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Special Feature

Preliminary National Accounts 2021 and Q4

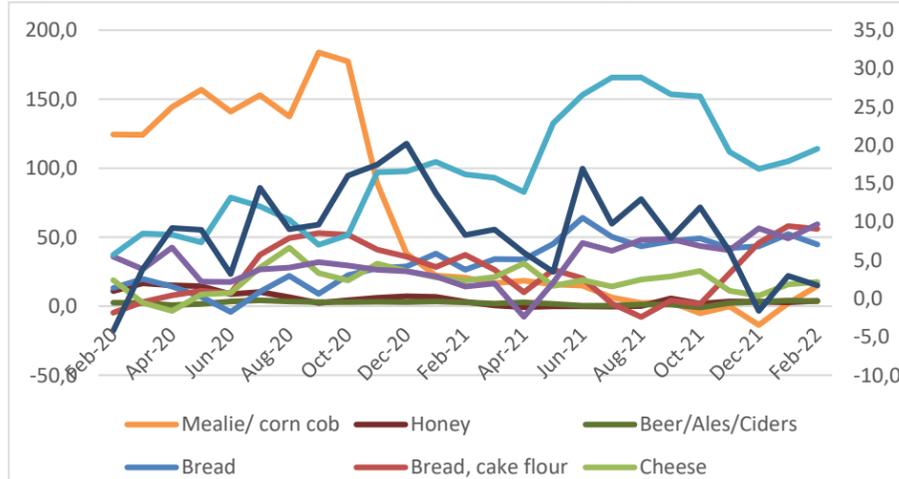
GLOBAL ECONOMY

At the beginning of 2022, the IMF lowered its global economic growth projection for 2022 to 4.4% as a result of the lingering coronavirus outbreaks, along with persistent inflation, thus weighing on prospects for the U.S, Europe, and China. The IMF projects real GDP growth of 4.0 percent for the USA and 4.8 percent (slashed by 0.8%) for China in 2022. War, sanctions, walloping inflation, scene threatens to drag the global economy back into a recession. Russia invasion on Ukraine have sent the prices of key commodities surging in the supply of certain vital commodities, such as crude oil, fertilizer, and wheat. This further boost already elevated pandemic inflation rates that are sapping consumer purchasing power and may potentially throttle global economic growth.

Furthermore, dealing with high inflation is likely to be a tricky exercise for policymakers as rates such as those seen in the USA and Europe of more than 7%, **way above their historic 2% target**, typically warrants aggressive rate hikes with USA markets are expecting at least seven rate hikes by the fed this year. China: While the IMF has slashed the 2022 expected growth rate for the Chinese economy over concerns regarding the accelerated withdrawal of fiscal support; slowing real estate investments, and weakened private consumption, China has set an ambitious GDP growth target of 5.5% for 2022. The global spill over of fuel prices into other goods will have a detrimental impact, especially on households living in poverty.

IMPACT ON NAMIBIA BY RUSSIA INVANSION ON UKRAINE

Figure 1: Namibia price inflation of selected products (%) – Feb 2020 to Feb 2022



Source: NSA, 2022

The rise in geopolitical tensions, particularly the Russia's invasion of Ukraine, has caused instability in the global economy, and small economies like Namibia's are not immune. Some of the food staples for which Ukraine is a major global producer or supplier have seen significant annual price increases in Namibia (Figure 1). For instance, cooking oil costs have risen by 21.4 percent on average in the last year. The continued resistances war against Russia invasion is likely to impair food production and exportation in Ukraine. This will have a significant influence on world food production posing a serious food security problem to nations like Namibia, who rely heavily on South Africa's food import and South Africa imports most of its wheat and sunflower from Russia and Ukraine respectively thus, Namibia can expect to see higher prices in bread, baking flours, honey, cooking oils and many other products.

