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FOR IMMEDIATE RELEASE

REPO RATE MAINTAINED AT 6.25 PERCENT

The Monetary Policy Committee (MPC) of the Bank of Namibia decided to maintain the Repo rate at 6.25 percent, while assessing the impact of the last MPC decision. The recent decline in the growth of household overdraft loans is a welcomed development. The MPC, however, remains concerned about the high growth in instalment credit extended to households. A sizeable amount of these loans is still largely used to finance unproductive imported luxury goods, hence putting additional pressure on the international reserves of the country.

Recent Economic Developments

The global economy continues to recover at a moderate but uneven pace, supported by improving growth in some major advanced economies, while that of most emerging market economies slowed. The monetary policy stances remained supportive of growth in most economies, amid a low inflation environment and softer commodity prices.

1. The US and the UK continued to support growth in the advanced economies. The Euro Area also improved marginally, while Japan remained in recession for the third consecutive quarter. Growth in key emerging market economies, such as Brazil, Russia, and South Africa slowed, while the Chinese economy remained steady on an annual

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basis, but softened on a quarter-on-quarter basis. In line with these developments, commodity prices remained soft in the first quarter of 2015. Going forward, the global economy is expected to continue recovering steadily.

2. Monetary policy stances in most economies continued to support growth. The advanced economies kept their policy rates unchanged. Among emerging market economies, China and Russia reduced their policy rates in March 2015, while Brazil increased its policy rate to contain high inflation.

Developments in the domestic economy point towards improved growth during the first two months of 2015, with inflation continuing to decline. Risks, however, remain; low commodity prices and the growing import bill, which exert undue pressure on the country's reserves.

3. The improvement in the domestic economy during the first two months is mainly driven by robust public and private construction activities, coupled with strong sales in wholesale and retail trade. In addition, diamond mining and manufacturing activities recorded positive growth. Going forward, the Namibian economy is expected to grow by 5.6 percent in 2015, up from 5.3 percent in the preceding year. Risks to domestic growth remain mostly the weak growth in Namibia's major trading partners and low commodity prices.
4. Annual inflation rate slowed to 3.6 percent at the end of February 2015, mainly reflected in the lower inflation rates for transport, as well as, housing, water, electricity, gas and other fuels. The recent decline in international oil prices resulted in the slowdown in transport inflation. Overall annual inflation is, however, expected to remain stable.
5. Total credit extended to the private sector (PSCE) continued to grow strongly in February 2015, mainly driven by increased demand for credit by businesses. PSCE expanded by an average rate of 16.2 percent during the last six months, compared to 15.6 percent during the previous six months. Of concern to the MPC remains the high growth rate for instalment credit extended to households, which grew by 18.7 percent on average, over the last six months.
6. During 2014, the current account deficit widened to N\$9.6 billion, compared to N\$5.0 billion in the previous year. As a percentage of GDP, the current account deficit

increased to 6.7 percent in 2014, from 4.0 percent in 2013, reflecting a high import bill. It is, nevertheless, worth noting that the stock of foreign reserves was N\$15.7 billion as of the 10th of April 2015. At this level, the international reserves remain adequate to maintain the one-to-one link of the Namibia Dollar to the Rand. The MPC, however, remains concerned that the growing import bill is unsustainable; particularly the increased importation of unproductive goods, such as luxury vehicles.

Monetary Policy Stance

7. On the 14th of April 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 17th of February 2015, and a decision was taken to maintain the Repo rate at 6.25 percent. The next meeting of the MPC will be held on the 16th of June 2015.



Ipumbu Shiimi

GOVERNOR