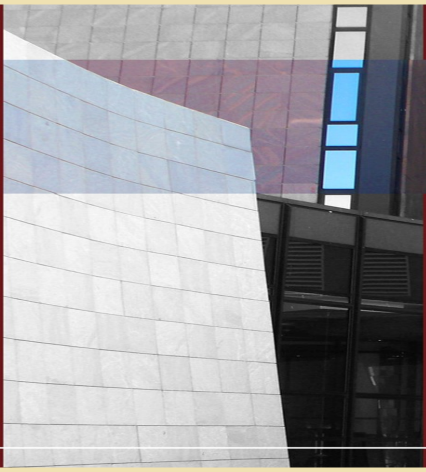
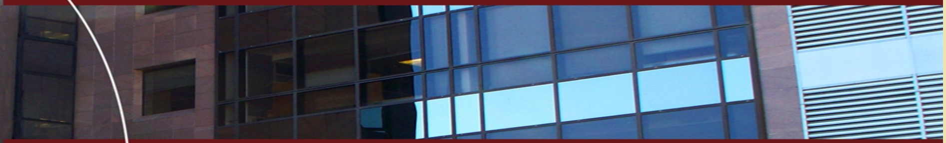



ECONOMIC OUTLOOK

FEBRUARY 2009

Produced by the Research Department of the Bank of Namibia

- At the Forefront of Economic Intelligence -

HIGHLIGHTS

GLOBAL

- Global economy to slow down to 0.5 percent in 2009.
- Downside risk remains the possibility that the financial crisis could become more deep and prolonged due to economic contagion.
- Inflation has been falling in the recent months.

REGIONAL

- Emerging economies are holding up better than the advanced economies.
- Risks to the emerging economies are on the downside, including the exposure to global trade, tighter external financing conditions and adverse terms of trade shocks.

NATIONAL

- The Namibian economy is forecasted to slow to 1.0 percent during 2009 from an estimated growth of 2.7 percent in 2008.
- The decline in diamond mining production is mainly responsible for the slowdown in the economic growth.
- Risks to the outlook remain on the downside.

SOURCES

IMF World Economic Outlook (WEO) January 2009 Update

Central Bureau of Statistics

Ministry of Mines and Energy (MME)

Ministry of Fisheries and Marine Resources

Namibia Chamber of Mines

Individual companies, umbrella bodies and institutions

For enquiries contact: Tjiveze.Tjipe@bon.com.na

THE GLOBAL ECONOMY

Global economic output decelerated from the 5.2 percent recorded in 2007 to 3.4 percent in 2008 . This output is expected to decelerate further to 0.5 percent in 2009. The subprime mortgage turmoil in the US has developed into a global economic and financial crisis and has started to shift the global economy into a recession. Persistent monetary policy action in the US and enormous liquidity injections by the central banks of the major developed countries were unable to avoid this crisis. Quite a lot of major financial institutions in the US and Europe have failed, and stock market and commodity prices have collapsed and become highly volatile. Interbank lending in most developed countries has come to a virtual standstill; and retail businesses and industrial firms are finding it increasingly difficult to attain credit as banks have become hesitant to lend.

"The world economy is caught up by the most severe financial crisis. "

In the **United States (US),** the economy is expected to contract by1.6 percent in 2009, a decline from 1.1 percent recorded in 2008 and lower than the 2.0 percent growth experienced in 2007. The economy slowed rapidly in early 2008 as falling house prices and tightening credit availability took a toll on consumption and consumer confidence, even as residential investment continued to drop, with inevitable knock-on effects on business investments. The negative wealth effects on household consumption from falling house prices and financial wealth may be greater than assumed. Thus far, the crisis has resulted in a dramatic slowdown of the economic activity, rising unemployment and falling in US stock prices.

"Output is forecasted to contract during 2009, the first such fall for advanced economies post-World War II."

In the **Euro Area,** the growth for 2009 is projected to decline by 2.0 percent, a deceleration from the 1.0 percent and 2.6 percent growth observed in 2008 and 2007 respectively. The outlook remains bleak with several of the EU economies in or close to a recession. Investment faces an abrupt slowdown, reflecting the impact of multiple shocks; a weakening demand and a marked drop in investor confidence, tighter financing conditions and a decline in credit availability. Downside risks remain the financial stress, which could still intensify and last longer and thus have a more pronounced effect on the real economy.

In **Japan,** growth is projected to contract by 2.6 percent in 2009, down from a decline of 0.3 percent and 2.4 percent in 2008 and 2007, respectively. Current and expected growth have thus slowed, with deteriorating business and consumer confidence. Growth in net exports is expected to decline due to weakened demand especially from the US. There is even a risk that deflation may return.

Table 1: World Real GDP Growth

REGION	2006	2007	2008	2009(P)	2010(P)
World	**5.1**	**5.2**	**3.4**	**0.5**	**3.0**
United States	2.8	2.0	1.1	-1.6	1.6
Euro Area	**2.8**	**2.6**	**1.0**	**-2.0**	**0.2**
Japan	2.4	2.4	-0.3	-2.6	0.6
Developing Asia	**9.8**	**10.7**	**7.8**	**5.5**	**6.9**
China	11.6	13.0	9.0	6.7	8.0
Developing Countries	**7.9**	**8.3**	**6.3**	**3.3**	**5.0**
Africa	**6.1**	**6.2**	**5.2**	**3.4**	**4.9**
Sub-Sahara	**6.6**	**6.9**	**5.4**	**3.5**	**5.0**
Angola*	18.6	21.1	16.0	12.8	n/a
Botswana*	3.4	5.4	5.0	4.3	n/a
Mozambique*	8.0	7.0	7.0	7.0	n/a
Namibia	7.1	4.1	2.7	1.0	3.2
South Africa**	5.4	5.1	3.1	1.2	n/a

Sources: IMF WEO January 2009 Update, *IMF WEO October 2008; **SA National Treasury; National Accounts, Bank of Namibia, (P) indicates projected figures.

In **Developing Asia** growth is expected to decelerate, but remain robust at 5.5 percent in 2009, compared to 7.8 percent and 10.6 percent in 2008 and 2007, respectively. Growth prospects remain dependent on how resilient the region's financial systems and economies are, relative to the ongoing financial market turbulence and the associated slowdown in advanced economies. The risks to the forecasts are on the downside, including the tighter external financing and disruptive spillovers to domestic markets, which could lead to a sharp credit squeeze and a slower growth.

Growth in **China** is projected to moderate to 6.7 percent in 2009 from the robust growth rates of 9.0 percent and 13.0 percent recorded in 2008 and 2007 respectively. Weaker global demand has hit the export industries the hardest resulting in major job losses. China is heavily dependent on external demand and investment for economic growth. It is expected that the stimulus plan to shield global downturn will boost domestic demand and help sustain the growth and employment.

