ISSUE
04
JUN
2013

MINISTRY OF FINANCE
Economic *Update*

This Issue…

The aim of these Updates is to inform the public of any recent economic developments, focusing on global, regional and domestic developments that are likely to impact on the Namibian economy. Every Update will contain a standard update on the global, regional and domestic economy.

Special features will also be included on specific analysis conducted in the Ministry. **In this issue, we analyse unemployment in Namibia**.

Global Developments

Despite global economic prospects having picked up in recent months up on the back of timely policy action in the US and the Euro zone, the pace of economic recovery is expected to remain moderate, held back by on-going fiscal challenges in Europe. Indeed, **global growth** came in below projection in 2012, with real world output expanding by an estimated 3.2% compared to the 3.3% originally forecast by the IMF in its October World Economic Outlook (WEO). Against this backdrop, therefore, the IMF has lowered its global growth forecast for 2013 and 2014; **the world economy is now projected to grow by 3.3% in 2013**, down from an initial forecast for 3.6% growth, **before expanding by 4.0% in 2014** (a slight downward revision from the 4.1% figure originally projected by the IMF).

Overall growth in advanced economies came in only slightly below projection in 2012, with developed countries posting an estimated economic expansion of 1.2% – just 0.1 percentage points below forecast. The Euro zone contracted more sharply than the 0.4% decline in real GDP projected by the IMF, falling by an estimated 0.6% in 2012, while Japan failed to reach forecast growth of 2.2% by 0.2 percentage points. Growth in the US, however, remained well supported, with real GDP estimated to have grown in line with forecasts for a 2.2% expansion.

Although according to the IMF "the balance of risks to global growth has improved", it is also noted that "the road to recovery remains bumpy and uneven" for **advanced economies**. Against this backdrop, therefore, the forecast for overall growth in developed countries **has been revised down from the 1.5% previously projected by the IMF, to 1.2%.** Further, although economic activity in advanced economies is expected to strengthen beyond 2013, in light of the slower-than-anticipated pace of recovery witnessed over the past six months**, the growth forecast for developed countries in 2014 has also been lowered slightly, from 2.3% to 2.2%**.

With a number of **Euro zone** countries continuing to be held back by on-going fiscal adjustment, competitiveness problems, and balance sheet weaknesses, real GDP in the region is **now expected to contract by 0.3% in 2013** having previously been forecast to growth by a modest 0.2%. The outlook for 2014 is, however, brighter, as the recovery in Europe takes a firmer hold and growth conditions continue to improve; **growth is projected to return to positive territory in 2014 with the Euro zone forecast to expand by 1.1%**, although this does mark a slight downward revision from the 1.2% expansion anticipated previously.

In contrast to this, growth in the US is expected to remain relatively buoyant in 2013. Domestic demand in the **US** will continue to gather momentum in 2013, supported by continued –albeit moderate – job gains and improving credit conditions as well as a strengthening housing market. That said, headline growth will be tempered by fiscal consolidation brought about by the budget sequester, which has prompted **a slight downward revision of US growth in 2013, from 2.1% to 1.9%**. Yet, based on the assumption that the budget sequester is replaced at the end of the current fiscal year with back-loaded measures, **growth is projected to rebound strongly in 2014, with real activity forecast to expand by 3.0%**, up slightly from the 2.9% forecast previously.

Meanwhile, **Japan** is set to witness a fiscal- and monetary-stimulus-driven rebound in 2013, with expansionary macroeconomic policies having been adopted in response to the larger-than-expected slowdown witnessed in the second half of 2012. These will be supported by a weaker yen and a stronger external environment, which are **forecast to propel Japanese growth to 1.6% in 2013**. Although this marks a slowdown from the estimated 2.0% expansion recorded in 2012, it does represent an upward revision from the 1.2% previously forecast by the IMF. **Japan's growth forecast for 2014 has also been revised upwards, from 1.1% to 1.4%**.

Growth in emerging market and developing economies also fell below forecast, with real GDP expanding by an estimated 5.1% compared to the 5.3% originally anticipated. While China registered growth exactly in line with the 7.8% figure projected, growth in other key emerging market and developing economies fell below projections, thus dragging on economic activity for the region as a whole.

Economic activity has, however, already picked up steam in **emerging market and developing economies**, and is forecast to remain buoyant in 2013 on the back of easy macroeconomic conditions and recovering demand from the advanced economies. However, despite this, the growth forecast for emerging market and developing economies in 2013 **has also been revised down in the wake of recent developments – from an original projection of 5.6% to 5.3%**. Similarly, emerging market and developing economies are **now anticipated to record growth of 5.7% in 2014** rather than the 5.9% initially anticipated by the IMF.

In line with the slower-than-anticipated global recovery, real GDP growth forecasts in **China** have also been lowered. The Chinese economy is now **expected to expand by 8.0% in 2013, a 0.2 percentage point decrease from previous IMF forecasts**, while **in 2014 growth is projected to accelerate to 8.2% – 0.3 percentage points below the previous forecast of 8.5%**. Nonetheless, these figures still represent strong growth by global standards, helping to keep economic activity in emerging market and developing economies – and indeed global growth – well supported.

