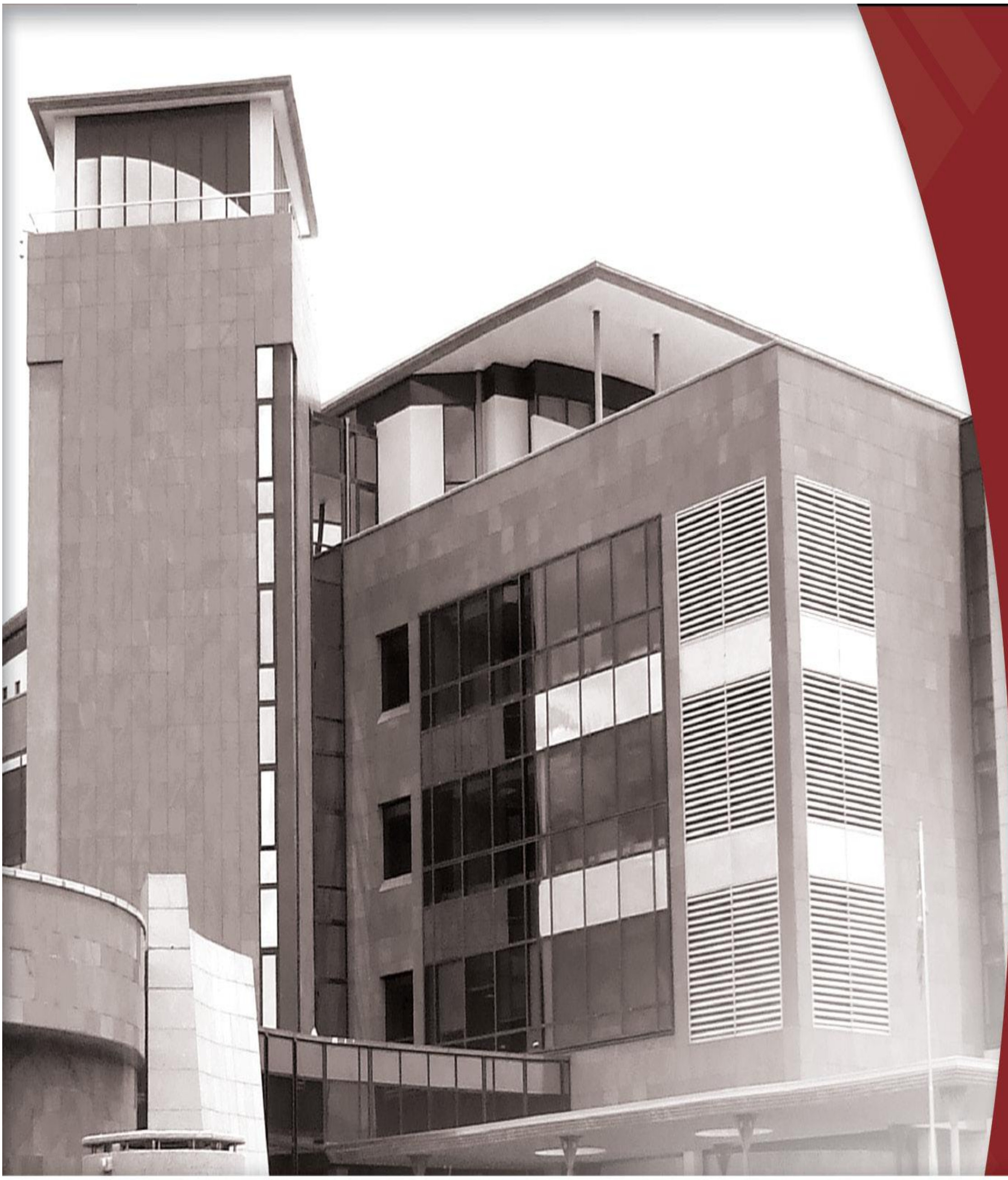


ECONOMIC OUTLOOK
DECEMBER 2011

Bank of Namibia

TABLE OF CONTENTS

HIGHLIGHTS:

GLOBAL ECONOMY

- Global economy is projected to slowdown to 4.0 per cent for both 2011 and 2012.
- The anticipated weakening of the global economy is due to renewed stresses in the Euro area, the after effect of earthquake and tsunami in Japan. Moreover, fiscal consolidation[1] in the advanced economies is expected to further amplify the negative effect on global growth.
- The downside risks on the global front has heightened due to weak sovereign debts and banks in advanced economies, insufficiently strong policies to address the crisis in major advanced economies, vulnerabilities in emerging economies, volatile commodity prices and geopolitical tensions.
- For advanced economies, risks are tilted on the downside due to low underlying growth, increased fiscal and financial uncertainty and high unemployment.
- On the emerging market economies, there are possibilities of suffering more adverse export conditions and even more volatile capital flows.

REGIONAL ECONOMY

- Growth in the Sub-Saharan Africa is expected to expand by 5.8 per cent in 2012 from an estimated 5.2 per cent during 2011.
- Growth is spurred by the strong domestic demand and relatively high and favorably commodity prices.
- On the other hand, the increase in the global food and fuel prices amplified by droughts in some parts of the region has fueled inflation.

DOMESTIC ECONOMY

- The Namibian economy is forecasted to grow by 4.2 per cent during 2012 following a 3.8 per cent growth estimated for 2011.
- Further, given the uncertainty in the global economy growth is forecasted to range between 1.7 per cent and 5.0 percent in 2012 under the pessimistic and optimistic scenarios, respectively.
- Growth will be broad-based owing mostly to increased uranium output, investment in construction and mining industry and in manufacturing.
- Risks to the outlook remains on the downside and the prospects hinges on the global recovery, which can threaten to weaken exports.

[1] Fiscal consolidation is a policy aimed at reducing government deficits and debt accumulation.

1. Global Outlook

The global economy is anticipated to expand by 4.0 per cent in 2012, after it has been estimated to have grown by the same rate during 2011 (Table 1). Following the 2009 recession, the global economy rebounded robustly in 2010 but is expected to decelerate in 2011, owing to the tragic Japanese earthquake and tsunami, the spreading unrest in the Middle East and North Africa (MENA) and the rise in oil prices. Growth in emerging market economies continues to surpass advanced economies, driven by expanding employment and incomes. Growth in 2011 and 2012 is expected to be led by emerging market economies, followed by Sub Saharan Africa. However, advanced economies' growth is faced with challenges among others; high unemployment, sluggish wages and deteriorating property prices, especially in the US and Spain.

Table 1: World Economic Output (annual percentage change)

Regions	**2009**	**2010**	**2011 (est.)**	**2012 (proj.)**
World output	-0.7	5.1	4.0	4.0
Advanced economies	**-3.7**	**3.1**	**1.6**	**1.9**
United States	-3.5	3.0	1.5	1.8
Euro area	-4.3	1.8	1.6	1.1
Germany	-5.1	3.6	2.7	1.3
Spain	-3.7	-0.1	0.8	1.1
United Kingdom	-4.9	1.4	1.1	1.6
Japan	-6.3	4.0	-0.5	2.3
Other advanced economies	-1.1	5.8	3.6	3.7
Newly industrialized Asian economies	-0.7	8.4	4.7	4.5
Emerging and developing economies	**2.8**	**7.3**	**6.4**	**6.1**
Developing Asia	7.2	9.5	8.2	8.0
China	9.2	10.3	9.5	9.0
India	6.8	10.1	7.8	7.5
Russia	-7.8	4.0	4.3	4.1
Brazil	-0.6	7.5	3.8	3.6
Sub-Saharan Africa	2.8	5.4	5.2	5.8
South Africa	2.8	2.8	3.4	3.6
Middle East and North Africa	2.6	4.4	4.0	3.6

Source: IMF World Economic Outlook September 2011. 2009-2010 Actual, 2011 estimates, 2012 projections

The **US** economy is estimated to have expanded by 1.5 percent during 2011, and is projected to grow by 1.8 percent in 2012. The economy is struggling to gain a foot-hold due to fiscal, housing and unemployment challenges. Growth is expected to slow due to a drag on domestic demand and disruptions in automotive supplies from the Japanese earthquake and tsunami in 2011. The risks that continue to face the economy, amongst others include; weakness in the housing market and household finances, low market confidence, high unemployment, failure to reach consensus on the design of the debt reduction strategy and the possibility of further downgrade of the US sovereign credit rating.

The **Euro Area's** economic growth is projected at 1.1 per cent in 2012 from an estimated 1.6 per cent in 2011. High public deficits and debt, lower potential output and escalating market tensions undermine the growth outlook in much of the advanced Europe. The renewed market volatility and elevated risks to financial stability has increase risks on the continent. In addition, banks' exposures to sovereign debt continue to be a major risk to economic growth.

Germany continues to lead economic growth in advanced economies. Output growth is estimated at 2.7 per cent in 2011 and expected to slowdown to 1.3 per cent in 2012. This is attributed to a strong rebound in global manufacturing, hence an improvement in exports and employment.

After being hard hit by the crisis, growth in **Spain** is projected to improve from 0.8 per cent in 2011 to 1.1 per cent in 2012. The economy continues to experience market volatility and increasing spreads in bond prices.

In the **UK,** GDP growth is estimated at 1.1 per cent during 2011, and projected to further expand by 1.6 per cent in 2012. Although the economy is still shaken by the crisis, the country embarked on a more ambitious fiscal consolidation path to restore the economy to its pre-crisis levels. These measures are expected to slow growth in the medium term.

Japan's economic growth is estimated to decline by 0.5 per cent in 2011 and projected to expand by 2.3 per cent in 2012. After the tragic earthquake and tsunami, a recovery in economic activities is expected and reports from Japan confirm a quick recovery in industrial production, business sentiment and household spending. Despite electricity shortages that are expected to weigh on production, a V-shaped short term recovery appears to be underway.

