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ECONOMIC DEVELOPMENT REPORT 2018

RESCUE, RECOVERY, REFORM

2020

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ABBREVIATIONS

AEs	Advanced Economies
AfDB	African Development Bank
AfCFTA	African Continental Free Trade Area
BOP	Balance of Payment
BoN	Bank of Namibia
EMDEs	Emerging Market and Developing Economies
IMF	International Monetary Fund
LHS	Left Hand Side
MEWG	Macro-Economic Working Group
MGECW	Ministry of Gender Equality and Child Welfare
MoF	Ministry of Finance
NHIES	Namibia Household Income and Expenditure Survey
NSA	Namibia Statistics Agency
OECD	Organisation for Economic Co-operation and Development
RHS	Right Hand Side
SACU	Southern Africa Customs Union
SADC	Southern Africa Development Community
SSA	Sub-Saharan Africa
UN	United Nations
WB	World Bank
ZAR	South African Rand

CHAPTER 1: INTRODUCTION

This **Economic Development Report (hereafter, EDR) 2018 – *Rescue, recovery, reform*** covers a five year period, from 2014 to 2018, by giving account of economic performance and social developments recorded at global, regional and domestic levels. Additionally, it provides futuristic medium-term projections based on firm assumptions of what is likely to ensue. Herein, projections for Namibia are provided by NPC whereas IMF provides the global and regional projections.

During the review period, the global economy remained relatively stable and maintained a modest above 3.0% growth, albeit slowing in 2018. Going forward, it is estimated to decelerate further, albeit marginally owing weak momentum reflected by the rising trade tension between the world's two largest economies, the United States and China; ongoing trade disputes and uncertainty in the world economy, amongst others.

Regionally, sub-Saharan Africa (SSA) recovered from its slowest growth of 1.4% in 2016 to 3.0% in 2018 owing improved growth performances by the region's two largest economies (Nigeria and South Africa). Overall, SSA posted an annual average of 3.1% between 2014 and 2018. Going forward, SSA is poised to record modest recovery to be driven by the non-resource rich countries i.e. Burkina Faso, Ethiopia, and Rwanda etc. whose economies are estimated to record at least 6.0% annual growth. However, SSA's projected growth is not fast enough to address persistent fiscal and current account deficits.

Domestically, Namibia remains among the slowest growing economies within the SSA region and Southern Africa. It registered a decline and slowdown of 0.1 and 0.3% in 2017 and 2018, correspondingly. Notwithstanding the fact that mining and agriculture recorded strong growths, it was not sufficient to pull overall growth to respectable levels similar to pre-2016 growth episodes. Although selected commodity prices for 2018 especially those that Namibia has rich endowments in (i.e. gold, zinc, copper and coal) increased, a feat from which the country benefited in terms of revenue proceeds, the picture in the commodity market is, however, still not exciting against the backdrop that most commodity prices were expected to decrease in 2019 except for Uranium and iron ore.

Fiscal developments reveal that the European Union (EU) and Advanced Economies (AEs), generally, recorded the highest average revenue-to-GDP and expenditure-to-GDP ratios, correspondingly,

during the review period. AEs' average debt-to-GDP ratio remained above 100.0% for the entirety of the review period while ratios for both Emerging Market and Developing Economies (EMDEs) and Sub-Saharan Africa (SSA) were recorded below 50.0% (with SSA's been the lowest). However, debt-to-GDP ratios in EMDE and SSA have largely been on an upward trajectory. Debt dynamics reflect that SSA economies are reminiscent of the ***"Dutch disease phenomenon or syndrome"*** where they have tended to place heavy reliance on mineral commodity exports to finance their budgets and associated debts. However, these commodities often succumb to unpredictable commodity price volatilities which ultimately have a negative and significant bearing on foreign exchange earnings.

On the domestic front, Namibia's fiscal landscape reveals a mixed bag of outcomes. On a positive note, successes were realised in terms of both expenditure and budget balance-to-GDP ratios, especially in the last two years owing ongoing fiscal consolidation measure. However, and worryingly, debt-to-GDP, on the other hand, continues growing beyond what is deemed sustainable as per the national threshold of 35.0%.

On the external sector front, notwithstanding the fact that trade deficits were recorded during the entirety of the review period, however, it has since 2015 been narrowing owing higher growth of exports which exceeded that of imports. In 2018, exports to China and South Africa were the largest and accounted for 18.0 and 16.0%, respectively, of the total. South Africa and Zambia were the principal markets for imports into Namibia in 2018 thereby accounting for 45.0 and 14.0%, respectively, of the total import basket.

Encouragingly, Namibia recorded Balance of Payments surpluses in four of the five-year review period with an average of N$3.2 billion while simultaneously managing to reduce the current account deficits as % of GDP to 5.1 and 2.1%, in the las two years. Foreign exchange reserves, on the other hand, were maintained above the international threshold of 3 month of import coverage, on an upward trajectory, for all but one year during the review period. These were sufficient to sustain and maintain the one-to-one currency peg between Namibian Dollar and the South African Rand.

Price developments indicate that generally inflation is trending downwards; this undoubtedly comes as a relief to consumers, especially, to the low-income earners as they will now be able to buy the same basket of goods and services relatively cheaper than before. The recent downward trajectory of inflation bodes well for the country's achievement of the SADC convergence target of 3.0%.

Developments on the investment front remained somewhat disappointing. Investment did not record higher levels as it trended downwards evidently reflected in the plummeting statistics, both in terms of as a percentage to GDP and in real (constant) N$ millions value. This development does not augur well with the achievement of 30.0% convergence target by SADC. Similarly, foreign direct investment was on a slowing trend immediately after having peaked in 2015 owing construction boom. The gloomy downward trend is attributable to reductions in equity holdings in Namibian companies by non-residents, among others.

Social developments indicate that although Namibia realised significant gains in addressing poverty between 2009/10 and 2015/16, worryingly per capita income growth, which ought to be trending upwards if poverty is to be reduced further, has recently been on a downward trajectory ascribed to weaker economic growth which has been lower than population growth. This development suggests that the battle for poverty reduction appears far-fetched hence the need for economic revival to return to pre-2016 growth episodes if not higher. Income inequality, on the other hand, remains virtually stagnant. Moreover, it appears to be skewed in terms of gender given that males generally earn more than their female counterparts.

Developments in respect of climate change reveal profound findings. Research in Namibia suggests that annual losses induced by climate change for over 20 years on natural resources alone could be estimated up to 6.0% of GDP with the effects mostly to be felt by poor individuals especially in view of constraints on employment opportunities especially for farm workers, declining wages especially for unskilled labour, amongst others. Furthermore, evidently, economic activities in the agricultural sector have been reducing owing long experienced drought induced by climate change.

Overall, against the backdrop of the Namibian economy having plummeted recently, this has had a significant negative bearing on different socio-economic challenges (i.e. poverty reduction, increased income equality, employment creation etc.) confronting the country. Consequently, there appears to be an urgent need to interrogate and propose panaceas to reviving the growth fortunes, or in other words rescue and recover the economy, through significant forward-looking reforms. It is against this background that this EDR 2018 is themed: "***Rescue, recovery, reform.***"

CHAPTER 2: GLOBAL AND REGIONAL ECONOMIES – A PROMISE OR MISERY FOR THE DOMESTIC ECONOMY?

2.1 GLOBAL ECONOMY – SLOWING MOMENTUM, PERSISTENT TRADE TENSION

The International Monetary Fund's (IMF) Economic outlook for July 2019, estimated global output to have grown by 3.6% in 2018 and going forward is anticipated to go down by 0.4% to register 3.2% in 2019 before increasing to 3.5% in 2020. The weak momentum in global output forecast reflect rising trade tension between the world's two largest economies, the United States and China[1]. The World Bank (WB) and the Organisation for Economic Co-operation and Development (OECD) have also lowered their forecasts for world growth pointing to ongoing trade disputes and uncertainty in the world economy. Bounajm et al., (2019) suggest that global potential output will grow by 3.3% per year primarily driven by capital accumulation in China and other emerging market economies. In addition to trade disputes and uncertainty, aging population in the United States and China is also a culprit for slow growth in the United States and China. Overall, during the review period, economic growth at the global level averaged 3.6% annually, clearly maintaining it's historic above 3% territory.

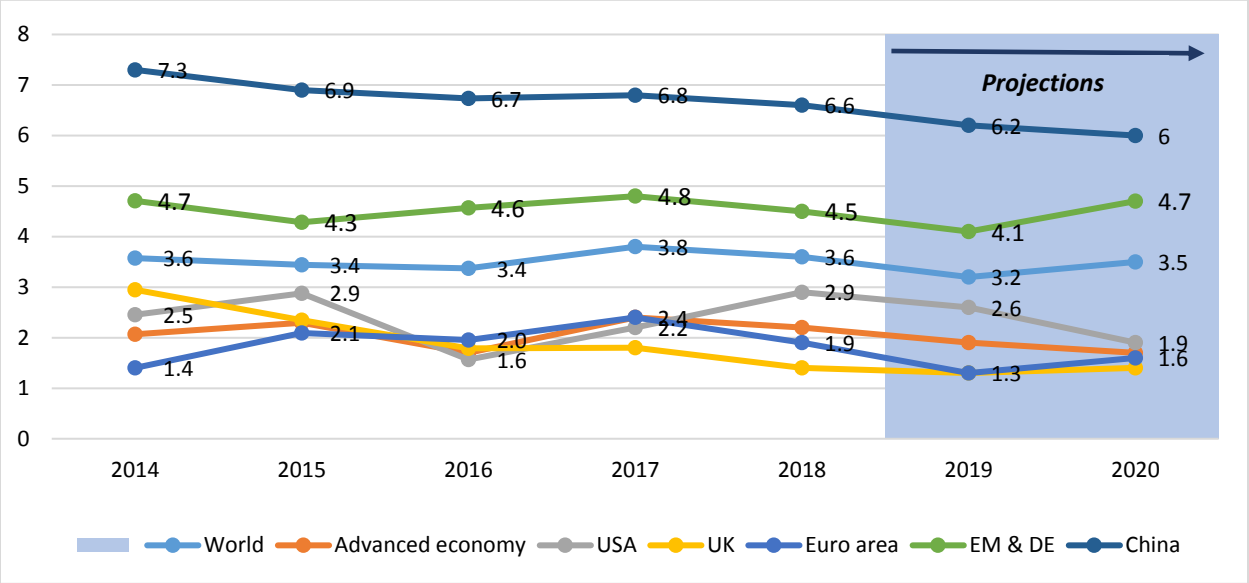
Growth in ***Advanced Economies (AEs)*** is anticipated to slow down to 1.9 and 1.7% in 2019 and 2020, respectively, owing weaker growth projected in the Euro Area and the United States. There is so much uncertainty in Europe, including Britain's plan to exit (BREXIT) the European Union. Slower growth is expected in Europe's major economy, Germany due to weaker global demand (Bimmer, 2019). Overall, AEs posted an annual average growth of 2.1% during the review period.

Growth in the ***Emerging Market and Developing Economies (EMDEs)*** is projected to fall to 4.1% in 2019 from 4.5% in 2018, thereby representing EMDEs' lowest growth since 2014. The world's second biggest economy, China, is estimated to fall to 6.2 and 6.0% in 2019 and 2020 respectively. The anticipated growth in China is the lowest in almost three decades (Deng, 2019). Growth in China is expected to slow down due to aging population and slowdown in capital accumulation as the industrialisation process mature (Bounajm, 2019). For the review period, growth recorded in EMDEs averaged a modest 4.6% per year.

[1] In May 2019 USA increases tariffs on Chinese exports from 10% to 25% and China retaliated.

Both IMF and WB forecasted the Russian economy to slow down to 1.2% in 2019 from 2.3% in 2018. The drop in oil prices and global trade environment are the culprit to the Russian growth forecast (WB, 2019). The fastest growing economy among the EMDEs, India is set to grow at 7.0% in 2019 and 7.2% in 2020 (OECD, 2019). The estimated accelerated growth in India is supported by investment growth and low inflation pressure.

Figure 1: Global, selected regional and economies growth rates (%)



Data source: IMF World Economic Outlook Database, July 2019

The picture in the commodity market is still not exciting against the backdrop that most commodity prices are expected to decrease in 2019 except for Uranium and iron ore. The slowdown in commodity prices in 2019 reflects another challenging and tough time for commodity exporting countries, especially sub-Saharan African economies, which relies heavily on primary commodity exports to finance their national budgets.

Crude oil prices are expected to decrease to US$59 per barrel in 2019 from US$68 per barrel in 2018. The downward pressure in oil prices is attributable to high crude oil production and weakening global growth. Copper prices averaged US$ 5988 per metric tonne between 2014 and 2018 and it is expected to decrease by 4.0 and 4.8% in 2019 and 2020, respectively. Uranium market had a prolonged time of depressed prices and is expected to reach its highest price in 2019 since 2016. Uranium price is anticipated to increase to US$29 per pound in 2019 from US$20 per pound in 2018. The high demand for uranium in China as well as price effects are expected to increase uranium production in Namibia. Gold price is also expected to increase by 4.2% to US$1 322 per troy ounce in 2019 from US$1 269 in 2018 (IMF, 2019).

Commodities are the principal means of revenue for most developing countries. Volatility in commodity prices causes instability in exchange rate and fluctuations in growth. Commodity fluctuations make the commodity dependent economies, mostly in Africa more vulnerable to commodity price shocks (UNDP, 2010). One central tenet of these African countries, although richly endowed with mineral resources or commodities, is that they generally have narrow and limited manufacturing bases and as such export commodities in raw form with very limited or no value addition at all.

Table 1: Selected Commodity Prices (US$/unit)

Commodities	**Units**	**Actual**					**Projections**	
		2014	**2015**	**2016**	**2017**	**2018**	**2019**	**2020**
Crude Oil	US$/barrel	96	51	43	53	68	59	59
Coal	US$/metric tonne	76	63	70	94	113	102	97
Copper	US$/metric tonne	6,863	5,510	4,868	6,170	6,530	6,227	6,278
Iron Ore	US$/ metric ton	97	56	59	71	70	84	75
Zinc	US$/ metric tonne	2,161	1,932	2,090	2,891	2,922	2,700	2,619
Uranium	US$/ pound	33	37	26	22	20	29	30
Gold*	US$/ troy ounce	1,266	1,160	1,251	1,257	1,269	1,322	

Data source: IMF World Economic Outlook Database, April 2019

** Gold: World Gold Council (2019 actual: average of first seven months of the year)*

2.2 REGIONAL ECONOMY – ECONOMIC RECOVERY CONTINUES

IMF reported that growth in sub-Saharan (SSA) region in 2018 was supported by better growth performance in the two largest economies Nigeria and South Africa, notwithstanding a decline recorded by Angola, the third largest economy. SSA grew by 3.1% on average between 2014 and 2018 thereby maintaining what has been its historic at least 3.0% annual growth. According to IMF (2019), a modest recovery is expected in the SSA region in 2019 and 2020, estimated at 3.4 and 3.6%, respectively. The expected growth will be driven by the non-resources countries[2] with annual growth over 6%. According to AFDB (2019), the expected growth in the region is not fast enough to address persistent fiscal and current account deficits.

World Bank (2019) posits that the tougher external environment and stronger US dollar is affecting the region's growth. The three (3) largest economies (South Africa, Nigeria and Angola) in the SSA region, that makes up approximately 60% of the region's annual output, are expected to grow

[2] Burkina Faso, Ethiopia, Rwanda etc.

below the regional average as they remain stuck in low growth dynamics (Mohammedmo, 2019). Herein, growth in South Africa remains subdued owing challenges in the mining sector, low agricultural production and weakness in the construction sector (WB, 2019). Output Growth in the South African economy has fallen to 0.8% in 2018 from 1.4% in 2017 and is anticipated to go down by 0.1 percentage point to 0.7% in 2019 before reaching 1.1% in 2020 (IMF, 2019).

The Angolan economy experienced declines for the past 3 years (2016 to 2018) and remains trapped in recession as oil price remain weak, however IMF anticipate a recovery by the end of 2019 on assumption that commodity prices, especially oil, recovers. Against this backdrop, the Angolan economy is projected to gradually move towards positive growth territory henceforth post 0.4 and 2.9% in 2019 and 2020, respectively. Although the Nigerian economy recorded 0.8 and 1.9% growth in 2017 and 2018, respectively, its growth pattern is also dominated by depressed oil prices with growth expected to be 2.3% in 2019.

IMF estimated Botswana's economy to have grown by 4.6% in 2018 and anticipated to decelerate, albeit marginally, to 3.9 and 4.1% in 2019 and 2020, respectively. The heavy reliance on commodity exports in Botswana leaves the country vulnerable to external shocks (WB, 2019). For Mauritius, output growth is being affected by the growth of its major trading partners such as India, South Africa and United Kingdom, among others. Of the selected SSA economies, Mauritius appears to be the most stable evidenced by less volatility in its growth pattern over the review period and going forward.

Namibia is among the slowest growing economies within the SSA region and Southern Africa and evidence suggests that its economic recovery is taking somewhat longer than peers to return to above 4.0% growth trajectory it enjoyed since pre-2016 period. Namibia posted a decline and slowdown of 0.1 and 0.3% in 2017 and 2018, correspondingly.

Going forward, economic recovery is estimated to remain subdued in the medium term owing deteriorating economic activities/performances. In turn and going forward, a further decline of 1.8% is estimated in 2019 (NPC, 2019) reflected by, among others, the expected decline of 18.8% in in the agricultural sector as a result of drought (one of the severest the country has ever experienced in history) and significant declines of 10.2 and 3.9% for mining and quarrying; and wholesale and retail trade sectors; respectively. High fiscal deficit and rising public debt in Namibia will also hamper the ability to finance capital projects and ultimately affect the country's growth path (AFDB, 2019).

Table 2: Selected growth rates (%) in SSA economies

Country	Actuals						Projections	
	2014	2015	2016	2017	2018	2014-2018 Average	2019	2020
SSA	5.1	3.2	1.4	2.9	3.0	3.1	3.4	3.6
Angola	4.8	0.9	-2.6	-0.2	-1.7	0.3	0.4	2.9
Botswana	4.1	-1.7	4.3	2.9	4.6	2.8	3.9	4.1
Mauritius	3.7	3.6	3.8	3.8	3.8	3.7	3.9	3.9
Namibia*	**5.8**	**4.5**	**-0.3**	**-0.1**	**0.3**	**2.1**	**-1.8**	**1.0**
Nigeria	6.3	2.7	-1.6	0.8	1.9	2.0	2.1	2.5
South Africa	1.8	1.2	0.4	1.4	0.8	1.1	0.7	1.1

Source: IMF World Economic Outlook Database, April & July 2019

**Namibia: 2014-2018 (NSA) Annual National Accounts 2018; 2019-2020 NPC projections*

CHAPTER 3: IS THE UNTHINKABLE BECOMING ROUTINE?

3.1 DOMESTIC ECONOMY NO WHERE NEAR RECOVERY

Up until the revision of the Annual National Accounts 2018 where Namibia adopted a new statistical methodology, the System of National Accounts 2008 (SNA 2008), Annual Accounts have been compiled according to SNA 1993 framework. The macroeconomic variables discussed in respect of the Namibian economy make use of the newly computed figures as per the Annual National Accounts 2018. More information about this National Accounts Revision exercise is discussed briefly in the box below:

Box 1: Revision of National Accounts

Namibia, just like other countries globally, subscribes to international conventions. One such convention is the International Statistical Standard for the National Accounts as adopted by the United Nations Statistical Commission (UNSC). It is a statistical framework which provides a comprehensive, consistent and flexible set of macroeconomic accounts for policy making, analysis and research purposes. In view of this, System of National Accounts 2008 (SNA 2008) is the latest version of the International Statistical Standard for the National Accounts, adopted by the United Nations Statistical Commission (UNSC).

According to United Nations, European Commission, International Monetary Fund, Organisation for Economic Co-operation and Development, World Bank (2009) SNA 2008 report, its uses are three-fold: firstly, monitoring the behaviour of the economy – movements of aggregates such as GDP and GDP per head, among others, and their associated price and volume measures, are used to evaluate the overall performance of the economy and hence to judge the relative success or failure of economic policies pursued by governments. Secondly, macroeconomic analysis – to investigate the causal mechanisms at work within an economy; and thirdly, International comparisons – the resulting data are widely used for international comparability with other countries, that is, international comparisons of the volumes of major aggregates, such as GDP or GDP per head, and also for comparisons of structural statistics i.e. ratios of investment, taxes or government expenditures to GDP. In response to this, Namibia, has until 2018 been using the System of National Accounts 1993 (SNA 1993) which has since been revised to the latest, SNA 2008 for the Revised Annual National Accounts 2018. To this end, the revision process included the following processes, among others:

(i) re-referencing – moving the base year price and volumes from 2010 to 2015. Periodic revisions of the base year are necessitated by changes in "relative prices" and in the "structure" of the economy that occur over time;
(ii) re-benchmarking – aligning the quarterly value added to the annual;
(iii) adoption of SNA 2008 – capturing changing macroeconomic characteristics; and
(iv) adoption of International Standard Industrial Classification revision 4 (ISIC rev 4) – moving from rev 3.1. The revision was done for a six-year period 2013 – 2018 whereas the longer time series will be made available later. Briefly and overall, the results indicate downward trend for nominal GDP and GDP per capita and an upward trend for the real GDP.

