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FOR IMMEDIATE RELEASE

REPO RATE MAINTAINED AT 6.75 PERCENT

The Monetary Policy Committee (MPC) of the Bank of Namibia left the Repo rate unchanged at 6.75 percent. This rate remains appropriate to continue supporting domestic growth, while maintaining the one-to-one link between the Namibia Dollar and the South African Rand.

RECENT ECONOMIC DEVELOPMENTS

Economic growth in key economies moderated during the first quarter of 2018, compared to the preceding quarter. Monetary policy stances in key economies were generally left unchanged, except for a few central banks which increased interest rates.

1. Economic growth in key monitored economies moderated during the first quarter of 2018, compared to the preceding quarter. Growth was mainly dragged down by slower growth recorded in Advanced Economies (AEs), such as the UK, Euro Area, and Japan, mainly due to lower consumer spending and industrial production. Growth in the AEs is projected to be maintained at 2.4 percent in 2018, same level as 2017.
2. Among the Emerging Market and Developing Economies (EMDEs), economic activity presented a mixed picture during the first quarter of 2018. Russia and India registered higher growth rates, whereas Brazil and South Africa recorded slower growth during the first quarter of 2018. EMDEs are projected to grow by 4.9 percent in 2018 compared to 4.7 percent in 2017, mainly due to positive prospects from external demand.
3. Going forward, the global economy is projected to grow by 3.9 percent in 2018, up from 3.7 percent in 2017, on account of favourable financial conditions and strong investment in both AEs and EMDEs. Key risks to the global outlook remain and include amongst others: increased levels of trade protectionism, geopolitical tensions as well as the global impact of monetary policy normalisation.



4. Since the previous MPC meeting in June 2018, monetary policy stances in key economies were generally left unchanged, except for a few central banks which increased interest rates. While most central banks in both the AEs and EMDEs left their policy rates unchanged at their most recent monetary policy committee meetings, central banks in the US, UK and India raised their key policy rates.

Activity in the domestic economy improved during the first six months of 2018. Inflation and the rate of growth in private sector credit extension (PSCE) declined compared to a year ago, while the stock of international reserves remained sufficient.

5. Domestic economic activity improved during the first six months of 2018 relative to the corresponding period of 2017. The improved activity was mainly observed in the mining as well as transport and communication sectors. The wholesale and retail trade sector, however, continued to decline, though at a slower pace compared to the corresponding period of 2017. Overall, the domestic economy is expected to grow by 0.6 percent in 2018 compared to the negative growth registered in 2017.
6. Annual inflation fell to 3.7 percent during the first six months of 2018 from 7.0 percent during the corresponding period in 2017. The lower inflation rate was mainly due to lower price increases in the food and non-alcoholic beverages as well as housing categories. Inflation for the transport category, however, rose on average during the same period, as a result of higher fuel prices. On a monthly basis, the inflation rate rose slightly to 4.0 percent during June 2018, from 3.8 percent in the previous month. Going forward, inflation is expected to average around 4.1 percent in 2018.
7. Annual growth in PSCE slowed during the first six months of 2018 compared to the corresponding period in 2017. The average annual growth rate of PSCE stood at 5.6 percent, lower than 7.7 percent recorded over the same period in 2017. The slower growth in PSCE was due to reduced demand for credit by both the household and corporate sectors, especially in the form of mortgage, overdraft and instalment credit. Since the last MPC meeting, the annual growth in PSCE moderated to 5.5 percent at the end of June 2018 from 5.8 percent reported in the previous MPC statement.
8. As at the 31st of July 2018, the preliminary stock of international reserves stood at N\$32.6 billion, representing an increase of 9.9 percent on a monthly basis. At this level, the stock

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of international reserves is estimated to cover 5.3 months of imports of goods and services, an improvement from 4.7 months reported in the last MPC statement.

Monetary Policy Stance

9. On the 14th of August 2018, the Monetary Policy Committee (MPC) of the Bank of Namibia held its bi-monthly meeting and decided to maintain the Repo rate unchanged at 6.75 percent. This decision was taken following a review of global, regional and domestic economic and financial developments. The next meeting of the MPC will be held on the 23rd of October 2018.



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