



Bank of Namibia

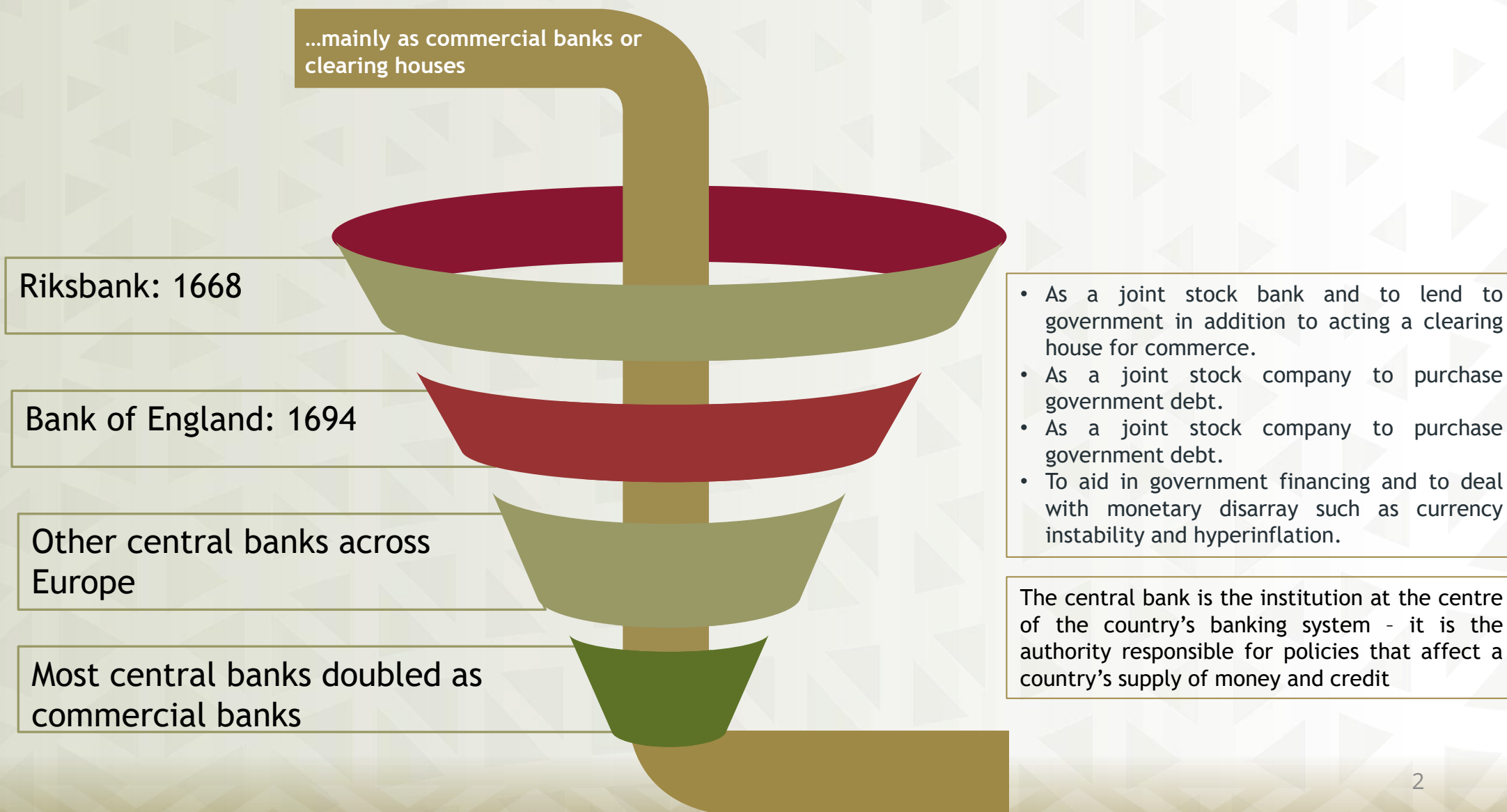
Monetary Policy Announcement: Stakeholder Engagement

Presented by
Mr. Johannes !Gawaxab

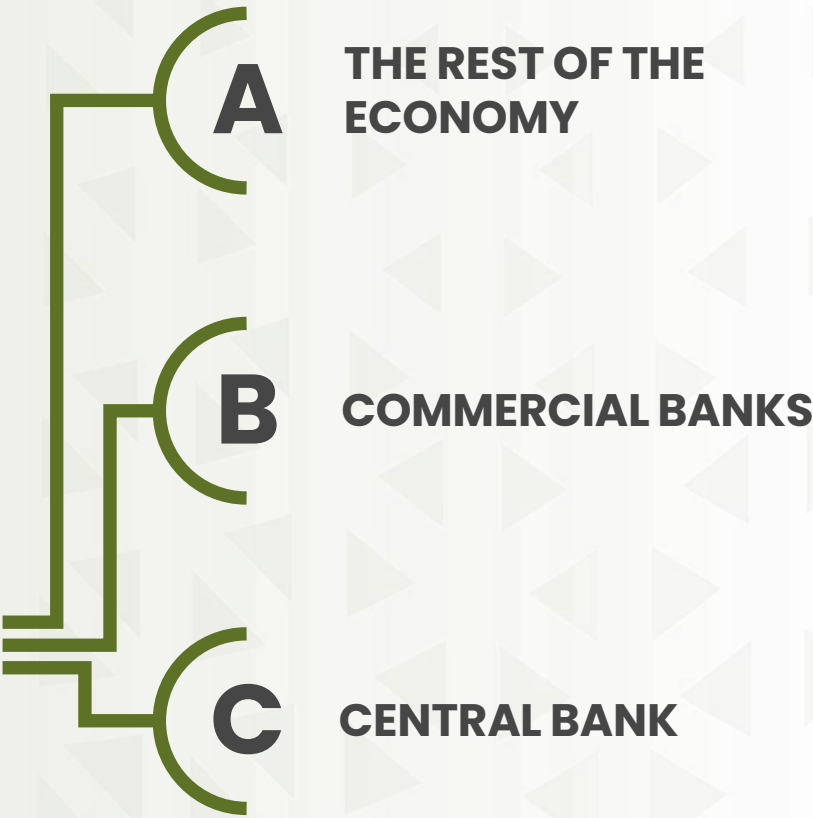
Date:
August 16, 2023



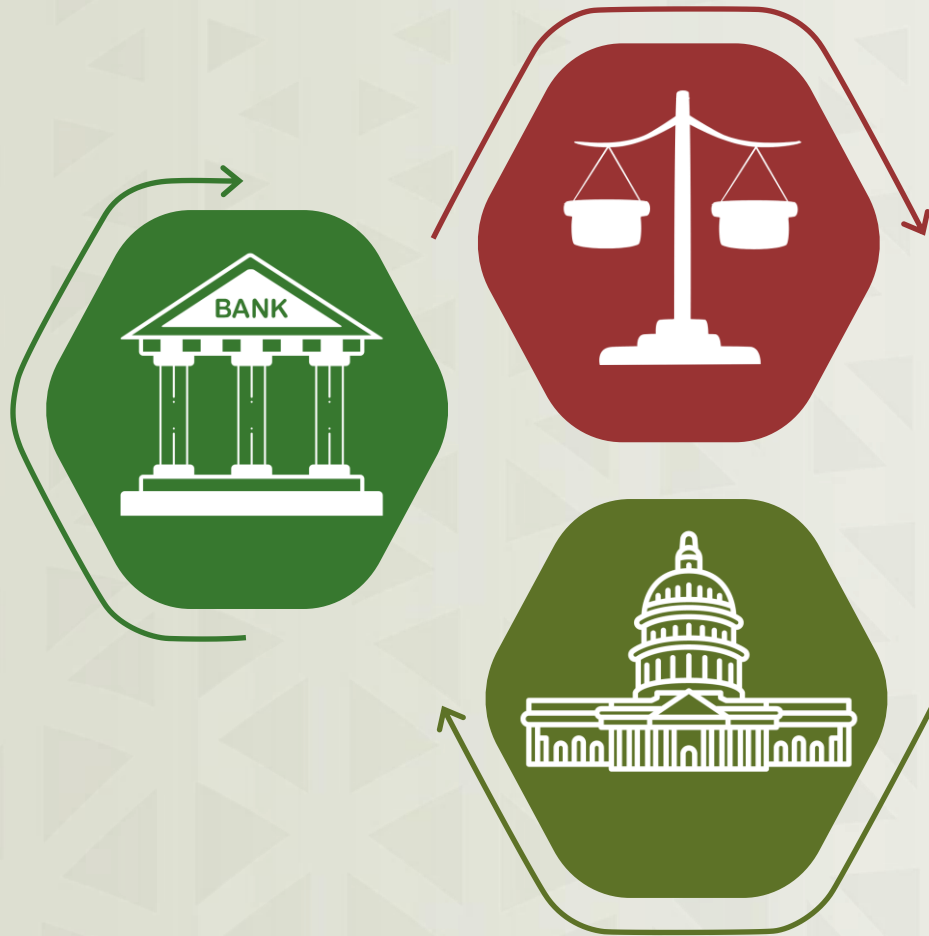
WHAT DOES THE CENTRAL BANK DO?



