

**BANK OF NAMIBIA**

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

**Windhoek, 3 December 2019**



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

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**Minutes of the Monetary Policy Committee (MPC) Meeting held on the  
3<sup>rd</sup> December 2019**

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## **MPC MEMBERS PRESENT**

Iipumbu Shiimi	Governor (Chairperson)
Emile van Zyl	Technical Advisor: Governor's Office
Emma Haiyambo	Director: Strategic Communications & FSD
Florette Nakusera	Director: Research and Financial Stability Department (RFSD)
Johan van den Heever	Technical Expert: RFSD

## **APOLOGIES**

Ebson Uanguta	Deputy Governor
Nicholas Mukasa	Director: Financial Markets Department (FMD)

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## **OTHERS PRESENT**

Israel Zemburuka (Deputy Director: Corporate Communications); Sanette Schulze Struchtrup (Deputy Director: RFSD); Erwin Naimhwaka (Deputy Director: RFSD); Christian Phillipus (Principal Economist: RFSD); Saara Kashaka (Principal Economist: RFSD); Grace Hamauka (Principal Economist: RFSD); Elifas Iiyambula (Senior Economist: RFSD); Brian Mbazuvara (Senior Economist: RFSD).

## **SECRETARY**

Daisy Mbazima-Lando (Principal Economist: RFSD)

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## **ECONOMIC DEVELOPMENTS REPORT**

- 1. As usual, reporting on economic developments was split into an international and a domestic component. First a report on global economic developments was presented to the MPC members.**

## **GLOBAL ECONOMY**

- 2. The MPC was informed that the global economy slowed during the third quarter of 2019 according to preliminary data.** Among the Advanced Economies (AEs) the low growth was mainly prevalent in the Euro Area and the United Kingdom (UK), while growth in the United States (US) and Japan improved. Going forward, the AEs growth

rate is projected to slow down to 1.7 percent for 2019 compared to 2.3 percent recorded in 2018. Economic growth in most of the monitored Emerging Market and Developing economies (EMDEs) slowed during the third quarter of 2019. EMDEs growth is projected to be lower at 3.9 percent for 2019, from 4.5 percent in 2018.

- 3. The MPC noted that the global economic growth rate is still projected to slow in 2019.** Growth in the global economy is projected to slow to 3.0 percent in 2019 before recovering to 3.4 percent in 2020 due to rising trade barriers, as well as elevated uncertainty surrounding trade and geopolitical issues. Key risks to the global outlook include Brexit-related risks, that could further disrupt supply chains and hamper confidence, investment and growth. The projected slowdown in China is likely to have ripple effects across the global economy.
- 4. The MPC was informed that inflation in most of the monitored AEs and EMDEs declined slightly with some exceptions.** Inflation rates declined in the AEs in October 2019, except in the US where it increased slightly. Among the EMDEs, inflation also declined in several economies except for India and China.
- 5. The International crude oil price increased while that of uranium decreased on a monthly basis in November 2019.** Brent crude oil price increased by 1.1 percent on a monthly basis to average US\$60.02 per barrel in November 2019 from US\$59.37 per barrel in October 2019. The increase followed a report that the OPEC countries and their allies were likely to extend existing output cuts until mid-2020. The uranium spot price decreased by 5.2 percent to average US\$25.30 per pound in November 2019 due to persistently weak global demand.
- 6. The price of copper increased while that of zinc decreased on a monthly basis in November 2019.** The price of copper increased on a monthly basis by 2.0 percent to an average of US\$5 875 per ton in November 2019, from US\$5 757 per ton in October 2019. The price of zinc decreased by 5.7 percent on a monthly basis, to an average of US\$2 313 per ton in November 2019 from US\$2 452 per ton in October 2019. The monthly decrease was due to the ongoing weakness in China's automotive and manufacturing sectors, as well as high supply.

