

Augmenting Namibia's Trade in Services data by geographical location and currency of invoicing

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AUGMENTING NAMIBIA'S TRADE IN SERVICES DATA BY GEOGRAPHICAL LOCATION AND CURRENCY OF INVOICING¹

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This note presents augmentations to the International Trade in Services Statistics (ITSS) produced by the Bank of Namibia (BoN) as part of the Balance of Payments (BoP) statistics, to include trade in services by country and by currency. Findings were that Namibia's import of services has been on an upward trend, mainly supported in recent years by other business services coupled with transport as well as maintenance and repairs services. Import of services were mainly sourced from the United States, South Africa, Norway, the United Kingdom and the Eurozone and settled mainly using the US Dollar and the South African Rand. Similarly, Namibia's export of services has also been on an upward trend, mainly supported by travel, transport, and manufacturing services and sourced from the Eurozone, South Africa and the United States of America. The US Dollar remains the dominant currency of invoicing in terms of exports of services by the South African Rand and the Euro.

¹ BON Economic Notes are articles by the Macroeconomic Statistics and Analysis Division on relevant developments in macro and micro economic statistics. The notes are for internal discussion with the purpose of stimulating economic debate and informing the public on current trends in the economy. The Notes are published semi-annually on the Bank's website and within the Bank's Quarterly Bulletins. To ensure quality outcome of these notes, the notes are reviewed by a committee of experts within the Research and Financial Sector Development Department as well as external experts on the subject matter. These notes are shorter and less technically oriented than BON Working Papers.

² The views expressed in this note are those of the authors and do not necessarily reflect those of the Bank of Namibia. For helpful comments, the authors thank the colleagues from the Research and Financial Sector Development Department.



CONTENTS

1. OVERVIEW	4
2. METHODOLOGICAL FRAMEWORK FOR COMPILING TRADE IN SERVICES	4
3. OVERVIEW OF TRADE IN SERVICES	4
4. TRADE IN SERVICES BY GEOGRAPHICAL LOCATION	6
5. TRADE IN SERVICES BY CURRENCY	10
6. CONCLUSION	14



1. OVERVIEW

This note presents augmentations to the International Trade in Services Statistics (ITSS) produced by the Bank of Namibia (BoN) as part of the Balance of Payments (BoP) statistics. This exercise expands the current compilation of ITSS by advancing the compilation of ITSS by geographical location and currency of invoicing. The trade-in-services account is a significant component of the current account in the balance of payments, and it is used to monitor transactions in services between residents of Namibia and residents from the rest of the world.

Trade in services has become an important contributor to GDP and employment, and it is key to addressing domestic supply shortages and diversifying output and exports. Globalisation, technological progress and advances in internet and electronic commerce, computing and telecommunications have resulted in trade in services across borders becoming more common. Many enterprises can provide services from distant locations as well as reach wider markets. Consequently, employment in the services sector and its contribution to global economic growth has increased significantly in recent years.

In the case of Namibia, the services sector has gained momentum. The services sector in Namibia continues to drive GDP with a share of over 50 percent since independence. Namibia continues to have a strong services sector mainly underpinned by strong hospitality, wholesale and retail as well as the transport sectors industries. Meanwhile, according to the 2018 Labour force survey, employment in the services sector rose by 22.6 percent from 299,963 people in 2012 to 367,791 people in 2018. As such, for statistical and policy purposes it is important to compile detailed information on Namibia's trade in services. Dissecting it by geographical location (so called mirror data) as well as by currency would add valuable dimensions to the analysis of such trade.

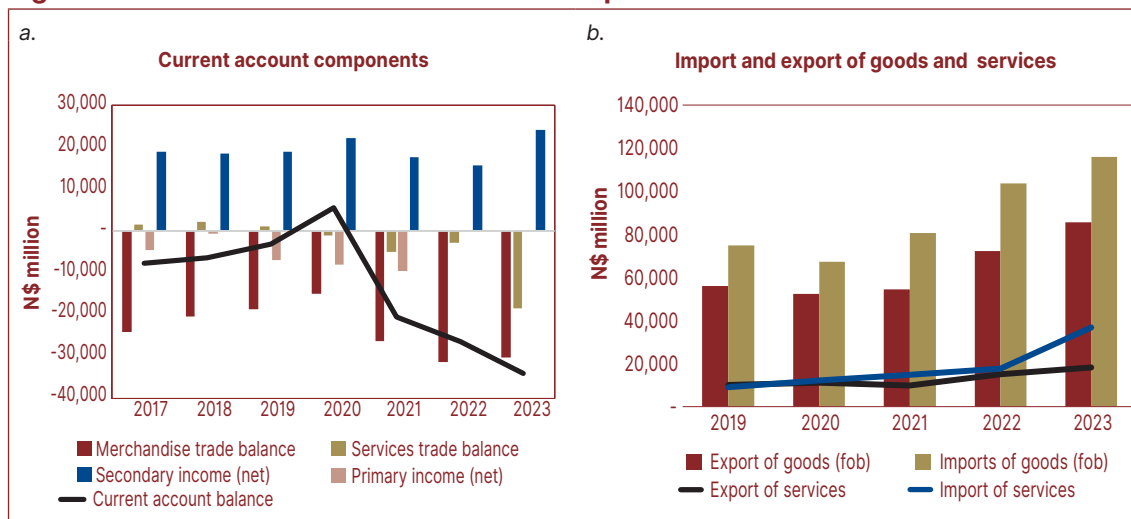
2. METHODOLOGICAL FRAMEWORK FOR COMPILING TRADE IN SERVICES

In Namibia, the compilation of ITSS is based on the internationally recognised *Sixth edition of the Balance of Payments and International Investment Position Manual (BPM6)*. According to this manual, services are classified into 12 main categories, namely; manufacturing services; maintenance and repairs; transport (both freight and passengers); travel; construction; insurance and pension services; financial services; charges for the use of intellectual property; telecommunications, computer and information services; other business services (research and development services; professional and management consulting services; technical, trade-related and other business services; operating leasing; waste treatment and depollution, agricultural, and mining services; any other business services); personal, cultural, and recreational services and government goods and services. The balance of payments data on ITSS in Namibia is largely sourced from the official International Transaction Reporting System (ITRS) - the so-called Balance of Payment Customer Transaction Report Message (BOPCUS) system supplemented with data from enterprise surveys as well as administrative records.

