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FOR IMMEDIATE RELEASE

REPO RATE MAINTAINED AT 6.75 PERCENT

The Monetary Policy Committee (MPC) of the Bank of Namibia left the Repo rate unchanged at 6.75 percent. This level is deemed appropriate to continue supporting domestic economic growth, while maintaining the one-to-one link between the Namibia Dollar and the South African Rand.

RECENT ECONOMIC DEVELOPMENTS

The global economy is expected to improve in 2017, compared to 2016.

1. The global economy is projected to grow by 3.6 percent in 2017, up from 3.2 percent in 2016 on account of somewhat higher growth in both the Advanced Economies (AEs) and Emerging Market and Developing Economies (EMDEs). The expected growth in 2017 will be reinforced by improved investment, trade and industrial production, coupled with strengthening business and consumer confidence in the medium term.
2. Economic activity in most of the monitored AEs improved in the third quarter of 2017, compared to the second quarter, mainly driven by the US and the Euro area. Going forward, economic activity in the AEs as a whole is expected to improve, with estimated growth of 2.2 percent in 2017, compared to 1.7 percent in 2016, supported by stronger investment and expansion in manufacturing and service activity.
3. The EMDEs are projected to grow by 4.6 percent in 2017, compared to 4.3 percent in 2016. The better than expected growth in 2017 will mainly be driven by stronger growth for commodity exporters, most notably Brazil and Russia that are both set to recover from contractions experienced in 2016.

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4. Risks to the global outlook in the medium term include and remain amongst others: geopolitical tensions, weak governance, low inflation in some AEs, extreme weather events as well as terrorism and security concerns.
5. Since the last MPC meeting in October 2017, monetary policy stances in both the monitored AEs and EMDEs generally remained accommodative. The Bank of England raised its benchmark Bank rate by 25 basis points to 0.50 percent, signalling the beginning of a gradual tightening period. Similarly, the Banco Nacional de Angola raised its benchmark interest rate by 200 basis points to 18.0 percent. The central banks of Brazil and Russia, on the other hand, lowered their policy rates by 75 basis points and 25 basis points, to 7.50 percent and 8.25 percent, respectively, citing more favourable inflation and an improved economic environment as reasons for the cuts.

The domestic economy showed more evidence of weakness during the first ten months of 2017. Inflation and growth in private sector credit extension (PSCE) continued to slow down, while the stock of international reserves rose.

6. Economic activity in key domestic sectors remained weak during the first ten months of 2017, relative to the corresponding period of 2016. The weak performance was mainly reflected in the construction, wholesale and retail trade, as well as transport sectors. Other key economic activities such as mining, the number of livestock marketed, communication and manufacturing output, however, improved over the same period. The momentum displayed by the latter activities if sustained would create better prospects and help with economic recovery going forward.
7. Annual inflation averaged 6.4 percent during the first ten months of 2017, compared to 6.6 percent in the corresponding period in 2016. On a monthly basis, however, inflation decelerated to 5.2 percent in October 2017, from its peak of 8.2 percent in January 2017, mainly driven by lower inflation for food and non-alcoholic beverages. This rate of inflation is slightly lower than its level of 5.6 percent in September 2017.

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8. Annual growth in PSCE slowed during the first ten months of 2017, relative to the corresponding period of 2016. The average annual growth in PSCE stood at 7.0 percent during the review period, lower than the 11.8 percent recorded over the same period in 2016. The slower growth in PSCE is due to reduced growth in credit advanced to both the household and corporate sectors, especially in the form of mortgage and instalment credit. Since the last MPC meeting, the growth in PSCE slowed to 5.2 percent at the end of October 2017, from the 6.2 percent reported at the last MPC meeting.
9. As at 31 October 2017, the official stock of international reserves stood at N\$31.6 billion, representing an increase, both on a monthly and annual basis. The annual increase mainly stemmed from higher SACU receipts, debt repayment by the Banco Nacional de Angola, as well as an African Development Bank (AfDB) loan. At this level, the stock of international reserves is estimated to cover 5.1 months of imports of goods and services, and thereby remains sufficient to sustain the currency peg between the Namibia Dollar and the South African Rand.

Monetary Policy Stance

10. On the 5th of December 2017, 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 13th of February 2018.



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