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FOR IMMEDIATE RELEASE

**BANK OF NAMIBIA RELEASES THE QUARTERLY BULLETIN**

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**DOMESTIC ECONOMY REMAINED WEAK, THOUGH IMPROVEMENT WAS REGISTERED IN SOME SECTORS DURING THE THIRD QUARTER (JULY – SEPTEMBER OF 2018).**

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**International economic and financial developments**

- 1. Growth outcomes in both the Advanced Economies (AEs) and Emerging Market and Developing Economies (EMDEs) were mixed in the third quarter of 2018.** Among the AEs, the US and UK recorded higher growth rates, whereas growth in the Euro Area and Japan slowed during the third quarter of 2018, compared to the preceding quarter. Among the EMDEs, economic growth in Russia, India and China slowed, but improved in Brazil and South Africa over the same period.
- 2. The global economy is projected to remain steady in 2018 and 2019 although downside risks remain.** The IMF's October 2018 World Economic Outlook (WEO) projects global growth at 3.7 percent in both 2018 and 2019, 0.2 percentage point lower than the forecast in July 2018. The downward revision to the global outlook resulted from a markdown for the Euro Area, following weaker GDP data in the first half of 2018 as well as a weaker outlook for a number of key EMDEs. Key downside risks, such as rising trade barriers and a reversal of capital flows to EMDEs as well as weaker fundamentals and escalating political frictions, have become more pronounced.
- 3. Inflation developments in the monitored AEs and EMDEs were mixed in the third quarter of 2018.** In the AEs, inflation declined in the US, while it increased in the UK, Euro Area and Japan during the quarter under review, compared to the previous quarter. In the EMDEs, inflation declined in India and Angola whilst the remaining monitored economies registered increasing consumer inflation during the quarter under review.



4. **On the monetary policy stance front, four of the central banks in the ten monitored economies increased their benchmark interest rates during the third quarter of 2018.** The US, UK, Russia and India increased their benchmark interest rates, whilst the remaining six economies maintained their policy interest rates unchanged during the third quarter of 2018.

#### **Domestic economic and financial developments**

5. **The domestic economic activity remained weak during the third quarter of 2018, although improvements were registered in a number of sectors.** The weak performance was reflected in lower cattle marketing activity in the agriculture sector, decreased real turnover for the wholesale and retail trade sector and also weak activity in the construction sector. On the contrary, improvements have been registered in sectors such as mining, electricity, transport and communication and tourism during the quarter under review. Namibia's inflation picked up somewhat during the third quarter of 2018 compared to the preceding quarter as fuel prices rose, but was still lower than a year earlier, mainly on account of a decline in housing and food inflation.
6. **With regard to the monetary and financial developments, the Monetary Policy Committee meeting kept the Repo rate unchanged in the third quarter of 2018.** The MPC kept the Repo rate unchanged at 6.75 percent at its August 2018 meeting. This decision was taken in order to support domestic economic growth, while maintaining the one-to-one link between the Namibia Dollar and South African Rand. Money supply (M2) growth slowed to 8.2 percent at the end of the third quarter of 2018 from 9.2 percent at the end of the same period last year. The slower growth in M2 was underpinned by negative growth in the Net Foreign Assets of the depository corporations. Growth in Private Sector Credit Extension rose to a still moderate 6.6 percent at the end of the third quarter of 2018, up from 5.4 percent recorded at the end of the corresponding period in 2017. Subsequent to the quarter under review, the MPC also kept the Repo rate unchanged at its meetings in October and December. A newly added Quarterly Bulletin section, the Monetary Policy Review, provides further elaboration regarding these decisions.
7. **On the fiscal front, Central Government's budget deficit is estimated to narrow during the Fiscal Year (FY) 2018/19 compared to the preceding fiscal year.** During the mid-year budget review in October 2018, the Central Government deficit for 2018/19 as a percentage of GDP was estimated at 4.5 percent, similar to what was estimated in



the main budget in February 2018. When compared to the FY2017/18, the deficit ratio to GDP narrowed and it is expected to narrow further to 2.7 percent over the Medium Term Expenditure Framework period largely due to reduced Government expenditure. Central Government's total debt as a percentage of GDP increased to 42.4 percent at the end of September 2018, from 40.5 percent at the end of September 2017. Similarly, Government loan guarantees as a ratio to GDP increased to 6.2 percent from 5.0 percent over the same period.

8. **On the external sector front, the current account deficit narrowed during the third quarter of 2018, while Namibia's external balance sheet recorded an increased net liability position.** The external current account deficit improved to N\$757 million in the third quarter of 2018 from N\$2.7 billion recorded during the corresponding quarter of last year. As a result, Namibia's net borrowing from the rest of the world declined to N\$358 million, from N\$2.3 billion recorded in the corresponding quarter of 2017. The stock of international reserves held by the Bank of Namibia rose, partly on account of net inflows of foreign currencies from the commercial banks coupled with exchange rate revaluations. This resulted in a level of import cover of 4.4 months at the end of the third quarter of 2018. Namibia's international investment position recorded an increased net liability position during the third quarter of this year. The Namibia Dollar depreciated against all major trading currencies both on an annual and quarterly basis, largely as a result of tighter global financial conditions that led to reduced appetite for investment in emerging markets, as well as concerns related to the economic weakness and unsettled land reform issues in South Africa.

The media and the public at large are encouraged to read the full Report, which can be accessed at <https://www.bon.com.na/Publications/Quarterly-Bulletins.aspx>



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