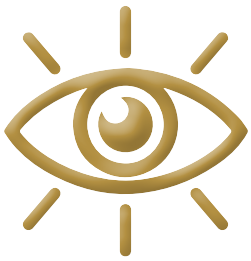
Namibia Statistics Agency

NAMIBIA PRODUCER PRICE INDEX BULLETIN

THIRD QUARTER 2024 (REBASED)

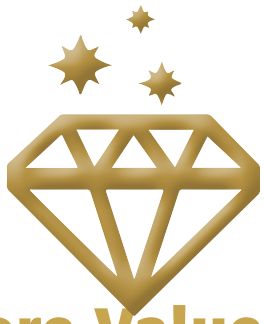
Mission Statement

"Leveraging on partnerships and innovative technologies, to produce and disseminate relevant, quality, timely statistics and spatial data that are fit-for-purpose"



Vision Statement

"To be a high performing and sustainable institution in quality statistics and spatial data delivery for research, planning and decision-making"



Core Values

Integrity
Excellent Performance
Professionalism
Accountability
Partnership
Customer-focused

TABLE OF CONTENTS

PREFACE		V
1.	**METHODOLOGY**	1
1.1	Base Year Selection	1
1.2	Data Collection	1
1.3	Weighting System	1
1.4	Method of Calculation	1
1.5	New categories	1
1.6	Removal of obsolete categories	1
2.	**IMPLICATIONS OF THE CHANGE IN REFERENCE PERIODS**	1
3.	**KEY CHANGES**	2
3.1	OVERALL INDUSTRIES COVERAGE	2
3.2	Sector Coverage	2
3.3	Changes In Sector Weights	3
4.	**PPI ANALYSIS FOR Q3 2024**	4
4.1	Overall Producer Price Index (PPI) Trend	4
4.2	Mining and Quarrying	4
4.3	Manufacturing	5
4.4	Electricity Supply	5
4.5	Water Supply and Treatment	6

LIST OF CHARTS

Chart 1: Comparison of PPI Coverage (2015=100) VS (2022=100) 2
Chart 2: Changes in PPI Sectors' Weights (2015=100) VS (2022=100) 3
Chart 3: % Change in overall PPI (Q1 2016-Q3 2024) 4
Chart 4: % Change in Mining & Quarrying PPI (Q1 2016-Q3 2024) 4
Chart 5: % Change in Manufacturing PPI (Q1 2016- Q3 2024) 5
Chart 6: % Change in Electricity Generation & Supply PPI (Q1 2016-Q3 2024) 6
Chart 7: % Change in Water Supply & Treatment PPI (Q1 2016- Q3 2024) 6

LIST OF TABLES

Table 1: Namibia Producer Price Indices by Industry (June 2024=100) 8

PREFACE

This document presents an overview of Namibia's Producer Price Index (PPI) for the third quarter of 2024 (Q3 2024), alongside a detailed explanation of the recent rebasing process. The PPI, which tracks the average change over time in the prices received by domestic producers for their output, plays a crucial role in understanding inflationary trends and the economy in general. With the PPI now rebased to a new weight reference period of 2022 (from the previous base year of 2015) and new price reference period of June 2024 (from the previous base of December 2015), the changes aim to provide a more accurate and current representation of Namibia's economic landscape.

In this context, the methodology behind the rebasing is explained, highlighting key changes such as the selection of a new base year, improved sectoral coverage, and the addition of new categories in industries such as mining, manufacturing, and water supply. The document also outlines how these changes affect the PPI's calculation and its implications for economic analysis, policymaking, and business decision-making.

Furthermore, this report provides an in-depth analysis of the PPI performance in Q3 2024, discussing sectoral trends for the domestic economy. These insights are valuable for policymakers, business leaders, economists, and stakeholders who rely on accurate and timely economic indicators to make informed decisions.

It is the intention of the Namibia Statistics Agency (NSA) to expand this publication by including more industries as the data become available. It is at this juncture that I would like to extend my gratitude and appreciation to all stakeholders who assisted in the production of this bulletin by providing data to the Agency. In the same vein, I would like to urge our users of statistical information to send to us any comments that may enhance the quality of this report at info@nsa.org.na.

Alex Shimuafeni
Statistician-General & CEO

1. METHODOLOGY

1.1 BASE YEAR SELECTION

The new weight base year selected for the PPI is 2022, replacing the previous base year of 2015. This change helps in capturing the most recent economic activities. The price reference period is June 2024.

