

**BANK OF NAMIBIA**

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

**Windhoek, 13 August 2019**



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

**Publication date: 25 October 2019**

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**Minutes of the Monetary Policy Committee (MPC) Meeting held on the  
13<sup>th</sup> of August 2019**

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These are the minutes of the Monetary Policy deliberations at the meeting of the Bank of Namibia MPC held on the 13th of August 2019. 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 the 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>

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### **MPC MEMBERS PRESENT**

Ebson Uanguta	Deputy Governor (Chairperson)
Emile van Zyl	Technical Advisor: Governor's Office
Emma Haiyambo	Director: Strategic Communications & FSD
Nicholas Mukasa	Director: Financial Markets Department (FMD)
Johan van den Heever	Technical Advisor: RFSD
Iipumbu Shiimi	Governor

### **APOLOGIES**

Florette Nakusera	Director: Research and Financial Stability Department (RFSD)
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### **OTHERS PRESENT**

Postrick Mushendami (Deputy Director: RFSD); Israel Zemburuka (Deputy Director: Corporate Communications); Sanette Schulze Struchtrup (Deputy Director: RFSD); Christian Phillipus (Principal Economist: RFSD); Saara Kashaka (Principal Economist: RFSD), Kamati Reinhold (Principal Economist: RFSD), Elifas Iiyambula (Senior Economist: RFSD), Diina Hamutumwa (Senior Economist: FMD), Brian Mbazuvara (Senior Economist: RFSD), Jaungura Kaune (Senior Economist: RFSD).

### **SECRETARY**

Victoria Manuel (Senior Economist: RFSD)

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## ECONOMIC DEVELOPMENTS REPORT

1. **As usual, reporting on economic developments was split into 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 global economic activity weakened during the first half of 2019.** Among the Advanced Economies (AEs), economic growth increased in the United States (US), United Kingdom (UK) and Japan, while the growth rate for the Euro area remained the same. Going forward, the AEs growth rate is projected to weaken to 1.9 percent for 2019 compared to 2.2 percent recorded in 2018. On the contrary, economic growth in most of the monitored Emerging Market and Developing Economies (EMDEs) moderated during the first quarter of 2019, except for China whose growth rate remained unchanged from the previous quarter. GDP growth in the EMDEs is projected to continue moderating to 4.1 percent in 2019 from 4.5 percent in 2018.
3. **The MPC noted that the global economic growth rate is projected to slow down further in 2019.** Growth in the global economy is projected to slow down further to 3.2 percent in 2019, from 3.6 percent in 2018 as reflected in weaker leading economic indicators. Key risks to the global economic outlook remain, amongst others, escalating trade and geopolitical tensions and higher policy uncertainty across many countries, including Brexit.
4. **The MPC was informed that inflation in most of the monitored AEs and EMDEs slowed in recent months.** The inflation rate declined in US but remained unchanged in the Euro area, UK and Japan. Among the EMDEs, inflation also remained well contained over this period. Inflation rate declined in Brazil, Russia and Angola while it was unchanged for India and China.
5. **International crude oil and uranium prices increased in July 2019.** Brent crude oil increased by 1.1 percent to US\$64.0 per barrel in July 2019 from US\$63.30 per barrel in June 2019. The increase in price of crude oil is mainly attributed to concerns over conflict in the Middle East as well as declines in the US shale inventory. The

uranium spot price increased by 4.1 percent to average US\$25.60 per pound in July 2019 from US\$24.60 per pound in June 2019. The increase in the uranium spot price followed the US president's view that uranium imports do not threaten the national security of the US as defined under section 232 of the Trade Expansion Act of 1962.

- 6. The prices of copper increased while zinc prices declined on a monthly basis in July 2019.** The price of copper increased on a monthly basis by 1.0 percent to an average of US\$5 941.20 per ton in July 2019, from US\$5 882.23 per ton in June 2019. The increase in the price of copper is mainly attributed to lower global stock. The price of zinc slowed by 5.9 percent on a monthly basis, to average US\$2 446.51 per ton in July 2019 from US\$2 601.22 per ton in June 2019. The decrease in zinc prices was mainly due to increasing inventories as well as a weakening manufacturing PMI in China.
- 7. The MPC noted that since the last MPC meeting in June 2019, monetary policy stances in several key monitored economies eased.** Since the previous MPC meeting in June 2019, several central banks in the AEs and EMDEs cut their policy rates. These include the US, Brazil, Russia, India and South Africa. Some other central banks, such as the European Central Bank, Bank of England and Bank of Japan left their policy rates unchanged.

