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FOR IMMEDIATE RELEASE

ECONOMIC OUTLOOK – AUGUST 2023

THE NAMIBIAN ECONOMY IS EXPECTED TO GROW BY 3.3 PERCENT IN 2023

1. Introduction

The Bank of Namibia released the Economic Outlook for August 2023 with the domestic economy projected to grow by 3.3 percent in 2023 and by 3.0 percent in 2024.

2. Global and Regional Outlook

According to the IMF's World Economic Outlook (WEO) update for July 2023, global growth is expected to slow in 2023. Global growth is projected to slow down from 3.5 percent in 2022 to 3.0 percent in 2023 and to remain unchanged in 2024. The 2023 growth estimate was revised upwards by 0.2 percentage point from the April 2023 WEO. Advanced economies are expected to see growth slowing down from 2.7 percent in 2022 to 1.5 percent in 2023. The weak outlook reflects tight monetary policy stances needed to bring down inflation, the recent deterioration in financial conditions, the ongoing war in Ukraine, and growing geoeconomic fragmentation. In addition to IMF projections, the World Bank similarly projects that global growth will slow to 2.1 percent in 2023 with a slight uptick to 2.4 percent in 2024.

Growth in Advanced Economies is projected to slow in 2023 and remain weak in 2024.

Output in Advanced economies is expected to grow by 1.5 percent and 1.4 percent in 2023 and 2024, respectively, compared to a higher growth rate of 2.7 percent in 2022. The latest projection for 2023 represents an upward revision of 0.2 percentage point from the April 2023 WEO, mainly on account of stronger-than-expected economic activity during the first half of 2023. Economic activity is however expected to weaken in the second half of the year. Slower growth in output is anticipated amongst major advanced economies such as the United States, the United Kingdom, and Germany over the forecast period.

Growth in Emerging Markets and Developing Economies (EMDEs) is expected to be broadly stable in 2023, and 2024. Growth amongst the EMDEs is projected to remain stable at 4.0 percent in 2023 and 4.1 percent in 2024, broadly unchanged from 4.0 percent in 2022. Excluding China, growth in EMDEs is set to slow markedly on account of tight domestic monetary policies, fiscal consolidation, and weak external demand. Moreover, the ongoing increase in global interest rates coupled with the depreciation of EMDEs currencies is further expected to limit fiscal space particularly for oil and food importing economies.

Growth in the Sub-Saharan Africa (SSA) region is expected to weaken in 2023 mainly owing to high inflation and tighter monetary policies. Economic growth in the SSA region is projected to decline from 3.9 percent in 2022 to 3.5 percent in 2023 before improving to 4.1 percent in 2024. The decrease in the projected growth outlook for 2023 is on account of persistent inflation, which is eroding household purchasing power and heightening social pressures, coupled with high public debt in some key economies.

The risks to the global outlook remain on the downside, primarily due to the Russia-Ukraine war, the surging inflation, and tighter financial and monetary conditions. The protraction of the Russian-Ukraine war and eminent debt distress triggered by the tightening in global financial conditions continue to dominate the downside risks to global growth. Moreover, the delayed recovery in China, which may impede growth in global trade and recovery in commodity prices, poses another risk to the outlook.

3. Domestic Economic Outlook

Namibia's GDP growth is projected to moderate in 2023 and 2024. Following the 4.6 percent growth realised in 2022, real GDP growth is estimated to slow to 3.3 percent in 2023 and 3.0 percent in 2024. The estimated growth for 2023 has been revised upwards from 3.0 percent published in the March 2023 Economic Outlook update. This is mainly based on better than earlier anticipated performance for construction, hotels and restaurants, wholesale and retail trade, public administration and defence and education, amongst other sectors.

Risks to domestic growth are predominantly in the form of ongoing monetary policy tightening globally, high costs of key import items and water supply interruptions affecting the coastal towns. Major central banks around the globe continue to tighten monetary policies and that is anticipated to result in a global slowdown in 2023 and 2024, and hence reducing external demand for Namibia's exports. Furthermore, the war between Russia and Ukraine is likely to continue for longer, resulting in higher prices for affected commodities.

Other key risks relevant to domestic growth include water supply interruptions that continue to affect mining production at the coast, potential spillover of electricity cuts in South Africa to Namibia, and uncertain weather conditions, which are likely to negatively impact crop production in Southern Africa.

The Economic Outlook for August 2023 is accessible online at
<http://www.bon.com.na/Publications/Economic-Outlook.aspx>

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