

Table of Content:

- 1. Global and Regional economy
- 2. Domestic Economy
 - 2.1 Primary Industries
 - 2.2 Secondary Industries
 - 2.3 Tertiary Industries
- 3. Conclusions
- Appendices

1. GLOBAL AND REGIONAL ECONOMY

➤ **Global growth is expected to remain steady in 2018 and 2019.** According to the IMF's World Economic Outlook (WEO) for October 2018, growth in global output is projected to remain unchanged at 3.7 percent in both 2018 and 2019, respectively, the same percentage recorded in 2017 (Appendix II). Global growth for both 2018 and 2019 has been revised down by 0.2 percentage point in October due to suppressed activity in early 2018 in some advanced economies, the negative effects of the trade measures as well as a weaker outlook for some key emerging market and developing economies, geopolitical tensions, tighter financial conditions and higher oil import bills. While the pace of overall global growth is forecasted to remain fairly strong, there are indications that the expansion has become less balanced and may have peaked in some major economies.

➤ **Growth in Advanced Economies is projected to improve slightly in 2018 driven by the US, before moderating in 2019.** Advanced economies are projected to grow by 2.4 percent in 2018 and 2.1 percent in 2019, from a growth rate of 2.3 percent in 2017. Growth forecasts for most advanced economies remained unchanged from the July 2017 WEO Update. Growth in advanced economies is expected to be mainly driven by the US, which is estimated to grow by 2.9 percent in 2018, from 2.2 percent in 2017. Going forward, growth for the US economy is projected to slow to 2.5 percent in 2019. Meanwhile, the Euro Area growth for 2018 is projected to slow down to 2.0 percent followed by 1.9 percent in 2019, from 2.4 percent in 2017. In Japan, growth is projected to slow to 1.1 percent and 0.9 percent in 2018 and 2019, respectively, from 1.7 percent in 2017. Similarly, growth in the UK is also projected to slow to 1.4 percent in 2018, from 1.7 percent in 2017, before improving to 1.5 percent in 2019.

➤ **Growth in Emerging Market and Developing Economies (EMDEs) is expected to remain unchanged during 2018 and 2019.** EMDEs growth for 2017 turned out at 4.7 percent and is projected to remain at the same level in both 2018 and 2019. China's growth is

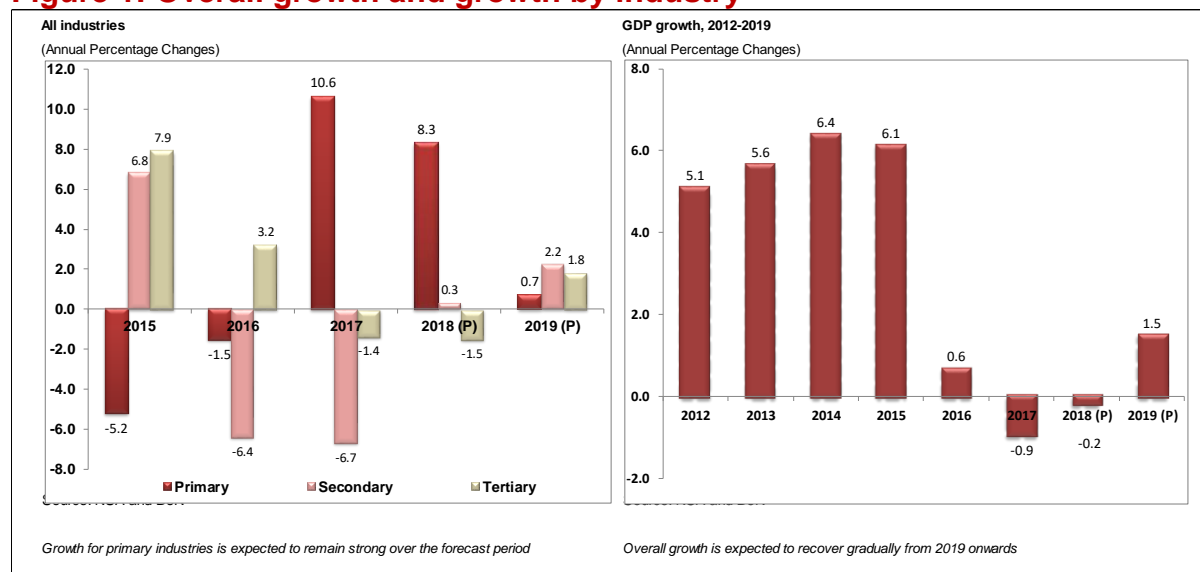
projected to weaken to 6.6 percent and 6.2 percent in 2018 and 2019, from 6.9 percent recorded in 2017. Growth in Russia is estimated to improve slightly from 1.5 percent in 2017 to 1.7 percent in 2018. Looking ahead, growth in Russia is projected to further increase to 1.8 percent in 2019. Similarly, growth in Brazil is expected to increase from 1.0 percent during 2017 to 1.4 percent in 2018 and 2.4 percent in 2019. Growth in India is also estimated to increase to 7.3 percent in 2018, from 6.7 percent in 2017. Going forward, growth for the Indian economy is projected to further rise to 7.4 percent in 2019.

