



MONETARY POLICY BRIEFING 14 AUGUST 2024

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WHAT DID THE BANK OF NAMIBIA'S MONETARY POLICY COMMITTEE DECIDE?



01

**We reduced the
repo-rate by 0.25%
to 7.50%**



02

**The repo rate
remains
elevated**



03

**We remain
focused on our
mandate**



04

**The restrictive
monetary policy
stance of the past 18
months assisted in
putting downward
pressure on inflation**

HOW IS THE NAMIBIAN ECONOMY PERFORMING?

Economic activity improved further during the first six months of 2024, but



01

**Real GDP growth is
expected to slow
down during 2024**



02

**Diamond
industry is not
doing well**



03

**The construction
sector continues to
struggle**

NAMIBIAN INFLATION:



Domestic annual headline inflation remained steady at 4.6% in July 2024 and June 2024



Biggest contributors towards annual inflation rate were:

- Food and Non-Alcoholic Beverages (1.0%);**
- Alcoholic Beverages and Tobacco (0.7 %);**
- Housing, water, electricity, gas (1.0%) and**
- reduction in transport (1.0%)**



Goods inflation slowed to 5.3% in July from 5.8% in June 2024



... while services inflation rose to 3.4% in July from 2.9% in June 2024



Most categories remained stable and edged downwards



**Inflation forecast: Aug – 4.7%;
Sep – 4.6% ; October – 4.5%**



Baseline estimates suggest inflation to average 4.7% and 4.4.% in 2024 and 2025, respectively



LOANS: ARE STILL EXPENSIVE



**Higher interest rates mean
loans are relatively expensive**



**But is becoming easier with
today's decision**



First time since June 2022



REAL SECTOR DEVELOPMENTS

GDP GROWTH IS PROJECTED TO SLOW IN 2024

ECONOMIC OUTLOOK

- Going forward, GDP growth is projected to slow down to 3.1 percent in 2024, before picking up to 3.9 percent in 2025.
- The slowdown will be driven by subdued global demand and the prevailing drought conditions, leading to a contraction in the primary industry, particularly diamond mining and agriculture.

GDP GROWTH OUTLOOK & RISKS

- Extended tight global monetary policies is anticipated to restrain growth in 2024 and 2025.
- The continued mounting geopolitical tensions in the Middle-East could fuel geoeconomic fragmentation and trigger inflation.
- The subdued property sector in China also poses a major risk to global and domestic growth.
- Depressed diamond prices and increased pressure from lab-grown diamonds.
- The prevailing drought conditions are likely to dampen agricultural output
- Water supply interruptions affecting the coastal towns, especially uranium mines, as well as looming water crisis in most towns, including the capital city.

NAMIBIA ECONOMIC DEVELOPMENTS: HIGHLIGHTS



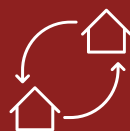
REAL SECTOR

Domestic economic activity showed an **increase** in the **first half of 2024**, compared to 2023 – across most sectors except for few minerals and construction



INFLATION

Headline inflation slowed to an average of **4.8%** during the first seven months of 2024, compared to **6.2%** during the same period in 2023



MONETARY SECTOR

PSCE growth remained weak during the first half of 2024 driven by lower demand and net repayments by businesses



EXTERNAL SECTOR

Merchandise trade deficit deteriorated further during the first half of 2024, while **foreign reserves stood at N\$60.8 billion** at the end of July 2024

DREADED “D'S”



Diamonds

- The challenges in the diamond industry continued
 - Driven by a protracted recovery in demand and higher inventories in the midstream
 - Weak demand from China and competition from Lab-grown diamonds
- **Impact on production, export revenue, diamond taxes to the Government**



Disposable income

- Eroding disposable income
 - Although inflation has eased, prices remain elevated
 - High interest rates resulting in higher debt service costs for households.
- Negatively impacting credit uptake
- On the positive, tax relief to become effective in October 2024 will increase buying power and sales



Drought

- 📄 **State of Emergency: National Disaster (drought) declared in May 2024...**
- 📄 ...drought relief program extended
- 📄 Poor harvest, worsening grazing conditions
- 📄 Dam levels at very low levels
- 📄 Food insecure households have increased



Debt service

- 📄 Debt service costs remained elevated
- 📄 Debt remains elevated given the slowdown in GDP
- 📄 Redemption of maturing instruments between 2024 and 2026 to increase public sector debt servicing.

