



IJG ECONOMIC UPDATE

Q2 2021 GDP Update

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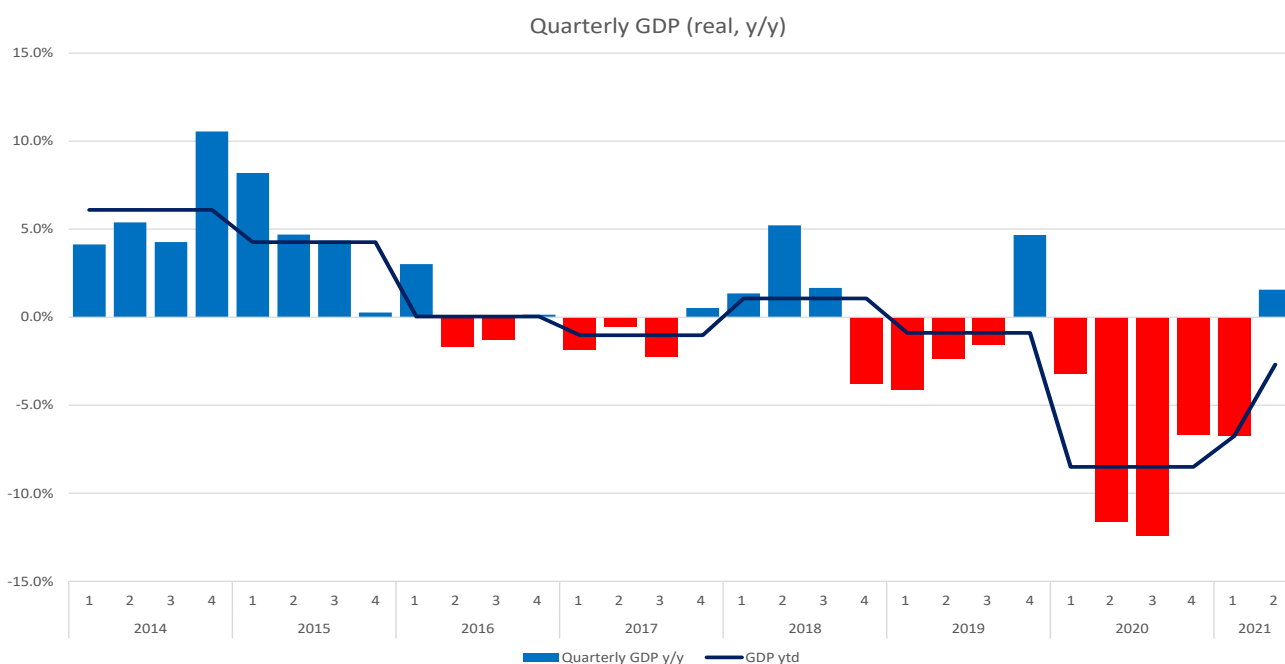
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Namibia Q2 2021 GDP Update

Second quarter (Q2) data from the Namibian Statistic Agency (NSA) shows that Namibia’s Real Gross Domestic Product (GDP) grew by 1.6% y/y in Q2, the first year-on-year quarterly expansion in the economy since Q4 2019. Quarter-on-quarter GDP growth rose to 3.7%.

Data revisions stretched back to Q1 2019. The principal takeaway from these revisions is that Namibia’s recession in 2020 may have been more severe than first estimated. First quarter data from 2021 showed the economy contracting by 11.4 % y/y and 11.9% y/y in Q2 2020 and Q3 2020 respectively. Those contractions are now estimated to be 11.6% y/y and 12.4% y/y. With Q4 2020 also revised downwards the NSA’s data currently indicates that Namibian GDP fell by 8.5% in 2020. It is from this historically low base that the economy grew 1.6% y/y in Q2.



Source: NSA, IJG Securities

In Q2, 12 of the economy’s 18 sectors expanded. The sectors which recorded the largest growth were Hotels & Restaurants, up 34.3% y/y and Other Services, up 29.3% y/y. Wholesale & Retail trade, and Administrative and Support services also grew by 17.3% y/y and 15.6% y/y respectively. A cursory analysis of the data shows that the sectors registering the biggest expansions in Q2 2021 were also those that contracted the most in Q2 2020. The effects of this contraction will not dissipate quickly. Despite their growth this quarter, the four fastest growing sectors all remain below their Q2 2019 levels in terms of real GDP activity.

