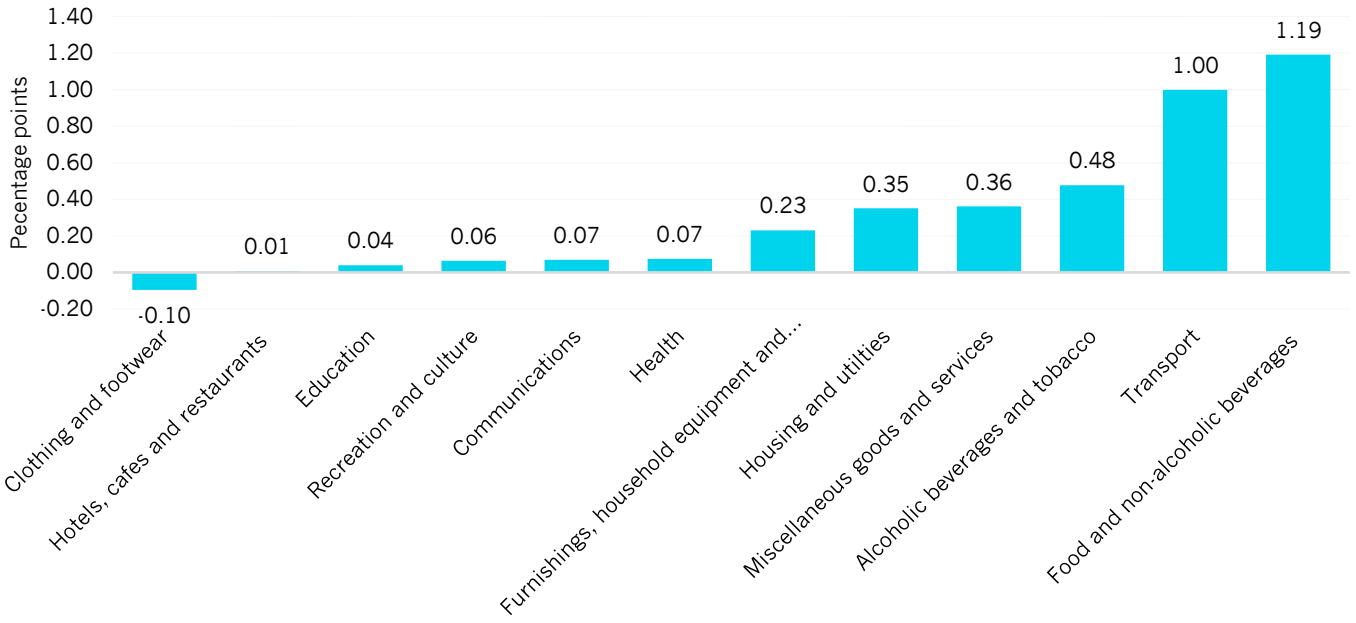
May NCPI

15 Jun '21

Namibia's annual inflation for May '21 printed at 3.8%, up from the 2.1% in May '20 but down slightly from 3.9% for Apr '21. The largest drivers of the increased inflation are Food and non-alcoholic beverages (6.6% compared to 4.7% a year ago), Transport (7.3% compared to -0.1% a year ago), and Housing and utilities (1.3% compared to -0.6% a year ago). Monthly inflation slowed to 0.3%, compared to 0.4% in both May '20 and Apr '21.

Annual inflation contribution (%pts)
Clothing and footwear remained deflationary, whereas Transport and Food drove the increase in overall inflation.



Source: Namibia Statistics Agency

Food and non-alcoholic beverages remain one of the key drivers of higher inflation. This is particularly driven by materially higher meat prices (16.9% vs 6.5% a year ago), oils and fats (13.5% vs 6.4% a year ago), and Breads and cereals (3.7% vs 0.6% a year ago). Collectively, these three lines account for 9.54% of the total NCPI basket. The higher meat prices were driven by chicken and mutton. Price increases for dairy products and fruit have slowed materially compared to a year ago, however these are still rising. Subsequent price increases for some produce grown in South Africa, we expect to see an increase in the fruits and vegetables sub-items going forward.

May's 7.3% inflation for Transport is attributable to inflation of 13.0% for operating personal transport (the impact of higher fuel prices y/y) and purchase of vehicles at 10.0% (compared to 4.8% a year ago). The higher personal transport inflation is expected, given the low base after the global oil price crash a year ago. Fuel pump prices were materially lower in May, June and July last year – setting a low base for inflation in that line this year. The higher inflation for purchase of vehicles can be attributed to supply constraints for new and second-hand vehicles. Second-hand vehicles, in particular, have seen a surge in demand, and with most rental agencies no longer de-fleeting, there has been a decrease in supply – resulting in rising prices.

