



**This Issue...**

Regular Updates

- IMF Global and Regional Developments
- CPI December 2022
- Agricultural, Forestry and Fishing Q3 2022 Performance
- GDP Quarter 3 2022 Report

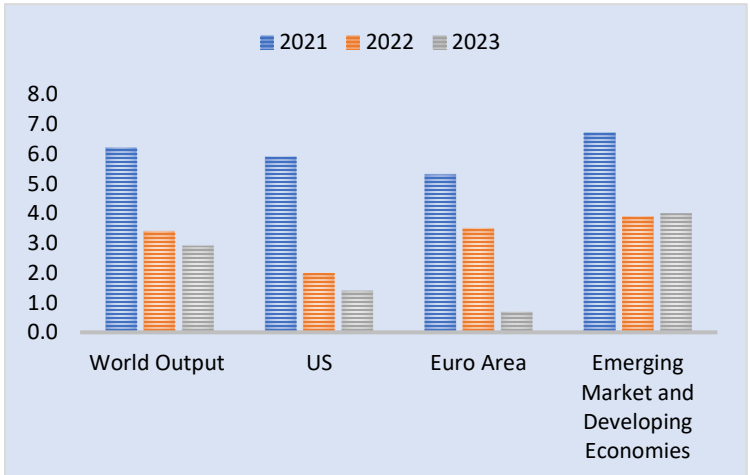
Special Feature: **Fiscal Policy Development Q3 2022/23**

GLOBAL ECONOMY AND REGIONAL ECONOMY

1. GLOBAL ECONOMIES

*The IMF’s World Economic Outlook (WEO) January 2023 update is projecting the global economy to grow by 3.4 percent and to slow to 2.9 percent in 2022 and 2023, respectively.* This represents a 0.2 percentage points upward revision for both 2022 and 2023, compared to October 2022 WEO. The decision to revise the growth upward for 2022 and 2023 reflects the positive revelations and better than expected resilience in numerous economies. The slower growth in 2023 reflects the impact of the rise in central bank interest rate to fight inflation especially in the advanced economies as well as the prolonged war in Ukraine.

Figure 1: Overview of IMF Economic Outlook Real GDP Projections-annual % changes

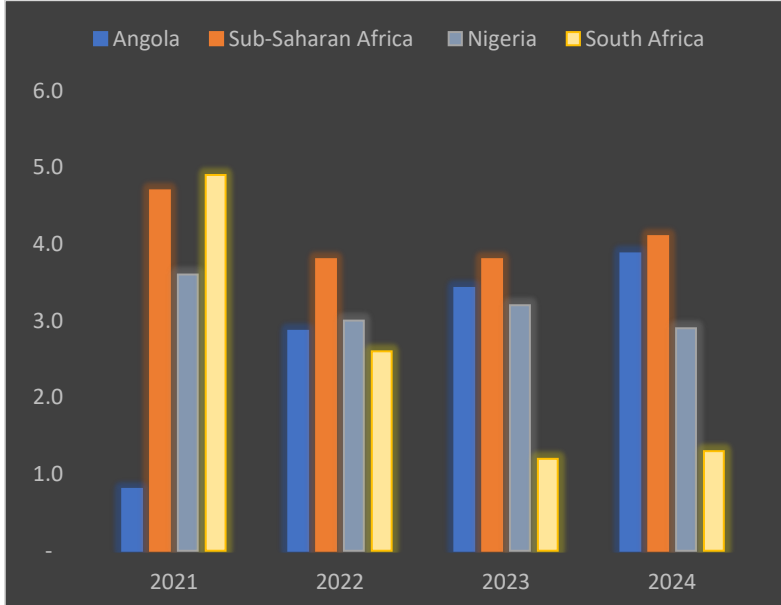


Source: IMF, January 2023

Thus, the 2.9 percent growth is expected be driven by advanced economies, while in emerging market and developing economies growth is estimated to be driven by growth in China as the removal of zero covid-19 policy takes effect. These growths are based on number of assumptions including fuel and non-fuel commodity prices and interest rate. Fuel and non-fuel commodity prices have been revised downward, while interest rate has been revised upward since October 2022.

2. SUB-SAHARAN AFRICA (SSA)

Figure 2:IMF Real GDP Projections- % changes



Growth is projected to remain moderate at 3.8 percent in 2023 amid prolonged fallout from the COVID-19 pandemic, although with a modest upward revision since October 2022, before picking up to 4.1 percent in 2024. The small upward revision for 2023 (0.1 percentage point) reflects Nigeria’s rising growth in 2023 due to measures adopted to address insecurity issues in the oil sector. South Africa growth is projected to slow down by 1.2 percent in 2023, reflecting weaker external demand, power shortages, and structural constraints.

