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FOR IMMEDIATE RELEASE

**DOMESTIC AND INTERNATIONAL ECONOMIC AND FINANCIAL DEVELOPMENTS
DURING THE FIRST QUARTER (Jan- March) OF 2013.**

International economic and financial developments

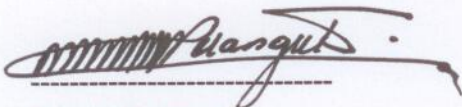
- 1. The global economic growth remained weak during the first quarter of 2013, despite relatively expanded economic output in the US, Japan and the UK - largely due to improved domestic demand.** The Euro Area continued to be in recession due to weaknesses in private consumption, investment and exports. Furthermore, economic growth in the overall region was undermined by the prevailing austerity measures in the debt ridden countries and restricted credit to consumers and businesses. Meanwhile, the US, Canada and the UK reported expanded economic output during the first quarter of 2013. In line with the weak global economic output, the majority of the central banks around the world maintained accommodative monetary policy stances at their latest meetings.
- 2. Similarly, real GDP growth in the emerging market economies subsided, although remained robust during the first quarter of 2013, with weakening economic activities in China, South Africa and Russia.** China's growth weakened during the first quarter of 2013, mainly due to reduced investments. South Africa and Russia's growth also slowed and recorded the lowest growth for the first time in thirteen consecutive quarters. In South Africa, the weakening growth was due to weak performances in major sectors such as, manufacturing, agriculture and forestry. Furthermore, the unsettled labour relation environment may hamper growth going forward. The declined investment and exported commodities, on the other hand affected economic activity in Russia over the same period.

Domestic economic and financial developments

- 3. Notwithstanding the weak global economic growth, available indicators for the real sector showed favourable performance in the domestic economy across all industries during the first quarter of 2013 compared to the corresponding quarter of the previous year.** In the primary industry, mineral production and cattle marketed in the agricultural sector boosted growth. The increased cattle marketed, however, resulted from the prevailing drought in the country that forced farmers to market many of their livestock. The construction sector as reflected by the rise in real value of buildings completed led the growth in the secondary industry. The tertiary industry also posted positive results due to increased activities in the wholesale and retail trade and transport sectors, while the tourism sector weakened, mostly due to the recession in the Euro Area.
- 4. Growth in broad money supply continued to be sluggish at the end of the first quarter of 2013, amidst a low inflation environment.** The sluggish growth in M2 can be explained by the reduction in domestic claims of the depository corporations, as businesses reduced their borrowings. Meanwhile, Namibia's headline inflation slowed by 0.6 percent, reaching an average of 6.4 percent during the first quarter of 2013 compared to both the previous quarter and the first quarter of 2012. This was mainly due to slower inflation rates for food, transport and alcoholic beverages. Similarly, the inflation rate for May 2013 remained constant but low at 6.1 percent as in the previous month when compared to 6.3 percent in March, due to lower inflation rate for transport, which offset the increased rates for food, furniture and miscellaneous categories.
- 5. Total domestic debt of the Central Government increased both on a quarterly and annual basis at the end of the fourth quarter of 2012/13 as mirrored in the increased domestic and external debt stock.** Similarly, Government loan guarantees rose over the same period, mostly due to guarantees issued to the transport sector.
- 6. Namibia's external balance recorded a surplus in line with a slight increase in the stock of international reserves during the first quarter of 2013.** This surplus was, however, lower relative to the preceding quarter due to the continuous current account deficit and the reduced net capital inflows in the capital and financial account over the same period. The stock of international reserves was, however, sufficient to

sustain the currency peg and represented 14.3 weeks of import cover.

7. **Furthermore, Namibia's external competitiveness improved on an annual basis during the first quarter of 2013, as mirrored in the depreciation of the REER, although increasing labour costs poses a risk to competitiveness.** The depreciation of the REER implied that Namibian products were cheaper in the international market. On a quarterly basis, however, the REER appreciated and thereby denting Namibia's competitiveness over the same period. Moreover, the rising unit labour cost in the manufacturing sector might dent the country's external competitiveness.
8. **Going forward, the global growth is expected to remain weak and could negatively affect Namibia's growth prospects.** The IMF lowered its economic growth forecast for 2013 to 3.3 percent from the January forecast of 3.5 percent. The sluggish global economic growth might negatively affect Namibia's economic output due to depressed demand for exported commodities, despite the depreciation of the local currency.



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