



## Not too shabby

Economic growth remains subdued well into 2018 mainly due to weakness in the wholesale & retail as well as agricultural sectors. The construction sector has also recently contributed to the recessionary pressures with declines being recorded in the latest buildings completed index. However, with the government on track to invest in large infrastructure projects in 2019, construction might once again be revived. Another sector that can be expected to improve the outlook on the overall economy is the mining sector which has performed consistently well during the year. The transport & communications sector's recent performance is also a possible source of improvement in the Namibian economy come 2019.

Inflation averaged 4.1% from January to October during this year compared to 6.4% and 6.6% in 2017 and 2016 respectively. 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 normalize 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 have 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.

Credit extended to the private sector 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 appetite 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.

On the upside, fiscal conditions improved as 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, an improvement in income tax collected and the prudent 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.

With rising inflation and an unpredictable currency, the central bank will have to adopt contractionary monetary policy to keep much needed investment within the country in the hope that the economy might be stimulated. As for fiscal policy, the rewards of prudent public finance management have already blossomed - it would be advantageous for Namibia to continue in the same vein in at least for the medium term.

As far as recessions go we're adapting well hence it is safe to conclude that Namibia's economy in 2018 was not too shabby.

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- Complete the Deposit form, (D-1) for Individuals or (D-3) for Legal Entities and submit this to any Bank Windhoek branch or our offices.

## Information Sharing

As per regulatory requirements we are conducting a FIA clean-up project. You may be contacted by our office to supply us with relevant documentations such as a Namibian Identity document, Passport or company documents.

Only submit these documents to our offices, or at any Bank Windhoek branch.

We will however never ask for any type of personal information, such as passwords you use on the various digital platforms. Please do not share these passwords with anyone.

Should you have any queries please contact our Sales & Channel support team at 061-299 1950 or via email at [cam.service@capricorn.com.na](mailto:cam.service@capricorn.com.na)

## Holiday Season Operating Hours

Our office will close at 11:00 on 24 & 31 December 2018.

Should you wish to make deposits or withdrawals on your investment portfolio on the above mentioned dates, please ensure your instruction is submitted by 10:00 in order to ensure timely processing of your instruction.

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Alternatively, you can easily submit your instruction via Capricorn Online or the Bank Windhoek Mobile App or Internet Banking platforms. Please contact us today to register for these digital platforms.