Wholesale & Retail has consistently been one of the largest sectors of the economy, accordingly the 17.3% y/y growth in the sector added 1.5 percentage points to GDP growth in Q2. Given the relatively small contribution of the Hotels & Restaurants sector to the overall economy, the 34.3% y/y growth in the sector only contributed 0.4 percentage points to GDP growth in Q2. Additionally, Other Services and Fishing contributed 0.5 and 0.4 percentage points respectively. On the downside, Financial Services and Agriculture & Forestry weighed on growth with negative contributions of 1.4 and 0.6 percentage points respectively.



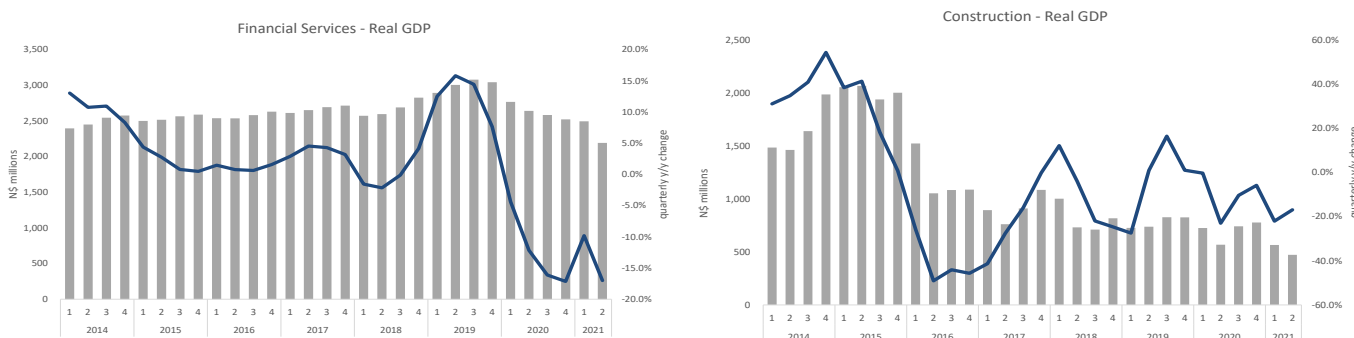


Of the six sectors that shrunk, financial services and construction experienced the steepest contractions. The 16.9% y/y contraction in the construction sector corresponds to primary data on the number of construction projects approved and completed in the quarter. In Q2 2021 much of Namibia re-entered lockdown and construction slowed as a result. The reported contraction of the financial services sector is nuanced and more difficult to explain. In their latest earning reports three of Namibia's four largest banks posted steady results, meaning that this sector's contraction must instead stem predominantly from the cancelation of existing insurance policies and lack of demand for new ones. There is a good chance that this contraction is revised upwards since it is the banks, not stand-alone insurers that make up the bulk of this sector.

