



Monthly Economic Update

Overview

Global macroeconomic turbulence continues, shaped by geopolitical shifts, trade disruptions, and divergent policy responses. While inflationary fears are ebbing, uncertainty remains high, especially around tariffs and their regional spillovers, such as to SACU and SADC. Asset markets have held up well, but valuations are becoming stretched. Namibia remains relatively resilient; while Botswana and South Africa (SA) face heavier fiscal constraints.

Aftermath

There is a general sense of relief that aggressive tariff threats are easing for now. US-China discussions and various bilateral deals have calmed nerves, but the universal 10% tariff is still in force with roughly 60 days of uncertainty to go. This climate of guesswork weighs as heavily as the tariffs themselves. Meanwhile, regional political shifts offer mixed signals: Namibia's new cabinet is still untested, South Africa's GNU is just holding together, and Botswana's new leadership faces a recessionary fiscal cliff.

Landing

In the April World Economic Outlook (WEO), the International Monetary Fund (IMF) cut its global growth outlook sharply from 3.2% to 2.8%, citing a probable sharp trade deceleration. The jury is still out regarding the eventual effects of tariffs, that is, whether it will be inflationary or recessionary. Landing outcomes will vary based on countries' flexibility in global trade relationships and supply chains, as well as policy capacity. In the USA, the yield curve and the leading indicator, are still firmly in recessionary territory, pointing to a soft landing there. In Europe and the UK, a hard landing could still be averted through policy action. China is also taking action to prevent a hard landing. However, its measures are too incomplete, therefore, more aggressive policy action is needed. SA is not taking off, while there is a bifurcation between production (e.g. manufacturing and mining) and consumption (e.g. retail and vehicle sales), albeit still in a hopeful self-help phase. Namibia registered 3.7% growth in 2024 and should maintain cruising altitude at 3%-4%. Botswana's recovery hinges on a diamond market turnaround, which is currently a dim prospect.

Commodities

A good indicator of global industrial conditions, we have seen Copper maintaining a volatile, sideways trading range between \$9,000 and \$10,000 for the past year, with no clear direction.

Gold is taking a breather, being up 22% ytd and 32% yoy, prompting profit taking. Oil is down 13% ytd and 25% yoy, delivering a disinflationary impulse to the global economy. Natural gas is down 20% ytd. Global grain prices are generally flat-to-down. SA maize futures have plunged (white -38%; yellow -28% ytd) and Uranium bounced from \$64 to \$72, which is good news for Namibia.

Currencies

The US dollar is down 8% ytd versus the euro, having firmed somewhat recently. This resulted in the relative stability in USDNAD, further supported by a healthy balance of payments position in SA, and favourable terms of trade. We project USDNAD at 19.50 by end-2025 and 20.00 by end-2026.

Inflation

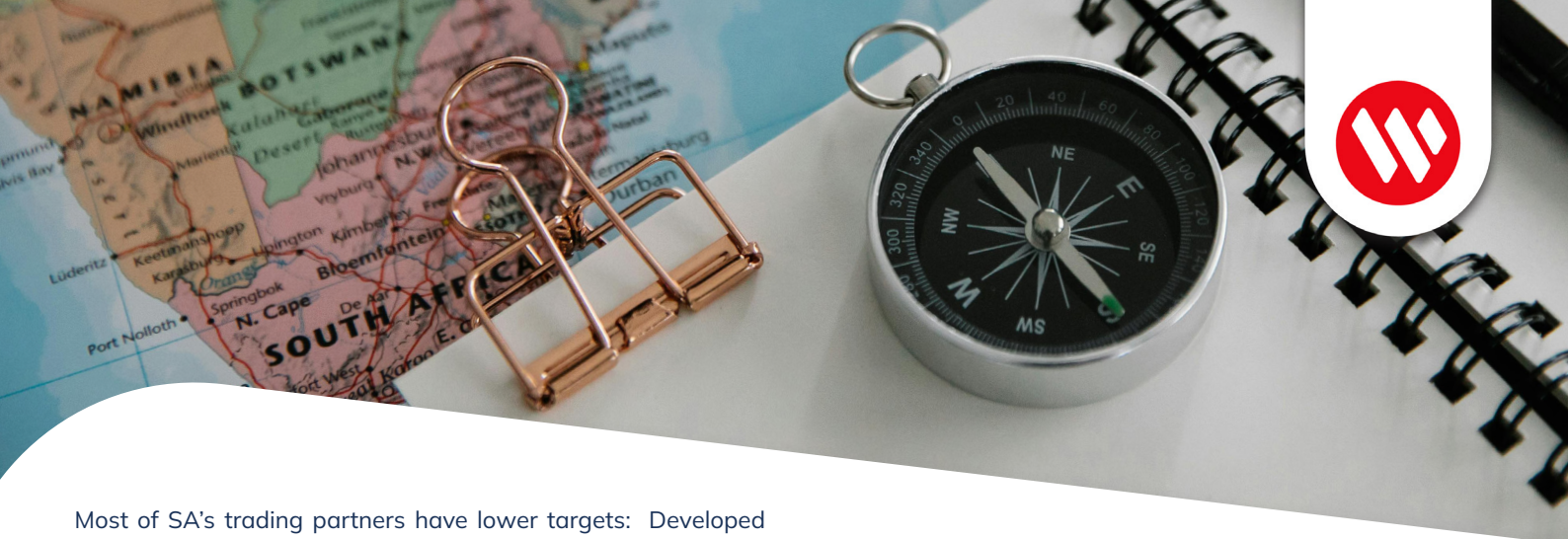
In the WEO, global inflation expectations have edged up, but no panic is warranted. Developed Markets and China are converging to 2% by 2026. Recent CPI prints include USA 2.3%, UK 2.6%, China -0.1%, EU 2.2%, SA 2.7%, Namibia 3.6% and Botswana 2.3%. Lower energy and grain prices, plus Chinese deflation are key disinflationary forces. Nevertheless, in SA, Namibia and Botswana, inflation is likely to converge around 4.0% by end-2025 and fluctuate around 4.5% through 2026.

