Namibia CPI
March 2024

Overview

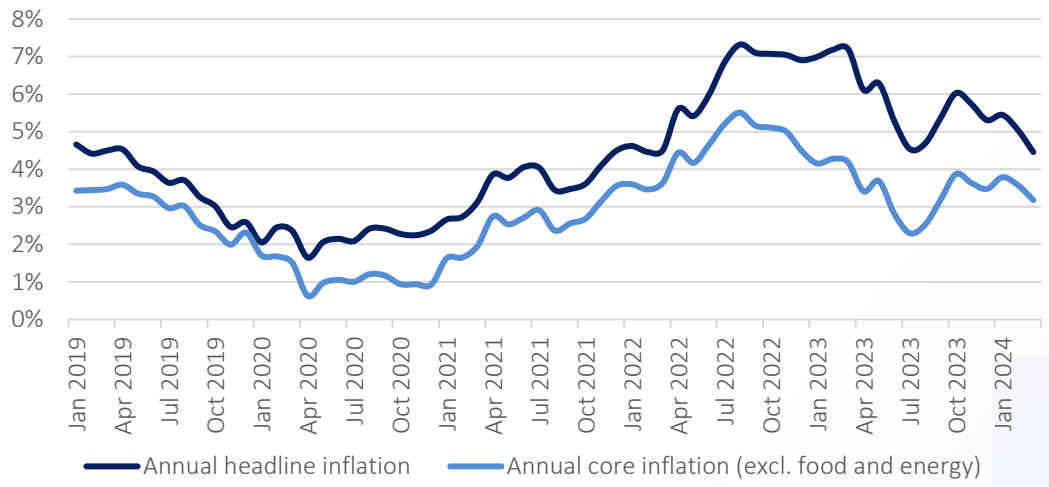
Category	Weight	Mar-24 m/m %	Feb-24 y/y %	Mar-24 y/y %	Direction
Food	16.4%	0.1%	5.8%	4.9%	↘
Alcoholic B&T	12.6%	-0.1%	7.1%	6.8%	↘
Clothing	3.0%	0.4%	1.8%	2.2%	↗
Housing & Utilities	28.4%	0.0%	3.5%	3.4%	↘
Furniture	5.5%	-0.2%	3.9%	4.2%	↗
Health	2.0%	0.2%	3.6%	3.6%	→
Transport	14.3%	-0.2%	6.5%	4.3%	↘
Communications	3.8%	-0.2%	-0.1%	-0.2%	↘
Recreation	3.6%	0.1%	10.7%	9.6%	↘
Education	3.6%	0.0%	1.7%	1.7%	→
Hotels	1.4%	1.6%	7.0%	8.0%	↗
Miscellaneous	5.4%	-0.2%	3.9%	3.4%	↘
All Items	**100%**	**0.0%**	**5.0%**	**4.5%**	↘

Source: Namibia Statistics Agency, IJG Securities

Namibia's annual inflation rate slowed to 4.5% y/y in March 2024, compared to the 5.0% y/y recorded in February 2024. This is lower than the 7.2% y/y peak inflation rate we witnessed in March 2023. Prices of both goods and services remained steady month-on-month, translating to services inflation of 3.1% y/y and goods inflation of 5.4% y/y in March.

While headline inflation remained steady on a monthly basis, core inflation stood at -0.2% m/m in March, deflating for the 10th consecutive month on a month-on-month basis. Annual core inflation (excluding food and energy prices) stood at 3.2% y/y in March, lower compared to the 3.6% y/y inflation recorded in February 2024.

Annual Headline and Core Inflation
(y/y %)



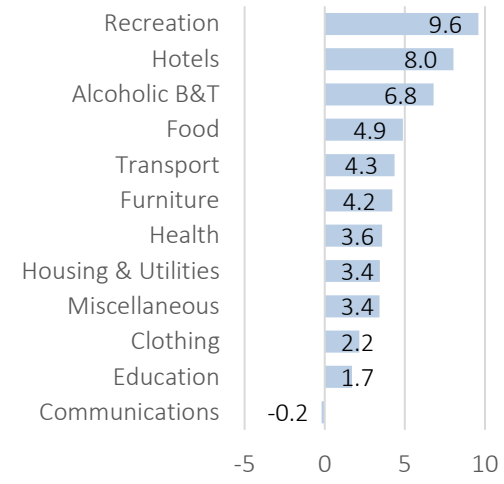
Source: Namibia Statistics Agency, IJG Securities

In March, the **recreation and culture** category had the highest inflation for the 7th consecutive month, at 9.6% y/y, mostly driven by higher prices of holiday packages due to the annual base effect caused by higher flight prices. The base effect is expected to start normalising in April. However, the category only recorded 0.1% m/m inflation.

