

INFLATION REPORT, MAY 2024

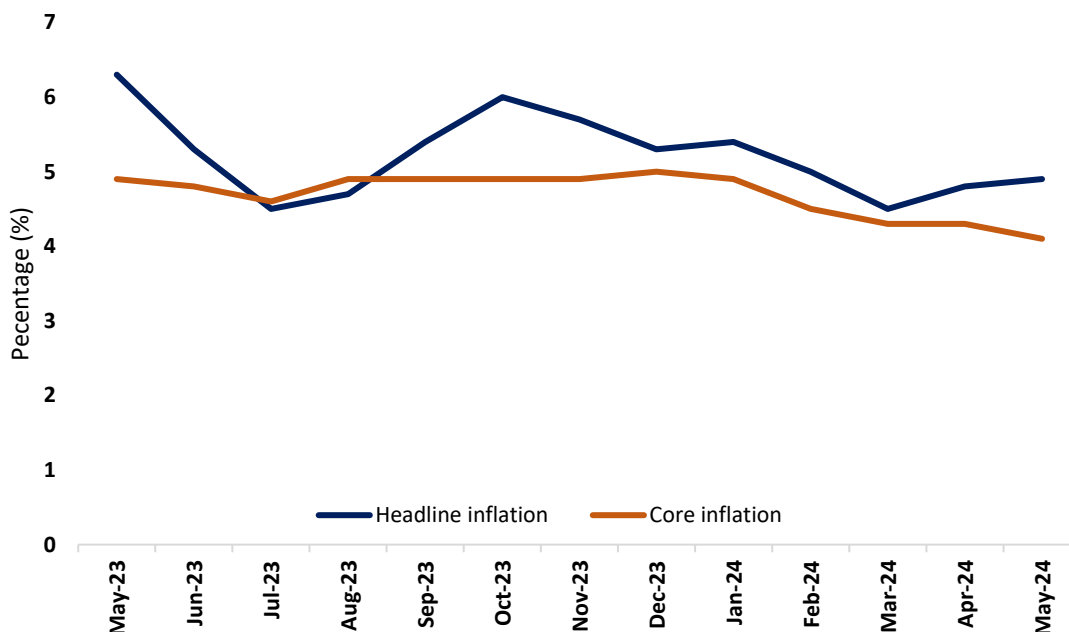
1. Executive Summary

During May 2024, the annual headline inflation rate declined to 4.9%, down from 6.3% recorded in the same period last year, translating to a decrease of 1.4%. Core inflation stood at 4.1% in May 2024, declining from 4.9% recorded during the same period last year. See Figure 1. The decline in the annual inflation rate was mainly influenced by the reduction in prices of food and non-alcoholic beverages, miscellaneous goods and services, and recreation and culture categories. On a monthly basis, the inflation rate increased by 0.3% compared to 0.7% in April 2024. Figure 4.

The main contributor to the annual inflation rate for May 2024 was the Transport category, contributing 1.2%. Food and non-alcoholic beverages, alcoholic beverages and tobacco, and Housing, water, electricity, gas, and other fuels each contributed 0.9%. The lowest contributors to the annual inflation were the communication and clothing and footwear categories, with only 0.00408% and 0.0439%, respectively. Figure 2

