**BANK OF NAMIBIA**

# Minutes of the Monetary Policy Committee (MPC) Meeting

**Windhoek, 15 - 16 April 2024**

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

**Minutes of the MPC Meeting held on 15th and 16th April 2024**

**MPC MEMBERS PRESENT**

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| Johannes !Gawaxab | Governor (Chairperson) |
| Leonie Dunn | Deputy Governor |
| Emma Haiyambo | Director: RFSDD[1] |
| Johan van den Heever | Technical Expert: RFSDD |
| Romeo Nel | Technical Advisor to the Governor |

**SECRETARY**

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| Doughlas Ndana | Senior Economist: RFSDD |

**APOLOGIES**

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|---|---|
| Ebson Uanguta | Deputy Governor |
| Nicholas Mukasa | Director: Financial Markets Department (FMD) |

**OTHERS PRESENT**

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

Marsorry Ickua (Officer in Charge); Postrick Mushendami (Deputy Director: RFSDD); Sanette Schulze Struchtrup (Deputy Director: RFSDD); Erwin Naimhwaka (Deputy Director: RFSDD); Naufiku Hamunime (Acting Director: Strategic Communications and International Relations); Anthea Angermund (Deputy Director: FMD); Daisy Mbazima-Lando (Principal Economist: RFSDD); Mukela Mabakeng (Technical Expert: RFSDD); Brian Mbazuvara (Principal Economist: RFSDD); Elifas Iiyambula (Principal Economist: RFSDD); Tangeni Shatiwa (Senior Economist: RFSDD); Kennedy Stephanus (Economist: RFSDD); Sevelia Nakalemo (Economist: FMD)

**PARTIAL ATTENDANCE**

Imanuel Hawanga (Deputy Director: Banking Supervision Department (BSD); Karin Elago (Deputy Director: BSD); Reinhold Kamati (Technical Expert: RFSDD); Saara Mukumangeni-Kashaka (Principal Economist: RFSDD); Rehabeam Shilimela (Principal Economist: RFSDD); Grace Hamauka (Principal Economist: RFSDD); Abigail Nainda (Principal Economist: RFSDD); Heinrich Namakalu (Senior Economist: RFSDD); Metilda Ntomwa (Senior Economist: RFSDD); Charlotte Tjeriko-Katjiuanjo (Senior Economist: RFSDD); Vejama Mootu (Senior Economist: RFSDD); Hilja Lazarus (Senior Economist: RFSDD); Malcolm Tsuseb (Economist: RFSDD); Diina Hamutumwa (Senior Economist: FMD); Charlene Tjikukutu (Principal Financial Analyst: BSD); Eugene Beukes (Senior Examiner: BSD).

## ECONOMIC DEVELOPMENTS REPORT

**As is customary, economic developments were split into global and domestic components. Firstly, a report on global economic developments was presented to the MPC.**

### THE GLOBAL ECONOMY

1. **The MPC was informed that global output maintained a positive growth rate in the fourth quarter of 2023.** The global economy maintained positive momentum during the fourth quarter of 2023, with the Group of Twenty (G-20) economies registering a growth rate of 3.2 percent, slightly above the 3.0 percent recorded in the preceding quarter. The improvement was largely attributed to stronger performances in the United

States (US), India and China. Meanwhile, the economy contracted in the United Kingdom (UK), while growth remained very weak in the Euro Area and slowed in Japan.

2. **MPC members were also informed of economic outcomes in selected monitored economies.** Closer to home, members were informed that the South African economic landscape was gradually improving on the back of easing electricity and logistical constraints, which in turn, contributed to the appreciation of the South African Rand at the time of the meeting. Nevertheless, it was noted that the El Niño phenomenon and the May 2024 political elections could threaten the country's outlook. Further from home, the Chinese economy showed positive growth momentum in the first quarter of 2024, with steady recoveries observed in *manufacturing* and overall *production, consumption* and *investment*. In terms of international trade, it was noted that rising global demand and international trade could help accelerate a rebound in China's exports. Finally, the US economy remained resilient, on the back of productivity gains, a solid labour market, stronger consumer sentiment, and firmer retail sales.

