

BANK OF NAMIBIA

Minutes of the Monetary Policy Committee (MPC) Meeting

Windhoek, 18 February 2020



“Our vision is to be a centre of excellence”

**Minutes of the Monetary Policy Committee (MPC) Meeting held on the
18th of February 2020**

MPC MEMBERS PRESENT

lipumbu Shiimi	Governor (Chairperson)
Nicholas Mukasa	Director: Financial Markets Department (FMD)
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
Emile van Zyl	Technical Advisor: Governor's Office

OTHERS PRESENT

Sanette Schulze Struchtrup (Deputy Director: RFSD); Christian Phillipus (Principal Economist: RFSD); Saara Kashaka (Principal Economist: RFSD); Rehabeam Shilimela (Principal Economist: RFSD); Grace Hamauka (Principal Economist: RFSD); Elifas Iiyambula (Senior Economist: RFSD); Diina Hamutumwa (Senior Economist: FMD); Jaungura Kaune (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 the international and domestic components. First a report on global economic developments was presented to the MPC members.**

GLOBAL ECONOMY

2. **The MPC was informed that the global economy is estimated to have slowed in 2019 across both advanced economies (AEs) and emerging markets and developing economies (EMDEs).** Growth in the global economy is estimated to have slowed to 2.9 percent in 2019, from 3.6 percent in 2018. The subdued growth was mainly attributed to trade policy uncertainty, geopolitical tensions, and unique factors in some of the major EMDEs economies. Other factors that led to a weaker growth rate were social unrests in several countries, and weather-related disasters. Going forward, the IMF expected a recovery in 2020 as the effects of substantial monetary policy easing across the AEs and EMDEs in 2019 continue to filter through to the global economy in 2020.
3. **The MPC noted that the global economic growth rate is projected to rise in 2020.** Global growth is projected to rise from an estimated 2.9 percent in 2019 to 3.3 percent in 2020, a downward revision of 0.1 percentage point for 2019 and 2020 compared to the October 2019 World Economic Outlook (WEO). Risks to the growth outlook is skewed to the downside and include rising geopolitical tensions, notably between the United States and Iran, and further worsening of relations with China. In addition, weather-related disasters have imposed severe humanitarian costs and a loss of livelihood across multiple regions.
4. **The MPC was informed that inflation in most of the monitored AEs and EMDEs rose with some exceptions.** Inflation rates rose in the AEs in December 2019, except in the UK where it declined. Among the EMDEs, inflation also rose in several economies except for Russia.
5. **The International crude oil price increased while that of uranium decreased on a monthly basis in December 2019.** Brent crude oil price increased by 5.0 percent

and 16.6 percent on a monthly and annual basis to average US\$65.85 per barrel in December 2019. The increase was due to a softening in the prolonged US-China trade dispute and oil supply cut by the Organization of Petroleum Exporting Countries (OPEC) and Russia. The uranium spot price decreased by 4.3 percent and 10.2 percent to average US\$24.93 per pound in December 2019 due to lower demand because of safety and environmental concerns as countries such as France, Switzerland and South Korea committed to switch off nuclear power plants and close 14 reactors by 2035.

- 6. The price of copper increased while that of zinc decreased on a monthly and annual basis in December 2019.** The price of copper increased by 3.7 percent and 0.03 percent on a monthly and annual basis to an average of US\$6 077 per ton in December 2019. On the contrary, the price of zinc decreased by 6.3 percent and 13.1 percent on a monthly and annual basis, to an average of US\$2 273 per ton in December 2019. The monthly decrease was mainly ascribed to poor production growth of zinc-galvanized steel, overall deceleration in global industrial activity as well as an expected slowdown in construction activity in China.
- 7. The MPC noted that monetary policy stances in key monitored economies remained generally accommodative.** Since the previous MPC meeting in December 2019, several central banks in all monitored AEs maintained their policy rates. Central banks in the EMDEs, such as those of China, Angola and India also maintained their policy stances at their most recent meetings while they were cut in Brazil, Russia and South Africa.
- 8. In summary, the MPC noted the recent developments in the global economy, including the risks to the global economic outlook as presented.**

DOMESTIC ECONOMY

- 9. A report on the developments in the domestic economy was presented to the MPC.**
- 10. The MPC noted that domestic economic activity slowed during 2019 relative to 2018.** The slowdown was mainly reflected in sectors such as mining, manufacturing, wholesale and retail trade, information and communication sectors. The weak

performance in the mining sector was reflected in lower production of diamonds, uranium and zinc concentrate. The decrease in diamond and blister copper processing, signalled sustained weakness in the manufacturing sector. Similarly, declines were also observed in real turnover in most subsectors of wholesale and retail trade, as well as in the communication subsector during 2019. Going forward, the domestic economy is projected to improve in 2020, as a result of an expected positive growth in the mining sector, particularly offshore diamond mining and an increase in uranium production by the Husab mine as it is anticipated to reach full production capacity this year.

11. The inflation rate declined during 2019 compared to 2018. In this regard, the inflation rate trended lower at 3.7 percent in 2019 compared to 4.3 percent in 2018. The moderation was mainly due to a decline in housing and transport inflation, mainly on account of weak economic activity, coupled with a switch in the demand-supply situation in the rental market. On a monthly basis, inflation stood at 2.6 percent in December 2019, slightly higher when compared to the 2.5 percent registered in the previous month. Overall inflation is projected to average 4.5 percent in 2020.

12. The MPC was informed that the Central Government debt stock rose over the year to the end of December 2019. The total Government debt stock stood at N\$93.1 billion at the end of December 2019, representing a yearly increase of 7.5 percent. The increase, was reflected in domestic debt, owing to the issuance of TBs and IRS in the domestic market. Total debt as a percentage of GDP stood at 51.1 percent at the end of December 2019, representing an increase of 2.4 percentage points compared to the corresponding period in 2018.

13. The MPC was further informed that the stock of international reserves decreased in January 2020. As at 31st of January 2020, the stock of international reserves decreased to N\$31.0 billion from N\$32.5 billion reported in the previous MPC meeting. At this level, the international reserves are estimated to cover 4.4 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

14. The MPC deliberated on both the domestic and global economic developments, as highlighted above. After considering developments in all key macro-economic variables, the MPC decided to cut the Repo rate by 25 basis points to 6.25 percent. The MPC took this decision following a review of global, regional and domestic economic and financial developments.