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**FOR IMMEDIATE RELEASE**

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## **REPO RATE MAINTAINED AT 7.00 PERCENT**

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*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, while maintaining the one-to-one link between the Namibia Dollar and the South African Rand.*

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### **RECENT ECONOMIC DEVELOPMENTS**

**Global growth slowed in 2016, but is expected to improve moderately in the following year. Monetary policy stances remained accommodative in both key advanced and Emerging Market Economies (EMEs).**

1. Global growth slowed in 2016 compared to 2015. This slowdown is due to weaker growth in some key advanced economies such as the U.S., U.K and the Euro Area. On the contrary, emerging market economies are expected to improve over the same period, though this improvement is not sufficient to offset the impact of slower growth in advanced economies on overall global growth.
2. Global outlook, however, points to a gradual recovery in 2017. Risks to the outlook, remain and include, the weaker appetite of China for commodities, the uncertainty of the Brexit negotiations, geopolitical risks, as well as the impact of higher interest rates in the U.S. on the global financial markets.
3. Since the last MPC meeting in October 2016, monetary policy stances in both key advanced economies and EMEs remained accommodative. Central banks of the key economies maintained their monetary policy stances, except for Brazil and

India, which cut their benchmark rates by 50 and 25 basis points, respectively. The accommodative monetary policies and possible fiscal support in some countries are expected to contribute positively to economic growth in the coming quarters.

**Domestic economic activities and growth in private sector credit slowed, while the annual inflation rate rose during the first ten months of 2016, relative to the corresponding period of 2015. The stock of international reserves remained sufficient to meet the country's foreign obligations.**

4. Domestic economic activities continued to record slower growth during the first ten months of 2016, when compared to 2015. The weaker growth was mainly attributed to the declines in the production of diamonds, zinc, cement and blister copper, as well as, the construction, agriculture and transport sectors. The wholesale and retail trade sector, as well as the communication subsector, however, continued to perform positively. The Namibian economy is expected to grow by 2.5 percent in 2016, from 5.3 percent in 2015, but is projected to improve in 2017. Risks remain and include, low commodity prices and the persistent drought.
5. The annual inflation rate rose, on average, to 6.6 percent during the first ten months of 2016, compared to 3.4 percent in 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. On a monthly basis, the annual inflation rate rose to 7.3 percent in October 2016, when compared to 6.9 percent in September. Annual inflation is projected to average 6.7 percent and 5.9 percent in 2016 and 2017, respectively.
6. Growth in private sector credit extension (PSCE) slowed in 2016. Annual growth of PSCE was 11.8 percent over the first ten months of 2016, compared to 15.5 percent for the same period in 2015. This was reflected in credit extended to both

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the corporate and individuals sectors. Credit extended to the corporate sector recorded a slower growth rate of 12.7 percent, compared to 19.6 percent in 2015. Similarly, growth in credit to individuals was slower at 11.2 percent in 2016, compared to 12.9 percent of 2015, for the same period under review. More recently, annual growth in credit extended to individuals dropped to below 10 percent, the lowest, since April 2011.

7. As at the 30<sup>th</sup> of November 2016, the stock of international reserves stood at N\$25.0 billion, an increase from N\$22.6 billion recorded in the last MPC statement. At this level, the stock of international reserves was estimated to be about 3.3 months of import cover, higher than the 2.9 months reported previously.

### **Monetary Policy Stance**

8. On the 6<sup>th</sup> of December 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 18<sup>th</sup> of October 2016. The next MPC meeting will be held on the 14<sup>th</sup> of February 2017.



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