Where does the central bank fit?

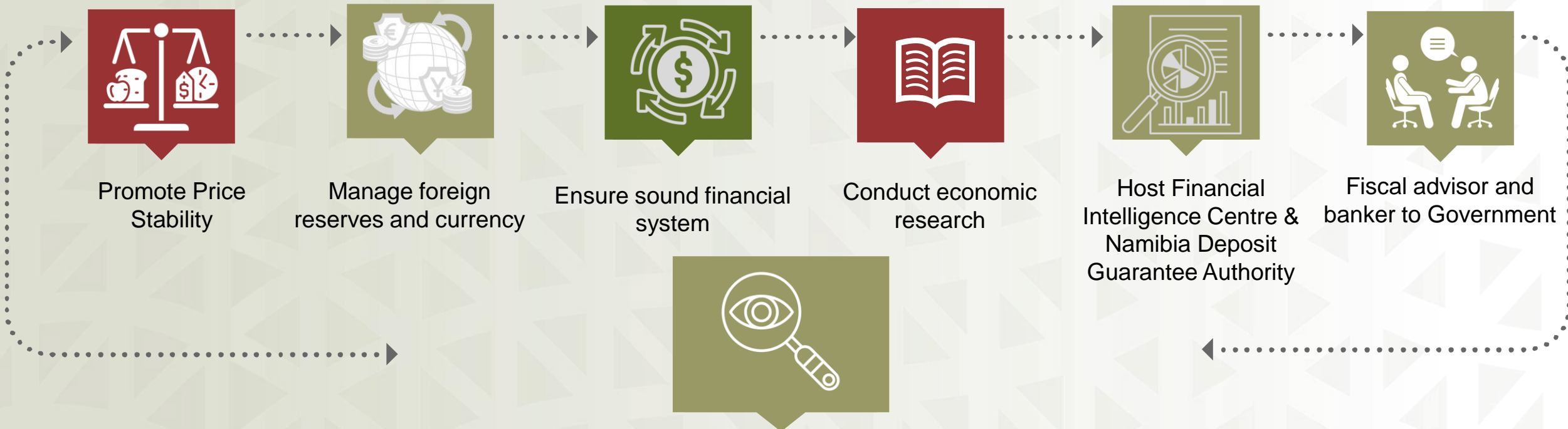


Mandate of the bank of Namibia



- BON established by Article 128 of the Constitution;
- Complemented by Bank of Namibia Act No. 1 of 2020.
- Wholly owned by the Government of the Republic of Namibia

Mandate of the Bank



Macroprudential oversight (economic & financial market development in Namibia);
Bank of Namibia Act No. 1 of 2020, Section 73

Domestic Economic Conditions



Key Highlights: Real Sector



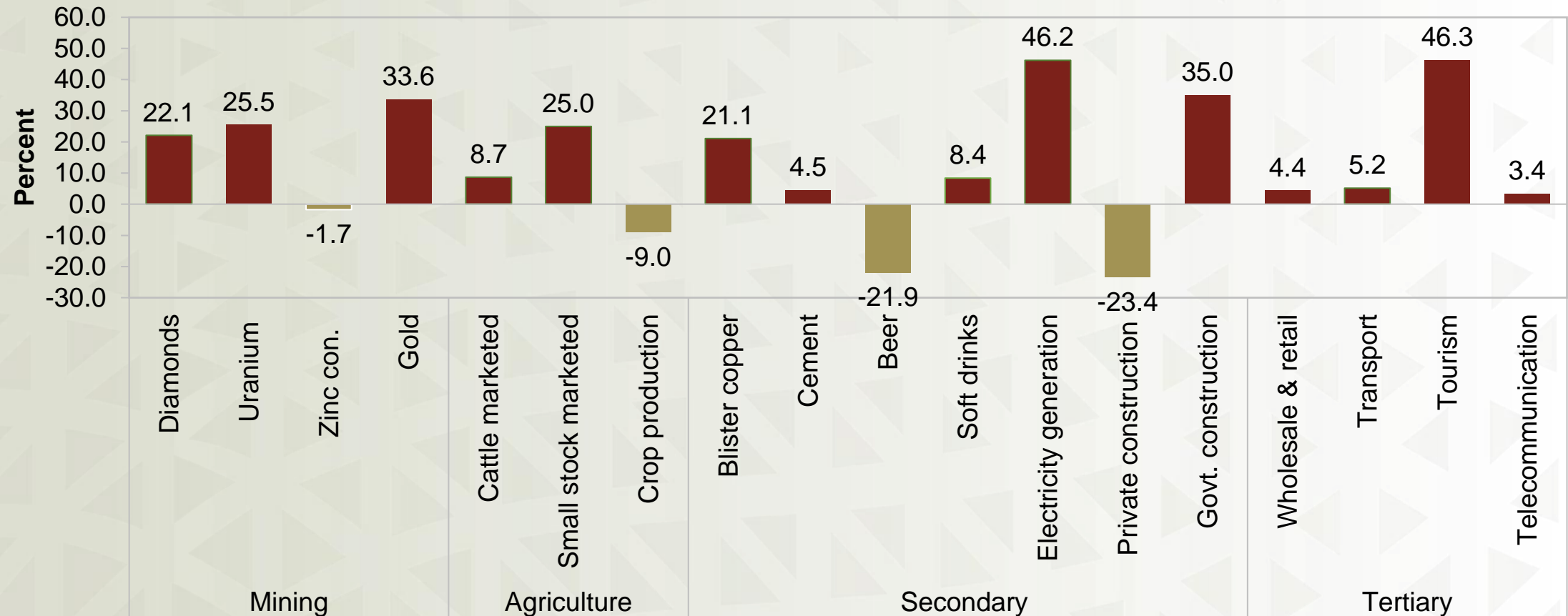
The national accounts data revealed that real GDP growth rose to 5.0 percent during the first quarter of 2023, stronger when compared to the growth rate of 2.1 percent registered during the final quarter of 2022.

Year-to-date, the economy continued with positive momentum as reflected in increased activity in the mining, livestock marketing, wholesale & retail trade, communication and tourism sectors.

Going forward, GDP growth is projected to slow to about 3.3 percent in 2023, as a result of expected slower growth in the primary industry.

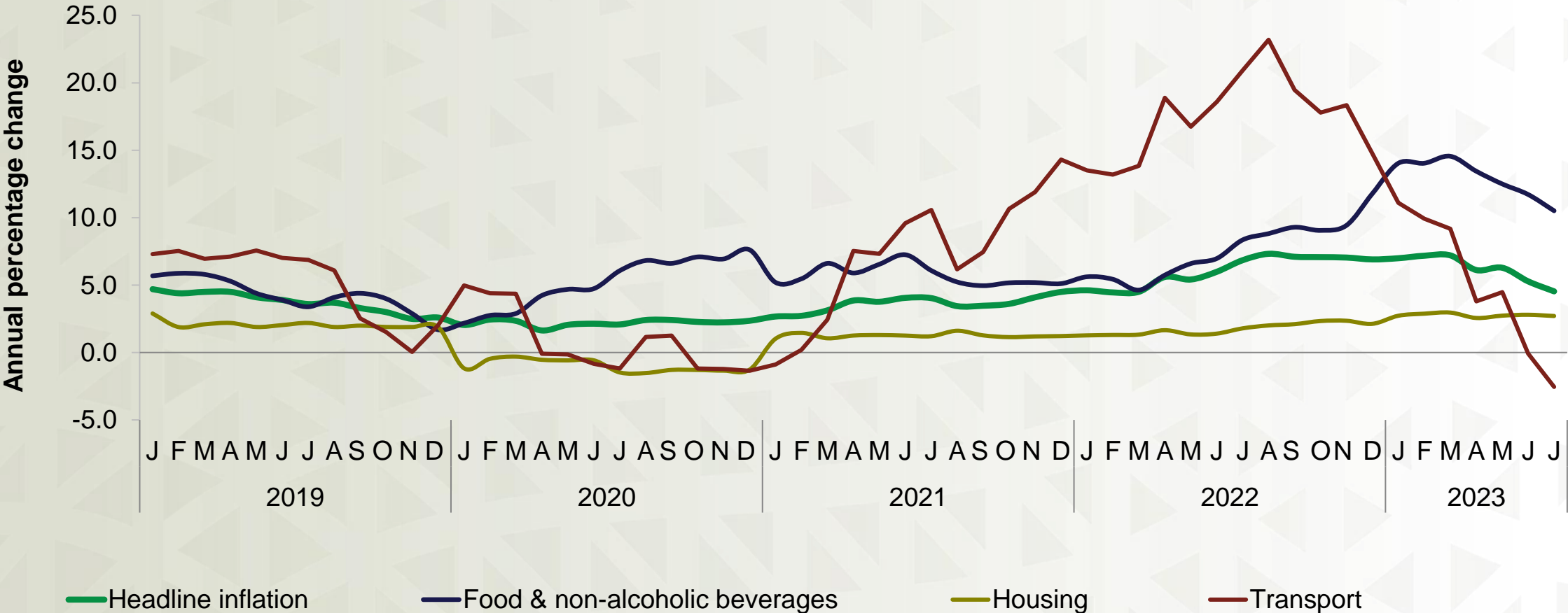
Risks to the domestic economic outlook include weakening global economic activity, tight global monetary policy, elevated crude oil prices and continued geopolitical tensions.