1.2 DATA COLLECTION

Expanded data collection efforts to include a broader range of industries, particularly in the manufacturing sector. This resulted in an increase sub-sector coverage from ten (10) in 2015 to seventeen (17) sub-sectors in 2022. The number of data providers increased from twenty-one (21) in 2015 to thirty-one (30) 2022.

1.3 WEIGHTING SYSTEM

Updated the weighting system to reflect the current structure of the economy, utilizing national accounts data for 2022. Weights have been recalculated to ensure a more representative index that accounts for changes in production levels across different sectors.

1.4 METHOD OF CALCULATION

The Laspeyres index formula is still in use as it offers a reliable way to determine the PPI.

1.5 NEW CATEGORIES

During the current rebasing exercise, seven (7) new categories were identified and included in the PPI, namely:

a) Diamond cutting and polishing
b) Extraction of Salt
c) Fish processing on shore
d) Manufacture of dairy products
e) Manufacture of grain mill products
f) Manufacture of other food products
g) Manufacture of rubber and plastic products

1.6 Removal of obsolete categories

One category “Manufacture of basic precious and other non-ferrous metals” (Zinc and copper) that no longer reflect significant economic activities was removed to streamline the index.

2. IMPLICATIONS OF THE CHANGE IN REFERENCE PERIODS

The transition from December 2015 to June 2024 as the price reference period means that the PPI values for the previous periods (from Q1 2016 until Q2 2024) are now recalculated using June 2024 prices as the benchmark. This ensures that the PPI reflects the most up-to-date pricing information, accounting for recent inflationary trends, economic shifts, and sectoral changes. The new weights are based on updated production and output data from 2022. As a result, sectors or industries that have formed part of the PPI since 2015 will now have updated shares in the overall index calculation. Although index values change, the movement in terms of growth rates remain unchanged as the index is chain linked.

3. KEY CHANGES

3.1 OVERALL INDUSTRIES COVERAGE

Overall industry coverage increased from 72.7 percent in 2015 to 93.0 percent in 2022. Increasing the coverage of the Producer Price Index (PPI) offers several advantages that enhance the effectiveness and relevance of this economic indicator, for instance:

a) Enhanced Accuracy and Reliability: A more extensive PPI coverage captures a wider set of products, leading to more accurate and reliable data. This helps to better reflect actual price changes in the economy.

b) Improved Economic Analysis: With greater coverage, the PPI provides a broader view of price trends across various sectors, facilitating better macroeconomic analysis and understanding of inflationary pressures. Detailed coverage allows policymakers and analysts to observe price changes within specific industries, helping to identify sector-specific inflationary trends or deflationary pressures.

c) Better Policy Formulation: Policymakers can utilize the enhanced data to create better-informed monetary and fiscal policies by understanding how pricing trends affect different sectors.

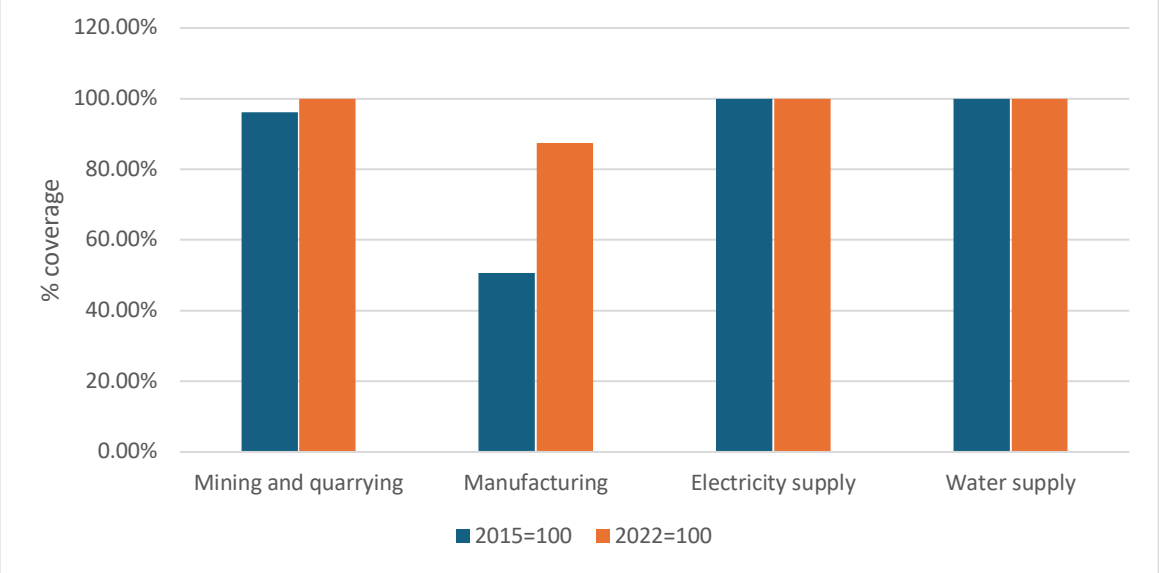
d) Facilitates Price Stability: A broader coverage of the PPI enables consistent monitoring of price developments, helping to manage and stabilize prices across diverse sectors of the economy. Better tracking of price trends can lead to more effective measures to control inflation, which is beneficial for economic stability.

