



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 3.4% in 2024 (from 3.9% in 2023).
- The central bank still forecasts inflation to average 4.8% in 2024.
- The preliminary stock of international reserves stood at N\$49.7 billion on 31 January, enough to cover 3.7 months of imports.

## Macro Backdrop

The Bank of Namibia (BoN) expects **real GDP growth to slow from an upward revised 3.9% in 2023 to 3.4% in 2024**. Domestic downside risks to the growth forecast include drought, sporadic rainfall conditions, and water supply interruptions at the coastal towns.

**PSCE growth remained subdued** since the October MPC meeting, coming in at just 1.9% y/y in December. The BoN projects PSCE growth to improve marginally to around 2.8% y/y in 2024.

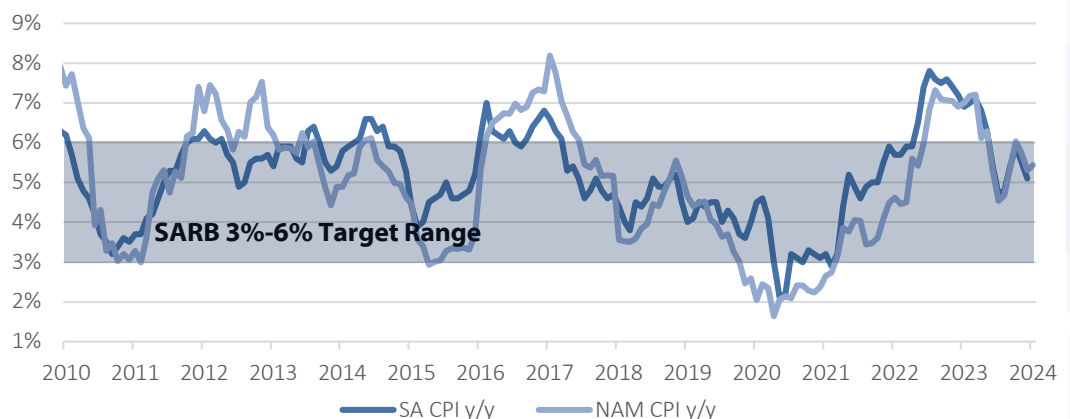
The preliminary stock of international reserves stood at N\$49.7 billion as at 31 January, a slight increase from the N\$49.0 billion reported at the October MPC meeting, which the BoN attributes to SACU receipts. At its current level, the **stock of international reserves is estimated to cover 3.7 months of imports** and thus remains sufficient to support the currency peg.

## Inflation

The January CPI data released by the Namibia Statistics Agency showed that the annual inflation rate ticked up marginally to 5.4% in January, from 5.3% in December. What is worth noting from the data release is that rental inflation came in at 3.6% y/y, from 2.1% y/y previously. As rental payments make up a large portion (23.3%) of the CPI basket, and are only revised once a year, in January, the modest inflationary adjustment is not expected to be a significant contributor to inflation in 2024.

The BoN expects inflationary pressures to continue easing in 2024, and forecasts Namibian **inflation to average 4.8% in 2024**, unchanged from its previous forecast. IJG's inflation model is currently forecasting the domestic inflation rate to slow to around 4.4% in 2024.

Namibia vs South  
African CPI  
(y/y)

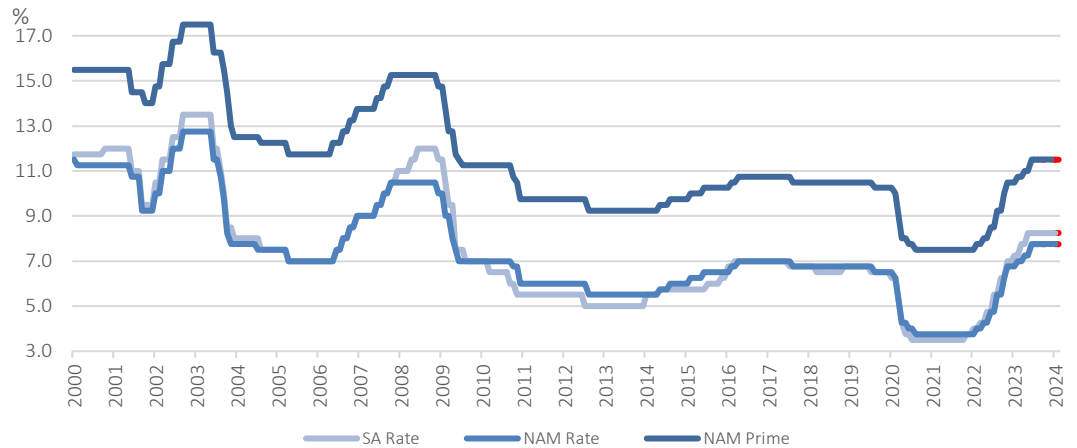


Source: Namibia Statistics Agency, Statistics South Africa, IJG Securities



## Interest Rates

### Historical Policy Rates

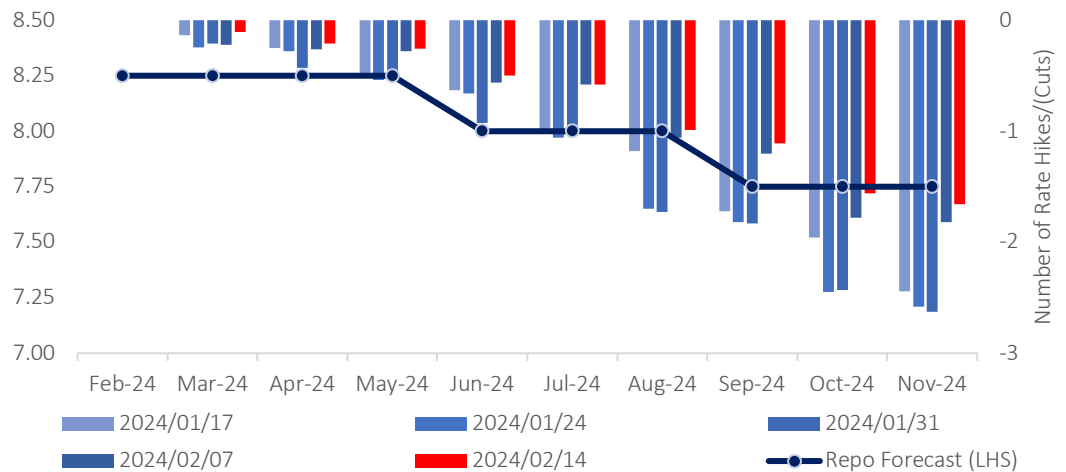


Source: Bank of Namibia, Statistics South Africa, IJG Securities

The **decision to leave rates unchanged was unanimous** and leaves the 50bps spread between Namibia and South Africa’s rates in place. No mentions were made of the capital flows between the two countries at this announcement, suggesting that the MPC is comfortable with the current levels.

The current pricing of the Forward Rate Agreement (FRA) curve indicates that **rate cuts in South Africa should start around the middle of the year**. The market is however currently only pricing in two 25bp rate cuts by year-end, versus three a month ago.

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



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

Source: Bloomberg, IJG Securities

## Our Take

The MPC’s unanimous decision was expected and suggests that the MPC are comfortable with the 50bp spread between the repo rates of Namibia and South Africa and are not seeing significant capital outflows to South Africa.

The questions from the media were elementary, with little of note being further revealed during the Q&A session.



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