3. OVERVIEW OF TRADE IN SERVICES

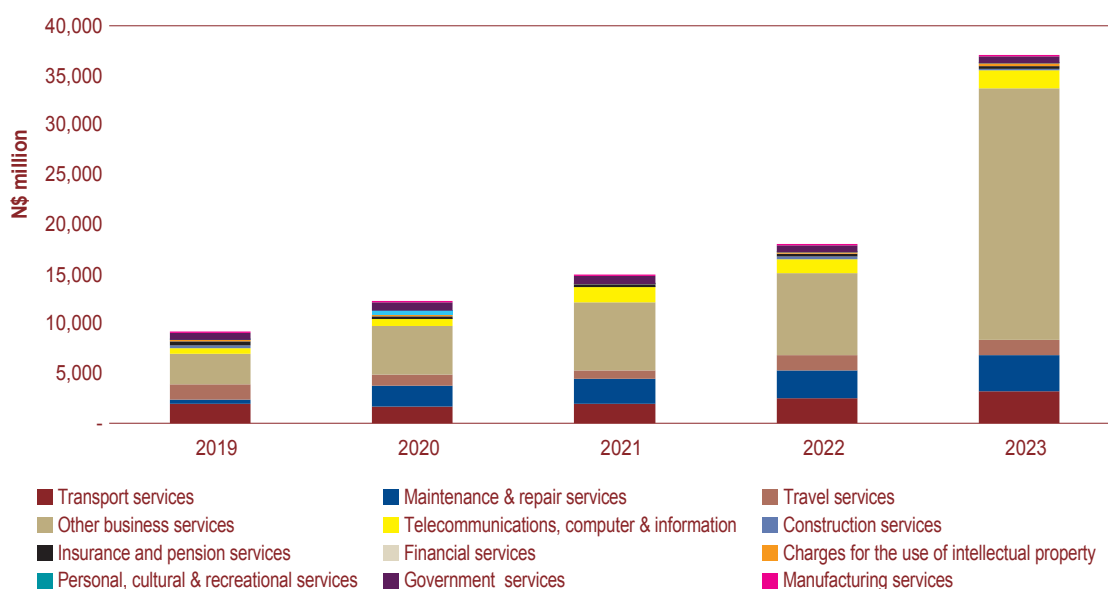
Although trade in goods is bigger than trade in services in terms of value, growth in trade in services outweighs that of trade in goods between 2019 and 2023. The services account has been a significant sub-account of the current account, largely registering net inflows during 2019, on the back of export earnings from travel and manufacturing services (Figure 1a). Export and import of goods rose from N\$56.1 billion and N\$74.9 billion recorded in 2019 to N\$85.7 billion and N\$116.0 billion, respectively, recorded in 2023. Meanwhile, export and import of services grew by higher margins, growing from N\$10.1 billion and N\$9.1 billion recorded in 2019 to N\$18.4 billion and N\$36.9 billion, respectively, recorded in 2023. The higher outflows in the trade in services, particularly since 2021 was chiefly due to higher payments for services due to the ongoing oil and gas exploration and appraisal activities in Namibia (Figure 1b).

Figure 1a & b – Selected current account components



Namibia's import of services has been on an upward trend, mainly supported in recent years by other business services coupled with transport as well as maintenance and repairs services. Namibia's import of services rose by N\$27.8 billion from N\$9.1 billion recorded in 2019 to N\$36.9 billion recorded in 2023 (Figure 2). Being a developing country, Namibia's payments for import of services were mainly dominated by other business services. Within the category of other business services, the increase over the past three years was mainly attributable to increased payments for operating leases for offshore ultra-deep water floater (rigs and drillships), technical and trade-related services, primarily in the mining sector, on the back of the ongoing oil exploration and appraisal activities. Other significant services imported were transport services, and maintenance and repair services. While payments for transport services relate to transportation of freight for importation of goods, payments for maintenance and repairs relates to servicing of fishing and mining vessels as well as machinery repairs.

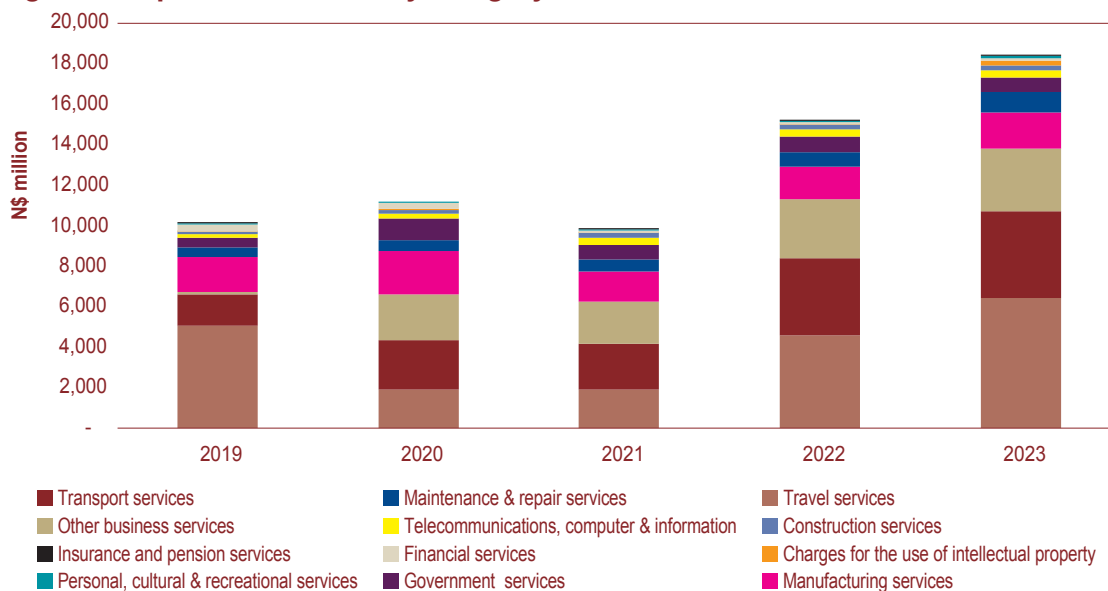
Figure 2: Imports of services by category



Similarly, Namibia's export of services has also been on an upward trend, mainly supported by travel, transport and manufacturing services. Since 2019, export of services rose by 80.9 percent to N\$18.4 billion recorded in 2023 (Figure 3). Historically, export receipts for services have been underpinned by travel, transport and manufacturing services receipts. Other business services has gained significant momentum in recent years. Namibia's travel services have predominantly been sustained by a robust tourism sector, while the manufacturing export receipts are mainly ascribed to

copper smelting activities for non-residents. Meanwhile, export receipt from transport services have been mainly sustained by the increase in South Africa's exports of manganese, which transits through Namibia and in part uses Namibian transportation companies. Furthermore, the provision of road transportation services for freight forwarding³ to non-residents, especially land-locked neighbouring countries such as Zambia and Botswana, has also contributed to high export receipt for Namibia's transport services export receipts.

