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FOR IMMEDIATE RELEASE

**BANK OF NAMIBIA RELEASES THE QUARTERLY BULLETIN – SEPTEMBER 2020**

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**DOMESTIC ECONOMIC PERFORMANCE WAS EXCEPTIONALLY WEAK DURING THE SECOND QUARTER (APRIL – JUNE) OF 2020**

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**International economic and financial developments**

- 1. Global economic growth recorded a severe contraction during the second quarter of 2020.** Economic activity in the monitored Advanced Economies (AEs) and Emerging Market and Developing Economies recorded severe contractions during the second quarter of 2020. These contractions were driven by the prevalence of the COVID-19 pandemic and its associated lockdown measures applied across the globe. The Chinese economy was the only economy that recorded a positive GDP growth rate during the quarter under review, having already experienced its sharp contraction in the first quarter of 2020. The positive growth was mainly driven by the easing of lockdown restrictions and government stimulus measures adopted to bolster its economy.
- 2. The global economy is expected to record a deeper recession in 2020 than previously projected, but then to recover in 2021.** The IMF World Economic Outlook for June 2020 projects global real output to contract by 4.9 percent in 2020, its worst recession since the Great Depression, and more severe than during the 2008/2009 global financial crises. The projected contraction is more severe than the IMF's previous projection that was prepared in April. Downside risks include a high degree of uncertainty regarding the COVID-19 pandemic, further waves of infection, possible reintroduction of lockdown measures, and slow progress in the development and production of a vaccine.

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- 3. Average inflation remained low in both the monitored AEs and EMDEs, with most of the central banks continuing with the accommodative monetary policy stances during the second quarter of 2020.** Inflation in most of the monitored AEs and EMDEs slowed during the second quarter in comparison to the previous quarter, due to lower energy prices, and weak economic growth that put a lid on food, housing and transport prices. Further, to contain the anticipated negative impact of COVID-19 on economic activity, most central banks around the globe maintained ultra-low policy rates with some reducing their benchmark interest rates further in combination with the adoption of non-conventional stimulatory monetary policy measures in other economies.

#### **Domestic economic and financial developments**

- 4. Activity in the domestic economy slowed during the second quarter of 2020 compared to the corresponding quarter of the previous year.** The slower activities were particularly reflected in the tourism, transport, manufacturing, wholesale and retail trade, construction, and mining sectors and were mainly attributed to COVID-19 pandemic-induced effects. Very weak activity was reflected in the collapse in passenger arrivals in the tourism sector and lower cargo volumes in the transport sector. Moreover, lower output was registered in the manufacturing sector, while real turnover in the wholesale and retail trade sector also declined. The construction sector activity also slowed due to the negative impact of the COVID-19 pandemic. Similarly, in the agriculture sector, livestock marketing activity declined as a result of farmers restocking during the period under review. Signs of improvement were, however, observed in the communication sector during the period under review. Namibia's inflation rate decelerated further during the second quarter of 2020, due to a lower inflation for housing, transport, and alcoholic beverages and tobacco.
- 5. Growth in money supply (M2) rose while growth in credit extended to the private sector slowed during the second quarter of 2020.** Year-on-year growth in M2 rose to 14.7 percent at the end of the second quarter, from 7.3 percent at the end of the same quarter in 2019. The higher growth in M2 was underpinned by an increase in domestic claims of the depository corporations, specifically net claims on central government. However, growth in credit extended to the private sector slowed due to a slackening in demand for credit, particularly by the corporate sector, consistent with the sluggish growth within the domestic economy. Money market interest rates eased over the half year to the end of the second quarter of 2020 and further in August 2020, as the Bank of Namibia cumulatively lowered its repurchase rate (Repo rate) over this eight-month period by 275 basis points, to its lowest level since independence.

6. **On the fiscal front, Government's total debt stock continued to increase year-on-year, reflected in both the domestic and foreign borrowings.** Government's total debt as a percentage of GDP increased to 58.7 percent at the end of June 2020, from 49.2 percent a year earlier. Central Government loan guarantees as a percentage of GDP rose slightly year-on-year by 0.1 percentage point to 6.7 percent, during the period under review. At this ratio, total loan guarantees remained below the Government's set ceiling of 10.0 percent of GDP.
7. **On the external sector front, Namibia's current account registered a surplus during the second quarter of 2020, while the International Investment Position (IIP) recorded an increased net asset position.** The surplus on the current account during the period under review was due to the surplus recorded on the merchandise trade balance, reflecting a significant decline in import payments and an increase in export earnings, alongside higher SACU earnings. The current account recorded a surplus of N\$5.1 billion (12.0 percent of GDP) during the second quarter of 2020, a turnaround from a deficit of N\$1.9 billion in the corresponding period of 2019. The stock of international reserves stood at N\$31.8 billion at the end of the second quarter of 2020, representing an import cover of 6.5 months. At the end of the second quarter of 2020, Namibia's international investment position recorded an increased net asset position of N\$6.9 billion compared to a net liability position of N\$11.1 billion a year earlier. The Namibia Dollar weakened against all major trading currencies over the year to the end of the second quarter of 2020, mainly on the back of growing concerns over the impact of COVID-19.

The media and the public at large are encouraged to read the full Quarterly Bulletin, which can be accessed at [www.https://www.bon.com.na/Economic-information/Quarterly-Bulletins/Quarterly-Bulletins-Publication.aspx](https://www.bon.com.na/Economic-information/Quarterly-Bulletins/Quarterly-Bulletins-Publication.aspx).



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