- **Growth in Sub-Saharan Africa is projected to improve during 2018 and 2019, following a slowdown in 2017.** In this regard, growth in Sub-Saharan Africa is projected to increase to 3.1 percent and 3.8 percent in 2018 and 2019, respectively, compared to the growth of 2.7 percent recorded in 2017. Growth in South Africa is projected to slow down from 1.3 percent in 2017 to 0.8 percent in 2018, before improving to 1.4 percent in 2019. The contraction in the real GDP for Angola is expected to ease to 0.1 percent in 2018, from a 2.5 percent contraction reported in 2017. Looking ahead, real GDP growth in Angola is expected to improve to 3.1 percent in 2019. Meanwhile, Nigeria's economic growth rate is projected to rise to 1.9 percent and 2.3 percent in 2018 and 2019, respectively, from 0.8 percent in 2017.
- **Risks to the short-term global growth outlook have become more pronounced, with much of the risk to global growth skewed to the downside in the context of elevated policy uncertainty.** Risks to the global outlook in the medium term include rising trade barriers and a reversal of capital flows to emerging market economies, increased geopolitical risk and pronounced policy uncertainty.

2. DOMESTIC ECONOMY

- **Namibia's economy remains weak and is expected to recover gradually in the medium term.** Real GDP is expected to contract by 0.2 percent in 2018, from a deeper contraction of 0.9 percent in 2017, and thereafter recover to a positive growth rate of 1.5 percent in 2019. These revised growth projections are weaker than the 0.6 percent and 1.9 percent projected earlier in the July 2018, main Economic Outlook. The downward revision in the 2018 growth was mainly reflected in tertiary industries, upon realization that growth rates in sectors such as wholesale and retail trade, real estate and business services, hotels and restaurants, government sectors and taxes on products are likely to be significantly lower than earlier anticipated.

- **Risks to domestic growth include a weak recovery in the country's trading partners and slow recovery in international commodity prices, particularly for uranium.** Should the economic recovery in Angola fail to materialize, the impact would continue to be felt in sectors such as wholesale and retail trade, education and real estate and business services, thereby worsening growth prospects in these sectors. Furthermore, a slowdown in demand for minerals from the country's major trading partners such as France and China will also increase the risk to projected growth for primary industries. International trade wars may also inhibit Namibia's exports, while near-zero growth in South Africa may weigh on the country's recovery prospects, going forward.