Figure 3: Exports of services by category



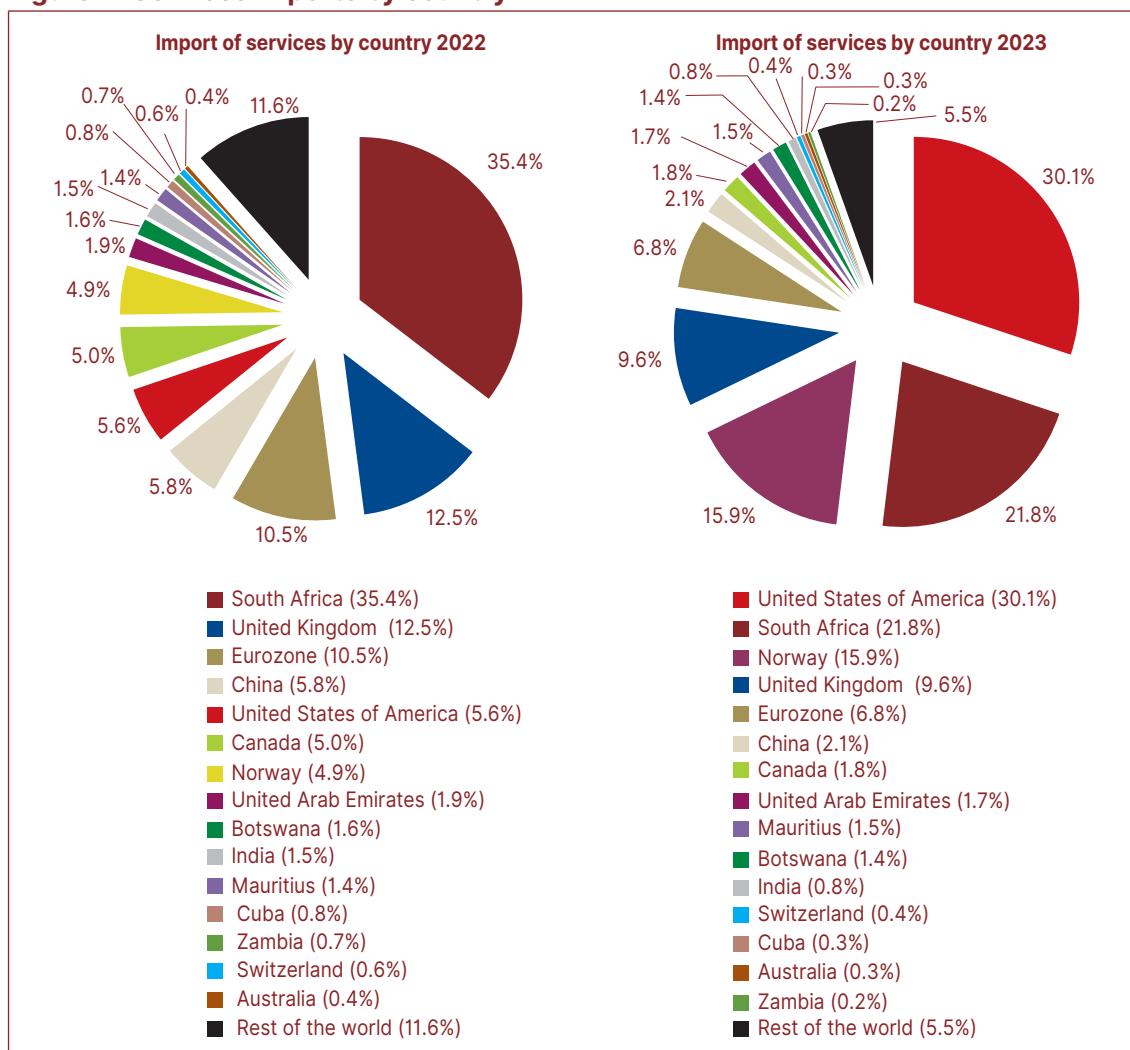
4. TRADE IN SERVICES BY GEOGRAPHICAL LOCATION

4.1 Import of services by country

During 2022 and 2023, import of services were mainly sourced from the United States, South Africa and Norway. Between 2022 and 2023, the imports of services from the United States and Norway increased exponentially. This was on the back of the significant increase in payments to service providers from both countries, reflecting the ongoing oil exploration and appraisal in the Orange Basin. In this regard, Norway's share increased to 15.9 percent of import services (Figure 4), more than three times the share in 2022, while that of the United States increased to 30.1 percent in 2023, more than five times the share in the preceding year. These strong increases were mainly in the form of operating leases for drilling rigs and other business services, particularly for management consulting and managerial services, in this case mainly relating to offshore oil and gas marine services. Imports of services from South Africa (with a 2023 share of 21.8 percent) consisted mainly of maintenance and repairs, other business as well as transport services. On the contrary, services imports from the United Kingdom (9.6 percent), Eurozone (6.8 percent) and China (2.1 percent) were mainly other business services.

³ Freight forwarders act as an intermediary between the company who makes the shipment and the final destination for the goods.

