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1. HIGHLIGHTS

GLOBAL ECONOMY

- Global economic prospects are gradually improving but remain weak, reflecting mainly sustained sluggish growth in advanced economies. Growth in the emerging markets and developing economies is still relatively strong, thus expected to continue to support the recovery in world's output.
- The IMF has revised downward its global growth projection for 2013 to 3.1 percent from its April forecast of 3.3 percent, due to weaker-than-expected economic performance in the Euro area and slower growth in several key emerging market economies. Similarly, the recently-issued World Bank Economic Perspectives 2013 has downward projections for global growth.
- **Risks** to the global economic recovery remain on the downside. These include, but are not limited, to uneven economic recovery among advanced and emerging economies, which is putting downward pressure on international commodity prices, as well as the possible financial impact resulting from hikes in interest rate due to a winding down and possible earlier than expected withdrawal of quantitative easing (QE) in the US.

REGIONAL ECONOMY

- The Sub-Saharan Africa's economic performance remains resilient to the global economic crisis due to FDI flows and investment and production expansion of the primary industries, reportedly related to the growing South-South trade. Tertiary industries are also expected to contribute significantly to growth. Growth in Sub-Saharan Africa (SSA) is projected at 5.1 percent and 5.9 percent in 2013 and 2014, respectively. The IMF has revised down growth projections for 2013 by 0.4 percent and by 0.2 percent for 2014.

- The high growth for the SSA region masks differences in growth rates across countries, with growth of the South African economy expected to remain subdued.
- **Risks** to the outlook for SSA include mainly the impact of the deteriorating international terms of trade for metal and oil producers on account of weak global economic growth. In the event of adverse shocks, limited fiscal space will constrain governments to implement countercyclical policies. Any further industrial actions could also slow growth and dent investor confidence in South Africa. Exchange rate instability in South Africa has not yet translated in higher domestic inflation, although it warrants monitoring.

NAMIBIAN ECONOMY

- Domestic economy is expected to grow by 4.7 percent in 2013, compared to 5.0 percent growth in 2012, before expanding by 5.0 percent in 2014.
- Headline inflation is expected to average 6.1 percent in 2013.
- Fiscal deficit is expected to increase from 3.8 percent of calendar year GDP in 2012 to 5.3 percent in 2013, before declining to 4.4 percent of GDP in 2014. Fiscal projections reflect a marginal increase of the fiscal deficit included in the latest MTEF, as well as the impact of the recent personal income and non-mining corporate tax reform.
- **Risks** to the domestic outlook include the fragile state of the world economy, declining international commodity prices, and the adverse weather conditions. While depreciation of the Namibia dollar against major currencies may not have an immediate impact on volume of mineral exports and imports, it may pose inflationary pressures going forward, warranting close monitoring. Drought conditions experienced in the country if prolonged could have a longer-lasting impact in the primary industries than those assumed under the baseline projections.

2. Global Outlook

The global economic recovery continues to be weak, with some signs of improvements in the US and Japan, while leading emerging economies are slowing despite growing at relatively higher rates. The IMF has lowered its economic growth forecast for 2013 to 3.1 percent from its April forecast of 3.3 percent, largely reflecting weaker-than-expected economic performance in the Euro area and emerging market economies (Table 1). Quarterly data show that the Euro Area appeared to have emerged from the recession, posting its first positive quarter on quarter growth figure in six quarters. The US economy is showing signs of improvement as reflected in improved labour market conditions and a recovery in the housing market, which is currently at a two-year high. The US economic recovery is mostly supported by a fairly robust private sector upturn, as evidenced in a rise in investment demand. While the macroeconomic conditions are far from robust, some high-frequency indicators suggest that the Japanese economy is also responding positively to the recently announced quantitative easing by the Bank of Japan.

Table 1: World Economic Output (annual percentage change)

Regions	Actual 2011	Actual 2012	Projections 2013	Projections 2014	Differences from April 2013 WEO Update 2013	Differences from April 2013 WEO Update 2014
World Output	**3.9**	**3.1**	**3.1**	**3.8**	**-0.2**	**-0.2**
Advanced economies	**1.7**	**1.2**	**1.2**	**2.1**	**-0.1**	**-0.2**
United States	1.8	2.2	1.7	2.7	-0.2	-0.2
Euro Area	1.5	-0.6	-0.6	0.9	-0.2	-0.1
Germany	3.1	0.9	0.3	1.3	-0.3	-0.1
Spain	0.4	-1.4	-1.6	0.0	0.0	-0.7
United Kingdom	1.0	0.3	0.9	1.5	0.3	0.0
Japan	-0.6	1.9	2.0	1.2	0.5	-0.3
Emerging and developing economies	**6.2**	**4.9**	**5.0**	**5.4**	**-0.3**	**-0.3**
China	9.3	7.8	7.8	7.7	-0.3	-0.6
India	6.3	3.2	5.6	6.3	-0.2	-0.1
Russia	4.3	3.4	2.5	3.3	-0.9	-0.5
Brazil	2.7	0.9	2.5	3.2	-0.5	-0.8
Sub-Saharan Africa	**5.4**	**4.9**	**5.1**	**5.9**	**-0.4**	**-0.2**
South Africa	3.5	2.5	2.0	2.9	-0.8	-0.4
Angola 1/	3.9	8.4	6.2	7.3	n/a	n/a
Middle East and North Africa	4.0	4.5	3.0	3.7	-0.1	0.1

Source: IMF World Economic Outlook Update, July 2013

1/ IMF Regional Economic Outlook, May 2013

Growth in leading emerging economies remains weaker than in pre-crisis period, although economic activity remains resilient to the global economy's headwinds. Despite weak and uncertain global conditions, the Chinese economy is expected to grow at around 7.8 percent for both 2013 and 2014. Notwithstanding this relatively favourable near-term outlook, China's economy faces risks related to the rapid growth in social financing, the quality of the underlying investment projects and its impact on the borrowers' repayment capacity. Moreover, discontinuation of stimulus measures by the Bank of China to force Chinese commercial banks to be more disciplined in their lending has triggered sharp rises in interest rates and concerns about growth in the world's second biggest economy going forward. Similarly, India's GDP growth is projected to accelerate to 5.6 percent in 2013, from 3.2 percent recorded in 2012, before expanding further to 6.3 percent in 2014. Better external demand, solid consumption, and pro-growth policy measures are expected to boost growth of the Indian economy. Finally, growth in Russia is expected to remain at 2.5 percent in 2013 and improve marginally to 3.3 percent during 2014.

