



Date: 17 June 2015
Attention: News Editor
Ref: 9/6/2

FOR IMMEDIATE RELEASE

REPO RATE INCREASED TO 6.50 PERCENT

The Monetary Policy Committee (MPC) of the Bank of Namibia decided to increase the Repo rate by 25 basis points to 6.50 percent. The decision was taken to contain high growth in household credit particularly that of instalment credit. The MPC noted that a large portion of these loans continue to be primarily used to finance unproductive imported luxury goods, hence putting additional pressure on the international reserves of the country. With this increase in the Repo rate, the expectation is that the deposit-taking institutions will also increase deposit rates by the same margin, thereby encouraging saving.

Recent Economic Developments

The global economy continued to be on a steady recovery path, supported by improved growth in some advanced economies. Growth in emerging market economies (EMEs) remained positive, though slower. Monetary policy stances remained supportive of growth in key advanced and most emerging market economies.

1. The US and UK continued to be the main engines of growth in advanced economies. In the Euro area, economic activity continued to recover gradually, supported by low oil prices and supportive monetary policy, while the recession

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in Japan continued into the first quarter of 2015. Growth in the emerging markets was mixed during the first quarter of 2015. In particular, growth in China moderated while that of Russia contracted. On the other hand, the South African economy improved slightly, while India recorded stronger growth during the first quarter of 2015 compared to the same quarter in 2014. Commodity prices remained generally low, despite some slight increases in April 2015. Going forward, the global economy is expected to continue recovering steadily.

2. Monetary policy stances in advanced economies and most emerging economies continued to support growth. Central banks in key advanced economies kept their policy rates unchanged. Major emerging market economies either reduced or maintained their policy rates at the same level with the exception of Brazil, which increased its benchmark rate aimed at containing inflationary pressure.

Key indicators of the domestic economy showed positive performance during the first four months of 2015. Inflation declined during the same period. Growth in household credit, however, is still a concern. International reserves remain sufficient though under pressure.

3. The domestic economy displayed a positive performance during the first four months, sustained by construction activities as well as wholesale and retail trade. Activities in the mining sector, however, weakened except for gold production.
4. Thanks to low international oil prices, annual inflation declined to 2.9 percent in April from 3.4 in March 2015. The low inflation was reflected in the categories of transport, housing, water, electricity, gas and other fuels, as well as food and non-alcoholic beverages. Going forward, the overall annual inflation is expected to remain low and stable for the remainder of 2015.

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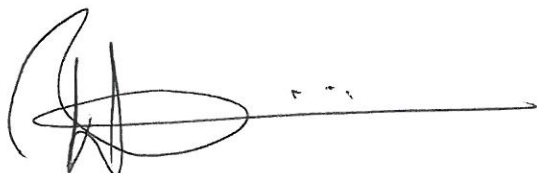
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5. Domestic credit demand continues to be strong. Annual growth in Private Sector Credit Extension (PSCE) increased by 16.7 percent on average over the first four months of 2015, from 16.2 percent during the last four months of 2014. When compared to the corresponding first four months of 2014, the growth in the PSCE was 1.6 percentage points higher. The MPC noted that the overall credit extended to individuals remained elevated, especially installment credit.
6. The stock of international reserves remains sufficient to maintain the one-to-one link of the Namibia Dollar to the Rand. The level of reserves stood at N\$12.1 billion as at the 15th of June 2015. The MPC is, however, still concerned about the high import bill resulting from the importation of unproductive goods, such as luxury vehicles, which puts additional pressure on international reserves.

Monetary Policy Stance

7. On the 16th June 2015, 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 14th of April 2015, and the decision was taken to increase the Repo rate by 25 basis points to 6.50 percent. The next meeting of the MPC will be held on the 18th of August 2015.



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