

# BoN MPC Meeting October 2024



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 reduced the repo rate from 7.50% to 7.25%.
- The central bank maintained its GDP growth forecast for 2024 at 3.1%.
- The Bank of Namibia (BoN) forecasts inflation to average 4.3% in 2024.
- The stock of international reserves stood at N\$57.1 billion on 30 September, enough to cover 3.9 months of imports.

## Macro Backdrop

The Bank of Namibia maintain its real GDP growth forecast of 3.1% for 2024. At the first MPC meeting, the BoN expected real GDP growth to be 3.4% in 2024. The downward revision is largely due to a weakening in primary industry, driven in part by ongoing drought conditions and sluggish global demand.

Growth in PSCE remains subdued, coming in at 2.1% y/y in August, with an average growth rate of 2.0% thus far in 2024. This compares to an average of 2.7% during the same period in 2023. The governor noted that recent tax relief measures and lower interest rates could help boost credit demand in the near future.

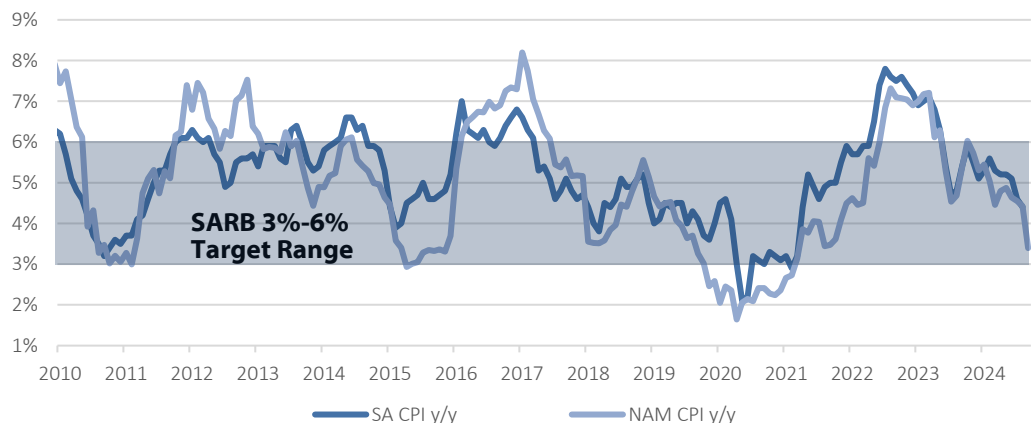
As of 30 September, the stock of international reserves stood at N\$57.1 billion, down from N\$60.8 billion at the end of July. This level provides an import cover of approximately 3.9 months, which is sufficient to maintain the currency peg.

## Inflation

The Namibian annual inflation rate slowed to 3.4% y/y in September, following the 4.4% y/y increase in prices recorded in August. Prices for goods rose by 3.5% y/y while prices for services increased by 3.2% y/y. With fuel prices now notably lower, the transportation basket should have a disinflationary effect in October, possibly leading to yet a lower annual inflation print. Overall, inflation is likely to remain subdued in the near term as price pressures ease across key categories.

Going forward, the BoN revised its average inflation rate forecast for 2024 down to 4.3%. This is in line with IJG's inflation model, where we predict that the annual inflation rate will average between 4.0% and 4.3% in 2024.

Namibia vs South African CPI (y/y)



