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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 rate is appropriate to maintain the one-to-one link between the Namibia Dollar and the South African Rand, while supporting domestic economic growth.

RECENT ECONOMIC DEVELOPMENTS

Economic growth in most key Advanced Economies (AEs) improved, while that of key Emerging Market and Developing Economies (EMDEs) presented a mixed picture during the second quarter of 2018. Since the previous MPC meeting, monetary policy stances in key economies were generally left unchanged, except for the US and Russia.

1. Economic growth in key advanced economies improved during the second quarter of 2018, compared to the preceding quarter. Growth was mainly driven by the United States (US), United Kingdom (UK) and Japan, while the Euro Area slowed. Growth in the AEs is projected to improve marginally to 2.4 percent in 2018, from the revised growth rate of 2.3 percent in 2017.
2. Among the EMDEs, economic activity exhibited a mixed picture during the second quarter of 2018. GDP growth improved in Russia and India, but slowed in Brazil, China and South Africa. Going forward, economic growth in the EMDEs is projected to remain steady at 4.7 percent in 2018.
3. The global economy is projected to grow by 3.7 percent in 2018, in line with the previous year's outcome, but marginally lower than the previous projection of 3.9 percent. Key downside risks include rising trade barriers, tighter financial market conditions, possibly lower asset prices and sharp exchange rate movements.



4. Since the previous MPC meeting in August 2018, most central banks in both the AEs and EMDEs left their policy rates unchanged at their most recent monetary policy committee meetings. The exception was the Federal Reserve Bank in the US and the Central Bank of Russia that raised their key policy rates in September 2018.

The domestic economy remained weak during the first eight months of 2018. Inflation remained low, but started increasing in recent months. Private sector credit extension (PSCE) growth continued to be slow, while the stock of international reserves is still sufficient.

5. Domestic economic activity remained weak during the first eight months of 2018. Activity in sectors such as agriculture and wholesale and retail trade continued to decline over this period. Some improvements were, however, visible in the mining, transport and communication sectors. Overall, growth in the domestic economy is expected to remain low in 2018.
6. Annual inflation fell to an average of 4.0 percent during the first nine months of 2018 from 6.5 percent in the corresponding period of 2017, but started increasing from April 2018, due to rising fuel prices. On a monthly basis, the inflation rate rose to 4.8 percent in September 2018 from 4.4 percent during August 2018.
7. Annual growth in PSCE slowed during the first eight months of 2018, compared to the corresponding period in 2017. The average annual growth rate of PSCE stood at 5.6 percent, lower than 7.4 percent recorded over the same period in 2017. The slower growth in PSCE was due to reduced demand for credit by both the household and corporate sectors, especially for mortgage, overdraft and instalment credit. Since the previous MPC meeting, the annual growth in PSCE rose to 6.3 percent at the end of August 2018 from 5.5 percent in June 2018.
8. As at 30 September 2018, the stock of international reserves stood at N\$32.5 billion, from N\$32.6 billion reported in the previous MPC statement. At this level, the stock of international reserves is estimated to cover 5.2 months of imports of goods and services.

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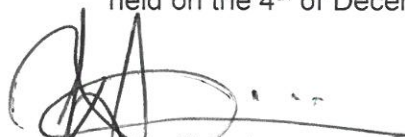
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Monetary Policy Stance

9. On the 23rd of October 2018, 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 4th of December 2018.



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