



Economic Headlines

Friday, 30 November 2018

Curtain call

“It was the best of times, it was the worst of times, it was the age of wisdom, it was the age of foolishness, it was the epoch of belief, it was the epoch of incredulity, it was the season of Light, it was the season of Darkness, it was the spring of hope, it was the winter of despair, we had everything before us, we had nothing before us, we were all going direct to Heaven, we were all going direct the other way...”

Charles Dickens’ opening lines in *A Tale of Two Cities* are a perfect description of 2018; we are on the brink of entering the final month of the year which is typically a period of reflection and evaluation. Looking back on the last three hundred and thirty-four days one can say that it wasn’t a great year as far as global recession recoveries go but it had its moments. We saw growth picking up steam in advanced economies and energy prices on the rise much to the relief of oil dependent countries in emerging markets. On the other hand most commodity prices failed to make material recoveries placing a drag on developing economies. Furthermore, financial markets have been quite volatile as information about trade wars, Brexit, sanctions, policy reforms and new technological disruptions plague the minds of investors. All markets are operating against a backdrop of heightened uncertainty and the more information becomes available, the less is known to be certain. So in deed 2018 has been the best and worst of times.

The Namibian economy remains in contraction and while the expectation is for GDP growth to recover in the coming years both Treasury and the Central Bank forecast growth below 1.0% and 2.0% for 2018 and 2019 respectively. At such low rates of growth it can be expected that high unemployment will persist. The fiscal consolidation policy adopted by the government limits their ability to absorb those able and willing to work in the public sector and unless business sentiment changes for the better the private sector will not be creating employment anytime soon either.

Weak growth also has consequences for our sovereign credit rating as it is one of the key factors taken into consideration by ratings agencies. If Namibia is to be considered as credit worthy then GDP has to grow at a faster rate than that at which we accumulate debt and right now the latter is far outpacing the former. The good news is that fiscal conditions improved; the medium term budget revealed that revenue collected was higher than the government had expected. Thanks to the inflow of N\$19.5 billion in SACU revenue and an improvement in income tax collected and the prudential manner in which public finances are now managed, the deficit-GDP ratio is now forecast at 4.5% for the current financial year compared to 5.0% during the 2017/18 budget year. Further

declines are expected such that by 2021 the deficit-GDP ratio is expected to come under 3.0% which would bode well for Namibia's sovereign debt rating and reduce anxiety over possible mass outflows of capital.

Interest rates are now expected to be used as an essential tool for the prevention of capital flight. The reserve bank of South Africa had to hike interest rates despite severe weakness in that economy as the rand and local securities are becoming less competitive against currencies and investments in advanced countries where monetary policy is there is presumably less risk and monetary policy is being normalized. Namibia finds herself in a similar situation to that of South Africa and a similar monetary policy stance is likely to be adopted by the Bank of Namibia in order to preserve the one-to-one link to the rand.

Now that domestic interest rates are more likely than not to increase, business and consumer activity will most likely slow down as the appetite for credit wanes in the face of rising borrowing costs. Private sector credit extension (PSCE) continues to reflect the current recessionary conditions only just ticking above 7.0% in the last quarter of this year. Both households and businesses have significantly reduced demand for mortgage loans and overdrafts hence the weak credit demand observed during 2018. Our expectation is for the PSCE to print above seven percent during the festive season but unless business sentiment and unemployment improve it is quite possible that the growth rate of credit extended to the private sector could average a meagre 3.0% next year.

Inflation which is back on an upward trajectory averaged 4.1% during the first ten months of the year and also gives rise to the expectation for higher interest rates. Increasing global energy prices had been the strongest driver of inflation in Namibia. In October transport inflation index shot up to 13.7% yoy from 4.3% yoy. It can be expected that as the US economy interest rates rise and the USD appreciates, emerging markets can expect further inflationary pressure. As a net importer and exporter of commodities whose prices have not yet fully recovered, Namibia is no exception and the impact of higher import costs has already been observed since domestic inflation began to rise during 2Q18. Between fuel prices, higher import costs as well as rising utilities prices inflation is capable of breaching the 6.0% upper limit of the policy target band over the next two years.

So there we have it – the year that was; a bit of a mixed bag or better yet a dark cloud with a few silver linings. One can only hope that 2019 will bring with it some kind of relief to this unpredictable global and domestic economic climate because 2018 is closing on a rather apathetic note. As 2018 closes on a rather apathetic note we head into 2019 with the hope that the recession will indeed be a brief blip in Namibia's economy history that we all survived.



Happy holidays and have a fruitful new year.

It's been a pleasure!

Stats of the Day



Best Orchestrated
Burglaries
in History

Hear that glass breaking?

The
Greatest
BAGHDAD BANK
ROBBERY



VALUE: \$282 Million
In 2007, someone made off with \$282 million from the Dar Es Salaam Bank in Baghdad – all in US funds. No one has ever been caught



The
Antwerp
Diamond Job
VALUE: \$100 Million

The perpetrators of this 2003 heist opened ten layers of security for a massive haul in uncut diamonds.

