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FOR IMMEDIATE RELEASE

BANK OF NAMIBIA RELEASES THE SEPTEMBER 2024 QUARTERLY BULLETIN

DOMESTIC ECONOMIC ACTIVITY EXPANDED DURING THE SECOND QUARTER (APRIL – JUNE) OF 2024.

International economic and financial developments

1. **Global economic growth remained stable during the second quarter of 2024, supported by recoveries in the US, UK, Euro Area, and Brazil economies.** The preliminary Gross Domestic Product (GDP) data for the second quarter of 2024 revealed a continuation of the gradual recovery in the global economy. The stronger growth in the US was aided by improved consumer expenditure and the slowing inflation, coupled with the pickup in the growth for the UK, Euro area, and Brazil. Meanwhile, global inflation continued to slow but remained above the central banks' target inflation rates in many countries, inhibiting central banks' ability to cut interest rates.

2. **The global economy is projected to record a marginally lower growth rate in 2024, compared to 2023.** In its July 2024 World Economic Outlook (WEO) update, the International Monetary Fund (IMF) is projecting the global economy to grow by 3.2 percent in 2024. This is a slight decline from the 3.3 percent growth rate registered in 2023. The slightly weaker economic activity in 2024 is chiefly due to geopolitical challenges and uncertainty around how soon the policy interest rates could start declining. Risks to the outlook include inflationary pressures from a lack of progress in reducing prices for services. Other risks included trade and geopolitical tensions as well as the intensification and regional broadening of the ongoing military conflicts in various parts of the world.

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3. **Global inflation continued to slow during the quarter under review but remained above central banks' target ranges in most countries.** The deceleration in inflation has, however, prompted many central banks to reduce their policy interest rates during the quarter under review and at their most recent meetings. Amongst the large, advanced economies, the European Central Bank (ECB) in June 2024 was the first to start cutting its policy rate followed by the Bank of England at its end of July meeting. More recently, in September, the US Federal Reserve started its easing cycle by cutting its policy interest rate by 50 basis points to 4.75 - 5.00 percent, while the ECB cut its policy rate by a further 25 basis points. Moreover, the People's Bank of China reduced the benchmark lending rates by 10 basis points to 3.35 percent in August 2024, while the South African Reserve Bank reduced its policy rate by 25 basis points to 8.00 percent at its recent policy meeting in September 2024. Meanwhile, against the trend, the central banks of Russia and Japan have been facing rising inflation and accordingly increased their policy interest rates.

Domestic economic developments

4. **The domestic economy exhibited slower growth during the second quarter of 2024, mainly due to a contraction in the primary industry.** The economy registered a growth rate of 3.5 percent during the second quarter of 2024, slower compared to the 3.6 percent growth recorded in the corresponding quarter of 2023. In the primary industry, the mining sector registered a contraction during the quarter under review, primarily owing to a decline in the production of diamonds and uranium, despite positive growth registered for the production of gold, copper as well as oil and gas exploration-related activity. Moreover, activity in the agricultural sector weakened on the back of low crop production due to the prevailing drought conditions, although the drought-induced marketing of cattle and small stock sustained activity in the sector. Meanwhile, an uptick of activity in most subsectors of manufacturing, such as cement, blister copper, beer, and soft drinks, coupled with a recovery in Government and private construction works, contributed to the moderately positive growth in the secondary industry. The tertiary industry saw robust growth, particularly in the wholesale and retail trade sector, supported by activities in sectors such as information and communication, hotels and restaurants, financial services, health as well as transport.

