Economic Outlook

Bank of Namibia

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Overview

GLOBAL ECONOMY

- According to the IMF's World Economic Outlook Update for July 2016, the global economy is expected to grow by 3.1 percent and 3.4 percent during 2016 and 2017, respectively.

- Growth is expected to increase marginally in Emerging Market Economies (EMEs) and developing economies during 2016 and 2017, relative to 2015. In contrast, growth is expected to moderate in major Advanced Economies over the same period, with the exception of the projected recovery in the United States during 2017.

- Risks to global growth have increased, following the recent referendum vote by the United Kingdom to leave the European Union. Growth is now expected to slow down in major economies, including the United States, Euro Area, United Kingdom and Japan. A further risk of deceleration in global growth is from continued weak performance among emerging and developing economies. Such risks include a low growth trap, exchange rate volatility, low commodity prices and risks from the continuation of monetary policy normalization in the US. Growth stagnation is attributed to weak global demand emanating from large developing economies such as China, Brazil, Russia and South Africa. Additional risks to global growth include economic rebalancing in China, geopolitical tensions in the Middle East and increased uncertainty linked to the negotiation process to finalise the exit of the United Kingdom from the European Union.

REGIONAL ECONOMY

- Growth in the Sub-Saharan African region is expected to slow down to 1.6 percent in 2016 before recovering to 3.3 percent in 2017. The expected slowdown is attributed to low commodity prices, low consumer spending, and weak demand from China and other key emerging markets economies.

- Growth for the South African economy is expected to slow down to 0.1 percent in 2016 from 1.3 percent in 2015. The weak growth is explained by low international commodity prices, prevailing drought conditions and low household spending. These economic factors, coupled with domestic political uncertainty are expected to impede economic growth in the medium term. Meanwhile, a marginal recovery of 1.0 percent is projected in 2017.

- The Angolan economic growth is projected to slow down to 2.5 percent in 2016, but to recover marginally to 2.7 percent in 2017. Growth in Angola is expected to remain subdued, due to the prevailing low oil prices and low rate of economic diversification.

DOMESTIC ECONOMY

- Namibia's real GDP growth is projected at 4.4 percent and 5.4 percent for 2016 and 2017, respectively. The projected growth for 2016 represents a slowdown from the preliminary national account estimates of 5.7 percent for 2015. The expected slowdown in 2016 is mainly attributed to the decline in growth of the construction sector, as well as, the diamond mining sub-sector. There are notable improvements in the uranium mining sub-sector and a lesser contraction in the agriculture sector; however, these developments may not be sufficient to avoid a slowdown in overall growth for 2016. Over the medium-term, growth will be supported by increased mining output from new and existing mines, and sustained growth in wholesale & retail trade.[1]

- Risks to the domestic outlook include low commodity prices that may lead to deterioration in the country's terms of trade and exert pressure on both the current account balance and the international reserves. Electricity supply fears seem to have eased, but Namibia is faced with water shortages, which may further restrain growth in sectors such as construction, beverages, meat processing and agriculture. Increased uncertainties in the South African economy, mainly in the form of low growth and possible changes in credit ratings of the economy are likely to increase exchange rate volatility further with consequential effects on inflation. Furthermore, the persistent drought and adverse weather conditions experienced in the Southern Africa region constitute a major risk to growth in the agricultural sector.

[1] In addition, projected contraction in Agriculture and forestry sector is lesser than the negative growth in 2015.

2. Global Outlook

Global output is expected to remain stagnant in 2016 and to improve during 2017. According to the WEO update for July 2016, global growth is projected at 3.1 percent in 2016, which is unchanged from 2015 and projected to increase thereafter to 3.4 percent in 2017 (Table 1). The higher growth in 2017 is expected to be supported by improved growth among emerging and developing economies. Growth in major emerging markets is slowing, with expected contractions in Brazil and Russia during 2016.

In India, growth is projected to slow down to 7.4 percent in 2016, from 7.6 percent in 2015 and thereafter remain flat at 7.4 percent in 2017. Meanwhile, growth is expected to slowdown in China during 2016 and 2017. Growth in advanced economies is projected to moderate from 1.9 percent in 2015, to 1.8 percent in both 2016 and 2017.

Table 1: World Economic Output (annual percentage change)

Regions	Actual 2014	Actual 2015	Projections 2016	Projections 2017	Differences from April 2016 Outlook 2016	Differences from April 2016 Outlook 2017
World Output	**3.4**	**3.1**	**3.1**	**3.4**	**-0.1**	**-0.1**
Advanced economies	**1.9**	**1.9**	**1.8**	**1.8**	**-0.1**	**-0.2**
United States	2.4	2.4	2.2	2.5	-0.2	0.0
Euro Area	0.9	1.7	1.6	1.4	0.1	-0.2
Germany	1.6	1.5	1.6	1.2	0.1	-0.4
France	0.6	1.3	1.5	1.2	0.4	-0.1
Spain	1.4	3.2	2.6	2.1	0.0	-0.2
United Kingdom	3.1	2.2	1.7	1.3	-0.2	-0.9
Japan	0.0	0.5	0.3	0.1	-0.2	0.2
Emerging and developing economies	**4.6**	**4.0**	**4.1**	**4.6**	**0.0**	**0.0**
China	7.3	6.9	6.6	6.2	0.1	0.0
India	7.2	7.6	7.4	7.4	-0.1	-0.1
Russia	0.7	-3.7	-1.2	1.0	0.6	0.2
Brazil	0.1	-3.8	-3.3	0.5	0.5	0.5
Sub-Saharan Africa	**5.1**	**3.3**	**1.6**	**3.3**	**-1.4**	**-0.7**
South Africa	1.6	1.3	0.1	1.0	-0.5	-0.2
Angola	4.8	3.0	2.5	2.7	0.0	0.0
Nigeria	6.3	2.7	-1.8	1.1	-4.1	-2.4
Middle East and North Africa	**2.7**	**2.3**	**3.4**	**3.3**	**0.3**	**-0.2**

Source: IMF World Economic Outlook Update, July 2016

2.1. Advanced Economies

Growth in Advanced Economies is projected to moderate in 2016 and remain unchanged in 2017. Growth is expected to slow down to 1.8 percent during 2016 and remain flat until 2017, notably this is with the exception of the United States, which is expected to rebound in 2017. Major advanced economies such as Germany, Japan and France are trapped in weak growth rates that have the potential to reinforce negative feedbacks to global growth.

