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FOR IMMEDIATE RELEASE

REPO RATE MAINTAINED AT 3.75 PERCENT

The Monetary Policy Committee (MPC) of the Bank of Namibia has decided to keep the Repo rate unchanged at 3.75 percent. The MPC is of the view that the rate remains appropriate to continue supporting domestic economic activity, while at the same time safeguarding the one-to-one link between the Namibia Dollar and the South African Rand.

RECENT ECONOMIC DEVELOPMENTS

The global economy recorded an improved quarter-on-quarter growth in the last three months of 2020. Inflation rates in most monitored Advanced Economies (AEs) and Emerging Market and Developing Economies (EMDEs) increased. Monetary policy stances of key monitored economies were generally accommodative.

1. Global economic activity recovered somewhat in the fourth quarter of 2020, compared to the previous quarter. The recovery was stronger in both the AEs and EMDEs, supported by strong fiscal stimuli, improved industrial production, as well as increased economic activity. The recovery was mainly on the back of positive sentiment regarding the progress with vaccine production and its deployment in many countries. In addition, the impact of COVID-19 containment measures was less severe on economies that had adopted better public health measures and income support.
2. Going forward, the International Monetary Fund (IMF) in its April 2021 World Economic Outlook (WEO) Update, has projected the global economy to grow by 6.0 percent in 2021, before moderating to 4.4 percent in 2022. This is an upward revision by 0.5 percentage point and 0.2 percentage point for 2021 and 2022, respectively, relative to

the January 2021 WEO update. The improved growth is mainly attributed to the potential positive effect of the COVID-19 vaccines on economic activity around the globe by the second half of 2021.

3. AEs economic activity improved quarter-on-quarter during the last three months of 2020, mainly due to the further easing of lockdown restrictions and policy support. Similarly, economic activity in most of the monitored EMDEs improved over the same period. The economy of China returned to its pre-pandemic annual growth rate, while India emerged from negative growth territory during the last quarter of 2020. Going forward, the IMF projects the AEs to grow by 5.1 percent in 2021 and 3.6 percent in 2022, while a 6.7 percent and 5.0 percent expansion is projected for the EMDEs in these two years, respectively. The positive prospects are on the back of lifting economic lockdown measures and positive sentiment regarding the successful rollout of COVID-19 vaccines globally.
4. Key risks to the global outlook include the degree of success in the deployment of COVID-19 vaccines as well as geopolitical tensions.
5. All monitored commodity prices increased since the last MPC meeting, except gold. The increase in commodity prices was mainly due to demand-side factors such as the rebounding manufacturing activity and fiscal stimuli globally. Stock markets continued to improve in March and April 2021, amid steady bond yields and a strong economic recovery outlook. The good performance was mainly attributed to wide-scale rollouts of COVID-19 vaccines and indications that the global economy was on the path to recovery. Moreover, the positive trends are also due to the low interest rate environment, complemented by asset purchase programs of key central banks that are encouraging investment in riskier assets such as equities.
6. The rates of inflation, though still well contained, increased in recent months in most of the key monitored economies. Notably, inflation increased in the US, Euro Area, Brazil, Russia and India while it moderated in the UK and South Africa. China and Japan on the other hand, experienced deflation in February 2021. Most monitored central banks left their policy rates unchanged, while continuing to implement supportive non-conventional monetary policy measures. The central banks of Brazil and Russia, however, raised their policy rates in February and March 2021,

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respectively, due to rising inflation. Regardless, the monetary policy of all monitored central banks remained accommodative.

Domestic economic activity contracted substantially in 2020 relative to 2019 and remains weak year-to-date. The rate of inflation increased during the first two months of 2021, while growth in Private Sector Credit Extension (PSCE) remained subdued. The stock of international reserves remained sufficient to support the currency peg.

7. Domestic economic activity contracted severely by 8.0 percent in 2020, compared to a contraction of 0.6 percent in 2019. Contractions were observed in key sectors such as tourism, transport, mining, agriculture, manufacturing, construction, wholesale and retail trade, as well as the public sector. The contraction was mainly due to the devastating effects of the COVID-19 pandemic, with the sharpest declines in output recorded in the tourism and transport sectors. On the contrary, activity in the electricity and water, as well as information and communication sectors, recorded positive growth during the same period. Recent developments in the domestic economy also pointed to subdued activity in most economic sectors during the first two months of 2021, compared to the same period of 2020. Going forward, the domestic economy is expected to grow by 2.7 percent in 2021. The successful procurement and expeditious rollout of COVID-19 vaccination in Namibia will be critical for the extent and speed of the economic recovery.
8. Annual average inflation increased to 2.7 percent during the first two months of 2021, compared to 2.3 percent for the corresponding months in the previous year. The increase in inflation was mainly reflected in the food and beverages categories during the period under review. On a monthly basis, overall inflation stood at 2.7 percent in February 2021, the same as the previous month. Overall inflation is projected to average around 3.2 percent for 2021.
9. Domestic demand remained subdued as evidenced by slow growth in PSCE, which averaged 2.0 percent during the first two months of 2021. This growth is much lower than the 6.7 percent recorded during the same period in 2020. Since the last MPC meeting, year-on-year growth in PSCE remained almost unchanged at 2.1 percent at the end of February 2021 from 2.0 percent at the end of December 2020.

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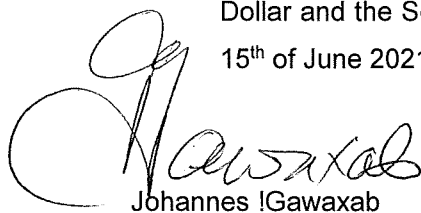
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10. As at the 31st of March 2021, the stock of international reserves stood at N\$34.7 billion compared to N\$34.4 billion reported in the February 2021 MPC statement. The increase in reserves was mainly due to an inflow resulting from diamond sales, which was partly offset by the appreciation of the NAD against the USD. The N\$34.7 billion of international reserves is estimated to cover 5.4 months of imports. At this level, the reserves remain sufficient to protect the peg of the Namibia Dollar to the South African Rand, while meeting the country's international financial obligations. The MPC noted the increase in international reserves in early April 2021 to N\$38.7 billion resulting from the disbursement of the IMF Rapid Financing instrument and SACU receipts.

Monetary Policy Stance

11. On the 13th of April 2021, the Monetary Policy Committee (MPC) of the Bank of Namibia held its bi-monthly meeting and decided to keep the Repo rate unchanged at 3.75 percent. This decision was taken following a review of global, regional and domestic economic and financial developments. The MPC is of the view that at 3.75 percent, the Repo rate remains appropriate to continue supporting the weak domestic economy while at the same time safeguarding the one-to-one link between the Namibia Dollar and the South African Rand. The next meeting of the MPC will be held on the 15th of June 2021.



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