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FOR IMMEDIATE RELEASE

REPO RATE INCREASED TO 7.00 PERCENT

The Monetary Policy Committee (MPC) of the Bank of Namibia decided to increase the Repo rate by 25 basis points to 7.00 percent, to align interest rates with that of South Africa and hence sustain the one-to-one link of the Namibia Dollar to the Rand. This decision was necessary to prevent possible capital outflows, which could put pressure on the country's international reserves. With this increase in the Repo rate, it is expected that deposit-taking institutions will also raise deposit rates by the same margin, thereby encouraging savings.

RECENT ECONOMIC DEVELOPMENTS

Global growth slowed in 2015 and is expected to remain steady in 2016. Monetary policy stances remained generally unchanged for both Emerging Market Economies (EMEs) and advanced economies.

1. Global growth slowed in 2015, compared to the previous year, mainly due to slow growth in emerging market economies. With the exception of India, growth in most key emerging market economies such as China and South Africa slowed in 2015, compared to the previous year. Going forward, these economies are expected to slowdown further in 2016.

2. On the other hand, Brazil and Russia contracted by 3.8 percent and 3.7 percent, respectively, in 2015, and this trend is projected to continue in 2016. Closer to home, Angola's economy slowed to 3.0 percent in 2015 compared to 4.8 percent in the previous year, mainly on the back of low international oil prices.
3. Conversely, growth in advanced economies is estimated to have recovered in 2015, compared to the previous year. Going forward, growth is expected to remain steady at 1.9 percent during 2016. The US was one of the major contributors to this slightly improved growth, supported by economies such as the Euro area and the UK. Further, Japan's economy registered a growth of 0.5 percent in 2015 from no growth in the previous year.
4. Since the last MPC meeting in February 2016, the monetary policy stances in both the advanced and emerging market economies remained unchanged, with the exception of the European Central Bank (ECB), the South African Reserve Bank (SARB) and the Reserve Bank of India. The ECB and the Reserve Bank of India reduced their policy rates. The SARB, on the other hand, raised its Repo rate in March 2016 in order to contain inflationary pressures resulting from the depreciation of the Rand and the effects of the drought on food prices.

The domestic economy registered strong growth during 2015. The annual inflation rate continued with its upward movement. Growth in Private Sector Credit Extension (PSCE) slowed, while the level of international reserves remains adequate.

5. The domestic economy is estimated to have registered respectable growth in 2015, although slower than the previous year. This growth was mainly on account of the construction, wholesale and retail trade as well as public services. Going forward, growth is expected to continue to be positive, but risks remain and include the slowdown in the economies of the country's trading partners, soft commodity prices, volatile exchange rate and the effects of the prevailing drought conditions.

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6. Namibia's annual inflation rate is showing an upward trend. The inflation rate rose from 3.7 percent in December 2015 to 5.3 percent and 6.1 percent in January and February 2016, respectively. This was mainly due to increases in inflation rates for housing, water, electricity, gas and other fuels category, which carries the biggest weight of the total inflation basket in Namibia, and the transport category. Going forward, annual inflation is expected to increase gradually for the remainder of the year.
7. Domestic demand as reflected in the annual growth of PSCE slowed, on average, over the first two months of 2016, when compared to the corresponding months in 2015. The annual growth in PSCE averaged 13.2 percent in 2016, lower than 16.2 percent over the same period in 2015. This lower growth in PSCE primarily resulted from a reduced growth in credit advanced to the corporate sector in the form of mortgage, overdraft and instalment credit. The slower growth in the PSCE was, however, offset by a higher growth in credit extended to the household sector, which rose to 13.1 percent, on average, during the first two months of 2016, from 12.3 percent during the same period in 2015.
8. The stock of international reserves remains sufficient to sustain the one-to-one link of the Namibia Dollar to the South African Rand. The level of international reserves stood at N\$26.6 billion as at the 11th of April 2016, approximately 5.5 times the currency in circulation.

Monetary Policy Stance

9. On the 12th of April 2016, the Monetary Policy Committee (MPC) of the Bank of Namibia held its bi-monthly meeting and decided to increase the Repo rate by 25 basis points to 7.00 percent.



This decision was taken following a review of the global, regional and domestic economic as well as the financial developments since the last meeting held on the 16th of February 2016. The next meeting of the MPC will be held on the 14th of June 2016.

A handwritten signature in black ink, consisting of a large, stylized 'A' shape with a horizontal line extending to the right.

Iipumbu Shiimi
Governor

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