Amongst advanced economies, the United States is expected to support global growth during 2016 and 2017. The US economy is projected to grow by 2.2 percent and 2.5 percent in 2016 and 2017, respectively; and this is compared to a growth rate of 2.4 percent in 2015. Despite a projection of flat growth in 2016, growth remains adequate to maintain the economy, including rising domestic demand, robust employment conditions, low inflation and stable housing markets.

Robust growth in the Euro Area remains elusive, and the Euro Area had been subjected to a prolonged period of low growth. The Euro Area is projected to grow by 1.6 percent in 2016 and 1.4 percent in 2017. Growth in the Euro Area is expected to be sustained by monetary stimulus, low oil prices and the improving labour markets. Although, growth is expected to continue due to monetary policy support and a boost from lower energy and commodity prices in the Euro area, the slowdown from China will weigh down exports from the Euro area.

In the United Kingdom, economic growth rate is projected to slow to 1.7 percent and 1.3 percent in 2016 and 2017, respectively, from 2.2 percent in 2015. Growth projection for the United Kingdom is negatively affected by increased uncertainty following the vote to leave the European Union, which is expected to weaken domestic demand. According to the WEO update for July 2016, growth in the UK has been revised down by 0.2 and 0.1 percentage points for 2016 and 2017, respectively. This revision was due to increased uncertainty from the vote to leave the European Union.

In Japan, growth is projected at 0.3 percent in 2016, before declining further to 0.1 percent in 2017. Growth has been reduced by weak global demand particularly from China and other emerging market economies. Without government interventions to spur growth, the Japanese economy is expected to remain in the low growth territory. According to Organization of Economic Corporation and Development (OECD), June 2016, growth is projected to slow down due to impact of the consumption tax hike planned for 2017, but this will be partially offset by a pick-up in exports.

2.2. Emerging Market and Developing Economies

Emerging markets and developing economies are expected to sustain positive global growth during 2016 and 2017. China and India's growth rates are projected to remain above 6.0 percent over the next two years. Meanwhile, Brazilian and Russian economies are expected to remain in recession during 2016; however, growth in both economies is expected to recover in 2017.

Economic growth for the **Chinese** economy is expected to moderate to 6.6 percent and 6.2 percent in 2016 and 2017, respectively. The projected moderation in China is explained by weak global demand and the current structural reforms intended at rebalancing the economy. Nevertheless, domestic demand in China remains resilient due to robust household consumption.

India's economic growth rate is projected to slow down to 7.4 percent in 2016 and remain flat at 7.4 percent during 2017. Growth in India is expected to be driven by strong private consumption which has benefited from low energy prices and high real incomes.

Russia's economy is projected to remain in recession in 2016, before rising to moderate recovery in 2017. Growth is expected to contract by 1.2 percent in 2016 and this is followed by a marginal recovery of 1.0 percent in 2017. The lower growth projections are attributed to adverse effects of international sanctions, coupled with low oil prices and structural weaknesses. Weak economic outlook for Russia remains a risk because of a possible significant drag on the global growth.

Likewise, growth in **Brazil** is projected to remain in recession during 2016. According to the IMF WEO July 2016 Update, the downturn of the Brazilian economy was less deep than expected, thus recovery is expected to start in 2017. The economy is expected to contract by 3.3 percent in 2016 followed by 0.5 percent growth in 2017. Furthermore, the Brazilian economy is burdened by domestic political uncertainties that continue to constrain the government's ability to formulate and execute possible policy remedies.

Risks to the global economic outlook remain definite particularly for those countries in the emerging markets and developing economies. These risks range from low commodity prices, low-growth trap, political turmoil and negative impact from increasing interest rates in the US. In the advanced economies, risks are diverse, ranging from low inflation, negative output gap and low aggregate demand**.** Furthermore, the start of contractionary monetary policies[2] in the advanced economies is expected to increase exchange rate volatility and capital outflows from emerging markets. Other downside risks are those associated with the decision by the UK to leave the European Union. The vote to leave the EU caused significant political change in the United Kingdom and generated uncertainty about the country's future economic relations with the rest of the world. The Brexit is expected to trigger negative effects on the UK economy as the renegotiation of trade agreements with other European countries and the rest of the world drags on.

[2] Contractionary fiscal policy involves government attempting to reduce deficits/debt and it may include reduction in government spending and or increased taxes.

3. Regional Outlook

Economic growth in Sub-Saharan Africa (SSA) is projected to slowdown in 2016, but a modest recovery is projected for 2017 on the back of moderate commodity price recovery. Economic growth in Sub-Sahara Africa is expected to slow to 1.6 percent in 2016, from 3.3 percent in 2015, before recovering to 3.3 percent in 2017. The expected slowdown in 2016 is due to low commodity prices and constraints in the energy and communication sectors. In addition, the slowdown in SSA is driven by unfavourable external conditions such as weak demand from Eurozone and from China. There is, however, an expected moderate recovery during 2017 on the basis that commodity prices will increase enough to sustain positive growth in SSA.

Growth in **South Africa** is projected to drastically slowdown during 2016, due to lower export prices, labour unrests, weak investor confidence, low power generation and lower household expenditure. The economy is projected to slow to 0.1 percent in 2016, compared to the GDP growth of 1.3 percent in 2015. During July 2016, the South African Reserve Bank has also revised its growth forecast for the South African economy to 0.0 percent in 2016, from 0.6 percent projected in May 2016. This growth is then expected to improve to 1.1 percent in 2017.

