



Bank of Namibia

Brent Crude, Inflation Outlook

June, 2022

Presentation Road Map

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Brent crude forecasts Consensus

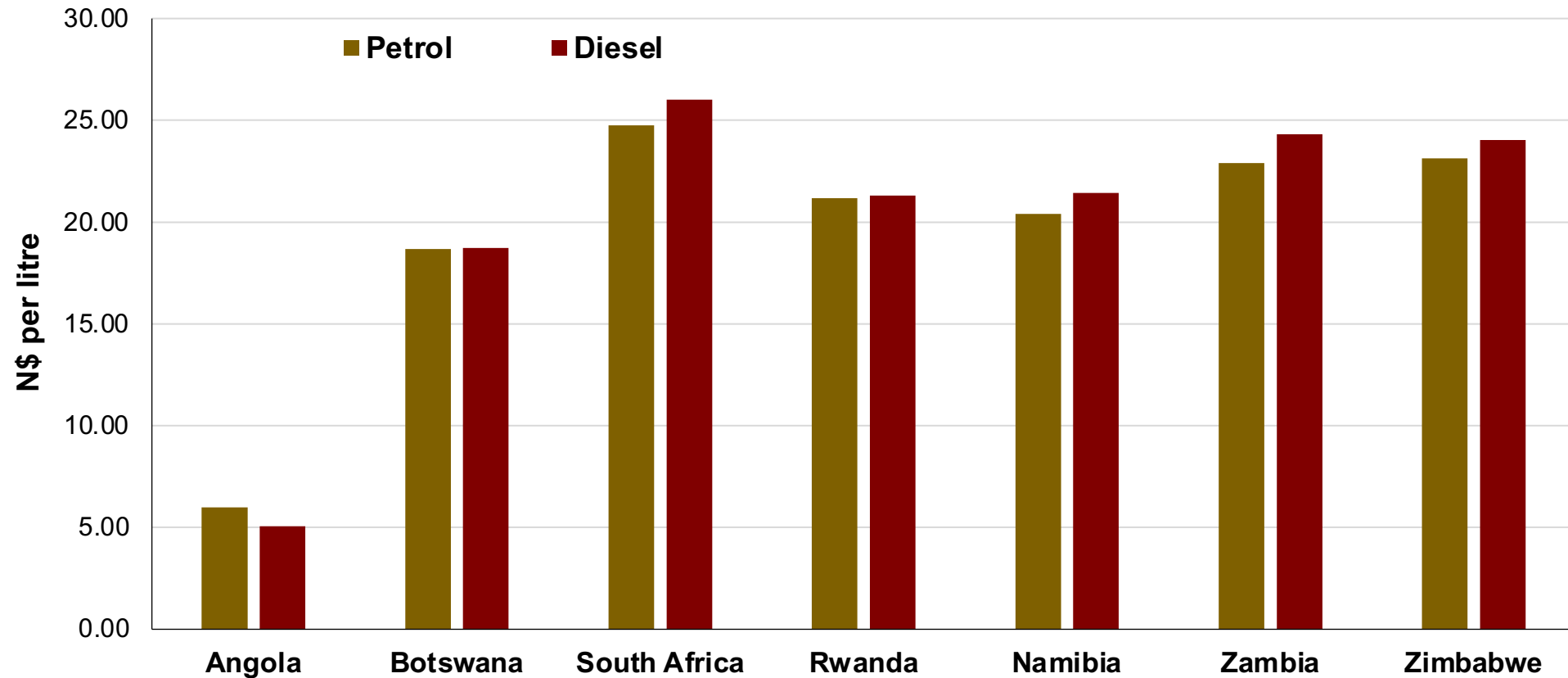


On average, institutions are projecting the Brent crude price to average **US\$105** per barrel in 2022 and **US\$94** per barrel in 2023

| U\$/Barrel | 2022 | 2023 |
|-------------------|-------------|-------------|
| IEA | 103 | 97 |
| World Bank | 100 | 92 |
| IMF | 107 | 93 |
| OPEC | 110 | 98 |
| Bloomberg | 104 | 92 |
| JP Morgan | 104 | 94 |
| Average | 105 | 94 |

Regional fuel prices

Angola and Botswana have the lowest fuel prices, Namibia and Rwanda have similar fuel prices, while South Africa has the highest amongst the 7 countries.



