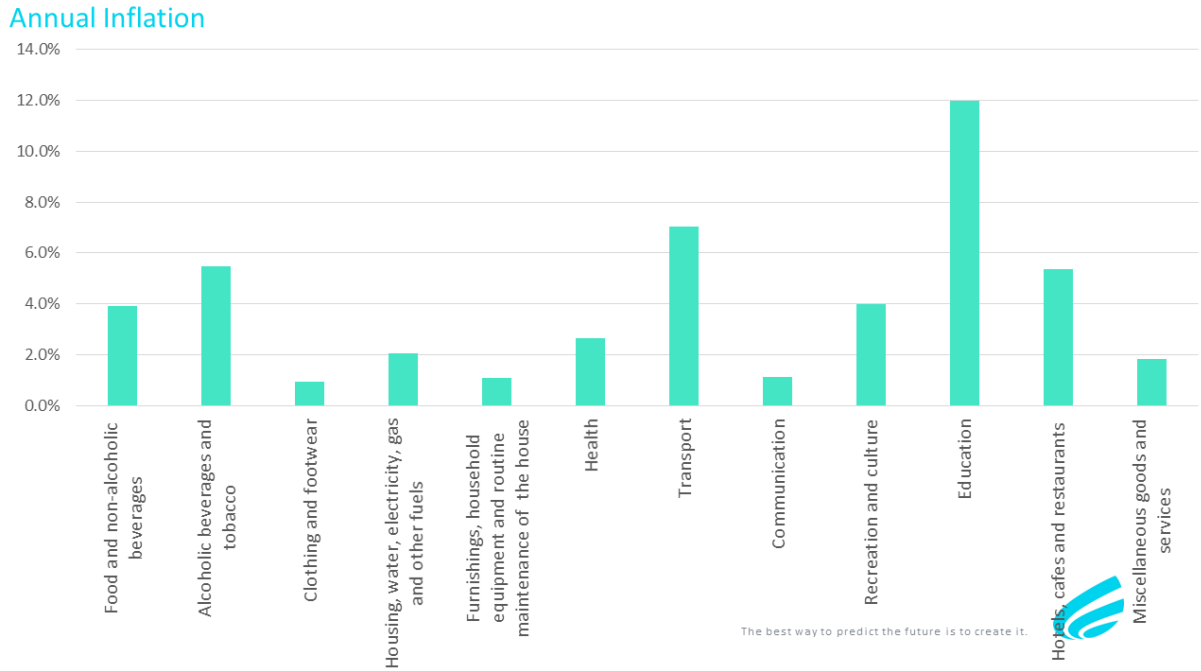
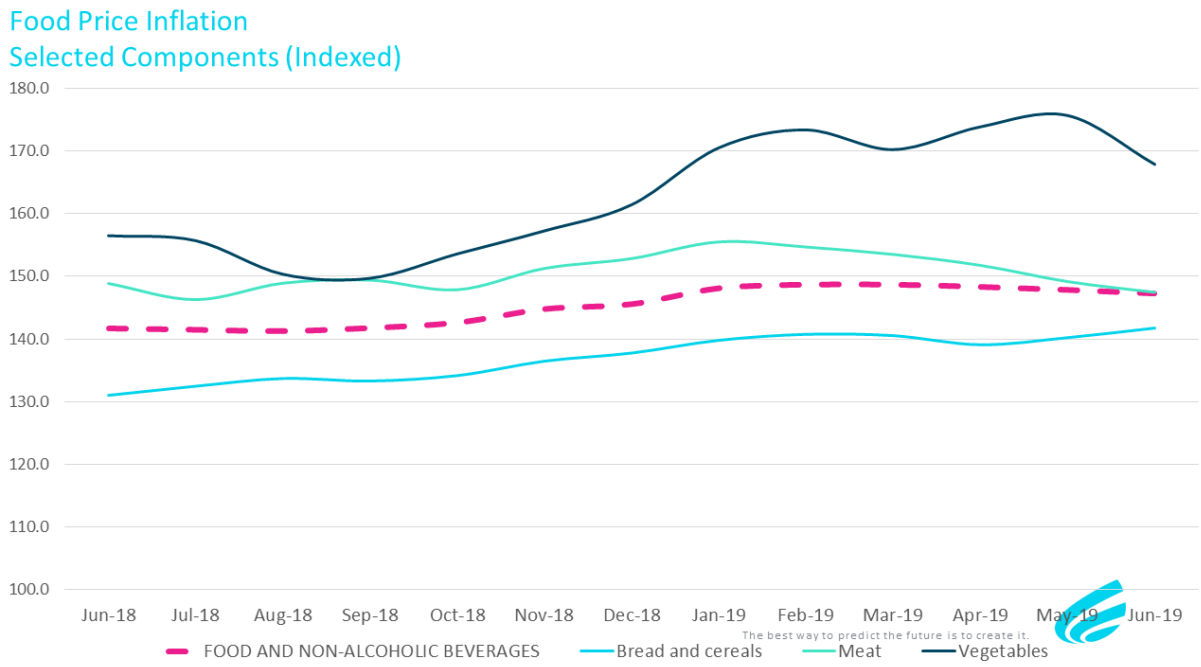
CIRRUS

NCPI Note – June 2019

The annual inflation print for June 2019 recorded a relatively low 3.9%, the slowest rate of price increase for 2019 and the slowest since May 2018. The monthly inflation rate picked up slightly to 0.1% after the -0.1% in May. Average annual inflation for the first half of 2019 comes in at 4.3%, affirming our prediction of a relatively low inflation year in 2019.

