BoN MPC Meeting
October 2023

Key Focus Points:

- The MPC **unanimously voted to keep the repo rate unchanged** at 7.75%.
- The BoN expects real GDP growth to slow to 3.3% in 2023 (from 7.6% in 2022).
- Inflation projection is revised upwards to an average 5.9% in 2023.
- The preliminary stock of international reserves stood at N$53.8 billion, enough to cover 5.6 months of imports.

Macro Backdrop

Domestic economy activity continued to improve, driven primarily by the mining, electricity generation, retail trade, tourism and wholesale and sectors. Real GDP growth is expected to slow to 3.3% in 2023 from 7.6% in 2022.

PSCE growth slowed to 2.27% y/y in August, from the 2.67% growth recorded in July. The growth remained uninspiring, as the credit uptake by individuals during August were nearly balanced out by corporates repayments.

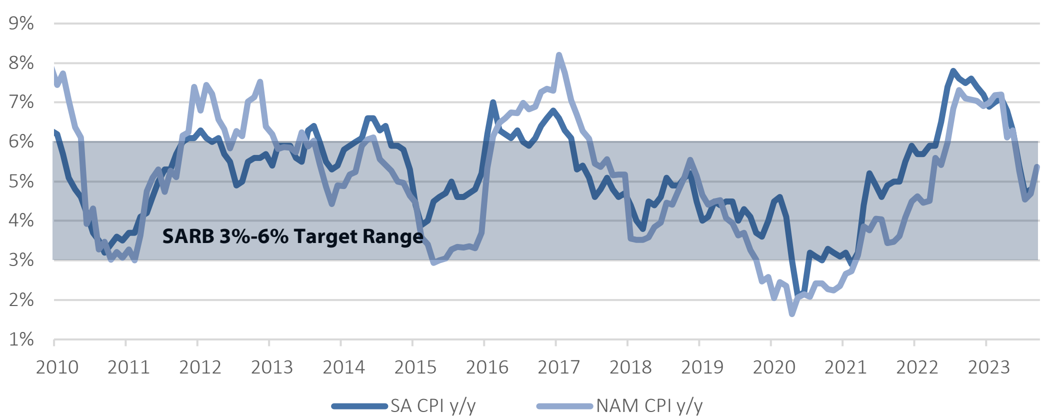
As at 30 September 2023, the stock of international reserves edged lower to N$53.8 billion from the N$55.6 billion recorded at the end of August 2023 and the N$54.2 billion reported at the previous MPC meeting. The BoN ascribed the decrease due to net commercial bank outflows and foreign payments by the Government. **The international reserves are estimated to cover 5.6 months of imports** and thus remains sufficient to support the currency peg.

Inflation

The September CPI data released by the Namibia Statistics Agency showed that the country's inflation rate ticked up to 5.4% from 4.7% in August. The top contributors remain unchanged from August, as the food and non-alcoholic beverages basket item contributed 1.9 percentage points to September's overall inflation rate, followed by the alcohol and tobacco category at 1.1 percentage points, while housing and utilities, which has the heaviest weighting at 28.4%, contributed 0.8 percentage point.

The BoN projects **inflation to average around 5.9% in 2023**, an upward revision from the last MPC meeting (5.6%). IJG's inflation model is currently forecasting the domestic inflation rate to end 2023 between 5.3% and 5.8%, although the upper end of this range seems more likely at this stage, before slowing to around 4.5% in 2024.

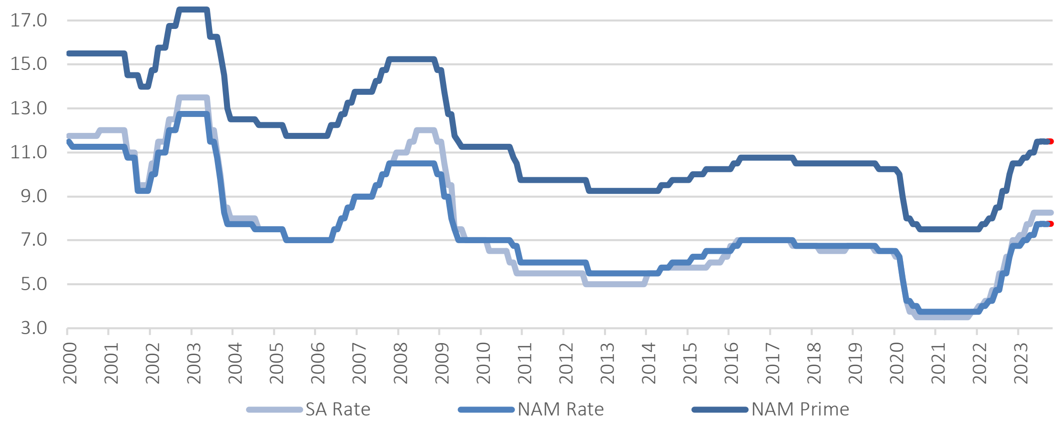
Namibia vs South African CPI
(y/y)