Fiscal Policy

The SMIP (Swapo Manifesto Implementation Plan) creates uncertainty. Its N\$87bn five-year price tag is fiscally untenable and funding pressures persist. Botswana's fiscal space is worse. With diamond revenue falling away and a shallow capital market, borrowing is problematic. In SA, Budget 3.0 offers little relief. VAT hikes are off the table for now, but debt dynamics remain troubling. The US was downgraded by Moody's, highlighting structural fiscal imbalance and ballooning interest costs.

Monetary Policy

Our base case is still intact. We expect cuts in 2H25 from the Fed, SARB, BoN and the BoB, with policy rates declining to 4.00% (currently 4.50%), 7.00% (currently 7.50%), 6.50% (currently 6.75%) and 1.65% (currently 1.90%), respectively. Prime rates would then be 7.00%, 10.50%, 10.25% and 5.76%. However, the window for cuts is narrowing. As far as an upturn goes, SARB and BoN may lead with hikes in 2026, but the Fed may only do so by 2027. The SARB may soon unveil a tighter inflation targeting framework, bringing it closer to global peers.



Most of SA's trading partners have lower targets: Developed Markets 2%, Russia 4.0%, China 3.0%, Brazil a 2.25% to 5.25% band, and India a 2% to 6% band. For Namibia, we reiterate that, in our view, the NAD fixed exchange rate regime will be maintained for the foreseeable future.

Bonds

The 12-month total return to April is +19.4%. Global bonds reacted negatively in the tariff related political aftermath. US 10-yr Treasuries returned 3.3% ytd, while SA 10-yr bonds delivered 2.0%. The SA-US 10-yr bond spread narrowed to 6.0%, while real spread sits at 8.0%. This means that Namibian bonds also remain attractive with high real yields on offer.

Property

The 12-month return to April is +29.7%. We have seen the listed property market maintaining its recovery trajectory. Valuation metrics are mixed. The dividend yield is low at 5.7% vs its 7.6% long-term average. The relative yield to bonds is 0.55 vs its historical 0.88. Nonetheless, the property counters still trade below book value, that is the value of their actual property portfolios.

Domestic Equity

The 12-month return to April is +23.9%. Despite global uncertainty, the JSE gained 15% ytd in USD. Earnings revisions are broadly positive and valuations appear attractive with the trailing PE at 15x and the forward PE at 9.7x. Earnings per Share (EPS) growth of 20% is expected and Dividend per Share (DPS) growth of 18%.

Global Equity

The 12-month return to April is +12.6% (USD). Despite the recent 3-month pullback of -4.2%, the global market is virtually flat ytd at -0.8%, echoing the USA markets. Taking the 'corrections' of 2025 into account, the forward PE is still stretched at 18.4 times, vs its long-term average of 16.4x. Earnings growth revisions have been broadly negative, trimming expectations to 7.4% from 8.4%, albeit still above the long-term average of 6.4%.

Looking Ahead

Key near-term watchpoints include final tariff decisions, Chinese and European stimulus strength, the SARB's inflation targeting framework, and the resilience of domestic demand in Namibia, Botswana and South Africa, with geopolitical fog thickening or lifting, dependent on the latest news headline.



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