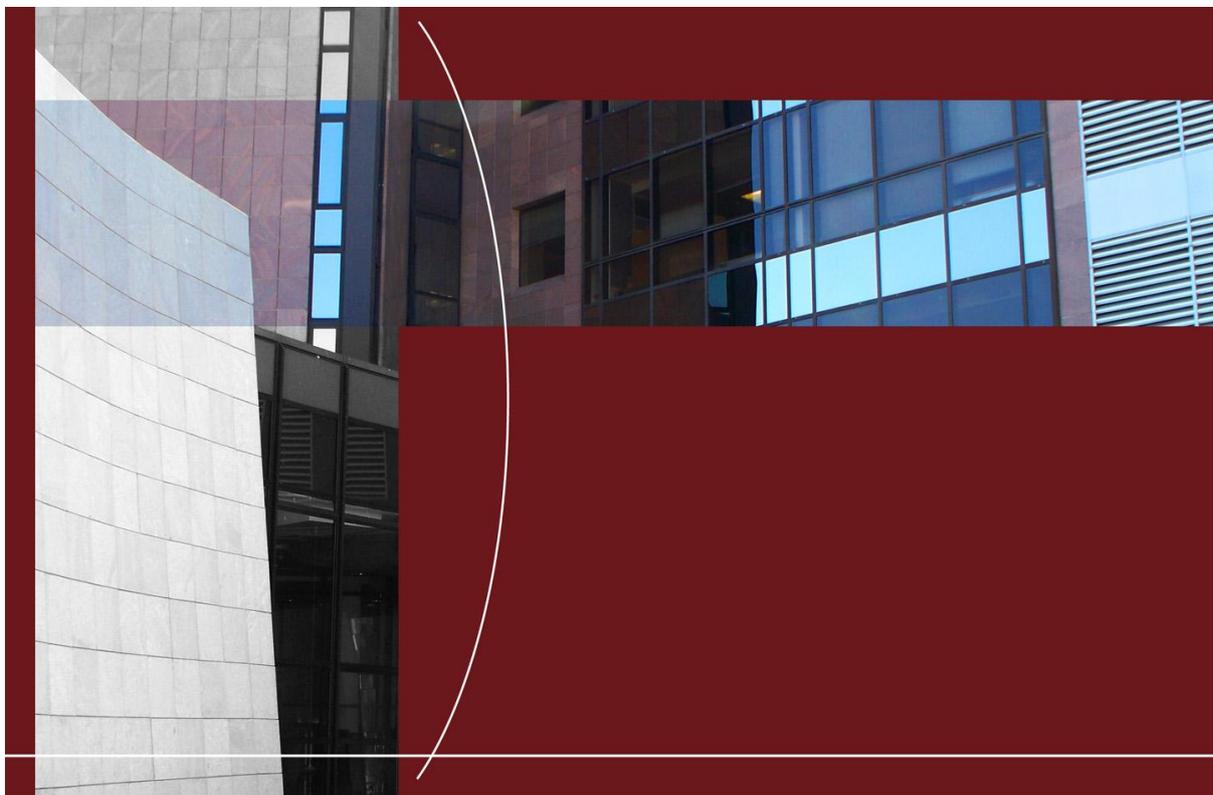


BANK OF NAMIBIA

Minutes of the Monetary Policy Committee (MPC) Meeting

Windhoek, 23 April 2013



“Our vision is to be a centre of excellence”

Publication date: 20thth April 2013

Minutes of the Monetary Policy Committee (MPC) Meeting held on the 23rd of April 2013

These are the minutes of the monetary policy deliberations at the meeting of the Bank of Namibia MPC held on the 23rd of April 2013.

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 minutes of its meetings are released on the day following the next MPC monetary policy meeting. The minutes are also available on the website of the Bank at <http://www.bon.com.na>.

EC MEMBERS PRESENT

Ipumbu Shiimi	Governor and Chairperson,
Michael Mukete	Assistant Governor,
Gonzalo Pastor	Director: Research,
Ndangi Katoma	Director: Strategic Communications & FSD,
Emile Van Zyl	Technical Advisor: Governor's Office,
Titus Ndove	Director: Financial Markets

OTHERS PRESENT

Evangelina Nailenge (Deputy Director: RD), Tjiveze Tjipe (Senior Economist: RD), Lelly Usiku (Senior Economist: RD), Erwin Naimhwaka (Senior Economist: RD), Edler Kamundu (Senior Economist: RD), Sanette Schulze Struchtrup (Senior Economist: RD), Christian Phillipus (Economist: RD), Floris Fleermuys (Economist: RD), Rehabeam Shilimela (Research Officer: RD)

Rowland Brown (Economist and Secretary to the MPC)

APOLOGIES:

Ebson Uanguta (Deputy Governor)

