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## **ECONOMIC OUTLOOK – AUGUST 2022**

### **THE NAMIBIAN ECONOMY IS EXPECTED TO GROW BY 3.2 PERCENT IN 2022**

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#### **1. Introduction**

The Bank of Namibia released the main Economic Outlook for 2022 with the domestic economy expected to grow by 3.2 percent in 2022 and by 2.9 percent in 2023.

#### **2. Global and Regional Outlook**

**Global economic growth is projected to slowdown during 2022 and 2023 following a stronger growth in 2021.** The expected slow global growth during 2022 and 2023 incorporates the effects of high economic costs emanating from the ongoing Russia-Ukraine war through higher commodity prices, particularly for food and fuel, trade disruptions, and tighter financial conditions resulting from higher inflation rates in major economies. According to the IMF's World Economic Outlook (WEO) update for July 2022, global growth is projected to slowdown from 6.1 percent in 2021 to 3.2 percent in 2022 and further to 2.9 percent in 2023. The latest projections were revised downward by 0.4 and 0.7 percentage points from the April 2022 WEO, respectively.

**Economic growth in all groups of economies is projected to slow down during 2022.** Growth in Advanced Economies (AEs) is projected to slow to 2.5 percent and 1.4 percent in 2022 and 2023, respectively, from 5.2 percent recorded in 2021. The slower growth outlook for AEs is ascribed to faster withdrawal of monetary support and tighter monetary policy stance introduced on account of higher inflation. Growth in Emerging Market and Developing Economies (EMDEs) is estimated to decelerate to 3.6 percent in 2022 from a higher growth rate of 6.8 percent in 2021, before improving slightly to 3.9 percent in 2023. The expected decline in growth for EMDEs is due

to weaker performance in real estate investments, subdued growth in private consumption and external demand, coupled with the negative impact of the Russia-Ukraine war.

**Similarly, growth in Sub-Saharan Africa is projected to slow down in 2022 before improving in 2023.** GDP growth in the Sub-Saharan African (SSA) region is estimated to slow down from 4.5 percent in 2021 to 3.8 percent in 2022 and thereafter improve to 4.0 percent in 2023. The latest growth projections remain unchanged from the April 2022 WEO, which reflects the positive impact of increased fossil fuel and metal prices for some of the commodity-exporting countries in the region. GDP growth rates are relatively lower across countries in the Sub-Saharan Africa compared to other economies around the world. This is because SSA countries experienced more output losses and had to deal with slower COVID-19 vaccination rates, supply chain disruptions and limited fiscal policy spaces in response to the COVID-19.

**Risks to the global growth are dominated by uncertainties around COVID-19, further implications from the Russia-Ukraine war, volatile commodity prices and a faster pace of monetary tightening.** The uncertainty regarding the prolonged war between Russia and Ukraine poses a risk to the global outlook, owing to the global increases in food and fuel prices. Further, supply chain disruptions along with the more stringent financial conditions also add to risks to the global growth outlook. Furthermore, other risks to global growth include increased volatility in international commodity prices and the slowdown of growth in China, which have major global spill overs. The slow growth in China is ascribed to COVID-19 outbreaks and lock downs.

### **3. Domestic Economic Outlook**

**Namibia's GDP growth is projected to improve in 2022, mainly supported by strong performance from the mining industry.** Real GDP growth is projected to increase to 3.2 percent in 2022 before moderating slightly to 2.9 percent in 2023. The estimated growth for 2022 represents a 0.2 percentage point downward revision from the February 2022 release, however, it is an improvement from 2.4 percent registered in 2021. The projected improved growth in 2022 is mainly on account of anticipated better performance in the mining industry, particularly diamonds and gold. Improved diamond production is ascribed to a new vessel which began operations in March 2022. Most of the sectors under the secondary and tertiary industries are similarly expected to register positive but low growth during 2022 and 2023. The exception is the construction sector which is expected to remain in contraction in both 2022 and 2023.

**Risks to domestic growth are predominantly in the form of monetary policy tightening around the world and high costs of key import items that are likely to persist for a long time.** Major Central Banks in the world are tightening monetary policies at faster pace than initially anticipated, a trend that could potentially lead to a global recession. Furthermore, the war between Russia and Ukraine does not seem to end soon and would likely continue for some time and thus the high prices for affected commodities for which Namibia is a net importer. Other risks include water supply interruptions that continue to affect mining production at the coast and uncertainty about the effects of climate change on agricultural production going forward.

The Economic Outlook for August 2022 is accessible online at  
<http://www.bon.com.na/Publications/Economic-Outlook.aspx>

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