



## Economic Update October 2024

### An Economic Landing

Hard landing, soft landing or no landing have become the latest buzz phrases. Thus far, thankfully, "crash landing" has not featured, which is quite remarkable. Given the impact of geopolitics influence of global resource competition and global power shifts. Much can be attributed to macroeconomic policy actions that were taken or are expected. The jumbo cut of 0.50% by the FED was one such move that added global push to a widespread urge for ease. Most Central Banks (CB's) of note are lowering interest rates, the BOE (Bank of England), the ECB (European Central Bank), the SARB (South African Reserve Bank), as well as the BoN (Bank of Namibia).

### Global Growth

There are diverging trends within and between geographies. These trends never move in straight lines, neither are they synchronised. For example, the USA's economy may be steadily moving along quite nicely, but Euroland is not – some of its members are doing all right, but Germany, the key economy, not so much. The USA's "recession predictor" is close to the level that historically triggered recessions. China remains a concern, but authorities have started to act with various measures. Whether it moves the needle remains to be seen. In general, the outlook for global growth has become more uncertain. The IMF expects 3.2% in both 2024 and 2025.

The outcome of the 2024 U.S. elections are expected to impact both domestic and global economies, especially in areas like inflation control, public spending, and trade policy. If inflation remains a focal issue, fiscal tightening may follow, slowing economic growth in the short term but potentially stabilising prices. Alternatively, increased government spending could spur economic activity, though at the risk of further inflation. Given the U.S. dollar's status as the world's reserve currency, these policies will also affect international capital flows and commodity prices, particularly in emerging economies.



## Ongoing Reverification

As an accountable institution, we are required to adhere to the Financial Intelligence Act (FIA) 13 of 2012 of the Republic of Namibia.

In response to the increased levels of fraud occurring globally and locally, our administration team proactively conducts reverification of all our clients. You may be contacted via email by our reverification officers to provide the necessary documents to comply. We kindly ask for your cooperation with these information requests.

For enhanced security only submit these documents via the following means:

- Via email to [cam.reverification@capricorn.com.na](mailto:cam.reverification@capricorn.com.na)
- In person at the Capricorn Asset Management office
- At any Bank Windhoek branch for Attention: Capricorn Asset Management




## Capricorn Unit Trusts' Annual Financial Statements

The summarised report of the 30 June 2024 Annual Financial Statements of all the Capricorn Unit Trust Funds are available on our website under the "News Platform" section.

View now: [Financial Statements](#)

We are proud to announce that the Capricorn Unit Trusts returned a profit of N\$ 2.4 billion (an increase of 42% on the 2023 distribution of N\$ 1,7 billion) in the form of distributions to the Unit Holders. The audited Financial Statements and the auditor's report thereon are available for inspection at the company's registered office.



Meanwhile, BRICS has expanded to include six new countries bringing total members to 10, underscoring its ambition to challenge dollar reliance in global trade. While a shared BRICS currency remains hypothetical, the bloc is increasingly focused on reducing dependence on Western financial systems and boosting trade within its members. With significant natural resources among BRICS nations, this could eventually shift some influence away from dollar-denominated trade, though this is likely to be a gradual process.

Overall, the 2024 U.S. election outcomes may reinforce or temper dollar dominance, while BRICS' developments are fostering a multipolar economic landscape that emphasises regional partnerships and a diversified approach to global trade.

### **Domestic Growth**

It is crucial that economic growth is not allowed to take too much of a dip because the economic ship turns slowly. The SA economy is probably bottoming out. Growth forecasts are being lifted to the 2% range from the 1% range. Namibian growth is likely in the 3% to 4% range. Botswana entered a contractionary phase and will only exit it if and when the global diamond market recovers. It does have some dry fiscal powder.

### **Global Inflation**

The worst of the recent inflation shocks are now working themselves out of the system, so to speak. The latest inflation numbers in the USA are the PCE deflator (price index) at 2.2% yoy, CPI at 2.4% yoy and PPI (producer price index) at 1.8% yoy. These trends bring the 2% target into view. However, the Fed will not be comfortable with core inflation firmly above 3%. China is showing symptoms of deflation, with PPI at -1.8% yoy and CPI at 0.4% yoy.

