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## ECONOMIC OUTLOOK UPDATE- FEBRUARY 2017

### THE NAMIBIAN ECONOMY IS EXPECTED TO GROW BY 2.9 PERCENT IN 2017

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The Bank of Namibia released the February 2017 Economic Outlook Update with the domestic economic growth estimated to have slowed to 1.0 percent in 2016, and now expected to improve to 2.9 percent in 2017. The estimated growth rate is much lower compared to the November 2016 update, which was projected at 2.5 percent and 4.0 percent for 2016 and 2017, respectively. The lower growth expectation for 2016, when compared to the last update is due to deeper contractions in diamond mining and construction than earlier expected.

1. **Global growth slowed in 2016, but is expected to improve moderately during 2017 and 2018.** According to IMF's World Economic Outlook update for January 2017, global growth is estimated to have slowed marginally to 3.1 percent in 2016, from 3.2 percent in the previous year. Looking ahead, however, global growth is projected to improve to 3.4 percent and 3.6 percent in 2017 and 2018, respectively, supported by steady growth in advanced economies and faster recovery among emerging markets and developing economies. The US economy is estimated to have slowed from 2.6 percent in 2015, to 1.6 percent in 2016. Going forward, the US economy is projected to grow by 2.3 percent and 2.5 percent in 2017 and 2018, respectively. Meanwhile, Euro Area growth for 2016 is estimated to have slowed to 1.7 percent from 2.0 percent in 2015 and is expected to moderate to 1.6 percent in 2017 and 2018. Growth in the UK moderated to 2.0 percent in 2016 and is projected to fall to 1.5 percent and 1.4 percent in 2017 and 2018, respectively. Similarly, in Japan, growth is estimated to have declined to 0.9 percent in 2016 and to remain steady at 0.8 percent in 2017, from 1.2 percent in 2015.

2. **Growth in emerging markets and developing economies (EMDEs) is expected to improve over the forecast period.** EMDEs growth for 2016 is estimated at 4.1 percent, and further projected to reach 4.5 percent and 4.8 percent in 2017 and 2018, respectively. In India, growth is estimated to have slowed down to 6.6 percent in 2016, from 7.6 percent in 2015, but is expected to increase to 7.2 percent and 7.7 percent in 2017 and 2018, respectively. China's growth is expected to have slowed to 6.5 percent and 6.0 percent in 2017 and 2018, respectively, from an estimated 6.7 percent in 2016. According to IMF's World Economic Outlook update for January 2017, the South African economy is estimated to have slowed to 0.3 percent in 2016 compared to 1.3 percent in 2015. Going forward, growth for the South African economy is projected at 0.8 percent and 1.6 percent for 2017 and 2018, respectively.
3. **Global risks to near term growth remain, with wide dispersion of possible growth outcome scenarios.** Dispersion in growth outcome scenarios is largely due to policy uncertainty prevailing in some advanced economies and emerging markets and developing economies. Risks to global outlook include the possible slowdown in global trade, due to a shift in trade policies toward protectionism. Other downside risks include the weak bank balance sheets in some of the Euro area member countries, geopolitical risks and projected slowdown in China
4. **The domestic economy is estimated to have slowed in 2016, with good recovery expected during 2017 and 2018.** Real GDP growth is estimated at 1.0 percent in 2016 and projected to increase to 2.9 percent and 3.8 percent in 2017 and 2018, respectively. The 2016 growth estimate represent a downward revision of 1.5 percentage points from the estimate of 2.5 percent in November 2016. This was mainly attributed to a deeper than expected contraction in sectors such as diamond mining and construction. There were some improvements in the uranium-mining sub-sector and a lesser contraction in the agriculture sector; however, these developments were not strong enough to mitigate a slowdown in overall growth estimate for 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 and transport and communication sectors.

5. **Risks to the domestic economy remains definite since the last economic outlook update in November 2016.** Such risks include low commodity prices and global uncertainty emanating from trade relations between the US and her trading partners. Despite the recent uptick in the uranium price, the reverse in this price could lead to deterioration in Namibia's terms of trade and exert pressure on both the current account balance and international reserves. Furthermore, the recent outbreak of army worms in some parts of the country and in the Southern African region constitute a major risk to growth in the agricultural sector

The Economic Outlook Update for February 2017 is accessible online at  
<http://www.bon.com.na/Publications/Economic-Outlook.aspx>

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