Growth in Angola is expected to remain weak due to weaker domestic demand, declining exports and lower crude prices. According to the IMF's WEO for April 2016, growth in Angola is projected to slow down to 2.5 percent in 2016, and marginally increase to grow to 2.7 percent in 2017. The growth expectation in 2017 is due to the forecasted recovery in commodity prices together with renewed demand from China. Crude oil accounts for about 95 percent of the country's exports and 45 percent of government revenues. As a result, Angola's external position has weakened materially.

Overall, growth in the SSA is expected to remain weak due to unfavourable external conditions as resource intensive countries continue to suffer from the decline in commodity prices. Ordinary risks to the regional outlook persist from the expected impact of the continuation of contractionary monetary policy stances of major economies, low commodity prices, strong US Dollar and the erratic rainfall in Southern Africa. This rise in interest rates in the United States and other major economies are expected to exacerbate the increase of capital outflows from emerging markets and exchange rate volatilities, with ultimate consequential effects on inflation. Slow actions toward resolving the problem of electricity supply will continue to be a source of concern and binding constraint to foreign direct investment into the region. Furthermore, the low growth in advanced economies and associated weak demand remain a downside risks on the SSA regional outlook.

4. Domestic Economic Outlook

Developments since the last Economic Outlook:

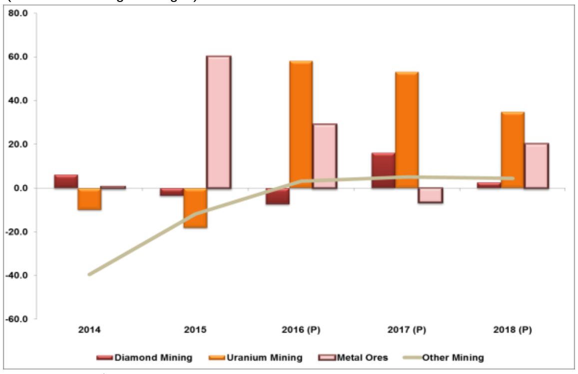
The Namibian economy is expected to continue on a healthy growth trajectory in 2016 and this will be supported by good growth prospects in the mining and electricity and water sectors. The economy is projected to grow by 4.4 percent and 5.4 percent during 2016 and 2017, respectively. The 2016 growth is a slowdown from 5.7 percent in 2015, but it is an improvement from 4.3 percent projected by the Bank in December 2015. The prevailing drought and projected contraction in diamond mining and construction sectors are expected to negate growth during 2016; however, the negative effects will wane as growth is projected to accelerate in 2017, mainly in line with anticipated recovery in both diamond mining and agriculture as well as improved growth in manufacturing and transport and communication sectors.

Since the Economic Outlook in December 2015, the Namibia Statistics Agency (NSA) published the Preliminary National Accounts for 2015 with a higher growth for 2015 compared to the Bank's earlier estimate. The estimated growth rate for 2015 was 5.7 percent, which is 1.2 percentage points higher than the Bank's estimate of 4.5 percent for the same year. Preliminary Annual National Accounts for 2015 showed improved growth rates for construction, electricity and water and for public administration and defence, when compared to the Bank's previous economic outlook projections.

Over the medium-term, growth is expected to remain strong, supported by increased production from the mining industry and stronger performance from the service industries. Growth will be supported by increased output from both new and existing mines, sustained growth in wholesale and retail and anticipated recovery in agriculture. B2Gold's Otjikoto mine, Weatherly's Tschudi copper mine and Swakop Uranium's Husab mine are expected to increase production towards their optimal capacities. Overall, the main activities in these mines are expected to boost production over the medium term and increase the primary industry's contribution to domestic growth.

Figure 1: Namibia Macroeconomic Performance and Outlook

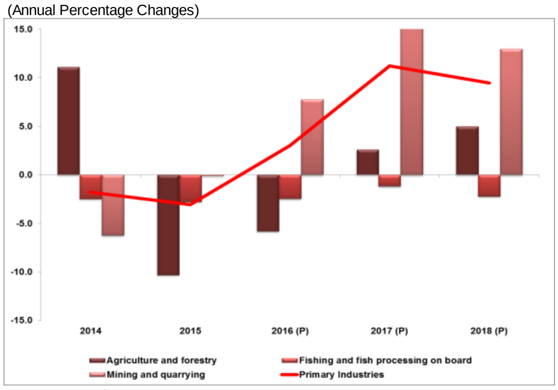
Mining Industry
(Annual Percentage Changes)



Source: NSA and BoN

Mining recorded a near-zero growth in 2015 and is expected to improve in 2016.

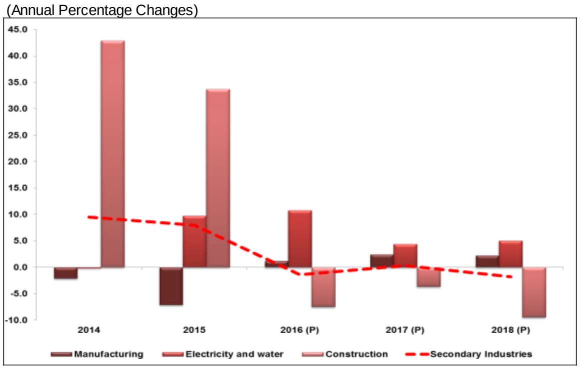
Primary Industries
(Annual Percentage Changes)



Source: NSA and BoN

Growth for primary industries deteriorated during 2015.

