

Date: August 27, 2019
Attention: News Editor
Ref: 9/6/2

FOR IMMEDIATE RELEASE

ECONOMIC OUTLOOK UPDATE - JULY 2019

THE NAMIBIAN ECONOMY IS EXPECTED TO CONTRACT BY 1.7 PERCENT IN 2019

The Bank of Namibia released the Economic Outlook 2019 with the domestic economic growth expected to contract by 1.7 percent in 2019, followed by small recovery in 2020. The projected contraction in 2019 is attributed to the prevailing drought, and projected contractions in major sectors such as agriculture, diamond mining and wholesale and retail trade.

- 1. Global economic growth is projected to slow during 2019, on account of weaker growth for both Advanced and major Emerging Markets and Developing Economies (EMDEs) before rising in 2020.** According to the IMF's World Economic Outlook (WEO) Update for July 2019, global growth is projected at 3.2 percent in 2019 and 3.5 percent in 2020. The projected growth for 2019 represents a 0.4 percentage point decline from the 3.6 percent recorded for 2018.
- 2. Growth in Advanced Economies (AEs) is projected to slow during 2019 and 2020.** Advanced economies are projected to grow by 1.9 percent and 1.7 percent in 2019 and 2020, compared to a growth rate of 2.2 percent achieved in 2018.
- 3. Similarly, growth among EMDEs is expected to slow down slightly in 2019 before picking up in 2020.** EMDEs growth is estimated at 4.5 percent for 2018 and is projected to slowdown marginally to 4.1 percent in 2019, before improving to 4.7 percent in 2020.

4. Growth in Sub-Saharan Africa is projected to improve during 2019 and 2020.

On the regional front, growth in Sub-Saharan Africa is projected to strengthen to 3.4 percent and 3.6 percent in 2019 and 2020, respectively, compared to 3.1 percent in 2018. Nigeria's growth rate is projected to increase to 2.3 percent and 2.6 percent in 2019 and 2020, respectively, from 1.9 percent in 2018. Growth in Angola is also expected to increase to 0.4 percent and 2.9 percent in 2019 and 2020, respectively, from a contraction of 1.7 percent in 2018. On the contrary, growth in South Africa is projected to edge lower to 0.7 percent in 2019 before rising to 1.1 percent in 2020, from 0.8 percent in 2018.

5. The balance of risks to the global outlook remains mainly on the downside.

Risks to the global growth outlook remain intensified and include uncertainty surrounding trade agreements, technology tensions, a protracted increase in risk aversion and disinflationary pressures making servicing debt harder and constraining the ability to use monetary policy in downturns. Further, the prospect of a no-deal Brexit has increased.

6. Growth in the domestic economy is expected to remain in a deeper contraction in 2019. The domestic economy is projected to contract by 1.7 percent in 2019 from a minor contraction of 0.1 percent in 2018. The projected contraction in 2019 is attributed to the prevailing drought, and projected contractions in major sectors such as agriculture, diamond mining and wholesale and retail trade.

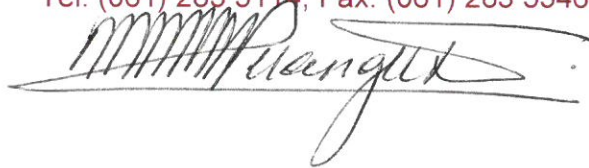
7. The latest growth projection for 2019 represents a downward revision when compared to the April 2019 Update, largely due to the projected weaker performance in agriculture and wholesale and retail sectors. The latest overall growth projection of -1.7 percent for 2019 represents a downward revision from 0.3 percent published during April 2019. Year-to-date information about economic activity for 2019 so far suggests that growth estimates for agriculture, wholesale and retail trade as well as net taxes on products are likely to be weaker than what was predicted in the April 2019 Economic Outlook Update.

8. **Risks to domestic growth include a slow recovery in international commodity prices, particularly uranium and copper, as well as continuing trade tensions between the US and China.** The risks to the domestic growth outlook remain more pronounced in primary industries, with the persistently low international prices for uranium and copper, which may cause mines to either reduce output or completely cease production as their operations remain unprofitable. Furthermore, ongoing trade wars between the United States and China have potential to negatively affect demand for Namibian minerals and worsen the growth outlook.

The Economic Outlook Update for July 2019 is accessible online at
<http://www.bon.com.na/Publications/Economic-Outlook.aspx>

Issued by: **Mr Ebson Uanguta, Deputy Governor: Bank of Namibia**

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

A handwritten signature in black ink, appearing to read 'Ebson Uanguta', written over a horizontal line.