Economic Outlook

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Bank of Namibia

Table of Contents

1. Overview

GLOBAL AND REGIONAL ECONOMY

- **According to the IMF's World Economic Outlook (WEO) Update for June 2020, the global economy is set to experience a deep downturn in 2020 before recovering gradually in 2021**. The global economy is projected to contract by 4.9 percent in 2020, which represents a downward revision of 1.9 percentage points when compared to the WEO Update of April 2020 (Appendix II). Both the advanced and the emerging market and developing economies are expected to contract during 2020, in line with downward revisions in consumption growth and investment spending in most economies. These downward revisions are attributed to a more protracted return to full activity as economic restrictions are lifted gradually.

- **Advanced Economies are expected to contract substantially in 2020, before recovering in 2021.** Advanced economies (AEs) have been particularly hard hit by the COVID-19 pandemic, with high infection cases in the United States and in Europe. The advanced economies that are expected to contract the most during 2020 are Italy and Spain (-12.8 percent for both), France (-12.5 percent), United Kingdom (-10.2 percent), United States (-8.0 percent) and Germany (-7.8 percent). Nonetheless, it is important to note that AEs are considerably better equipped to respond to the crisis when compared to developing economies, due to their stronger healthcare systems, better access to financial resources and comparatively lower borrowing costs, which will underpin the economic recovery.

- **Emerging market and developing economies are projected to contract significantly in 2020 and to recover strongly in 2021.** Emerging market and developing economies (EMDEs) are projected to contract by 3.0 percent in 2020 before recovering to positive growth of 5.9 percent in 2021. The 3.0 percent contraction for 2020 represents a downward revision of 2.0 percentage points from the WEO released in April this year.

- **Sub-Saharan African economies are projected to contract in 2020, before improving in 2021.** Economies in Sub-Saharan Africa are expected to contract by 3.2 percent in 2020, before improving to positive growth of 3.4 percent in 2021. South Africa is expected to contract by 8.0 percent in 2020, with Nigeria and Angola contracting by 5.4 percent and 4.0 percent, respectively. Although the contraction in Sub-Saharan African economies is expected to be less severe compared to AEs, the former face several downside risks, which pose threats to their prospects of recovery. These risks include lower commodity prices and rising debt levels.

- **Risks to the global growth are largely due to the COVID-19 pandemic**. There is uncertainty regarding the duration of the COVID-19 pandemic and related travel restrictions and lockdowns. Furthermore, there is the risk of a second wave of infections once containment efforts are relaxed. Another risk to global growth is the associated volatility of international commodity prices. In addition to the pandemic-related downside risks, heightened US-Sino tensions on multiple fronts coupled with the deterioration in relations among the OPEC+ members pose further risks to recovery prospects.

DOMESTIC ECONOMY

- **The domestic economy is expected to fall into a deeper contraction during 2020, before returning to positive growth in 2021.** The domestic economy is projected to contract by 7.8 percent in 2020 (which represents a downward revision of 0.9 percentage point since the April 2020 Outlook) before recovering to a positive growth of 2.1 percent and 2.7 percent in 2021 and 2022, respectively. The data for the first half of 2020 seems to suggest that the impact of COVID-19 on the economy is more severe than anticipated in the April 2020 update, and hence underpins the revision. The projected contraction of 7.8 percent for 2020 represents a further deterioration from a milder contraction of 1.1 percent in 2019. The estimated deeper contraction during 2020 is mainly attributed to the outbreak of COVID-19, which has led to travel restrictions across the world and lockdowns in many countries, including Namibia. The sectors expected to be most affected by travel restrictions and weakening global markets include hotels and restaurants; mining; transport and storage; manufacturing; wholesale and retail trade; financial and insurance services; and construction (Appendix III).

2. Global Outlook

According to the IMF's World Economic Outlook (WEO) update for June 2020, the global economy is expected to experience a deep downturn in 2020 before recovering gradually in 2021. The global economy is now projected to contract by as much as 4.9 percent this year, which would represent a downward revision of 1.9 percentage points since April's World Economic Outlook (Appendix II). Consumption growth has been revised downwards across most economies to account for the larger-than-anticipated disruptions to economic activity across the globe. Additionally, investment is expected to remain subdued as firms defer capital expenditure amid the high uncertainty created by the COVID-19 pandemic. Moving ahead, the global economy is projected to strengthen by 5.4 percent over the course of 2021, which is 0.4 percent lower than the Outlook released in April 2020.

2.1. Advanced Economies

Growth across Advanced Economies (AEs) has been revised downwards since April, as fears of contagion continue to persist. Advanced Economies are projected to contract by 8.0 percent in 2020, which is 1.9 percentage points lower than predicted in April. Evidently, this revision reflects the disruptions to activity over the first half of this year which have been more severe than initially anticipated. Deep downturns are expected in the United States (-8.0 percent), United Kingdom (-10.2 percent), Germany (-7.8 percent), Japan (-5.8 percent), France (-12.5 percent), and Italy and Spain (both -12.8 percent). In 2021, it is anticipated that economic growth in AEs will rebound to 4.8 percent, although this would still leave real GDP at roughly 3.2 percent lower than its pre-crisis level.

The United States is expected to experience a deep economic contraction in 2020, due to a sharp decline in employment and retail sales. In just a few months, the pandemic has essentially decimated a decade of growth in the US with sharp declines recorded in employment and production levels.[1] This is especially due to the US recording the highest number of COVID-19 cases globally, which continues to weigh on mobility and retail sales in the country. As a result, the economy is expected to decline by 8.0 percent in 2020, which is 2.1 percentage points worse than April's forecast. However, policymakers have responded swiftly with unprecedented amounts of monetary and fiscal stimulus, which should limit the magnitude of the downturn to some degree. Going forward, economic growth is set to bounce back to 4.5 percent in 2021, which would still leave real GDP at about 3.5 percent lower than its pre-crisis level.

[1] Over the course of April 2020, the US unemployment rate rose by 10.3 percentage points (to 14.7 percent) from the previous month. This has been coupled by a plunge in quarterly GDP growth over the second quarter of 2020, equating to approximately -32.9 percent on an annualized basis.