ENCOURAGING PROSPECTS FOR URANIUM

01

Uranium output growth is projected to decrease to 3.6% from the previous 24.5% in 2023

02

Nevertheless, the industry's future appears promising due to the following factors:

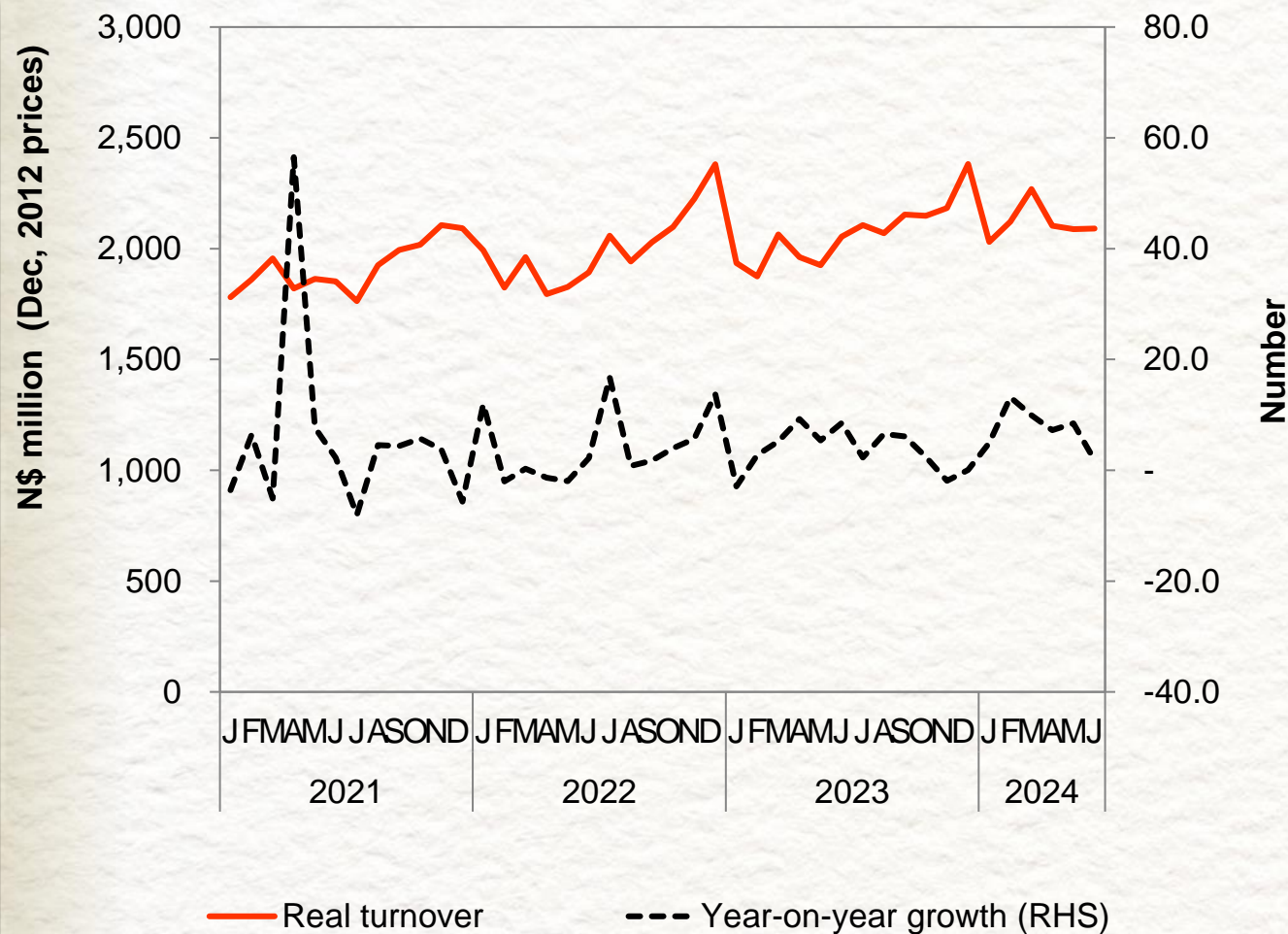
- ❖ Rebound in uranium prices
- ❖ Reopening of previously dormant mines
- ❖ Development of new large-scale mines