3. **The MPC took notice of the steady global growth anticipated between 2024 and 2025.** The MPC was informed that according to the April 2024 International Monetary Fund's World Economic Outlook (WEO), global growth was projected at 3.2 percent in both 2024 and 2025, a steady growth rate compared to the 2023 growth estimate. The 2024 projection was revised up by 0.1 percentage point compared to the January 2024 WEO update, reflecting an expected slight rise in the growth of the Advanced Economies (AEs). Accordingly, growth in the AEs was projected to edge up from 1.6 percent in 2023 to 1.7 percent in 2024 (0.1 percentage point above the January 2024 projection) and 1.8 percent in 2025. Meanwhile, growth in Emerging Market and Developing Economies (EMDEs) was expected to remain stable at 4.2 percent in 2024 and 2025, unchanged from earlier predictions.

4. **The MPC was informed that despite risks to the global economic landscape remaining broadly balanced, prominent downside risks persisted.** Notwithstanding the recent surprising resilience in the performance of the global economy, several adverse risks to the global economic outlook remained plausible. These were mainly the intensification of disruptive geopolitical tensions (including the recent escalation of the Middle East conflict) and geoeconomic fragmentations. Other

prominent risks were the prolonged tight global monetary policy stance, persistent inflation, financial stress and China's faltering recovery.

5. **The MPC noted that the price of Brent crude oil was higher both on a monthly and yearly basis.** The Brent crude oil price rose by 3.7 percent monthly and by 9.2 percent yearly to an average of around US$84 per barrel in March 2024. The higher price was primarily due to production cuts by the Organization of Petroleum Exporting Countries and the decline in world oil production owing to production interruptions in North America. Likewise, the price of Brent crude oil was higher on 12th April 2024, reaching US$90 per barrel compared to US$82 per barrel observed at the previous MPC meeting, in February 2024.

6. **Diamond prices trended downwards both on a monthly and yearly basis in March 2024, while food prices ticked up monthly but fell yearly.** The Diamond Index Exchange (IDEX) fell by 0.7 percent, month-on-month, and by 15.7 percent yearly to 109 points in March 2024. The downward trend continued to be fuelled by weaker global consumer demand, especially from China and the US. In addition, the competition from lab-grown diamonds as well as high inventories contributed to the downward pressure on diamond prices. Meanwhile, food prices as measured by the United Nations' Food and Agriculture Organisation (FAO) Food Price Index inched up slightly by 1.3 percent month-on-month to around 118 index points, the first tick-up in seven consecutive months. The rise was observed in *vegetable oils*, *dairy* and *meat* products. The index was, however, 7.7 percent lower compared to its corresponding value a year ago.

7. **Gold and uranium prices were higher in March 2024, although the latter declined monthly.** The MPC noted that the price of gold increased by 6.7 percent monthly and by 12.8 percent yearly to reach US$2 158 per ounce in March 2024, mainly supported by safe-haven purchases and central bank purchases. On the other hand, the uranium spot price declined by 7.6 percent to around US$88 per pound in March 2023, the second consecutive monthly decline, largely on account of a gradual increase in production. Notwithstanding, the uranium spot price remained high, 73.8 percent higher than its level in March 2023, reflecting sustained long-term fundamentals related to strong demand for cleaner, safer and more secure energy, despite receding somewhat from its January 2024 high. On 12th April 2024, the price of gold surged to about US$2 374 per ounce, higher compared to its level at the February 2024 MPC sitting. In

contrast, the uranium spot price receded somewhat to approximately US$90 per pound during the week of 8th to 12th April 2024, from a level above US$100 per pound at the previous MPC meeting.

8. **The prices of zinc and copper increased monthly in March 2024 but declined on an annual basis.** The zinc price rose by 4.3 percent on a monthly basis but fell by 17.1 percent, year-on-year, to an average of US$2 461 per metric tonne in March 2024. The MPC noted that despite renewed optimism about the Chinese economy, which culminated in the month-on-month increase, underlying demand weakness continued to exert downward pressure on zinc prices compared to a year ago. Similarly, the average price of copper stood at US$8 689 per metric tonne in March 2024, rising by 4.7 percent monthly and falling marginally by 1.7 percent yearly. Overall, the price of copper remained generally elevated on the back of rising demand associated with the transition to green energy. Finally, the MPC observed that both zinc and copper prices were higher at the April 2024 MPC meeting, compared to the previous meeting. Accordingly, on the 12th of April 2024, zinc and copper prices averaged US$2 829 per metric tonne and US$9 458 per metric tonne, respectively.

