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FOR IMMEDIATE RELEASE

**DOMESTIC ECONOMIC PERFORMANCE CONTINUED TO BE WEAK DURING  
THE THIRD QUARTER (JULY - SEPT) OF 2017**

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**International economic and financial developments**

**1. The global economic recovery continued during the third quarter of 2017.**

Economic activity in the monitored Advanced Economies (AEs) improved during the third quarter of 2017, compared to the preceding quarter, driven mainly by the US and Euro area. Growth in the US was supported by strong private consumption, improved non-residential investment and increased inventories. The Eurozone economy recorded a higher growth rate in the third quarter of 2017, mainly driven by stronger industrial production and improvement in external demand. In addition, Emerging Market and Developing Economies (EMDEs) growth pointed to an improvement especially for Brazil and Russia.

**2. The global economy is projected to register a higher growth rate in 2017, compared to 2016, although risks to growth remain for the medium term.**

IMF estimates suggest that the global economy will register a higher growth rate of 3.6 percent in 2017, compared to 3.2 percent in 2016, led by stronger growth in the US and EU, resilient conditions in China and India, as well as, recoveries in Brazil and Russia. Risks to the medium term global outlook include and remain amongst others: geopolitical tensions, low inflation in AEs, weak governance, extreme weather conditions, terrorism and security concerns.

- 3. Inflation for the monitored AEs edged higher while it slowed in the EMDEs, with monetary policy stances remaining unchanged among AEs although easing in some EMDEs during the third quarter of 2017.** Inflation in Japan and the UK accelerated, quarter-on-quarter, but remained unchanged in the US and Euro area, while it slowed in the EMDEs. Central bank interest rates in monitored AEs remained unchanged, whereas some emerging market economies eased their policy interest rates during the period under review.

#### **Domestic economic and financial developments**

- 4. The domestic economy continued to display a weak performance during the third quarter of 2017, as activity in the construction, wholesale and retail, transport and tourism sectors slowed.** Activity in the construction sector continued to contract, primarily due to the slowdown in Government construction works. Real turnover in the wholesale and retail trade sector continued to decline, displaying weak activity in all subsectors. The real value of buildings completed, as well as, activity in the transport sector also slowed during the quarter under review. On a more positive note, however, activity in the mining, manufacturing and agricultural sectors increased over the same period. Moreover, the inflation rate decelerated further during the third quarter of 2017, mainly driven by the lower prices of food and non-alcoholic beverages as well as transport inflation.
- 5. With regard to the monetary and financial developments, the Bank of Namibia at its August 2017 Monetary Policy Committee meeting reduced its policy rate by 25 basis points.** The Monetary Policy Committee (MPC) reduced the Repo rate to 6.75 percent from 7.00 percent, to support the weaker sectors of the economy in an effort to mitigate the subdued growth outlook. Growth in money supply (M2) rose during the third quarter of 2017, due to a significant increase in the net foreign assets of the banking sector, while growth in credit to the private sector remained subdued. Year-on-year growth in M2 rose to 9.2 percent at the end of the third quarter, from 4.3 percent at the end of the same quarter in 2016, while growth in credit extended to the private sector (PSCE) continued to slow. The slower growth in PSCE was reflected in the decreased borrowing by both the household and corporate sectors during the period under review.

Growth in PSCE slowed to 5.4 percent at the end of the third quarter of 2017, well below the rate of 11.0 percent registered at the end of the corresponding quarter of 2016 and consistent with the sluggish growth within the economy and most recently, lower inflation.

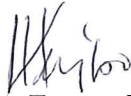
6. **On the fiscal front, Government's total debt continued to increase, year-on-year, reflected in both the domestic and foreign borrowings.** As a result, Government's total debt as a percentage of GDP increased to 41.2 percent at the end of September 2017, from 38.2 percent at the end of the corresponding quarter of 2016. Similarly, Government loan guarantees increased from 4.0 percent to 5.1 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 of the balance of payments improved considerably during the third quarter of 2017, while the International Investment Position (IIP) recorded increased net liabilities.** The significant improvement in the current account deficit, both on an annual and quarterly basis, during the review period was primarily due to a declining import bill and higher SACU receipts. The current account registered a deficit of N\$433 million during the third quarter of 2017, compared to a deficit of N\$5.6 billion during the corresponding quarter of 2016. The stock of international reserves increased significantly in the year to the third quarter of 2017, following the receipt of the first tranche of an African Development Bank (AfDB) loan incurred by Government, the repayment of debt by the Banco Nacional de Angola and higher SACU receipts.

This resulted in an increase in the level of import cover to 5.1 months at the end of the quarter under review, compared to 3.7 months in the third quarter of 2016. Namibia's International Investment Position (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, Pound and Euro, year-on-year, mainly attributed to the low base in 2016 and to domestic and external factors prevailing in the advanced economies.

On a quarterly basis, however, the Namibia Dollar depreciated against the Pound and the Euro, while it appreciated against the US Dollar during the third quarter of 2017.

The media and the public at large are encouraged to read the full Report, which can be accessed at [www.bon.com/publications](http://www.bon.com/publications)

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