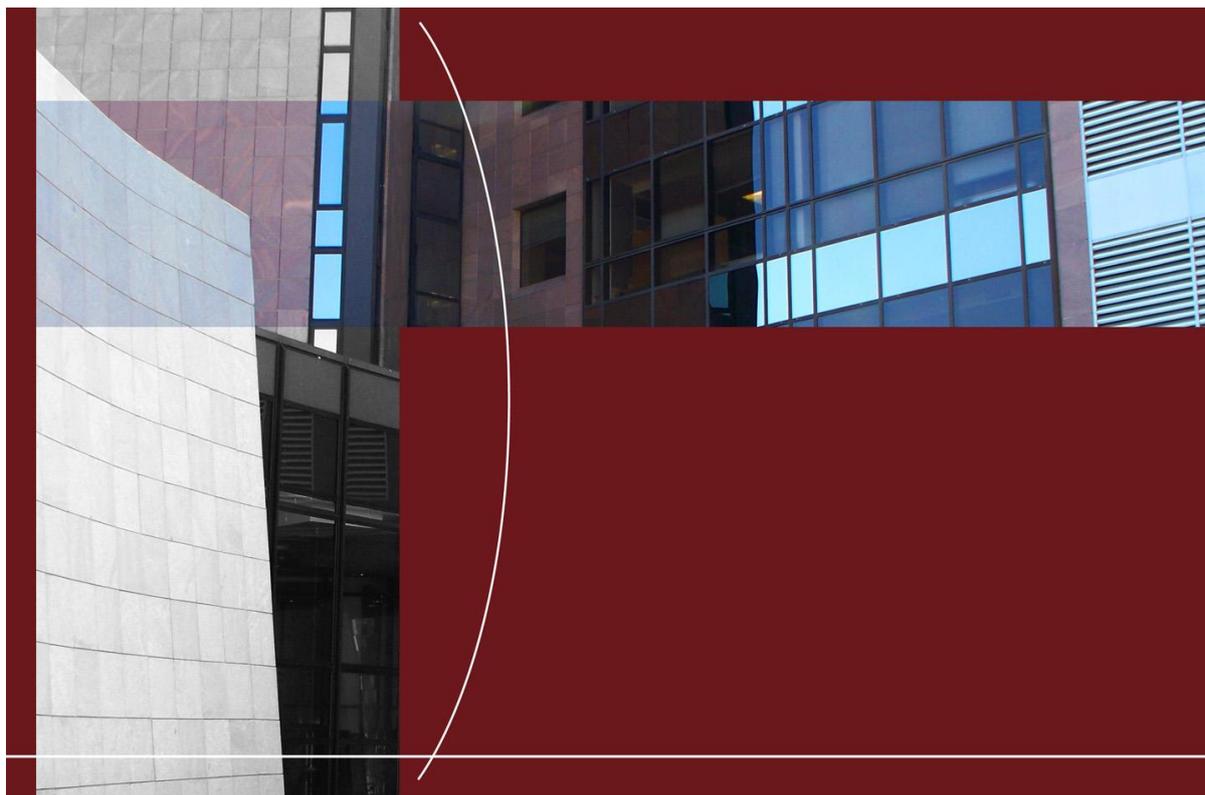


**BANK OF NAMIBIA**

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

**Windhoek, 15 April 2020**



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

**Minutes of the Monetary Policy Committee (MPC) Meeting held on the  
15<sup>th</sup> of April 2020**

## **MPC MEMBERS PRESENT**

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

## **APOLOGIES**

None

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## **OTHERS PRESENT**

Sanette Schulze Struchtrup (Deputy Director: RFSD); Erwin Naimhwaka (Deputy Director: RFSD); Postrick Mushendami (Deputy Director: RFSD); Helvi Phillipus (Deputy Director: FMD); Christian Phillipus (Principal Economist: RFSD); Rehabeam Shilimela (Principal Economist: RFSD), Daisy Mbazima-Lando (Principal Economist: RFSD), Mukela Mabakeng (Principal Economist: RFSD); Reinhold Kamati (Principal Economist: RFSD); Brian Mbazuvara (Senior Economist: RFSD), Jaungura Kaune (Senior Economist: RFSD), Diina Hamutumwa (Economist: FMD), and Sevelia Nakalemo (Economist: FMD).

