Economic Outlook Update

-November 2016-

Bank of Namibia

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Overview

GLOBAL ECONOMY

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

- Growth is expected to increase marginally in Emerging Markets and developing economies during 2016 and 2017, relative to 2015. In contrast, growth is expected to slow down in major Advanced Economies over the same period, but with a notable projected recovery in the United States during 2017.

- Risks to global growth have eased, following improved financial market sentiments, reduced concern about China's near-term prospects and some recovery in commodity prices. Despite improvements in global risks, growth is now expected to slow down in major economies, including the United States, Euro Area, United Kingdom and Japan during 2016. Growth prospects amongst advanced economies remains weak, mainly due to stagnation in real wages, household incomes, weak productivity, persistent low inflation and policy uncertainty that threatens to dampen business investment, especially in the European Union. Meanwhile growth in emerging Asia is expected to improve, but Brazil and Russia continue to face challenging macroeconomic conditions in the remainder of 2016.

REGIONAL ECONOMY

- Growth in the Sub-Saharan African region is expected to slow down to 1.4 percent in 2016 before recovering to 2.9 percent in 2017. The projected slowdown is attributed to low commodity prices, low consumer spending, and the impact of the persistent drought in the region.

- Growth in South African is expected to slow down to 0.1 percent in 2016 from 1.3 percent in 2015. This weak growth is explained by low international commodity prices, prevailing drought conditions and low household spending. These economic factors, coupled with domestic political infights are expected to impede economic growth in the medium term. Meanwhile, a marginal growth recovery of 0.8 percent in South Africa is projected to take hold in 2017.

- Angolan is projected to record 0.0 percent growth in 2016, before recovering marginally to 1.5 percent in 2017. Furthermore, growth in Angola is expected to remain subdued, due to the prevailing low oil prices, decline in public investments in infrastructure development and agriculture.

DOMESTIC ECONOMY

- Namibia's real GDP growth is projected at 2.5 percent and 4.0 percent for 2016 and 2017, respectively. The projected growth rates represent a slowdown from the National Accounts estimate of 5.3 percent for 2015. The expected slowdown in 2016 is mainly attributed to the decline in the construction, diamond mining sub-sector, electricity and water sectors and the consolidation in the public administration and defence sector. There are notable improvements in the uranium mining sub-sector and a lesser contraction in the agriculture sector; however, these positive developments may not be sufficient to avoid a slowdown in overall growth for 2016. Further positive contributions to growth in 2016 are expected to come from metal ores and wholesale and retail trade. Over the medium-term, growth will mainly be supported by anticipated recovery in both agriculture and diamond mining, as well as, improved growth in uranium mining, manufacturing and transport and communication sectors.

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

2. Global Outlook

Global output is expected to remain steady in 2016 and to improve during 2017. According to the IMF's World Economic Outlook (WEO) for October 2016, global growth is projected at 3.1 percent in 2016, which is lower than the 3.2 percent of 2015 and is projected to increase thereafter to 3.4 percent in 2017 (Table 1). Weaker than earlier expected global growth in 2016 is attributed to stagnation in real wages, weak productivity, persistent low inflation and policy uncertainty in advanced economies. The projected improved growth in 2017 is expected to be supported by better growth for both advanced economies as well as emerging markets and developing economies. Growth in emerging Asia is expected to improve, especially in India where growth is projected at 7.6 percent for both 2016 and 2017; however, Brazil and Russia are expected to remain in recession during 2016.

Table 1: World Economic Output (annual percentage change)

	Actual		Projections		Differences from July 2016 Update	
Regions	2014	2015	2016	2017	2016	2017
World Output	**3.4**	**3.2**	**3.1**	**3.4**	**0.0**	**0.0**
Advanced economies	**1.9**	**2.1**	**1.6**	**1.8**	**-0.2**	**0.0**
United States	2.4	2.6	1.6	2.2	-0.6	-0.3
Euro Area	1.1	2.0	1.7	1.5	0.1	-0.3
Germany	1.6	1.5	1.7	1.4	0.1	0.1
France	0.6	1.3	1.3	1.3	0.2	0.2
Spain	1.4	3.2	3.1	2.2	0.5	0.1
United Kingdom	3.1	2.2	1.8	1.1	0.1	-0.2
Japan	0.0	0.5	0.5	0.6	0.2	0.5
Emerging and developing economies	**4.6**	**4.0**	**4.2**	**4.6**	**0.1**	**0.0**
China	7.3	6.9	6.6	6.2	0.0	0.0
India	7.2	7.6	7.6	7.6	0.2	0.2
Russia	0.7	-3.7	-0.8	1.1	0.4	0.1
Brazil	0.1	-3.8	-3.3	0.5	0.0	0.0
Sub-Saharan Africa	**5.1**	**3.4**	**1.4**	**2.9**	**-0.2**	**-0.4**
South Africa	1.6	1.3	0.1	0.8	0.0	-0.2
Angola	4.8	3.0	0.0	1.5	-2.5	-1.2
Nigeria	6.3	2.7	-1.7	0.6	-0.1	-0.5
Middle East and North Africa	**2.6**	**2.1**	**3.2**	**3.2**	**-0.1**	**0.1**

Source: IMF World Economic Outlook, October 2016

2.1. Advanced Economies

Growth in Advanced Economies is projected to moderate in 2016, but increase slightly in 2017. Real GDP growth in the advanced economies is expected to slow down to 1.6 percent during 2016 and to increase to 1.8 percent in 2017, with the United States expected to rebound more strongly in 2017. Major economies such as Germany, Japan and France are trapped in weak growth trajectories that have the potential to reinforce negative feedbacks to global growth.

