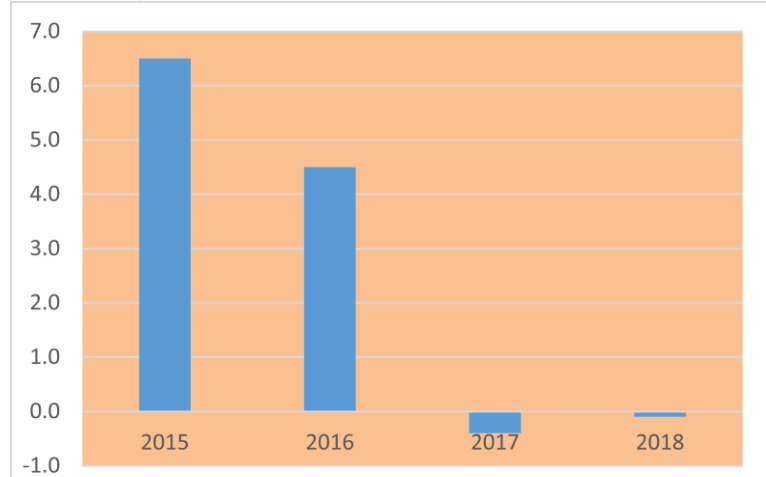




TOPIC: OVERVIEW OF QUARTER 1 GDP PERFORMANCE

The Namibian economy is estimated to have recorded a contraction of 0.1 percent in real value added in the first quarter of 2018, following a decline of 0.4 percent registered in the corresponding quarter of 2017 (Figure 1). The performance rates of the different sectors during the corresponding quarters over the period of 2016-2018 are contained in Tables 1 and 2.

Figure 1: Quarterly-quarter GDP growth rates - % changes (Q1 2015-2018)



Source: Economic Policy Advisory Services, Ministry of Finance - August 2018

The performance is mainly attributed to construction sector that recovered, posting a strong growth of 23.7 percent when compared to a contraction in the preceding year. This was further supported by the recovery in 'wholesale and retail trade' and an improved growth in 'transport and communication' sector.

However, government activities coupled with performance in 'hotels and restaurant' and manufacturing sectors all decelerated in real value added. Public administration and defence, education and health sectors posted declines of 2.9 percent, 4.0 percent and 6.4 percent, whereas, hotels and restaurants and manufacturing sectors recorded declines of 5.3 percent and 2.1 percent in the first quarter of 2018, respectively.

Furthermore, slow growths were recorded in mining and quarrying, financial intermediation and agriculture & forestry of 4.7 percent, 1.4 percent and 1.4 percent in real value added.

4.1 Inflation rate

On a yearly basis, average inflation rate slowed to 3.5 percent in the first quarter of 2018 compared to 7.7 percent registered in the same quarter of 2017, representing a decline of 4.1 percentage points. The low inflation rate is mainly attributed to housing; food and non-alcoholic beverages; and alcoholic beverages and tobacco.

4.2 Agriculture and forestry

The agriculture and forestry sector posted a slower growth of 1.4 percent in real value added during the quarter under review in comparison to a strong growth of 16.5 percent recorded in the corresponding quarter of 2017.

The notable slow performance in the sector is mainly driven by the livestock farming subsector that decelerated to 1.9 percent compared to a strong growth of 19.3 percent recorded in the same quarter of 2017. The decline in the livestock subsector is driven by the substantial increase in live cattle exports to South Africa without value addition causing huge decline in inventory and disinvestment in stock.

Cattle export to abattoirs and butchers recorded a growth of 37.7 percent compared to a decline of 35.1 percent recorded in the corresponding quarter of 2017. However, this gain is reversed by a decline in inventories and investment. Furthermore, Small stock marketed to abattoirs and butchers decelerated further, posting a decline of 39.5 percent compared to a decline of 10.2 percent recorded in the corresponding quarter of 2017.