Domestic Economic Conditions



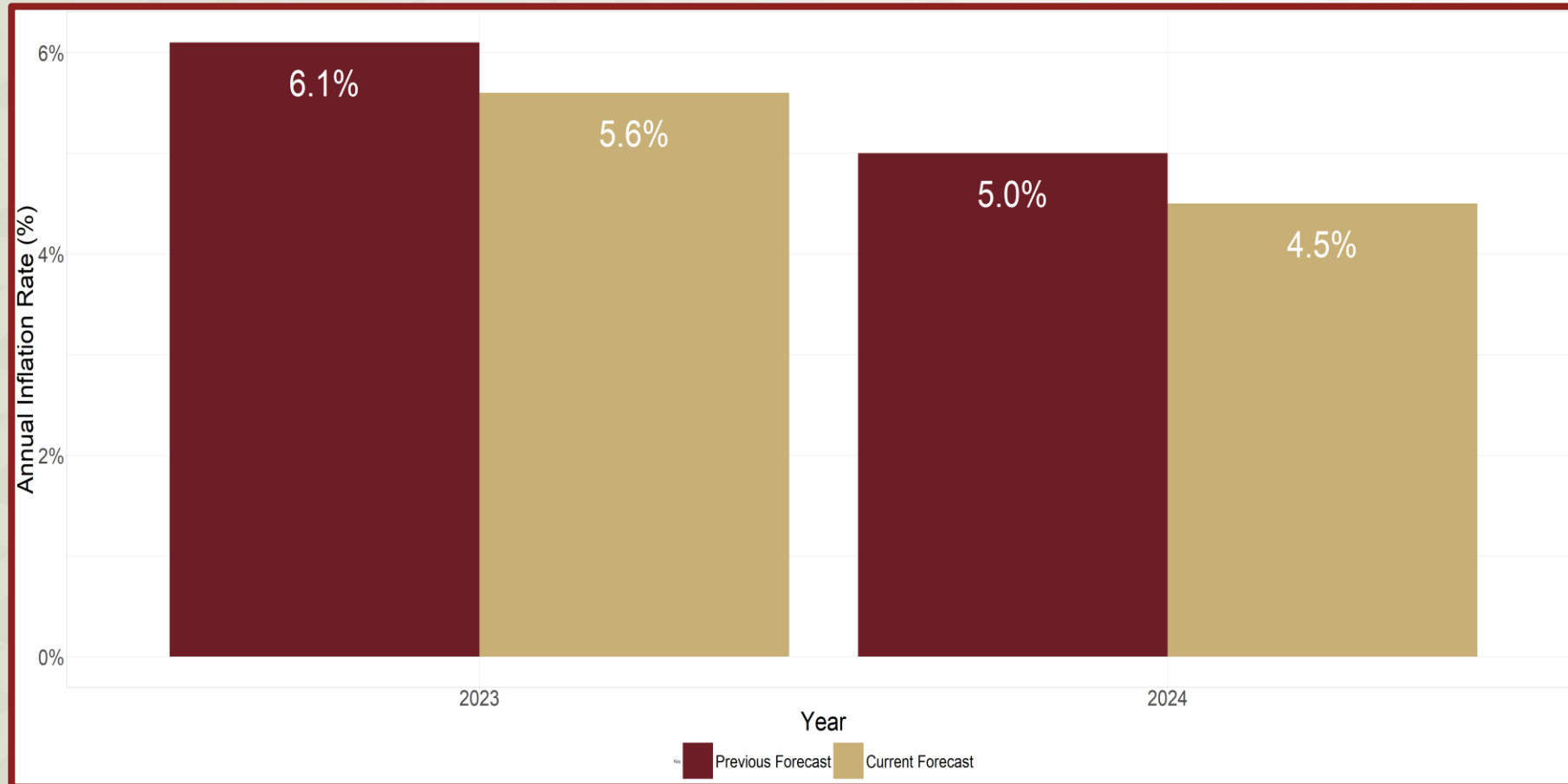
Overall, the economy remained in positive territory during the first half of 2023, as mirrored in predominantly green shoots.

Inflation



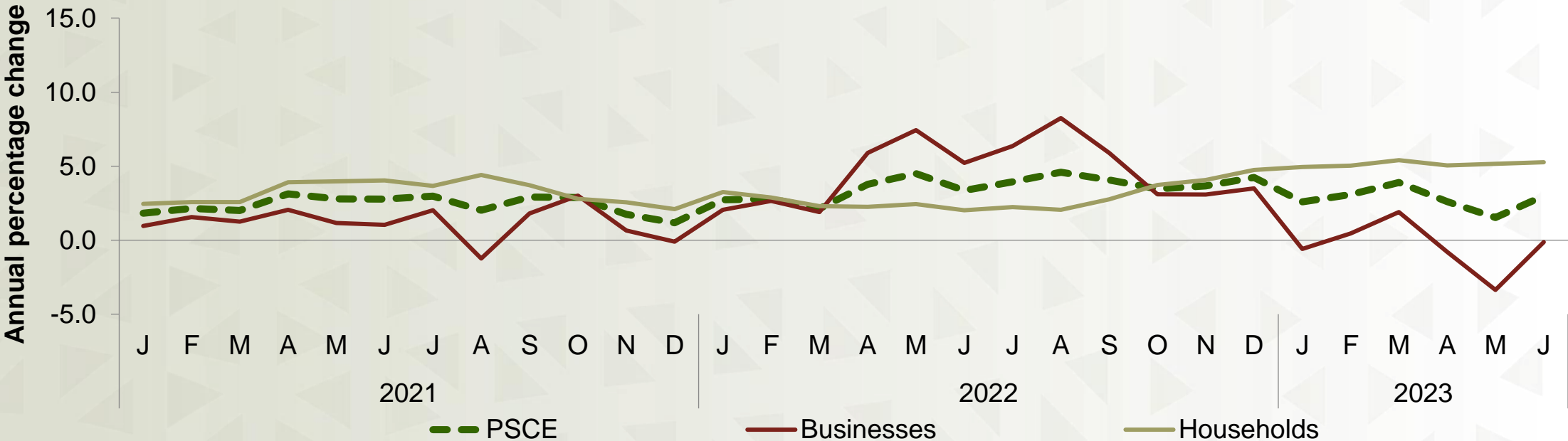
Headline inflation slowed notably during July 2023 compared to June, ascribed to a slowdown in inflation for transport.

Inflation



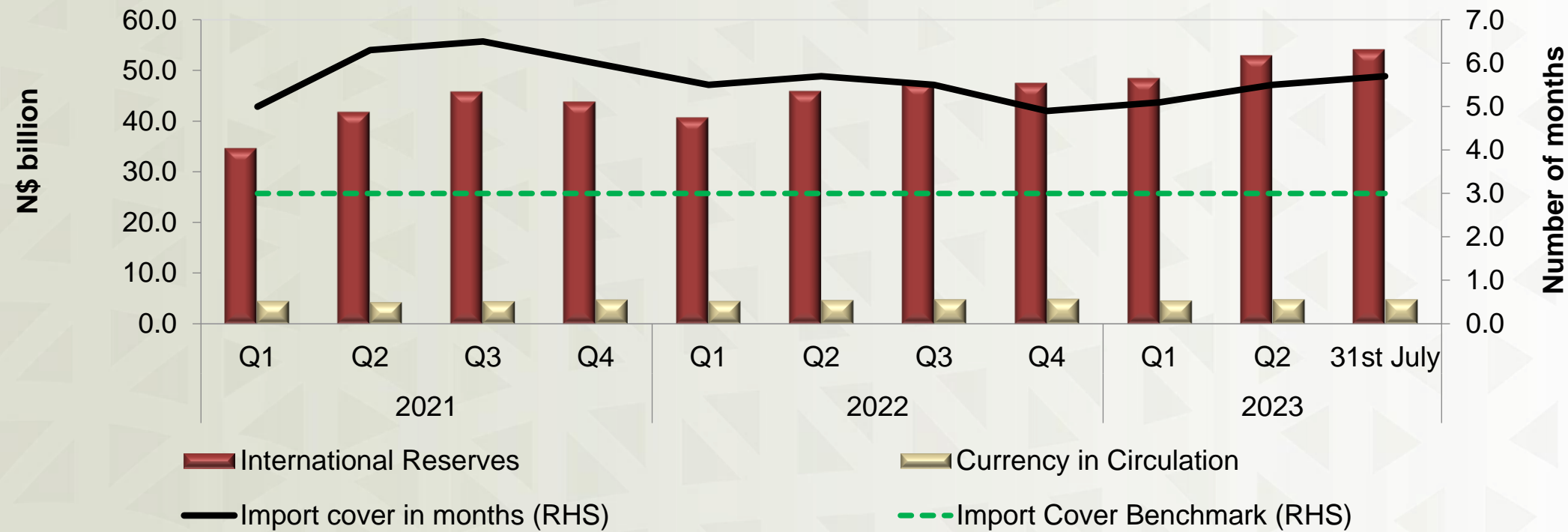
How our inflation forecast has evolved since the last MPC:
Average for 2023 now seen as 5.6%

Growth in PSCE rose in June 2023, due to an increase in the uptake of credit by households, whereas demand for credit by businesses remained weak.



