Namibia CPI
February 2024

Overview

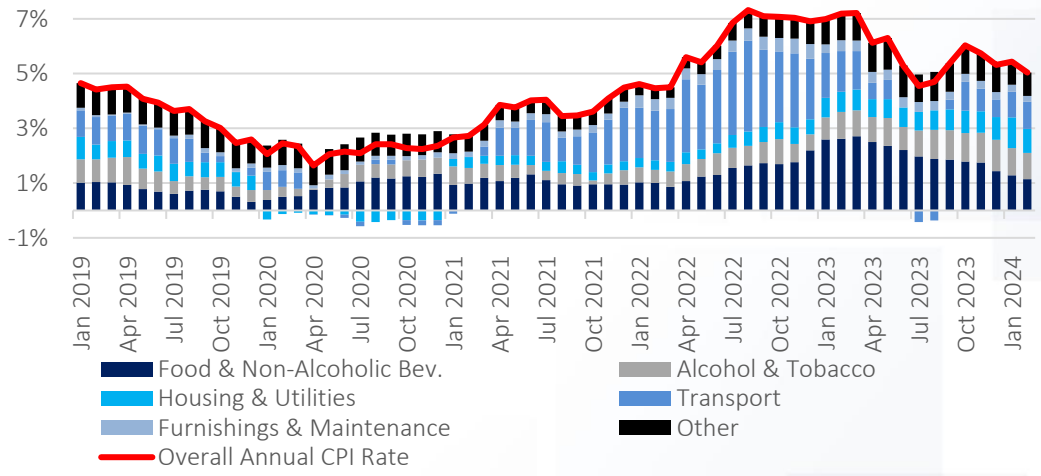
Category	Weight	Feb-24 m/m %	Jan-24 y/y %	Feb-24 y/y %	Direction
Food	16.4%	0.3%	6.5%	5.8%	↘
Alcoholic B&T	12.6%	0.2%	7.3%	7.1%	↘
Clothing	3.0%	0.4%	1.5%	1.8%	↗
Housing & Utilities	28.4%	-0.7%	4.5%	3.5%	↘
Furniture	5.5%	0.2%	5.0%	3.9%	↘
Health	2.0%	0.5%	3.5%	3.6%	↗
Transport	14.3%	0.4%	6.1%	6.5%	↗
Communications	3.8%	-0.2%	0.1%	-0.1%	↘
Recreation	3.6%	0.5%	10.6%	10.7%	↗
Education	3.6%	0.4%	1.3%	1.7%	↗
Hotels	1.4%	0.4%	6.6%	7.0%	↗
Miscellaneous	5.4%	-0.1%	4.1%	3.9%	↘
All Items	100%	0.0%	5.4%	5.0%	↘

Source: Namibia Statistics Agency, IJG Securities

Namibia's annual inflation rate slowed up to 5.0% y/y in February 2024, compared to the 5.4% y/y in January 2024. Prices held steady on a monthly basis, recording a 0.0% m/m change, providing consumers with stability in prices. If we compare this to the inflation figure of 7.2% y/y in February 2023, inflation has decelerated. Lower inflation is relatively positive for the economy as it has less of a depreciating effect on the purchasing power of the end consumer which boost consumer and business confidence. Additionally, businesses can become more economic competitive through the maintenance of production costs. Indeed, the producer price index has decreased by 1.8% y/y in 4Q23.

The category of food and non-alcoholic beverages continues to be the primary contributor to annual inflation, followed by transport and alcohol and tobacco. Transport, which holds the third largest weight in the NCPI basket (following housing and utilities and food), contributed 1.00 percentage points, ranking as the second largest contributor, surpassing the 0.94 percentage points contributed to the previous month. This increase was primarily attributed to rising inflation rates in the fuel and spare parts items, registering at 7.5% y/y and 9.8% y/y respectively in February 2024. The alcohol and tobacco category contributed 0.97 percentage points, securing its position as the third largest contributor. Despite carrying the largest weight (28.36%) in the NCPI basket, the housing and utilities category contributed a modest 0.88 percentage points in February, placing it as the second largest contributor.