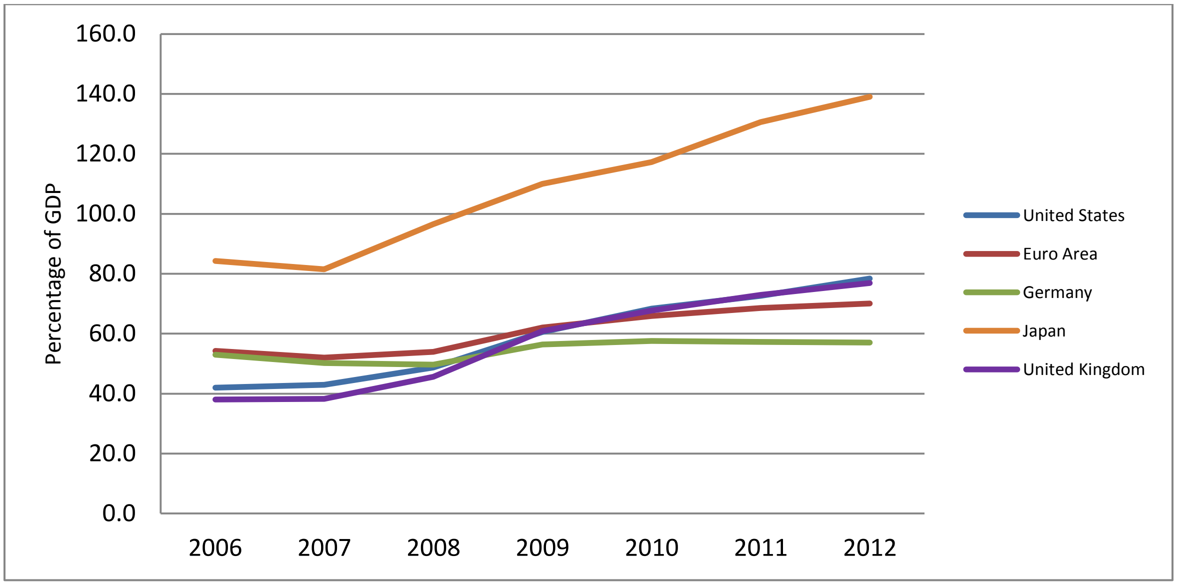
Russia's economy is projected to grow by 4.1 per cent in 2012 from 4.3 per cent in 2011. This is underpinned by oil exports, although oil prices are expected to moderate. Downside risks however remain, including expected capital outflows as investors remain cautious about the political situation uncertainty prompted by run-up to presidential elections.

In **India,** GDP growth is estimated at 7.8 per cent in 2011 and projected to expand by 7.5 per cent in 2012. Growth is supported by an increase in private consumption. Inflation is a key challenge facing the economy, which continues to get close to double digits.

China continues to experience robust economic growth in the region estimated at 9.5 percent in 2011 and projected at 9.0 percent in 2012. However, weaker external demand continues to be offset by strong domestic demand.

Brazil's economic growth is forecasted to slow down by 3.8 per cent in 2011, and moderate to 3.6 per cent in 2012. This is attributed to high inflation and the spending reduction package announced earlier this year.

Chart 1: Advanced Economies Net Debt as a percentage of GDP



Source: IMF World Economic Outlook September 2011. 2006-2010 Actual, 2011 estimates, 2012 projections

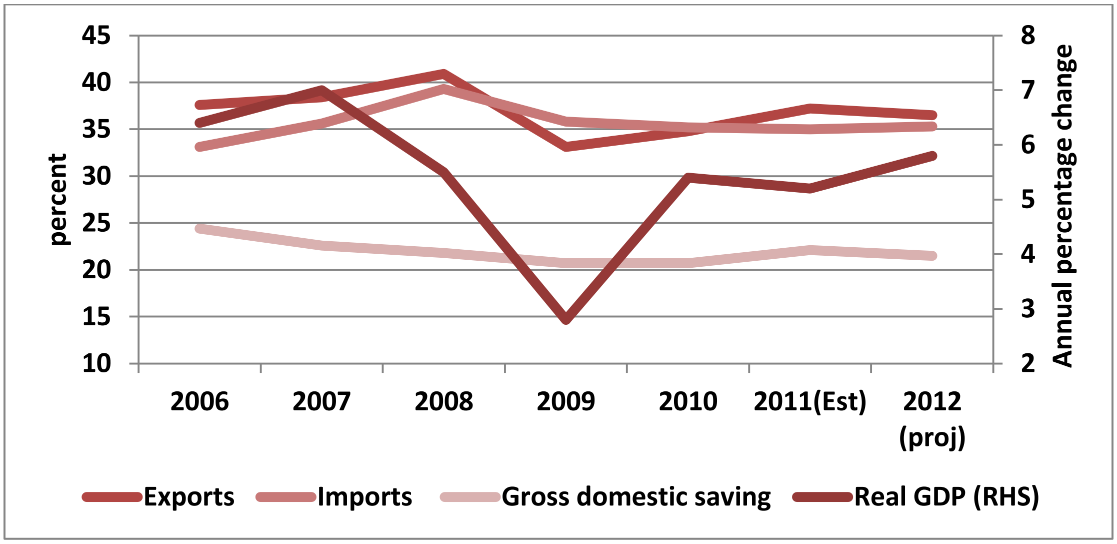
As illustrated by the above graph (Chart 1), advanced economies' public debts rose severely during the crisis. Japan has the highest debt among the advanced economies and the government should pursue measures to address the debt situation, while reconstructing areas destroyed by the earthquake and tsunami. Major adjustments are required, especially in Japan and the United States, to bring debt back down to prudent levels. The US is developing a medium-term fiscal consolidation plan to address debt and implement policies to sustain recovery, including easing the adjustment in the housing and labor market.

A contractionary fiscal policy in advanced economies is expected during 2012–13. Because of the low share of permanent consolidation measures in the United States relative to other countries, fiscal policy will do little to alleviate global current account imbalances. However, differences in fiscal policy perspectives will help reduce imbalances within the Euro Area. In most advanced economies, fiscal policy was neutral during 2010, with loosening in the United States, Japan, Canada and Germany broadly offset by tightening elsewhere.

2. Regional Outlook

The **Sub-Saharan Africa (SSA)** region was not significantly affected by the global economic crisis and growth continues to outperform advanced economies, with growth in many economies back to the highs of the early 2000. The region is estimated to grow by 5.2 per cent in 2011 and projected to expand by 5.8 per cent in 2012 (chart 2). Economic growth is estimated to be backed by a recovery in commodity prices and exports during 2011. However, a recovery in commodity prices fuelled inflation, which is a major challenge in the region. In addition, drought in the horn of Africa called for humanitarian aid from the region and increased inflation. A sharp increase in oil prices contributes to economic growth in oil exporting countries in the region, while posing threat to oil importing economies. Downside risks to the outlook include among others; geopolitical factors such as political instabilities and change in weather conditions which can disrupt agricultural production.

Chart 2: Sub-Sahara Africa: Selected Economic Indicators



Source: IMF World Economic Outlook October 2011

Angola is projected to experience a robust economic recovery of 10.8 per cent during 2012 from the estimated 3.7 per cent in 2011. Chiefly contributing to growth, is the recovery in oil production after the 2011 disruptions.

The region's strongest economy, **South Africa,** is estimated to grow by 3.4 percent in 2011 and 3.6 percent in 2012. This improved economic growth is mainly driven by; private consumption and strengthened investment, supported by low interest rate environment and the return of the issuance and renewal of mining licenses. Risks are tilted on the downside; high unemployment and household debt, low capacity utilization, slowdown in advanced economies and volatility in the exchange rate.

In conclusion, a general evaluation on the global economy outlook shows a bleak picture ahead, the world economy is expected to moderate, with the advanced economies facing weak growth and growth in the emerging market economies is projected to be sluggish. These projections hinges on a number of assumptions chief amongst them; that European policymakers will be able to contain the euro area debt crisis and that US strike a balance between supporting the economy and the fiscal consolidation. It is, therefore, against this background we formulate our assumptions that underlies the domestic economy projections.

3. Forecasting Assumptions

The domestic projections are based on the following underlying assumptions:

Primary Industries:

- Diamond mining onshore operations continue to be dwindling and as such the output is expected to be below 1.3 million carats going forward.
- Uranium mining is expected to increase owing mostly to the completion of the expansion phase of one of the mines.
- The expected good rainfalls could have an adverse impact on the uranium mining as experienced this year.
- Copper mines are expected to increase production.
- The expected good rains for 2012; the building of silos in the regions; continuous investments in the Green Scheme project and the steady increment in domestic sourcing of horticulture produce is expected to improve crop production. However, restocking by farmers due to good rains is expected to reduce livestock marketing in 2012.
- Fishing sector is expected to improve slightly on the back of increased Total Allowable Catches (TAC).

Secondary Industries:

- Manufacturing industries are expected to increase due to expansion and increased exports in beverages, dairy produce, pasta and wheat milling.
- Ohorongo cement is expected to increase its production on the back of entrance into new markets and Angola lifts the cement importation ban.
- Electricity generation expected to increase ascribed to the Ruacana fourth unit to be commissioned early 2012.
- Expected increased investment in the construction industry including amongst others, construction airport infrastructures, shopping mall, development of hotel and public projects attached to TIPEEG.

Tertiary Industries:

- The ongoing European debt crisis may continue to affect tourism as reflected in the declines of bookings.
- Consumer demand is expected to rise explained partially by the public servants salary increments and favourable interest rates.
- Expansionary fiscal policy stance augmented by TIPEEG bode well for the industry
- The fading off of donor funding in the health sector could distress the industry.

