

Economy Watch

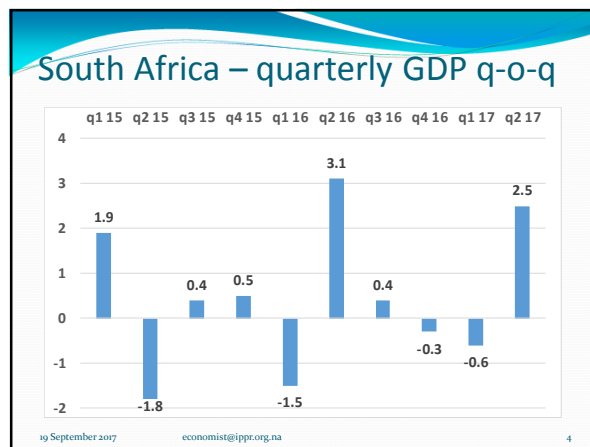
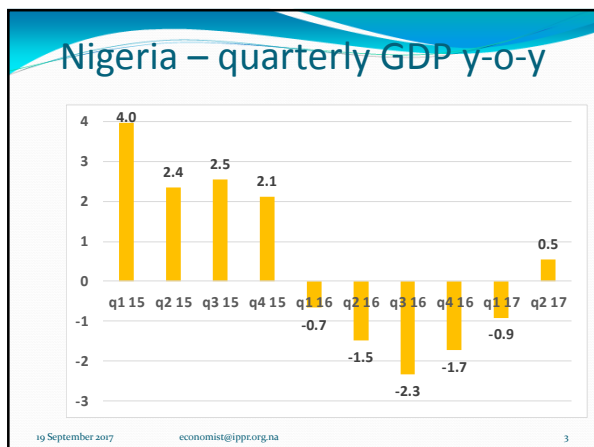
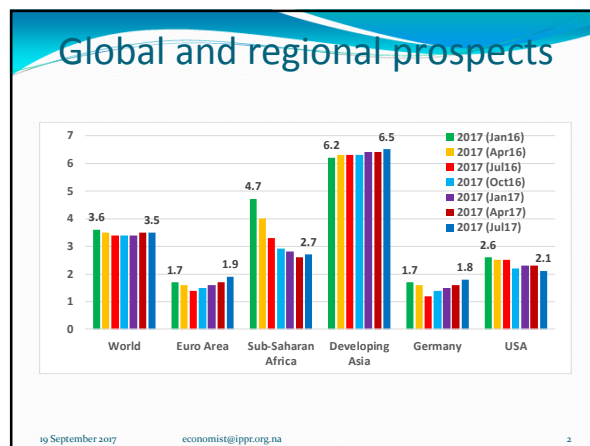
Present trends and prospects

