



Date: 17 February 2016
Attention: News Editor
Ref: 9/6/2

FOR IMMEDIATE RELEASE

REPO RATE INCREASED TO 6.75 PERCENT

The Monetary Policy Committee (MPC) of the Bank of Namibia decided to increase the Repo rate by 25 basis points to 6.75 percent, to align interest rates within the Common Monetary Area (CMA). This decision was necessary to avoid possible capital outflows, which could put pressure on the country's reserves. While the MPC welcomes the continued slowdown in the growth in installment credit, the recent significant increases in other loans and advances are a concern. With the increase in the Repo rate, it is expected that deposit-taking institutions will also increase deposit rates by the same margin, thus encouraging savings.

RECENT ECONOMIC DEVELOPMENTS

Growth in the Advanced Economies slightly improved, mainly supported by favourable financial conditions. Most key Emerging Market Economies (EMEs) continued to slow, with some falling further into recession. Commodity prices remained weak. Monetary policy stances were divergent in both Advanced and Emerging Market Economies.

1. Advanced Economies are estimated to have grown by 1.9 percent in 2015, compared to 1.8 percent in 2014 and are expected to grow by 2.1 percent in 2016. The US was one of the significant contributors to this slightly improved growth, having grown by 2.5 percent in 2015, from 2.4 percent in 2014. Growth in both the Euro area and Japan was also forecasted to have improved slightly,

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while that of the UK is estimated to have slowed. In the EMEs, growth is also projected to have slowed to 4.0 percent in 2015, from 4.6 percent in the previous year. With the exception of India, growth in most key emerging market economies is estimated to have slowed. China's economy moderated to 6.9 percent in 2015, from 7.3 percent in 2014. Growth in both Brazil and Russia was projected to have contracted, while that of South Africa and other developing economies such as Angola are estimated to have slowed.

2. Going forward, global growth is projected to improve to 3.4 percent in 2016, from 3.1 percent in 2015. Risks to the global outlook remain: fragile economic activities in key emerging markets and developing economies, such as the moderation in the Chinese economy, lower commodity prices, as well as possible further hikes in the US interest rate and geopolitical risks.
3. Since the last MPC meeting, the monetary policy stances in the advanced economies were divergent. The US increased its policy rate in December 2015, while the Bank of England left the policy rates unchanged. Conversely, the Bank of Japan further reduced its policy rate to negative territories to avoid deflation. The European Central Bank reduced their deposit rate further in December 2015 to encourage lending. In EMEs, with the exception of the South African Reserve Bank (SARB), which increased its policy rate, all other monetary policy authorities retained their stances. The increase by the SARB was attributed to the inflationary pressures, resulting mainly from the persistent depreciation of the Rand, coupled with higher food prices resulting from the drought conditions.

The domestic economy displayed a positive performance during 2015, despite weak commodity prices. Growth in Private Sector Credit Extension (PSCE) moderated during 2015. Although the annual inflation rate remained low and stable in 2015, it rose in January 2016 and is expected to rise further for the most part of 2016. While the domestic economy is expected to record

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favourable growth in 2016, risks to domestic economic growth remain and include soft commodity prices, the effects of the drought and slow recovery in the country's trading partner economies.

4. The domestic economy continued with a positive performance during 2015, although lower, compared to 2014. This was mainly on account of good performance in the construction, wholesale and retail trade as well as transport sectors, albeit lower than in 2014. The mining sector, however, performed weakly, as reflected in the declined production of most minerals, with the exception of gold. In the agricultural sector, farmers reduced their stock in response to the drought conditions, as mirrored in increased livestock marketing during the year. Going forward, the economy is projected to grow by 4.3 percent in 2016, from an estimated 4.5 percent in 2015, supported by good growth prospects across all industries. Nonetheless, risks to the domestic growth remain and include soft commodity prices, sustained effects of the drought and slow recovery in the country's trading partner economies.

5. Domestic demand as reflected in the annual growth of PSCE slowed slightly on average to 15.3 percent in 2015, when compared to 15.7 percent in 2014. Of note, growth in PSCE slowed significantly to 13.5 percent in December 2015 from 16.4 percent in the previous year. The moderate growth in PSCE primarily resulted from reduced growth in all credit categories for both businesses and individuals, with the exception of other loans and advances, which accelerated. A positive development is the continuing declining trend in the annual growth in instalment credit extended to individuals, which slowed from a high of 23.5 percent in February 2015 to 14.1 percent in December 2015. In contrast, growth in other loans and advances increased from 17.5 percent to 20.9 percent over the same period.

6. Namibia's annual average inflation for 2015 declined to 3.4 percent from 5.4 percent in 2014. It, however, increased considerably to 5.3 percent in January

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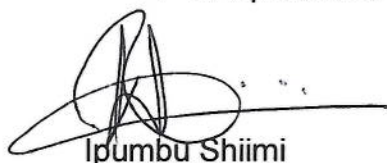


2016 from 3.7 percent in December 2015. While the low international oil price has been the factor behind the downward pressure on the overall inflation in 2015, the depreciation of the Namibia Dollar against the US Dollar somewhat reversed these benefits. Going forward, annual inflation is expected to increase gradually for the remainder of the year.

7. The stock of international reserves remains sufficient to sustain the one-to-one link of the Namibia Dollar to the South African Rand, being 5.8 times the currency in circulation. The level of international reserves stood at N\$27.4 billion as at the 11th of February 2016, compared to about N\$23.0 billion reported at the last MPC meeting. This level is now at 3.5 months of import cover, higher than the international benchmark of 3 months. This increase in the level of reserves was primarily due to SACU inflows and the depreciation of the domestic currency.

Monetary Policy Stance

8. On the 16th of February 2016, 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 as well as the financial developments since the last meeting held on the 8th of December 2015. A decision was then taken to increase the Repo rate by 0.25 percent to 6.75 percent. The next meeting of the MPC will be held on the 11th of April 2016.



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