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Regular Updates

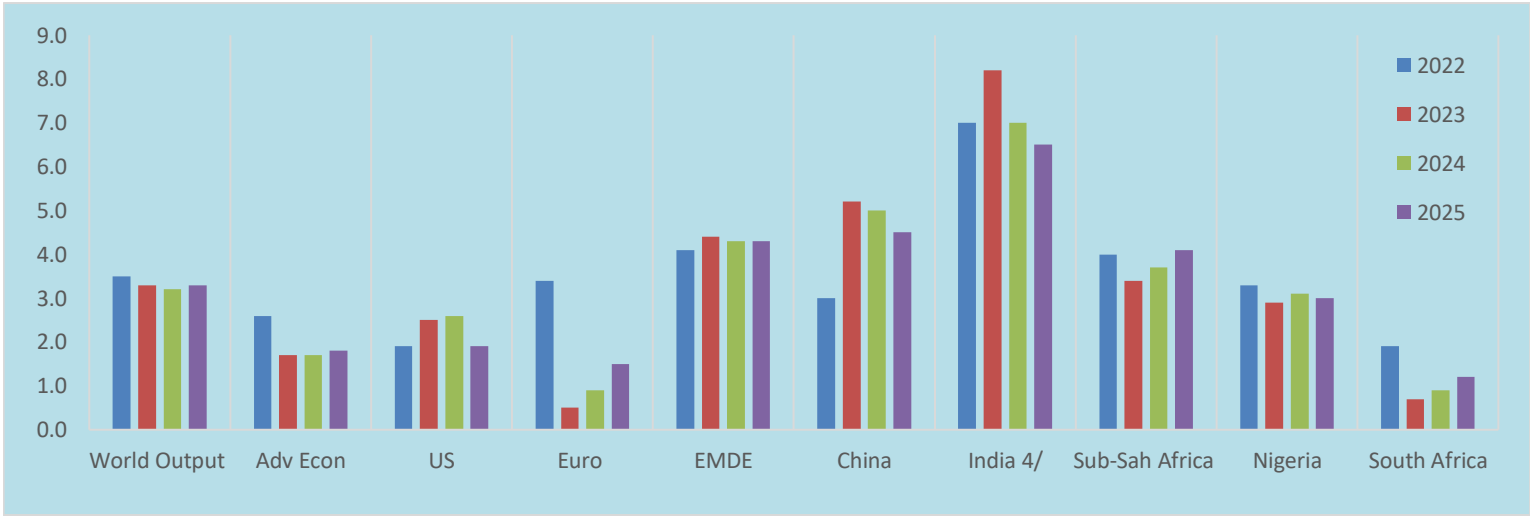
- Global and Regional Developments
- CPI June 2024
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- Q1 GDP 2024 Performance

Special Feature: GOVERNMENT FINANCE STATISTICS: WHAT IT IS AND WHY IT IS IMPORTANT?

1. GLOBAL AND REGIONAL ECONOMIES

According to the recent IMF World Economic Outlook (WEO), July updates the global economic growth is expected to remain the same as the April 2024 outlook projections at 3.2 percent in 2024 and a slight increase to 3.3 percent in the 2025. The growth is supported by activities in both advanced economies and emerging markets on account of convergence towards potential and reducing output gap, while the resilience of emerging markets and development economies is evident especially so in the 1st half of the year data.

Figure1: World Economic Outlook July 2024 update



Source IMF: WEO

Growth in the **advanced economies** is expected to remain flat at 1.7 percent and 1.8 percent in 2024 and 2025 respectively, as issues of inflation remains sticky, delaying the deceleration in inflation that was expected since the beginning of the year. Inflation in the US is the stickiest at the moment albeit, it has improved marginally and more so for the labour market. Therefore, growth is expected marginally pickup for 2024 at 2.6 percent and but slowdown at 1.6 percent in 2025. The Euro is expected to grow just below 1.0 percent and 1.5 percent in 2024 and 2025 respectively. The growth in the Euro area is expected to be driven by better-than-expected growth in exports and stronger demand for services and the easing of monetary policy is expected to cause an increase in consumption and investment.

Emerging markets and developing economies are expected to grow by 4.3 percent for both 2024 and 2025, on account of higher performance in India and a softening of activities in China. The Indian economy is estimated to grow by 7.0 percent and 6.5 percent in 2024 and 2025 respectively, on the back of expected higher private consumption. While growth in China is expected to continue moderating to 5.0 percent and 4.5 percent in 2024 and 2025 respectively, due to stronger exports (spill-over effect from global demand in 2023) and rebound in domestic private consumption. However, going forward growth is expected to moderate on account of slowing productivity due to aging population.

The **Sub-Saharan Africa** region is expected to grow by 3.7 percent and 4.1 percent in 2024 and 2025 respectively, the growth was revised downed marginally due to expected weaker performance in the Nigerian and the South African economy remaining muted. The Nigerian economy is expected to grow by 3.1 percent and 3.0 percent in 2024 and 2025 respectively, on account of weaker outturn of the 1st half of 2024. Growth for South Africa is expected to remain muted at 0.9 percent and 1.2 percent in 2024 and 2025 respectively as the economy continues to struggle with internal issues.

