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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 level is deemed appropriate to continue supporting domestic economic growth, while maintaining the one-to-one link between the Namibia Dollar and the South African Rand.

RECENT ECONOMIC DEVELOPMENTS

Global economic conditions are expected to improve in 2017, compared to 2016.

1. The global economy is projected to grow by 3.6 percent in 2017, from 3.2 percent in 2016, supported by firm growth in both the Advanced Economies (AEs) and Emerging Market and Developing Economies (EMDEs). Growth will be reinforced by improvements in investment, trade and industrial production, coupled with strengthening business and consumer confidence.
2. Economic activity in most of the monitored AEs improved in the second quarter of 2017, compared to the first quarter of 2017, with the exception of the UK which recorded slower growth in the same period. Going forward, economic activity in the AEs as a whole is expected to improve with growth of 2.2 percent in 2017 compared to 1.7 percent in 2016, supported by stronger investment and manufacturing production.
3. Similarly, all the monitored EMDEs registered higher growth rates in the second quarter of 2017, except for the Indian economy which registered lower growth compared to the previous quarter. The EMDEs are projected to grow by 4.6 percent in 2017 compared to 4.3 percent in 2016. The higher growth in 2017 will mainly be driven by stronger projected growth for commodity exporters, most notably Brazil and Russia that both experienced contractions in 2016.



4. Risks to the 2017 global outlook remain and include amongst others a shift towards protectionism, geopolitical tensions, sizable tightening of global financial conditions and very low inflation in AEs.
5. Since the last MPC meeting in August 2017, monetary policy stances in both the monitored AEs and EMDEs were unchanged, with the exception of Brazil and Russia. The central banks of Brazil and Russia lowered their policy rates by 100 basis points and 50 basis points, to 8.25 percent and 8.50 percent, respectively, citing more favourable inflation and an improved economic environment as reasons for the cuts.

Though overall growth remains weak, some key economic indicators in the domestic economy improved during the first eight months of 2017 compared to 2016. Inflation remained low. Growth in private sector credit extension (PSCE) slowed, and the stock of international reserves increased.

6. Some key economic indicators in the domestic economy improved during the first eight months of 2017, relative to 2016, although overall growth remained weak. These positive developments were concentrated in only a few sectors, notably mining and agriculture. Output in the construction, wholesale and retail trade, as well as transport sectors, however declined.
7. Annual inflation averaged 6.5 percent during the first nine months of 2017, the same rate recorded during the corresponding period in 2016. On a monthly basis however, inflation slowed down from its peak of 8.2 percent in January to reach 5.6 percent in September 2017, mainly driven by lower inflation for food and non-alcoholic beverages. This rate of inflation is, however, slightly higher than its level of 5.4 percent recorded in August 2017.
8. Annual growth in PSCE slowed during the first eight months of 2017. The annual growth in PSCE stood at 7.4 percent on average during the review period, lower than the 12.1 percent recorded over the same period in 2016. This subdued growth in PSCE is in line with the generally weak growth within the domestic economy. The slower growth in PSCE was evident in reduced growth in credit advanced to both the

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household and corporate sectors, especially in the form of mortgage and instalment credit. PSCE growth slowed further to 6.2 percent in August 2017.

9. As at 30th September 2017, the official stock of international reserves stood at N\$31.5 billion, representing an increase, both on a monthly and annual basis. The annual increase mainly stemmed from higher SACU receipts, debt repayment by the Banco Nacional de Angola, as well as an African Development Bank (AfDB) loan. At this level, the stock of international reserves is estimated to cover 5.1 months of imports of goods and services, and thereby remains sufficient to sustain the currency peg between the Namibia Dollar and the South African Rand.

Monetary Policy Stance

10. On the 24th of October 2017, 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 5th of December 2017.



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