Summary

Headline Inflation for June 2014 remained unchanged at 6.1 percent on an annual basis, however increased by 0.3 percent on a monthly basis. On a monthly basis, inflation was driven by increases in the prices of good in the category of alcoholic beverages and tobacco as well as furnishings, household equipment and routine maintenance of the house, both of which expanded by 0.8 percent when compared to the preceding month. On an annual basis however, inflation remains driven by price increases in the categories of transport and food and non-alcoholic beverages, which have expanded by 10.7 and 10.1 percent, respectively. As such, the all items index now stands at 108.9 points, up from 102.7 points in June 2013.

Dr. John Steytler
Overall Inflation

Overall inflation remained unchanged in June, at 6.1 percent on an annual basis, confirming the continuation of the general upward trend in inflations seen since November 2013. The year leading up to November 2013 saw a decline in inflation from 7.5 percent to 4.4 percent, however once this inflection point was reached the trend turned and strong increases in inflation has been seen subsequently. This change in trend is largely on account of increases in global commodity prices, particularly fuel and to a lesser extent food, exacerbated by a weakening of the Namibia Dollar against major currencies. Moreover, following unprecedented monetary and fiscal stimulus in Namibia over recent years, increases in national disposable income appear to be contributing to demand side inflation, which can be seen coming through in a number of administered prices, including electricity and public transport costs.

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**Chart 1: Namibia Consumer Price Index; June 2014 (Dec 2012 = 100)**
Over the past year, inflation has been driven predominantly by two categories of the overall inflation basket, namely, transport and food and non-alcoholic beverages, while only one category has seen prices fall, namely communications.

**Main Drivers of Inflation**

Over the past year, the main drivers of inflation were, both on account of the scale of price increases seen in the categories, as well as the relatively large weighting of these categories in the overall inflation basket, transport (10.7 percent), food and non-alcoholic beverages (10.1 percent), alcoholic beverages and tobacco (6.1 percent), and housing, water, electricity, gas and other fuels (4.7 percent). Additional relatively smaller contributions to inflation were seen from the minor groups (by basket weighting), such as education (8.1 percent), recreation and culture (6.4 percent), and hotels, cafes and restaurants (5.9 percent). Only one category saw a decline in prices (i.e. negative inflation/deflation) in the past year, namely communications which saw price declines of 0.4 percent.

**Chart 2: NCPI; June 2014 percent changes by main groups (Dec 2012 = 100)**
BOX 1: NCPI BASKET WEIGHTING

Inflation is calculated based on a basket of goods and services, containing a representative sample of the goods and or services commonly consumed in a country, and weighted in accordance to the relative percentage of expenditure allotted to each of the said goods at household level. The price of these goods and services are then tracked over time, to illustrate the change in the cost of living over time. As spending patterns change, new products and services are added to the basket, and the basket reweighted so as to better capture the current spending patterns of the consumer at the current point in time. As such, the inflation basket is generally reconstituted every five years. In Namibia, the basket was last rebased in 2013, using household expenditure data collected in the 2009/10 Household Income and Expenditure Survey. As such, the basket now contains over 350 items, grouped into 12 categories and 55 sub-categories, for which prices are collected on a monthly basis from more than 900 retail outlets.

Namibian inflation, however, is largely determined by three categories of the overall NCPI basket, namely housing, water, electricity, gas and other fuels, food and non-alcoholic beverages and transport, which cumulatively make up just under 60 percent of the total inflation basket. Additionally, following the rebasing of the NCPI basket in 2013, alcoholic beverages and tobacco make up an additional 12.6 percent of the basket, meaning that the four largest categories represent well over 70 percent of the total basket. As such, large increases in inflation in these categories has a greater impact on overall inflation than do increases in the lower weighted categories. Thus, it is rare to see major increases in overall inflation attributed to the lower weighted categories, despite the fact that these categories may have seen relatively high inflation in their own right.