Equally, food, alcohol and non-alcohol beverages accounted for about 20% of inflation making it the second biggest contributor during 2021. Beer producing countries are likely to scramble for barley from other countries if risks to barley production in Ukraine leads to increase in global prices of barley as well as higher beer prices. Currently Namibia does not produce barley and therefore remains vulnerable to volatile global barley prices; this could lead to an increase in cost of production

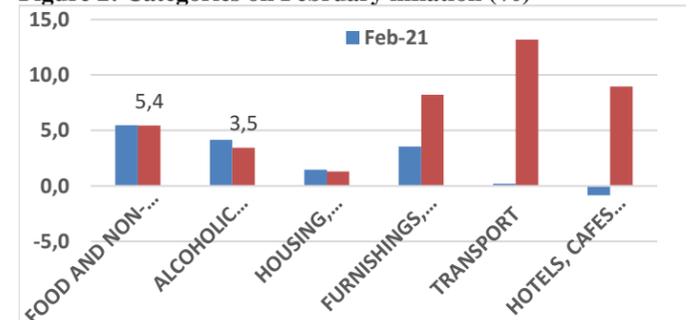
For beer and ultimately higher prices for different beer products given that it recorded an inflation amounting to 3.5 percent in February 2022. Similarly, if global oil prices remain elevated or continue to rise (which is most likely), then Namibians can expect higher fuel prices for the remainder of 2022, potentially reaching levels of N\$18 to N\$20 per litre (Simonis Storm, 2022).

CONSUMER PRICE FEBRUARY 2022

The annual inflation rate for February 2022 stood at 4.5 percent, up from 2.7 percent recorded 2021 an increase of 1.7 percentage points. The monthly increase in the inflation rate was recorded at 0.2 percent down from an increase of 1.1 percent recorded in January 2022.

The main drivers of the higher inflation for February 2022 were *Transport; Food and non-alcoholic beverages; Alcoholic beverages & tobacco and furnishing, household equipment and routine maintenance of the house housing, water, electricity, gas, and other fuels and recreation and culture and Education, Hotels, cafes as well as restaurant* This was irrespective of a decline in price level of *communication, clothing and footwear*.

Figure 2: Categories on February inflation (%)



Source: NSA, Feb 2022

The *housing, water, electricity, gas, and other fuels* annual inflation increased by 1.3 percent during February 2022 compared to 1.5 percent registered during the same period last year.



CONSUMER PRICE FEBRUARY 2022 cont....

The increase albeit marginal was reflected in the subgroups of *electricity, gas and other fuels* which recorded a deflation of 0.1 percent.

Food and non-alcoholic beverages increased by 5.4 percent during the month of February 2022 compared to 5.5 percent witnessed during the same period last year. On a monthly basis, price levels for this category rose by 1.0 percent during the period under review compared to 0.4 percent recorded a month earlier. The increase in this category was reflected in food sub-category accounting for 14.8 percent

The annual inflation rate for *Transport* continues to be the main driver of the overall inflation, increasing by 13.2 percent in February 2022 compared to 0.2 percent recorded in February 2021. In addition, the increases in the *Transport* component were reflected in the price levels of *Operation of personal transport equipment* which increased by (18.5 percent from a deflation of 3.0 percent) and *public transport* (from 0.4 percent to 9.6 percent). Monthly inflation rate increased by 1.0 percent in February 2022 compared to 0.0 percent recorded in January 2022.

During February 2022 *alcoholic beverages and tobacco* annual inflation rate rose by 3.5 percent compared to 4.2 percent registered in February of the preceding year. The slowdown was registered in decreases observed in price levels of *Tobacco* which stood at 3.8 percent compared to 9.7 percent registered last year. On a monthly basis, prices for this category declined by 0.8 percent compared to an increase of 0.9 percent recorded in the previous month.

