

BANK OF NAMIBIA

Minutes of the Monetary Policy Committee (MPC) Meeting

Windhoek, 22 October 2019



“Our vision is to be a centre of excellence”

**Minutes of the Monetary Policy Committee (MPC) Meeting held on the
22nd October 2019**

MPC MEMBERS PRESENT

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

APOLOGIES

Florette Nakusera	Director: Research and Financial Stability Department (RFSD)
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OTHERS PRESENT

Israel Zemburuka (Deputy Director: Corporate Communications); Sanette Schulze Struchtrup (Deputy Director: RFSD); Erwin Naimhwaka (Deputy Director: RFSD); Christian Phillipus (Principal Economist: RFSD); Elifas Iiyambula (Senior Economist: RFSD); Brian Mbazuvava (Senior Economist: RFSD).

SECRETARY

Daisy Mbazima-Lando (Principal Economist: RFSD)

ECONOMIC DEVELOPMENTS REPORT

- 1. As usual, reporting on economic developments was split into an international and a domestic component. First a report on global economic developments was presented to the MPC members.**

GLOBAL ECONOMY

- 2. The MPC was informed that the global economy slowed during the second quarter of 2019.** The low growth was evident in the United States (US), Euro area and the United Kingdom (UK), while the growth rate for Japan improved. Going forward, the AEs growth rate is projected to slow down to 1.7 percent for 2019 compared to 2.3 percent recorded in 2018. On the contrary, economic growth in most of the monitored Emerging Market and Developing (EMDEs) improved slightly during

the second quarter of 2019, except for China whose growth rate slowed from the previous quarter. GDP growth in the EMDEs is projected to be lower at 3.9 percent for 2019, from 4.5 percent in 2018.

- 3. The MPC noted that the global economic growth rate is projected to slow down further in 2019.** Growth in the global economy is projected to slow down further to 3.0 percent in 2019 before recovering to 3.4 percent in 2020 due to the impact of the US-China trade war. Key risks to the global economic outlook remain, amongst others, the further proliferation of trade barriers and heightened geopolitical tensions, including Brexit-related risks, that could further disrupt supply chains and hamper confidence, investment, and growth.
- 4. The MPC was informed that inflation in most of the monitored AEs declined slightly while it picked up in most EMDEs.** The inflation rate in the US, UK and EU slowed while Japan's rose slightly. On the contrary, inflation in most of the monitored EMDEs increased in August except for Russia where it declined during the same period.
- 5. International crude oil and uranium prices increased in September 2019.** Brent crude oil increased by 5.2 percent to US\$62.33 per barrel in September 2019 from US\$59.25 per barrel in August 2019. The increase in the price of crude oil was mainly attributed to attacks on two Saudi Arabian oil facilities as well as news that China and US would resume trade talks. The uranium spot price increased by 1.5 percent to average US\$25.68 per pound in September 2019 from US\$25.30 per pound in August 2019. The increase in the uranium spot price was partially supported by the opposition to exploratory uranium mining in the Nallamala Forest in eastern India,
- 6. The prices of both copper and zinc increased on a monthly basis in September 2019.** The price of copper increased on a monthly basis by 0.9 percent to an average of US\$5 759 per ton in September 2019, from US\$5 709 per ton in August 2019. The price of zinc also increased by 2.6 percent on a monthly basis, to an average of US\$2 331 per ton in September 2019 from US\$2 273 per ton in August 2019. The monthly increases in both these commodities were on the back of an increase in demand from consuming industries.

- 7. The MPC noted that since the last MPC meeting in August 2019, monetary policy stances in key monitored economies remained unchanged or were eased.** Since the previous MPC meeting in August 2019, several central banks in the AEs and EMDEs left their policy rates unchanged. These include the European Central Bank and the central banks of the UK, Japan, China, South Africa and Angola. Some other central banks, such as those of the US, Brazil, Russia and India cut their policy rates. Policymakers indicated that they would review economic and price developments more thoroughly at their next policy meetings.