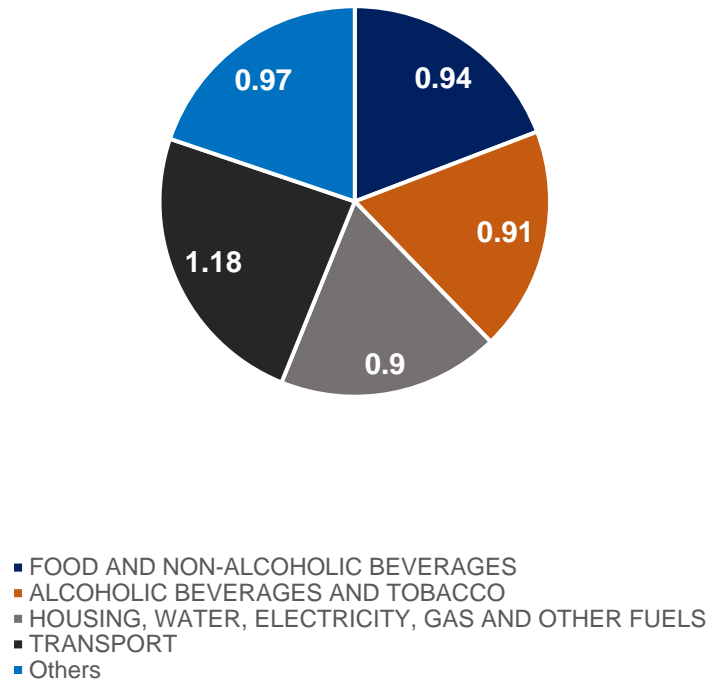
During the month under review, the highest annual inflation rate was recorded in Zone 2 (Khomas region) at 5.2%. Zone 1, including regions such as Kavango East, Kavango West, Kunene, Ohangwena, Omusati, Oshana, Oshikoto, Otjozondjupa, and Zambezi, had a slightly lower inflation rate of 5.1%. The lowest annual inflation rate was observed in Zone 3, encompassing //Kharas, Erongo, Hardap, and Omaheke regions, at 4.0%.

Figure 1: Annual Inflation Rate, Namibia (May 2023 – May 2024)



Source: NSA, HEI Research

Figure 2: Namibian annual inflation rate contributors by percentage: May 2024



Source: NSA, HEI Research

2. Analysis

Housing, water, electricity, gas, and other fuels

The Housing, water, electricity, gas, and other fuels component accounts for 28.4% of the consumer basket. The annual inflation rate for this category increased to 3.7% during May 2024 compared to 2.7% recorded in May 2023. This was influenced by an increase in the prices of the subgroups such as electricity, gas, and fuels, from 5.9% to 9.0%, Water supply, sewerage service, and refuse collection, from 2.5% to 3.4%, and Rental payments for dwelling from 2.1% to 2.6% respectively.

