



Date: 19 February 2014
Attention: News Editor
Ref: 9/6/2

FOR IMMEDIATE RELEASE

REPO RATE UNCHANGED AT 5.50 PERCENT

Global economic growth strengthened in the second half of 2013, as activities in the advanced and emerging economies picked up. Domestic developments suggest that the performance of the Namibian economy was satisfactory during 2013. The prospects for 2014 remain encouraging with improved economic growth and sustained low inflation. International reserves remain sufficient to sustain the fixed exchange rate. Planned targeted interventions to slowdown the growth in instalment credit, import of non-productive goods and over indebtedness are underway. Given the above developments, the Monetary Policy Committee holds the view that the repo rate should remain unchanged at 5.50 percent. With the recent increase in the South African repo rate, the official interest rates in the two countries are now the same.

The global growth recovered in the second half of 2013 and it is expected to improve further in 2014.

1. Growth in advanced economies, in particular the US, the UK and Japan, improved during the second half of 2013. Similarly, in the emerging market economies, growth picked up in Brazil and India. In China, economic growth remained steady at 7.7 percent, despite initial concerns of a slowdown.
2. The monetary policy environment remained largely accommodative in advanced economies, although the US Federal Reserve started cutting back its monetary expansion program. Some emerging markets such as India,

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Brazil and South Africa increased interest rates mainly to stem capital outflows and ease inflationary expectations.

Domestic developments suggest that the performance of the Namibian economy was satisfactory during 2013. The prospects for 2014 remain encouraging with improved economic growth and sustained low inflation.

3. Growth in 2013 was mainly driven by construction, mining and wholesale and retail trade. The brisk growth of construction sector activities reflected sizeable mining investments and public sector capital programmes. Mineral production, mainly diamonds and zinc concentrate, sustained the performance of the mining industry. Growth of the wholesale and retail trade sectors was supported by increases in disposable income as a result of the reduction in income tax rates for individuals and re-grading of civil servant salaries. On the other hand, the agricultural sector remained weak due to the drought.
4. The domestic economy is forecasted to grow by 5.3 percent in 2014. This growth is likely to be supported by high growth in the construction sector, mining and strong consumer demand.
5. Namibia's overall average inflation slowed in 2013, mainly due to a reduction in food and transport inflation. The annual overall inflation rate decreased from 6.7 percent in 2012 to 5.6 percent in 2013. Going forward, inflation is projected to increase moderately to 6 percent in 2014, which is still an acceptable level. The upside risks to inflation are mainly the impact of the depreciation of the national currency on imports.
6. The growth in private sector credit extension (PSCE) moderated to 14.3 percent by end December 2013, compared to 17.0 percent by end December 2012. The relative slower growth reflected a decline in levels of overdraft credit and no growth in other loans and advances granted to the business sector. On the other hand, growth in instalment credit for individuals remains

Contact:

Department of Strategic Communications and Financial Sector Development
Bank of Namibia, Tel: (061) 283 5114, Fax: (061) 283 5546 or email: info@bon.com.na

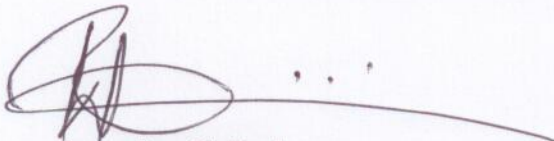
elevated and warrants constant monitoring. In this regard, a process of initiating targeted intervention has started.

7. At the end of January 2014, international reserves stood at N\$18.2 billion compared to N\$15.7 billion at the end of December 2013. International reserves remain sufficient to support the fixed exchange rate between the Rand and the Namibia Dollar.

8. In view of the above developments, an accommodative monetary policy is still needed to support the economy, while the planned targeted policy initiatives should slowdown the growth of instalment credit, reduce imports of non-productive goods and address over-indebtedness. Inflation remains within acceptable levels. Following the South African Reserve Bank decision to hike its repo rate in January 2014, the official interest rate differential between Namibia and South Africa has been eliminated.

Monetary Policy Meeting

On the 18th of February 2014, the Monetary Policy Committee (MPC) of the Bank of Namibia held its bi-monthly meeting to decide on the monetary policy position for the next two months. The meeting reviewed the global, regional and domestic economic and financial developments since the last meeting, held on the 11th of December 2013, and the decision was taken to keep the repo rate unchanged at 5.50 percent. The next meeting of the MPC will be held on the 15th of April 2014.



Ipumbu Shiimi

Governor

Contact:

Department of Strategic Communications and Financial Sector Development
Bank of Namibia, Tel: (061) 283 5114, Fax: (061) 283 5546 or email: info@bon.com.na