4. Domestic Economic Outlook

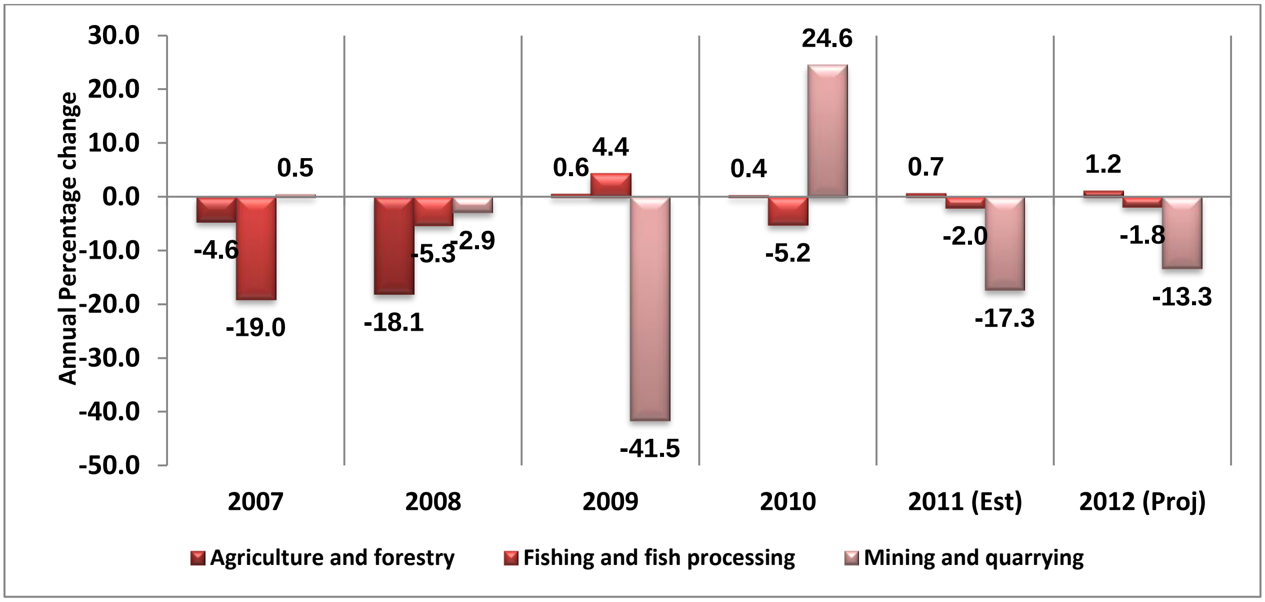
The Namibian economy is forecasted to grow by 4.2 per cent during 2012 from an estimated 3.8 per cent in 2011. The estimated growth for 2011 is a slowdown when compared to the 6.6 per cent recorded in 2010. The slowdown is accredited mainly to a decline in the mining activities and a slowing in the secondary industries. Looking forward, however, growth will be supported by increased uranium production, infrastructural development, owing partly to TIPEEG, increased production at Ohorongo cement factory and at the re-opened copper mines (Otjihase and Matchless mines).

There are, however, downside risks to the outlook mainly owing to the sovereign debt crisis in the Euro Area that may dampen global demand for Namibian exports and the uncertainty in the global economic recovery may pull commodity prices down resulting in a lower mining output and decreases in export earnings. Given the above risks, there are pessimistic and optimistic growth scenarios for the 2012 projections, as such, GDP is forecasted to range between 1.7 per cent and 5.0 per cent.

4.1 Primary Industries

Growth in primary industries is estimated to decline by 7.8 per cent in 2011 and projected to slightly improve by a contraction of -6.1 per cent in 2012 (Chart 3). The decline in 2011 is mainly attributed to the weakening in the mining sector. The sector is, however, projected to improve in 2012.

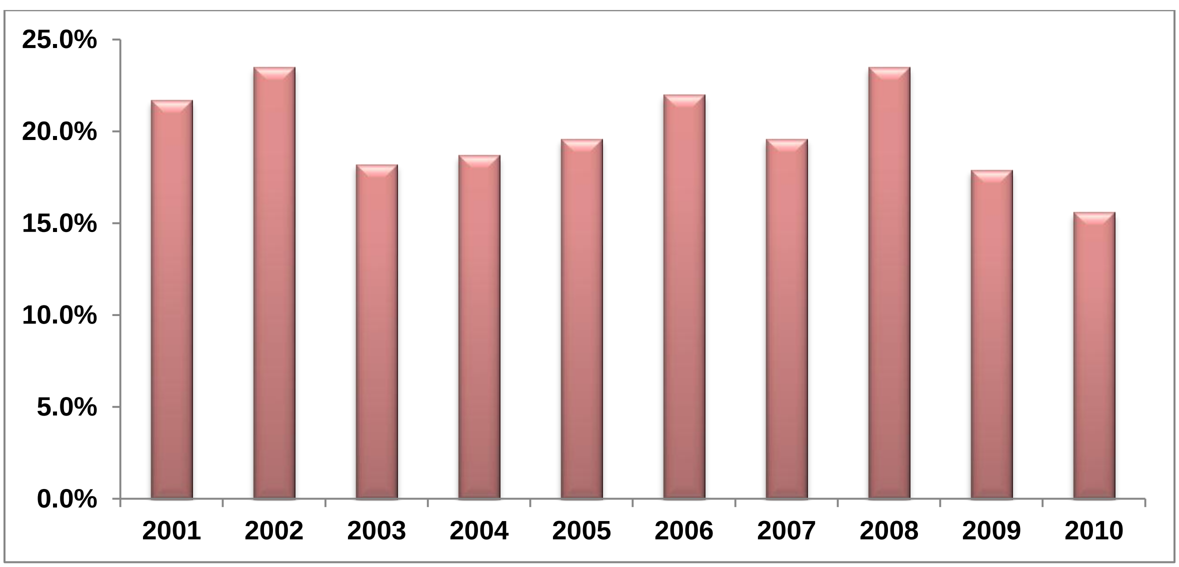
Chart 3: Primary Industries Performance



Source: CBS (2007-2010), Bank of Namibia (2011-2012)

The primary industries have contributed 20.0 per cent to GDP on average for the past ten years, making them the second largest contributor after the tertiary industries (Chart 4). This was driven mainly by the mining industries, notably, diamond mining and the agriculture and forestry industry.

Chart 4: Primary Industries Contribution to GDP



Source: CBS

Agriculture and Forestry

The agriculture and forestry industry is forecasted to expand by 1.2 per cent in 2012, after it is estimated to have grown by 0.6 per cent in 2011. The anticipated increased activities in the livestock and crop farming are expected to drive growth in 2012. Live cattle exports slowed down in 2011 due to foot and mouth disease suspicions in Omaheke and Otjozondjupa regions. This setback was, however, offset by an increase in prices, which enticed farmers into selling, thus increasing production. Going forward, it is expected that farmers will restock due to overselling in 2011 and the expected good rainfall in 2012.

The country experienced poor harvest of mahangu as a result of flooding in the north and north-east regions in 2011. On the other hand, production from maize irrigation schemes was not affected by flooding, hence an estimated improvement in total crop production in 2011. Crop production is expected to increase in 2012 due to the expansion of land under irrigation and silos construction in rural areas for mahangu storage. The horticulture industry is expected to improve going forward due to a 35 per cent local promotion regulation set by the government which was increased to 37.5 per cent for 2012 production.

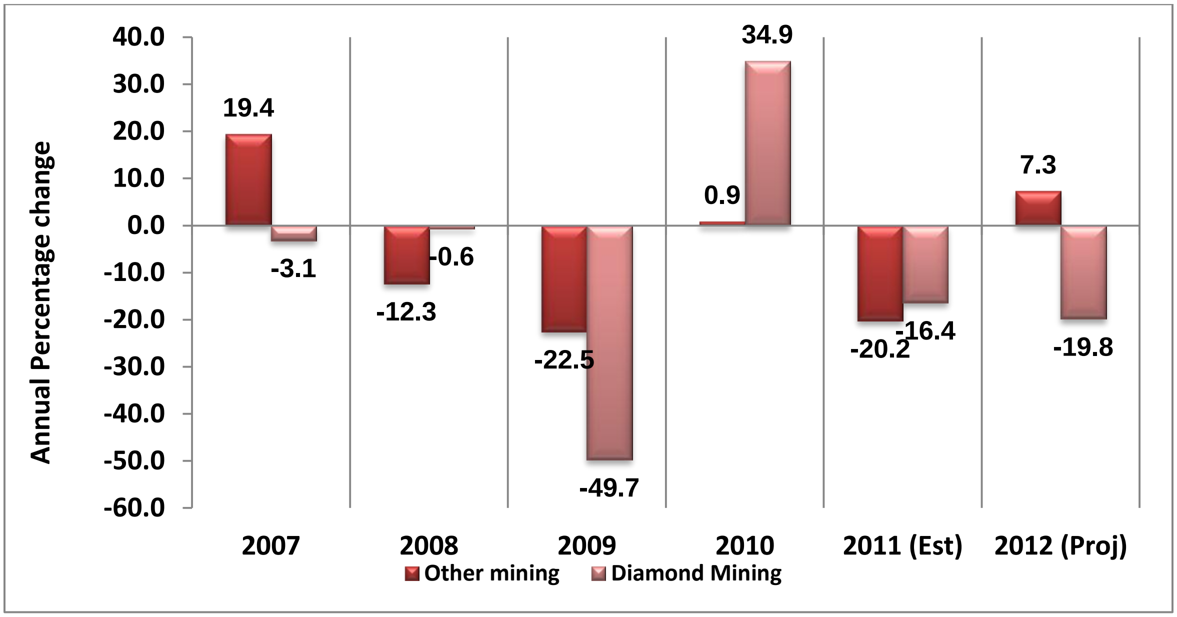
Fishing and fish processing on board

The fishing and fish processing on board activities have been recording negative growth rates for the past years. It is estimated that growth in the sector declined by 2.0 per cent during 2011 and it is expected to improve to negative 1.8 per cent in 2012. Total landings improved in 2011 due to good fish resource within the Namibian waters, owing to good fisheries management. Going forward, it is expected that conditions will continue to improve in 2012, assisted by increased fishing quotas for 2012. However, fluctuating exchange rates and increasing oil prices remain major drag for the industry, also the European debt crisis continue to slow down the performance of the industry.

