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FOR IMMEDIATE RELEASE

BANK OF NAMIBIA RELEASES THE QUARTERLY BULLETIN

DOMESTIC ECONOMIC ACTIVITY REMAINED WEAK DURING THE FIRST QUARTER (JANUARY – MARCH) OF 2019

International economic and financial developments

- 1. Global economic growth moderated during the first quarter of 2019.** Economic growth in the Emerging Market and Developing Economies (EMDEs) slowed year-on-year during the first quarter of 2019 while that of the Advanced Economies (AEs) improved. On annual basis, the US and the UK economies registered higher growth rates of 3.2 percent and 1.8 percent in the first quarter of 2019. Growth in the US economy was supported by personal consumption expenditure following an income tax cut, while in the UK it was on the back of strong household spending and exports. Economic growth in Japan and the Euro Area slowed during the first quarter of 2019. On the other hand, the slow growth in EMDEs was mainly led by China where growth slowed to 6.4 percent during the first quarter of 2019, down from 6.8 percent a year ago. This was due to intense trade tensions with the US and weakening domestic demand.
- 2. Global economic growth is projected to slow during 2019 compared to 2018 before it picks up in 2020.** The IMF expects global growth to decline particularly in the AEs during 2019 and 2020. Growth in the EMDE is projected to also moderate in 2019, mainly led by China and Russia. China's economic growth is projected to slow in 2019 and 2020, reflecting rising trade barriers combined with tighter credit policies.




3. Average inflation declined in all monitored AEs and most EMDEs during the first quarter of 2019 compared to the same period a year ago. Inflation rates in the US, UK, EU and Japan slowed during the quarter under review, mainly due to the fall in the cost of fuel, electricity, gas as well as lower price pressures for food, alcohol and tobacco. Similarly, inflation in the EMDEs declined on an annual basis, during the same period, except for Russia, Brazil and South Africa where it increased. The decline in most of the EMDEs' inflation was mainly due to a notable slowdown in the prices of food coupled with weak domestic demand. In line with these developments, monetary policy stances in both the AEs and EMDEs continued to be accommodative.

Domestic economic and financial developments

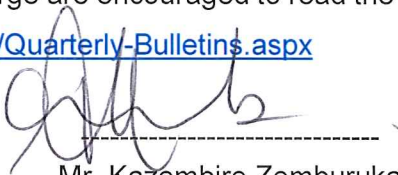
4. Activity in the domestic economy slowed during the first quarter of 2019, compared to the corresponding quarter in the previous year. The decline was mainly reflected in the weaker performance in the mining sector and the reduction in marketing activity in the agriculture sector, especially cattle marketed. Similarly, slower activity was observed in the wholesale and retail trade and the tourism sectors. The construction sector also recorded weak activity during the first quarter of 2019, as reflected in declines of both public and private construction. Improvements were, however, registered in the manufacturing sector. Namibia's inflation accelerated during the first quarter of 2019 compared to the same period in 2018, mainly driven by food and transport inflation.

5. With regards to developments in the monetary and credit aggregates, growth in broad money supply (M2) slowed while growth in credit extended to the private sector rose. During the period under review, growth in M2 was subdued in line with the weak growth in the domestic economy. This was mainly driven by the slower pace in the growth in total claims on the private sector. Growth in credit extended to the private sector, although remaining low, rose slightly due to an improved appetite for credit by businesses, while growth in credit extended to households slowed during the period under review. The Bank of Namibia's Monetary Policy Committee kept the Repo rate unchanged at 6.75 percent during the period under review. This decision was taken in order to maintain the one-to-one link between the Namibia Dollar and South African Rand while supporting domestic economic growth.



- 6. On the fiscal front, Government's budget deficit narrowed during the 2018/19 Fiscal Year (FY) compared to the preceding fiscal year, while Government's debt stock continued to rise.** Central Government's budget deficit as a percentage of GDP for FY2018/19 narrowed to 4.4 percent and is estimated to improve further to 4.0 percent during FY2019/20. Total debt as a percentage of GDP stood at 44.9 percent at the end of FY2018/19, representing yearly and quarterly increases of 4.6 percentage points and 0.5 percentage point, respectively, and continued to trend above the debt ceiling. Total loan guarantees as a ratio of GDP decreased during the period under review remained within the set ceiling.
- 7. Namibia recorded a current account surplus during the first quarter of 2019.** Namibia's current account recorded a surplus of N\$1.1 billion during the first quarter of 2019, from a deficit of N\$1.0 billion in the corresponding quarter of the previous year. The surplus was mainly as a result of the significant narrowing in the merchandise trade deficit. This was largely driven by the substantial decline in the values of merchandise imports and, to a lesser extent, the increase in export earnings. The stock of foreign reserves held by Bank of Namibia increased due to the impact of the second tranche of the African Development Bank loan, coupled with exchange rate revaluations. This resulted in an import cover of 5.4 months at the end of the first quarter of 2019. Namibia's International Investment Position recorded a net liability of N\$11.8 billion at the end of the first quarter of 2019, a lower position compared to a year earlier. The Namibia Dollar depreciated against all major trading currencies due to tighter global financial conditions, financial market volatility, trade wars and Brexit negotiations, as well as sustained uncertainty regarding land expropriation in South Africa.

The media and the public at large are encouraged to read the full Report, which can be accessed at [www.bon.com/publications /Quarterly-Bulletins.aspx](http://www.bon.com/publications/Quarterly-Bulletins.aspx)



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