GDP growth in the United States is expected to slow in 2016, despite strong consumption and stable labour market performances in the first half of 2016. The growth of the US economy keeps falling short of expectations, and thus growth is revised down to 1.6 percent and 2.2 percent in 2016 and 2017, respectively; and this is compared to a growth rate of 2.6 percent achieved in 2015 (Table 1). The projected moderation is largely due to weak business investments, partly reflecting developments in the energy sector where demand growth is only likely to improve during 2017, which in turn is expected to increase growth to 2.2 percent.

Growth in the Euro Area remains elusive as the region continue to experience challenges in the financial sector and the labour market. The Euro Area is projected to grow by 1.7 percent in 2016 and 1.5 percent in 2017. These projections are supported by the emergence of high non-performing loans in some Euro Area countries, which continue to hold back growth prospects. Although employment continues to expand slowly, weak productivity on supply side and a shortage of demand are a major part of the problem of low growth in the Euro Area.

In the United Kingdom, economic activities are projected to slow down during 2016 and 2017. Economic growth in the UK is expected to recede to 1.8 percent and 1.1 percent in 2016 and 2017, respectively, from 2.2 percent in 2015. Growth projection for the United Kingdom is negatively affected by increased uncertainty following the vote to leave the European Union, which is expected to weaken domestic demand in the medium to long term. Due to this uncertainty, the IMF's WEO for October 2016 revised down growth in the UK by 0.2 percentage points for 2017.

Growth in Japan is projected to remain flat in 2016 and is expected to improve marginally in 2017. Real GDP growth for the Japanese economy is projected to remain flat at 0.5 in 2016, supported by consumer spending, which was motivated in part by leap year effects. In addition, weaker external demand and corporate investment weighed down on economic activity. Without government interventions to propel growth, the Japanese economy is expected to remain in the low growth territory. According to Organization of Economic Corporation and Development (OECD) Report for the second quarter of 2016, growth is projected to slow down due to the impact of the consumption tax hike planned for 2017, but this will be partially offset by an increase in exports

2.2. Emerging Market and Developing Economies

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

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

India's economic growth rate is projected at 7.6 percent in both 2016 and 2017, which is unchanged from 2015. Growth in India is expected to be driven by strong private consumption, which has benefited from low energy prices and high real incomes.

Russia's economy is projected to remain in recession in 2016, before recovering modestly in 2017. Growth is expected to contract by 0.8 percent in 2016, followed by a marginal recovery of 1.1 percent in 2017. The lower growth projections are attributed to adverse effects of international sanctions, coupled with low oil prices and structural weaknesses. Weak economic outlook for Russia remains a risk owing to a possible significant drag on the global growth.

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

Despite the recent improved commodity prices, risks to the global economic outlook remain, particularly for emerging markets and developing economies. These risks range from low commodity prices, low-growth trap, political turmoil and negative impact from increasing interest rates in the US. In the advanced economies, risks are diverse, including political discord between Russia and the west and inward-looking economic policies, low inflation, negative output gap and low aggregate demand. Furthermore, the start of contractionary monetary policies [1] in the advanced economies is expected to increase exchange rate volatilities in emerging markets. Other downside risks are those associated with the decision by the UK to leave the European Union. The vote to leave the EU caused significant political change in the United Kingdom and generated uncertainty about the country's future economic relations with the rest of the world, coupled with the ongoing US presidential election campaign that have brought to the fore issues related to labour mobility and migration, global trade integration and cross border regulation. Thus overall, there is an ongoing uncertainty in the financial markets over what will happen once Britain leaves the EU because it has to make new trade agreements with the rest of the world. There also exist upside risks associated with global growth, which includes improving financial markets after the initial shock of the Brexit vote; sustained improvements in the U.S. labour market; the

[1] Contractionary monetary policies involve monetary authorities raising interest rates to control inflation or to pursue other economic objectives.

modest uptick in commodity prices, which should ease some of the pressure on commodity exporters without severely hurting net importers.

3. Regional Outlook

Economic growth in Sub-Saharan Africa (SSA) is projected to slowdown in 2016, however, growth is expected to recover for 2017 on the back of expected moderate recovery in commodity prices. Growth in Sub-Sahara Africa is expected to slow to 1.4 percent in 2016, from 3.4 percent in 2015, before recovering to 2.9 percent in 2017. The expected moderation in 2016 is ascribed to low commodity prices and constraints in the energy and communication sectors. In addition, the slowdown in SSA is driven by unfavourable external conditions such as weak demand from Eurozone and from China. Economic activities are, however, expected to recover modestly during 2017, provided that commodity prices will increase enough to sustain positive growth in SSA.