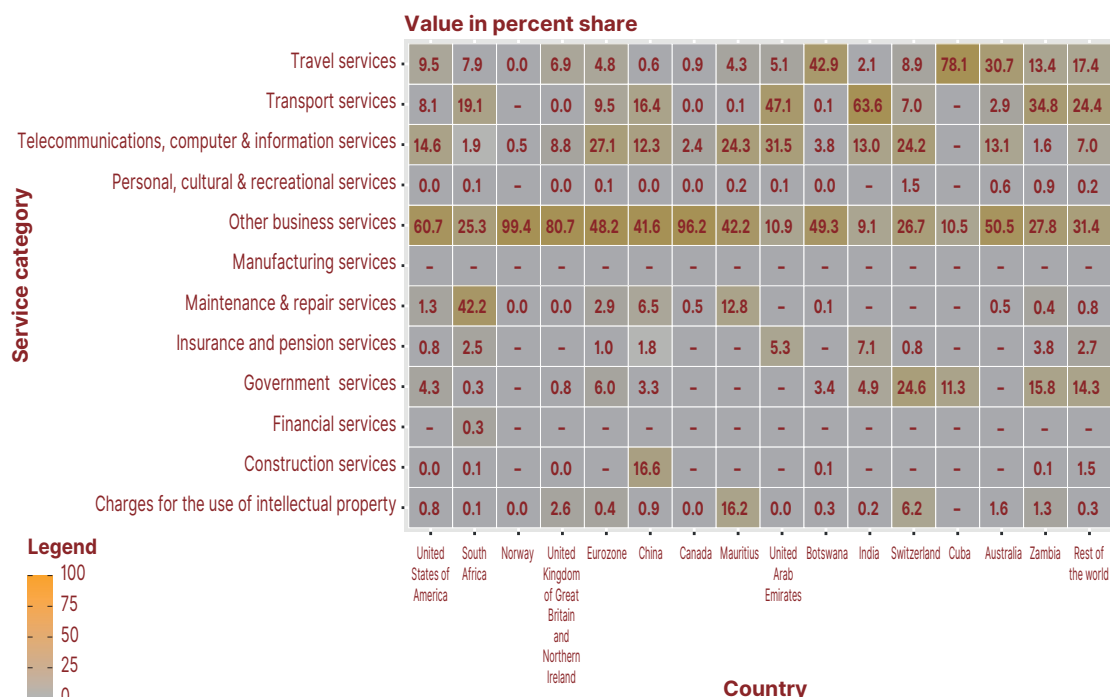
Figure 4: Services imports by country



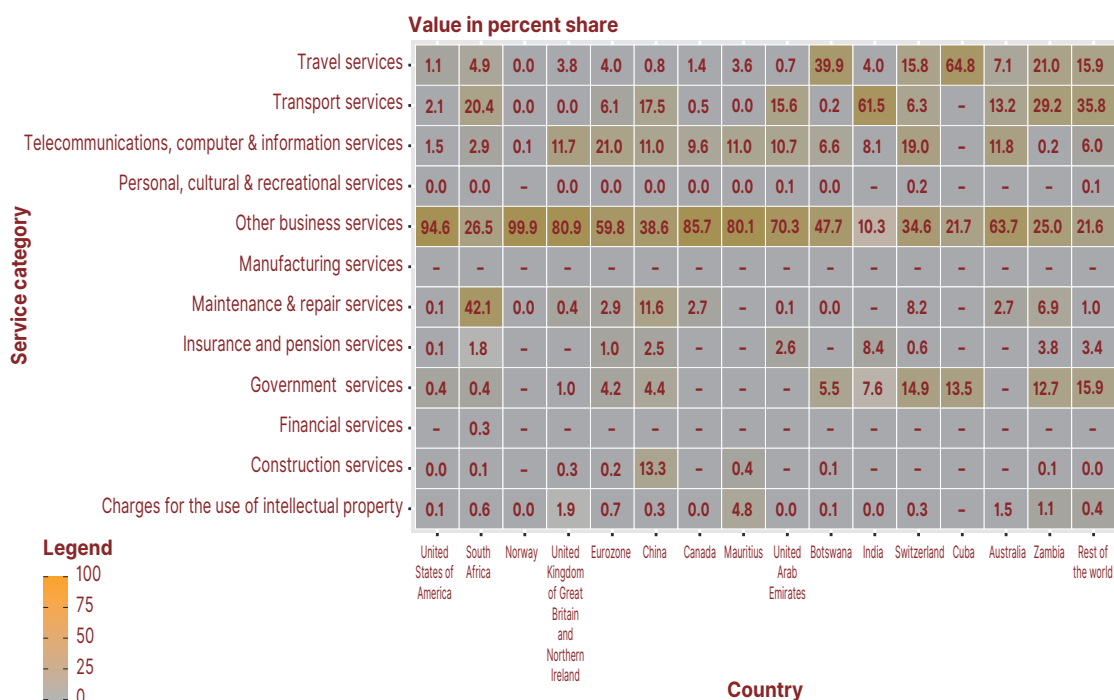
Namibia's imports of services from neighbouring countries tend to be mainly those that require close geographical proximity. Import of services from neighbouring countries such as South Africa, Botswana and Zambia, which collectively made up a share of 23.4 percent in 2023, consisted mainly of maintenance and repairs, transport, other business as well as travel services. For both 2022 and 2023, imports of services from South Africa were dominant in maintenance and repairs, other business and transport services (Figure 5). This was mainly on the back of payments for vessel maintenance and repair services as well as transport and other business services sourced from South Africa. Payments to Botswana were mainly other business services (mainly managerial and consulting), road transport as well as travel services. Meanwhile, imports of road transport services from Zambia were mostly for freight forwarding services. Namibia's import of services from countries that are not in close geographical proximity essentially consist of other business services, some of which can be rendered digitally. Examples are the import of other business services from Canada, the United States, United Kingdom etc.

Other notable sources of services import include Cuba, China, the United Arab Emirates and India. Payments for travel and government services to Cuba largely pertain to tuition payments for Namibian medical students studying in Cuba. Services from China include construction services as well as freight payments for import of goods. In addition, payments for transport services to the United Arab Emirates and India primarily relate to payments for freight when importing mineral fuels.