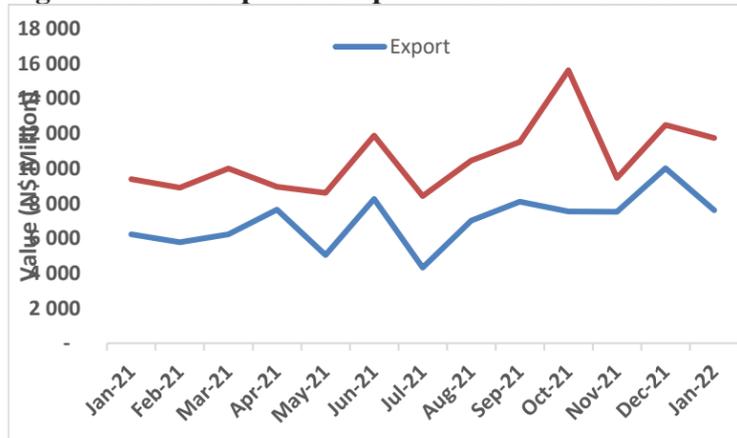
INFLATION EXPECTATION

Going forward the annual inflation is anticipated to rise to 4.6 percent in Q₁ of 2022 before moderating to 4.4 percent in Q₂ and 4.2 percent in Q₃ (BoN, 2022). The categories that are expected to contribute heavily to the forecasted inflation are Food, Alcoholic Beverages & Tobacco, and Transport given the significance of these categories within the CPI basket. This increment is kept afloat by the *disruption in* Brent crude oil production following the Russian invasion of Ukraine, the surge in prices of wheat, maize and fertilisers, which will exert upward pressure on food price inflation. Long-term inflation expectations remain well anchored, however, the recent spike in exchange rate volatility, energy prices and supply chain woes have increased the uncertainty surrounding the short-term inflation outlook.

TRADE STATISTICS

Namibia's exports earnings stood at N\$ 7.6 billion an increase of 22 percent y-o-y while the imports bill amounted to N\$11.7 billion up by 24.9% y-o-y. This resulted in a trade deficit of N\$4.1 billion, compared to N\$2.5 billion recorded in December 2021. For the Month of January, top export products were copper blisters accounting for 26.6 percent, uranium 12.8 percent, nonmonetary gold 11 percent, followed by Fish 10.7 percent and finally precious metal contribution of 8.0 percent. The Top five commodities jointly account for 77.7 percent of total exports.

Figure 3: Total export & import Jan 2021-Jan 2022



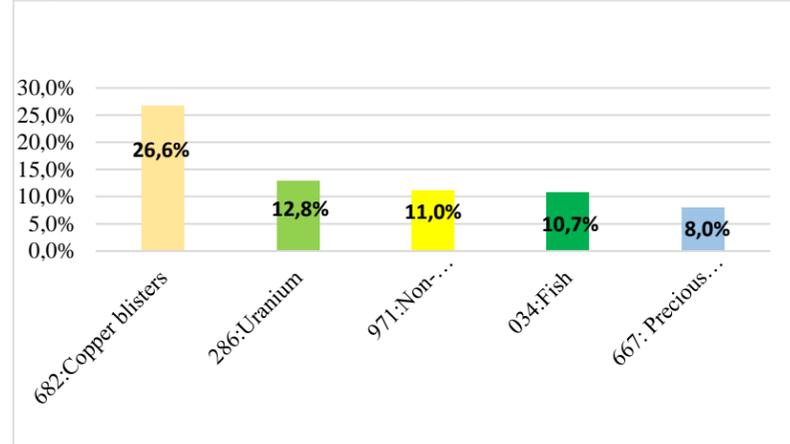
Source: NSA 2022

The value of exports in January 2022 declined by 24.0 percent to N\$7.6 billion from its December 2021 level of N\$10 billion. However, there was a 22.0 percent increase, when compared to the N\$6.2 billion recorded in January 2021.

TRADE STATISTICS cont....

Imports stood at N\$11.7 billion, reflecting a decrease of 6.0 percent m-o-m but recorded an increase of 24.9 percent on annual basis. Following these developments in both flows, Namibia's total merchandizes trade (exports less imports) recorded a deficit of N\$19.3 billion, a 14.0 percent improvement when compared to N\$22.5bn recorded in January 2022. On the contrary, on annual basis, the merchandize trade deficit worsened by 23.8 percent when compared to N\$16.8 billion recorded in January 2021.