Annual CPI
(y/y %)

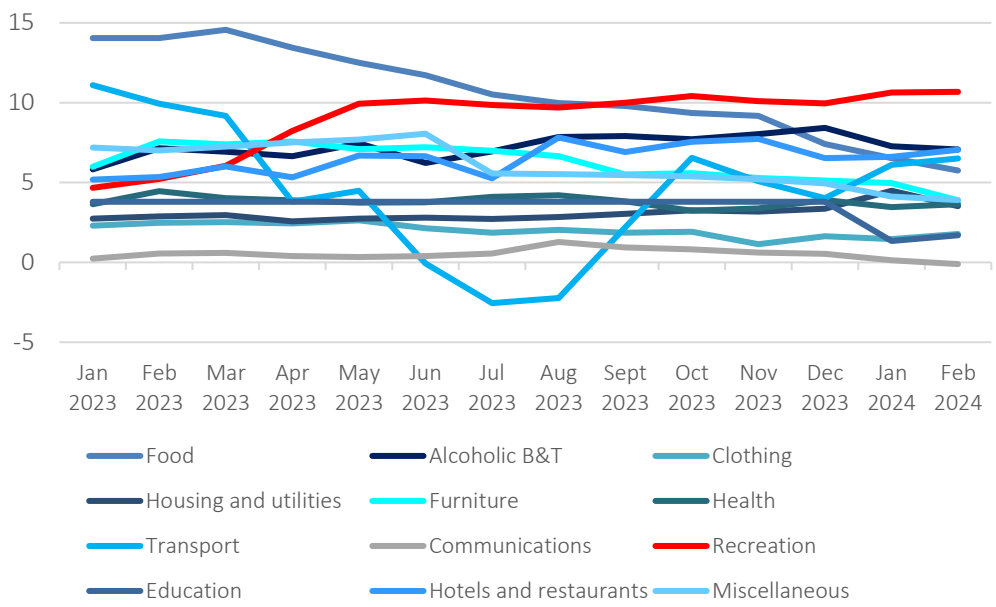


Source: Namibia Statistics Agency, IJG Securities

Inflation Contributors

For the sixth consecutive month, recreation maintains its position with the highest annual inflation rate. Recreation and culture have consistently recorded double-digit annual inflation rates since September 2023. Last year's elevated inflation figures in this category were predominantly driven by increased flight prices, particularly impacting holiday packages. Indeed, in March and April 2023, holiday packages experienced monthly inflation rates of 41.9% m/m and 25.6% m/m, respectively. Since June 2023, the average monthly inflation rate for holiday packages stabilised at 3.3% m/m. Aside from recreation, alcoholic beverages and tobacco categories, we are observing lower inflation figures across all other categories.

Annual inflation (y/y %)