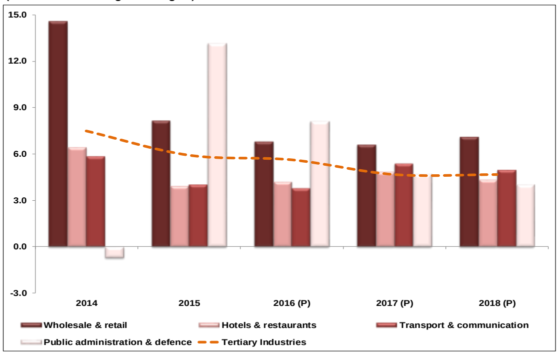
Secondary Industries
(Annual Percentage Changes)



Source: NSA and BoN

Growth is expected to remain subdued amongst Seconady industries.

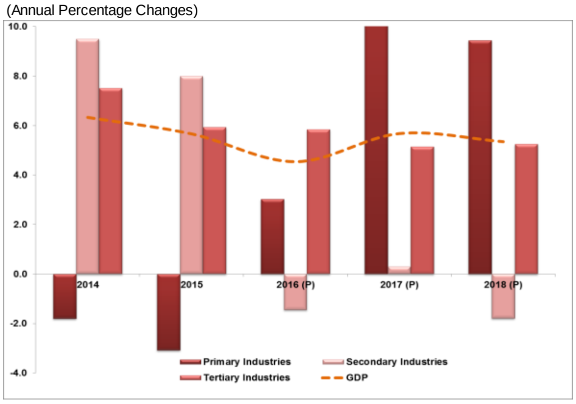
Tertiary Industries
(Annual Percentage Changes)



Source: NSA and BoN

Growth among tertiary industries to moderate, but remain strong.

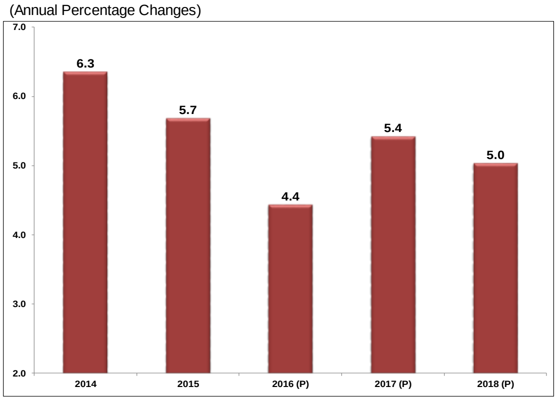
GDP growth by Industries
(Annual Percentage Changes)



Source: NSA and BoN

Primary industries expected to lead growth from 2017 onwards.

GDP growth, 2014-2018
(Annual Percentage Changes)



Source: NSA and BoN

Overall growth expected to slow in 2016 before accelerating over the forecast period.

4.1 Primary Industries

The primary industries are projected to recover in 2016, and this is owing to positive developments in uranium mining and sustained growth in metal ores. Primary industries are projected to grow by 3.0 percent and 11.2 percent in 2016 and 2017, respectively. This positive growth outlook in the primary industries followed a contraction of 3.1 percent in 2015 (Figure 1). The expected recovery in primary industries will be driven by increased production of uranium and metal ores (gold, copper and zinc) during 2016. Nevertheless, projected contraction in agriculture will continue to weigh down overall growth in the primary sector during 2016. The mining and quarrying sector is projected to expand by 7.7 percent and 16.9 percent in 2016 and 2017, respectively. The improvement during 2017 is attributed to an anticipated recovery in diamond mining, which is projected to expand by 16.2 percent in 2017.

During 2016, Agriculture and forestry is projected to contract due to prevailing drought conditions in the country; however, the sector is expected to recover in 2017. The low and erratic rainfall experienced during the last two seasons (i.e. 2014/15 and 2015/16) has led to a prolonged drought spell in Namibia. The pervasive drought is expected to lead to the second consecutive contraction in both livestock farming and crop production. The agriculture and forestry sector is projected to contract by 5.8 percent in 2016, which is an improvement from a contraction of 10.3 percent in the previous year (appendix II). The main improvement in agricultural growth during 2016 will emanate from livestock farming whereby farmers are expected to consolidate their stocks and thus increase investment and growth in the sector. In this regard, growth for livestock farming is expected to improve from a contraction of 14.0 percent in 2015 to a contraction of 6.9 percent in 2016. Similarly, crop farming is projected to contract by 4.5 percent in 2016, following a contraction of 5.2 percent in the preceding year.

Diamond mining is projected to contract in 2016 and thereafter recover in 2017. Diamond mining is projected to contract by 7.3 percent in 2016, following a moderate contraction of 3.4 percent in the previous year. The contraction in diamond mining is attributed mainly to two factors: the lower grade of diamonds mined at Namdeb, and DeBeers Marine mining vessel scheduled for service during 2016. Thereafter, diamond mining is projected to expand by a robust growth of 16.2 percent in 2017 as Namdeb Holdings approaches its production capacity of around 1.95 million carats per year. Diamond mining is one of the major contributors to economic growth with a GDP contribution estimated to average 10.2 percent between 2016 and 2017 up from 9.0 percent achieved in 2015.

Growth in uranium mining is projected to accelerate during 2016 and 2017 in line with increased output from both new and existing mines. Uranium mining is projected to grow by 58.2 percent and 53.1 percent in 2016 and 2017, respectively. The robust growth in 2016 is expected to come mainly from Swakop Uranium's Husab mine which will commence with production from September 2016[3] as well as increase production at Rossing Uranium mine. Rossing Uranium production for the first five months of 2016 shows an increase of 58.0 percent when compared to the same period in 2015. Further, Husab mine is expected to raise production level during 2017 and that would increase the growth level in the sub-sector. The Husab mine is expected to produce 6,810 tonnes of uranium oxide per annum at full capacity and total uranium production is projected to increase from 3,420 tonnes in 2015 to 13,052 tonnes in 2018. On the negative side, the international uranium price has declined further in 2016, thus dampening the prospect of increasing production at some uranium mines. According to IMF projections, the uranium price is expected to decline by 11.2 percent in 2016 then increase by 5.8 percent in 2017.

