

BANK OF NAMIBIA

Minutes of the Special Monetary Policy Committee (MPC) Meeting

Windhoek, 20 March 2020



“Our vision is to be a centre of excellence”

**Minutes of the Special Monetary Policy Committee (MPC) Meeting held on the
20th of March 2020**

MPC MEMBERS PRESENT

lipumbu Shiimi	Governor (Chairperson)
Ebson Uanguta	Deputy Governor
Emma Haiyambo	Director: Strategic Communications & FSD
Florette Nakusera	Director: Research and Financial Stability Department (RFSD)
Nicholas Mukasa	Director: Financial Markets Department (FMD)
Johan van den Heever	Technical Expert: RFSD

APOLOGIES

Emile van Zyl	Technical Advisor: Governor's Office
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OTHERS PRESENT

Sanette Schulze Struchtrup (Deputy Director: RFSD); Erwin Naimhwaka (Deputy Director: RFSD); Postrick Mushendami (Deputy Director: RFSD); Elifas Iiyambula (Senior Economist: RFSD); Rehabeam Shilimela (Principal Economist: RFSD), Mukela Mabakeng (Principal Economist: RFSD); Reinhold Kamati (Principal Economist: RFSD); Brian Mbazuvara (Senior Economist: RFSD) and Sevelia Nakalemo (Economist: FMD).

SECRETARY

Victoria Manuel	(Senior Economist: RFSD)
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ECONOMIC DEVELOPMENTS REPORT

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

GLOBAL ECONOMY

- 1. The MPC was informed that global economic growth estimates for 2020 are expected to be revised downward on the back of the COVID-19 pandemic.** The global economy is projected to have weakened since the last Monetary Policy Committee (MPC) meeting. This was mainly on the back of the spread of the COVID-19 beyond China, and its associated effects on global demand, and supply chains. This has negatively affected capital and commodity markets worldwide and prompted a downward revision in global growth projections.
- 2. Crude oil prices weakened as a result of weak demand.** Crude oil prices declined significantly, as a result of excess supply due to falling demand, as well as failure by OPEC and Russia to reach an agreement on output cuts. While the low crude oil prices may negatively impact oil exporting countries, it could bring some relief to oil importing countries such as Namibia.
- 3. The MPC was also informed that since the previous MPC meeting, inflation rates in most key monitored economies declined or remained low.** Inflation in most Advanced Economies (AEs) and Emerging Markets and Developing Economies (EMDEs) declined during February 2020, while it remained generally low across other economies.
- 4. Most monetary authorities adopted accommodative monetary policy stances in response to the COVID-19 pandemic.** With the aim of stimulating growth and cushioning against the negative effects of COVID-19, various central banks adopted accommodative monetary policies by cutting interest rates. This was also done in order to counter deteriorating financial conditions. Fiscal stimulus were also announced in most of the economies in the world.

DOMESTIC ECONOMY

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

- 5. The MPC noted that activity in the domestic economy slowed during the first two months of 2020, relative to the corresponding period of 2019.** The slowdown was mainly reflected in sectors such as mining, wholesale and retail trade, as well as tourism. Activity in other sectors, including transport and construction improved during the first two months of 2020, relative to the corresponding period of 2019. Preliminary assessments indicate that the domestic economy may not be spared from the brunt of the COVID-19 pandemic and may continue to weaken in 2020.
- 6. The inflation rate declined further during the first two months of 2020.** The average annual inflation for the first two months of 2020 declined further to 2.3 percent from 4.5 percent in 2019, mainly on account of a decline in all top three categories namely, food and non-alcoholic beverages, housing and transport inflation. Going forward, overall inflation is now projected to average around 2.6 percent in 2020.
- 7. The MPC noted that the Private Sector Credit Extension (PSCE) rose in January 2020.** Annual growth in PSCE rose to 7.3 percent during January 2020, from 6.4 percent in January 2019. The growth in PSCE was due to increased borrowing by businesses in the category other loans and advances. The annual growth in PSCE was recorded at 7.2 percent in December 2019 as reported in the previous MPC statement.
- 8. The MPC was informed that the Central Government's debt stock rose over the year to the end of February 2020** The total Government debt stock rose to N\$96.4 billion at the end of February 2020, representing a yearly increase of 11.6 percent. The increase was reflected in both domestic and external debt, owing to the issuance of TBs and IRS in the domestic market coupled with the exchange rate depreciation.
- 9. The MPC was further informed that the stock of international reserves increased in February 2020.** As at 29th of February 2020, the stock of international reserves increased to N\$32.2 billion from N\$31.0 billion reported in the previous MPC meeting. At this level, the international reserves are estimated to cover 4.6 months of imported

goods and services and remain sufficient to protect the peg of the Namibia Dollar to the South African Rand and meet the country's international financial obligations.

MONETARY POLICY DELIBERATIONS

10. The MPC deliberated on both the domestic and global economic developments, as highlighted above. After considering developments in all key macro-economic variables as presented, the MPC decided to cut the Repo rate by 100 basis points to 5.25 percent. The MPC took the decision in order to help cushion the anticipated impact of COVID-19 and support domestic economic activity, while maintaining the one-to-one link between the Namibia Dollar and the South African Rand.