



The Monthly Economic Overview

Taking a look at Interest Rates

Our view is that we are at the tail end of the monetary tightening campaign, that is the peak in interest rates that are set by central banks (CB's). This means that the repo rate set by the Monetary Policy Committee (MPC) of the Bank of Namibia (BoN) is likely to remain close to its current level of 7.75% and the prime rate at 11.50% until 2024.

Normally the MPC takes several factors into account when setting interest rates. The following are the main ones as we see them.

Global Conditions

- The global economy is set to slow over the next six to eighteen months, while inflation should continue its gradual descent from the eye-watering levels post-Covid. Therefore, global CB's will be more comfortable ending their hiking cycles soon and will be looking to lower interest rates in 2024.

South African Conditions

- The South African Reserve Bank (SARB) has started to pause in its hiking cycle as inflation continues to decline, credit growth has slowed, and the economy is struggling to grow. It is rather in need of some policy relief, i.e. lower rates.

Domestic Growth

- The economy is gradually picking up and the outlook is for several years of reasonable growth. However, Namibia needs much faster growth to make a difference to very high unemployment and poverty.

Domestic Inflation

- In Namibia, the latest reading was 4.5% in July, which is at the mid-point of the unofficial target range. We anticipate that inflation will pick up over the next few months, before declining again into 2024. Fuel and electricity price increases are likely to come through in September. However, inflation will remain sufficiently subdued to justify unchanged, and possibly lower, interest rates.

Currency

- With our fixed-exchange rate arrangement, the MPC needs to be satisfied that the peg to the rand can be maintained at our current interest rate settings.

Credit Demand

- The growth in credit extended to the private sector (businesses and households) remains very low at 3.5% yoy. Therefore, higher rates are not needed to cool it down further. Money supply is also exceeding credit demand, resulting in a liquid market.

Recent Actions taken

- BoN has lifted the repo rate by 400 bp since the Covid-lows of 2021 and is now at a 50bp "discount" to the SA repo rate, but at a hefty 325 bp real level. The real prime rate will reach 7.00% in Namibia by year-end, a very restrictive stance that should give the BoN pause.

In our view, CB's now need to take stock and wait for the negative effects of high interest rates on the real economies to become evident. Putting the above factors together argues for a pause. Upcoming assessments are likely going to argue for lower rates in 2024.



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We want to hear from you, our esteemed clients, on how we can improve our service, or even if you would like to shine a light on any outstanding service experiences, we will make sure that our dedicated team receives the praise.

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The Compliments & Complaints received will be reviewed by our management team and resolved or commended as per our process guidelines.

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As per the Financial Intelligence Act 13 of 2012, Section 24 (1(b), 2(a), we are required to conduct ongoing transactional monitoring and due diligence. This includes determining the source of funds for deposits made on clients' accounts.

We thus require documentary proof of source of funds substantiating the origin of the funds invested for deposits. Please note that no cash deposits are allowed.

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This is the origin of the funds involved in a business

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