



---

**Economic Update**

**Friday, 26 October 2018**

---

### **Busy Week in the Capital**

Despite the sleep inducing weather, this week has probably been the busiest in Windhoek with both the central bank and our national treasury serving up some monetary and fiscal policy in a space of two days.

#### **Monetary Policy: No surprise**

Once again and much to the relief of debtor's nationwide the Bank of Namibia (BoN) has decided to hold off on raising interest rates. Thus the repo rate remains 6.75% at least until 4 December when their next meeting will take place.

Economic growth is terribly weak at present; the Ministry of Finance has revised their 2018 forecast to -0.2% from 0.6%, therefore this latest decision by BoN is as supportive of growth as monetary policy can be. The preservation the Namibia dollar's link to the ZAR was also considered in reaching that conclusion and with the stock of foreign reserves at N\$32.5 billion (5.2 months of import cover) a hike at this point is not necessary.

Other macroeconomic domestic factors that supported flat rate were inflation and private sector credit growth which have been weak relative to the previous year. Going forward there is a higher probability in favor of keeping the repo rate as is. However, if any change at all is to be expected then a 25 basis points hike could occur during the first half of 2019 if higher inflation, decreasing foreign reserves and a reversal in the current economic growth trend deem it necessary. As for cuts... that's a remote possibility.

#### **Fiscal Policy: Nice surprise**

The Medium Term Expenditure Framework (MTEF) as our mini budget is known was delivered on Wednesday afternoon. For a change revenue had been underestimated hence the pleasant surprise of an additional N\$2,022 billion to the coffers in 2017/18. This improved collection in revenue from various sources of tax, coupled with the discipline exercised with regards to spending brought the deficit down to N\$8.9 billion from the N\$9.2 billion projected in the main budget. Further tax proposals have been brought to the fore including a tax on foreign income earned by Namibian residents, tax on the commercial income of churches and charity organizations, an additional hike in sin taxes, etc.

The MTEF maintained projections for the current and subsequent years with the exception of a reduction in the level of debt. Come 2021, the net debt will total N\$98.7 billion, almost half a billion less than earlier projected.

As a percentage of GDP, the fiscal deficit is expected to shrink significantly from 4.5% this budget year to 3.9% and 2.3% in the next two years. Debt has been forecast to hover between forty and forty-five percent of GDP during the MTEF which should appease the Fitch & Moody's ratings agencies. It should however be noted that these auspicious deficit and debt ratios result from an optimistic outlook on nominal GDP in the coming years. While the growth rate in nominal GDP may turned out 4.1% higher than expected during the previous budget year, inflation and the economy in general are not as strong this time around.

If the estimated outcome of the 2017/18 budget is anything to go by it would seem that fiscal prudence is indeed being applied. Unfortunately, in an environment of tighter monetary and fiscal policy, it seems as if real economic growth and employment are taking quite a hit.



## Stats of the Day

Budget vs MTEF													
NAD, mil	Outcome	Estimate				Forecast							
	2016/17	2017/18			2018/19			2019/20			2020/21		
	MTEF	Budget	MTEF	Difference	Budget	MTEF	Difference	Budget	MTEF	Difference	Budget	MTEF	Difference
<b>Total Revenue</b>	<b>50,865</b>	<b>56,811</b>	<b>58,834</b>	2,022.7	<b>56,696</b>	<b>56,696</b>	-	<b>57,843</b>	<b>57,843</b>	-	<b>61,308</b>	<b>61,308</b>	-
% ch/	(10.1)	11.7	15.7	4.0	(3.6)	(3.6)	-	2.0	2.0	-	6.2	6.0	(0.2)
% of GDP	31.0	33.1	32.9	(0.1)	30.7	30.7	-	28.8	28.8	-	28.0	28.0	-
<i>Improved tax compliance &amp; collection led to better than expected revenue growth</i>													
<b>Total Expenditure</b>	<b>62,267</b>	<b>66,053</b>	<b>67,706</b>	1,653.1	<b>65,002</b>	<b>65,002</b>	-	<b>65,682</b>	<b>65,682</b>	-	<b>66,312</b>	<b>66,312</b>	-
% ch	(6.1)	6.1	8.7	2.7	(4.0)	(4.0)	-	1.0	1.0	-	1.0	1.0	0.0
% of GDP	37.9	38.4	37.9	(0.5)	35.2	35.2	-	32.7	32.7	-	30.2	30.2	-
<i>Marginal increase in expenditure. Ceiling maintained due to reprioritization rather than increased spending</i>													
<b>Deficit</b>	<b>-11,402</b>	<b>-9,242</b>	<b>-8,872</b>	369.6	<b>-8,306</b>	<b>-8,306</b>	-	<b>-7,839</b>	<b>-7,839</b>	-	<b>-5,004</b>	<b>-5,004</b>	-
% of GDP	(6.9)	(5.4)	(5.0)	0.4	(4.5)	(4.5)	-	(3.9)	(3.9)	-	(2.3)	(2.3)	-
<i>Combination of fiscal discipline and improved revenue collection lead to a narrower deficit</i>													
<b>Net Loan Debt</b>	<b>69,896</b>	<b>74,468</b>	<b>74,475</b>	7.1	<b>83,293</b>	<b>83,293</b>	-	<b>81,592</b>	<b>81,592</b>	-	<b>99,142</b>	<b>98,713</b>	(428.5)
% of GDP	42.6	43.3	41.7	(1.6)	45.1	45.1	-	40.6	40.6	-	45.2	45.0	(0.2)
<b>Guarantees</b>	<b>6,351</b>	<b>12,812</b>	<b>12,812</b>	-	<b>14,812</b>	<b>14,812</b>	-	<b>15,812</b>	<b>15,812</b>	-	<b>17,362</b>	<b>17,362</b>	-
% of GDP	3.9	7.5	7.2	(0.3)	8.0	8.0	-	7.9	7.9	-	7.9	7.9	-
<b>Total Debt</b>	<b>76,247</b>	<b>87,280</b>	<b>87,287</b>	7.1	<b>98,105</b>	<b>98,105</b>	-	<b>97,404</b>	<b>97,404</b>	-	<b>116,504</b>	<b>116,075</b>	(428.5)
% of GDP	46.4	50.8	48.9	(1.9)	53.1	53.1	-	48.5	48.5	-	53.1	52.9	(0.2)
<i>Encouraging ratios due to optimistic nominal GDP outlook</i>													
<b>Nominal GDP</b>	<b>164,156</b>	<b>171,852</b>	<b>178,651</b>	6,799.2	<b>184,748</b>	<b>184,748</b>	-	<b>200,759</b>	<b>200,759</b>	-	<b>219,314</b>	<b>219,314</b>	-
% ch	(0.9)	4.7	8.8	4.1	3.4	3.4	-	8.7	8.7	-	9.2	9.2	-
<i>Nominal GDP forecasts remained unchanged save for 2017/18</i>													