Similarly, the Euro Area is expected to contract substantially in 2020 before gradually recovering in 2021. The Euro Area is projected to contract by 10.2 percent in 2020 as supply chains in the region have been severely disrupted over the first half of the year. In particular, high-debt nations such as Italy and Spain face a tougher road to recovery, as limitations on their fiscal space constrain the ability to cushion the shock. However, a huge and co-ordinated fiscal policy response of US$860 billion has been announced recently, which will be pivotal for the Bloc's recovery prospects over the next 18 months. Considering this, it is expected that real GDP in the Euro Area will improve by 6 percent in 2021.

In the United Kingdom, growth has been downgraded substantially, due to a collapse in the services sector. The combination of the pandemic and Brexit has essentially created the perfect storm for the United Kingdom, with the economy set to experience one of the deepest contractions amongst its AE counterparts this year. Real GDP is set to tumble by 10.2 percent in 2020, which is 3.7 percentage points lower than April's projection. This is particularly a result of the unprecedented drop experienced in its service sector during April and May, which roughly constitutes up to 80 percent of GDP. To counteract these effects, policymakers have taken a bold approach in rolling out fiscal support (estimated at 7.4 percent of the 2019 GDP level). Moving forward, the economy is expected to improve by 6.3 percent in 2021, as consumer confidence gains momentum over the next 18 months.

Japan's real GDP is also expected to contract in 2020 on the back of a decline in domestic demand as well as exports. Japan has not been spared by the global crisis this year, as the pandemic weighs on consumer spending, investment and its exports. Moreover, the 2020 Tokyo Olympic Games have been postponed until next year, which has led to further losses for the economy. That said, Japan has rolled out the largest fiscal stimulus package globally when measured on a percentage of GDP basis (roughly 21.1 percent of its 2019 GDP level), which is expected to limit its downturn relative to the remainder of the Advanced Economies. The economy is set to contract by 5.8 percent in 2020, before improving to 2.4 percent in 2021.

2.2. Emerging Market and Developing Economies

Growth across Emerging Market and Developing Economies (EDMEs) has also been revised downward since the WEO release in April. EMDEs are now projected to contract by 3.0 percent in 2020, which represents a downward revision of 2.0 percentage points from the 2020 April WEO release. Although a recent improvement in market sentiment has partially reversed the currency sell-offs and widening credit spreads experienced across EDMEs earlier this year, domestic disruptions continue to dampen the prospects of a swift return to full economic activity in these countries. Furthermore, the downward revision for these economies reflects larger spill-over effects from weak external demand. Over the course of

2021, the growth rate for EMDEs is expected to strengthen to 5.9 percent, which is largely attributable to strong growth levels expected in China.

China is expected to be amongst the few economies in the world which will avoid a contraction in 2020. Following the devastating economic effects over the first quarter of this year, the Chinese economy has already begun to show some positive signs with a strong rebound in industrial output recorded over May. These positive developments are on the back of strong containment measures which have led to a quicker economic re-opening compared to the rest of the world, in addition to the rollout of fiscal support measures (amounting to 7 percent of its 2019 GDP level). However, retail sales and fixed asset investment remain subdued, which suggests that the nation still faces several challenges in getting the economy back to full speed. Considering this, growth in the world’s second largest economy has been revised downwards to 1.0 percent in 2020 and 8.2 percent in 2021 respectively. This represents a strong trajectory for growth relative to the rest of the world.

Russia’s economy is expected to contract in 2020 due to lower oil prices. Real GDP is projected to decrease by 6.6 percent in 2020, which is 1.1 percentage points lower than projected in April. This is primarily due to the crash in crude oil prices coupled with the unprecedented decline in oil demand, which is Russia’s largest export. Additionally, the fiscal policy response is expected to equate to 3.4 percent of its 2019 GDP level, which falls comparatively short of stimulus packages deployed in Advanced Economies. However, it is anticipated that oil demand will continue its gradual recovery over the second half of 2020, which should provide some positive momentum for the Russian economy leading into 2021. Moving forward, Russian GDP is expected to improve by 4.1 percent in 2021.

Growth in India has been downgraded severely since April’s WEO release, as fiscal constraints pose risks to the country’s economic recovery. The economy is now projected to contract by 4.5 percent over the course of 2020, which is 6.5 percentage points lower than the April 2020 forecast. Particularly, state finances are set to come under intense pressure (with Debt/GDP expected to reach 84 percent by 2021), which will constrain the ability to provide further fiscal support. This drastic turn in economic prospects offers an explanation as to why the government has opted to lift stringent containment measures despite a clear failure to contain the spread of the pandemic. Moving forward, the economy is expected to grow by 6.0 percent in 2021, which represents a downward revision of 1.4 percent since April’s forecast.

In Brazil, rising COVID-19 cases and strict containment measures have led to a significant downward revision in its growth for 2020. Uncertainty surrounding containment measures in Brazil has led to a significant revision in the economy’s growth forecast, with real GDP expected to contract by 9.1 percent this year. Authorities in Brazil have responded strongly to the pandemic with an accommodative monetary policy stance coupled with a substantial fiscal support package to businesses and households. The recovery is, however, likely to be sluggish as these measures are phased out over the second half of this year. In 2021, real GDP in Brazil is expected to strengthen by 3.1 percent.

Overall, the balance of risks to the global outlook remain skewed to the downside. There is still a great amount of uncertainty surrounding whether countries that have managed to reduce infection rates will be able to prevent a second wave of outbreaks. If containment measures persist through the second half of this year, it is likely that job losses and tighter financial conditions induced by the pandemic will spill over into 2021 and beyond. However, recent breakthroughs with the development of an effective vaccine do offer some hope that the health risks could be mitigated over the course of the next year, which would support the recovery in economic activity. In addition to the pandemic-related downside risks, heightened US-Sino tensions on multiple fronts coupled with the deterioration in relations among the OPEC+ members pose further risks to recovery prospects.

3. Regional Outlook

The Sub-Saharan African (SSA) region's outlook has worsened considerably since the WEO release in April, with a sluggish recovery expected in 2021. The Sub-Saharan African economy is projected to contract by 3.2 percent in 2020, which represents a 1.6 percentage points downgrade since April's forecast. Growth is expected to decline the most in service-dependant economies (where international tourism has come to a virtual halt) as well as resource-intensive countries (on the back of a contraction in commodity prices) across the region. Going forward, the SSA region is expected to recover gradually over the course of the next 18 months, with growth levels reaching 3.4 percent in 2021. However, 2021's growth projection is considerably lower than the global average, as policy packages deployed in African economies have been smaller compared to the rest of the world.[2] In the region's most industrialised economies (Angola, Nigeria and South Africa), real GDP is only expected to return to pre-crisis levels by 2023 or 2024.

