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FOR IMMEDIATE RELEASE

REPO RATE MAINTAINED AT 7.00 PERCENT

The Monetary Policy Committee (MPC) of the Bank of Namibia decided to maintain the Repo rate unchanged at 7.00 percent. This decision was necessary to continue supporting the country's economic growth, particularly in light of slow and fragile recovery in the economies of Namibia's trading partners.

RECENT ECONOMIC DEVELOPMENTS

Global economy continued to be weak in the second quarter of 2016. Overall Monetary Policy stances remained relatively unchanged in both the advanced and emerging market economies (EMEs).

1. Most of the advanced economies recorded a moderation in their annualised GDP growth rates, with the exception of the UK. The annualised GDP growth rates of the US and the Eurozone moderated during the second quarter of 2016 when compared to the previous quarter. On an annual basis, the Japanese economic growth slowed to near zero, compared to a marginal expansion in the previous quarter. This can be attributed to weak domestic demand and continued negative inflation (deflation). Conversely, the UK continued to record positive growth rates of above 2.0 percent. Going forward, UK's vote to exit the EU at the end of the second quarter might negatively impact this positive growth in the remaining quarters of 2016.
2. Key EMEs continued to perform poorly, with the exception of India and China, during the period under review. Brazil and Russia continued to experience negative growth

rates. India, however, recorded a strong growth in excess of 7.0 percent in the first quarter of 2016, on the back of increased private sector spending. Likewise, China maintained a respectable growth of above 6.0 percent during the second quarter, resulting from strong public sector investments. In contrast, South Africa's GDP contracted over the same period on the back of a slowdown in activities in the mining and quarrying and manufacturing sectors. Similarly, the oil-dependent Angola continues to be negatively affected by low oil prices.

3. Going forward, the global economy is expected to expand by 3.1 percent and 3.4 percent in 2016 and 2017, respectively. Risks to the outlook, however, remain and include: uncertainty regarding the impact of Brexit, low commodity prices, geopolitical tensions, and the drought in East and Southern Africa.
4. Since the last MPC meeting in June 2016, monetary policy stances in both the advanced and EME's remained generally accommodative. Angola, one of Namibia's key trading partners, however, increased its policy rate to curb inflationary pressures.

The domestic economy slowed during the first six months of 2016 when compared to the same period in 2015. The annual inflation rate continued to rise, but remained within acceptable levels. Growth in Private Sector Credit Extension (PSCE) slowed due to lower demand from both the household and corporate sectors. The stock of international reserves declined, but remained sufficient to meet foreign obligations of the country.

5. Selected economic indicators showed a slower growth in the domestic economy during the first six months on 2016, compared to the same period in 2015. This was due to slow growth in the mining sector, particularly in the production of diamonds and zinc concentrate. Reduced activities in the manufacturing, transport, construction and agricultural sectors over the same period, also contributed to this weaker performance. Activities in the agricultural sector decreased mainly because of low marketing of livestock, resulting from the drought situation in the country. On the upside, wholesale and retail trade as well as communication sectors performed relatively strongly during the first six months of 2016. Going forward, growth is

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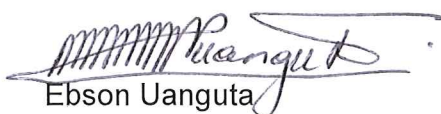
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expected to be positive, however, risks remain, which include low commodity prices, volatile exchange rate, the prevailing drought conditions and slow recovery in the economies of Namibia's trading partners.

6. Namibia's annual inflation rate rose during the first seven months of 2016. Similarly, the inflation rate increased to 7.0 percent in July 2016 from 6.7 percent in the previous month. The main drivers of inflation were increases in the inflation rates for the categories *food and non-alcoholic beverages, housing, water, electricity, gas and other fuels, as well as transport*. Going forward, annual inflation is projected to increase, but remain within acceptable levels for the remainder of the year.
7. Growth in PSCE slowed over the first six months of 2016, when compared to the corresponding months in 2015. During this period, the average annual growth in PSCE stood at 12.4 percent, lower than the 15.6 percent over the same period of 2015. This slowed growth stemmed from a reduced growth in credit advanced to both the corporate and household sectors in most credit categories.
8. The stock of international reserves stood at N\$19.2 billion by the 12th of August 2016. At this this level, the stock of international reserves was estimated to be equivalent to 2.4 months of import cover.

Monetary Policy Stance

9. On the 16th of August 2016, 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 as well as the financial developments since the last meeting held on the 14th of June 2016. The next MPC meeting will be held on the 18th of October 2016.



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