Source: UN, EU, IMF, OECD & WB. (2009). SNA 2008 and NSA

The Namibian economy has been going through a challenging phase for the past 3 years (2016-2018) as a result of under-performance in key economic growth driving sectors. The domestic economy recorded declines consecutively for the first time in history as key economic sectors continue to decline due to reduced economic activity. Between 2014 and 2018 the economy grew by merely 2.1%, on average. Although the economy was estimated to return to positive growth rate trajectory, the economy rather contracted by 0.1 and a slowdown of 0.3% in 2017 and 2018, respectively, relative to a decline of 0.3% in 2016. The sluggish growth for 2018, albeit positive, is attributable to slow growth of 0.1% and a decline of 1.6% in the secondary and tertiary industries, respectively.

The recent decelerated growth out-turns fall short of the achievement of 4.0 – 5.0% annual growth NDP5 target. Although the utility sector (electricity and water) posted a moderate growth of 6.6%, the main drivers of the slower growth in secondary industries in 2018 include the construction sector which continued on downward growth territory, albeit marginal improvement, having registered a decline of 5.4% as well as the slow growth of 0.3% recorded by the manufacturing sector.

In the tertiary industries, wholesale and retail trade declined by 6.8 and 6.3% in 2017 and 2018, respectively, attributable to reduced demand for final goods, vehicle sales and furniture. Hotels and restaurants (tourism) sector recovered, albeit marginally by posting 0.4% growth in 2018 relative to a 1.4% decline in 2017 reflected in the marginal improved performance of the hotels and restaurants subsectors. Overall, the domestic economy appears to be trending downwards thereby remaining in negative growth rates-territory evident in recent declines of quarterly growth rates.

3.2 REAL SECTOR DEVELOPMENTS

3.2.1 Primary Industry

The ***primary industries*** grew by 1.2% between 2014 and 2018, on average. Primary industries remained within negative growth territory for three consecutive years (2014-2016) before rebounding and registering strong growths of 11.0 and 8.4% in 2017 and 2018, respectively. Primary industries' strong growth for 2018 is mainly attributed to the mining sector which proved to be the best performing sector evidenced by having posted a strong growth of 16.0% owing increased production of uranium and diamond which grew by 64.8 and 13.7%, respectively. The

increase in uranium output was prompted by the ramping up of operations at Husab mine and increased production from Rossing despite low uranium prices in the first half of 2018. To this end, production at Rossing uranium increased from 2,110 tonnes to 2,478 tonnes between 2017 and 2018. Diamond production, on the other hand, was driven by improved output from Namdeb and Debmarine Namibia operations (Chamber of mines, 2018). Against the backdrop that Diamonds remains a mineral which is assigned the largest weighting compared to other minerals according to the National Accounts Framework, movements around it dictate the overall mining output. Between 2017 and 2018, Namdeb significantly increased its diamond production by 34.2% from 426,000 to 571,847 carats, whereas, Debmarine surpassed its production target of 1.402 million carats by producing 1.436 million carats of diamonds.

On the job front, notwithstanding the mining sector's strong growth performance, however, about 822 job losses were recorded in 2018 due to volatile mineral commodity markets and the associated declining commodity prices especially for uranium. Notwithstanding the noted job losses, the re-opening of the two old mines, namely: Namib Lead and Zinc mine and the Uis Tin mine, helped reabsorb some of the affected employees. Yet, given the change of ownership for the Rossing uranium mine from Rio Tinto to China National Uranium Corporation in 2018, there remain uncertainty in terms of employment prospects going forward. Nevertheless, Debmarine is expected to create more than 160 jobs additional to the current employees as a result of a new exploration vessel (AMV3)[3] coming on board which is expected to increase annual production by 35%. Regardless of the short falls in terms of economic growth that Namibia has faced recently, mining continues to be an area of hope for the country's current and future financial prospects (Namibian Mining News 2019).

The agriculture, forestry and fishing sector contracted by 2.0% in 2018 relative to a modest growth of 6.9% in 2017. The sector's poor growth performance recorded in 2018 is attributed to, among others: the livestock farming subsector, the largest among the three subsectors according to National Income Accounting Framework, which contracted by 0.8% owing prolonged reduction in the availability of marketable livestock which resulted in understocking of herds. Herein, in 2018 there was a decrease of 2.4% in livestock marketed in 2017. Generally, over the five-year review period, 2017 and 2018 witnessed the highest livestock marketed figures reflected in the year-on-year growth rates owing prevalent drought conditions thereby resulting in high exports of live cattle

[3] AMV3 refers to the name of the new vessel which is scheduled to commence operations in 2022.

to South Africa. Although small stock numbers marketed exceed those of livestock, generally, livestock recorded higher year-to-year average growth rates. Overall, the number of livestock and small stock marketed has been volatile owing unpredictable conditions i.e. climatic, economic (prices) etc. experienced during the review period.

Table 3: Total number of livestock and small stock marketed

	2014	2015	2016	2017	2018	Average
Livestock						
Total production	243,917	426,831	296,197	453,387	442,530	372,572
Y-on-Y growth (%)	-42.7	75.0	-30.6	53.1	-2.4	10.5
Total live exports	103,199	282,197	166,161	316,206	318,880	237,329
Y-on-Y growth (%)	-60.8	173.4	-41.1	90.3	0.8	32.5
Small stock (includes sheep, goats and pigs)						
Total production	982,235	1,152,531	905,736	922,680	974,235	987,483
Y-on-Y growth (%)	-27.6	17.3	-21.4	1.9	5.6	-4.8
Total live exports	326,221	628,580	452,162	535,476	603,845	509,257
Y-on-Y growth (%)	-23.6	92.7	-28.1	18.4	12.8	14.4

Source: Meat Board of Namibia Annual Report 2017/18 and Monthly Statistics Database

The agriculture sector is the most dominant sector by employment and a key strategic sector with potential to further boost the country's socio-economic development. The target under NDP5 is to increase the share of value added in livestock and crop farming to 30 and 55%, respectively, by 2021/22. However, agro-processing that is expected to play a meaningful role in propelling the country's value-addition agenda to greater heights of prosperity has thus far not been significant[4] enough (not happening on a large scale) on account of among others: continued increase in exports of live animals and lack of appropriate skills. Against the backdrop of the afore-mentioned aspects, the realization of value addition appears to be a mammoth challenge and hence may take much longer than anticipated.

The industrial policy discourages the exports of unfinished goods. However, the number of local slaughters recorded for both large and small stock decreased in 2018 whereas live exports, on the other hand, increased. This is a development that does not augur well with the industrial policy's noble intentions. In addition, the current economic recession is a step back in the implementation of the industrial policy (growth at home strategy) considering available financial resources and falling investment.

[4] Meaning there is limited value addition in the country.

As panacea for industrialization to take place, government should start by addressing the competitiveness aspects i.e. removing unnecessary and lengthy bureaucracy, procedures and numbers of days in setting up a business in Namibia. Currently, it takes about 66 days with lots of procedures such as issuing of working permits, boarder clearance by customs and registering a business among others which makes it a tedious process and not so favourable for investors thus they would rather invest in another country.

With regards to policies governing the agricultural and manufacturing sector, Namibia has good policy initiatives in place such as the Namibia Agricultural Policy, 2015; Namibian Agricultural Marketing and Trade Policy and Strategy, 2011; Growth at Home Strategy, 2015; Harambee Comprehensively Coordinated Integrated Agricultural Development Programme (HACCIADEP), 2018; etc. However, some initiatives from these policies have not been utilized to their full potential as there are some notable policy gaps which are hindrances for implementation. Although, generally there is insufficient agricultural production to meet consumption needs, marketing of the little produce domestically is proving to be a stumbling block especially for active and prospective farmers/producers. To this end, some products are often sourced through imports from other countries.

Policy Gaps and Implications

The main objects that green schemes sought to address include the following:

- increasing agriculture production and sector contribution to GDP;
- promoting investment in food production and agro industry;
- mobilizing private and public capital for investment in agriculture;
- promoting food security at national and household levels;
- diversifying agricultural production and products for the domestic and export markets;
- promoting research and adaptation of technology to increase productivity;
- promoting value addition and job creation; and
- promoting skills development and transfer of technology.

Notwithstanding these noble objectives, however, the green scheme policy initiative and its associated funding mechanism seems not to be working according to the plan owing the fact that most green schemes irrigation projects are found to not to be as productive as expected and at the

same time most are struggling financially henceforth some await decision to be leased[5]. Commercial agricultural production by green schemes has become too costly especially in terms of input costs mainly utilities (electricity and water) and personnel expenses. Ideally, the green schemes were created with a view to be able to be self-sustainable while addressing the said noble objectives rather than, as the current situation suggests, becoming a funding burden to the government it has since developed into. Food security can only be assured through increased agricultural production in the country; therefore, involvement of the private sector in green schemes is crucially important for reviving the fortunes thereof.

The continued low growth performance being experienced currently infers, among others, that the nationally adopted goals on poverty reduction, increased income inequality and employment creation appears to be far-fetched. Similarly, the Agriculture Marketing and Trade Strategy which was formulated to assist the agricultural sector to utilize opportunities on both domestic and international markets appears not to have lived up to expectations. Agro-Marketing and Trade Agency (AMTA) was created under this policy to coordinate and manage the trading of agricultural produce. In actual sense, AMTA was created mainly for market accessibility while the green scheme focused on production, however, currently the case is that green schemes have to do both production and marketing pointing to the fact that marketing through AMTA has proven to be a challenge.

Government embarked on the drought policy in 2010 in response to the adaptation of climate change (drought) through the promotion of irrigation systems. However, water scarcity still remains a challenge in Namibia. For increased agricultural productivity and food security to be realized the adoption of drought resilient crops should be encouraged as they will require the use of less water.

[5] Green schemes suggested for leasing are namely Kalimbeza, Ndongalinena, Uvhungu-vungu.

Table 4: Primary industries' real GDP growth rates (%)

Industry	2014	2015	2016	2017	2018	Average
Agriculture, forestry and fishing	4.7	-13.3	0.7	6.9	-2.0	-0.6
Livestock farming	-8.0	-18.2	-5.0	9.7	-0.8	-4.5
Crop farming and forestry	15.0	-13.8	-10.4	15.7	-6.9	-0.1
Fishing and fish processing on board	9.5	-9.2	11.7	0.8	0.1	2.6
Mining and quarrying	-5.2	-0.9	-10.7	14.2	16.0	2.7
Diamond mining	6.7	-6.5	-10.9	14.5	15.1	3.8
Uranium	-9.9	-18.1	13.6	23.4	33.4	8.5
Metal Ores	0.5	157.1	-34.3	-26.3	0.8	19.6
Other mining and quarrying	-36.3	-50.7	25.0	63.7	13.4	3.0
Primary industries	**-1.1**	**-6.3**	**-6.0**	**11.0**	**8.4**	**1.2**

Data source: Annual National Accounts 2018 (NSA)

3.2.2 Secondary Industry

During the review period, secondary industries registered positive growth rates in 2014 and 2015, however, thereafter; declines of 4.0, and 7.0% were recorded in 2016 and 2017, respectively. The contractions for the past 2 years (2016-2017) are mainly attributable to the construction sector which also declined significantly by 41.1 and 23.1%, respectively. In 2018, the industries recovered by registering slow growth of 0.1% owing mainly to the utility sub sector (electricity & water) which posted a growth of 6.6% relative to a contraction of 14.9% in 2017.

In 2018, the building plans approved, which serves as a leading indicator for construction, also decreased by 18.5%, owing reduced volumes for construction (capital) projects by both public (government) and private sectors. In view of recent fiscal developments where government expenditure was spiralling out of what is deemed sustainable trajectory, that is, exceeding the national expenditure-to-GDP cap of 40%, as well as prioritising spending towards productive sectors of the economy government introduced fiscal consolidation policy in 2016/17 as a way to correct the fiscal fundamentals. This somewhat contributed to reduced volumes for construction (capital) projects by the government sector and hence negatively impacted the growth performance of the construction sector. Over the review period, the declines recorded by the construction sector have been improving, albeit marginally and as such the sector realised a minimal average decline

of 1.2%. The economic growth performance of the construction sector, which has been one of the key economic drivers, somewhat mirrors that of secondary industries'.

The manufacturing sector, against which the country's long-term industrialisation goal has always been premised, generally appears to be stagnating evidenced by a low average of 1.7% growths during the review period. The sector recorded contractions in 2015 and 2017 before registering slow growth of 0.3% in 2018. The recovery in 2018 is on account of modest growth from mainly beverages, other food products, fabricated metals, leather and related products, and rubber and plastic products.

The utility (electricity and water) sector posted a strong growth of 6.6% in 2018 against a contraction of 14.9% in 2017 on the back of both subsectors (electricity and water) which registered positive growth rates. Both the electricity and water subsectors recovered from contractions of 20.6 and 6.0% in 2017, respectively, by registering strong growth rates of 5.8 and 7.7% in 2018. For the electricity subsector, the recovery is attributable to a decline in imports of electricity owing an increase in locally generated electricity as a result of adequate water inflow at Ruacana hydroelectricity power plant as well as new independent power producers with a combined power output of 45MW which came on board in 2018. In view of electricity being the "*indispensable force driving all economic activities*", these positive developments are crucially important for the country's industrialisation drive.

Going forward, positive improvements in light of increased local generation is anticipated owing the recent introduction of the 3 Phase – Modified Single Buyer (MSB) model which is a further step by Namibia towards greater competition and choice in the electricity industry. This transformation from the historic Single Buyer (SB) to MSB model, especially in view of introducing competition in the energy sector, is in synch with the aspirations articulated in the country's fifth National Development Plan (NDP5). To this end, the MSB will allow electricity consumers and Independent Power Producers (IPPs) to transact with each other directly for the supply of electricity. As of now, the MSB allows private generators to build new generation capacity in Namibia which can specifically be exported to other countries. However, the MSB will continue being a ring-fenced entity within NamPower.

The MSB is expected, in the long run, to reverse Namibia's historic and continued net importer status by gradually bringing on board increased local generation which will inevitably reduce the country's exposure to high prices associated with electricity imports, reduce real risks associated

with problems experienced by Power Utilities from whom imports are sourced, contribute to improving the country's trade balance as well as by implication Balance of Payment (BoP) position, among others. The MSB is expected to be an enabler of economic development (increased and sustained growth and increase employment opportunities etc.) activities through permitting more IPPs to participate in the industry.

Recovery by the water subsector, on the other hand, was as a result of significant increase in demand for human consumption, irrigation and livestock drinking. Notwithstanding these positive developments, however, water scarcity remains a challenge given that Namibia experiences droughts from time to time which negatively affect several rainfall-dependent sectors of the economy. For Namibia to become an industrialized country as envisioned in the country's long-term aspiration, Vision 2030, the availability of water is crucial for human consumption, increased agricultural productivity and value addition. Overall, the utility sector's average growth stood at a significant 4.9%, clearly above the overall national growth average.

3.2.3 Tertiary Industry

Tertiary industries' review period growth averaged 2.9%, although the first three years (2014 – 2016) recorded strong growth, contractions of 0.1 and 1.6% in 2017 and 2018, respectively, followed. The contraction in 2018 is attributable to most sub-sectors that declined namely: wholesale and retail trade, hotels and restaurant (tourism), transport, information communication and private household with employed persons, among others. The wholesale and retail trade sector contracted by 6.8 and 6.3% in 2017 and 2018, respectively, reflected by declines of 24.5 and 3.0% in the sales of vehicles and furniture. As can be expected and in line with current economic realities (slowdown), the number of new vehicles sold and supermarkets and wholesaler's sales slowed owing subdued demand. Largely, consumer demand has gone down against the backdrop of low purchasing power by households.

The Hotels and restaurants (a proxy for the tourism sector) recorded a decline of 1.4 and a slow growth of 0.4% in 2017 in 2018, respectively. The sector's marginally improved performance in 2018 is mainly attributable to the restaurants sub-sector that registered an increase of 1.1% versus a decline of 3.2% in 2017. However, during the review period, the sector's growth averaged 3.7% annually. Tourism has become one of the largest contributors to the world economy with increasing impacts at national, regional and global levels. According to Bednarova, Kiselakova and

Onuferova (2018), tourism is one of the key sectors with the potential for development in all countries as it remains a key source of income, jobs and wealth creation. Thus, it is vital to maintain its sustainable growth. The number of tourist[6] arrivals, continues increasing, though steadily. Although the growth rate of tourist arrivals has recently remained flat at just above the 2.0% level, it averaged 5.8% over the review period, albeit driven mainly by the review period's highest double-digit growth recorded in 2014. Total foreign arrivals are made up of tourist arrivals, same-day visitors, returning residents and others.

Table 5: Tourist Arrivals (2014-2018)

	2014	**2015**	**2016**	**2017**	**2018**	**Average**
Tourist arrivals	1,320,062	1,387,773	1,469,258	1,499,442	1,557,279	1,446,763
Foreign arrivals	1,477,593	1,519,618	1,574,149	1,608,018	1,659,762	1,567,828
Growth rate (%) – tourist arrivals	12.2	5.1	5.9	2.1	3.9	5.8

Data source: *MET Tourist Statistical Reports*

According to the Travel and Tourism Competitiveness Report for 2019, Namibia retained its 4th ranking (as in 2017) of being the most travel and tourism competitive economies within sub-Saharan Africa (SSA), after Mauritius, South Africa and Seychelles, respectively. Namibia's higher ranking is supported by pillars such as price competitiveness, business environment and tourist service infrastructure, which ranked favourably. It was ranked the most improved in the tourist service infrastructure pillar.

The transport and communication (logistics) sector's review period growth averaged 5.3%, although recently it registered negative growth of 4.8 and 2.3% in 2017 and 2018, respectively. The dismal performance in 2018 was on the basis of significant declines recorded by freight transport by road (7.2%), couriers (2.1%) and airports services (2.4%) sub-sectors. The freight transport by road sub-sector suffered from reduced volumes of cargo transported. Notwithstanding these gloomy developments, however, the expansion of the N$2.9 Billion Walvis Bay port container terminal which was recently inaugurated in August 2019 will enable Namibia to double its container handling

[6] The United Nations World Tourism Organisation (UNWTO) defines a foreign tourist as "*any visitor travelling to a country other than that of his/ her residence but outside his/her usual environment for more than 1 night but less than 12 months and whose main purpose of visit is other than the exercise of an activity remunerated from within the place visited.*"

capacity from 350,000 to 750,000 containers per year thereby transforming Namibia into an international logistics hub (Namport, 2019). Moreover, Namibia stands to inevitably enjoy a comparative advantage in the transport sector (sea) with the opportunity of being a gateway in trade facilitation for landlocked countries in Southern African Development Community (SADC) through the expansion of the Walvis Bay port container terminal targeting emerging markets of Southern and West Africa.

The Walvis Bay Port possesses a significant advantage over other ports in Southern and West Africa i.e. Durban, Dar es Salaam etc. in that it is relatively less congested. As important gateways for domestic and international trade, ports are expected to bring positive influences on economic development at national level (Jung, 2011). Hence, the new container terminal is expected to boost tourism, increase employment opportunities, provide access to foreign direct investment and support industrialization thereby rescuing the economy from its current status going forward.

Transport and logistics has currently become essential for increased international trade and increased competitiveness in countries thereby making it an important driver of growth and development. The development of transportation infrastructure plays a role in the integration of an economy with the rest of the world. Thus investments in this area have provided advantages for countries in terms of increased efficiency, better reliability and service quality (Hayaloglu, 2015). In Namibia, just like in any other country, logistics and transport plays an important role in trade given that the manufacturing sector, among others, depend on the transportation sector to be able to run smoothly, effectively and efficiently.

On the financial and insurance service front, during the period under review (2014-2018), the sector grew by 3.4% on average driven by double-digit growth recorded in 2014. However, the sector posted 3.7 and a decline of 0.5% in 2017 and 2018, respectively. The contraction in 2018 is attributed to financial service activities which recorded a decline of 1.9%. Overall, the sector's poor growth performance in 2018 is attributed to sluggish growth in the total loans and credit extended to both private sector and households owing subdued demand.

Overall, the recent mild recovery in growth rate for 2018, however, will not be sufficient to attain the goals of Vision 2030, Fifth National Development Plan (NDP5) and Harambee Prosperity Plan (HPP) and significantly reduce poverty, unemployment; income inequality and thus more would be required to put the country on a sustained accelerated growth path. Looking at quarterly data for 2019, the trend doesn't look promising as the economy continues to decline. To this end, it is evident

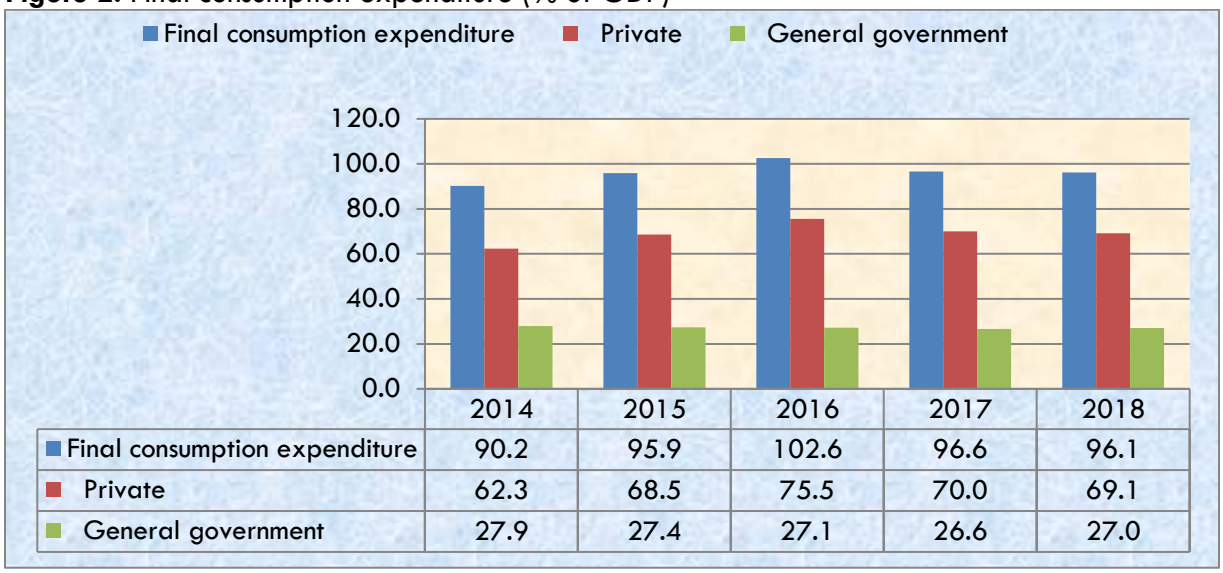
that the domestic economy is nowhere near recovering from this recession as the domestic economy appears to be trending downwards, evidenced by the latest declines in quarterly growth rates.