Growth in the metal ores sector is expected to slow, but remain robust as new mines in gold and copper sub-sectors continue to increase production. The metal ores industry is projected to grow by 29.0 percent in 2016 which is a slowdown from 60.1 percent recorded in 2015. Growth in this industry is boosted by the commencement of B2Gold's Otjikoto mine and Weatherly's Tschudi copper mine last year. Otjikoto mine has produced 4,141 kilograms of gold bullion during 2015, and this volume is double when compared to the annual production of the existing gold mine. Otjikoto mine is projected to increase output to 4,394 kg in 2016 and to reach its full capacity of 6,670 kg by 2018. Tschudi mine produced 10,659 tonnes of copper during 2015 and is expected to reach its designed capacity of 17,000 tonnes in 2016.

4.2 Secondary Industries

Growth in the secondary industries is projected to contract during 2016 and thereafter remain low during the entire forecast period, mainly on account of contraction in the construction sector. Growth for secondary industries is projected to shrink by 1.4 percent in 2016 from a robust growth of 8.0 percent in 2015, but his is followed by recovery of 0.3 percent in 2017, (Figure 1). Construction activities linked to private investments in the mining sector and public infrastructure projects had driven growth in this industry in recent years. Going forward construction is expected to contract during 2016-2017 period. Specifically, the contraction in the construction sector is expected to impact negatively the growth for 2016 in

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[3] It is assumed that for 2016, Husab mine will only produce 20 percent of the possible production capacity of 6810 tonnes. Meanwhile, Rossing Uranium production year-to-date is reported at 58 percent.

the secondary industries. Firstly, the decline in construction is due to the fact that new projects are not big enough to sustain the base set by mining construction over the past three years; and secondly, the public infrastructure program will be limited to existing projects in order to adhere to the fiscal consolidation path. During 2017, overall growth in manufacturing is expected to improve and contraction in construction is projected to be less when compared to 2016, leading to a recovery in secondary industries.

During 2016, manufacturing is expected to recover from a contraction in 2015, and thereafter maintain low growth throughout the forecast period. Performance in the manufacturing sector is linked to the primary activities such as mining, fishing and agriculture. Thus, occurrence of drought forces farmers to market their livestock and thereby increase activities in the meat processing sub-sector. However, 2016 marks the second year of consecutive drought and low livestock volumes on the farms, leaving little that can be availed for slaughtering. Farmers are expected to restock in 2016 and hence, meat processing is projected to decline significantly. In the case of mineral processing, activities in this subsector are expected to improve and drive a recovery in overall manufacturing. Largely, the expected improvement and recovery in the overall manufacturing is attributed to the commencement of new mines: The Tschudi mine which produces refined copper cathode, and the construction of the Skorpion zinc refinery. In this regard, manufacturing is projected to grow by 1.2 percent in 2016 compared to a contraction of 7.1 percent in the previous year. Growth in diamond processing is expected to recover to 5.6 percent in 2016 from a major contraction of 47.0 percent in 2015. The recovery will be driven by increased supply of rough diamonds to processors and improved international markets for processed diamonds.

Growth in the electricity and water sector is expected to remain strong during 2016 before slowing in the medium term. Electricity and water sector is projected to expand by 10.8 percent in 2016 which is an improvement from 9.8 percent in 2015, before easing to 4.4 percent in 2017. The higher growth in 2016 is expected to come from both electricity generation and further increased activities (i.e. provision of water) in the water sector. The increase in local electricity production will come from the refurbished van Eck power station. Van Eck power station is usually only used in emergency situations and short-term supply projects. Usually, companies in the water sector, mainly NamWater, face high demand to supply water for animals during drought periods compared to normal years.

Growth in construction is expected to contract during the period from 2016 to 2017 as construction at mines comes to an end. The construction sector is projected to contract by 7.5 percent and 3.7 percent in 2016 and 2017, respectively. This represents a slowdown from 33.7 percent growth in 2015. Growth in this sector was largely driven by high value construction activities at various mines, which are now either ended already or coming to an end in 2016. Other private sector construction is also expected to come under pressure given the water shortages, especially in the central regions of Namibia. Most private institutions in uranium mining and fisheries have further indicated that there will be no major investment projects in the short-term, due to uncertainties regarding the uranium price and the allocation of fishing rights, respectively. The current fishing rights are set to expire during 2018/19 and companies will need to reapply. Furthermore, the public construction is also expected to slow as Government embarks on a fiscal consolidation strategy in order to restore its fiscal buffers[4]. In this regard, the Government's development expenditure is projected to decline by 18.1 percent in 2016/17, when compared to the previous financial year.

4.3 Tertiary Industries

Tertiary industries are expected to maintain normal growth rates during the forecast period, supported by resilient wholesale and retail trade. Tertiary industries are projected to grow by 5.6 percent in 2016 and 4.7 percent in 2017, after expanding by 5.9 percent in 2015 (Figure 1). Furthermore, moderate activities in financial intermediation, wholesale and retail trade and transport & communication are expected to drive growth for tertiary industries.

Growth in wholesale and retail trade is expected to slow both in 2016 and 2017. The wholesale and retail trade is projected to grow by 6.8 percent and 6.6 percent in 2016 and 2017, respectively. The projected growth for 2016 is a slowdown from 8.1 percent recorded in 2015. The quarterly GDP figures published by the Namibia Statistics Agency for the first quarter of 2016 indicated that wholesale and retail sales grew by 4.9 percent. Amongst others, the retail sales, total vehicle sales declined by 2.8 percent during the first four months of 2016, when compared to the corresponding period of 2015. In addition, better growth of 11.0 percent was, however, recorded in clothing over the same period. Going forward, it is anticipated that the enforcement of the latest amendments to the Credit Agreement Act as from August 2016 will dampen growth in the vehicle sales and ultimately the wholesale and retail trade subsector. At the same time, these amendments are likely to reduce vehicle imports and thereby countering the negative impact on GDP growth.

