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## August 2018 inflation rate – inflation eases slightly

The Namibia Statistics Agency has released the Consumer Price Index (CPI) for August 2018 on 13 September 2018. The CPI is being used to calculate the monthly (compared to the previous month) and year-on-year (compared to the same month in the previous year) inflation rates. The annual inflation rate eased slightly from 4.5% in July to 4.4% in August 2018, but dropped by one percentage from 5.4% in August 2017. However, it is the second highest inflation rate so far this year only exceeded by price increases in July. On a month-to-month basis, inflation slowed down from 0.5% in July to 0.03% in August.

We summarise the main highlights of the August inflation data:

- After accelerating every month this year with the exception of March, the **inflation rate for goods** remained unchanged at 4.6% in August 2018. Contrary to the overall inflation rate, the inflation rate for goods was 1.2 percentage points higher than in August 2017 (3.4%).
- **Prices for services** increased at the **slowest pace** not only for this year, but since December 2015. The inflation rate for services stood at 4.1% in August 2018, almost half of the inflation rate in August 2017 (8.1%). Services account for 42.3% of the consumption basket and goods for 57.7%.
- **Food price inflation slowed down** from 3.2% in July to 2.7% in August 2018 and remained below food price inflation in August 2017 of 4.6%. **Price increases for bread and cereals** accelerated in August compared to July to 2.6% from 1.5% resulting in the second strongest price increase this year. It is in part caused by the base effect, since prices dropped by 0.5% in August 2017 and hence prices have increased from a low level. Although **meat prices rose faster** (6.0%) in August than in July 2018 (5.1%), prices increased at a slower pace than during the first half of this year. These two categories account for almost 51% of the whole food basket and therefore strongly influence the overall food inflation. However, the price increases in these two categories were levelled out by **lower prices for milk and dairy products** as well as for **sugar, jam** etc. Prices for milk dropped by 2.7% compared to August 2017, which is the strongest price decline since April 2011. Prices for sugar etc. declined by 1.9% in August compared to a decline by 0.6% in July. **Fruit prices** increased (7.9%), but at a slower pace than in July (12.7%), like prices for **vegetables** that rose by 6.0%, which was below the inflation rate for vegetables in July (8.0%) and June (6.1%). These four categories account for some 26% of the food consumption basket.
- **Price increases for alcohol and tobacco** slowed down during August to 5.4% from 6.8% in July caused by lower price increases for alcoholic beverages (5.8% in August compared to 7.5% in July), while price for tobacco products rose faster in August (3.8%) than in the previous month (3.6%).
- Prices for **housing, water and electricity** rose at the fastest pace so far this year (4.4%), because of a substantial increase in the cost of electricity, gas etc. Electricity prices went up by 13.2% in August

– the strongest increase since more than five years. In June 2013, electricity prices rose by 16.6%. The inflation rate for the maintenance of dwellings was slightly below that of the previous month (3.4% compared to 3.6% in July), while costs of water supply and sewerage went up slightly stronger in August (6.2%) than in July (6.1%).

- **Transport inflation** has **continued its upward trajectory** accelerating to 9.7% in August from 8.9% in July. It is the **fastest increase since** more than four years. In June 2014, prices for transport rose by 10.7%. The **fuel price increase** was the main driver for the higher transport inflation. Fuel prices are the major item in the category ‘operation of transport equipment’ that accounts for almost two thirds of the transport inflation. Prices increased by 12.6% in August after an increase by 11.8% in July, the strongest increase since six years (September 2013: 13.0%). Despite **taxi fare increases** for Windhoek, the inflation rate for public transport services (1.7%) was lower than over the preceding six months. In contrast, vehicle prices accelerated at the fastest rate (7.9%) since April 2017 (8.2%).
- Prices for **clothing and footwear** remained on a **downward trend** (-5.2%) and dropped even faster than in July (-5.0%) extending the period of actual price declines to a full year. Prices for children’s clothing dropped by double-digit figures (10.9%). Prices for **communication** were also **lower** in August 2018 (-1.4%) than in August 2017.
- Price increases for **health services** remained the lowest since May 2015. The inflation rate for this category was recorded at 5.1% in August; the same as in July. In contrast, **costs for education** are up by 9.9% compared to August 2017, driven by double-digit price increases for primary and secondary education (14.6%).

We expect inflation to pick up again owing to fuel price increases by NAD0.40 per litre in September, which translates into a price increase of 23.4% compared to September 2017. Fuel price increases contribute almost 9% to the overall inflation rate. Fuel price increases have a direct impact on transportation costs and over time on the costs of other products that have to be transported. Furthermore, the depreciation of the Namibia dollar against other currencies such as the US dollar and Chinese Yuan will push up prices for other imported products in the coming months.