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FOR IMMEDIATE RELEASE

ECONOMIC OUTLOOK - August 2020

THE NAMIBIAN ECONOMY IS EXPECTED TO CONTRACT BY 7.8 PERCENT IN 2020

1. Introduction

The Bank of Namibia released the Economic Outlook 2020 with the domestic economy expected to contract by 7.8 percent in 2020, followed by a moderate recovery in 2021.

2. Global and Regional Outlook

Based on the IMF's World Economic Outlook (WEO) for June 2020, the global economy is expected to contract substantially during 2020, with an improvement projected for 2021. The world economy is estimated to contract by 4.9 percent in 2020, and to recover to a growth rate of 5.4 percent in 2021. The world economy recorded a 2.9 percent growth in 2019. The estimated contraction in the global economy is a downward revision when compared to the April 2020 WEO, mainly due to a more protracted return to full economic activity as COVID-19 pandemic related restrictions are lifted gradually.

Economic growth in both the Advanced Economies (AEs) and Emerging Market and Developing Economies (EMDEs) are expected to contract during 2020. AEs are expected to contract by 8.0 percent, while the EMDEs are expected to contract by 3.0 percent in 2020. Growth in Sub-Saharan African countries are expected to decline by 3.2 percent. Although the contraction in Sub-Saharan African economies is expected to

be less severe compared to Advanced Economies, the former, however, face several downside risks, which pose threats to their prospects of recovery. These risks include lower commodity prices and rising debt levels. Risks to the global outlook is largely related to the duration of the COVID-19 pandemic and related travel restrictions and lockdowns and a second wave of infections once containment efforts are relaxed. Another risk to global outlook is the volatile international commodity prices.

3. Domestic Economic Outlook

The domestic economy is expected to fall into a deeper contraction during 2020, followed by a moderate recovery in 2021. The domestic economy is estimated to contract by 7.8 percent in 2020 compared to a lesser contraction of 1.1 percent in 2019. The estimated deeper contraction during 2020 is mainly attributed to the outbreak of the COVID-19 pandemic, which has led to travel restrictions across the world and lockdowns in many countries, including Namibia. The most affected sectors include hotels and restaurants; mining; transport and storage; manufacturing; wholesale and retail trade; financial and insurance services; and construction. The Namibian economy is, however, projected to recover to growth rates of 2.1 percent and 2.7 percent in 2021 and 2022, respectively.

The latest projection for 2020 represents a downward revision when compared to the April 2020 Update, largely reflected in weaker performances estimated in hotels and restaurants, agriculture, mining and manufacturing due to the impact of the COVID-19 pandemic. The latest overall growth projection of -7.8 percent for 2020 represents a downward revision from -6.9 percent published in the April 2020 Economic Outlook Update. Year-to-date information about economic activity for 2020 suggests that estimated contractions in hotels and restaurants, mining, agriculture and manufacturing on account of COVID-19 pandemic are likely to be weaker than earlier predicted.

Risks to domestic growth are currently dominated by the COVID-19 pandemic, especially through uncertainty regarding its expected duration. Risks to domestic growth are dominated by ongoing travel restrictions that are in place for many countries, including Namibia. Such measures are restricting business activities

and causing disruptions to supply. Other risks to domestic growth outlook include the persistently low international prices of Namibia's export commodities, and adverse climatic conditions.

The Economic Outlook Update for August 2020 is accessible online at

<http://www.bon.com.na/Publications/Economic-Outlook.aspx>

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