THE DAM LEVELS REMAIN GENERALLY VERY LOW

Name of the dam:	Location:	% of full capacity:	
		Current	Last year (same time)
Von Bach:	Okahandja/Windhoek	11.4	20.6
Goreangab	Windhoek	100.0	100.0
Oanob	Rehoboth	38.5	55.8
Hardap	Mariental	9.5	33.2
Neckartal	Keetmanshoop	80.9	90.5
Naute dam	Keetmanshoop	42.0	58.9
Tilda Viljoen	Omaheke region	3.6	30.5
Daan Viljoen	Omaheke region	1.3	16.0
Swakoppoort dam	Okahandja	27.6	62.2
Otjivero Main dam	Otjikoto region	3.0	9.0
Olushandja dam	Omusati Region West	38.5	20.9

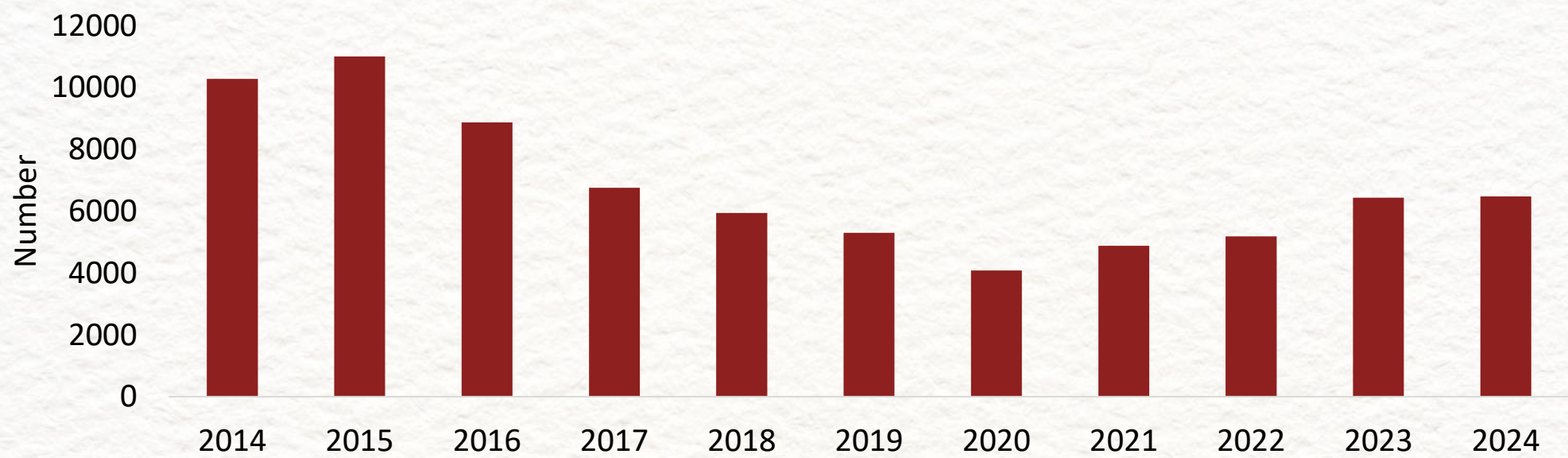
REAL TURNOVER IN THE WHOLESALE AND RETAIL SECTOR



	Year-on-year	
	Jan-June 2023	Jan-June 2024
Wholesale & retail trade	4.6	7.5
Wholesale [17.6%]	13.0	1.7
Supermarkets [58.1%]	4.2	7.5
Clothing [13.5%]	-2.1	15.6
Vehicles [7.3%]	2.0	6.1
Furniture [3.6%]	1.7	12.5