After multi-year recession shrinking the economy by 10% since 2016, Angola's economy has strongly rebounded since 2021 and GDP growth is expected to reach 2.9% and 3.4% in 2022 and 2023 respectively. The recovery in the economic growth is driven by the high oil prices.

RISK TO THE GLOBAL AND REGIONAL OUTLOOK

- ✓ Geopolitical tensions remain high, the prolonging war in Ukraine reinforcing earlier tensions
- ✓ Volatility commodity prices
- ✓ Expected continuation of tight financial conditions, putting pressure on emerging market and developing economies.
- ✓ Impact of climate change
- ✓ Poverty, food insecurity and rising food prices.
- ✓ Weaker growth across the globe with possible recession



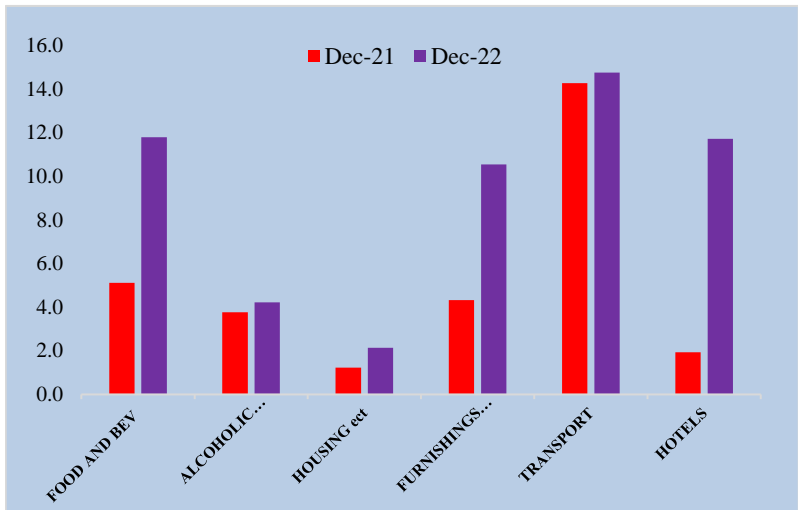
# Quarterly Economic Update

### 3. DECEMBER CPI 2022

The annual average inflation in December 2022 stood at 6.9 percent compared to 4.5 percent recorded in December the previous year. The increase in the annual inflation rate was mainly on the back of a 2.2 percentage point contribution from both food and *non-alcoholic beverages* as well as *Transport* sector. Followed by *alcoholic beverages and tobacco* and *housing, water, electricity, gas, and other fuels* prices each contributing 0.6 percentage points. *Furnishings, household equipment* contributed 0.5 percentage point. The remaining categories contributed a cumulative 0.8 percentage points to the overall inflation.

On monthly basis (m-o-m) the inflation in December slowed down to 0.3 percent compared to 0.5 percent registered in November 2022. The increase in the monthly inflation was driven by higher inflation for *food and non-alcoholic beverage* and *Hotels, cafes and restaurants*.

Figure 3: December 2022 inflation



Source: NSA, 2022

**Transport sector** registered the highest inflation rate of 14.8 percent in December 2022, compared to 14.3 percent recorded in the same period last year. The increase in this sector was prompt by higher prices of sub-categories, *Operation of personal transport equipment* with growth of 22.6 percent in the period under review compared to 19.7 percent registered in December 2021.

**Food and non-alcoholic** inflation increased to 11.8 percent in the period under review compared to a 5.1 percent registered same period last year. The increase in this category is attributed to the increases in the prices of *all sub-categories*.

**Alcoholic beverages**, and **tobacco** recorded an inflation of 4.2 percent compared to 3.8 percent recorded in December 2021. The increase is attributed to the price increase of *alcoholic beverages* which grew by 4.5 percent compared to 3.2 percent in the same period of 2021. **Tobacco** on the other hands, recorded slower growth of 2.9 percent in 2022 compared to 6.2 percent in December 2021.

The **Housing** inflation increased to 2.1 percent during December 2022 compared to 1.2 percent registered during the same period of the preceding year. The highest growth observed in this category was in *electricity, gas and other fuels* that recorded a growth of 5.8 percent compared to a decline of 0.2 percent recorded the same period last year.