Quarterly Economic Update



Risk to the global and regional economies

- Risks to outlook are centered around geopolitical tensions across the globe.
- The expected inflation deceleration that is assumed to be disinflation risk for China and the advanced economies
- The limited fiscal space in most countries will hinder monetary policy easing, as such the high debt and high cost of borrowing is a risk factor to those economies
- The risk of economic divergence globally is a risk that could affect financial stability and markets alike

2. National Consumer Price Index June 2024

The annual inflation rate stood at 4.6 percent in June 2024, compared to 5.3 percent recorded in June 2023. The notable slowdown in the price level was driven by *transport*, which contributed the highest with 1.3 percentage points. Followed by *food and non-alcoholic beverages*; and *Housing* which both contributed 0.9 percentage points. *alcoholic beverages* contributed 0.7 percent, while the other categories contributing a cumulative of 0.9 percentage points.

On a monthly basis the prices contracted by 0.2 percent in the period of June 2024 compared to a growth of 0.3 percent recorded in May 2024. The decline in the prices is attributed to *alcoholic beverages* that contracted by 1.0 percent. Followed by *food and non-alcoholic beverages*; and *Communication* which recorded a contraction of 0.4 percent and 0.6 percent in June 2024, respectively.

Figure 2: NCPI for June 2024



Source: NSA 2024

For the *Transport* category, price levels went up by 8.3 percent in June 2024 compared to a contraction of 1.0 percent recorded in June 2023. The increment in prices emanated from the increase in subcategories of *operation of personal transport equipment* which recorded a growth of 10.9 percent in the period under review compared to the 9.8 percent registered in the same period of the preceding year.

The subcategory of *purchase of vehicles* recorded a constant growth of 0.7 percent in June 2024 and 2023. While the Public Transportation recorded a slowdown in price from 0.9 percent in June 2023 to 0.7 percent in June 2024.

Hotels recorded growth of 8.4 percent in June 2024, which showed an increase in price levels of this category compared to the 6.7 percent recorded in the June 2023. in June 2023.

However, the subcategory; *Catering* indicated a marginal slowdown in the growth of 5.6 percent in June 2024 compared to the 6.6 percent recorded the same time the preceding year.

The housing category registered a growth of 3.6 percent in the period under review compared to 2.8 percent in the same period last year.

The growth in the price levels of this category is buoyed by the increase in the price levels of *electricity, gas and other fuel* sub-category that registered a growth of 8.1 percent in June 2024 compared to 6.4 percent recorded in June 2023. *Water supply and sewage* sub-category also recorded growth, as it went up by 3.4 percent during the period under review, compared to 2.5 percent in the same period last year.

The *Alcoholic Beverages* category prices accounted for 5.3 percent in June 2024 compared to 6.2 percent recorded the previous year. The slow growth in price levels for this category is attributed to *alcoholic beverages* which recorded a slow growth of 5.1 percent in June 2024 compared to the 6.8 percent in June 2023. The subcategory of *Tobacco* recorded a higher growth of 6.0 percent in June 2024 compared to the 3.7 percent recorded in June last year.

The *Food and non-alcoholic beverages* category recorded 4.3 percent in the period under review compared to the 11.7 percent recorded in June 2023. The slow growth in the prices is attributed to the slowdown in price levels for the subcategory of *bread and cereals* which stood at 0.3 percent in June 2024 compared to the 17.3 percent recorded in June 2023.

Vegetables including potatoes and other tubes recorded 5.5 percent in June 2024 compared to 18.5 percent registered in the same period the previous year. The subcategory for *fish* stood at 4.6 percent during the current period compared to the 11.7 percent in June 2023.

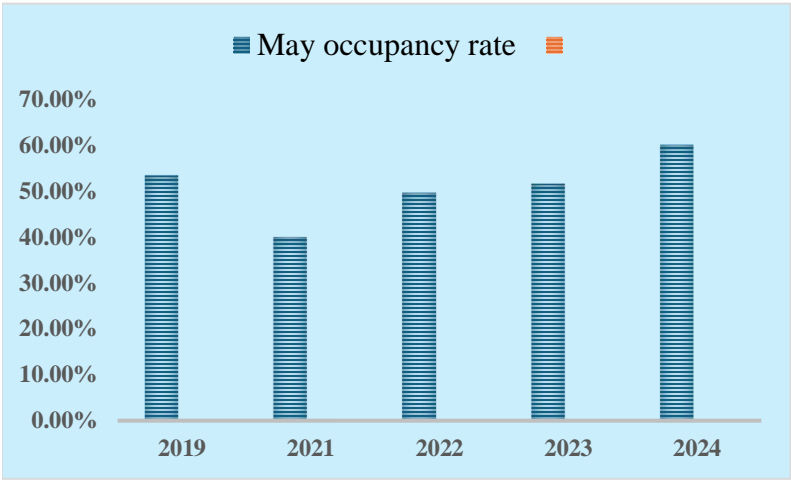
The headline inflation for June stood at 4.6 percent in 2024 (from a 4.9 percent registered in May 2024) and compared to 5.3 percent registered in June last year. The slowdown in inflation this year is driven by the declining in the transport sector prices. June inflation rate is below the anticipated June inflation of 5.1 percent by the Bank of Namibia. The BoN estimates suggest that through the medium-term, inflation will average at 4.9 percent and 4.5 percent in 2024 and 2025 respectively, being driven by food category and a slowing down trend in other categories such as transport and housing.