Sub-Saharan Africa

Despite not reaching the 5.0% expansion originally forecast, growth in sub-Saharan Africa (SSA) remained generally robust in 2012 at 4.8%, as investment remained strong, commodity prices remained favourable and governments continued to follow prudent macroeconomic policies. This did, however, mark a slowdown from the 5.3% expansion recorded in 2011, but this weakening in growth – along with the fact that real output failed to meet the original 5.0% growth forecast –can be almost entirely explained by weaker-than-anticipated performances in South Africa and Nigeria, the region's two largest economies. Indeed, growth in the rest of SSA picked up by 0.5 percentage points in 2012.

South Africa was estimated to have grown largely in line with projection in 2012, but the 2.5% expansion posted during the year marked a slowdown from the 3.5% growth recorded in 2011. This slowdown was largely on account of labour unrest in the mining sector and on-going problems in Europe, the country's most important export destination. Meanwhile, although growth remained strong at an estimated 6.3% in Nigeria, flooding curtailed both oil and non-oil output in 2012, leading to growth registering 0.8 percentage points below original forecasts for 7.1% growth.

These countries, however, were not the only ones in which growth underperformed in 2012. Mali and Guinea-Bissau both saw their economies contract in 2012, by an estimated 1.2% and 1.5%, respectively, as conflicts affected economic activity. At the same time, South Sudan is estimated to have contracted by more than 50% after a dispute with its northern neighbour over transit fees for oil exports led the country to halt production.

In contrast, economic activity in Angola, Côte d'Ivoire, Niger and Sierra Leone outperformed forecasts to help counterbalance the weaker growth performances in other parts of SSA. Real output in Angola expanded by an estimated 8.4% in 2012, 1.6 percentage points higher than original forecasts of 6.8% growth, largely on the back of a significant recovery in the oil sector and improved electricity production. Meanwhile, the Côte d'Ivoire experienced a sharp rebound in economic activity in 2012 following the election-related disruptions of 2011, growing by an estimated 9.8%. Niger and Sierra Leone are estimated to have been the only two SSA economies to have registered double digit growth, as new extractive operations – oil in Niger and iron in Sierra Leone – saw growth in the former come in at an estimated 11.2% and output in the latter expand by an estimated 19.8%.

Looking ahead, **Sub-Saharan Africa** is expected to continue growing at a strong pace during 2013-14, with the region **forecast to grow by 5.6% in 2013 and by 6.1% in 2014**. While the former represents a minor downward adjustment from the 5.7% figure originally anticipated, the latter signifies a sharp upward revision of 0.6pp.

The slight downward revision for 2013 comes in the wake of the slower-than-anticipated recovery in Europe that has taken place over the last six months, which has dampened enthusiasm surrounding the prospects of an improved external environment, and in particular, the impact this will have on the region's largest economy, South Africa. That said, economic activity is nonetheless forecast to remain strong in sub-Saharan Africa as the factors that have supported growth in the region through the global recession persist. On-going investment in infrastructure and productive capacity, continuing robust consumption, and the activation of new capacity in extractive sectors, in addition to the continuation of generally prudent macroeconomic management, are all expected to contribute to robust growth in the region in 2013.

Growth in sub-Saharan Africa will also be boosted by a number of one-off factors in 2013, including a rebound in flood-affected economic activity in Nigeria, the recovery of agriculture in regions affected by drought such as the Sahel and the Horn of Africa, and the gradual normalisation of economic activity in conflict-hit countries such as Guinea-Bissau and Mali. While these one-off factors will disappear in 2014, strong domestic demand and improved external demand can be expected to compensate for them, while the strengthening of activity in South Africa and other middle-income countries, predicated on improvements in the external environment, will also provide a fillip to growth, helping to push it back above 6%.

As noted previously, **Nigeria** is expected to witness a strong rebound in activity in 2013 following a year beset by flood-related disruptions in 2012. **Real GDP is forecast to expand by 7.2% in 2013**, with key reforms and investments – particularly in the power sector – strong capital inflows and robust domestic demand bolstering a rebound in activities affected by the flooding in 2012**. Looking ahead to 2014, Nigeria is forecast to witness a slight moderation in growth, due mainly to base effects, but economic activity is nonetheless still expected to remain strong at 7.0%**, driven mainly by rapid growth in the non-oil sector and persistently strong domestic demand.

Following growth of 8.2% in 2012, economic activity in **Angola** is forecast to moderate somewhat in 2013 due largely to base effects. However, growth is nonetheless **projected to remain buoyant at 6.2%**, on the back of strong growth in the non-oil sector. This growth will be bolstered by a scaling-up of public sector investment aimed at completing reconstruction and addressing key infrastructure gaps. **Growth in 2014 is forecast to once again return above the 7 percent threshold, with real GDP projected to expand by 7.3%**, driven by continued strong domestic demand and non-oil growth.