Annual Percentage Growth					
	Jan-Jun 2023	Jan-Jun 2022	Jun-23	Jun-22	Last Meeting (Jun 23)
PSCE	2.8	3.2	3.0	3.4	2.6 (Apr data)
Businesses	-0.4	4.2	-0.1	5.2	-0.8 (Apr data)
Households	5.2	2.5	5.3	2.0	5.1 (Apr data)

As at the end of July 2023, the stock of international reserves stood at N\$54.2 billion.



¥ Compared to the previous MPC, the stock of international reserves increased from N\$49.7 billion, due to foreign currency placement by commercial banks and higher SACU receipts of N\$6.1 billion.

↶ The stock of international reserves translates into an import cover of **5.7** months, compared to 5.2 months reported during the previous MPC meeting.

The merchandise trade deficit narrowed during the first half of 2023.



N\$ millions	First half of 2022	First half of 2023	Growth %
Merchandise trade balance	- 18,899	- 15,377	-18.6%
Exports fob	29,269	38,054	30.0%
Diamonds	5,447	7,131	30.9%
Other mineral products	7,894	13,032	65.1%
Food and live animals	1,309	1,657	26.6%
Manufactured products	11,929	14,183	18.9%
Other commodities	931	966	3.8%
Re-exports	1,759	1,084	-38.4%
Imports fob	48,168	53,430	10.9%
Consumer goods	12,508	14,447	15.5%
Mineral fuels	12,250	11,709	-4.4%
Vehicles, Aircraft, Vessels	3,884	6,096	57.0%
Machinery and Mechanical Appliances	6,974	8,256	18.4%
Base Metals and Articles of Base Metal	2,942	2,659	-9.6%
Products of the Chemical Industries	4,348	4,627	6.4%
Other imports (Mainly electricity)	5,262	5,638	7.1%

Global Economic Conditions

Oil ▲ 2.45 ▼ 0.96



Bank of Namibia

Index ▲ 1.56 ▼ 0.78

Development in the Global Economy



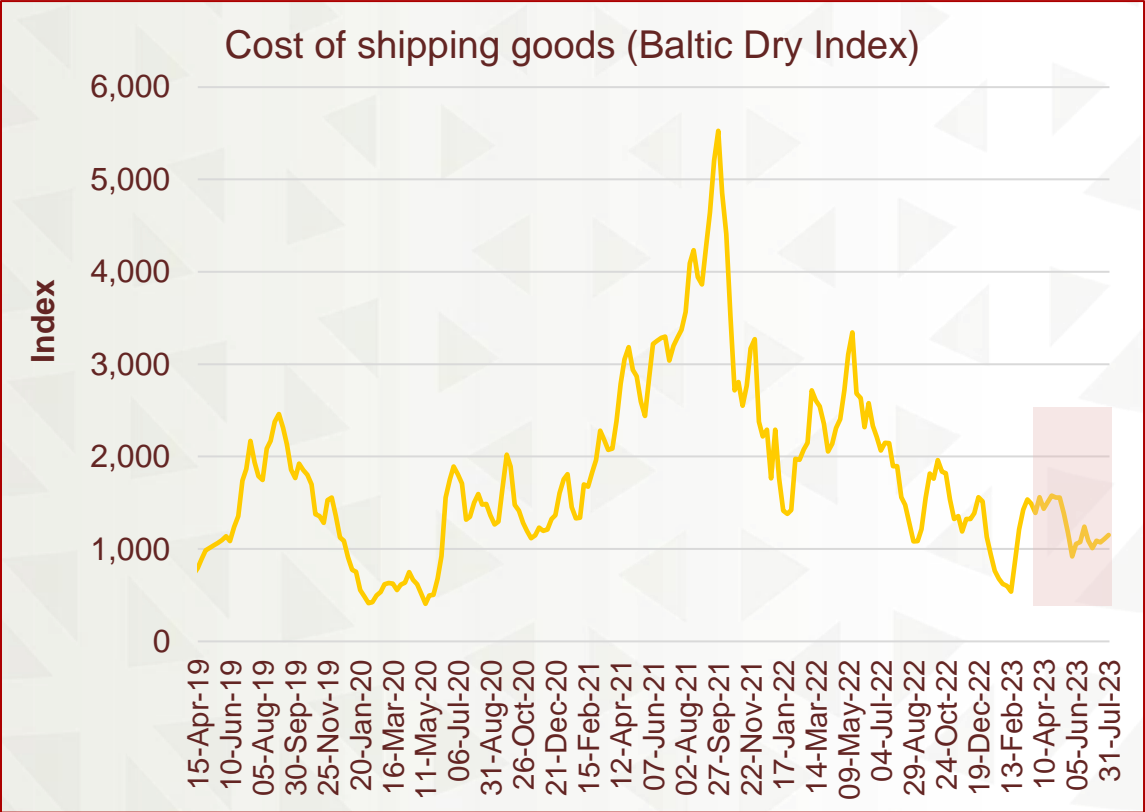
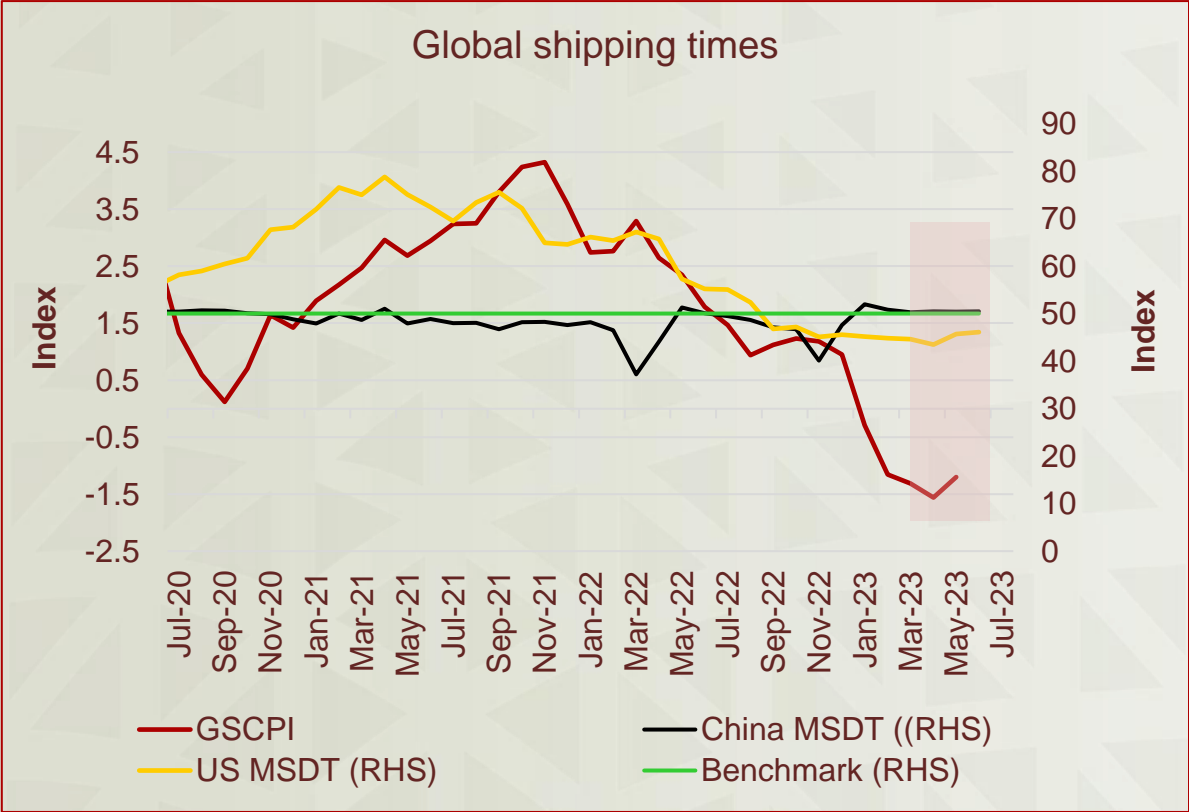
	GDP (y-o-y)		PMI		IP (% change)		Unemployment (%)		Inflation (%)		Policy Rates (%)		Real Interest rate
	Q123	Q223	Jun-23	Jul-23	Previous	Current	Previous	Current	May/Jun-23	Jun/Jul-23	Previous	Current	Current
US	1.8	2.6	46.3	49.0	0.0	-0.4	3.6	3.5	3.0	3.2	5.25	5.50	2.3
UK	0.2	0.4*	46.5	45.3	-1.6	-2.3	3.8	4.0	8.7	7.9	5.00	5.25	-2.7
EU	1.1	1.8	43.4	42.7	0.2	-2.2	6.4	6.4	5.5	5.3	4.00	4.25	-1.1
Japan	1.8	1.4*	49.8	49.6	4.2	-0.4	2.6	2.5	3.2	3.3	-0.10	-0.10	-3.4
Brazil	4.0	2.1*	46.6	47.8	1.9	0.3	8.3	8.0	3.2	4.3	13.75	13.25	9.0
Russia	-1.9	1.5*	52.6	52.1	7.1	6.5	3.2	3.1	2.5	3.2	7.50	8.50	5.3
India	6.1	6.1*	57.8	57.7	4.2	5.2	8.5	8.0	4.3	4.8	6.50	6.50	1.7
China	4.5	6.3	49.0	49.2	3.5	4.4	5.2	5.2	0.0	-0.3	3.65	3.55	3.9
SA	0.1	0.3*	47.6	47.3	3.6	2.5	32.9	32.7	6.3	5.4	8.25	8.25	2.9