e) Supports Business Planning: Improved PPI coverage assists businesses in forecasting costs and price adjustments, enhancing budgeting and planning processes.

f) International Comparisons: Broader PPI coverage allows for better international comparisons of price levels and inflation rates. This can help assess how domestic economic performance compares with other countries.

3.2 SECTOR COVERAGE

Chart 1: Comparison of PPI Coverage (2015=100) VS (2022=100)



3.2.1 Mining and Quarrying: Mining and quarrying coverage improved from 96.2 percent to 99.9 percent.

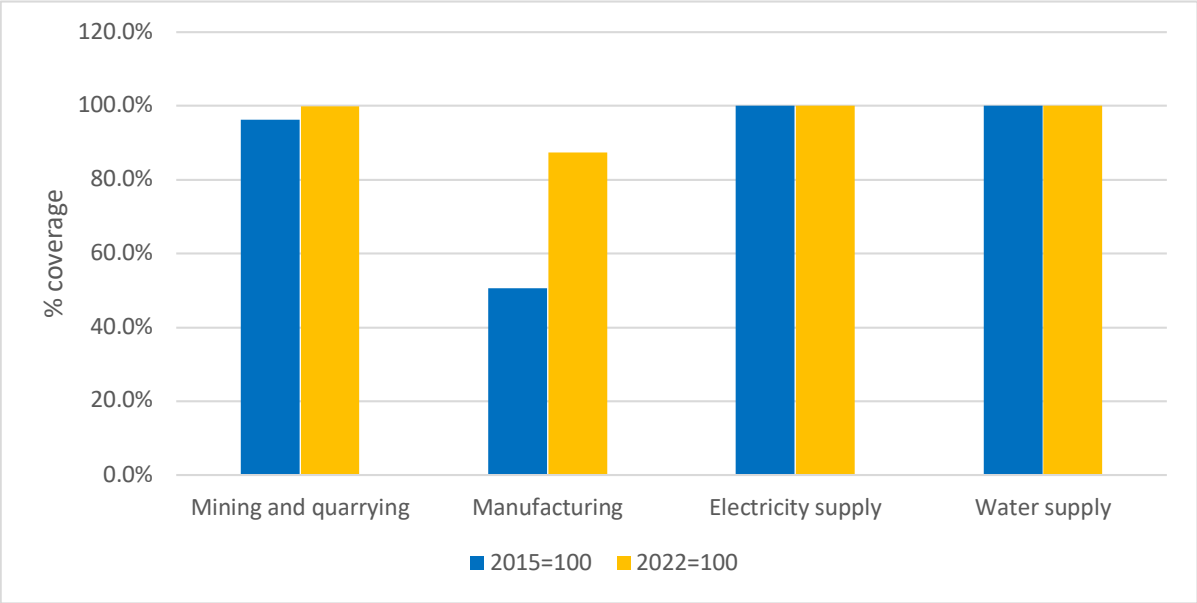
3.2.2 Manufacturing: Coverage increased from 50.6 percent to 87.4 percent.

The increase in PPI coverage in Namibia's mining and manufacturing sectors can be attributed to a combination of the following:

a) Increased Data Collection Efforts: This includes reaching out to a larger number of producers, especially in the manufacturing sector.
b) Expansion of Industry Representation: collecting data on additional subcategories within the two sectors and recruiting additional establishments into existing subcategories.