Figure 5: Imports of services by country and category in 2022 and 2023



Source: Bank of Namibia surveys

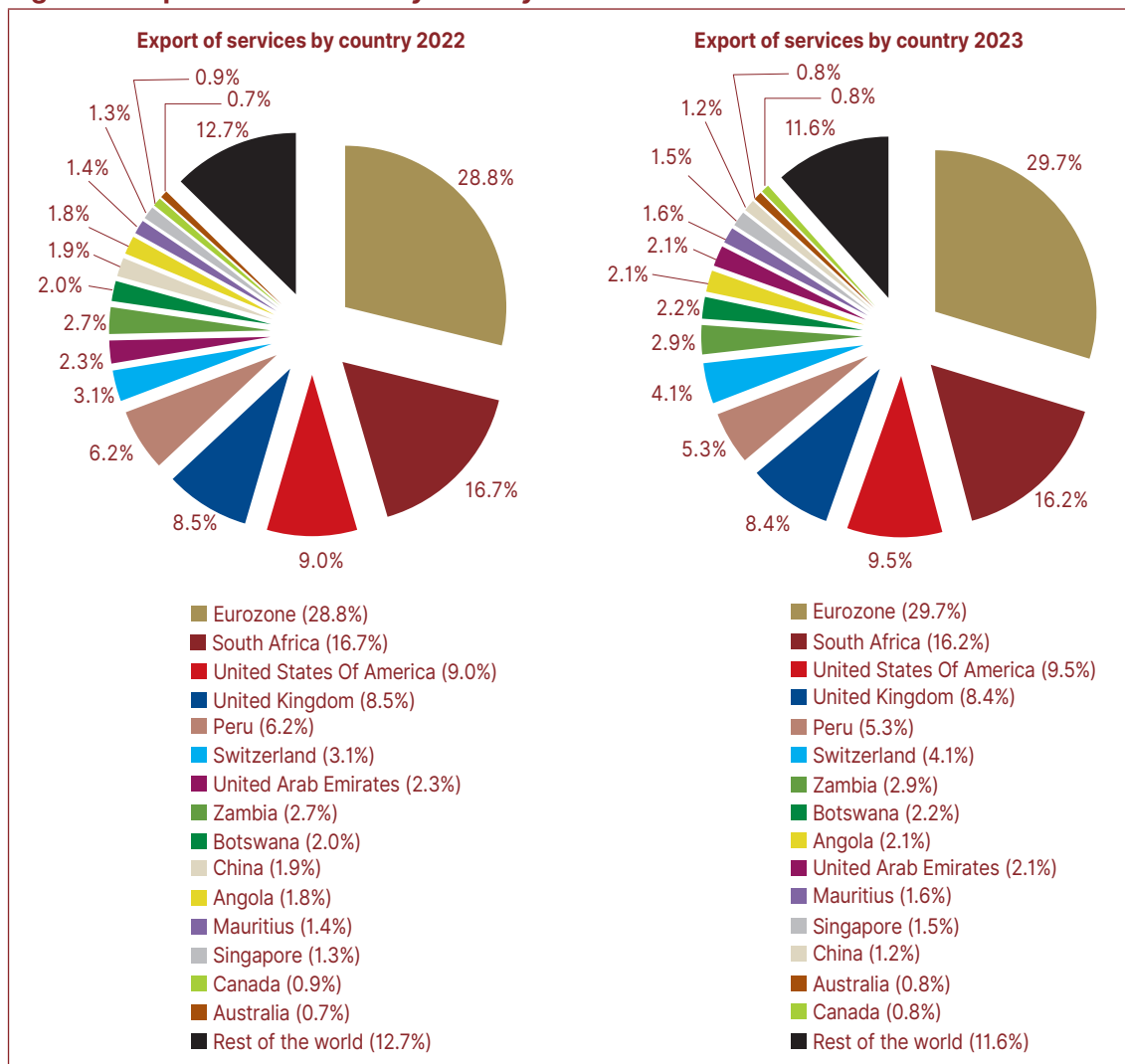


Source: Bank of Namibia surveys

4.2 Export of services by country

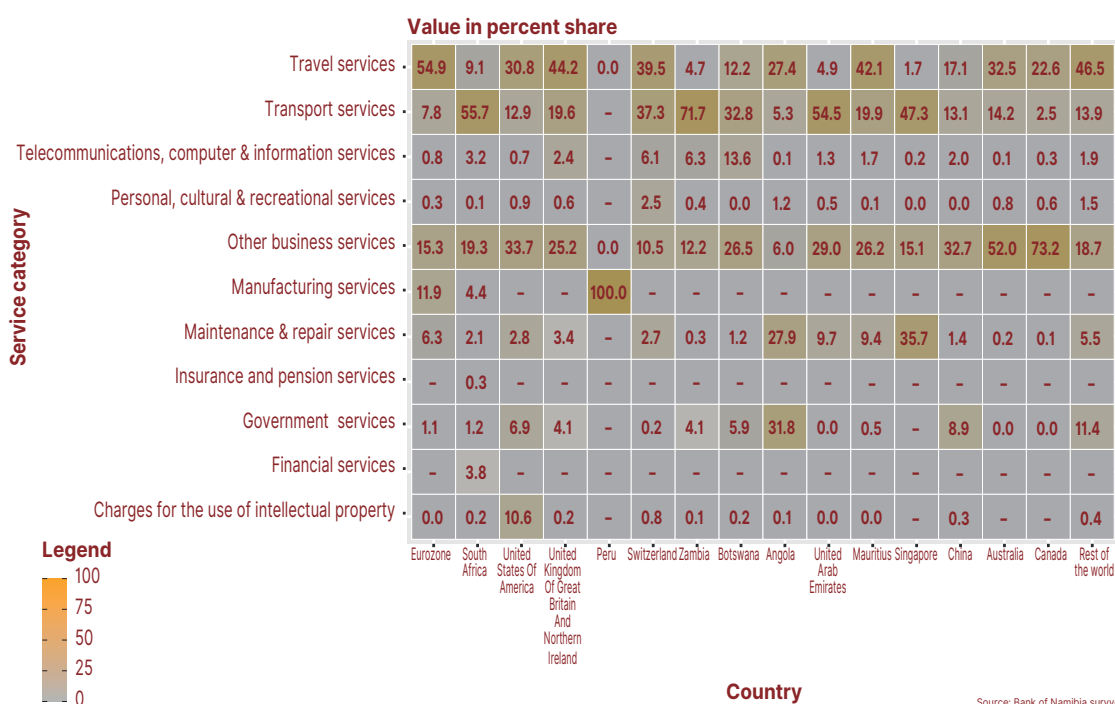
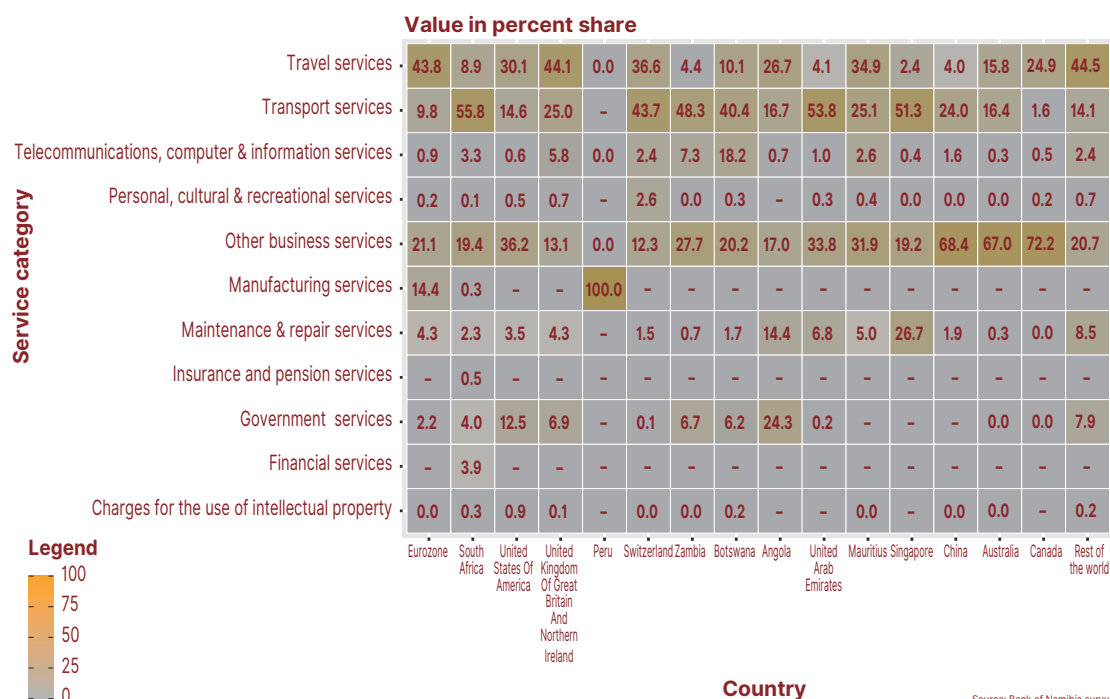
During 2022 and 2023, Namibia's export of services was mainly absorbed by the Eurozone, South Africa, the United States of America and United Kingdom. Export of services rose by 20.5 percent to N\$19.0 billion between 2022 and 2023, predominantly destined for the Eurozone (29.7 percent), South Africa (16.2 percent), the United States (9.5 percent) and United Kingdom (8.4 percent) (Figure 6).