9. **Inflationary pressures ticked up in most of the monitored economies since the last MPC meeting.** In the AEs, inflation edged higher in the US and Japan, while it slowed in the UK and the Euro Area. In the EMDEs, inflation rose in China, South Africa and Russia and receded in Brazil and India. While inflation had decelerated notably from its 2023 highs, it was noted that it could linger longer than previously anticipated. In this connection, the IMF revised its inflation projection upwards by 0.1 percentage point to 5.9 in 2024 and 4.5 percent in 2025, compared to its forecast at the time of the previous MPC sitting. Consequently, most monitored central banks exercised caution with their monetary policy stances by keeping their policy rates unchanged at their recent MPC meetings. Notwithstanding, the Bank of Japan and the Central Bank of Brazil raised and cut rates, respectively.

10. **The MPC took note of the key points on the recent global economic developments.**

## THE DOMESTIC ECONOMY

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

11. **Domestic economic activity remained firm in 2023 and during the early months of 2024.** MPC members were advised that the then recently released national accounts indicated that Namibia registered a slower yet firm growth rate of 4.2 percent in 2023 compared to 5.3 percent recorded in 2022. The slowdown reflected weaker growth in the primary and secondary industries, especially in the *agriculture* and *construction* sectors as well as the *diamond mining* subsector. Notwithstanding, growth was sustained by the tertiary industry, whose growth rate edged higher during 2023. For the early months of 2024, economic indicators suggested that domestic economic activity increased further, mainly observed in the *mining, tourism,* and *wholesale and retail trade* sectors as well as the *electricity generation* subsector. The *agricultural* sector, however, was facing strong headwinds due to drought. For 2024 as a whole, GDP growth was projected to moderate to 3.7 percent, which was an upward adjustment from the 3.4 percent growth rate foreseen at the previous MPC meeting. The projected slower 2024 growth rate was on account of the anticipated slowdown in the primary industry.

12. **Key downside risks to the domestic economic outlook remain broadly unchanged since the previous MPC meeting.** It was reported that risks to the domestic economic outlook were generally unchanged since the last MPC meeting, although conflict in the Middle East had escalated notably. On the external front, major risks continue to reflect the prolonged tight global monetary policy stance, disruptive geopolitical tensions and geoeconomic fragmentation. Internally, key risks were mainly uncertain rainfall patterns and water supply interruptions, particularly at the coastal towns.

13. **Domestic inflationary pressures eased further during the first quarter of 2024.** The MPC was informed that inflation slowed to an average of 5.0 percent during the first quarter of 2024, from an average of 7.1 percent during the same period in 2023. The deceleration was predominantly driven by *food* and *transport* price inflation. Most recently, inflation eased to 4.5 percent in March 2024, down from 5.4 percent in January 2024 reported at the previous MPC meeting. Looking ahead, inflation was anticipated to slow down to an average of 4.9 percent in 2024, 0.1 percentage point above the

projection at the previous MPC meeting. The slight upward adjustment was on account of persistent geopolitical tensions which could potentially induce speculative spikes in oil prices and uncertain rainfall conditions.

14. **Annual growth in Private Sector Credit Extension (PSCE) has remained subdued since the last MPC meeting.** It was highlighted that PSCE growth moderated to 1.7 percent in February 2024 from the value of 1.9 percent for December 2023 that was reported at the previous MPC meeting. Similarly, PSCE growth slowed to an average of 2.0 percent during the first two months of 2024, from 2.8 percent during the corresponding period in 2023. Lower credit demand from households, especially in the *mortgages* and *other loans, advances and overdrafts* categories were cited as the main reason for the deceleration in private sector credit growth.