By Klaus Schade

19 September 2017



Institute for Public Policy Research



Global & regional prospects

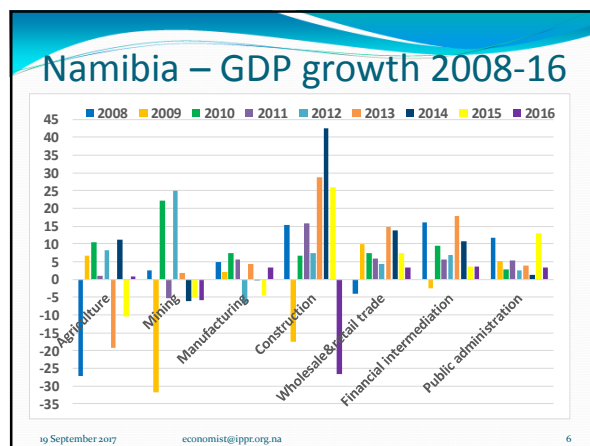
IMF WEO: 2017 – 3.5%, 2018 – 3.6%

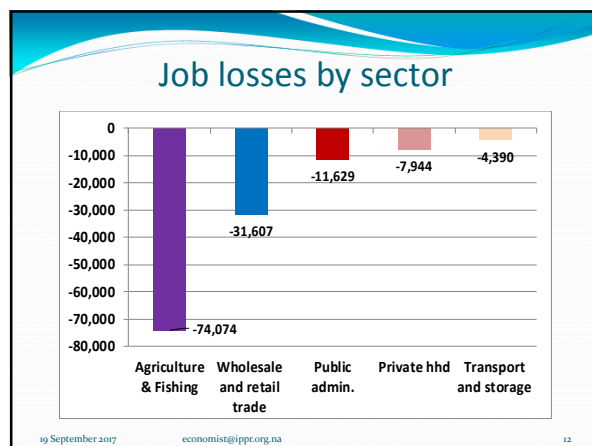
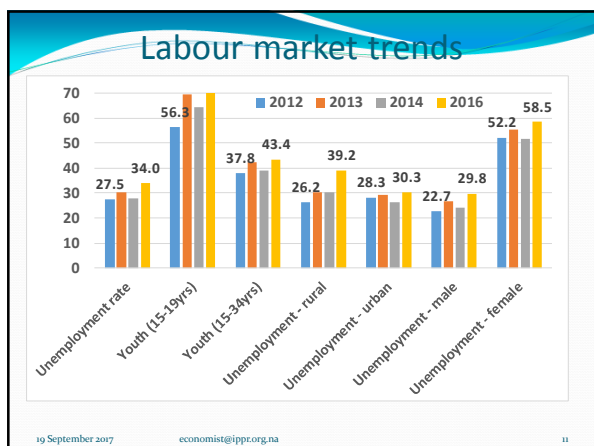
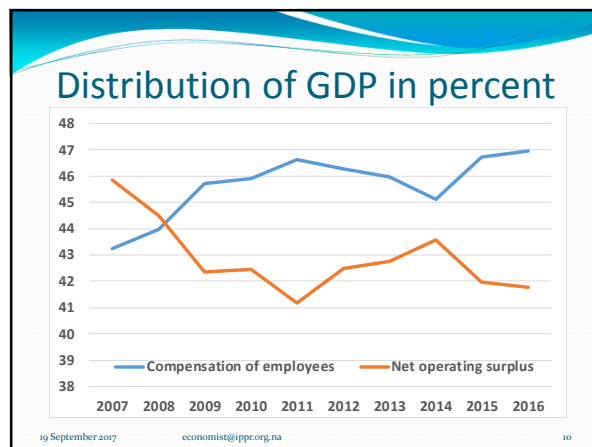
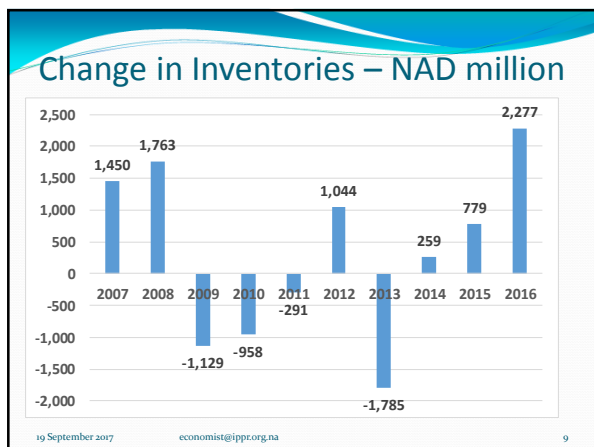
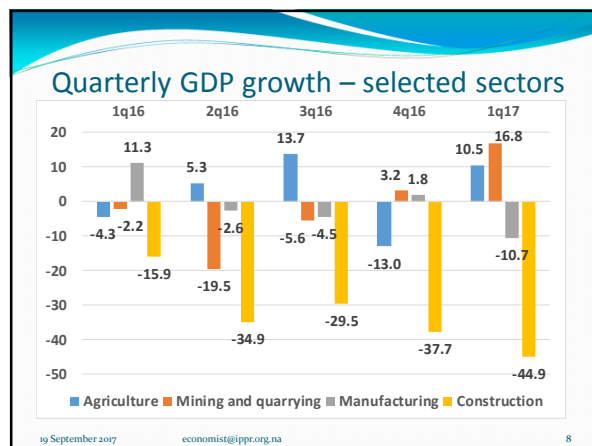
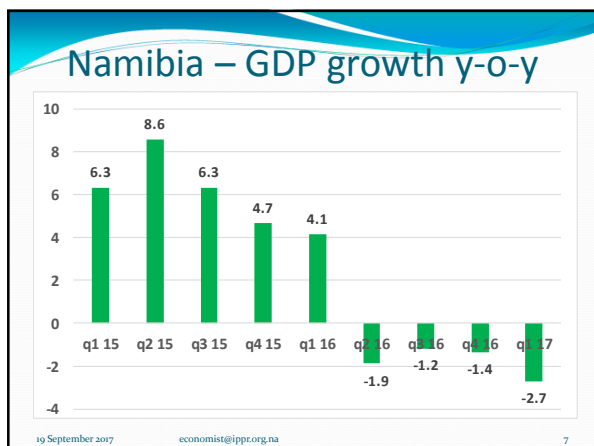
- No strong improvement
- India emerges as driver of economic growth
- Brexit uncertainties remain
- Policy uncertainties in the USA
- Geopolitical tensions