Nigeria's economic growth prospects have been hard hit by a sharp decline in international oil prices and production over the course of 2020. The economic contraction in Nigeria is projected to deepen to 5.4 percent in 2020 (down by 2.0 percentage points from April's forecast). Essentially, Nigeria has been hit by a perfect storm over the course of this year with a huge reduction in oil prices and oil production quota, which has been coupled with the decline in domestic economic activity induced by the pandemic. Going forward, the economy is projected to recover to 2.6 percent growth in 2021 assuming that global oil prices continue to normalise over the course of the next 18 months.

Similarly, sluggish oil prices and a decline in business activity have also led to a downward revision in economic growth for Angola. Real GDP in Angola is set to fall for a fifth straight year, with an expected decline of 4.0 percent in 2020 (2.6 percentage points lower than April's forecast). This downward revision reflects the sluggish performance in global oil prices over the course of this year, tightening credit conditions and a reduction in domestic business activity. Similar to Nigeria, firmer oil prices and policy support measures should help reinvigorate economic growth to 3.2 percent in 2021, though this would still leave real GDP at a lower level compared to the end of 2019.

Economic growth expectations for South Africa have been downgraded since the WEO release in April, primarily due to a slow pace of return to full mobility in the country. South Africa is set to experience one of the deepest economic contractions across the region this year, with a projected GDP decline of 8.0 percent (which is 2.2 percentage points more

[2] As of July 2020, the IMF estimate that the fiscal support measures across Sub-Saharan African countries are expected to average 3 percent of GDP, compared to an average of 13.3 percent for Advanced Economies.

severe than April's forecast). This is largely a result of the protracted containment measures which have been imposed, with the strictest lockdown stage being extended through April before being gradually relaxed in May and June. A wide range of restrictions still apply. Going forward, economic growth is expected to improve to 3.5 percent in 2021 (0.5 percentage point lower than April's forecast) on the back of improved business confidence and activity. However, the prospective recovery for Africa's most industrialised economy will also be contingent on how much progress authorities can make in implementing structural reforms as well as stabilising its power grid.

Downside risks to the Sub-Saharan Africa outlook largely stem from further disruptions to international tourism, trade, and financial markets. With many of the countries across the region relying on international tourism for growth, a protracted return to full international mobility could weigh on the prospects for recovery in these countries (particularly service-dependant economies such as Mauritius and Seychelles). Additionally, disruptions to regional and global trade could hamper imports of food or critical inputs such as seeds and fertilizers which are not produced domestically across several African States. Finally, the disconnect between global financial conditions and underlying fundamentals pose the risk of a sudden tightening of capital flows to emerging and frontier markets, which would have severe implications for balance sheets across the region. However, the massive monetary stimulus measures deployed in advanced economies could have a positive spill-over effect in Sub-Saharan Africa via reduced risk premia on sovereign debt, which would mitigate this risk to a degree.

4. Domestic Outlook

Developments since the last Economic Outlook forecast

The Namibian economy is expected to fall into a deeper contraction during 2020, largely due to the devastating impact of COVID-19, which will be felt across most sectors. The domestic economy is estimated to contract by 7.8 percent in 2020 and to rebound by 2.1 percent and 2.7 percent in 2021 and 2022, respectively (Figure 1). During 2020, the steep contraction is expected to be driven by declines in hotels and restaurants; mining; transport and storage; manufacturing; wholesale and retail trade; financial and insurance services; and construction. The current forecast for 2020 growth represents a downward revision of 0.9 percentage point from the Economic Outlook released earlier in April. The revision is underpinned by industry data for the first six months of the year which tend to suggest that the contraction is more severe than anticipated in April 2020. Moreover, the deeper contraction is ascribed to the longer-than-anticipated easing of COVID-19 containment measures both domestically and abroad.

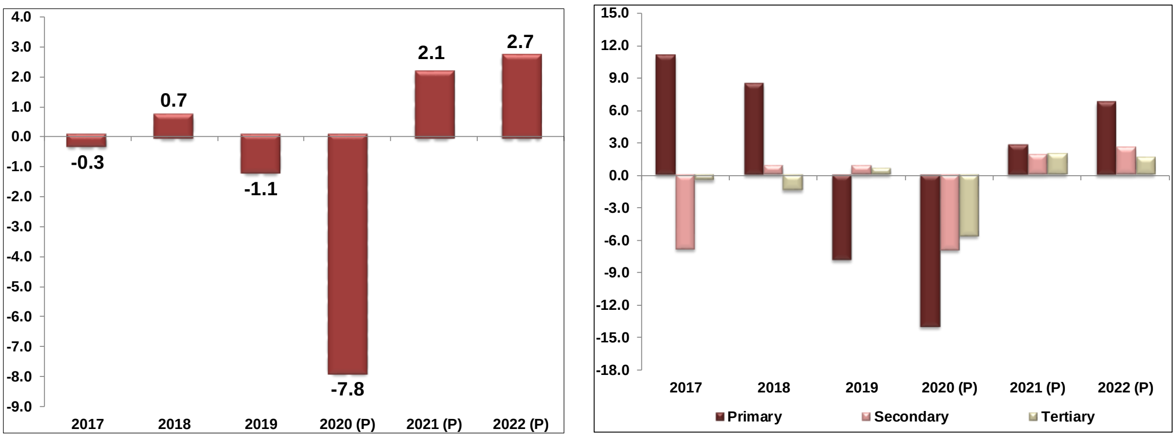
When compared to the Economic Outlook Update for April 2020, year-to-date information confirms earlier expectations in terms of sectors most affected by COVID-19 pandemic. During April 2020, the Bank projected the domestic economy to contract by 6.9 percent in 2020, with sectors such as hotels and restaurants; mining; financial and insurance services; construction; transport and storage; and manufacturing to be most affected. Year-to-date information across most sectors indicates that these are still the most affected sectors, however with notable downward revisions in diamond mining, diamond processing, non-metallic minerals, fabricated metals as well as basic non-ferrous metals.

In addition to the baseline scenario, a worst-case scenario has been developed and projects a much deeper contraction in 2020. Due to the uncertainty regarding the duration of COVID-19 and associated travel restrictions, a worst-case scenario was devised to indicate what could happen if the prevailing low demand and production holidays remain in place until the end of 2020. The worst-case scenario assumes deeper contractions for sectors such as fishing and fish processing on board, diamond mining, beverages, diamond processing, and hotels and restaurants (Appendix V, which may be compared with the baseline in Appendix III). In the worst-case, GDP is projected to contract by 12.2 percent in 2020, followed by positive growth of 1.9 percent in 2021.

