



Date: 09 December 2015

Attention: News Editor

Ref: 9/6/2

FOR IMMEDIATE RELEASE

REPO RATE MAINTAINED AT 6.50 PERCENT

The Monetary Policy Committee (MPC) of the Bank of Namibia decided to keep the Repo rate unchanged at 6.50 percent. This decision was underpinned by the recent downward trend in the growth of instalment credit extended to households and the need to continue supporting the domestic economy.

RECENT ECONOMIC DEVELOPMENTS

Growth in the Advanced Economies (AEs) slowed, while that of the Emerging Market Economies (EMEs) moderated. Commodity prices continued to fall. Monetary policy stances in the advanced economies remained unchanged and supportive of economic growth, while those in the emerging markets were mixed over the review period.

1. Annual economic growth in the US, despite moderation, continued to expand by 2.1 percent in the third quarter compared to 3.9 percent recorded in the preceding quarter. Similarly, growth in the Euro area slowed to 0.3 percent over the same period of 2015, compared to the rate of 0.4 recorded in the previous quarter. The Japanese economy, however, is back on a recovery track in the third quarter after declining in the previous quarter. In the EMEs, overall growth also slowed, depicting a similar trend as in the advanced economies. The Indian economy remained strong, while that of China and South Africa moderated. The moderation in the Chinese economy is expected to have an adverse impact on commodity prices and thus export earnings of mineral producing countries,

Jv

including Namibia. On the other hand, growth in Russia and Brazil continued to contract during the quarter under review.

2. In this regard, global growth is estimated to be lower in 2015, compared to 2014, with a gradual pickup in advanced economies, while growth in EMEs and developing economies is expected to slow down. Going forward, risks to global economic growth remain and include increased financial market volatility, geopolitical tensions and lower commodity prices as a result of slow economic growth in key emerging market economies.
3. Monetary policy stances in the advanced economies remained supportive of economic activities. In EMEs, monetary policy stances were diverse in response to varying economic conditions. The monetary authorities in Brazil and Russia kept their policy rates unchanged, while China and India reduced theirs. In contrast, South Africa increased its policy rate to contain inflationary pressures resulting mainly from the persistent depreciation of the Rand against the US Dollar.

The domestic economy displayed a satisfactory performance during the first ten months of 2015, despite weak activities in the mining sector. Growth in instalment credit extended to households continued to slow during the review period. Annual inflation rate remained low. Risks to domestic economic growth include soft commodity prices, the prevailing drought and slow recovery in the country's trading partner economies.

4. The domestic economy continued to grow during the first nine months of 2015, primarily driven by robust construction activities in the public and private sectors. In addition, other sectors such as manufacturing, transport and communication contributed to the overall positive performance. The mining sector, however, remained weak during the review period, compared to the same period of 2014.

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



that may lead to the deterioration of the country's external position, the prevailing drought and slow recovery in the country's trading partner economies.

5. Domestic demand as reflected in the annual growth in Private Sector Credit Extension (PSCE) maintained a steady growth during the first ten months of 2015. Growth in PSCE stood at 15.6 percent during the first ten months of 2015, the same rate recorded over the same period in 2014. This was mainly on account of strong growth in credit extended to the corporate sector. Annual growth in credit extended to individuals, however, slowed. This was supported by annual growth in instalment credit extended to households, which moderated from a peak of 23.5 percent at the end of February 2015 to 14.7 percent at the end of October. The MPC is pleased with this positive development.
6. Annual inflation continued to decline on average during the first ten months of 2015, as reflected in most major categories and is expected to remain low for the remainder of the year. The annual inflation rate for the first ten months of 2015 was lower at 3.4 percent when compared to 5.5 percent during the same period last year. The lower inflation was mainly due to declining transport inflation on the account of low and favourable international oil prices as well as housing and food inflation.
7. The stock of international reserves remained sufficient to sustain the one-to-one link of the Namibia Dollar to the South African Rand, being 5.5 times higher than the currency in circulation as at the end of October 2015. The level of reserves rose substantially on a monthly basis to about N\$23 billion as at the 3rd of December 2015. This was primarily due to the issuance of the Eurobond and SACU receipts.

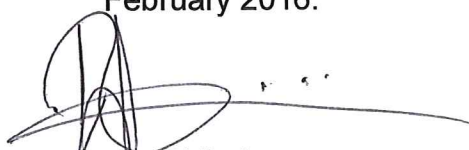
Contact:

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



Monetary Policy Stance

8. On the 8th December 2015, 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 20th October 2015. A decision was then taken to maintain the Repo rate at 6.50 percent. The next meeting of the MPC will be held on the 9th of February 2016.



Ipumbu 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