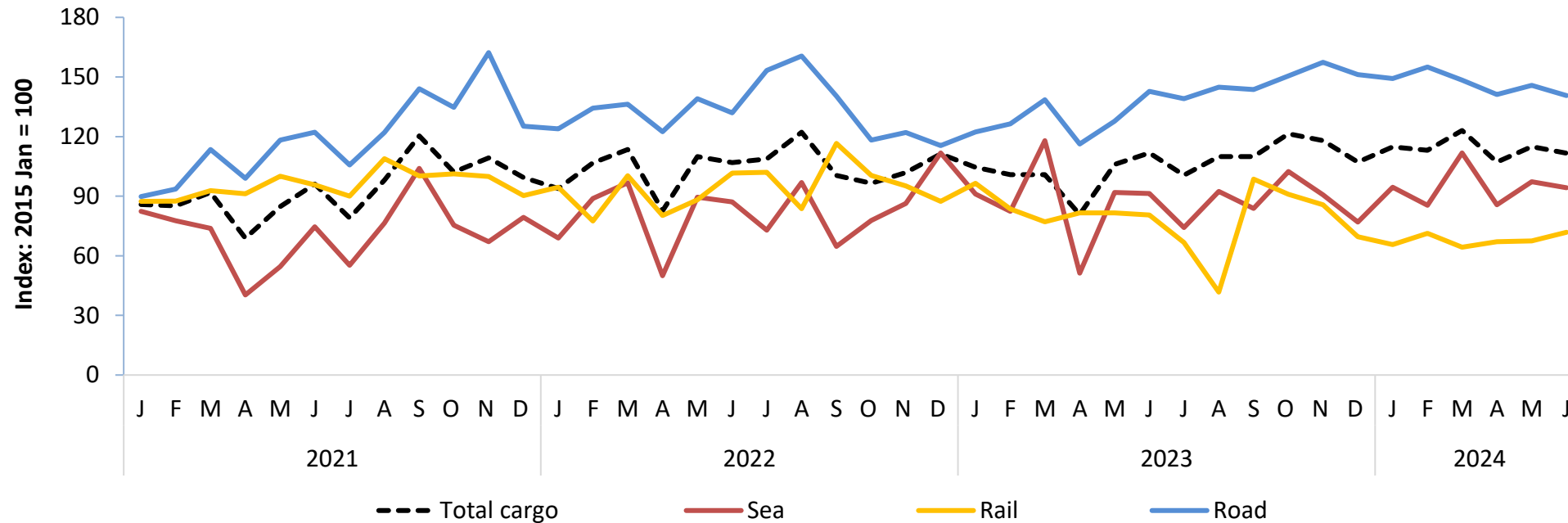
THE NUMBER OF VEHICLES SOLD DECLINED

First six months - new vehicle sales (2014 - 2024)



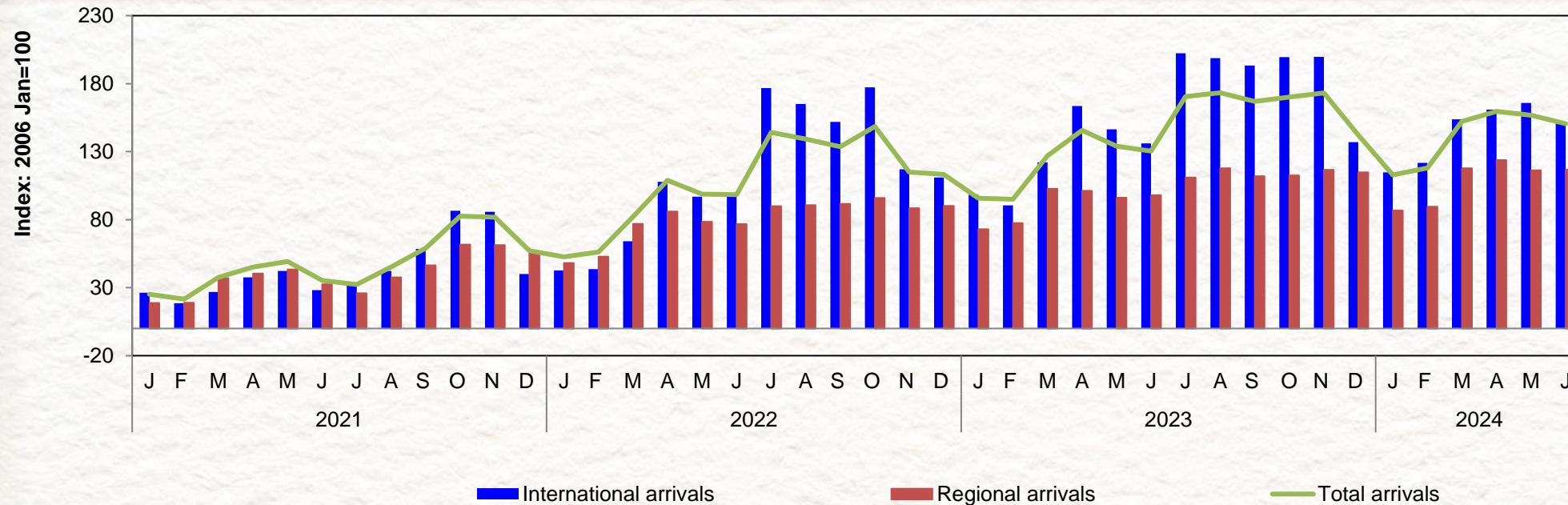
	Year-on-year	
	Jan-June 2023	Jan-June 2024
Total new vehicle sale	24.2	-1.1
Commercial vehicle sales	30.4	7.7
Passenger vehicle sales	18.3	-10.3