*The average annual inflation of 2022 of 6.1 percent is equal to the average annual inflation forecast by BoN, however, this is higher when compared to 3.6 percent recorded in 2021. The increase in the average annual inflation for 2022 is mainly driven by transport inflation.*

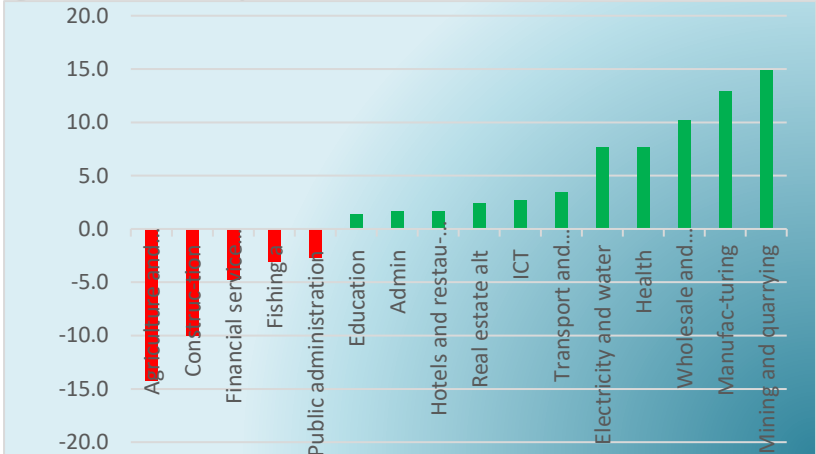
### 4. QUARTERLY GDP FOR Q3 2022

For Q3 of 2022 the GDP grew by 4.3 percent compared to 5.6 percent recorded in the same period of 2021. On quarterly basis the economy recorded a 1.7 percentage point slower growth in Q3 compared to 6.0 percent recorded in Q2 of 2022.

The decline in *agriculture and forestry* sector emanated from the *livestock farming* sub-sector that contracted by 18.9 percent during the quarter under review relative to a growth of 9.7 percent recorded in the same quarter of 2021. The poor performance is attributed to the low number of *livestock marketed* for exports due to the restrictive measures imposed by South Africa to curtail the spread of Foot and Mouth Disease within their borders.

*Fishing and fish processing on board* sector registered a decline of 3.1 percent in 2022 compared to a growth of 1.6 percent recorded in the corresponding quarter of 2021. The poor performance in the sector was observed in the fish landings of demersal (ground fish) fisheries and midwater which recorded declines of 8.7 percent and 4.2 percent, respectively.

Figure 4: Quarterly GDP for Q3 2022



Source: NSA, 2022

**Mining and quarrying** registered a slower growth of 14.9 percent prompted by *metal ores mining* and *uranium mining* subsectors that contracted by 24.2 percent and 6.5 percent in the third quarter of 2022, respectively. The poor performance in *metal ores* subsector is attributed to a decline in the production of *gold, zinc and lead* that decreased by 27.1 percent, 10.1 percent, and 14.8 percent, respectively.

Positive performance was observed in the *manufacturing* sector mainly ascribed to robust growth in *diamond cutting and polishing, basic non-ferrous metals* and *beverages* subsectors that registered strong growth of 72.8 percent, 38.8 percent, and 36.8 percent during the period under review, compared to significant.

The *construction* sector recorded a contraction of 10.0 percent, in the quarter under review compared to a contraction of 25.6 percent recorded last year. The sector was reflected in both *buildings completed* and *government expenditure* on construction that registered declines of 8.4 percent and 6.9 percent during the period under review compared to a contraction of 67.4 percent and 45.9 percent in the corresponding quarter of 2021.

*Transport and storage* sector recorded slower growth of 3.4 percent during the quarter under review, compared to a growth of 9.2 percent posted in the corresponding quarter of 2021. The slow growth in the sector is due to *other support services* and *port services* that contracted by 17.4 percent and 13.8 percent correspondingly, in the third quarter of 2022.

*The growth estimate by MEWG stood at 2.8 percent during the MYBR 2022/23 FY, the 3<sup>rd</sup> quarter average currently stands at 5.6 percent, which is significantly higher, and should the quarterly performance continue in the same direction we should expect a high er GDP outturn for 2022.*



