

BANK OF NAMIBIA

Minutes of the Monetary Policy Committee (MPC) Meeting

Windhoek, 15th April 2014



“Our vision is to be a centre of excellence”

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**Minutes of the Monetary Policy Committee (MPC) Meeting held on the
15th of April 2014**

These are the minutes of the monetary policy deliberations at the meeting of the Bank of Namibia MPC held on the 15th of April 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 monetary policy 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,
Gonzalo Pastor	Technical Advisor: Research Department,
Florette Nakusera	Acting Director: Research,
Ndangi Katoma	Director: Strategic Communications & FSD,
Emile Van Zyl	Technical Advisor: Governor's Office,
Titus Ndove	Director: Financial Markets

OTHERS PRESENT

Evangelina Nailenge (Deputy Director: RD), Gerson Kadhikwa (Senior Economist: RD), Tjiveze Tjipe (Senior Economist: RD), Edler Kamundu (Senior Economist: RD), Floris Fleermuys (Economist, RD), Lelly Usiku (Senior Economist: RD), Helvi Fillipus (Economist, FMD), Christian Phillipus (Economist: RD), Johannes Sheefeni (Economist RD), Postrick Mushendami (Senior Economist: RD), Mutu Katjuanja (Economist RD).

Evelina Niishinda (Economist: RD and Secretary to the MPC).

APOLOGIES:

Ebson Uanguta, Deputy Governor

ECONOMIC DEVELOPMENTS REPORT

Global economy

1. The meeting was informed that global growth recorded some improvements in the fourth quarter of 2013, which continued in the first quarter of 2014, on the back of better growth in the advanced economies. Global growth is expected to improve to 3.6 percent in 2014 from 3.0 percent in 2013.
2. The meeting took note that the Federal Reserve continued to taper, reducing its monthly bond purchase by US\$10 billion to US\$55 billion in April 2014.
3. The meeting was informed that global inflation levels remains relatively low, posing some deflation fears, especially in the Euro-area, due to weakening demand.
4. The meeting also noted that commodity prices dropped year-on-year, on the back of a slow down in China's demand.

Domestic economy

5. The meeting noted that domestic activities in the real sector displayed some satisfactory performance during the first two months of 2014. The improvements in the growth performance were led by the expansion in mining activities, mainly diamond mining, as well as continued strong growth in both the construction sector and wholesale and retail trade sector.
6. The meeting was informed that the tertiary industry broadly exhibited a positive performance across the subsectors. In particular, the wholesale and retail trade continued to maintain positive momentum, while the communication sector remained robust. Volumes for data in minutes for mobile calls continue to increase in 2014, alongside a sustained increase in fixed broadband internet services. Activities in the tourism sector slightly picked up in the first two months of 2014, reflected in the increased arrival statistics, although volumes for beds and rooms sold remained low.
7. The meeting was informed that growth in domestic private sector credit extension (PSCE) slowed year-on-year at the end of February 2014, compared to February 2013. It however, displayed an upward trend when compared to December 2013 and January

2014. PSCE rose 15.6 percent in February 2014 from 14.3 percent in December and January. The higher growth emanated from increased credit demand by businesses while credit to individuals remained almost unchanged despite a high base. Growth in credit to businesses was seen mostly in overdraft and instalment credit, while that of individuals was seen mainly in mortgage loans.

8. The meeting noted that the fiscal position of Government remained strong during 2014/15, despite the increase in domestic debt. Domestic debt increased by 10.7 percent at the end of March 2014, mostly because of an increase in the Internal Registered Stock (IRS). However, on an annual basis, the ratio of domestic debt to GDP remained unchanged at 14.4 percent.
9. The meeting noted that merchandise import continued to rise, increasing by 11.5 percent year to date, driven by the import of motor vehicles, non-industrial diamonds and fuel. As such, the trade deficit worsened, as imports continued to outgrow exports.
10. The meeting noted that the stock of foreign reserves stood at N\$17.5 billion on the 15th of April 2014, from N\$14.5 billion at the end of March 2014. The current level of reserves was lower than the N\$18.6 billion at the end of December 2013, but remained sufficient to sustain the fixed peg of the Namibia Dollar to the South African Rand.
11. The meeting was informed that the average inflation rate was 5.2 percent in March 2014, up from 4.9 percent recorded in December 2013 and January 2014. Despite this increase, however, inflation levels are expected to remain below 6 percent through 2014.

MONETARY POLICY DELIBERATIONS

12. The MPC noted the improvements in the global economy. The domestic economic performance was satisfactory and inflation levels remained at sustainable levels. Notwithstanding the moderation in credit to individuals at the end of February 2014, the MPC noted that domestic credit growth still remains high and warranted monitoring. The MPC also noted that although the stock of international reserves are able to sustain the fixed peg of the Namibia Dollar to the South African Rand, the rapid growth of imports and the continued double-digit growth of instalment credit may put pressure on reserves.
13. The MPC resolved to keep interest rates unchanged at 5.50 to continue supporting the economy.