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FOR IMMEDIATE RELEASE

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**REPO RATE REDUCED FROM 6.25 TO 5.25 PERCENT**

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*The Governor of the Bank of Namibia called a special meeting of the Monetary Policy Committee (MPC) in light of the recent extra-ordinary events emanating from the COVID-19 pandemic. The meeting was held early today.*

*The MPC cut the Repo rate by 100 basis points to 5.25 percent. The MPC took the decision in order to help cushion the anticipated impact of COVID-19 and support domestic economic activity, while maintaining the one-to-one link between the Namibia Dollar and the South African Rand.*

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**RECENT ECONOMIC DEVELOPMENTS**

Global economic growth is estimated to weaken in 2020, below initial projections on the back of COVID-19. Since the previous MPC meeting, inflation rates in most key monitored economies declined or remained low, while monetary policy stances were broadly accommodative.

1. The global economy is projected to have weakened since the last Monetary Policy Committee meeting. This was mainly on the back of the spread of the COVID-19 beyond China, and its associated effects on global demand, as well as supply chains. This has prompted a downward revision in global growth projections and negatively affected capital and commodity markets worldwide.
2. Since the last MPC meeting, financial markets and in particular equity markets recorded significant losses as risks and uncertainty increased. Similarly, all monitored commodity prices weakened, as a result of weak demand from major economies such as China. In particular, crude oil prices declined significantly, reinforcing the effects of excess oil supply. While the low crude oil prices may negatively impact oil exporting countries, it could bring

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some relief to oil importing countries such as Namibia. On account of this development inflation in some countries declined, while it remained generally low across other economies. Exchange rates and in particular those of the Emerging Market and Developing Economies (EMDEs) depreciated significantly.

3. To stimulate growth and cushion the negative effects of COVID-19, various central banks have since adopted accommodative monetary policies by cutting interest rates. This was also done in order to counter deteriorating financial conditions. These were accompanied by fiscal stimulus in most of the affected economies in the world.

**Domestic economic activity slowed during the first two months of 2020. The inflation rate declined, while the growth in Private Sector Credit Extension (PSCE) rose in January 2020. The stock of international reserves remained sufficient to support the currency peg.**

4. Domestic economic activity slowed during the first two months of 2020 compared to the same period in 2019. The slower growth was mainly reflected in declining economic activity in sectors such as mining, wholesale and retail trade, as well as tourism. Activity in other sectors, including transport and construction improved during the first two months of 2020, relative to the corresponding period of 2019. Preliminary assessments indicate that the domestic economy may not be spared from the brunt of COVID-19 and may therefore continue to weaken in 2020.
5. The average annual inflation for the first two months of 2020 declined further to 2.3 percent from 4.5 percent in 2019, mainly on account of a decline in all top three categories namely; food and non-alcoholic beverages, housing and transport inflation. Going forward, overall inflation is projected to average around 2.6 percent in 2020.
6. Growth in PSCE rose to 7.3 percent during January 2020, from 6.4 percent in January 2019. What is encouraging is the fact that growth in PSCE is mainly driven by businesses.
7. As at 29<sup>th</sup> February 2020, the stock of international reserves stood at N\$32.2 billion, from N\$31.0 billion reported in the previous MPC statement. This amount of international reserves is estimated to cover 4.6 months of imports of goods and services. At this level,

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reserves are sufficient to protect the peg of the Namibia Dollar to the Rand and meet the country's international financial obligations.

### **Monetary Policy Stance**

8. On the 20<sup>th</sup> of March 2020, the Monetary Policy Committee (MPC) of the Bank of Namibia held an extraordinary meeting and decided to cut the Repo rate by 100 basis points to 5.25 percent. This decision was taken following a review of the global, regional and domestic economic and financial developments.
  
9. The Bank of Namibia will continue to monitor developments in the economy and will take necessary steps within its mandate to support the Namibian economy during this extraordinary time.



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**GOVERNOR**

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