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FOR IMMEDIATE RELEASE

DOMESTIC ECONOMIC PERFORMANCE WAS SATISFACTORY DURING THE THIRD QUARTER (JULY - SEPTEMBER) OF 2015.

International economic and financial developments

- 1. The global economic growth moderated on an annual basis during the third quarter of 2015, indicating a slowdown in key emerging market economies and weak recovery in the advanced economies.** For the latter, economic activities in the US and UK slowed, but increased in the Eurozone. The Japanese economy, however, is back on a recovery track in the third quarter after declining in the previous quarter. In the key emerging market economies, the Indian economy continued to be strong, while China and South Africa's economic growth moderated. In contrast, growth in Russia and Brazil contracted during the quarter under review. Inflation rates picked up slightly during the third quarter, while monetary policy stances were divergent in both the advanced and emerging market economies.
- 2. The Purchasing Manager Index (PMIs) for most of the advanced economies outperformed those of emerging market economies and remained above the threshold level of 50.0, while international commodity prices declined.** PMIs for the advanced economies continued to signal an expansion in the manufacturing sector during the period under review, while those of emerging market economies declined, with the exception of India. Commodity prices continued trending downward during the period under review, while currencies of emerging market economies depreciated against those of advanced economies.

Domestic economic and financial developments

- 3. The domestic economy displayed a satisfactory performance on an annual basis during the third quarter of 2015, supported by the mining, construction, wholesale and retail trade sectors.** The positive performance in the real sector was mainly driven

by the increased production in diamonds, zinc concentrate and gold. Furthermore, robust construction activities, coupled with increased sales in wholesale and retail trade, sustained the positive momentum in the real sector. In the manufacturing sector, the production of blister copper and soft drinks rose, while refined zinc and beer production declined over the same period. Activities in the transport and tourism sectors, on the other hand, remained weak, year-on-year, as reflected in the declined transported cargo volumes and the number of rooms and beds sold.

4. Namibia's headline inflation declined on average, during the quarter under review.

The annual inflation rate slowed to 3.3 percent during the third quarter of 2015, from 5.4 percent in the corresponding quarter of 2014, although higher than the 3.0 percent recorded during the previous quarter. The yearly slowdown was driven by lower inflation for food, transport and housing.

5. Growth in broad money supply (M2) slowed at the end of the third quarter of 2015, underpinned by a contraction in net foreign assets and slower growth in domestic claims, while growth in credit extended to the private sector rose, as demand for credit from both the business and household sectors increased. The growth in M2 slowed from 8.6 percent at the end of the corresponding quarter of 2014 to 3.6 percent at the end of the quarter under review. This was underpinned by a contraction in net foreign assets of depository corporations and slower growth in domestic claims. The quarterly growth in private sector credit extension, on the other hand, rose to 3.9 percent at the end of the third quarter of 2015, from 3.1 percent at the end of the corresponding quarter of 2014. The higher growth in credit extended to the private sector was due to increased demand for credit by both the household and corporate sectors in the form of other loans and advances, overdrafts and mortgage credit at the end of the period under review.

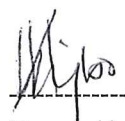
6. On the fiscal front, Central Government debt rose during the third quarter of 2015, but remained sustainable. Government debt as a percentage of GDP rose to 24.6 percent at the end of the second quarter of 2015/16. In addition, Government loan guarantees as a ratio to GDP rose to 3.9 percent over the same period. Both Government debt and loan guarantees as ratios to GDP, however, remained below the government's ceilings of 35.0 percent and 10.0 percent, respectively.

7. With regards to the external sector, the overall balance of payments recorded an increased deficit during the third quarter of 2015, whereas the surplus in the net asset position of the International Investment Position (IIP) slowed. The heightened deficit of N\$2.0 billion in the *external balance* was mainly due to the current account deficit, as the trade balance deteriorated and current transfer receipts declined. The

capital and financial account surplus, however, rose on a yearly basis during the quarter under review, mainly aided by inflows from *portfolio and other investments*. The level of international reserves continued to decrease during the period under review, mainly due to high imports and net payments by Government. The high imported goods and services in relation to low international reserves continued to reduce the import cover below the international benchmark of 12.0 weeks to 6.4 weeks, from 9.5 weeks during the corresponding quarter of 2014. In addition, the *International Investment Position (IIP)* registered a reduced net asset position, year-on-year, as foreign liabilities rose, while foreign assets declined at the end of the third quarter of 2015.

- 8. During the third quarter of 2015, the Namibia Dollar weakened against all major trading currencies, both on an annual and quarterly basis.** The depreciation of the Namibia Dollar against the US Dollar during the period under review can be attributed to the positive growth prospects in the US, coupled with the declining commodity prices. The Real Effective Exchange Rate (REER) continued to appreciate, year-on-year, during the third quarter of 2015 and thus negatively affected Namibia's external competitiveness on the international market.
- 9. Going forward, the slowdown in global economic growth, especially for the key emerging market economies, would negatively impact Namibia's export earnings.** The slower growth and structural changes of the Chinese economy is anticipated to negatively affect the export revenue from metals, such as copper and zinc. Moreover, the widened current account deficit for South Africa in the third quarter of 2015 could exert further pressure on the Rand. This may result in increased prices of imported goods and services to Namibia. On a positive note, the rebound in uranium prices and expected increased demand from the re-starting of nuclear reactors in Japan and the building of new reactors in China, will contribute positively to the country's GDP growth. Similarly, the positive outlook for the US economic growth could result in improved exports of Namibia's diamonds.

The media and the public at large are encouraged to read the full Report, which can be accessed at www.bon.com/publications



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