Russia is projected to decline by 0.7 percent in 2009, a decline from the 6.2 percent rate of 2008. The growth forecasts takes into account the rapidly decelerating global economy, falling oil prices and tightening credit conditions in the domestic banking sector. The country is still highly dependent on oil and gas revenues. The main challenge for Russia is to diversify the economy. Oil prices have drastically fallen from their highs as the economic downturn affects global consumption. As with most emerging economies, inflation also poses a downside risk to growth.

"Commodity prices are depressed by weakening global demand."

"Falling food and oil prices ease the burden on the households in advanced economies but lower growth prospects in many other emerging economies."

India's economy is expected to decelerate to 5.1 percent in 2009, compared to 7.3 percent and 9.3 percent in 2008 and 2007, respectively. It is expected that the global turmoil will exert more pressure on the economy. Downside risks include decreased trade, a sharp outflow of capital and a fall in share and asset prices due to the global crisis. Growth in **Brazil** is expected to grow by 1.8 percent in 2009, compared to 5.8 percent estimated in 2008, amid strong employment and sustained declines in real interest rates. Domestic demand has been the main driver of growth in the region.

The global outlook for 2009 is gloomier than 2008 projections; this is more pronounced among the major developed economies, most notably; the US, the Euro area, Japan and the United Kingdom. These economies happen to be among the major trading partners of Namibia, and this could mean a slowdown in the demand for Namibian exports. The outlook is more positive for 2010 but heavily dependent on the width and breadth of the economic crisis.

SUB-SAHARAN AFRICA

Economic growth in **Sub-Saharan Africa (SSA)** during 2009 is projected to slow modestly from the pace recorded in 2008 (5.4 percent) to 3.5 percent. The fall is mainly due to the global food and fuel price shocks, which have weighed particularly on the growth of oil-importing countries; and to the global financial market turmoil, which has slowed global growth and demand for Africa's exports. Slow growth in developed economies implies a moderation of foreign exchange inflows. There are significant risks to the outlook resulting from a potentially deeper and longer period of global financial turmoil, resulting in a slowdown in global activity, and substantial uncertainty concerning commodity prices.

"The changes in the inflation cycle and the anticipated interest rates cuts next year will ensure that South Africa weathers the storm."

In **South Africa,** output is estimated at 1.2 percent for 2009, compared to 3.1 percent and 5.1 percent recorded in 2008 and 2007 respectively. This is attributed to softer domestic demand, the dramatic deterioration in global growth prospects, combined with the plunge in the prices of key exports. Sharp declines in manufacturing, retail and mining led to the sharp slowdown in the South African growth. On the positive side, agricultural output and the construction sector performed relatively well. The construction sector has been boosted by spending related to the 2010 FIFA World Cup. Although the economy is expected to weather the storm, the balance of risks are tilted to the downside. Decreasing export demand, financial volatility, exchange rate fluctuations and uncertain economic conditions in the future would have an effect on the South African economy.

NAMIBIA

Forecasting Assumptions

The industries' projections for the period 2008 – 2010 are based on the following assumptions:

Primary industry

- The mining sector is set to experience a slowdown in the short-term due to the decline of commodity prices and the credit-crunch, which has adversely affected liquidity and, by extension, financing for capital activities such as exploration.
- The short-term outlook for uranium mining remains favourable, despite mines concerns over water availability and the moratorium imposed on the sub-sector, as demand and prices remain buoyant.
- Worldwide decline in fishing stocks, the depreciating Rand, Namibia's sustainable management of the resource and a decline in costs, most notably fuel, will lead to favourable prices in the fishing sector.
- Livestock farming to grow in the medium term as restocking bears fruit.

Secondary industry

- Growth in manufacturing is assumed to be broad-based from all the sub-sector.
- The fishing sector is set to expand as value-addition, especially to Tuna processing, is encouraged by the government.
- The construction sector is assumed to grow positively on the back of private and public sector activities, particularly those relating to road construction and tourism-related infrastructure expansions.
- Electricity production capacity as well as transmission is expected to grow on the backdrop of the ongoing power generation and transmission link facilities starting from next year onward.
- The possible Namwater and Trekkopje desalination plants are expected to ensure water supply, especially to the uranium mines in the area.
- It is expected that the demand will increase significantly during 2010 on account of the World Cup, particularly in the manufacturing sector.

Tertiary industry

- The performance trend of the past five years is expected to continue, albeit at a decelerating rate, in the short term but growth is expected to accelerate in the medium term due to an easing price environment.
- The hosting of the African Cup of Nations and World Cup during 2010 is expected to have a positive impact on the wholesale and retail trade and transport and communication sectors.
- Producer of government services assumed to grow with population and labour force.

THE NAMIBIAN ECONOMY

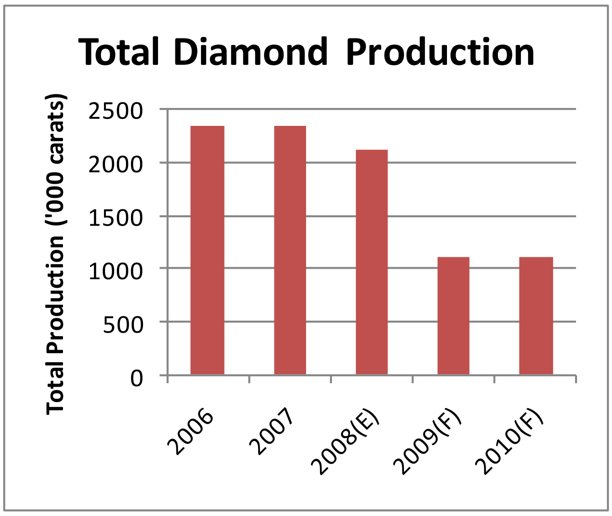
The Namibian economy is projected to grow by 1.0 percent during 2009, a slowdown from the estimated growth of 2.7 percent in 2008. The expected decline and slower growth in the diamond and other mining is partly responsible for the economic slowdown.

"Economic growth to slow down in 2009 owing to the decline in the diamond output"

MINING

DIAMOND MINING

Chart 1: Total Diamond Production



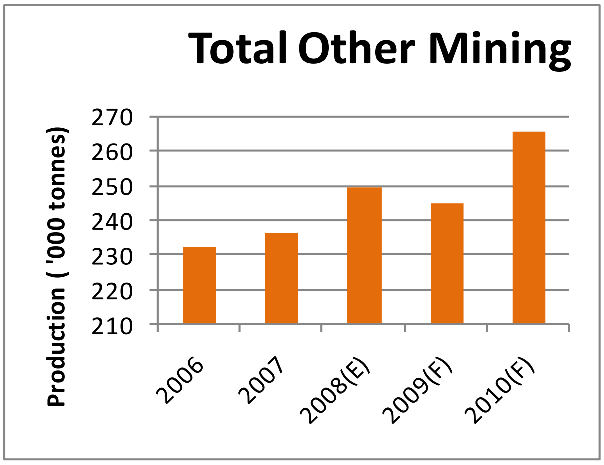
Sources: MME, individual companies

Diamond mining production is expected to decline by 9.9 percent and 47.9 percent in 2008 and 2009, respectively. No growth is expected in 2010. No great expansion projects are expected to be undertaken in the short term due to the difficulty in raising capital in the current economic environment and the general worldwide slowdown in consumer demand, especially in America, the biggest buyer of diamonds. Diminishing on-shore diamonds are also a contributing factor to the number of carats produced by the sector. Total diamond production is expected to stabilize at just above 1.1 million carats per year (Chart 1).