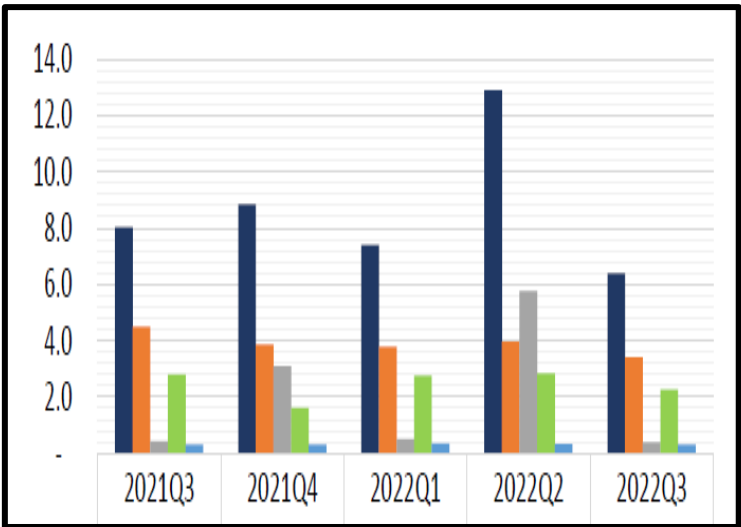


AGRICULTURAL, FORESTRY AND FISHING SECTOR PERFORMANCE Q3 2022

Majority of Namibians depend directly or indirectly on agriculture for their livelihoods, making it one of Namibia’s most important sectors. A sector which is extremely vulnerable to the effects of climate change, especially decreased rangeland productivity and threats of more frequent and severe droughts or floods. The sector was not spared from the devastating impact of the Covid-19 pandemic and the geopolitical tensions as it continues to experience inflated cost of production. The high factor costs were mainly reflected in fuel prices that rose by 49%, feed by 32.5%, animal health by 13.9% in Q3 of 2022.

For Q3 of 2022 the sector declined by 8.8 percent compared to a growth of 6.1 percent recorded in Q3 of the preceding year. The reduction seen in the sector was mainly due to the agriculture and fishing subsectors that registered declines of 14.2 percent and 3.1 percent in Q3 of 2022 downward from an increase of 10.8 percent and 1.6 percent posted in Q3 of 2021, respectively. However, forestry recorded a slow growth of 8.2 percent when compared to 22.3 percent in Q3 of 2021.

Figure 5: Share of 'Agriculture, forestry and fishing' sector to GDP (%)



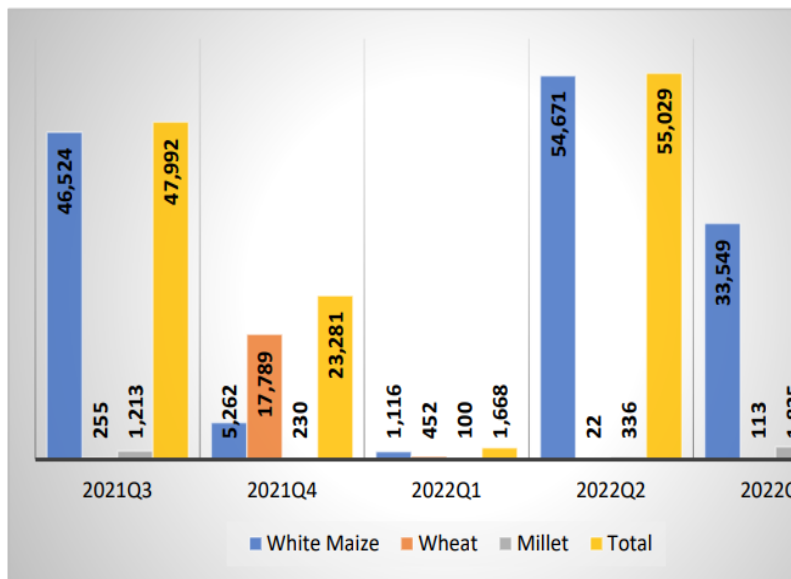
Sources: NSA, 2022

Furthermore, *agriculture, forestry, and fishing* sector share to GDP in Q3 of 2022 was 6.4 percent as reflected in Figure 1. *Livestock* accounted for 3.4 percent of GDP, followed by *fishing* subsector (2.3%), *crop* subsector (0.4%). With the *forestry* subsector being the least contributor for the sector recording a share to GDP of 0.3 percent.

Production of Controlled Cereal Crops

During the quarter under review, the production of cereal crops stood at 35 487 tons compared 47 992 tons recorded in Q3 of 2021 (Figure 2). White maize accounted for 94.5 percent (33 549 tons) of the cereal production. Whereas millet and wheat reported 1 825 tons (5.1 percent) and 113 tons (0.3 percent), respectively.