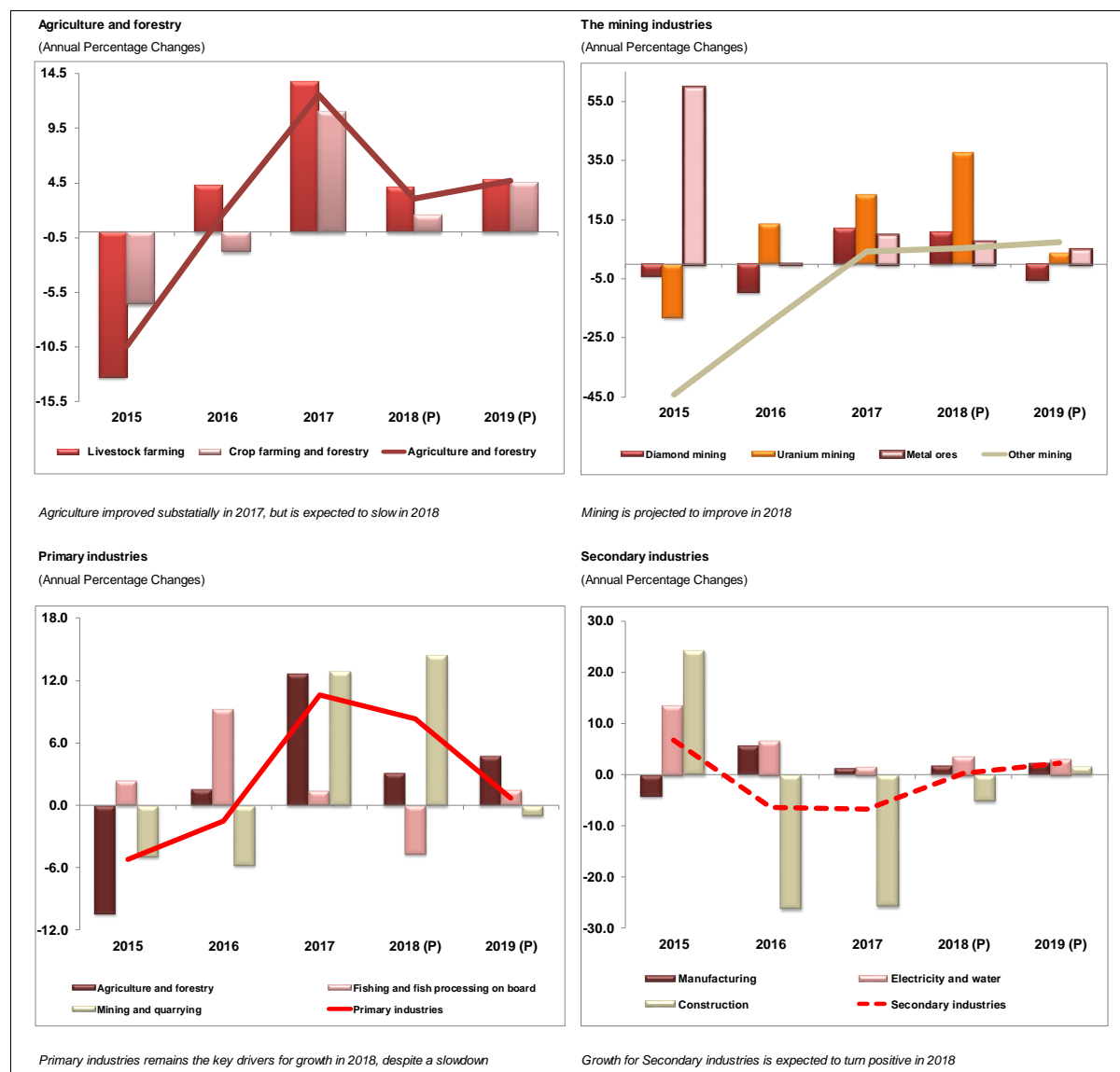
Figure 1: Overall growth and growth by industry

2.1 Primary Industries

- **Growth for the primary industries is estimated to moderate in 2018, mainly due to slower growth rates for the agriculture and fishing sectors.** Growth for the primary industries is projected to slow to 8.3 percent in 2018 and 0.7 percent in 2019, from 10.6 percent in 2017 (Figure 1). The estimated growth for primary industries for 2018, however, represents an upward revision by 2.0 percentage points due to a better year-to-date performance in the uranium subsector. The moderation in the growth for primary industries during 2018 is attributed to slower growth rates for the agriculture and fishing sectors when compared to 2017. Going forward, the medium-term growth is expected to benefit from further improvement in uranium mining, but this prospect is expected to be dampened by the closure of one mine in the diamond sector.
- **Growth in agriculture and forestry is estimated to moderate in 2018 and 2019.** The year-to-date data shows that fewer animals were availed for slaughter in 2018 compared to 2017. During the first 10 months of 2018 total cattle marketed declined by 4.8 percent to 350,600 compared to 368,321 recorded in the corresponding period for 2017. In the medium term, growth for the agriculture sector is expected to stabilize around 4.0 percent in 2019 and 2020.
- **Fishing and fish processing on board is estimated to contract in 2018 before recovering marginally in 2019.** The fishing industry is estimated to contract by 4.7 percent in 2018, before growing moderately by 1.4 percent in 2019. The 2018 estimate was informed by the year-to-date information on fish landings and increased operational costs emanating from higher fuel prices.