3.3 CHANGES IN SECTOR WEIGHTS

Chart 2: Changes in PPI Sectors' Weights (2015=100) VS (2022=100)



The changes in sector weights in Namibia's Producer Price Index (PPI) from 2015 to 2022 can be attributed to several economic and structural factors:

3.3.1 Mining and Quarrying (34.0% to 40.8%):

a) **Increased Production:** A rise in the production levels in the mining sector, particularly in uranium, contributed to the increase in the PPI weight.
b) **Foreign Direct Investment (FDI):** An influx of investment in mining operations also led to expansion, increasing production at existing ones, thereby increasing their weight in the PPI.
c) **Global Price Volatility:** Fluctuations in the international prices of minerals such as uranium, diamonds, and gold can significantly impact the turnover for businesses in the mining sector. Improved international prices increased the turnover and thus the establishment weights within the PPI framework.
d) **Improved products demand:** The growing global demand for products such as uranium due to nuclear energy initiatives have increased the turnovers of companies within this sector, increasing their weight in the index.
e) **Emergence of New Players:** New entrants into the mining industry have impacted overall turnover and weight distribution across different entities.
f) **Innovation in Mining Technologies:** The procurement of more advanced mining equipment and adoption of modern processes have also increased production efficiency, thereby raising the turnover figures for mining establishments and resulting weights.

3.3.2 Manufacturing (52.6% to 45.5%):

The drop in the contribution of the manufacturing sector to Namibia's Producer Price Index (PPI) weights from 52.6 percent in 2015 to 45.4 percent in 2022 is largely attributed to the stoppage of operations at key processing plants, particularly for zinc and copper, significantly reduced production capacity in the manufacturing sector. When these plants were placed under care and maintenance, their contributions to the PPI became negligible and hence eliminated.

3.3.3 Electricity, gas, steam, and air conditioning supply: Weight remains unchanged at 9.3 percent.

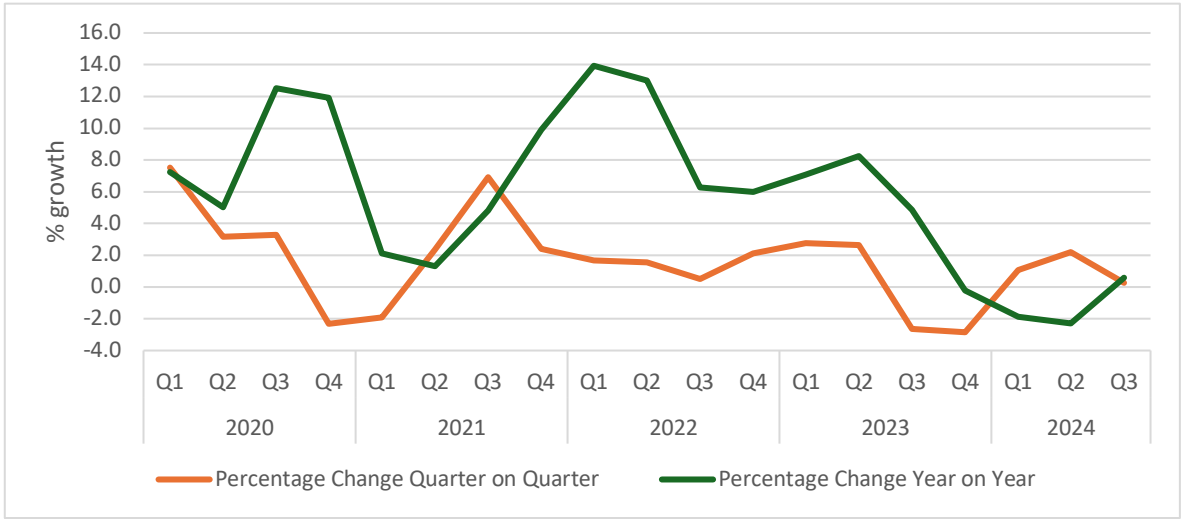
3.3.4 Water supply; sewerage, waste management, and remediation activities: Weight has improved slightly from 4.1 percent to 4.4 percent. The increase in the weight for the water supply category is due to the inclusion of a private water supply provider in the sample data. This likely reflects a more comprehensive or representative sample, leading to the slight increase in the weight for that category.

