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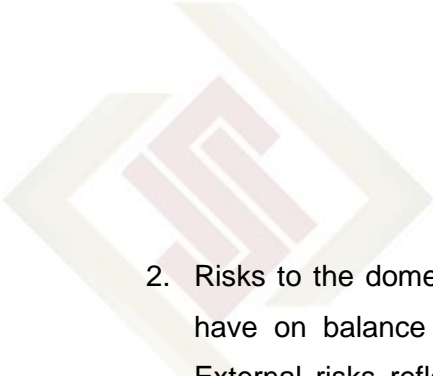
REPO RATE MAINTAINED AT 7.75 PERCENT

On the 17th and 18th of June 2024, the Monetary Policy Committee (MPC) of the Bank of Namibia held its third bi-monthly meeting for 2024 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 hold the Repo rate steady at its current level of 7.75 percent. This decision was made following a comprehensive review of domestic, regional and global economic developments.

RECENT ECONOMIC DEVELOPMENTS

Domestic economic activity increased during the first four months of 2024. Inflation slowed year-to-date but edged higher since the previous MPC meeting, while the growth in Private Sector Credit Extension (PSCE) remained subdued. The merchandise trade deficit widened, while the stock of international reserves remained sufficient to support the currency peg and meet the country's international financial obligations.

1. Domestic economic activity expanded further during the first four months of 2024. The increase in output mainly emanated from the *mining, electricity generation, wholesale and retail trade, tourism, communication, and transport* sectors. Looking ahead, the growth in Namibia's real gross domestic product (GDP) is projected to moderate from 4.2 percent in 2023 to 3.7 percent in 2024 due to the anticipated slowdown in the primary industry, partly as a result of the drought conditions.

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2. Risks to the domestic economic prospects from both external and domestic factors have on balance remained broadly the same since the previous MPC meeting. External risks reflect the prolonged tight global monetary policy stance, disruptive geopolitical tensions and geoeconomic fragmentation as well as China's faltering recovery. Risks further include negative spillover effects from the election and the electricity situation in South Africa, both of which have softened. At the same time, risks from adverse developments in the international diamond market have increased, negatively impacting diamond prices, and therefore warrant monitoring going forward. Internal risks remain the drought and water supply interruptions, particularly at the coastal towns.
 3. Domestic inflationary pressures continued to ease year-to-date. On average, inflation slowed to 4.9 percent during the first five months of 2024, compared to 6.8 percent during the same period in 2023. The deceleration was predominantly due to lower *food* inflation. Since the previous MPC meeting, however, monthly annual inflation outcomes have edged up to 4.9 percent in May 2024, relative to 4.5 percent for March 2024, attributed to increases in *transport* and *housing* inflation. Going forward, average inflation is projected to moderate from 5.9 percent in 2023 to 4.9 percent in 2024 and 4.5 percent in 2025.
 4. Annual growth in PSCE moderated further to 1.6 percent in April 2024 from the 1.7 percent growth rate for February 2023 that was reported at the previous MPC meeting. Likewise, PSCE growth averaged 1.7 percent during the first four months of 2024, down from 3.0 percent recorded in the corresponding period in 2023. This was on account of lower credit uptake by households, particularly in the categories of *mortgages* and *other loans, advances and overdrafts*.
 5. Namibia's merchandise trade deficit widened to N\$13.5 billion during the first four months of 2024 compared to N\$9.1 billion during the corresponding period of 2023. The widening of the trade deficit was mainly due to a fall in export earnings, reflecting lower export volumes and realised prices for *diamonds*, coupled with a lower volume of *uranium* exports. The higher import payments for *consumer goods, machinery, base metals* and *products of the chemical industry* further contributed to the rise in the trade deficit.

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6. The stock of international reserves stood higher at N\$55.6 billion as at the 31st of May 2024, up from N\$54.3 billion on the 31st of March 2024 supported by higher SACU receipts and customer foreign currency placements. At this level, the international reserves stock is estimated to cover 3.9 months of imports, remaining sufficient to sustain the currency peg between the Namibia Dollar and the South African Rand, while meeting the country's international financial obligations. The import cover excluding hydrocarbon exploration-related imports, which are funded from abroad, stood higher at 4.4 months.