Hotels, cafés and restaurants followed closely with an annual inflation of 8.0% y/y – its highest annual inflation since December 2022. This is mainly due to an increase in accommodation services (↑ 10.1% y/y) and catering services (↑ 6.2% y/y). **Alcoholic beverages and tobacco** and **food** posted inflation rates of 6.8% y/y and 6.5% y/y, respectively.

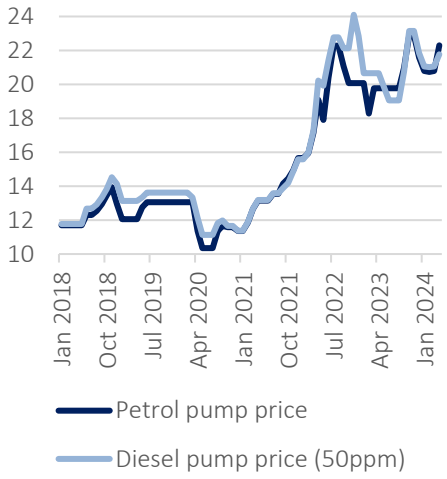
Transport inflation cooled to 4.3% y/y in March from 6.5% y/y and 6.1% y/y in February and January, respectively. Air transportation (↑ 19.0% y/y) and spare parts (↑ 8.4% y/y), and the purchase of motor cars (↑ 8.4% y/y) posted the highest rates in the category. The Ministry of Mines and Energy announced price increases of N$1.52 per litre for petrol and N$0.72 per litre for diesel (50ppm) for April resulting in petrol being N$22.30 per litre and diesel N$21.77 per litre at pumps in Walvis Bay. This translates to fuel prices being 9.1% higher on average than they were a year ago, with petrol prices up 12.7% y/y and diesel 5.4% y/y.

Annual inflation per Category (y/y %)



Source: Namibia Statistics Agency, IJG Securities

Petrol and Diesel Prices (N$ per litre)

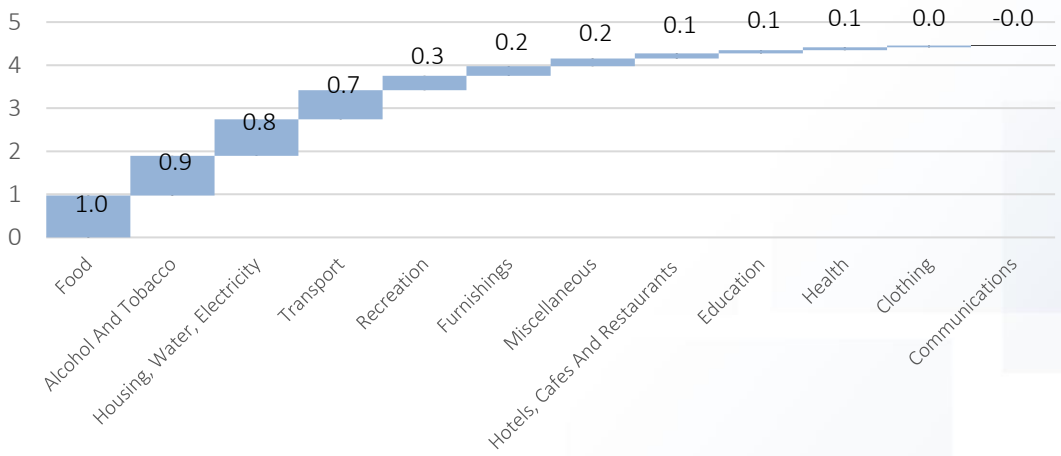


Source: Ministry of Mines and Energy, IJG Securities

Inflation Contributors

The **food and non-alcoholic beverages** basket item, with a weighting of 16.45%, remained the largest contributor to overall inflation in March, contributing 1.0 percentage point. The **alcohol and tobacco** category followed, contributing 0.9 percentage point, while the **housing and utilities** category, which carries the largest weight (28.36%) in the NCPI basket, contributed 0.8 percentage points to March's annual inflation rate. The **transport** category contributed 0.7 percentage points.

