

Date: 14 June 2018

NSA releases the Consumer Price Index for May 2018

The Namibia Statistics Agency has released the Consumer Price Index (CPI) for May 2018 on 14 June 2018. The inflation rate is calculated based on the change in the CPI. The annual inflation rate increased slightly from 3.6% in April to 3.8% in May compared to May 2017 – the highest annual inflation rate so far this year. It is substantially lower than the inflation rate for May 2017 of 6.3%. On a month-to-month basis, inflation rose by 0.4% in May compared to April 2018. The month-to-month price increases accelerated compared to March, when average price levels were 0.1% higher than in February 2018.

Following are some highlights for May 2018:

- **Prices for goods** rose faster than for services. Goods price inflation increased from 3.1% in April 2018 to 3.6% in May on an annual basis (meaning compared to May 2017). It is the strongest increase since September 2017.
- In contrast, prices for **services** rose at a slower pace in May (2.7%) than in April (4.3%). The official rate of 2.7% however, differs from our own calculation of 4.1% for May 2018. It is the lowest annual inflation rate for services since December 2015, when it stood at 3.1%.
- **Food prices** increased stronger in May (3.9%) than in any month since September 2017, when food prices rose by 4.2% on a year-to-year basis. The main driver are prices for bread and cereals that actually increased again after they dropped every month since April 2017. Prices for **bread and cereals** are 2.3% higher than in May 2017, while they decreased in April 2018 by 1.5%. Since this category accounts for the largest share of food items (29.4%) price changes have a strong impact on the overall food price inflation. Price increases for **meat** (8.5%), **fruits** (12.6%) and **vegetables** (5.8%) also accelerated compared to April 2018. These four categories account form more than 60% of total food prices and therefore strongly determine the food price inflation. Prices for sugar, jam etc. dropped by 1.0%, while price increases for milk, cheese and eggs slowed down from 2.0% in April to 0.2% in May.
- Prices for **housing, water and electricity** – the items that account for the largest share in the consumption basket (28.4%) – rose at a slower pace of 3.3% in May compared to 3.4% in April. This is mainly caused by slower price rises for electricity and gas, which rose by 5.5% in May compared to 6.0% in April. Prices for the maintenance of houses also increased at a slightly slower pace (2.6% in May compared to 3.2% in the previous month), while the inflation rate for rental payments (2.6%) and water supply (7.2%) remained unchanged compared to April.
- The inflation rate for **transport** was slightly lower in May (5.6%) than in April (5.8%) despite fuel price increases in May, while fuel prices remained unchanged in April. Prices for the purchase of vehicles increased at a slower pace in May (6.6%) compared to April (7.3%), which resulted in the overall inflation rate for transport to decelerate.

- Prices for **alcohol and tobacco** increased faster in May (5.4%) than in April (4.7%), because of stronger increases for both alcohol (inflation rate up from 5.7% to 6.2%) and tobacco (2.1% in May compared to 2.1% in April).
- There is some good news for the consumer, since the prices for **clothing and footwear** actually declined by 5.5% in May 2018 compared to May 2017, while prices for **communication** services were 0.1% lower.

Inflation is accelerating as we have expected. The month-to-month inflation rate increased from 0.3% in April compared to the prices in March to 0.4% in May compared to April, while the annual rose to 3.8% compared to 3.6% in April. The increase in food prices is bad news for low income earners and the poor since they spend the largest share of their total consumption on these items. We expect food prices to continue to increase. Future prices at the South African Future Exchange suggest price increases for white and yellow maize of some 7% by December 2018 and some 1% for wheat. Oil prices have also been on the increase triggering fuel price increases that will have impacts on the transportation costs of goods and eventually on the production goods of businesses as well as the costs of consumer products.