4. PPI ANALYSIS FOR Q3 2024

4.1 OVERALL PRODUCER PRICE INDEX (PPI) TREND

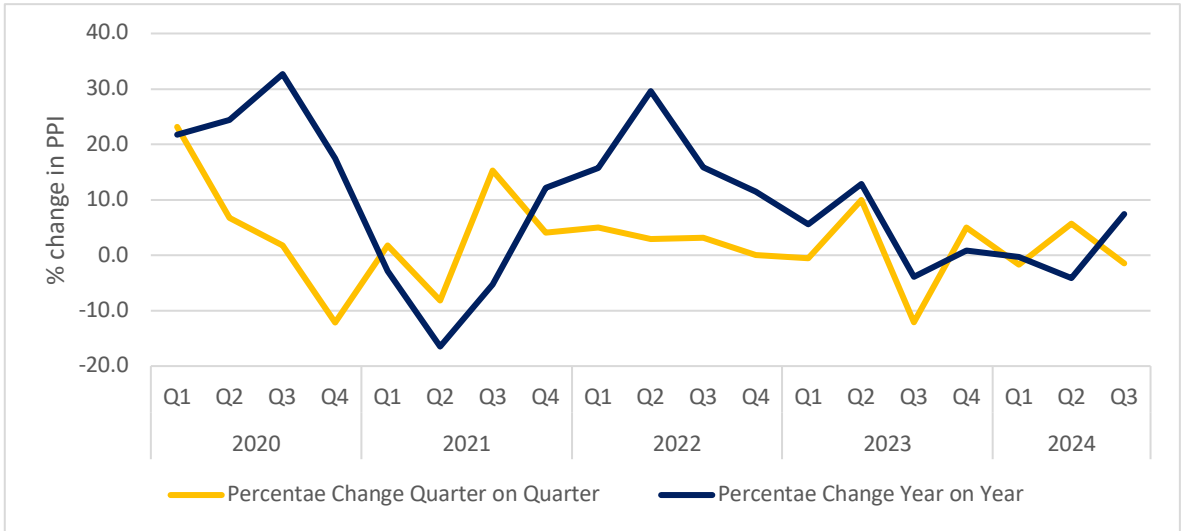
In Q3 2024, the overall PPI for production shows a moderate decrease both quarter on quarter (-1.0%) and year on year (-0.7%). This suggests that the overall production sector experienced a slight contraction in pricing, although the decline is not significant.

Chart 3: Percentage Change in overall PPI (Q1 2020-Q3 2024)



4.2 MINING AND QUARRYING

Chart 4: Percentage Change in Mining & Quarrying PPI (Q1 2020-Q3 2024)