Figure 1: Overall growth and growth by major industry

GDP growth, 2017-2022
(Annual Percentage Changes)

All Industries
(Annual Percentage Changes)



Source: NSA and BoN

Source: NSA and BoN

Overall GDP is expected to record a large contraction in 2020

Growth for primary industries is estimated to decline during 2020

4.1 Primary Industries

Primary industries are projected to record a huge contraction during 2020, with a moderate recovery expected in 2021. Primary industries are projected to contract by 13.9 percent in 2020 and to recover to positive growth rates of 2.8 percent and 6.8 percent in 2021 and 2022, respectively (Figure 2). The 13.9 percent contraction is worse than the contraction of 7.8 percent recorded in 2019. The mining industry is expected to contract by 24.6 percent in 2020, with all subsectors similarly expected to post negative growth rates.

Growth for agriculture, forestry and fishing is expected to decline in 2020 amid the impact of consecutive droughts. The agriculture, forestry and fishing sector is projected to contract by 7.1 percent in 2020 before rebounding to growth rates of 1.7 percent and 1.9 percent in 2021 and 2022, respectively. The expected contraction in 2020 is in line with depleted livestock numbers from preceding years, which have reduced marketing activities during 2020. In this regard, livestock farming is estimated to contract by 13.8 percent in 2020. The restocking of livestock and a reduction in input costs such as animal feed will make a positive contribution to growth in livestock farming subsector, however, the marketing of both cattle and small stock have declined by 49.5 percent and 59.3 percent, respectively, during the first half of 2020 when compared to the corresponding period in 2019. Furthermore, the fishing industry has been hard-hit by travel restrictions and lockdowns and is therefore estimated to contract by 8.4 percent in 2020.

Diamond mining is estimated to contract in 2020 before a solid recovery in 2021. The diamond mining sector is forecasted to decline by 24.6 percent in real terms during 2020 and to recover with growth rates of 5.4 percent and 14.1 percent in 2021 and 2022, respectively.

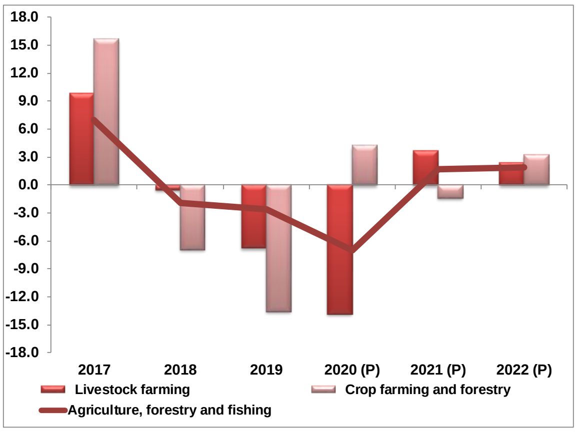
Diamonds are considered to be a luxury item, and consumers are expected to shift their focus away from products of this nature as future income remains uncertain. Furthermore, travel restrictions, lockdowns and prevention of large gatherings of people have resulted in prospective buyers being unable to attend auctions to view and purchase diamonds. Global demand for diamonds has plummeted during the first half of 2020, and mines are hence forced to scale down on production.

Uranium mining is similarly projected to contract during 2020, followed by a mild recovery in 2021. The uranium mining sector is expected to contract by 22.9 percent in 2020, before expanding by 8.5 percent and 15.4 percent in the following two years. The sector is first and foremost grappling with existing factors that include insufficient supply of water required for their operations and persistently low uranium prices, viewed together with the reduction in long-term supply contracts. This means that uranium mines are more exposed to spot prices, which squeezes their margins. International uranium prices have gained momentum recently on the back of tightening global supply, with demand from end users remaining fairly steady. However, this will most likely only benefit the local mines in about a year’s time because prices are usually fixed in supply contracts. The volumes produced during the first six months of 2020 were 18.4 percent lower than the production for the corresponding period in 2019, with further downward adjustments to production targets more likely.

Figure 2: Growth in primary and secondary industries

Agriculture and forestry

(Annual Percentage Changes)

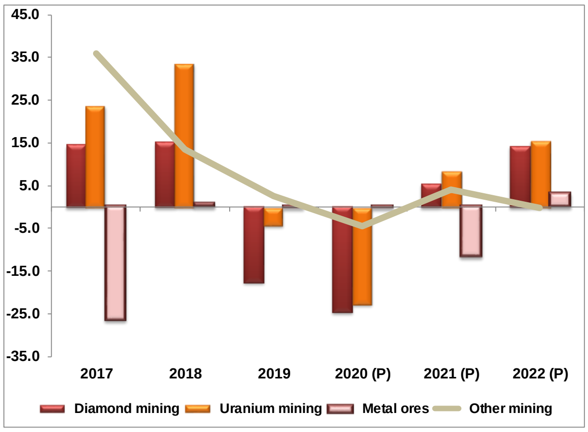


Source: NSA and BoN

Agriculture is expected to register a deep contraction in 2020

The mining industries

(Annual Percentage Changes)

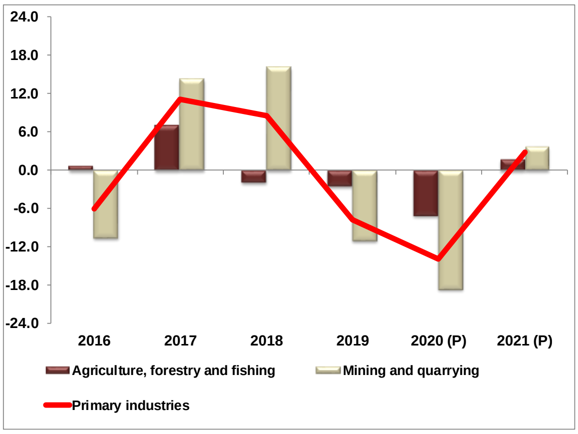


Source: NSA and BoN

Mining output is expected to decline substantially in 2020

Primary industries

(Annual Percentage Changes)