Source: Capricorn Asset Management, 2018

## Data Releases

Local Time	Country	Indicator Name	Period
14:30	United States	GDP Advance	Q3
14:30	United States	GDP Sales Advance	Q3
14:30	United States	GDP Cons Spending Advance	Q3
14:30	United States	GDP Deflator Advance	Q3
14:30	United States	Core PCE Prices Advance	Q3
14:30	United States	PCE Prices Advance	Q3
16:00	United States	U Mich Sentiment Final	Oct
16:00	United States	U Mich Conditions Final	Oct
16:00	United States	U Mich Expectations Final	Oct
16:00	United States	U Mich 1Yr Inf Final	Oct
16:00	United States	U Mich 5-Yr Inf Final	Oct
16:30	United States	ECRI Weekly Index	15 Oct, w/e
16:30	United States	ECRI Weekly Annualized	15 Oct, w/e

Source: Thomson Reuters

## Market Overview

<b>Money Market</b>		Change	Latest
3 months	↓	-0.01%	7.02%
6 months	↑	0.02%	7.68%
9 months	↑	0.05%	7.98%
12 months	↑	0.09%	8.42%
<b>Bonds</b>		Change	Latest
GC21 (R208 : 7.87%)	↓	-0.01%	8.73%
GC24 (R186 : 9.33%)	↑	0.03%	10.63%
GC27 (R186 : 9.33%)	↑	0.03%	10.73%
GC30 (R2030 : 9.78%)	↑	0.03%	11.28%
GC32 (R213 : 9.88%)	↑	0.03%	11.61%
GC35 (R209 : 10.08%)	↑	0.02%	11.58%
GC37 (R2033 : 10%)	↑	0.02%	11.93%
<b>Commodities</b>		%Change	Latest
Gold	↓	-0.08%	\$ 1,232.77
Platinum	↓	-0.17%	\$ 828.76
Copper	→	0.00%	\$ 6,179.00
Brent Crude	↑	0.64%	\$ 75.99
<b>Main Indices</b>		%Change	Latest
NSX (Delayed)	↓	-0.59%	1213.03
JSE All Share	↑	0.39%	51,075.14
S&P 500	↓	-3.09%	2,656.10
FTSE 100	↑	0.12%	6,971.46
Hangseng	↓	-1.01%	24,994.46
DAX	↑	0.49%	11,246.66
<b>JSE Sectors</b>		%Change	Latest
Financials	↑	0.51%	15,363.74
Resources	↑	0.51%	39,931.97
Industrials	↑	0.37%	61,374.56
<b>Forex</b>		%Change	Latest
N\$/US Dollar	↓	-0.26%	14.5284
N\$/Pound	↓	-0.15%	18.7332
N\$/Euro	↓	-0.16%	16.5665
US Dollar/ Euro	↑	0.10%	1.1403
<b>Namibia Monthly Data</b>		Latest	Previous
Namibia Inflation (Sep 18)		4.8	4.4
Bank Prime		10.50	10.50
BoN Repo Rate		6.75	6.75

Source: Bloomberg

For enquiries concerning the Daily Brief please contact us at

[Daily.Brief@capricorn.com.na](mailto:Daily.Brief@capricorn.com.na)

---

***Disclaimer***

*The information contained in this note is the property of Capricorn Asset Management (CAM). The information contained herein has been obtained from sources which and persons whom the writer believe to be reliable but is not guaranteed for accuracy, completeness or otherwise. Opinions and estimates constitute the writer's judgement as of the date of this material and are subject to change without notice. This note is provided for informational purposes only and may not be reproduced in any way without the explicit permission of CAM.*

A member of  **Capricorn Group**

---