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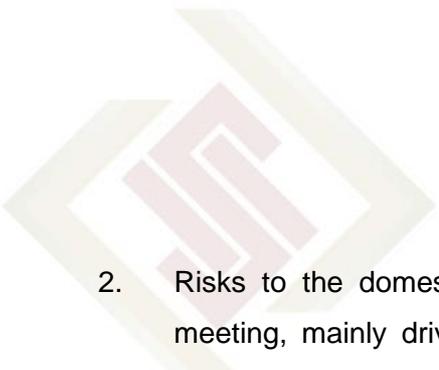
REPO RATE MAINTAINED AT 7.75 PERCENT

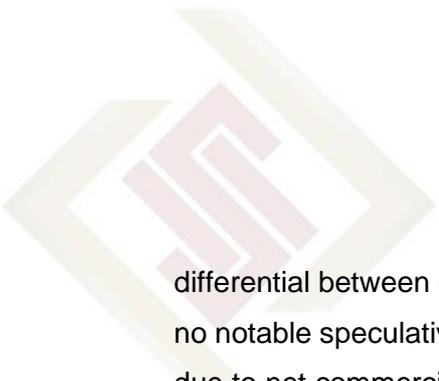
On the 23rd and 24th of October 2023, the Monetary Policy Committee (MPC) of the Bank of Namibia held its bi-monthly meeting to decide on the appropriate monetary policy stance to be implemented over the next two months. To continue safeguarding the peg between the Namibia Dollar and the South African Rand while supporting the domestic economy, the MPC decided to keep the Repo rate unchanged at 7.75 percent. This decision was taken following a comprehensive review of domestic, regional and global economic developments.

RECENT ECONOMIC DEVELOPMENTS

Namibia's real GDP growth slowed during the second quarter of 2023, but economic activity remained firm year-to-date. Inflation edged up in September 2023, while Private Sector Credit Extension (PSCE) growth remained weak. The merchandise trade deficit improved, and the stock of international reserves remained sufficient to support the currency peg and meet the country's international financial obligations.

1. The recently released quarterly national accounts data indicate that the Namibian economy grew by 3.7 percent during the second quarter of 2023. While still firm, it remains lower compared to the 5.3 percent observed during the first quarter of 2023 and 8.5 percent in the corresponding period of 2022. The slowdown in economic growth was mainly due to contractions in sectors such as *agriculture and forestry*, *construction*, *financial services* as well as *public administration and defence*. Year-to-date, the domestic economy continued to improve, primarily driven by the *mining*, *electricity generation*, *tourism* and *wholesale and retail trade* sectors. Going forward, growth is projected to decline to 3.3 percent in 2023 from 7.6 percent in 2022, on account of slower growth in the primary industry, following the significantly high base effects growth experienced by this industry in the previous year.

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2. Risks to the domestic economic outlook have intensified since the previous MPC meeting, mainly driven by external factors. The external factors include weakening global economic activity, tighter global monetary policy, geoeconomic fragmentation and continued geopolitical tensions including the recent Israel-Gaza conflict. Risks associated with the supply of electricity in South Africa seem to have recently softened, although challenges continue to persist. Internal risks include the current drought, uncertain rainfall conditions and water supply interruptions, particularly at coastal towns.
 3. While monthly numbers have receded from levels above 7 percent early in 2023, Namibia's annual inflation rate averaged 6.0 percent during the first nine months of 2023, up from 5.8 percent during the corresponding period in 2022. The increase in consumer price inflation was primarily shaped by *food, housing and miscellaneous goods and services*. Propelled by higher fuel prices, annual inflation increased to 5.4 percent in September 2023 from 4.7 percent in August 2023. Compared to the previous MPC meeting, the projected average inflation for 2023 has been revised upwards by 0.3 percentage point to 5.9 percent. This revision was mainly on the back of the recent surge in domestic fuel pump prices. Inflation for 2024 is, however, projected to slow to 4.8 percent.
 4. Since the previous MPC meeting, the annual growth in PSCE slowed further to 2.3 percent in August 2023, from 3.0 percent in June 2023. The slowdown in PSCE growth was attributed to lower demand and net repayments by the corporate sector, especially in the categories of *mortgages and other loans, advances and overdrafts*. Likewise, PSCE growth remained subdued over the first eight months of 2023, averaging 2.7 percent compared to 3.5 percent recorded over the same period in 2022.
 5. Namibia's external merchandise trade deficit narrowed by 7.9 percent to N\$21.8 billion during the first eight months of 2023 compared to the same period in 2022, as export earnings continued to grow faster than import payments. The rise in export earnings was reflected in increased volumes of *diamond, gold, uranium and fish* exports supported by the depreciation of the Namibia Dollar/Rand exchange rate.
 6. As at 30th September 2023, the stock of international reserves edged lower at N\$53.8 billion compared to N\$55.6 billion recorded at the end of August 2023 and the N\$54.2 billion reported at the previous MPC meeting. Overall, despite the interest rate



