

**BANK OF NAMIBIA**

**Minutes of the Monetary Policy Committee (MPC) Meeting**

**Windhoek, 12 February 2019**



**“Our vision is to be a centre of excellence”**

**Publication date: 10 April 2019**

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**Minutes of the Monetary Policy Committee (MPC) Meeting held on the  
12<sup>th</sup> of February 2019**

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These are the minutes of the Monetary Policy deliberations at the meeting of the Bank of Namibia MPC held on the 12<sup>th</sup> of February 2019.

Monetary policy decisions are taken by the MPC in accordance with the Monetary Policy Framework of the Bank of Namibia published in 2008. The MPC meets on a bi-monthly basis and the minutes of its meetings are released on the day following the next MPC meeting. The minutes are also available on the website of the Bank at: <http://www.bon.com.na>.

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### **MPC MEMBERS PRESENT**

lipumbu 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 Advisor: RD

### **APOLOGIES**

Florette Nakusera	Director: Research Department (RD)
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### **OTHERS PRESENT**

Postrick Mushendami (Deputy Director: RD); Israel Zemburuka (Deputy Director: Corporate Communications); Sanette Schulze Struchtrup (Deputy Director: RD); Helvi Phillipus (Deputy Director: FMD); Gerson Kadhikwa (Technical Expert: RD); Christian Phillipus (Senior Economist: RD); Grace Hamauka (Senior Economist: RD); Daisy Mbazima-Lando (Senior Economist: RD); Saara Mukumangeni-Kashaka (Senior Economist: RD); Rehabeam Shilimela (Senior Economist: RD); Elifas Iiyambula (Economist: RD).

### **SECRETARY**

Victoria Manuel (Economist: RD)

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## 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 economic growth in the key Advanced Economies (AEs) and Emerging Market and Developing Economies (EMDEs) is estimated to have weakened slightly in 2018.** The economic growth rate for AEs is estimated to have slowed marginally to 2.3 percent in 2018 from 2.4 percent in 2017. The slowdown is on account of weaker performances in the Euro Area, United Kingdom (UK) and Japan, whereas growth in the United States (US) accelerated. Growth in the AEs is projected to weaken to 2.0 percent in 2019. Among the EMDEs, growth is estimated to have moderated to 4.6 percent in 2018 from 4.7 percent in 2017, mainly dragged down by China, South Africa and Angola. Growth rates in Brazil, Russia and India are estimated to have increased in 2018, compared to 2017. Going forward, the EMDEs are projected to record a marginally slower growth rate of 4.5 percent in 2019.
3. **The MPC noted that the global economic growth rate is projected to slow in 2019.** Growth in the global economy is projected to slow further from 3.7 percent in 2018 to 3.5 percent in 2019, due to a loss of momentum in both the AEs and EMDEs. The MPC was further updated about risks to the global outlook, which include amongst others, the trade negotiations between China and the US which could have major implications for EMDEs.
4. **The MPC was informed that inflation rates in most of the monitored AEs and EMDEs slowed during December 2018.** Inflation slowed in all the monitored AEs, partly due to a decline in the prices of crude oil and petroleum products. In the EMDEs, inflation rates declined in most of the monitored EMDEs, except in Russia and Angola where inflation increased slightly in December 2018.
5. **International crude oil prices declined in December 2018 but recovered in January 2019, while the uranium price has been rising.** Brent crude oil traded at an average of US\$53.96 per barrel in December 2018, which was 13.4 percent lower than the previous month. The decline was due to rising supply and slowing global activity. During January 2019, however, the price of oil increased by 4.9 percent to an

average of US\$56.58 per barrel. The uranium spot price recorded a yearly increase of 16.8 percent to average US\$27.75 per pound in December 2018 and increased further to US\$28.90 per pound in January 2019. The increase in the uranium price can partly be attributed to declining stockpiles.

- 6. Prices of the monitored non-energy commodities declined in January 2019.** The price of copper declined on a monthly and annual basis to an average of US\$6 075 per ton in December 2018. The price of copper further declined by 2.2 percent to average US\$5 939 per ton in January 2019. The price of zinc declined by 18.1 percent on a yearly basis, while it improved slightly by 0.8 percent on a monthly basis to average US\$2 616 per ton in December 2018. It again declined by 1.8 percent to US\$2 570 per ton in January 2019. The slight slowdown of the Chinese economy, which is partly attributed to the ongoing trade dispute with the US, has added to the weakening of the prices of base metals. The price of gold, however, has trended higher since October 2018, partly as a reflection of simmering tensions around international trade and politics, some central bank purchases of gold, and expectations that going forward US interest rate increases will be modest. On a monthly basis the gold price rose by 2.4 percent in December 2018 and by 2.3 percent in January 2019. The increase in the price of gold was despite the relative strength of the US dollar exchange rate in international markets.
- 7. The MPC noted that since the last MPC meeting in December 2018, monetary policy stances were generally maintained amongst the monitored AEs and EMDEs except the US, Russia and Angola.** Since the previous MPC meeting in early December 2018, most central banks in both the AEs and EMDEs left their policy rates unchanged. The exceptions were the US Federal Reserve and the Bank of Russia which raised their interest rates and the National Bank of Angola which cut their policy interest rate.

## **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 remained weak during 2018.** Real GDP is estimated to have contracted by 0.2 percent from a deeper contraction of 0.9 percent in 2017. The weak performance in 2018 is mainly ascribed to declining economic activity in sectors such as agriculture and wholesale and retail trade. On the contrary, other sectors such as mining, transport and communication as well as

manufacturing improved during the same period. Going forward, the Namibian economy is projected to record positive growth in 2019, driven by an anticipated increase in the secondary industries supported by the manufacturing, electricity and water as well as construction sectors.

**10. Namibia's overall inflation rate declined in 2018, compared to 2017.** Annual average inflation for 2018 was lower at 4.3 percent compared to 6.2 percent for 2017. The decline in inflation was mainly on account of declining housing and food inflation during 2018. In the recent months, however, inflation increased, recording 5.1 percent in December 2018. Going forward, overall inflation is projected to average around 5.6 percent in 2019.

**11. The MPC was informed that the Central Government budget deficit widened slightly during the first nine months of FY2018/19, compared to the previous fiscal year.** Central Government's budget deficit stood at N\$6.6 billion during the first nine months of the 2018/19 fiscal year, slightly higher than the N\$6.2 billion registered during the corresponding period of the previous fiscal year. The rise was mainly due to high spending in categories such as personnel expenditure, subsidies and other current transfers, acquisition of capital assets as well as lending and equity participation during the period under review, compared to the same period during the previous year. Moreover, the total Government debt stock rose to N\$86.6 billion at the end of December 2018, representing a yearly increase of 19.1 percent compared to the debt stock recorded at the end of December 2017. The increase was reflected in both domestic and external debt, owing to the issuance of Treasury Bills (TBs) and Internal Registered Stock (IRS) in the domestic market, coupled with the borrowing of the second tranche of the AfDB loan.

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

## **MONETARY POLICY DELIBERATIONS**

**13. The MPC deliberated on both the domestic and global economic developments, as highlighted above.** Of concern to the MPC members was the low liquidity situation in the economy, which the MPC members agreed that it should be closely monitored. After considering all key macro-economic variables and developments, the MPC decided to keep the Repo rate unchanged at 6.75 percent. The MPC was of the view that at this level, the rate was appropriate to maintain the one-to-one link between the Namibia Dollar and the South African Rand, while supporting domestic economic growth.