The global economy continues to face a number of downside risks going forward. These include, but are not limited to the uneven economic recovery among advanced economies that would exert further downward pressures on international commodity prices. The tapering off and possible earlier than expected withdrawal of quantitative easing in the US, coupled with US budget sequester (i.e., sharp automatic spending cuts), could also be a drag to global economic growth. Notwithstanding these risks, the global economy is projected to grow by 3.8 percent in 2014

3. Regional Outlook

Sub-Saharan Africa's economic performance remains resilient to the global headwinds due to sizeable FDI flows into the natural-resource and other sectors of the economy. Economic growth is projected to accelerate to 5.1 percent in 2013 from 4.9 percent registered in 2012, before increasing to 5.9 percent in 2014. Key contributors to the positive outlook are strong growth in domestic consumption and sizeable investments in natural resource sectors in several economies (energy and metals) and in the services sectors (finance, banking, telecommunication, transportation and retail trade).

South Africa's economic growth is expected to remain relatively low, particularly when compared to growth rates in SSA, with the economy facing sizeable domestic and external imbalances. Real GDP growth is projected at 2.0 percent in 2013, before picking up to 2.9 percent growth in 2014. The muted growth expectations reflect low mining production along labour market unrest, coupled with weak export growth to the Euro Area, which is a major export destination for South African goods. The current account is expected to further deteriorate due to persistent fiscal imbalances and a decline in terms of trade.

Declining commodity price risks could weaken the growth prospects of Sub-Saharan Africa, especially in countries with limited fiscal space. A further easing in international commodity prices could unduly hit countries with a narrow export base. Moreover, depending on the nature of the export led type economy, a deeper than expected decline in energy prices, could slow growth in oil exporting countries, but benefit oil importing economies, like Namibia. In the event of a significant slowdown, countries that have not yet fully rebuilt their fiscal buffers since the 2008 crisis will constrain governments to implement countercyclical policies.

4. Domestic Outlook

4.1. Developments since the last Economic Outlook:

Domestic economic growth was 5.0 percent in 2012; compared to the December 2012 Economic Outlook's projection of 4.6 percent, mainly due to higher-than-expected diamond and uranium production, as well as resilient growth of wholesale and retail trade (Table 2). The results in diamond production were mostly due to a significant increase in diamond output from the offshore operations and from the rehabilitated Elizabeth Bay mine, coupled with an improved market demand for the precious stone in emerging markets and sustained demand in the American market. Moreover, there was a significant resumption in uranium extractive activities boosting production in the subsector. Alongside the better than expected performance in the primary industries, the wholesale and retail trade rose significantly in 2012, thus supporting a stronger growth picture than those included in the December 2012 Economic Outlook. *The outturn in the fiscal sectors was better than expected.* The fiscal balances improved from the projected deficit of 4.8 as a percent of GDP to 3.8 percent in 2012, as revenues (SACU receipts) and income taxes were higher than initially projected.

Table 2: Selected Economic Indicators (SEI), 2009-2014

					Dec. Outlook		Projection	
	2009	2010	2011	2012	2012	2013	2013	2014
Real Economy (Growth rates)								
Real GDP growth	-1.1	6.3	5.7	5.0	4.6	4.4	4.7	5.0
Total change in GDP Deflator	4.0	1.6	7.1	11.5	8.5	7.1	7.7	6.4
Average CPI inflation	8.8	4.5	5.0	6.5	6.6	6.4	6.1	6.2
Change in terms of trade (TOT)	-9.4	6.7	7.8	-5.8	...	...	1.0	-3.8
of which: export prices	-15.6	27.9	17.8	-10.3	...	...	-1.9	-1.8
import prices	-6.9	19.8	9.2	-4.8	...	...	-2.9	2.1
Fiscal indicators (% of GDP; calendar year)								
Total revenue	32.1	28.8	30.7	32.8	31.0	30.0	32.4	31.1
Of which SACU	11.4	8.2	7.5	11.3	12.0	10.0	12.0	10.3
Total expenditure	33.0	34.6	37.8	36.6	36.0	35.0	37.8	35.5
Current	27.2	27.8	28.7	28.7	29.0	28.0	30.4	28.9
Capital	5.8	6.8	9.2	7.9	7.0	7.0	7.4	6.7
Overall balance	-0.8	-5.8	-7.1	-3.8	-4.8	-5.4	-5.3	-4.4
Stock of national debt (% of GDP)								
Domestic debt	13.6	12.3	17.5	16.1	17.0	20.0	16.0	16.2
External debt	4.4	3.7	8.6	8.5	8.0	8.0	8.3	8.3
Total debt	18.0	16.0	26.1	24.6	25.2	27.9	24.3	24.4

Source: MoF, NSA, BoN

Box Article 1: 2013/14 Tax Reforms

During the 2013/14 Budget Speech, the Honourable Minister of Finance announced a number of tax reforms, including a reduction in individual income tax rates and a gradual alignment of corporate tax rates with those in place in other SADC member countries. The reforms also included a reduction in transfer duty and stamp duties. The Minister indicated that the government is accelerating tax administration policies (including, among others, the establishment of a Tax reform Office, ITAS, taxpayer segmentation), as well as considering alternative sources of revenue (e.g., environmental levies).

The income tax reform for individuals is aimed at improving consumer spending power to afford basic amenities, while the reduction in corporate income tax is aimed at encouraging investments in the domestic economy. In the short run, government income tax receipts are foreseeing to moderate, but with pay-offs over the medium-term. The latter refer mainly to hikes in VAT collections and economic growth effects through the general rise in disposable income.