3.3 DEMAND SECTOR

3.3.1 Final Consumption Expenditure

During the period of review, final consumption expenditure as a share of GDP was on an increasing path for the first three years before it started falling in the last two years. It remained the main contributor having averaged 96.3%, whereas private and public consumption expenditure averaged 69.1 and 27.2%, separately, during the review period. Year-on-year, the share of final consumption expenditure was 96.6 (or N$163.70 billion) and 96.1% (or N$170.14 billion) in 2017 and 2018, respectively.

Figure 2: Final consumption expenditure (% of GDP)

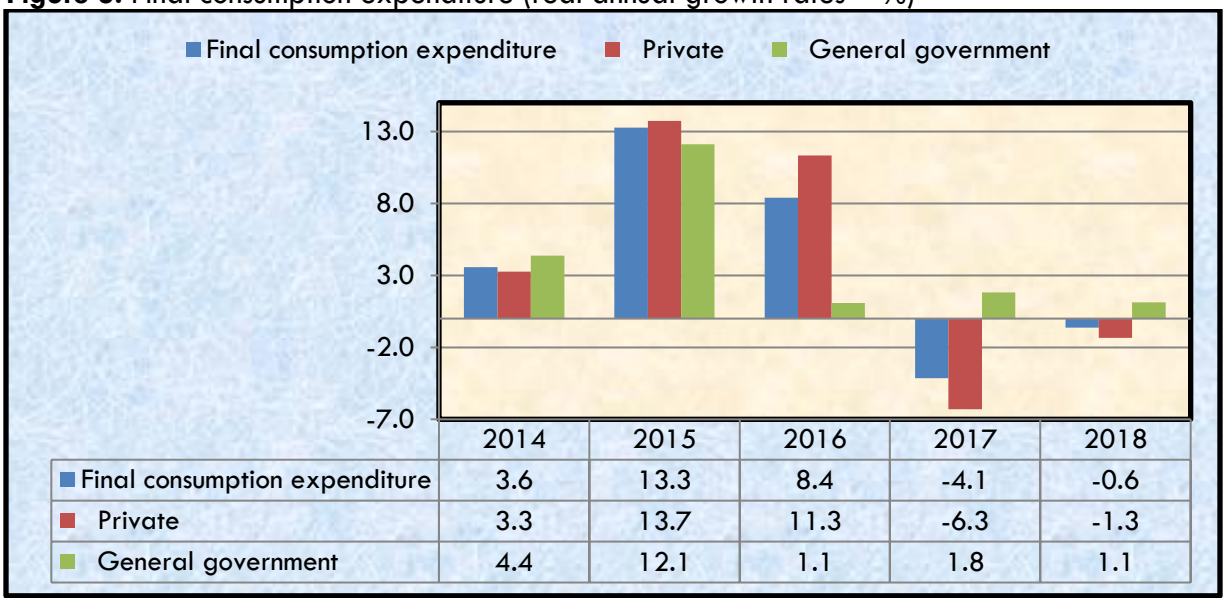


	2014	2015	2016	2017	2018
Final consumption expenditure	90.2	95.9	102.6	96.6	96.1
Private	62.3	68.5	75.5	70.0	69.1
General government	27.9	27.4	27.1	26.6	27.0

Data source: Annual National Accounts 2018 (NSA)

In real terms, the growth of final consumption expenditure has been decelerating and somewhat mirrors the trend of real GDP. However, the review period average consumption expenditure growth of 4.1% outpaced 2.1% average economic growth. This is a development that can induce economic growth especially if a larger chunk of final expenditure is made up of locally produced goods.

Figure 3: Final consumption expenditure (real annual growth rates – %)



	2014	2015	2016	2017	2018
Final consumption expenditure	3.6	13.3	8.4	-4.1	-0.6
Private	3.3	13.7	11.3	-6.3	-1.3
General government	4.4	12.1	1.1	1.8	1.1

Data source: Annual National Accounts 2018 (NSA)

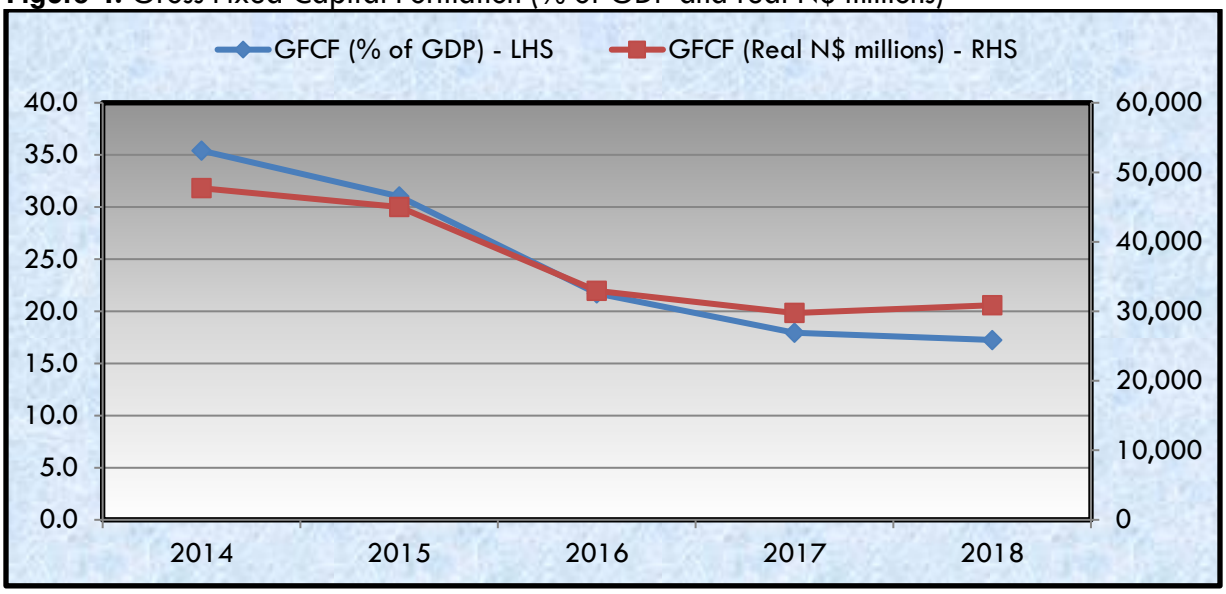
3.3.2 Gross Fixed Capital Formation / Investment

According to the System of National Accounts Framework[7], Gross Fixed Capital Formation (GFCF) is measured by the total value of a producer's acquisitions, less disposals, of fixed assets during the accounting period plus certain additions to the value of non-produced assets (such as subsoil assets or major improvements in the quantity, quality or productivity of land) realised by the productive activity of institutional units. To this end, the ratio of investment to GDP remains a key indicator for the country's future development potential.

Over the review period, investment in Namibia trended downwards clearly evident in the descending movement in terms of both as contribution to GDP and in real GDP (N$ millions) – figure 4. Between 2014 and 2018, Investment-to-GDP ratio declined by more than half from 35.4 to 17.3%, whereas, it posted significant growth of 22.4% before decelerating to 3.8% over the same period.

[7] United Nations, European Commission, International Monetary Fund, Organisation for Economic Co-operation and Development, World Bank. (2009). System of National Accounts 2008, New York.

Figure 4: Gross Fixed Capital Formation (% of GDP and real N$ millions)



Data source: Annual National Accounts 2018 (NSA)

During the review period, investment growth contracted by an average of 3.2% owing significant declines recorded in 2016 and 2017. By virtue of investment being one of the components of GDP, the noted downward path undoubtedly has a negative impact on economic growth. Moreover, this development does not augur well with the country's aspiration of achieving the 30.0% convergence target by SADC. Stimulation of investment should thus serve as a key focus especially in view of reviving the growth fortunes to respectable levels recorded during the pre-2016 period.

3.3.3 Foreign Direct Investment

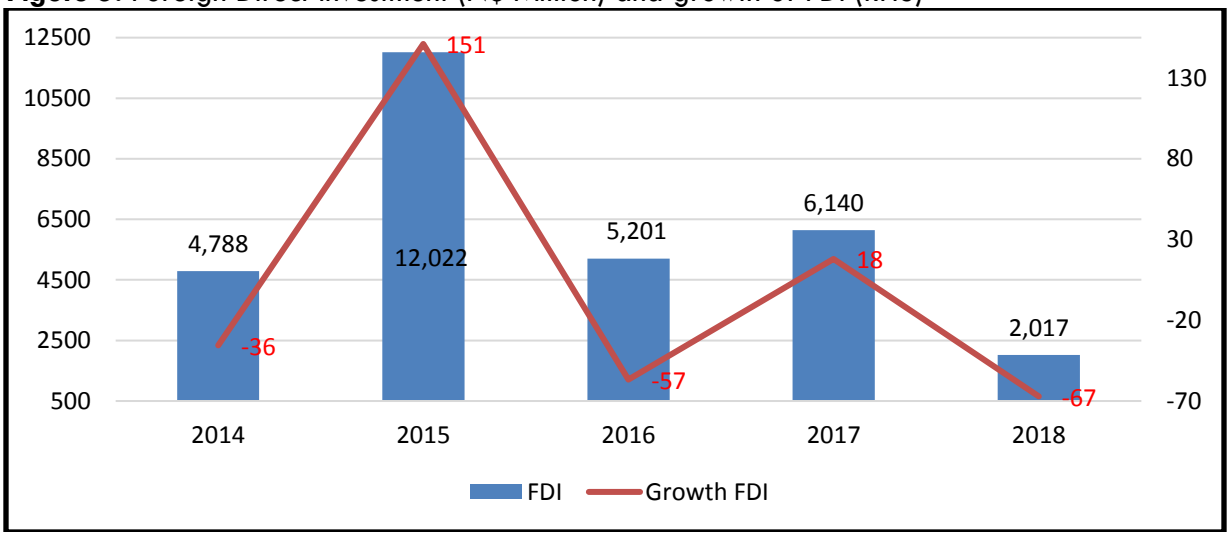
According to the United Nations Conference on Trade and Development (UNCTAD), Foreign Direct Investment (FDI) is an investment reflecting a lasting interest and control by a foreign direct investor, resident in one country, in an enterprise resident in another country (foreign affiliate). During the review period, generally FDI was highest in 2015 owing construction boom against the backdrop of prospects of new mines and expansion of some existing ones[8]. In 2018, FDI stood at N$2.0 billion from N$12.0 billion in 2015, the highest over the review period. FDI declined by 57.0% to N$2.0

[8] These include N$2.9 billion Dundee Precious Metals Tsumeb's sulphuric acid plant, Husab Mine and N$150 million Ohorongo Cement new plan expansion, among others.

billion in 2018 from N$6.1 billion in 2017 attributable to reductions in equity holdings in Namibian companies by non-residents.

More than 60.0% of FDI liabilities in Namibia were dominated by the mining sector in 2017 and 2018. The second largest sector was financial intermediation with a share of 23.9% in 2018 as compared to 25.0% in 2017. The manufacturing sector was the fourth largest, with only 2.2% in 2018, 0.2 percentage points decline from 2.4% in 2017. The massive investment in 2018 is mainly coming from China (39.3%) followed by South Africa (30.4%).

Figure 5: Foreign Direct Investment (N$ Million) and growth of FDI (RHS)



Data source: Bank of Namibia, 2019

Namibia's quest to become an industrialised country calls for a need to attract more investment, especially in the manufacturing sector given its importance in view of stimulating Namibia's structural transformation. Against the backdrop of the noteworthy investments in the mining sector, the industry needs to move up in the value chain, from extracting and exporting of raw materials, to rising in manufacturing activities to support Vision 2030 and growth at home strategy.

3.4 EXTERNAL SECTOR DEVELOPMENT

3.4.1 Trade Developments

For analysis on trade developments, it is important to note the definition of trade balance (or balance of trade) which in the simplest terms refers to the difference between a country's exports

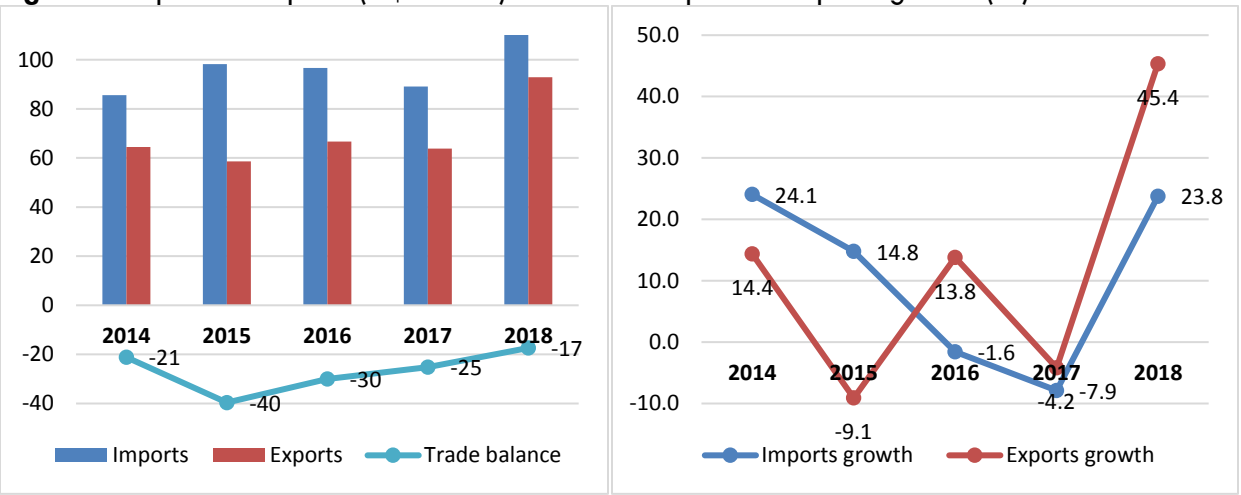
of goods and services and imports, from which a consequential negative signifies a deficit whereas a positive reflects a surplus.

In 2018, total exports and imports amounted to N$92.8 billion and N$110.2 billion, correspondingly. To this end, total imports and exports recorded growth of 23.8 and 45.4%, respectively. The trade deficit in 2018 stood at N$17.4 billion from N$25.2 billion in 2017, reflected by a decline in domestic demand for ores (NSA, 2019). Namibia's key export products in 2018 include, among others: copper, precious stones & metals (diamonds – 80%, gold – 18%, and other precious stones and jewellery -1%); vessels & boats; and ores (Uranium – 83%, Zinc – 13%, Ash – 2% and Lead (2%). Additionally, beverages, articles of iron or steel; plastics and oils & mineral fuels were also exported. Imports for 2018, on the other hand, include: copper, oils & mineral fuels; vessels & boats; industrial machinery and motor vehicles & parts. Furthermore, electrical machinery, ores, precious stones & metals; articles of iron or steel; plastics and pharmaceuticals were imported into the country.

Overall, notwithstanding the fact that trade deficits were recorded during the entirety of the review period, however, positive developments are evidenced by increasingly and continuously remaining on the narrowing trajectory especially since 2015 as can be seen clearly by the upward path of the trade balance in *figure 6*. The narrowing trade deficit is attributed to what has recently become characteristic of Namibia's trade sector, that is, the growth of exports which continue to exceed that of imports and thus leading to significant trade balance improvements.

During 2018, the trade sector boomed evidenced by sharp increases for both exports and imports. The sharp spike of exports is attributable to an increase in foreign demand for domestic commodities and about 92.0% increase in re-exports. Herein, increased exports are reflected by among others, a shipment (re-export) of a vessel to the UK, copper and ores destined to China, copper to Belgium, ores and oil seeds to France. The sharp increase in imports, on the other hand, was on the back of strengthening domestic demand for foreign commodities. These are reflected in the following, among others, copper from Zambia; imports of industrial machinery particularly cranes and electrical machinery (solar systems) from China as well as once-off (outliers) shipments of vessels valued at N$5.734 and N$1.974 billion from the Bahamas and the UK, respectively. From *figure 6*, the graph on the right depicts a sharp acceleration of growth for both exports and imports in 2018, albeit exports growth is greater than that of imports.

Figure 6: Exports & Imports (N$ Million) – LHS and Exports & Imports growth (%) – RHS



Source: NSA, Annual trade statistics 2013-2018

China overtook South Africa as a top destination for Namibian exports. To this end, out of total exports, China and South Africa accounts for 18.0 and 16.0%, respectively. Exports to China and South Africa consist of, among others, copper (60.0%) and ores (36.0%); and precious stone metals (30.0%) and live animals (18.0%), correspondingly. On the import destinations front, South Africa and Zambia are the principal suppliers for Namibian imports in 2018 accounting for 45.0 and 14.0%, respectively. Imports from South Africa and Zambia consist of motor vehicles and parts (13.0%); and copper (97.0%), in that order. The top exported products are precious stones, metals and copper.

Improvements in exported goods were led by vessels and boats rising by 336.0% and copper (includes re-exports with a 93.0% share) which registering a growth of 277.0% in 2018. Namibia's top imported products were copper, oil and mineral fuels; vessels and boats; industrial machinery, and motor vehicles and parts which rose by 79.7% from N$29.8 billion in 2017 to N$53.5 billion in 2018. These products remain the country's key imports as they accounts for a significant share of total imports, about 33.0 and 49.0%, in 2017 and 2018, in that order.

3.4.2 Balance of Payments (BOP)

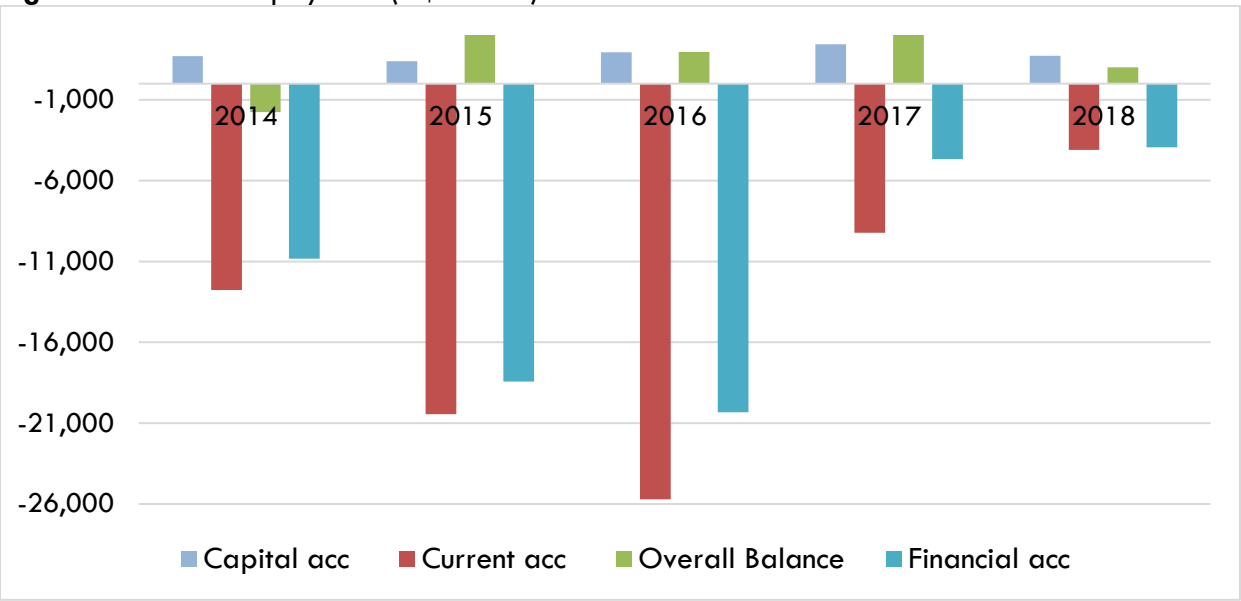
IMF (2009) defines the Balance of Payment (BOP) as a statistical statement that summarises transactions (consisting of those involving goods, services, and income; those involving financial claims and liabilities to the rest of the world; and those such as gifts which are classified as transfers) between residents and non-residents during a time period. The BOP consists of the goods and

services account (primary income account), the capital account and financial account (secondary income account). For the purpose of BOP analysis, a double-entry accounting system is applicable where each transaction is entered as consisting of two entries of equal value: credit/asset (+) or debit/liability (-) whose sum is same. In view of this, a credit/asset transaction is one that yields receipts of payment from non-residents whereas a debit/liability transaction infers payment to non-residents.