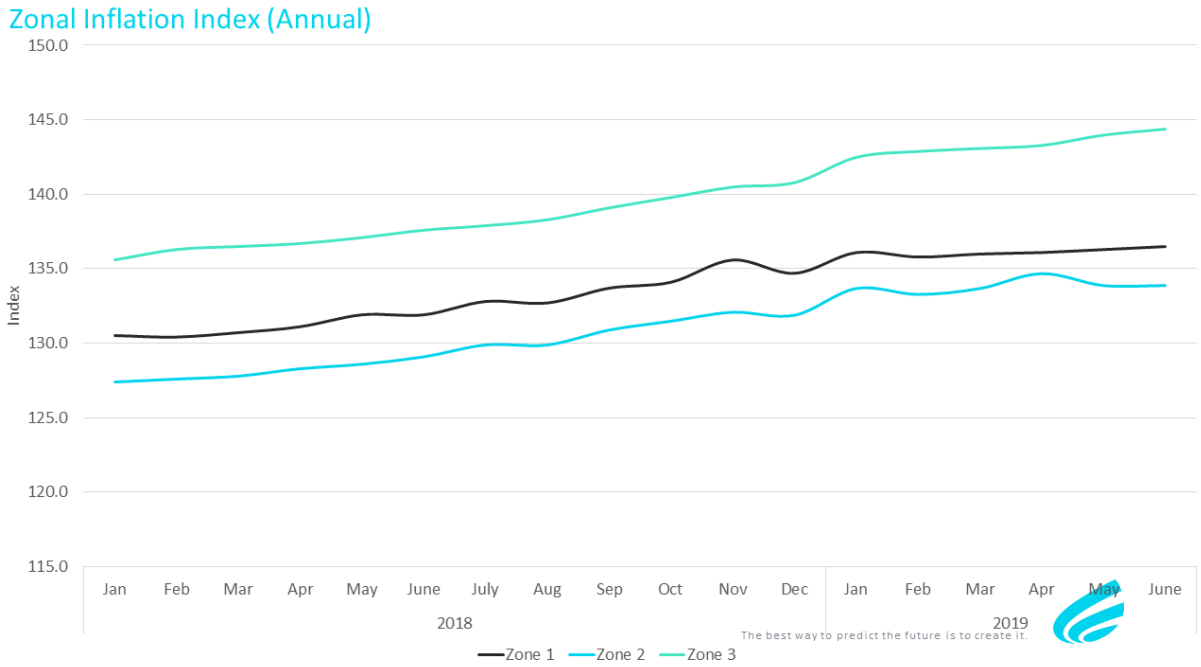


Prices for Food and non-alcoholic beverages increased by 3.9% compared to 3.8% a year prior, driven once again by sharper increases in breads and cereals, vegetables, and sugars and confectionaries. The increase in these line items can be attributed to poorer rainfall impacting harvest yields, particularly in Namibia, leading to increased imports. However, meat prices contracted for the second consecutive month (by 0.9%). This is due to more farmers looking to slaughter animals, leading to significantly higher supply and thereby lowering prices. Farmers are willing to accept these lower prices in order to decrease their herd sizes, or realise some value from livestock (through slaughter) as opposed losing them to the drought. With Namibia having entered the dry season, farmers are no longer pinning their hopes on some late rains and are therefore more willing to reduce herd sizes. It must be cautioned, however, that this is not sustainable as at some point farmers will either no longer have stock they are willing to sell for (local) slaughter, or will not accept untenably low prices. Concerns remain for the future of the national herd, given the high volumes of live exports over recent years, particularly of the younger animals, and now increased slaughters. Price levels for Alcoholic beverages and tobacco increased by 5.5% compared to 5.1% a year ago, driven by a sharp rise in the alcoholic beverages line item.



The increases in these main items, as well as several others, were offset by slower increases in Housing and utilities (2.0% compared to last year's 3.2%, owing to the anchor of low rental escalations), while Transport prices increased marginally slower at 7.0% compared to 7.2% a year earlier. Price levels in the Health group increased by 2.6%, less than half of the 5.4% in June 2018. As we have mentioned before, 2019 is expected to remain a low inflation year in Namibia despite upticks in some lines, such as food price inflation.

Turning to zonal inflation, Zone 1 (the northern regions) saw annual inflation of 3.5% in June 2019. This is slower than the 4.0% recorded a year prior, however a slight uptick from the 3.3% recorded in May this year. The slower annual rate is attributed to deflation in Hotels and restaurants, and slower growth in Housing and utilities, as well as Furnishings and maintenance.



Zone 2 (the Windhoek area) reported annual inflation of 3.7% compared to 3.2% a year ago. This increase is attributed to increases in Housing and utilities, Education, and Hotels and restaurants. This rate is, however, the lowest annual inflation rate recorded in Zone 2 thus far in 2019, and the lowest since June last year.

Annual inflation for Zone 3 (the eastern, western, and southern regions) slowed to 4.9% from 5.6% in June 2018 and 5.1% in May 2019. This is the result of slower price growth in Housing and utilities, Hotels and restaurants, and Health. Despite the slowdown in annual inflation, price levels continue to increase at the fastest rate in Zone 3.