Figure 6: Production of special controlled cereal crops by type in tons



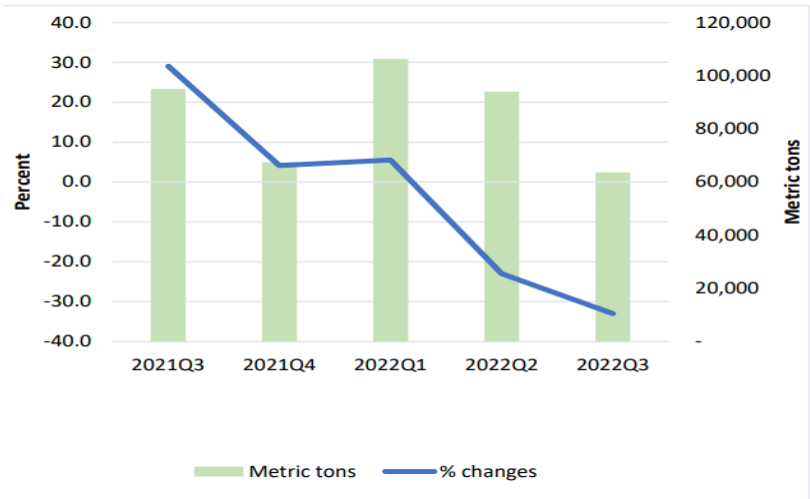
Source: NSA, 2022

Fish Landings

The total landing of quota species during Q3 2022 stood at 63 585 metric tons compared to 94 963 metric tons recorded in the corresponding quarter of 2021, reflecting a decline of 33.0 percent over the year. The decline recorded in volume of species was reflected in all species except for Monk and Tuna during Q3 of 2022 as shown in the figure 3 below.

Horse Mackerel recorded the highest landings of 29 988 metric tons in the period under review, followed by Hake with 29 481 metric tons, and Tuna in third place with 1 950 metric tons. No landings were recorded for Rock Lobster for Q3 of 2022 and the corresponding quarter for 2021 as the fishing season for this specie is from 01 November to 30 April each year.

Figure 7: Fish landings in Metric Tons and Percentage Change

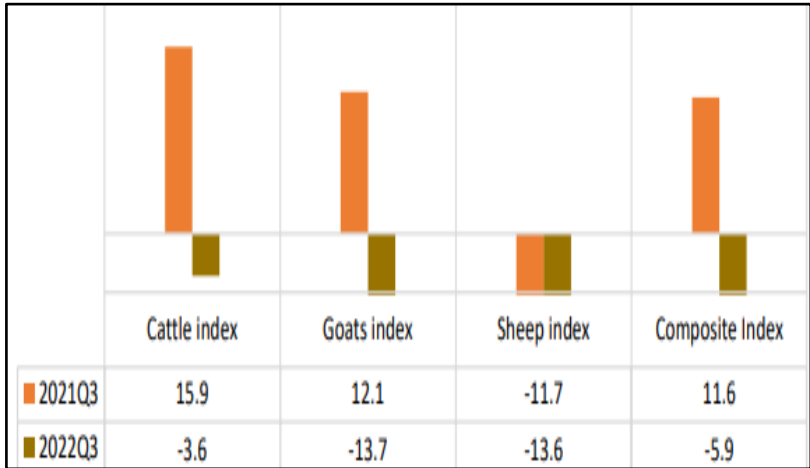


Source: NSA, 2022

LIVESTOCK MARKETED AND AUCTION PRICES

The international trade of live animals was interrupted by moratorium on export and import from Botswana and South Africa. According to NAU (2022), there was a delay in the marketing of live animals due to the closure of the South African border for a period of 21 days from 18 August 2022. Likewise, there was a ban on import from Botswana during the quarter review because of foot and mouth disease and this was the main contributor to a decline in the livestock sub-sector. The animal auction prices are influenced by market force (i.e., demand and supply) that is prices usually go up at times when supply is low and vice versa.

Figure 8: auction and Composite<sup>1</sup> auction price index, percentage change



Source: NSA, 2022

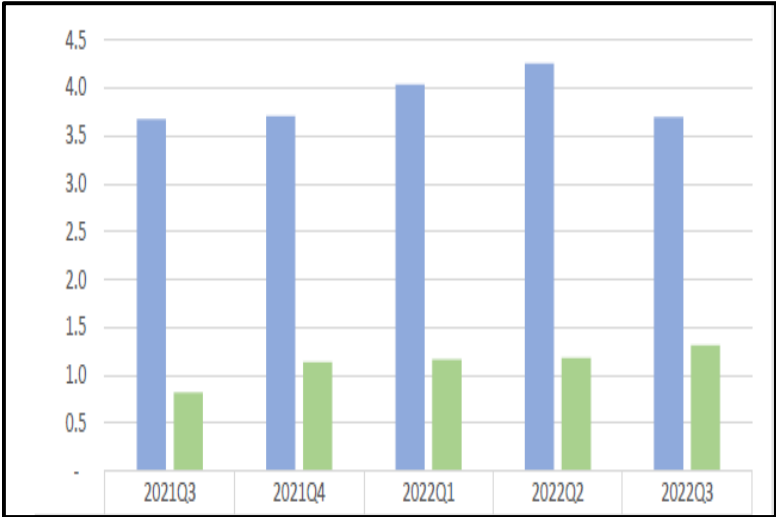
During the third quarter, the auction prices for cattle declined by 3.6 percent during the period under review, a deterioration when compared to an increase of 15.9 percent recorded in Q3 of 2021. The decline was mainly driven by the decline of auction prices for *Lean cow* and *Tollies*. While the rest of the cattle type prices registered slower increases when compared to the corresponding quarter of 2021, except for *slaughters heifers* whose prices increased at a faster pace.