15. **The Central Government's debt stock trended higher during the FY2023/24, largely due to higher allotments of both Treasury Bills (TBs) and Internal Registered Stock (IRS).** The Central Government debt stock stood at N$153.9 billion at the end of March 2024, up by 8.0 percent year-on-year. The rise in the debt level continued to be driven by increased issuance of TBs and IRS, coupled with loan disbursements by the African Development Bank and KFW Development Bank. However, despite the increase in the nominal debt stock, debt as a percentage of GDP, improved somewhat to 66.7 percent in March 2024, down by 0.4 percentage point from a year ago. For the FY2024/25, it was highlighted that Government debt was estimated to decline to 60.1 percent, supported by an upsurge in SACU receipts. It was further indicated that the stock of debt was anticipated to increase to N$184.5 billion by the end of the MTEF period. As a percentage of GDP, however, public debt was expected to decline, translating to 56.7 percent of GDP, well below the 60.0 percent SADC convergence benchmark. The lower debt-to-GDP ratio was noted to be supported by projected faster growth in GDP than in debt over the MTEF.

16. **The MPC was informed that Namibia's merchandise trade deficit narrowed during the first two months of 2024, supported by a faster increase in export receipts relative to import payments.** Namibia's merchandise trade deficit stood at N$5.0 billion during the first two months of 2024, 19.2 percent narrower than its level in the same period of 2023. The improvement was attributed to a surge in export earnings amid falling import payments. The higher export earnings were mainly observed in mineral exports, particularly *uranium* and *gold* reflecting increased volumes exported,

favourable international prices and the depreciation of the Namibia Dollar against the US Dollar. On the other hand, the decline in import payments was mainly due to lower imports of mineral fuels, which in turn, reflected a high base in the same period in 2023.

17. **The MPC observed that the stock of international reserves remained sufficient to support the currency peg and meet Namibia's international financial obligations.** The stock of international reserves was lower at N$54.3 billion as at 31st March 2024 relative to the revised N$55.8 billion on 31st January 2024, observed at the previous MPC meeting. The decrease was attributed to net commercial bank outflows and government foreign payments. At this level, the international reserves stock was estimated to cover 3.8 months of imports. This remained sufficient to sustain the currency peg between the Namibia Dollar and the South African Rand, while meeting the country's international financial obligations. The import cover excluding hydrocarbon exploration-related imports, however, stood higher at 4.3 months.

18. **The MPC noted the recent developments in the domestic economy.**

## ADOPTION OF THE MONETARY POLICY STANCE

19. **The MPC deliberated on both the global and domestic economic developments, as highlighted above.** MPC Members reflected on the recent developments in the global and domestic economies and noted in summary that:

- The global economy remained highly uncertain but maintained positive momentum and was anticipated to grow at the same pace as in 2023 during 2024 and 2025.
- Despite the recent surprising resilience in the performance of the global economy, several adverse risks to the global economic outlook remained plausible.
- Inflationary pressures ticked up in the majority of the monitored economies since the preceding MPC meeting, in part due to a rising of international oil prices.
- Most monitored commodity prices increased since the previous MPC meeting, with gold and uranium leading the gains, while diamonds continued the downward path observed since the beginning of 2022.
- In the region, specifically in South Africa, the economic landscape was gradually improving due to easing electricity and logistical constraints, although the political elections and uncertain weather patterns could pose risks to the country's outlook.
- Domestically, economic activity held firm in 2023 and during the early months of 2024, with downside risks to the economic outlook essentially remaining unchanged.

- Domestic inflation receded further since the last MPC meeting, with the downward trend projected to continue in 2024 and 2025. However, some inflationary pressures were noted in the second quarter of 2024.
- On the fiscal front, the Central Government budget deficit narrowed during the FY2023/24, as the rise in revenue collections surpassed the increase in expenditure.
- Foreign exchange reserves remained sufficient, and the merchandise trade deficit narrowed.

20. **After careful consideration of the economic developments above, the MPC unanimously decided to keep the Repo rate steady at 7.75 percent.** The MPC noted the persistence of global inflation and a range of inflation risks but found solace in the downward trajectory of domestic inflation and the positive level of domestic real interest rates which help to contain inflationary pressures. The level of international reserves remained adequate, while the overly subdued domestic credit growth was concerning, which further suggested room to maintain the existing policy stance of 7.75 percent. As such, the prime lending rate remained constant at 11.50 percent. A domestic repo rate 50 basis points below that of South Africa was thought to sufficiently balance the need to support the domestic economy with the imperative to safeguard the one-to-one link between the Namibia Dollar and the South African Rand.