OLD INCOME TAX RATES	
Taxable Income (N$)	**Rate of Tax**
Below 40,000	Not taxable
40,001 – 80,000	27%
80,001 – 200,000	10,800 + 32%
200,001 – 750,000	49,200 + 34%
Over 750,000	236,200 + 37%

NEW INCOME TAX RATES	
Taxable Income (N$)	**Rate of Tax**
Below 50,000	Not taxable
50,001 – 100,000	18%
100,001 – 300,000	9,000 + 25%
300,001 – 500,000	59,000 + 28%
500,001 – 799,999	115,000 + 30%
800,001 – 1,500,000	205,000 + 32%
Over 1,500,000	429 000 + 37%

Individual Income Tax

The main change was the introduction of two new income tax brackets, increasing the total number from 5 to 7 brackets, as well as the upward adjustment of the minimum taxable threshold from N$40,000 to N$50,000. Other changes to the income tax brackets can be seen in the tables.

Corporate Income Tax

The non-mining company tax rates were reduced from 34 percent to 33 percent in 2013/14 and further to 32 percent in 2014/15. The reduced rate is aimed at encouraging investments in the domestic economy.

Transfer Duty and Stamp Duties for Natural Persons

Reduced new Transfer Duty and Stamp Duties came into operation on 1 June 2013. The reductions in both transfer and stamp duties are aimed to encourage individuals to acquire property in an expensive property environment.

Taxable Income (N$)	Transfer Duty Payable - Rates
Below 600,000	Not taxable
600,001 – 1,000,000	1%
1,000,001 – 2,000,000	4,000 + 5%
Over 2,000,000	54,000 + 8%

New Stamp Duties - from 1 June 2013

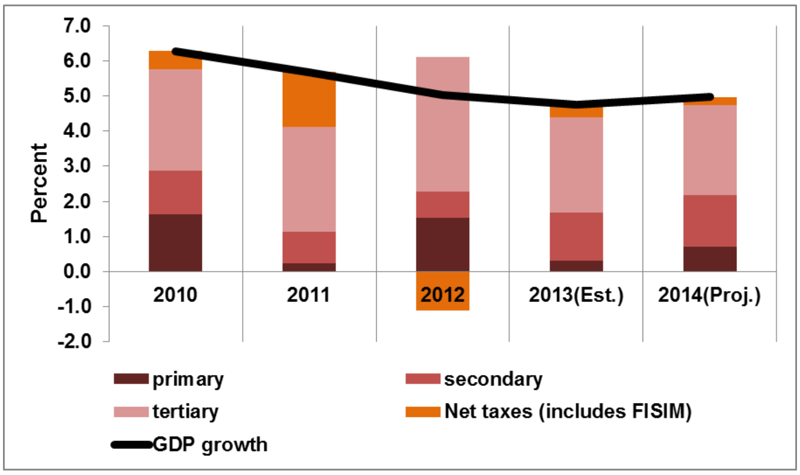
The following are the new stamp duties that are applicable as from the June 2013.

- N$0 – N$600,000 are exempted from paying any stamp duties.
- Where the value or consideration exceeds N$600,000 for every N$1,000 or part thereof of the value or consideration that exceed N$600,000 is N$10.

4.2 Growth Outlook and Risks for 2013 and 2014

Overall growth in the domestic economy is projected to moderate to 4.7 percent during 2013, mainly reflecting the primary and tertiary industries' contribution, while growth in 2014 is projected to inch up to 5.0 percent on account of a rebound in the primary industries. The contribution to growth in the tertiary industries is expected to average 2.6 percent in 2013 and 2014; lower than the growth registered in 2012 (Chart 1). Contribution to growth from the secondary industries is expected to increase from less than 1 percent on average in 2011 and 2012, to 1.4 percent in 2013 and 2014, supported by construction activities mainly in the mining sector. The contribution to growth by the primary industries is expected to slow in 2013, due to the drought affecting agriculture and forestry, as well as some foreseen temporary stagnation in diamond and uranium production in 2013 that may be resolved in 2014 in line with the expected recovery in global economy.

Chart 1: Industries Contribution to Growth, 2013-2014

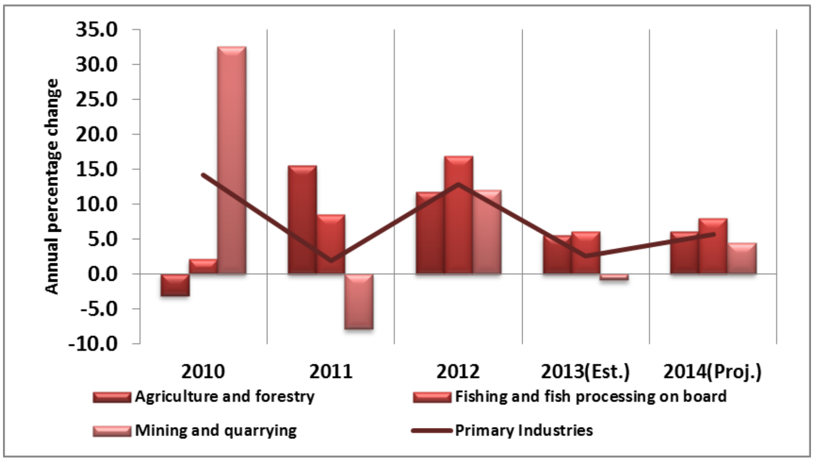


Source: NSA (2012) and BoN (2013-2014)

4.2.1. Primary Industries

Growth in the primary industries is expected to slow in 2013, broadly reflecting a deceleration in value added in all main sub industries that is expected to be resolved in 2014. *The industries are estimated to slow by 2.5 percent in 2013, before recovering to 5.7 percent in 2014 (Chart 2). The subdued growth in the primary industries is due to more pronounced effects of drought conditions on the agriculture sectors and the slowdown in the mining activities. Going forward, the expected recovery in all the sectors will support growth in the primary industries in 2014.*