BOP surpluses have been recorded in four of the five-year review period (80.0% of the time). However, a smaller BOP surplus of N$1.0 billion was recorded in 2018; reflecting a significant reduction of 79.5% from N$5.0 billion in 2017 which itself realised an overwhelming growth of 153.4% from N$2.0 billion in 2016. Overall, a BOP surplus averaging N$3.2 billion was recorded for the review period. The deficit on the current account has reduced by 56% in 2018 due to increased exports and increase in receipts on the service account (BoN, 2019). For the past 10 years, Namibia's current account has been in deficit, a persistent feature associated with most SSA economies, and recently it was recorded at N$4.1 billion in 2018 (2017: N$9.2 billion). Contrastingly, the two most recent deficits, when expressed as % of GDP translate to 5.1 and 2.1%, respectively. A current account deficit-to-GDP ratio of 5.0% is deemed a sustainability threshold that has been much cited in the literature. Against this yardstick, Namibia's current account deficit seems to be within sustainable levels; however, it is worthwhile to note that any movement beyond the sustainable threshold inevitably makes the country vulnerable and exposes it to external shocks and international market fluctuations.

To reverse the perpetual current account deficits, Namibia ought to, amongst others, pursue, rigorously and vigorously the value-addition (minerals and diversification) agenda as emphasized in the growth at home strategy. This will bring about impetus which will eventually yield the much-needed increased proceeds from exports of finished or semi-finished products. These bode well for significant improvements in the country's current account balance and ultimately the overall BOP. The capital account recorded surpluses for the entirety of the review period, however, it reduced to N$1.7 billion in 2018 from N$2.4 billion in 2017 owing, among others, a decline in capital transfers from foreign governments and private institutions (BoN, 2019). The financial account recorded a decline in 2018 owing a reduction in direct investment and other investment.

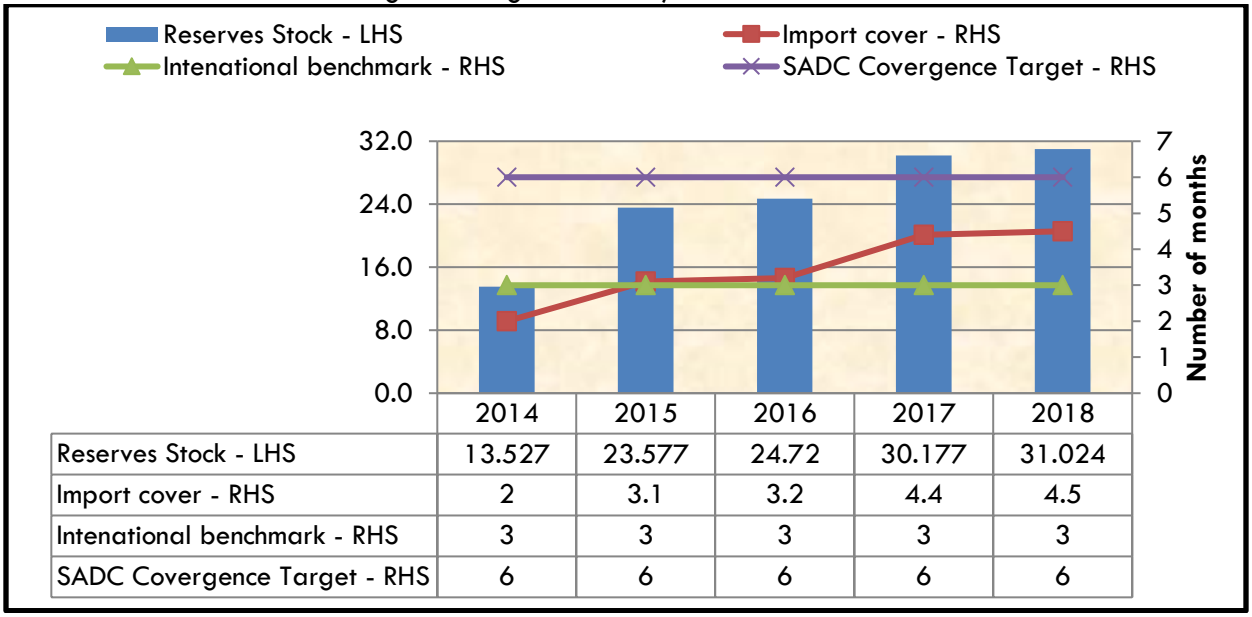
Figure 7: Balance of payment (N$ Million)



Data source: Bank of Namibia, 2019

Developments on the official foreign exchange reserves suggest some improvements, albeit marginally. Foreign reserves stood at N$31.0 billion at the end of 2018 from N$30.2 billion in 2017, reflecting a 2.8% year-on-year upsurge. Although SACU receipts had a negative impact on the foreign exchange reserves position owing a reduction, albeit marginally, from $18.2 billion in 2017 to N$17.9 billion in 2018, the position was strengthening on account of two significant developments: first, increased net Government payments and cross-border transfers amounting to N$7.1 billion and N$17.7 billion from N$4.3 billion and N$15.2 billion in 2017, correspondingly. Secondly, the repayment of N$1.5 billion (2017: N$2.8 billion) from Banco Nacionale de Angola in view of the Angola Currency Conversion Agreement also impacted positively the foreign reserves position.

Figure 8: Official Foreign Exchange Reserve Stock (N$ Billion) and import cover (international benchmark and SADC Convergence target - months)



	2014	2015	2016	2017	2018
Reserves Stock - LHS	13.527	23.577	24.72	30.177	31.024
Import cover - RHS	2	3.1	3.2	4.4	4.5
Intenational benchmark - RHS	3	3	3	3	3
SADC Covergence Target - RHS	6	6	6	6	6

Data source: Bank of Namibia, 2019

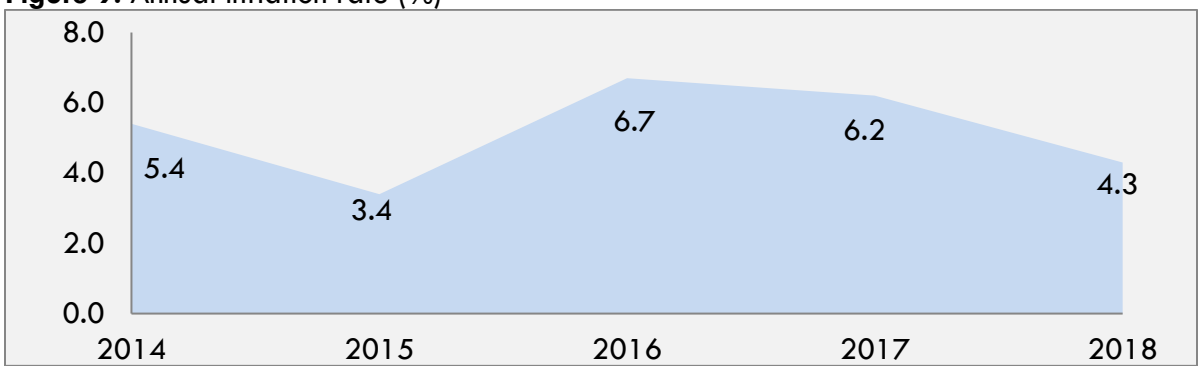
By the end of December 2018, the foreign reserves could cover 4.5 months of imports from 4.4 months of imports in 2017. The review period foreign reserves averaged N$24.6 billion which translates to 3.4 months of import cover, clearly above the international threshold of 3 months. At these levels, the international reserves remain sufficient to sustain and maintain the one-to-one currency peg between the Namibia Dollar (N$) and the South African Rand (ZAR) as per the Common Monetary Area (CMA) arrangement.

3.5 MONETARY DEVELOPMENTS

3.5.1 Price Developments

Inflation rate is a general and sustained increase in the prices of goods and services, over a defined period, usually a year. During the review period, the highest inflation rates of 6.7 and 6.2% were enumerated in 2016 and 2017, respectively, before slowing down to 4.3% in 2018. The downward trend in inflation rate bodes well for the achievement of the SADC convergence target of 3.0%. This low inflation comes as a relief to consumers, especially, the low-income earners as they will now be able to buy the same basket of goods and services relatively cheaper than before.

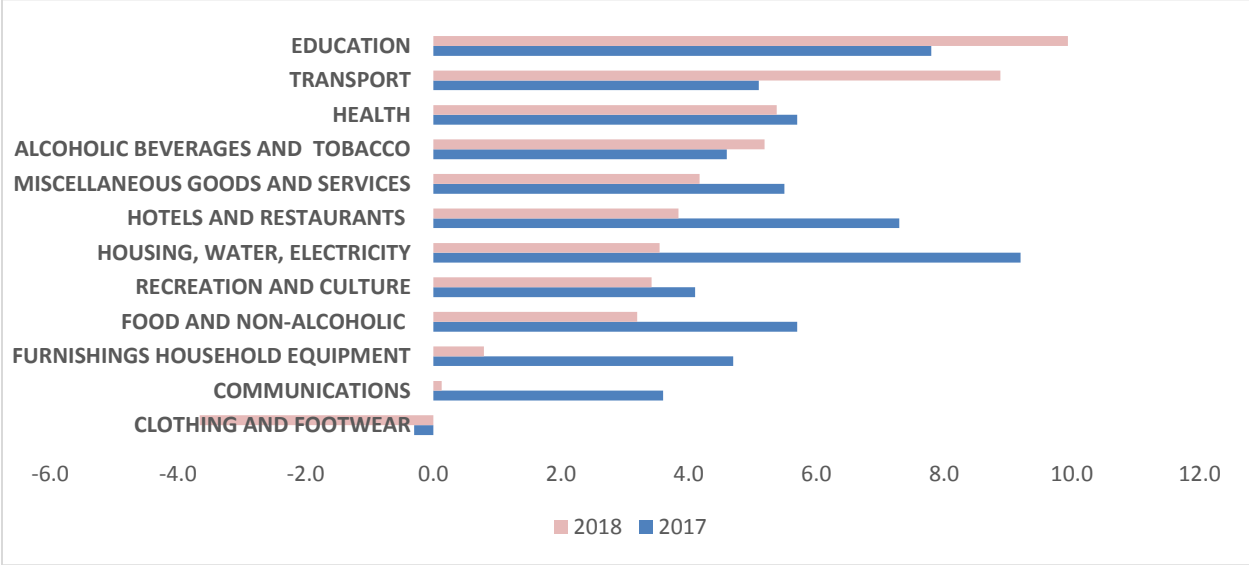
Figure 9: Annual Inflation rate (%)[9]



Source: NSA, 2018

Drivers of inflation in 2018 are the Transport, Education and Alcoholic and Tobacco baskets, which are the only baskets that recorded and increase in their respective average inflations between 2017 and 2018. In 2017, the inflation rates for the three baskets stood at 5.1, 7.8 and 4.6%, and increased to 8.9, 9.9 and 5.2%, for Transport, Education and Alcohol and tobacco baskets, respectively. The biggest increase was therefore in the transport basket, as shown in figure 10 below which compares drivers of inflation per basket.

Figure 10: Drivers of Inflation (%) in 2018



Source: NSA, 2019

[9] NCPI Basket Weights: **Housing, Water, Electricity, Gas and Others 28.36;** Food and Non- Alcoholic Beverages 16.45 ; **Transport 14.28;** Alcoholic Beverages and Tobacco 12.59; **Furnishings, Household Equipment 5.47;** Miscellaneous Goods and Services 5.39; **Communication 3.81;** Education 3.65; **Recreation and Culture 3.55;** Clothing and Footwear 3.05 **Health 2.01;** Hotels, Cafés and Restaurants 1.39

The housing, water, electricity and fuel basket, which carry the biggest weights in NCPI, recorded the biggest decline in inflation for 2018, averaging 3.5%, from a high 9.2% in 2017. This basket, along with furnishing & house equipment and the communications baskets which declined from 9.2, 4.7 and 3.6% in 2017 to 3.5, 0.8 and 0.1% in 2018, are responsible for a drop in the annual rate of inflation for 2018. On average, most baskets recorded lower average inflation rates in 2018 than in 2017. Theoretically, declining inflation rates means that consumers' purchasing power has strengthened, even with unchanged wages or salaries. When prices are falling in general, the same amount of wages or salaries can be used to buy more goods and services. In this case, where the prices of some baskets have fallen, the monies can be directed to baskets where prices have rapidly increased.

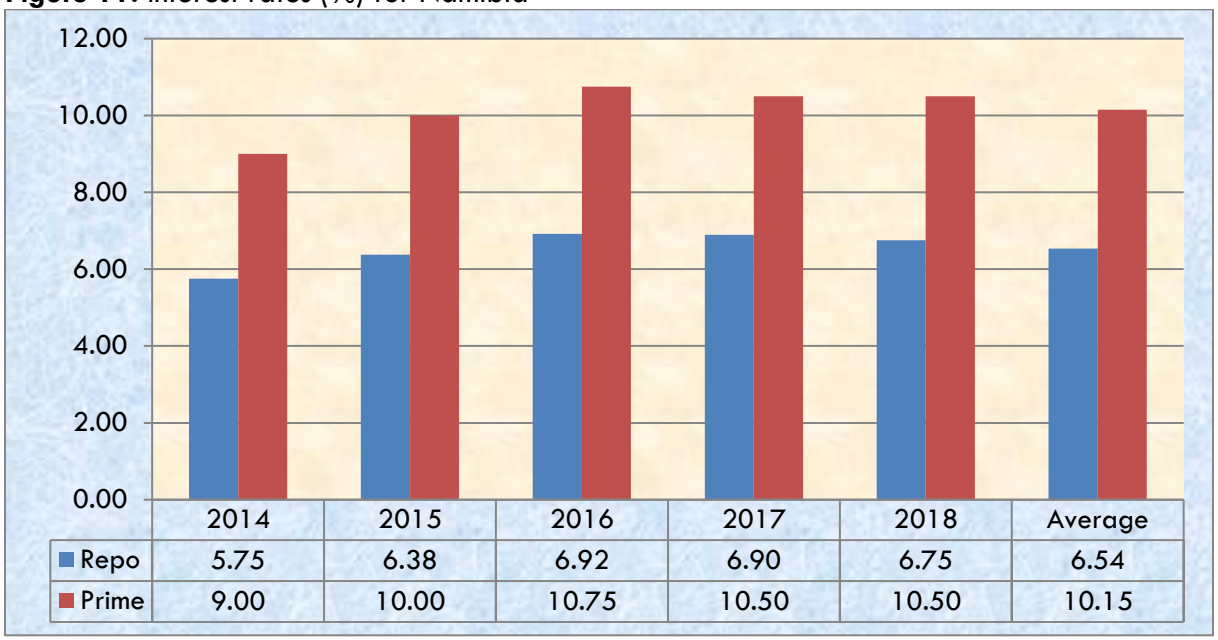
3.5.2 Interest Rate Developments

Interest rate developments centre on two key interest rates, the Repo and Prime. The Repo rate is the cost of credit to the banking sector and therefore eventually affects the cost of credit to the general public while the Prime rate is the rate of interest charged by Other Depository Corporations (ODC's) for loans made to its most credit-worthy business and industrial customers; it is a benchmark rate that banks establish from time to time in computing an appropriate rate of interest for a particular loan contract. Generally, an interest rate increase is beneficial to investors and lenders whereas a decrease is beneficial to borrowers (homeowners, car owners, etc.).

During the period under review, most Advanced Economies were dominated by accommodative monetary policies by keeping the repo rate at low levels with a focus on achieving sustainable economic growth and to strengthen competitiveness in the globe (Namibian Financial Report 2019). Similarly, the Bank of Namibia (BoN) has been keeping the repo rate closer to that of South Africa and the rest of the countries in the Common Monetary Area (CMA) while at the same time keeping focus on economic growth and sustainable inflation rate for the period under review. The close pairing with the South Africa Repo rate is with a view to maintaining the same rate with the rest of the CMA countries while at the same time discouraging the importation of non-productive goods by consumers. Furthermore, the maintaining a closer rate to that of South Africa will undoubtedly prevent capital outflow while containing inflation to sustainable levels with a key focus on spurring economic growth and saving through improved saving rate. The repo rate in Namibia increased by 100 basis points from 5.75% in 2014 to 6.92% in 2016 which is the highest rate recorded during

the period under review. Between 2014 and 2018, the repo and prime rates averaged 6.54 and 10.15%, respectively. Overall, both rates remained fairly stable over the review period, a welcome feat in view of price stability, among others.

Figure 11: Interest rates (%) for Namibia



	2014	2015	2016	2017	2018	Average
Repo	5.75	6.38	6.92	6.90	6.75	6.54
Prime	9.00	10.00	10.75	10.50	10.50	10.15

Source: BoN

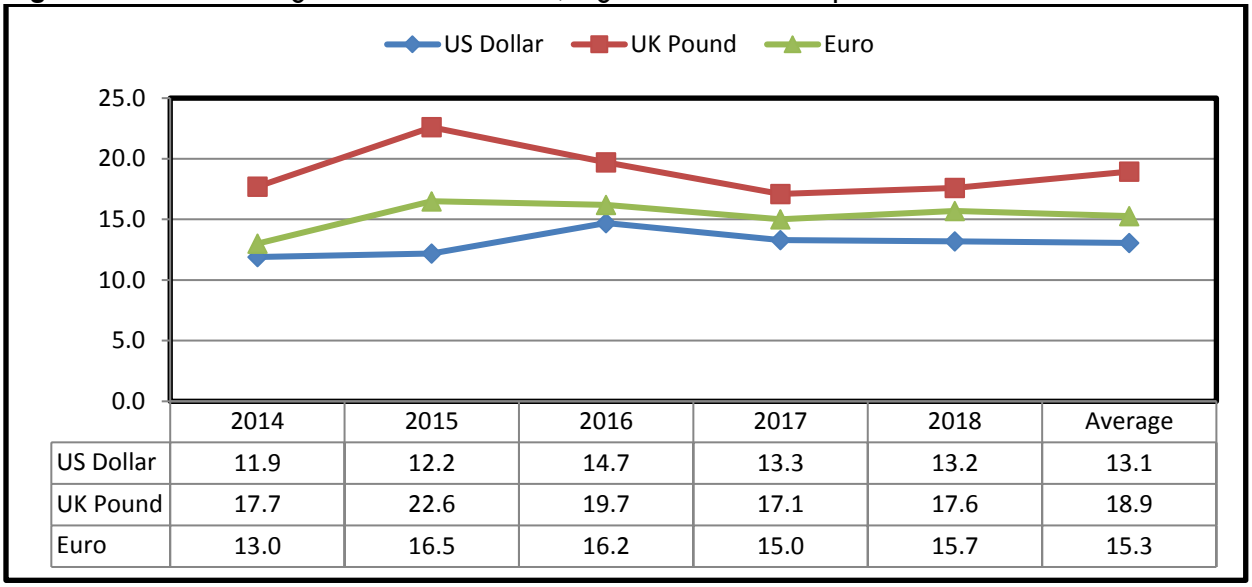
3.5.3 Exchange Rate Developments

Exchange rate can be defined as the price of the local currency (Namibian Dollar – N$) against foreign currencies i.e. United States Dollar, British Pound etc. However, when analysing the performance of the Namibian Dollar, one should bear in mind that Namibia's currency (N$) is pegged on a one-to-one basis to the South African Rand (ZAR), by virtue of its membership to the Common Monetary Area (CMA).

The starting and ending points of the review period are reminiscent of a depreciation, on average, for the ZAR/N$ against major currencies on account of, among others, slow growth in South Africa; weaker demand in commodities; and the interest rate increase in the United States from which the US market became more attractive to investors thus attracting capital outflow from outside the US. Further depreciation of the South African Rand, and by implication the Namibian Dollar, resulted from the low economic growth in China as a result of low demand for Chinese goods owing the appreciation in the Chinese Yuan; the high level of unemployment and socio-political issues in South

Africa; and the credit down grade rating for the South African Economy in the year 2015. During 2018, the depreciation of the Namibia Dollar against major currencies was ascribed to base effects as well as investors reducing their exposure to riskier EMDE assets.

Figure 12: The Exchange rate movement N$ against selected major currencies



	2014	2015	2016	2017	2018	Average
US Dollar	11.9	12.2	14.7	13.3	13.2	13.1
UK Pound	17.7	22.6	19.7	17.1	17.6	18.9
Euro	13.0	16.5	16.2	15.0	15.7	15.3

Source: Annual National Accounts 2018 (NSA) and NPC own calculations

Generally, the depreciation of the N$ against hard currencies is favourable for Namibian exports i.e. mineral products (diamonds, uranium, zinc), beverages, meat and fish products etc. and inversely an appreciation is favourable for imports the country does not produce in part or wholly i.e. oil, electricity, mobile phones, computers, machinery and other hi-tech goods etc. Furthermore, given the current high public debt level, especially in view of loans denominated in foreign currencies, an appreciation (depreciation) of the N$ against major currencies will prove to be relatively cheaper (costly) in terms of debt servicing by the Government.

3.6 FISCAL DEVELOPMENTS

Globally, different economic regions and economies usually record varying fiscal outcomes contingent on fiscal objectives adopted vis-à-vis their economic characteristics or realities. The Box below presents fiscal outcomes for selected regions during the review period.

Box 2: A Snapshot of fiscal indicators for selected country groups

Over the review period, different country groups globally reflect somewhat diverse fiscal outcomes. Of the selected country groups, the European Union (EU) and Advanced Economies (AEs), generally, recorded the highest average revenue-to-GDP and expenditure-to-GDP ratios, in that order. On the debt front, however, AEs' average remained above 100.0% for the entirety of the review period. Although, debt-to-GDP ratio has largely been on an upward trajectory in view of both Emerging Market and Developing Economies (EMDEs) and Sub-Saharan Africa (SSA), they recorded averages below 50.0% with SSA's average being the lowest among the selected country groups. SSA is renowned for its high appetite for debt. Yet, economies in the SSA region characteristically seem to be reminiscent of the ***"Dutch disease phenomenon or syndrome"***, a natural resource curse where they have tended to rely heavily on natural resource endowments (mineral commodity exports) to finance their budgets and debts. However, these commodities often succumb to unpredictable commodity price volatilities which ultimately have a negative and significant bearing on foreign exchange earnings.

