BANK OF NAMIBIA

Minutes of the Monetary Policy Committee (MPC) Meeting

Windhoek, 14 - 15 April 2025

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

MPC MEMBERS PRESENT

Johannes !Gawaxab	Governor (Chairperson)
Ebson Uanguta	Deputy Governor
Leonie Dunn	Deputy Governor
Emma Haiyambo	Director: RFSDD[1]
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

None.

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

OTHERS PRESENT

Postrick Mushendami (Deputy Director: RFSDD); Sanette Schulze Struchtrup (Deputy Director: RFSDD); Abigail Nainda (Deputy Director: RFSDD); Anthea Angermund (Deputy Director: FMD); Israel Zemburuka (Director: Strategic Communications and International Relations); Daisy Mbazima-Lando (Principal Economist: RFSDD); Reinhold Kamati (Economic Advisor: RFSDD); Grace Hamauka (Principal Economist: RFSDD); Gracianu Kavaleka (Senior Economist: RFSDD); Kennedy Stephanus (Economist: RFSDD); Daniel Kavishe (Principal Economist: FMD); Aili Andreas (Financial Analyst: Banking Supervision).

PARTIAL ATTENDANCE

Erwin Naimhwaka (Deputy Director: RFSDD); Mukela Mabakeng (Technical Expert: RFSDD); Brian Mbazuvara (Technical Expert: RFSDD); Rehabeam Shilimela (Technical Expert: RFSDD); Gerson Kadhikwa (Technical Expert: RFSDD); Saara Mukumangeni-Kashaka (Principal Economist: RFSDD); Elifas Iiyambula (Principal Economist: RFSDD); Heinrich Namakalu (Senior Economist: RFSDD); Mutu Katjiuanjo (Senior Economist: RFSDD); Metilda Ntomwa (Senior Economist: RFSDD); Vejama Mootu (Senior Economist: RFSDD); Hilya Lazarus (Senior Economist: RFSDD); Sevelia Nakalemo (Senior Economist: RFSDD); Christof Kalumbu (Senior Economist: RFSDD); Charlotte Tjeriko-Katjiuanjo (Senior Economist: RFSDD); Isabel Nghinamupika (Economist: RFSDD); Malcolm Tsuseb (Economist: RFSDD); Joel Kagola (Economist: RFSDD); Merrinah Siboli (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 established 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 economy expanded at a firm pace in the fourth quarter of 2024, but the medium-term outlook was subject to significant downside pressure.** The MPC was apprised that global growth remained resilient during the fourth quarter of 2024, with growth rising in most of the key monitored economies, except in the United States (US) where it slowed, albeit still registering a firm growth rate. However, substantial downside pressures had emerged for global growth prospects, primarily emanating from trade policy shifts in the US. Consequently, global growth forecasts for both 2025 and 2026 by the major forecasting organisations were anticipated to be revised downwards.

2. **The MPC noted that the Brent crude oil futures declined since the previous MPC meeting.** Since the last MPC meeting, Brent crude futures fell considerably from around US$75 per barrel on 7th February 2025 to approximately US$63 per barrel on 4th April 2025. Subsequently, however, crude oil prices somewhat rebounded to around US$65 on 11th April 2025. The sharp decline since the last MPC sitting was ascribed to concerns regarding the US reciprocal tariffs which came into effect on 2nd April 2025, augmented by the increase in oil supply from non-OPEC countries.

3. **Diamond prices remained weak since the last MPC meeting, attributed to weaker global demand.** Since the last MPC meeting, the Zimnisky polished diamond index largely remained on a downward trend. This was primarily due to weaker global consumer demand, especially in the United States and China, coupled with competition from lab-grown diamonds.

4. **Gold futures reached new highs, while uranium futures softened since the last MPC meeting.** Gold futures rallied since the last MPC meeting, reaching US$3 245 per ounce on the 11th of April 2025 relative to US$2 888 at the previous MPC meeting. The increase in the price of gold was mainly due to safe-haven demand, buoyed by trade tensions. Conversely, uranium futures slipped to US$64 per pound on 11th April 2025 from around US$70 per pound on 7th February 2025. The decline was attributable to increased global supply.