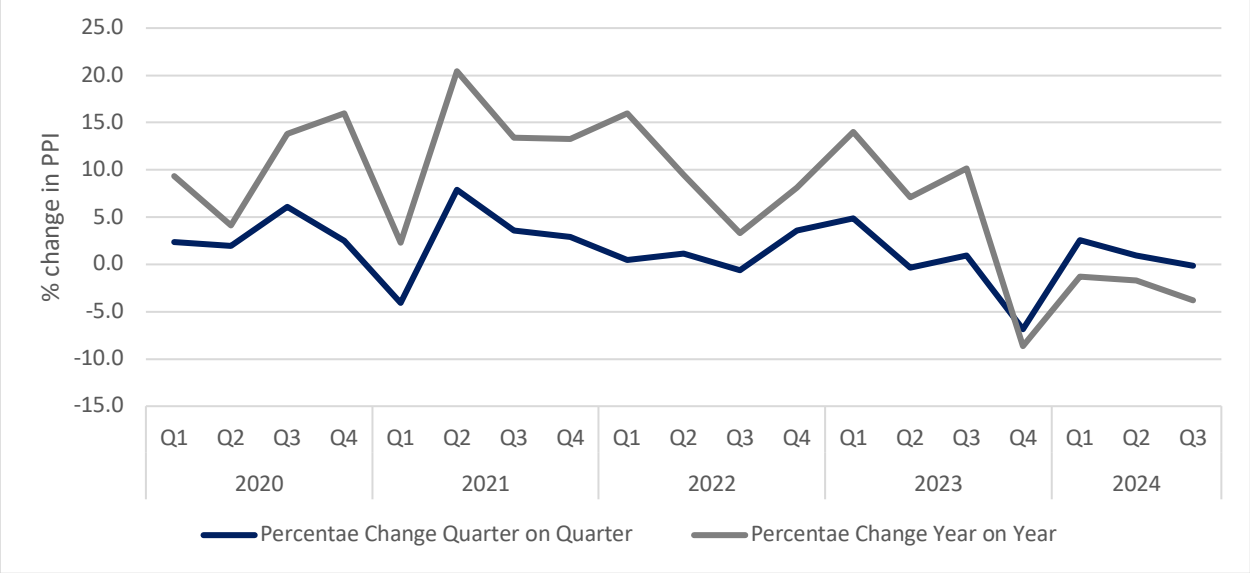


The Mining and Quarrying Producer Price Index (PPI) reported a 1.5% decline from Q2 2024 to Q3 2024, from 101.5 to 100.0. This is mostly due to the moderate reduction in uranium prices (-1.2%) and the steep decline in salt prices (-16.2%). But compared to Q3 2023, when it was at 93.0, the PPI grew by 7.4 percent on a year-over-year basis. The sector's YoY growth was mostly bolstered by robust results in gold (27.8%) and uranium (26.0%). Notwithstanding diamonds' poorer performance (-8.5%), these commodities contributed to the mining and quarrying industry's continued positive annual growth trend (see table 1).

This indicates that while the mining and quarrying sector experienced a slight quarter on quarter contraction in prices, there was a significant year on year increase, reflecting the recovery and growth in prices over the past year.

4.3 MANUFACTURING

Chart 5: Percentage Change in Manufacturing PPI (Q12020 - Q3 2024)



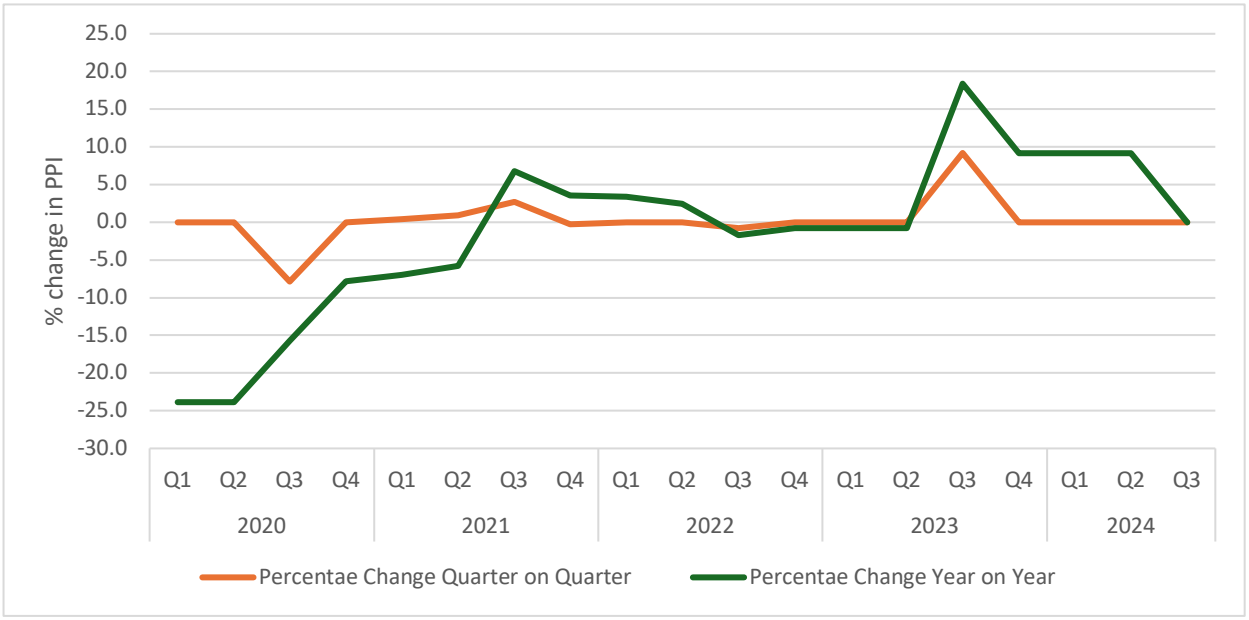
In Q3 2024, the Manufacturing Producer Price Index (PPI) dropped by 0.1 percent compared to Q2 2024, decreasing from 104.1 to 104.0. This was primarily driven by declines in the manufacture of other non-metallic mineral products such as cement (-14.1%), cutting and polishing of diamonds (-2.7%), as well as a modest reduction in meat processing (-2.0%). On the contrary, notable increases were observed in the manufacture of dairy products (40.0%), rubber and plastic products (27.8%), and fish processing on shore (13.1%) during the same period.

