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FOR IMMEDIATE RELEASE

REPO RATE MAINTAINED AT 6.50 PERCENT

The Monetary Policy Committee (MPC) of the Bank of Namibia decided to maintain the Repo rate at 6.50 percent, while assessing the impact of the last decision of the MPC. The MPC remains concerned about the high growth in instalment credit extended to households, despite the slowdown observed in the last few months. A considerable amount of these loans is still largely used to finance unproductive imported luxury goods, hence putting additional pressure on the international reserves of the country.

Recent Economic Developments

The global economy improved moderately during the second quarter of 2015. Growth in key advanced economies improved, with the exception of Japan where the economy declined. Growth in Emerging Market Economies (EMEs) remained somewhat mixed, with some economies continuing to contract. Monetary policies in key advanced economies remained supportive of growth, while those of emerging economies were diverse.

1. Economic activities in the US, UK and the Euro area continued to improve; offsetting the contraction in Japan. In the EMEs, China's real GDP growth remained around 7 percent in spite of recent challenges, while the economies of Russia and Brazil continued to contract further during the period under review. India's growth remained strong and is expected to improve in 2015, supported mainly by investment in infrastructure. Real GDP growth in South Africa is projected to increase to 2.3 percent in the second quarter of 2015, from 2.1

percent in the previous quarter. Going forward, global growth is projected to improve in 2015, with a gradual recovery in advanced economies; while EMEs are expected to slow down. Risks to global economic activities include increased financial market volatility and lower commodity prices.

2. Monetary policy stances of all key advanced economies remained supportive of growth, while those of emerging markets economies were mixed. Brazil and South Africa tightened, while India, China and Russia reduced their policy rates. Inflationary pressures in the advanced economies remained well contained in the second quarter of 2015. Inflation in some EMEs, however, remains high.

Key indicators in the domestic economy displayed positive developments during the first six months of 2015. Domestic inflation was contained over the same period. Risks to the domestic outlook remain, including lower commodity prices. The strong growth in household credit, particularly instalment credit is still a concern.

3. The primary drivers behind the improved domestic economy over the review period were robust construction activities in the public and private sector, as well as wholesale and retail trade. Going forward, the Namibian economy is expected to grow by 5.0 percent in 2015, up from 4.5 percent in the preceding year. Risks to domestic growth remain the slow recovery in the economies of the country's trading partners, low commodity prices and adverse weather conditions.
4. Private Sector Credit Extension (PSCE) continued to be strong, although it declined in June 2015, driven mainly by businesses. PSCE grew by 16.0 percent over the first six months, compared to the average of 15.3 percent over the same period in 2014. In June 2015, annual growth in PSCE, however, slowed to 14.7 percent from 16.1 percent in the previous month.
5. Growth in credit extended to the household sector slowed moderately, on average, over the first six months of 2015. Growth in household credit slowed over this period to 12.8 percent from 14.8 percent during the corresponding period of 2014. In contrast, instalment credit still grew strongly on average by

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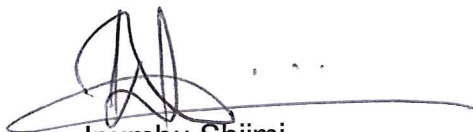


20.9 percent to N\$6.3 billion over the first six months of 2015. A positive development, however, is emerging with both the 3 month and 6 month moving averages of annual growth rates of the same slowing down.

6. Namibia's annual inflation rate declined during the first six months of 2015, and is expected to remain manageable for the rest of the year. The average inflation rate over this period slowed to 3.4 percent from 5.6 percent during the corresponding period of 2014. This trend continued as reflected in the latest figure of 3.3 percent for the month of July 2015. The decline in inflation was predominantly reflected in the categories transport, housing, water, electricity, gas and other fuels and food and non-alcoholic beverages.
7. The stock of international reserves remains adequate to maintain the one-to-one link of the Namibia Dollar to the Rand, being 3.9 times higher than the currency in circulation. The level of reserves stood at N\$13.0 billion as at the 18th of August 2015. The MPC is, however, still concerned about the high import bill resulting from the importation of unproductive goods such as luxury vehicles, which puts additional pressure on the country's international reserves.

Monetary Policy Stance

8. On the 18th August 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 and financial developments since the last meeting held on the 16th of June 2015, and the decision was taken to maintain the Repo rate at 6.50 percent. The next meeting of the MPC will be held on the 20th of October 2015.



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