South African Economy

Economic growth in South Africa slowed in the first quarter of 2013 from the 2.5% y-o-y figure recorded in the final quarter of 2012, to 1.9% y-o-y, despite the fact that the *Mining and Quarrying* posted its first positive growth figure since Q211. Having contracted by 3.5% y-o-y in Q412 – which equated to a negative contribution to headline growth of 0.2 percentage points – *Mining and Quarrying* grew by 3.7% in Q113 to add 0.2 percentage points to the overall growth figure. Growth in *Agriculture, forestry and fishing* also reverted from a negative figure in Q412 to a positive one in Q113, with the sector expanding by 4.0% y-o-y in the first quarter of 2013 – adding 0.1 percentage points to headline growth – having contracted by 2.0% and making a neutral contribution in the previous quarter. Meanwhile, after recording zero y-o-y growth in Q412 – and thus adding nothing to overall GDP growth – *Personal services* expanded by 2.1% in Q113 to add 0.1 percentage points to headline economic activity.

Yet, this was not enough to prevent real GDP growth from decelerating from the previous quarter as the *Manufacturing* sector contracted, and growth in *Finance, real estate and business services* and *Wholesale and retail trade, hotels and restaurants* slowed. Having grown by 3.6% y-o-y in Q412, and in the process adding 0.6 percentage points to overall growth, *Manufacturing* contracted by 0.4% in Q113 to shave 0.1 percentage points from headline economic activity. Meanwhile, growth in *Finance, real estate and business services* slowed from 3.4% y-o-y in Q412 to 2.4% in Q113, with *Wholesale and retail trade, hotels and restaurants* following a similar trend, growing by 2.1% y-o-y in the first quarter of 2013 having posted growth of 2.9% in the final quarter of 2012. This consequently saw the former contribute 0.5 percentage points to headline growth in Q113, down from 0.7 percentage points in the previous quarter, while the latter added just 0.2 percentage points, having contributed 0.3 percentage points in Q412.

Growth in *Construction* also slowed in Q113 compared to Q412, with the sector expanding by 1.6% in the first quarter of 2013 having grown by 3.1% in the previous quarter. However, it still managed to match the 0.1 percentage point contribution to headline growth made in Q412 in Q113. Similarly, even though *Electricity, gas and water* recorded a fifth consecutive quarter of y-o-y decline in Q113, and indeed contracted at a quicker pace than witnessed in the previous quarter – the sector shrank by 2.4% y-o-y in Q113 compared to a 2.0% decline posted in Q412 – it nonetheless continued to make a neutral contribution to overall growth. In contrast, however, although *General government services* matched the 2.5% y-o-y expansion registered in the last quarter of 2012 in Q113, its contribution to headline growth increased from 0.3 percentage points to 0.4 percentage points. Finally, *Transport, storage and communication* grew at the same pace in Q113 as it did in Q412 – by 1.8% y-o-y – and made the same contribution to overall growth, of 0.2 percentage points.

Economic activity in **South Africa** is expected to remain muted throughout 2013, with the growth forecast for sub-Saharan Africa's largest economy having been **lowered from 3.0% to 2.8%**, owing to sluggish mining production and on-going weakness in the Euro zone, its main export market. However, **growth is expected to rebound in 2014 to 3.3%** on the back of positive growth in the Euro zone. It should be noted, however, that this represents a significant downward revision from the 3.9% originally projected by the IMF.

Namibian Economy

Preliminary real GDP growth surprised on the upside in 2012 with the Namibian economy accelerating slightly from the 4.9% recorded in 2011 to expand by an estimated 5.0% – a full 1.0 percentage point above the 4.0% projection made in the Macroeconomic Framework (MEF). This came as a result of stronger-than-expected outturns in both the primary and tertiary sectors. The primary sector expanded by an estimated 6.5% (2.5 percentage points higher than the 4.0% forecast in the MEF) and a sharp acceleration from the 0.1% growth posted in 2011. The tertiary sector posted growth of 6.9%, compared to 3.0% predicted in the MEF and the 4.5% registered in 2011. Meanwhile, secondary industries grew by 5.9%, representing a 0.8 percentage point shortfall compared to the 6.7% growth anticipated in the MEF. Nonetheless, this still represented an acceleration from 2011, when the secondary sector expanded by 3.3%.

On the demand side, although gross domestic expenditure in 2012 fell short of the 9.0% growth projection published in the MEF, it nonetheless provided the impetus for stronger-than-projected headline GDP growth of 5.0% as private consumption, government spending and gross fixed capital formation all posted strong gains. Private consumption came in ahead of a forecast 6.0% expansion to grow by 6.3% in 2012, up from 5.7% recorded in 2011, while government spending failed to match the projected 13.2% but nonetheless strengthened – albeit marginally – from the 8.1% registered in 2011 to grow by 8.2%. Finally, gross fixed capital formation increased from the 2.2% growth posted in 2011 to expand by 11.6% (in line with the MEF projection) on the back of strong construction activity. These all contributed to an 8.1% increased in gross domestic expenditure, marking an acceleration from the 6.0% expansion posted in the previous year.