"No great expansion projects are expected...due to the high cost of raising capital."

OTHER MINING

Chart 2: Total Other Mining



Sources: MME, individual companies

Other mining is estimated to grow by 31.0 percent in 2008, compared to 13.7 percent in 2007 (chart 2). This good performance is mainly attributed to uranium production.

" The global decline in the demand for commodities has had and adverse effect on the export-based mining sector...with the result being the closure of the copper mine."

Although some commodities such as gold and uranium have not seen sharp declines in their prices, others such as copper have been hit hard, with the result being the closure of copper mines.

The medium term outlook for copper, thus, greatly depends on the price of the commodity. With new uranium ventures it must be cautioned that the issue of water availability remains a downside risk in the short-term.

"The medium term outlook for copper thus greatly depends on the price of the commodity."

Nonetheless, by using the number of mining licenses awarded by the Ministry of Mines and Energy (see Appendix) as an indication, it is clear to see that the *other mining* sub-sector remains vibrant and poised to grow in the medium term, though while the *means* (financing) may not be guaranteed, the *will* is certainly there.

AGRICULTURE AND FORESTRY

Though it's a lesser growth than the 1.8 percent experienced in 2007, in 2008 ***Livestock farming*** is expected to perform positively and to grow at 1.0 percent and then further increase to 4.0 percent in 2009. In 2008 total cattle marketed for export declined drastically, mainly due to a decline in weaners exported. This means that producers prefer to raise their cattle to term as they are receiving relatively better prices at Namibian abattoirs than what weaners are fetching in South Africa. Coupled with good rainfalls and bridge-capital schemes offered by local banks, cattle farming has become more competitive and is foreseen to slightly increase in the next two years and remain stable over the medium term.

"The performance of the Rand and the future price of yellow maize directly influence profitability."

Downside risks remain bush encroachment, world commodity prices, which affect input costs such as yellow maize, and the possible effects of the exchange rate movements. The exchange rate and the future price of yellow maize directly influence profitability in the sense that the stronger the Namibia dollar, the less profitable it becomes to sell to the European markets; and the more expensive the cost of maize, the less producers are offered for their weaners by South African feedlots.

Small stock marketed is also foreseen to grow in monetary terms. This is mainly due to the general upward trend of the increase in the price of small stock (sheep and goats), a trend that is expected to continue in the short to medium term. Additionally, the possibility of exporting bone in lamb to European markets has the potential to increase the economic returns on lamb exports.

Crop farming and forestry production in 2008 is estimated to decline by 3.0 percent. The decline is attributed to the effect of the floods earlier in the year which devastated subsistence crops.

Short to medium term projections are only indicative, as there are always innumerable factors, which are impossible to foresee. Coupled with the unpredictability of the weather, it suffices to say that forecasting growth in crop and forestry remains a perilous exercise. Nevertheless, with increased investment into the sub-sector through the Green Scheme and Millennium Challenge Account projects, early indications show that growth rates of 3.7 percent and 3.0 percent are expected for 2009 and 2010 respectively.

Horticulture contributes very little to the Crop Farming component of the Agriculture sector (it is estimated to contribute less than 2 percent) but that does not discount its ever-increasing significance to the economy. The production of dates and grapes has been ongoing for several years and Namibia is fortunate to have some natural advantages such as an early harvesting season. With the support this fledgling sub-sector is receiving via the Green Scheme and the niche it occupies, it is forecasted to grow steadily in the medium term.

"Namibia is fortunate to have some natural advantages such as an early harvesting cycle."

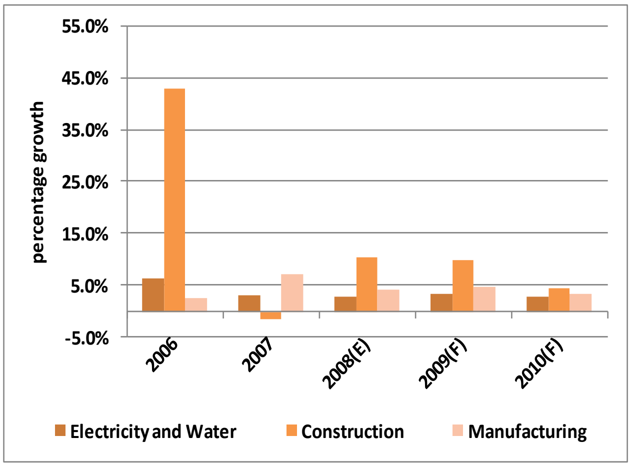
Fishing and Fish Processing on Board

The outlook for the fishing sector is positive. The fishing industry is estimated to decline by 2.0 percent in 2008, an improvement of the decline of 17.5 percent, which was experienced in 2007. While the number of rights holders is not expected to change, nor the TAC allocation for 2009, the weakened Namibia Dollar has made fish exports competitive. Additionally, global stocks of fish are declining and this has led to the emergence of aqua- and mariculture, especially in East Asia. Thus, although the sector itself is expected to remain static in terms of the number of players, in the short-to-medium term it is expected to grow in terms of value.

SECONDARY INDUSTRY

The secondary industry is estimated to grow by 5.2 during 2008. It is further expected to expand by 5.7 percent and 3.6 percent in 2009 and 2010, respectively (chart 3). The industry suffered a major drawback with the closure of the Ramatex textile company.

