



Zooming into Inflation

In August, Namibian inflation reached 4.7%. This is quite close to the unofficial mid-point of 4.5% of the target range; unofficial, because Namibia with its fixed exchange rate, does not have an inflation targeting regime like that of South Africa. In the latter, the target range is 3% to 6% with a mid-point of 4.5%. In August, SA inflation reached 4.8%.

In Namibia, inflation peaked at 7.3% a year ago and in SA at 7.8%. At the time inflation was driven higher by a strong run in food and fuel prices, largely because of the Ukraine war. Grains and oil exports from Ukraine and Russia, two of the world's largest producers of these commodities were being disrupted. For 2022, fuel prices in Namibia rose by roughly 40%.

Since then, a modicum of normalisation has been achieved. Grains and oil prices fell precipitously from the eye-watering levels of 2022, which substantially relieved the global and domestic inflation shock. Furthermore, falling producer inflation (PPI) and a weaker yuan in China added a disinflationary factor to world markets.

However, within sight of the mid-point of the target range,

the downtrend is now being interrupted by a spike in energy market prices. Oil has risen by nearly 30% so far in the third quarter of 2023 in Namibian dollar terms, which resulted in sharp upward adjustments in fuel prices by an average of 8% in Namibia and 11.5% in SA in September. This means that consumer inflation will climb to above 5%.

In evaluating the impact of inflation, one must consider one's spending pattern relative to that of the official basket that makes up the published consumer inflation (CPI) rate. The more one's spending is tilted towards higher (lower) inflation items the higher (lower) one's personal inflation rate will be.

The following is a break-down of the main categories of consumer inflation in Namibia (yoy means year-on-year, mom means month-on-month):



Food & Non-Alcoholic Beverages

10% yoy, weight 16.5%

The "run" in food prices are losing steam. Some items are showing negative mom changes, but overall, it does not mean that food is getting cheaper; just that prices are rising at a slower pace. Bread & Cereals together with Meat make up half of this category.



Alcoholic Beverages and Tobacco

7.9% yoy, weight 12.6%

The usual jump in March and April, around budget time, did not come about, and mom increases were more spread over the course of the year.



Clothing and Footwear

1.8% yoy, weight 3.1%

Relatively low inflation, dipping into deflation at times persists in this category.



Housing Water Electricity & Other Fuels

2.7% yoy, weight 28.4%

The biggest category of spending is being anchored on the low side due to low rental escalations.



Furnishings Household Equipment & Maintenance

7.0% yoy, weight 5.5%

This category had quite run last year but has slowed since then.



Health

4.1%, weight 2.0%

The trend remains relatively low. However, a short-coming of the Namibian inflation calculation is the absence of medical aid tariffs.



Transport

-2.2%, weight 14.3%

This is the major swing factor and volatility driver of inflation. Currently

it is negative yoy, compared to 23% yoy last year. It encapsulates vehicle, fuel, public transport and maintenance costs.



Communication

0.6% yoy, weight 3.8%

The low to no inflation in this category persists.



Recreation and Culture

9.7% yoy, weight 3.6%

Some pricing power has returned for the providers of goods and services in this category.



Education

3.8% yoy, weight 3.7%

School and tertiary educational tariffs were hiked by 3.8% in January, which sets the rate for the year. Over the past nine years these rates have increased by an average of 6.5% pa, which is what we assume will be the case going forward.



Hotels Cafes & Restaurants

7.8%, weight 1.4%

The tourism sector is experiencing a pick-up in pricing power as demand recovers. During Covid, this sector experienced several months of deflation, which has since reversed. In August tariffs increased by 2% mom.



Miscellaneous

5.5% yoy, weight 5.4%

Personal care and financial services make up this category and is running ahead of overall inflation.

These are the 12 categories that make up the consumer basket of the CPI. One can appreciate that it is quite a complex calculation based on surveys of many goods and services. In our view, inflation is likely to remain stuck above 5% for the next several months but should resume

its downtrend to around 4% by the end of 2024.

Capricorn Group Integrated Annual Report

Capricorn Group, which is listed on the Namibian Stock Exchange with diversified operations and business interests in Namibia and Botswana, released its annual financial results for the year ended 30 June 2023.