Source: Trading Economics, Markit

Global supply chain pressures have eased



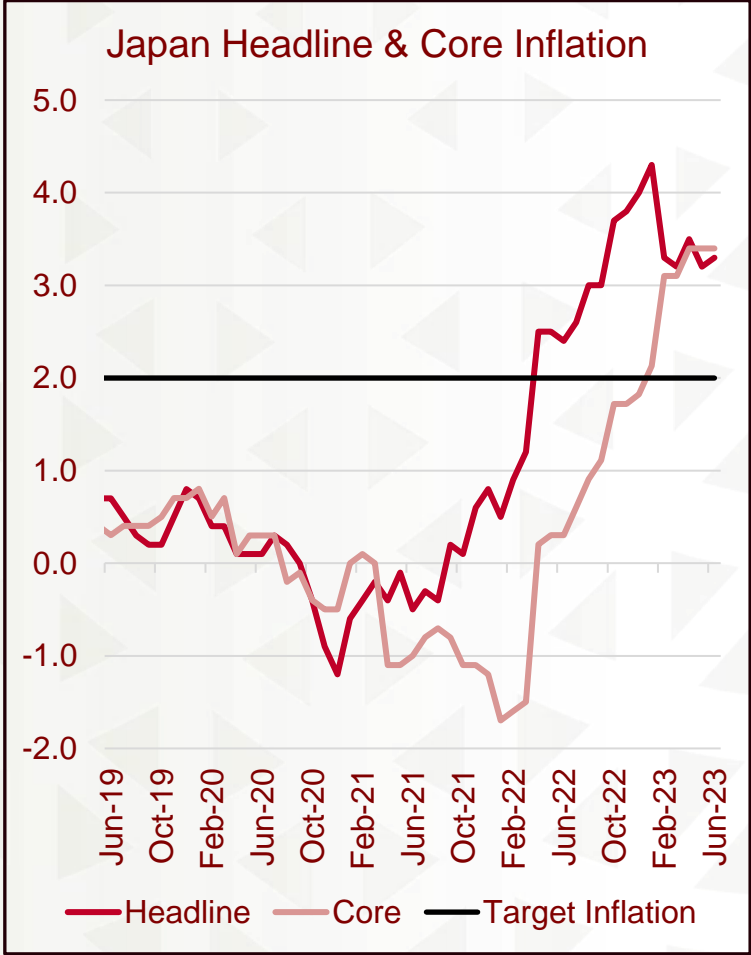
Global supply chain conditions have eased, cost of shipping has declined.



* Global Supply Chain Pressure Index (GSCPI)
* PMI Manufacturing suppliers' delivery times (MSDT)

Source: Markit, Y-Charts

Headline inflation easing, Core inflation remains high in many economies.



Source: Trading Economics

Global Economic Prospects (IMF & OECD)



Real GDP growth, %	Actual	IMF WEO July-23		Difference from IMF WEO April-23		OECD June-23	
	2022	2023	2024	2023	2024	2023	2024
World	3.5	3.0	3.0	0.2	0.0	2.9	2.9
AEs	2.7	1.5	1.4	0.2	0.0	1.4	1.4
US	2.1	1.8	1.0	0.2	-0.1	1.2	1.5
Euro Area	3.5	0.9	1.5	0.1	0.1	1.2	1.5
Japan	1.0	1.4	1.0	0.1	0.0	1.5	1.0
UK	4.1	0.4	1.0	0.7	0.0	0.5	1.3
Canada	3.4	1.7	1.4	0.2	-0.1	1.6	1.8
EMDEs	4.0	4.0	4.1	0.1	-0.1	4.1	4.1
China	3.0	5.2	4.5	0.0	0.0	5.8	4.1
Russia	-2.1	1.5	1.3	0.8	0.0	1.9	0.8
Brazil	2.9	2.1	1.2	1.2	-0.3	1.3	2.2
SSA	3.9	3.5	4.1	-0.1	-0.1	N/A	N/A
Angola	2.8	3.5	3.7	-0.2	0.2	N/A	N/A
SA	1.9	0.3	1.7	0.2	-0.1	N/A	N/A
Nigeria	3.3	3.2	3.0	0.0	0.0	N/A	N/A

Global economy is projected to record a slower growth rate of 3.0% in 2023 from 3.5% in 2022 and remain 3.0% in 2024.

The weak outlook reflects:

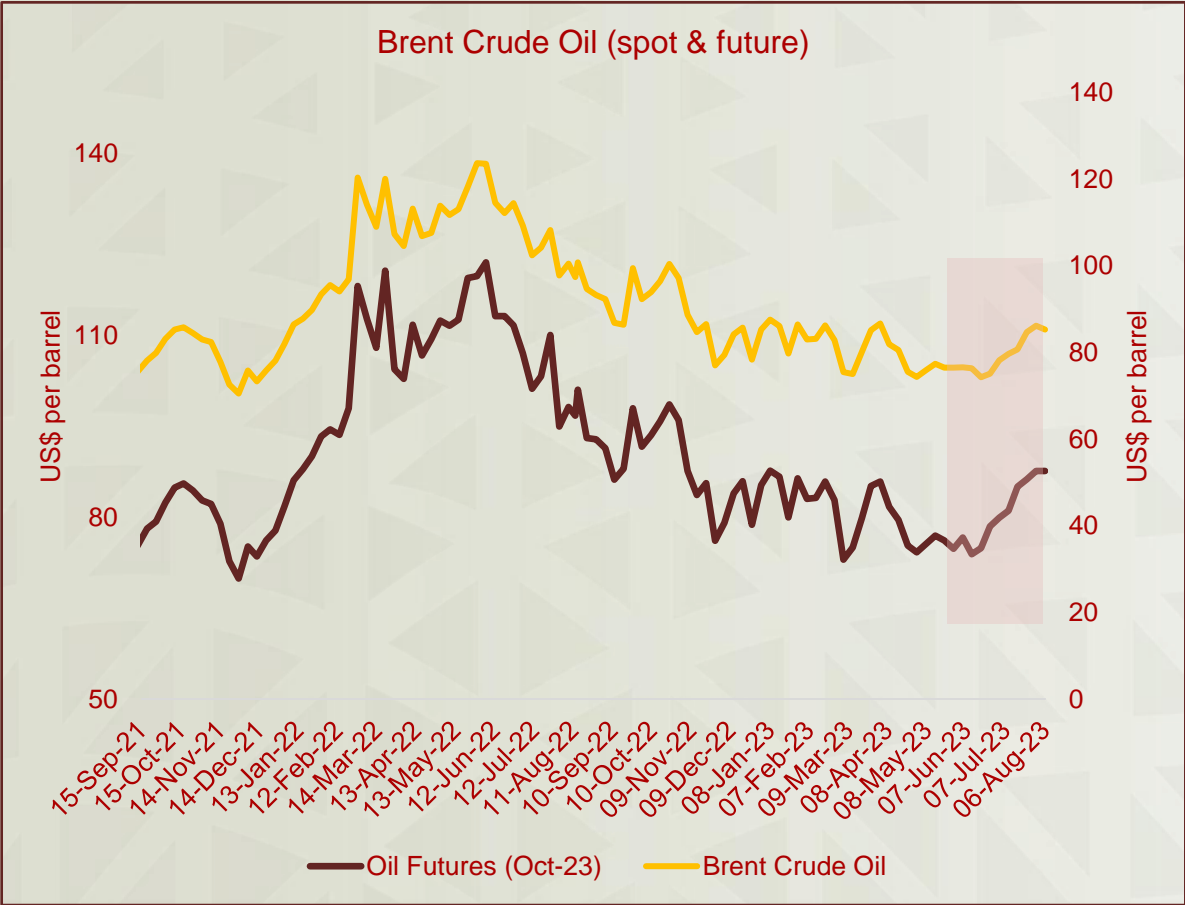
- ❖ *The impact of tight monetary policy stances on financial conditions and subdued external demand.*
- ❖ *The ongoing war in Ukraine, and growing geoeconomic fragmentation.*