Cattle exported live to South Africa and Angola surged up to a growth of 53.2 percent while small stock exported live to South Africa and Angola posted a decline of 8.8 percent during the period under review. The crop farming subsector on the other hand eased to a 10.9 percent growth in real value added compared to stronger growth of 15.8 percent recorded in the previous quarter of 2017. The slow performance is primarily attributed to reduced field that were cultivated across the country as a result of late rainfalls.

4.3 Fishing and fish processing on board

This sector is estimated to have registered a decline of 13.6 percent in real value added during the first quarter of 2018 compared to a growth of 5.9 percent recorded during the corresponding quarter of 2017. The poor performance of the sector comes on the backdrop of declining fish landings accompanied by rising fuel costs and currency appreciation remains the limiting factors.

4.4 Mining and quarrying

The mining and quarrying sector registered a slow growth of 4.7 during the first quarter of 2018 compared to a strong growth of 14.0 percent recorded in the corresponding quarter of 2017. The performance in the mining and quarrying sector is attributed to the declines in real value added for the following subsectors: metal ores (18.1 percent), and "other mining and quarrying" (28.5 percent), respectively.

The subsector metal ores posted a decline of 18.1 percent in real value added compared to a strong growth of 52.5 percent registered in the corresponding quarter of 2017. The poor performance is attributed to zinc and lead production that contracted to (6.8 percent and 49.8 percent), respectively, while gold production slowed down to 1.6 percent.

Diamonds subsector growth slowed to 4.6 percent in real value added as compared to a strong growth of 11.0 percent in the corresponding quarter of 2017. The performance is attributed to the lower production of carats produced as compared to the same period last year.

In the first quarter of 2018, other mining and quarrying subsector is estimated to have recorded a decline of 28.5 percent in real value added, compared to a strong growth of 63.9 percent recorded in the same quarter of 2017. The performance in the subsector is attributed to marble and granite production that decreased by 21.9 percent and 77.2 percent, respectively.

In contrast, the uranium subsector is estimated to have recorded a strong growth of 56.3 percent in real value added during the under reviewed period. This performance is due to the scaling up of production by the new mine that came on board.

4.5 Manufacturing

The manufacturing sector is estimated to have recorded a decline of 2.1 percent in real value added during the first quarter of 2018 compared to a strong growth of 3.9 percent recorded in the corresponding quarter of 2017.

The weak performance in the manufacturing sector is mainly attributed to a decline in real value added recorded in the non-metallic minerals subsector (26.7 percent). In addition, basic non-ferrous metals posted a decline of 12.8 percent during the period under review compared to 10.2 percent in the corresponding quarter of 2017 in real value added.

Other subsectors like manufacturing of leather and leather products, meat processing and beverages recorded growths in real value added of 22.5 percent, 11.2 percent and 6.9 percent, respectively.

4.6 Electricity and water

During the first quarter of 2018, the electricity and water sector moderated to a slow growth of 1.9 percent in real value added, compared to a strong growth of 16.0 percent recorded in the corresponding quarter of 2017.

The notable slow performance is attributed to the electricity subsector that registered a decline of 5.9 percent in real value added compared to a strong growth of 24.8 registered in the corresponding quarter of 2017. This performance is attributed high intermediate consumption that is due to imports of electricity which increased significantly.

During the period under review, imports surged to 742 million kwh compared to 499 million kwh registered in the previous period. This shows an increase of 243 million kwh representing 48.8 percent upward growth. The increases in imports are due to cheaper energy sourced from South Africa.

On the other hand, total units of electricity sold slowed to 2.1 percent compared to 2.7 percent recorded in the preceding year.

4.7 Construction

Following declines for the past eight consecutive quarters, the construction sector recovered by registering a robust growth of 23.7 percent in the first quarter of 2018.

The improved performance is attributed to a strong growth in real value in government expenditure on construction and the value of buildings completed that registered strong growth of 36.6 percent and 104.5 percent compared to a decline of 50.6 percent and slower growths of 1.5 percent recorded in the same period in 2017.

The increase in the value of buildings completed is mainly observed in the central region that registered strong growths of 229.5 percent compared to a decline of 7.2 percent recorded in the corresponding quarter of 2017.

