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We might have hit the trough, but now the lookout for green shoots – Suta Kavari

Last year September I penned an opinion piece cautioning that the Namibian economy was on the brink of slipping into a recession. The article followed similar such warnings by many analysts at the time.

Last week the Namibia Statistics Agency (NSA) confirmed those fears, we are in recession. According to the NSA reading, the economy contracted by 2.7% during the first quarter of 2017, compared to growth of 4.1% during the same period last year. Although Namibia's quarterly GDP readings tend to be volatile and prone to revision, they are useful momentum indicators, providing a snapshot of where growth is headed.

The negative growth posted in the three quarters of 2016 do also imply that the preliminary 2016 GDP of 0.2% will most likely be revised downwards to reflect a contraction in 2016.

Although we are seeing slivers of hope, the outlook still assessed to the downside. The construction sector, which has anchored growth over the past couple of years due to the boom in construction work lead by central government, is headed for a hard landing with no recovery in sight. The construction sector tumbled by a gargantuan 44.9% in the first quarter of 2017. Cirrus Capital estimates the sector will in most likelihoods shed 36,000 jobs over the next years.

The downturn in manufacturing; wholesale and retail sales; and the uncertain knock-on effects from the worsening economic outlooks in our neighbouring countries, coupled with the restrictive fiscal policy stance at home, will weigh heavily on the growth outlook.

But while the reading does suggest that we've hit the trough in the first quarter of 2017 and although the outlook for the second quarter remains uncertain, we are starting to see some green shoots. The continued recovery in diamond mining output will support a positive, yet subdued growth outlook. The agriculture sector, crippled by the devastating droughts of the past 4 years and coming off a fairly low base, recorded double digit growth, supported by increased optimism in the sector following the good rains.

It is undeniable that our economy faces significant challenges. However, these challenges present an opportunity to tackle the economy's overreliance on government and reimagine innovative ways at structurally transforming our economy, making it more balanced, resilient and sustainable.

Namibia's current slowdown generates a lot of attention, and rightly so. Our slowdown is both cyclical and structural in nature. And while every economy the world over goes through cycles of ups and downs, structural changes, if not managed well, can lead to periods of prolonged low and slow growth becoming the new normal. We might be in the new normal.

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