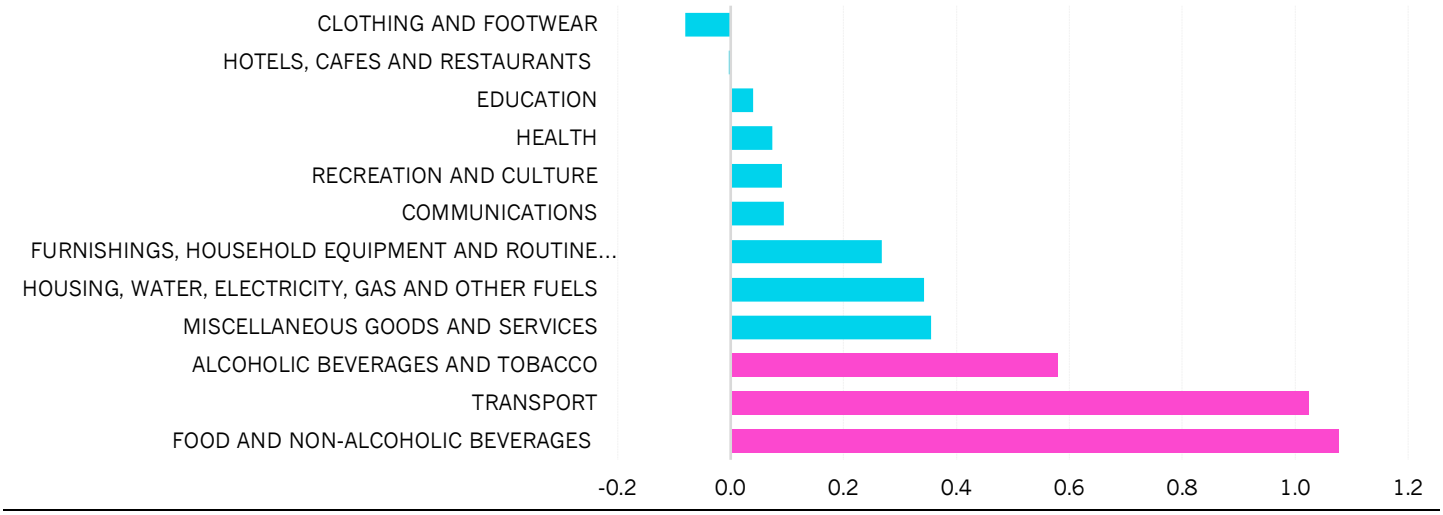
April NCPI

15 May '21

Annual inflation increased by 3.9% from 1.6% in Apr '20. Furthermore, inflation moved up compared to Mar '21's 3.1%. The heightened rate was predominately due to increases in transport, food prices, alcoholic and non-alcoholic beverages and tobacco prices which explained approximately 70% of the inflationary change. These increases were however mitigated by the rest of the consumer basket which weighted average inflation rate represented a 1.2% change y/y. Monthly inflation increased by 0.4%, moving down 10bps in Apr '21.

Annual inflation by item

70% of the inflationary change is explained across three lines.

