

1. Executive Summary

Namibia's annual inflation stood at 3.4% in December 2024, down from 5.3% recorded in December 2023, but slightly higher than the 3.0% observed in November 2024. The decline was primarily driven by the *Transport, Alcoholic Beverages and Tobacco, and Recreation and Culture* categories.

Headline inflation increased to 3.4%, while core inflation eased slightly to 3.8%, down from 3.9%. From September to December 2024, core inflation consistently outpaced headline inflation, highlighting a critical aspect of Namibia's economic situation. While headline inflation has shown a downward trend, core inflation remains elevated due to persistent price increases in essential services and goods not directly related to food or energy costs. This indicates that despite lower overall price growth, underlying cost pressures could impact purchasing power and economic sentiment.

2. Analysis

Transport

The Transport category, accounting for 14.3% of the consumer basket, experienced a sharp decline in its annual inflation rate, falling from 4.0% in December 2023 to -1.4% in December 2024. This was largely due to reduced vehicle purchases, particularly motor cars, where inflation dropped from 10.5% to 2.5%. This was influenced by low consumer confidence to purchase new cars.

Alcoholic Beverages and Tobacco

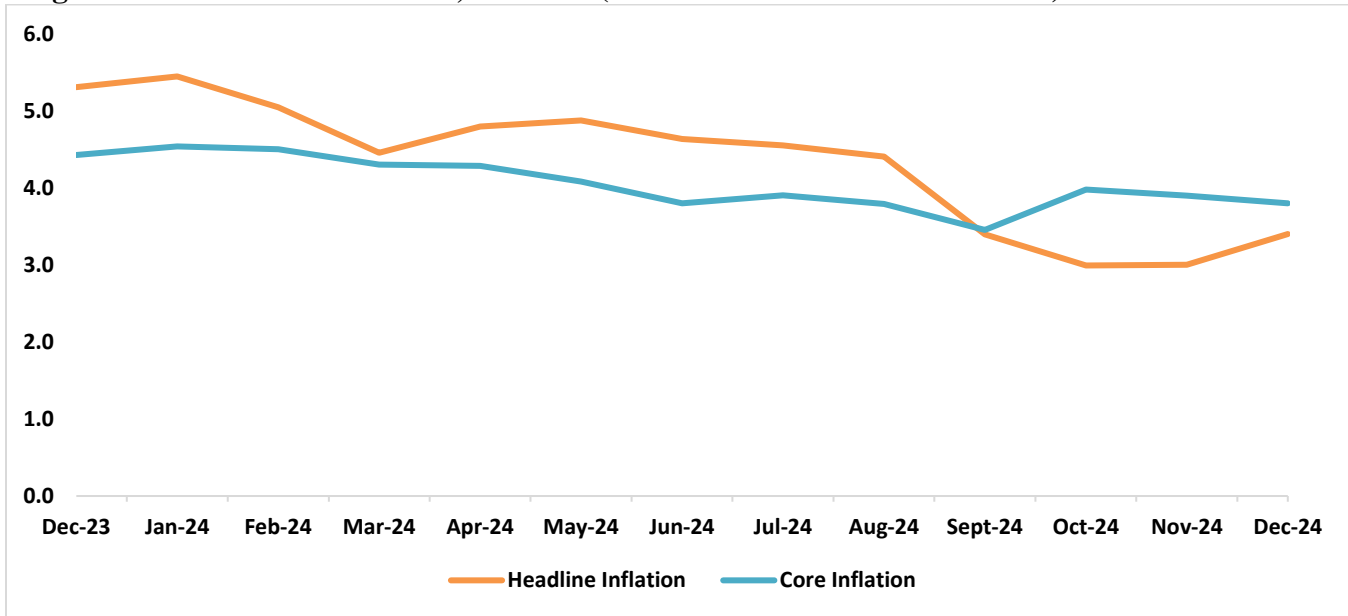
Inflation in the Alcoholic Beverages and Tobacco category, which constitutes 12.59% of the consumer basket, decreased to 4.6% in December 2024 from 8.4% in December 2023. This was primarily driven by a reduction in prices:

- Alcoholic beverages: Inflation fell from 8.8% to 4.3%, due to lower prices for white spirits, beer/ales/ciders, and sparkling wines/champagnes.
- Tobacco: Inflation decreased from 6.7% to 6.1%, reflecting lower costs for cigarettes

