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FOR IMMEDIATE RELEASE

ECONOMIC OUTLOOK UPDATE- NOVEMBER 2016

THE NAMIBIAN ECONOMY IS EXPECTED TO GROW BY 2.5 PERCENT IN 2016

The Bank of Namibia released the November 2016 Economic Outlook Update with the domestic economic growth expected to slow down in 2016, before improving in 2017. This early update is necessitated by significant changes in the mining and government sectors: a downward revision in the mining sector due to revised projections from uranium mines and increased measures to fast track the pace of fiscal consolidation in the government sector.

- 1. Global growth remains weak for the remainder of 2016, with an upside growth in 2017.** According to IMF's World Economic Outlook for October 2016, the global economy is expected to grow by 3.1 percent and 3.4 percent during 2016 and 2017, respectively. Largely, global growth is expected to increase marginally in key emerging markets and developing economies, during 2016 and 2017 compared to the growth realised in 2015. In contrast, growth is expected to slow down in major advanced economies over the same period, but with a notable projected recovery in the United States during 2017. Growth in the Sub-Saharan Africa region is expected to slow down to 1.4 percent in 2016 before recovering to 2.9 percent in 2017. The expected slowdown is attributed to low commodity prices, low consumer spending, subdued investors' confidence and the severe impact of the persistent drought in the region.
- 2. Risks to global growth have eased, following improved financial market sentiments, reduced concern about China's near-term prospects and the recent uptick recovery in some commodity prices.** Despite improvements in the global risks outlook, growth is now expected to slow down in major economies, including the United States, Euro Area, United Kingdom and Japan during 2016. Growth prospects

amongst advanced economies remains weak, mainly due to stagnation of real wages and household incomes, weak productivity, persistent low inflation and policy uncertainty that threatens to dampen business investment, especially in the European Union and US. Other risks to growth include the geopolitical tensions in the Middle East and resurgence of terrorism activities, which could potentially disrupt growth recovery in advanced economies.

3. **The domestic economy is projected to slow down in 2016, before rising in 2017.** Namibia's real GDP growth is projected to slow down to 2.5 percent in 2016, before accelerating to 4.0 percent in 2017. The projected growth rates represent a slowdown from the national accounts estimate of 5.3 percent for 2015. This contraction is mainly attributed to a projected decline in construction, diamond mining sub-sector, electricity and water sector and the planned reduction in government expenditure. Meanwhile, good growth prospects are expected from metal ores mining (copper and gold), uranium mining, as well as, wholesale and retail sector; and thus these sectors are expected to sustain growth at 2.5 percent in 2016. Over the medium-term, growth will mainly be supported by anticipated recovery in both agriculture and diamond mining as well as improved growth in uranium mining, manufacturing, and transport and communication sectors.

4. **Risks to the domestic growth outlook remains and centred on both global and regional spill-overs and the prevailing drought.** Weak global demand, emanating from slower growth in advanced economies and major emerging market economies, coupled with slow recovery of international commodity prices, may slow production at some of the local mines, especially uranium mines. At the regional level, drought poses an immediate threat to production in primary industries and to food inflation. Namibia is faced with water shortages, which may further restrain growth in sectors such as construction, beverages, meat processing and agriculture.

The Economic Outlook Update 2016 is accessible online at
<http://www.bon.com.na/Publications/Economic-Outlook.aspx>

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