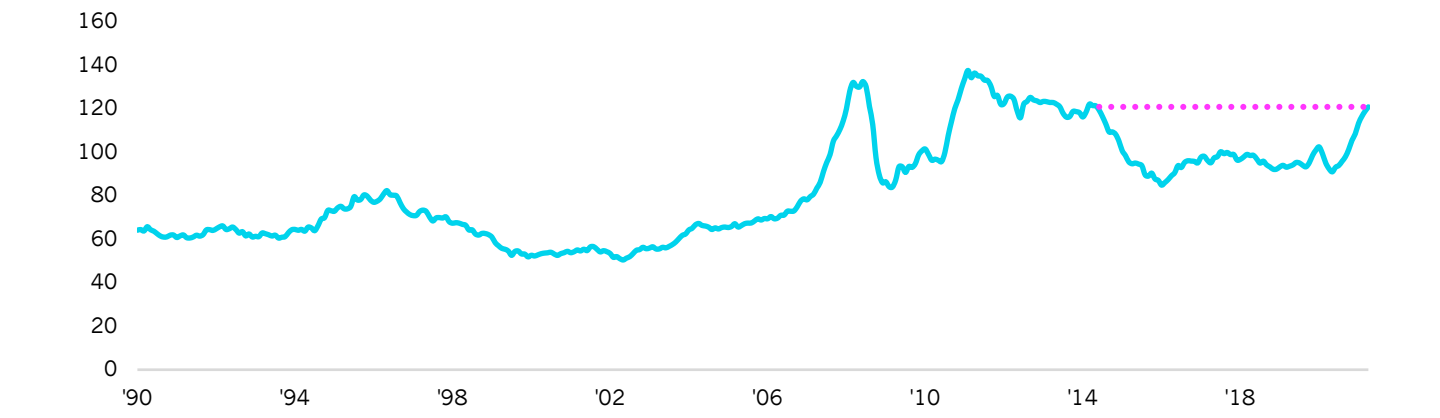


Source: Namibia Statistics Agency

Food and non-alcoholic beverages was one of the primary drivers of the increased inflation accelerating further into the month of April. Prices for Food and non-alcoholic beverages increased 5.9% y/y, compared to 4.2% a year prior and 6.6% in Mar '21. The increase is attributed to meat (+15.8% vs previous 4.2%), oils and fats (7.5% vs previous 6.2%) and fruits (10.6% vs previous 12.1%). Meat prices are expected to continue increasing as livestock restocking reduces supply available for slaughter. Food inflation is however not a unique characteristic to Namibia. The Food and Agriculture Organization (FAO) food price index has seen rapid increases since May last year. The FAO food price index has increased 30.8% y/y and is currently on an seven year high.

FAO Food Price Index

Global food price inflationary pressures starting to build



Source: FAO

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Transport inflation moved up from a year ago (7.5% vs previous -0.1%). Inflation in the operation of personal vehicles line saw growth of 8.1% y/y as both diesel (16%) and petrol price (9%) were up from a year ago. Moreover, purchases of transport vehicles saw large price increases from a year ago with an inflation rate of 11.6% (previous 0.3%). This uptick would have largely been due do to base effects as individuals and business release pent up demand into the auto sales sector. Moving forward this line will motivate higher inflation levels as fuel prices, in the month of May, are currently 27.1% and 18.4% higher for petrol and diesel, respectively, compared to a year ago. Furthermore, as vehicle sales outperform last year's figures inflationary pressures are expected to rise due to the increased demand.

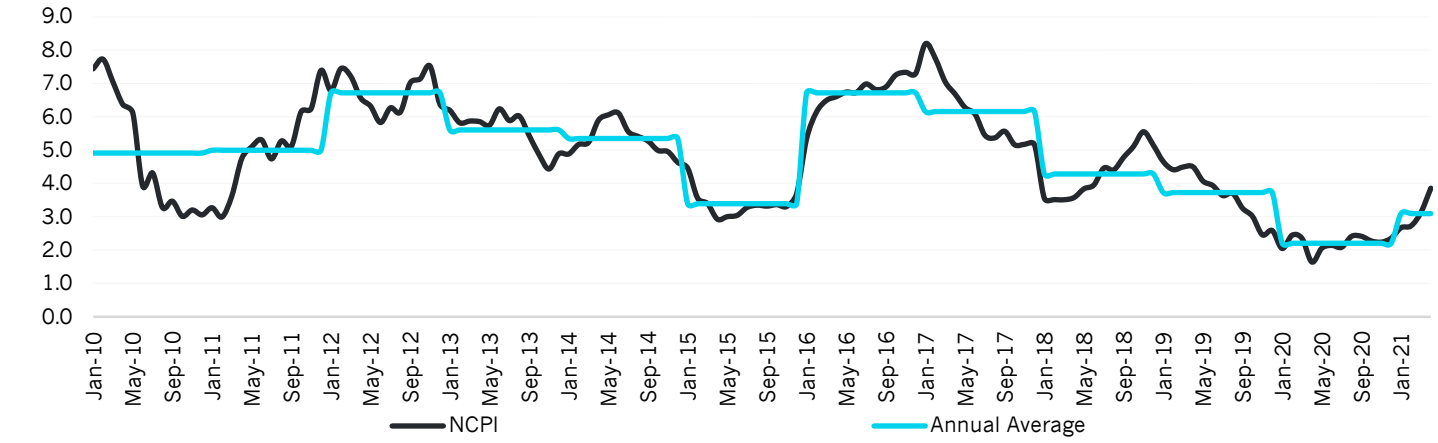
Housing and utilities inflation rose to 1.3% in Apr '21, from -0.2% a year prior and remained flat with 0.0% growth over the month. The low growth was largely due to subdue rental payment inflation which was reported at 1.3%, whereas this line was deflationary throughout '20. As previously mentioned, 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. April reported continued deflation in Clothing and footwear, at a higher rate (-3.7% vs previous -1.7%), which has been deflationary for 16 consecutive months now. This is driven by weak household demand, owing to prioritization of disposable income to necessities. Hotels, cafes and restaurants reported deflation, also at a lower rate, (-0.2% vs previous 1.7%), driven by continued price discounts on accommodation services.

