



Monthly Economic Overview

Global Economic Growth

The International Monetary Fund's (IMF) latest World Economic Outlook (WEO) report in April 2023 projects that global real economic growth will reach 2.8% in 2023 and 3.0% in 2024. Although there were concerns regarding the turmoil in the global banking system, steps taken by policymakers such as the Fed, FDIC, National Treasury, and the Financial Stability Oversight Council in the USA, including the European Central Bank (ECB) and the Swiss National Bank, have calmed the markets. However, the inverted yield curve in the US, also known as the "recession predictor," indicates expectations of a recession within the next 12 months. The World Bank has lowered its growth outlook for 2023 to 1.7% from 3.0% six months ago. The global economy is now set to experience a "growth recession," with positive growth overall but below par, which could result in rising socioeconomic unrest. One of the significant factors contributing to this outlook in 2023 is the lagged effect of aggressive monetary policy tightening. USA labor markets remain tight, which means low unemployment rates maintain upward pressure on wages. Nevertheless, there is a bright spot in the global economic

landscape, with China experiencing a strong bounce in Q1 GDP.

Domestic Economic Growth

In South Africa (SA), there is a risk of falling into a recession, with growth expectations for 2023 only marginally positive. The South African Reserve Bank (SARB) has cut its growth expectations for 2023 to 0.3% mainly due to load shedding. The IMF has also lowered its growth forecast for 2023 to just 0.1%, and growth expectations remain in the 2%-or-less region for the next few years, which is dangerously close to a contraction in economic activity. On the other hand, Namibia saw stronger than expected growth of 4.6% in 2022, and growth of around 2.0% is expected in 2023, followed by growth of 3.0%+ for several years.

Global Inflation

The WEO has projected global inflation to increase from around 6.5% to 7.0% in 2023 and higher rates for the next four years. In the USA, expectations for inflation have increased from 3.5% to 4.5% in 2023 and are expected to be marginally higher over the next two years. However, the Personal Consumption Expenditure Price Index (PCE) deflator and Producer Price Index (PPI) inflation actual readings have decreased to 5.0% and 2.8%, from their respective peaks of 7% and 11.7%.

Domestic Inflation

In SA, the latest inflation reading of 7.1% in March confirms that the peak of 7.8% in July 2022 has passed. We are expecting inflation to be around 6.5% in April, helped by the marginal cuts in fuel prices during the month. By the end of 2023, we expect inflation to be at 4.2%, resulting in an average of 5.6% for 2023. In Namibia, the latest reading of 7.2% in March confirmed our expectation of 7.0%+ inflation in Q1 2023, which is typically higher due to once-off surveys such as rentals, furnishings, health, education, as well as miscellaneous goods and services that are conducted in January. The average inflation rate for 2022 is expected to be 6.1%, and for 2023, we expect it to be 5.9% as it gradually drops to 5.0% by the end of the year. Food inflation, currently at 14.6%, will continue to run at double digits until later in the year. Transport inflation is down to 9.2% YoY from its peak of 23% in August, and should continue to trend downwards. However, the latest move in oil and fuel prices due to the OPEC+ announced production cuts may interrupt the downward trend.

Commodity Markets

Trends in commodity prices should help to cool inflation further. Therefore, the monetary straitjacket is unlikely to be tightened much further. Natural gas prices are down 85% from their



August peaks, and down 19% in April. Oil prices are down 37% in USD from their March 2022 peak and are trading around their long-term average in the mid-70s to low 80s. In NAD, oil is down 27% from its peak and down 9% YoY, but up 7% MTD. Gasoline (fuel) prices in the USA are down 26% from their June 2022 peak but have bounced by 18% YTD. With China opening, we expect commodity prices in general to bounce in the short term but continue to fade over the next 12 to 18 months, and for China to export disinflation with its negative PPI. Copper is now down 14% YoY following its recent rise. The global maize price is down 19% from its April peak, and 17% YoY. Global wheat is down 48% from its peak and 38% YoY. The SA yellow maize price is down 18% YoY, white maize 16%, and wheat 17%. This bodes well for an eventual downturn in food inflation. Meanwhile, precious metal prices are up, and the gold price has risen by 23% in USD since October 2022, no doubt given life by messy global geopolitics.

Currency

The USD bull trend seems to be over, as it has lost ground against the pound, yen, and euro this year. The USDNAD has hit our 2022 year-end target of 17.60 multiple times in December and ended at 17.01. We expect the tailwinds for the ZAR to fade, as high commodity prices and BoP surpluses are likely to subside. By year-end 2023 and 2024, we forecast the USDZAR at 18.00 and 18.50, and EURZAR at 20.55 and 21.75, respectively.

Credit Growth

Regarding credit growth, Namibia's Private Sector Credit Extension (PSCE) growth and Money Supply (Ms) growth are running at +2.7% and 0.0%, respectively, while RSA's PSCE growth and Ms growth

are at +8.3% and +10.8%. Credit demand in Namibia is likely to pick up somewhat in a "normalizing" economic environment but will remain below par. In the USA, credit growth is running at 11.5% YOY, while Ms is contracting under the Fed's tightening regime. Some analysts see load shedding as a R1tn opportunity for SA banks to finance rooftop solar via their existing mortgage books to households and firms.