Meanwhile, despite imports growing at a slower pace than expected in 2012 (by 6.8% compared to the 13.5% estimated in the MEF), the rate was insufficient to offset the impact of the lower-than-expected performance of exports. Having grown by 0.6% in 2011 and forecast to expand by 5.6% in 2012, exports contracted by an estimated 7.0%. As a result, net exports expanded by 39.7% in 2012 compared to the 5.5% growth recorded in 2011 and the 31.8% increase forecast in the MEF, providing a larger-than-projected drag on headline growth.

In view of the global outlook having brightened, and on the back of economic growth exceeding expectations in 2012 – which suggests that the Namibian economy is more resilient to external developments than initially anticipated – **real GDP growth forecasts have been revised up**. Economic activity is now projected to expand by 4.5% in both 2013 and 2014, before expanding to 4.6% in both 2015 and 2016. This is in line with the forecasts of 4.3% growth in both 2013 and 2014 and 4.4% in both 2015 and 2016, originally published in the MEF.

Balance of Payments

Having recorded a slight current account deficit of N$79mn in Q312, Namibia posted a current account surplus of N$377mn in the final quarter of 2012 as the trade balance deficit narrowed from N$4.0bn to N$3.0bn. Merchandise exports grew by 0.7% q-o-q (although fell by 6.5% y-o-y) to N$8.2bn in Q412, but the driving force behind the reduction in the trade deficit was the fall in merchandise imports, which declined by 7.0% on a q-o-q basis and by 7.1% y-o-y to N$11.3bn. Meanwhile, net services rose to N$87mn – a massive 70.6% q-o-q increase, but a fall of 43.9% compared to Q411.

Meanwhile, investment income registered a net outflow of N$955mn in Q412, almost double the N$480bn figure witnessed in the previous quarter and a sharp reversal of the N$2.2bn inflow recorded in Q411. However, these two deficits were more than covered by current transfers which totalled N$4.4bn in Q412, boosted by healthy SACU receipts of N$3.4bn. SACU receipts matched those recorded in Q312, but represented an enormous 93.3% y-o-y increase, which saw total net current transfers rise by 64.0% in Q412 compared to the corresponding quarter in 2011, although on a m-o-m basis net transfers did decline by 0.5%.

The surplus recorded in the final quarter of 2012 brought the full-year current account deficit to N$316mn, equal to just 0.3% of GDP, marking an improvement from the N$2.0bn (2.2% of GDP) posted in 2011. This narrowing of the current account deficit in 2012 was due almost entirely to a 63.4% increase in current transfers, from N$9.6bn to N$15.7bn, as SACU receipts rose a mammoth 82.8%, from N$6.6bn to N$12.1bn. Indeed, although net services recorded a surplus of N$277mn in 2012, marking a sharp 44.3% increase over 2011, Namibia's trade deficit widened from N$ 8.7bn – or 9.6% of GDP – to N$13.1bn, equal to 12.7% of GDP as growth of merchandise imports outpaced that of exports. Imports of goods grew by 13.6% in 2012, from N$40.8bn to N$46.4bn, while exports could only manage a 3.5% expansion, from N$31.9bn to N$33.1bn. Meanwhile, net investment outflows also witnessed an increase in 2012, with the figure rising by 3.7% from N$2.8bn to N$2.9bn.

Further, although Namibia did register a capital account surplus in 2012, the N$155mn figure recorded last year represented a massive 96.2% decline from the N$4.1bn surplus posted in 2011. However, were it not for a N$1.1bn surplus registered in the final quarter of 2012, the country's balance of payments position would have been far worse.

The fourth quarter's surplus marked a reversal from the deficit posted in Q312 on the back of strong direct investment in Namibia and portfolio inflows. Direct investment totalled N$1.4bn in Q412, up from N$325mn in the previous quarter and a deficit of N$1.5bn recorded in Q411, while portfolio inflows equalled N$1.1bn compared to an outflow of N$2.8bn in Q312. However, this nonetheless represented a sharp 61.6% y-o-y decline from the N$2.8bn inflow recorded in Q411. Moreover, the N$1.1bn surplus on the current account actually denoted a 70.7% fall from the N$3.7bn posted in the corresponding period in 2011, although this was in large part to a significant positive figure of N$1.0bn for net errors and omissions in Q411 and a similarly large negative amount of N$1.4bn for the same line item in Q412.

Consumer Prices

Consumer price inflation came in at 6.1% y-o-y in May to match the figure posted in the previous month and thus equal the nine-month low recorded in April. However, this came despite growth in the price of *Food and non-alcoholic beverages* accelerating for a second consecutive month, from 6.9% y-o-y in April to a three-month high of 7.4% in May, and indeed six other sub-categories in the consumer price index (CPI) also experiencing faster price growth in May than in the previous month. *Housing, electricity, gas and other fuels* which holds a weighting of 20.6% in the CPI – rose to its highest reading since June 2011, accelerating from the 9.5% y-o-y posted in April to 9.6%, while *Alcoholic beverages and tobacco*, *Clothing and footwear*, *Furnishings, household equipment and routine maintenance of the house*, *Health* and *Miscellaneous goods and services* all also witnessed an acceleration in price growth from the previous month in May.

