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PRESS STATEMENT

Monetary Policy Statement by the Bank of Namibia

1. The Executive Committee (EC) of the Bank of Namibia met on 18 August 2009 to consider and determine the appropriate stance of monetary policy stance for the next two months.
2. While most advanced economies are still experiencing the impact of the global downturn, there are encouraging signs that the global economy is beginning to turn the tide. A number of advanced economies, including Germany, France and Japan recorded positive output growth during the second quarter of 2009, following depressed activity in previous quarters. Reflecting the increased optimism about the global economic outlook, commodity prices remained firm since the last meeting of the Executive Committee, although, they are still far from the record high levels witnessed during the first half of 2008. Overall, it is still premature to make an assessment about the sustainability of the recovery in the global economy.
3. In part, due the turnaround of the global economy, there are early signs of a rebound in domestic economic activities, although the general economic picture remains subdued. In response to the perceived global economic recovery, Namibia's mineral sector, in particular the volumes of diamonds exported, witnessed a remarkable recovery during the second quarter of 2009. On the other hand, due to regular maintenance work at some mining

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sites, output of uranium mining declined slightly during the second quarter of 2009, but the outlook in this sector remains promising. Other real economic indicators, such as live stock marketed and wholesale and retail trade, also picked up moderately since the last meeting of the Executive Committee, while the number of tourist arrivals declined somewhat during the same period, reflecting weak external demand. In part, reflecting previous monetary policy easing, there are early signs of a strengthening in domestic demand indicators, such as mortgage credit, the number of building plans passed and the number of new vehicles sold.

4. Regarding price developments, the latest available official statistics show that the annual rate of inflation decelerated significantly from 9.1 percent in June to 7.5 percent in July. The slowdown mainly reflected a sharp deceleration in food prices to 8.6 percent from 11.5 percent in the preceding month. Transport inflation, the other key driver of overall inflation, also moderated further to 2.4 percent in July from 4.1 percent one month earlier. Overall, the EC expects that, in the medium term, inflation should continue its downward trajectory mainly on account of a continuously slowing world economy. However, the EC is fully cognisant of the upside risks to the longer-term inflation outlook that may be triggered by the revival of the global economy and price pressures exerted by accelerating commodity prices, including fuel.

5. Taking into consideration both the international and domestic economic conditions and the fact that the level of the country's international reserves is more than sufficient to sustain the currency peg, the EC decided to keep the Repo Rate unchanged at 7.0 percent. As usual, the Bank will continue to monitor domestic and international economic developments and will be firm in making the necessary policy interventions should economic conditions change to justify such action.



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GOVERNOR