The
Banco Central
Caper



VALUE:
\$70 Million

In 2005 in Fortaleza, Brazil, a small gang of thieves tunneled through more than 250 feet of real estate to reach the bank vault.

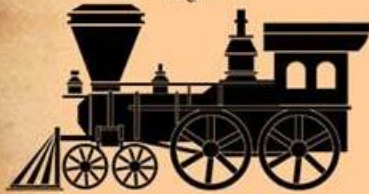
The
Knightsbridge
Security Deposit
HOLD-UP
VALUE: \$96 Million



In 1987, Valerio Vicci and crew held the bank employees at gunpoint while they literally hauled out cash and valuables from the other safe deposit boxes.

The Great Train Robbery

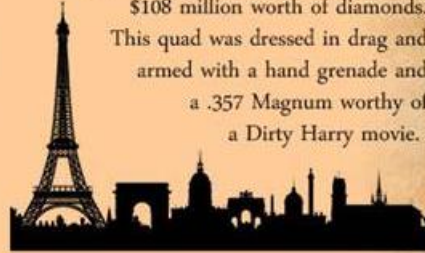
Back in 1963, a group of 15 men used a fake train signal to stop a mail train in Buckinghamshire, England.



VALUE: \$74 Million

The Harry Winston Heist

In 2008, four men stormed the Harry Winston jewelry store in Paris and stole about \$108 million worth of diamonds. This quad was dressed in drag and armed with a hand grenade and a .357 Magnum worthy of a Dirty Harry movie.



Keep this in mind: the vast majority of these criminal masterminds were eventually caught despite their planning skills.
NO AMOUNT OF CASH OR JEWELS IS WORTH THE LOSS OF YOUR FREEDOM.

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Source: www.brainz.org

Data Releases

Local Time	Country	Indicator Name	Period
03:00	China (Mainland)	NBS Non-Mfg PMI	Nov
03:00	China (Mainland)	NBS Manufacturing PMI	Nov
03:00	China (Mainland)	Composite PMI	Nov
12:00	Euro Zone	HICP Flash YY	Nov
12:00	Euro Zone	HICP ex F&E Flash YY	Nov
12:00	Euro Zone	HICP ex F,E,A&T Flash YY	Nov
12:00	Euro Zone	HICP Flash MM	Nov
12:00	Euro Zone	CPI NSA	Nov
12:00	Euro Zone	Unemployment Rate	Oct
14:00	South Africa	Trade Bal (Incl. Region)	Oct
16:45	United States	Chicago PMI	Nov
17:30	United States	ECRI Weekly Index	19 Nov, w/e
17:30	United States	ECRI Weekly Annualized	19 Nov, w/e
	South Africa	Budget Balance MM	Oct

Source: Thomson Reuters

Market Overview

Money Market		Change	Latest
3 months	↓	-0.01%	7.15%
6 months	→	0.00%	7.75%
9 months	↑	0.02%	8.04%
12 months	↓	-0.02%	8.38%
Bonds		Change	Latest
GC21 (R208 : 7.18%)	↓	-0.06%	8.04%
GC24 (R186 : 8.93%)	↓	-0.10%	10.08%
GC27 (R186 : 8.93%)	↓	-0.10%	10.18%
GC30 (R2030 : 9.39%)	↓	-0.09%	10.84%
GC32 (R213 : 9.49%)	↓	-0.09%	11.09%
GC35 (R209 : 9.67%)	↓	-0.08%	11.17%
GC37 (R2033 : 9.6%)	↓	-0.09%	11.40%
Commodities		%Change	Latest
Gold	↑	0.46%	\$ 1,226.88
Platinum	↓	-0.12%	\$ 823.88
Copper	→	0.00%	\$ 6,200.00
Brent Crude	↓	-1.17%	\$ 57.37
Main Indices		%Change	Latest
NSX (Delayed)	↑	1.04%	1291.99
JSE All Share	↓	-0.37%	51,702.82
S&P 500	↑	2.30%	2,743.79
FTSE 100	↑	0.73%	7,055.92
Hangseng	↓	-0.87%	26,451.03
DAX	↑	0.59%	11,365.49
JSE Sectors		%Change	Latest
Financials	↑	0.97%	16,634.72
Resources	↑	0.01%	37,087.72
Industrials	↓	-1.05%	63,438.87
Forex		%Change	Latest
N\$/US Dollar	↓	-0.69%	13.6779
N\$/Pound	↓	-1.06%	17.4718
N\$/Euro	↓	-0.72%	15.5506
US Dollar/ Euro	↑	0.03%	1.1369
Namibia Monthly Data		Latest	Previous
Namibia Inflation (Oct 18)		5.1	4.8
Bank Prime		10.50	10.50
BoN Repo Rate		6.75	6.75

Source: Bloomberg



Capricorn Asset Management



Bank Windhoek

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