

# Monetary Policy Outlook

## 13 February 2023

In line with the world Central Banks, The Bank of Namibia Monetary Policy Committee (MPC) is set to make its first monetary announcement for 2024 regarding the interest rate decision on the 14th of February 2024. On the 31<sup>st</sup> January 2024, The Board of Governors of the Federal Reserve System voted unanimously to maintain the interest rate paid on reserve balances at 5.4 %. The Federal Reserve Committee highlighted that it is not appropriate to reduce the federal funds rate until it has gained greater confidence that inflation is moving sustainably toward 2%.

The South African Reserve Bank’s Monetary Policy Committee (MPC) has unanimously agreed to keep the repurchase rate (repo rate) at 8.25% on 25<sup>th</sup> January 2024. South African Reserve Bank (SARB) Governor Lesetja Kganyago noted that restrictive policy, is consistent with the inflation outlook and the need to address rising inflation expectations. He further highlighted serious upside risks to the inflation trajectory from global and domestic sources are evident and only see interest rate cuts when inflation has sustainably come down to the mid-point of its target range.

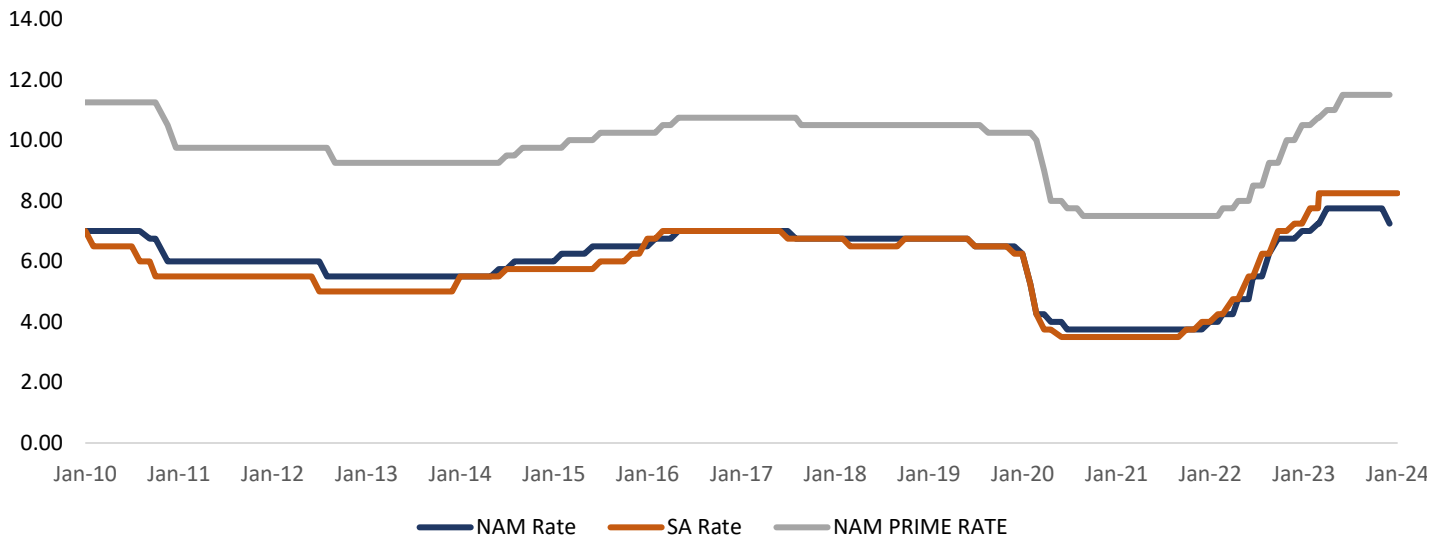
Namibia’s headline inflation rate ticked up to 5.4% y/y in January 2024, compared to the 5.3% y/y recorded in December 2023. The higher inflation was primarily driven by higher transport and rental prices. On a monthly basis, prices rose by 1.3% m/m. Services inflation stood at 3.5% y/y, higher than the 3.1% recorded in the prior two months, while goods inflation remained steady at 6.8% y/y in January. Risks to inflation remain tilted to the upside, particularly centered around supply chain disruptions, extreme weather conditions and currency risks.

**Figure 1: Namibia Inflation**



Source: Bank of Namibia, HEI Research

**Figure 2: Historical Policy Rates**



Source: Bank of Namibia, HEI Research

To continue safeguarding the peg between the Namibia Dollar and the South African Rand while supporting the domestic economy. We are of view that the MPC will maintain the repo rate unchanged at 7.75%, this is in line with the recent inflation expectations in South African and Namibia. We predict that the MPC might start cutting rates in the second half of 2024, if the inflation rate in South Africa reaches the midpoint of the target range.

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