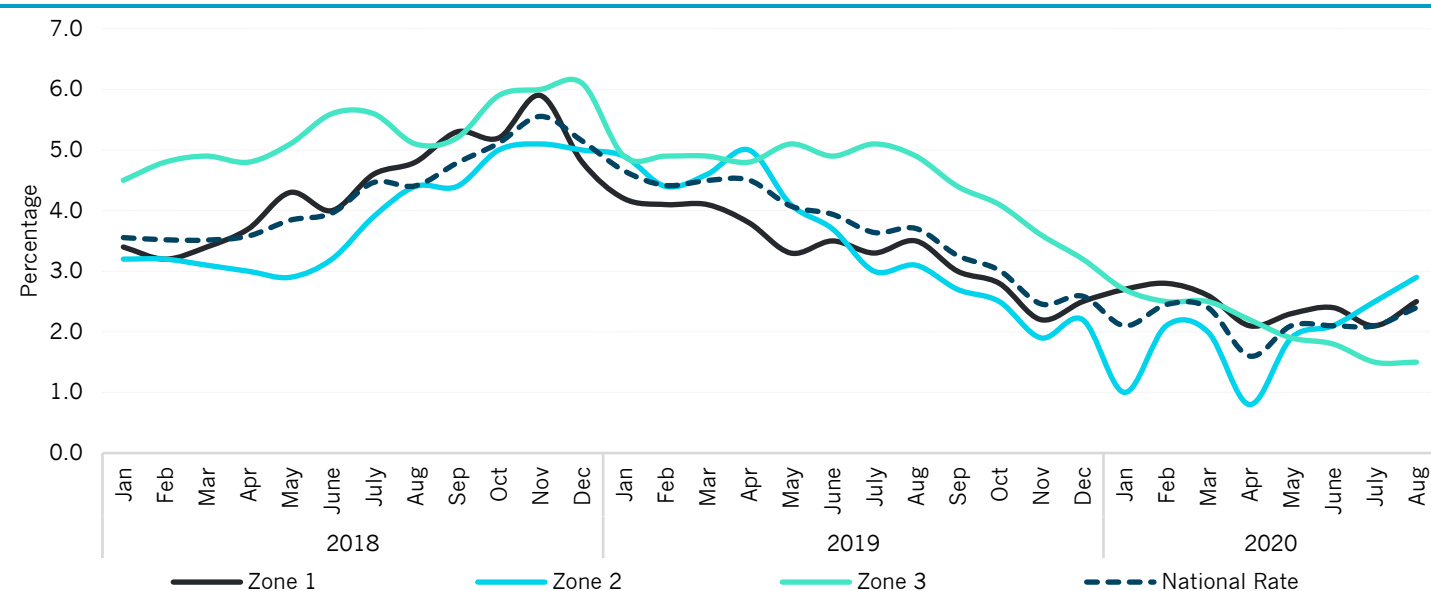


Source: Ministry of Mines and Energy, Cirrus Securities

Food and non-alcoholic beverages saw inflation moving up 0.7 ppts from 6.1% in July to 6.8% in August 2020 and a 2.7ppt increase from August 2019. The inflation for this line, compared to last year, was largely driven by meat, oil and fat price increases. Due to the drought and resultant oversupply of meat products last year, meat inflation was deflationary at 0.7% in August 2019. However, as farmers rebuild herds this year, prices have seen significant growth (9.9%) with the anticipated decrease in supply of slaughter animals.

Zonal inflation

Divergence across the zones



Source: Namibia Statistics Agency

Turning to the zonal inflation, Zone 1 (the northern areas) reported annual inflation of 2.5%, down from 3.5% a year prior, however moving up from the 2.1% experienced in June. The slower inflation was mainly observed in the decline of price levels for Clothing and footwear (from 2.2 percent to -9.8%); Transport (from 5.8% to 1.7%); Housing and utilities (from 0.5% to -2.9%); Alcoholic beverages and tobacco (from 5.3% to 2.9%) and Health (from 3.5% to 2.7%). Prices increased 0.5% on a monthly basis.

Annual inflation for Zone 2 (Windhoek) came in at 2.9%, down from the 3.1% in August 2019 and up from July's 2.1%. The slowdown was due to deflation experienced in the Housing and utilities line moving down from 2.6% -1.1%, and deflation in Hotels, cafes and restaurants moving down to -2.2% from 5.7%. Moreover, a significant slowdown was witnessed in Education inflation, moving down 8.8ppt to 6.4% and the transport line moving down 3.6ppt to 1.9%.

Zone 3 (eastern, southern and western areas) saw annual inflation of 1.5% in August, down from 4.9% a year ago however remained flat over the month. Slower inflation was reported across most main lines, barring Recreation and culture, and Miscellaneous goods and services.