

**BANK OF NAMIBIA**

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

**Windhoek, 11 June 2019**



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

**Publication date: 14 August 2019**

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**Minutes of the Monetary Policy Committee (MPC) Meeting held on the  
11<sup>th</sup> of June 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 11<sup>th</sup> of June 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**

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

### **APOLOGIES**

None

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### **OTHERS PRESENT**

Postrick Mushendami (Deputy Director: RFSD); Israel Zemburuka (Deputy Director: Corporate Communications); Erwin Naimhwaka (Deputy Director: RFSD) Sanette Schulze Struchtrup (Deputy Director: RFSD); Helvi Fillipus (Deputy Director: FMD); Christian Phillipus (Senior Economist: RFSD); Grace Hamauka (Senior Economist: RFSD); RFSD); Heinrich Namakalu (Economist: RFSD). Elifas Iiyambula (Economist: RFSD).

### **SECRETARY**

Victoria Manuel (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 growth moderated during the first quarter of 2019.** Among the Advanced Economies (AEs), economic growth increased in the United States (US), United Kingdom (UK) and Japan, while it slowed in the Euro area. Going forward, the AEs growth rate is projected to be lower at 1.8 percent in 2019 compared to 2.2 percent in 2018. Growth rates in most of the monitored Emerging Market and Developing Economies (EMDEs) slowed during the first quarter of 2019 compared to the corresponding period in the previous year. GDP growth in the EMDEs is projected to continue moderating to 4.4 percent in 2019 from 4.5 percent in 2018, mainly due to the projected slowdowns in China and Russia in 2019.
3. **The MPC noted that the global economic growth rate is projected to slow down in 2019.** Growth in the global economy is projected to slow down further to 3.3 percent in 2019, from 3.6 percent in 2018. The lower projected growth is due to a loss of momentum by both the AEs and the EMDEs. Risks to the global economic growth outlook remain and include amongst others, the impact of trade tensions, a decline in business confidence and higher policy uncertainty across many countries, including Brexit.
4. **The MPC was informed that inflation in most of the monitored AEs and EMDEs ticked up in April 2019, except in Russia, South Africa and Angola where it slowed.** The inflation rate increased slightly in US, Japan and UK, while it slowed in the Euro area in April 2019. Amongst the monitored EMDEs, inflation picked up in most monitored economies except for Russia, South Africa and Angola whose inflation rates slowed in April 2019 compared to previous months.
5. **International crude oil and uranium prices declined in May 2019.** Brent crude oil traded at an average of US\$66.83 per barrel in May 2019 from US\$68.58 per barrel in April 2019, which was 2.5 percent lower than the previous month. The price of Brent crude oil declined further to US\$59.82 per barrel in early June 2019. The

decline in price was mainly due to the fall in global demand. The uranium spot price declined by 3.1 percent to average US\$24.0 per pound in May 2019 from US\$25.2 per pound in April 2019. The decline in the uranium price can partly be attributed to increase in supply following the approval of new uranium mine in western Australia and the impact of the US restrictions on uranium imports as well as the impact of the suspension of a major nuclear plant in the UK.

6. **Prices of the monitored non-energy commodities declined in May 2019.** The price of copper declined on a monthly basis to an average of US\$6 017 per ton in May 2019, from US\$6 438 per ton in April 2019. The decline in the price of copper is mainly due to fears of slowing Chinese economy amidst increasing trade tensions between the US and China. Similarly, the price of zinc slowed by 6.5 percent on a monthly basis, to average US\$2 743 per ton in May 2019 from US\$2 933 per ton in April 2019. The decrease in zinc prices was mainly due to increasing inventories.
7. **The MPC noted that since the last MPC meeting in April 2019, monetary policy stances of the key monitored economies were left unchanged except for India and Angola.** Since the previous MPC meeting in April 2019, most central banks in both the AEs and EMDEs left their policy rates unchanged. The exceptions were the central banks of India and Angola, which cut their policy rates.