The *goat* auction prices also showed a decline of 13.7 percent in Q3 of 2022 compared to an increase of 12.1 percent recorded in the same quarter of 2021. This came about due to a decrease in auction prices for all *goat* type categories during the quarter under review. Similarly, the *sheep* price index recorded a decline of 13.6 in 2022 compared to a decline of 11.7 percent recorded in Q3 of 2021. The deflation was recorded in all types of sheep prices.

Lastly, the *Composite Auction Price Index* consisting of prices for *cattle*, *goats* and *sheep* decreased by 5.9 percent compared to an increase of 11.6 percent recorded to during Q3 of 2021. Thus, the third quarter of 2022 recorded a decline for all categories.

**Figure 9: Trade flows of agriculture, forestry, and fishing products in billion (N\$)**



Source: NSA, 2022

**INTERNATIONAL TRADE OF AGRICULTURE, FORESTRY AND FISHING PRODUCTS**

The country’s export earnings from Agriculture, Forestry and Fishing commodities amounted to N\$3.7 billion while the import bill stood at N\$1.3 billion for third quarter of 2022. The Fisheries products accounted for the highest foreign earnings at N\$2.7 billion followed by the agriculture products that brought income of N\$606.0 million and forestry taking the third position with N\$ 400 million.

For the agriculture sector Namibia recorded a trade surplus of N\$2.4 billion in the period under review. The surplus recorded was lower when compared to a surplus of N\$2.9 billion registered in the corresponding quarter of 2021. The reduction in surplus is due to an increase in the imports in the sector from 0.8 billion recorded in the same period last year to 1.3 billion same period this year mostly driven by agricultural commodities on the back higher cost imports due to the global geological situation in Ukraine.

In the conclusion the agriculture, forestry and fishing sector continue to play a vital role in the economy as well as in the livelihoods of Namibian citizens. The sector declined by 8.8 percent compared to a growth of 6.1 percent recorded in Q3 of the preceding year. The reduction seen in the sector was mainly due to the agriculture and fishing subsectors that registered declines of 14.2 percent and 3.1 percent. Moreover, 35 487 tons of cereal grains were produced during Q3 of 2022 and 34 613 metric tons of fish species was landed during the reporting period.

The sector also saw a decline in auction prices of large livestock due to a moratorium imposed by South Africa due to the discovery of foot and mouth disease. Export earnings for agriculture, forestry and fishing products amounted to N\$3.7 billion for Q3 of 2022 while the import bill for the same quarter stood at N\$1.3 billion, resulting in the sector to record a surplus of N\$2.4 billion during the period under review.

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**THE IMPOSITION OF RUSSIAN OIL PRICE CAP**

Russia is the third-largest crude oil exporter in the world, and the revenue receipts from these exports has a significant impact on its economy. Since the onset of the conflict in Ukraine, the EU and G7 have concentrated much of their efforts on developing sanctions that limit Russia's capacity to receive revenue from the sale of oil, as these earnings are assumed to be funding Russia’s war in Ukraine. Thus, on 2 September 2022 the G7 Finance Minister agreed to cap the price of Russian oil and petroleum products in an effort intended to reduce Russia's ability to fund the war in Ukraine.

While at the same time expecting to curb further increases to fuel prices and in turn inflation. The price cap prohibits western insurers and shipping companies, which account for more than 90 per cent of the marine insurance industry, from servicing vessels that carry Russian oil above US\$60 per barrel. The oil price cap of US\$60 per barrel for Russian oil was imposed and will become effective from 5<sup>th</sup> February 2023.

**Possible Impact of Price Cap**

This move is expected prevent Russia from profiting from high global oil prices but also provide enough incentive for Russia to continue supplying oil. Yet the price cap can be destabilising and have unforeseen consequences. Current buyers of Russian oil, India and China, can demand even steeper discounts on shipments as Russia might limited options. On the other hand, Russia might retaliate by reducing oil production or halting exportation of oil as a way of stock piling and thus, crippling oil supply in the short term. This will accelerate the increase in oil prices and subsequently higher inflation – which is counter-intuitive of the price cap’s intention.