Contribution to the Annual Inflation Rate (percentage points)



Source: Namibia Statistics Agency, IJG Securities

Food & Non-Alcoholic Beverages

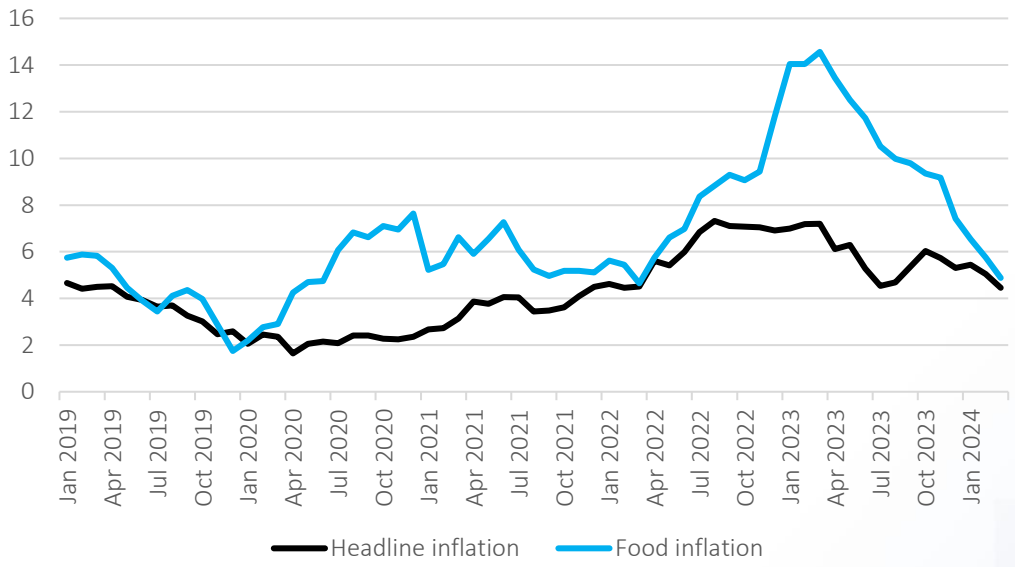
Food inflation has cooled from its peak of 14.6% y/y in March 2023; however, it still exceeds headline inflation and acts as a driver of inflation. The cooling food inflation is a result of easing supply chain disruptions caused by the Russia-Ukraine war. However, the risk of food inflation rising has been reignited due to potentially higher shipping costs and supply constraints caused by adverse weather conditions, and delayed deliveries due to rerouting shipping activities.

The March 2024 Crop Estimates Committee report shows that South Africa's 2023/24 summer grains and oilseed production could fall by 21% y/y to 15.2 million tonnes. This is sufficient for domestic needs in South Africa, but neighbouring countries will be hit harder.

While cocoa prices are going nuts (↑ 240% y/y), other crop prices are increasing, reviving the global risk of food inflation. Palm oil is at a 17-month high, coffee futures have hit 2008 levels and white corn is up more than 30%. El Niño is the common denominator amongst these commodities shortages. African crops are plagued with drought, Brazilian farmers are increasingly declaring bankruptcy, while Europe is facing multiple harvest failures and palm oil export bans to the region, and grain farmers in Ukraine and Russia going to war.

Zambia, Botswana and Zimbabwe suffered the driest February in 2024 in at least four decades, wiping out crops, increasing power outages and threatening food supply. At the same time, Morocco is faced with yet another drought after very little rain during the autumn – meaning they will become a net importer of wheat. According to the World Bank, food inflation is running above headline inflation in 60% of the 167 countries that they assess, with Namibia being one of them.

Annual Headline and Food and Non-Alcoholic Beverages Inflation (y/y %)