Chart 3: Performance of the Secondary Industry

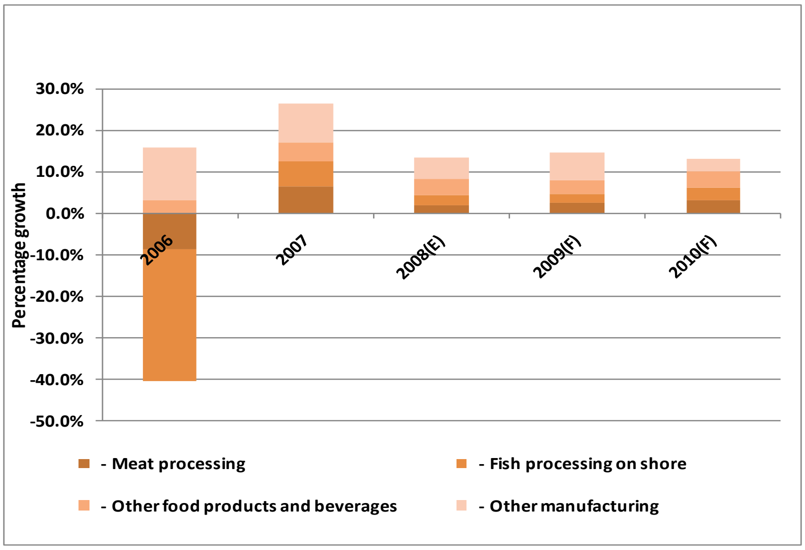


Sources: National Accounts, CBS 2007, BoN Projections

MANUFACTURING

The **manufacturing** sector is estimated to grow at 4.3 percent in 2008 and projected at 4.9 percent during 2009, it is then expected to slowdown to 3.4 percent in 2010, (chart 4). The growth in the sector is more broad-based. During 2007 the sector recorded 7.2 percent growth rate, mainly from other manufacturing and meat processing sub-sectors.

Chart 4: Performance of the Manufacturing Industry



Source: National Accounts, CBS 2007, BoN Projections

The ***Meat processing*** sub-sector is projected to grow at 2.0 percent and 2.5 percent during 2008 and 2009 respectively; it is then expected to increase to 3.0 percent in 2010. This sub-sector to a large extent depends on the climate and prices, among other things, in determining the number of animals to be slaughtered. Accordingly, farmers are expected to restock until 2010. It is expected that during 2010, due to high demand and good prices, the sub-sector will expand significantly.

" Growth in the manufacturing sector will be more broad-based."

There is room for expansion into the SADC market, which holds good potential for growth

The ***Fish processing*** sub-sector is estimated to grow at 2.4 percent in 2008 and expected to slow to 2.0 percent during 2009. It is then expected to increase to 3.2 percent in 2010. The growth in the sub-sector is attributed to the expected increase stock level and fish sizes. Moreover, there is an increased scope for processing most notably, tuna processing. This is despite the fishing quotas (Total Allowable Catches) which are expected to remain unchanged for the 2009/10– 2010/11 fishing season. The sector is also expected to benefit from the decreasing fuel prices and the favourable exchange rate.

The ***Other food and beverages*** sub-sector's prospects are promising. The sub-sector is estimated to have grown by 4.0 percent during 2008 and expected to grow by 3.5 percent in 2009 and 4.0 percent in 2010. The export markets are expected to expand, especially in the SADC region where there is potential for growth. The expansion is attributed to the increased and deepened investment in the storage and distribution supply to consumer network through marketing strategies in the beverages category.

There is room for expansion into the SADC market, which holds good potential for growth

The spillovers from the Football World Cup in 2010 are expected to have positive impact in the overall performance of the industry. Despite these prospects, the downside risks remain the high costs of raw materials, the volatility in the exchange rate and increased competition due to new beverage products entering the market.

Namibia exports to the European markets mainly beef and fish, however the future of these markets is currently uncertain. At the time of compiling this report, the negotiations on the Economic Partnership Agreement with the EU were still ongoing.

The ***Other manufacturing*** sub-sector is projected to grow by 5.0 percent and 6.5 percent during 2008 and 2009, respectively and 3.0 percent in 2010. This growth will be driven by increased copper smelting capacity as diamond and zinc processing declines due to lack of demand for the mineral. It is expected that the smelting of copper will increase in 2009 from its current rate to 35 000 tonnes of copper blister due to the 'Ausmelt' furnace, which is fully operational. The smelting capacity is expected to increase further by 60 percent from 2009, attributed to the increased copper concentrate imports and the commissioning of the oxygen plant.

"Other manufacturing to be driven by expected increased smelting capacity of copper."

ELECTRICITY AND WATER

The growth in the ***Electricity and water*** sector is expected to expand at 3.0 percent and 3.5 percent in 2008 and 2009, respectively and at 3.0 percent in 2010.

Namibia relies on the South African power utility, Eskom, for power imports. This is a challenge, given that Eskom has been struggling to meet both regional and domestic demands of late. In addition to Eskom, there are other supply sources, which tally to a combined power generation capacity of 433 mega watts (MW), compared to a maximum demand of 449 MW. These are Ruacana (hydro), Van Eck (coal), Paratus (diesel) and Hwange imports (coal).

Namibia receives 150 MW from Hwange Power Station in Zimbabwe under a five year agreement with Nampower. The first phase of the emergency power generation with a generation capacity of 50MW is anticipated by 2009. It is envisaged that by 2011 the Ruacana 4th turbine, phase1of the Walvis Bay slop and the Orange River mini hydro will be secured; all three have a total power generating capacity ranging at 401-501MW. There are also energy generation projects on the pipeline; these includes the Baynes hydro power station.

The downside risk to the sector is the seasonality nature of the Ruacana hydro power station, such that if there is no good rainfall then there will be low water levels, thus low power generation at the plant. The volatility in the prices of fuel, that is, coal and diesel, poses a risk to the cost effectiveness of the power stations.

On the water sub-sector, it is expected to have a good performance by 2010 due to the construction of possible Namwater and Trekkopje desalination plants that will supply water to the uranium mines in the Swakopmund area. In overall the closure of the copper mines as well as the slow economic activities are expected to weaken the demand for water and power, thus a revenue reduction in the utility companies.

"It is envisaged that by 2011 the Ruacana 4th turbine, phase I of the Walvis Bay slop and the Orange River mini hydro will be secured."

"Downside risks to the water and electricity remains the volatility in coal and oil prices and climatic conditions."

CONSTRUCTION

The ***construction*** sector is projected to grow by 10.5 percent and 10.0 percent in 2008 and 2009 respectively. The growth is attributed mainly to the construction activities in the mining and quarrying. In addition, there are substantial activities planned in most sectors across the economic spectrum.

Beginning 2009, planned construction activities among others include the formation of the Ohorongo cement manufacturing factory; the Namwater and Trekkopje desalination plants; ongoing Nampower Caprivi link interconnector; the construction of two major hotels and office buildings in Windhoek; major road network construction projects and Namport's plans to expand the Walvis Bay harbour; the construction of the Luderitz Waterfront, the "super dairy" farm near Mariental and the City of Windhoek's plans for the roads rerouting and new office blocks. The government has also planned to extend the northern rail link for one kilometer to allow goods to be offloaded in Angola.

The construction of the Namwater desalination plant is expected to commence early 2009 and will last for 20 months on condition that they manage to secure the funds. The plant is estimated to cost about N$1.8 billion. One of the existing uranium mines is also planning to expand and upgrade its plant. In the medium term, it is expected that significant construction activities will also arise from the envisaged implementation of the Millennium Challenge Account. This will mainly be in the construction of schools, agriculture and in the tourism industries. The monetary policy easing which was commenced in 2008 will help towards supporting residential and commercial construction activities as the cost of borrowing has become relatively cheaper.

