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## REPO RATE REDUCED FROM 6.50 TO 6.25 PERCENT

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*The Monetary Policy Committee (MPC) of the Bank of Namibia cut the Repo rate by 25 basis points to 6.25 percent. The MPC took the decision in order to support domestic economic activity and to maintain the one-to-one link between the Namibia Dollar and the South African Rand.*

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### RECENT ECONOMIC DEVELOPMENTS

Global economic growth is estimated to have slowed in 2019 compared to 2018. Since the previous MPC meeting, inflation rates in most key monitored economies remained well contained, while monetary policy stances were left unchanged with the exception of Brazil, Russia and South Africa that eased their rates.

1. Global real GDP growth is estimated to have slowed to 2.9 percent in 2019, from 3.6 percent in 2018. The slower growth was generally due to weaker business investment as a result of uncertainty surrounding trade. Going forward, growth in the global economy is projected to rise to 3.3 percent in 2020.
2. Economic growth in the Advanced Economies (AEs) is estimated to have weakened to 1.7 percent in 2019 compared to 2.2 percent in 2018. The slowdown is on account of weaker performances in the United States (US) and the Euro Area. Growth in the United Kingdom (UK) remained unchanged, while it improved in Japan. The real growth rate in the AEs is projected to weaken further to 1.6 percent in 2020. In the Emerging Market and Developing Economies (EMDEs), growth is estimated to have slowed to 3.7 percent in 2019 from 4.5 percent in 2018, reflected across all the monitored EMDEs. Risks to the growth outlook include rising geopolitical tensions, tension in US-China trade relations, the coronavirus outbreak, and weather-related disasters.



3. Inflation remained well contained in most of the monitored economies. Although increases in inflation rates were observed in a number of economies, the rates were still below targeted levels for most of the AEs. Following the above developments, monetary policy stances of most key monitored economies were left unchanged since the previous Bank of Namibia MPC meeting in December 2019, except for the central banks in Brazil, Russia and South Africa that cut their policy rates.

**Domestic economic activity contracted in 2019 relative to 2018. The inflation rate declined, while the growth in Private Sector Credit Extension (PSCE) increased marginally in 2019. The stock of international reserves remained sufficient to support the currency peg.**

4. Available indicators suggest that domestic economic activity contracted in 2019 compared to a marginally positive growth rate in 2018. The deterioration in 2019 was mainly due to declining economic activity in sectors such as mining, agriculture, manufacturing, as well as wholesale and retail trade. Activity in other sectors including transport and construction improved during 2019, relative to the corresponding period of 2018. The domestic economy is projected to improve in 2020.
5. Annual average inflation for 2019 declined to 3.7 percent from 4.3 percent in 2018, mainly on account of declining housing and transport inflation. On a monthly basis, the overall inflation rate declined further to 2.1 percent in January 2020, from 2.6 percent registered in the previous month as inflation for housing rental payments turned negative. Going forward, overall inflation is projected to average below 5 percent in 2020.
6. Annual average growth in PSCE rose marginally to 6.8 percent during 2019, from 6.3 percent in 2018. The moderate growth in PSCE was due to a high uptake of credit by businesses in the retail, real estate, financial and other service sectors. In contrast, growth in credit extended to individuals slowed in 2019 compared to the same period in 2018. Since the previous MPC meeting, the annual growth in PSCE rose to 7.2 percent at the end of December 2019, from 6.4 percent for October 2019 as reported in the previous MPC statement.
7. As at 31<sup>st</sup> January 2020, the stock of international reserves stood at N\$31.0 billion, from N\$32.5 billion reported in the previous MPC statement. This amount of international reserves is estimated to cover 4.4 months of imports of goods and services. At this level,

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reserves are sufficient to protect the peg of the Namibia Dollar to the Rand and meet the country's international financial obligations.

### **Monetary Policy Stance**

8. On the 18<sup>th</sup> of February 2020, the Monetary Policy Committee (MPC) of the Bank of Namibia held its bi-monthly meeting and decided to cut the Repo rate by 25 basis points to 6.25 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 14<sup>th</sup> of April 2020.



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