On a Year-on-Year (YoY) basis, the PPI decreased by 3.7% compared to Q3 2023, when it was 107.9. The YoY decline was significantly influenced by a large drop in manufacturing of other non-metallic mineral products (-18.7%), especially cement prices, and a decrease in cutting and polishing of diamonds (-1.4%). This was compounded by a modest decline in meat processing (-0.8%), Table 1.

4.4 ELECTRICITY GENERATION AND SUPPLY

In Q3 2024, the Electricity Generation and Supply PPI remained unchanged at 100.0, showing 0.0 percent growth compared to Q2 2024. On a Year-on-Year basis, the PPI also showed no change, with a 0.0% increase compared to Q3 2023, when it stood at 100.0.

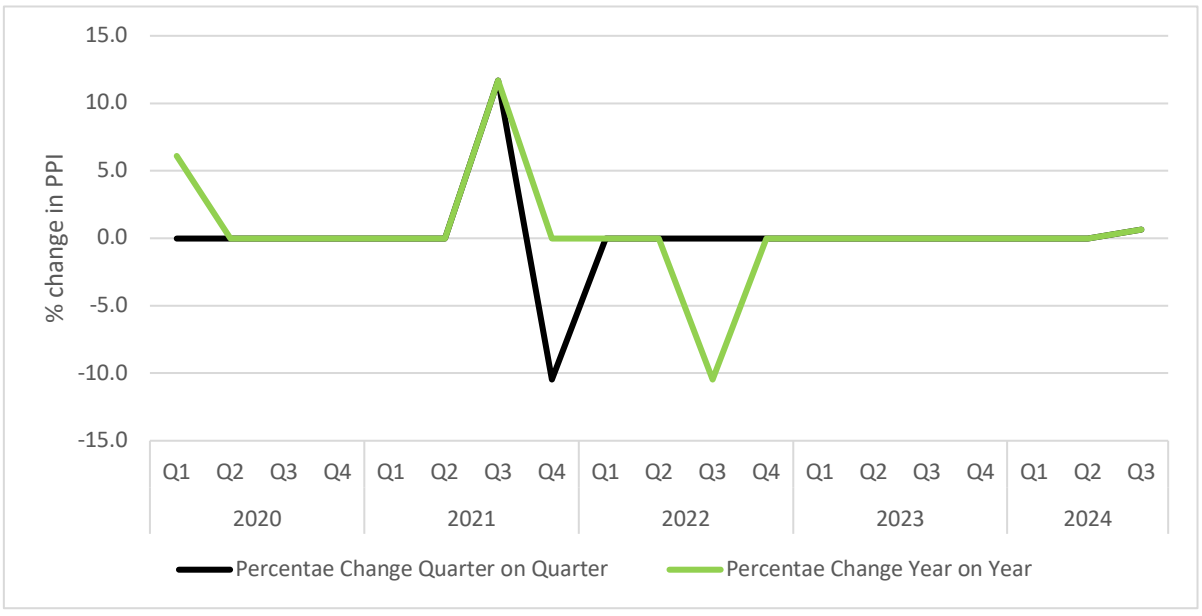
Chart 6: Percentage Change in Electricity Generation & Supply PPI (Q1 2020-Q3 2024)



This indicates a period of price stability in the electricity supply sector in Q3 2024, both on a quarter-on-quarter and year-on-year basis.

4.5 WATER SUPPLY AND TREATMENT

Chart 7: Percentage Change in Water Supply & Treatment PPI (Q1 2020 - Q3 2024)



In Q3 2024, the water supply sector showed modest increases in both quarter on quarter and year on year terms (both at 0.7%). This signals mild price adjustments rather than significant fluctuations, underscoring the sector's stability with only a slight upward movement in prices.

CONCLUSION

The rebasing of Namibia's Producer Price Index (PPI) in 2024 represents a pivotal update that enhances the accuracy, relevance, and comprehensiveness of this key economic indicator. The transition to a new base year of 2022 and the price reference period of June 2024 provides a more up-to-date and robust picture of price movements in Namibia's economy.