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. Moreover, the continued sustained increases in globally food prices poses as serious threat to inflationary pressure. However, we believe weak demand will see inflation remain relatively low for the year – 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.



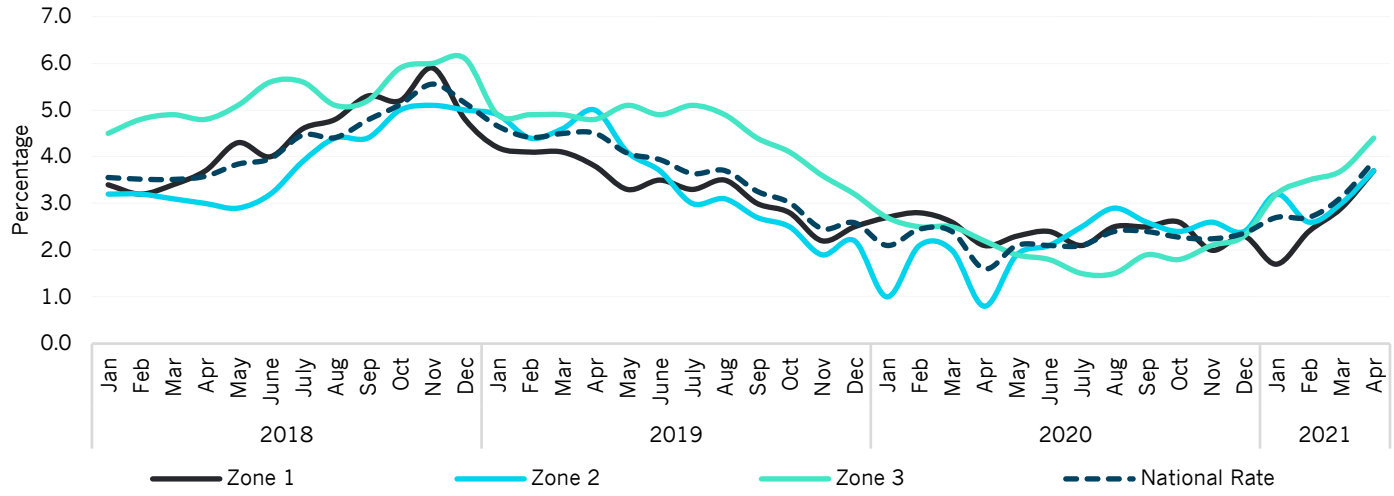
Source: Namibia Statistics Agency

Annual inflation in Zone 1 (the northern areas) increased to 3.7%, compared to 2.1% a year prior. Moreover, the zone inflation increased from Mar 21's 2.9%. The increase is attributed esulted mainly from increases in the price levels of Transport (9.2% vs previous -0.3%); Communications (7.6% vs previous -1.7%); Furnishings, household equipment and routine maintenance of the house (7.8% vs previous 2.7%) and Hotels cafes and restaurants (4.3% vs previous 0.7%).

Annual inflation for Zone 2 (Windhoek) increased 1.0% point y/y to 3.7% in Apr '21, from 0.8% a year prior. Moreover, it ticked up over the month from 3.0% 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, Transport and Health.

Zone 3 (eastern, southern, and western areas) saw annual inflation increase significantly to 4.4% in Apr '21, up from 2.2% a year ago and 3.7% 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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