- **Diamond mining is projected to record slower growth rates from 2018 to 2020.** Diamond mining growth is estimated to slow down to 10.9 percent in 2018, from 12.0 percent in 2017. This growth forecast is unchanged from the July 2018 release. The slowdown in diamond mining is mainly on the account of reduced volumes of diamonds produced compared to previous year.
- **Growth in uranium production is estimated to have increased in 2018.** Growth in uranium mining is estimated to have increased to 37.5 percent in 2018, from 23.4 percent in 2017. The increased growth during 2018 was largely attributed to a scaling-up of production at a new mine. Uranium growth is, however, expected to slow to 3.6 percent in 2019, due to the high base and the fact that one of the mines has been put under care and maintenance in 2018.

Figure 2: Growth in primary and secondary industries



2.2 Secondary Industries

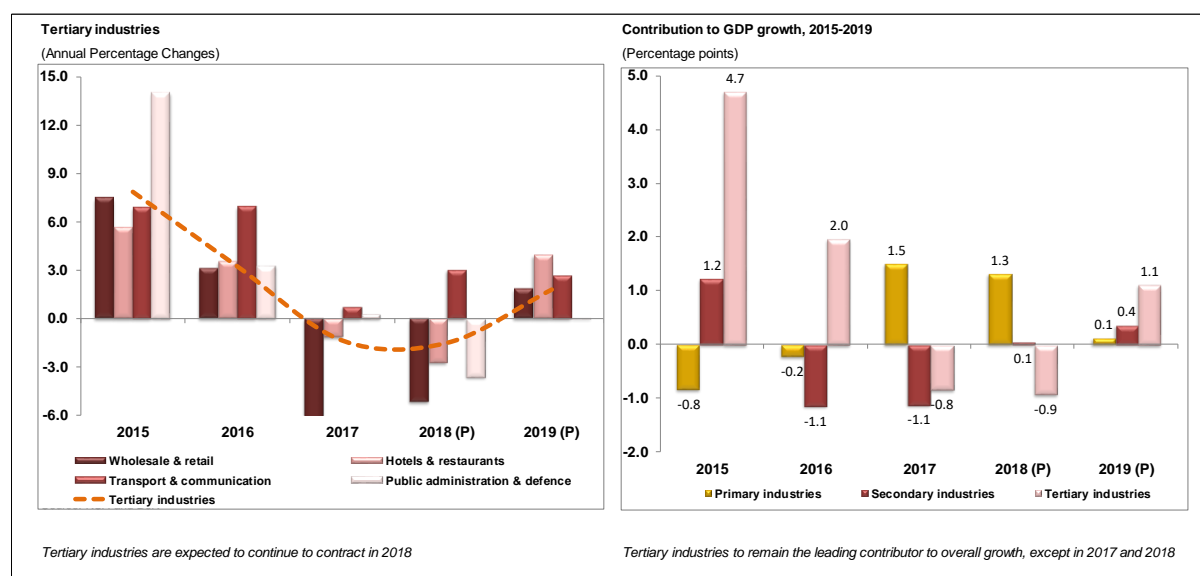
- **Growth in the secondary industries is expected to turn positive in 2018, following severe contractions in the preceding two years.** Secondary industries are expected to expand by 0.3 percent and 2.2 percent in 2018 and 2019, respectively. The growth forecasts for 2018 and 2019 represent an improvement from severe contractions of 6.7 percent and 6.4 percent recorded in 2017 and 2016, respectively (Figure 2). The projected recovery in the secondary industries is expected to emanate from an improved growth from manufacturing as well as the electricity and water sector. Further, a lesser contraction in the construction sector is expected to support the marginal improvements in secondary industries.
- **The manufacturing sector is projected to improve slightly both in 2018 and 2019.** The revised outlook for the manufacturing sector points to a growth rate of 1.7 percent in 2018, from 1.3 percent in 2017. The sector is expected to expand further by 2.3 percent in 2019. The improved growth for the manufacturing sector during 2018 and 2019 will be supported largely by grain mill products and beverages. Diamond processing is projected to grow by 11.0 percent and 5.0 percent in 2018 and 2019, respectively.
- **Growth in the electricity and water sector is projected to increase in 2018 before declining slightly in 2019.** The electricity and water sector is projected to grow by 3.7 percent and 3.2 percent in 2018 and 2019, respectively. The latest growth projection for 2018 represents an upward revision from the 3.3 percent projected during July 2018. The upward revision is in line with the year-to-date information, which shows an increase in local electricity generation and a reduction in imports.
- **Growth in the construction sector is expected to remain negative during 2018 but to improve gradually going forward.** The construction sector is projected to contract by 5.2 percent in 2018, before improving to a positive growth rate of 1.6 percent in 2019. The latest projection represents an upward revision from contractions of 14.9 percent for 2018 and 7.6 percent for 2019, projected during July 2018. The upward revision was informed by an increase in government spending on construction and in the value of buildings completed during the first ten months of 2018.