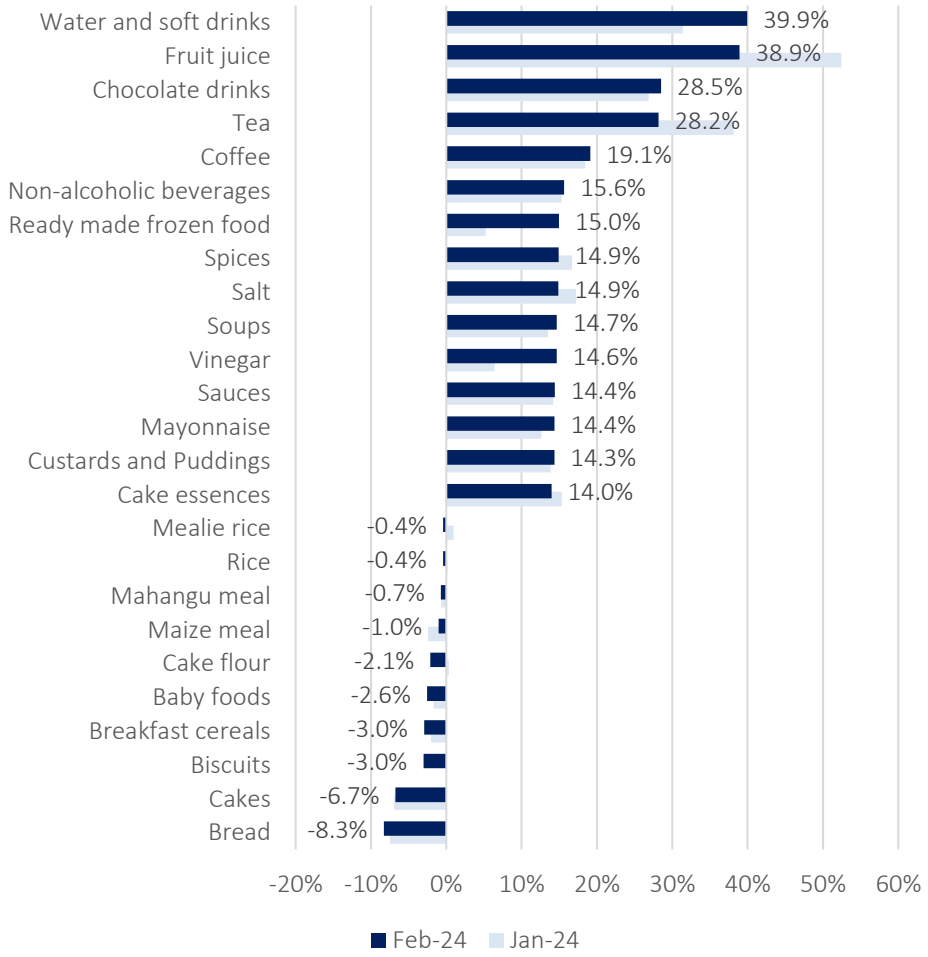


Source: Namibia Statistics Agency, IJG Securities

Food & Non-Alcoholic Beverages

The drivers of food and non-alcoholic beverages inflation in February 2024 were vegetables (↑ 14.7% y/y), fish (↑ 13.0% y/y), fruit (↑ 12.8% y/y) and milk, cheese and eggs (↑ 10.0% y/y). Meanwhile, bread and cereals deflated by 0.4% y/y. In the subcategories below, water and soft drinks (↑ 39.9% y/y), fruit juice (↑ 38.9 y/y), chocolate drinks (↑ 28.5% y/y) and tea (↑ 28.2% y/y) posted the highest inflation rates, while bread (↓ 8.3% y/y), cakes (↓ 6.7% y/y), biscuits (↓ 3.0% y/y), breakfast cereals (↓ 3.0% y/y) and baby foods (↓ 2.6% y/y) experienced deflation.

Annual inflation of the Food and Non-Alcoholic Beverages Subcategories (y/y %)



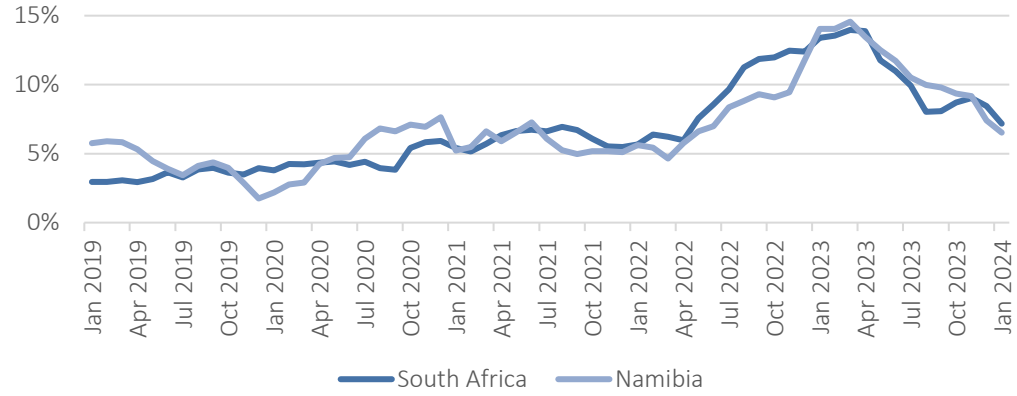
Source: Namibia Statistics Agency, IJG Securities

Food inflation in South Africa has been trending downwards since its peak in early 2023. Indeed, the latest inflation data in South Africa slowed because of all food products that decelerated in food prices rises except for sugars, sweets and desserts.

According to Agribusiness Research, concerns in South Africa persist with farmers planting roughly 4.4 million hectares – a 0.4% increase – with the production conditions deteriorating. Rainfall has been scant across the summer crop-growing regions. Grains such as, maize, sunflower seed and soybeans are in pollination stages, meaning that the ideal circumstances are to have higher moisture levels to boost yields.

Indeed, these concerns exist in Namibia too – especially given that vegetables have recorded double digit annual inflation figures since October 2022. The Minister of Agriculture, water and land reform, Calle Schletttwein, has announced that the minister is considering possible crop insurance to compensate farmers who experience crop failures.