In contrast, the price of *Transport* – which holds a 14.8% weighting in the CPI – registered its lowest y-o-y increase since August 2009 in May, rising by 2.7% having grown by 4.3% in the previous month. *Recreation and culture* and Hotels, cafes and restaurants similarly saw slower price growth in May compared to April, with the former rising by 4.0% y-o-y (down from 4.6% in the previous month) and the latter posting a 7.8% increase (compared to a previous reading of 9.1%). Meanwhile, growth in the price of both *Communications* and *Education* remained unchanged from the previous month in May, at 2.8% y-o-y and 6.5%, respectively.

May's 6.1% y-o-y inflation reading brought average consumer price inflation for the first five months of the year to 6.3%, a 0.4 percentage point fall from the rate recorded over the corresponding period in 2012. Key to this has been slowing food price inflation, which since peaking at 11.0% y-o-y in November 2012, has steadily decelerated, falling to a nine-month low of 6.8% in March 2013. That said, food prices have ticked higher since reaching March's nadir and are in fact forecast to rise in 2013. Thus, although headline consumer price inflation is expected to continue trending lower throughout the remainder of 2013, the fact that food prices are still rising despite the historically high levels seen in 2012 is of some concern. In addition, the depreciation of the South African Rand is also of some concern. Since Namibia is a net importer of goods and services, the weaker currency will likely feed through into imported inflation. Against this backdrop, therefore, **although consumer price inflation is expected to slow from the 6.5% figure registered in 2012, it is nonetheless projected to remain elevated, averaging 6.0% in 2013**.

Commodity Prices

May saw m-o-m growth in commodity prices return to positive territory following two consecutive months of declines, albeit only just; the IMF's All Commodity Price

Index (ACPI) rose by 0.1% m-o-m in May, having fallen by 2.7% and 3.7%, respectively, in April and March. May's minor uptick was driven by a 2.0% m-o-m increase in food prices, which had previously witnessed two straight months of m-o-m declines, each to the tune of 0.8%. Indeed, although agricultural raw materials and fuel posted very marginal increases in May, with the two sub-indices both rising by 0.2% m-o-m to prevent a third consecutive month of declines for both price metrics, industrial inputs and metals witnessed sharp declines. A 2.5% m-o-m fall in industrial input prices in May compounded negative growth of 5.0% in March and 3.0% in April, while metal prices also fell for a third straight month, by 3.9% m-o-m having previously recorded declines of 3.7% in April and 7.0% in March.

Given the almost negligible increase posted in May in addition to the sharp declines witnessed in the previous two months, the first five months of 2013 has the ACPI
shed 2.0% of its value. With the exception of food prices, which have risen by 2.0% in the first five months of 2013, all the sub-components of the ACPI have registered declines since the start of the year. The biggest faller has been metals, the price of which have declined by 8.5% in the first five months of the year, with industrial inputs following close behind having declined by 6.2%. Meanwhile, the prices of fuel and of agricultural raw materials have fallen by 1.8% and 1.5%, respectively, over the same period.

SPECIAL FEATURE
Spotlight on: Unemployment

The much-awaited results of the 2012 Namibia Labour Force Survey (NLFS) were released to great fanfare in April this year as the latest unemployment figures for Namibia were unveiled. According to the 2012 NFLS, broad unemployment – which is defined as those who are both without work and are available to work – currently stands at 27.4%, while strict unemployment (which additionally includes those who are also actively seeking work) is 16.7%. These figures are drastically lower that those reported in the previous NFLS in 2008, when broad unemployment was recorded to be a massive 51.2% and under the strict definition, unemployment was 37.6%.

However, doubts concerning the reliability of the results of the 2008 NFLS have consistently been raised; although you would be hard pushed to find anyone who suggests that unemployment in Namibia is not a concern, many have criticised the 51.2% figure as being far too high as a result of flaws in the methodology used in the 2008 NLFS. Indeed, even the Director General of the National Planning Commission (NPC), Tom Alweendo, has stated that the unemployment figure reported in the 2008 NLFS was "miscalculated"[1], while Dr John Steytler, Statistician General of the Namibia Statistics Agency (NSA), has also voiced concerns over the reliability of the 2008 NLFS results, noting that the previous survey had a high sampling error and suggesting that the survey's coverage of labour force variables was not detailed enough[1].

The differing methodologies used and indeed, questions asked in the 2008 and 2012 NLFS, makes any direct comparison – and hence identifying trends – a very difficult task. To be sure, any changes in the unemployment figures could easily be explained away by the differences in approaches between the 2008 and 2012 versions of the NLFS. There has, however, been another survey which was conducted in the intervening years – the Namibia Household Income & Expenditure Survey, conducted in 2009/10. Including the results of this survey in the analysis of unemployment trends in Namibia should go some way towards painting a better picture of how unemployment has changed in recent times. However, the problem with using this approach is that the differences in methodology become even more pronounced, and so it actually worsens the problem of comparability, rather than improve it.