2.3 Tertiary Industries

- **During 2018, growth in the tertiary industries is expected to be negative for the second year in a row.** The tertiary industries are now projected to contract by 1.5 percent in 2018, compared to a positive growth rate of 0.3 percent projected in the July 2018 Economic Outlook (Figure 3). The downward revision in the 2018 growth for tertiary industries was mainly based on weak outcomes so far this year in sectors such as wholesale and retail trade, real estate and business services, transport and communication, as well as the public sector.

- **The growth projection for the transport and communication sector was revised down based on the latest performance in the transport, as well as the post and telecommunications sub-sectors.** Transport and communication is expected to grow by 3.0 percent in 2018, which is a downward revision from the 4.5 percent projected in July 2018. Growth in this sector is expected to emanate from the post and telecommunications subsector, which is projected to expand by 6.0 percent during 2018, from a lower growth rate of 2.1 percent in 2017. Going forward, growth for transport and communication is projected to moderate to 2.7 percent in 2019 and to remain stable over the remainder of the forecast period (Appendix II).

- **The contraction in the wholesale and retail trade sector is expected to ease in 2018.** The wholesale and retail trade sector is projected to decline by 5.1 percent during 2018, less severe than the 7.5 percent contraction observed in 2017, before recovering to a positive growth rate of 1.8 percent in 2019. The 5.1 percent contraction represents a downward revision from a 2.8 percent contraction projected during July 2018. The contraction in this sector reflects the general weakness in economic activities and the associated job losses in sectors such as construction and mining. Further, low household spending continues to impact the performance of the sector negatively as reflected in negative growth rates in subsectors such as vehicles and furniture.

Figure 3: Growth in tertiary industries and overall GDP

- **Risks to domestic growth include a slow recovery in international commodity prices, expected slow demand from Namibia’s key trading partners, exchange rate volatility and weather conditions.** Risks to domestic growth are dominated by the persistently low international price for uranium, which may cause uranium mines to either reduce or completely cease production as their operations remain unprofitable. Low growth in Angola, especially since 2016, has continued to reverberate in sectors such as wholesale and retail trade, education and real estate and business services. Thus, a delay in the actual recovery in Angola and near-zero growth in South Africa are expected to hold back potential recovery in the domestic economy. Further, a slowdown in demand for minerals from China due to trade wars may increase the risk to projected growth for primary industries. Undue volatility of the Namibia Dollar effective exchange rate and uncertainty about weather conditions beyond 2018 are other risks to the outlook.

3. CONCLUSIONS

- **Global output is expected to remain steady during 2018 and 2019.** World growth is expected to remain steady at 3.7 percent in both 2018 and 2019, underpinned by robust performances in advanced economies, emerging market and developing economies.
- **In Sub-Saharan Africa, growth is projected to rise gradually during 2018 and 2019 as the outlook for commodity exporting economies improves.** Economic growth in Sub-Sahara Africa is expected to rise to 3.1 percent and 3.8 percent in 2018 and 2019, respectively, up from 2.7 percent in 2017. Notwithstanding this improvement, however, there has been a notable deterioration in growth prospects for Namibia's trading partners, particularly South Africa and Angola.
- **Namibia's growth outlook is weaker than projected in the July 2018 Economic Outlook.** The domestic economy is now estimated to contract by 0.2 percent in 2018, which is lower than the positive 0.6 percent growth that was projected in July 2018. The downward revision in the 2018 growth was mainly reflected in tertiary industries upon an indication that growth in sectors such as wholesale and retail trade, real estate and business services, hotels and restaurants, government sectors and taxes on products are likely to be significantly lower than earlier anticipated.
- **Risks to domestic growth include a meagre recovery in the country's trading partners and a slow recovery in international commodity prices.** Weak global demand and slow recovery of international commodity prices, if persisting longer, may slow production or even lead to further mine closures, especially uranium mines. Also, undue volatility of the Namibia Dollar and uncertainty about weather conditions could have adverse effects on growth going forward.