The Housing and utilities line continues to contribute to higher inflation, given that this line was deflationary for all of last year. Rental payment inflation remains at 1.3% and we expect this to remain so for the rest of '21, *vis-à-vis* the -2.3 for the sub-item last year.

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Education inflation slowed to 0.8%, compared to 7.0% in May ’20. This is due to much lower inflation for pre-primary, primary and secondary education. However, the largest contributor to this is tertiary education (which is also the largest sub-item in this line) which has reported inflation of 0.0% since Feb ’21 as tertiary institutions do not appear to have increased tuition. The only increase in tertiary education prices for this year was recorded in Jan ’21, as registration fees were increased.

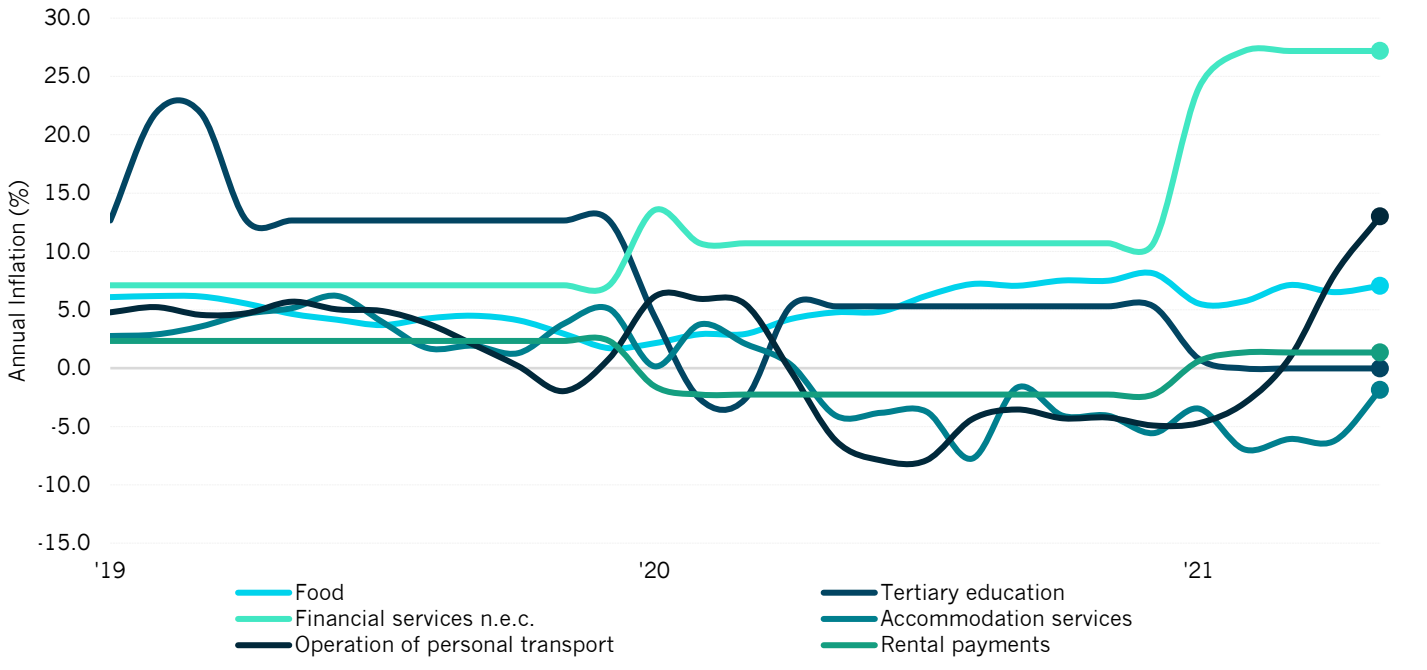
The accommodation services sub-item reported inflation of -1.3%, coming off an already low base after the -4.1% inflation in May ’20. This is indicative of the tourism sector remaining under pressure and offering reduced rates in order to sell beds. However, with a much slower than expected recovery in tourism, it must be questioned how many entities can continue to remain operational at such reduced rates.

