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NSA releases the Consumer Price Index for September 2017

The Namibia Statistics Agency (NSA) has released the Consumer Price Index for September 2017 on 12 October 2017. The annual inflation rate for September 2017 increased for the first time this year. Herewith a few highlights:

- The **annual inflation** rate (September 2017 compared to September 2016) increased slightly from 5.4% in August 2017 to 5.6% in September 2017 after declining continuously since January 2017. However, it remained below the inflation rate in September 2016 of 6.9%.
- The **monthly inflation** rate (September 2017 compared to August 2017) rose from 0.1% in August to 0.4% in September 2017.
- Price increases for **services** are this year the main inflation driver. Prices for services increased by 8.4% compared to September 2016. Service prices rose faster than prices for goods since January 2017.
- Services account for 42.3% of the consumption basket. Consequently, price increases of services contributed 3.6 percentage points to the total inflation rate of 5.6%
- **Prices for housing**, water, electricity, etc. recorded the highest inflation rate of 8.9% year-on-year. Since this category accounts for the largest weight in the consumption basket (28.4%) it has a strong influence on the overall inflation rate. Compared to August when it stood at 8.3%, inflation accelerated for this category in September.
- **Rental payments** recorded price increases of 9.6% as in previous months. Costs for **repairs and maintenance** increased by 5.9%, down from 6.3% in August 2017. The contraction in the construction sector could have a dampening effect on prices for repairs and maintenance. Costs for water supply rose also at a slower pace: 8.1% in September compared to 8.4% in August. Electricity prices on the other hand showed a much stronger increase in September (6.0%) than in August (1.8%).
- After an uptick in **food prices** in August (4.6%) compared to July 2017 (4.3%), price increases slowed down to 4.2% in September. Food and non-alcoholic beverages account for the second highest weight in the consumption basket (16.5%).
- Prices for **bread and cereals** as well as for **fruits** actually decreased compared to September 2016 by 2.4% and 1.7% respectively. Prices for milk, cheese and eggs rose by 2.9%, which is below price increases in August (5.3%). Meat prices on the other hand continue their upward trend and rose by 9.4% compared to 8.9% in August 2017. The strong increase in the value of exports of live animals in the second quarter 2017 could be a driving force for higher meat prices. The price for vegetables is on the rise again (2.1%) after five consecutive months of decline.
- **Transport prices** showed a stronger increase in September 2017 (3.9%) compared to August (2.0%) fuelled by higher fuel prices. Costs for the operation of transport equipment rose by 5.0% compared to 1.9% in August 2017. Transport carries the third largest weight in the consumption basket with 14.3%.

- Costs for **alcoholic beverages** and tobacco rose at the fastest pace since February 2017, namely at 5.3% in September compared to 4.8% in August. These items account for 12.6% of total expenditure of an average Namibian household.

Despite a slight acceleration of price increases, we expect the annual inflation rate to remain below last year's inflation rate of 6.7%. Relatively modest price increases for food products remain good news for in particular low-income earners and the poor who spend a much larger share of their income on food than the average Namibian household (16.5%). The decision to leave fuel prices unchanged in October will reduce price pressure on transportation costs with subsequent positive impacts on the inflation rate in October.