Expanding Sectors



Contracting Sectors



Source: NSA, IJG Securities

Year-to-Date Growth Rates in Real GDP

Year	Quarter	Agriculture	Fishing	Mining and quarrying	Manufacturing	Electricity and water	Construction	Wholesale and retail trade	Hotels and restaurants	Transport and communication	Information and communication	Financial intermediation	Real estate activities and business services	Administrative and support services	Public administration	Education	Health	Other private services	All indust. at basic prices	Taxes on products	GDP at market prices
2014	1	-13.5%	28.8%	-3.7%	-8.0%	-6.5%	31.0%	22.6%	13.5%	9.4%	1.6%	13.0%	4.9%	-11.0%	-13.4%	13.4%	48.3%	3.9%	4.5%	0.0%	4.1%
	2	4.0%	23.8%	-1.5%	-4.1%	-1.8%	32.8%	12.1%	12.6%	8.6%	-1.1%	11.9%	2.9%	-4.9%	-5.5%	15.0%	16.0%	5.9%	5.5%	-3.9%	4.8%
	3	3.5%	16.1%	-6.0%	-0.2%	2.3%	35.6%	12.4%	12.7%	9.8%	-1.1%	11.6%	2.8%	-6.1%	-3.9%	10.4%	8.2%	7.1%	5.1%	-1.5%	4.6%
	4	4.4%	9.5%	-4.5%	3.7%	5.2%	40.8%	13.0%	11.1%	10.1%	2.9%	10.7%	3.3%	-0.4%	-0.1%	8.3%	11.2%	7.2%	6.5%	0.8%	6.1%
2015	1	-5.0%	-3.6%	2.9%	1.9%	13.6%	38.4%	7.5%	11.5%	28.7%	17.8%	4.4%	2.4%	1.9%	15.6%	4.4%	13.9%	3.4%	8.1%	9.1%	8.2%
	2	-22.9%	-4.2%	-2.4%	2.4%	8.7%	39.8%	9.3%	9.4%	24.8%	20.1%	3.6%	3.8%	5.3%	17.9%	1.2%	19.1%	2.0%	6.1%	10.8%	6.4%
	3	-18.8%	-7.9%	0.1%	-0.5%	5.4%	32.1%	8.7%	3.4%	20.3%	13.6%	2.6%	4.6%	11.3%	17.2%	-2.4%	22.1%	1.2%	5.3%	10.6%	5.7%
	4	-12.7%	-9.2%	-4.0%	-3.2%	5.8%	22.7%	7.0%	4.0%	19.4%	11.6%	2.1%	5.1%	6.6%	16.1%	-2.5%	19.5%	0.9%	3.9%	9.0%	4.3%
2016	1	-6.8%	7.9%	-6.2%	13.9%	17.5%	-25.8%	10.3%	4.5%	-5.4%	3.0%	1.5%	5.5%	-1.9%	-3.5%	6.8%	18.2%	1.9%	2.5%	9.9%	3.0%
	2	0.9%	12.3%	-15.9%	8.5%	20.3%	-37.5%	7.5%	1.6%	-1.1%	2.7%	1.1%	4.2%	-14.6%	-0.8%	4.2%	17.1%	2.4%	0.1%	7.2%	0.7%
	3	-3.4%	10.2%	-13.8%	10.2%	20.7%	-39.6%	3.3%	4.4%	2.5%	5.3%	1.0%	2.6%	-20.6%	0.6%	3.6%	13.4%	2.6%	-0.3%	3.7%	0.0%
	4	-4.2%	11.7%	-10.7%	10.0%	21.8%	-41.1%	3.0%	4.3%	5.5%	6.0%	1.1%	1.6%	-16.1%	-0.1%	3.4%	9.8%	2.5%	-0.3%	3.4%	0.0%
2017	1	10.5%	7.8%	7.7%	-5.0%	-4.0%	-41.3%	-5.5%	-3.8%	8.5%	2.4%	2.9%	1.5%	-1.8%	2.1%	-2.0%	-2.9%	0.7%	-1.5%	-5.3%	-1.8%
	2	7.0%	-0.4%	12.1%	-3.5%	-9.4%	-35.7%	-7.1%	1.1%	1.2%	1.5%	3.7%	0.6%	-4.8%	3.1%	1.7%	-2.7%	0.2%	-0.9%	-4.9%	-1.2%
	3	10.0%	-0.3%	11.7%	-2.4%	-12.1%	-29.9%	-8.8%	1.1%	-3.5%	2.9%	3.9%	2.0%	2.0%	0.9%	-2.8%	-1.9%	-0.1%	-1.3%	-5.0%	-1.6%
	4	4.5%	0.8%	14.2%	-1.6%	-16.6%	-23.1%	-9.4%	-1.4%	-4.1%	6.0%	3.7%	1.9%	-2.2%	2.2%	-1.7%	4.4%	-0.3%	-0.6%	-6.1%	-1.0%
2018	1	-1.9%	-2.1%	19.3%	1.2%	7.3%	12.1%	-5.8%	9.3%	-7.7%	4.9%	-1.5%	3.6%	-18.8%	8.7%	-11.4%	-4.0%	0.6%	1.4%	0.6%	1.4%
	2	5.8%	-0.2%	28.3%	0.7%	12.0%	4.7%	-2.0%	4.6%	-1.7%	3.5%	-1.8%	3.8%	-10.5%	6.4%	-5.5%	-4.3%	0.7%	3.3%	2.7%	3.3%
	3	4.2%	1.1%	22.7%	0.7%	12.4%	-4.8%	-3.9%	7.0%	-1.1%	0.7%	-1.3%	2.3%	-3.5%	5.0%	0.3%	-4.2%	0.5%	2.9%	1.1%	2.7%
	4	6.9%	0.1%	16.1%	-0.4%	11.3%	-10.7%	-5.0%	4.7%	0.6%	-2.2%	11.9%	12.5%	-1.0%	0.4%	0.4%	-9.1%	0.0%	1.1%	0.4%	1.1%
2019	1	4.7%	-12.2%	-4.5%	-2.7%	-16.1%	-27.4%	-6.6%	-1.2%	10.2%	3.5%	12.5%	-1.0%	8.5%	-14.9%	-0.5%	-3.0%	-4.9%	-4.2%	-3.7%	-4.1%
	2	-20.2%	-7.1%	-14.1%	6.4%	-10.2%	-15.5%	-6.5%	4.6%	8.7%	7.9%	14.2%	-0.7%	7.0%	-9.0%	0.6%	-2.0%	-4.3%	-3.2%	-4.0%	-3.2%
	3	-15.2%	-0.3%	-11.5%	3.4%	-10.7%	-6.2%	-8.1%	-1.3%	2.3%	10.8%	14.3%	0.6%	-2.2%	-5.7%	0.9%	-2.1%	-2.4%	-2.3%	-7.4%	-2.7%
	4	-11.0%	8.1%	-9.5%	4.7%	-5.9%	-4.4%	-7.9%	1.5%	-2.2%	11.9%	12.5%	1.8%	-3.0%	1.5%	1.7%	-1.6%	0.9%	-0.2%	-8.8%	-0.9%
2020	1	-10.9%	-1.1%	-2.9%	-7.4%	0.5%	-0.3%	-4.8%	-13.4%	-13.2%	14.8%	-4.4%	7.6%	1.9%	-3.0%	4.8%	0.6%	25.3%	-1.8%	-20.1%	-3.2%
	2	36.2%	-9.0%	-3.9%	-18.6%	7.2%	-11.7%	-15.4%	-32.6%	-20.8%	16.4%	-8.4%	5.3%	-13.9%	-4.2%	1.0%	1.3%	-4.8%	-5.7%	-29.6%	-7.5%
	3	23.8%	-10.9%	-13.8%	-20.2%	11.7%	-11.3%	-13.1%	-35.9%	-22.6%	17.8%	-11.0%	3.9%	-12.7%	-2.9%	-0.2%	2.5%	-7.8%	-7.6%	-28.5%	-9.1%
	4	19.4%	-9.5%	-14.9%	-18.3%	19.5%	-9.8%	-11.6%	-31.2%	-23.1%	17.4%	-12.6%	1.5%	-12.2%	-1.8%	0.1%	4.5%	-4.4%	-7.1%	-27.5%	-8.5%
2021	1	-4.4%	0.1%	-21.5%	-20.1%	8.5%	-22.0%	-5.2%	-10.4%	-8.7%	14.3%	-9.8%	4.1%	-10.6%	1.6%	-0.3%	12.6%	-4.3%	-6.1%	-16.9%	-6.7%
2022	2	-6.3%	6.5%	-12.7%	-12.7%	-2.1%	-19.8%	5.0%	7.0%	-4.5%	11.0%	-13.3%	4.7%	2.2%	3.3%	0.8%	10.3%	7.3%	-2.5%	-6.6%	-2.7%