5. **Copper and zinc futures generally trended downwards since the previous MPC meeting.** Relative to the February 2025 MPC meeting, copper and zinc futures initially trended upward until 2nd April 2025, after which prices dropped sharply following the

implementation of reciprocal tariffs by the US. Prices, however, marginally rebounded due to the suspension of full tariffs for most countries. Nevertheless, on balance, copper and zinc futures softened by 3.4 percent and by 6.8 percent, respectively, to US$9 146 per metric tonne and US$2 657 per metric tonne on 11th April 2025 compared to the levels at the previous MPC sitting.

6. **MPC members noted mixed inflation patterns since the last MPC meeting.** Among the monitored Advanced Economies (AEs), consumer price inflation trended downwards in the US, the Euro Area, and Japan, while the United Kingdom observed an uptick. Conversely, inflationary pressures persisted across most of the key Emerging Market and Developing Economies (EMDEs), with inflation rising in Brazil, Russia, and South Africa. Meanwhile, inflation decelerated in India, while China recorded deflation. Looking ahead, global inflation was projected to recede from an average of 5.8 percent in 2024 to 4.2 percent in 2025 and 3.5 percent in 2026; however, these forecasts were subject to significant uncertainty.

7. **Most monitored central banks maintained a wait-and-see approach regarding monetary policy decisions, as global uncertainty intensified.** Accordingly, the US Federal Reserve, the Bank of England, the Bank of Japan, the People's Bank of China (PBoC), the South African Reserve Bank, and the Bank of Russia kept their policy rates steady. These cautious stances were primarily on account of heightened global uncertainty. In contrast, the European Central Bank and the Bank of India eased rates, while the Bank of Brazil tightened rates.

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

THE DOMESTIC ECONOMY

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

9. **The MPC noted that the domestic economy remained firm in 2024, with activity expanding during the early months of 2025.** Real Gross Domestic Product (GDP) expanded at a solid pace of 3.7 percent in 2024, albeit slower than the 4.4 percent registered in 2023. The moderation was attributed to a contraction recorded in the primary industries, particularly in the *diamond mining* subsector. Year-to-date, activity in the domestic economy expanded further, relative to the first two months of 2024. The positive performance was primarily ascribed to the *mining*, *tourism*, *wholesale and retail trade*, *communication*, *transport,* and *construction* sectors. For 2025, real GDP growth

was forecast to range between 3.5 percent and 4.0 percent, slightly weaker compared to the projection at the previous MPC meeting.

10. **Downside risks to the domestic economic outlook had intensified.** The Committee noted that downside risks to the growth outlook had become more prominent, primarily driven by elevated global policy uncertainty and escalating trade wars. Other notable external risks include geopolitical tensions and the sustained depressed international diamond prices. Internally, delays in the upgrading and rehabilitation of infrastructure, challenges following the recent rain-induced damage, the outbreaks of animal health diseases and water supply interruptions, particularly in coastal towns, were noted as key downside risks to the outlook.

11. **Domestic inflation appeared to be well-contained, despite picking up most recently.** Inflation averaged 3.7 percent during the first quarter of 2025, relative to 5.0 percent in the corresponding period of 2024, primarily due to lower *housing* and *transport* inflation. However, the previously observed domestic disinflationary trend had reversed. Accordingly, inflation edged up to 4.2 percent in March 2025 compared to 3.2 percent recorded in January 2025, driven by *housing*, *food*, *transport*, and *alcoholic beverages*. Looking ahead, the average inflation forecasts for both 2025 and 2026 were revised upward to 4.2 percent and 4.5 percent, respectively, relative to previous projections of 4.0 percent and 4.4 percent. This upward revision was primarily due to a weaker exchange rate and higher administered price assumptions.

12. **Annual growth in Private Sector Credit Extension (PSCE) remained broadly stable since the last MPC meeting.** PSCE growth stood at 3.9 percent in February 2025, fractionally lower than the 4.0 percent registered in December 2024, primarily ascribed to weaker demand for credit by *households*. However, PSCE growth averaged 4.0 percent during the first two months of 2025, higher compared to 2.0 percent in the corresponding period of 2024. The rise was mainly due to increased demand from *businesses*, especially in the category of *other loans and advances*. Despite this recent uptick, overall credit growth remained subdued.