5. **Namibia's inflation rate slowed quarterly and yearly, primarily due to a decline in food and housing inflation during the second quarter of 2024.** Overall inflation decelerated to 4.8 percent during the quarter under review, from 5.0 percent registered in the preceding quarter. The quarterly slowdown in inflation mainly stemmed from lower inflation for food and non-alcoholic beverages as well as housing, water, electricity, gas and other fuels. Similarly, on a yearly basis, overall inflation eased by 1.1 percentage points from 5.9 percent registered in the

corresponding quarter of 2023, mainly reflected in the decline in food inflation. In both June and July 2024, the annual inflation rate stood at 4.6 percent, slowing further to 4.4 percent in August. Going forward, overall inflation is projected to slow to 4.7 percent in 2024 and 4.4 percent in 2025 from the average of 5.9 percent in 2023. The projected slowdown in inflation is attributed to lower fuel prices as well as the appreciation of the currency when compared to major trading currencies.

6. **Growth in broad money (M2) slowed during the second quarter of 2024, while Private Sector Credit Extension (PSCE) growth edged up.** The annual growth in M2 declined to 9.2 percent in the second quarter of 2024, from 11.6 percent in the previous quarter, mainly driven by a decline in net foreign assets of the depository corporations. On the contrary, the annual growth in PSCE ticked up to 1.8 percent relative to 1.3 percent in the previous quarter, supported by demand from both households and businesses. Furthermore, money market interest rates remained high in the quarter under review, however, some easing occurred following the repo rate reduction in mid-August. Liquidity levels remained high, although they tilted slightly lower in June 2024 due to corporate tax payments.

7. **On the fiscal front, the Central Government's debt stock and loan guarantees as a percentage of GDP stood lower at the end of June 2024, compared to the same period a year earlier.** The Government debt stock declined to 61.3 percent of GDP at the end of June 2024 from 62.4 percent during the corresponding period in the previous year, owing to faster growth in nominal GDP compared to the rise in debt over the period under review. In nominal terms, central Government debt rose by 8.3 percent to N$157.6 billion at the end of June 2024 on the back of a rise in the issuance of both Treasury Bills (TBs) and Internal Registered Stock (IRS) as well as a rise in external debt. The increase in external debt was attributed to the disbursement of loans from the KFW Development Bank and a loan from the African Development Bank (AfDB) to finance the deficit. The Government's total loan guarantees as a percentage of GDP also declined slightly on a yearly basis by 0.5 percentage point to 3.3 percent. The decline was due to repayments of domestic loans that were guaranteed by the Government for some institutions in the agricultural and transport sectors. Moreover, the decline in foreign loans that were guaranteed for institutions in the communication and transport sectors contributed to the decrease in total Government loan guarantees.

8. **On the external sector front, the external current account deficit deteriorated on an annual basis, due to a higher merchandise trade deficit and increased net outflows of the services account, whereas the stock of international reserves increased over the same period.** During the second quarter of 2024, the current account deficit widened by N$5.4 billion to N$8.6 billion (equivalent to 14.5 percent of quarterly GDP), largely attributed to a deterioration

in the merchandise trade deficit and higher net services account outflows. The higher net outflows on the services account were attributable to payments for services related to oil and gas exploration and appraisal activities, while the widening of the merchandise trade deficit was ascribed to a faster rise in the import bill relative to exports during the quarter under review. However, the current account deficit was largely financed by non-reserve-related inflows in the financial account, totalling N$13.1 billion, primarily from foreign direct and other investments. This led to an overall surplus of N$3.9 billion in the balance of payments before reserve action, reflected by the accumulation of foreign reserves during the quarter. As a result, the stock of international reserves stood at N$57.6 billion at the end of June 2024, equivalent to 3.8 months of import of goods and services. The import cover, excluding oil and gas-related imports which are funded from abroad, stood at 4.6 months. Moreover, the stock of international reserves increased further by 2.9 percent to N$59.3 billion at the end of August 2024, compared to the level at the end of June 2024. Additionally, the International Investment Position (IIP) registered a lower net asset position at the end of the second quarter of 2024, compared to the corresponding quarter of the previous year due to higher gross foreign liabilities recorded.

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/Quarterly-Bulletins-Publication.aspx

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