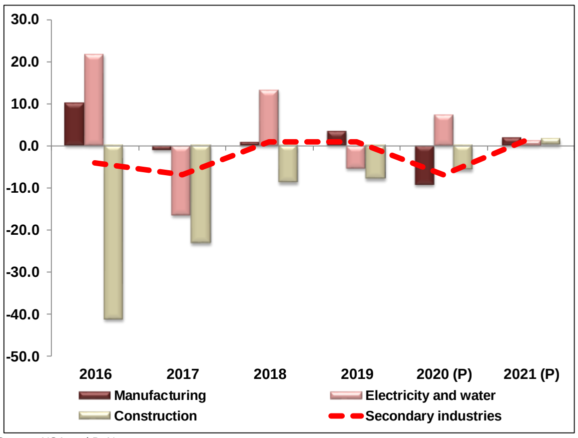


Source: NSA and BoN

Primary industries are expected to record a deeper contaction in 2020

Secondary industries

(Annual Percentage Changes)



Source: NSA and BoN

Most secondary industries are expected contract during 2020

4.2 Secondary Industries

Secondary industries are projected to contract in 2020 before recovering in 2021. Secondary industries are projected to contract by 6.9 percent during 2020, largely due to expected declines in the construction and manufacturing sectors (Figure 2). Growth in secondary industries is then expected to recover to 1.9 percent and 2.6 percent in 2021 and 2022, respectively.

The manufacturing sector is projected to contract during 2020 before recovering slightly in 2021. The manufacturing sector is projected to contract by 9.2 percent in 2020 before growing by 2.0 percent and 2.3 percent in 2021 and 2022, respectively. The estimated contraction in 2020 is attributed to projected declines in sectors such as diamond processing, beverages, meat processing, basic non-ferrous metals, and fabricated metals (Appendix III). All these sectors are expected to be affected by COVID-19. Diamond processing is expected to be hit the most given that prospective buyers of diamonds are not able to travel and view the products as usual. The leading markets for diamonds, which include United States, China, India and Japan have been affected by the COVID-19 epidemic at the time when most diamond sales were supposed to take place.

The construction sector is expected to remain in contraction during 2020 as projects anticipated to kickstart earlier are delayed. The construction sector is expected to contract by 5.7 percent in 2020 and then to post growth rates of 1.5 percent and 2.6 percent in 2021 and 2022, respectively. The estimated contraction for 2020 is based on expectations that some major projects, which were expected to commence in 2020, are likely to be delayed, mainly due to COVID-19 induced restrictions on the movement of people, especially those that need to enter the country.

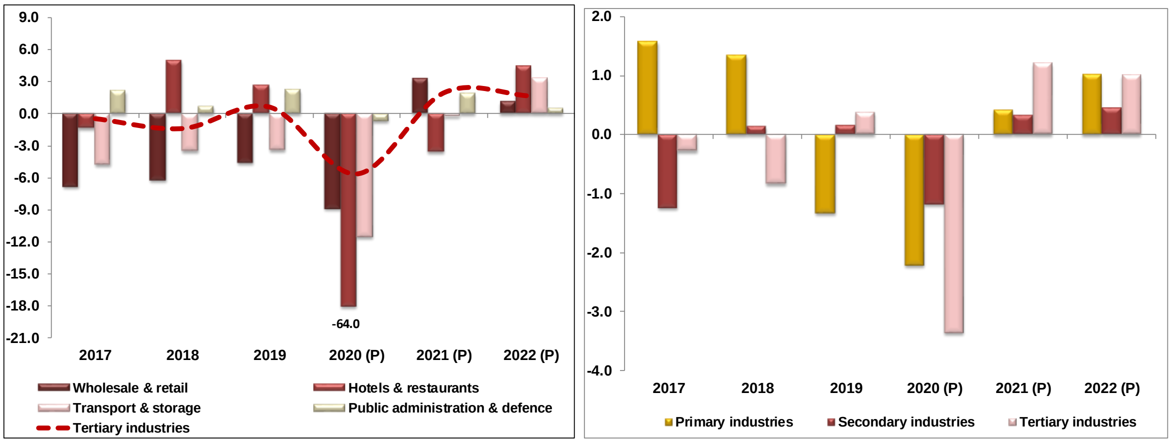
4.3 Tertiary Industries

Tertiary industries are expected to shrink during 2020 before making a moderate recovery in 2021. The tertiary industries are projected to contract by 5.7 percent in 2020 and grow by 2.0 percent and 1.7 percent in 2021 and 2022, respectively (Figure 3). Tertiary industries include sectors that are most affected by the outbreak of the COVID-19 pandemic. A combination of social distancing, the lockdown of the country as well as regional and international travel restrictions are expected to impact negatively on hotels and restaurants as well as transport.

The wholesale and retail trade sector is estimated to contract in 2020 and then to recover marginally in 2021. The wholesale and retail trade sector is estimated to contract by 8.9 percent in 2020 before expanding by 3.2 percent and 1.1 percent in 2021 and 2022, respectively. The deeper contraction estimated for 2020 is based on the year-to-date information, which indicated that turnover declined significantly during the first half of 2020. In nominal terms, wholesale and retail sales fell by 3.0 percent during the first half of 2020, compared to the first half of 2019. Subsectors that registered large declines during this period are furniture (-76.1 percent) and vehicles (-15.5 percent).

The hotels and restaurants sector is expected to contract by more than 60.0 percent in 2020 before recovering gradually from 2021 onwards. The hotels and restaurants sector deals mostly with visitors from outside the country and it is therefore expected to be the most affected by COVID-19 induced travel restrictions. The sector is estimated to contract by 64.0 percent and 3.6 percent in 2020 and 2021 before rebounding to positive growth of 4.4 percent in 2022, respectively. With the imposition of travel restrictions, business activities in subsectors such as tour guides stopped instantly, while some accommodation establishments started to dig into their reserves to remain operational. Job losses have been massive in the sector and some big establishments that managed to hold on to their staff are likely to follow this trend, particularly should restrictions remain in place heading into 2021. It is expected that the recovery in the tourism sector once the health crisis is averted will be gradual, as travellers need to recover financially and build confidence regarding their safety when travelling.

Figure 3: Growth in tertiary industries and overall GDP



Source: NSA and BoN

Tertiary industries are expected to recover in 2021

Source: NSA and BoN

Tertiary industries to be the leading contributor to overall growth during 2021 - 2022

The transport and storage sector is projected to contract in 2020 and in 2021, largely due to the impact of COVID-19. Transport and storage is projected to contract by 11.5 percent and 0.3 percent in 2020 and 2021, respectively. The transport sector is affected directly through imposition of travel restrictions and lockdowns and the resulting disruption to supply chains. Further, the sector is indirectly affected as some mines are placed under care and maintenance.