The **"Dutch disease"** derives its name from the development, discovery and exploitation of natural gas in the Netherlands (sometimes referred to as the Dutch) and the associated effects on different economic sectors. In other words, the Dutch disease refers to the potential negative effects that natural resource windfalls and accompanying appreciations of exchange rates can have for the rest of the economy" (Mahama & Gakpe, 2015). In view of this mineral resource find, the Netherlands is said to have experienced an export boom which led to an appreciation/ strengthening of the currency thereby making other sectors less competitive and consequently recorded declines in the late 1970s (DeKorne, 2011). The appreciation in currency pose greater danger in that it makes agricultural and manufactured goods too expensive for export and consequently, instead of spurring these sectors to greater heights of prosperity, it rather causes them to decline (Mahama & Gakpe, 2015). The Dutch disease has since been used to refer to economic actions leading to an appreciation of the domestic currency i.e. personal remittances, FDIs etc. (Makhlouf & Mughal, 2013) which adversely affects the development and support for the sustainable operation of other sectors in the domestic country's economy.

There is a common-held belief and empirical evidence suggesting that a higher debt-to-GDP ratio maybe acceptable for an economy if the economic growth is rapid enough thereby surpassing that of debt. Thus, proceeds from the rapid economic growth could be used to pay off the debt. Although SSA economies have generally seen steady increases in debt-to-GDP, this has not been commensurate with high economic growth episodes and as such some of these economies are said to be at a high risk of debt distress. The panacea for SSA's debt vulnerabilities include increasing revenue streams (sustainably), diversifying their economies away from predominantly commodity-led export earnings to non-mineral exports thereby widening their respective export baskets, infrastructure financing through Public Private Partnerships (PPP), among others. According to the IMF (2019), sovereign debts above 40.0% of the country's GDP in developing and less-developed countries may increase chances against the achievement of sustainable development.

Country Group Name	2014	2015	2016	2017	2018	Average
Revenue (% of GDP)						
AEs	36.5	36.1	36.0	36.0	35.6	36.1
EU	44.5	44.1	44.2	44.4	44.7	44.4
EMDEs	27.7	26.4	25.9	26.3	27.2	26.7
SSA	19.4	17.6	16.7	17.5	18.3	17.9
Expenditure (% of GDP)						
AEs	39.6	38.7	38.6	38.3	38.3	38.7
EU	47.4	46.4	45.8	45.4	45.3	46.1
EMDEs	30.3	30.8	30.7	30.5	31.0	30.6
SSA	23.0	21.9	21.1	22.1	21.9	22.0

Public Debt (% of GDP)						
AEs	103.5	103.0	105.6	103.4	102.0	103.5
EU	88.0	86.5	85.8	83.6	81.9	85.2
EMDEs	40.1	43.5	46.5	48.3	50.6	45.8
SSA	33.4	39.3	44.4	46.2	49.0	42.5

Source: IMF, World Economic Outlook Database, October 2019

Namibia has in recent years been experiencing fiscal challenges where fiscal indicators have been growing beyond nationally adopted thresholds deemed sustainable for an economy characteristic of its size. Consequently, fiscal consolidation measure was introduced in 2016/17, whose main aim was, inter alia, to strive to maintain macroeconomic stability over the Medium-Term Expenditure Framework (MTEF). In an environment circumscribed by falling revenues, limited fiscal space, continuous increase in public expenditure and debt, fiscal consolidation sought to correct this worrying status quo which threatened the very noble object of fiscal policy, that of ensuring macroeconomic stability.

The timely introduction of fiscal consolidation was thus to specifically steer the path of fiscal aggregates towards what is deemed "*sustainable trajectory*." Encouragingly, during the latter financial years of the review period, improvements were realised to this end. This is especially so in view of the expenditure-to-GDP ratio which recorded 36.9, 36.8 and 34.6% in the last three Financial Years (2016/17, 2017/18 and 2018/19), respectively, thereby remaining within the prudential threshold of 40.0%, a welcome development in view of the stabilisation in Government spending goal.

Government spending as % of GDP has kept declining prior to 2016/17. Yet, this was notwithstanding the fact that revenue-to-GDP, on the other hand, has remained fairly flat at just over 30.0% owing reduced and cyclical nature associated with SACU receipts from which the country derives about a third of its revenue, limited fiscal space as well as weaker economic growth, among others. However, at an average of 32.4% of GDP, Namibia's revenue remains significantly higher than the sub-Saharan African average of 17.8% and marginally above the 26.7% average for Emerging Market and Developing Economies (EMDEs), according to IMF World Economic Outlook for 2019.

Consequentially as a result of flat revenue-to-GDP ratio and declining expenditure-to-GDP ratio, the budget balance-to-GDP ratio, or in other words fiscal balance-to-GDP ratio, has seen a mild improvement having been recorded at -4.8 and -4.4% in 2017/18 and 2018/19, respectively, thereby also remaining within the prudential threshold of -5.0%. Moreover, the declining trend suggests movement towards achievement of SADC's convergence target of -3.0%.

Contrarily, however, debt-to-GDP ratio has been rising beyond the national cap of 35.0%, especially in the last three financial years (2016/17 – 2018/19), on account of increased financing needs (rising need to revive the economy and protection of social spending) and associated interest payments, amongst others. However, the debt-to-GDP ratio average of 36.7% during the five-year review period remains below both the SADC convergence target of 60.0% and 40.0% threshold proposed by the World Bank for developing countries. A glance among the selected fiscal variables reveal that debt-to-GDP grew the fastest with an average of 24.1% driven up mainly by a sharp spike in 2016/17 owing the issuance of extra treasury bills in the amount of N$3 billion to cover outstanding invoices as well as African Development Bank (AfDB) loan denominated in foreign currency (US$) taken by Government for financing needs.

Debt sustainability is a very important fiscal policy goal for the Namibian economy in view of achieving overall fiscal sustainability, just like in all other economies. To ensure debt sustainability, government spending will have to be directed towards growth enhancing productive sectors of the economy while simultaneously maintaining the budget balance at a lower level to contain the sharp growth in debt. Moreover, to achieve overall fiscal sustainability, the growth in public debt should be kept below growth in nominal GDP (MoF, 2019). However and worryingly, currently this is not so as growth in debt far exceeded that of nominal GDP for all but one year (2017/18) of the five-year review period. Notwithstanding developments in public debt, however, questions still remain on what would be considered the optimal debt to GDP ratio for an economy the size of Namibia. Regionally at the SADC level, Ndzinisa and Sithole (2018) empirically established that the optimal level of public debt above which an increase in debt reduces economic growth is estimated at about 46.0% of GDP for Eswatini. Similarly, Mupunga and le Roux (2015) empirically find an optimal growth-maximising public debt threshold of between 45.0 and 50.0% for Zimbabwe.

Table 6: Fiscal developments (N$ Millions) 2014/15 – 2018/19

Component	2014/15	2015/16	2016/17	2017/18	2018/19	Average
GDP	**141,280**	**150,984**	**168,562**	**183,488**	**187,896**	**166,442**
Total Revenue & Grants	**49,931**	**52,215**	**50,865**	**58,659**	**56,704**	**53,675**
As % of GDP	35.3	34.6	30.2	32.0	30.2	32.4
Total Expenditure	**58,705**	**64,638**	**62,228**	**67,523**	**65,018**	**63,622**
As % of GDP	41.6	42.8	36.9	36.8	34.6	38.5
Budget Balance	**-8,774**	**-12,423**	**-11,363**	**-8,864**	**-8,314**	**-9,948**
As % of GDP	-6.2	-8.2	-6.7	-4.8	-4.4	-6.1
Total Debt	**35,950**	**44,587**	**69,897**	**74,468**	**87,050**	**51,151**
As % of GDP	25.4	29.5	41.5	40.6	46.3	36.7
Year-on-year Nominal growth rates (%)						
Growth in GDP	11.7	6.9	11.6	8.9	2.4	8.3
Growth in Revenue	19.1	4.6	-2.6	15.3	-3.3	6.6
Growth in Expenditure	25.6	10.1	-3.7	8.5	-3.7	7.4
Growth in debt	16.5	24	56.8	6.5	16.9	24.1

Data source: MoF

During the review period, the forecasted Common Revenue Pool (CRP) size for Southern African Customs Union (SACU) countries was generally on an upward trajectory, albeit, declining in 2018/19. To this end, the CRP size grew from R83.3 billion in 2014/15 to 93.3 billion in 2018/19, a 6.2% decline from R99.3 billion in 2017/18. The review period average CRP size was R89.4 billion, with South Africa accounting for an average of R39.6 billion or 44.3% of the total. Following a distant second and third were Botswana (R19.7 billion or 22.1%) and Namibia (R17.5 billion or 19.6%), correspondingly. South Africa's shares have been on an upward trail for the entirety of the review period whereas other Member States' shares have somewhat been on a declining curve. Receipts from SACU (CRP) are heavily dependent on the performance of the South African economy, the largest economy in the Customs Union.

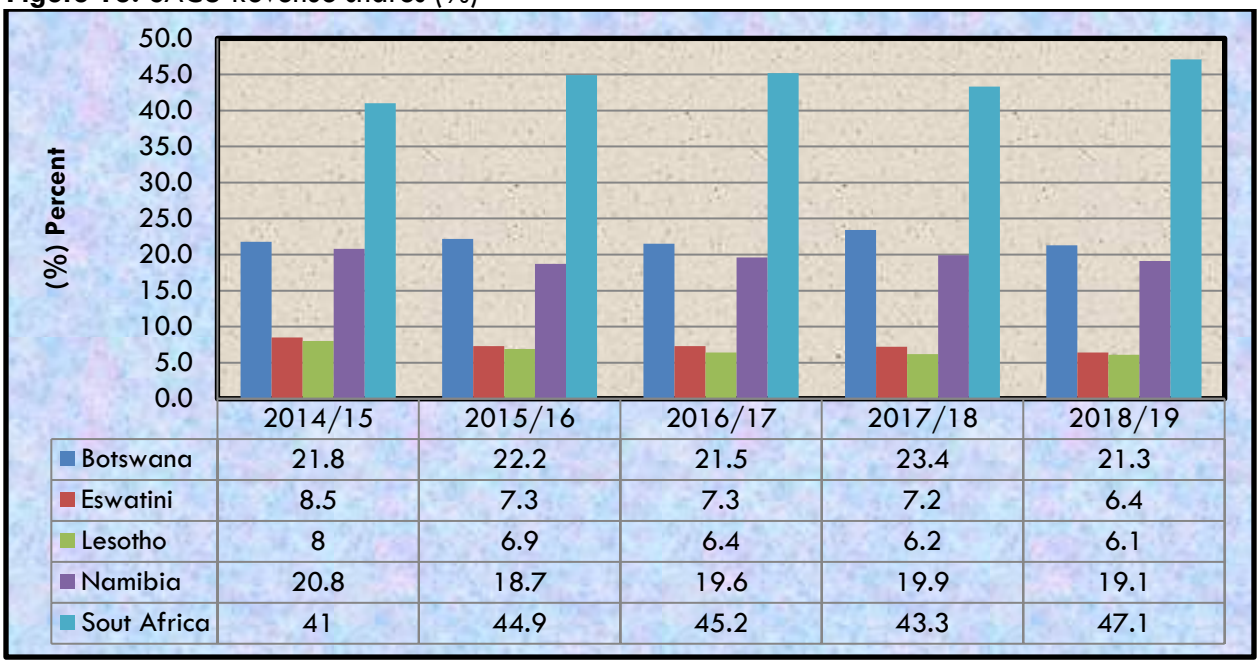
Table 7: SACU Revenue (R Billion)

	2014/15	2015/16	2016/17	2017/18	2018/19	Average
Botswana	18.1	18.7	18.6	23.3	19.9	19.7
Eswatini	7.0	6.2	6.3	7.2	5.8	6.5
Lesotho	6.7	5.8	5.5	6.2	5.7	6.0
Namibia	17.3	15.8	17.0	19.8	17.8	17.5
South Africa	34.2	37.8	39.2	43.1	43.9	39.6
Forecast of CRP[10]	**83.3**	**84.2**	**86.7**	**99.5**	**93.3**	**89.4**
Annual Growth (%)		1.1	3.0	14.8	-6.2	3.1

Source: SACU Annual Report 2018 and NPC calculations

During the review period, the revenue shares for SACU countries as reflected by the forecasted CRP per financial year indicates moderate increases with 2017/18 clearly the highest revenue generation year as can evidently be seen in *table 7* above. South Africa (accounting for a lion's share), Botswana and Namibia, generally and on average, had the highest shares of revenues, although a 6.2% drop in revenues was recorded in 2018/19. Namibia's marginal drop in revenue in 2018/19 is attributed largely to an adjustment to counterbalance over-payments in previous financial years and a historically deteriorating trend, under the SACU revenue-sharing formula (IMF, 1019). Fiscal vulnerabilities remain for Namibia, especially in the face of rising and rapid growth in debt coupled with increasing financing needs and mild economic contraction.

Figure 13: SACU Revenue shares (%)



	2014/15	2015/16	2016/17	2017/18	2018/19
Botswana	21.8	22.2	21.5	23.4	21.3
Eswatini	8.5	7.3	7.3	7.2	6.4
Lesotho	8	6.9	6.4	6.2	6.1
Namibia	20.8	18.7	19.6	19.9	19.1
Sout Africa	41	44.9	45.2	43.3	47.1

Source: SACU Annual Report 2018

[10] Does not represent actual payments made to Member States.

CHAPTER 4: ECONOMIC OUTLOOK

4.1 ECONOMIC GROWTH PROSPECTS IN THE MEDIUM TERM

Economic growth prospects are presented in this section with estimations and projections of what is likely to ensue in the medium term (2019 – 2023). These are made up of middle case scenario assumptions informed by the recently concluded industrial survey as well as other latest economic developments.

4.1.1 Sectoral Growth Prospects

PRIMARY INDUSTRY

Primary Industry is expected to contract to 11.5% in 2019 from a positive growth of 6.8% in 2018. The contraction results from the poor performance in both the agricultural and mining sectors. The fishery sector is expected to improve by 0.8% in 2019 from 0.1% in 2018. Agriculture sector declines in 2019 due to erratic rainfall received which affected both crop farming and livestock sub-sectors. The persistent drought experienced in 2019 severely affected the rain-fed crop production, and due to poor grazing, most livestock died hence this compelled farmers to dispose-off their livestock as many of them were dying. The mining sector is estimated to contract by 10.2% in 2019 reflected by dwindling onshore diamond mining as well as absence of one vessel on repairs and maintenance, coupled with the global prices which adversely impacted on uranium production.

The metal ores sub-sector is expected to improve in 2019 before it contracts by 5.0% in 2020 due to anticipated closure of Tschudi and Scorpion Zinc mines. Other mining and quarrying is expected to decrease by 11.4% in 2019 from a 13.4% in 2018 due to less exploration activities taking place. Furthermore, the decline is expected to come from the cement plants as local demand for cement was low due to fewer major construction activities. From 2020 going forward, the industry is expected to gradually be on recovery attributed to good rainfall, anticipated improvement in global mineral prices and improved governance which may attract investors.

Table 8: Supply side (primary industries) real GDP growth projections 2019 – 2023

	2018a	2019e	2020p	2021p	2022p	2023p
Agriculture, forestry and fishing	-2.0	-18.8	-1.2	1.6	4.7	-2.7
Livestock farming	-0.8	-17.5	-8.6	1.8	4.6	-2.9
Crop farming and forestry	-6.9	-20.6	4.5	1.3	4.9	-2.5
Fishing and fish processing on board	0.1	0.9	1.3	0.6	1.7	1.5
Mining and quarrying	16.0	-10.2	2.8	0.4	1.7	2.5
Diamond mining	15.1	-17.5	5.1	-0.7	1.3	6.4
Uranium	33.4	-12.4	4.4	3.0	0.1	-1.9
Metal Ores	0.8	1.7	-5	-7.0	4.9	-0.6
Other mining and quarrying	13.4	2	1.3	2.6	3.5	-3.0
Primary industries	**6.8**	**-11.5**	**1.1**	**0.9**	**2.7**	**0.5**

Source: NPC projections
Note: a – actual; e – estimates and p – projections

SECONDARY INDUSTRY

Secondary industry is estimated to improve from a contraction of 0.6% in 2018 to a positive growth of 0.9% in 2019. A significant growth in 2019 is expected in meat processing and grain mill products sectors due to an increase in livestock slaughtering as well as processing of grains respectively. Water and electricity sector is estimated to grow by 7.7% in 2019 from 6.6% in 2018 attributable to the recently introduced phased Modified Single Buyer (MSB) model from which several renewable power plants will be coming on-board to supply power thereby alleviating the shortage of electricity.

The non-metallic minerals product sector will grow by 8.0% in 2019 from a contraction of 5.1% in 2018, as the results of improvements in other mining and quarrying. The anticipated growth in basic non- ferrous metal for 2019 is attributable to increased imports of copper from Zambia and Bulgaria for processing. The increase in the gem and diamond processing is attributable to stockpiles and importation. The construction sector showed an upward trajectory due to ongoing road construction activities, land servicing, and construction of private houses, as the sector is coming from a contraction of 5.4% in 2018 to 1.9% in 2019. Secondary industry is expected to recover from 2020 going forward due to improvements in water and electricity generation, grain mill products sectors owing to good rainfall and construction sector owing to economic growth.

Table 9: Supply side (secondary industries) real GDP growth projections 2019 – 2023

Industries	2018a	2019e	2020p	2021p	2022p	2023p
Manufacturing	0.3	1.3	1.5	2.2	2.7	2.9
Meat processing	-1.4	8	-9	3.4	2.2	2.4
Grain Mill products	1.9	8	6	5.1	5.7	4.3
Other food products	5.1	1.2	0	0.1	3.6	2.9
Beverages	4.7	3.8	3.4	3.0	4.6	2.2
Textile and wearing apparel	0.9	2.5	2.3	2.4	2.6	1.9
Leather and related products	4.5	2.2	2	3.2	4.9	5.1
Wood and wood products	-12.5	-4.7	-1.7	2.1	5.6	4.2
Publishing and Printing	-13.2	-3.2	1.3	1.7	2.7	-1.6
Chemical and related products	-7.2	-4.3	-2.1	-0.9	-0.4	-2.7
Rubber and Plastics products	7.0	2.5	2.1	2.4	1.9	1.6
Non-metallic minerals products	-5.1	8	6.7	6.2	3.7	4.3
Basic non-ferrous metals	-4.0	4	1.1	0.4	1.8	1.5
Fabricated Metals	5.5	-0.5	-0.2	1.1	4.5	-1.8
Diamond processing	-1.1	1.8	2.0	2.2	3.2	3.4
Other manufacturing	-4.6	-1.2	0.6	1.0	2.1	1.4
Electricity and water	6.6	7.7	3.4	2.6	3.6	3.8
Construction	-5.4	-1.9	0.7	1.8	2.0	2.7
Secondary industries	**-0.6**	**0.9**	**1.5**	**2.2**	**2.7**	**3.0**

Source: NPC projections
Note: a – actual; e – estimates and p – projections

TERTIARY INDUSTRY

Tertiary industry is estimated to recover, albeit marginally, from a contraction of 1.6% in 2018 to 0.1% in 2019. This recovery is attributable to the transport sector which grew by 4.0% in 2019, as a result of increases in road transportation of goods, as well as that of railway cargo due to Walvis Bay harbour extension. The tertiary industry shows some recovery in most of the sectors in 2019 as compared to 2018, such as Information communication (2.9%) due to increased minutes (airtime). On the other hand, Financial and insurance activities improved (1.9%) due to increased demand by private households, Health grew (5.7%) due to an increase in recruitment of new staff, and Private households with employed persons improvement (2.3%) attributable to employment in the public sector and salary increments in the private sector, wholesale and retail trade and repairs grew

(2.4%) due to ongoing activities in the construction sector. However, sectors such as hotels and restaurants contracted (2.2%) due to a decrease in number of beds sold and conferences utilized. The industry is expected to recover from 2020 going forward, attributable to growth in the transport and storage, information communication and health sectors.

Table 10: Supply side (tertiary industries) real GDP growth projections 2019 – 2023

	2018a	2019e	2020p	2021p	2022p	2023p
Wholesale and retail trade, repairs	-6.3	-3.9	-1.9	0.8	1.8	1.5
Hotels and restaurants	0.4	-1.8	-2.8	0.7	1.6	2.0
Transport	-2.3	2.3	4.9	3.9	3.8	2.8
Transport	-5.0	3.7	4.5	3.9	4.4	3.7
Storage	8.9	4.8	4.7	4.3	3.1	3.6
Information Communication	-1.6	2.5	3.5	3.7	3.5	0.3
Financial and insurance service activities	-0.5	1.4	1.7	1.8	1.3	1.8
Real estate activities	2.7	3.0	2.4	1.5	1.7	3.0
Professional, scientific and techical services	-3.9	-2.1	0.6	0.8	1.4	4.2
Administrative and support services	-4.4	-0.9	-0.3	2	2.6	-1.3
Arts, Entertainment & Other Service activities	-9.8	-1.6	0.1	0.8	1.9	2.8
Public administration and defence	0.8	0.9	1.1	0.3	2.1	2.0
Education	1.2	1.3	1.7	1.1	2.8	3.2
Health	-5.8	0.1	1.5	2.1	2.9	3.6
Private household with employed persons	-2.5	0.2	1.7	0.7	2.4	-3.4
Tertiary industries	**-1.6**	**0.1**	**0.9**	**1.3**	**2.2**	**2.2**

Source: NPC projections
Note: a – actual; e – estimates and p – projections

4.1.2 Growth Prospects from the Demand side

A contraction of 1.8% is anticipated in 2019 mainly driven by an increase in imports (5.2%), reduction in final consumption more especially private which is expected to contract by 2.8%, as well as export of goods and services which are expected to decline by 4.2%. The effects of fiscal consolidation will continue to filter through to general government consumption, resulting in flat growth performance in the medium term. Going forward the economy is expected to improve and maintain a positive growth from 2020 until 2023 on the back of a recovery in both private

consumption and exports of goods and services. However, Gross Fixed Capital Formation recorded 3.8% in 2018 is estimated to slow down in 2019 and 2020 owing to anticipated reduction in investment activities. Thereafter, an upward trajectory is anticipated due to improvements in the economy.

