

# Economy Watch

## July 2013

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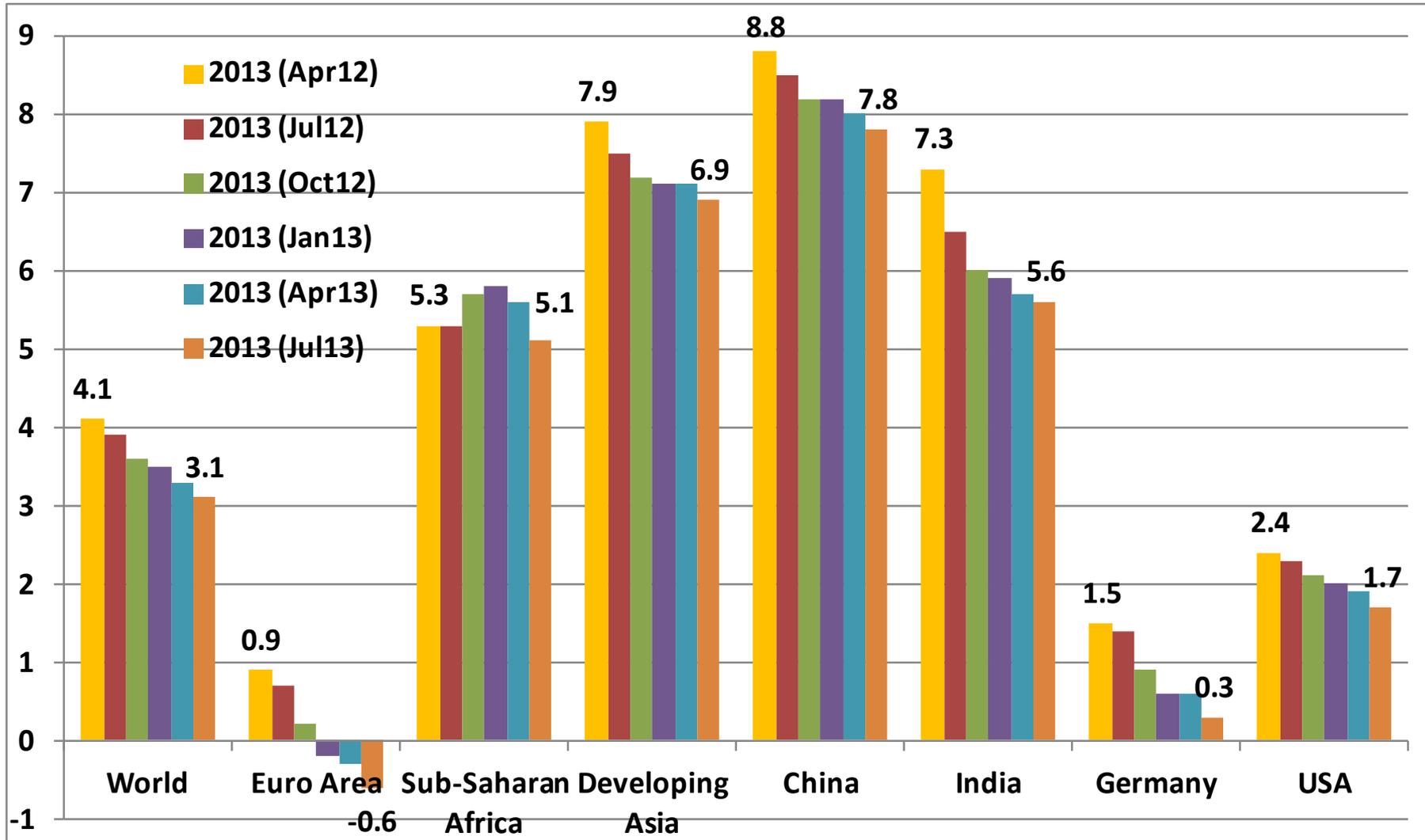
31 July 2013