The downside risk to the sector performance is the possible unavailability of the cement as South Africa, the main supplier of local cement, is experiencing high demand for cement and expects a supply tightening in the medium term; additional capacity may be needed to support heightened demand in the infrastructure markets.

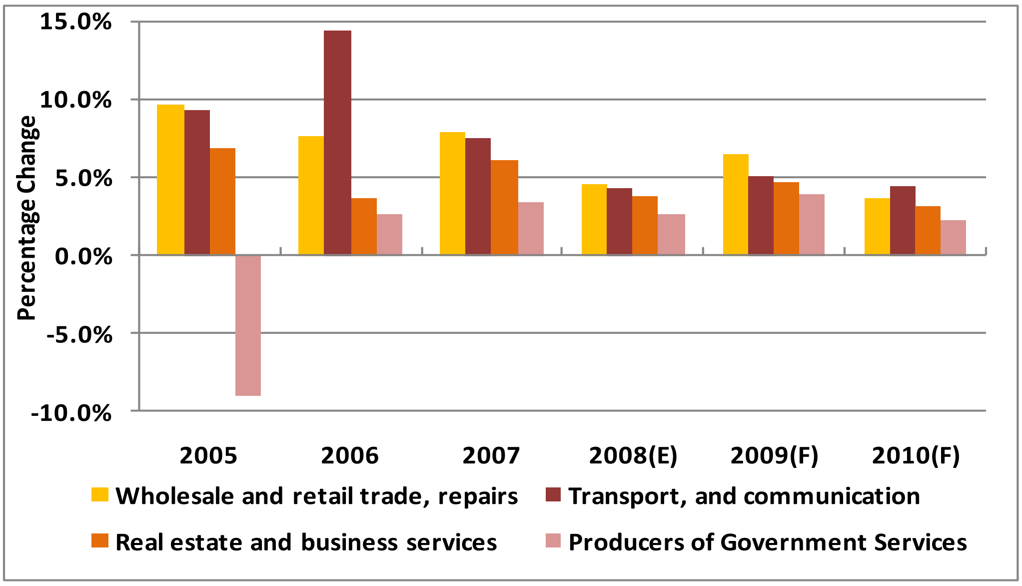
Additionally, the four major cement producers in South Africa announced planned implementation of double-digit price increases early 2009, citing higher fuel costs, in particular diesel, and higher coal and electricity prices. In the long term however, the situation is expected to improve for Namibia as the new cement manufacturing plants will start production.

The overall risk to the industry remains the uncertainties and loss of business and consumer confidence associated with the worsening of the global financial crisis, resulting in the slower world growth particularly in the developed economies.

" The implementation of the Millennium Challenge Account and other private sector activities are expected to boost the construction sector."

TERTIARY INDUSTRY

Chart 5: Performance of the Tertiary Industry



Sources: National Accounts, CBS; BoN estimate (2008), BoN forecasts (2009– 2010)

After growing at about 5 percent over the past two years, growth in real value added by the tertiary industry is estimated to decelerate to 3.3 percent in 2008. The slower growth in 2008 is reflected in the same movement in most of sub-sectors. The environment of high interest rates and high inflation, coupled with weak local currency for the largest part of 2008, slowed down the performance of tertiary industry. Real value added by the tertiary industry is expected to grow by 4.7 percent and 3.0 percent in 2009 and 2010, respectively.

"The environment of high interest rates and inflation, coupled with the depreciation of the local currency for the largest part of 2008, slowed down the performance of the industry."

WHOLESALE AND RETAIL

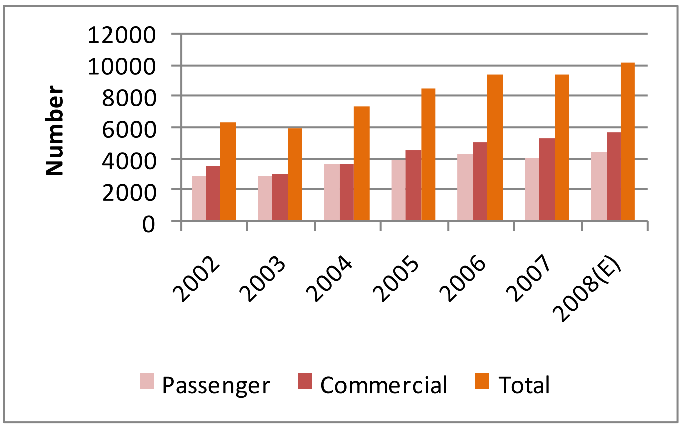
The ***Wholesale and retail trade, repairs*** sector is estimated to grow by 4.5 percent in 2008 compared to 7.9 percent growth rate during the previous year. The slowdown is a reflection of the high but improving price levels that have reduced the disposable income of consumers. The total number of vehicles sold during 2008 increased by 8.1 percent compared to 0.1 percent in 2007.

This could be indication of an improved demand, but it should be interpreted cautiously due to the fact that the government was the buyer of most of the new vehicles during the year to improve the fleet of the police. It is imperative to note that the increased demand could also be attributed to the spending behaviour of the citizen's of Namibia's northern neighbour, Angola, who come attend to their shopping (bulk, retail and individual) in Namibia.

Looking ahead, a growth rate of about 6.5 percent is expected in 2009 while a growth rate of about 3.6 percent is anticipated in 2010. The expansion is attributed to the increased and deepened investment in the storage and distribution supply to consumer network through marketing strategies in the beverages category as well envisaged easing in the price level. The spillovers from the FIFA World Cup in 2010 are expected to have a positive impact in the overall performance of the industry.

'Interest rates and inflation continue to affect the disposable incomes of consumers and their spending habits'

Chart 6: Vehicle Sales



Source: Simonis Storm Securities

HOTELS AND RESTAURANTS

The ***Hotels and restaurants*** sector is estimated to grow by 4.3 percent in 2008. This estimated growth rate is mainly due to an expected increase in the number of tourists who came to Namibia in 2008.

Growth rates of 3.7 percent and 1.5 percent are expected in 2009 and 2010, respectively. A favourable exchange rate and safety considerations when compared to other tourist destinations in the region could contribute positively to growth in 2009. Activities related to the 2010 FIFA World Cup in South Africa could also contribute positively to growth in this sector, however the effects can only be fully felt and assessed in the years beyond 2010, due to expected increase in marketing Namibia as a tourist destination and the positive externalities associated with the extra media coverage Southern Africa in general will receive during the event.

"..the 2010 FIFA World Cup could contribute positively to growth in the sector...as positive externalities associated with the extra media coverage Southern Africa in general will receive during the event."