Figure 6: Exports of services by country



Export of services to neighbouring countries consist largely of transport services whereas exports to the rest of the world are mainly in the form of travel, transport and other business services. Namibia's good road network, ports and geographical location has made it possible to connect landlocked countries to international markets. As such, during 2022 and 2023, export of services to neighbouring countries like South Africa, Zambia and Botswana, were mainly in the form of transport services associated with freight forwarding services (Figure 7). Moreover, receipts from travel services, which were mainly rendered to the Eurozone, United Kingdom and South Africa were ascribed to demand for Namibia's diverse tourism attractions. Namibia's exports of other business services were predominantly absorbed by countries that are not in close geographical proximity such as Canada, Australia and China, for services such as management consulting services and managerial services.

Figure 7: Exports of services by country and category in 2022 and 2023



5. TRADE IN SERVICES BY CURRENCY

5.1 Imports of services by currency

The most used currencies for settling services import payments during 2022 and 2023 were the US Dollar, the Rand and the Euro. The US Dollar remained the dominant currency with a share of 64.4percent of imported services, in line with the significant increase in services sourced from

the United States between 2022 and 2023 (Figure 8) for management consulting and managerial services. In addition, the Rand's share was 23.7 percent in 2023, with the currency mainly used to settle payments for services such as maintenance and repairs; financial, transport and travel services, which were sourced from South Africa (Figure 9). Meanwhile, the Euro (with share of 8.4 percent) was mainly used to pay for government, travel, other business services as well as telecommunication, computer and information services.

Figure 8: Imports of services by currency

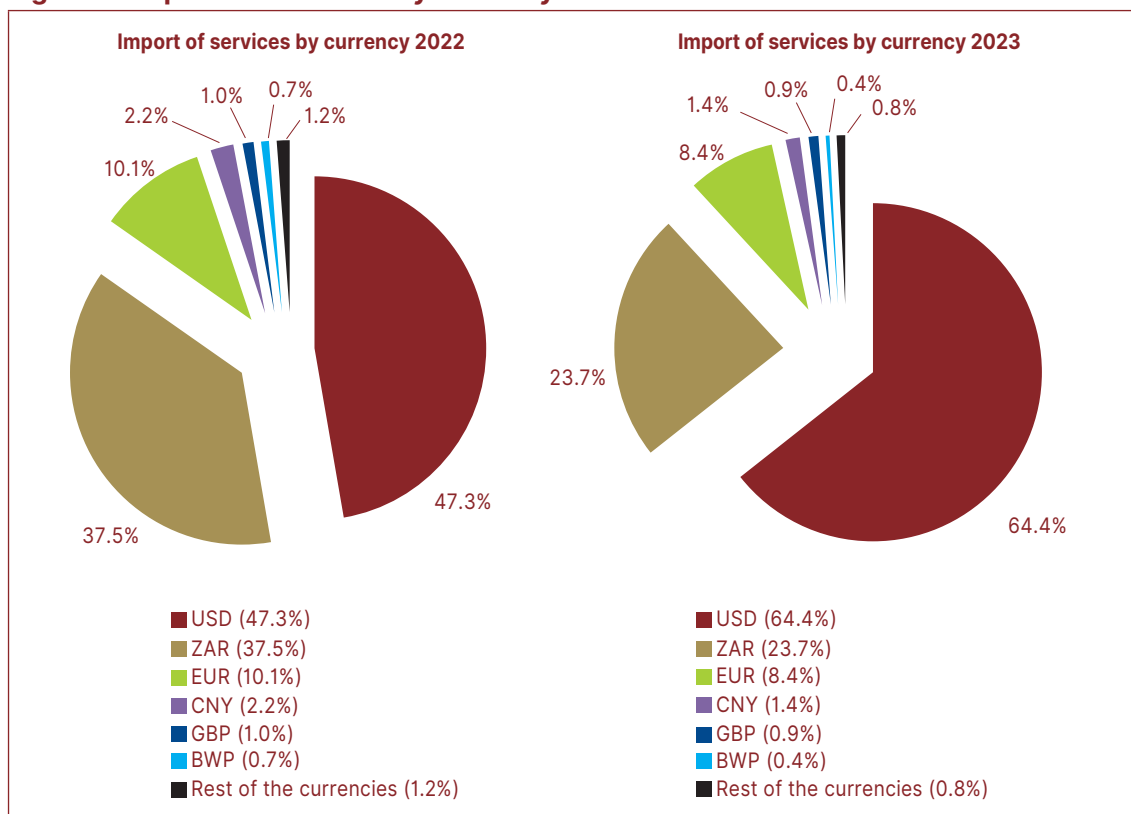
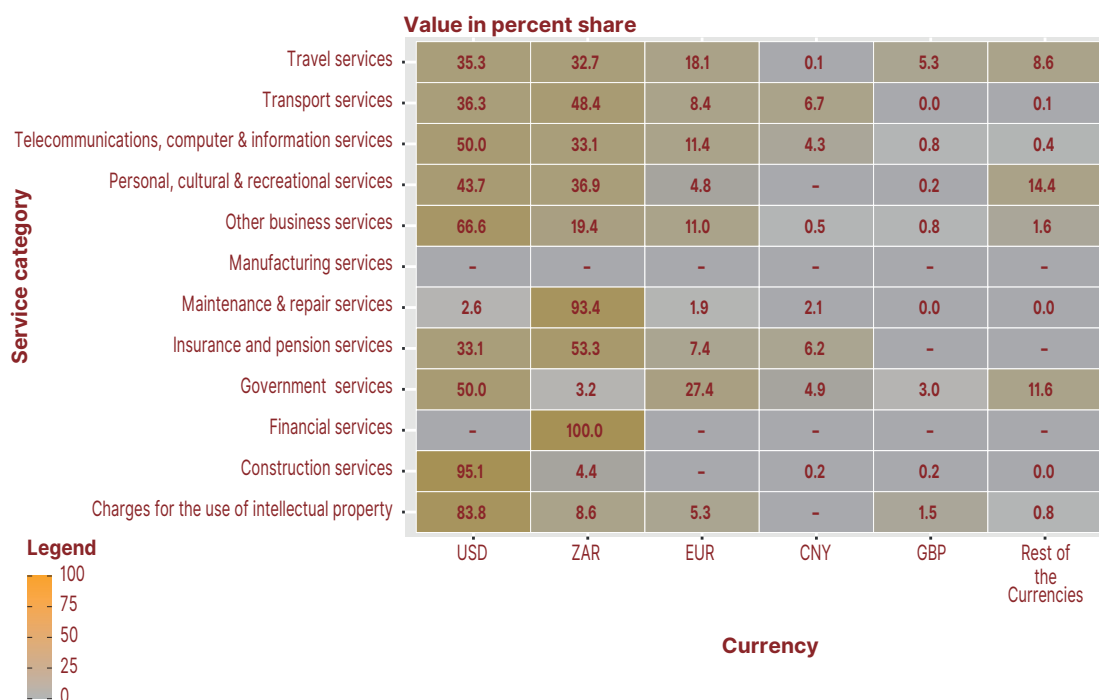
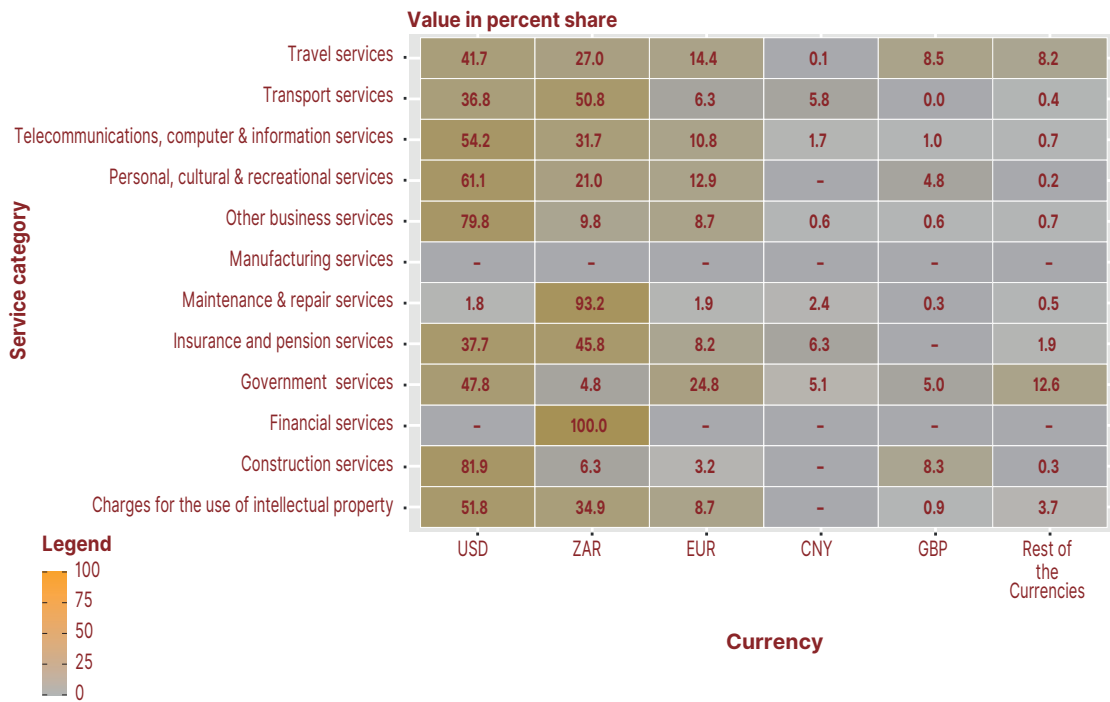