Chart 2: Primary Industries Performance

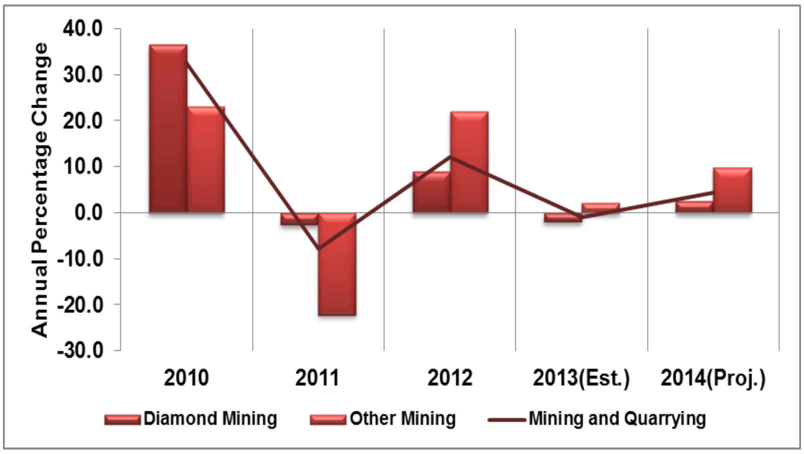


Source: NSA (2009-2012), BoN (2013-2014)

Value added in agriculture and forestry is expected to slow in 2013, due to severe drought conditions experienced in the country, before recovering in 2014. Growth in the agricultural sector is expected to deteriorate to 5.5 percent in 2013, before recovering by 6.1 percent in 2014. **Crop production** is expected to decline by 9.3 percent in 2013, before recovering to 5.2 percent in 2014, due to better rain prospects according to the industry. Estimates indicate that most cereal crop farmers are expecting below average harvest in 2013, due to poor rainfall and swarms of worms negatively affecting production. The effects of drought, which experts believe to be the worst experienced in 14 years, is not only limited to the agriculture sector on the food security, but it will have negative spillover to other sectors, such as the power generation from the Ruacana hydro-energy power station. On the other hand, value added of **livestock farming** is expected to expand by 23.5 percent in 2013, before slowing to 6.8 percent in 2014. The growth in the quantity of livestock marketed in 2013 is due to farmers' selling off their livestock in response to the severe drought conditions. The rise in the number of cattle and small stock marketing is expected from live weaners and small stock exported to South Africa, as well as livestock slaughtered for exports. Sell offs may decline in 2014, as weather conditions are anticipated to improve next year.

The fishing sector is projected to remain subdued in 2013 reflected in a reduction in Total Allowable Catches (TAC) and quality of landings and to register a slightly higher growth in 2014. The weak performance expected in 2013 is on account of reduced quotas on one of the main species, hake, coupled with low quality of landings. Further, the impact of the depreciation of the domestic currency against major currencies will have pressures on the input costs in the short-term, although it is expected to be somewhat countered by the lower international oil prices. Looking ahead, expected improved external demand inline with global growth projections is expected to support growth in 2014.

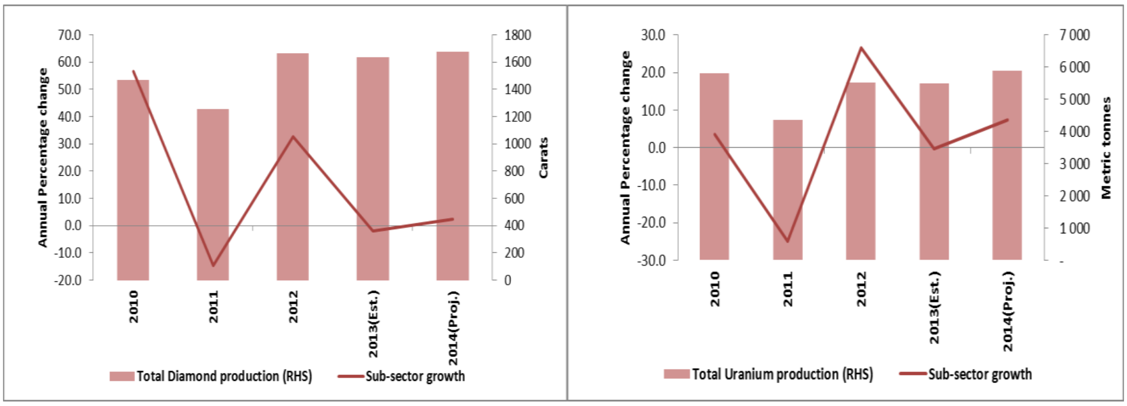
Chart 3: Mining and Quarrying



Source: NSA (2009-2012), BoN (2013-2014)

The mining and quarrying sector is projected to marginally decline in 2013, before rising in 2014, mostly owing to developments in diamond and uranium production (Chart 3). The sector is expected to decline by 0.9 percent in 2013 from a growth rate of 12.0 percent in 2012, before rising to 4.4 percent in 2014. **Diamond mining production** is expected to decline from 1.67 million carats in 2012 to 1.64 million carats in 2013, before rising by 2.5 percent in 2014 (Chart 4). The diamond industry continues to operate at near-capacity, as on-shore production continues to wind-down reducing production over the medium term. Offshore production is, thus, expected to continue to be the main source in the total diamond extraction. Similarly, the other mining sectors are expected to slow from growth of 22.0 percent in 2012 to 2.2 percent in 2013, before improving by 9.8 percent in 2014 (Chart 3). The low uranium prices and the subsequent uranium output are expected to contribute to the slowdown in other mining activities (Chart 5).

Charts 4 & 5: Total Diamond and Uranium Production

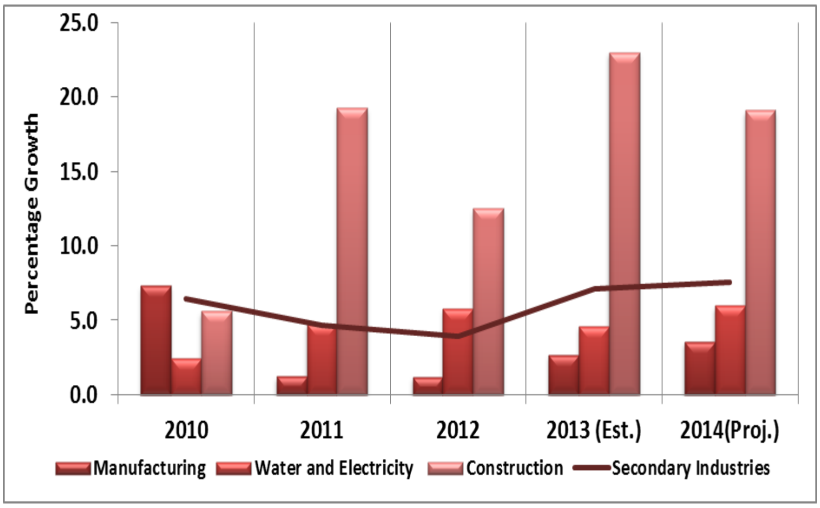


Source: NSA (2009-2012), BoN (2013-2014)