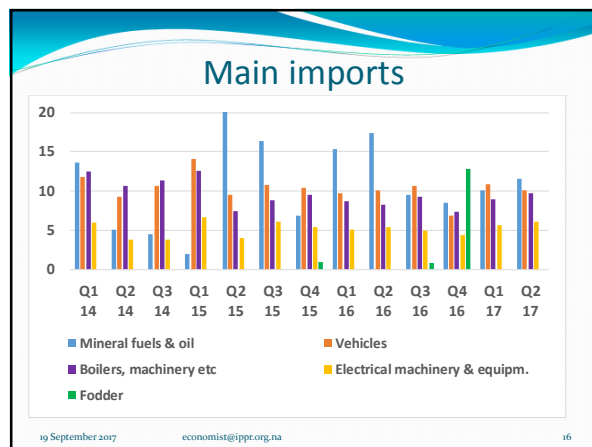
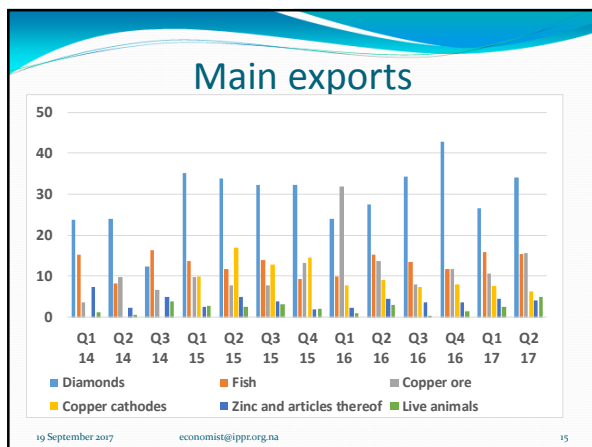
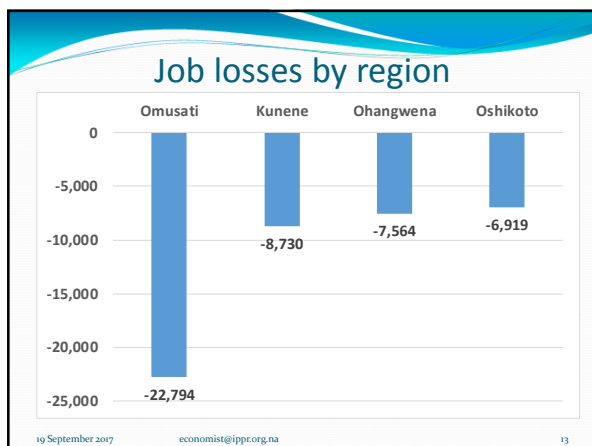
Regional prospects

