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ECONOMIC OUTLOOK UPDATE – FEBRUARY 2020

The Bank of Namibia released the Economic Outlook Update for February 2020 and expects the domestic economy to grow by 1.5 percent in 2020, following an estimated contraction of 1.9 percent in 2019.

1. According to the IMF’s World Economic Outlook Update for January 2020, global growth is estimated to improve during 2020 and 2021, supported by expected improvements in manufacturing and relaxation of trade barriers. The world economy is projected to grow by 3.3 percent and 3.4 percent in 2020 and 2021, respectively, compared to 2.9 percent recorded in 2019. The projected improvement in global growth is based on indications that manufacturing activity is picking up and international trade barriers are being reduced.

2. Growth is expected to remain low in advanced economies but to pick up in major emerging market and developing economies during 2020. Advanced economies are expected to grow by 1.6 percent in both 2020 and 2021, compared to an estimated growth rate of 1.7 percent in 2019. Growth for the US economy is projected to decelerate to 2.0 percent in 2020 and further to 1.7 percent in 2021 from 2.3 percent in 2019. In the Euro Area, growth is projected to increase slightly to 1.3 percent in 2020 and further to 1.4 percent in 2021, from 1.2 percent in 2019. Growth in Emerging Market and Developing Economies is expected to increase to 4.4 percent in 2020 and 4.6 percent in 2021, from 3.7 percent in 2019. China is expected to grow by 6.0 percent in 2020, which is a decrease from 6.1 percent in the previous year. In India, growth is expected to improve to 5.8 percent and 6.5 percent in 2020 and 2021 respectively from 4.8 percent in 2019. Similarly, growth in Russia and Brazil are projected to pick up in 2020. South Africa’s growth rate is expected to improve slightly to 0.8 percent in 2020 and 1.0 percent in 2021, from 0.4 percent in 2019. Risk to the global growth include the geopolitical tensions between the USA and Iran,
increasing social unrest that could lead to further worsening of relations between the US and its trading partners. Moreover, the coronavirus outbreak is expected to have adverse impact on China’s growth, with potential spill over effects to the rest of the world.

3. Namibia’s economy is expected to recover during 2020, supported by better prospects in primary industries, wholesale and retail trade as well as construction. The domestic economy is projected to expand by 1.5 percent in 2020 and by 1.4 percent in 2021, representing a recovery from an estimated contraction of 1.9 percent in 2019. During 2020, growth is expected to be driven by recoveries in mining, wholesale & retail trade and construction. The latest revision on the 2019 growth is a downward adjustment from the 1.7 percent contraction projected in the August 2019 Economic Outlook. As more data on economic activities for 2019 became available, it has become clear that the impact of the drought on livestock and crops is likely to be more severe than earlier anticipated. Furthermore, growth rates for mining sub-sectors such as diamonds and uranium were also adjusted downwards due to lower volumes produced.

4. Key risks to domestic growth include unpredictable rainfall conditions, a slow recovery in international commodity prices, expected slow demand from key trading partners and the impact of the coronavirus. Risks to domestic growth include the adverse climatic conditions and persistently low international prices for uranium and copper, which may cause affected mines to either reduce or cease production. Furthermore, the outbreak of the coronavirus in China has already adversely affected travel and transportation between Namibia and China and is expected to have an impact on business activities between the two countries, especially through sectors such as transport and tourism.


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