BANK OF NAMIBIA

Minutes of the Monetary Policy Committee (MPC) Meeting

Windhoek, 2 - 3 December 2024

Bank of Namibia

"Our Vision is to be a leading central bank committed to a prosperous Namibia"

MPC MEMBERS PRESENT

Johannes !Gawaxab	Governor (Chairperson)
Leonie Dunn	Deputy Governor
Nicholas Mukasa	Director: Financial Markets Department (FMD)
Johan van den Heever	Technical Expert: RFSDD
Romeo Nel	Technical Advisor to the Governor

SECRETARY

Doughlas Ndana	Senior Economist: RFSDD

APOLOGIES

Ebson Uanguta	Deputy Governor
Emma Haiyambo	Director: RFSDD[1]

[1] Research and Financial Sector Development Department (RFSDD)

OTHERS PRESENT

Marsorry Ickua (Officer in Charge); Postrick Mushendami (Deputy Director: RFSDD); Sanette Schulze Struchtrup (Deputy Director: RFSDD); Anthea Angermund (Deputy Director: FMD); Israel Zemburuka (Director: Strategic Communications and International Relations); Daisy Mbazima-Lando (Principal Economist: RFSDD); Gerson Kadhikwa (Technical Expert: RFSDD); Gracianu Kavaleka (Senior Economist: RFSDD); Kennedy Stephanus (Economist: RFSDD); Vejama Mootu (Senior Economist: RFSDD); Daniel Kavishe (Principal Economist: FMD).

PARTIAL ATTENDANCE

Florette Nakusera (Director: Financial Stability and Macroprudential Oversight Department (FSMOD)); Abigail Nainda (Deputy Director: RFSDD); Reinhold Kamati (Economic Advisor: RFSDD); Rehabeam Shilimela (Technical Expert: RFSDD); Brian Mbazuvara (Technical Expert: RFSDD); Grace Hamauka (Principal Economist: RFSDD); Saara Mukumangeni-Kashaka (Principal Economist: RFSDD); Elifas Iiyambula (Principal Economist: RFSDD); Jaungura Kaune (Principal Economist: FSMOD); Heinrich Namakalu (Senior Economist: RFSDD); Mutu Katjiuanjo (Senior Economist: RFSDD); Metilda Ntomwa (Senior Economist: RFSDD); Charlotte Tjeriko-Katjiuanjo (Senior Economist: RFSDD); Hileni Shifotoka (Senior Economist: RFSDD); Hilya Lazarus (Senior Economist: RFSDD); Sevelia Nakalemo (Senior Economist: RFSDD); Christof Kalumbu (Senior Economist: RFSDD); Isabel Nghinamupika (Economist: RFSDD); Malcolm Tsuseb (Economist: RFSDD); Merrinah Siboli (Economist: RFSDD); Joel Kagola (Economist: RFSDD); Lina Heita (Economist: RFSDD); Maria Ngolo (Graduate Accelerated Program Candidate); Naufiku Hamunime (Technical Expert: Strategic Communications and International Relations (SCIRD).

ECONOMIC DEVELOPMENTS REPORT

Following the tradition, economic developments were split into global and domestic components. First, a report on global economic developments was presented.

THE GLOBAL ECONOMY

1. **The MPC noted that the global economic recovery moderated somewhat relative to the previous MPC meeting.** The MPC was informed that the global economic

recovery progressed at a slower pace since the previous MPC meeting. Available third-quarter data indicated that growth moderated in the United States, the United Kingdom, Japan, China and Russia. Looking ahead, the International Monetary Fund in its October 2024 World Economic Outlook (WEO) projected global growth to be stable at 3.2 percent in both 2024 and 2025, with the 2025 projection revised downwards by 0.1 percentage point relative to the July 2024 WEO Update.

2. **Relative to the previous MPC meeting, the balance of risks to the global economic outlook tilted to the downside.** The MPC noted that downside risks had gained more prominence since the previous MPC sitting. These included the escalation of geopolitical tensions, geoeconomic fragmentation, and weaker global demand. Other major risks were sovereign debt distress, renewed fluctuations in commodity prices, and the contraction in the Chinese property market.

3. **The MPC noted that the price of Brent crude oil decreased since the October MPC meeting.** Brent crude prices fluctuated downwards from US$77 per barrel in mid-October 2024 and reached US$73 per barrel on the 29th of November 2024. A year earlier it stood at US$80 per barrel. The annual price decline of 9 percent was primarily due to weaker global demand, particularly from China.

4. **The MPC was informed that diamond prices decreased during October 2024, mainly ascribed to weaker global demand.** The Zimnisky polished diamond index declined by 2.3 percent month-on-month and by 14.0 percent year-on-year, to 75 index points in October 2024. These developments represented a reversal of the transitory stabilisation observed at the previous MPC meeting. Overall, the continued downward trend in global diamond prices was attributed to weaker consumer demand, especially in the United States and China, coupled with competition from lab-grown diamonds.

