

BANK OF NAMIBIA

Minutes of the Monetary Policy Committee (MPC) Meeting

Windhoek, 9 April 2019



“Our vision is to be a centre of excellence”

Publication date: 12 June 2019

**Minutes of the Monetary Policy Committee (MPC) Meeting held on the
9th of April 2019**

These are the minutes of the Monetary Policy deliberations at the meeting of the Bank of Namibia MPC held on the 9th of April 2019.

Monetary policy decisions are taken by the MPC in accordance with the Monetary Policy Framework of the Bank of Namibia published in 2008. The MPC meets on a bi-monthly basis and the minutes of its meetings are released on the day following the next MPC meeting. The minutes are also available on the website of the Bank at: <http://www.bon.com.na>.

MPC MEMBERS PRESENT

Ebson Uanguta	Deputy Governor (Chairperson)
Emile van Zyl	Technical Advisor: Governor's Office
Emma Haiyambo	Director: Strategic Communications & FSD
Nicholas Mukasa	Director: Financial Markets Department (FMD)
Florette Nakusera	Director: Research and Financial Stability Department (RFSD)
Johan van den Heever	Technical Advisor: RFSD

APOLOGIES

lipumbu Shiimi	Governor
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OTHERS PRESENT

Postrick Mushendami (Deputy Director: RFSD); Israel Zemburuka (Deputy Director: Corporate Communications); Sanette Schulze Struchtrup (Deputy Director: RFSD); Helvi Fillipus (Deputy Director: FMD); Gerson Kadhikwa (Technical Expert: RFSD); Christian Phillipus (Senior Economist: RFSD); Grace Hamauka (Senior Economist: RFSD); Daisy Mbazima-Lando (Senior Economist: RFSD); Saara Mukumangeni-Kashaka (Senior Economist: RFSD); Rehabeam Shilimela (Senior Economist: RFSD); Elifas Iiyambula (Economist: RFSD).

SECRETARY

Victoria Manuel (Economist: RFSD)

ECONOMIC DEVELOPMENTS REPORT

1. **As usual, reporting on economic developments was split into an international and a domestic component. First a report on global economic developments was presented to the MPC members.**

GLOBAL ECONOMY

2. **The MPC was informed that the global economy slowed during the fourth quarter of 2018.** Among the Advanced Economies (AEs), economic growth increased in the US and Japan. The strong growth was on the back of a rebound in household consumption and an upward revision of business spending following a series of natural disasters. Growth in the Euro Area and UK slowed during the fourth quarter of 2018. Growth in the AEs is projected to be lower at 1.8 percent in 2019 compared to 2.2 percent in 2018. Growth rates in all the monitored Emerging Market and Developing Economies (EMDEs) weakened during the fourth quarter of 2018 compared to the corresponding period in the previous year. Going forward, the EMDEs are projected to continue moderating to 4.4 percent in 2019 from 4.5 percent in 2018.
3. **The MPC noted that the global economic growth rate is projected to slow in 2019.** Growth in the global economy is projected to register a weaker growth rate of 3.3 percent in 2019 compared to 3.6 percent in 2018. The lower projected growth is due to a loss of momentum by both the AEs and the EMDEs. Risks to the global economic growth outlook remain and include the possible collapse of the China/US trade negotiations, escalation of trade tensions to other countries, and a no-deal withdrawal of the UK from the European Union.
4. **The MPC was informed that inflation rates in most monitored AEs and EMDEs edged up slightly during February 2019.** The inflation rate for the US moderated, while it picked up slightly in the UK, Euro Area and Japan. Amongst the monitored EMDEs, inflation picked up in Brazil, Russia, India and South Africa. The increase in inflation was generally on account of rising cost of food and energy.
5. **International crude oil prices increased, while the uranium price declined in February 2019.** Brent crude oil traded at an average of US\$61.13 per barrel in February 2019 from US\$56.58 per barrel in January 2019, which was 8.0 percent higher than the previous month. The price of Brent crude oil increased further to

US\$63.80 per barrel in March 2019. The increase in price was mainly due to the oil production cuts. The expectations that China and the US would reach a trade deal soon are tightening the global oil markets worldwide. The uranium spot price declined by 3.1 percent to average US\$28.00 per pound in February 2019 from US\$28.90 per pound in January 2019. The uranium price declined further to US\$25.33 per pound in March.

6. Prices of the monitored non-energy commodities increased in February 2019.

The price of copper increased on a monthly basis to an average of US\$6 300 per ton in February 2019, and US\$6 439 per ton in March 2019. The increase in the price of copper is mainly on the back of a weaker dollar and improving sentiment regarding China's economy. Similarly, the price of zinc picked up by 5.4 percent on a monthly basis, to average US\$2 707 per ton in February 2019 and US\$2 851 per ton in March 2019. The increase in zinc prices was driven by supply constraints as stockpiles diminished.

7. The MPC noted that since the last MPC meeting in February 2019, monetary policy stances of key monitored economies were left unchanged over the past

two months, except for India. Since the previous MPC meeting in February 2019, most central banks in both the AEs and EMDEs have left their policy rates unchanged. The exception was the Bank of India, which cut its policy rates.

DOMESTIC ECONOMY

8. A report on the developments in the domestic economy was presented to the MPC.

9. The MPC noted that domestic economic activity slowed during the first two months of 2019 compared to the same period in 2018.

Economic activity in sectors such as mining, agriculture and construction declined during the first two months of 2019. The decline in the mining sector is attributed to the lower production of diamonds. Moreover, weak activity in the agriculture sector was mainly due to the decline in the number of cattle marketed, while the decrease in the real value of buildings completed by the private sector affected the construction sector. On the contrary, other sectors, including transport and communication, wholesale and retail trade as well as manufacturing improved during the same period. Going forward, the Namibian economy is projected to record a marginally positive growth rate in 2019.

- 10. Namibia's overall inflation rate increased during the first two months of 2019 compared to the same period in 2018.** Annual average inflation increased to 4.6 percent during the first two months of 2019 compared to 3.6 percent in the corresponding period of 2018. The rise is mainly due to an acceleration in inflation for the categories of food and non-alcoholic beverages as well as transport. In the recent months, however, inflation moderated, recording 4.4 percent in February 2019 from 4.7 percent in January 2019. Going forward, overall inflation is projected to average around 4.7 percent in 2019.
- 11. The MPC was informed that the Central Government budget deficit rose slightly during the first eleven months of FY2018/19, compared to the previous fiscal year.** Central Government's budget deficit stood at N\$6.13 billion during the first eleven months of the 2018/19 fiscal year, slightly higher than the N\$6.10 billion registered during the corresponding period of the previous fiscal year. Moreover, the total Government debt stock rose to N\$86.4 billion at the end of February 2019, representing a yearly increase of 17.5 percent compared to the debt stock recorded at the end of February 2018. The increase was reflected in both domestic and external debt, owing to the issuance of TBs and IRS in the domestic market during the period under review, coupled with the disbursement of the second tranche of a loan from the African Development Bank.
- 12. In summary, the MPC noted the recent domestic economic developments as presented.**

MONETARY POLICY DELIBERATIONS

- 13. The MPC deliberated on both the domestic and global economic developments, as highlighted above.** The MPC members discussed the credit agreements regulations and how they can be used to stimulate growth. The MPC agreed to keep assessing and evaluating these regulations, noting that they could be used without changing the Repo rate. After considering all key macro-economic variables and developments, the MPC decided to keep the Repo rate unchanged at 6.75 percent. The MPC was of the view that at this level, the rate was appropriate to maintain the one-to-one link between the Namibia Dollar and the South African Rand, while supporting domestic economic growth.