



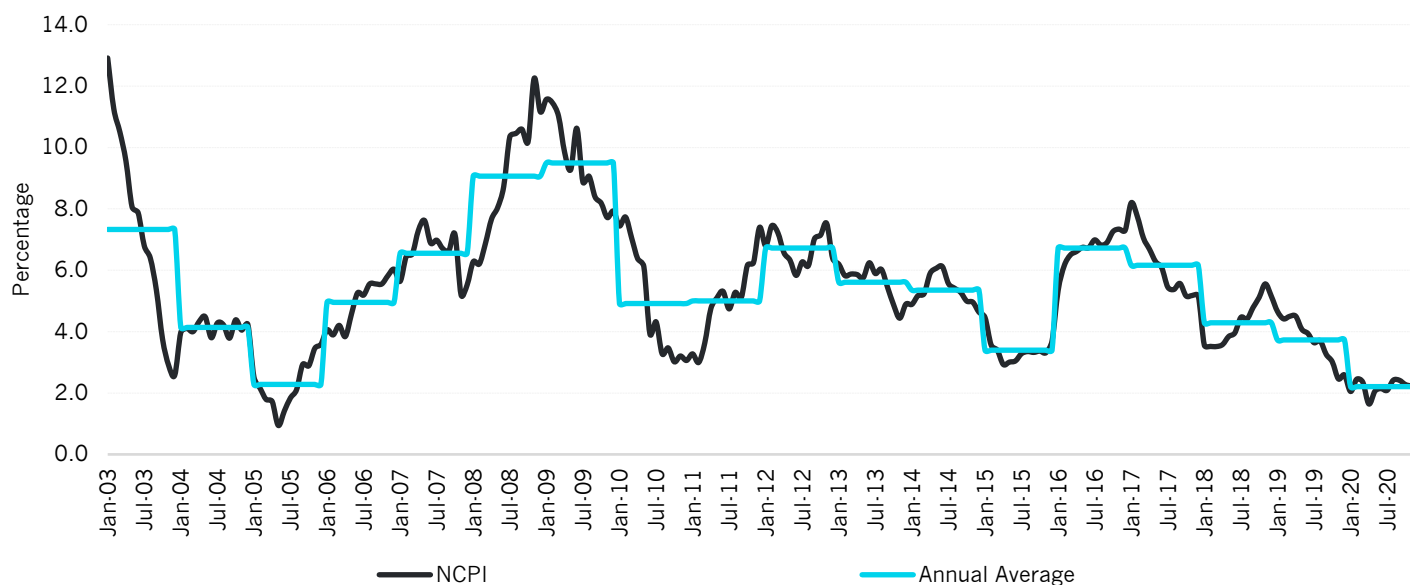
December NCPI

14 Jan '21

Annual inflation for Dec '20 slowed to 2.4%, a slight decrease from the 2.6% reported in Dec '19 but an increase from the 2.2% reported in November. This brings annual average inflation for '20 to 2.2%, the lowest annual average we have on record (which dates back to '73). No change in prices was recorded m/m, with monthly inflation flat at 0.0%.

Annual inflation

Average annual inflation for '20 is the lowest on record



Source: Namibia Statistics Agency

Once again the Clothing and footwear, Housing and utilities, and Transport lines were deflationary y/y. This deflation has been the core driver of Namibia's record low average overall inflation in '20. The deflation in Clothing and footwear (-6.0%) persisted throughout the calendar year, deepening midway through as the collapse in household incomes forced households to prioritize spending on necessities, with clothing retailers attempting to drive revenue through greater discounts. According to the index, the clothing and footwear basket is now at its lowest level since Jun '12.

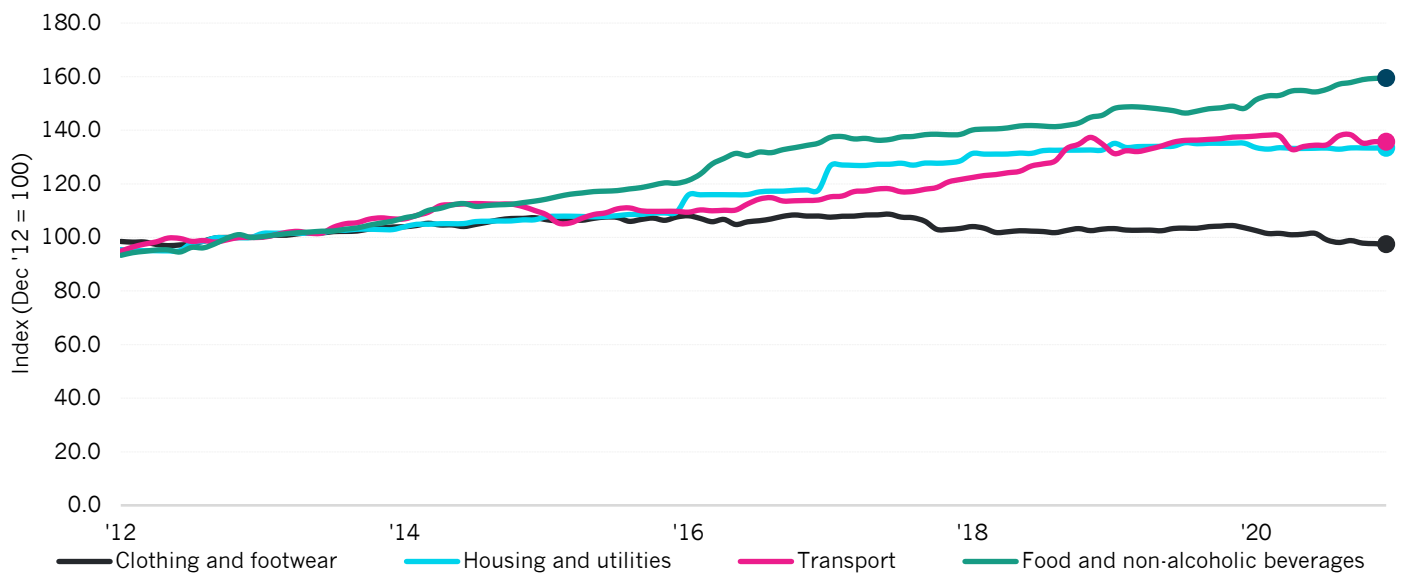
The 1.3% deflation in Housing and utilities remains the result of rent price deflation (-2.3% since Feb '20), driven by the weak property market and sustained by the weaker financial position of households last year. Rent prices are likely to remain in a similar space for the near future, given the anticipation of a very gradual recovery for household incomes in the underlying economic environment. The fuel price decrease in Dec '20 meant that both petrol and diesel prices were lower on a monthly and annual basis, resulting in the 1.3% deflation for the Transport line.

