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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 unchanged at 7.00 percent. This rate remains appropriate to maintain the one-on-one link between the Namibia Dollar and the South African Rand, while supporting economic growth in Namibia.*

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### RECENT ECONOMIC DEVELOPMENTS

Growth in the global economy is estimated to have slowed in 2016, compared to 2015. It is, however, projected to slightly pick up in 2017. Both key advanced economies and Emerging Market Economies (EMEs) kept their monetary policies accommodative to support growth since the last MPC meeting.

1. The world economy is estimated to have registered growth of 3.1 percent in 2016, slightly lower than the 3.2 percent in 2015. Growth for advanced economies is estimated to have slowed to 1.6 percent in 2016, compared to 2.1 percent in the previous year. On the contrary, the Emerging Market and Developing Economies (EMDEs) is estimated to have maintained the same growth rate of 4.1 percent in 2016 as in 2015.
2. Global growth is expected to pick up to 3.4 percent in 2017, on account of positive developments in both advanced economies and EMDEs. The forecast for 2017 for advanced economies is 1.9 percent, while that for EMDEs is 4.5 percent. Downside risks to global growth, however, remain and include, uncertainty due to shifts towards protectionism by the US, and their implications for global trade, slower growth in China, geopolitical risks and weak banks' balance sheets in some Euro area member countries.



3. Since the last MPC meeting in December 2016, monetary policy stances in both key advanced economies and EMEs remained accommodative to support growth. Central banks of all key economies kept their policy rates unchanged, while Brazil lowered its rate.

**The domestic economy is estimated to have slowed during 2016, compared to 2015, while the overall rate of inflation increased. Growth in private sector credit slowed during 2016, compared to the previous year. The stock of international reserves remained sufficient to meet the country's foreign obligations.**

4. Domestic economic growth is estimated to have slowed in 2016, compared to the previous year. The slowdown is mainly attributed to the contractions in the construction and mining sectors, in particular diamond mining and metal ores, as well as slower activities in the public sector. The agricultural sector continued to contract in 2016, due to drought, though to a lesser extent than in 2015. Growth in tertiary industries is expected to sustain activities in the economy in 2016, mainly driven by activities in wholesale & retail trade and tourism, although estimated to be lower than that of 2015.
5. The annual inflation rate increased on average to 6.7 percent in 2016, compared to 3.4 percent in the previous year. This was mainly driven by the rise in the inflation rates for major categories such as housing, water, electricity, gas and other fuels, transport as well as food. The annual inflation rate increased to 8.2 percent in January 2017, from 7.3 percent in December 2016. This is the highest level since October 2009.
6. The average annual growth in private sector credit stood at 11.4 percent in 2016, lower than 15.3 percent in the previous year. This was due to low credit extended to both the corporate and household sectors. Total credit extended to businesses, on average, slowed to 12.1 percent, during 2016, compared to 18.9 percent in 2015. Lower growth was registered across most credit categories, with the exception of other loans and advances, which rose faster from 7.1 percent in 2015, to 10.8 percent during

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the review period. Similarly, the annual average growth rate in credit extended to individuals slowed to 10.9 percent in 2016, from 12.8 percent during 2015. The slower growth in credit to individuals was also reflected in overdraft, mortgage and instalment credit, while other loans and advances grew faster in 2016. Latest figures show that the downward trend in credit growth continued, with the annual growth of total private sector credit standing at 8.9 percent and for individuals at 9.3 percent, in December 2016.

7. The preliminary stock of international reserves stood at N\$22.9 billion, as at the 31<sup>st</sup> of January 2017. At this level, the stock of international reserves was estimated at 2.8 months of import cover. The stock of international reserves remains sufficient to sustain the one-to-one link of the Namibia Dollar to the South African Rand.

### **Monetary Policy Stance**

8. On the 14<sup>th</sup> of February 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 the global, regional and domestic economic conditions, as well as the financial developments.



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