In the UK, Germany, and Europe, inflation rates are also at a 2% ballpark. There is now some breathing room to start looking out for other things, such as growth and unemployment. Much of this falls to monetary policy since most economies have little to no maneuverability in fiscal policy.

### **Domestic Inflation**

The latest inflation numbers are:

- **Namibia** 3.4% (trending towards 2.7% per annum),
- **RSA** 3.8% (trending towards 3.3% per annum),
- **Botswana** 3.9% (trending towards 2.6% per annum).

In 2025, these downtrends are likely to reverse and gradually rise towards year-end 2025. Geopolitics (another oil shock) and climate conditions (El Nino) remain the main risks to the relatively benign inflation outlook. Indications are that La Nina may replace El Nino in due course.

### **Commodity Markets**

Copper recently bounced to U\$9,650 from U\$8,500, up 13% - not a major surge, but a good harbinger that the global economy is not facing a crash landing. Oil in NAD terms is down -20% yoy, leading to fuel prices being lowered. Global grains (maize -16% yoy and wheat -7% yoy) are keeping a lid on global food inflation, while domestic prices are mixed with White maize +40% yoy, Yellow maize +14% yoy and Wheat -4% yoy, as El Nino started to impact harvests. Gold has begun to climb again, breaking through U\$2,600, and is now up 38% yoy. It appears that certain CB's (China and Russia) continue to buy gold in an effort to diversify their foreign exchange reserves, but the surge is also indicating worries in the markets more broadly. Uranium is at U\$83, up 25% yoy.



## Currency

Trading around 17.65, the NAD (ZAR) currency is stronger by 3.5% ytd versus the USD and 4.8% versus the EUR. We anticipate that it should remain fairly firm from here. Our targets are for USDZAR at **18.00** and **19.00**, and EURZAR at **19.00** and **20.00** at ye 2024 and 2025, respectively. The USD behaves much like we anticipated at the outset of the year, benefiting from safe-haven demand, economic outperformance, capital inflows, and favourable anticipated interest rate differentials, thus depreciating by 0.2% versus the euro ytd.

## Credit Growth

Growth rates in PSCE (private sector credit) are weak with SA at 5.0%, Namibia at 2.6% and Botswana at 3.1% yoy. In Namibia, credit extended to firms rose by N\$1.6bn over the twelve months to August and to households by N\$1.3bn, while foreign assets contracted by N\$4.2bn. Money supply growth rates are running at 7.8% (Namibia), 6.1% (RSA), and 14.2% (Botswana). In Namibia, claims on the Central Government rose by 4.2% yoy to N\$39bn and on the Central Bank by 58% to N\$13.7bn.

## Fiscal Policy

This week, South Africa's Finance Minister, Enoch Godongwana, presented the Medium-Term Budget Policy Statement (MTBPS), reviewing several key projections. Real growth was estimated to be 1.1% by end of 2024, which is lower than the 1.3% estimated in February's budget. Tax collection for 2024/25 is expected to be R22.3 billion lower than what was estimated in February. The consolidated budget deficit is projected at 4.7% of GDP for the fiscal year ending March 2025, up from the previously forecasted 4.5%. Debt to GDP ratio is projected to peak in the 2026 financial year at 75.5%.

In Namibia, Finance Minister Iipumbu Shiimi delivered the Mid-Year Budget Review. The estimated GDP growth stands at 3.6% in 2024, lower than the 4.04% presented in the main budget. Revenue collections stood at N\$81.5 billion, slightly outperforming the revised estimates of N\$81.1 billion. Overall, the actual budget deficit stood at

N\$5.6 billion, equivalent to 2.4% of GDP, significantly outperforming the revised projections of 3.2% and a major improvement from 5.2% recorded in the preceding financial year.

