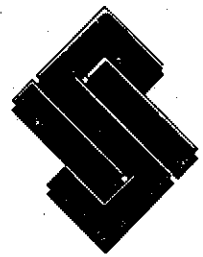


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PRESS STATEMENT

Monetary Policy Statement by the Bank of Namibia

The Global Economy

1. Since the last meeting of the Executive Committee, there have been additional signs that global recovery is on track, more especially from the fast growing dynamic emerging markets such as China, Brazil and India. In advanced economies, such as the US and the Euro-zone the pace of decline in output growth has slowed significantly, and lead indicators suggest a bottoming out of contractions in these economies. Reflecting improved demand conditions, commodity prices continued to strengthen, which bodes well for the recovery of Namibia's mineral exports. Nevertheless, the situation remains precarious, and at the recently concluded IMF and World Bank annual meetings there was consensus that monetary and fiscal stimulus measures should continue in the near-term to put the global economy on a firm recovery trajectory. This notwithstanding, some countries, such as Australia and Turkey have already started to introduce exit strategies, reflecting concern of the potential adverse effects of too long and sustained stimulus measures.

The Domestic Economy

2. Influenced by the strengthening of global demand conditions, there are more signs of the so called "green shoots" in the Namibia economy. In this connection, inflation continued its downward spiral, with the annual rate of inflation subsiding to 7.1 percent in September from 7.6 percent in the previous month. The performance of the mineral sector, in particular diamond mining continued to show encouraging signs of recovery.


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Nevertheless, it will still take a while for diamond production to increase to pre-crisis levels. Activities in the tourism sector, the other sector severely affected by the global economic crisis, continues to be relatively weak, as both the number of tourist arrivals and the bed occupancy rates of tourist outlets declined in the month of August compared to one year earlier.

3. With respect to demand indicators, the situation remains mixed. While the number of buildings plans of major municipalities have increased during the month of September, growth in new vehicle sales and private sector credit extension remain relatively weak. In this connection, the annual growth rate of credit extended to the private sector slowed to 9.5 percent in August from 9.8 percent in the previous month. This rate is also lower than the 10.9 percent recorded in August 2008. The decline in credit extension was reflected in growth of credit to both individuals and businesses which moderated to 7.5 percent and 13.2 percent, respectively, on an annual basis. The expansion of collateralized credit, which is dominated by mortgage and motor vehicle credit, slowed to 9.2 percent in August from 10.6 percent in July. During the month of September, there has been a further decline in international reserves due to the appreciation of the NAD against major currencies and various Government foreign payments. However, at N\$13 billion, the international reserves are still more than sufficient to support the currency peg.

Monetary Policy Stance

4. The Executive Committee is of the view that the near term outlook for the Namibian economy has improved somewhat, although it might still take a while for the recovery to become sustainable. While there is no immediate threat to the inflation outlook, the Committee is fully aware of the upside risk to the long-term inflation due to excessive global stimulus and anticipated global recovery. Taking into account all these developments, the Executive Committee has decided to leave the Repo rate unchanged at 7 percent per annum.


Tom K. Alweendo
GOVERNOR