Regional fuel prices...



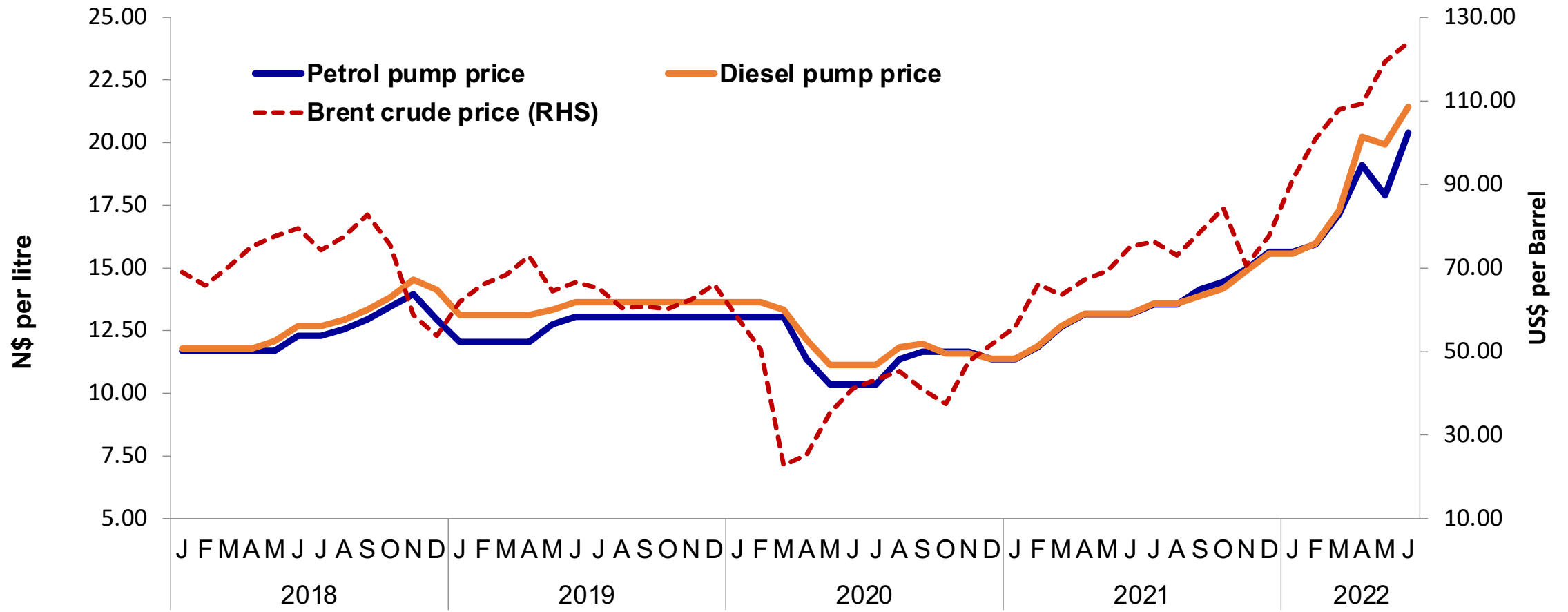
Prices for petrol and diesel averaged N\$19.58 and N\$20.12, respectively

| | | US\$/litre | N\$/litre |
|--------------|--------|------------|-----------|
| Angola | Petrol | 0.37 | 5.99 |
| | Diesel | 0.32 | 5.06 |
| Botswana | Petrol | 1.17 | 18.69 |
| | Diesel | 1.17 | 18.73 |
| South Africa | Petrol | 1.55 | 24.76 |
| | Diesel | 1.62 | 26.01 |
| Rwanda | Petrol | 1.32 | 21.17 |
| | Diesel | 1.33 | 21.31 |
| Namibia | Petrol | 1.27 | 20.40 |
| | Diesel | 1.34 | 21.43 |
| Zambia | Petrol | 1.43 | 22.90 |
| | Diesel | 1.52 | 24.31 |
| Zimbabwe | Petrol | 1.44 | 23.13 |
| | Diesel | 1.50 | 24.02 |

