

# BoN MPC Meeting December 2023



0.0005	4.85%
0.1003	13.04%
0.0001	50.00%
0.0003	14.29%
0.0005	12.50%

## Key Focus Points:

- The MPC **left the repo rate unchanged** at 7.75%.
- The BoN expects real GDP growth to slow to 3.9% in 2023 (from 7.6% in 2022).
- Inflation projection remained unchanged at an average of 5.9% in 2023.
- The preliminary stock of international reserves stood lower at N\$49.0 billion, enough to cover 5.1 months of imports.

## Macro Backdrop

The MPC noted that domestic economy activity continued to expand, driven by most sectors, primarily across the mining, electricity generation, livestock agriculture, communication, tourism, transport, wholesale and retail trade sectors. **Real GDP growth is expected to moderate to 3.9%** in (3.3% projected at the previous MPC announcement) from 7.6% in 2022.

**PSCE growth ticked up slightly to 1.83% y/y in October**, from 1.59% in September. Credit uptake remained subdued, as corporates continue to de-lever their balance sheets and growth in credit uptake by individuals continues to trend well below inflation.

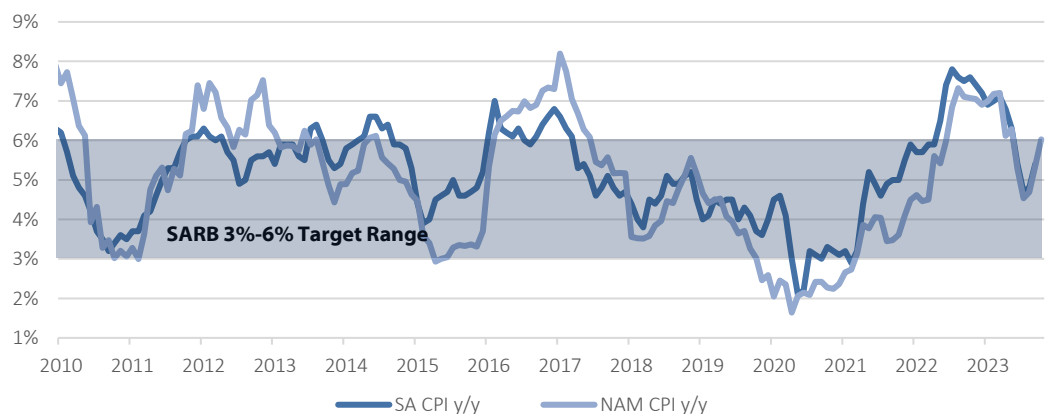
As at 30 November 2023, the stock of international reserves stood at N\$49.0 billion, moderately lower from the N\$51.4 billion recorded at the end of October 2023. The decline is due to higher net commercial bank outflows, according to the BoN. **The international reserves are estimated to cover 5.1 months of imports**, which remains ample to support the currency peg.

## Inflation

The October CPI data released by the Namibia Statistics Agency showed that Namibia's inflation rate edged up to 6.0%, from 5.4% y/y in September. The top contributors slightly changed from September, with the food and non-alcoholic beverages basket item remaining the biggest contributor with 1.8 percentage points contributed, but the transport category surpassed the alcohol and tobacco category, making it the second largest contributor, contributing 1.0 percentage points, followed by the alcohol and tobacco and the housing and utilities categories, contributing 1.0 and 0.8 percentage points, respectively.

The BoN **estimates that inflation will average around 5.9% in 2023**, remaining steady from the projection at the last MPC meeting. This is in line with IJG's inflation model, which is currently forecasting the NCPI rate to end 2023 between 5.6% and 6.4%, and for it to slow to around 4.3% in 2024.