Although only 0.94% of the NCPI basket, the financial services n.e.c. sub-item (within Miscellaneous goods and services) reported inflation of 27.2%, the highest on record. No further detail has been provided for this. Although bank charges have increased y/y, they have not risen to this extent.

The Clothing and footwear line reported inflation of -4.4%, the 17th consecutive month of contraction. This is indicative of clothing retailers remaining under significant pressure and competing for what household income is available. The largest declines were seen in adult footwear (-15.4%) and men’s clothing (-4.7%).

Annual inflation – selected sub-items

The largest contributors to inflation have increased y/y.



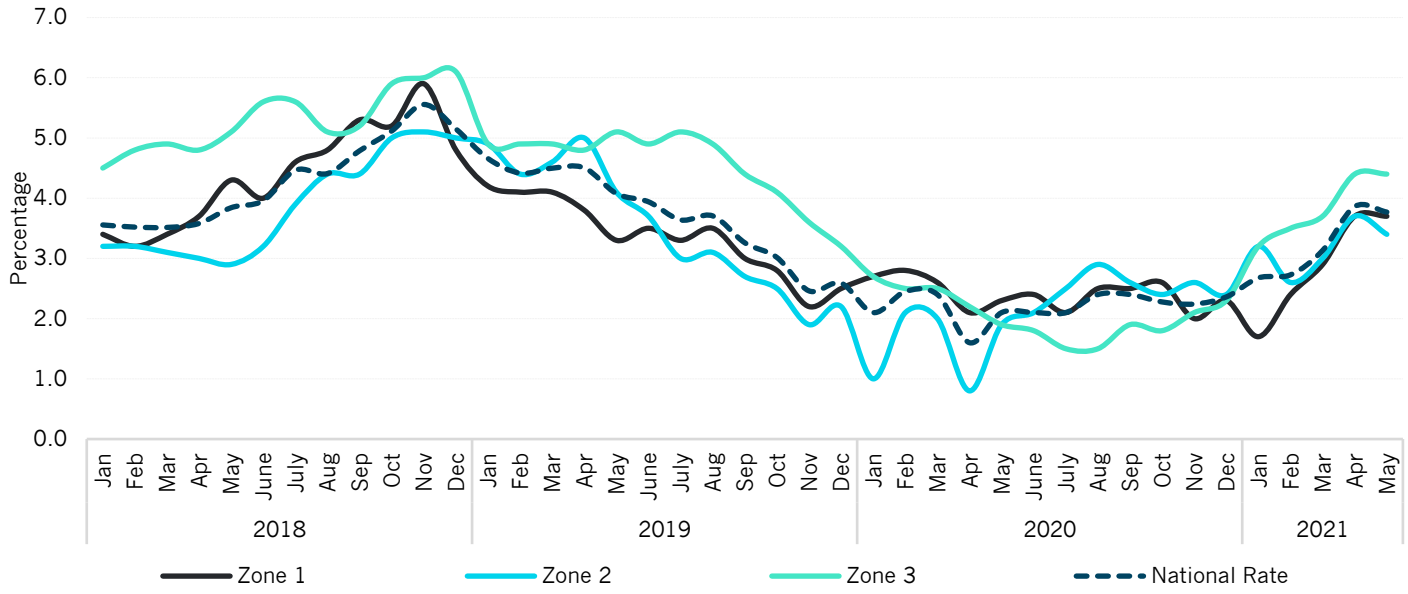
Source: Namibia Statistics Agency

Annual inflation in Zone 1 (the northern areas) stood at 3.7%, compared to 2.3% in May ’20 and unchanged from 3.7% in Apr ’21. The higher inflation y/y is attributed to higher prices in several lines, notably Transport (9.4% vs 0.4% a year prior), Food and non-alcoholic beverages (6.5% vs 4.9% a year prior), and Hotels, cafés and restaurants.

Annual inflation for Zone 2 (Windhoek) increased to 3.4% in May ’21 from 1.9% a year prior. However, it is slower than the 3.7% reported for Apr ’21. The y/y increase is due to higher inflation in Food and non-alcoholic beverages, Alcoholic beverages and tobacco, Transport, and Housing and utilities.

Zone 3 (eastern, southern, and western areas) saw annual inflation increase significantly to 4.4% in May ‘21, up from 1.9% a year ago and 4.4% in Apr ‘21. The y/y increase was attributed to price increases in the Miscellaneous goods and services, Alcoholic beverages and tobacco, Transport, and Food and non -alcoholic beverages.

Zonal inflation (y/y)



Source: Namibia Statistics Agency

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