3. HOSPITALITY SECTOR PERFORMANCE

The hospitality subsector is one of the components of the tourism sector and is used as a proxy for estimating activities in the tourism sector. The hospitality subsector continues on the growth trajectory path, with the national occupancy rate increasing to 60.3 percent in May 2024 compared to the rate of 50.8 percent recorded in May 2023. The 60.3 percent recorded in May 2024 was still higher compared to the 55.83 percent recorded in pre-covid.



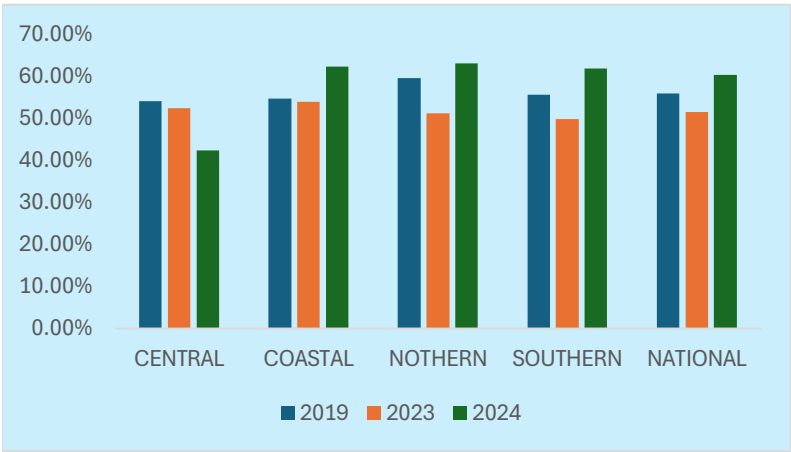
Figure 3: Countrywide Hospitality Occupancy Rate May 2019-2024



Source: Hospitality Association of Namibia (2024)

The growth in the national occupancy rate is driven by the increase in the number of tourist arrivals from the Central European countries (D, CH, A) representing; Germany (D), Australia (A) and Switzerland (CH) which recorded the highest percentage increase of 37.8percent, followed by local tourist which stood at 17.2 percent during the period of May 2024, despite a decline compared to the 22.5 percent register in May 2023. France stood at 9.47 percent in May 2024 compared to the rate of 9.08 percent recorded in May 2023 indicating a slight increase in the occupancy rate.

Figure 5: Hospitality Occupancy Rate May 2019, 2023 and 2024 Per Town



Source: HAN (2024)

South Africa recorded 6.17 percent in the current period compared to the 7.5 percent in May 2023 which highlights a notable decrease in the rate. This indicated that the largest percentage of the national occupancy rate is driven by the international market. The establishment in the northern Namibia recorded the highest occupancy rate of 60.2 percent, followed by the Southern and Coastal areas with 54.3 percent and 53.18 percent, respectively. The Central parts of the country ranked the lowest with 35.9 percent occupancy rate.

Namibia’s national occupancy rate was dominated by leisure activities which indicated the highest visitors of 94.75 percent for the current period compared to the 89.2 percent recorded in the same period the preceding year. The Northern area recorded 99.7 percent which indicates that most of the travelers preferred these parts of the country for leisure activities. Moreover, those who travelled for business purpose stood at 5.1 percent, of which the Coastal area was best suited for such type of travellers recording a growth of 29.9 percent in May 2024, compared to the 9.1 percent recorded the same time in 2019, indicating growth potential in the business travel market during the period.

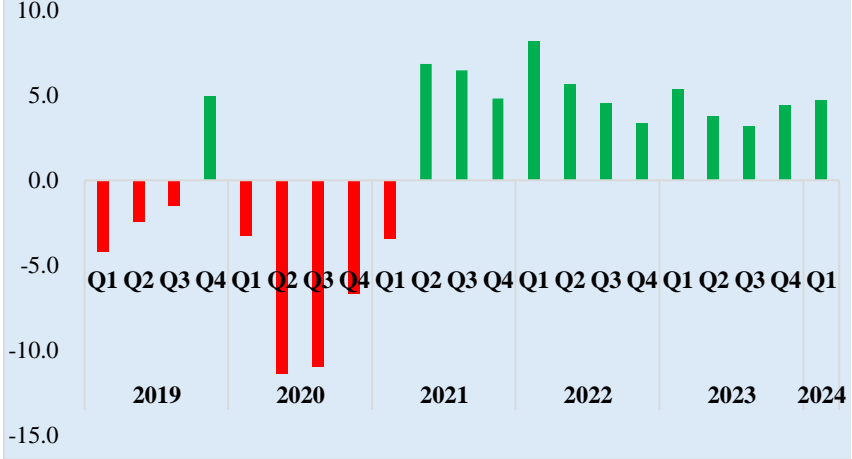
Overall, the occupancy rate for May 2024 stood at 60.3 percent indicating an increase higher than the rate of 51.52 percent recorded in May 2023 and it has surpassed the pre-covid level of May 2019, this positive trend indicates continuous growth in the tourism sector. Going forward June 2024 is expected to maintain the positive trend, especially in domestic tourism due to school holidays and school tours.