Food and Non-alcoholic Beverages

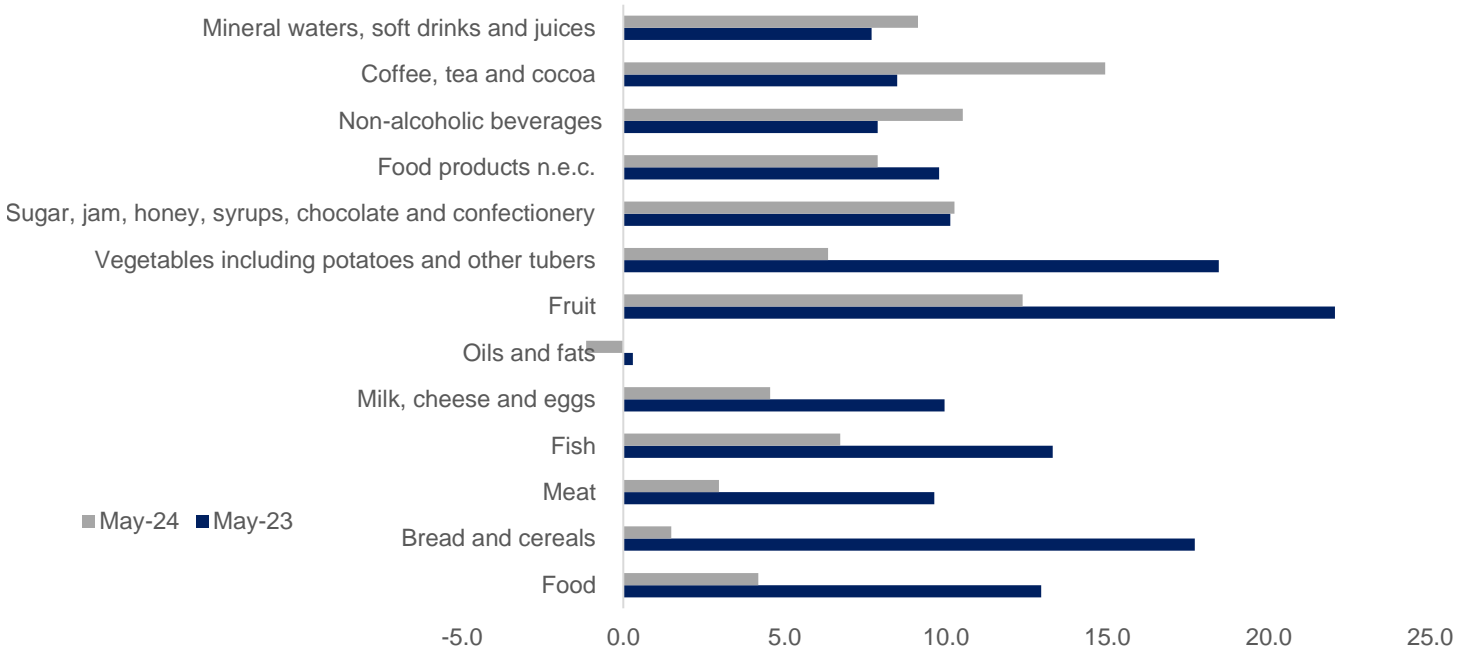
Food and non-alcoholic beverages, accounting for 16.5% of the Namibia Consumer Price Index basket, registered an annual inflation rate of 4.7% in May 2024, down from 12.5% in May 2023. This was mainly influenced by the decline in prices of bread cereals and vegetables, including potatoes and other tubers. On average, prices for bread and cereals increased by 1.5% in May 2024, compared to 17.7% in May 2023. Key products driving the downward momentum included Maize meal/grain: 28.5% to -3.7%, Bread cake flour: 21.3% to -3.2%, Macaroni spaghetti and noodles: 18.8% to -3.8%, and Mealie rice/malt: 19.4% to 1.9%.

Vegetables, including potatoes and other tubers prices, increased by 6.3% in May 2024, compared to 18.5% in May 2023. This slower increase was influenced by the following price changes, Onion: 35.7% to -12.3%, Cucumber from 41.1% to 2.0%, Cabbage from 43.3% to 12.6%, Green pepper/paprika from 44.9% to 14.2%, Lettuce from 28.9% to 2.2% and sweet potatoes from 11.9% to -13.5%

The fruits subcomponent recorded an annual inflation rate of 12.4% in May 2024, down from 22.1% in May 2023, with notable declines in prices of avocados from 49.1% to 10.8%, watermelons from 27.3% to 6.4%, and citrus fruits

from 31.3% to 14.2%. Additionally, meat prices declined by 3.0% in May 2024, compared to 9.6% in May 2023, influenced by lower prices of, Pork: 22.0% to 1.4%, Biltong from 6.1% to -7.6%) Ham from 18.5% to 5.3%, and Canned meat, from 10.7% to -1.0%). Figure 3.

Figure 3: Annual inflation rates (%) for the main subcategories of Food and non-alcoholic beverages (May 2023 and May 2024)