Source: NSA, IJG Securities

The Bottom Line

Namibia's economy was expected to grow this quarter and so it did. The Bank of Namibia's (BoN) first forecast of the year estimated that the economy would grow by 2.7% over the course of the year and while Q2 growth missed that estimate it is in line with the BoN's revised Mid-year estimate of 1.4% growth in 2021.

Growth, any growth, is a good sign but hitting the initial 2.7% for 2021 was always going to be more difficult after the contraction in Q1 2021. In the spirit of aspiration, consider what growth would be necessary over the coming two quarters to meet BoN's initial estimates for the year.

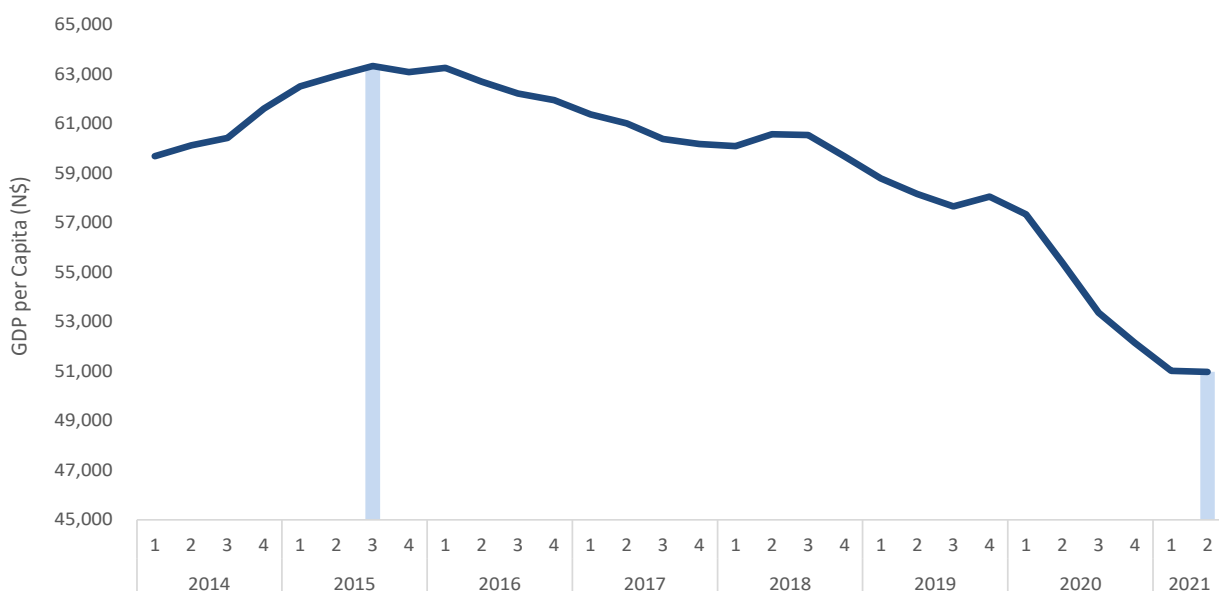
At the end of 2020 Namibia's yearly GDP stood at roughly N\$132.5 billion. Growth of 2.7% y/y would bring that figure to N\$136.1 billion by the end of 2021. Namibia's current year-to-date GDP (the sum of GDP from the first two quarters) is N\$64.3 billion, therefore if the initial estimates are to be met then the economy will need to add N\$71.8 billion in real value over the next two quarters. Assume this is split evenly between the next two quarters and it follows that GDP growth will need to be 13.4% y/y in Q3 and 3.3% y/y in Q4. Given Namibia's current economic environment, BoN's initial 2.7% estimated increase in 2021 looks a long way off.