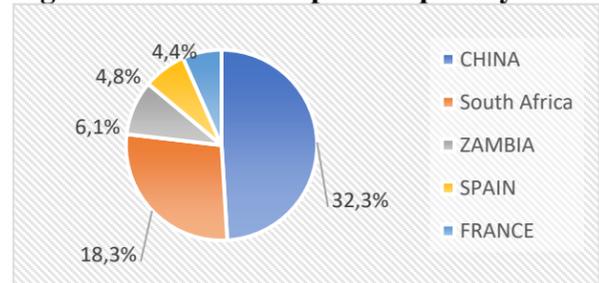
Figure4: % Share of Top 5 export products



Source: Namibia Statistics Agency 2022

For January 2022, the top five export destinations were China (32.3 percent), South Africa (18.3 percent), Zambia (6.1 percent), Spain (4.8 percent), and France (4.4 percent). Namibia's trade composition by partner showed that China emerged as the largest export market whereas South Africa maintained its position as the 2nd largest source market for the country. These top five markets accounted for 65.9 percent of Namibia's total exports, up from 55.1 percent witnessed in December 2021 and a decrease from 66.7 percent recorded in January 2021.

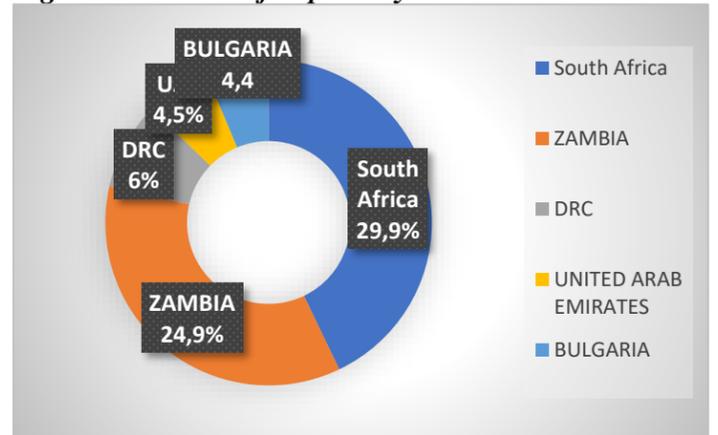
Figure 5 % Share of top five export by countries



Source: Namibia Statistics Agency 2022

During the period under review, the value of export amounted to N\$7.6 billion down from N\$10.0 billion witnessed in December 2021 and an increase from N\$6.2 billion recorded in January 2021. The top five commodities exported jointly accounted for 69.1 percent of total exports with copper blisters taking the lead with the largest share of 26.6 percent. Following in the second position is uranium with a share of 12.8 percent of all commodities exported. Non-monetary gold ranked third, contributing 11.0 percent to total imports while fish and precious stones (diamonds) followed in the fourth and fifth positions with contributions of 10.7 percent and 8.0 percent, respectively (Figure 4).

Figure 6 % Share of imports by countries

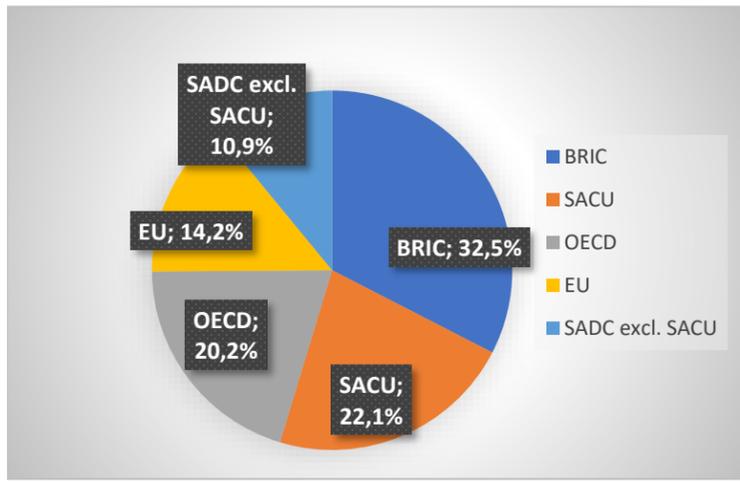


Source: Namibia Statistics Agency 2022

The BRIC emerged as the largest export destination for Namibia's goods during the month under review counting for 32.5 percent of total exports, (figure 6). The SACU and OECD countries followed in the second and third positions absorbing 22.1 percent and 20.2 percent of the Namibia's total export share respectively.