TRANSPORT, STORAGE AND COMMUNICATION

The sector recorded a growth rate of 7.4 percent in 2007 as compared to 14.4 percent growth rate in 2006. The slow growth is attributed to both the transport and storage and post and communication sub-sectors. The ***Transport and storage*** sub-sector recorded a slow growth of 15.2 percent in 2007 compared to 35.9 percent in 2006, while ***Post and telecommunications*** recorded growth of 1.9 percent in 2007 as compared to 2.8 percent in 2006.

Transport, Storage and Communication sector is estimated to grow by 4.2 percent in 2008. A growth rate of 5.0 percent is expected in 2009 before decelerating slightly to 4.4 percent in 2010. The expansion is attributed to the increased and deepened investment in the storage and distribution supply to consumer network through marketing strategies in the beverages category. Growth in telecommunication will be driven by a favourable and conducive environment with the implementation of the new ICT Bill. Investment in road and railway infrastructure and refurbishment of locomotives will contribute positively to growth in this sector. Reduced operation cost particularly in fuel expenses will also ensure enough savings and growth for the sector.

FINANCIAL INTERMEDIATION

The ***financial intermediation*** sector is estimated to grow by 2.2 in 2008. This is a slow growth compared to 5.2 percent in 2007. The deceleration in growth is a reflection of primarily slower output growth in the banking sector, as a result of rising cost of payment infrastructure. A growth of about 5.0 percent is expected in both 2009 and 2010 due to the envisaged easing in price levels in the foreseeable future.

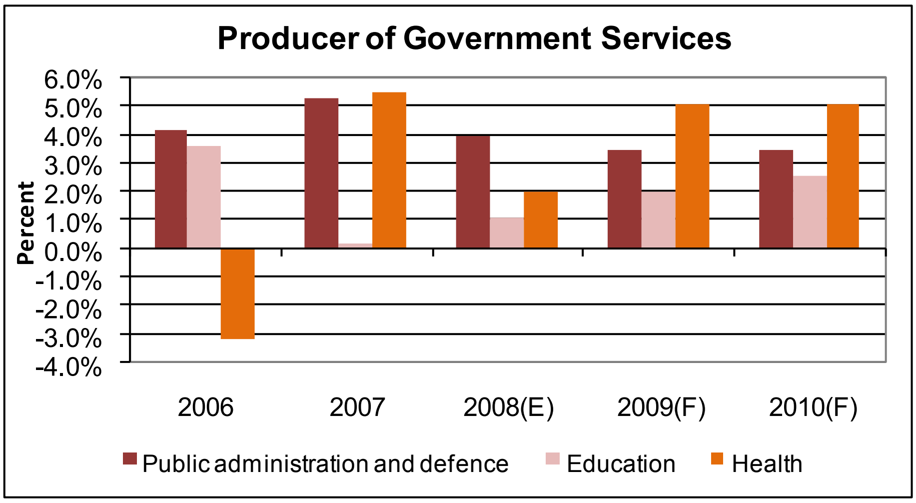
REAL ESTATE AND BUSINESS SERVICES

The ***Real estate and business services*** sector's real value added grew by 6.1 percent in 2007 as compared to 3.6 percent in 2006. The sector is estimated to have slowed down to a growth rate of 3.8 per cent for 2008 and is projected to grow by 4.6 per cent and 3.2 percent in 2009 and 2010, respectively, due to renewed demand for new residential and non-residential buildings in response to the expected reduction in interest rates.

PRODUCER OF GOVERNMENT SERVICES

The **Public administration and defense** sector includes central government activities, statutory bodies and local government activities. The sector recorded a real value added growth rate of 4.1 percent and 5.3 percent in 2006 and 2007, respectively. The sector is estimated to grow by 3.5 percent in 2008. A growth rate of 5.2 is projected for 2009 before slowing down to 2.0 percent in 2010. The higher growth of 5.2 percent in 2009 is mainly linked to the activities related to the general election. The same assumption is also true for the education and health sectors.

Chart 7: Producer of Government Services, real value added



Sources: National Accounts, CBS; BoN estimate (2008), BoN forecasts (2009– 2010)

The real value added growth rate of the ***Education*** sector decelerated by 0.2 percent in 2007 as compared to 3.6 percent growth rate in 2006. A growth rate of 1.9 percent is estimated for 2008, however the growth rate is expected to accelerate slightly to 2.7 in 2009 before slowing down to the same level of 1.9 percent 2010.

The real value added growth rate of the ***Health*** sector grew by 5.5 percent in 2007 compared to a deceleration growth rate of 3.1 percent the previous year. A growth rate of 2.0 percent is estimated for 2008. Growth in the sub-sector is expected to grow by 2.6 percent in 2009 before slowing down to 1.5 percent in 2010.

CONSUMPTION AND INVESTMENT

Total ***consumption expenditure*** is projected to increase by 4.3 percent in 2009 from an estimated increase of 3.2 percent during 2008. It is further expected to increase by 4.5 percent in 2010. The increase in the consumption expenditure during 2008 was mainly a result of final government expenditure which is estimated to grow by 26.4 percent as per Medium Term Expenditure Framework.

During 2009 and 2010, overall consumption is expected to be driven by private consumption due to increase demand as a result of the decline in the price level. Aligned with the global trend, inflation has subsided and the outlook has improved, jointly with further expected monetary easing, it will help support consumption growth in 2009 and beyond. The outlook is favourable in the medium term as most economic fundamentals are expected to improve.

"Declining consumer prices and thus monetary easing will help boost the business and consumer confidence and therefore consumption expenditure."

Table 2: GDP growth projections by expenditure

2004 prices	2006	2007	2008(E)	2009(F)	2010(F)
Consumption	**7.6**	**12.7**	**3.2**	**4.3**	**4.5**
Private consumption	8.3	13.5	-3.7	5.2	5.5
Government consumption	5.3	9.9	26.4	1.9	1.9
Investment	**32.8**	**-4.2**	**0.5**	**7.9**	**7.3**
Exports of goods and services	**15.3**	**0.9**	**14.5**	**-9.1**	**5.7**
Imports of goods and services	**16.3**	**23.8**	**10.1**	**7.6**	**8.5**
GDP growth rate	**7.1**	**4.1**	**2.7**	**1.0**	**3.2**

Source: National Planning Commission; Bank of Namibia. 2005-2007: 2008:Estimate; 2009-2010: projections.

Real gross fixed capital ***investment*** is forecasted to grow by 7.9 percent during 2009 compared to 0.5 percent estimated for 2008. It is expected to expand further by 7.3 percent in 2010. The expected fixed capital investment over the medium-term is broad-based, ranging from the mining, tourism, water, electricity, manufacturing and government spending on the infrastructure.

"Gross fixed capital investment is comprehensive and the outlook is positive over the medium-term."