Mining and Quarrying

Output in the mining and quarrying industry is expected to decline by 17.3 per cent in 2011 and recover slightly to -13.3 per cent in 2012 (Chart 3). Diamond production was affected by industrial actions and diminishing onshore diamond deposits. Consequently, the diamond industry is expected to record declining production going forward. The two copper mines that were amongst those closed late 2008, re-opened in 2011 and started with production early 2011, this bode well for the industry.

Chart 5: Mining and Quarrying Performance

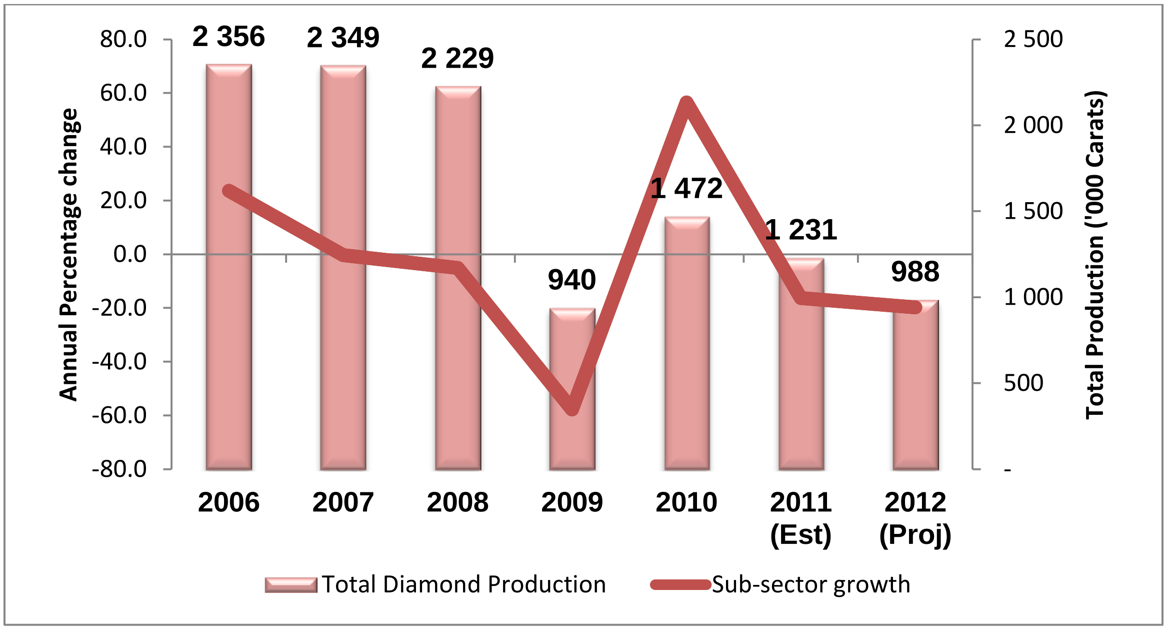


Source: CBS (2007-2010), Bank of Namibia (2011-2012)

Diamond Mining

After a rebound in 2010, diamond mining activities are estimated to decline by 16.4 per cent to 1.23 million carats (Chart 6) in 2011 and forecasted to contract further by 19.8 per cent during 2012. This decline was mainly caused by the month long strike which led to production loss of 29 000 carats of diamonds. In addition, maintenance and two fatalities which occurred at the mine earlier this year also contributed to production halts. Furthermore, onshore diamond deposits are diminishing and the land operations mine lifespan is only up to 2015 and the company need to invest over N$ 7.0 billion to extend the mine's lifespan to 2050. The current labour tension, which may scare away skilled employees and uncertainty on global economic recovery, continues to be downside risks.

Chart 6: Total Diamond Production and Growth Rates

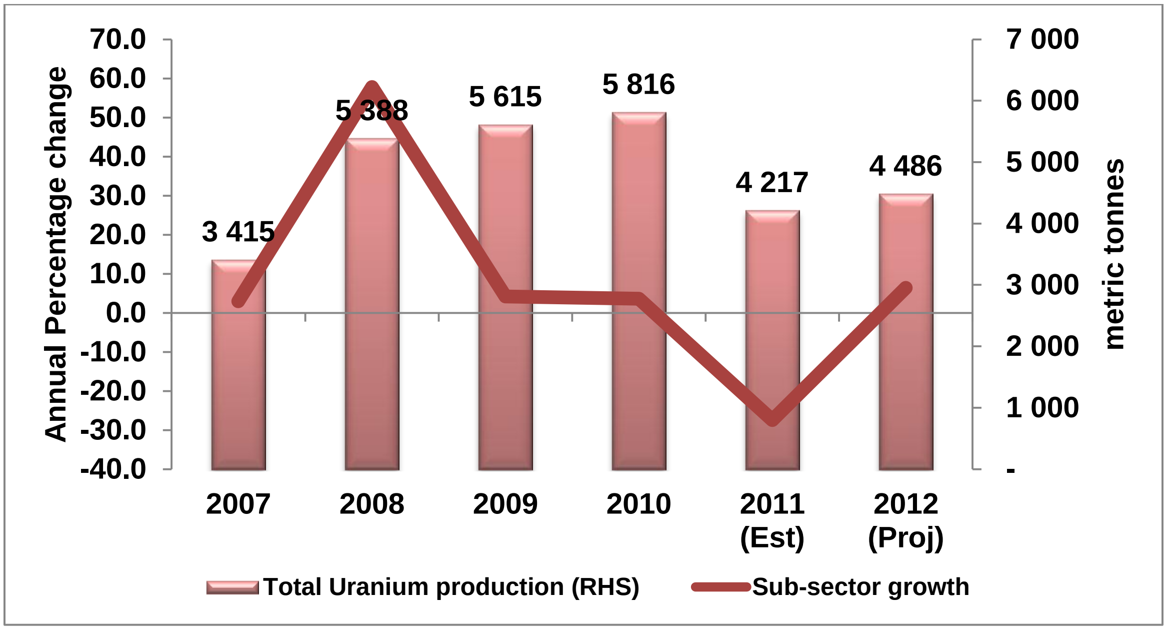


Source: CBS (2007-2010), Bank of Namibia (2011-2012)

Other Mining

Other mining activities are projected to grow by 7.3 per cent in 2012 after it was estimated to have declined by 20.2 per cent 2011. During 2011 uranium production declined by 27.5 per cent to 4,217 metric tonnes and it is expected to increase to 4.486 metric tonnes in 2012 (Chart 7). Uranium mines could not reach production targets due to high rainfall, low uranium prices and industrial actions. Following the Japanese Fukushima Nuclear Power Plant disaster early this year, a few countries have undertaken a preliminary review of their nuclear programs. Almost every country is maintaining its nuclear program apart from Germany which decided to revert back to its previous nuclear power phase out policy. The projected increase in uranium production in 2012 is owed to the Langer Heinrich mine completing its third expansion phase.

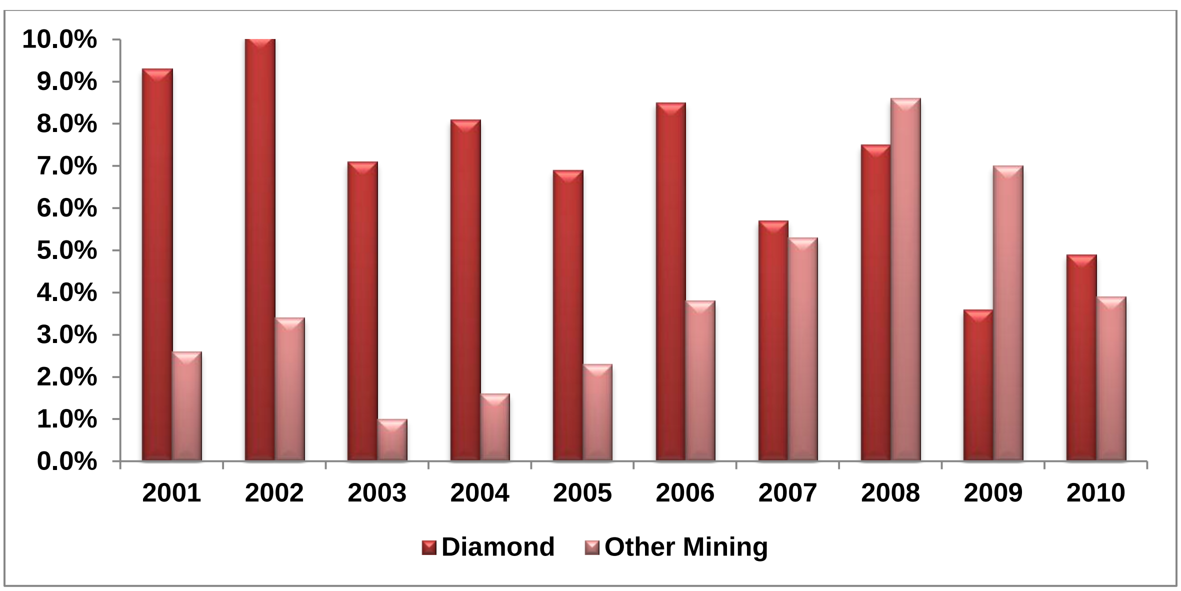
Chart 7: Total Uranium Production and Growth rates



Source: CBS (2007-2010), Bank of Namibia (2011-2012)

The copper mines that were closed at the end of 2008, due to global economic meltdown resulting in the collapse of copper prices, re-opened and commenced with production in 2011. Annual copper production for 2011 is estimated at 3,531 tonnes and projected to more than double to 7,500 tonnes in 2012. In addition, zinc production is expected to be sustained.