Source: NSA, HEI Research

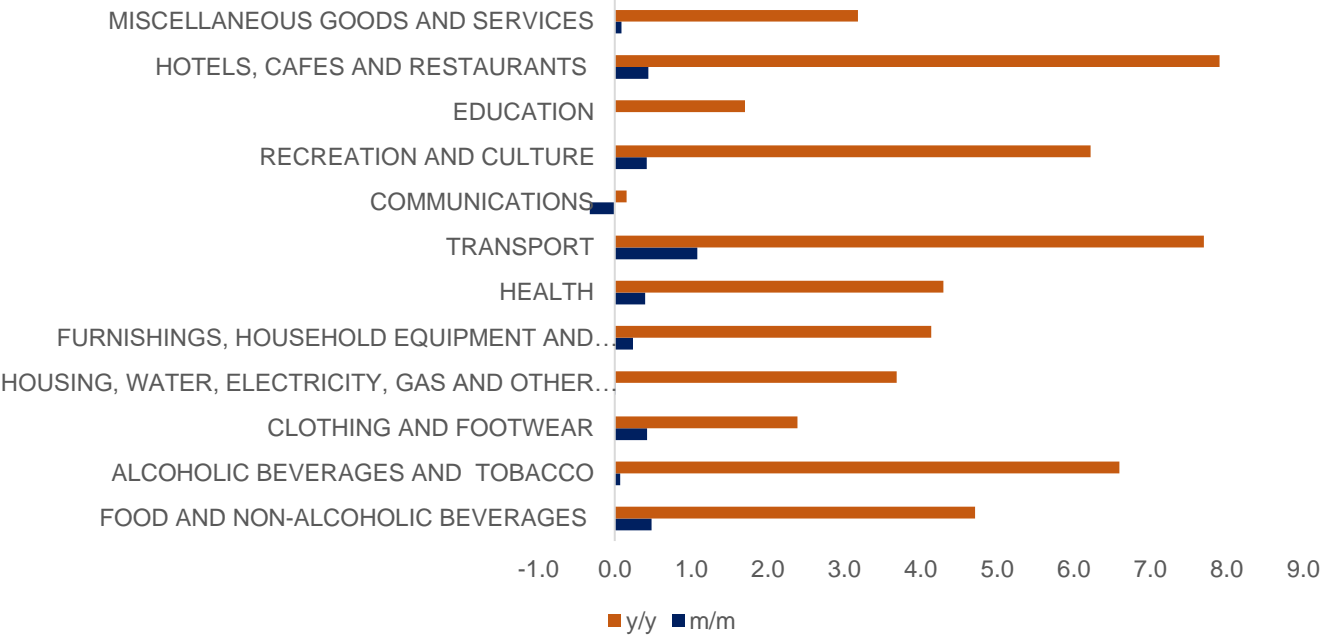
Transport

The transport category, accounting for 14.3% of the consumer basket, registered an annual inflation rate of 7.7% in May 2024, up from 4.5% in May 2023. This increase was influenced by rising prices of fuel (from 4.8% to 13.7%), license and registration fees (from -2.0% to 2.6%), and spare parts and accessories (from 4.3% to 8.6%).

Alcoholic beverages and tobacco

The Alcoholic beverages sub-division recorded a decline of 6.5% during the month under review from 8.4% recorded in May 2023. The decline resulted from low prices of White spirits from 25.7% to 4.3% and sparkling wines/Champagne from 11% to 0.22%. The sub-category of tobacco recorded an increase of 6.8% during the period under review from 3.5% recorded in May of 2023. This increase was mainly reflected in the price levels of Pipe tobacco which increased from 3.4% to 12.4%. figure 4.

Figure 4: Sub-Categorical analysis (%) change Year on Year (May 2023 – May 2024)



Source: NSA, HEI Research

3. Outlook

We anticipate that the trend of weakening inflation will continue in the short to medium term. However, uncertainties and external factors such as fluctuations in oil prices and the global demand for commodities could contribute to fluctuations in inflation rates for Namibia throughout the year, necessitating close monitoring and adaptability in response to changing economic conditions.

Team

Monika Kristof

Senior Economist

monika@hei.com.na

Lenin Amukeshe

Research Analyst Intern

Intern1@hei.com.na

HEI Office

info@hei.com.na



15 Harold Pupkewitz Street | Eros | Windhoek

P.O Box 24867 | Windhoek

+264 61 307 728

info@hei.com.na

www.hei.com.na

