

# **BANK OF NAMIBIA**

## **Minutes of the Monetary Policy Committee (MPC) Meeting**

**Windhoek, 11<sup>th</sup> December 2012**



**“Our vision is to be a centre of excellence”**

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**Publication date: 20<sup>th</sup> February 2013**

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## **Minutes of the Monetary Policy Committee (MPC) Meeting held on the 21<sup>st</sup> of August 2012**

These are the minutes of the monetary policy deliberations at the meeting of the Bank of Namibia MPC held on the 11<sup>th</sup> of December 2012.

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>.

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### **EC MEMBERS PRESENT**

Ipumbu Shiimi (Governor and Chairperson), Ndangi Katoma (Director: Strategic Communications & Financial Sector Development), Emile Van Zyl (Technical Advisor: Governor's Office), Florette Nakusera (Acting Director: Research Department), Vernon Louw (Acting Director: Financial Markets)

### **OTHERS PRESENT**

Evangelina Nailenge (Deputy Director: RD), Sanette Schulze Struchtrup (Senior Economist: RD), Gerson Kadhikwa (Senior Economist: RD), Rehabeam Shilimela (Research Officer: RD), Beata Magongo (Research Officer: RD), Fennyakweni Shangula (Economist: RD).

Rowland Brown (Economist and Secretary to the MPC)

### **APOLOGIES**

Michael Mukete (Assistant Governor), Gonzalo Pastor (Director: Research), Titus Ndove (Director: Financial Markets)

## ECONOMIC DEVELOPMENTS REPORT

1. The MPC was reminded that global growth weakened in the third quarter of 2012. Growth in the advanced economies was mixed, with the US and UK's growth increasing relative to the second quarter. However, Japan's economic growth slowed substantially, from 3.2 percent in the second quarter to 0.1 percent in the third quarter.
2. The RD informed the meeting that the IMF had revised down the global growth projection for 2012, to 3.3 percent from 3.6 percent, on the back of the on-going fiscal crisis in the Euro area, and concerns over the "fiscal cliff" in the US.
3. The meeting was informed that the outlook for the next six to nine months was varied, with the composite lead indicators suggesting that improvement would be seen in the US and UK, while the Euro area would continue to experience challenges. India and China are expected to continue to experience growth at current levels.
4. The MPC was informed that inflation has remained contained in advanced economies, with the US and the UK remaining around the 2 percent mark. Euro area inflation is slightly higher, at 2.5 percent, while deflation of 0.3 percent is being experienced in Japan.
5. Across the globe, interest rates remained unchanged and accommodative in advanced economies, while the picture was mixed in emerging economies. Brazil cut its short term interest rate by 25 basis points. Russia acted to the contrary on the back of relatively high inflation (at 6.6 percent) in October, increasing rates by 25 basis points. China also cut rates by 31 basis points on the back of slowing growth.
6. Commodity prices varied somewhat in the short term, however generally remained elevated when compared to the long term mean. Copper, zinc and gold prices saw a slight short term decline, while the uranium price continued to decline towards the U\$40.00 per pound level last seen in 2010. Oil continued to trade at the two year mean of U\$105.00 per barrel.
7. In conclusion, the MPC noted that the global outlook had changed little since the previous meeting of the committee, and that medium term risk to the outlook remained.

## Domestic economy

8. The meeting was informed by the RD that real GDP growth for 2012 was expected to reach approximately 4.6 percent, down from the 4.8 percent seen in 2011. The major contributing sectors to this growth are expected to be the mining sector and construction sectors predominantly.
9. The RD informed the meeting that cattle production and exports are down 30.1 percent 32.3 percent respectively, year to date, in 2012 when compared to 2011. This was driven by reductions in weaner exports and slaughtered animals.
10. Small stock marketed and exported increased marginally year to date in 2012, up 4.8 and 4.5 percent respectively. This was largely due to an increase in small stock slaughtered locally.
11. The MPC was informed that diamond production for 2012 was already above the production target for the year, and up 27.3 percent, year to date, on 2011. On the other hand, October uranium production figures showed that while production was up 32 percent, year to date when compared to 2011, sales had fallen, both in terms of volume and value, by 13.6 percent and 12.4 percent respectively.
12. The manufacturing industries continue to experience varied production performance year to date in 2012. Blister copper and refined zinc production fell by 17.4 and 3.4 percent respectively, while cement, beer and soft drink production increased by 34.3, 19.7 and 12.2 percent respectively.
13. The tertiary industry experienced strong growth year to date in 2012 when compared to 2011. Wholesale and retail trade increased by 12.2 and 8.9 percent respectively. Similarly, vehicle sales increased, by 15.1 percent and 20.6 percent for commercial and passenger vehicles, respectively.
14. The RD reported that private sector credit (PSC) for 2012 has, year to date (October), grown by 13.3 percent, compared to the same period of 2011, when PSC growth was 11.5 percent. Growth in PSC in 2012 was driven by both credit extension to individuals (13.1 percent) and businesses (13.5 percent).
15. The MPC was informed that Government debt growth levels slowed in Q3 of 2012 to an overall debt to GDP level of 25.8 percent. Domestic debt stood at 17.0 percent of GDP for the second consecutive month in November. Lower levels of debt growth were due to a relatively low budget deficit in 2012/13 to date (-0.7 percent), when compared to 2011/12 (-6.3 percent).

16. The MPC was informed that the stock of foreign reserves rose year on year due to higher than expected SACU receipts, along with valuation gains as a result of rand depreciation against major currencies.

17. The RD reported that inflation increased in October 2012 to 7.1 percent year on year, largely on account of the food and non-alcoholic beverages category of NCPI, as well as alcoholic beverages and tobacco, and communications.

**MONETARY POLICY DELIBERATIONS**

18. It was observed that since the previous meeting of the MPC, little had changed in the global economy, with the outlook remaining uncertain. While growth pockets could be seen in parts of the Namibian economy, these pockets generally were not in employment creating sectors. Further, risk exists as to exports and export led growth should the global economic conditions deteriorate. Concerns remained over the levels of credit extension in Namibia, particularly credit for non-productive uses, however recent abatement of credit growth allows for some respite. Inflation was deemed to remain at acceptable levels, and was generally driven by external factors, unaffected by local monetary policy. Finally, the current level of international reserves remain adequate to maintain the currency peg

19. 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