

# Monetary Policy Outlook

## August 2024

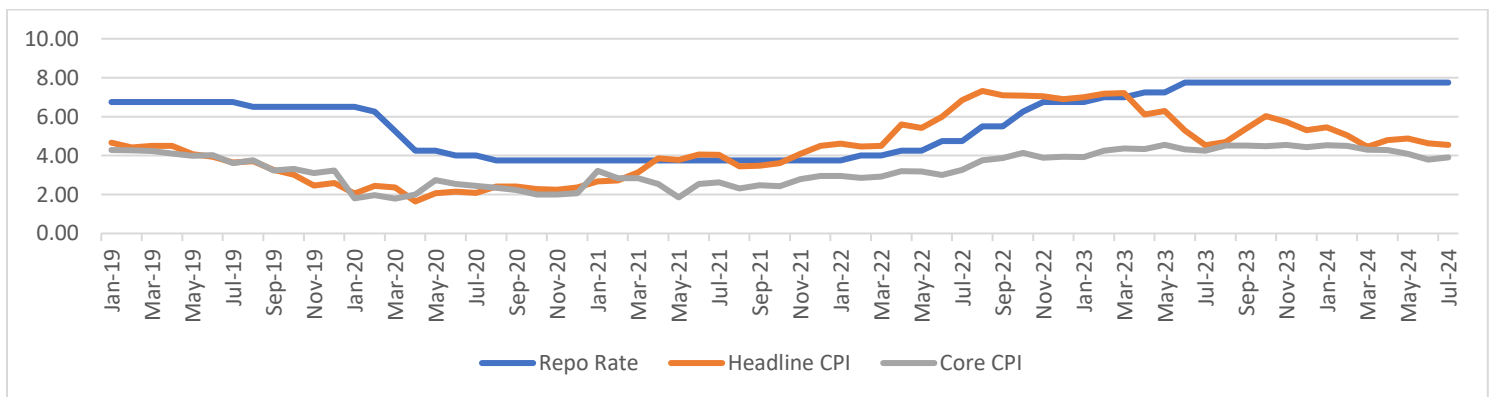
In the United States, the global labor market defied expectations with a rise in the unemployment rate to 4.3%. While inflation has eased over the past year, it remains elevated, contributing to an uncertain economic outlook. The Committee remains vigilant regarding inflation risks but has opted to maintain interest rates at 5.4%. However, markets are anticipating a 25-basis point cut in September.

Meanwhile, the South African Reserve Bank's Monetary Policy Committee decided on July 18, 2024, to keep the current interest rate at 8.25% for the seventh time this year. The MPC now projects that core inflation will reach the target of 4.5% by the second quarter of 2025, earlier than the previously expected fourth quarter. This shift reflects a balanced outlook on inflation risks.

In Namibia, the annual headline inflation rate stabilized at 4.6% for both June and July 2024, down from 4.9% in May 2024. Although core inflation saw a slight month-on-month increase, it currently stands at 3.9%, down from 4.3% in July 2024, indicating that underlying inflationary pressures are beginning to ease.

We maintain our view that the Bank of Namibia’s Monetary Policy Committee will keep interest rates unchanged at 7.75%, maintaining the 50-basis point differential with South Africa. Additionally, we anticipate that any rate-cutting cycle over the next 12 months, both in the U.S. and regionally, will be gradual.

Repo rate vs Headline inflation vs Core inflation in Namibia (Jan 2019-July 2024)



Source: NSA, BON & HEI Research

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