4. NAMIBIA ECONOMY PERFORMANCE

SUPPLY SIDE by activities

The Namibian economy registered a growth of 4.7 percent in Q1 of 2024 compared to 5.3 percent recorded same period last year. This proved to be the lowest growth recorded in a Q1 in a normal year since the pandemic. In real terms the gross domestic product stood at N\$ 38.9 billion in 2024 up from N\$ 37. 2 billion in 2023 representing a N\$ 1.7 billion increments. The growth is attributed to the performance in the primary sector mainly the mining sector that contributed 0.9 percentage points. Followed by wholesale and Retail Trade that contributed 0.8 percentage points.

Figure 6: Namibia Economy performance Q1 2024



Source: NSA, 2024

Primary Industries

The **primary industries** recorded a slow growth of 5.1 percent in the first quarter of 2024 compared 16.4 percent recorded in the first quarter of 2023. The growth is sustained by the activities in *mining and quarrying* that witnessed a growth of 6.6 percent in 2024 albeit lower when compared to 21.8 percent in 2024, due to a drop in diamond production and a decline in *uranium* production.

A slow growth was observed in *agriculture, forestry, and fishing and fish processing* at 1.6 percent and 2.2 percents in the period under review compared to 1.9 percent and 10.7 percent respectively in the same period last year. The slow growth in the *agriculture and forestry sector* is primarily attributed to the *crop farming* subsector which recorded a decline of 6.9 percent due to poor rainfall. The *livestock subsector* recorded a slow growth of 3.2 percent during the quarter under

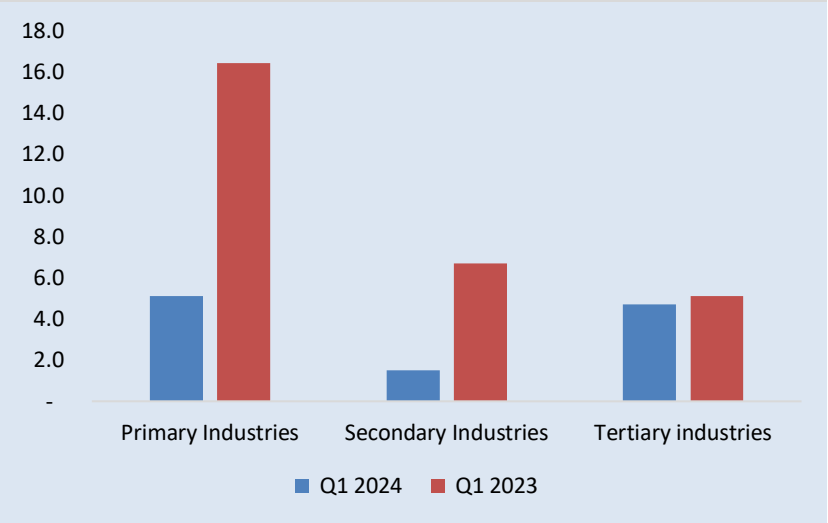
review compared to a growth of 5.1 percent posted in the same quarter of 2023. The slowdown in the growth is sustained by the reduction in slaughtering activities at abattoirs and butchers for cattle, which grew by 3.1 percent in the first quarter of 2024 relative to a higher growth of 15.8 percent recorded in the first quarter of 2023. While the number of cattle exported live (on hoof) increased by 87.9 percent, relative to a growth of 5.7 percent registered in the same period of the preceding year.

Secondary Industries

Secondary industries growth slowed down to 1.5 percent during the period under review compared to a growth of 6.7 percent registered in the same quarter of 2023. The slower performance emanates from *electricity and water* and *construction* that registered 9.8 percent and 3.5 percent compared to 32.9 percent and 26.8 percent witnessed in the same quarter of 2023, respectively.

The *manufacturing sector* recorded a decline of 1.4 percent in the first quarter of 2024, albeit an improvement when compared to a decline of 2.0 percent reported in the first quarter of 2023. The poor performance in *manufacturing* was mainly driven by the *diamond cutting and polishing* subsector that registered a decline of 44.1 percent during the period under review, compared to a decline of 0.4 percent recorded in the first quarter of 2023.