HSF, EAN & IPPR Business Breakfast

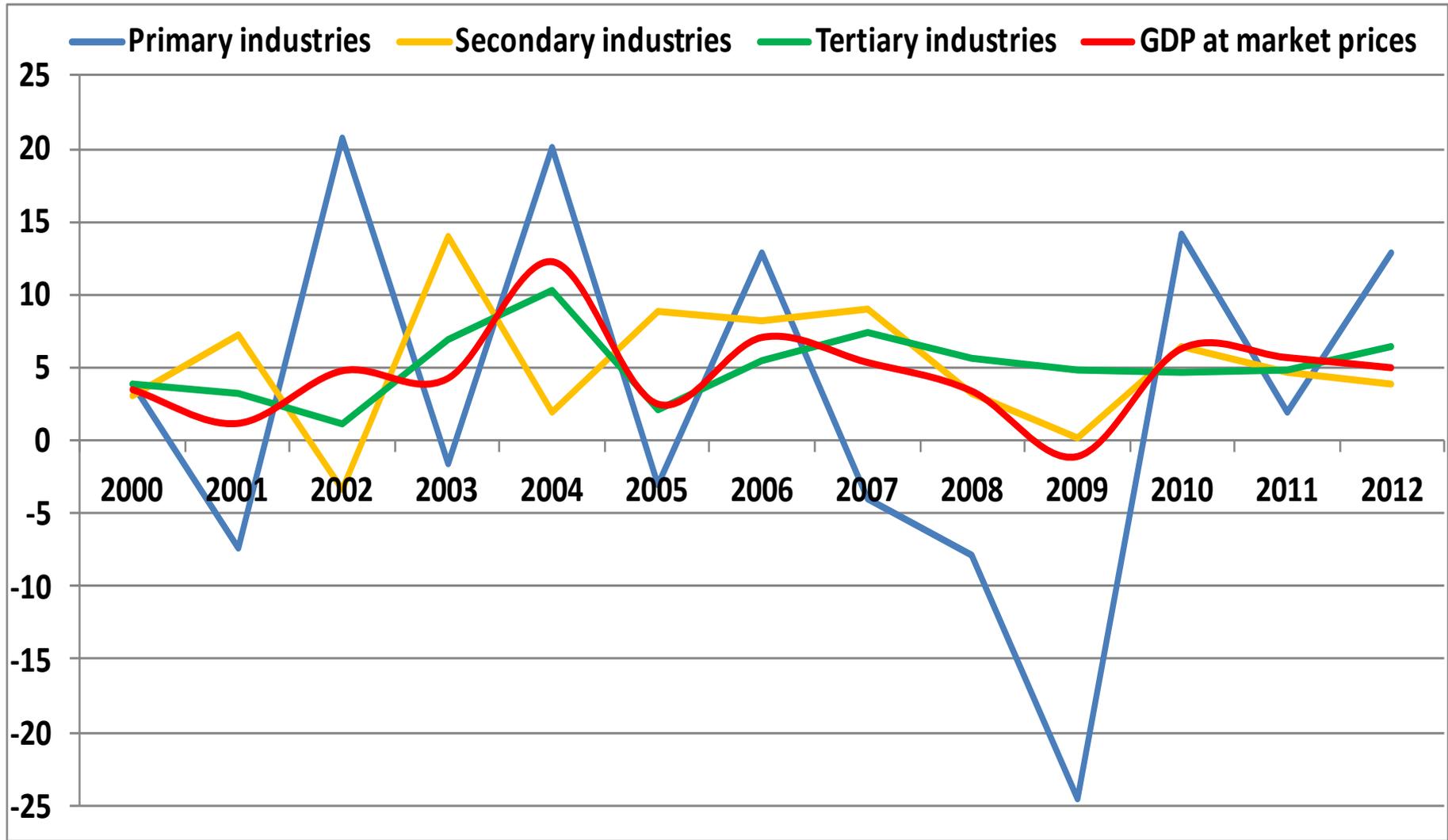


