

GOVERNMENT AND HOUSEHOLD EXPENDITURE COMPONENTS, INFLATION AND THEIR IMPACT ON ECONOMIC GROWTH IN NAMIBIA

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ABSTRACT

Economic growth is central to job creation and poverty reduction. The desire to advance economic growth depends on various elements including fiscal and monetary tools. In Namibia, while the economy benefits from exports of natural resources mainly diamonds, fish and agricultural products, the role of macro and microeconomic policies remains critical to domestic economic expansion and consumer satisfaction. Household consumption is also imperative to supporting business activities. Inflation affects all sectors of the economy and it should be kept in check so that it does not contract household expenditure. This study is premised on time series annual data for the period 1980 to 2011 with an objective of ascertaining the role that government expenditure, household expenditure and inflation plays in growing the Namibian economy. The paper invokes the use of a multiple regression model for the analysis. The results posit the existence of a positive relationship between economic growth, government expenditure, household expenditure and inflation. However, inflation has a negative relationship with economic growth and has *t*-statistics of -3.258. Thus, economic policies that seek to grow the Namibian economy should consider government and household expenditures as vital components for the national income stream, *ceteris paribus*. With regards to inflation, while that may not be conducive to consumers, its pertinence should not be underestimated.

Keywords: Household Expenditure, Inflation, and Public Expenditure.