Growth in **South Africa** is projected to remain flat during 2016, due to lower export prices, labour unrests, weak investors and consumers' confidence, low power generation and lower household expenditure. The economy is projected to slow to 0.1 percent in 2016, compared to real GDP growth of 1.3 percent in 2015. The South African Reserve Bank (SARB) has revised its growth forecast for the South African economy upward to 0.4 percent for 2016 during September 2016, from 0.0 percent projected in July 2016. SARB then expects growth to improve to 1.2 percent in 2017, due to a modest recovery in commodity prices and likely improved weather conditions, combined with improving power supply.

Real GDP growth in Angola is expected to remain weak due to weaker domestic demand, declining exports and lower crude oil prices. According to the IMF's WEO for October 2016, growth in Angola is projected to recede to 0.0 percent in 2016, and marginally increase to 1.5 percent in 2017. The growth expectation for 2017 is due to the anticipated recovery in commodity prices together with renewed demand from China. Crude oil accounts for substantial portions of the country's exports and government revenues. As a result, Angola's external position has weakened materially.

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

4. Domestic Economic Outlook

Developments since the last Economic Outlook:

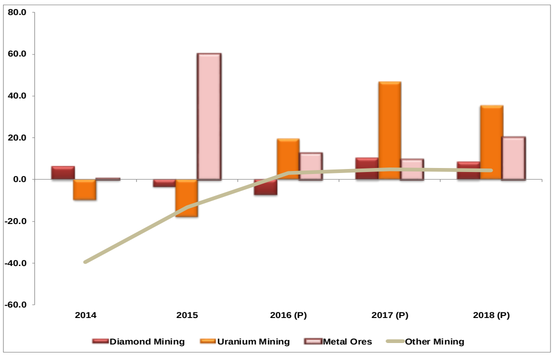
The Namibian economy is expected to slowdown in 2016, due to projected contractions in diamond mining, construction, coupled with fiscal consolidation in the public sector. The economy is projected to grow by 2.5 percent and 4.0 percent during 2016 and 2017, respectively. The 2016 growth is a slowdown from 5.3 percent in 2015 and is also lower than 4.4 percent projected by the Bank in July 2016. The prevailing drought and projected contraction in public administration and defence, diamond mining and construction sectors are expected to negate growth during 2016. Economic growth is projected to accelerate in 2017, mainly in line with anticipated recovery in both diamond mining and agriculture, as well as, improved growth in uranium mining, manufacturing and transport and communication sectors.

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

4.1 Real Sector

Figure 1: Namibia Macroeconomic Performance and Outlook

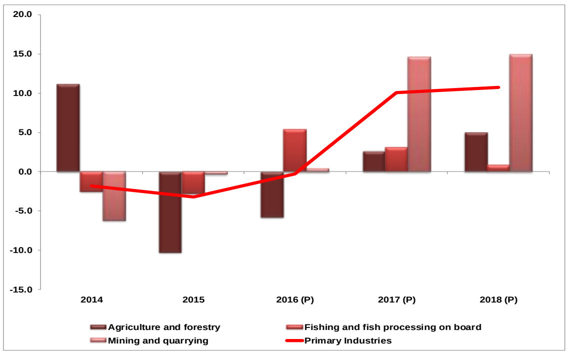
Mining Industry
(Annual Percentage Changes)



Source: NSA and BoN

Mining recorded a contraction in 2015 and is expected to improve in 2016.

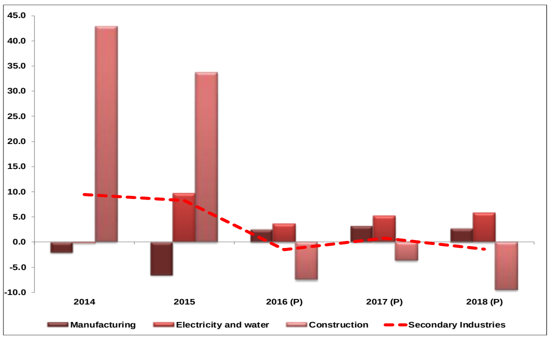
Primary Industries
(Annual Percentage Changes)



Source: NSA and BoN

Growth for primary industries is expected to improve in 2016, from a acontraction in 2015.

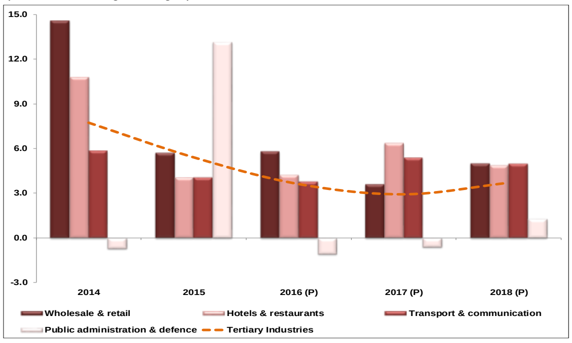
Secondary Industries
(Annual Percentage Changes)



Source: NSA and BoN

Growth is expected to remain subdued amongst Seconady industries.