In addition, the value of buildings completed by western and southern regions have registered growths of 60.4 percent and 4.0 percent compared to 20.1 percent and a decline of 64.0 percent recorded in the first quarter of 2017, respectively.

4.8 Wholesale and retail trade

The wholesale and retail trade sector is estimated to have registered a decline of 1.3 percent in real value added during the first quarter of 2018 compared to a decline of 6.3 percent registered in the corresponding quarter of 2017.

The performance of the sector remained suppressed and is reflected in the sales of vehicles that posted a declining growth of 22.4 percent in revenue for the first quarter 2018 compared to a decline of 16.6 percent recorded in the same quarter of 2017.

However, in nominal terms, the total revenue stood at N\$7 558 million. This is owed to supermarkets, clothing and wholesalers performed relatively well, by recording growths of 9.6 percent, 2.6 percent and 3.6 percent in revenue, respectively.

4.9 Hotels and restaurants

This sector is estimated to have recorded a decline in real value added of 5.3 percent in the first quarter of 2018 compared to a growth of 3.3 percent registered in the same quarter of 2017.

The figures for hotels and restaurants must be interpreted with caution as they are based only on Hospitality Association of Namibia membership.

The performance in the sector stems from the number of room and bed nights sold that registered declines of 5.5 percent and 0.4 percent compared to strong growth of 12.2 percent and 14.5 percent recorded in the corresponding quarter of 2017.

4.10 Transport and communication

The transport and communication sector is estimated to have recorded a growth in real value added of 2.5 percent in the first quarter of 2018, compared to 1.0 percent recorded in the same quarter of 2017.

The performance of the sector is mainly attributed to railway transport, port services and telecommunications subsectors which recorded strong growths of 24.1 percent, 12.6 percent and 2.7 percent in real value added, respectively.

Port services subsectors is estimated to have registered a strong growth of 12.6 percent in real value added, compared to a decline of 14.5 percent recorded in the same quarter of 2017. This is due to the increase in the cargo handled at the ports in the first quarter of 2018, compared to the same quarter of 2017. Total volume of cargo increased by 9.0 percent during the period under review. The rise can be attributed to an increase in export activities of major commodities.

However, subsectors such as passengers transport, air transport and airport services recorded slow growths of 0.6 percent, 1.0 percent and 5.7 percent in real value added, compared to 1.6 percent, 16.4 percent and 11.5 percent, in the corresponding quarter of 2017, respectively.

Railway transport subsectors are estimated to have registered a strong growth of 24.1 percent in real value added, compared to a decline of 10.5 percent registered in the same quarter of 2017. The performance of the sector is attributed to the volume of freight transported that has increased during the period under review, compared to the corresponding quarter of 2017.

4.11 Financial intermediation

Slow growth of 1.4 percent in real value added is estimated in the financial intermediation sector during the first quarter of 2018 as compared to a growth of 1.8 percent recorded in the corresponding quarter of 2017.

The performance emanates from the insurance subsector that recorded a sluggish growth in real value added of 2.1 percent during the period under review as compared to the growth of 3.9 percent recorded during the same quarter of 2017.

Meanwhile, the banking subsector recorded a growth of 0.9 percent in real value added in the first quarter of 2018 as compared to the 0.5 percent recorded during the same quarter of 2017. The growth can be attributed to an improvement in the overall liquidity position of the banks during the period under review.

Year-on-year total deposits made by all sectors rose by 5.9 percent during the period under review. Total stock of deposits stood at N\$91, 060 million compared to N\$85, 972 million recorded during the same quarter of 2017. Similarly, claims by private sectors in the first quarter of 2018 rose to N\$97,619 million compared to N\$92506 million recorded in the same quarter of 2017.

4.12 Public Administration and defence, Education and Health

In line with the continuous fiscal consolidation efforts, the public administration and defence sector further contracted to a 2.9 percent in real value added in the first quarter of 2018 compared to the decline of 1.3 percent recorded in the preceding quarter of 2017. Real value addition in the education sector also estimated a contraction of 4.0 percent in the first quarter of 2018 when compared to the contraction of 1.0 percent observed in the same quarter of 2017.