## **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 four months of 2019, compared to the same period in 2018.** The slowdown in domestic economic activity was reflected in sectors such as mining, agriculture, construction and wholesale and retail trade. The decline in the mining sector is attributed to lower production of diamonds and gold, while the decline in agriculture was due to low number of cattle marketed. Moreover, weak economic activity in the construction sector was mainly due to declines in both public and private construction work during the first four months of 2019, while wholesale and retail trade sector registered a decline in real turnover during the same period. Similarly, the manufacturing, tourism and electricity sectors also displayed declining activity during the first quarter of 2019, relative to the corresponding period of 2018. Going forward, the Namibian economy is projected to remain weak in 2019.

- 10. Namibia's overall inflation rate increased during the first four months of 2019 compared to the same period in 2018.** Annual average inflation increased to 4.5 percent during the first four months of 2019 compared to 3.6 percent in the corresponding period of 2018. The rise is mainly due to an acceleration in inflation for the categories of food and non-alcoholic beverages as well as transport. In the recent months, however, inflation stood at 4.5 percent for both March and April 2019, having increased from 4.4 percent reported in February 2019. Overall inflation is projected to average 4.5 percent in 2019.
- 11. Private sector credit extension (PSCE) growth rose slightly during the first four months of 2019, compared to 2018.** Annual average growth in PSCE increased marginally to 6.4 percent during the first four months of 2019 from 6.1 percent in the corresponding period of 2018. The growth in PSCE was mainly due to the utilisation of short-term credit facilities by businesses which increased to 7.7 percent during the first four months of 2019, up from 3.7 percent in the corresponding period last year. Household credit growth, however, slowed from 7.2 percent during the first four month of 2018 to 7.0 percent for the comparable period of 2019. Since the previous MPC meeting, the annual growth in PSCE increased to 7.0 percent at the end of April 2019, from 6.0 percent reported in the previous MPC statement.
- 12. The MPC was informed that the Central Government registered a budget surplus during the first month (April) of the 2019/20 fiscal year, while the Central Government's debt stock rose over the year to the end of April 2019.** Central Government's budget balance for the first month of 2019/20 was in a surplus of N\$720 million, compared to the deficit of N\$341 million registered during the previous fiscal year. This was mainly due to lower expenditure, coupled with an increase in total revenue as a result of higher SACU receipts. Meanwhile, the total Government debt stock rose to N\$87.6 billion at the end of April 2019, representing a yearly increase of 11.9 percent. The increase was reflected in both domestic and external debt, owing to the issuance of TBs and IRS in the domestic market during the period under review, coupled with the disbursement of the second tranche of a loan from the African Development Bank. 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 merchandise trade deficit improved on an annual basis, due to an increase in the value of exports and a decline in import payments.** The merchandise trade deficit narrowed by 51.5 percent and 42.9

percent both on annual and quarterly basis to N\$2.7 billion during the first quarter of 2019. The improvement was partly due to an increase in the value of merchandise exports, which rose by 6.9 percent to N\$13.3 billion. The increase in exports on an annual basis was driven by a significant increase in the export earnings from uranium. On a quarterly basis, however, the value of merchandise exports declined by 13.1 percent to N\$13.3 billion during the first quarter of 2019, mainly due to lower earnings from rough diamonds, other minerals products, as well as food and live animals. The narrower trade deficit was mainly underpinned by a decline in the value of imports. The value of merchandise imports declined by 11.1 percent to N\$16.0 billion on an annual basis, mainly as a result of a notable reduction in expenditure on most major import categories particularly mineral fuels, machinery, vehicles, base metals and products of the chemical industries.

**14. The MPC was further informed that the stock of international reserves increased in May 2019.** As at 31st of May 2019, the stock of international reserves stood at N\$34.1 billion compared to N\$32.6 billion reported in the previous MPC meeting. The rise is partly attributed to a significant decline in imports and higher SACU receipts. At this level, the international reserves are estimated to cover 5.6 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 all key macro-economic variables and developments as presented, the MPC decided to keep the Repo rate unchanged at 6.75 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.