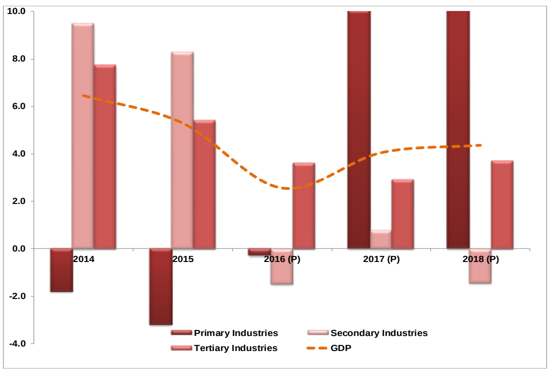
Tertiary Industries
(Annual Percentage Changes)



Source: NSA and BoN

Growth among tertiary industries is expected to moderate, but remain strong.

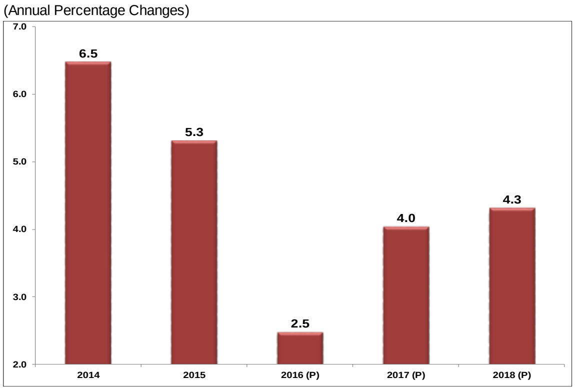
GDP growth by Industries
(Annual Percentage Changes)



Source: NSA and BoN

Primary industries expected to lead growth from 2017 onwards.

GDP growth, 2014-2018
(Annual Percentage Changes)



Source: NSA and BoN

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

Primary Industries

The primary industries are projected to improve in 2016, and this is owing to positive developments in uranium mining and sustained growth in metal ores. Primary industries are projected to contract by 0.3 percent in 2016 and to expand by 10.1 percent in 2017. The contraction in 2016 represents an improvement from a deeper contraction of 3.2 percent in 2015 (Figure 1). The expected recovery in primary industries will be driven by increased production of uranium and metal ores (gold, copper and zinc) during 2017. Nevertheless, a projected contraction in agriculture will continue to weigh down overall growth in the primary sector during 2016. Similarly, the mining and quarrying sector is projected to expand by 0.4 percent and 14.6 percent in 2016 and 2017, respectively. The improved growth for primary industries during 2017 is attributed mainly to expected recoveries in agriculture and diamond mining and commencement of production at Husab uranium mine during the same year.

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

Diamond mining is projected to contract in 2016 and thereafter recover in 2017. Diamond mining is projected to contract by 7.3 percent in 2016, following a moderate contraction of 3.4 percent in the previous year. The contraction in diamond mining is attributed mainly to two factors: the lower grade of diamonds mined at Namdeb, and DeBeers Marine mining vessel that went for service during 2016. Thereafter, diamond mining is projected to expand robustly by 10.1 percent in 2017 as Namdeb Holdings approaches its full production capacity. Diamond mining is one of the major contributors to economic growth with a GDP contribution estimated to average 8.4 percent between 2016 and 2017, from 9.0 percent in 2015.

Growth in uranium mining is projected to accelerate during 2016 and 2017, in line with increased output from existing mines. Uranium mining is projected to grow by 19.3 percent and 46.5 percent in 2016 and 2017, respectively. The vigorous growth in 2016 is expected to emanate mainly from increased production at Rossing Uranium mine. Uranium production for the first eight months of 2016 showed an increase of 20.0 percent when compared to the same period in 2015. Further, Husab mine is expected to raise production level during 2017 and that would increase the growth rate in the sub-sector. On the downside side, the international uranium price has declined further in 2016, thus dampening the prospect of increasing production at some uranium mines. According to IMF projections, the uranium price is expected to decline by 11.2 percent in 2016, before increasing by 5.8 percent in 2017.

Growth in the metal ores sector is expected to slow, but remain robust as mines continue to increase production. The metal ores industry is projected to grow by 12.7 percent in 2016, which is a significant slowdown from 60.1 percent recorded in 2015. Growth in this industry is boosted by the commencement of B2Gold's Otjikoto mine and Weatherly's Tschudi copper mine last year. Otjikoto mine has produced 4,141 kilograms of gold bullion during 2015, and this volume is double when compared to the annual production of the existing gold mine. Otjikoto mine is projected to increase output to 4,394 kg in 2016 and to reach its full capacity of 6,670 kg by 2018. Tschudi mine produced 10,659 tonnes of copper during 2015 and is expected to reach its designed capacity of 17,000 tonnes in 2016.