- Nigeria recorded positive GDP growth in Q2 2017 after five quarters of contraction
- RSA 2017 – 1.0% instead of 0.8%, 2018 – 1.2% instead of 1.6%. RSA moved out of technical recession in Q2 2017. Exports are doing well.
- Political uncertainties in almost all Southern African countries except Botswana & Namibia.
- RSA political vacuum deters much needed impetus for region
- Downgrade to below investment rating in March 2017 - no discernible impact on exchange rate.
- RSA economic performance impacts on SACU CRP and hence transfers to BLNS

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Prospects – primary sector

- Agricultural sector doing well this year (>10%)
 - Forecast: Average to above-average rainfall
 - However, rainfall patterns unpredictable
- Mining – better performance this and next year expected:
 - Diamond mining expected to increase with new commissioned exploration vessel
 - Zinc & Copper prices increased due to demand, but could result in return to production of mothballed mines elsewhere
 - Uranium: limited impact of Husab expected this year, but production increase in 2018. Full production?
 - Husab at full production second largest uranium mine globally. Hence full production will have impact on global prices (remain currently at very low levels) and hence on production at Roessing and Langer Heinrich

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Prospects – secondary sector

- Restocking of livestock could reduce livestock numbers sold to abattoirs. However, record exports of live animals in Q2 2017.
- Beverage production expected to increase due to improved water supply
- Construction-related manufacturing activities will remain under pressure (metal fabrication, cement, etc.)
- Construction: further contraction expected, since budget cuts will be felt this year. Completion of Neckartal dam and WB port extension next year. SADC Gateway port construction stretched over longer period of time
 - Capital investment by SoEs hampered by Government's fiscal stance
- Mineral processing, diamond processing could benefit from increased mineral production
- Import of raw material for value-addition in Namibia: frozen pilchard, milk powder, mineral ores etc.
- Electricity – Refit programme going to add 55MW by end of 2017 to domestic supply

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Prospects – Tertiary sector

- Wholesale and retail trade affected by retrenchments in construction and related industries, but benefited from additional demand from subsistence farmers & families.
- Tourism expected to perform well despite currency appreciation over past 18 months and despite drop in shopping tourists from Angola.
 - Increased insecurity in other regions – Turkey, North Africa, etc.
 - Additional airlines expected to increase number of visitors.
 - More important: Length of stay and daily expenditure.
- Transport affected by declining demand from construction, but benefiting from increased mining output. Transit shipments affected by demand from Angola, restrictions on transportation of certain goods in Zambia, weak performance of RSA economy.
- Professional services linked to construction face head winds

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19

Prospects – Labour market

- Recovery in subsistence agriculture expected owing to good rainfall, except in Kunene north
- Tourism (hotels & restaurants, transport and related services) create more jobs
- In contrast, substantial job losses in construction and related industries
 - Impact on wholesale and retail trade sector

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20

Namibia policy environment

- Ongoing review of NIPA by MITSMED in close consultations with private sector -> positive
- NEEEF – review is addressing areas of most concern to private sector such as ownership pillar
- Draft Rent Bill can impact on the construction of new houses and offices
- Procurement Act could have positive impact on demand for domestically produced goods and services and hence support domestic economic growth
- Private sector could follow with stronger emphasis on local procurement and identification of goods and services that could be produced in Namibia
- Short-term fiscal measures in right direction, but we can't shy away from structural issues such as bloated public service and non-performing SoEs -> need to be addressed to ensure sustainable growth and job creation. Current steps taken regarding SoEs point in the right direction.
- Moody's downgrading: Impact remains to be seen, since Fitch has so far maintained the rating. Experiences show that upgrade will take time.

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21

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22