Figure 9: Imports of services by currency and category in 2022 and 2023



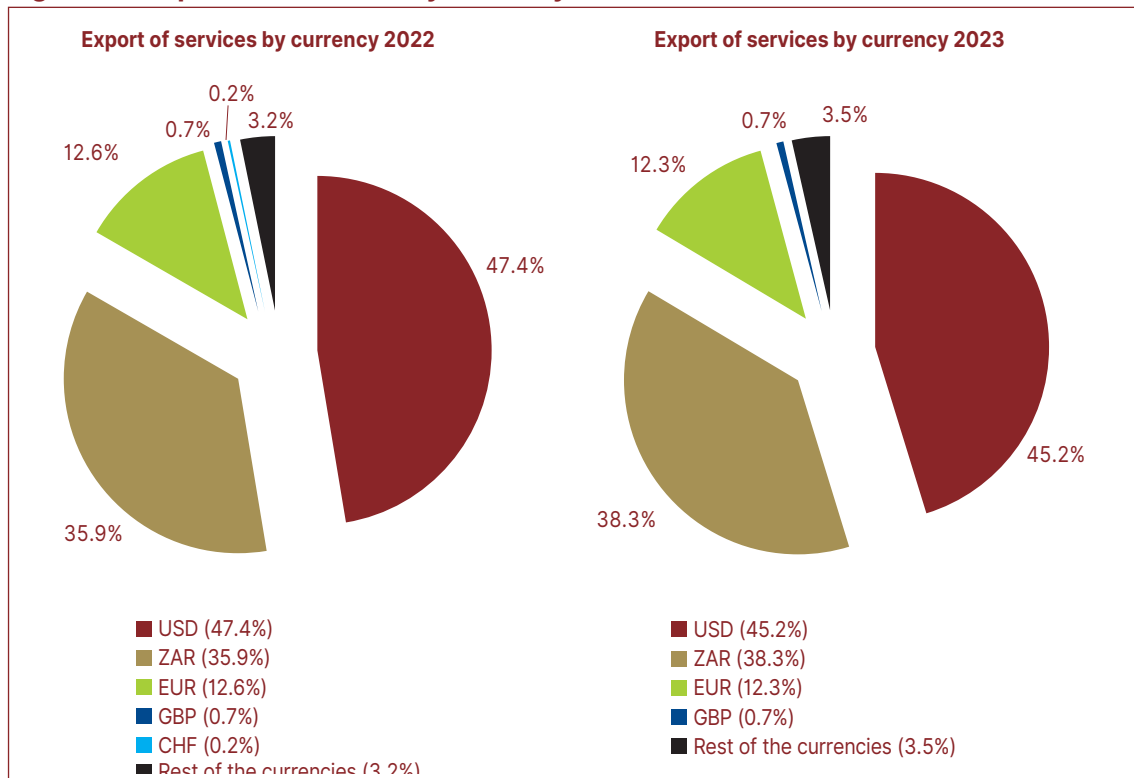
Source: Bank of Namibia surveys



Source: Bank of Namibia surveys

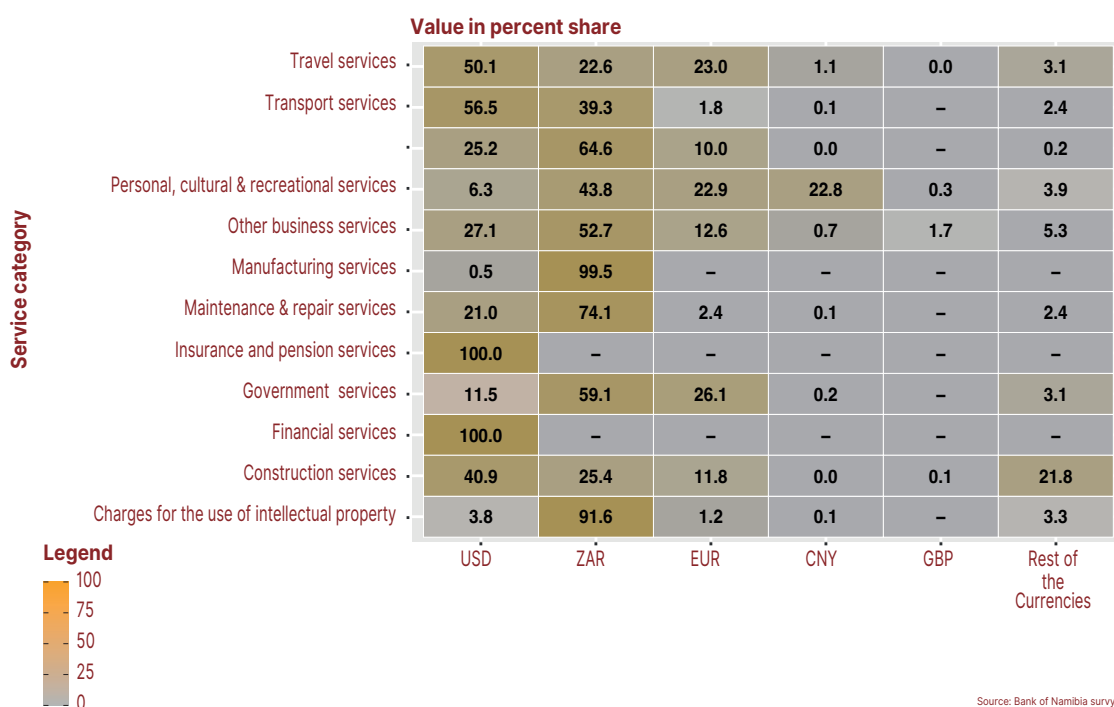
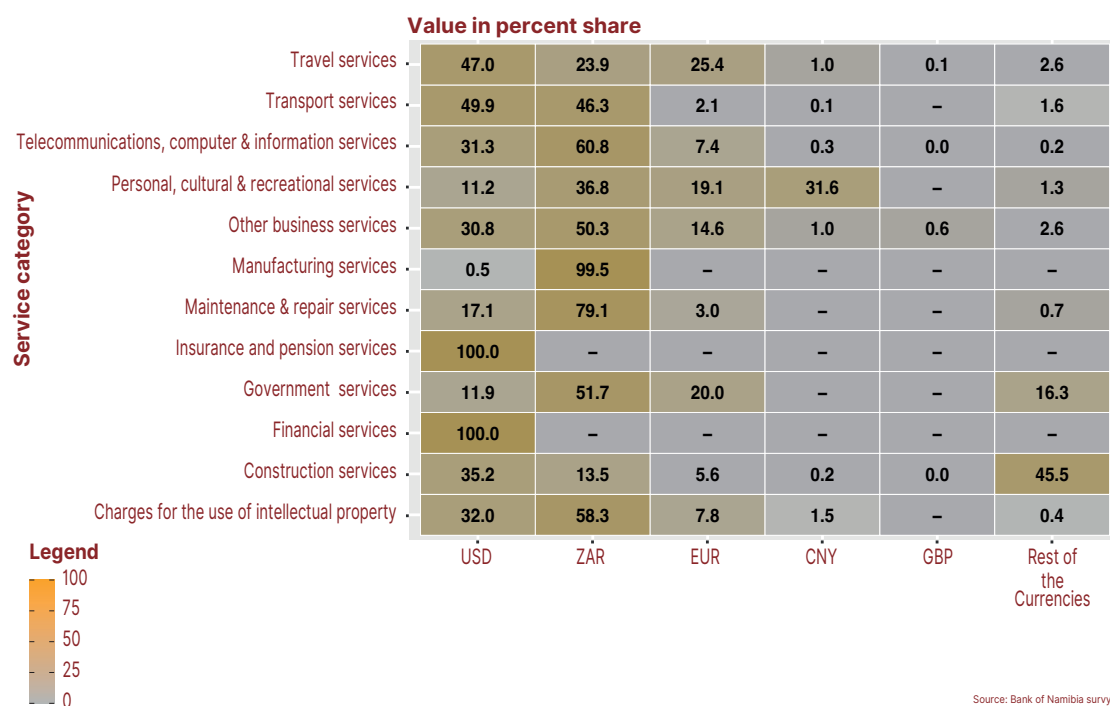
5.2 Export of services by currency

Figure 10: Exports of services by currency



Foreign receipts for export of services by Namibia were mainly received US Dollar, the Rand and the Euro (Figure 10). During 2023, Namibia mainly received foreign currencies in the form of the US Dollar (45.2 percent), the Rand (38.3 percent) and the Euro (12.3 percent) for rendering services to non-residents (Figure 10). Services provided to countries in close geographical proximity to Namibia were mostly settled using regional currencies such as the Rand. For example, payments for financial, insurance and pension services as well as transport services were mainly settled in Rand (Figure 11). Meanwhile, the rest of export of services to more geographically distant countries were settled using international currencies such as US Dollar, Euro, and British Pound.

Figure 11: Exports of services by currency and category in 2022 and 2023





6. CONCLUSION

The purpose of this note is to inform the stakeholders about the Bank of Namibia's endeavour to expand the compilation and dissemination of services trade data by country and currency.

The data suggests that, very broadly, the gravity equation of international trade holds in the case of trade in services in Namibia. Namibia's imports of services are mainly in the form of other business services, transport and maintenance and repairs and are mainly sourced from the United States, South Africa, Norway and the United Kingdom. Meanwhile, Namibia's export of services mainly consists of travel, transport, other business services and manufacturing services and are largely rendered to the Eurozone, South Africa, the United States and United Kingdom. Both import and export of services by Namibia are settled mainly using the US Dollar, the Rand and Euro.

Furthermore, the compilation of disaggregated statistics on direction of trade in services by country and currency has important statistical and policy formulation benefits. Developments in this data can be monitored and used to provide scholars and policy makers insights into trade in services, facilitating informed trade decisions on market access opportunities as well as negotiating priorities and strategies.