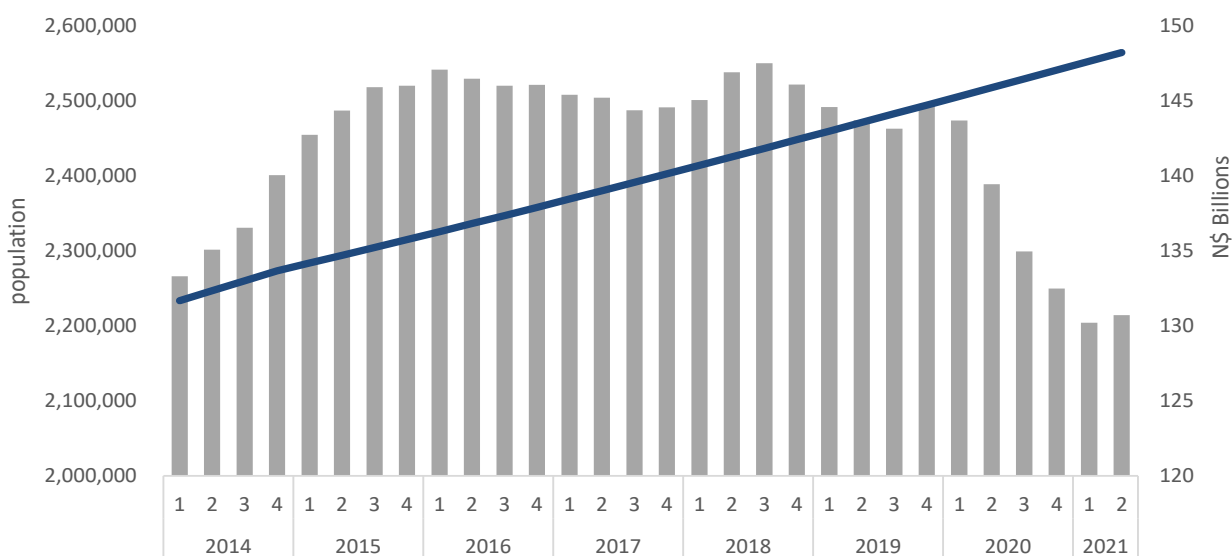
GDP per capita is a primary measure of economic development. As it drops, so do living standards for the average Namibian. GDP per capita peaked in Q3 2015 and has since been steadily declining, reaching a new low in Q2 2021. Granted, the following figures are speculative (the population data needed to calculate GDP per capita is largely interpolated from World Bank datasets that stretched only until 2019, the last Namibian census was in 2011) but the only relationship that needs to hold for real GDP per capita to decrease over time is for the rate of GDP contraction to be greater than the rate of population *decrease*, and it is exceedingly unlikely that Namibia’s population has decreased in the past five years.

Recording growth was a significant, if expected step on the road to recovery. While few are expecting real GDP to return to 2015, or even 2019 levels in over the next couple years boosting GDP per capita remains an achievable and meaningful goal.

GDP per Capita



Population & Real GDP



Source: World Bank, IJG Securities



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