- 7. The MPC noted that since the last MPC meeting in October 2019, monetary policy stances in key monitored economies remained generally accommodative.** Since the previous MPC meeting in October 2019, several central banks in the AEs and EMDEs cut their policy rates. These included the central banks of the US, Brazil, Russia and India. Some other central banks, such as those of South Africa, Angola and China, maintained their policy stances.

## **DOMESTIC ECONOMY**

- 8. A report on the developments in the domestic economy was presented to the MPC.**
- 9. The MPC noted that domestic economic activity slowed during the first ten months of 2019, compared to the same period in 2018.** The slowdown was mainly reflected in sectors such as mining, manufacturing, construction, wholesale and retail trade and agriculture. The decline in the mining sector is attributed to a decline in the production of diamonds, uranium and zinc concentrate, while the decline in construction was attributed to the decline in private construction works. The decline in the wholesale and retail trade was reflected in most retail trade subsectors; and was caused by the subdued local demand. The performance of the agricultural sector also slowed due to the drought. Going forward, the domestic economy is projected to remain weak in 2019, contracting by 1.7 percent compared to 0.1 percent in 2018.
- 10. The inflation rate declined further to an average of 4.0 percent during the first ten months of 2019.** The moderation was mainly due to a decline in housing and transport inflation. In October 2019, the inflation rate also declined further to 3.0 percent, down from 3.3 percent in September 2019. The inflation rate has been declining since its peak of 5.6 percent observed in November 2018. Overall inflation is projected to average 3.8 percent in 2019.

- 11. Private sector credit extension (PSCE) growth rose on average during the first nine months of 2019, relative to the same period in 2018.** Annual average growth stood at 6.9 percent during the review period, higher than the 6.1 percent recorded over the same period in 2018. The growth in PSCE was mainly due to an increase in the demand for short-term credit facilities by businesses in the retail and real estate sectors as well as loans extended to the financial services and services sectors year to date. Growth in credit extended to the corporate sector rose to 7.2 percent during the first eight months, compared to 4.0 percent over the same period in 2018. Total credit extended to the household sector, however, slowed to 6.7 percent during the first nine months of 2019, from 7.5 percent during the same period in 2018. Since the last MPC meeting, growth in PSCE rose moderately to 6.5 percent at the end of September 2019 from 6.4 percent as reported in the previous MPC statement.
- 12. The MPC was informed that the Central Government debt stock rose over the year to the end of October 2019.** The total Government debt stock rose to N\$91.6 billion at the end of October 2019, representing a yearly increase of 12.3 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 disbursement of the second tranche of a loan from the African Development Bank (AfDB). The depreciation of the Namibia Dollar against major trading currencies also contributed to the increase in external debt.
- 13. The MPC was informed that Namibia's total export earnings from minerals declined while the total number of cattle and small stock exported increased during the first ten months of 2019.** The total value of mineral exports declined by 4.9 percent to N\$23.1 billion during the first ten months of 2019, mainly due to lower earnings from diamonds and uranium. The decline in diamond earnings amounted to 22.8 percent and was due to a decrease in the volumes exported from both onshore and offshore operations. The decline in uranium earnings by 5.1 percent was also due to lower exported volumes due to a planned shutdown and operational challenges. Furthermore, the total number of cattle sold to export markets rose by 14.7 percent, primarily due to an increase in the number of cattle slaughtered for export. In addition, the total number of small stock exported rose marginally by 1.1 percent during the first ten months of 2019.

**14. The MPC was further informed that the stock of international reserves increased in October 2019.** As at 31st of October 2019, the stock of international reserves increased to N\$32.5 billion compared to N\$32.3 billion reported in the previous MPC meeting. The increase was mainly due to SACU receipts coupled with lower Government foreign payments. At this level, the international reserves are estimated to cover 4.3 months of imports of 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.

**15.** In summary, the MPC noted the recent domestic economic developments as presented.

## **MONETARY POLICY DELIBERATIONS**

**16. 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 keep the Repo rate unchanged at 6.50 percent. The MPC took this decision in order to continue supporting domestic economic activity and to maintain the one-to-one link between the Namibia Dollar and the South African Rand.