Chart 8: Diamond and Other Mining Contribution to GDP



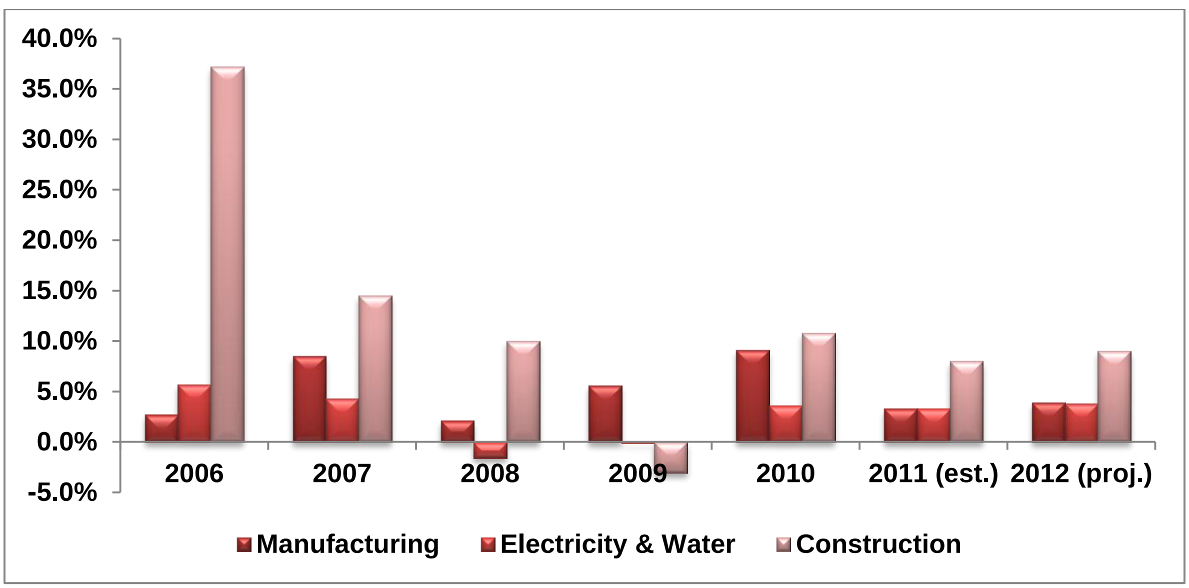
Source: CBS

The contribution to GDP by diamond mining and other mining averaged 7.2 per cent and 4.0 per cent, respectively, during the past ten years. Looking ahead, the diamond mining sector is expected to be overtaken by the other mining sector, particularly, by uranium mining in terms of contribution to GDP. This is also evident in the chart above (Chart 8), during the past three years other mining has contributed to GDP on average 6.5 per cent when compared to 5.3 per cent from diamond mining, recorded during the same period. The expected growth in uranium production will aid it to surpass the diamond sector as the largest foreign currency earner in the mining industry.

4.2 Secondary Industries

Real value added in the secondary industries is forecasted to expand by 5.0 per cent in 2012 following an estimated 4.2 per cent for 2011 (Chart 9). The growth is expected to be broad-based, supported by all industries that is, from manufacturing, utility services and increased investment in the construction industry.

Chart 9: Real Growth by Secondary Industries

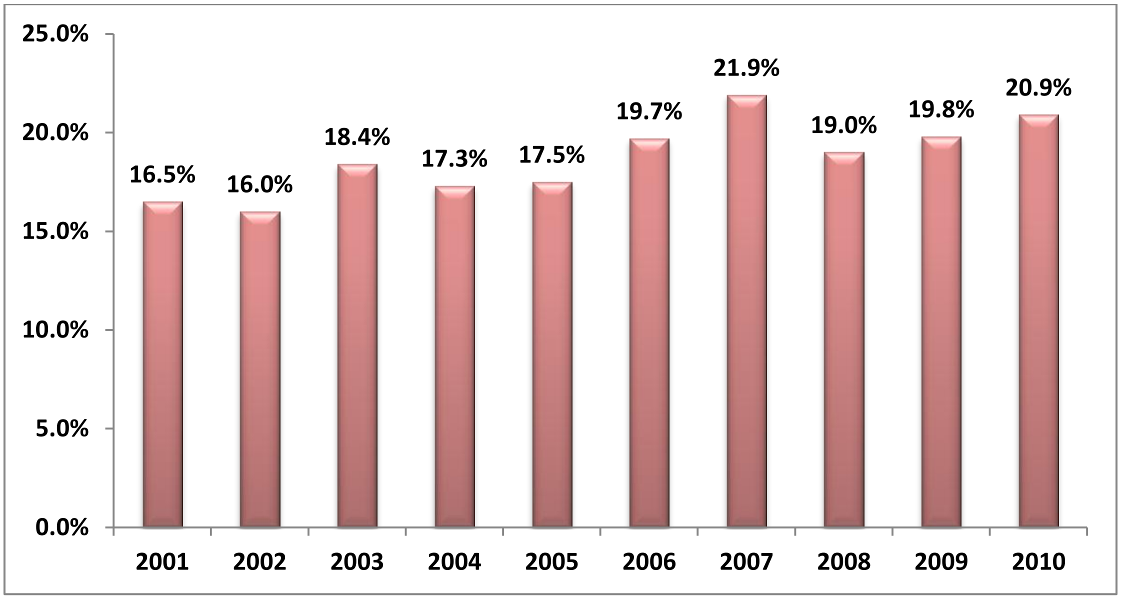


Source: CBS (2005 – 2010) BON (2011-2012)

The secondary industries are made up of the manufacturing, water and electricity and construction industries, which together have contributed on average 18.7 per cent to GDP over 10 years. The manufacturing industry is the biggest contributor to the secondary industry with

68.8 per cent share followed by the construction with 19.8 per cent and the water and electricity in the third place with 11.5 per cent contribution (Chart 10).

Chart 10: Secondary Industry: Contribution to GDP



Source: CBS

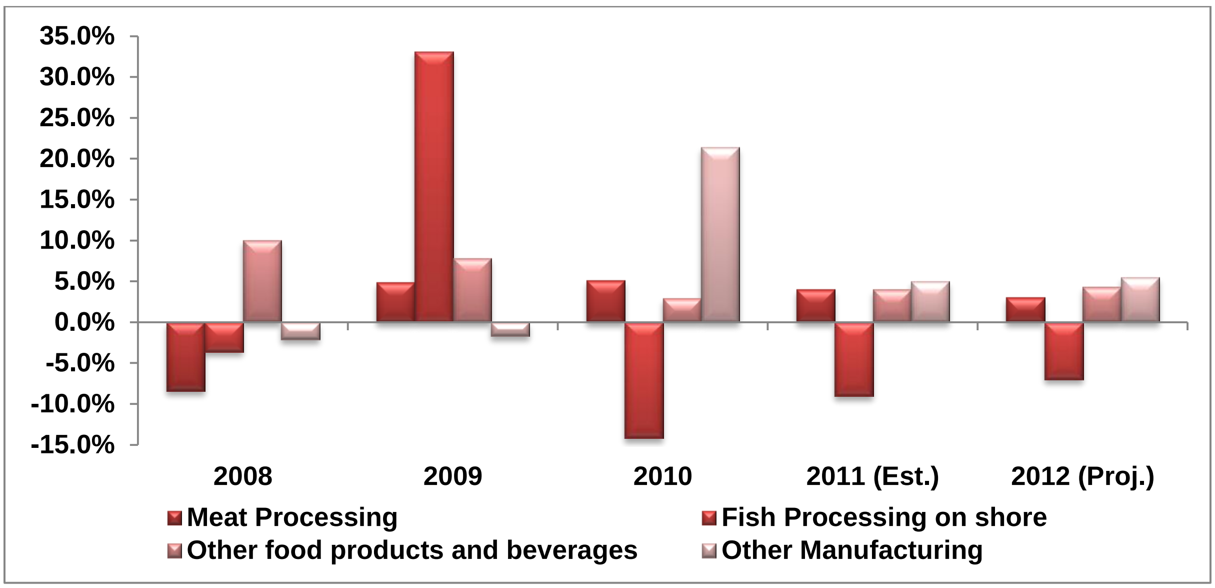
Manufacturing Industry

Looking forward, the manufacturing industry is expected to expand to 3.9 per cent in 2012 from an estimated slowdown of 3.3 per cent during 2011 (Chart 11 below). The slow growth is attributed partly to the sluggish growth in the minerals production for further value addition as reflected in the primary industries. Furthermore, the slowdown in 2011 is distinctly large when compared to the growth of 9.1 per cent recorded during 2010 owing mostly to a rebound in the mining activities. Looking ahead, the ongoing debt crisis in the advanced economy has a negative impact on the sector, because it has led to uncertainty in the global economic recovery thus dampening demand.

The other food products and beverages sector is expected to expand by 4.3 per cent in 2012, when compared to the estimated growth of 4.0 per cent during 2011. The expected growth will be on the back of increased production of beverages, mainly due to extension and renovations undertaken during the year by the industry. Additionally, the expansion of the pasta plant and wheat milling and the increased production of dairy produce augur well for the sector.

Other manufacturing sector is expected to grow by 5.5 per cent in 2012 and by 5.0 per cent during 2011. The growth is ascribed to the augmented manufacturing of cement, which started production early 2011. This is still the case despite the fact that Ohorongo cement experienced a setback in mid-2011 when Angola banned importation of cement from Namibia. The ban is, however, expected to be lifted by the end of the year. The company has planned to export between 250 000 and 300 000 tonnes of cement to southern Angola. During the year, the factory started already to export to Democratic Republic of Congo, plans are also underway to start exporting to Botswana, Zimbabwe and Zambia. The plant has a capacity of producing 700 000 tonnes of cement per annum. Other challenges that the company is facing is the imports of cheap cement into the country and it is considering approaching the government for infant industry protection.

