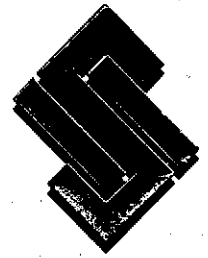


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PRESS STATEMENT**Monetary Policy Statement by the Bank of Namibia**

1. The Executive Committee of the Bank of Namibia held its monetary policy meeting on 24 August 2010 to consider its monetary policy stance for the next two months. The Committee reviewed changes in key factors influencing macro-economic variables since the last meeting held on 22 June 2010.

The Global Economy

2. Since the last meeting of the Executive Committee, available macroeconomic indicators seem to confirm that the global economy continued to expand. This is reflected in the positive growth rates of all economies for which data was available for the second quarter of 2010. In this connection, the UK seemed to have emerged from the recessionary pressures experienced during the previous six quarters. The US has led the recovery in the advanced economies at a rate of 3.2 percent during the second quarter of 2010, while China dominated growth among emerging markets at a rate of 10.3 percent, albeit at a slower pace than in the previous two quarters.
3. Further, financial markets were buoyant during July 2010. Commodity prices, also maintained their upward momentum, mainly on account of improved demand, primarily driven by Asian economies.
4. On the monetary policy front, most central banks continued to pursue accommodative monetary policy stances with only a few raising interest rates

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as the positive growth of their economies and inflationary pressures warranted tighter policy responses.

5. Notwithstanding the continuous improvement in the global economic outlook, the sovereign and financial sector risks in the Euro Area remains a threat to global economic growth. Moreover, the stubbornly high unemployment rates and the fragile housing sector in the US may threaten a more favourable and sustainable outlook. Growth in a couple of countries also seems to have lost momentum in the second quarter of 2010, following very favourable output releases in the previous quarter. This not only poses a risk to a more favourable global outlook, but also to the domestic economy through international trade. Despite these risks and in contrast with the contraction recorded in 2009, the World economy is expected to expand by 4.6 percent in 2010, according to the latest IMF projections.

The Domestic Economy

6. In line with the rebound in the global economy, economic conditions in Namibia continued to improve during the first half of 2010. In this connection, both mining and agricultural output improved over the period under review. Furthermore, other real sector indicators performed well and are expected to continue their upward momentum, largely driven by factors such as the improved global outlook, low inflation, renewed domestic demand and firmer commodity prices.
7. With regard to price developments, the Executive Committee welcomed the gradual abatement of domestic inflationary pressures. The rise in the national consumer price index (NCPI) remained subdued, although an upward movement was recorded in July 2010 at a rate of 4.6 percent from 4.3 percent in June. This rate is nevertheless significantly lower than the 7.5 percent a year earlier. The higher inflation rate during July 2010 is mainly attributed to faster increases in the prices of food, housing and furnishing categories. Other inflation components continued to slow down further.

8. Growth in private sector credit extension in Namibia continued to accelerate with the annual growth rate rising to 10.6 percent at the end of June 2010 from 8.8 percent at the end of the previous month. Credit extended to both individuals and businesses contributed to the improved growth in private sector credit extension. In this connection, the annual growth in credit extended to individuals rose from 6.8 percent to 7.6 percent from May 2010 to June 2010, while that of credit extended to business increased from 12.5 percent to 16.5 percent over the same period.
9. The stronger demand for credit could partially be attributed to the more accommodative macroeconomic policy stance currently pursued, coupled with the subdued inflationary pressures prevailing in the economy. Moreover, improved household and corporate spending is reflected in some demand indicators, such as new vehicle purchases and stronger real wholesale and retail sales.
10. Fiscal operations continued to be stable with a moderately expansionary policy stance. In this regard, Domestic Central Government debt in relation to GDP rose slightly to 10.2 percent at the end of July 2010 from 10.0 percent at the end of June 2010.
11. At the end of July 2010, total foreign exchange reserves stood at N\$12.25 billion, compared to the N\$14.13 billion at the end of July 2009. This decrease is mainly attributed to lower SACU revenues, although the expected increase in exports proceeds is likely to partly neutralise this reduction.

Monetary Policy Stance

12. Following a comprehensive review of the recent economic and financial developments, the Executive Committee is of the view that in line with the improved global economic outlook, the Namibian economy would continue to gain momentum. Available indicators for the real sector showed continued

improvement since the last Executive Committee meeting and are expected to perform positively going forward. While, inflationary pressures remained subdued, the Executive Committee is cognisant of upside risks, such as the direct and indirect impact of large increases in administered prices, firmer domestic demand and rising commodity prices. However, the current level of international reserves is more than adequate to meet the country's short term external liabilities and to maintain the currency peg.

13. Considering all these developments, the Executive Committee is of the view that the current monetary policy stance is still appropriate and therefore concluded to leave the repo rate unchanged at 7.00 percent per annum. As usual, the Executive Committee will continue to monitor both the international and domestic economic and financial developments and will take appropriate policy decisions should this be required.



Ipumbu Shiimi
GOVERNOR