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FOR IMMEDIATE RELEASE

DOMESTIC ECONOMIC PERFORMANCE SHOWED SOME GREEN SHOOTS DURING THE THIRD QUARTER (JULY – SEPTEMBER) OF 2021

International economic and financial developments

- 1. Global economic growth was weaker during the third quarter of 2021.** Economic activity in the monitored Advanced Economies (AEs) and Emerging Market and Developing Economies (EMDEs) recorded weaker growth during the third quarter. These weaker growth rates were caused by the resurgence in COVID-19 cases which resulted in the reintroduction of restrictions and the aggravated impact of supply bottlenecks that dented economic activity. For 2021 as a whole, the global economy is expected to improve, before growth moderates in 2022. Three key international organisations¹ project a notable rebound in global output in 2021, followed by slower growth in 2022. The three institutions all highlighted that the recovery is expected to remain uneven across different regions, partly because vaccination campaigns are proceeding at different rates around the world. In addition, the scale of macroeconomic policy support and the ability to reopen contact-intensive activities differ significantly across economies.
- 2. Inflation increased in both the AEs and EMDEs during the third quarter of 2021, mainly reflecting rising commodity prices and input shortages.** Inflation rose in the monitored AEs and EMDEs during the third quarter in comparison to the previous quarter, due to rising commodity prices and input shortages. Further, most central banks around the globe maintained accommodative monetary policy stances during the third quarter, although a number of EMDEs have increased their benchmark interest rates in response to rising inflation.

¹ The IMF October 2021 World Economic Outlook, OECD and UNCTAD.

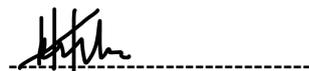
Domestic economic and financial developments

- 3. Activity in the domestic economy improved during the third quarter of 2021 compared to the corresponding quarter of the previous year.** The improved activity was driven by the primary industry, particularly the mining sector where the production of most key minerals such as diamonds, uranium, gold and zinc scaled up. Similarly, in the agricultural sector, livestock marketing activity for cattle and small stock increased during the period under review. In the tertiary industry, real turnover for wholesale and retail trade sector improved due to low base effects, following the COVID-19 related lockdown measures instituted during the third quarter of 2020. Likewise, the communication subsector continued to sustain the growth in the information and communication sector, on the back of strong demand for internet data. The tourism sector, although remained weak, regained some ground lost in 2020, due to an increase in the tourist arrivals, triggered in part by the augmented global vaccine rollout and reduced travel restrictions. On the contrary, the construction and manufacturing sectors slowed during the third quarter.
- 4. Namibia's inflation rate rose during the third quarter of 2021, due to an increase in inflation for transport and housing.** Namibia's inflation increased to 3.7 percent during the third quarter of 2021 from 2.3 percent during the corresponding quarter of 2020. The increase in inflation for transport was largely due to an increase in the international price of fuel. Similarly, inflation for housing increased over the same period, driven by an increase in the rental payment for dwelling subcategory.
- 5. Money supply (M2) contracted while growth in credit extended to the private sector rose during the third quarter of 2021.** M2 recorded a contraction of 2.2 percent during the third quarter, from a positive growth of 11.2 percent at the end of the same quarter in 2020. The negative growth in M2 stemmed from a decline in net other assets of the depository corporations and was reflected in all components of M2 i.e., notes and coins, and transferable and other deposits. However, growth in credit extended to the private sector rose somewhat, driven by a rise in credit extended to the corporate sector. Money market interest rates edged up during the period under review due to expectations that the market had of an imminent monetary policy tightening.
- 6. On the fiscal front, Central Government's debt stock rose while loan guarantees declined over the year to the end of September 2021.** Total debt as a percentage

of GDP rose by 6.9 percentage points to 67.0 percent at the end of September 2021. The increase was driven by a rise in the issuance of both Treasury Bills and Internal Registered Stock, coupled with the disbursement of an IMF loan and supplemental financing from the African Development Bank to finance the budget deficit. Total loan guarantees as a percentage of GDP, however, declined on a yearly basis from 6.3 percent to 5.6 percent during the period under review. The decline was due to repayments of foreign loans which were guaranteed by Government for the energy, transport and the communication sectors, coupled with the repayment of domestic loans for the transport sector.

- 7. On the external sector front, the current account balance deteriorated further while the stock of international reserves increased during the third quarter of 2021.** The current account deficit widened by N\$6.4 billion compared to a much smaller deficit of N\$315 million in the corresponding quarter of last year. As a percentage of GDP, current account deficit increased to 14.3 percent from a mere deficit of 0.7 percent over the same period. The deterioration in the current account balance was mainly due to a lower surplus on the secondary income account as well as larger deficits in merchandise trade. The stock of international reserves rose to N\$45.9 billion, equivalent to an import cover of 5.7 months at the end of the third quarter. The increase in the stock of international reserves was mainly supported by the IMF's SDR allocation, the IMF Rapid Financing Instrument (RFI) and the AfDB loan acquired by the Namibian Government. The Namibia Dollar appreciated against major trading currencies on a yearly basis, but it depreciated on a quarterly basis largely driven by a surge in global COVID-19 cases alongside the civil unrest in South Africa. The effective exchange rate appreciated year-on-year during the review period signalling a moderate decline in competitiveness.

The media and the public at large are encouraged to read the full Quarterly Bulletin, which can be accessed at [www.https://www.bon.com.na/Economic-information/Quarterly-Bulletins/Quarterly-Bulletins-Publication.aspx](https://www.bon.com.na/Economic-information/Quarterly-Bulletins/Quarterly-Bulletins-Publication.aspx).



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