In addition, EU market absorbed 14.2 percent of Namibia's total export and SADC excl. SACU taking the last spot and taking up 10.9 percent of the country's export.

Figure 7 % of export by economic region



Source: Namibia Statistics Agency 2022

COMESA market became the largest source of imports for Namibia, accounting for 33.6 percent of all goods imported (mainly Copper blister, Petroleum oils, and Inorganic chemical elements) for January 2022. The second import market was the Southern Africa Customs Union (SACU) with a share of 31.6 percent and mostly supplied Namibia with petroleum oils, motor vehicles for the transport of goods; ores and concentrates of base metals; motor cars, and alcoholic beverages. While the SADC excl. SACU and the EU contributed 31.2 percent and 10.9 percent, respectively and hence ranking these regions to be the third and fourth largest source of imports into the country.



SUMMARY OF ANALYSIS FNB HOUSING AND RENTAL PRICE INDEX

FNB rental price Index

As the impact of Covid-19 continues to wean off, combined with the re-opened economies, rental growth in Namibia is yet again back on its upward trajectory, recording smaller contractions over time. As such, at the end of 2021, the rental price index in Namibia posted a contraction of 0.7%. This represents a significant improvement when compared to a contraction of 2.1% recorded a year earlier. In dollar terms, the national weighted average rent came in at **N\$6,728** at the end of 2021 from **N\$6,747** a year ago. Furthermore, the more-than-3-bedrooms segment has consistently kept the rental growth momentum upbeat relative to other segments, recording **N\$18 747** in December 2021.

This reflects a y-o-y rental growth of 9.7% and continues to reaffirm the growing relevance of the multi-family market as housing affordability issues linger. The emerging recovery in overall rental price growth is also evident within the one-bedroom and the three-bedroom segments, as the decline in rents continues to soften. In effect, rental prices in these segments contracted by the same magnitude of 0.4% y-o-y, bringing the respective 12-month average rents to **N\$3 646** and **N\$9 689**.

Figure 8: FNB Rental Index Growth

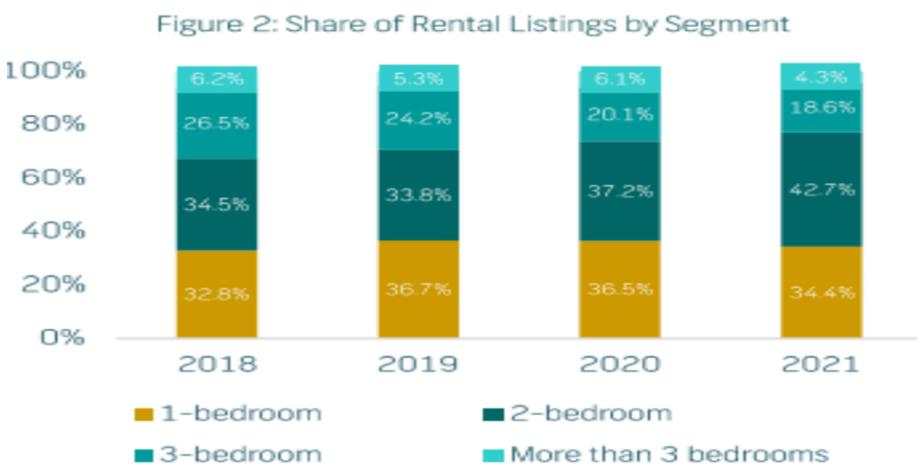


On the other hand, the two-bedroom segment appeared to have lagged the rental price frontier which posted a 12-month average rent of N\$6 424 over the same period of 2021. This reflects a y-o-y contraction of 6.7%, compared to a contraction of 2.3% realized over the same period of 2020. This is due to the inherent higher inventories and the resultant risk of tenants having greater bargaining power over landlords.

