

Namibia Inflation Forecast Report

Research & Financial Stability Department, Bank of Namibia

Updated - October, 2021

Inflation Overview

Domestic Inflation - Domestic annual headline inflation declined to 3.4 percent in August (from 4.0 percent in July), which translates to a monthly decrease of 0.2 percent. The biggest contributors towards the annual rise in prices were increments in 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 creep up to 3.5 percent in September, 3.7 percent in October and 3.9 percent in November. The categories that are expected to contribute heavily through this horizon 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 3.7 percent and 4.2 percent in 2021 and 2022 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 heading into 2022.

Table 1: International Price Forecast Summary

Category	2021 Q4	2022 Q1	2022 Q2	2022 Q3
Brent Crude (USD/barrel)	82.7	80.5	78.6	76.9
Copper (USD/ton)	9470.3	9451.3	9430.4	9402.3
Gold (USD/oz)	1759.9	1762.7	1764.2	1766.5
Maize (US Cents/bushel)	524.3	533.2	538.4	525.2
Wheat (US Cents/bushel)	736.6	748.1	745.9	743.7
USD/ZAR	14.9	15.0	15.4	15.2
SA Inflation (Annual %)	5.0	4.7	4.3	3.8

Note:

*Source - Bloomberg, SARB

**Forecasts as at 13 October 2021

Short and Medium Term Forecasts

Table 2: 3 Month Inflation Forecasts, by Components

Category	Weight	Sep 2021 (A)	Oct 2021 (F)	Nov 2021 (F)	Dec 2021 (F)	Trend
Food	16.4%	5.0%	5.2%	5.7%	5.6%	↗
Alcoholic B&T	12.6%	3.0%	2.5%	2.7%	2.8%	↘
Clothing	3.0%	-3.1%	-1.8%	-1.9%	-1.8%	↗
Housing	28.4%	1.3%	1.4%	1.5%	1.6%	↗
Furnishings	5.5%	4.8%	4.3%	4.2%	3.7%	↘
Health	2.0%	3.5%	3.7%	3.6%	3.5%	→
Transport	14.3%	7.5%	8.5%	8.5%	7.3%	↘
Communication	3.8%	0.9%	1.1%	1.2%	1.0%	↗
Recreation	3.6%	2.7%	2.7%	3.4%	3.5%	↗
Education	3.6%	0.8%	0.8%	0.8%	0.8%	→
Hotels	1.4%	0.2%	1.9%	1.7%	2.0%	↗
Misc	5.4%	6.6%	6.7%	6.8%	6.7%	↗
All Items	100.0%	3.5%	3.7%	3.8%	3.7%	↗

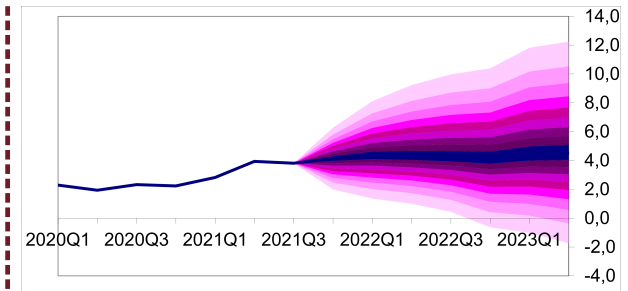


Figure 3: Inflation Fanchart

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.

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Figure 1: Quarterly Inflation Forecasts

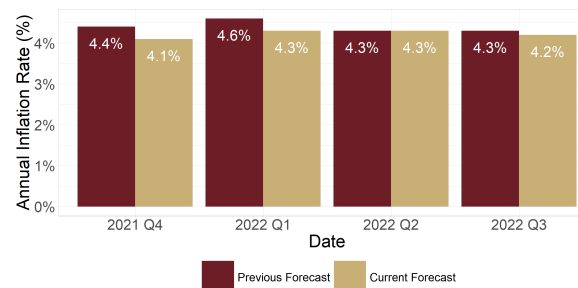


Figure 2: Yearly Inflation Forecasts