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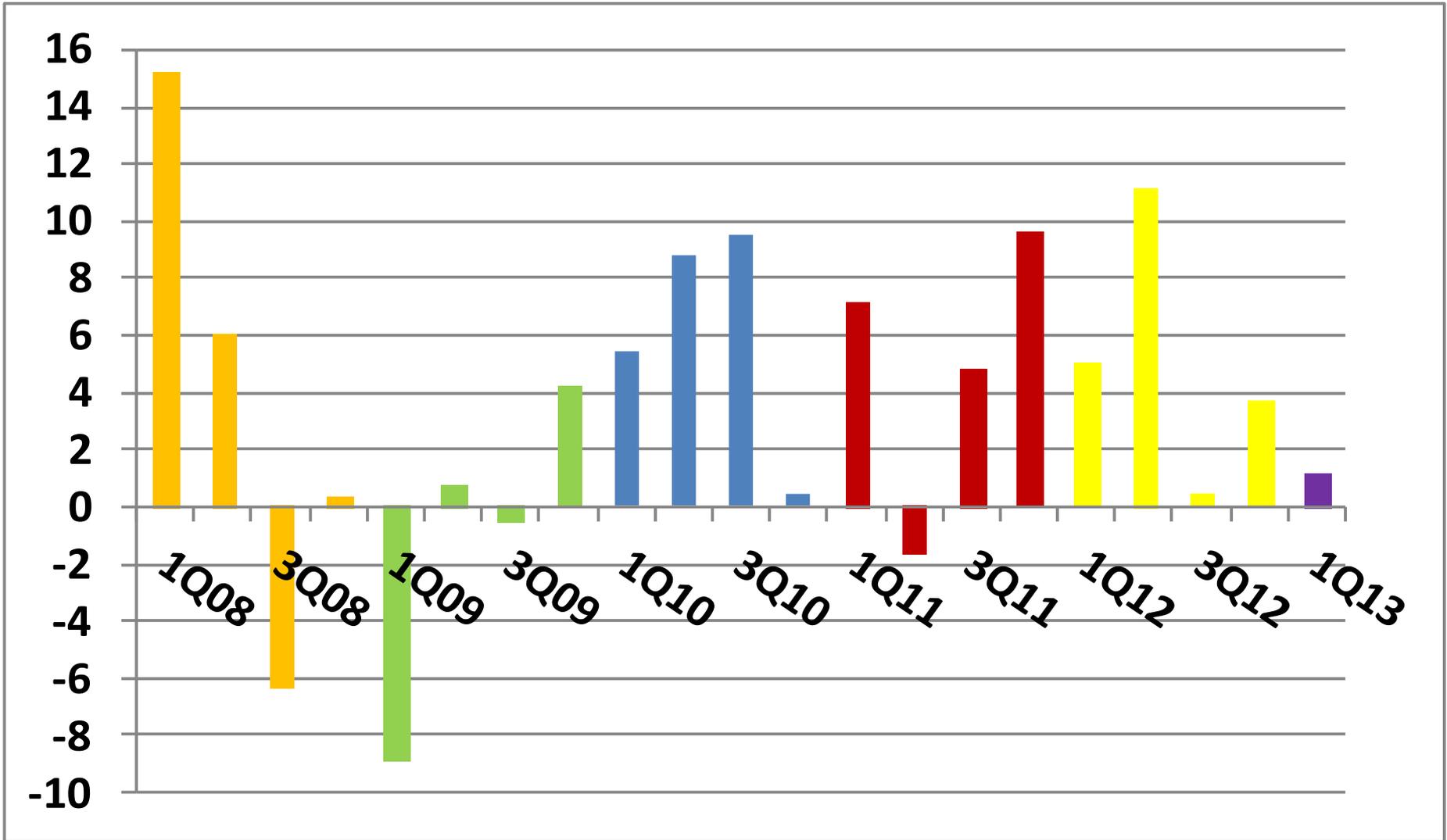
# Global GDP prospects



