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FOR IMMEDIATE RELEASE

REPO RATE MAINTAINED AT 7.00 PERCENT

The Monetary Policy Committee (MPC) of the Bank of Namibia kept the Repo rate at 7.00 percent. MPC is of the view that at this level, the Repo rate is appropriate to support growth and maintain the one-to-one link of the Namibia Dollar to the South African Rand.

RECENT ECONOMIC DEVELOPMENTS

The global economy remained fragile during the second quarter of 2016, and is expected to slow down for the remainder of the year. Monetary policy in both key advanced economies and Emerging Market Economies (EMEs) remained accommodative.

1. The global economy is projected to moderate to 3.1 percent in 2016, compared to 3.2 percent in the previous year, mainly due to weaker growth in the advanced economies. Global growth, however, is expected to improve slightly to 3.4 percent in 2017. The growth for advanced economies is projected to slow down to 1.6 percent in 2016, on the back of the uncertainty regarding the impact of the Brexit vote, as well as the expected decline in the US GDP growth in 2016. The forecast for the advanced economies for 2017 remains at 1.8 percent. Growth in the EMEs and developing economies is projected to strengthen slightly in 2016 to 4.2 percent and 4.6 percent in 2017, due to improved sentiments of businesses and consumers.

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2. Risks to the outlook, however, remain and mainly include: the uncertainty regarding the impact of the Brexit vote, weak commodity prices, and the ongoing drought in East and Southern Africa.
3. Since the last MPC meeting in August 2016, monetary policies in both the key advanced economies and EMEs have been accommodative. All the central banks of the key economies maintained their monetary policy stances, while India and Russia cut their benchmark rates by 25 and 50 basis points, respectively.

The domestic economy slowed during the first eight months of 2016, while the annual inflation rate increased, when compared to the same period of 2015. Growth in private sector credit extension (PSCE) moderated, due to slower growth in credit extended to both the corporate and household sectors. The stock of international reserves remained sufficient to meet the country's foreign obligations.

4. Selected economic indicators in the domestic economy recorded a slower growth in the first eight months of 2016. The unfavourable performance was recorded in the mining sector, particularly in diamond and zinc production. Lower production in the manufacturing, transport, construction and agricultural sectors also contributed to this slower growth. Activities in the wholesale and retail trade sector as well as the communication subsector, however, continued to perform positively.
5. The annual inflation rate increased in 2016, when compared to 2015. Inflation averaged 6.5 percent during the first nine months of 2016, compared to 3.4 percent over the same period of 2015. This was mainly driven by the rise in the average inflation rates for major categories such as housing, water, electricity, gas and other fuels, transport as well as food. The annual inflation rate increased slightly to 6.9 percent in September, compared to 6.8 percent in August 2016.
6. Growth in PSCE slowed to 12.1 percent during the first eight months of 2016 in relation to 15.6 percent in the corresponding period of 2015. This is attributed to

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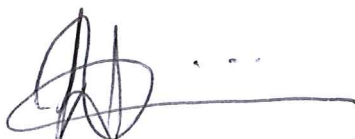


reduced growth in credit advanced to both corporate and household sectors. Despite this moderation, it is still high in relation to pre-crisis average levels of 11.46 percent and 10.10 percent registered during 2008 and 2009, respectively. The MPC, however, considers this level of credit growth to be sufficient in supporting economic activities.

7. As at 17th October 2016, the stock of international reserves stood at N\$22.6 billion, an increase from N\$19.2 billion as at 12th August 2016. At this level, the stock of international reserves was estimated to be about 2.9 months of import cover.

Monetary Policy Stance

8. On the 18th of October 2016, the Monetary Policy Committee (MPC) of the Bank of Namibia held its bi-monthly meeting and decided to maintain the Repo rate unchanged at 7.00 percent. This decision was taken, following a review of the global, regional and domestic economic conditions, as well as the financial developments since the last meeting held on the 16th of August 2016. The next MPC meeting will be held on the 6th of December 2016.



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GOVERNOR

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