South Africa and Namibia Food and NAB Annual Inflation

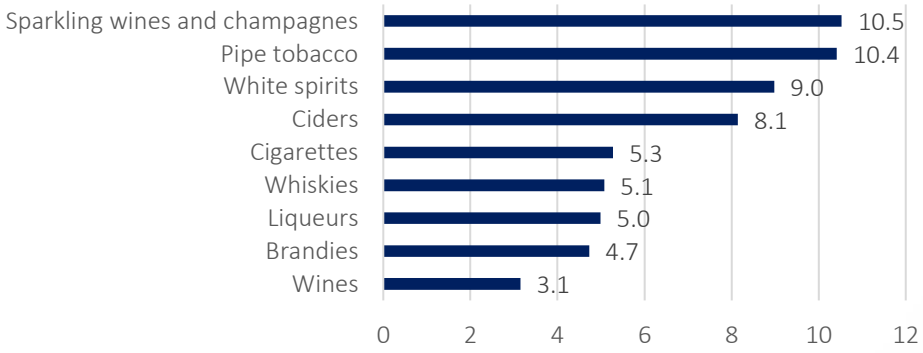


Source: Bloomberg, IJG Securities

Alcohol & Tobacco

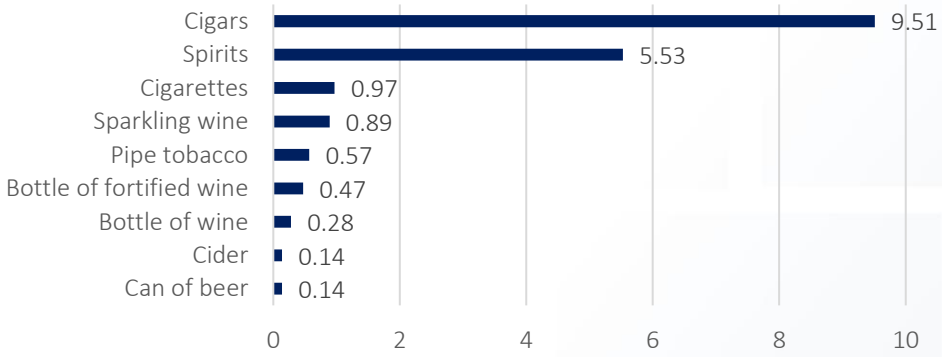
The alcohol and tobacco basket item witnessed disinflation for the second month with inflation coming in at 7.1% y/y in February, compared to 7.3% y/y in January. Alcoholic beverage prices rose by 7.2% y/y in February, slower than the 7.4% y/y recorded in January. At the same time, tobacco inflation logged 6.6% y/y February and January. The item that saw the largest price increase was sparkling wines and champagnes (↑ 10.5% y/y) and has been posting double digit price growth since May 2023. Pipe tobacco (↑ 10.4% y/y), white spirits (↑ 9.0% y/y), beer and ciders (↑ 8.7% y/y), cigarettes (↑ 5.3% y/y) follow closely thereafter. We can expect sine taxes further drive inflation of this category this year. The charts below show annual inflation of alcoholic beverages and tobacco, and the increase in sine taxes of different items.

Alcohol & Tobacco Inflation
(% y/y)



Source: Namibia Statistics Agency, IJG Securities

Sine taxes increases
(N$)