# Namibia's economic performance



# Quarterly GDP growth



# Global and regional economic performance 2013

- Global economy not yet on recovery path, but some silver linings at the horizon
- Survey indicates that output has increased in the EU in July 2013 that might result in Q3 economic growth
- Investment in property in southern Europe indicative of returning business confidence
- Japan's inflation on the increase indicating that government policies have probably worked and consumers are expected to spend
- Economic growth in USA negatively affected by phasing out of tax breaks and introduction of higher tax rates and spending cuts beginning of 2013 (fiscal cliff)
- RSA economy expected to grow by less than 2 per cent in 2013 amidst industrial actions / wild cat strikes, risks of power outages and investor concerns

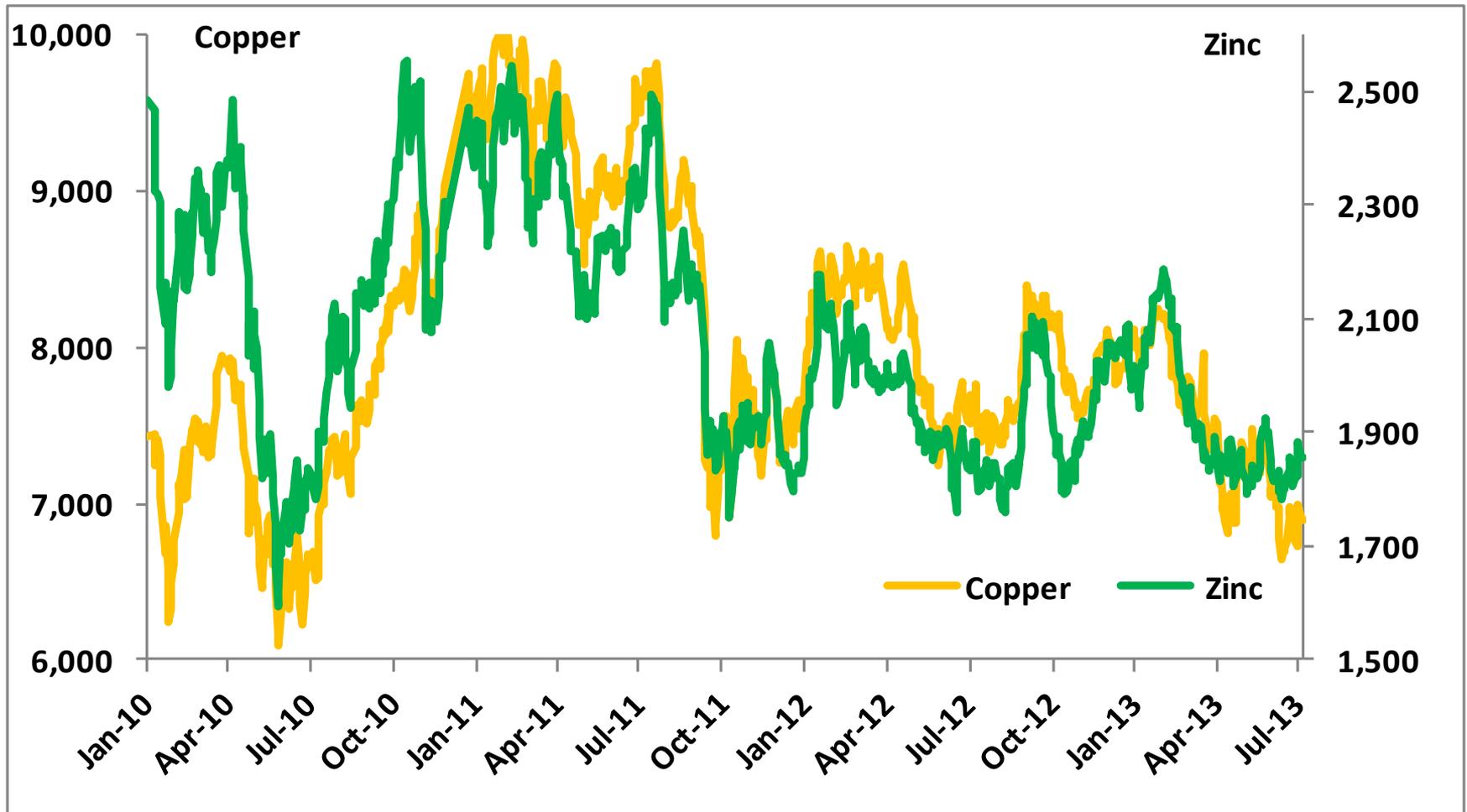
# Domestic economic performance 2012

- Namibian economy grew by 5 per cent in 2012, driven by strong growth in primary sector (12.8 per cent)
  - Livestock farming up by 21.1 per cent
  - Other mining grew by 22 per cent, diamond mining by 9 per cent
- Secondary sector performed rather poorly (3.9 per cent) in particular because of fish processing (-27.2 per cent). Construction up by 12 per cent.
- Tertiary sector expanded by 6.4 per cent due to robust growth in wholesale and retail trade (12.1 per cent), while tourism contracted by 1.2 per cent.

# Domestic economic performance 2013

- Growth in 1Q13 slowed down to 1.2 per cent compared to 3.7 per cent 4Q13 and 5.0 per cent a year earlier.
- Drought resulted in drastic increases in livestock marketing (35 per cent) and consequently meat processing (52.1 per cent).
- Mining showed strong performance (20 per cent), but other manufacturing (including mineral processing and diamond cutting) dropped by 51.4 per cent.
- Strong performance expected from construction sector, owing to public and private sector investment, e.g. TIPEEG, Husab mine, expansion of Walvis Bay harbour, various shopping malls across the country as well as factories and office buildings.
- Poor performance of rain-fed crop production (maize and millet in NCA about 50 per cent) and livestock marketing expected.
- Despite commissioning new diamond mining vessel no significant growth in diamond mining expected, neither for other minerals.
- Expansion of ship repair activities at Walvis Bay

# Commodity price trends – copper and zinc



# Copper and zinc price trends

- Talk of end of commodity super cycle that prevailed over past decade owing to strong demand from China.
- Growth of China's industrial output has dropped from 20 per cent to below 10 per cent and combined with more resource-efficient technologies resulted in declining demand for minerals.
- Copper and zinc prices about 12 and 10 per cent lower than beginning of 2013