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

Interest Rates

Historical Policy Rates

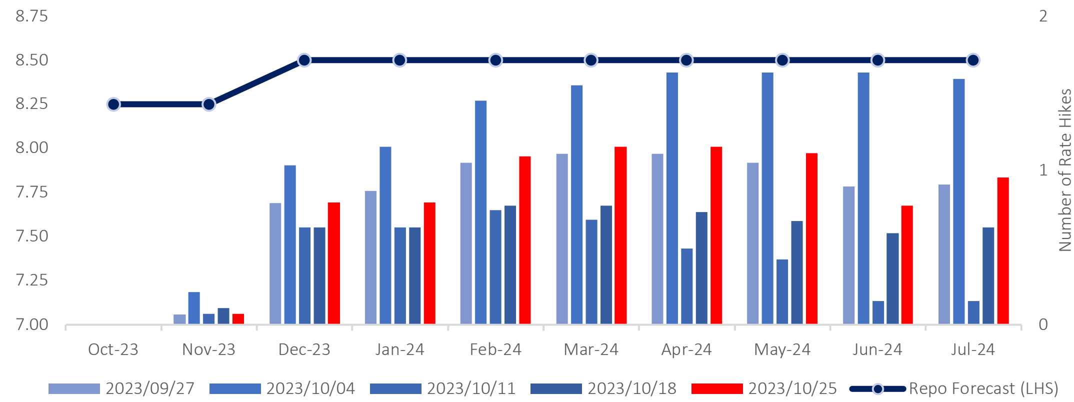


Source: Bank of Namibia, Statistics South Africa, IJG Securities

The decision to leave rates unchanged was unanimous, leaving 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 a 25bp rate hike by the SARB at its November meeting is not out of the question**. Inflation has started ticking up again over the last two months and intensifying inflationary risks (rising oil prices, weakening currency, El Niño) could prompt them to hike.

Implied Probability of Rate Hikes 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

Little of note was said in the statement or during the Q&A session.

The unanimous decision was expected and suggests that the MPC shares our view that there is little reason for Namibia to hike rates further at this point. That being said, this does not mean that this is necessarily the end of the tightening cycle. If the SARB does decide to hike rates by a further 25bps in November, all eyes will be on the BoN to see whether they follow in-kind on 05 December.

The high frequency data indicate that additional hikes in Namibia are not necessary at present, but we know that the MPC is cautious of capital outflows to South Africa if the rate differential gets too wide, and that they are wary of the second-round effects of rising fuel prices. We would therefore not be surprised to see a 25bp hike at the last MPC meeting of the year, should the SARB decide to do so.

In response to a question from the media about whether Namibian rates will remain 'higher for longer,' as will probably be the case in the rest of the world, the Governor naturally stated that “it will depend on the incoming data.”

TEAM NAMIBIA MEMBER

IJG Holdings

Mathews Hamutenya	Group Chairman		Tel: +264 (61) 256 699
Mark Späth	Group Managing Director	mark@ijg.net	Tel: +264 (81) 958 3510
Helena Shikongo	Group Financial Director	helena@ijg.net	Tel: +264 (81) 958 3528
Leonie de Klerk	Group Compliance Officer	leonie@ijg.net	Tel: +264 (81) 958 3533
Tashiya Josua	Group Financial Officer	tashiya@ijg.net	Tel: +264 (81) 958 3511
Lynnet Sasele	Financial Accountant	lynnet@ijg.net	Tel: +264 (81) 958 3536
Madeline Olivier	Group PA	madeline@ijg.net	Tel: +264 (81) 958 3500

IJG Securities

Eric van Zyl	Managing Director Designate	eric@ijg.net	Tel: +264 (81) 958 3530
Leon Maloney	Equity & Fixed Income Dealing	leon@ijg.net	Tel: +264 (81) 958 3512
Maria Amutenya	Settlements & Administration	maria@ijg.net	Tel: +264 (81) 958 3515
Danie van Wyk	Head: Research	danie@ijg.net	Tel: +264 (81) 958 3534
Zane Feris	Sales and Research	zane@ijg.net	Tel: +264 (81) 958 3543

IJG Wealth Management

Andri Ntema	Managing Director	andri@ijg.net	Tel: +264 (81) 958 3518
Wim Boshoff	Head Wealth Manager	wim@ijg.net	Tel: +264 (81) 958 3537
Aretha Thiart	Wealth Manager	aretha@ijg.net	Tel: +264 (81) 958 3540
Katja Greeff	Wealth Manager	katja@ijg.net	Tel: +264 (81) 958 3538
Ross Rudd	Portfolio Manager	ross@ijg.net	Tel: +264 (81) 958 3523
Lorein Kazombaruru	Wealth Administration	lorein@ijg.net	Tel: +264 (81) 958 3521
Francoise van Wyk	Wealth Administration	francoise@ijg.net	Tel: +264 (81) 958 3513
Calvin Mwinga	Wealth Administration	calvin@ijg.net	Tel: +264 (81) 958 3514

IJG Capital

Jakob de Klerk	Managing Director	jakob@ijg.net	Tel: +264 (81) 958 3517
Mirko Maier	Business Analyst	mirko@ijg.net	Tel: +264 (81) 958 3531
Letta Nell	Business Analyst	letta@ijg.net	Tel: +264 (81) 958 3532
Lucas Martin	Business Analyst	lucas@ijg.net	Tel: +264 (81) 958 3541
Peterson Mbise	Business Analyst	peterson@ijg.net	Tel: +264 (81) 958 3532
Fares Amunkete	Value Add Analyst	fares@ijg.net	Tel: +264 (81) 958 3527

IJG Investment Managers & IJG Unit Trusts

Dylan van Wyk	Portfolio Manager	dylan@ijg.net	Tel: +264 (81) 958 3529

IJG Advisory

Herbert Maier	Managing Director	herbert@ijg.net	Tel: +264 (81) 958 3522
Jolyon Irwin	Director	jolyon@ijg.net	Tel: +264 (81) 958 3500
Hugo van den Heever	Corporate Advisor	hugo@ijg.net	Tel: +264 (81) 958 3542
Ursula Gollwitzer	Assistant Corporate Advisor	ursula@ijg.net	Tel: +264 (81) 958 3535