Source: IMF WEO Jul-23, OECD June 2023

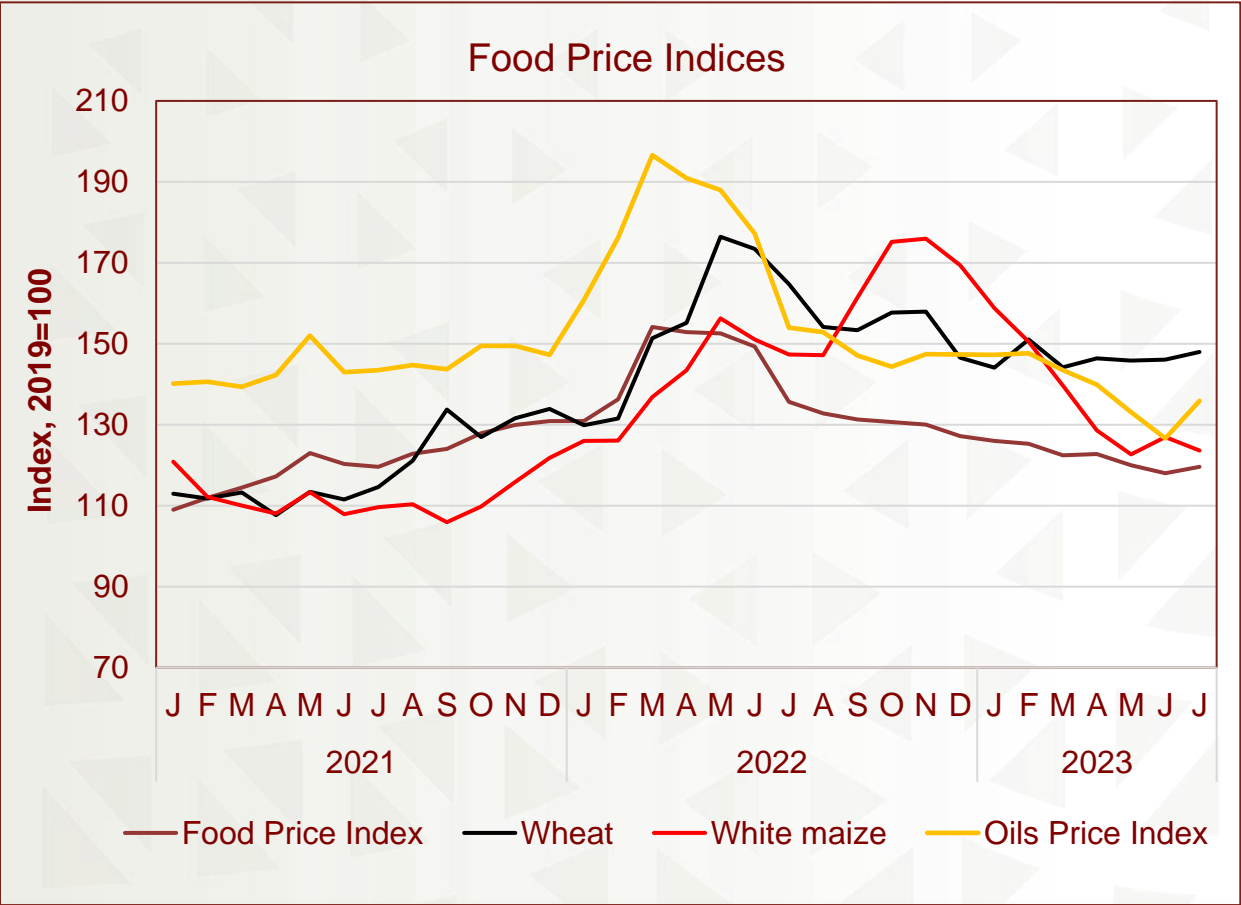
Commodity Market Developments



Brent crude prices in US dollar increased in Jul-23, as services activity improve worldwide



Prices of food rose monthly in Jul-23 due to the suspension of the Black Sea Grain Initiative and new trade restrictions on rice.



