

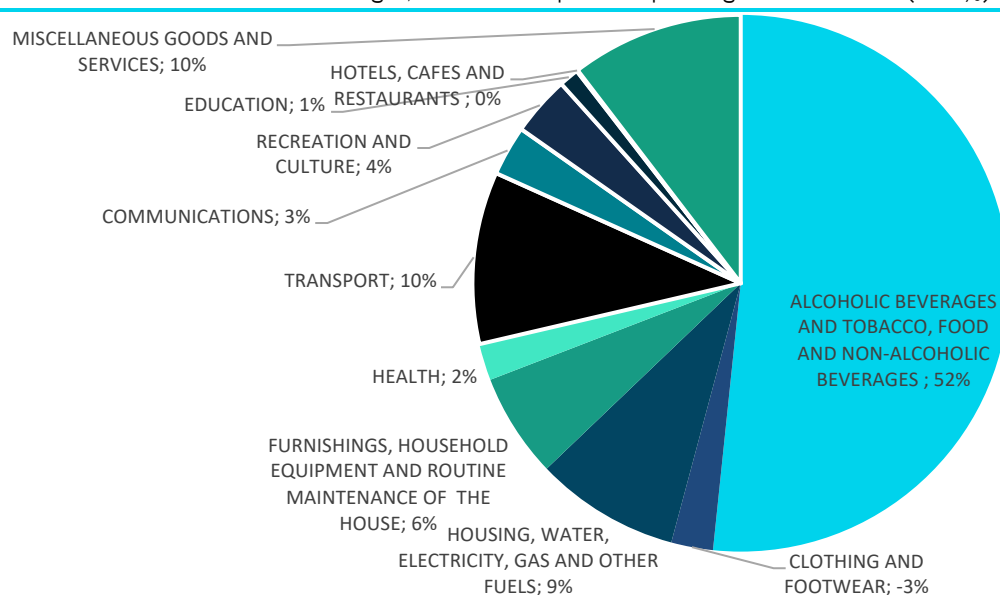
March NCPI

15 Apr '21

Annual inflation increased to 3.1% from 2.4% in Mar '20. Furthermore, inflation moved up from Feb '21's 2.7%. The change in rate was predominately due to increases in food prices, alcoholic and non-alcoholic beverages, and tobacco prices explaining more than half (54.5%) of the inflationary change. These increases were however mitigated by the rest of the consumer basket, whose weighted average inflation rate represented a 1.9% change y/y. Monthly inflation increased by 0.5%, moving up 10bps in Feb '21.

% points change of total inflation (3.1%) change

Alcoholic and non-alcoholic beverages, and tobacco prices explaining more than half (54.5%) of the inflationary change



Source: Namibia Statistics Agency

Food and non-alcoholic beverages were the primary drivers of the increased inflation rate, accelerating further into the month of March. Prices for food and non-alcoholic beverages increased 6.6% y/y, compared to 2.9% a year prior and 5.5% in Jan '21. The increase is attributed to meat (+13.3% vs previous 3.3%), oils and fats (9.4% vs previous 3.8%) and fruits (10.7% vs previous 16.4%). Meat prices are expected to continue increasing as livestock restocking reduces supply available for slaughter. Conversely, better rains this year will provide relief in the form of lower inflation for crops and fruits. A relief, given that fruit inflation has remained elevated (+10%) since July 2019. The high (red) meat prices will see consumers shift to cheaper alternatives, and likely lead poorer households to decrease meat consumption overall.

Housing and utilities inflation rose to 1.1% in Mar '21, from -0.3% a year prior and remained flat with 0.0% growth over the month. The low growth is largely due to subdued rental payment inflation, which was reported at 1.3%, for the second consecutive month, whereas this line was deflationary throughout '20. As previously mentioned, given empirical evidence in conjunction with constrained household disposable income and weak demand, it is surprising to see rental payments increasing by these levels. The higher inflation here will result in higher inflation through '21, given the lower base set in '20 and the large contribution of rent to the inflation basket (23.3%).

The higher inflation in the above lines was moderated by several items. March reported continued deflation in clothing and footwear, at a higher rate (-3.8% vs previous -1.1%), which has been deflationary for 15 consecutive months now. This is driven by weak household demand, owing to prioritization of disposable income to necessities. Hotels, cafes and restaurants reported deflation, at a lower rate, (-0.2% vs previous 2.1%), driven by continued price discounts on accommodation services.

