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FOR IMMEDIATE RELEASE

BANK OF NAMIBIA RELEASES THE QUARTERLY BULLETIN

DOMESTIC ECONOMIC ACTIVITY REMAINED WEAK DURING THE SECOND QUARTER OF 2019

International economic and financial developments

- 1. Global economic activity slowed during the second quarter of 2019.** All advanced economies (AEs) recorded slower growth, both on a yearly and quarterly basis, except for Japan whose growth was marginally firmer on a quarterly basis. The weaker growth was mainly ascribed to intensified US-China trade and technology tensions as well as prolonged uncertainty regarding Brexit. Economic activity in the monitored emerging markets and developing economies (EMDEs) improved slightly in the second quarter, supported by Brazil, Russia and South Africa. Economic activity in China moderated due to trade tensions between the US and China, which resulted in weaker trade prospects, and lower business confidence.
- 2. The global economy is projected to weaken in 2019 before recovering slightly in 2020, as downside risks to the global economic outlook have intensified.** The IMF forecasts global growth to weaken further in 2019 and to pick up marginally in 2020. In the same manner, AEs are projected to grow slower in 2019 and 2020 compared to their 2018 growth rate. The IMF projects EMDEs growth to moderate in 2019, mainly due to slowdowns in the growth rates of China, Russia and Brazil. Downside risks include among others, escalating trade and technology tensions, geopolitical tensions, and mounting disinflationary pressures that make adverse shocks more persistent.

- 3. Average inflation declined in the US, UK, Euro area, India and Angola while it increased in the remaining monitored economies during the second quarter of 2019.** On a yearly basis, inflation declined in the US, UK and Euro Area, India and Angola while it was steady in South Africa. On the other hand, average inflation in Japan, Brazil, Russia and China increased during the quarter under review. During the second quarter of 2019, all monitored central banks in both the AEs and EMDEs, with the exemption of Bank of Russia, Reserve Bank of India and Bank of Angola, left their policy rates unchanged. The US, however, cut its policy rate at the monetary policy committee meeting in July 2019 (and again in September). South Africa also reduced its policy rate in July 2019.

Domestic economic and financial developments

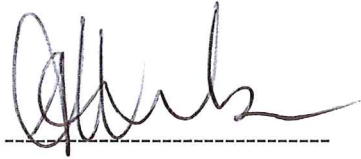
- 4. Activity in the domestic economy slowed during the second quarter of 2019, while inflation rose over the same period.** The weak performance in the domestic economy was reflected in the mining sector, due to a decline in the production of both diamonds and uranium. Similarly, slower activity has been observed in the wholesale and retail trade and tourism sectors. Activity in the transport and communication sector also slowed as reflected in decreased value addition in the communication subsector. The construction sector recorded weak activity as a result of reduced private sector construction works. In addition, available livestock (one of the indicators for developments in the agriculture sector) has been reduced due to high drought-induced sales leading to limited restocking activity. However, manufacturing activity increased mainly supported by the rise in the production of blister copper and refined zinc. Moreover, Namibia's inflation somewhat accelerated, reflected in a rise in inflation for food and non-alcoholic beverages, as well as, transport during the period under review.
- 5. Broad money supply (M2) growth slowed while that of credit extension to the private sector rose during the quarter under review.** The slower growth in M2 was in line with weak activity in the economy. The subdued growth in M2 was mainly

concentrated in shorter-term deposits which declined over the period. Domestic credit demand as reflected in growth in private sector credit extension edged up slightly due to an improved appetite for credit by businesses, although it remained low. The Bank of Namibia's Monetary Policy Committee (MPC) kept the Repo rate unchanged during the second quarter of 2019. In August, however, the policy interest rate was reduced by 25 basis points to 6.50 percent in order to support domestic economic growth, while continuing to safeguard the currency peg.

6. **On the fiscal front, Central Government's debt stock rose during the first quarter of the fiscal year (FY) 2019/20.** Central Government's total debt as a percentage of GDP stood at 43.6 percent at the end of the first quarter of fiscal year FY2019/20, representing a yearly increase of 3.2 percentage points. On the contrary, total loan guarantees as a ratio of GDP decreased during the period under review and remained within the set ceiling.

7. **Namibia recorded a larger current account deficit during the second quarter of 2019.** The deficit on the current account worsened to N\$3.1 billion, compared to a deficit of N\$1.3 billion in the second quarter of 2018. The main drivers of the widening current account deficit were the substantial deterioration in the merchandise trade deficit as a result of a growing import bill, coupled with increased net outflows on the services account. The stock of foreign reserves held by Bank of Namibia increased, supported by higher SACU receipts coupled with lower foreign Government payments. This resulted in an import cover of 4.5 months at the end of the second quarter of 2019. Namibia's International Investment Position recorded a net liability of N\$2.7 billion at the end of the second quarter of 2019, lower than the position of N\$10.7 billion in the corresponding period of 2018. The Namibia Dollar depreciated against all major trading currencies due to the downside risks that emanated from the trade tensions between the US and China coupled with South Africa's weak economic growth.

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

A handwritten signature in black ink, appearing to read 'Kazembire Zemburuka', written over a horizontal dashed line.

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