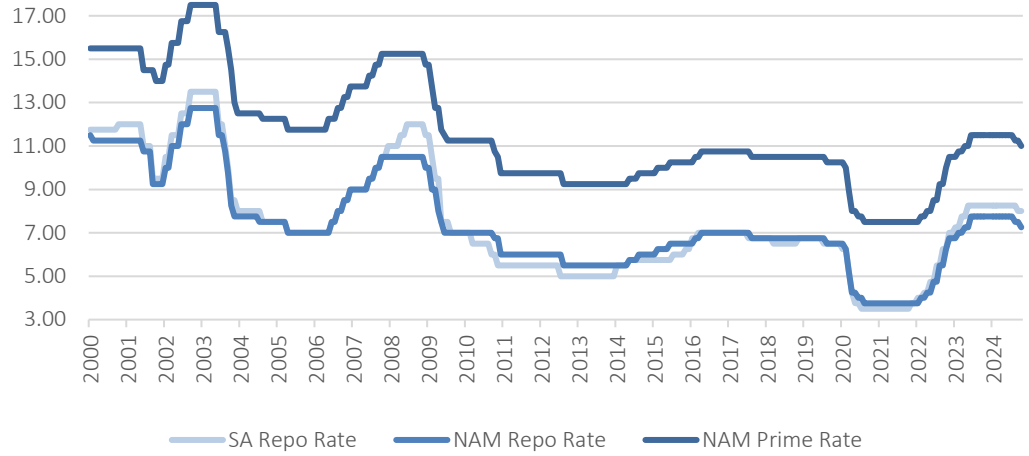
Source: Namibia Statistics Agency, Statistics South Africa, IJG Securities



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# Interest Rates

## Historical Policy Rates (%)



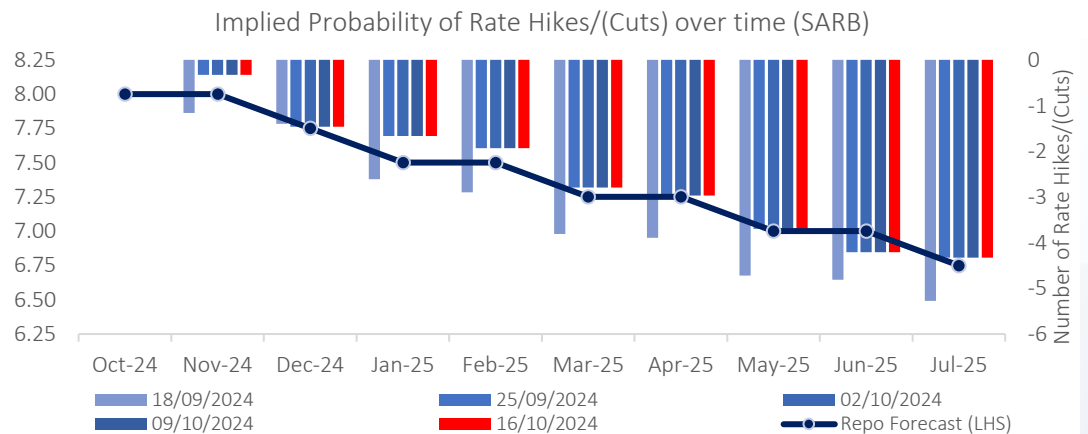
Source: Bank of Namibia, South African Reserve Bank, IJG Securities

The decision to reduce the repo rate by 25bps to 7.25%, did not come as a surprise. This, however, widens the spread between Namibia and South Africa’s repo rate to 75bps.

The governor expressed confidence in the recent orderly capital flows, while the MPC observed that the Namibian economy is operating below full capacity, with subdued PSCE being one of the indicators. As a result, the committee unanimously opted to reduce the repo rate.

The current pricing of the Forward Rate Agreement (FRA) curve indicates that the market is pricing in one 25bp rate cut in South Africa by the end of the year. The inflation rate in South Africa came in at 4.4% in August, slightly lower than the 4.6% y/y witnessed in July. CPI in South Africa is at its lowest since April 2021 and trending within the SARB’s 3-6% target range, as illustrated in the chart on the previous page.

## 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





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## Our Take

In conclusion, Namibia's economic growth is projected to remain moderate, with subdued PSCE and inflationary pressures easing in the near term. The reduction in the repo rate reflects the Bank of Namibia's focus on supporting economic recovery amid global uncertainties. Looking ahead, inflation is expected to remain contained, with the BoN's revised forecast aligning with broader market expectations. Further monetary policy adjustments may depend on regional and global economic developments.

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