Brent crude & Domestic pump prices



As a net importer of fuel, Namibia's Domestic pump prices are highly dependent on external factors such as international prices for crude oil

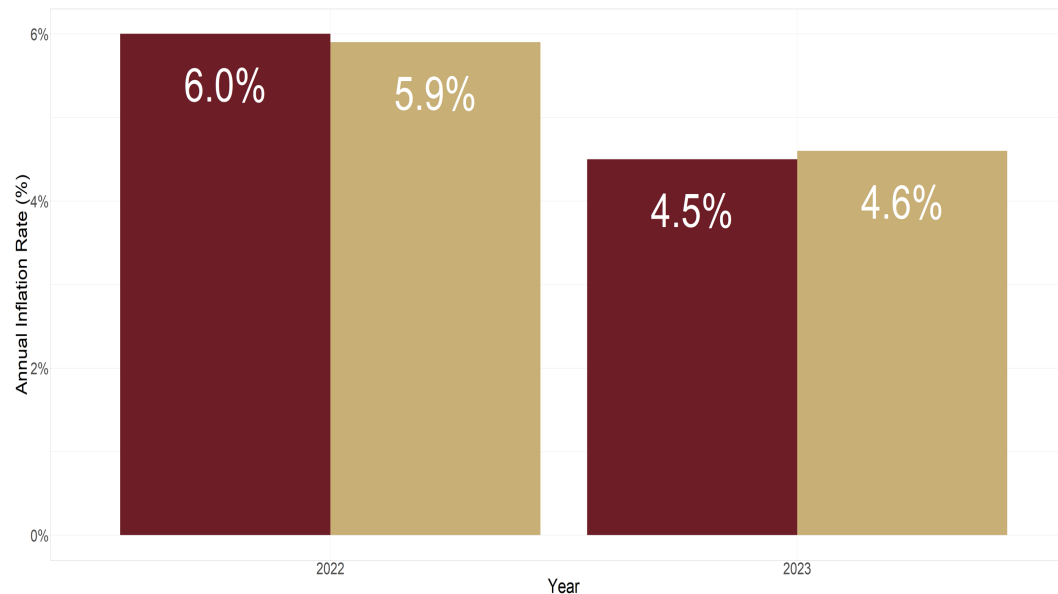


Medium Term Inflation Forecasts



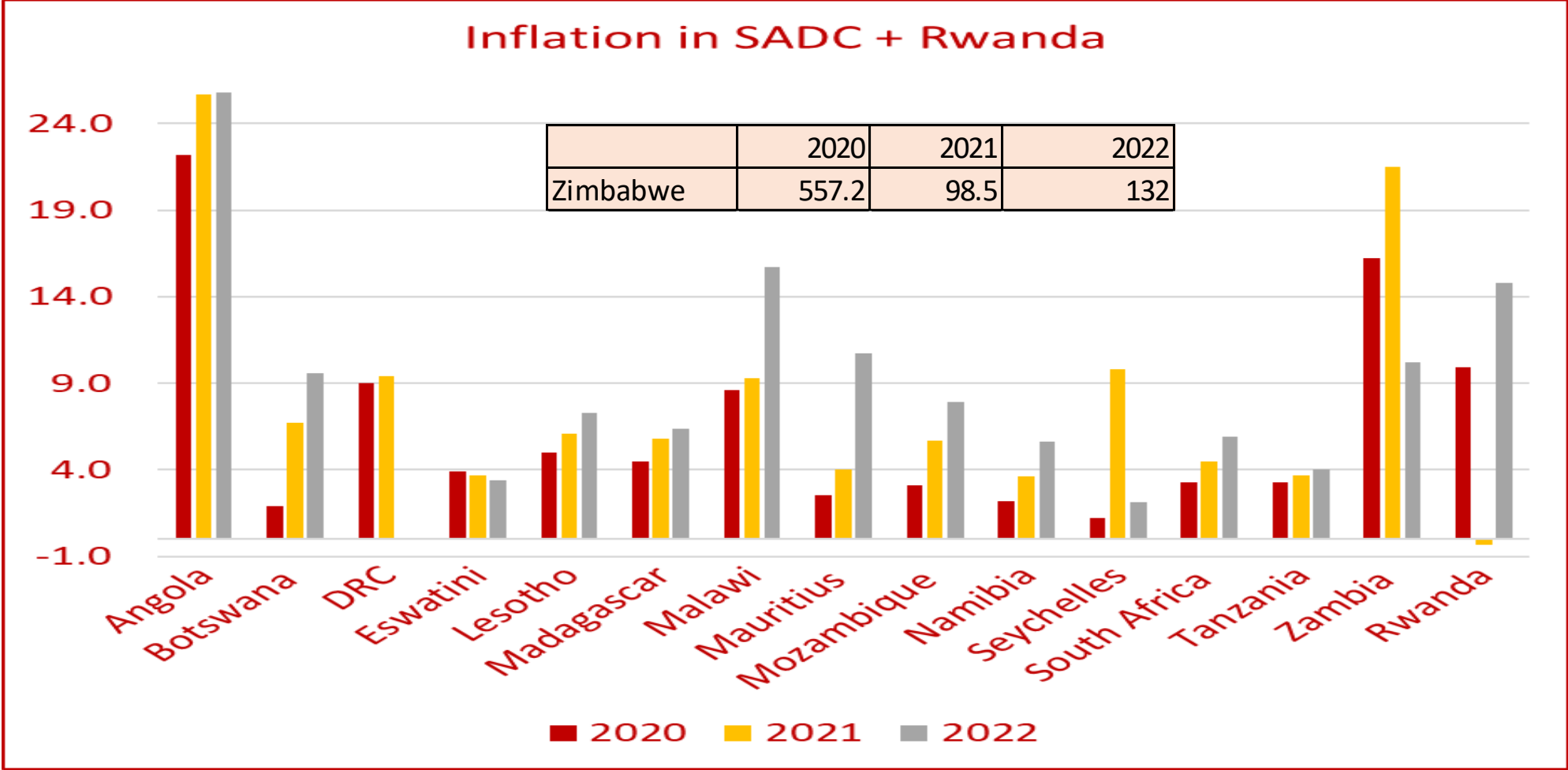
| Category | 2022 Q2 | 2022 Q3 | 2022 Q4 | 2023 Q1 | 2023 Q2 | 2023 Q3 | 2023 Q4 |
|------------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|
| Baseline | 6.4% | 6.5% | 6.1% | 5.7% | 4.5% | 4.4% | 4.0% |
| Alternate | 6.6% | 6.7% | 6.3% | 5.9% | 4.8% | 4.7% | 4.6% |