Global output maintained positive growth in the first quarter of 2024, and it is projected to remain resilient throughout the year. Some inflationary pressures persisted in both the Advanced Economies (AEs) and the Emerging Market and Developing Economies (EMDEs). While most monitored central banks kept their policy rates unchanged since the previous MPC meeting, the European Central Bank lowered its rates, joining the Bank of Brazil which began cutting rates in 2023.

7. The global economy exhibited modest but positive growth in the first quarter of 2024, amid diverging performances across key economies. The Group of Twenty (G20) economies collectively expanded by 3.3 percent year-on-year in the first quarter of 2024, up by 0.1 percentage point compared to the fourth quarter of 2023. This improvement was partly driven by the Euro Area, the United Kingdom and China. While the United States and India experienced some moderation, they remained resilient. In contrast, the Japanese economy contracted during the period under review. Going forward, the International Monetary Fund projects the global economy to grow at a steady pace of 3.2 percent in both 2024 and 2025. The growth projection is primarily supported by EMDEs, whose growth is projected at 4.2 percent both in 2024 and 2025. The AEs are expected to register moderate growth rates of 1.7 percent and 1.8 percent in 2024 and 2025, respectively.

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8. Most key commodities have seen price increases since the last MPC meeting, except for diamonds. In this regard, the price of gold continued to reach new highs, fuelled by safe-haven demand. The uranium spot price remained elevated sustained by strong demand for cleaner, safer and more secure energy, coupled with supply disruptions. Turning to base metals, zinc and copper prices have risen due to the revival in demand from China, and increased investment in green technologies and artificial intelligence, particularly supporting the demand for copper. The price of Brent crude oil has on balance declined notably since the April 2024 MPC meeting, although ticking slightly higher in the first half of June 2024. Food prices as measured by the United Nations' Food and Agriculture Organization Food Price Index increased in May 2024, due to growing concerns about unfavourable crop conditions for the 2024 harvesting season, coupled with seasonal softening in milk production in some parts of the world. In contrast, diamond prices continued to trend downwards on the back of weaker global consumer demand, especially in the United States and China.
 9. Global equity markets have seen a rally since the last MPC meeting, extending into June 2024. Stronger performances were led by technology stocks, particularly the "Magnificent Seven". Bonds in most monitored economies realised losses in May 2024 as yields rose on account of stickier-than-anticipated inflation and weaker demand, especially for United States treasuries.
 10. Inflationary pressures eased in most of the monitored economies since the last MPC meeting. Among the AEs, inflation decelerated in the United Kingdom and Japan, while the United States and the Euro Area saw modest increases. In the EMDEs, inflation was lower in Brazil, China, South Africa and India but it rose moderately in Russia. Meanwhile, core inflation remained above target in some key economies. Going forward, global inflation is anticipated to slow from an average of 6.8 percent in 2023 to an average of 5.9 percent in 2024, driven by a broad-based decline in global core inflation.
 11. Most central banks kept their policy rates steady at their recent monetary policy meetings, except for the European Central Bank and the Central Bank of Brazil which cut rates. While inflation has descended from its highs a year ago, the persistence of underlying inflationary pressures prompted the majority of central banks to hold rates steady for longer.



Monetary Policy Stance

12. The MPC noted that in a handful of economies, the monetary policy easing cycle had started. The commencement of monetary policy easing on a wider scale would be data dependent. It was further noted that although the domestic economy continued to recover, challenges remained. While the international stock of reserves was adequate, subdued domestic credit growth was a concern. Simultaneously, the MPC was wary of the recent deterioration in inflation, which could jeopardise the progress that has been made over the past year in containing inflation and safeguarding price stability. In light of these factors, the MPC decided to keep the Repo rate unchanged at 7.75 percent. Likewise, 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 and support domestic economic activity.

13. The next MPC meeting will be held on 12 and 13 August 2024.



Johannes !Gawaxab

GOVERNOR