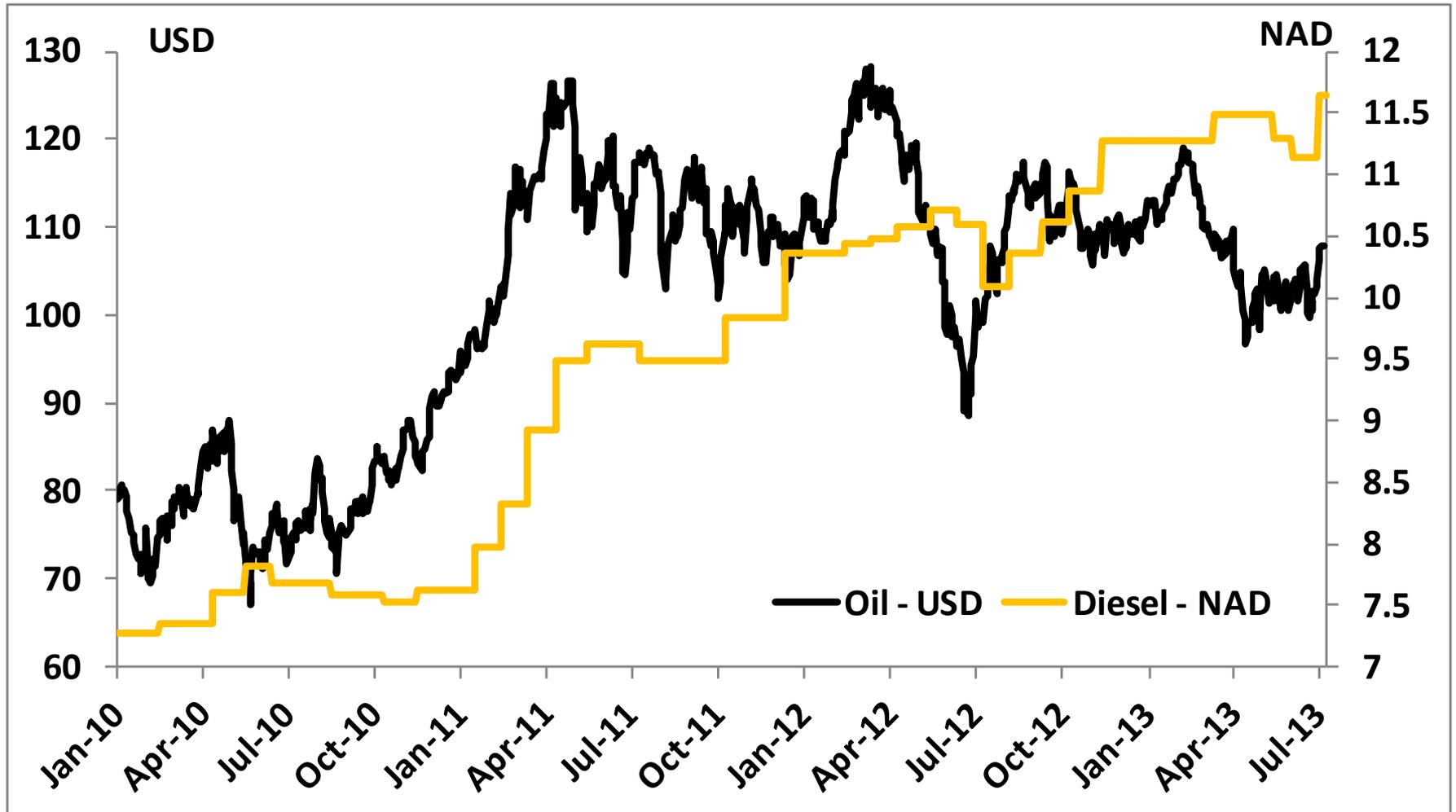
# Commodity price trends - uranium



# Uranium price trends

- Uranium price dropped to levels last seen in January 2006 – USD36.50 per pound
- Uranium lost a quarter of its value compared to a year ago and some 16 per cent since beginning of the year.
- Impact on the development of new uranium deposits, except for Husab mine.
- China has reportedly uranium stock for two years.

