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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 the weak domestic economy that is still being weighed down as another COVID-19 variant triggers renewed restrictions in many parts of the world. At this level, the Repo rate is deemed appropriate to safeguard the one-to-one link between the Namibia Dollar and the South African Rand, while meeting the country's international financial obligations.

RECENT ECONOMIC DEVELOPMENTS

Real GDP growth in the global economy moderated slightly during the third quarter of 2021. Inflation rates in most monitored Advanced Economies (AEs) and Emerging Market and Developing Economies (EMDEs) continued to trend upward. Monetary policy stances of key central banks generally remained accommodative, although some of the EMDEs central banks have started tightening rates.

1. Growth in global GDP moderated during the third quarter of 2021, compared to the previous quarters. The slowdown in global GDP growth was mainly attributed to the resurgence in COVID-19 cases due to the Delta variant that resulted in new restrictions. Global economic activity was also aggravated by supply bottlenecks that dented economic activity as well as the waning low base effects. Going forward, most institutions, including the International Monetary Fund (IMF), Organisation for Economic Cooperation and Development (OECD), United Nations Conference on Trade and Development (UNCTAD) and World Bank project that the global economy will rebound in 2021, but



expand at a slower pace in 2022. In particular, the IMF has projected the global economy to grow by 5.9 percent in 2021 and 4.9 percent in 2022. The four institutions all expect the recovery to remain uneven across different regions, partly because vaccination campaigns are proceeding at different paces around the globe. In addition, the scale of macroeconomic policy support and the ability to reopen contact-intensive activities and trade continue to differ significantly across economies.

2. GDP in all key monitored AEs including the United States (US), Euro area, United Kingdom and Japan recorded lower year-on-year growth rates during the third quarter of 2021. The lower growth in the third quarter was mainly due to supply shortages and higher output prices as well as waning low base effects. Similarly, growth in the monitored EMDEs eased in the third quarter of 2021. The Chinese economy grew at a slower pace in the third quarter of 2021 compared to previous quarters, amid power shortages, logistics network bottlenecks, regulation related to the property market and COVID-19 outbreaks. Similarly, the economies of all other monitored EMDEs slowed during the third quarter of 2021. Going forward, the IMF has projected the AEs to grow by 5.2 percent in 2021 and by 4.5 percent in 2022. For the EMDEs, 6.4 percent and 5.1 percent growth rates are projected for 2021 and 2022, respectively.
3. Key risks to the global economic outlook include the future course of the pandemic and the degree of success in the deployment of COVID-19 vaccines, particularly in the EMDEs. Of particular concern of late are the emergence and rapid spread of the Omicron variant. Moreover, further virus outbreaks in many countries with low vaccination rates could allow the virus to mutate further. Possible tightening of financial conditions, as well as escalating geopolitical tensions, climate change and natural disasters, may also pose potential headwinds for global economic activity.
4. Almost all monitored commodity prices declined since the last MPC meeting, mainly rattled by the emergence of the Omicron variant, while elevated inflationary pressure and the prospects of interest rate normalisation and a stronger US dollar negatively affected the price of gold. The most recent decision by OPEC+ to adhere to the original oil supply plan, provided some support to the oil prices. Likewise, the rally in the equity markets that has been observed for the most part of 2021 came under heavy pressure most recently, amid the rapid spread of the Omicron variant in many parts of the world, which complicates the already uncertain inflation outlook, alongside the increasing prospects of interest normalisation.

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5. Inflation in most of the key AEs and EMDEs increased in October 2021, mainly due to supply chain bottlenecks, higher energy prices and currency depreciations in the EMDEs. The inflation rate in South Africa was unchanged in October 2021 from the rate in September 2021, although it remained elevated compared to the same period in 2020. Most monitored central banks left their policy rates unchanged, except for Brazil, Russia and South Africa that increased their benchmark rates at their latest monetary policy meetings, citing increasing inflationary pressures. Nonetheless, the monetary policy stances of all monitored central banks remained generally accommodative.

Domestic economic activity improved in the first ten months of 2021, but uncertainties remain in light of the Omicron variant and its potential impact. The rate of inflation increased while growth in Private Sector Credit Extension (PSCE) continued to decline. The stock of international reserves remained sufficient to support the currency peg and meet the country's international financial obligations.

6. Domestic economic indicators showed that the Namibian economy gained modest momentum during the first ten months of 2021. The increase in economic activity was observed in major sectors such as mining, wholesale and retail trade, communication as well as tourism. On the contrary, activity in the construction, manufacturing, agriculture, and transport sectors displayed some weakness over the same period. Going forward, the domestic economy is expected to grow by 1.5 percent in 2021 and 3.3 percent in 2022. A key risk to the domestic economic outlook in the medium-term remains sudden surges in COVID-19 cases and virus mutations with concomitant disruptions to economic activity caused by COVID-19 restrictions.
7. Annual average inflation increased to 3.5 percent during the first ten months of 2021, compared to 2.2 percent for the corresponding period in the previous year. The increase in inflation was mainly driven by inflation for the food, transport, and housing categories. This was on account of supply constraints for certain food categories, a rise in international oil prices and an increase in dwelling rent, respectively. On a monthly basis, overall inflation increased slightly to 3.6 percent in October 2021 from 3.5 percent in September 2021. Namibia's overall inflation is projected to average around 3.6 percent for 2021, slightly lower than the previous forecast of 3.7 percent, but rising to levels



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marginally above 4 percent in 2022. While overall inflation is trending higher, it remains well contained.

8. Growth in PSCE moderated to an average of 2.5 percent for the first ten months of 2021, lower than the 3.7 percent registered over the same period in 2020. The slowdown in PSCE was due to lower demand for credit by both businesses and households, as a result of slow domestic economic activity during the review period. Since the last MPC meeting, year-on-year growth in PSCE remained unchanged at 2.9 percent both in September and October 2021, marginally higher than the 2.0 percent registered in August 2021.
9. As at the 30th of November 2021, the preliminary stock of international reserves stood at N\$41.0 billion compared to N\$47.9 billion at the end of October 2021. The decline in international reserves was mainly attributed to the redemption of a US\$500 million Eurobond early in November 2021. At this level, international reserves were estimated to cover 5.7 months of imports and hence remain adequate to protect the peg of the Namibia Dollar to the South African Rand, as well as meeting the country's international financial obligations.

Monetary Policy Stance

10. On the 6th and 7th of December 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 as well as financial developments. The MPC is of the view that at 3.75 percent, the Repo rate remains appropriate to continue supporting the weak domestic economy that is still being weighed down by the COVID-19 pandemic, while at the same time safeguarding the one-to-one link between the Namibia Dollar and the South African Rand. In addition, the MPC reiterated that the expeditious rollout of COVID-19 vaccines and addressing issues of vaccine hesitancy remain key to the extent, speed, and sustainability of the economic recovery. The Committee noted the increasing trend in inflation globally and recognised its imminent impact on monetary policy going forward. The next meeting of the MPC will be held on the 14th and 15th of February 2022.



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