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FOR IMMEDIATE RELEASE

**DOMESTIC AND INTERNATIONAL ECONOMIC AND FINANCIAL DEVELOPMENTS  
DURING THE THIRD QUARTER (July – September 2012)**

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**International economic and financial developments**

- 1. During the period under review, the global economy continued to weaken, mostly due to the on-going debt crisis and austerity measures in the Euro Area.** The Euro Area remained in recession during the third quarter of 2012, contracting further to 0.6 percent from 0.4 percent in the second quarter. Furthermore, despite the improved economic activities in the US over the same period, analysts are cautious about a sustained economic recovery as a result of the unresolved fiscal challenge, the so-called 'fiscal cliff'. Likewise, Japan's economic performance was lacklustre during the third quarter as a result of subdued growth of its main trading partners, particularly China, which experienced slowed growth since the beginning of 2012.
- 2. Similarly, real GDP growth in the emerging market economies subsided during the third quarter of 2012, with weakening economic activities in China, South Africa, India and Russia.** The slowed economic growth in China, India and Russia was mostly reflected in subdued activities in manufacturing sector, investment as well as in exports. In South Africa, the prolonged strikes have negatively affected output in the mining sector and as a result, real GDP growth slowed during the third quarter relative to the second quarter.

## Domestic economic and financial developments

3. **Despite some bright spots that were observed during the third quarter of 2012, the domestic economic performance was subdued.** Mining, transport and tourism activities grew during the reviewed period. Yet, the lacklustre performance of the manufacturing, agriculture, wholesale and retail trade sectors clouded the improvement in the local economy.
4. **On the inflation front, the headline inflation rose to 6.2 percent during the third quarter from 6.0 percent in the previous quarter.** This increase was mostly attributed to rising food inflation associated with the industrial strikes in South Africa coupled with the observed increase in international food prices.
5. **On the monetary front, the growth in broad money supply slowed down during the third quarter of 2012, while there was a marginal acceleration of bank credit to corporations.** The subdued growth in M2 resulted from the reduced domestic claims and net foreign assets of the depository corporations. Credit extended to the private sector, however, rose, as reflected in increased borrowing of the business sector over the same period. In addition, the nominal interest rates remained at historically low levels.
6. **Namibia's external competitiveness, as measured by the trade-weighted effective exchange rate and unit labour costs, continued to yield mixed results during the third quarter of 2012.** On the one hand, both the nominal and the real effective exchange rates depreciated somewhat, on an annual basis during the third quarter 2012. On the other hand, unit labour costs for various segments within the manufacturing sector continued to increase through the third quarter of 2012. The rise was mostly reflected in the unit labour costs for chemicals and non-metallic minerals, paper, printing and publishing, as well as the unit labour costs for manufacturing of other food products, which have been on a rise since the second half of 2011.
7. **Total Government debt stock increased marginally on a quarterly and annual basis at the end of the third quarter of 2012.** Likewise, total loan guarantees rose on a yearly basis but declined quarter-on-quarter. As a result, the ratios of debt and loan guarantees to GDP rose on the annual basis, but remained well within the Government's target bands.

**8. Going forward, GDP growths in the advanced and emerging economies are forecasted to remain constrained.** Underpinning the restrained growth in these economies will be the recession in the Euro area, a slowdown in real GDP for Japan and China. Further, the unresolved fiscal challenge in the US may further exacerbate the fragility of the global economy. Against this background, the latest IMF projections show that the global economy would slow to 3.3 percent in 2012 compared to its earlier forecast of 3.5 percent.

On the domestic front, the continuing slowdown in the global economic growth may negatively affect the Namibian GDP growth through decreased exports. Also, elevated international food and energy prices do not augur well for inflation and are likely to put additional pressures on the import bill. Further, the rising labour costs in most segments of manufacturing sector will impact on Namibia's external competitiveness.



Ebson Uanguta  
**DEPUTY GOVERNOR**

**Issued By:**  
Head of Strategic Communications and Financial Sector  
Development Department  
Tel: (061) 283 5114, Fax: (061) 283 5546 or email: [info@bon.com.na](mailto:info@bon.com.na)