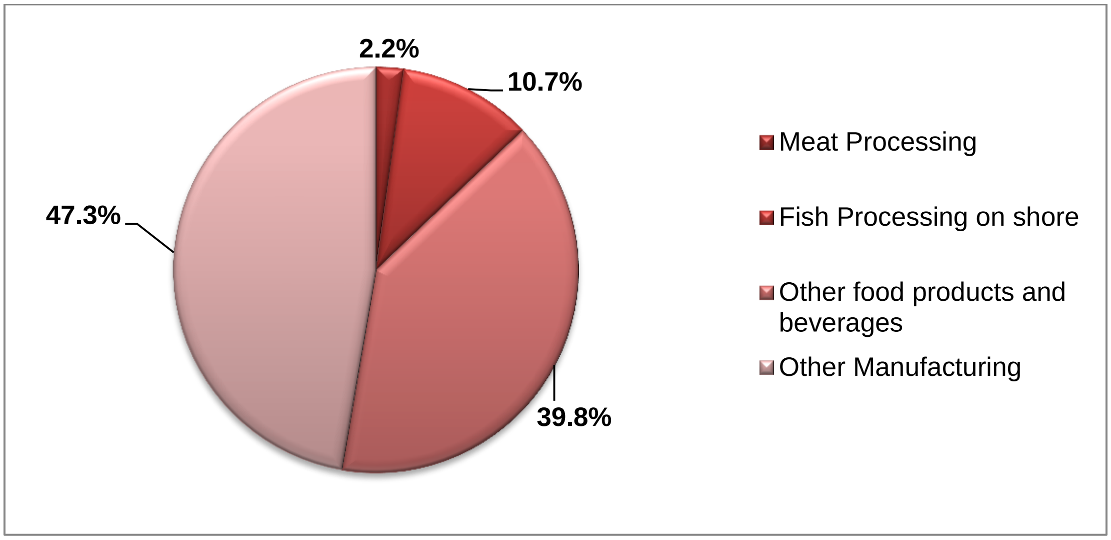
Chart 11: Real Growth by Manufacturing Sub-sectors



Source: CBS (2005 – 2010) BON (2011-2012)

During 2010, the manufacturing sector has contributed 14.4 per cent or N$ 11 725 million to the current gross domestic product of Namibia. Its total contribution to GDP has averaged 14.2 per cent over the past five years. The ‘other manufacturing’ sector is the highest contributor to the total manufacturing and to GDP (contributed 7.8 per cent to current GDP in 2010); followed by ‘other food products and beverages’ sector (Chart 12).

Chart 12: Contribution of sectors to total manufacturing



Source: CBS

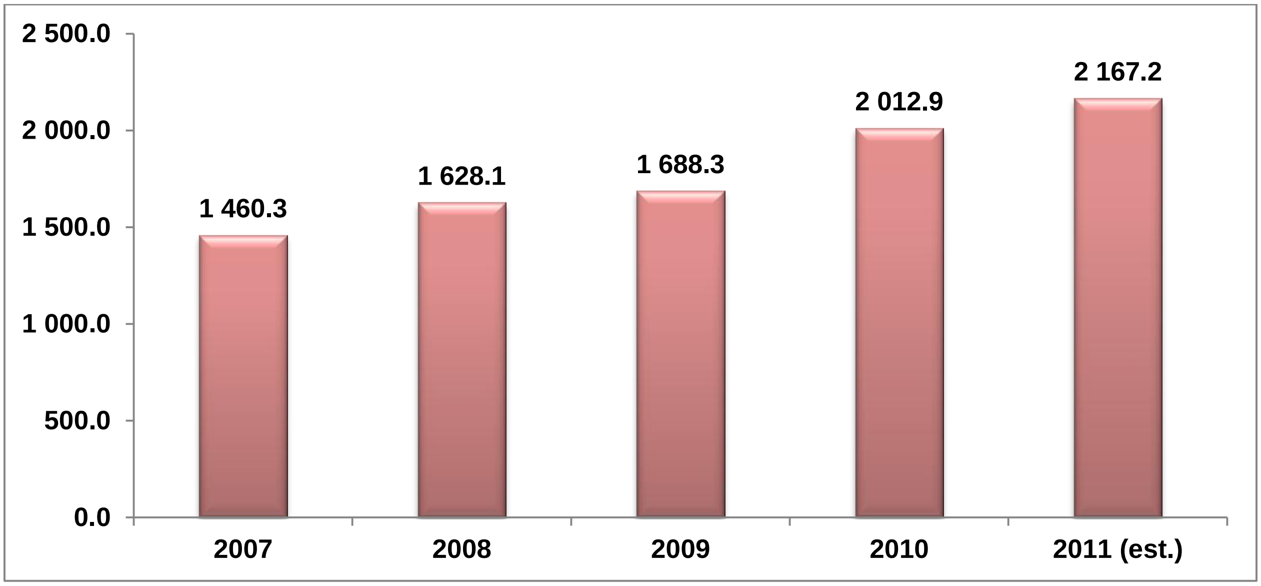
Electricity and Water

Electricity and water sector is expected to expand by 3.8 per cent in 2012 after an estimated growth of 3.3 per cent during 2011. The growth in the sector is underpinned by the expected coming on board of Ruacana 4th turbine, which will increase the hydro power generation by an additional 92 megawatts by March 2012. On the other hand, water consumption was subdued due to the slowed activities in the mining industries during 2011. Looking ahead, the sector is, however, expected to improve in line with the economic activities. In particular, electricity and water demand from the mining industry is set to grow by approximately 3 per cent per annum, due to augmented investments in the mining industry. During 2010, the sector grew by 3.5 per cent, an immense improvement when compared to a contraction of 0.1 per cent recorded in 2009.

Construction

Growth in construction sector is expected to grow by 9.0 per cent during 2012 from an estimated expansion of 8.0 per cent in 2011 (Chart 9). The construction sector has registered double digit growth (13.3 per cent) on average during the last ten years and its share as a percentage of GDP has increased, doubled from 2 per cent in 2000 to 4 per cent during 2010. Going forward, the strong growth is underpinned by large spends in housing development, road, water supply and airport development. This is evident in the growth of building plans approved (chart 13) reflected in the expected infrastructural development of a shopping mall, hotel and expansion of uranium mines.

Chart 13: Building Plans Approved (N$ Million)



Source: Various municipalities, town councils and BON estimates

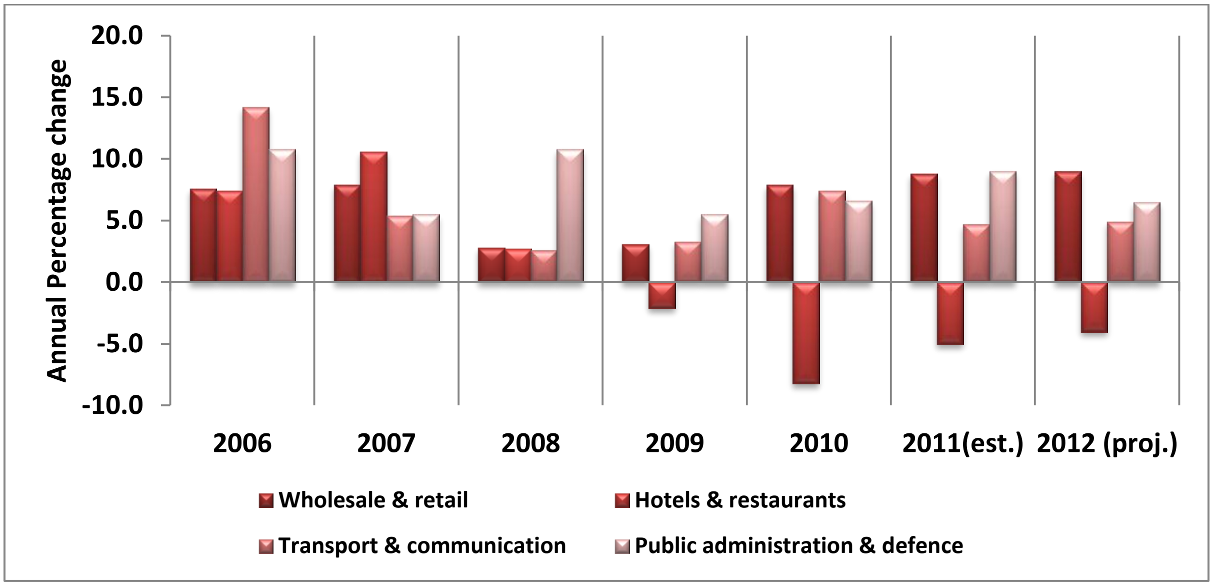
This expectation is also partly supported by the rolling over of the Targeted Intervention Programme for Employment and Economic Growth (TIPEEG). Given the challenges of unemployment and poverty in the country, the government outlined a number of measures to address some of these challenges in the new TIPEEG with a total budget of N$9.0 billion over the MTEF period. The programme is geared towards investment in the agriculture, transport infrastructure, tourism, housing and sanitation and inclusive of public works and the amount allocated is N$14.6 billion. The construction sector plays a major role in any economy, in terms of contribution to employment creation and broad-based economic growth. This is because of the series of backward and forward linkages that the sector has with other sectors of the economy. Additional sectors such as cement, steel, brick, timber and other building material are dependent on the construction sector.

4.3 Tertiary Industries

The robust growth experienced in the tertiary industries over the last two years is likely to continue in 2012. The industry is projected to expand by 5.7 per cent in 2012, from an estimation of 5.9 per cent in 2011 and 4.9 per cent in 2010. The optimism for 2011 and 2012 is based mainly on improvements in the Wholesale and Retail Trade, Transport and

Communication and the Public Administration category, even though a decline is expected in the hotels and restaurant category within the same period.

