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FOR IMMEDIATE RELEASE

REPO RATE MAINTAINED AT 7.00 PERCENT

The Monetary Policy Committee (MPC) of the Bank of Namibia kept the Repo rate unchanged at 7.00 percent. This rate remains appropriate to support growth, while maintaining the one-to-one link between the Namibia Dollar and the South African Rand.

RECENT ECONOMIC DEVELOPMENTS

Global growth remained weak in 2016, but is projected to improve in 2017. Both key advanced economies and Emerging Market and Developing Economies (EMDEs) maintained accommodative monetary policies since the last MPC meeting, except for the U.S. which raised its policy rate.

1. Annual global growth is projected to pick up to 3.4 percent in 2017, on account of increased economic activity, both in the advanced economies and EMDEs. This growth is slightly higher than the annual growth rates of 3.2 percent in 2015 and 3.1 percent estimated for 2016.
2. The advanced economies as a group displayed a positive but weak growth rate during the last quarter of 2016. On the other hand, most EMDEs recorded stable growth in the fourth quarter of 2016, except for Brazil and South Africa, whose real GDPs contracted by 0.9 percent and 0.3 percent, respectively. The contraction in these two economies was due to low investment, sluggish exports and weak industrial growth. On the other hand, Russia, India and China registered positive growth during the same period.

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3. On an annual basis, growth in advanced economies is estimated to have slowed to 1.6 percent in 2016 from 2.1 percent in 2015, but is expected to improve in 2017 and 2018. During the same period, EMDEs' growth is estimated at 4.1 percent, the same as in 2015, and is projected to firm up to 4.5 percent in 2017. This will be on the back of an expected recovery, especially in Brazil.
4. Downside risks to the global growth outlook, 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, weak banks' balance sheets of some of the Euro area member countries, as well as high inflation in some EMDEs.
5. Since the last MPC meeting in February 2017, monetary policy stances in both key advanced economies and EMDEs generally remained accommodative. Brazil and Russia cut their benchmark rates to support their economies, while the U.S. raised its benchmark rate by 25 basis points.

The domestic economy slowed in 2016 compared to 2015; overall inflation rose during the first two months of 2017. Growth in private sector credit slowed over the same period; the stock of international reserves remained sufficient to meet the country's foreign obligations.

6. The domestic economy grew by only 0.2 percent during 2016, compared to the stronger growth of 6.1 percent in 2015. Early indications are that this weakness in growth has continued during the first two months of 2017. The slowdown was mainly attributed to a bleak performance in the mining sector, particularly diamond production. Output in the manufacturing sector, especially the production of cement, refined zinc and blister copper, as well as the wholesale and retail trade sector, which has been resilient in the recent past, also fell. Likewise, private and Government construction works contracted. In contrast, cargo volumes in the transport subsector and value addition in the communication subsector rose over the same period.

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7. Inflation remained high in the first two months of 2017. It increased from an average of 6.7 percent in 2016 to 8.2 percent in January 2017, before slowing to 7.8 percent in February. The high levels in 2017 were 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.
8. Over the first two months of 2017, the growth in private sector credit extension (PSCE) slowed. The annual growth in PSCE slowed from a peak of 13.7 percent in January 2016, to an average of 8.8 percent in the first two months of 2017. This was due to reduced growth in credit advanced to both the corporate and individual sectors, especially mortgage and instalment credit.
9. The preliminary stock of international reserves stood at N\$22.3 billion on the 31st of March 2017. At this level, the stock of international reserves was estimated to cover 2.7 months of imports. 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

10. On the 11th of April 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 global, regional and domestic economic and financial developments. The next meeting of the MPC will be held on the 13th of June 2017.



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