<table>
<thead>
<tr>
<th>Category</th>
<th>Weighting (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Housing, Water, Electricity, Gas and Other Fuels</td>
<td>28.36</td>
</tr>
<tr>
<td>Food and Non-Alcoholic Beverages</td>
<td>16.45</td>
</tr>
<tr>
<td>Transport</td>
<td>14.28</td>
</tr>
<tr>
<td>Alcoholic Beverages and Tobacco</td>
<td>12.59</td>
</tr>
<tr>
<td>Furnishings, Household Equipment...</td>
<td>5.47</td>
</tr>
<tr>
<td>Miscellaneous Goods and Services</td>
<td>5.39</td>
</tr>
<tr>
<td>Communications</td>
<td>3.81</td>
</tr>
<tr>
<td>Education</td>
<td>3.65</td>
</tr>
<tr>
<td>Recreation and Culture</td>
<td>3.55</td>
</tr>
<tr>
<td>Clothing and Footwear</td>
<td>3.05</td>
</tr>
<tr>
<td>Health</td>
<td>2.01</td>
</tr>
<tr>
<td>Hotels, Cafes and Restaurants</td>
<td>1.39</td>
</tr>
</tbody>
</table>
Key Components

Food and non alcoholic beverages

The food and non-alcoholic beverages category of inflation is a key driver of inflation in Namibia due to the fact that it tends to be fairly volatile, usually above average inflation, and represents a large weight in the overall basket. As of June, the category’s annual inflation stands at 10.1 percent, following a 0.5 percent increase month on month. This strong increase in food prices largely reflects the increase in global food prices in Namibia Dollar terms, and has been driven, primarily, by increases in the sub-groups of bread and cereals, meat, milk, cheese and eggs and vegetables, which have increased by 12.3, 12.6, 14.5 and 15.0 percent, respectively, over the past year.

In June, the main categories driving overall food inflation were much the same as those driving the year on year increases, namely bread and cereals (0.7 percent), milk, cheese and eggs (1.3 percent), oils and fats (0.9 percent) and vegetables including potatoes and other tubers (1.0 percent).

Chart 3: NCPI; Selected food and non-alcoholic beverage sub-category annual inflation (Dec 2012 = 100)
Transport:

An additional driver of overall inflation is the category of transport, which represents 14.3 percent of the overall basket, and as of June 2014, has experienced a 10.7 percent increase in prices when compared to the same period of 2013. This increase has been largely driven by increases in the cost of operating personal vehicles – largely fuel costs –, as well as a 10 percent increase in taxi fares in the country in April 2014. Due to the relatively large weighting in the overall basket as well as the relatively large increases in prices seen in this category of goods and services, transport is an inflation leader in the country.

Chart 4: NCPI; Transport annual inflation (Dec 2012 = 100)

A major determinant of Namibian inflation is the Namibia Dollar to US Dollar exchange rate, as can be seen from the chart above. When the Namibia Dollar weakened against the US Dollar (the yellow line increases in value), inflation too tends to increase, and when such weakness is dramatic, such as was seen in late 2008, the inflationary impact can be notable. The reason for this relationship is that Namibia imports a large number of goods which are priced in US Dollars, such as fuel and food.
While services inflation has generally remained fairly low through most of 2014, it appears to be experiencing a strengthening upward trend. On the other hand, goods inflation has been strong, and remains so in June.

### GOODS AND SERVICES INFLATION

For the month of June 2014 the Index for Goods and Services stood at 111.4 and 105.7 respectively as compared to the corresponding indices of 103.3 and 101.9 recorded during the same period last year.

**Chart 5: NCPI; All Items, Goods and Services (Dec 2012 = 100)**

In June 2014, the monthly and annual inflation rates for Goods were estimated at 0.5 and 8.0 percent while that for Services stood at 0.0 and 3.7 percent, accordingly indicating that prices of Goods continue accelerating faster than those of Services. Corresponding rates recorded during the same period the preceding year stood at 0.4 and 7.2 percent and 0.1 and 4.8 percent respectively.
MISSION STATEMENT

“In a coordinated manner we produce and disseminate relevant, quality and timely statistics that are fit-for-purpose in accordance with international standards and best practice”

VISION STATEMENT

“Be a high performance institution in statistics delivery”

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Performance
Integrity
Service focus
Transparency
Accuracy
Partnership