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FOR IMMEDIATE RELEASE

REPO RATE MAINTAINED AT 6.50 PERCENT

The Monetary Policy Committee (MPC) of the Bank of Namibia decided to keep the Repo rate unchanged at 6.50 percent. This decision was underpinned by the recent moderation in instalment credit to households and to continue supporting the domestic economy. While the MPC welcomes this recent moderation in instalment credit extended to households, a large amount of these loans is still used to finance unproductive luxury goods, thus exerting additional pressure on the country's international reserves.

RECENT ECONOMIC DEVELOPMENTS

The global economy moderated during the second quarter of 2015, reflecting a further slowdown in emerging market economies and weaker recovery in advanced economies. Commodity prices remained under pressure. Monetary policy stances in the advanced economies remained unchanged and supportive of economic growth, while those in the emerging markets were mixed over the review period.

1. Annual economic growth in the Euro area recovered moderately during the second quarter of 2015, while that of the US and UK slowed. On a quarterly basis, however, both the US and UK economies improved. The Japanese economy remained in recession during the second quarter. In Emerging Market

Economies, real GDP growth for South Africa and India slowed during the second quarter of 2015, while that of China remained constant. The recently released data for China, however, showed moderating growth below 7.0 percent during the third quarter. The slowdown in the Chinese economy is likely to negatively affect commodity prices and therefore, export earnings of mineral producing countries, including Namibia. GDP growth rates of other emerging market economies such as Russia and Brazil contracted during the second quarter.

2. Going forward, global growth is projected to be lower in 2015, compared to 2014, with a slight pickup in advanced economies. Growth in emerging markets and developing economies is, however, expected to slow down further. Risks to the global outlook remain, and include among others, geopolitical tensions and slow economic growth in key emerging market economies.
3. Monetary policy stances in advanced economies remained supportive of economic activities, while those of emerging economies were diverse. The monetary authorities in Brazil, Russia and South Africa kept their policy rates unchanged, while China and India reduced their policy rates. Inflation in advanced economies remained close to zero, while it continues to be a concern in some emerging market economies.

Key economic indicators in the domestic economy continued to show improvements during the review period, despite weak activities in the mining sector. The demand for credit was strong, despite the recent moderation in instalment credit extended to the household sector. Annual inflation rate remains low. Risks to the domestic economic outlook include soft commodity prices and the prevailing drought.

4. The improvement in the domestic economy during the first eight months of 2015 was primarily driven by continued robust construction activities in the public and private sectors. The transport and communication sector also showed a positive

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

performance over the same period. The mining sector, however, recorded a weaker performance during the review period, compared to the same period of 2014. Risks to domestic growth remain the slower growth of the country's trading partners such as China, soft commodity prices and the prevailing drought.

5. Domestic demand as reflected in the annual growth in Private Sector Credit Extension (PSCE) remains robust, above 15.0 percent over the first eight months of 2015, mainly on account of credit extended to businesses. Annual growth in credit extended to the household sector slowed. Although still high, instalment credit extended to households slowed from a peak of 23.5 percent in February 2015 to 16.4 percent in August. The MPC welcomes this development and will continue monitoring it closely.
6. Namibia's annual inflation rate declined during the first nine months of 2015 and is expected to remain low for the rest of the year. The average inflation rate during this period was 3.4 percent, lower than 5.5 percent during the same period last year. Overall domestic inflation moderated to 3.3 percent in September 2015, down from 3.4 percent in August. This moderation is predominantly due to the decline in the price of crude oil, and the knock-on effects on prices of large basket items such as housing, water and electricity, and gas and other fuels. Similarly, food and transport inflation declined during September 2015.
7. The stock of international reserves remains sufficient to sustain the one-to-one link of the Namibia Dollar to the South African Rand, being 3.3 times higher than the currency in circulation at the end of August 2015. The level of international reserves stood at N\$13.0 billion as at the 19th of October 2015. The high import bill, particularly from the importation of unproductive luxury goods and the continued pressure it exerts on the country's international reserves, remains a concern.

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Monetary Policy Stance

8. On the 20th October 2015, 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 as well as the financial developments since the last meeting held on the 18th of August 2015. A decision was then taken to keep the Repo rate at 6.50 percent. The next meeting of the MPC will be held on the 8th of December 2015.



Ebson Uanguta

Deputy Governor

Contact:

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