4.2.2 Secondary Industries:

The secondary industries continue to expand, with construction activities expected to pick up significantly in 2013 and 2014, supported mainly by increased private sector investment. *Annual growth of the secondary industries is expected at around 7.3 percent in 2013 and 2014 (Chart 6). This growth is mainly explained by the double-digit growth of the construction sector.*

Chart 6: Real Growth of Secondary Industries



Source: NSA (2009-2012), BoN (2013-2014)

Construction continues to be a strong driver of growth in Namibia due to private sector investments in the mining industry and growth in residential and business facilities and the public sector works during 2013 and 2014. The sector is estimated to accelerate growth of 12.5 percent in 2012 to 23.0 percent in 2013, before slightly slowing to 19.1 percent in 2014 (Chart 6). The sector's buoyancy is mainly due to construction activities related to the prospective expansion of mining sector activities (especially the construction of new uranium and gold mines), public works, and private sector ventures, including the construction of shopping malls, hotels and residential properties.

Manufacturing is expected to expand moderately in 2013 and 2014, mainly supported by increased production in meat processing, food products and beverages, and cement. The sector is estimated to grow by 2.7 percent in 2013 and expected to expand by 3.6 percent in 2014 (Chart 6). Production of food and beverages is expected to increase along growing consumers' spending power in the local market and increased exports to SADC countries. Cement production also continues to increase towards achieving its annual capacity of 700,000 tonnes in 2013; supported by locally produced cement supplies construction activities in the local economy, as well as exports mainly to DRC and Angola.

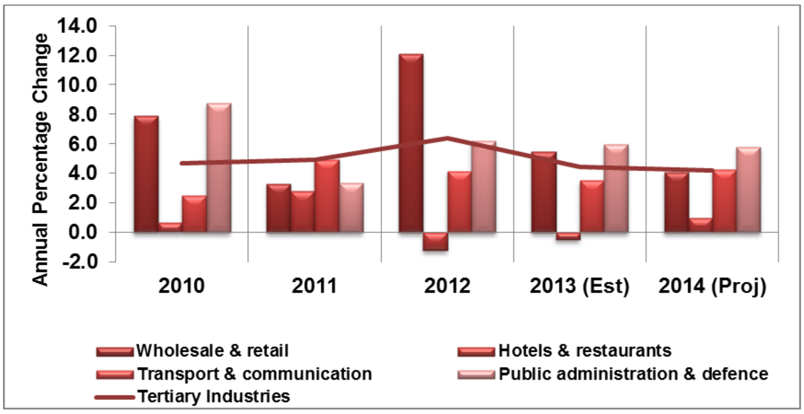
In contrast, milk production is projected to decline on account of heat and drought that has increased the cost of feeding as well as intense competition from importers.

Growth in the electricity and water sectors is expected to slow in 2013, before picking up in 2014. The sector is expected to grow by 4.6 percent and 6.0 percent in 2013 and 2014, respectively (Chart 6). During 2013, the slow growth in the sector is attributed to the low water level at the Ruacana hydro power station, which could impact negatively on the generation capacity. However, a new initiative, Short Term Critical Supply (STCS) introduced by Nampower is expected to generate additional power capacity and support growth going forward. The various combinations of power generation sources include the refurbishment of two power stations and, the generation of alternative energy sources by Independent Power Producers (IPPs).

4.2.3 Tertiary Industries

While remaining an important engine of growth, the tertiary industries are projected to moderate in 2013/2014, mainly reflecting a less dynamic growth in wholesale and retail trade than in 2012 (Chart 7). *Compared to growth rates of over 6 percent in 2012, the overall tertiary industry is expected to grow by 4.5 percent in 2013 and 4.2 percent in 2014**.** Key amongst the deceleration in growth is the projected slowdown in the wholesale and retail trade category (relative to the 2012 reported record growth) and the weak performance of the tourism sector, while other large service sectors, such as transport and communication, real estate, and public sector administration will register growth rates in the range of 3.5-6.0 percent during 2013/2014.*

Chart 7: Tertiary Industries Performance



Source: NSA (2009-2012), BoN (2013-2014)

Value added growth of wholesale and retail trade is expected to slowdown, mainly due to base effect from the double digit growth recorded in 2012. The sector is estimated to slow to 5.5 percent growth in 2013 and 4.1 percent in 2014. In 2013, the tax breaks announced by the Minister of Finance are expected to stimulate consumer spending (Box Article 1), although base effects due to a high growth in 2012 is going to level-off growth. Going forward, the effects of the current stimulus through tax breaks are expected to unwind, easing growth in the sector.

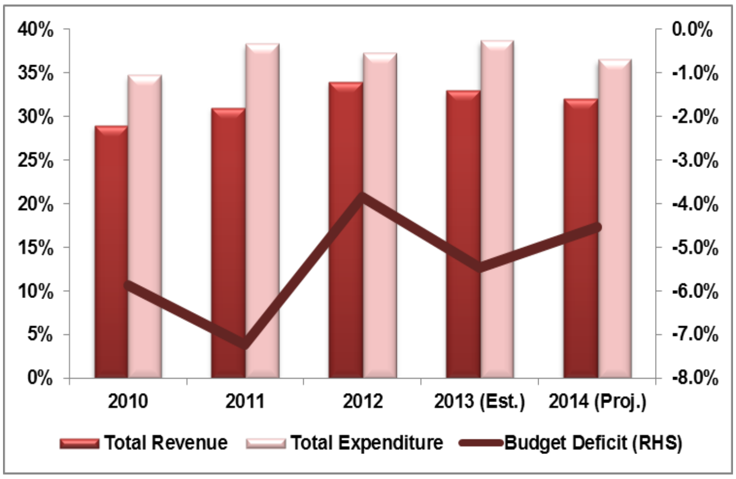
Growth of the hotels and restaurant sector is expected to remain lackluster owing to the weak global environment. The sector is estimated to contract by 0.5 percent in 2013, before growing by 1.0 percent in 2014, in line with improved global economic conditions. Uncertainties in the main tourism export markets continue to be a drag on the industry, as tourists opt for cheaper accommodation and tourist arrivals dwindle. However, tour operators and accommodation owners are optimistic for a slight improvement in late-2013/2014, supported by the depreciating exchange rate.