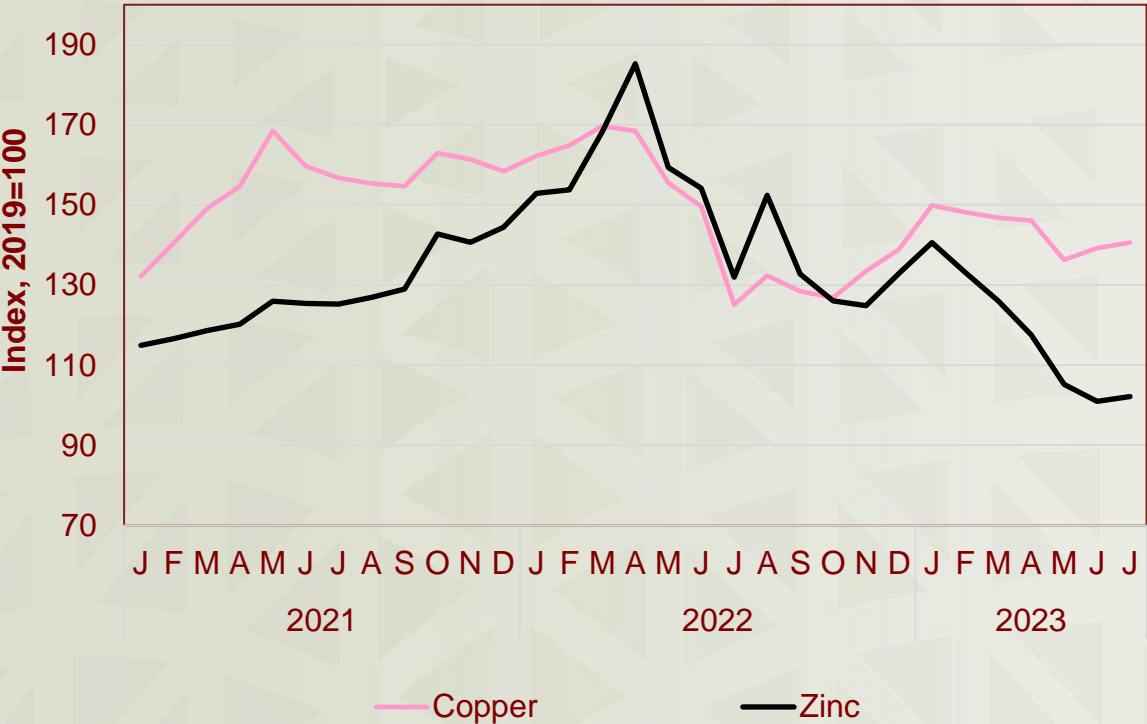
Commodity Market Developments



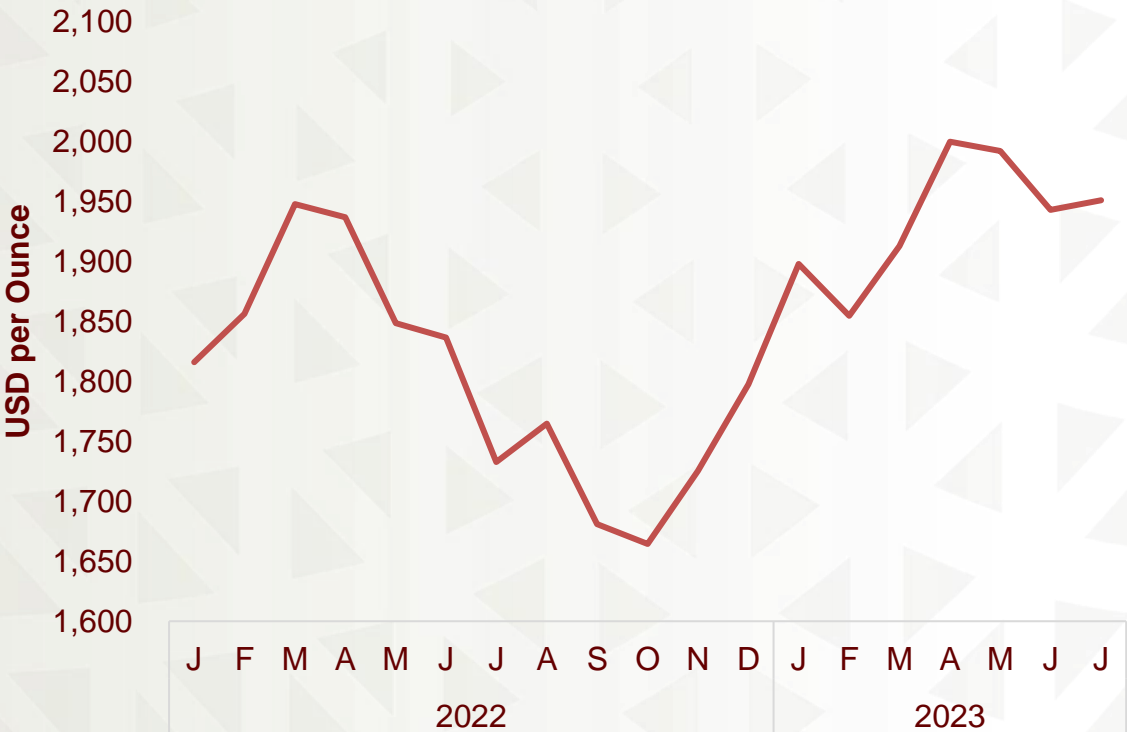
Prices of base metal commodities increased in July 2023, on the back of Chinese fiscal stimulus measures announced.

International gold prices rose in July 2023, partly due to the weaker US dollar exchange rate.

Copper & Zinc markets



International Gold Prices



Commodity Market Developments



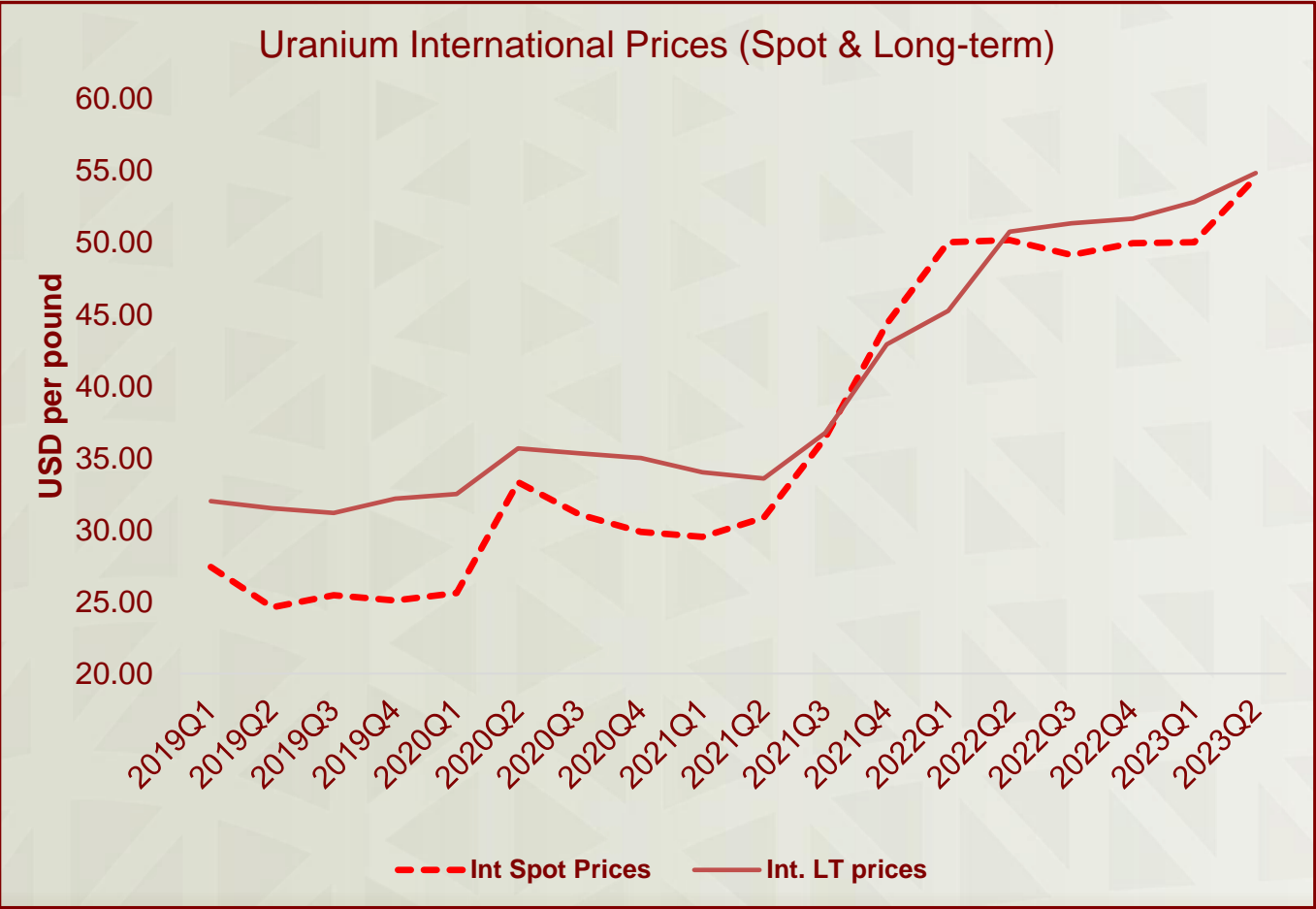
International gold prices rose in July 2023, partly due to the weaker US dollar exchange rate.



Diamond prices continued to decline in June & July 2023, mainly due to weak demand from China and weak macroeconomic environment.