13. **The Central Government's debt stock stood higher at the end of February 2025, mainly due to increased allotments of Treasury Bills (TBs) and Internal Registered Stock (IRS).** Central Government's debt stock stood at approximately N$166 billion, rising by 8.0 percent year-on-year. The increase in the nominal debt stock reflected higher issuance of both TBs and IRS. As a percentage of GDP, however,

public debt stood at 66.0 percent, remaining unchanged compared to its level a year earlier.

14. **On the external front, Namibia's merchandise trade deficit improved during the first two months of 2025.** The merchandise trade deficit narrowed by 2.9 percent to N$4.6 billion during the first two months of 2025, relative to the same period in 2024. The improved position was due to increased export receipts, primarily from *gold* and *uranium*. However, the MPC was informed that this gain was partially offset by the rise in import payments, especially in the categories of *machinery* and *consumer goods*.

15. **The stock of international reserves remained sufficient to support the currency peg and fulfil Namibia's international financial obligations.** The stock of international reserves stood at N$59.7 billion as at the end of March 2025, lower compared to N$64.3 billion recorded at the end of January 2025. The decline was ascribed to rising imports and government payments. This level of foreign reserves translated to an estimated import cover of 3.9 months, which was deemed adequate to sustain the currency peg between the Namibia Dollar and the South African Rand and meet the country's international financial obligations. It further noted that the import cover remained above the international benchmark of 3 months.

16. **The MPC took note of the recent domestic economic developments.**

ADOPTION OF THE MONETARY POLICY STANCE

17. **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 economy expanded at a relatively firm pace in the fourth quarter of 2024; however, the medium-term outlook was subject to significant downside risks.
- Inflation patterns across most monitored economies were mixed, while most key central banks adopted a wait-and-see approach in terms of their monetary policy decisions.
- Prices for key international commodities exhibited increased volatility since the preceding MPC meeting, with the downward path in diamond prices persisting and the oil price declining notably.

- Domestically, economic activity expanded further during 2024 relative to 2023, and available indicators suggested a moderate further expansion in the beginning months of 2025, amid a 3.5 to 4 percent growth rate projected for 2025.
- Domestic inflation remained well contained, despite the recent pickup. The medium-term inflation outlook was revised upwards.
- The Central Government's budget deficit increased during the FY2024/25, relative to the preceding fiscal year, with a further widening foreseen in the FY2025/26.
- PSCE remained broadly subdued relative to the previous MPC sitting.
- Foreign exchange reserves remained sufficient, and the merchandise trade deficit narrowed mainly due to increased export receipts.

18. **The MPC decided unanimously to keep the Repo rate unchanged at 6.75 percent.** This policy stance would continue safeguarding the one-to-one link between the Namibia Dollar and the South African Rand while supporting domestic economic activity. Commercial banks were accordingly expected to maintain their prime lending rates at 10.50 percent, 3.75 percentage points above the Repo rate.

19. **In determining the appropriate monetary policy stance, the MPC considered several factors in support of maintaining the Repo rate.** In particular, the Committee considered the extraordinary level of uncertainty introduced to the global economy by trade policy shifts, which were likely to dampen growth. The MPC further noted that the potential slower global growth could exert downward pressure on the projected trajectories of most commodity prices, including oil. However, this potential favourable impact on domestic inflation appeared to be offset by a weaker exchange rate. Furthermore, upward price pressures from administered prices also seemed likely in the coming months.

20. **The MPC further considered factors in support of a policy rate reduction.** Specifically, the relatively high level of domestic real interest rates, adequate level of foreign reserves and sluggish credit growth suggested the possibility of a further reduction in the Repo rate. However, the MPC was cognisant of the need to avoid large interest rate differentials within the CMA, in the interest of orderly capital flows. The Committee was also mindful of the magnitude of the trade deficit and the impact of the imminent settling of international debt obligations on the country's international reserve holdings.