Yearly Inflation Forecasts

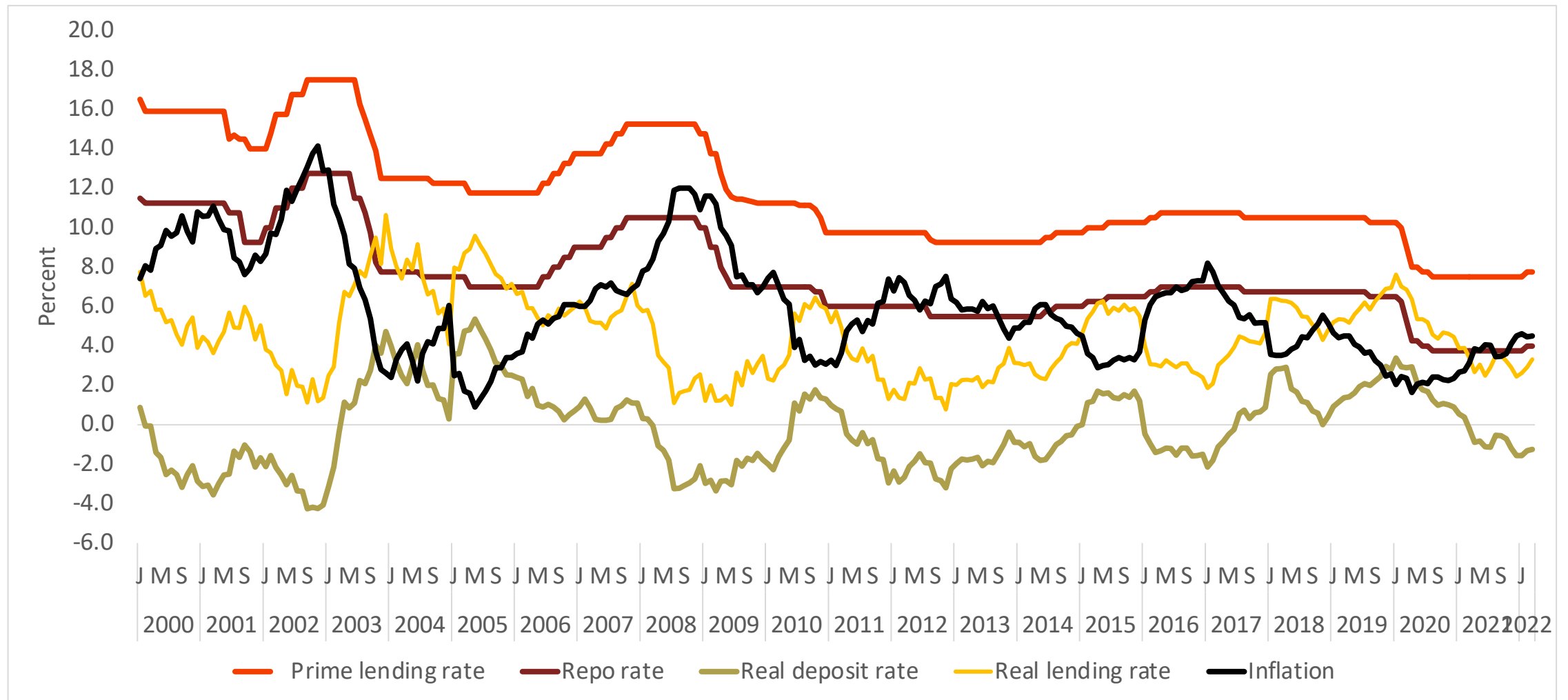


Factors that may change the forecast drastically:

- Housing & Utilities
- Geopolitics
- OPEC+



Interest rates since 2000



Interest rates since 2000: Period averages

The Repo rate averaged 7.51 percent.