Capricorn Group's profit after tax increased by 28.7% to N\$1.47 billion on the back of improved net interest margins, reduced credit impairment losses, strong growth in non-interest income and efficient operations. This positive financial performance enabled the Group to create value for all its stakeholders, contributing to the socio-economic development of Namibia and Botswana. The Group increased its value created by N\$728 million to N\$4.4 billion compared to the previous financial year. Of the total value created, 26.4% is represented by staff remuneration and benefits, 18.3% was paid to suppliers, and 22.6%, which amounts to N\$1 billion, was contributed to the government in the form of direct and indirect taxes.

For 2023 Capricorn Asset Management's (CAM) assets under management amounted to a total of N\$38.6 billion, with an approximate 33.7% market share with 14 unit trusts covering all major asset classes, including cash, bonds, property, equity and international equities

Thus reinforcing CAM as the largest asset manager in Namibia as well as being one of the only truly Namibian-based asset managers in the country.



CAM Market Share Unit Trusts

33.70%
(2022: 30.80%)



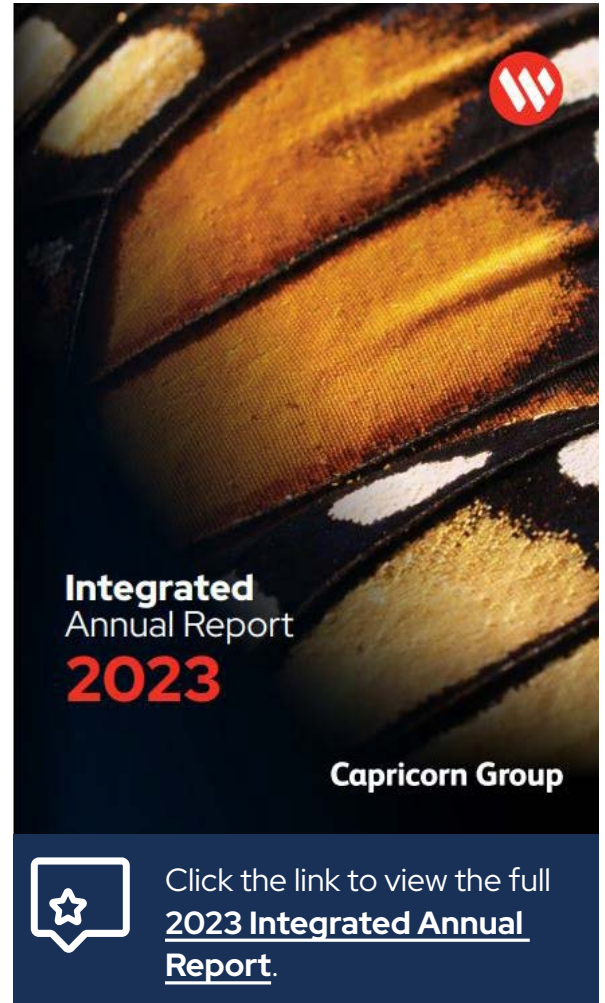
CAM Value of Assets Under Management

N\$ 38.6 billion
(2022: N\$ 32.1 billion)



CAM Direct Contribution to CSR

N\$ 931,593



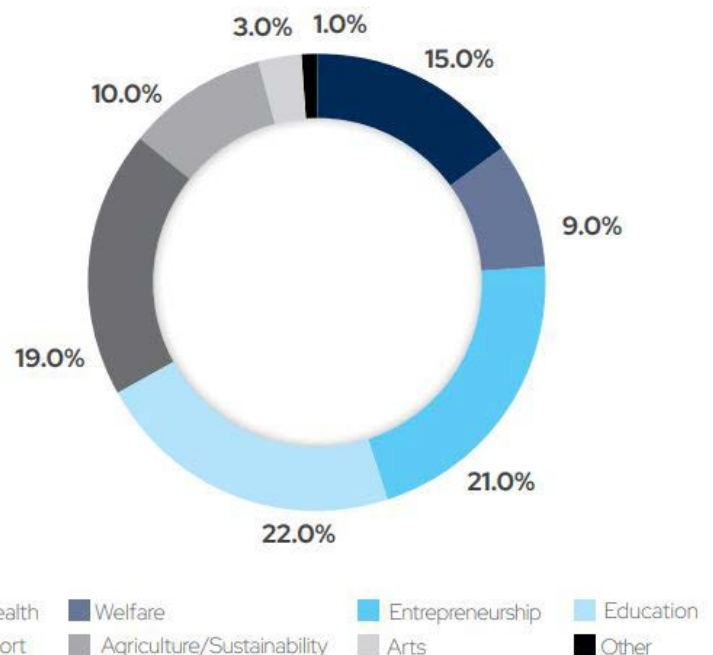
Launch of the 2023 Social Value Report

As a leading financial services provider in Namibia and Botswana, Capricorn Group prides itself on creating value for its communities and bringing about positive change.

