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FOR IMMEDIATE RELEASE

DOMESTIC AND INTERNATIONAL ECONOMIC AND FINANCIAL DEVELOPMENTS DURING THE FIRST QUARTER (Jan- March) OF 2014

International economic and financial developments

- 1. Global economic growth improved during the first quarter of 2014, underpinned by economic activities in most advanced economies, while the economic performance of major emerging market economies slightly softened.** Growth amongst the advanced economies was supported by activities in Japan, the Euro Area and the UK, while the US economy contracted due to declines in investment and exports. Notwithstanding the recent slowdown, growth in leading emerging market economies remained relatively strong. Real GDP growth in China and India continued to be robust at 7.4 percent and 4.6 percent during the first quarter of 2014, albeit a slowdown when compared to 7.7 percent and 4.7 percent, in the preceding quarter, respectively. Economic activities in Brazil, Russia and South Africa also slowed over the same period. With regard to the financial markets, international equity market indices showed mixed performances during the quarter under review. The PMIs for most advanced and emerging market economies, however, remained above the benchmark level of 50.0, signalling improved performance going forward.

Domestic economic and financial developments

- 2. Alongside a fragile global economic environment, the performance of the Namibian economy was satisfactory during the first quarter of 2014.** Available indicators show that the *secondary* and *tertiary industries* performed relatively well, while the *primary industry* showed some weaknesses. The favourable performance in the *secondary industry* was supported by increased public investment in the

construction sector, coupled with a rise in planned private property developments. Within the manufacturing sector, the production of blister copper and soft drinks increased relative to the first quarter of 2013, and contributed significantly to the overall growth in the *secondary industry*. In addition, real turnover for wholesale and retail trade grew robustly, thus supporting growth of the *tertiary industry*. In contrast, the transport sector's performance weakened, due to low cargo volumes handled during the review period. The *primary industry* also posted sluggish growth during the first quarter of 2014, compared to the same quarter of 2013, due to low mineral production, particularly for uranium and zinc concentrate.

3. **During the first quarter of 2014, growth in the credit aggregates continued to be robust, while inflation remained within single digits.** *Credit aggregates* grew strongly, year-on-year, in the environment of an accommodative monetary policy stance, although the quarterly growth rates declined. Vehicle imports, partly financed by instalment credit also increased significantly. As a result, the Bank of Namibia after keeping the *Repo rate* unchanged during the first quarter of 2014, increased it by 0.25 percent at its latest meeting in June 2014. Furthermore, Namibia's *headline inflation* rose during the first quarter of 2014, due to increased inflation for *food and non-alcoholic beverages*, while *inflation* for *transport, housing and alcoholic beverages* and *tobacco* slowed. The inflation rate for May was 6.1 percent and remained well within single digits.
4. **The Government's fiscal position remained strong at the end of 2013/14, although a small budget deficit was recorded, compared to a balanced budget registered during the financial year 2012/13.** The Government's total debt as a ratio to GDP rose slightly to 24.5 percent but remained significantly below the government's debt ceiling of 35.0 percent of GDP.
5. **During the first quarter of 2014, Namibia's external sector remained under pressure due to the rapid increase in import payments, which was not inline with the increase in exports.** On a yearly and quarterly basis, the *overall balance of payments* (including valuation adjustments) recorded a deficit, mainly as a result of the widening *current account deficit* and a decreased surplus of the *capital and financial account* during the first quarter of 2014. The increased *current account* deficit mirrored a widening *merchandise trade balance* and increased net payment in *services* abroad. *International reserves* declined both, quarter-on-quarter and year-

on-year, by 7.1 percent and 1.7 percent to N\$14.5 billion, respectively, while import payments increased by 10.1 percent and 21.6 percent over the same period, respectively. As a result, the import cover reduced to 9.56 weeks during the first quarter of 2014, from 12.07 weeks in the same quarter of 2013. On a yearly basis, the *International Investment Position (IIP)* recorded a rise in the *net surplus position*, mainly due to the increased Namibian private sector claims on non-residents. Regarding the exchange rate, the *Namibia Dollar* continued to depreciate against currencies of its major trading partners during the first quarter of 2014, thus supporting the country's external competitiveness.

- 6. Looking ahead, global growth is expected to expand during the remainder of 2014, but the decreasing international *commodity prices* remain a major risk to the domestic outlook.** The IMF projected an increased global growth for 2014 with fragility and uncertainty continuing to characterize the outlook. The key risks to the outlook include both the high debt levels and unemployment rates in developed economies, coupled with decreased commodity prices. The latter might negatively affect Namibia's exports, going forward.



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