APPENDICES

Appendix I: Forecasting Assumptions

Real Sector

- Growth in the agricultural industry is expected to slow in 2018 following a robust performance in the previous year. The slowdown is expected from both livestock farming and crop farming sub-sectors. The slowdown in livestock is due to base effects as a result of higher marketing activity in 2017. Weather conditions remain uncertain.
- Growth in diamond mining is expected to be lower during 2018, compared to 2017 as onshore production volumes are declining. Offshore-based production is, however, expected to increase in the medium term offsetting the decline in the onshore production and keeping the growth outlook for the sector steady.
- The Uranium mining industry is expected to remain under pressure due to low international prices for uranium. Uranium production is, however, expected to increase significantly during 2018 based on the increased production by two mines. On the other hand, Langer Heinrich mine is under care & maintenance, meaning that there has been no production from the mine since August 2018.
- Growth in metal ores is expected to remain moderate during 2018 and 2019, largely driven by zinc production. In this regard, both existing mines are planning to increase output during 2018, while a new zinc mine called Namib Lead & Zinc is expected to start production during 2019.
- The performance of the fishing industry is expected to decline in 2018, in line with depressed fish stocks. In subsequent years, total allowable catches (TACs) and fish landings are expected to fluctuate broadly sideways.
- The contraction in construction is expected to ease in 2018, from severe contractions in the past two years.

Appendix II: World Economic Output (annual percentage change)

Regions	Actual		Projections		Differences from July 2018 WEO Update	
	2016	2017	2018	2019	2018	2019
World Output	3.3	3.7	3.7	3.7	-0.2	-0.2
Advanced Economies	1.7	2.3	2.4	2.1	0.1	-0.1
United States	1.6	2.2	2.9	2.5	0.0	-0.2
Euro Area	1.9	2.4	2.0	1.9	-0.2	0.0
Germany	2.2	2.5	1.9	1.9	-0.3	-0.3
France	1.1	2.3	1.6	1.6	-0.2	-0.1
Spain	3.2	3.0	2.7	2.2	-0.1	0.0
United Kingdom	1.8	1.7	1.4	1.5	0.0	0.0
Japan	1.0	1.7	1.1	0.9	0.1	0.0
Emerging Market and Developing Economies	4.4	4.7	4.7	4.7	-0.2	-0.4
China	6.7	6.9	6.6	6.2	0.0	-0.2
India	7.1	6.7	7.3	7.4	0.1	-0.1
Russia	-0.2	1.5	1.7	1.8	0.0	0.3
Brazil	-3.5	1.0	1.4	2.4	-0.4	-0.1
Sub-Saharan Africa	1.4	2.7	3.1	3.8	-0.3	0.0
South Africa	0.6	1.3	0.8	1.4	-0.7	-0.3
Angola	-2.6	-2.5	-0.1	3.1	2.3	-0.7
Nigeria	-1.6	0.8	1.9	2.3	-0.2	0.0
Middle East and North Africa	5.2	1.8	2.0	2.5	-1.1	-1.2

Source: IMF World Economic Outlook, October 2018

Appendix III: Real GDP Growth (percent)