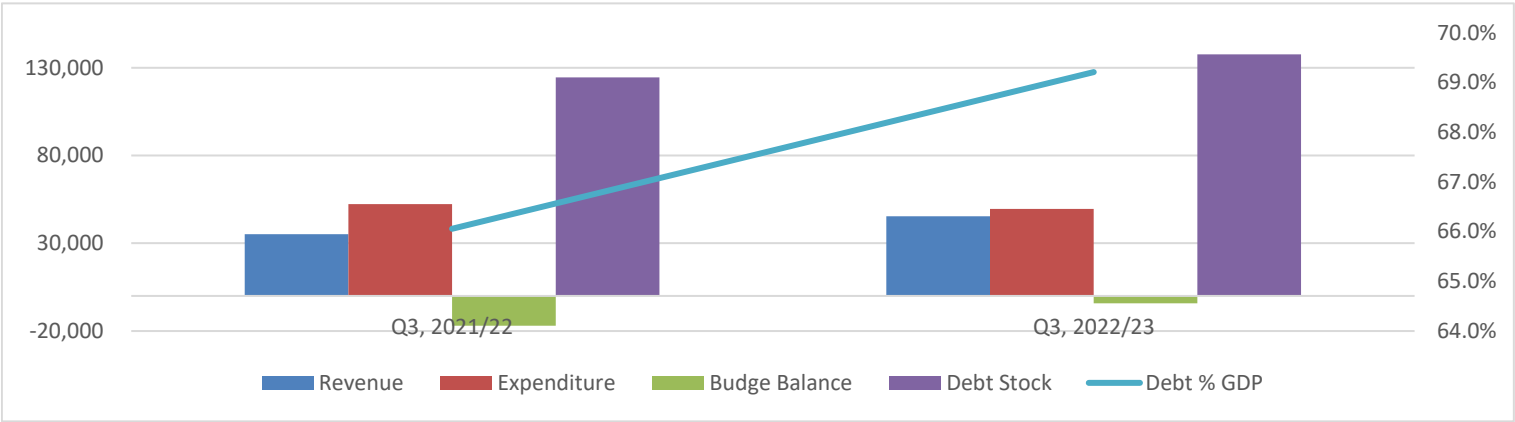
The price cap may also accelerate decoupling in the financial sphere. The complete embargo on western insurers and shipping companies in shipments of Russian crude oil will create momentum for an alternative non-US dollar financial ecosystem. This accelerated decoupling could push the global economy closer to a tipping point of transition from a US dollar-based financial system to a non-US dollar one, likely a multi-currency financial system. If history were to repeat, the transition will not be smooth and will involve higher inflation and a financial crisis. For emerging economies, an accelerated decoupling in the financial sphere can be significantly detrimental, as they still depend on the current system for financing their trade and investment.





Fiscal policy remained constrained, although revenue started recovering, the deficit remains high, while debt is increasing due to high expenditure necessitated by the need to address socio-economic challenges in the country. Total revenue collection up to Quarter 3 of 2022/23 stood at N\$45.5 billion. This is 28.9 percent higher in comparison to N\$35.2 billion collected during the same period in the previous year. Total expenditure on the other hand slowed in Quarter 3 of 2022/23 by about 5.0 percent, from N\$52.3 billion in Quarter 3 of 2021/22 to N\$49.6 billion in the same period this year. As a results, budget deficit also shrank by 75.4 percent from N\$17.0 billion or 9.0 percent of GDP in Quarter 3 last year to N\$4.2 billion or 2.1 percent of GDP in the same period this year. Nonetheless, government debt increased from N\$124.5 billion or 66.1 percent of GDP to N\$137.7 billion or 69.2 percent of GDP in the same period in 2022/23.

Figure 10: Fiscal Policy indicators for Q3 2021/222 and Q3 2022/23



Revenue

As illustrated in figure 2, tax revenue accounted for more than 90 percent of total revenue collection in Quarter 3 of 2021/22, while non-tax revenue contributed about 8 percent. In comparison to the same quarter in 2022/23, tax revenue accounted for 89.7 percent and 10.2 percent is non-tax revenue. This demonstrates a growth of non-tax revenue contribution to Total Revenue.

