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FOR IMMEDIATE RELEASE

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## REPO RATE MAINTAINED AT 6.75 PERCENT

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*The Monetary Policy Committee (MPC) of the Bank of Namibia left the Repo rate unchanged at 6.75 percent. The MPC is of the view that this rate is appropriate to support the one-to-one link between the Namibia Dollar and the South African Rand.*

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### RECENT ECONOMIC DEVELOPMENTS

Global economic growth moderated during the first quarter of 2019. Inflation rates in most monitored Advanced Economies (AEs) and Emerging Market and Developing Economies (EMDEs) edged up in April 2019. Monetary policy stances of key monitored economies were left unchanged over the past two months, except for India and Angola.

1. The global economic growth continued to moderate during the first quarter of 2019, despite a slight improvement in the advanced economies. Going forward, growth in the global economy is projected to slow down further to 3.3 percent in 2019, from 3.6 percent in 2018.
2. Most AEs recorded improved growth rates during the first quarter of 2019, compared to the preceding quarter. This growth was mainly driven by the United States (US), United Kingdom (UK) and Japan, while it slowed in the Euro area. Going forward, the AEs growth rate is projected to be lower at 1.8 percent in 2019 compared to 2.2 percent in 2018. On the contrary, economic growth in most of the monitored EMDEs slowed during the first quarter of 2019. GDP growth in the EMDEs is projected to continue moderating to 4.4 percent in 2019 from 4.5 percent in 2018.
3. Key risks to the global outlook remain and include, amongst others, the impact of trade tensions, a decline in business confidence and higher policy uncertainty across many countries, including Brexit.
4. Since the previous MPC meeting in April 2019, most central banks in both the AEs and EMDEs have left their policy rates unchanged. The exceptions were the central banks of



India and Angola, cutting policy rates. Inflation in the monitored AEs and EMDEs ticked up in April 2019, except in Russia, South Africa and Angola where it slowed.

**Domestic economic activity slowed during the first four months of 2019. Inflation remained stable, while Private Sector Credit Extension (PSCE) growth rose marginally during the same period. The stock of international reserves increased and remained sufficient to support the currency peg.**

5. Domestic economic activity slowed during the first four months of 2019 compared to the same period in 2018. The slowdown was reflected in sectors such as mining, agriculture, construction and wholesale and retail trade. Similarly, the manufacturing, tourism and electricity sectors also displayed declining activity during the first quarter of 2019, relative to the corresponding period of 2018. Going forward, the domestic economy is projected to remain weak in 2019.
6. Annual average inflation increased to 4.5 percent during the first four months of 2019 compared to 3.6 percent in the corresponding period of 2018. The rise is mainly due to an acceleration in inflation for the categories of food and non-alcoholic beverages as well as transport. On a monthly basis, inflation stood at 4.5 percent for both March and April 2019, having increased from 4.4 percent reported in February 2019. Overall inflation is projected to average 4.5 percent in 2019.
7. Annual average growth in PSCE increased to 6.4 percent during the first four months of 2019, compared to 6.1 percent in the corresponding period of 2018. This was mainly due to the utilisation of short-term credit facilities by businesses. On the other hand, growth in credit extended to individuals declined over the same period. Since the previous MPC meeting, the annual growth in PSCE increased to 7.0 percent at the end of April 2019, from 6.0 percent reported in the previous MPC statement.
8. As at the 31<sup>st</sup> of May 2019, the stock of international reserves stood at N\$34.1 billion, compared to N\$32.6 billion reported in the previous MPC statement. This amount of international reserves is estimated to cover 5.6 months of imports of goods and services. At this level, the reserves are sufficient to protect the peg of the Namibia Dollar to the South African Rand and meet the country's international financial obligations.

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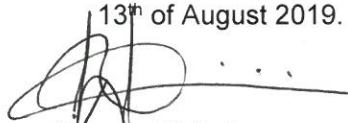
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**Monetary Policy Stance**

9. On the 11<sup>th</sup> of June 2019, the Monetary Policy Committee (MPC) of the Bank of Namibia held its bi-monthly meeting and decided to maintain the Repo rate unchanged at 6.75 percent. This decision was taken following a review of global, regional and domestic economic and financial developments. The next meeting of the MPC will be held on the 13<sup>th</sup> of August 2019.



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