For the period ending 30 June 2023, Capricorn Group, including the Capricorn Foundation and its subsidiaries Bank Windhoek, Capricorn Asset Management, Entrepo and Bank Gaborone, have invested **N\$21,7 million** (2022: N\$16,3 million) in social responsibility programmes and projects in Namibia and Botswana.

CAM is proud to be a funding member of the Capricorn Foundation. Since the launch of the Capricorn Foundation in 2020, it has grown from strength to strength. In 2023, the Foundation dedicated time and resources towards building networks and enhancing stakeholder engagement. The Foundation focused on many projects the past year, but two of its primary focus areas include education and food security.

CSR investment by Capricorn Group and subsidiaries





“As a Group, we are socially responsible and strongly obliged to our stakeholders. In keeping with our brand promise of being Connectors of Positive Change, we take pride in the value we create through our CSR initiatives by positively impacting lives,” said Marelize Horn, Group Executive: Brand and Corporate Affairs and Executive Officer of the Capricorn Foundation.

She added, “The work we do is more than just about paying an invoice. We consider the Namibian CSR landscape to understand the key role players, what socioeconomic challenges are being addressed and where we can work and collaborate with partners. There is so much that can be done to address the needs of society, but with every action taken, we take one step closer to creating a better tomorrow.”



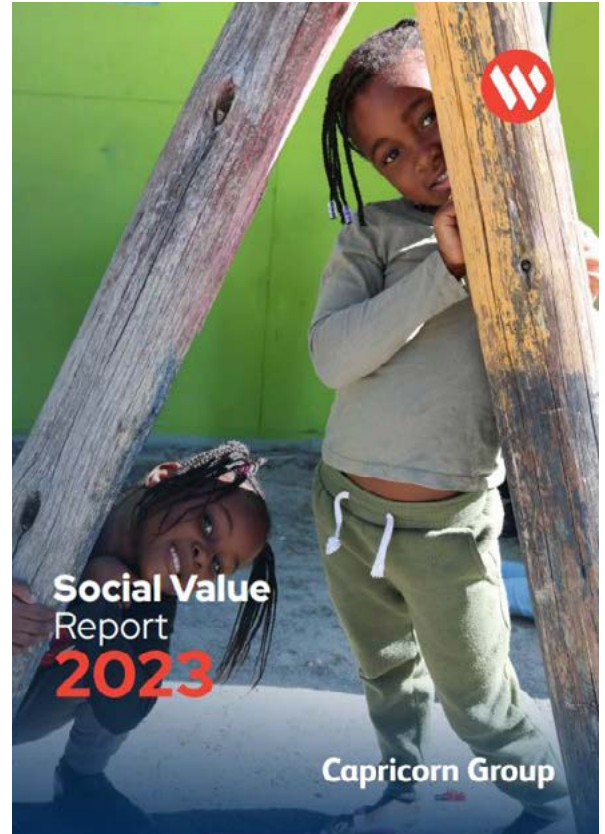
The importance of ongoing Enhanced Due Diligence and Reverification

Capricorn Asset Management is an accountable institution and as such we need to comply with the Financial Intelligence Act (FIA) 13 of 2012 of the Republic of Namibia.

You may be contacted by our office to supply us with the relevant documents in order to comply with the Act. We therefore humbly request your co-operation with regards to client information requests. This will aid in keeping your accounts with us in compliance with the Act and thus making transacting more efficient.

Only submit these documents via the following means:

- cam.reverification@capricorn.com.na
- Our offices
- At any Bank Windhoek branch for Attention: Capricorn Asset Management



Click the link to view the full **2023 Social Value Report** and follow our journey of being Connectors of Positive Change.

Scan & follow us on LinkedIn