Nonetheless, the 2009/10 NHIES is used in this Special Feature for comparison purposes, since the benefits of doing so in being able to determine trends are felt to outweigh the problems surrounding the differing methodologies. Against this backdrop, however, not all facets of unemployment reported in the 2012 NLFS will be assessed in this Quarterly Economic Update, since some of the data recorded in the NLFS is not available in the NHIES.

Headline Unemployment

According to the 2012 NLFS, broad unemployment fell to 27.4%, marking a third consecutive decline since the 51.2% figure was reported in the 2008 NLFS. In between these two surveys, the 2009/10 NHIES stated that broad unemployment had fallen to 47.9%, while the 2011 census[1] reported that the level of joblessness had further declined to 36.9%.

Table 1: Broad Unemployment, 2008-2012

2008 NLFS	2009/10 NHIES	2011 Census	2012 NLFS
51.2%	47.9%	36.9%	27.4%

Although there may be some question surrounding the methodologies used to obtain these results, and indeed, whether they represent an accurate depiction of the jobless situation in Namibia, this downward trend can nonetheless be indicative. Taken at face value, these survey results suggest that unemployment is falling at a rapid rate – by more than 50% since 2008. Yet, given the concerns surrounding data reliability, it could be argued that the fall is due to changes in methodology rather than any real progress on reducing joblessness.

A third position could, however, also be adopted: that both are contributing factors. That is, that unemployment is falling, but by less than the 23.8 percentage points suggested by the latest NLFS. Further, it may be the case that the results of the surveys are becoming more accurate – or at least more reflective of the reality on the ground. Whichever way these results are interpreted, it is safe to say that broad unemployment in Namibia is far lower than the oft-cited 51.2%.

Concerning strict unemployment, since the 2011 Census does not report this statistic, a similar analysis is not possible. However, Table 2 does detail the results of the other three surveys.

Table 2: Strict Unemployment, 2008-2012

2008 NLFS	2009/10 NHIES	2012 NLFS
37.6%	22.1%	16.7%

As can be seen – and indeed, as would be expected – strict unemployment follows a similar downward pattern to that of broad unemployment.

Unemployment by sex

No clear picture emerges when looking at unemployment based on gender lines. Both the 2008 and 2012 NFLS reported that female unemployment was both higher than male and total unemployment, while the 2009/201 NHIES revealed that the opposite was true. However, female unemployment has fallen across the three surveys, while male unemployment rose in the 2009/10 NHIES before falling in the 2012 NLFS.

Table 3: Broad Unemployment by age, 2008-2012

NLFS 2008			NHIES 2009/10			NLFS 2012		
Female	Male	Total	Female	Male	Total	Female	Male	Total
58.4%	43.5%	51.2%	41.9%	54.9%	47.9%	31.8%	22.9%	27.4%

Unemployment by age

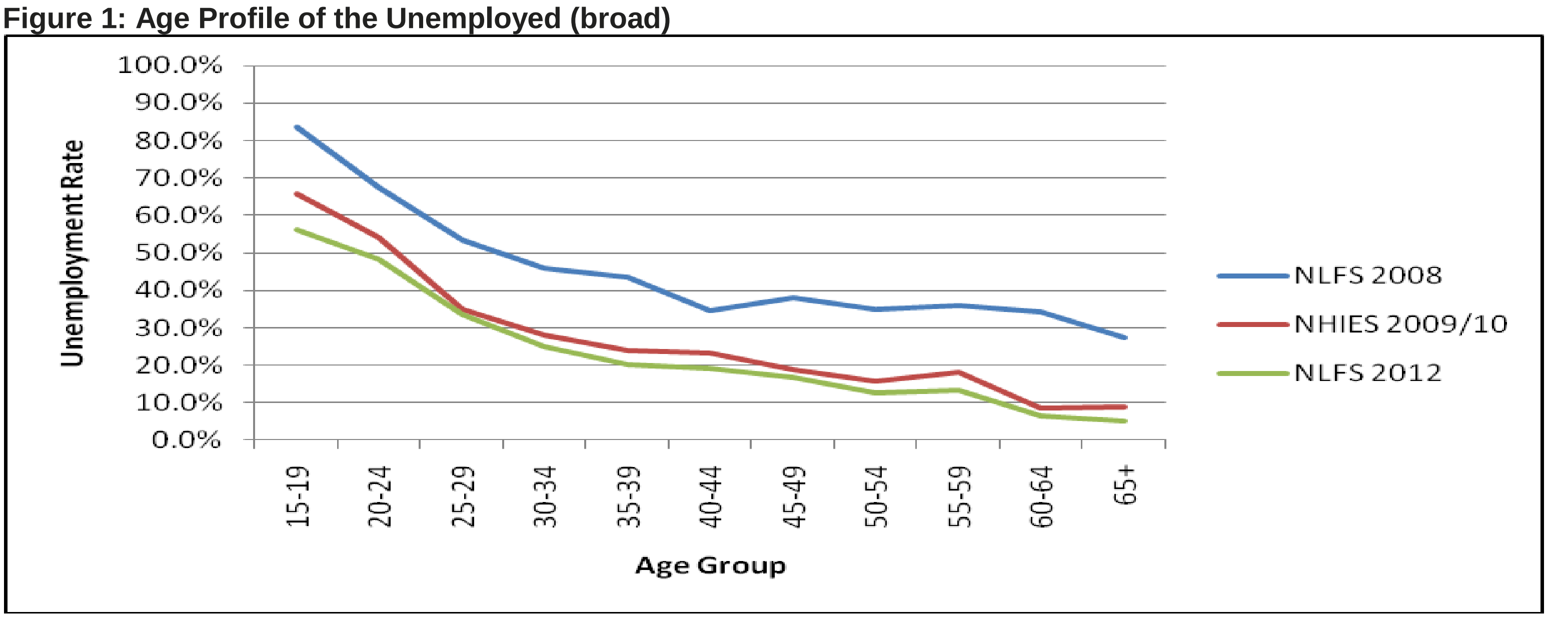
Table 4 provides data on unemployment rates categorised by age range, and brings to light some interesting trends concerning the age profile of the unemployed in Namibia.