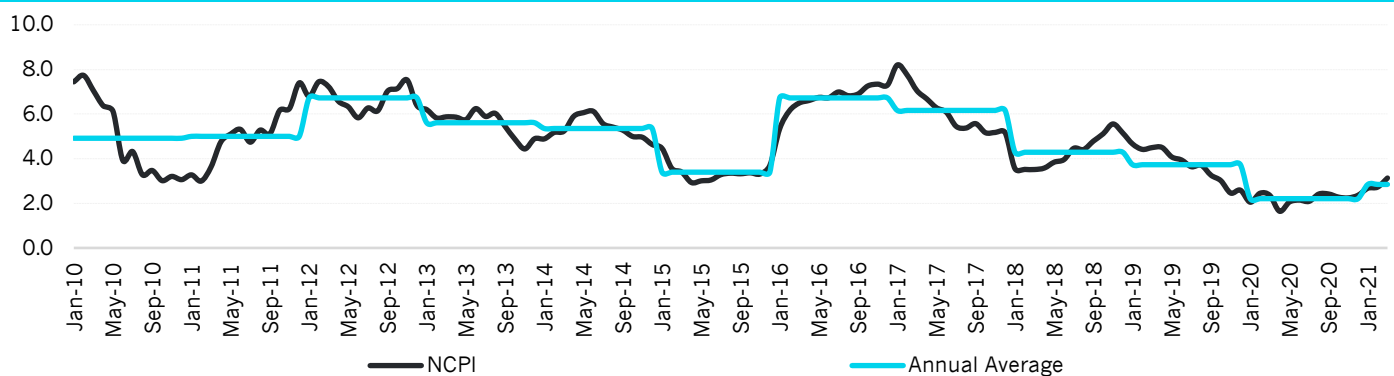


Transport inflation was also lower than a year ago (2.4% vs previous 4.4%), however has picked up over the month moving up 2.2 percentage points and is at its highest level over the past 12 months. The primary motivator to the elevated transport inflation was, the improvement in operation of personal transport equipment line, turning inflationary for the first time in a year. This is pre-emptive however as fuel prices were 3.1% and 4.9% lower for diesel and petrol, respectively, compared to a year ago. Moving forward, this line will motivate higher inflation levels as fuel prices observed in the month of April are higher as compared to the prior year.

Overall, the higher rental inflation will set a higher base for inflation for the year ahead. Sustained increases in the fuel price, led by higher global oil prices, will also contribute to this. However, we believe that weak demand will see inflation remain relatively low for the foreseeable future – albeit higher than in '20.

Annual inflation

Inflation has picked up in '21 compared to '20, but will remain low relative to the prior years.



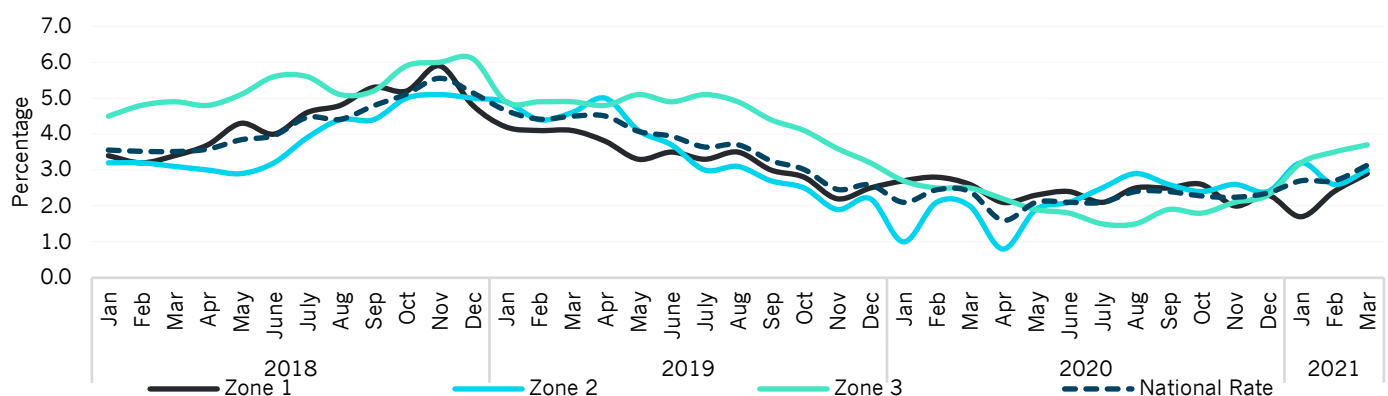
Source: Namibia Statistics Agency

Annual inflation in Zone 1 (the northern areas) slowed to 2.9%, compared to 2.6% a year prior. Although it increased from Jan 21's 2.4%. The increase is attributed mainly to increases in the price levels of Communications (7.3% vs previous -1.5%); Food and non-alcoholic beverages (6.9% vs previous 3.5%); Furnishings, household equipment and routine maintenance of the house (6.1% vs previous 2.8%) and Hotels cafes and restaurants (3.0% vs previous 0.6%).

Annual inflation for Zone 2 (Windhoek) increased 1.0% point y/y to 3.0% in Mar '21, from 2.0% a year prior. Moreover, it ticked up over the month from 2.6% reported for Mar '21. The y/y increase is due to higher inflation in Food and non-alcoholic beverages, Alcoholic beverages and tobacco, Miscellaneous goods and services and Health.

Zone 3 (eastern, southern, and western areas) saw annual inflation increase significantly to 3.7% in Feb '21, up from 2.5% a year ago and 3.5% in Mar '21. The y/y increase was attributed to price increases in the largest of the main lines, such as Housing and utilities, Food and non-alcoholic beverages, Recreation and culture and Alcoholic beverages and tobacco.

Zonal inflation



Source: Namibia Statistics Agency



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