



Economic Update for the Month

Geopolitics

The financial market and macroeconomic reactions to the geopolitical stresses have been surprisingly muted thus far. We have seen the gold price spike past the psychological U\$2,000 level and the oil price has been volatile, but not at previous "crisis" levels, while stock markets are making new highs. Nevertheless, the outlook for 2024 is still to be shaped by global geopolitical flash points as well as domestic elections in many countries, including Namibia and South Africa.

The risks remain that more regional or ethnic conflicts could flare up, aside from the current flash points such as Ukraine (Europe), Israel (Middle East) and Taiwan (Asia Pacific). The contagion risks are:

1. supply disruptions;
2. oil shock;
3. contraction in global aggregate demand;
4. risk-off sentiment resulting in a weak currency and a spike in domestic yields;
5. socioeconomic unrest.

Our base case is still a "muddle-through scenario" wherein conventional policy (Fiscal and Monetary) measures are effective in staving off a global financial crisis.

Global Economic Growth

The global economy is characterised by fairly robust growth in the face of several headwinds such as high interest rates, geopolitical stress, political uncertainty and socioeconomic strain.

The UK, EU and China are wobbling due to their respective challenges. Therefore, a growth recession, which is low but positive growth, is still on the cards, even though growth forecasts have remained firm with Developed Markets growth of the order of 1.5% and Emerging Markets around 4.0%.



Our New Office

Our new office is situated on the 3rd Floor Capricorn Corner, c/o Nelson Mandela and Hofmeyer Street, Klein Windhoek, Windhoek.



Our Bank Details

Our bank details are available on the following platforms:

- Capricorn Asset Management website
- Capricorn Online
- Bank Windhoek Internet Banking Platform

Once you make a deposit, please always email your proof of payment and documentary proof of source of funds to cam.service@capricorn.com.na



Ongoing Reverification

CAM as an accountable financial institution continuously review and reverify our clients' information. This aids us in keeping your accounts with us in compliance with the FICA Act and making transacting more efficient.

You may be contacted by our office to supply us with the relevant documents regarding the reverification process, please only submit these documents via the following means:

- cam.reverification@capricorn.com.na
- the CAM offices
- at any Bank Windhoek branch for the Attention: Capricorn Asset Management

The US maintains a “Goldilocks” scenario for now – not too hot or cold, as the forward-looking indicators are worrisome. The composite leading indicator spells trouble ahead. Yet, the labour market remains tight with strong wages and low unemployment.

Domestic Economic Growth

Namibian economic growth is turning out to be very strong with real GDP now firmly exceeding pre-pandemic levels. For 2023, overall headline GDP growth is now estimated at 4.2%, as the mining sector continues to experience a surge in activity. The economy appears set to grow at a robust rate of 4% plus for several years, including 2024. SA continues to flirt with a contraction in economic activity, whereas growth in Botswana is likely to be below average for several years facing a not-so-rosy global diamond market.

Global Inflation

Global inflation is mixed-to-down. China flirts with deflation with Producer Price Index (PPI) at -2.7% yoy and Consumer Price Index (CPI) at 0.7% yoy and, combined with a weaker Yuan will assist global disinflation. In energy markets, total oil production has not reached pre-pandemic levels. Natural gas was up 19% in March, while oil only rose 2%. US gasoline is up 6% in March. US inflation measures have, generally, continued to decline with CPI at 3.2% yoy, the Personal Consumption Expenditure (PCE) deflator at 2.4% yoy and PPI at 1.6% yoy. In Europe, CPI is at 2.8% yoy and PPI at 3.1% yoy. UK CPI is at 3.4% and PPI at -0.5% yoy. German PPI is in deflation at -5.1% yoy, down from eye-watering levels of above 40% in 2023.

Domestic Inflation

In SA, inflation registered at 5.6% yoy in March. We anticipate that it will remain

around 5% for several months whereafter it should resume its downward trend to below 4% by year-end 2024.

Inflation in Namibia reached 5.0% in February, helped by lower fuel prices in the preceding two months. We anticipate 3.5% by year-end 2024 and a gradual uptrend to 5% by year-end 2025.

In Botswana, inflation bottomed at 1.2% in August '23, then rose to 3.9% by February '24. We anticipate 3.6% by year-end 2024.

Risks to inflation remain OPEC (oil), El Nino (food), Russia/Middle East (oil and food) and souring Emerging Market sentiment (currency). Commodity markets are also giving early warning signs.

Commodity Markets

The oil price is up 15% (13%) year-to-date (ytd) and 22% (23%) year-on-year (yoy) in USD (ZAR). It spells an end to the fuel price relief of the past few months in Botswana, SA and Namibia. Energy remains a dark horse and a volatility driver in the inflation picture. Oil is threatening to halt the progress made on the inflation front. Nevertheless, oil and gas are still significantly lower than their eye-watering peaks of 2022. Grains are a countervailing force with global maize (-31% yoy), and global wheat (-26% yoy) playing a big role in pegging back food inflation. Domestically, SA white maize (+25% yoy) and wheat prices (+24% yoy) are succumbing to El Nino fears, not foreseeing well for food inflation down the line.

Currency

The NAD is fairly firm so far this year, depreciating by 3.3% ytd and 2.2% yoy. The USD appreciated versus the EUR by 1.7% ytd and is virtually flat over the



past 12 months. Throughout 2023, as a whole, it depreciated by 3.5%. The USD should continue to benefit from safe haven demand, economic outperformance, capital flows, and favourable inflation, as well as interest rate differentials. The NAD ended 2023 at 18.30 and appears to have a new-found trading range of 18.50 to 19.50. The USDZAR was at 19.00 and 19.20, EURZAR at 20.70 and 21.90 at y/e 2023 and 2024, respectively.

