

NCPI June 2024

1. Executive summary

In June 2024, the annual headline inflation rate eased to 4.6%, down from 5.3% recorded in June 2023 (See Figure 1). This moderation in inflation was primarily driven by a decrease in the prices of food and non-alcoholic beverages, miscellaneous goods and services, and recreation and culture categories. On a monthly basis, the headline inflation rate increased by 0.3% in June 2024, which is a slower rate of increase compared to the 0.7% observed in May 2024.

Additionally, core inflation, which excludes the volatile categories of food and energy prices, eased to 3.8% in June 2024, lower than the 4.1% observed in May 2024. This trend indicates a deceleration in the underlying inflationary pressures within the economy. The combination of these factors suggests a moderation in the overall inflationary environment, reflecting the impact of reduced-price pressures in essential goods and services. (See Figure 1)

2. Analysis

Food and Non-alcoholic beverages

Food and non-alcoholic beverages, which account for 16.5% of the NCPI basket, registered an annual inflation rate of 4.3% in June 2024, compared to 11.7% in June 2023 (See Figure 2). On a monthly basis, the price levels for the food and non-alcoholic beverages category declined by 0.4% in June 2024, contrasting with an increase of 0.5% observed in May 2024.

The main reason for the moderation was the slower increase in prices for 'bread and cereals,' which rose by only 0.3% in June 2024, compared to a significant 17.3% increase in June 2023. Product subcategories that drove much of the downward momentum included:

Maize, meal/grain: Prices fell from an annual increase of 23.4% in June 2023 to a decrease of 3.3% in June 2024, Macaroni, spaghetti, and noodles: Prices declined from 18.8% in June 2023 to a decrease of 6.1% in June 2024, Bread, cake flour: Prices dropped from 19.3% in June 2023 to a decrease of 4.1% in June 2024. Mealie rice/malt: Prices decreased from 18.4% in June 2023 to a modest increase of 1.5% in June 2024. These significant reductions in the prices of staple food items contributed to the overall decline in the inflation rate for the food and non-alcoholic beverages category, easing the inflationary pressures on consumers.

Housing, water, electricity, gas, and other fuels

The Housing, water, electricity, gas, and other fuels, which is the largest component of the consumer basket. The annual inflation rate for this category stood at 3.6% during June 2024, a rise in price level compared to 2.8% observed in June 2023. This was mainly attributed to all the subcomponents, 'Electricity, gas and fuels' (from 6.4% to 8.1%); 'Water supply, sewerage service and refuse collection' (from 2.5% to 3.4%) and 'Rental payments for dwelling' (from 2.1% to 2.6%).

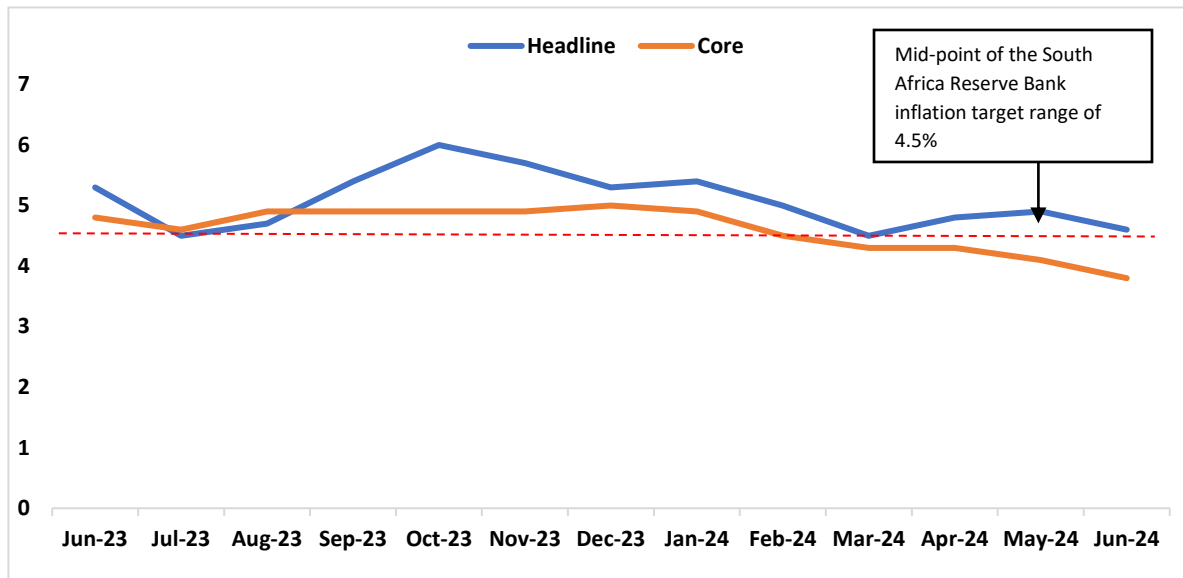
On a monthly basis, the inflation rate remained steady at 0.0%, unchanged when compared to rate observed during the previous month.