Risks to domestic growth are currently dominated by COVID-19, especially on uncertainty regarding its expected duration. Risks to domestic growth are dominated by ongoing travel restrictions and lockdowns in many countries, including Namibia, that are restricting business activities and causing disruptions to supply. Other risks include the persistently low international prices for uranium, which have already squeezed margins of local mines as their long-term supply contracts started to run out. A recent increase in the US dollar spot price of uranium and a weakening of the exchange rate may provide some relief in this regard. The volatile international prices of some of Namibia's other export commodities are also posing a risk.

5. Conclusions

According to the IMF's World Economic Outlook Update for June 2020, the global economy is expected to contract substantially in 2020 before recovering in 2021. The world economy is projected to contract by 4.9 percent in 2020, which is a downward revision from a 3.0 percent contraction published in the WEO for April 2020. The downward revision to 2020 growth is largely attributable to the impact of the COVID-19 pandemic, which indicates that both consumption and investment are likely to be lower than initially anticipated. The global output is then projected to expand by 5.4 percent in 2021.

Risks to the global growth are skewed to the downside, mainly due to the COVID-19 pandemic. The uncertainty regarding the duration of the COVID-19 pandemic and related travel restrictions and lockdowns remains. Furthermore, there is the risk of countries experiencing a re-emergence of infections once efforts at containment are relaxed. Another risk to global growth is the volatile and low international commodity prices.

The Namibian economy is expected to record the largest contraction in its recent history, induced by the devastating impact of the COVID-19 pandemic, which is felt across most sectors. The domestic economy is projected to contract by 7.8 percent in 2020 and to rebound by 2.1 percent and 2.7 percent in 2021 and 2022, respectively. During 2020, a steep contraction is expected to be driven by sharp declines in hotels and restaurants; mining; transport and storage; manufacturing; wholesale and retail trade; financial and insurance services; and construction.

Risks to domestic growth are currently dominated by the COVID-19 pandemic, especially through uncertainty regarding its expected duration. Risks to domestic growth are dominated by ongoing travel restrictions that are in place for many countries including Namibia. Such measures are restricting business activities and causing disruptions to supply. Other risks to domestic growth and outlook include the persistently low international prices of Namibia's export commodities, and climatic swings.

6. APPENDICES

Appendix I: Forecasting Assumptions

The Real Sector, Baseline

- The **diamond mining** sector is expected to register a decline during 2020 due to the fall in global demand, compounded by interruption in logistics for holding sales auctions due to travel restrictions and lockdowns around the world, necessitated by the outbreak of COVID-19.
- The **uranium mining** sector is anticipated to post a poor performance during 2020, largely due to water supply constraints. Other factors affecting the sector include low international price for uranium and COVID-19 induced restrictions that are expected to negatively impact shipping logistics. The uranium price is expected to continue trending upwards but will only affect operations of uranium mines in a year's time because prices are locked in supply contracts.
- Growth in **metal ores** is expected to be volatile during the forecast period, largely driven by developments in the zinc subsector. Zinc deposits are depleting, with one of the mines already placed under care & maintenance.
- The **construction** sector is expected to remain in contraction as Government directs more of its budgetary resources towards fighting the COVID-19 pandemic and minimizing its impacts on the economy. Major construction projects that have not started are also likely to be delayed due to travel restrictions.
- Overall, the economy is expected to start with a gradual recovery in the fourth quarter of 2020 as most countries continue to open their economies. The **COVID-19 pandemic** is, however, expected to remain a health problem at least until mid-2021, after which effective vaccines and medicines for curing the disease may become widely available.

The Real Sector, the Worst-case

In addition to the baseline assumptions, further assumptions are made to the worst-case as follows:

- Contraction in fishing to be deeper as the operations of fishing companies are negatively impacted by increased Covid-19 cases and low global demand.
- Production break for sea-based diamond mining to be extended to the end of 2020, while land-based mining operations continue until September 2020.
- Manufacturing subsectors of beverages and diamond processing to be more affected by tighter restrictions for the sale of alcohol and low global demand, respectively
- Contraction for hotels and restaurants deepen to 85.0 percent in 2020, while that for transport increases to 34.0 percent
- Net taxes on products to decline by 25.0 percent in 2020.

Appendix II: World Economic Output (annual percentage change)

Regions	Actual 2018	Actual 2019	Projections 2020	Projections 2021	Differences from April 2020 WEO 2020	Differences from April 2020 WEO 2021
World Output	**3.6**	**2.9**	**-4.9**	**5.4**	**-1.9**	**-0.4**
Advanced Economies	**2.2**	**1.7**	**-8.0**	**4.8**	**-1.9**	**0.3**
United States	2.9	2.3	-8.0	4.5	-2.1	-0.2
Euro Area	1.9	1.3	-10.2	6.0	-2.7	1.3
Germany	-1.5	0.6	-7.8	5.4	-0.8	0.2
France	1.7	1.3	-12.5	7.3	-5.3	2.8
Italy	0.8	0.3	-12.8	6.3	-3.7	1.5
Spain	2.4	2.0	-12.8	6.3	-4.8	2.0
United Kingdom	1.3	1.4	-10.2	6.3	-3.7	2.3
Japan	0.3	0.7	-5.8	2.4	-0.6	-0.6
Emerging Market and Developing Economies	**4.5**	**3.7**	**-3.0**	**5.9**	**-2.0**	**-0.7**
China	6.6	6.1	1.0	8.2	-0.2	-1.0
India	6.8	4.2	-4.5	6.0	-6.4	-1.4
Russia	2.3	1.3	-6.6	4.1	-1.1	0.6
Brazil	1.3	1.1	-9.1	3.6	-3.8	0.7
Sub-Saharan Africa	**3.2**	**3.1**	**-3.2**	**3.4**	**-1.6**	**-0.7**
South Africa	0.8	0.2	-8.0	3.5	-2.2	-0.5
Nigeria	1.9	2.2	-5.4	2.6	-2.0	0.2
Angola	-1.2	-0.9	-4.0	3.2	-2.6	0.6
Middle East and North Africa	**1.0**	**0.3**	**-5.7**	**3.4**	**-2.4**	**-0.8**

Source: IMF World Economic Outlook Update, June 2020

Appendix III: Real GDP Growth, Baseline (percent)