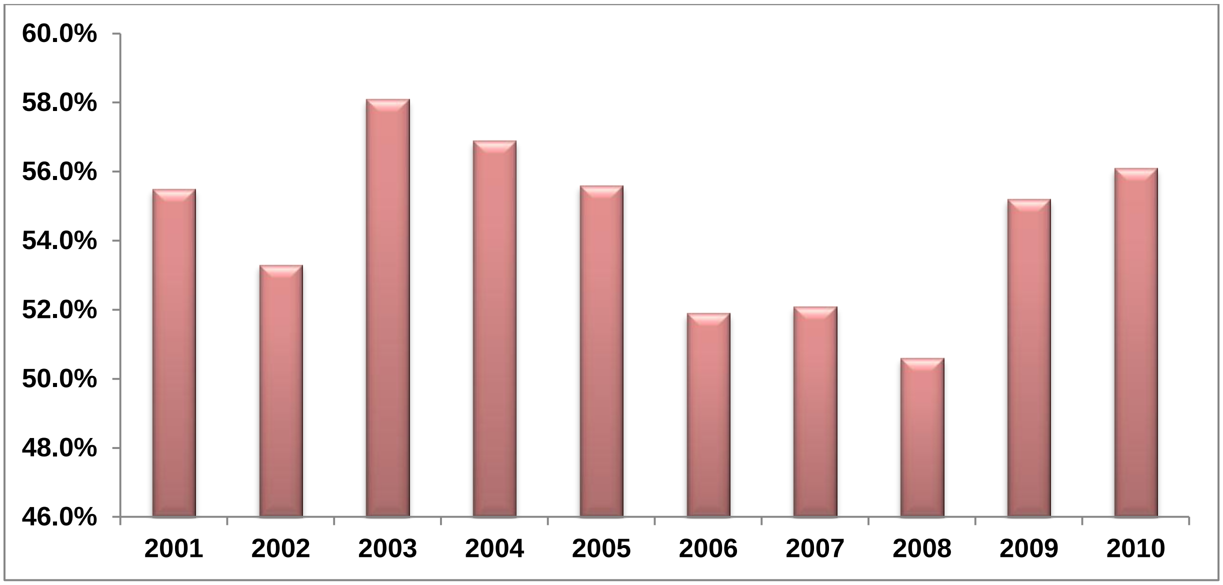
Chart 13: Tertiary Industry Performance



Source: CBS (2006-2010), Bank of Namibia (2011-2012)

Tertiary industries contribution to GDP has been decelerating and just started to pick up in the last two years, as depicted in Chart 14 below. On average, the industries has contributed 54.5 per cent to overall current GDP over the past ten years, owing mainly to wholesale and retail trade, which is the second largest sector in the economy after manufacturing contributing 10.9 per cent, followed by public administration and defence (9.0 percent) and real estate and business activities (8.5 percent) .

Chart 14: Tertiary Industries Contribution to GDP



Source: CBS

Wholesale and Retail Trade, Repairs

The low interest rates observed over the last three years, continue to benefit the domestic economy by improving consumer appetite and spending. The rise in consumer demand is estimated to increase the Wholesale and Retail Trade, Repairs category to 8.8 per cent in 2011 from 7.9 per cent in 2010. Going forward, the category is projected to grow by 9.0 per cent in 2012. The estimated growth in the retail sector is mainly owing to increments in the salaries of civil servants in 2011 and the favourable interest rates during 2011. The positive effect of the favourable interest rates on the retail sector can be evidenced through credit extension that rose to N$42, 8 billion in 2011 from N$38.5 billion in 2010.

Hotels and Restaurants

The category is estimated to have improved from negative 8.2 per cent in 2010 to a contraction of 5.0 per cent in 2011. The sector is projected to improve in 2012 by contracting to 4.0 per cent. The downswing in the sector is chiefly due to uncertainties in the Euro Area, preference of cheaper accommodation due to lower spending power and the fluctuation of the exchange rate.

Transport and Communication

The category is estimated to slow down to 4.7 per cent in 2011 from 7.4 per cent in 2010. The lower growth estimated is due to reduction in domestic economic activities, especially in the mining and cement industries and is consistent with the overall performance of the economy.

However, going forward the category is projected to increase to 4.9 per cent in 2012. The improvement is due to positive economic outlook expected in 2012 in the mining sector and improvements in the cement manufacturing industry.

Public Administration and Defence

Public Administration and Defence is estimated to expand by 9.0 per cent in 2011, compared to 6.6 per cent in 2010. Furthermore, the category is expected to moderate to 6.5 per cent in 2012. The improvements in Central Government Administrative and Local Government activities are largely, due to expansionary fiscal policy stance envisaged over the MTEF period. Real value added in the Government services is expected to be supported by the expected increase in public employment as per budget. The overall Government employment is estimated to have increased by 8.1 per cent, with 13.4 percent earmarked for the Health sector during 2011/12 fiscal year, this trend is expected to continue.

5. Conclusion

Real GDP growth in the domestic economy is expected to accelerate by 4.2 per cent during 2012, following an estimated growth of 3.8 per cent in 2011. Looking forward, a number of factors seem to be dampening the underlying growth momentum in the economy, including a moderation in the pace of global demand and unfavorable effects on confidence resulting from ongoing tensions in a number of euro area sovereign debt markets. It is, therefore, against this background, that we have three growth scenarios based on different assumptions, that is, the baseline, the pessimistic case and the optimistic scenario. In this regard, the economy is expected to grow in the range of 1.7 per cent to 5.0 per cent during 2012. Furthermore, the Namibian economy is still overwrought by the challenges of high unemployment, unequal distribution of income and poverty.

Appendix I: Real GDP Growth (Baseline scenario)

Industries	2008	2009	2010	2011	2012
		Actual		Estimate	Projection
Agriculture and forestry	**2.8%**	**0.6%**	**0.4%**	**0.7%**	**1.2%**
Fishing and fish processing on board	**-5.3%**	**4.4%**	**-5.2%**	**-2.0%**	**-1.8%**
Mining and quarrying	**-2.9%**	**-41.5%**	**24.6%**	**-17.3%**	**-13.3%**
- Diamond mining	-0.6%	-50.8%	34.9%	-16.4%	-19.8%
- Other mining and quarrying	-12.3%	3.3%	0.9%	-20.2%	7.3%
Primary industry	**-1.5%**	**-24.1%**	**10.5%**	**-7.8%**	**-6.1%**
Manufacturing	**2.2%**	**5.6%**	**9.1%**	**3.3%**	**3.9%**
- Meat processing	-8.3%	5.2%	4.9%	**4.0%**	**3.0%**
- Fish processing on shore	-3.6%	33.1%	-14.1%	-9.0%	-7.0%
- Other food products and beverages	10.0%	7.8%	2.9%	4.0%	4.3%
- Other manufacturing	-2.1%	-1.7%	21.4%	5.0%	5.5%
Electricity and water	**3.2%**	**-0.1%**	**3.5%**	**3.3%**	**3.8%**
Construction	**15.1%**	**-3.1%**	**10.8%**	**8.0%**	**9.0%**
Secondary industry	**4.8%**	**3.1%**	**8.8%**	**4.2%**	**5.0%**
Wholesale and retail trade, repairs	**2.9%**	**3.1%**	**7.9%**	**8.8%**	**9.0%**
Hotels and restaurants	**2.7%**	**-2.1%**	**-8.2%**	**-5.0%**	**-4.0%**
Transport, and communication	**2.7%**	**3.3%**	**7.4%**	**4.7%**	**4.9%**
Financial intermediation	**9.8%**	**12.5%**	**7.5%**	**8.0%**	**8.5%**
Real estate and business services	**4.4%**	**6.0%**	**3.1%**	**3.6%**	**4.2%**
Community, social and personal service activities	**0.3%**	**3.1%**	**-1.4%**	**2.0%**	**2.3%**
Public administration and defence	**11.7%**	**5.5%**	**6.6%**	**9.0%**	**6.5%**
Education	**6.2%**	**4.0%**	**2.5%**	**1.2%**	**1.6%**
Health	**12.5%**	**1.4%**	**5.3%**	**10.7%**	**7.9%**
Private household with employed persons	**5.2%**	**4.4%**	**2.5%**	**4.0%**	**4.2%**
Tertiary industry	**5.8%**	**4.6%**	**4.9%**	**5.9%**	**5.7%**
GDP at market prices	**4.3%**	**-0.4%**	**6.6%**	**3.8%**	**4.2%**

Source: CBS (2008-2010), Bank of Namibia (2011-2012)

Appendix II: GDP at Current 2004 Prices (N$ millions)

Industries	2008	2009	2010	2011	2012
	Actual			Estimate	Projection
Agriculture and forestry	**2 968**	**2 987**	**3 362**	**3 603**	**3 881**
- Livestock farming	1 540	1 525	1 808	1 935	2 077
- Crop farming and forestry	1 428	1 462	1 554	1 668	1 803
Fishing and fish processing on board	**2 411**	**2 523**	**2 177**	**2 272**	**2 376**
Mining and quarrying	**11 772**	**8 063**	**7 174**	**6 260**	**6 130**
- Diamond mining	5 500	2 749	3 992	3 556	3 039
- Other mining and quarrying	6 272	5 314	3 182	2 704	3 091
Primary industry	**17 151**	**13 573**	**12 713**	**12 136**	**12 387**
Manufacturing	**9 404**	**10 119**	**11 725**	**12 946**	**14 377**
- Meat processing	145	229	230	255	279
- Fish processing on shore	993	950	785	761	754
- Other food products and beverages	3 678	4 189	4 316	4 780	5 310
- Other manufacturing	4 588	4 751	6 394	7 150	8 034
Electricity and water	**1 590**	**1 928**	**2 089**	**2 298**	**2 541**
Construction	**2 880**	**2 915**	**3 243**	**3 730**	**4 330**
Secondary industry	**13 874**	**14 962**	**17 057**	**18 974**	**21 247**
Wholesale and retail trade, repairs	**7 682**	**8 610**	**9 708**	**11 249**	**13 058**
Hotels and restaurants	**1 283**	**1 399**	**1 382**	**1 398**	**1 430**
Transport, and communication	**3 395**	**3 709**	**4 335**	**4 836**	**5 402**
- Transport and storage	1 442	1 626	2 083	2 329	2 607
- Post and telecommunications	1 953	2 083	2 252	2 506	2 795
Financial intermediation	**2 849**	**3 619**	**4 205**	**4 837**	**5 589**
Real estate and business services	**5 415**	**5 986**	**6 435**	**7 101**	**7 876**
- Real estate activities	3 778	4 166	4 468	4 939	5 486
- Other business services	1 637	1 820	1 967	2 162	2 390
Community, social and personal service activities	**2 193**	**2 455**	**2 531**	**2 749**	**2 995**
Public administration and defence	**6 143**	**7 047**	**7 209**	**8 369**	**9 492**
Education	**5 202**	**5 944**	**6 613**	**7 127**	**7 712**
Health	**2 229**	**2 441**	**2 719**	**3 206**	**3 684**
Private household with employed persons	**492**	**559**	**598**	**662**	**735**
Tertiary industry	**36 883**	**41 769**	**45 735**	**51 534**	**57 973**
All industries at basic prices	67 068	69 311	**74 352**	**81 367**	**90 165**
GDP at market prices	**72 945**	**75 678**	**81 509**	**89 317**	**99 004**