Commodity Market Developments

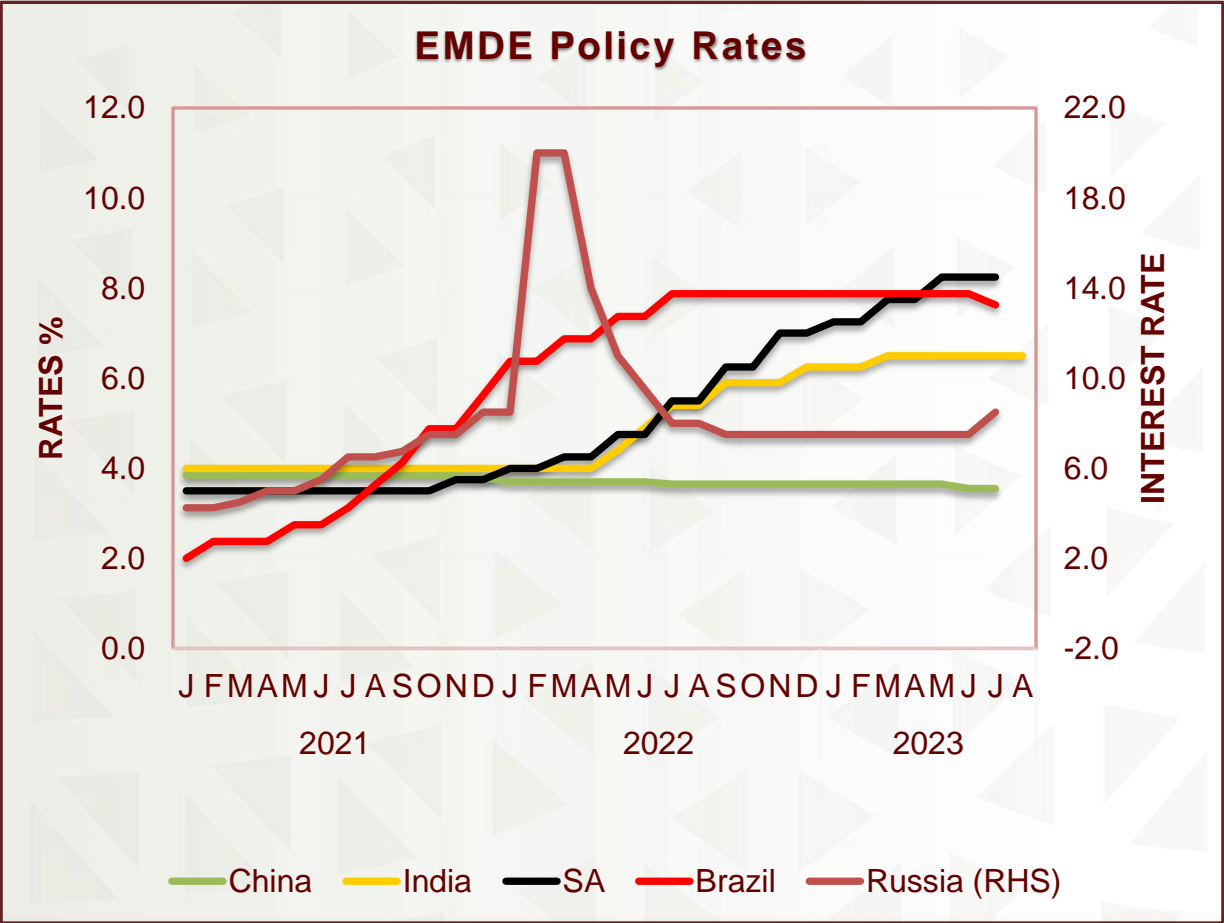
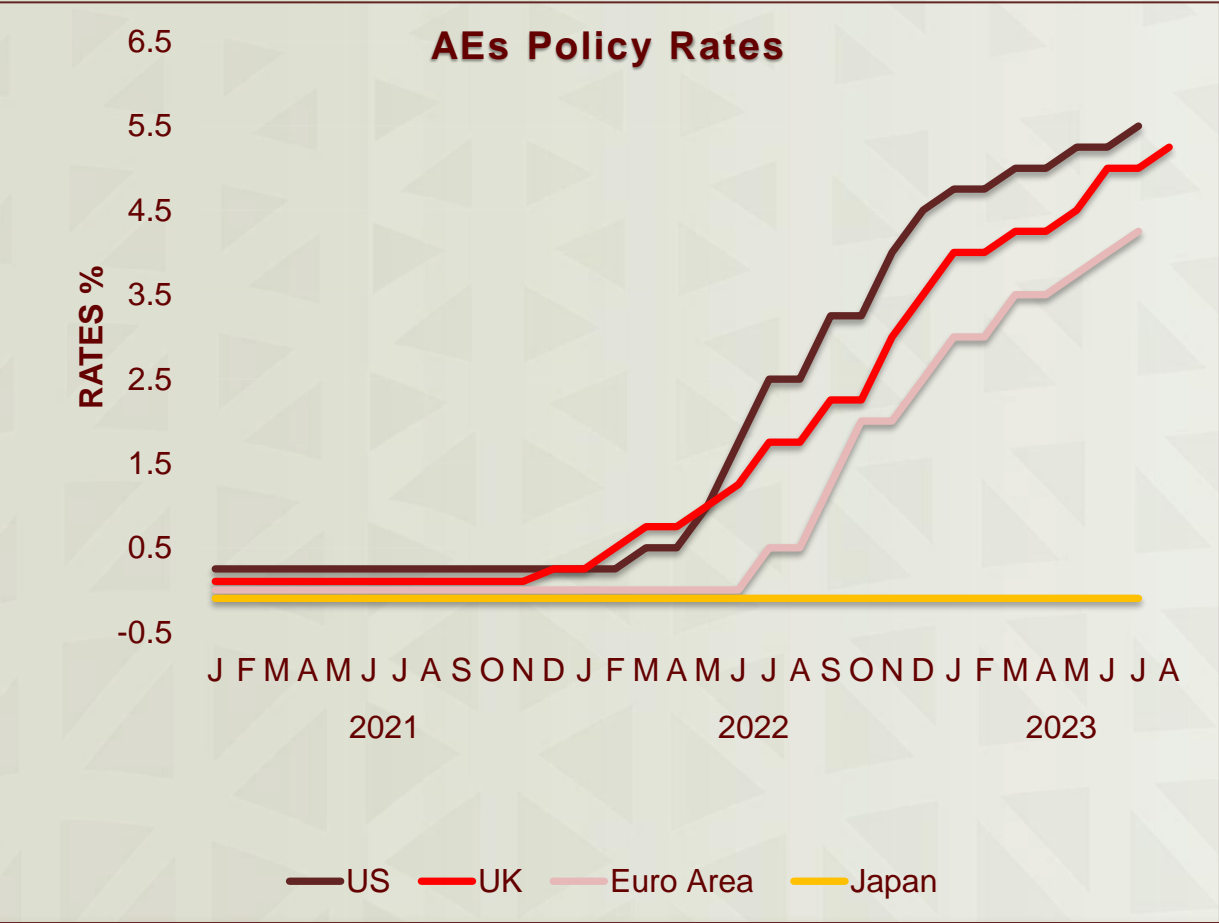


Both the spot and long-term prices trended upwards in Jul-23, supported by demand for clean, secure and low-cost energy.

Global Monetary Policy Stances



MP rates continued to increase policy rates in AEs, while was generally paused in the EMDEs, except in Russia & Brazil.

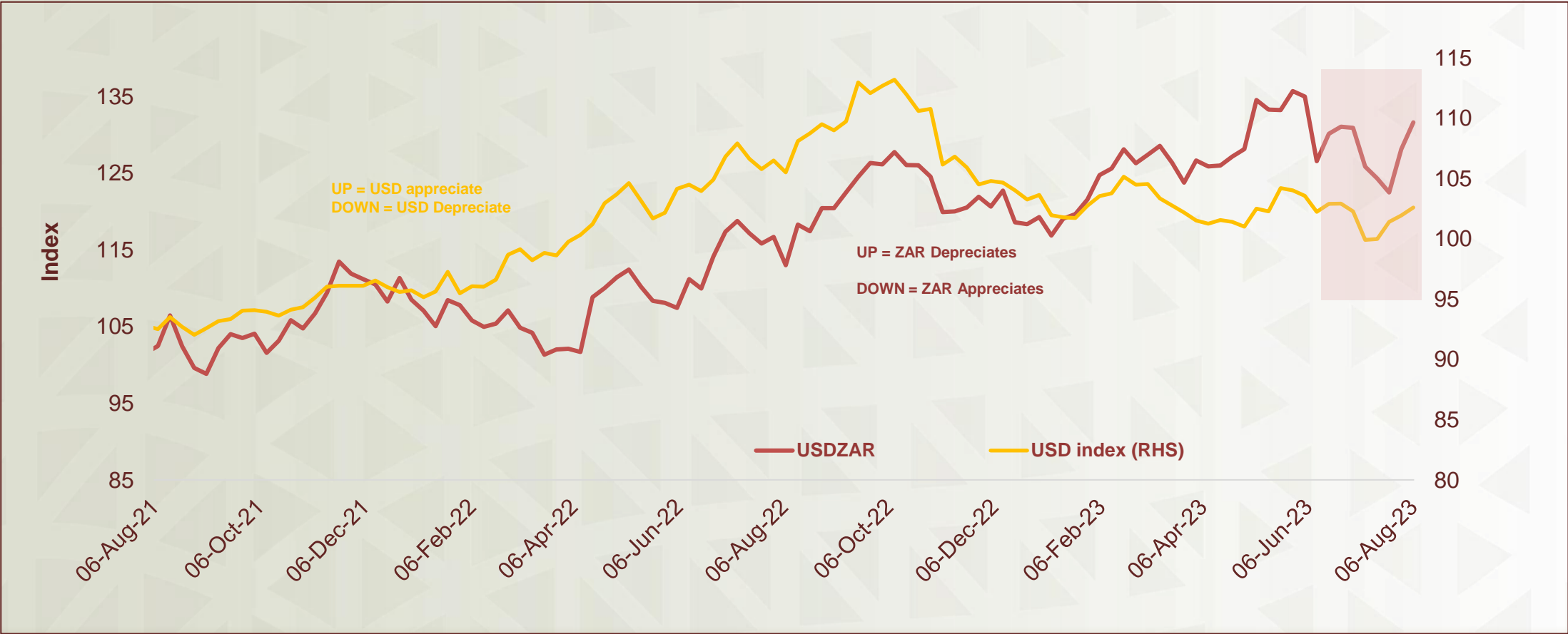


Source: Global Rates.com

Currency Market Developments



US dollar exchange rate appreciated while ZAR depreciated since the last MPC so far in Aug-23, but stronger in recent weeks.



Source: Investing.com

Top Risks from the Global & Regional Arena

Geopolitics

Amplifying uncertainties, excessive volatilities, and could stifle economic activity.

Monetary policy

Policy rates may remain restrictive for longer given elevated inflation

GDP growth

Divergent and rocky economic recovery and potential recession.

China

Weak economic data

Policy dilemma

High interest rates could introduce fiscal risks and tension b/w financial and price policy objectives.



Inflation

Inflation taking longer to return to target.

Patience + tolerance + different strategy

Monetary Policy Decision



Monetary Policy Decision



On the 14th and 15th of August 2023, the Monetary Policy Committee (MPC) of the Bank of Namibia held its bi-monthly meeting to decide on the appropriate monetary policy stance to be implemented over the next two months.

To continue safeguarding the peg between the Namibia Dollar and South African Rand and supporting the domestic economy, the MPC decided to keep the Repo rate **unchanged** at **7.75 percent**.

Similarly, the prime lending rate will remain at **11.50 percent**.

This decision was taken following a comprehensive review of global, regional and domestic economic developments.



Bank of Namibia

THANK YOU