The health sector recorded a decline of 6.4 percent in real value added in the first quarter of 2018 compared to the growth of 2.7 percent in the corresponding quarter of 2017.

Appendix: Quarterly GDP by activity in constant 2010 prices

Table 1: GDP by activity - % changes

(... 1/2)

Year	Quarter	Agriculture	Fishing	Mining and quarrying	Manufacturing	Electricity and water	Construction	Wholesale and retail trade	Hotels and restaurants	Transport and communication
2015	1	-4.7	12.4	-1.0	-8.3	21.1	30.0	4.6	6.5	8.8
	2	-18.7	9.9	-10.8	-4.6	16.4	29.6	14.0	9.4	9.8
	3	-17.7	-6.1	6.7	-2.3	11.2	23.6	7.0	-1.1	2.3
	4	-0.1	-11.3	-12.6	-2.0	5.7	15.5	5.1	9.3	6.7
2016	1	-1.3	3.2	-1.2	10.9	0.2	-13.5	4.4	15.5	7.5
	2	9.2	6.8	-18.8	-3.3	1.3	-33.7	9.6	-1.3	6.2
	3	14.8	0.7	-5.1	-2.9	1.5	-25.1	2.8	8.7	8.4
	4	-11.4	38.8	1.9	16.5	25.5	-32.7	-4.5	-7.4	5.8
2017	1	16.5	5.9	14.0	3.9	16.0	-36.9	-6.3	3.3	1.0
	2	21.2	-4.0	19.6	10.0	9.0	-35.9	-11.1	-3.6	2.5
	3	9.5	8.6	5.6	6.9	3.7	-23.7	-7.8	-4.0	0.4
	4	3.8	-5.9	13.1	-12.5	-18.8	-3.8	-3.5	-2.9	-0.8
2018	1	1.4	-13.6	4.7	-2.1	1.9	23.7	-1.3	-5.3	2.5

Source: Q1 GDP 2018 data, NSA

Table 2: GDP by activity - % changes

(... 2/2)

Year	Quarter	Financial intermediation	Real estate activities and business services	Public administration	Education	Health	Other private services	FISIM	All indust. at basic prices	Taxes on products	GDP at market prices
2015	1	8.1	4.4	11.8	10.7	8.4	9.5	10.8	6.5	6.7	6.5
	2	6.3	4.9	16.5	6.2	21.3	9.7	3.4	6.3	18.4	7.3
	3	2.6	5.0	13.8	-2.1	27.3	8.5	-1.5	5.4	12.8	6.0
	4	3.2	4.5	14.5	2.8	17.5	6.1	-11.0	4.1	12.2	4.8
2016	1	3.3	3.4	9.1	11.1	9.9	2.7	2.3	4.4	5.7	4.5
	2	3.3	2.8	-1.5	0.9	17.9	0.4	-0.6	-1.4	4.7	-0.9
	3	2.8	2.4	-3.4	-0.6	7.1	-0.9	0.0	-0.8	-0.1	-0.7
	4	2.1	2.4	10.0	-0.1	-3.5	-1.1	7.1	0.5	-5.1	0.0
2017	1	1.8	2.6	-1.3	-1.0	2.7	-0.3	-7.3	-0.1	-5.1	-0.4
	2	3.6	2.6	4.1	-0.5	-2.5	0.2	0.8	0.8	-8.4	0.0
	3	3.8	2.4	-1.2	-3.6	0.7	0.5	4.1	-0.6	-6.0	-1.1
	4	1.9	1.9	0.7	0.5	-6.3	0.6	2.2	-1.4	-2.8	-1.5
2018	1	1.4	1.1	-2.9	-4.0	-6.4	0.3	0.5	-0.1	-0.4	-0.1

Source: Q1 GDP 2018 data, NSA

Reference: First Quarter 2018 Gross Domestic Product (GDP), National Statistics Agency (NSA)