Source: FNB Rental Index growth Report, 2022

The Namibian housing market continues to be stable defining a high point for the country's rental market. However, with the current housing supply falling short of the demand and thus creating a gap between supply and demand. The gap is due to the high cost of land servicing there is considerable scope for investors to deliver the 'rent to own' housing options.

Figure 2: Rental listing by segment



The residential rental listings declined significantly by **32.7** percent y-o-y in 2021 to about **10, 784** units. This was the lowest level observed since 2018 points to a rapid absorption rate as tenants take advantage of reduced rents. However, the two-bedroom units accounted for a higher proportion of rental listings of **42.8%** in 2021 up from **37.2%** in 2020. Conversely, rental listings for more than 3 bedrooms segment dropped by 2.2 percentage points to **4.3%** in 2021, indicating shrinking rental opportunities for that marker due to lower inventory and general shift preferences toward bigger rental space.

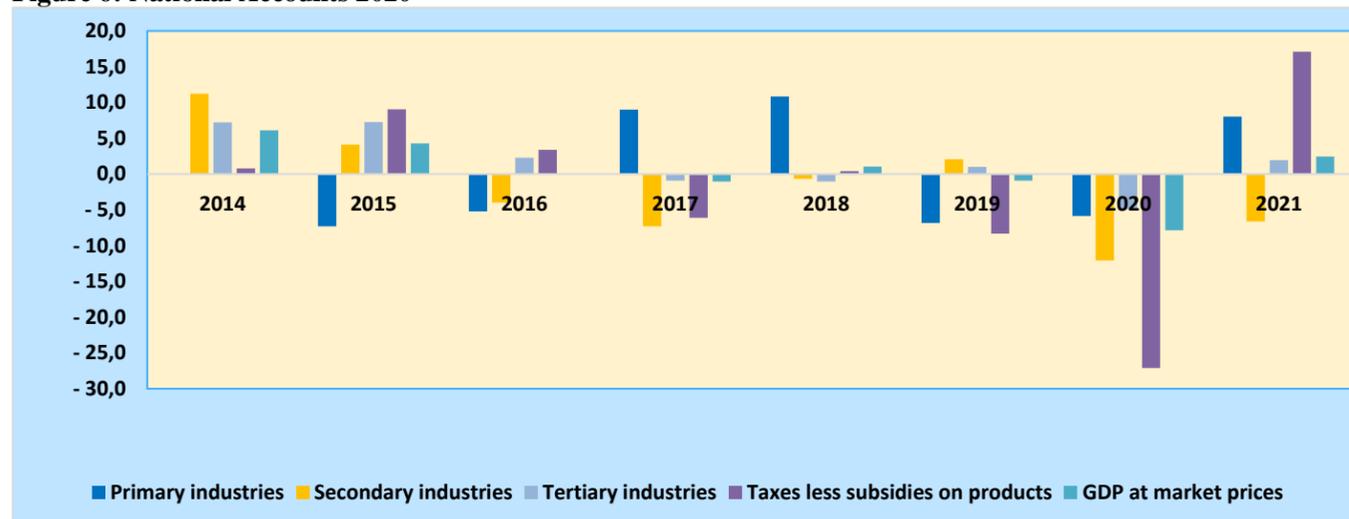
Source: FNB Rental Index growth Report, 2022

The rental market appears to be rebounding after a year and a half of persistent declines in rental index growth, owing to cooled negotiability and tenant demand for larger apartments.

PRELIMINARY NATIONAL ACCOUNTS 2021

According to preliminary national accounts released by NSA the Namibian economy rebounded to growth for the first time in two years, growing by 2.4 percent in 2021 compared to a contraction of 7.9 percent recorded in 2020 during the height of COVID-19 pandemic. Following the relaxation of COVID-19 measures imposed in 2020 because of receding pandemic, economic activities have picked up in 2021. The increase in the economic activities which lead to the positive trajectory was notably observed in the Primary and Tertiary industries. The secondary industries performance remained weak albeit showing signs of improvement from a double-digit contraction.

