

Date: 6 December 2012
Attention: News Editor
Ref: 9/6/2

FOR IMMEDIATE RELEASE

RELEASE OF THE DOMESTIC ECONOMIC OUTLOOK 2012/13

Since the Bank of Namibia's last release of the outlook in September 2012, the global economic growth has been revised downward by the IMF, whereas the domestic outlook remains around the trend of about 4.5 percent, on average, for 2012 and 2013.

The IMF has lowered its global economic growth forecast for 2012 to 3.3 percent from the July forecast of 3.5 percent. The global economy is projected to grow by 3.6 percent in 2013. The downward revision is due to a protracted resolution of the Euro Area crisis resulting in depressed economic activity in advanced economies, with negative spill overs onto emerging market economies. In addition, uncertainties remain in the international oil market due to geopolitical tensions in the Middle East and the continued hesitation regarding US fiscal policy. Sub-Saharan Africa's growth on the other hand, almost remained unchanged with a slight downward revision from 5.1 percent to 5.0 percent for 2012.

The outlook for the domestic front remains broadly in line with the forecasts released in September 2012, although inflation would be higher than originally expected. The released data to date are pointing to the real GDP growth rate of 4.6 percent for 2012, i.e., the upper range of the forecasts released in September 2012. The favourable growth rate is underpinned by good performance in the mining and construction sectors, as envisaged in the September 2012 Outlook. For 2013, the economy is forecasted to retreat mildly to 4.4 percent.

There are risks emerging from Namibia's savings-investment gap and its international reserves position for 2012-2013. A positive investment-domestic savings gap is expected to persist notwithstanding an on-going process of fiscal consolidation. In this context, the projected external current account deficits for 2012-2013 point at sustained recourse to external savings to finance domestic investment. All in all, the import coverage of gross international reserves is projected to average some 3.2 months of imports of goods and services during 2012-2013, down from 3.4 months of import coverage in 2011.

Risks to the outlook remain balanced. Downside risks include the protracted resolution of the European crisis and the fiscal policy uncertainties affecting the US. Oil prices also remain high, affecting energy-dependent countries like Namibia. On the positive front, however, there are emerging indications that rough diamond production/exports in 2012 would be marginally higher than those included in the end of 2012 projections. Also, preliminary available information suggests that Namibia may benefit from a SACU revenue windfall that may yield a higher 2013 international reserve position than the one included in the outlook.

Issued by:

Ndangi Katoma

Director: Strategic Communication and Financial Sector Development
Bank of Namibia,
Tel: (061) 283 5114,
Fax: (061) 283 5546 or email: info@bon.com.na