Figures: 7 Performance per Industries 2023Q1-2024Q1



Source: NSA, 2024

Tertiary Industries

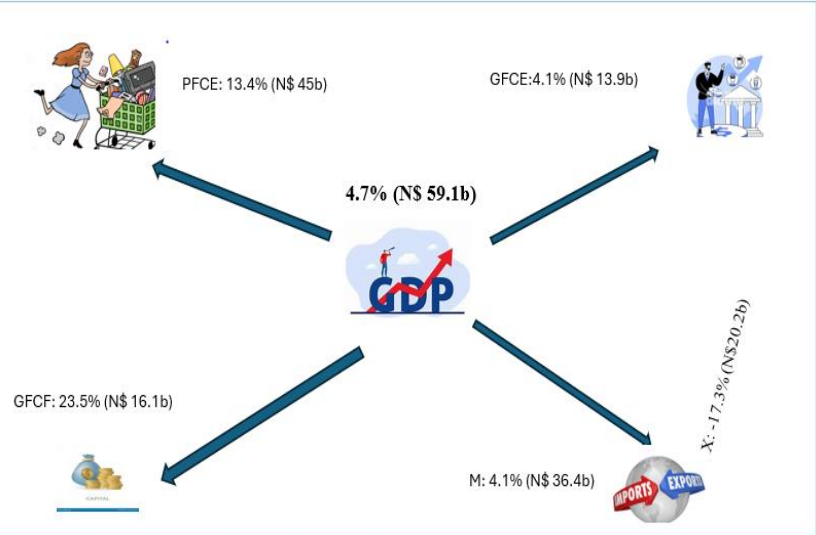
The **tertiary industries** posted an improved growth of 4.7 percent in the first quarter of 2024 compared to 1.5 percent growth recorded in the first quarter of 2023. The stronger growth emanated from *Wholesale and retail trade* which grew by 8.4 percent compared to 7.2 percent in the same quarter of 2023. *Health and Financial* services recorded 7.5 percent and 5.3 percent in the period under review compared to 1.4 percent and a contraction of 7.3 percent respectively in the same period last year.

The growth in the health sector was driven by the rise in employee’s compensation due to an increase in the number of health personnels. Whereas, the growth in the financial sector is attributed to the increase in total deposits across all sectors and the increase in gross premiums underwritten in the insurance subsector during the period under review.

GDP by expenditure

The final consumption expenditure increased to a 11.1 percent increase from a 0.3 percent contraction witnessed in the first quarter of 2023. The growth emanated from private final consumption expenditure that increased to N\$45.0 billion during the quarter under review, marking a significant increase of N\$8.2 billion increase from the same quarter of 2023, representing a 13.4 percent growth. relative to a decline of 0.6 percent recorded in the same quarter last year as household consumption continues to recover.

Figure 8: Demand side GDP (growth rate (real term) and nominal terms)|



Source: NSA, 2024

Additionally, government final consumption expenditure registered a growth of 4.1 percent in the period under review compared to a marginal growth of 0.4 percent in the 2023. The performance is attributable to increased spending in the public sector due to a rise in employee compensation. This saw government consumption amounting to N\$ 13.9 billion in the first quarter of 2024 compared to N\$ 13.4 billion in the same period last year.

Gross fixed capital formation grew by 23.5 percent this quarter, compared to an expansion of 68.0 percent during the same quarter of 2023. The growth in 2024 was largely fuelled by investments in mineral exploration within the mining sector. The import of goods and services amounted to N\$36.4 billion in the first quarter of 2024 compared to N\$34.0 billion registered in the same period of 2023, this resulted in an increase of N\$2.4 billion.

In real terms, import of goods and services recorded a growth rate of 4.1 percent compared to a growth rate of 24.3 percent noted in the same period of 2023.The growth in imported was supported by intermediate, final and capital goods. On the other hand, the export of goods and services declined to N\$20.2 billion and saw a reduction of N\$3.6 billion, in nominal terms, relative to N\$23.8 billion that was registered in the corresponding quarter of 2023.

The *export of goods and services* registered a decline of 17.3 percent, contrasting with a 44.5 percent increase in the corresponding quarter of 2023. This downturn is mainly attributed to a decrease in export of intermediate goods.



