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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 unchanged at 7.00 percent. This rate remains appropriate to maintain the one-to-one link between the Namibia Dollar and the South African Rand, without compromising growth.

RECENT ECONOMIC DEVELOPMENTS

The global economy is projected to improve slightly in 2017, compared to 2016.

1. The global economy is projected to grow by 3.5 percent in 2017, from 3.1 percent in 2016, supported by improved growth, both in the Advanced Economies (AEs) and Emerging Markets and Developing Economies (EMDEs).
2. Average economic growth in some key AEs slowed in the first quarter of 2017, compared to the previous quarter, although activity in Japan gained momentum. Going forward, the AEs are projected to grow by 2.0 percent in 2017, compared to 1.6 percent in 2016. The growth will mainly be driven by the US, which is projected to grow by 2.3 percent in 2017 from 1.6 percent in 2016.
3. On the other hand, economic activity in the EMDEs improved during the first quarter of 2017 compared to the previous quarter, except for South Africa, which contracted. The improved economic performance in the EMDEs was on account of Russia, Brazil and China, which posted improved growth rates during the first quarter of 2017, partly driven by a higher oil price and increased investment. In contrast, the South African economy, however, contracted by 0.3 percent in the fourth quarter of 2016 and by 0.7 percent in the first quarter of 2017, mainly due to low investment and consumption expenditure, sluggish exports and weak industrial growth. Going forward, the EMDEs

are projected to grow stronger by 4.5 percent in 2017 from 4.1 percent in 2016, supported by recovery in Russia and Brazil.

4. Downside risks to the 2017 global growth outlook include a shift to inward-oriented policies, which may reduce trade and cross-border investment flows. Other risks are a faster-than-expected pace of interest rate increases in the US, and a sharp appreciation of the US Dollar, undue financial tightening as well as continued weaknesses in the banking systems of some countries.
5. Since the last MPC meeting in April 2017, most central banks in both the AEs and EMDEs left their benchmark rates unchanged, except for Brazil and Russia. The policy rates of these two economies were cut by 100 basis points and 50 basis points to 10.25 percent and 9.25 percent, respectively to support their economic recoveries.

Available indicators show that the domestic economy remained weak during the first four months of 2017. The inflation rate moderated from February to April 2017. Growth in credit extended to the private sector (PSCE) slowed further, while the stock of international reserves remained sufficient to meet the country's foreign obligations.

6. The domestic economy remained weak during the first four months of 2017, compared to the same period in 2016. This feeble performance was largely reflected in sectors such as manufacturing, construction as well as wholesale and retail trade. Moreover, activity in the transport and communication sector also slowed, as mirrored in the lower cargo volumes for rail and sea transport. There are, however, some bright spots in the economy as reflected in the value addition for the communication subsector, which increased during the period under review. Similarly, activity in the mining sector increased, particularly in the production of diamonds, zinc and gold over the same period. Going forward, the production of uranium and blister copper is expected to improve during the remainder of the year.



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

7. Namibia's inflation rate slowed from 8.2 percent in January 2017 to reach 6.7 percent in April 2017. The decline in the inflation rate was mainly due to lower food inflation. Going forward, inflation is forecasted to average at 6.9 percent at the end of 2017.
8. The growth in PSCE slowed during the first four months of 2017. The annual rate of PSCE growth slowed to 8.6 percent during the first four months of 2017 from 13.0 percent during the same period of 2016. Since the last MPC meeting, the growth in PSCE slowed further to 8.1 percent at the end of April 2017, from 9.1 percent at the end of February 2017. The slow growth was visible in credit advanced to both the corporate and household sectors, especially in the subcategories of mortgage and instalment credit.
9. As at 1st June 2017, the preliminary stock of international reserves stood at N\$24.2 billion, representing an increase, both on a monthly and annual basis. The increase was largely a result of local institutional investors who decided to liquidate some of their foreign investments to invest in the domestic economy. At this level, the stock of international reserves is estimated to cover 3.7 months of imports of goods and services, and thereby remains sufficient to sustain the currency peg between the Namibia Dollar and the South African Rand.

Monetary Policy Stance

10. On the 13th of June 2017, 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 global, regional and domestic economic and financial developments. The next meeting of the MPC will be held on the 15th of August 2017.



Lipumbu 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