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FOR IMMEDIATE RELEASE

BANK OF NAMIBIA RELEASES THE DECEMBER 2022 QUARTERLY BULLETIN

DOMESTIC ECONOMIC ACTIVITY IMPROVES DURING THE THIRD QUARTER (JULY – SEPTEMBER) OF 2022.

International economic and financial developments

- 1. GDP growth rate data and leading indicators point to a global economy that weakened during the third quarter of 2022, worsened by the ongoing Russia-Ukraine war and the energy crisis in Europe.** Year-on-year, the GDP growth rate for the Euro Area, United Kingdom (UK), Brazil and India slowed, whilst Russia's growth rate contracted for two consecutive quarters. Meanwhile in China, South Africa and Japan, GDP growth improved, and the United States of America maintained an unchanged growth rate during the third quarter of 2022. The purchasing managers indices for monitored economies presented a mixed picture of the manufacturing conditions during the quarter under review, indicating a deterioration in some economies and expansion in others. Furthermore, inflation remained elevated during the quarter under review although it eased somewhat in some of the monitored economies.
- 2. Most central banks in the monitored economies continued to tighten monetary policy rates during the third quarter of 2022 to soften the elevated inflation.** To mitigate elevated inflation, most central banks in the monitored advanced economies, in as well as, in the emerging markets and developing economies increased their policy rates. In the advanced economies, the US Federal Reserve, the European Central Bank and the Bank of England increased their policy rates and continued unwinding their non-conventional stimulatory monetary measures to contain the escalating inflation. In contrast, the Bank of Japan left its policy rate unchanged over the same period. In the emerging markets and developing economies, the central banks of Brazil, India and South

Africa increased their policy rates, whilst the central banks of Russia and China reduced their policy rates.

- 3. During the third quarter of 2022, economic activity in the domestic economy increased, mainly driven by the primary and tertiary industries.** The improved economic activity in the primary industry was largely attributed to a rise in the production of diamonds and uranium registered in the mining sector. In the tertiary industry, good performances were reflected in sectors such as wholesale and retail trade, tourism and transport. Real turnover in the wholesale and retail trade sector increased, and the tourism sector continued to regain lost ground, as reflected in increased tourist arrivals, however, activity remained below the pre-pandemic levels of 2019. Furthermore, in the transport sector cargo volumes increased, partly reflecting the increase in the imports of industrial and consumer goods and exports of mineral commodities. The communication sub-sector continued to benefit from sustained demand for internet data usage. In the secondary industry, activity in the manufacturing sector displayed positive signs, as reflected in key manufacturing indicators. Electricity generation also increased over the same period. However, the agricultural sector performed poorly driven by a decline in the number of cattle marketed, and finally, construction sector activity continued to decline, as both Government and private sector construction works and programmes remained subdued.
- 4. Inflation in Namibia rose both on a yearly and quarterly basis during the third quarter of 2022, mainly as a result of increased transport inflation.** Namibia's inflation rose year-on-year and quarter-on-quarter by 3.4 percentage points and 1.4 percentage points, respectively, to 7.1 percent during the third quarter of 2022. The increase was driven by high inflation for transport, food and housing due to elevated international prices, the effects of the war between Russia and Ukraine and the upward adjustment in the electricity tariffs. Meanwhile, inflation stood at 7.1 percent in October 2022, the same level registered during the previous month.
- 5. Growth in broad money supply (M2) and private sector credit extension (PSCE) increased moderately during the third quarter of 2022.** Growth in M2 rose as result of a rise in domestic claims of the depository corporations as claims on other sectors edged up. Growth in PSCE rose relative to the same period of 2021, underpinned by a rise in credit extended to the corporate sector. Money market rates rose in line with increases in the Repo rate alongside improved commercial bank liquidity levels as a result of diamond sale proceeds as well as foreign investment liquidations by other financial corporations. Moreover, the Overall Index of the Namibian Stock Exchange rose during the same period.

6. On the fiscal front, the Central Government's debt stock rose over the course of the year to the end of September 2022, whereas Government loan guarantees declined.

The total Government debt stock stood at N\$135.7 billion at the end of September 2022, representing yearly and quarterly increases of 7.7 percent and 4.2 percent, respectively. The increase was driven by a rise in the issuance of both Treasury Bills (TBs) and Internal Registered Stock (IRS). Meanwhile, external debt declined year-on-year as a result of the redemption of one of the Eurobonds in November 2021. Central Government's total loan guarantees declined on a yearly basis by 4.8 percent, to N\$10.1 billion due to repayments of foreign loans guaranteed by Government in the transport sector and by the development finance institutions.

7. Namibia's current account deteriorated during the third quarter of 2022, mainly due to a larger merchandise trade deficit.

The current account balance worsened to a deficit of N\$8.6 billion compared to a lower deficit of N\$7.0 billion in the corresponding quarter of last year. This was mainly owing to a larger deficit recorded in merchandise trade, due to imports rising at a faster pace relative to exports. The stock of international reserves, however, rose to a level of N\$48.0 billion, equivalent to import cover of 4.5 months. This was partly due to foreign asset swap arrangements between the Bank of Namibia and local institutional investors, as well as, in revaluation gains as the Namibia Dollar depreciated against the US Dollar during the period under review. Namibia's external balance sheet recorded a lower net asset position during the third quarter of 2022 compared to a year ago. This was due to a rise in direct and other investment liabilities that rose faster than foreign assets. The Real Effective Exchange Rate weakened on a quarterly and yearly basis signalling a gain in competitiveness of Namibian exports.

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>



Kazembire Zemburuka

Director

Strategic Communications and International Relations

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