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FOR IMMEDIATE RELEASE

**DOMESTIC AND INTERNATIONAL ECONOMIC AND FINANCIAL DEVELOPMENTS
DURING THE THIRD QUARTER (July-September) OF 2014**

International economic and financial developments

- 1. Global growth slowed slightly during the third quarter of 2014, underpinned by weak activities in most of the advanced and emerging market economies, while commodity prices decreased.** Economic activities slowed in the US, due to sluggish growth in private investment and exports. In the Euro Area, real GDP growth remained the same, while it contracted in Japan for the second consecutive quarter, placing Japan in a technical recession. Real GDP growth in Brazil contracted, while it slowed in China, India and Russia during the third quarter of 2014. Growth in South Africa, however, increased in the third quarter of 2014, supported by the agricultural, trade, financial services and mining sectors. PMIs for all advanced and emerging market economies, except Brazil, remained above the benchmark of 50.0, which signaled an improvement in manufacturing activities. With the exception of zinc, commodity prices decreased, year-on-year, in the quarter under review, due to a moderation in demand from China and India.

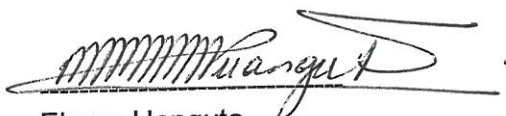
Domestic economic and financial developments

- 2. The domestic economy displayed a satisfactory performance during the third quarter of 2014, reflected primarily in the secondary and tertiary industries.** Public and private sector's investment in the construction sector continued to sustain positive performance in the secondary industry, while activities in the manufacturing sector slowed during the review period. The tertiary industry maintained a positive momentum supported by improved sales across the wholesale and retail trade subsectors. Activities in the transport sector also increased, mainly driven by strong volumes for shipped and transhipped cargoes. Additionally, the tourism sector gained momentum as displayed by increased tourist arrival figures and beds sold over the period. On the contrary, the

performance of the primary industry weakened during the quarter under review, reflected in fragile mineral production and livestock marketing.

3. **Namibia's average headline inflation rate slowed during the third quarter of 2014, reflected in lower inflation rates for food and non-alcoholic beverages, transport and housing categories.** Namibia's average annual inflation rate slowed from 6.0 percent during the second quarter to 5.4 percent during the third quarter of 2014. The rate for the third quarter is also lower when compared to 5.8 percent during the corresponding quarter of 2013.
4. **During the period under review, monetary aggregates were characterised by strong growth, while growth in credit aggregates slowed, in line with increased interest rates.** On a quarterly basis, broad money supply grew, due to the increased net domestic assets, resultant from a decrease in net claims on Central Government. In contrast, private sector credit extension slowed on a quarterly basis, due to weak demand for credit from businesses. The Bank of Namibia adjusted its policy rate by 25 basis points to 6.0 percent in August 2014, for the second time in 2014. As a result, other short term money market rates rose slightly during the same period.
5. **The Central Government outstanding nominal debt and loan guarantees increased both on a quarterly and annual basis at the end of the second quarter of 2014/15, but remained sustainable.** The increases in total government debt and loan guarantees on an annual basis were mainly reflected in foreign debt and foreign loan guarantees. Consequently, the ratio of debt and guarantees to GDP increased on an annual basis, however, remained below the government's ceilings.
6. **With regard to the external sector, the overall balance of payments recorded a surplus during the third quarter of 2014, compared to a deficit in the same quarter of 2013, mainly due to increased capital inflows in the financial account.** The current account, however, registered a deficit, albeit lower than the deficit recorded during the same quarter of 2013, due to the widened merchandise trade deficit and higher net services payments. Furthermore, at the end of the third quarter of 2014, the International Investment Position (IIP) recorded a reduced net asset position, year-on-year, as Namibia's foreign liabilities rose faster than the foreign assets.

7. **The Namibia Dollar depreciated both on an annual and quarterly basis against all major trading currencies.** This was primarily due to South Africa's widening current account deficit, Moody's downgrade of SA's four largest banks and improved macroeconomic developments in the US, which strengthened the US Dollar.
8. **Going forward, global growth is expected to remain flat in 2014, amidst downside risks.** The IMF projected global growth for 2014 to be 3.3 percent, the same as in 2013, due to sustained growth in the US economy. A slowdown is, however, expected in the Euro Area and Japan. Key risks to global growth are political tensions in the Middle East and the situation surrounding Russia and Ukraine and its concomitant impact on commodity prices. As a result, commodity prices, especially for copper, gold and uranium declined and remained a challenge to Namibia's export earnings. On the contrary, if the declining trend in crude oil prices is sustained, it might contribute to a fall in the country's import bill going forward.



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