5. **Gold prices surged to a record high in October 2024, and the uranium spot price remained relatively elevated.** The price of gold rose by 4.6 percent monthly and by 40.3 percent yearly, to an average of US$2 689 per ounce in October 2024, buoyed by safe-haven demand. It was noted that prices peaked at nearly US$2 800 per ounce in late October 2024. On the contrary, the uranium spot price decreased by 1.8 percent month-on-month but increased by 8.2 percent annually to an average of US$79 per pound. Despite the monthly fall which was attributed to increased supply, uranium spot prices remained elevated sustained by solid demand for cleaner, safer and more secure energy sources. On the 29th of November 2024, the gold price remained unchanged at

US$2 669 per ounce, compared to the previous MPC meeting. The uranium spot price trended downward since the previous MPC, averaging approximately US$78 per pound during the week of the 25th to 29th November 2024, compared to US$83 per pound observed at the October 2024 MPC meeting.

6. **The prices of both copper and zinc were higher both monthly and yearly in October 2024, but eased somewhat thereafter.** Although the price of copper had softened from its peak in May 2024, it rose by 3.2 percent monthly and by 20.1 percent yearly to an average of US$9 534 per metric tonne in October 2024. Meanwhile, the average price of zinc increased by 9.5 percent month-on-month and by 26.8 percent year-on-year to US$3 106 per metric tonne in October 2024. The increase in the price of both metals was largely supported by a rise in demand from China and India. Since the last MPC meeting, however, both copper and zinc prices trended downwards, averaging US$9 010 per metric tonne and US$3 103 per metric tonne, respectively, on 29th November 2024.

7. **Against its downward trend of the past year, inflation most recently ticked higher in most of the monitored economies.** Despite the continued global disinflation, MPC members noted that inflation rose in most of the monitored economies since the last MPC sitting. In the advanced economies, inflation moderately increased in the United States, the Euro Area and the United Kingdom. Similarly, across the key emerging market and developing economies, inflation was higher in Brazil and India. Looking ahead however, global inflation was projected to decrease from an average of 6.7 percent in 2023 to 5.8 percent in 2024 and 4.3 percent in 2025.

8. **Monetary policy easing gained momentum since the previous MPC meeting.** The MPC was briefed that monetary policy easing among the monitored central banks intensified since the previous MPC meeting. Accordingly, the US Federal Reserve, the European Central Bank, the Bank of England, the South African Reserve Bank and the People's Bank of China all reduced rates at their most recent MPC meetings. Nonetheless, the Bank of Brazil and the Bank of Russia tightened policy rates, while the Bank of Japan and the Bank of India held rates steady.

9. **The MPC noted the recent global economic developments.**

THE DOMESTIC ECONOMY

A presentation on domestic economic developments was delivered to the MPC.

10. **The MPC noted that domestic economic activity expanded during the first ten months of 2024 and that the growth outlook had been revised upwards compared to the previous MPC meeting.** The MPC was informed that economic activity strengthened during the first ten months of 2024 relative to the same period in 2023. The expansion was primarily driven by the *mining*, *electricity generation*, *wholesale and retail trade*, *tourism*, *communication* and *transport* sectors, and the *livestock marketing* subsector. Notwithstanding, the *diamond* and *crop production* subsectors contracted during the period under review, while the *construction* sector remained subdued. Looking ahead, the real GDP growth was forecast to moderate from 4.2 percent in 2023 to 3.5 percent in 2024 and 4.0 percent in 2025, 0.4 percentage point and 0.1 percentage point higher than the projections at the previous MPC meeting. The upward revision for 2024 was primarily attributed to a stronger-than-anticipated performance in the primary industry, especially *gold* mining, while that of 2025 was mainly based on improved prospects in the *construction* sector.

11. **Relative to the previous MPC meeting, external risks to the domestic economic outlook had intensified, while those from domestic factors remained broadly unchanged.** The MPC noted a heightened prominence of external downside risks, including the escalation of geopolitical tensions, geoeconomic fragmentation, and weaker global demand. Additional external risks included sovereign debt distress, renewed fluctuations in commodity prices, tariff wars and the contraction in the Chinese property market. Domestically, water supply interruptions particularly at the coastal towns and drought conditions continued to pose downside risks to the growth outlook.

12. **Consumer price inflation decelerated further since the last MPC meeting.** Inflation averaged 4.5 percent in the first ten months of 2024, a notable deceleration relative to 6.0 percent during the same period a year ago. Likewise, inflation slowed from 3.4 percent in September 2024 to 3.0 percent in October 2024, the lowest level since February 2021. The disinflationary trend was attributed to the sustained moderation in *food* inflation supported by the recent deceleration in *transport* inflation. Looking ahead, inflation was forecast to slow from 5.9 percent in 2023 to 4.3 percent in 2024 and 4.0 percent in 2025, unchanged compared to the projection at the previous MPC.

