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NSA releases Consumer Price Index for July 2017

The Namibia Statistics Agency (NSA) has released the Consumer Price Index for July 2017 on 10 August 2017. Inflation continued its downward trend that started in February 2017, when inflation declined from 8.2 percent in January to 7.8 percent. Herewith a few highlights:

- Inflation slowed down to 5.4 percent compared to July 2016;
- No inflationary pressure was recorded compared to June 2017. The month-on-month inflation rate stood at 0.0 percent
- Namibia experiences the slowest price increases since January 2016;
- Food and beverage prices increased at one of the slowest rates since June 2015. Prices increased by 4.3 percent. Inflation for this category was only lower in May 2017 at 3.7 percent.
- Prices for some food items actually declined, such as Bread and cereals (-0.6 percent) and Vegetables (-1.8 percent).
- Price increases for Meat slowed down from 8.9 percent in June to 7.9 percent in July. Meat prices displayed one of the highest price increases among food items compared to last year when farmers sold livestock because of the drought.
- The category ‘Housing, water, electricity etc.’ was the main driver of inflation with an annual inflation rate of 9.1 percent. This category accounts for the largest share of the consumption basket (28.4 percent) and hence, has a strong influence of the overall inflation rate. Rental payments increased by the largest margin in July – 9.6 percent – followed by Water supply and sewerage – 9.4 percent. Electricity prices increased by 6.9 percent compared to July 2016.
- Transport inflation has come down again to 2.4 percent – the lowest level since May 2016 (1.5 percent). Transport carries the third highest weight in the consumption basket – 14.3 percent. This was caused by a substantial slowdown of price increases for the ‘operation of transport equipment’, which basically refers to fuel. Prices in this category increased by just 1.6 percent compared to 5.8 percent in June.
- Prices for health services rose at the slowest pace since January 2016 – 5.4 percent compared to 5.3 percent.
- Price increases for the category ‘Housing, water, electricity, etc.’ remained on the same level as in May, namely at 9.8 percent. Housing etc. accounts for the largest share of the consumption basket, namely for 28.4 percent and has, therefore, a substantial influence on the inflation rate.

The continuing slowdown in food price inflation is good news for the poorer households that spend the largest share of their income on food. However, future prices for maize at the South African Futures Exchange (Safex) suggest that we can expect slight price increases towards the end of the year, while wheat prices are expected to drop. The current trend of the inflation rate supports our view that the annual inflation rate for 2017 will drop below last year’s inflation rate of 6.7 percent, which is good news for the consumer as well as for Government’s fiscal targets.