ACTIVITY IN THE TRANSPORT SECTOR ROSE, DRIVEN BY ROAD AND SEA CARGO VOLUMES



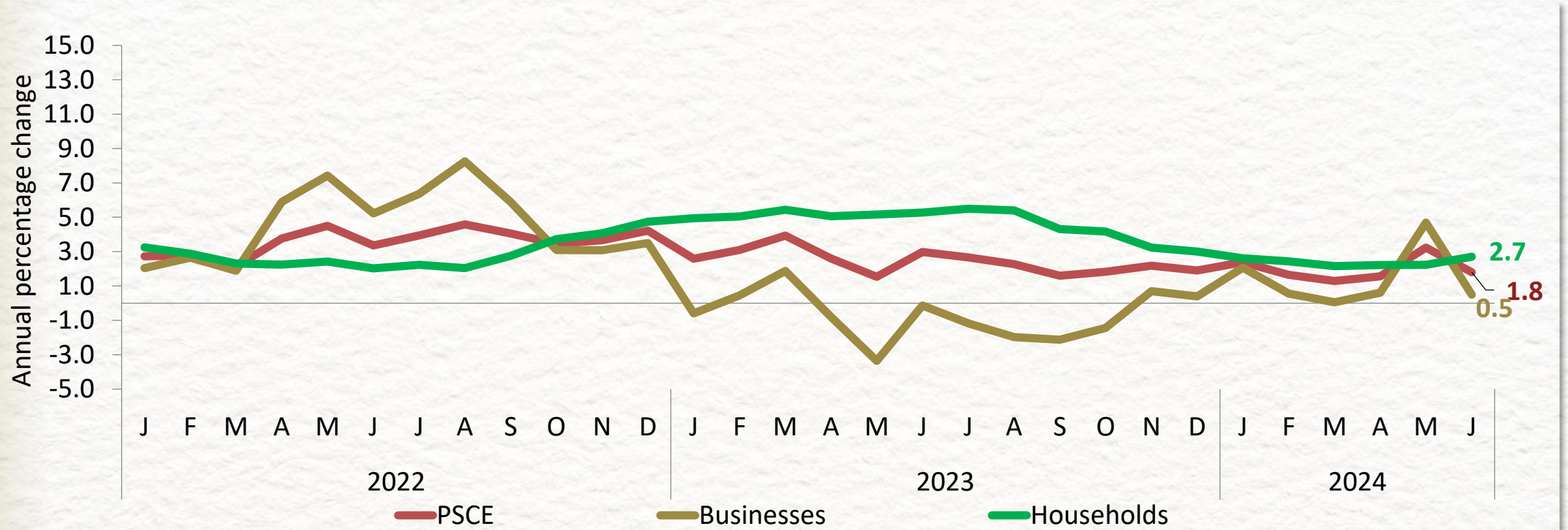
	Year-on-year	
	Jan-June 2023	Jan-June 2024
Total cargo	2.2	9.2
Road cargo	-1.8	13.8
Railway cargo	-7.7	-18.6
Sea cargo	9.4	8.1

