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FOR IMMEDIATE RELEASE

## ECONOMIC OUTLOOK - JULY 2016

### THE NAMIBIAN ECONOMY IS EXPECTED TO GROW BY 4.4 PERCENT IN 2016

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The Bank of Namibia released the July 2016 Economic Outlook with the domestic economic growth expected to slow down in 2016, before improving in 2017.

- 1. The World Economic Outlook based on IMF projections indicated that growth for the global economy is expected to remain stagnant in 2016, before improving moderately in 2017.** According to the IMF's World Economic Outlook (WEO) Update of July 2016, the global economy is expected to grow by 3.1 percent and 3.4 percent during 2016 and 2017, respectively. This is compared to the corresponding growth rate of 3.1 percent in 2015. During 2016 and 2017, growth is expected to increase marginally amongst key emerging market and developing economies relative to 2015, while slower growth is expected in major advanced economies, except in the US where an improvement is projected for 2017. Growth in the Sub-Saharan African region is expected to slowdown to 1.6 percent in 2016, before picking up to 3.3 percent in 2017. The slower growth in 2016 is attributed to low commodity prices, low household spending and weak demand from China and other key emerging markets economies. Similarly, growth for the South African economy is expected to slow down to 0.1 percent in 2016, before rising to 1.1 percent in 2017. The weak growth in SA is attributed to low commodity prices, prevailing drought conditions and low consumer spending. These economic factors are expected to restraint economic growth for the foreseeable future.
- 2. Risks to the global economic outlook remain and include, increasing uncertainty associated with the recent vote by the United Kingdom to leave the European Union, low commodity prices, exchange rate volatility and the**

**continuation of monetary policy normalization in the US.** In advanced economies, risks include low inflation with a possibility of deflation (negative inflation) negative output gaps and high uncertainty, as United Kingdom embarked on the process to exit from the European Union. Furthermore, the resumption of raising policy rates in the advanced economies is expected to increase exchange rate volatility and capital outflows from emerging markets. Other downside risks include the geopolitical tensions in the Middle East and resurgence of terrorism activities, which are expected to disrupt growth recovery in the advanced economies.

3. **The domestic economy is projected to maintain a moderate growth trajectory in 2016, before rising in 2017.** Namibia's real GDP growth is projected to slow down to 4.4 percent in 2016, before accelerating to 5.4 percent in 2017. The slowdown in 2016 is mainly due to the projected contraction in construction and the diamond mining sub-sector. Meanwhile, strong growth is expected from the metal ores mining (copper, gold and zinc), uranium mining, as well as, electricity and water sectors; and thus these sectors are expected to sustain growth at moderate levels during 2016. Over the medium-term from 2017 onward, GDP growth will be supported by expansion in mining output from new and existing mines and sustained growth in wholesale and retail trade.
4. **Risks to the domestic growth outlook remain on the downside and are mostly centred on global spill-overs and the prevailing drought.** Weak global demand, emanated from slower growth in advanced economies and major emerging market economies, coupled with slow recovery of international commodity prices, may slow production at some of the local mines, especially uranium mines. At the regional level, drought poses an immediate threat to production in primary industries and food inflation. Namibia is faced with water shortages, which may further restrain growth in sectors such as construction, beverages, meat processing and agriculture.

The Economic Outlook July 2016 is accessible online at  
<http://www.bon.com.na/Publications/Economic-Outlook.aspx>

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