Key risks facing the Namibian economy includes the fragile state of the world economy, declining international commodity prices, and the adverse weather conditions. Prolonged near-stagnation in the Euro area and a further slowdown in emerging markets, especially the BRICS, pose risks to export demand and a decline in commodity prices, adversely affecting the domestic exports and growth. While, the depreciation of the Namibia dollar against major currencies may not have an immediate impact on volume of mineral exports and imports, it may pose inflationary pressures going forward, warranting close monitoring. Drought conditions experienced in the country could also impair longer-lasting depressed conditions than assumed under the baseline projections and moderate growth.

5. Fiscal Position

According to the latest MTEF, Fiscal policy is expected to be somewhat expansionary in 2013, before resuming fiscal consolidation path in 2014 (Chart 8). In 2013, an increase in the overall fiscal deficit is explained by a hike in public current expenditure (as a share of GDP) and expected lower personal income tax receipts (as a share of GDP) than in 2012. However, government is expected to tighten the fiscal position starting 2014 in the quest of rebuilding policy buffers. Deficit financing under MTEF entails a mix of Government's deposit withdrawal and the issuance of debt, mostly in the domestic debt market.

Chart 8: Total Revenue, Total Expenditure and Budget Deficit as % of GDP

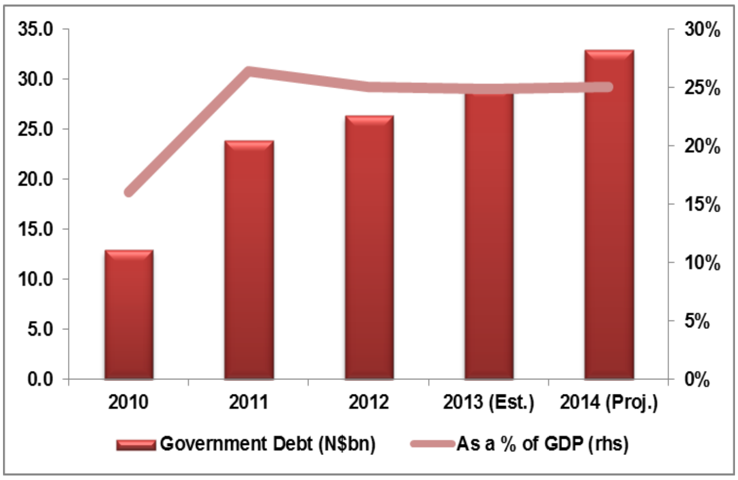


Source: MoF

Total revenue (as a share of GDP) is expected to slowdown during the next two years, largely reflecting lower income tax receipts (2013) and lower SACU revenue (2014). Revenue is expected to increase by 9 percent per year on average during 2013-2014; this is a much lower growth when compared to 23 percent recorded between 2011-2012 periods. As a percentage of GDP, total revenue will slow down from 32.4 percent in 2013 to 31.1 percent during 2014 (Chart 8). The slower revenue growth is partly due to tax relief to individual income earners. Current transfers, more so SACU revenue is also expected to decline in 2014, putting pressure on fiscal coffers, as reflected in the MTEF.

Total government spending (as a share of GDP) is expected to increase in 2013, before levelling off along declines in current and capital expenditure going forward. Total expenditure is expected to reach 37.8 percent of GDP in 2013, before declining to 35.5 percent of GDP in 2014 (Chart 8). The strong growth during 2013 is mainly attributed to current expenditure, which is estimated to expand by 20 percent. Going forward, the government is expected to embark on a fiscal consolidation path reducing both the current and capital expenditure, according to the MTEF projections. As such, current expenditure is projected to slowdown to 29 percent of GDP in 2014 from 30 percent during 2013. Capital expenditure is expected to also decelerate to 6.7 percent of GDP in 2014, compared to 7.4 percent in 2013, as the three year stimulus program, TIPEEG, unwinds.

Chart 9: Government Debt (N$bn) and as % of GDP



Source: MoF

Public debt is expected to remain at around 24 percent of GDP in 2013 and 2014; suggesting that public debt is generally sustainable (Chart 9). As such, the stock of debt is significantly below the government's debt ceiling of 35 percent. The stock of foreign debt is expected to increase in nominal terms on average by 10.8 percent on an annual basis over the forecast period mainly due to projected issuance of bonds on the Johannesburg Stock Exchange in FY2014/15. The depreciation of the Namibia Dollar against the US Dollar during 2013 also contributed to the higher value of external debt in local currency terms.

6. Conclusion

Global economic activity remains weak, despite positive developments in the US and Japan that complemented relatively strong growth of leading emerging markets. Negative economic growth in the Euro area remains a drag to global recovery, although the recovery in the housing sector of the US economy, and emerging dynamism of Japanese exports, augur well for the medium-term. While China and India are growing at relatively lower rates than in recent years, their growth rates remain relatively high by international standards and continue to support the recovery of the world economy to date.

Growth in SSA, although diverse across economies, has remained robust, barring for the limited growth of the South African economy. At around 5.1 percent in 2013, SSA growth remains resilient to weak global headwinds and declining international commodity prices for metals, energy, and food. Reported surge in the services sector's contribution to overall GDP growth, as well as investment in resource-rich countries, has offset the overall negative contribution of net exports to growth, according to the 2013 World Bank Economic Perspectives. The South African economy continues to perform below earlier trends as a result of industrial unrest and financial imbalances that have led to pessimist expectations for investors and the public in general.

