

Namibia Inflation Forecast Report

Research & Financial Stability Department, Bank of Namibia

Updated - February, 2022

Inflation Overview

Domestic Inflation - Domestic annual headline inflation rose to 4.5 percent in December (from 4.1 percent in November), which translates to a monthly increase of 0.4 percent. The biggest contributors towards the annual rise in prices were the Food & Non-Alcoholic Beverages and Transport Categories.

Short Term Forecasts - The short-term inflation forecast is presented in Table 2, with annual inflation expected to rise to 4.8 percent in January before moderating to 4.6 percent in February and 4.3 percent in March. The categories that are expected to contribute heavily to the forecasted inflation are price increases in Food, Alcoholic Beverages & Tobacco, and Transport given the significance of these categories within the CPI basket.

Medium Term Forecasts - Through the medium term, our baseline estimates suggest that inflation will average 4.4 percent and 4.5 percent in 2022 and 2023 respectively (see Figures 1 and 2).

Summary - Although long term inflation expectations remain well anchored, the recent spike in exchange rate volatility, energy prices and supply chain woes have increased the uncertainty surrounding the short term inflation outlook. As such, the Bank will continue to monitor these risks carefully.

Table 1: International Price Forecast Summary

Category	2022 Q1	2022 Q2	2022 Q3	2022 Q4
Brent Crude (USD/barrel)	89.0	86.0	83.0	81.0
Copper (USD/ton)	9470.0	9441.0	9421.0	9402.0
Gold (USD/oz)	1824.0	1843.0	1834.0	1833.0
Maize (US Cents/bushel)	627.0	622.0	588.0	574.0
Wheat (US Cents/bushel)	796.0	796.0	792.0	795.0
USD/ZAR	15.2	15.4	15.6	15.7
SA Inflation (Annual %)	5.6	5.0	4.7	4.3

Note:

*Source - Bloomberg, SARB

**Forecasts as at 27 January 2022

Short and Medium Term Forecasts

Table 2: 3 Month Inflation Forecasts, by Components

Category	Weight	Dec 2021 (A)	Jan 2022 (F)	Feb 2022 (F)	Mar 2022 (F)	Trend
Food	16.4%	5.1%	6.6%	6.2%	5.4%	↗
Alcoholic B&T	12.6%	3.8%	3.8%	4.3%	4.8%	↗
Clothing	3.0%	-2.1%	-2.0%	-2.5%	-3.1%	↘
Housing	28.4%	1.2%	1.8%	1.3%	1.5%	↗
Furnishings	5.5%	4.3%	4.2%	4.3%	4.1%	↘
Health	2.0%	3.8%	3.2%	3.2%	3.5%	↘
Transport	14.3%	14.3%	13.1%	12.0%	9.8%	↘
Communication	3.8%	-0.9%	-0.9%	-0.5%	-0.6%	↗
Recreation	3.6%	2.5%	1.7%	3.0%	3.0%	↗
Education	3.6%	0.8%	5.8%	5.6%	5.6%	↗
Hotels	1.4%	1.9%	2.2%	3.0%	2.8%	↗
Misc	5.4%	6.9%	4.6%	4.5%	4.7%	↘
All Items	100.0%	4.5%	4.8%	4.6%	4.3%	↘

