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FOR IMMEDIATE RELEASE

REPO RATE UNCHANGED AT 5.50 PERCENT

The global economy improved somewhat during the fourth quarter of 2013 and it is expected to expand further in 2014. The performance of the Namibian economy remained broadly satisfactory during the first two months of 2014. Looking ahead, Namibia's prospects for 2014 are encouraging, as economic growth is expected to continue and inflation will remain at sustainable levels. International reserves are still able to sustain the fixed exchange rate, although the rapid growth of imports and the sustained double-digit growth of instalment credit may put pressure on reserves, thus warranting monitoring. In light of the above developments, the Monetary Policy Committee was of the view that the Repo rate should remain unchanged at 5.50 percent in order to continue supporting the domestic economy.

The global economy improved somewhat during the fourth quarter of 2013 and it is expected to expand further in 2014.

1. Global economic growth strengthened broadly in the fourth quarter of 2013, with selected economic indicators suggesting further improvements in most advanced economies in the first quarter of 2014. Real GDP growth rates for the US and the UK are expected to increase in 2014. Growth in the Euro Area is also expected to improve, although concerns over weakening demand remain. The expansion of the Japanese economy, on the other hand, is expected to slow down due to scheduled tax increases.
2. Economic activities in emerging and developing economies are expected to pick up slightly in 2014, despite weaker growth in Brazil, China and India in the fourth quarter of 2013. There are, however, risks to the outlook, if the recovery of the global economy is not sustained and/or efforts to increase domestic demand in large economies are not successful. The on-going political tensions in Eastern Europe may also have negative impacts on economic growth in the European Union.

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3. The monetary policy environment has remained largely supportive to growth in advanced economies, although the Federal Reserve Bank reduced its monetary expansion program in the first quarter of 2014. Emerging markets, such as China, India, Russia and South Africa, kept their interest rates steady since the last Monetary Policy Committee meeting.

In line with global economic developments, the performance of the Namibian economy remained broadly satisfactory during the first two months of 2014. Looking ahead, the prospects for 2014 are encouraging as economic growth is expected to continue and inflation will remain at sustainable levels.

4. Domestic economic indicators show some improvements during the first two months of 2014, on the back of expansion in mining sector activities, mainly diamond mining, and in the construction sector. Moreover, wholesale and retail trade growth strengthened.
5. The domestic economy is forecasted to grow by 5.3 percent in 2014. This growth is expected to be supported by a sustained rapid pace of construction activities and mining, as well as strong growth in consumer demand.
6. Namibia's overall inflation has remained relatively low, standing at 5.2 percent in March 2014. The average inflation rate of the first three months of 2014 was 5.1 percent, well below the 6.0 percent average rate recorded during the same period last year. Inflation is anticipated to increase slightly in the second quarter of 2014, although it is expected to remain below 6 percent.
7. The annual growth rate in domestic private sector credit extension (PSCE) increased to 15.6 percent in February 2014, compared to annual growth rates of 14.3 percent in both January 2014 and December 2013. While credit growth to the household sector remains strong, the recent acceleration in PSCE growth was mainly due to higher growth in credit to the business sector than in recent months. The strong growth in household credit largely reflected high growth rates in mortgage loans, while growth in credit to the business sector was mainly explained by trends in overdraft and instalment credit.

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8. By the 11th of April 2014, the stock of international reserves stood at N\$17.5 billion, a level which remains sufficient to maintain the fixed exchange rate to the Rand. Going forward, the rapid growth of imports and the sustained double-digit growth rate in instalment credit may put pressure on reserves, thus warranting monitoring.

Monetary Policy Meeting

On the 15th of April 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 18th of February 2014. 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 17th June 2014.



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