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FOR IMMEDIATE RELEASE

BANK OF NAMIBIA RELEASES THE QUARTERLY BULLETIN

DOMESTIC ECONOMIC PERFORMANCE IMPROVED SLIGHTLY THOUGH STILL WEAK DURING THE SECOND QUARTER (APRIL - JUNE) OF 2018

International economic and financial developments

1. The global economic recovery continued during the second quarter of 2018.

Economic activity in the monitored Advanced Economies (AEs) improved slightly during the second quarter of 2018, compared to the preceding quarter, driven mainly by the US, UK and Japanese economies that recorded higher growth rates. Growth in the US was supported by positive contributions from personal consumption expenditures, exports, non-residential fixed investment and federal government spending amongst others. The UK and Japanese economies recorded higher growth rates in the second quarter of 2018, mainly driven by improved weather conditions, positive labour market numbers and high private consumption. On the other hand, Emerging Market and Developing Economies (EMDEs) growth presented a mixed picture in which India and Russia recorded higher growth rates while Brazil, China and South Africa's economic activity slowed during the second quarter of 2018.

2. The global economy is projected to register a slightly higher growth rate in 2018, compared to 2017.

IMF estimates suggest that the global economy will register a slightly higher growth rate of 3.9 percent in 2018, compared to 3.7 percent in 2017. The projected growth will be led by a slight improvement in growth from both the AEs and the EMDEs and partly the effects of the US tax cuts is

expected to support global growth. Risks to the global outlook include and remain amongst others: geopolitical tensions especially in the Middle East, ongoing trade conflicts, exchange rate volatilities and tight financial conditions especially in the EMDEs.

- 3. Inflation in the monitored AEs varied while it rose in the EMDEs and monetary policy stances remained unchanged among most AEs and EMDEs with the exception of the US and India during the second quarter of 2018.** Inflation in the US and Euro area accelerated, quarter-on-quarter, but remained unchanged in Japan and the UK during the second quarter of 2018. In the EMDEs, inflation rose in most economies with the exception of China and Angola. Central bank interest rates remained unchanged for most AEs and EMDEs but increased particularly in the US as a result of stronger performance in the labour market during the period under review. Similarly, the Reserve Bank of India also increased its benchmark interest rate to achieve their medium-term inflation target and support growth during the second quarter of 2018.

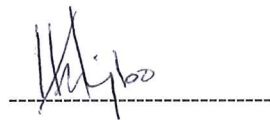
Domestic economic and financial developments

- 4. The domestic economy improved somewhat, although still weak during the second quarter of 2018, while inflation decelerated.** Activity in the mining, electricity generation as well as transport and communication sectors improved during the period under review. Production in the mining sector rose led by strong diamond and uranium output during the second quarter of 2018. However, the agriculture sector registered a decline in marketing activities reflected in the lower number of cattle and small stock marketed over the period under review. Similarly, the wholesale and retail trade, manufacturing as well as the tourism sectors showed declines due to subdued domestic and regional economic activity. Moreover, Namibia's inflation decelerated further during the second quarter of 2018, mainly driven by a decline in housing and food inflation.

- 5. With regard to the monetary and financial developments, the Bank of Namibia at its August 2018 Monetary Policy Committee meeting kept its policy rate unchanged.** The Monetary Policy Committee kept the Repo rate at 6.75 percent to support domestic growth while maintaining the one-to-one link between the Namibia Dollar and South African Rand. Growth in money supply (M2) rose during the second quarter of 2018, largely due to the growth in net foreign assets of the depository corporations. Growth in credit extended to the private sector (PSCE), however, remained subdued during the second quarter of 2018. The slower growth in PSCE was due to the lower uptake of credit by both the household and corporate sectors during the period under review consistent with the sluggish growth within the economy.
- 6. On the fiscal front, Government's total debt continued to increase, year-on-year, reflected in both the domestic and foreign borrowings.** As a result, Government's total debt as a percentage of GDP increased to 40.9 percent at the end of the first quarter (June) 2018/19, from 39.5 percent at the end of the corresponding quarter of 2017/18 fiscal year. Similarly, Government loan guarantees increased from 5.0 percent to 6.2 percent of GDP over the same period though remained well below the threshold of 10.0 percent.
- 7. On the external sector front, the current account deficit improved considerably, while the International Investment Position (IIP) recorded a reduced surplus during the second quarter of 2018.** The significant improvement in the current account deficit during the review period was primarily due to an increase in exports receipts. The current account registered a deficit of N\$614 million during the second quarter of 2018, compared to a deficit of N\$2.4 billion during the corresponding quarter of 2017. The stock of international reserves increased significantly in the year to the second quarter of 2018, following the settlement of debt by Banco Nacional de Angola coupled with higher SACU receipts. This resulted in a slight increase in the level of import cover to 4.8 months at the end of the quarter under review, compared to 4.6 months in the second quarter of 2017. IIP recorded an increased net liability position on a yearly basis, over the same period, as foreign liabilities rose faster than foreign assets.

The Namibia Dollar appreciated against the US Dollar while it depreciated against the Pound and Euro, year-on-year, during the second quarter of 2018. This was attributed partly to political developments and economic uncertainty in the United States coupled with improved political stance in South Africa.

The media and the public at large are encouraged to read the full Quarterly Bulletin, which can be accessed at <https://www.bon.com.na/Publications.aspx>



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