EXPORTS AND IMPORTS

Growth in real ***export of goods and services*** is forecasted to decline by 9.1 percent in 2009, before increasing by 5.7 percent in 2010 from an estimated growth of 14.5 percent during 2008. The growth in 2008 is attributed to the increased uranium exports. During 2009 the export growth is expected to contract, mainly on account of the decline in the diamond production. The growth in export is, however, expected to accelerate in subsequent years due to the recovery in the diamond output and additional production in uranium.

Real ***imports of goods and services*** are expected to increase by 7.6 percent during 2009 from an estimated increase of 10.1 percent in 2008. The increase is mainly due to an increase in domestic demand for imports because of the above mentioned construction activities and increase in consumer demand.

"Export growth expected to decrease in 2009 owing to a reduced export volume of diamonds."

CONCLUSION

The Namibian economy is expected to grow by 1.0 percent in 2009 which is a slowdown from an estimated 2.7 percent during 2008. This slowdown reflects the effects of the pronounced developments in the external and internal economic environment. The slowdown in the internal economic environment is mainly reflected in the decline of diamond production. This is mainly due to the effects of the global financial crisis that has dampened demand coupled with the continued decline in onshore recoveries. Despite this, the driving force to growth would remain the mining sector, particularly increased production in uranium.

The slump in the global economy remains the main downside risk to the outlook as it limits the growth in exports and, therefore, adversely affect domestic economic growth. The country is facing major challenges emanating from the economic crisis including maintaining and ensuring employment creating growth.

APPENDICES

Appendix 1: Real GDP Growth Forecast

Industry	2006	2007	2008	2009	2010
Agriculture and forestry	3.8%	6.5%	-1.3%	3.8%	3.4%
- Livestock farming	-7.3%	1.8%	1.0%	4.0%	4.0%
- Crop farming and forestry	15.2%	10.3%	-3.0%	3.7%	3.0%
Fishing and fish processing on board	-8.8%	-17.5%	-2.0%	2.5%	3.0%
Mining and quarrying	27.6%	-0.4%	-2.4%	-35.7%	3.5%
- Diamond mining	38.0%	-3.1%	-9.9%	-47.9%	0.0%
- Other mining and quarrying	-8.5%	13.7%	31.0%	1.8%	9.1%
Primary industries	12.8%	-0.9%	-2.0%	-17.7%	3.4%
Manufacturing	2.7%	7.2%	4.3%	4.9%	3.4%
- Meat processing	-8.5%	6.5%	2.0%	2.5%	3.0%
- Fish processing on shore	-31.7%	5.8%	2.4%	2.0%	3.2%
- Other food products and beverages	3.0%	4.8%	4.0%	3.5%	4.0%
- Other manufacturing	12.7%	9.4%	5.0%	6.5%	3.0%
Electricity and water	*6.3%*	*3.2%*	*3.0%*	*3.5%*	*3.0%*
Construction	43.0%	-1.5%	10.5%	10.0%	4.5%
Secondary industries	9.1%	5.0%	5.2%	5.7%	3.6%
Wholesale and retail trade, repairs	7.6%	7.9%	4.5%	6.5%	3.6%
Hotels and restaurants	7.4%	8.2%	4.3%	3.7%	1.5%
Transport, and communication	14.4%	7.4%	4.2%	5.0%	4.4%
- Transport and storage	35.6%	15.1%	7.0%	8.0%	7.0%
- Post and telecommunications	2.8%	1.9%	2.0%	2.5%	2.0%
Financial intermediation	4.4%	5.2%	2.2%	5.0%	5.0%
Real estate and business services	3.6%	6.1%	3.8%	4.6%	3.2%
- Real estate activities	5.3%	4.8%	3.3%	4.3%	3.5%
- Other business services	-0.9%	9.8%	5.1%	5.5%	2.3%
Community, social and personal service activities	2.8%	0.9%	1.2%	2.5%	1.1%
Public administration and defence	4.1%	5.3%	3.5%	5.2%	2.0%
Education	3.6%	0.2%	1.9%	2.7%	1.9%
Health	-3.1%	5.5%	2.0%	2.6%	1.5%
Private household with employed persons	2.2%	2.2%	1.5%	2.2%	2.2%
Tertiary industries	5.4%	5.4%	3.3%	4.7%	3.0%
Less: Financial intermediation services indirectly measured	14.2%	10.1%	15.7%	9.5%	9.5%
All industries at basic prices	7.4%	4.0%	2.5%	0.7%	3.0%
Taxes less subsidies on products	4.1%	5.1%	4.3%	4.7%	4.7%
GDP at market prices	7.1%	4.1%	2.7%	1.0%	3.2%

Source: National Planning Commission; Bank of Namibia. 2006-2007: 2008:Estimate;2009-2010: projections.

Appendix 2: GDP at Current Prices (N$ millions)

Industry	2006	2007	2008	2009	2010
Agriculture and forestry	3,275	3,626	3,962	4,489	5,043
- Livestock farming	1,836	1,874	2,088	2,369	2,673
- Crop farming and forestry	1,439	1,752	1,874	2,120	2,370
Fishing and fish processing on board	1,948	2,218	2,398	2,681	2,996
Mining and quarrying	6,654	7,591	9,363	8,481	9,840
- Diamond mining	4,591	3,561	3,540	2,013	2,183
- Other mining and quarrying	2,063	4,029	5,824	6,468	7,656
Primary industries	**11,878**	**13,435**	**15,723**	**15,652**	**17,879**
Manufacturing	7,792	9,661	11,125	12,761	14,304
- Meat processing	176	218	246	275	307
- Fish processing on shore	657	818	924	1,028	1,151
- Other food products and beverages	2,518	2,929	3,360	3,794	4,281
- Other manufacturing	4,441	5,695	6,596	7,663	8,564
Electricity and water	1,020	1,128	1,282	1,448	1,618
Construction	1,901	2,047	2,495	2,994	3,394
Secondary industries	**10,714**	**12,836**	**14,902**	**17,202**	**19,316**
Wholesale and retail trade, repairs	5,879	6,769	7,802	9,065	10,189
Hotels and restaurants	940	1,090	1,254	1,419	1,563
Transport, and communication	2,544	2,922	3,353	3,833	4,330
- Transport and storage	806	1,177	1,389	1,636	1,900
- Post and telecommunications	1,738	1,746	1,964	2,196	2,431
Financial intermediation	2,190	2,508	2,827	3,239	3,690
Real estate and business services	4,479	4,924	5,639	6,438	7,205
- Real estate activities	3,231	3,490	3,977	4,525	5,082
- Other business services	1,247	1,434	1,662	1,913	2,123
Community, social and personal service activiti	1,838	1,984	2,215	2,477	2,717
Public administration and defence	4,434	5,101	5,823	6,683	7,396
Education	3,705	3,940	4,429	4,962	5,486
Health	1,535	1,683	1,893	2,119	2,334
Private household with employed persons	384	419	469	523	580
Tertiary industries	**27,929**	**31,340**	**35,704**	**40,758**	**45,491**
Less: Financial intermediation services indirectly	637	807	1,030	1,230	1,461
All industries at basic prices	**49,883**	**56,804**	**65,299**	**72,382**	**81,225**
Taxes less subsidies on products	4,133	4,653	5,353	6,115	6,946
GDP at market prices	**54,017**	**61,457**	**70,652**	**78,497**	**88,171**