Food and non-alcoholic beverages saw inflation of 7.6%, the highest since Feb '17. This is a continuation of the upward trend in food prices after bottoming out in Dec '19. The upward trend in food price inflation has also become a global phenomenon. This is an important theme to monitor in '21, as better rains in the region are suggestive of promising harvests after a relatively poor decade, whereas poorer rainfall in South America has been driving up prices for soft commodities on the global market.



Inflation index – selected items

Clothing and footwear index back to '12 levels, deflation for Housing and Transport sees it relatively flat in '20



Source: Namibia Statistics Agency

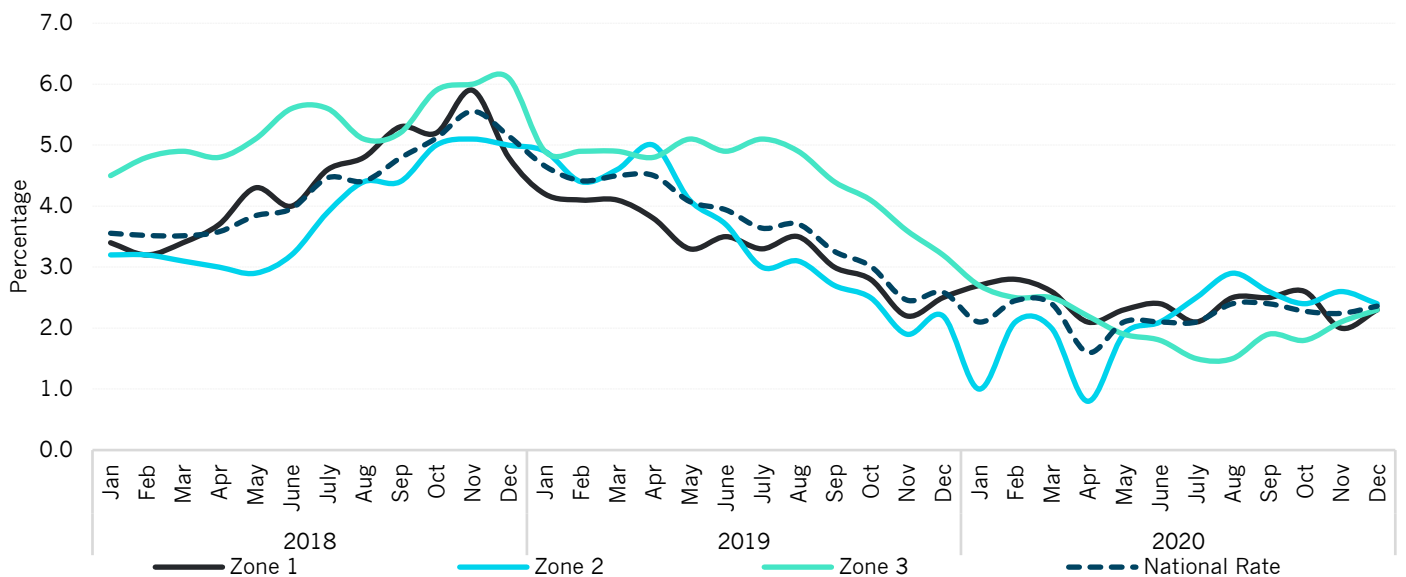
Looking at zonal inflation, Zone 1 (the northern areas) reported annual inflation of 2.3%, slowing from 2.5% a year prior but increasing from 2.0% in November. The slowdown in annual inflation is attributed to Housing and utilities (-2.7%), and Clothing and footwear (-10.3%).

Annual inflation for Zone 2 (Windhoek) came in at 2.4%, an increase from the 2.2% a year prior but slower than the 2.6% reported for November. The uptick was due to higher inflation for Food and non-alcoholic beverages (8.6%), Alcoholic beverages and tobacco (5.9%), and several smaller lines.

Zone 3 (eastern, southern, and western areas) saw annual inflation of 2.3% in December, down from 3.2% a year ago and up from 2.1% in Nov '20. The y/y slowdown was attributed to decreases in all sub-groups, except Communications, Food and non-alcoholic beverages, Alcoholic beverages and tobacco, and Miscellaneous goods and services.

Zonal NCPI (annual)

Zonal inflation converging on overall NCPI



Source: Namibia Statistics Agency

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