



PO Box 6148  
Windhoek, Namibia  
M +264 81 155 9775  
F: +264 88 622 267  
E: [info@ean.org.na](mailto:info@ean.org.na)  
W: [www.ean.org.na](http://www.ean.org.na)

## **The need for additional inflation rates - Klaus Schade**

NSA calculates the Consumer Price Index and the inflation rate on a monthly basis. The agency collects prices from more than 900 shops across the country for over 350 products. Average price change for each of these products is then calculated, and weighted by the share of total expenditure that the average household spends on each product.

However, while this process of averaging is required to compile a single inflation figure for the country, finding someone that has consumption firstly of the same products in the basket, and secondly in the same weightings as the basket, is all but impossible. The reason for this is that individual consumption patterns tend to differ even in the same income categories. This may be driven by personal preference, traditions or cultures or by income and disposable income. This is particularly true for the Namibian society, that is characterised by huge income inequalities and hence diverse consumption patterns. Before the government calculated poverty lines, the food consumption ratio was used to define a household as being not poor, poor or severely poor. Households spending more than 60% of total consumption on food were classified as poor and households spending more than 80% on food were classified as severely poor. Currently, the average household spends about 16.5% of total expenditure on food.

As a result of their higher spend on food, relative to total income, poorer households are much more affected by changes in food prices than better-off households. On the other hand, wealthier households are more affected by price changes in other products, such as vehicles, fuel or recreational activities. Currently, poorer households feel the pinch of double-digit price increases for food (11.9% in August) more than other households and are left with less discretionary disposable income as a result. This in turn will result in a declining standard of living if not compensated for by increases in any income they may have.

Therefore, the calculation and publication of additional inflation rates for low-, middle- and high income groups would provide trade unions and employers (including government) with better guidance during salary negotiations for different income categories. Furthermore, inflation rates for different household categories will provide a more robust basis for regular adjustments of social grants, such as the Old Age Grant or, for children, the Maintenance Grant. The release of the latest Household Income and Expenditure data expected for the beginning of 2017 would be an opportune time to calculate consumption baskets for different household categories and consequently additional inflation rates.