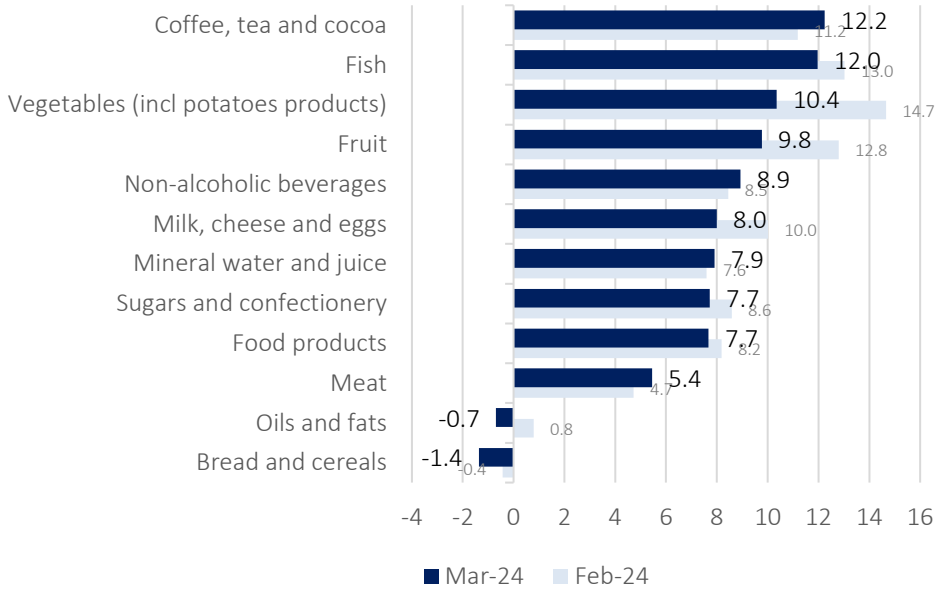


The coffee, tea and cocoa subcategory (↑ 12.2% y/y) recorded the highest inflation rate in the food basket. In Vietnam, heatwaves are causing lower robusta coffee supply (used for espresso and instant drinks), while in Ghana and Ivory Coast, which supply more than 60% of the world's cocoa, face catastrophic harvest seasons due to El Niño and government price controls which disincentivise investment. This is expected to drive domestic inflation of this subcategory up as the year progresses.

All subcategories in the food basket recorded inflation rates higher than the overall food inflation figure of March, except for oils and fats (↓ 0.7% y/y) and bread and cereals (↓ 1.4% y/y).

Cooking oil and fat recorded deflation of 3.3% y/y and 2.6% y/y in March. Breads and cereals saw marginal price reductions driven by lower staple costs. This included an 11.0% y/y decrease in Mahangu, a 5.5% y/y decline in flour, and a 1.6% y/y drop in macaroni prices in March.

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



Source: Namibia Statistics Agency, IJG Securities

Alcohol & Tobacco

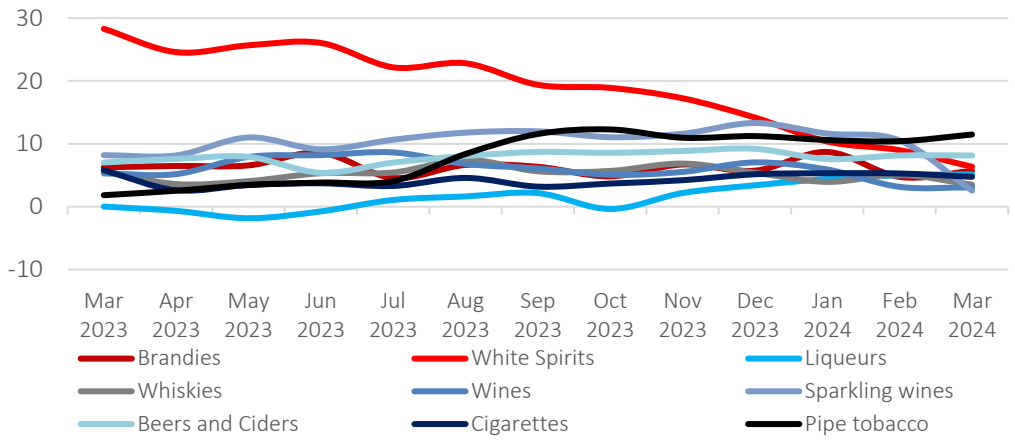
The alcohol and tobacco basket item witnessed disinflation during March 2024, with inflation coming in at 6.8% y/y in March, from 7.1% y/y in February. Alcoholic beverage prices rose 6.9% y/y in March, slower than the 7.2% y/y recorded in February. At the same time, tobacco inflation logged 6.4% y/y in March, compared to 6.6% y/y in February. Pipe tobacco (↑ 11.5% y/y) saw the largest price increase and has been posting double digit price growth since September 2023. Beers and ciders prices rose 8.1% y/y, white spirits climbed 6.3% y/y and brandies increased by 5.7% y/y.

The following sin taxes were implemented at the end of February, which contributed to March's inflation numbers:

- 340 ml can of beer (↑ 14 cents)
- 750 ml bottle of wine (↑ 28 cents)
- 750 ml bottle of spirits (↑ N$5.53)
- 23g cigar (↑ N$9.51)
- pack of 20 cigarettes (↑ 97 cents)

Sin taxes, together with higher fuel prices are expected to increase alcohol prices in April.