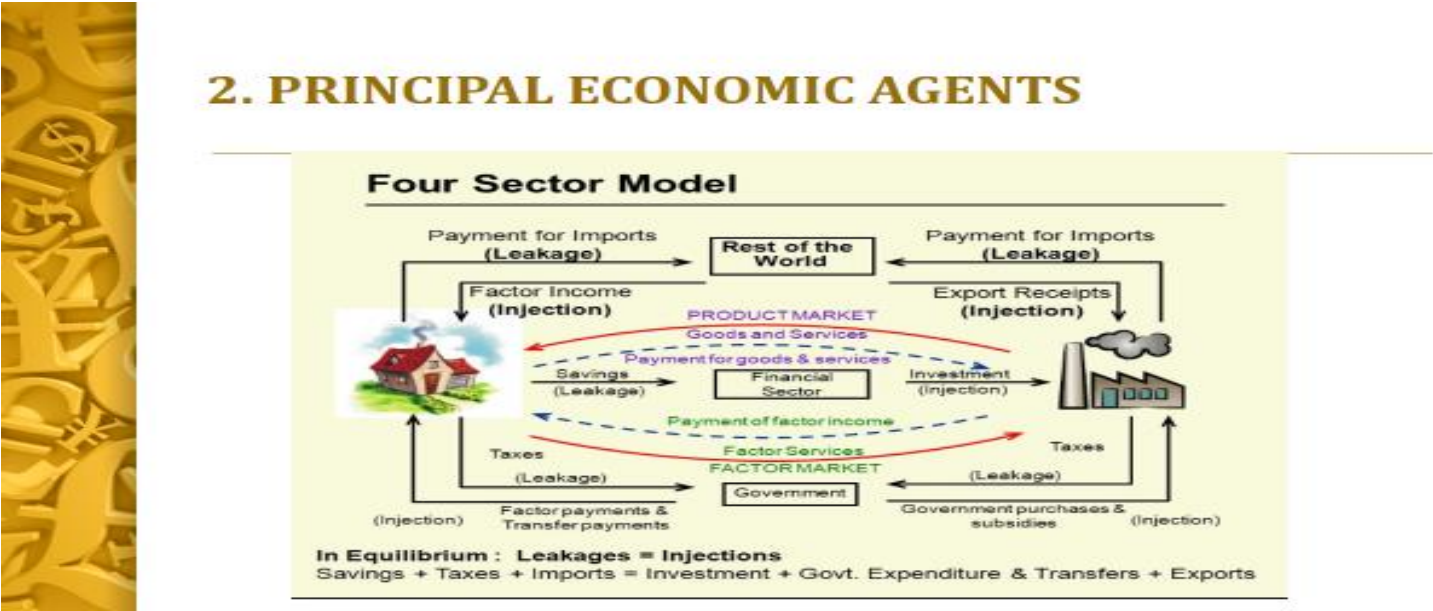


SPECIAL FEATURES: GOVERNMENT FINANCE STATISTICS: WHAT IT IS AND WHY IT IS IMPORTANT?

Introduction

Macroeconomics focuses on the analysis of macroeconomic variables such as the economy’s total output, the rates of inflation and unemployment, the balance of payments, and the exchange rate. It attempts to explain developments in these aggregates and to guide policymakers in their pursuit of economic objectives and efforts to respond to changes in the economic environment. An accurate analysis of events, and consequently the design of appropriate policies, requires accurate economic information and statistics that are made available in a systematic and timely fashion. In analysing an economy, the focus should be on the four main macroeconomic sectors namely real sector, monetary sector, external sector and Fiscal sector.

Figure 9: Interlinkage between the four macroeconomic sectors

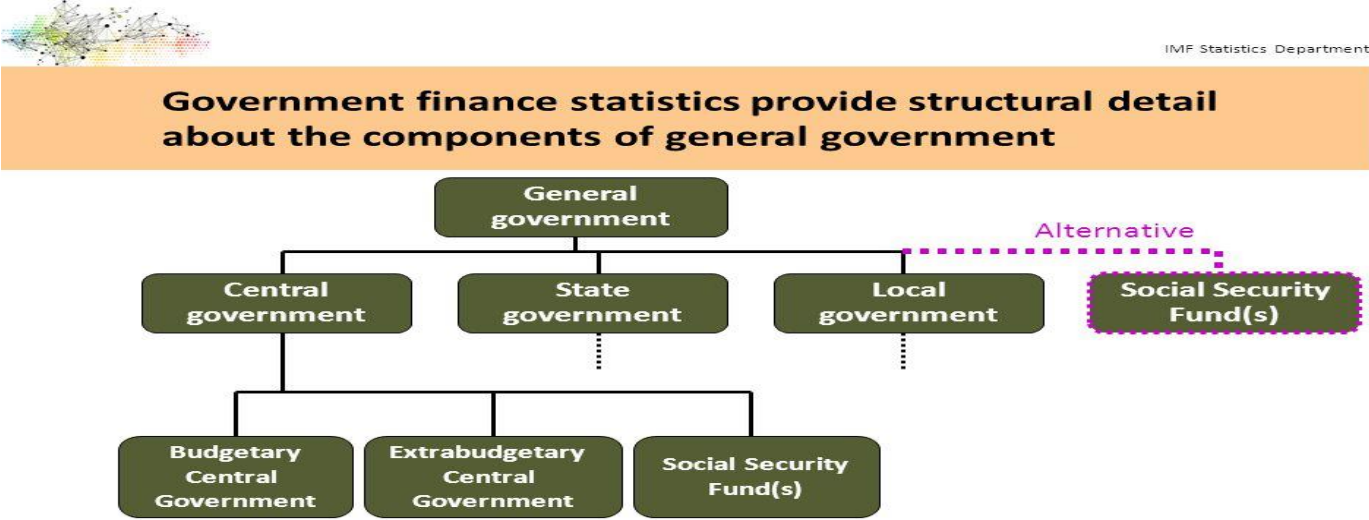


The **real sector** analysis at the total *production process* within an economy (i.e. input and output) and in Namibia is represented by the National Accounts that is produced and coordinated by Namibia Statistics Agency (NSA) and is compiled using the System of National Accounts (SNA) Manual of 2008.

The **monetary and external sectors** are controlled by the Bank of Namibia (BoN), the **the external sector which is represented by the balance of payments** involves transactions related to the exportation and importation of goods and services as well as investments and debts. The Monetary sector uses the Monetary and Financial Statistic Manual (MFSM) of 2000 while, the external sector uses of the Balance of Payment 6th edition Manual (BPM6). Lastly the Fiscal sectors involve the government revenue and expenditure, and it is administered by the Ministry of Finance and Public Enterprises in collaboration with National Planning Commission. As country Namibia is expected to provide accurate government statistics and in doing so the country use of the Government Financial Statistic Statistic Manual (GFSM) of 2014. Thus, a need to delve into the importance of providing accurate government statistics and how the country has improved.

