



Ref. No: 9/6/2

24 April 2013

FOR IMMEDIATE RELEASE

REPO RATE REMAIN UNCHANGED AT 5.50 PERCENT

Global economic conditions remain weak and there are no clear signs that a significant recovery will take place soon. However, Namibian economic growth is relatively resilient, while inflation remains at tolerable levels. Developments are broadly in line with the assessment made by the Bank of Namibia in February 2013. The Repo rate needs to remain low to support the economy and mitigate, as far as possible, the impact of endured slow growth in many of our trading partners. The Monetary Policy Committee has therefore decided to keep the Repo rate unchanged at the current level of 5.50 percent.

Slow growth of the global economy continues to affect the Namibian economy negatively.

1. The pace of economic activity and employment creation in key trading partners remains weak. Growth in advanced economies remains slow, most notably in the Euro Area and to a lesser degree, the United States (US). Growth performance in emerging market economies remains the driver of global growth, but is also facing challenges due to the current dull economic conditions in developed economies, which are important destinations for their exports.

Despite on going uncertainties in the global economy, domestic growth continues to be relatively strong, while inflationary pressures are low.

2. Growth in 2013 is projected at 4.4 percent, down from the preliminary growth rate estimate of 5.0 percent in 2012. To date, growth for 2013 has been driven by increased output in the mining, agriculture, manufacturing and construction

A handwritten signature in black ink, appearing to be 'L. J.' or similar, located in the bottom right corner of the page.

industries, while wholesale and retail trade has contributed to a lesser degree. Recent decline in international commodity prices is a concern going forward, as it will negatively impact the mining industry. However, the government budget will support domestic production and consumption through relatively high levels of expenditure and tax relief.

3. Inflation remains manageable—at 6.3 percent in March 2013—with no changes foreseen over the short to medium term. Food inflation has declined somewhat in recent months along developments in international markets, although the depreciation of the Namibian currency against major currencies has kept domestic prices of imported food and energy elevated.
4. Credit growth remains robust, with the main drivers being credit extended to the business sector. Credit extended to individuals also experienced growth, however this was to a lesser extent. A positive development is the slowdown in instalment finance of non-productive items, but growth rates still remain high and warrant continued monitoring.
5. The fiscal position of the Central Government improved markedly during FY2012/13. This allowed a large build up of cash balances with the Bank of Namibia and aided a stronger international reserve position. Foreign reserves are still enough to cover 3 months of imports and the currency peg, although the Bank of Namibia remains concerned about the negative impact of imports of non-productive items on our reserves.

Monetary Policy Meeting

6. On the 23rd of April 2013, the Monetary Policy Committee (MPC) of the Bank of Namibia held its bi-monthly meeting to decide on the monetary policy position for

the next two months. The meeting reviewed the global, regional and domestic economic and financial developments since the last meeting, held on the 18th of February 2012. The next meeting of the MPC will be held on the 18th June 2013.

A handwritten signature in black ink, consisting of several loops and a long horizontal stroke ending in an arrowhead.

Lipumbu Shiimi
GOVERNOR