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FOR IMMEDIATE RELEASE

BANK OF NAMIBIA RELEASES THE DECEMBER 2023 QUARTERLY BULLETIN

DOMESTIC ECONOMIC ACTIVITY EXPANDED AT A STURDY PACE DURING THE THIRD QUARTER (JULY – SEPTEMBER) OF 2023.

International economic and financial developments

- 1. Preliminary Gross Domestic Product growth data indicate that the global economy slowed during the third quarter of 2023, pulled down by lower growth in most of the AEs and EMDEs, although the Russian and US economies accelerated.** Growth rates in the Euro Area slowed as the monetary policy tightening continued to dampen economic activity while that of Japan slowed due to elevated cost pressure and mounting global economic challenges. Furthermore, the Chinese economy's growth rate slowed as the impact of a prolonged property crisis and weak trade continued to take a toll on the economy. Meanwhile, a decline in the agriculture, manufacturing and construction sectors contributed to the decline of South Africa's growth during the period under review. On the contrary, however, the US economy expanded supported by increases in consumption, residential investment and government spending while the Russian economy expanded chiefly due to rising oil prices and recovering energy revenues which have reduced pressure on the country's budget deficit amid high military spending. Growth in the UK, however, remained unchanged on a quarterly basis, indicating weak household spending, weighed down by interest rate increases and strike actions during the quarter under review. Furthermore, leading indicators are pointing to a weaker recovery in manufacturing activity, while the industrial sector remains relatively weak in many of the monitored economies. Looking ahead, global growth is projected to moderate both in 2023 and 2024, mainly on account of high interest rates and the long-term consequences of the pandemic.

- 2. Most central banks in the monitored economies continued to tighten monetary policy rates during the third quarter of 2023, to fight high inflation.** To ease the elevated inflation, most of the central banks in the monitored advanced economies increased their policy rates to address rising inflation, while most economies in the EMDEs either cut or kept their policy rates unchanged. The US, UK, Euro area and Russia increased their key interest rates while Brazil and China cut their key interest rates. In the meantime, Japan, India and South African kept their interest rates unchanged during the period under review.

Domestic economic developments

- 3. During the third quarter of 2023, activity in the domestic economy maintained a positive growth trajectory, mainly due to steady growth in the primary and tertiary industries.** Year-on-year real GDP growth came to a sturdy 7.2 percent in the third quarter of 2023. The mining and quarrying sector as well as livestock marketing activities continued to sustain growth in the primary industry owing to strong petroleum exploration activity, higher production of uranium and gold coupled with increased cattle and small stock marketing, despite the decline in crop production. Furthermore, activity in the secondary industry was mixed, with welcomed growth in manufacturing subsectors such as cement and soft drinks, but with weak performances in some key subsectors such as beer and diamond cutting and polishing. Electricity generation also scaled up over the same period. In addition, construction activity that had registered a notable improvement in the first quarter, contracted in the second and third quarter, as both Government and private construction work performed dismally. In the tertiary industry, expansions were recorded in the wholesale and retail trade, tourism as well as communication sectors. Similarly, the overall activity in the transport sector increased, led by road and sea cargo, notwithstanding a decline in rail cargo volumes.
- 4. Namibia's annual inflation slowed both on a quarterly and yearly basis during the third quarter of 2023, largely attributed to a decline in transport inflation.** Inflation declined to 4.9 percent during the third quarter of 2023, compared to 5.9 percent in the previous quarter. The slowdown in inflation was predominantly driven by a decline in the inflation for *transport* as well as *food and miscellaneous goods and services* during the quarter under review. On a yearly basis, overall inflation slowed by 2.2 percentage points from 7.1 percent registered in the third quarter of 2022, attributable to notable declines in the inflation for *transport* as well as *furnishings, household equipment and routine maintenance of the house and hotels, cafes and restaurants*.

- 5. Annual growth in broad money supply (M2) rose moderately, driven by a significant increase in Net Foreign Assets (NFA) of the depository corporations, while Private Sector Credit Extension (PSCE) slowed.** The annual growth in M2 rose in the third quarter of 2023, driven by a rise in NFA of the depository corporations, as a result of diamond proceeds and revaluation gains. Growth in PSCE slowed relative to the same period of 2022, driven by lower demand and repayments by businesses. Money market interest rates moved broadly sideways in the quarter under review as policy rates were held unchanged, following an increase in June 2023 on top of several further increases in the preceding year. Furthermore, there was a surge in liquidity levels that were influenced by increased diamond sale proceeds as well as government payments.
- 6. On the fiscal front, the Central Government's debt stock rose through the fiscal year to the end of September 2023, whereas Government loan guarantees declined.** The Government debt stock stood at 64.8 percent of GDP at the end of September 2023, representing a decline of 2.3 percentage point from a year earlier, owing to a higher rise in quarterly GDP compared to the rise in central Government debt. In nominal terms, central Government debt rose by 9.7 percent to N\$148.8 billion, on the back of a rise in the issuance of both Treasury Bills (TBs) and Internal Registered Stock (IRS), coupled with a rise in external debt due to the disbursement of an AfDB loan in December 2022 as well as the disbursement of a KFW loan in March 2023. Central Government's total loan guarantees declined on a yearly basis to 3.9 percent of GDP, from 5.0 percent of GDP a year earlier. The decline was due to repayments of foreign loans guaranteed by Government in the transport and communication sectors as well as the development finance institutions coupled with repayment of domestic loans, which were guaranteed in the fishing, energy, tourism and transport sectors.
- 7. On the external sector front, the current account balance deteriorated during the third quarter of 2023 due to higher growth in imports relative to exports coupled with higher outflows on the services account, while the stock of international reserves increased moderately over the same period.** The current account deficit widened significantly to N\$11.9 billion during the third quarter of 2023 compared to N\$8.0 billion recorded during the same period of 2022. This was driven by a deterioration in the merchandise trade deficit as imports rose faster than exports coupled with higher net outflows on the services account that were largely driven by heightened payments for technical and trade-related services as well as operating leases for the ongoing oil and gas exploration. The current account deficit was largely financed by non-reserve-related financial account inflows in the form of foreign direct investment and other investment

during the third quarter of 2023, allowing for moderate accumulation of foreign reserves. As a result, the stock of international reserves stood at N\$53.8 billion at the end of the third quarter of 2023, equivalent to 4.7 months of import of goods and services. Moreover, the Real Effective Exchange Rate (REER) depreciated on an annual basis mainly driven by South Africa's sluggish economic growth and China's slower economic growth.

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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