Secondary Industries

Growth in the secondary industries is projected to contract during 2016 and thereafter remain low during the entire forecast period, mainly on account of contraction in the construction sector. Growth for secondary industries is projected to shrink by 1.1 percent in 2016 from a robust growth of 8.3 percent in 2015, followed by recovery of 0.8 percent in 2017 (Figure 1). Construction activities linked to private investments in the mining sector and public infrastructure projects had driven growth in this industry in recent years. Going forward, construction is expected to contract during 2016-2017 period. Specifically, the contraction in the construction sector is expected to impact negatively the growth in the secondary industries for 2016. Firstly, the decline in construction is due to the fact that new projects are not big enough to sustain the baseline set by mining construction over the past three years; and secondly, the public infrastructure programme will be limited to existing projects in order to adhere to the fiscal consolidation path. During 2017, overall growth in manufacturing is expected to improve and contraction in construction is projected to be less when compared to 2016, leading to a recovery in secondary industries.

The manufacturing sector is expected to recover in 2016 from a contraction in 2015, and thereafter maintain low growth throughout the forecast period. Performance in the manufacturing sector is linked to the primary activities such as mining, fishing and agriculture. Thus, occurrence of drought forces farmers to market their livestock and thereby increase activities in the meat processing sub-sector. The year 2016 however, marks the second year of consecutive drought and low livestock volumes on the farms, leaving little that can be availed for slaughtering. Farmers are expected to restock in 2016 and hence, meat processing is projected to decline significantly. In the case of mineral processing, activities in this subsector are expected to improve and drive a recovery in overall manufacturing. Largely, the expected recovery in the overall manufacturing is attributed to the commencement of the Skorpion zinc refinery as well as expected improved diamond processing. In this regard, manufacturing is projected to grow by 2.5 percent in 2016 compared to a contraction of 6.6 percent in the previous year. Growth in diamond processing is expected to recover to 5.6 percent in 2016 from a major contraction of 47.0 percent in 2015. The recovery will be driven by increased supply of rough diamonds to processors and improved international markets for processed diamonds.

Growth in the electricity and water sector is expected to slow down during 2016, but to remain strong in the medium term. Electricity and water sector is projected to expand by 3.6 percent in 2016, which is a slow down from 9.7 percent in 2015, before improving to 5.2 percent in 2017. The slower growth in 2016 is expected to come from the water sub-sector, which is projected to contract due to the limited supply of water in central regions of the country. Electricity generation is, however, expected to improve and to offset the contraction in the water sector. The increase in local electricity production will come from the refurbished van Eck power station. Van Eck power station is usually only used in emergency situations and short-term supply projects.

Growth in construction is expected to contract during the period from 2016 to 2017, as construction at mines comes to an end. The construction sector is projected to contract by 6.5 percent and 3.7 percent in 2016 and 2017, respectively. This represents a slowdown from 33.7 percent growth in 2015. Growth in this sector was largely driven by high value construction activities at various mines, which are now either completed already or coming to an end in 2016. Other private sector construction is also expected to come under pressure given the water shortages, especially in the central regions of Namibia. Most private institutions in uranium mining and fisheries have further indicated that there will be no major investment projects in the short-term, due to uncertainties regarding the uranium price and the allocation of fishing rights, respectively. The current fishing rights are set to expire during 2018/19 and companies will need to reapply. Furthermore, public construction is also expected to slow as Government embarks on a fiscal consolidation strategy in order to restore its fiscal buffers[2]. In this regard, the Government's development expenditure is projected to decline by 18.1 percent in 2016/17, when compared to the previous financial year.

Tertiary Industries

Tertiary industries are expected to maintain normal growth rates during the forecast period, supported by resilient activities in wholesale and retail trade. Tertiary industries are projected to grow by 3.4 percent in 2016 and 2.9 percent in 2017, after expanding by 5.4 percent in 2015 (Figure 1). These slower growth rates are mainly as a result of expected moderate activities in public administration and defence, financial intermediation and transport & communication.

Growth in wholesale and retail trade is expected to improve in 2016 and slow down in 2017. The wholesale and retail trade is projected to grow by 5.8 percent and 3.6 percent in 2016 and 2017, respectively. The projected growth for 2016 is a marginal improvement from 5.7 percent in 2015. The wholesale and retail trade data for the first eight months indicated that this sector grew by 7.0 percent. Amongst other retail sales, total vehicle sales declined by 10.6 percent during the first half of 2016, when compared to the corresponding period of 2015. In addition, better growth rates of 20.1, 11.6 and 7.9 percent were, however, recorded for wholesaling, furniture and supermarkets, respectively, over the same period. Going forward, it is anticipated that the enforcement of the latest amendments to the Credit Agreement Act as from August 2016 will dampen growth in vehicle sales and ultimately the wholesale and retail trade subsector. At the same time, these amendments are likely to reduce vehicle imports and thereby countering the negative impact on GDP growth.

Growth in the hotels & restaurants sub-sector is expected to improve in 2016 and to remain stable over the medium term. The hotels and restaurants sub-sector is projected to expand by 4.2 percent and 6.3 percent in 2016 and 2017, respectively, which is an improvement from 4.1 percent for 2015. The projected higher growth in the tourism sector during 2017 will likely be supported by an increase in overseas tourists who are expected to take advantage of a weaker Namibia Dollar exchange.