Industry	2014	2015	2016	2017	2018	2019	2020
Agriculture and forestry	11.1	-10.4	1.5	12.6	3.0	4.7	4.1
Livestock farming	13.9	-13.3	4.2	13.7	4.1	4.8	3.5
Crop farming and forestry	7.6	-6.6	-1.8	11.0	1.6	4.6	5.0
Fishing and fish processing on board	-2.5	2.3	9.1	1.3	-4.7	1.4	-0.4
Mining and quarrying	-6.0	-4.9	-5.8	12.8	14.4	-1.0	-4.0
Diamond mining	4.9	-4.1	-9.6	12.0	10.9	-5.3	-8.1
Uranium	-9.9	-18.1	13.6	23.4	37.5	3.6	14.8
Metal ores	0.6	60.0	0.1	9.9	7.6	5.2	-16.9
Other mining and quarrying	-36.4	-44.1	-19.8	4.3	5.4	7.4	5.7
Primary industries	-1.6	-5.2	-1.5	10.6	8.3	0.7	-1.5
Manufacturing	-0.1	-4.3	5.6	1.3	1.7	2.3	2.4
Meat processing	-17.2	-3.0	-2.1	-14.4	2.2	3.2	4.4
Grain mill products	13.7	13.0	8.1	15.5	5.0	4.3	4.8
Other food products	11.7	-12.3	4.8	-4.6	-3.7	1.7	2.8
Beverages	-16.5	-2.1	-1.6	-0.8	1.5	2.6	2.1
Textile and wearing apparel	-2.9	-8.9	3.7	-3.2	-0.6	1.0	1.1
Leather and related products	10.7	-1.8	-6.2	2.3	-1.1	1.0	-0.1
Wood and wood products	1.7	-2.6	3.5	1.6	1.2	2.1	1.6
Publishing and printing	10.6	6.3	-1.9	-2.4	0.7	0.3	0.8
Chemical and related products	1.2	-3.3	-2.6	-5.7	-0.9	-0.1	0.7
Rubber and plastics products	5.4	26.9	2.6	-9.1	-2.8	2.0	0.6
Non-metallic minerals products	5.6	8.1	5.8	0.8	1.1	2.6	1.5
Basic non-ferrous metals	-3.2	-8.3	1.0	4.8	1.2	2.3	2.8
Fabricated metals	3.7	-6.4	-1.3	-6.5	0.1	-2.6	0.6
Diamond processing	24.4	-19.0	86.0	14.6	11.0	5.0	3.2
Other manufacturing	-2.9	-8.1	-12.5	-2.4	1.4	-0.5	0.5
Electricity and water	1.5	13.6	6.8	1.8	3.7	3.2	3.7
Construction	42.6	24.3	-26.3	-25.6	-5.2	1.6	0.8
Secondary industries	10.9	6.8	-6.4	-6.7	0.3	2.2	2.2
Wholesale and retail trade, repairs	13.9	7.4	3.1	-7.5	-5.1	1.8	3.1
Hotels and restaurants	10.8	5.6	3.5	-1.1	-2.7	3.9	4.0
Transport, and communication	5.7	6.9	7.0	0.8	3.0	2.7	2.4
Transport	3.3	7.9	6.9	1.4	1.0	1.2	1.2
Storage	5.7	-0.6	2.0	-4.7	0.6	1.2	1.6
Post and telecommunications	8.6	8.9	8.9	2.1	6.0	4.7	3.9
Financial intermediation	10.9	5.0	2.8	2.8	2.0	2.6	2.9
Real estate and business services	2.8	4.4	1.0	0.9	-0.5	0.8	1.6
Real estate activities	3.0	3.6	2.6	2.7	0.7	2.0	1.8
Other business services	2.4	6.6	-3.8	-4.6	-4.2	-3.4	1.0
Community, social and personal service activities	3.0	11.9	-0.3	-0.1	0.8	1.4	2.1
Public administration and defence	1.4	14.0	3.3	0.3	-3.6	0.0	0.7
Education	10.3	4.1	2.8	-1.2	1.1	3.3	1.8
Health	10.2	17.5	7.2	-1.3	-5.4	2.6	1.5
Private households with employed persons	5.5	1.7	1.4	1.0	1.0	1.1	1.3
Tertiary industries	7.7	7.9	3.2	-1.4	-1.5	1.8	2.1
Less: FISIM	5.3	0.1	2.1	-0.2	0.6	0.9	0.4
All industries at basic prices	6.6	5.5	0.6	-0.5	0.4	1.7	1.5
Taxes less subsidies on products	4.1	12.5	0.9	-5.5	-7.4	-1.5	4.5
GDP at market prices	6.4	6.1	0.6	-0.9	-0.2	1.5	1.7

Source: NSA (2014-2017), BoN (2018-2020)