Alcoholic beverages and tobacco

The annual inflation rate for Alcoholic beverages and tobacco category, which accounts for 12.6% of the consumer basket, was observed at 5.3% during the period under review compared to 6.2% registered a year ago. Month-on-month, inflation rate for this category witnessed a deflation of 1.0% compared to an increase of 0.1% recorded a month earlier.

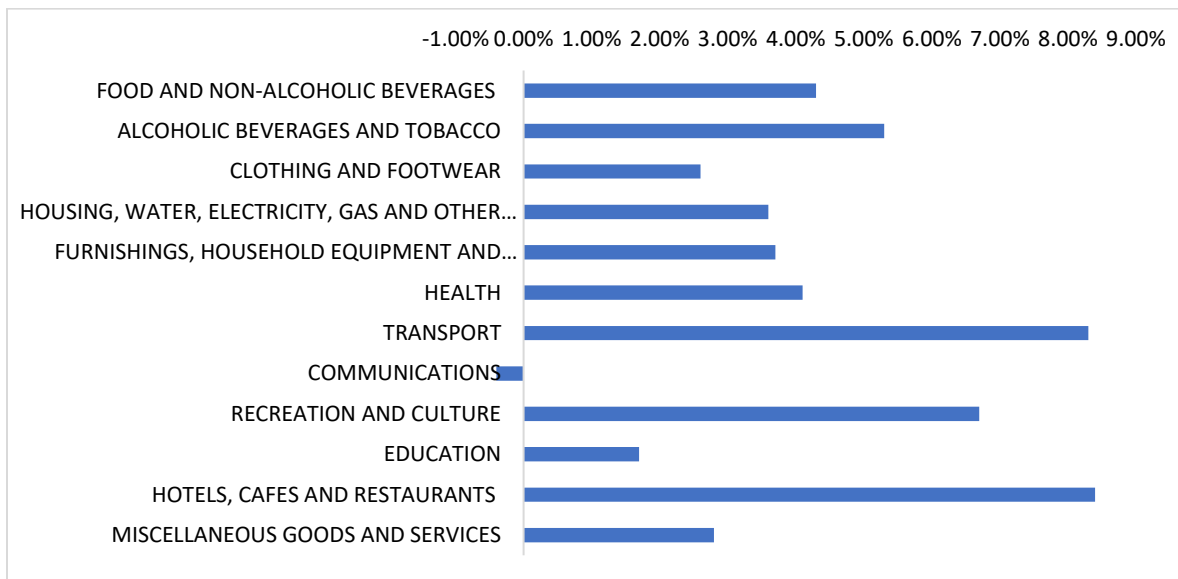
Annual inflation rate for Alcoholic beverages eased to 5.1% during June 2024, compared to 6.8% observed in June 2023. The slowdown emanated mainly from slow increases witnessed in the price levels of 'White Spirits' (from 26.0% to 0.7%); and 'Sparkling wines/Champagnes' (from 9.1% to 2.4%). Annual inflation rate for Tobacco registered an annual inflation rate of 6.0% during the period under review compared to 3.7% recorded during the same period of 2023. This increase was mainly reflected in the price levels of Pipe tobacco (from 3.8% to 9.8%).

Figure 1: Namibia headline and core inflation rates (June 2023 - June 2024)



