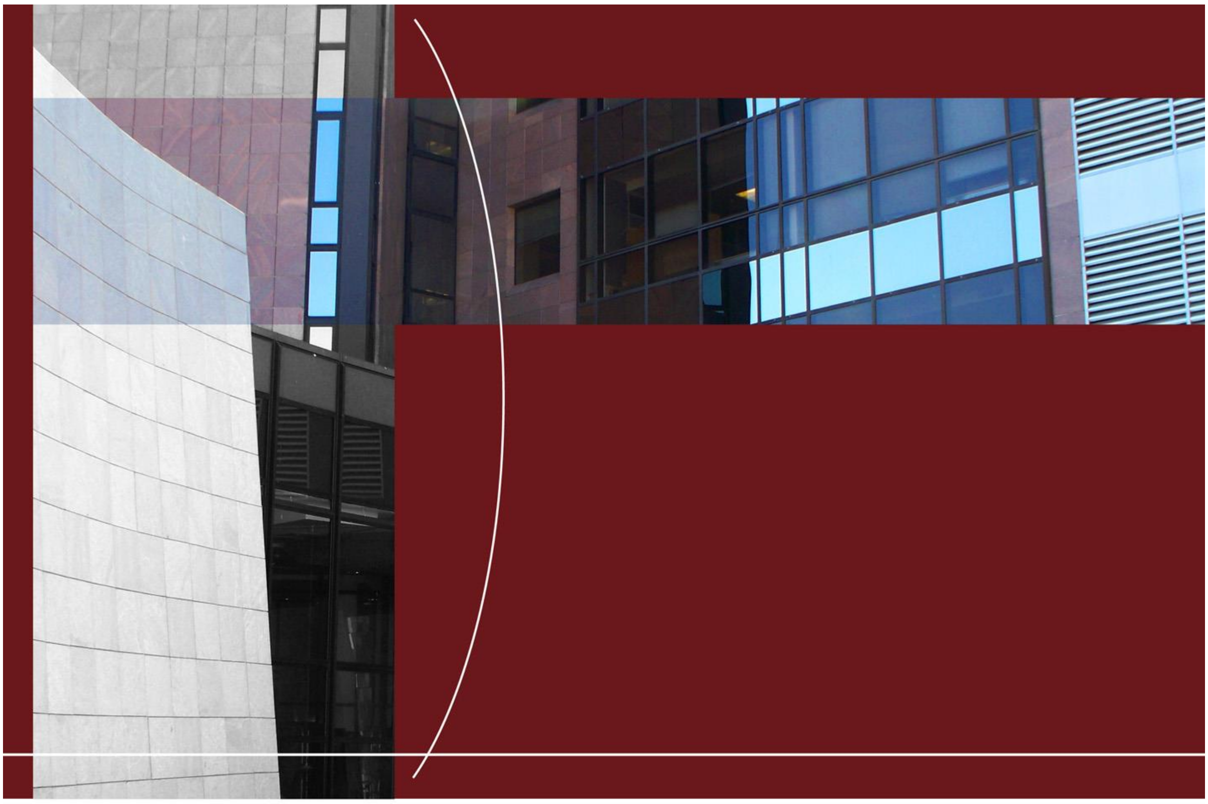
BANK OF NAMIBIA

Minutes of the Monetary Policy Committee (MPC) Meeting

Windhoek, 18th February 2014



Bank of Namibia

"Our vision is to be a centre of excellence"

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Minutes of the Monetary Policy Committee (MPC) Meeting held on the 18th of February 2014

These are the minutes of the monetary policy deliberations at the meeting of the Bank of Namibia MPC held on the 18th of February 2014.

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 meeting. The minutes are also available on the website of the Bank at http://www.bon.com.na.

MPC MEMBERS PRESENT

Ipumbu Shiimi	Governor and Chairperson,
Ebson Uanguta	Deputy Governor,
Gonzalo Pastor	Technical Advisor: Research Department,
Abed Iyambo	Acting Director: Research,
Ndangi Katoma	Director: Strategic Communications & FSD,
Emile Van Zyl	Technical Advisor: Governor's Office,
Titus Ndove	Director: Financial Markets.