[4] Fiscal buffers refer to the need for Government to create enough space so that it is able to increase spending in the future without creating unsustainable debt levels

Growth in hotels & restaurants sub-sector is expected to improve in 2016 and to remain stable over the medium term. The hotels and restaurants sub-sector is projected to expand by 4.2 percent and 4.8 percent in 2016 and 2017, respectively, which is an improvement from 3.9 percent for 2015. The projected growth in the tourism sector will likely be supported by an increase in overseas tourists who are expected to take advantage of a weaker Namibia Dollar exchange rate going forward.

Financial intermediation activities are expected to maintain some momentum, supported by higher interest rates. Financial intermediation is projected to grow by 4.8 and 6.6 percent in 2016 and 2017 respectively. Growth in this sector is expected to remain strong in line with increased earnings from interest-bearing activities[5]. However, there are indications that demand is slowing marginally, as reflected in reduced vehicle sales and slower growth in credit extension. In this regard, annual growth in private sector credit reduced to 13.0 percent during the first quarter of 2016 compared to 15.8 percent recorded in the corresponding quarter of 2015.

Risks to domestic growth include meagre recovery in the country's trading partners, low international commodity prices and uncertainty about weather conditions. The sluggish economic growth in the emerging markets coupled with the low prices for commodities of export interest to Namibia continue to be a risk to the economy. The shortage of water being experienced is likely to negatively affect other sectors such as meat processing, construction and beverages. Similarly, the expected recovery in agriculture may be delayed if no sufficient rain is received during the next crop season.

[5] Growth in Financial intermediation depends on performance of financial institutions such as Bank of Namibia, the Development Bank of Namibia, Agribank, commercial banks and insurance companies. Within the banking industry, high interest rates are associated with high interest margins and hence, higher earnings.

5. Conclusions

Global output is expected to remain stagnant in 2016 and thereafter improve during 2017. The stagnation in 2016 is due to the moderation in advanced economies while the emerging market economies improved by the same margin. The improvement in 2017 is largely on account of better performance among emerging markets. Stable growth in the United States is expected to drive overall growth for advanced economies in both 2016 and 2017, which is projected to remain flat at 1.8 percent. Most advanced economies are trapped in weak growth territory, which may enforce negative feedbacks to global growth. Emerging market and developing economies are expected to sustain positive growth during 2016 and 2017, with China and India maintaining growth rates above 6.0 percent. However, Brazil and Russia are expected to remain in recession during 2016, with modest recoveries projected for 2017.

Economic growth in Sub-Saharan Africa (SSA) is projected to slow down in 2016; however, growth is expected to recover during 2017 on the back of moderate commodity prices recovery. Growth prospects in the region continues to be affected by low commodity prices as most of the regional economies are predominantly commodity exporters. South Africa in particular, faces capital flight and exchange rate risks from the global front; and worsening drought conditions persistent in the region. Other domestic constraining factors in South Africa include weak investor confidence, low power generation and low household expenditure. As a result, the short term potential growth for 2016 has been revised down from 1.5 percent estimated in January 2016 to 1.4 percent estimated during July 2016.

Growth in Angola is expected to soften because of the weakened external position from the low oil price and currency depreciation. According to the IMF's WEO April 2016, growth in Angola is projected to reduce to 2.5 percent in 2016, and marginally rise to 2.7 percent in 2017. Although moderate recovery is expected in Angola during 2016 - 2017, the pace of the projected recovery will steady due to weak demand from China and low diversification of the domestic economy.

The Namibian economy is expected to maintain a moderate growth rate in 2016, supported by good growth prospects in mining and electricity and water sectors. The economy is projected to grow by 4.4 percent during 2016, which is a slowdown from a 5.7 percent recorded in 2015. The slowdown is mainly attributed to anticipated contractions in diamond mining and construction sectors. Positive contributions to growth are expected to come from uranium mining, metal ores, electricity and water and a slight improvement in agriculture.

Growth is projected to improve during 2017, largely on the back of expected recovery in both diamond mining and agriculture. The Namibian economy is projected to grow by 5.4 percent in 2017, mainly in line with projected recoveries in diamond mining and agriculture and improved growth in manufacturing and transport and communication sectors. The contraction in diamond mining in 2016 was mainly due to operational issues, which are not likely spill over to 2017 and hence, diamond mining is projected to expand by 16.2 percent during 2017. The agricultural sector is expected to recover to 2.6 percent in 2017, from a projected contraction of 5.8 percent in 2016, on the hope that El Nino cycle is over within the southern Africa region.

Risks to the growth outlook remain on the downside and are mostly centred on global spill-overs. Flat growth in advanced and leading emerging market economies remains a risk to a resource based country like Namibia. Furthermore, weak global demand and slow recovery of international commodity prices if persist longer may slow production at some of the mines, especially uranium mines. Meanwhile, weak growth rates in some advanced economies if sustained longer, have potential to reinforce negative feedback to the global growth through credit crunch and debt defaults. At regional level, drought poses an immediate threat to production in primary industries and food inflation. Finally, the persistent drought has potential to derail the planned fiscal consolidation path in the domestic economy.

Appendices

Appendix I: Forecasting Assumptions

Real Sector

- Growth in the agricultural industry is expected to improve in 2016 when compared to the preceding year, but will remain negative. Livestock farming is projected to do better than 2015, as farmers try to restock during 2016, while the rate of contraction in crop farming is estimated to remain similar to that of 2015.

- Diamond production is expected to be lower in 2016, compared to 2015. The reduced production is attributed to a lower grade mining area, vessel maintenance and also based on the decision by De Beers International to cut production, in line with the prevailing marketing conditions.

- Uranium production is expected to increase in 2016, which is due to the commencement of production at Husab mine, as well as, increased production at existing mines. Growth in uranium is expected to remain high in 2017, as the Husab mine increases its output towards its capacity of 6810 tons per year.

