

**Date:** 17 February 2021  
**Attention:** News Editor  
**Ref:** 9/6/2

FOR IMMEDIATE RELEASE

---

## REPO RATE MAINTAINED AT 3.75 PERCENT

---

*The Monetary Policy Committee (MPC) of the Bank of Namibia has decided to keep the Repo rate unchanged at 3.75 percent. The MPC is of the view that the rate remains appropriate to continue supporting domestic economic activity, while at the same time safeguarding the one-to-one link between the Namibia Dollar and the South African Rand.*

---

### RECENT ECONOMIC DEVELOPMENTS

Global real GDP declined in 2020 compared to 2019. Inflation rates in most monitored Advanced Economies (AEs) and Emerging Market and Developing Economies (EMDEs) remained subdued. Monetary policy stances of key monitored economies were generally accommodative.

1. Global GDP is estimated to have contracted by 3.5 percent in 2020 from an expansion of 2.8 percent in 2019. The contraction is mainly on the back of weak growth in most of the monitored AEs and EMDEs. Going forward, the International Monetary Fund (IMF) in its January 2021 World Economic Outlook (WEO) update, has projected the world economy to grow by 5.5 percent in 2021, before moderating to 4.2 percent in 2022. The improved growth is mainly attributed to the potential positive effect of the COVID-19 vaccine roll-out on economic activity around the globe by the second half of 2021.
2. Real GDP in the AEs is estimated to have contracted by 4.9 percent in 2020 from positive growth of 1.6 percent in 2019. In the EMDEs, GDP is estimated to have contracted by 2.4 percent in 2020 from a 3.6 percent expansion in 2019. Most of the monitored economies are estimated to have contracted in 2020, with severe contractions observed in the Euro area, the United Kingdom (UK), India and South Africa. The contractions were mainly caused by economic lockdowns due to the COVID-19 pandemic. Going forward, the IMF



projects the AEs to grow by 4.3 percent in 2021, while a 6.3 percent expansion is projected for the EMDEs. The positive prospects are on the back of lifting of economic lockdown measures and positive sentiment with regard to the successful rollout of COVID-19 vaccines globally.

3. Key risks to the global outlook include the depth and extent of multiple waves of COVID-19 pandemic outbreaks and its variants, as well as slow progress in the rollout and distribution of vaccines.
4. All monitored commodity prices increased recently, except gold. Stock markets improved, reaching record highs in early 2021. The good performance was mainly on the back of a low interest rate environment, complemented by asset purchase programs of key central banks that are encouraging investment in riskier assets such as equities. Moreover, sentiment was also boosted by the progress made in the distribution of COVID-19 vaccines as well as hopes of further policy stimuli in some of the world's major economies.
5. Since the last MPC meeting, inflation rates varied among the key monitored economies, but remained well contained in general. Notably, inflation edged up in the US, UK, Brazil, Russia and China while it decelerated moderately in India and South Africa. The Euro area and Japan continued to experience deflation which started during the second half of 2020. All monitored central banks maintained accommodative monetary policy stances at their most recent meetings as policy makers adopted a wait-and-see approach amid muted inflation, while continuing to implement supportive non-conventional monetary policy measures.

**Domestic economic activity declined in 2020 relative to 2019. The rate of inflation and the growth in Private Sector Credit Extension (PSCE) declined in 2020. The stock of international reserves remained sufficient to support the currency peg.**

6. Domestic economic activity slowed considerably in 2020 compared to 2019. Contractions were observed in key sectors such as tourism, wholesale and retail trade, mining, manufacturing, construction, as well as transport and storage. The contraction was mainly due to the devastating effects of the COVID-19 pandemic. On the contrary, activity in the telecommunication and local electricity generation subsectors improved during the same period. The domestic economy is estimated to have contracted by 7.3 percent in 2020, before returning to an expected moderate recovery of 2.6 percent in 2021.

Contact:

Department of Strategic Communications and Financial Sector Development  
Bank of Namibia, Tel: (061) 283 5114, Fax: (061) 283 5546 or email: [info@bon.com.na](mailto:info@bon.com.na)

7. Annual average inflation declined to 2.2 percent in 2020 compared to 3.7 percent in 2019. The lower inflation was mainly driven by the decline in transport and housing inflation, mainly on account of the low international price of fuel coupled with deflationary pressure emanating from the weak rental market. On a monthly basis, the inflation rate increased to 2.7 percent in January 2021, from 2.4 percent in December 2020. Overall inflation is projected to average around 3.0 percent in 2021.
8. Growth in PSCE averaged 3.5 percent in 2020, lower than the 6.8 percent recorded in 2019. The slowdown in PSCE was due to lower demand for credit arising from weak overall domestic economic activity and repayments made by some businesses in 2020. Growth in credit extended to businesses declined to 0.8 percent during 2020 compared to a higher growth of 8.5 percent in the previous year. Since the last MPC meeting, year-on-year growth in PSCE rose moderately to 2.0 percent at the end of December 2020 from 1.4 percent at the end of October 2020 due to a higher uptake of credit by households. Business credit contracted by 1.2 percent in December 2020.
9. As at the 31<sup>st</sup> of January 2021, the stock of international reserves stood at N\$34.4 billion compared to N\$29.9 billion reported in the December 2020 MPC statement. The increase in reserves was mainly due to SACU receipts. The latest amount of international reserves is estimated to cover 5.3 months of imports. At this level, the reserves remain sufficient to protect the peg of the Namibia Dollar to the South African Rand, while meeting the country's international financial obligations.

### **Monetary Policy Stance**

10. On the 16<sup>th</sup> of February 2021, the Monetary Policy Committee (MPC) of the Bank of Namibia held its bi-monthly meeting and decided to keep the Repo rate unchanged at 3.75 percent. This decision was taken following a review of global, regional and domestic economic and financial developments. The MPC is of the view that at 3.75 percent, the Repo rate remains appropriate to continue supporting domestic economic activity, while at the same time safeguarding the one-to-one link between the Namibia Dollar and the South African Rand. The next meeting of the MPC will be held on the 13<sup>th</sup> of April 2021.



Johannes !Gawaxab  
**GOVERNOR**

### **Contact:**

Department of Strategic Communications and Financial Sector Development  
Bank of Namibia, Tel: (061) 283 5114, Fax: (061) 283 5546 or email: [info@bon.com.na](mailto:info@bon.com.na)