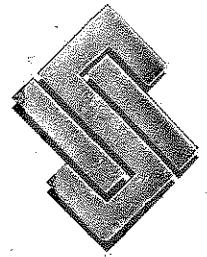


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Media statement**MONETARY POLICY STATEMENT ISSUED BY THE BANK OF NAMIBIA**

1. The Monetary Policy Committee (MPC) of the Bank of Namibia met on the 25th of October 2011 to deliberate on the appropriate stance of monetary policy for the next two months. The deliberations included, amongst others, a comprehensive review of developments in the global and domestic economy since its last meeting held on the 23rd of August 2011.

The global economy

2. The MPC noted that growth in the global economy has moderated during the second quarter of 2011. Several factors that contributed to this development include persistently weak exports and consumer spending, supply chain disruptions originating from Japan, sovereign debt concerns in the Euro area, and the continued weakness in the US housing and labour markets.
3. Growth in many advanced economies slowed mainly on account of sovereign debt crisis, high unemployment and subdued consumer demand. In the US and the Euro area real GDP growth eased to 1.6 per cent during the second quarter of 2011 from 2.2 per cent and 2.4 per cent in the previous quarter, respectively. Similarly, real GDP growth in the UK also slowed to 0.6 per cent in the second quarter of 2011 from 1.6 per cent in the preceding quarter. In Japan, however, real GDP growth contracted by 1.1 per cent in the second quarter of 2011, compared to a contraction of 1.0 per cent in the previous quarter.

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4. The MPC also noted that real GDP growth in emerging market economies slowed during the second quarter of 2011. Real GDP growth in Russia and Brazil slowed more significantly to 3.4 per cent and 3.1 per cent during the second quarter of 2011 from 4.1 per cent and 4.2 per cent, during the previous quarter, respectively. Similarly, growth in India and South Africa also moderated to 7.7 per cent and 3.0 per cent from 7.8 per cent and 3.5 per cent over the same period, respectively. The Chinese economy, despite being the main driving force behind the growth in the emerging market economies, its growth also slowed marginally to 9.1 per cent in the third quarter of 2011 from 9.5 per cent in the preceding quarter.
5. The subdued performance in the emerging market economies was attributed to a combination of factors, including weak performance of manufacturing and construction sectors, as well as restrained consumer spending.
6. While advanced economies maintained accommodative monetary policies to nurture their respective fragile economies, some emerging market economies tightened their monetary policy stances in response to mounting inflationary pressures.

The domestic economy

7. The MPC noted that most real sector indicators of domestic economic activities signalled a bleak performance year-to-date in some instances up to September 2011 compared to the corresponding period of last year. This particularly is reflected by weak performances in the primary industry and some of the key indicators in the secondary industry.
8. In the primary industry, the performance of the agricultural sector year-on-year has been weak. For instance, during the month of September, the number of cattle and small stock marketed declined by 13.6 per cent. Likewise, lower production of diamonds, uranium, gold and zinc concentrate was responsible for the decline in the mining sector.

9. The secondary industry, however, displayed mixed results as reflected in the manufacturing and construction sector. In the mineral processing industry, for instance, production of refined zinc declined while production of blister copper increased.
10. In the tertiary industry, activities remained positive, as reflected by the positive real turnover in the wholesale and retail trade, including the number of new vehicles sold. Likewise, the transport, communication and tourism sectors performed reasonably well over the same period.
11. MPC noted that the domestic inflationary pressures abated during the period under review. In this regard, overall annual inflation eased to 5.3 per cent in September 2011 from 5.4 per cent in August 2011. This moderation was attributed to a decrease in inflation rates for *food and non-alcoholic beverages, miscellaneous goods and services, and furnishings*. Despite this moderation, MPC also noted the minor increases observed in other categories, although they were too marginal to yield an upward effect on overall inflation. These categories include *housing, water, electricity, gas and other fuels, and transport*.
12. The key domestic demand indicator – growth in private sector credit extension (PSCE) – remained strong during the period under review. The annual growth rate of credit extension to the private sector rose to 11.9 per cent at the end of August 2011 from 11.0 per cent at the end of July 2011. The growth in PSCE reflects the increase in bank lending mainly to the corporate sector over the review period. This development augurs well to support the recovery of the domestic economy.
13. With regards to performance in the public sector, despite a moderate increase in Central Government borrowing, the fiscal position continued to be fairly prudent. The ratio of Central Government debt to GDP, increased during the period under review. Domestic debt in relation to GDP increased to 15.1 per cent at the end of September 2011 from 14.4 per cent at the end of August 2011.

14. On the external sector front, the stock of official reserves decreased by 4.6 per cent to N\$10.7 billion at the end of September compared to the level recorded at the end of August 2011. Despite the decline in international reserves, the MPC is of the view that the reserves are more than adequate to sustain the currency peg.

Monetary Policy Stance

15. Overall, the MPC holds the view that the global economic picture has deteriorated since the previous meeting and that the pace of activities in the domestic economy moderated during the second quarter of 2011 compared to the preceding quarter. In view of this, the MPC believes that there is still a need for nurturing growth in the domestic economy to mitigate the impact of the external factors on the domestic economy.
16. With the opportunity provided by the benign and low inflation outlook, the MPC decided to keep the Repo rate unchanged at 6.0 per cent to support domestic growth in the face of the weak and prevailing global uncertainty.
17. Nevertheless, the Committee remains deeply concerned with the uncertainty in the direction of global financial markets and the lack of confidence that this may bring about. Consequently, the MPC will continue to closely monitor the global and domestic economic developments, and will not hesitate to adjust policy should economic conditions so demand.



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GOVERNOR