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

Financial intermediation activities are expected to maintain some momentum, supported by higher interest rates. Financial intermediation is projected to grow by 4.8 and 4.3 percent in 2016 and 2017 respectively. Growth in this sector is expected to remain strong in line with increased earnings from interest-bearing activities[3]. However, there are indications that demand is slowing marginally, as reflected in reduced vehicle sales and slower growth in credit extension. In this regard, the average annual growth in private sector credit reduced to 12.1 percent during the first eight months of 2016 compared, to 15.6 percent in the corresponding period of 2015.

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

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

5. Conclusions

Global output is expected to slow down in 2016 and thereafter improve during 2017. The slower growth in 2016 is due to subdued outlook in advanced economies. Meanwhile, growth in emerging market economies improved by a similar margin in 2016. The improvement in global growth during 2017 is largely on account of better growth prospects amongst emerging markets and in United States. Improved growth in the United States is expected to drive overall growth for advanced economies in 2017, which is projected at 2.2 percent. Most advanced economies are trapped in weak growth territory, which may enforce negative feedbacks to global growth. Emerging market and developing economies are expected to sustain positive growth during 2016 and 2017, with China and India maintaining growth rates above 6.0 percent. However, Brazil and Russia are expected to remain in recession during 2016, with modest recoveries projected for 2017.

Economic growth in Sub-Saharan Africa (SSA) is projected to slow down in 2016; however, growth is expected to recover during 2017 on the back of moderate recovery in commodity prices. Growth prospects in the region continues to be affected by low commodity prices as most of the regional economies are predominantly commodity exporters. South Africa in particular, faces exchange rate risks from the global front; and worsening drought conditions persistent in the region. Other domestic constraining factors in South Africa include weak investor and consumer confidence, low power generation, as well as, low household expenditure. As a result, the South African economy is projected to slow down to 0.1 percent in 2016, compared to the real GDP growth of 1.3 percent in 2015.

Growth in Angola is expected to soften because of the weakened external position from the low oil price and currency depreciation. According to the IMF's WEO for October 2016, growth in Angola is projected to reduce to 0.0 percent in 2016, and marginally rise to 1.5 percent in 2017. Although a moderate recovery is expected in Angola during 2017, the pace of the projected recovery will be steady, due to weak demand from China and low diversification of the domestic economy.

The Namibian economy is expected to slow down in 2016 due to projected contractions in diamond mining, construction, coupled with fiscal consolidation in the public sector. The economy is projected to grow by 2.5 percent during 2016, which is a slowdown from the 5.3 percent in 2015. The slowdown is mainly attributed to anticipated contractions in diamond mining, public administration and defence, and construction sectors. Positive contributions to growth are expected to come from uranium mining, metal ores, wholesale and retail trade and a slight improvement in agriculture.

Growth is projected to improve during 2017, largely on the back of expected recoveries in agriculture and diamond mining, as well as, improved growth in uranium mining, manufacturing and transport and communication sectors. The Namibian economy is projected to grow by 4.0 percent in 2017, mainly in line with projected recoveries in agriculture and diamond mining, and improved growth in uranium mining, manufacturing and transport and communication sectors. The contraction in diamond mining in 2016 was mainly due to operational issues, which are not likely to spill over to 2017 and hence, diamond mining is projected to expand by 10.1 percent during 2017. Activities in the agricultural sector are expected to recover to 2.6 percent in 2017, from a projected contraction of 5.8 percent in 2016, on the hope that El Nino cycle is over within the Southern Africa region.

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

Appendices

Appendix I: Forecasting Assumptions

Real Sector

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

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

- Uranium production is expected to increase by about 800 tonnes in 2016, which is due to increased production at existing mines. Growth in uranium is expected to remain high in 2017, as the Husab mine is expected to start production in that year.

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

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

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

- The Government is expected to follow a fiscal consolidation path as reflected in the Mid-Year Budget Review for the FY 2017/18-2019/2020 MTEF.

