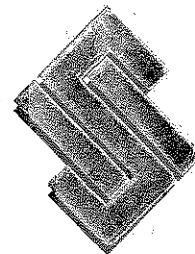


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Media statement**MONETARY POLICY STATEMENT ISSUED BY THE BANK OF NAMIBIA**

1. The Executive Committee (EC) of the Bank of Namibia held its monetary policy meeting on the 18th of February 2011 to reflect and deliberate on the appropriate stance of monetary policy for the two months ahead. The Committee carefully considered and reviewed developments in the global and domestic economy since the last meeting held on the 14th December 2010.

The global Economy

2. The EC noted that the global economy continued to grow since the last meeting in 2010, driven mainly by the continued strengthening in emerging economies. Due to the continued uneven global growth pattern, as characterized by strained growth in advanced economy and robust growth in emerging economies, the global recovery is said to be following a two-speed growth path.
3. In the advanced economies, restrained economic activities led to slowed growth during the last quarter of 2010, although domestic demand in some economies started to show encouraging trends. Downside factors such as the persistent high unemployment rate and renewed fiscal stress in certain Euro Area economies, which continue to linger, have slackened growth in these economies. Under these conditions, the economies of the US and the UK registered slower growth rates of 2.8 per cent and 1.7 per cent in the fourth quarter of 2010 from 3.2 per cent and 2.7 per cent in the preceding quarter, respectively.

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4. Data for the second half of 2010 that the EC reviewed showed that emerging economies that have significantly contributed to global growth in the first half of 2010 started to lose some momentum. This was reflected in industrial production, which fell, partly reflecting the waning influence of the global inventory cycle on output. The other factor that contributed to the slowdown was the recent policy tightening in some countries, including China, India, and Brazil. Nonetheless, emerging markets continued to drive the global economy, with China still leading the group at 9.8 per cent during the fourth quarter of 2010.
5. Monetary policy in most of the advanced economies remains accommodative, mainly to support and nurture their fragile recoveries. Due to divergent policy priorities, however, some central banks mainly in emerging markets pursued different monetary policy stances. The central banks of China, Brazil, India, with the exception of South Africa, raised their policy rates, citing the need to contain surfacing inflationary pressures and expectations and to respond to initial signs of overheating.

The domestic economy

6. Signs of recovery in the Namibian economy that became evident during the earlier part of 2010 were reinforced towards the end of the year and strengthened further at the beginning of 2011. The Namibian economy is estimated to have expanded by 4.6 per cent in 2010. This fair achievement is ascribed to good performance in most sectors of the economy, with the primary sector dominating growth during the year. The secondary and tertiary sector gained momentum towards the end of the year, which helped to further strengthen the recovery and thus providing a better start for 2011.
7. Annual inflation rate accelerated in January 2011 to 3.5 per cent from 3.1 per cent in December 2010. The upturn in the inflation rate in January 2011, which was because of high increases in house rental fees, follows a prolonged period of lower inflation. Nevertheless, other major NCPI categories, such as food and non-alcoholic beverages and transport continued to record lower inflation rates in

January 2011. This condition supports our view that despite the rise witnessed in January, overall inflation in Namibia remains tolerable and does not pose any significant threat.

8. In accordance with the economic recovery in the domestic economy, monetary and credit aggregates improved considerably since the last EC meeting. The annual growth in private sector credit extension rose to 10.9 per cent at the end of December 2010 from 9.6 per cent at the end of the previous month. The growth in credit extended to the private sector emanated from both the business and household categories. Credit extension to businesses and households grew by 14.1 per cent and 9.0 per cent, respectively, at the end of December 2010 from 11.0 per cent and 8.8 per cent at the end of the previous month. The expansion in monetary and credit aggregates is ascribed to the accommodative policy stance pursued by the Bank and signifies renewed business and consumer confidence.
9. The fiscal policy that prevailed in 2010 continues to reflect prudent public spending by Government. The proportion of domestic debt to GDP remained low. Domestic debt as the ratio to GDP fell to 10.7 per cent at the end of January 2011 from 11.2 per cent at the end of December 2010. It is our view that this condition remains supportive of the monetary policy of the Bank.
10. At the end of January 2011, total foreign reserves increased by 7.1 per cent to N\$10.9 billion, mainly because of a quarterly SACU inflow to the tune of N\$1.29 billion. At this level, the stock of reserves remains more than adequate to cover Namibia's import bill. Moreover, Namibia's foreign reserves continue to contribute to the maintenance of the currency peg, which requires that all currency in circulation should be sufficiently backed by international reserves.

Monetary Policy stance

11. During the review of recent economic development, the EC observed that the domestic economy continues to be on a firm footing towards full recovery. The Committee also noted the recent trend of depreciating currency, which is expected

to boost export earnings. While inflation has accelerated slightly in January 2011 and is likely to edge upward due to international oil and food price developments, it is expected to remain within a manageable range.

12. Against this background, the EC felt that a change in the stance at this stage could affect the speed of recovery and run the risk of reversing the gains made so far. Moreover, we must be mindful of inflationary pressures that are starting to build up. In light of this, the EC decided to leave the Bank rate unchanged at 6.0 per cent. Going forward, the Bank of Namibia will continue to closely monitor economic developments, and will adjust its policy stance should conditions so demand in the interest of price stability.



Ipumbu Shiimi
Governor