Alcohol & Tobacco Inflation (% y/y)

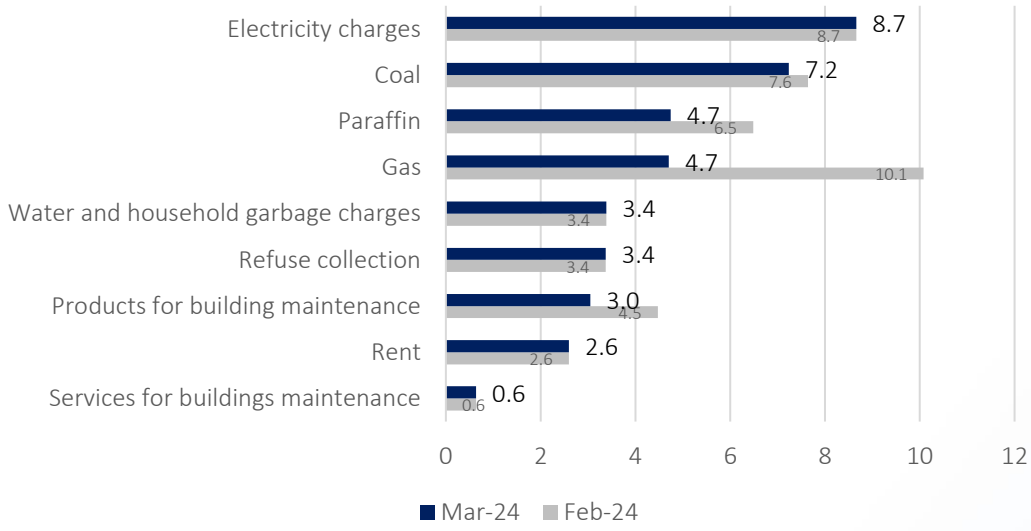


Source: Namibia Statistics Agency, IJG Securities

Housing and Utilities

The housing and utilities category recorded an annual inflation rate of 3.4% y/y in March compared to 3.5% y/y in February. Subcategories such as coal (↑ 7.2% y/y), paraffin (↑ 4.7% y/y), gas (↑ 4.7% y/y), and products for building maintenance (↑ 3.0% y/y) recorded disinflation figures, while the remaining subcategories recorded steady inflation.

Annual Inflation Rate for Housing and Utilities (% y/y)



Source: Namibia Statistics Agency, IJG Securities

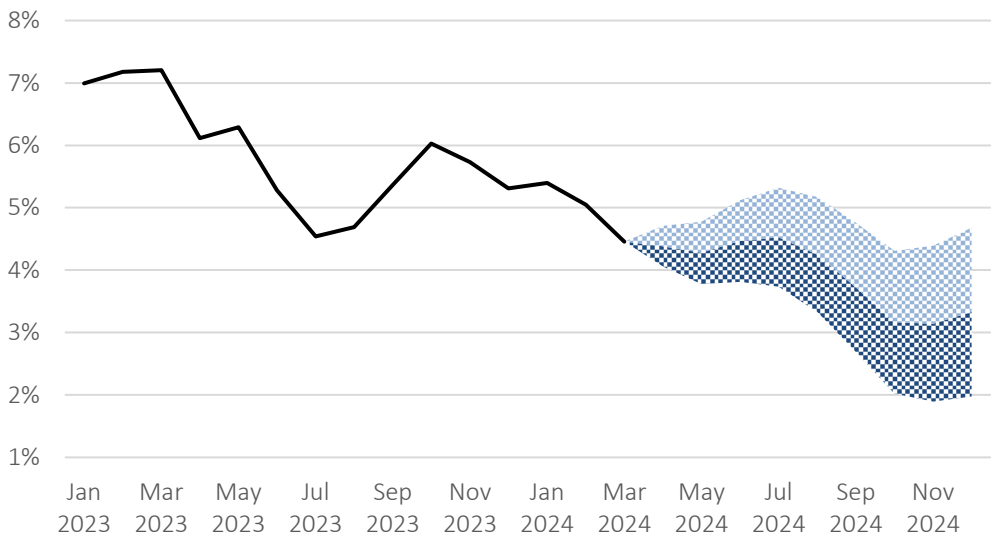
Conclusion & Forecast

While the Namibian annual inflation rate slowed for a third consecutive month in March, inflationary risks remain to the upside. The price of Brent Crude has risen 18% since the start of the year, resulting in the Ministry of Mines and Energy hiking the country petrol price by N$1.52 per litre and diesel by 72c per litre at the start of April, resulting in fuel prices being 11.2% higher on average than a year ago, versus being only 3.5% higher in March. We therefore expect the transport category to drive the inflation rate higher in April.

Furthermore, despite food inflation slowing for 12 consecutive months, the inflationary risks for the category remain due to declining crop yields in the region and the conflict in the Middle East disrupting shipping routes.

IJG's inflation model is currently forecasting the annual Namibian inflation rate to average between 3.5% and 4.8% in 2024, with our base case being 4.2%.

Annual Inflation Forecast (% y/y)



Source: Namibia Statistics Agency, IJG Securities



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