Industry	2017	2018	2019	2020	2021	2022
Agriculture, forestry and fishing	7.0	-1.9	-2.6	-7.1	1.7	1.9
Livestock farming	9.8	-0.5	-6.7	-13.8	3.7	2.4
Crop farming and forestry	15.7	-6.9	-13.5	4.2	-1.4	3.2
Fishing and fish processing on board	0.8	0.1	6.1	-8.4	2.3	1.0
Mining and quarrying	14.2	16.1	-11.1	-18.6	3.6	10.5
Diamond mining	14.5	15.1	-17.7	-24.6	5.4	14.1
Uranium	23.5	33.4	-4.4	-22.9	8.5	15.4
Metal Ores	-26.3	0.8	-0.1	-0.2	-11.6	3.1
Other mining and quarrying	63.7	13.6	2.5	-4.4	4.0	-0.2
Primary industries	**11.0**	**8.5**	**-7.8**	**-13.9**	**2.8**	**6.8**
Manufacturing	-1.0	1.0	3.5	-9.2	2.0	2.3
Meat processing	12.5	14.7	18.1	-8.5	1.6	4.0
Grain Mill products	8.1	1.9	-2.6	4.7	1.0	1.9
Other food products	-5.2	1.1	1.0	3.1	2.8	2.2
Beverages	-4.2	5.0	12.5	-17.6	2.9	3.0
Textile and wearing apparel	11.3	0.9	-2.3	1.3	0.4	-0.2
Leather and related products	-1.6	4.5	-2.1	-1.8	2.8	-0.4
Wood and wood products	8.6	-12.5	1.3	-0.8	2.5	6.0
Publishing and Printing	12.1	-13.2	-6.9	-1.4	-0.1	-1.5
Chemical and related products	-18.9	-7.2	-1.6	5.2	1.8	1.8
Rubber and Plastics products	-12.1	7.0	-2.3	-5.0	-1.6	-2.3
Non-metallic minerals products	-17.7	-5.1	3.8	-15.7	-3.6	-6.5
Basic non-ferrous metals	4.1	-4.0	12.3	-17.5	2.2	5.0
Fabricated Metals	-24.6	5.5	1.1	-11.2	-1.6	-1.9
Diamond processing	11.4	6.4	-7.0	-39.2	3.8	2.6
Other manufacturing	2.6	0.1	9.2	4.6	4.9	3.8
Electricity and water	-16.4	13.2	-5.4	7.5	1.4	4.1
Construction	-23.1	-8.7	-7.9	-5.7	1.5	2.6
Secondary industries	**-6.9**	**0.9**	**0.9**	**-6.9**	**1.9**	**2.6**
Wholesale and retail trade, repairs	-6.9	-6.2	-4.7	-8.9	3.2	1.1
Hotels and restaurants	-1.4	4.9	2.7	-64.0	-3.6	4.4
Transport and Storage	-4.8	-3.5	-3.4	-11.5	-0.3	3.4
Transport	-4.0	-5.0	-5.4	-16.0	-1.4	2.4
Storage	-8.0	2.6	4.4	4.7	2.9	6.0
Information and Communication	6.0	-2.2	8.6	14.1	3.6	4.8
Financial and insurance service activities	3.6	0.0	6.0	-9.2	2.8	4.2
Real estate activities	2.6	2.7	2.7	-7.8	1.2	1.9
Professional, scientific and techical services	-2.8	-1.1	-7.2	0.3	1.4	2.2
Administrative and support services	-2.2	0.9	-6.2	-1.5	1.3	-1.1
Arts, Entertainment & Other Service activities	-0.4	0.4	-1.9	-14.8	4.6	2.0
Public administration and defence	2.2	0.7	2.2	-0.7	1.9	0.5
Education	-1.7	0.5	2.7	2.7	0.6	0.7
Health	4.4	-8.9	-4.8	6.3	3.6	1.2
Private household with employed persons	1.0	-2.5	-2.5	-1.3	2.4	1.7
Tertiary industries	**-0.5**	**-1.4**	**0.6**	**-5.7**	**2.0**	**1.7**
All industries at basic prices	**0.1**	**0.7**	**-0.9**	**-7.3**	**2.1**	**2.7**
Taxes less subsidies on products	-3.9	0.5	-4.0	-13.9	2.3	2.6
GDP at market prices	**-0.3**	**0.7**	**-1.1**	**-7.8**	**2.1**	**2.7**

Source: NSA (2017-2019), BoN (2020-2022)

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

Industry	2017	2018	2019	2020	2021	2022
Agriculture, forestry and fishing	11,965	12,397	11,816	11,128	11,781	12,497
Livestock farming	3,894	4,213	3,893	3,418	3,720	4,001
Crop farming and forestry	3,577	3,664	2,953	3,064	3,173	3,439
Fishing and fish processing on board	4,494	4,521	4,970	4,646	4,887	5,057
Mining and quarrying	14,007	16,008	16,599	14,933	15,463	17,680
Diamond mining	6,717	7,912	7,042	5,564	6,125	7,339
Uranium	1,690	2,215	2,539	2,038	2,299	2,760
Metal Ores	4,573	4,550	5,608	5,865	5,420	5,848
Other mining and quarrying	1,027	1,332	1,410	1,466	1,620	1,733
Primary industries	**25,973**	**28,405**	**28,415**	**26,061**	**27,244**	**30,177**
Manufacturing	20,216	21,407	20,982	19,332	20,041	21,067
Meat processing	536	541	582	476	437	408
Grain Mill products	2,308	2,244	2,503	2,749	2,964	3,194
Other food products	4,722	5,948	5,252	5,310	5,703	6,205
Beverages	2,620	2,723	2,882	2,517	2,592	2,750
Textile and wearing apparel	463	427	378	348	318	288
Leather and related products	314	322	309	297	299	292
Wood and wood products	582	541	538	544	559	599
Publishing and Printing	399	359	356	369	389	404
Chemical and related products	996	1,007	1,021	1,139	1,211	1,289
Rubber and Plastics products	347	351	347	322	330	335
Non-metallic minerals products	579	613	590	508	476	444
Basic non-ferrous metals	3,069	2,711	2,560	1,922	1,720	1,612
Fabricated Metals	514	578	605	565	581	597
Diamond processing	2,160	2,421	2,354	1,501	1,632	1,756
Other manufacturing	604	621	706	763	831	893
Electricity and water	5,773	6,667	6,118	6,546	6,955	7,659
Construction	3,994	3,828	3,819	3,841	4,192	4,606
Secondary industries	**29,983**	**31,902**	**30,918**	**29,720**	**31,188**	**33,331**
Wholesale and retail trade, repairs	18,542	17,918	18,182	17,186	19,054	20,543
Hotels and restaurants	3,035	2,966	3,893	1,437	1,496	1,658
Transport and Storage	5,534	5,709	5,433	4,973	5,015	5,292
Transport	4,366	4,493	4,081	3,502	3,421	3,525
Storage	1,169	1,216	1,352	1,472	1,594	1,767
Information and Communication	2,622	2,459	2,580	2,834	2,833	2,860
Financial and insurance service activities	12,094	13,845	12,474	10,729	10,132	9,847
Real estate activities	9,136	9,557	10,213	9,837	10,287	10,968
Professional, scientific and techical services	1,170	1,214	1,276	1,361	1,463	1,591
Administrative and support services	1,799	1,896	1,829	1,889	2,011	2,079
Arts, Entertainment & Other Service activities	2,869	3,061	3,109	2,837	3,165	3,440
Public administration and defence	19,622	20,777	20,945	21,451	22,538	23,508
Education	16,538	17,441	18,839	20,299	21,356	22,909
Health	6,353	6,160	6,007	6,649	7,165	7,613
Private household with employed persons	1,168	1,188	1,202	1,243	1,338	1,427
Tertiary industries	**100,485**	**104,192**	**105,982**	**102,725**	**107,852**	**113,734**
All industries at basic prices	**156,441**	**164,499**	**165,315**	**158,505**	**166,284**	**177,242**
Taxes less subsidies on products	13,088	13,552	13,362	11,827	12,554	13,307
GDP at market prices	**169,529**	**178,052**	**178,677**	**170,332**	**178,838**	**190,549**