- Growth in Metal ores is expected to remain robust, albeit lower than 2015. The 2016 growth will be driven by increased gold production at both Otjikoto and Navachab mines, increased copper production at Tschudi mine and increased zinc production at Skorpion Zinc mine.

- The performance of the fishing industry is expected to remain subdued, in line with insufficient fish stocks and hence, reduced total allowable catches (TACs). Furthermore, international oil prices are on the increase and that means higher input costs for the fishing industry.

- Construction is expected to contract in 2016, mainly due to a high base set in recent years especially by high value construction at various mines around the country. Most of mining construction has come to an end and new projects are not big enough to sustain growth in this sector.

Appendix II: Real GDP Growth (%)

Industry	2011	2012	2013	2014	2015	2016	2017	2018
Agriculture and forestry	1.0%	8.1%	-19.3%	11.1%	-10.3%	-5.8%	2.6%	5.0%
Livestock farming	6.1%	6.0%	-25.5%	13.9%	-14.0%	-6.9%	3.4%	4.6%
Crop farming and forestry	-6.3%	11.6%	-9.6%	7.6%	-5.2%	-4.5%	1.7%	5.5%
Fishing and fish processing on board	-4.8%	-7.6%	3.0%	-2.5%	-2.8%	-2.5%	-1.2%	-2.2%
Mining and quarrying	-5.4%	25.1%	2.6%	-6.2%	-0.1%	7.7%	16.9%	13.0%
Diamond mining	-3.4%	13.0%	10.0%	6.2%	-3.4%	-7.3%	16.2%	2.6%
Uranium	-24.9%	27.1%	-6.9%	-9.9%	-18.1%	58.2%	53.1%	34.9%
Metal Ores	-10.7%	32.4%	-25.8%	0.6%	60.1%	29.0%	-6.5%	20.2%
Other mining and quarrying	28.0%	62.6%	11.0%	-39.4%	-11.8%	3.2%	5.1%	4.4%
Primary industries	**-3.6%**	**14.4%**	**-3.2%**	**-1.8%**	**-3.1%**	**3.0%**	**11.2%**	**9.4%**
Manufacturing	5.7%	-6.8%	4.6%	-2.1%	-7.1%	1.2%	2.4%	2.2%
Meat processing	-2.7%	-1.1%	30.4%	-17.2%	-5.9%	-17.4%	5.0%	6.5%
Grain Mill products	6.5%	-1.6%	12.8%	13.7%	7.1%	0.7%	1.4%	1.9%
Other food products	-10.3%	-16.8%	3.4%	12.0%	-11.7%	-3.3%	-3.3%	-0.6%
Beverages	0.4%	15.0%	13.5%	-16.5%	-3.3%	2.2%	2.4%	0.4%
Textile and wearing apparel	4.7%	6.1%	6.5%	-6.9%	-12.8%	4.5%	3.9%	-1.0%
Leather and related products	12.7%	11.3%	-7.3%	10.7%	6.3%	3.2%	6.8%	5.4%
Wood and wood products	-1.0%	-4.5%	3.1%	1.6%	5.7%	3.5%	3.6%	4.2%
Publishing and Printing	10.9%	-12.6%	6.8%	10.6%	2.9%	6.8%	6.8%	5.5%
Chemical and related products	12.0%	4.1%	4.3%	1.2%	4.6%	3.4%	3.0%	3.7%
Rubber and Plastics products	4.6%	-7.6%	5.6%	5.4%	-14.3%	3.9%	3.3%	2.6%
Non-metallic minerals products	72.3%	0.6%	3.8%	5.6%	8.1%	5.8%	6.5%	6.8%
Basic non-ferrous metals	15.5%	-23.0%	-4.0%	-3.2%	-13.7%	1.0%	2.7%	1.9%
Fabricated Metals	-7.1%	7.0%	5.6%	3.7%	2.6%	4.0%	3.4%	3.3%
Diamond processing	5.5%	-6.8%	-7.3%	-11.1%	-47.0%	5.6%	5.1%	4.5%
Other manufacturing	-8.1%	3.8%	8.9%	-2.9%	-7.4%	1.1%	1.0%	1.1%
Electricity and water	1.7%	15.4%	-4.4%	-0.2%	9.8%	10.8%	4.4%	5.0%
Construction	15.9%	7.5%	28.5%	42.9%	33.7%	-7.5%	-3.7%	-9.5%
Secondary industries	**7.1%**	**-1.8%**	**8.6%**	**9.5%**	**8.0%**	**-1.4%**	**0.3%**	**-1.8%**
Wholesale and retail trade, repairs	5.8%	4.3%	14.4%	14.6%	8.1%	6.8%	6.6%	7.1%
Hotels and restaurants	9.5%	8.1%	9.1%	6.4%	3.9%	4.2%	4.8%	4.3%
Transport, and communication	4.9%	8.0%	6.4%	5.9%	4.0%	3.8%	5.4%	5.0%
Transport	10.0%	10.0%	12.8%	3.6%	4.2%	2.8%	5.9%	4.3%
Staorage	8.3%	7.7%	3.8%	5.8%	-0.7%	2.5%	4.5%	3.5%
Post and telecommunications	-1.1%	6.2%	0.8%	8.6%	5.9%	5.3%	5.1%	6.2%
Financial intermediation	5.7%	6.8%	17.9%	10.9%	4.1%	4.8%	6.6%	5.2%
Real estate and business services	5.7%	4.7%	4.6%	2.5%	3.8%	3.5%	3.5%	3.5%
Real estate activities	2.6%	6.7%	4.9%	3.2%	3.6%	3.9%	3.5%	3.7%
Other business services	15.0%	-0.7%	4.0%	0.4%	4.5%	2.5%	3.5%	3.0%
Community, social and personal service activities	11.2%	-16.6%	-9.8%	3.5%	2.2%	2.8%	2.5%	2.6%
Public administration and defence	5.3%	2.7%	3.4%	-0.7%	13.1%	8.1%	4.7%	4.0%
Education	17.4%	4.4%	3.3%	12.0%	2.4%	5.8%	1.4%	2.6%
Health	5.7%	5.7%	8.9%	10.0%	0.8%	5.8%	4.0%	4.8%
Private household with employed persons	8.6%	8.6%	-6.7%	5.5%	1.7%	2.3%	3.2%	2.4%
Tertiary industries	**7.4%**	**3.9%**	**7.2%**	**7.5%**	**5.9%**	**5.6%**	**4.7%**	**4.7%**
Less: Financial intermediation services indirectly n	10.6%	4.5%	18.8%	5.3%	0.7%	8.3%	4.7%	4.6%
All industries at basic prices	**5.1%**	**4.8%**	**5.1%**	**6.1%**	**4.8%**	**3.8%**	**4.9%**	**4.3%**
Taxes less subsidies on products	5.3%	8.9%	11.6%	8.4%	14.7%	10.9%	10.0%	11.1%
GDP at market prices	**5.1%**	**5.1%**	**5.7%**	**6.3%**	**5.7%**	**4.4%**	**5.4%**	**5.0%**