Figure 11: Composition of total revenue

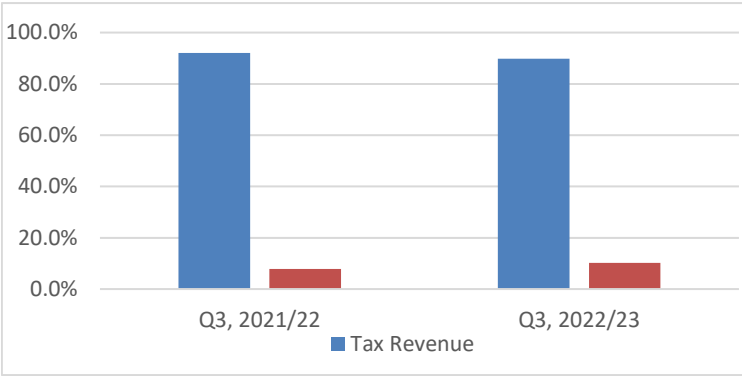
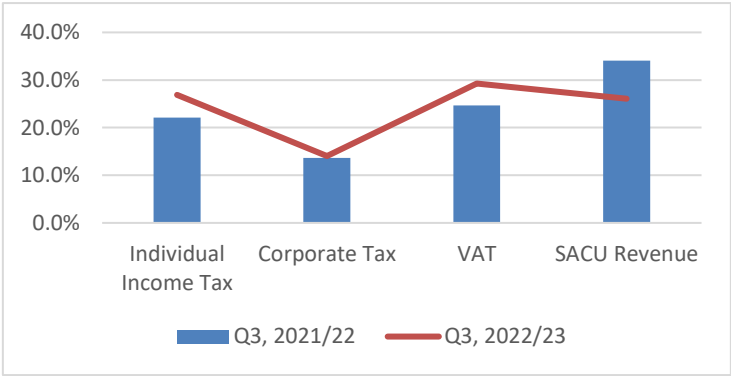


Figure 12: Contribution Tax Revenue



As a share of total taxes, SACU revenue has the highest share of tax revenue, contributing 34.1 percent in Q3 of 2021/22. In second place is VAT at 24.7 percent and third place is Income Tax on individual accounting at 22.1 percent of tax revenue. For Q3 of 2022/23, where VAT is the highest contributor, at 29.3 percent of Total Taxes. In second place is Income Tax on Individual contributing 26.9 percent while SACU revenue stood in 3<sup>rd</sup> place at 26.1 percent.

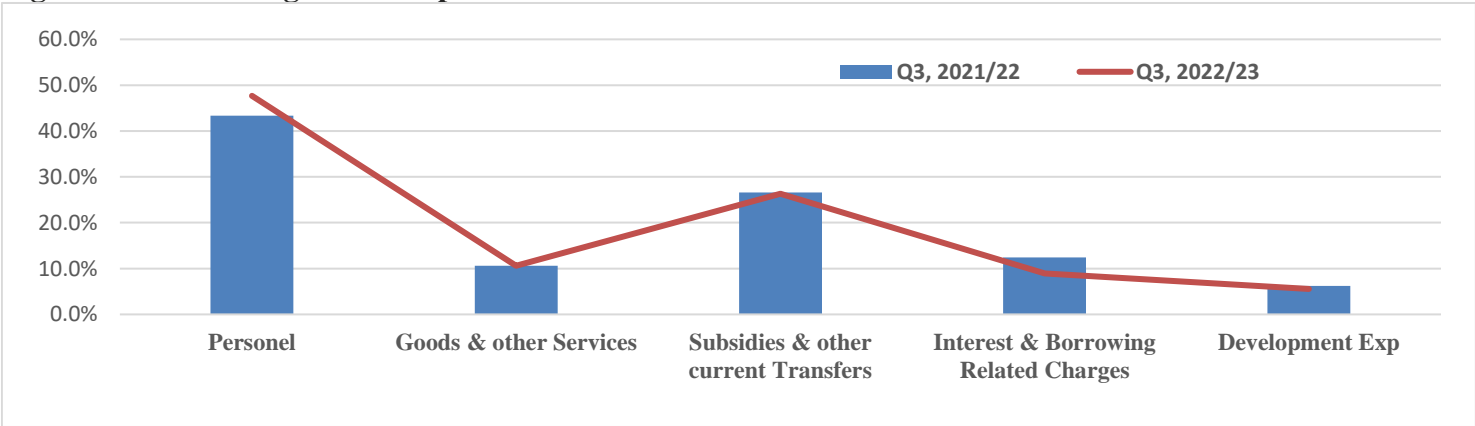
Expenditure

Expenditure performance show a total execution rate of 91.8 percent as at December 2021/22, while for the financial year 2022/23, total execution rate stood at 82.6 percent for the same period. Operational expenditure execution rate was recorded at 82.3 percent in December 2021/22 relative to 81.6 for the same period in 2022/23. Development expenditure execution rate for Quarter 3 of 2021/22 stood at 69.5 percent, while for the same quarter in 2022/23 is 50.1 percent.

Expenditure composition

In the same quarter in 2022/23, expenditure on Personnel made up 47.7 percent, followed by Subsidies and other Transfers at 26.3 percent and at the third place was Goods and other Services at 10.6 percent of total expenditure. In Quarter 3 of 2021/22, personnel expenditure made up the larger component of Expenditure accounting for 43.4 % of Total expenditure, followed by Subsidies and other current transfer at 26.6 percent and at the third place was Interest and Borrowing related charges contributing 12.4 percent. This indicates a higher execution rate in 2022/23 vs 2021/22 FY.

Figure 13: main categories of expenditure





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