Source: NSA (2017-2019), BoN (2020-2022)

Appendix V: Real GDP Growth, Worst case (percent)

Industry	2017	2018	2019	2020	2021	2022
Agriculture, forestry and fishing	7.0	-1.9	-2.6	-13.4	-1.5	2.0
Livestock farming	9.8	-0.5	-6.7	-13.8	3.7	2.4
Crop farming and forestry	15.7	-6.9	-13.5	4.2	-1.4	3.2
Fishing and fish processing on board	0.8	0.1	6.1	-21.1	-4.7	1.0
Mining and quarrying	14.2	16.1	-11.1	-28.9	3.4	9.9
Diamond mining	14.5	15.1	-17.7	-43.0	5.4	14.1
Uranium	23.5	33.4	-4.4	-22.9	8.5	15.4
Metal Ores	-26.3	0.8	-0.1	-0.2	-11.6	3.1
Other mining and quarrying	63.7	13.6	2.5	-4.4	4.0	-0.2
Primary industries	**11.0**	**8.5**	**-7.8**	**-22.7**	**1.2**	**6.5**
Manufacturing	-1.0	1.0	3.5	-14.6	1.0	2.3
Meat processing	12.5	14.7	18.1	-8.5	1.6	4.0
Grain Mill products	8.1	1.9	-2.6	4.7	1.0	1.9
Other food products	-5.2	1.1	1.0	3.1	2.8	2.2
Beverages	-4.2	5.0	12.5	-37.6	-5.8	3.0
Textile and wearing apparel	11.3	0.9	-2.3	1.3	0.4	-0.2
Leather and related products	-1.6	4.5	-2.1	-1.8	2.8	-0.4
Wood and wood products	8.6	-12.5	1.3	-0.8	2.5	6.0
Publishing and Printing	12.1	-13.2	-6.9	-1.4	-0.1	-1.5
Chemical and related products	-18.9	-7.2	-1.6	5.2	1.8	1.8
Rubber and Plastics products	-12.1	7.0	-2.3	-5.0	-1.6	-2.3
Non-metallic minerals products	-17.7	-5.1	3.8	-15.7	-3.6	-6.5
Basic non-ferrous metals	4.1	-4.0	12.3	-17.5	2.2	5.0
Fabricated Metals	-24.6	5.5	1.1	-11.2	-1.6	-1.9
Diamond processing	11.4	6.4	-7.0	-62.2	3.8	2.6
Other manufacturing	2.6	0.1	9.2	4.6	4.9	3.8
Electricity and water	-16.4	13.2	-5.4	7.5	1.4	4.1
Construction	-23.1	-8.7	-7.9	-5.7	1.5	2.6
Secondary industries	**-6.9**	**0.9**	**0.9**	**-11.0**	**1.1**	**2.6**
Wholesale and retail trade, repairs	-6.9	-6.2	-4.7	-8.9	3.2	4.2
Hotels and restaurants	-1.4	4.9	2.7	-85.0	-3.6	4.4
Transport and Storage	-4.8	-3.5	-3.4	-25.6	3.3	0.4
Transport	-4.0	-5.0	-5.4	-34.0	3.4	-2.0
Storage	-8.0	2.6	4.4	4.7	2.9	6.0
Information and Communication	6.0	-2.2	8.6	14.1	3.6	4.8
Financial and insurance service activities	3.6	0.0	6.0	-16.7	2.8	4.7
Real estate activities	2.6	2.7	2.7	-7.8	1.2	1.9
Professional, scientific and techical services	-2.8	-1.1	-7.2	0.3	1.4	2.2
Administrative and support services	-2.2	0.9	-6.2	-1.5	1.3	-1.1
Arts, Entertainment & Other Service activities	-0.4	0.4	-1.9	-14.8	4.6	2.0
Public administration and defence	2.2	0.7	2.2	-0.7	1.9	0.5
Education	-1.7	0.5	2.7	2.7	0.6	0.7
Health	4.4	-8.9	-4.8	6.3	3.6	1.2
Private household with employed persons	1.0	-2.5	-2.5	-1.3	2.4	1.7
Tertiary industries	**-0.5**	**-1.4**	**0.6**	**-8.1**	**2.2**	**2.1**
All industries at basic prices	**0.1**	**0.7**	**-0.9**	**-11.2**	**1.8**	**2.8**
Taxes less subsidies on products	-3.9	0.5	-4.0	-25.0	2.3	2.6
GDP at market prices	**-0.3**	**0.7**	**-1.1**	**-12.2**	**1.9**	**2.8**

Source: NSA (2017-2019), BoN (2020-2022)