

Date: 22 June 2018

First quarter 2018 Gross Domestic Product figures – slight improvement in economic activities

The Namibia Statistics Agency has released the Gross Domestic Product (GDP) figures for the first quarter 2018 on 19 June 2018. GDP in real terms dropped slightly by 0.1% during the first quarter 2018. While this is an improvement compared to the decline by 0.4% during the first quarter 2017, economic growth remained weaker than the first quarter performances since 2013 when the economy contracted by 2.3%.

Herewith some highlights from the first quarter data:

- The **revisions for the fourth quarter 2017** indicate that the economic performance was weaker than the initial data suggested. Real value added dropped by 1.5% compared to the fourth quarter 2016 rather than 1.0%. This is mainly caused by a strong contraction in the electricity and water sector. Value added declined by 18.8% compared to the initial decline of 5.5%. Hotels and restaurants – as a proxy for the tourism industry – also contracted stronger than previously estimated - -2.9% compared to -0.4%. Similarly, value added in the wholesale and retail sector shrunk by 3.8% rather than 2.5%. Of concern for Government is certainly that tax revenue dropped by 2.8% instead of 1.8%.
- The **agricultural sector** grew by 1.4% in the first quarter 2018, which is much weaker than the growth of 16.5% during the first quarter 2017, but better than first quarter results since 2013. The strong growth in 2017 was caused by the contractions in the previous four years 2013 to 2016 and hence a low base.
- Likewise, the **mining sector** performed weaker than during the first quarter 2017 and expanded by just 4.7% compared to 14.0%. Similar to the agricultural sector, the strong performance of the mining sector in the first quarter 2017 can be explained with the contractions during the first quarters in previous years and hence a low base.
- Value addition of the **manufacturing sector** declined by 2.1%, which could be explained by the performance of the primary sectors (agriculture, fishing and mining), since the manufacturing sector relies on inputs from these sectors. Value addition in the fishing sector declined by 13.6%, which had a negative impact on fish processing.
- The **construction sector** grew by 23.7% in the first quarter, the strongest performance since 2015 when the sector expanded by 30.0%. The strong performance is caused by the low base a year earlier due to the contraction. Value addition remained, however, below values recorded between 2014 and 2016.
- The sector '**Hotels and restaurants**' experienced a decline by 5.3% - the lowest growth rate since 2013 when value addition contracted by 6.2%.
- Government's tight budget resulted in stronger contractions of the **public administration, education and health sectors** that shrunk by 2.9%, 4.0% and 6.4% respectively. Value addition in all three sectors was below levels seen in 2016 and 2017.

- **Tax revenue** showed a further decline by 0.5% after a contraction in the first quarter 2017 of 5.1%. Revenues fall to the lowest level since the second quarter 2014. This puts further pressure on the Government budget.

Quarterly data is preliminary and based on a smaller sample than the final annual national account data and should therefore be treated with some caution. Final quarterly data for the first three quarters in 2017 showed a stronger economic performance than the initial data. In contrast, revisions to the fourth quarter data 2017 showed a stronger contraction than initial data suggested – 1.5% instead of 1.0%. But this figure might still be up for change.

The first quarter data for 2018 suggest that the construction sector is bottoming out. Real value added increased to NAD1,208 million, which is better than in any quarters during 2017. This could be good news for the labour market, since the construction sector is labour-intensive and hence growth is expected to result in job creation. This in turn would support the wholesale and retail trade sector, since additional jobs create additional income and hence additional spending power.

Events beyond our control can dampen growth prospects during the remainder of this year. The ‘trade war’ started by the USA resulted in retaliatory measures by China, the EU and India. Quarterly oil prices have reached the highest levels since the fourth quarter 2014. Both events can result in a drop in demand, production and eventually commodity prices that are going to affect Namibia.