Government Finance Statistics (GFS) compilation and dissemination

Figure 10: Government Finance Statistics (GFS) compilation and dissemination



Source: IMF, 2014

Government Finance Statistics (GFS) measures the financial activities of the government in an economy and data are compiled from administrative and accounting records, highlighting the basic features of internationally comparable presentation of the data. The first GFS compilation and dissemination methods guidelines was based on Government Finance Statistics Manual (GFSM 1986), followed by (GFSM2014), which is currently in use.

Government finance statistics encompass a wide range of data that reflect the financial activities of governments at various levels (national, regional and international). These statistics cover revenue collection (taxes, fees, and grants), expenditures (on public services, infrastructure, social programs) and transactions in non-financial assets, financial assets and liabilities.

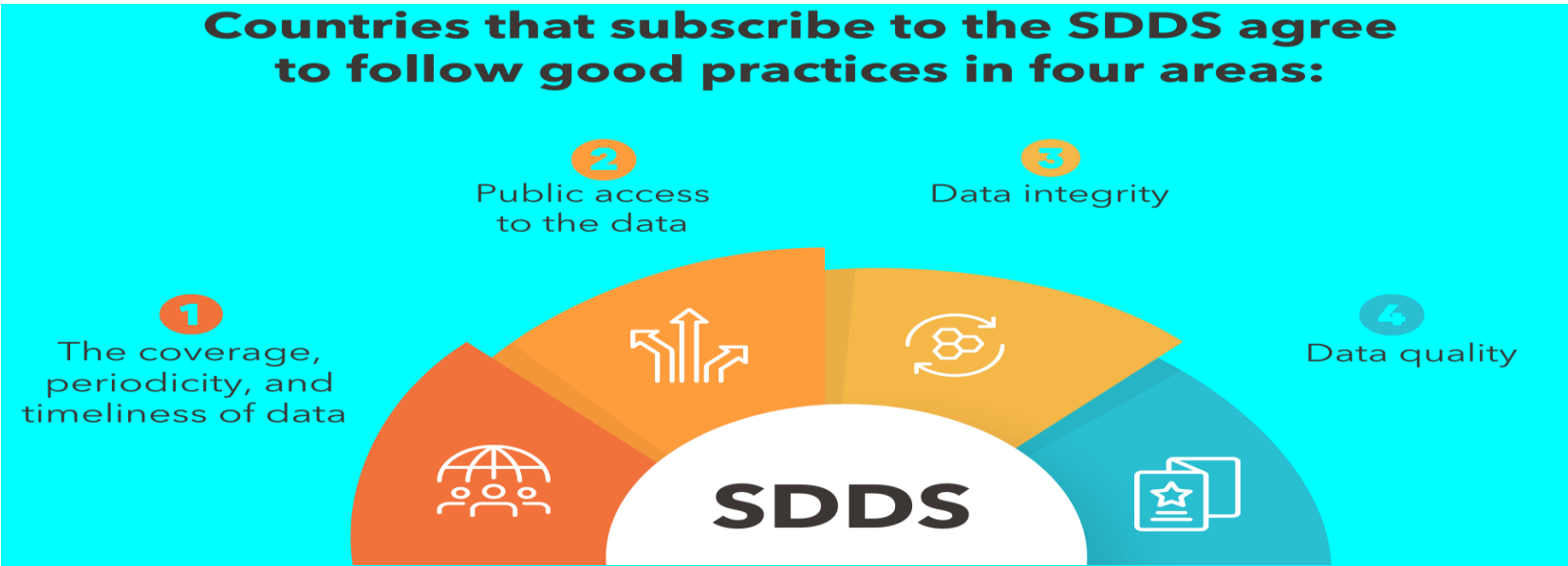
GFS data are essential tools for assessing the fiscal health and performance of an economic outcome. These statistics provide valuable insights into how governments raise revenue, allocate resources, and manage their finances. By analysing GFS, policymakers, economists, and citizens can gauge the effectiveness of public spending, assess fiscal sustainability, and make informed decisions about economic policies. Here’s a comprehensive overview of what GFS entail and why they matter



Three tiers of the framework.

In ensuring country adhere to the guidelines stipulated in the GFSM2014, The IMF introduced a data Standards initiatives in order to enhance data transparency as a global good. This initiative is to encourage countries’ voluntary and disciplined publication of key macroeconomic and financial data. Through these, countries are expected to inform the public, markets, and the international community in a timely manner, thereby facilitating early resolution of macroeconomic imbalances and market disequilibria. In this initiative there are three tiers of the framework namely the Enhanced **General Data Dissemination System (E-GDDS)**, **Special Data Dissemination Standard (SDDS)**, and **Special Data Dissemination Standard Plus (SDDS Plus)** which are tailored to countries’ capacity.

