

Bank of Namibia

71 Robert Mugabe Avenue
PO Box 2882, Windhoek, Namibia
Tel +264-61-2835130 Fax +264-61-229874

**Office of the Governor**

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PRESS STATEMENT
QUARTERLY BULLETIN THIRD QUARTER 2006

ECONOMIC DEVELOPMENTS IN NAMIBIA FOR THE THIRD QUARTER (July-September) OF 2006

The world economy showed signs of expansion during the third quarter of 2006, although at a slower pace due to slowdowns in the US and Euro economic growth relative to the preceding quarter. The Japanese economy had, however, continued with its improved growth, supported by domestic demand, while world inflation prospects have improved since mid-July as oil prices leveled off.

The Namibian economy posed a good performance during the third quarter of 2006. The positive performance emanated from activities in the sectors like mining and quarrying, wholesale and retail trade, repairs, transport and communication and hotels and restaurants. The performance of other sectors like agriculture, construction and electricity and water was poor.

Inflationary pressure in Namibia continued to rise during the third quarter of 2006, despite tightening in monetary policy and an abatement in the international oil prices. The average quarterly inflation rate accelerated to 5.3 percent during the third quarter of 2006, compared to 4.9 percent observed during the preceding quarter. The rate recorded during the third quarter is 3.0 percentage points higher than that of the corresponding quarter of 2005.

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The money market was characterized by a further tightening of the monetary policy during the third quarter of 2006. The Bank rate rose by 50 basis points from 7.50 percent in July to 8.00 percent in August. The decision to increase the Bank rate was largely based on the mounting inflationary pressure caused mostly by the rising international oil prices. Due to continued inflationary pressure, the Monetary Policy Management Committee of the Bank of Namibia increased the Bank rate by another 50 basis points to 8.50 percent in October and by the same magnitude to 9.00 in December 2006. At this level, the intervention policy rate became the highest since December 2003 when the rate was 7.75 percent.

The growth in money supply decelerated during the third quarter of 2006 to 4.7 percent, from an expansion of 9.6 percent recorded during the second quarter. This growth compares to a decline of 0.7 percent in broad money during the corresponding quarter of the preceding year. The decelerating pace in the growth of money supply during the third quarter emanated from the same trend observed in domestic credit despite an expansion in net foreign assets during the same period.

The total liability of Central Government rose by 3.0 percent during the second fiscal quarter of 2006/07 from that recorded during the preceding quarter, on account of the rise in both domestic and foreign debt. As a percentage of GDP, total debt stock increased to 32.0 percent during the quarter from 31.1 percent during the preceding quarter.

The Namibian balance of payments continued recording a current account surplus and capital and financial account deficit during the third quarter of 2006. When compared to the preceding quarter and corresponding quarter of 2005, both the current account surplus and capital and financial account deficit widened. The overall balance of the balance of payments also continued recording a surplus, higher than that recorded in the previous quarter.

During the third quarter of 2006, like in the preceding quarter, the Namibia Dollar continued to depreciate, quarter-on-quarter, against the US Dollar, Pound Sterling and Euro at rates of 10.9 percent, 13.7 percent and 12.4 percent, respectively.

In summary, available indicators measuring economic activities in Namibia, reflected good performance of the economy. However, despite increases in the Bank rate during the first three quarters of 2006, inflationary pressure continued to emerge in the economy.

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Ipumbu Shiimi

ASSISTANT GOVERNOR