Credit Growth

Credit demand in SA and Namibia remains weak, with PSCE growth at 3.2% and 2.8% yoy, respectively, while in Botswana it is relatively strong at 11.5% yoy. Money supply growth rates are running at 6.6%, 10.1%, and 6.2%, for the three geographies, respectively. Demand for credit in Namibia remains anaemic but should pick up somewhat in a “normalising” economic environment. However, it is likely to remain far below par. Monetary conditions in Namibia remain loose, in other words, a liquid money market.

Fiscal Policy

In SA, slippage is evident, and a negative fiscal spiral is looming. Eskom, Transnet and Local Authorities have emerged as major concerns. By contrast, the Namibian fiscal trajectory is looking much improved, thanks to SACU revenue and economic recovery. The debt-to-GDP ratio is now estimated to have reached a peak and is set to decline to below 60% over the next several years. Creditworthiness needs to be higher on the agenda of the Minister of Finance, in our view. For Namibia, Botswana and SA, debt-to-GDP ratios are expected at 60%, 20% and 75%, respectively. Globally, fiscal policy and high indebtedness remain worrying.

Interest Rates

The very aggressive tightening cycle has ended. However, the full effects are still to be felt in the real economy, especially in residential property markets. Several Central Banks (CBs) held meetings in March with a decidedly dovish shift, that is signalling the likelihood of lower rates coming. It seems that the SARB has stopped its hiking cycle at 8.25% and the earliest cut is likely in July. BoN is also

on hold at 7.75%, a level reached in June 23 that re-established a 50bp “discount” to that of SA. In the USA, as well as in SA and Namibia, CBs ought to gradually lower interest rates throughout 2024, most likely in 2H24, and into early 2025. At this stage, a cumulative 150bp seems likely by mid-2025. Bank of Botswana surprised with a 25bp cut in December. It will probably continue to lower its Monetary Policy Rate to 1.65% by year-end.

Politics

Elections are still at the forefront, with a record number of elections scheduled for 2024. This will increase the “noise” in markets, while the socioeconomic environment will become more tense and volatile. The USA election is scheduled for November 2024 and the SA election is set for 29 May. The Namibian date is not known yet.

The future of SA payments

The new regulation on cross-border payments (PSD-9), to and from South Africa, will come into effect on 15 April 2024. **This will directly impact our South African clients.**

The impact on your investment portfolio with us will result in the following changes:

- **Debit orders**
We will no longer be able to collect funds from your South African bank account via a debit order. Instead, you will need to initiate a credit payment on your end and notify us of such a payment by sending the proof of payment to cam.service@capricorn.com.na
- **Monthly income distribution and/or standing recurring payments**
Payments to South African bank accounts will be treated as international cross-border payments and as such will attract a SWIFT fee.

Please inform us if you would like to amend your monthly income distribution payment to either capitalize on your investment or payout to your Namibian bank account and/or if you would like to amend your standing recurring payment to pay out to your Namibian bank account.



If you only have a South African bank account, please note that we will need to pay your monthly income distribution, and/or standing recurring payments via our Bank's International Business Services Department. This will result in additional charges, currently set at N\$33.85. This fee will be deducted from your investment portfolio. Please further allow for extra time for payments to reflect on your South African bank account, which may take up to three business days.

Please Be Vigilant

Fraudsters may attempt to take advantage of these changes and employ various tactics to gain unauthorized access to your financial and sensitive information. Please note that we will not ask for your personal information and we request you to not divulge any personal information to anyone.

Should you have any questions please contact us at cam.service@capricorn.com.na

Protecting Your Finances

In today's digital age, ensuring the safety of your money online is essential. At Capricorn Asset Management (CAM), we prioritize your financial security and commit to safeguarding your information and ensuring secure financial practices. It is essential to prioritise secure and trusted channels when handling sensitive information to mitigate the potential risk of data breaches and financial loss.

Cybersecurity Challenges

Online threats are constantly evolving, ranging from deceptive emails to sophisticated scams either electronically or via a phone call. It is important to remain vigilant to protect your financial assets.

Securing Your Banking

To enhance security and prevent unauthorized access, we have placed our banking details on our secure digital platforms as it offers a higher level of protection against interception, unauthorised access and fraud compared to email communication. This ensures a safer and more reliable means for our clients to retrieve crucial financial information.

Verifying Websites

When conducting online financial activities, it's crucial to ensure that you're on an authentic website. Ensure that the website address begins with "**https://**" rather than "http://" and verify the presence of a **padlock icon**, which indicates a secure connection. This "https://" prefix signifies that the data transmitted between your browser and the website is encrypted, making it secure from interception or manipulation by attackers. These simple checks help ensure that you're accessing your financial information from a trusted source.

Safe and Easy Account Management

Capricorn Online is our secure online platform designed to provide you with a seamless and secure investment experience. With advanced encryption protocols Capricorn Online offers robust protection for your financial transactions and account information.

Get in Touch

If you notice any suspicious activity, have concerns about your account's security, or register for Capricorn Online please contact us at cam.service@capricorn.com.na.

By staying vigilant online, you can protect your finances and enjoy peace of mind. Your security is our top priority, and we are committed to safeguarding your financial well-being every step of the way.