The Namibian economy continues to perform relatively strong, despite weak growth of the international economy. For 2013/2014, the economy is projected to grow in the range of 4.7-5.0 percent, on an annual basis. Growth is expected to largely mirror brisk construction activity related to sizeable foreign direct investment in the uranium industry, public and non-mining private sector. The tertiary sector, although, still remaining the largest contributor to growth is projected to moderate mainly reflected in the less dynamic growth in the wholesale and retail trade and lacklustre performance of the tourism industry. Similarly, the primary industries, is expected to decline due to the effects of droughts on the crop production in the agricultural sector and a slowdown in the mining activities compared to 2012.

The fiscal deficit is expected to slightly widen during 2013 before improving going forward. The overall fiscal balance is expected to worsen in 2013, before improving during 2014. The Government is expected to follow the fiscal consolidation path indicated in the MTEF and help build fiscal buffers in the medium term. This will preserve fiscal and external sustainability to be able to absorb adverse shocks.

Risks to the domestic outlook include the fragile state of the world economy, the impact of the exchange rate depreciation and adverse weather conditions. Weaker-than-expected global economic conditions from the baseline projections, especially in the Euro area and the emerging economies, coupled with a further decline in commodity prices would affect demand in the export markets. Although inflationary pressures remain latent along the recent depreciation currency, it may warrant close monitoring going forward. Drought conditions being experienced in the country could also impair longer-lasting depressed conditions in the primary industries than those assumed under the baseline projections.

Appendix I: Forecasting Assumptions

The domestic projections are based on the following underlying assumptions:

Primary Industries

- Drought conditions are expected to depress growth in crop production in 2013, but expected to improve in 2014 due to better rain prospects.
- Livestock output expected to increase as farmers are selling-off their cattle and small stock in response to adverse weather conditions in 2013, but expected to hold back in 2014 in anticipation of better weather conditions.
- Fishing is expected to be subdued due to a decline in TACs in the main specie in 2013 but is expected to improve on account a recovery in global output in 2014.
- Diamond production is expected to continue at near capacity, as on-shore output diminishes and offshore production remains the main source of total production.
- Uranium production is expected to remain subdued on account of low international uranium prices attributed to the lacklustre growth in emerging economies and the 2012 base effect.

Secondary Industries

- Increased private sector investments particularly in the mining industry and growth in residential and business facilities expected to boost the construction sector. These include amongst others; construction of the Husab uranium mine, Otjikoto gold mine, shopping malls and increased activities in the hospitality industry.
- Low water levels as a result of drought conditions expected to slow the water and electricity sector in 2013. However, a new initiative, Short Term Critical Supply (STCS) introduced by Nampower is expected to generate additional power capacity.

Tertiary Industries

- The increased household disposable income from the tax relief is expected to stimulate consumer spending.
- However, growth in the wholesale and retail industry is estimated to decelerate ascribed mainly to the base effect following a double digit growth recorded in 2012.
- Performance in the tourism industry is expected to remain weak owing to the fragile state of the global economy.

Appendix II: Real GDP Growth

Industry	2009	2010	2011	2012	2013	2014
Agriculture and forestry	0.6%	-3.1%	15.5%	11.8%	5.5%	6.1%
Livestock farming	4.4%	-7.1%	26.1%	21.2%	23.5%	6.8%
Crop farming and forestry	-1.7%	-0.5%	9.0%	5.1%	-9.3%	5.2%
Fishing and fish processing on board	4.4%	2.1%	8.4%	16.9%	6.0%	8.0%
Mining and quarrying	-42.2%	32.7%	-7.9%	12.0%	-0.9%	4.4%
Diamond mining	-50.8%	36.6%	-2.6%	9.0%	-2.0%	2.5%
Other mining and quarrying	-0.6%	23.2%	-22.1%	22.0%	2.2%	9.8%
Primary industries	**-24%**	**14.2%**	**1.9%**	**12.8%**	**2.5%**	**5.7%**
Manufacturing	5.9%	7.3%	1.2%	1.2%	2.7%	3.6%
Meat processing	4.9%	5.1%	-6.4%	3.1%	4.5%	3.0%
Fish processing on shore	33.1%	0.6%	16.4%	-27.1%	-20.0%	-15.0%
Other food products and beverages	8.4%	-2.4%	-5.4%	6.5%	6.0%	5.0%
Other manufacturing	-1.7%	18.4%	3.3%	4.7%	4.3%	5.1%
Electricity and water	0.6%	2.5%	4.8%	5.8%	4.6%	6.0%
Construction	-18%	5.6%	19.3%	12.5%	23.0%	19.1%
Secondary industries	**0.2%**	**6.4%**	**4.7%**	**3.9%**	**7.1%**	**7.5%**
Wholesale and retail trade, repairs	3.1%	7.9%	3.3%	12.1%	5.5%	4.1%
Hotels and restaurants	-2.0%	0.7%	2.8%	-1.2%	-0.5%	1.0%
Transport, and communication	5.3%	2.5%	4.9%	4.2%	3.5%	4.3%
Transport and storage	7.7%	4.2%	6.5%	3.5%	2.5%	3.5%
Post and telecommunications	3.3%	1.0%	3.5%	4.8%	4.5%	5.0%
Financial intermediation	12.3%	5.3%	4.2%	6.6%	4.8%	5.3%
Real estate and business services	6.0%	1.7%	4.3%	6.4%	4.7%	5.0%
Real estate activities	4.6%	3.4%	2.0%	6.8%	5.0%	5.5%
Other business services	10.0%	-2.8%	11.1%	5.5%	4.0%	3.5%
Community, social and personal service activities	2.6%	-3.2%	1.3%	-2.9%	1.0%	0.8%
Public administration and defence	5.0%	8.8%	3.4%	6.2%	6.0%	5.8%
Education	4.1%	5.5%	14.0%	2.4%	3.5%	4.0%
Health	2.9%	2.4%	3.8%	11.8%	4.0%	1.0%
Private household with employed persons	4.4%	2.3%	2.5%	3.3%	3.2%	2.5%
Tertiary industries	**4.8%**	**4.7%**	**4.9%**	**6.4%**	**4.5%**	**4.2%**
Less: FISIM	-0.6%	8.7%	5.8%	10.4%	5.4%	5.9%
All industries at basic prices	**-0.9%**	**6.2%**	**4.4%**	**6.6%**	**4.7%**	**5.1%**
Taxes less subsidies on products	-2.7%	7.2%	18.5%	-9.7%	5.0%	3.7%
GDP at market prices	**-1.1%**	**6.3%**	**5.7%**	**5.0%**	**4.7%**	**5.0%**