Appendix II: Real GDP Growth

Industry	2011	2012	2013	2014	2015	2016	2017	2018
Agriculture and forestry	1.0%	8.1%	-19.3%	11.1%	-10.3%	-5.8%	2.6%	5.0%
Livestock farming	6.1%	6.0%	-25.5%	13.9%	-14.0%	-6.9%	3.4%	4.6%
Crop farming and forestry	-6.3%	11.6%	-9.6%	7.6%	-5.2%	-4.5%	1.7%	5.5%
Fishing and fish processing on board	-4.8%	-7.6%	3.0%	-2.5%	-2.8%	5.4%	3.1%	0.8%
Mining and quarrying	-5.4%	25.1%	2.6%	-6.2%	-0.3%	0.4%	14.6%	14.9%
Diamond mining	-3.4%	13.0%	10.0%	6.2%	-3.4%	-7.3%	10.1%	8.3%
Uranium	-24.9%	27.1%	-6.9%	-9.9%	-18.1%	19.3%	46.5%	35.2%
Metal Ores	-10.7%	32.4%	-25.8%	0.6%	60.1%	12.7%	9.7%	20.2%
Other mining and quarrying	28.0%	62.6%	11.0%	-39.4%	-13.4%	3.2%	4.8%	4.4%
Primary industries	**-3.6%**	**14.4%**	**-3.2%**	**-1.8%**	**-3.2%**	**-0.3%**	**10.1%**	**10.7%**
Manufacturing	5.7%	-6.8%	4.6%	-2.1%	-6.6%	2.5%	3.2%	2.7%
Meat processing	-2.7%	-1.1%	30.4%	-17.2%	-9.1%	-8.8%	4.7%	6.5%
Grain Mill products	6.5%	-1.6%	12.8%	13.7%	7.6%	0.1%	0.6%	1.0%
Other food products	-10.3%	-16.8%	3.4%	12.0%	-11.7%	2.3%	2.6%	1.7%
Beverages	0.4%	15.0%	13.5%	-16.5%	-3.3%	2.2%	2.4%	0.4%
Textile and wearing apparel	4.7%	6.1%	6.5%	-6.9%	-12.8%	4.5%	3.9%	-1.0%
Leather and related products	12.7%	11.3%	-7.3%	10.7%	-1.3%	2.7%	4.0%	1.8%
Wood and wood products	-1.0%	-4.5%	3.1%	1.6%	4.2%	3.0%	2.9%	3.4%
Publishing and Printing	10.9%	-12.6%	6.8%	10.6%	5.0%	7.5%	7.7%	6.7%
Chemical and related products	12.0%	4.1%	4.3%	1.2%	4.6%	3.4%	3.0%	3.7%
Rubber and Plastics products	4.6%	-7.6%	5.6%	5.4%	8.5%	6.5%	6.8%	7.3%
Non-metallic minerals products	72.3%	0.6%	3.8%	5.6%	8.1%	5.8%	6.5%	6.8%
Basic non-ferrous metals	15.5%	-23.0%	-4.0%	-3.2%	-13.7%	2.3%	3.2%	2.7%
Fabricated Metals	-7.1%	7.0%	5.6%	3.7%	2.6%	4.0%	3.4%	3.3%
Diamond processing	5.5%	-6.8%	-7.3%	-11.1%	-47.0%	5.6%	5.1%	4.5%
Other manufacturing	-8.1%	3.8%	8.9%	-2.9%	-7.5%	1.1%	1.0%	1.1%
Electricity and water	1.7%	15.4%	-4.4%	-0.2%	9.7%	3.6%	5.2%	5.8%
Construction	15.9%	7.5%	28.5%	42.9%	33.7%	-6.5%	-3.7%	-9.5%
Secondary industries	**7.1%**	**-1.8%**	**8.6%**	**9.5%**	**8.3%**	**-1.1%**	**0.8%**	**-1.5%**
Wholesale and retail trade, repairs	5.8%	4.3%	14.4%	14.6%	5.7%	5.8%	3.6%	5.0%
Hotels and restaurants	9.5%	8.1%	9.1%	10.8%	4.1%	4.2%	6.3%	4.9%
Transport, and communication	4.9%	8.0%	6.4%	5.9%	4.0%	3.8%	5.4%	5.0%
Transport	10.0%	10.0%	12.8%	3.6%	4.2%	2.8%	5.9%	4.3%
Storage	8.3%	7.7%	3.8%	5.8%	-0.7%	2.5%	4.5%	3.5%
Post and telecommunications	-1.1%	6.2%	0.8%	8.6%	5.9%	5.3%	5.1%	6.2%
Financial intermediation	5.7%	6.8%	17.9%	10.9%	3.9%	4.8%	4.3%	4.3%
Real estate and business services	5.7%	4.7%	4.6%	2.9%	3.8%	3.7%	3.6%	3.6%
Real estate activities	2.6%	6.7%	4.9%	3.2%	3.6%	3.9%	3.5%	3.7%
Other business services	15.0%	-0.7%	4.0%	2.3%	4.3%	3.3%	3.8%	3.6%
Community, social and personal service activities	11.2%	-16.6%	-9.8%	3.5%	3.4%	3.4%	3.4%	3.4%
Public administration and defence	5.3%	2.7%	3.4%	-0.7%	13.1%	-1.1%	-0.6%	1.3%
Education	17.4%	4.4%	3.3%	12.0%	2.4%	3.7%	1.4%	2.6%
Health	5.7%	5.7%	8.9%	10.2%	0.8%	3.6%	4.0%	4.8%
Private household with employed persons	8.6%	8.6%	-6.7%	5.5%	1.7%	2.3%	3.2%	2.4%
Tertiary industries	**7.4%**	**3.9%**	**7.2%**	**7.7%**	**5.4%**	**3.4%**	**2.9%**	**3.7%**
Less: Financial intermediation services indirectly n	10.6%	4.5%	18.8%	5.3%	0.7%	5.3%	3.8%	3.2%
All industries at basic prices	**5.1%**	**4.8%**	**5.1%**	**6.3%**	**4.5%**	**1.9%**	**3.6%**	**3.9%**
Taxes less subsidies on products	5.3%	8.9%	11.6%	8.4%	13.7%	8.2%	7.8%	8.0%
GDP at market prices	**5.1%**	**5.1%**	**5.7%**	**6.5%**	**5.3%**	**2.5%**	**4.0%**	**4.3%**

