Economic Association of Namibia

PO Box 6148
Windhoek, Namibia 12001
M +264 81 155 9775
F: +264 88 622 267
E: info@ean.org.na
W: www.ean.org.na

EAN Commentary 2018/25

Date: 13 December 2018

Third quarter 2018 trade statistics – Value of domestically produced exports increased further

The Namibia Statistics Agency (NSA) has released the trade statistics for the third quarter 2018 on 13 December 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 **value of exports** increased by 2.1% from NAD23.8 billion in the second quarter of 2018 to NAD24.3 billion in the third quarter. The value of re-exports dropped by 9.4% from NAD12.8 billion to NAD11.6 billion over the same period. Excluding the value of re-exports from total exports, the value of goods produced in Namibia and exported rose by 15.4% from NAD11.0 billion to NAD12.7 billion. Exports remain fairly concentrated with the four major export items accounting for 70% of total exports.
- The **value of imports** rose by 10.8% from NAD24.9 billion to NAD27.6 billion between the second and third quarter of 2018. It is one of the highest import values over the past five years.
- The **trade deficit tripled** from NAD1.1 billion to NAD3.3 billion in the third quarter 2018. However, compared to the trade deficit of NAD8.4 billion in the third quarter 2017, the deficit dropped by 60.4%. The third quarter 2018 recorded one of the lowest quarterly trade deficit over the past five years. Only the first quarter 2016 (NAD448 million) and the second quarter 2018 (NAD1.1 billion) recorded lower deficits.
- **Copper cathodes** took the top place in exports with a value of NAD5.9 billion, up by 38.1% from NAD4.3 billion. However, only 5% of exported copper cathodes are produced locally, 95% (NAD5.7 billion) are re-exports that were imported mainly from Zambia. Re-exports grew by 43.5% from NAD3.9 billion in the second quarter. Copper cathodes account for 24.5% of total exports.
- **Diamond exports** rose by 9.3% from NAD5.2 billion to NAD5.7 billion. They account for 23.6% of total exports. Re-exports contribute 28% total diamond exports. The value of re-exports increased by 7.5% from NAD1.5 billion to NAD1.6 billion.
- The exports of **ores and concentrates** rose strongly by 42.3% from NAD2.0 billion to NAD2.8 billion to one of the highest export values over the past five years. Ores and concentrates account for 11.6% of total exports
- The value of **fish exports** declined by 2.6% from NAD2.6 billion to NAD2.5 billion. Despite the slight drop in value, the value of fish exports was the third strongest over the past five years only exceeded in the second quarter 2018 (NAD2.59 billion) and the second quarter 2016 (NAD2.57 billion). Fish exports contribute 10.4% to total exports.

The EAN Commentary is compiled by EAN Research Associate Klaus Schade and is financially supported by the Government of the Federal Republic of Germany through the Deutsche Gesellschaft für Internationale Zusammenarbeit (GIZ) The EAN Commentaries can be downloaded from www.ean.org.na.

- **Copper cathodes** topped also the list of imported items increasing by 0.9% to NAD4.1 billion. The value of copper cathodes has grown substantially over the past year to NAD11.7 billion so far in 2018 compared to NAD2.2 billion for the first three months in 2017. Copper cathodes account for 14.7% of total imports.
- The value of imported **mineral fuels and oil** more than doubled from a low of NAD1.7 billion in the second quarter to NAD3.4 billion in the third. Mineral fuels contribute 12.4% to total imports.
- The value of **imported vehicles** increased by 5.9% to NAD2.2 billion. While it is the highest import value since the beginning of 2017, it remains below values seen in most quarters before 2017. Imported vehicles added 7.8% to the import bill.
- **Boilers & machinery** occupied the fourth place on the import list. The value increased by 10.0% to NAD1.9 billion. **Other import items** include ores and concentrates (NAD1.8 billion), electrical machinery (NAD1.6 billion) as well as articles of iron or steel (NAD730 million) and of plastic (NAD653 million).
- **SACU** was the **main destination** for Namibia's exports absorbing 31.1% or NAD6.8 billion. Diamonds to the value of NAD2.5 billion were exported to Botswana. **BRIC** countries (Brazil, Russia, India and China) followed in second place with NAD5.8 billion of goods, mainly because of exports of copper cathodes (NAD3.3 billion) and of ores and concentrates (NAD2.0 billion) to China. NAD5.6 billion worth of exports or 25.6% of total exports were destined to the **EU**. Belgium imported NAD1.6 billion worth of copper cathodes, while Spain imported NAD1.1 billion worth of fish. **Non-SACU SADC** member states accounted for 8.6% (NAD1.9 billion) and **COMESA** member states for 7.5% (NAD1.6 billion) of Namibia's exports.
- Namibia sourced NAD13.2 billion of **imports** (or 47.8% of total imports) **from SACU** member states – mainly from South Africa. **COMESA and non-SACU SADC** member states followed on place two and three with NAD5.35 billion and NAD5.30 billion respectively. NAD4.0 billion consists of copper cathodes from Zambia. Since SADC and COMESA memberships are overlapping the import sources most likely refer to the same country. Namibia sourced NAD2.5 billion worth of imports from the **EU** and NAD2.3 billion from **BRIC** countries accounting for 8.9% and 8.2% of total imports respectively.

Almost half of Namibia's exports are re-exports implying that no or very little value has been added. Moreover, the four main export items account for 70% of total exports, which makes Namibia very vulnerable to a drop in demand for one of these goods. The expected decline in demand for diamonds in 2019 underlines this vulnerability. Hence more efforts are required to attract investment into greenfield industries. The recent examples of car manufacturing and asparagus farming illustrate that it is possible. However, in order to succeed serious efforts are needed to improve the competitiveness and the business climate in the country. Furthermore, concerted efforts by both the private and public sectors to identify goods that can be produced and sourced locally are needed to not only reduce the import bill, but also diversify the domestic economy. The current drop in oil prices could bring some relief for the import bill, but promoting an applying new technologies to substitute energy imports with energy sources available in the country will reduce the energy import bill permanently and support domestic economic activities.