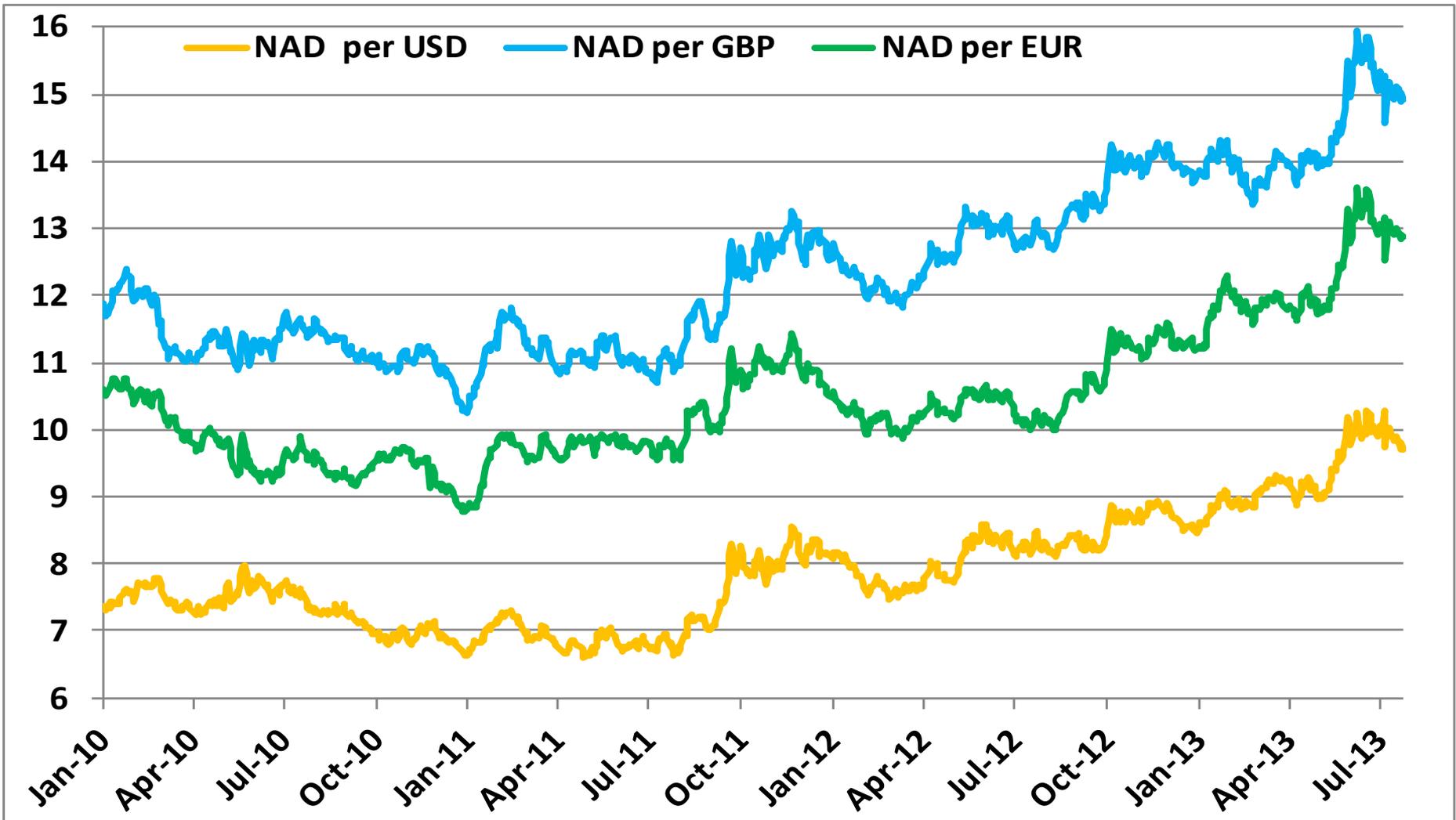
# Commodity price trends - oil



# Oil price trends

- Europe Brent oil is trading some 3 per cent lower than beginning of the year in line with weaker global economic perspectives
- Geopolitical factors could exert upward pressure (Egypt, Syria)
- Depreciation of NAD versus USD led to petrol and diesel prices increasing by 7 and 3 per cent compared to Jan 2013 or 20 and 15 per cent to July 2012.
- Could result in inflationary pressure

