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FOR IMMEDIATE RELEASE

REPO RATE UNCHANGED AT 6.0 PERCENT

The Monetary Policy Committee (MPC) decided to leave the Repo rate at 6.0 percent. The decision was taken to support domestic economic activities, while monitoring the effects of recent monetary policy decisions. Strong growth in household credit, which is largely financing unproductive imported luxury goods and putting additional pressure on the international reserves of the country, remains a concern.

Recent Economic Developments

Global economic growth improved slightly during the second quarter of 2014, supported by recovery in growth in the US and India, while the growth in China remained healthy. Supportive monetary policy also contributed to the improved global growth.

1. Economic activities in the US improved, underpinned by private consumption and fixed investment. In the emerging market economies, China and India contributed significantly to the global growth. Growth in the Euro Area, however, remained relatively weak, while the Japanese economic activities declined. Because of these developments, the IMF in its October economic outlook edition revised its global growth projections for 2014 and 2015 slightly to 3.3 percent and 3.8 percent from 3.7 percent and 4.0 percent in April 2014, respectively. These revisions were also on account of expected little or no economic growth in Brazil and Russia.

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2. The low interest rate environment and other monetary policy measures in both advanced and emerging market economies continued to support growth, although the pace of the monetary expansion program in the US was reduced further in October 2014. In the emerging market economies, central banks in Brazil, South Africa, Russia, China and India maintained their policy rates to support economic activities.

Domestic growth prospects continued to be encouraging during the first eight months of 2014, while inflation declined. Risks however remain, including strong growth in household credit, especially when used to finance unproductive imported luxury goods.

3. Available data shows that the domestic economy improved during the first eight months of 2014, driven mainly by construction, wholesale and retail trade, diamond mining and manufacturing. In contrast, activities in the agriculture sector, as well as uranium and zinc production performed poorly.
4. Going forward, the domestic economy is expected to improve during 2014, compared to 2013, supported by construction activities and strong domestic demand. The risk to growth remains low international commodity prices, due to depressed demand, which could impact negatively on export earnings, mining profits and employment.
5. Annual inflation, which has been rising in the first half of 2014, slowed in recent months. Inflation rose steadily from 4.9 percent in January 2014 to 6.1 percent in June, before dropping to 5.3 percent in September 2014. The slowdown since July was reflected mainly in food, transport and housing categories. The overall annual inflation is expected to average around 5.5 percent for 2014.
6. Credit to the private sector continued to grow strongly during the first eight months of 2014. Growth increased to an average rate of 15.5 percent during the first eight months of 2014, compared to 14.2 percent for the previous eight

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month period. Growth in private sector credit was driven by both credit to the business sector and individuals. Strong growth in credit to individuals was particularly observed in the categories overdrafts, other loans and advances and installment credit.

7. During the first eight months of 2014, the trade deficit widened further as a result of the higher import bill. These imports consisted mainly of capital goods, vehicles and other consumer goods. The Bank of Namibia remains concerned about the importation of unproductive goods, especially passenger vehicles and other luxury goods, which continue to exert pressure on the international reserves of the country. Despite this pressure, the international reserves remain sufficient to meet the country's foreign obligations.

Monetary Policy Meeting

8. On the 21st of October 2014, 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 19th August 2014, and the decision was taken to hold the Repo rate steady at 6.0 percent. The next meeting of the MPC will be held on the 11th December 2014.



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