13. **Annual growth in Private Sector Credit Extension (PSCE) improved since the last MPC meeting, albeit remaining subdued.** Since the last MPC sitting, annual growth in PSCE edged up to 3.4 percent at the end of October 2024 from 2.1 percent at the end of August 2024, reflected in the increase in credit to both businesses and household sectors. However, PSCE growth averaged 2.2 percent during the first ten months of 2024, lower than the 2.5 percent recorded during the same period in 2023. The sluggish growth was ascribed to weak demand, reinforced by the prevailing high-interest rate environment.

14. **The Central Government's debt stock rose during the year up to the end of October 2024, primarily due to increased allotments of Treasury Bills (TBs) and Internal Registered Stock (IRS).** Central Government's debt stock stood at N$161 billion, 0.6 percentage point month-on-month and 8.3 percent year-on-year. The rise in the debt stock was chiefly due to the increased issuance of TBs and IRS, complemented by exchange rate depreciation. Over the current MTEF, although the Ministry's projection for the end debt stock was revised upward to N$199.6 billion, or 56.3 percent of GDP, it would still be below the Southern African Development Community's 60 percent convergence benchmark.

15. **Turning to the external front, Namibia's merchandise trade deficit widened further during the first ten months of 2024, as imports continued to rise.** The merchandise trade deficit widened to N$31.6 billion during the first ten months of 2024, relative to N$28.2 billion in the same period of 2023. The wider trade deficit was primarily attributed to soaring import payments, especially for *consumer goods*, *machinery*, *articles of base metals* and *products of the chemical industry*. While exports also increased during the period under review, this increase only partially offset the deteriorating impact of imports on the trade deficit.

16. **The stock of international reserves increased since the previous MPC meeting, continuing to be sufficient to support the currency peg and fulfil Namibia's international financial obligations.** Namibia's official foreign reserve assets stood at N$60.9 billion as at the 31st of October 2024, higher than the N$57.1 billion recorded at the end of September 2024. The rise in foreign reserves was primarily attributed to SACU inflows. This level of reserves translated to an estimated import cover of 4.1 months, which remained adequate to sustain the currency peg between the Namibia Dollar and the South African Rand and meet the country's international financial

obligations. Excluding hydrocarbon exploration and appraisal-related activities, the import cover stood higher at 4.9 months.

17. **The MPC took note of the recent developments in the domestic economy.**

ADOPTION OF THE MONETARY POLICY STANCE

18. **The MPC deliberated on both global and domestic economic developments.** MPC members reflected on the recent developments in the global and domestic economies and noted in summary that:

- The global economic recovery moderated somewhat since the last MPC meeting, with stable global growth projected for 2024 and 2025, remaining virtually unchanged compared to previous forecasts.
- Risks to the global economic prospects tilted to the downside, compared to the relatively balanced perspective at the previous MPC meeting.
- Global inflation rose moderately in key economies, while monetary policy easing gained momentum among the monitored central banks since the last MPC meeting.
- Since the previous MPC sitting, developments in key commodity prices were mixed, with gold prices surging to a peak in October 2024 while diamond prices continued inching downwards and significantly lower compared to the corresponding period in 2023.
- Regionally, particularly in South Africa, a continued stable energy supply could potentially increase growth in the medium term.
- Domestically, economic activity expanded during the first ten months of 2024 relative to the same period in 2023, amid a slower growth rate projected for 2024 as a whole.
- Domestic inflation decelerated since the last MPC and year-to-date. The disinflation was projected to persist over the medium term.
- The Central Government's fiscal deficit had significantly narrowed during the first seven months of the FY2024/25, as the increase in public revenue outpaced that observed in expenditure.
- PSCE growth improved somewhat since the last MPC meeting.
- Foreign exchange reserves remained sufficient, while the merchandise trade deficit widened further on account of higher import payments.

19. **The MPC unanimously decided to reduce the Repo rate by 25 basis points to 7.00 percent.** In their discussion of the monetary policy stance, members noted the most recent slowdown in inflation and welcomed the medium-term inflation outlook that

remained well contained. The MPC was further gratified by the moderate pickup in PSCE growth, which, in its latest print, marginally outpaced the concurrent inflation rate. Noting the relatively high level of domestic real interest rates, the ongoing need to support the domestic economy, the adequate level of foreign reserves, orderly capital flows, and recent monetary policy easing trends in key central banks, the MPC unanimously decided to reduce the Repo rate by 25 basis points to 7.00 percent, with immediate effect. Commercial banks were accordingly expected to reduce their prime lending rate by 25 basis points to 10.75 percent. The adopted policy stance would continue to safeguard the one-to-one link between the Namibia Dollar and the South African Rand while supporting domestic economic activity.

20. **In deciding on this policy stance, the MPC also considered additional key factors.** In particular, the policy rate differential with the South African Reserve Bank was discussed, with the MPC expressing a keen desire to close the gap over the medium term. Furthermore, the committee welcomed the current fiscal policy stance, which was deemed supportive of macroeconomic stability, underlining the importance of the Government’s growth-friendly fiscal path, investment in growth-enhancing initiatives and commitment to containing the deficit. Finally, the MPC deliberated on the potential implications of the SARB's proposed downward revision of its inflation target for both South Africa and Namibia's monetary policy and inflation trajectories.