Figure 11: IMF Standards for Data Disseminations

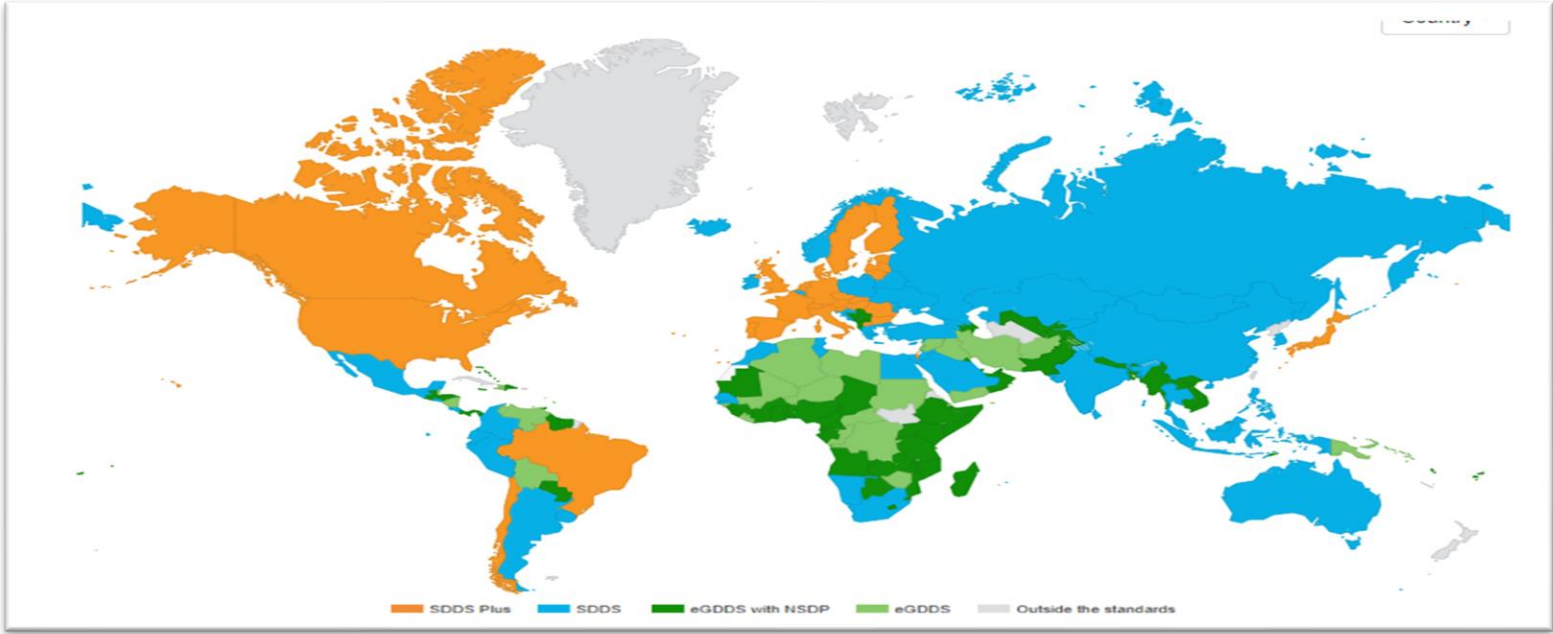


Source: IMF, 2023

GFS data compilation

The required coverage of compiling GFS is public sector, which comprises of **general government sector** and **public corporations’ sector**. The **general government** subsectors comprise of *Budgetary central government* (OMAs), *Local government* (local authority-Municipalities), *State government* (Regional councils), *Social Security Commission* and *Extra-budgetary entities*. The public corporation subsectors are **financial** and **nonfinancial corporations**. Many countries have chosen to implement GFS reforms that include the structure of the general government and public corporations, and Namibia is no exception as it made tremendous improvement in data compilation that pave way to move from **E-GDDS** group by meeting the data requirements to subscribe to **Special Data Dissemination Standards (SDDS)** category. Countries that are under the category of SDDS in Africa continent are Egypt, Mauritius, Morocco, Namibia, Senegal, Seychelles, South Africa and Tunisia, as shown in the data dissemination standards in the World map below. Worldwide each country’s data compilation and dissemination are monitored, and countries are evaluated by the IMF.

Figure 10: Data dissemination standards in the World map and Country Categories



Source: IMF Website

Importance of Government Finance Statistics:

- 1. **Policy Formulation and Evaluation:** Governments use GFS to formulate budgets, design economic policies, and assess the impact of fiscal measures on the economy.
- 2. **Transparency and Accountability:** GFS promote transparency by providing clear, standardized data on government finances, enabling citizens and stakeholders to hold governments accountable for their fiscal decisions.
- 3. **Macroeconomic Stability:** Effective management of government finances contributes to stable economic growth, low inflation, and sustainable public debt levels.
- 4. **International Comparisons:** GFS allow for comparisons of fiscal performance across countries, helping identify best practices and areas for improvement in public financial management.

Conclusion

Government finance statistics are indispensable for understanding how public resources are managed and allocated. They provide a framework for assessing fiscal sustainability, promoting transparency, and guiding policy decisions that affect economic well-being. As economies evolve and face new challenges, the role of GFS in informing sound fiscal management becomes increasingly critical. By analyzing and interpreting these statistics effectively, policymakers and stakeholders can foster economic stability and ensure that government finances serve the broader interests of society. In essence, the comprehensiveness and accuracy of government finance statistics are vital to inform the public, markets, and the international community in a timely manner, thereby facilitating early resolution of macroeconomic imbalances and market disequilibria, ensuring responsible governance and sustainable economic development in an increasingly interconnected.



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