# Exchange rate trends

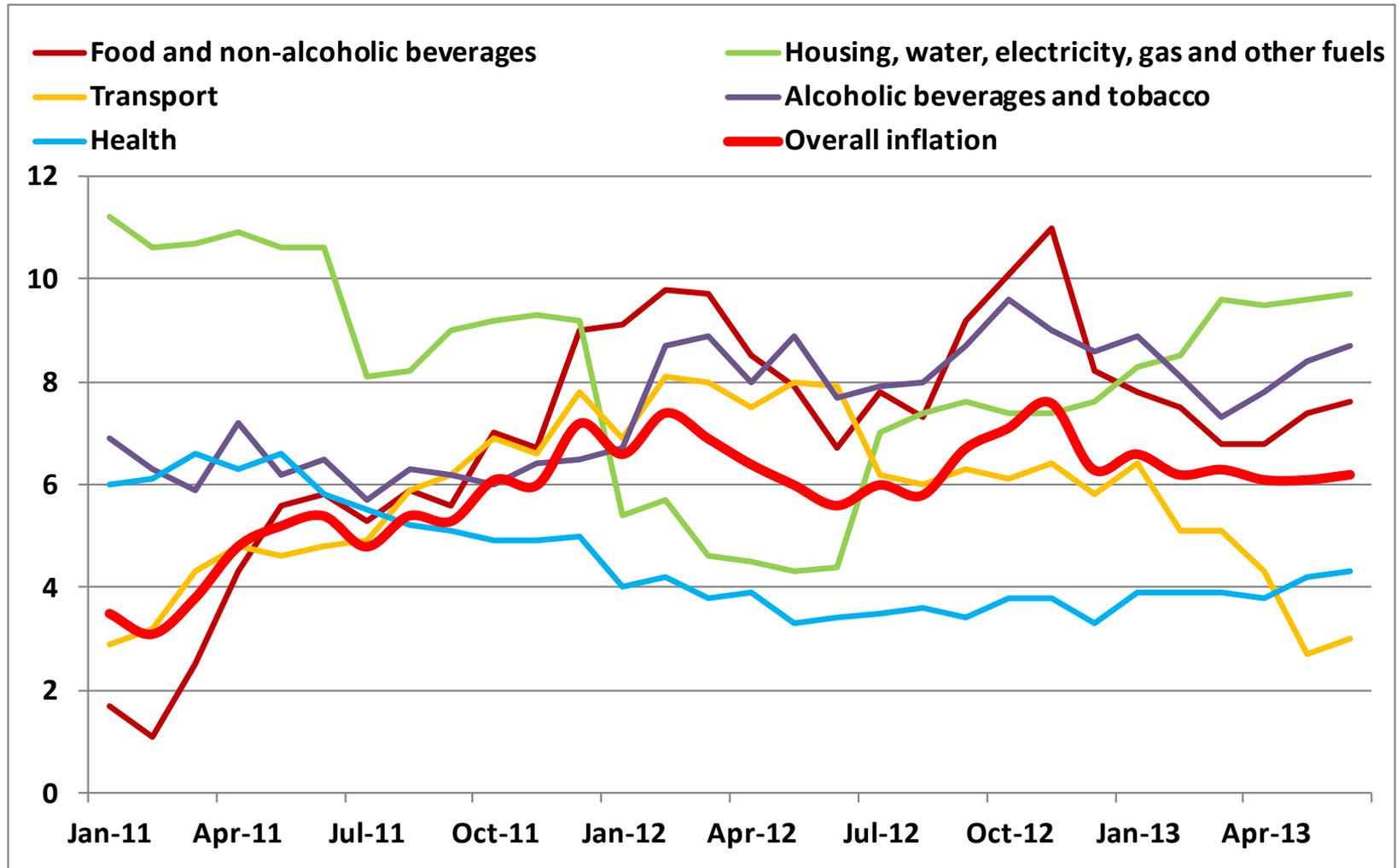


# Exchange rate trends

- Namibia dollar lost more than a quarter of the value against the Euro (despite the Euro zone challenges) and some 17 and 15 per cent against the USD and GBP over the past year.
- Depreciation can be attributed to industrial action in South Africa and resulting drop in mining output, loss of investor confidence, weak overall economic performance and a widening trade deficit.

⇒ Depreciation increases competitiveness of exports

# Inflation – selected categories



# Inflation – some highlights

## Main drivers of inflation in 2013

- Price increases for food and non-alcoholic beverages (weight of 29.63 per cent) – increased to 7.6 per cent
- Housing, water, electricity (weight 20,59 per cent) – approaches 10 per cent
- Alcoholic beverages (weight 3.26 per cent) – moves towards 9 per cent.

## Below average

- Transport (weight 14.79 per cent) – 3 per cent (slightly up from 2.7 per cent in May)
- Clothing and footwear (weight 5.13 per cent) – 1.7 per cent

Namibia and Botswana experienced strongest price increase in May 2013 (6.1 per cent) within SACU.

➤ Interest rates expected to remain unchanged for the rest of the year

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