The fiscal trajectory is intricately intertwined with the macro cycle. Healthy economic growth supports strong tax revenue for governments, lowers deficits, and helps fund critical expenditures. It contributes significantly to the improvement in the credit worthiness of the sovereign borrower. This in and of itself lowers the interest rate structure in the economy, thereby lowering the cost of capital economy wide. The foregoing is largely happening in Namibia, i.e. fiscal policy is complimentary to monetary policy, the one reinforcing the other, whereas SA is faced with a negative fiscal spiral. It remains plagued by a surging interest bill, Eskom, Transnet, local authorities, the NHI, and immense pressure to increase social spending. It will require strong political will to stabilise and then reduce the debt-to-GDP ratio from the estimated 75.5%. In Namibia this ratio is estimated at 65% for 2024. Relative degrees of creditworthiness are likely to reflect this over the coming years. The IMF advises Botswana that some fiscal loosening is in order to counter the slowdown of the economy.

## Monetary Policy

We foresee further interest rate cuts with mid-2025 levels of 4.00% (current level 5.0%) for the FED, 7.00% (current level 8.00%) for the SARB, 6.50% (current level 7.50%) for BoN and 1.15% (current level 1.90%) for BoB, which implies prime rates of 7.00%, 10.50%, 10.25% and 5.26%, respectively. Therefore, for example, the monthly payments on a N\$2m mortgage over 20 years should decline by about 8% or N\$1,660 per month (pm) from N\$21,126 pm to N\$19,467 pm throughout the cycle. That is to say, if one is able to borrow at prime. The factors determining Namibian policy are likely to be in play for an extended period, in our view:

1. The peg will be maintained for the foreseeable future,
2. The global easing cycle is only starting now,



3. A recovery in PSCE requires a sustained period of lower interest rates,
4. Inflation is likely to surprise markets to the downside into year-end, assisted by a strong currency and a weak oil price,
5. The liquid state of the money market is likely to be maintained for several more months, and
6. The fiscal position is moving in the right direction, lessening upward pressure on bond yields.

By the end of September, the returns of the major asset classes year-to-date, that is for nine months, in Namibia dollar terms, were as follows:

Global Equities	12.4%	MSCI World
Domestic Equities JSE	16.0%	JSE All Share
Domestic Equities NSX	7.7%	NSX Local Index
Domestic Property	30.0%	JSE SAPY Index
Domestic Bonds RSA	13.5%	Reuters All Bond
Domestic Bonds NAM	13.5%	IJG Namibian ALBI
Domestic Cash RSA	6.4%	RSA STEFI
Domestic Cash NAM	7.0%	Capricorn Enhanced Cash Fund
Commodities: Gold	19.9%	Bloomberg Gold Total Return Index
Commodities: Overall	-7.7%	Bloomberg Commodity Total Return Index

## Secure communication

**Good practices when receiving calls from banks or financial institutions.**

1. **Verify the Caller**
  - Ask for their full name, department, and direct contact number.
  - Call the official customer service number to confirm authenticity.
2. **Do Not Share Personal Information**
  - Never provide personal details like Social Security numbers, account details, or passwords over the phone unless you initiated the call.

### 3. Use Official Communication Channels

- Use the institution’s official app or website to verify information.

### 4. Watch for Red Flags

- Be cautious of urgency or pressure to act quickly.
- Legitimate institutions will never ask for payments or sensitive info over the phone.

### 5. Report Suspicious Calls

- Inform your institution immediately about suspicious calls.
- Report scams to the institution’s official contact centre.
- CAM’s official contact number: **061-299-1950**
- Bank Windhoek 24-hour Customer Contact Centre: **061-299 1200**

### Example Scenario:

**Receive a call:** Someone claims to be from your financial institution, asking for account details.

**Verify:** Ask for their name, department, and callback number.

**Hang up:** Call your institution’s official number and verify with a representative.

## Capricorn Online – Safe & Secure

**How to protect your details:**

- Always log in to Capricorn Online via the Capricorn Asset Management website at [www.cam.com.na](http://www.cam.com.na)
- We will **NEVER** request a client to provide their password or login details via email or phone for Capricorn Online.
- Your Capricorn Online password can be reset by yourself.
- You will receive an SMS every time you log in.
- No change in your details (email, cell number and bank details) will be processed without positive personal verification.