Source: CBS (2008-2010), Bank of Namibia (2011-2012)

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

Industries	2008	2009	2010	2011	2012
	Actual			Estimate	Projection
Agriculture and forestry	**2 101**	**2 113**	**2 121**	**2 135**	**2 161**
Fishing and fish processing on board	**1 003**	**1 047**	**993**	**1 053**	**1 034**
Mining and quarrying	**4 606**	**2 694**	**3 357**	**2 776**	**2 406**
- Diamond mining	3 815	1 877	2 533	2 119	1 700
- Other mining and quarrying	791	817	824	658	706
Primary industry	**7 710**	**5 854**	**6 471**	**5 965**	**5 601**
Manufacturing	**6 537**	**6 904**	**7 535**	**7 782**	**8 089**
- Meat processing	155	163	171	178	183
- Fish processing on shore	617	821	705	642	597
- Other food products and beverages	2 654	2 861	2 945	3 063	3 195
- Other manufacturing	3 111	3 059	3 714	3 900	4 114
Electricity and water	**1 214**	**1 213**	**1 256**	**1 297**	**1 347**
Construction	**2 015**	**1 953**	**2 164**	**2 337**	**2 547**
Secondary industry	**9 766**	**10 070**	**10 955**	**11 416**	**11 983**
Wholesale and retail trade, repairs	**6 072**	**6 259**	**6 752**	**7 346**	**8 007**
Hotels and restaurants	**961**	**941**	**864**	**821**	**788**
Transport, and communication	**3 244**	**3 351**	**3 600**	**3 771**	**3 955**
Financial intermediation	**2 488**	**2 800**	**3 010**	**3 251**	**3 527**
Real estate and business services	**4 874**	**5 167**	**5 325**	**5 519**	**5 749**
Community, social and personal service activities	**1 727**	**1 780**	**1 755**	**1 790**	**1 831**
Public administration and defence	**4 668**	**4 925**	**5 248**	**5 720**	**6 092**
Education	**3 559**	**3 702**	**3 793**	**3 839**	**3 900**
Health	**1 727**	**1 751**	**1 844**	**2 041**	**2 203**
Private household with employed persons	**389**	**406**	**416**	**433**	**451**
Tertiary industry	**29 709**	**31 082**	**32 607**	**34 530**	**36 503**
All industries at basic prices	46 515	46 340	**49 309**	**51 158**	**53 289**
GDP at market prices	**51 038**	**50 816**	**54 170**	**56 228**	**58 582**

Source: CBS (2008-2010), Bank of Namibia (2011-2012)

Appendix IV: Main risks underlying the Pessimistic and the Optimistic Scenarios.

The pessimistic case projections are based on the following underlying risks; if these failed to materialize the outcome will be the optimistic growth:

- The ongoing debt crisis in Europe will be protracted ensuing uncertainty in the recovery of the global economy
- This will lead to a drop in commodity prices due to diminished global demand leading to lower mining output and further delay in the construction of new uranium mines and other projects resulting into lower investments in the construction industry.
- Tourism, fishing and beef industries adversely affected by the European debt crisis
- The copper smelting debacle on a claim of poisonous emissions by the company leads to reduced activities.
- Angola continues the ban on the importation of cement

Appendix V: Real GDP growth (Pessimistic Scenario)

Industries	2008	2009	2010	2011	2012
		Actual		Estimate	Projection
Agriculture and forestry	**2.8%**	**0.6%**	**0.4%**	**0.7%**	**0.4%**
Fishing and fish processing on board	**-5.3%**	**4.4%**	**-5.2%**	**-2.0%**	**-2.0%**
Mining and quarrying	**-2.9%**	**-41.5%**	**24.6%**	**-17.4%**	**-36.8%**
- Diamond mining	-0.6%	-50.8%	34.9%	-16.4%	-43.4%
- Other mining and quarrying	-12.3%	3.3%	0.9%	-20.5%	-15.7%
Primary industry	**-1.5%**	**-24.1%**	**10.5%**	**-7.9%**	**-17.3%**
Manufacturing	**2.2%**	**5.6%**	**9.1%**	**3.3%**	**2.3%**
- Meat processing	-8.3%	5.2%	4.9%	4.0%	2.0%
- Fish processing on shore	-3.6%	33.1%	-14.1%	-9.0%	-11.5%
- Other food products and beverages	10.0%	7.8%	2.9%	4.0%	3.0%
- Other manufacturing	-2.1%	-1.7%	21.4%	5.0%	4.0%
Electricity and water	**3.2%**	**-0.1%**	**3.5%**	**3.3%**	**2.0%**
Construction	**15.1%**	**-3.1%**	**10.8%**	**8.0%**	**4.0%**
Secondary industry	**4.8%**	**3.1%**	**8.8%**	**4.2%**	**2.6%**
Wholesale and retail trade, repairs	**2.9%**	**3.1%**	**7.9%**	**8.8%**	**6.0%**
Hotels and restaurants	**2.7%**	**-2.1%**	**-8.2%**	**-5.0%**	**-6.0%**
Transport, and communication	**2.7%**	**3.3%**	**7.4%**	**4.7%**	**2.7%**
Financial intermediation	**9.8%**	**12.5%**	**7.5%**	**8.0%**	**8.0%**
Real estate and business services	**4.4%**	**6.0%**	**3.1%**	**3.6%**	**3.7%**
Community, social and personal service activities	**0.3%**	**3.1%**	**-1.4%**	**2.0%**	**2.1%**
Public administration and defence	**11.7%**	**5.5%**	**6.6%**	**9.0%**	**5.7%**
Education	**6.2%**	**4.0%**	**2.5%**	**1.2%**	**1.4%**
Health	**12.5%**	**1.4%**	**5.3%**	**10.7%**	**6.9%**
Private household with employed persons	**5.2%**	**4.4%**	**2.5%**	**4.0%**	**3.5%**
Tertiary industry	**5.8%**	**4.6%**	**4.9%**	**5.9%**	**4.4%**
GDP at market prices	**4.3%**	**-0.4%**	**6.6%**	**3.8%**	**1.7%**

Source: CBS (2008-2010), Bank of Namibia (2011-2012)

Appendix VI: Real GDP growth (Optimistic Scenario)

Industries	2008	2009	2010	2011	2012
		Actual		Estimate	Projection
Agriculture and forestry	**2.8%**	**0.6%**	**0.4%**	**0.7%**	**1.4%**
Fishing and fish processing on board	**-5.3%**	**4.4%**	**-5.2%**	**-2.0%**	**-1.6%**
Mining and quarrying	**-2.9%**	**-41.5%**	**24.6%**	**-17.3%**	**-8.7%**
- Diamond mining	-0.6%	-50.8%	34.9%	-16.4%	-15.0%
- Other mining and quarrying	-12.3%	3.3%	0.9%	-20.2%	11.7%
Primary industry	**-1.5%**	**-24.1%**	**10.5%**	**-7.8%**	**-3.8%**
Manufacturing	**2.2%**	**5.6%**	**9.1%**	**3.3%**	**4.8%**
- Meat processing	-8.3%	5.2%	4.9%	4.0%	3.5%
- Fish processing on shore	-3.6%	33.1%	-14.1%	-9.0%	-5.0%
- Other food products and beverages	10.0%	7.8%	2.9%	4.0%	5.0%
- Other manufacturing	-2.1%	-1.7%	21.4%	5.0%	6.3%
Electricity and water	**3.2%**	**-0.1%**	**3.5%**	**3.3%**	**4.0%**
Construction	**15.1%**	**-3.1%**	**10.8%**	**8.0%**	**10.0%**
Secondary industry	**4.8%**	**3.1%**	**8.8%**	**4.2%**	**5.8%**
Wholesale and retail trade, repairs	**2.9%**	**3.1%**	**7.9%**	**8.8%**	**9.5%**
Hotels and restaurants	**2.7%**	**-2.1%**	**-8.2%**	**-5.0%**	**-2.0%**
Transport, and communication	**2.7%**	**3.3%**	**7.4%**	**4.7%**	**5.2%**
Financial intermediation	**9.8%**	**12.5%**	**7.5%**	**8.0%**	**9.0%**
Real estate and business services	**4.4%**	**6.0%**	**3.1%**	**3.6%**	**4.4%**
Community, social and personal service activities	**0.3%**	**3.1%**	**-1.4%**	**2.0%**	**2.4%**
Public administration and defence	**11.7%**	**5.5%**	**6.6%**	**9.0%**	**8.1%**
Education	**6.2%**	**4.0%**	**2.5%**	**1.2%**	**2.0%**
Health	**12.5%**	**1.4%**	**5.3%**	**10.7%**	**9.9%**
Private household with employed persons	**5.2%**	**4.4%**	**2.5%**	**4.0%**	**4.5%**
Tertiary industry	**5.8%**	**4.6%**	**4.9%**	**5.9%**	**6.4%**
GDP at market prices	**4.3%**	**-0.4%**	**6.6%**	**3.8%**	**5.0%**

Source: CBS (2008-2010), Bank of Namibia (2011-2012)