Table 11: Demand side middle case scenario – real GDP growth projections 2019 – 2023

	2018a	**2019e**	**2020p**	**2021p**	**2022p**	**2023p**
Final consumption expenditure	-0.6	-1.6	0.9	2.4	3.2	1.1
Private	-1.3	-2.8	0.5	2.5	3.6	0.6
General government	1.1	1.3	1.9	2.0	2.0	2.4
Gross fixed capital formation	3.8	1.8	0.9	2.3	2.4	2.7
Gross domestic expenditure	-2.1	0.8	1.3	2.3	3.2	2.3
Exports of goods and services	15.9	-4.2	1.9	0.3	1.4	1.1
Imports of goods and services	5.0	5.2	1.7	3.7	4.2	1.1
GDP at market prices	**0.3**	**-1.8**	**1.0**	**1.4**	**2.4**	**2.1**

Source: NPC projections
Note: a – actual; e – estimates and p – projections

CHAPTER 5: COPING WITH DROUGHT

5.1 EFFORTS TO REDUCE POVERTY – WHERE ARE WE?

Poverty is a multi-faceted concept which has been defined in various ways. In relative terms, people are said to be poor when their living conditions fall radically below an established threshold in any economy. In absolute terms, poverty refers to insufficient or total lack of basic necessities like food, housing, safe water, healthcare services and income to obtain the necessities of life (Jorind, 2007). According to NSA (2016), poverty is simply the number of people unable to command sufficient resources to satisfy basic needs. Hon. Minister Zephania Kameeta offered a comprehensive definition in the context of Namibia as reflected in the Box below:

Box 3: *Definition of poverty in Namibia*

"Definitions of poverty should be dynamic and keep up with factors such as inflations, changing economic, political and even environmental conditions. Therefore, in Namibia you are poor if you:-
- go hungry to bed or eat from the dumpsite;
- share drinking water from a well with livestock;
- cannot afford a decent house;
- still rely on nearby bushes when nature calls; and
- do not have access to decent health services."
Hon. Minister Bishop (Em.) Z. Kameeta,

4th February 2016 Post Election Seminar of members of the National Council

Poverty reduction has always been and remains one of the key socio-economic challenges confronting Namibia. In light of this backdrop, Namibia's guiding development strategy Vision 2030 challenges the country to reduce poverty by ensuring that all Namibians enjoy access to safe drinking water, comprehensive health services, housing, and sanitation. It is evident that since independence, Namibia has placed a high priority on using public resources to address poverty, inequality and other social policy objectives, education, health, social security, housing, and other social programmes routinely receive more than half of the government spending (NSA, 2016).

In its quest to alleviate poverty, the Namibian government has made reducing poverty a central policy objective amongst other social issues in the country, by making provision of a robust social safety net programme which has become a major poverty alleviation strategy of government. This

includes income-support programmes of various kinds including social pensions for the elderly and the disabled, a variety of grants for children, and shelter and housing programmes. These programmes have recently become a major poverty alleviation strategy of government.

These social protection programmes seeks to tackle multiple dimensions of poverty and deprivation such as health care, food security, income security. In the absence of social protection, people, especially the most vulnerable, are subjected to increased risks of sinking below the poverty line or remaining trapped in poverty for generations. The report on the Namibia Social Protection Floor Assessment argues that Namibia has a comprehensive social protection system, compared to the rest of sub-Saharan Africa and indeed large parts of the developing world (ILO, 2014). The cost of addressing poverty, wealth inequality and other socio-economic issue has been on the increase in the recent years. In Namibia, the share of Government expenditure on social welfare of the total planned expenditure has generally been increasing.

Poverty eradication has always been a prominent feature in the country's development agenda thereby remaining one of key priority areas. Herein, in the fifth National Development Plan (NDP5), the end-of-period goal is to reduce poverty to 10.0 and 5.0% for the poor and severely poor population, correspondingly. The Harambee Prosperity Plan (HPP) specifically sought to tackle hunger poverty where no deaths would be ascribed to lack of food in Namibia over its implementation period. In 2016 the MPESW in consultation with relevant stakeholders implemented the National Blueprint on Wealth Redistribution and Poverty Eradication whose ultimate goal was to lay a foundation for achieving prosperity for all through implementing measures that will eradicate poverty and reduce inequality. In other words, this implies delivering prosperity for all Namibians, as well as reducing socio-economic inequality by promoting inclusive economic growth and human development. Some of the key targets in the plan are to strengthen social protection systems and interventions; to end hunger; promotion of improved access to basic social services; employment creation.

Although poverty has thus far not fully been eradicated, the efforts of the Government are noticeable, especially in the significant reduction of poverty rates over the years. To this end, there has been significant reduction (about half) in poverty headcount ratios on all three poverty lines between 2003/04 and 2015/16 (*table 10*). Notwithstanding this development, however, the current poverty rates are still higher than in countries with similar levels of income.

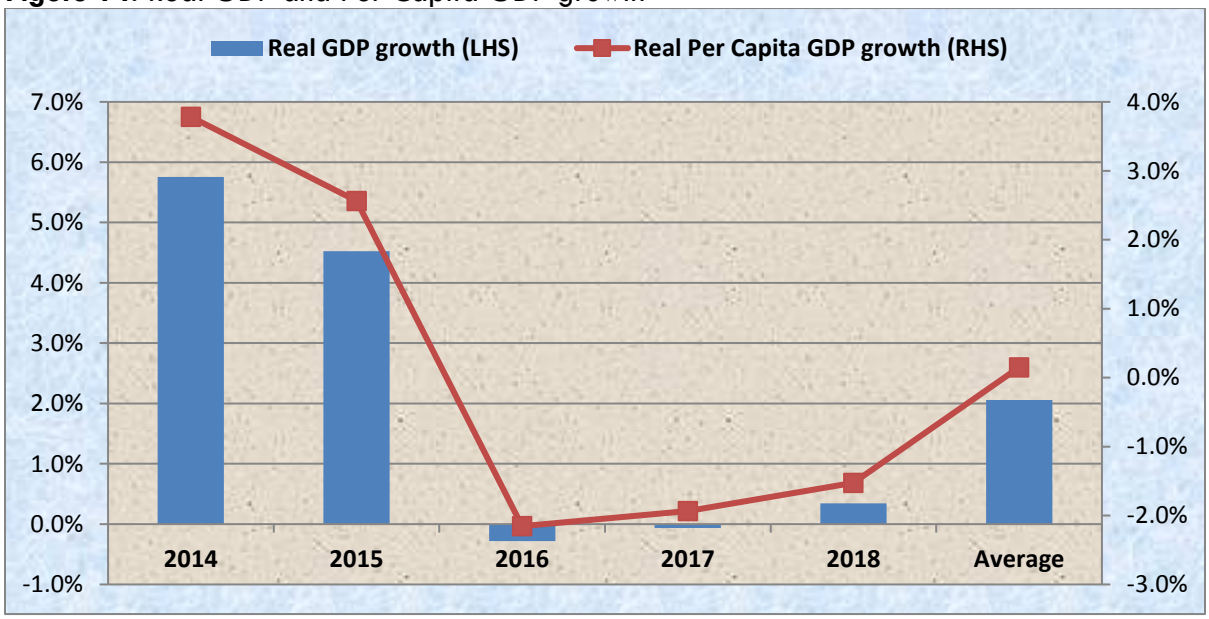
Table 12: Key poverty indicators

	2003/04	2009/10	2015/16
Poverty lines (current N$ / adult / month)			
Food Poverty Line (FPL)	127.15	204.05	293.1
Lower Bound Poverty Line (LBPL) – severely poor	184.56	277.54	389.3
Lower Bound Poverty Line (LBPL) – poor	262.45	377.96	520.8
Poverty estimates – headcount ratios (%)			
FPL	11.0	7.2	6.1
LBPL– severely poor	21.8	15.4	10.7
UBPL – poor	37.5	28.8	17.4

Source: NHIES 2015/16 (NSA)

The path of real GDP per capita growth mirrors that of the decelerating economic growth the Namibian economy has recently been experiencing as can evidently be seen on *figure 14*. For as long as economic growth remains distressed, especially more so that it is less than population growth, per capita income will simply be on a downward curve thereby implying that the achievement of the noble goal of poverty reduction remains out of reach.

Figure 14: Real GDP and Per Capita GDP growth



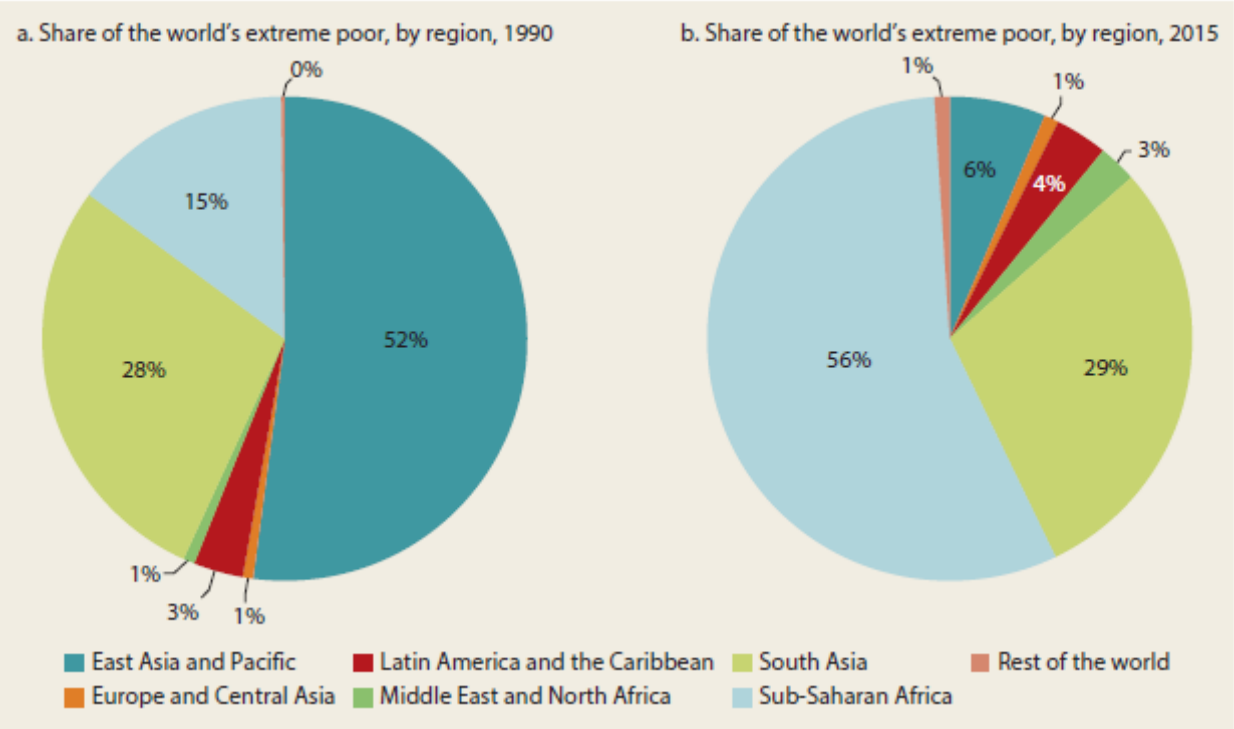
Source: Annual National Accounts 2018 (NSA) and NPC own calculations

At the regional level, sub-Saharan Africa appears to be the poorest of all regions globally and as such extreme poverty is seen as increasingly becoming more of an SSA challenge. To this end, the World Bank (2018) observes that of the world's 28 poorest countries, 27 (or 96.4%) are in SSA,

all with poverty rates above 30.0%. Moreover, the number of people living in extreme poverty[11] in the SSA region has grown by 48.6%, from an estimated 278 million in 1990 to 413 million in 2015. The chief reasons ascribed to this current state of affairs include high reliance on extractive industries (mining) that have weaker ties to the consumption and income levels of the poor, the prevalence of conflict, and their vulnerability to natural disasters such as droughts.

Against the backdrop of these high poverty rates and stalling progress over the past couple of years in SSA following the collapse in commodity prices which negatively impacted on growth significantly, the world's poor have become increasingly concentrated in sub-Saharan Africa from 15.0% in 1990 to 56.0% in 2015.

Figure 15: Share of extreme poor by region between 1990 and 2015



Source: World Bank (2018)

[11] According to the World Bank (2019), extreme poor refers to the percentage of the population living below US$1.90 per person per day.

5.2 HOUSEHOLD INCOME AND INEQUALITY – HOW DO YOU COMPARE?

Income is defined as household disposable income in a particular year and consists of earnings, self-employment and capital income and public cash transfers; income taxes and social security contributions paid by households are deducted. The income of the household is attributed to each of its members, with an adjustment to reflect differences in needs for households of different sizes.

The disparities in household disposable incomes are what bring about inequalities. The commonly adopted indicator for measuring income inequality is the Gini-coefficient which is based on the comparison of cumulative proportions of the population against cumulative proportions of income they receive, and it ranges between 0 in the case of perfect equality and 1 in the case of perfect inequality. Households incomes inequality can be brought about by different factors, disparities in earnings of households is one of them.

During 2018, Namibia was amongst the 8 African countries[12] which have been classified by World Bank as "*Upper middle income*." Despite its high income, however, the country is rife with extreme wealth imbalances evidenced by its ranking of having the 3rd highest level of income inequality in the world according to the World Bank. In 2015/2016 the recorded Gini-coefficient for Namibia was 0.56, while this is a decline from 0.58 recorded in 2009/2010 it is slight and inequality is still very high especially in comparison to progress made in view of poverty reduction over the same period. The fifth national development plan (NDP5) has targeted a reduction in the Gini coefficient from 0.56 to 0.50 percent by the year 2022 on a path towards achieving Vision 2030's goal of 0.30 (National Planning Commission, 2017). The question "*how do you compare?*" may come up, on how households with different incomes and in different economic classes or different genders compare to each other in regard to income inequality. One important factor contributing to different levels of wealth is difference in wages paid to people which is a result of different factors such as:

- **Personal Wage Differences:** These variances arise because of the differences in the personal characteristics (age or sex) of workers working in the same unit and occupation.

[12] These are: Algeria, Botswana, Equatorial Guinea, Gabon, Libya, Mauritius, Namibia and South Africa. The World Bank's income group classifications are as follows: low income: **$1,025 or less**; lower middle income: **$1,026 – 3,995**; upper middle income: **$3,996 – 12,375**; and high income: $**12,375 or more**.

Though provision of '*equal pay for equal work*' is always made, the situation on the ground is somewhat not in line with such provision. Herein, a woman worker maybe paid less than her male counterpart for doing the same job.

- **Occupational Differences:** occupations and wages in an organization widely differ from one another in terms of skill requirement and the extent of responsibility.

In developing economies such as Namibia, many people are dependent on wages and salaries as well as pension emoluments as the main source of income. In Namibia, 53.6% of the households depend on salaries and wages as their main source of income, followed by pensions (11.0%) and subsistence farming (10.6%) according to NHIES 2015/16. With varying incomes, some households are better off compared to others, but the disposable income for each household may be determined by not only the household's income but also by the size of the household and or by the sex of the head of household. According to NHIES 2015/16, 56.0 and 44.0% of households are headed by males and females, respectively.

Table 13: Household's four (4) main sources of income and sex of head of household

Gender	Salaries & wages	Pension	Subsistence farming	Business
Both sexes	53.6	11.0	10.6	9.1
Female	43.0	14.2	12.7	9.3
Male	61.8	8.5	9.0	8.9

Source: NSA, NHIES 2015/2016

On Table 13 above, more males (61.8%) than females (43.0%) depend on salaries and wages as their main source of income, implying that more male than females are in paid employment. More female head of households depend on subsistence farming as the main source of income as compared to males. As it is well known, subsistence farming jobs are underpaying jobs and employees work in vulnerable conditions, as such we find that income distribution is more unequal for females as compared to their male counterparts.

Another notable fact is the difference in the wages of female and male households. In 2016 for an example, the average monthly wage was a bit higher for males (N$6,850) than females (N$6,642) according to NLFS 2015/16. These disparities are what lead to the inequalities in income between males and females. Not only do females earn less than their male counterparts, but female headed-households are generally bigger in size, as such per capita consumption is lower for female-headed households than it is for male-headed households. This has brought about poverty and food

insecurity in such households. These figures indicate that there indeed exist inequalities in household's income, and that the policies directed at unravelling these imbalances are not yielding desired results fully and to the expected levels. It is therefore very important that the implementation of legal instruments aimed at addressing this anomaly is heightened in view of remedying the wealth redistribution issue.

5.3 HOME SECURITY FOR CHILDREN

The phenomenon of street children has been and continues being a growing international concern. There is a general concern for the rights and welfare of street children. Street children are viewed to be a developmental risk, who lack the primary socialization and modelling framework of the family thought to foster healthy growth and development, (Ministry of Gender Equality and Child Welfare – MGECW, 2018).

In Namibia, the numbers of street children are on the increase in urban areas especially in main towns across the country. Out of all Fourteen (14) regions, street children are found in Seven (7) regions namely: Khomas, Omaheke, Kavango East, Hardap, Erongo, //Karas and Otjozondjupa. The population of the street children remains unknown in the absence of a national study on street children in Namibia, (MGECW, 2018). However, according to a study conducted by the University of Namibia (UNAM), there were two-hundred and seventeen (217) street children in Windhoek in 2015. As per information received from MGECW in 2019, this number has reduced drastically over the years as most of the children were amalgamated into various programmes of the MGECW. The programmes include school integration, family integration and other alternative care options such as kinship care, foster care, residential child care facilities etc. (MGECW, 2018).

The demographic profile of street children constitutes of more male as opposed to female. The demographic profile findings were based on the demographic profile of street children as presented in the UNAM study report of 2015. The street children were found to be between the ages of 3 months to 18 years and youth between the ages of 19-24 years. The majority of street children have no level of formal education and no birth certificates.

There are various reasons pushing and pulling children to streets. Many of the street children used to live in make-shift structures – homes made of corrugated iron, plastic or boxes. Parents are mostly farmers or unemployed in search of employment opportunities on farms often leave their homes to

go find jobs while their children are usually left alone, hungry, unsupervised and unattended. Alcohol and Drug abuse by parents also pushes the children to the streets as they are not properly supervised.

Despite the absorption of the street children into various programmes of the MGECW, the lack of the profile of street children into a database makes it much more difficult and thus hinders MGECW from fully implementing targeted reintegration programmes for them. MGECW urgently need to create a database of these children in order to fast-track the implementation of these noble programmes. Against this backdrop, it is recommended for MGECW to liaise with the Namibia Statistics Agency (NSA) in view of creating such a database.

5.4 WATER SCARCITY

The availability, accessibility and affordability of water are crucial for the transformation of Namibia into an industrialized economy. Water and water infrastructure are a necessary input for smooth operation for economic activities and household consumption. Economic industries demand water for their functions whereas households demand water for their survival and consumption. It is therefore necessary that water supply is sufficient to meet demand.

Water scarcity, which can be defined as water supplies showing strain due to abnormal weather conditions or otherwise, not only negatively impact on economic and households activities, but also on the put pressure on and hike the cost for the modalities to harvest water and make it available. There are several dams, boreholes and aquifers used for storing water. The table below depicts current dam volumes as percentage of full capacity (in million cubic meters – m^3) for two comparable periods:

Table 14: Dam Levels Capacity percentage

Dam	Capacity $(Million\ m^3)$	August 2019	August 2018
Swakoppoort Dam	63.489	9.9%	32.9%
Von Bach Dam	47.525	41.2%	52.1%
Omatako Dam	43.499	0.0%	1.0%
SUBTOTAL CENTRAL	**154.513**	**16.8%**	**29.8%**
Friedenau Dam	6.723	25.3%	36.0%
Goreangab Dam	3.621	100.3%	100.0%
SUBTOTAL WINDHOEK	**10.344**	**51.5%**	**58.4%**
Otjivero Dam	9.808	2.4%	8.1%
Otjivero Silt Dam	7.795	0.0%	0.0%
Tilda-Viljoen Dam	1.224	2.2%	22.5%
Daan-Viljoen Dam	0.429	1.1%	18.6%
SUBTOTAL GOBABIS	**19.256**	**1.4%**	**6.0%**
Hardap Dam	294.593	17.5%	41.6%
Naute Dam	83.580	85.0%	80.8%
Oanob Dam	34.505	46.8%	63.6%
Dreihuk Dam	15.493	0.3%	7.0%
Bondels Dam	1.103	0.0%	0.0%
Neckartal Dam	880	0.0%	0.0%
SUBTOTAL SOUTH	**429.274**	**32.3%**	**49.6%**
Olushandja Dam **(NORTH)**	45.641	25.4%	35.1%

Source: NamWater, 2019

The Neckartal Dam near Keetmanshoop is Namibia´s largest dam in terms of capacity (in million cubic meters). It is not completed thus far and has not been handed over to government and NamWater. The Neckartal dam will store approximately three times the amount of water in comparison to the Hardap Dam, which used to be Namibia´s largest surface water storage facility. Currently only 1.0% of its full capacity is stored at Neckartal. According to Namwater, all dams in the country were filled with a total 26.0% of their total full capacity by August 2019. This means there is only 181,932 million cubic meters of water in all dams. In comparison to last year during the same period, there was 40.4% and 283,884 million cubic meters of water available in the country. As the Hardap Dam in Mariental can store 294,593 million cubic meters, it means that the water presently available in all dams would not fill the Hardap Dam's capacity.