Figure 1: Quarterly Inflation Forecasts

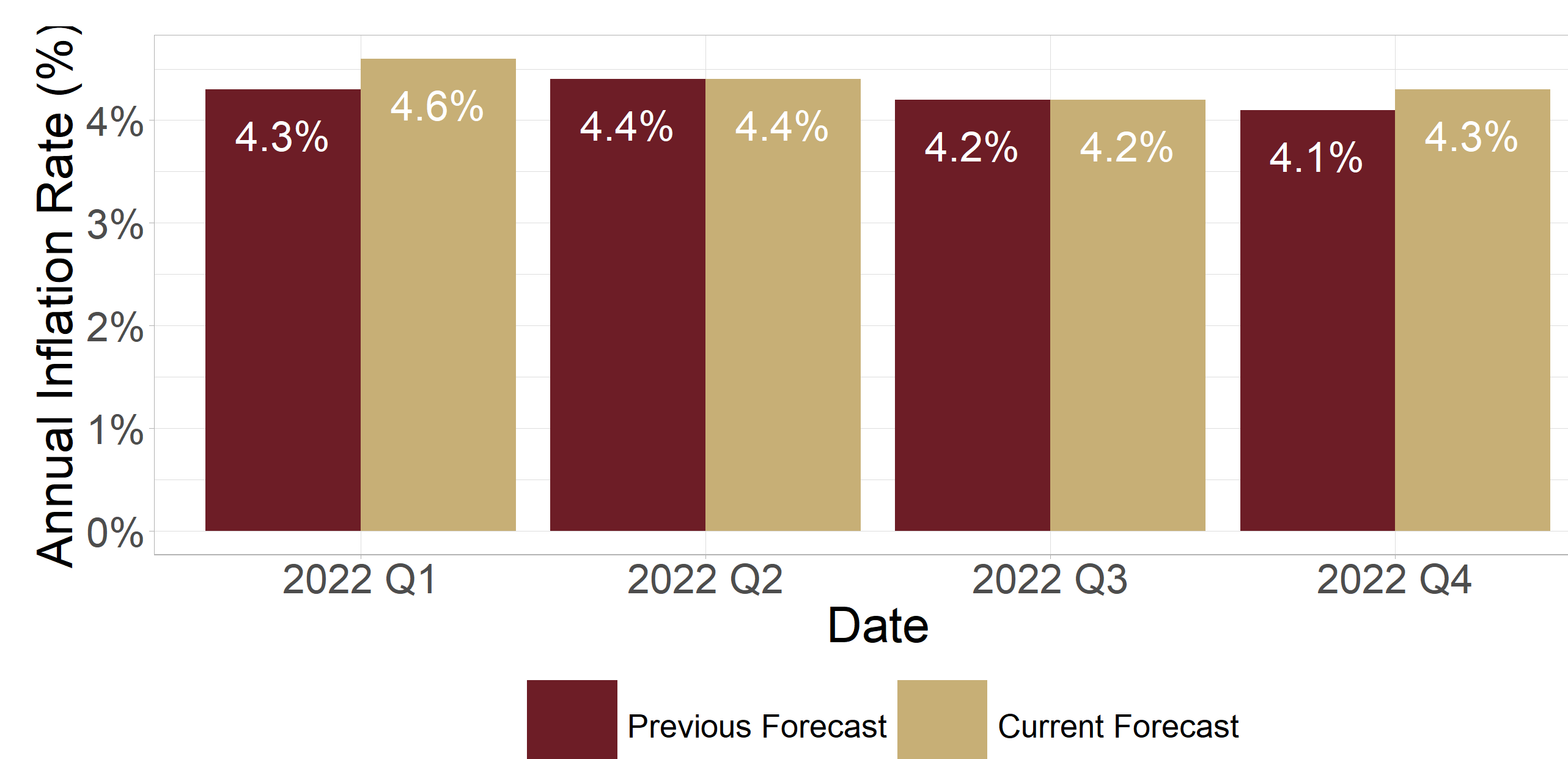


Figure 2: Yearly Inflation Forecasts

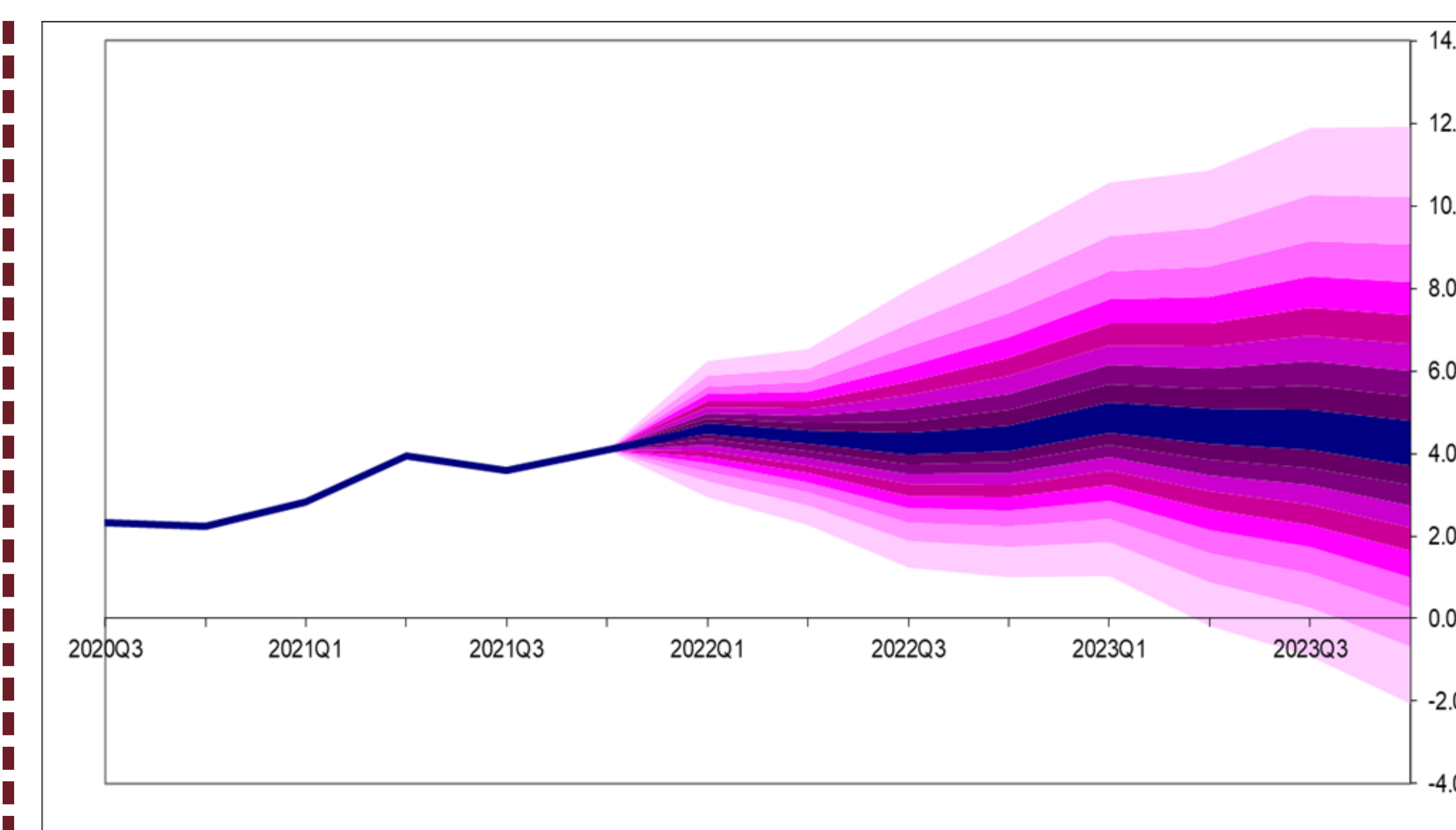
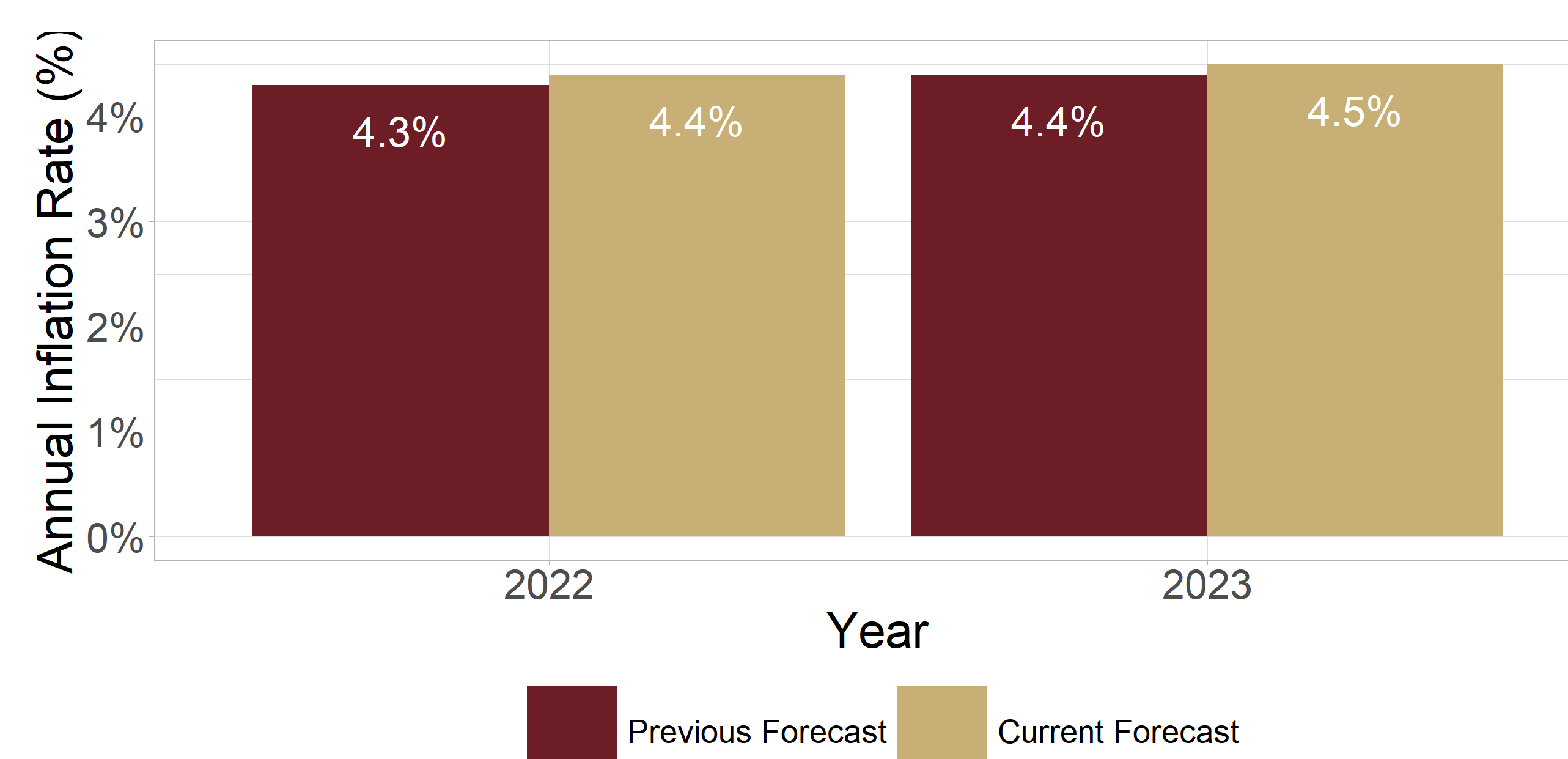


Figure 3: Inflation Forecast Fan Chart

Disclaimer

While best efforts were taken to ensure the accuracy of the data and information in this report, the Bank cannot take any responsibility for consequences resulting from the use of this information.

Contact

Enquiries related to this publication should be directed to:

The Director: Research and Financial Stability Department
P.O. Box 2882
Windhoek
Namibia
Tel: +264 61 283 5111
Fax: +264 61 283 5231
E-mail: research@bon.com.na
Website: <http://www.bon.com.na>