Date: **17 December 2024**
Attention: **News Editor**
Ref: **9/6/2**

FOR IMMEDIATE RELEASE

BANK OF NAMIBIA RELEASES THE DECEMBER 2024 QUARTERLY BULLETIN

DOMESTIC ECONOMIC ACTIVITY EXPANDED DURING THE THIRD QUARTER (JULY – SEPTEMBER) OF 2024

International economic and financial developments

1. **The global economy slowed during the third quarter of 2024, driven by lower growth in most advanced economies (AEs) and emerging market and developing economies (EMDEs).** Real GDP growth estimates indicate that economic activity continued expanding albeit at a slower pace than before in the United States (US) and the United Kingdom, owing to weak private inventories and residential investment as well as subdued activities in the manufacturing sector. Similarly, growth in Japan slowed as the deterioration in external demand persisted, coupled with a decline in capital spending after robust growth in the previous quarter. On the contrary, GDP growth in the Euro Area inched higher in the quarter under review driven by the German, French and Irish economies. Furthermore, activity in EMDEs moderated in the third quarter of 2024. Growth moderated in China on the back of real estate sector weaknesses and subdued domestic demand, slowed in India as manufacturing lost some of its sparkle and weakened in South Africa on account of headwinds in agriculture, transport, trade and government services during the period under review.

2. **Global growth is expected to remain stable and modest in 2024 and 2025.** In its October 2024 World Economic Outlook (WEO), the IMF expects global growth to slow from 3.3 percent in 2023 to 3.2 percent in both 2024 and 2025, remaining broadly unchanged from the July 2024 WEO Update. Growth in AEs is projected to remain steady during 2024 and 2025. Among the monitored AEs, the US growth estimate for 2024 was revised upward to

PO Box 2882 Namibia, 71 Robert Mugabe Ave, Windhoek **T** : +264 (61) 283 5111 **E**: info@bon.com.na | www.bon.com.na

2.8 percent, on the back of stronger outcomes for consumption and non-residential investment, while in the UK and the Euro Area, GDP growth is projected to accelerate to 0.8 percent and 1.1 percent in 2024. Economic growth in emerging market and developing economies (EMDEs) has been adjusted downward by 0.1 percentage point for 2024. This revision is primarily attributed to adjustments in forecasts for Emerging and Developing Asia, particularly China and sub-Saharan Africa. Risks to the global outlook are tilted to the downside amid elevated policy uncertainty. These risks remain and are centered around further escalation in regional conflicts, a possible resurgence of financial market volatility with adverse effects on sovereign debt markets, a deeper growth slowdown in China, and further intensification of protectionist policies.

3. **Most central banks in the monitored economies continued with the interest rate-cutting cycle on the back of easing inflationary pressures.** The medium-term trend of inflation remained downward, although some economies experienced an uptick in the third quarter of 2024. Monetary policy easing has progressed across most of the monitored economies, with the European Central Bank leading the pack with an initial reduction in June 2024, followed by subsequent cuts in September and October 2024. The long-awaited first reduction in rates by the US Federal Reserve was effected in September 2024 with a lowering of rates by 50 basis points to a range of 4.75 - 5.00 percent and a further 25 basis points reduction followed in November 2024. Moreover, central banks in EMDEs also reduced interest rates as inflation pressures eased, except for the Bank of Russia and the Central Bank of Brazil, which raised the policy rate. Notably, the South African Reserve Bank reduced rates in September and November 2024, and the People's Bank of China (PBoC) also eased policy during the period under review.

Domestic economic developments

4. **The domestic economy maintained a positive growth trajectory during the third quarter of 2024 albeit at a slower pace compared to the corresponding quarter.** The economy registered a growth rate of 2.8 percent during the third quarter of 2024, slower compared to the 3.1 percent growth recorded in the corresponding quarter of 2023. The moderation stemmed from the primary industry, particularly within the agriculture and mining sectors. In contrast, the secondary industry registered positive growth, with most manufacturing subsectors, including cement, blister copper, beer and soft drinks, showing an upward trend. Similarly, construction activity increased as Government construction continued to recover, despite a weak performance in the private sector. However, electricity generation experienced a second consecutive decline due to lower water levels feeding into the Ruacana hydropower plant. In the tertiary industry, activity in the wholesale and retail

trade, tourism, communication, transport, health, and financial sectors maintained sturdy growth levels during the quarter under review sector.

5. **Namibia's annual inflation slowed both on a quarterly and yearly basis during the third quarter of 2024, largely attributed to a deceleration in the inflation for transport and food.** Inflation slowed to 4.1 percent during the third quarter of 2024 from 4.8 percent registered in the preceding quarter. The quarterly slowdown in inflation mainly stemmed from a decline in transport inflation, specifically in the sub-categories' operation of personal transport equipment and purchase of vehicles. Similarly, on a yearly basis, overall inflation eased from 4.9 percent registered in the corresponding quarter of 2023, mainly reflected in the decline in food inflation and inflation for alcoholic beverages. The headline inflation rate recently slowed to 3.0 percent in October and November 2024.

6. **Growth in broad money supply (M2) rose during the third quarter of 2024, mainly driven by an increase in domestic claims, reflected in the higher growth in Private Sector Credit Extension (PSCE).** The annual growth in M2 rose in the third quarter of 2024 due to an increase in domestic claims. Similarly, the annual growth in PSCE tilted up relative to the previous quarter, driven by the demand for credit by both households and businesses. Further, money market interest rates declined in the quarter under review, in line with easing monetary conditions. Furthermore, liquidity levels remained high, although they tilted slightly lower in September 2024 due to cross-border payments as well as lower government spending.

7. **On the fiscal front, the Central Government's debt stock rose through the fiscal year to the end of September 2024, whereas Government loan guarantees declined on a quarterly basis.** The Government debt stock as a percentage of GDP declined to 59.5 at the end of September 2024, owing to faster growth in nominal GDP compared to the rise in debt over the period under review. Meanwhile, the exchange rate appreciation and the principal repayment of the IMF Rapid Financing Instrument led to a decline in the value of the external debt over the same period. Additionally, total loan guarantees declined on a quarterly basis to 3.5 percent during the quarter under review, which is well below the Government's set ceiling of 10.0 percent of GDP.

8. **The deficit on the current account narrowed significantly both on an annual and quarterly basis, while the stock of international reserves declined marginally over the period under review.** The current account deficit as a percentage of quarterly GDP narrowed to 9.0 percent during the third quarter of 2024, compared to 19.7 percent during the same period of 2023. This was driven by a faster rise in export earnings, mainly from

uranium and gold, relative to the growth in the import bill coupled with lower net outflows on the services account. Non-reserve-related inflows on the financial account were sufficient to cover not only the deficit on the current account but also the repayment of some of Namibia's liabilities related to reserves, particularly the first RFI loan repayment to the IMF. The stock of international reserves declined marginally and stood at N$57.1 billion at the end of September 2024, equivalent to 3.9 months of imports of goods and services. The effective exchange rates appreciated on both an annual and quarterly basis, supported by improved electricity availability and a more investment-friendly government in South Africa.

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

Mr. Kazembire Zemburuka

Director: Strategic Communications and International Relations

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