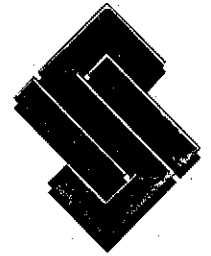


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Media statement**MONETARY POLICY STATEMENT ISSUED BY THE BANK OF NAMIBIA**

1. The Executive Committee (EC) of the Bank of Namibia held its monetary policy meeting on the 26th of April 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 18th of February 2011.

The global Economy

2. The EC noted that the favourable speed of global economic recovery observed at the beginning of the year continued, but somehow lost momentum and gave a frail picture of the global recovery. This outturn occurred on the backdrop of the unemployment rate remaining high and persistent risk of economic overheating, particularly in the emerging market economies. EC further noted the onset of new sets of policy challenges in the form of high commodity prices in addition to the existing challenges, such as on-going fiscal and financial reforms.
3. Real GDP figures revised presented to EC revealed that during the fourth quarter of 2010, economies grew at varying speeds both within the advanced and emerging market economies. For instance, the US and the UK registered slowdowns of 2.8 percent and 1.5 percent respectively, while the Euro area GDP expanded mainly driven by the expansion in Germany.

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4. Mixed growth rates were also observed within the emerging market economies during the fourth quarter of 2010. While China and Russia recorded improved growth of 9.8 per cent and 4.5 per cent in the fourth quarter compared to the third quarter respectively, real GDP growth in India slowed marginally to 8.2 percent from 8.9 per cent over the same period.
5. Monetary policy in most of the advanced economies remains unchanged since the last EC meeting, except for some central banks, such as the European Central Bank and a number of emerging markets, that have increased their policy rates. 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

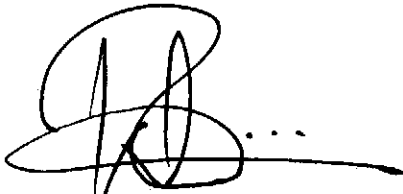
6. Since the last EC meeting, the performance of the Namibian economy continued to improve, albeit at a slow pace. Positive performance was observed in most activities within the primary, secondary and tertiary sector. Growth in the primary sector was led by expansion in the agricultural industry through increased livestock marketing and milk production on a monthly basis. EC noted that the uranium output started on a weak note mainly as a result of unfavourable weather conditions during the first quarter of 2011.
7. In the secondary industry, manufacturing and construction sector performed well. Refined zinc increased month-on-month by 8.9 percent, whereas building plans approved and completed also rose on a monthly basis by 88.2 percent and 4.0 percent, respectively, in February 2011.
8. The performance of the tertiary sector was also satisfactory despite some weaknesses in the tourism industry observed in the month of February 2011. Indicators, such as real turnover for wholesale and retail trade, the number of new vehicles sold, land and water transport cargo volumes as well as telecommunication subscribers, performed well.

9. With regard to price developments, inflationary pressure remains subdued, but began to build up in line with rising international prices for food and energy. In the month of March 2011, overall inflation accelerated to 3.8 percent from 3.1 percent in February 2011. The increase in overall inflation was attributed to high price adjustments for food and transport, while other categories such as hotels, cafes and restaurants as well as miscellaneous goods and services also recorded significant increases during March.
10. Growth in private sector credit extension (PSCE) in Namibia accelerated in February 2011. The annual growth in PSCE rose to 12.2 percent from 9.3 percent recorded in January 2011. The improved growth in domestic demand, as reflected in stronger PSCE, was reflected in stronger growth in credit advanced to both the corporate and household sector.
11. Regarding fiscal policy, domestic debt as a ratio to GDP rose slightly to 11.2 percent at the end of March when compared to 11.1 percent recorded at the end of February 2011. The rise in domestic debt was in the form of treasury bills (TBs) and Internal Registered Stocks (IRS), which increased by 0.5 percent and 1.9 percent, respectively, during March. EC noted that, while debt is increasing, it still remains low and does not pose any threat to its sustainability.
12. At the end of March 2011, the preliminary figure for the stock of foreign reserves showed a substantial decline of 15.6 per cent, month-on-month, to N\$9.0 billion. This decline can be attributed to the large Government payments made during this period. The EC is, however, still confident that at this level, the stock of reserves remains healthy and compares well with the currency in circulation that stood at N\$1.4 billion. This implies that foreign exchange reserves were six times higher than what is required to sustain the currency peg. Furthermore, the stock of reserves is still sufficient to meet the country's short term external liabilities.

Monetary policy stance

13. From the review of the recent economic developments, the EC noticed the slowing down in the pace of global economic recovery during the first quarter of 2011. The committee also noted that the domestic economy, although performing satisfactorily, it fell below the expectations created at the beginning of the year. Furthermore, EC acknowledged that there remain challenges to global recovery and the domestic economy. Of particular significance is the rising inflationary pressures that have started to build up.

14. Considering the aforementioned economic developments, the EC felt that a change in the stance at this stage would run the risk of unduly depressing domestic demand at a time when this demand is not the cause of recent inflation acceleration. In light of this, the EC has 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 modify its policy stance should conditions so demand in the interest of price stability.



Ipumbu Shiimi
Governor