The current drought experienced in the country is the reason for low water levels. The Hydrological Services of Namibia stated that the 2018/19 rainy season was one of the driest since 1981, especially in the central and western parts of the country (NamWater, 2019). This necessitated the declaration that the current drought affecting the country is a national disaster. Not only is subsistence farming negatively hampered, in terms of poor crop and livestock farming, commercial farming and irrigation agriculture farming has been negatively impacted too. The effect of this drought is twofold: one, it translates into poor living standard and wellbeing of households in the sense that their survival is threatened and two, national output is compromised, leading loss in employment and economic growth.

Policy implications resulting from this status quo is that both industries and households are always going to be insecure for as long as water availability is dependent solely on rainfall volumes. There is need for a sustainable, long term solution to the availability and access to water supply. A water desalination plant is therefore a solution. Endowed with good coastal waters, Namibia should invest in harvesting water from the ocean and making it fit for usage in household and especially in industries especially mining and construction sectors. This maybe is a costly exercise but it is one worth embarking upon to secure both food production and economic activities, in the wake of harsh climate change effects.

CHAPTER 6: HUMAN CAPITAL DEVELOPMENT: IN SEARCH OF A NEW COMPASS

6.1 ADDRESSING URBANIZATION

Urbanization in Namibia like in most other developing nations is a consequence of the 'push' of the rural areas and the 'pull' of the towns. Namibia is a very diverse and youthful country, with half of its population under the age of 21 and majority of the youth are living in the towns (urban areas). This presents a great need to invest more on education at all levels (including tertiary and technical) but not necessarily confined only at primary education level.

Generally, the urban population has been increasing over the years in Namibia. According to Indongo (2015), urbanization did not only happen because of rural-urban migration but the level has also increased because of the reclassification of settlements from rural to urban. Furthermore, the influx of people to urban areas has resulted in expansion of informal settlements in most towns of Namibia thereby inevitably causing high demand for services in urban areas and increased poor housing conditions. This has thus exerted pressure of significant proportions on local authorities in light of provision of services to meet these ever-growing demands.

Table 15: Disaggregation of rural-urban populations (1991 - 2011)

Year	Urban Population (%)	Rural Population (%)
1991	28.0	72.0
2001	33.0	64.0
2011	43.0	57.0

Source: 1991, 2001 and 2011 Censuses

As panacea to urbanisation, the implementation of decentralization in the education sector needs to be effected at the highest level as a measure to mitigate the influx of students to big cities in search for educational opportunities. For adults of working age, the primary benefit of living in a particular area is the ability to work in a specific local labour market which is influenced by the beliefs about employment prospects in urban areas, expected wages and local amenities, among others. However, the distributions of amenities need to become more homogeneous across locations, so that people will not only be attracted to cities due to availability of their specialized types of jobs and services rendered there. One of the practical solutions to this issue is to specifically increase

the allocation for land servicing from both local authorities and central Government to pave ways for new developments whereas local authorities should continue with engagements in the implementation of NDPs based on their comparative advantages.

6.2 UNEMPLOYED GRADUATES – SHOULD WE BE WORRIED?

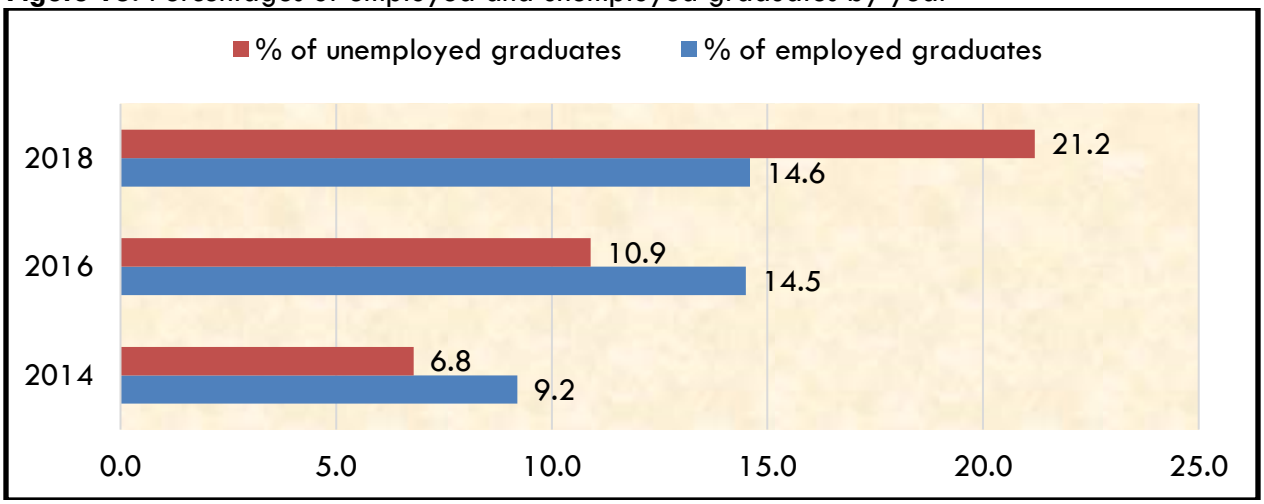
Unemployment figures are obtained from the Namibia Labour Force surveys reports, which used the broad definition of unemployment, referred to as all people 15 years and above who are not in employment and are available for work, this is a relaxed definition, because it does not ask if the person is actively looking for work and it is meant to capture even those that have been unemployed for long and probably have given-up seeking for a job. The issue of unemployment especially among the youth in Namibia has been of concern as it is on an increase. In General, education is said to increase your chances of being employed, but of late, the labour market is not performing well to absorb all the graduates that are joining from the institution of high learning in the country.

Graduating from college/ University is a huge accomplishment, but it can be scary if you're not certain whether you will get a job or not, sometimes it takes long before graduates secure a well-paying job, and ideally in the area they have been studying for and preparing for these last several years. Data from the National Council of Higher Education (NCHE) indicates that In 2016, the number of students registered for higher education programmes was 53,661 for both private and public Higher Education institutions (HEI), which is an increase of 3,983 students comparing to that of 2015, on average over 3000 new students enrol in the HEI in the country, this exclude, Namibian students that are studying abroad.

As the number of enrolment increases, it is expected for the graduation figures to also increase, and the market need space for all these new entrants. In 2016, a total number of 9,888 students earned different qualifications in the country, excluding those from the Vocational training centres, and on average over 6,000 graduates joins the labour market each year. These figures are good when you focus on Human Capital development of the country, but the concern is that, the level of employment by education attainment has remained somewhat constant from 14.5 to 14.6% between 2016 and 2018 as illustrated in *figure 16*. This translates that most of the graduates with

Diplomas, Degrees and even those with Postgraduate qualifications are not finding it easy to gain employment in Namibia at present.

Figure 16: Percentages of employed and unemployed graduates by year



Data source: Namibia Labour Force Survey reports

A major concern for Namibia is that the unemployment rate of graduates has been on an upward trajectory (increasing) as can be seen on figure 16. This is evidenced by the fact that it has more than tripled from 6.8% in 2014 to 21.2% in 2018, which in other words, is an increase above 14.0% within a space of 5 years. The growing number of graduates joining the labour market each year coupled with stagnant employment rate for graduates as well as the current economic slowdown all affects the unemployment level of graduates. Overall, two main issues remerge from the status quo of unemployed graduates: first, the idling unemployed graduates are the very human resources from which the country was to reap demographic dividends. Therefore, this implies that the country is losing out on investments made in human resources development which in other words represents a loss in respect of demographic dividends. Secondly, the stagnation in view of percentage of employed graduates, especially between 2016 and 2018, worryingly, points to low absorption of graduates ascribed to among others, saturation. In view of all these, Namibia needs to be worried and against this backdrop start looking at forward-looking out-of-the-box panaceas to this issue.

6.3 TACKLING SANITATION IN NAMIBIA

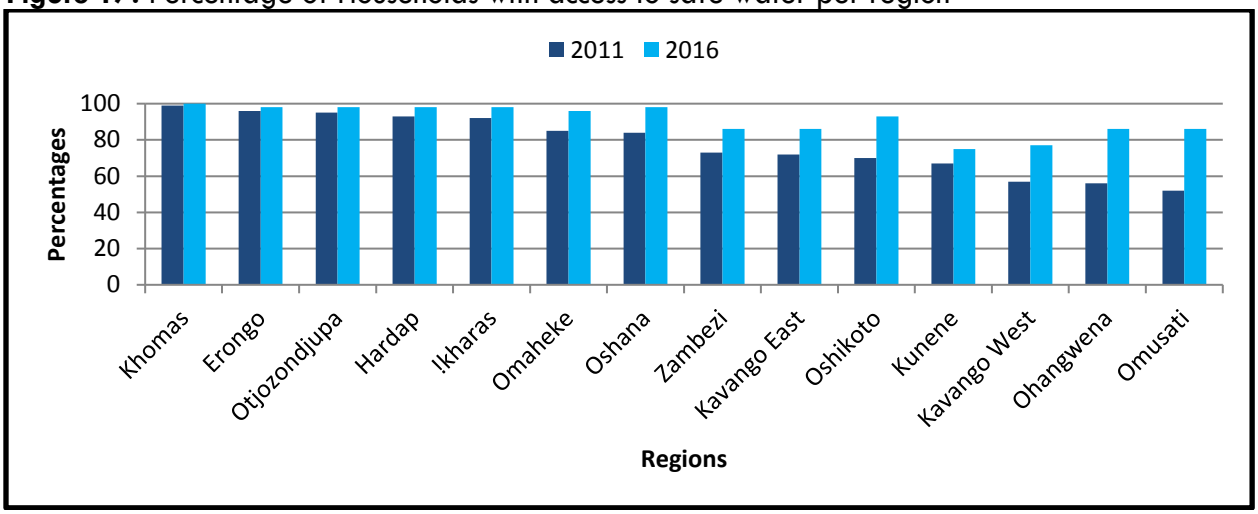
According to the World Health Organization (WHO) definition, sanitation refers to the provision of facilities and services for the safe management of human excreta from the toilet to containment and

storage and treatment onsite or conveyance, treatment and eventual safe end use or disposal. More broadly sanitation also included the safe management of solid waste and animal waste. Namibia's 5th National Development Plan (NDP5) have a desired outcome on sanitation, to have improved sanitation at household level from 28.0 to 40.0% in rural areas, as well as from 77.0 to 87.0% in urban areas by the year 2022. Inadequate sanitation is a major cause of infectious diseases such as Cholera and Hepatitis E. It has also been said that poor sanitation contributes to stunting and impaired cognitive function and impacts on well-being through school attendance, anxiety and safety with lifelong consequences, especially for women and children. Improving sanitation in households, health facilities and schools underpins progress on a wide range of health and economic development issues including universal health coverage and human development.

The government has put efforts in addressing sanitation issues in the country, in terms of providing safe water to the communities and building of public toilets, the establishment of the Directorate of Water Supply and Sanitation Coordination (DWSSC) in the Ministry of Agriculture, Water and Forestry (MAWF) was establish to oversee the activities related to sanitation in the country. As a country, the provision of safe water at a household level looks promising, looking at the period between 2011 and 2016 from which it is evident that all the regions appear to have recorded increases in the access of safe water as illustrated in figure 17.

Although the Khomas region has achieved 100.0% of household having access to safe water, it does not necessarily mean that each household in the region has taps in their homes, it rather indicates that even those with no private water pipes at least have access to public water points in the region. Regions such as Kunene and Kavango West, on the other hand, are still having a significant number of households with no access to safe water, notwithstanding the fact that the situation has improved compared to 2011.

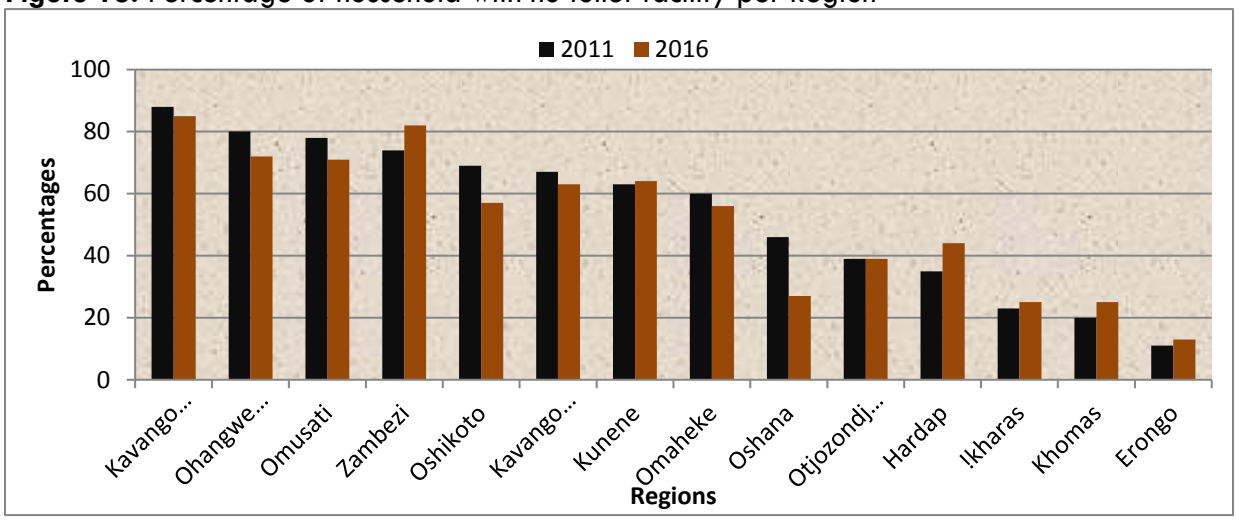
Figure 17: Percentage of Households with access to safe water per region



Data source: NSA 2017

Figure 18 shows the percentage of households with no toilet facility per region for two periods 2011 and 2016. As can be expected, the number of households has increased between the two periods in all the regions across the country. However, with the increase on the number of households, the provision of sanitation facilities in terms of toilets have unfortunately recorded a downward trend. Regions such as Zambezi, Hardap, Khomas, !Kharas and Erongo are severely affected given that they have recorded more households with no toilet facilities in 2016 as compared to 2011. On the other hand, noteworthy improvements were recorded in Oshikoto and Oshana regions.

Figure 18: Percentage of household with no toilet facility per Region



Data source: NSA 2017

With poor sanitation in the country, diseases such as Cholera and Hepatitis E are more likely to occur, especially in the informal settlements. In December 2017 the Ministry of Health and Social Services (MHSS) declared a Hepatitis E outbreak in Windhoek, Khomas region. The outbreak continued in Windhoek, and spread to other regions around April 2018, eventually involving Khomas, Erongo, Kavango East, Kavango West, Ohangwena, Omusati, Oshana, Oshikoto, Kunene, Hardap, Omaheke and Otjizondjupa regions. According to WHO guidelines, an outbreak of Hepatitis E is defined as a total number of 5-10 laboratory confirmed cases reported from the same geographical area within a period of 4-6 weeks.

Cases have been reported mainly from informal settlements such as Havana and Goreangab in Windhoek, DRC in Swakopmund and similar settings in other regions where access to safe water, sanitation, and hygiene is limited. Adequate sanitation and toilets are basic necessities that ensure and promote the health of people in the country. It is therefore necessary to ensure that the promotion of a clean environment is advocated for as well as ensuring that sanitation needs at private household levels, especially those in the informal settlements are addressed on time to prevent the unwanted spread of diseases.

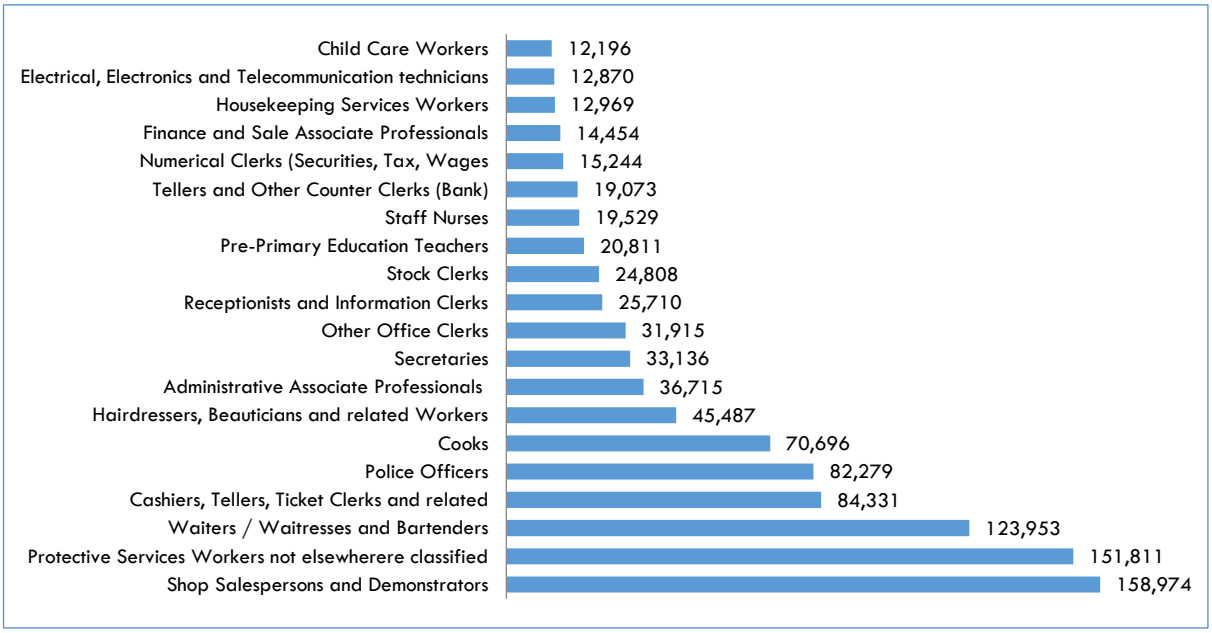
6.4 IS VET THE SOLUTION TO UNEMPLOYMENT OR UNEMPLOYED GRADUATES?

Vocational Education and Training (VET) is steadily emerging as an enabler for socio-economic development of any country. VET has as such been recognised in planning frameworks both at international, regional and domestic levels. To this end, the United Nations through the International Community Sustainable Development Goals (SDGs) goal 4 has been identified as one of the pillars to achieve agenda 2030 for sustainable development.

The target to be achieved through SDGs 4 by the United Nations Members States is to ensure inclusive and equitable education and promotion of lifelong learning opportunities for all. From NDP5, the aspirations of achieving the SDG 4 target of "*substantially increase the number of youth and adults who have relevant skills, including technical and vocational skills, for employment, decent jobs and entrepreneurship*" shall be pursued.

The rationale to prioritise and invest in Technical Vocational Education and Training (TVET) is strong and convincing and stems from the recognition of TVET as a source of skills, knowledge and technology needed to drive productivity through a knowledge-based society. Productivity is the basis for sustained economic growth and wealth accumulation. For Namibia to improve its global competitiveness, it is important that our citizens have the required technical and vocational skills.

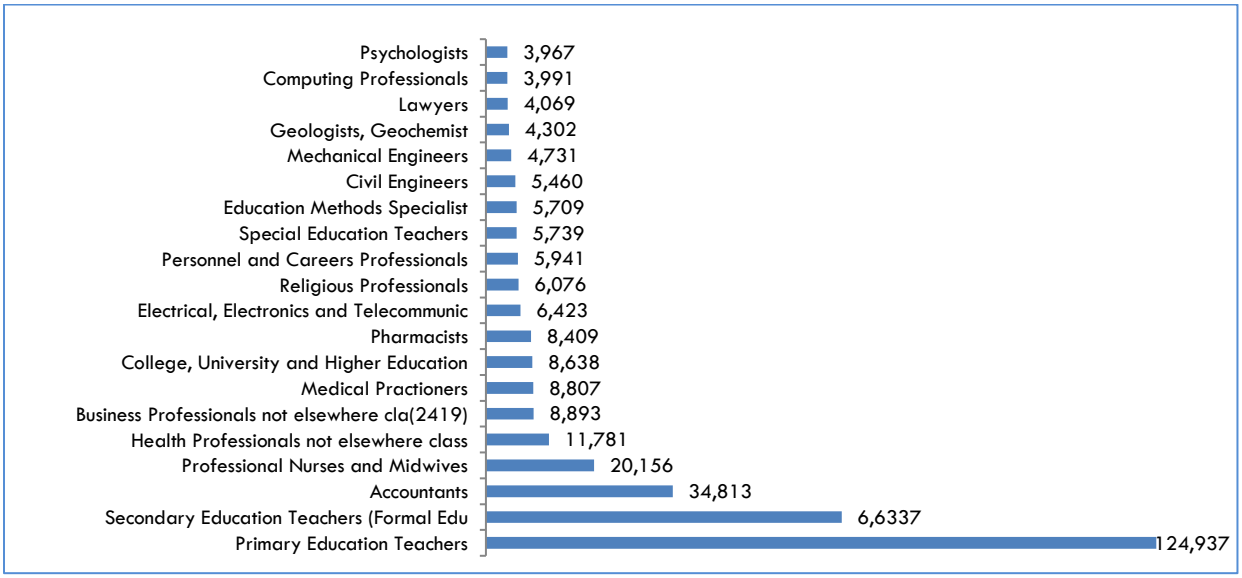
Figure 19: The 20 most Demanded technical occupations 2017 – 2022



Source: Namibia Labour Market Outlook Report 2018 (NPC)

The lack of adequate skills and availability of training institutions has been identified as major obstacles to business development and growth for small, medium and large firms in Namibia. Hence the Ministry of Higher Education, Training and Innovation through the Namibia Training Authority (NTA), has thus to establish an efficient, effective and sustainable TVET system in Namibia and ensure that access, equity and quality prevails in TVET provision. As evident from the figure 20 below, at present the Namibian economy has the highest demand for technical occupations when looking at absolute values of technicians versus white collar professional, which is the ideal situation where for instance an engineer will require several technicians to carry out a task. These types of occupations are highly resourceful in the economy, thus there is need to strengthen the vocational education and popularize it. This can greatly contribute to economic growth while reducing the country's unemployment rate and improving the living standards of the people.