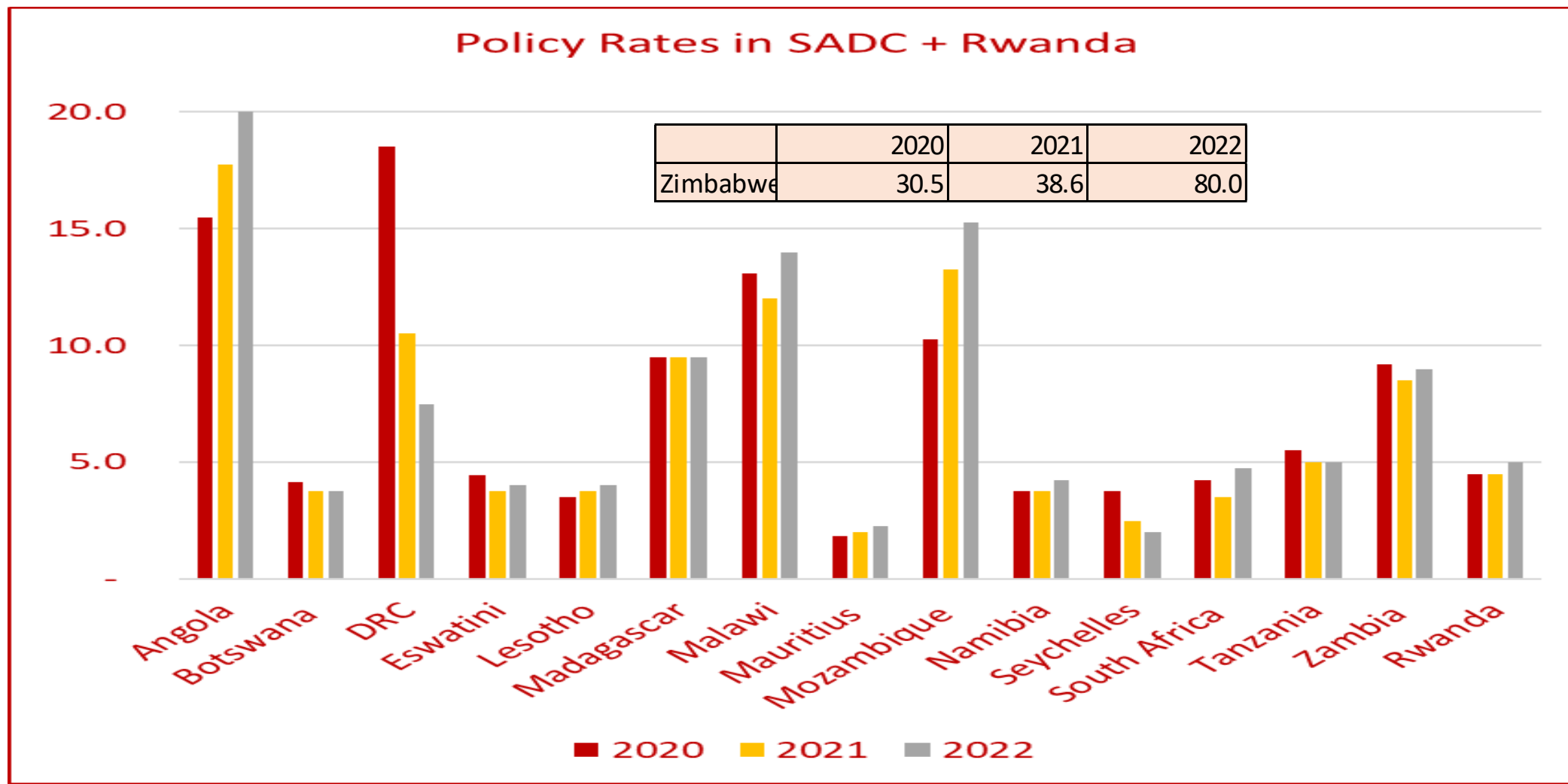
The Prime lending rate averaged 11.71 percent.

Real deposit rate were negative -0.13 percent on average.