ECONOMIC DEVELOPMENTS REPORT

1. The MPC was informed that gradual recovery is being seen in the global economy, and that advanced economies were expected to improve in 2013, despite the slow start to the year. Nevertheless, economic activity in the Euro Area remains weak, and the monetary area remains in recession. Positive growth, however, is expected in the US, the UK and Japan.
2. For 2013, growth is expected to be driven by emerging market economies. Within BRICS, the growth picture is expected to be mixed, as China and India are expected to experience 8.0 percent and 5.7 percent growth, respectively, while South Africa and Brazil are expected to see just 2.8 and 3.0 percent growth, respectively.
3. The meeting was informed that unemployment remains elevated in advanced economies with Unemployment in the US standing at 7.7 percent in March, while the Euro Area unemployment remained unchanged at 12.0 percent in January and February. Unemployment increased in Austria, Germany, Japan, Italy and Spain over this period. On the contrary, unemployment has been seen to have eased somewhat in emerging markets.
4. The meeting was informed that while inflationary pressures were relatively low, it was trending upwards in March in a number of advanced economies, including the US, the UK, the Euro Area and Japan. At the same time, the BRICS economies experienced some inflation easing over the period. The meeting was informed that food and energy prices have moderated somewhat, leading to lower inflation in developing economies.
5. Monetary policy has remained accommodative and unchanged across most of the globe, both in advanced and emerging economies. Quantitative easing has remained in place in a number of advanced economies so as to further suppress interest rates and increase the money supply of these economies. Of the countries monitored by the RD, only India had reduced its interest rate.
6. Global commodity prices moderated somewhat over recent months, with metal prices starting to decline over the first quarter of 2013. Similarly, food prices have stabilised somewhat over the period, while energy prices have been declining over the first quarter of 2013 when compared to the final quarter of 2012.

7. In summary, the MPC noted that while risks and vulnerabilities to the global economy remain, there are positive signs suggesting that the path is being cleared toward global economic recovery.

Domestic economy

8. The MPC was informed that the domestic economy experienced mixed growth year-to-date in 2013. In the primary sectors, export values for diamonds and uranium have experienced strong growth when compared to the same period of 2012. However, zinc and gold exports values contracted, year to date. In agriculture, strong growth has been seen, year to date, to most of the indicators, including cattle and small stock export and milk production. Cattle exports have increased by 41.9 percent year to date, while small stock exports have grown by 14.9 percent year to date.
9. In the secondary industries, manufacturing indicators have been showing strong growth, year to date, for exports. Blister copper exports have grown by 50.3 percent, while refined zinc and cement exports have grown by 95.0 and 53.2 percent, respectively. Similarly, construction has experienced expansion, year to date, with 44.6 percent growth in value of building plans approved, and 22.7 percent growth value of buildings completed.
10. In the tertiary sectors, wholesale and retail trade has seen growth of 4.0 percent year to date in 2013, while vehicle sales have declined by 14.5 percent year to date. In the transport sector, total transported cargo has increased by 13.2 percent year to date, however road and rail cargo has contracted by 9.5 percent. Thus, overall growth in the cargo transported was driven by water transported cargo, which expanded by 12.4 percent. The tourism industry has performed poorly year to date, as a result of weak economic conditions in advance economies.
11. The RD reported that overall private sector credit growth had slowed somewhat in February 2012, when compared to the preceding month. As such, at the end of February, year on year private sector credit extension growth stood at 17.0 percent, down marginally from the previous level of 17.4 percent. Growth in credit extension to businesses slowed over the period, from 22.1 percent to 19.0 percent, while growth in credit extended to individuals picked up from 14.5 percent to 15.8 percent. Credit extension in the form of mortgage loans grew by 14.7 percent, while credit extension in the form of instalment sales grew by 11.9 percent. In the preceding month, the growth rates for mortgage credit and instalment sales were both 13.9 percent.

12. The RD informed the meeting that the budget deficit recorded by Government in the 2012/2013 fiscal year was below the level projected, at 2.9 percent, a significantly smaller deficit than the 7.1 percent, seen in the 2011/2012. As such, the increase in domestic debt issuance seen over recent months has abated significantly. While debt increased month on month in March, it declined, year on year, due to the redemption of the GC12 in October 2012.
13. The meeting was informed that international reserve levels remained relatively high, although falling on a month on month basis between January and February of 2013. The stock of reserves, at N\$16.3 billion, remained adequate to cover the currency in circulation and thus maintain the currency peg with the South Africa Rand, Furthermore, at current levels, reserves are sufficient to cover around 3.4 months of imports, above international benchmark levels of 3.0 months.
14. The meeting was informed that inflation had increased marginally in March, to 6.3 percent, from the previous month's level of 6.2 percent. Despite the overall increase, food inflation fell from 7.5 percent in February, to 6.8 percent in March. As such, overall inflation was driven by the categories of housing, recreation & culture, and miscellaneous goods & services. The meeting was informed that the price of petrol increased marginally in April, by 0.9 percent, however diesel prices remained unchanged.

MONETARY POLICY DELIBERATIONS

15. Notwithstanding the somewhat improved global economic environment, the MPC believed that the recovery could be slow as confidence in advanced economies remained low. As such, the majority of central banks across the globe continue to pursue accommodative monetary policy stances in an effort to support growth and bolster market confidence.
16. In Namibia, growth has remained positive despite weaknesses in the global economy. Having recorded a 5.0 percent growth in 2012, domestic output is seen to be in line with potential output. Further, inflation has been low and remaining comfortably within single digits. The fiscal position has improved as a result of a below-projected deficit in 2012/13. Finally, reserve levels remain adequate to cover currency in circulation, and cover over three months of imports given the current import bill.
17. Given the aforementioned, the MPC resolved to keep the Repo rate unchanged at 5.5 percent.

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Chairman

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Date

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Secretary

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Date