Figure 20: The 20 most demanded (white collar professional) occupations 2017 – 2022



Source: Namibia Labour Market Outlook Report 2018 (NPC)

The Namibian public generally considers the TVET track as only fit for the academically less endowed. In addressing this misconception, Namibia through the Namibia Training Authority (NTA) is spearheading a TVET rebranding exercise which will involve promotions highlighting the potential of TVET as a career of choice with high income, employment and entrepreneurship opportunities will be intensified through targeted media campaigns. Worldskills Namibia, will also drive a series of targeted media campaigns to educate school learners and parents on the attractive career and entrepreneurship opportunities that TVET programmes can offer. Such promotional efforts will offer school learners meaningful career guidance and showcase success stories. This TVET rebranding seeks to, amongst others, increase its attractiveness and to promote activities that highlight TVET as an attractive career choice.

CHAPTER 7: ENSURING SUSTAINABLE ENVIRONMENT

5.1 IMPACTS OF CLIMATE CHANGE IN NAMIBIA

Climate change in Namibia will exacerbate the dry conditions already experienced due to the country's semi-arid settings; this also goes for many other Southern African countries. However, in the event of receiving heavy rainfall, the dry land remains exposed to erosion through flash floods which damages the long spelt dry land surface. In recent years, Namibia has accelerated in addressing the impact caused by climate change through advocating change in lifestyle of many communities; the land use pattern has also changed direction with lots of communal land turned into conservancies, partly to also conserve natural resources.

Research in Namibia suggests that annual losses induced by climate change for over 20 years on natural resources alone could be estimated up to 6.0% of Gross Domestic Product (Reid, Salein, MacGregor, & Stage, 2007), which is one way of estimating economic value of environmental/ natural resource loss through climate change, as well as the negative socio-economic impact. The effects will be much more on the poor most individuals, with resulting constraints on employment opportunities for farm workers, declining wages especially for unskilled labour, echoes Reid et al. (2007). Furthermore, economic activities in the agricultural sector have been reducing owing to long experienced drought induced by climate change.

By estimating the losses induced by climatic conditions in terms of economic value, this stimulates great concern especially to policy makers to put in place effective policies for early action to combat and reduce climate change persuaded effects, if no mitigation and adaptation is done on climate change, then "Cost of inaction" consequences to the economy are immeasurable, (Steininger, Birgit, Wolfgang, & Prettenthaler, 2015).

5.2 VULNERABILITY OF CLIMATE CHANGE

The Intergovernmental Panel on Climate Change (IPCC) fifth assessment report has acknowledged the overlapping and intersecting nature of risks such as geophysical, agro-ecological and socio-economic, when it states with "very high confidence' that differences in vulnerability and exposure arising from non-climatic factors that shape differential risks to climate change (Rao, Lawson, laditloaneng, Solomomn, & Angula, 2018). It is becoming widely acknowledged that poor nations

will suffer the most in terms of climate change as they have fewer resources to curb the effects of this phenomenon. Generally, climate change is associated to be more severe to countries that are desert in nature, and to those that are more prone to flooding, the researchers found. For Namibia, the vulnerability stems partly from the geographical location of regions being drought prone for those bordering the Namib and Kalahari Deserts, and flood prone the likes of Kavango and Zambezi regions will suffer the consequences as the result of climate change. About a third (33.0%) of Namibia's value contribution to GDP is sourced from Agriculture, Wildlife and Fishing which is of natural resources by nature and are more vulnerable to climate change and impact the economy negatively.

The temperature in Namibia has been increasing at an alarming rate, thus predicted to be 3 times that of the global mean temperature and is said to range between 2 and 6 Degrees Celsius by the year 2100, Reid *et al*. (2007). As rainfall is sporadic and predicted to drastically reduce, while temperature increases with high evaporation, the resultant is long dry seasons that negatively impacts on agriculture and ecosystem as well as the economy. This calls for vigorous mitigation and adaptation measures, both from the private and public sectors to stop or reverse the change of climate into favourable conditions for both human and animal habitation.

5.3 ECONOMIC IMPLICATIONS OF CLIMATE VARIABILITY IN NAMIBIA

The growing evidence demonstrates that climate change is having profound impacts on Namibia's environmental, social and economic systems. Climate change risks manifest themselves, in the economic system, as supply- and demand-side economic shocks – i.e., unpredictable events that produce a significant change within an economic system. Extreme weather events can cause damage to the capital stock and infrastructure, leading to supply-side shocks that manifest themselves a reduction in the productive capacity of certain sectors in the economy, particularly the agriculture sector. On the other hand, extreme weather events such as drought and floods can also lead to demand-side shocks, which manifest as a reduction in household income, wealth, and ultimately private consumption.

A study commissioned as part of this Economic Development Report shows that the Namibian agriculture sector is responsive to changes in temperature and rainfall. The study found that a percentage increase in temperature, from its long-term average, is associated with a 1.5%

decrease in the gross domestic product (GDP) of the agriculture sector. On the other hand, a percentage decrease in rainfall, from its long-term average, is associated with a 0.7% decrease in agricultural sector GDP. Furthermore, the study estimated potential losses in the Namibian economy caused by climate variability (i.e., fluctuations in temperature and rainfall), during the period 2010-2016. The study estimates that climate variability caused potential losses in the Namibian economy of up to N$3 billion in total production; N$2 billion in overall GDP; N$1.1 billion in household income/wealth; and about 31,000 in employment/livelihoods losses.

The statistics presented above are worrisome and calls for concerted efforts that would build and enhance the resilience of the Namibian agricultural sector to climate variability. The enhancement or building of resilience can be achieved through the formulation and implementation of effective climate change adaptation policies and strategies. These policies and strategies must focus on decoupling the economic performance in the agriculture sector from temperature and rainfall variations. Without these interventions, climate change and climate variability have the potential to compromise Namibia's sustainable development agenda.

CHAPTER 8: CONCLUSIONS AND RECOMMENDATIONS

Average growth at the global level remained within 3.0% trajectory during the review period, supported by Advanced Economies and Emerging Market and Developing Economies. However, global growth is estimated to decelerate moderately in the medium term owing rising tension between two of the world's largest economies: The United States of America and China as well as uncertainty in Europe including BREXIT, among others.

Regionally, sub-Saharan Africa (SSA) posted an average growth of 3.1%, more than twice the slow growth recorded in 2014. This was on account of marginal improvements by two of the largest economies in the region: Nigeria and South Africa. Going forward, SSA is projected to continue its growth recovery in the medium term to be driven mainly by the non-resources countries (Burkina Faso, Ethiopia, Rwanda etc.) whose annual growth rates are expected to be over 6%. Yet, SSA's growth will not be fast enough to address persistent fiscal and current account deficits. SSA growth dynamics will be negatively impacted by tougher external environment and a stronger US$.

The three (3) largest economies (South Africa, Nigeria and Angola) in the SSA region that makes up approximately 60% of the region's annual output are expected to grow below the regional average as they remain stuck in low growth dynamics. Herein, growth in South Africa remains subdued owing challenges in the mining sector, low agricultural production and weakness in the construction sector. The Angolan economy remains trapped in recession as oil price remain weak, however, a recovery by the end of 2019 is anticipated on assumption that commodity prices, especially oil, recovers. The expected oil price recovery is also anticipated to accelerate Nigeria's growth.

On the domestic front, Namibia remained among the slowest growing economies within the SSA region and Southern Africa owing deteriorating economic activities and evidence suggests that its economic recovery is taking longer than peers to return to positive growth trajectory it enjoyed since pre-2016 period. In the medium term, a further decline of 1.8% is estimated in 2019 before reaching 1.0% in 2020.

External sector developments reveal that the country recorded surplus Balance of Payment in four of the five-year review period. However, although deficits were recorded on the current account

during the entirety of the review period, some notable improvements were realised in the last two years. To reverse the perpetual current account deficits, Namibia ought to amongst others, pursue, rigorously and vigorously the value-addition (minerals and diversification) agenda as emphasized in the growth at home strategy thereby reaping greater returns from exports of finished or semi-finished products.

Notwithstanding the fact that trade deficits were recorded during the entirety of the review period, however, positive developments are evidenced by continuously remaining on the narrowing trajectory especially since 2015 owing what has recently become characteristic of Namibia's trade sector, that is, the growth of exports which continue to exceed that of imports and thus leading to significant trade balance improvements.

During the review period, foreign reserves were maintained above the international threshold of 3 months of import coverage, owing increased net Government payments and cross-border transfers as well as the repayment from Banco Nacionale de Angola in view of the Angola Currency Conversion Agreement. At these levels, the international reserves remain sufficient to sustain and maintain the one-to-one currency peg between the Namibia Dollar (N$) and the South African Rand (ZAR) as per the Common Monetary Area (CMA) arrangement.

Inflation rate has been decelerating and as such comes as a relief to consumers, especially, the low-income earners as they will now be able to buy the same basket of goods and services relatively cheaper than before. The slowing inflation is a development that bodes well for the achievement of the SADC convergence target of 3.0%.

The last three years witnessed the depreciation of the Namibia Dollar against major currencies ascribed to base effects as well as investors reducing their exposure to riskier EMDE assets. Given the current high public debt level, especially in view of loans denominated in foreign currencies, an appreciation (depreciation) of the N$ against major currencies will prove to be relatively cheaper (costly) in terms of debt servicing by the Government.

During the review period, fiscal dynamics regionally show that although SSA economies have generally recorded steady increases in debt-to-GDP ratio, notwithstanding this feat however, the reality is that it has not corresponded to desirable high economic growth episodes and as such some of these economies are said to be at a high risk of debt distress. Going forward, the panacea for

SSA's debt vulnerabilities in general and Namibia in particular include increasing revenue streams (sustainably), diversifying their economies away from predominantly commodity-led export earnings to non-mineral exports thereby widening their respective export baskets, infrastructure financing through Public Private Partnerships (PPP), among others.

Domestically, fiscal dynamics reflect largely a mixed bag with fiscal consolidation measure yielding notable successes. Although revenue-to-GDP ratio remain rather flat, expenditure and budget balance (as % of GDP), on the one hand, show improvements, albeit marginally, as they have recently been contained within sustainable thresholds of 40.0 and 5.0%, respectively. These developments are attributable to fiscal consolidation measure. However, public debt, on the other hand, seems to be dwindling out of nationally adopted prudential threshold of 35.0% to GDP as it increased from 25.4% in 2014/15 to 46.3% in 2018/19 consequently threatening overall fiscal sustainability.

IMF indicated that sovereign debts above 40.0% of the country's GDP in developing and less-developed countries may increase chances against the achievement of sustainable development. To ensure debt and overall fiscal sustainability: (i) Government spending will have to be directed towards growth enhancing productive sectors of the economy while simultaneously maintaining the budget balance at a lower level to contain the sharp growth in debt; (ii) the growth in public debt should be kept below growth in nominal GDP.

Against the backdrop of rising government debt and limited fiscal space with local consumption levels decreasing, one of the ways to revive the Namibian economy out of downturn it has been experiencing in recent times is through attraction of foreign investment and implementation of capital projects, among others.

On the social development sphere, regionally, SSA appears evidently to be the poorest of all regions globally and as such extreme poverty is seen as increasingly becoming more of an SSA challenge than anything else. All but one of the world's 28 poorest countries (or 96.4%) are within SSA, all with poverty rates above 30.0%. between 1990 and 2015, the number of people living in extreme poverty in the SSA region has grown from an estimated 278 million to 413 million owing high reliance on extractive industries (mining) that have weaker ties to the consumption and income levels of the poor; the prevalence of conflict; and their vulnerability to natural disasters such as droughts.

Namibia has seen significant declines in poverty rates (almost half – 50.0% reduction) between 2003/04 and 2015/16 owing Government efforts (robust social safety nets programme) over the years. Yet, per capita income growth, which has recently been on a downward trajectory ascribed to weaker economic growth, is unlikely to be sufficient to significantly dent poverty further in the coming years. Going forward, reviving the economic growth fortunes, especially maintaining economic growth at levels higher than population growth will be key in ensuring that per capita income remains on an upward trajectory thereby significantly contributing towards the achievement of poverty reduction. Notwithstanding the successes on the poverty front, same cannot be said about income inequality which remains quite high. Renewed and vigorous efforts must be made in view of implementation of national objectives as outlined in NDP5 and HPP.

Against the phenomenon of increasing street children becoming a growing international concern, Namibia has not been spared from this issue especially in urban areas where it remains alarming. In 2015, approximately two-hundred and seventeen (217) street children were said to be in Windhoek. Although the issue of street children is quite a concerning one, however, currently their population or database remains unknown which makes it very difficult to plan and extend supportive programmes to them in view of "leaving no one behind." Against this backdrop, it is recommended for Ministry of Gender Equality and Child Welfare to liaise with the Namibia Statistics Agency in view of creating such a database as a matter of urgency.

The country has been faced with water scarcity challenge lately owing the devastating drought experienced in 2018/19, the driest rainy season since 1981, which negatively affected most dam levels in central and southern parts of the country. To ensure sustainable water supply given the heavy reliance on rainfall-fed-dams for both industrial and consumption purposes, diversifying sources through the construction of desalination plants is recommended, among others.

Unemployment among graduates appears to be on an increase as most are not finding it easy to gain employment owing low absorption in recent years. The present status quo of unemployment among graduates is indicative of the fact that the country is losing out on investments made in human resources development which in other words represents a loss in respect of demographic dividends. Also, the stagnation in view of percentage of employed graduates, especially between 2016 and 2018, worryingly, points to low absorption of graduates ascribed to among others, saturation. In view of this sad reality, the country should start looking at forward-looking unconventional panaceas to remedy this challenge before it gets out of hand.

On climate change landscape, an empirical analysis on the effect of climate change in Namibia for the period 2010-2016 shows that a 1.0% increase in temperature, from its long-term average, leads to 1.5% decrease in the GDP of the agriculture sector whereas a 1.0% decrease in rainfall, from its long-term average, leads to 0.7% decrease in agricultural sector GDP. Furthermore, the study estimates that climate variability caused potential losses in the Namibian economy of up to N$3 billion in total production; N$2 billion in overall GDP; N$1.1 billion in household income/wealth; and about 31,000 in employment/livelihoods losses.

To counter against these, the country should enhance or build resilience through the formulation and implementation of effective climate change adaptation policies and strategies with a focus on decoupling the economic performance in the agriculture sector from temperature and rainfall variations. The absence of these interventions clearly implies that climate change and climate variability have the potential to compromise Namibia's sustainable development agenda. Moreover, the projected significant temperature increase in Namibia and drastic reduction of sporadic rainfall could lead to long dry seasons that negatively impacts on agriculture, ecosystem and the economy. As panacea to this effect of climate change issue, vigorous mitigation and adaptation measures, both from the private and public sectors should be heightened to stop or reverse the change of climate into favourable conditions for both human and animal habitation.

Overall, given that the recent economic downturn falls below the 4-5.0% growth target under NDP5, this could therefore derail the achievement of the goals of poverty reduction, employment creation and income inequality, amongst others. To this end, concerted efforts and associated implementation of priority areas would be required to put the country on a sustained accelerated growth path which will help address the very socio-economic challenges facing the nation. There is a great need now, more than ever, to pursue and heighten forward-looking initiatives aimed at rescuing, recovery and reforming the economy to ensure the realisation of sustainable development.

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Annexure

Annex 1: Supply-side GDP growth (%) projections – Middle case scenario

Industries	2017a	2018a	2019e	2020p	2021p	2022p	2023p
Agriculture, forestry and fishing	6.9	-2.0	-18.8	-1.2	1.6	4.7	-2.7
Livestock farming	9.7	-0.8	-17.5	-8.6	1.8	4.6	-2.9
Crop farming and forestry	15.7	-6.9	-20.6	4.5	1.3	4.9	-2.5
Fishing and fish processing on board	0.8	0.1	0.9	1.3	0.6	1.7	1.5
Mining and quarrying	14.2	16.0	-10.2	2.8	0.4	1.7	2.5
Diamond mining	14.5	15.1	-17.5	5.1	-0.7	1.3	6.4
Uranium	23.4	33.4	-12.4	4.4	3.0	0.1	-1.9
Metal Ores	-26.3	0.8	1.7	-5	-7.0	4.9	-0.6
Other mining and quarrying	63.7	13.4	2	1.3	2.6	3.5	-3.0
Primary industries	**9.7**	**6.8**	**-11.5**	**1.1**	**0.9**	**2.7**	**0.5**
Manufacturing	-1.5	0.3	1.3	1.5	2.2	2.7	2.9
Meat processing	1.1	-1.4	8	-9	3.4	2.2	2.4
Grain Mill products	8.1	1.9	8	6	5.1	5.7	4.3
Other food products	-5.2	5.1	1.2	0	0.1	3.6	2.9
Beverages	-4.2	4.7	3.8	3.4	3.0	4.6	2.2
Textile and wearing apparel	11.3	0.9	2.5	2.3	2.4	2.6	1.9
Leather and related products	-1.6	4.5	2.2	2	3.2	4.9	5.1
Wood and wood products	8.6	-12.5	-4.7	-1.7	2.1	5.6	4.2
Publishing and Printing	12.1	-13.2	-3.2	1.3	1.7	2.7	-1.6
Chemical and related products	-18.9	-7.2	-4.3	-2.1	-0.9	-0.4	-2.7
Rubber and Plastics products	-12.1	7.0	2.5	2.1	2.4	1.9	1.6
Non-metallic minerals products	-17.7	-5.1	8	6.7	6.2	3.7	4.3
Basic non-ferrous metals	4.1	-4.0	4	1.1	0.4	1.8	1.5
Fabricated Metals	-24.6	5.5	-0.5	-0.2	1.1	4.5	-1.8
Diamond processing	11.4	-1.1	1.8	2.0	2.2	3.2	3.4
Other manufacturing	-0.5	-4.6	-1.2	0.6	1.0	2.1	1.4
Electricity and water	-14.9	6.6	7.7	3.4	2.6	3.6	3.8
Construction	-23.1	-5.4	-1.9	0.7	1.8	2.0	2.7
Secondary industries	**-7.1**	**-0.6**	**0.9**	**1.5**	**2.2**	**2.7**	**3.0**
Wholesale and retail trade, repairs	-6.8	-6.3	-3.9	-1.9	0.8	1.8	1.5
Hotels and restaurants	-1.4	0.4	-1.8	-2.8	0.7	1.6	2.0
Transport	-4.8	-2.3	2.3	4.9	3.9	3.8	2.8
Transport	-4.0	-5.0	3.7	4.5	3.9	4.4	3.7

Storage	-7.9	8.9	4.8	4.7	4.3	3.1	3.6
Information Communication	6.3	-1.6	2.5	3.5	3.7	3.5	0.3
Financial and insurance service activities	3.7	-0.5	1.4	1.7	1.8	1.3	1.8
Real estate activities	2.6	2.7	3.0	2.4	1.5	1.7	3.0
Professional, scientific and techical services	-2.6	-3.9	-2.1	0.6	0.8	1.4	4.2
Administrative and support services	-2.2	-4.4	-0.9	-0.3	2	2.6	-1.3
Arts, Entertainment & Other Service activities	-1.3	-9.8	-1.6	0.1	0.8	1.9	2.8
Public administration and defence	3.5	0.8	0.9	1.1	0.3	2.1	2.0
Education	-2.0	1.2	1.3	1.7	1.1	2.8	3.2
Health	6.1	-5.8	0.1	1.5	2.1	2.9	3.6
Private household with employed persons	1.0	-2.5	0.2	1.7	0.7	2.4	-3.4
Tertiary industries	**-0.1**	**-1.6**	**0.1**	**0.9**	**1.3**	**2.2**	**2.2**
All industries at basic prices	0.7	0.3	**-1.9**	**1.1**	**1.4**	2.4	2.0
Taxes less subsidies on products	**-0.1**	**0.3**	-1.0	0.5	1.9	**2.5**	**3.5**
GDP at market prices	**0.7**	**0.3**	**-1.8**	**1.0**	**1.4**	**2.4**	**2.1**

Source: 2017-2018 – Annual National Accounts 2018 (NSA); 2019-2023 – NPC Projections