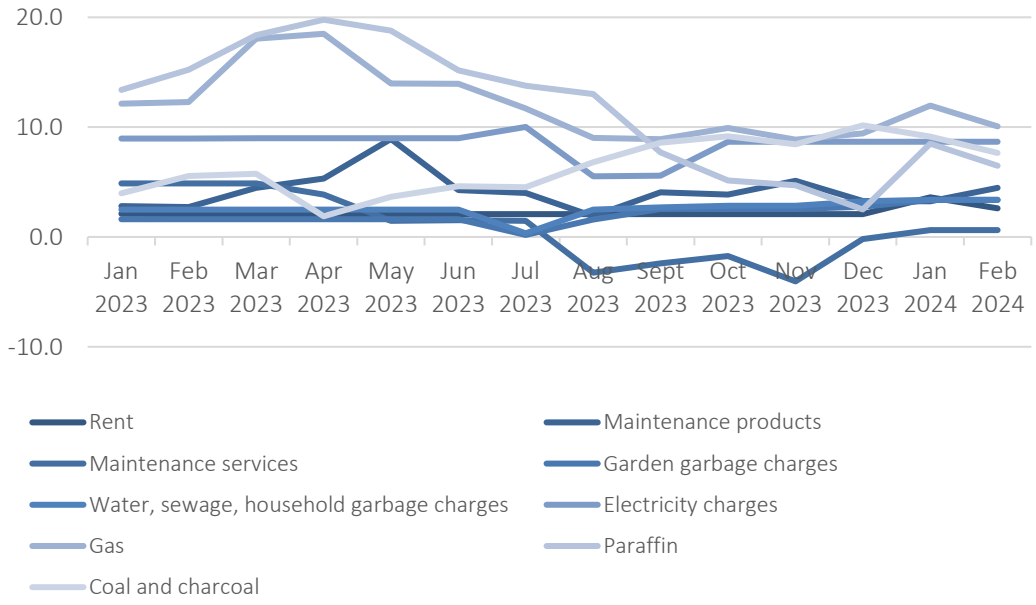


Source: MoFPE, IJG Securities

Housing, Water & Electricity

The housing, water, and electricity category has recorded annual disinflation, after a mild uptick in January. The category recorded annual inflation of 3.5% y/y compared to 4.5% y/y in January. The prices for the rental payments for dwellings subcategory rose by 2.6% y/y from 3.6% y/y reported for January. As rental payments make up a large portion (23.3%) of the CPI basket, the modest inflationary adjustment is not expected to be a significant contributor to inflation in 2024. The sub-categories that recorded the highest inflation were the prices of gas (↑ 10.1% y/y), electricity (↑ 8.7% y/y) and coal and charcoal (↑ 7.6% y/y), while maintenance services recorded the lowest increase of 0.6% y/y in February, same as January. While rent only increased by 3.6% y/y in February, it has a bigger weighting in the category than those mentioned above.

Annual Inflation rate for Housing, water and electricity components (% y/y)

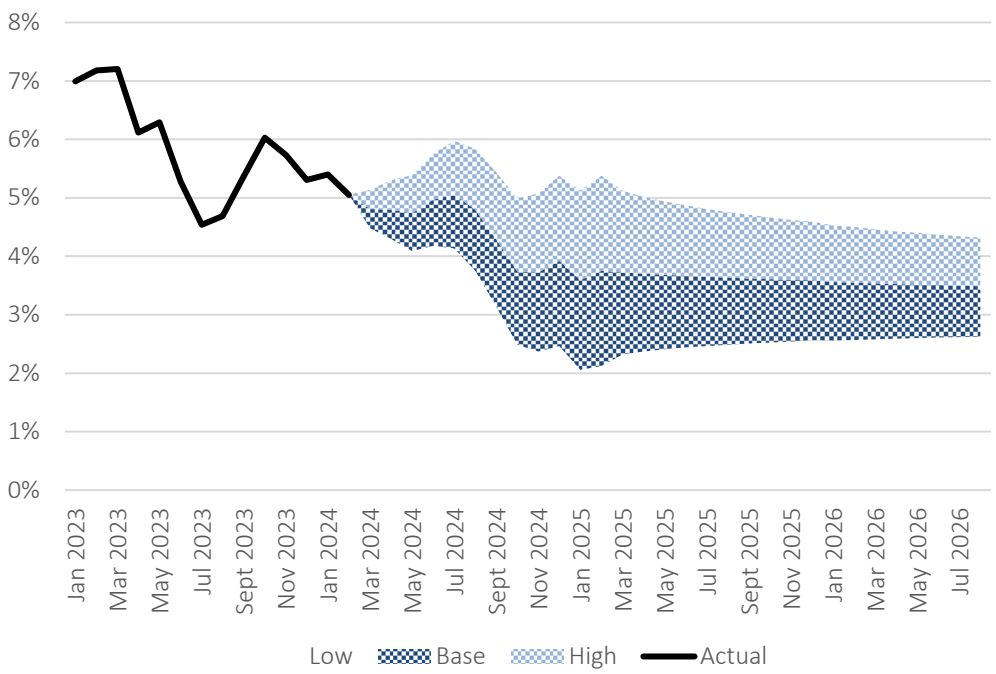


Source: Namibia Statistics Agency, IJG Securities

Conclusion & Forecast

Based on IJG's inflation model, we expect Namibian inflation to average between 1.5% and 2.5% in 2024 (end of period), with our base case being 1.5%.

Annual inflation Forecast (% y/y)



Source: Namibia Statistics Agency, IJG Securities



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