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FOR IMMEDIATE RELEASE

BANK OF NAMIBIA RELEASES THE QUARTERLY BULLETIN

DOMESTIC ECONOMIC PERFORMANCE REMAINED WEAK DURING THE THIRD QUARTER (JULY – SEPTEMBER) OF 2019

International economic and financial developments

1. **Global economic growth slowed during the third quarter of 2019, led by Emerging Market and Developing Economies (EMDEs).** Economic activity in the monitored EMDEs slowed, relative to the second quarter of 2019. The slowdown was mainly noted in China, India and South Africa, while growth picked up in Brazil and Russia. On the other hand, performance among Advanced Economies (AEs) was mixed with growth picking up in the US and Japan, while it slowed in the UK and remained steady in the Euro area. The slower growth in the UK economy was mainly due to a slump in fixed investment and an inventory drawdown. The US-China trade tensions as well as uncertainty regarding Brexit continued to weigh down on global growth.
2. **The global economy is expected to slow in 2019 compared to 2018, with weaker growth experienced in both AEs and EMDEs.** The IMF World Economic Outlook projects global economic growth to slow down to 3.0 percent in 2019, compared to 3.6 percent in 2018, driven particularly by EMDEs and the Euro area. Downside risks are, the further creation of trade barriers and heightened geopolitical tensions, including Brexit-related risks, that could further disrupt supply chains and hamper confidence, investment and growth.

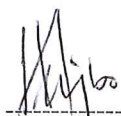
- 3. Average inflation in the monitored AEs and EMDEs remained well contained, resulting in most central banks adopting or maintaining accommodative monetary policy stances during the third quarter of 2019.** Inflation in most of the monitored AEs and EMDEs slowed during the third quarter in comparison to the previous quarter, due to lower energy prices and weaker economic growth. The exceptions were India and China where inflation increased. Several of the monitored central banks adopted easier monetary policy stances during the quarter under review. These were the US Federal Reserve, European Central Bank (ECB), and the central banks of Brazil, Russia, India and South Africa, while the remaining monitored central banks maintained their benchmark rates during the quarter under review.

Domestic economic and financial developments

- 4. Activity in the domestic economy contracted during the third quarter of 2019 compared to the corresponding quarter of the previous year.** The contraction was particularly reflected in the mining and wholesale and retail trade sectors. The weaker performance of the mining sector was mainly due to lower production of diamonds, uranium and zinc concentrate, while the persistently low demand in line with the subdued economic activity caused the slowdown in the wholesale and retail trade sector. However, activity in the construction sector started recovering during the period under review. The pickup in the construction sector was mainly driven by a strong rise in the Government construction works. Moreover, Namibia's inflation decelerated further during the third quarter of 2019, mainly on account of a decline in transport and housing inflation.
- 5. With monetary and financial conditions stable, the Bank of Namibia reduced its policy interest rate in August 2019 and at its subsequent two Monetary Policy Committee meetings kept its policy rate unchanged.** The Monetary Policy Committee reduced the Repo rate by 25 basis points to 6.50 percent in August to support domestic growth while maintaining the one-to-one link between the Namibia Dollar and South African Rand. At its October and December 2019 meetings the rate was kept unchanged. Growth in money supply (M2) rose marginally during the third quarter of 2019, largely due to the growth in net foreign assets of the depository corporations, coupled with sustained growth in domestic claims. Growth in credit extended to the private sector (PSCE), however, slowed somewhat during the third quarter of 2019. The slower growth in PSCE was due to the lower uptake of credit by the household sector 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 49.2 percent at the end of September 2019, from 45.1 percent a year earlier. Conversely, Government loan guarantees declined to 6.2 percent from 6.4 percent of GDP over the same period and remained well below the threshold of 10.0 percent.
7. **On the external sector front, the current account deficit improved, while the International Investment Position (IIP) recorded a reduced net liability position during the third quarter of 2019.** The moderate improvement in the current account deficit during the period under review was primarily due to a smaller merchandise trade deficit, coupled with increased inflows on the secondary income account due to higher SACU receipts. The current account registered a deficit of N\$1.1 billion during the third quarter of 2019, compared to a deficit of N\$1.3 billion during the corresponding quarter of 2018. The IIP recorded a lower net liability position over the same period, as foreign assets rose faster than foreign liabilities. The stock of international reserves edged lower in the year to the third quarter of 2019, partly due to higher Government foreign payments. Given lower imports, the level of import cover of the reserves stood at 4.3 months at the end of the quarter under review, compared to 4.2 months a year ago, both of which were above the international benchmark of 3.0 months. The Namibia Dollar appreciated moderately against the Pound and Euro over the year to the third quarter of 2019 although it depreciated against the US Dollar over this period

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/Quarterly-Bulletins.aspx>



Dr. Emma Haiyambo

Director: Strategic Communications and Financial Sector Development

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