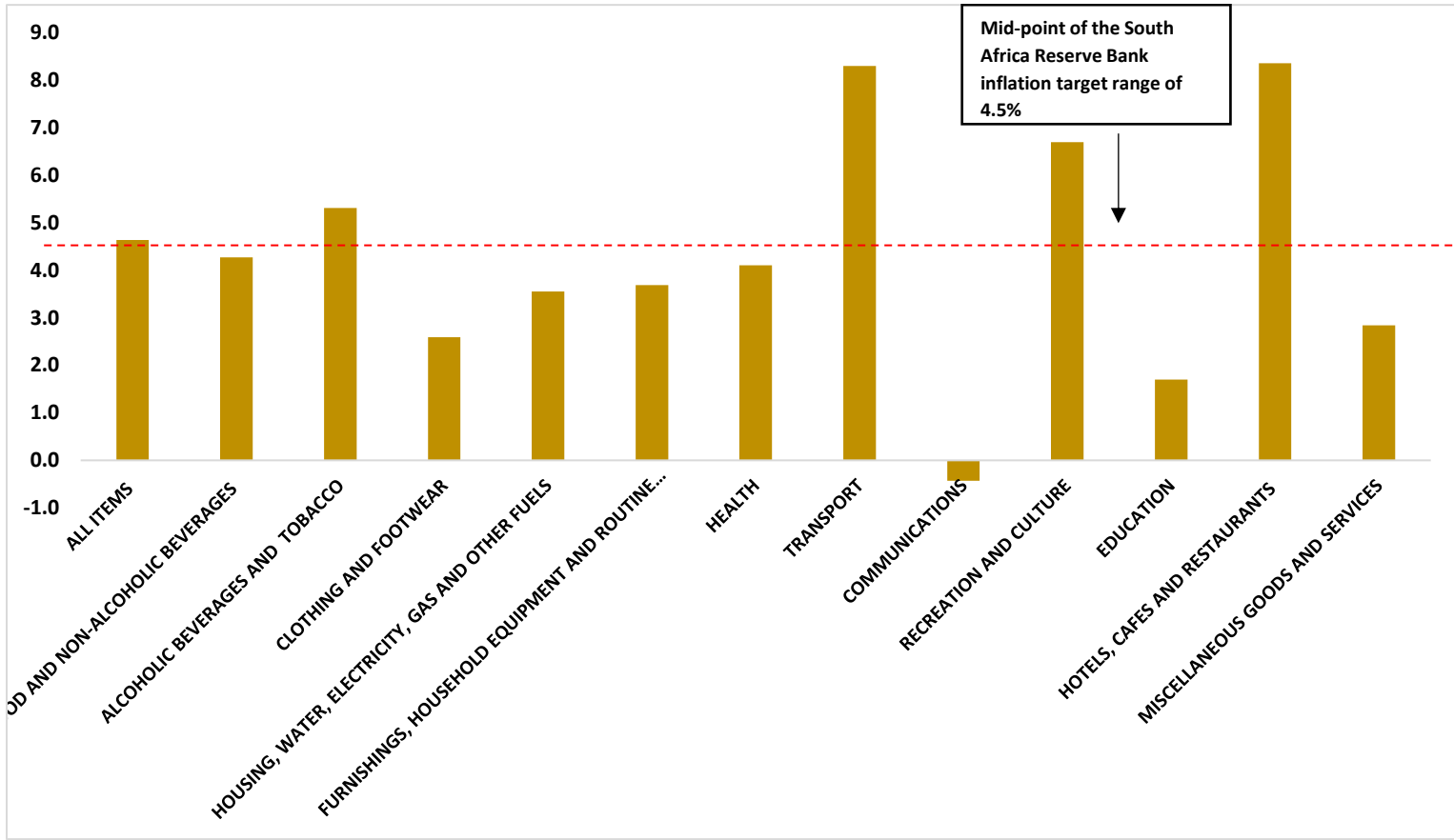
Source: NSA & HEI RESEARCH

Figure 2: Inflation basket by components annual headline inflation, June 2024



Source: NSA & HEI Research

Figure 3: The categories driving inflation below and above the target range, June 2024



Source: NSA & HEI RESEARCH

3. Outlook

Namibia's inflation is showing signs of moderation and approaching the mid-point of the South Africa Reserve Bank inflation target range of 4.5%. The prevailing inflation environment could present an appropriate moment for the central bank to reduce the repo rate at the next MPC.

Furthermore, with core inflation also showing signs of moderation, the monetary authority has additional leeway to adopt a more accommodative stance without risking significant inflationary spikes. This proactive approach would not only align with the current economic realities but also ensure that Namibia remains agile and responsive to any external shocks or domestic economic changes.

However, uncertainties and external factors such as fluctuations in oil prices and the global demand for commodities could contribute to variations in inflation rates throughout the year necessitating close monitoring and adaptability in response to changing economic conditions.

TEAM

Monika Kristof	Senior Economist	monika@hei.com.na
David Iileka	Research Analyst Intern	david@hei.com
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 