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### First quarter 2018 trade statistics – trade deficit widening

The Namibia Statistics Agency (NSA) has released the trade statistics for the first quarter 2018 on 19 June 2018. The trade statistics refer to trade in goods only and exclude the trade in services. Namibia usually achieves a surplus in the trade of services.

Herewith a few highlights:

- The **trade deficit** increased further in the **first quarter 2018** by 49% from NAD5.6 billion in the fourth quarter 2017 to NAD8.3 billion. The deficit rose by 71% compared to the first quarter 2017 (NAD4,882m).
- The **value of exports** increased slightly in the **first quarter 2018** compared to the fourth quarter 2017 from NAD18,352m to NAD18,829m. This was mainly caused by a sharp increase in the export value of copper cathodes that rose from NAD2,026m to NAD5,259m. The value of total exports reached the highest level since the first quarter 2016 when it stood at NAD21,963m.
- The value of **copper cathodes** dominated the export list accounting for 27.9% to total exports or NAD5,259m. However, 93% of this value was not produced in Namibia, but was imported and re-exported (see below). Excluding re-exports, **diamonds** would be the largest export item with NAD4,237m accounting for 22.5% of exports. The export value of diamonds dropped by 37% compared to the last quarter 2017 (NAD6,714m). The value of exported **fish** followed on third place (NAD2,389m) slightly ahead of the value of exported **ores** (NAD2,248m) accounting for 12.7% and 11.9% of total exports respectively. The value of exported fish was the third highest since the first quarter 2014. **Spain** absorbed the largest chunk of Namibia's **fish exports** (33.7 percent) followed by South Africa (18.2 percent), Zambia (11.1 percent) and DRC (7.3 percent).
- The **value of imports** grew by 14% from NAD23,941m in the fourth quarter 2017 to NAD27,177m. It is the highest value since the third quarter 2015 (NAD25,295m). The increase was caused by the once-off importation of a vessel at a cost of NAD3,741m.
- The value of imported **copper cathodes** more than doubled from NAD1,521m to NAD3,523m. Imported copper cathodes are re-exported. In the first quarter 2018 copper cathodes to the value of NAD4,877m were re-exported compared to NAD1,684m in the last quarter 2017. The higher value of re-exported copper cathodes compared to imported cathodes suggests that not all imported copper cathodes in previous quarters were immediately exported. Re-exported copper cathodes accounted for 92.7% and 83.1% of total exports of copper cathodes in the first quarter 2018 and fourth quarter 2017 respectively. Copper cathodes were imported from **Zambia** placing the country as the third most important source of imports behind South Africa and Bahamas (import of a vessel).
- **Mineral fuels & oils** accounted for the third largest share of imports valued at NAD3,072m or 11.3% of total imports. Fuel imports rose by 33.4% compared to the previous quarter. Boilers and

machinery accounted for 8.3% and vehicles for 7.1% of total imports. 17% of the value of imported **vehicles** and 10% of imported **boilers and machinery** were re-exported. The value of imported vehicles was the third lowest since the first quarter 2014. Imported **diamonds** contributed 4.7% or NAD1,268m to the total import bill.

- **China** was the most important export destination accounting for 18.3% of all exports or NAD3,454m. Exports to China consisted almost exclusively of copper cathodes and ores & concentrates (97% of total exports to China). **South Africa** was Namibia's second most important export market (17.8% of total exports). However, this represents a decline by 31% from NAD4,888m to NAD3,352m owing to a sharp drop by 65% in the value of exported diamonds. South Africa remained the main market for Namibia's manufactured products such as fish, beverages and meat that accounted for some 21% of total exports to South Africa. **Belgium** and **Botswana** ranked third and fourth respectively on the list of export destinations. Exports to Belgium were dominated by copper cathodes (80%) and to Botswana by diamonds (95%).
- The **EU** emerged as Namibia's **main export destination** accounting for 35.2% of total exports followed by the **Southern African Customs Union** (29.5%) and the **BRIC** countries (Brazil, Russia, India, China) with 20.1%. **Non-SACU SADC** member states absorbed 7.6% of Namibia's exports, while COMESA member states, some of which are also SADC member states, accounted for 6.8%. Almost 95% of Namibia's total exports were destined for these economic groupings indicating that **Namibia exports** so far little to **African countries** outside of SADC and COMESA.

The slight increase in the value of exports is encouraging, while imports excluding the once-off importation of a vessel have stabilised. However, rising oil prices in the second quarter that increased to USD74.44 per barrel on average compared to an average of USD66.86 per barrel during the first quarter and USD49.55 per barrel in the second quarter 2017 coupled with a depreciation of the Namibia dollar against the USD in the second quarter by 7.8% could raise the import bill. The closure of the Langer Heinrich Uranium Mine will on the other hand affect exports negatively. These factors could again widen the trade deficit and put further pressure on the foreign exchange reserves. In order to finance the trade deficit Namibia needs to improve the competitiveness and design and implement smart policies that attract Foreign Direct Investment. FDI will result in an inflow of foreign currency and combined with domestic investment create jobs and increase exports and or reduce imports.