Recreation and Culture

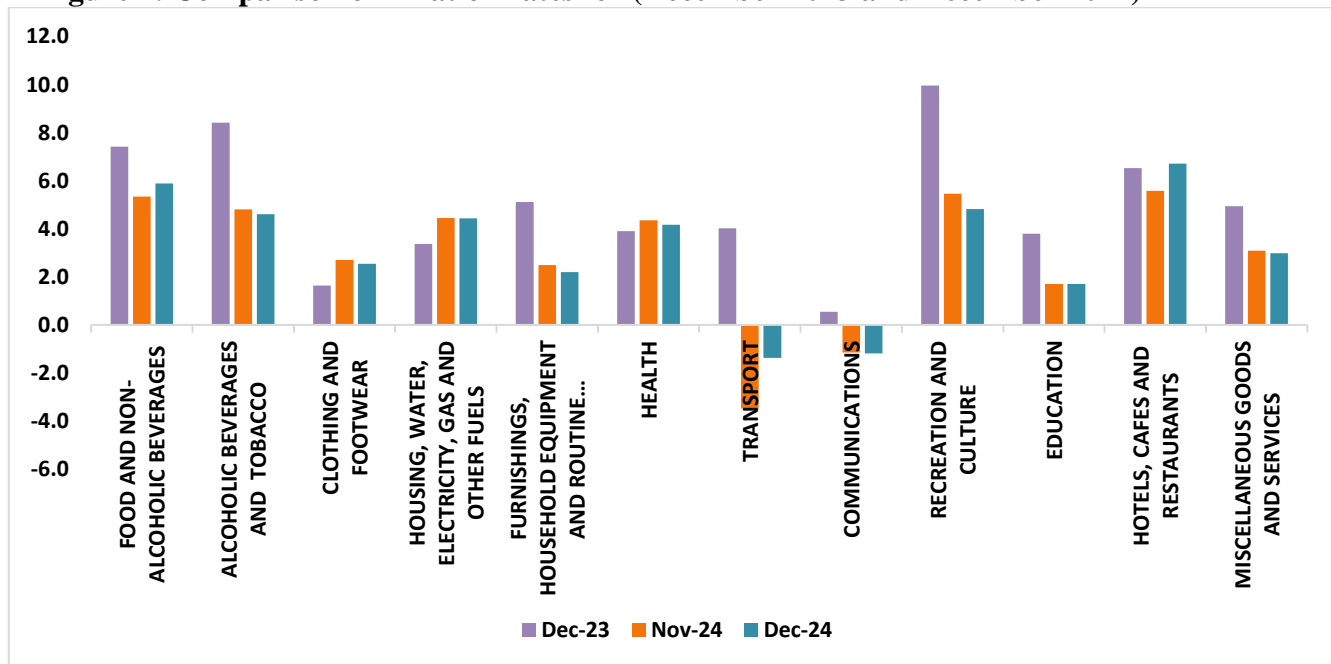
The Recreation and Culture category, comprising 3.6% of the consumer basket, saw a significant decline in inflation, falling from 10% in December 2023 to 4.8% in December 2024. This decrease was largely driven by a reduction in package holiday prices. The inflation rate for package holidays dropped sharply to 8.7% in December 2024, down from 84.9% in December 2023. This decline may have been influenced by reduced consumer confidence due to economic uncertainties, leading to lower demand for luxury services such as package holidays. In response, service providers, including Namibia Wildlife Resorts' festive season getaways, lowered prices to stimulate sales.

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



Source: NSA, HEI Research

Figure 2: Comparison of inflation rates for (December 2023 and December 2024)



Source: NSA, HEI Research

3. Outlook

In 2024, Namibia's inflation rate averaged 4.2%, reflecting improved price stability compared to previous years. The monetary policy initiated by the Bank of Namibia (BoN) has played a key role in moderating inflation. Following a 25 basis points cut to 7.00% in December 2024, further reductions are anticipated as inflation continues its downward trend. This demonstrates the central bank's commitment to fostering economic stability while supporting growth amid changing economic conditions.

Despite this positive outlook, medium-term inflationary pressures remain a challenge. Supply constraints and fluctuations in consumer confidence could influence future inflation trends. While transport costs have decreased, food prices remain a concern due to drought, which has adversely affected agriculture production.

We project an average inflation rate between 3% and 4% for the first quarter of 2025. The overall economic environment suggests that improvements in agricultural productivity and easing global prices will support this stabilization.

Although Namibia's inflation outlook for early 2025 appears favorable, ongoing caution regarding domestic economic conditions will be essential for maintaining price stability.



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