Source: NSA (2009-2012), BoN (2013-2014)

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

Industry	2009	2010	2011	2012	2013	2014
Agriculture and forestry	2 989	3 340	4 312	5 433	6 257	6 924
Livestock farming	1 527	1 785	2 706	3 712	4 676	5 194
Crop farming and forestry	1 462	1 555	1 606	1 721	1 581	1 730
Fishing and fish processing on board	2 428	2 539	2 851	4 054	4 822	5 845
Mining and quarrying	8 002	6 882	7 471	12 138	13 351	13 854
Diamond mining	2 749	4 042	5 430	8 970	9 951	10 306
Other mining and quarrying	5 254	2 840	2 041	3 168	3 400	3 548
Primary industries	**13 420**	**12 761**	**14 634**	**21 625**	**24 430**	**26 623**
Manufacturing	10 142	10 239	10 439	12 118	13 710	15 520
Meat processing	229	181	189	269	312	356
Fish processing on shore	951	60	562	70	62	58
Other food products and beverages	4 211	4 067	4 156	4 904	5 615	6 368
Other manufacturing	4 751	5 930	5 532	6 875	7 721	8 738
Electricity and water	1 850	1 976	2 281	2 388	2 742	3 191
Construction	2 465	2 644	3 234	3 818	5 048	6 462
Secondary industries	**14 456**	**14 859**	**15 954**	**18 324**	**21 500**	**25 173**
Wholesale and retail trade, repairs	8 610	9 711	10 538	12 585	14 145	15 688
Hotels and restaurants	1 399	1 467	1 693	1 752	1 878	2 043
Transport, and communication	3 800	4 545	4 942	5 129	5 616	6 192
Transport and storage	1 671	2 285	2 318	2 308	2 523	2 784
Post and telecommunications	2 129	2 260	2 624	2 821	3 093	3 408
Financial intermediation	3 648	4 264	4 711	5 533	6 109	6 777
Real estate and business services	5 987	6 363	7 254	7 938	8 707	9 571
Real estate activities	4 166	4 468	5 126	5 651	6 199	6 833
Other business services	1 820	1 895	2 128	2 287	2 508	2 738
Community, social and personal service activities	2 446	2 522	2 647	2 824	3 049	3 286
Public administration and defence	7 100	8 405	9 590	10 994	12 482	14 146
Education	5 948	6 853	8 143	9 195	10 366	11 743
Health	2 437	2 721	3 047	3 420	3 785	4 067
Private household with employed persons	559	597	643	708	778	850
Tertiary industries	**41 933**	**47 448**	**53 208**	**60 078**	**66 916**	**74 361**
Less: FISIM	1 014	1 185	1 265	1 548	1 712	1 902
All industries at basic prices	**68 795**	**73 883**	**82 531**	**98 479**	**111 134**	**124 255**
Taxes less subsidies on products	6 275	7 133	9 127	8 846	9 901	10 944
GDP at market prices	**75 070**	**81 016**	**91 658**	**107 325**	**121 034**	**135 199**

Source: NSA (2009-2012), BoN (2013-2014)

Appendix IV: GDP at Constant 2004 Prices (N$ millions)

Industry	2009	2010	2011	2012	2013	2014
Agriculture and forestry	2 114	2 048	2 366	2 645	2 790	2 959
Livestock farming	838	779	982	1 190	1 470	1 570
Crop farming and forestry	1 276	1 269	1 384	1 455	1 320	1 389
Fishing and fish processing on board	1 047	1 069	1 159	1 355	1 436	1 551
Mining and quarrying	2 663	3 533	3 253	3 643	3 610	3 770
Diamond mining	1 877	2 564	2 499	2 723	2 670	2 737
Other mining and quarrying	786	968	754	920	940	1 033
Primary industries	**5 824**	**6 650**	**6 778**	**7 643**	**7 836**	**8 280**
Manufacturing	6 920	7 428	7 519	7 611	7 816	8 096
Meat processing	163	171	160	165	172	178
Fish processing on shore	821	826	962	701	561	477
Other food products and beverages	2 877	2 809	2 658	2 830	3 000	3 150
Other manufacturing	3 059	3 621	3 739	3 915	4 083	4 292
Electricity and water	1 221	1 251	1 311	1 387	1 451	1 538
Construction	1 644	1 737	2 072	2 331	2 868	3 416
Secondary industries	**9 786**	**10 416**	**10 902**	**11 329**	**12 135**	**13 050**
Wholesale and retail trade, repairs	6 259	6 754	6 977	7 821	8 251	8 589
Hotels and restaurants	941	947	974	962	957	967
Transport, and communication	3 416	3 502	3 674	3 827	3 962	4 132
Transport and storage	1 613	1 682	1 791	1 854	1 900	1 967
Post and telecommunications	1 802	1 820	1 883	1 973	2 062	2 165
Financial intermediation	2 793	2 943	3 067	3 269	3 426	3 607
Real estate and business services	5 166	5 254	5 482	5 834	6 110	6 413
Real estate activities	3 780	3 907	3 985	4 255	4 468	4 713
Other business services	1 387	1 347	1 497	1 579	1 642	1 700
Community, social and personal service activitie	1 771	1 714	1 736	1 685	1 702	1 715
Public administration and defence	4 901	5 331	5 510	5 852	6 203	6 563
Education	3 705	3 907	4 454	4 562	4 722	4 911
Health	1 777	1 820	1 888	2 111	2 195	2 217
Private household with employed persons	406	415	426	440	454	466
Tertiary industries	**31 136**	**32 587**	**34 188**	**36 363**	**37 982**	**39 580**
Less: FISIM	666	724	766	845	891	943
All industries at basic prices	**46 080**	**48 928**	**51 102**	**54 490**	**57 063**	**59 967**
Taxes less subsidies on products	4 402	4 720	5 592	5 050	5 303	5 499
GDP at market prices	**50 482**	**53 648**	**56 694**	**59 540**	**62 366**	**65 466**

Source: NSA (2009-2012), BoN (2013-2014)