Source: NSA (2011-2015), BoN (2016-2018)

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

Industry	2011	2012	2013	2014	2015	2016	2017	2018
Agriculture and forestry	4,496	5,278	4,132	5,330	4,673	4,620	4,985	5,459
Livestock farming	2,846	3,227	2,350	3,160	2,767	2,742	3,012	3,343
Crop farming and forestry	1,650	2,051	1,781	2,170	1,906	1,878	1,973	2,116
Fishing and fish processing on board	2,921	3,329	3,659	3,838	4,297	4,692	5,236	5,676
Mining and quarrying	7,833	13,562	16,218	17,849	17,598	20,914	29,301	36,304
Diamond mining	4,255	8,148	10,683	13,343	13,238	14,769	21,602	25,971
Uranium	1,505	2,223	1,900	1,459	1,414	2,345	3,709	5,037
Metal Ores	909	1,066	1,387	1,529	2,085	2,945	3,129	4,462
Other mining and quarrying	1,164	2,124	2,247	1,518	861	855	862	833
Primary industries	**15,251**	**22,168**	**24,009**	**27,017**	**26,569**	**30,226**	**39,522**	**47,439**
Manufacturing	12,303	13,027	13,579	13,698	12,396	13,361	14,502	15,750
Meat processing	426	492	683	563	612	572	680	794
Grain Mill products	698	814	940	1,212	1,368	1,528	1,706	1,885
Other food products	1,635	1,552	2,172	2,231	1,714	1,757	1,770	1,845
Beverages	1,661	1,930	2,178	2,374	2,388	2,720	3,044	3,391
Textile and wearing apparel	451	511	386	237	139	121	97	70
Leather and related products	93	116	128	154	165	185	216	249
Wood and wood products	276	284	314	350	380	425	473	528
Publishing and Printing	208	188	219	235	256	291	324	357
Chemical and related products	916	1,027	1,131	1,281	1,431	1,569	1,728	1,925
Rubber and Plastics products	292	282	360	424	360	403	453	510
Non-metallic minerals products	408	445	472	604	664	722	812	926
Basic non-ferrous metals	3,555	3,613	2,725	1,982	1,157	1,089	999	822
Fabricated Metals	482	563	623	693	753	845	935	1,029
Diamond processing	770	722	699	778	465	549	640	756
Other manufacturing	431	488	550	580	543	585	625	664
Electricity and water	1,795	1,997	2,327	2,401	2,058	2,346	2,462	2,620
Construction	3,126	3,515	4,741	7,006	8,947	8,469	8,335	7,673
Secondary industries	**17,224**	**18,539**	**20,647**	**23,105**	**23,400**	**24,175**	**25,298**	**26,043**
Wholesale and retail trade, repairs	10,305	11,439	14,212	17,263	17,638	19,607	21,724	24,063
Hotels and restaurants	1,590	1,787	1,929	2,391	2,964	3,341	3,831	4,415
Transport, and communication	4,606	5,012	5,765	6,838	7,172	7,858	8,751	9,807
Transport	1,637	1,806	2,438	2,730	2,929	3,128	3,542	4,000
Storage	835	867	969	1,055	1,093	1,167	1,257	1,359
Post and telecommunications	2,133	2,339	2,358	3,054	3,150	3,564	3,952	4,447
Financial intermediation	4,692	5,463	7,611	7,964	9,386	10,450	12,054	13,697
Real estate and business services	8,040	8,767	9,469	9,973	10,621	11,424	12,224	13,054
Real estate activities	5,896	6,525	7,048	7,408	7,795	8,384	8,920	9,483
Other business services	2,144	2,242	2,422	2,566	2,826	3,040	3,304	3,572
Community, social and personal service activities	2,626	2,336	2,153	2,499	2,901	3,223	3,585	4,009
Public administration and defence	8,769	11,770	13,938	15,289	16,743	19,695	23,151	26,151
Education	7,403	8,827	10,524	12,863	13,685	15,924	17,846	20,104
Health	2,923	3,200	3,571	3,950	4,271	4,727	5,097	5,538
Private household with employed persons	972	1,126	1,110	1,234	1,298	1,397	1,516	1,630
Tertiary industries	**51,927**	**59,726**	**70,282**	**80,264**	**86,679**	**97,647**	**109,781**	**122,469**
Less: Financial intermediation services indirectly ı	1,100	1,315	1,525	1,774	1,800	2,033	2,247	2,437
All industries at basic prices	**83,303**	**99,118**	**113,415**	**128,612**	**134,849**	**150,015**	**172,355**	**193,513**
Taxes less subsidies on products	6,805	7,745	9,403	10,718	12,467	14,492	16,722	19,514
GDP at market prices	**90,108**	**106,863**	**122,817**	**139,331**	**147,315**	**164,507**	**189,077**	**213,027**

Source: NSA (2011-2015), BoN (2016-2018)