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FOR IMMEDIATE RELEASE

REPO RATE MAINTAINED AT 6.75 PERCENT

The Monetary Policy Committee (MPC) of the Bank of Namibia left the Repo rate unchanged at 6.75 percent. This rate remains appropriate to maintain the one-to-one link between the Namibia Dollar and the South African Rand, while supporting domestic economic growth.

RECENT ECONOMIC DEVELOPMENTS

Economic growth in the key Advanced Economies (AEs), and Emerging Market and Developing Economies (EMDEs) presented a mixed picture during the third quarter of 2018. Since the previous MPC meeting, monetary policy stances of most key monitored economies were left unchanged.

1. Among the key advanced economies, the United States (US) and United Kingdom (UK) recorded higher year-on-year economic growth rates, while growth slowed in the Euro Area and Japan during the third quarter of 2018 compared to the preceding quarter. Growth in the AEs is projected to improve marginally to 2.4 percent in 2018, from a growth rate of 2.3 percent in 2017.
2. Among the EMDEs, economic growth slowed in Russia, India and China, but improved in Brazil and South Africa during the third quarter of 2018, compared to the preceding quarter. Going forward, economic growth in the EMDEs is projected to remain steady at 4.7 percent in 2018, the same as in the previous year.
3. Global economic growth is projected to remain steady at 3.7 percent in 2018, in line with the previous year's outcome, but marginally lower than the projection of 3.9 percent in July 2018. Key downside risks include rising trade barriers and Brexit uncertainty.



4. Since the previous MPC meeting in October 2018, most central banks in both the AEs and EMDEs left their policy rates unchanged at their most recent monetary policy committee meetings. The exception was the South African Reserve Bank, which raised its repo rate in November 2018.

The domestic economy remained weak during the first ten months of 2018. Inflation remained low, but started increasing in recent months. Private Sector Credit Extension (PSCE) growth continued to be slow, while the stock of international reserves edged lower, but remained sufficient to support the currency peg.

5. Domestic economic activity remained weak during the first ten months of 2018, although some sectors showed signs of improvement. Activity in sectors such as agriculture and wholesale and retail trade continued to decline, although there were notable improvements in sectors such as mining, transport and communication as well as manufacturing. The domestic economy is expected to remain weak for 2018 as a whole.
6. Annual inflation fell to an average of 4.1 percent for the first ten months of 2018 from 6.4 percent in the corresponding period of 2017. Since the previous MPC meeting, however, inflation has been trending upward from 4.4 percent in August 2018 to 4.8 percent in September and 5.1 percent in October, mainly due to rising fuel prices. Recent declines in fuel prices, however, suggest that the risk of further upward pressure on inflation from this source has been reduced considerably. Overall inflation is estimated to average around 4.3 percent in 2018 and projected at 5.4 percent for 2019.
7. Annual growth in PSCE slowed during the first ten months of 2018, compared to the corresponding period in 2017. The average annual growth rate of PSCE stood at 5.9 percent, lower than the 7.0 percent recorded over the same period in 2017. The slower growth in PSCE was due to reduced demand for credit by both the household and corporate sectors, especially for mortgage, overdraft and instalment credit. Since the previous MPC meeting, the annual growth in PSCE rose to 7.0 percent at the end of October 2018 from 6.3 percent reported in the last MPC statement.
8. As at 31st October 2018, the stock of international reserves stood at N\$31.1 billion, from N\$32.5 billion reported in the previous MPC statement. This level of international reserves is estimated to cover 4.2 months of imports of goods and services. At this

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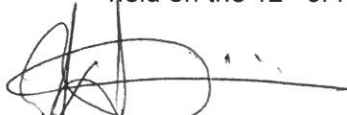
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level, the reserves are sufficient to protect the peg of the Namibia Dollar to the Rand, as well as meeting the country's international financial obligations.

Monetary Policy Stance

9. On the 4th of December 2018, the Monetary Policy Committee (MPC) of the Bank of Namibia held its bi-monthly meeting and decided to maintain the Repo rate unchanged at 6.75 percent. This decision was taken following a review of global, regional and domestic economic and financial developments. The next meeting of the MPC will be held on the 12th of February 2019.



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