Appendix IV: GDP at Current Prices (N\$ million)

Industry	2014	2015	2016	2017	2018	2019	2020
Agriculture and forestry	5,445	4,973	5,678	7,876	8,600	9,705	10,786
Livestock farming	3,262	2,859	3,281	5,150	5,736	6,623	7,446
Crop farming and forestry	2,183	2,114	2,397	2,726	2,864	3,082	3,339
Fishing and fish processing on board	3,837	3,888	4,539	4,472	4,394	4,464	4,519
Mining and quarrying	16,939	17,627	19,630	21,377	24,965	25,280	24,075
Diamond mining	12,434	12,171	12,196	13,615	15,530	14,892	13,972
Uranium	1,459	1,693	1,763	1,236	1,837	1,809	2,108
Metal ores	1,529	2,826	4,840	5,555	6,512	7,307	6,551
Other mining and quarrying	1,517	936	831	972	1,085	1,271	1,444
Primary industries	26,221	26,488	29,847	33,725	37,959	39,449	39,380
Manufacturing	13,911	14,603	18,289	19,088	20,471	21,633	23,155
Meat processing	563	629	646	396	415	432	459
Grain mill products	1,212	1,266	1,663	1,633	1,763	1,726	1,780
Other food products	2,234	2,479	3,230	3,432	3,588	3,884	4,294
Beverages	2,374	2,598	2,580	3,044	3,324	3,598	3,893
Textile and wearing apparel	237	139	175	116	118	121	124
Leather and related products	154	98	90	94	99	104	109
Wood and wood products	350	361	389	409	430	455	479
Publishing and printing	235	290	300	312	333	354	379
Chemical and related products	1,281	1,294	1,330	1,362	1,440	1,530	1,641
Rubber and plastics products	424	533	575	605	628	695	753
Non-metallic minerals products	604	664	982	1,092	1,162	1,284	1,388
Basic non-ferrous metals	1,982	2,144	3,217	3,244	3,488	3,614	3,855
Fabricated metals	693	666	685	678	715	735	780
Diamond processing	987	907	1,918	2,149	2,400	2,501	2,579
Other manufacturing	580	535	509	520	568	599	643
Electricity and water	2,691	2,305	3,871	4,512	5,067	5,585	6,231
Construction	6,999	8,318	6,495	5,141	5,141	5,535	5,897
Secondary industries	23,601	25,227	28,656	28,742	30,678	32,753	35,282
Wholesale and retail trade, repairs	17,263	17,283	18,792	20,021	20,501	22,651	25,032
Hotels and restaurants	2,504	3,032	3,791	4,569	4,735	5,619	6,450
Transport, and communication	6,717	7,039	8,110	8,597	9,375	10,197	11,075
Transport	2,730	3,071	3,555	3,788	4,041	4,308	4,598
Storage	934	828	1,160	985	1,001	962	958
Post and telecommunications	3,054	3,141	3,394	3,825	4,333	4,927	5,518
Financial intermediation	7,964	10,326	11,040	10,967	11,847	12,302	13,105
Real estate and business services	10,019	10,690	11,561	12,600	13,201	14,063	15,070
Real estate activities	7,396	7,785	8,551	9,624	10,247	11,068	11,921
Other business services	2,623	2,905	3,009	2,976	2,954	2,996	3,150
Community, social and personal service activities	2,498	2,886	2,999	3,246	3,502	3,773	4,108
Public administration and defence	15,440	17,381	18,278	18,962	18,867	19,496	20,260
Education	12,757	14,213	15,771	17,228	18,375	20,124	21,472
Health	3,957	4,507	4,848	5,328	5,471	6,068	6,613
Private households with employed persons	1,234	1,298	1,405	1,506	1,609	1,725	1,851
Tertiary industries	80,354	88,655	96,594	103,023	107,483	116,019	125,037
Less: FISIM	1,774	1,931	1,937	2,001	2,150	2,279	2,424
All industries at basic prices	128,402	138,439	153,159	163,489	173,970	185,942	197,275
Taxes less subsidies on products	10,361	11,644	12,775	12,956	12,837	13,553	15,167
GDP at market prices	138,763	150,083	165,934	176,445	186,807	199,496	212,442

Source: NSA (2014-2017), BoN (2018-2020)