TOURISM ACTIVITY CONTINUED TO RISE FURTHER DURING THE PERIOD UNDER REVIEW



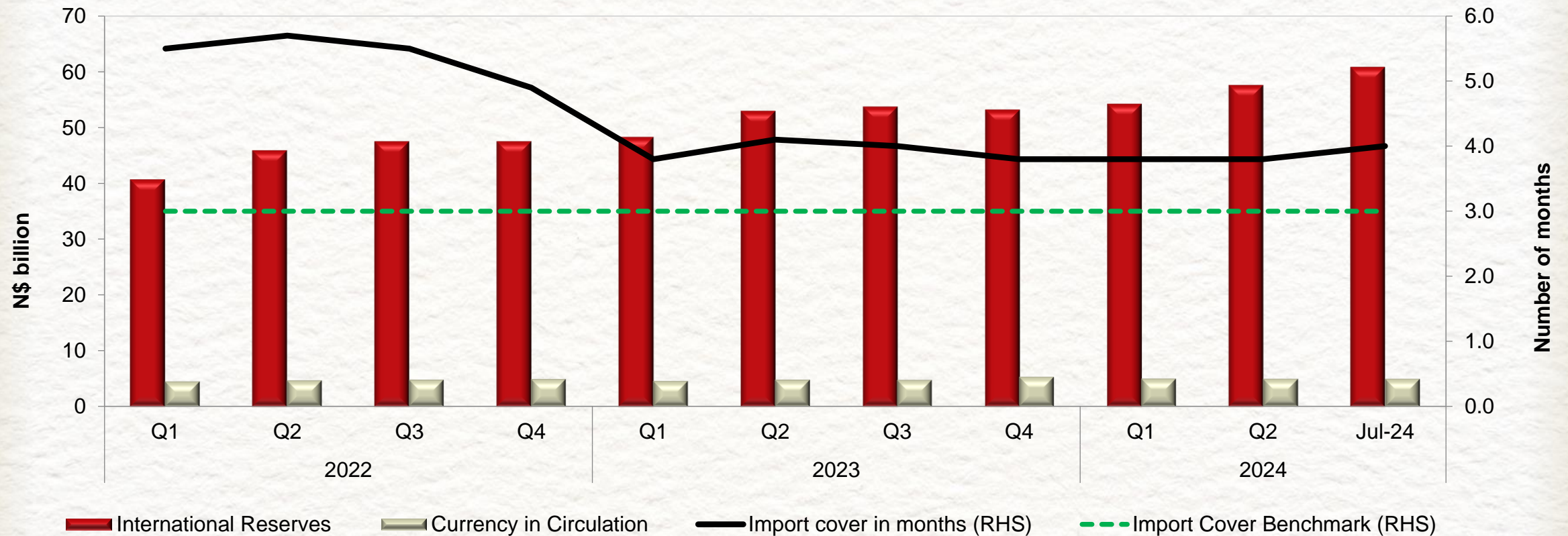
	Year-on-year	
	Jan-June 2023	Jan-June 2024
Total arrivals	46.3	16.8
Regional arrivals	30.9	18.7
International arrivals	66.8	14.7
Occupancy rate (room)	44.6	48.5

GROWTH IN PSCE REMAINS SUBDUED



	Annual Percentage Growth				
	Jan-Jun 23	Jan-Jun 24	Jun-23	Jun-24	Last Meeting Jun-24)
PSCE	2.8	2.0	3.0	1.8	1.6 (Apr data)
Businesses	-0.4	1.4	-0.1	0.5	0.6 (Apr data)
Households	5.2	2.4	5.3	2.7	2.2 (Apr data)

RESERVES REMAINED ADEQUATE TO SUPPORT THE PEG



CONCLUSION



01

The domestic economy grew further during the first six months of 2024, as a result of increased economic activity in most sectors.

02

GDP growth is estimated to slow to 3.1 percent in 2024, due to the expected slower growth in the primary industry.

03

Inflation continues to slow, and it is expected to average 4.7% in 2024 and 4.4% in 2025.

04

Growth in private sector credit remained weak due to lower demand for credit given elevated interest rates

05

The merchandise trade deficit deteriorated during the first half of 2024 while the stock of international reserves rose and remain adequate to support the peg.

**THANK
YOU**