The expanded coverage and improved weighting system offer a clearer view of sectoral contributions to overall price changes, particularly in the mining, manufacturing, and water supply sectors. This broader representation allows for more accurate economic analysis and better-informed policymaking. It also helps businesses and industries in Namibia better understand price trends, facilitating improved planning and decision-making.

The analysis of the PPI for Q3 2024 reveals mixed results across various sectors. While mining and quarrying experienced growth on a year-on-year basis, there was a slight contraction in quarter-on-quarter performance, driven by declines in certain commodities like salt and uranium. Manufacturing, on the other hand, showed modest price reductions overall, but significant price increases were observed in sub-sectors such as dairy products, rubber and plastic products, and fish processing. In contrast, the electricity generation and supply sector remained stable, while the water supply sector saw mild price increases.
Overall, while there were some sector-specific price increases, the broader PPI trend for Q3 2024 points to modest price contractions in comparison to both the previous quarter and the same period in the previous year. These findings indicate that while inflationary pressures are easing in some sectors, other areas continue to experience fluctuations, highlighting the complex dynamics within the Namibian economy.

As the economy evolves, continuous monitoring of the PPI and periodic updates will be essential to maintaining its relevance and ensuring that it remains a reliable tool for tracking inflation and guiding economic policy. The insights provided by the PPI are crucial for understanding the ongoing shifts in production costs and their impact on the wider economy.

Release date:	**Next release date:**
21 November 2024	20 February 2025

Table 1:Namibia Producer Price Indices by Industry (June 2024=100)

Division/Industry	Quarterly Indices							% change	
	Q1 2023	Q2 2023	Q3 2023	Q4 2023	Q1 2024	Q2 2024	Q3 2024	QoQ	YoY
Production (B+C+D+E)	**102.5**	**105.3**	**102.5**	**99.6**	**100.6**	**102.8**	**101.8**	**-1.0**	**-0.7**
Mining and quarrying	**96.3**	**105.9**	**93**	**97.7**	**96.1**	**101.5**	**100**	**-1.5**	**7.4**
Uranium	78.4	92.2	80.1	82	91.6	102.1	100.9	-1.2	26
Zinc	-	-	-	-	-	100	109.8	9.8	-
Gold	77.8	83.5	85.8	85.5	88.9	91.6	109.7	19.8	27.8
Diamonds	114.2	127.2	104.6	111.4	101.5	100	95.7	-4.3	-8.5
Salt	-	-	-	-	-	100	83.8	-16.2	-
Manufacturing	**107.3**	**106.9**	**107.9**	**100.5**	**103.1**	**104.1**	**104.0**	**-0.1**	**-3.7**
Meat processing	106.5	108	106.6	92.9	97.2	108	105.8	-2	-0.8
Fish processing on shore	-	-	-	-	-	100	113.1	13.1	-
Manufacture of dairy products	-	-	-	-	-	100	140	40	-
Manufacture of grain mill products	-	-	-	-	-	100	107.7	7.7	-
Manufacture of other food products	-	-	-	-	-	100	99.6	-0.4	-
Manufacture of alcoholic beverages	88.7	88.7	99.3	99.3	99.3	100	101.2	1.2	1.9
Manufacture of Non-alcoholic beverages	93.7	93.7	99.8	99.8	100	100	104.8	4.8	5
Manufacture of rubber and plastic products	-	-	-	-	-	100	127.8	27.8	-
Manufacture of other non-metallic mineral products	93.4	93.4	100.9	100.9	100.9	95.5	82.1	-14.1	-18.7
Diamond cutting and polishing	121.1	105.6	101.4	119.2	120.5	102.7	99.9	-2.7	-1.4
Electric power generation, transmission and distribution	**91.6**	**91.6**	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**	**0.0**	**0.0**
Electric power generation, transmission and distribution	91.6	91.6	100.0	100.0	100.0	100.0	100.0	0.0	0.0
Water collection, treatment and supply	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**	**100.7**	**0.7**	**0.7**
Water collection, treatment and supply	100.0	100.0	100.0	100.0	100.0	100.0	100.7	0.7	0.7

[i] Where there is a dash (-) there is no historical PPI based on the previous base year of 2015.

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