DOMESTIC ECONOMY

- 8. A report on the developments in the domestic economy was presented to the MPC.**
- 9. The MPC noted that domestic economic activity slowed during the first eight months of 2019, compared to the same period in 2018.** The slowdown was reflected in sectors such as mining, construction, wholesale and retail trade and agriculture. The decline in the mining sector is attributed to a decline in the production of diamonds, uranium and zinc concentrate, while the decline in construction was attributed to the decline in private construction works. The decline in the wholesale and retail trade was reflected in all retail trade sub-sectors, mainly due to low local demand as a result of weak local economic activity. The performance of the agricultural sector also slowed due to the drought. Going forward, the domestic economy is projected to remain weak in 2019, contracting by 1.7 percent compared to 0.1 percent in 2018.
- 10. Namibia's overall inflation rate declined during the first nine months of 2019.** Annual average inflation declined to 4.1 percent during the first nine months of 2019 from its highest level of 5.6 percent observed in November 2018. The decline was mainly due to a moderation in housing and transport inflation. On a monthly basis, inflation declined to 3.3 percent in September 2019, from 3.7 percent reported in the previous month. Overall inflation is projected to average 3.9 percent in 2019.

- 11. Private sector credit extension (PSCE) growth rose on average during the first eight months of 2019, relative to the same period in 2018.** Annual average growth stood at 6.9 percent during the review period, higher than the 6.0 percent recorded over the same period in 2018. The growth in PSCE was mainly due to an uptake of credit by businesses in the retail and real estate sectors. Growth in credit extended to the corporate sector rose to 7.4 percent during the first eight months, compared to 3.8 percent over the same period in 2018. Total credit extended to the household sector, however, slowed to 6.7 percent during the first eight months of 2019, from 7.5 percent during the same period in 2018. Since the last MPC meeting, growth in PSCE slowed to 6.4 percent at the end of August 2019 from 7.8 percent as reported in the previous MPC statement.
- 12. The MPC was informed that the Central Government's debt stock rose over the year to the end of August 2019.** Government debt stock rose to N\$91.0 billion at the end of August 2019, representing a yearly increase of 12.5 percent. The increase was reflected in both domestic and external debt, owing to the issuance of TBs and IRS in the domestic market coupled with the disbursement of the second tranche of a loan from the African Development Bank (AfDB). The impact of the depreciation of the Namibia Dollar against major currencies also contributed to the increase in external debt.
- 13. The MPC was informed that Namibia's total export earnings from minerals rose and the total number of cattle and small stock exported increased during the first eight months of 2019.** The total value of mineral exports increased by 3.0 percent to N\$17.9 billion during the first eight months of 2019, mainly due to increased earnings from uranium and other minerals. Export earnings from diamonds, however, declined by 17.1 percent due to a decrease in the volume exported largely owing to fewer diamonds recovered offshore coupled with the depletion of the land operations. Moreover, the total number of cattle sold to export markets rose by 18.5 percent, primarily due to an increase in both the number of cattle slaughtered and live weaners. In addition, the total number of small stock exported increased by 2.3 percent during the first eight months of 2019.
- 14. The MPC was further informed that the stock of international reserves declined during the period under review.** As at 30th of September 2019, the stock of international reserves declined to N\$32.3 billion compared to N\$35.2 billion reported

in the previous MPC meeting. The decline was mainly due to increased Government foreign payments. At this level, the international reserves are estimated to cover 4.3 months of imports of goods and services and remain sufficient to protect the peg of the Namibia Dollar to the South African Rand and meet the country's international financial obligations.

15. In summary, the MPC noted the recent domestic economic developments as presented.

MONETARY POLICY DELIBERATIONS

16. The MPC deliberated on both the domestic and global economic developments, as highlighted above. After considering developments in all key macro-economic variables as presented, the MPC decided to keep the Repo rate unchanged at 6.50 percent. The MPC took this decision in order to continue supporting domestic economic activity and to maintain the one-to-one link between the Namibia Dollar and the South African Rand.