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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 is deemed appropriate to continue supporting domestic economic growth, while maintaining the one-to-one link between the Namibia Dollar and the South African Rand.

RECENT ECONOMIC DEVELOPMENTS

Economic growth in the key Advanced Economies (AEs) and Emerging Market and Developing Economies (EMDEs) is estimated to have weakened slightly in 2018, compared to 2017. Since the previous MPC meeting, monetary policy stances of most key monitored economies were left unchanged, with the exception of the USA, Russia and Angola.

1. Global real GDP growth is estimated to have moderated slightly to 3.7 percent in 2018 from 3.8 percent in 2017, reflecting weaker growth in both the AEs and EMDEs. Going forward, growth in the global economy is projected to slow further to 3.5 percent in 2019, due to a loss of momentum in both the AEs and EMDEs.
2. The economic growth rate for AEs is estimated to have slowed marginally to 2.3 percent in 2018 from 2.4 percent in 2017. The slowdown is on account of weaker performances in the Euro Area, United Kingdom (UK) and Japan, whereas growth in the United States (US) accelerated. Growth in the AEs is projected to weaken to 2.0 percent in 2019.
3. Among the EMDEs, growth is estimated to have moderated to 4.6 percent in 2018 from 4.7 percent in 2017, mainly dragged down by China, South Africa and Angola. Growth rates in Brazil, Russia and India are estimated to have increased in 2018, compared

to 2017. Going forward, the EMDEs are projected to record a marginally slower growth rate of 4.5 percent in 2019. The outcome of the trade negotiations between the largest countries remains a major risk to the global economic outlook with major implications for EMDEs.

4. Since the previous MPC meeting in early December 2018, most central banks in both the AEs and EMDEs left their policy rates unchanged. The exceptions were the US Federal Reserve and the Bank of Russia raising and the National Bank of Angola cutting policy interest rates.

The domestic economy remained weak in 2018. Inflation and Private Sector Credit Extension (PSCE) growth slowed. The stock of international reserves remained sufficient to support the currency peg.

5. The domestic economy remained weak in 2018 with an estimated further slight decline in real GDP, following negative growth of 0.9 percent recorded in 2017. The weak outcome in 2018 was mainly due to declining economic activity in sectors such as agriculture and wholesale and retail trade. Other sectors, including mining, transport and communication as well as manufacturing improved during the same period. The domestic economy is projected to record positive growth in 2019.
6. Annual average inflation for 2018 was lower at 4.3 percent compared to 6.2 percent for 2017, mainly on account of declining housing and food inflation. In the recent months, however, inflation increased, recording 5.1 percent in December 2018. Going forward, overall inflation is projected to average around 5.6 percent in 2019.
7. Annual average growth in PSCE slowed marginally to 6.1 percent during 2018, from 6.6 percent in 2017. The moderate 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 slowed to 6.7 percent at the end of December 2018 from 7.0 percent for October 2018, as reported in the December MPC statement.
8. As at 31st January 2019, the stock of international reserves stood at N\$30.7 billion, from N\$31.1 billion reported in the previous MPC statement. This amount of international reserves is estimated to cover 4.2 months of imports of goods and

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services. At this level, the reserves are sufficient to protect the peg of the Namibia Dollar to the Rand, and meet the country's international financial obligations.

Monetary Policy Stance

9. On the 12th of February 2019, 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 9th of April 2019.

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