Table 4: Broad Unemployment by age, 2008-2012

Age Group	NLFS 2008	NHIES 2009/10	NLFS 2012
15-19	83.6%	65.9%	56.3%
20-24	67.4%	54.2%	48.5%
25-29	53.3%	35.1%	33.6%
30-34	46.0%	28.2%	24.9%
35-39	43.6%	24.1%	20.1%
40-44	34.5%	23.2%	19.0%
45-49	38.0%	18.7%	16.7%
50-54	35.0%	15.7%	12.6%
55-59	36.1%	18.1%	13.5%
60-64	34.4%	8.4%	6.6%
65+	27.3%	8.8%	5.1%

In general, unemployment for every age group has fallen since 2008, in line with lower headline inflation (see Figure 1). However, in each of the three surveys, the unemployment rate declines with age; that is, unemployment is lowest among the eldest in society and lowest among the youngest.

Figure 1: Age Profile of the Unemployed (broad)



More importantly, the gap between unemployment among the youngest and the oldest has widened. The ratio between the youth unemployment rate (defined as the level of joblessness among those aged 15-24) and unemployment among the population aged 60+ in the 2008 NLFS was 2.3. In other words, youth unemployment was 2.4 times higher than unemployment among the over 60s. In the 2009/10 NHIES, this ratio rose to 6.7 and in the latest NLFS, the figure rose once again to a massive 21.5. In terms of the absolute figures, in the 2008 NLFS reported that the number of unemployed youths was 129,639 compared to 4,219 unemployed individuals over the age of 60, a ratio of 30.7 to 1; the 2009/10 NHIES reported that the number of unemployed aged between 15-24 had risen to 142,362 while the number of unemployed over the age of 60 had fallen to 3,364, a ratio of 42.3 to 1; and although the 2012 NLFS reported a drastic decline in the number of unemployed youths, to 46,932, the ratio to unemployed persons over the age of 60 once again rose, to 50.3 to 1, as unemployment in the 60+ category dropped to just 933.

These statistics suggest that even though youth unemployment does appear to be coming down – from 72.2% in the 2008 NLFS, to 57.9% in the 2009/10 NHIES, to 34.3% in the latest NLFS – greater efforts need to be made to address joblessness among young people, as underlined by the fact that youth unemployment consistently comes in above total unemployment.

Table 5: Youth Unemployment (broad), 2008-2012

	NLFS 2008	NHIES 2009/10	NLFS 2012
Youth Unemployment	72.2%	57.9%	34.3%
Broad Unemployment	51.2%	47.9%	27.4%

Unemployment by Region

In the 2008 NLFS, rural unemployment was reported as being 1.8 times higher than urban unemployment, and 1.3 times higher than total unemployment. By the time of the 2009/10 NHIES, however, this situation had completely reversed; in the 2009/10 NHIES, rural unemployment was reported as being 38% lower than urban unemployment, and 20% lower than total unemployment. A similar result was found by the 2012 NLFS, with rural unemployment once again coming in below urban and total unemployment, although the margins had narrowed considerably (see Table 6).

Table 6: Rural and Urban Unemployment (broad), 2008-12

Region	NLFS 2008	NHIES 2009/10	NLFS 2012
Urban	36.4%	61.5%	28.3%
Rural	64.9%	38.1%	26.2%

This trend can be explained by two factors. It could be a result of changes in methodology, specifically whether those engaging in subsistence agriculture are classified as being employed or unemployed. The following section on Employment by Status discusses this issue in more detail, but if subsistence farmers are missed as being classified as being employed, this will artificially inflate the rural – and indeed, headline –unemployment rate. This could be a key factor behind the sharp declines in rural unemployment (40.4%) since 2008.