Figure 6: National Accounts 2020



Source: NSA 2022

In addition, the nominal GDP increased to N\$ 180.8 billion from N\$ 173.9 billion measured in 2020, expanding by N\$ 6.9 billion. The *Tertiary industries* in 2021 accounted for a lion share of 58.6 percent of GDP. The Primary industries accounted for 18.5 percent share while the Secondary industries accounted for a share of 15.9 percent to GDP. The category of ‘Other’ includes Taxes minus subsidies that are added to GDP at basic prices to obtain GDP at market prices. The latter, accounted for a share of 6.9 percent to GDP in 2021.

Primary industries recorded a growth of 8.0 percent in 2021 compared to a contract of 5.9 percent in 2020. The improved performance was main observe in agriculture, forestry and fishing sector that contributed 2.0 percent during 2021 compared to a growth of 6.5 percent recorded in 2020. *Crop farming and forestry* sector recorded a slow growth of 4.6 percent in during 2021, compared to a robust growth of 77.6 percent in 2020. However, the sector’s growth is being undermined by the contraction *Livestock farming* of 2.2 percent, though an improved performance when compared to a steeper contraction of 9.7 percent in 2020. Fishing sector recorded a growth of 3.2 percent in 2021 compared to a contraction of 9.0 percent recorded in 2020. Mining and quarrying sector grew by 13.6 percent. The improvements in the sector were mainly observed in the diamond, uranium and ‘other mining and quarrying’ subsectors that witnessed growths in real value added.

Metal ores sector contracted by 0.6 percent in 2021, slightly better performance when compared to a contraction of 20.7 percent reported in 2020. The contraction was attributed to the reduction in production of copper and manganese minerals. *Diamond* recorded a growth of 2.5 percent relative to a decline of 14.9 percent noted in 2020. The performance is attributable to an increase in carats produced in the reporting period. Lastly, the *Uranium* recorded a significant growth of 25.8 percent in 2021, after experiencing a contraction of 8.5 percent in the preceding year due to low demand and impact of COVID-19 measures. The substantial performance reflected in the increase of production is owed to the high global demand of uranium ores.

Secondary industries recorded a contraction of 6.6 in 2021 percent compared to a contraction of 12.5 contraction in 2020. The contraction is prompted by declines of 6.2 percent in *manufacturing* and 10.2 percent in *construction*. The improvement in contraction of manufacturing was mainly attributed to a strong growth in subsectors of beverage (17.7%), Textile and wearing apparel (17.3%) and Leather (16.8%). On the other hand, Wood and wood products, Grain mill products and Fabricated Metals’ subsectors also posted positive growths of 7.4 percent, 6.7 percent, and 3.7 percent, respectively. However, the contraction was increased by the poor performance of 5.7 in water and electricity percent in 2021 compared to an extensive growth of 22.8 percent registered in 2020 and the poor performance reflected in construction.

