First Quarter GDP Analysis

First quarter GDP in 2018 contracted by 0.1 percent on an annual basis. Although the Namibian economy is still experiencing a recession, -0.1% is an improvement from -0.4% during the same period last year and -1.5% in 4Q17. The Namibia Statistics Agency (NSA) revised their fourth quarter GDP contraction from -1.0% to -1.5% mainly because newly available data revealed an underestimation of the contraction in the electricity & water production by 13.5 percent. The average annual GDP growth rate, however, remained -0.8% in 2017.

The primary sector's abysmal first quarter can be traced to slow growth in agriculture and mining and a shrinkage in fishing output. Agriculture came down from 16.5% growth in 1Q17 to a mere 1.4% during the same period this year. A decline in crop production from 15.8% to 10.9% contributed to the slowdown in agriculture. Meanwhile, there was a surge in cattle exports to our northern and southern neighbours. Negative growth in the fishing sector is attributed to a drop in deep-water landings, higher fuel costs and an unfavorable foreign exchange rate. As for mining, growth fell from fourteen percent in 1Q17 to 4.7% this year due to declining output of zinc, lead, gold, marble and granite. Furthermore, growth in value added by diamond mining also decreased to 4.6% (previously above 10.0%) during this period as a result of producing relatively lower carats. Uranium production turned out to be the light at the end of a mining tunnel having grown 56.3% thanks to activity at the Husab mine.

For a change the secondary sector recorded positive growth on average while overall the primary and tertiary sectors contracted. Construction emerged as the unlikely hero among the secondary sub-sectors having registered a growth of 23.7% compared to -36.9% last year and -13.5% the year before. The value of buildings completed and government expenditure on construction grew by 104.5% and 36.6% respectively. Manufacturing contracted by -2.1% and value added by electricity and water declined to 1.9% from strong growth rates of 3.9% and 16.0% respectively. Growth in the manufacturing sub-sectors of leather, meat processing and beverages was positive but unfortunately it was not strong enough to offset contractions in non-ferrous metals and non-metallic minerals. Similarly, electricity's contraction weighed down the growth of that sector despite an almost 40% growth in the production of water.

Last and indeed least, the tertiary sector experienced the slowest growth of the three broad sectors during the first quarter of 2018. Only the transport & communications as well as wholesale & retail trade showed improvement. The remaining tertiary sectors were worse off in 1Q18 than in 1Q17. Hotels, financial intermediation services and real estate grew by -5.3%, 1.4% and 1.1% respectively from 3.3%, 1.8% and 2.6% a year earlier. Public administration, education and health all experienced contractions. However, this is understandable in light of contractionary fiscal policy outlined in the 2018/19 budget.

The outlook for growth in 2018 remains cautiously optimistic and is supported by the improvement in growth both on a quarterly and annual basis. As weather conditions improve compared to the recent drought period, agriculture should continue to contribute positively to GDP. Mining production could also benefit from firmer commodity prices, given the strong 3.9% global growth projection. The latter could also boost hotels and restaurants by increasing in traffic from tourists. On the other hand, our scepticism concerning the magnitude of growth stems, in part, from the escalation in protectionism which could hike import costs and stifle our exports and export related activity. Then there's a risk right at home – fiscal consolidation – which despite being necessary, will adversely impact several tertiary sectors and even construction in the secondary sector.

With so many internal and external variables that have the potential to rock our small and open economy, now is a good time to have a diversified investment portfolio.

Meet the class of 2030!

This year we once again engaged with Anusa, a project that stems from Beautiful Kids, in order to give the neediest grade 1's starting their school career in January 2018 a head start.

This year we were able to donate a pair of school clothes to 610 children from 13 different schools in Katutura.

In supporting this initiative, as a true connector of positive change we not only help shape our future generation, but also support the community who are making the school uniforms to make an honorable living for themselves.

We are humbled by the positive feedback we received from the community regarding the impact we are able to make on these children's lives with such a small gesture. "*Thumbs up for you all. These children were over the moon to see themselves in school uniform. For many of them it was their first time to wear a uniform. You really put a huge smile on their faces. Thank you very much*." Moses Garoeb primary School.