Another explanatory factor, however, could be an increase in rural-urban migration. Under this scenario, people who moved from rural to urban areas in search of work, but were still unable to do so, would be reclassified as unemployed urban workers, thus simply transferring unemployment from rural to urban areas. This explanation is given weight by the data on population; the urban population in Namibia has grown by 60.9% between the 2008 NLFS and the 2012 version, from 628.0mn to 1.0bn, while the rural population has contracted by 7.5% over the same period, from 1.2bn to 1.1bn. Of course, just as is the case for headline unemployment, it could be that both factors contributed to the trend.

Table 7: Rural and Urban Population, 2008-2012

	2008 NLFS		2012 NLFS		Growth
	Number	%	Number	%	
Rural	1,161,917	64.9%	1,075,173	51.5%	-7.5%
Urban	628,015	35.1%	1,010,754	48.5%	60.9%

The trend in the distribution of unemployment, however, is not so easy to explain. In each of the three surveys, the region with the highest unemployment and the region with the lowest was different. In the 2008 NLFS, Omusatu was reported to have the highest rate of unemployment in the country, with Erongo the lowest; in the 2009/10 NHIES, Erongo had the highest unemployment and Ohangwena the lowest; while in the 2012 NLFS, Ohangwena had the highest and Karas the lowest rates of joblessness. A concerning issue here is that two regions – Erongo and Ohangwena – were both ranked first and last in term of unemployment in different surveys.

Table 8: Broad Unemployment by Region, 2008-2012

Region	NLFS 2008	NHIES 2009/10	NLFS 2012
Caprivi	65.6%	54.6%	28.0%
Erongo	32.6%	63.0%	25.5%
Hardap	38.6%	45.4%	28.8%
Karas	36.4%	51.9%	23.9%
Kavango	70.0%	55.4%	29.8%
Khomas	33.5%	56.6%	26.5%
Kunene	50.4%	57.1%	27.0%
Ohangwena	76.4%	21.4%	34.6%
Omaheke	48.2%	52.2%	34.1%
Omusatu	78.6%	24.2%	28.9%
Oshana	48.8%	35.0%	24.5%
Oshikoto	68.6%	57.2%	26.4%
Otjozondjupa	43.8%	47.0%	25.3%

In view of the seemingly erratic trajectory of regional unemployment data, it is too difficult to draw any meaningful conclusions without further, more in depth studies at the regional level.

Employment by Status

The first thing to note here is that it is difficult to compare employment by status across the three surveys due to differences in classifications, particularly in the NLFS 2008. In view of this, two tables (Table 9 and 10) are presented, with each using different definitions of Subsistence Farmer, Employer and Unpaid family worker for the 2008 NLFS. Other definitions could also be used, but the purpose of using the two definitions adopted here is to merely highlight that outcomes could differ depending on how the 2008 NLFS data is interpreted. As it turns out, however, the differences are very minor, and actually make only a small impact on the overall trend.

Table 9: Employment by Status, Definition 1[1]

Employment Status	NLFS 2008	NHIES 2009/10	NLFS 2012
Subsistence farmer	11,365	113,073	99,469
Employer	10,965	4,285	25,933
Own account worker	34,402	85,154	68,906
Employee	269,603	388,233	396,892
Unpaid family worker	3,557	15,309	37,879
Don't know/not stated	1,552	1,949	1,016
Total	331,444	608,003	630,095

Table 10: Employment by Status, Definition 2[1]

Employment Status	NLFS 2008	NHIES 2009/10	NLFS 2012
Subsistence farmer	10,035	113,073	99,469
Employer	15,506	4,285	25,933
Own account worker	34,402	85,154	68,906
Employee	269,603	388,233	396,892
Unpaid family worker	346	15,309	37,879
Don't know/not stated	1,552	1,949	1,016
Total	331,444	608,003	630,095

The first thing that stands out among these results is the sharp rise in subsistence farmers and Unpaid family workers from the 2008 NLFS. As was suggested in the section on Unemployment by Region, this is likely as a result of the 2008 NLFS missing or misclassifying these types of workers. Indeed, this is an oft-heard criticism of the methodology used in the 2008 NLFS, and a common explanation given for the very high overall unemployment figure of 51.2%.

The second thing to note in the consistently high proportion of Employees, which in each of the three surveys accounted for more than 60% of workers. That said, this figure as a proportion of total employed persons has been dropping, from 81.3% in the 2008 NLFS, to 63.9% in the 2009/10 NHIES, to 63.0% in the 2012 NLFS, although this trend could well have been distorted by the extremely high figure reported in the 2008 NLFS, which is most likely to do incorrectly defining employment status.

Finally, the number of Employers and Own Account workers are very erratic over the course of the three surveys. The former fell by 72.4% from the 15,506 reported in the 2008 NLFS to 4,285 in the 2009/10 NHIES, before rising by 505.2% to 25,933 in the 2012 NLFS, while the latter moved in the opposite direction. The number of Own account workers increased by 147.5% from 34,402 in the 2008 NLFS to 85,154 in the 2009/10 NHIES, after which it declined by 19.1% to 68,906 in the 2012 NLFS. These contradictory patterns, and the fact that the proportion of Employers and Own account workers was very similar in the 2008 and 2012 version of the NLFS, suggest that these two were miscategorised, although in this case in the 2009/10 NHIES.