OTHERS PRESENT

Bryan Eiseb (Acting Director: Banking Services), Gerson Kadhikwa (Senior Economist: RD), Tjiveze Tjipe (Senior Economist: RD), Edler Kamundu (Senior Economist: RD), Helvi Phillipus (Economist, FMD), Sevelia Joseph, (Economist: FMD), Christian Phillipus (Economist: RD), Johannes Sheefeni: (Economist RD), Evelina Niishinda (Economist: RD).

Postrick Mushendami (Senior Economist: RD and Secretary to the MPC)

ECONOMIC DEVELOPMENTS REPORT

Global economy

1. The MPC noted the improvement in the global economy in the second half of 2013, despite growth rates remaining below pre-crisis levels. According to the IMF, global growth was expected to improve to 3.7 percent in 2014 from 3.0 percent in 2013.

2. The meeting was informed that the US Federal Reserve reduced its Quantitative Easing (QE) programme by a cumulative amount of US$20 billion to US$65 billion, while some emerging market economies tightened monetary policy stances.

3. The meeting noted that the average inflation in the OECD nations continued to fall in October, to the lowest level seen in 7 months. In the BRICS economies, however, inflation remained relatively elevated, with the exception of China.

4. Furthermore, the meeting noted that commodity prices decreased on average in 2013, compared to 2012.

Domestic economy

5. The MPC noted that recent economic activities in the real sector performed positively during 2013, while inflation remained subdued. Economic developments were led by the construction sector, augmented by wholesale and retail trade, mineral production and to a limited extent the manufacturing sector. The secondary industry's expansion was largely boosted by the private projects in the mining industry and commercial real estate as well as public investment in the construction sector. Strong output for cement, beer and soft drinks also contributed to the positive performance in the secondary industry. The tertiary industry displayed strong consumer demand in the wholesale and retail trade sector, associated with increased turnover in the wholesale and retail trade, supported by the communication sector.

6. The meeting was informed that domestic credit growth remained in double digits, despite slowing down to 14.3 percent at the end of December 2013. The decline in the levels of other loans and advances to the business sector contributed to the slow

growth in credit extension. On the contrary, credit extended to individuals rose at the end of December 2013. The increase in credit to individuals was reflected in the growth of instalment credit and other loans and advances.

7. The meeting also noted that the fiscal position of Government remained strong during 2013/14, although a higher budget deficit was recorded, compared to a balanced budget estimated in 2012/13. The ratio of budget deficit to GDP was estimated at 2.8 percent during the period under review, compared to a balanced budget in the preceding fiscal year. The total debt as a ratio of GDP however remained around 24.0 percent.

8. The meeting was informed that the deficit in the merchandise trade balance rose in 2013, on account of relatively higher import values compared to exports. The rise in imports of 18.7 percent was due to increased fuel imports, motor vehicles and other equipment such as vessel docking platforms and other tags for pushing/ pulling ships. The rise in export values by 25.5 percent did not help to reduce the deficit on the merchandise trade balance.

9. The stock of foreign reserves rose both on a monthly and annual basis, following an increase in the commercial banks' net sales of the Rand and valuation adjustments, resulting from a depreciated currency compared to 2012. Reserves rose to N$15.7 billion at the end of December 2013 and remained sufficient to sustain the fixed peg of the Namibia Dollar to the South African Rand.

10. MPC noted that the average inflation decreased from 6.7 percent in 2012 to 5.6 percent in 2013. The decrease was mainly due to a reduction in food and transport inflation.

MONETARY POLICY DELIBERATIONS AND STANCE

11. The MPC noted the improvement in the global economy in the second half of 2013, although the growth rates remained below pre-crisis levels. The MPC also noted that domestic economic activities in the real sector displayed a positive performance during 2013, while inflation remained subdued. Furthermore, economic growth prospects of the Namibian economy for 2014 were encouraging. MPC noted that the stock of international reserves remained sufficient to sustain the fixed peg of the Namibia Dollar

to the South African Rand. The MPC deliberated and agreed again that there is still a need to undertake targeted interventions to curb the strong growth in non-productive credit and over indebtedness.

12. MPC decided to keep the Repo rate steady at 5.50 percent in order to support the domestic economic activity.