

Date: 10 April 2019
Attention: News Editor
Ref: 9/6/2

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. The MPC is of the view that this rate is appropriate to support the domestic economy, while maintaining the one-to-one link between the Namibia Dollar and the South African Rand.

RECENT ECONOMIC DEVELOPMENTS

The global economy slowed during the fourth quarter of 2018. Inflation rates in most monitored Advanced Economies (AEs) and Emerging Market and Developing Economies (EMDEs) edged up slightly during February 2019. Monetary policy stances of key monitored economies were left unchanged over the past two months, except for India.

1. The global economy moderated during the fourth quarter of 2018, mainly as a result of slower growth observed in the EMDEs. Going forward, the global economy is projected to register weaker growth of 3.3 percent in 2019 compared to 3.6 percent in 2018. The lower projected growth is mainly due to a loss of momentum by both the AEs and the EMDEs.
2. Among the AEs, the US and Japan recorded higher year-on-year GDP growth rates, whereas that of the Euro Area and UK slowed during the fourth quarter of 2018. Going forward, the AEs growth rate is projected to be lower at 1.8 percent in 2019 compared to 2.2 percent in 2018. Growth rates in all the monitored EMDEs weakened during the fourth quarter of 2018 compared to the corresponding period in the previous year. GDP growth in the EMDEs is projected to continue moderating to 4.4 percent in 2019 from 4.5 percent in 2018. Risks to the global economic growth outlook remain and include:

the possible collapse of the China/US trade negotiations, escalation of trade tensions to other countries and a no-deal withdrawal of the UK from the European Union.

3. Since the previous MPC meeting in February 2019, most central banks in both the AEs and EMDEs have left their policy rates unchanged. The exception was the Bank of India, which cut its policy rates. The inflation rate for the US moderated, while it picked up slightly in the UK, Euro Area and Japan. Amongst the monitored EMDEs, inflation picked up in Brazil, Russia, India and South Africa. The increase in inflation was generally on the account of rising cost of food and energy.

The domestic economy remained weak during the first two months of 2019. Inflation edged up and Private Sector Credit Extension (PSCE) growth increased. The stock of international reserves remained sufficient to support the currency peg.

4. Domestic economic activity slowed during the first two months of 2019 compared to the same period in 2018. The slowdown in activity was reflected in sectors such as mining, agriculture and construction. Other sectors, including transport and communication, wholesale and retail trade as well as manufacturing improved during the same period. Going forward, the domestic economy is projected to record a marginally positive growth rate in 2019.
5. Annual average inflation increased to 4.6 percent during the first two 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. Inflation, however, moderated from 4.7 percent in January to 4.4 percent in February 2019. Overall inflation is projected to average 4.7 percent in 2019.
6. Annual average growth in PSCE increased to 6.3 percent during the first two months of 2019, compared to 5.7 percent in the corresponding period of 2018. The growth in PSCE was due to an increase in business credit of 5.9 percent during the first two months of 2019 from 3.5 percent in the corresponding period last year. This was mainly due to the uptake of short-term credit facilities by businesses. Household credit growth, however, slowed from 7.3 percent during the first two month of 2018 to 6.5 percent for the comparable period of 2019. Since the previous MPC meeting, the annual growth

Contact:

Department of Strategic Communications and Financial Sector Development
Bank of Namibia, Tel: (061) 283 5114, Fax: (061) 283 5546 or email: info@bon.com.na

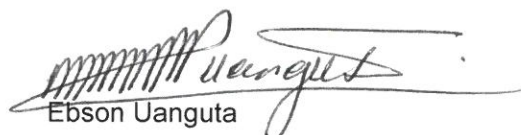
71 Robert Mugabe Ave, P.O. Box 2882, Windhoek, Namibia, Tel: + 264-61-283 5114, Fax: +264-61-283 5254, www.bon.com.na

in PSCE moderated to 6.0 percent at the end of February 2019, from 6.7 percent reported at the last MPC meeting.

7. As at 31st of March 2019, the stock of international reserves stood at N\$32.6 billion, compared to N\$30.7 billion reported in the previous MPC statement. This amount of international reserves is estimated to cover 4.3 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.

Monetary Policy Stance

8. On the 9th of April 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 11th of June 2019.



Ebson Uanguta

DEPUTY GOVERNOR

Contact:

Department of Strategic Communications and Financial Sector Development
Bank of Namibia, Tel: (061) 283 5114, Fax: (061) 283 5546 or email: info@bon.com.na

71 Robert Mugabe Ave, P.O. Box 2882, Windhoek, Namibia, Tel: +264-61-283 5114, Fax: +264-61-283 5254, www.bon.com.na