

PPI

Quarter 4 2023



1. Overview

In the fourth quarter of 2023, the Producer Price Index (PPI) experienced a deceleration, with growth slowing to 2.1%. This represents a significant decrease from the 3.8% growth recorded in the third quarter of 2023, as shown in Figure 1. This quarter marks the second consecutive period of deceleration in producer prices, following a peak growth rate of 4.9% in the second quarter of 2023. The primary drivers of the PPI during the fourth quarter of 2023 were the sectors of Electricity, Gas, Steam, and Air Conditioning Supply. These sectors witnessed a substantial price increase of 9.2% on an annual basis, a stark contrast from the -0.8% recorded during the previous year. The fourth quarter of 2023 saw a continued slowdown in producer prices, with the Electricity, Gas, Steam, and Air Conditioning Supply sectors playing a key role in driving the PPI.

2. Analysis

Manufacturing Sector: The Manufacturing sector, which constitutes 52.6% of the Namibian Producer Price Index (PPI) basket, saw a decrease in prices by 1.8% from the 4.6% recorded in the 4th quarter of 2022. This decline is primarily due to the 'Manufacture of soft drinks, production of mineral waters and other bottled waters' sub-sector, which saw a decrease from 12.7% in the 4th quarter of 2022 to 6.5% in the 4th quarter of 2023. **Mining and Quarrying Sector:** The Mining and Quarrying sector, which makes up 34% of the PPI basket, experienced a slowdown to 0.8% compared to 11.5% in the same quarter of 2022.

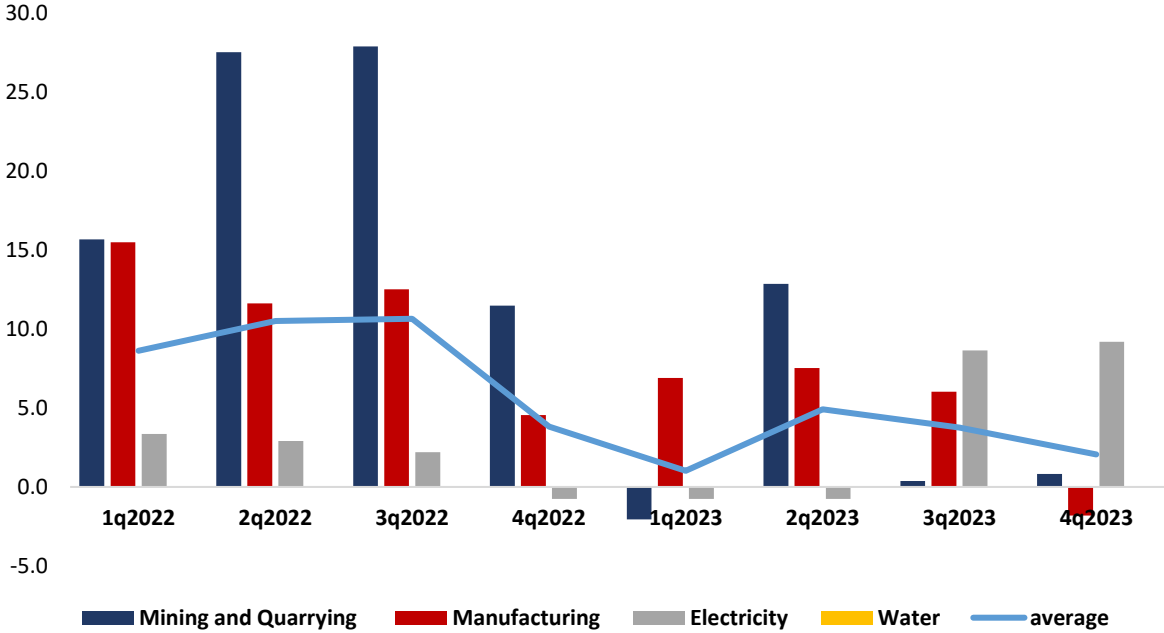
This was largely due to the prices of uranium and thorium ores, which increased by 13.5%, and other non-ferrous metal ores, which saw an annual change of 14.2%. This indicates that despite the overall slowdown in the sector, certain commodities still experienced price increases.

Electricity, Gas, Steam and Air Conditioning Supply Sector: This sector, which weighs 9.3% of the PPI basket, saw an increase by 9.2% in the quarter under review compared to a decline of 0.8% recorded in the same quarter of 2022. This increase was solely attributed to the low production cost of electric power generation, transmission, and distribution. This suggests that improvements in efficiency or reductions in the cost of inputs led to lower production costs, which in turn led to higher prices in this sector.

Water Supply, Sewerage, Waste Management and Remediation Activities Sector: This sector, which constitutes 4.1% of the PPI basket, witnessed no changes in prices during the quarter under review. This stability in prices could be due to a balance between supply and demand or stable costs of production in this sector.



Figure 4: Credit Extended to the Corporate Sector by Category in Percentage



Source: Namibia Statistics Agency (NSA), HEI Research

3. Outlook

Looking ahead, we expect the trend of weakening prices at the factory gates to persist. This is based on the current economic conditions and the performance of key sectors in the Namibian economy, such as manufacturing, mining and quarrying, and electricity, gas, steam, and air conditioning supply.

However, it's important to note that this outlook is subject to a range of uncertainties and external factors. One significant factor is the fluctuation in oil prices. As a key input for many industries, changes in oil prices can have a substantial impact on production costs and, consequently, the prices of goods and services. An increase in oil prices could lead to higher production costs and potentially reverse the trend of weakening prices.

Another external factor to consider is the global demand for commodities. Namibia's economy is heavily reliant on the export of commodities, and changes in global demand can significantly impact the prices of these commodities. A surge in demand could lead to higher prices, while a decrease could exacerbate the trend of weakening prices.

While we anticipate the trend of weakening prices to continue, we must remain vigilant and adaptable in the face of potential fluctuations in the PPI due to uncertainties and external factors.

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