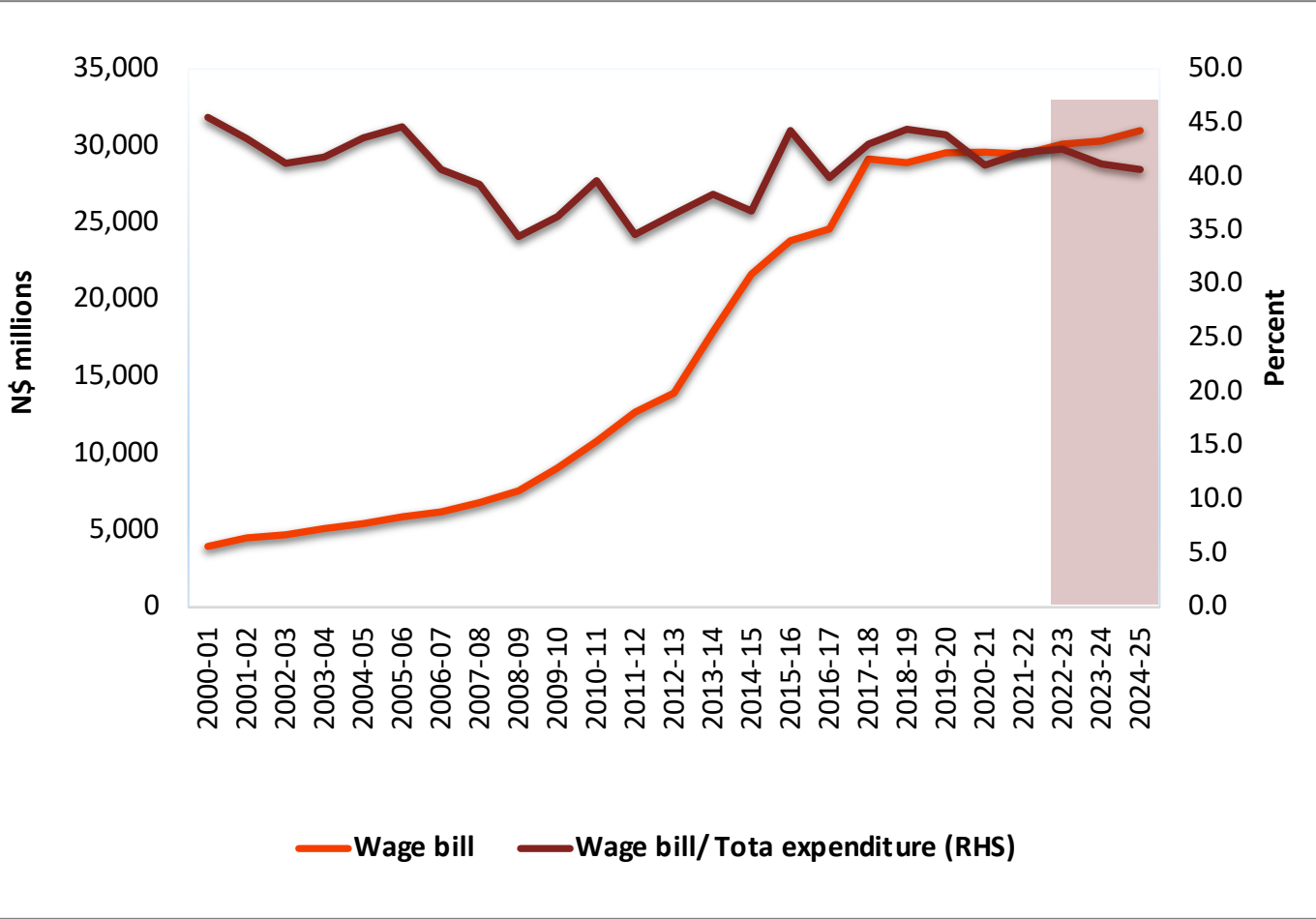
Real lending rate were 4.53 percent on average.

| | 2000-2004 | 2005-2009 | 2010-2014 | 2015-2019 | 2020-2022 | 2000-2022 |
|---------------------------|-----------|-----------|-----------|-----------|-----------|-----------|
| Repo rate | 10.39 | 8.52 | 5.98 | 6.72 | 4.07 | 7.51 |
| Prime lending rate | 15.11 | 13.22 | 9.81 | 10.47 | 7.82 | 11.71 |
| Real deposit rate | -0.66 | 0.34 | -1.11 | 0.65 | 0.41 | -0.13 |
| Real lending rate | 5.34 | 5.00 | 3.14 | 4.79 | 4.19 | 4.53 |
| Inflation | 8.3 | 6.6 | 5.5 | 4.9 | 3.1 | 6.0 |

Policy Interest Rates in SADC



The central Government wage bill has been on a steep rise since FY2006/07 to FY2017/18, and has remained fairly stable since then.



- ❁ Central Government wage bill grew on average by 10.7% since FY2000/01.
- ❁ Wage bill as a percent of Total Government expenditure was 40.8% on average since 2000/01 and current stands at 43%.

Summary

- The price of Brent Crude is expected to decrease in 2023 when compared to 2022.
- Inflation pressures in Namibia remains elevated in 2022; however it is expected to decline in 2023 on the back of oil prices.
- Growth in private sector credit remain subdued.
- Central Government Wage Bill grew by 10.7 percent on average since 2000/01 fiscal year.
- Risks to the inflation outlook in Namibia is attributed to the increase in Brent Crude Prices due to the protracted war between Russia and Ukraine.
- World economic growth has been revised downward.
- Global inflation has increased.