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

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

Industry	2011	2012	2013	2014	2015	2016	2017	2018
Agriculture and forestry	4,496	5,279	4,132	5,330	4,673	4,519	4,768	5,173
Livestock farming	2,846	3,227	2,350	3,160	2,767	2,646	2,818	3,086
Crop farming and forestry	1,650	2,052	1,781	2,170	1,906	1,873	1,950	2,087
Fishing and fish processing on board	2,921	3,329	3,659	3,838	4,297	4,973	5,266	5,574
Mining and quarrying	7,833	13,562	16,218	17,849	18,381	18,667	21,573	25,425
Diamond mining	4,255	8,148	10,683	13,343	13,238	12,675	14,303	16,269
Uranium	1,505	2,223	1,900	1,459	1,414	1,754	2,617	3,545
Metal Ores	909	1,066	1,387	1,529	2,794	3,297	3,692	4,660
Other mining and quarrying	1,164	2,124	2,247	1,518	935	941	962	950
Primary industries	**15,251**	**22,169**	**24,009**	**27,017**	**27,352**	**28,159**	**31,607**	**36,171**
Manufacturing	12,303	13,027	13,511	13,698	12,162	12,969	13,477	14,280
Meat processing	426	492	683	563	593	604	644	735
Grain Mill products	698	814	871	1,212	1,115	1,165	1,196	1,229
Other food products	1,635	1,552	2,172	2,231	1,714	1,851	1,952	2,074
Beverages	1,661	1,930	2,178	2,374	2,388	2,594	2,698	2,844
Textile and wearing apparel	451	511	386	237	139	121	97	70
Leather and related products	93	116	128	154	146	162	171	185
Wood and wood products	276	284	314	350	370	403	419	455
Publishing and Printing	208	188	219	235	263	300	326	361
Chemical and related products	916	1,027	1,131	1,281	1,431	1,569	1,664	1,840
Rubber and Plastics products	292	282	360	424	461	530	577	672
Non-metallic minerals products	408	445	472	604	664	722	777	877
Basic non-ferrous metals	3,555	3,613	2,725	1,982	1,117	1,059	970	798
Fabricated Metals	482	563	623	693	753	805	847	915
Diamond processing	770	722	699	778	465	512	551	604
Other manufacturing	431	488	550	580	542	572	590	620
Electricity and water	1,795	1,997	2,327	2,401	2,056	2,192	2,318	2,485
Construction	3,126	3,515	4,741	7,006	8,947	8,560	8,370	7,695
Secondary industries	**17,224**	**18,539**	**20,579**	**23,104**	**23,165**	**23,722**	**24,166**	**24,460**
Wholesale and retail trade, repairs	10,305	11,439	14,212	17,263	17,283	18,981	19,959	21,571
Hotels and restaurants	1,590	1,787	1,929	2,505	3,107	3,373	3,648	4,017
Transport, and communication	4,606	5,012	5,765	6,838	7,182	7,978	8,626	9,638
Transport	1,637	1,806	2,438	2,730	2,939	3,220	3,508	3,955
Storage	835	867	969	1,055	1,093	1,194	1,274	1,381
Post and telecommunications	2,133	2,339	2,358	3,054	3,150	3,564	3,844	4,302
Financial intermediation	4,692	5,463	7,611	7,964	8,277	9,247	9,879	10,752
Real estate and business services	8,040	8,767	9,469	10,023	10,659	11,736	12,431	13,321
Real estate activities	5,896	6,525	7,048	7,407	7,794	8,630	9,132	9,756
Other business services	2,144	2,242	2,422	2,616	2,865	3,106	3,299	3,565
Community, social and personal service activities	2,626	2,336	2,153	2,499	2,919	3,218	3,390	3,757
Public administration and defence	8,769	11,770	13,938	15,289	16,743	17,323	17,443	18,553
Education	7,403	8,827	10,524	12,863	13,685	14,759	15,281	16,465
Health	2,923	3,200	3,571	3,957	4,282	4,609	4,873	5,248
Private household with employed persons	972	1,126	1,110	1,234	1,298	1,415	1,504	1,613
Tertiary industries	**51,927**	**59,726**	**70,282**	**80,435**	**85,435**	**92,640**	**97,035**	**104,936**
Less: Financial intermediation services indirectly 1	1,100	1,315	1,525	1,774	1,800	1,977	2,105	2,241
All industries at basic prices	**83,303**	**99,119**	**113,346**	**128,782**	**134,152**	**142,544**	**150,703**	**163,325**
Taxes less subsidies on products	6,805	7,745	9,403	10,718	12,467	13,847	15,262	17,178
GDP at market prices	**90,108**	**106,864**	**122,749**	**139,500**	**146,619**	**156,391**	**165,964**	**180,503**

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