Fiscal Policy

The outlook for fiscal policy remains one of consolidation, which means deficit spending will reduce, being a drag on growth. Most countries have little fiscal space. SACU revenue in Namibia is expected to jump by 72% YOY to N\$24.3bn in FY24, decreasing the total deficit to just under N\$10bn. The steep yield curve continues to represent the concerns of lenders to the Government, as they question the political will to contain spending, especially in the light of upcoming elections. Elsewhere, the creditworthiness of EM's is generally worsening, and some African nations are talking to creditors to restructure debt.

Interest Rates

The Fed's aggressive tightening cycle is close to its end, with an expected one more hike of 25bp. The USA Fed fund rate has been lifted by 475bp over 12 months and will likely peak at 5.25%. It is only in time that the extent of global economic weakness and the rate of decline in inflation will become evident. This means that the Fed is likely to start lowering rates in 2024. Meanwhile, QE has loosened financial conditions somewhat. The BOE and the ECB are still in "catch-up" mode, while inflation is showing signs of peaking. The SARB has already hiked nine times in varying increments, with an aggressive



50bp hike in its latest meeting. We expect one last nail in the coffin, a 25bp hike in May, establishing a positive real rate of nearly 1% as repo peaks out at 8.00%. This will be the highest rate since June 2009. BoN lifted its rate to 7.25% on April 19, by a less than expected 25bp, establishing a 50bp “discount” to the SA repo rate, resulting in a current prime rate of 11.00% in Namibia and 11.25% in SA. By year-end, following one more hike of 25bp from SARB and BoN, the real prime rate will reach 6.25% in Namibia by year end, which should give the BoN a pause. In the USA, as well as SA and Namibia, CB’s (Central Banks) ought to gradually lower interest rates in 2024. We do not foresee cuts this year.

The key theme for the year continues to be the extent to which CB’s react to the evolving, worsening growth outlook. The focus in the recent past was on inflation, which is now past its peak.

Capricorn Foundation Food Waste Challenge Phase 2

The Capricorn Foundation launched phase two of their Food Waste Challenge (FWC) on 12 April 2023 in Windhoek following the successful conclusion of the Challenge run in 2022. This year’s FWC seeks solutions that can create or expand self-sufficient Social Enterprises (businesses) to address the issue of food waste in Namibia and create employment for Namibians.

The title of the Challenge is: **How can we use Social Entrepreneurship to reduce Food Waste radically while creating employment opportunities?**

In 2022 Namibia was ranked 78th out of 116 countries on the Global Hunger Index. Unfortunately, it has become an all-familiar sight in Namibia to see people scavenge for food at dumpsites across the country or begging for food on street corners.

Through their open innovation platform, the Capricorn Foundation launched the first Challenge in 2022 with the aim of seeking solutions to reduce food waste effectively through which disregarded food that is still fit for human consumption can reach more vulnerable people. Phase 2 of the Challenge will focus on how Social Entrepreneurship can contribute to not only addressing the challenge of food waste, but also how employment opportunities can be created in the process.

If you would like to find out more about the Food Waste Challenge, or submit an entry, then follow the link below:

[Capricorn Foundation Food Waste Challenge Link](#)

Capricorn Asset Management is a proud contributor to the Capricorn Foundation.

Capricorn Foundation
FOOD WASTE
Challenge

Seeking sustainable solutions that can create or expand self-sufficient Social Enterprises to address food waste in Namibia and create employment.

Enter your ideas, on how to use Social Entrepreneurship to radically reduce food waste while creating employment opportunities, before 22 May 2023.

Visit Capricornfoodwastechallenge.skild.com

T's and C's Apply



Celebrating Earth Day

Every year on April 22nd, people all around the world celebrate Earth Day. This day is dedicated to raising awareness about the importance of taking care of our planet and protecting it from the harmful effects of human activity.

One of the most important issues facing our planet today is the scarcity of water. Water is a vital resource that sustains all life on Earth, but it is becoming increasingly scarce due to climate change, pollution, and overuse. In Namibia, the availability of water is a major concern as it is one of the driest countries in the world, with an average annual rainfall of about 350 millimeters. This is less than half the amount of rainfall needed to sustain crops and livestock.

It's imperative that we all do our part in managing Namibian water supplies sustainably. Capricorn Asset Management (CAM) is contributing to this cause through **Caliber Capital**, which provided financing for the shared purchase of **Aqua Services & Engineering (Pty) Ltd.** This company, which was formerly French-owned and is now Namibian-owned, plays a vital role in ensuring reliable and sustainable water treatment and wastewater services.

CAM manages the Caliber Capital Trust, a licensed unlisted special purpose vehicle that provides flexible and customized long-term financing to small and medium sized businesses and financial service providers in Namibia. It prioritises investments to financially sustainable companies that also deliver a substantive positive social and environmental impact.

The professional engineering team of Aqua Services & Engineering (ASE) develops state-of-the-art solutions for

water and wastewater treatment and associated processes. In addition to supporting the sustainable operation of water and wastewater systems, ASE offers comprehensive maintenance services and on-site plant operations. These services are essential for ensuring a dependable supply of treated water and wastewater, thereby promoting the reuse of scarce resources and safeguarding our Namibian environment for generations to come.

CAM recognises that investing in the planet is one of the most vital investments we can make. We urge all our readers not only to adopt sustainable practices themselves but also to inspire and encourage others to do the same. Let's work together to create a better future for our planet and all its inhabitants.