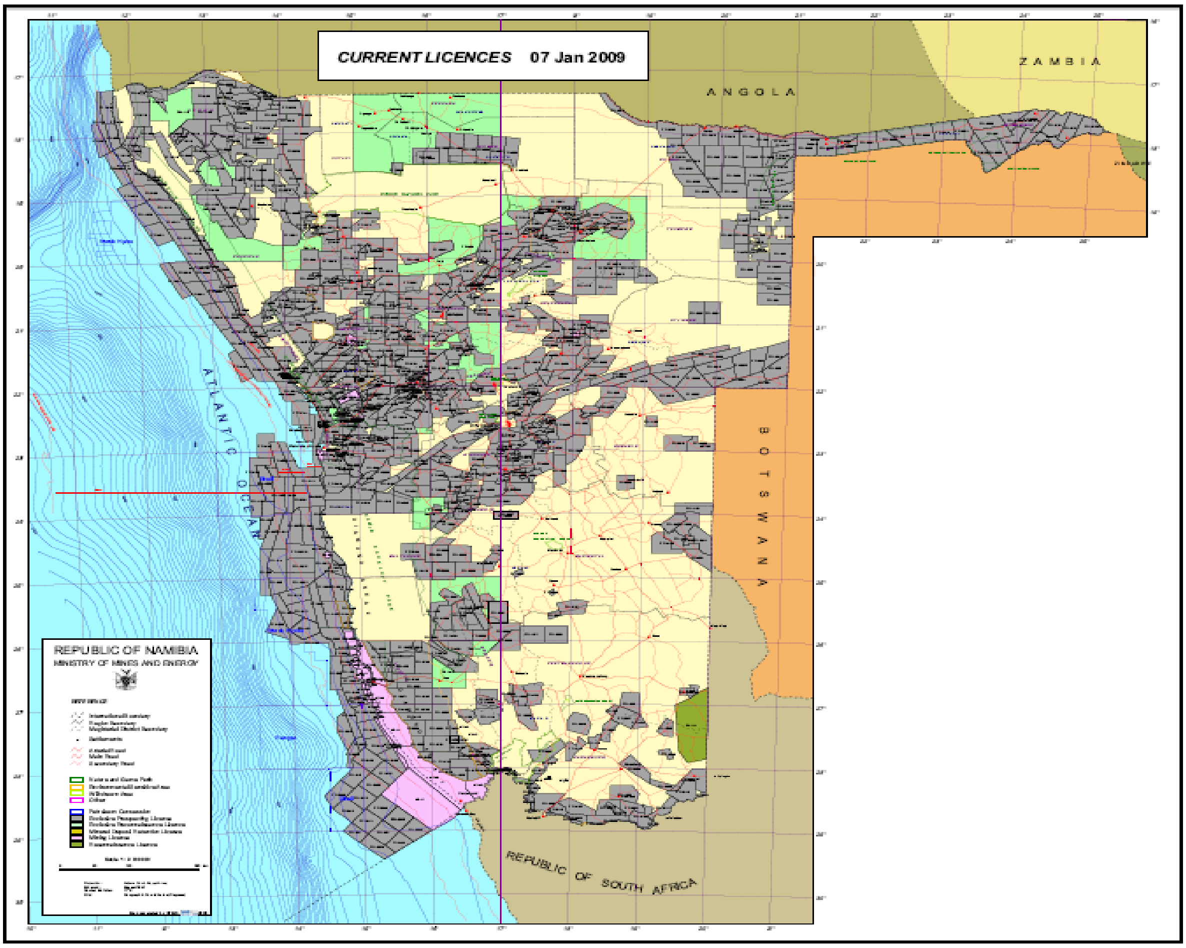
Source: National Planning Commission; Bank of Namibia. 2006-2007: 2008:Estimate;2009-2010: projections.

Appendix 3: GDP at Constant Prices (N$ millions)

Industry	2006	2007	2008	2009	2010
Agriculture and forestry	2,687	2,860	2,824	2,932	3,033
- Livestock farming	1,219	1,241	1,253	1,303	1,355
- Crop farming and forestry	1,468	1,620	1,571	1,629	1,678
Fishing and fish processing on board	1,308	1,079	1,057	1,084	1,116
Mining and quarrying	4,718	4,699	4,586	2,950	3,053
- Diamond mining	3,962	3,840	3,460	1,804	1,803
- Other mining and quarrying	756	859	1,126	1,146	1,250
Primary industries	8,712	8,638	8,467	6,965	7,203
Manufacturing	5,897	6,321	6,594	6,917	7,151
- Meat processing	162	173	177	181	186
- Fish processing on shore	494	523	535	546	563
- Other food products and beverages	2,297	2,406	2,503	2,590	2,694
- Other manufacturing	2,944	3,219	3,380	3,600	3,708
Electricity and water	1,190	1,227	1,264	1,308	1,348
Construction	1,667	1,643	1,815	1,997	2,087
Secondary industries	8,754	9,191	9,674	10,222	10,586
Wholesale and retail trade, repairs	5,473	5,904	6,170	6,571	6,807
Hotels and restaurants	846	915	955	990	1,005
Transport, and communication	3,006	3,230	3,367	3,536	3,691
- Transport and storage	1,262	1,452	1,554	1,678	1,796
- Post and telecommunications	1,744	1,777	1,813	1,858	1,895
Financial intermediation	2,027	2,132	2,179	2,288	2,403
Real estate and business services	4,339	4,602	4,776	4,997	5,156
- Real estate activities	3,221	3,375	3,487	3,636	3,764
- Other business services	1,118	1,227	1,290	1,361	1,392
Community, social and personal service activities	1,702	1,717	1,738	1,781	1,801
Public administration and defence	3,825	4,028	4,168	4,385	4,473
Education	3,177	3,184	3,244	3,332	3,395
Health	1,401	1,478	1,508	1,547	1,570
Private household with employed persons	358	366	371	379	388
Tertiary industries	26,154	27,556	28,476	29,807	30,688
Less: Financial intermediation services indirectly measured	593	652	755	826	905
All industries at basic prices	43,027	44,733	45,862	46,168	47,572
Taxes less subsidies on products	3,860	4,056	4,231	4,430	4,638
GDP at market prices	46,886	48,789	50,093	50,598	52,209

Source: National Planning Commission; Bank of Namibia. 2006-2007: 2008:Estimate;2009-2010: projections.

Appendix 4: Minerals Exploration as at 07 January 2009



Exploration for Nuclear Fuel