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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 level 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

Global economic activity is estimated to have improved in 2017 compared to 2016 and the growth momentum is projected to continue in 2018. Monetary policy stances in key economies have remained accommodative.

1. Global real GDP expanded by 3.7 percent in 2017 compared to 3.2 percent in 2016, on the back of increased economic activity in both Advanced Economies (AEs) and Emerging Market and Developing Economies (EMDEs). This growth was on account of stronger global household income, improved labour markets and demand. Going forward, the global economy is projected to grow by 3.9 percent in 2018.
2. Growth for AEs is estimated to have improved to 2.3 percent in 2017, compared to 1.7 percent in the previous year, led by the United States, Europe and Japan. Stronger global demand and supportive financial conditions contributed to this growth. The AEs are projected to maintain the same growth rate of 2.3 percent in 2018. In the EMDEs, growth is estimated to have improved to 4.7 percent in 2017 from 4.4 percent in 2016, supported by key Asian economies, as well as notable recoveries in Russia and Brazil following recessions experienced in the previous year. EMDEs are projected to expand by 4.9 percent in 2018.



3. Risks to the global outlook remain and include amongst others: financial market corrections, faster than expected increases in advanced economies' core inflation rates, high debt levels in some countries, policy and political uncertainties, as well as extreme weather events.
4. Since the last MPC meeting in December 2017, monetary policy stances in both the monitored AEs and EMDEs generally remained accommodative. The US Federal Reserve raised the target range for the federal funds rate by 25 basis points to 1.25 -1.50 percent. On the contrary, the central banks of Brazil and Russia lowered their policy rates by 50 basis points to 7.0 percent and 7.75 percent, respectively, citing more favourable inflation developments and the need to support recovery as some of the reasons for the cuts.

The domestic economy is estimated to have remained weak in 2017. Inflation and the rate of growth in private sector credit extension (PSCE) slowed, while the stock of international reserves continues to be sufficient.

5. The domestic economy remained weak in 2017. The weak performance is mainly attributed to a decline in the construction and wholesale and retail trade sectors, coupled with slower growth in manufacturing, electricity and water, as well as, transport and communication. Other key sectors such as mining and agriculture, however, improved over the same period. Domestic growth is projected to start a gradual recovery in 2018.
6. Annual inflation averaged 6.2 percent in 2017, compared to 6.7 percent in the previous year. The moderation was mainly due to a significant decline in inflation for food and non-alcoholic beverages during 2017, while inflation for the housing and transport categories accelerated on average during the period under review. On a monthly basis, however, the inflation rate remained constant at 5.2 percent during December 2017, the same as the previous two months. Going forward, inflation is expected to average around 5 percent for 2018.

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7. Annual growth in PSCE slowed during 2017. The average annual growth in PSCE stood at 6.6 percent in 2017, lower than the 11.4 percent recorded in 2016. The slower growth in PSCE is due to reduced growth in credit advanced to both the household and corporate sectors, especially in the form of mortgage and instalment credit. Since the last MPC meeting, the growth in PSCE moderated further to 5.1 percent at the end of December 2017, from 5.2 percent for October 2017 as reported at the previous MPC meeting.
8. Namibia's external current account deficit has narrowed considerably in 2017, from a much higher deficit in 2016, on account of reduced imports and improved exports. Furthermore, as at 31 December 2017, the official stock of international reserves stood at N\$30.2 billion, representing an increase, both on a monthly and annual basis. The annual increase mainly stemmed from higher SACU receipts, debt repayments by the Banco Nacional de Angola, as well as an African Development Bank (AfDB) loan. At this level, the stock of international reserves is estimated to cover 4.7 months of imports of goods and services, and thereby remains sufficient to sustain the currency peg between the Namibia Dollar and the South African Rand.

Monetary Policy Stance

9. On the 13th of February 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 10th of April 2018.



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