## **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 six months of 2019, compared to the same period in 2018.** The slowdown in domestic economic activity was reflected in sectors such as mining, construction, electricity and wholesale and retail trade. The decline in the mining sector is attributed to a decline in the production of diamonds and gold, while the decline in construction was attributed to the decline in private construction works. Activity in electricity sector slowed due to a decline in local electricity generation, mainly due to inadequate inflow of water at Ruacana hydro-power plant. Moreover, the decline in the wholesale and retail trade was reflected in all retail trade sub-sectors, mainly due to low local demand as a result of weak local economic activity. Other sectors, such as manufacturing, transport and communication, improved during the same period. Going forward, the domestic economy is projected to remain weak in 2019.

**10. Namibia's overall inflation rate declined during the first six months of 2019.**

Annual average inflation declined to 4.4 percent during the first six months of 2019 from its highest level of 5.6 percent observed in November 2018. The decline was mainly due to a moderation in housing inflation. On a monthly basis, inflation declined to 3.9 percent in June 2019, from 4.1 percent reported in May 2019. Overall inflation is projected to average 4.3 percent in 2019.

**11. Private sector credit extension (PSCE) growth rose during the first six months of 2019, compared to the same period in 2018.**

Annual average growth in PSCE increased to 6.9 percent during the first half of 2019 from 5.9 percent in the corresponding period of 2018. The growth in PSCE was mainly due to higher uptake of credit by businesses in the retail, real estate, financial and mining sectors. Credit extended to the corporate sector rose to 7.4 percent during the first half of 2019, compared to 3.6 percent over the same period in 2018. Growth in credit extended to the household sector, however, slowed to 6.6 percent during the first half of 2019, from 7.6 percent during the same period in 2018. Since the previous MPC meeting, the annual growth in PSCE increased to 7.8 percent at the end of June 2019, from 7.0 percent reported in the previous MPC statement.

**12. The MPC was informed that the Central Government registered a smaller budget deficit during the first three months of the FY2019/20 fiscal year, while the Central Government's debt stock rose over the year to the end of June 2019.**

Central Government's budget balance for the first three months of 2019/20 stood at N\$1.6 billion, lower compared to the deficit of N\$2.0 billion registered during the same period of the previous fiscal year. This was mainly due to an increase in total revenue as a result of higher SACU receipts, which rose by 8.9 percent to N\$4.7 billion during the period under review, compared to the corresponding period in the previous year. Meanwhile, the total Government debt stock rose to N\$87.9 billion at the end of June 2019, representing a yearly increase of 12.2 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 impact of the depreciation of the Namibia Dollar against major currencies also contributed to the increase in external debt.

**13. The MPC was informed that Namibia's total export earnings from minerals, total number of cattle and small stock exported increased during the first half of 2019.**

The total value of mineral exports increased by 13.9 percent to N\$13.6 billion

during the first six months of 2019, mainly due to increased earnings from uranium, gold and other minerals. Export earnings from diamonds, however, declined by 8.3 percent due to significant decrease in the volume exported as a result of fewer diamonds recovered from both onshore and offshore operations. Moreover, the total number of cattle sold for the export markets rose by 16.5 percent, primarily due to an increase in both the number of cattle slaughtered and live weaners. In addition, the total number of small stocks exported increased by 13.7 percent during the first half of 2019. The increase was mainly due to an increase in the numbers of live small stock exported and those slaughtered for export.

**14. The MPC was further informed that the stock of international reserves increased in July 2019.** As at 31st of July 2019, the stock of international reserves stood at N\$35.2 billion compared to N\$34.1 billion reported in the previous MPC meeting. The rise is partly attributed to a significant decline in imports, lower government foreign payments and higher SACU receipts. At this level, the international reserves are estimated to cover 4.8 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 cut the Repo rate by 25 basis points to 6.50 percent. The MPC was of the view that at this level, the rate was appropriate to maintain the one-to-one link between the Namibia Dollar and the South African Rand, while supporting domestic economic growth.