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FOR IMMEDIATE RELEASE

## **BANK OF NAMIBIA RELEASES THE SEPTEMBER 2022 QUARTERLY BULLETIN**

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### **THE PERFORMANCE OF THE DOMESTIC ECONOMIC ACTIVITY IMPROVES DURING THE SECOND QUARTER (APRIL– JUNE) OF 2022.**

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#### **International economic and financial developments**

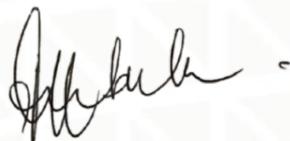
- 1. Global economic growth moderated during the second quarter of 2022 on the back of elevated inflation, tighter financial conditions, economic downturns in China and Russia, and weaker consumer spending in the USA.** GDP in both monitored Advanced Economies (AEs) and Emerging Market and Developing Economies (EMDEs) slowed, with some economies contracting. The US, UK, Euro Area, and China registered slowed growth during the second quarter of 2022, while Russia's economy shrank. In contrast, the economies of Japan, South Africa, Brazil, and India registered expansions during the quarter under review. The International Monetary Fund (IMF) projected growth in the global economy to decline from 6.1 percent in 2021 to 3.2 percent in 2022 and further to 2.9 percent in 2023, largely reflecting the impact of the Russia-Ukraine war. A major downside risk to this outlook remains that of a prolonged Russia- Ukraine war that will likely continue to elevate the cost of food and energy for longer period than earlier anticipated. Additionally, high inflation is expected to prompt central banks to raise interest rates further and exert fiscal sustainability pressure, particularly in EMDEs. Similarly, a deceleration in China's economic activity due to extended lockdowns, coupled with a protracted financial stress among property developers, would further weaken global economic activity.
- 2. Most central banks in the monitored economies tightened their monetary policy rates during the second quarter of 2022 to tackle rising inflation.** To mitigate the rising inflation, most of the central banks in the monitored advanced economies increased their

policy rates during the quarter under review, except for Japan, China and Russia, which cut their rates. The Bank of Japan (BoJ), however, left its policy rate unchanged at its most recent meeting, while China and Russia continued to cut their policy rates.

- 3. During the second quarter of 2022, activity in the domestic economy increased, supported by the primary and tertiary industries.** Available indicators show that the improved activity was particularly reflected in the mining sector, where the production of most key minerals such as diamonds, gold, and copper concentrate increased. Similarly, the agriculture sector was marked by an increase in marketing activity for cattle and small stock. Improved performance was also observed in the tertiary industry, particularly in sectors such as tourism and transport. The tourism sector recorded a substantial recovery which was due to increased tourist arrivals as more travel restrictions were lifted. Likewise, all categories of cargo transport also recovered. On the contrary, the poor performance in the construction sector continued, driven by slower construction works in both the Government and private sectors.
- 4. Namibia's inflation rate rose during the second quarter of 2022, mainly driven by an increase in transport inflation.** Inflation rose to 5.7 percent during the second quarter of 2022, from 3.9 percent during the corresponding quarter of 2021. The rise in inflation was mainly driven by an increase in the inflation for transport, mainly owing to a rise in the international prices of oil, in turn, largely ascribed to the conflict in eastern Europe. On a monthly basis, inflation rose to 7.3 percent in August 2022 from 6.8 percent registered during the previous month, mainly attributed to an increase in transport inflation and food and non-alcoholic beverages.
- 5. With regards to the monetary sector, growth in broad money supply (M2) and private sector credit extension (PSCE) rose during the second quarter of 2022 despite increased interest rates.** The annual growth in M2 rose during the second quarter of 2022, driven by an increase in domestic claims of the depository corporations. Growth in PSCE, although historically still low, rose to 3.4 percent in the second quarter of 2022 from 2.8 percent during the corresponding quarter of 2021. This was driven by a rise in credit extended to the corporate sector, indicating signs of recovery in the level of economic activity during the review period. In each of its four meetings this year, the Bank of Namibia Monetary Policy Committee decided to increase the repo rate by a cumulative 175 basis points, bringing it to 5.5 percent from mid-August 2022. The MPC was of the view that the rate hikes were appropriate to maintain the one-to-one link to the South African Rand and curb rising inflationary pressures. As a result, money market rates rose alongside improved liquidity levels during the period under review.

- 6. On the fiscal front, the Central Government's debt stock rose over the year to the end of June 2022.** Government's total debt as a percentage of GDP stood at 68.2 percent at the end of June 2022, accounting for a yearly increase of 0.4 percentage point. The yearly increase was driven by a rise in the issuance of both Treasury Bills (TBs) and Internal Registered Stock (IRS). External debt, however, declined year-on-year owing to the redemption of one of the Eurobonds in November 2021. Total loan guarantees as a ratio of GDP declined to 5.3 percent on a yearly basis, from 6.8 percent during the corresponding quarter in 2021. This was mainly a result of the repayments of foreign loans, which were guaranteed by the Government in sectors such as transport and energy, coupled with the repayment of domestic loans to the transport sector.
- 7. Namibia's current account deficit deteriorated, whereas the International Investment Position recorded a net liability position during the second quarter of 2022.** The current account deficit widened to 14.0 percent of GDP from 7.7 percent registered in the corresponding quarter of 2021. This was attributed to the widened merchandise trade deficit, reflecting a significant rise in import payments relative to the growth in export earnings. The higher outflows of primary income resulting from higher dividend and retained earnings outflows also contributed to the widening current account deficit. The financial account recorded increased net capital inflows, mainly due to net inflows of direct and portfolio investment. At the end of the second quarter of 2022, Namibia's international investment position recorded a net liability position, switching from a net asset position recorded a year earlier on the back of an increase in *other investment* and *direct investment* liabilities. The stock of international reserves rose to a level of N\$46.0 billion at the end of the second quarter of 2022, equivalent to 5.1 months of import cover, mainly due to inflows over the past year in the form of an IMF SDR allocation, asset swaps, and revaluation gains. The level of foreign reserves further increased to N\$47.0 billion at the end of August 2022, partly due to SACU revenue and revaluation gains.

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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