differential between South Africa and Namibia, capital flows have remained orderly with no notable speculative behaviour, with the decline in the official reserves predominantly due to net commercial bank outflows and foreign payments by the Government. At this level, the stock of international reserves is estimated to cover 5.6 months of imports, thereby remaining sufficient to support the currency peg between the Namibia Dollar and the South African Rand and meet the country's international financial obligations.

Global economic activity remained resilient since the last MPC meeting. Inflation slowed down in the Advanced Economies (AEs), but continued to exceed central bank targets, while it accelerated in the Emerging Markets and Developing Economies (EMDEs). Monetary policy stances across the globe generally remained restrictive.

7. Global growth prospects for 2023 and 2024 are expected to remain modest. In particular, the International Monetary Fund projects global economic growth to gradually moderate from 3.5 percent in 2022 to 3.0 percent in 2023 and 2.9 percent in 2024. The AEs are expected to drive the decline in global growth, with growth projected to slow significantly to 1.5 percent and 1.4 percent in 2023 and 2024, respectively, from 2.6 percent in 2022. In the EMDEs, growth is expected to decline relatively modestly from 4.1 percent in 2022 to 4.0 percent in both 2023 and 2024.
8. Since the last MPC meeting, prices of some of the key commodities have diverged. The price of copper continued to fall since the last MPC meeting but still shows a positive gain on a yearly basis in October 2023. The fall was mainly due to the stronger US Dollar and increased supply. The price of gold has risen in recent weeks driven by safe-haven demand, partly on account of the outbreak of the Israel-Gaza conflict. The price of Brent crude oil and the uranium spot price increased since the last MPC meeting, on account of persistent production cuts by OPEC and the continued drive for clean energy, respectively. Similarly, the average zinc price has on balance increased since the previous MPC meeting, mainly supported by robust demand from China. Food prices, in US Dollar terms, were slightly higher, month-on-month, due to concerns related to adverse weather conditions and the impact of the suspension of the Black Sea Grain Initiative. Diamond prices continued to decline during the review period arising from lacklustre global consumer demand, amid the rising supply of lab-grown diamonds.

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9. The key global equity markets continued to record losses, partly due to expectations that higher policy rates may persist for longer, coupled with pessimistic sentiments on global growth among investors. Meanwhile, bond yields in most monitored economies increased since the previous MPC meeting on the back of elevated policy interest rates, wide fiscal deficits, and a renewed bout of inflation.
 10. Since the last MPC meeting, inflationary pressures eased in most of the monitored AEs but increased in the EMDEs. Among the AEs, inflation subsided in the United Kingdom, the Euro Area and Japan and increased slightly in the US. On the contrary, inflation rose in most of the key EMDEs. Going forward, global inflation, although sticky, is forecast to decline steadily from 8.7 percent in 2022 to 6.9 percent in 2023 and 5.8 percent in 2024.
 11. Most monitored central banks kept their policy rates unchanged at their most recent monetary policy meetings, including the South African Reserve Bank. However, the European Central Bank as well as the Bank of Russia raised rates since the BoN's last MPC meeting to continue taming and anchoring inflation. Meanwhile, the Central Bank of Brazil and the People's Bank of China cut their policy rate mainly due to slowing inflation and a weaker economy, respectively. Generally, central banks across the globe expect interest rates to remain higher for longer and they remain committed to bringing inflation within target levels in the period ahead.

MONETARY POLICY STANCE

12. Against this background, the MPC decided to keep the Repo rate unchanged at 7.75 percent. Accordingly, the prime lending rate remains steady at 11.50 percent. This policy stance will continue to safeguard the one-to-one link between the Namibia Dollar and the South African Rand, while supporting domestic economic activity, particularly the overstretched households and businesses.
13. The next meeting of the MPC will be held on 4th and 5th December 2023.



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