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FOR IMMEDIATE RELEASE

ECONOMIC OUTLOOK UPDATE - MARCH 2023

THE NAMIBIAN ECONOMY IS EXPECTED TO GROW BY 3.0 PERCENT IN 2023

1. Introduction

The Bank of Namibia released the Economic Outlook update for March 2023 with the domestic economy projected to grow by 3.0 percent in 2023 and by 2.9 percent in 2024.

2. Global and Regional Outlook

Overall, global economic growth is expected to grow moderately in 2022 before slowing down in 2023. According to the IMF World Economic Outlook (WEO) Update released in January 2023, global growth is estimated at 3.4 percent for 2022 and is expected to slow down to 2.9 percent in 2023. The estimate for 2022 and projection for 2023 are both 0.2 percentage points higher than the forecast from the October 2022 WEO, reflecting greater-than-expected resilience to headwinds across several economies. Although the 2023 annual growth projection suggests that the global economy will avoid a recession, some economies are likely to experience a recessionary period at some point over the course of the year.

Advanced Economies (AEs) are projected to experience the sharpest slowdown in growth during 2023. Real growth in the AEs is anticipated to slow to 2.7 percent in 2022 and to further moderate to 1.2 percent in 2023. This slowdown is set to be experienced across roughly 90 percent of countries in the AEs group, most notably in the Euro Area and the United Kingdom (UK). Despite the depressed outlook for the region, there have been upward revisions to the growth projection across most of the AEs since the October 2022 WEO, except for the UK economy.

Economic activity in Emerging Markets and Developing Economies (EMDEs) is expected to improve marginally in 2022 and 2023. Growth in EMDEs is expected to improve slightly from 3.9 percent in 2022 to 4.2 percent in 2023 due to upward revisions in China, Russia, Brazil, and Mexico. The growth projection for 2023 has been revised upwards, primarily reflecting improved sentiment regarding the relaxation of China's zero Covid policy. Similarly, the Russian economy fared much better than initially expected following the onset of its war in Ukraine, with its energy exports being redirected away from Western nations. Hence, its growth projection for 2023 has been revised upwards by 2.6 percentage points from the October 2022 WEO. There have also been upward revisions to the 2023 growth projections for Brazil and Mexico on the back of greater-than-expected fiscal support in the former and an improved outlook in major trading partner economies for the latter.

Any upside to growth across the Sub-Saharan African (SSA) region is expected to be limited by weakness in external demand and energy challenges in South Africa. Growth in Sub-Saharan Africa is projected to remain flat at 3.8 percent in 2022 and 2023. The projection for 2023 has been revised upward by 0.1 percentage point since the October 2022 WEO. Overall, a subdued outlook for external demand is expected to weigh on the region's growth prospects. The region's two largest economies (Nigeria and South Africa) are projected to grow by 3.2 percent and 1.2 percent, respectively, in 2023.

The risks to the global outlook remain on the negative side, primarily due to the Russia-Ukraine war, the surging inflation, and tighter financial and monetary conditions. The potential worsening of health (Covid-19) outcomes in China, further protraction of the Russian-Ukraine war, and a debt distress event triggered by rapid tightening in global financial conditions continue to dominate the downside risks to global growth. Moreover, another risk to the outlook is the possible delayed recovery in China, which may impede global trade.

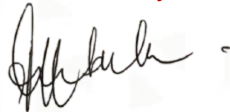
3. Domestic Economic Outlook

Namibia's GDP growth is projected to improve in 2022 before moderating downwards in 2023. Real GDP growth is estimated to have increased to 4.2 percent in 2022 but is then projected to slow down to 3.0 percent in 2023. The estimated growth for 2022 has been revised upwards from 3.9 percent published in the December 2022 Economic Outlook update, mainly on account of higher production volumes from the diamond mining sector as well as sustained growth for most industries in secondary and tertiary sectors.

Risks to domestic growth are predominantly in the form of monetary policy tightening globally and high costs of key import items that are likely to remain for the entire forecast period. Major central banks in the world continue to tighten monetary policies, a phenomenon that is anticipated to result in a global slowdown in 2023. Furthermore, the war between Russia and Ukraine is likely to continue for longer than expected, and so are the high prices for affected commodities for which Namibia is a net importer, including fuel, wheat, and cooking oil. Other domestic risks include water supply interruptions that continue to affect mining production at the coast, energy challenges in the region, and uncertainty about the effects of climate change going forward.

The Economic Outlook update for March 2023 is accessible online at
<http://www.bon.com.na/Publications/Economic-Outlook.aspx>

Issued by:



Mr. Kazembire Zemburuka

**Director: Strategic Communications and International Relations
Bank of Namibia**

Tel: (061) 283 5114, Fax: (061) 283 5546 or email: info@bon.com.na