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FOR IMMEDIATE RELEASE

ECONOMIC OUTLOOK UPDATE – February 2021

THE NAMIBIAN ECONOMY IS EXPECTED TO GROW BY 2.7 PERCENT IN 2021

1. Introduction

The Bank of Namibia released the Economic Outlook update for February 2021 with the domestic economy expected to recover to a growth rate of 2.7 percent in 2021, from a deep contraction of 7.3 percent in 2020.

2. Global and Regional Outlook

The global output is expected to rebound to a positive growth rate in 2021, following a contraction in 2020. The global economy is projected to grow by 5.5 percent in 2021 and to 4.2 percent in 2022, from an estimated contraction of 3.5 percent in 2020. These projections were contained in the latest World Economic Outlook (WEO) update of January 2021 published by the IMF and represent an upward revision when compared to the WEO release of October 2020, where the global economy was expected to grow by 5.2 percent in 2021. The projected stronger recovery in global growth during 2021 and 2022 is based on multiple vaccine approvals, the launch of vaccinations in many countries and additional stimulus policy measures in a few large economies.

In Sub-Saharan Africa, economic growth is projected to increase during 2021 and 2022.

Growth in Sub-Saharan Africa is expected to strengthen to 3.2 percent and 3.9 percent in 2021 and 2022, respectively, from a contraction of 2.6 percent in 2020. The 2021 growth projection is 0.1 percentage point higher relative to the October 2020 WEO. Nigeria's growth is projected to increase to 1.5 percent in 2021 from a contraction of 2.3 percent in 2020. Growth in South Africa is also projected to strengthen to 2.8 percent in 2021 from a contraction of 7.5 percent in 2020 before moderating to 1.4 percent in 2022.

3. Domestic Economic Outlook

Domestic growth is expected to increase during 2021 and 2022, with improvements coming from all major industries. The domestic economy is projected to grow by 2.7 percent and 3.3 percent in 2021 and 2022, respectively, making a recovery from an estimated contraction of 7.3 percent in 2020. These improvements are attributed to broad based base effects as well as better growth prospects for diamond mining, agriculture and transport sectors from 2021 onwards.

The latest growth projection for 2021 represents an upward revision when compared to the December 2020 Economic Outlook update, largely due to better growth prospects in primary industries. The latest overall growth estimate of 2.7 percent for 2021 represents a slight improvement from 2.6 percent published in the December 2020 Economic Outlook update. Information obtained from the latest consultations with industries indicated that growth is likely to be broad based.

Risks to domestic growth remain dominated by the impact of the COVID-19 pandemic on the domestic economy, mainly regarding the success of vaccinations in Namibia and around the globe. Travel restrictions are still in place in many countries, exacerbated by the second wave of coronavirus infections. Other notable risks to the domestic growth outlook include the persistently low international prices for some of Namibia's export commodities such as uranium, as well as climatic swings. Namibia is prone to floods in the northern parts of the country, which are likely to occur in 2021, following good rainfalls received.

The Economic Outlook Update for February 2021 is accessible online at
<http://www.bon.com.na/Publications/Economic-Outlook.aspx>

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