Namibia vs South African CPI (y/y)



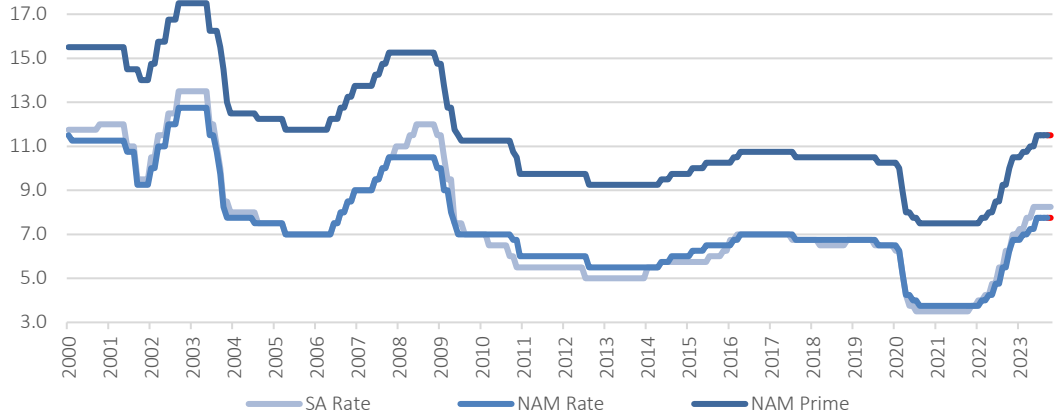
Source: Namibia Statistics Agency, Statistics South Africa, IJG Securities





# Interest Rates

## Historical Policy Rates

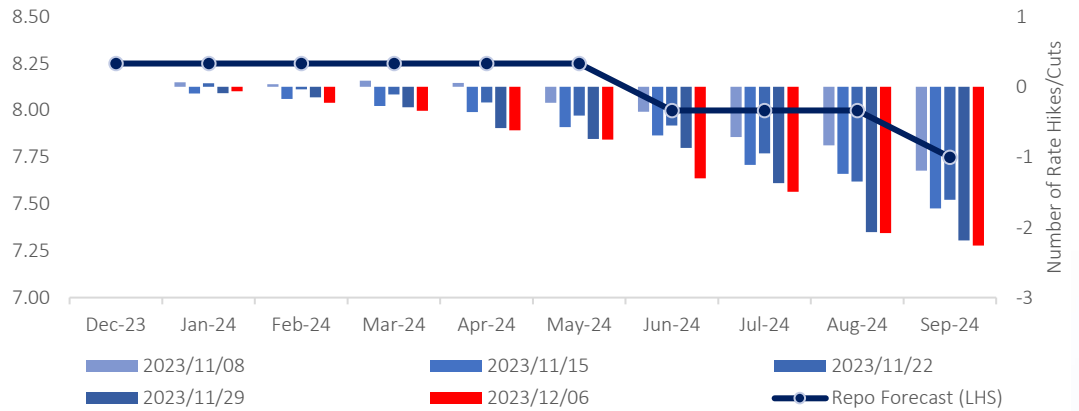


Source: Bank of Namibia, Statistics South Africa, IJG Securities

The decision to leave the rates unchanged kept the 50bps spread between Namibia and South Africa’s rates in place. No mention was made of the capital flows between the two countries, suggesting that the MPC is still comfortable with the current levels.

The current pricing of the **Forward Rate Agreement (FRA) curve** indicates that rates will likely remain steady for 1H24, with the first 25bp rate cut priced in around June.

## Implied Probability of Rate Hikes over time (SARB)



\*The columns indicate the number of 25bp hikes/cuts expected for a given month as at the date indicated in the legend (RHS).

Source: Bloomberg, IJG Securities

# Our Take

The decision to keep the rates unchanged was expected, given the same decision by the SARB last month. The MPC is well aware of the recent uptick in inflation, but felt that with real rates already positive, and an expected slowdown in inflation in 2024, coupled with subdued credit demand and slowing economic activity, that the current rate remains appropriate.

The only question the Governor received during the Q&A session was for a rate forecast in 2024, to which he again answered that “it will depend on incoming data.”

The next MPC announcement is scheduled for 14 February 2024.



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