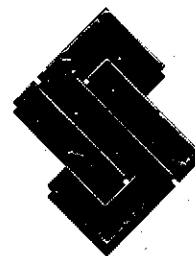


**Bank of Namibia**

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09 December 2009

**PRESS STATEMENT****Monetary Policy Statement by the Bank of Namibia****The Global Economy**

1. There have been more signs of a recovery of the world economy. Most advanced economies, with the exception of the United Kingdom reported positive output growth during the third quarter of 2009. Output growth in emerging market economies, in particular China and India remained robust during the third quarter of 2009 and the South African economy also appear to have turned the corner by recording a moderate expansion of about 1 percent during the same period.
2. Supported by improved demand conditions, stock markets in all regions of the world performed well during the three months ending November 2009 and commodity prices continued to strengthen, which bodes well for the recovery of Namibia's mineral exports. Nevertheless, a full recovery of the global economy is all but given, and the situation remains precarious, as was again demonstrated by the recent volatility in stock markets following the declaration of a 6 month debt moratorium in Dubai; it would, therefore be premature to speak of a sustained recovery. Moreover, even if output growth remains positive, the level of GDP will remain well below potential in both advance and developing economies.

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3. One particular concern with respect to the global economic recovery is the fact that unemployment rates across most advanced economies remain stubbornly high. This puts additional stress on consumption led growth, especially in the United States, where household consumption accounts for a significant share of economic growth. Although the unemployment rate in the US marginally moderated to 10.0 percent in November from 10.2 percent a month earlier, it is estimated more than 15 million Americans are out of work, which is twice the number at the start of the recession.

### **The Domestic Economy**

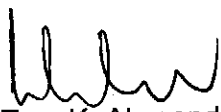
4. Regarding the Namibian economy, supply of Namibia's key commodities have moderately increased in line with the improved global economic outlook, while domestic demand conditions have also shown more signs of recovery following previous rounds of monetary easing. However, as with the global economy, it will take a while for economic activity in Namibia to return to its pre crisis level and for full confidence to be restored in the economy.
5. Supported by a significant slowdown in transport and food price inflation, the annual rate of consumer price inflation remained unchanged at 7.1 percent during October 2009. This is significantly lower than the 12.0 percent recorded in the same month of 2008. Even more significant is the fact food price inflation, the single largest item in the overall consumption basket, slowed to 7.8 percent in October, from a high of 18.0 percent one year earlier.
6. Other demand indicators such as private credit extension, motor vehicles sales and building plans approved displayed positive developments during the month of October. In this connection, credit extended to businesses, which augurs well for the future recovery of the Namibian economy expanded at a healthy annual growth rate of 15.4 percent during October. On the other hand, credit extended to the household sector continued to be depressed, slowing on an annual basis to a mere 7.0 percent in October. However, the lag between monetary easing and credit growth is estimated to be between 18 and 24 months in the case of Namibia, and it is expected that credit extended to this sector will increase in

the near future. During the month of October new vehicles sales rose on a monthly basis by 17.5 percent; mainly on account of an increase in commercial vehicles sales which rose by 30.1 percent. Similarly, the total number of building plans approved, which indicates future construction activity, rose on a monthly basis, as well as on an annual basis during the month of October.

7. During the month of October, there has been welcome increase in the country's international reserves, to a record high of N\$15.8 billion. This translates in about 5 months of import cover and also augurs well for the maintenance of the currency peg, which required that all currency in circulation should be back by international reserves.

### **Monetary Policy Stance**

8. 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 associated with excessive global stimulus and upward pressure on energy and food prices due to the 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**