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NSA releases the Second Quarter 2017 GDP statistics

The Namibia Statistics Agency (NSA) released the second quarter Gross Domestic Product (GDP) data on 21 September 2017. The GDP data for the second quarter 2017 are compared to the GDP figures for the second quarter 2016 (year-on-year). The Namibian economy continued to contract at the same pace as in the first quarter 2017, namely by 1.7% compared to the second quarter 2016.

Following are some of the highlights:

First quarter 2017 GDP revisions:

- First quarter 2017 GDP data were revised upward by one percentage point from -2.7% to -1.7%.
- Most economic sectors showed a stronger performance in the first quarter than previously estimated. The estimates for the agricultural sector were adjusted from 10.5% to 11.2%, for mining from 16.8% to 18.7%, for manufacturing from -10.7% to -2.5% and for hotels and restaurants from -9.3% to -7.3%.
- The fishing sector faced more headwinds in the first quarter and growth in the sector was downward adjusted from 4.6% to 1.1%.

Second quarter 2017 GDP estimates:

- A number of economic sectors rebounded strongly compared to the second quarter 2016: Agriculture grew by 17.0% owing to strong growth in output of the Crop production sub sector (32.0%), while livestock production grew by 12.5%.
- The output of the Mining sector expanded by 25.8%, mainly driven by the diamond mining sector that grew by 33.2% and metal ores (20.8%) in particular zinc production that was up by 38.1%. Output of uranium increased as well and was the highest since the fourth quarter of 2014.
- The Manufacturing sector reversed its performance and recorded a positive growth of 2.9% owing to higher production of beverages – up by 10.8% - and basic non-ferrous metals (1.4%). As expected, meat processing declined by 0.2% compared to the same quarter 2016.
- The output of the Transport and Communication sector rose by 3.5% despite a decline in cargo handled at Namibian ports (-7.6%). However, the decline was not as severe as in the second quarter 2016 (18.0%). The railway subsector grew by 3.5%.
- In contrast, the output of the Construction sector dropped by 51.9% after a decline by 45.0% in the first quarter this year. The sector has contracted since the first quarter 2015.
- The output of the Wholesale and retail trade sector declined by 8.2%, owing to lower vehicle sales (-24.6%), lower furniture sales (11.6%) and declining sales by supermarkets (-0.7%).
- The Hotels and restaurants sector showed a weaker performance than in the second quarter 2016 (-3.0%). This is due to a decline in room nights sold (2.0%). Bed nights sold increased at a slower

pace in the second quarter 2017 (4.2%) than in the second quarter 2016 (10.6%) resulting in the overall contraction of this sector.

- The output of the Fishing sector also contracted (-9.8%) mainly because of lower landings by the mid-water subsector (-13.2%).

The quarterly GDP data show a number of encouraging developments. After three years of drought over the past four years, the agricultural sector is recovering and is showing strong growth albeit starting from a low basis. We expect the agricultural sector to maintain this performance throughout 2017. The stronger performance of the mining sector is also encouraging, in particular the increase in diamond, zinc and uranium production, which will have a positive impact on exports. Furthermore, increased mining output will benefit the transport sector (including cargo handled at the ports) that performed better in the second than in the first quarter. Despite the continuing decline of the construction sector, which has an impact on construction-related manufacturing activities such as metal fabrication etc., the manufacturing sector recorded a positive growth rate. We expect this trend to continue, since beverage production is expected to continue to expand since water supply has improved.

The construction sector will feel the full impact of Government's budgetary alignments this year. The job losses in this sector will have a negative impact on the wholesale and retail trade sector that contracted over the past three quarters. The recent drop in interest rates will however relieve some pressure on consumer spending.

Contrary to expectations based on reports of a booming tourism sector, the hotels and restaurants sector declined for a second quarter. However, this can be explained by incomplete data on room nights and bed nights sold. We expect the sector to record a positive annual growth rate.

Overall, initial quarterly GDP data should be treated with some caution as they are up for revision once NSA receives more complete information from the industries. The revisions for the first quarter serve as an example.