## **SECRETARY**

Victoria Manuel (Senior Economist: RFSD)

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## ECONOMIC DEVELOPMENTS REPORT

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

- 1. The MPC was informed that global economic activity is projected to contract significantly in 2020 mainly on account of the COVID-19 pandemic.** The global economy is projected to register a negative growth rate of 3.0 percent in 2020, much worse than the 0.1 percent contraction recorded in 2009 in the wake of the global financial crisis. The projected negative growth rate is mainly on the back of the COVID-19 pandemic which has caused severe economic disruptions around the world. In the Advanced Economies (AEs), real GDP is projected to contract by 6.1 percent in 2020, whereas in the Emerging Market and Developing Economies (EMDEs), it is projected to contract by only 1.0 percent in 2020. Key risks to the global economic outlook include uncertainty regarding the pandemic, and the extent of supply disruptions amongst others.
- 2. Commodity and capital markets remained volatile due to the effects of uncertainty surrounding the COVID-19 pandemic.** All monitored commodity prices remained weak as a result of lower demand from major economies such as China, except for gold which rallied due to safe haven demand. Crude oil prices declined significantly, reflecting the effects of excess oil supply coupled with subdued demand. This could bring some short to medium term relief to importing countries such as Namibia. On the contrary, exchange rates, and in particular those of the EMDEs, depreciated significantly against major currencies such as the USD.
- 3. The MPC was also informed that since the previous MPC meeting, inflation rates in most key monitored economies declined.** Given the low energy and food prices environment, inflation in key monitored economies generally declined since the previous MPC in March 2020.

- 4. Most monetary authorities adopted accommodative monetary policy stances in response to the COVID-19 pandemic.** Most central banks in both the AEs and EMDEs have adopted accommodative monetary policies by cutting interest rates during March and April 2020 in order to stimulate growth and cushion against the negative effects of the COVID-19 pandemic.

## **DOMESTIC ECONOMY**

**A report on the developments in the domestic economy was presented to the MPC.**

- 5. The MPC noted that activity in the domestic economy slowed during the first three months of 2020, relative to the corresponding period of 2019.** Domestic economic activity slowed during the first three months of 2020 compared to the same period in 2019. The slowdown in growth was mainly reflected in declining economic activity in sectors such as mining, wholesale and retail trade, manufacturing, as well as tourism, with tourism arrivals falling back sharply. Activity in other sectors such as transport and storage, however, continued to record positive growth during the first two months of 2020. Going forward, the Namibian economy is estimated to contract significantly in 2020.
- 6. The inflation rate declined further during the first three months of 2020.** The average annual inflation for the first three months of 2020 declined further to 2.3 percent from 4.5 percent over corresponding months in 2019. The decline in the rate of inflation is mainly attributed to a decline in the inflation rate of all top three categories namely food and non-alcoholic beverages, housing and transport inflation. Overall inflation is projected to average below 3.0 percent in 2020.
- 7. The MPC noted that the Private Sector Credit Extension (PSCE) remained subdued in February 2020.** Annual growth in PSCE stood at 7.3 percent during the first two months of 2020, from 6.4 percent in February 2019. The growth in PSCE was due to an increase in credit extended to both businesses and households. Since the previous MPC meeting, the annual growth in PSCE declined further to 6.1 percent at the end of February 2020, from 7.2 percent in December 2019 as reported in the previous MPC statement.

- 8. The MPC was informed that the Central Government debt stock rose over the year to the end of February 2020.** The total Government debt stock rose to N\$100.0 billion at the end of March 2020, representing a yearly increase of 14.2 percent. The increase was reflected in both domestic and external debt, with higher issuances of Treasury Bills (TBs) and Internal Registered Stock (IRS) in the domestic market and the negative impact of the exchange rate depreciation on the outstanding balance of foreign debt in Namibia Dollar.
- 9. The MPC was informed that Namibia's trade deficit worsened during the first quarter of 2020 due to a substantial decrease in merchandise exports.** The merchandise trade deficit increased to 5.8 percent of GDP compared to 4.3 percent in the corresponding period of 2019. The widening trade deficit is attributed to a significant deterioration in export earnings during the same period. Total export earnings declined by 19.5 percent during the first quarter of 2020, representing a decline from N\$13.5 billion in 2019 to N\$10.9 billion in 2020. The lower export earnings are mainly due to reduced total export earnings from minerals such as rough diamonds, uranium, refined zinc and zinc concentrate. Similarly, total imports contracted by 6.1 percent during the first quarter of 2020, representing a decline from N\$17.8 billion in the first quarter of 2019 to N\$16.7 billion in 2020.
- 10. The stock of international reserves declined slightly in March 2020.** As at 31<sup>st</sup> of March 2020, the stock of international reserves stood at N\$33.0 billion, from N\$32.2 billion reported in the previous MPC statement. This amount of international reserves is estimated to cover 5.3 months of imports of goods and services. At this level, reserves are sufficient to protect the peg of the Namibia Dollar to the Rand and meet the country's international financial obligations.

**ANY OTHER BUSINESS**

In the absence of any other business, the meeting was adjourned at 13h00.

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Chairman

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Date

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Secretary

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Date