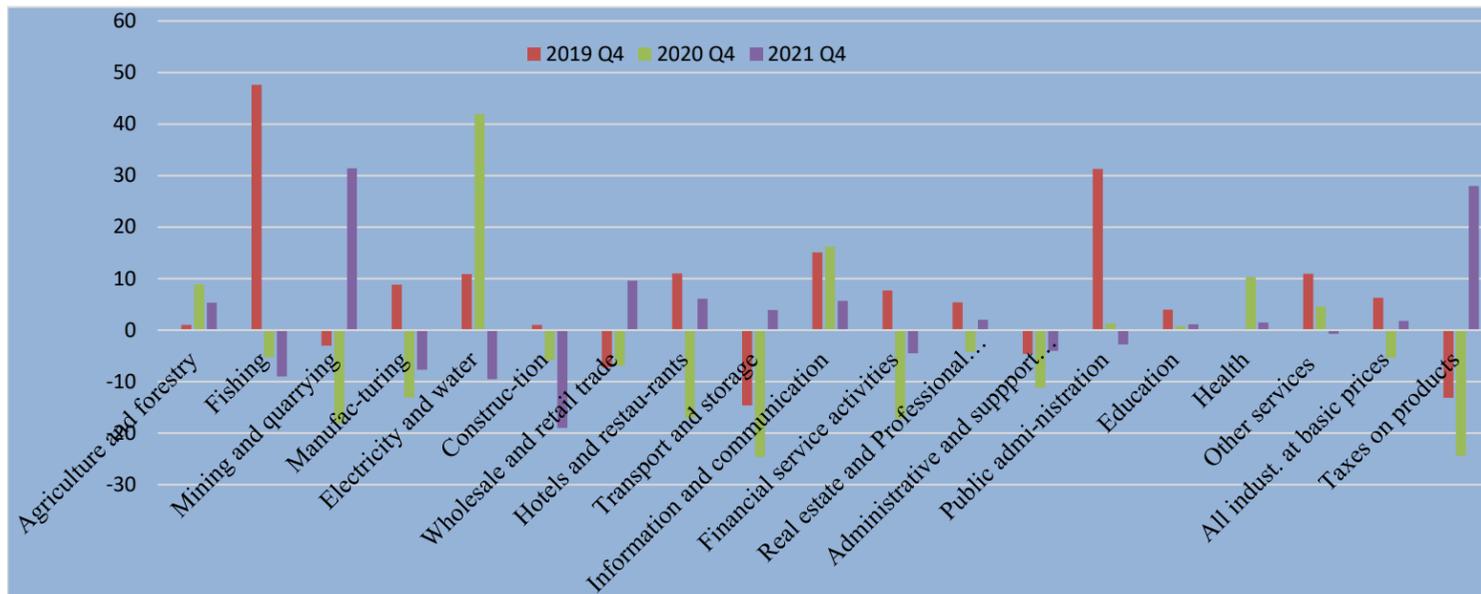
Tertiary industries recorded growth of 1.9 percent in 2021 compared to 4.9 contraction in 2020. The improvement was ascribed by the positive performance in major sectors such as Wholesale and retail trade, transport and storage, hotels and restaurants, Real estate activities, education, and health sector. Hotel and restaurant recorded the greatest growth of 10.4 percent in 2021, compared to a negative growth of 30.4 percent witnessed in 2020.

The improved performance in the sector is attributable to both Hotels and Restaurants subsectors that posted positive growths of 13.8 percent and 2.7 percent respectively. The growth witnessed within the sector was also due to relaxation of COVID-19 travel and gathering restrictions, resulting in high demand for leisure, conferencing, and accommodation services. In comparison to previous year transport and storage rose by 2.8 percent in 2021 compared to a decline of 22 percent recorded in 2020.

The 2.4 percent growth recorded in 2021 is slightly close to 2.1 and 1.5 percent the MEWG and BoN earlier projection. However, it is 1.2 percent and 1.5 percent higher than the revised 1.2 percent and 0.9 percent respectively. Revision was necessary because of additional and improved information that were not available at the time of projections. Therefore, the large disparity between the forecasts and the preliminary outcome in 2021 is mostly due to better-than-expected development in several sectors and industries, such as mining, agriculture, wholesale and trade, hotels, and restaurants.



Figure 7: Quarter 4 GDP growth at constant price 2019-2021



Source: NSA, 2022

The domestic economy performance remains optimistic in the fourth quarter of 2021, recording a growth of 3.3 percent compared to a contraction of 6.6 percent recorded in the corresponding quarter of 2020. In nominal terms, GDP stood at N\$ 48.5 billion in the quarter under review relative to the N\$ 45.2 billion posted in the same quarter of 2020. This shows that the size of the economy increased by N\$ 3.3 billion y-o-y. On the other hand, the economy shows signs of recovering from the prolonged lockdown due to COVID-19 in 2020.



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